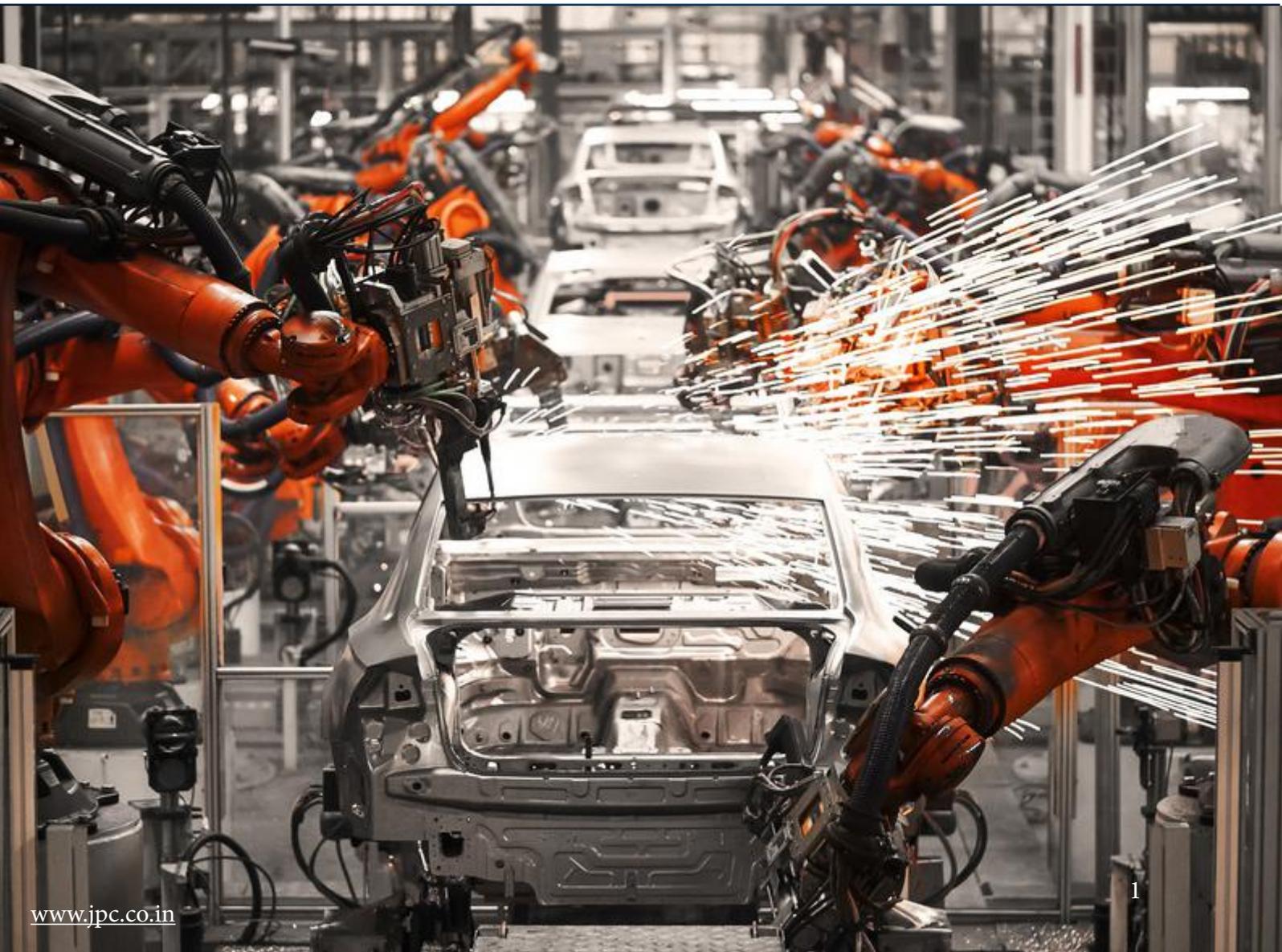


INDIAN AUTOMOBILE INDUSTRY

J P Chawla & Co. LLP

Chartered Accountants

Taxation | Audit | Outsourcing | Regulatory | Transaction Advisory | Consultancy Services

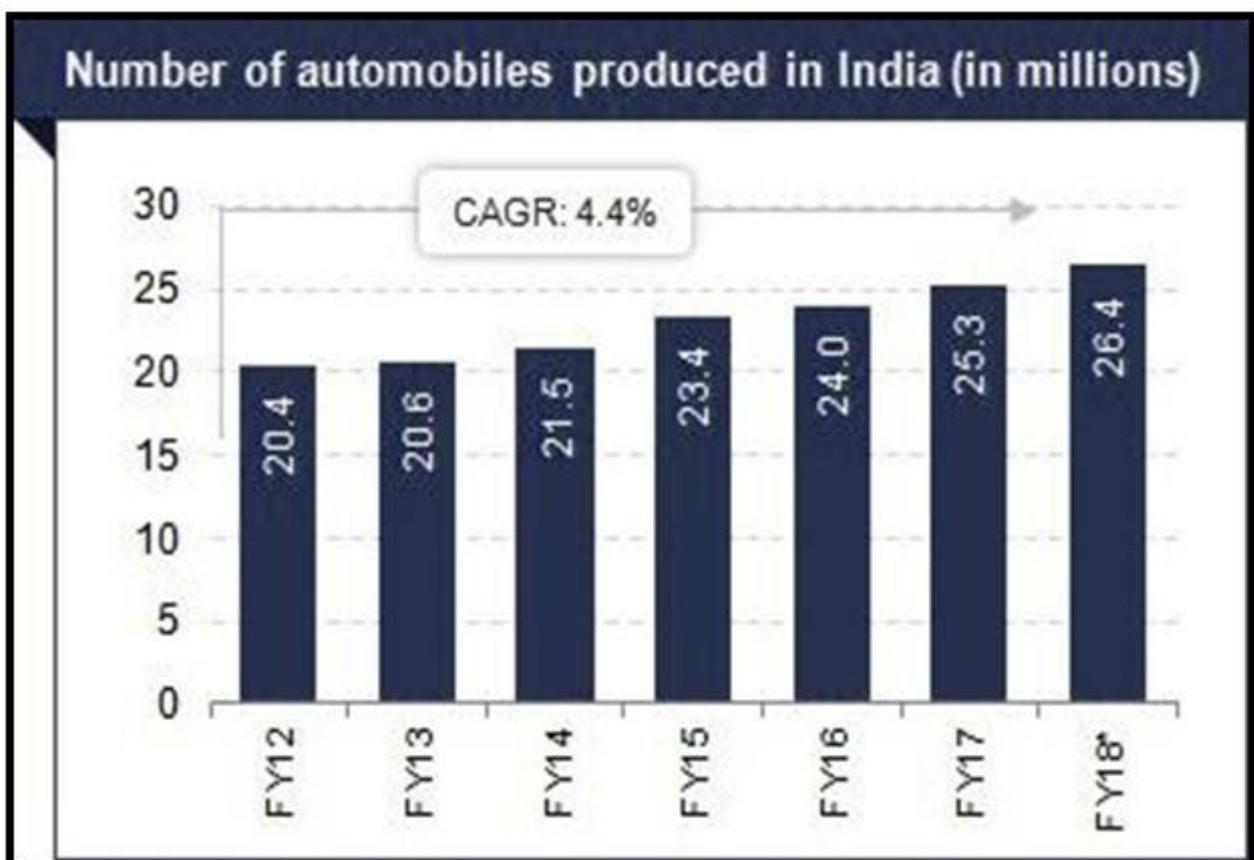


Introduction to the Indian Automobile sector

Indian automobile industry can be divided into several segments, such as three-wheelers, two-wheelers (motorcycles, scooters (with and without gears) and mopeds), commercial vehicles (light, medium and heavy), passenger cars, tractors . The Indian automobile industry is the world’s fourth-largest industry in terms of employment and manufacturing of units. This massive growth made it the 7th most prominent manufacturer of heavy and commercial vehicles and 4th largest manufacturer of cars in 2018. India is a developing country, and automobile companies are leveraging this opportunity brilliantly. More than 13 million individuals are engaged in this industry directly and indirectly. Automobile exports showed significant growth of 14.5% in FY 2019. Potential growth of the industry fascinated futuristic investors in recent years. This USD 93 billion (INR 6,59,808.40 Crores) industry contributes 7.1% of India’s GDP and 49% of manufacturing GDP. The government initiated the program “Make in India” invited all major international players through a modification in Government’s import and FDI policy.

Market Overview

India ranked 4th worldwide in car manufacturing in 2018. Some famous car models which were exported include GM Beat, Ford Ecosport Nissan Micra and Sunny, and Volkswagen Vento. Ford India topped in exporting cars by shipping a massive number of 181 000 vehicles overseas. 6.7% CAGR growth is recorded in overall domestic vehicles between FY13-19 along with the sale of 26.27 units in FY19. Domestic production increased by 6.96% compound annual growth rate between the financial year 2013-19 with the sell of 30.92 million units manufacturing in FY19. Commercial vehicles showed 17.55 per cent growth in sales in FY19, whereas three-wheelers showed 10.27% growth. One 1,000,000 units of premium motorbike sales were recorded in FY18. Sales of electric two-wheelers were reported to have breached the mark of 55,000 vehicles in 2017-18.



Investments in the sector

Recent few months have recorded tremendous growth in investments in various segments of the industry by many automakers. Current data released by the DPIIT shows that from April 2000 to March 2019 industry attracted US\$ 21.38 billion FDI.

Down below are some recently planned investments in the Indian automobile industry

- Automobile giant Ashok Leyland mapped a plan of investment of 155.20 million USD (INR 1,101 Crores). With this investment, the company will launch 20-25 new models in the commercial vehicle segment in 2018-19.
- Hyundai comes up with a plan of investing 1 billion USD (INR 7,094.7 Crores INR) by 2020, which is quite a significant number in terms of investment made by any company.
- SAIC Motor also planned to invest 310 million USD (INR 2,199.3 Crores INR).
- Mahindra Electric Mobility invested 14.25 million USD (INR 101 Crores) in opening its electric technology manufacturing hub in Bangalore. Hub will increase its annual manufacturing capacity up to 25000 units.
- Luxury car maker company Mercedes Benz amplified the production of Chakan Plant to 20000 units, the highest number of the luxury car manufacturer in India.
- Honda Motors Company is about to open its third factory in India for the advancement in its production of hybrid and electric vehicles with an investment of 1.31 billion USD (INR 9,294 Crores INR).

Government Initiatives to Boost the Indian Automobile sector

The primary aim of the Indian government is to encourage foreign investment in the automobile sector and to execute this plan; now, the government permits 100% FDI. Down below are some steps of Government of India

- Ministry of India's eyes to develop India as a universal manufacturing and R&D hub.
- To set the industry as per global standards government of India is about to set up R&D centers with a budget of 388.5 million USD (INR 2,756.20 Crores INR) under NATRiP.
- As per the FAME, a scheme the government has listed the name of 11 cities to introduce electric vehicles as the public transport system. Government is also going to set up incubation center for start-ups working to enhance the electrical vehicle industry.
- Indian government launched FAME-II scheme with the fund 1,390,000,000 USD (INR 9,861.6 Crores INR) in February 2019 for the financial year 2020-22.
- India also unveiled a program named 'National Electric Mobility Mission Plan 2020' to examine the issues related National energy security, vehicular pollution and also the growth of domestic manufacturing capabilities. To follow the same Government of India has a plan to shift the modern Indian automotive market by 2030.

Bharat VI standards

Bharat Stage VI also known as BS VI is introduced by government to change some industry terms regarding pollutant emissions. If these standards come into practice than it will level up the current situation of the country from the perspective of technology advancement in automotive industry. These standards will reduce Nox emissions by 25% in petrol powered vehicles and by 68% in diesel powered vehicles. Along with that this exercise will put India in the category of countries like the US and European countries which are currently having one of the most advanced automotive market.

Investment Opportunities

The Indian Automobile sector permits 100% FDI. This eliminates the problem in international trade. To meet the vision of the Indian Government's vision of making India a manufacturing and R&D hub. Industry experts estimate that the Indian automobile industry will be worth 251.4-282.8 billion USD (nearly INR 20,06,385.20 Crores) by 2026.

Government initiatives and schemes like FAME makes it safe and secure in terms of investment. Government's vision of transforming Indian public transport by providing electric vehicles also encourages excellent minds to invest in this sector.

By 2026, India will be the world's third-largest automotive market in terms of several unit manufacturing.

After examining the data, it is observed that down below are some automobile segments which can give huge returns on investment.

Passenger vehicles- Utility vehicles, passenger cars and multi-purpose vehicles.

Two-wheelers- Scooters, motorcycles, and mopeds.

Three-wheelers- Good carriers, passenger carriers.

Commercial vehicles- Heavy commercial vehicles, medium, and light commercial vehicles.

Electric Vehicles – Scooters and Cars

Major Players

- **Hindustan Motors:** This is one of the oldest car manufacturing companies in India which has produced the cars like ambassador and contessa. After collaborating with foreign companies like General Motors Corporation of USA and Mitsubishi company produced the remarkable cars. Statistics show that company holds good position in manufacturing of passenger cars, utility vehicles and earthmoving equipment.
- **Mahindra and Mahindra:** Started in the year 1945, the company has revolutionized the Indian automobile industry by producing vehicles with cutting-edge quality. The company began with the aim of manufacturing a general-purpose utility vehicle, and after that, they expanded the business to automotive, MSL, tractor, and inter-trade. Currently, with its advanced technological infrastructure and human resources, it stands as the largest manufacturing company in India.
- **Hyundai Motor India Limited:** Hyundai Motor is an Indian subsidiary of a South Korean company. Headquartered in South Korea, this company was the second largest automobile manufacturer with 16.2% market share in 2019. As per the data of February 2019 report its turnover was 6600000000 USD (INR 46,825.1 Crores). One of the most purchased cars Hyundai Santro Xing was built in India by the Indian subsidiary of the company. Hyundai entered in Indian automobile market in 1996. Company gained its popularity because of the advancement it brought to the Indian market. Company has invested more than 14000000 USD (INR 99.3 Crores) . Company invested in new startup Revv for its future growth.

- Porsche India:** Company is the Indian division of the German automobile giant Porsche and the Volkswagen Group India. It came in India in 2004 was headquartered in Mumbai. Porsche India currently selling luxurious cars like the Boxster, Cayman, 911, Macan and Panamera. By selling 1052 units in India it became one of the leading luxury brands in India. Company is planning to establish new stores to become major sellers in India
- Bajaj Auto Limited:** In 1945, Bajaj Autos started as a trading company. The company was marketing two-wheelers from Italy in India. The company got its license to produce two-wheelers in the year 1959. Having collaborated with Piaggio of Italy company now stands on the list of top five automobile companies in India from the perspective of annual turnover. Company's contract with Piaggio expired 1971 now the company is the sole manufacturer of two and three-wheelers under the 'bajaj' tag. Manufacturing hub of the company is in Maharashtra, which produces 1.35 million units annually.
- Maruti Suzuki India Limited:** First Indian company which started manufacturing low-cost cars after having collaboration with Suzuki of Japan. Maruti is considered as one of the largest companies in India. The company produces cars using Japanese technology. These fuel-efficient cars backed with Japanese technology are adaptive to Indian roads. Annual production of the company is 3,20,000, units which is one of the highest number achieved by any Indian company. Maruti 800, Maruti Omni, Zen Wagon R, and Baleno are some cars which recorded impressive sales.
- Tata Motors:** Company is the biggest manufacturer of commercial vehicles who has a turnover of 101.3 billion USD (INR 7,18,694.5 Crores). Tata Motors is also listed in the top ten vehicle manufacturing companies of the world in 5-15 tonnes segment. The company manufactures a range of vehicles including commercial vehicles, light commercial vehicles, multi-utility vehicles, and passenger cars as well. Formerly known as TELCO has launched numerous car brands in collaboration with the USA, Daimler Benz A.G., Holset Engineering Company, and Cummins Engine Company. The main aim of the company is producing efficient vehicles at low cost and low pollution. The company manufactured vehicles like Tata Safari, Tata Sierra, Tata Estate and Tata Mobile. Main factors which played a crucial role in protecting the company to these heights are a brand name, adaptability to Indian roads and fuel efficiency
- BMW India:** This company is a subsidiary of famous BMW group. Headquarters of the company are in Gurgaon. Company is targeting to increase its manufacturing in India. In 2007 company opened a plant in Chennai. Since its opening plant has accomplished the assembling of 57000 vehicles. In 2019 BMW india sold 2822 cars which is an impressive number.
- Swaraj Tractors:** Punjab Tractors Limited started manufacturing tractors in Mohali in 1972. Company started manufacturing tractors with a brand name "Swaraj". Mahindra Group purchased the brand in 2007. Along with this brand Mahindra group has a 50% market share in Indian automobile sector when it comes to manufacturing and selling of tractors.

Road Ahead

Various factors support the automobile industry, including the availability of skilled labor at low cost, advanced R&D centers, and small cost steel production. The sector presents enormous opportunities, especially for investment and direct and indirect employment to trained and untrained labor. Indian automobile industry, including component manufacturing, is expected to reach 251.4-282.8 billion USD (nearly INR 20,06,385.2 Crores) by 2026.



Conclusion

Indian Automobile sector shows significant growth in terms of manufacturing, exporting, and exportation of vehicles. Government's initiative and support in modifying the policies to attract investors gave it a dramatic boost. Along with that knowledge institutes provided by the government and improved infrastructure of companies backed with the latest technology assures a bright future to this industry. After examining each aspect related to the growth and well-establishment of this industry, it is concluded that the Indian automobile sector gives a world of opportunities for getting a high return on the investment.

Dear Valuable Client / Colleague,

In case you require any further detailed analysis on above mentioned content, please do get back to us and we shall be happy to provide you the same.

With Best Regards,

Team JPC

About JPC

JPC is a professional services firm based in Noida- National Capital Region and New Delhi, India. We were established in the year 1974 with the aim to create value for our clients by delivering quality, comprehensive, timely, practical and innovative services. We offer a comprehensive range of services, including taxation services, regulatory services, transaction advisory services, financial & management consultancy services, assurance & risk services, and outsourcing services. Over the past several decades, we have established significant competitive presence in the country. Our vast and diversified client base includes Multinational enterprises, domestic companies, high net worth individuals, government companies and institutions in all leading industry verticals. We are a team of distinguished Chartered Accountants, Management Accountants, Corporate Financial Advisors and Tax Consultants. Our team has the requisite skills and experience to provide complex business, financial, assurance, tax and regulatory services to our clients. Our strength lies in our timely performance-based, industry-tailored and technology-enabled services which are delivered by some of the most talented professionals in the country. For more information about JPC's service offerings, visit www.jpc.co.in

In this document, "JPC" refers to J P Chawla & Co. LLP Chartered Accountants (a limited liability partnership firm regulated by the Institute of Chartered Accountants of India, FRN : 001875N/ N500025).

Disclaimer:

This content is provided on the basis of secondary research only and J P Chawla & Co. LLP (JPC) does not make any representation or warranty of any kind with respect to its contents. JPC specifically does not warrant or represent that any analysis or its content are timely, complete or accurate. This document consists of content for knowledge purposes only and does not constitute an advertisement or opinion or copyright of any kind.

J P Chawla & Co. LLP

Chartered Accountants

New Delhi office:

43 Darya Ganj,
New Delhi - 110002
INDIA

Noida office:

C-129, Sector 2,
Noida - 201 301 (U.P.), INDIA
Phone: +91-120-4573207, 4573208
General Email: info@jpc.co.in

Main Partners Hand Phone & Email

Rajat Chawla
J.P. Chawla
Richa Chawla

+91-9871494499 | rajatchawla@jpc.co.in
+91-9811028918 | jpchawla@jpc.co.in
+91-9990509709 | richajuneja@jpc.co.in

For further information, please email your details to rajatchawla@jpc.co.in or call +91-9871494499.

