



AUTOMOBILE

SUMMARY

The Automobile industry in India is a significant driver of macroeconomic growth and technological development.

The Automobile industry holds a 7.1% share in India's GDP.¹

India is projected to be the world's third-largest automotive market in terms of volume by 2026.²

India has 4 large auto manufacturing hubs: Delhi-Gurgaon-Faridabad in the North, Mumbai-Pune-Nashik-Aurangabad in the West, Chennai- Bengaluru-Hosur in the South and Jamshedpur-Kolkata in the East.

The Automobile industry manufactured 30.9 Mn vehicles including passenger vehicles, commercial vehicles, three-wheelers, two-wheelers and quadricycle in FY 2018-19.³

Out of 30.9 Mn vehicles manufactured in FY 2018-19, India has exported 4.6 Mn.⁴

The FDI equity inflow received by the Automobile Industry in FY 2019-20 is valued at USD 2.82 Bn.⁵

The Department of Heavy Industry has helped setup India's first Machine Tool Park (TMPT) is a world class facility that has been developed on 530 acres of land.²⁸

REASONS TO INVEST

India is expected to emerge as the third-largest Automotive market in the world in terms of volume by 2026, followed by China and USA.⁶

The Automotive Mission Plan 2016-26 (AMP 2026) aims to drive the Automobile industry to be the engine of the "Make in India" programme, developing India as a global manufacturing center.⁷

As per the AMP 2026, the Automobile industry has a target to triple the revenues to USD 300 Bn and increase exports sevenfold to USD 80 Bn.⁸

The World Economic Forum positions India 30th on the global manufacturing index, out of more than 100 countries on the evaluation of the manufacturing competencies.

India's "Make in India" initiative has played a vital role in elevating the country's position.⁹

Faster Adoption and Manufacturing of (Hybrid &) Electric Vehicles and National Electric Mobility Mission Plan (NEMMP 2020) have been initiated with an aim to support hybrid/electric vehicles market development and ecosystem.

The International Centre for Automotive Technology (ICAT) is a top-class automotive testing, certification and R&D service provider under the support of NATRiP (National Automotive Testing and R&D Infrastructure Project), Government of India. ICAT is situated in the northern automotive hub of India in Manesar.¹⁰

Private players like Hyundai, Suzuki, General Motors are interested in setting up an R&D base in India.

Foreign manufacturers are keen to set up their facilities due to the presence of a large pool of skilled and semi-skilled workers and a strong educational system.

The Gross Value Added (GVA) in the automobile manufacturing sector witnessed an estimated growth rate of 8.1% in 2018-19.²⁹

[Explore more about infrastructure availability in Automobile sector >](#)

RECENT ANNOUNCEMENTS

24th November 2020: Government is planning set up at least one electric vehicle charging kiosk at around 69 thousand Petrol Pumps across the country to induce people to go for electric mobility.

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6th November 2020: In Electric Mobility Conference 2020, Shri Nitin Gadkari Hon'ble Minister of Road Transport and Highways & MSME, presented the aim of establishing India as a global automobile manufacturing hub in the next five years. He called Auto Industry to Reduce Costs of Electric Vehicles (EVs) for Enhancing Sales While Maintaining Quality.

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29th September 2020: Department of Heavy Industries shared the Revised Phase Manufacturing Program for xEV parts under FAME India Scheme Phase II for information and necessary compliance by all testing agencies .

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STATISTICS

The Automobile industry can be categorized into subsectors such as passenger vehicles, commercial vehicles, three-wheelers and two-wheelers. Two-wheelers occupy the dominant position, constituting about 80% market share and overall passenger vehicles comprise 13%.

India is the largest manufacturer of two-wheelers, three-wheelers and tractors in the world, and the fifth-largest vehicle manufacturer overall.

India is currently the fourth largest Automobile market in the world.

Total turnover of the Indian Automobile Industry during FY 2018-19 was around USD 118 Bn, which is 7.1% of the country's total GDP, 27% of Industrial GDP and 49% of Manufacturing GDP.¹¹

The Automobile Industry is one of the largest employers. It provides around 37 million direct and indirect jobs.¹²

The current annual sale of vehicles of all categories is expected to reach 84.5 million by 2030.¹³

By 2026, production of passenger vehicles, commercial vehicles, two-wheelers and three-wheelers is expected to grow annually at 9.4 mn units, 2.0 mn units, 50.6 mn units and 0.95 mn units respectively.

By 2026, as per the Automotive Mission Plan 2016-26, the Automobile industry has the potential to contribute about 12% of total GDP and create 65 mn jobs.¹⁴

FDI POLICY

Under the automatic route, 100% Foreign Direct Investment (FDI) is permitted along with full delicensing. Hence, making it easy for investors to set up their manufacturing plant/shop in India.

The cumulative FDI equity inflow in the Automobile industry is USD 24,627.85 mn during the period April 2000 to September 2020. This constitutes 4.93% of the total FDI inflow received across sectors.¹⁵

Read more about Foreign Direct Investment Policy in India >

SECTOR POLICY

FAME INDIA SCHEME II PHASE

The Fame India Scheme II is proposed to be implemented over a period of 3 years from 1 April 2019, for faster adoption of electric mobility and growth of electric and hybrid technology to improve the eco-system in the country.

Department of Heavy Industries (DHI) is the nodal Department, responsible for planning, implementation and review of the scheme.¹⁶

The Government of India, in February 2019, approved the FAME-II scheme with a fund requirement of USD 1.39 Bn for FY20-22.¹⁷

The letter of awards were issued to 173 Charging stations (50 in the city of Surat, 25 each in the cities of Prayagraj, Tiruchirappalli and Srinagar, 20 in Udaipur, 10 each in the city of Karnal and UT of Andaman and Nicobar (A&N), 8 in Gurugram) as sanctioned under FAME India Scheme Phase II.³⁰

AUTOMOTIVE MISSION PLAN 2016-26 (AMP 2026)

The Automotive Mission Plan 2016-26 (AMP 2026) outlines the trajectory of growth of the automotive ecosystem in India, including the glide path of definite regulations and policies that govern research, design, technology, testing, manufacturing, import/ export, sale, use, repair, and recycling of automotive vehicles, components and services.

The Automobile industry is projected to be the third largest in the world, contributing 12% to GDP.²⁰

The industry has the potential to generate USD 300 Bn revenue and 65 mn additional jobs by 2026.²¹

The Automobile industry is one of the prime movers of the manufacturing sector and "Make in India" initiative. It aims to increase exports of vehicles by five times. The growth of vehicles, particularly the passenger vehicles, is expected to triple to 9.4 mn units per annum by 2026.

The plan also foresees India to be the first in the world in production/sale of small cars, two-wheelers, three-wheelers, tractors and buses; and third in passenger vehicles and heavy trucks.

DRAFT NATIONAL AUTOMOTIVE POLICY 2018

Department of Heavy Industries formulated a draft National Automotive Policy, for the holistic development of the Automobile industry in India.

The policy estimates to scale-up exports to 35-40% of the overall output and makes India one of the major automotive export hubs in the world. Thus, the following propositions are made in the policy:

Adopt a long-term roadmap for emission standards beyond BSVI and complement the same with the global standards by 2028.

Rollout CAFÉ (Corporate Average Fuel Efficiency) norms till 2025.

Adoption of a differential taxation method based on a composite criterion, including parameters such as CO2 emissions and length.

Associate AIS and BIS standards on safety critical parts over the next 3 years.

Fast track adoption of Bharat New Vehicle Safety Assessment Program.

NATIONAL AUTOMOTIVE TESTING AND R&D INFRASTRUCTURE PROJECT (NATRIP)

The project has been set up at a total cost of USD 573 Mn to enable the industry to adopt and implement global performance standards.

It aims at converging India's unparalleled strengths in IT and electronics with automotive engineering sectors.²²

The main area of focus is on providing low-cost manufacturing and product development solutions.

Ministry of Heavy Industries & Public Enterprises has constituted NATRIP Implementation Society (NATIS), an autonomous body, for the execution of NATRIP.²³

As a part of the program, 7 test centers have been finalized to set up the test facilities – iCAT, GARC, NATRAX, ARAI, VRDE, NIAIMT, NCVRS.²⁴

Under the Samarth Udyog, 'Demo cum experience' centers are being set up in the country for promoting smart and advanced manufacturing serving SMEs to implement Industry 4.0 (automation and data exchange in manufacturing technology).²⁵

NATIONAL ELECTRIC MOBILITY MISSION PLAN 2020 (NEMMP)

The NEMMP initiative has been taken up to encourage consistent, affordable and competent xEVs (hybrid and electric vehicles) that meet consumer performance and price expectations through government-industry collaboration.

Promotion and development of indigenous manufacturing capabilities, required infrastructure, consumer awareness and technology are additional objectives of NEMMP 2020.

India is expected to emerge as a leader in the two-wheeler and four-wheeler xEV market in the world by 2020. The total xEV sales projected as 6-7 mn units, thus, enabling the Automobile industry to achieve global xEV manufacturing leadership and contributing towards national fuel security.

The aim is to have 6 mn electric & hybrid vehicles per year on the road by 2020 under NEMMP 2020. A cumulative cost of USD 2.15 Bn is estimated for this paradigm initiative, which also includes industry collaboration.

GREEN URBAN TRANSPORT SCHEME (GUTS) 2017

The Green Urban Transport Scheme has been executed with the help of the private sector including assistance from the central and state governments under a 7-year mission with a total cost of USD 10.76 Bn.

The scheme promotes low carbon sustainable public transport system in urban areas. For the first phase, 103 cities have been identified. These cities are either capital cities or have a population of 0.5 mn and above.

The scheme encourages the promotion of Non-Motorized Transport (NMT), public bike sharing, Bus Rapid Transit (BRT) systems, Intelligent Transport Systems (ITS), urban freight management etc.

Hon'ble Prime Minister, Shri Narendra Modi has given its approval to introduce the Production-Linked Incentive (PLI) Scheme in Automobile and Automobile Components Sector through the Department of Heavy Industries of with an financial outlay of INR 57042 cr over a five-year period for Enhancing India's Manufacturing Capabilities and Enhancing Exports – Atmanirbhar Bharat.

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[Explore Government policies/schemes in Automobile sector >](#)

FINANCIAL SUPPORT

R&D INCENTIVES FOR INDUSTRY AND PRIVATE SPONSORED RESEARCH

A weighted tax deduction is given under section 35 (2AA) of the Income Tax Act. Weighted deduction of 200% is granted to assess for any sums paid to a national laboratory, university or technological institute. The said sum is used for scientific research within a program approved by the prescribed authority.

MANUFACTURERS WITH AN IN-HOUSE R&D CENTRE

Section 35 (2AB) of the Income Tax Act 26, 1961 provides weighted tax deduction of 150% of the expenditure incurred by a specified company, on scientific research in the in-house R&D centers as approved by the prescribed authority. This does not include expenditure on the cost of any land or building. The weighted tax deductions of 150% are effective until 31 March 2020. Consequently, the weighted tax deductions will be 100%.

STATE INCENTIVES

Apart from the mentioned incentives, each state in India offers additional incentives for industrial projects. Incentives are provided in the following: rebates in land cost, relaxation in stamp duty exemption on sale or lease of land, power tariff incentives, a concessional rate of interest on loans, investment subsidies/tax incentives, backward areas subsidies, special packages for mega projects. Few examples are -

Andhra Pradesh

Government of Andhra Pradesh is committed to providing land at concessional rates, along with 24 hours nonstop power supply.

Capital subsidy of 50% for common infrastructure in auto clusters and ASMC developers, up to a maximum of USD 3.07 Mn.

Financial assistance limited to 75% of the cost, subject to a maximum of USD 38,461 for obtaining patent registration. While 50% of all charges are subject to a maximum of USD 7,692 paid for obtaining quality certification. This is applicable to only MSME units.

Under marketing incentives, 50% of participation cost with a maximum amount of USD 7,692 to be reimbursed to at the most 10 MSME units annually, for participating in international trade fairs.

Gujarat

Auto component manufacturers can either avail general incentives under the Gujarat Industrial Policy 2015, or under the scheme for Mega / Innovative Projects.

Jharkhand

Jharkhand introduced Automobile and Auto Component Policy 2016 with an aim to make Jharkhand, a preferred destination for automobile and auto-component manufacturing units. Provision of financial assistance of 50% for fixed capital investments in building and common infrastructure up to a maximum of USD 3.07 Mn. 100% electricity duty exemption shall be provided for 10 years from the date of production.

EXPORT INCENTIVES

Under the Merchandise Export Incentive Scheme (MEIS), automobile manufacturers get a benefit of 2% on vehicle exports.

About 20 tariff headings have been considered as "Sensitive items" to be maintained in the negative list of India in most of the trade agreements.

AREA-BASED INCENTIVES

Incentives for units in SEZ/NIMZ as specified in respective acts or the setting up of projects in special areas like the North-east, Jammu & Kashmir, Himachal Pradesh and Uttarakhand.

INVESTMENT OPPORTUNITIES

Passenger vehicles: passenger cars, utility vehicles, multi-purpose vehicles.

Two-wheelers: mopeds, scooters, and motorcycles.

Three-wheelers: passenger carriers, goods carriers.

Commercial vehicles: light commercial vehicles, medium and heavy commercial vehicles.

Huge demands for low-cost electric vehicles that are suited for safe short-distance urban commutes (averaging 50-100 km/trip) that are rugged enough to perform reliably through India's summers and monsoon.

Explore projects to invest in Automobile sector >

FOREIGN INVESTORS

BMW (Germany)

Borgward Automotive India Private Limited (Germany)²⁷

Daimler India Commercial Vehicles Pvt Ltd (Germany)

FIAT (Italy) Ford (USA)

General Motors (USA)

Honda (Japan)

Hyundai (South Korea)

Kia Motors (South Korea)²⁷

Mercedes (Germany)

Nissan (Japan)

Piaggio (Italy)

Renault (France)

Sumitomo Corporation (Japan)²⁷

Suzuki (Japan)

Toyota (Japan)

Volkswagen (Germany)

Volvo (Sweden)

AGENCIES

Ministry of Heavy Industries & Public Enterprises, Government of India

Automotive Research Association of India (ARAI)

Society of Indian Automobile Manufacturers (SIAM)

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