

An Overview of India's Automobile Industry

Dr.Renuga.R

Assistant Professor, Dept of Commerce

Government Arts and Science College for Women Bargur Krishnagiri-635104

Abstract- *The automotive sector in India plays a pivotal role in driving both macroeconomic growth and technological progress. This industry accounts for approximately 7% of the country's total GDP and offered employment to around 37 million individuals, either directly or indirectly, in the year 2020. India holds significant positions in the global automotive landscape, being the largest producer of 2-wheelers and 3-wheelers, the second largest producer of heavy buses, and the fourth –largest producer of heavy trucks and cars. Additionally, it ranks seventh in the production of light commercial vehicles worldwide.*

The growth of the Indian automotive industry is fueled by robust domestic demand and favorable government policies. This synergy has propelled India to ascend the global ranks and establish itself as prominent player. The vision for the industry's future was articulated through the Automotive Mission Plan 2016-26(AMP 2026), a collaborative plan aims to position India among the top three countries globally in engineering, manufacturing, and export of vehicles and auto components by 2026. This transformation is expected to contribute significantly, targeting 12 % of India's GDP and generating employment for an additional 65 million individuals, both directly and indirectly.

Forecasts suggest that by 2020, the automobile industry in India will secure the third-largest position in the world, following China and the USA. This research paper sheds light on the performance and growth of India's automobile industry, highlighting the factors contributing to this growth and providing insights into the current status of foreign investments in this crucial sector.

Keywords- FDI, GDP, AMP, Automobile industries- Production, Sales and Exports, growth trend.

I. INTRODUCTION

Two decades of robust growth have propelled India from being a net importer of automobiles to a leading manufacturer and exporter of vehicles and components. During the last decade (2006-2016) the growth of the sector has been quite impressive despite economic slowdown, however with economic growth looking up, the sector is expected to outperform the projections during the decade of 2016-2026. The automobile sector in India has immense

potential for growth and to supplement the growth of other related sectors synergistically. For achieving high sustainable growth, the Government of India has not only simplified and streamlined the regulatory policies framework for ease of doing business but also committed for minimum Government and maximum Governance.

The automobile sector in India has immense potential for driving economic growth and employment and also supporting a host of other manufacturing industries like auto-components, machine tools, steel, aluminum, plastics, chemicals, electronics, etc. In addition, the auto sector also supports the services sector which includes IT and software, banking, insurance, repair and maintenance, transport and logistics including public transport etc. The Government of India had not only simplified and stream lined the regulatory policies framework for ease of doing business but also launched Automotive Mission Plans for 2006-2016 in 2006 and AMP 2016-2026 in 2016. The other major programmes / plans initiated by the Government include Faster Adoption and Manufacturing of (hybrid &) Electric Vehicles (FAME) and National Electric Mobility Mission Plan (NEMMP) 2020. These programmes/plans envisioned a robust and faster growth of vehicles to attain the coveted place among the world leaders in automobile sector like USA, Japan, Europe and China.

II. OBJECTIVES OF THE REPORT

To overview the automobile industry in India

III. METHODOLOGY OF THE STUDY

Sampling techniques:

From the manufacturing sector, Indian Automobile Industry is considered for the study.

Data Collection:

Only secondary data based study had undergone.

Presentation techniques: Tables and charts are used to describe the overview of Indian automobile industry.

Limitations:

*Only Secondary data was used in presenting the information's.

**Owing to non-availability data during the year 2022-2023 is considered for the study.

IV. AN OVERVIEW OF AUTOMOBILE INDIAN INDUSTRY

Mission Plan of Automotive Industry:

1. Automotive Mission Plan 2016-26:

The plan also envisions India to be the first in the world in production/sale of small cars, two-wheelers, three-wheelers, tractors and buses; and third in passenger vehicles and heavy trucks. Specific interventions are envisaged to sustain and improve manufacturing competitiveness and to address challenges of environment and safety. The Indian Automotive industry aims to increase exports of vehicles by 5 times. The growth of vehicles particularly the passenger vehicles is expected to triple to 9.4 million units per annum by 2026.

2. The National Electric Mobility Mission Plan 2020 (NEMMP):

This initiative has been taken up to encourage reliable, affordable and efficient HEVs (hybrid and electric vehicles) that meet consumer performance and price expectations through government industry collaboration. Promotion and development of indigenous manufacturing capabilities, required infrastructure, consumer awareness and technology are additional objectives of NEMMP 2020. The target is of putting 6 million electric & hybrid vehicles per year on the road by 2020 under NEMMP2020.

3. Faster adoption and manufacturing of Hybrid and Electric Vehicles in India:

It aims at incentivizing the use of E-Vehicles across all vehicle segments ranging from Two wheelers to light commercial vehicles and buses.

4. National Automotive Testing and R&D Infrastructure Project (NATRIP):

The project has been set up at a total cost of USD 573 million to enable the industry to adopt and implement global performance standards. The focus is on providing low-cost manufacturing and product development solutions. As a part

of the program, 7 test centers are finalized to set up the test facilities.

5. New Green Urban Transport Scheme (GUTS), 2017:

Performance of Auto Industry**Production**

The industry produced a total 22.93 million units of vehicles including Passenger Vehicles, Commercial Vehicles, Three Wheelers, Two Wheelers, and Quadricycles in financial year 2021-22, as against 22.66 million units in financial year 2020-21.

Table No 1. Production trends in Automobile Industry in India

Category	2016-17	2017-18	2018-19	2019-20	2020-21	2021-2022
Passenger Vehicles	38,01,670	40,20,267	40,28,471	34,24,564	30,62,221	36,50,698
Commercial Vehicles	8,10,253	8,95,448	11,12,405	7,56,725	6,24,939	8,05,527
Three Wheelers	7,83,721	10,22,181	12,68,833	11,32,982	6,11,171	7,58,088
Two Wheelers	1,99,33,739	2,31,54,838	2,44,99,777	2,10,32,927	1,83,49,941	1,77,14,856
Quadricycle	1,584	1,713	5,388	6,095	3,836	4,061
Grand Total	2,53,30,967	2,90,94,447	3,09,14,874	2,63,53,293	2,26,52,108	2,29,33,230

(Source:SIAM Website)

Domestic Sales

Total Passenger Vehicle Sales increased from 2.71 million to 3.07 million units. Sales of Passenger Cars decreased from 1.54 million to 1.47 million units, while sales of Utility Vehicles increased from 1.06 million to 1.49 million units in FY 2021-22 compared to the previous year. During the same period 1.13 lac units of Vans were sold compared to 1.08 lac units in FY 2020-21.

The overall Commercial Vehicles sales increased from 5.69 lac to 7.17 lac units. Sales of Medium and Heavy Commercial Vehicles increased from 1.61 lac to 2.41 lac units and Light Commercial Vehicles increased from 4.08 lac to 4.76 lac units in FY 2021-22 compared to the previous year.

Sales of Three Wheelers increased from 2.19 lac to 2.61 lac units in FY 2021-22 compared to the previous year. Two Wheelers sales decreased from 15.12 million to 13.47 million units in FY 2021-22 over same period

Table2: Domestic Sales trend in Automotive Industry in India

Category	2016-17	2017-18	2018-19	2019-20	2020-2021	2021-2022
Passenger Vehicles	30,47,582	32,88,581	33,77,389	27,73,519	27,11,457	30,69,499
Commercial Vehicles	7,14,082	8,56,916	10,07,311	7,17,593	5,68,559	7,16,566
Three Wheelers	5,11,879	6,35,698	7,01,005	6,37,065	2,19,446	2,60,995
Two Wheelers	1,75,89,738	2,02,00,117	2,11,79,847	1,74,16,432	1,51,20,783	1,34,66,412
Quadricycle			627	942	(12)	124
GrandTotal	2,18,62,128	2,49,81,312	2,62,66,179	2,15,45,551	1,86,20,233	1,75,13,596

(Source: SIAM Website)

Exports

In Financial year 2021-22, Passenger Vehicle Exports increased from 4.04 lac units to 5.8 lac units, Commercial Vehicle Exports increased from 50,334 to 92,297 units, Three Wheeler Exports increased from 3.93 lac to 5 lac units and Two Wheelers Exports increased from 3.3 million to 4.4 million units in FY 2022 over the same period last year

Table 3:Exports trend in Automotive Industry in India

Category	2016-17	2017-18	2018-19	2019-20	2020-2021	2021-2022
Passenger Vehicles	7,58,727	7,48,366	6,76,192	6,62,118	4,04,397	5,77,875
Commercial Vehicles	1,08,271	96,865	99,933	60,379	50,334	92,297
Three Wheelers	2,71,894	3,81,002	5,67,683	5,01,651	3,93,001	4,99,730
Two Wheelers	23,40,277	28,15,003	32,80,841	35,19,405	32,82,786	44,43,018
Quadricycle	1,556	1,605	4,400	5,185	3,529	4,326
GrandTotal	34,80,725	40,42,841	46,29,049	47,48,738	41,34,047	56,17,246

(Source: SIAM Website)

Table4:Sales of Passenger Cars

Passenger Car Sales (In Numbers)				
Sl. No.	COUNTRY	2019	2020	2021
1	CHINA	21472091	20177731	21481537
2	JAPAN	4301091	3809981	3675698
3	UNITED STATES OF AMERICA	4719710	3401838	3350050
4	INDIA	2962115	2433473	3082279
5	GERMANY	3607258	2917678	2622132
6	FRANCE	2214280	1650118	1659005
7	UNITED KINGDOM	2311140	1631064	1647181
8	BRAZIL	2262073	1615942	1558467
9	RUSSIA	1567743	1433956	1483444
10	SOUTH KOREA	1497035	1618333	1468873

Source: IBEF Website

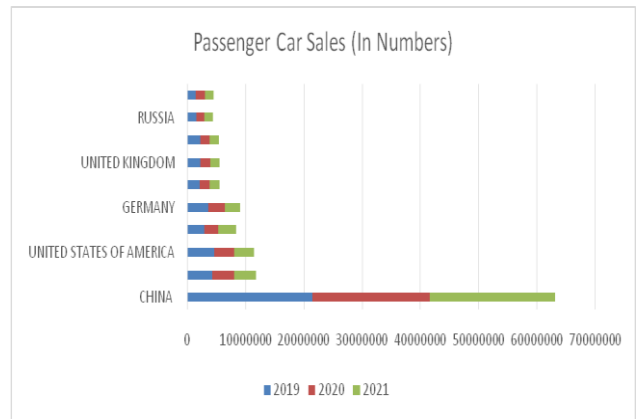


Figure1: Passenger Car Sales (In Numbers)

Foreign Investment in Automobile Sector

100% Foreign Direct Investment (FDI) is allowed under the automatic route in the auto sector, subject to all the applicable regulations and laws. The sector attracted US\$ 24.21 billion between April 2000-March 2020. List of the foreign investors in this sector.

- BMW (Germany)
- Borgward Automotive India Private Limited (Germany)
- Daimler India Commercial Vehicles Pvt Ltd (Germany)
- FIAT (Italy) Ford (USA)
- General Motors (USA)
- Honda (Japan)
- Hyundai (South Korea)
- Kia Motors (South Korea)
- Mercedes (Germany)
- Nissan (Japan)
- Piaggio (Italy)
- Renault (France)
- Sumitomo Corporation (Japan)
- Suzuki (Japan)
- Toyota (Japan)
- Volkswagen (Germany)
- Volvo (Sweden)

FDI, under the automatic route, 100% Foreign Direct Investment (FDI) is permitted along with full delisting. Hence, making it easy for investors to set up their manufacturing plant/shop in India.

Statistical Summary¹:

- The cumulative FDI equity inflow in the Automobile Industry is USD 34.74 bn during the period April

2000 to March 2023. This constitutes 5% of the total FDI inflow received across sectors.

- The Automobile industry can be categorized into subsectors such as passenger vehicles, commercial vehicles, three-wheelers and two-wheelers. Two-wheelers occupy the dominant position, constituting about 80% market share and overall passenger vehicles comprise 13%.
- In April 2021 to March 2022, Passenger Vehicle Exports increased from 404,397 to 577,875 units (registering a positive growth of 42.9%), Commercial Vehicle Exports increased from 50,334 to 92,297 units, Three-Wheeler Exports increased from 393,001 to 499,730 units and Two-Wheeler Exports increased from 3,282,786 to 4,443,018 units in April 2021 to March 2022 over same period last year.
- The current annual sale of vehicles of all categories is expected to reach 84.5 mn by 2030.
- India has a total of 13, 34, 385 Electric Vehicles and 27,81,69,631 non-Electric Vehicle in use.
- 2,56,980 electric vehicles registered in India in 2023 (till 15.03.2023)
- 6586 Public Charging Stations (PCS) for Evs as of 21.3.2023 operational in India. *
- Export of total number of automobiles increased from 41,34,047 in 2020-21 to 56,17,246 in 2021-22, registering a positive growth of 35.9%.
- Export of Passenger vehicles including cars increased from 4,04,397 in 2020-21 to 5,77,875 in 2021-22, registering a positive growth of 42.9%.
- Presently, 07 No.'s of operational WSA facilities are equipped with EV charging stations.

V. CONCLUSION

As of 2022-2023, India stands as a crucial market for several international automaker, with Suzuki Corporation securing over 50 percent of its business share from this rapidly growing market. Honda continues to see India as a significant player in the two-wheeler sector and a substantial contributor to its car market. Notably, India is progressively becoming a major exporter of connected and software solutions for automobiles, reinforcing its position in the global automotive landscape.

One of Indi's strength lies in the increasing software content in automobiles, attracting various manufacturers to establish their research and development backend to serve global markets. This growth is propelled by factors like the availability of skilled labor at a competitive cost and cost-

effective steel production, providing a favourable environment for the automotive industry.

However, amidst these advantages, India faces substantial challenges in the evolving automotive sector. A notable setback is the country's deficit in lithium and cobalt reserves, crucial elements for battery production in electric vehicles. India needs to expedite efforts to secure a stable supply of lithium, considering it is levied with the highest 28 percent Goods and Service Tax (GST) on the import of this critical resource.

Argentina has recently expressed interest in aiding India with its lithium needs. Despite this, no concrete progress has been made in terms of collaboration with any country thus far. Cobalt, another essential raw material, remains in limited reserves, primarily located in Nagaland, Jharkhand, and Orissa, underlining the urgency for strategic measures to address these raw material challenges in the automotive industry.

REFERENCES

- [1] <https://www.makeinindia.com/index.php/sector/automobiles>
- [2] IBEF Report - <http://www.ibef.org> page no. 6, (2019-2020)
- [3] IMRB – Market attractiveness of Auto Component Business in India (January 2009), Dun and Bradstreet <https://www.dnb.co.in/> (2011)
- [4] ACMA - Indian Auto components industry - Growing Capabilities and Strength (June 2011)
- [5] DIPP – <http://dipp.nic.in> - SIA Newsletter January (2011)
- [6] SIAM industry statistics – www.siamindia.com
- [7] Auto Component off-take by Automobile Industry Segment – CRISIL Research (2011)
- [8] Indian Automotive Industry: at the cross roads – EXIM Bank of India (2008)
- [9] Indian Institute of Foreign Trade, experience of Indian Automotive Sector - (2009)
- [10] Ministry of Finance, Government of India, Gazette Notification (2011, 2012)
- [11] Working Group on Automotive Sector for 12th Five year plan, Department of Heavy Industry, Ministry of Heavy Industries and Public Enterprises (2012–17)
- [12] ACMA – Auto Component Industry Statistics, January(2013)
- [13] ACMA and CARE research, December, (2012)
- [14] ACMA – Joint study with M/S J D Power Asia Pacific “Insights into Supplier - OEM relationship: a Benchmarking Study (2011)