AUTOMOBILES

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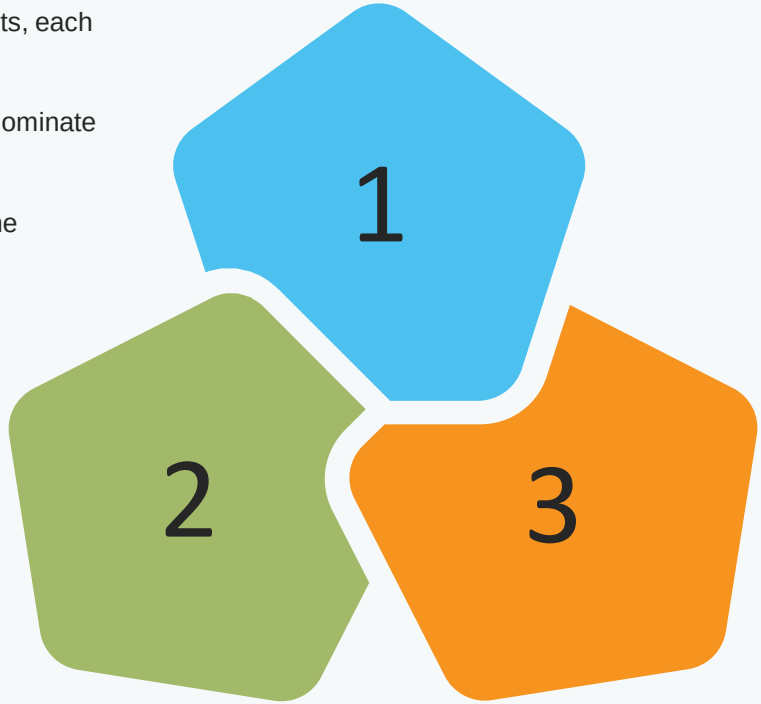
Executive summary

1 Segmented market

- Automobile sector split into four segments, each having few market leaders.
- Two-wheelers and passenger vehicles dominate the domestic demand.
- Two-wheelers accounted for 80.9% of the domestic demand in FY20.



2 Growth prospects

- Indian automotive industry (including component manufacturing) is expected to reach Rs 16-18 trillion (US$ 251-282 billion) by 2026. Strong policy support from the Government.
- The Indian auto industry is expected to record strong growth in 2021-22, post recovering from effects of COVID-19 pandemic.

3 Fourth-largest automobile market

- India became the fourth-largest auto market in 2019 displacing Germany with about 3.99 million units sold in the passenger and commercial vehicles categories. India is expected to displace Japan as the third-largest auto market by 2021
- It was the seventh-largest manufacturer of commercial vehicles in 2019.
- Presence of established domestic and international original equipment manufacturers (OEMs).
- Strong market in terms of domestic demand and exports.

Sources: *SIAM, OICA, Business Standard*

Advantage India

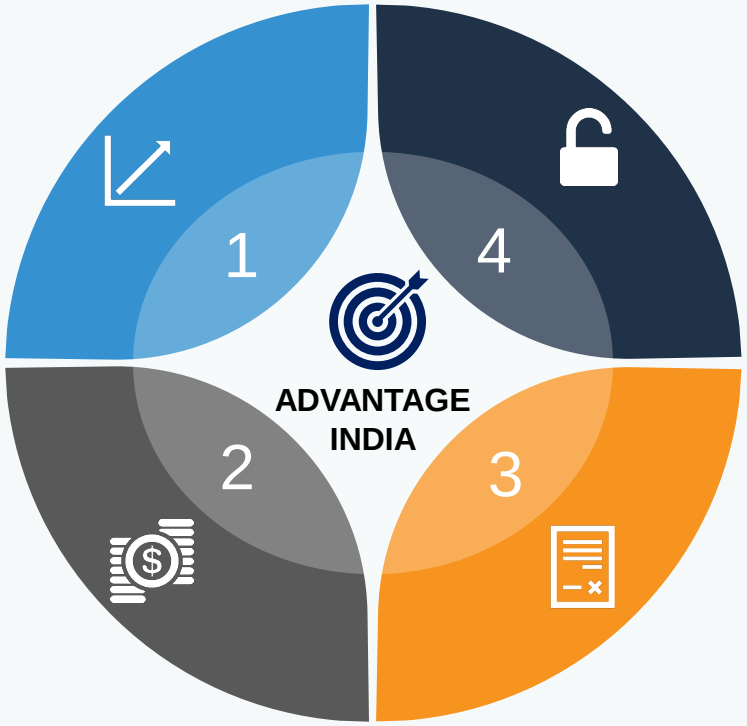
Advantage India

1 Growing demand

- Rise in middle class income and young population may result in strong growth.
- Indian automotive industry is targeting to increase export of vehicles by five times during 2016-26.

2 Rising Investments

- India has significant cost advantages. Auto firms save 10-25% on operations vis-a-vis Europe and Latin America.
- Cumulative FDI inflow of about US$ 24.62 billion in the automobile sector between April 2000 and September 2020.
- The Government of India expects automobile sector to attract US$ 8-10 billion in local and foreign investments by 2023.



4 Opportunities

- Focus shifting on electric cars to reduce emissions.
- Government aims to build India into a R&D hub.
- India could be a leader in shared mobility by 2030, providing opportunities for electric and autonomous vehicles.

3 Policy support

- Automotive Mission Plan 2016-26 shows clear vision of the Government.
- The Government aims to develop India as a global manufacturing centre.
- Reforms like GST to help boost the sector's growth.
- Incubation centre to be set up for start-ups working in electric vehicles (EV) space.

Sources: *Automotive Mission Plan (2016-2026), Make in India, SIAM, ICRA,* Federation of Automobile Dealers Association

Market Overview

Evolution of the sector

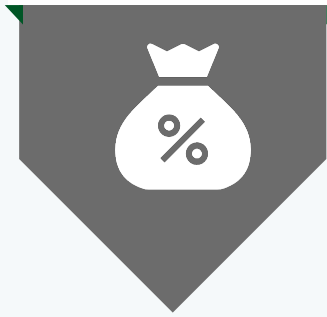
Before 1982

- Closed market
- 5 players
- Long waiting periods & outdated models
- Seller's market

1983-1992

- Indian Government & Suzuki formed Maruti Udyog and commenced production in 1983
- Component manufacturers entered the market via joint venture (JV)
- Buyer's market

1992-2007



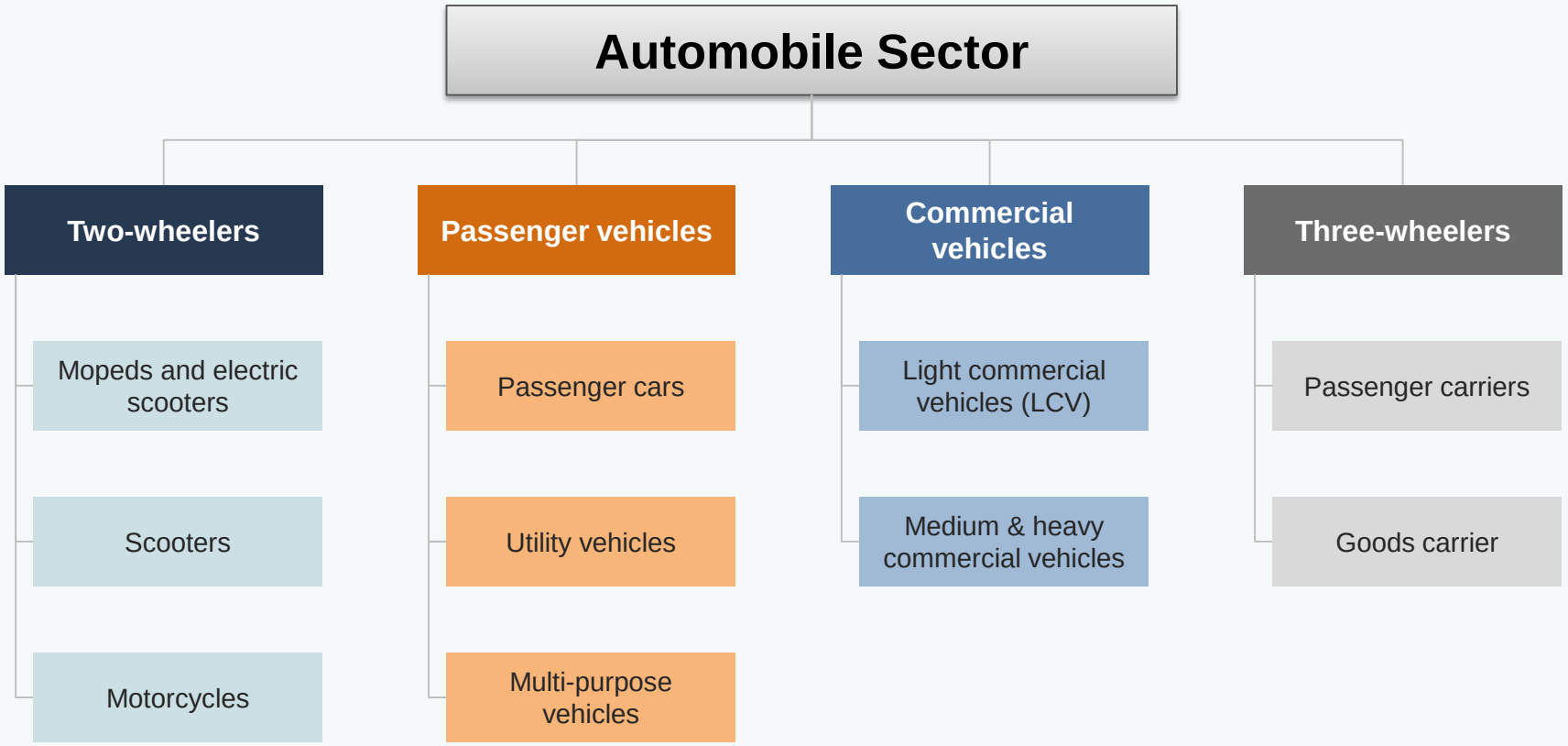
- Sector de-licensed in 1993
- Major OEMs started assembly operations in India
- Imports permitted from April 2001
- Introduction of value-added tax in 2005

2015 Onwards

- Automotive Mission Plan 2016-26 launched in 2015
- Bharat Stage (BS) IV emission norms since April 2017 and to adopt BSVI norms from 2020.
- 26.36 million vehicles produced in FY20.

Sources: *Tata Motors, Society of Indian Automobile Manufacturers (SIAM)*

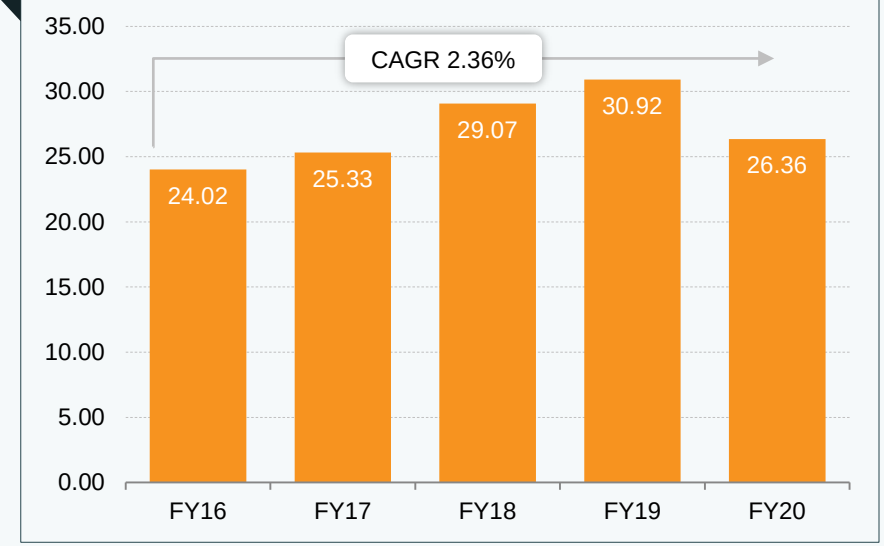
Market overview



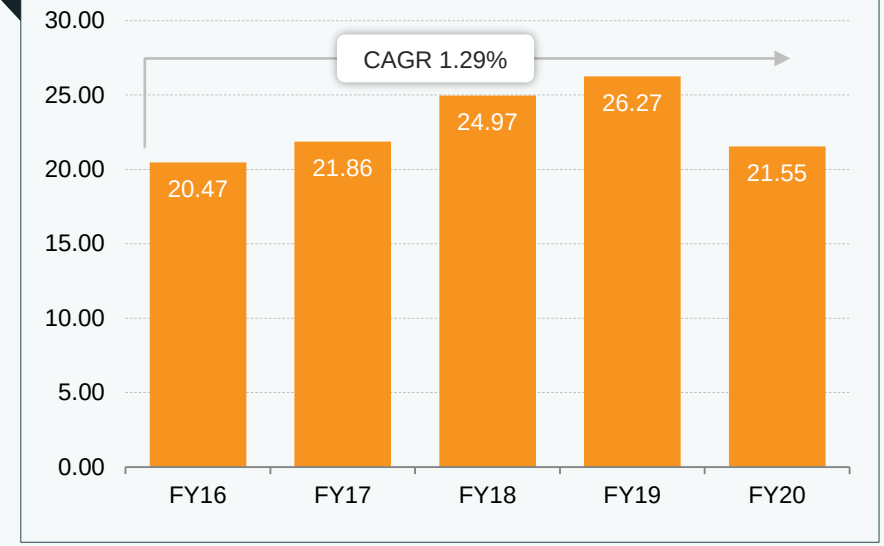
Source: *Society of Indian Automobile Manufacturers (SIAM)*

Market overview

Number of Automobiles Produced in India (in millions)



Number of Automobiles Sold in India (in millions)

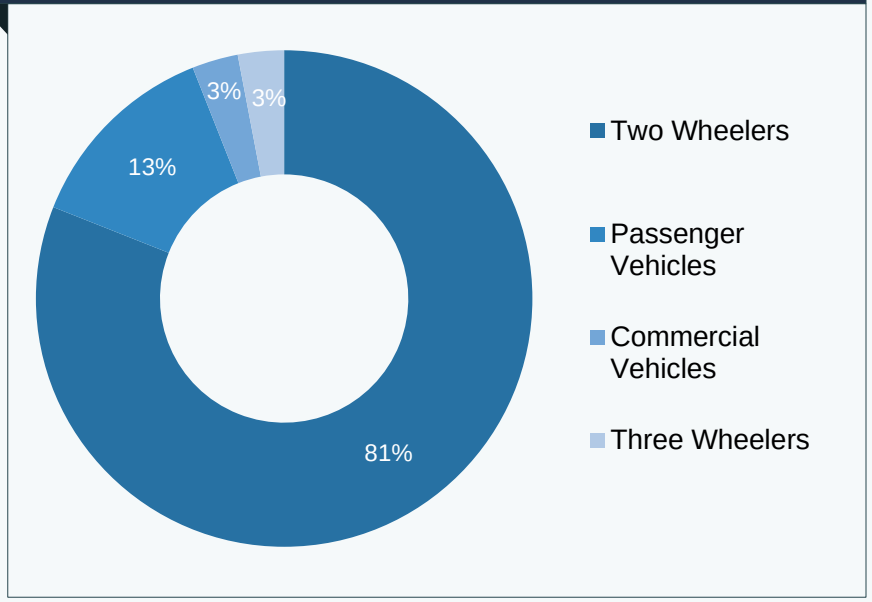


- The automotive manufacturing industry comprises the production of commercial vehicles, passenger cars, three-wheelers and two-wheelers.
- Domestic automobile production increased at 2.36% CAGR between FY16-FY20 with 26.36 million vehicles manufactured in the country in FY20.
- Overall, domestic automobiles sales increased at a CAGR of 1.29% between FY16-FY20 with 21.55 million vehicles being sold in FY20.
- The Indian auto industry is expected to record strong growth in 2021-22, post recovering from effects of COVID-19 pandemic. Electric vehicles, especially two-wheelers, are likely to witness positive sales in 2021-22.
- 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 electric vehicle (EV) ambitions.

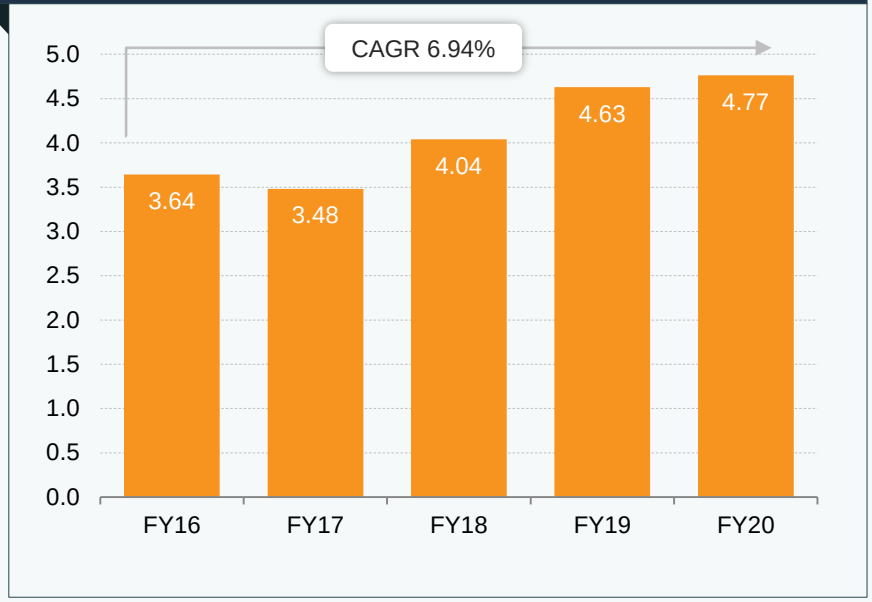
Source: *Society of Indian Automobile Manufacturers (SIAM), The Economic Times*

Market overview

Segment-wise Domestic Market Share in FY20 (%)



Number of Automobiles Exported (in millions)



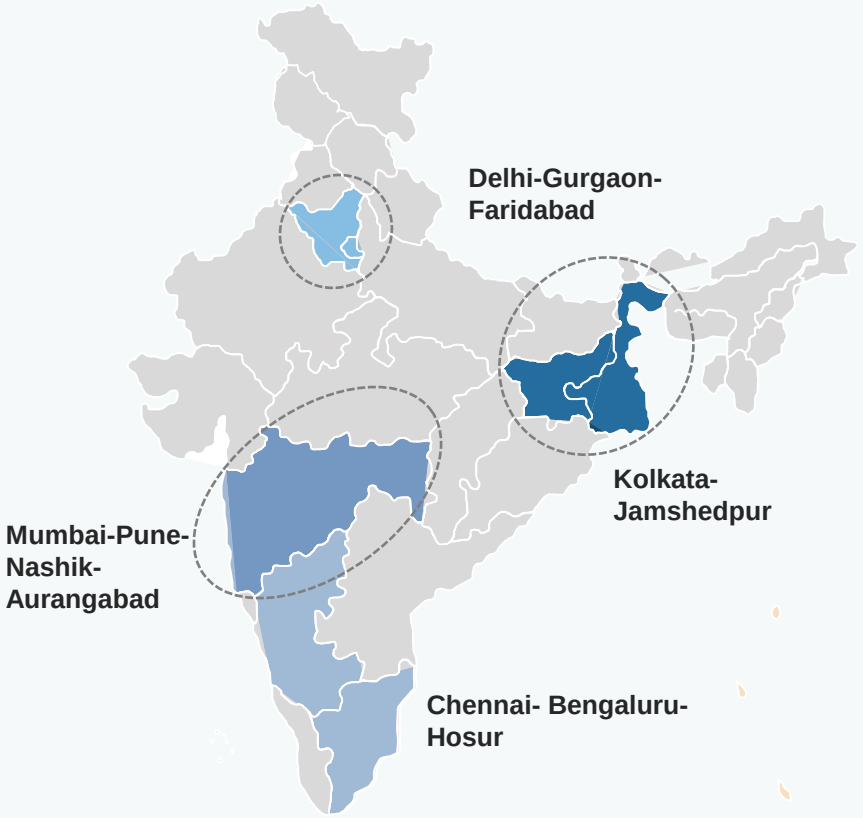
- Two-wheelers and passenger vehicles dominate the domestic Indian auto market. Passenger car sales are dominated by small and mid-sized cars. Two-wheelers and passenger cars accounted for 80.8% and 12.9% market share, respectively, accounting for a combined sale of over 20.1 million vehicles in FY20.
- Overall, automobile export reached 4.77 million vehicles in FY20, implying a CAGR of 6.94% between FY16-FY20. Two-wheelers made up 73.9% of the total vehicles exported, followed by passenger vehicles at 14.2%, three-wheelers at 10.5% and commercial vehicles at 1.3%.

Indian Car Sales Figures – December 2020

OEM	December 2020	December 2019	Growth
Maruti Suzuki	140,754	122,784	14.6%
Hyundai	47,400	37,953	24.9%
Tata	23,546	12,785	84.2%
Mahindra*	16,050	15,276	5.1%
Kia	11,818	4,645	154.4%

***Note**: * - Excludes Maxximo & Supro Volumes*
***Source**: Society of Indian Automobile Manufacturers (SIAM), News Article*

Clusters and leading companies



List of Companies				
North	Ashok Leyland Force Motors Piaggio Swaraj	Mazda Amtek Auto Eicher Honda SIEL Maruti Suzuki	Tata Motors Bajaj Auto Hero Group Escorts ICML	JCB Yamaha Mahindra Suzuki Motorcycles
West	Ashok Leyland Bajaj Auto FIAT M&M	Eicher Skoda Bharat Forge Tata Motors	Volkswagen Renault-Nissan John Deere Mercedes	Benz Tata Hitachi Volvo Eicher
East	TataMotors Hindustan Motors Simpson & Co	International Auto Forgings JMT Exide		
South	Ashok Leyland Ford M&M Toyota Kirloskar	Volvo Sundaram Fasteners Enfield Hyundai BMW	Bosch TVS Motor Company Renault-Nissan TAFE	Daimler Caterpillar Hindustan Motors

Over the past few years, four specific regions in the country have become large auto manufacturing clusters, each having different set of players.

Sources: *ACMA*

Key players

Each segment in the Indian automobiles sector have few established key players who hold major portion of the market.

2 COMMERCIAL VEHICLES

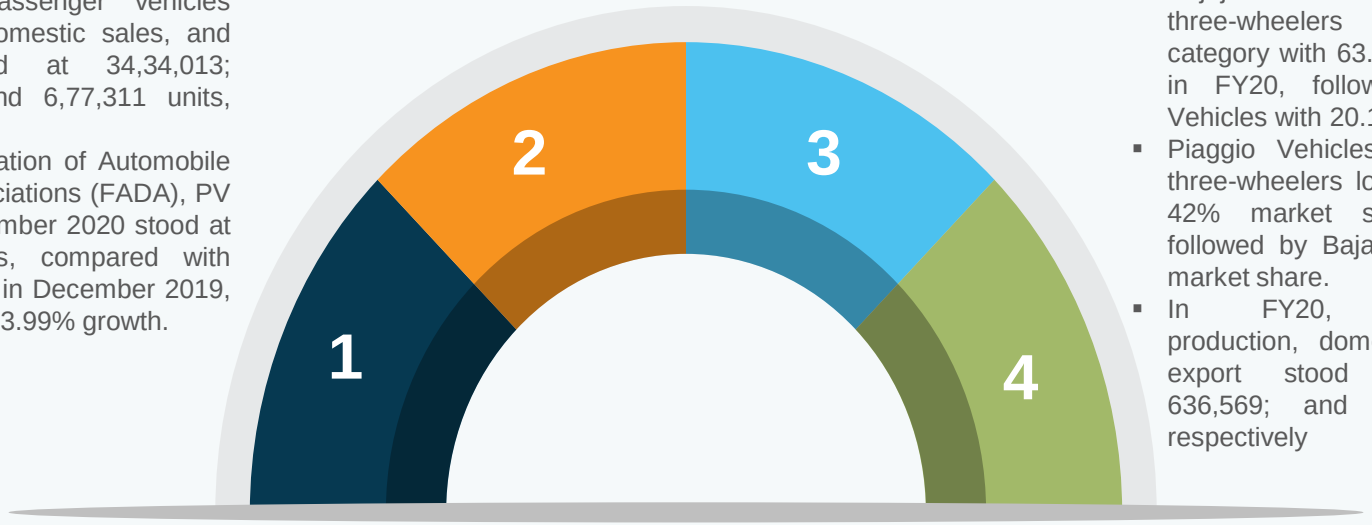
- In FY20, commercial vehicles production, domestic sales, and export stood at 7,52,022; 7,17,688; and 60,713 units, respectively.
- Ashok Leyland's sales in December 2020 stood at 12,762 units, compared with 11,168 units in December 2019, registering a 14% growth.

3 TWO-WHEELERS

- Hero MotoCorp and Honda Motorcycle and Scooter India (HMSI) were the top two players in the two-wheelers segment with market share of 35.77% and 27.02%, respectively, in FY20.
- In August 2020, Hero MotoCorp and Honda Motorcycle & Scooter India recorded YoY growth of 12% and 38%, respectively.

1 PASSENGER VEHICLES

- In FY20, passenger vehicles production, domestic sales, and export stood at 34,34,013; 27,73,575; and 6,77,311 units, respectively
- As per Federation of Automobile Dealers Associations (FADA), PV sales in December 2020 stood at 271,249 units, compared with 218,775 units in December 2019, registering a 23.99% growth.



4 THREE-WHEELERS

- Bajaj Auto was the leader in the three-wheelers passenger category with 63.8% market share in FY20, followed by Piaggio Vehicles with 20.1% market share.
- Piaggio Vehicles dominated the three-wheelers load category with 42% market share in FY20, followed by Bajaj Auto with 27% market share.
- In FY20, three-wheelers production, domestic sales, and export stood at 1,133,858; 636,569; and 5,02,169 units, respectively

Source: *Autocar India, Financial express, SIAM, Economic Times, Times of India, Autocar India*

Recent Trends and Strategies

Recent trends

1 Luxury vehicles

- Luxury car market in India is expected to grow at 25% CAGR during 2017-2020.
- In April 2020, TVS Motor Company bought UK's iconic sporting motorcycle brand, Norton, for a sum of about Rs. 153 crore (US$ 21.89 million), making its entry into the top end (above 850cc) segment of the superbike market.
- In January 2021, Lamborghini announced it is aiming to achieve sales in India higher than the 2019-levels, after recovering from pandemic-induced disruptions.

2 Catering to Indian needs

- Most firms including Ford & Volkswagen have adapted themselves to cater to the large Indian middle-class population by dropping their traditional structure and designs. This has allowed them to compete directly with domestic firms, making the sector highly competitive.
- Hyundai has entered a strategic alliance with shared mobility company, Revv, under which it will provide cars on subscription in six cities in India. This will provide customers the opportunity to use Hyundai's models with hassle-free ownership, flexibility and limited commitment.

3 New financing options

- HDFC Bank Ltd. started providing customised car loans to its customers in Mumbai to help them buy cars at lower EMI.
- Under Union Budget 2019-20, the Government provided an additional income tax deduction of Rs. 1.5 lakh (US$ 2,146) on interest paid on the loan taken to purchase EVs.
- In November 2020, Mercedes Benz partnered with the State Bank of India to provide attractive interest rates, while expanding customer base by reaching out to potential HNI customers of the bank.

Sources: *Society of Manufacturers of Electric Vehicles, Moneycontrol, News Articles,*

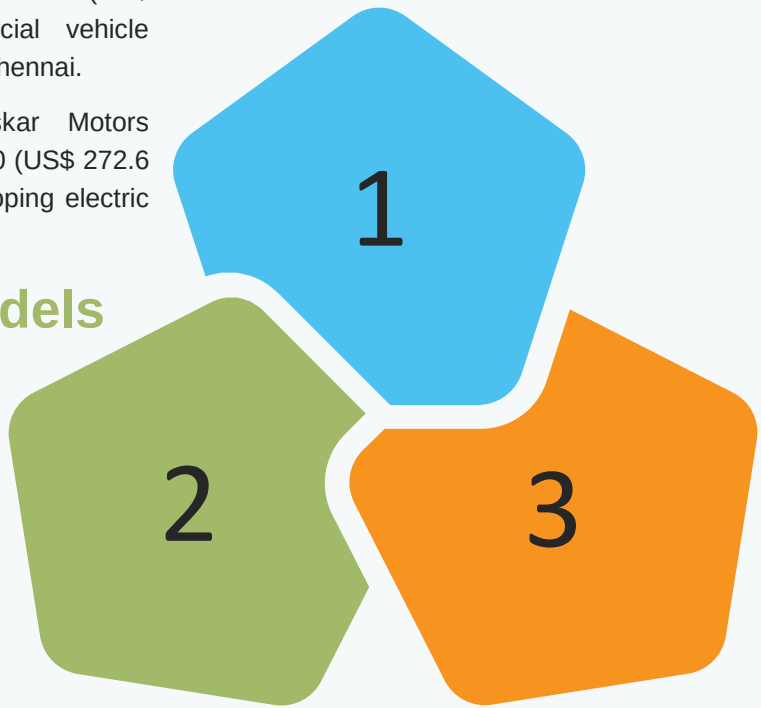
Strategies adopted

1 Capacity addition

- Hero MotoCorp will invest Rs. 2,500 crores (US$ 387.9 million) by FY21 to increase its production capacity in India.
- In May 2020, Daimler India Commercial Vehicles (DICV) planned to invest Rs. 2,277 crore (US$ 323.02 million) to expand commercial vehicle production at its Oragadam plant near Chennai.
- In September 2020, Toyota Kirloskar Motors announced investment of over Rs. 2,000 (US$ 272.6 million) in India directed towards developing electric components and technologies

2 Launch of new models

- Honda is planning to launch three new car models in India by 2020 and will localise the engines to keep the prices low.
- In January 2021, Audi launched A4 facelift in two variants—Premium Plus at Rs. 42.34 lakh (US$ 57,885.85) and Technology at Rs. 46.67 lakh (US$ 63,805.68).
- MG Motor launched new MG Hector at a starting price of Rs. 12.9 lakh (US$ 17,633.72) in January 2021.



3 Electric vehicles

- The electric vehicle market is estimated to be Rs. 50,000 crore (US$ 7.09 billion) opportunity in India by 2025.
- In March 2020, Lithium Urban Technologies partnered with renewable energy solutions provider, Fourth Partner Energy, to build charging infrastructure across the country.
- In January 2021, Tesla, the electric car maker, set up a R&D centre in Bengaluru and registered its subsidiary as Tesla India Motors and Energy Private Limited.
- EV sales, excluding E-rickshaws, in India witnessed a growth of 20% and reachedn1.56 lakh units in FY20 driven by two-wheelers.

Sources: *News Articles*

Growth Drivers and Opportunities

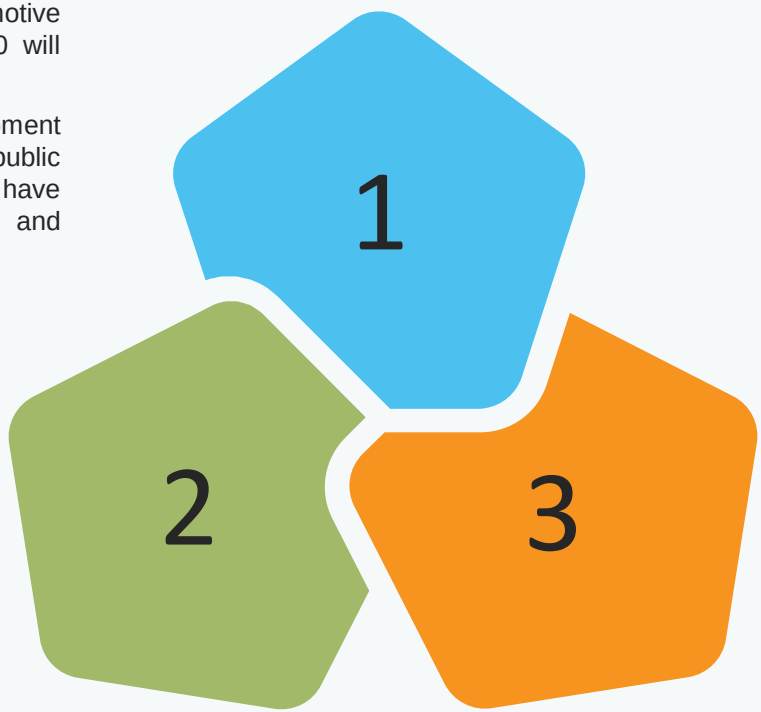
Growth drivers

1 Policy support

- Initiatives like Make in India, Automotive Mission Plan 2026, and NEMMP 2020 will give a huge boost to the sector.
- To install electric vehicle supply equipment (EVSE) infrastructure for EVs, various public sector firms, ministries and railways have come together to create infrastructure and manufacturing components.

2 Growing demand

- Rising income and a growing young population.
- Greater availability of credit and financing options.
- Demand for commercial vehicles increasing due to high level of activity in the infrastructure sector.



3 Support infrastructure and high investment

- 5% of total FDI inflows to India from April 2000 to June 2020 went into automobiles sector.
- In October 2020, Japan Bank for International Cooperation (JBIC) agreed to provide US$ 1 billion (Rs. 7,400 crore) to SBI (State Bank of India) for funding the manufacturing and sales business of suppliers and dealers of Japanese automobile manufacturers and providing auto loans for the purchase of Japanese automobiles in India.

Note: *NEMMP - National Electric Mobility Mission Plan*
Source: *Society of Indian Automobile Manufacturers (SIAM)*

Policies and initiatives

1 NATRIP

- Setting up of R&D centres at a total cost of US$ 388.5 million to enable the industry to be on par with global standards.
- Under National Automotive Testing and R&D Infrastructure Project (NATRIP), five testing and research centres have been established in the country since 2015.

2 DEPARTMENT OF HEAVY INDUSTRIES & PUBLIC ENTERPRISES

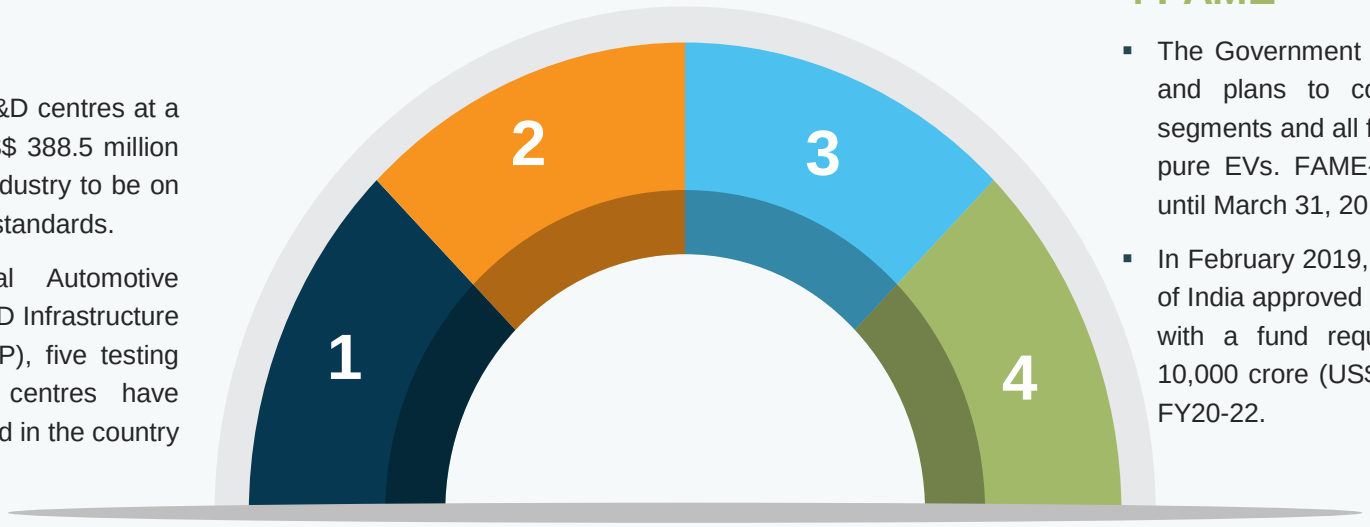
- Worked towards reduction of excise duty on small cars and increase budgetary allocation for R&D.
- Weighted increase in R&D expenditure to 200% from 150% (in-house) and 175% from 125% (outsourced).

3 THE AUTOMOTIVE MISSION PLAN 2016-26 (AMP 2026)

- AMP 2026 targets a four-fold growth in the automobile sector in India which include manufacturers' of automobiles, auto components & tractors over the next 10 years.

4 FAME

- The Government approved FAME and plans to cover all vehicle segments and all forms of hybrid & pure EVs. FAME-I was extended until March 31, 2019.
- In February 2019, the Government of India approved FAME-II scheme with a fund requirement of Rs. 10,000 crore (US$ 1.39 billion) for FY20-22.



Source: *Media Sources*

Investment scenario (1/3)

The Indian automobile sector witnessed an inflow of huge investments from domestic and foreign manufacturers. FDI inflows in the sector stood at ~US$ 24.62 billion between April 2000 and September 2020.

1

Nissan

- Planning to double its current investment level to about US$ 2.5 billion over the next five years.
- To prepare for production of the latest version of Navara pickup, the company plans to launch eight new car models in India by 2021.
- In January 2020, the company revised its strategy and now plans to launch one new product every year.

2

Toyota

- Toyota is planning to invest US$ 165 million on its new engine plants and projects..
- For self-driving and robotic technology start-ups, Toyota plans to invest US$ 100 million.
- Toyota Kirloskar Motors announced investment of over Rs. 2,000 crore (US$ 272.6 million) in India directed towards developing electric components and technologies

3

Hyundai

- Plans to invest US$ 1 billion in India by 2020 for expansion into electric car division.
- In January 2020, the company rolled out its three millionth car to be exported from its factory.
- Hyundai Motor India invested close to Rs. 3,500 crore (US$ 500 million) in FY 2020 with an eye on gaining market share. The investment is part of Rs. 7,000 crore (US$ 993 million) commitment by the company to the Tamil Nadu government in 2019

Sources: *Company websites, media sources, Autocar India*

Investment scenario (2/3)

4

SAIC

- Chinese state-owned auto major, SAIC Motor, has announced investment of over US$ 310 million in India. In March 2018, SAIC announced that its subsidiary, MG Motor India, would invest Rs. 5,000 crore (US$ 775.8 million) in India over the next six years.

5

Mercedes-Benz

- Increased its plant capacity at Chakan to 20,000 units per year, the largest for any luxury car manufacturer in India. In March 2019, the company inaugurated two new service stations in New Delhi.

6

Motoroyale Kinetic

- Superbike seller Motoroyale Kinetic is planning to establish a plant in Supa, Maharashtra with an outlay of Rs. 12 crore (US$ 1.71 million) by 2021.

Sources: *Company websites, media sources, Autocar India*

Investment scenario (3/3)

7

MG Motor

- In October 2020, MG Motors announced its interest in investing Rs. 1,000 crore (US$ 135.3 million) to launch new models and expand operations in spite of the anti-China sentiments.

8

Olectra Greentech Limited

- In December 2020, Olectra Greentech Limited and Evey Trans Private Limited bagged an order for 150 electric buses under FAME-II Scheme from Pune Mahanagar Parivahan Mahamandal Ltd.

9

Kinetic Green

- In October 2020, Kinetic Green, an electric vehicles manufacturer, announced plan to set up a manufacturing facility for electric golf carts besides a battery swapping unit in Andhra Pradesh. The two projects involving setting up a manufacturing facility for electric golf carts and a battery swapping unit will entail an investment of Rs. 1,750 crore (US$ 236.27 million)

Sources: *Company websites, media sources, Autocar India*

Opportunities

1 Opportunities for creating sizeable market segments through innovations

- Mahindra & Mahindra (M&M) is targeting to implement digital technology in the business.
- Bajaj Auto, Hero Honda and M&M plans to jointly develop a technology for two-wheelers to run on natural gas.
- Tata Motors to launch MiniCAT, a car running on compressed air.
- Hyundai is planning to enter the hybrid vehicles segment to explore alternative fuel technology and to avail the Government incentives.
- In May 2019, Nissan Motor Company received a patent for wireless charging of EVs in India.

3 India is fast emerging as a global R&D hub

- Strong support from the Government; setting up of NATRIP centres.
- Private players such as Hyundai, Suzuki, and GM, keen to set up R&D base in India.
- Strong education base, large skilled English-speaking manpower. Comparative advantage in terms of cost.
- Firms, both national and foreign, are increasing their footprints with over 1,165 R&D centres.

2 Small car manufacturing hubs

- GM, Nissan and Toyota announced plans to make India their global hub for small cars.
- Strong export potential in ultra low-cost cars segment (to developing & emerging markets).
- Maruti Suzuki launched facelift version of Alto 800 after the success of its earlier model.

Key Industry Contacts

Key Industry Contacts

Agency		Contact Information
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ARAI Progress through Research	Automotive Research Association of India (ARAI)	111/112, Ascot Centre, Next to Hotel Le Royal Meridien, Sahar Road, Sahar, Andheri (E), Mumbai-400099. Tel: 91-22-28269527—28 Fax: 91-22-28269536 E-mail: info@rai.net.in Website: www.rai.net.in
FIAA	Federation of Indian Automobile Associations	3/242, Rajendra Gardens, Vettuvankeni, Chennai, Tamil Nadu-600 041 Tel: 91-44-2449 4576/4578 Fax: 91-44-2449 4577 E-mail: caiindia1@gmail.com Website: http://caiindia.org/

Appendix

Glossary

- CAGR: Compound Annual Growth Rate
- Capex: Capital Expenditure
- CENVAT: Central Value Added Tax
- EHTP: Electronic Hardware Technology Park
- EPCG: Export Promotion Capital Goods Scheme
- FDI: Foreign Direct Investment
- FY: Indian Financial Year (April to March); So, FY10 implies April 2009 to March 2010
- LCD: Liquid Crystal Display
- R&D: Research and Development
- US$: US Dollar
- Wherever applicable, numbers have been rounded off to the nearest whole number

Exchange rates

Exchange Rates (Fiscal Year)

Year	Rs. Equivalent of one US$
2004-05	44.95
2005-06	44.28
2006-07	45.29
2007-08	40.24
2008-09	45.91
2009-10	47.42
2010-11	45.58
2011-12	47.95
2012-13	54.45
2013-14	60.50
2014-15	61.15
2015-16	65.46
2016-17	67.09
2017-18	64.45
2018-19	69.89
2019-20	70.49
2020-21	73.51

Exchange Rates (Calendar Year)

Year	Rs. Equivalent of one US$
2005	44.11
2006	45.33
2007	41.29
2008	43.42
2009	48.35
2010	45.74
2011	46.67
2012	53.49
2013	58.63
2014	61.03
2015	64.15
2016	67.21
2017	65.12
2018	68.36
2019	69.89
2020	74.18
2021*	73.25

Note: *As of January 2021*
Source: *Reserve Bank of India, Average for the year*

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