Auto and Auto components
Sector Profile
India Scenario
Auto Industry Facts: India

Automobile manufacturing

- $77 bn. Size of the Indian Automotive sector
- Contributes 7.1% to India’s GDP in volume terms
- Contributes 8% to India’s total exports – $19.60 bn.
- Employs 19 million people directly & indirectly

Largest

- Three wheeler manufacturer in the world with annual production capacity of 7.8 million units

2nd largest

- Two wheeler manufacturer in the world with annual production capacity of 20 million units

6th largest

- Passenger vehicle manufacturer in the world with annual production capacity of 37 million units

8th largest

- Commercial vehicle manufacturer in the world with annual production capacity of 8 million units

Auto component manufacturing

- $43.5 bn. Size of the Indian Auto component sector

Contributes 2.3% to India’s GDP

Contributes 4% to India’s total exports – $10.90 bn.

Employs 3 million people - directly & indirectly

Source: Society of Indian Automobile Manufacturers (SIAM); Automotive Component Manufacturers Association of India (ACMA); Year 2016-17; 1 US$ = Rs. 65
Auto Industry Overview : India

India is the 5th largest motor vehicle manufacturing country after China, USA, Japan and Germany* includes passenger cars, light commercial vehicles, minibuses, trucks, buses and coaches.

Automotive industry contributes 7.1% to India’s GDP and 45% to the manufacturing GVA.

~29 mn. automobiles produced in India in FY18 of which ~ 25 mn. units sold in domestic market and ~ 4 mn. units exported;

FDI worth $18.41 billion received between April 2000 to December 2017; 100% FDI allowed under the automatic route.

Indian automotive industry (including component manufacturing) is expected to reach $250-280 billion in annual revenue by 2026, create 65 million additional jobs and contribute over 12% to India's Gross Domestic Product#.

Source: Society of Indian Automobile Manufacturers (SIAM), Automotive Component Manufacturers Association (ACMA), *Organisation Internationale des Constructeurs d'Automobiles (OICA), Department of Industrial Policy and Promotion (DIPP), Government of India; # - As per the Automotive Mission Plan 2016-26; 1 US$ = Rs. 65; GDP : Gross Domestic Product; GVA: Gross Value Added
Auto Components Overview: India

- The Indian Auto components (ancillaries) – current market size is around $43 bn.; expected to reach US$115 billion in 2020-21
- The growth of global OEM sourcing from India & the increased indigenization of global OEMs is turning the country into a preferable designing and manufacturing base
- India has emerged as a top exporting destination for OEM’s worldwide – USA(22%), Germany (7%), Turkey (6.2%), UK(5.1%) and Italy(4.1%) are major export destinations

Composition of auto components supply to OEMs

- Passenger Vehicles: 49%
- 2-wheelers: 22%
- M&HCV: 11%
- LCV: 8%
- Tractor: 6%
- 3-wheelers: 2%
- Earth Moving Equipment: 2%

Auto components segmentation

- Engine Parts: 31%
- Drive & Steering: 19%
- Body & Chassis: 12%
- Suspension & braking parts: 12%
- Others: 7%
- Electrical parts: 9%
- Equipment: 10%
#### Government of India: Policy Initiatives

**Automotive Mission Plan 2016-26 (AMP 2026)**
- AMP 2026 is the collective vision of the Government of India and the automotive industry on where the various segments of the automotive industry and auto component industry need to be by 2026 in terms of size and contribution to the overall Indian economy
- The Indian Automotive industry to be one of the prime movers of Manufacturing sector and "Make in India" initiative
- Specific interventions are envisaged to sustain and improve manufacturing competitiveness and to address challenges of environment and safety

**National Electric Mobility Mission Plan 2020 (NEMMP)**
- Encourage reliable, affordable and efficient xEVs (hybrid and electric vehicles) through government-industry collaboration
- Provide fiscal and non-fiscal incentives to electric vehicle firms
- Target of putting 6 million electric & hybrid vehicles per year on the road by 2020
- Faster Adoption & Manufacturing of Hybrid and Electric Vehicles (FAME Scheme) to promote EVs for public transport, commercial purposes and high-speed two-wheelers

**National Automotive Testing And R&D Infrastructure Project (NATRiP)**
- Focus on developing India as R&D hub by setting up R&D centers at an cost of USD 585 million to enable the industry to adopt and implement global performance standards
- Focus on providing low-cost manufacturing and product development solutions

Source: Society of Indian Automobile Manufacturers (SIAM)
Gujarat Scenario
Auto Industry Overview: Gujarat

- Gujarat has emerged as a key investment destination for major automotive OEMs and ancillary companies.
- Government of Gujarat plans to increase the share of automotive industries in its overall engineering output to 10% by 2020, from the current 3.7%.
- Share of automobile sector in Gujarat’s overall FDI received is 13% as compared to 5% in India’s overall FDI.
- Dholera Special Investment Regions (DSIR) will act as global investment destination, supported by modern infrastructure, premium social infrastructure, civic amenities, and centers of excellence.
- Sound base: 30 clusters comprising castings & machine tools, brass parts, oil engines & electric motors, bearings, auto-ancillaries.
- Locational advantage: ability to meet the demands of growing car markets globally on the back of strong car exports from India.
- Gujarat is also an ideal automobile export-hub with excellent port connectivity through Kandla, Mundra and Pipavav.

Automobile Clusters in Gujarat

Delhi - Mumbai Industrial Corridor influence area
## Major investments across the auto sector in Gujarat

<table>
<thead>
<tr>
<th>Description</th>
<th>Tata Motors</th>
<th>Ford India Pvt. Ltd. (FIPL)</th>
<th>Maruti Suzuki India Ltd. (MSIL)</th>
<th>Honda Cars India Ltd. (HCIL)</th>
<th>MG Motor India (SAIC Motor Corp. Limited)</th>
<th>Honda Motorcycles and Scooters India (HMSI)</th>
<th>Hero MotoCorp (HMCL)</th>
<th>Maxxis Rubber India Pvt. Ltd. (MRIPL)</th>
<th>MRF</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Location</strong></td>
<td>Sanand, Ahmedabad</td>
<td>Sanand, Ahmedabad</td>
<td>Hansalpur, Ahmedabad</td>
<td>Vithalapur</td>
<td>Halol, Vadodara</td>
<td>Vithalapur</td>
<td>Halol, Vadodara</td>
<td>Sanand, Ahmedabad</td>
<td>Bharuch</td>
</tr>
<tr>
<td><strong>Investment</strong></td>
<td>Rs. 4,000 crore (US$ 615 mn.)</td>
<td>Rs. 6,000 crore (US$ 923 mn.)</td>
<td>Rs. 13,400 crore (US$ 2061 mn.)</td>
<td>Rs. 1,070 crore (US$ 164 mn.)</td>
<td>Rs. 2000 crore (US$ 308 mn.)</td>
<td>Rs. 1,350 crore (US$ 207 mn.)</td>
<td>Rs. 1,100 crore (US$ 170 mn.)</td>
<td>Rs. 2,640 crore (US$ 406 mn.)</td>
<td>Rs. 4,500 crore (US$ 692 mn.)</td>
</tr>
<tr>
<td><strong>Product</strong></td>
<td>Cars</td>
<td>Cars</td>
<td>Cars</td>
<td>Cars</td>
<td>Two wheelers</td>
<td>Two wheelers</td>
<td>Tires &amp; tubes</td>
<td>Tires &amp; tubes</td>
<td>Tires &amp; tubes</td>
</tr>
<tr>
<td><strong>Capacity (in units)</strong></td>
<td>0.25 million vehicles per annum</td>
<td>0.24 million vehicles and 0.27 million engines per annum</td>
<td>0.75 million units per annum</td>
<td>Construction of the unit yet to commence</td>
<td>80,000 units per annum</td>
<td>1.2 million per annum</td>
<td>1.2 million per annum</td>
<td>20,000 tires and 40,000 tubes per day</td>
<td>1 million tires per month (est.)</td>
</tr>
</tbody>
</table>

1 US$ = Rs. 65
Major Auto Investments: Gujarat

Source: Automotive Component Manufacturers Association of India (ACMA)
Gujarat: India’s emerging auto exports hub

- Passenger vehicles exports from India—the second largest category after two wheelers—has been advancing at a compounded annual rate of 8.9% over the last six years.
- Over 67% of export volumes comprised of two-wheelers, followed by 22% for passenger cars.
- Gujarat, along with being an automotive manufacturing hub is also emerging as an export hub for auto and auto components given its excellent port infrastructure and connectivity.
- Many ports in Gujarat plan to further expand their infrastructure as well as increase its roll-on roll-off (RoRo) business on the back of strong car exports.

Value of exports of auto and auto components from Gujarat vis-à-vis share in India’s exports

Source: Society of Indian Automobile Manufacturers (SIAM), Directorate General of Commercial Intelligence and Statistics (DGCIS), Govt. of India; 1 US$ = Rs. 65
Electric Vehicles: The future of mobility

• The Indian electric vehicles industry is at a nascent stage contributing to less than 1% of total vehicle sales; Potential to grow to more than 5% in the next few years

• Major cities across India moving their public transportation fleet of buses to EV buses

• Domestic manufacturing to get a boost from the $1.3 bn. (Rs. 8,730-crore) proposal to shift India's public transport to battery-operated vehicles while mandating the local content in electric vehicles up to 70% across 3 years

• Electric vehicles to create a $300 billion domestic market for EV batteries by 2030

• Energy Efficiency Services (EESL) to procure 20,000 electric vehicles. Government of Gujarat has also signed an MoU with EESL to procure 8,000 EVs

• Tata Motors is manufacturing the electric variant of its compact sedan Tigor at its Sanand facility in Gujarat which are being procured by EESL

• JSW Group has signed an agreement with Government of Gujarat to promote production of battery operated vehicles in the state along with the production of electric battery, storage solutions and charging infrastructure at an investment of $615 million

• Suzuki, Toshiba and Denso will set up India's first lithium-ion battery manufacturing plant in Gujarat with a total of $180 million

• ELECTROTHERM (India) Ltd. (ET), from Gujarat was the first company to introduce electric bikes and scooters (Yo Bykes) in India. It has a manufacturing plant in Kutch District of Gujarat with installed capacity of 0.25 mn. p.a.

• Adani Group is in discussion with Taiwanese electric bus manufacturer for technological tie-up to set up a manufacturing unit in its special economic zone at Mundra in Gujarat

Source: Niti Aayog, Govt. of India, EESL; 1 US$ = Rs. 65
Sanand: Gujarat’s Automotive Hub

Sanand Industrial Estate spread across an area of more than 2000 hectares has catapulted Gujarat into the big league of automobile industry hubs with presence of several major multinational auto and auto component companies like Tata Motors, Ford, Maxxis Tires, Bosch, Magna, Magneti Marelli, Valeo, Motherson Sumi among others.

The Sanand Industrial Estate provides robust physical and industrial infrastructure & utility linkages with excellent road, rail, port and airport connectivity.

Focus Sectors: Engineering, Automobiles & ancillary units, plastics, Semiconductors, Electronics.

Sanand: Ford, Tata Motors, Maxxis plants

Becharaji-Japanese Industrial Zone

Halol - Upcoming SAIC plant
Sanand : Gujarat’s Automotive Hub
Indo Japanese Industrial Township @ Sanand III (Khoraj)

Dedicated Japanese Industrial Park
Area-1750 acres
Focus Sector: Automobile & Ancillary, Engineering, and Pharmaceutical

Overview

Proposed Land Use: Industrial, Residential, Commercial, Recreational
Distance from Urban Center: 20 Km from Ahmedabad

Proposed Facilities

An ecosystem of core manufacturing, allied industries, supporting facilities including testing labs, warehousing, logistic support etc.

Dedicated housing zone for the units coming up in the Japanese industrial township

Best-in class infrastructure – Excellent roads, including dedicated power, continuous water supply, and seamless communication

Capacity building through training institutes and incubation centre
Mandal Becharaji Special Investment Region (MBSIR)

MBSIR Industrial hub being developed in north-west of Ahmedabad spread over an area of 102 sq. kms.

A Japanese Industrial Zone is being developed at MBSIR which will be home to major auto companies like Suzuki Motor Corp., Honda Motorcycles and Scooter India Pvt. Ltd, and Toyota Tsusho India.

<table>
<thead>
<tr>
<th>Airport</th>
<th>Ahmedabad (89 km)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nearest Urban Areas</td>
<td>Ahmedabad, Kadi, Surendranagar, Mehsana</td>
</tr>
<tr>
<td>Nearby Ports</td>
<td>Mundra (300 km)</td>
</tr>
<tr>
<td></td>
<td>Kandla (240 km)</td>
</tr>
</tbody>
</table>
Japanese Industrial Estate @ GIDC Mandal

“Gujarat’s first Country specific industrial estate with an area of 123 hectares delineated for Japanese companies”

Location: Mandal- Ahmedabad District
Area: 123 hectares
Focus Sector: Engineering, Automobiles and ancillary

International & Domestic Airport: Ahmedabad 90 KM/SH
Nearest Major Port: Kandla 200-300 KM
Nearest Railway Station: Viramgam 30 KM

Nearest Major City: Ahmedabad 90 KM
Nearest Auto Component Hub: Sanand 70-80 KM

Government of Gujarat has proposed rail network as last mile connectivity to the region.

Presence of Japanese Companies in the Estate

<table>
<thead>
<tr>
<th>Name of the Company</th>
<th>Area in Sq m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Technotrends Autopark Pvt. Ltd</td>
<td>2,54,548</td>
</tr>
<tr>
<td>MA Extrusion India</td>
<td>41,614</td>
</tr>
<tr>
<td>Roki Minda Company</td>
<td>31,614</td>
</tr>
<tr>
<td>TS Tech (Mandal Pvt. Ltd)</td>
<td>20,000</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Name of the Company</th>
<th>Area in Sq m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Murakami Corporation</td>
<td>30,953</td>
</tr>
<tr>
<td>Topre Corporation</td>
<td>1,02,730</td>
</tr>
<tr>
<td>Sanko Gusai Technology (I) Pvt. Ltd</td>
<td>28,998</td>
</tr>
<tr>
<td>Munjal Kiriu India Pvt. Ltd</td>
<td>38,021</td>
</tr>
</tbody>
</table>
Dholera Special Investment Region (DSIR)

DSIR will be the biggest beneficiary of DMIC and DFC

DSIR Advantages:
• Large & contiguous land parcels for industrial development
• Total Notified Area: 920 sq.km.
• Long term growth potential
• Fully serviced plots – Plug & Play
• Smart & Sustainable Social infrastructure

Investment Opportunities:
• Automobiles & Auto Ancillary
• Defence & Aerospace
• Heavy Engineering
• Electronics, Hi-tech Technologies
• Agro & Food Processing
• Infrastructure Development

Declared as National Investment Manufacturing Zone (NIMZ)
Skill Development

Skill development and training in auto sector is a focus area for Gujarat government

Japan-India Institute for Manufacturing (JIM)

- Aimed for human resource development in the manufacturing sector in India as part of the Manufacturing Skill Transfer Promotion Programme agreed between the governments of Japan and India
- **Maruti Suzuki JIM** is operated as Industrial Training Institute (ITI) by Maruti Suzuki in Mehsana, Gujarat and aims to produce 400 graduates annually
- The institute offers total eight 1-year or 2-year practical training courses including Motor Mechanic, Mechanic Diesel, Mechanic Auto Body Repair, Mechanic Auto Body Paint Repair, and Welder
- **Toyota Tsusho Corporation** is also planning to open a JIM in the Mandal Industrial Zone, Gujarat (to be run by Techno Trends Auto Park Private Limited)

Skill University

- **A first of its kind private university established at Vadodara** in collaborative arrangement with Team Lease Foundation
- Aims to create an open and a flexible system which permits accumulation of productive knowledge and skills and the award of higher Diplomas and Degrees
- Offers industry responsive academic programmes with active participation and involvement of industries in curriculum design, implementation, internship, assessment and job placement
Skill Development

Other initiatives

- **Hyundai Motor India Ltd.** opened a State-of-the-art Regional Training Centre in Ahmedabad spanning across 8,200 square feet. It will provide specialized training to 1,700 service technicians that will empower them with both technical and soft skills.

- **Industrial KVK (i-KVK)** to create its own skilled workforce with the help of the government to meet their human resource needs, thereby increasing employability.

- To meet the rising demand for skilled workforce, Govt. of Gujarat has ventured into more than **40 Flexi MoUs** with various companies like L&T Ltd., Tata Motors Ltd., Volkswagen Group India Pvt. Ltd., Mahindra Group, Eicher Motors, Toyota Kirloskar (India) Ltd., Royal Enfield, Siemens India Ltd. etc.

- **Under the High–tech Training Scheme**, a training centre has been established in Vadodara with the support from Govt. of India, World Bank and GTZ to **impair training to new-comers and industrial workers for upskilling**.

- **20 Superior Technology Centres (for Industry Responsive Short Term Courses)** have been established to train the youth in the latest technologies covering CNC, Automobile, Solar, Chemical.
Gujarat policies aligned with ‘Make in India’

Snapshot of assistance under Gujarat Industrial Policy 2015

- Assistance to labor intensive industries
- Special Incentives for Mega/Innovative Projects
- Assistance to Industrial Parks
- Assistance to set up Logistics Parks
- Assistance in Development of Common Environmental Infrastructure
- Assistance to MSMEs and Startups
- Assistance for R&D

Assistance under General Incentive Scheme, 2016

- Tax (SGST) reimbursement based on quantum of investment and location of the project*

All incentives and assistance schemes are applicable to the automobile and auto components sector

*Govt. of Gujarat has announced that tax incentives will continue to be given under GST regime; quantum of assistance to be decided
State Government Assistance for Micro, Small and Medium Enterprises

### Incentives under the Industrial Policy 2015

<table>
<thead>
<tr>
<th>Assistance</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assistance of Capital Investment Subsidy</strong></td>
<td>@ 10% and @ 15% on loan amount in Municipal Corporation areas and in areas other than Municipal Corporation areas respectively</td>
</tr>
<tr>
<td><strong>Assistance for Interest Subsidy</strong></td>
<td>@ 5% and @ 7% for period of 5 years in Municipal Corporation areas and in areas other than Municipal Corporation areas respectively</td>
</tr>
<tr>
<td><strong>Assistance for Venture Capital</strong></td>
<td>Assistance to <strong>raise promoter contribution</strong> in the form of equity or loan through GVFL</td>
</tr>
<tr>
<td><strong>Assistance for Quality Certification</strong></td>
<td>50% of capital cost for installing Enterprise Resource Planning (ERP) system, for obtaining ISO certification, for obtaining WHO GMP, for testing equipment and machinery required</td>
</tr>
<tr>
<td><strong>Assistance for Technology Acquisition</strong></td>
<td>Grant at the rate of <strong>50%</strong> of cost of technology acquisition</td>
</tr>
<tr>
<td><strong>Assistance for Patent Registration</strong></td>
<td>75% of expenditure incurred for obtaining patents</td>
</tr>
<tr>
<td><strong>Assistance for Saving in Consumption of Energy &amp; Water</strong></td>
<td>75% cost of energy/water audit conducted in a unit &amp; 25% of cost of equipment</td>
</tr>
</tbody>
</table>

Source: Resolution No. SSI-102014-924840-CH; Date. 19.01.2015
Investment Opportunities

- India is the 4th largest passenger and commercial vehicles market (4.02 mn.units) in the world {China (29.12 mn.units), USA (17.58 mn.units) and Japan (5.24 mn.units)} and is expected to become the 3rd largest by 2026
- India is the 2nd fastest growing market for passenger vehicles globally, behind China, having expanded by 7% in 2017-18
- India offers huge growth potential due to low vehicle penetration (32 vehicles per 1000 people in 2015) and owing to its unique demographic dividend (66% of population under the age of 35)
- Focus shift towards electric vehicles is likely to intensify product and technology development
For additional information connect us @

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