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Empowering India's auto industry: charting a path to independence and innovation

India's automotive industry stands at a crossroads, wrestling with the challenge of reducing its dependency on China. The roar of engines, once synonymous with Western dominance, has been steadily replaced by China's industrial might and strategic acumen, which have emerged as a formidable force in the global automotive industry. India, with its burgeoning economic strength, must decide if it can navigate the complexities of the global market independently of China's overshadowing influence.

Navigating dependency and innovation in India's automotive landscape

India's automotive industry is the fourth largest in the world, and in 2023, it became the third-largest automobile market by sales. Despite this impressive standing, the industry is heavily reliant on China for critical components. In 2022-23, China supplied about 30% of India's automotive component imports, including essential electronic components, precision-engineered parts that are necessary for vehicle manufacturing. These imports, driven by affordability and advanced technology, expose the fragility of India's automotive supply chain.

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Amidst these challenges, the healthy competition between Indian and Chinese automakers has expanded consumer options, with showrooms offering everything from sleek sedans to high-tech electric vehicles. Chinese manufacturers, in particular, have pushed the boundaries of technology with features like autonomous driving, super-efficient batteries and cutting-edge infotainment systems, making these innovations more accessible and affordable. However, the heavy reliance on Chinese imports poses significant risks, especially given the risks associated with geopolitical tensions and supply chain disruptions.

To navigate these challenges, experts advocate for India to boost local manufacturing and foster homegrown innovation to achieve self-reliance. Reducing dependency on China is crucial for ensuring long-term sustainability and self-reliance in the industry. By investing in domestic talent, encouraging innovation and building a robust supply chain, India can mitigate risks and pave the way for a more resilient automotive sector. In doing so, India not only strengthens its industry but also secures its position as a formidable player on the global automotive stage, blending growth with self-reliance and innovation with sustainability.



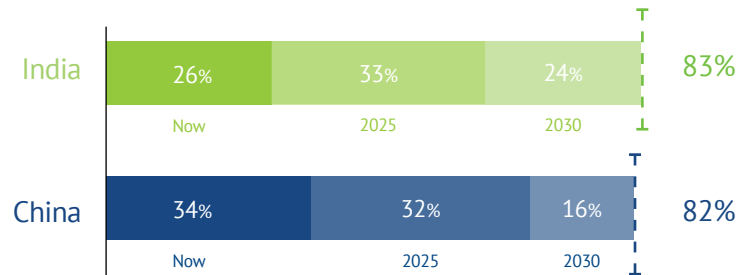
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Addressing EVs, the elephant in the room

Interestingly, a recent survey from Urban Science and The Harris Poll found that 83% of auto buyers in India will be ready to accept New Energy Vehicles (NEV) as the only option when purchasing a car by 2030 and they are willing to pay a premium of up to 49% for an EV above the cost of a comparable petrol/diesel vehicle.¹

India readiness to accept only electric vehicle options when purchasing a car

Among survey respondents, varying timelines emerge:



Opportunity is mounting, but India's EV push faces challenges, especially when compared to China's dominance in the sector. China leads in producing lithium-ion batteries, electric motors and establishing a charging infrastructure – critical components for the seamless functioning of EVs. Without leveraging this expertise, India's EV ambitions might struggle to stay relevant.

The global landscape of EV adoption readiness underscores the critical role of charging infrastructure perceptions in supporting mass adoption and an EV future. Thankfully, auto buyers in India present an optimistic outlook, with 54% agreeing that the current EV charging infrastructure can meet the needs of consumers in the next three years, which is only 3% behind Chinese auto-buyer perceptions.²

Lending to this positive outlook could be the rapid expansion of India's public EV charging network, with a noticeable presence in major cities and emerging in tier-2 cities. There are currently 6,000+ charging stations available in India across major cities and along the highways. This number is expected to increase to 100,000+ by 2027. To meet the ideal ratio of one charger for every 40 electric vehicles, India will need to install over 400,000 charging stations annually, reaching 1.32 million chargers by 2030.³

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The Indian government's ambitious initiatives, such as the Faster Adoption and Manufacturing of Hybrid and Electric Vehicles (FAME) scheme, aims to reduce pollution and dependence on fossil fuels. However, to realize this vision, India must access the advanced technology and production scale that China has mastered. Collaborating with Chinese companies could be pivotal in accelerating the development of India's EV infrastructure, making electric cars more affordable and accessible for everyone.

China's track record with massive EV projects – such as city-wide electric bus fleets and extensive charging networks – provides a valuable blueprint. By learning from China's experiences, India can avoid common pitfalls and fast-track its transition to electric mobility, setting its own pace towards a greener future, supporting the growing demand for electric vehicles.



Charting the course ahead

Reducing dependency on Chinese imports while fostering strategic partnerships requires a multifaceted and nuanced approach. India's journey towards a self-reliant automotive industry involves a blend of enhancing domestic manufacturing, promoting technological collaboration, strengthening policy frameworks and empowering indigenous innovation.

The imperative of foreign direct investment (FDI)

FDI is a key ingredient in India's recipe for becoming a developed economy, and China's role in this process cannot be overstated. With substantial financial resources and strategic investments in technology, infrastructure and manufacturing, China has established itself as a major player on the global stage. For India, attracting Chinese FDI is more than just a boost – it is an excellent opportunity to advance infrastructure, foster technological growth and drive economic development.

Consider the transformative potential of partnerships between Indian and Chinese companies. Such collaborations could lead to the establishment of new manufacturing facilities, innovative research centers and streamlined supply chains across India. These joint ventures are not only about building new assets; they are about exchanging valuable knowledge and skills. This exchange can spark fresh ideas and strengthen India's position in the global automotive industry.

Furthermore, Chinese investment can help bridge critical gaps in areas such as battery production, semiconductor manufacturing and advanced materials. With Chinese financial and technological support, India could accelerate its efforts to develop a self-sufficient and competitive automotive sector. Attracting Chinese FDI could significantly enhance India's ability to compete globally and support the growth of a robust domestic industry.



Enhance domestic manufacturing

Reducing dependency on imports lies in bolstering domestic manufacturing capabilities. This requires investing in research and development (R&D), infrastructure and skill development. Establishing centers of excellence and fostering collaborations between industry and academia can drive innovation and enhance manufacturing capabilities. For example, the government could incentivize local production of high-tech automotive components through grants and tax benefits, encouraging companies to invest in state-of-the-art facilities and technologies.



Promote technological collaboration

Forming strategic alliances with global leaders, including China, is essential for accessing advanced technologies and fostering innovation. These partnerships can significantly boost product competitiveness and accelerate the adoption of emerging technologies. For instance, collaborations on joint research projects in EV technology and autonomous driving can bring cutting-edge innovations to the Indian market.



Strengthening policy frameworks

Implementing supportive policies, incentives and regulatory reforms is crucial for creating a favorable business environment that attracts FDI and encourages local production. Policies such as simplified tax regulations, streamlined approval processes for foreign investments and protective measures for intellectual property rights can make India an attractive destination for global investors. Strengthening these policy frameworks can help India build a competitive automotive sector that thrives on both local and international contributions.



Empower homegrown innovation

Nurturing a robust ecosystem of startups, research institutions and industry-academia collaborations is vital for driving indigenous innovation. In emerging fields like electric and autonomous vehicles, technological leadership is key. Government initiatives such as the Startup India program and innovation hubs can provide the necessary support and funding for startups developing groundbreaking automotive technologies. By nurturing this ecosystem, India can cultivate homegrown innovations and establish itself as a leader in the global automotive industry.

Key takeaways

The question of whether the Indian automotive industry can thrive without China underscores broader imperatives of economic resilience, technological advancement and global competitiveness. While reducing dependency on Chinese imports is essential, strategic collaboration and leveraging China's strengths can propel India towards a resilient and competitive automotive industry.

By promoting healthy competition, providing consumer variety, embracing EV technology, attracting FDI and strategically collaborating with global players, India can build a robust, self-reliant automotive sector. This journey requires foresight, innovation and decisive policy actions to navigate the complexities of a globalized economy and position India as a leader in the automotive industry.

In conclusion, the path to self-reliance is not about severing ties but about strategically managing dependencies, fostering collaborations and investing in domestic capabilities. With the right approach, India can transform its automotive industry into a global powerhouse, capable of competing at the highest levels while maintaining beneficial relationships with international partners, such as China.

Science as a solution

Urban Science was founded over four decades ago, and our proven, scientific approach to automotive retailing has continued to improve and evolve. It's an approach that stays ahead of the curve and continues to set the technological standard for the industry as it evolves.

We can help empower the Indian automotive industry by delivering data-driven insights on market trends, EV adoption, and consumer behavior, enabling strategic decisions that drive success. By optimizing dealership networks to align with local demands and understanding consumer preferences, our data-driven methodologies collectively support and stay ahead of the rapidly evolving landscape by enabling informed, strategic decisions that drive long-term efficiency and growth in the competitive Indian market.

If you'd like to talk to someone at Urban Science about how we can help you achieve your goals across the global automotive market, contact us. Let us show you how we can help you optimize your sales network.

For more information on automotive trends:

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^{1,2}Source: Urban Science Online Consumer and Dealer Studies, February 2024. These surveys were conducted by The Harris Poll on behalf of Urban Science among 3,005 U.S., 1,006 Australia, 1,000 China, 1,002 Germany, 1,000 India, 1,009 Mexico, and 1,006 UK adults aged 18+.

³ <https://www.evpedia.co.in/electric-vehicle-public-charging>