

# The Study of Indian Automobile Industry : The Evolving Dynamics

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## Abstract

The Indian automobile industry has emerged stronger from the recent global downturn, and sales across all segments have seen record breaking numbers in the recent past. While the Indian industry has much to look forward to, by way of steady growth in both domestic and export markets, there are some clear challenges accompanying the opportunities in greener vehicles and alternative mobility. In order to capitalize on these opportunities, the industry needs to develop or acquire technologies and capabilities to produce vehicles that meet future market needs. The government for its part has much to do to ensure the growth trends are maintained, and encourage the development of greener vehicles, while also improving compliance to even existing environmental standards. Rising prosperity, easier access to finance and increasing affordability is expected to see four-wheelers gaining volumes, although two wheelers will remain the primary choice for the majority of purchasers, buoyed by greater appetite from rural areas, the youth market and women. Manufacturers of four-wheelers and commercial vehicles in particular stress the importance of optimizing conventional combustion engines before experimenting too radically with costly new technologies. Vehicles based on alternative fuels remain another area of interest for both consumers and companies. The automobile industry has yet to fully tap into demand from rural areas. Previously, consumers from these areas would need to go to automobile dealerships in towns and cities for their vehicle purchases. However, in recent years, market players have made overtures to rural consumers, with encouraging sales. While India remains predominantly a cost conscious market, profitable niches are available for the products which address specific needs. The growing population, a significant proportion of which will be of working age over the next decade, is another source of demand to most automobile companies.

**Keywords :** Indian Automobile Industry, Green Vehicles, Affordability, Rural Consumers, Manufacturers.

**JEL Classification :** L 62, M 11.

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## 1. INTRODUCTION

Demographically and economically, India's automotive industry is well-positioned

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	<b>How to Cite This Research Paper</b>
Sharma, Narendra Kumar. The Study of Indian Automobile Industry : The Evolving Dynamics. Journal of Commerce and Trade October 2017; 12 : 2; Pp. 130–134.	

for growth, servicing both domestic demand and, increasingly, export opportunities. A predicted increase in India's working-age population is likely to help stimulate the burgeoning market for private vehicles. Automobile has been a mark of prosperity and status of financial strength. But, whereas in easy loan providing facilities by banks has given free access to four-wheeler purchase in urban areas and two-wheels purchase in rural areas.

Domestically, some consolidation or

alliances might be expected, driven by the need for access to better technology, manufacturing facilities, service and distribution networks. The components sector is in a strong position to cash-in on India's cost-effectiveness, profitability and globally-recognized engineering capabilities. As the benefits of alliances become more apparent, super-specialists may emerge in the fields where the automobile is taken as a system, with the focus of each specialist on a sub-system, akin to the IT industry. Though this approach is radical, it could prove an important step in reducing complexity and investment requirements, while promoting standardization and meeting customer demands. Automobile Manufacturers are planning in advance for the future: the advocates of technological and distribution collaborations have yielded the positive results, generally, enabling domestic OEMs to access global technology and experience, and permitting them to grow their ranges with fewer financial risks. . In order to capitalize on these opportunities, the industry needs to develop or acquire technologies and capabilities to produce vehicles that meet future market needs. The government for its part has much to do to ensure the growth trends are maintained, and encourage the development of greener vehicles, while also improving compliance to even existing environmental standards. The automobile industry has yet to fully tap into demand from rural areas. Previously, consumers from these areas would need to go to automobile dealerships in towns and cities for their vehicle purchases. This exciting futuristic view in the industry is set against a background of two potential matchless trends the gradual legislation towards more greener, gas-based or electric-powered public transport vehicles, and a big requirement for urban population transportation schemes that may serve to rapidly-x expanding cities in India.

## 2. OBJECTIVES

1. To study the evolving dynamics in automobile sector in India.

2. To study the key action points for each of the industry's stakeholders to capitalize on the emerging scenarios in the future.

## 3. EVOLVING DYNAMICS IN AUTOMOBILE SECTOR IN INDIA

- a) **Green Revolution** : In a price-conscious economy such as India's, the shift towards green vehicles will be slow unless spurred by government mandates. Although the major players are already equipped with the necessary capabilities to develop cleaner vehicles, they do not see much merit in commercializing these technologies until the green revolution gains momentum most likely through changes in political legislation and it achieves the market scale required for commercial viability. Automobile Manufacturers are giving more support to bi-fuel technologies than to electric-powered technology because of the lack of public easy recharge stations. These stations are not yet in place for the widespread adoption by the government. The launch of electric motorcycles could have a significant impact on the market, given that motorcycles account for the majority of two-wheeler sales in India. Manufacturers of four-wheelers and commercial vehicles in particular stress the importance of optimizing conventional combustion engines before experimenting too radically with costly new technologies.
- b) **Transportation Revolution** : In India, private transportation is liked more than use of public transport. But, increasing area of cities, more connection to the villages have created a fresh demand for urban population on transportation systems such as metro systems and

buses. Therefore, the automobile industry is unfortunately to lose much of its private vehicle customer base in the near future. As in a move to reduce loads on the roads, government will make these schemes more prevalent.

India's automobile market has grown steadily over the last seven to eight years, with the exception of the previous two years where the effects of the global downturn were felt, primarily in sales of commercial vehicles. However, even in this global down turn, the two-wheeler and three wheeler segments, were never experienced low demand, hence low growth.

c) **Alternative Fuels** : Vehicles based on alternative fuels remain another area of interest for both consumers and companies. Although both commercial vehicles and passenger vehicles running on CNG are gaining popularity among

transport service providers and consumers due to their lower cost of operation, much more needs to be done to improve the fuelling infrastructure before CNG vehicles become more main stream. CNG based vehicle industry is largely based on legislative and judicial provisions. Moreover, the uncomfortable availability of CNG fuelling stations are another hurdle in this area. The government ordered the conversion of existing diesel/petrol-based public transport vehicles (buses, taxis, and auto-rickshaws) to CNG in several cities including New Delhi and Mumbai, in response to growing concerns over emissions. Furthermore, other theoretical studies also support the introduction of CNG buses in place of diesel as an effective method in reducing emissions.

**Table 1.**  
**Top Ten Automobile Companies Growth Rate (In %)**

Rank	OEM	Jan. 2017	Jan 2016	Growth (in %)	Mkt. Share (in %)
1.	Maruti	133768	106383	25.7	50.5
2.	Hyundai	42017	38016	10.5	15.9
3.	Mahindra	19556	21327	-8.3	7.4
4.	Honda	15592	17135	-9	5.9
5.	Tata	12906	10709	20.5	4.9
6.	Toyota	10336	8511	21.4	3.9
7.	Renault	8791	8031	9.5	3.3
8.	Ford	7995	7045	13.5	3
9.	Nissan	4345	2668	62.9	1.6
10.	Volkswagen	4060	4018	1	1.5

Source : Indianautomobileindustry.com

d) **Niche Products** : While India remains predominantly a cost conscious market, profitable niches are available for the products which address specific needs.

The growing population, a significant proportion of which will be of working age over the next decade, is another source of demand to most automobile companies.

e) **Rural Market** : The automobile industry fully tap so far, can not demand from rural areas. The reason being the non-availability of vehicle showrooms in rural areas. Consumers had to go to automobile dealerships based in towns and cities for their vehicle purchases, However, in recent years, market players have made overtures to rural consumers, with encouraging sales. While the Indian automobile industry is expected to double total sales due to steady growth over the next decade, these relatively under exploited the demand from rural markets, youth, women and luxury cars. But, these segments are further expected to play a significant role.

#### 4. THE KEY ACTION POINTS FOR EACH OF THE INDUSTRY'S STAKEHOLDERS TO CAPITALIZE ON THE EMERGING SCENARIOS IN THE FUTURE

In order to capitalize on the emerging scenarios in the future, the following are a few key action points for each of the industry's key stakeholders:

- i) India has no duty benefits for even hybrid cars, which need to be imported due to low volumes. If India's automobile industry wants to play a role in the global arena for alternative fuel based vehicles, such limiting measures need to be reexamined and an appropriate redesign of the framework needs to be enacted immediately.
- ii) Increase dialogue with manufacturers and oil marketing companies to establish a better infrastructure for greener vehicles. The government should plan short, mid and long-term policies for the development of this such green automobile support infrastructure such as battery recharge stations and more number of CNG filling stations.

- iii) The upcoming future market for greener vehicles creates a whole new bundle of trade opportunities for Indian automobile companies, even for those companies which are outside the automobile sector such as renewable energy.
- iv) A greater focus on export opportunities could tap into a worldwide market hungry for green technology, which India can provide cost-effectively and to global standards. Business models of global green vehicle manufacturers should be examined to see how mass market penetration can be enhanced.
- v) Collaboration is likely to be the theme for the next decade as new markets and products are created by companies forging previously unimagined partnerships. Companies will need to think beyond existing business models.
- vi) Manufacturers should form a greater consensus than exists at present on the most appropriate focus for emerging green technologies. The industry is slightly fragmented currently, with numerous options being explored ranging from battery power to hybrid fuels, from biodiesel to LPG.
- vii) Better links should be forged with support industries such as battery manufacturers to help drive down costs of making and maintaining green vehicles.

#### 5. CONCLUSION

India's automotive industry is well-positioned for growth, servicing both domestic demand and, increasingly, export opportunities. A predicted increase in India's working-age population is likely to help stimulate the burgeoning market for private vehicles. Rising prosperity, easier access to finance and increasing affordability is expected to see four-

wheelers gaining volumes, although two wheelers will remain the primary choice for the majority of purchasers, buoyed by greater appetite from rural areas, the youth market and women. In order to capitalize on these opportunities, the industry needs to develop or acquire technologies and capabilities to produce vehicles that meet future market needs. The government for its part has much to do to ensure the growth trends are maintained, and encourage the development of greener vehicles, while also improving compliance to even existing environmental standards. The automobile industry has yet to fully tap into demand from rural areas. Previously, consumers from these areas would need to go to automobile dealerships in towns and cities for their vehicle purchases.

Manufacturers should form a greater consensus than exists at present on the most appropriate focus for emerging green technologies. The industry is slightly fragmented currently, with numerous options being explored ranging from battery power to hybrid fuels, from biodiesel to LPG. The growing population, a significant proportion of which will be of working age over the next decade, is another source of demand to most automobile companies. Across all vehicle types, under-served demographics such as young people, women and rural customers could be targeted by making greater overtures to these markets and by improving distribution networks.

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