CHAPTER – 1
AUTOMOBILE INDUSTRY IN INDIA

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CHAPTER – 1
INTRODUCTION

1.1 AUTOMOBILE INDUSTRY : AN OVERVIEW

The automobile industry, along with the auto components industry, is one of the core industries in India. A well developed transportation system plays a key role in the development of an economy, and India is no exception to it. Automobile is one of the largest industries in the global market. Owing to its strong forward and backward linkages with several key segments of the economy. Automobile Sector occupies a prominent place in the fabric of Indian Economy. Automobile sector is leader in product and process technologies in the manufacturing sector. It has been recognized as one of the drivers of economic growth and the domestic automobile industry is believed to be the barometer of the economy. Such a belief is in line with international trends since in most mature economies the automobile industry’s performance is viewed as a reflection of the economy’s health. This sector has emerged as sunrise sector in the Indian economy.

According to data published by Department of Industrial Policy and Promotion (DIPP), ministry of Commerce, the amount of cumulative foreign direct investment (FDI) inflow into the auto sector from April 2000 to November 2012 was worth US$7,518 million. The auto sector accounts for 4 per cent of the total FDI Inflows (in terms of US $) in India. According to the recent data released by Society of Indian Automobiles Manufacturers (SIAM) India’s scooter and motorcycle manufacturers have registered 4 per cent growth during April-November, 2012. The Global and Indian manufacturers are focusing their efforts to develop innovative products, technologies and supply chains. India is one of the key markets for Global Manufacturers for hybrid and electronic vehicles, which is the new development in automobile sector. With a turnover of almost $59 Million US Dollars, Automobile industry Provides employment to 13 million people in the India Work-class.

The automobiles sector is divided into four segments - two-wheelers, passenger vehicles, commercial vehicles and three wheelers. Two wheelers

India is one of the world’s fastest growing passenger car markets it is second largest two wheeler manufacturer and fifth largest commercial vehicle manufacturer. It is also home for the largest motor cycle manufacturer. Moreover, India is fourth largest passenger car market in Asia.
The auto sector in India has achieved a growth rate of 26% in last two years (2010-12). However, it has shown a sluggish growth of 12 percent in 2012. The trend is likely to stay with a 10 percent growth outlined for 2013. The main reason are high ownership costs (fuel costs, cost of registration, excise duty, road tax) and slow rural income growth. Over the next few years solid but cautious growth is expected.

The Macquarie equities research reveals that the sale of passenger vehicles is expected to double in the next four years and growth anticipated is higher than the 16% achieved in the past 10 years. The automotive Mission Plan 2016 launched by the Government of India seeks to grow the industry to a size of $145 billion by 2016 and make it contribute 10 per cent to the nation’s GDP.

The growth for automotive industry is important for growth in economy, particularly because the automotive industry has strong multiplier effect. It is capable if being the driver if economic growth. High direct to indirect employment ratio of about 1:10 is estimated for the automobile industry, because automobile industry has potential to generate employment for about 10 more for every person employed directly in automobile manufacturing industry. These indirect employments includes employments in ancillary and component industries, automobile service stations mechanics, loaders and cleaners of commercial vehicles, institutions financing purchase of vehicles and people who drive commercial vehicles and hired vehicles. There is a symbiotic relationship between the growth of economy and the demand for vehicles.

In the past few years, the production and management systems in the India automobiles industry have been revolutionaries. The fast growth of automobiles industry is due to the convergence of a lot of positive factors. These factors have resulted in the introduction of new models. Following are some of the important growth drivers:

(1) **Road infrastructure development:**

Infrastructure development in India has contributed majorly in the country’s economic transformation and growth during the last decade. Development of Road is one of key segment of infrastructure development in India. With a total length of 4.1 million kms, today Indian road network is the second largest in the world. There has been continuous development of road infrastructure in terms of quality and connectivity. Projects like Golden quadrilateral aim to make even remote areas
accessible by road. Some of the National Highways are of International nature. In 2011-12, The Government awarded projects for construction of 7,900 km. According to the statistics released by Department of Industrial Policy and Promotion (DIPP), USS 644 million FDI was received in the sector construction activities (including roads and highways) during April-September 2012-13. The vast development of road infrastructure has made road transport both in the case of passenger traffic and goods transport a viable, cost effective and speedy option of transportation.

(2) **Increase in per capita income:**

India’s gross national income per capita has increased to Rs.53,331/- in 2010-11, which is three times the per capita income of Rs.19040 in 2002-03, averaging 13.7% growth over these eight years. This has pushed up the demand for passenger vehicles in India directly and commercial vehicles indirectly due to retail boom and industrial boom for consumer durables. Rising incomes among Indian population will lead to increased affordability, increasing domestic demand for vehicles, especially in the small car segment.

(3) **Cost effectiveness over other developing countries:**

Due to availability of skilled and qualified engineers, India has a competitive edge over the developing countries in terms of labour cost.

In terms of cost, with availability of skilled labour and qualified engineers, India has competitive edge over developing countries. According to a study by KPMG in 2007, India Automotive Study, the labour cost per hour in UK, USA and Germany was around $20, while in India it works out to $1.60. Due to the huge savings in the labour cost sourcing auto components and finished cars in India, the global players have made their presence. India is reckoned as a low-cost global manufacturing base for small cars. Hyundai has already taken the lead in this respect. The Korean company’s Indian unit is a major exporter of cars.

(4) **Research & Development and Innovations:**

Research & Development and Innovations are fuel for development of automobile industry. Since in Automobile sector survival of the fittest is determined by innovation, the innovations and inventions of new processes and techniques is the heart of the automobile industry. Car manufacturers are investing nearly 1% of total sales on R&D, R&D for Vehicles based on alternative fuels will be an area of interest for both consumers and auto makers. The Manufacturer is India are investing in R&D
to adapt manufacturing of vehicles to changing customer preferences in order to provide answer to global challenges and for the continued success of the automobile industry.

National Automotive Testing and R&D infrastructure Project (NATRIP) has been set up in Rae Bareilly, Ahmednagar, Pune, Manesar, Silchar, Indore and Chennai for Strengthening the R&D infrastructure.

(5) **Urbanization changes the face of Indian auto industry:**

The rapid urbanization due to migration of the younger generation to cities for higher education and in search of better opportunities have helped flourishing the Automobile Industry in India. Joint families in towns and village have given a way to migration of the younger generation to cities in search of better opportunities. Currently only 21% of the population lives in the urban areas. Given how India is performing, the figures are hope to tough 35% by 2020 and 40% by 2030.

(6) **Growing middle and working class population:**

With the Increase in per capita income, growing employment opportunities with opening up of private sector, there is transition from lower class to middle class. According to the planning Commission report, between the year 2003 and 2009, 130 million people would have been added to the working population. According to a finding from McKinsey, the middle income group will grow from 50 million to 550 million by 2025. The growing middle class population has resulted in increase in demand of two wheelers and four wheelers in India. Today, among the middle class families, car has become need rather than luxury.

(7) **Availability of cheaper and easier finance:**

Not only the financial institutions, but all nationalized and scheduled banks offers loans for purchase of passenger and commercial vehicles on very lucrative terms and low interest rate on installment basis to consumers. By easy and cheaper availability of finance has made the dream and aspiration of owning a vehicle for middle class families a reality. With the continuous improvement in technology, newer and newer models and brands coming up in the market, the banks and financial institutions are falling over each other to offer the most customer-friendly loans. This has raised the demand of automobile industry in the recent years.
(8) **Favorable Government policies:**

Government plays a key role in creating an enabling and conducive environment for any industry. The Government of India has always been keen to support the Automotive Industry in India. The first such initiative by the Government was delicensing introduced in July, 1991. Subsequent opening of 100% FDI under automotive route in this sector including passenger car segment has paved way to tremendous growth of automobile sector. The new automobile policy attracted a large number of automobile companies in India. The foreign investors, perception has change. A large number of multinational auto companies are entering the Indian auto market. They are working in collaboration with the Indian firms. Today every global player ha either set ip or in the process of setting up unit in India and the number of manufacturing facilities in India has grown progressively.

The Indian Auto Policy of 2002, introduced measures like low entry barriers and investment incentives by the local state governments. To encourage in-house research and development activities. Government has introduce policies that allow weighted tac deduction up to 150%.

To further improve the automobiles in the Indian domestic market, to provide world class facilities of automotive testing and certification and to ensure a healthy competition among the manufactures at a level playing field, Government has laid down road map in the form of ‘Automotive Mission Plan 2006-2016’. The objective of this mission plan is to accelerate and sustain growth in the automotive sector to make India a Global Automotive Hub.

Exemption in custom and excise duty is of vital importance for the growth for Indian Automobile Industry. India signed a Free Trade Agreement (FTA) with Thailand in 2004 abolishing duties in 82 items under and Early Harvest Scheme (EHS). This Agreement became operational in January, 2010. Under the terms of agreement 82 early harvest items, which include a range of auto components, are subject to zero duty when imported from Thailand into India.

(9) **Car buyers getting younger:**

India is one of the youngest countries in the worked with a median age of almost 26 years. This is much lower than the World’s biggest economies. This means that the work class constitutes majorly of young individuals. The care buying age has declined from 39 in the year 2000 to 33 in 2010. With the increase in per capita
income, increase in middle and working class individuals, easier availability of finance coupled with other factors, this with further decline in the coming years.

(10) Rising per capita GDP:

the per capita GDP of India increased from 1200 USD in 2011 to almost 1330 USD in 2012. This is further expected cress the 2000 mark by 2015. The purchasing power will increase, which will result in increase in demand of automobile industry in India.

1.2 HISTORY OF AUTOMOBILE INDUSTRY

The history of automobile industry is more than four centuries old the first invention of automobile industry was as early as in 1769. A French Engineer, Nicolasan J. Cugnot invented the first self-powered, three-wheeled, military tractor that made the use of a steam engine. The range of the automobile however was very brief. These automobiles were driven by steam engines, which made them very heavy and large. Besides, this the engine required ample starting time. Thereafter, in the U.S. Oliver Evans designed a steam engine driven automobile. Then came the era of electric carriage. A Scotsman, Robert Anderson, invented an electric carriage between 1832 and 1839 first. In 1842 Thomas Davenport of the U.S.A and Scotsman Robert Davidson invented more applicable automobiles, making use of non-rechargeable electric batteries. Col. Rookes Crompton introduced public transport wagons strapped to and pulled by imported steam road rollers called steamers. The maximum speed of these buses was 33 kms/hr. The first theoretical plans for a motor vehicle were drawn by Leonardo da Vinci and Isaac Newton. History of Automobile Industry reveals that US dominated the automobile markets around the globe. There Were no notable competitors at that time. After Second World War in 1945 the Automobile Industry of other technologically advanced nation such as Japan and certain European nation gained momentum. The U.S. Automobile Industry was flooded with foreign automobile companies, especially Japan Germany within a very short period beginning early 1980s.

The history of automobile industry in India is also quite old. Simpson & Co established in 1840 were the first to build a steam car and a steam bus in India. The first car ran on India’s roads in 1898 in Bombay. Ager the end of the World War a large number of military vehicles come on the roads in India in 1919. American General Motors, a wholly owned Indian subsidiary of started assembly of CKD Trucks and Cares in 1928 In Bombay. Canadian Ford Motors started assembly of cars
in 1930-31 in Madras, Bombay and Calcutta. In 1942 Hindustan Motors Lt was incorporated. Hindustan Motors produced its first vehicle in 1950. In 1944 premier Automobiles Ltd incorporated. The first vehicle was produced by it in 1947. Thereafter, in 1947 Bajaj started assembly of Auto in its scheme of replacing cycle rickshaw by auto under a license from Piaggio. After independence, the Government if India and the private sector launched efforts to create and automotive component manufacturing industry to supply to the automobile industry. Due to nationalization and the license raj, the growth was relatively slow in the 1950s and 1960s. This hampered the Indian private sector. After 1970, the automotive industry started to grow. However, the growth was mainly driven by tractors, commercial vehicles and scooter. Cars were still a major luxury. Till the early eighties, the automobile industry had very slow growth. Until 1982, there were only three manufacturers who had complete sway in the sector. They were, Hindustan Motors, Premier Automobiles and Standard Motors. The way of perform started in the early nineteen eighties with a slew of bold policy initiatives. The Government allowed foreign technology with or without equity participation with Indian companies. During This period in Car Segment, Suzuki (Japan) made entry in the field of vehicles in India. In two wheeler segment following companies made entry:

Suzuki, Honda, Kawasaki, Yamaha – all from Japan, Honda, Piaggio (Italy)

Scooters : Steyr Daimler Puch (austria), Zundapp (Germany)
Mopeds : Agrati Garelli (Italy)

In 1982 Maruti Udyog Limited (MUL) came up as a Government initiative in collaboration with Suzuki of Japan to establish volume production of contemporary models.

The fruits of first wave of initiatives were consolidated and then in early 1990s another tranche of reforms was made by Government allowed which paved way to develop the automobile sector further. Major reforms initiated were:

(i) De-licensing of automobiles and automobile components.
(ii) Automobiles and automobile components, were among these industries who were Identified as ‘high priority’. Foreign equity participation in these companies were allowed upto 51%.
(iii) Procedures for approval of foreign collaboration involving technology transfer were simplified for both with or without equity participation.
Custom duty at that time was at its peak, which was as high as 110%. This was reduced to 65% ad valorem.

Full convertibility of rupee on current account was allowed.

The condition of a ‘phased manufacturing programme’ for indigenization before allowing imports was withdrawn.

The Indian automotive industry has demonstrated sustained growth as a result of these reforms on various dimensions, like a variety of choices for the customer, modernity of offerings, quality consciousness or even scale of production, many Indian companies have equaled, if not surpassed, global standards. Several Indian automobile manufacturers such as Tata Motors, Maruti Suzuki and Mahindra and Mahindra, expanded their domestic and international operations. India’s robust economic growth led to the further expansion of its domestic automobile market which has attracted significant India-specific investment by multinational automobiles manufacturers. Thus the doing away of licensing in 90s saw further growth and expansion in the automobile sector in India. This is when 17 new ventures came up, out of which 16 were for manufacture of cars. There are at present 12 manufacturers of passenger cars, 5 manufacturers of MUVs, 9 manufacturers of commercial vehicles, 12 manufacturers of two-wheelers, 4 manufacturers of three wheelers and 14 manufacturers of tractors, besides 5 manufacturers of engines.

1.3 PRESENT SCENARIO OF AUTOMOBILE INDUSTRY

Real growth journey of automobile industry started in 1991 by the announcement of New Industrial Policy delicensing of Automobile industry by Govt. Of India. The New Industrial Policy of 1991 provided that except in some special cases industrial license is not required for setting up of automobile manufacturing unit. Progressive liberalization was made by Govt. Of India in the norms for Foreign Investment and import of technology. This was done with a view to make the automobile industry globally competitive. Continuous economic liberalization since 1991 witnessed a rapid growth of automobile industry in India, thereby making India as one of the sought after destination by global automotive players. Due to continuous growth of the industry in India, the automobile sector has been aptly described as the sunrise sectors of the Indian economy. Due to relaxed restrictions, positive support by Government and increased competitiveness, the Indian automobile industry has demonstrated sustained growth in last two decades. Tata Motors, Maruti Suzuki, and
Mahindra and Mahindra, are among those several automobile manufacturers who have expanded their domestic and international operations. Continuous rapid growth of automobile industry resulted in further expansion of domestic automobile market. This rapid expansion attracted investment by multinational automobile manufacturers in India. Hyundai, Suzuki, General Motors and other foreign automobile players have set up their base and India is emerging as a strong automotive R&D hub.

Owing to Government support of liberalization policy combined with entrepreneurial skills and managerial talent that the industry has, India has come a long way. Today, this sector is one of the shining examples of what can be achieved in a relatively short span of time. The past ten years have witnessed a six fold increase in the industry and the automotive exports growing by almost twenty times. Starting from Tata’s small car Tata Nano’s successful entry in India Automobile Sector, Indian market has steamed up the opportunities of growth available in alternative segments like electric cars, natural gas run vehicles etc. During April 2000 to November 2012 total cumulative FDI inflow in Automobile Industry in India was worth US$7,518 million, as per data published by Department of Industrial Policy and Promotion (DIPP), Ministry of Commerce. India’s scooter and motorcycle manufacturers have registered 4 per cent growth during April-November 2012, according to the recent data release by the Society of Indian Automobile Manufacturers (SIAM). Moreover, the passenger vehicles segment grew at 9.71 per cent during April-June 2012, while overall commercial vehicles segment registered an expansion of 6.06 per cent year-on-year(y-o-y). According to a report titled, “Strategic Assessment of Small and Light Commercial Vehicles in India’ by Forst & Sullivan, the Indian small and light commercial vehicle segment is expected to more than double by 2015-16 and to grow at 18.5 per cent compound annual growth rate (CAGR) for the next five years. The automobile industry in India has become one of the largest manufacturing sectors all over the World. However, there has been a sudden spurt in the Indian Automobile Industry, especially since last two years. The automobile industry has posted double digits growth in India during these two years.

The automotive Industry in India is now working in terms of the dynamics of an open market. Number of Multinational Companies are now operating in India. They are operating either as wholly owned subsidiaries of in collaboration with their Indian partners. The automobile sector has been benefitted by liberalization of Indian economy to a large extent. The automobile manufacturers in India have made
available various international brands for Indian consumers. Taking advantage of favorable Government policies, locally available efficient and cost competitive manpower, modern technology, firms like Hyundai Motors are supplying cars in the International market using its manufacturing facility in India. A large number of joint ventures have been set up both in automobile industry and auto-component sector. All this has become possible because of the Government of India’s keenness to provide a suitable economic and business environment. In the last two decades, the contribution of automotive sector is prominent in the growth of Indian Economy. The contribution of automobile industry in the growth of economy is in financial as well as quality terms. In financial terms, it is in terms of revenues, profits, taxes and employment. In quality terms it is in terms of quality processes, efficiency improvements, and product innovation.

As of now, India is the seventh largest vehicle manufacturer, second largest two wheeler manufacturer and the fifth largest commercial vehicle manufacturer in the world. Following are some of the facts which witness the India’s position in the World’s automobile production:

- Indian auto ancillary industry is well developed and globally competitive.
- Established automobile testing and R&D centers are set up in various parts of the country.
- India is among one of the lowest cost producers of steel.
- As of now, India is World’s second largest manufacturers of two wheelers, fifth largest commercial vehicle manufacturer and seventh largest vehicle manufacturer in the world.

According to the President and Managing Director of Ford India, Mr. Joginder Singh, India is expected to become the third largest automobile market in the world. According to Tomas Ernberg, Managing Director, Volvo Auto India, by 2020 the luxury car segment is estimated to be around three per cent of the overall passenger car market in India and there is huge opportunity for growth. India is the largest base to export compact car to Europe.

Major investments are made by almost every major car maker – Ford, PSA & Maruti. They have set up new plan in Gujarat. Tata’s and Mahindra’s are launching the new models based on global platforms. Government has line up some challenges in Automotive Mission Plan (AMP) 2006-2016. Sharp increase in demand has greatly
benefitted the automobile industry. It has also added extra capacity, better R&D facilities and technological advancement across the country.

The production of automobiles has greatly increased in the last decades. It is evidence from the production figures given if Fig./Table-1.1 below that Automobile Industry passed the 1 million mark during 2003-04 and has more than double since then. The growth rate barring 2007-08 and 2008-09 (due to recession in USA and Europe) from 2001-02 to 2011-12 ranges between 13.80% and 27.2% over its preceding year.

![Automobile Production Trend Chart](image)

<table>
<thead>
<tr>
<th>Category</th>
<th>Passenger Vehicles</th>
<th>Commercial Vehicles</th>
<th>Three Wheelers</th>
<th>Two Wheelers</th>
<th>Grand Total</th>
<th>Growth % age</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001-02</td>
<td>669719</td>
<td>162508</td>
<td>212748</td>
<td>4271327</td>
<td>5316302</td>
<td></td>
</tr>
<tr>
<td>2002-03</td>
<td>723330</td>
<td>203697</td>
<td>276719</td>
<td>5076221</td>
<td>6279967</td>
<td>18.127</td>
</tr>
<tr>
<td>2003-04</td>
<td>989560</td>
<td>275040</td>
<td>356223</td>
<td>5622741</td>
<td>7243564</td>
<td>15.344</td>
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<td>2004-05</td>
<td>1209876</td>
<td>353703</td>
<td>374445</td>
<td>6529829</td>
<td>8467853</td>
<td>16.902</td>
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<tr>
<td>2005-06</td>
<td>1309300</td>
<td>391083</td>
<td>434423</td>
<td>7608697</td>
<td>9743503</td>
<td>15.065</td>
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<td>2006-07</td>
<td>1545223</td>
<td>519982</td>
<td>556126</td>
<td>8466666</td>
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<td>2007-08</td>
<td>1777583</td>
<td>549006</td>
<td>500660</td>
<td>8026681</td>
<td>10853930</td>
<td>-2.111</td>
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<tr>
<td>2008-09</td>
<td>1838593</td>
<td>416870</td>
<td>497020</td>
<td>8419792</td>
<td>11172275</td>
<td>2.933</td>
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<tr>
<td>2009-10</td>
<td>2357411</td>
<td>567556</td>
<td>619194</td>
<td>10512903</td>
<td>14057064</td>
<td>25.821</td>
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<tr>
<td>2010-11</td>
<td>2982772</td>
<td>760753</td>
<td>799553</td>
<td>13349349</td>
<td>17892427</td>
<td>27.284</td>
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<tr>
<td>2011-12</td>
<td>3123528</td>
<td>911574</td>
<td>877711</td>
<td>15453619</td>
<td>20366432</td>
<td>13.827</td>
</tr>
</tbody>
</table>

Chart 1.1 Table 1.1: Automobile Production Trend (Number of Vehicles)
This is 383%, increase in total production of vehicles in 2011-12 as compared to 2001-02. The sharp increase in production is evidenced from the following comparison. The increase in passenger vehicles in 2011-12 over 2001-02 is 466%.

<table>
<thead>
<tr>
<th>Category</th>
<th>2001-02</th>
<th>2011-12</th>
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<tbody>
<tr>
<td>Passenger Vehicles</td>
<td>669719</td>
<td>3123528</td>
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<tr>
<td>Commercial Vehicles</td>
<td>162508</td>
<td>911574</td>
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<tr>
<td>Three Wheelers</td>
<td>212748</td>
<td>877711</td>
</tr>
<tr>
<td>Two Wheelers</td>
<td>4271327</td>
<td>15453619</td>
</tr>
<tr>
<td>Grand Total</td>
<td>5316302</td>
<td>20366432</td>
</tr>
</tbody>
</table>
The Gross turnover of automobile industry as given in Figure 1.2/Table 1.2 will reveal the growth of automobile industry in India has been unbeaten.

<table>
<thead>
<tr>
<th>Category</th>
<th>2001-02</th>
<th>2011-12</th>
</tr>
</thead>
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<tr>
<td>Passenger Vehicles</td>
<td>100</td>
<td>466</td>
</tr>
<tr>
<td>Commercial Vehicles</td>
<td>100</td>
<td>561</td>
</tr>
<tr>
<td>Three Wheelers</td>
<td>100</td>
<td>413</td>
</tr>
<tr>
<td>Two Wheelers</td>
<td>100</td>
<td>362</td>
</tr>
<tr>
<td><strong>Grand Total</strong></td>
<td>100</td>
<td>383</td>
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</table>

The Gross Turnover of Automobile Industry in India

<table>
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<tr>
<th></th>
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<th></th>
<th></th>
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<th></th>
<th></th>
<th></th>
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</thead>
<tbody>
<tr>
<td>Turn over in USD Million</td>
<td>20896</td>
<td>27011</td>
<td>30476</td>
<td>36612</td>
<td>33250</td>
<td>43296</td>
<td>58583</td>
</tr>
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</table>

**Chart 1.2/ Table 1.2: Gross Turnover of the Automobile Industry in India**

Automobile Industry in India is growing at a very high rate. Barring 2007-08 and 2008-09 when the growth rate over preceding year is negligible or in negative due to recession in USA and Europe, there is increasing trend over preceding year sales in all other years since 2001-02. The growth rate ranges between 12.24% and 26.44% over its preceding year sales. Table 1.3 below gives the domestic sales trend India:
The automobile industry has earned a strong reputation in the export market. Indian vehicles and their components are in great demand all over the world. Automotive industry of India is now finding increasing recognition worldwide. While a beginning has been made in export of vehicles, the potential in this area still remains to be fully tapped. Significantly, during the last two years the exports in this sector has grown specifically in export of car and two / three wheelers. Table 1.4 below gives the exports trends of automobile industry in terms of number of vehicles. The growth trend is increasing since 2001-02 over its preceding year export. The export has increased multifold in 2011-12 when compared to 2001-02. The export of passenger vehicles has increase to 954% that of commercial vehicles 781%. Three wheelers 2347%, two wheelers 1869% and total it has increased to 1576%.
### The Global Majors in automobile Industry in India are:

**Table 1.4 : The Global Majors In Automobile Industry In India**

<table>
<thead>
<tr>
<th>Company</th>
<th>Foreign Partner</th>
<th>Year of Establishment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maruti</td>
<td>Suzuki</td>
<td>1983</td>
</tr>
<tr>
<td>Hyundai</td>
<td>Hyundai(Korea)</td>
<td>1998</td>
</tr>
<tr>
<td>Tata</td>
<td>Daimler Chrysler</td>
<td>1998</td>
</tr>
<tr>
<td>Hindustan Motors</td>
<td>Mitsubishi</td>
<td>1942</td>
</tr>
<tr>
<td>Fiat</td>
<td>Fiat</td>
<td>1996</td>
</tr>
<tr>
<td>Honda Siel</td>
<td>Honda</td>
<td>1997</td>
</tr>
<tr>
<td>Ford</td>
<td>Ford</td>
<td>1996</td>
</tr>
<tr>
<td>GM</td>
<td>GM</td>
<td>1996</td>
</tr>
<tr>
<td>Mercedes Benz</td>
<td>Daimler Chrysler</td>
<td>1995</td>
</tr>
<tr>
<td>Skoda</td>
<td>Volkswagen</td>
<td>2002</td>
</tr>
<tr>
<td>Toyota</td>
<td>Kirloskar</td>
<td>1997</td>
</tr>
<tr>
<td>Daewoo</td>
<td>Daewoo (Korea)</td>
<td>1995</td>
</tr>
</tbody>
</table>
Now more and more foreign manufacturers are coming to India and existing companies are coming up with new models. India’s automotive industry is now $34 billion worth and expected to grow $145 in another 10 years.

Presently following is the segment-wise position of market share in Automobile Industry:

**Domestic Market Share for 2011-12**

<table>
<thead>
<tr>
<th>Segment</th>
<th>Market Share</th>
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</thead>
<tbody>
<tr>
<td>Passenger Vehicles</td>
<td>15.07%</td>
</tr>
<tr>
<td>Commercial Vehicles</td>
<td>4.66%</td>
</tr>
<tr>
<td>Three Wheelers</td>
<td>2.95%</td>
</tr>
<tr>
<td>Two Wheelers</td>
<td>77.32%</td>
</tr>
</tbody>
</table>

Chart 1.4: Segmentwise domestic market share for 2011-12

Segment wise scenario of major automobile manufacturers is as mentioned below:

**Passenger Vehicles**

In the passenger vehicle segment market share of Maruti Udyog is 52%. Hyundai Motor’s share is 19%. Share of Tata motors is 16%. Other players in this segment are Honda Siel cars and Ford India Pvt. Ltd. Thus Maruti Udyog is still leader in passenger vehicle segment in automobile industry.

**Utility Vehicles**

The leader in utility vehicles segment with market share of 42% is Mahindra and Mahindra. It is followed by Toyota Kirlosker and Tata Motors. Other utility vehicle manufacturers are Maruti Udyog, General Motors and Hyundai India.
Medium and heavy Commercial Vehicles

In this segment Tata Motors is leader with 61% market share. It is followed by Ashok Leyland, Eicher Motos and Swaraj Mazda.

Light Commercial Vehicles

With 46% share in the market, Tata Motors leads the passenger carriers segment. It is followed by Mahindra and Mahindra, Swaraj Mazda and Force Motors. In good carriers segment also with 58% shares Tata Motors is the leader. Other players in this segment are Mahindra and Mahindra, Swaraj Mazda and Force Motors.

Presently following segment the Segmentwise major automobile players in India:

Table 1.5: Segmentwise major automobile players in India

<table>
<thead>
<tr>
<th>Companies</th>
<th>Segments</th>
<th>Companies</th>
<th>Segments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ashok Leyland</td>
<td>LCVs, M&amp;HCVS, buses</td>
<td>Kinetic Motor</td>
<td>Two wheeler</td>
</tr>
<tr>
<td>Asian Motor Works</td>
<td>M &amp; HCVs</td>
<td>Mahindra &amp; Mahindra</td>
<td>Three wheeler, cars MUVs, LCVs</td>
</tr>
<tr>
<td>Bajaj Auto</td>
<td>Two and three wheelers</td>
<td>Maruti Suzuki</td>
<td>Cars, MUVs, MPVs</td>
</tr>
<tr>
<td>BMW India</td>
<td>Cars &amp; MUVs</td>
<td>Piaggio</td>
<td>Three wheelers</td>
</tr>
<tr>
<td>Daimler Chrysler</td>
<td>Cars</td>
<td>Royal Enfield Motors</td>
<td>Two wheelers</td>
</tr>
<tr>
<td>Eicher Motors</td>
<td>LCVs, M &amp; HCVs</td>
<td>Skoda Auto India</td>
<td>Cars</td>
</tr>
<tr>
<td>Fiat India</td>
<td>Cars</td>
<td>Suzuki Motorcycles</td>
<td>Two wheelers</td>
</tr>
<tr>
<td>Force Motors</td>
<td>MUVs &amp; LCVs</td>
<td>Swaraj Mazda Ltd.</td>
<td>LCVs, M&amp;HCVS, buses</td>
</tr>
<tr>
<td>Ford India</td>
<td>Cars &amp; MUVs</td>
<td>Tata Motors Cars</td>
<td>MUVs, LCVs, M&amp;HCVS, buses</td>
</tr>
<tr>
<td>General Motors India</td>
<td>Cars &amp; MUVs</td>
<td>Toyota Kirloskar</td>
<td>Cars</td>
</tr>
<tr>
<td>Hero Honda India</td>
<td>Two wheelers</td>
<td>TVS Motors Co.</td>
<td>Two wheeler</td>
</tr>
<tr>
<td>Hindustan Motors</td>
<td>Cars, MUVs &amp; LCVs</td>
<td>Volvo India</td>
<td>M&amp;HCVs, buses</td>
</tr>
<tr>
<td>Honda</td>
<td>Two wheelers, Cars &amp; MUVs</td>
<td>Volkswagen India</td>
<td>Cars</td>
</tr>
<tr>
<td>Hyundai Motors</td>
<td>Cars &amp; MUVs</td>
<td>Yamaha Motors Ltd.</td>
<td>Two wheelers</td>
</tr>
</tbody>
</table>

Exports

During April-March 2012, the industry exported 2,910,055 automobiles registering a growth of 25.44 percent. Passenger Vehicles registered growth at 14.18 percent in this period. Commercial Vehicles, Three Wheelers and Two Wheelers segments recorded growth of 25.15 percent, 34.41 percent and 27.13 percent respectively during April-March 2012. For the first time in history car exports crossed half a million in a financial year.

In March 2012 compared to March 2011, overall automobile exports registered a growth of 17.81 percent.
Table 1.6 Automobile Exports Trends
(Number of Vehicles)

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Passenger Vehicles</td>
<td>218,401</td>
<td>335,729</td>
<td>446,145</td>
<td>444,326</td>
<td>507,318</td>
<td>554,686</td>
</tr>
<tr>
<td>Commercial Vehicles</td>
<td>58,994</td>
<td>42,625</td>
<td>45,009</td>
<td>74,043</td>
<td>92,663</td>
<td>79,944</td>
</tr>
<tr>
<td>Three Wheelers</td>
<td>141,225</td>
<td>148,062</td>
<td>173,214</td>
<td>269,968</td>
<td>362,876</td>
<td>303,088</td>
</tr>
<tr>
<td>Two Wheelers</td>
<td>819,713</td>
<td>1,004,174</td>
<td>1,140,058</td>
<td>1,531,619</td>
<td>1,947,198</td>
<td>1,960,941</td>
</tr>
<tr>
<td>Grand Total</td>
<td>1,238,333</td>
<td>1,530,594</td>
<td>1,804,426</td>
<td>2,319,956</td>
<td>2,910,055</td>
<td>2,898,659</td>
</tr>
</tbody>
</table>

1.4 THE FUTURE OF INDIAN AUTO INDUSTRY

For the future of the Indian auto industry. The Government of India and the automotive industry had jointly set a road map, a vision. It is known as Automotive Mission Plan (AMP) 2006-16. This plan is expected to remove obstacles in the way of competition. The plan envisages the following:

- A tax holiday for the industry on investment exceeding $225,000.
- 100% tax deductions of exports profits, and deductions of 50% on foreign-exchange earnings.
- One- stops clearance for foreign-direct-investment proposals.
- Deductions of 30% of net income for 10 years for new industrial undertaking.
- Encourage captive power generation in order to bring down the cost of power and fuel, which account for 6% of the manufacturing costs.

To secure a share of growing domestic market, foreign carmakers continue to come to India. Super-luxury carmakers are beginning to enter the Indian market. The small-car market, which already account for two-thirds of domestic sales, offers promising prospects for sales growth as increasing affluence enables more Indians to trade up from motorcycles. Sales of commercial vehicles are forecast to expand strongly rising by annual average of almost 15% a year in the next five years to around 830000 units in 2015-16. The automotive industry in India countries to grow rapidly as a result of lower costs and rising quality of production. The Indian
automobile sector is expected to grow faster than US, Japan and Germany in the next 5 years.

The total turnover of Indian automotive industry in 2010-11 was USD 73 billion. The export turnover was USD 11 billion. It is expected Indian automotive industry will continue to grow in the coming years. This expectation is based on the fact that most of the primary demand drivers are very favourable. Growth of economy, easy availability of finance, level of vehicle penetration, the demographic profile of the country, increasing in average annual income, huge investments being made by the government in

The infrastructure sector, positive government policies for development of automobile sector, etc. are some of such favorable factors responsible for rapid growth of this sector. It has been projected that the Indian auto component industry has the potential reach a turn over level of USD 66.4 billion by 2016 and USD 113 billion by 2020. This translates to a fourfold increase over a period of ten years.

One area of concern is the ever increasing trade deficit in auto components. During 2010-11 import of auto components was at USD 10 billion. It constitutes one third of the total auto components turnover of the country. Indian’s net import of auto components was USD5 billion in 2010-11. This deficit has been on the increase since the past 4-5 years. Capacity constraints of domestic manufacturers, price competitiveness of the imported products, lack of design capabilities with domestic industry, are some of the reasons for the ever increasing imports of auto components in the country. As a significantly large portion of value addition and job creation is captured in auto component manufacturing, the increasing trend of import of auto components is not a desirable situation.

The focus of the government is to ensure inclusive and equitable growth. To achieve this goal large employment generation, especially from the rural and semi urban areas, would be necessitated. This large employment generation will need to come from the manufacturing sector. Therefore, one of the focus areas for the government is to spur manufacturing in the country so that this sector can contribute at least 25% to the national GDP from the present level of 14%. To achieve this target, the automotive industry which today contributes 22% of the manufacturing GDP, will need to play a major role. The government’s effort would, therefore, be to meet the huge future market potential that exists in the auto component sector from indigenous
industry and not through imports. Clearly, this is an area where the government would like to work more closely with the industry to reverse the trend.

The impressive numbers for the possible future size of the Indian auto components industry represents high potential; however, huge challenges will need to be overcome if the Indian auto component industry is to realize this

Potential. The automobile industry is expected to witness strong growth through 2020. As per the automotive Group for the 12th Five year plan, the growth expectations are as follows:

1. Projection of passenger Vehicles as 5 million units in 2015 and by about 9 million units by 2020. This is essentially by growth in Indian market and expectations of India as global hub for export of small cars;

2. The commercial Vehicles to touch volumes of over 1.4 million by 2015 and over 2.2 million units by 2020.

3. Two and Three wheelers expected to double to 22 million units by 2015 and reach 30 million units by 2020.

In order to realize the 2020 vision, the Indian auto component industry will need to build and optimize their capacities, focus on continuous improvement. This will be possible by absorbing advance technologies, adopting latest manufacturing processes, building R&D competencies, including and promoting organization culture of innovation. Not only this, it will need to continually strive to improve quality, cost and delivery standards to global benchmarks. Further, as the industry move toward an era of shortened product life cycles and faster roll out of newer models and variants, it will be imperative for the Indian auto component industry to graduate from the present “build to design” capabilities to developing “product design, testing and validation” capabilities. Also availability of capital at reasonable cost, availability of skilled manpower, stable long term government policies, protection of the interests of the domestic auto industry in the various bilateral free trade negotiation are some of the most critical areas where government support is essential.

The automotive Industry in India shall continue to grow at a very fast pace in the foreseeable future. This confidence is base on strong sector fundamentals which include extremely low current levels of vehicle penetration in the country, projected high rate of GDP growth for the Indian Economy, huge investments being made by the Government in infrastructure along with a very large upwardly mobile middle class population with aspirations for
better living standards. These factors will ensure that the demand for personal mobility in India will continue to remain very high. Recent studies project the size of the Indian passenger vehicle segment annually to be close to 9 million units and the two wheeler production to be close to 30 million units by 2020.

According to a report from United Nation Industrial Development Organization’s (UNIDO) in ‘International Yearbook of industrial Statistics 2008’, India enjoys 12th Position amongst top 15 automakers in the world. India is at the 4th position amongst auto makers of developing countries. By 2016 the size of the Indian automobile industry is expected to grow by 13%, to reach a market of US$ 120-159 billion. Presently, India is the 2nd largest two wheeler market in the word and fourth largest commercial vehicle market worldwide. With allies in a strong economy, rising demand and financial banking, Indian auto industry is standing at the threshold of success.

Finally to conclude the Indian automobile market seems to be the strongest growing market among all those automobile market present across the globe at present. The important factors for steady and rapid growth of automobile sector in India includes, Foreign Direct Investment (FDI) in Automobile Industry (to complement), purchasing powder capacity, Government support and auto-finance facility on liberal terms. However, Vision 2020 – requires more capital investment, increase in installed capacity, technology improvements, trained manpower, increase in international market share for export and increasing the organized sector (from the present unorganized) in ACMA (OEM’s) with it’s capacity to cater to the requirements of the automobile manufacturers in all segments. The challenges, if tackled well by the Government, the Indian Automobile Industry will achieve the said Amp 2016 and will be the third largest market by 2020 and will be the world’s largest market by 2050.

1.5 CONCLUSION

Automobile industry plays a vital role in the fabric of Indian economy. This sector of industry has made a rapid & steady growth in India, particularly after 90s due to delicensing, favorable Government policy and whole hearted support of the Government, opening up of the automobile industries for 100% FDI, increase in purchasing power capacity of middle class and easy and cheap auto-finance facility.
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