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**THE AUTOMOBILE INDUSTRY IN INDIA: AREAS
OF FUTURE INDIAN INFLUENCE IN THE
GLOBAL MARKET**

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The Automobile Industry in India: Areas of Future Indian Influence in the Global Market

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Abstract – The domestic market has witnessed significant growth in all the three key segments of the sector, namely On the back of growing middle class, standard of living and Passenger, Commercial, and Two wheelers. On the back of growing middle class, standard of living and Passenger, Commercial, and Two wheelers. Two improving infrastructure, the overall domestic automotive wheelers dominate the market with sales of 1.7 million market is estimated to grow. As the market grows, Passenger vehicles have grown at a CAGR of 14.6 foresee a number of opportunities emerging for auto Original percent in the last six years to 2.5 million units in FY 11.

Keywords: Market, Auto Mobile, Companies, Vehicles

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INTRODUCTION

The Indian Automotive Industry after de-licensing in July, 1991 has grown at a spectacular rate of 17% on an average for last few years. The industry has now attained a turnover of Rs. 1, 65,000 crores (34 billion USD) and an investment of Rs. 50,000 crores. Over of Rs. 35,000 crores of investment is in pipeline. The industry is providing direct and indirect employment to 1.31 crore people. It is also making a contribution of 17% to the kitty of indirect taxes. The export in automotive sector has grown on an average CAGR of 30% per year for the last five years. The export earnings from this sector are 4.08 billion USD out of which the share of auto component sector 1.8 billion USD. Even with this rapid growth, the Indian Automotive Industry's contribution in global terms is very low. This is evident from the fact that even though passenger and commercial vehicles have crossed the production figure of 1.5 million in the year 2005-06, yet India's share is about 2.37 percent of world production as the total number of passenger and commercial vehicles being manufactured in the world are 66.46 million against the installed capacity of 85 million units. Similarly, export constitutes only about 0.3% of global trade. It is a well-accepted fact that the automotive industry is a volume driven industry and a certain critical mass is a pre-requisite for attracting the much needed investment in Research and Development and New Product Design and Development. R&D investment is needed for innovations which is the life-line for achieving and retaining the competitiveness in the industry. This competitiveness in turn depends on the capacity and the speed of the industry to innovate and upgrade.

REVIEW OF LITERATURE:

As one looks back at the last 50 years of the global automobile sector it is clearly that [1] 960-70's belonged to the Americas with it being the largest consumer of passenger cars and commercial vehicles. In the 80-90' s the centre of gravity shifted to Europe, particularly the Western Europe, but the 21st century clearly belongs to the Asia-Pacific, with it being the [1]largest producer and consumer of the automobiles.

The market contribution of Americas and Europe has gradually declined from 19.7 percent and 19.3 percent in 2007 to 16.9 percent and 15.1 percent in 2011 respectively. On the other hand, Asia-Pacific has grown from 60 percent market share in 2007 to 67.1 percent in 2011 [2].

It is slated to capture over 70 percent of the total market by 20 16. Asia-Pacific is firmly in the saddle as the key growth market for automotive products with China, Japan, India and South-Korea being the major contributors. This shift is largely driven by strong domestic market, emerging middle segment of products and consumers, and strong thrust on manufacturing.

THE GLOBAL AUTOMOTIVE INDUSTRY:

The global automotive industry is undergoing unprecedented transformation. The growth and profit centers for automotive OEMs are gradually shifting to emerging markets. In order to stay profitable and competitive, automotive manufacturers and suppliers need to address the key challenges including rising

product complexity, strict environment and safety regulations. They also have to gain deeper understanding of evolving needs for car connectivity, cost pressures and overcapacity while adapting to changing supply and demand needs. Consumer preferences, customer-influencing digital technologies, new digital retail formats and evolving role of dealers are also key game changers for the industry.

India comprises of approximately 20 percent of the Asia-Pacific market and is currently the 2nd largest producer of two-wheelers and 5th largest producer of passenger cars globally .

According to the KPMG's Global Automotive Executive Survey 20 12, India is likely to be the world's 3rd largest producer of passenger cars by 20 16. It is also expected to be the 3rd largest automotive Industry globally post 2020.

AREAS OF FUTURE INDIAN INFLUENCE IN THE GLOBAL MARKET:

India continues to emerge as a manufacturing powerhouse for automotive players. The production capacity has grown from 8.0 million units in FY05 to 16.9 million units in FY11, with a CAGR of 12.3 percent. Exports account for 13 [4]. Multinational players have responded by increasing their investment in the Indian market. FDI has increased from USD 143 million in FY06 to USD 1 .3 billion in FY1 1, a jump of 831 percent [5].

India is poised to be the 3rd largest producer of automobiles by FY20 with ~37 million units [6]. Accordingly, we KPMG in India, see select opportunities emerging for industry participants in this sector:

Global scale manufacturing opportunities to cater to both domestic & global markets Contract manufacturing opportunities Flexible assembly line operations to cater to unique requirement of high-end and relatively low volume products.

While there are numerous opportunities for the Indian Auto sector, both on the domestic market front as well as a manufacturing base, we KPMG in India, believe the following five areas will emerge as the ones in which India can strongly influence the global automotive market, on account of India having developed/or planning to develop global scale competencies:

- A) Leader in small cars
- B) Leader in light commercial vehicles
- C) Global auto component sourcing hub with select competencies
- D) Electric two wheelers to be a potential game changer

E) Automotive Engineering Services

FACTORS DETERMINING THE GROWTH OF THE AUTOMOBILE INDUSTRY

- Fuel economy and demand for greater fuel efficiency is a major factor that affects consumer purchase decision that will bring leading companies across two-wheeler and four-wheeler segment to focus on delivering performance-oriented products.
- Sturdy legal and banking infrastructure
- Increased affordability, heightened demand in the small car segment and the surging income of the Indian population
- India is the third largest investor base in the world
- The Government technology modernization fund is concentrating on establishing India as an auto-manufacturing hub.
- Availability of inexpensive skilled workers
- Industry is perusing to elevate sales by knocking on doors of women, youth, rural and luxury segments
- Market segmentation and product innovation

EMPLOYMENT OPPORTUNITIES IN AUTOMOBILE:

There are a wide range of jobs available in the automobile industry. With the number of vehicles available on the road today, the need and requirement for people who can fix these machines is fast increasing. Careers like automobile technician, car or bike mechanics are a great option. Becoming a diesel mechanic is also a significant alternative. Diesel mechanics are responsible for repairing and servicing diesel engines. As they are also required to repair engines of trucks and buses, other than cars, they are provided with hefty wages.

If communication with people instead of repairing cars is what interests you, then you have the opportunity of becoming a salesperson or sales manager in an automobile company. Career opportunities in automobile design, paint specialists, job on the assembly line and insurance of vehicles is also available.

EMPLOYMENT TRENDS

The Automotive Mission Plan for the period of 2006-2016 aims to make India emerge as a global automotive hub. The idea is to make India as the destination choice for design and manufacture of

automobiles and auto components, with outputs soaring to reach US\$ 145 billion which is basically accounting for more than 10% of the GDP. This would also provide further employment to over 25 million people by 2016 making the automobile the sunrise sector of the economy.

According to the Confederation of Indian Industry, the automobile sector currently employs over 80 lac people. An extension in production in the automobile industry is forecasted, it is likely to rise to Rs. 600000 crore by 2016.

Future Trends in the Automobile Industry

As the auto-shows began in January 2014, the industry promised a blend of technology and automotives. With the recession trend breaking its leashes from the past two years, 2014 is expected to get back on track with the sales of automobiles in the country.

- Almost Self-governing cars are predicted to be on the streets by 2020
- More than half the cars on the streets are going to be powered by diesel by 2020
- Industry watcher Gartner indicates that 30 percent of motorists want parking info. The facility is likely to come up after glitches in the infrastructure catch up.
- High Performance Hybrid cars are likely to gain greater popularity among consumers.

The Indian automobile industry has a prominent future in India. Apart from meeting the advancing domestic demands, it is penetrating the international market too. Favoured with various benefits such as globally competitive auto-ancillary industry; production of steel at lowest cost; inexpensive and high skill manpower; entrenched testing and R & D centres etc., the industry provide immense investment and employment opportunities.

CONCLUSION:

The Indian Automotive Industry is expected to be among the top three globally sometime after 2020; it is expected to provide significant opportunities to industry participants, provided they are able to manage the challenges this industry poses. While India provides unique opportunities to industry participants, it calls for a tailored approach to doing business here. Companies will have to adapt existing product portfolio/design products ground-up to make them relevant for Indian customers.

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