## Table of Contents

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Executive Summary</td>
<td>3</td>
</tr>
<tr>
<td>Advantage India</td>
<td>4</td>
</tr>
<tr>
<td>Market Overview</td>
<td>6</td>
</tr>
<tr>
<td>Recent Trends and Strategies</td>
<td>13</td>
</tr>
<tr>
<td>Growth Drivers and Opportunities</td>
<td>16</td>
</tr>
<tr>
<td>Key Industry Contacts</td>
<td>23</td>
</tr>
<tr>
<td>Appendix</td>
<td>25</td>
</tr>
</tbody>
</table>
Executive summary

1 Segmented market
- Automobile sector split into four segments, i.e., two-wheelers, three-wheelers, passenger vehicles and commercial vehicles, 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
- The Indian automotive industry is expected to reach US$ 300 billion by 2026.
- Strong policy support from the Government.
- A study by CEEW Centre for Energy Finance recognised US$ 206 billion opportunity for electric vehicles in India by 2030.

3 Fifth-largest automobile market
- In 2019-20, the total passenger vehicles sales reached ~2.8 million, while ~2.7 million units were sold in FY21.
- 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
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.
- The Government of India expects automobile sector to attract US$ 8-10 billion in local and foreign investments by 2023.

3 Policy support

- Automotive Mission Plan 2016-26 is a mutual initiative by the Government of India and Indian Automotive Industry to lay down the roadmap for development of the industry.
- The Government aims to develop India as a global manufacturing centre.
- In Union Budget 2021-22, the government announced the voluntary vehicle scrappage policy to phase out old and unfit vehicles.

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.
- The electric vehicles industry is likely to create five crore jobs by 2030.

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

2015 Onwards
- Bharat Stage (BS) IV emission norms since April 2017 and to adopt BSVI norms from 2020.
- 26.36 million vehicles produced in FY20.
- In the Union Budget 2021-22, the government announced the voluntary vehicle scrappage policy to phase out old and unfit vehicles.

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

Automobile Sector

- **Two-wheelers**
  - Mopeds and electric scooters
  - Scooters
  - Motorcycles

- **Passenger vehicles**
  - Passenger cars
  - Utility vehicles
  - Multi-purpose vehicles

- **Commercial vehicles**
  - Light commercial vehicles (LCV)
  - Medium & heavy commercial vehicles

- **Three-wheelers**
  - Passenger carriers
  - Goods carrier

Source: Society of Indian Automobile Manufacturers (SIAM)
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.

In FY21*, automobile production (passenger, three-wheeler, and two-wheeler vehicles) was 17.21 million.

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 report by India Energy Storage Alliance estimated that EV market in India is likely to increase at a CAGR of 36% until 2026. In addition, projection for EV battery market is forecast to expand at a CAGR of 30% during the same period.

Note: *till January 2021
Source: Society of Indian Automobile Manufacturers (SIAM), The Economic Times
Market overview

- 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%.

Source: Society of Indian Automobile Manufacturers (SIAM), News Article
Clustering and leading companies

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

1 PASSENGER VEHICLES
- In FY21*, passenger vehicles production and domestic sales stood at 17,319,688 and 2,054,428 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 growth of 23.99%.

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 March 2021 stood at 17,231 units compared with 2126 units in February 2020, registering a growth of 710%.

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.
- Bajaj Auto’s two-wheeler sales in March 2021 stood at 330,133 units, compared with 2,10,976 units in March 2020, recording a rise of 56%.

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.
- TVS Motors’ three-wheeler sales in March 2021 stood at 15,246 units, compared with 10,751 units in March 2020, posting a 42% growth.

Note: *Till January 2021
Source: Autocar India, Financial express, SIAM, Economic Times, Times of India, Autocar India
Recent Trends and Strategies
Recent trends

1 Luxury vehicles

- The luxury car market is expected to register sales of 28,000-33,000 units in 2021, up from 20,000-21,000 units sold in 2020. The entry of new manufacturers and new launches is likely to propel this market in 2021.

- In 2021 luxury car manufacturers have lined up 70 new product launches which includes BMW bringing in 25 new units, Mercedes Benz (15), Jaguar Land Rover (10), Audi (7), Volvo (5) and the remaining from manufacturers such as Rolls Royce, Lamborghini, Ferrari and Porsche.

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

- 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 January 2021, Tata Motors entered a partnership with leading private banks, including HDFC Bank, ICICI Bank and Yes Bank, to fund its commercial vehicles.

- 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
1 Capacity addition
- Hero MotoCorp will invest Rs. 2,500 crores (US$ 387.9 million) by the end of FY21 to increase its production capacity in India.
- 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 Electric vehicles
- The electric vehicle market is estimated to be Rs. 50,000 crore (US$ 7.09 billion) opportunity in India by 2025.
- EV sales, excluding E-rickshaws, in India witnessed a growth of 20% and reached 1.56 lakh units in FY20 driven by two-wheelers.
- In February 2021, Ather Energy begins the production of the Ather 450 Plus and the 450X e-scooters at its new manufacturing facility located in Hosur, Tamil Nadu which has an installed capacity of 500,000 units per annum.

3 Launch of new models
- In April 2021, BMW launched an updated 6 Series Gran Turismo at the starting price of Rs. 67.90 lakh. It will be available in three variants with three engine options.
- In March 2021, Mercedes-Benz launched E-Class long-wheelbase facelift at the starting price of Rs. 63.6 lakh (US$ 87,615) The sedan is available in five variants with three engine options.
- In February 2021, Morris Garages (MG) India launched the 2021 ZS EV Electric SUV at the starting price of Rs. 20.99 lakh (US$ 28,769.73)
- In January 2021, Daimler India Commercial Vehicles (DICV) rolled out six new trucks, including BSafe Express reefer truck (for transportation of vaccines), 1917R, 4228R Tanker trucks, 1015R, 42T M-Cab and 2828 construction vehicles.

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.
- In Union Budget 2021-22, the government introduced the voluntary vehicle scrappage policy, which is likely to boost demand for new vehicles after removing old unfit vehicles currently plying on the Indian roads.
- 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
- From April 2000 to December 2020, 4.7% of the total FDI inflows to India went into the automobiles sector.
- In February 2021, the Delhi government started the process to set up 100 vehicle battery charging points across the state to push adoption of electric vehicles.
- 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.

Source: Society of Indian Automobile Manufacturers (SIAM), Union Budget 2021-22

Note: NEMMP - National Electric Mobility Mission Plan
Policies and initiatives

2 PRODUCTION-LINKED INCENTIVE (PLI) SCHEME

- On November 11, 2020, the Union Cabinet approved production-linked incentive (PLI) scheme in 10 key sectors (including automobiles & auto components) to boost India’s manufacturing capabilities, exports and promote the ‘Atmanirbhar Bharat’ initiative.

- The Union Cabinet outlaid Rs. 57,042 crore (US$ 7.81 billion) for automobiles & auto components sector under the Department of Heavy Industries.

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.

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
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**
   - To prepare for production of the latest version of Navara pickup, the company plans to launch eight new car models in India by the end of 2021.
   - In January 2020, the company revised its strategy and now plans to launch one new product every year.

2. **Toyota**
   - In September 2020, 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**
   - 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.

*Source: Media Sources, Company Website*
### 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.

| Source: Media Sources, Company Website |

#### 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.

| Source: Media Sources, Company Website |

#### 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.

| Source: Media Sources, Company Website |

#### 7. Fiat Chrysler Automobiles
- In January 2021, Fiat Chrysler Automobiles (FCA) announced an investment of US$ 250 million to expand its local product line-up in India.
- FCA plans to launch four new SUVs by the end of 2022.

| Source: Media Sources, Company Website |
**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 despite the anti-China sentiments.

**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.

**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)

*Source: Media Sources, Company Website*
**Opportunities**

### 1 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.
- 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.

### 2 Opportunities for creating sizeable market segments through innovations
- Mahindra & Mahindra (M&M) is targeting to implement digital technology in the business.
- 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 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).

*Source: Media Sources, Company Website*
Key Industry Contacts
# Key Industry Contacts

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<th>Agency</th>
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| **Society of Indian Automobile Manufacturers (SIAM)** | Block 'J' Mahapalika Marg, Mumbai-400 001  
Tele fax: 91-22 22621612/2265 9715  
E-mail: cgsibom@gmail.com  
Website: www.cgsiindia.org |
| **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 |
| **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/ |
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 (Fiscal Year)

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*Note: As of April 2021
Source: Reserve Bank of India, Average for the year
India Brand Equity Foundation (IBEF) engaged Sutherland Global Services private Limited to prepare/update this presentation.

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