



**THE EVOLUTION
OF THE
AUTOMOTIVE
INDUSTRY IN
INDIA OVER THE
PAST TEN YEARS**

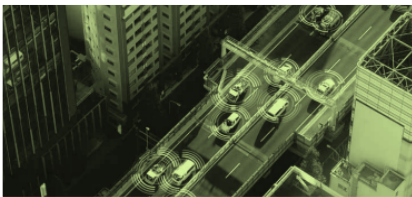
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INTRODUCTION

The auto component industry in India has emerged as a significant sector contributing to the country's economic growth, technological advancement, and employment generation.

India's automotive industry is a vital sector

- contributing 49% to the country's manufacturing GDP
- 7.5% of the overall GDP
- supporting approximately 38 million jobs



As a crucial segment of the more significant automotive industry, the auto component sector

encompasses various products, including engine parts, drive transmission and steering parts, body and chassis, suspension and braking parts, electrical parts, and more.

This industry serves domestic automobile manufacturers and caters to the global market through substantial exports. With India's exponential growth, the manufacturing side of the industry has been parallelly growing proportionately.

WITH INTERNATIONAL COMPANIES SUCH AS MARUTI SUZUKI, HYUNDAI, HONDA, MAHINDRA AND MORE MANUFACTURING IN INDIA, MANY MORE AUTO-COMPONENT MANUFACTURERS HAVE BENEFITED. FOR EXAMPLE, KEY PLAYERS IN THE INDUSTRY MANUFACTURING SECTOR INCLUDE SUBROS, SONA COMSTAR, UNO MINDA, ETC.

I am working on this report while attending an internship at the AUTOMOTIVE COMPONENT MANUFACTURERS ASSOCIATION OF INDIA (ACMA). I aim to discuss the growth of the automotive industry and how it is forecasted to grow in the future based on what I learned during my time working on the internship.

ACMA is "an apex body representing India's Component Industry," boasting membership to nearly 950 manufacturers in 2023 - 24 while contributing to more than 85% of the auto component industry's total turnover. I come from a family that has been a part of this industry for the past forty years. Therefore, my interest was sparked, making me more curious about understanding the nature of the sector in this economy.

Through this report, I will write about the industry's evolution over the past ten years. However, the report would be incomplete without briefly introducing the sector's humble beginnings in India and highlighting some milestones for the industry over the past years.



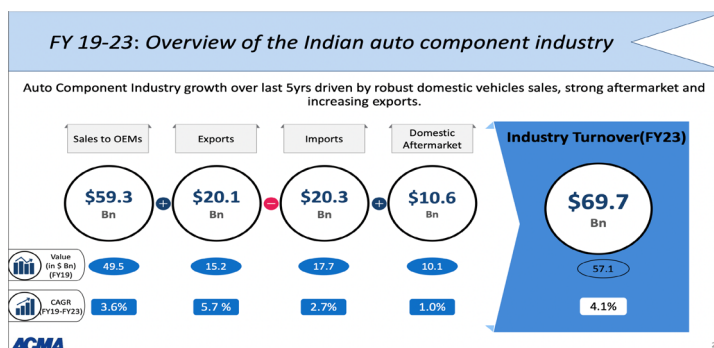
The Maruti Udyog was established in 1983. The Maruti 800, launched in 1983, revolutionised the Indian car market by introducing affordable, reliable, and fuel-efficient vehicles. Maruti's entry modernised production processes and set new standards for the industry.

Furthermore, the economic liberalisation in 1991 opened the market to foreign investments. This led to the entry of global automotive giants like **HYUNDAI, TOYOTA, HONDA, AND FORD**, which formed a much more competitive marketplace and increased innovation.

By the 2000s, Indian companies such as **TATA MOTORS AND MAHINDRA** expanded domestically and internationally, an example being Tata's acquisition of **JAGUAR** in 2008. The industry has certainly come a long way since its establishment 1942 with Hindustan Motors.

THE GROWTH OF THE INDUSTRY

The financial year 2023 has been the best so far for the automotive sector in India. The industry grew to a new record high of nearly \$70B, with a growth of 32.8%. But has the number always been this impressive? Looking back ten years, the industry turnover was \$35.13B, nearly half of what was in FY2023.



From Table (1) numbers, we can apply the summation of the percentage growth over the years to find the average growth rate that the industry has been working at (in terms of turnover). This number comes to 8.6% (factoring in COVID-19 years) and 10.56 (without factoring in FY2020 and FY2021).

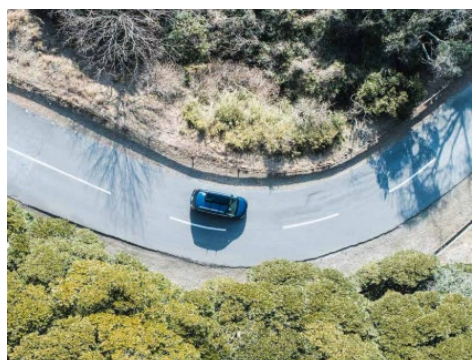
	Value in USD B									
	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23
Turnover	35.1	38.5	39.0	43.6	51.2	57.1	49.3	45.9	56.6	69.7
Sales to OEMs	33.7	35	34.8	37.8	44.7	49.5	40.5	37.7	45.8	59.3
Exports	10.3	11.2	10.9	10.9	13.5	15.2	14.5	13.3	19.0	20.1
Imports	12.8	13.6	13.8	13.5	15.9	17.7	15.4	13.8	18.3	20.3
Aftermarket	5.9	6.8	6.8	8.4	9.2	10.1	9.8	8.7	10.0	10.5

Table (1)

The industry has shown impressive growth over the past two financial years (2022 and 2023), rebounding strongly from the impact of the pandemic. This brings hope for a brighter future for the industry! Accompanied by the growth in turnover, the industry has also seen a rise in exports by nearly 2x as compared to \$10.3 B in FY2014 and \$20.1 B in FY2023.

To facilitate this growth, organisations such as ACMA have helped the government enforce policies to aid the industry. A few of these policies are as follows.

1. Automotive Mission Plan (AMP) 2016-26:



The AMP 2026 sets a roadmap for the Indian automotive sector, aiming to increase the industry's contribution to GDP, enhance exports, and create substantial employment opportunities. Specific targets include making India one of the top three automotive industries globally.

AMP 2026 has delineated a "Vision 3/12/65". It has been envisaged that by 2026, the Indian automotive industry will be among the top three of the world in engineering, manufacture and export of vehicles and auto components and will encompass safe, efficient and environment-friendly conditions for affordable mobility of people and

transportation of goods in India comparable with global standards, growing in value to over 12% of India's GDP, and generating an additional 65 million jobs.

Impact: This strategic plan has provided a clear direction for industry stakeholders, fostering collaboration between the government and the private sector. The focus on export growth and job creation has led to increased investments in capacity building and technology upgrades within the auto component industry.

2. Make in India Initiative:

Launched in 2014, Make in India aims to transform India into a global manufacturing hub by attracting foreign direct investment (FDI) and encouraging domestic companies to boost production.



Impact: The initiative has significantly increased FDI inflows into the auto component sector, with global manufacturers setting up production facilities in India. This has created jobs and facilitated technology transfer and skill development.

3. Production Linked Incentive (PLI) Scheme:

The PLI scheme offers financial incentives to manufacturers who meet specific performance criteria related to production, sales, and exports.

a.) PLI scheme for Advance Battery Cells

The Government of India has announced the 'National Programme on Advanced Chemistry Cell (ACC) Battery Storage' to achieve a manufacturing capacity of Fifty (50) Gigawatt hours (GWh) of ACC for Enhancing India's Manufacturing Capabilities with a budgetary outlay of ₹ 18,100 Crore. The scheme aims to promote new advanced energy storage technologies that can store electrochemical or chemical energy and convert it back to electric energy when required.

b.) PLI Scheme for the Automobile and Auto Component Industry

The Production Linked Incentive (PLI) Scheme for India's Automobile and Auto Component Industry was notified on 23 September 2021. The scheme proposes financial incentives to boost domestic manufacturing of Advanced Automotive Technology (AAT) products and attract investments in the automotive manufacturing value chain. Its prime objectives include overcoming cost disabilities, creating economies of scale, and building a robust supply chain for AAT products. It will also generate employment. This scheme will facilitate the automobile industry's move up the value chain to higher value-added products.



18 OEMS AND 67 AUTO COMPONENT MANUFACTURERS have been identified under the scheme. The PLI Scheme for the Automobile and Auto Component Industry in India has successfully attracted a **proposed investment of ₹ 74,850 Crore against the target estimate of investment of ₹ 42,500 Crore over five years.**

Impact: By providing monetary incentives, the PLI scheme has encouraged auto component manufacturers to scale up production, invest in new technologies, and improve product quality. This has enhanced the competitiveness of Indian auto components in the global market.

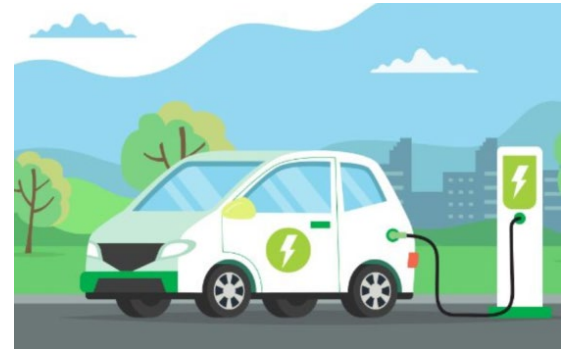
4. FAME India Scheme:

The Faster Adoption and Manufacturing of Hybrid and Electric Vehicles (FAME) India scheme aims to promote electric mobility by providing incentives for electric vehicles and related components.

FAME-I: Launched in April 2015, this scheme aimed to promote the adoption of electric and hybrid vehicles in the country through a series of incentives and subsidies.

FAME I focused on four key areas:

- DEMAND CREATION
- TECHNOLOGY PLATFORM
- PILOT PROJECTS AND
- CHARGING INFRASTRUCTURE



Under this scheme, financial incentives were provided to buyers of electric and hybrid vehicles, significantly reducing their purchase costs. This phase also supported the establishment of charging infrastructure and pilot projects to demonstrate the viability of electric vehicles in various sectors. FAME I was crucial in raising awareness about electric mobility and laid the foundation for subsequent advancements in the Indian electric vehicle ecosystem.

FAME-II: Building on the success of FAME I, the FAME II scheme was launched in April 2019 with an enhanced focus on supporting the electric vehicle ecosystem and accelerating the adoption of electric mobility.

With a budget allocation of INR 10,000 crore, FAME II aimed to address the challenges faced in the first phase by emphasising the development of robust charging infrastructure, increasing the number of electric vehicles in public transportation, and encouraging the use of ELECTRIC TWO-WHEELERS, THREE-WHEELERS, AND BUSES.

The scheme also targeted the deployment of electric vehicles in shared and commercial transportation segments. Additionally, FAME II incentivised the localisation of electric vehicle components, promoting domestic manufacturing and reducing import dependency. This phase has been instrumental in driving significant growth in the electric vehicle market in India, contributing to the country's efforts to reduce carbon emissions and transition towards sustainable transportation solutions.

This phase of the scheme focuses on supporting the electrification of public & and shared transportation and aims to support through subsidies 7090 e-Buses, 5 lakh e-3 Wheelers, 55000 e-4 Wheeler Passenger Cars and 10 lakh e-2 Wheelers. 175 e-2W, e-3W & and e-4W models have been registered under phase II of the FAME II Scheme as of February 2024.

Impact: By encouraging the development and adoption of electric vehicles, the FAME scheme has driven investments in the manufacturing of advanced components such as batteries, motors, and charging infrastructure. This has positioned India as a critical global electric vehicle market player.

5. Trade Agreements and Export Promotion:

The government has actively pursued bilateral and multilateral trade agreements to open new markets for Indian auto components. Since 2014, India has signed several key trade agreements to enhance its economic ties and boost exports, including the auto sector.

These agreements have facilitated greater market access, reduced tariffs, and fostered a more competitive environment for Indian industries.

Key trade agreements signed include

- The India-Mauritius Comprehensive Economic Cooperation and Partnership Agreement (CECPA)
- The India-UAE Comprehensive Economic Partnership Agreement (CEPA)
- The India-Australia Economic Cooperation and Trade Agreement (ECTA)
- The India-European Free Trade Association (EFTA) Trade and Economic Partnership Agreement (TEPA)

While these are just a few examples of the many such policies enforced by various organisations, they give an idea of the types of measures taken to ensure the growth and evolution of the industry in the country.

THE FUTURE OF THE INDUSTRY

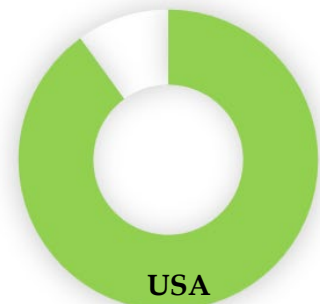
The future of the automobile industry in India appears promising, given the current car penetration as below:



INDIA
~ 59 passenger vehicles per
1,000 people



CHINA
~ 230 passenger vehicles per
1,000 people



USA
~ 900 passenger vehicles per
1,000 people

As India's infrastructure develops and incomes rise, this figure is expected to increase significantly. The Indian government's focus on the "Make in India" and "Design in India" initiatives aims to boost local manufacturing for domestic use and export, potentially increasing exports fivefold by 2030. However, several challenges must be addressed, including achieving global quality standards, fostering innovation, enhancing skills, and ensuring sustainability across the value chain in both product and process.

As content localisation increases, maintaining global quality levels is crucial. Further, Indian companies might benefit from collaborating with IT and technology firms to localise software and electronic components. Moreover, industry collaboration with technical and government institutions will be essential to developing a skilled workforce as the sector evolves from traditional manufacturing to comprehensive mobility solutions.

Additionally, with the rise in the popularity of electric vehicles, the market in India is expanding for EVs. The government is also supporting the manufacturing and purchase of EVs with new PLI schemes and the Fame III scheme underway.

ACMA also reports that by 2030, electric vehicles (EVs) might account for 40 to 50 per cent of new vehicle sales. The highest adoption rates are likely seen in developed, densely populated cities with strict emission regulations and generous consumer incentives (such as tax breaks, special parking and driving privileges, and discounted electricity). In contrast, smaller towns and rural areas with limited charging infrastructure and a greater need for extended driving range might see slower adoption rates. However, ongoing battery and charging technology advancements could reduce these regional disparities, leading to a more significant market share for EVs over conventional vehicles.

With transformational changes in the mobility space, the component sector in India is at an inflexion point. There is a focus on being more self-reliant in manufacturing and design, and supportive government initiatives are propelling it. The underlying direction is

“MAKE IN INDIA & DESIGN IN INDIA FOR INDIA AND THE REST OF THE WORLD.”

Note: This paper is based on various documents by ACMA and is merely a summation of my learnings of the automotive industry while interning at ACMA. I decided to write this paper as a passion project to collate and present what I have learned in a more organised manner.