



GOVERNMENT OF GUJARAT

# Manufacturing unit for Automobiles (Passenger Car/ Two Wheeler/ Three Wheeler/ Commercial Vehicle)

## Automobile & Auto components

Government of Gujarat



*ibrant*  
**GUJARAT**

10-13 Jan  
**2017**

Connecting India to the World | **8<sup>th</sup> Global Summit**

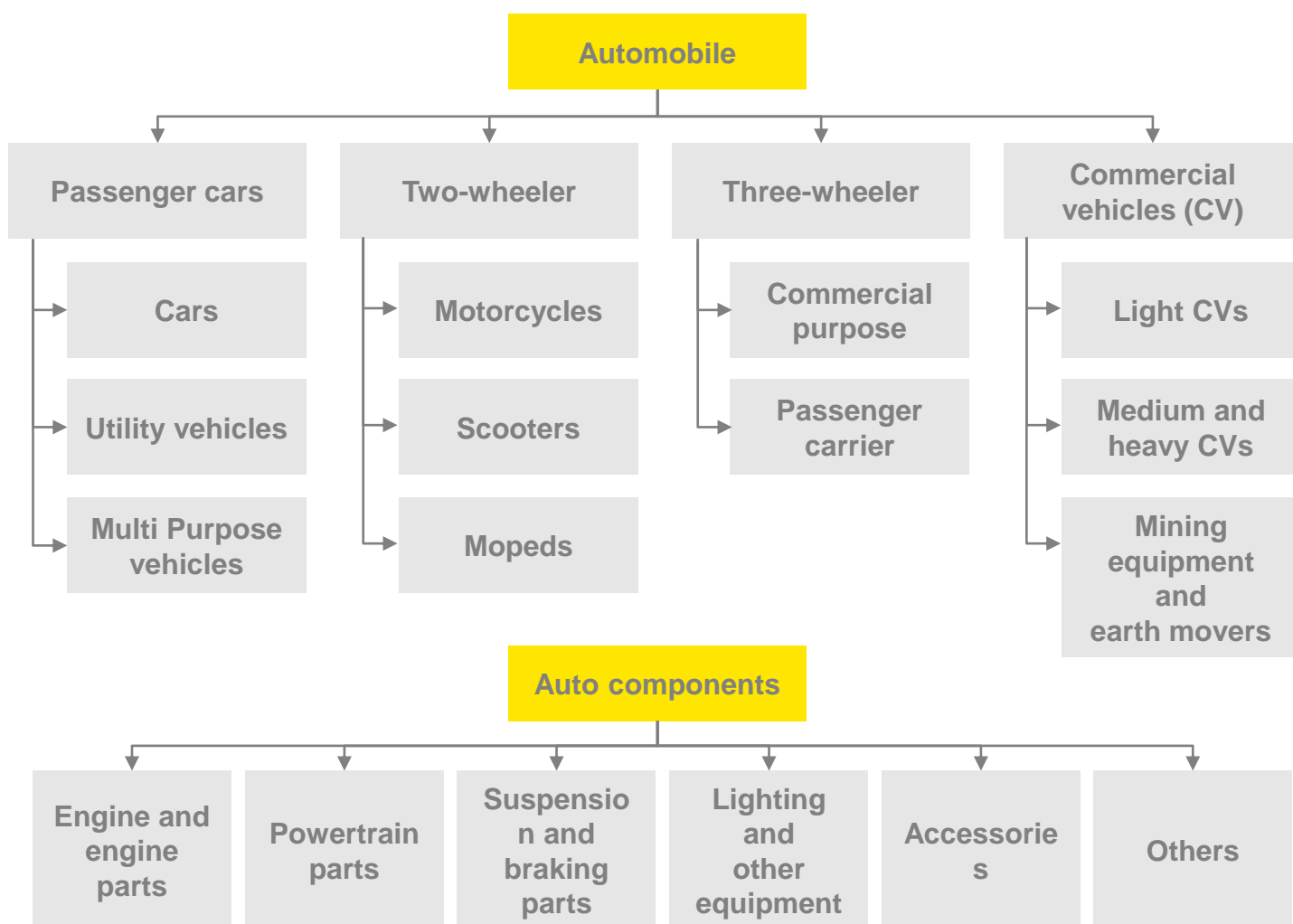
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## Indian Auto Industry Overview

Auto and auto components industry in India is growing and maturing at a fast pace in terms of size, model variants and technological advancements in new cars. Some of the factors attributable to this growth include a buoyant end-user market, improved consumer sentiment and return of adequate liquidity in the financial system.

The Indian auto-components industry can be classified into - organised and unorganised sectors. The organised sector caters to the Original Equipment Manufacturers (OEMs) and consists of high-value precision instruments, while the unorganised sector comprises low-valued products and caters mostly to the aftermarket category.

## Indian Auto and Auto Components Industry Classification



Sources:  
<http://www.ibef.org/industry/autocomponents-india.aspx>

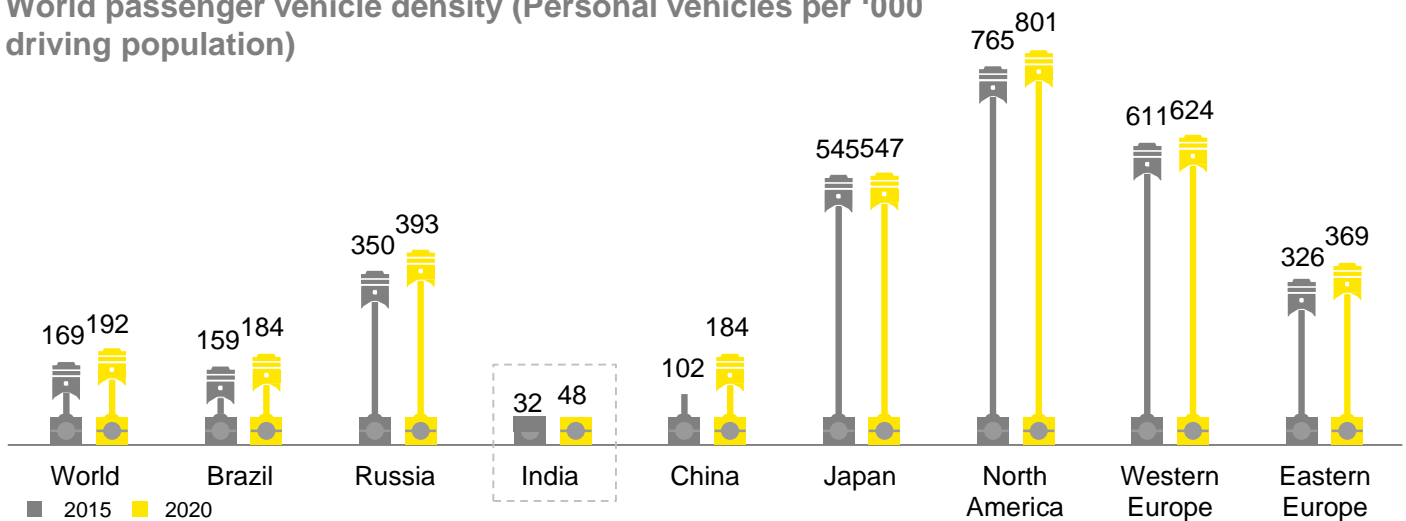
## Global Market Overview

### Passenger vehicle density expected to become 1.5 times by 2020:

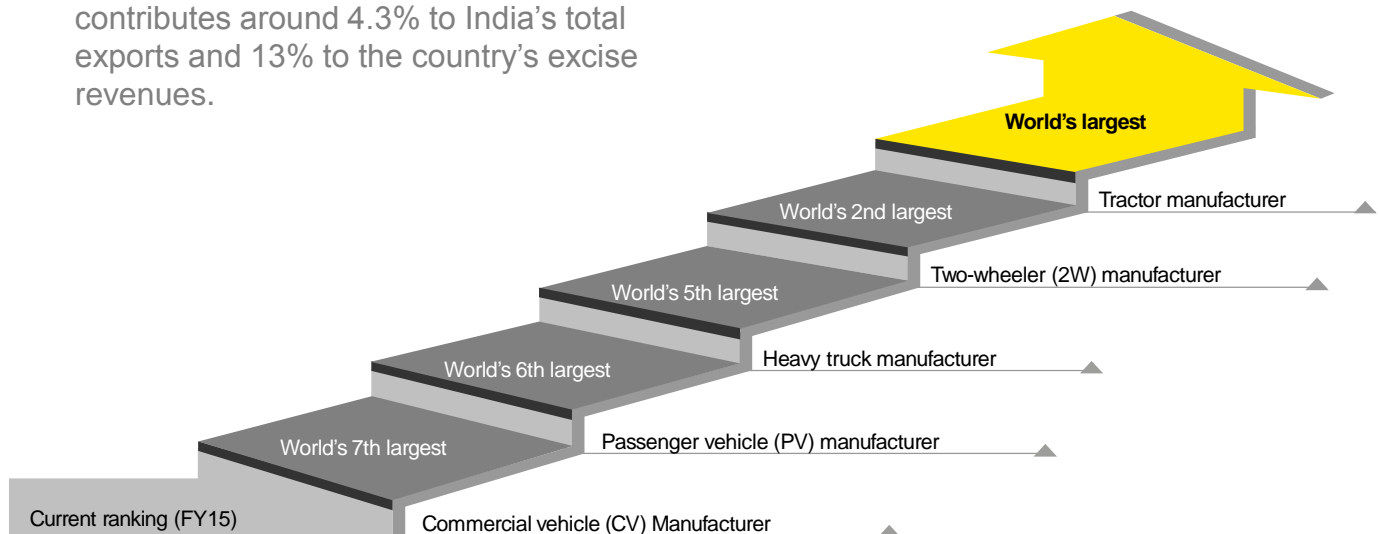
India has the largest population of young people in the world, with around 66% of population under the age of 35. The country's low vehicle penetration (32 vehicles per 1000 people in 2015) makes it one of the world's most attractive

auto markets. Owing to its unique demographic dividend, the Indian auto industry has immense growth potential. India's passenger vehicle parc of around 29 million during 2015 is expected to grow to more than 48 million vehicles by 2020.

### World passenger vehicle density (Personal vehicles per '000 driving population)



- ▶ India has emerged as an important automotive market and offers huge growth potential due to low vehicle penetration and improving economic fundamentals
- ▶ The auto sector is one of the most important contributors to GDP and employment in India, with huge potential for growth. The sector accounts for 7% of India's GDP, 45% of manufacturing GDP and employs about 19 million people both directly and indirectly. Further, the sector contributes around 4.3% to India's total exports and 13% to the country's excise revenues.
- ▶ Over the years, the Indian auto industry has emerged as one of the world's largest, with annual sales of 19.8 million vehicles in FY15. It is also one of the fastest growing auto markets, with production of 23.4 million vehicles in FY15 and a leading position in several sub-segments.



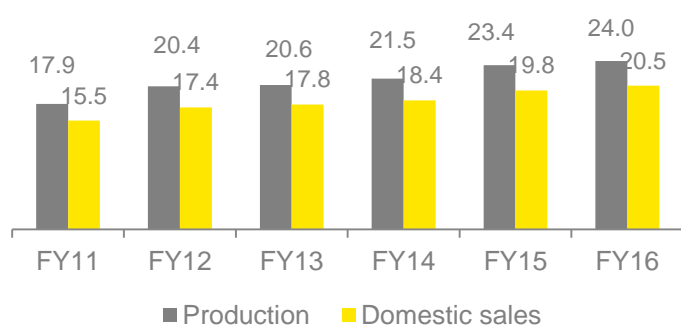
Sources: Automotive Mission Plan 2016–26 (AMP 2016–26), LMC Automotive, EY analysis

## Indian Auto Industry overview

The auto sector is one of the India's major sectors, accounting for around 7.1% of the country's GDP, 45% of the country's manufacturing GDP, 8% of the country's R&D expenditure and employs about 19 million people both directly and indirectly. Further, the sector contributes around 4.3 % to India's total exports and 13 % to the country's excise revenues. India was the world's 6<sup>th</sup> largest motor vehicle/car manufacturer (2015) and the world's 2<sup>nd</sup> largest two-wheeler manufacturer.

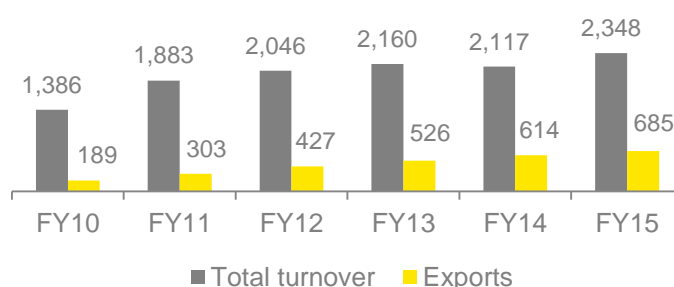
## India Auto Industry trends

Indian automobile industry (million units)



Over the years, the Indian automobile industry has emerged as one of the world's largest, with annual sales of 20.5 million vehicles in FY16. It is also one of the fastest growing auto markets, with production of 24.0 million vehicles in FY16 and a leading position in several sub-segments.

Indian auto component industry (INR million)



The Indian auto component industry comprises around 700 organized players and a few thousand unorganized players, with its size estimated at INR2.3 trillion in FY15. The industry grew at 11% in FY15 due to recovery in domestic demand and exports.

## India Auto Industry outlook

India's passenger vehicle market is expected to hit 10 million units by 2020 and its share in the global passenger vehicle market is expected to increase from 2.4% in 2014-15 to 8% in 2020. Overall, the Indian automobile market is expected to become the world's 3<sup>rd</sup> largest by 2020.

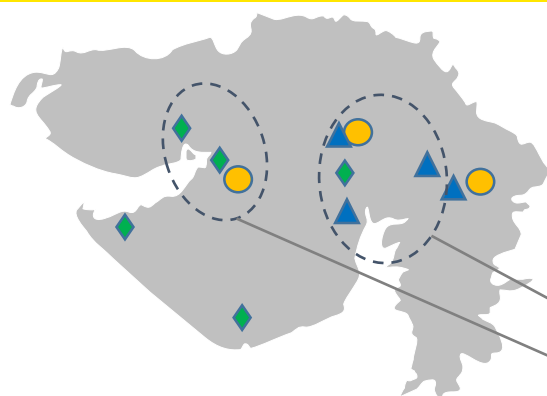
## Employment and Skill Development in Auto Industry

With the rising industry growth, the Indian automotive industry is likely to witness an increased demand for skilled labour in the coming years, as the economic environment improves and investments are made as part of the "Make in India" initiative. The automotive sector is expected to create 15 million direct jobs by 2022 across the country.

## Auto industry in Gujarat

- ▶ Gujarat is emerging as a key investment destination for the major auto players. The state is set to become the country's automotive hub within the next few years.
- ▶ Gujarat government plans to increase the share of automotive industries in its overall engineering output to 10% by 2020, from the current 3.7%.
- ▶ Gujarat expects to surpass the production capacity of top car manufacturing states like Haryana, Maharashtra and Tamil Nadu, with an installed capacity to roll out 10 lakh units annually within the next 3-4 years.
- ▶ Incremental manpower requirement in Gujarat for the manufacturing of engineering goods is expected to be 53,580 during 2017-22.

## Gujarat Auto Cluster



Particular	Symbol
Existing Auto Clusters	●
Emerging Auto Clusters in SIRs by 2015	▲
Emerging Auto Clusters in SIRs by 2020	◆

Special Investment Region (SIR)

Large auto clusters being developed near Rajkot and Ahmedabad

**500+ auto component**

manufacturers in the Raikot district

**4–6 emerging**

Auto clusters will be developed near Ahmedabad

**2–3 emerging**

Auto clusters will be developed near Rajkot

### Planned investments (as on January 2015)

Company	Investment (INR billion)	Location
Maruti Suzuki	40	Ahmedabad
Hero MotoCorp.	11	Halol
Honda Motorcycle and Scooter India (HMSI)	10	Mandal

### Key existing facilities

Company	Investment (INR billion)	Location
General Motors India	~20	Halol
Tata Motors	~30	Sanand
Ford	~60	Vadodara

#### Sources:

<http://www.siamindia.com/cpage.aspx?mpgid=16&pgid1=17&pgidtrail=76>

[http://www.acma.in/docmgr/ACMA\\_Presentation/ACMA\\_Presentation.pdf](http://www.acma.in/docmgr/ACMA_Presentation/ACMA_Presentation.pdf)

[http://www.ey.com/Publication/vwLUAssets/EY-making-india-a-world-class-automotive-manufacturing-hub-1/\\$FILE/EY-making-india-a-world-class-automotive-manufacturing-hub.pdf](http://www.ey.com/Publication/vwLUAssets/EY-making-india-a-world-class-automotive-manufacturing-hub-1/$FILE/EY-making-india-a-world-class-automotive-manufacturing-hub.pdf)

<http://www.ey.com/IN/en/Industries/Automotive/Mega-trends-shaping-the-Indian-passenger-vehicle-industry>

1

## Growth in automobile sales

In India, the passenger vehicles are expected to increase at a CAGR of 18%, two- and three-wheelers at a CAGR of 8% and commercial vehicles at a CAGR of 19%, during 2014-2021. It is estimated that total electric vehicles sales would amount to 6-7 Million units by 2020.

2

## Favourable government policies

Gol has launched several policies to support the growth of the auto industry such as Automotive Mission Plan (AMP) 2016–26, the constitution of NATRiP, National Mission for Electric Mobility 2020, etc. The AMP envisages four-fold growth by FY26., with the Indian auto sector generating up to INR 19.2 trillion in annual revenue by 2026, creating around 65 million additional jobs and contributing to more than 12% to India's GDP.

3

## India emerging as a global R&D hub

Currently, there are 30 private automotive R&D centres in India. Other private players, such as Hyundai, Suzuki, GM, are also keen to set up R&D base in India due to a strong education base and comparative cost advantages.

4

## Setting up of new engineering/ auto facilities in Gujarat

Gujarat government is planning to set up three clusters for precision engineering companies at Sanand, Halol and Hansalpur. In addition, Suzuki is setting up a manufacturing facility near Becharaji, with an investment of INR 18500 Crore. The company expects to generate direct employment for over 2,000 people while the ancillary units in the vicinity and a supplier park will generate additional employment.

5

## Focus on skill development in engineering clusters

At present there are more than 15 engineering clusters and new ones are emerging at Sanand-Viramgam, Mandal-Becharaji, Halol-Savli, Anjar and Santhalpur. With these, there is considerable focus on manpower and skill-set development – there are 54 engineering, 106 diploma colleges with over 82,000 seats and 253 ITI institutes. The state has also initiated a model of skill formation training with industries.

Exchange rate used: USD/INR: 64.0240 (2015 calendar year average)

Source

<http://timesofindia.indiatimes.com/business/india-business/Parent-Suzuki-not-Maruti-will-build-Gujarat-plant/articleshow/50226852.cms>

# Gujarat - Competitive Advantage



## Skill development and training in auto sector is a focus area for Gujarat Government

Gujarat is a hub of engineering industry, with the manufacturing and engineering sector in Gujarat contributing over 27% to the state's GSDP and contributing 9% overall to the national engineering output.

**Manufacturing and engineering sector growth**

**Government focus to develop CoEs**

Industrial automation COE in Mehsana. Government of Gujarat has decided to set up an international Centre of Excellence at PDPU to strengthen R&D and skill development in automobile sector in joint venture with Maruti Suzuki India Ltd. (MSIL).

The Gujarat government has recently passed the Labour Laws Bill (December 2015), to give an impetus to industrialization in the State.

**Favorable labor policy**

**Well-developed skill development industry**

Skill development industry in the state is well-developed – with many technical institutions (678 engineering institutes) and training institutes (11,167 vocational training institutes).

In addition to the national level incentives, the Gujarat government is providing financial incentive for setting up of CoEs for the manufacturing sector.

**Financial incentives**

**Better social infrastructure**

Gujarat has one of the lowest cost of living amongst all the States and is relatively less congested and polluted offering better standards of living to the inhabitants.

### Sources:

<http://www.narendramodi.in/maruti-to-invest-rs-4000-crore-at-bechraji-agreement-signed-with-gujarat-govt-4536>

<http://www.thehindu.com/news/national/gujarats-controversial-labour-laws-bill-gets-presidential-assent/article7938265.ece>

<http://www.vibrantgujarat.com/writereaddata/images/pdf/Skill-Ecosystem-Updated.pdf>

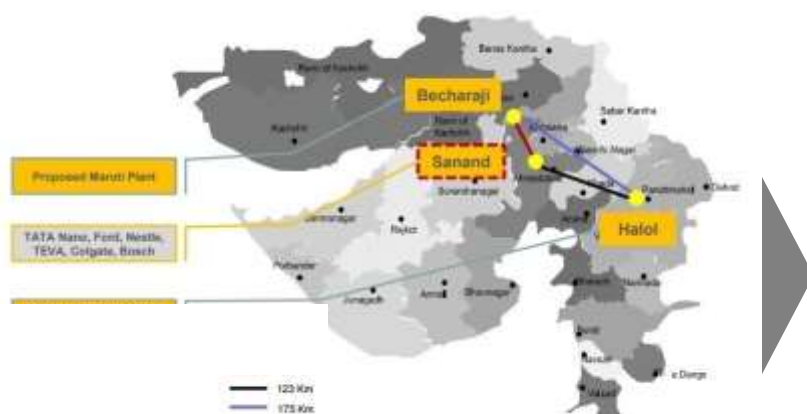
[http://www.business-standard.com/article/economy-policy/gujarat-govt-plans-incentive-scheme-to-boost-manufacturing-sector-113022500549\\_1.html](http://www.business-standard.com/article/economy-policy/gujarat-govt-plans-incentive-scheme-to-boost-manufacturing-sector-113022500549_1.html)



## Project at a Glance

<b>Project Name</b>	Automobile manufacturing (OEM)
<b>Location</b>	Sanand, Gujarat
<b>Area of the Estate</b>	2000 ha
<b>Focus Sector</b>	Engineering, Automobiles and ancillary units, Engineering plastics, Semiconductors, Electronics
<b>Target Audience</b>	Tata, Ford, Bosch, Valeo, JBM, Visteon, Magna,

## Project site – Sanand (Gujarat)



**13.5** KL water/ha area

**12+** auto ancillary units to be setup

**300** vendors expected to setup

- ▶ Sanand, Gujarat is an indicative location for establishment of automobile manufacturing unit. Alternatively, the proposed unit can be set up in other suitable locations in Gujarat.
- ▶ 66 KV Vendor Park and 66 KV Chharodi substations are located approx. 4 km away from the boundary of the estate
- ▶ A 400/220/66KV substation is planned within the Sanand Estate to be operational in around 6-9 months.
- ▶ For solid waste – two disposal facilities are available, Naroda & Vatva. The company has to transport their solid waste to these sites themselves. The sites are around 50 km from Sanand
- ▶ Gujarat State Petronet Ltd. would supply gas in the estate till the door step
- ▶ Port Connectivity is available with three ports – Kandla, Mundra & Pipavav
- ▶ Sanand has the advantage of a Broad Gauge (BG) railway network and NH–8A which connects Ahmedabad to Saurashtra and Kutch passes through Sanand
- ▶ Ahmedabad International Airport is the nearest airport located at a distance of 45 kms from Sanand

### Sources:

<http://www.nsdccindia.org/sites/default/files/files/gujarat-sg-report.pdf>

<http://www.livemint.com/Industry/xjCUCbnVyv81PDhJUTfNaN/Sanand-rises-as-auto-hub-even-as-it-battles-skilled-labour-s.html>

[http://www.gidc.gov.in/pdf/gidc\\_sanand\\_industrial\\_estate\\_latest.pdf](http://www.gidc.gov.in/pdf/gidc_sanand_industrial_estate_latest.pdf)

## Sanand is well-connected with other districts in Gujarat as well as other cities in India



- ▶ Sanand has the advantage of a Broad Gauge railway network
- ▶ The nearest railway station is at Ahmedabad at a distance of 40 km from the Sanand.



- ▶ National Highways: NH-8A, which connects Ahmedabad to Saurashtra and Kutch, passes through Sanand.
- ▶ State Highways: SH-17 connects Ahmedabad to Sanand and joins NH – 8A leading to Kutch. SH-144, SH-135 and SH – 74 are the other important linkages within Sanand.



- ▶ Port Connectivity is available with three ports – Kandla, Mundra & Pipavav.
- ▶ Mundra port is linked by NH – 8A and lies at a distance of about 400 kms from Sanand.



- ▶ Ahmedabad International Airport is the nearest airport located at a distance of 45 kms from Sanand .
- ▶ There are 14 domestic airports in Gujarat .

## The State Government ensures robust physical/industrial infrastructure & utility linkages



- ▶ Gujarat boasts of 24 hour – 3 - phase uninterrupted power supply



- ▶ Gujarat has a state-wide “water supply grid” spread across 1,20,769 km that aims to serve 75% of Gujarat’s population.
- ▶ Gujarat Industrial Development Corporation (GIDC) is responsible for ensuring consistent water supply in industrial areas



- ▶ Two disposal facilities are available, Naroda & Vatva, are available for solid waste. The sites are around 50 km form Sanand

### Sources:

<http://www.mapsofindia.com/maps/gujarat/districts/mehsana.htm>  
<http://www.nsdcindia.org/sites/default/files/files/gujarat-sg-report.pdf>

## The major plant and machinery / equipment required to manufacture auto components include

Turning, drilling machines	Auto Engine GDI Pump Assembly and Test Line
Broaching machines	Automated Oil Pump Assembly   Line Integration
Tooth rounding & chamfering machines	Automated Power Steering System Assembly Line
Gearing machines – Hobbing, shaping, etc.	Alternators Assembly Line
Milling machines	Door Hinge and Latch Assembly Line
Shot blasting machine, grinders, etc.	P/Valve Torsion Bar Cutting
Cutter re-sharpening machines	Roll Transferring System
Various jigs, fixtures, etc	Auto Loader System
Automotive Chassis & Body Manufacturing Systems	Gantry Loader System
Muffler Manufacturing Machines	

## Key Players

Occupier	Area (Acres)	Location	Land value (INR per sq ft)	Monthly rental (INR per sq ft)	12 month outlook
Tata Motors	1,250	Sanand	200–550	18–30	Marginally increase
Ford Motors	450	Sanand	200–550	18–30	Marginally increase
Gardner Denver	4.8	Changodar	350–700	18–28	Marginally increase
Alstom Bharat Forge	60	Sanand	200–550	18–30	Marginally increase
Maruti Suzuki	500	Mehsana	350–700	14–22	Stable

**Sources:**

Manufacturing Destinations of India: A Real Estate Overview, JLL 2014

<http://www.uskoreahotlink.com/uploads/Factory-Automated-Assembly-Lines-for-Automotive-Parts-Brochure.pdf>

## Estimated Project Cost and Means of Finance\*

- ▶ **Project cost:** The estimated project cost is INR 40 billion (including land). This is basis the two manufacturing units built in Sanand by Ford motors. The major expense area would be the investment in plant and machinery.
- ▶ **Means of finance:** Majority of the funds are expected to be contributed by the private players.
- ▶ **Major Infrastructure:** The major infrastructure required for the proposed project is:
  - Area – About Spread over a total of 460 acres comprising Stamping, Vehicle Operations, Engine Plant, Service Parts Production
  - Installed capacity – 240,000 vehicles and 270,000 engines per annum

S. No	Cost parameters	Cost (INR million)
1	Land in Acre	460
2	Average land price in Sanand** per sq feet as per JLL	375
3	Total land cost (INR million) (Area X average land price)	7520
4	<b>Total investment including land (INR millino)</b>	<b>40000</b>
5	Investments on plant, machinery, building, civil work etc (Total investment – excluding land cost)	32490
6	Shift operation	Single Shift operation
7	Employees	2,500

- ▶ Through cost-cutting measures such as renegotiation of union and supplier contracts, the "breakeven point" for the domestic automotive industry will decrease by more than 2 million units. However, inadequate availability of railway logistics, basic utilities, and the lack of clarity or changes in the tax regime have delayed the break-even period for some OEMs.
  - In addition, power shortages have also adversely impacted the cost of operations, especially for energy-intensive operations such as die-casting, forging etc.

\*\* Assuming the land is purchased, not rented (in Sanand)

\*The time required for getting various government clearances is about 3 – 4 months. The proposed project would have implementation period of about 8 – 10 months.

#### Sources:

<http://www.india.ford.com/servlet/BlobServer/GeneralNews.pdf?blobtable=DFYBlob&blobheader=application%2Fpdf&blobwhere=1248918698245&blobcol=urloblob&blobkey=id>  
[http://www.business-standard.com/article/companies/maruti-siemens-l-t-to-help-set-up-CoEs-in-gujarat-113091100937\\_1.html](http://www.business-standard.com/article/companies/maruti-siemens-l-t-to-help-set-up-CoEs-in-gujarat-113091100937_1.html)  
<http://www.india.ford.com/about/corporate/sanand-plant>  
<http://www.dnaindia.com/money/report-make-in-india-review-foreign-carmakers-increasingly-source-auto-components-from-india-we-continue-to-be-net-importers-2130875>

# Approvals and Incentives



## Gujarat Industrial Policy 2015

Government of Gujarat has announced an ambitious Industrial Policy, in January 2015, with the objective of creating a healthy and conducive climate for conducting business and augmenting the industrial development of the state.

### Quantum of incentives

The incentives under this policy will be available to all the Talukas listed in Government Resolution dated 25/7/2016 except municipal corporation areas.

Category of Project Location (Taluka)	% of eligible fixed capital investment entitled for Incentive	% of Net VAT reimbursement to the unit	% of Net VAT to be paid to Government	Incentive period (no. of years)
1	100	90	10	10
2	80	80	20	10
3	70	70	30	10

### Net VAT incentives

Net VAT incentive will be reimbursed to the industrial undertaking in one financial year will not exceed one-tenth of the total amount of eligible incentive.

Classification of the Project	Amount (in INR crore)
Ultra Mega Industrial Unit	500
Mega Industrial Unit	400
Large Industrial Unit	150
Micro, Small or Medium Industrial Unit	50

**Industries in the Automobile Sector can opt for either the general incentives under the Gujarat Industrial Policy- 2015 or the incentives under the scheme for Mega / Innovative Project as provided below:**

Mega projects have been defined under the policy as having an actual investment of atleast INR 1000 crores and projects which provide employment to atleast 2000 persons (both of these conditions must be met in order to be deemed a mega project. The assistance to such projects under the scheme are:

- ❖ Financial assistance to the Mega/Innovative Projects will be decided on merit on a case to case basis
- ❖ The State Government may make special dispensation for the land use and tenure conversion for Mega / Innovative Projects.
- ❖ If the Mega/Innovative require support of ancillary units and if such support is to be extended by MSME units, GIDC would identify land for setting up of such MSME ancillary units
- ❖ GIDC would assist, if required, in identifying land for setting up of Mega/Innovative Projects as their anchor clients

# Approvals and Incentives



## Indicative List of Approvals

Approvals/clearance required	Department to be approached and consulted
Incorporation of company	Registrar of companies
Registration/Industrial license	Secretariat if industrial assistance (SIA) for large and medium scale industries
Allotment of land	State industrial development corporation
No objection certificate (NOC) under air and water pollution control acts	State pollution control board
Approval of construction and country planning	<ul style="list-style-type: none"> <li>▶ Town and country planning</li> <li>▶ Municipal and local authorities</li> <li>▶ Chief inspector of factories</li> <li>▶ Pollution control board</li> <li>▶ Electricity board</li> </ul>
Use and storage of explosives	Chief controller of explosives
Finance	For loans higher than INR 1.5 crore, all India financial institutions like Industrial Development Bank of India (IDBI), Industrial Credit and Investment Corporation of India (ICICI), Industrial Finance Corporation of India (IFCI) etc.
Registration under state sales tax act and Central and State excise act	<ul style="list-style-type: none"> <li>▶ Sales tax department</li> <li>▶ Central and state excise department</li> </ul>
Code number for export and import	Regional office of director general of foreign trade
Environmental clearance	Ministry of environment, forest and climate change after conducting environment impact assessment (EIA) for any project
Facilitation for setting up project	Industries Commissioner will facilitate for state clearances required to set up project.
Exiting business	Ministry of corporate affairs

GoG has introduced single window facilitation portal for investors with undermentioned benefits:

- ▶ Centralized system to monitor applications
- ▶ User friendly and simplified application process for investors
- ▶ System for authorities and investors to check the status of applications
- ▶ Increased departmental ownership
- ▶ **The unit shall be facilitated through 'Investor Facilitation Portal' for obtaining all the necessary state approvals/ clearances - <https://www.ifpgujarat.gov.in>**

# Approvals and Incentives



## The Government of India is providing multiple financial incentives for skill development

The Ministry of Skill Development & Entrepreneurship, through its various agencies and programs, provides various incentives for corporates that setup Corporate Skill Excellence Centres as part of their core business or CSR activities.

Agency name	Incentive
National Skill Development Fund (NSDF)	Government of India (GoI) has committed over INR2,500 crore in investment through NSDC in promoting PPP models.
National Skill Development Agency (NSDA)	Under <b>Section 35 CCD of the Income Tax Act</b> a company can avail benefits of weighted tax deductions of 150% of the expenses (other than land or building) incurred on skill development projects.
National Skill Development Corporation (NSDC), Sector Skill Council (SSC) and/or Assessment Agency approved by NSDC/SSC	Application of <b>Service Tax Exemption</b> <ul style="list-style-type: none"><li>• Vocational education/training/skill development courses offered by any institution setup by the Government of India, State Government or any local authority</li><li>• Any service provided by NSDC Training Partner, SSC, Assessment agency approved by NSDC/SSC</li></ul>

#### Sources:

<http://www.nsdcindia.org/csec/wp-content/uploads/2016/01/CSEC-Brochure.pdf>

<http://electronicsb2b.eftyimes.com/gujarat-governments-five-incentive-schemes-for-manufacturing-sector/>

## Industries & Mines Department

[www.imd-gujarat.gov.in](http://www.imd-gujarat.gov.in)

## Gujarat Industrial Development Corporation

[www.gidc.gov.in](http://www.gidc.gov.in)

## Office of Industries Commissioner

[www.ic.gujarat.gov.in](http://www.ic.gujarat.gov.in)

## Industrial Extension Bureau

[www.indextb.com](http://www.indextb.com)

*This project profile is based on preliminary study to facilitate prospective entrepreneurs to assess a prima facie scope. It is, however, advisable to get a detailed feasibility study prepared before taking a final investment decision.*

For further details:

**INDEXTb**  
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