



BUDGET 2021-22:
IMPACT TO
AUTOMOTIVE
INDUSTRY

INTRODUCTION

Union Budget 2021 is very crucial and important in many ways. It is the first budget of the decade and also very crucial as it comes after an unprecedented pandemic. It is also the milestone for crossing to and defining the new era. The expectation from Union Budget speech was very high, especially as Finance Minister Nirmala Sitharaman had promised to deliver a “first of its kind” and historic budget. The biggest pain point of the economy is the lack of liquidity and demand. The budget had to address these issues to give maximum liquidity at the hands of the people to boost demand. The impact of the weak demand and the shrinking market became evident after the Economic Survey said that the country will experience a current account surplus for the first time after 17 years.

The automotive industry is placed at the centre of the country’s economic activities. It suffered massive sluggishness in the past three years after the introduction of GST, the new safety norms, insurance regulations, axle and emission norms. These led to a massive increase in acquisition cost. The industry was sanguinely waiting for direct announcements to reduce acquisition cost and improve consumer sentiment by providing buyers with more liquid cash.

NATRAX Indore, a Unit of NATRIP Implementation Society for Automotive Testing and R&D under Department of Heavy Industries, Govt of India, welcomed the budget for financial year 2021-22, presented by Hon’ble Finance Minister on the floor of Parliament. The budget is fully growth oriented and covers all the aspects of our overall growth with the commitment of “ATMA NIRBHAR BHARAT” to achieve the vision of our Hon’ble Prime Minister to enhance the Indian economy size of \$ 5 trillion. NATRAX being a service provider to Indian Auto Industry, will contribute substantially to achieve the vision of Govt. of India in auto sector mainly in the following aspects:

1. Automobile sector gets boost in public transportation enhancing safety requirements across the massive road infrastructure coming up as per budget.

- Road fatalities are posing a huge concern across the globe, especially for a country like India that has earned an infamous reputation for registering a significant number of road fatalities.
- Over the years, efforts have been taken up to mitigate the number of road fatalities by enacting the stringent standards. However, that has not helped much.
- With massive budget allocation in automobile and capital expenditure, safety in public transportation will be an important area. Budget 21-22 sharply increases the capital expenditure to Rs 5.54 Lakh Crore with additional Rs 2 Lakh crore for the states and autonomous bodies. Rs 1.08 lakh crore has been allocated for the ministry of roads.
- Advanced driving assist system (ADAS) has steadily emerged as the most preferred adoption route for the automotive industry to make road safer.
- Ministry of road transport and highways (MoRTH) has talked about making ADAS mandatory by the year 2023.
- Infrastructure needs will get massive improvement to increase safety and viability for development of ADAS system in the Indian context.
- NATRAX will be working on ADAS testing on its mammoth test tracks viz., dynamic platform, multi-friction braking track and the new high-speed track (Asia's largest) in the areas of forward collision warning, cruise control, lane assist, autonomous emergency braking etc.

2. INR 18000 crore to Support Acquisition of over 20,000 buses:

“We will work towards raising the share of public transport in urban areas through expansion of metro rail network and augmentation of city bus service. A new scheme will be launched at a cost of INR 18,000 crore to support augmentation of public bus transport services. The scheme will facilitate deployment of innovative PPP models to enable private sector players to finance, acquire, operate and maintain over 20,000 buses. The scheme will boost the automobile sector, provide a fillip to economic growth, create employment opportunities for our youth and enhance ease of mobility for urban residents:” Finance Minister Nirmala Sitharaman.

NATRAX through its vast facility can help the manufacturers to conduct all the necessary development testing including the safety requirements as per new regulations through better vehicle dynamics.

3. Infrastructure Allocation and 100% tax exempted for investment in Indian infrastructure projects:

“I am also providing an enhanced outlay of INR 118,101 lakh crore for the Ministry of Road Transport and Highways, of which INR 1,08,230 crore is for the capital, the highest ever:” Finance Minister Nirmala Sitharaman. Additionally, the highway infra work proposed includes building 8,500 km of highways by March 2022, and 3,500 km corridor in Tamil Nadu, 1,100 km in Kerala at an investment of INR 65,000 crore, and 675 km in West Bengal at a cost of INR 95,000 cr 1,300 km in Assam in the next 3 years. This will help in boosting the construction equipment sales and heavy truck and tipper industry and eventually also result in better demand from the rural and wage-earning community in the country.

NATRAX is now known for the crash barrier testing facility. This is a unique test facility which NATRAX has performed independently and indigenously. Highways are coming up at a rapid pace and accordingly the crash barriers are also being installed along the highways. To maintain quality and standard requirement in specification crash barrier testing will be an important contribution from NATRAX.

4. A) PLI for Automobile and Automobile Components

Production-Linked Incentive (PLI) Scheme to create manufacturing global champions in Auto Sector under AATMA NIRBHAR BHARAT has been announced with an aim to enhance India's Manufacturing Capabilities and exports in automobile and automobile components sector

Key Benefits:

- PLI scheme envisages making the Indian automotive Industry more competitive and aims to enhance globalization of the Indian automotive sector.
- The scheme also envisages increasing sourcing from India and will additionally incentivize R&D in India.
- This initiative will help bring scale and size in Indian Auto sector which will create and nurture global champions and provide jobs to youth.
- This will definitely contribute to enhance the Indian economy size of \$ 5 trillion as per the vision of our Hon'ble Prime Minister with the help of growth of our manufacturing sectors.

NATRAX provides a perfect platform for the Indian Automobile and Components Industry to test and validate the performance of their products inside the country in its mammoth proving ground enhancing their manufacturing and export capabilities.

4. B. PLI for advanced chemistry cells making Atmanirbhar Bharat.

- EVs are going play to play an important role in the public transportation in near future. The emerging Electric vehicles mobility paradigm is an important opportunity to foster Make-in-India for the advanced chemistry cells or EV batteries and its components.
- GOI is providing modified special incentive package scheme and tax incentives that will be helpful in developing the indigenous testing and development ecosystem.
- Towards this NATRAX is working on the EV battery testing and development facility to work for the prospective EV makers to become self-reliant in the field of battery technology reducing the dependence on the import from China, Thailand & Japan.
- One most important task will be setting up of lithium-ion battery recycling facility. NATRAX having basic EV testing facilities and infrastructure is contemplating and looking for synergic partners to set up such recycling facility at NATRAX to reduce the cost of EV batteries for mass application. NATRAX working on EV ACC/Battery testing is part of mission to make Atmanirbhar Bharat.

5. EV vehicle charging infrastructure

With future rapid growth of electric vehicles, the charging infrastructure is going to be developed across the highways. This charging stations will be equipped with fast charging system, replaceable battery packs etc. NATRAX having the battery testing infrastructure and also the fast-charging system can provide approval to suppliers for the installation of charging systems across highways.

6. Voluntary Scrapping Policy

“We are separately announcing a voluntary vehicle scrapping policy, to phase out old and unfit vehicles. This will help in encouraging fuel-efficient, environment-friendly vehicles, thereby reducing vehicular pollution and oil import bill. Vehicles would undergo fitness tests in automated fitness centres after 20 years in case of personal vehicles, and after 15 years in case of commercial vehicles. Details of the scheme will be separately shared by the Ministry:” stated by Finance Minister Nirmala Sitharaman. As stated by the Hon’ble Finance Minister. Also, Hon. Minister of MoRTH, Shri Nitin Gadkari has stated that "The policy would cover an estimated 51 lakh light motor vehicles (LMVs) that are above 20 years of age, while another 34 lakh LMVs are above 15 years. It would also cover 17 lakh medium and heavy motor vehicles, which are above 15 years, and currently without valid fitness certificates,". This would enhance safety.

The announcement comes after a wait of over a decade. If incentivized properly, this will certainly spur demand for passenger and commercial vehicles. However, this will have efficacy only if the roadworthiness test of the vehicles is made mandatory after a definite period. As Announced by Hon’ble Finance Minister, the voluntary vehicle scrapping policy to phase out old and unfit vehicles will help in encouraging fuel efficient, environment friendly vehicles, thereby reducing vehicular pollution and oil import bill.

Key Benefits:

- Recycled material from old vehicles will help reduce the prices of the new vehicles which will directly impact to the ultimate user of the vehicle.
- India was the 5 most polluted country in 2019, with Ghaziabad in the National Capital Region ranked as the most polluted city in the world. Among other

factors Vehicle exhaust / vehicular pollution is one of the main contributors in our country. This will definitely contribute to reduce the pollution in India.

- By Voluntary Scrapping the old vehicle as per the proposed policy 15 years and 20 years for personal vehicle and commercial vehicle respectively, it will create further demand of new vehicle requirements.
- Generally, 15-20 years old vehicles have features of old technology by which the user of the old vehicles are compromising on safety aspect as well. In this regard, the proposed policy will also save and protect the human life.
- This policy will also help to avoid the use of older vehicles which consume more fuel and are unsafe to run.

NATRAX being the national body engaged in the automotive testing aggressively looking for setting up recycling system in association with the SIAM constituent companies so that the aim towards the policy is achieved by its true sense. Being set up in a convenient location at central India, NATRAX can cater to the large number of OEMs across the western, southern and northern part of India. NATRAX is contemplating setting up Recycling Units for scrapped vehicles and looking for synergic partners to establish the facility at NATRAX.

7. MSME and Startups:

“We have taken a number of steps to support the MSME sector. In this Budget, I have provided INR 15,700 crore to this sector, more than double of this year’s budget estimate:” Finance Minister Nirmala Sitharaman.

Start-up in the automobile and allied industries can get immensely benefitted from NATRAX as the centre is equipped with state-of-the-art test tracks supplemented by the test laboratories for the components and system level tests.

8. Allocation of Rs 50,000 crore for National Research Foundation:

“In my Budget Speech of July 2019, I had announced the National Research Foundation. We have now worked out the modalities and the NRF outlay will be of INR 50,000 crores, over 5 years. It will ensure that the overall 24 research ecosystem of the country is strengthened with a focus on identified national-priority thrust areas. This may help the sector in terms of encouraging R&D:” Finance Minister Nirmala Sitharaman.

NATRAX being a part of the national R&D infrastructure will be a beneficiary of this fund in due course of time and will have the opportunity to improve it's infrastructure further.

NATRAX in association with prospective OEMs will be working out projects in the areas of vehicle dynamics, Electric vehicle battery technology and vehicle testing. Suitable projects will be taken up in association with National research foundation for funding.

NATRAX having expertise in developing world class test tracks can contribute expertise in the areas of highway construction aspects. This may include technology, safety, life, quality aspects etc.

Even through the Year 2020 was not a very great year for the Automobile Industry considering the Covid-19 pandemic, the Union Budget 2021 is progressive and growth-oriented for the long term in case of the Automobile Industry.