



Automotive and Manufacturing



Brand visibility



Opportunity

# Auto Track

July to September 2018



A close-up photograph of a hand holding a black car key, using the metal blade to insert into the lock of a silver car door handle. The background is blurred, showing parts of the car's body and a window.

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# Growing automobile market

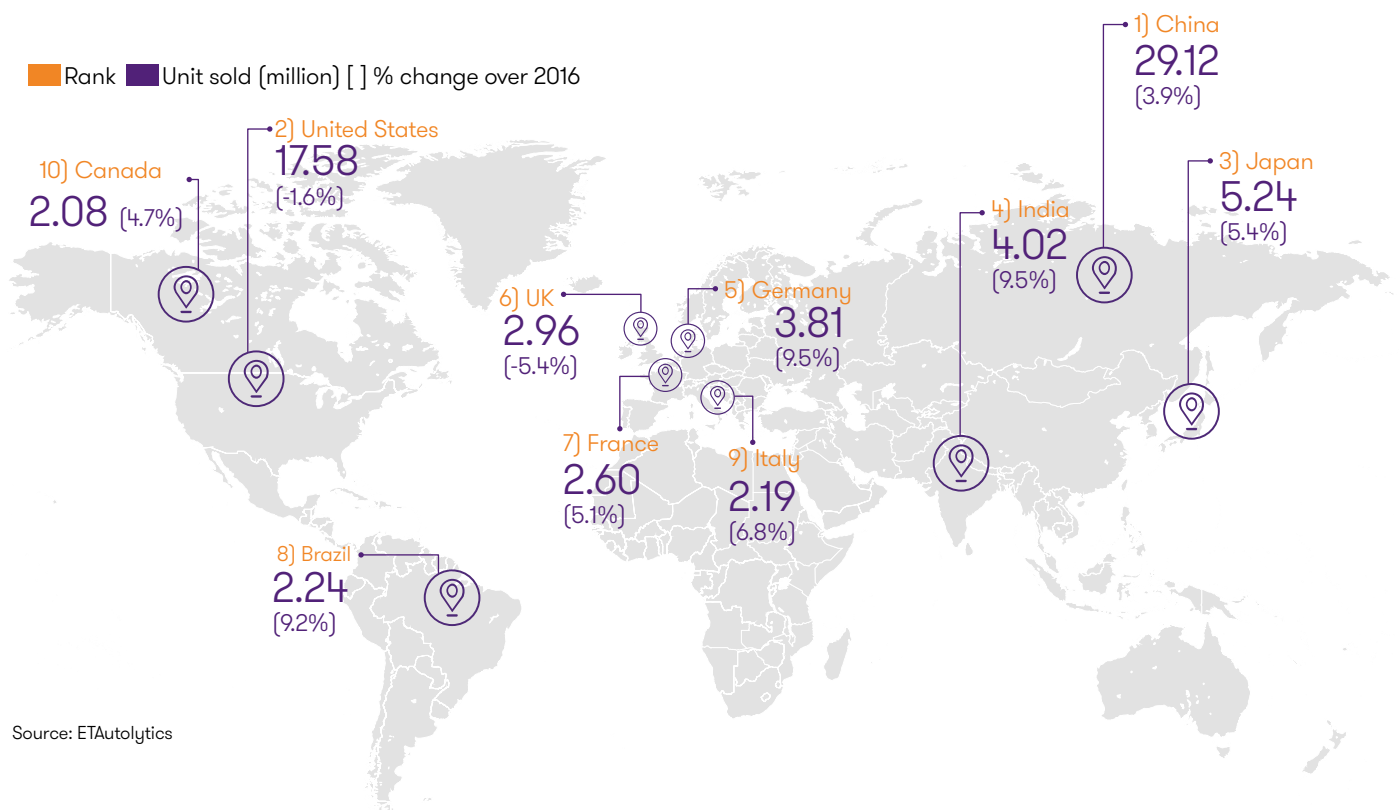
Two decades of robust growth have propelled India from being an importer of automobiles to a leading manufacturer and exporter of vehicles and their components. The country is swiftly turning into a global automotive hub, making the automotive industry one of the main pillars of the economy. With strong backward and forward linkages, the automotive industry is a key driver of growth because liberalisation and conscious policy interventions over the past few years have created a vibrant and competitive market, bringing about several new players in the industry. This has resulted both in capacity expansion and employment generation in the automobile industry, which has been aptly christened as the 'sunrise sector' of the economy.

The automobile industry in India is now the fourth largest in the world with sales increasing to 9.5% year-over-year to 4.02 million units (excluding two wheelers). The country was the seventh largest manufacturer of commercial vehicles in 2017. The two-wheeler segment dominates the market in terms of volume, owing to the growing interest of companies in exploring the rural markets

As a prominent automobile exporter with strong export growth expectations for the near future, the country's automobile exports overall grew by 26.56% year-over-year during April-July 2018 over the same period last year. It is expected to grow at a CAGR of 3.05% till 2026. In addition to this, the initiatives by the Indian government and major automobile players are expected to make the Indian automobile industry a leader in the two-wheeler and four-wheeler segments by 2020.

## Top 10 auto markets, 2017

Rank Unit sold (million) [ ] % change over 2016



Source: ETAutolytics



# Quarterly sales trend

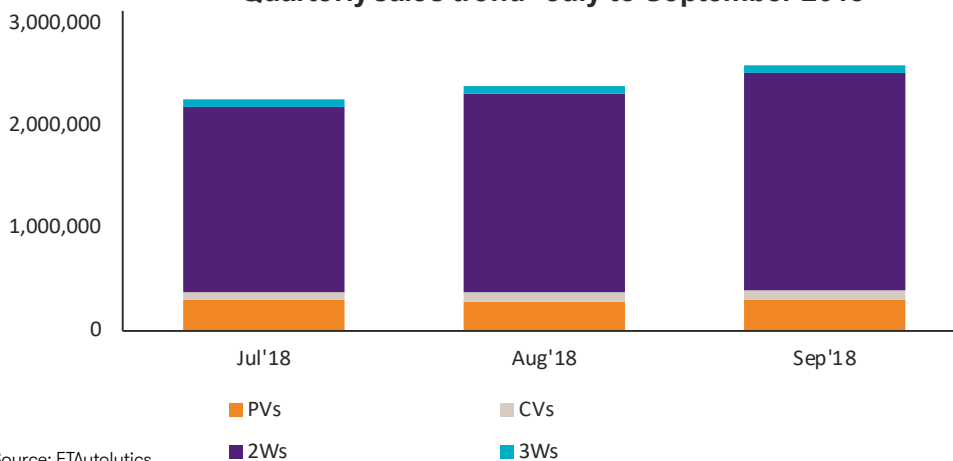
July to September 2018



#### Quarterly sales analysis

Date	Passenger vehicles (PVs)	Commercial vehicles (CVs)	3 wheelers (3Ws)	2 wheelers (2Ws)	Total sales
July 2018	2,90,918	76,497	60,341	18,16,914	19,53,752
July 2017	2,98,991	58,980	41,273	16,79,218	20,78,462
y-o-y (%)	-2.70%	29.70%	46.20%	8.20%	-6.00
August 2018	2,87,186	84,668	63,199	19,44,605	23,79,637
August 2017	2,94,416	65,330		16,48,871	23,02,661
y-o-y (%)	-2.46%	29.60%	51,465	18,91,639	3.34%
September 2018	292,573	95,753	69,066	21,26,274	25,83,666
September 2017	3,09,929	77,220	61,887	20,40,570	24,89,606
y-o-y (%)	-5.60%	24.00%	11.60%	4.20%	3.78%

#### Quarterly sales trend - July to September 2018



Source: ETAutoLytics

## Snapshot

Overall, a significant impact of high-base effect has been witnessed by the automobile industry from July to September 2018 as the sales during the same quarter in 2017 increased after the implementation of GST. As the second half of the year begins, vehicle manufacturers need to gear themselves up for the festive season, which may either break or make their fortunes.

## July 2018

The start of the second quarter of FY 2018-2019 witnessed rather slow sales, especially in the PV segment due to stratospherically high fuel prices. PVs were seen to be on a sticky wicket during July 2018. The sales skidded due to the eight-day strike of truckers in June 2018, which obstructed the transport of vehicles from warehouses to dealerships.

The PV sales of this month were dented because of the higher sales base in July 2017, which was followed by the enforcement of GST. The sales were de-stocked in June 2018 by the PV makers post GST implementation and in July 2017, the sales units increased as companies began to re-stock the dealerships with fresh supplies. There was a dip of 2.70% in the year-over-year growth with 2,90,918 units sold in July 2018 against 2,98,991 units in the same month a year ago.

CVs registered sales of 76,497 units, recording a growth of 29.70% year-over-year [July 2017: 58,980]

The 2W segment continued on its growth trajectory, with over 1.8 million units (1,816,914 units) sold in July 2018 (year-over-year growth of more than 8.20%). Motorcycle sales especially grew during July 2018 on the back of the sustained robust performance in the rural markets. The rural economy was observed to be in a recovery mode in the latter part of 2017, which continues to make this segment a harbinger of good tidings. In the 3W market, 60,341 units were sold during the month under review as compared to the 41,273 units in the same month last fiscal year, recording a growth of 46.20%. This is the reason why July proved to be a mixed month for vehicle manufacturers in the country.

## August 2018

August witnessed a slow move for domestic auto sales as a whole. PVs showed negative year-over-year figures of -2.46%, whereas the other segments witnessed a positive year-over-year growth. As per the data released by the Society of Indian Automobile manufacturers (SIAM), domestic PV sales stood at 2,87,816 units this month as against 2,94,416 units in August last year. The sales of PVs were down for the second month in a row during the quarter, mainly due to floods in Kerala and also because of a higher base in the same month last year.

Contrary to this, the CV segment was persistent with its momentum for growth at 84,668 during August 2018, which jumped by 29.6% as against 65,330 units in the same month last year. The percentage of growth has only increased than what was projected by SIAM earlier (that the CV segment would grow by 10%-12% during the fiscal). Proper planning is required for an analysis of the upward revision in the CV segment. 2Ws too witnessed a slight increase (by 52,966) in their domestic sales in August 2018 [which approximately amounted to 19,44,605 units] in comparison to August 2017 [which saw a sale of approximately 18,91,639 units]. There was a partial impact on 2W sales due to the restrictions in West Bengal.

Overall, vehicles across categories registered a year-over-year growth of 3.34%

## September 2018

In September 2018, the whole automobile industry clocked in cumulative sales of 25,83,666 units (+3.78%), with key vehicle categories showing low to moderate growth. While PVs, mainly hampered by a high year-ago base, remained on a decline (2,92,573/-5.60%), CVs (95,753/+24%), 3Ws (69,066/+11.60%) and 2Ws (21,26,274/+4.2%) registered relatively better results during this month.

The 4.1% volume growth in domestic sales of 2Ws in September 2018 comes on an expanded base of the previous fiscal year that benefited from the festive season. Also, the inclusion of third party liability cover for five years and an increase in the personal accident cover in insurance premium resulted in a sharp increase in the acquisition cost of the vehicles. This compelled customers to postpone purchases to the festive season, anticipating promotional schemes.

Within these broader segments, individual sub-categories also saw a mixed performance, with PVs amounting to 19,71,24 units, declining by 5.57%, and their UV counterparts also declining by a notable 8.29% with overall sales of 77,378 units.

What enabled this continued demand is the sustained infrastructure spend by the government, the improving demand from the logistics sector and intra- and inter-city transportation. If there is any slowdown, then both the M&HCV and LCV segments remain resilient to that. Additionally, the increase in axle load limit which was announced in July for HCVs has not dampened the growth as there is still a strong demand for tippers, tractor trailers and trucks carrying voluminous goods. The focus on building highways across the country, construction activities and government focus on job creation through infra spending augur well for the CV sector in the election year. The industry is well on its course to record yet another year of robust growth.

Growth in the high-volume 2W segment slowed down a bit with scooter sales declining by 2.91% to 6,66,476 units. On the other hand, motorcycle sales grew by 7.04% to 13,60,414 units.

## Outlook

Domestic sales in the automobile industry are expected to continue to grow. For the coming months as well, the lower year-over-year growth rates, which had impacted sales volume due to GST implementation, would continue to prevail. The GST regime created a ripple effect on the automobile industry which was seen to have lasted for a few months after July 2017.

# Story of the quarter





# Imperative digitalisation: Embrace or lose business

Convergence through digitalisation entails a major opportunity to reinvent mobility systems. Such systems would gradually evolve to embrace mobility as a service. Digitalisation is expected to be one of the main drivers of upgrading the mobility system to a truly connected system. Automotive growth continues at an impressive pace driven by concepts of Industry 4.0 such as connected factories, cyber-physical systems and advanced cloud computing. The varying levels of access to technology and resources, and the unique conditions in individual markets, are determinable factors and essential considerations for the emerging economies to implicate the fourth revolution effectively and take advantage of Industry 4.0.

There is an extremely large and mature base of tier 1 and 2 suppliers in the country with an entire length of the value chain serving OEMs all over the world. Such suppliers are facing huge challenges on the development front as they witness a pivot from single-science products to multidisciplinary ones, combined with electronics, mechanics, hydraulics and software. To undergo a real digital transformation in the countries' automotive environment, the huge tail of tier 3, 4 and 5 suppliers needs to transform the way they do business with the adoption of digital technologies. A mass transformation is required in the way OEMs operate to create an enabling environment for Industry 4.0. The entire automotive value chain would be required to make efforts to adopt digital in the manufacture of everything from sheet metal parts to castings, forgings, small electronics and assemblies.

Contrarily, it is not only technology which is the most important consideration in Industry 4.0, as it changes over time. It is the framework which is more important and needs to be stressed upon. The concentration to attain business resonance should preferably be on design, production and use. Digitalisation is estimated to create a digital twin for each of these parameters as a virtual copy of a real-world machine or system. Changes in the latter can be immediately mirrored in the former, and simulations can be run within a digital twin to improve efficiency and solve problems. Overall, with the spotlight on Internet of Things (IoT), the digital twin concept represents the convergence of the physical and the virtual world where every industrial product gets a dynamic digital representation. From design to build and operate to servicing and decommissioning, a digitalised product lifecycle can be enabled across the entire value chain.

Digital twins have become one of the hottest topics in manufacturing today because the concept promises to improve innovation and design, visually enhance collaboration,

and enable ongoing operation of connected products and assets; all in a fast-paced, digitally transforming, competitive environment for manufacturers. This digital product twin would also assist the designers by helping them come to terms with customer requirements and bring products to market quickly. Including digital validation tools would allow designers to validate products before being manufactured.

The digital product twins are the most mature of the twins. However, as the time to fulfil market requirements continues to tighten, the need for systems integration is indispensable for suppliers to benefit from increased use of digital production twins. Even simple systems embedded in a windshield wiper have suddenly become more complicated by the inclusion of features such as automatic wiping when it starts to rain. The system now requires sensors to detect changes in weather and a software to instruct the wipers how to run. This means that suppliers have to work with perhaps three different teams, including suppliers from the lower tiers, all with different delivery timelines. Here is where digitalisation would enable synchronisation of the expected timelines.

Digitalisation also leads to the possibility of OEMs exploring complex manufacturing layout options when mass customisation is required. There will also come the need to monetise capital investment to ensure that infrastructure is enabled to manufacture multiple models and variants.

As the world moves towards extreme electrification of vehicles and greater autonomy with a shift towards shared mobility, there is no denying the fact that digital product and digital production twins will hold a lot of importance. However, they

“As the world moves towards extreme electrification of vehicles, as well as greater autonomy and a shift towards shared mobility, the new technologies on the road need to be supported throughout their lifecycle”

are not enough as the new technologies on the road need to be supported throughout their lifecycle, which makes the performance twin essential. For instance, by combining data of the driver's style and usage on the road, a performance twin can schedule the maintenance months in advance. Data gathered on the road can be sent onto the cloud and then used by the production twin to improve on existing designs and manufacturing methods.

Opportunities from an M&A perspective towards successful implementation of Industry 4.0 provide a strategic direction for the manufacturing industry per se. Drivers like access to new industries and markets, transformation of organisation through talent, consolidation to foster the ecosystem and access to IP portfolios would be important to accelerate the transformation path towards Industry 4.0.

Overall, to do business in the present scenario, improvements in capabilities would prove exponential with intrinsic relationship between machine learning and Industry 4.0. However, without digitalisation, machines would neither have the data nor

the means to receive it. So, the entire automotive ecosystem and value chain needs to drive new levels of efficiency by building core engineering and production systems around digital technologies. The concept must necessarily ensure that physical machines and software systems are tightly integrated for predictive maintenance which would further help in scaling automation to optimise production runs and improve overall equipment effectiveness. The manufacturers and suppliers must pivot wisely and synchronise innovation and growth through balanced investments. The value chain needs to stay focused on traditional performance metrics while simultaneously keeping an eye on disruptors and continuously inject digital technologies into mainstream operations.

## Main strategic drivers

Access to technology assets and product/IP portfolio

Access to new industries and markets

Transformation of organisation through talent

Consolidation – Vertically and horizontally — to foster own ecosystem

## Potential acquirers (selected)

### Domestic incumbents



### International incumbents



### Technology players

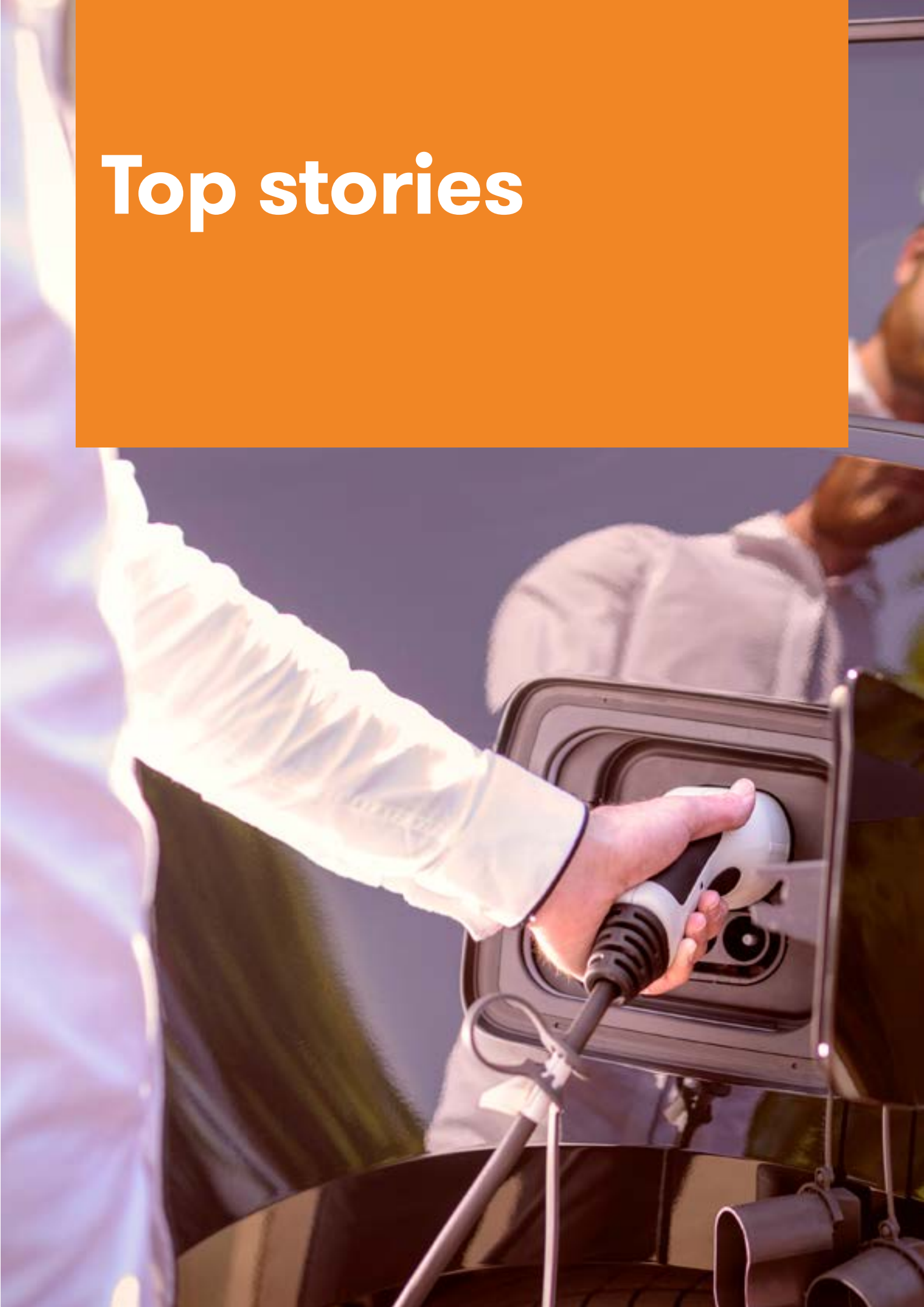


### Financial investors



Source: IEA

# Top stories



# Disruption from ownership to usership

The transition from internal combustion engines (ICEs) to electric vehicles (EVs) and autonomous technologies is considered to be the most challenging yet important issue faced by the automobile industry globally. However, the customer model will impact the automobile businesses to a marked extent in the future. In response to the environmental and capacity challenges, the two trends that would change the face of the automobile industry are vehicle usership rather than ownership and disruptive models of the dealers which would enable rapid penetration of new mobility options.

In today's time, established business models would be less durable as they continue to be disrupted. In extreme cases, outright leasing is gaining acceptance in the market as it offers increased convenience as compared to owning a car. The awareness among customers of ground realities like traffic congestion in urban cities and also GST implementation has fueled the growth of innovative mobility solutions.

This trend would also impact the sustained growth of auto finance businesses, which would slow down the loan market and lead to an increase in lease customers. Contrarily, the move towards EVs would open up battery leasing as a considerable growth area for the fintech industry. Moreover, auto finance companies have a forward-looking approach to collaborate with automotive OEMs, vehicle rental companies and fleet operators - which is the changing consumer preferences from vehicle ownership to usership.

Through ride-sharing schemes and services, which include subscriptions, the relationship of people with vehicles has shown a tremendous change. For a certain amount of population, transportation is more of a utility and service than a lifetime accessory. These days, more attention is being given to reduce vehicular congestion in the cities. This leads to the emergence of a new customer segment that would further result in a 'disruptive dealers and sales distribution' model. The automobile sales are expected to shift from consumer purchases to fleet in the future. The fleet owners would deal with the OEMs directly rather than working through a dealer, which would change the existing dealership model.

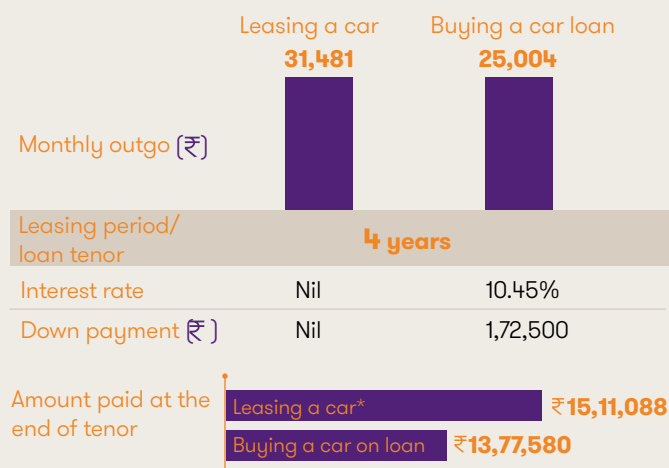
Many businesses have also started a facility of leasing for retail buyers and provide a new and unique ownership experience

to customers with affordable monthly lease rentals. Such benefits would include fixed EMI inclusive of maintenance costs, zero resale value or risk on the vehicle and lower to no down payments with proper convenience options. However, leasing can be more expensive than buying a vehicle on loan, even though no upfront payment or monthly servicing and maintenance are involved, except the fuel. From the taxation perspective as well, there exists a tax advantage to leasing as the value of lease rentals can be claimed as a deduction. A proper weighing of financial benefits should be ensured before choosing lease against an outright purchase.

The financed vehicle covers the vehicle's depreciation. So, once it is returned such value is lost. In other words, by getting a vehicle financed, the customers buy equity in the vehicle purchased and also pay off its depreciation, which is why the EMIs tend to be higher. Also, there are no extra costs after a finance contract ends. On the other hand, a lease agreement that continues even after its term keeps on attracting payments.

## Head-to-head

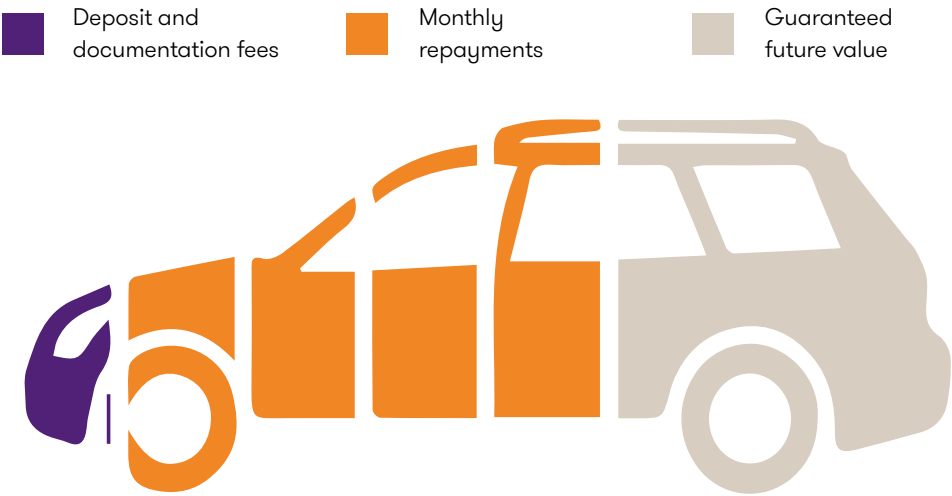
Leasing can be more expensive than buying a car on loan even though no upfront payment or monthly servicing and maintenance is involved



Source: ETAutolytics



Overall, customers that are looking for low capital outflow and propensity to change cars every three to four years choose leasing as an option. Considering the overall cost of ownership and unpredictability of resale value, leasing is cost-effective. Although operating lease has been a trend, private lease still needs to find its place in the country. But it will definitely gain momentum and this route (among individual buyers) will catch up at a faster pace vis-a-vis other countries.



Source: ETAutolytics

# Road safety – It is high time to change

The Ministry of Road Transport and Highways (MoRTH) has emphasised on the requisites of advanced safety features in all Indian vehicles with no confinement of such features to only luxury vehicles. The government continues to make endeavours to ensure that vehicle manufacturers add the required safety features in vehicles. This brings in the real challenge of cost affordability. The effort is not to have exorbitantly high rates of vehicles. The Ministry has proposed for electronic stability control (ESC) and autonomous emergency braking (AEB) to be incorporated in new vehicles between 2022 and 2023. The features of anti-lock braking system (ABS) and automatic headlights for the 2W segment has also been mandated.

In October 2018, With ABS, airbags and rear parking sensors going to be treated as a compulsory fit in vehicles by 2019, the country looks forward to better road safety.

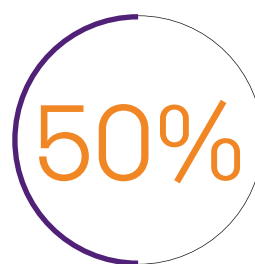
ESC corrects a vehicle when it skids on slippery or wet roads by reducing engine torque and braking the wheels specifically to enable the vehicle to come back on its course without any harm to either the vehicle or the passengers on board. The AEB, on the other hand, resorts to a forward-looking radar, optical sensors or cameras, or a combination of these features, to efficiently and accurately detect potential obstacles while driving the vehicle, viz. impeding vehicles, pedestrians, etc.

MoRTH's commitment to bring down road accidents by 50% by 2022 is based on the fact that about 80,000 people are killed in road crashes every year in India, which accounts to 13% of the total fatality numbers across the globe.

The data on road accidents, injuries and fatalities on different stretches of national highways, state highways and other roads

4.07 lakh crore

Annual cost to India due to road crashes



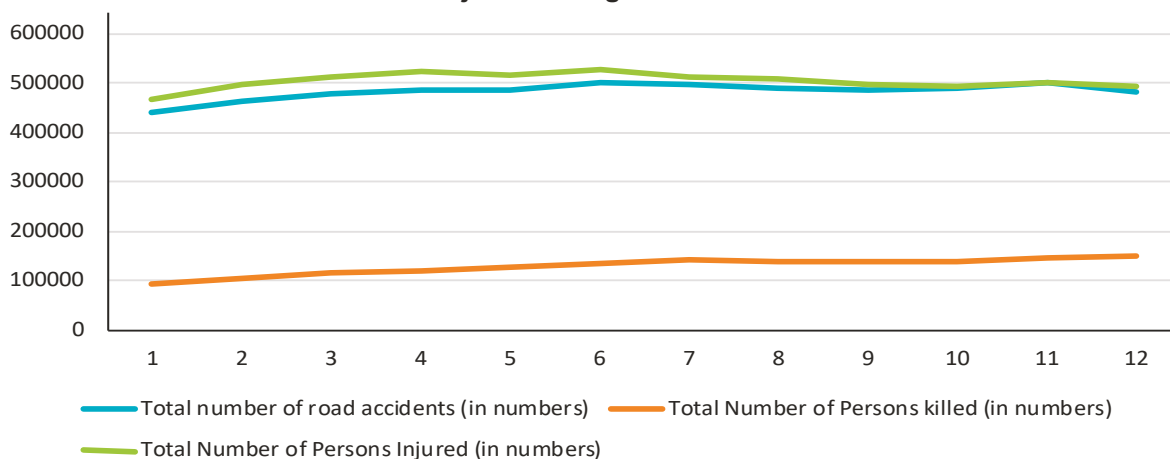
of road crash deaths could have been avoided with rapid assistance

Source: MoRTH

in India in 2016 is depicted below, where the state highways accounted for 25.3% of total accidents and 27.9% in the total number of persons killed in road accidents during same period of time. Road accidents on national highways accounted for a 29.6% of the total road accidents and 34.5% of the total number of persons killed during 2016. The balance 45.1% of the total road accidents and 37.6% of the total number of persons killed in 2016 were on other roads.

The alarming figures show that it is high time we got advanced

**Total number of road accidents, persons killed and persons injured during 2005-2016**



Source: MORTH

road safety measures. India faces over 5 lakh road accidents leading to 1.5 lakh fatalities. Road safety is a prime concern for the government and the prime driver of its #DriveSafeIndia campaign, which is currently in the stage of simulated exercises using virtual reality and animation.

Moreover, the two parts of road safety (crash prevention and post-crash response) are covered under the ambit of corporate Social responsibility (CSR) under Schedule VII of the Companies Act, 2013. Crash prevention is covered under Schedule VII section (ii) promoting education and post-crash response is covered under Schedule VII section (i) promoting health care including preventive health care.

Many companies have undertaken CRS initiatives on road safety. Companies have implemented them with the intent to educate the masses and spread awareness among people with limited or no access to awareness aids on road safety and dealing with traumatic situations after accidents.

Data on road accidents 2016

	% of total accidents	% of people killed
State highways	25.3	27.9
National highways	29.6	34.5
	54.9	62.4
Other roads	45.1	37.6

Source: MoRTH



# Much-needed structural and workforce agility

Today, India is at a stage where it should focus on and pay attention to building its human capital to sustain its status as a breakthrough economy. The automobile industry, specifically, has shown a successful 14.22% year-over-year growth in FY2018, and contributes 7.1% to the country's GDP and 45% to the manufacturing GDP.

With the disruption phase of the automobile industry, there stands the demand of workforce agility, which is directly related to the ability of OEMs to respond timely and much effectively to the expected changes in the market demand. Such workforce is very difficult to acquire, which would further be trained with the aim to cater to different customer requirements like price, quality, quantity, and, above all, delivery.

As per National Skill Development Council (NSDC), an organisation which addresses the need of skilled manpower across various industry sectors, India is expected to be home to a skilled workforce of 500 million by 2022 wherein about 12 million people are expected to join the workforce every year. The prerequisite for such talent is to be adequately skilled. It is therefore estimated that the required capacity for training the new workforce as well as a portion of the existing workforce would be about 15 million annually.

To achieve the aforementioned objectives, various steps are devised by ministries, such as the inception of the National Skills Development Policy, delivery of Modular Employable Schemes, enhancement of existing institutions through World Bank, Government of India funding, upgradation of training institutes under the Public Private Partnership (PPP) mode, setting up of the National Skill Development Corporation, and the plan to establish 50,000 skill development centres. Apart from these, several ministries/departments and state governments are engaged in skill development initiatives.

A total of 19 million people are employed in the automobile industry in both direct and indirect jobs spanning across various verticals like R&D, manufacturing, retail and aftersales. The OEMs provide the lowest quantum of jobs as per the auto pyramid structure, and the auto retail segments are estimated to generate 30 times more employment than the OEMs. By 2022, the automotive industry will need 29 million more employees for providing the services at this stage of disruption. Now, with volumes set to surge, the appetite for manpower in the coming years will grow, albeit with a strong prerequisite of skilled personnel across the industry.

The Automotive Mission Plan (AMP) 2016-26 aims to make the sector a significant contributor to the Skill India programme and help it become one of the largest job-creating engines in the Indian economy. The number of jobs expected to be created by the Indian auto industry over the next decade is 65 million.





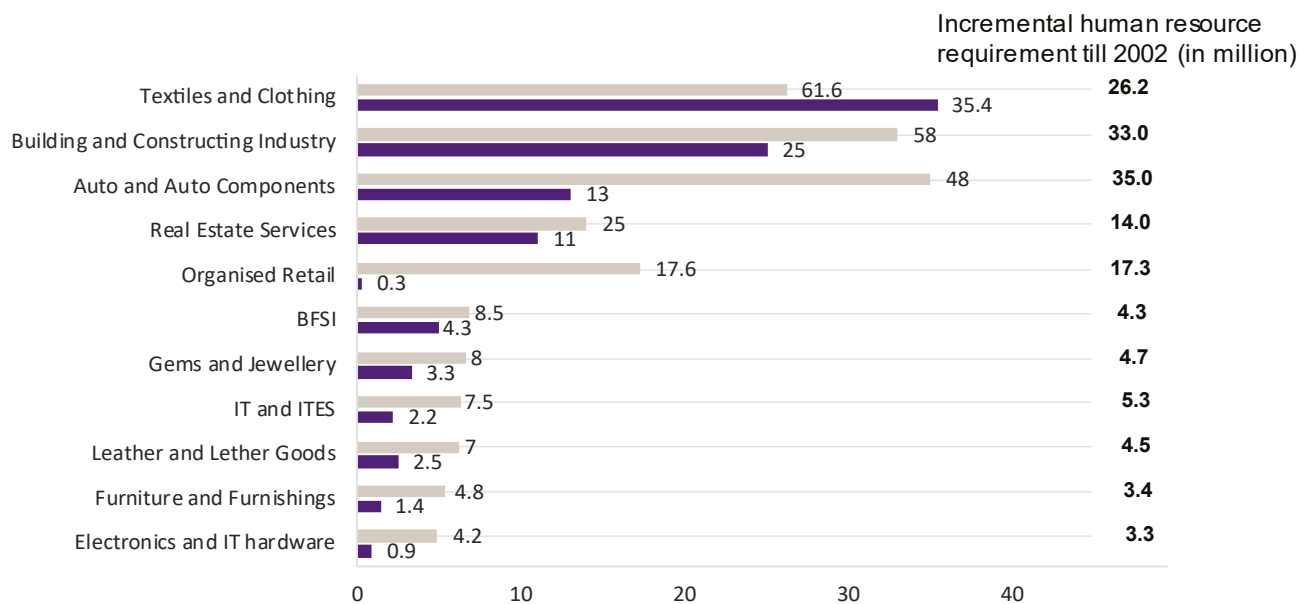
### Comparative share of industrial employment from 2018 till 2022

The following table presents the share of employment in various sectors for various growth scenarios till 2022. We do not see the proportion of employment to change significantly between 2017 and 2022.

Year	GDP growth rate	Agriculture	Industry	Services
2018-19	7%	44%	22%	33%
2021-22	5%	41%	23%	36%

Source: FICCI

### Illustrative human resource requirements across select sectors till 2022



Source: National Skill Development Corporation

The overall retail network, which has over 23,000 dealer outlets including 2W, PV and CV dealerships across the country, has over 2.7 million people in various roles. Meanwhile, MSME component manufacturers, on the other hand, continue being the top employers in the automotive sector in India. A recent IBEF report suggests that the auto industry is expected to have 8% to 12% more hiring in FY 2019.

In this situation, the automotive industry needs to find an approach to manage and evaluate their agility. Additionally, as a result of evolutions in IT and communication technologies, the recent years are characterised with the emergence of the new concept of agility, which has been considered as an important approach in the industry. However, there is absence of research to measure agility. In this regard, there is a need to investigate critical factors of organisational agility to preset solutions to improve its business models for customer satisfaction.

# Regulatory impact



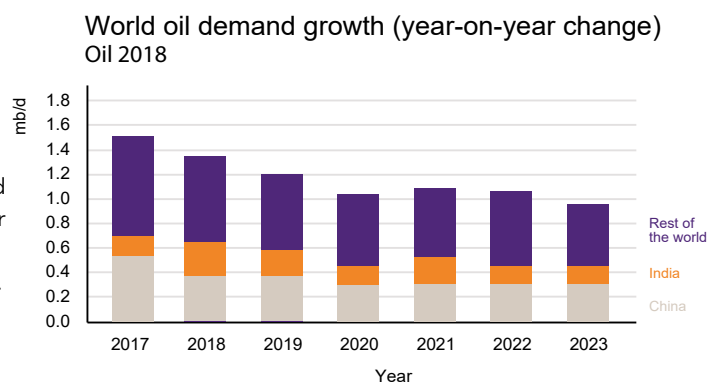
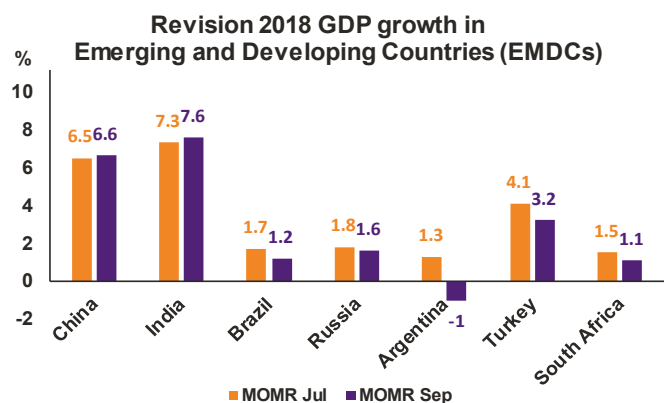
# Strategic petroleum reserves and Indian standards in petroleum

Amid the volatility in the global crude prices, the government is planning to increase its capacity of oil reserves and is seeking investments from oil traders and producers. For India's energy security and to push the energy demand-supply dynamics, the government declared the construction of two additional Strategic Petroleum Reserves (SPRs) in June 2018. These fuel reserves would essentially be considered as huge stockpiles of crude oil with an aggregate capacity of 6.5 million tonnes so that the wheels of the country keep running in crunch scenarios. About 85% of our crude needs are imported, and to insulate us from external price and supply shocks, the already-built SPRs are able to help meet 10 days of crude requirement and the two planned ones can hold supply of about 12 more days. This step makes India the third largest energy consumer to embark on the path of its global oil counterparts USA, China, and Japan, where maintaining massive strategic fuel reserves has been a trend for many years.

The government has also strategised the Indian standards on petroleum and other products sector to have a smoother implementation of BS-VI norms in the country. With a view to conserve natural resources and reduce pollution levels, the government decided to implement BS-VI emission norms in the Delhi-NCR region from 1 April 2018. However, in the rest of the country, these would be implemented from 1 April 2020 onwards. So, very recently, the Bureau of Indian Standards (BIS) had revised the Indian standards on petrol and diesel as per BS-VI fuel norms. Such fuel standards provide a permit for increased blending of ethanol in petrol and bio-diesel in diesel. Such blending assists in the conservation of natural resources and reduction in crude imports. Contrarily, it is pertinent to discuss the relevance of such SPRs and strategised Indian standards when EVs are set to push back ICEs.

Additionally, the data from the Petroleum Planning and Analysis Cell (PPAC) of the Oil Ministry showed that India's fuel product consumption or sales increased by 7.4% to 17.06 MT in July 2018 as compared to 15.88 MT over a year ago. By the end of July 2018, the price of petrol was down to INR 76.31 and diesel to INR 67.82, making the drop in rates as one of the major factors leading to a rise in consumption. Also, during the same month, jet fuel or ATF sale was up by 12.7% at 6,72,000 tonnes. In August 2018, the consumption of petrol rose by 7.8% and diesel by 4.2% from a year earlier. The launch of GST in July 2017 had contributed to contraction in fuel demand in August 2018. Total oil demand in August 2018 increased by just 0.76%

from a year earlier, which includes naphtha, cooking oil, jet fuel, petcoke, apart from transportation fuel. In July, it had grown by 7.7%. In emerging and developing economies, an increasing divergence has become visible, too. After a stronger than-expected 1H18, India's 2018 growth was revised up to 7.6%, with 7.4% forecast in 2019. China's economic growth forecast also remains well supported at 6.6% in 2018. So, it will be essential to monitor the uncertainty in currency and financial markets, which may further put pressure on strategising the oil reserves and Indian fuel standards. Going forward, economic uncertainty and questions surrounding global oil demand, coupled with geopolitical tensions, will need to be factored into maintaining a balanced market in the months to come.



Source: OPEC Secretariat

# Milestones achieved by National Apprenticeship Promotion Scheme(NAPS) for Skilled youth

Close to 10 million people are added to the Indian workforce every year. By 2020, the country is likely to have nearly 70% of its population in the working age category. So, to reap the benefits of demographic dividend, various skill development initiatives need to be scaled up. The Ministry of Skill Development & Entrepreneurship (MSDE) had incepted NAPS in August 2016 to facilitate apprenticeship training for 50 lakh candidates by 2020. One of the key responsibilities of NAPS is to develop curriculum based on an establishments' requirements in close coordination with Automotive Skills Development Council (ASDC) and regular sharing of the skill requirements with ASDC. The purpose of the scheme is to encourage companies to take complete advantage of the flexibilities and fiscal support being provided by the government, which plans to induct more youth for apprenticeship training, certification and branding of the initiative. One of the methods under the scheme enumerates that an ASDC-certified candidate would get on-the-job-training (OJT) at the industry or supplier or dealership for next level of training. After the completion of OJT, they will be re-assessed and given a government-recognised ASDC certificate for the next levels. Hence, NAPS recognises the value of OJT to make apprenticeship an integral part of all skill development efforts.

Further, the reforms of NAPS showcase the involvement of NSDC along with Sector Skill Councils (SSCs), viz ASDC, to remove the perception of heavy government regulation. The scheme also encompasses self-regulation through automated processes and ease in hiring and reporting requirements through a dedicated apprenticeship portal. The government also understands that undertaking an apprenticeship programme in a big way would help the industry as the rate of return is higher with a short payback period. There is no obligation to hire apprentices as workers as the attrition rate is less in this case and the companies save on the cost of recruitment if they decide to hire their own-trained apprentices as workers. In June 2018, MSDE's unwavering efforts were evaluated which showed that since its inception, the scheme has depicted a story of inclusive growth towards creating a 'job-ready' workforce in order to fuel India's economic growth engine. More than 3.95 lakh apprentices have been trained under NAPS, and more than 48,000 companies have registered themselves under the scheme. This number is expected to increase significantly by 2020 as the scheme adapts itself to changing times and technology and improvises on the quality of imparted trainings to ensure that the youth is trained on market-relevant skills.

In the last two years, the Minister of Petroleum & Natural Gas (MoPNG) and Skill Development and Entrepreneurship has made endless endeavours to operationalise more than 450 Pradhan Mantri Kaushal Kendras (PMKKs), which are state-of-the-art infrastructure for skill training in the country. The Ministry estimates to have 700 districts with at least one PMKK each through the scheme by the end of 2018. This can only be fostered with the help of industry and the training partner ecosystem. Progression pathways are planned to be created for the youth in the present skill ecosystem. It would, however, be linked to entrepreneurship opportunities through Government of India's MUDRA Yojana.

Further, as an inter-ministerial co-operation for a skilled India, the MSDE has joined hands with 18 out of 20 line ministries running individual skill development and entrepreneurship initiatives. It purports to create employment opportunities by partnering with national mission and projects like Ministry of Power's Saubhagya Scheme, which targets scaling of rural electrification. MSDE also plans to support the project by creating a workforce of 55,000 skilled technicians. Similarly, under the Urja Ganga Gas Pipeline Project of MoPNG, over 40,000 youth are sought to be trained over the next 10 years to support the growing petroleum and natural gas sector. Overall, the umpteen schemes of the ministries recognise the involvement of multiple stakeholders in skill development, spanning central ministries and state government. Thus, the Ministry works to standardise various skill development interventions with respect to intended outcomes.



# Headlines



## Ludhiana, Surat now among top 10 cities buying luxury cars

[Livemint](#), 26 July 2018

Smaller cities such as Surat and Ludhiana have broken into the ranks of the top 10 markets for luxury cars in India in the past decade as economic expansion spawns an emerging class of young, successful entrepreneurs who aspire to showcase their growing wealth. Overall, luxury car sales have grown at a fast clip in the past year and a half despite unfavourable increases in taxes and import duties. Sales of the top three car makers in the category climbed by about 20% to more than 33,600 units in 2017.

## Automobile, pharma firms big beneficiaries of export incentive scheme

[PTI](#), 04 September 2018

Automobile and pharmaceutical companies have emerged as big beneficiaries of the Commerce Ministry's export incentive scheme Merchandise Exports from India Scheme (MEIS) as they have received the major portion of the disbursements.

Under the MEIS, the government provides duty benefits at different rates depending on product and country.

Rewards under the scheme are payable as percentage of realised free-on-board value and MEIS duty credit scrip can be transferred or used for payment of a number of duties including the basic customs duty.

## Export of India-made cars to USA goes up; USA becomes 2nd-biggest market

[Business Standard](#), 20 August 2018

The ride of Indian-made cars to USA continues to pick up speed. It was the third-biggest export destination for Indian cars in FY18. Now, as per the figures for the first quarter of FY19, the country is the second-biggest market for cars from India. South Africa, which was the second-biggest market, now stands at the third position. Mexico retains the top slot.

India has exported PVs (that include cars, utility vehicles and vans as sub-segments) worth \$268 million (~INR 18.76 billion approximately) to the US in three months ended June, data with the Commerce Ministry showed. Shipments to South Africa were significantly lower at \$199 million in the same period. In the entire FY18, India has exported vehicles worth \$654 million and \$666 million to the US and South Africa, respectively.



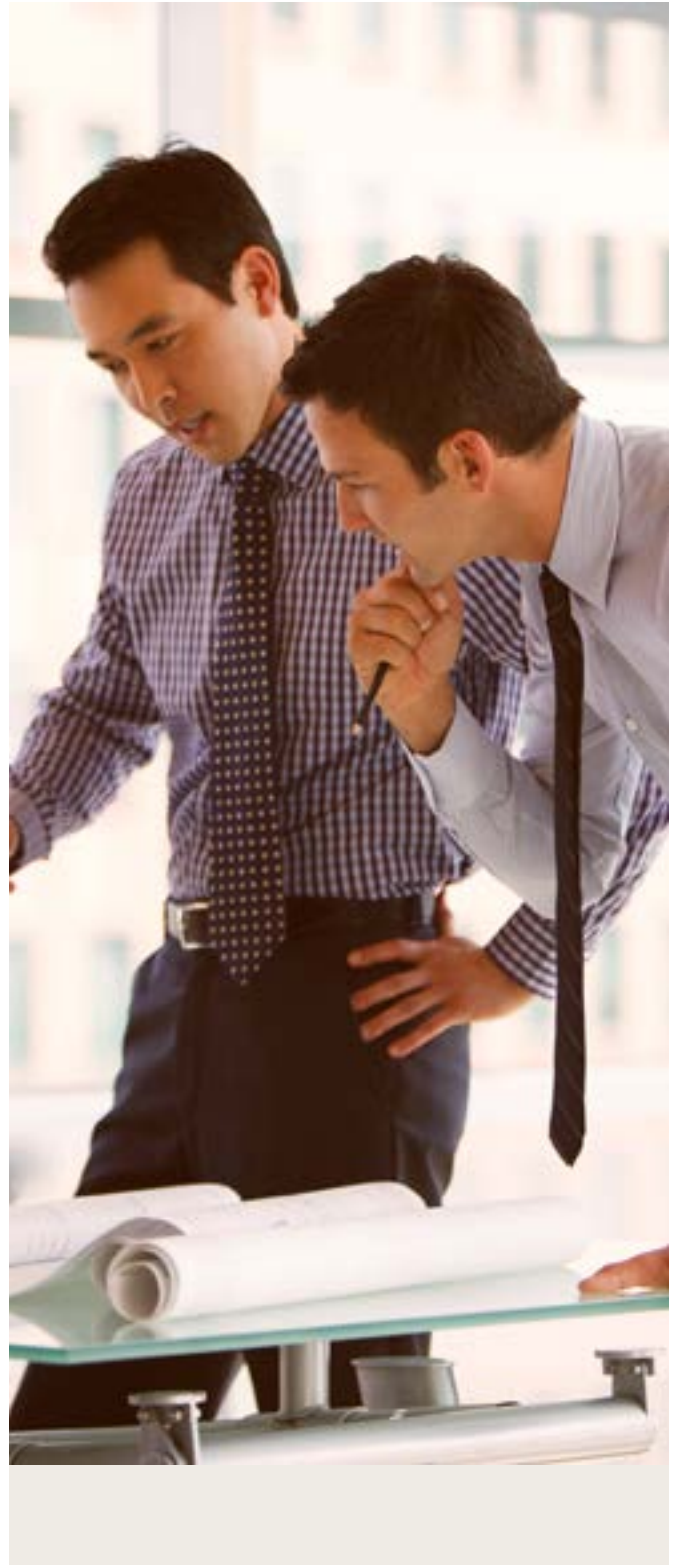
# Conclusion

The mandates for the Indian automotive industry are currently being decided and influenced by various stakeholders, which may lead to unforeseen and abrupt changes for the industry. There exists an opportunity for the industry to adopt a more transparent and robust framework for major regulatory and policy changes which are backed by strong scientific and commercial analysis.

Currently, a long-term visibility of automotive regulations is required to avoid uncertainties on the technological requirements in future, including the substructures of testing and skills. Indian standards are also required to be harmonised with global benchmarks for mutual recognition and quality standards of products. Moreover, to facilitate investments in the sector, the planning horizon needs to align better with the announcements of regulatory changes and its implementation timelines. Most importantly, the industry is in a continuous need of skilled manpower. However, the contemporary scenario upholds limited training capacity.

To ensure synergy, the National Auto Policy proposes the formation of a nodal body for the automotive industry that will be the key consultative agency for the Ministry of Heavy Industries and Public Enterprises (MoHI&PE), MoRTH and other ministries involved in the formulation of automotive-related regulations and policies. The effective implementation of these policies would require coordination across different ministries and government bodies. Development of supply chain infrastructure can also incentivise the integration of roads, railways and ports in the country, which would further enhance the road safety measures and successfully lead to an integrated logistics network. Provision of modern infrastructure and availability of dedicated facilities can potentially facilitate expansion of the automobile industry and improve global competitiveness. Having the extreme potential to revolutionise the transportation of people and goods through green mobility technologies, Indian automotive industry must take the lead from its global counterparts in converting its vehicle fleets green and becoming an engineering and production hub for such vehicles.

Overall, the automotive industry must seek to reach the level of readiness which could ramp up to support all emerging technologies. However, as the technologies used on vehicles advance quickly, with sophisticated electronics and software, the process of testing, certification and compliance verification also needs to be developed at a corresponding pace to support industry readiness.



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**Vishesh C Chandiok,**  
Chief Executive Officer, Grant Thornton India LLP



# Acknowledgements

For further information,  
please write to:

**Saket Mehra**  
Partner  
Grant Thornton India LLP  
E: Saket.Mehra@IN.GT.COM  
M: +91 98990 08822

**Priyanka Mehra**  
Manager  
Grant Thornton India LLP  
E: priyanka.mehra@IN.GT.COM  
M: +91 99114 48867

**For media queries, please contact:**

**Spriha Jayati**  
E: Spriha.Jayati@in.gt.com  
M: +91 93237 44249

Editorial review	Design
Shambhavi Mudgal	Gourav Kalra

# Sources

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## Notes

# Contact us

To know more, please visit [www.grantthornton.in](http://www.grantthornton.in) or contact any of our offices as mentioned below:

---

## NEW DELHI

National Office  
Outer Circle  
L 41 Connaught Circus  
New Delhi 110001  
T +91 11 4278 7070

## NEW DELHI

6th floor  
Worldmark 2  
Aerocity  
New Delhi 110037  
T +91 11 4952 7400

## AHMEDABAD

7th Floor,  
Heritage Chambers,  
Nr. Azad Society,  
Nehru Nagar,  
Ahmedabad - 380015

## BENGALURU

5th Floor, 65/2, Block A,  
Bagmane Tridib, Bagmane  
Tech Park, C V Raman Nagar,  
Bengaluru - 560093  
T +91 80 4243 0700

---

## CHANDIGARH

B-406A, 4th Floor  
L&T Elante Office Building  
Industrial Area Phase I  
Chandigarh 160002  
T +91 172 4338 000

## CHENNAI

7th Floor, Prestige Polygon  
471, Anna Salai, Teynampet  
Chennai - 600 018  
T +91 44 4294 0000

## DEHRADUN

Suite 2211, 2nd floor  
Building 2000, Michigan Avenue  
Doon Express Business Park  
Saharanpur Road Dehradun –  
248002

## GURGAON

21st Floor, DLF Square  
Jacaranda Marg  
DLF Phase II  
Gurgaon 122002  
T +91 124 462 8000

---

## HYDERABAD

7th Floor, Block III  
White House  
Kundan Bagh, Begumpet  
Hyderabad 500016  
T +91 40 6630 8200

## KOCHI

6th Floor, Modayil Centre point  
Warriam road junction  
M. G. Road  
Kochi 682016  
T +91 484 406 4541

## KOLKATA

10C Hungerford Street  
5th Floor  
Kolkata 700017  
T +91 33 4050 8000

## MUMBAI

16th Floor, Tower II  
Indiabulls Finance Centre  
SB Marg, Elphinstone (W)  
Mumbai 400013  
T +91 22 6626 2600

---

## MUMBAI

9th Floor, Classic Pentagon  
Nr Bisleri factory, Western  
Express Highway, Andheri (E)  
Mumbai 400099  
T +91 22 6176 7800

## NOIDA

Plot No. 19A, 7th Floor  
Sector – 16A  
Noida 201301  
T +91 120 485 5901

## PUNE

3rd Floor, Unit No 309 to 312  
West Wing, Nyati Unitree  
Nagar Road, Yerwada  
Pune- 411006  
T +91 20 6744 8800

---

For more information or for any queries, write to us at [contact@in.gt.com](mailto:contact@in.gt.com)



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