

## A study on the growth of automobile sector in India with special focus on two wheeler industry

<sup>1</sup> Tom Jacob, <sup>2</sup> Thomas Paul Kattookaran

<sup>1</sup> Assistant Professor, Department of Commerce, Christ College, Irinjalakuda, Kerala, India

<sup>2</sup> Associate Professor & H.O.D, Research Department of Commerce, St. Thomas College, Kerala, India

### Abstract

The Indian Automobile market is a promising industrial sector that is growing immensely every passing year. The automobile industry has an enormous opportunity for creating new wealth by delivering value to the world and also to the domestic user. This paper aims to analyze the growth and role of automobile industry in terms of production, domestic sales & exports and to analyse special focus on segmental analysis of two wheelers industry in India. The increase in the demand for automobiles, powered by the increase in the income is the primary growth driver of the automobile industry in India. The introduction of tailor made finance schemes, easy repayment schemes has also helped the growth of the automobile sector. After the liberalization the automobile segment saw a boom and many companies from India as well as foreign entered the market. With liberalization, Government abolished licensing and removed restrictive trade policies. Automobile industry benefited greatly from these measures. The automobile industry in India happens to be the ninth largest in the world, following Japan, South Korea & Thailand.

**Keywords:** automobile industry, production, sales, segmentation, growth

### Introduction

Automobile industry is the key driver of any growing economy and plays a pivotal role in country's rapid economic and industrial development. It caters to the requirement of equipment for basic industries like steel, non-ferrous metals, fertilizers, refineries, petrochemicals, shipping, textiles, plastics, glass, rubber, capital equipments, logistics, paper, cement, sugar, etc. It facilitates the improvement in various infrastructure facilities like power, rail and road transport. Due to its deep forward and backward linkages with several key segments of the economy, the automobile industry is having a strong multiplier effect on the growth of a country and hence is capable of being the driver of economic growth. It plays a major catalytic role in developing transport sector in one hand and help industrial sector on the other to grow faster and thereby generate a significant employment opportunities. In India, automobile is one of the largest industries showing impressive growth over the years and has been significantly making increasing contribution to overall industrial development in the country.

Automobile industry includes two wheelers, three wheelers, commercial vehicles and passenger vehicles. The Indian Automobile Industry manufactures over 20.4 million vehicles and exports about 2.9 million vehicles each year. The dominant products of the industry are two-wheelers with a market share of over 77% and passenger cars with a market share of about 15%. Commercial vehicles and three-wheelers have same market share of 4%. Presently India is the world's second largest manufacturer of two wheelers, fifth largest manufacturers of commercial vehicles as well as largest manufacturers of the tractors. It is the fourth largest passenger car market in Asia as well as a home to the largest motor cycle manufacturer. The major contributor of automobile industry is two wheeler sectors. The sector has shown great advances in terms of development, spread, absorption of newer technologies and flexibility in the wake of changing

business scenario. It is also finding increasing recognition worldwide and a beginning has been made in exports in vehicles as well as components.

### Review of Literature

Dr. Govind P Shinde and Dr. Manisha Dubey–Automobile industry and performance of key players (2011):- Examines the growth of automobile industry by considering the segments such as passenger vehicle, commercial vehicles, utility vehicles, multi-purpose, two wheelers and three wheeler. Researcher makes findings using the data collected during the period 2005 to 2010. Study explains the current and future market trends, and developments in the Indian automobile market. It also encompasses the role of various companies such as Tata Motors, Maruthi Suzuki India, Hyundi Motors India, Mahindra & Mahindra, Ashok Leyland, Hero Honda Motors and Bajaj Motors in the automobile industry. Study concludes by pointing that the economic sustainability, living standards and purchasing power of Indian customers brings a bright future for the automobile sector.

M. Krishnaveni and R. Vidya – Growth of Indian Automobile Industry (2015):- makes a detailed analysis on category wise production, sales and exports of automobiles for the last 10 years from 2004-05 to 2013-14. The paper also focus on SWOT analysis and vision of Indian automobile industry. Study explains that in recent years India has been developing as market potential for automobiles due to rise in demand and as result there is a increased production to tap the growing demand both at home and in the foreign market. Study concludes by stressing the challenges faced by industry and the ways to overcome these challenges.

Dr. Satya Sundaram- Two Wheelers: Competition Intensifies (2013):- throws light on the growth of two wheelers in terms of their production and sales. Study explains that easier access to loans and introduction of new models by companies have

bolstered the two wheeler sales in the Indian market. Research was conducted by analyzing the performance of top four two wheeler makers namely Hero Motocorp, HMSI, TVS, and Bajaj Auto from 2008-09 to 2012-13. Study explains that motorcycles account for the lion’s share of two wheeler sales but gearless scooter would tilt the balance in the future. It further states that increasing preference for Japanese brand would to a marked change in the two wheeler market. Abhimanyu Upadhyay- case study on the sales of two wheelers in rural Indian (2013):- the Indian rural market of two wheeler offers plethora of opportunities to manufactures and service providers. The overall two wheeler market in India continues to be under -penetrated, and most of the equipment manufacturers have also maintained focus on expanding sales-cum-service outlets, particularly in semi-urban and rural areas and setting up satellite dealerships and service facilities in the neighboring smaller towns.

**Statement of Problem**

A well-developed transport network indicates a well-developed economy. For rapid development a well-developed and well-knit transportation system is essential. As India's transport network is developing at a fast pace, Indian Automobile Industry is growing too. Also, the Automobile industry has strong backward and forward linkages and hence provides employment to a large section of the population. Thus the role of Automobile Industry cannot be overlooked in Indian Economy. Among other industries, the automobile industry in India is understood to be the most dynamic. Of this, two wheeler sectors contribute to a major portion. More than three fourth of the automobile industry is accounted by the two wheeler sector. The usage of two wheelers has also increased tremendously among people. The younger generation prefers two wheelers over cars. Due to this, there is a need to analyse the growth of automobile sector with special focus on two wheelers industry in India.

**Scope and Significance of Study**

The Automobile Industry is one of the fastest growing sectors in India. The increase in the demand for cars, and other vehicles, powered by the increase in the income is the primary growth driver of the automobile industry in India. The introduction of tailor made finance schemes, easy repayment schemes has also helped the growth of the automobile sector. We have been hearing about some new launches, some low cost cars - all customized in a manner such that the common man is not left behind. In 2009, the automobile industry is expected to see a growth rate of around

9%, with the disclaimer that the auto industry in India has been hit badly by the ongoing global financial crisis. The automobile industry in India happens to be the ninth largest in the world. Following Japan, South Korea and Thailand, India emerged as the fourth largest exporter of automobiles. Several Indian automobile manufacturers have spread their operations globally as well, asking for more investments in the Indian automobile sector by the MNCs. so this paper aims to analyse the growth and role of automobile sector in India with special focus on two wheelers industry in India.

**Objectives of Study**

Main objective of the study is to analyze the growth of automobile industry with a special reference to two wheeler sector. The following are the specific objectives of the study

- To estimate the growth and role of automobile industry in terms of production, domestic sales & exports.
- To make a segmental analysis of two wheelers in India in terms of domestic sales & exports.
- To examine the market share and overall growth rate of different companies of two wheelers industry in India.

**Research Methodology**

**Data Collection**

The data is based on secondary data published by Society of Indian automobile Manufactures (SIAM), and reports published by Information Credit Rating Agency (ICRA), economic reviews, newspapers, journals, magazines etc. The present study has gathered secondary source of information related to domestic sales, exports & production of two wheelers for the past 6 years from 2008 to 2014.

**Data Analysis**

Data can be analysed with the help of statistical tools like average, Compounded Annual Growth Rate (CAGR), proportion analysis, trend analysis, pie –diagram etc.

**Limitations of the Study**

The study is based on secondary data and finding of the study depends entirely on the accuracy of such data.

**Analysis of Automobile Industry**

This section contains the statistical data and its analysis about Indian Automobile Industry and its break up namely passenger vehicles, commercial vehicles, three wheelers and two wheelers. The analysis can be broken into three parts namely.

**Table 1:** Growth in Production of Automobile Sector (In Units)

	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	Total
Passenger vehicle	18,38,697	23,57,411	29,82,772	31,46,069	30,87,973	32,20,172	1,66,33,094
Commercial vehicles	4,17,126	5,67,556	7,60,735	9,29,136	6,99,035	6,97,083	40,70,671
Three wheelers	5,01,030	6,19,194	7,99,553	8,79,289	8,30,108	9,49,021	45,78,195
Two wheelers	84,18,626	1,05,12,903	1,33,49,349	1,54,27,532	1,68,83,049	1,84,99,970	8,30,91,429

Source: SIAM

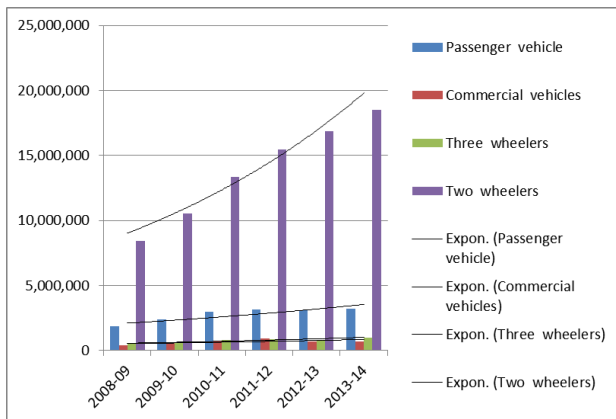


Fig 1: Trends in Production of Automobile Sector

Above table shows the production trend of automobile sector in India in terms of production over the last six years. Above table and diagram shows that production growth of passenger vehicles, three wheelers and commercial vehicles are constant growth rate and two wheelers are countinously increasing trend over the period of time.

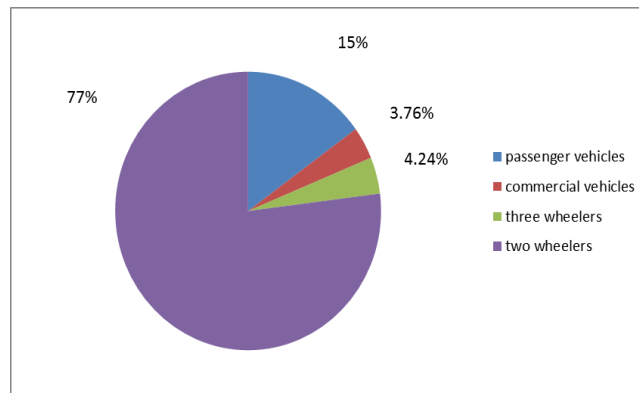


Fig 2: Market Share of Automobile Industry (Production)

Above diagram depicts the market share production of automobile industry in India. From this analysis it is clear that more than three-fourth of production took place in two wheeler sector. It accounts 77% of the total production. Passenger vehicles stand 2nd position. The least production took place in commercial vehicles. Three wheelers contribute only 4 percentage of the total production.

Table 2: Growth in Domestic Sales of Indian Automobile Industry (In Units)

Category	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	Total
Passenger vehicles	15,51,880	19,51,333	25,01,542	26,29,839	26,65,015	25,03,509	1,38,03,118
Commercial vehicles	3,84,122	5,32,721	6,84,905	8,09,499	7,93,211	6,32,851	38,37,309
Three wheelers	3,49,719	4,40,392	5,26,024	5,13,281	5,38,290	4,80,085	28,47,791
Two wheelers	74,37,670	93,70,951	1,17,68,910	1,34,09,150	1,37,97,185	1,48,06,778	7,05,90,644

Source: SIAM

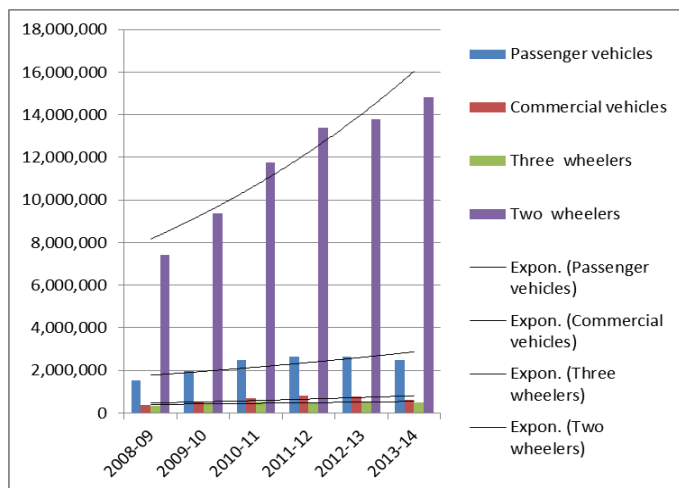


Fig 3: Trends in Domestic Sales of Indian Automobile Industry

The growth rate of overall domestic sales during the entire period is increasing trend. 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.

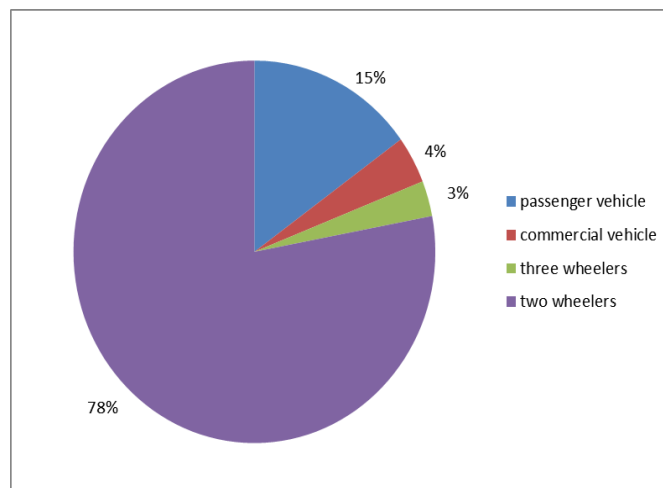


Fig 4: Market Share of Automobile Industry (Domestic Sales)

Above diagram shows that the market share of domestic sales of passenger vehicles, commercial vehicles, three wheelers and two wheelers in the automobile industry. Here, more sales took place in two wheeler sector and it constitutes 78% of the total production. The least production took place in three wheeler sector.

### Automobile Export Trends

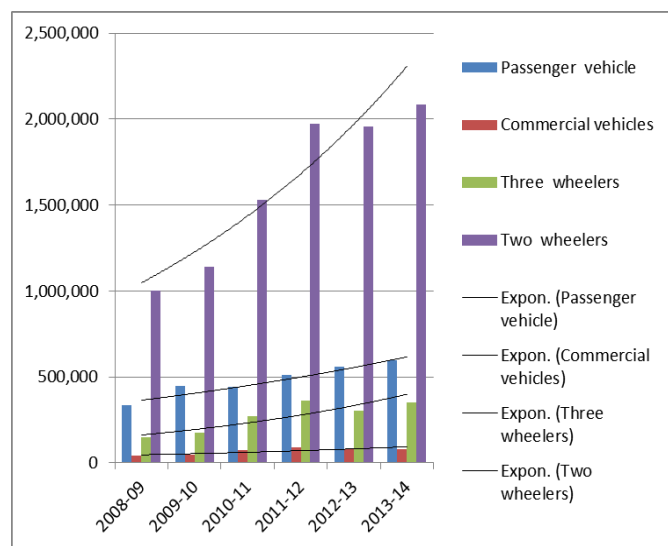
The automobile industry has earned a strong reputation in the export market. Indian vehicles and their components are in great demand all over the world. Automotive industry of India is now finding increasing recognition worldwide. While a beginning has been made in export of vehicles, the potential

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 below gives the exports trends of automobile industry in terms of number of vehicles.

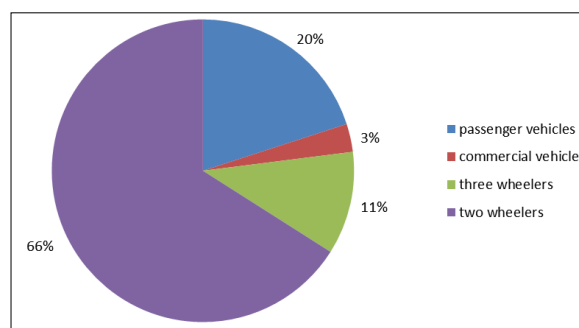
**Table 3:** Export Trend in Indian Automobile Industry (In Units)

Category	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	Total
Passenger vehicle	3,35,739	4,46,145	4,44,326	5,08,783	5,59,414	5,96,142	28,90,519
Commercial vehicles	42,673	45,009	74,043	92,258	80,027	77,050	4,11,060
Three wheelers	1,48,074	1,73,241	2,69,968	3,61,753	3,03,088	3,53,392	16,09,516
Two wheelers	10,04,174	11,40,058	15,31,619	19,75,111	19,56,378	20,84,000	96,91,340

Source: SIAM



**Fig 5:** Export Trend in Indian Automobile Industry



**Fig 6:** Market Share of Automobile Industry (Exports)

Above diagram shows the export of passenger vehicles, commercial vehicles, three wheelers and two wheelers in the automobile industry. From this, it is clear that more than half of the export took place in two wheeler sector. The passenger vehicles stand 2<sup>nd</sup> position which constitutes about 20%. The least export took place of commercial vehicles.

**Table 4:** Overall Growth Rate of Production, Domestic Sales and Export

Category	CAGR (%) Production	CAGR (%) Domestic Sales	CAGR (%) Export
Passenger vehicles	11.86	10.04	12.17
Commercial vehicles	10.82	10.50	12.54
Three wheelers	13.63	6.54	19
Two wheelers	17.05	14.76	15.72

This table shows the overall growth rate of Indian automobile industry in terms of production, domestic sales, and export. On the basis of production the two wheelers recorded the highest CAGR at 17.05 percent. On the basis of domestic sales two wheelers recorded the highest CAGR at 14.76 percent. On the basis of export three wheelers recorded the highest CAGR at 19 percent.

### Two Wheeler Manufacturers and its Market in India

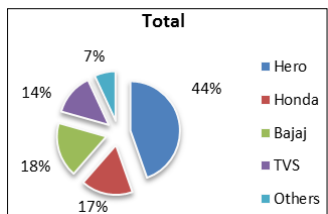
Indian Two-Wheeler Industry is the largest in the world as far as the volume of production and sales are concerned. India is the biggest two-wheeler market on this planet, registering an overall growth rate of 9.5 percent between 2008 and 2014. The growth in Indian Automobile Industry owed the most to a

steep upsurge witnessed in the two-wheeler segment in 2014. The volume growth recorded in the 2014-15 fiscal year stood at a commendable 14.8 percent on a year-on-year basis. The 'Make in India' campaign of the Government of India is also going to attract more foreign investment into Indian Two-Wheeler Industry creating further growth opportunities in the coming years. There are many two-wheeler manufacturers in India. Major players in the two wheeler industry are Hero MotoCorp Ltd, Honda Ltd, Bajaj Auto Ltd. and TVS Motor Company Ltd. The other key players in the two-wheeler industry are Kinetic Motor Company Ltd, Kinetic Engineering Ltd., LML Ltd., Yamaha Motors India Ltd., Majestic Auto Ltd., Royal Enfield Ltd. and Honda Motorcycle & scooter India (P) Ltd.

**Table 5:** Player Wise Domestic Sales in Two Wheeler Sector in India

Players	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	Total
Hero	36,44,458	44,98,056	52,60,703	60,47,527	59,05,195	61,15,199	3,14,71,138
Honda	10,18,961	11,90,111	15,53,496	19,97,963	26,07,668	35,68,434	1,19,36,633
Bajaj	12,86,717	17,89,852	24,12,627	25,61,148	24,69,696	21,02,562	1,26,22,602
TVS	11,37,964	13,58,788	17,65,336	18,90,690	17,66,040	17,47,200	96,66,018
Others	3,49,570	5,34,144	7,76,748	9,11,822	10,48,586	12,73,383	48,94,253
Total	74,37,670	93,70,951	1,17,68,911	1,34,09,150	1,37,97,185	1,48,06,778	7,05,90,645

Source: SIAM



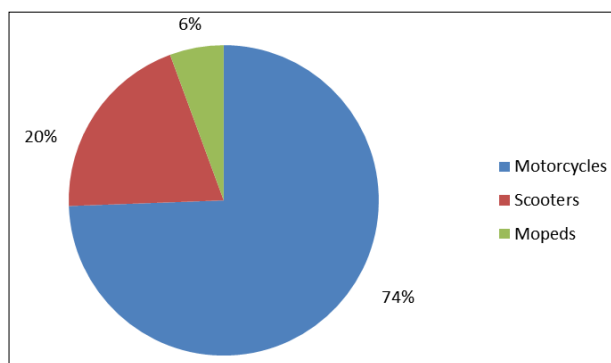
**Fig 7:** Market Share of Two Wheelers Company in India

The table and figure depicts the player wise domestic sales in the two wheelers from 2008-14. From this analysis hero constitute about half of the total sales. Hero captures 44 percent of market share of two wheelers industry. Bajaj was 18 percent and Honda was 17 percentage of market share of total domestic sales.

**Table 6:** Segmental Wise Domestic Sales of Two Wheeler Sector

	2009-10	2010-11	2011-12	2012-13	2013-14
Motorcycles	73,41,122	90,13,888	1,00,73,303	1,00,85,000	1,04,81,114
Scooters	14,62,534	20,57,604	25,58,981	29,23,424	36,02,744
Mopeds	5,64,584	6,97,418	7,76,866	7,88,761	7,22,920
Total	93,70,951	1,17,68,910	1,34,09,150	1,37,97,185	1,48,06,778

Source: ICRA



**Fig 7:** Market Share of Two Wheeler Sector

Above table shows segmental wise domestic sales of motor cycles, scooters and mopeds from 2008-09 to 2013-14. The motorcycle segment is the largest sub -segment of the two wheeler industry accounting for a bulk of its volumes. The scooters have highest CAGR, which is 25.28%. Mopeds have lowest CAGR i.e., 7.38.

**Conclusion**

Easier and faster mobility of people and goods across the regions, countries and continents is a cherished yearning of mankind. The automobile industry is potential for facilitating this mobility is enormous. Wheels of development across the globe would have to be powered by this industry. However, a seamless development of this industry across countries and continents alone will help in realization of this objective. For such seamless and barrier-free development of the sector, countries will have to come together and develop better understanding. Industry across countries will have to meet challenges of newer technologies,

Alternative fuels and affordability of automobiles by people at large through constructive cooperation. The major contributor of automobile industry is two wheeler sectors. The sector has recorded phenomenon growth during the last decade. A market trend is growing at a faster rate. The opening of the Indian automobile market for foreign companies the competition is expected to enhance further. The opportunities can be grabbed through the diversification of export basket in untouched foreign destinations. Thus strict quality standards, services and use of latest technology can provide an edge over competitors across the globe.

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