



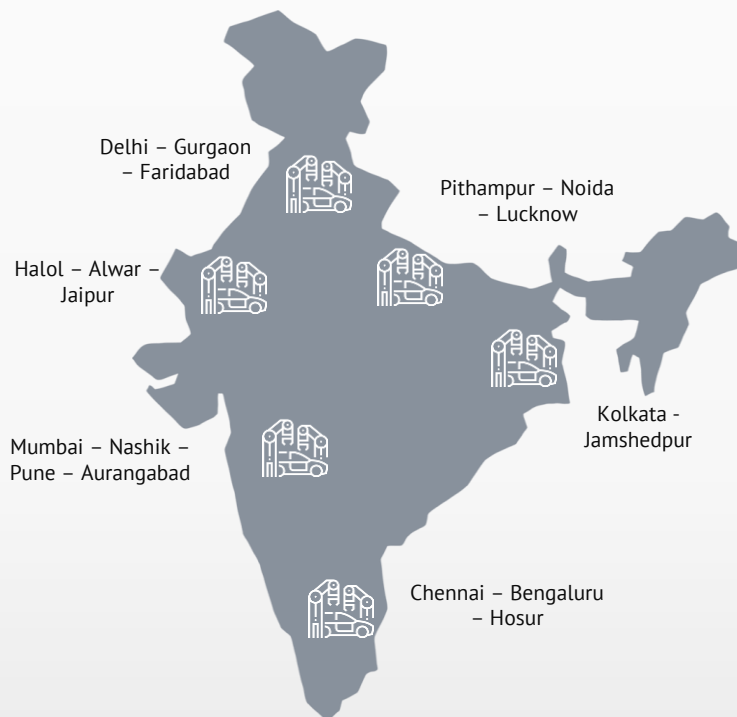
C O R P O R A T E F I N A N C E
I N T E R N A T I O N A L

Indian Automotive Market – An Overview – November 2024



- India is the world's **3rd largest automotive market**, only behind China and the USA, with Passenger Vehicles (PVs) domestic sales of ~4 mn units and exports of ~0.7 mn units in FY24. The total production output across segments was ~29 mn units in the same year.
- The industry plays a pivotal role in the nation's economic landscape, contributes **6% to India's GDP**.
- This industry serves as a significant driver of employment generating employment to nearly 32 mn people in India.

Auto Manufacturing Clusters



Trends Shaping the Automotive Industry in India

- The **rising disposable income** of a growing middle class, combined with a market that has a **low automotive penetration** rate is driving demand for **premium and feature rich** automotive models in both 2 Wheelers (2W) and 4 Wheelers (4W) segment.
- India's strategic initiatives including the longstanding **"Make in India" campaign** and other supporting policy initiatives such as Automotive Mission Plan 2026 and the National Electric Mobility Mission Plan 2030 to enhance its manufacturing capabilities.
- Favorable government policies and initiatives such as **Product Linked Incentive (PLI)** scheme launched in 2020 across 14 industries and with a total outlay of \$~34 bn which provide benefits including **subsidies and tax rebates** to incentivize companies to invest in EV production.
- India's expanding position as the **Global R&D Hub** is a key facilitator of advancement in automotive technologies and auto components manufacturing.

About CFI

- ❖ The Corporate Finance International Group (The CFI Group) is a global group of middle-market investment banks and corporate finance advisory boutiques specializing in cross-border acquisitions, divestitures, capital raising, and related services having 15 member firms, 30 offices across 20 countries and 300+ professionals.
- ❖ Ranked 10th in India terms of number of deals for 2023 - Thomson Reuters mid market League Table.
- ❖ CFI has offices across all major automotive markets – USA, Japan, China, Europe and India.



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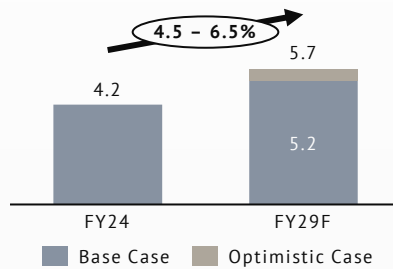
Nirav Shah
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Automotives: Growth & Segmentation



- The automotive industry is expected to clock **4.5-6.5% CAGR** between FY24 to FY29 period to reach 5.2-5.7 mn domestic vehicle sales.
- In tandem with the expansion of the automotive market, the **auto component segment is expected to grow from \$70 bn in FY23 to \$200 bn by FY26**. About \$30 bn (~15%) of this is expected to be generated from exports.

Sales Volume Growth (in Mn)



Key Growth drivers:

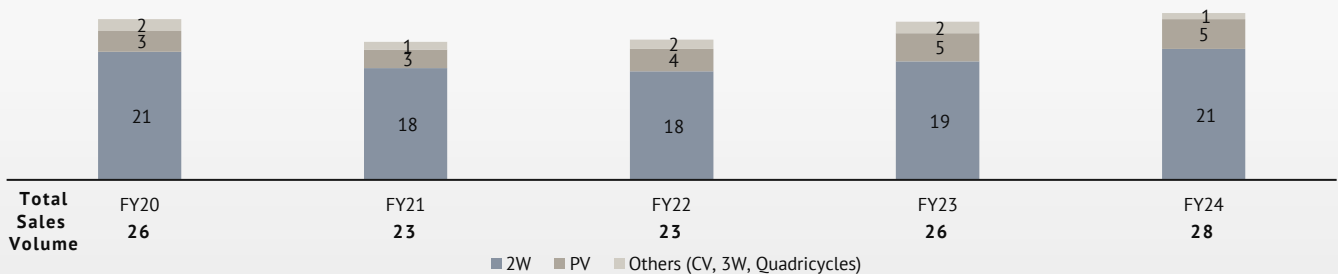
- Growing Income
- Young Consumer Base
- Increasing Vehicle Penetration
- Make in India drive
- Expanding R&D hub
- Improved access to credit
- Tech-led Transformation

- India had **26 cars per 1,000 people as of FY24**, a significantly lower penetration than developed nations and even emerging nations like **Brazil (214), Russia (389), and Mexico (358)**. This provides significant headroom for growth, given the expected increase in disposable incomes, faster economic growth, younger population, and increased focus from international OEMs.

Market Segmentation

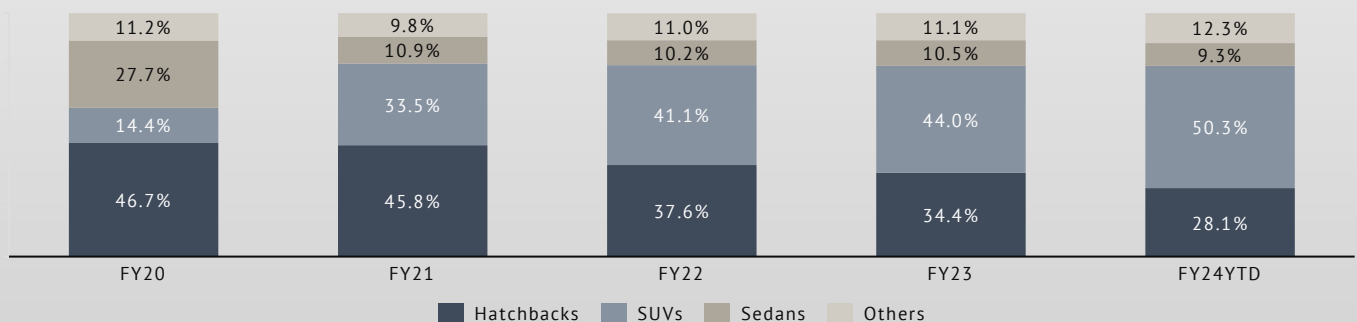
- The automotive sector is split into four segments i.e., 2W, 3W, Passenger Vehicles (PV) and Commercial Vehicles (CV), each having few market leaders.
- In FY23, 2Ws and PVs held a market share of **75.4% and 17.7%, respectively**. India is the largest 2W market in the world, given their low ticket size compared to PVs, however there is a clear rise observed in market share of PVs in the post covid recovery of automotive sales.

Trend of Sales Volume (in mn) by Segment



- Within PV segment, there is a clear shift in consumer preferences observed with increasing preference for **Utility Vehicles over Hatchbacks and Sedans** which is attracting international OEMs to bring more premium models to the Indian market
- Furthermore, a **premiumization trend** is observed through consumer demand for vehicles with **Enhanced Safety Features (Anti Braking systems, ADAS), Connected devices, Cutting edge Infotainment Systems, Sunroofs and Aesthetic interiors**

Trend of Sales Volume (%) by Body Type



Sources: CRISIL MI&A, Invest India, IBEF, ACMA, SIAM

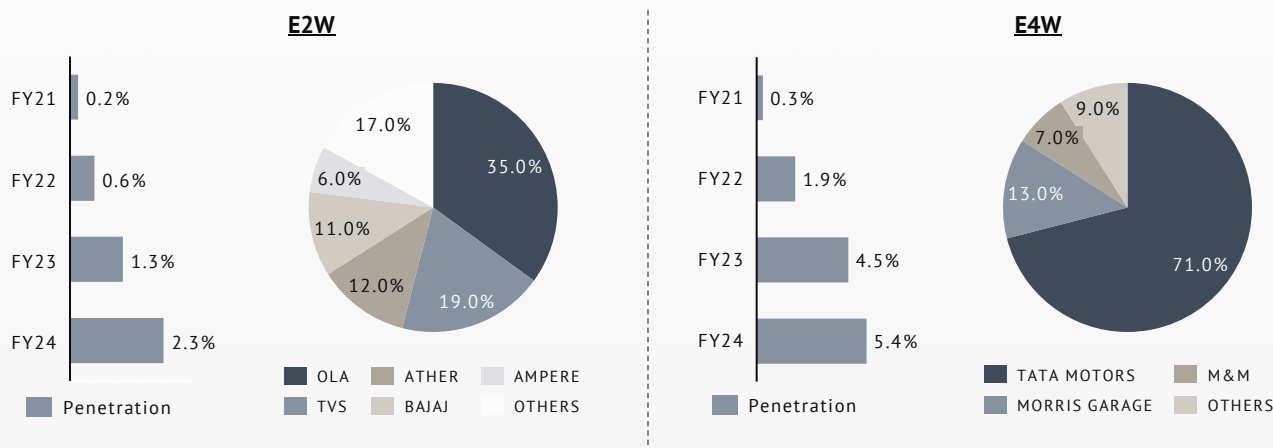
Note: 1. Financial Year in India is from March to April. FY24 YTD refers to Apr 2023 – Feb 2024 period.

Electric Vehicles: Current Landscape



- The Electric Vehicle (EV) market in India is expected to grow at a **CAGR of 49% between 2022-2030** presenting a massive investment opportunity of over \$ ~200 bn over the next 8-10 years.
- Factors driving electrification in India:
 - Government Subsidy (e.g., FAME \$ ~320 mn (FY24), Production Linked Incentives - \$ ~6 bn for automotive industry)
 - Awareness of Environmental Issues
 - Expansion of Charging Infrastructure
 - Availability of EVs at Competitive Prices
- Disruptor brands are currently dominating market share in both E2W (Ola & Ather) and E-PV (Tata Motors & Morris Garage).

EV Market Penetration & Key Players Market Share



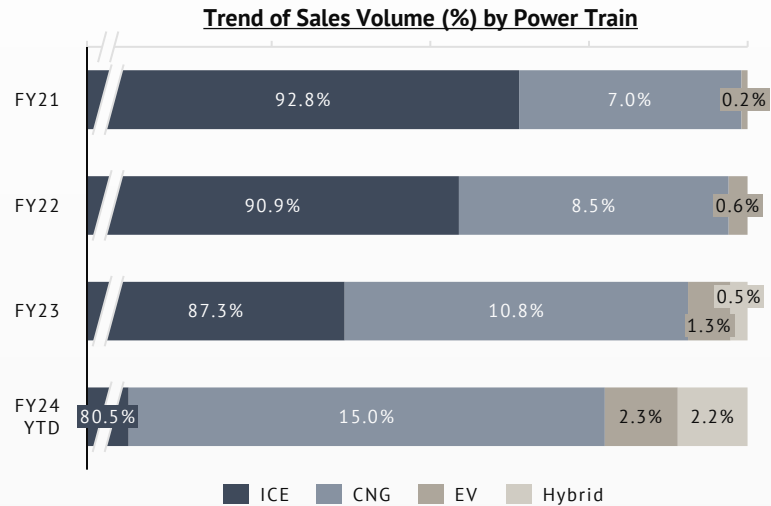
- EV adoption in India is being led by E2Ws** owing to strong supply, compact designs, limited range anxiety, smaller and lighter batteries and lower initial price difference. **Premium E2Ws (priced ex-showroom >INR100,000/\$1,250) had a penetration of ~75% in H1FY24.**
- With the projected decline in E2W prices (led by drop in battery price), consumers are likely to see a higher number of options across price ranges, driving greater adoption in the lower price bracket as well.

EV Charging Landscape

- India's current ratio of charging stations to cars is approximately **1 charging station per 135 EVs** which is significantly lower than the **global ratio of 1 charging station per 6 to 20 EVs.**
- Furthermore, the charging infrastructure is unevenly distributed creating a significant discrepancy between the current number of EVs and the charging stations. For example, the state of Uttar Pradesh has 0.45 mn EVs, but 406 charging stations – only 1 station for every 1,103 EVs.
- To meet the government's aim to have **30% of new private vehicles as EVs by FY30**, India will need a total of **3.9 mn public and semi public charging stations for a ratio of 1 station per 20 vehicles.**
- The under development of charging infrastructure is a key deterrent to EV adoption as drivers experience range anxiety while using EVs for long distance journeys or long hours of use in case of ride share and last mile delivery service players.
- While private sector players such as **Tata Power, Jio-BP Charge Zone, Exicom, Finland's Fortnum (Glida)** are making significant investments in developing the infrastructure to achieve the desired ratio of stations, innovative models like battery swapping and smart charging will also improve affordability and convenience for EV owners.

Sources: SMEV, VAHAN, EV Auto, Reuters, YourStory, Bolt.Earth,
Note: 1. Financial Year in India is from March to April.

- While EVs have emerged as the leading alternative powertrain to Internal Combustion Engine (ICE) vehicles, the overall EV penetration rate (~4.4%) in India is still quite low compared to China (~40%) and the USA (~12.5%).
- In India, OEMs are adopting a multi powertrain approach by introducing new models across ICE, EV, Hybrid (Combination of ICE and EV) and Compressed Natural Gas (CNG).
- Hybrid cars popularized by OEMs such as Toyota, Honda and Maruti Suzuki are becoming a popular alternative to EVs as they solve for two main deterrents to EVs – range anxiety and limited charging infrastructure.



Case for Hybrid Vehicles: A combination of EV and ICE

- In India, Hybrids are being seen as a stepping stone to new technology bringing down apprehensions about transitioning to a full EV.
- Their reliability (no range anxiety, no faulty battery concerns), affordability (in comparison to EVs) and lesser maintenance costs (in comparison to ICE vehicles) are making them favorites amongst both OEMs and customers.
- Hybrids are seen as a viable option, in addition to EVs to support India's COP26 goals for reduction of carbon footprint because:
 - They reduce CO₂ emissions by at least 30% and increase energy efficiency up to 44% in comparison to ICE Vehicles.
 - Given limitations in development of charging infrastructure, shift to Hybrids from ICE will be critical in reducing emissions
- As of FY24, EVs and Hybrids have a similar market penetration in India. However globally there has been a downward trend in EV sales, while Hybrid demand is picking up. Automotive players are becoming increasingly bullish on Hybrids
 - BYD, the largest global EV player currently has also increased its guidance for Hybrid sales.
 - Maruti, India's largest OEM, expects 25% of PV sales to be from Hybrids by 2030
 - Toyota plans to convert most, and eventually all of its Toyota and Lexus line up to hybrid only models for its US market

Battery Swapping : Solution for EV Charging & Battery Life Concerns?

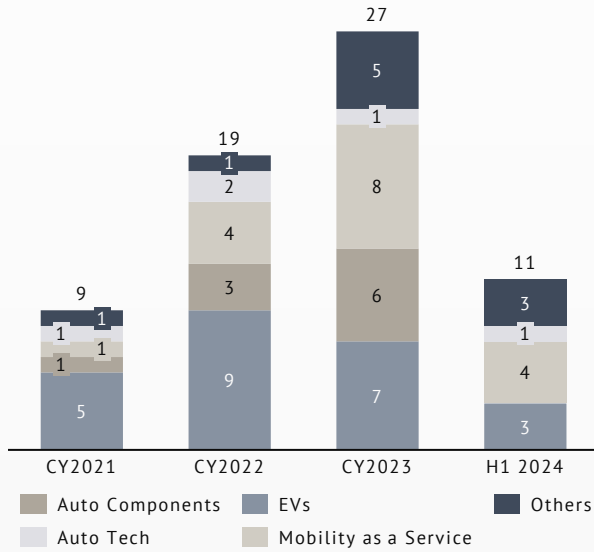
- Even though the total lifecycle cost of EVs is lower than ICE vehicles, they have a high upfront cost.
- Large proportion (35-40%) of the upfront cost is attributed to the Battery Pack. China's Nio has successfully demonstrated that battery swapping can solve for these challenges through following strategies:
 - Bring down the cost of owning EVs by offering a subscription based Battery-as-a-service (BaaS) model.
 - Reduce risk of owning a faulty battery as the batteries are regularly inspected and maintained by the company.
 - Users get to upgrade to the latest generation of technology without worrying about end of life hassles.

Sources: HBS, Redseeder Research, CRISIL MI&A, Economic Times, Fortune India
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M&A Trends and Recent Deals



M&A Volume by Sub Sectors



M&A Activity Drivers

- In FY23, the manufacturing sector had one of the highest growth rates in M&A activity amid general market suppression, with a rise in M&A deal value in the sector by 33% and deal volume increase of 22% compared to previous year.
- The automotive sector has been a magnet for foreign direct investment (FDI), with a cumulative equity FDI inflow of about \$35 bn between April 2000 and September 2023.
- There's a noticeable interest in eco-friendly solutions and technological advancements, particularly within EV and Mobility as a Service sub-sectors.
- Emerging interest areas such as Auto Tech and Auto components indicate new opportunities for technological enhancements and market expansion.
- In Q2 2024, Domestic consolidations continued to lead M&A volumes with a 60% share while inbound activity continued to lead the values contributing to 65% of overall M&A values.

Recent Marquee Deals

Company	Deal Type	Buyer	Sub Sector	Deal Size (\$Mn)	Deal Year
Fundraising					
Ola Electric Mobility	Domestic	Multiple	Electric Vehicles	734 (Valuation 4.0 bn)	2024 (Aug 24 IPO)
Ather Energy	Domestic	Multiple	Electric Vehicles	502 (Valuation 1.3 bn)	2024 (Aug 24 Series E)
Hyundai Motors	Domestic	Multiple	Automobiles	337 (Valuation 1.9bn)	2024 (Oct 24 IPO)
TI Clean Mobility	Inbound	Multiple	Automobiles	146	2023
Blu Smart Mobility	Inbound/ Domestic	BP Ventures, Survam Partners	Mobility as a Service	37	2023
Joint Venture/Greenfield					
Mahindra & Mahindra	Domestic	Skoda Auto India	Joint Venture	NA	2024 [#]
MG Motor India	Domestic	JSW India	Joint Venture	750*	2023
Mercedes - Benz	Inbound	-	Greenfield	24	2024
Merger & Acquisition					
Eka Mobility	Inbound	Mitsui & Co and VDL Groep	Electric Vehicles	100	2024
TVS Mobility	Inbound	Mitsubishi Corp	Automobiles	36	2024

Sources: Grant Thornton M&A Trends, ET Auto
Note: *Estimated Investment #Proposed Joint Venture

The automotive industry is currently being disrupted by several alternative fuel technologies – right from EV, Hybrid, Ethanol and Green Hydrogen based fuels. However, with India's rapidly growing economy, the industry is expected to boom, irrespective of the powertrain technology, as an increase in per capita income translates to a higher vehicle penetration. In tandem, India's strong position in both automotives and auto components, will give further impetus to companies manufacturing in and selling to India.

Opportunities exist for global companies to invest in India by providing technological expertise or by leveraging India's manufacturing capabilities to outsource production of high quality cost competitive products. Some emerging areas of interest are battery cell manufacturing and management systems, charging infrastructure, electrical and electronics systems, infotainment systems and emission control devices.

About CFI

CFI through its global offices brings specialized knowledge, extensive networks, and transactional expertise that are instrumental in driving M&A and fundraising initiatives for companies in the automotive sector. By partnering with us, automotive companies can capitalize on growth opportunities, optimize capital deployment, and navigate complex financial landscapes effectively.

Our professionals have global relationships with leading automotive companies and financial investors. Thoughtful advice, extensive experience in structuring and negotiating complex transactions, and a sector focus that supports in-depth understanding of trends and developments impacting our clients, has resulted in a track record of long-term relationships with clients seeking extraordinary value across family and entrepreneurially owned companies, private equity funds, family offices, venture capitalists, start-ups and publicly traded companies.

We hope you find this newsletter informative, and we would encourage you to reach out to our sector specialists (Raj Shroff and Nirav Shah) if you would like to discuss our perspective on current sector trends and M&A opportunities or our relevant sector and transaction experience.

Select Transactions

 OAKLEY INDUSTRIES has been acquired in a management buyout with financing provided by  sell-side 	 Unbrako  DEEPAK FASTENERS LIMITED raised funds in Equity & Debt combination from  Capital raising 	 ALBERT WEBER has acquired  buy-side 	 ARES raised additional debt capital of EUR 40.5Mn to finance its growth Capital raising 
 WALOR has been acquired by  sell-side 	 komoo has been acquired by  sell-side 	 Master Automatic has been sold to  sell-side 	 TOPY has established a joint venture with  WHEELS INDIA LIMITED buy-side 



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