



## Indian Automotive Industry: Problems and Challenges

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### ABSTRACT:

The Indian economy is supported in large part by the automobile industry. The crisis in the Indian automobile industry has far-reaching effects because it is a significant contributor to GDP and a key employment creator that is experiencing a slowdown. This essay investigates the cause of the drop in car sales, paying particular attention to Indian automakers that produce two-wheelers, passenger cars, and commercial vehicles. An overall economic slowdown, liquidity issues, weak consumer demand, disruptive entry of new players are observed to be the prime factors forcing automobile companies to declare plant non-working days, employee wage cuts and even retrenchments, delaying expansion plans and technology upgrades apart from being pushed into a deep financial crunch. Findings and recommendations from this study can strengthen the understanding of the issues surrounding the sector and can potentially help companies to find a way out of the crisis.

Keywords: Automotive industry, automobiles, cars, Indian economy, two-wheelers

### Introduction:

The global automobile industry is currently dominated by seven major auto-producing countries. India is one of the world's seven largest automobile manufacturers, producing 12.7 million vehicles annually. India lags behind China, Japan, Germany, USA, South Korea and Brazil. The automobile industry has attracted the attention of business people all over the world. However, the Indian automobile industry grew steadily from the mid-twentieth century to the last quarter of the twentieth century. The industry of the 21st century manufactures and assembles all kinds of vehicles. The council structure of the business is significantly affected by the administration of the rules; The main points are technology, diversity and collaboration, controlling and supporting the company's power. In 2020, India is the fifth largest automobile market with total sales of approximately 3.49 million vehicles in the passenger and commercial vehicle segments. It is the seventh largest automobile market in 2019. The two-wheeler segment controls the market in terms of sales due to the growth of the middle class and youth. In addition, companies are willing to explore the rural market, strengthening the growth of the economy. India is still a major automobile exporter and is expected to grow in the near future. Moreover, various initiatives by the Indian government and major automakers in the Indian market are expected to make India a global leader in the two- and four-wheeler industry by 2020.

A recent study by Castrol has revealed that a majority of Indian consumers will consider buying an electric car by 2025. Half Indian, price point Rs. At 2.3 million rupees (or \$31,000), 35-minute charging time and 401 miles of range on a single charge will be the "tipping point" in the use of electric vehicles. The investment amount is approximately 1,000 TL. India will need ₹12.5 trillion (\$180 billion) in vehicle production and charging of electric vehicles by 2030 to meet its electric vehicle (EV) targets. A report by India Energy Storage Alliance estimated that EV market in India is likely to increase at a CAGR of 36% until 2026. In addition, projection for EV battery market is forecast to expand at a CAGR of 30% during the same period.

### Major Players in Automotive Industry in India:

**1. Maruti Suzuki:** Founded on 24 February 1981, Maruti Suzuki was India's first automobile manufacturer. Maruti Suzuki has become one of the largest automobile manufacturers in the country due to its low cost and affordability. Operating costs are lower than its competitors. Powered by a 970cc engine, the Maruti Suzuki 1000 was the first car launched by the company after it was established in Gurugram, Haryana. It has become India's best-selling automobile company. The range is 294,000 to 1.151 million.

**2. Hyundai Motor:** Named Hyundai Motor India in 1996, it is the company with the largest shareholding after Maruti Suzuki. The range of changes provides a nuanced insight into how customers across all customer groups benefit from it. The company has a fleet of 991,000 to 6.5 million vehicles.

**3. Tata Motors:** Tata Motors is an Indian multinational automobile manufacturer founded in 1945. In 1988, it entered the passenger vehicle field and started producing vans, trucks, sports cars and buses. It also produces military vehicles. The company manufactures one of the safest cars in India with best safety features and quality. The price starts from around Rs 4.70 lakh to Rs 16.25 lakh.

**4. Toyota Motor:** Toyota Motor is a Japanese company founded in 1937 and headquartered in Japan. Today it is the second largest automobile manufacturer in the world. It produces and sells hybrid electric vehicles and has a worldwide reputation. Toyota engines are said to be durable, making them popular among customers. The price of his car varies between 7.01 million rupees and 8.35 million rupees.

**5. Kia Motors:** Headquartered in Seoul, it is a South Korean company that entered India in July 2019. Kia Motors has proven to be a game changer in the Indian market with the entry of its SUV Kia Seltos in the country. It is the oldest automobile company in South Korea, which gives customers confidence in the company. The company produces 3 million cars every year. Customers can show their trust in the company and be willing to return. The number of vehicle owners ranged from 6.71 million to 3.395 million.

**6. Skoda:** Czech automobile manufacturer founded in 1895 and headquartered in the Czech Republic. The company has 125 years of heritage and history. The company is said to be the standard bearer of German technology. It focuses on quality and precision production. It is one of the largest car dealerships as it provides the best service to its customers. Prices start from Rs 7.49 to Rs 35.99 lakh.

#### **7. M.G. Motors:**

Headquartered in London, UK, M.G. Motors, is a British Automotive Company that started its sales in India in 2019 after having set up here in 2017. Its cars are loaded with some of the best features that were never before seen in the other cars that were produced before the introduction of M.G. Motors. The company is known for its open two-seater sports car. 12.83 to 35.58 is the range bar that the company offers.

#### **8. Mercedes:**

The company is known to manufacture luxury cars and has global recognition for the very same reason. Founded back in 1926, Mercedes is headquartered in Germany. Apart from dealing in luxury cars it also manufactures commercial vehicles, The range bar goes to as high as 2.48 crores.

#### **9. Volkswagen:**

A German automaker company founded in 1937, is headquartered in Germany. It was founded by Adolf Hitler and has been continuing to create a remarkable name since then. Its original Volkswagen Beetle continued being the best selling car for the entire 20th century. Its conservative and simplistic design is what makes the cars stand out from the crowd apart from bringing highly comfortable and giving a safe ride experience. The cars go as high as up to 33 lakhs for the company.

#### **10. Honda:**

Known for manufacturing automobiles, power equipment and motorcycles, Honda is a Japanese Automaker Company. Founded in 1946 and operating two years after the foundation, it is headquartered in Tokyo, Japan. It is one of the oldest in the popular category of leading automobile companies.

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### **Problems faced by Automobile Industry**

Demand for new cars declined sharply in 2019, forcing automakers to cut production across the year. Sales were expected to revive during the annual festive season from October 2019 but failed to do so. In fact, there was an encouraging spike in sales in Q3 – stimulated by promotional offers, aggressive discounts, new model launches, and the increasing availability of models offering Bharat Stage-VI (BS-VI) emission standard. However, volumes dipped soon after the season was over. Counterpoint Research expects the negative month-on-month sales trend will continue in Q1 2020. Despite continued difficulties, it is expected that the overall YoY decline to moderate over the rest of the year, with anticipation of economic interventions and industry stability.

Political, economic and consumer trends will continue from 2019 and affect sales in coming years. These include strict environmental and safety regulations, business stagnation, growth of mergers, political uncertainty, increased insurance policies and cautious lending. Description of these important factors is as follows:

#### **I. Environmental Management and Safety:**

- In 2019, auto OEMs scrambled to comply with additional safety equipment requirements, including anti-lock/integrated, driver bag security, speed warning siren, rear brake sensors, front seat belt. warning and collision model. All this increases investment costs and increases the customer's cost for each model.
- The impact of rules announced in 2018, such as the early collection of five-year third-party premiums for two-wheelers, affected 2019's full-year car sales, especially two-wheeler sales. These problems continue.
- By April 2020, all types of vehicles (two- and three-wheelers, cars and commercial vehicles) will have to comply with BS-VI emission regulations and prices are expected to increase by 5-10%. Original Equipment Manufacturers (OEMs) have already increased prices by 2-3% in January 2020 to reduce the increase in financing costs and therefore face the problem of covering some of the costs of sales increases or decreases.

## II. Slowing Economic Growth:

• The global economic slowdown has affected the Indian automobile market (along with Europe and China). India's GDP growth slowed to 4.5% in the third quarter of 2019, from 5% in the second quarter and 7.1% a year earlier, due to lower consumer spending and investments. Rural markets with low annual rainfall also have a significant impact on two-wheeler demand.

• Rising unemployment and a slowing economy are causing people to postpone their car purchasing decisions. Data from the Center for Economic Affairs of India (CMIE) showed that the unemployment rate stood at 8.5% in October 2019, the highest since August 2016. Inflation increased from 3.18% in June to 3.99% in September 2019. The International Monetary Fund reduced its 2020 growth forecast for India from 7% to 6.1%.

## III. The rise of ridesharing:

Carpooling providers continue to increase ride-hailing demand in the city with people interested in ridesharing services as travel. Counterpoint Research estimates that two-thirds of users who frequently use ride-sharing services believe that driving is more economical, like owning a car, according to a preliminary survey conducted in the country in 2019. Leading players Ola and Uber are planning to expand their services to tier 2 and 3 cities in the next few years.

## IV. NBFCs wary of loans:

Non-banking financial institutions (NBFCs) finance most cars, especially in India. Dealers rely on non-bank financial institutions to finance wholesale vehicle purchases from OEMs. Recent resolution issues surrounding India's non-banking financial institutions, leading to cautious lending, negatively affected auto sales in 2019 and showed no response. Companies and shareholders have approached the Financial Services Authority of India seeking government intervention to improve the health of financial institutions.

## V. Increasing competition:

Despite the economic downturn, MG Motor (owned by SAIC Motor), BYD and other Chinese OEMs such as Changan Automobile and Great Wall Motors have major investments in India and announced their plans at this year's Delhi Auto Show . Opposing this trend, MG Motor and South Korean automobile manufacturer Kia Motors introduced new SUV models that received large orders months ago. As competition in passenger cars intensifies in 2020, Counterpoint predicts that these new cars will eat into the market share of Maruti Suzuki and Tata Motors.

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## Competitive Challenges in Indian Automobile Industry:

Indian automobile industry has seen massive growth in the recent past and will continue to maintain this vigor The Indian automobile industry has come a long way since its inception in Mumbai in 1898. Currently, the automobile industry contributes to the Indian economy in terms of revenue and employment. The sector directly or indirectly employs more than 10 million people in the country. The Indian automobile industry includes heavy vehicles, passenger cars and two-wheelers.

The automobile industry is dominated by major players like Eicher Motors, Mahindra and Mahindra, Ashok Leyland and Tata Telco, while the major companies are Hindustan Motors, Maruti Udyog, Ford India Ltd, Hyundai Motors India Ltd. and Tata Motors. The major players in the two-wheeler segment are Bajaj, Hero Honda, TVS and Yamaha. Since independence, the automobile industry has overcome many hurdles. Measures such as reducing import tariffs, reducing foreign exchange and equity regulations, and improving banking regulations are important for the automotive industry in India to become a source of income. The Indian automobile industry is bracing for major challenges in the coming years. Entrepreneurs in the automotive industry face many challenges. Strategic planning for the automotive industry will become increasingly difficult due to changing government regulations, global trade, relative prices and market changes.

There are five main challenges for the Indian automotive community that underlies these concerns:

1. Expansion in the Chinese market: One of the biggest challenges facing automakers outside China is the risk of competition with China. China has been the largest automobile market for the last fifteen years. The increase in sales has helped the country overcome other difficulties and difficulties. The biggest challenge for auto industry planners is to develop strategies based on China's expectations.
2. The evolution of connected vehicles: Connectivity is the biggest change in the automotive industry, but it is also one of the biggest mysteries. The connected car concept is based on a communication center that receives and sends information from the environment. However, since this technology is still in its infancy, there are uncertainties and questions about who will buy the car, who will provide these services, and whether car companies can now overcome all these uncertainties.
3. Increasing competition: Among the many problems faced by the automotive world, it is also reported in the press that sales are remaining flat in major markets such as Europe and Japan, while competition from other companies is increasing. Sales slowed down in direct proportion to increasing competition.
4. Technological measures and government needs: The global automotive industry faces strict regulations aimed at controlling carbon dioxide and other emissions. This is done to improve fuel economy. One of the main challenges facing businesses is to change society's interests in environmental management by leveraging energy and technology.

5. Platform Consolidation: Increasing competition, national regulators and global customers have caused global automakers to rethink their platform strategies. The path to modular architecture or largescale platform consolidation is first to gradually change segmentation rationalizations. So this has become a big challenge for automakers.

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**Conclusion:**

The automotive industry is supported by many factors such as low labor costs, strong R&D opportunities and low costs. The industry also has great potential for direct and indirect employment for both skilled and unskilled labour. The automobile industry in India, including the manufacturing sector, is expected to reach Rs. By 2026, the Indian automobile market will reach US\$ 16.16-18.18 trillion.

A study by Center for Energy Finance revealed that the EV opportunity in India will reach \$206 billion by 2030. The Indian government is committed to improving road safety and reducing road deaths. To achieve this goal, the government is introducing seat belt reminders, airbags, reverse parking sensors, speed warnings, etc. It has issued many regulations such as mandatory security features. 80km per hour, manual override system etc. Rapid changes in people's preferences and policies will determine the technology used in automobiles in the future. The consumers are more inclined towards style, comfort and convenience rather than price. The automobile industry will emerge as one of the rapidly growing industry due to the technological advancements and the credit facility availability.

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