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OEM market performance – FY20

Prepared for ACMA

*Strictly private
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April 2020



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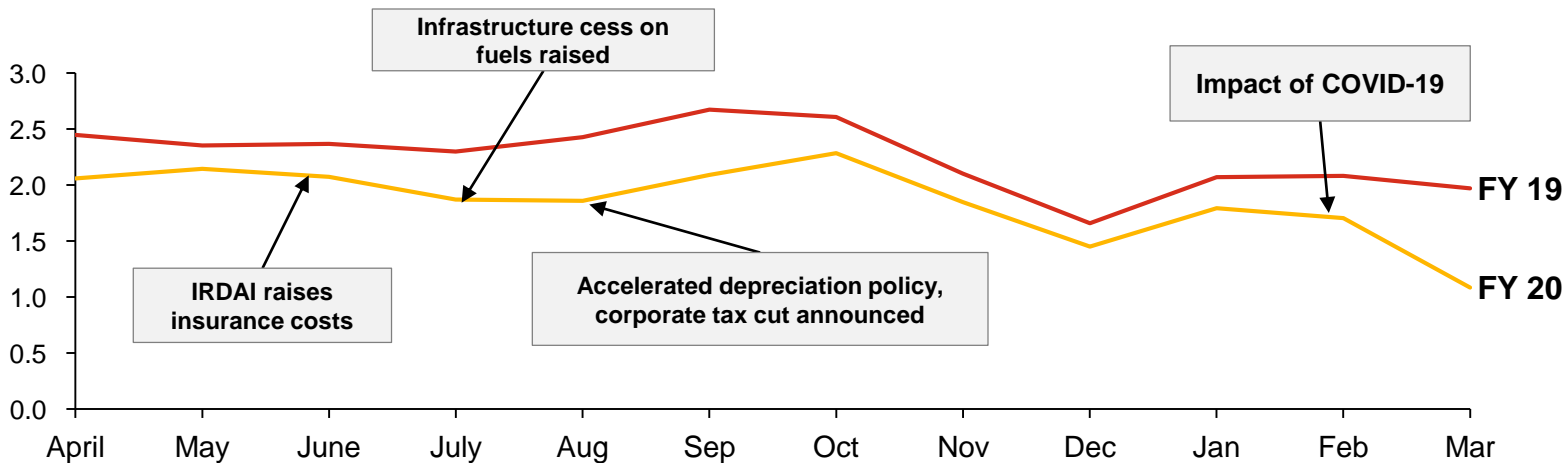
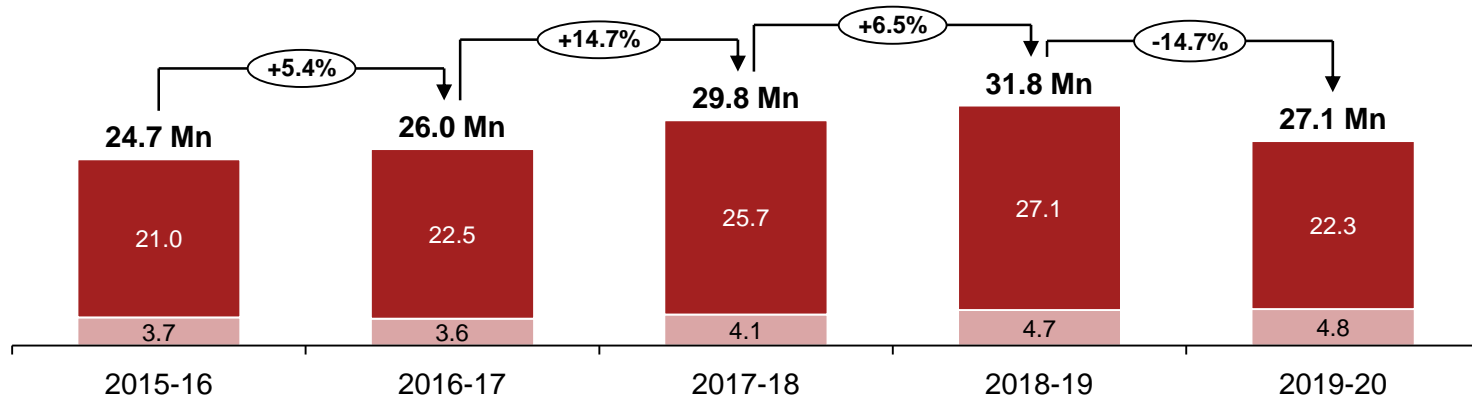
This proposal does not constitute a contract to perform services. Final acceptance of this engagement by PricewaterhouseCoopers is contingent upon successful completion of PricewaterhouseCoopers' acceptance procedures. Any engagement arising out of this proposal will be subject to the execution of our formal engagement contract, including our standard terms and conditions and fees and billing rates established therein.

Executive Summary

While Indian automotive domestic sales and exports grew at an overall CAGR of ~2% over last 5 years, FY20 saw a degrowth of ~15%

OEM - Domestic sales and exports | million units

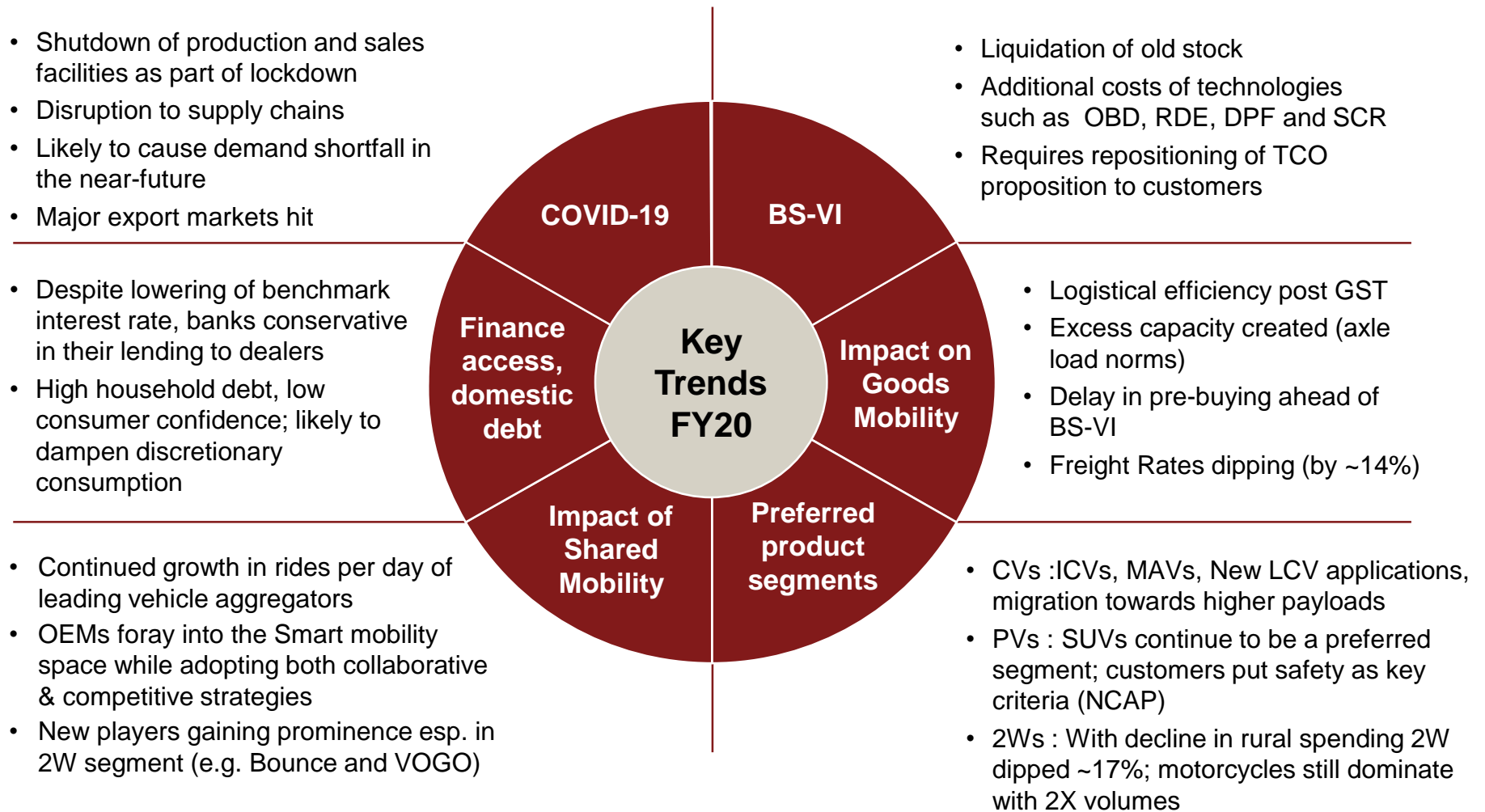
■ Domestic Sales ■ Exports



Vehicle segment	Dom. Sales FY 19 Vs FY 20	Exports FY 19 Vs FY 20
	17.76% ▼	7.30% ▲
	17.82% ▼	0.17% ▲
	28.75% ▼	39.25% ▼
	10% ▼	17.2% ▼
	9.19% ▼	11.54% ▼
TOTAL	17.73% ▼	2.56% ▲

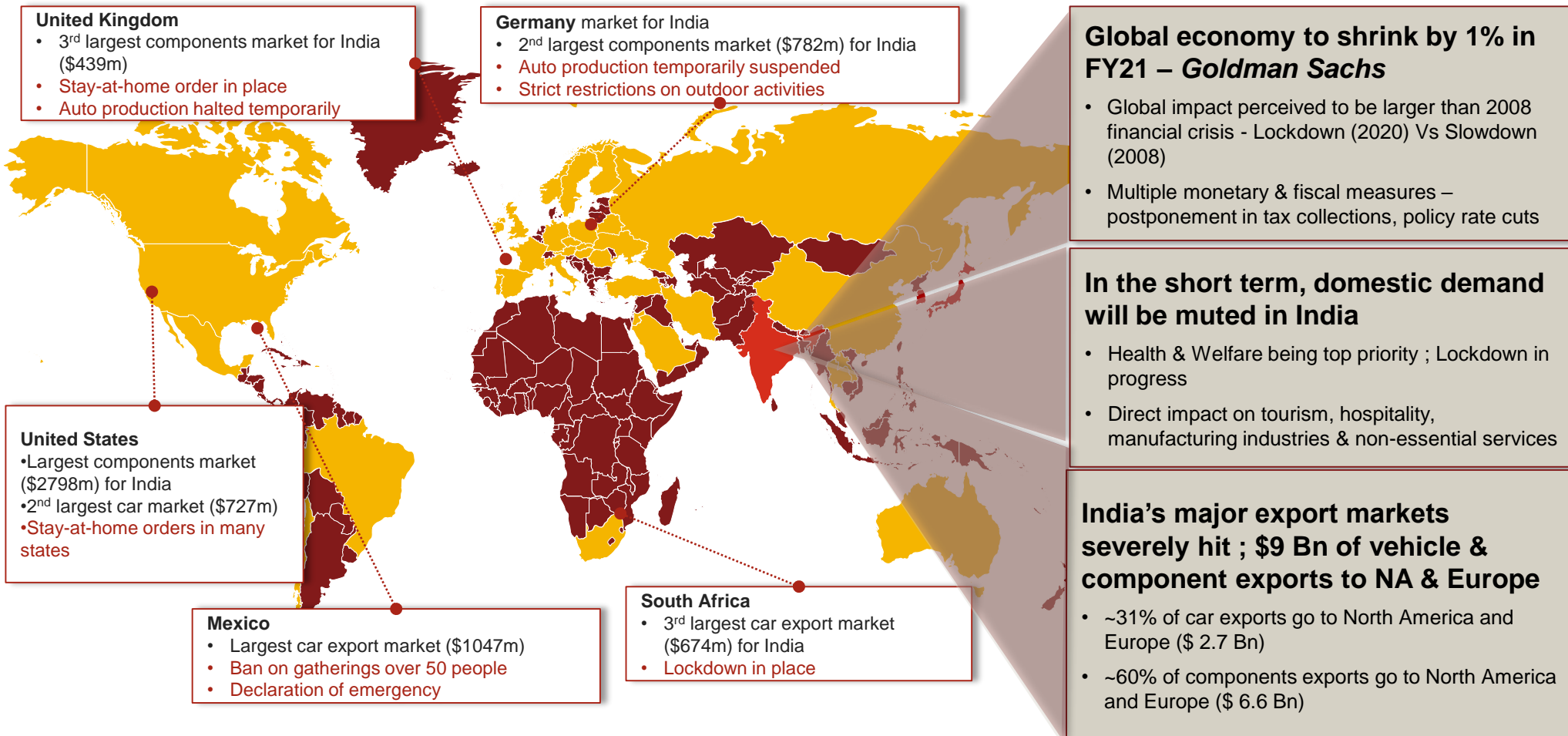
Sources: SIAM, Crisil, PwC analysis

Past Trends



Sources: PwC research analysis

COVID-19 has had an adverse impact across the globe








Source : Goldman Sachs, Department of Commerce, Press research, PwC analysis

COVID-19 Status as on 1-Apr 2020

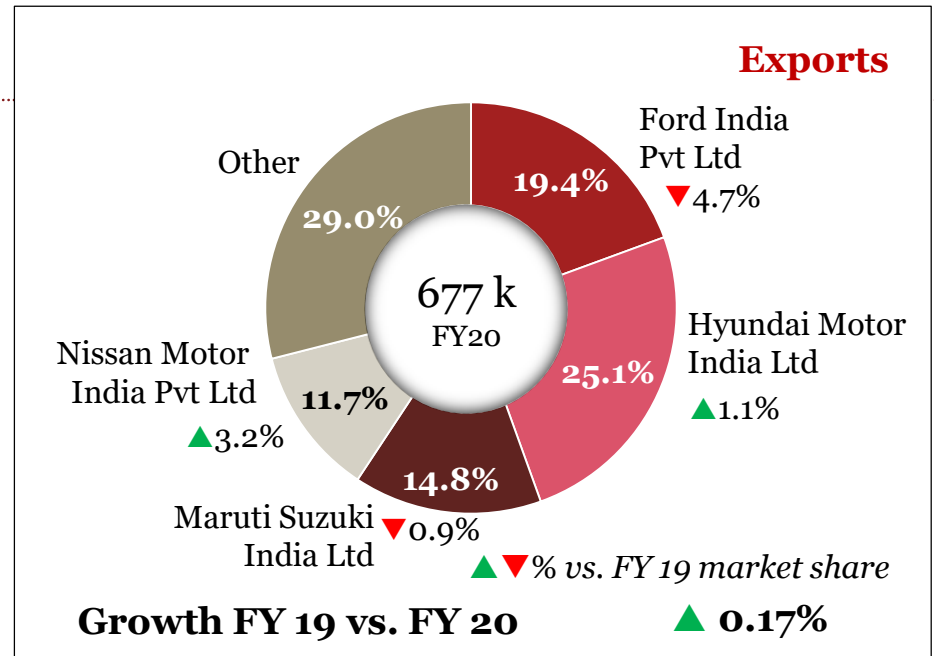
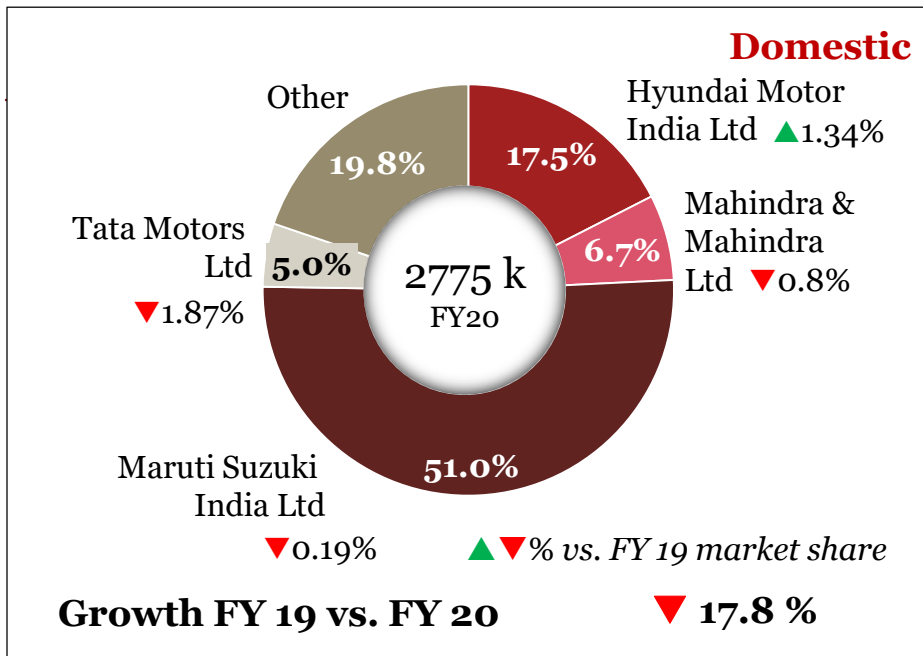
Export data for 9M FY20 for 12 HS Codes (vehicles); 219 HS Codes (components);

Automotive companies can have a phase wise plan in line with demand recovery; 1> Protect 2> Restore 3>Rebound

		“Protect”	“Restore”	“Rebound”
		3-6 Months	6-12 Months	>12 Months
	Strategic response	<ul style="list-style-type: none"> • Sense disruption impact • Protect customers & revenue 	<ul style="list-style-type: none"> • Recover operations & resume planned growth trajectory for the period 	<ul style="list-style-type: none"> • Prepare for growth • Invest in new opportunities
	Managing Liquidity	<ul style="list-style-type: none"> • Preserve cash & create liquidity • Identify quick cash generation / saving opportunities 	<ul style="list-style-type: none"> • Improve & sustain cash position through new initiatives 	<ul style="list-style-type: none"> • Strengthen cash position to invest in new growth initiatives
	Workforce Engagement & Productivity	<ul style="list-style-type: none"> • Safeguard employee welfare • Communicate & engage with employees 	<ul style="list-style-type: none"> • Manage employee productivity & adapt operating model to new ways of working 	<ul style="list-style-type: none"> • Re-organize to align with current business imperatives • Create a resilient organization
	Supply Chain Risk & Resilience	<ul style="list-style-type: none"> • Assess supply chain disruption & monitor / manage risks • Protect supplies, orders & deliveries 	<ul style="list-style-type: none"> • Evaluate supply chain gaps & restore operations to support business objectives 	<ul style="list-style-type: none"> • Strengthen the resilience & visibility of the supply chain • Invest in agile & flexible SC
	IT Readiness	<ul style="list-style-type: none"> • Stress test IT infrastructure • Resolve issues impacting business continuity 	<ul style="list-style-type: none"> • Scale up IT resources to meet business requirement 	<ul style="list-style-type: none"> • Strengthen IT infra & security and develop scalability

Segment wise FY 20 industry performance

Passenger vehicles

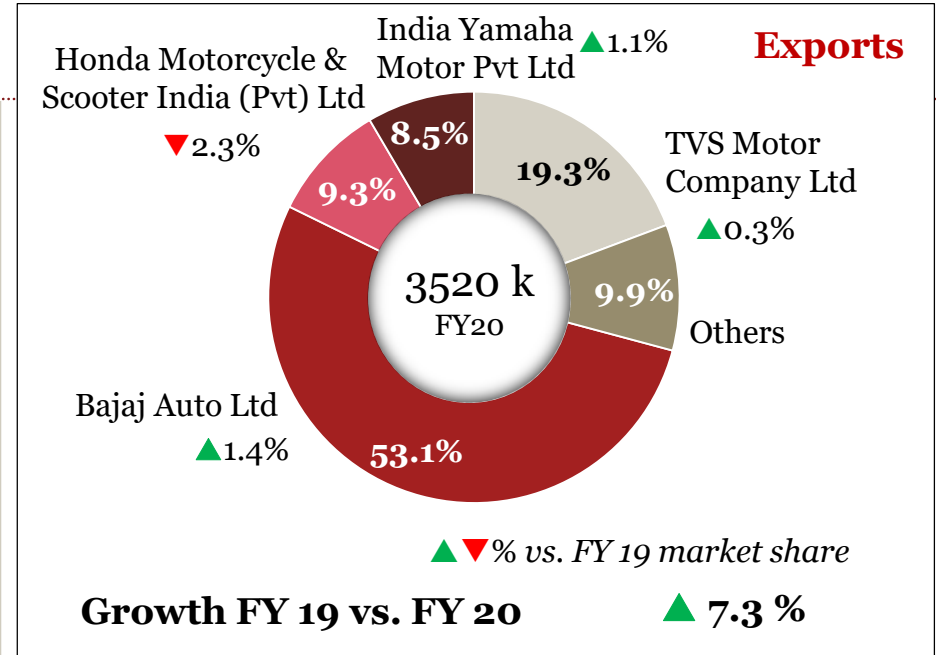
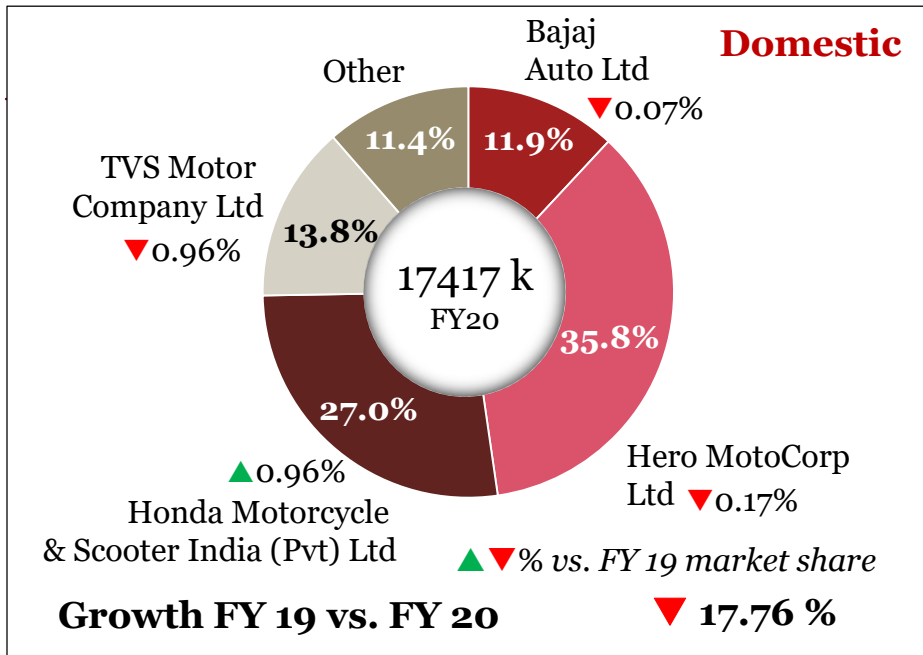


- Slowdown in demand partly caused by NBFC liquidity crisis: NPAs at 6.75% in 2018 vs 1% in 2008
- Higher fuel and insurance costs: Supreme Court mandated third party insurance for purchase of a new vehicle, IRDAI raised premiums
- Success of Kia and MG: Interest in new technologies, value seeking customers.
- Around 2/3rd of purchases require loans: despite lowering of benchmark rates, banks not disposed to handing out credit.

- PV export growth harshly affected by the COVID-19 crisis in Q4, major markets affected
- Pre-crisis, stronger export performance was seen in the Gulf, Latin America and South Africa.
- Numerous large export markets such as Mexico and South Africa have seen strict measures implemented to contain the pandemic.
- ICRA has forecast a major downturn in automotive exports over the next few months

Source : SIAM, PwC Analysis

2 wheelers

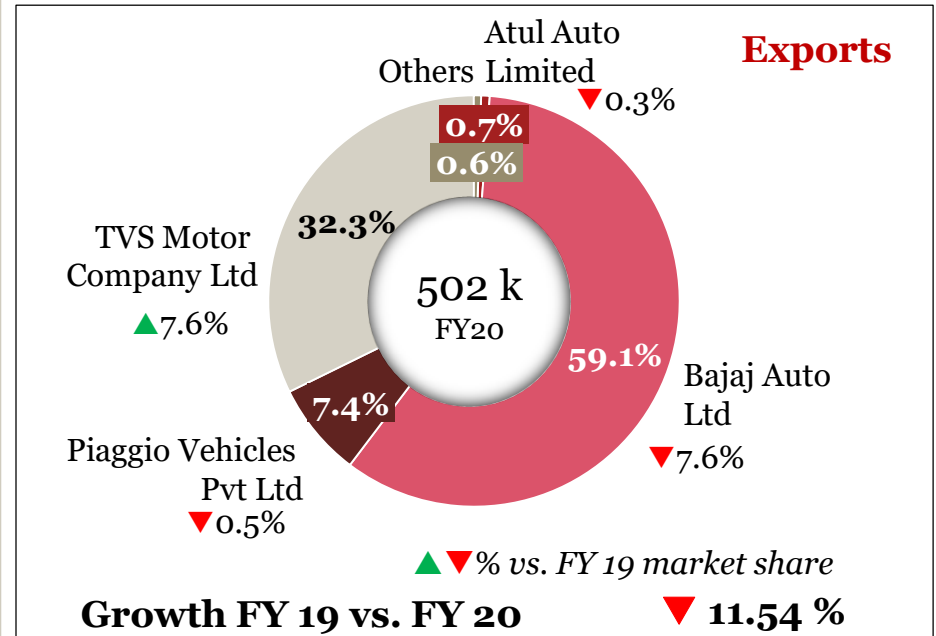
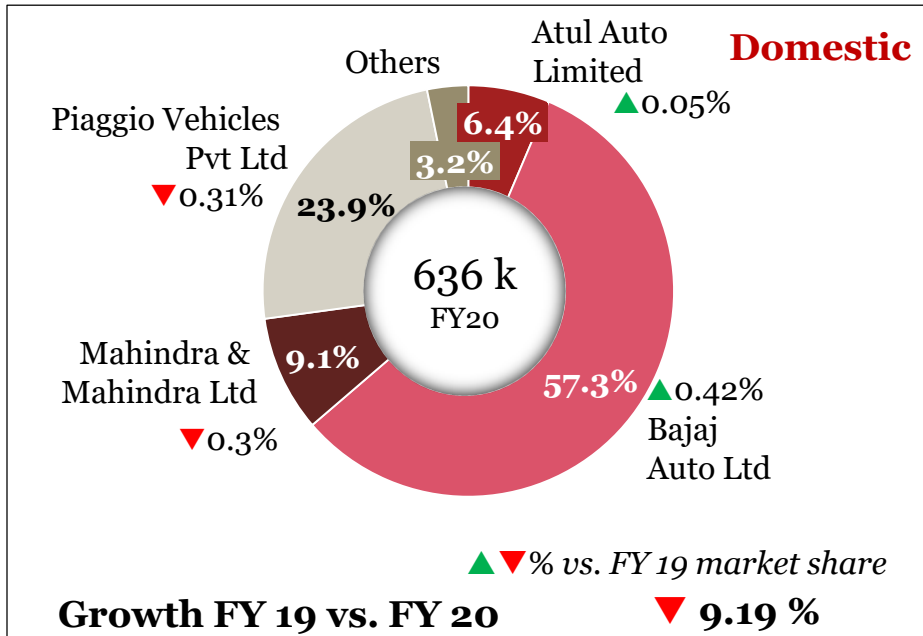


- The performance of scooters in India was affected by higher fuel prices, lack of liquidity and rising costs of insurance.
- The adoption of the new BS-VI emissions norms may cause short term instability.
- COVID-19's impact on the unorganized sector is likely to lead to further weakening of demand in FY21.
- Stricter guidelines for FAME-II on localization and mileage saw a 94% decrease in vehicles qualifying for subsidy.

- The two wheeler export segment saw the highest overall growth in FY20.
- Two wheelers are India's largest auto exports, and are mainly exported to Latin America, Africa and the Indian subcontinent.
- Exports have grown partly due to expansion into new markets in developing countries in Africa and South America.

Source : SIAM, PwC Analysis

3 wheelers

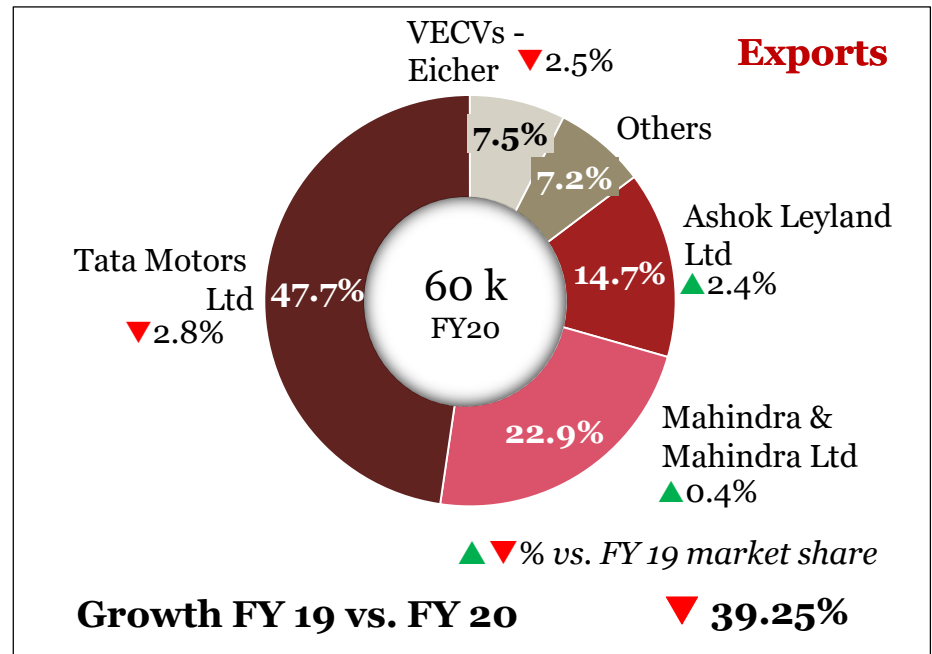
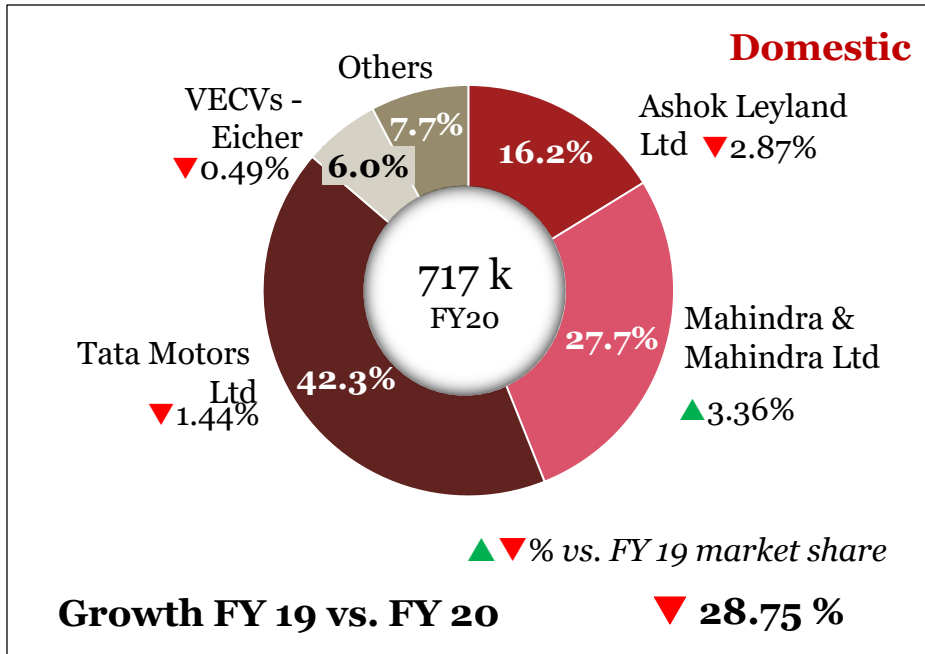


- Under FAME-II, there is a commitment by the government to invest heavily into the production of three-wheelers operating on lithium-ion batteries.
- Bajaj Auto announced it would expand its production three-wheelers after several states abolished road permits for electric vehicles.
- 3W are primarily used for passenger transport- heavy migration towards alternative powertrains.

- Passenger carriers recorded a decline of 11.69% in exports. Goods carriers recorded a 2.37% increase compared to this time last year,.
- Africa is the largest export market for three-wheelers, though it is subject to extreme volatility in terms of exchange rates, regulatory environment and economic downturns. The two biggest markets are Egypt and Nigeria.

Source : SIAM, PwC Analysis

Commercial vehicles

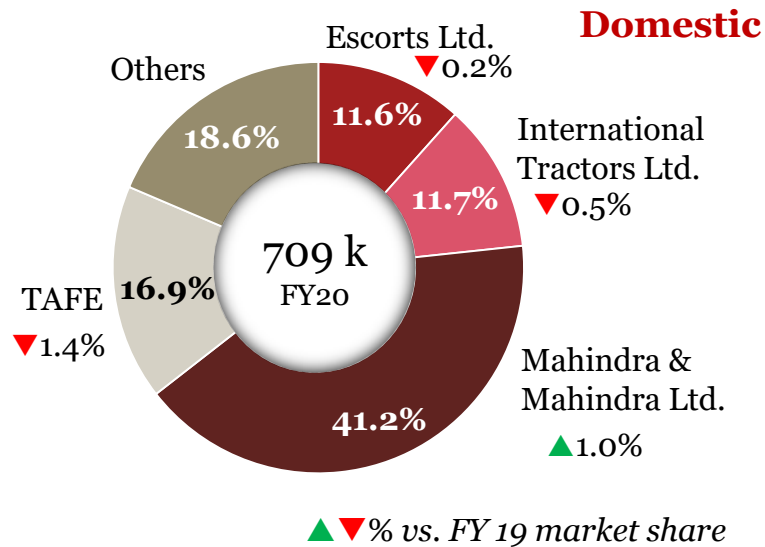


- The new axle-load norms have helped truck owners increase loads carried on existing trucks Accelerated depreciation expected to incentivise demand
- COVID-19 has brought economic distress to crucial industries (Barclays forecasting 0% GDP growth in FY21)
- New scrappage policy: de-licensing of older vehicles, demand for new models to go up.
- Shortage of drivers in freight industry seen

- Medium & Heavy commercial vehicles witnessed a decline of 50.36% in export volumes while Light commercial vehicle exports declined by 28.69%.
- Traditional export markets include Bangladesh, Indonesia, South Africa, Nepal and Sri Lanka.
- Over 85% of this sector is controlled by Mahindra, Ashok Leyland and Tata Motors.

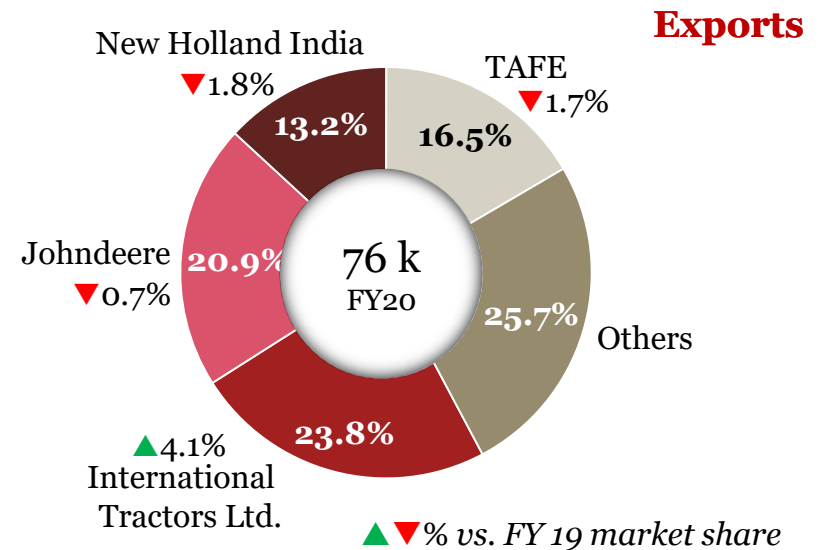
Source : SIAM, PwC Analysis

Tractors



Growth FY 19 vs. FY 20 ▼ 10.0 %

- ~95% of tractors are bought on credit in India
- Sales of tractors were hurt by uneven monsoons, lack of access to credit and flooding in a few states.
- The COVID-19 crisis is likely to hurt the agricultural sector due to shortage of labour and breakup of supply chains.
- Despite the focus on agriculture, tractor sales have been declared non-essential during the lockdown (taking place during peak harvest season)



Growth FY 19 vs. FY 20 ▼ 17.2 %

- Over 40% of the export market is controlled by International Tractors Ltd. And Johndeere
- International Tractors Ltd substantially raised their market share to become the market leader
- In October, International Tractors Ltd. announced a JV to enter the Chinese market.

Source : TMA, CRISIL, PwC Analysis



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** This map is not to scale. It is an indicative outline intended for general reference use only.

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