
OVER VIEW OF INDIAN PASSENGER CAR SECTOR

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Abstract: India is a country with rapid growth in middle class sector. Trained man power, low production cost and availability of raw materials make Indian market a favorable destination for investment in passenger car market segment. These factors attracted almost all the global players to Indian market, not only to tap the domestic market but also to make India an exporting hub. Indian passenger car industry is one of the major contributors to India's gross domestic product (GDP). The passenger car industry is contributing around 7 percent of the country's GDP and employs more than 20 million people directly and indirectly. Indian passenger car industry is called as the sun rise sector to the Indian economy as it plays a major role in Indian economical growth. Indian passenger car market is totally open up and 100% foreign direct investment (FDI) is permissible now and this made the international players to invest in Indian passenger car industry. All most all international players started their production in Indian soil in the view of high potential domestic market and India can be the best economical export hub. Passenger car industry is one of the key divers of any growing economy; it plays an important and vital role in country's rapid economic growth. Government of India is trying and supporting the passenger car industry in all possible ways to overcome present situation and to bring back the glory.

Introduction: Indian passenger car industry is one of the largest industries in India as like in many other countries and is one of the largest passenger car industries in the world. Passenger car industry is a volume driven industry and industry attracts highest competition as human intervention is high. Purchase decision of a car is considered to be the 2nd most important decision among Indian customers following the decision to own a house.

Previously Indian passenger car industry was one of the fastest growing markets globally and but is currently experiencing a negative growth rate. For last several years Indian passenger car industry was driven by the strong economical growth and stability in Indian financial market. However the internal factors like increase in fuel price, weakening of rupee and some other factors pull down the market which resulted in declined market performance.

Even though the Indian passenger car industry is witnessing a slow down for last certain years, Indian Passenger Car industry is witnessing a phase of rapid transformation. Global passenger

car companies are eagerly watching the Indian market to exploit the future demands and to make India a valuable export hub. Future focus of Indian Passenger car industry will be on enhancing efficiency and productivity. On other hand innovation on both process and product are equally important as the market is driven by customer demand. Passenger car industry in India is passing through a challenging phase due to the general economic condition and consumer sentiments is not working to the expected level. The present slow down in the market and last three years' experience from the market are wakeup calls for many companies and they themselves fine tuned their Indian plans and aspirations. All major players are expanding and optimizing their full production capacity in the expectation of fruitful time to come up shortly.

Rationale and Significance of the Study: The role and presence of Indian automobile in global market is increasing day by day and major players are making India as its hub for exporting their cars. Passenger car industry plays an

important role in the economic growth of every country and especially a developing country like India. The passenger car industry as a core business sector has undergone a metamorphosis with the advent of new business, new technology and advanced manufacturing practices.

Understanding and analyzing the present humps and bumps of automobile industry is inevitable in this present situation, since the study accrues its utmost importance at this present situation.

Aims & Objectives of the study: The objective of the research paper is to explore and to understand the present passenger car market by analyzing the data both domestic as well as export market. Understanding the past sales trend will give a clear outlook about the trend in present and future. So understanding and analyzing the passenger car market is so important at this point of time.

Passenger Car Industry - Present face: Indian passenger car is witnessing an unexpected squirt since last four years when industry posted two digit growth and attracted eyes of all global players towards Indian market. Presently Indian passenger car industry is under an eclipse form and it will only last for short span of time. The industry is expected to gain its superior position in short span of time. Indian passenger car industry is one among the top in globe and it is expected to be global leaders in domestic as well as export market. Mission plan 2006 – 2016 by government of India aims to make India a global passenger car hub with a view of doubling the contribution from passenger car industry towards GDP through taking the industry by its turn over to \$145 billion. Indian passenger car industry is expected to cross nine million units by 2020 as per Ministry of Heavy industries and Public Enterprises. Presently passenger car industry is facing a lot of challenges and hurdles, but the industry's long term prospects will be bright. Future growth is mainly depending up on healthy economic growth, changing consumer preferences, changing consumer aspirations,

thrust on rural economy, investment on infrastructure development and launch of new models to suit the market demand. Presently Indian passenger car industry is witnessing a high level of volatility.

Volatility in price of oil is one of the major challenges faced by global passenger car industry. Even though it is not directly influencing the development of passenger car market, but is one of the main influencing factors. In order to overcome the challenge the passenger car industry is behind new technologies to develop alternative energy. Hybrid electric cars, hydrogen cars and compressed air technology are some technologies which are thought to be replacing the conventional oil fuel. Electric cars are already there in the market, but the challenges before the replacement are much high. Replacement of oil is not so simple which happens over night and it will take much longer time to decide, but the future power will be some alternative other than common fuel.

Installed Capacity It is a well known fact that passenger car industry is a volume driven industry. Research, development and need for innovation are the life line of every passenger car industry to achieve competitiveness of the market. Even with rapid growth shown for years Indian contribution towards passenger in global terms are very low as around 2% and even in export market it is much below 1%. The word cheap labour, low interest rate, favorable exchange rate and concessional duty structure are becoming out dated and not sustainable to face the competitiveness. In the light of above, only research and development with introduction of new models and technology can only be the success factor to face the competitiveness and for a long term achievement. Passenger car industry is seen as a multiplier of industrial growth and it will help in achieving main critical goals of providing good volume of employment and increased

manufacturing out put.

Indian passenger car industry has attained a robust installed capacity over a period of time. Still new companies are coming to Indian land with their new production facilities and existing companies are also coming up with new expansion plans. Withdrawal of new expansion plans by the companies is only a eclipse stage and the industry will bounce back in short span of time. Installed capacity of Indian passenger car industry is presented in Table 1.

Table 1 Installed capacity of passenger car industry (in nos)	
SEGMENT	INSTALLED CAPACITY
Passenger Car	3,906,000

Domestic Sales Analysis: Numbers plays an important role in industry competitiveness and success of every car company is panting around the factor called numbers. Every company works on year on year growth over the numbers and which can be only factor of success. Last couples

of years were not good for car manufactures and in this climate some companies made positive figures, where some others had a worrisome drop over the sales figures and many accepted a flat year. The sales drop has been observed in urban as well as rural markets. There are somehappy faces at back of class room where many are struggling to cover up their loss. When economy shrinks people’s investment decisions also change. The companies who offer ultra-reliable models in affordable price are benefited in present shrinking market. Indian passenger car industry has shown a whispering growth of 26% a couple of years back and a worst negative growth in last couple of years. Indian car industry is one of the most vibrant industries having the potential to dominate and reach the top. Sales figures of Indian passenger car industry for last one decade is presented in below Table 2 and Figure 1.

Table 2 Sales figures of passenger car in India for last one decade		
SL.NO	YEAR	UNIT SOLD (IN NOS)
1	2013-2014	3138988
2	2012-2013	3285496
3	2011-2012	3040144
4	2010-2011	2831542
5	2009-2010	2175220
6	2008-2009	1846051
7	2007-2008	1713479
8	2006-2007	1473000
9	2005-2006	1264000
10	2004-2005	1178354

Source: OICA

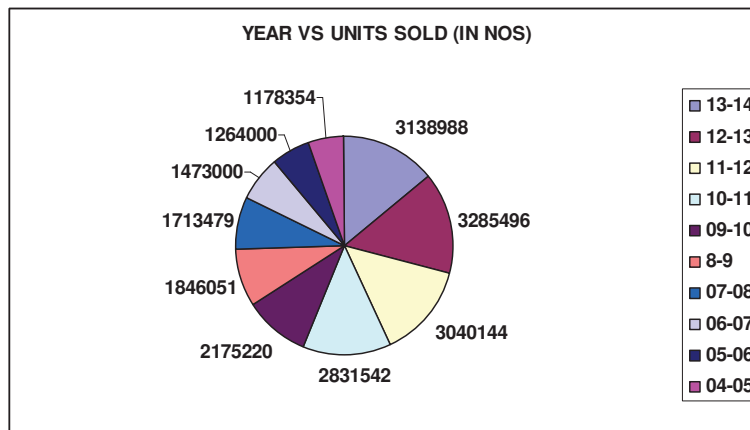


Fig1 1 - Sales figures of passenger car in India for last one decade

Export Analysis: Indian passenger car industry is recognized all over the world and has become inevitable part of global passenger car industry. Indian passenger car exporting market is only at its primary stage and a long way to go ahead with a huge potential to grow as global leaders. International players are looking India as one of the fruitful export hub. Bad news for Indian passenger car industry continues or reflects in Indian passenger car export market also. Indian passenger car export also remains muted like the domestic market. But export market seems to be far better than domestic market performance. Indian economy is witnessing its worst slow down ever and records only a merely 4.4% growth in GDP last quarter and it is lowest after 2009. To over come the slow down blue, Indian

passenger car manufactures are focusing on international market to boost export income to compensate the slow down in domestic market. It also makes economic sense to make India an export hub where the country it self offers a huge market and it will only expands the scale and bring down the cost involved in exporting of passenger cars.

Though the Indian passenger car market was fraught with challenges, it was the export market which helped the passenger car manufactures in India to sustain themselves. The time where the entire passenger car industry is reeling to build numbers in domestic market, could focus in building up export market. Export figures of Indian passenger car industry for last one decade was presented in below Table 3.and figure 2

SL.NO	YEAR	UNIT EXPORTED (IN NOS)
1	2013-2014	5,50,466
2	2012-2013	554,686
3	2011-2012	507,318
4	2010-2011	444,326
5	2009-2010	446,145
6	2008-2009	335,729
7	2007-2008	218,401
8	2006-2007	189,347
9	2005-2006	170,193
10	2004-2005	160,677

Source: SIAM

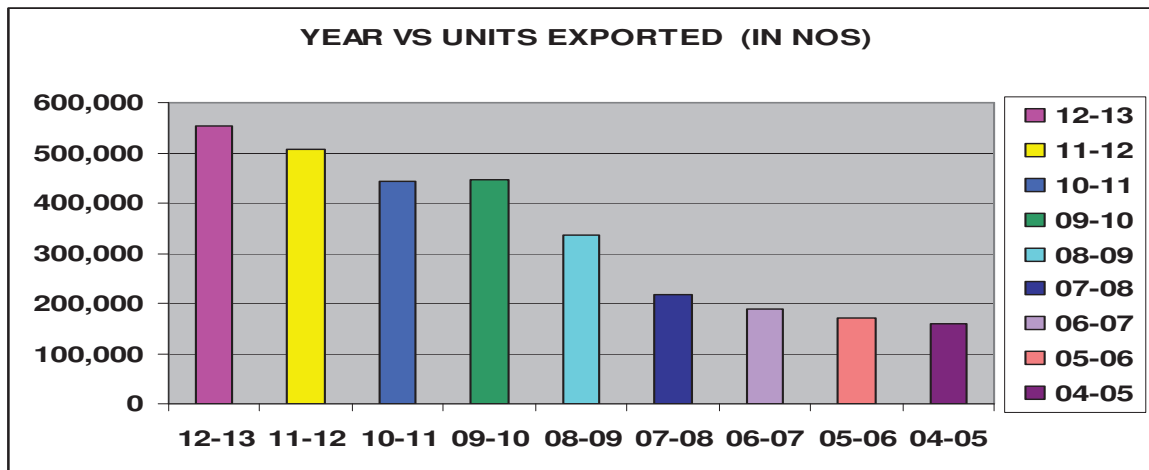


Figure 2 - Export figures of passenger car in India for last one decade

Vehicle Data Analysis: India economy is considered to be one of the strong and reliable economies around the globe. Indian economy is backed with high population and is having an opportunity to emerge as world leaders. Indian vehicle industries have only around 65 years of experience. Indian auto sector started its full fledged operation only after independence and it become world 5th largest motor vehicle manufacturer in very short span with unpredictable growth rate. India is one among very few countries which was not much affected with global economic recession. Indian automobile industry was growing at very high speed till last few years and it was predicted that the industry will become world's 4th largest automobile hub, but the unfortunate slow down made the industry predictions in vain. But the industry is having a great potential and will become world leaders in short span of time. Availability of low cost raw materials, efficient and low cost work force and full fledged government support are the factors to lift Indian automobile industry to the heights.

Automobile industry is called as industry of industries and Indian automobile industry is one of the most vibrant industries. Indian automobile industry is contributing around 22% of nations total GDP. Indian automobile industry comprises of Passenger cars, three-

wheelers, two-wheelers and commercial vehicles. Indian auto industry has an annual production of 17.7 million vehicles with around 2.5 million vehicles exported. Indian automobile industries have all the characteristics and potential to dominate the global automotive industry provided a conducive environment is created to have new innovative and inventive ideas to be implemented and to have surroundings to attract new entries.

A total production of 1,861,849 vehicles were recorded in the year 2013-14 including passenger cars, commercial vehicles, two-wheelers and three-wheelers. Foreign direct investment (FDI) in India in automobile sector has crossed US\$ 9,885.21 million and which was one of the largest in global automobile market. India government policies are supporting to the core for attracting more foreign investment in automobile sector. Indian auto policy encourages 100 percent foreign direct investment in automobile sector and the industry is totally delicensed industry which allows free import of automobile components. It is very much important to analyze the total vehicles from each category to have a through understanding the contribution from passenger car segment. Data for last five years was taken for the purpose and Domestic sales trend from each category in Indian for last Five years (Only raw data available for the

year2013-14, so same was not taken) is presented in below Table 4 and figure 3

Table 4 Domestic sales trend in India for last Five years						
Category	Year	2008-09	2009-10	2010-11	2011-12	2012-13
Passenger Vehicle		1,552,703	1,951,333	2,501,542	2,618,072	2,686,429
Commercial Vehicle		384,194	532,721	684,905	809,532	793,150
Three-Wheeler		349,727	440,392	526,024	513,251	538,291
Two-Wheeler		7,437,619	9,370,951	11,768,910	13,435,769	538,291
Grand Total		9,724,243	12,295,397	15,481,381	17,376,624	17,815,618

Source: SIAM

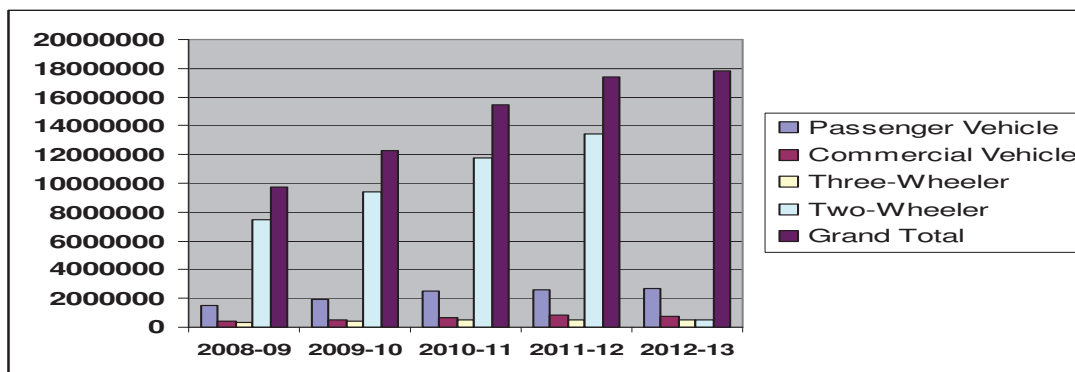


Figure 3 - Domestic sales trend in India for last Five years

Conclusion: The scenario in domestic Indian Automobile Industry is quite different from the Global Automobile Industry. The industry actually developed in two clear stages - the Maruti era (1983 onwards) and the post-liberalization era (1992 onwards). India's automobile industry has to wait at least until the second half of the next financial year for sales to bounce back. Global recession and some other factors has pulled the growth of passenger car industry down for last some years and it will be expected to over come in short span of time.

Government has reduced the excise duty through the union budget of 2014 and which helped the industry in a larger extend to reduce its loss. Present political environment is stable and positive for the fruitful growth of the industry. Companies are coming up with their new models and plans in expectation of regaining the past glory. More liberalized policies are expected from the government and which will help in regaining the industry to a positive note.

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