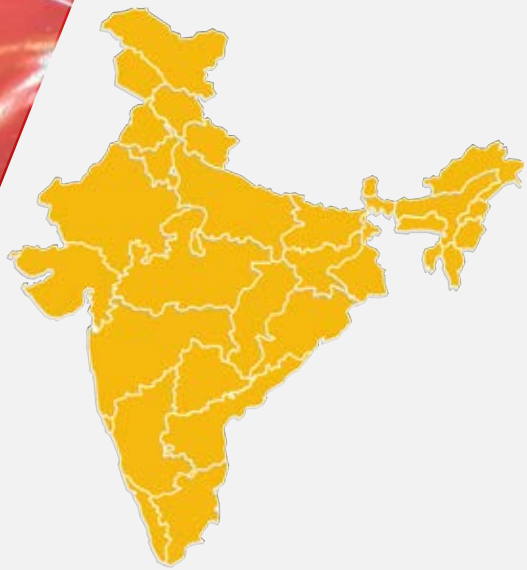
AUTOMOBILES



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November 2020

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EXECUTIVE SUMMARY

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4th 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.
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.
Growth prospects	▪ Automobile exports reached 4.77 million vehicles in FY20, growing at a CAGR of 6.94% 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.

Sources: *SIAM, OICA, Business Standard*

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Automobiles

ADVANTAGE INDIA

ADVANTAGE INDIA

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- 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% on operations vis-a-vis Europe and Latin America.
- Cumulative FDI inflow of about US$ 24.5 billion in the automobile sector between April 2000 and June 2020.
- 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

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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

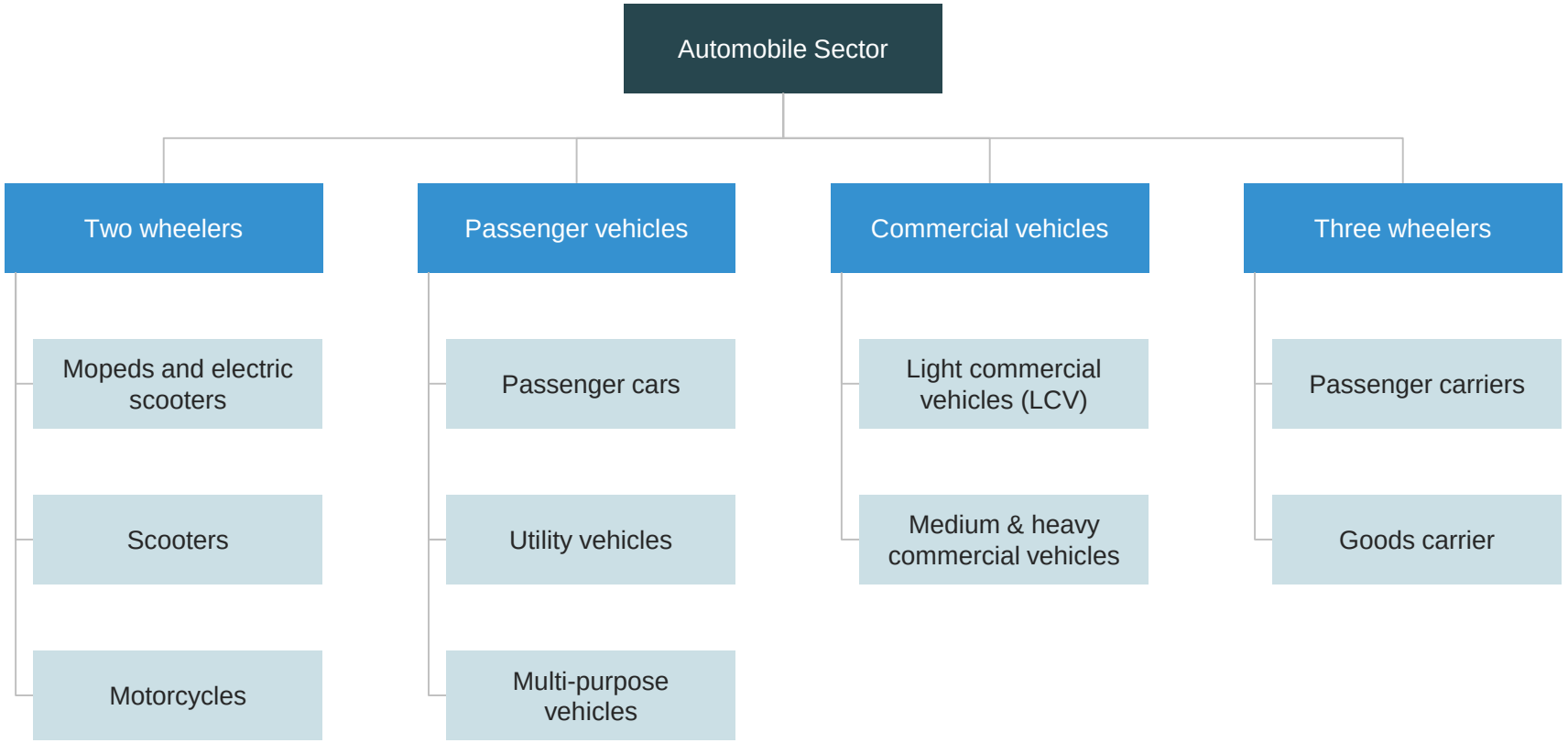
- Sector de-licensed in 1993
- Major OEMs started assembly operations in India
- Imports permitted from April 2001
- Introduction of value-added tax in 2005

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

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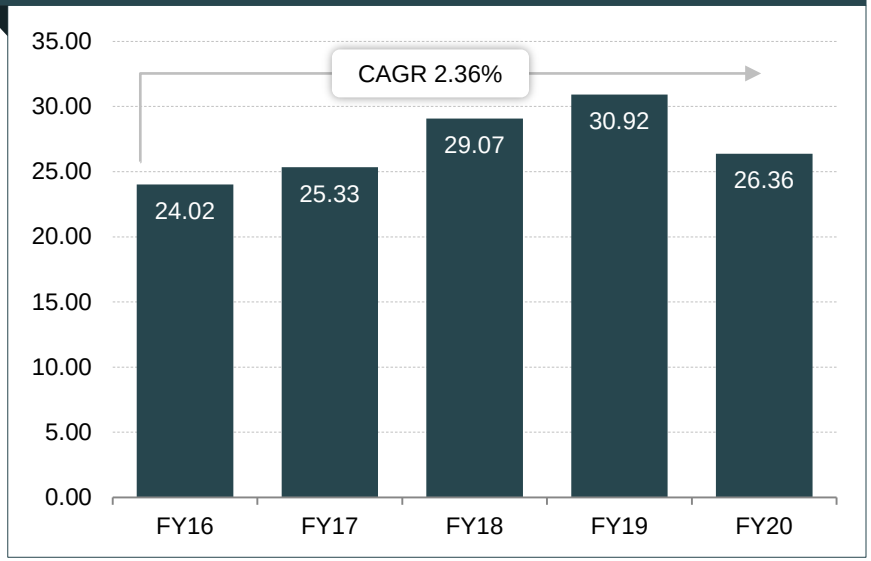
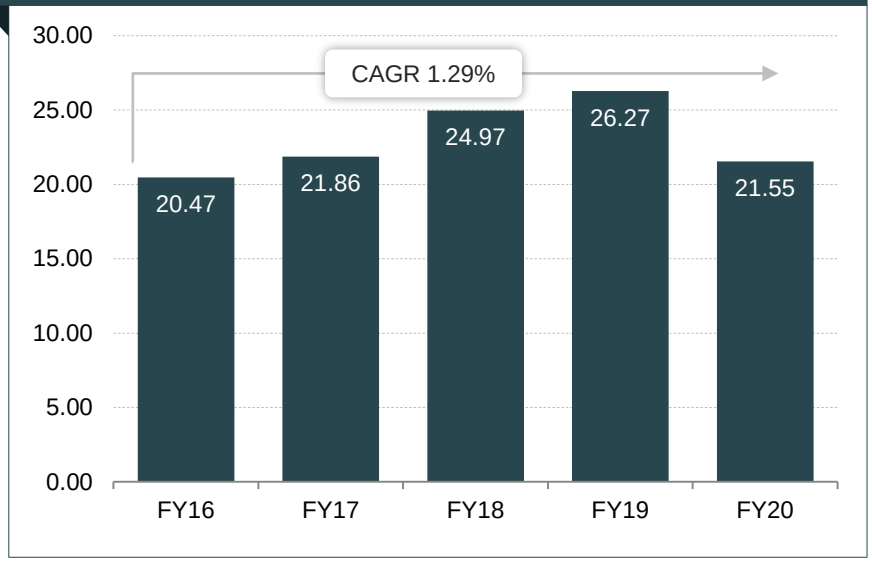
Number of Automobiles Produced in India (in millions)



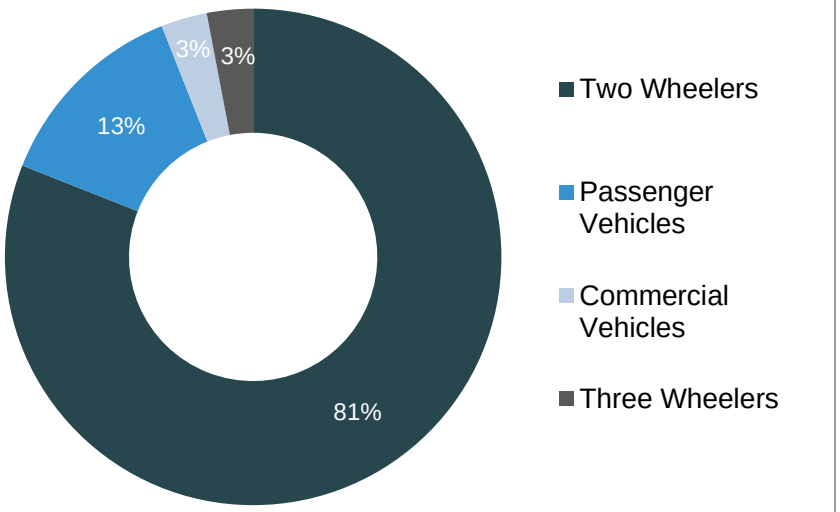
Number of Automobiles Sold in India (in millions)



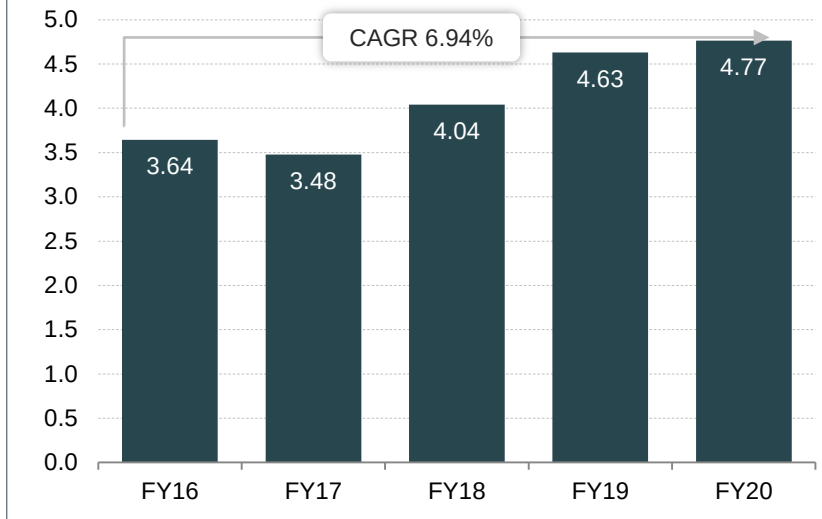
- The automotive manufacturing industry comprises the production of commercial vehicles, passenger cars, three wheelers and two wheelers.
- Domestic automobile production increased at 2.36% CAGR between FY16-FY20 with 26.36 million vehicles manufactured in the country in FY20.
- Overall, domestic automobiles sales increased at a CAGR of 1.29% between FY16-FY20 with 21.55 million vehicles being sold in FY20.

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

Segment-wise Domestic Market Share in FY20 (%)



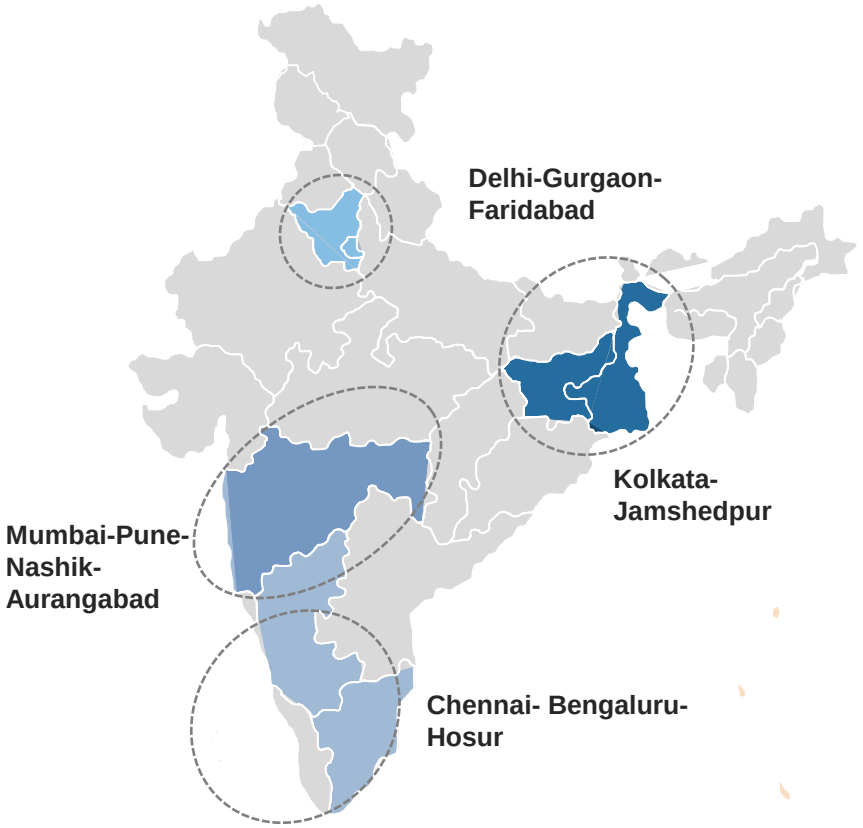
Number of Automobiles Exported (in millions)



- 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%.

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

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

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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 51% market share of the segment in FY20. The company recorded sales of 1.41 million units during 2019-20. ▪ 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 the Society of Indian Automobile Manufacturers (SIAM), passenger vehicle wholesales in India increased by 26.45% to 2,72,027 units in September 2020, up from 2,15,124 in September 2019
Commercial vehicles	▪ In FY20, commercial vehicles production, domestic sales, and export stood at 7,52,022; 7,17,688; and 60,713 units, respectively ▪ In September 2020, Daimler India Commercial Vehicles(DICV) launched 'Mitra' a customer engagement program which pairs selected customers with top executives from DICV to provide enhanced services ▪ In September 2020, Ashok Leyland launched a new model of LCV 'Bada Dost' which is targeted towards growing demand from the LCV segment and builds on its Dost brand of CVs
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 ▪ Ola Electric is planning to launch two-wheeler electric vehicle(EV). The EV will be reconfigured version of Netherlands-based Etergo BV's App Scooter. It will roll out the scooter in Europe in 2020 and Asia next year via Etergo. The company is expected to locally source and manufacture the App Scooter in India
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*

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NOTABLE TRENDS AND STRATEGIES

RECENT TRENDS

Luxury vehicles	▪ Luxury car market in India is expected to grow at 25% CAGR during 2017-2020. ▪ 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. ▪ Volvo plans to assemble hybrid electric cars in India and scale its market share to 10% by 2020 in the luxury car segment. ▪ As of May 2019, Jaguar Land Rover (JLR) launched its locally assembled Range Rover Velar, making JLR cars more affordable by quite some margin. ▪ 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.
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. ▪ Maruti Suzuki launched 'Maruti Suzuki Subscribe', the service allows customers to lease select models for a specific period. As of August 2020, the service is available in Gurugram, Bengaluru, Pune, and Hyderabad.
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.

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

STRATEGIES ADOPTED…(1/2)

Capacity addition	▪ Hero MotoCorp will invest Rs. 2,500 crores (US$ 387.9 million) by FY21 to increase its production capacity in India. ▪ 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. ▪ 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. ▪ 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
Electric vehicles	▪ The electric vehicle market is estimated to be Rs. 50,000 crore (US$ 7.09 billion) opportunity in India by 2025. ▪ On October 29, 2020, Mahindra Electric Mobility Limited launched its new electric three-wheeler cargo model, Treo Zor, starting at Rs. 2.73 lakh (US$ 3,687.57) ▪ On July 21, 2020, the Minister for Power, New and Renewable Energy, Mr. R.K Singh inaugurated India's first public Electric Vehicle (EV) charging plaza at Chelmsford Club in New Delhi. ▪ In June 2020, MG Motor India entered in a partnership with Tata Power to set up superfast chargers for electric vehicles (EVs) at select MG dealerships and will offer end-to-end charging solutions. ▪ In May 2020, Ola Electric Mobility Pvt Ltd acquired Amsterdam-based Etergo BV, manufacturer of electric scooters. ▪ 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. ▪ In March 2020, Lithium Urban Technologies partnered with renewable energy solutions provider, Fourth Partner Energy, to build charging infrastructure across the country. ▪ EV sales, excluding E-rickshaws, in India witnessed a growth of 20% and reachedn1.56 lakh units in FY20 driven by two wheelers.

Source: *Media sources*

STRATEGIES ADOPTED…(2/2)

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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. ▪ 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 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). ▪ In July 2020, Honda has launched BS-VI compliant diesel version of Civic at Rs. 20.75 lakh (US$ 29,436.79). ▪ Continuing on its path to use India as its base for global expansion, Kia Motors launched its latest company SUV Sonet in August 2020. The company plans to use its India facility to cater the demand from 70 markets globally ▪ In October 2020, BMW launched the BMW 2 Series Gran Coupe, the cheapest car in the company's portfolio in India. ▪ Land Rover's new-generation SUV, Land Rover Defender, was launched in October 2020 in India. ▪ In October 2020, Audi launched Audi Q2, the company's cheapest car in the country with a booking token of Rs. 2 lakh (US$ 1,363.57) ▪ Mahindra Thar 2020 model was launched at a starting price of Rs. 9.80 lakh (US$ 13,236.48) in October ▪ MG Motor launched MG Gloster luxury SUV in India at a starting price of Rs. 28.98 lakh (US$ 39,142.16) in October ▪ In November 2020, BMW launched a limited-edition Mini John Cooper Works Hatch in India at a starting price of Rs. 46.9 lakh (US$ 63,341.31)

Source: *Media sources*

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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. ▪ 5% of total FDI inflows to India from April 2000 to June 2020 went into automobiles sector. ▪ Investment flows into EV start-ups in 2019 (until the end of November) increased nearly 170% to reach US$ 397 million. ▪ 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

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% from 150% (in-house) and 175% from 125% (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*

INVESTMENT SCENARIO (1/2)

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The Indian automobile sector has had an inflow of huge investments from domestic and foreign manufacturers. FDI inflow in the sector was about US$ 24.53 billion between April 2000 and June 2020.

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 pRs.nts 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 (US$ 272.6 million) in India directed towards developing electric components and technologies
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. 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*

INVESTMENT SCENARIO (2/2)

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.
Ultraviolette Automotive	▪ In October 2020, Ultraviolette Automotive, a manufacturer of electric motorcycle in India, raised a disclosed amount in a series B investment from GoFrugal Technologies, a software company.
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: *Media sources*

OPPORTUNITIES

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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

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Automobiles

KEY INDUSTRY ORGANISATIONS

KEY INDUSTRY ORGANISATIONS

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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

Federation of Indian Automobile Associations

Indian Merchant's Chamber Bldg. 76 Veer Nariman
Road - Churchgate, Mumbai - 400020
Phone ; 91 22 2204 1085
Fax: 91 22 2204 1382

Automotive Research Association of India (ARAI)

Survey No. 102, Vetal Hill, off Paud Road,
Kothrud, Pune - 411 038
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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
- LCV: Light Commercial Vehicle
- OEM: Original Equipment Manufacturers
- Rs..: Indian Rupee
- SIAM: Society of Indian Automobile Manufacturers

EXCHANGE RATES

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Exchange Rates (Fiscal Year)

Year Rs.	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

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

Source: *Reserve Bank of India, Average for the year*

DISCLAIMER