

Financial Performance of Automobile Industry in India



Commerce

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P. Sankaran

PhD Research scholar, PRIST-University –Vallam, Thanjavur, Assistant professor, Postgraduate department of commerce, Arignar Anna Government Arts& Science College, Karaikal

Dr. C. Gounasegaran

Associate Professor and Head, Department of commerce, Kanchi mamuniver Centre for postgraduate studies,, Government of Pondicherry,, Lawspet. Pondicherry (UT).

Dr. R. Azhagaiah

Associate professor, Department of commerce, Kanchi mamuniver Centre for postgraduate studies, Government of Pondicherry, Lawspet, Pondicherry (UT)

ABSTRACT

The automobile industry development of the nation and contribute to the considerable portion of gross domestic product (GDP). The automobile industry has grown a reasonable capture in four wheeler companies in India play a vital role in economic segments in both passenger cars and commercial vehicles in rural and urban areas. The industry which is mainly focus middle and upper classes of people, they are better standard of living and able to save money in surplus income. The auto industry produced cars in the year 2009 nearly twenty two lacs units and commercial vehicles 4.66 lacs units. It will be forecasted more than three million units' passenger cars and 1.5 million units in commercial vehicles in 2015, figures triple in production annually both segments in the next decade, these facts of understanding the role of automobile industry in the economic development of the country.

Introduction

India is one of the world most populous nations and followed by china, in recent years has attracted wide spread attention for it rapidly growing economy. In addition to national cluster India produced more than eleven million vehicles annually, raking it in the top seven automobile producing nations in the world. The automobile industries grew within the environment of industrial regulatory framework and specificities of demand and supply. The growth pattern is however shaped by the sophisticated new technology which had its own implication in the developing country like India. The motor vehicle industry belongs to the group of industries. The technologies characterizing the industry consists of the basic production, processes, casting and pressing in various combinations. The macro constraints consist of unequal distribution of income wider range of per capita incomes between upper and lower income people. It related to purchasing power of customers particularly in passenger cars. From these facts we understood the role of automobile industry in the economic development of the country. The main focus of the study the growth and development of the car industries in India.

Background of cars industry:-

It was only after 1920 that local assembly vehicles from components and parts imported in the evolution of Motor Vehicle Industry in India has many Similarities with some of the late entrants into the Indian Industry the end of World War I complete Motor Vehicles were imported either directly from abroad or through dealers / agents in India. The number of imported was not more than 4,000 vehicles approximately per year, both passenger cars and commercial vehicles. It was only after 1920 that local assembly vehicles from components and parts imported in completely knocked down (c.k.d) condition, was started in a few units were setup in Mumbai, Chennai and Kolkatta, by two foreign Manufactures. The next decades in 1930 the units were crossed 30,000 constitute about half of the units in passenger cars and rest of them were commercial vehicles. After the Second world war was over the import and assembly of vehicles increased substantially to around 40,000 in Post Independent India. Hence from the 1980's there was a large vehicle park established and followed by the gradual growth of a Substantial Service Centers (repairs and replacement sectors) are organized the automobile industry. The Subsequent development in Indian Car industry is a Modest attempt and automation at understanding the evolution of Indian Motor vehicles industry in specific regulatory environment providing in the country.

Government Regulations:-

The Government played an important role in determining the

initial structure growth and performance of the Motor Vehicle industry in India. The policy instruments were capacity of licensing, foreign Exchange allocation restriction on foreign collaborations, price control, reservation of certain parts and components of Small Scale units, and FERA and MRTP restrictions etc. there were operative policy at various times and their impact was different on vehicle segment of the industry .

A certain structure came to be evolved in response to the regulatory policy environment on the one aspect and demand on the another aspect .

Post Liberalization period impinged upon this new regulatory policy and structure of setting changes in industrial policy in favor of industrial Entrepreneurs, the industrial policy Resolution clearing stated which would be controlled and regulated by the Government.

Cars and Commercial Vehicles Production in last decades:-

The Passengers cars Production by make in India automobile industries, **Hindustan motor & Premier** automobile industry was totally produced 30,481 and 42,071 units in the year 1980 and 1981 respectively. The next decade in 1990 Cars and Commercial Vehicles production increased gradually to touch 1lakh units annually.

After 1990 the central government introduced new globalization concept in Indian economy which results in remarkable achievements in all industrial and ancillary units for every year. At present the production of vehicle and licensing capacity involved estimation of total demand, distribution of vehicle through the

Middleman. **Table 1** shows in the year 1999 total production of both Passenger Cars and Commercial vehicles nearly 8.2 lakhs and compared to 2010 the production has greatly increased more than 35 lakhs units. The Passenger cars segment positive growth for every year and commercial segment sharp declusive in 2007-2009 negative trends.

The reason for low production is as follows

- (i) Higher rate of interest in bank loans.
- (ii) Continuously increased rate of inflation.
- (iii) Increased in cost of production.
- (iv) World economic depression, etc.

Automobile Production from 1999 to 2010 -Table 1

Year	Car Production	% Change	Commercial	% Change	Total Vehicles Prod	% Change
2010	2,814,584	29.39	722,199	54.86	3,536,783	33.89
2009	2,175,220	17.83	466,330	-4.10	2,641,550	13.25
2008	1,846,051	7.74	486,227	-9.99	2,332,328	3.35
2007	1,713,479	16.33	540,250	-1.20	2,253,999	10.39
2006	1,473,000	16.53	546,808	50.74	2,019,808	19.36
2005	1,264,000	7.27	362,755	9.00	1,628,755	7.22
2004	1,178,354	29.78	332,803	31.25	1,511,157	23.13
2003	907,968	28.98	253,555	32.86	1,161,523	22.96
2002	703,948	7.55	190,848	19.24	894,796	8.96
2001	654,557	26.37	160,054	-43.52	814,611	1.62
2000	517,957	-2.85	283,403	-0.58	801,360	-2.10
1999	5,33149		285,044		818193	

All Vehicle Production (Five Years) - Table 2

Type of Vehicle	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010
Passenger Vehicles	1,209,876	1,309,300	1,545,223	1,777,583	1,838,697
Commercial vehicles	353,703	319,083	519,982	549,006	417,126
Three Wheelers	374,445	434,423	556,126	500,660	501,030
Two Wheelers	6,529,829	7,608,697	8,466,666	8,026,681	8,418,626
Total	8,467,853	9,743,503	11,087,997	10,853,930	11,175,479

Automobile Sales (Five Years) - Table 3

Type of Vehicle	2004-2005	2005-2006	2006-2007	2007-2008	2008-2009
Passenger Vehicles	1,061,572	1,143,076	1,379,979	1,549,882	1,551,880
Commercial Vehicles	318,430	351,041	467,765	490,494	384,122
Three Wheelers	307,862	359,920	403,910	364,781	349,719
Two Wheelers	6,209,765	7,052,391	7,872,334	7,249,278	7,437,670
Total	7,897,629	8,906,428	10,123,988	9,654,435	9,723,391

Auto Exports (Five Years) - Table 4

Type of Vehicle	2004-2005	2005-2006	2006-2007	2007-2008	2008-2009
Passenger Vehicles	166,402	175,572	198,452	218,401	335,739
Commercial Vehicles	29,940	40,600	49,537	58,994	42,673
Three Wheelers	66,795	76,881	143,896	141,225	148,074
Two Wheelers	366,407	513,169	619,644	819,713	1,004,174
Total	629,544	806,222	1,011,529	1,238,333	1,530,660

Production and Export Revenue (Five Years) - Table 5

Year	2004-2005	2005-2006	2006-2007	2007-2008	2008-2009
Motor Vehicle Production	8,467,853	9,743,503	11,087,997	10,853,930	11,175,479
Industry Revenue (USD Million)	24,379	26,969	30,507	32,383	33,342
Exports (Units)	629,544	806,222	1,011,529	1,238,333	1,530,660
Exports (Revenue)	1,915	2,231	2,552	3,008	3,718

Vision "2020"

The production of four wheelers was expected to grow to eleven Million units annually by 2020 from 3 million units currently produced. The current turnover of the auto industry is \$ 75 billion. While Exports are worth \$ 11 billion. It is a major contributors to the Manufacturing Sector in India, nearly close to 21 percent. The Central government would be setup various task force on issue related to taxation, land acquisitions labor reform and skill development for the auto industry.

The centre to regulate Labor reform a favor of Car Industry, it will create million of jobs by 2020 and investment was expected about Rs. 2.5 lakhs and crores in the next decade.

The SIAM demand to central Government regulate reforms in Indian labor laws and Industrial regulations policies .The Society also pointed out that the auto companies should be encouraged to have more permanent employees like in the United States. The government fund to take care of them for a certain period until they join a new job.

Conclusion :-

The Global automotive industry is currently dominated by seven large automobile producing countries, India ranks as seventh position followed by China, Japan, Germany, U.S.A ,South Korea and Brazil in the World.The structure of the sector was oligopolistic in the early nineteen seventies ,however over the last quarters of twentieth century with steady growth of output,especially with the globalised economic and competitive conditions.The auto-industry immense value a decade ago and create millions of new jobs in this sector.

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