

Overview of Automotive Industry in India



Consulting

November 2023

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Macro Economic Scenario

Faster growth in CY2023 and pace to taper during CY2024

GDP growth forecasts

(%)	Latest forecast				Change from previous forecast			
	2023	2024	2025	2026	2023	2024	2025	2026
U.S.	2.3	1.3	1.4	1.8	0.5	0.0	-0.1	-0.1
Europe								
Eurozone	0.6	0.9	1.5	1.5	0.0	0.0	-0.1	-0.1
Germany	-0.2	0.6	1.4	1.4	0.0	-0.2	-0.2	-0.3
France	0.8	0.9	1.5	1.4	0.1	-0.1	0.0	0.0
Italy	0.9	0.7	1.2	1.4	-0.2	0.1	-0.1	0.1
Spain	2.1	1.6	2.2	2.2	0.5	0.3	-0.1	0.0
U.K.	0.3	0.5	1.5	1.6	0.3	-0.3	-0.1	-0.1
Asia-Pacific								
China	4.8	4.4	5	4.5	-0.4	-0.3	0.3	0.0
Japan	1.8	1	1	0.9	0.6	-0.1	0.0	0.0
India*	6	6.9	6.9	7	0.0	0.0	0.0	-0.1
Other emerging economies								
Mexico	3	1.7	2	2.1	1.2	0.1	-0.1	0.1
Brazil	2.9	1.2	1.8	2	1.2	-0.3	-0.1	0.1
South Africa	0.8	1.7	1.7	1.7	0.2	-0.1	0.0	-0.6
World	3.1	2.8	3.3	3.3	0.2	-0.2	0.0	0.0

*Fiscal year, beginning April 1 in the reference calendar year. Sources: S&P Global Market Intelligence and S&P Global Ratings.

- **US:**
 - Economy poised to slow down after stronger than expected growth witnessed during the year
 - Interest rates near peak, another hike expected
 - Monetary stance to remain tight
- **EU**
 - Pronounced downturn in the labor market could push the eurozone economy into a recession.
 - High energy prices keeping the trade surplus lower than before
 - Key rates may have peaked, but the plateau could be lengthy.
- **APAC**
 - China will continue to contain its macroeconomic stimulus following a property-driven downturn.
 - Cutdown in China growth forecasts
 - Weaker global trade and higher interest rates exerting pressure on rest of the region
 - Rising food and oil prices to keep interest rates high

Macroeconomic indicators pointing towards a year of stable growth ahead for India

Macro Indicators	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25P
GDP growth (%)	7.4	8.0	8.3	6.8	6.5	3.7	(5.8)	9.1	7.2	6.0	6.9
CAD (as a % of GDP)	(1.3)	(1.1)	(0.7)	(1.8)	(2.1)	(0.9)	0.9	(1.2)	(2.0)	(1.8)	
10-year G-sec yield (%)	7.7	7.5	6.8	7.6	7.5	6.2	6.2	6.8	7.4	7.0	
PFCE growth (%)	6.4	7.9	8.1	6.2	7.1	5.2	(6.0)	7.6	7.5	6.2	6.9
Crude oil (\$/barrel/CY)	99.0	52.0	44.0	54.5	71.0	64.0	42.3	70.4	99.8	80-85	75-80
Inflation (CPI)	5.9	4.9	4.5	3.6	3.4	4.8	6.2	5.5	6.8	5.5	4-5

P: Projected; CY: Calendar year; PFCE: Private final consumption expenditure
 Note: Crude oil prices are for CY, upward revision possible amid OPEC supply cuts
 Source: Central Statistics Office, Reserve Bank of India and CRISIL MI&A estimates

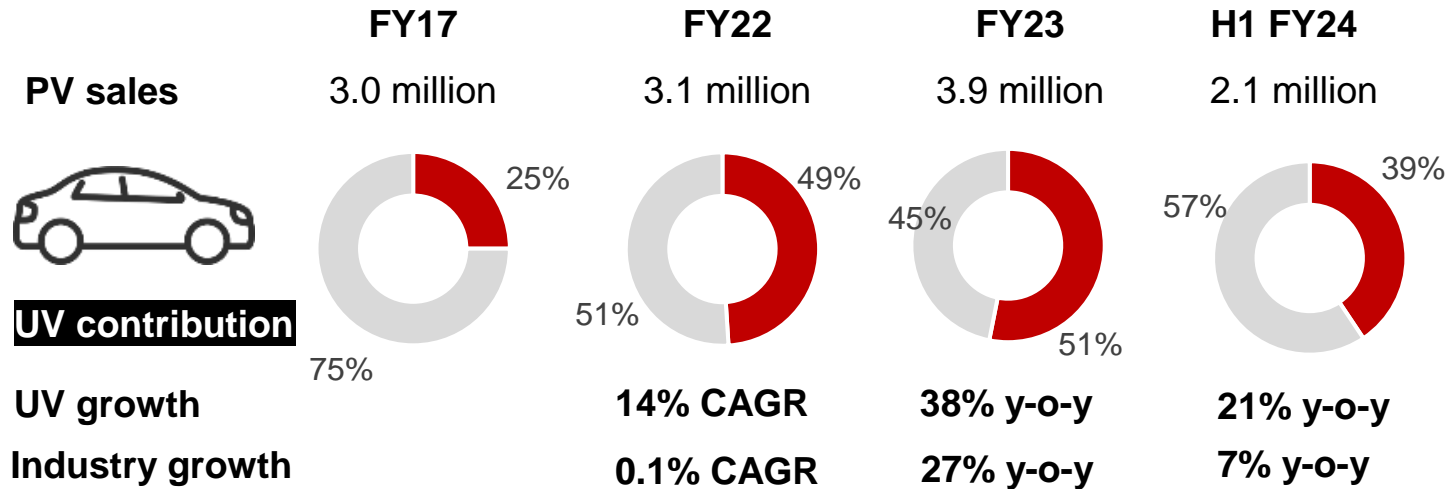
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Passenger Vehicles

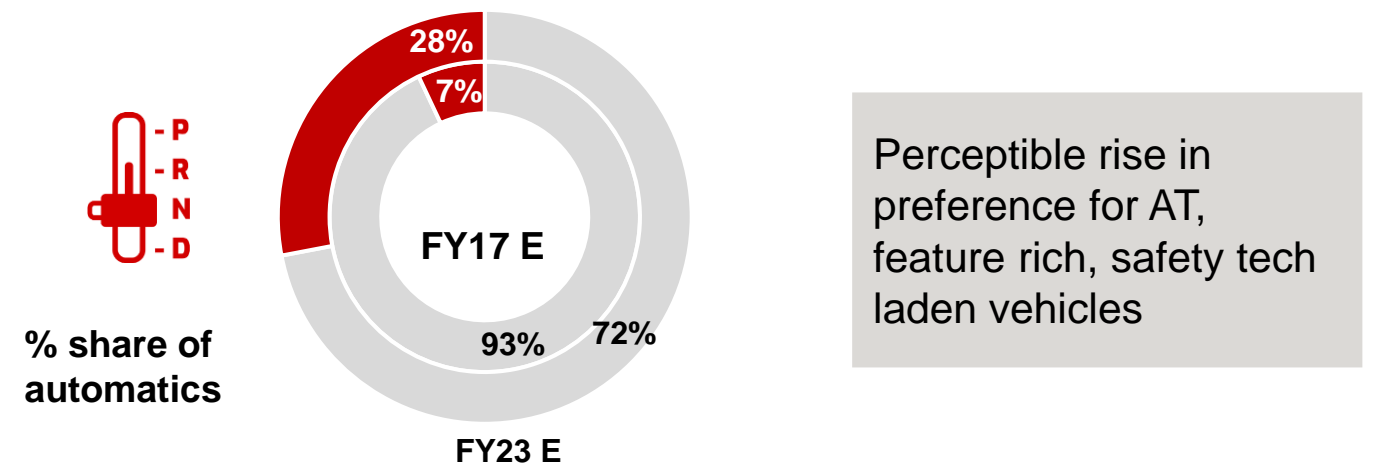
Industry tilting towards premiumization, feature laden vehicles & electrification

PV industry trends

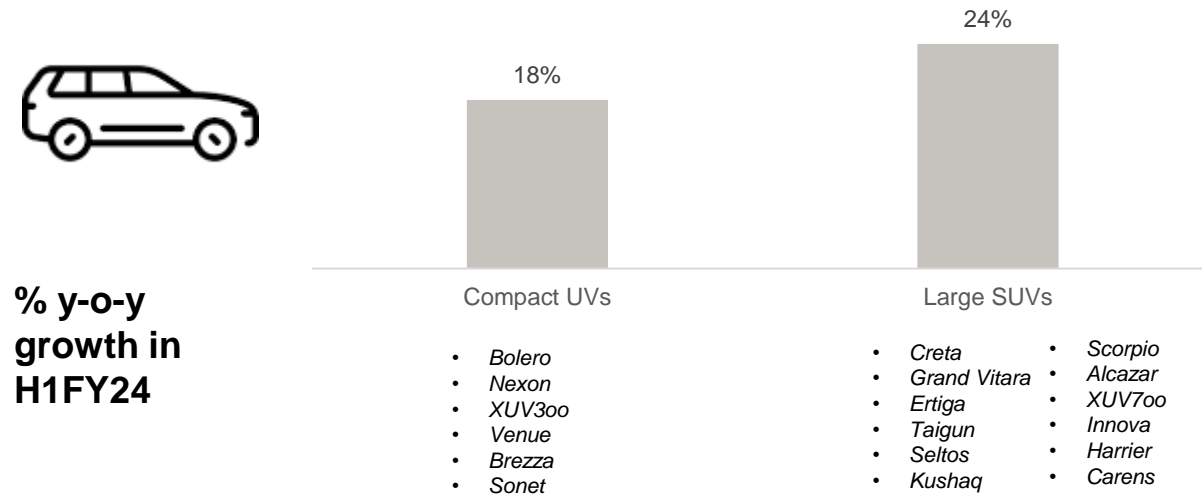
Expanding dominance of UVs



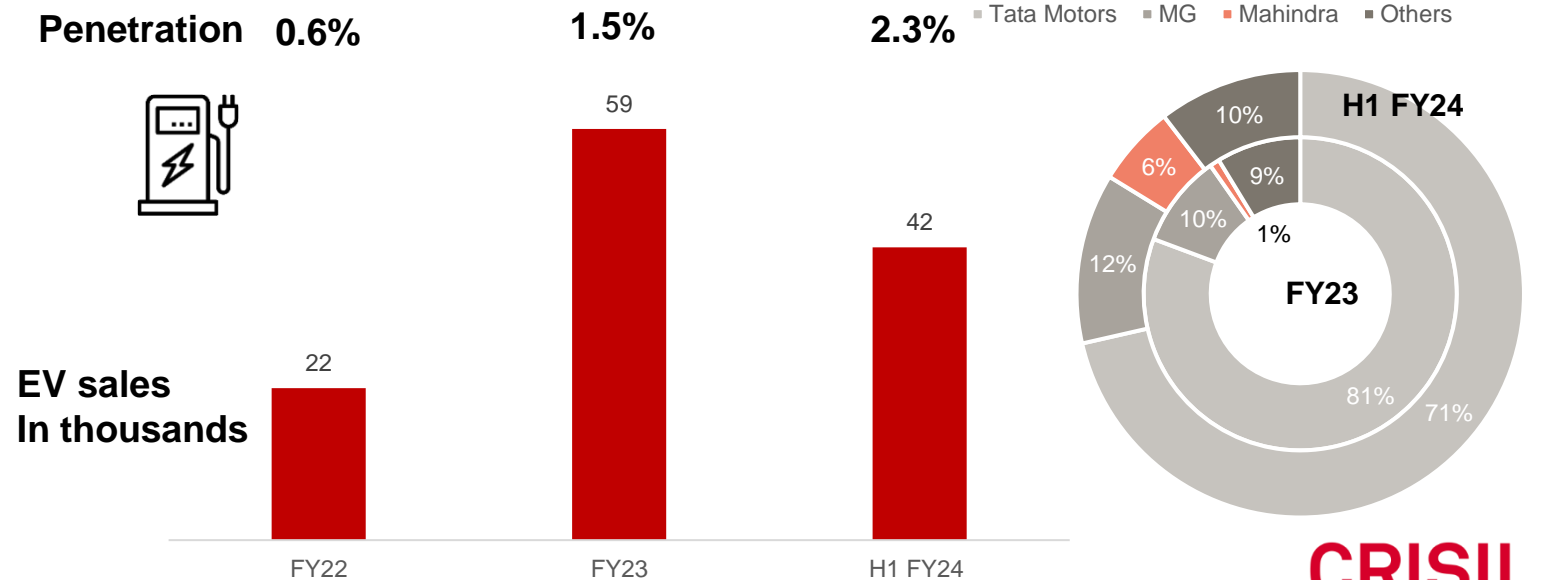
Rising preference for AT, tech laden vehicles



Surge in traction for larger UVs



Electrification on the rise



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Industry to continue its growth momentum in FY24, albeit at a slower pace

Variables	FY21	FY22	FY23	FY24 E	FY25 P
Income for discretionary spending	NF	F	F	F	F

Variables	FY21	FY22	FY23	FY24 E	FY25 P
Cost of ownership	N	N	NF	N	N
Petrol / CNG Vehicles	N	NF	NF	N	N
Diesel vehicles	NF	NF	NF	N	N
Interest rates	F	N	NF	N	N
Discounting	N	N	N	F	

Variables	FY21	FY22	FY23	FY24 E	FY25 P
New model/ facelift launches	N	F	F	F	F
Regulations – passenger vehicles	NF	N	N	NF	N

Variables	FY21	FY22	FY23	FY24 E	FY25 P
Vehicle Supply	NF	NF	N	F	F

Impact on Overall Sales Growth	NF	F	F	N	N
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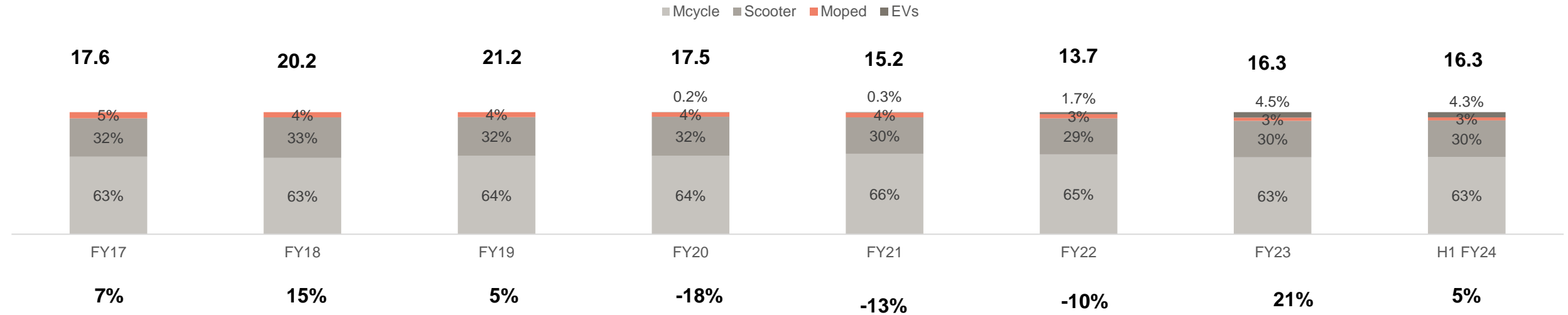
Two wheelers

Industry sales still short of pre-Covid levels despite on-year increase

Acquisition cost remains a dampener; speedy acceptance of Evs will continue to challenge ICE manufacturers

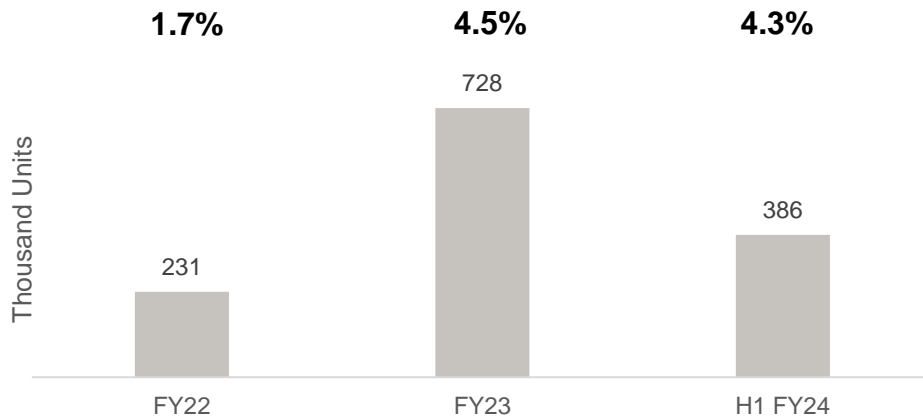
Improvement in sales post pandemic low

Domestic sales

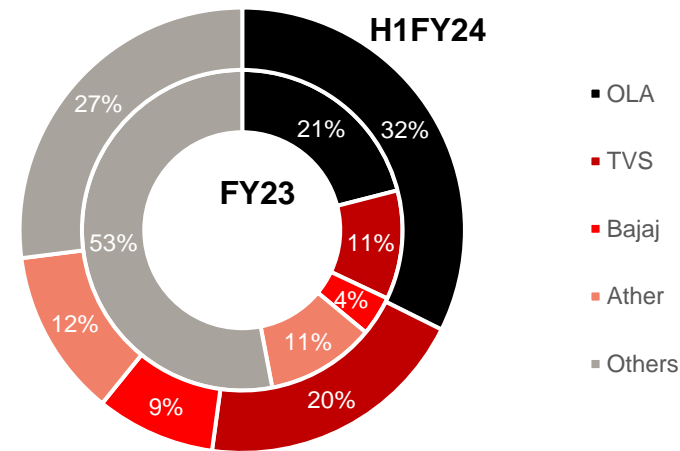


Rapidly growing EV sales

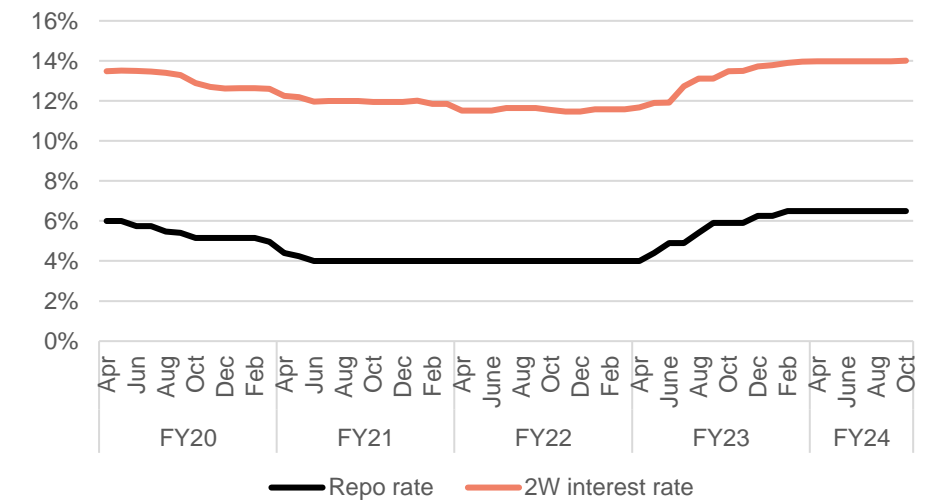
EV penetration



EV OEM split



Interest rates rising, fuel prices elevated



Source: Ministry of Road Transport and Highways of India (MoRTH), Society of Indian Automobile Manufacturers (SIAM), CRISIL MI&A Consulting

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Growth to continue, at a slightly tapered pace in FY25

Variables	FY21	FY22	FY23	FY24E	FY25P
Income for discretionary spending	NF	N	F	F	F

Variables	FY21	FY22	FY23	FY24E	FY25P
Cost of ownership	N	N	NF	N	N
Interest rates	F	N	NF	N	N
Discounting			N	F	

Variables	FY21	FY22	FY23	FY24E	FY25P
New model/ facelift launches	N	F	F	F	F
Regulations – two-wheeler vehicles	NF	N	N	NF	N

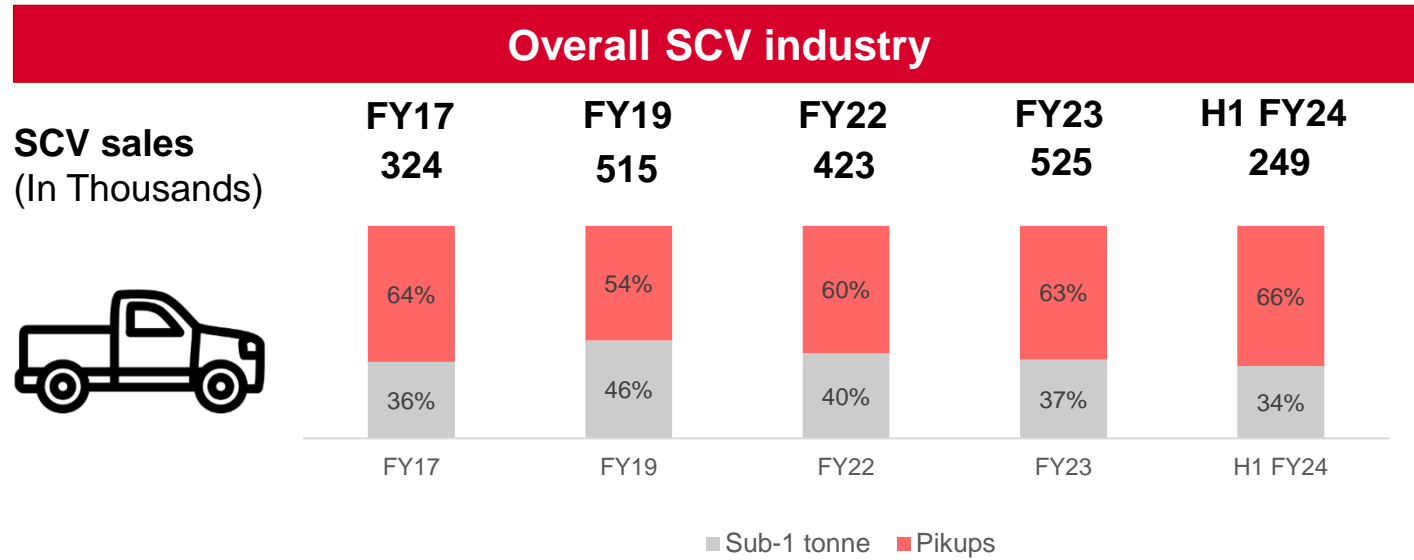
Impact on Overall Sales Growth	NF	NF	F	F	F
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NF: Not Favorable, F: Favorable; N: Neutral
 E: Estimates P: Projected

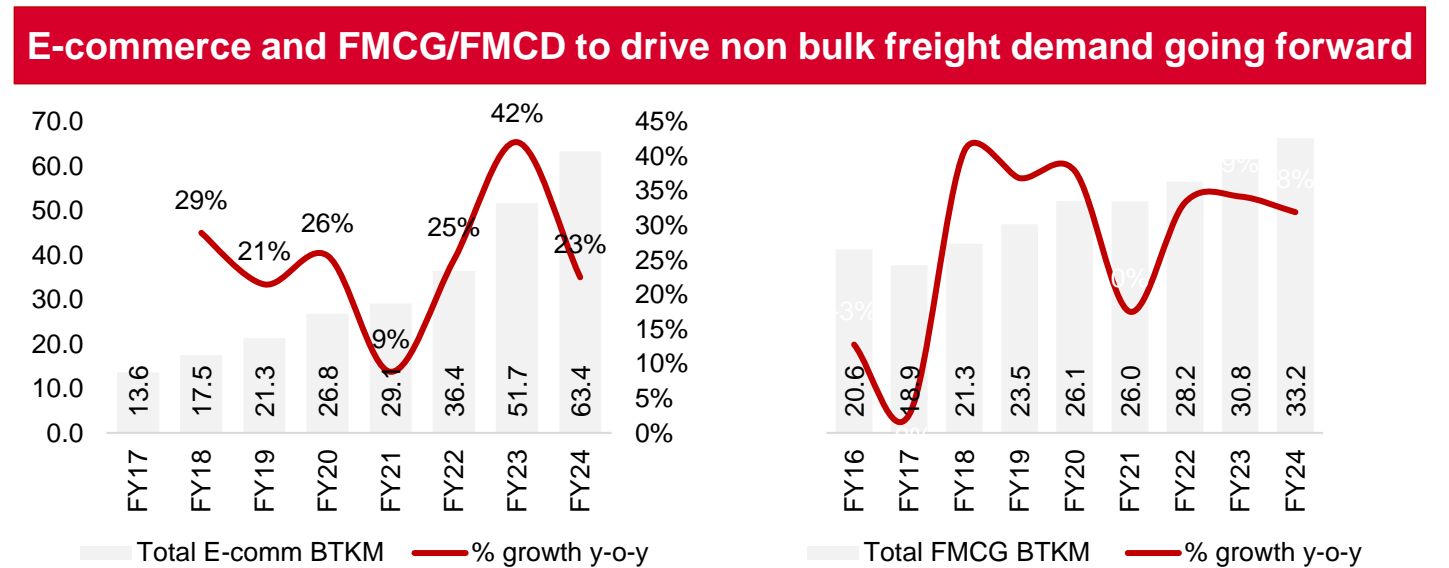
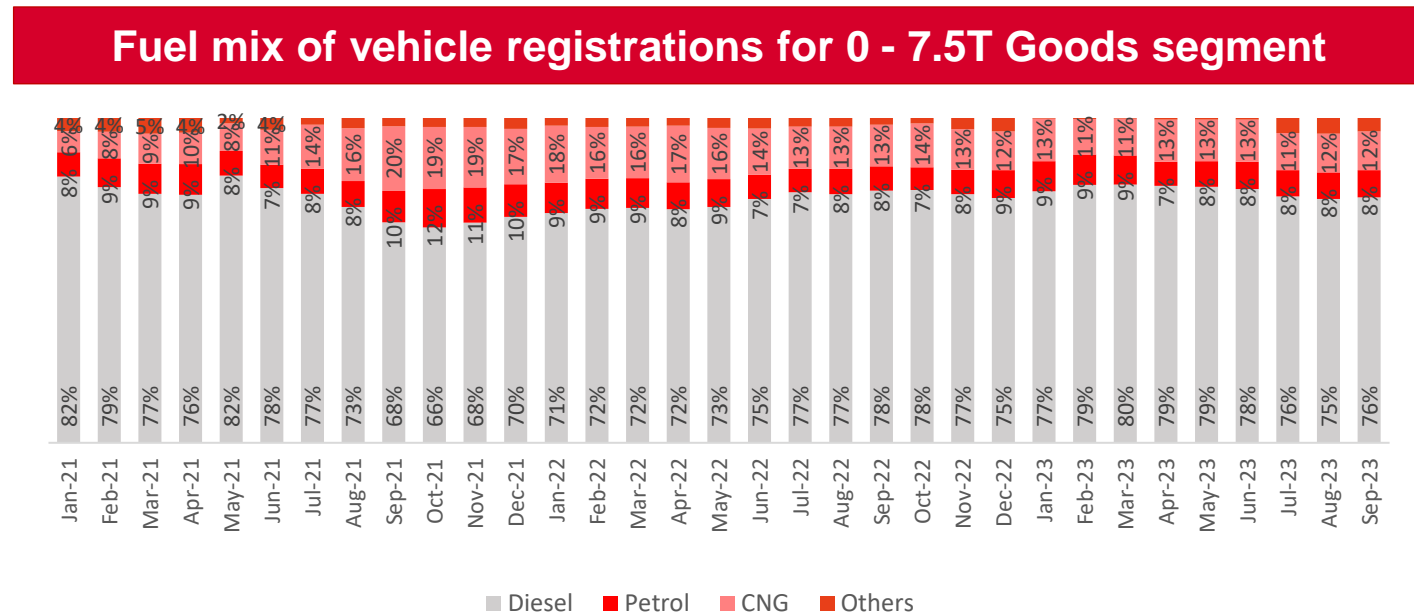
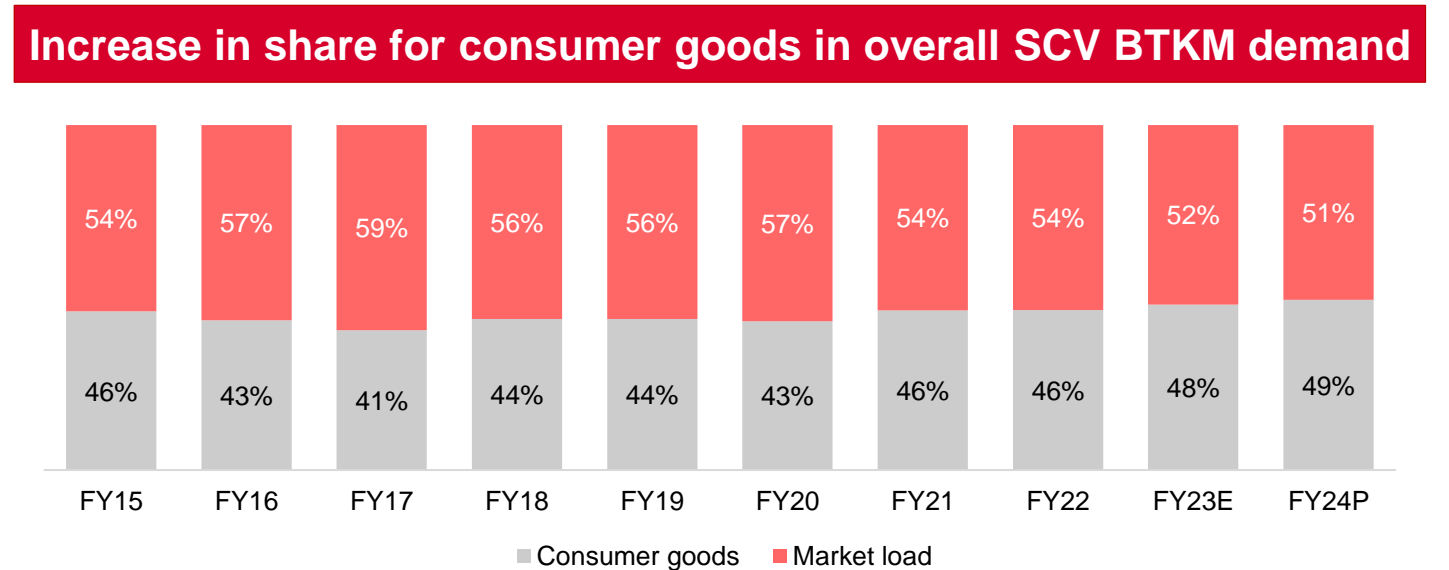
Commercial Vehicles

Small commercial vehicle Industry trends - EV launches to closely watch for

SCV industry trends



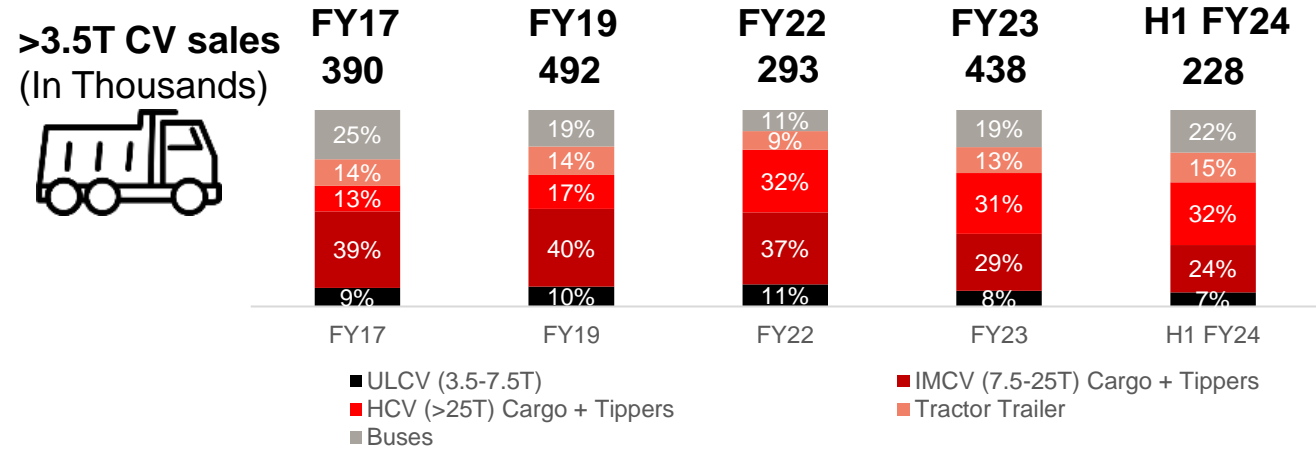
Includes SCV segment <3.5 tonnage vehicles for goods category



Industry tilting towards higher tonnage segments in MAV and Tractor Trailer

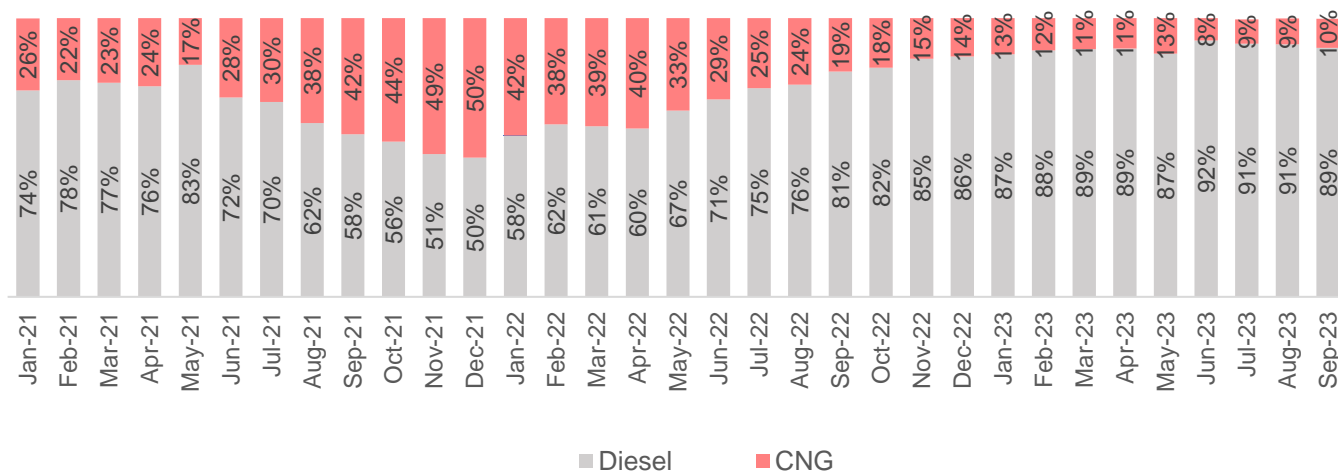
>3.5T GVW CV industry trends

Overall Industry trends

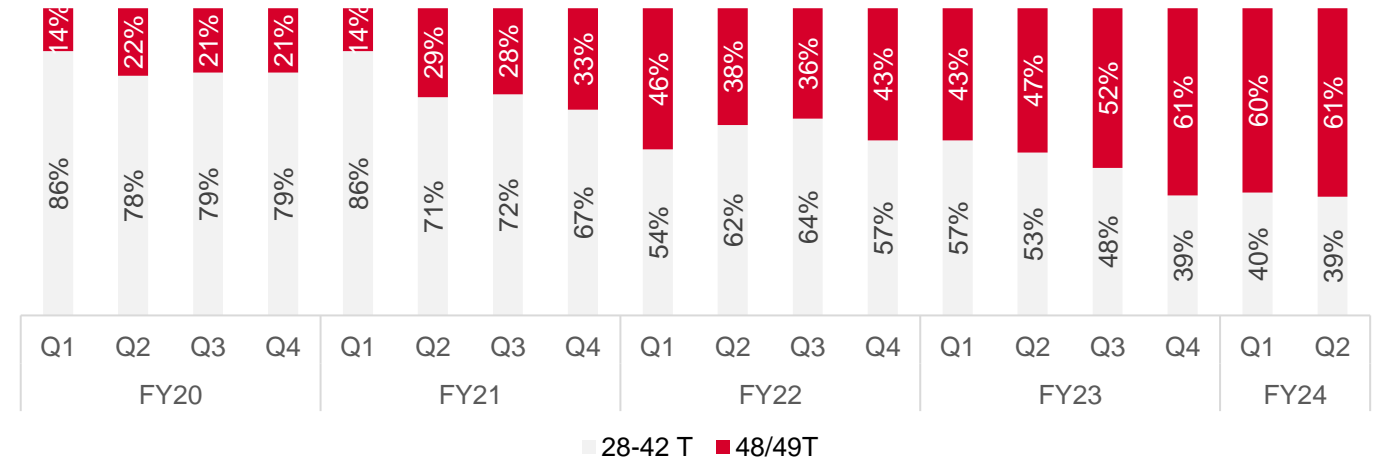


ULIMHCV Includes >3.5 tonnage vehicles for goods and entire buses category

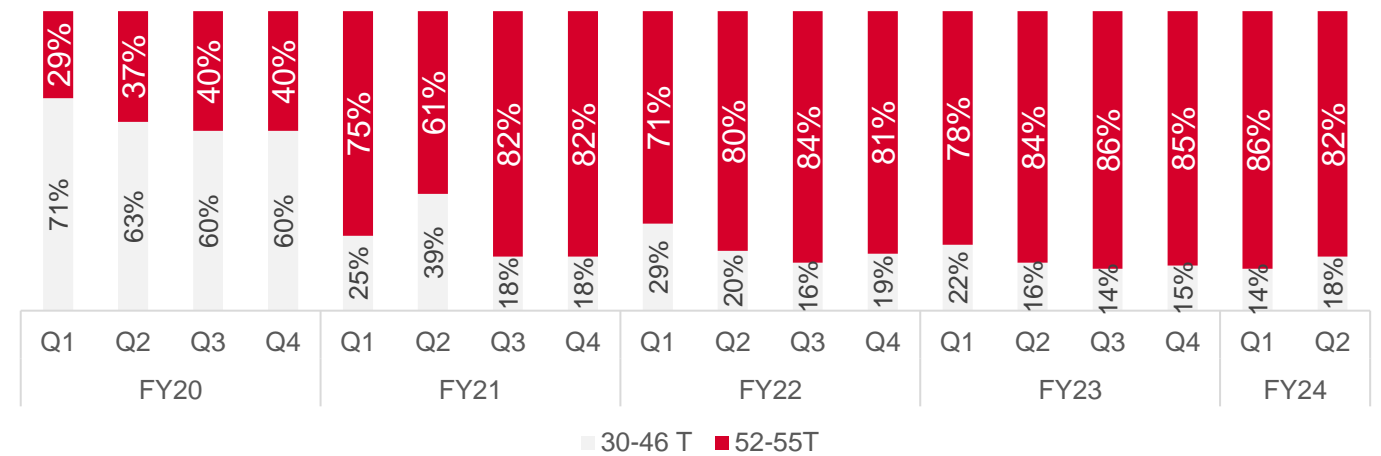
Fuel mix of vehicle registrations for 7.5T-12T Goods segment



GVW trend in MAV sales



GVW trend in TT sales



Overview of end-use segments - Cargo

Segments (% Growth Y-o-Y)	FY19	FY20	FY21	FY22	FY23	FY24P	FY25P	
Coal (Production)	7	0	(2)	9	14	5-6	6-7	Core Sectors
Iron ore (Production)	3	19	(17)	23	3	6-8	6-8	
Steel (Consumption)	9	1	(5)	11.4	13.3	7-9	6-7	
Cement (Consumption)	12	(3)	1	9	12	10-12	2-4	
Roads (Km Constructed / Day)-NHAI	9	11	11	13	13-14	14-15		
Port (Traffic)	8.2	2	(5.5)	4.3	8.7	3-6	2-5	
Two-wheelers (Domestic sales)	5	(18)	(13)	(11)	19	10-12	7-9	Discretionary Products
Passenger vehicles (Domestic sales)	3	(18)	(2)	13	27	6-8	0-2	
Consumer durables (Consumption)	7	5	(17)	12-17	10-13	6-8	8-10	
E-retail	35-37	23	13	27	27	20-25	21-26	
RMG (Market Size)	6	(2)	(24)	23	14	9-11	10-12	
Dairy (Production)	7	5	(4)	3	3	3-4	5-6	Non - Discretionary Products
FMCG	12	5	3.5	13-15	13.3	7-9		
Pharmaceuticals (Market Size)	15	9	13	7-8	12	8-10	9-11	

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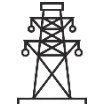
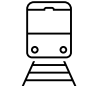




Overview of end-use segments - Buses

Segments (% Growth Y-o-Y)	FY19	FY20	FY21	FY22	FY23	FY24P	FY25P	
Gross School Enrollment								Buses
K-12	73.4	78	74.5	74.8	75.1	75.4	75.7	
Above K-12	22.5	22.5	22.2	23.0	23.4	23.4	23.3	
IT Employee Base	4	4	7	14.5	7-9	1-3	2-5	
Air Passenger Traffic – Domestic (million passengers)	140	142	54	84.7	135	153-163	179	
Air Passenger Traffic – International (million passengers)	69	66.5	10.4	22.1	60	68-73	80-82	
Hotel Room Demand	4	1	(51)	68	55-60	8-12	4-8	

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Infra spending to lead capex cycle; industrial capex to accelerate

National Infrastructure Pipeline (NIP) achievement seen at 75% through fiscal 2025 compared with the original target

Sector	FY18-FY22 CAGR	FY22E Rs lakh crore	FY23E	FY24P	FY23E-27P/ FY18-FY22	Source of funds (FY23E)
 Infrastructure (A)	7%	11.1-11.3	18-22%	12-15%	1.7x	46% Centre, 39% State, 15% Private
 Roads	14%	3.3-3.5	13-15%	12-15%	1.7x	49% Centre, 38% State, 13% Private
 Power	2%	2.2-2.3	30-32%	13-16%	1.8x	25% Centre, 31% State, 44% Private
 Railways	17%	1.9-2.0	33-36%	12-14%	1.9x	84% Centre, 16% Private
 Urban infrastructure	21%	1.6-1.7	15-17%	20-25%	2.5x	41% Centre, 55% State, 4% Private
 Other infrastructure	-5%	2.0-2.1	3-5%	8-10%	1.1x	18% Centre, 47% State, 34% Private
 Industrial (B)	7%	4.3-4.4	15-17%	12-15%	1.5x	37% Centre, 63% Private
 Total investments (A+B)	7%	15.5-15.7	18-20%	12-16%	1.7x	41% Centre, 26% State, 33% Private

Note : Other infrastructure include ports, airports, telecom, irrigation, warehousing
 E - estimated, P - projected; NIP - National Infrastructure Pipeline
 Source: CRISIL MI&A Research

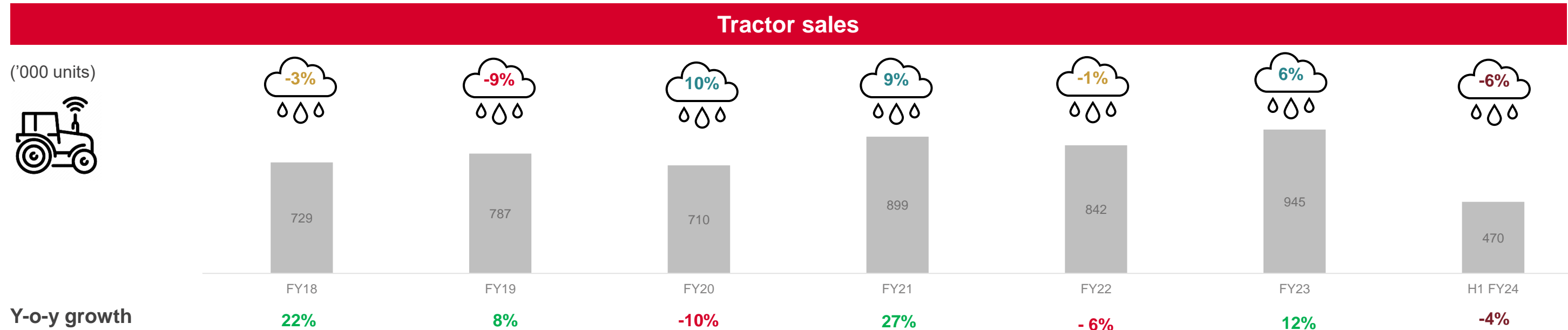


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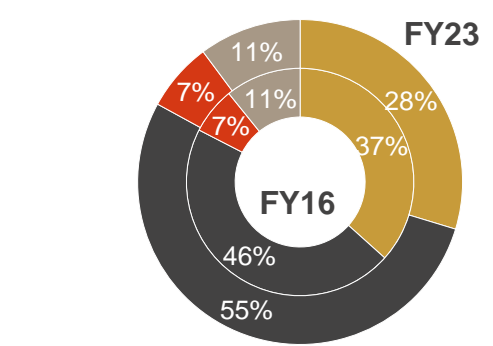
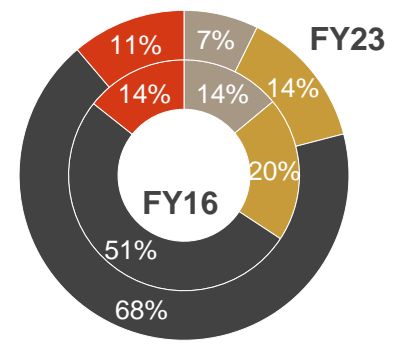
Tractors

Improvement in farm income increasing demand for higher HP tractors

Tractor industry trends



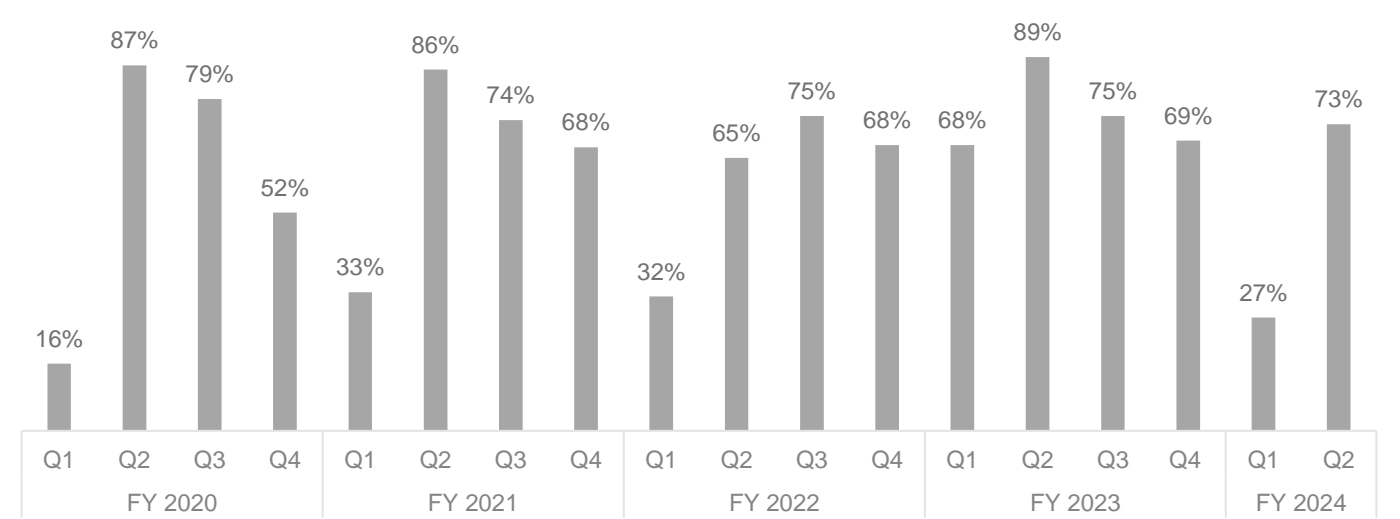
Growth in sales of implements raising demand for higher HP tractors



Value-wise contribution of implements

Segment-wise contribution of tractors

Good reservoir levels aiding crop production



Notes: Storage Status of 143 Reservoirs of the Country
Source: Central Water Commission

Some improvement expected in tractor sales during FY25

Parameters	Impact			
	FY 22	FY23	FY24E	FY25P
Farm Income**	Neutral	Favorable	Neutral	Favorable
-- Crop Prices	Favorable	Favorable	Neutral	Favorable
-- Crop Output	Favorable	Favorable	Neutral	Favorable
-- Kharif Output	Neutral	Favorable	Neutral	Favorable
-- Rabi Output	Favorable	Neutral	Neutral	Neutral
Non Agri demand Indicators	Neutral	Neutral	Neutral	Neutral
-- Infrastructure Development	Neutral	Favorable	Favorable	Favorable
-- Sand Mining	Neutral	Neutral	Neutral	Neutral
Supply side variables & financing	Favorable	Favorable	Favorable	Favorable
-- Finance Availability	Neutral	Neutral	Favorable	Favorable
-- Channel Inventory	Not Favorable	Not Favorable	Neutral	Neutral
-- Player Action	Not Favorable	Favorable	Neutral	Neutral

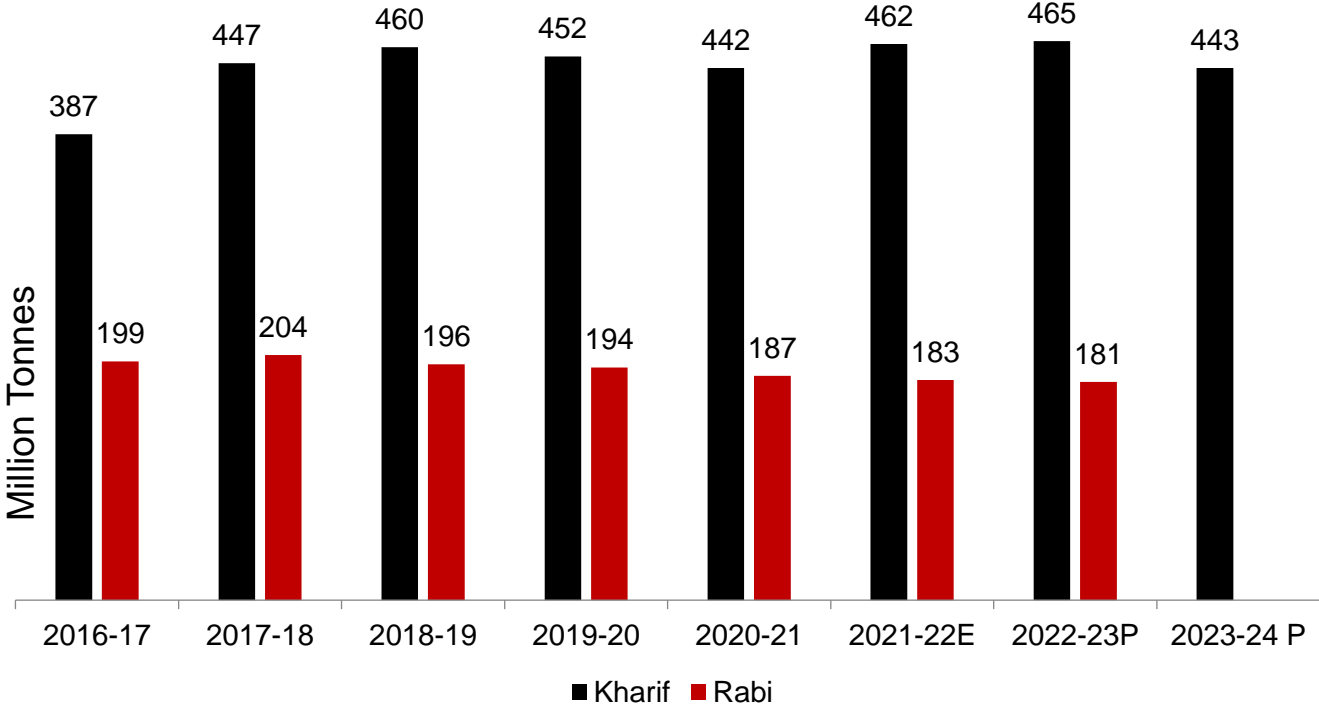


NOTE : ** FY24 assumed neutral assuming normal monsoon,
 Source: CRISIL MI&A

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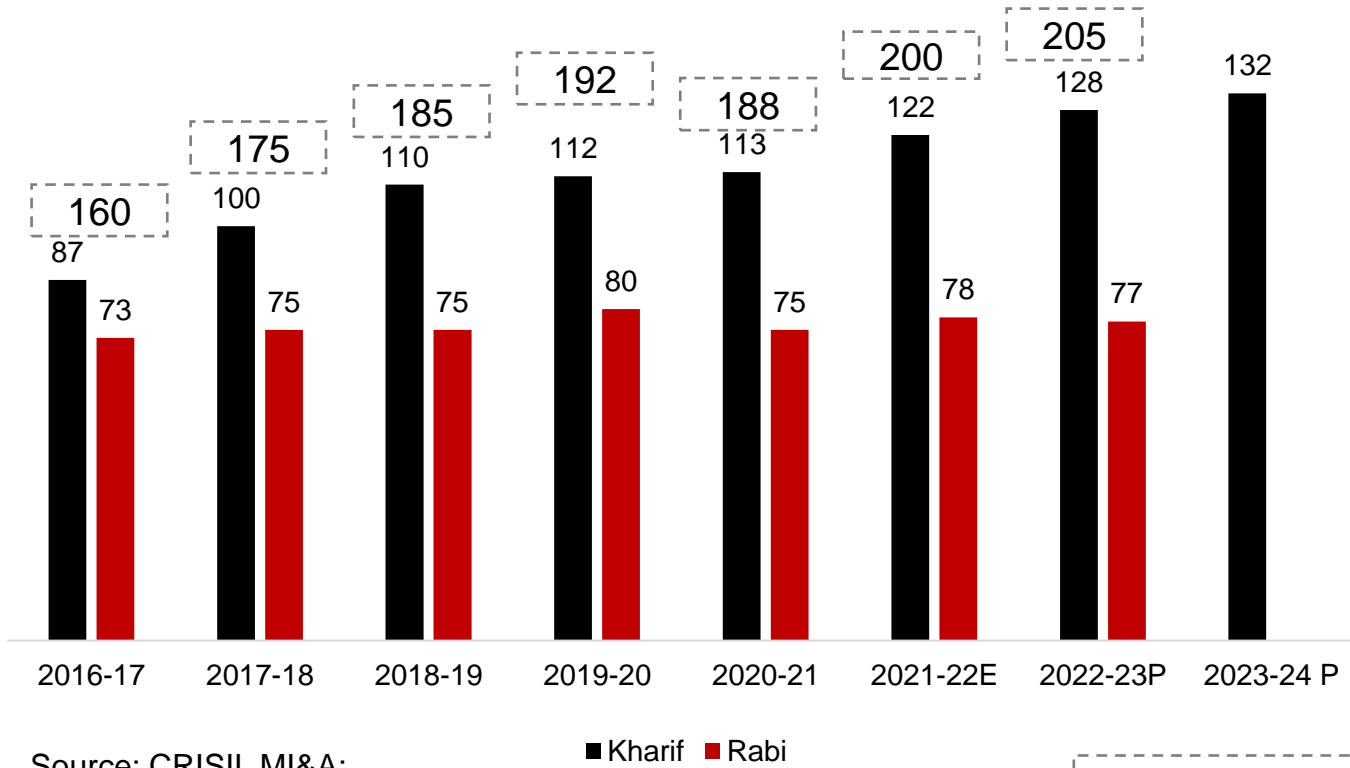
Uneven rainfall spread expected to impact kharif production; crop prices to support farm income

Food-grain Crop Production



Source: CRISIL MI&A

Food-grain CVI (Crop Value Index)



Source: CRISIL MI&A;

Note: CVI- Crop value index, CVI has been indexed to 100 at 2011-12

Total CVI



Kharif production is expected to be 3-5% lower on-year on account of uneven rainfall spread across the country.



Higher MSP allocation for FY24 and good prices in mandis has maintained the positivity on-ground

How are we seeing things ahead?

Segment wise festive retail scenario

Segment	y-o-y growth in festive retail	Post festive dealer stock
Passenger Vehicles		<i>Normal</i>
Two Wheelers		<i>Below Normal</i>
Commercial Vehicles		<i>Normal- Above Normal</i>
Tractors		<i>Normal</i>

y-o-y contraction  y-o-y growth

Domestic – Annual forecast

Segment	Volumes					Y-o-y growth rate				
	FY21	FY22	FY23	FY24E	FY25P	FY21	FY22	FY23	FY24E	FY25P
PV (mn)	2.7	3.1	3.9	4.1- 4.3	4.2-4.4	(2)%	13%	27%	6-8%	0-2%
PV-EV penetration	0%	0.5%	1.5%	3-4%	4-5%					
Two Wheelers (mn)	15.1	13.7	16.3	18.1-18.3	19.3-19.7	(13)%	(10)%	18%	10-12%	7-9%
TW-EV penetration	0%	2%	4.5%	5-6%	7-9%					
CV ('000)	566	731	960	995-1014	915-935	(21)%	29%	34%	4-6%	(9)-(7)%
CV-EV penetration	0%	0.2%	0.3%	0.5-1%	2-3%					
Three Wheelers ('000)	217	260	489	760-790	860-880	(66)%	23%	88%	58-61%	12-15%
3W- EV penetration	1%	4%	6%	12-15%	18-20%					
Tractors (mn)	0.89	0.84	0.94	0.91-0.93	0.92-0.94	27%	(6)%	12%	(2)- 0%	1-3%

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