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INDUSTRY OUTLOOK

DRIVING FORWARD: PROSPECTS FOR INDIA'S AUTOMOBILE INDUSTRY

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Introduction

India is the world's fourth-largest automobile manufacturer, following closely behind China, Japan, and the USA, with an impressive production output of 4.6 million cars in 2023. In terms of exports, India holds the tenth position with a share of 2.4 per cent.

The Indian automobile industry plays a pivotal role in the nation's economic landscape, significantly contributing 7.1 per cent to the national GDP. This marks a substantial increase from its modest 2.8 per cent share back in 1992-93.



The industry also constitutes a catalytic element of India's manufacturing GDP, constituting over 50 per cent of its total output and extensive multiplier effects. The automobile industry serves as a significant driver of employment; it generates employment to nearly 37 million people in India¹.

According to the Parivahan Sewa portal of the Ministry of Road Transport and Highways, the total registration of all category vehicles till March 2024 stood at 36.59 crore, with 46.43 lakh vehicles registered in the current year alone. Among these vehicle registrations, the total revenue issued till March 2024 amounted to ₹ 73,04,18.24 crore, with ₹ 21748.44 crore in revenue issued in the current year alone (see Table 1 in detail).

Table 1: Road Transport Office (RTO) Statistics in India

	Till Date	Current Year
On Parivahan Portal		
Total Vehicle Registered	36.59 crore	46.43 lakh
Total Applications Submitted	40.05 crore	1.63 crore
Total Revenue Issued	73,04,18.24crore	21748.44 crore
On Sarthi Portal		
Total Driving License Issued	20.23 crore	21.64 lakh
Total Applications Submitted	20.87 crore	73.06 lakh
Total Revenue Issued	14829.88 crore	567.44 crore

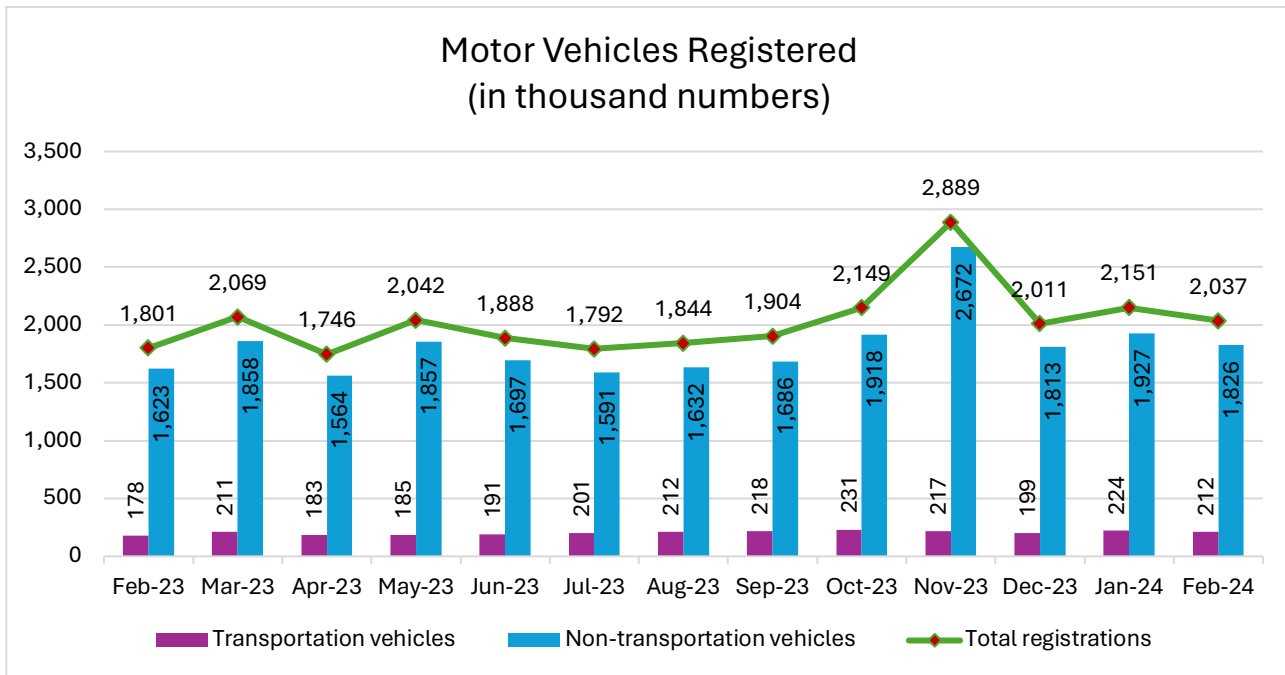
*These statistics are based on the RTOs running on Vahan 4.0 and Sarathi 4.0 only. Data runs from 1970 to till May 2024.²

Source: Parivahan Analytics & Reporting Portal, Ministry of Road Transport and Highways, GoI | Infomeric Economic Research

Registration of Vehicles in India

In February 2024, motor vehicle registrations experienced a seasonal decline of 5.3 per cent, attributed to the month's shorter duration compared to January. This decline is in line with a consistent trend over the past seven years where February consistently witnesses month-on-month decreases, typically followed by a rebound in the subsequent month. But, in terms of year-on-year basis, registration increased remarkably by 13.1 per cent in February 2024, marking the fourth consecutive month of above-average growth rates. This growth trend has been particularly notable since November 2023, with registrations peaking at 2.9 million vehicles during that festive season, sustaining elevated levels of around 2 million registrations from December 2023 to February 2024, well exceeding the average of 1.9 million registrations in the first half of 2023-24 (see Chart 1).

Chart 1: Vehicle Registration Trend in India



Source: CMIE | Infometrics Economic Research

The Ministry of Road Transport & Highways' Vaahan portal classifies registered vehicles into transportation and non-transportation categories. February 2024 witnessed a significant year-on-year growth of 18.9 per cent in transportation vehicle registrations, largely driven by passenger transportation vehicles and three-wheelers, with heavy and light goods vehicles experiencing declines. This surge in transportation vehicle demand contrasted with the lacklustre performance of goods vehicles, which slowed down overall transportation vehicle growth to 32.8 per cent during April 2023 - February 2024. Non-transportation vehicle registrations, however, grew by 12.5 per cent year-on-year in February 2024, with two-wheelers constituting the majority share.

Despite a record-high registration of two-wheelers during the festive season of November 2023, registrations have not fully recovered to pre-pandemic levels, unlike other vehicle segments. Overall, vehicle registrations in 2023-24 surpassed the pre-pandemic level, indicating a sustained recovery in the automotive sector.

Commercial Vehicles

Over the years, there have been fluctuations in the category-wise registration of commercial vehicles in India. In the heavy goods vehicle category, there was a steady rise till 2018-19 followed by a significant decline in 2020-21 and a partial recovery in 2021-22. Similarly, heavy passenger vehicles witnessed a fluctuating trend with a notable decrease in registrations in 2020-21.

Medium goods and passenger vehicles showed varying patterns, while light goods and passenger vehicles exhibited a relatively stable trend with occasional peaks and troughs. Overall, the data reflects the dynamic nature of the commercial vehicle market in India, influenced by factors, such as, macro-economic setting, government policies, technological advancements, rising disposable income and growing ascendancy of the middle class.

Table 2: Category-wise Registration of Commercial Vehicles in India

(Numbers: 2012-13 to 2022-23)

Year	Heavy goods vehicle	Heavy passenger vehicle	Medium goods vehicle	Medium passenger vehicle	Light goods vehicle	Light passenger vehicle
2012-13	232,937	37,661	40,213	15,971	559,026	245,850
2013-14	175,996	33,903	28,486	15,889	528,904	220,665
2014-15	197,321	27,043	24,743	15,925	491,820	194,141
2015-16	254,700	34,114	30,296	17,909	486,981	241,015
2016-17	267,576	41,481	33,781	19,910	507,399	291,946
2017-18	295,034	28,265	32,582	18,725	584,591	235,387
2018-19	332,367	26,793	44,679	20,315	697,707	277,726
2019-20	238,944	36,499	42,223	23,960	668,493	245,474
2020-21	94,296	4,736	24,791	3,867	436,859	69,404
2021-22	186,836	8,439	37,460	5,356	493,942	94,625
2022-23	281,898	15,646	36,951	19,367	614,780	192,074

Source: CMIE Industry Outlook | Infomerics Economic Research

An analysis of the trends of the last five years reveals that some vehicle categories exhibit fluctuating patterns over the years. For instance, the number of ambulances fluctuates, with a significant increase observed in 2021-22 compared to the previous years. Similarly, goods carriers show variations, with a decline in 2020-21 before a rebound in the subsequent years. The number of buses shows a consistent upward trend until 2021-22, followed by a slight decrease in 2022-23.

Other categories like dumper trucks, crane-mounted vehicles, and fire tenders demonstrate relatively stable figures over the years (see Table 3).

Table 3: Class-Wise Registration of Commercial Vehicles in India

(Numbers: 2012-13 to 2022-23)

<i>Year</i>	<i>2018-19</i>	<i>2019-20</i>	<i>2020-21</i>	<i>2021-22</i>	<i>2022-23</i>
<i>Ambulance</i>	7,523	11,740	6,607	15,467	11,706
<i>Goods carrier</i>	865,218	796,231	430,301	617,295	811,045
<i>Bus</i>	52,088	66,114	8,260	12,684	34,479
<i>Omni bus</i>	6,606	4,306	1,056	1,113	2,369
<i>Dumper</i>	11,070	10,501	5,944	8,404	11,677
<i>Camper van/trailer</i>	1,531	799	329	419	686
<i>Cash van</i>	298	1,254	368	1,635	1,670
<i>Fire fighting vehicle</i>	353	643	81	239	598
<i>Fire tenders</i>	172	337	85	120	194
<i>Crane mounted vehicle</i>	5,663	6,522	4,990	5,938	6,479
<i>Semi-trailer (Commercial)</i>			2	2	7
<i>Trailer (Commercial)</i>	53,107	24,784	16,969	12,694	11,924

Source: CMIE Industry Outlook | Infomerics Economic Research

Passenger Vehicles**Table 4: Category-wise Registration of Passenger Vehicles in India**

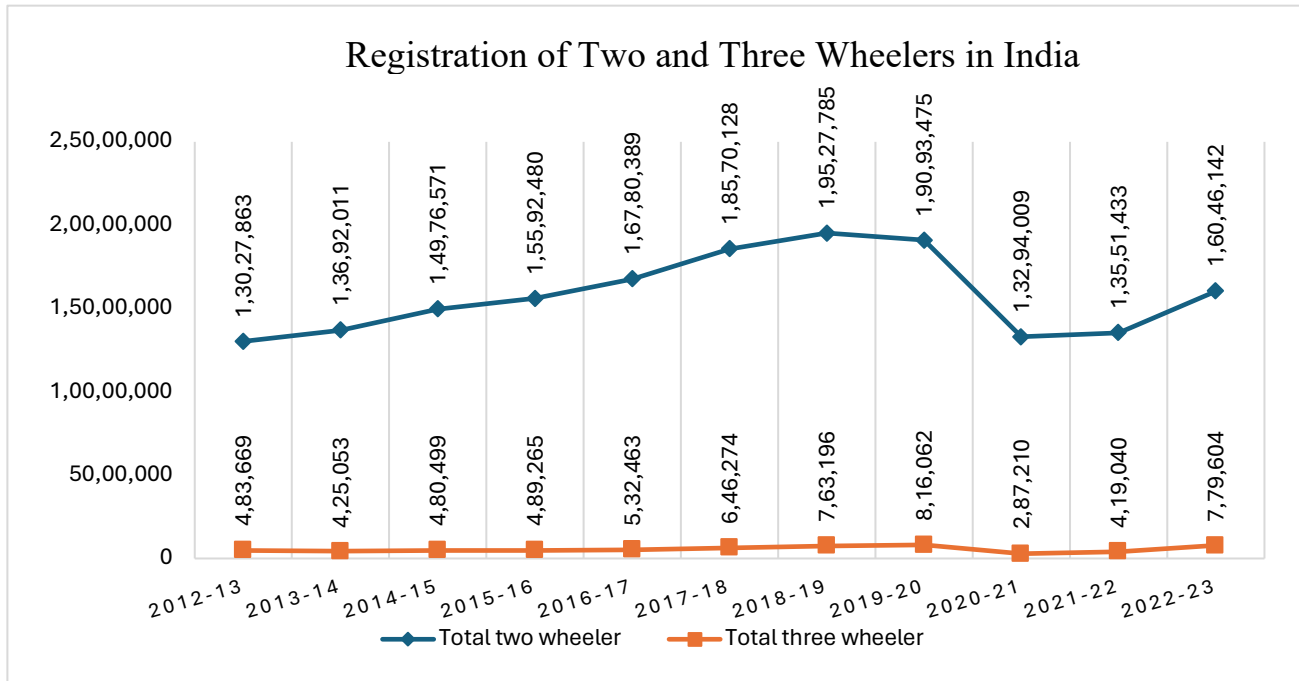
(Numbers: 2012-13 to 2022-23)

<i>Year</i>	Four-wheeler (Invalid Carriage)	Heavy motor vehicle	Light motor vehicle	Medium motor vehicle
<i>2012-13</i>	395	4,718	2,882,044	8,117
<i>2013-14</i>	442	4,164	2,802,058	6,303
<i>2014-15</i>	600	3,654	2,972,239	5,923
<i>2015-16</i>	789	3,823	2,957,193	5,658
<i>2016-17</i>	1,035	4,417	3,160,134	7,154
<i>2017-18</i>	1,400	4,107	3,543,784	9,353
<i>2018-19</i>	1,472	4,889	3,612,615	14,802
<i>2019-20</i>	1,571	5,280	3,402,817	15,550
<i>2020-21</i>	1,523	3,824	3,272,534	17,074
<i>2021-22</i>	2,203	4,806	3,607,649	14,847
<i>2022-23</i>	2,929	5,877	4,260,110	13,382

Source: CMIE Industry Outlook | Infomerics Economic Research

Two & Three Wheelers

Chart 2: Registration of Two and Three Wheelers in India



Source: CMIE Industry Outlook | Infomeric Economic Research

Vehicle Retail Data and Market Share

The Indian Auto Retail sector presents a nuanced perspective marked by growth and challenges. Dealers foresee expansion because of a constellation of several factors. Such factors include the on-going marriage season and expected income from agricultural sales provide a positive foundation for sustaining consumer spending, particularly benefiting the 2W segment; a surge in vehicle availability and successful new model launches across segments spurring market demand; favourable post-Union Budget CV-friendly policies and infrastructure-related industries. The government's positive crop production forecasts and sustained support initiatives are expected to strengthen the rural economy, potentially amplifying tractor demand and sales of entry-level 2Ws in rural regions, indicating further growth potential.

In February 2024, the Indian automotive retail sector witnessed robust overall expansion, recording a 13 per cent year-on-year (YoY) growth rate across all vehicle categories, including motorcycles, three-wheelers, passenger vehicles (PVs), tractors, and commercial vehicles (CVs), which experienced growth rates of 13 per cent, 24 per cent, 12 per cent, 11 per cent, and 5 per cent, respectively. The 13 per cent YoY growth in the motorcycle market stemmed from rural demand, increased interest in premium models, and notable performance in the entry-level segment, facilitated by wider product

availability and attractive incentives. Factors, such as, auspicious wedding dates and improved economic conditions also contributed to this positive momentum. Meanwhile, the three-wheeler market surged by 24 per cent YoY, with electric vehicles (EVs) accounting for 53 per cent of this growth, driven by new users and a shift towards electric E-rickshaws, alongside improved market sentiment and consumer engagement (see Table 5).

Table 5: All India Vehicle Retail Data for February 2024

CATEGORY	FEB'24	FEB'23	YoY %	JAN'24	MoM%
2W	14,39,523	12,71,073	13.25%	14,58,849	-1.32%
3W	94,918	76,619	23.88%	97,675	-2.82%
<i>E-RICKSHAW(P)</i>	36,579	30,736	19.01%	40,526	-9.74%
<i>E-RICKSHAW WITH CART (G)</i>	4,435	2,446	81.32%	3,739	18.61%
<i>THREE-WHEELER (GOODS)</i>	10,768	8,305	29.66%	10,163	5.95%
<i>THREE-WHEELER (PASSENGER)</i>	43,065	35,076	22.78%	43,188	-0.28%
<i>THREE-WHEELER (PERSONAL)</i>	71	56	26.79%	59	20.34%
PV	3,30,107	2,93,803	12.36%	3,93,250	-16.06%
TRAC	76,626	69,034	11.00%	88,671	-13.58%
CV	88,367	84,337	4.78%	89,208	-0.94%
<i>LCV</i>	48,594	47,551	2.19%	49,835	-2.49%
<i>MCV</i>	6,454	5,001	29.05%	5,454	18.34%
<i>HCV</i>	28,271	28,359	-0.31%	29,179	-3.11%
<i>Others</i>	5,048	3,426	47.34%	4,740	6.50%
Total	20,29,541	17,94,866	13.07%	21,27,653	-4.61%

Note: Vehicle Retail Data has been collated as on 06.02.24 in collaboration with Ministry of Road Transport & Highways, Government of India and has been gathered from 1,356 out of 1,443 RTOs.

Source: FADA Research

Despite the impressive 12 per cent YoY growth in the PV segment, marked by the highest-ever February sales figures, persistent high inventory level of 50-55 days causes concern. Thus, it is imperative for PV original equipment manufacturers (OEMs) to make production adjustments to alleviate these inventory burdens, thereby reducing the financial strain on dealers and ensuring the segment's sustained growth. Adopting this proactive approach is vital for maintaining the segment's financial health. The CV segment's 5 per cent YoY growth, overcoming challenges, such as, cash flow shortages and election-related purchase deferrals, underscores its resilience and gradual recovery, driven by fleet purchases, school buses, robust sectoral demand, and improved financing options. Here is the OEM-wise market share for the month of February 2024 (see Table 6).

Table 6: OEM-wise Market Share Data for the Month of Jan'24 with YoY comparison

Two-Wheeler OEM	JAN'24	Market Share (%) JAN 2024	JAN'23	Market Share (%) JAN 2023
HERO MOTOCORP LTD	4,10,395	28.13%	3,71,244	29.26%
HONDA MOTORCYCLE AND SCOOTER INDIA (P) LTD	3,57,088	24.48%	3,18,817	25.12%
TVS MOTOR COMPANY LTD	2,54,238	17.43%	2,08,731	16.45%
BAJAJ AUTO GROUP	1,76,836	12.12%	1,38,912	10.95%
<i>BAJAJ AUTO LTD</i>	<i>1,76,835</i>	<i>12.12%</i>	<i>1,38,286</i>	<i>10.90%</i>
<i>CHETAK TECHNOLOGY LIMITED</i>	<i>1</i>	<i>0.00%</i>	<i>626</i>	<i>0.05%</i>
SUZUKI MOTORCYCLE INDIA PVT LTD	75,502	5.18%	59,815	4.71%
ROYAL-ENFIELD (UNIT OF EICHER LTD)	65,816	4.51%	65,140	5.13%
INDIA YAMAHA MOTOR PVT LTD	57,805	3.96%	47,451	3.74%
OLA ELECTRIC TECHNOLOGIES PVT LTD	32,252	2.21%	18,353	1.45%
ATHER ENERGY PVT LTD	9,247	0.63%	9,227	0.73%
PIAGGIO VEHICLES PVT LTD	3,139	0.22%	3,129	0.25%
CLASSIC LEGENDS PVT LTD	2,808	0.19%	3,641	0.29%
GREAVES ELECTRIC MOBILITY PVT LTD	2,352	0.16%	87	0.01%
BGAUSS AUTO PRIVATE LIMITED	1,485	0.10%	716	0.06%
Others Including EV	9,886	0.68%	23,727	1.87%
Total	14,58,849	100%	12,68,990	100%
Three-Wheeler OEM				
BAJAJ AUTO LTD	35,606	36.45%	27,024	37.89%
PIAGGIO VEHICLES PVT LTD	7,651	7.83%	6,041	8.47%
MAHINDRA & MAHINDRA LIMITED	5,329	5.46%	4,019	5.63%
<i>MAHINDRA LAST MILE MOBILITY LTD</i>	<i>4,814</i>	<i>4.93%</i>	<i>-</i>	<i>0.00%</i>
<i>MAHINDRA & MAHINDRA LIMITED</i>	<i>502</i>	<i>0.51%</i>	<i>2,375</i>	<i>3.33%</i>
<i>MAHINDRA REVA ELECTRIC VEHICLES PVT LTD</i>	<i>13</i>	<i>0.01%</i>	<i>1,644</i>	<i>2.30%</i>
YC ELECTRIC VEHICLE	3,375	3.46%	2,275	3.19%
SAERA ELECTRIC AUTO PVT LTD	2,359	2.42%	1,749	2.45%
ATUL AUTO LTD	2,068	2.12%	1,837	2.58%
DILLI ELECTRIC AUTO PVT LTD	2,007	2.05%	1,493	2.09%
TVS MOTOR COMPANY LTD	1,786	1.83%	1,368	1.92%
HOTAGE CORPORATION INDIA	1,183	1.21%	720	1.01%
MINI METRO EV L.L.P	1,115	1.14%	1,117	1.57%
UNIQUE INTERNATIONAL	1,114	1.14%	845	1.18%
ENERGY ELECTRIC VEHICLES	1,044	1.07%	605	0.85%
CHAMPION POLY PLAST	993	1.02%	1,147	1.61%
Others including EV	32,045	32.81%	21,085	29.56%
Total	97,675	100%	71,325	100%
Commercial Vehicle OEM				

TATA MOTORS LTD	31,188	34.96%	33,701	37.82%
MAHINDRA & MAHINDRA LIMITED	23,580	26.43%	21,834	24.50%
ASHOK LEYLAND LTD	13,969	15.66%	14,615	16.40%
VE COMMERCIAL VEHICLES LTD	5,817	6.52%	5,842	6.56%
MARUTI SUZUKI INDIA LTD	4,194	4.70%	4,090	4.59%
DAIMLER INDIA COMMERCIAL VEHICLES PVT. LTD	2,135	2.39%	1,805	2.03%
FORCE MOTORS LIMITED, A FIRODIA ENTERPRISE	1,244	1.39%	1,156	1.30%
SML ISUZU LTD	674	0.76%	720	0.81%
Others	6,407	7.18%	5,343	6.00%
Total	89,208	100.00%	89,106	100.00%
PV OEM				
MARUTI SUZUKI INDIA LTD	1,72,813	43.94%	1,51,736	43.72%
TATA MOTORS LTD	53,094	13.50%	45,617	13.14%
HYUNDAI MOTOR INDIA LTD	51,652	13.13%	46,769	13.47%
MAHINDRA & MAHINDRA LIMITED	41,243	10.49%	35,198	10.14%
TOYOTA KIRLOSKAR MOTOR PVT LTD	20,237	5.15%	11,387	3.28%
KIA MOTORS INDIA PVT LTD	18,931	4.81%	19,734	5.69%
HONDA CARS INDIA LTD	9,118	2.32%	7,607	2.19%
SKODA AUTO VOLKSWAGEN GROUP	8,730	2.22%	8,916	2.57%
SKODA AUTO VOLKSWAGEN INDIA PVT LTD	8,663	2.20%	8,725	2.51%
VOLKSWAGEN AG/INDIA PVT. LTD.	-	0.00%	4	0.00%
AUDI AG	67	0.02%	184	0.05%
SKODA AUTO INDIA/AS PVT LTD	-	0.00%	3	0.00%
MG MOTOR INDIA PVT LTD	4,366	1.11%	3,427	0.99%
RENAULT INDIA PVT LTD	3,855	0.98%	7,329	2.11%
NISSAN MOTOR INDIA PVT LTD	2,762	0.70%	2,893	0.83%
BMW INDIA PVT LTD	1,340	0.34%	932	0.27%
MERCEDES -BENZ GROUP	1,333	0.34%	1,322	0.38%
MERCEDES-BENZ INDIA PVT LTD	1,212	0.31%	1,259	0.36%
MERCEDES -BENZ AG	113	0.03%	63	0.02%
DAIMLER AG	8	0.00%	-	0.00%
PCA AUTOMOBILES INDIA PVT LTD	748	0.19%	904	0.26%
FORCE MOTORS LIMITED, A FIRODIA ENTERPRISE	711	0.18%	621	0.18%
FIAT INDIA AUTOMOBILES PVT LTD	470	0.12%	879	0.25%
JAGUAR LAND ROVER INDIA LIMITED	273	0.07%	221	0.06%
VOLVO AUTO INDIA PVT LTD	220	0.06%	194	0.06%
BYD INDIA PRIVATE LIMITED	150	0.04%	140	0.04%
Others	1,204	0.31%	1,260	0.36%
Total	3,93,250	100%	3,47,086	100%
Tractor OEM				
MAHINDRA & MAHINDRA LIMITED (TRACTOR)	20,474	23.09%	16,969	23.19%

MAHINDRA & MAHINDRA LIMITED (SWARAJ DIVISION)	16,456	18.56%	12,465	17.03%
INTERNATIONAL TRACTORS LIMITED	11,515	12.99%	8,952	12.23%
TAFE LIMITED	11,003	12.41%	7,966	10.88%
ESCORTS LIMITED (AGRI MACHINERY GROUP)	8,185	9.23%	7,675	10.49%
EICHER TRACTORS	6,226	7.02%	4,902	6.70%
JOHN DEERE INDIA PVT LTD (TRACTOR DEVISION)	5,739	6.47%	5,782	7.90%
CNH INDUSTRIAL (INDIA) PVT LTD	3,501	3.95%	2,858	3.91%
KUBOTA AGRICULTURAL MACHINERY INDIA PVT.LTD.	1,732	1.95%	2,324	3.18%
CAPTAIN TRACTORS PVT. LTD.	921	1.04%	236	0.32%
V.S.T. TILLERS TRACTORS LIMITED	483	0.54%	568	0.78%
ADICO ESCORTS AGRI EQUIPMENTS PVT. LTD.	396	0.45%	104	0.14%
Others	2,040	2.30%	2,383	3.26%
Total	88,671	100%	73,184	100%

Source: FADA Research

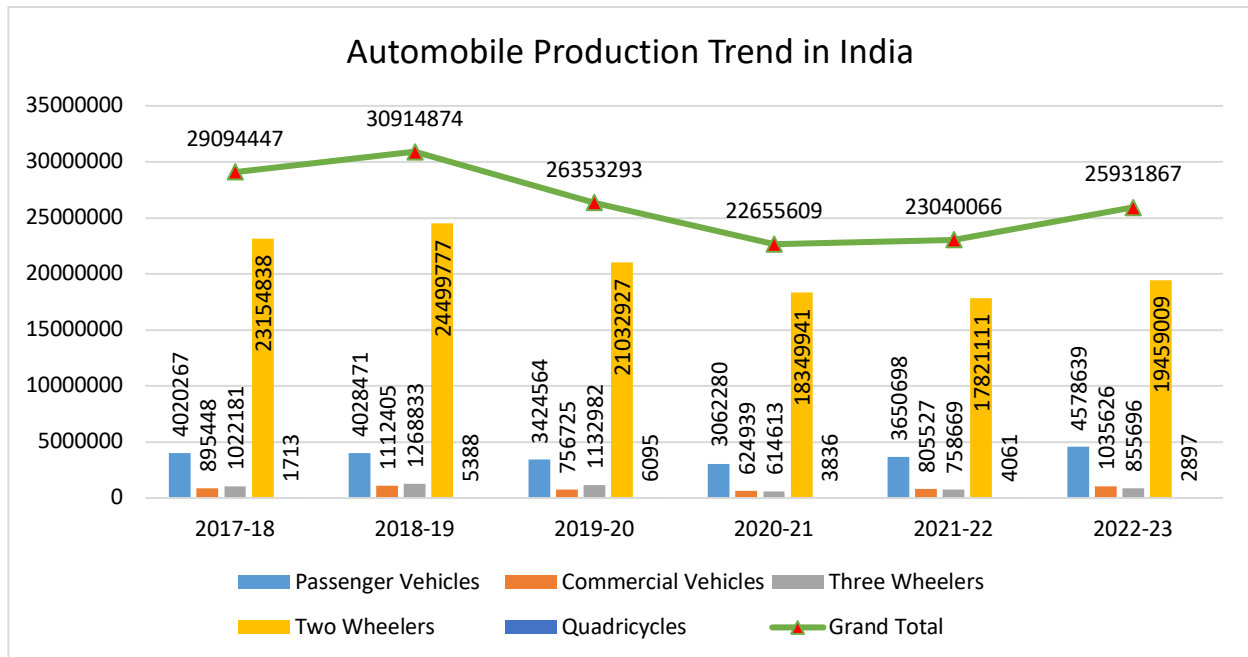
Disclaimer: The above numbers do not have figures from TS & LD. Vehicle Retail Data has been collated as on 06.02.24 in collaboration with Ministry of Road Transport & Highways, Government of India and has been gathered from 1,356 out of 1,443 RTOs. Others include OEMs accounting less than 0.1% Market Share.

Production Trend

The industry produced a total of 2,59,31,867 vehicles including Passenger Vehicles, Commercial Vehicles, Three Wheelers, Two Wheelers, and Quadricycles in April 2022 to March 2023, as against 2,30,40,066 units in April 2021 to March 2022.

The production of automobiles in India has shown a fluctuating trend over the given years. The production of automobiles in 2011-12 was 20,382,026 units, and a gradual increase can be witnessed until 2017-18, where production peaked at 29,094,447 units. However, in the subsequent years, there was a notable decline, particularly in 2019-20 and 2020-21, with 26,353,256 and 22,655,609 units, respectively. This decline could be attributed to various factors, but the major factor was the Covid-19 pandemic-led economic slowdown, policy changes, or shifts in consumer preferences. Recovery in economic activity can be witnessed in the resurgence of the production of automobiles in 2021-22 and 2022-23, reaching 23,040,059 and 25,931,867 units, respectively (see Chart 3).

Chart 3: Automobile Production Trend in India



Source: CMIE | Infometrics Economic Research

Performance of the Automobile Industry

The commercial vehicles industry is expected to undergo a deceleration in revenue growth, stemming from a slowdown in sales volumes amidst subdued demand in the March 2024 quarter. This slowdown continues from indicators manifested in the December 2023 quarter, attributed to diminished construction activities linked to elections. With the Lok Sabha elections scheduled for April-May 2024, government funds may divert away from infrastructure projects, potentially causing fleet owners to delay orders until the election's impact becomes clearer. Consequently, wholesale dispatches are expected to decline, though higher year-on-year realizations may cushion the impact of reduced sales volumes.

Despite this, manufacturers have consistently increased vehicle prices throughout 2023 and January 2024 to counter rising commodity costs. Overall, the industry is projected to see low-to-mid single-digit growth in sales revenues, with profitability supported by favourable input costs, expected to yield a 150-200 basis points year-on-year expansion in operating profit margin for the quarter.

The commercial vehicles industry witnessed significant double-digit growth in both revenues and profits in the December 2023 quarter compared to the same period a year

earlier. Sales revenues surged by 13.7 per cent, while operating profit and net profit soared by 51.6 per cent and 78 per cent respectively.

This growth was primarily driven by increased realizations, as sales volumes registered a modest 3.1 per cent uptick during the quarter, attributed to consistent price hikes by commercial vehicle manufacturers throughout 2023, resulting in double-digit increases.

In the same quarter, the industry saw broad-based revenue growth, with all companies reporting increases. Tata Motors led with an 18.2 per cent surge in sales revenues despite a 0.7 per cent decrease in sales volumes, while Ashok Leyland saw a more modest 2.7 per cent growth in revenues with a similar decline in sales volumes. Force Motors, SML Isuzu, and Olectra Greentech recorded substantial increases of 29.7 per cent, 17.8 per cent, and 33.5 per cent, respectively in their sales revenues for the quarter, reflecting robust performance across the board.

On the cost front, raw material costs increased by 9.7 per cent in the December 2023 quarter, slower than sales growth. This increase in raw material costs as a percentage of sales revenues, down by 270 basis points to 75.3 per cent, was attributed to benign raw material costs and manufacturers raising vehicle prices. Although average finished steel prices remained stable domestically and aluminium prices declined year-on-year, wholesale prices for commercial vehicle tires also declined. However, this reduction in raw material costs was partly offset by a 90 basis points expansion in total other operating expenses, encompassing power and fuel costs, advertising and marketing expenses, and freight expenses.

Furthermore, operating expenses related to the cost-of-goods-sold increased by 10.1 per cent in the December 2023 quarter, slower than sales growth. Despite this, the industry experienced a substantial 51.6 per cent increase in operating profit, leading to a significant expansion of 290 basis points in operating profit margin, reaching 11.5 per cent. Notably, Tata Motors, Ashok Leyland, Force Motors, SML Isuzu, and Olectra Greentech saw improvements in their operating profit margins, with expansions ranging from 80 to 830 basis points. This strong operating performance translated to the net level, with the industry witnessing a 180 basis points expansion in net profit margin to five percent. Tata Motors and Ashok Leyland reported notable expansions in their net profit margins as well, demonstrating improved across the board profitability.³

Analysts predict a 14-15 per cent growth in revenue for automobile companies in the last quarter of FY24, driven by healthy volume growth, commodity price deflation, price hikes, and favourable currency movement. Earnings before Interest, Taxes, Depreciation and Amortization (EBITDA) growth is estimated at 25-30 per cent year-on-year, with strong volume growth projected for two-wheelers (25-26 per cent) and passenger vehicles

(11-12 per cent). Factors contributing to this growth include increased demand from urban and rural areas, pending order books, and favourable finance availability.

Depreciation of the Indian rupee against the pound/euro and benign commodity prices are also expected to support profitability. Maruti Suzuki and Tata Motors are expected to record revenue growth, driven by volume expansion and an increased share of utility vehicles (UVs). Bajaj Auto's revenue growth will be supported by volume expansion, although an increased share of electric vehicles (EVs) may impact EBITDA margin. Hero MotoCorp anticipates double-digit revenue growth aided by volume growth and higher average selling prices.

However, muted growth is expected in commercial vehicles (CVs), particularly medium and heavy commercial vehicles (MHCVs). Ashok Leyland may experience a marginal drop in revenue due to muted volume growth but could see EBITDA margin expansion due to cost-cutting initiatives and softer raw material prices⁴. Tractor wholesales are projected to decline by 19 per cent year-on-year, while 3-wheeler volumes are expected to grow by 10 per cent year-on-year (see Table 7).

Table 7: Financial Position of Major Companies

	Revenues	Change %		EBITDA	Change %		PAT	Change %	
Q4FY24 Estimates	Rs Crore	QoQ	YoY	Rs Crore	QoQ	YoY	Rs Crore	QoQ	YoY
Maruti Suzuki India	38,307	20.2	24.3	4,915	25.8	46.7	3,764	20.2	43.4
Tata Motors	119,621	8.9	13.9	17,001	10.9	32.9	7,067	-0.3	27.1
Ashok Leyland	11,404	23	-1.5	1,469	31.9	15.1	860	48.2	20.8
Bajaj Auto	11,182	-6	29.1	2,173	-10	31.1	1,957	-3.7	14.8
Hero MotoCorp	9,292	-5.1	10.2	1,304	-5.8	16	1,020	-6.7	26.7

Source: Bloomberg | Business Standard

Domestic Sales Trend

In FY-2022-23, there was a substantial increase in total passenger vehicle sales, rising from 30,69,523 to 38,90,114 units. Specifically, sales of passenger cars surged from 14,67,039 to 17,47,376 units, utility vehicles from 14,89,219 to 20,03,718 units, and vans from 1,13,265 to 1,39,020 units compared to the previous year. Similarly, commercial vehicle sales also experienced growth, escalating from 7,16,566 to 9,62,468 units. Medium and heavy commercial vehicle sales rose from 2,40,577 to 3,59,003 units, while light commercial vehicles increased from 4,75,989 to 6,03,465 units.⁵

In the financial year 2024, Maruti Suzuki India leads the market with a 9.52 per cent increase in domestic passenger vehicle sales compared to the previous financial year. This is closely followed by Hyundai Motor India with an 8.3 per cent growth, while Tata Motors saw a moderate rise of 6 per cent. Notably, M&M experienced a substantial surge of 28 per cent, reflecting significant consumer interest.

However, Kia India faced a downturn with an 8.76 per cent decrease in sales. Toyota Kirloskar Motor bucked the trend with a remarkable 48 per cent increase, indicative of strong market positioning and demand. Renault India, however, struggled with a significant decline of 42.42 per cent, possibly indicating challenges in their product or marketing strategy. Other players like Volkswagen India and Skoda India witnessed modest changes, while Nissan India experienced a decline of 9.69 per cent. The overall domestic sales scenario demonstrated a mix of growth, stagnation, and decline among key players. These and other factors suggest varying degrees of competitiveness and market adaptability (see Table 7).

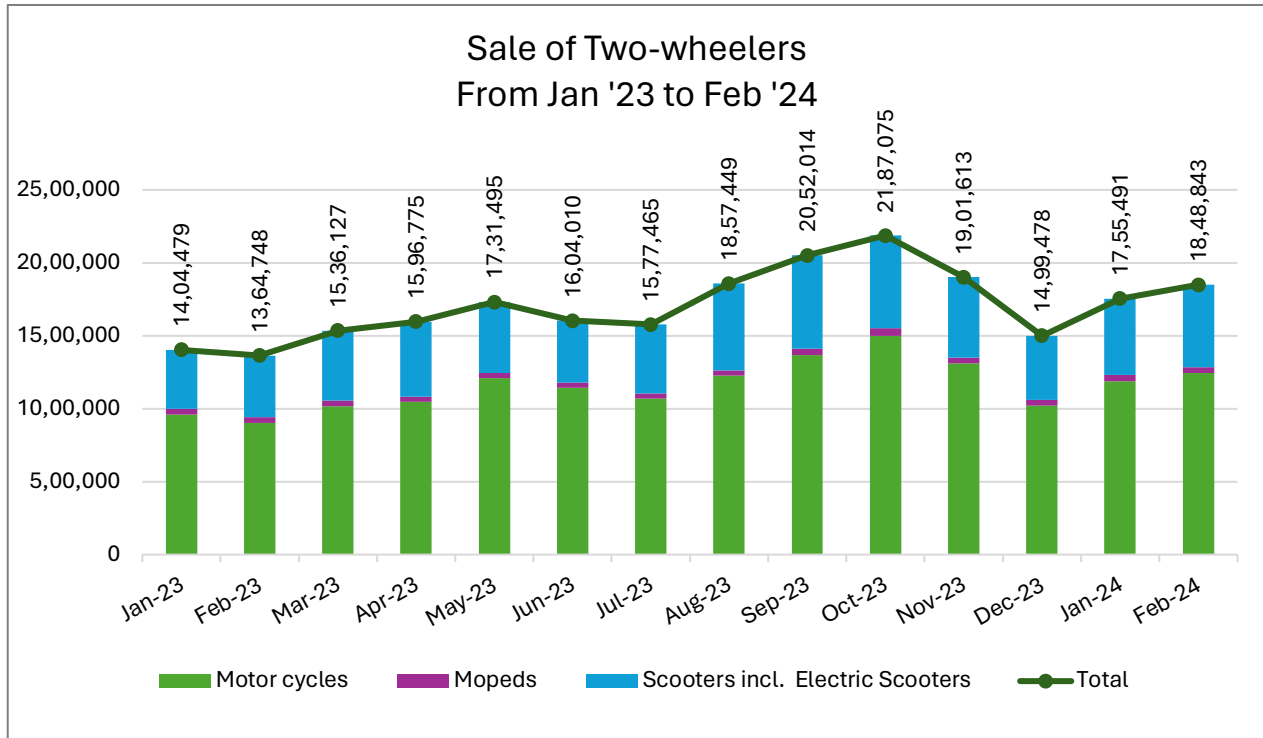
Table 7: Company-wise Annual Sale of Domestic Passenger Vehicles

Company	FY24	FY23	% change
Maruti Suzuki India	1759881	1606870	9.52
Hyundai Motor India	614721	567546	8.3
Tata Motors	570955	538640	6
M&M	459877	359253	28
Kia India	245634	269229	-8.76
Toyota Kirloskar Motor	263512	177683	48
Honda Cars India	86584	91418	-5.28
MG Motors India (Retail Sales)	55549	48866	13.67
Renault India	45439	78926	-42.42
Volkswagen India	43197	41326	4.52
Skoda India	45520	52269	-13
Nissan India	30354	33611	-9.69

Source: SIAM, FADA

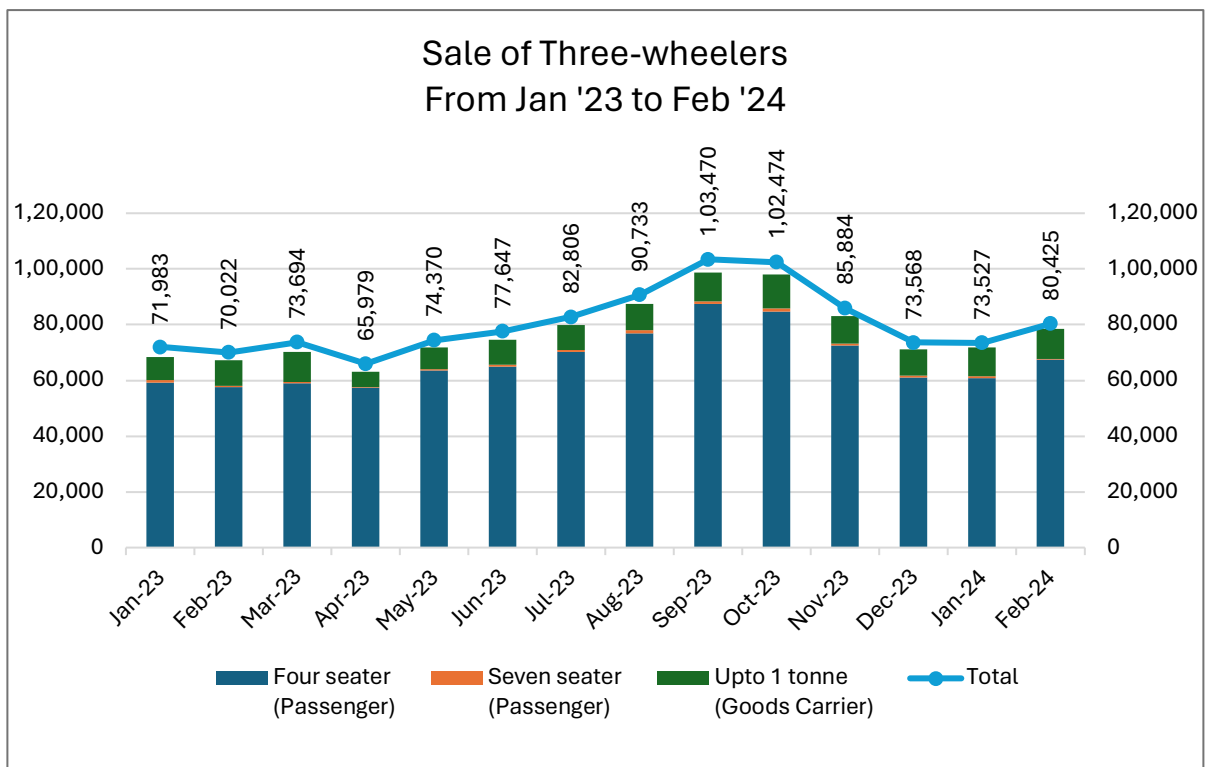
The sales of three-wheeler surged from 2,61,385 to 4,88,768 units, and two-wheeler sales witnessed an increase from 1,35,70,008 to 1,58,62,087 units, all compared to the preceding fiscal year (see Chart 4).

Chart 4: Sale of Two Wheelers



Source: FADA Research | Infomerics Economic Research

Chart 5: Sale of Three Wheelers



Source: FADA Research | Infomerics Economic Research

Export Trend

In April 2022 to March 2023, Passenger Vehicle Exports increased from 5,77,875 to 6,62,891 units while Commercial Vehicle Exports decreased from 92,297 to 78,645, Three-Wheeler Exports decreased from 4,99,730 to 3,65,549 and Two Wheelers Exports decreased from 44,43,131 to 36,52,122 units over the same period last year.

Automobile exports from India declined by 5.5 per cent to 4,500,492 units in 2023-24 due to the monetary crisis in various overseas markets. The company saw a sizeable drop in commercial vehicle, two-wheeler and three-wheeler shipments. However, passenger vehicle exports grew marginally.

Table 8: Auto Mobile Export Trend

Category	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
<i>Passenger Vehicles</i>	7,48,366	6,76,192	6,62,118	4,04,397	5,77,875	6,62,891
<i>Commercial Vehicles</i>	96,865	99,933	60,379	50,334	92,297	78,645
<i>Three Wheelers</i>	3,81,002	5,67,683	5,01,651	3,93,001	4,99,730	3,65,549
<i>Two Wheelers</i>	28,15,003	32,80,841	35,19,405	32,82,786	44,43,131	36,52,122
<i>Quadricycles</i>	1,605	4,400	5,185	3,529	4,326	2,280
Grand Total	40,42,841	46,29,049	47,48,738	41,34,047	56,17,359	47,61,487

Source: SIAM

India Electric Vehicle Market Analysis

The India Electric Vehicle Market size is estimated at USD 34.80 billion in 2024, and is expected to reach USD 110.74 billion by 2029, growing at a CAGR of 26.05% during the forecast period (2024-2029). The 2W segment demonstrated resilience and adaptability, with electric vehicle (EV) sales surging due to the expiration of the FAME 2 subsidy on March 31st. This led to a notable boost in the 2W-EV market share to 9.12 per cent. Positive market sentiment was supported by seasonal events, improved vehicle supply, and financial incentives.

Despite facing market volatility and intense competition, the industry is strategically evolving, particularly in the premium and EV categories, signalling a bright future. The 3W segment showed an encouraging sales trend hitting an all-time high retail, driven by the growing acceptance of EVs. The introduction of EV autos and loaders impacted the retail environment positively. Although faced with election-related uncertainties and concerns over policy changes, such as free bus travel for women, the overall outlook for the sector remains positive, supported by the quality of vehicles and strong market demand.⁶

In 2023-24, India witnessed a significant surge in electric vehicle sales across all sectors. This reflects a notable transition towards sustainable transportation solutions, as highlighted by FADA officials. According to FADA, electric passenger vehicle sales soared by 91 per cent, reaching 90,996 units, with Tata Motors leading the segment with 64,217 registrations. Electric two-wheeler registrations increased by 30 per cent to 947,087 units, while electric three-wheeler sales surged by 56 per cent to 632,636 units. Mahindra Group and Tata Motors dominated electric three-wheeler and commercial vehicle sales, respectively. The expanding base for EV adoption in India and the growing market inclination towards sustainable mobility solutions augur well for the steady growth of the sector in conformity with the requirements of the stringent climate change stipulations.

Institutional Initiatives

The Government of India has been proactive in fostering growth within the automobile industry through various institutional initiatives. Notably, it has welcomed foreign investment by permitting 100 per cent FDI under the automatic route. In a significant move, the government has substantially increased the allocation for the production-linked incentive (PLI) scheme for the automotive sector in the 2024-25 fiscal year, earmarking ₹ 3,500 crore, a substantial rise from the previous year. Additionally, the PLI scheme for advanced chemistry cell and battery storage has seen a considerable boost, with the budget rising from ₹ 12 crore to ₹ 250 crore. The Ministry of Heavy Industries has extended the tenure of the PLI scheme for automobile and auto components by one year, ensuring incentives for five consecutive financial years starting from 2023-24. The PLI-Auto scheme, approved by the Union Cabinet with a budgetary outlay of ₹ 25,938 crore for five years, aims to bolster the manufacturing of Advanced Automotive Technology (AAT) products, foster deep localization, and facilitate the creation of both domestic and global supply chains.

In July 2022, the Government amended the National Policy on Biofuels – 2018. The target of 20 per cent blending of ethanol in petrol and 5 per cent blending of biodiesel in a diesel by 2030 was brought forward to 2025-26.

The Government of India has instituted a range of initiatives to propel electric vehicle (EV) adoption, reflected in flagship programs like the Faster Adoption and Manufacturing of Hybrid and Electric Vehicles (FAME) scheme. FAME II, an upgraded version, targets identified gaps and allocates significant funds for EV charging infrastructure deployment. These efforts are bolstered by active collaboration with state governments, private enterprises, and international organizations, fostering knowledge exchange and technology transfer to overcome EV challenges. With a forward-thinking approach, India's 2023 EV policy emphasizes sustainability, technology integration, and indigenous

development, positioning the nation to lead the global EV sector while reducing its carbon footprint.

The Production Linked Incentive (PLI) scheme has been streamlined for the manufacturing of Advanced Chemistry Cell (ACC) to reduce battery prices in the country. Under Phase-II of the FAME India Scheme, incentives are provided to buyers of electric vehicles, linked to battery capacity, to reduce the upfront purchase price. The government has also slashed GST rates on electric vehicles and charging stations, from 12 per cent to 5 per cent and 18 per cent to 5 per cent respectively, to encourage their adoption.

Additionally, measures such as issuing green license plates to battery-operated vehicles, waiving road tax on EVs, and promoting the establishment of public EV charging infrastructure are underway to facilitate the widespread adoption of electric vehicles across the country. The government's initiatives under the FAME India Scheme aim to support the electrification of public and shared transportation, including the provision of subsidies for various categories of electric vehicles and the development of charging infrastructure to address range anxiety among users.

Led by the Ministry of Heavy Industries (MHI), the FAME-II scheme has provided financial support, including subsidies, for the establishment of Public Charging Infrastructure to boost confidence among EV users (see Table 9).

Table 9: Charging stations commissioned under FAME India Scheme Phase-II, State-wise, as on February 2, 2024

Sr. No.	State / Union Territory	No. of EV Charging Station
1	Delhi	21
2	Gujarat	53
3	Haryana	2
4	Karnataka	1
5	Kerala	30
6	Maharashtra	13
7	Meghalaya	1
8	Tamil Nadu	13
9	Uttar Pradesh	11
10	West Bengal	3
	Total	148

Source: PIB | Ministry of Heavy Industries

In addition, the Ministry of Power has implemented various measures to expedite the deployment of public EV charging infrastructure, including issuing guidelines and standards for charging infrastructure for EVs and launching the "GO ELECTRIC" Campaign to raise awareness about EV benefits and charging infrastructure.

Notably, the Green Energy Open Access Rules, 2022, have been notified to accelerate renewable energy adoption. As of February 2, 2024, there are 12,146 operational public EV charging stations across the country.⁷ The charging infrastructure requirement is dynamic, depending on factors such as the composition of EVs, running patterns, terrain, and technology, with estimates ranging from 1 charging point per 20 EVs to 1 charging point per 150 EVs (see Table 10).

Table 10: State-wise operational public EV charging stations as on February 2, 2024

<i>S. No.</i>	<i>State Name</i>	<i>No. of Operational PCS</i>
1	Andaman & Nicobar	3
2	Andhra Pradesh	327
3	Arunachal Pradesh	9
4	Assam	86
5	Bihar	124
6	Chandigarh	12
7	Chhattisgarh	149
8	D&D and DNH	1
9	Delhi	1886
10	Goa	113
11	Gujarat	476
12	Haryana	377
13	Himachal Pradesh	44
14	Jammu & Kashmir	47
15	Jharkhand	135
16	Karnataka	1041
17	Kerala	852
18	Lakshadweep	1
19	Madhya Pradesh	341
20	Maharashtra	3079
21	Manipur	17
22	Meghalaya	21
23	Nagaland	6
24	Odisha	198
25	Pondicherry	23
26	Punjab	158
27	Rajasthan	500
28	Sikkim	2

29	Tamil Nadu	643
30	Telangana	481
31	Tripura	18
32	Uttar Pradesh	582
33	Uttarakhand	76
34	West Bengal	318
Total PCS		12,146

Source: PIB | Ministry of Heavy Industries

The Scheme for Manufacturing of Electric Cars (SMEC) under the new EV policy of March 2024 incentivizes investments in electric vehicle manufacturing by lowering import duties for selected cars. To qualify, beneficiaries must invest \$500 million in facilities and ensure up to 50 per cent domestic value addition. Investments in infrastructure like plants, machinery, and charging stations are eligible for incentives, but royalty payments to overseas parents are excluded. The policy, aligned with India’s “Atmanirbhar Bharat” initiative, aims to attract foreign automakers like Tesla, VinFast, and Jaguar Land Rover, fostering self-reliance and reducing import dependency. Mandating a 25 per cent localization by the third year and 50 per cent by the fifth year, the policy seeks to boost the Indian EV sector, stimulate innovation, and create jobs. With India's strategic location and potential, this policy could transform the EV market, despite concerns about an influx of Chinese firms potentially dominating the local market.

Key Developments

Honda Cars India’s Global Expansion with Elevate SUV

Launch and Success: Honda Cars launched the Made in India Elevate SUV, branded as ‘WR-V’ in Japan, marking the first export of a vehicle to Japan by Honda Cars’ Indian unit. Initially introduced in September last year in India, the Elevate SUV sold over 30,000 units in India from October 2023 to March 2024.

Export Markets: Beyond Japan, the Elevate SUV is now exported to Bhutan, Nepal, and South Africa, showcasing Honda’s strategic push for global market penetration.

Pricing and Features: Despite a recent price hike of ₹58,000, the Elevate SUV remains popular. It features a 1.5-liter 4-cylinder DOHC i-VTEC petrol engine, a 10.25-inch LCD infotainment system with Apple CarPlay, and wireless charging.

Sales Contribution: The Elevate SUV represents over 50 per cent of Honda Cars' total sales in the past three months, with the CVT variant in high demand. Competing with models like Hyundai Creta, Kia Seltos, and Maruti Suzuki Grand Vitara, its competitive edge includes locally sourced components from Honda's Tapukara plant in Rajasthan.

BMW India's Launch of the X3 Shadow Edition

Introduction and Pricing: BMW India unveiled the new BMW X3 Shadow Edition, based on the diesel X3 xDrive20d M Sport model, priced at ₹74.9 lakh (ex-showroom).

Design and Features: This special edition includes cosmetic upgrades such as a distinctive black kidney grille, roof rails, tailpipes, 19-inch M-spec alloy wheels, and laser light headlights with blue accents. The interior features dual-tone leather, a panoramic sunroof, a 16-speaker Harman/Kardon sound system, and advanced connected car technology.

Performance: Powered by a 2.0-liter 4-cylinder turbocharged diesel engine, the X3 Shadow Edition delivers 190 PS and 400 Nm of torque, with an 8-speed automatic gearbox driving all four wheels. It accelerates from 0 to 100 km/h in 7.9 seconds, with a top speed of 220 km/h.

Market Position: Combining luxury and performance, the BMW X3 Shadow Edition targets discerning buyers with its stylish updates and robust functionality, reinforcing BMW's competitive presence in the Indian SUV market.

Risks and Challenges

The current landscape of the automobile industry is marked by a series of challenges stemming from global supply chain disruptions, including shortages of semiconductor chips and disruptions in shipping routes. These factors have increased costs of essential materials like steel, aluminium, and rubber. These issues, compounded by geopolitical conflicts, are contributing to delays in deliveries and escalating expenses. Against this backdrop, the Indian automobile industry faces a complex environment in 2024, with growth expected to decelerate due to factors, such as, subdued post-pandemic demand and tightening economic conditions.

Rising costs driven by inflation and stricter emission regulations are squeezing the manufacturers' margins, while reduced subsidies and high operating costs may impede consumer adoption of electric vehicles. The industry is also contending with uncertainties related to market conditions, supply constraints, and financial liquidity, necessitating a focus on optimizing production lines and consumer financing solutions.

Despite these challenges, opportunities exist in the form of new financing models for EVs, manufacturing optimization, and innovative retail strategies. Additionally, stringent

regulatory compliances, including emission standards and safety regulations, are adding complexity to operations, and emphasizing the need for continuous investment in research and development (R&D) to maintain competitiveness and meet evolving consumer preferences. Adapting to these multifaceted challenges requires manufacturers to make substantial investments and demonstrate flexibility in their strategies and operations.

The Road Ahead

The Indian automobile industry, a cornerstone of the nation's economy, has displayed remarkable growth and resilience amidst evolving market dynamics. With contributions to GDP, employment generation, and manufacturing output, it is a pivotal sector, irrespective of the criteria adopted. The Indian Auto Industry is poised for expansion despite headwinds. The introduction of new products, notably electric vehicles, signals a forward-thinking trajectory. Manufacturers are enhancing supply chains and diversifying their model range to cater to various consumer preferences. Economic expansion, supportive government policies, and anticipated favourable weather patterns are projected to drive demand, particularly in rural regions and the commercial vehicle sector, closely linked to infrastructure projects and economic vitality. Market sentiment remains cautiously upbeat, with the industry relying on enhanced customer interaction and financing options to stimulate sales.

However, challenges, such as, high base in the passenger vehicle segment and fierce competition persist. The industry's focus lies in surmounting these barriers through innovation and strategic market engagement, aiming for balanced growth across segments. In this transformative odyssey, the Indian Auto Industry is adapting to evolving market demands and economic circumstances, capitalizing on its inherent strengths and core competencies for steady expansion, broader market penetration and a new era of sustainable growth and innovation.

Despite economic concerns, election uncertainties, intense competition, and increased business complexities, the 2W segment reveals strategic evolution, especially in the premium and electric vehicles. The 3W segment demonstrated growth driven by the increasing acceptance of electric vehicles. The emerging macro scenario shows an optimistic trend despite challenges caused by election uncertainties, policy changes and net-zero concerns by 2070. There is a distinct possibility of India's mobility ecosystem transformed. But the realization of the humongous potential in the transformative journey ahead requires addressing environmental concerns and putting in place an enabling policy and operational frame and a conducive ecosystem with the support of all stakeholders and corrections effected, as and when needed. Should these concerns be effectively addressed in a synchronized manner with a sense of immediacy, India could emerge as manufacturing powerhouse and a hub for sustainable mobility solutions.

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