

# Automobile Industry-India

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The Indian auto industry, worth US\$ 34 billion in 2006, has grown at a CAGR of 14 per cent over the last five years with total sales of vehicles reaching around 9 million vehicles in 2005-06. That number is likely to see a significant boost, given that the first half of 2006-07 has already witnessed a staggering growth rate of 17.12 per cent. Domestic car sales for the April-September 2006 period stood at an impressive 4.86 million vehicles, including cars, two-wheelers and commercial vehicles. According to industry experts, if this trend continues, sales could touch 10 million by March 2007, clocking an annual growth rate of 20 per cent. In addition, the Government's announcement to cut excise duty on small cars will soon see India emerging as the world's largest manufacturing hub for small or compact cars.

## Destination India

India is on every major global automobile player's roadmap, and it isn't hard to see why:

- India is the second largest two-wheeler market in the world
- Fourth largest commercial vehicle market in the world
- 11th largest passenger car market in the world
- Expected to be the seventh largest by 2016

## Robust production

India's car production capacity is in for a US\$ 2 billion boost. Auto majors have announced massive investment plans which will push the country's car production past the psychological 2 million mark by the end of fiscal 2006-07, up 70 per cent from 1.4 million units now. Even at 2 million, India, which stood at No.11 among global car producing nations, will move two steps ahead, past UK (1.6 million) and Canada (1.35 million). It will be neck and neck with Brazil's 2-million capacity at No.8.

The automobile industry witnessed a growth of 19.35 percent in April-July 2006 when compared to April-July 2005, as is evident from this year's production trends.

Automobile Production Trends		
Category	2004-05	2005-06 (In no.s)
M&HCVs	214807	219297
LCVs	138896	171781
Total CVs	353703	391078
Passenger Cars	960487	1045881
Utility Vehicles	182018	196371
MPVs	67371	66661
Total Passenger vehicles	1209876	1308913
Scooters	987498	1020013
Motorcycles	5193894	6201214
Mopeds	348437	379574
Total Two Wheelers	6529829	7600801
Three Wheelers	374445	434424
Grand Total	8467853	9735216

Source: Society of Indian Automobile Manufacturers (SIAM)

**Domestic Sales .....How is Indian market performing?**

Increased affluence, wider selection and the ready availability of car loans is driving the Indian car market through the roof. During the last five years (2000-05), the production of passenger cars in India increased by more than 100 per cent. India achieved the sales of 1.11 million vehicles last year (2005).

Domestic sales have been growing at a clipping pace:

- Passenger car sales rose by 22.84 per cent during April-September 2006, compared to the corresponding period last year.
- The cumulative growth of overall sales of passenger vehicles during April-September of 2006-07 was 20.73 percent.
- Utility Vehicle (UVs) sales grew at 12.85 per cent during the same period.
- Overall, the two wheeler market grew by 15.49 per cent during the April-September period of financial year 2006-07, over the same period last year.
- Motorcycles grew by 18.53 per cent, scooters at 0.12 percent and mopeds at about 6.53 percent over April-September 2005.
- Three wheeler sales grew at 19.90 per cent. Goods carriers grew by 26.16 per cent and passenger carriers grew at 15.78 per cent during the April-September 2006 period, over the same period last year.
- Overall, the commercial vehicles segment grew at 36.96 per cent. Growth of Medium and Heavy Commercial Vehicles was 39.92 per cent. Light Commercial Vehicles also performed well with a growth of 32.86 percent.

## **Exports**

India is fast emerging as a manufacturing base for car exports. According to the Society of Indian Automobile Manufacturers (SIAM), a total of 89,338 vehicles were exported in September 2006, a 58.07 per cent jump as compared to the same month last year. While passenger vehicle exports grew at 13.15 per cent, two-wheelers and commercial vehicle exports grew at 27.80 per cent.

## **Foreign players in India**

Calendar 2006 has seen the entry of many high-end brands into the country. The Indian automobile market will see at least 30 new launches, spanning everything from affordable hatchbacks to mid-size models to super luxury high-end cars and SUVs.

- Mercedes, BMW, Porsche, Audi, Bentley and Rolls Royce are already here. Now, the Italian marquee Lamborghini is also planning to enter the country. The Italian marquee plans to launch the Gallardo.
- German luxury car maker Audi AG is preparing to drive into India a range of sporty, lifestyle cars like S8 and RS4 early next year. The year 2007 will also mark Audi's entry into merchandising in Indian car bazaar.

General Motors launched Aveo this year. GM plans to bring in a sporty variant of the Chevy Optra to add to its existing line-up.