

India: The 3rd Largest Auto Market in the World

Last year in 2022 India surpassed Japan in new auto sales, making it the third-largest market for the first time, Nikkei Asia reported. The year 2022 saw India sell 4.25 million units of new vehicles, preliminary results show, 4.2 million units were sold in Japan.

The Nikkei Asia, whose business portfolio includes publishing, broadcasting and the Nikkei 225 stock index, stated easing chip shortage helped top auto companies in India like Maruti and Tata Motors record a boost in sales in 2022.

“New vehicles delivered in India totalled 4.13 million between January and November 2022, according to the Society of Indian Automobile Manufacturers. Adding December’s sales volume reported by Maruti Suzuki, India’s largest carmaker, brings the total to roughly 4.25 million units.”

India’s overall auto sale volume is more than 4.25 million units because the recently released vehicle retail data for December 2022 by FADA(Federation of Automobile Dealers Associations of India) shows 16.2 lakh units were sold in December last year.

China’s auto market topped the chart in the year 2021 as 26.27 million vehicles were sold in 2022, followed by the US at 15.4 million and Japan at 4.44 million. India, which was in fourth place, sold out around 4 million units in the year in the middle of the global chip shortage issue.

The auto market in India has seen a lot of fluctuation in the recent past. The data shows that around 4.4 million vehicles were sold in the country in 2018, and the number fell below 4 million units in 2019 in the middle of the NBFC crisis that year.

The following year (2020) saw the Covid pandemic hit the country hard and the overall marketing sales dropped below 3 million units.

Despite a pick-up in pace for EV adoption, India is still a budding market for EVs and most vehicles are powered by gasoline.

As per Sunjay Kapur, President, ACMA, despite the challenges, the Indian auto component industry witnessed a rapid growth of 23%, as the turnover of the sector contributed 2.3% of India's GDP at ₹4.20 lakh crore.

He attributed factors such as strong and diversified demand, skilled workforce, and precision engineering to the expansion of the Indian automotive industry.

Also, as per an ACMA-McKinsey report, by 2030 the contribution of EVs in new two-wheeler and three-wheeler vehicle sales will rise to 50% and 70%, respectively.

Moreover, the Centre's Production Linked Incentive (PLI) programme for the automobile sector (with a \$3.5 billion budget) provided financial incentives of up to 18% to stimulate local production of future technology-related automotive components.

The government has also implemented Faster Adoption and Manufacturing of Hybrid & Electric Vehicles in the country (FAME) to encourage the adoption of EVs through subsidies. Currently, phase II of the scheme is under effect for 5 years starting from 2019, with a total budget of ₹10,000 crore.

Notably, only 8.5% of Indian households own a passenger vehicle in 2021, data shared by a UK-based research firm Euromonitor shows, adding that there's huge room for higher sales in the country.

Revolution in the Indian auto market over 2 million electric vehicle sales in six years

Electric vehicles in India have welcomed electric vehicles in a positive way, as the recent report by the Ministry of Power shows that over 20 lakh electric cars have been sold in the country in just six years of EV adoption. Electric vehicle sales in India are on the rise after the launch of the friendly government of India policies and subsidies.

The Indian EV sector witnessed a growth of 200% in electric vehicle sales in 2022 compared to 2021. With 57,447 automobiles registered in the first month of the year, 2023 promises to be an even better year for the EV sector in the country.

The Union Minister of Power, RK Singh declared the yearly data on electric vehicle sales in India as of January 21, 2023, launched in the E-Vahan portal. According to the e-vahan portal of India, there are around 2,040,624 units of electric vehicles registered in India as of January 31, 2023.

The exponential growth in electric vehicle sales in the country is mainly aided by the rapid expansion of the electric three-wheeler market from 108,000 units in 2018 to 338,000 units last year, and the two-wheeler market boosted from 16,943 units in 2018 to 628,000 units last year.

With around 2 million sales by the end of 2023, EVs are anticipated to account for 5.7% of total yearly automobile sales. It is estimated that the electric two-wheeler market will increase by 49% annually between 2023 and 2030, with over 10 million EVs on road in 2020.

This exponential growth indicates the growing demand for eco-friendly and sustainable mobility in the country.

The two biggest players in the Indian electric vehicle market, Ola Electric, and Tata Motors are leading the two- and four-wheeler sectors of EV. Tata Motors is leading the electric car market in sales with a market share of over 92% in 2023.

In the two-wheeler segment, CEEF reported that Ola electric got 60,000 bookings in January 2023, and already delivered 18,606 electric scooters in March.

Government's support

Friendly Government subsidies and new policies majorly aided the exponential growth of electric vehicles in India over the years. The government of India is on a mission to build the 32% EV penetration aim in the nation before 2030 in India.

Several State and central electric vehicle policies have been started so far to incentivize the country's electric vehicle manufacturers and buyers. Buyers get subsidies per kilowatt of their electric vehicles, whereas lower interest rates support the manufacturers in India.

The government launched tax incentives to manufacturers and buyers on the price of buying electric vehicles, including reduced tariffs and GST rates in India.

The government is working with various CPOs to build electric vehicle charging stations across India to support the growth of electric vehicles in the nation.

The government is using its purchasing power to drive EV sales through tenders to procure EVs for government use by deploying electric cars and buses in their fleet.

The government is investing in the R&D of electric vehicles in India to support the growth of the EV sector in India under the Make in India scheme.

Budget 2023 for Electric Vehicles

While presenting the Budget 2023, Finance Minister, Nirmala Sitharaman proposed to reduce tariffs on the import of capital products used to produce lithium-ion batteries. This is possible to reduce the cost of Lithium-Ion batteries in India, further lowering the cost of electric vehicles.

RK Singh, Minister of Power announced that the Bureau of Energy Efficiency (BEE) has prepared action plans for the installation of public charging stations in 9 major cities across the country. By 2030, they aim to have a total of 46,397 public charging stations in these cities.

With the continued growth of electric vehicle sales in India and the government's efforts to promote electric vehicles, 2023 is expected to be an even greater year for the country's electric vehicle sector. Governments continue to be pro-EV as consumers become interested in EVs. The electric vehicle sales market in India is sure to continue its growth in the trend.

Summary

Last year in 2022 India surpassed Japan in new auto sales, making it the third-largest market for the first time, Nikkei Asia reported. The rapid growth in electric car sales in India is a positive way for both the automotive sector and the environment.

As Electric vehicles seek out new and exciting ways to hit the road, electric cars are poised to become the vehicle of choice for the eco-conscious and tech-savvy in the country.

With the current growth of electric vehicles in India and the government of India's support, 2023 can be expected to be an even better year for the electric vehicle sector with approximate sales of 20 million EVs this year.

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