



**INDUSTRY- INSIGHTS  
AUTOMOBILE  
INDUSTRY IN INDIA  
OCTOBER- 2022**

# INDIAN AUTOMOBILE INDUSTRY – AN OVERVIEW

## INTRODUCTION

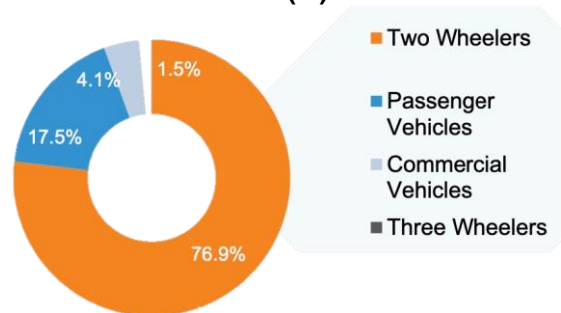
The Indian automobile industry – comprising of the automobile and the automotive components segments – is one of the key drivers of the economic growth of India. Being deeply integrated with other industrial sectors, it is a major driver of the manufacturing gross domestic product (GDP), exports and employment.

With the advent of technological development in the last few years, it has witnessed a tremendous growth. India is the largest manufacturer of Two-Wheelers and Three-Wheelers and the 4th largest manufacturers of passenger cars in the world.

The Automobile industry can be categorized into subsectors such as passenger vehicles, commercial vehicles, three-wheelers and two-wheelers. Two-wheelers occupy the dominant position, constituting about 76.8% market share and overall passenger vehicles comprise 17.5%.

- In April 2022, the total production of passenger vehicles, three wheelers, two wheelers and quadricycles was 1,874,461 units.
- Indian automobile exports stood at 46,548 in April 2022, a growth of 11% YoY.
- In FY22, total automobile exports from India stood at 5,617,246.
- The automobile sector received cumulative equity FDI inflow of about US\$ 32.84 billion between April 2000- March 2022.

## Segment-Wise Domestic Market Share in FY22 (%)



## MARKET SIZE

India's automotive industry is worth more than USD 100 bn and contributes 4.7% of the country's total export. The industry accounts for 7% of India's GDP and is set to become the 3rd largest in the world by 2025. The automobile sector contributes about 35% to the manufacturing GDP of the country.

Through the Automotive Mission Plan, the National Electric Mobility Mission Plan (NEMMP) and other initiatives, the government seeks to achieve two objectives—facilitate long-term growth in the industry and reduce emissions and oil dependence. In the Automotive Mission Plan 2026, the government and industry have set a target to triple industry revenues to \$300 billion and expand the exports sevenfold to \$80 billion.

## Automobile Industry Statistics

**7.1%**

Share in India's GDP

**37 mn**

Employment generated

**40%**

Share in global R&D

**4.7%**

Share in India's exports





# INDIAN AUTOMOBILE INDUSTRY – ADVANTAGE

## ADVANTAGE - AUTOMOBILE INDUSTRY

- The Indian automotive industry is expected to reach US\$ 300 billion by 2026.
- The Government aims to develop India as a global manufacturing centre and have presence of established domestic and international original equipment manufacturers (OEMs).
- Strong market in terms of domestic demand and exports. Rise in middle class income and young population may result in a strong growth.
- India has significant cost advantages. Auto firms save 10-25% on operations vis-a-vis Europe and Latin America.
- The Government of India expects the automobile sector to attract US\$ 8-10 billion in local and foreign investments by 2023.
- India could be a leader in shared mobility by 2030, providing opportunities for electric and autonomous vehicles with focus shifting on electric cars to reduce emissions.
- In Union Budget 2022-23, the government announced increased allocation of capex, high target for national highways and proposed an EV battery policy. The electric vehicles industry is likely to create five crore jobs by 2030.
- The Union Cabinet announced the Production-Linked Incentive (PLI) scheme in the automobile and auto components sectors. The PLI scheme (outlay of \$ 3.5 Bn) for the automobile sector proposes financial incentives of up to 18% to boost domestic manufacturing of advanced automotive technology products and attract investments in the automotive manufacturing value chain.

### • Growing income

3X increase in average household income from \$6,393 in 2010 to \$18,448 in 2020

### • 'Youngest Nation' by 2025

India to become the youngest nation by 2025 with an average age of 25 years

### • Vehicle penetration

Expected to reach 72 vehicles per 1000 people by 2025

### • Expanding R&D hub

India accounts for 40% of total \$31 bn of global engineering and R&D spend. 8% of the country's R&D expenditure is in the automotive sector.

### • Atmanirbhar Bharat Abhiyaan - Self Reliant India

Special economic and comprehensive package of INR 20 lakh crores towards promoting manufacturing in India



World's largest two-wheeler and three-wheeler manufacturer



World's second largest tractor and bus manufacturer



World's third largest heavy truck manufacturer and fourth largest car manufacturer



# INDIAN AUTOMOBILE INDUSTRY INVESTMENT FRAMEWORK

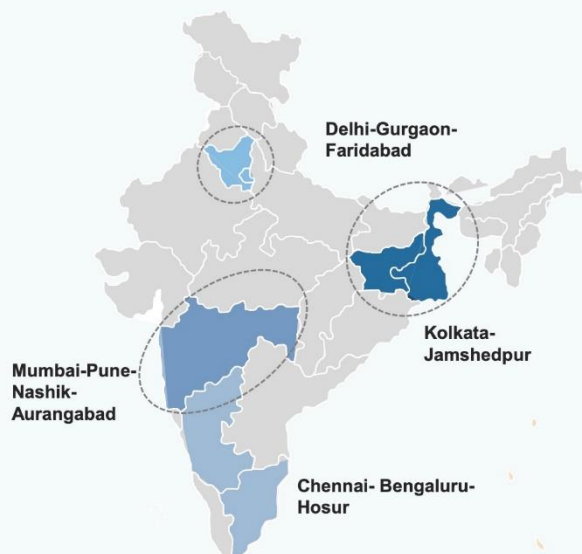
**Indian Automobile Industry** has grown in leaps and bounds post liberalisation in the 1990s. With the advent of economic development, Indian automobile industry is seen as one of the top investment destinations in the world. The investment opportunities are offered in many segments:

- Two-wheelers
- Three- Wheelers
- Passenger Vehicles
- Commercial Vehicles

Liberalised foreign direct investment (FDI) policy, strong macro-economic indicators and reforms have resulted in the development of the automobile manufacturing and trade ecosystem in India.

Over the years, Govt. of India through policy framework has fostered the growth of automobile industry. Today, India ranks first in the world market in terms of unit production of 2 wheelers, 3 wheelers and Tractors; fifth in unit production of passenger vehicles and commercial vehicles.

**Major Automobile clusters in India are:**



## INVESTMENT FRAMEWORK

- 100% FDI under the automatic route is permitted along with full delicensing. Hence, making it easy for investors to set up their manufacturing plant/shop in India.
- India is becoming the largest EV market for electric 2-wheelers, 3-wheelers and cars. National Electric Mobility Mission Plan 2020 (NEMMP) initiative has been taken up to encourage consistent, affordable and competent xEVs (hybrid and electric vehicles) that meet consumer performance and price expectations through government-industry collaboration.
- Production-Linked Incentive (PLI) Scheme is introduced in the automobile and auto components sectors for enhancing India's manufacturing capabilities and enhancing exports with financial outlay of INR 57,042 Cr.
- FAME scheme aims to create a demand by supporting 7000 E-Buses, 5 lakh E-3 Wheelers, 55000 E-4 Wheelers, Passenger Cars and 10 lakh E-2 Wheelers.
- In the Union Budget 2022-23, the government laid out the following initiatives:
  - The government introduced a battery-swapping policy which will allow drained batteries to be swapped with charged ones at designated charging stations, thus making EV's more viable for potential customers.
  - India's National Highways would be expanded by 25,000 Km in 2022-23 under the Prime Minister's Gati Shakti Plan.
- The Indian government has planned US\$ 3.5 billion in incentives over a five-year period until 2026 under a revamped scheme to encourage production and export of clean technology vehicles.

# AUTOMOBILE INDUSTRY – MAJOR PLAYERS AND INVESTMENT

## MAJOR INITIATIVES AND INVESTMENT

- According to NITI Aayog and Rocky Mountain Institute (RMI), India's EV finance industry is likely to reach Rs. 3.7 lakh crore (US\$ 50 billion) in 2030.
- In October 2021, Maruti Suzuki India Limited (MSIL) announced that with its launch of Smart Finance, Maruti Suzuki customers can avail finance options online in an integrated platform for a one-stop solution. MSIL has integrated its online 'Smart Finance' platform with 14 financiers to offer competitive interest rates.
- In November 2021, Mahindra & Mahindra Financial Services (Mahindra Finance) launched 'Quiklyz', a lease-based vehicle subscription business for urban centres. Quiklyz will offer multi-brand vehicle leasing and subscriptions. The company plans to expand Quiklyz to 30 cities within a year.
- World's most advanced technology has developed Green Hydrogen Fuel Cell Electric Vehicle (FCEV) - Toyota Mirai, the first of its kind project in India which aims to create a Green Hydrogen based ecosystem in the country.
- In August 2022, Ministry of Heavy Industries signed Program Agreement with Reliance New Energy Ltd, Ola Electric Mobility Pvt Ltd and Rajesh Exports Ltd for setting up advanced Chemistry Cell manufacturing facilities under PLI for ACC.
- IREDA, the largest lender of the Renewable Energy sector in India, sanctioned a loan of INR 267.67 crores to BluSmart Mobility for the purchase of 3,000 all-electric cars.
- COP 26 President and NITI Aayog launch initiatives to boost electric mobility and promote battery reuse and recycling market in India.
- A cumulative investment of Rs. 12.5 trillion (US\$ 180 billion) in vehicle production and charging infrastructure would be required until 2030 to meet India's EV ambitions.

## List of Top 10 Automobile Companies in India (Figures in Crores)

ET 500 Rank	Company	Turnover	PAT	MCRP CR	Assets
7	Tata Motors Ltd.	123222.91	9273.62	56499.77	52209.48
21	Mahindra & Mahindra Ltd.	37026.37	3079.73	49945.17	36926.19
19	Maruti Suzuki India Ltd.	38140.69	2382.37	31475.63	14762.9
41	Hero MotoCorp Ltd.	19669.29	1927.9	40398.63	4447.22
46	Bajaj Auto Ltd.	17008.05	3454.89	46885.69	5154.96
67	Ashok Leyland Ltd.	11133.04	631.3	6653.15	6621.16
101	Sundaram Clayton Ltd.	7419.41	64.63	529.23	2428.87
110	TVS Motor Company Ltd.	6569.99	127.94	2985	1745.06
148	Eicher Motors Ltd.	5138.64	243.12	4448.27	474.14
396	Force Motors Ltd.	1574.05	58.62	730.05	583





# INDIAN AUTOMOBILE INDUSTRY - CHALLENGES

A host of factors are challenging the growth rate of the Indian automotive sector like the new environmental safety regulations, fuel price hikes, liquidity crunch amongst others. Some of the most crucial issues that all automobile manufacturers are currently facing include:

## **GLOBAL SHORTAGE OF SEMICONDUCTORS**

The worldwide shortage of semiconductors has significantly affected the sales of automobiles in India. The semiconductor chips are a crucial vehicle component that regulates a wide array of functions like navigation, infotainment and traction control. India's demand for semiconductors stands at around USD 24 billion and can reach a valuation of USD 100 billion by 2025. The global supply shortage of semiconductors has already affected India's passenger vehicle production by 11 to 13 % in in terms of value.

## **RISING COMMODITY PRICES**

Rising prices of raw materials and essential commodities for production also affect the growth of India's automobile sector. The increase in raw material prices such as steel is increasing the price of the car models which in turn is affecting the consumer demand. A long term strategy is needed to address these issues.

## **UPCOMING BSVI PHASE 2 REGULATIONS**

The BSVI phase 2 regulations petrol vehicles must have a 25% reduction in the Nitrogen Oxide emission. This stringent emission control norms to meet new emission standards, good fuel efficiency and electrification of any form will increase car prices affecting the demand.

## **CHALLENGES IN E-VEHICLE SEGMENT**

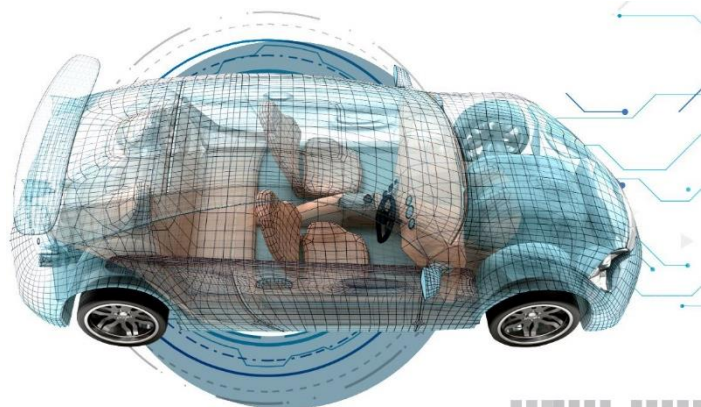
Though there is a growing demand for EV vehicles in India, the segment faces considerable challenges such as the high cost of batteries like Nickel-metal hydride (NiMH) and Lithium-Ion (LiION), due to which demand-supply gap is increasing the overall price of EVs in India.

## **E- CHARGING INFRASTRUCTURE**

Increasing demand for electricity to charge EVs is also creating challenges from the grid side. The cost of a private charging station is also a significant point of concern for EV buyers. All these factors are significantly challenging the production and demand for electric vehicles in India.

## **UPSCALING OF MANUFACTURING INFRASTRUCTURE**

With newer technologies and increasingly stringent emission laws, automobile manufacturing units are in need to upscale their infrastructure to comply with statutory requirements as well as customer demand. This has posed a medium term challenge for manufacturer, given the sensitivity of the sales to uncertainty of global markets.







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