

# Auto compendium

FY21



# Foreword

The Indian automobile industry has been one of the biggest to be impacted due to the pandemic. While it is trying to emerge stronger from the downturn, sales across segments have seen a declining trend. Most companies are operating at 70% of their level of potential. Innovation, new features and new models are expected to bolster the industry in the market.



The Indian auto industry is going through one of the worst crisis and the sales is slowest in the last 20 years. There has been a dip in the volume of both the new-vehicles and used-vehicles industries. However, despite a sluggish market environment in Financial Year 2020-21, overall automobile exports grew 56.55% in March 2021. The industry had also showed signs of slight revival with positive trend in domestic sales in last few months. The second wave of pandemic, however, has struck the industry hard.

The industry has much to look forward to, by way of steady growth in both domestic and export markets. Challenges accompanying the opportunities in alternative mobility remain a significant concern. There is a need for strong regional integration at operational level with developments and linkages at global value

chain scale influenced by changes in trade and investment policies.

There is no expedient solution for the industry to come out of the current situation. However, the pandemic will be a learning lesson in self-survival. Despite a forcible pause, the industry will emerge stronger.

## Saket Mehra

Partner and Automobile Sector leader  
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# Industry overview

## Overall contribution of the auto industry in India

**7.1%**

of overall GDP

**50%**

of the manufacturing GDP

**26%**

of the industry GDP in India

**15%**

of the country's total tax collections

**35 million**

employees, directly and indirectly

**26 million**

projected electric two-wheelers

**4 million**

projected electric three-wheelers

**13%**

passenger cars in total vehicle fleet

**4.6%**

goods vehicles in total vehicle fleet

One of the largest vehicle markets in the world, **India ranks first in data collection related to connected vehicles**



Indian automobile industry is currently the 5<sup>th</sup> largest in the world but is very close to outpacing Japan to gain the fourth position.



FY21 has been a slow year, where not many people bought vehicles due to the pandemic, but the industry has started its rebound process. Various trends would be new for the Indian market, which would help the industry to rise above its competitor.



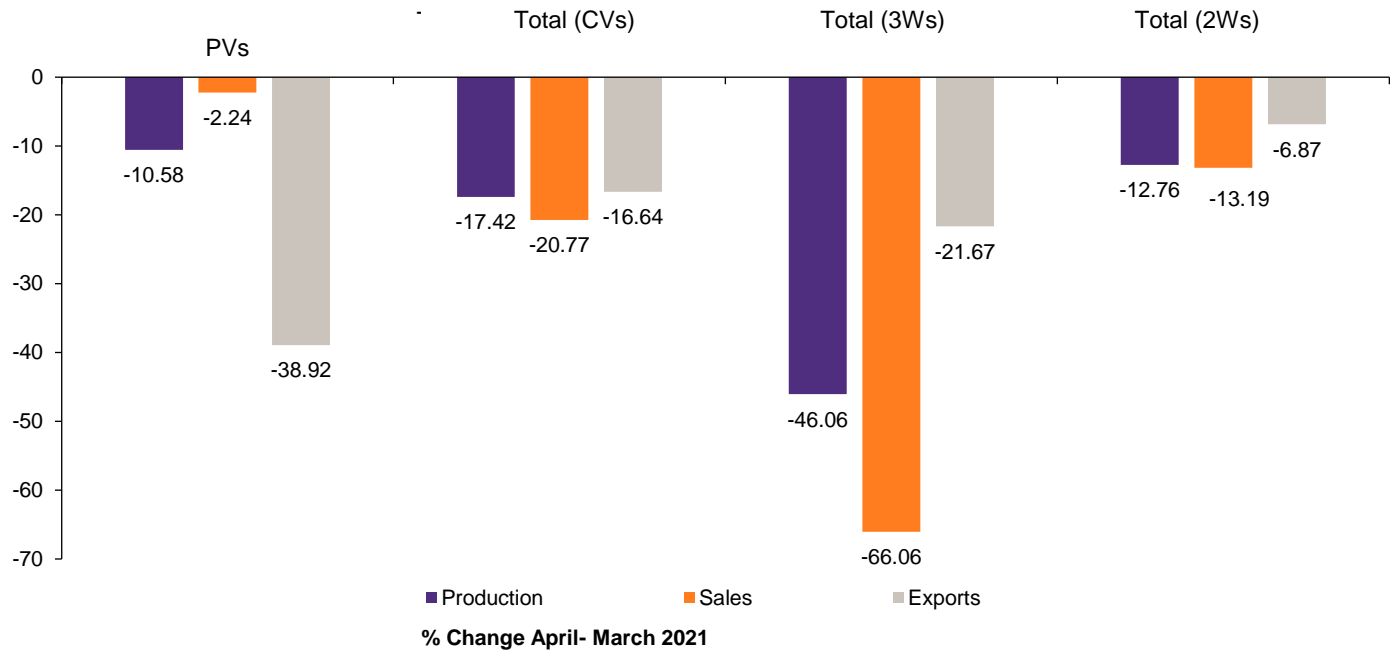
## On path to become global automotive industry hub

India is home to more than 30 automotive R&D centres

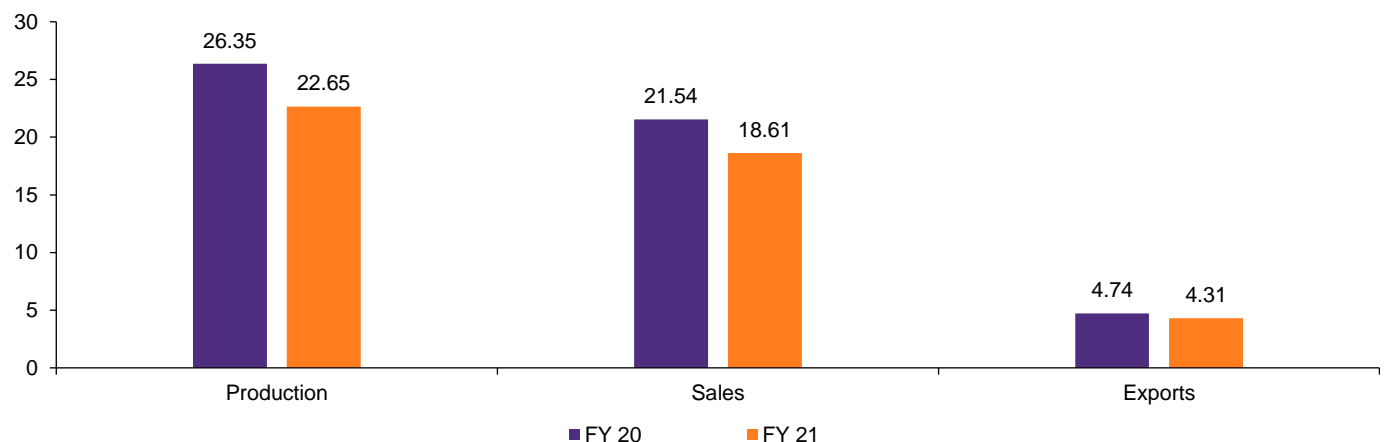
# Yearly performance: De-growth in sales of all segments

Compared with previous years, the industry witnessed a de-growth across segments.

The table below captures cumulative production, sales and exports trend in FY 21



(units in million)



- 22.65 million vehicles produced in FY21 compared with 26.35 million in FY20
- 18.61 million vehicles produced in FY21 compared with 21.54 million in FY20
- 4.13 million vehicles exported in FY21 compared with 4.74 million in FY20

**Two-wheelers**

Leading vehicle category

**Private vehicles**

Leading mode of transport

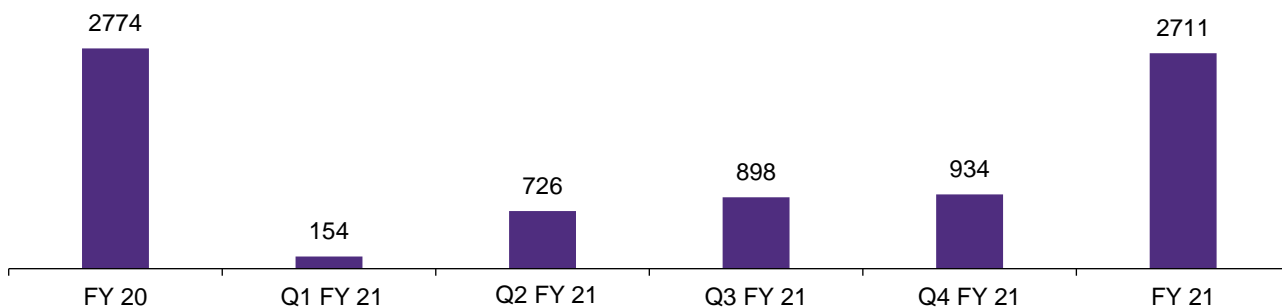
# Domestic sales: PV market witnessed positive trend

## How the PV market started the new year

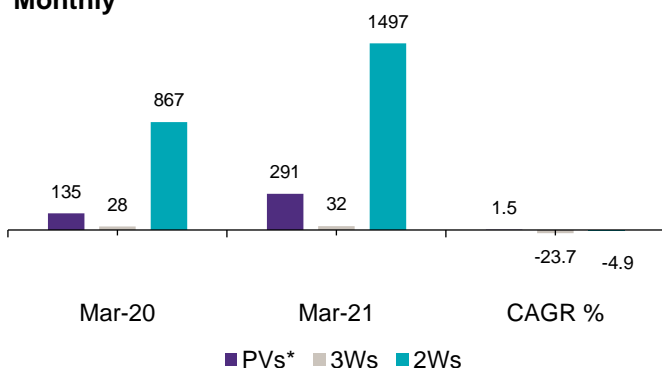
- **March 2021:** Indian PV market witnessed a positive trend. Industry recovered **(+53.93% y-o-y basis)** from pre-pandemic sales levels (290,939 units have been sold in March)
- **February 2021:** 281,380 units PV sold (+17.92%)
- **January 2021:** Industry started new year on a positive note with 276,554 units PV sold (11.4% increase compared to the previous year)

## Domestic sales performance (units in thousands)

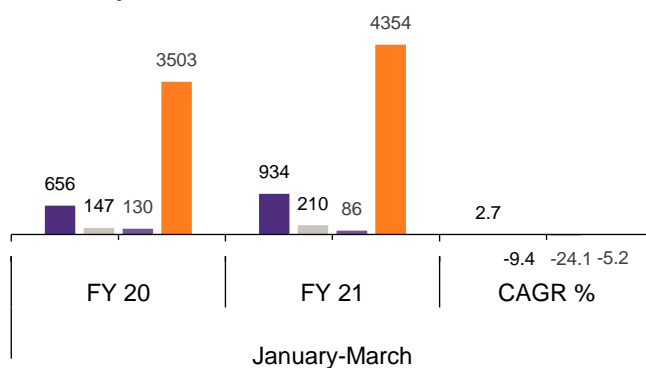
### PVs



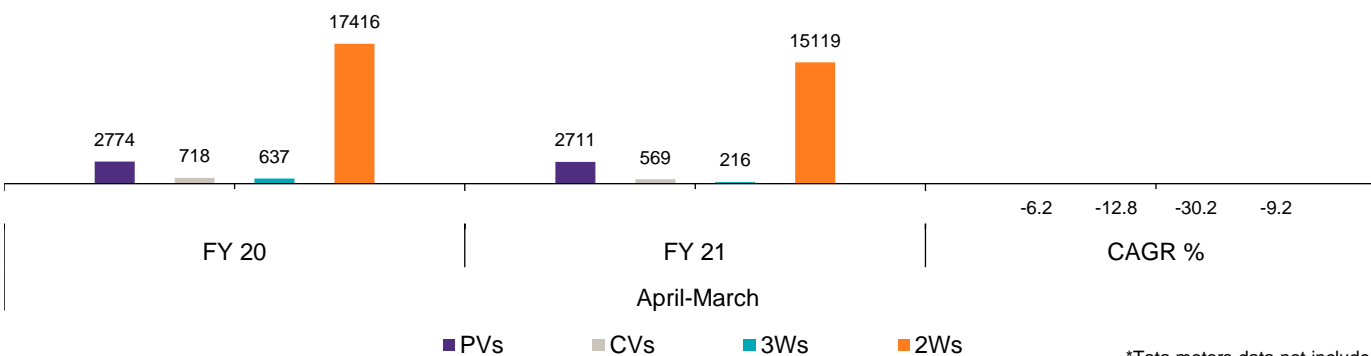
### Monthly



### Quarterly



### Annual



\*Tata motors data not included

# Post-pandemic advantages

The pandemic has altered the way businesses operate. Many auto companies have recognised the advantages of working remotely on stressed cashflows. Sustainability of business operations and securing the financial health of the organisations is the biggest challenge faced by the industry, wherein the performance is linked to each stakeholder in the value-chain, starting from vendors to the dealerships



## Opportunities

Government moves to create '**champion**' sectors, to attract investors, generate jobs and increase manufacturing



## Investments

Automobile sector to **attract USD 8-10 billion** in local and foreign investments by 2023



## Policy support

- Getting the unfit vehicles off the road and **create demand for new vehicles**
- Additional 15% depreciation provided on vehicles acquired until March 2020, bringing total depreciation to 30%
- Automotive Industry Standards Committee (AISD) to review safety standards on a periodic basis and make recommendations
- Standing Committee on Implementation of Emission Legislation (SCOE) to regulate emission norms





# Transformation in auto industry

## Recent Developments

### Production Linked Incentive (PLI) Scheme

Remission of Duties and Taxes on Exported Products (RoDTEP). Improvement in logistics infrastructure and digital initiatives

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

### Government Initiatives

In Union Budget 2021-22, the government introduced the **voluntary vehicle scrappage policy**, which is likely to boost demand for new vehicles after removing old unfit vehicles currently plying on the Indian roads.

Feb 2021- set up 100 vehicle battery charging points across the state to push adoption of electric vehicles.

INR. 57,042 crore (USD 7.81 billion) laid out for automobiles & auto components sector in production-linked incentive (PLI) scheme under the Department of Heavy Industries

Plan to set up R&D centres under **NATRiP** at a total cost of USD 388.5 million to enable the industry to be on par with global standards.

Setting up of **incubation centre for start-ups** working in the EVs space.



Segment	Approved financial outlays (USD)	Implementing ministry/department
Automobiles & automobile components	7.7 billion	Department of Heavy Industries
High efficiency solar PV modules	607.5 million	Ministry of New and Renewable Energy
Specialty steel	853.4 million	Ministry of Steel
Electronics/technology products	674.9 million	Ministry of Electronics and Information technology
Advanced chemistry cell batteries	2.4 billion	Niti Aayog and Department of Heavy Industry

# Benefits of vehicle scrappage policy

In Union Budget 2021-22, voluntary vehicle scrappage policy was introduced to boost demand for new vehicles after removing old unfit vehicles

- 30% boost for the automobile industry (current INR 4.5 lakh crore turnover to INR 10 lakh crore) over the coming years
- 100% increase in the export component (INR 1.45 lakh crore of the present turnover is likely to go up to INR 3 lakh crore)
- 30-40% reduction in cost with increased availability of scrapped materials such as steel, plastic, rubber and aluminium- would be used in manufacturing automobile parts, which will:
  - Promote new technologies with better mileage of vehicles besides promoting green fuel and electricity
  - Decrease crude import bill (INR 10 lakh crore at present)
  - Attract new investments of INR 10,000 crore
  - Create approximately 35,000 jobs

1 October 2021

1 April 2022

1 April 2023

1 June 2024

Rules for fitness scrapping centres could be released

Fitness testing for government and public-sector undertaking (PSU) vehicles

Fitness testing for heavy commercial vehicles

Fitness test rules to be rolled out for other categories





# Digital transformation is the need of the hour

## Top three reasons for the industry to make the move towards digitalisation



### Changing customer expectations

Profound impact on the way customers behave and expectations they have towards speed, convenience, and innovation



### Access to global markets

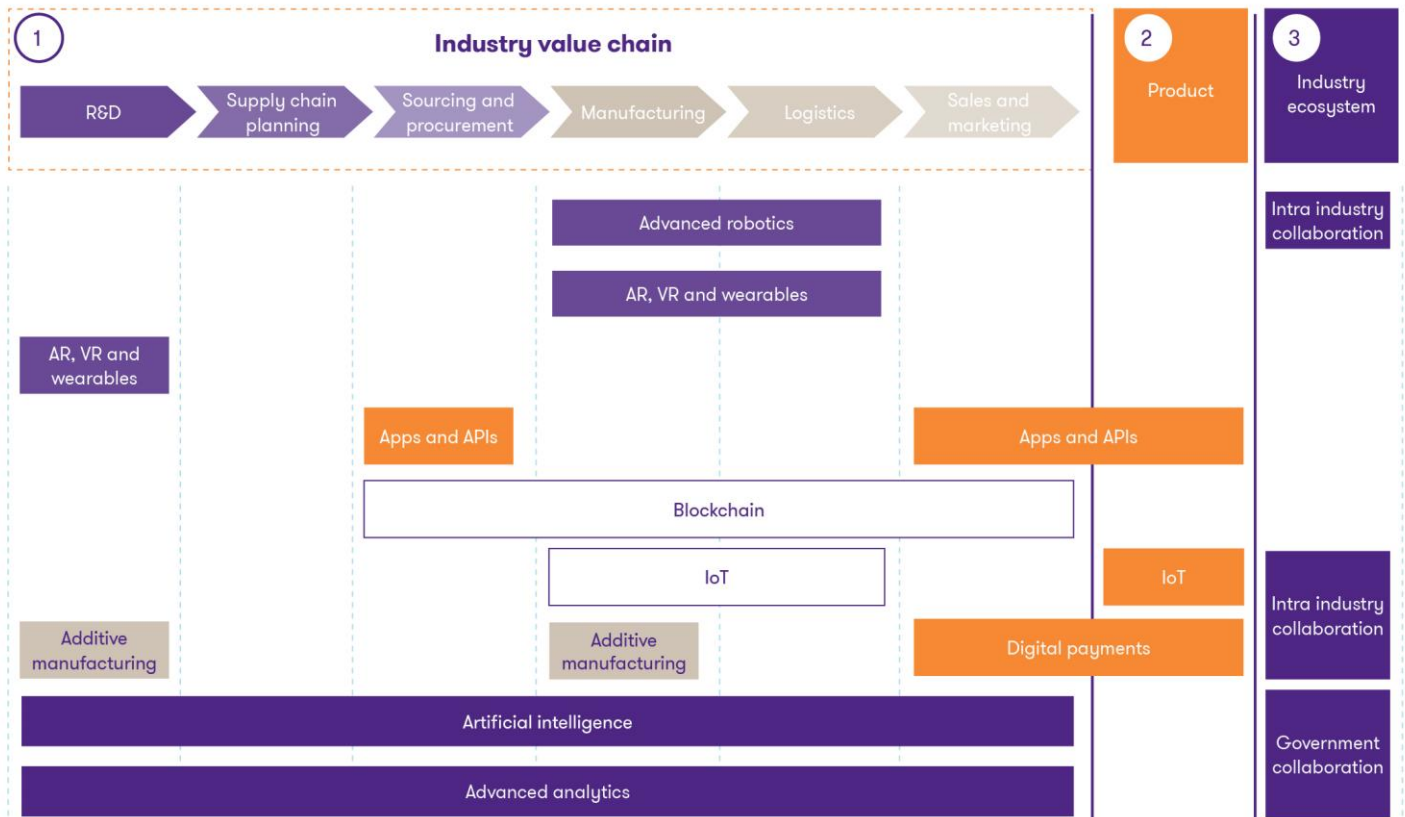
With transformation using digital technologies, OEMs can access many untapped markets around the world



### Expanding profits

Opportunity to create value through initiatives like channel migration to virtual purchases, value-added subscriptions and next-generation servicing

## Applicability of key digital technologies in the automobile industry

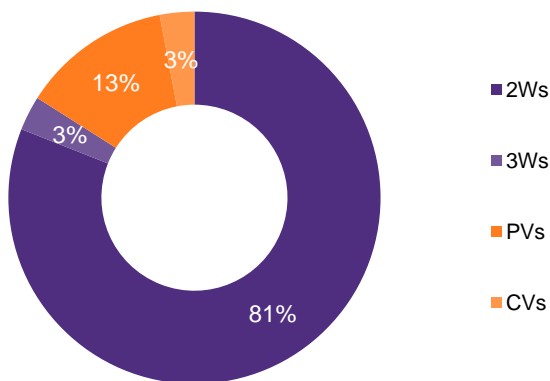


# India's road to becoming an all-electric nation

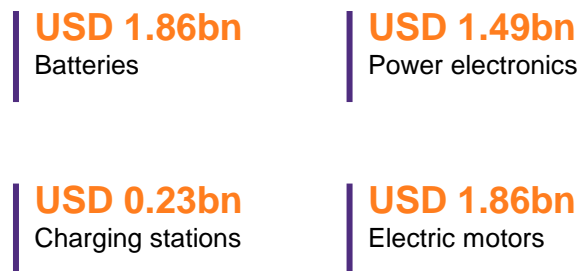
To accelerate EV purchase and consumption, e-charging kiosks will be set up by the government at around 69,000 petrol pumps across the country

With auto fuel prices becoming more expensive, it's the traditional internal combustion engines that carry lesser value proposition over EVs. Here, the government's decision to decide the fuel tax structure and concessions on greener vehicles would create a major impact on consumer choices. OEMs recalibrate their strategies towards the production of EVs. The focus is on reviving their existing operations and utilise the FAME subsidy. A strong rebound is possible in 2021 with nations employing stimulus measures to offset the virus's impact.

EV sale in India (2019-20)



Expected market size of EV component industry by 2021



## India trends to watch out for by 2025

**One-third**

of the EV motor market to emerge from demand in EV buses

**15.6 million Kwh**

total demand for li-ion battery pack

**61%**

2W segment's share in power electronics market

**67%**

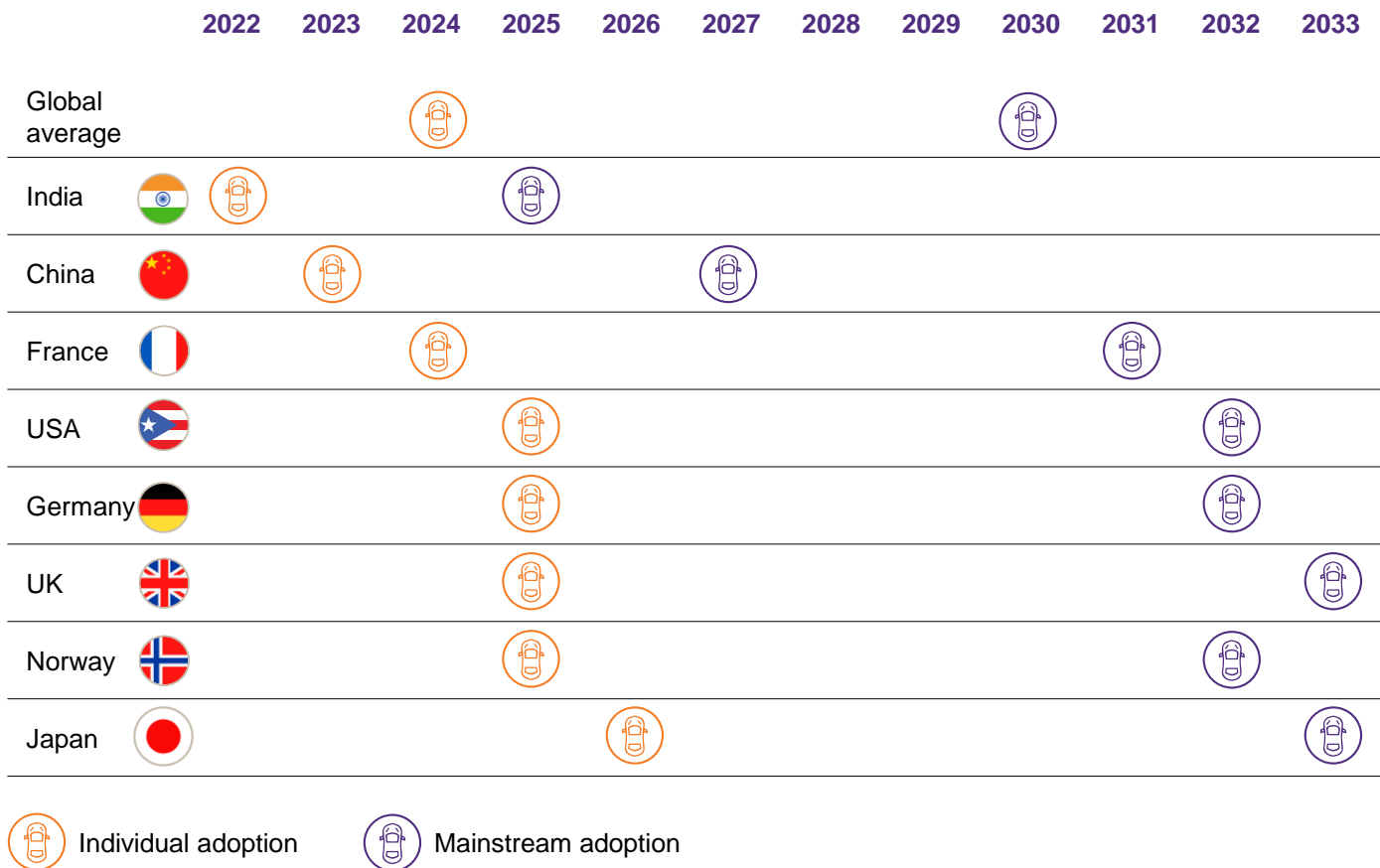
Passenger car segment's share in battery market

## India's EV market is estimated to be an INR 50,000 crore (USD 7.09 billion) opportunity by 2025, with 2Ws and 3Ws expected to drive higher electrification of the vehicles

EVs would be leveraging a higher level of energy efficiency and reduced fuel usage. One key barrier in the adoption of EVs in India is a high upfront cost. The biggest driver of this cost is the battery. If the manufacturers succeed in reducing the battery's cost, the total cost of ownership (TCO) of EVs could come down to the level of the internal combustion engine models.

India would also need a network of over 2.9 million public charging points by FY30, beyond the in-home charging points. This could create another massive market opportunity requiring cumulative investments of up to USD 2.9 billion.

### The year of EVs



### India's 2030 EV ambition

To drive the growth of EV market by 2030 in India with various incentives, the EV sales penetration is expected to be

**30%**  
for private cars

**70%**  
commercial cars

**40%**  
for buses

**30%**  
for 2Ws and 3Ws

A cumulative investment of INR 12.5 trillion (USD 180 billion) in vehicle production and charging infrastructure would be required until 2030 to meet India's EV ambitions.

# 2021 trends and beyond

## Emerging from a gloomy pandemic year auto sector expects better 2021



### Stronger Growth

The Indian auto industry is **expected to see stronger growth in 2021-22**, after recovering from the devastating effects of the COVID-19 pandemic



### The Indian connected car market

Expected to grow at a CAGR of 20% during the period 2020-2025.

**Many players are planning to launch their connected vehicles in India**



### Blockchain

The introduction of Blockchain in the automotive industry by 2021 will help create secure communications, both vehicle-to-vehicle and object to object.



### World's third-largest passenger vehicle market by 2021

The USD 118 billion automobile industry is expected to reach USD 300 billion by 2026. While the pandemic has led to a downshift in demand, automotive companies need to rethink their strategies in digitisation, innovation and mobility solutions to get back on track for achieving this target.



### EV Ambitions

**A cumulative investment of INR 12.5 trillion (USD180 billion)** in vehicle production and charging infrastructure would be required until 2030 to meet **India's electric vehicle (EV) ambitions**.

With the market push for EVs, a number of **automotive component industries have planned to manufacture lithium-ion batteries in the future**.



**The Indian automotive industry has the capability to rise above the situation created in 2020**

# Key automotive trends

<b>Emerging markets</b> Market growth in emerging markets	<b>Mobility</b> Mobility-as-a-service
<b>Standardization</b> Increasing use of platforms and standardization of modules	<b>Rationalisation production</b> Shifting production to emerging markets
<b>ICE Optimization</b> Downsizing and optimization of the internal combustion engine (ICE)	<b>Finance &amp; leasing</b> Well-established finance companies
<b>Connectivity</b> Connected car technologies (e.g: vehicle-to-x communication)	<b>Fuel cell E-mobility</b> Hydrogen replacing the petroleum fuel that is used in most vehicles today
<b>Self driving cars</b> Accelerating the development of safe and efficient vehicles on any modern roadway	<b>Battery E-mobility</b> promoting lithium-ion battery swapping technology to boost the adoption of electric mobility
<b>Smart infrastructure</b> Automotive factories adopting industry 4.0 solution. Investments to increase manifold	<b>Big data and analytics</b> Transforming driver experiences, capturing real-time data insights of vehicles and improve driver safety and vehicle services

With technological advancements and the upcoming automotive trends, the industry is shifting its focus toward platform-based services, enhanced products for electrification and increased level of automation.



# Glossary

<b>PVs</b>	Passenger Vehicles
<b>CVs</b>	Commercial Vehicles
<b>3Ws</b>	Three Wheelers
<b>2Ws</b>	Two Wheelers
<b>NATRiP</b>	National Automotive Testing and R&D Infrastructure Project
<b>MoRTH</b>	Ministry of Road Transport and Highways
<b>EVs</b>	Electric Vehicles
<b>ICE</b>	Internal Combustion Engine
<b>TCO</b>	Total Cost of Ownership
<b>FAME</b>	Faster Adoption and Manufacturing of Hybrid and EV scheme
<b>OEMs</b>	Original Equipment Manufacturers
<b>RoDTEP</b>	Remission of Duties and Taxes on Exported Products
<b>PLI</b>	Production Linked Incentive (PLI)
<b>CAGR</b>	Compounded Annual Growth Rate

# Sources

Society of Indian Automobile Manufacturers

Ministry of Road Transport and Highways, Government of India

Council on Energy, Environment and Water

Press Information Bureau, Government of India

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