The edifice of the environmental economics is based on the assumption that economics and environment are directly proportional to each other. If a company improves its environment performance its profits will also improve and if the company is making profits, it will have surplus resources to improve its environment performance.

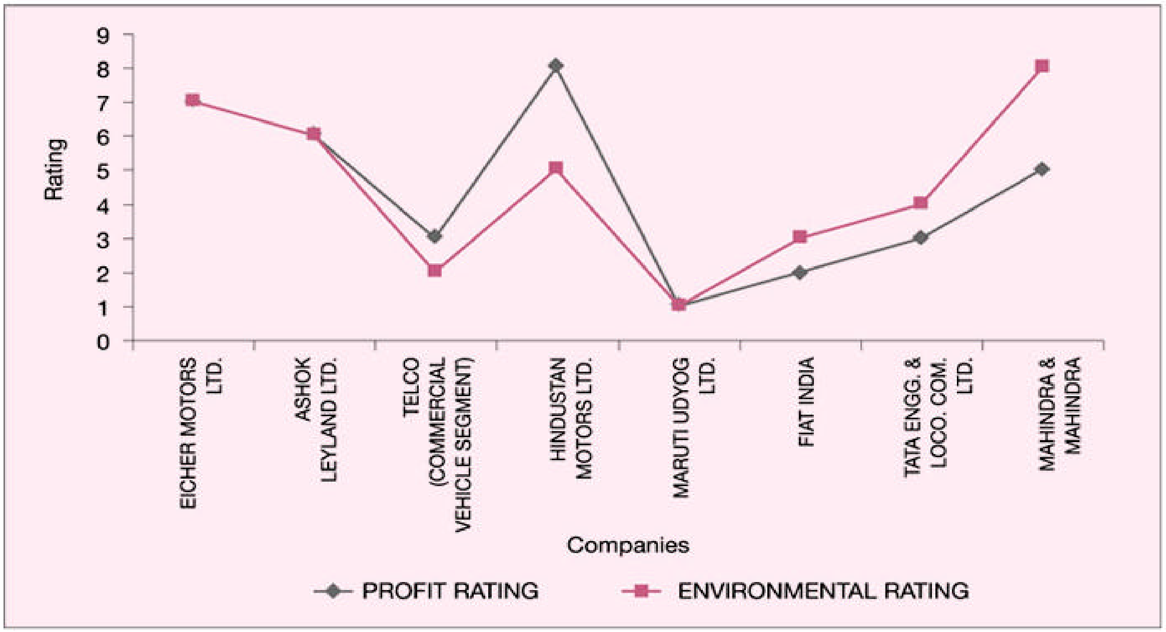
During its first sectoral rating on pulp and paper, such a relationship between economics and environment was clearly visible and the same was expected by the GRP in case of the automobile sector also.

Result
In case of automobile companies (all segments) more than ten years old, the coefficient of correlation between the environmental rating and the profit rating is 0.67. In terms of value, this is a medium intensity correlation, but considering the heterogeneity in the production process and products between the companies, it is a fairly tangible correlation **(*see Graph 6.1*).**

Graph 1: **ECONOMICS vs ENVIRONMENT – CORRELATION BETWEEN THE PROFIT RATING AND THE ENVIRONMENTAL RATING FOR THE AUTOMOBILE SECTOR**

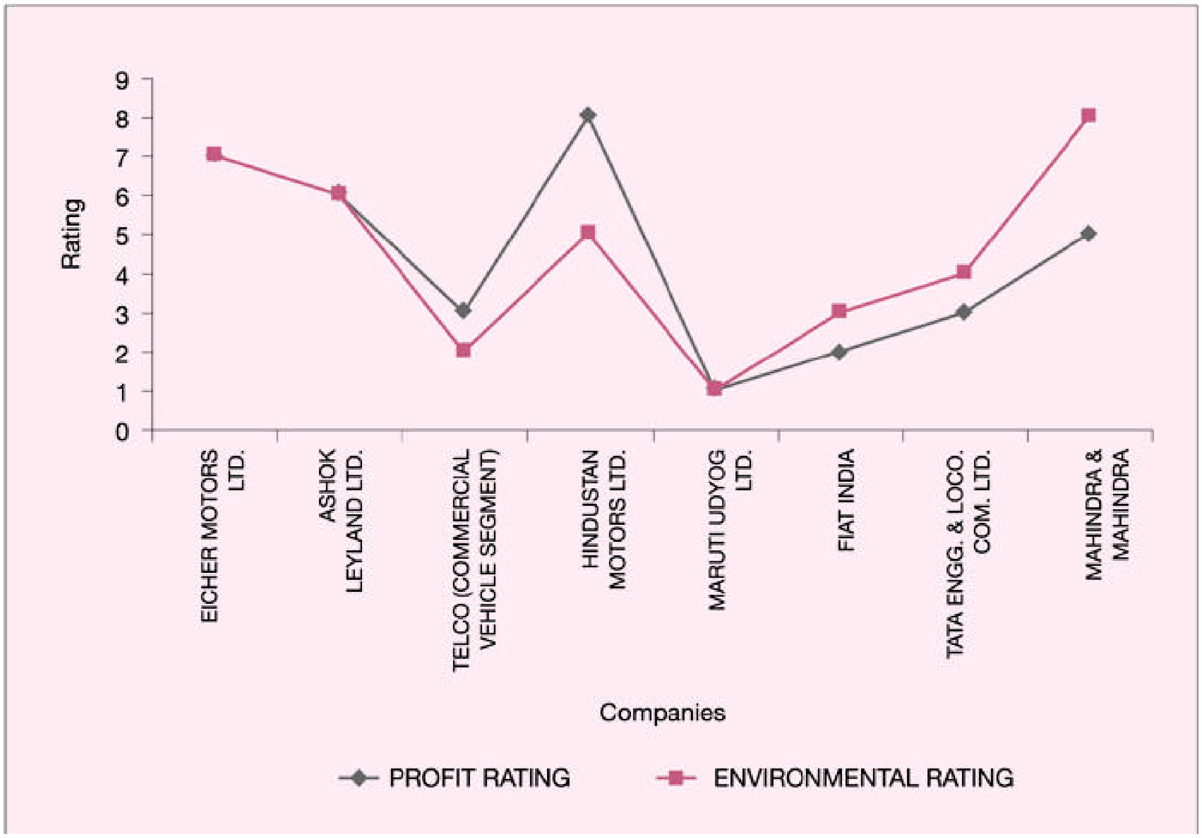
However, if we consider two wheeler and four wheeler segments separately, where the companies are more than ten years old and are making similar type of products, the coefficient of correlation is 0.81 and 0.76 respectively. These are fairly good linearity performance **(*see Graph 6.2 and 6.3*).**

Graph 2: ECONOMIC vs ENVIRONMENT – CORRELATION BETWEEN THE PROFIT RATING AND THE ENVIRONMENTAL RATING FOR TWO WHEELER SEGMENT



Therefore, there is a fairly tangible correlation between the environmental performance and economic performance of companies in the automobile sector of India.

Graph 3: **ECONOMICS vs ENVIRONMENT – CORRELATION BETWEEN THE PROFIT RATING AND THE ENVIRONMENTAL RATING FOR FOUR WHEELER SEGMENT**



Note: The newer companies have not been considered because most of them are yet to stabilise and have not started to make substantial profits.