

AUTOMOTIVE SECTOR



SECTOR OVERVIEW

The Indian automobile industry has historically been a good indicator of the economic growth of the country. The two wheelers segment dominates the market in terms of volume, owing to a growing middle class and a demand amongst India's young population. The rising logistics and passenger transportation industries are driving up the demand for commercial vehicles which has expanded from the urban India to rural India. Future market growth is anticipated to be fueled by new trends including the electrification of vehicles, particularly three-wheelers and small passenger automobiles.

India enjoys a strong position in the global heavy vehicles market as it is the largest tractor producer, second-largest bus manufacturer, and third-largest heavy trucks manufacturer in the world. India's annual production of automobiles in FY-2022 was 22.93 Million vehicles.



MARKET SIZE

The Indian passenger car market was valued at USD 32.70 Billion in 2021, and it is expected to reach a value of USD 54.84 Billion by 2027, while registering a CAGR of over 9% between 2022-27.

The Electric Vehicle (EV) market is estimated to reach Rs. 50,000 Crore (USD 7.09 Billion as on 12.03.2023) in India by 2025. A study by CEEW Centre for Energy Finance recognized a USD 206 Billion opportunity for electric vehicles in India by 2030. Indian automotive industry is targeting to increase export of vehicles by five times during 2016-26.

According to NITI Aayog and the Rocky Mountain Institute (RMI), India's EV finance industry is likely to reach Rs. 3.7 Lakh Crore (USD 50 Billion as on 12.03.2023) by 2030. A report by the India Energy Storage Alliance estimated that the EV market in India is likely to increase at a

CAGR of 36% until 2026. In addition, projection for the EV battery market is expected to expand at a CAGR of 30% during the same period.

INVESTMENTS

The automobile sector in India has seen the following recent/planned investments and developments:

- In November 2022, Maruti Suzuki India announced plans to spend nearly Rs. 7,000 Crore (USD 865.12 Million as on 12.03.2023) on a number of projects this year, including the building of its new facility in Haryana and the introduction of new models.
- In September 2022, Maruti Suzuki launched the Grand Vitara at a starting price of Rs. 10.45 Lakh (USD 12,9 Billion as on 12.03.2023).
- In September 2022, Hero MotoCorp announced an investment of USD 60 Million in California-based Zero Motorcycles to collaborate on the development of electric motorcycles.
- In April 2022, Tata Motors announced plans to invest Rs. 24,000 Crore (USD 3.08 Billion as on 12.03.2023) in its passenger vehicle business over the next five years.
- In March 2022, MG Motors, owned by China's SAIC Motor Corp, announced plans to raise USD 350-500 Million in private equity in India to fund its future needs, including EV expansion.
- In February 2022, a memorandum of understanding (MoU) was signed between electric two-wheeler company Ather Energy and Electric Supply Companies (ESCOMs) of Karnataka for setting up 1,000 fast charging stations across the state.
- In February 2022, Tata Power and Apollo Tyres Ltd announced a strategic partnership for the establishment of 150 public charging stations across India.
- Two-wheeler EV maker HOP Electric Mobility, a diversified business venture of Rays Power Infra, is looking at investing Rs. 100 Crore (USD 13.24 Billion as on 12.03.2023) over the next two years to expand manufacturing capacity for its EVs.
- Investment flow into EV start-ups in 2021 touched an all-time high, increasing nearly 255% to reach Rs. 3,307 Crore (USD 444 Million as on 12.03.2023).



- In December 2021, Hyundai announced plans to invest Rs, 4,000 Crore (USD 530.25 Million as on 12.03.2023) in R&D in India, with the goal of launching six EVs by 2028.
- A cumulative investment of Rs. 12.5 Trillion (USD 180 Billion as on 12.03.2023) in vehicle production and charging infrastructure would be required until 2030 to meet India's EV ambitions.

FOREIGN DIRECT INVESTMENT POLICY

- Under the automatic route, 100% Foreign Direct Investment (FDI) is permitted along with full delicensing. Hence, making it easy for investors to set up their manufacturing plant/shop in India.
- Automobile Industry' has emerged as the top sector during the first three months of F.Y. 2021-22 with 27% share of the total FDI Equity inflow.
- The cumulative FDI equity inflow in the Automobile Industry is USD 34.11 Billion during the period April 2000 to December 2022. This constitutes 5.45% of the total FDI inflow received across sectors.



GOVERNMENT INITIATIVES

The Government of India encourages foreign investment in the automobile sector and has allowed 100% FDI under the automatic route. Some of the recent initiatives taken by the Government of India are:

1. In July 2022, the Government amended the National Policy on Biofuels – 2018. The target of 20% blending of ethanol in petrol and 5% blending of biodiesel in diesel by 2030 was brought forward to 2025-26.
2. As of 15.07.2022, under the Faster Adoption and Manufacturing of (Hybrid &) Electric Vehicles in India (FAME)India Scheme I & II, a total of 532 EV charging stations have been installed by oil companies under the Ministry of Petroleum and Natural Gas (MoPNG).
3. In February 2022, Mr. Nitin Gadkari, Minister of Road Transport and Highways, revealed plans to roll out Bharat NCAP, India's own vehicle safety assessment program.
4. In February 2022, 20 carmakers, including Tata Motors Ltd, Suzuki Motor Gujarat, Mahindra and Mahindra, Hyundai and Kia India Pvt. Ltd, were chosen to receive production-linked incentives (PLI) as part of the Government's plan to increase local vehicle manufacturing and attract new investment. All such automobile companies

together have proposed a total investment of around Rs. 45,000 Crore (USD 5.95 Billion as on 12.03.2023).

5. In November 2021, the Union Government added >100 advanced technologies, including alternate fuel systems such as compressed natural gas (CNG), Bharat Stage VI compliant flex fuel engines, electronic control units (ECU) for safety, advanced driver assist systems and e-quadri cycles, under the PLI scheme for automobiles. In the same year, the Indian Government issued notification regarding a PLI scheme for automobile and auto components worth Rs. 25,938 Crore (USD 3.49 Billion as on 12.03.2023).
6. The Indian Government has planned USD 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.

REASONS FOR INVESTMENT

- ✓ India is expected to emerge as the third-largest Automotive market in the world in terms of volume by 2026, followed by China and USA.
- ✓ India's "Make in India" initiative has played a vital role in uplifting the country's position.
- ✓ The International Centre for Automotive Technology (ICAT) is a top-class automotive testing, certification and R&D service provider under the support of NATRiP (National Automotive Testing and R&D Infrastructure Project), Government of India.
- ✓ The auto field contributes to about 14-15 % of India's GDP, Government of India aims to increase up to 25-30 %.
- ✓ Government of India has chosen 9 expressways where 6,000 charging stations have been sanctioned and about 3,000 shall be installed soon to reduce the problem of charging in electrical vehicles.
- ✓ The Government of India is providing support up to INR 362 Crore per Giga Watt in this sector of EVs under the PLI Scheme.
- ✓ Banks and non-banking financial companies (NBFCs) in India have the potential to achieve an electric vehicle (EV) financing market size of INR 40,000 Crore (USD 5 Billion as on 12.03.2023) by 2025 and INR 3.7 Lakh Crore (USD 50 Billion as on 12.03.2023) by 2030.



ACHIEVEMENTS IN AUTOMOTIVE SECTOR

- ❖ India is the largest manufacturer of 2W and 3W and the 4th largest manufacturers of passenger cars in the world.
- ❖ BHEL has spent around INR 30 Crores on R&D expenditure and filed 34 patents/copyrights and has supplied the Steam Turbine and Generator package for the project India's first of its kind, highest rated, 700 MWe Pressurized Heavy Water Reactor.
- ❖ World's most advanced technology is 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.
- ❖ Under the Scheme for Faster Adoption and Manufacturing of Electric Vehicles in India Phase-II (FAME India Phase II) of the Ministry of Heavy Industries, 2877 public EV charging stations have been sanctioned in 68 cities.
- ❖ Patent was granted by Patent Office to Automotive Research Association of India (ARAI) for Dual Fuel System for Induction of CNG into a Diesel Engine.



ROAD AHEAD

The automobile industry is dependent on various factors such as availability of skilled labour at low cost, robust R&D centers, and low-cost steel production. The industry also provides great opportunities for investment, and direct and indirect employment to skilled and unskilled labour. The electric vehicles industry is likely to create five Crore jobs by 2030.



The Indian Government is working to create an integrated electric vehicle (EV) mobility ecosystem with a low carbon footprint and high passenger density with an emphasis on urban transportation reform. The Government's strategy and policies are intended to promote greater adoption of electric vehicles in response to growing customer demand for cleaner transportation options. The Government of India also expects the automobile sector to attract USD 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.

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