

Presentation to ACMA on Indian Automobile Industry

May 2021
CRISIL Limited



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Macro Economic Outlook & High frequency Indicators

Macroeconomic outlook

Segments (% Growth Y-o-Y)	FY 15	FY 16	FY 17	FY 18	FY 19	FY 20 E	FY 21 P	FY22P
GDP (% Growth Y-o-Y)	7.4	8.0	8.8	7	6.1	4.8-5	(8)	11 ↓
CAD (as a % of GDP)	-1.3	-1.1	-0.7	-1.8	-2.1	-1.0	+0.8	1.4
10-year G-sec yield (end-March)	7.7	7.5	6.8	7.6	7.5	6.2	6.2	6.5
PFCE	6.4	7.9	8.1	7	7.2	5.3	(9)	9-11
Crude oil (\$/barrel/CY)			44	54.5	71	64	38-43	58-63
Inflation (Consumer Price Index)	5.9	4.9	4.5	3.6	3.4	4.8	6.4	5.0

Note: Some downside is expected in the GDP forecast given the severity of the second Covid wave

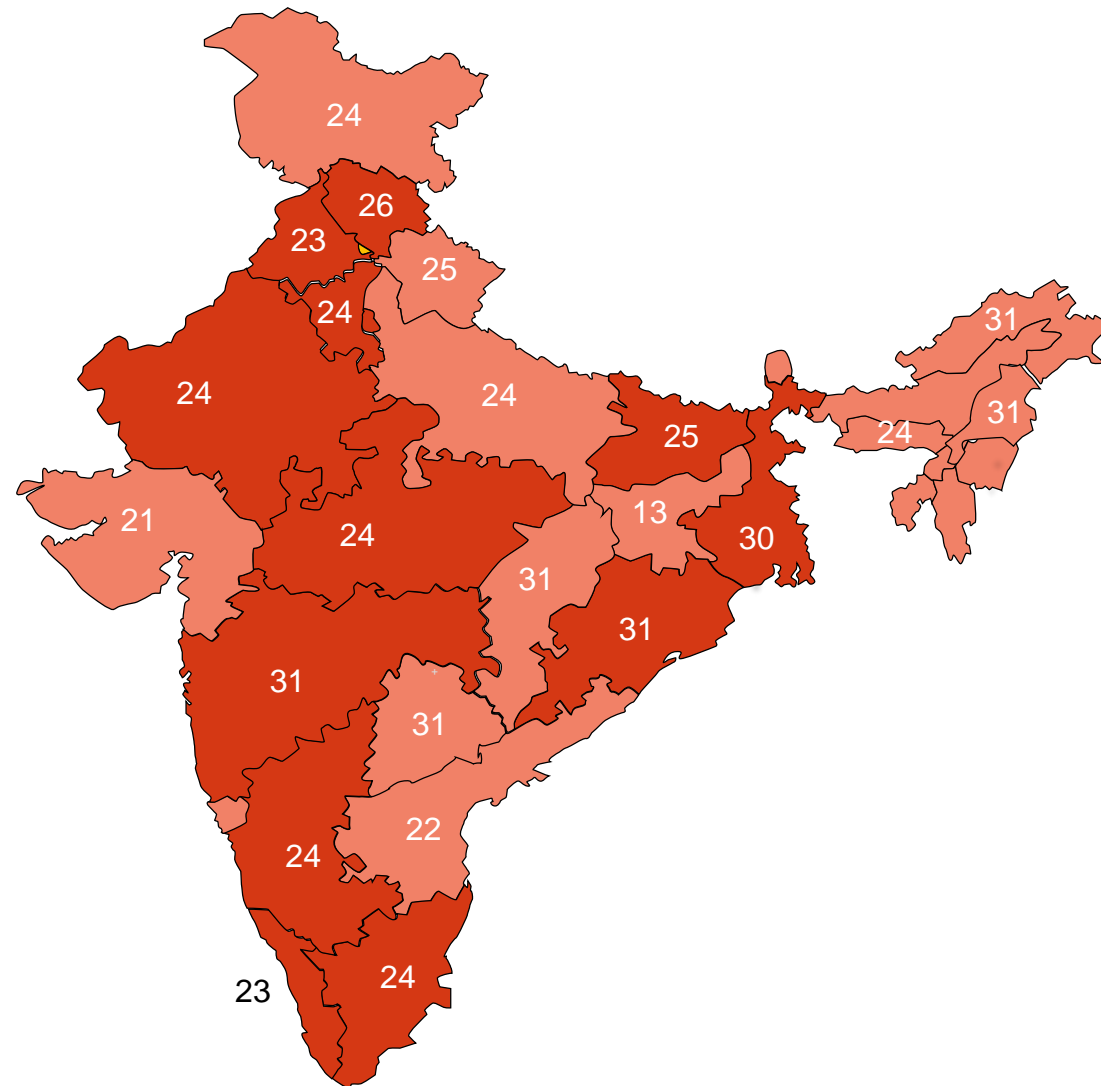
Moderate downside: Second wave peaks by May end : GDP growth drops to 9.8%

Severe downside: Second wave peaks by June end: GDP growth drops to 8.2%

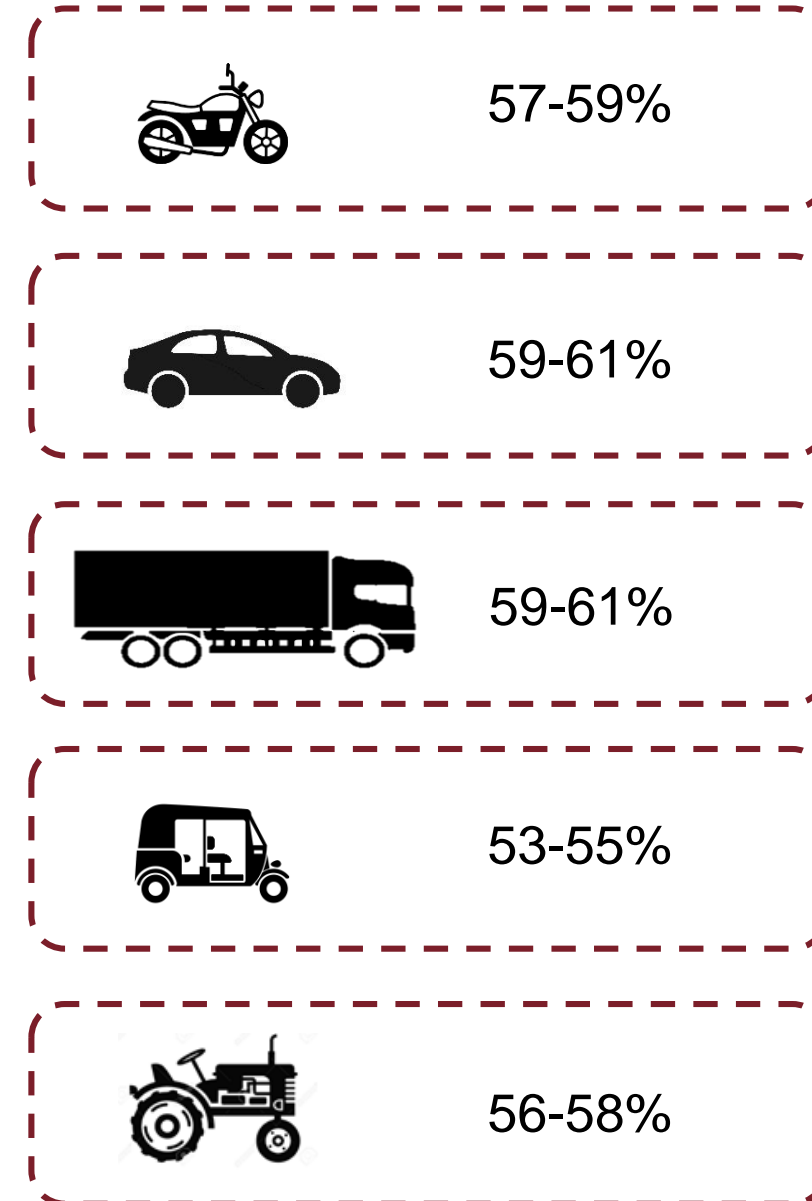
Source: CSO, RBI and CRISIL estimates. CY – Calendar Year

Major states remain under lockdown for significant part of May; 55-60% sales in jeopardy

State wise Covid restrictions



Sales contribution of states under complete lockdown

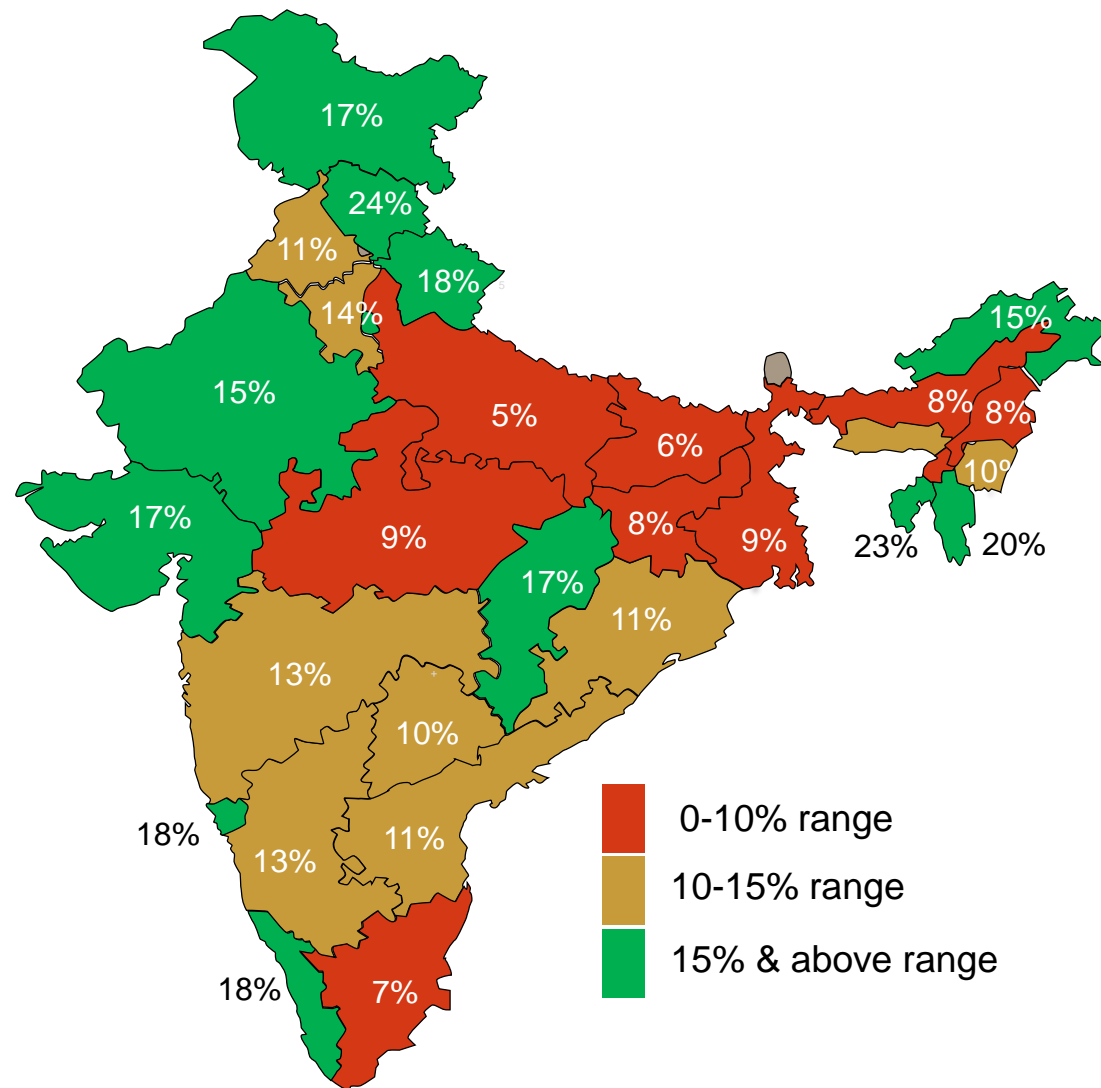


■ Complete lockdown
■ Partial lockdown/ Weekend Curfew/Night curfew

State wise extent of vaccination

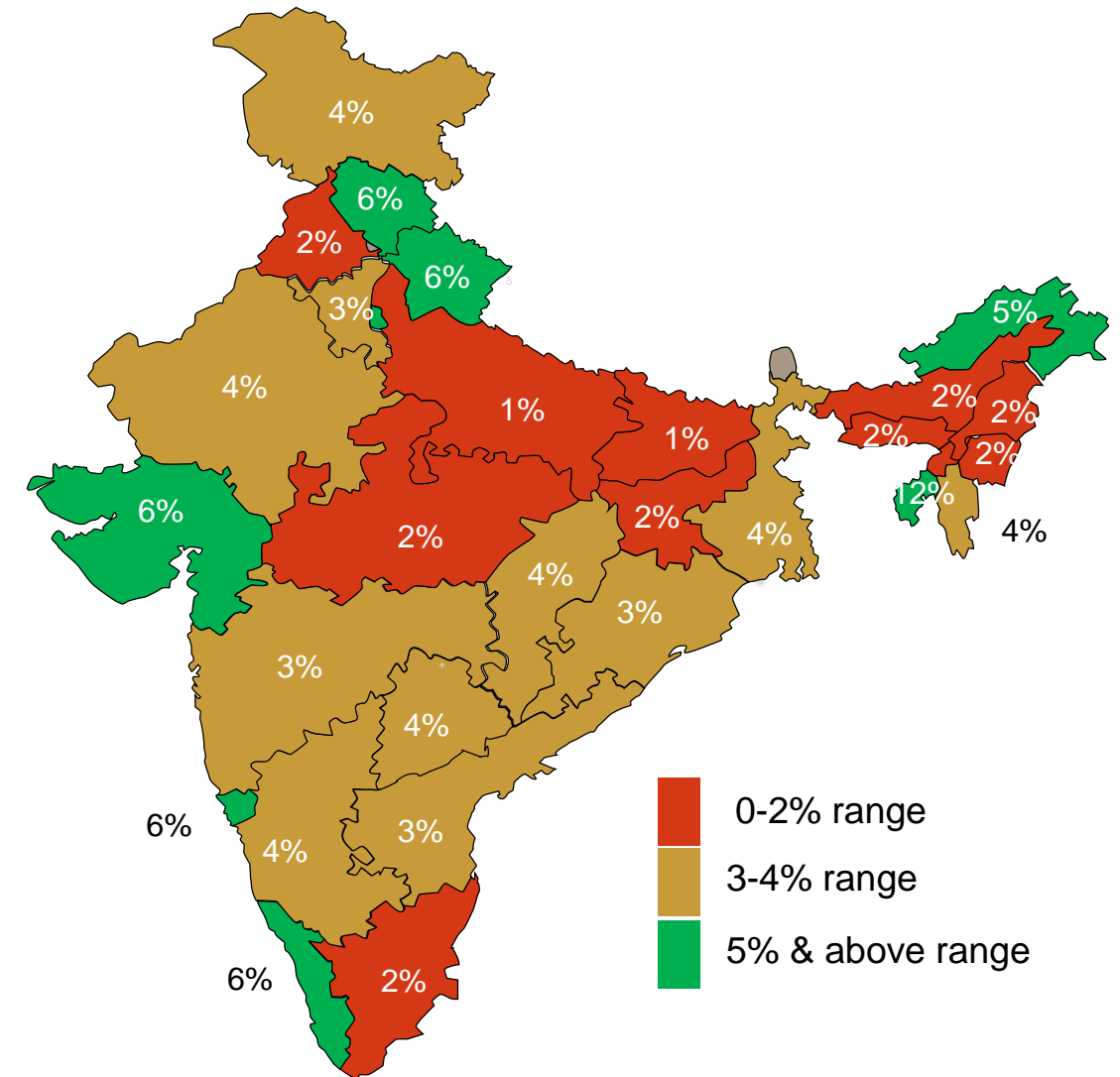
% population who have been administered 1st Dose

India's 10% population has taken 1st dose



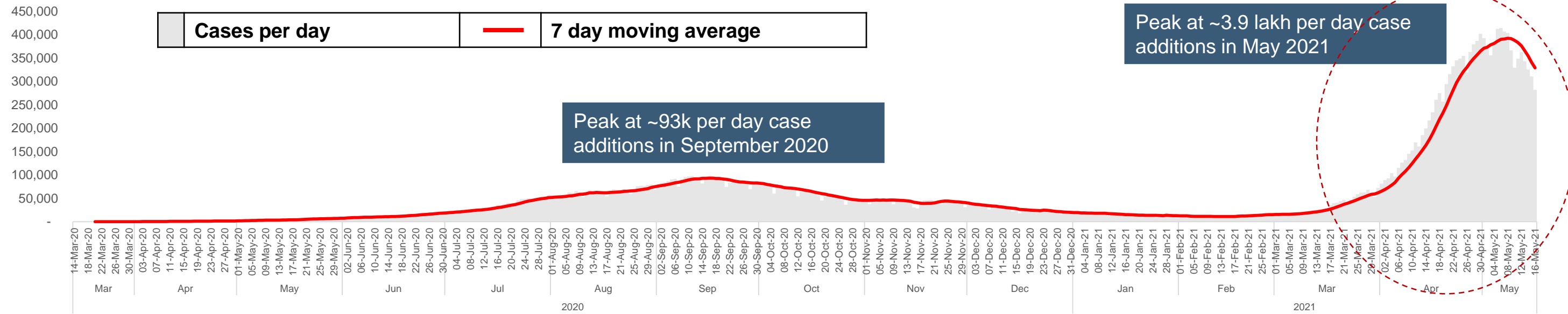
% population fully vaccinated

India's 3% population fully vaccinated

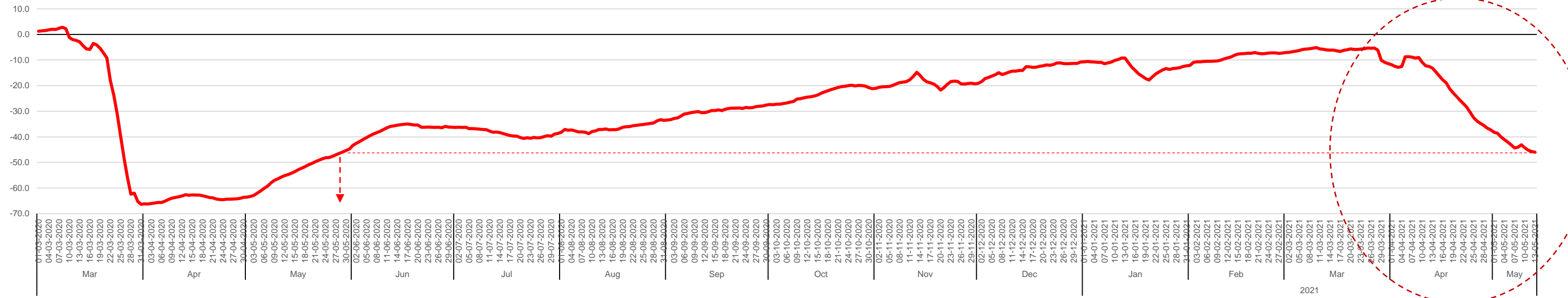


Daily new cases quadruple during the second wave, severely impact mobility

Trend in new COVID-19 cases per day (7 day moving average)



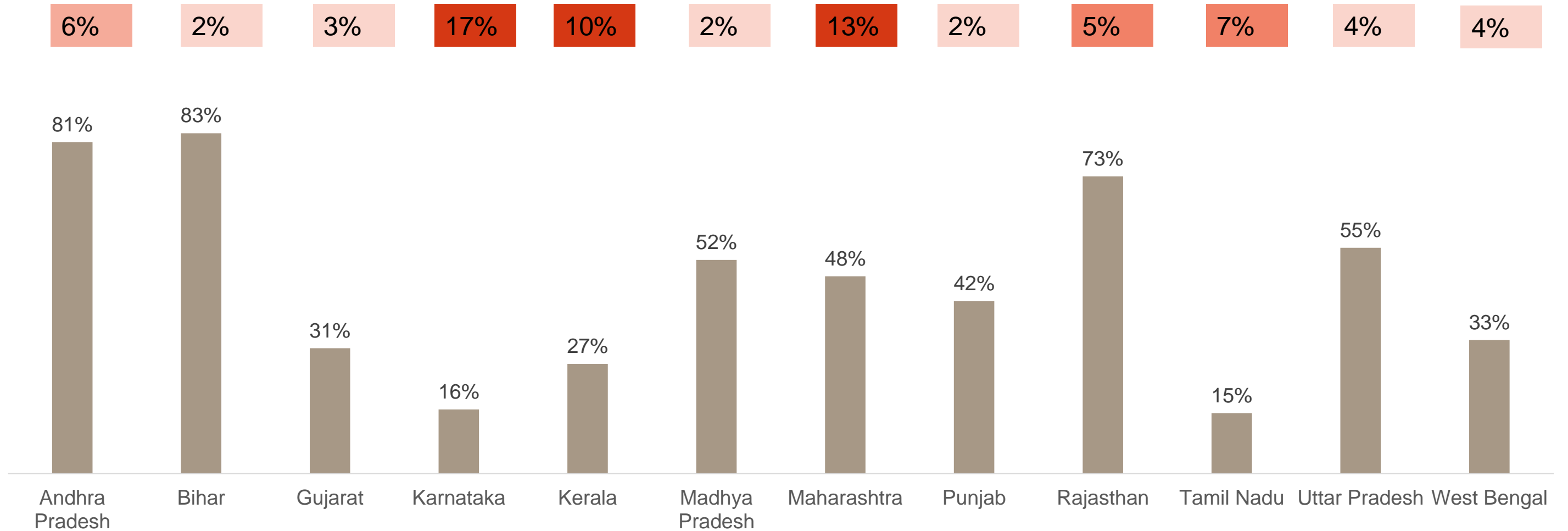
Trend in average mobility trends (7 day moving average)



Share of active cases in rural areas for major states

For developed states, cases are more concentrated in Urban areas

Share of state in all India cases

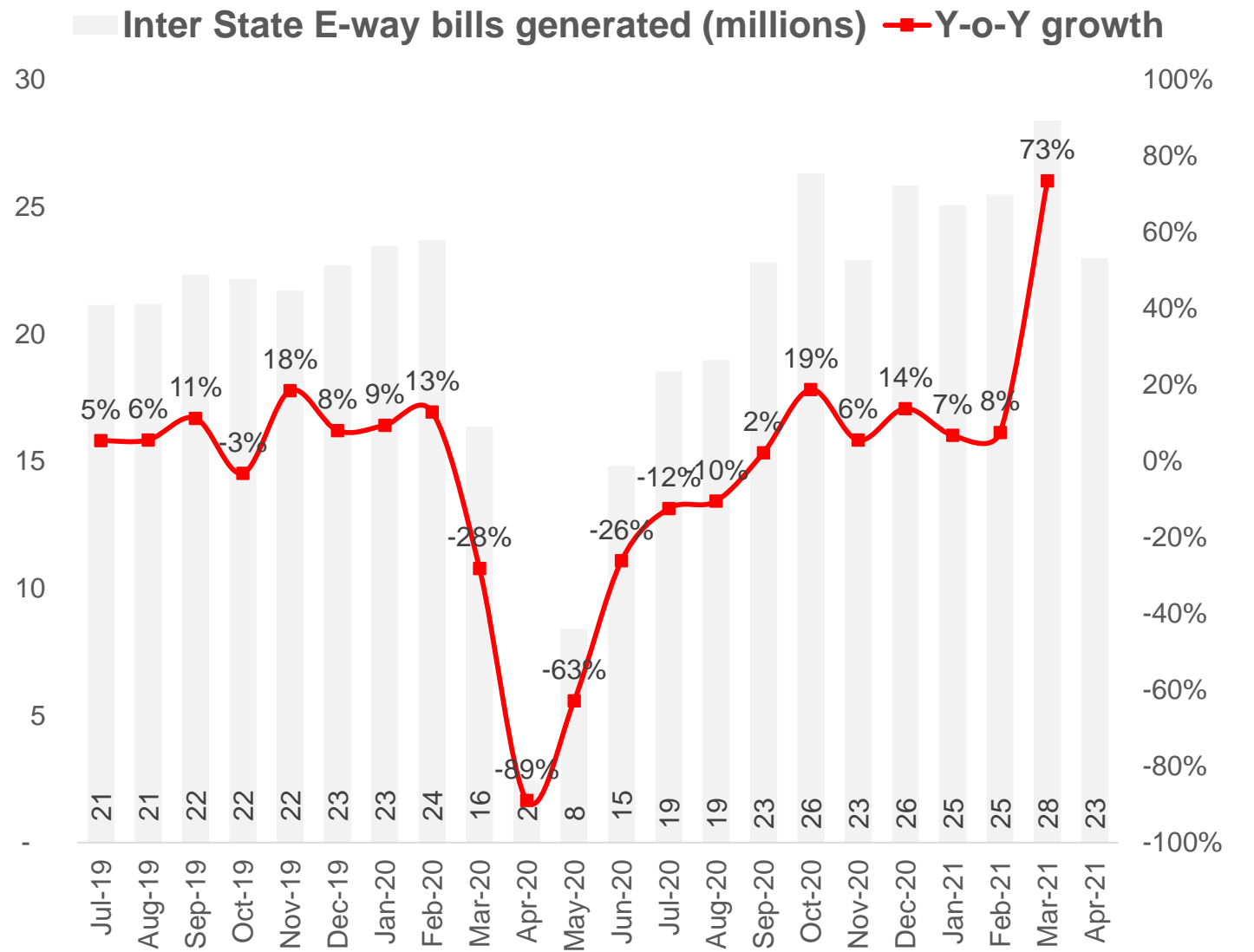
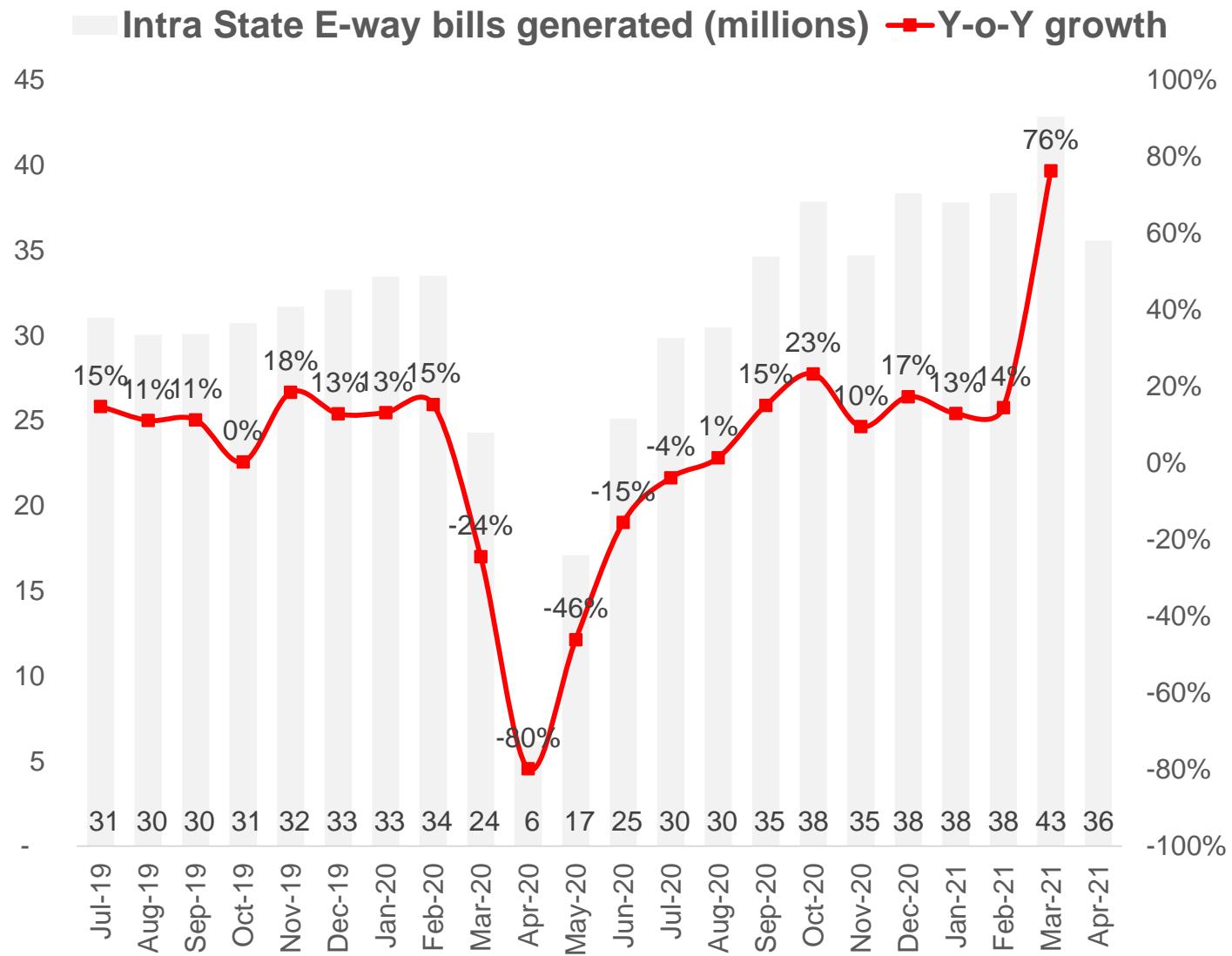


Note: Data as of 18th May 2021

Source: Covid19India.org CRISIL Research

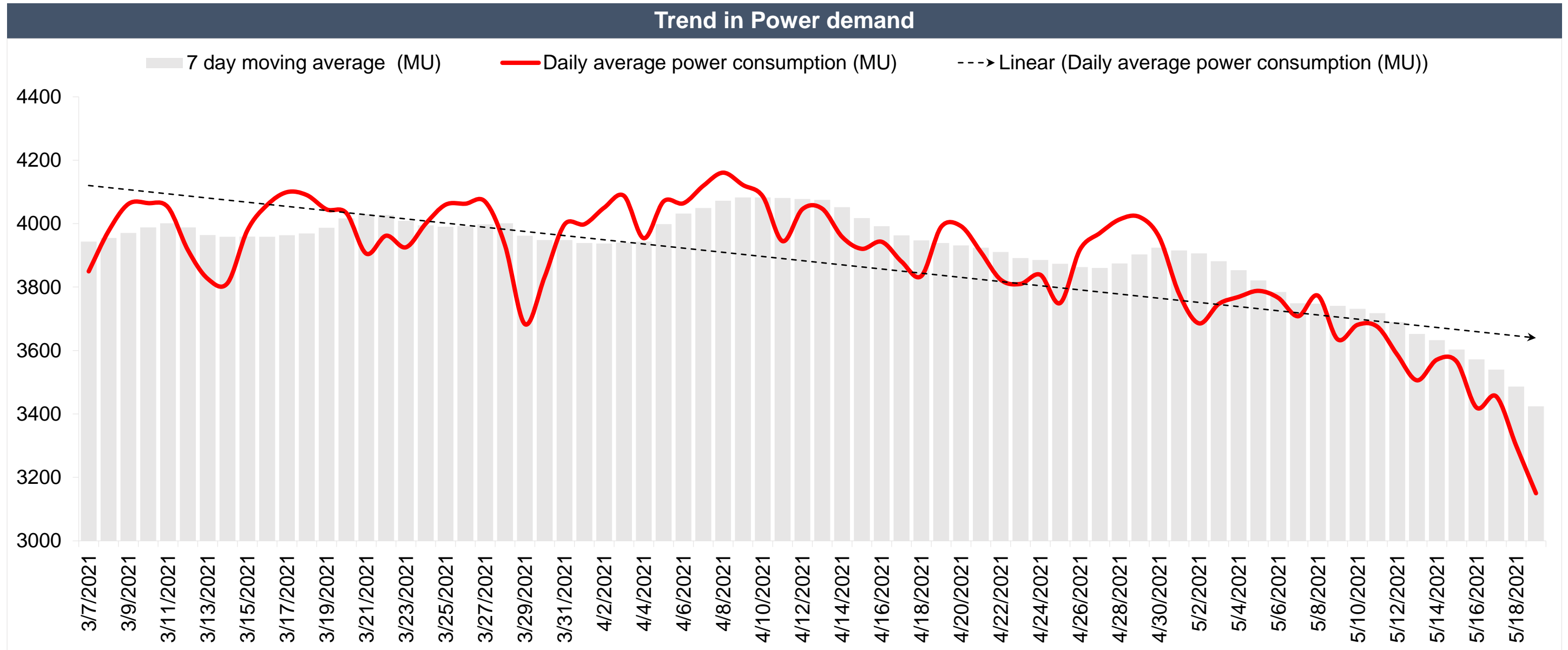
E-waybill showing downward trajectory

Number of E-way bills generated in India (millions)



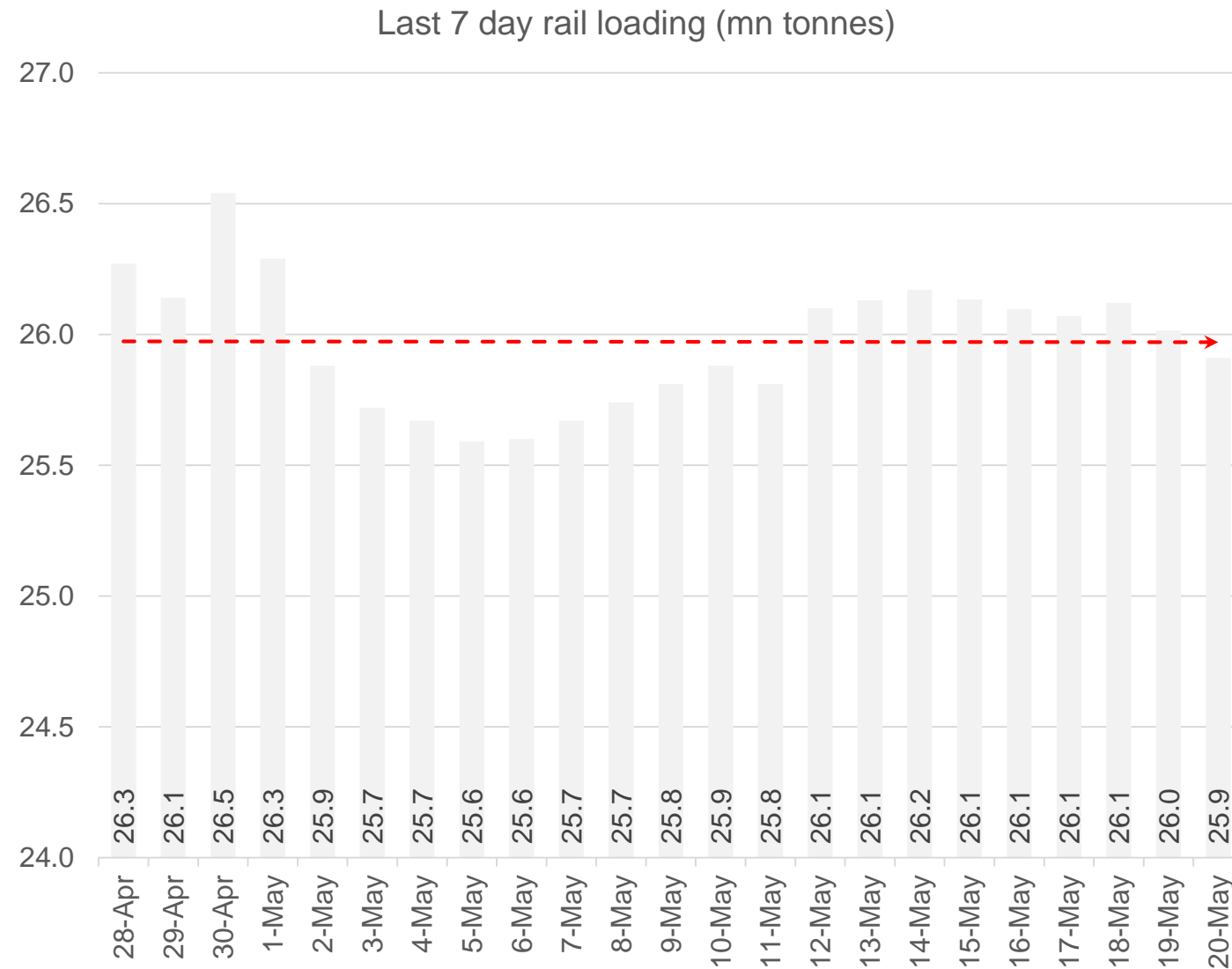
Agri, last mile distribution and market load operations do not come under ambit of E-way bill hence the E-way bills mentioned here may not represent the entire movement of goods in the country
 Source: GST Network, CRISIL Research,

Power consumption trajectory

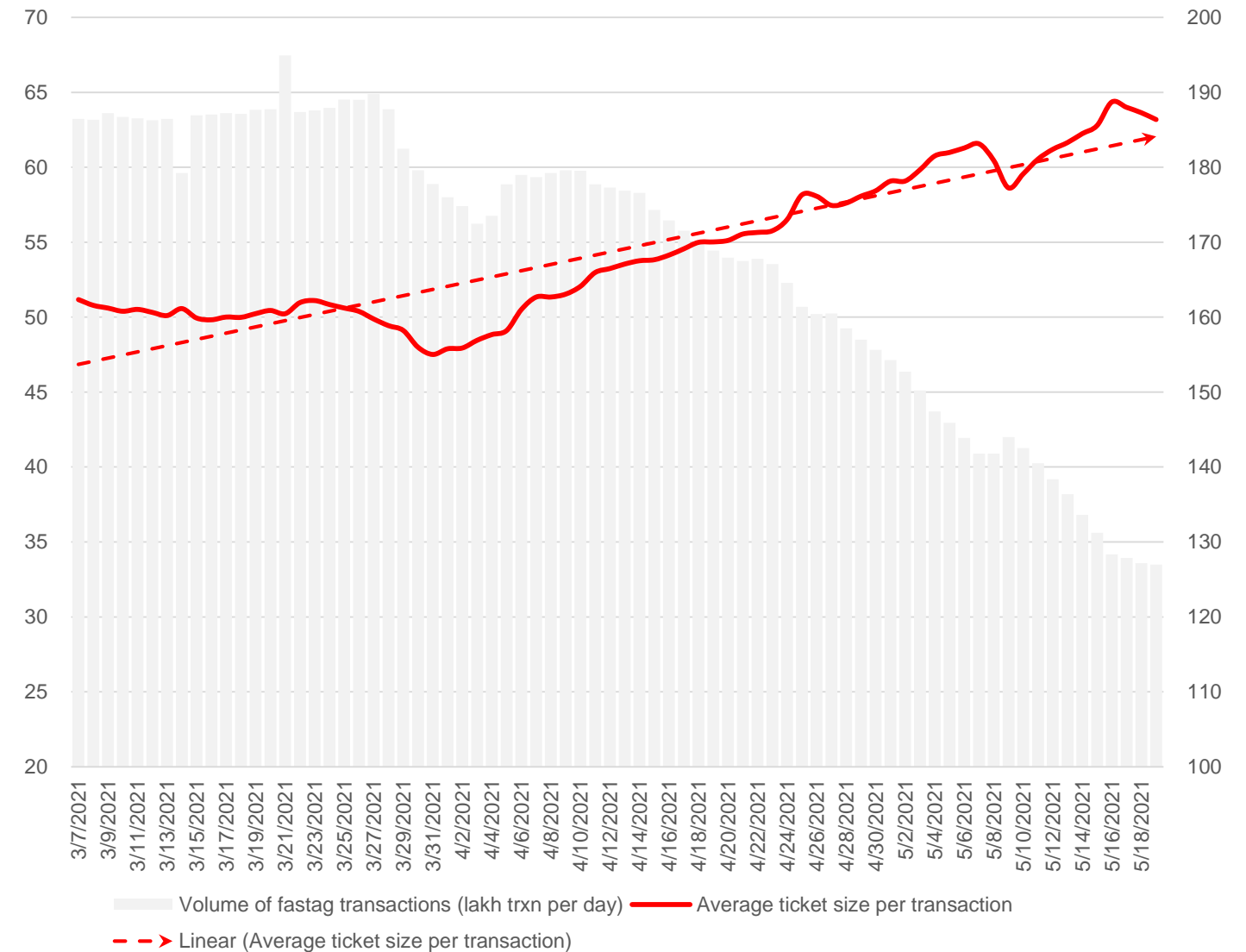


Rail loading and Fastag trend

Daily trend in cumulative 7 day rail loading



Fastag collections in volume terms (7 day moving average)



Rural scenario

Second pandemic wave leads to radical change in rural sentiments

Agricultural sentiments



- Agricultural field activities have not witnessed any obstruction/problems on account of the second wave
- Government supported the farmers to assure timely harvest of rabi crops.
- However, government procurement has been impacted as process has slowed down due to social distancing and safety norms. Majority of India's produce is sold in mandi's which are not operational in most of the states on account of state-wise lockdowns.
- Cash-flow has been impacted on account of slow procurement. Further, payments are expected to be delayed due to limited fund availability with central & state government.

Farmer sentiments



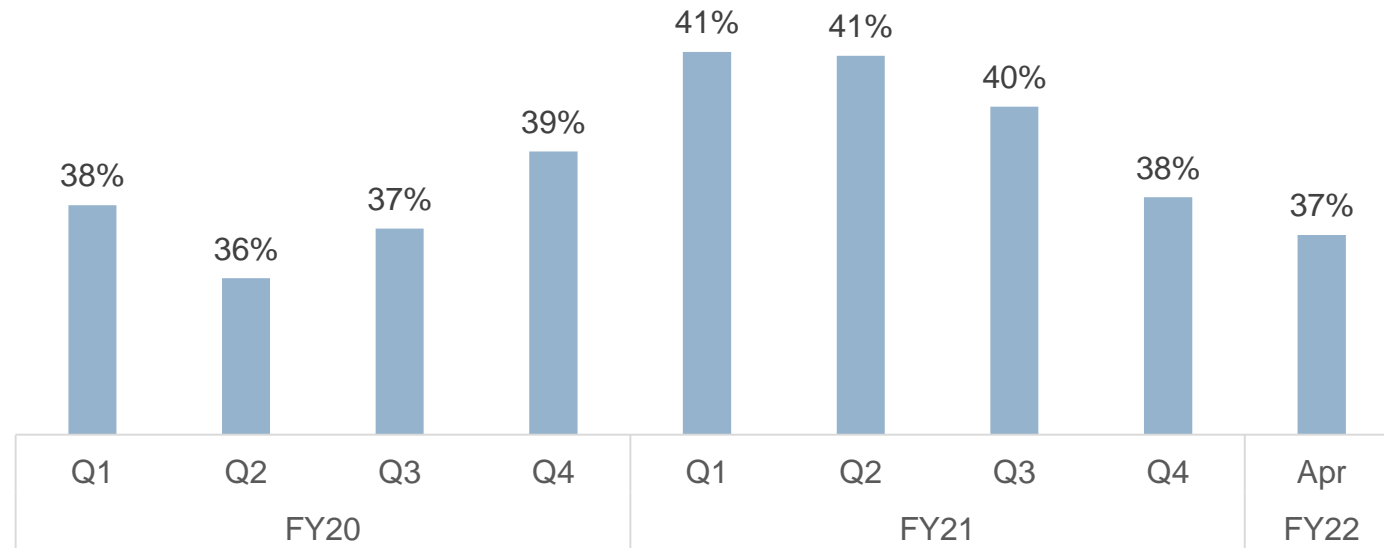
- Sense of fear/panic has been witnessed in rural India as farmers and their families have been impacted by the second pandemic wave and some have also faced a personal loss.
- Everyone wants to save up as there could be a medical emergency at any time and finding a bed in any hospital has become very difficult due to poor medical infrastructure.
- Lack of education and awareness about the virus has resulted in many people avoiding to get a test done to detect the virus which is a negative factor as the virus could spread more.
- Movement is limited for essential needs and farming activities.



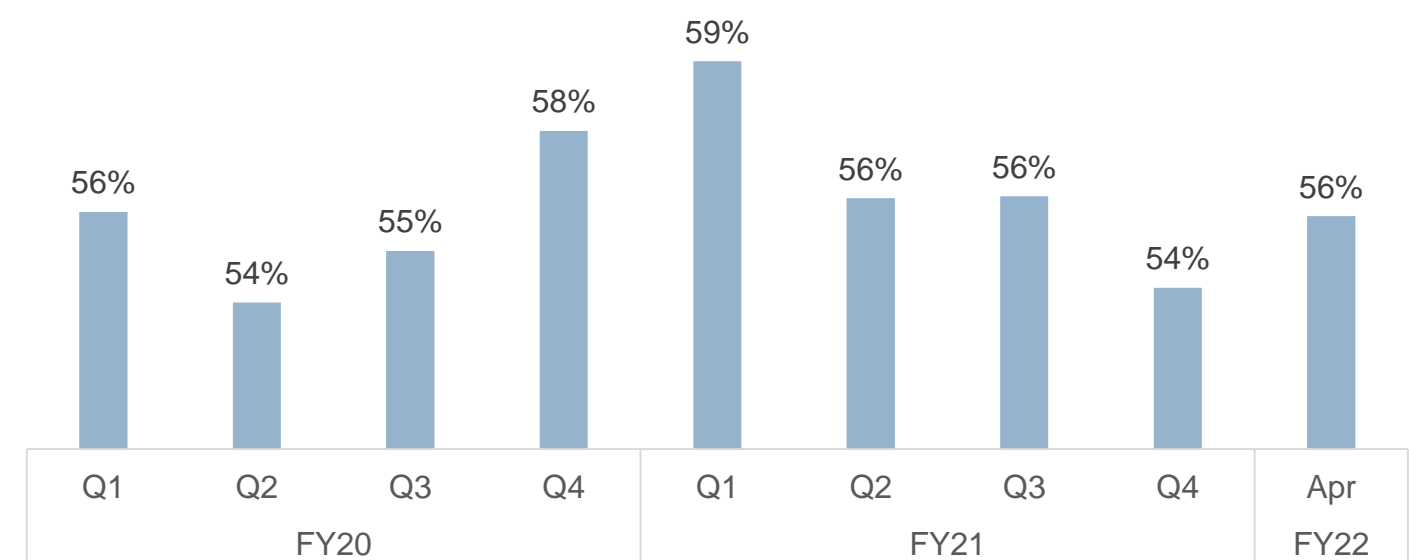
Overall, the second pandemic wave has impacted rural India significantly. Recovery is expected to be gradual as fear persists amongst people .

Rural urban divide

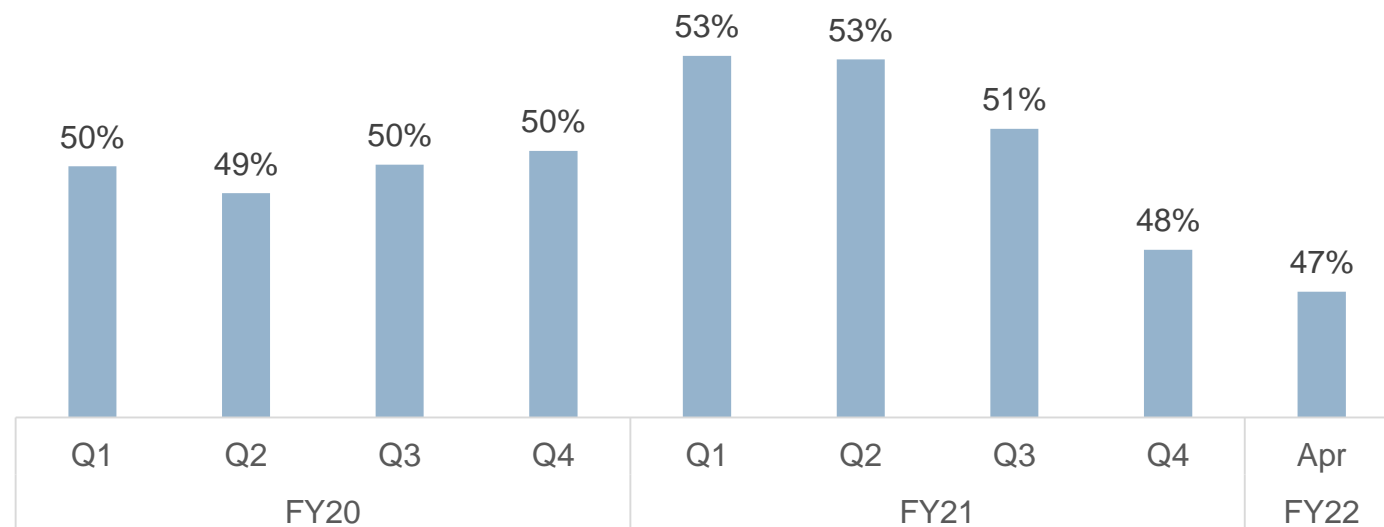
% share of rural India in PV sales



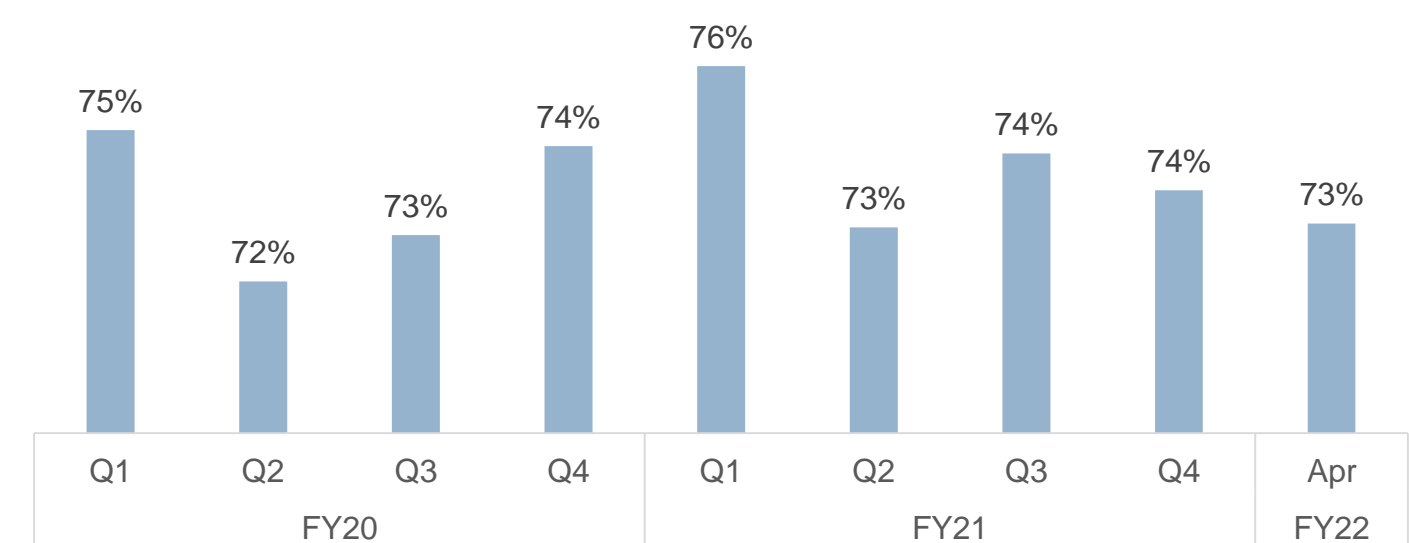
% share of rural India in 2W sales



% share of rural India in CV sales



% share of rural India in Tractor sales



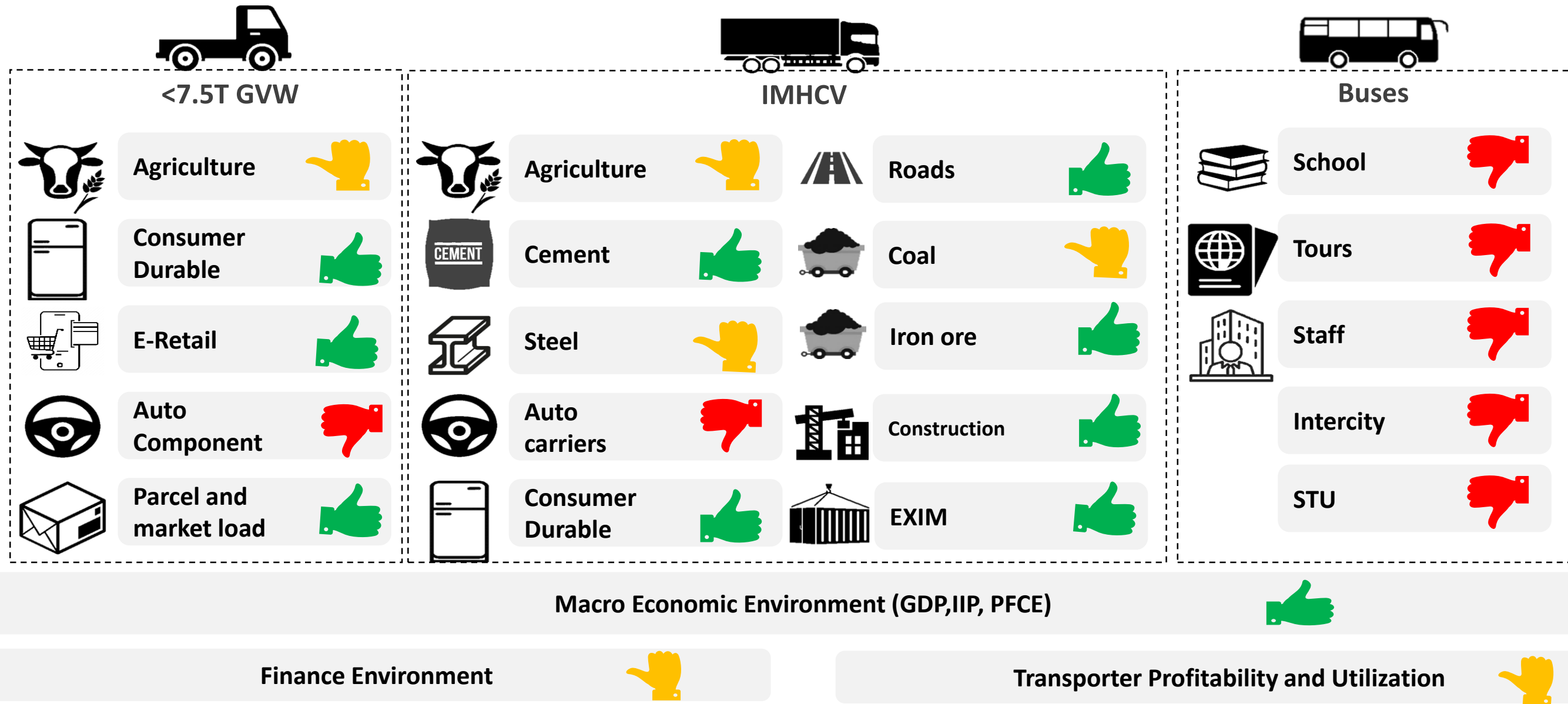
Assumptions to our Forecast

Assumptions

- Covid cases to peak by May end & plateau in June and expected to move on a downward trajectory from Q2
- Localised lockdowns & restrictions to continue in May; National lockdown cannot be ruled out, however, it is currently not factored in
- Pandemic situation to improve / **economic activities to revive** by H2 FY22; while some segments like passenger vehicles which have a higher waiting period can see a faster recovery
- Fear buying on account of Covid to provide an upside to segments like Passenger vehicles
- Pace of inoculation to be a key monitorable
- Schools, colleges and workplaces to take a long time to resume; earliest estimate seems to be beginning of H2 FY22
- **Normal monsoon in 2021**
- **Gradual improvement in supply situation**
- Financing scenario to improve gradually; however financiers are slowly becoming more cautious
- **Consumption & infrastructure related activities (continued monetary flow from government a key monitorable)** to lead recovery, private investment scenario to remain subdued in the first half barring few instances of investment under PLI
- **Rising commodity prices to remain a key monitorable**

Commercial Vehicle and three-wheeler

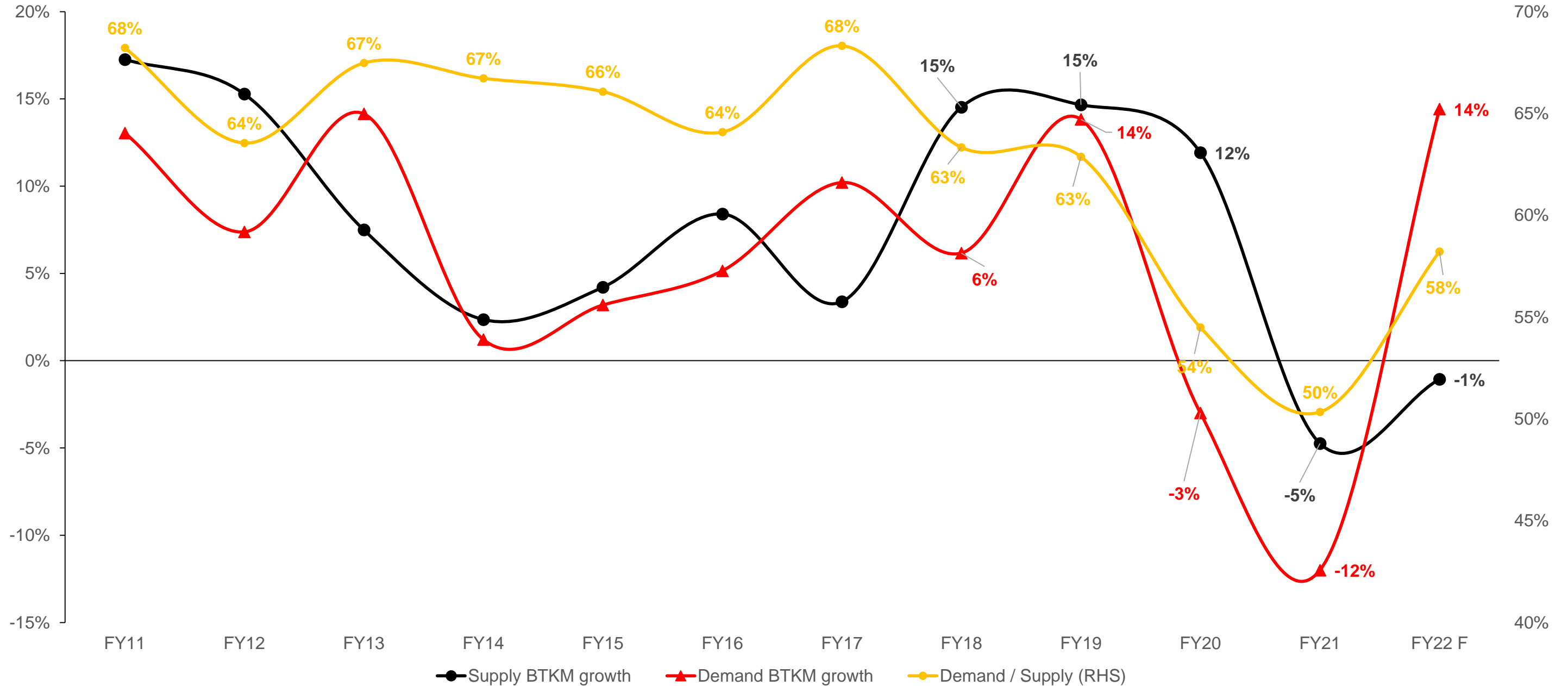
Overview: Influencing parameters - Fiscal 2022



1. We have compared Freight availability for FY22 in comparison to FY20. Wherever the freight availability is improving by a reasonable % over FY20, we have graded the same in green shade, while for improvement in freight availability by less than FY20 has been graded as red

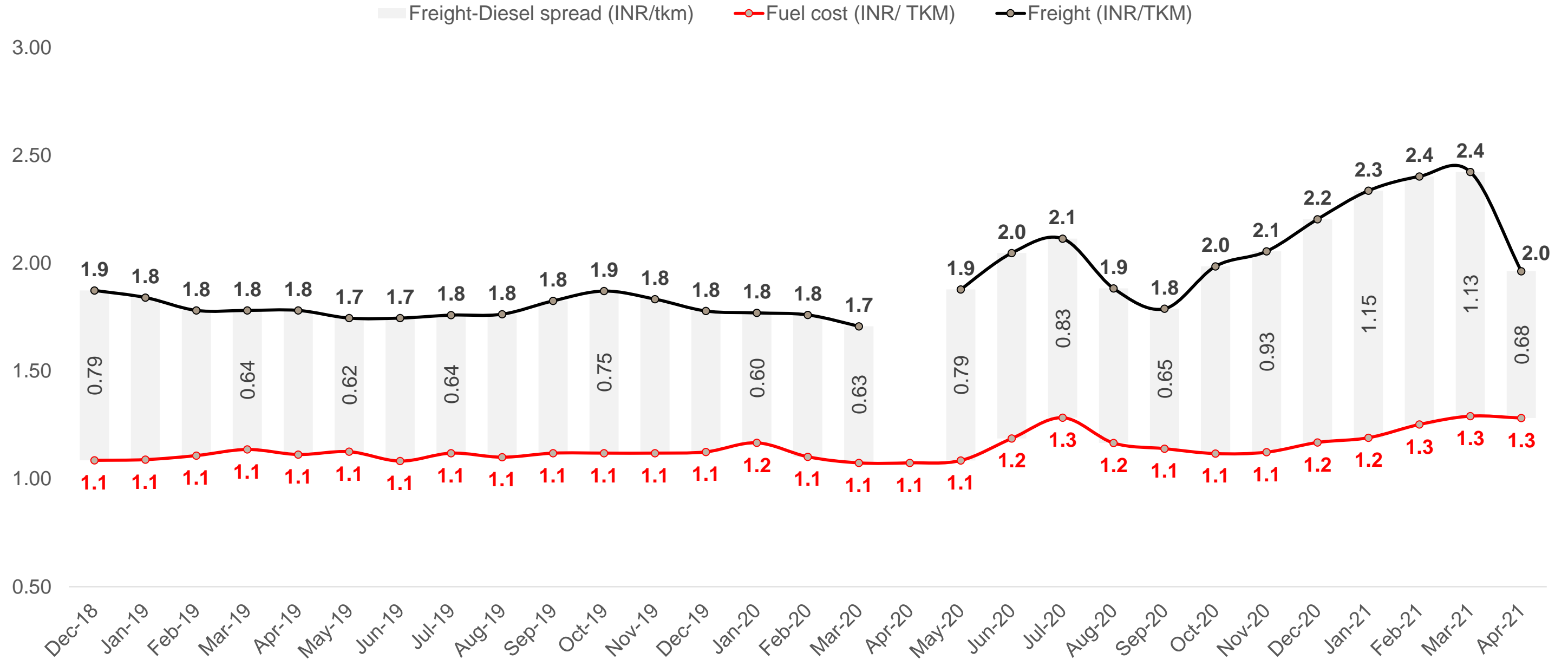
After 4 years of lower freight demand growth than supply growth, situation to reverse in FY22 as demand grows at double digits

Bounce back of manufacturing could lead to healthy growth in BTKM demand



● Supply BTKM growth ▲ Demand BTKM growth ● Demand / Supply (RHS)

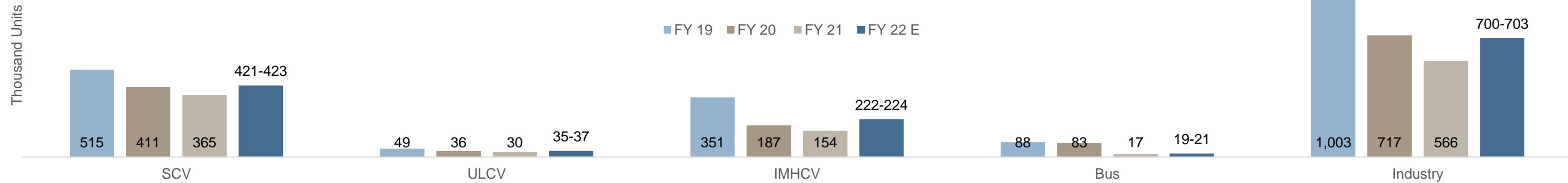
Second half of April sees sharp fall in Freight rates as most large states impose movement restrictions and lockdowns



After two consecutive sharp declines, CV Industry to see growth in FY22, however first half to be relatively slow due to second wave of COVID

Annual domestic forecast

Y-o-Y Growth (%)	SCV Cargo				ULCV Cargo				IMHCV Cargo				Buses				CV Industry			
	FY 19	FY 20	FY 21	FY 22 E	FY 19	FY 20	FY 21	FY 22 E	FY 19	FY 20	FY 21	FY 22 E	FY 19	FY 20	FY 21	FY 22 E	FY 19	FY 20	FY 21	FY 22 E
	22%	(20)%	(11)%	15-17%	7%	(26)%	(18)%	21-23%	15%	(47)%	(18)%	44-46%	11%	(6)%	(79)%	14-16%	18%	(28)%	(21)%	23-25%



Quarterly growth (Y-o-Y) (%)

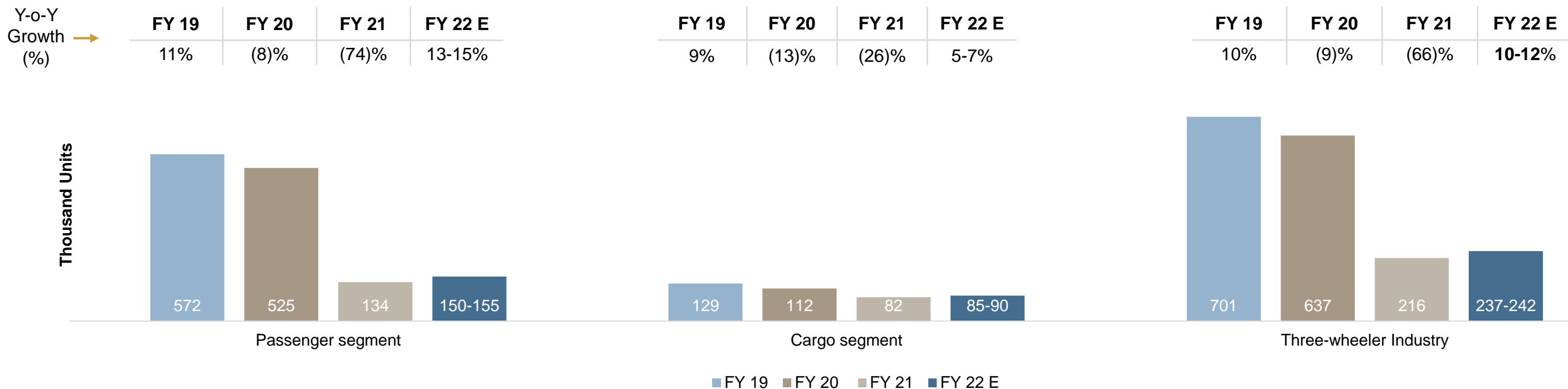
Segments	Q1 FY21	Q2 FY21	Q3 FY21	Q4 FY21	Q1 FY22P	Q2 FY22P
SCV	-77%	-1%	5%	40%	157-159%	(12)-(10)%
ULCV	-88%	-24%	4%	57%	135-137%	62-64%
IMHCV cargo	-94%	-41%	15%	92%	510-512%	153-155%
Buses	-96%	-77%	-78%	-61%	140-142%	(22)-(20)%
CV Industry	-85%	-20%	-1%	40%	202-204%	21-23%

Quarterly volume (in '000)

Segments	Q1 FY21	Q2 FY21	Q3 FY21	Q4 FY21	Q1 FY22P	Q2 FY22P
SCV	25	98	128	114	64-66	87-89
ULCV	1	7	11	11	2-4	10-12
IMHCV cargo	4	24	50	76	24-26	60-62
Buses	1	4	4	8	2-4	2-4
CV Industry	32	133	193	209	95-97	161-163

Three Wheelers: Revival to be restricted amidst the re-emergence of Covid

Annual forecast



Quarterly growth (Y-o-Y) (%)

Segments	Q1 FY21	Q2 FY21	Q3 FY21	Q4 FY21	Q1 FY22 E	Q2 FY22 E
Passenger	(94)%	(83)%	(70)%	(46)%	176-178%	19-21 %
Cargo	(81)%	(27)%	(5)%	15%	73-75%	1-3 %
Industry	(91)%	(75)%	(59)%	(34)%	129-131%	11-13 %

Quarterly volume (in hundred)

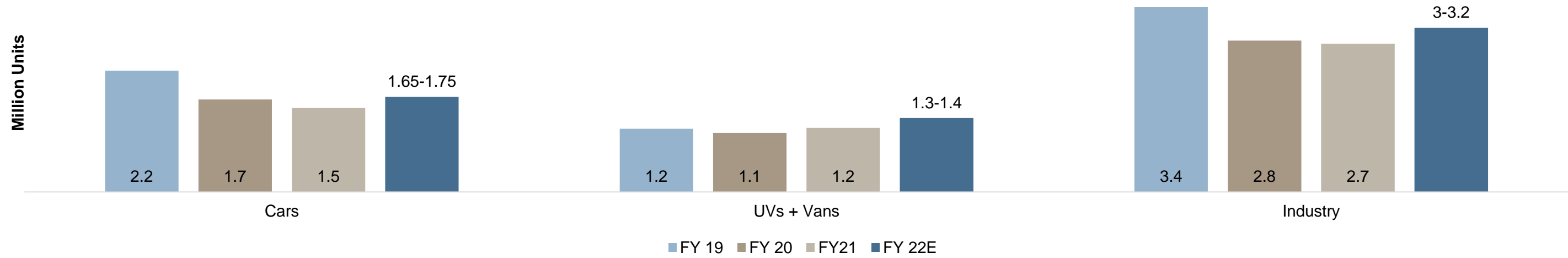
Segments	Q1 FY21	Q2 FY21	Q3 FY21	Q4 FY21	Q1 FY22 E	Q2 FY22 E
Passenger	69	262	437	572	190-195	310-315
Cargo	58	197	282	283	100-105	200-205
Industry	127	459	719	855	290-295	515-520

Passenger Vehicles

Covid resurgence to moderate industry revival in FY22, still industry expected to cross FY20 levels

Annual domestic forecast

Y-o-Y Growth (%)	FY 19	FY 20	FY 21	FY 22E	FY 19	FY 20	FY 21	FY 22E	FY 19	FY 20	FY 21	FY 22E
	2%	(24)%	(9)%	11-13%	4%	(7)%	9%	15-17%	3%	(18)%	(2)%	13-15%



Quarterly growth (Y-o-Y) (%)

Segments	Q1 FY21	Q2 FY21	Q3 FY21	Q4 FY21	Q1 FY22P	Q2 FY22P
Cars	-83%	23%	8%	27%	284-286%	(7)-(5)%
UVs + Vans	-73%	21%	22%	67%	229-231%	4-6%
Industry	-79%	22%	13%	43%	258-260%	(3)-(1)%

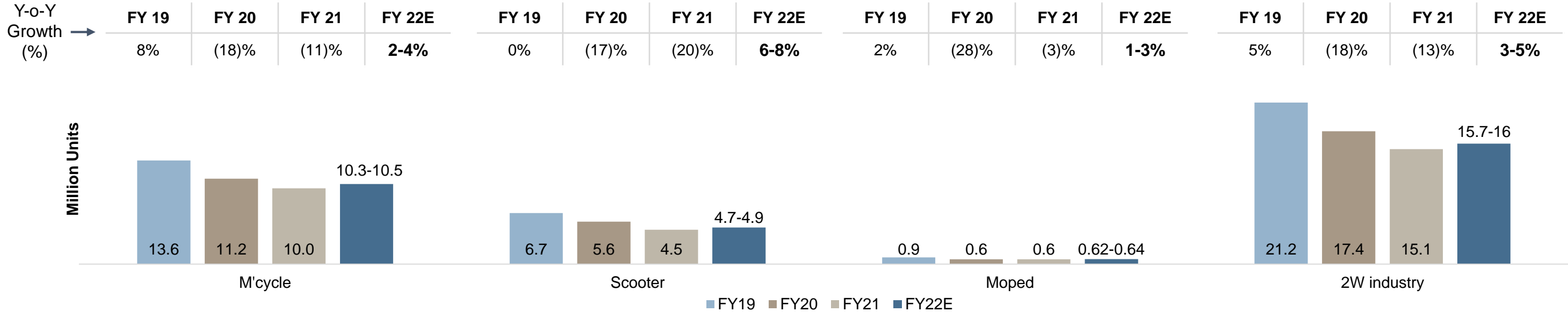
Quarterly volume (in '000)

Segments	Q1 FY21	Q2 FY21	Q3 FY21	Q4 FY21	Q1 FY22P	Q2 FY22P
Cars	76	438	514	514	305-310	395-405
UVs + Vans	74	300	376	420	240-245	310-315
Industry	149	738	890	934	550-555	712-717

Two Wheelers

Improvement expected in FY22 on a low base, Second wave to put brakes on industry recovery

Annual domestic forecast



Quarterly growth (Y-o-Y) (%)

Segments	Q1 FY21	Q2 FY21	Q3 FY21	Q4 FY21	Q1 FY22E	Q2 FY22E
Motorcycle	-73%	8%	16%	25%	114-116%	(24)-(22)%
Scooter	-78%	-16%	5%	25%	119-121%	(21)-(19)%
Mopeds	-68%	20%	29%	10%	69-71%	(29)-(27)%
Industry	-74%	0	13%	24%	113-115%	(23)-(21)%

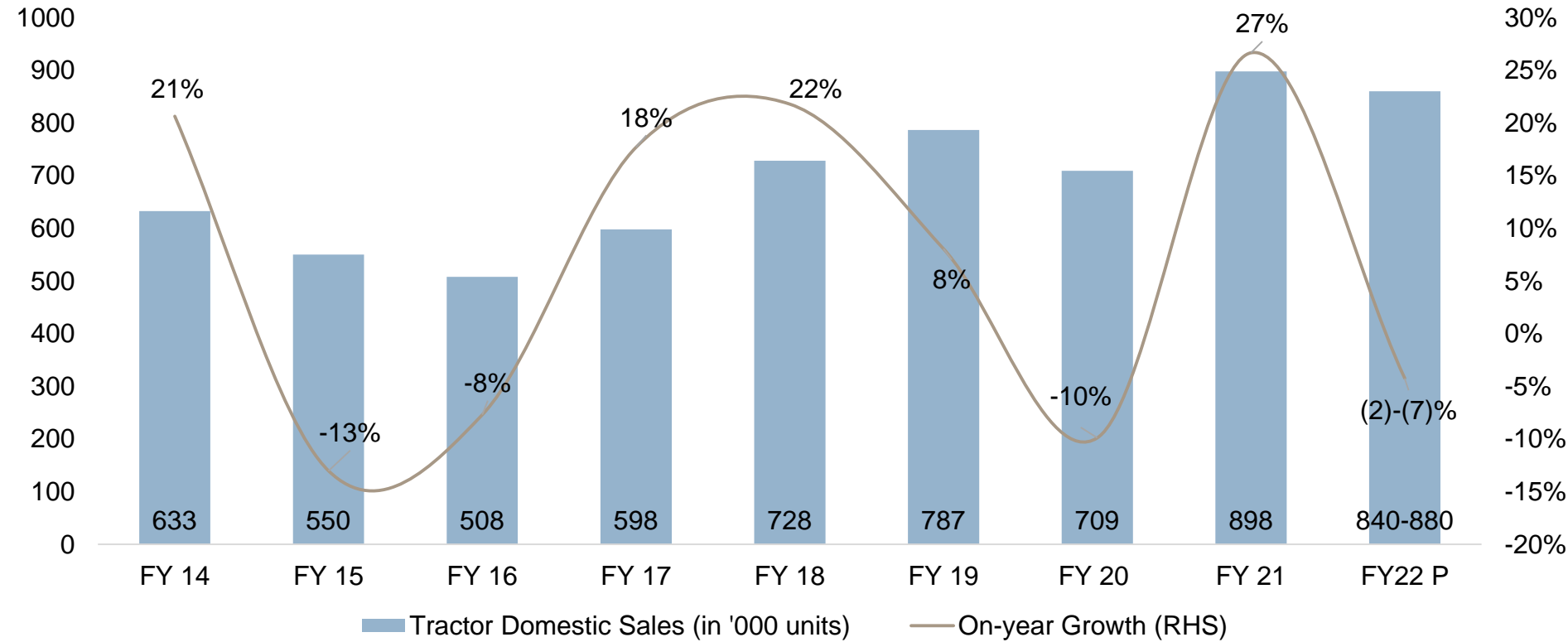
Quarterly volume (in '000)

Segments	Q1 FY21	Q2 FY21	Q3 FY21	Q4 FY21	Q1 FY22E	Q2 FY22E
Motorcycle	900	3145	3153	2820	1900-2000	2400-2500
Scooter	339	1347	1417	1377	700-800	1000-1100
Mopeds	53	198	210	155	90-95	140-145
Industry	1293	4689	4781	4353	2750-2950	3550-3750

Tractors

After a sharp pick up in FY21, demand to contract in FY22 amidst the second wave impact on rural economy

Annual domestic forecast



OEM-wise Performance FY21

Player	Retail Growth	Wholesale Growth
Escorts Limited	8%	12%
International Tractors Limited	14%	36%
John Deere	14%	21%
Mahindra & Mahindra	17%	8%
TAFE	19%	26%

Source: TMA, CRISIL Research

Quarterly growth (Y-o-Y) (%)

	Q1 FY21	Q2 FY21	Q3 FY21	Q4 FY21	Q1 FY22P	Q2 FY22P
industry	-13.7%	40.9%	26.5%	63%	(5)-(3)%	(2)-0%

Quarterly volume (in '000)

	Q1 FY21	Q2 FY21	Q3 FY21	Q4 FY21	Q1 FY22P	Q2 FY22P
industry	165	236	258	238	155-160	230-235

Domestic Forecast Summary

Annual Forecast - Domestic

	Volume			
	FY19	FY20	FY21	FY22E
<u>Passenger vehicles (mn)</u>	3.38	2.77	2.71	3-3.2
<u>Two-wheelers (mn)</u>	21.18	17.42	15.12	15.5-16.0
<u>Commercial vehicles ('000)</u>	1,003	718	566	699-704
<u>Three-wheelers ('000)</u>	701	636	216	235-240
<u>Tractors ('000)</u>	787	709	898	840-880

	Growth y-o-y (%)			
	FY19	FY20	FY21	FY22E
	3%	(18)%	(2)%	13-15%
	5%	(18)%	(13)%	3-5%
	18%	(29)%	(21)%	23-25%
	10%	(9)%	(66)%	10-12%
	8%	(10)%	27%	(7)-(2)%

SOURCE: SIAM, CRISIL Research

Thank you

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