AUTOMOBILES

INDIA BRAND EQUITY FOUNDATION
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## EXECUTIVE SUMMARY

### 5th largest automobile market
- Fifth largest auto market in 2019 with sales touching 4.18 million units.
- Presence of established domestic and international original equipment manufacturers (OEMs).
- Strong market in terms of domestic demand and exports.

### 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 per cent of the domestic demand in FY20.

### Positive growth prospects
- Automobile exports reached 4.77 million vehicles in FY20, growing at a CAGR of 6.94 per cent between FY16-FY20.
- 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.
- Indian auto industry was expected to witness 8-12 per cent increase in its hiring during FY19.

Sources: SIAM, OICA, Business Standard
ADVANTAGE INDIA
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.

- 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.

India has significant cost advantages. Auto firms save 10-25 per cent 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.

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
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- Long waiting periods & outdated models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

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: Annual Report*
MARKET OVERVIEW

The automotive manufacturing industry comprises the production of commercial vehicles, passenger cars, three wheelers and two wheelers.

Domestic automobile production increased at 2.36 per cent 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 per cent between FY16-FY20 with 21.55 million vehicles being sold in FY20.

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

Segment-wise Domestic Market Share in FY20 (%)

- Two Wheelers: 80.8%
- Three Wheelers: 3.0%
- Commercial Vehicles: 3.3%
- Passenger Vehicles: 12.9%

Number of automobiles exported (in millions)

- FY16: 3.64
- FY17: 3.48
- FY18: 4.04
- FY19: 4.63
- FY20: 4.77 (CAGR 6.94%)

- 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 per cent and 12.9 per cent 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 per cent between FY16-FY20. Two wheelers made up 73.9 per cent of the total vehicles exported, followed by passenger vehicles at 14.2 per cent, three wheelers at 10.5 per cent and commercial vehicles at 1.3 per cent.

Source: Society of Indian Automobile Manufacturers (SIAM)
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.

### Passenger vehicles
- Maruti Suzuki, the market leader in the passenger vehicles segment, held around 50 per cent segment market share in FY19. The company recorded its highest ever sales of 1.1 million units during April-December 2019.
- BSVI compliant Maruti Suzuki “Wagon R” and “Swift Petrol” were launched in June 2019 and Maruti Suzuki became the first carmaker to introduce BSVI compliant cars in India before the deadline of April 1, 2020.
- Passenger vehicles export stood at 6,77,311 units in FY20.

### Commercial vehicles
- Commercial vehicle sales for FY20 stood at 717,688 units.
- In February 2020, Tata Motors introduced an extensive range of sustainable mobility solutions at AutoExpo 2020, which included 14 commercial vehicles.

### Two wheelers
- Hero MotoCorp and Honda are the top two players in the two wheelers segment with market share of 37.67 per cent and 30.9 per cent, respectively, in Q1FY19.
- Bajaj Auto launched Chetak electric scooter at ex-showroom price starting Rs 1 lakh (US$ 1430.81).
- In January 2020, Honda Motorcycle and Scooter India (HMSI) achieved the milestone of exporting 25 lakh units to other countries from India.

### Three wheelers
- Three-wheeler sales stood at 636,569 units in FY20.
- Bajaj Auto has been the leader in three wheelers with 58.15 per cent market share in FY19.
- Piaggio Vehicles was second in the list with 24.05 per cent market share in FY19.

*Source: Autocar India, Financial express*
NOTABLE TRENDS
AND STRATEGIES
## RECENT TRENDS

<table>
<thead>
<tr>
<th>Luxury vehicles</th>
<th>Catering to Indian needs</th>
<th>New financing options</th>
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<tbody>
<tr>
<td>▪ Luxury car market in India is expected to grow at 25 per cent CAGR during 2017-2020.</td>
<td>▪ Most firms including Ford &amp; 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.</td>
<td>▪ HDFC Bank Ltd started providing customised car loans to its customers in Mumbai to help them buy cars at lower EMI.</td>
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<td>▪ Premium motorbike sales in India recorded a seven-fold jump with domestic sales reaching 13,982 units during April-September 2019. Sale of luxury cars stood between 15,000 to 17,000 units in H12019.</td>
<td>▪ 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.</td>
<td>▪ 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.</td>
</tr>
<tr>
<td>▪ Volvo plans to assemble hybrid electric cars in India and scale its market share to 10 per cent by 2020 in the luxury car segment.</td>
<td>▪ As of May 2019, Jaguar Land Rover (JLR) launched its locally assembled Range Rover Velar, making JLR cars more affordable by quite some margin.</td>
<td></td>
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<td>▪ 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.</td>
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**Sources:** Society of Manufacturers of Electric Vehicles, Moneycontrol, News Articles,
## STRATEGIES ADOPTED…(1/2)

<table>
<thead>
<tr>
<th>Capacity addition</th>
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<tbody>
<tr>
<td>▪ Hero MotoCorp will invest Rs 2,500 crores (US$ 387.9 million) by FY21 to increase its production capacity in India.</td>
</tr>
<tr>
<td>▪ In December 2019, Force Motors planned to invest Rs 600 crore (US$ 85.85 million) in order to develop two new models over the next two years.</td>
</tr>
<tr>
<td>▪ In December 2019, Morris Garages (MG), a British automobile brand, announced plans to invest an additional Rs 3,000 crore (US$ 429.25 million) in India operations.</td>
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<table>
<thead>
<tr>
<th>Electric vehicles</th>
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<tbody>
<tr>
<td>▪ Volvo plans to come out with a hybrid version of its upcoming S60 sedan in India along with a PHEV (Plug-in Hybrid Electric Vehicle) version of the S60.</td>
</tr>
<tr>
<td>▪ Electric policy finalised by the Government of Kerala aims to get 6,000 electric buses for its state road transport corporation by 2025.</td>
</tr>
<tr>
<td>▪ In May 2019, Nissan Motor Company received a patent for wireless charging of EVs in India.</td>
</tr>
<tr>
<td>▪ MG Motor India planned to launch MG ZS EV electric SUV in early 2020 and has plans to launch affordable EVs in the next 3-4 years.</td>
</tr>
<tr>
<td>▪ BYD-Olectra, Tata Motors and Ashok Leyland will supply 5,500 electric buses for different state departments.</td>
</tr>
<tr>
<td>▪ In January 2020, Tata AutoComp Systems, the auto-components arm of Tata Group, signed a JV with Beijing-based Prestolite Electric to enter the EV components market.</td>
</tr>
<tr>
<td>▪ In March 2020, Lithium Urban Technologies partnered with renewable energy solutions provider, Fourth Partner Energy, to build charging infrastructure across the country.</td>
</tr>
<tr>
<td>▪ EV sales, excluding E-rickshaws, in India witnessed a growth of 20 per cent and reached 1.56 lakh units in FY20 driven by two wheelers.</td>
</tr>
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*Source: Media sources*
Honda is planning to launch three new car models in India by 2020 and will localise the engines to keep the prices low.

Superbike seller, Motoroyale Kinetic Pvt Ltd, is planning to develop 300cc-500cc bikes in India by 2021. The company is also planning to set up a plant in Supa, Maharashtra with a capacity of 60,000 units.

In October 2019, Tata Motors launched its first electric car for personal buyers.

In November 2019, India Yamaha Motor (IYM) launched BSVI compliant variants of FZ-FI and FZS-FI bikes at ex-showroom price of Rs 99,200 (US$ 1,419) and Rs 1.02 lakh (US$ 1,460), respectively.


In December 2019, Tata Motors launched Nexon EV and targeted the leading position in the local EV market.

In January 2020, Maruti Suzuki launched Ciaz S, the sports variant of its premium mid-sized sedan, Ciaz.

In March 2020, Volkswagen India launched new SUV, T-Roc, in India at an introductory price of Rs 19.99 lakh (US$ 28,358.63).
GROWTH DRIVERS AND OPPORTUNITIES
# GROWTH DRIVERS

## 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.

## Policy support
- Clear vision of the Indian Government to make India an auto manufacturing hub.
- Initiatives like Make in India, Automotive Mission Plan 2026, and NEMMP 2020 will give a huge boost to the sector.
- In February 2019, the Government approved FAME-II (Faster Adoption & Manufacturing of Electric Hybrid Vehicles) scheme with a fund requirement of Rs 10,000 crore (US$ 1.39 billion) for FY20-22.
- The Government has introduced a policy which allows organisations and researchers to buy bulk data related to vehicle registrations on an annual basis.
- 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.

## Support infrastructure and high investment
- Established auto ancillary industry giving the required support to boost growth.
- Five per cent of total FDI inflows to India from April 2000 to September 2019 went into automobiles sector.
- In H1 2019, automobile manufacturers invested US$ 501 million in India’s auto-tech start-ups according to Venture Intelligence.
- Investment flows into EV start-ups in 2019 (until the end of November) increased nearly 170 per cent to reach US$ 397 million.

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**Note:** NEMMP – National Electric Mobility Mission Plan  
**Source:** Society of Indian Automobile Manufacturers (SIAM)
## POLICIES AND INITIATIVES

### 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.

### 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 per cent from 150 per cent (in-house) and 175 per cent from 125 per cent (outsourced).

### 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.

### FAME
- The Government approved FAME and plans to cover all vehicle segments and all forms of hybrid & pure EVs. FAME-I was extended till 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.
- Under FAME II, the Government sanctioned 5,595 E-buses in 64 cities in 26 states for inter city and intra-city operations. Under the scheme, 2,636 charging stations in 62 cities across 24 States/UTs were sanctioned.

*Source: Media Sources*
Indian automobile sector has seen huge investments from domestic and foreign manufacturers. FDI inflows in the sector was around US$ 24 billion between April 2000-December 2019.

<table>
<thead>
<tr>
<th>Company</th>
<th>Details</th>
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</table>
| 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. |
| 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.                                                                                                     |
| 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.                                                                                                   |
| SAIC             | ▪ Chinese state-owned auto major, SAIC Motor, has announced investment of over US$ 310 million in India. It expected to start operations in 2019. 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. |
| 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.                                   |
| 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.                                                   |

**Note:** MIDC – Maharashtra Industrial Development Corporation;  
**Sources:** Company websites, media sources, Autocar India
**OPPORTUNITIES**

**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.

**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.

**Small-car manufacturing hub**
- 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.

*Sources: Automotive Mission Plan 20216-2026, media sources*
*Note: NATRIP – National Automotive Testing and R&D Infrastructure Project*
KEY INDUSTRY ORGANISATIONS
### Society of Indian Automobile Manufacturers (SIAM)

Core 4-B, 5th Floor, India Habitat Centre  
Lodhi Road, New Delhi – 110 003  
India  
Phone: 91 11 24647810–2  
Fax: 91 11 24648222  
E-mail: siam@siam.in

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Road – Churchgate, Mumbai - 400020  
Phone : 91 22 2204 1085  
Fax: 91 22 2204 1382
USEFUL
INFORMATION
GLOSSARY

- CAGR: Compound Annual Growth Rate
- CV: Commercial Vehicle
- FDI: Foreign Direct Investment
- FY: Indian Financial Year (April to March); So, FY20 implies April 2019 to March 2020
- GOI: Government of India
- HCV: Heavy Commercial Vehicle
- INR: Indian Rupee
- LCV: Light Commercial Vehicle
- OEM: Original Equipment Manufacturers
- SIAM: Society of Indian Automobile Manufacturers
## Exchange Rates

### Exchange Rates (Fiscal Year)

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<tr>
<th>Year</th>
<th>INR Equivalent of one US$</th>
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<tbody>
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<td>2004–05</td>
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<td>69.89</td>
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<td>2019–20</td>
<td>70.49</td>
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### Exchange Rates (Calendar Year)

<table>
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<tr>
<th>Year</th>
<th>INR Equivalent of one US$</th>
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<td>2005</td>
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<td>2018</td>
<td>68.36</td>
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<tr>
<td>2019</td>
<td>69.89</td>
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**Source:** Reserve Bank of India, Average for the year
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