

# Automotive Sector Dealtracker

Providing M&A and PE deal insights



# Foreword



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**With India assuming the G20 presidency and the Asia-Pacific group due to host COP28, there is an incredible opportunity for the country to highlight its constructive climate policies and showcase its capabilities to become a global clean manufacturing hub.**

As the automotive industry heads towards sustained recovery, with a 21% y-o-y growth in domestic sales in FY 2022-23 across all vehicle categories, it has also exhibited strong presence within the EV sector crossing the 1 million mark in sales and registering an exceptional 154% y-o-y increase this fiscal. With a strong resurgence and gradual transition towards the green future mandate, the industry is privy to unparalleled transformation.

However, the deal activity within the automotive sector was subdued in Q2 2023 — witnessing a 92% decline (in value) from the previous quarter. With a global slowdown (baseline growth forecast expected to fall from 3.4% in 2022 to 2.8% in 2023)<sup>1</sup>, there has been an overall decline in deal activity recently. Nonetheless, we expect the deal activity to pick up gradually with the development of new business models and value chains, as India transitions towards its net-zero goals.

Steered by government focus in India, the EV (projected to grow at a CAGR of 49% between 2022-2030) and alternative fuel technology markets, such as green hydrogen cells, clean energy and mobility solutions are expected to attract substantial investor interest.

Accordingly, the investment opportunity within the EV sector stands at

1. [IMF](#) 2. [IEA](#)

more than USD 200 billion, driven by — indigenous production to reduce import dependence, value chain integration across multiple sub-sectors, and customised solutions aimed at enhancing vehicle safety, reliability and total cost of vehicle ownership (to increase adoption levels).

On the Green Hydrogen front, with electrolyzers being pertinent to the value chain, there is an immense opportunity for their indigenous manufacturing with an increase in hydrogen capacity announcements (to build electrolyser manufacturing capacity of 60 to 100 GW). This is expected to pave the way for large-scale investments and mergers for enhanced efficiencies in production.

As per IEA<sup>2</sup>, this transition to clean energy — including renewable batteries, green hydrogen, and other clean technologies is expected to create a market of USD 80 billion in India by 2030 — out of which USD 19 billion (~24%) is expected to be attributed to green hydrogen.

Additionally, the auto-component sector is expected to attract investments to reduce import dependence and improve synergies — to keep up with the transition from ICE to EV.

With the industry heading towards becoming a global clean manufacturing hub, we can maintain a positive investment outlook (and deal activity) in the medium-to-long term.

# Deal snapshot



**Q2**

Deal summary	Volume			Value (USD million)		
	2021	2022	2023	2021	2022	2023
Domestic	1	3	-	20	15	-
Cross-border	-	2	-	-	636	-
<b>Total M&amp;A</b>	<b>1</b>	<b>5</b>	<b>-</b>	<b>20</b>	<b>651</b>	<b>-</b>
Private equity	<b>15</b>	<b>20</b>	↓ 20%	<b>16</b>	<b>141</b>	↓ 81%
<b>Grand total</b>	<b>16</b>	<b>25</b>	↓ 36%	<b>16</b>	<b>1,158</b>	↓ 92%
<b>Cross-border includes</b>						
Inbound	-	2	-	-	636	-
Outbound	-	-	-	-	-	-

**H1 2023**

Deal summary	Volume			Value (USD million)		
	2021	2022	2023	2021	2022	2023
Domestic	2	8	1	30	87	10
Cross-border	1	4	1	20	643	578
<b>Total M&amp;A</b>	<b>3</b>	<b>12</b>	↓ 83%	<b>2</b>	<b>50</b>	↓ 19%
Private equity	<b>26</b>	<b>35</b>	↓ 6%	<b>33</b>	<b>180</b>	↓ 33%
<b>Grand total</b>	<b>29</b>	<b>47</b>	↓ 26%	<b>35</b>	<b>230</b>	↓ 45%
<b>Cross-border includes</b>						
Inbound	0	3	0	0	638	0
Outbound	1	1	1	20	5	578

## Q2 2023 witnesses PE activity dominating deal activity in the sector

- The automotive industry in India is undergoing a significant transformation with the adoption of alternative fuel technologies and innovative mobility solutions. During the second quarter of 2023, the sector experienced a 36% decrease in overall volumes and a 92% decrease in values. Despite the subdued deal activity in this quarter, there has been a concerted effort to integrate the value chain across various sub-sectors.
- In terms of deal activity, the sector reported 16 deals amounting to USD 98 million, primarily driven by the private equity (PE) segment. This translated to a decrease of 20% in PE deal volumes and 81% decline in PE values as compared to Q2 2022. Persistent global macroeconomic factors such as inflationary pressures (added with likelihood of prolonged heightened interest rates) have also contributed to an overall decline in deal activity within the sector.
- Majority of the PE activity was driven by the emergence and integration of business sectors aided by advanced technology such as electric vehicles, mobility-as-a-service (MaaS), and auto components (focused on EV components).
- Compared to Q1 2023, the deal activity also reported a similar trend, with 16% decline in deal volumes and 91% decline in values.

## One big ticket cross border transaction helps maintain overall deal values

- The global economic slowdown has led to a decline in activity within the automotive sector, resulting in subdued movement and impacting valuations and overall deal activity. In the second quarter, the numbers were particularly discouraging, as the sector did not have many big-ticket transactions. However, one big-ticket outbound deal in the first quarter helped maintain overall values.
- Samvardhana Motherson International Ltd.'s acquisition of SAS Autosystemtechnik GmbH & Co worth USD 578 million accounted for 51% of overall values in H1 2023 and marked the largest outbound deal in this sector since 2021.

# Top deals: Q2 2023



Top deals accounted for **95% of overall deal** values and constituted only **63% of volumes**.



Investor/ Acquirer	Investee/ Target	Deal type	sub sector	USD mn	stake%
BP Ventures, Survam Partners and angel investors	Blu-Smart Mobility Pvt. Ltd	PE	Mobility as a Service	37	N.A.
Morgan Stanley and bp Ventures	Magenta EV Solutions Pvt Ltd- Magenta Mobility	PE	Electric Vehicles (EVs)	22	N.A.
Al Futtaim Group, Lowercarbon Capital, Toyota Ventures, Maniv Mobility, and Trucks VC	World of River Pvt. Ltd- River	PE	Electric Vehicles (EVs)	15	N.A.
Stride Ventures, Indian Renewable Energy Development Agency, Mumbai Angels, We Founders Circle, US India EV Angels and angel investor	Oben Electric Vehicle Pvt Ltd- Oben EV	PE	Electric Vehicles (EVs)	5	N.A.
Avaana Capital, Third Derivative, Inflection Point Ventures and We Founder Circle.	Kazam EV Tech. Pvt. Ltd	PE	Electric Vehicles (EVs)	4	N.A.
Touchstone Ventures, Panthera Peak Capital, and angel investors	Nysha Mobility Tech Pvt Ltd	PE	Auto-components	4	N.A.
growx Ventures, Micelio Mobility, Huddle and angel investors	Racenergy Pvt. Ltd	PE	Electric Vehicles (EVs)	3	N.A.
ah! Ventures, High Tables Platform and Exedy Clutch India	Starya Mobility Pvt Ltd	PE	Electric Vehicles (EVs)	2	N.A.
Transition VC and Gruhas	EMO Energy	PE	Auto-components	1	N.A.
Purple Stone Consulting	Mobec Innovations Pvt Ltd	PE	Electric Vehicles (EVs)	1	N.A.

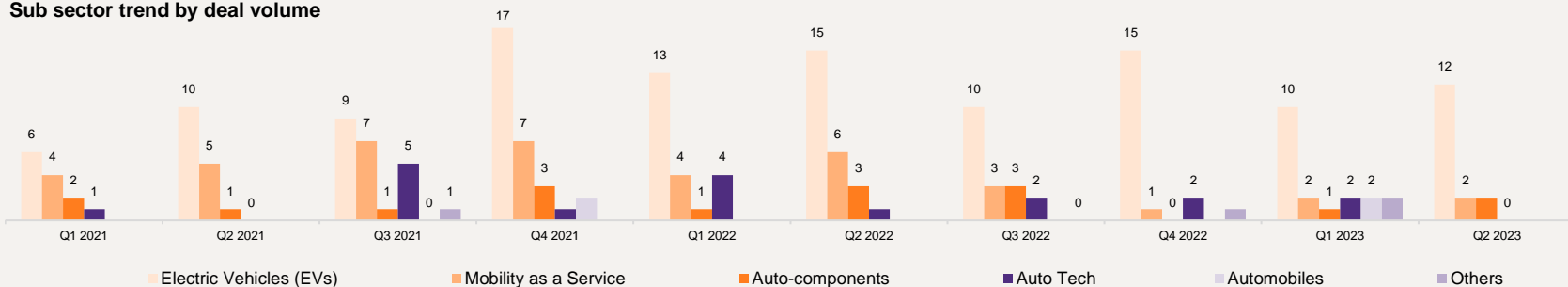
# Sector trends



## EV space continue to drive deal activity to be future ready

- Q2 2023 continued to be dominated by investors' interest in the emerging EV space with progress in electric mobility solutions, smart battery cells, smart grids and EV charging infrastructure. Although overall deal values experienced a 92% decline vis-à-vis Q1 2023 (due to overall subdued deal activity), we can expect a resurgence in the short to medium term — especially in optimising processes, enhancing manufacturing capacities and expanding distribution channels within the green mobility space.
- Q2 2023 reported more than USD 98 million worth PE investments across 16 deals driven by the EV space, which dominated both in terms of volumes and values recording 12 deals with USD 54 million investments, followed by mobility-as-a-service (MaaS) recording 2 deals with USD 40 million in investments.
- Segments portraying promising growth, in line with the drive towards a green future mandate, include Auto-tech, EV and mobility-as-a-service (MaaS).
- Additionally, as the auto-component industry transitions from internal combustion engine (ICE) to EV, there are market opportunities in the US and Europe for the auto component industry, paving the way for cross-border M&As in the short-to-medium term.
- Improved charging infrastructure, B2B delivery and shared mobility concepts such as e-scooter sharing and delivery, operators of commercial vehicles switching to EVs and move towards e-mobility, among others, are likely to push deal activity in the PE space.

Sub sector trend by deal volume



# Automotive sector trends (1/2)



## Transition towards alternative fuel technology



- India's climate change action (presented in COP26) include reduction of total projected carbon emissions by 1 billion tonne between 2022 and 2030, thereby contributing towards the target of new zero emissions by 2070.
- The domestic EV market is expected to grow at a CAGR of 49% between 2022 and 2030 and is projected to create approximately 50 million direct and indirect jobs by 2030 making up for USD 200 billion investment opportunity.
- As per IEA, transition to clean energy is a remarkable economic opportunity — renewable batteries, green hydrogen and clean technologies are expected to create a market worth around USD 80 billion in India by 2030.

## Auto-component industry embracing EV technology



- As per the estimates of the Automotive Component Manufacturers Association of India (ACMA), the auto components sector will provide an EV opportunity of more than USD 20 billion in the next five years. This is likely to incentivise opportunities within the electric auto component initiative.
- Majority of investments are expected to be directed towards building technologies, which are currently imported.
- Technologies such as telematics and connected mobility are revamping the competitive landscape for the auto component industry, which is expected to witness a transition in the short-to-medium term.

## Changes in urban mobility trends



- MaaS is aimed at providing seamless, sustainable, and affordable mobility solutions aided by connected technology and data integration.
- Penetration of ride hailing services in India stands at around one-tenth of the levels in developed markets.
- The MaaS market is expanding rapidly due to low penetration levels for ride-hailing services and subscription models offered by emerging players.

# Automotive sector trends (2/2)



## Changing landscape of Indian two-wheeler market



- Following the previous peak in 2018-19, the two-wheeler segment faced headwinds such as migration from BS4 to BS6 emission standards, supply chain disruptions caused by the pandemic and increase in commodity prices. These factors increased the cost of ownership. In the last three years, the price of entry-level two wheelers went up by more than 50% on an average.
- OEMs have been strategically focusing on adding a variety of products under the mid-size bikes portfolio, since they recognised the growth potential of the mid-size segment. This makes India one of the most conducive markets for the mid-size segment, paving way for strategic partnerships between Indian and other global OEMs.

## Auto-component industry embracing EV technology



- With supply chains within the automotive industry incorporating sustainable practices, there is an emphasis on circulating products and materials at their highest value.
- Further to the vehicle scrappage policy in Budget 2021-22, allocation of funds to scrap old vehicles of the Central Government and support provided to states in replacing old vehicles will provide an impetus to circular economy.
- With more than 1 crore vehicles ready for scrapping in India, the push provided to vehicle scrappage (9 lakh old vehicles, beyond 15 years with the cumulative amount likely to exceed INR 1,000 Cr. owned by the Central and state governments to be scrapped and replaced) is expected to help reduce pollution, create job opportunities and boost demand for new vehicles.

# Sector specialists



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