

Make in India: A Study of Automobile Sector in India

Abstract

The main objectives of this paper is to examine the how far Make-in-India is responsible for developing of the country and interpret and analyze the perceptions of respondents regarding various issues of the Make-in-India along with suitable suggestions to strengthen the Make-in-India. Make in India was launched by Prime Minister, Narendra Modi on 25 September 2014, to encourage companies to manufacture their products in India. The concept majorly focuses on the manufacturing growth in the country which requires the make in India policy to upgrade the development level of the economy. With this the relevance Make in India concept is highly noticeable. The paper hence is an attempt to understand the automobile sector and the Make in India concept. The work also studies the Impact of Make in India on future automobile sector of India. The automotive Industry in India is now working in terms of the dynamics of an open market.

Keywords: Make in India, Automobile Sector
Introduction

Sanjay Kumar Satapathy

Associate Professor
Deptt. of Commerce
Ravenshaw University,
Cuttack

Indian Automotive Industry growth decades started in the 1970s. Between 1970 and 1984 cars were considered a luxury product; manufacturing was licensed, expansion was restricted;

There were Quantitative Restriction (QR) on imports and tariff structure designed to restrict the market but starting in 2000, several landmark policy changes like QR and 100% FDI through automotive route were introduced. In 2003, Core group on Automotive R&D (C.A.R) was set up to identify priority areas for automotive R&D in India. Indian Auto Industry is 2nd in Two Wheelers, 3rd in Small Cars and 5th in Commercial Vehicles among the top 10 in World. De-licensing in 1991 put the Indian automobile industry on a new growth trajectory, which attracted foreign auto giants to set up their production facilities in the country to take advantage of various benefits it offers. Large middle class population, growing earning power and strong technological capability have been boosting automobile demand for past few years. Despite economic slowdown, the Indian automobile sector is expected to see high growth in coming years, especially in passenger cars segment.

Rajaram Majhi

Research Scholar,
Deptt. of Commerce,
Ravenshaw University,
Cuttack

The Indian auto industry is one of the largest in the world. The industry accounts for 7.1 per cent of the country's Gross Domestic Product (GDP). The Two Wheelers segment with 81 per cent market share is the leader of the Indian Automobile market owing to a growing middle class and a young population. Moreover, the growing interest of the companies in exploring the rural markets further aided the growth of the sector. The overall Passenger Vehicle (PV) segment has 13 per cent market share. Sales of passenger vehicles increased by 16.7 per cent to 258,000 units in August 2016 driven by better-than-expected monsoon and strong buying sentiment. Sales of commercial vehicles grew by 1.53 per cent to 52,996 units. The two-wheeler industry also performed well. Motorcycle sales grew 22 per cent to 1 million units, while overall two-wheeler sales grew 26.3 per cent to 1.64 million units. A growing working population and an expanding middle-class are expected to remain key demand drivers. GDP per capita has grown from USD 1,432.25 in 2010 to USD 1,500.76 in 2012, and is expected to reach USD 1,869.34 by 2018. India has the world's 12th largest number of high-net-worth individuals, with a growth of 20.8%, the highest among the top 12 countries.

Review of Literature

V.G. Ramakrishnan (2003) has entered into the motorcycle servicing business with the roll out of its first 6 workshop 'Castrol PrimaZona' and have plans to have with India presence.

Biswajit Mahanty and Virupaxi Bagodi (2006) The success of two wheeler manufacturers in India which can be overcome by timely addition

of capacity and upgrading of technical manpower and focusing on the CRM programs.

Vashisht, (January 2008) Analyzed the determinants of competitiveness in the Indian auto industry. The automobile sector is a key player in the global and Indian economy. The global motor vehicle industry (four-wheelers) contributes 5 per cent directly to the total manufacturing employment, 12.9 per cent to the total manufacturing production value and 8.3 per cent to the total industrial investment.

BiswajitMahanty and VirupaxiBagodi (2008) It is an era of customer delight for the two wheeler industry and the conventional measures implemented by the service organizations tend to be inadequate to attract customers persistently.

ArvindSaxena (2010) No company in automobile sector can fight competition on price. Companies need to have the right product, distribution, CRM and after sales service network to grow.

RAY, (January 2012) examine the trends in capacity utilization in the Indian automobile sector at aggregate level during post liberalized economic scenario and also attempts to estimate the economic performance of Indian automobile industry in terms of capacity utilization at an aggregate level.

Objectives of the Study

1. To analyse the performance of automobile sector in India.
2. To study the future policy and government initiatives of automobile sector to success the make in India
3. To study the company analysis and index analysis of automobile sector in India.

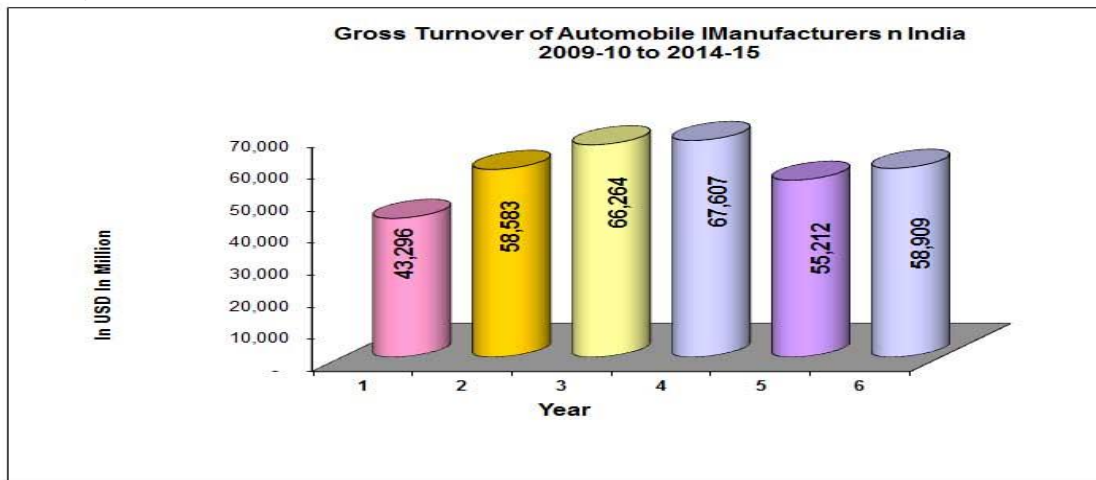
Research Methodology

The study is based on secondary data. The required data has been collected from various sources i.e. research papers, various Bulletins of Reserve Bank of India, Publications from Ministry of Commerce, SIAM, and Govt. of India.

Performance of Auto Industry during 2015-16
Gross Turnover of the Automobile Manufacturers in India (In USD Million)

Year	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
Gross turnover (In USD Million)	43,296	58,583	66,264	67,207	55,212	58,909
USD Conversion rate	47	46	47	50	60	61

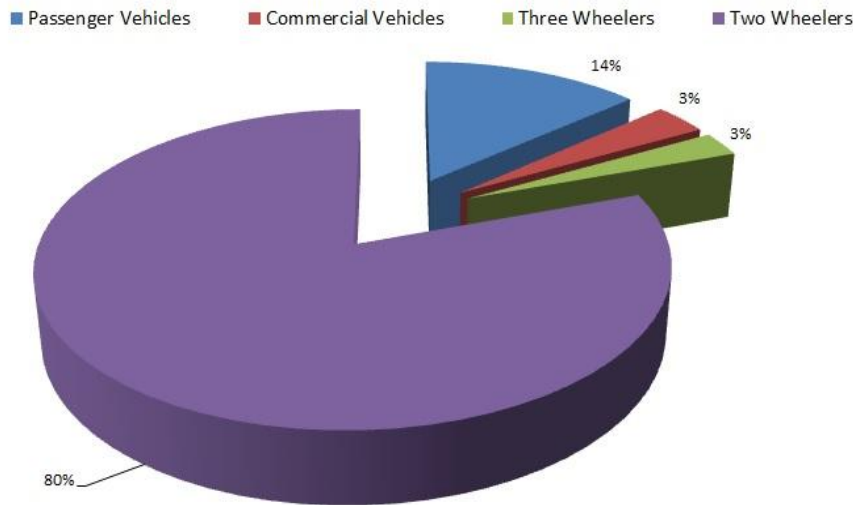
Source: Society of Indian Automobile Manufacturers (SIAM)



Domestic Market Share for 2015-16	
Passenger Vehicles	14
Commercial Vehicles	3
Three Wheelers	3
Two Wheelers	80
Grand Total	100

Source: Society of Indian Automobile Manufacturers (SIAM)

Domestic Market Share for 2015-16



Automobile Production Trends

Category	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
Passenger Vehicles	29,82,772	31,46,069	32,31,058	30,87,973	32,21,419	34,13,859
Commercial Vehicles	7,60,735	9,29,136	8,32,649	6,99,035	6,98,298	7,82,814
Three Wheelers	7,99,553	8,79,289	8,39,748	8,30,108	9,49,019	9,33,950
Two Wheelers	1,33,49,349	1,54,27,532	1,57,44,156	1,68,83,049	1,84,89,311	1,88,29,786
Grand Total	1,78,92,409	2,03,82,026	2,06,47,611	2,15,00,165	2,33,58,047	2,39,60,409

Source: Society of Indian Automobile Manufacturers (SIAM)

Production

The industry produced a total 23,960,940 vehicles including passenger vehicles, commercial vehicles, three wheelers, two wheelers and quadricycle in April-

March 2016 as against 23,358,047 in April-March 2015, registering a marginal growth of 2.58 percent over the same period last year.

Automobile Domestic Sales Trends

Category	2010-11	2011-12	2012-13	2013-14	2014-2015	2015-2016
Passenger Vehicles	25,01,542	26,29,839	26,65,015	25,03,509	26,01,236	27,89,678
Commercial Vehicles	6,84,905	8,09,499	7,93,211	6,32,851	6,14,948	6,85,704
Three Wheelers	5,26,024	5,13,281	5,38,290	4,80,085	5,32,626	5,38,092
Two Wheelers	1,17,68,910	1,34,09,150	1,37,97,185	1,48,06,778	1,59,75,561	1,64,55,911
Grand Total	1,54,81,381	1,73,61,769	1,77,93,701	1,84,23,223	1,97,24,371	2,04,69,385

Source: Society of Indian Automobile Manufacturers (SIAM)

Domestic Sales

The sales of Passenger Vehicles grew by 7.24 percent in April-March 2016 over the same period last year. Within the Passenger Vehicles, Passenger Cars, Utility Vehicles and Vans grew by 7.87 percent, 6.25 percent and 3.58 percent respectively during April-March 2016 over the same period last year. The overall Commercial Vehicles segment registered a growth of 11.51 percent in April-March 2016 as compared to the same period last year. Medium & Heavy Commercial Vehicles (M&HCVs) registered a growth at 29.91 percent and Light Commercial Vehicles grew marginally by 0.30 percent during April-March 2016 over the same period last year.

Three Wheelers sales grew by 1.03 percent in April-March 2016 over the same period last year. Passenger Carrier sales grew by 2.11 per cent & Goods Carrier sales declined by (-) 3.62 percent respectively in April-March 2016 over April-March 2015.

Two Wheelers sales registered a growth at 3.01 percent during April-March 2016 over April-March 2015. Within the Two Wheelers segment, Scooters grew by 11.79 percent while Motorcycles and Mopeds dropped by (-) 0.24 percent and (-) 3.32 percent respectively in April-March 2016 over April-March 2015.

Automobile Exports Trends

Category	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
Passenger Vehicles	4,44,326	5,08,783	5,59,414	5,96,142	6,21,341	6,53,889
Commercial Vehicles	74,043	92,258	80,027	77,050	86,939	1,01,689
Three Wheelers	2,69,968	3,61,753	3,03,088	3,53,392	4,07,600	4,04,441
Two Wheelers	15,31,619	19,75,111	19,56,378	20,84,000	24,57,466	24,81,193
Grand Total	23,19,956	29,37,905	28,98,907	31,10,584	35,73,346	36,41,212

Source: Society of Indian Automobile Manufacturers (SIAM)

Exports

In April-March 2016, overall automobile exports grew by 1.91 percent. Passenger Vehicles, Commercial Vehicles, Three Wheelers and Two Wheelers registered a growth of 5.24 percent, 16.97 percent (-) 0.78 percent and 0.97 percent respectively in April-March 2016 over April-March 2015.

Automobile Sector Future Policy

1. Automatic approval for foreign equity investment up to 100% with no minimum investment criteria.
2. Manufacturing and imports in this sector are exempt from licensing and approvals.
3. The encouragement of R&D by offering rebates on R&D expenditure.

FDI Policy

100% Foreign Direct investment (FDI) is allowed under the automatic route in the auto sector, subject to all the applicable regulations and laws.

Automotive Mission Plan 2016-26

Salient points of AMP-2026 are

1. The Indian Automotive industry to be a top job creator – 65 million additional jobs
2. The Indian Automotive industry to be one of the prime movers of Manufacturing sector and "Make in India" initiative
3. The Indian Automotive industry aims to increase exports of vehicles by 5 times and components by 7.5 times
4. Specific interventions are envisaged to sustain and improve manufacturing competitiveness and to address challenges of environment and safety

National Automotive Testing and R&D Infrastructure Project (NATrIP)

1. The project has been set up at a total cost of USD 585 million to enable the industry to adopt and implement global performance standards.
2. Focus on providing low-cost manufacturing and product development solutions.

The National Electric Mobility Mission Plan 2020 (NEMMP)

The objective of this body is to encourage reliable, affordable and efficient xEVs (hybrid and electric vehicles) that meet consumer performance and price expectations through government-industry collaboration.

Pilot Electric Vehicle Projects

The Department of Heavy Industry (DHI) is launching pilot projects on electric vehicles in various metros and cities all across the country under the NEMMP 2020 with a dual purpose - demonstrating and disseminating the benefits of adopting cleaner, greener modes of transportation as also to explore the viable operational modalities.

Government Initiatives**R&D Incentives**

Industry/private sponsored research programs:

1. A weighted tax deduction is given under section 35 (2M) of the Income Tax Act. A weighted deduction of 150 % is granted to assesses for any sums paid to a national laboratory, university or institute of technology, or specified persons with a specific direction, provided that the said sum is used for scientific research within a program approved by the prescribed authority.
2. A weighted tax deduction of 150% under section 35 (2AB) of the Income Tax Act for both capital and revenue expenditure incurred on scientific research and development (Expenditure on land and buildings are not eligible for deduction).
3. Exemption from Basic Custom Duty (BCD) on lithium ion automotive batteries for the manufacture of lithium ion battery packs for supply to manufacturers of hybrid and electric vehicles.

State Incentives

Apart from the above, each state in India offers additional incentives for industrial projects. Incentives are in areas like rebates in land cost, relaxation in stamp duty exemption on sale or lease of land, power tariff incentives, a concessional rate of interest on loans, investment subsidies/tax incentives, backward areas subsidies, special incentive packages for mega projects.


Export Incentives




Support to major markets has been given to the auto components and automobiles sectors under the new "Merchandise Exports from India Scheme" (MEIS).

Area-based Incentives

Incentives for units in SEZ/NIMZ as specified in respective Acts or the setting up of projects in special areas like the North-east, Jammu & Kashmir, Himachal Pradesh & Uttarakhand

Company Analysis

 Way of Life!	Maruti Suzuki India Ltd (MSIL), commonly referred to as Maruti and formerly known as MarutiUdyog Ltd, is an automobile manufacturer in India. The company is engaged in the business of manufacture, purchase and sale of motor vehicles, automobile components and
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	<p>Established in 1945, Tata Motors Limited is India's largest automobile company with over 60,000 employees. The company is the leader in commercial vehicles in each segment, and among the top in passenger vehicles with winning products in the compact, midsize car and utility vehicle segments.</p>
	<p>With over 65 years of operations, M&M is still India's premier utility vehicle (UV) company. In addition to making groundbreaking UVs like the Scorpio and Bolero, Mahindra offers cars, electric vehicles, pickups, and commercial vehicles that are rugged, reliable, environment friendly, and fuel-efficient.</p>
	<p>Hero MotoCorp Ltd is the world's largest manufacturer of motorcycles. The company is owned by the Muniial brothers and was started in 1984 as a joint venture (JV) between Hero Cycles Ltd and Honda Motor Company.</p>

Index Analysis

Figure-1: Maruti Suzuki

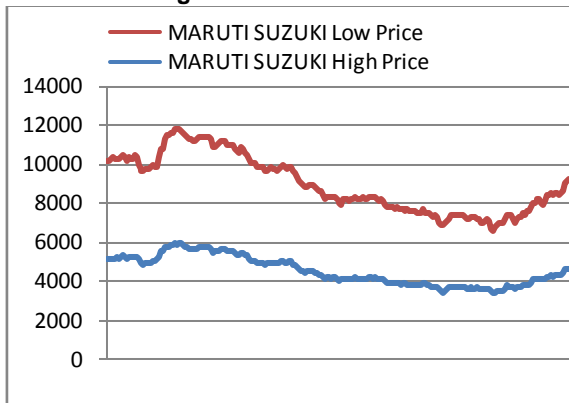


Figure-2: Tata Motors

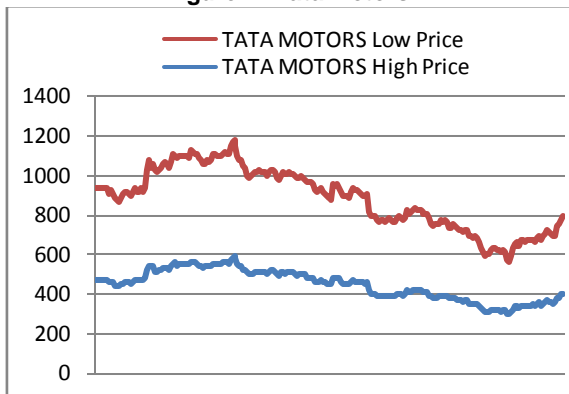


Figure-3: Mahindra

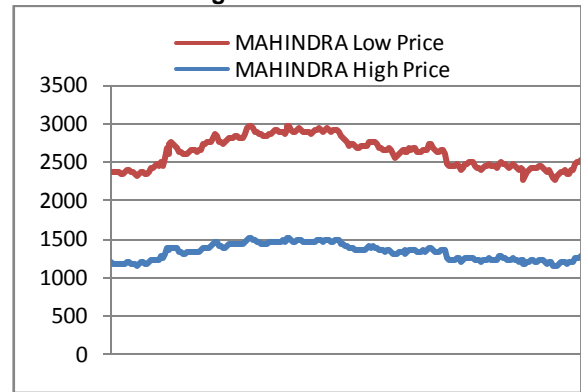


Figure-4: Hero

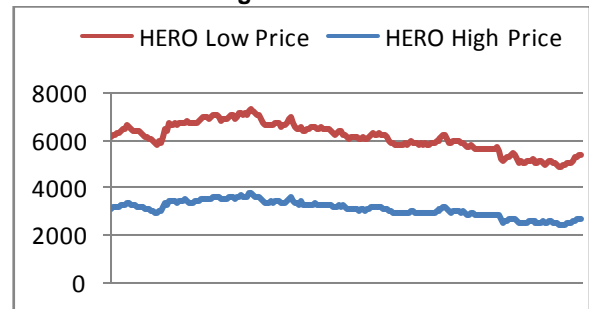
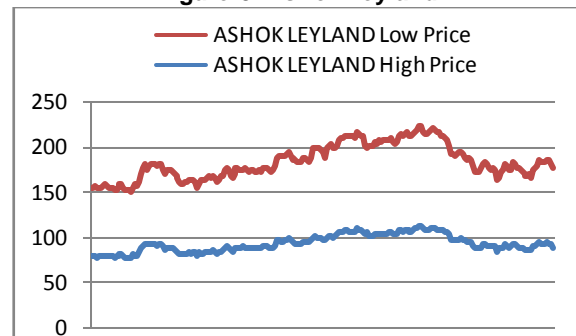


Figure-5: Ashok Leyland



Conclusion

From the above analysis I found that there are lot of policies and initiatives have been taken by the government of India to making success the make in India programme. In the present study, the Automotive Industry being one of the key industries in India has received due attention and concerted efforts are being made for the rapid development of the Industry. These policies are supported by Government towards the development of the Indian Automotive Industry. India has the potential to develop into a significant market for automobile manufacturers. Indian automotive industry hold significant scope for expansion, both in the domestic market, where the vehicle penetration level is on the lower side as compared to world average, and in the international market, where India could position itself as a manufacturing hub.

In order to keep up with the growing demand, several auto makers have started investing heavily in various segments of the industry during the last few months. The industry has attracted Foreign Direct Investment (FDI) worth US\$ 15.06 billion during the period April 2000 to March 2016, according to

data released by Department of Industrial Policy and Promotion (DIPP).The Government of India encourages foreign investment in the automobile sector and allows 100 per cent FDI under the automatic route.The Automobile Mission Plan (AMP) for the period 2006-2016, designed by the government is aimed at accelerating and sustaining growth in this sector. Also, the well-established Regulatory Framework under the Ministry of Shipping, Road Transport and Highways, plays a part in providing a boost to this sector.

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