

Automobile Industry

SECTOR IN FOCUS

June
2023

Primus Partners Analysis

India's Automobile Industry is Valued at **INR 8.7 Lac Crore**

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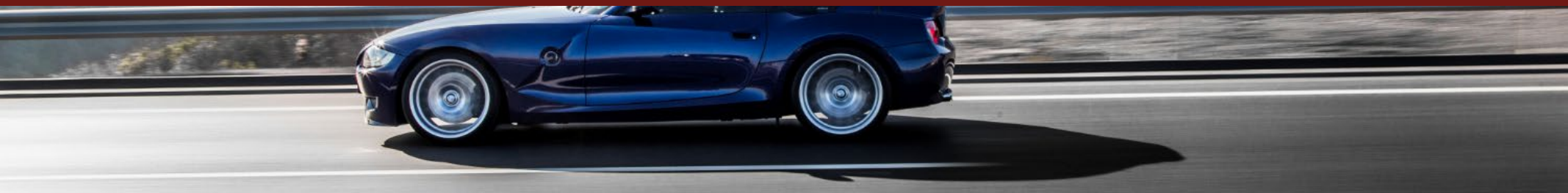
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01 Importance of 'Value' of the Automobile Industry

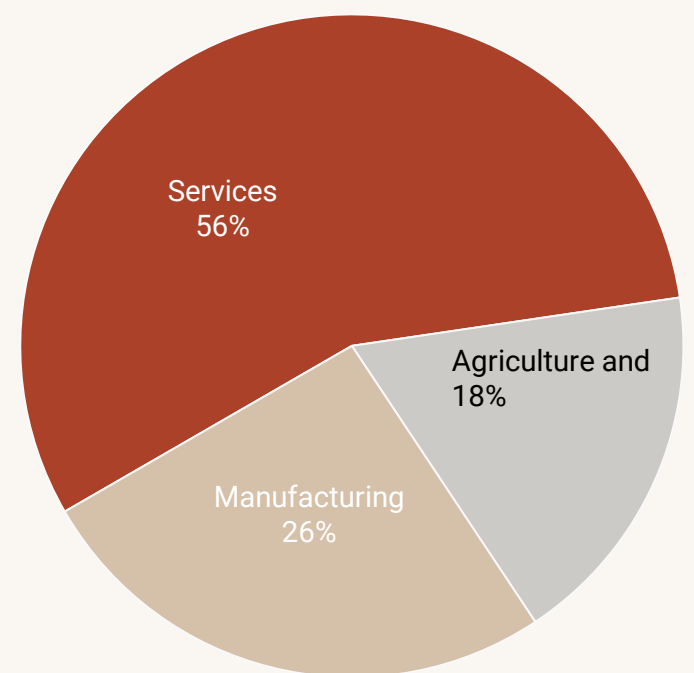
The Indian Economy is vibrant, with its a wide range of sectors that contributes to its success. While the services sector has been steadily growing and making significant contributions to employment opportunities and GDP, the manufacturing sector is not far behind. It contributes at least 26% to the country's GDP and provides employment to over 6.24 crore people (and counting).

Within the manufacturing sector, the automobile industry holds great importance. The automobile sector alone employs over 1.9 crore people (and counting), highlighting its crucial role in the economy.

The automobile industry in India is on the cusp of unprecedented changes, with multiple factors reshaping the landscape. Here are some key factors driving this transformation:

- 1. Electrification/Alternate Green Power Trains:** Recent trend indicates a shift towards electric vehicles and alternate green power trains which is said to revolutionize the industry. There have been initiatives all over the world in automobile industry which focuses on sustainability and reducing carbon emissions, the industry is investing heavily in electric and hybrid vehicles to meet the changing demands of consumers and environmental regulations.
- 2. Rise in the Use of Electronic Components:** The increasing integration of electronic components in vehicles is transforming the driving experience. From advanced infotainment systems to safety features and autonomous driving capabilities, electronic components are enhancing vehicle performance, efficiency, and connectivity.
- 3. Autonomous Changes such as Self-Driven Cars:** The emergence of autonomous driving technology is set to revolutionize transportation. The industry has been focusing its development initiatives on self-driven vehicles, which promises safer and more efficient travel experiences. This technology has the potential to reshape how the Industry will move forward as a whole.
- 4. Shared Vehicle Rentals/Cab Services:** There has been a rise in vehicle rentals and cab services which has transformed the way people commute. Companies that offer ride-sharing and rental services have disrupted traditional car ownership models, providing convenient and cost-effective transportation options for individuals and businesses alike.

2022-23 India GDP INR 272 Lac Crore
at nominal prices



Primus Partners estimates that the automobile industry is 3.1% of India's GDP.

Understanding the Value of Automobile Industry:

In order to take decisions, both from policy perspective as well as business perspective, it is important to understand what is the value of the automobile industry and the segment in which it lies.

Primus Partners ground up estimate on the value of the Automobile Industry.

The calculation relied on a model wise price survey which was conducted on dealers, and production numbers available from public sources.

The value estimate is broken down into:

- 2 wheelers
- 3 wheelers
- Passenger vehicles
- Commercial vehicles

The value estimate of passenger vehicles is further broken down into:

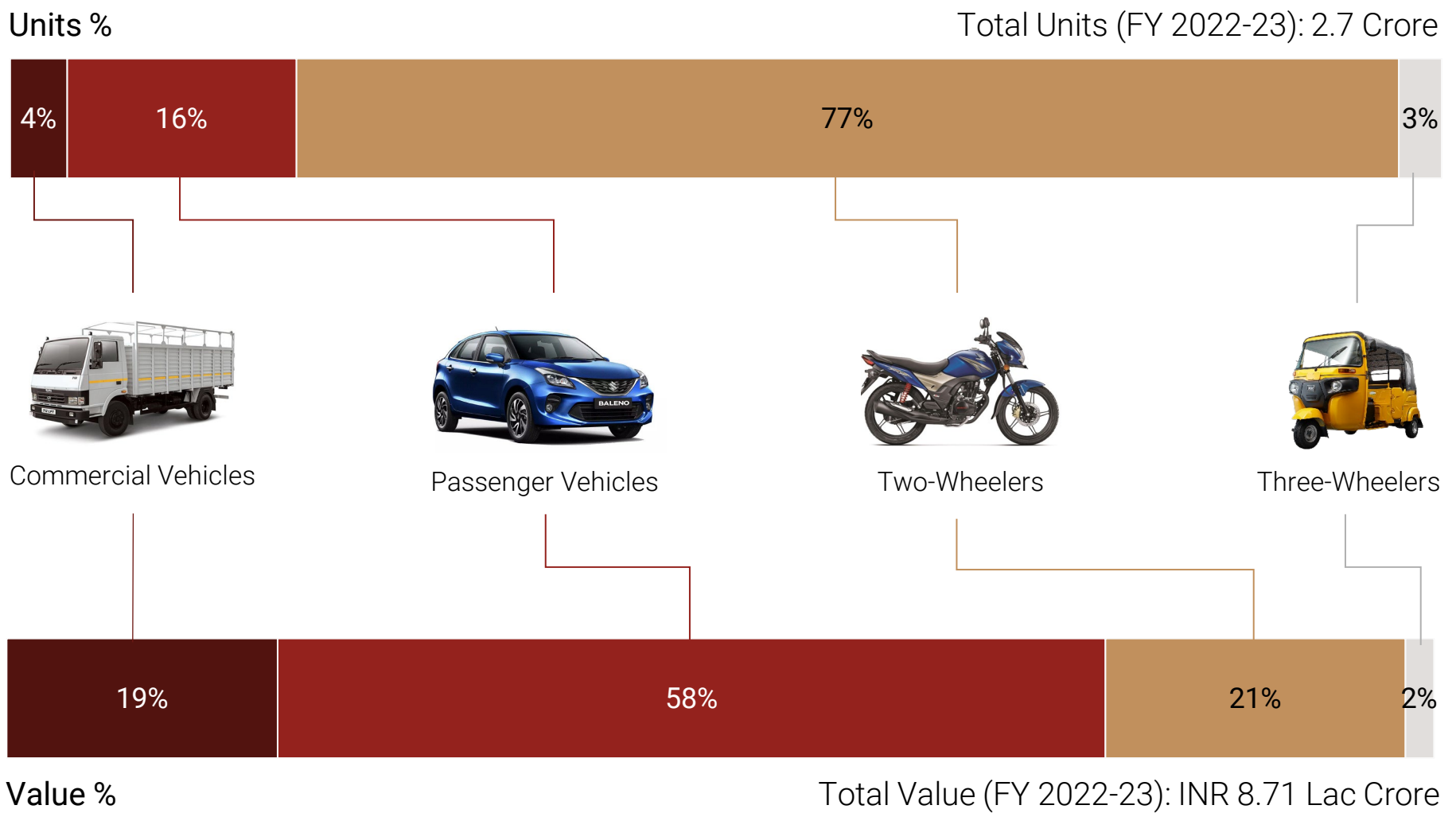
- Hatchbacks
- Sedans
- Mid size SUV / MUV
- Full size SUV
- Luxury vehicles

Primus Partners Estimates the Value of Indian Automobile Industry in 2022-23 to be INR 8.7 Lac Crore

01 A . Breakup of INR 8.7 Lac Crore Industry Value

The automobile industry produced **2.7 crore vehicles** during 2022-23, with two wheelers surpassing other vehicle categories with 77% of production numbers. Four-wheeler passenger vehicles generated the highest revenue share which contributed to 57% of the **INR 8.7 lac crore** revenue generated by the industry.

Units vs Value of the Automobile Industry



4% of units
19% of value

Commercial Vehicles

India produced over 10 lac **commercial vehicles** ranging from a small 4-wheel carrier with less than 2 ton capacity to large tractor trailers and specialty vehicles like tippers. The commercial vehicles category generates over **INR 1.7 lac crore** and accounts for 4% of volume and **19% of value**. **The key manufacturers in this segment are TATA, Ashok Leyland, Eicher, and BharatBenz.**



3% of units
2% of value

Three Wheelers

India produced over 8.5 lac **three-wheelers** that accounted for **INR 17,000 crore**. Furthermore, three-wheelers accounted for 3% of volume and **2% of value**. **The key manufacturers in this segment are Bajaj, Atul, and Greaves.**



16% of units
58% of value

Passenger Vehicles

India is #4 in **passenger vehicles** production behind China, USA and Japan. India is expected to be the fastest growing geography. Passenger vehicle category values over **INR 5 lac crore** and accounts for 16% of the volume and **58% of value**. **The key manufacturers in this segment are Maruti, Hyundai, KIA, TATA, Toyota, and Mahindra.**



77% of units
21% of value

Two Wheelers

India is #1 country for **two-wheeler** production, closely matched by China. Over 20 million two-wheelers were produced during 2022-23 accounting for 77% of the volume share. The overall segment accounted for **INR 1.8 lac crore** amounting to **21% of value**. **The key manufacturers in this segment are Hero Motocorp, Honda Scooters, Bajaj, TVS etc.**



01 B. Breakup of INR 5 Lac Crore Passenger Vehicle Value

Sales Data has indicated an interesting fact that the demand for cheapest vehicle is relatively low among Indian consumers. They tend to prioritize purchasing vehicles that offer greater comfort and features instead of solely focusing on economical options that are available in the market.



INR 1 Lac at launch

TATA Nano was one of the cheapest cars globally and provided fantastic value. However, it did not enjoy commercial success as consumers bought more expensive cars.



Mini Segment

INR 4.9 Lac Avg. Price 3% of value, 7% of units

The mini sub-segment, comprising cars like Alto 800 and Kwid RXE 1.0, presents itself as a more cost-effective choice for Indian consumers. With an average price of INR 4.9 lacs, it offers a more budget-friendly alternative. The mini segment produced 3.15 lac vehicles contributing to INR 15,400 crore in value. It is interesting to note, many first-time buyers are also bypassing this segment and going for feature rich higher value vehicles.



Compact Segment

INR 7.7 Lac Avg. Price 25% of value, 37% of units

The compact sub-segment, comprising cars such as Baleno, Aura, Altroz, and Amaze, emerges as the top-selling category among all passenger vehicle sub-segments. With over 16.14 lac vehicles contributing to INR 1,24,000 crore, it is the second most important segment of the industry.



Sedans

INR 13.7 Lac Avg. Price, 7% of value, 6% of units

The sedan category has experienced a decline, reducing its market share from 20% in 2011 to 6% in 2023. In terms of value, the sedan segment is currently valued at INR 35,000 crore.



SUV / MUV

INR 11.9 Lac Avg. Price 39% of value, 38% of units

The UVC / UV1 segment which comprises of medium size SUVs has been the fastest growing segment. The share of SUV used to be 10% of the market in 2013 and has increased to 38% in 2023. The average price of this segment is INR 11.9 lac, and the segment is currently contributing to INR 1,98,000 crore in value.



Full Size SUV

INR 17.7 Lac Avg. Price 13% of value, 9% of units

The full-size SUV consisting of UV2 segment produced 3.83 lac units and has an average price of INR 17.7 lacs and contributed to INR 68,000 crore in value. This represents 13% of the value.



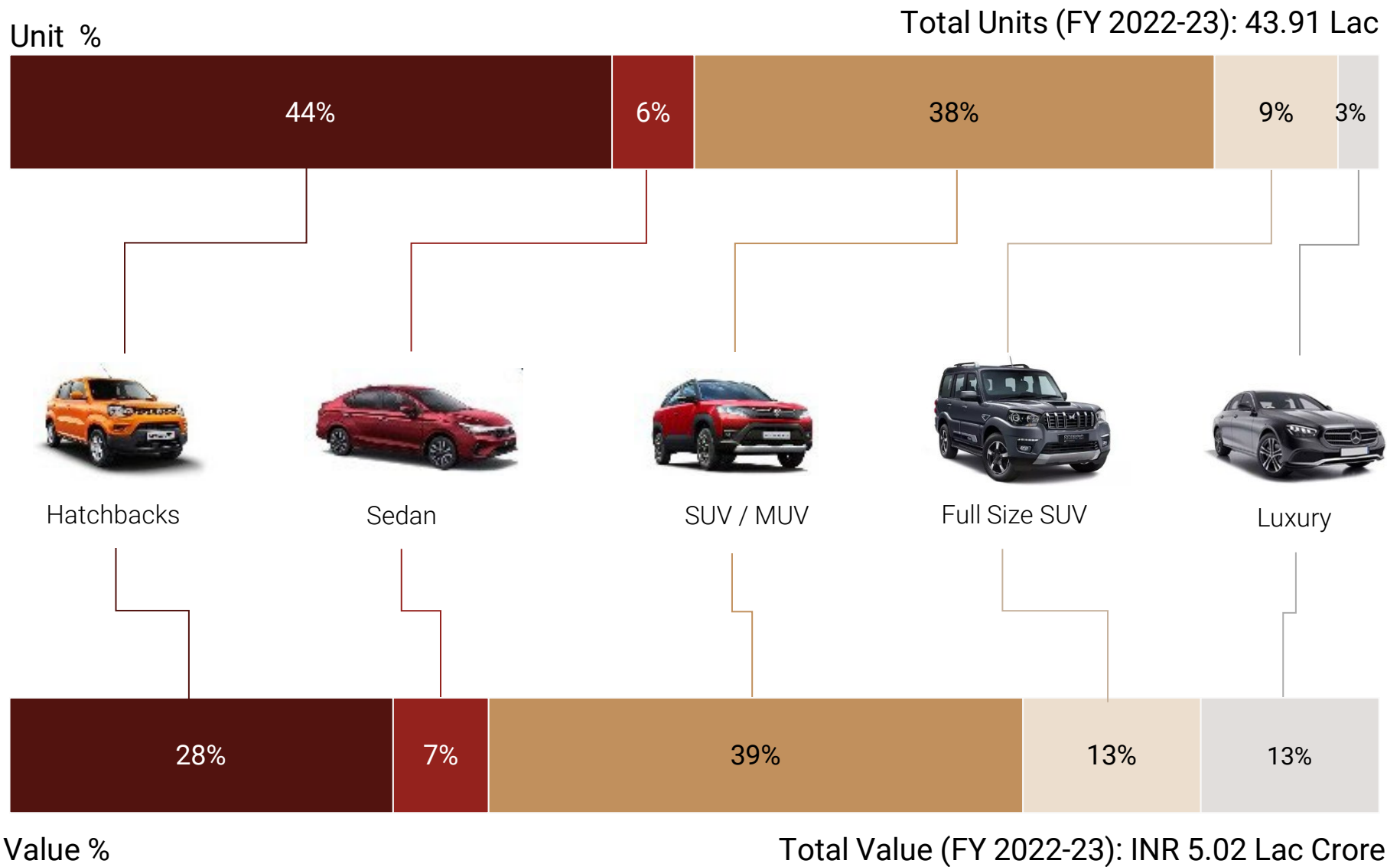
Luxury

INR 39.4 Lac Avg. Price, 13% of value, 3% of units

The luxury segment consisting of vehicles like Toyota Fortuner, Mercedes, BMW, Audi and other luxury cars (UC3, UC4, UC5 etc.) produced 1.6 lacs units with an average price of INR 39.4 lac and contributed to INR 63,000 crore in value representing 13% of value share.

01 B. Breakup of INR 5 Lac Crore Passenger Vehicle Value (Cont..)

The average value of passenger vehicles is now estimated to be INR 11.4 lacs. We expect this average value to increase due to general increase in prices and customers preferring more expensive feature rich vehicles. The lower priced 50% of units contributed to 35% of the value, and the higher priced 50% contributed to 65% of value. Key implication of these factors is that the industry is likely to grow at a higher rate in value compared to units.



Vehicle Segment	Key Models	Units (in '000s)	Avg. Price (in INR Lac)	Est. Value (in INR Crore)	Est. Value (in \$ Bn)
Hatchbacks	Maruti, Alto, Renault, Kwid, Maruti S-presso, Maruti Baleno, Hyundai i120, Honda Amaze	1,930	7.2	1,39,460	17.4
Sedan	Hyundai Verna, Honda City, Nissan Sunny	255	13.7	34,920	4.4
SUV/MUVs	Maruti Brezza, Mahindra Bolero, Hyundai Creta, KIA Seltos, Maruti Ertiga	1,663	11.9	1,98,250	24.8
Full Size SUVs	Mahindra Scorpio, XUV 700, Tata Harrier	383	17.7	67,830	8.5
Luxury	Fortuner, MG ZS EV, Mercedes Benz, BMW, Audi	160	39.4	63,040	7.9
Total		4,391	11.4	5,04,000	63

02 Electric Vehicles

Progress of the Indian EV Segment

While the Indian EV Industry is trailing behind top countries like China, US and EU, massive investments have taken place in India, which strongly indicates that India is poised to significantly increase its EV segment in the next few years.



Global Scenario

1.05 crore electric vehicles were delivered during 2022 across the world. This is an increase of 55% compared to 2021 and represents **13% share** of total personal vehicles sold. The global deliveries are increasing at a very fast pace.



Scenario in India

In India, a large part of the electrification has happened in two-wheeler and three-wheeler segments. Just about 46,000 EV passenger vehicles were sold in FY 23, representing just over 1%. The estimate value of passenger cars is less than INR 10,000 crores.

PLI induced Investments Announced in EV (in INR Crore)	
Auto PLI	25,938
Battery PLI	18,100
Private Investment	74,850
Total	1,18,888

The growth of the electric vehicle (EV) segment in India has been actively supported by the Indian government through policy measures. One notable effort is the production-linked incentive (PLI) scheme, which is offered by the government to incentivize automobile players to invest heavily in the EV segment. The PLI scheme provides incentives and advantages to companies involved in the research, development, and manufacturing of electric vehicles.

Players such as Maruti, Ola, Hyundai, and Mahindra, have made significant investments in India under the PLI scheme and have collectively committed INR 1.19 lac crore. These companies have set-up manufacturing units in different cities such as Gujarat, Tamil Nadu, and Maharashtra.

Furthermore, even companies that have not received the PLI are also demonstrating a strong commitment to expanding their presence in the EV segment by making substantial investments. This indicates their keen interest in the electric vehicle market and their determination to contribute to its growth.

Overall investment in EV industry may be substantially higher than INR 1.19 Lac Crore



MARUTI

Gujarat



OLA

Tamil Nadu



HYUNDAI

Tamil Nadu



Mahindra

Maharashtra






02 Electric Vehicles

Retrofitting: A Unique Solution to fast-track India's EV Adoption

Retrofitting ICE vehicles to EVs can be a cost-efficient way to extend lifespan of vehicles and make the transition to EV easier for users. Retrofitting of public vehicle fleets is a unique opportunity for private as well as public sector to achieve the net zero targets.

Slow Growth of EV adoption

-  Lack of awareness among users
-  Range anxiety
-  Slow growth of supporting infrastructure



Opportunity for Local Bodies

Retrofitting solutions offer a highly advantageous option for local public fleets, such as municipal buses, by providing a cost-effective and feasible approach to transition while aligning with country's climate objectives:

66%

Cost Reduction of Running a Vehicle

Net Zero

Achievement of Policy & Climate Goals

5 Days

Quick Conversion Process & Minimized Vehicles' Downtime

15 Days

Short Registration time for smooth and convenient transition

Retrofitting Opportunities

- 1 Promote retrofitting solution for large-scale EV adoption, by introducing fiscal incentives for retrofitting of public vehicle fleets
- 2 Leverage Vehicle Scrapping Policy 2021 by focusing on ICE power train scrapping and promoting retrofitting for public transport, reducing costs and emissions
- 3 Strengthen EV infrastructure by focusing on financing of value chain components and utilize innovative financing models like green bonds and priority sector lending



03 Other Estimates & Methodology

Primus Partners conducted a thorough analysis and estimated the value of the Indian Automobile Industry for 2022-23 at INR 8.7 Lac Crore (\$108 Billion).

Primus Partners felt that there is a need to estimate the value of the automobile industry from ground up, as there are many different estimates being quoted:

Other Estimates



INR 7.5 Lac Crore (~\$95b)

"Auto Industry Size" Feb 2023

[Read more](#)



INR 18 Lac Crore (~\$222b)

'Indian Automotive Industry Worth'

[Read more](#)



INR 2.4 Lac Crore (~\$32.7b)

"Passenger Car Market" 2021

[Read more](#)



INR 7.4 Lac Crore (~\$100b)

"India Automotive Market Value", 2021

[Read more](#)



Does not report value figures, only reports numbers



"Intention to make Auto Industry worth INR 15 Lac Crore" June 2023

[Read More](#)

Primus Partners Methodology

- Vehicle Type – Manufacturer - Model wise production figures were taken from public sources. Production was chosen as base as it roughly includes sales + exports. It is the value of production that goes through the industry.
- The model wise price of vehicles was collated through a dealer survey done by Primus Partners.
- The model wise production figures were multiplied by the respective prices to arrive at the value. The values were added up into segments to make this report.
- This value does not include items like insurance, finance, service, parts etc.

04 Policy News

The government has announced various developments regarding auto testing, BS6, PLI and scrapping of old vehicles - along with impacts of the Union Budget 2023.



Govt. to cut FAME-II subsidy on electric 2-wheelers from June

May 23, 2023

The Govt. has reduced subsidy provided under FAME-II applicable to two-wheelers registered on or after June 1, 2023. The cap on incentives reduced to 15% from 40%.

[Read more](#)



Auto Testing Infra to be Upgraded for New Tech Vehicles

April 11, 2023

Government to upgrade automobile testing infrastructure for improving EV testing and reducing wait times.

[Read more](#)



BS6 phase 2 RDE norms come into effect

April 1, 2023

The Phase. 2 of the Bharat Stage 6 (BS6) emission norms came into effect from April 1, 2023, focusing on real driving emissions, all the vehicles to now come with an OBD (On Board Diagnostic) system to monitor real-time emission levels.

[Read more](#)



States offer tax incentives for scrapping old vehicles

April 1, 2023

Several states and UTs have come on board to offer rebate on motor vehicle and road tax while buying new vehicles in lieu of scrapping old ones.

[Read more](#)



Government may ease data submission norms in PLI plan for auto companies

March 16, 2023

Automakers will be able to avail the benefits by submitting sourcing and pricing details of all the parts used in the vehicles from their tier-1 or direct suppliers instead of tier-3 suppliers or subcontractors.

[Read more](#)



Budget 2023: Cars, EVs and trucks to get demand boost

February 1, 2023

Demand for cars, EVs likely to increase owing to monetary allocation for vehicle scrappage policy, import duty exemption on machines and capital goods, and 33% rise in budgetary allocation.

[Read more](#)

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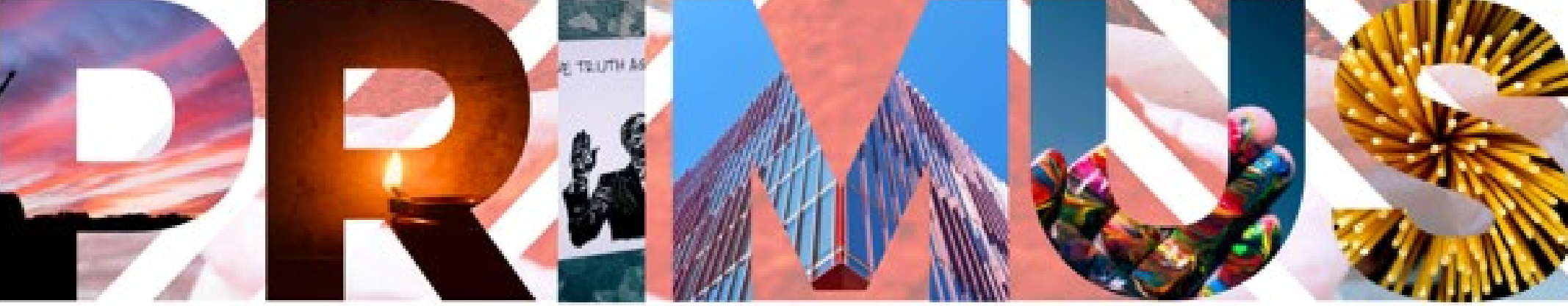
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PASSION

for providing solutions to help clients achieve their goals

RESPECT

for all and alternate viewpoints

INTEGRITY

of thoughts and actions

MASTERY

of our chosen subject to drive innovative and insightful solutions

US

representing the Primus collective, where each individual matters

STEWARDSHIP

for building a better tomorrow

About Primus Partners

Primus Partners has been set up to partner with clients in 'navigating' India, by experts with decades of experience in doing so for large global firms. Set up on the principle of 'Idea Realization', it brings to bear 'experience in action'. 'Idea Realization'— a unique approach to examine futuristic ideas required for the growth of an organization or a sector or geography, from the perspective of assured on ground implementability. Our core strength comes from our founding partners, who are goal-oriented, with extensive hands-on experience and subject-matter expertise, which is well recognized in the industry. Our core founders form a diverse cohort of leaders from both genders with experience across industries (Public Sector, Healthcare, Transport, Education, etc.), and with varied specialization (engineers, lawyers, tax professionals, management, etc.).



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