



Automotive

Notable M&A Trends in the Automotive Sector

Automaker Collaborations: Traditional automakers are forming alliances with technology companies and startups to co-develop electric vehicles, autonomous driving systems, and mobility platforms. These partnerships aim to share development costs and access new markets efficiently.

Technology Startups Acquisitions: Automotive firms frequently acquire technology startups specializing in areas like AI, cybersecurity, and software development. These acquisitions accelerate innovation, integrate advanced technologies into vehicles, and enhance user experiences.

Diversification into Mobility Services: With the rise of shared mobility, automotive companies are diversifying into ride-hailing and mobility-as-a-service (MaaS) segments. M&A transactions, such as acquiring ride-hailing platforms or car-sharing companies, help companies establish a presence in the evolving mobility ecosystem and capture new revenue streams.

Partnerships in Electric Mobility: To address the shift towards electric vehicles, automotive companies are forming partnerships for electric vehicle platforms, battery technologies, and charging infrastructure. These collaborations accelerate the transition to electric mobility and facilitate resource pooling and knowledge sharing.

Overall, M&A activities in the automotive sector aim to enhance competitiveness, foster innovation, and expand market reach. However, successful execution requires thorough due diligence, integration planning, and alignment with corporate strategies to create sustainable value in a dynamic industry landscape.

Comprehensive Analysis of the Automotive Sector

Driving Forces of Demand:

Rising Middle-Class Income and Youth Demographic: The burgeoning middle-class income, coupled with a significant youth population, serves as a catalyst for robust demand within the automotive sector. As disposable incomes rise and aspirations escalate, there is a surge in the desire for personal mobility solutions, contributing to increased sales across various vehicle segments.

Production Figures:

In November 2023, the combined production of passenger vehicles, three-wheelers, two-wheelers, and quadricycles amounted to 2.22 million units, reflecting the scale of manufacturing activity and the magnitude of market demand.

EV Market Growth:

The global electric vehicle (EV) market, valued at approximately US\$ 250 billion in 2021, is poised for exponential expansion. Projections indicate a fivefold increase to US\$ 1,318 billion by 2028, underlining the paradigm shift towards sustainable transportation solutions and the evolving preferences of consumers worldwide.

Unveiling Opportunities:

Leadership Potential in Shared Mobility: India, with its ambitious vision to lead in shared mobility by 2030, presents a fertile ground for the proliferation of electric and autonomous vehicles. The convergence of technological advancements, regulatory support, and shifting consumer preferences opens avenues for innovative mobility solutions and ecosystem development.

Emphasis on Electric Vehicles: In line with global sustainability imperatives, the automotive landscape is witnessing a pivotal transition towards electric vehicles. The Indian government's commitment to ensuring that 30% of new vehicle sales are electric by 2030 underscores the strategic emphasis on reducing emissions and fostering eco-friendly transportation alternatives.

Escalating Investments:

Foreign Direct Investment Influx: The automotive sector has been the recipient of substantial foreign direct investment (FDI), with a cumulative equity inflow of approximately US\$ 35.40 billion recorded between April 2000 and September 2023. This influx of capital underscores investor confidence and highlights the sector's attractiveness as a lucrative investment destination.

Prospects in the EV Market: India's trajectory to emerge as the largest EV market by 2030 beckons significant investment opportunities, estimated to surpass US\$ 200 billion over the next 8-10 years. The burgeoning EV ecosystem, encompassing manufacturing, charging infrastructure, and ancillary services, presents a fertile ground for capital deployment and market expansion.

Supportive Policy Framework:

Automotive Mission Plan 2016-26: A collaborative initiative between the Government of India and the domestic automotive industry, the Automotive Mission Plan lays down a comprehensive roadmap for sectoral development, encompassing innovation, competitiveness, and sustainable growth.

FAME Scheme Extension: The extension of the Faster Adoption and Manufacturing of Hybrid and Electric Vehicles (FAME) Scheme, up to March 31st, 2024, underscores the government's commitment to incentivizing the adoption of electric vehicles and fostering a conducive ecosystem for sustainable mobility solutions.

Recent Developments and Future Outlook:

Strategic Investments: Recent endeavors such as Ola Electric's IPO, Tata Motors' strategic stake acquisition in Freight Tiger, and Maruti Suzuki's capacity expansion initiatives exemplify the sector's dynamism and strategic repositioning to capitalize on emerging opportunities.

Anticipated Growth Trajectory: The automotive sector anticipates robust growth in the foreseeable future, driven by evolving consumer preferences, technological innovation, and supportive regulatory frameworks. With a concerted focus on electric mobility, shared mobility solutions, and indigenous manufacturing capabilities, India aims to consolidate its position as a global automotive powerhouse.

References:

Insights gleaned from the International Organization of Motor Vehicle Manufacturers, DPIIT, SIAM, IBEF, and other authoritative sources contribute to the nuanced understanding of the automotive sector's trajectory and growth prospects.

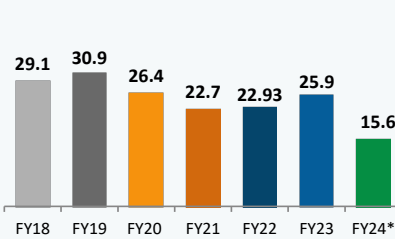


AUTOMOBILES



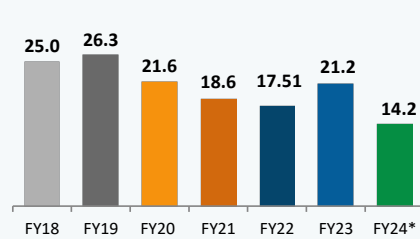
MARKET SIZE

Number of Automobiles Produced (in million)



Notes: * - Till November 2023

Number of Automobiles Sold in India (in million)

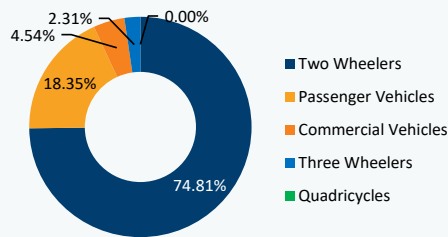


Notes: * - Till November 2023



SECTOR COMPOSITION

Share of each Segment in Total Production Volume (FY23)

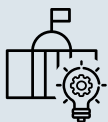
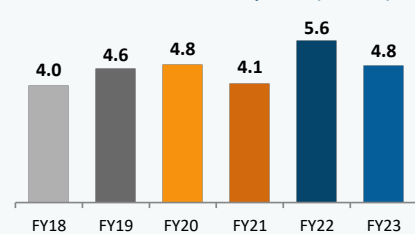


KEY TRENDS

Indian Car Sales Figures - November 2023

PV OEM	November 2023	November 2022	Market Share (%) Nov 23
Maruti Suzuki	1,49,929	1,25,355	41.60%
Tata Motors	53,539	41,177	14.85%
Hyundai	49,716	45,836	13.79%
Mahindra	38,933	29,915	10.80%
Kia	19,885	19,926	5.52%

Number of Automobiles Exported (millions)



GOVERNMENT INITIATIVES



National Mission for Electric Mobility 2020



NATRIP
Driving India into the Future

NATRIP



FAME India Scheme

Note: NATRIP- National Automotive Testing and R&D Infrastructure Project



ADVANTAGE INDIA

- Growing demand:** In March 2023, the total production of passenger vehicles*, 3Ws, 2Ws and quadricycles was 20,04,592 units. In November 2023, the total production of passenger vehicles, 3W, 2W, and quadricycles was 2.22 million units.
- Rising Investment:** The automobile sector received a cumulative equity FDI inflow of about US\$ 35.40 billion between April 2000 - September 2023.
- Policy support:** In September 2021, the Indian government issued a notification regarding a PLI scheme for automobile and auto components worth Rs. 25,938 crores (US\$ 3.49 billion). Automotive Mission Plan 2016-26 is a mutual initiative by the Government of India and the Indian automotive industry to lay down the roadmap for the development of the industry. The FAME Scheme was extended for a further period of 2 years up to March 31st, 2024.
- Opportunities:** India could be a leader in shared mobility by 2030, providing opportunities for electric and autonomous vehicles. The electric vehicles industry is likely to create five crore jobs by 2030. By 2030, the Indian government has committed that 30% of the new vehicle sales in India would be electric.