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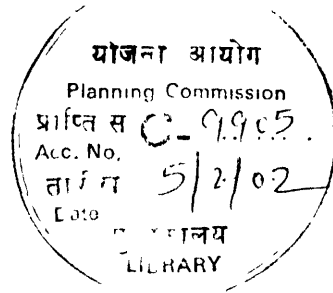
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REPORT OF THE WORKING GROUP

ON

THE AUTOMOBILE INDUSTRY

10TH FIVE-YEAR PLAN 2002 - 2007



DEPARTMENT OF HEAVY INDUSTRY
GOVERNMENT OF INDIA
UDYOG BHAWAN, NEW DELHI

INTRODUCTION

New Delhi, the 20th November 2001

In a welcome move, the Planning Commission decided in September 2001, to set-up a Working Group on Automobile Industry for the 10th Five Year Plan. The Group with 24 members was set-up with terms of reference given at Appendix to this Report. A number of meetings including sub-group meetings were held to finalise the views on each aspect of the terms of reference given to the Group. Important trade bodies of the automobile sector like Society of Indian Automobile Manufacturers (SIAM), Auto Component Manufacturers Association (ACMA) and Tractor Manufacturers Association (TMA) have been part of the consultation process at different stages, and have also provided valuable input in terms of data and trends in the sector. Their suggestions towards specific policy requirements in the coming Five Year Plan period have been valuable.

I would like to take this opportunity to thank all members of the Working Group for their valuable input and suggestions in finalising this Report. Thanks are also due to SIAM, ACMA, TMA and various other institutions and individuals whose views have been useful in finalising the Report.

(Ravindra Gupta)
**Secretary, Heavy Industries & Public Enterprises
Government of India
&
Chairman of the Working Group**

1. AUTOMOTIVE INDUSTRY: BACKGROUND

- 1.1 Globally, as well in India, the auto industry is one of the largest industries. It has deep forward and backward linkages with the rest of the economy, and hence has a strong multiplier effect. This results in auto industry being the driver of the economic growth. Developed countries like US, Japan as well as newly industrialised countries like Korea and Thailand have effectively used the auto industry as an engine of growth.
- 1.2 In India, since the early 1940s, when the auto industry rolled out first passenger car, its significance in the economy has progressively increased. However, from its early days until the mid-1980s for two wheelers & Light Commercial Vehicles (LCVs), and until the early 1990s for passenger cars, the focus of development of the automotive industry has been on import substitution. The current low penetration levels in India in all three segments of the industry, namely Commercial Vehicles, Passenger Cars and Two Wheelers and gross under-exploitation of the potential of this industry to foster the growth of the economy have resulted in Auto Industry contributing a relatively low (nearly 5%) share of industrial output in India compared to the 8-10% range in other developing countries like Mexico and Brazil and much higher (15-17% range) in developed countries like USA & Germany. Even the share of employment is low at 2.5% for auto industry in India as compared to 3-7% in developing countries and around 15% in mature economies.
- 1.3 During last decade, conscious efforts have been made to fine-tune state policy-perspective in a manner that this industry realises its full potential in the economy. With this, the industry has shown great advances since abolition of licensing in 1991 and automatic approval permitted upto 51%

foreign investment in priority sectors that included the automotive industry, except passenger car manufacture. Motorcar manufacture was freed from licensing in April 1993. Public Notice No. 60 which was issued in December 97 by the Ministry of Commerce, DGFT requiring new joint venture car manufacturers desiring import of components for motor vehicles in CKD/SKD form to commit certain levels of phased indigenisation, minimum investments in manufacturing facilities, neutralization of foreign exchange on imports with the exports of cars and components etc., was withdrawn in September 2001 as a major initiative to bring policy dispensation in step with WTO requirements. The quantitative restrictions on imports were removed with effect from 1st April, 2001.

- 1.4 Thus, industrial licensing and foreign investment regime in the country has been progressively liberalised. The freeing of the industry from restrictive environment has on the one hand helped it to restructure, absorb newer technologies, align itself to the global developments and realise its potential, on the other hand, this has significantly increased industry's contribution to overall industrial growth in the country.
- 1.5 There are at present 15 manufacturers of passenger cars and multi utility vehicles, 8 manufacturers of commercial vehicles, 14 of two/three-wheelers and 10 of tractors besides 4 manufacturers of engines. The industry has an investment of a sum exceeding Rs 50,000 crore. During 1999-2000 the turnover of the automotive industry as a whole was Rs 59,500 crore approximately. The industry employs 4.5 lakh people directly and more than 1 crore people indirectly. Indian automotive industry is now inhabited by global majors in keen competition.

1.6 The arrival of most international automotive giants in India set the stage for an exponential growth in the component industry's levels of technology, quality and competitiveness. At the same time, the arrival of new and contemporary models stimulated the demand for vehicles in the market. The auto industry has achieved a cumulative annual growth rate (CAGR) of 22% between 1992 - 1997 (or approx. 13 – 14% in real terms) outstripping industries production growth by about 30%. This has led to an increase in its contribution to industrial output from 4.3% in 1992-93 to 5.4% by 1996-97. The component industry in the same period has grown by a CAGR of 28%. With this the contribution of automobile industry to the GDP has risen from 2.7% of GDP in 1992-93 to 4.5% by 1996-97. However, with a worldwide economic slow down, auto industry's growth pattern has shown a downward trend in last two years.

2. CURRENT STATUS OF THE AUTOMOTIVE INDUSTRY

2.1 The industry over a period of time has installed a robust capacity as given below:

Installed Capacity in different segments of Automobile Industry

<i>S. No.</i>	<i>Segment</i>	<i>Installed Capacity (In Nos.)</i>
1	Commercial Vehicles	410,000
2	Cars and Multi Utility Vehicles	1,146,000
3	Two and Three Wheelers	5,696,000
4	Grand Total	7,252,000

2.2 Against this installed capacity, the production over last few years has been as follows:

Production in numbers:

	1996-97	1997-98* reclassified	1998-99	99-2000	2000-01	2000-01 (Apr- June)	2001-02 (Apr- June)
Cars & Multi-utility vehicles	4,88,125	5,35,615	5,04,037	701,551	630,592	162,133	163,656
Total Commercial Vehicles	3,03,017	1,60,998	1,35,891	173,524	152,079	34,432	28,851
Three-wheelers & Two-wheelers	31,95,778	33,07,534	35,83,541	3,968,270	3,961,700	1,021,596	1,003,035
Total	39,86,920	40,04,147	42,23,469	4,843,345	4,744,371	1,218,161	1,195,542

* Between MUV + LCV

2.3 Auto component industry in the country has also made rapid strides and its turnover has almost doubled in last five-year period as the year-wise production given below indicates.

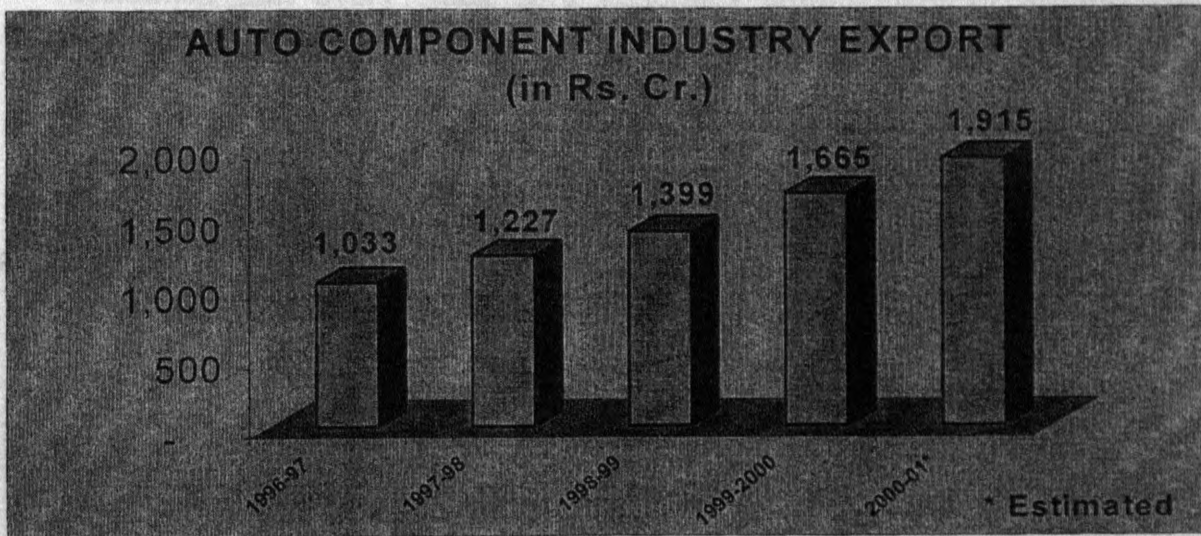
1995-96	Rs. 9085 crore
1996-97	Rs.11475 crore
1997-98	Rs.12032 crore
1998-99	Rs.12997 crore
1999-2000	Rs.16356 crore
2000-2001	Rs.17174 crore (estimated)

2.4 Automotive industry of India is now finding increasing recognition worldwide. A beginning has been made in exports of vehicles. However, the exports have largely remained static or declined since 1996-97. The potential in this area remains largely untapped. The following table indicates the situation.

3. AUTOMOBILE INDUSTRY EXPORTS (Exports in Numbers)

	1996-97	1997-98	1998-99	99-2000	2000-01
Cars	37161	29705	25468	23271	22913
M.U.V.s	2484	3288	2,654	5,148	4,122
Medium & HCVs	6606	5872	4,544	5,089	5,517
LCVs	7230	8212	5,564	4,823	8,262
Two Wheelers	124728	125504	1,00,002	83,237	111,138
Three Wheeler	21973	18595	21,138	17,725	16,263
Total	200182	191176	159,370	139,293	168,215

- 2.5 The Auto Component Industry now equipped with significant advancement in its technological capabilities, due to its alignment with major vehicle manufacturers in the country and abroad, has a high export potential. During the late nineties, exports of auto-components has grown by a CAGR of about 20%. Currently, the share of exports out of the total production of auto-components is 10%. During the last 5 years, the exports of auto-components have been as follows:



3. AUTOMOBILE INDUSTRY: FUTURE PROJECTIONS

- 3.1 With the domestic auto industry now moving in step with the WTO covenants, the stage is set for it to make rapid strides domestically and internationally to attain its rightful place in the world trade. A global recession for last two years notwithstanding, the industry has shown appreciable resilience and adjusted to the challenges of the environment. It has been argued that India should now target a higher share of industrial output for the automotive sector.
- 3.2 Auto industry is one of the few industries, which have an extensive linkage with the economy, both forward as well as backward. Among forward linkages the key generator of the employment are the oil industry, distribution and after-sales service network as also the after sale supply of spares and replacements by the auto component industry. It is estimated that every truck sold generates employment of around 10 persons annually. Other critical forward linkages include auto finance and leasing industry and insurance. As for the backward linkages, auto industry is also the largest consumer of raw material like CR/HR steel, aluminum and zinc alloys, and also of high value rubber and plastics. Moreover automotive industry is the most important driver of machine tool industry, the bedrock of industrial growth. Apparently the multiplier effects of the automobile industry on the manufacturing as well as the service industries are varied, deep and widespread.
- 3.3 It is in this context that a more pro-active role by the Government in developing an appropriate policy framework will go a long way in exalting the sector as a lever of industrial growth and employment. India

is capable of emerging as an international hub for manufacturing small affordable passenger cars as also tractors and two wheelers in this part of the world. Simultaneously auto component industry, which is the fastest growing segment, within this sector is capable of development into an important partner in the global component supply chains in the world auto industry.

- 3.4 India's Tenth Five Year Plan (2002-2007) is slated to begin at a time when India is firmly linked with the global economy in which the industry is expected to operate competitively across geographical boundaries of nations and continents. In this environment, the policy instruments on the part of the State would be fiscal and indicative in nature.
- 3.5 This Working Group has worked in close conjunction with two significant trade associations of this sector namely, Society of Indian Automobile Manufacturers (SIAM) & Automotive Component Manufacturers Association (ACMA) with a view to work out reasonable future growth projections of the industry during the next span of five years. Growth projections of the automobile sector have direct correlation with the growth projections of the economy in general. The Planning Commission in its Discussion Paper on the 10th Five Year Plan has projected a growth rate of 6.5% in the GDP during 2002 - 2007. At the same time there have been more optimistic estimates in this regard made by expert institutions like A.T. Kearney and others. Hon'ble Prime Minister has also recently stated that with acceleration in the pace of reforms, it is possible to achieve economic growth rate of 10%. NCAER has separately concluded a study in September 2001 titled 'Demand Projections for Automobiles and Automotive Tyres in India'. A.T.

Kearney had also come out with 'Recommendations for Developing Indian Automotive Policies' in recent times. In this report, therefore, the Working Group has projected two separate future growth scenarios in the automobile sector based on both conservative and liberal estimates of GDP growth during the Tenth Five year plan period. In the first set of projections a 6.5% growth of GDP and 8% growth of industrial production has been assumed based on the Planning Commission forecasts. The other set of projections assume 8% growth of GDP and 10% growth of industrial production as indicated by various experts.

Projections on the basis of Scenario I :

3.6 Based on detailed study conducted by the NCAER and relied upon by SIAM & ACMA and with GDP growth rate projection of 6.5% and industrial growth at 8% the following growth scenario in terms of sale of vehicles emerges in different segments of the automobile sector during next five years:

(All figures in Numbers)

Category Year	Estimated	Projections*				
	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007
M & HCVs	80000	84080	88368	92875	97612	102590
LCVs	60000	62640	65396	68274	71278	74414
Cars	598654	658519	724371	796808	876489	964138
MUVs	115608	120464	125523	130795	136288	142012
Scooters	935904	964917	994829	1025669	1057465	1090246
Motorcycles	2480981	2927557	3454518	4076331	4810070	5675883
Mopeds	467143	502646	540847	581952	626180	673770
3-Wheelers	200558	222820	247553	275032	305560	339478
Tractors	166173	180298	195623	212251	230292	249867
Total	5,05,21	5,723,941	6,437,029	7,259,986	8,211,234	9,312,397

Assumptions:

M & HCVs to grow at	-	5.1 % per annum
LCVs to grow at	-	4.4 % per annum
Passenger Cars to grow at	-	10 % per annum
MUVs to grow at	-	4.2 % per annum
Scooters to grow at	-	3.1 % per annum
Motorcycles to grow at	-	18 % per annum
Mopeds to grow at	-	7.6 % per annum
Three Wheelers to grow at	-	11.1 % per annum
GDP to grow at	-	6.5 % per annum
Industrial Production to grow at	-	8 % per annum

Source: NCAER Study "Demand Projections for Automobiles & Automotive Tyres in India", September 2001.

* Long Term projection covering period upto 2012 may be seen at Annexure-1

3.7 These projections in terms of value of the turnover are given below:

(All figures in crores of rupees)

Category Year	Estimated	Projections*				
	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007
M & HCVs	7200	7567	7953	8359	8785	9233
LCVs	3300	3445	3597	3755	3920	4093
Cars	20953	23048	25353	27888	30677	33745
MUVs	4624	4819	5021	5232	5452	5680
Scooters	2340	2412	2487	2564	2644	2726
Motorcycles	9924	11710	13818	16305	19240	22704
Mopeds	701	754	811	873	939	1011
3-Wheelers	1404	1560	1733	1925	2139	2376
Tractors	4985	5409	5869	6368	6909	7496
Total	55431	60724	66642	73269	80705	89063

Long Term projection covering period upto 2012 may be seen at Annexure-2.

3.8 Projected auto component turnover and investments in this scenario are given below. *

(All sums in crore of rupees)

YEAR	Vehicle Industry Output Rs. In Cr	Minus 10% CBU import	Minus 20% Tax on Vehicles	70% as share of Out sourced parts	70% as locally made parts #	Projected Domestic Investments	Incremental Turnover	Incremental Investments
2001-2002	55431	49888	39910	27937	19556	10864		
2002-2003	60724	54652	43721	30605	21424	11902	1868	1038
2003-2004	66642	59978	47982	33587	23511	13062	2088	1160
2004-2005	73269	65942	52754	36928	25849	14361	2338	1299
2005-2006	80705	72634	58108	40675	28473	15818	2623	1457
2006-2007	89063	80157	64126	44888	31422	17456	2949	1638

* Long Term projection covering period upto 2012 may be seen at Annexure-3

Domestic Turnover of the Component Industry

3.9 The following table carries the projected growth of exports together with investments required in the automobile sector.*

(All sums in crore of rupees except where otherwise specified)

YEAR	Projected Export Turnover (Rs. In cr)	Projected Export Turnover (In US \$ millions)	Projected Investments Required for exports	Projected Investment for Domestic Output	Projected Total Investments	Incremental Exports Per Annum,	Incremental Investments For Exports
2001-2002	2000	417	1111	10864	11976		
2002-2003	2400	500	1333	11902	13235	400	222
2003-2004	2880	600	1600	13062	14662	480	267
2004-2005	3456	720	1920	14361	16281	576	320
2005-2006	4147	864	2304	15818	18122	691	384
2006-2007	4977	1037	2765	17456	20221	829	461

* Long Term projection covering period upto 2012 may be seen at Annexure-4

Projections on the basis of Scenario II :

3.10 On the other hand, if we take a more encouraging scenario of 8% growth of GDP with industrial growth hovering around 10%, the growth projections of automobile sector will undergo substantive changes as indicated in the table below:

(All figures in numbers)

Category Year	Estimated	Projections#				
	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007
M & HCVs	80000	85600	91592	98003	104864	112204
LCVs	60000	64200	68694	73503	78648	84153
Cars	598654	694438	805548	934436	1083946	1257377
MUVs	115608	132949	152892	175825	202199	232529
Scooters	935904	982699	1031834	1083426	1137597	1194477
Motorcycles	2480981	2977177	3572612	4287135	5144562	6173474
Mopeds	467143	504515	544876	588466	635543	686387
3-Wheelers	200558	222620	247108	274290	304462	337953

Assumptions:

M&HCVs to grow at	-	7 % per annum*	
LCVs to grow at	-	7 % per annum*	
Passenger Cars to grow at	-	16 % per annum*	
MUVs to grow at	-	15 % per annum*	
Scooters to grow at	-	5 % per annum	} Combined growth for 2 wheelers 12% per annum*
Motorcycles to grow at	-	20 % per annum	
Mopeds to grow at	-	8 % per annum	
Three Wheelers to grow at	-	11 % per annum	
GDP to grow at	-	8 % per annum	
Industrial Production to grow at	-	10 % per annum	

- **Source: AT Kearney Report prepared for SIAM "Recommendations for Developing Indian Automotive Policy"**

Long Term projection covering period upto 2012 may be seen at Annexure-5

3.11 These projections in terms of value of the turnover are given below:

(All figures in crores of rupees)

Category Year	Estimated	Projections*				
	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007
M & HCVs	7200	7704	8243	8820	9438	10098
LCVs	3300	3531	3778	4073	4326	4628
Cars	20953	24305	28194	32705	37938	44008
MUVs	4624	5318	6116	7033	8088	9301
Scooters	2340	2457	2580	2709	2844	2986
Motorcycles	9924	11909	14290	17149	20578	24694
Mopeds	701	757	817	883	953	1030
3-Wheelers	1404	1558	1730	1920	2131	2366
Tractors	4985	5484	6032	6635	7299	8029
Total	55431	63023	71781	81895	93595	107140

Long Term projection covering period upto 2012 may be seen at Annexure-6.

3.12 Projected auto component turnover and investments in this scenario are given below.

(All sums in crore of rupees)

YEAR	Vehicle Industry Output Rs. In Cr	Minus 10% CBU import	Minus 20% Tax on Vehicles	70% as share of Out sourced parts	70% as locally made parts #	Project- ed Domestic Investm- ents	Increment al Turnover	Increment al Invest- ments
2001-2002	55431	49888	39910	27937	19556	10864		
2002-2003	63023	56720	45376	31763	22234	12252	2678	1488
2003-2004	71781	64602	51682	36177	25324	14069	3090	1717
2004-2005	81896	73707	58965	41276	28893	16052	3569	1983
2005-2006	93595	84236	67388	47172	33020	18345	4127	2293
2006-2007	107140	96426	77141	53999	37799	20999	4779	2655

* Long Term projection covering period upto 2012 may be seen at Annexure-7

Domestic Turnover of the Component Industry.

3.13 The following table carries the projected growth of exports together with investments required in the automobile sector.*

(All sums in crore of rupees except where otherwise specified)

YEAR	Projected Export Turnover (Rs. In cr)	Projected Export Turnover (In US \$ millions)	Projected Investments Required for exports	Projected Investment for Domestic Output	Projected Total Investments	Incremental Exports Per Annum,	Incremental Investments For Exports
2001-2002	2000	417	1111	10864	11975		
2002-2003	2400	500	1333	12352	13685	400	222
2003-2004	2880	600	1600	14069	15669	480	267
2004-2005	3456	720	1920	16052	17972	576	320
2005-2006	4147	864	2304	18345	20649	691	384
2006-2007	4977	1037	2765	20999	23764	622	346

* Long Term projection covering period upto 2012 may be seen at Annexure-8

4. EMERGING TRENDS IN THE AUTOMOBILE SECTOR

4.1 Globalisation is pushing auto majors to consolidate, to upgrade technology, enlarge product range, access new markets and cut costs. They have resorted to common platforms, modular assemblies and systems integration of component suppliers and e-commerce.

4.2 "System Supply" of integrated components and sub-systems is becoming the order of the day, with individual small components being supplied to the system integrators instead of the vehicle manufacturers. In this process, most of the SSI units manufacturing smaller individual components are on their way to become tier 2 and tier 3 suppliers, while the larger companies including most MNCs are being transformed into tier 1 companies, which purchase from tier 2 & 3, and sell to the auto manufacturers.

- 4.3 Environmental and safety concerns are leading to higher safety and emission norms in the country. A clear roadmap for ushering in of higher emission and safety standards is necessary to enable the industry to plan out its investments and strategies, capacities and alternatives. This would require Government and the industry to act in tandem.
- 4.4 A higher safety and emission standards regime requires adequate infrastructure for testing and certification of products domestically manufactured and imported. Testing infrastructure in the country at present is highly underdeveloped and needs to be upgraded to world standards.
- 4.5 Environmental-pollution and the need to conserve existing supply of fossil fuels have led to search for alternatives. There is need to support the development and introduction of vehicles propelled by energy sources other than hydrocarbons. Hybrid vehicles and vehicles operating with batteries and fuel cells are alternatives to the conventional automobiles. Globally, intensive research and development is being carried out to make these vehicles commercially viable. Till then, alternatives like CNG and LPG as less polluting fuels are being used in a limited way.

5. CONCLUSION & RECOMMENDATIONS

- 5.1 Working Group is unanimous in its opinion that the performance of the automobile sector has improved significantly after liberalisation and opening up of this sector. The customer has a wider choice and access to technologically contemporary products at competitive prices. The auto industry, despite a general slowdown in the economy in general and

manufacturing sector in particular, has not only sustained its share of economic growth but has also improved it.

- 5.2 There are, however, very serious constraints blocking the growth of this sector. The investments in infrastructure are low. The purchasing power is inadequate. Transaction costs are high. The market has not developed sufficiently to accommodate large number of players. Volumes are small inhibiting efficient manufacture and investments in R & D. The industry needs to consolidate to take auto manufacturing to a self-sustaining level.
- 5.3 The Group, therefore, makes the following recommendations, which will need to be addressed while finalising the blue print of the 10th Five Year Plan.

a) It is of critical necessity that a sector specific policy aiming to promote integrated, phased, enduring and self-sustained growth of the Indian automotive industry should be formalised. Such a policy should exalt the sector as a lever of industrial growth and employment, promote a globally competitive auto industry, conduce incessant modernisation and facilitate indigenous design and development, steer india software industry to automotive industry, assist development of vehicles propelled by alternate energy sources and develop domestic safety and environmental standards at par with international standards.

b) Incidence of taxes, Central and State, on the automobile and auto component sector is very heavy. This acts as a dampener to the demand. The Group is of the view that rationalisation of this

incidence is called for. The country should gradually move towards lower incidence of taxes on this sector to spur demand and facilitate its growth, which will have a beneficial effect on rest of the economy due to strong multiplier effect. Introduction of national VAT taxation system to allow tiering and competitive inter-state sourcing is also considered to be necessary for promoting growth of this sector.

- c) Consistent with the WTO obligations, the import tariff should be fixed in a manner to encourage manufacturing and value addition in the country.
- d) Volume is key to efficient manufacture of vehicles as well as auto components. The investments and fiscal policies should create an environment for volume production.
- e) For building up sustainable volumes, there is critical necessity to facilitate exports. Indian auto industry needs to be competitive in both quality and costs before large- scale exports are attempted. While industry is engaged in bringing about efficiency and technological upgradation, institutional mechanism for promoting exports remains by and large absent. The Group is of the view that a focused strategy promoting exports should be immediately put in place. Setting up of an Automotive Industry Export Promotion Council (AIEPC) should be one such step.
- f) There is need to make available cheap finance for automobiles to the customers with special focus on rural and semi-urban areas. NBFCs are not financing because of sickness and banks are not coming with cheap credit to rural and semi-urban areas. The issue

of providing cheap finance for automobile acquisition needs to be addressed for sustained growth of demand.

- g) Road infrastructure is still in a very poor state in this country. There is need to substantially enhance investments in the road infrastructure sector on the lines suggested by Dr. Rakesh Mohan Committee in their India Infrastructure Report. Golden quadrilateral project should be expedited so that it is completed in time.**

- h) Emerging safety and environmental norms also require substantive strengthening of testing infrastructure in the country. Currently testing facilities available are very limited and are grossly inadequate to meet the requirements. It is estimated that to upgrade the facilities to meet the current requirements, additional investment of up to Rs 640 crore is required. It is suggested that the Planning Commission may consider including a scheme in this regard for phased funding of at least 75% of this requirement. Remaining 25% can be met by industry and through institutional funding.**

- i) In order to improve the ambient air quality, a policy for phasing out old vehicles and fleet modernisation should be put in place.**

- j) There is an urgent need to ensure higher commitment on research and development by industry, which is at present less than 0.2% of the sales turnover as against 3-4 % in developed countries. Suitable fiscal incentives should be provided to support R & D.**

- k) A Task Force with participation of Industry and Government should be set up to identify the product technologies of the future and to identify one of the *Technology Waves* for global leadership.**

Annexure 1

PROJECTED SALES OF VEHICLES BASED ON SCENARIO 1

<u>YEAR</u>	<u>in Numbers</u>										<u>TOTAL (A)</u>
	<u>CARS</u>	<u>MUVS</u>	<u>LCVs</u>	<u>M&HCVs</u>	<u>SCOOTERS</u>	<u>M/CYCLES</u>	<u>3-WHEELERS</u>	<u>TRACTORS</u>	<u>MOPEDS</u>	<u>TRAILERS</u>	
2001-2002	598,654	115,608	60,000	80,000	935,904	2,480,981	200,558	166,173	467,143		5,105,021
2002-2003	658,519	120,464	62,640	84,080	964,917	2,927,558	222,820	180,298	502,646		5,723,941
2003-2004	724,371	125,523	65,396	88,368	994,829	3,454,518	247,553	195,623	540,847		6,437,029
2004-2005	796,808	130,795	68,274	92,875	1,025,669	4,076,331	275,031	212,251	581,951		7,259,986
2005-2006	876,489	136,288	71,278	97,611	1,057,465	4,810,071	305,560	230,292	626,180		8,211,234
2006-2007	964,138	142,012	74,414	102,590	1,090,246	5,675,884	339,477	248,867	673,769		9,312,397
2007-2008	1,060,552	147,977	77,688	107,822	1,124,044	6,697,543	377,159	271,106	724,976		10,588,866
2008-2009	1,166,607	154,192	81,106	113,321	1,158,889	7,903,100	419,024	294,150	780,074		12,070,463
2009-2010	1,283,268	160,668	84,675	119,100	1,194,815	9,325,658	465,535	319,153	839,360		13,792,231
2010-2011	1,411,595	167,416	88,401	125,174	1,231,854	11,004,277	517,210	346,281	903,151		15,795,358
2011-2012	1,552,754	174,448	92,290	131,558	1,270,042	12,985,047	574,620	375,714	971,790		18,128,263

PROJECTED TURNOVER OF AUTOMOTIVE INDUSTRY SCENARIO 1
(In Rs. Crores)

<u>YEAR</u>	<u>CARS</u>	<u>MUVS</u>	<u>LCVs</u>	<u>M&HCVs</u>	<u>SCOOTERS</u>	<u>MICYCLES</u>	<u>3-WHEELERS</u>	<u>TRACTORS</u>	<u>MOPEDS</u>	<u>TOTAL</u> <u>(B)</u>
2001-2002	20,953	4,624	3,300	7,200	2,340	9,924	1,404	4,985	701	55,431
2002-2003	23,048	4,819	3,445	7,567	2,412	11,710	1,560	5,409	754	60,724
2003-2004	25,353	5,021	3,597	7,953	2,487	13,818	1,733	5,869	811	66,642
2004-2005	27,888	5,232	3,755	8,359	2,564	16,305	1,925	6,368	873	73,269
2005-2006	30,677	5,452	3,920	8,785	2,644	19,240	2,139	6,909	939	88,705
2006-2007	33,745	5,680	4,093	9,233	2,726	22,704	2,376	7,496	1,011	88,063
2007-2008	37,119	5,919	4,273	9,704	2,810	26,790	2,640	8,133	1,087	98,476
2008-2009	40,831	6,168	4,461	10,199	2,897	31,612	2,933	8,824	1,170	109,096
2009-2010	44,914	6,427	4,657	10,719	2,987	37,303	3,259	9,575	1,259	121,099
2010-2011	49,406	6,697	4,862	11,266	3,080	44,017	3,620	10,388	1,355	134,691
2011-2012	54,346	6,978	5,076	11,840	3,175	51,940	4,022	11,271	1,458	150,107

ANNEXURE-3

PROJECTED AUTO-COMPONENT TURNOVER & INVESTMENT : SCENARIO I

YEAR	Vehicle Industry output (Rs. Crores) <u>Scenario I</u> (B)	Minus 10% CBU Imports	Minus 20% tax on Vehicles	70% as share of outsourced parts	In Rs. Crores		Projected Investment for domestic output (Rs. Crores) (D)	Incremental Turnover SCENARIO I (Rs. Crores)	Incremental Investment SCENARIO I (Rs. Crores)
					70% as locally made parts = <u>Turnover of</u> <u>Component Ind.</u> (C)				
2001-2002	55,431	49,888	39,910	27,937	19,556	10,864			
2002-2003	60,724	54,652	43,721	30,605	21,424	11,902	1,868	1,038	
2003-2004	66,642	59,978	47,982	33,587	23,511	13,062	2,088	1,160	
2004-2005	73,269	65,942	52,754	36,928	25,849	14,361	2,338	1,299	
2005-2006	80,705	72,634	58,108	40,675	28,473	15,818	2,623	1,457	
2006-2007	89,063	80,157	64,126	44,888	31,422	17,456	2,949	1,638	
2007-2008	98,476	88,629	70,903	49,632	34,742	19,301	3,321	1,845	
2008-2009	109,096	98,186	78,549	54,984	38,489	21,383	3,747	2,081	
2009-2010	121,099	108,989	87,191	61,034	42,724	23,735	4,235	2,353	
2010-2011	134,691	121,221	96,977	67,884	47,519	26,399	4,795	2,664	
2011-2012	150,107	135,097	108,077	75,654	52,958	29,421	5,439	3,022	

Annexure 4

EXPORT PROJECTIONS AND INVESTMENT REQUIRED : SCENARIO I

YEAR	Projected Exports Turnover In Rs Cr	Projected Exports in In US \$ Million	Projected Investment required for export (Rs Crores)	Projected Investment for Domestic output (Rs Crores)	Projected Total Investment required (Rs Crores)	Incremental Exports per annum (Rs Crores)	Incremental Investment for exports (Rs Crores)
	(E)		(F)	(D)	(D+F)	SCENARIO I	SCENARIO I
2001-2002	2,000	417	1,111	10,864	11,976		
2002-2003	2,400	500	1,333	11,902	13,235	400	222
2003-2004	2,880	600	1,600	13,062	14,662	480	267
2004-2006	3,456	720	1,920	14,361	16,281	576	320
2005-2006	4,147	864	2,304	15,818	18,122	691	384
2006-2007	4,977	1,037	2,765	17,456	20,221	829	461
2007-2008	5,723	1,192	3,180	19,301	22,481	746	415
2008-2009	6,582	1,371	3,656	21,383	25,039	858	477
2009-2010	7,569	1,577	4,205	23,735	27,940	987	548
2010-2011	8,704	1,813	4,836	26,399	31,235	1,135	631
2011-2012	10,010	2,085	5,561	29,421	34,982	1,306	725

1 US \$ = Rs 48

Annexure 5

PROJECTED SALES OF VEHICLES BASED ON SCENARIO II

<u>YEAR</u>	<u>In Numbers</u>										<u>TOTAL</u>
	<u>CARS</u>	<u>MUVS</u>	<u>LCVs</u>	<u>M&HCVs</u>	<u>SCOOTERS</u>	<u>M/CYCLES</u>	<u>3-WHEELERS</u>	<u>TRACTORS</u>	<u>MOPEDS</u>	<u>TOTAL</u>	
2001-2002	598,654	115,608	60,000	80,000	935,904	2,480,981	200,558	166,173	467,143	5,105,021	
2002-2003	694,439	132,949	64,200	85,600	982,699	2,977,177	222,619	182,790	504,514	5,846,988	
2003-2004	805,549	152,892	68,694	91,592	1,031,834	3,572,613	247,108	201,069	544,876	6,716,226	
2004-2005	934,437	175,825	73,503	98,003	1,083,426	4,287,135	274,289	221,176	588,466	7,736,260	
2005-2006	1,083,946	202,199	78,648	104,864	1,137,597	5,144,562	304,461	243,294	635,543	8,935,114	
2006-2007	1,257,378	232,529	84,153	112,204	1,194,477	6,173,475	337,952	267,623	686,386	10,346,177	
2007-2008	1,458,558	267,408	90,044	120,058	1,254,201	7,408,170	375,127	294,386	741,297	12,009,249	
2008-2009	1,691,928	307,520	96,347	128,463	1,316,911	8,889,803	416,391	323,824	800,601	13,971,787	
2009-2010	1,962,636	353,648	103,091	137,455	1,382,756	10,667,764	462,193	356,207	864,649	16,290,400	
2010-2011	2,276,658	406,695	110,308	147,077	1,451,894	12,801,317	513,035	391,827	933,821	19,032,631	
2011-2012	2,640,923	467,699	118,029	157,372	1,524,489	15,361,580	569,469	431,010	1,008,527	22,279,098	

Annexure 6

PROJECTED TURNOVER IN VEHICLE INDUSTRY : SCENARIO II
(in Rs. Crores)

YEAR	CARS	MUVS	LCVs	M&HCVs	SCOOTERS	M/CYCLES	3-WHEELERS	TRACTORS	MOPEDS	TOTAL (G)
2001-2002	20,953	4,624	3,300	7,200	2,340	9,924	1,404	4,985	701	55,431
2002-2003	24,305	5,318	3,531	7,704	2,457	11,909	1,558	5,484	757	63,023
2003-2004	28,194	6,116	3,778	8,243	2,580	14,290	1,730	6,032	817	71,781
2004-2005	32,705	7,033	4,043	8,820	2,709	17,149	1,920	6,635	883	81,896
2005-2006	37,938	8,088	4,326	9,438	2,844	20,578	2,131	7,299	953	93,595
2006-2007	44,008	9,301	4,628	10,098	2,986	24,694	2,366	8,029	1,030	107,140
2007-2008	51,050	10,696	4,952	10,805	3,136	29,633	2,626	8,832	1,112	122,841
2008-2009	59,217	12,301	5,299	11,562	3,292	35,559	2,915	9,715	1,201	141,061
2009-2010	68,692	14,146	5,670	12,371	3,457	42,671	3,235	10,686	1,297	162,226
2010-2011	79,683	16,268	6,067	13,237	3,630	51,205	3,591	11,755	1,401	186,836
2011-2012	92,432	18,708	6,492	14,163	3,811	61,446	3,986	12,930	1,513	215,482

Annexure 7

PROJECTED AUTO-COMPONENT TURNOVER & INVESTMENT : SCENARIO II

YEAR	Vehicle Industry output (Rs. Crores) <u>Scenario II</u> (G)	Minus 10% CBU Imports	Minus 20% tax on Vehicles	70% as share of outsourced parts	In Rs. Crores		Projected Domestic Investment SCENARIO II (Rs. Crores) (I)	Incremental Turnover SCENARIO II (Rs. Crores)	Incremental Investment SCENARIO II (Rs. Crores)
					70% as locally made parts = <u>Dom. Turnover of Component Ind.</u> (H)				
2001-2002	55,431	49,888	39,910	27,937	19,556	10,864			
2002-2003	63,023	56,720	45,376	31,763	22,234	12,352	2,678	1,488	
2003-2004	71,781	64,602	51,682	36,177	25,324	14,069	3,090	1,717	
2004-2005	81,896	73,707	58,965	41,276	28,893	16,052	3,569	1,983	
2005-2006	93,595	84,236	67,388	47,172	33,020	18,345	4,127	2,293	
2006-2007	107,140	96,426	77,141	53,999	37,799	20,999	4,779	2,655	
2007-2008	122,841	110,557	88,446	61,912	43,338	24,077	5,539	3,077	
2008-2009	141,061	126,955	101,564	71,095	49,766	27,648	6,428	3,571	
2009-2010	162,226	146,003	116,802	81,762	57,233	31,796	7,467	4,148	
2010-2011	186,836	168,153	134,522	94,166	65,916	36,620	8,683	4,824	
2011-2012	215,482	193,934	155,147	108,603	76,022	42,235	10,106	5,615	

EXPORT PROJECTIONS AND INVESTMENT REQUIRED : SCENARIO II

YEAR	Projected Exports Turnover In Rs. Cr	Projected Exports in In US \$ Million	Projected investment required for export (Rs. Crores)	Projected investment for Domestic output (Rs. Crores)	Projected Total Investment required (Rs. Crores)	Incremental Exports per annum (Rs. Crores)	Incremental investment for exports (Rs. Crores)
	(E)	(F)	(D)	(D+F)			
2001-2002	2,000	1,111	10,864	11,976			
2002-2003	2,400	1,333	11,902	13,235		400	222
2003-2004	2,880	1,600	13,062	14,662		480	267
2004-2005	3,456	1,920	14,361	16,281		576	320
2005-2006	4,147	2,304	15,818	18,122		691	384
2006-2007	4,769	2,650	17,456	20,106		622	346
2007-2008	5,485	3,047	19,301	22,348		715	397
2008-2009	6,307	3,504	21,383	24,887		823	457
2009-2010	7,253	4,030	23,735	27,765		946	526
2010-2011	8,342	4,634	26,399	31,034		1,088	604
2011-2012	9,593	5,329	29,421	34,750		1,251	695

* 1US\$=Rs.48

F.No.I&M-3(15)/2000
Government of India
Planning Commission

Yojana Bhawan, Sansad Marg,
New Delhi-110001.
Dated, the 10th Sept, 2001

Subject: Constitution of a Working Group on Automobile Industry.

In the context of formulation of the Tenth Five Year Plan (2002-2007), it has been decided to set up a Working Group on Automobile Industry. The composition and terms of reference of the Working Group will be as follows:

Composition of Working Group

1	Secretary, Ministry of Heavy Industry & PE	Chairman
2.	Addl. Secretary & FA Ministry of Heavy Industry & PE	Member
3.	Representative, Deptt. of Industrial Policy & Promotion	Member
4.	Representative of Ministry of Environment & Forests	Member
5.	Representative of the PP Division, Planning Commission	Member
6.	Representative of the I&M Division, Planning Commission	Member
7	Representative of Deptt. of Economic Affairs, Ministry of Finance	Member
8.	Representative from Deptt. of Defence Production	Member
9.	Representative from Ministry of Petroleum & Natural Gas	Member
10.	Representative from Ministry of Surface Transport	Member

11.	President, Association of State Roadways Transport Undertakings	
12.	Director-General, Confederation of Indian Industries(CII)	Member
13.	Secretary-General, FICCI	Member
14.	Managing Director, Maruti Udyog Ltd.(MUL)	Member
15.	Shri.Ratan Tata,Chairman, Tata Engineering	Member
16.	Shri B.M.Munjal, Chairman, Hero Honda	Member
17.	President, Tractor Manufacturers'Association	Member
18.	President, Society of Indian Automobile Manufacturers' Association(SIAM)	Member
19.	President, Automotive Components Manufacturers'Assocation(ACMA)	Member
20.	Shri Anand G Mahindra, Managing Director Mahindra & Mahindra Ltd.	Member
21.	Director, Automotive Research Association of India	Member
22.	Shri Shekhar Dutta, Chairman, Piggao Greaves Vehicles Ltd.	Member
23.	Shri V.Srinivasan,Chairman-cum-Managing Director , TVS-Suzuki Ltd.	Member
24.	Joint Secretary, Ministry of Heavy Industry & PE	Member-Secy.

II. Terms of Reference:

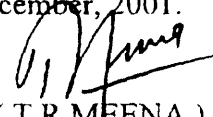
1. To examine the present status including capacity, production consumption, imports and exports and to estimate demands for 2002-2007.
2. To assess the likely capacity and production of the automotive sector for the period 2002-07, with an indication of the perspective for 10/15 years.
3. To make recommendations on policy frame-work and suitable changes in policy for the development of the industry keeping in view the socio-economic objectives and optimisation in achieving the targets with due consideration for rationalisation, modernisation, diversification, mergers and expansion of existing capacity.
4. To estimate the year-wise investment required to be made in the public/private sectors during the period 2002-07, keeping in view the funds required for upgradation of technologies for achieving international competitiveness, in house R&D and new products required for meeting the demand supply gap in the long run.
5. To estimate the requirement of foreign exchange for import of capital goods, components and raw materials for 2002-07.
6. To draw up an export plan giving export targets for the automobile as well as the components industry (year-wise for the period 2002-07) for each sector of the industry considering the development of indigenous industry and world-wide market situation. The Working Group should suggest measures required to achieve the export targets by the industry.
7. To draw up a plan for gradual achievement of international pollution standards/norms by the domestic vehicle manufacturers.
8. Review of existing policy in the automobile sector including import of second-hand vehicles.
9. To make recommendations on any other aspect that the Working Group considers fit

The Working Group may co-opt such official(s) or non-official(s) as member of the Group as considered necessary. The Working Group may also constitute sub-group(s), if so desired.

The expenditure on TA/DA in connection with the meetings of the Committee will be borne by the parent Department/Ministry to which the official belongs. The non-official members of the Committee will be entitled to TA/DA as permissible to Grade I officers of the Government of India and this expenditure will be borne by the Planning Commission.

"Shri T.K.Roy, Deputy Adviser, Room No.319-A, Yojana Bhawan, Sansad Marg, New Delhi - 110001.(Tele No.3322208) will act as the Nodal Officer and any further communication/clarification in this regard may be made with the Nodal Officer."

The Working Group will submit its report by 31st December, 2001.


(T.R.MEENA)
Deputy-Secretary(Admn.)

To

The Chairman/Member/Member Secretary of the Group

Copy to:

- (i) All Members of the Planning Commission
- (ii) Joint Secretary to Prime Minister
- (iii) Pr. Advisers/Advisers/HoDs in the Planning Commission
- (iv) Information Officer, Planning Commission.

Copy also to:

- (v) Private Secy.to Deputy Chairman, Planning Commission
- (vi) Private Secy.to Minister of State(Planning & PMO)
- (vii) Sr.PPS to Secretary, Planning Commission
- (viii) Private Secy.to Deputy Secretary(Admn.), Planning Commission
- (ix) All officers in Industries & Minerals Division.

