



## A STUDY ON PRODUCTION, DOMESTIC SALES AND EXPORT OF INDIAN AUTOMOBILE INDUSTRY

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### **Introduction**

The Indian automotive industry has emerged as a 'sunrise sector' in the Indian economy. India is emerging as one of the world's fastest growing passenger car markets and second largest two wheeler manufacturer. It is also home for the largest motor cycle manufacturer and fifth largest commercial vehicle manufacturer. India is emerging as an export hub for sports utility vehicles (SUVs). The global automobile majors are looking to leverage India's cost-competitive manufacturing practices and are assessing opportunities to export SUVs to Europe, South Africa and Southeast Asia. India can emerge as a supply hub to feed the world demand for SUVs.

India also has the largest base to export compact cars to Europe. Moreover, hybrid and electronic vehicles are new developments on the automobile canvas and India is one of the key markets for them. Global and Indian manufacturers are focussing their efforts to develop innovative products, technologies and supply chains. The automotive plants of global automakers in India rank among the top across the world in terms of the productivity and quality. Top auto multinational companies (MNCs) like Hyundai, Toyota and Suzuki rank their Indian production facilities right on top of their global pecking order.

The turnover of automotive industry was more than 45% of the manufacturing GDP of India during FY14. The importance of this industry to the national economy can be seen by way of the size of its turnover compared to India's GDP and contribution across several other parameters:

- 7.1% of India's GDP
- 27% of India's industrial GDP
- 4.3% of overall exports (second only to textiles & handicrafts)
- 13% of excise revenues
- Incremental employment generation in excess of 19 million since FY06
- Total investment in excess of US\$ 35 bn of which US\$ 24 bn is contributed by automobile companies while US\$ 11 bn is contributed by automotive component companies
- 8% of the country's R&D expenditure
- Improvement in fuel efficiency of passenger vehicles resulting in fuel savings of 8.6 bn litres between FY06 and FY14

The Indian automotive industry has witnessed significant growth during the first half of Automotive Mission Plan 2006-2016 (AMP 2016) i.e. FY06 to FY11. During this period all vehicle segments registered a Compound Annual Growth Rate (CAGR) in excess of 10%. However, from FY11 the slowdown in global economy coupled with weakness in the fundamental growth drivers has resulted in decline in growth across vehicle segments except for two wheelers, which posted a CAGR of 4.6%. This has resulted in gaps between actual performance of the industry vis-à-vis targets envisaged under AMP 2016.

### **Statement of the Problem**

Today's global automotive industry is full of opportunities and risks which are everywhere - in emerging and mature markets alike. Companies require appropriate policies to be played intelligently for managing the series of decisions. Moreover, within segment the nature of competition sometimes is oligopolistic as the number of models under one segment may be limited in a model year. This research studies the important items like Financial, Production, Sales and Export trend of the Automobile sector in India.

### **Need and Importance of the Study**

The automotive industry in India is one of the largest in the world and one of the fastest growing globally. India's passenger car and commercial vehicle manufacturing industry is the seventh largest in the world, with an annual production of more than 3.7 million units in 2014. Automobile industry is playing an important role in India's economic in recent period relative importance of foreign investment has increased and FDI is emerging as a lead player and a catalyst in economic growth.

In developing countries, every industry is the main source of economic development, modernization and employment generation. All these contribute to the higher economic growth. In most of the manufactured products, the country has

achieved a large measure of self-sufficiency with foreign collaboration but primarily through domestic efforts. India have the opportunity to make manufacture hub for textiles, automobiles, steel, metals, and petroleum products, etc., for the world market. Foreign investment helps the country in supplying the much-needed foreign exchange thereby filling the foreign exchange gap to considerable extend. Among the different vehicles, the researcher can take production and export performance of only the four major sectors like passenger vehicles, commercial vehicles, three wheelers and two wheelers.

### Objective of the Study

The objective of the study is

1. To present production, domestic sales and export of automobiles in India

### Scope of the Study

The present study focus only on automobile vehicle manufactures, it may be broadly categorised into three segments viz., low/high commercial vehicle manufactures, passenger vehicle manufactures, two/three wheeler vehicle manufactures and not on automobile component manufacturers .

### Research Methodology

The present study is descriptive in nature and bases on secondary data. Automobile companies which are working in India have been covered.

### Data Collection

Secondary data has collected from research papers, articles, news papers, websites and journals of companies. Companies' related data will be source form the electronic database 'Prowess' of the Centre for Monitoring Indian Economy (CMIE) and published statutory annual reports.

### Data Presentation and Inferences

#### Production of Vehicles

The following table shows that the production of Passenger vehicles, Commercial vehicles, Three wheelers and Two wheelers during the study period.

**Table -1: Category-wise Production trend in Indian Automobile Industry (Units)**

Year	Number of Passenger vehicles	Growth Rate	Number of Commercial vehicles	Growth Rate	Number of Two Wheelers	Growth Rate	Number of Three Wheelers	Growth Rate	Grand Total	Growth Rate
2004-05	12,09,876	-----	3,53,703	-----	65,29,829		3,74,445	-----	84,67,853	-----
2005-06	13,09,300	8.22	3,91,083	10.57	76,08,697	16.52	4,34,423	16.02	97,43,503	15.06
2006-07	15,44,850	17.99	5,20,000	32.96	84,44,168	10.98	5,56,124	28.01	1,10,65,142	13.56
2007-08	17,77,583	15.07	5,49,006	5.58	80,26,681	-4.94	5,00,660	-9.97	1,08,53,930	-1.91
2008-09	18,38,593	3.43	4,16,870	-24.06	84,19,792	4.89	4,97,020	-0.73	1,11,72,275	2.93
2009-10	23,57,411	28.21	5,67,556	36.15	1,05,12,903	24.86	6,19,194	24.58	1,40,57,064	25.82
2010-11	29,82,772	26.53	7,60,735	34.04	1,33,49,349	26.98	7,49,553	21.05	1,78,42,409	26.93
2011-12	31,46,069	5.47	9,29,136	22.14	1,54,27,532	15.57	8,79,289	17.31	2,03,82,026	14.23
2012-13	32,31,058	2.70	8,32,649	-10.38	1,57,44,156	2.05	8,39,748	-4.50	2,06,47,611	1.30
2013-14	30,87,973	-4.43	6,99,035	-16.04	1,68,83,049	7.23	8,30,108	-1.15	2,15,00,165	4.13
2014-15	32,20,172	4.28	6,97,083	-0.28	1,84,99,970	9.58	9,49,021	14.32	2,33,66,246	8.68

Source: SIAM and Computed

The table 1 inferred that the production of Automobile's growth rate in the fiscal 2005-06 was 15.06%. It was decreased to 13.56% and -1.91% in 2006-07 and 2007-08 respectively. In fiscal 2008-09, 2009-10 and 2010-11 it was increased to 2.93%, 25.82% and 26.93% respectively. In 2011-12 and 2012-13 it was decreased to 14.23% and 1.30% respectively. Again in 2013-14 and 2014-15 it was increased to 4.13% and 8.68% respectively.

The automotive industry in India has come a long way from its inception in the early 1940's to the present day dynamic form. As compared to a mere production of 4,000 vehicles in 1950, the production of the industry crossed a historic landmark of 2,33,66,246 vehicles in 2014-15.

### Automobile Domestic Sales Trend

The following table shows that the domestic sales of Passenger vehicles, Commercial vehicles, Three wheelers and Two wheelers during the study period.

**Table -2: Category-wise Domestic Sales trend in Indian Automobile Industry (Units)**

Year	Number of Passenger vehicles	Growth Rate	Number of Commercial vehicles	Growth Rate	Number of Two Wheelers	Growth Rate	Number of Three Wheelers	Growth Rate	Grand Total	Growth Rate
2004-05	10,61,572	-----	3,18,430	-----	62,09,765	-----	3,07,862	-----	78,97,629	-----
2005-06	11,43,076	7.68	3,51,041	10.24	70,52,391	13.57	3,59,920	16.91	89,06,428	12.77
2006-07	13,79,698	20.70	4,67,882	33.28	78,57,548	11.42	4,03,909	12.22	1,01,09,037	13.50
2007-08	15,49,882	12.33	4,90,494	4.83	79,27,824	0.89	3,64,781	-9.69	1,03,32,981	2.22
2008-09	15,52,703	00.18	3,84,194	-21.67	74,37,619	-6.18	3,49,727	-4.13	97,24,243	-5.89
2009-10	19,51,333	25.67	5,32,721	38.65	93,70,951	25.99	4,40,392	25.92	1,22,95,397	26.44
2010-11	25,01,542	28.19	6,84,905	28.56	1,17,68,916	25.58	5,26,024	19.44	1,54,81,387	25.91
2011-12	26,29,839	5.13	8,09,499	18.19	1,34,09,150	13.94	5,13,281	-2.42	1,73,61,769	12.15
2012-13	26,65,015	1.34	7,93,211	-2.01	1,37,97,185	2.89	5,38,290	4.87	1,77,93,701	2.49
2013-14	25,03,509	-6.06	6,32,851	-20.22	1,48,06,778	7.32	4,80,085	-10.81	1,84,23,223	3.54
2014-15	26,01,111	3.90	6,14,961	-2.83	1,60,04,581	8.09	5,31,927	10.80	1,97,52,580	7.22

Source: SIAM and Computed

The table 2 inferred that, the Domestic Sales of Automobile's growth rate in the fiscal 2005-06 was 15.96%, it was decreased to 12.77% in 2005-06 and in 2006-07 it was increased to 13.50%. In the fiscal 2007-08 and 2008-09 it was decreased to 2.22% and -5.89% respectively. In 2009-10 it was increased to 26.44%, in 2010-11, 2011-12, 2012-13 it was decreased to 25.91%, 12.15% and 2.49% respectively. Again in 2013-14 and 2014-15 it was increase to 3.54% and 7.22% respectively.

From the above table, it can conclude that, the domestic sales of automobile faced ups and downs during past few years. The growth in percentage of sale of different vehicles have been due to the enhanced purchasing power, especially among middle class people of India, easy availability of finance, favourable government policy, development of infrastructure projects, replacement period of vehicle.

### Export of Automobile in India

The following table highlights the export Passenger vehicles, Commercial vehicles, Three wheelers and Two wheelers during the study period.

**Table -3: Category-wise Export trend in Indian Automobile Industry (Units)**

Year	Number of Passenger vehicles	Growth Rate	Number of Commercial vehicles	Growth Rate	Number of Two Wheelers	Growth Rate	Number of Three Wheelers	Growth Rate	Grand Total	Growth Rate
2004-05	1,60,677	----	29,940	----	3,66,407	----	66,795	----	6,23,819	----
2005-06	1,70,193	5.92	40,600	35.60	5,13,169	40.05	76,881	15.10	8,00,843	28.38
2006-07	1,89,347	11.25	49,766	22.58	6,19,187	20.66	1,43,896	87.17	10,02,196	25.14
2007-08	2,18,401	15.34	58,994	18.54	8,19,713	32.38	1,41,225	-1.86	12,38,333	23.56
2008-09	3,35,729	53.72	42,625	-27.75	10,04,174	22.50	1,48,066	4.84	15,30,594	23.60
2009-10	4,46,145	32.88	45,009	5.59	11,40,058	13.53	1,73,214	16.98	18,04,426	17.89
2010-11	4,44,326	-00.41	74,043	64.50	15,31,619	34.35	2,69,968	55.86	23,19,956	28.57
2011-12	5,08,783	14.51	92,258	24.60	19,75,111	28.96	3,61,753	34.00	29,37,905	26.64
2012-13	5,59,414	9.95	80,027	-13.26	19,56,378	-0.95	3,03,088	-16.22	28,98,907	-1.33
2013-14	5,96,142	6.57	77,050	-3.72	20,84,000	6.52	3,53,392	16.60	31,10,584	7.30
2014-15	6,22,470	4.41	85,782	11.33	24,57,597	17.93	4,07,957	15.44	35,73,806	14.89

Source: SIAM and Computed



The table 3 inferred that, the Export of Automobile's growth rate in the fiscal 2005-06 was 28.38%, it was decreased to 25.14%, 23.56%, 23.60%, 17.89%, 28.57%, 26.64%, -1.33% in 2006-07, 2007-08, 2008-09, 2009-10, 2010-11, 2011-12, 2012-13 respectively. And in fiscal 2013-14 it was increased to 7.30% followed by in 2014-15 fiscal it stood at increased to 14.89%.

Export performance is considered the outcome of a firm's activities in export markets contends that a firm's export performance is a composite of its international sales, profitability and export growth. From the above table, we can conclude that exports of automobile have continuously increased in all categories except few years. The exports have increased from 623819 units to 3573806 units within the period of 10 years. This gives the signal that exports can be expected to increase in future.

### **Conclusion**

The production, domestic sales and export of automobiles in India has increased from year to year.

### **References**

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