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Quarterly vehicle industry performance – Q2 FY19

Prepared for ACMA

*Strictly private
and confidential*

25 October 2018



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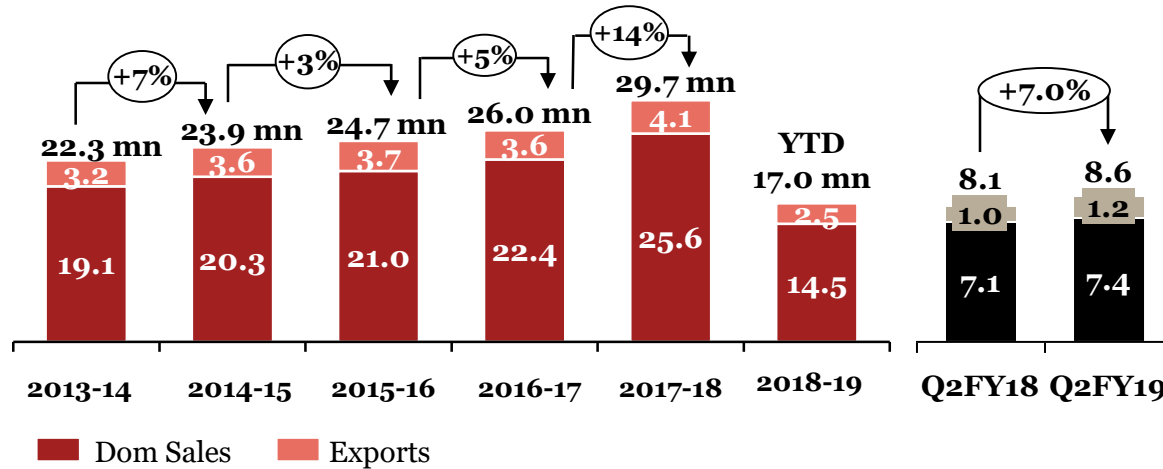
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Executive Summary

Q2-FY19 Quarterly automotive industry performance overview

OEM - Domestic sales and exports | million units



Indian automotive domestic sales grew at 4.8% and exports at 21.7% registering an **overall industry growth of 7%** over Q2 last year.

Growth drivers are rural demand, disposable incomes, new launches

- Increase in crude prices by 7% in Q2 FY19
- INR/USD exchange rate remained over the 70 mark in Q2 FY 19

Vehicle segment	Dom. Sales Q-o-Q Q2 18-Q2 19	Exports Q-o-Q Q2 18-Q2 19
	▲ 5.0%	▲ 23.2%
	▼ 3.6%	▲ 0.8%
	▲ 27.6%	▲ 22.8%
	▼ 0.04%	▲ 14.3%
	▲ 24.6%	▲ 50.8%
TOTAL	▲ 4.8%	▲ 21.7%

Key Updates

General Trends

- The growth momentum that was visible in the closing months of FY18 and Q1 FY 19 was hit by **high base effect** from Q2 last year following the enforcement of GST, **higher insurance premiums** and **Kerala floods** during August.
- Slight **shift of festive season** to October which witnesses high auto sales led postponement of customer purchases from Q2 FY19.
- Major OEMs across segments **revised prices** in August to partially offset the increase in commodity and distribution costs and adverse foreign exchange rates.
- Declining rupee against the US dollar, higher interest rates and higher crude oil prices that are expected to raise fuel prices which would in conjunction **increase total cost of ownership**, negatively impacting sales.

Industry Trends

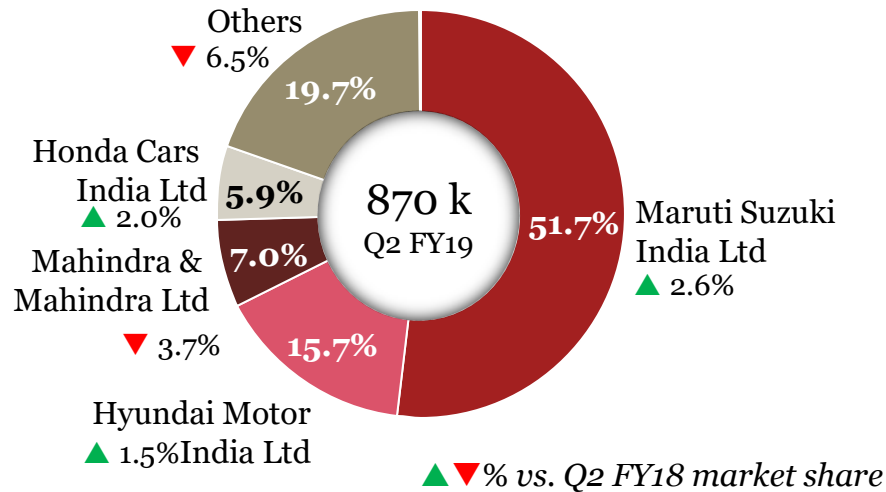
- Passenger Vehicle sales declined owing to higher insurance premiums and Kerala floods.
- **Two-wheeler** sales saw a lukewarm growth due to higher insurance cost and West Bengal restrictions that vehicles should be sold only to those holding driving license.
- **M&HCVs** demand, considered the barometer of the economic growth, increased and higher sales of commercial vehicles was driven by infrastructure growth and healthy demand from core sectors like cement & steel and goods carriers.
- **Mahindra** and **Ford** signed agreements for collaborations for powertrain sharing and co-developing a suite of connected car solutions, including a telematics control unit.
- **Changing regulatory landscape** includes amendment in vehicle import norms and new pedestrian safety norms for all new passenger car models from October 2018.

Source : SIAM, PwC Analysis

Segment wise Q2 FY 19 industry performance

Passenger vehicles

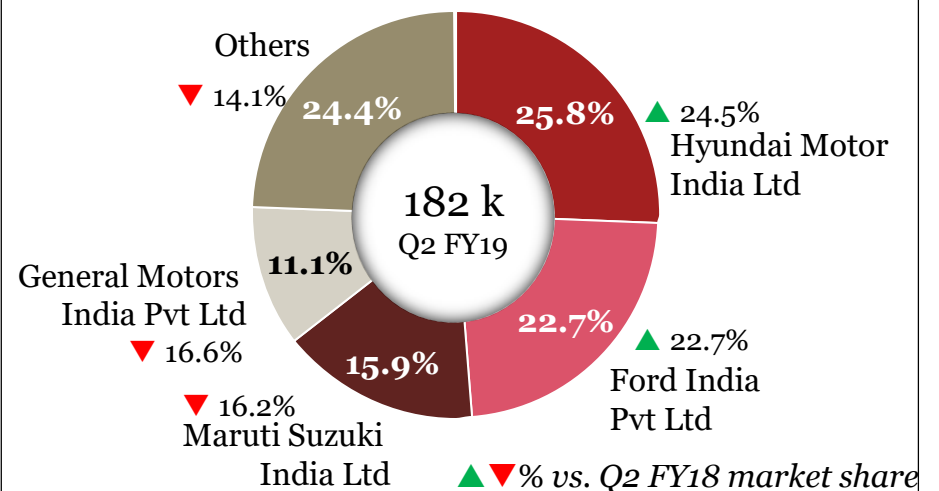
Domestic



Growth Q2 FY18 vs. Q2 FY 19 ▼ 3.6 %

- The highest growth within the segment was posted by vans at 4 percent while Utility Vehicles and Passenger Car sales declined by 8 percent and 2 percent respectively.
- Maruti Suzuki registered lower sales due to inventory correction at dealers end resulting in lower dispatches.
- Compact models continue to account for the largest share of passenger car sales while the mid-size sub-segment is the fastest growing sub-segment.

Exports

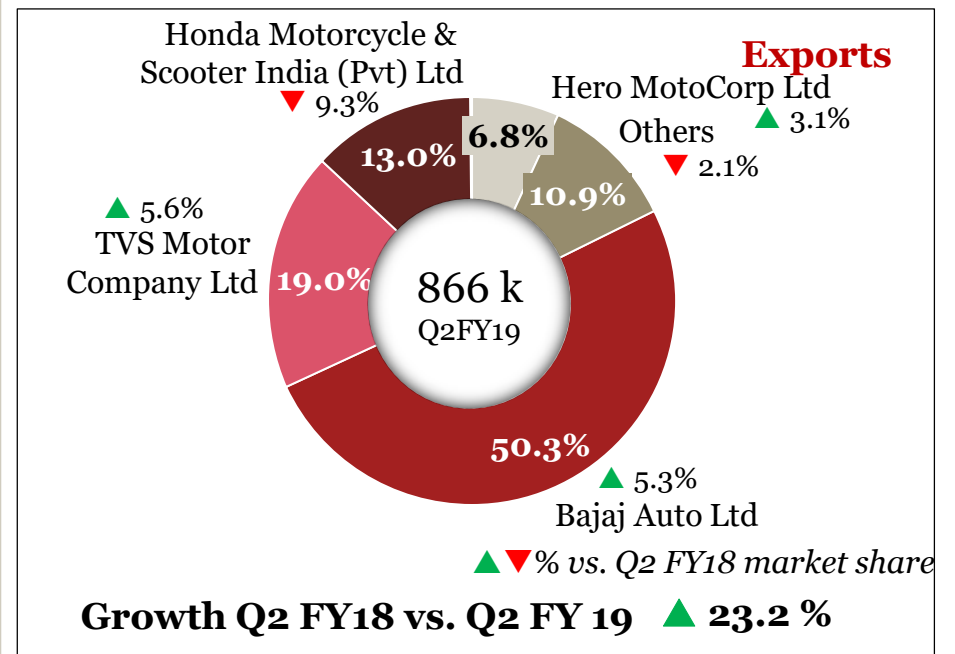
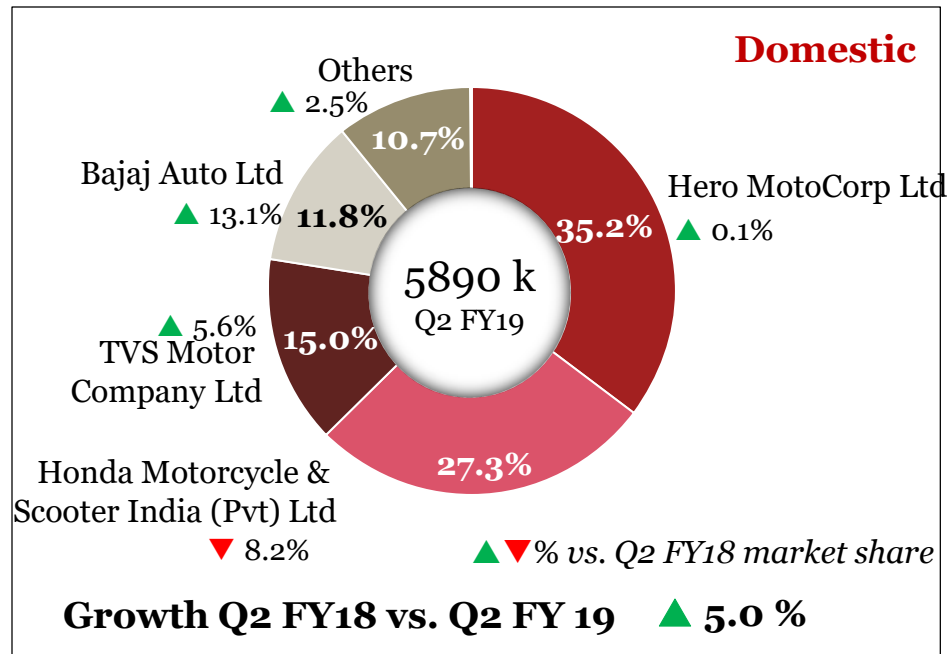


Growth Q2 FY18 vs. Q2 FY 19 ▲ 0.8%

- Utility Vehicles and Vans exports grew by 14 percent and 2.7 times respectively.
- Hyundai Motors outpaced Maruti Suzuki to become India's largest passenger car exporter and experienced an increase in passenger car exports of 53 percent.
- Many PV makers had diverted/reduced exports in August in expectation of higher domestic demand in September which did not increase as per expectation.

Source : SIAM, PwC Analysis

2 wheelers

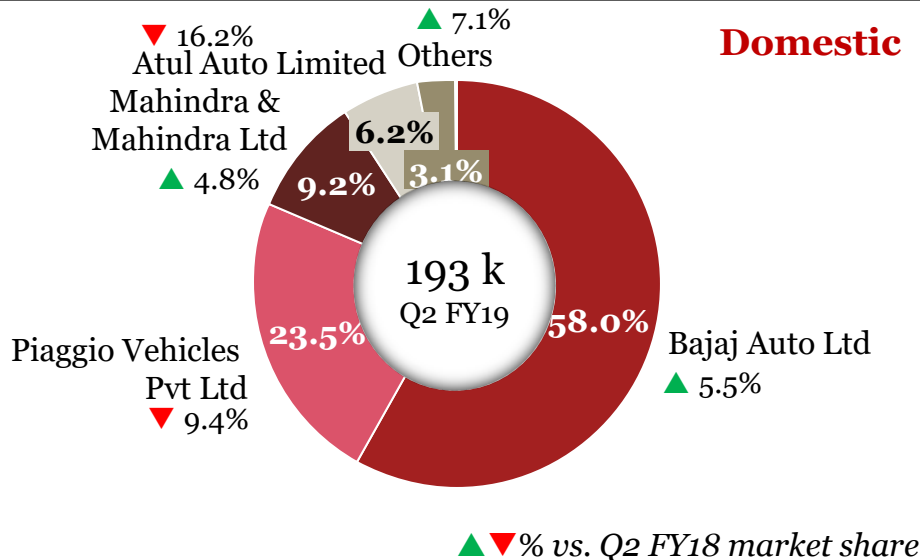


- Motorcycles experienced growth of 8 percent primarily helped by the continued growth in rural demand.
- Scooter sales saw a flat growth in the second quarter, indicating negative impact of **higher insurance premiums**. Scooter sales peaked at 669k units in August and declined in September.
- Mopeds registered domestic sales growth of 4 percent over the quarter.

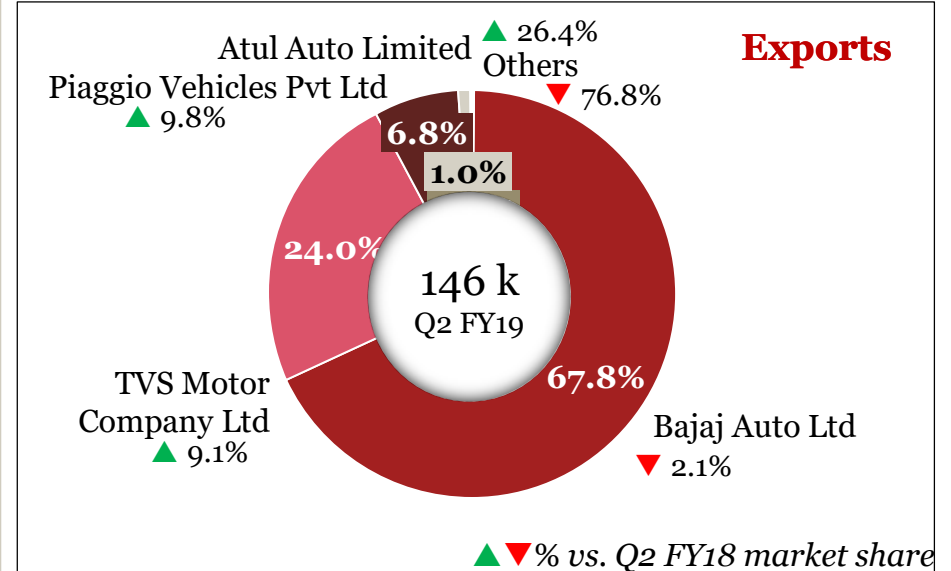
- The overall growth in exports for Q2 FY19 outpaced that of domestic sales for all segments, in particular, 32 percent for scooters, 22 percent for motorcycles and 38 percent for mopeds.
- Strong demand from regions of Africa and Latin America has helped growth in Indian two wheeler exports.
- Bangladesh recorded the highest growth among the top three two wheeler export destinations.

Source : SIAM, PwC Analysis

3 wheelers



Growth Q2 FY18 vs. Q2 FY 19 ▲ 24.6 %



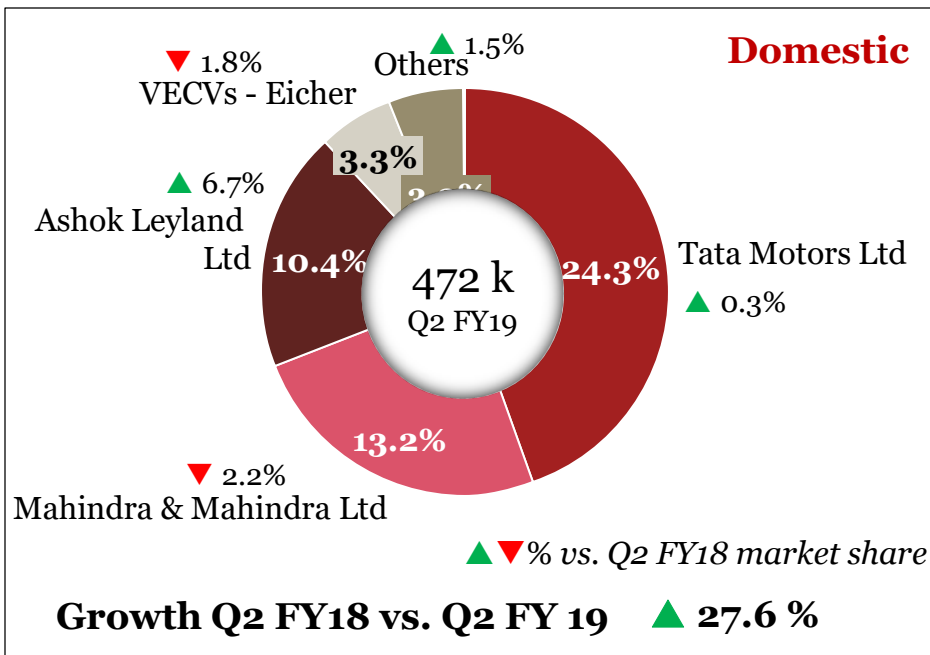
Growth Q2 FY18 vs. Q2 FY 19 ▲ 50.8 %

- Passenger carriers grew 28 percent whereas goods carriers grew by 9 percent.
- Bajaj Auto, the largest OEM in the segment, saw domestic sales growth outpace overall segment growth at 31 percent.
- One of the major contributors of domestic sales growth of three wheelers is the **end of permit era** with the Maharashtra Govt doing away with permits and the Delhi Govt issuing new ones.

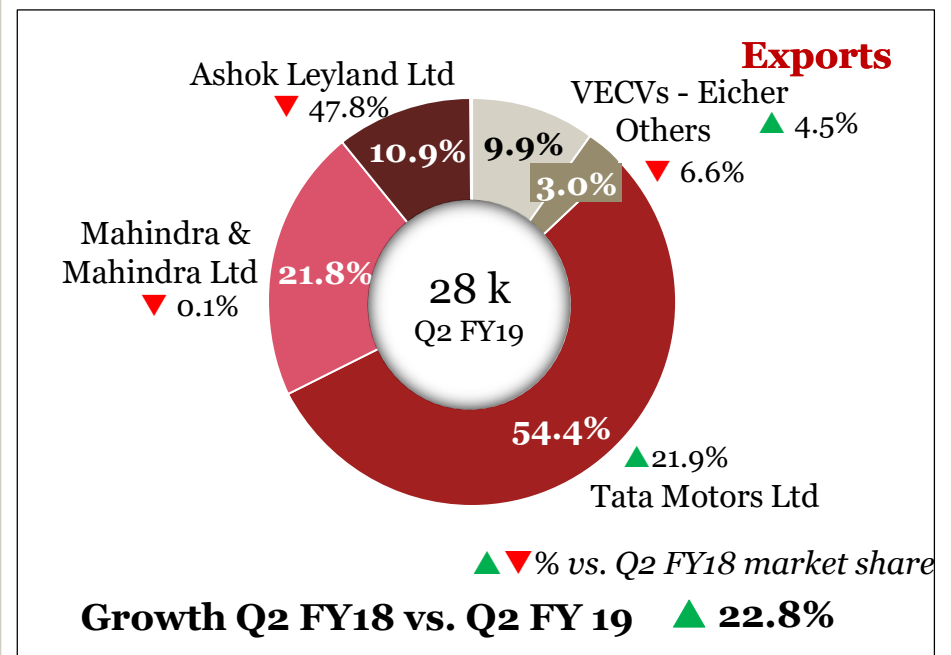
- The segment saw the maximum number of growth in volume terms with overall exports growing by more than 50 percent in the quarter to September.
- Goods carriers registered export growth in Q2 FY 19 at 60.3 percent while passenger carriers saw 50.7 percent growth.
- The largest three wheeler exporters, Bajaj and TVS, recorded growth of 47.6 percent and 64.5 percent respectively.

Source : SIAM, PwC Analysis

Commercial vehicles



- Medium & heavy commercial vehicle segment grew 26.4 percent and light commercial vehicles experienced an upswing of 28.2 percent.
- Passenger Carriers grew by 7 percent and Goods Carriers by 30 percent.
- There is migration to higher tonnage trucks owing to GST and better road infrastructure which will further drive in growth in the heavy-duty truck segment.

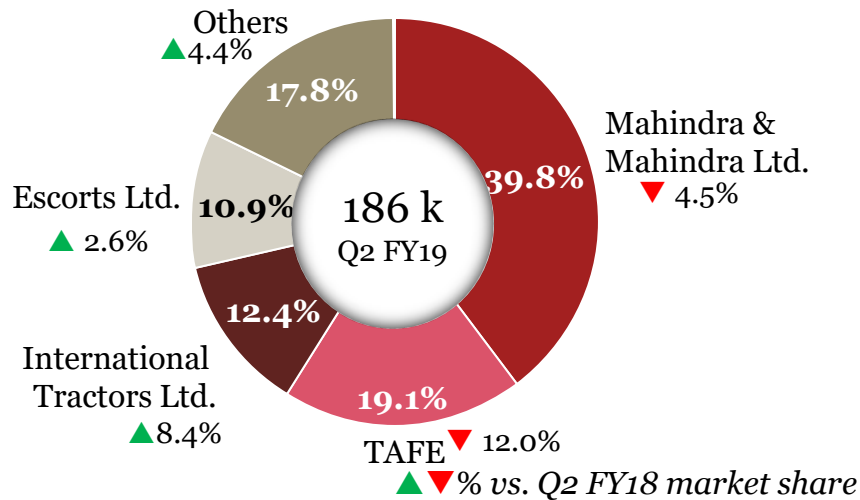


- Exports of LCVs grew by 10 percent and of M&HCVs by 38.7 percent respectively.
- Passenger Carrier exports declined by 18 percent whereas Goods Carrier exports grew by 31 percent.
- Tata Motors export sales grew by 49.7 percent, Mahindra & Mahindra export sales grew by 22.7 percent while Ashok Leyland export sales declined by 35.6 percent.

Source : SIAM, PwC Analysis

Tractors

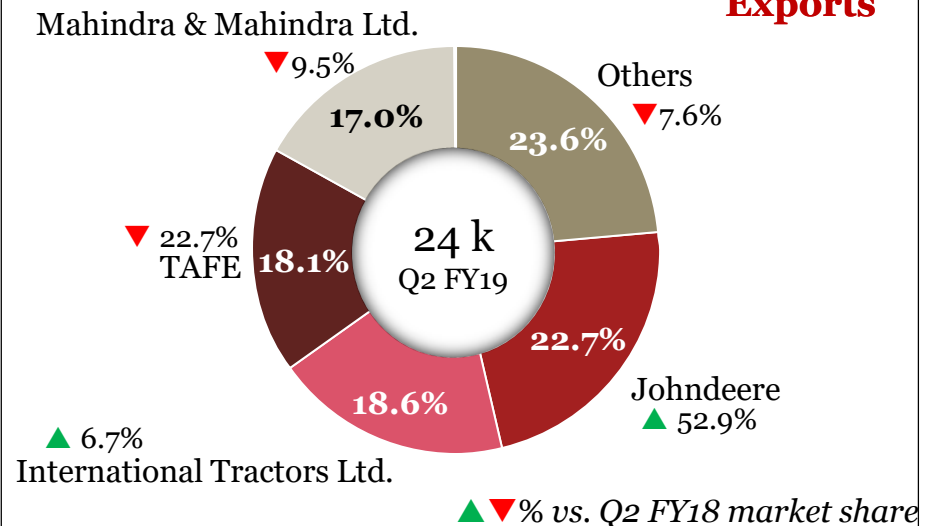
Domestic



Growth Q2 FY18 vs. Q2 FY 19 ▼ 0.04 %

- Domestic sales of top 2 OEMs declined in Q2 FY19.
- North and West India account for more than 60 percent of total domestic tractor sales while East India recorded highest sales growth out of all the four regions.
- Lower sales can be attributed to uneven rainfall distribution where regions with below-normal rainfalls also seeing lower tractor sales. Another reason could be that farm incomes have not improved even after higher MSPs and crop output.

Exports



Growth Q2 FY18 vs. Q2 FY 19 ▲ 14.3 %

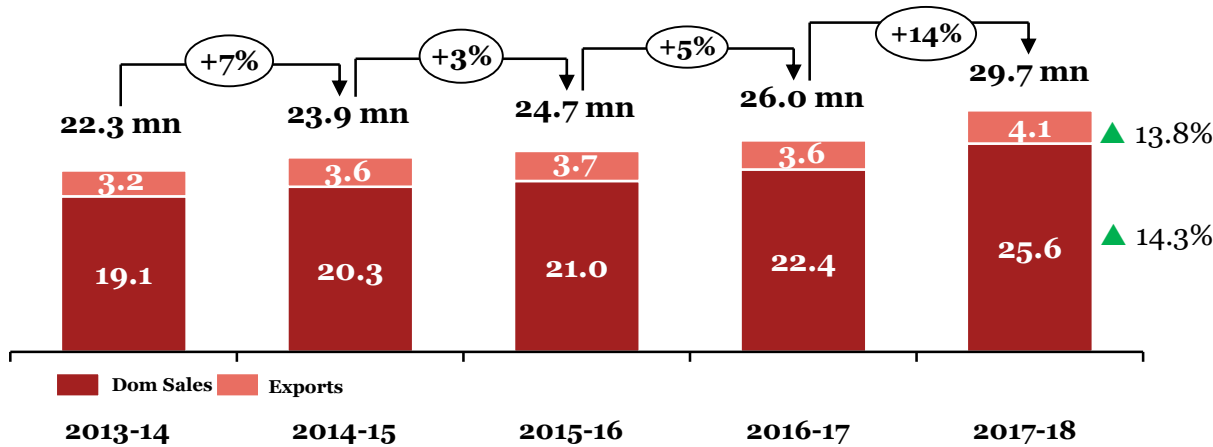
- Johndeere outpaced TAFE, Mahindra & Mahindra and International Tractors Ltd to become the largest tractor exporter in Q2 FY19.
- Johndeere and International Tractors Ltd recorded the fastest growing tractor exports of 75 percent and 22 percent respectively.
- Africa is expected to continue to be a key export market.

Source : SIAM, PwC Analysis

Appendix

FY18 automotive industry performance overview

OEM - Domestic sales and exports | million units



Indian automotive domestic sales and exports grew at an overall CAGR of x % over last 5 years .

Infrastructure improvements, revival post GST, Demonetisation

⚡ GDP ▲ after Q2 FY18

💎 Public capex : 24% jump in FY18

📉 Int. Rates dipped 0.25% in Q1 FY18

Vehicle	Dom. Sales CAGR FY 14-18	Exports CAGR FY 14-18
	▲ 8.1%	▲ 7.8%
	▲ 7.1%	▲ 5.9%
	▲ 7.9%	▲ 5.9%
	▲ 2.9%	▲ 8.0%
	▲ 7.3%	▲ 1.9%
TOTAL	▲ 7.7%	▲ 6.8%



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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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