

# Indian Auto Sector and Future Opportunities

The Indian automobile industry has historically been a useful indication of the economy's health, as it plays an important role in revenue generation as well as exports. Because expanding middle class, the two-wheeler category leads the industry in terms of volume. The need for commercial vehicles is increasing due to the growth of the passenger transportation and logistics industries. New trends, such as the electrification of vehicles particularly three-wheelers and small passenger cars are expected to increase market expansion.

In FY22, India produced 2.29 Crore vehicles yearly. In terms of both exports and internal demand, India has a vast market. In the first quarter of 2023-24, total production of passenger vehicles, commercial vehicles, three wheelers, two wheelers, and quadricycles was 60 lakh units. The total number of passenger vehicles sold in FY23 was 38.9. India's total vehicle exports in FY23 were 47,61,487. The percentage of the national GDP attributed to this sector grew from 2.77% in 1992 to approximately- 7.1% at present. About 1.9 Cr. people are directly and indirectly employed by it.

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Foreign companies such as Kia Motors and Volkswagen have adapted themselves to cater to the large Indian middle-class population by dropping their pricing structure and designs. This has allowed them to compete directly with domestic firms, making the sector highly competitive.

India is currently shifting focus to electric cars to reduce emissions. India accomplished a significant milestone, with the sale of 8,32,434 EVs in 2023-24 (till August 2023). In terms of electric vehicles, it is indicating a 168% YoY growth over last year's sales. A report by India Energy Storage Alliance estimated that the EV market in India is likely to increase at a CAGR of 36% until 2026.

There have been many investments in the automobile sector recently, as the Government expects the automobile sector to attract US\$ 8-10 billion in local and foreign investments by 2023. The industry attracted Foreign Direct Investment equity inflow (FDI) worth US\$ 34.74 billion between April 2000 to March 2023, accounting for 5.45% of the total equity FDI during the period. India is on its way to becoming the largest EV market by 2030, with a total investment opportunity of more than US\$ 200 billion over the next 8-10 years.

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