



Recent Growth Trends of Automobile Industry in India

KEYWORDS

Automobile Industry, Production, Sales, Growth

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ABSTRACT *One of the major industrial sectors in India is the automobile sector. Subsequent to the liberalization, the automobile sector has been aptly described as the sunrise sector of the Indian economy. This sector has witnessed tremendous growth during the last two decades. On the canvas of the Indian economy, automobile industry occupies a prominent place. The study focuses on the growth and development of Automobile industry in India. A sound transportation system plays a pivotal role in the country's rapid economic and industrial development. The Indian automobile industry provides direct employment to 1 million people and indirect employment to 18 million people in the country.*

Introduction

Automobile industry is the key driver of any growing economy and plays a pivotal role in country's rapid economic and industrial development. It plays a major catalytic role in developing transport sector in one hand and help industrial sector on the other to grow faster and thereby generate a significant employment opportunities. In India, automobile is one of the largest industries showing impressive growth over the years and has been significantly making increasing contribution to overall industrial development in the country. Automobile industry includes two wheelers, three wheelers, commercial vehicles and passenger vehicles. The Indian automobile industry has made rapid strides since delicensing and opening up of the sector in 1991. It has witnessed the entry of several new manufacturers with the state-of-art technology, thus replacing the monopoly of few manufacturers. There are 19 manufacturers of passenger cars & multi utility vehicles, 16 manufacturers of commercial vehicles, 10 manufacturers of two wheelers and 7 manufactureres of three wheelers in India. Presently, India is the world's second largest manufacturer of two wheelers, fifth largest manufacturer of commercial vehicles and fourth largest manufacturer of tractors. It is the seventh largest passenger car market in Asia as well as a home to the largest motor cycle manufacturer. The installed capacity of four wheelers is 6.59 million units, two and three wheelers is 20.74 million units. The Indian automobile industry has attained a turnover of USD 67,607 million and provides direct employment to 1 million people and indirect employment to 18 million people in the country.

Literature review

Jagan Mohan Rao (1993) in 'Financial appraisal of Indian Automotive Tyre Industry' studied the financial appraisal of Indian automotive tyre industry. The study was intended to probe into the financial condition-financial strength and weakness-of the Indian tyre industry. Singh Surjeet, and Khan Ahmed Irshad³, (1991), attempted to explain that the development of automobile industry has been a powerful stimulant to the industrial growth in the economically developed as well as developing countries. Some of the earlier characteristics of the industry have been limited production and sales, dependence on import of vehicles and components, cost in efficiency, low quality and reliability, backward technology, lack of modernization,

fuel inefficiency, existence of seller's market, and almost in-different attitude of the govt.

Objectives of the study

The objectives of the present study are to study the production trend of Automobile industry, study the sales trend of Automobile industry and analyse the overall growth and development of Automobile industry.

Classification of Automobile Industry

The automobiles sector is categorized in four different sectors which are as follows:

- Two-wheelers which comprise of mopeds, scooters, motorcycles and electric two-wheelers
- Three Wheelers that are passenger carriers and goods carriers.
- Passenger Vehicles which include passenger cars, utility vehicles and multi-purpose vehicles
- Commercial Vehicles that are light and medium-heavy vehicles

The Indian automobile industry, comprising passenger cars, two-wheelers, three-wheelers and commercial vehicles, is the seventh-largest in the world with an annual production of 23.4 million vehicles, of which 3.5 million are exported. The dominant products of the industry are two-wheelers with a market share of over 81% and passenger vehicles with a market share of about 13%. Commercial vehicles and three-wheelers share about 6% of the market between them. About 91% of the vehicles sold are used by households and only about 9% for commercial purposes. The major companies present in the automobiles market in India include Tata Motors Limited, Maruti Suzuki India Limited, Mahindra & Mahindra Limited, Ashok Leyland Limited, Hero MotoCorp Limited, Bajaj Auto Limited, Echier Motors Limited and Force Motors Limited. Tata Motors is India's largest automobile company; the company manufactures commercial and passenger vehicles, and is the world's fourth-largest truck manufacturer and the second-largest bus manufacturer. Maruti Suzuki is India's largest passenger car company, accounting for 45% share of the Indian car market. Hero MotoCorp is the world's largest two-wheeler manufacturing company in the world. Its market share in the Indian two-wheeler segment is 41%. Bajaj Auto is the world's fourth-largest two-wheeler and three-wheeler

manufacturer. Today, India is the largest manufacturer of tractors, second largest manufacturer of two wheelers, 5th largest manufacturer of commercial vehicles and the 7th largest passenger car market in Asia.

Current status of Automobile Industry in India

The world standings for the Indian automobile sector, as per the Confederation of Indian Industry is as follows:

- Largest three-wheeler market
- Second largest two-wheeler market
- Tenth largest passenger car market
- Fourth largest tractor market
- Fifth largest commercial vehicle market
- Fifth largest bus and truck segment

The industry produced a total of 23,366,246 vehicles including passenger vehicles, commercial vehicles, three wheelers and two wheelers in April-March 2015 as against 21,500,165 in April-March 2014, registering a growth of 8.68 percent over the same period last year. The sales of Passenger Vehicles grew by 3.90 percent in April-March 2015 over the same period last year. Within the Passenger Vehicles segment, Passenger Cars and Utility Vehicles grew by 4.99 percent and 5.30 percent respectively, while Vans declined by (-) 10.19 percent in April-March 2015 over the same period last year. The overall Commercial Vehicles segment registered a de-growth of (-) 2.83 percent in April-March 2015 as compared to same period last year. Medium & Heavy Commercial Vehicles (M&HCVs) grew by 16.02 percent and Light Commercial Vehicles declined by (-) 11.57 percent. Three Wheelers sales grew by 10.80 percent in April-March 2015 over the same period last year. Passenger Carriers and Goods Carriers grew by 12.16 percent and 5.27 percent respectively in April-March 2015 over April-March 2014. Two Wheelers sales registered growth of 8.09 percent in April-March 2015 over April-March 2014. Within the Two Wheelers segment, Scooters, Motorcycles and Mopeds grew by 25.06 percent, 2.50 percent and 4.51 percent respectively in April-March 2015 over April-March 2014. In April-March 2015, overall automobile exports grew by 14.89 percent over the same period last year. Passenger Vehicles, Commercial Vehicles, Three Wheelers and Two Wheelers grew by 4.42 percent, 11.33 percent, 15.44 percent and 17.93 percent respectively during April-March 2015 over the same period last year.

Table 1.1: Indian Automobiles Industry Domestic Sales Trends

Automobile Domestic Sales Trends						(Number of Vehicles)
Category	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
Passenger Vehicles	19,51,333	25,01,542	26,29,839	26,65,015	25,03,509	26,01,111
Commercial Vehicles	5,32,721	6,84,905	8,09,499	7,93,211	6,32,851	6,14,961
Three Wheelers	4,40,392	5,26,024	5,13,281	5,38,290	4,80,085	5,31,927
Two Wheelers	93,70,951	1,17,68,910	1,34,09,150	1,37,97,185	1,48,06,778	1,60,04,581
Grand Total	1,22,95,397	1,54,81,381	1,73,61,769	1,77,93,701	1,84,23,223	1,97,52,590

Source: Siam (Society of Indian Automobile Manufacturers) Industry Statistics 2015

Table 1.2: Indian Automobiles Industry Production Trends

Automobile Production Trends						(Number of Vehicles)
Category	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
Passenger Vehicles	23,57,411	29,82,772	31,46,069	32,31,058	30,87,973	32,20,172
Commercial Vehicles	5,67,556	7,60,735	9,29,136	8,32,649	6,99,035	6,97,083
Three Wheelers	6,19,194	7,99,553	8,79,289	8,39,748	8,30,108	9,49,021
Two Wheelers	1,05,12,903	1,33,49,349	1,54,27,532	1,57,44,156	1,68,83,049	1,84,99,970
Grand Total	1,40,57,064	1,78,92,409	2,03,82,026	2,06,47,611	2,15,00,165	2,33,66,246

Source: Siam (Society of Indian Automobile Manufacturers) Industry Statistics 2015

Growth and Development of Automobile Industry in India

It is a known markets fact that health of country's automobile industry is one of the key indicators of the manufacturing competitiveness of the country. India has emerged as one of the key global (both as consumption and as production base) in automobile industry and particularly in last few years it has witnessed tremendous growth and has also been base for global manufacturers. Volkswagen, Nissan, Renault, General Motors, Ford, Honda, Suzuki, Hyundai, Daimler, BMW, Skoda, Audi, all top brands are present in India and also manufacturing/assembling locally. In June 2014, the domestic passenger vehicle (PV) industry sales volumes at 218,828 units recorded a growth of 11.2% YoY, a reasonably strong performance considering the persistent weakness in demand that has weighed on industry growth in the last three years. In terms of market share, the largest player Maruti Suzuki improved its share in the domestic PV industry to 44.0% in 2014-15 (42.1% in 2013-14) as seven out of its 10 key models witnessed a positive growth. Compared to 2013-14, Hyundai and Honda improved their market share with the latter emerging as the fourth largest player (after Maruti Suzuki, Hyundai and M&M) has overtaken Tata Motors. After witnessing over two successive years of contraction in unit sales, the Commercial Vehicle (CV) industry is now showing some signs of recovery, especially in the medium & heavy duty truck segment. In terms of market share, Tata Motors has gained some of its lost market share, especially in the M&HCV (Goods) segment in 2013-14

In 2013-14, the domestic two-wheeler industry had recorded sales volumes of 14.8 million units, a growth of 7.3% over the previous year. With growth of 13.0% YoY, the month of June 2014 marked eleven consecutive months of positive volume growth for the industry, unlike various other automobile segments. The industry's growth in June 2014 was supported by continued robust demand for scooters. Sales volumes of motorcycles grew by a healthy 9.6% In terms of two-wheeler industry market share, Hero MotoCorp continues to maintain its leadership position with a share of 42.3% in 2014-15 (41.3% in 2013-14), but the gap with the second largest player Honda has been narrowing down over the years. In 2013-14, the domestic three-wheeler industry volumes had contracted by 10.9% over the prior year largely due to drop in passenger segment volumes, which accounts for majority (80%) of the three-wheeler sales in India. The drop in volumes was caused by lower demand from key metros owing to lower

permits on offer during the year. This trend has reversed in the current year with growth coming back in the segment.

Future Prospects of Automobile Industry in India

The Indian automobile industry has a prominent future in India. Apart from meeting the advancing domestic demands, it is penetrating the international market too. Favoured with various benefits such as globally competitive auto-ancillary industry; production of steel at lowest cost; inexpensive and high skill manpower; entrenched testing and R & D centres etc., the industry provide immense investment and employment opportunities.

Various initiatives by the Government of India and the major automobile players in the Indian market is expected to make India a leader in the Two Wheeler and Four Wheeler market in the world by 2020. Almost Self-governing cars are predicted to be on the streets by 2020. More than half the cars on the streets are going to be powered by diesel by 2020. High Performance Hybrid cars are likely to gain greater popularity among consumers. The Japanese auto maker Maruti Suzuki expects the Indian passenger car market to reach four million units by 2020, up from 1.8 million units in 2013-14. India is probably the most competitive country in the world for the automotive industry.

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