NITI Aayog

NITI Aayog launches a Report on “Automotive Industry: Powering India’s Participation in Global Value Chains”

Factory Floors to Global Headlines — India’s Auto Industry to shift gears and make a mark on the Global Value Chain

India’s Automotive ambition: USD 145 Billion auto component production by 2030

GVC share from 3% to 8% by 2030 — India’s Auto Sector is in the Fast Lane

Focus on competitive manufacturing, infrastructure development, R&D and Skilling to make India global manufacturing hub

Posted On: 11 APR 2025 5:14PM by PIB Delhi

NITI Aayog has released an insightful report titled *"Automotive Industry: Powering India’s Participation in Global Value Chains"*. The report was launched by Shri Suman Bery, Vice Chairman, NITI Aayog in presence of Dr. V.K. Saraswat, Member, NITI Aayog, Dr. Arvind Virmani, Member, NITI Aayog and Shri BVR Subrahmanyam, CEO, NITI Aayog. This report offers an extensive analysis of India’s automotive sector, highlighting both opportunities and challenges, and outlining a pathway for positioning India as a key player in global automotive markets.

Global and Indian Automotive Landscape

In 2023, global automobile production reached approximately 94 million units. The global automotive components market was valued at USD 2 trillion, with the export share reaching approximately USD 700 billion. India has emerged as the fourth-largest global producer after China, USA and Japan, with an annual production of nearly 6 million vehicles. The Indian automotive sector has gained a strong domestic and export market presence, particularly in the small car and utility vehicle segments. Supported by initiatives like 'Make in India' and its cost-competitive workforce, India is positioning itself as a hub for automotive manufacturing and exports.

Emerging Trends in the Automotive Sector

The automotive industry is undergoing a transformative shift towards electric vehicles (EVs), driven by rising consumer demand for sustainable mobility, regulatory pressures to reduce carbon emissions, and advancements in battery technology. EV sales have surged globally, reshaping the automotive manufacturing landscape.

Battery manufacturing hubs are emerging in regions like Europe and the U.S., spurring investments in industries related to lithium and cobalt mining, essential for EV production. These developments are altering traditional supply chains and creating new opportunities for collaboration and competition.

In parallel, the rise of Industry 4.0 is transforming automotive manufacturing. Technologies such as Artificial Intelligence (AI), Machine Learning (ML), Internet of Things (IoT), and robotics are enhancing production processes, improving productivity, reducing costs, and enabling greater flexibility. These digital advancements are not only optimizing manufacturing but also fostering new business models centered around smart factories and connected vehicles.

Challenges Facing India's Automotive Sector

Despite being the fourth-largest automobile producer globally, India has a modest share (around 3%) in the global automotive component trade, which amounts to approximately $20 billion. The bulk of global trade in automotive components is driven by engine components, drive transmission, and steering systems, but India’s share in these high-precision segments remains low at just 2-4%. India’s automotive sector faces challenges on account of operational cost, infrastructural gaps, moderate GVC integration, inadequate R&D expenditure etc. that hinder its competitiveness in the global value chain (GVC).

Proposed Interventions for Growth

NITI Aayog’s report outlines several strategic fiscal and non-fiscal interventions aimed at enhancing India’s global competitiveness in the automotive sector. The interventions are structured across four categories of automotive components based on their complexity and manufacturing maturity i.e. **Emerging & Complex, Conventional & Complex, Conventional & Simple and Emerging & Simple.**

Fiscal Interventions

1. **Operational Expenditure (Opex) Support**: To scale up manufacturing capabilities, with a focus on capital expenditure (Capex) for tooling, dies, and infrastructure.
2. **Skill Development**: Initiatives to build a talent pipeline critical for sustaining growth.
3. **R&D, Government facilitated IP transfer and Branding**: Providing incentives for research, development, international branding to improve product differentiation and empowering MSMEs through IP transfers.
4. **Cluster Development**: Fostering collaboration between firms through common facilities such as R&D and testing centers to strengthen the supply chain.

Non-Fiscal Interventions

1. **Industry 4.0 Adoption**: Encouraging the integration of digital technologies and enhanced manufacturing standards to improve efficiency.

2. **International Collaboration**: Promoting joint ventures (JVs), foreign collaborations, and free trade agreements (FTAs) to expand global market access.
3. **Ease of Doing Business**: Simplifying regulatory processes, worker hour flexibility, supplier discovery & development and improving business conditions for automotive firms.

Vision for 2030

NITI Aayog's vision for India's automotive sector by 2030 is ambitious yet achievable. The report envisions the country's automotive component production growing to $145 billion, with exports tripling from $20 billion to $60 billion. This growth would lead to a trade surplus of approximately $25 billion and a significant increase in India's share of the global automotive value chain, from 3% to 8%.

Additionally, this growth is expected to generate 2-2.5 million new employment opportunities, bringing the total direct employment in the sector to 3-4 million

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Conclusion

India has significant potential to become a global leader in the automotive industry. Achieving this goal requires focused efforts from the central and state governments, as well as industry stakeholders. By addressing the existing challenges and leveraging the proposed interventions, India can enhance its competitiveness, attract investments, and build a robust automotive sector capable of leading the global value chain.

The report can be accessed at this link: https://www.niti.gov.in/sites/default/files/2025-04/Automotive-Industry-Powering-India-participation-in-GVC_Non-Confidential.pdf

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