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Changing Scenarios of the Indian Automotive Industry

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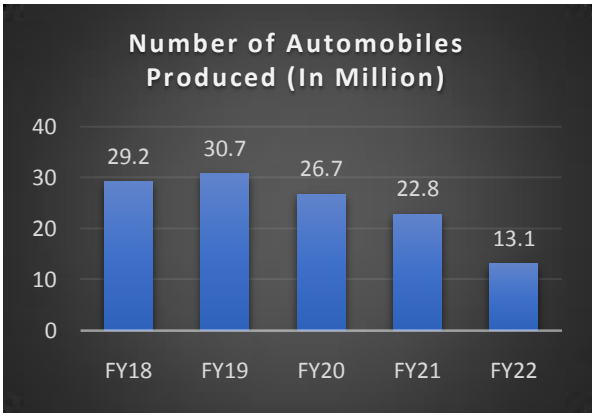
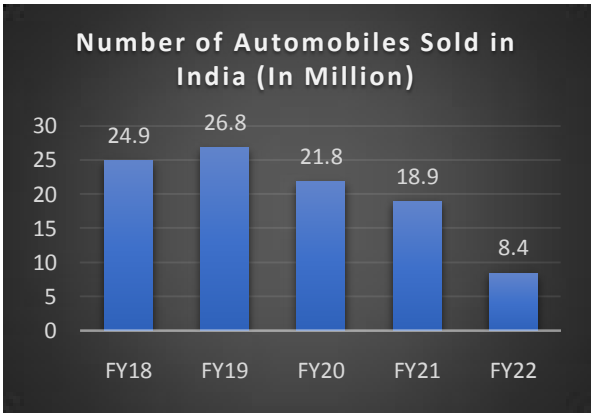
ABSTRACT:

Changing Scenarios in the Indian Automotive Industry-Automotive is one of the most important industries of the Indian economy, and it serves as a barometer for the country's current situation to a large extent. In both 2012 and 2019, a high drop in commercial-vehicle (CV) sales signaled impending economic issues, while a steep surge in passenger-vehicle (PV) and two-wheeler (2W) sales signaled favorable economic news in 2010. New tailwinds, such as global supply-chain rebalancing, government incentives to boost exports, and technology disruptions that generate white spaces, are also helping the sector. These improvements will aid in the creation of opportunities throughout the automotive value chain.

Introduction:

The automobile industry benefits from a variety of variables, including low-cost trained labour, strong R&D centers, and low-cost steel production. An excellent investment prospects alongwith direct and indirect employment opportunities are offered by this industry. By 2026, the Indian automobile sector (which includes component production) is predicted to be worth Rs 16.16-18.18 trillion (US$ 251.4-282.8 billion). Electric cars, particularly two-wheelers, are expected to sell well in 2022-23.





Background:

Fiveenablers for the Indian Automotive Market are:

- **The partnership ecosystem is being reimagined -** The days of going it alone are reduced, as the level of required investment has risen, necessitating the pooling of resources. Companies have also discovered that collaborating with other companies that offer complementary products in areas that their current portfolio does not cover allows them to reach new customer segments. Similarly, automotive companies might gain from collaborating with partners that have complementary skills or sharing the risks of specific endeavors. When it comes to new collaborations, Indian automotive companies is clearly definingits key capabilities as well as the areas where strategic relationships will be beneficial. They can then progress from transactional interactions to "win–win" partnerships that provide long-term rewards.To improve their game across all imperatives, automakers are reinventing their strategic alliances. Some are focusing on product level issues, such as GM and Honda's EV platforms and battery technology. Others, like as Volkswagen, AWS, and Siemens, are concentrating on manufacturing or supply-chain management.

- **Electric Vehicles -**The global automobile industry is undergoing enormous transformations, with electric vehicles (EVs) at the forefront. It is gradually becoming the favored choice for consumers due to fewer emissions and vehicle operating costs, among other factors.EVs are the next big thing around the world, and India, as the world's fourth-largest car market, is poised to take the lead, propelled by urbanization and rising income levels. With growing EV adoption, it is projected that manufacturing costs would decrease, better battery technologies will be available, charging infrastructure will improve, and consumers will benefit from more affordable financing and insurance.

- **Creating a future-oriented organization -** Traditionally, automotive companies have had a vertical functional structure with a defined hierarchy and reporting lines. While this has suited their purposes admirably for decades, it is increasingly causing bottlenecks and inhibiting businesses from being fluid and agile in the face of change. Automobile manufacturers should rethink their business by creating two end-to-end systems for crucial processes: A Product-Creation and Creation System (PCDS) aids in the development of products from concept to production-ready models. A Customer-Value Delivery System (CVDS) establishes a comprehensive operational framework for all activities, from production to sales and service, decreasing silos and increasing agility.

- **Using digital and analytics to transform the Organization -** Digitization and advanced analytics are already allowing for tremendous efficiency gains and a greater emphasis on consumers. Engaging in targeted digital marketing and working with digital platforms to generate leads helps leading firms obtain 20 to 30 percent more consumer inquiries into their sales system. They're also using advanced analytics to produce customized sales pitches in real time, which has resulted in a 5 to 10% increase in lead conversion. Traditionally, automotive suppliers have focused their technological investments on back-end operations, with various use cases aimed at improving yield, energy economy, quality, and throughput in their factories. Automotive suppliers, on the other hand, should now embark on an end-to-end digital and advanced-analytics transformation that prioritizes business effect over technology.

- **Alternate Fuels -** India aims to attain a 20 percent ethanol-to-petrol ratio by 2023-24, with a long-term goal of 100 percent ethanol-powered vehicles. In order to lessen reliance on fossil fuels, India has also permitted the use of ethanol-based flex engines. Electric automobiles powered by hydrogen fuel cells are also making their way onto the market. Green hydrogen will become more appealing and sustainable as a result of the push. Electric vehicles will lead the charge in putting India to the forefront of the automotive sector during the next few years.

Result:

Electric Cars (EVs) has transformed the world of road transportation. The global EV market has further grown on a yearly basis at an average rate of 43%, with a penetration rate of roughly 2.6 percent in 2019 and it is anticipated to rise at a very fast pace during the next ten years. By 2030, it is anticipated that EVs will cost more than $30 million. Electric vehicles are causing quite a stir in India. Electrification of road transportation has a wide range of applications. It's a green industrial technique that aids in the recovery of the economy following a pandemic. Its objective is to reduce oil imports while increasing energy security. It is also necessary for reducing pollution and combating climate change. It is a critical component of global net-zero goals and a significant carbon emission reduction measure, second only to power sector greening. India is currently lagging behind other significant markets such as China, Europe, and the US. In 2019, the global electric vehicle stock reached 7.2 million units, with China accounting for 47%, Europe 25%, and the United States 21%. Nearly 97.5 percent of all electric cars sold in India were two-wheelers, indicating a particularly strong market in the two- and three-wheeler segment.

The State governments have undertaken a lot of positive actions since the epidemic. The government, for example, has funded the nationwide deployment of electric buses and charging stations. On a state level, Telangana has waived road tax and registration fees for the first 200,000 two-wheeler electric vehicles, while Gujarat will offer government discounts to students purchasing two-wheeler electric vehicles and rickshaw drivers and self-employed people purchasing three-wheeler electric vehicles. While electric vehicles accounted for less than 0.5 percent of Indian car sales in 2019, the country's stock levels do not reflect the country's readiness or willingness to adopt them. India sold 69,000 units in 2017–2018 and 143,000 units in 2018–2019. This indicates a rapid rate of growth, which is expected to pick up in the ***coming*** years. Nearly 97.5 percent of all electric cars sold in India were two-wheelers, indicating a particularly strong market in the two- and three-wheeler segment. These programs are promising, but they will require more coordination and collaboration between the federal, state, and local (municipal) governments.

Conclusion:

India is likewise unprepared to deal with electric vehicles that have outlived their usefulness. To encourage EV adoption and India's role as a value chain member, the government cannot rely solely on subsidies; it will also need to attract more private investment. The good news is that investor interest appears to be increasing. Just last year, Tesla announced the opening of a factory in Karnataka, southwest India, and venture capitalists are planning to invest more than USD 300 million in electric vehicle businesses across the country. To do so, the government must first identify and address roadblocks, then modify its legislative and institutional frameworks to accommodate those roadblocks and attract more private investment.

It has started with the government's FAME (Faster Adoption and Manufacturing of Electric Vehicles) program. The program, which launched in 2015, was created to promote the use of electric vehicles as well as encourage manufacturers to produce them in India. In the first phase of FAME, the government set aside USD 130 million in subsidies to encourage the purchase of electric two-wheelers and three-wheelers, as well as hybrid and electric autos and buses. The first phase was mainly regarded as a success in terms of sales. The second phase of FAME saw a large rise in EV subsidies, bringing the total to USD 1.4 billion, with about 85% going to purchase subsidies and 10% to charging infrastructure. It started in 2019 and

was scheduled to end in 2022. This phase's focus was once again on increasing local manufacturing. Two years later, however, the results are not as expected. By early 2021, just about 10% of the EV adoption goal for Phase 2 had been fulfilled. According to the Society of Manufacturers of Electric Vehicles, this is owing to a slower evolution of the local component manufacturing market and regulatory needs for fiscal incentives that keep EV costs excessively high. Furthermore, a lack of readily available capital and an uncertain medium-term regulatory environment continue to hinder private investment. According to the Society of Manufacturers of Electric Vehicles, this is owing to a slower evolution of the local component manufacturing market and regulatory needs for fiscal incentives that keep EV costs excessively high. Furthermore, a lack of readily available capital and an uncertain medium-term regulatory environment continue to stymie private investment. As a result, India's electric car revolution is still in its early phases, and policy priorities have switched away from local manufacturing requirements and toward deployment and investment. In addition, the government has created a production-linked incentive scheme to encourage companies to begin manufacturing electric vehicle batteries in the United States.

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