

# Imminent of Indian Automobile Industry in the World Market

Prof. Vishwanath Kumbar, Dr. Shashank M Hiremath

PGCSCM (IIM T), MBA, MCOM, PGDRM, MPHIL, NET(UGC), (PhD). Sindhi Institute of Management  
Bangalore-560024, Karnataka, India.

MBA, MCOM, NET (UGC), PhD. Sindhi Institute of Management Bangalore-560024, Karnataka, India.

Date of Submission: 25-02-2023

Date of Acceptance: 05-03-2023

## INTRODUCTION:

The Indian automobile industry has historically been a good indicator of how well the economy is doing, as the automobile sector plays a key role in both macroeconomic expansion and technological advancement. The two wheelers segment dominates the market in terms of volume, owing to a growing middle class and a huge percentage of India's population being young. Moreover, the growing interest of companies in exploring the rural markets further aided the growth of the sector.

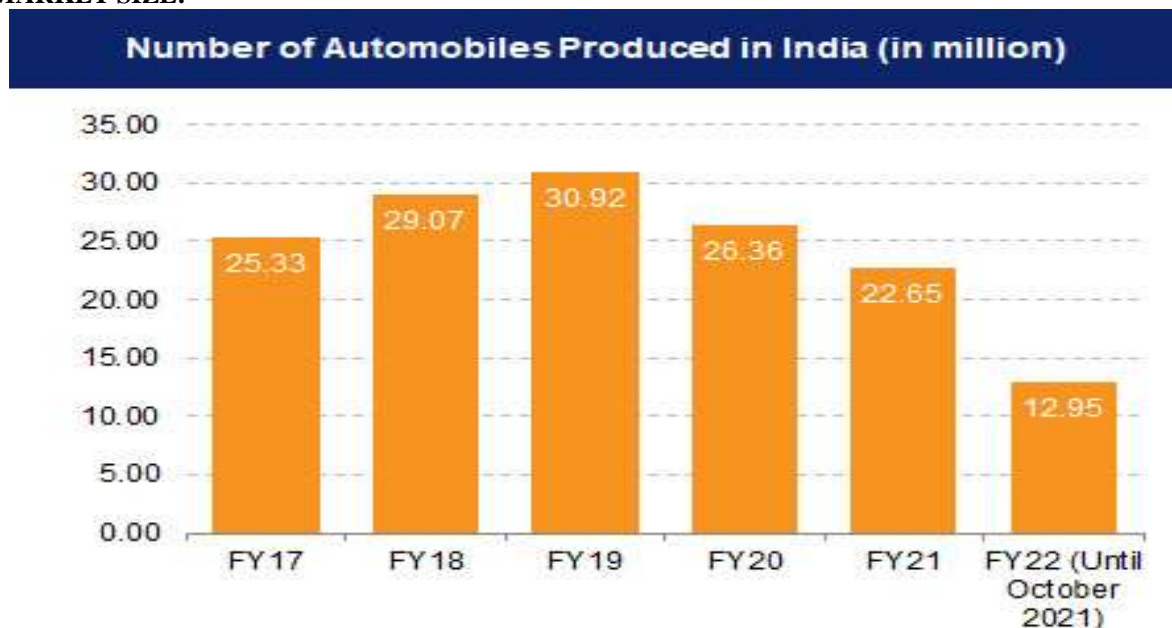
The rising logistics and passenger transportation industries are driving up demand for commercial vehicles. Future market growth is anticipated to be fuelled by new trends including

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 FY22 was 22.93 million vehicles. India is also a prominent auto exporter and has strong export growth expectations for the near future. In addition, several initiatives by the Government of India such as the Automotive Mission Plan 2026, scrappage policy and production-linked incentive scheme in the Indian market are expected to make India one of the global leaders in the two-wheeler and four-wheeler market by 2022.

## MARKET SIZE:



The India passenger car market was valued at US\$ 32.70 billion in 2021, and it is expected to reach a value of US\$ 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 crores (US\$ 7.09 billion) in India by 2025. A study by CEEW Centre for Energy Finance recognised a US\$ 206 billion opportunities for electric vehicles in India by 2030. This will necessitate a US\$ 180 billion investments in vehicle manufacturing and charging infrastructure.

According to NITI Aayog and the Rocky Mountain Institute (RMI), India's EV finance industry is likely to reach Rs. 3.7 lakh crore (US\$ 50 billion) 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.

Indian automotive industry is targeting to increase export of vehicles by five times during 2016-26. In FY22, total automobile exports from India stood at 5,617,246.

#### INVESTMENTS:

To keep up with the growing demand, several auto makers have started investing heavily in various segments of the industry during the last few months. The industry attracted Foreign Direct Investment equity inflow (FDI) worth US\$ 33.53 billion between April 2000-June 2022, accounting for 5.54% of the total equity FDI during the period.

Some of the recent/planned investments and developments in the automobile sector in India are as follows:

- In November 2022, Maruti Suzuki India announced plans to spend nearly Rs. 7,000 crores (US\$ 865.12 million) on a number of projects this year, including the building of its new facility in Haryana and the introduction of new models.
- In October 2022, the total production of passenger vehicles\*, three wheelers, two wheelers, and quadricycles was 2,191,090 units.
- In October 2022, Maruti Suzuki was India's biggest car seller, with 136,700 units sold.
- In October 2022, Hero MotoCorp sold 507,587 two wheelers, the highest in the segment, which gave it a market share of 32.31%.

- In September 2022, Maruti Suzuki launched the Grand Vitara at a starting price of Rs. 10.45 lakh (US\$ 12,915).
- In September 2022, Hero MotoCorp announced an investment of US\$ 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 crores (US\$ 3.08 billion) 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 US\$ 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 crores (US\$ 13.24 million) 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 crores (US\$ 444 million).
- In December 2021, TVS Motor Company and BMW Motorrad, announced a partnership in the two-wheeler EV space, with plans to release their first electric two-wheeler within the next two years.
- In December 2021, Hyundai announced plans to invest Rs. 4,000 crores (US\$ 530.25 million) in R&D in India, with the goal of launching six EVs by 2028.
- 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 EV ambitions.

#### 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:

- 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.
- As of July 15, 2022, under the 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).
- 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.
- 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. The 20 automobile companies have proposed a total investment of around Rs. 45,000 crores (US\$ 5.95 billion).
- In the Union Budget 2022-23, the government laid out the following initiatives:
  - The government introduced a battery-swapping policy, which will allow drained batteries to be swapped with charged ones at designated charging stations, thus making EV's more viable for potential customers.
  - India's National Highways would be expanded by 25,000 km in 2022-23 under the Prime Minister's Gati Shakti Plan.
- 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-quadracycles, under the PLI scheme for automobiles.
- In September 2021, Minister of Road Transport and Highways, Mr. Nitin Gadkari, announced that government is planning to make it mandatory for car manufacturers to produce flex-fuel engines after getting the required permissions from the Supreme Court of India.
- In September 2021, the Indian government issued notification regarding a PLI scheme for automobile and auto components worth Rs. 25,938 crores (US\$ 3.49 billion). This scheme is expected to bring investments of over Rs.

42,500 (US\$ 5.74 billion) by 2026, and create 7.5 lakh jobs in India.

- In August 2021, Prime Minister Mr. Narendra Modi launched the Vehicle Scrappage Policy, which aims to phase out old polluting vehicles in an environmentally-safe manner.
- The Indian government has planned US\$ 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.
- In July 2021, India inaugurated the NATRAX, which is Asia's longest high-speed track and the fifth-largest in the world.
- As of June 2021, Rs. 871 crores (US\$ 117 million) has been spent under the FAME-II scheme, 87,659 electric vehicles have been supported through incentives, and 6,265 electric buses have been sanctioned for various state/city transportation undertakings.
- In May 2021, the Central Government approved a PLI scheme for manufacturing Advanced Chemistry Cells (ACC) with a budget of Rs. 18,100 crores (US\$ 2.33 billion). In March 2022, four firms, namely Reliance New Energy Solar Limited, Ola Electric Mobility Private Limited, Hyundai Global Motors Company Limited and Rajesh Exports Limited, were elected to receive the incentives.

#### ROAD AHEAD:

The automobile industry is dependent on various factors such as availability of skilled labour at low cost, robust R&D centres, 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.

In August 2022, the Indian government launched India's first double decker electric bus in Mumbai.

Looking long term, the government feels it is necessary to overhaul the country's transportation system. It 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 expects the automobile sector to attract US\$ 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.

The Indian auto industry is expected to record strong growth in 2022-23, post recovering from effects of COVID-19 pandemic. Electric vehicles, especially two-wheelers, are likely to witness positive sales in 2022-23.

**Questions:**

1. What are the strengths, weakness, opportunities and threats for Indian automobile firms in the domestic and international markets?
2. What are the driving forces that are responsible for the increased market share of Indian automobile firms?

**REFERENCES:**

- [1]. International Organization of Motor Vehicle Manufacturers, Media Reports, Press Releases, Department for Promotion of Industry and Internal Trade (DPIIT), Automotive Component Manufacturers Association of India (ACMA), Society of Indian Automobile Manufacturers (SIAM), Union Budget 2022-23.