Grant Thornton
Bharat

Sales

Overview

Lockdown

Auto Track

Q2 FY 21

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Foreword

The future of the Indian automobile industry is promising. While the automotive value chain has been disrupted, it has also created new opportunities to establish a stronger industry. This is a good time to learn from the crisis and rethink the dynamic changes in demand and supply to keep the industry moving.

The automobile industry is undergoing transformation, promising to drive disruptive changes in the coming decades. All this has contributed to making 'automotive' one of the largest and most advanced industrial sectors today. However, preparing for the future requires a quantum leap in industry research and development (R&D), production and after-sales culture.

The industry is making efforts in adopting all possible ways to help foster localisation in the Indian automobile sector, improve ease of doing business and considering steps to create 'Brand India' to harness the country's export potential.

Electric vehicles (EVs) is one area that the government would surely be addressing as it promotes the concept of new technologies and associated infrastructure with new fuel-efficiency regulations.

Though automotive players are facing challenges, with massive prevalent opportunities to adapt their portfolio, evolve from just selling vehicles to selling mobility services; the circumstances have opened strategic opportunities for original equipment manufacturer (OEMs) to be highly agile for tomorrow's mobility systems and find new avenues for growth.

On similar lines, the enquiries and demand have been encouraging in Q2 2020. The improvement in some of the indicators, such as auto output, reflects a combination of pent-up demand, healthy rural sentiment and inventory build-up due to the festive season. Strong rural market demand and a growing need for personal transport in urban India drive demand due to social distancing norms.

Further, to thrive, the automotive companies would need to create the right partnership and convene the largest ecosystem to enrich their offerings and services. Automotive players should begin transitioning to a new data-driven information architecture today. Modernising legacy from plants to networks, vehicles and services as well as fully embrace the latest cloud, automation, Big Data and mobile technologies is only a start of the journey by OEMs and other key players.

Thus, even under pressure of the crisis, the future looks promising. Major structural changes within the industry are likely to affect everything from production, demand for vehicles and supply chains.

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Overview

Pent-up demand

Major OEMs witnessed a sharp recovery in sales in July 2020, led by strong rural recovery and demand from first-time buyers alongside pent-up demand due to the lockdown. Production also has picked up substantially since July 2020, as OEMs began replenishing dealer stocks for the festival season.

Low base of last year

This is attributed to a **pent-up demand in rural areas** and the lower base of last year as auto sales across segments have been declining from the second half of FY19.

In FY20, sales fell

15%-25%

Across categories after posting a low single-digit rise in FY19.

Passenger vehicles (PVs) in positive zone

PV sales returned to positive territory in August 2020 after nine consecutive months of decline. It rose by 14.16% to 2,15,916 units. According to the data by the Society of Indian Automobile Manufacturers (SIAM), PVs wholesales stood at 1,89,129 units in the same month last year.

Marginal rise in two-wheeler

(2W) sales

Two-wheeler sales were up a marginal 3% while **sales in the three-wheeler** (3W) category fell sharply by 75.29%.

Festive demand

boost in sales

Market scenario appeared brighter for automakers as even few luxury vehicle makers reported improved sentiment compared with previous quarters.

Fleet sales witnessed

dip in Q2

The current social distancing norms have led to a spurt in demand for personal mobility at the cost of shared and public transport.

Vehicle production in India ('000 numbers)

Segment	2019	2020	REDUCED BY
PVs	4028	3434	14.8%
CVs	1112	752	32.4%
2Ws	24500	21036	14.1%
3Ws	1269	1134	10.6%
Tractors	898	761	15.2%
Total	**31809019**	**27119020**	**-14.7442%**

Source: SIAM and Tractor Manufacturers Association (TMA)

The total production of all four segments, including quadricycle in September 2020 was 2,619,045 units, as against 2,344,328 units in September 2019 marking a growth of 11.72%.

Dismal recovery for commercial vehicles (CVs)

Wholesale dispatches from CV OEMs contracted by

56% **in H1 FY21**

Due to an exceptionally weak Q1. Although there has been sequential improvement in Q2 FY21 as lockdown related restrictions eased; however, the recovery aspects are muted for this segment for the near term.

Banks gear up to jump start the auto industry

Certain banks planned to associate with

OEMs **and offer purchase schemes**

Involving teaser-loans that could be viewed as a move to economically stabilise the automotive sector.

Government may look into temporary GST cut

As the auto industry faces one of the toughest times in history; it requires government support through reduction of

GST **and incentive-based scrappage policy.**

Investments level in the sector expected to rise

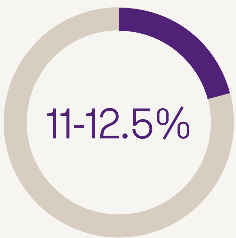
PE/VC activity up

H1 2019	H1 2020
USD 7 billion	**USD 11 billion**

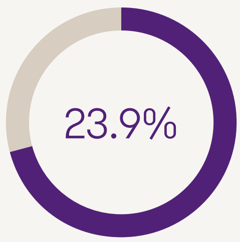
GDP likely to contract 9.5% in FY21, may turn positive by Q4

RBI growth projections suggest that GDP growth may break out of contraction and turn positive by Q4. However, ICRA expects the contraction in India's real GDP to narrow to around:

Q2 FY21



Q1 FY21



The manufacturing purchasing managers' index (PMI) for September 2020 rose to

56.8, its highest mark since January 2012

supported by acceleration in new orders and production.

Domestic vehicle sales trend

Spending shifts online

The domestic vehicle sales on a sequential basis have recovered strongly, registering high double-digit growth. As factories resumed production and most dealerships opened, the year-on-year (y-o-y) sales have certainly shown signs of recovery. Though, the sales numbers need to be fully strong.

Q2 score card

PVs grew by

17.02%

2Ws grew by

0.17%

3Ws saw a de-growth of

74.63%

Sales of CVs declined by

20.13%

Cumulative production, sales and exports

Category	Production	Domestic sales	Exports
PVs	-2.74%	17.02%	-41.96%
CVs	-16.78%	-20.13%	-49.07%
3Ws	-54.65%	-74.63%	-22.16%
2Ws	-4.81%	0.17%	-15.44%

Domestic auto sales figures

Category	July			August			September		
	2019	2020	y-o-y %	2019	2020	y-o-y %	2019	2020	y-o-y %
PVs	190,115	182,779	-3.86	189,129	215,916	14.16	215,124	272,027	26.45
3Ws	55,719	12,728	-77.16	58,818	14,534	-75.29	66,362	18,640	-71.91
2Ws	1,511,717	1,281,354	-15.24	1,514,196	1,559,665	3.00	1,656,658	1,849,546	11.64

Source: SIAM Monthly Flash Report

PVs and 2Ws are positive, although on a very low base of the previous year. CVs and 3Ws sales are still in the negative growth zone wherein the industry expects induced demand in the upcoming months.

July 2020

Automobile sales bounced back on a sequential as well as yearly basis

For the first time in several months, the Indian auto industry reported a single-digit decline of 3.86% in PVs wholesales, with 182,779 units as compared with 190,115 units in the same period last year. July sales are likely the low point of a V-shaped recovery as states in the country had increasingly eased lockdown measures and more dealerships had opened in key urban centres.

August 2020

Sequential growth continued, domestic sales improved

The low-base effect of August 2019, when volume declined 32% y-o-y, has also supported the overall y-o-y growth rate. While many key markets saw signs of improvement in August on a month-on-month (m-o-m) basis, it is still difficult to ascertain the actual market situation. The pent-up demand might be covering up the lower intrinsic level of the overall demand.

September 2020

Low base along with more sustainable demand boosted domestic PV sales

Under the PV segment, SUVs witnessed a 24.50% growth, whereas motorcycles (17.30%) captured the bulk for 2W OEMs. Overall, PVs registered a strong double-digit growth of 26.45%, whereas 2Ws of 11.64%, while the sales of 3Ws registered a de-growth of -71.91%, as compared with September 2019.

Post-unlock: The Indian automobile industry

While urban areas have been more impacted by

COVID-19 and lockdown,

Rural India is witnessing a

a faster recovery

Demand	Demand for compact small vehicles, preferably from first-time buyers, would drive the vehicle sales in India besides the pent-up demand due to stringent lockdown restrictions.
Supply	As OEMs continue to resolve challenges with the supply chain, they will also need to procure buffer stocks of material to protect themselves against future lockdown disruptions.
Slow and steady recovery	The demand recovery has largely been driven by the preference of a personal vehicle over public transport. High disposable income due to a good harvest in the rural market is another reason that sales are picking up. Post-COVID-19, consumers are likely to return to pre-COVID-19 habits; walking, biking and micro-mobility might potentially become more popular.

Diesel and petrol

	Demand for diesel vehicles has dropped sharply in the **April-August 2020** period compared to last year.	Conversely, demand for petrol vehicles has risen in the **April-August 2020** period.
Car	**from** 14% to 2%	**from** 86% to 98%
Utility Vehicles (UVs)	**from** 74% to 44%	**from** 26% to 56%
Vans	**from** 6% to 3%	**from** 84% to 97%

Demand for diesel-engine PVs has reduced from

FY2017	April-August 2020
40%	19%

while that of petrol has jumped from

60% to 81%

2W market is picking up

2Ws accounted for 80.9% of the domestic demand in FY20. Despatches for 2Ws grew 14% in September 2020. The recovery has been driven by India's rural markets where 2W manufacturer predicts a surge in sales over the coming months and is building up inventories to meet the expected demand.

Festive rush at dealerships

OEMs carried on with cautious optimism since uncertainty surrounded the pandemic. However, the sales were being driven by rural demand as well as inventory restocking at dealerships ahead of the festive season.

Vehicle penetration

Expected to reach 72 vehicles per 1,000 people by 2025.

Expanding R&D hub

India accounts for 40% of total USD 31 billion of global engineering and R&D spend. 8% of the country's R&D expenditure is in the automotive sector.

Traffic on urban cycling networks is surging

The conditions are favourable for non-motorised transport (NMT) users wherein changes in modes of transport are witnessed with a surge in human-powered transport: walking and cycling. The industry has witnessed a big cycle boom for maintaining physical distance and a means to commute amongst others.

V-shape recovery for machine tool companies

The severely impacted machine tools sector, accounting for 40% of the business for the automobile components sector, is witnessing positive sentiments on manufacturing and production side since July 2020 after few tough months.

Industry gears up for digitisation

Industry is moving towards rapid adoption of digitisation in the vehicles segments; specially for PVs, putting the focus on a contactless environment.

Struggle for EVs

The EV segment is still struggling in India as demand and investments in the sector has been severely hit due to disruptions caused by the COVID-19 pandemic. Thus, electric and fuel-cell power trains are offering greater propulsion for lower energy investment at lower emission levels.

Downsizing by automobile dealers

The retail businesses have been struggling wherein consolidation is the only way out to keep it running. Expenses have been brought down by 40% by the dealers facing severe cash crunch in the light of huge rentals and diminishing sales and returns.

Mapping out industry's plan

- **Manage** through the current crisis
- **Plan** to reinitiate business operations
- **Build** readiness for the next disruption

Pandemic impact on automotive digitisation

In-vehicle features

Features	COVID-19 impact
Digital keys	
Navigation	
Wi-fi hotspot	
Virtual assistant	
Video/music streaming	
Gesture control	
Personalisation	

Safety features

Features	COVID-19 impact
TPMS	
ACC	
AEB	
LDW	
V2X	

TPMS - Tyre Pressure Monitoring System
ACC - Adaptive Cruse Control
AEB - Automatic Emergency Braking
LDW - Lane Departure Warning
V2X - Vehicle to Everything

Services

Features	COVID-19 impact
Pay as you go	
OTA (Over the Air) updates	
Health apps	
Predictive maintenance	

Story of the quarter

How to get the supply and demand back

The initial market trends suggest a higher uptick during the festive season with improved consumer sentiment and the need for personal mobility becoming more evident in COVID times. With a significant fall in urban mobility followed by the nationwide lockdown, the auto manufacturers await the industry to mature in the real world.

A substitution effect is being witnessed in the automobile industry and in response to the prevalent conditions, consumers may:

- delay the purchase of a new vehicle,
- choose to purchase another type of vehicle, or
- choose not to buy a vehicle and use another mode of transportation instead

It is pertinent to note that the demand for a particular vehicle depends on factors other than the price of the vehicle itself, i.e. the prices of other goods; most importantly, on other vehicles and other forms of transportation. In times of crisis, consumers may hold off on purchases as both willingness and ability to purchase is impacted significantly and with changes in many economic factors. Consumers may feel uncertain or their needs have shifted in meaningful ways.

Pent-up demand after lockdown

The marginal improvement in July 2020 is considered and attributed to pent-up demand by the industry following the ease of nationwide lockdown restrictions. Apart from over 20% decline forecasted in domestic automobile demand during this fiscal year 2020, the economic fallout has exacerbated the weak consumer sentiment that was already dampened due to high cost of ownership under BS-VI emission adopted by the industry in April 2020.

Key hurdles for the sector

- **Curtailed private and public investments**
- **Demand constraint from first-time vehicle buyers and upgraders**
- **Reduced financing options**
- **High substitution effect**

Demand rose due to the non-availability of public transportation

With several measures state transport undertakings (STUs) can make travel safe for people wherein public transport may resume according to new guidelines by Minister for Road Transport & Highways. Industry would need to strategise to cut down well on unnecessary travel with stronger parking regulations and more pay-and-park facilities to assess demand further gradually.

Relief under MSME Development Act, 2006

Huge relief may be provided to dealers and network partners with receipt of subsidies and incentives under the MSME Act, which would further help improvise their liquidity. With inclusion of wholesale and retail trade and repair of motor vehicles and motorcycles in the act, would bring a long-term positive impact on the automotive sector.

Automobile production has been impacted by supply constraints

Due to nationwide lockdown and logistics issues, the constraints in supply are reflected in capacity utilisation wherein, given the weak demand, it is expected to moderate sharply, with overall capacity utilisation likely to plummet below 45% in FY21.

Complying with BS VI norms

Over the next few years, key focus for OEMs would be to comply with stringent emission BS VI-Real Driving Emission II (RDE II) norms and increase investments towards electrification. They would have to work with the suppliers to customise for Indian markets. There is a tremendous opportunity for Domestic Tier-I and Tier-II suppliers engaged in engine production, fuel injection systems and emission control/exhaust systems to innovate and develop technologies suitable for complying with BS-VI norms.

Understanding of latent demand in the market

A latent market is being created wherein the consumer is unable to satisfy his needs because of instilled fear of safety and hygiene, including lack of articulation by the consumers themselves in these times of their needs and type of product which would help them. Thus, such sentiments are further likely to constrain demand from first-time car-buyers as well as upgraders, despite their preference for private transportation.

Consumers are keeping options open for the future towards new vehicle purchase. Thus, the demand for automobiles is a piece of a larger market: demand for transportation in general. Consumers might substitute another form of transportation for their safety, such as a bicycle or demand-responsive transport (DRT). From this perspective, consumer's demand for a vehicle in such times would be really a demand for safer and hygiene transportation as consumers want personal mobility solutions.

Fiscal measures to boost demand

Reduction in GST, implementation of incentive-based vehicle scrappage scheme and initiation of a major procurement programme by STUs are some of the measures considered viable by SIAM to bring back the demand to the industry.

Measures to foster supply in the industry

OEMs needs to overcome operational challenges, including continued restrictions in few locations where suppliers are based. Availability of trained labour is a pre-requisite as they moved back to hometowns. The suppliers need to deal with delay in clearance of import consignments due to congestion at ports; and demurrage charged by seaports and container freight stations which would enable them to smoothy continue with the supply side of the industry.

Industry believes that auto sales might be back to normal in Q3 and Q4, though a lot of depends on the economic stability and the purchasing power of the consumer. Discretionary purchases may therefore witness deferment in demand, especially in urban segment though rural markets are expected to perform relatively better.

Key actions needed by OEMs to shape the new normal

Localise to grow

- Import substitution opportunity
- Three-fold increase in exports backed by supply chain disruption

Collaborate and step-out

- With distinctive go-to-market strategies, focus on aftermarket as a growths sector

Optimise to become competitive

- Minimise hidden costs
- Identify cost saving opportunities
- Focus on product design optimisation

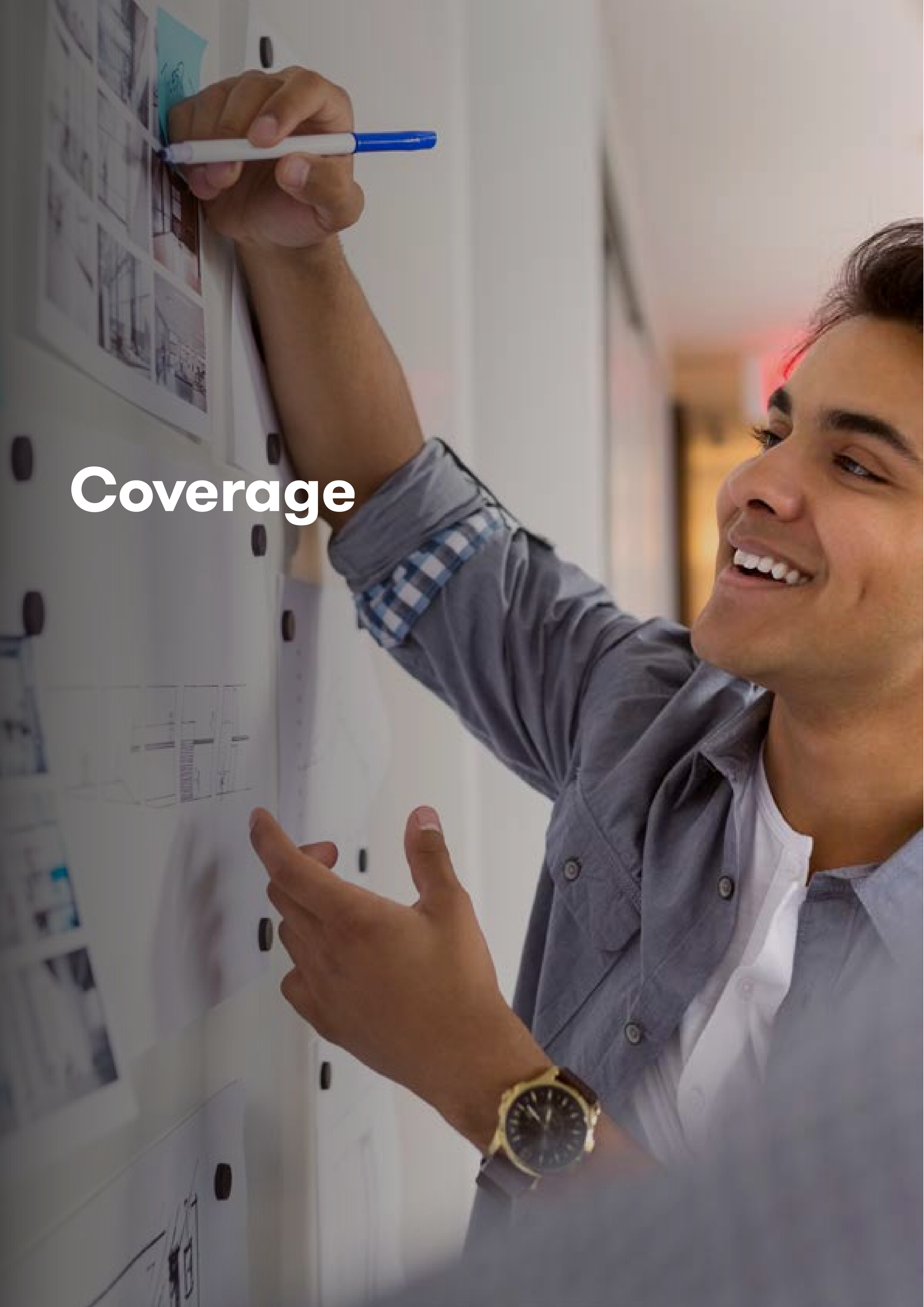
Enable winning mid sets

- Digital and automation needs to be the adopted ways of execution

Overall, although automobile production and sales are stagnating, the industry is witnessing some relief for the moment. Moreover, policies including emission targets, procurement programmes, fiscal incentives to increase the value proposition of vehicles and the adoption and further development of EV infrastructure would prove to have a significant influence on further development of the industry.

There is a need to ease the complex supply chains as limited number of countries and companies lead the production of automobiles. The industry's value chain needs to work on being self-reliant and spread their efficiencies all over the globe. In future, the industry may also benefit from cost reductions resulting from other technologies that could help redesign vehicle manufacturing, making it simpler, innovative and dependent on fewer parts.

Coverage



Atmanirbhar automotive sector - Harnessing export potential of the industry

India has significant opportunities to expand exports in categories where it has a competitive advantage and low share in global exports. Thus, localisation in the automobile industry would translate into demand and economies of scale for the manufacturers with reduced imports, expanded exports, and induced R&D.

India is currently the largest exporter to Central and South America. 40% of industry's export volume goes to these markets, followed by East and Central Africa. Overall, exports account for 16% of the industry's total output in present times, which clearly reflects room for expansion with creation of sustainable value chain. Moreover, 60% of India's components are sourced from four countries globally, namely Japan, Germany, Korea and China.

25% **China**

13% **Korea**

12% **Germany**

10% **Japan**

India's share in global exports is small but aspirations are very strong

USD 1,170 billion

Global exports

USD 14.5 billion **(~1.3% of global)**

India exports

Source: ACMA

Aspiration by FY26

three times

Target growth in exports

4-5%

Target share in auto component trade

Thus, as per Automotive Component Manufacturers Association (ACMA), there exists USD 12 billion opportunity for Indian automobile industry for import substitution.

The auto industry imports more than INR one lakh crore worth of components. In FY19, the total imports for auto components were at USD 17.6 billion. India's exports to China in the first quarter of FY21 rose 33.17% even as the country's total outbound shipments declined 36.67% in the period. Thus, according to the government, the automobile industry needs to be prepared to reduce imports about 50% over the next 4-5 years.

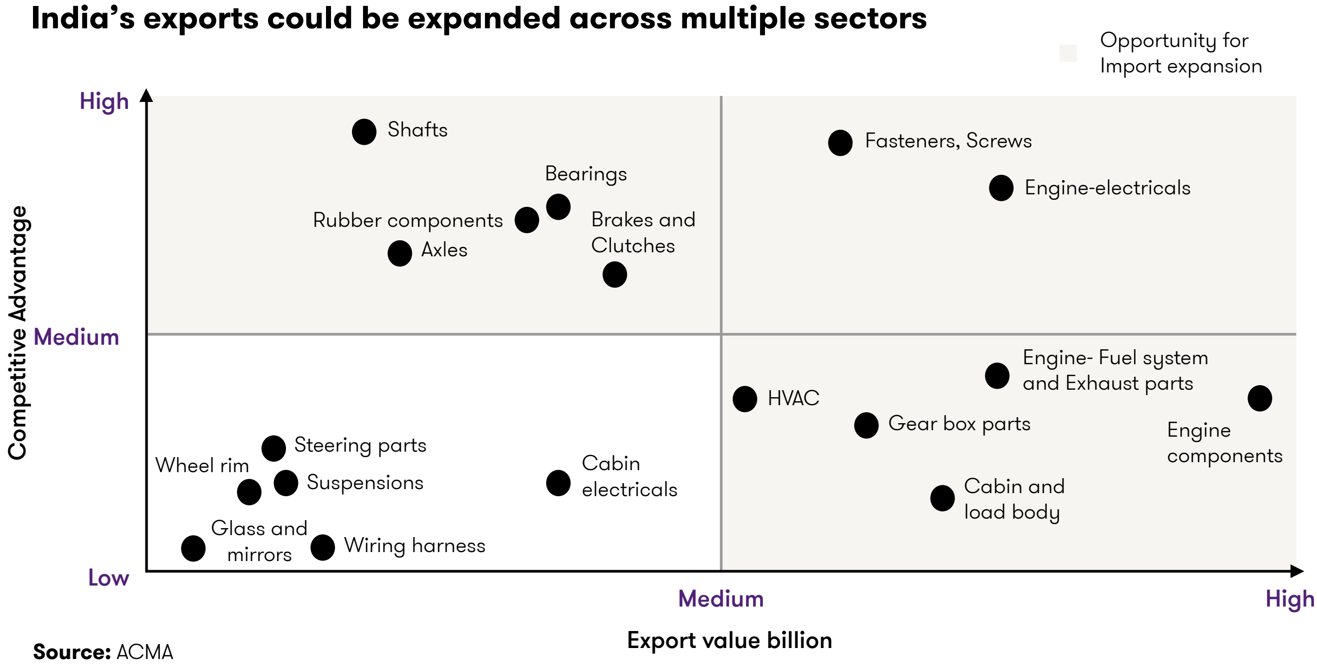
Product-wise segmentation of imported components

Category	Production
Drive transmission and steering	30%
Engine components	17%
Electricals and electronics	14%
Interiors (non-electronic)	7%
Suspension and braking	9%
Body/Chassis/BIW	10%
Cooling system	5%
Rubber components	2%
Consumables and misc.	6%
Total	**100%**

The priority is to accelerate the export of parts with high competitive advantage, such as including shafts, bearings, fasteners.

Further, build competitive advantage across high-value global exports like heating, ventilation, and air conditioning (HVAC), gear box parts

India's exports could be expanded across multiple sectors



Source: ACMA

Overall, 4.77 million vehicles were exported in FY20, growing at a CAGR of 6.94% during FY16-FY20. 2Ws made up 73.9% of the vehicles exported, followed by PVs at 14.2%, 3Ws at 10.5% and CVs at 1.3%.

The overreliance of global supply chains on a particular region of the world has made it imperative for the Indian automobile industry to deeply focus on de-risking and fostering efforts for a high level of localisation in the supply chains.

Megatrends leading to connected ecosystem

Innovation is accelerating across the industry, bringing in disruptive advances in how vehicles are developed, built, sold and used. Industry 4.0 strategies are streamlining global value chains. Connected vehicle technologies are providing a whole new range of services. Breakthroughs in artificial intelligence (AI) mean autonomous vehicles are visible on the horizon.

For the automotive world and more largely for the entire traditional transportation ecosystem, four main trends are currently announcing the wind of change: New mobility trends and behaviours developing around the world, the arrival of autonomous technologies, the development and use of digital features, and the rise of powertrain electrification.

In the recent scenario, innovation is picking up speed and the megatrend is certainly autonomous driving.

But this is a huge challenge; many hurdles have already occurred, and more are to be expected; especially in the legal area, as we move forward. The imperatives for automakers in this new environment are to reinvent themselves.

Vehicle is increasingly becoming a part of internet of things (IoT) and with transmission of data between vehicles and the infrastructure as well as service providers, security is paramount in connected vehicles' market. Thus, connected vehicles generate vast quantities of data and increasingly the automakers would harness in-vehicle sensor data to guide new product design and as we move forward, the profitability of OEMs and suppliers is going to hinge on innovation as the connectivity setup enables the in-vehicle support for a broader range of functions and features.

By driving new efficiencies in the core business, OEMs would truly be able to compete as agile entities.

Vehicle connectivity set-up

OTA updates - over-the-air software and hardware updates installation

V2X communication - the ability to interact with other IoT-equipped road users and infrastructure

Advanced navigation - real-time updates for road, weather conditions and AR-powered navigation

New-gen infotainment - intelligent personalisation, in-car payments and commerce, smart parking and additional value-added services

Remote diagnostics and predictive servicing/maintenance
Pay-per-use and personalised insurance

By 2030, almost all new vehicles would have some level of connectivity, enriching the experience for car drivers and riders while opening up new avenues for businesses to create value

Next-generation architecture for automotive companies

Customer centricity

Intelligent Data-Driven Orchestration

- **Omnichannel digital experience** 360° customer and workforce engagement
- **Cognitive analytics platforms** Smart ecosystem orchestrator, open APIs and marketplace
- **Business accelerators** Real-time platforms: plant 4.0, e-commerce, e-services
- **Hybrid cloud** Software-defined infrastructures, microservices and develops

Open platform foundations

Overall, the entire automobile industry is beginning to have new partnerships to bring unimagined opportunities to the market. At the moment, there are attempts to develop open platforms, which at the end of the day form the link between the user, the manufacturer, and the solution provider.

Regulatory updates

Would extending the loan moratorium be a smooth ride for transport sector?

As the sector reels under financial crisis, apex transporters body, All India Motor Transport Congress (AIMTC) urged the Reserve Bank of India (RBI) to extend the moratorium on payment of loans for road transport sector till 31 December 2020.

As per the terms laid down by the RBI, the borrowers of standard, short-term as well as long-term loans were given a deferral of repayment. There were already bad loans amounting to INR 9 lakh crore, and the number is to go up with lifting of the moratorium period. Thus, RBI insisted on deferrals and not a waiver, as a complete waiver in repayment of loans could result in a loss of almost INR 2 lakh crores. The banks are protected from facing huge bad loans during the moratorium period, as it could lead to quite a difficult lending situation in the future.

On the other hand, from the sectoral perspective, about 70% of the operational fleets of buses and trucks in India is owned by owner-operators who own less than five vehicles. Thus, the end of moratorium by RBI would affect cabs, from black-and yellow taxis to those running on aggregator platforms, and even motorcycles used by food delivery personnel.
Among others, the demand for an extension of the moratorium is mostly coming from large operators who find it extremely difficult to run their fleets at optimum levels due to a shortage of drivers, a subdued demand and a sluggish manufacturing sector. There has been no extension of the moratorium while the economic situation has still not been stabilised.

Our view

While it is difficult to say whether the moratorium would be extended or not, lending institutions, as well as borrowers, are looking for ways to curb the financial crunch. Though moratorium is expected to reduce financial stress and manage tight liquidity condition without affecting the credit score; there also exists disadvantages of the moratorium wherein the interest accrued during the period would be added to the principal amount, which means an 'interest on interest' is likely to be charged. Thus, there exists an inherent cost to the moratorium whereas the total amount would become a burden to pay at last.

For now, the best option for borrowers who have opted for a moratorium is to choose the right option of tackling the situation in case the moratorium is not extended.

Review of loan structuring implementation

As per the recommendations released by the RBI on 7 September 2020 for the one-time restructuring of stressed loans, as a measure of short-term liquidity, the banks need to ignore the current ratio while restructuring loans due to the adverse impact on vehicle production and sales in the automobile industry.

On August 6, the RBI announced a one-time loan restructuring scheme across corporate and retail sectors that enabled the stressed loan accounts due to the pandemic to not to be classified as non-performing assets (NPAs) by lenders. The scheme would help auto component manufacturers to avail working capital loans under less stringent terms.

MSME borrowers have also been allowed to restructure their debt, worth up to INR 25 crore, provided they were classified as standard on March 31, 2020. The window would be available for them till March 2021.

Thus, not to impact bank provisioning, RBI has approved that the banks must ensure that the recast loans meet specific financial parameters by March 2022. About 5-8% of loans are expected to be restructured under RBI's debt recast rules for which the central bank expects the lenders to finalise resolution plans by 31 December 2020 and implement it within 180 days.

The RBI will ensure that necessary safeguards are in place to maintain financial stability

Our view

Restructured loans usually have a processing fee (a percentage of the loan amount) and come at a cost. Thus, for OEMs and auto component manufacturers who are not facing any liquidity crunch should not use the scheme of loan restructuring and rather repay their loans as soon as possible.

The existing loan should be repaid by entities to make any fresh investments as the return expected from the market is going to be much lower than the interest cost saved by repaying the loan.

Thus, the borrowers are suggested to repay their loans or debts even if they have to liquidate their investments made in stocks or otherwise.

Key headlines of the quarter

Drones, robotics, electric vehicle components in government's 'atmanirbharta' plan

IBEF: 4 September 2020

India is poised to become self-reliant in drones, robotics and electric vehicle equipment. To support this initiative, the Department for Promotion for Industry and Internal Trade (DPIIT) has identified certain 'focus sectors' to reduce imports and ramp up domestic production. Among the total 25 focus sectors that the department has zeroed in on, a few sectors will be identified as 'priority' with potential for import substitution and boosting exports

India's largest auto manufacturer partners with IIM Bangalore to incubate mobility startups

IBEF: 21 August 2020

In order to increase its engagement with start-ups in the area of mobility, India's largest carmaker entered in a partnership with Indian Institute of Management, Bangalore (IIMB). This is first-of-its kind initiative taken by the company that will help the early-stage start-ups in becoming a large-scale business. There will be a 3-month (pre-incubation) and 6- month (incubation) engagement period for mobility start-ups.

Electric vehicle market likely to be INR 50,000 crore opportunity in India by 2025

IBEF: 24 July 2020

The electric vehicle (EV) market is estimated to be a INR 50,000 crore (USD 7.09 billion) opportunity in India by 2025, with two- and 2W expected to drive higher electrification of the vehicles in the medium term in the wake of COVID-19. Moreover, the penetration in two-wheeler segment is expected to be at 9% by 2024-25 and with the right macroeconomic environment, it can increase up to 16% while the segment could grow to INR 12,000 crore (USD 1.70 billion) by 2024-25. Also, the market is expected to see a shift to lithium-ion battery and by 2024-25, as much as 40% of the e-rickshaw market is expected to be li-ion based.

Global PE firms eye India's auto components sector

IBEF: 1 July 2020

Top private equity (PE) firms are actively exploring investment opportunities in India's auto parts manufacturing sector. The firms are convinced that India's auto parts industry has long-term potential to provide to the local markets and overseas. Thus, companies are focusing on investing on the low market valuations of most of these auto parts vendors due to COVID-related uncertainties to purchase minority or controlling stakes. The firms are looking for makers of parts for internal combustion engine vehicles, and electric mobility.

Conclusion

The Indian automotive industry is in dilemma to reimagine its future. As the pandemic took hold and brought the automotive industry to a crawl, the OEMs globally have been facing immense challenges. Major real-time adaptations have been and are being made by them into their business models with huge positive expectations for the industry to revive and grow as the pandemic subsides.

Major global auto manufacturers also have showcased their skills during the unprecedented crisis and have shifted towards direct sales models in response to dynamically changing consumer sentiments and expectations as well as retail network cost structures. It is believed that the OEM-forced consolidations would only add additional pressure to the conventional dealer model and continued OEM mergers would enable to create multi-brand networks, which is an opportunity to improve cost sharing and efficiencies.
Also, through government policy intervention, with ushered investments in the economy, the situation is expected to settle down well; may be with a slower recovery and growth path spread over many years.

Thus, no one can be certain how long the demand and supply challenges of the industry would last, but to assume the industry would return to normal next year is unrealistic. That means now is the time for automotive players to start making plans and executing them to position for whatever is to come. With the pandemic showing no signs of reprieve, this is likely to be the new normal for some time.

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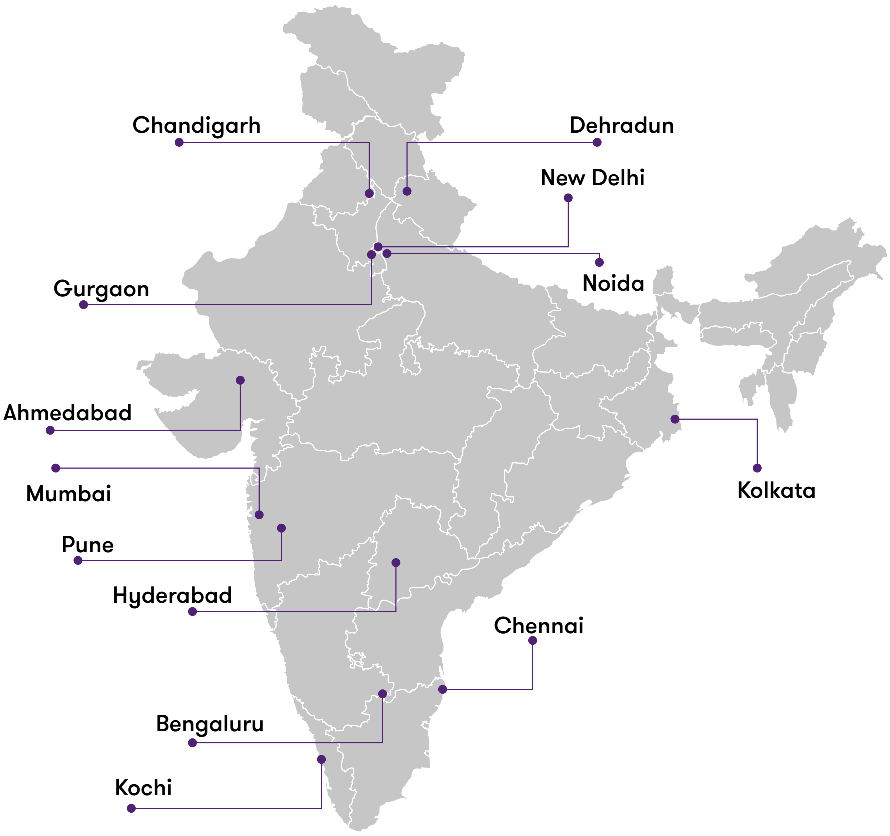

Acknowledgements

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