

Automotive pulse - India

Quarterly newsletter



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A snapshot of India's automotive sector

India's automotive sector is experiencing a transformative phase, fuelled by a blend of technological advancements, evolving consumer trends and a growing appetite for sustainable and electric vehicles (EVs). This positive momentum is further amplified by the government's supportive policies that encourage local production.

Consequently, India is swiftly becoming a pivotal player in the international automotive arena, offering abundant investment opportunities and heralding a prosperous outlook for the sector.

In CY23, the Indian automotive sector concluded with a record total of 24 million vehicles registered, marking an 11.3 per cent growth compared to the 21.6 million vehicles in CY22¹.

In 1HFY25, automotive exports from India saw a year-on-year increase of 14 per cent, with all verticals, except for three-wheelers, recording growth in shipments². The overall shipments reached 25,28,248 units in the first half of the current fiscal year compared to 22,11,457 units during the same period last year².

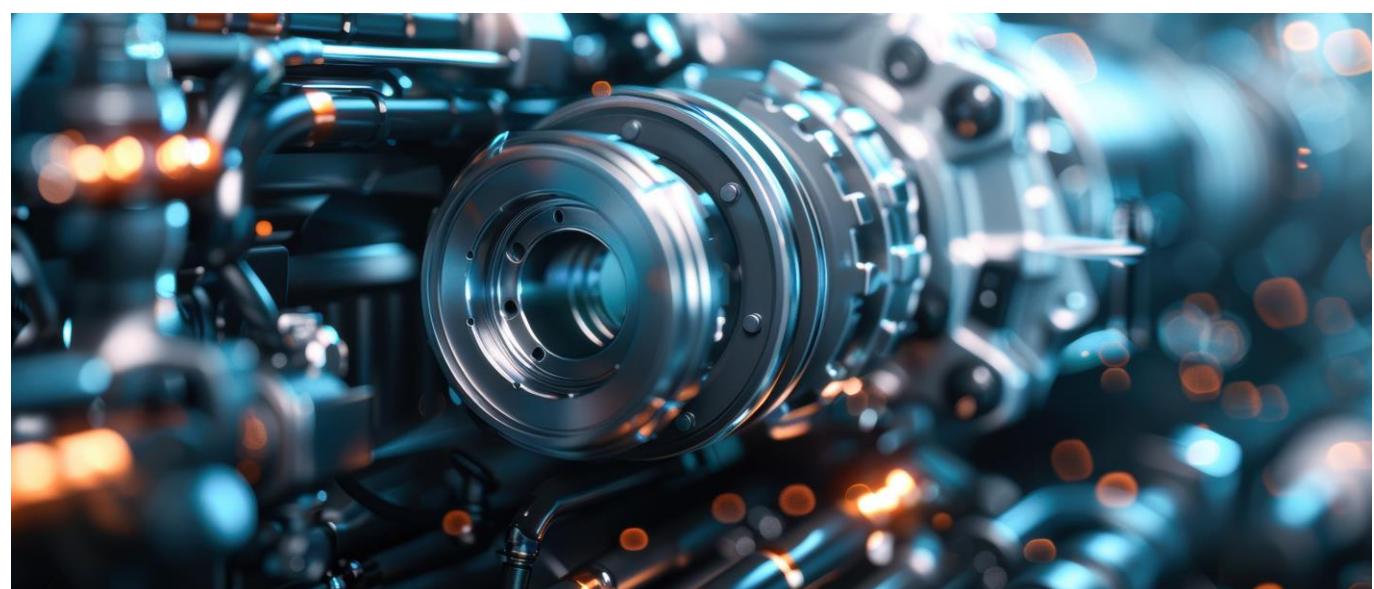
Throughout the months of August-October 2024, the automotive sector witnessed marginal decline in demand levels, as visible in the total vehicle registrations and electric battery-operated vehicle registrations, largely due to excess rainfall and floods disrupting retail sales in several states in the local market. However, in October 2024, there was a significant rise in vehicle registrations owing to the festive season.



*Note: The numbers for November are till date i.e., 19th November 2024.

Electric battery-operated vehicle registration¹

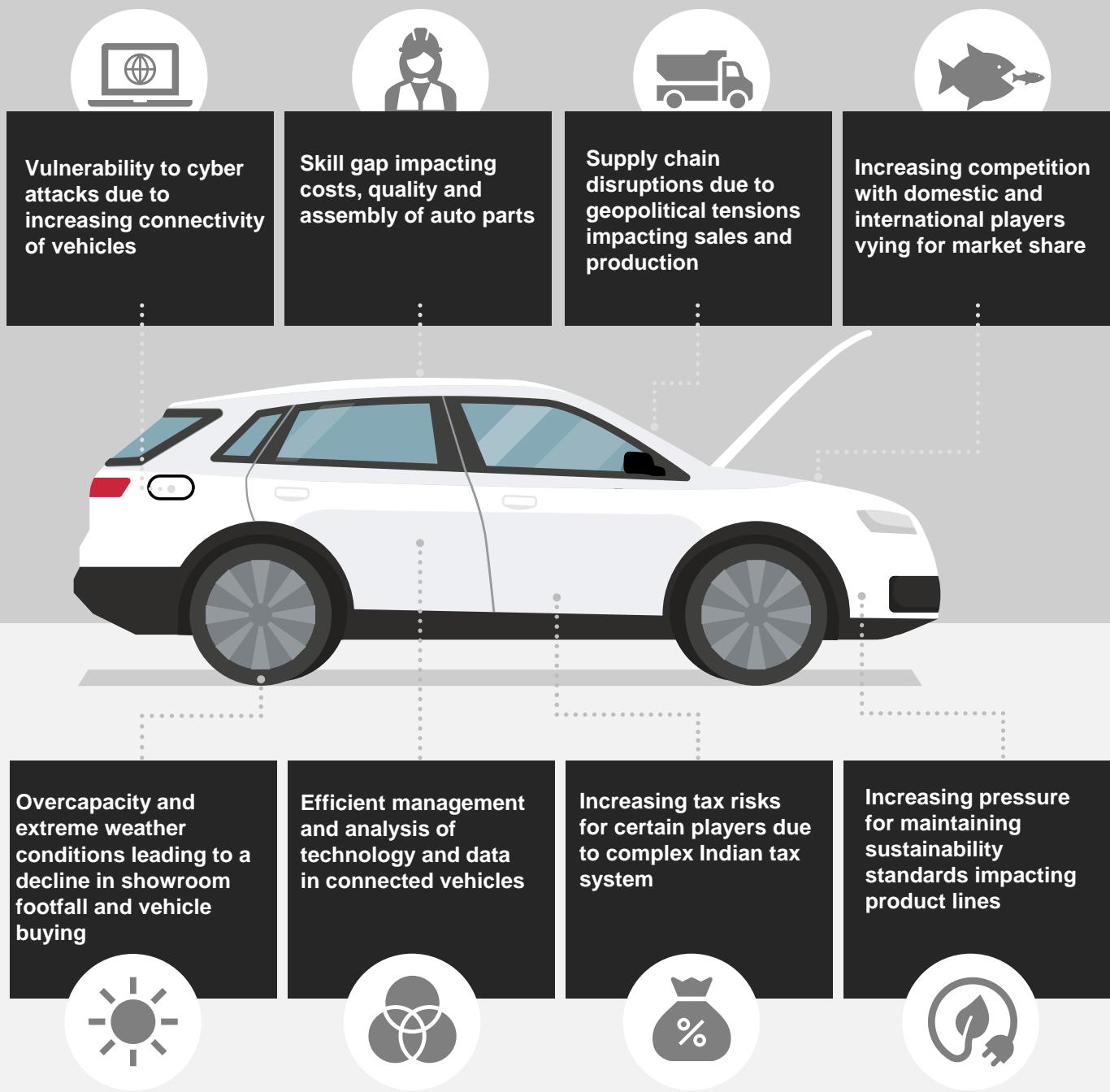
	July	August	September	October
CY24	128,623	107,066	97,236	109,900
CY23	116,623	127,208	128,557	140,373
YoY change (%)	10.3%	(15.8%)	(24.3%)	(21.7%)



1. Vahan database and dashboard, accessed on 19th November 2024

2. Vehicle exports from India rise 14% in H1 FY2025, SUVs, 2-wheelers and CVs drive revival, Autocar Professional, 19 October 2024

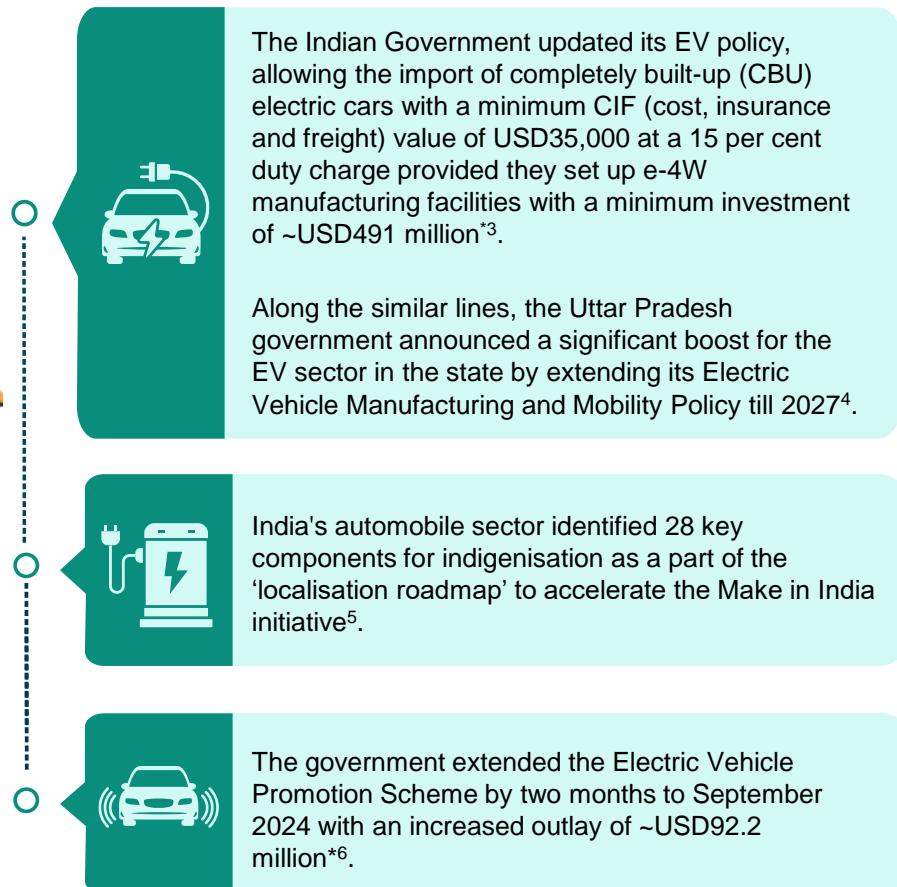
Key challenges identified in the sector:



Near-term outlook: The sector holds a measured optimism, spurred by interest in new models and strategic initiatives, yet remains vigilant over economic issues to adeptly manage market shifts.

Steering through regulatory updates and initiatives

The Indian government has been focusing on upgrading the policies around EVs to attract foreign companies and promote 'Make in India' in the automotive sector:

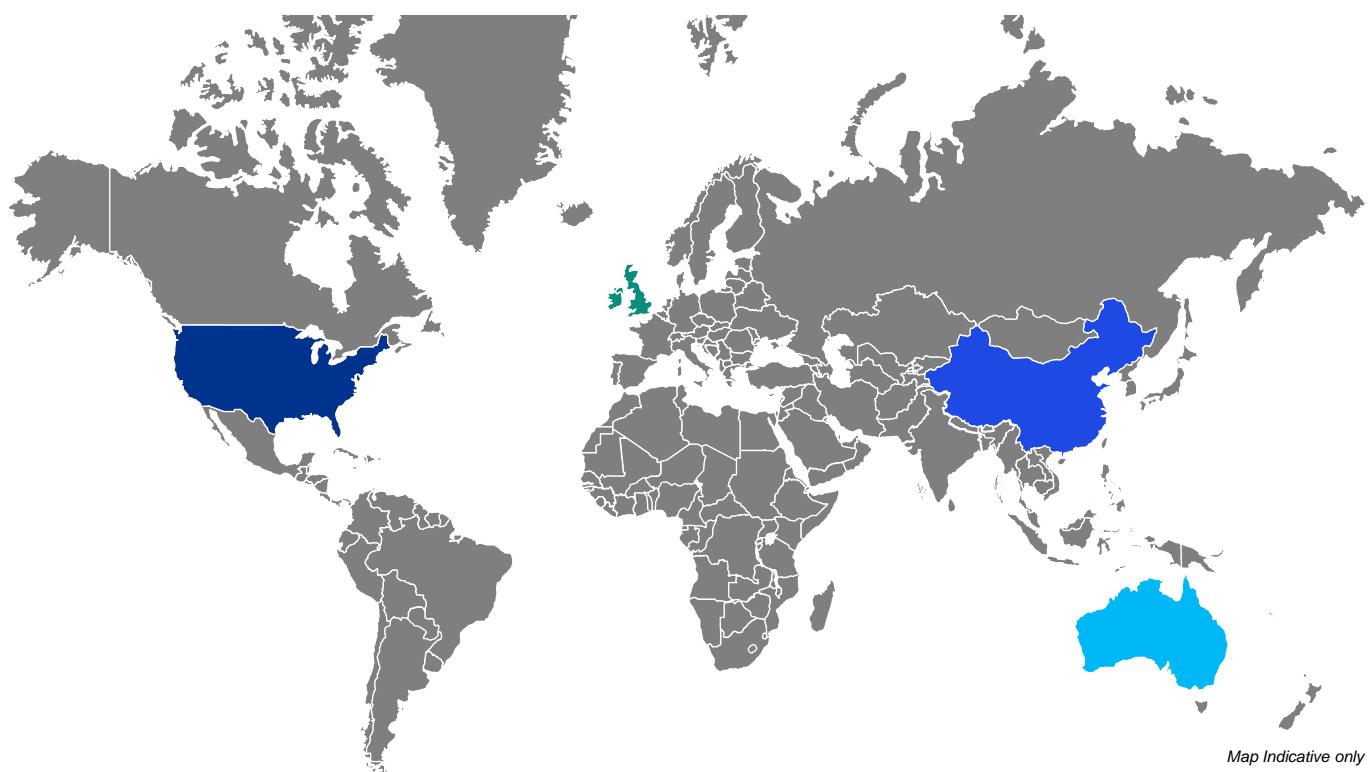


- PLI Scheme for automobile and auto components has a budgetary outlay of ~USD3.1 billion* from FY23 to FY27⁷.

Note(*): Currency converted as per the conversion rate 1 USD = 84.4 INR as on 19 November 2024

3. GAP BETWEEN EV AND ICE VEHICLE, PIB, 30 July 2024
4. Uttar Pradesh extends EV subsidy scheme for three years, Invest UP, 16 July 2024
5. Auto industry identifies 28 components to reduce imports, Financial Express, 8 May 2024
6. Government extends duration of EMPS 2024 by two months i.e. upto 30th September, 2024 with enhancement of outlay to Rs. 778 crore, PIB, 26 July 2024
7. Economic Survey of India, 2023-2024

Global developments across the automotive sector



China

- The increasing presence of European automotive giants in the Chinese market has prompted numerous supporting suppliers to establish facilities nearby. This trend is fostering greater integration between Chinese and European automotive sectors⁸.

US

- As part of the US government's Investing in America agenda, the Department of Energy (DOE) announced USD1.7 billion to support the conversion of eleven shuttered or at-risk auto manufacturing and assembly facilities to manufacture electric vehicles across eight states⁹.

Australia

- The Australian Parliament passed the bill for a New Vehicle Efficiency Standard (NVES), which sets the first-ever CO2 emission standards for Australia's light-duty vehicles. The standards set targets from 2025 to 2029 for passenger cars, SUVs and vans¹⁰.

U.K.

- UK car production decreased by 7.6 per cent in the first half of 2024, as the country shifted its focus to electric vehicle investment¹¹.

8. China, Europe grow stronger auto industry ties amid closer cooperation, The State Council, People's Republic of China, 21 July 2024

9. Biden-Harris Administration Announces Nearly \$2 Billion to Support American Auto Workers, Convert Facilities for Electric Vehicles, Department of Energy, 11 July 2024

10. Australia finalizes first-ever CO2 emissions standards for light vehicles, sending its clearest signal yet to the automotive industry, ICCT, 17 May 2024

11. Car production down in first half as manufacturers invest in electric future, Society of Motor Manufacturers and Traders (SMMT), 25 July 2024

Unlocking opportunities and growth potential

India's automotive sector is poised for significant growth and opportunities, spurred by a host of factors such as technological advancements that are opening doors to more efficient, sustainable and intelligent vehicles, profitable merger and acquisition (M&A) deals and private equity (PE) investments, strategic alliances and rising opportunities through developments in supporting sectors. These factors pose as opportunity drivers for the automotive sector in the near term:

A. Increasing opportunities in the technological landscape

The Indian automotive sector, which is an active landscape of technology, has put a strong focus on trends such as **green energy integration, partnerships for quality assurance and progressive technologies** such as advanced driver assistance system (ADAS), hydrogen fuel cell technology, electromagnetic compatibility (EMC) testing and a robust EV charging infrastructure. This could potentially result in a surge of investments from both local and overseas entities in the development of these technologies.

Advanced driver assistance system (ADAS)

The government is expected to soon notify **standards for installing ADAS** in vehicles as a safety feature to prevent crashes and better driver behaviour¹².



Hydrogen fuel cell technology

The Indian Army is planning on deploying **hydrogen-fuel cell technology for heavy duty e-mobility**. It also received a state-of-art green hydrogen fuel cell bus for use in Delhi from a leading public sector undertaking (PSU)¹³.

Electromagnetic compatibility (EMC) automotive testing

Industry wide collaborations to perform **testing for a wide spectrum of electrical and electronic components and subsystems of automobiles**.

EV charging infrastructure

An Asian automotive giant joined hands with an oil-based company in India to **expand EV charging infrastructure** across the country at key locations covering highways and cities.

The pace of international technology-based alliances in India's automotive sector is increasing, with the following trends in focus:

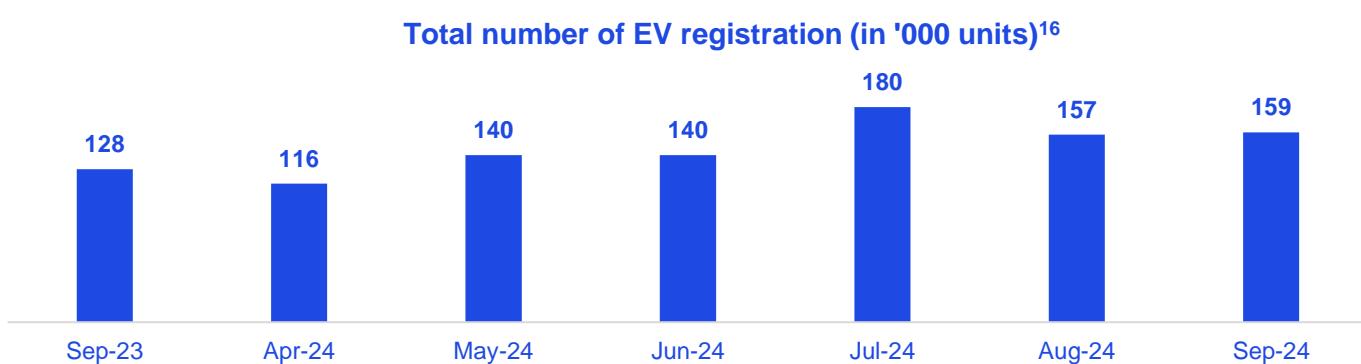
- **Automotive software and IT development hub:** A European automotive company and a South Asian technology company entered a strategic partnership, focusing on pioneering areas of critical technologies, including software-defined vehicles, autonomous driving, advanced infotainment systems and innovative digital services.
- **Domestication of technology production:** To foster localisation of their EV battery production in India, specifically lithium-iron-phosphate (LFP) cells, two Asian automotive manufacturers signed an MoU with one of India's energy companies. This development is likely to boost India's EV production facilities and make India a global EV market.

12. Government to soon fix standards for 'advanced driver assistance system' in vehicles, says transport secretary, Times of India, 16 January 2024

13. "OLIVE GREEN - GOING GREEN" INDIAN ARMY RECEIVES FIRST HYDROGEN BUS, PIB, 28 May 2024

B. India accelerates as global automotive component powerhouse
 India is progressively becoming a global centre for sourcing automotive components, with the sector annually exporting over a quarter of its production¹⁵. During FY24, the automotive component industry exported components worth USD21.2 billion witnessing a growth of 5.5 per cent and imported components worth USD20.9 billion, with a growth of 3 per cent¹⁴. **It is anticipated that automotive component exports from India will reach USD30 billion by FY26¹⁵.** By FY28, the Indian automotive sector aims to invest USD7 billion to boost the localisation of advanced components such as electric motors and automatic transmissions. This move will help in reducing imports and capitalising on the 'China Plus One' trend¹⁵.

C. India's EV revolution: Unlocking a new era of growth and opportunity
 Global EV sales have seen a decline, primarily due to rising concerns over high EV capital costs due to falling used EV prices and a shortage of rapid charging stations, which is becoming a major concern for consumers. On the contrary, the Indian EV market is showing significant resilience and steady growth. **In September 2024, the total number of registered EVs in India reached 159,513, up from 157,045 in August 2024¹⁶**, marking a month-over-month increase. However, in August 2024, the units declined to 157,045 from 180,082 in July 2024¹⁶, largely due to the onset of monsoon. The below graph portrays EV sales figures recorded in the past few months:



The stability in the number of EV sales in past year is primarily driven by the dominance of electric two-wheelers, which have become increasingly popular among Indian consumers due to their affordability, lower maintenance costs and efficiency.

This consistent upward trend highlights the burgeoning opportunities within India's EV space, positioning it as a key market for future investments and development in the automotive sector.



14. Auto Components Industry's Performance Review FY 2024/ FY 2023, Automotive Component Manufacturers Association Of India (ACMA), 25 July 2024

15. AUTO COMPONENTS, IBEF, May 2024

16. India EV Sales Trend, EV Reporter, September 2024

17. International Council on Clean Technologies (ICCT) to lead taskforce for e-trucks in India, Invest UP, accessed in November 2024

D. Indigenisation provides new opportunities for export growth and manufacturing excellence

India's ambitious goal to become the world's largest automotive manufacturer by 2029 is gaining momentum, positioning the country as a key player in the global automotive landscape. With the production of 28.4 million vehicle units in FY24¹⁸, India's automotive sector is poised to reach USD1 trillion by 2035, leveraging the global shift¹⁹. By boosting production capacities and enhancing export strategies, India is attracting global automobile companies to invest in the manufacturing ecosystem in the country, where the production of automobiles as well as components emerge. Cars manufactured under the 'Make in India' initiative are also gaining wider international recognition as leading car manufacturers are intensifying their export efforts.

E. India's automotive sector in the localisation fast lane:



Increased Chinese Investment in India

An Asian automobile manufacturer outlined a strategy to make large-scale investments in India by the year 2030 to facilitate the annual production and sales of over one million vehicles.



Local manufacturing of foreign automobiles

India became the first country since 1970 to manufacture specific car models of a luxury European car manufacturer outside their base country.



Export of 'Made in India' EVs

A European car manufacturer is the first multinational corporation to export EVs from India, delivering 'Made in India' EVs to an Asian country.



Fostering lithium-ion battery production

A South Asian multinational oil and gas company entered into a JV with a leading Japanese battery producer for producing cylindrical lithium-ion cells in India.

F. Driving progress: The role of supporting sectors in augmenting growth

Growth and opportunities in India's automotive sector are intricately linked with advancements in its supporting sectors such as oil and gas, green energy, semiconductors and the tyre sector, as it stimulates innovation, improves cost-effectiveness and enhances the appeal and sustainability of vehicles.



Department for Promotion of Industry and Internal Trade (DPIIT)'s temporary permission to import specific tyres, in exchange for commitment to invest in local manufacturing in India led to **investments worth ~USD130 million*** by leading global tyre makers²⁰.

Note(*): Currency converted as per the conversion rate 1 USD = 84.4 as on 19 November 2024



One of India's multinational technology firm announced a strategic expansion of its semiconductor business by launching its fully owned subsidiary focusing on **application-specific integrated circuit (ASIC)** design/manufacturing with a fabless model.

18. Production volume of vehicles across India from financial year 2011 to 2024, by segment, Statista, 30 September 2024

19. Indian automobile industry is capable of becoming export-led US\$ 1 trillion by 2035: Report, IBEF, 5 October 2023

20. DPIIT steps led to investment commitments of over Rs 1100 cr from global tyre makers, Economic Times, 18 July 2024



As India increases the proportion of natural gas in its energy mix from 6 per cent to 15 per cent, it presents a potential investment opportunity worth USD67 billion²¹. This further supports the automobile sector's move towards zero carbon emission as natural gas is considered to be a transition fuel.

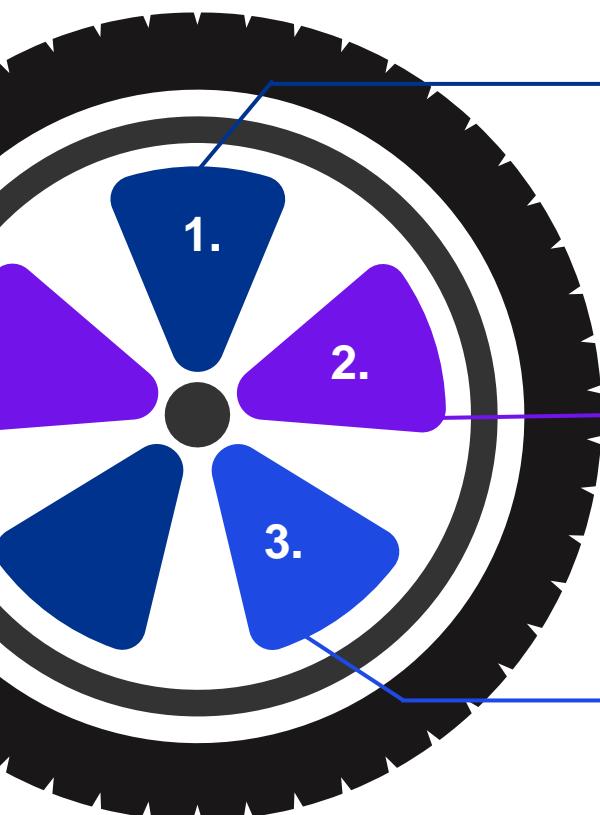


The central government issued scheme guidelines to **support pilot projects based on the use of green hydrogen** as fuel in buses, trucks and four-wheelers for promoting efficiency and sustainability in the transport sector²².

G. Unraveling growth through M&A, PE and VC deals

The Indian automotive sector is currently experiencing a significant surge in **mergers and acquisitions (M&A)**, reflecting the sector's dynamic evolution. 3QCY24 recorded six deals valued at **USD74 million**, marking a 20 per cent increase in volume and a 30 per cent rise in value compared to the previous quarter 2QCY24²⁴. Similar trend was witnessed in the **private equity (PE) and venture capital (VC) deals** with 22 deals worth **USD542 million** in 3QCY24²³.

The majority deals focused on key themes primarily centred around technology integration, strengthening the EV infrastructure and boosting the automotive parts market in India.



Focus on technology integration

- Investments for a B2B automotive software trading platform in India
- Investments in mobility-as-a-service (MaaS)
- Large scale investments in automotive sensor technology
- Focus on alternative fuel technologies.

Strengthening the EV infrastructure

- Developments and investments in eMobility software platforms
- Installations of charging stations across the country
- Investments for promoting EV charging through solar rooftop installations.

Focus on auto parts

- Strengthening expertise in steering systems
- Expansion to strengthen presence in the steel industry.

21. Prime Minister Narendra Modi Invites the world to invest in India's energy sector in his inaugural address at India Energy Week 2024, PIB, 6 February 2024
22. Government Issues Scheme Guidelines for Pilot Projects on use of Green Hydrogen in the Transport Sector, PIB, 14 February 2024
23. Indian automotive sector observes record 32 deals worth USD 1.9 bn in Q3 2024, ET Auto, 11 October 2024

India market pulse: Regional insights and trends

North India

North India's automotive sector is a dynamic and significant sector of the country's economy, with several prominent states driving its growth. Haryana is known for significant production of passenger cars, motorcycles and tractors in the Indian automotive market²⁴. Uttar Pradesh emerged as the top state in total registered vehicles as of November 2024²⁵. Punjab and Jammu and Kashmir are other notable states contributing to the northern automotive sector's development.

Recent developments include:

- Transitioning to green manufacturing, for instance, through the development of biogas plants in states such as Haryana.
- UP government's focus on electric mobility with set targets on production of electric buses.

East India

East India's automotive sector is steadily growing with notable contributions from states such as West Bengal, Odisha, Bihar and Jharkhand. These areas are increasingly becoming involved in the automotive sector, focusing on the production of a range of vehicles from two-wheelers to commercial vehicles. The region's sector benefits from strategic geographic advantages, such as proximity to ports for export opportunities and is supported by a network of suppliers and ancillary industries.

Recent developments include:

- Boosting sales of two-wheelers, primarily motorcycles, with states such as Bihar emerging as top contributors.
- Setting up factories for lithium-ion cells manufacturing in states such as Odisha.
- Facilities for producing electric scooters, cycles and motorcycles.

West India

West India's automotive sector is a vibrant sector with Maharashtra and Gujarat as its core states. As of November 2024, Maharashtra recorded the second highest vehicle registrations after Uttar Pradesh²⁶ as it is home to a large number of vehicle manufacturers and ancillary industries. Further, Gujarat, known for its robust industrial infrastructure, has attracted significant investments from national and international automotive companies²⁷. These states have become key players in the production of passenger cars, commercial vehicles and two-wheelers, contributing substantially to the region's economy.

Recent developments include:

- Clean energy production in automotive hubs such as Maharashtra and Gujarat.

24. Haryana, IBEF, accessed in November 2024

25. Vahan database and dashboard, accessed in November 2024

26. Vahan database and dashboard, accessed in November 2024

27. Gujarat attracting big investments since its automobile sector took off in 2009, ET Energy World, 18 December 2023

India market pulse: Regional insights and trends

South India

South India's automotive sector is rapidly evolving, particularly in the EV sector, with Tamil Nadu leading the charge. Around 40 per cent of the four-wheeler EVs and nearly 70 per cent of the two-wheeler EVs sold in the country are manufactured in Tamil Nadu²⁸. Moreover, in the past few months, South Indian states attracted international automotive manufacturing companies to make large-scale investments in the region's states due to their rapid growth in the sports car segment and high demand for luxury cars²⁹. The South Indian states also benefit from a strong supply chain ecosystem and proximity to ports, which are essential for exports.

Recent developments include:

- R&D centres focused on advanced mobility technologies in cities such as Bengaluru.
- Strengthening EV software capabilities in cities such as Chennai.
- Increasing the penetration of vehicle manufacturing facilities in Tamil Nadu.
- State governments are planning to set up more automotive clusters and centres of excellence (CoE) in states such as Tamil Nadu.



28. 'EV industry in Tamil Nadu has immense growth potential', The Hindu, 20 June 2024

29. 'Luxury car brands expand footprint as demand from Tier II-III cities rise', Business Standard, 18 August 2024

Summing it up

The Indian automotive sector is poised for significant growth and transformation, driven by government policies, technological advancements and strategic collaborations. The government's revised EV policies are particularly noteworthy along with reductions in import duties on high-value electric cars and encouraging foreign investments by offering benefits to companies that invest substantially in local manufacturing. This is part of a broader effort to promote the 'Make in India' initiative, which includes identifying 28 components for indigenisation and planning for an 'Automotive Mission Plan 2047'. These steps are aimed at bolstering India's manufacturing capabilities and positioning the country as a global leader in the automotive sector.

In the face of declining global EV sales, India's EV market stands out with steady growth, largely driven by the popularity of electric two-wheelers. The formation of an 'EV task force' by the Indian government underscores its commitment to develop a comprehensive sector roadmap, further supported by various collaborations aimed at enhancing EV infrastructure. Moreover, India's ambition to become the world's largest automobile manufacturer by 2029³⁰ is gaining traction with various M&A and PE deals. With substantial investments from global companies and geopolitical shifts, the country's automotive sector is set to reach USD1 trillion by 2035³¹.

Way forward

Enhancing the local manufacturing ecosystem through strategic investments and partnerships will be critical. Encouraging foreign companies to set up manufacturing bases in India by offering favourable policies and incentives can help achieve this goal.

Additionally, furthering the 'Make in India' initiative by increasing the localisation of auto components will strengthen the domestic supply chain and reduce dependency on imports.

Expanding and modernising the EV infrastructure is essential. This includes not only the physical infrastructure such as charging stations but also the regulatory framework to support innovation and adoption of new technologies. Collaborations between government bodies and private players will be vital in this regard.

India's automotive sector can significantly benefit from advancements in its supporting sectors. By fostering synergies between these sectors and the automotive industry, India can enhance its competitiveness on a global scale. Continued investment in R&D, particularly in emerging technologies such as hydrogen fuel cells, will ensure that India remains at the forefront of automotive innovation.



30. India to be number 1 auto manufacturing hub in 5 years, IBEF, accessed on 21 October 2024

31. Indian automobile industry is capable of becoming export-led US\$ 1 trillion by 2035: Report, IBEF, 5 October 2023

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