

Impact of Macro-economic Environment on the Automotive Industry

ACMA

July 2020



Content

- Global Economy
- Indian Economy & On-ground Sentiments
- Overall Finance Scenario
- Indian Automobile Industry
- Inventory Scenario
- View on auto component industry
- Forecast Snapshot



Global Economy

Developing countries catching up CoViD-19

| Country name | Cumulative Cases | Cumulative Deaths |
|----------------------------|------------------|-------------------|
| India | 1,118,043 | 27,497 |
| Brazil | 20,74,860 | 78,772 |
| United States of America | 3,685,460 | 139,468 |
| Russian Federation | 777,486 | 12,427 |
| Peru | 349,500 | 12,998 |
| Iran (Islamic Republic of) | 273,788 | 14,188 |
| The United Kingdom | 294,796 | 45,300 |
| Spain | 260,255 | 28,420 |
| Italy | 244,434 | 35,045 |
| Germany | 201,823 | 9,086 |

As testing increases the number of cases also showing a gradual increase; concern for India is:

- High population density makes India more vulnerable to spread of the virus
- Weak health infrastructure; India cannot take the medical overload if the pandemic spins out of control
- Limited fiscal space, in comparison to advanced countries, to pave its way out of hardship

To contain the further spread of CoViD-19, lockdowns announced in various State Governments like West Bengal, Assam, Bangalore, Bihar, etc.

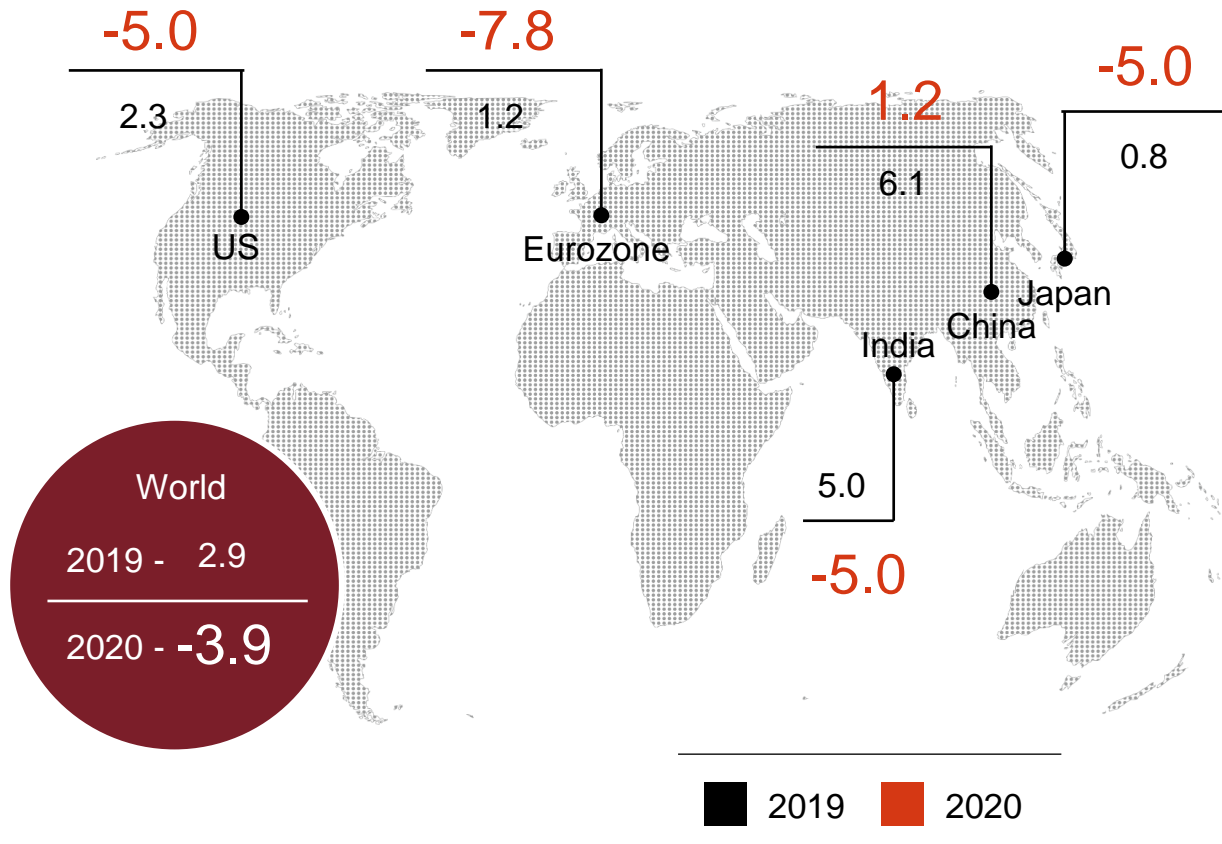
Research

NOTE: Data as on July 21st 2020;

Source: World Health Organization, CRISIL Research

Global economy to plummet further as CoViD-19 eases unevenly

GDP growth (%)



Global economy to decline further in 2020-



Productivity and public balance sheet risk remain monitorable



Unprecedented levels of monetary and fiscal stimulus unable to prevent global recession



Non-linearity of the event and risk of second wave create downside risks to outlook

Source: S&P Global, July 2020; India outlook is fiscal year

Indian Economy and On-ground Sentiments

High frequency parameters indicate sluggish environment

| Segments (% Growth Y-o-Y) | Apr-19 | May-19 | Jun-19 | Jul-19 | Aug-19 | Sep-19 | Oct-19 | Nov-19 | Dec-19 | Jan-20 | Feb-20 | Mar-20 | Apr-20 | May-20 | June-20* |
|--------------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|----------|
| Core Sectors | | | | | | | | | | | | | | | |
| Coal | 3% | 2% | 3% | -2% | -9% | -21% | -18% | -3% | 6% | 7% | 10.3% | 5% | -1% | -15% | -15% |
| Crude oil | 4% | -3% | -7% | -3% | 2% | -7% | 0% | -6% | -7% | -5% | -6% | -6% | -6% | -7% | |
| Natural Gas^ | 5% | -1% | 4% | 5% | 4% | 1% | 4% | 4% | 4% | 6% | 25% | N.A | -25% | -9% | |
| Brent crude oil price (\$/barrel) | 0% | -9% | -16% | -13% | -19% | -21% | -26% | -4% | 17% | 7% | -14% | -50% | -67% | -55% | -37% |
| Petroleum Products^ | 3% | 2% | -2% | 4% | 3% | 1% | -2% | 9% | 0% | 0% | 4% | -18% | -46% | -23% | |
| Fertilizers | -4% | -1% | 2% | 2% | 3% | 5% | 12% | 14% | 10% | 0% | 3% | -12% | -5% | 7.5% | |
| Steel | 13% | 13% | 11% | 8% | 4% | -1% | -1% | 7% | 9% | 2% | 3% | -24% | -79% | -48% | |
| Cement | 2% | 3% | -2% | 8% | -5% | -2% | -8% | 4% | 6% | 5% | 8% | -25% | -86% | -22% | |
| Auto | | | | | | | | | | | | | | | |
| Two Wheelers | -16% | -7% | -12% | -17% | -22% | -22% | -14% | -14% | -17% | -16% | -20% | -40% | -100% | -84% | -39% |
| Cars | -20% | -26% | -24% | -36% | -41% | -33% | -6% | -11% | -8% | -8% | -9% | -53% | -100% | -90% | -58% |
| Uvs + Vans | -11% | -10% | -4% | -21% | -11% | -4% | 13% | 20% | 12% | -3% | -6% | -49% | -100% | -79% | -45% |
| Three Wheelers | -7% | -6% | -9% | -8% | -7% | -4% | -4% | 5% | 22% | 13% | -31% | -58% | -100% | -95% | -80% |
| Commercial Vehicles | -6% | -10% | -12% | -26% | -39% | -39% | -23% | -15% | -12% | -14% | -33% | -88% | -100% | -88% | -66% |
| Others | | | | | | | | | | | | | | | |
| PMI Manufacturing | 51.8 | 52.7 | 52.1 | 52.5 | 51.4 | 51.4 | 50.6 | 51.2 | 52.7 | 55.3 | 54.5 | 51.8 | 27.4 | 30.8 | 47.2 |
| IIP Overall | 3% | 5% | 1% | 5% | -1% | -4% | -4% | 2% | 0% | 2% | 5% | -18% | -58% | -35% | |
| Diesel consumption | 2% | 3% | 1% | 3% | -1% | -3% | -7% | 9% | 0% | -2% | 6% | -24% | -56% | -29% | |
| Rail freight | 3.2% | 2.9% | 2.0% | 1.6% | -6.1% | -6.6% | -8.1% | 0.9% | 4.3% | 3.0% | 6.5% | -13.9% | -35.3% | -21.8% | |

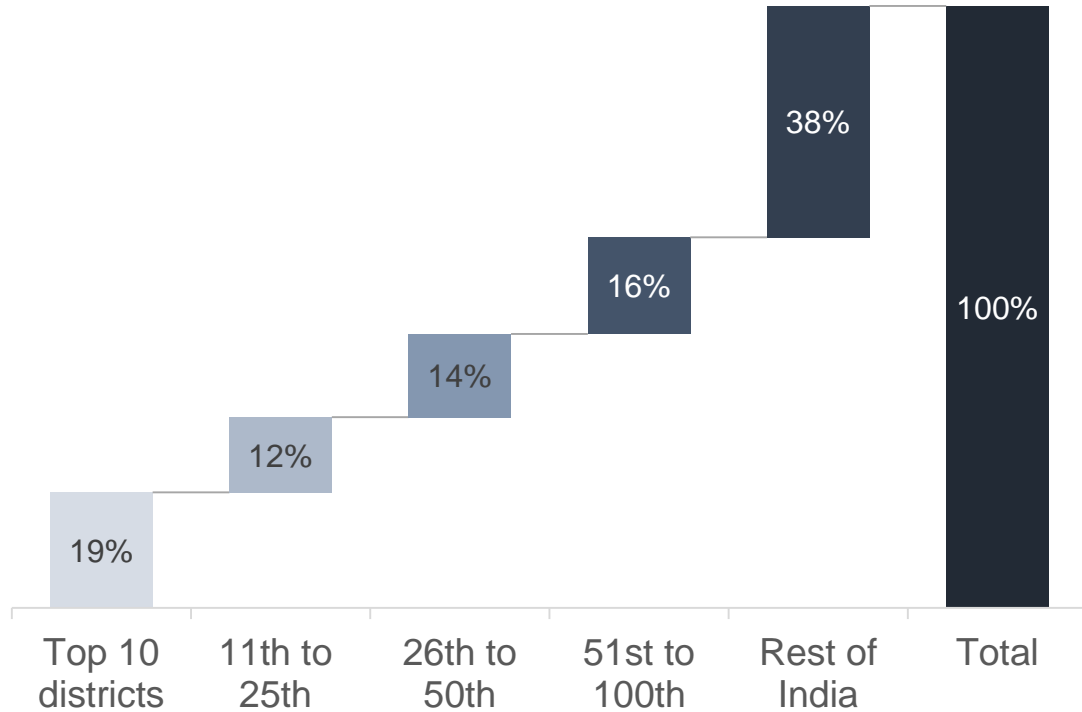
Note* - Wherever data is not available estimation is made based on expected trend.

IIP data for April & May 2020 is not comparable to preceding pre-CoViD months.

^ Represents consumption

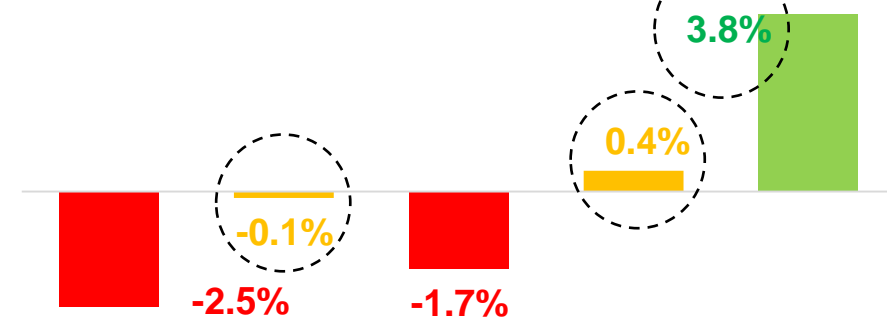
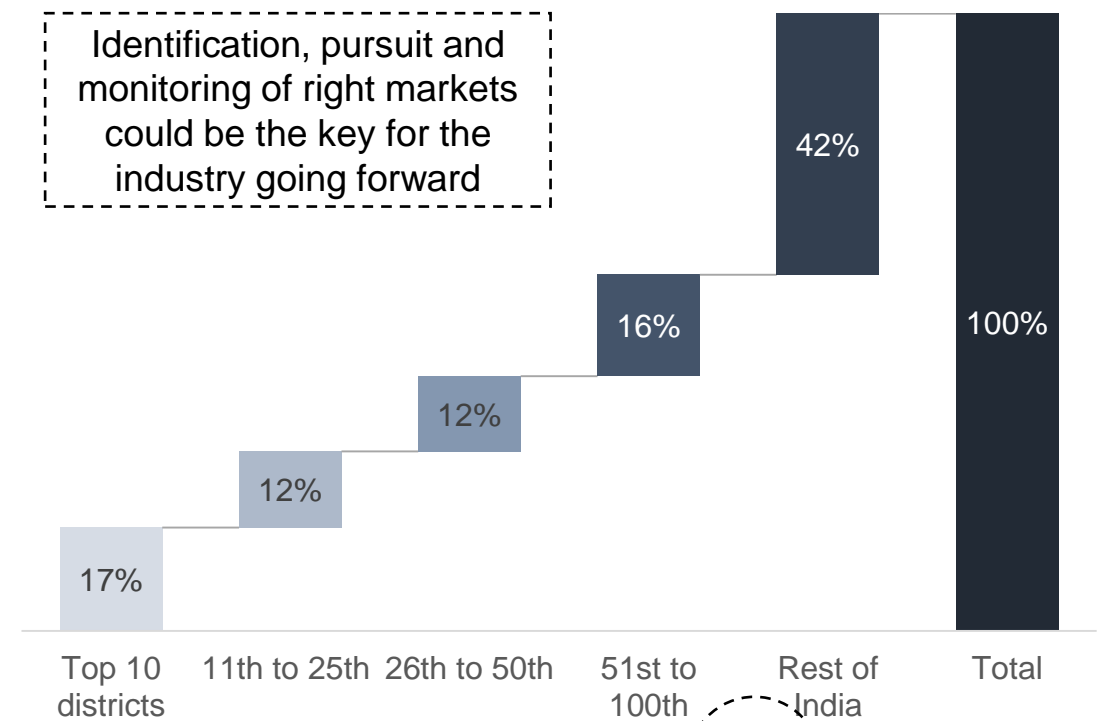
Although top markets saw a temporal drop in share in Q1FY21, some of the other markets were able to perform relatively better

Typical spread of PV sales across districts in India

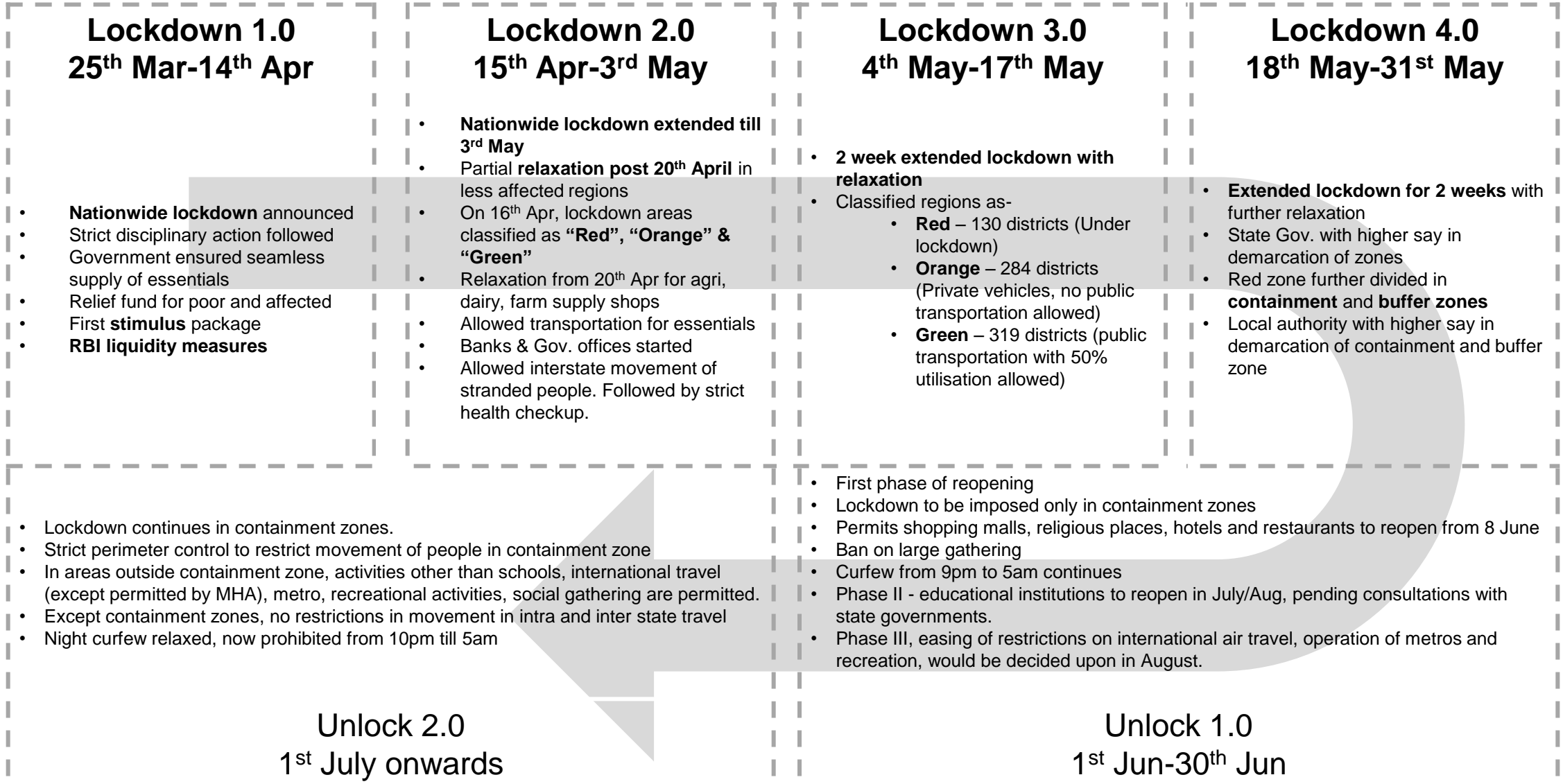


Top 10 districts, largely comprising of metro cities, saw the sharpest drop in share in Q1FY21 due to lockdowns, although, certain parts of the country performed resiliently and were able to gain share

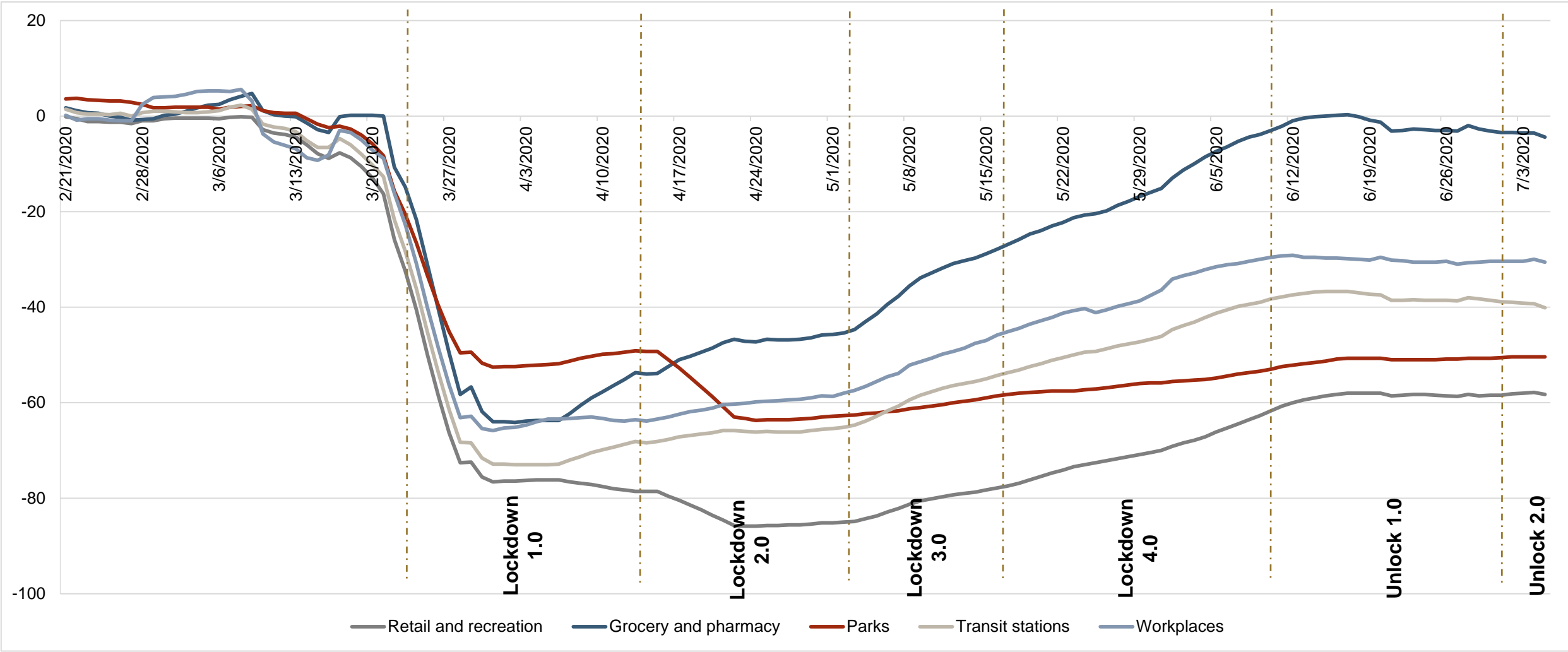
Spread of PV sales across districts in Q1FY21



Phases of lockdown



Economy getting back on gears; workforce mobility lower by 30% of pre-CoViD levels



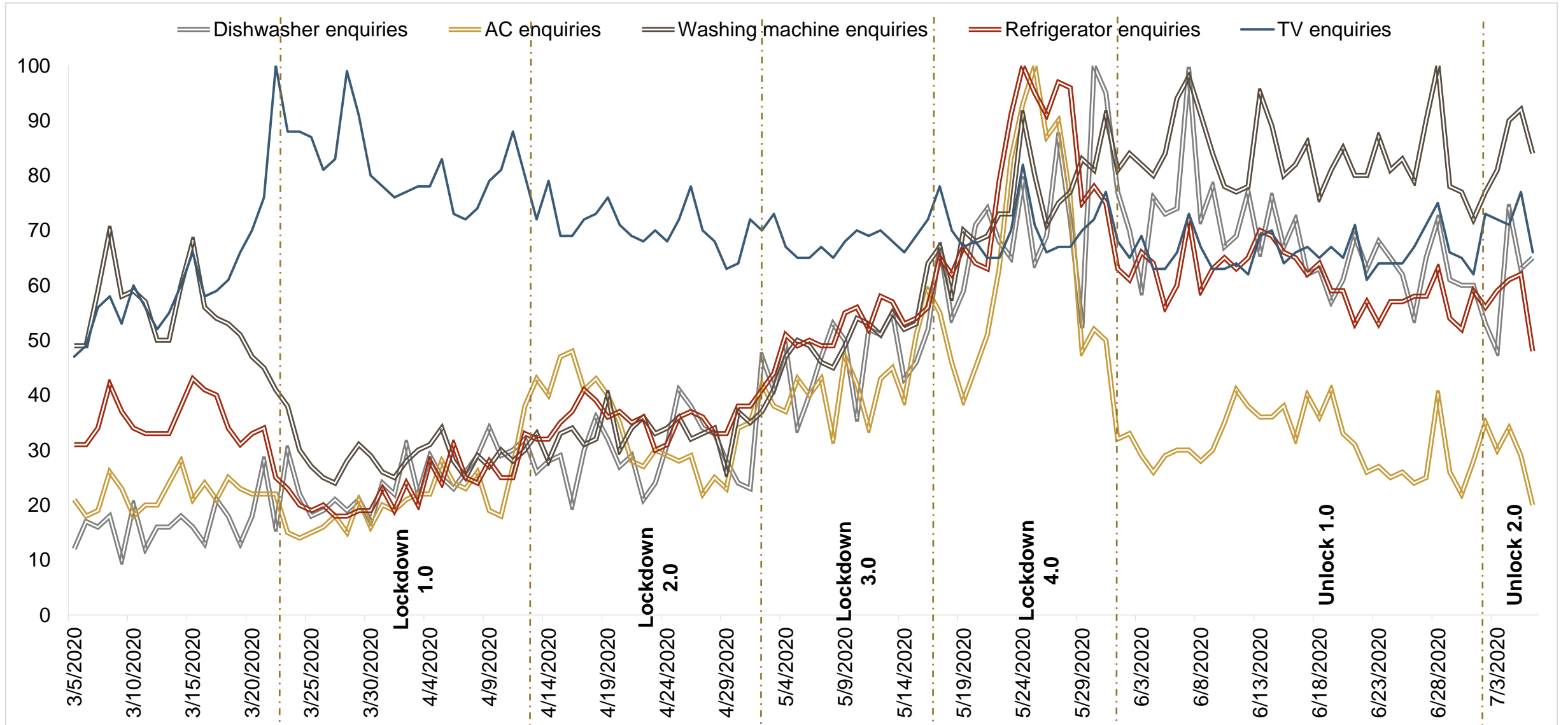
Source: CRISIL Research, Covid-19 Community Mobility Reports by Google,

Research

Note: Data is till July 4th, 2020. It is 7 day Moving Average data. Google's Community Mobility Reports use smartphone location data to publish reports about people's

10 movement in an area. India's smartphone penetration is 25-30%

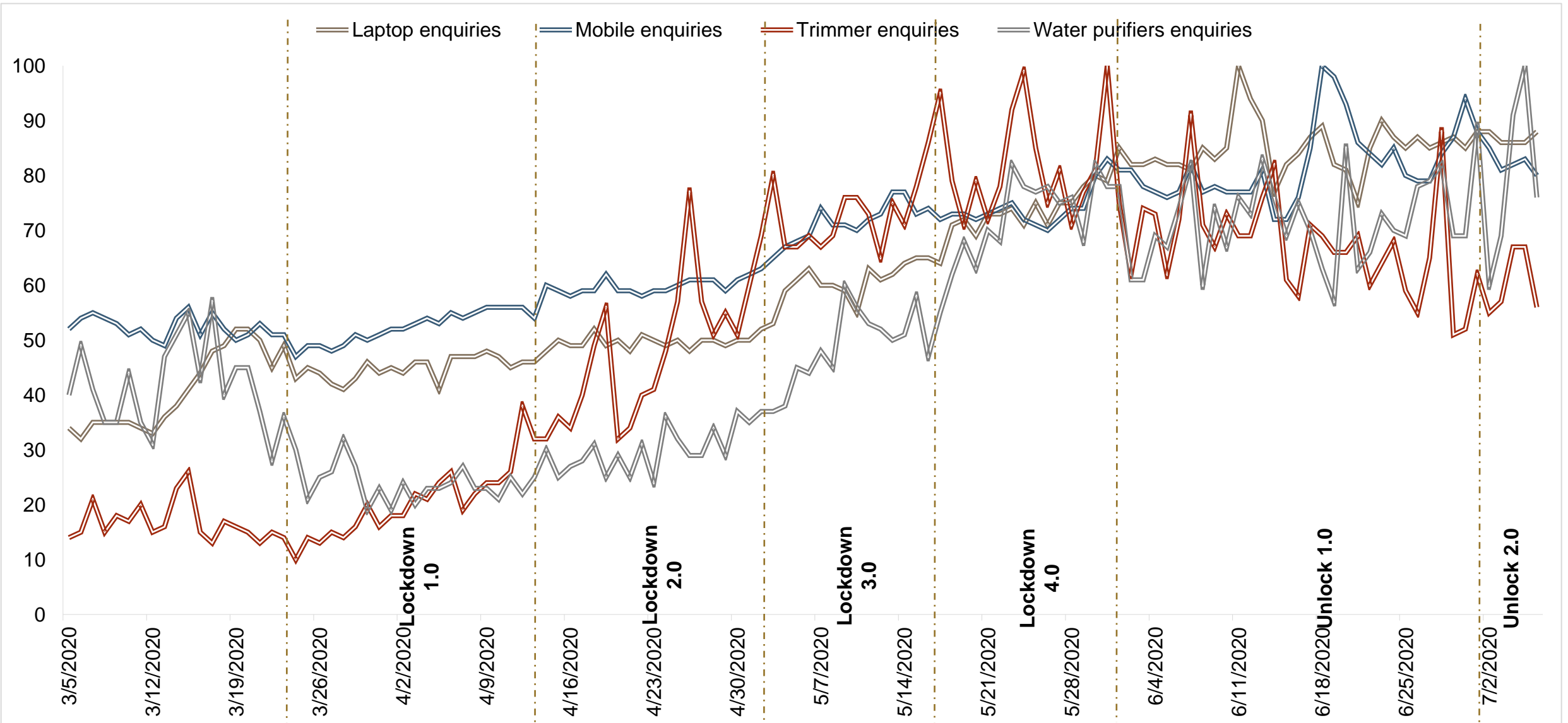
Washing machine enquiries highest amongst other home appliances; sharp fall in AC enquiries post onset of monsoon



Research

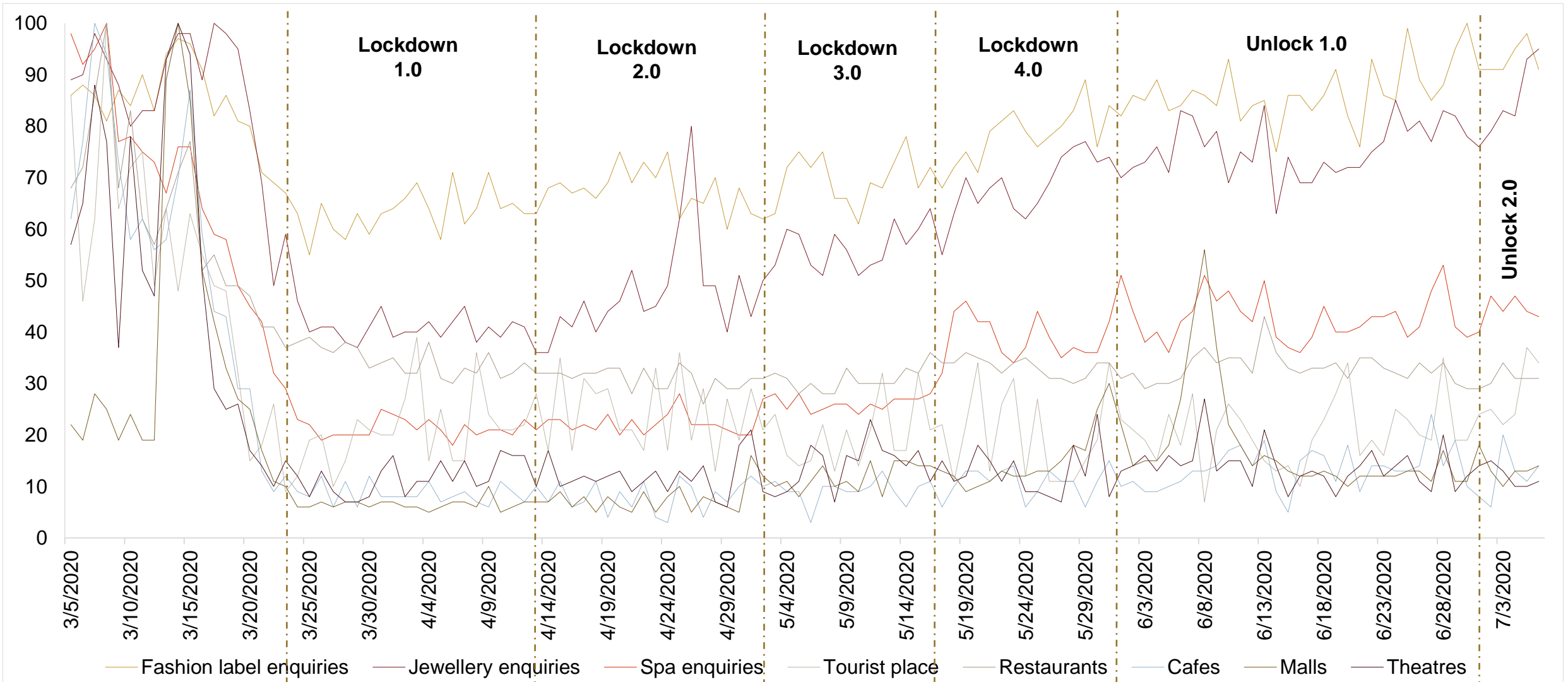
Source: CRISIL Research, Google analytics

Popularity of consumer durables/ grooming products has stabilised post lockdown relaxation



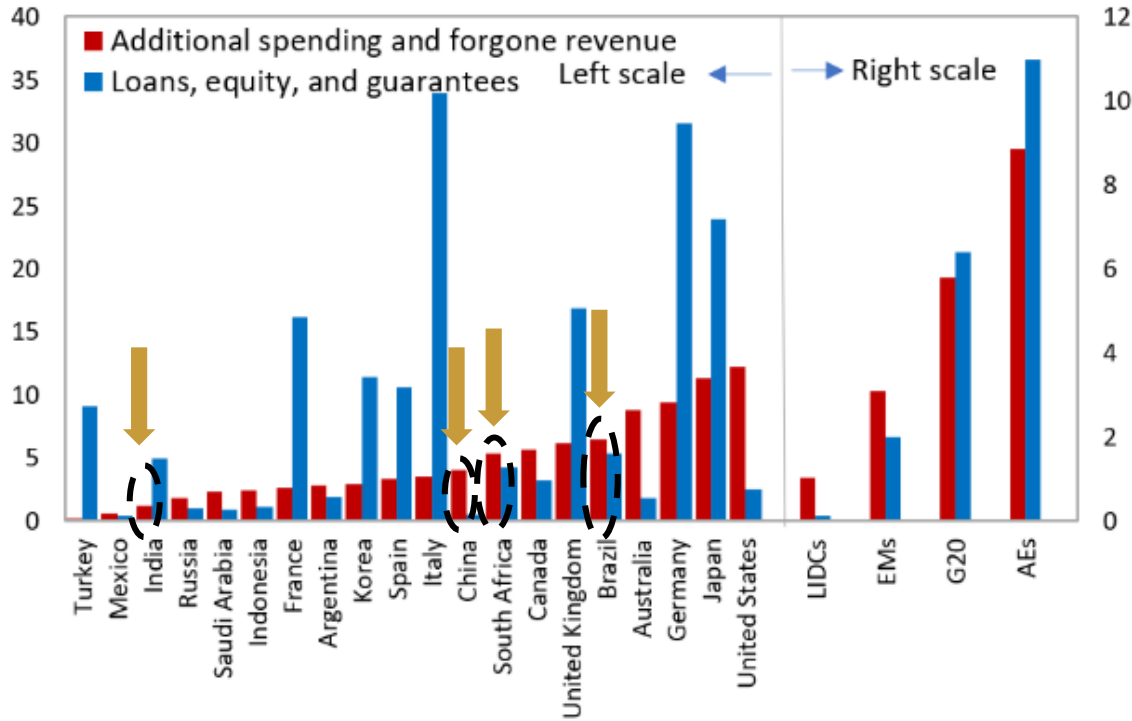
Research
 Source: CRISIL Research, Google analytics

Popularity of public place still low due to fear of catching virus; however personal grooming has been on uptrend



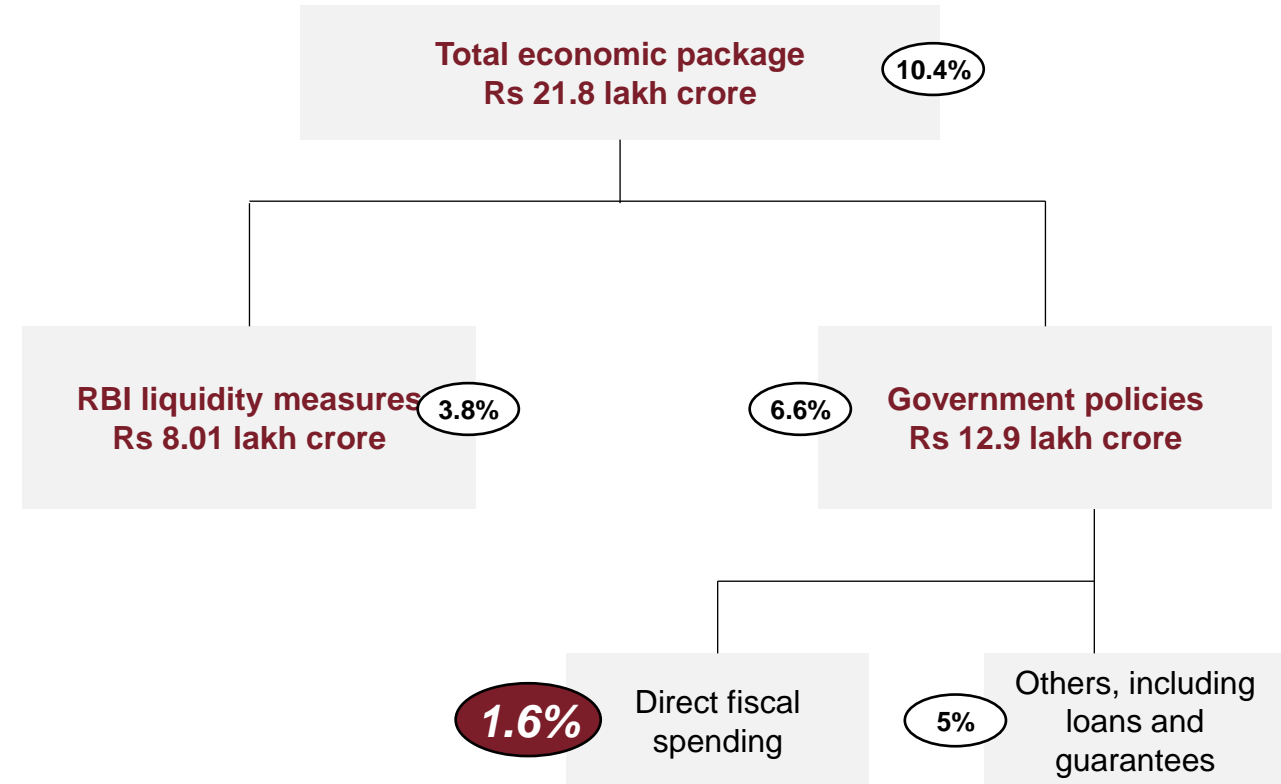
In India, 20.9 lakh crore package translates into direct fiscal stimulus of measly 1.2%

Fiscal support across major geographies



Source: IMF

Economic package in India



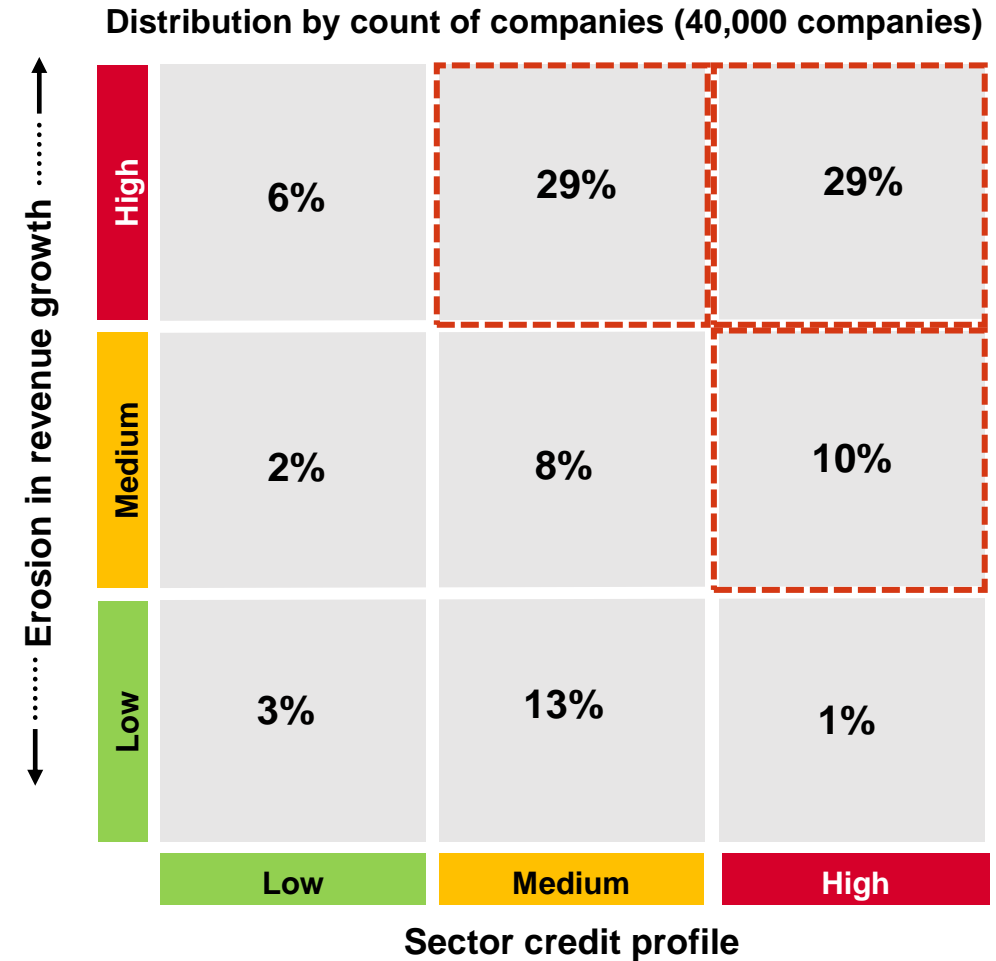
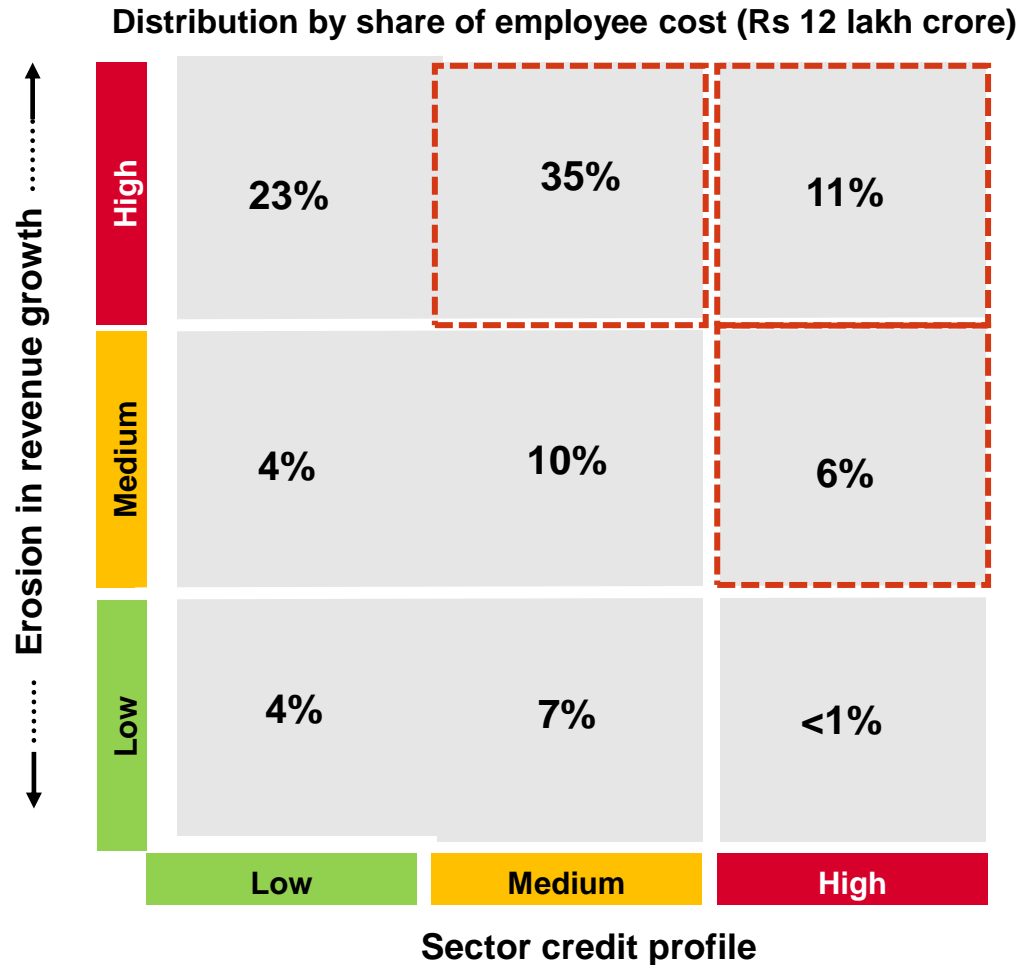
Source: Ministry of Finance, CRISIL Estimates

XX% % of GDP

Note: Economic package includes extension of free grain scheme till November end

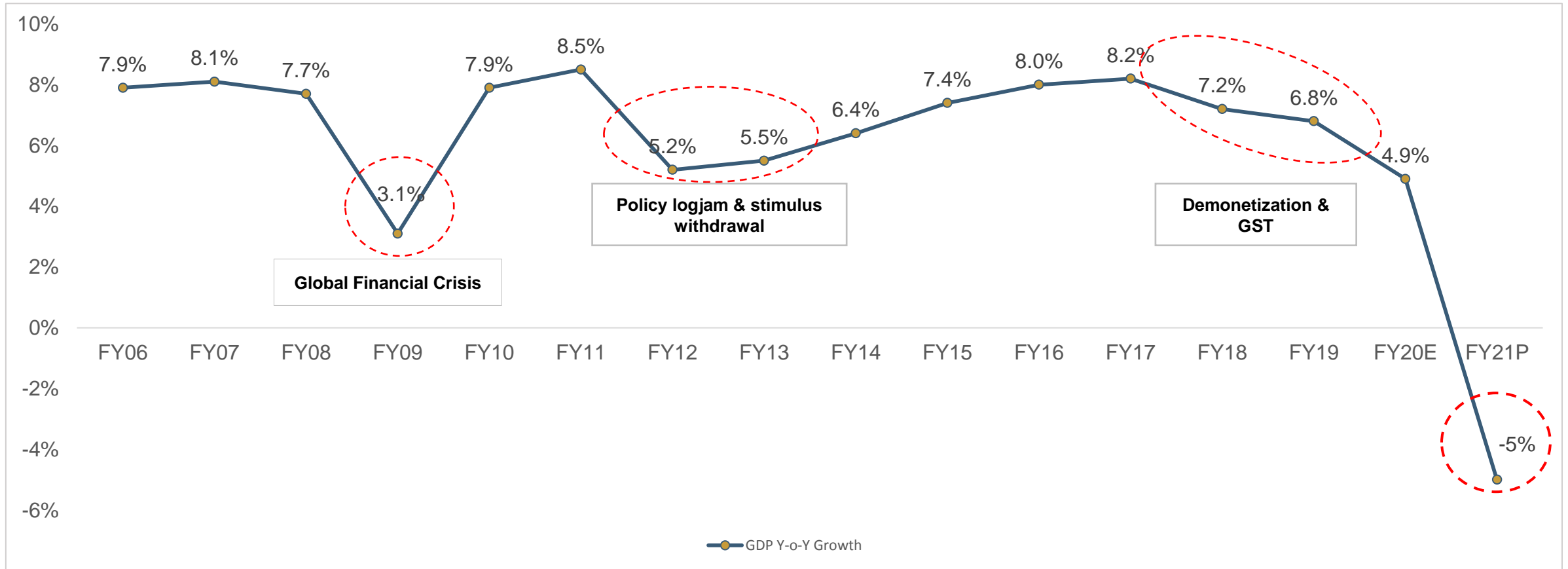
Employment sentiment likely to impact demand and retail credit

Risk matrix of 40,000 companies (across 50+ sectors) in terms of employee cost (of Rs 12 lakh crore)



Note: Companies and their employee cost distribution are based on the sectoral risk grid, where the Y axis measures magnitude of revenue erosion, while the X axis is the current credit profile. For instance, if the airlines sector is placed in the HH grid, then all companies in the sector and their employee cost are plotted in the corresponding grid. Similarly, if telecom is in the LL grid, all companies and employee cost are plotted on the LL grid. Source: Quantix, industry, CRISIL Research

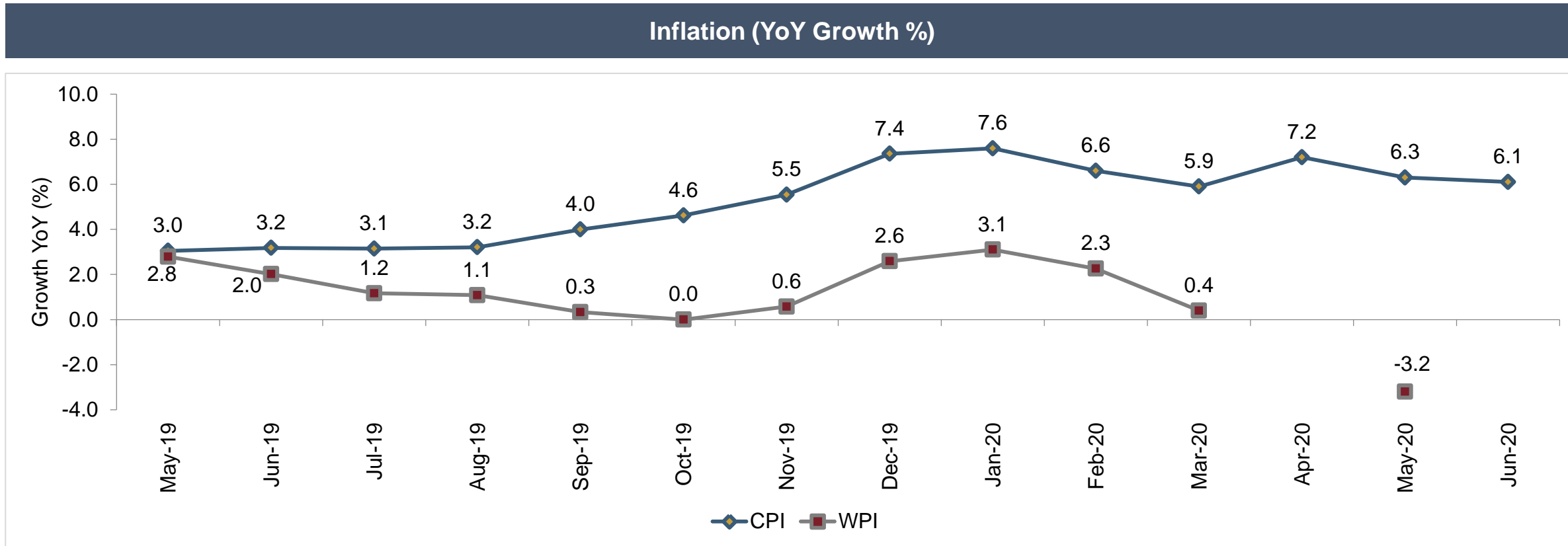
GDP to enter a negative territory



Note: GDP – Gross domestic product; Data on 2011-12 base, P=Projected
 Source: Central Statistical Office, MOSPI, CRISIL Research

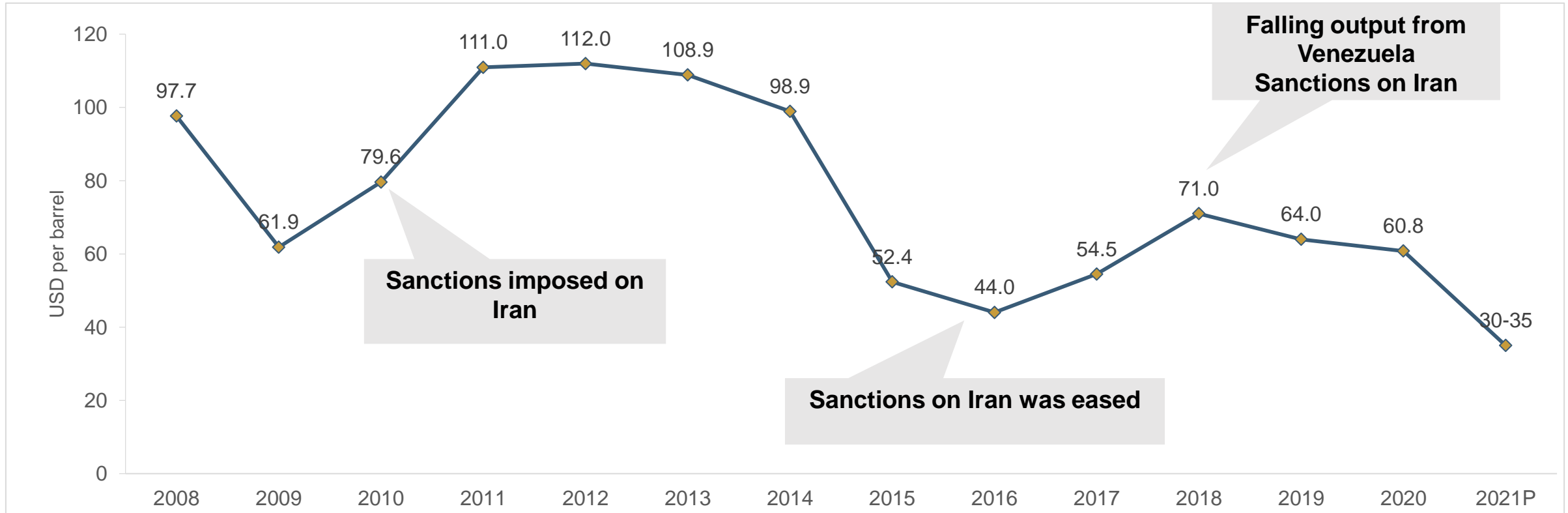
- Covid led lockdown to seriously impact an already slowly economy.
- Private consumption growth at is at the lowest. A sharp slowdown in incomes has dented consumer sentiment and kept private consumption growth weak.
- On the supply side, GVA growth expected to slowdown. Much of this slowdown expected from services, although the industry sector will continue to see contraction.
- Agriculture growth outperformed in Q4 led by healthy progress in the rabi crop. Expected to perform better in FY21

WPI enters negative territory in May; CPI inches slightly above inflation target of RBI of 2-6%



- NSO released CPI data after a gap of 2 months since it faced data collection issue. However, it filled the missing data gaps for the previous two months using “imputation methodology recommended in ‘Business Continuity Guidelines’, brought out by Inter-Secretariat Working Group on Price Statistics.
- CPI Food inflation guided the trend, decline was led by sharp fall in vegetable inflation.
- CRISIL estimates FY21 CPI inflation at 4.0%, down from 4.8% in FY20
- The Wholesale Price Index (WPI)-based inflation entered negative territory, dropping from 2.3% in February to -3.2% in May
- The decline in WPI inflation in May was broad based with fuel & power (13.2% weight) inflation at -19.8% leading the way.

Crude oil prices have stabilised after tumbling to its lowest levels



Note: Prices are as per calendar year

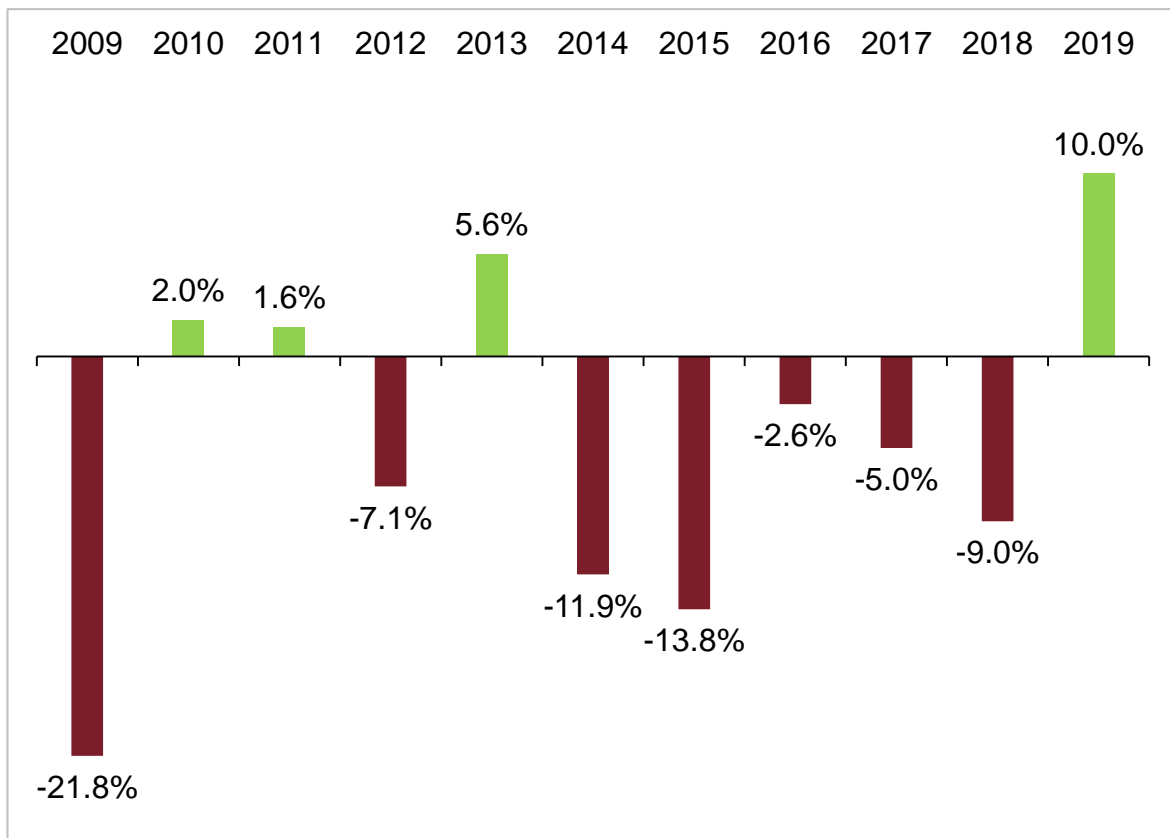
E=Estimate, P=Projected

Source: CRISIL Research

- Oil prices have been spiraling downwards since the start of the year owing to slowdown in demand from China as the pandemic erupted in the country, a breakdown in the oil production agreement between the OPEC which resulted in a price war and consequent supply glut, and global lockdowns as the pandemic spread, leading to further slowdown in demand and excess capacity.
- Taking these developments into account, it can be expected crude to average \$30-35 per barrel this fiscal, compared with \$60.8 per barrel in fiscal 2020.
- Despite crude prices going down, petrol and diesel rates have not declined due to increase in excise duty.

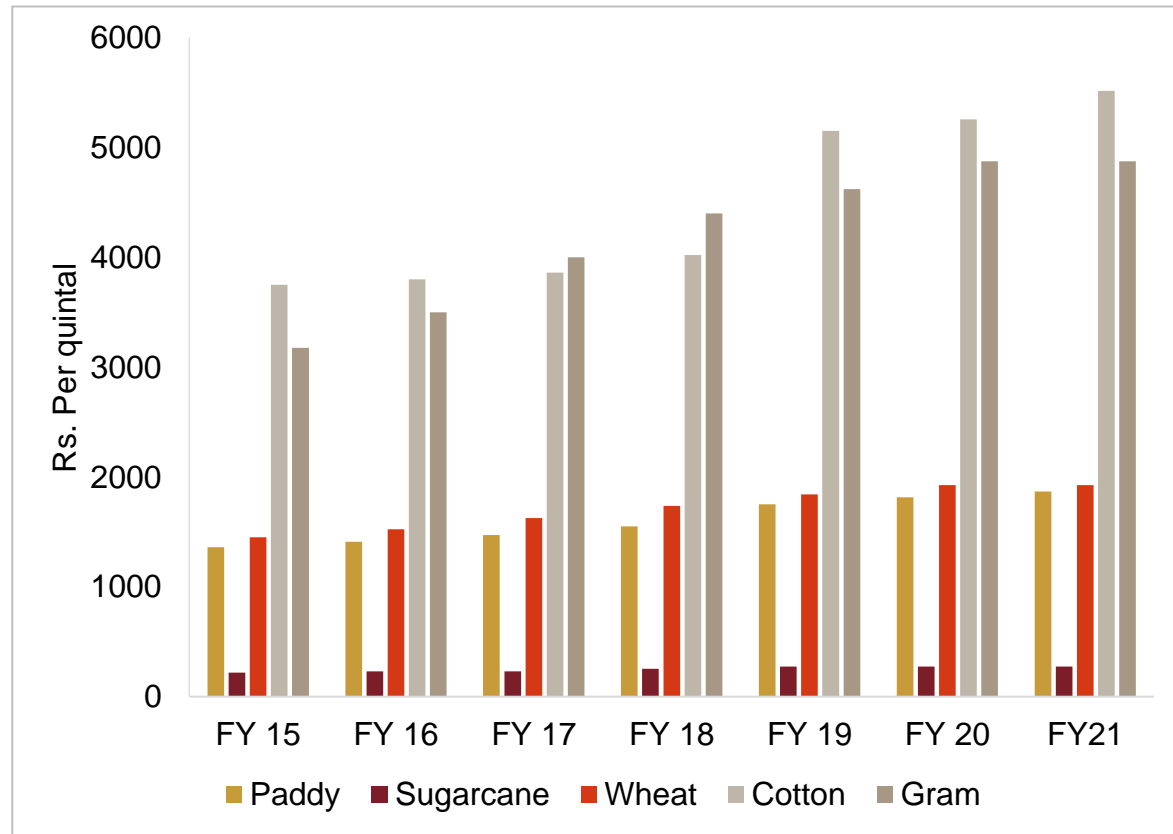
Amid this gloom and doom, one sector that holds out hope is agriculture

Monsoon deviation from long normal rainfall levels



Note: Years mentioned are calendar years
Source: Indian Meteorological Department

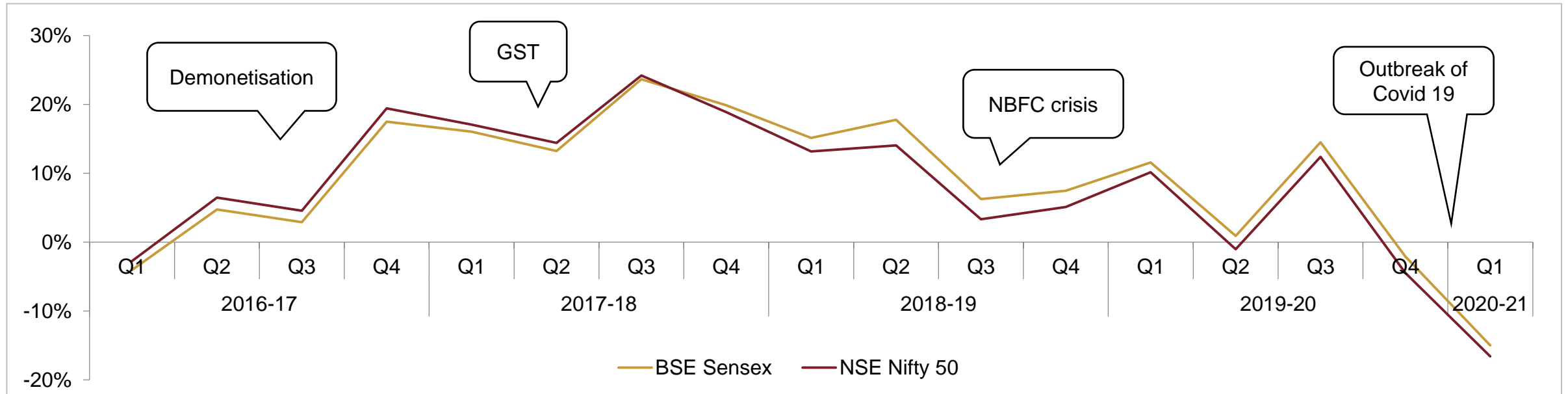
MSP of major crops in the last 5 years



Source: Ministry of Agriculture & Farmers Welfare

Covid-19 pandemic continued its relentless march across India and the world, domestic equity markets stayed in the red

BSE Sensex and NSE Nifty 50



| Index | Year | Q1 | Q2 | Q3 | Q4 | Year | Q1 |
|--------------|-------|--------|--------|--------|--------|-------|--------|
| BSE Sensex | FY 20 | 39,380 | 37,827 | 40,725 | 36,163 | FY 21 | 33,476 |
| NSE Nifty 50 | FY 20 | 11,819 | 11,205 | 12,033 | 10,587 | FY 21 | 9,861 |

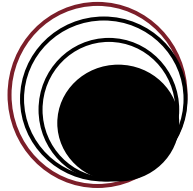
- The benchmark S&P BSE Sensex and Nifty 50 declined by 15-17% in Q1 FY21
- As the lockdown entered Phase 2 and 3, Indian equity markets continued to see losses on-month in April, though to a lesser extent than March.
- Metals and the real estate sector declined sharply on falling global commodity prices and hit to domestic activity
- Global indices recovered moderately from the declines of the previous month, with the announcement of unprecedented stimulus packages

Macroeconomic outlook

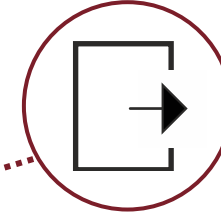
| Segments (% Growth Y-o-Y) | FY 15 | FY 16 | FY 17 | FY 18 | FY 19 | FY 20 E | FY 21 P |
|----------------------------------|-------|-------|-------|-------|-------|---------|---------|
| GDP (% Growth Y-o-Y) | 7.4 | 8.0 | 8.8 | 7 | 6.1 | 4.8-5 | (5) |
| GVA Industry | 7.0 | 9.6 | 7.7 | 6.3 | 4.9 | 1.8 | (7)-(5) |
| GVA Services | 9.8 | 9.4 | 8.5 | 6.9 | 7.7 | 7.0 | (7)-(5) |
| GVA Agriculture | -0.2 | 0.6 | 6.8 | 5.9 | 2.4 | 3.7 | 2-2.5 |
| CAD (as a % of GDP) | 1.3 | 1.1 | 0.7 | 1.8 | 2.1 | 1.0 | 0.2 |
| 10-year G-sec yield (end-March) | 7.7 | 7.5 | 6.8 | 7.6 | 7.5 | 6.2 | 6.5 |
| PFCE | 6.4 | 7.9 | 8.1 | 7 | 7.2 | 5.3 | (5)-(3) |
| Crude oil (\$/barrel/CY) | | | 44 | 54.5 | 71 | 64 | 30-35 ↑ |
| Inflation (Consumer Price Index) | 5.9 | 4.9 | 4.5 | 3.6 | 3.4 | 4.8 | 3.9 |

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

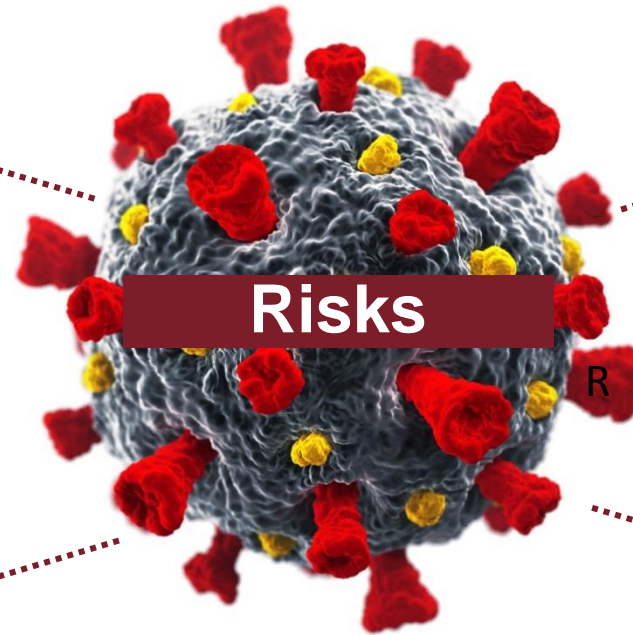
Risks to our forecast for FY21



Containment could take longer than expected, 'second wave' risks to be dealt with



Existing stress in the financial sector could worsen



If fiscal support to incomes and demand is lacking, recovery will be challenged

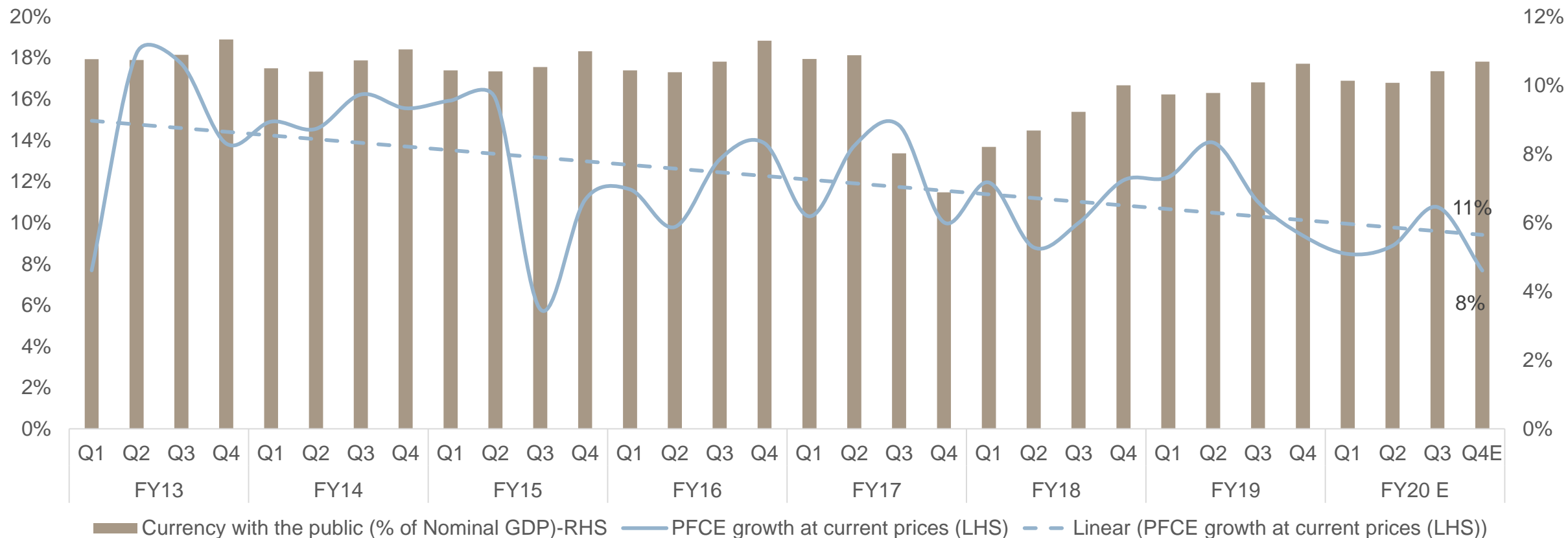


Unfavourable monsoon

Overall Finance Scenario

PFCE further slowed down in Q4FY20 despite adequate money supply

PFCE vs Money Supply (Currency with Public as % of Nominal GDP)

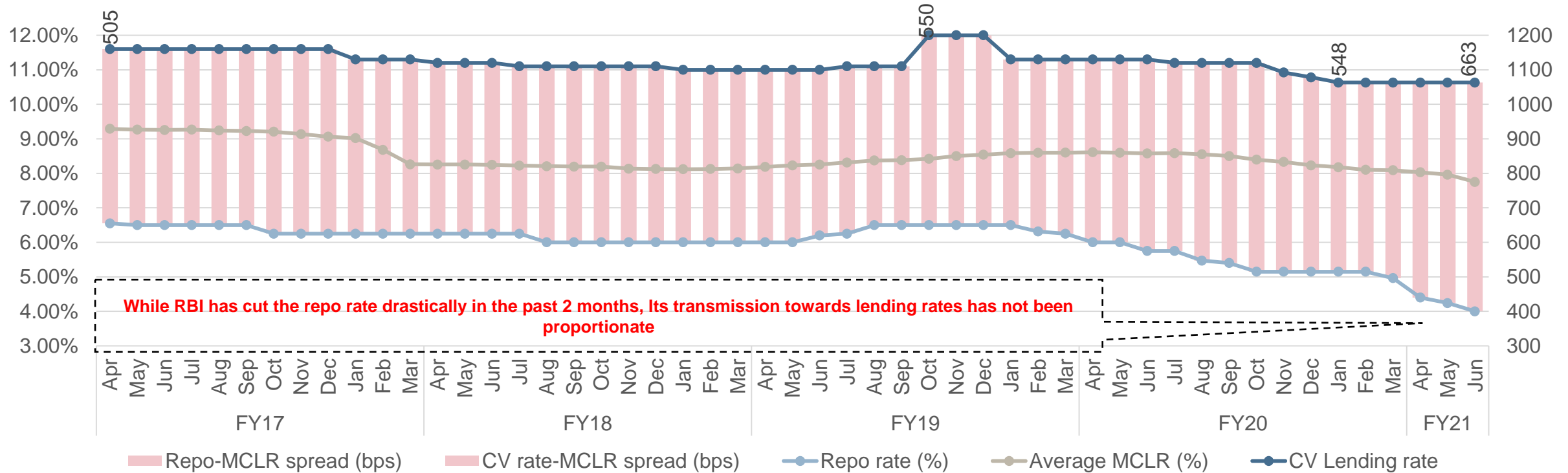


Source: MOSPI, RBI, CRISIL Research

Note* - For representation purposes, quarterly Nominal GDP value has been kept similar to the annual GDP of their respective financial year.

While repo rates have been revised downwards, transmission may be difficult/delayed due to moratoriums as well as risk averseness

Trend of CV lending rates vs repo and MCLR rates



Source: CRISIL Research, RBI

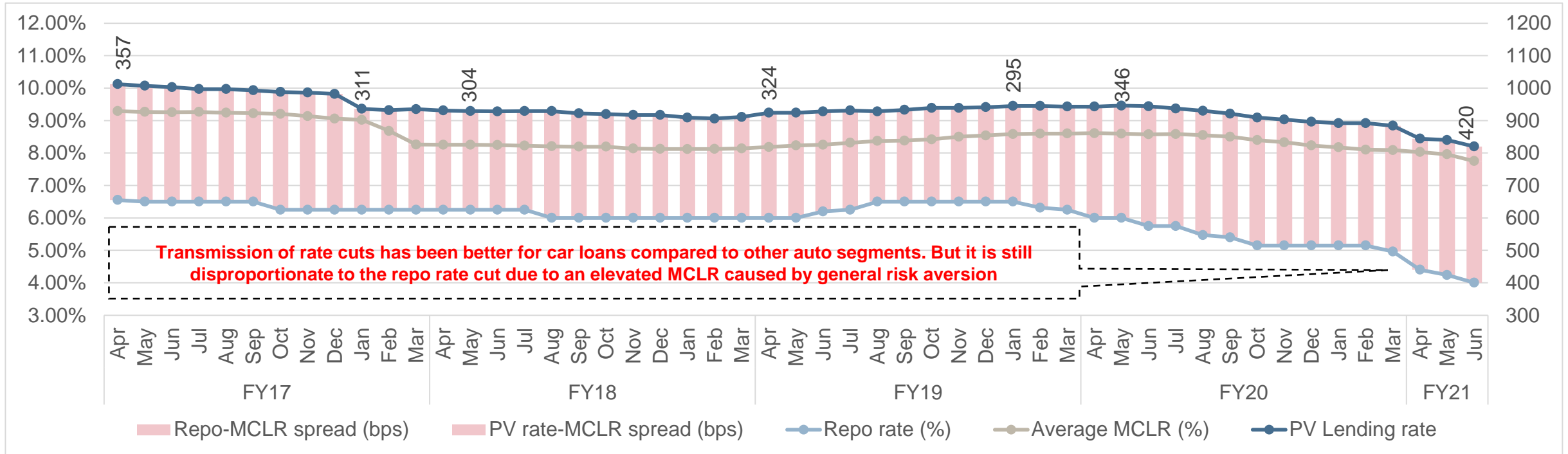
Note: Repo rate denotes the average for the month considering the number of business days in the month

Moratoriums could pose problems in recovery if the situation further deteriorates by end Q2FY21 and hence cash flows for financiers may get disrupted.

Also, new loans disbursed in the month of March before the lockdown would also have the option to avail a 3 month moratorium possibly enhancing risk from these customers

Rate cut transmission in PV loan is limited due to general risk aversion in the Industry, especially so on the part of private banks

Trend of Car lending rates vs repo and MCLR rates



Source: CRISIL Research, RBI

Note; Repo rate denotes the average for the month considering the number of business days in the month

Moratoriums could pose problems in recovery if the situation further deteriorates by end Q2FY21 and hence cash flows for financiers may get disrupted.

While some PSU banks have reduced their lending rates by over 150 bps in the past 1 year, rates of private banks are still elevated on account of caution and risk aversion

Indian Automobile Industry

Assumptions : Base Case Scenario; CoViD to subside materially by Sept 2020

- **COVID-19 to subside materially, if not wear out, by September 2020;** As per ICMR and other public health institutions Covid-19 is likely to peak by mid- August and gradually taper after that.
- **Strong protection protocols will continue to be in place for atleast 3-4 months after the nationwide lockdown is lifted.**
- Even as the nationwide lockdown is relaxed, **regions with high and rising Covid-19 cases could continue with restrictions.** However, restrictions that hurt economic growth – such as lockdowns – will not take place post Q2 FY2021.
- **Normal and well distributed monsoons**
- According to the Indian Meteorological Department, monsoon is expected to be 96-104% of the long period average (LPA), which augurs well for agriculture
- Not a major decline in finance availability post moratorium
- **Crude oil prices are expected to average \$30-35 per barrel in fiscal 2021**
- Direct fiscal stimulus of 1% of GDP over what has been announced
- **GDP expected to be in positive territory only from Q3** of the current fiscal
- Consumption to lead recovery, private investment scenario to remain subdued

Assumptions : Pessimistic Scenario; uneven recovery & second wave of CoViD

- **Inability to relax restrictions materially in India** – these are early days and cases are still rising with no sign of abatement in key regions driving production/demand, extending the road to recovery. Productive capacity of several sectors could get hit, constraining supply
- **A second wave of cases emerging**, which could further add to the uncertainty, breaking sentiments further
- High consumption regions like Mumbai, NCR, Bangalore etc continue to face severe restrictions or remain under lock down
- **No further fiscal support to incomes and demand.** This in turn will **deepen the impact on discretionary spending** and further result in lower demand of non discretionary products also
- **A setback to agriculture on either monsoon failure or supply disruptions**
- Limited/ Marginal support from the financial services community on account of sharp **increase in GNPA levels** post moratorium on account of cash flow issues faced by customers
- **Further mark-down in global growth in case of uneven health recovery and premature austerity** in the face of a large rise in public debt in most countries
- **Any change in the base situation could push India's GDP growth further down**



Passenger Vehicles

Demand situation to worsen in FY21

| Variables | FY 2018 | FY 2019 | FY 2020 | FY 2021P |
|-----------------------------------|---------|---------|---------|----------|
| Income for discretionary spending | F | F | NF | NF |

| Variables | FY 2018 | FY 2019 | FY 2020 | FY 2021 E |
|-----------------------|---------|---------|---------|-----------|
| Cost of ownership | F | NF | N | N |
| Petrol / CNG Vehicles | F | NF | N | N |
| Diesel Vehicles | F | NF | N | NF |
| Interest rates | F | N | N | N |

| Variables | FY 2018 | FY 2019 | FY 2020 | FY 2021 E |
|----------------------------------|---------|---------|---------|-----------|
| New Model launches | N | NF | F | N |
| Regulations – passenger vehicles | F | N | NF | N |

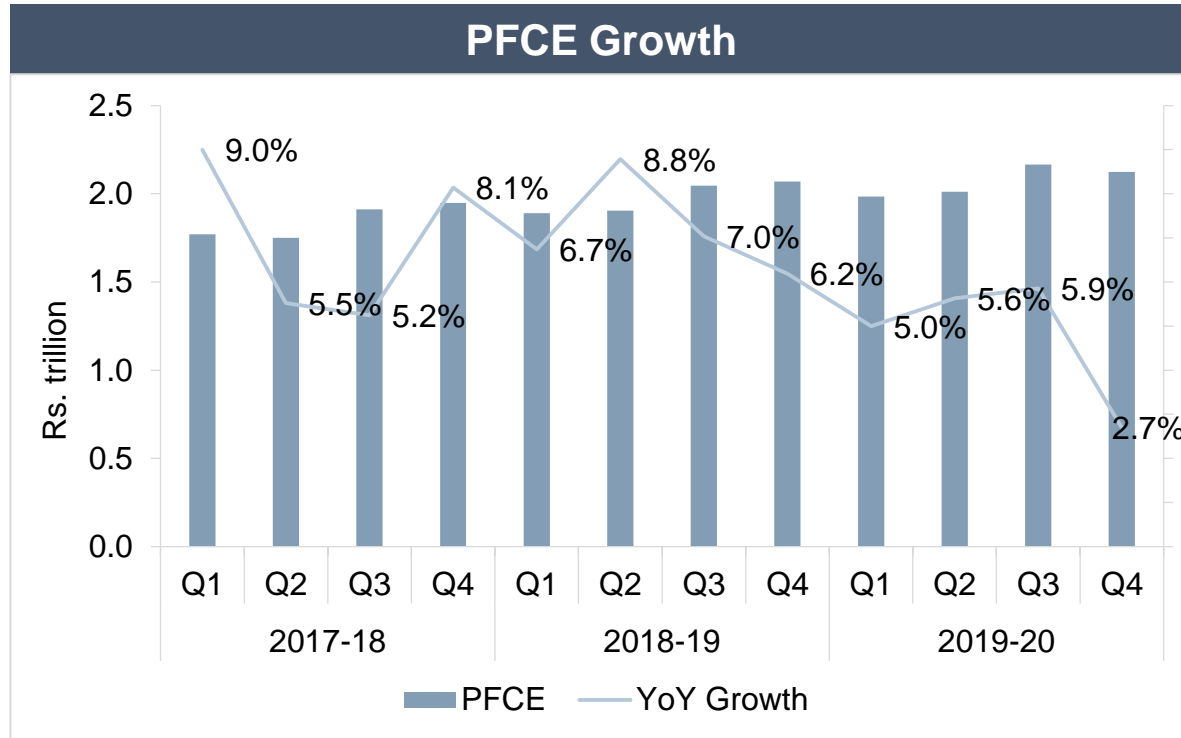
| Variables | FY 2018 | FY 2019 | FY 2020 | FY 2021 E |
|---------------------------------------|----------|----------|-----------|-----------|
| Impact on Overall Sales Growth | F | N | NF | NF |

Slowdown in economy due to Covid 19-
 Job losses/ paycuts
 Lower Business Sentiments
 Intermittent lock-downs

E: Estimates P: Projected

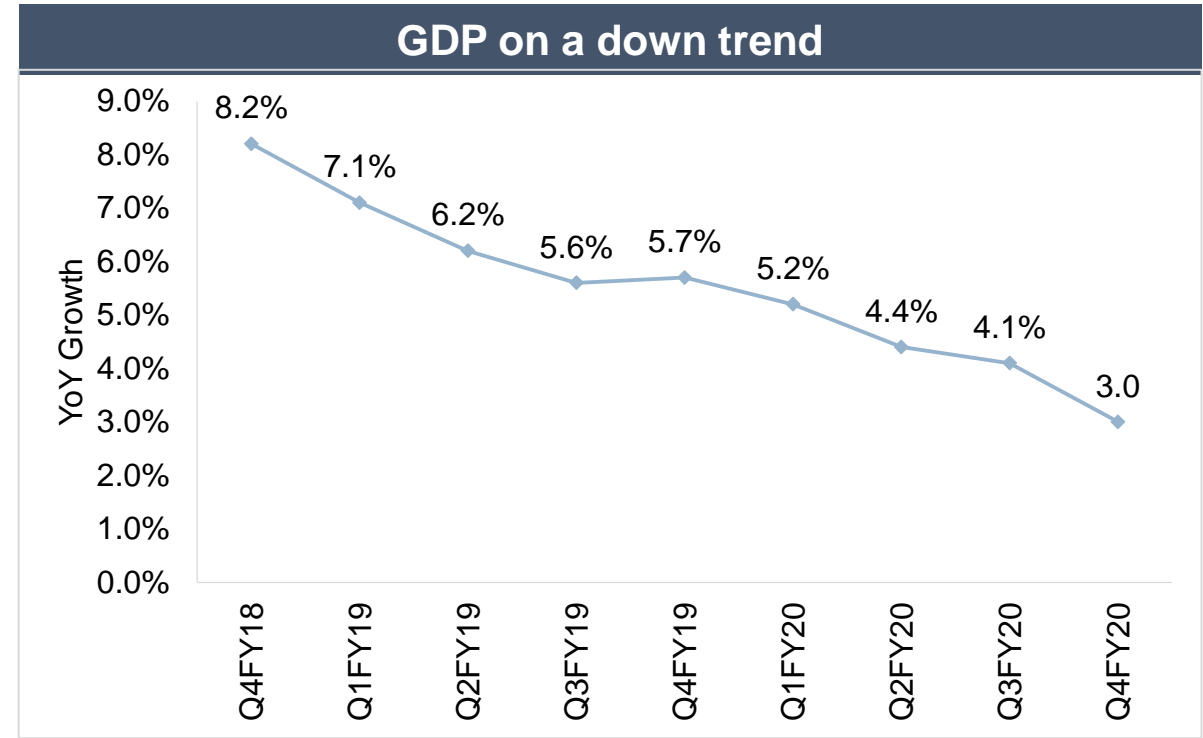
SOURCE: Industry, CRISIL Research

GDP saw the slowest growth in Q4FY20; services took a major blow; manufacturing declined; farms to a rescue



NOTE: PFCE – Private Final Consumption Expenditure
Source: MOSPI, CRISIL Research

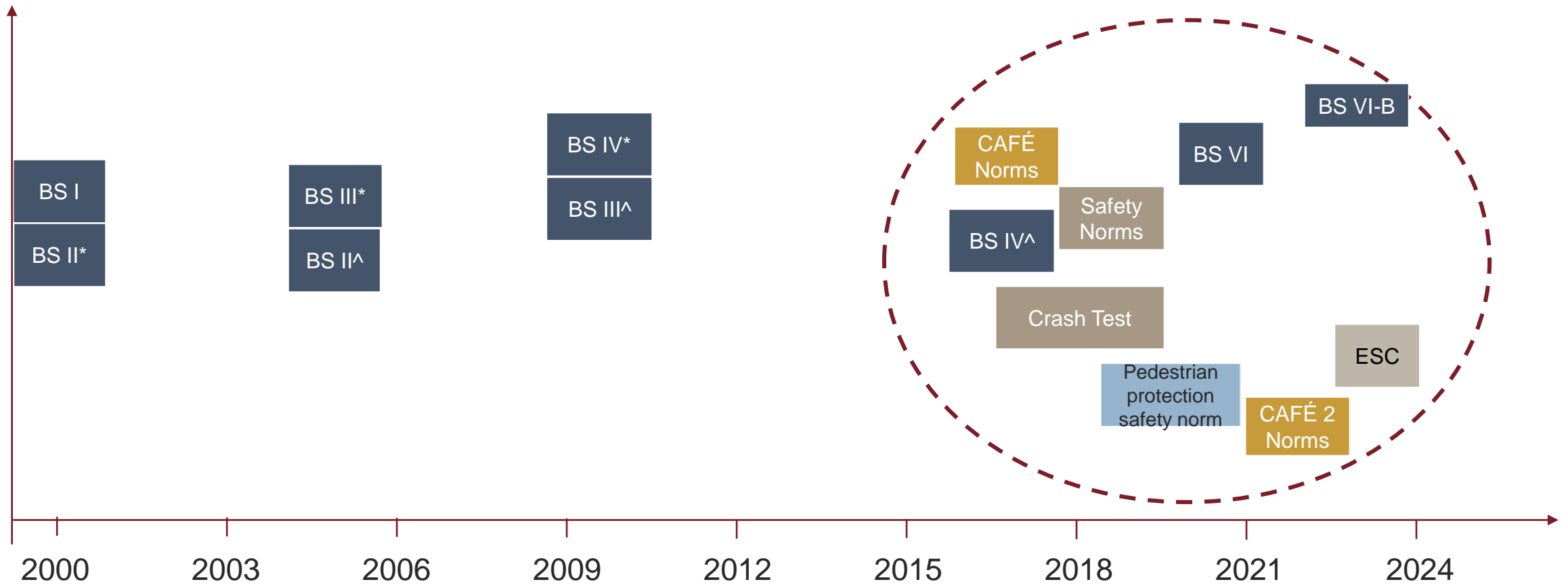
- Private consumption growth at 2.7% is the lowest in 21 quarters, having plunged from 6.6% in Q3. A sharp slowdown in incomes has dented consumer sentiment and kept private consumption growth weak.
- For fiscal 2020, private consumption growth was at 5.3%, compared to 7.2% in fiscal 2019.



Source: MOSPI, CRISIL Research

- The ongoing lockdown has brought manufacturing and services to a grinding halt and disrupted domestic supply chains resulting in further lower growth in Q4FY20 and a de-growth of 25% in Q1FY21.
- GDP services saw a growth of 4.4%, manufacturing – (0.6)% and agriculture- 5.9% in Q4FY20.

Regulations on safety & emission norms to bring India at par with developed economies



NOTE: *- Introduction of norm in NCR and 13 cities

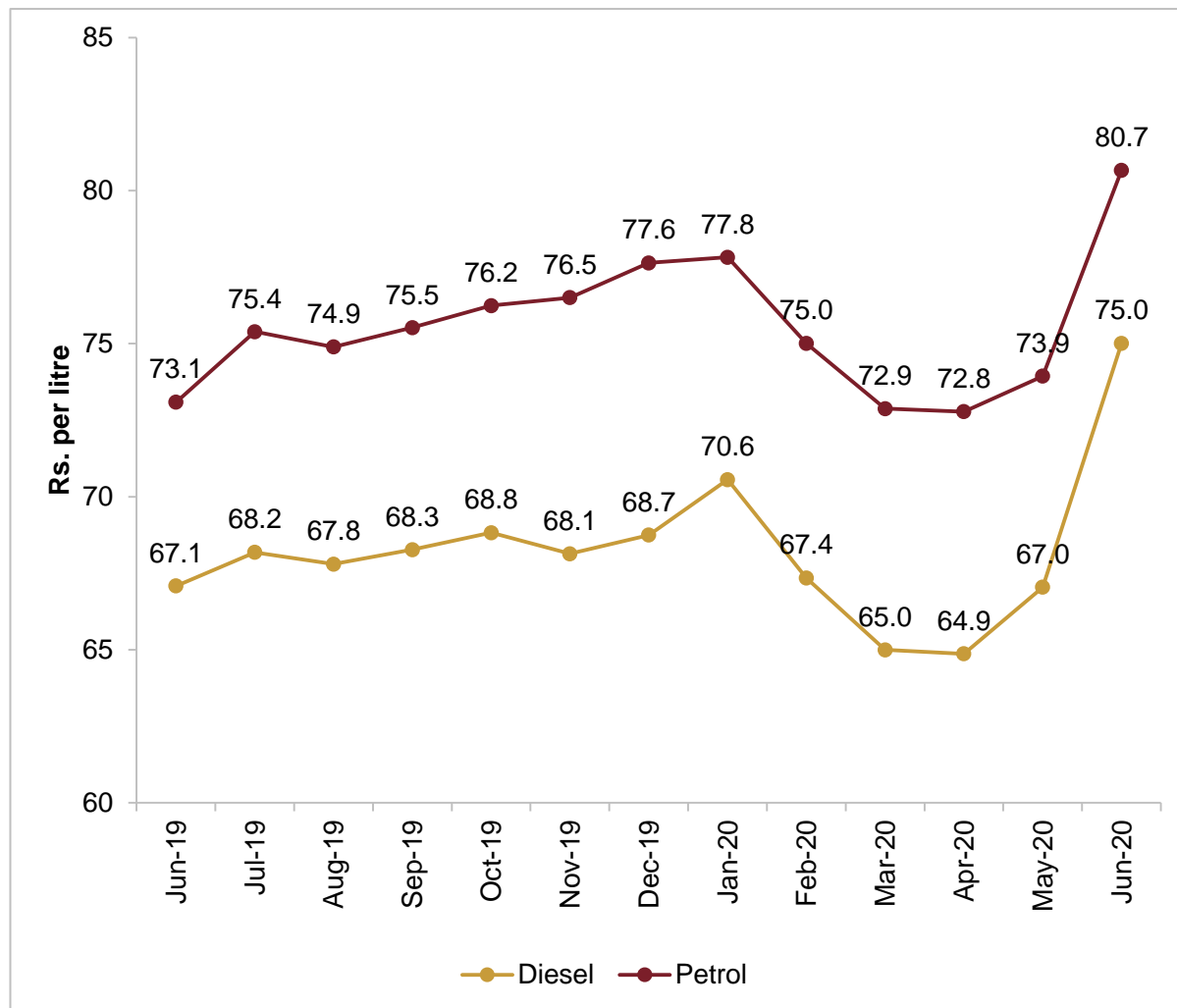
^ Nationwide implementation

BS – Bharat stage (Emission Regulations), CAFÉ- Corporate Average Fuel Efficiency, AEB - Autonomous Emergency Braking, ESC - Electronic Stability Control

Source: Industry, CRISIL Research

Sequential increase in crude oil prices coupled with hike in excise duty led to increase in domestic fuel prices

Fuel prices



NOTE: Industry, Prices are average of Delhi, Mumbai, Kolkata and Chennai

Major Upcoming Launches

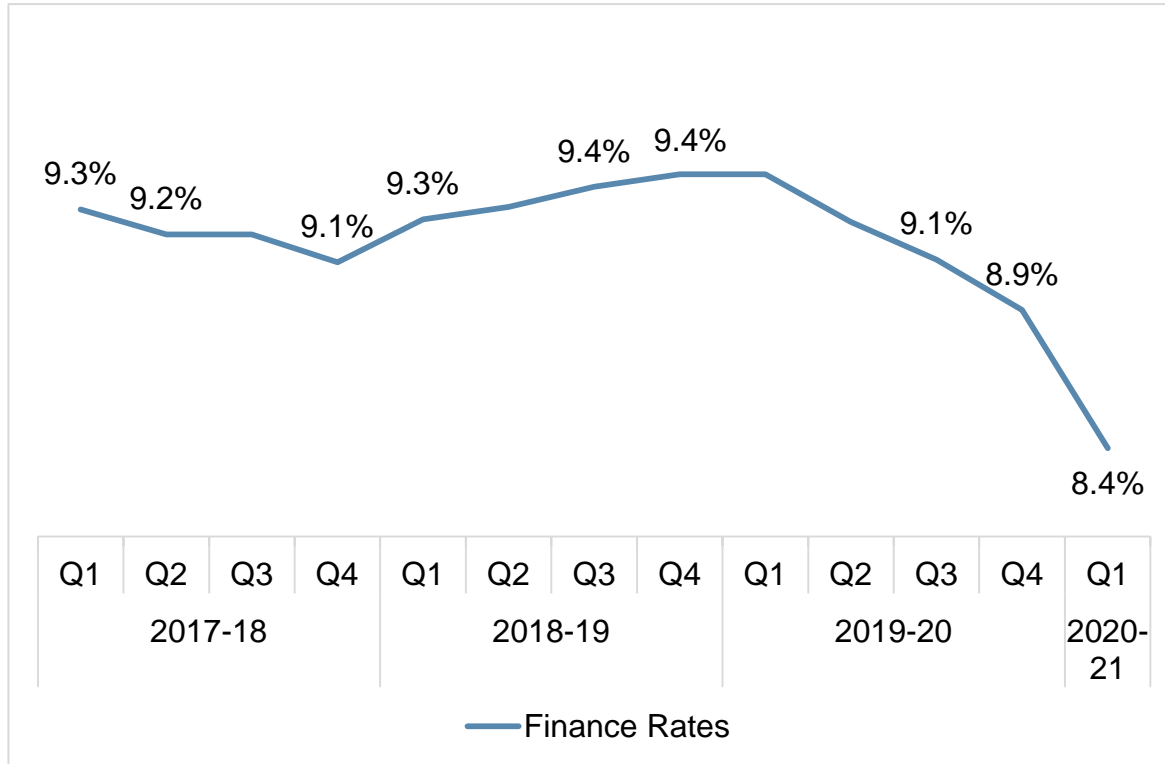
| Company | Model | Segment |
|----------|------------------------|------------|
| Maruti | Ertiga Sport | UV |
| Kia | Sonet | Compact UV |
| Honda | City (Facelift) | Large car |
| Renault | Duster Turbo | UV |
| Mahindra | XUV 300 Sportz | UV |
| | Thar | UV |
| Tata | Tiago (Diesel variant) | Small Car |
| | Gravitas | UV |
| Force | Gurkha (Facelift) | UV |

- Delay in few model launches (like Mahindra Thar) due to CoViD-19.
- Many models to be launched virtually.

Source: Industry, CRISIL Research

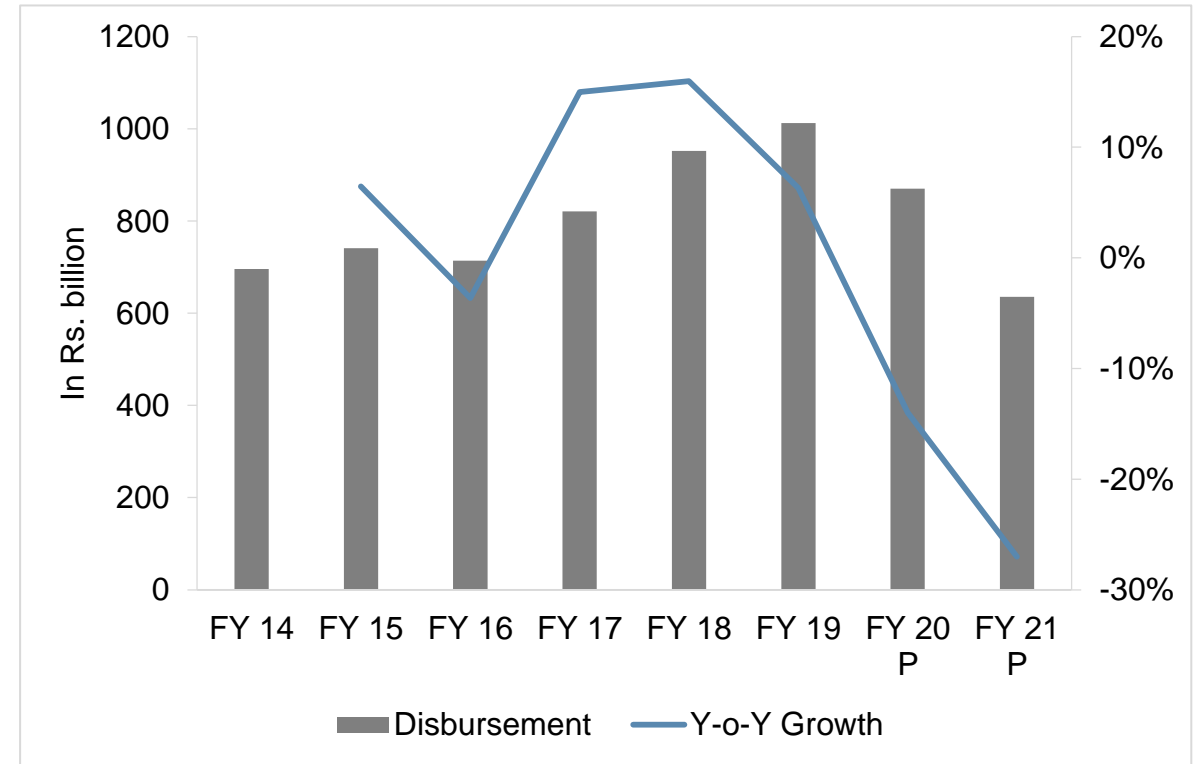
Slump in PV sales in FY21 to put pressure on PV disbursements

Interest Rates



NOTE - Interest rates are an indicative rates charged by Banks
Source – CRISIL Research

Disbursement

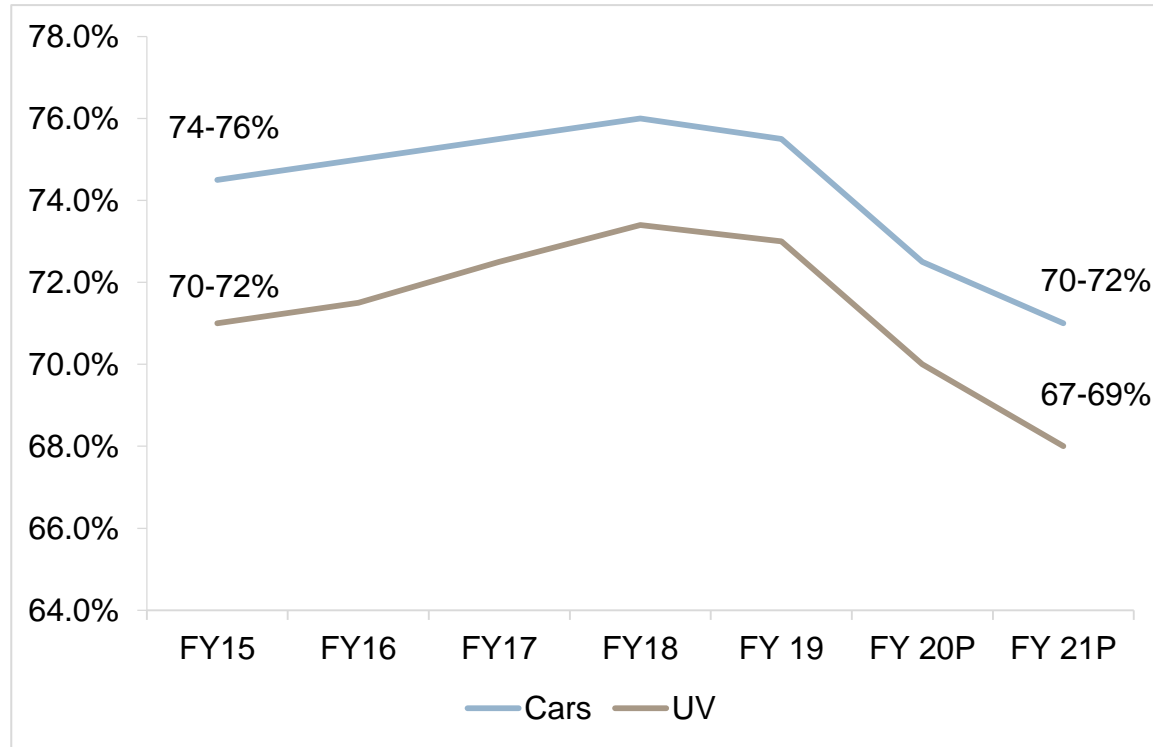


Source: Company Reports, CRISIL Research

- Rate cuts were passed on to the customer during H2FY20, rates have softened further in Q1 with declining disbursements
- On account of lower fleet utilisation and revenue getting impacted in Q1 of FY21, financiers have gone slow on disbursing loans to commercial segment (taxi, shared mobility) for short term.

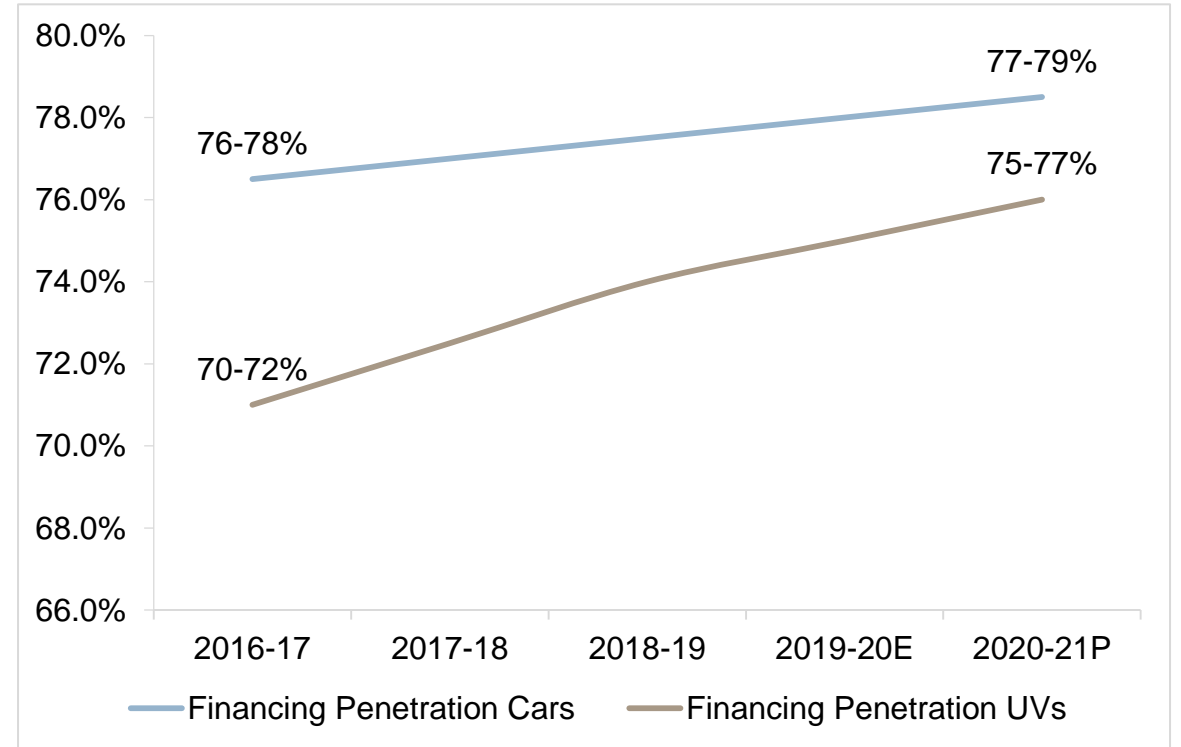
Cautious funding will lead to lower LTVs in FY21

Loan-to-Value (LTV) for PV



Source: Industry, CRISIL Research

Financing Penetration

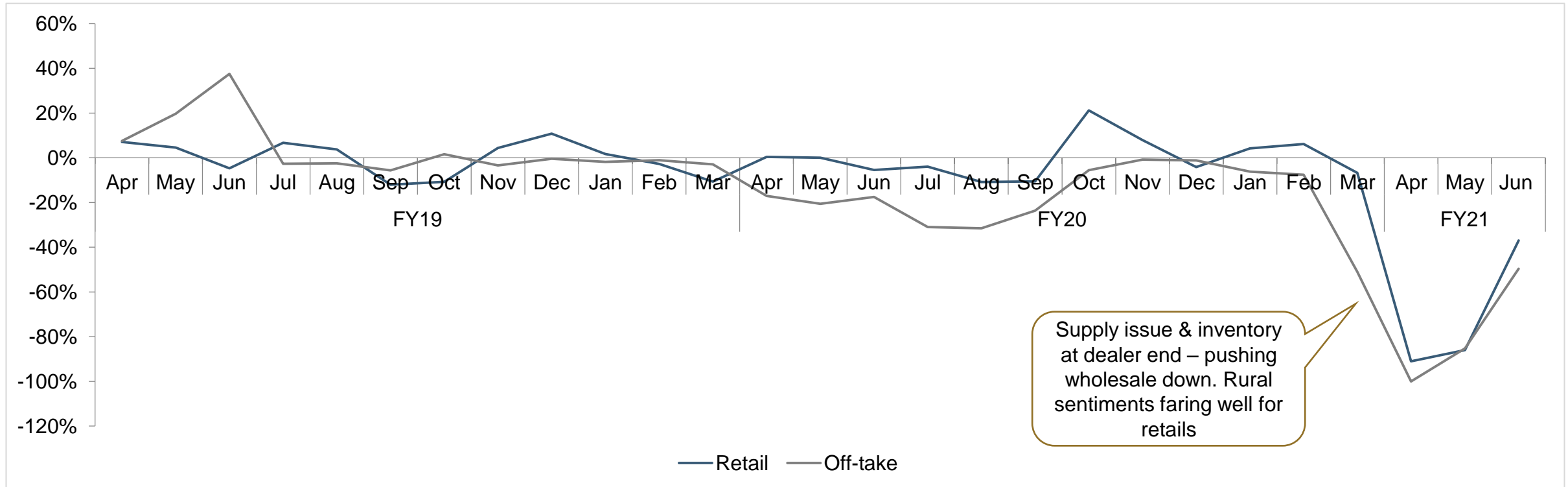


Source: Industry, CRISIL Research

- LTV is expected to decline due to increased risk in funding .
- We expect the finance penetration to increase marginally because more number of people will try to save cash and opt for finance in this uncertain situation.

Q1 FY21 saw a better than expected retails, driven by rural and semi urban areas

Retail vs off-take (Growth yoy)

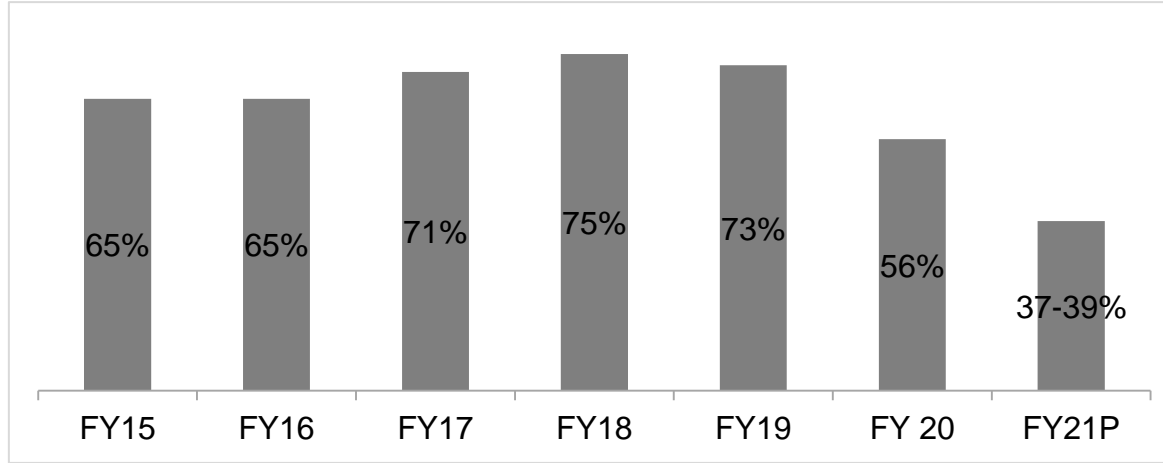


Source – Vahan, SIAM, CRISIL Research

- Most showrooms resumed operations in the last week of May providing a kicker to retail sales
- However, dealers had above average inventory restricting push to wholesale demand. **Supply side restriction** (such as component and labour issues) pushed the off take demand further down
- **Social distancing, pent up demand**, recently launched vehicles accelerating the retail demand.
- Top cities which contributes to sales are still under lockdown situation, impacting the sales.

Industry to register lowest utilization in a decade in FY21 owing to CoViD19

Utilization level has fallen due to lower domestic sales



Source: CRISIL Research Estimated

Upcoming Projects

| Player | Location | Capacity lacs units pa | Investment | Status |
|---------------|------------------|------------------------|------------|----------------------|
| Maruti Suzuki | Mehsana, Gujarat | 2.5 | Rs 85 B | Under implementation |
| Maruti Suzuki | Mehsana, Gujarat | 2.5 | Rs 60 B | Planning |
| PSA | Chennai, TN | 1 | Rs 7 B | Planning |

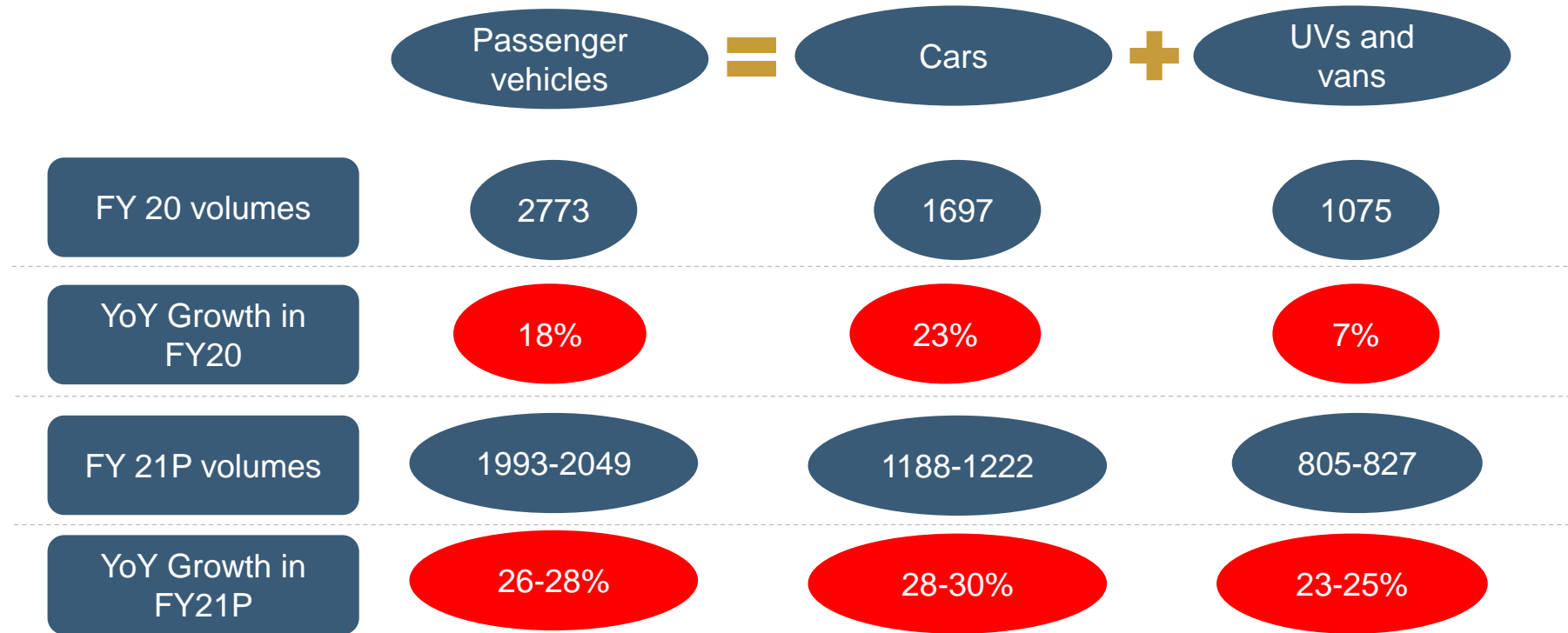
Source: Industry, CRISIL Research

Player-wise capacity utilisation

| Player | Effective Capacity estimate (in '000) (as on 31st Mar 2020) | Production (FY20) (in '000) | Capacity utilization in FY20E |
|----------------|---|-----------------------------|-------------------------------|
| Maruti | 2050 | 1553 | 76% |
| Hyundai | 763 | 648 | 85% |
| Tata Motors | 564 | 149 | 26% |
| Ford India | 440 | 193 | 44% |
| Renault-Nissan | 480 | 112 | 23% |
| General Motors | 165 | 70 | 43% |
| Toyota | 310 | 100 | 32% |
| Honda | 300 | 98 | 33% |
| Volkswagen | 179 | 78 | 44% |
| Kia Motors | 300 | 101 | 34% |
| Other Players | 631 | 329 | 60% |
| Industry Total | 6182 | 3434 | 56% |

Source: SIAM, CRISIL Research

Domestic – Annual Forecast



NOTE: Volumes in thousand units, growth in red circles indicates de-growth

Source – SIAM, CRISIL Research

Domestic – Quarterly Forecast

| Period | | Passenger vehicles | | Cars | | UVs and vans | |
|--------|----|--------------------|------------|---------------|------------|---------------|------------|
| | | Volume (000) | YoY Growth | Volume ('000) | YoY Growth | Volume ('000) | YoY Growth |
| FY20 | Q1 | 713 | (18)% | 447 | (23)% | 265 | (9)% |
| | Q2 | 621 | (29)% | 370 | (37)% | 250 | (12)% |
| | Q3 | 785 | (1)% | 476 | (9)% | 309 | 15% |
| | Q4 | 655 | (22)% | 404 | (23)% | 251 | (21)% |
| FY21E | Q1 | 149-163 | (78)% | 76-85 | (82)% | 73-78 | (72)% |
| | Q2 | 517-529 | (15)-(17)% | 297-305 | (18)-(20)% | 219-224 | (10)-(12)% |
| | Q3 | 645-661 | (16)-(18)% | 390-399 | (16)-(18)% | 255-261 | (15)-(17)% |
| | Q4 | 685-698 | 5-7% | 425-433 | 5-7% | 260-265 | 3-5% |
| FY22P | Q1 | 558-561 | 263-265% | 334-336 | 317-319% | 224-226 | 197-199% |

- After a dismal performance in FY20, industry expected to register further decline amidst stressed incomes with CoVid impact
- Lockdown has significantly impacted retail sales in Q1, the major consumption centres are still in red, expected to impact sales in Q2 as well
- Additionally, restricted parts availability, limited labour has created supply side issues for most OEMs exerting further pressure on sales
- We expect UV segment to perform better backed by newer launches & a typical UV customer's higher ability of discretionary spending

Stakeholder interactions

OEM



- PV retail looks like a pent up demand, expected to dry down and again pick up during festive season mainly due to CoViD situation to get better in metro and Tier-1 cities.
- Demand mainly seen on small and compact cars.
- People are currently deferring their purchase due to work from home option, uncertainty about jobs and business outlook.
- Supply issue faced by the OEM due to interplant dependency, supplier situated in containment zone or due to availability of labour. China substitutes are actively looked for.
- Supply issue expected to normalise by mid August if situation doesn't get worse.
- Shared mobility to take a back seat. Higher drive for personal mobility due to social distancing.

Dealer



- Moderate pick up in retail demand in June
- Major markets like Mumbai, Pune, Ahmedabad, Chennai remain subdued amid surging CoVid cases
- More takers for recently launched vehicles & popular models
- No significant change in consumer buying behavior
- Facing major supply constraints (across OEMs)
- Below normal inventory, especially for popular models
- Discounts reduced from March levels
- Various financing schemes through OE bank tie ups
- Retail demand expected to pick up around Diwali

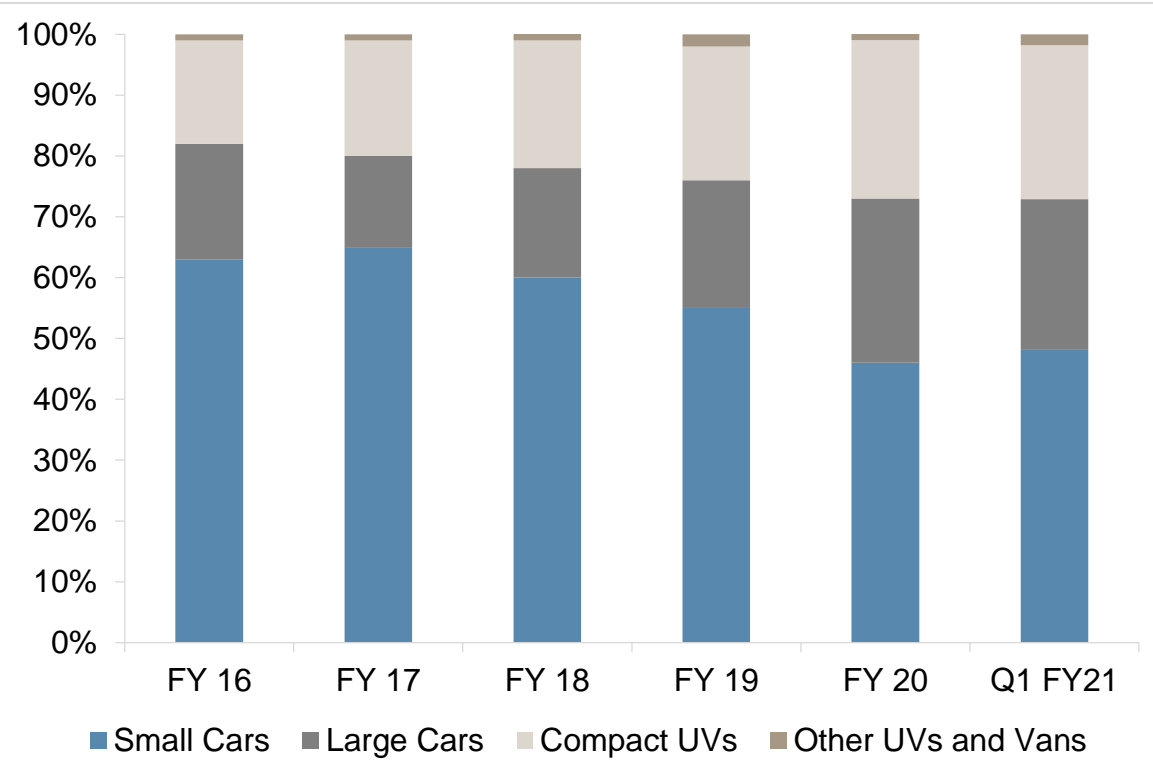
Financier



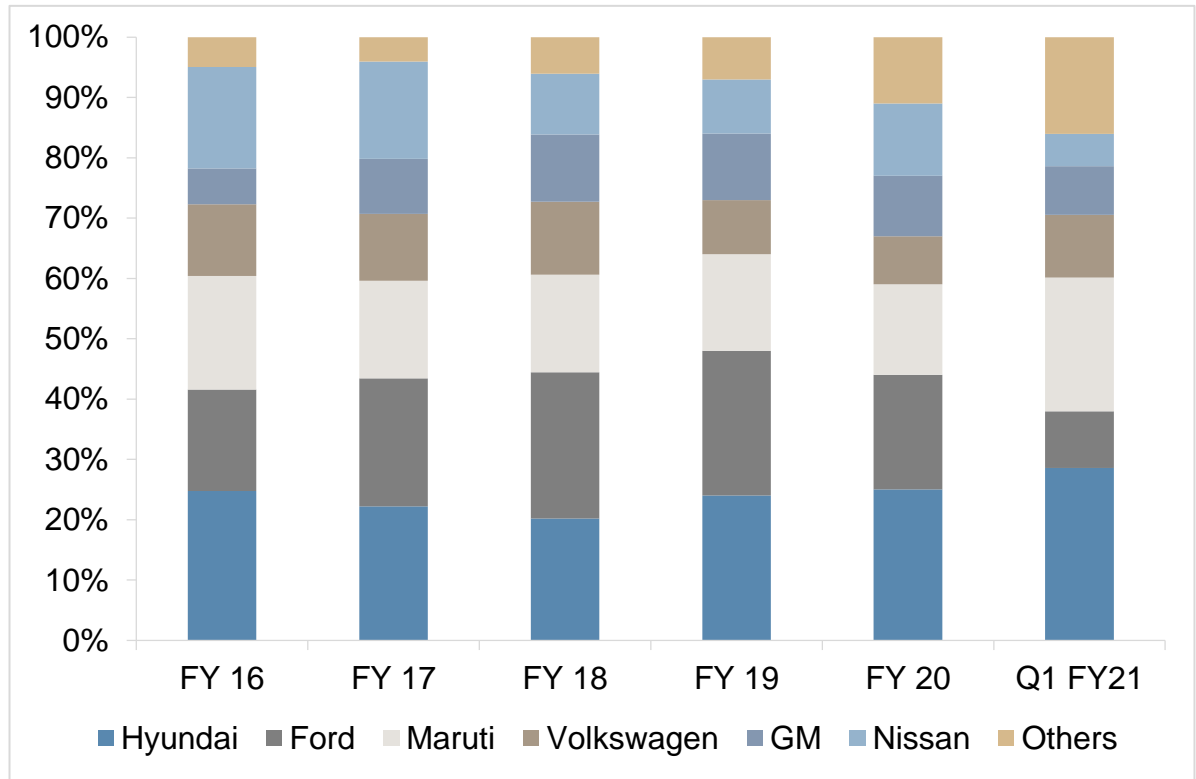
- Many new schemes being offered to customers
- However, lending is being done more cautiously; few risky customer profiles especially the ones impacted due to lockdown are being avoided
- LTV has reduced slightly, interest rates have been maintained
- New customers are not being offered any moratorium (over & above the scheme).
- Commercial segment (taxi, shared mobility) are not financed currently.

Exports declined by 58% in Q1FY21

Small cars gained market share

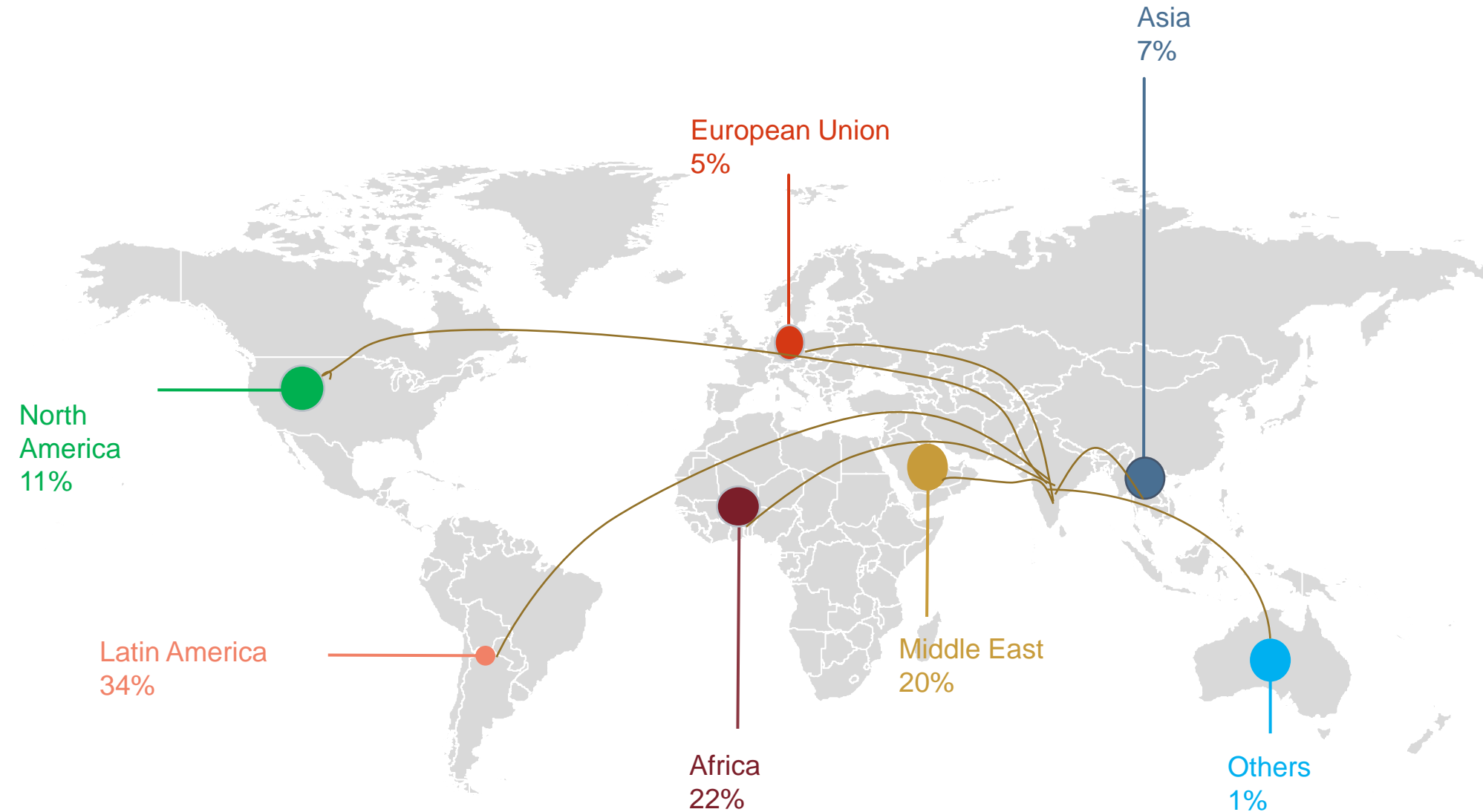


Ford moved from 2nd to 5th position



- Q1 FY21 registered a sharp decline in exports – 58% at overall level, 60% car segment and 49% for UV plus vans segment.
- Hyundai remained at its first position on back of growing demand for Verna in Middle East regions and for high demand for Venue.
- Ford saw a sharpest contraction of its share, since it mainly exports to developed nations which saw rise in CoViD cases from start of 2020.
- Kia, the new entrant, bagged a share of 12% of overall PVs on back of Seltos sale gaining traction.

Passenger Vehicle Exports



- **Latin America** registered a de-growth of 5% in FY20 led by Mexico.
- **Europe** has seen a de-growth of ~53% in FY20 due to slowdown in their economy. All major countries (UK, Germany, France, Italy) had shown a decline.
- **Middle East** saw a healthy growth led by Saudi Arabia and UAE.
- Due to Covid-19, most of the nations are expected to see a **slowdown in their economy**.
- Mexico to see a decline due to high dependence on USA.



Two-Wheeler

Tough times ahead for two wheeler industry

| Variables | FY 2018 | FY 2019 | FY 2020 | FY 2021P |
|-----------------------------------|---------|---------|-----------|-----------|
| Income for discretionary spending | F | F | NF | NF |
| Variables | FY 2018 | FY 2019 | FY 2020 E | FY 2021 F |
| Cost of ownership | F | NF | N | NF |
| Interest rates | F | N | N | N |
| Variables | | | | FY 2021 F |
| Fuel injector vehicle | | | | NF |
| E- Carburetor vehicle | | | | N |
| Variables | FY 2018 | FY 2019 | FY 2020 E | FY 2021 F |
| Regulations – 2 wheelers | F | NF | N | NF |
| Impact on Overall Sales Growth | FY 2018 | FY 2019 | FY 2020 | FY 2021 |
| Impact on Overall Sales Growth | F | N | NF | NF |

Key Monitorable-
Financiers cautious on retail financing.

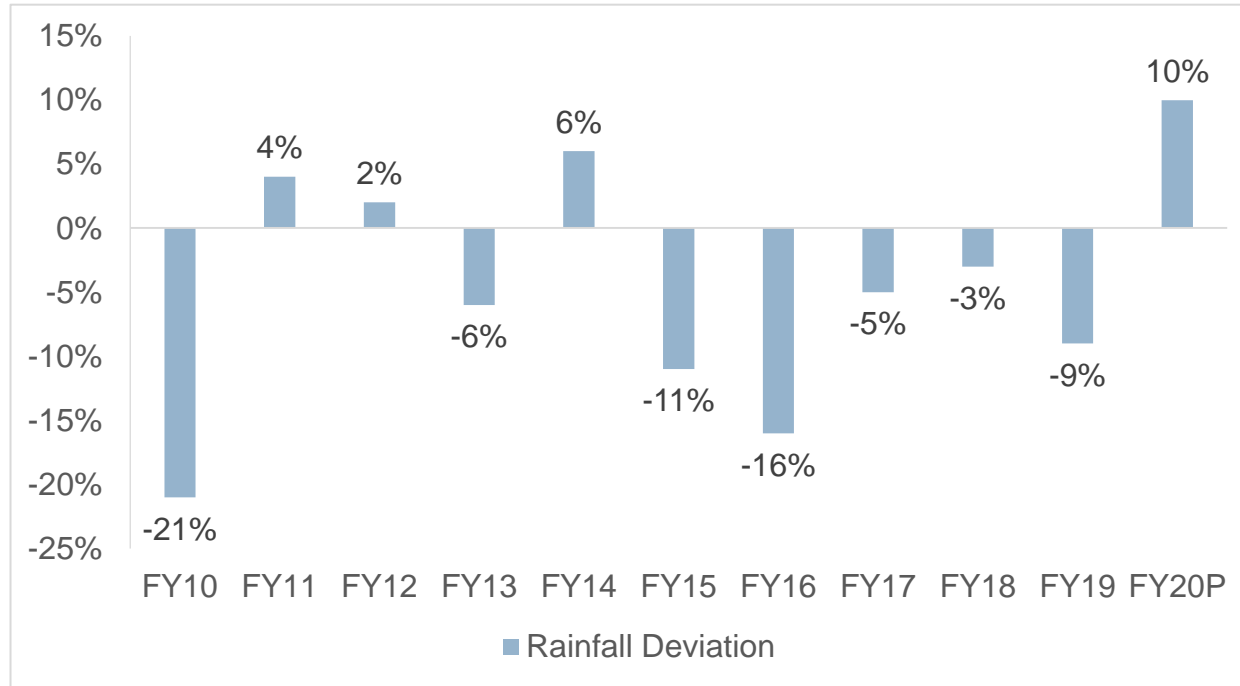
Marginal positive impact-
Change in **Own Damage** component in insurance from being 5 year mandatory to 1 year mandatory from Aug 1st, 2020.

Intermittent lock-downs

NF: Not Favorable, F: Favorable; N: Neutral
E: Estimates P: Projected

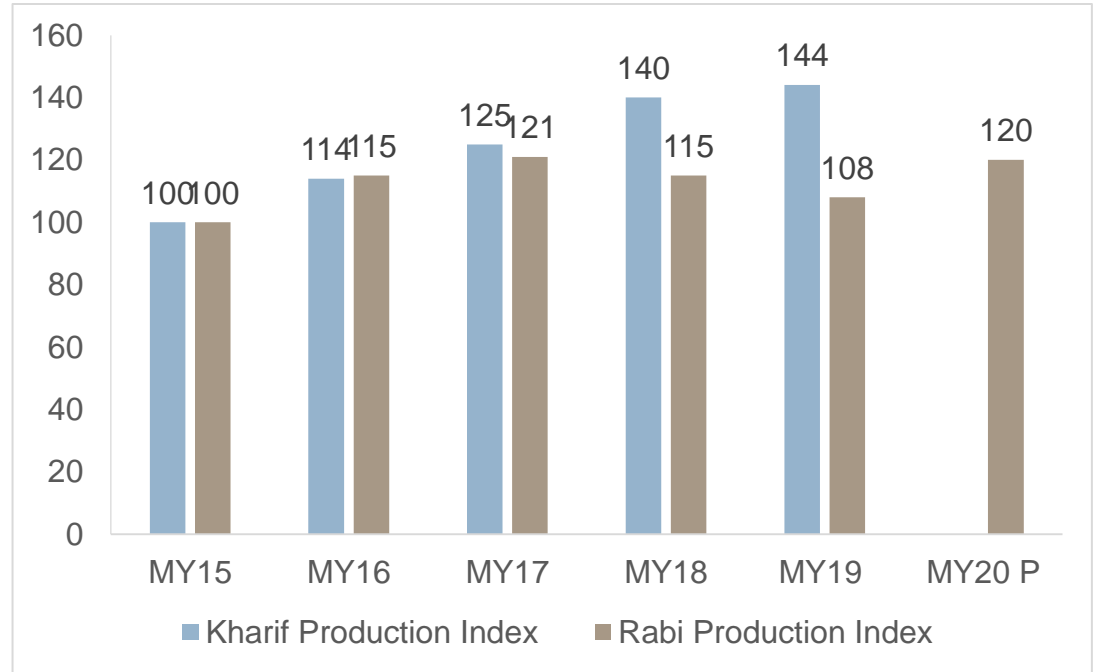
Positive rural sentiments led by expected normal monsoon; bumper rabi production

FY21 expected to be a normal monsoon year



NOTE: Rainfall deficiency in the range of -10% to 10% of the long period average is considered as normal as per IMD. P: Projected
Source : IMD, CRISIL Research

Bumper rabi production; Positive rural sentiments



Source: Ministry of Agriculture, CRISIL Research

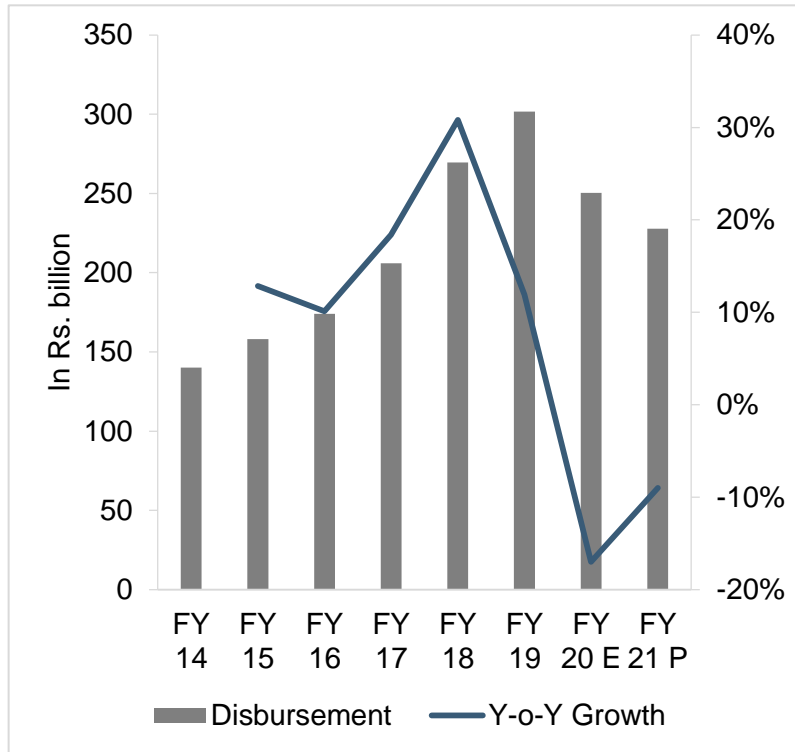
MY: Marketing year, P: Projected

Notes: 1) Base of 100 for Index (kharif and rabi) taken in MY Jan-Dec 2015

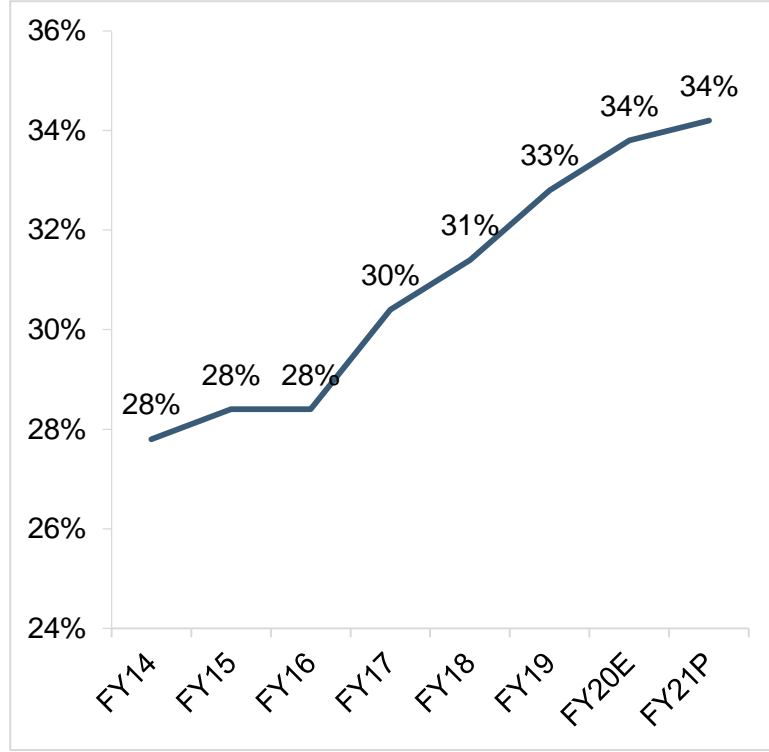
- Kharif crop to be supported by higher sowing, normal monsoon and hence healthy reservoir levels. Whereas, bumper yield of rabi has led to increase in cash flow with the farmers.
- Higher procurement through central and state government supports rural agri income.

Disbursement to see a negative growth for consecutive 2 years; LTV to remain stable

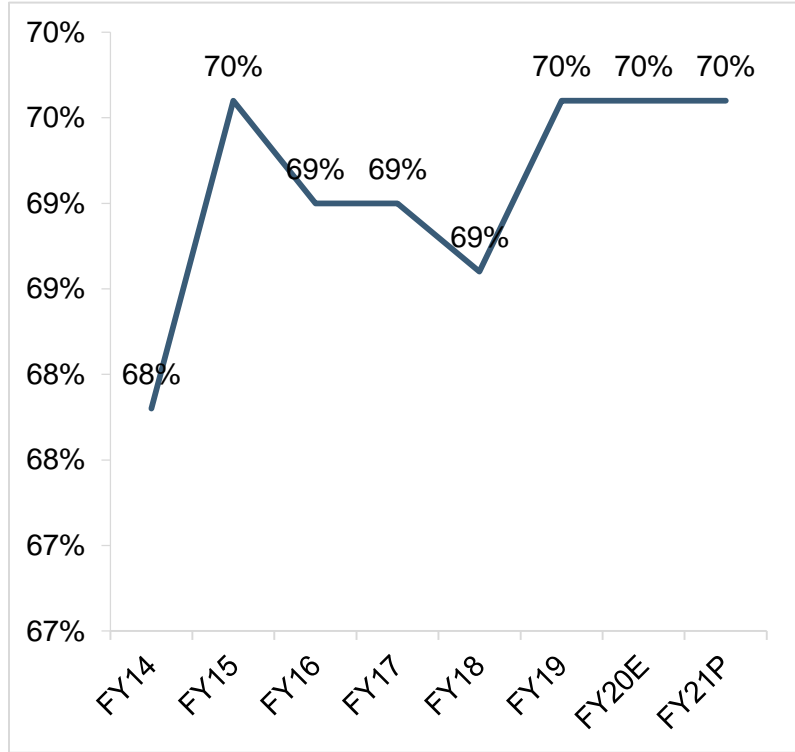
Disbursement



Auto Finance Penetration



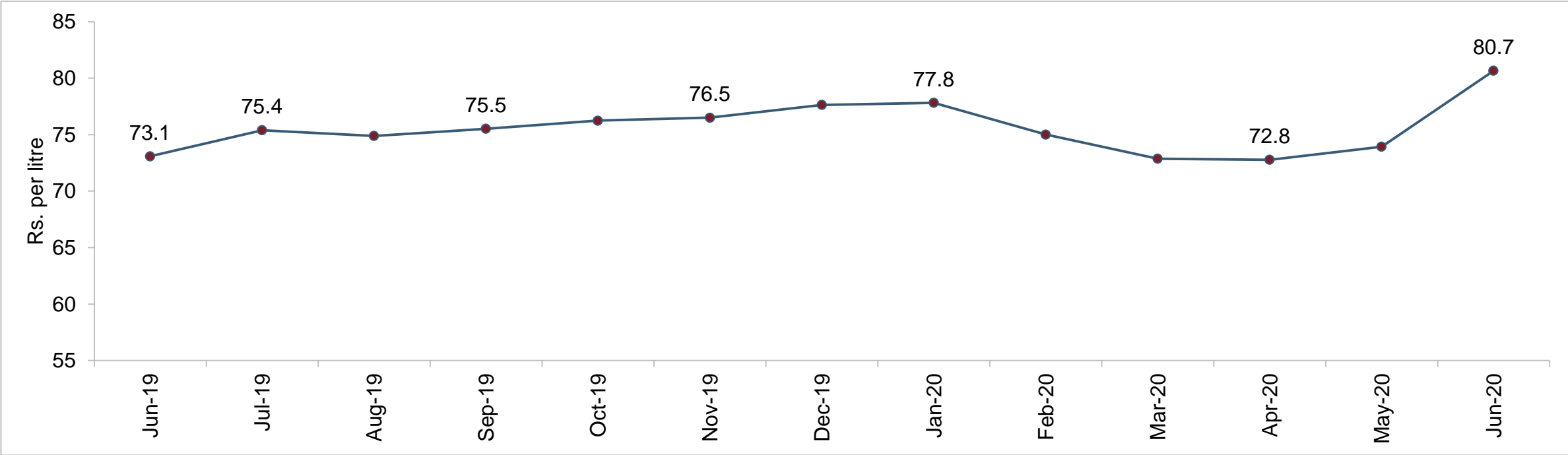
Loan-to-Value



- Disbursement to slowdown further by 8-10% in FY21. Low demand will be off-set by increase in realisation of a two-wheeler due to migration towards BS VI.
- LTV to remain stable whereas finance penetration to increase due to higher focus of NBFCs towards rural area.

Petrol prices on uptrend due to sequential increase in crude prices and hike up in taxes

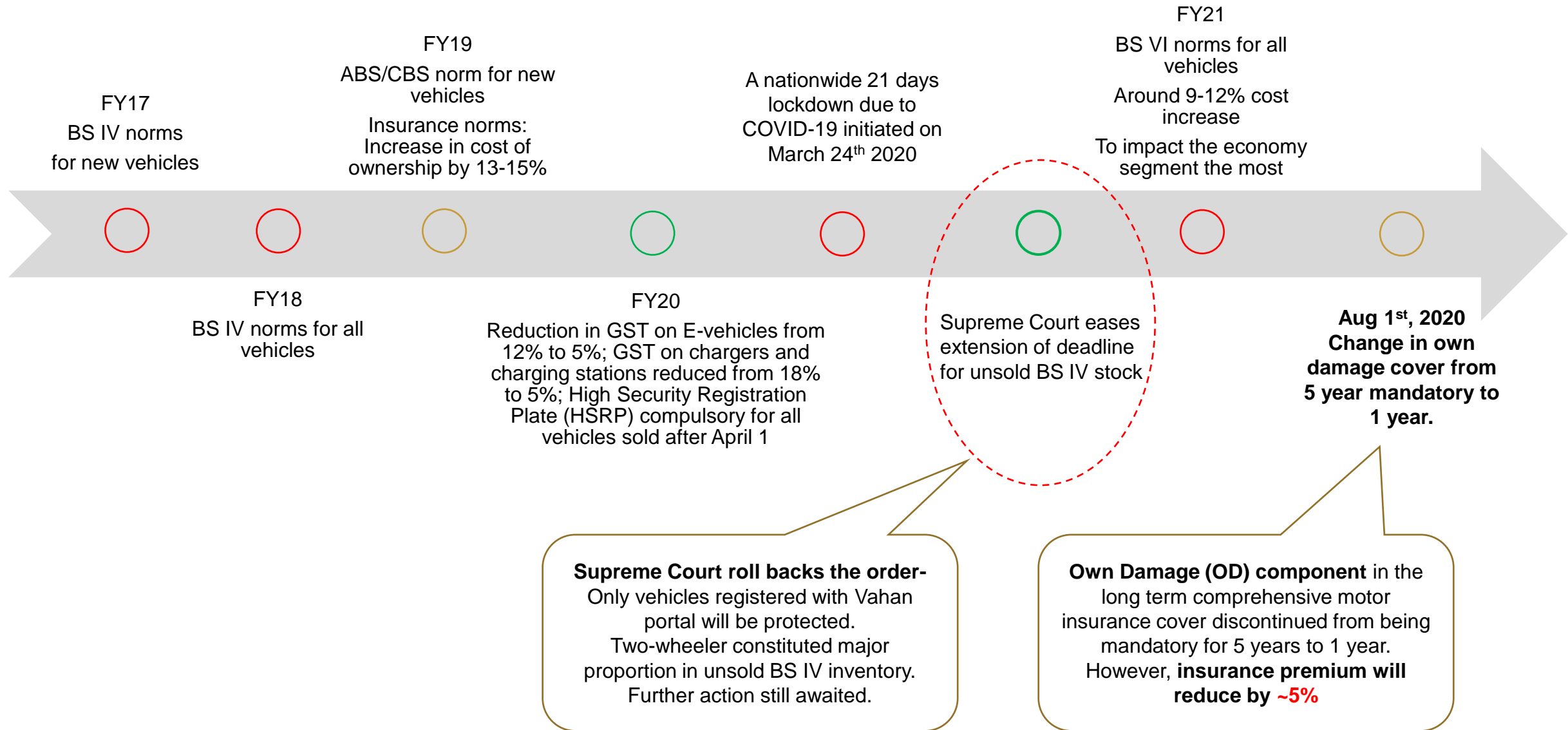
Petrol Prices



Petrol prices Rs/litre, prices average of 4 metros – Mumbai, Delhi, Kolkata and Chennai
Source – CRISIL Research

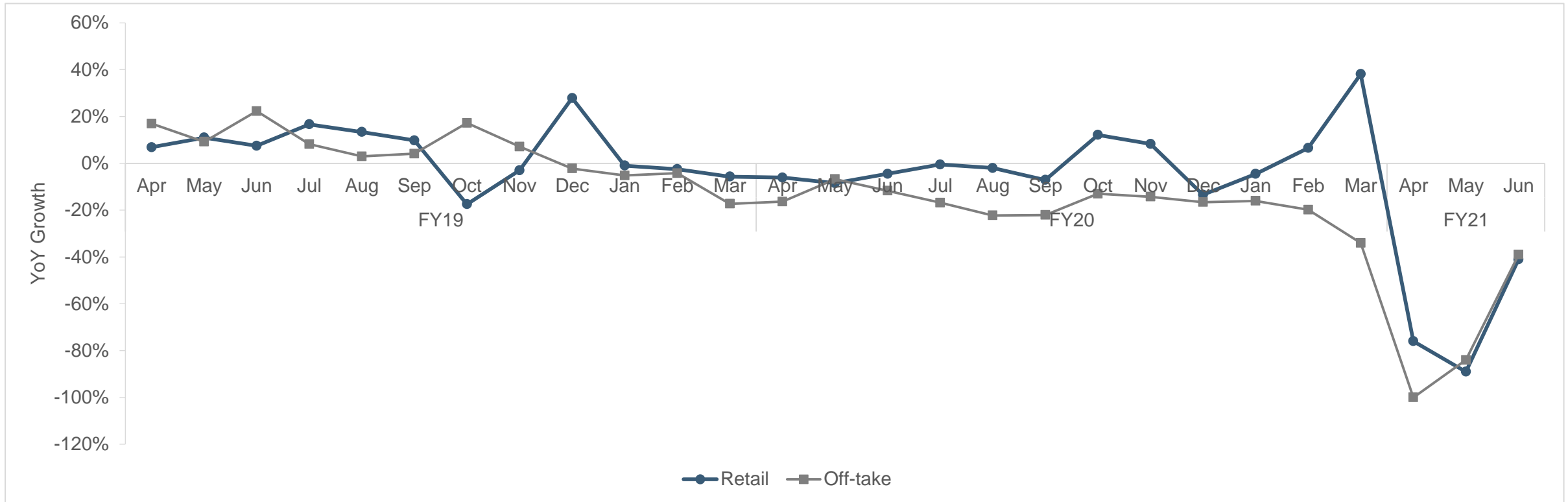
- Sequential increase in crude prices led by increase in excise duty by Rs. 10 in May and other 13 state governments hiking up the fuel taxes led to spike in fuel prices. Petrol prices increased by Rs. ~7 in June 2020.

Regulations and its impact on two-wheeler industry



Retails more than expected post lockdown relaxation; Demand seen from rural and semi-urban regions

Retail vs off-take (Growth yoy)

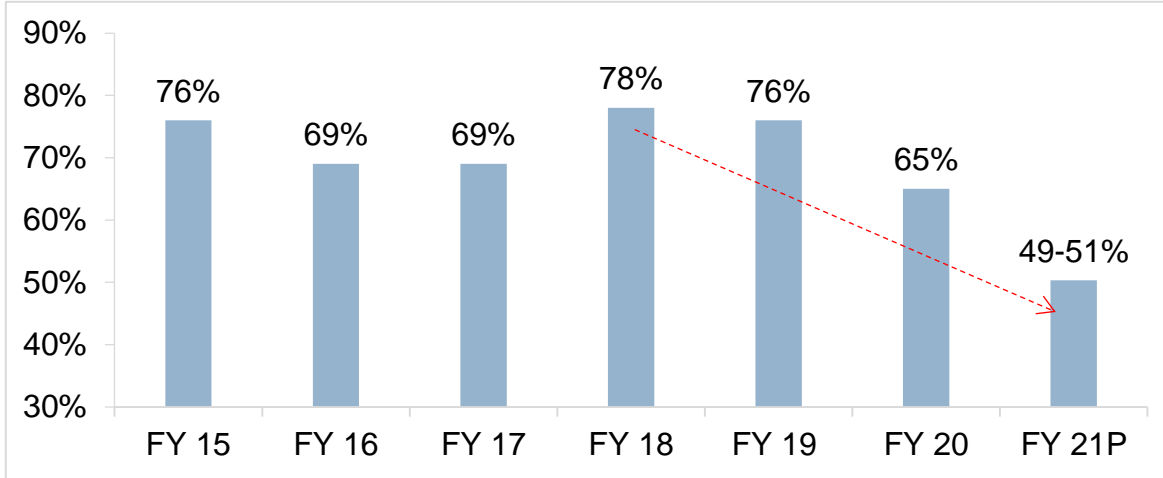


Source – Vahan, SIAM, CRISIL Research

- In April, offtake was nil due to lockdown. However, few retails did take place due to inventory liquidation and higher discounts. Registrations were mostly done via Vahan portal.
- Retails zoomed up in May in less infected CoViD regions. June registered retails at 70-80% of pre-lockdown period. Demand was seen mainly from rural and semi-urban regions.
- Offtake remained less compared to retail even in May and June due to supply issues.

Capacity utilisation expected at ~50% levels

Utilization rates on a downward trajectory



Expected capacity additions

| Player | Location | Capacity million units | Investment (in crore) | Commissioning |
|---------|------------------|------------------------|-----------------------|---------------|
| Okinawa | Alwar, Rajasthan | 1 | 200 | Planning |

Hero Motocorp has deferred its expansion plan due to expected lower production and sufficient installed capacity.

Capacity utilization across players

| Player | Effective Capacity estimate in mn (as on 31st Mar 2020) | Production (2020) (in mn) | Capacity utilization (%) |
|---------------------|---|---------------------------|--------------------------|
| Hero Motocorp | 11.0 | 6.4 | 59% |
| Bajaj Auto | 5.4 | 3.9 | 73% |
| HMSI | 6.4 | 5.1 | 80% |
| TVS Motor Company | 3.9 | 3.1 | 79% |
| India Yamaha Motors | 1.6 | 0.9 | 54% |
| Suzuki Motors | 1.1 | 0.8 | 73% |
| Royal Enfield | 0.95 | 0.7 | 72% |
| Piaggio Vehicles | 0.3 | 0.1 | 29% |
| Other Players | 1.55 | 0.0 | 1% |
| Industry Total | 32.2 | 24.4 | 65% |

Note : Capacity utilization estimates of Bajaj Auto and TVS Motor Co Ltd exclude three-wheelers

Domestic – Annual Forecast

| | Two-wheeler | = | Motor cycle | + | Scooter | + | Mopeds |
|---------------------|-------------|---|-------------|---|---------|---|---------|
| FY 20 volumes | 17.4 | | 11.2 | | 5.6 | | 0.64 |
| YoY Growth in FY20 | 18% | | 18% | | 17% | | 27% |
| FY 21P volumes | 13.4-13.8 | | 8.7-8.9 | | 4.2-4.3 | | 0.5-0.6 |
| YoY Growth in FY21P | 21-23% | | 20-22% | | 23-25% | | 13-15% |

NOTE: Volumes in million units;
YoY Growth in red indicates a negative growth

Domestic – Quarterly Forecast

| Period | | Two-wheeler | | Motorcycles | | Scooters | | Mopeds | |
|--------|----|-------------|------------|-------------|------------|-------------|------------|---------------|------------|
| | | Volume (mn) | YoY Growth | Volume (mn) | YoY Growth | Volume (mn) | YoY Growth | Volume ('000) | YoY Growth |
| FY20 | Q2 | 4.68 | (21)% | 2.92 | (22)% | 1.60 | (17)% | 164 | (31)% |
| | Q3 | 4.22 | (15)% | 2.71 | (15)% | 1.35 | (14)% | 163 | (25)% |
| | Q4 | 3.51 | (25)% | 2.26 | (26)% | 1.10 | (20)% | 144 | (34)% |
| FY21P | Q1 | 1.29 | (74)% | 0.90 | (73)% | 0.34 | (78)% | 54 | (68)% |
| | Q2 | 3.56-3.66 | (22)-(24)% | 2.33-2.38 | (18)-(20)% | 1.09-1.13 | (30)-(32)% | 143-147 | (11)-(13)% |
| | Q3 | 4.21-4.29 | 0-2% | 2.73-2.79 | 1-3% | 1.30-1.33 | (1)-(3)% | 173-177 | 6-8% |
| | Q4 | 4.41-4.48 | 26-28% | 2.79-2.84 | 24-26% | 1.45-1.47 | 31-33% | 175-178 | 24-26% |
| FY21P | Q1 | 4.23-4.26 | 227-229% | 2.61-2.63 | 190-192% | 1.43-1.44 | 323-325% | 184-186 | 243-245% |

- Supply constraints due to lock/un-lock at various regions led to a sharper de-growth of the off-take. However, retails have shown a higher growth driven by positive sentiments in rural and semi-urban regions.
- Q1 retails was better than expected. Footfalls were seen. Pent up demand, move towards personal mobility to avoid contact with public on account of fear of virus transformation and cash in hand of rural economy led to demand in Q1FY21.
- Going forward we expect two-wheeler industry to de-grow. Scooters expected to de-grow and will show signs of demand revival, post the virus in urban regions gets contained and colleges and offices resumes work from office spaces.
- Mopeds off-take has been better compared to other two segments because the vehicle is purchased mainly to deliver essentials and some level of inventory build up.

Stakeholder interactions

OEM



- Rural sentiments are faring well for motorcycles.
- **Companies and institutes providing facility to their salesforce to purchase two-wheeler** and avoid public transport or shared mobility
- **75-80% of the dealerships resumed** PAN-India by end of June.
- Scooter demand will revive only after schools/ colleges opens up and offices resumes.
- OEMs expects the **supply chain** to normalise by mid to end August if CoViD situation improves.
- BS-VI price rise has already being passed on to the consumers. To offset to price hike, OEMs along with financiers are offering **attractive financing schemes**.

Dealer



- Sale has been in the range of **40-80% of the pre-CoViD levels** across the dealers.
- Few dealers in highly impacted CoViD zones like Mumbai, Pune, etc. are still close.
- Demand was seen mainly due to **marriage season** and **pent up demand**.
- Currently customers who really want to purchase a vehicle for **social distancing** are buying it.
- **Supply issue on a few running models and for particular colours**.
- Good proportion of **inquiries are received via online and phone**. However, they have to meet customer atleast once to get all formalities done.
- Discounts lower compared to pre-CoViD era.

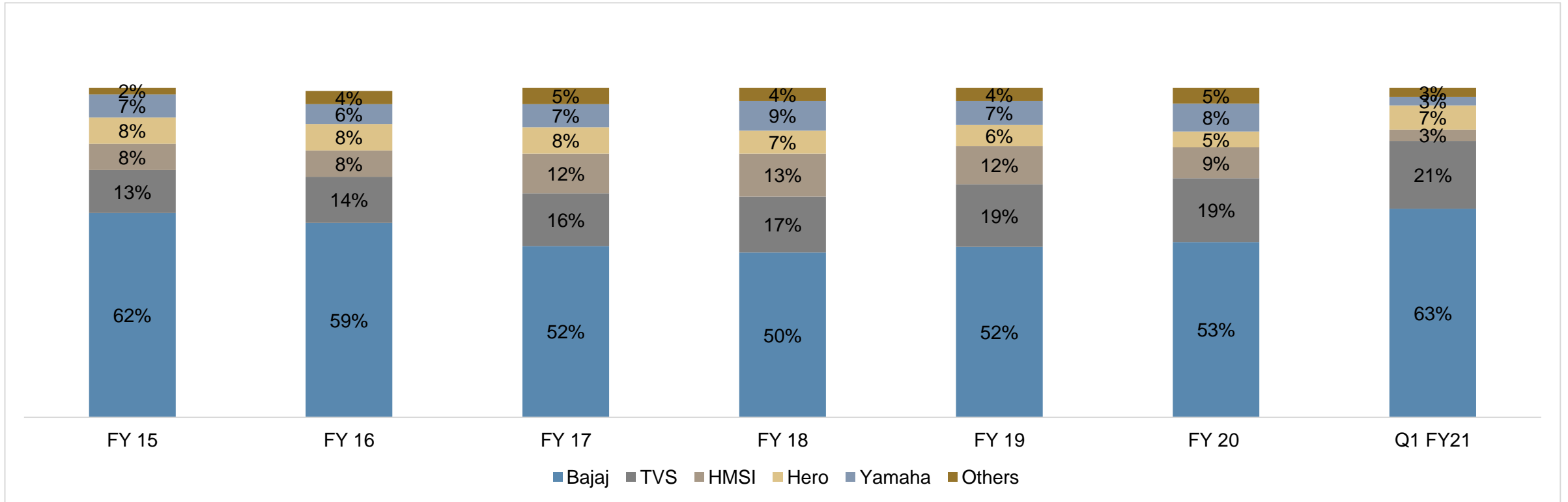
Financier



- Across the players, **LTV** has reduced in the range of 5-15%. Financers wants customers to put in their **equity**, so the risk of default decreases.
- Even though the **repo rates** are cut. It is not translated to lowering of interest rates charged to the customers.
- Impact of change in **Own Damage terms** will not have a significant impact of the total cost of ownership.
- Rural customers who have received cash due to rabi harvest are going for **full cash transaction** rather than availing loan.
- Financing has got stringent. Availability of finance an issue in CoViD impacted regions

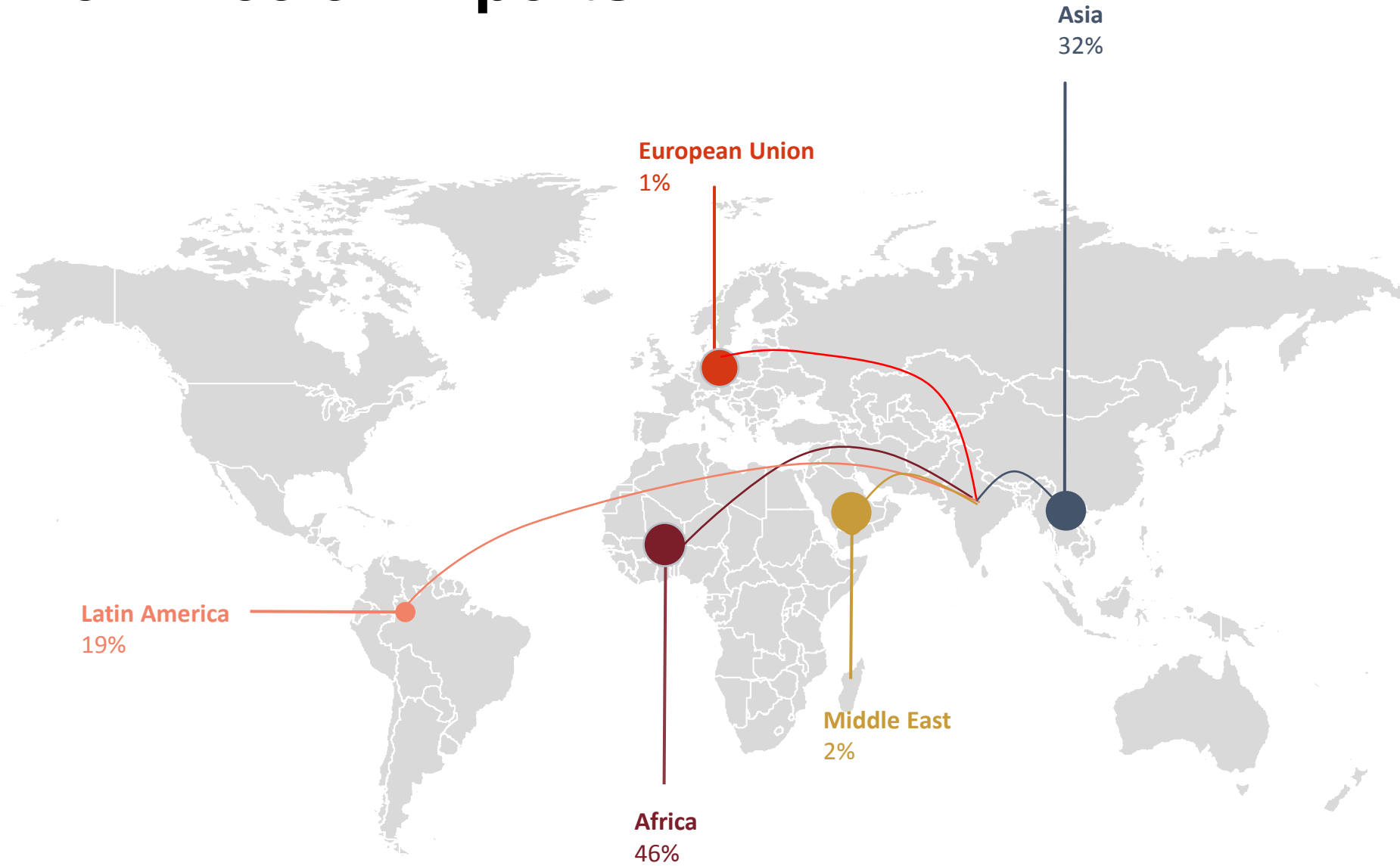
Exports declined by 2/3rd in Q1 FY21

Bajaj's share in exports zooms up



- Exports in Q1 FY21 saw a decline of 62%, motorcycle declined by 59%, scooters by 84% and mopeds by 81% yoy.
- Hero
- Motorcycle saw a lesser decline compared to other segments, since it is mainly exported to African and Latin America countries, which experienced lockdown later compared to other nations due to lower CoViD cases.
- Scooters which are mainly exported to Asian countries, saw a sharper de-growth.

Two-Wheeler Exports



- More than 75% of exports are to African and Asian countries.
- The importing nations are mainly dependent on crude oil or agri-based commodity.
- Hence, the crude oil prices remains a key monitorable.
- In most of the African nations, **motorcycle is used as a taxi.**
- Lockdown due to CoViD and **geo-political tensions in Asian countries** will lead to de-growth in exports of two-wheeler.
- Srilanka, major importing nation has put a **ban on imports of non-essential items.**



Commercial Vehicles

Overview of end-use segments - Cargo

| Segments (% Growth Y-o-Y) | FY 16 | FY 17 | FY 18 | FY 19 | FY 20 P | FY 21 P |
|---------------------------------|-------|-------|-------|-------|---------|-----------|
| Coal (Production) | 5.0 | 3.0 | 3.0 | 7 | 1 | (5)-(3) |
| Iron ore (Production) | 21 | 25 | 3 | 3 | 19 | (12)-(10) |
| Steel (Consumption) | 5.8 | 3.1 | 8 | 8 | 1 | (20)-(17) |
| Cement (Consumption) | 4.7 | 1.9 | 9 | 12 | (2) | (15)-(12) |
| Roads (Km Constructed / Day) | 6 | 7 | 8 | 9 | 11 | 9-10 |
| Consumer durables (Consumption) | 6.6 | 6.6 | 5.8 | 7 | 5 | (40)-(35) |
| E-retail | 68 | 22 | 35 | 35-37 | 23 | 0-2 |

- Note – * Per day road construction by FY 2023
- ^ Long term forecast not available.

Overview of end-use segments - Passenger

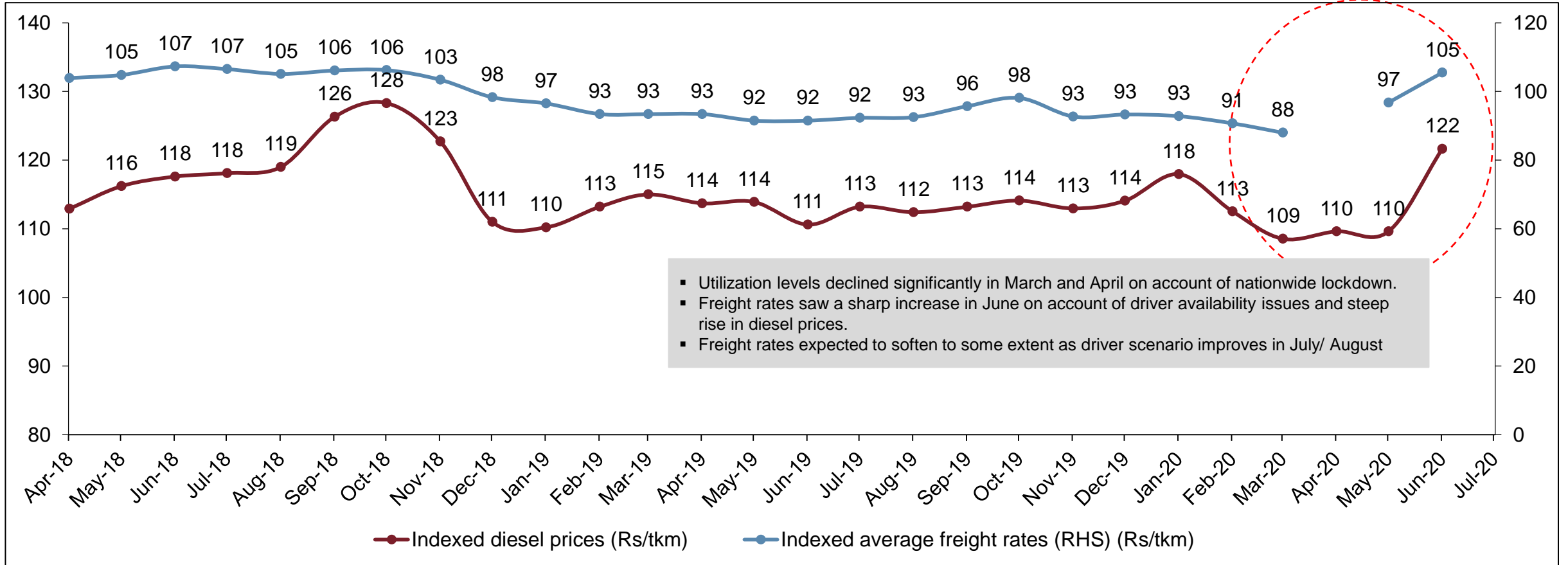
| Segments (% Growth Y-o-Y) | FY 17 | FY 18 | FY 19 | FY 20 P | FY 21 P |
|--------------------------------|-------|-------|-------|---------|-----------|
| Gross School Enrollment | | | | | |
| K-12 | 77.5 | 74.3 | 73.2 | 73.5 | 73.8 |
| Above K-12 | 22.6 | 22.6 | 23.2 | 23.7 | 24.3 |
| IT Employee Base | 4 | 3 | 4 | 4 | (2)-0 |
| Air Passenger Traffic | 16 | 16 | 11 | (2) | (45)-(40) |

Note – Gross enrollment ratio (GER) is the ratio of the number of students enrolled to the population of those who qualify for the particular grade level. K-12 indicates classes 1st – 12th.

Source: NASSCOM, AAI, CRISIL Research

Freight rates on rise on account of increase in operating costs

Freight rates vs Diesel prices



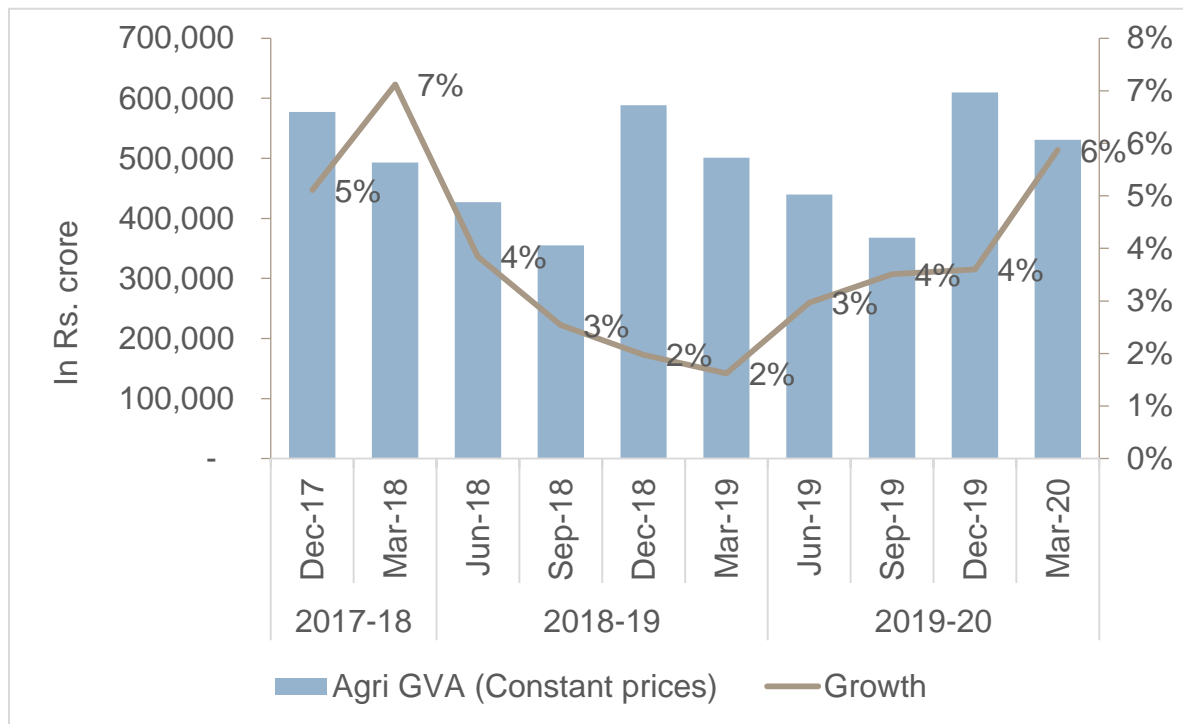
Source: Business Standard, PTI, CRISIL Research, IFTRT, AITWA

Note: (i) The estimated freight rate data is a representative of average freight rates from Delhi to 24 locations across India for a 9T payload truck

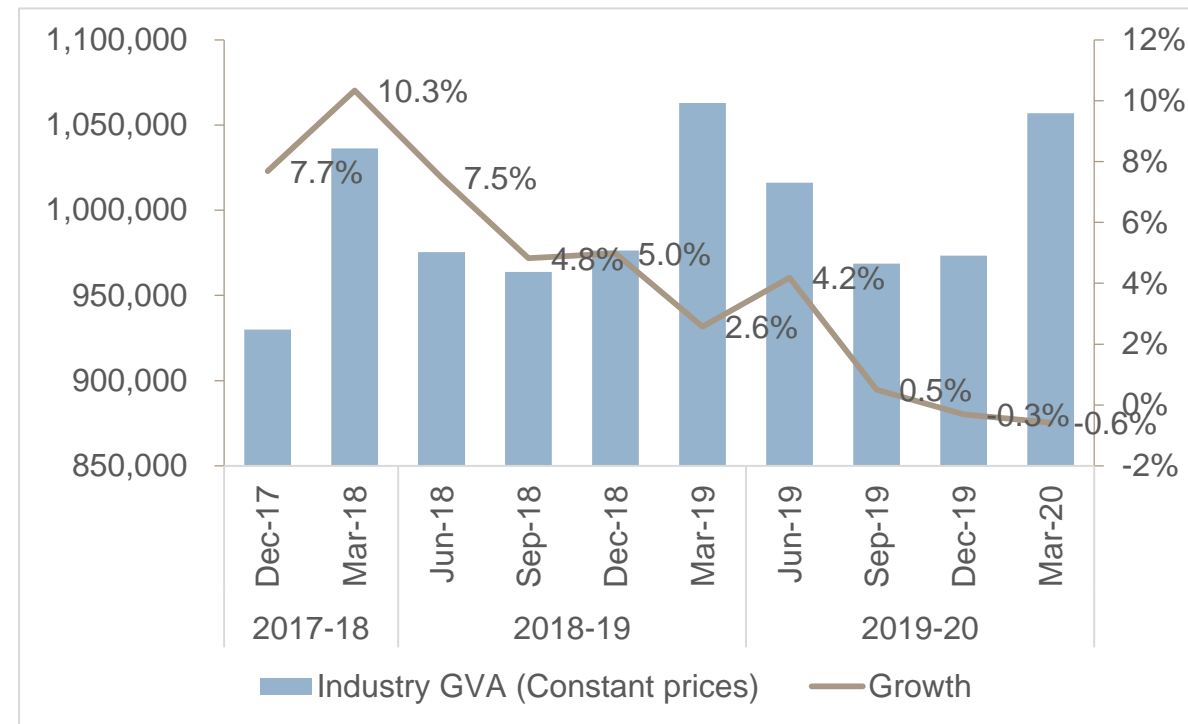
(ii) Indexed freight rates and diesel prices have been derived taking April 2014 values equaling 100

Robust agriculture growth played a huge role is cushioning growth in Q4 FY20

Agriculture GVA growth



Industry GVA growth

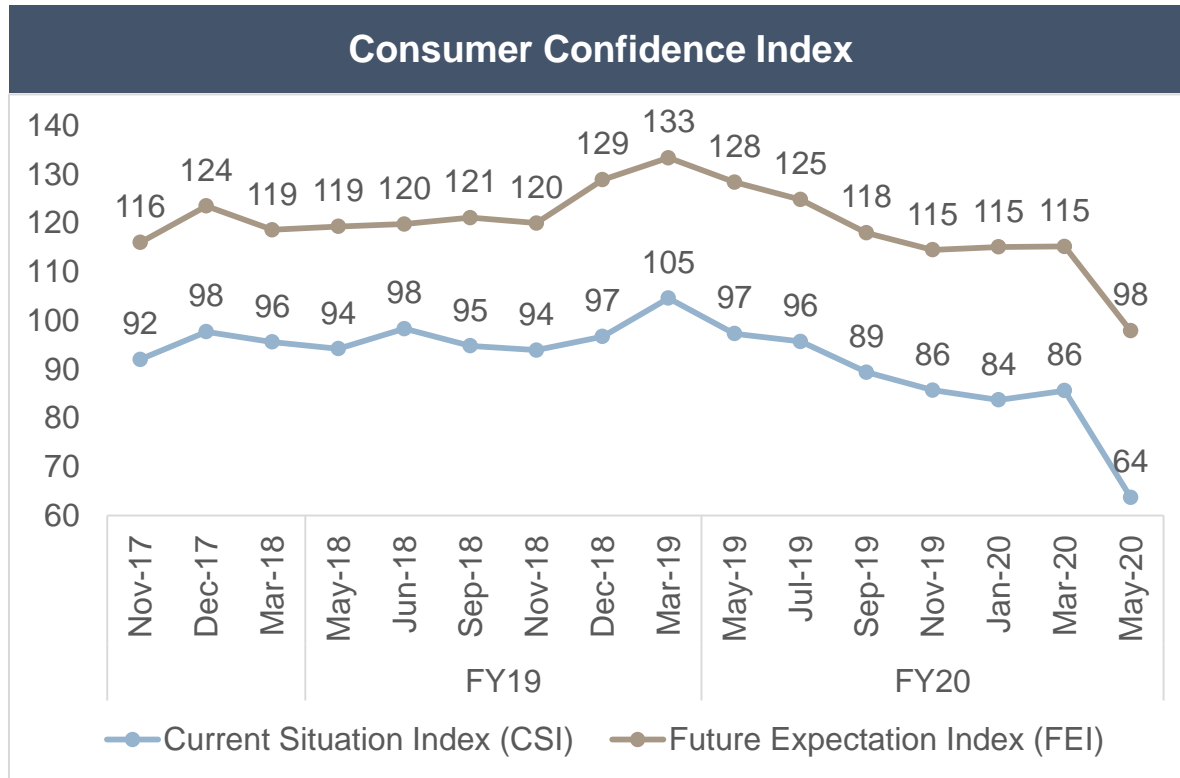


Note : * Estimated contribution of sectors to total GVA for Q1 to Q3 FY'20
Source: MOSPI, CRISIL Research

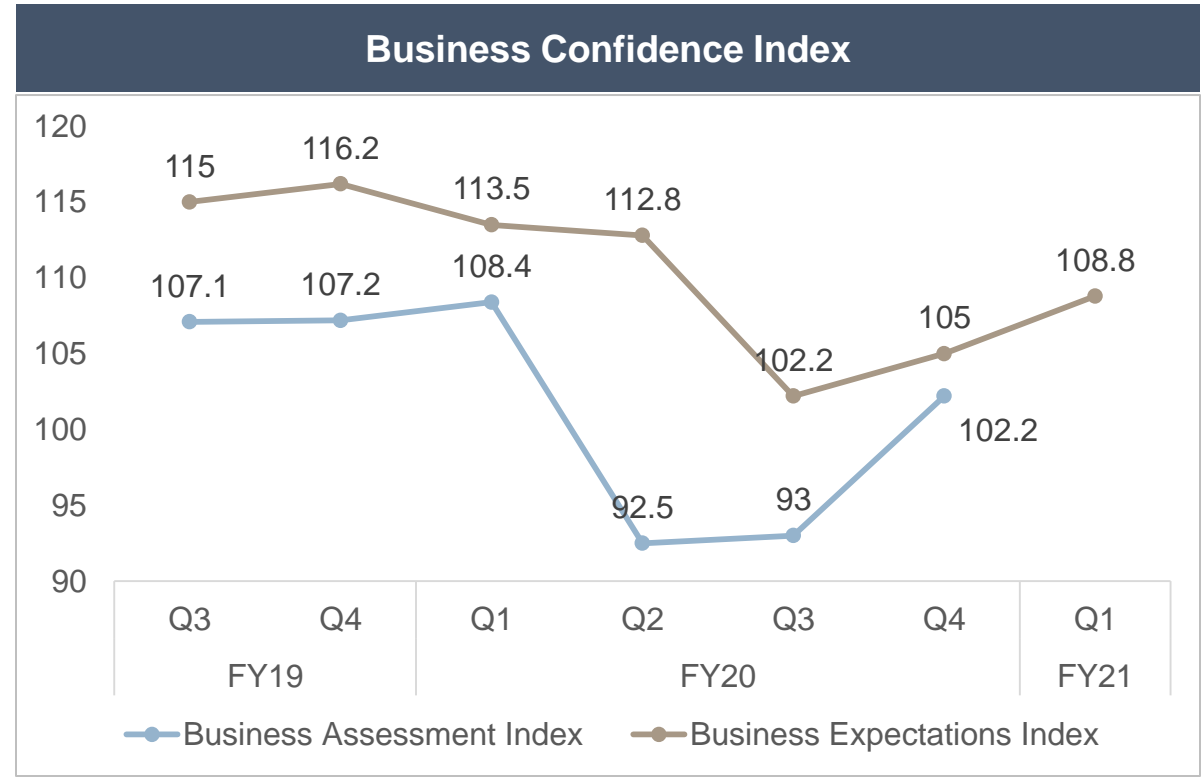
Source: MOSPI, CRISIL Research

- GVA grew 3% in Q4 compared with 3.5% in Q3. Much of this slowdown came from services, although the industry sector continued to post a contraction for the second quarter in a row.
- Excluding agriculture, GVA growth is down to 2.5% from 3.4% in Q3.
- The sector – which is also expected to do well in fiscal 2021 – grew 5.9% which is the highest growth in eight quarters.

Consumer confidence collapsed in May 2020, due to anticipated improvement in the demand parameters, the business expectations index (BEI) increased in Q1



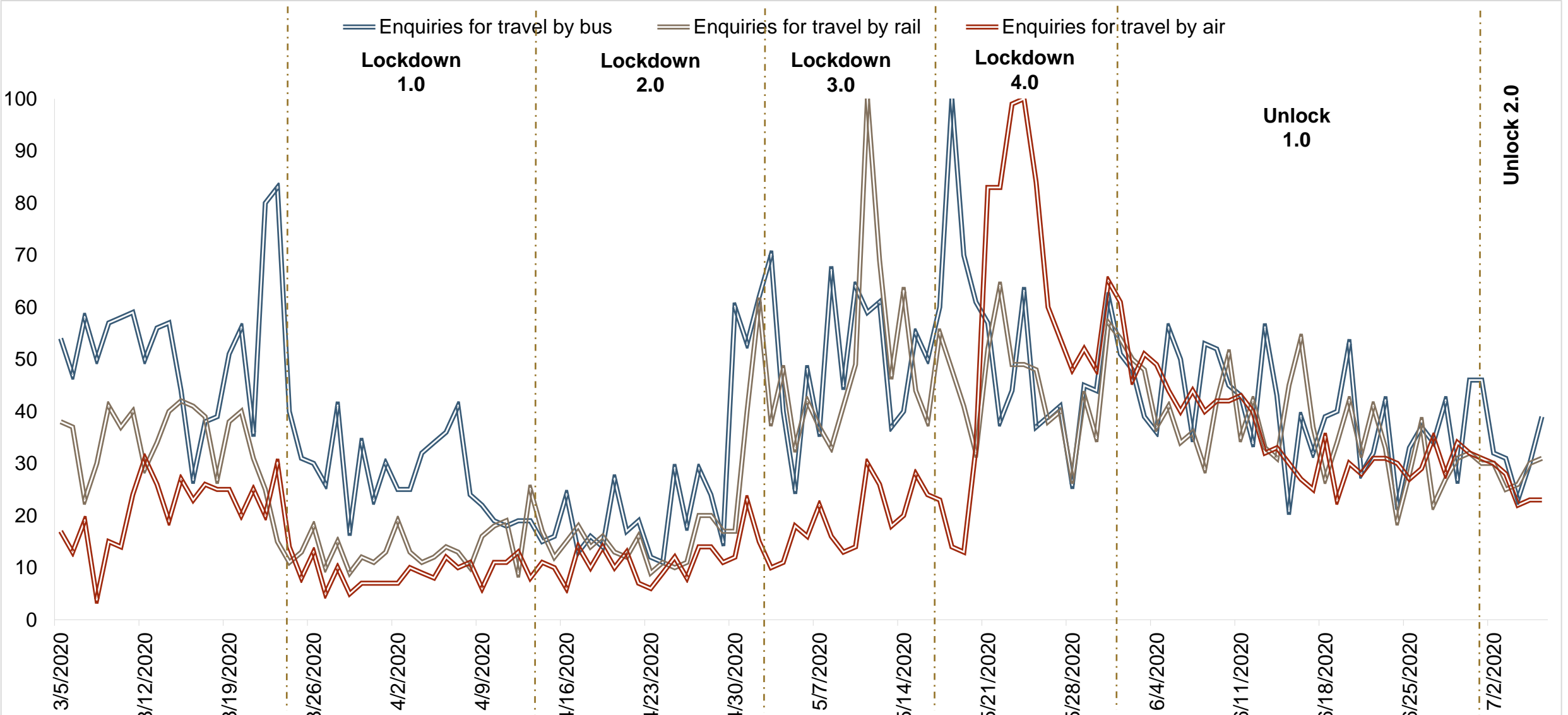
Source- RBI, CRISIL Research



Source- RBI, CRISIL Research

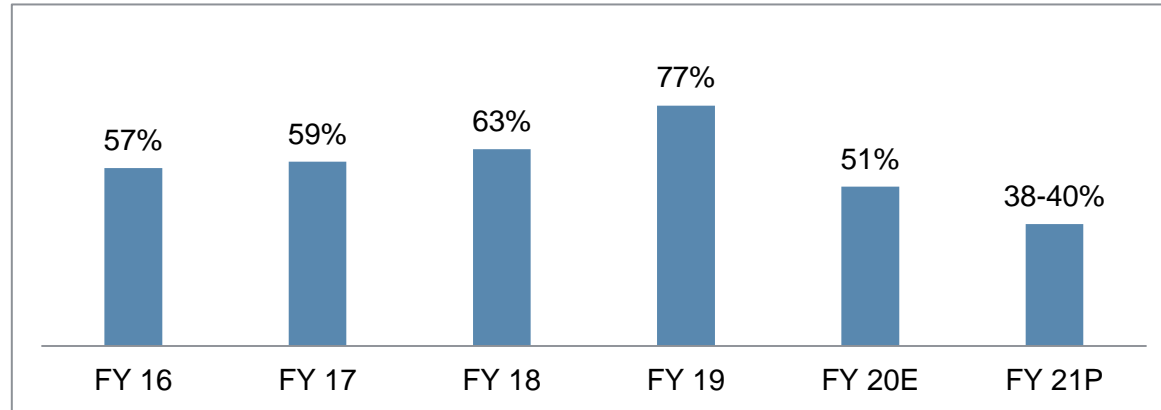
- Consumer confidence collapsed in May 2020, with the current situation index (CSI) touching historic low and the one year ahead future expectations index also recording a sharp fall, entering the zone of pessimism.
- Consumer perception on the general economic situation, employment scenario and household income plunged deeper into contraction zone while expectation on general economic situation and employment scenario for the year ahead were also pessimistic.
- The Business Assessment Index attained a level of 102.2 and moved into the zone of optimism after two successive quarters of prevailing pessimism.
- Manufacturers remained optimistic on the overall financial situation.

Popularity of travel has significantly dropped post Unlock initiative; spike was seen during lockdown 3.0 and 4.0 due to migrant movement



Capacity utilization on a downward trend

Decline in capacity utilization level



Note : Capacity utilization is that of Tata Motors, Ashok Leyland, Eicher Motors and Mahindra & Mahindra representing ~ 90% of domestic sales

Source: CRISIL Research

Capacity additions

| Player | Location | Capacity '000 units | Investment | Status |
|-----------------------------|----------------------|---------------------|----------------|----------------------|
| Ashok Leyland Ltd. | Medak, Telangana | 20 | Rs 5 billion | Planning |
| Ashok Leyland Ltd. | Krishna, AP | 4.8 | Rs 1.7 billion | Under implementation |
| VECV Ltd. | Bhopal, MP | 40 | Rs 4 billion | Planning |
| Volvo Buses India Pvt. Ltd. | Bengaluru, Karnataka | 1.5 | Rs 3 billion | Planning |
| Sino Truck | Medak, Telangana | 1.45 | Rs 1 billion | Planning |

Source: Industry, CRISIL Research

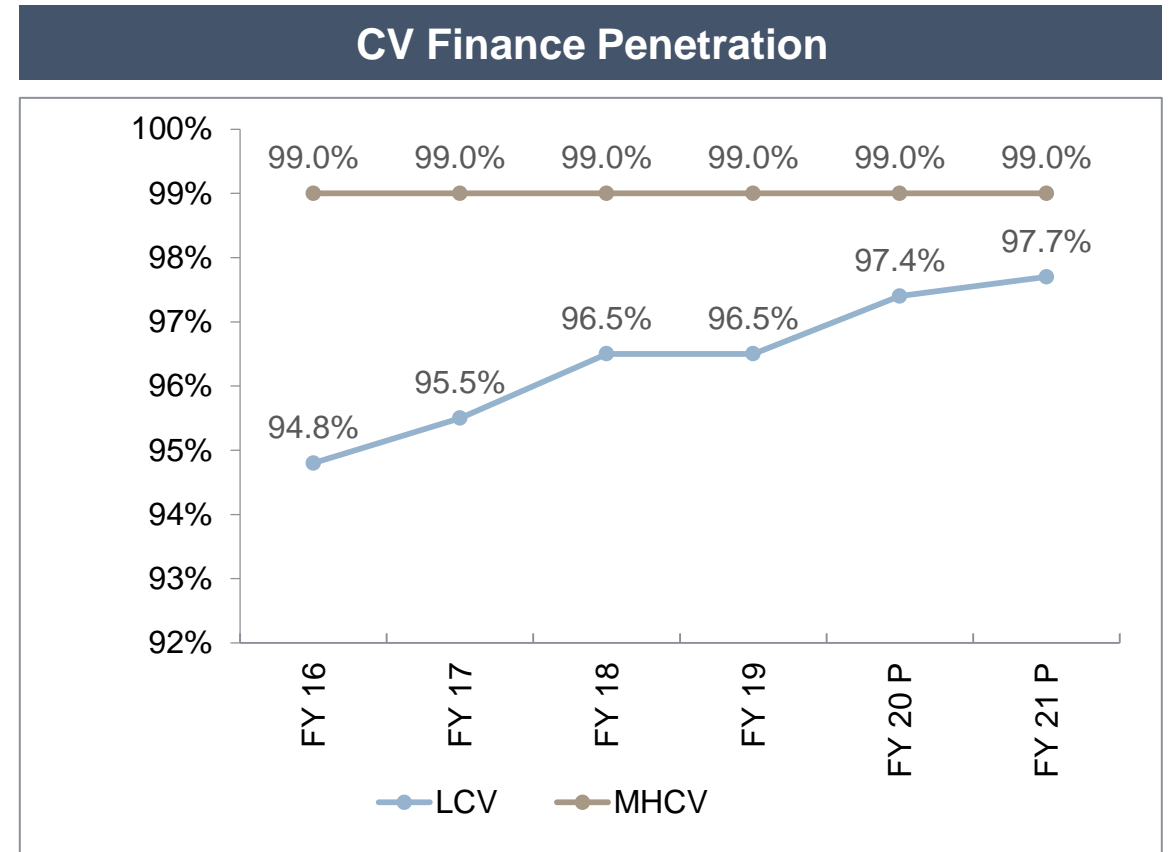
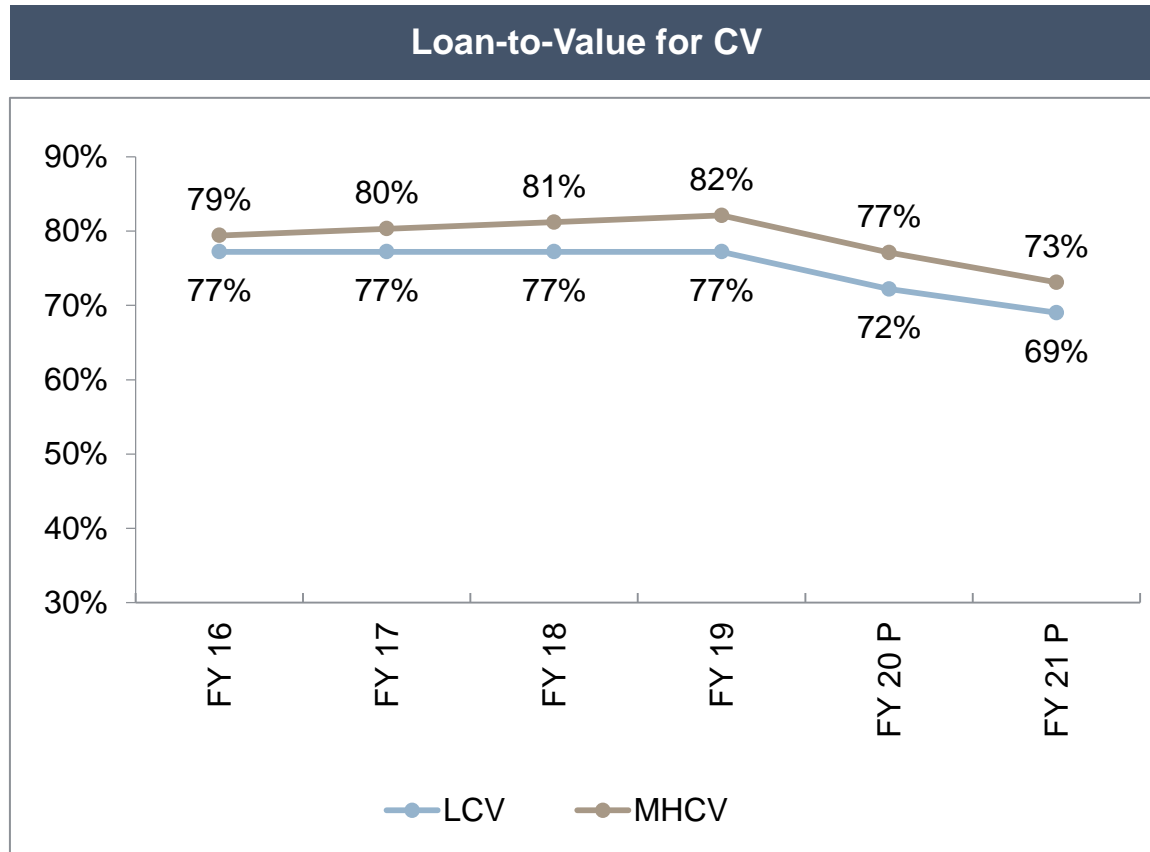
Player-wise capacity utilisation

| Player | Effective Capacity estimate (as on 31st Mar 2020) | Capacity utilization |
|---------------------|---|----------------------|
| Ashok Leyland | 2,22,300 | 52% |
| Eicher Motors | 97,500 | 45% |
| Tata Motors | 7,62,000 | 43% |
| Mahindra & Mahindra | 2,92,000 | 72% |

Source: Crisil Research

- The capacity utilisation of the top four players - Tata Motors (standalone), Ashok Leyland, Volvo Eicher Commercial Vehicles (VECV), and Mahindra & Mahindra - which was at ~77% in fiscal 2019, is expected to have fallen to ~51% in fiscal 2020 and drop further to ~38-40% in fiscal 2021.
- OEMs had earlier anticipated demand to be muted in FY21 (owing to increase in vehicle prices) because of which they had refrained from any major capacity expansion in FY20 and FY21.

Long term growth outlook weak on the back of Covid-19 pandemic and lower LTV's; Financing Penetration already reached saturation levels

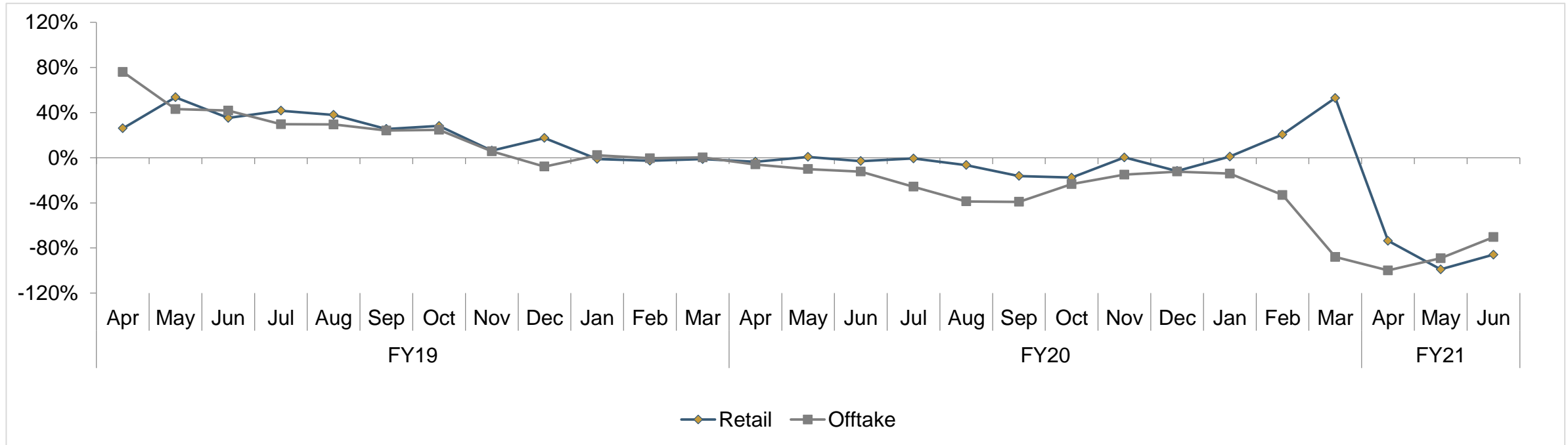


Research NOTE - Interest rates are an indicative rates charged by Banks

Source: Company Reports, Industry, Crisil Research

Lower plant utilization due to pandemic and ease of lockdown restrictions in May and June narrows the gap between off-take and retail sales

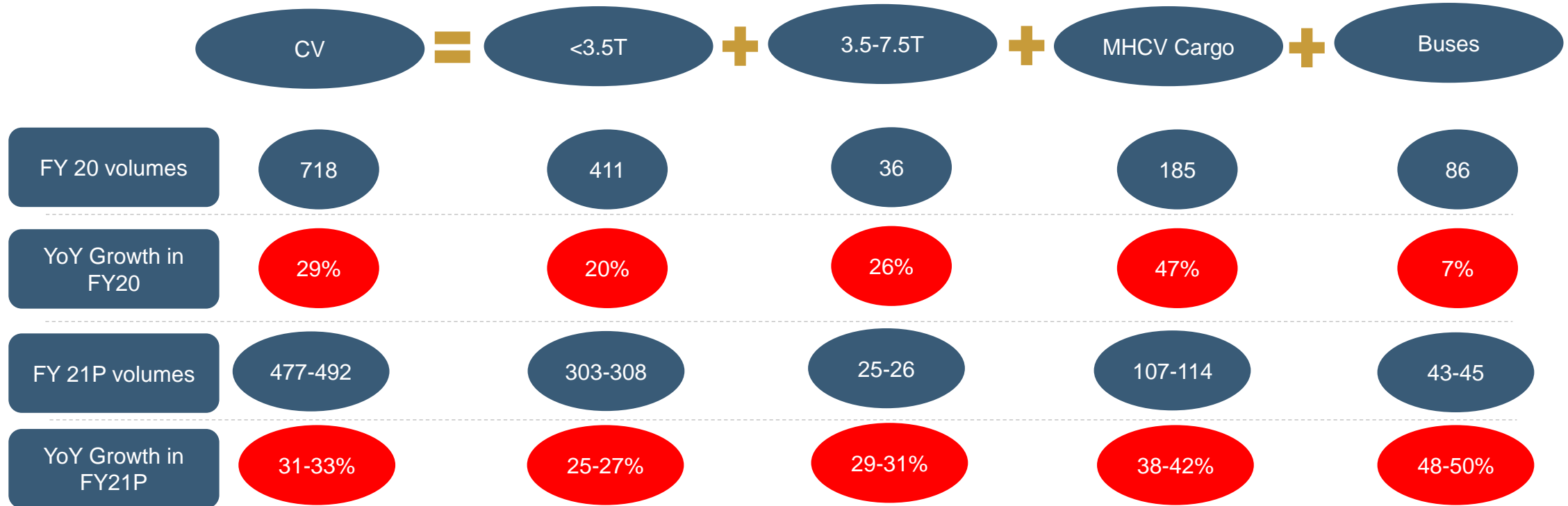
Retail vs off-take (Growth yoy)



Source: SIAM, Vahan, CRISIL Research

- Extremely low productions due to plant closure has resulted in poor offtake at dealerships
- March 2020 registered higher retail on the back of low base of last year and BSIV stock clearing by dealers led to high growth in retail sales in March 2020; Retail growth was affected by closure of dealerships and an increase in BSVI prices.
- Retails in Q1 FY21 has remained slumped due to pre-buying and lower availability of load from the market.

Domestic – Annual Forecast



NOTE: Volumes in thousand units;
YoY Growth in red indicates a negative growth

Domestic – Quarterly Forecast

| Period | | CV | | < 3.5T | | 3.5-7.5T | | MHCV Cargo | | Buses | |
|--------|----|---------------|------------|---------------|------------|---------------|------------|---------------|------------|---------------|------------|
| | | Volume ('000) | YoY Growth | Volume ('000) | YoY Growth | Volume ('000) | YoY Growth | Volume ('000) | YoY Growth | Volume ('000) | YoY Growth |
| FY20 | Q3 | 195 | (15)% | 122 | (5)% | 10.3 | (13)% | 43 | (47)% | 20 | 31% |
| | Q4 | 147 | (48)% | 81 | (43)% | 7.1 | (49)% | 38 | (62)% | 21 | (27)% |
| FY21P | Q1 | 32 | (85)% | 25 | (77)% | 1.16 | (88)% | 5 | (93)% | 1.1 | (96)% |
| | Q2 | 97-99 | (40)-(42)% | 64-66 | (33)-(35)% | 5.4-5.6 | (37)-(39)% | 18-19 | (52)-(54)% | 8.3-8.6 | (53)-(55)% |
| | Q3 | 165-169 | (13)-(15)% | 104-107 | (13)-(15)% | 8.8-9.0 | (13)-(15)% | 39-40 | (6)-(8)% | 13.4-13.8 | (32)-(34)% |
| | Q4 | 184-187 | 25-27% | 109-111 | 34-36% | 9.9-10.1 | 40-42% | 44-45 | 17-19% | 21.3-21.7 | 2-4% |
| FY22P | Q1 | 172-173 | 433-435% | 94-95 | 273-275% | 8.6-8.7 | 648-650% | 47-48 | 906-908% | 21.0-21.2 | 1812-1814 |

- Slow growth in private consumption on account of covid-19 to significantly impact CV sales in Q2 and Q3 fiscal 21.
- Increase in vehicle price, lower replacement and financiers concern over rising NPAs to also negatively impact LCV sales.
- Slowdown in manufacturing especially in Q1 FY21 to significantly impact demand. Negative growth across key end use segments including cement, steel and automobile sales to result in decline in demand for IMHCVs
- Slowdown in economic activities and lower awarding of construction projects to further impact demand in first half of fiscal 21.
- Slowdown in government orders to impact demand for MHCV buses in fiscal 2021. Enquiries for ambulances expected to go up as authorities shift focus towards healthcare.
- Significant fall in tourism and unavailability of products on account of lockdown during the school season to further impact demand

Stakeholder interactions - CV



Dealer/OEM opinion

- Inventory levels continue to remain low and offtake is similar to retail demand
- Stock availability low at dealerships; OEM supply only against confirmed orders- Inventory build up to happen post Sept
- Inventory position for SCV will be between 15-21 days for SCV segment going forward, whereas for MHCV segment, it would be mostly made to order
- Contract, captive, government related purchases contributing to demand- better demand sentiments for SCV, ILCV : applications related to agri perishables, essentials, pharma/ medical, CNG cascade, POL driving demand,



Financiers opinion

- LTVs have come down by around 10-15% post lockdown period. Stringent norms are being followed for funding new vehicles with some financiers continuing with ban on FTU financing
- No funding issues for SCV, LCVs. Higher scrutiny in other segments, financing to FTU/ FTBs an issue
- Finance availability from NBFC an issue; credit is not being extended to transporters who have taken moratorium

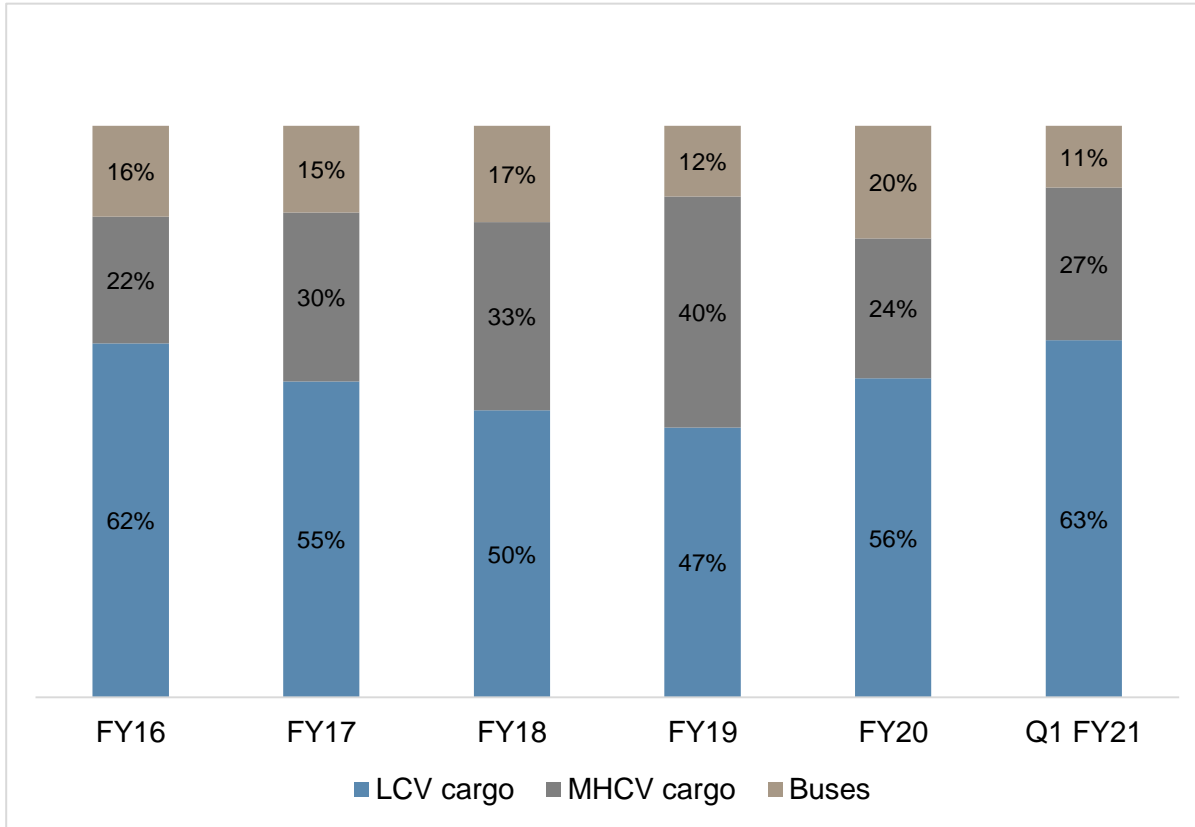


Transporter interactions

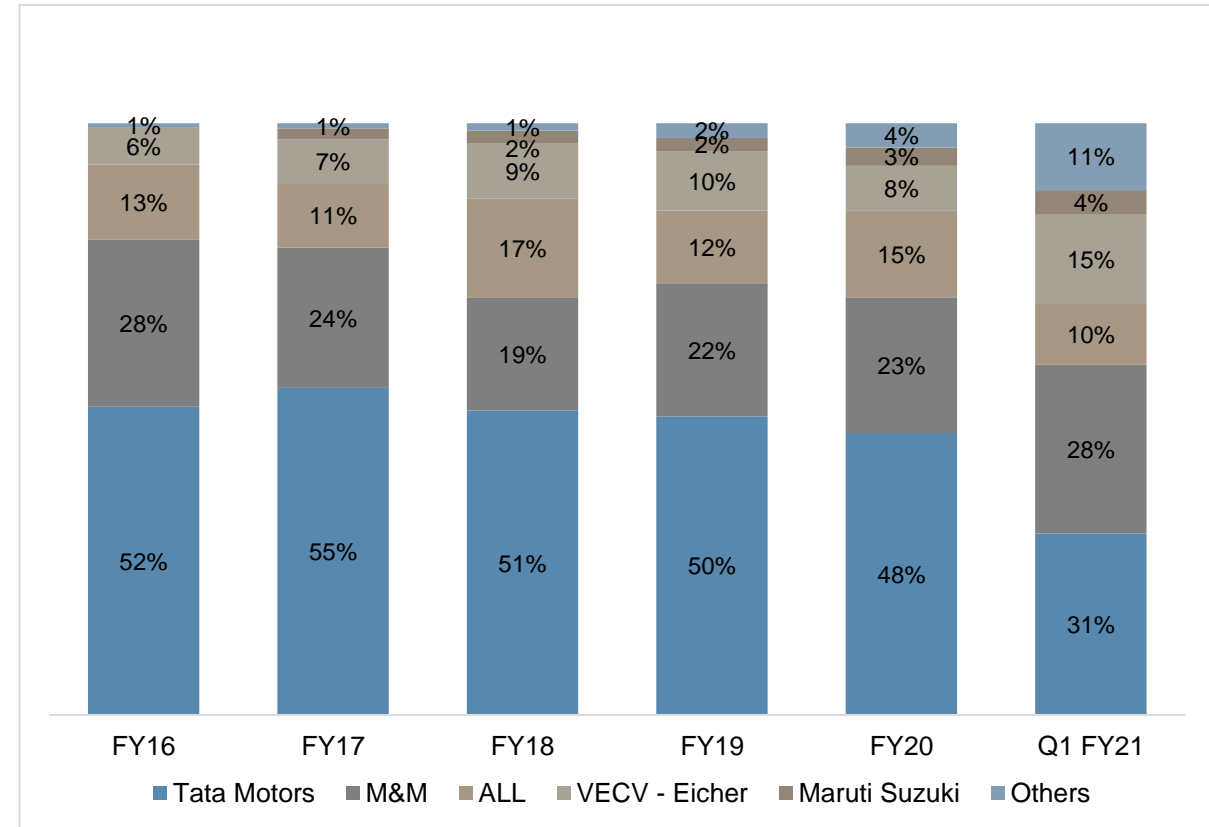
- Transporters not keen on new purchases till December in view of recent prebuying; uncertainty around demand revival
- Civil and social unrest on the highways of West Bengal, Orissa, Assam and Bihar is a concern for the drivers
- Across all regions utilization levels have improved in June over May and April. Utilization rates were better for operators in agri commodities, movement of essentials
- Freight rates went as high as 25-30% during April, May period depending upon truck availability, urgency, Covid scenario at destination

LCV cargo better positioned compared to other segments

Buses see a sharp de-growth in Q1 FY21

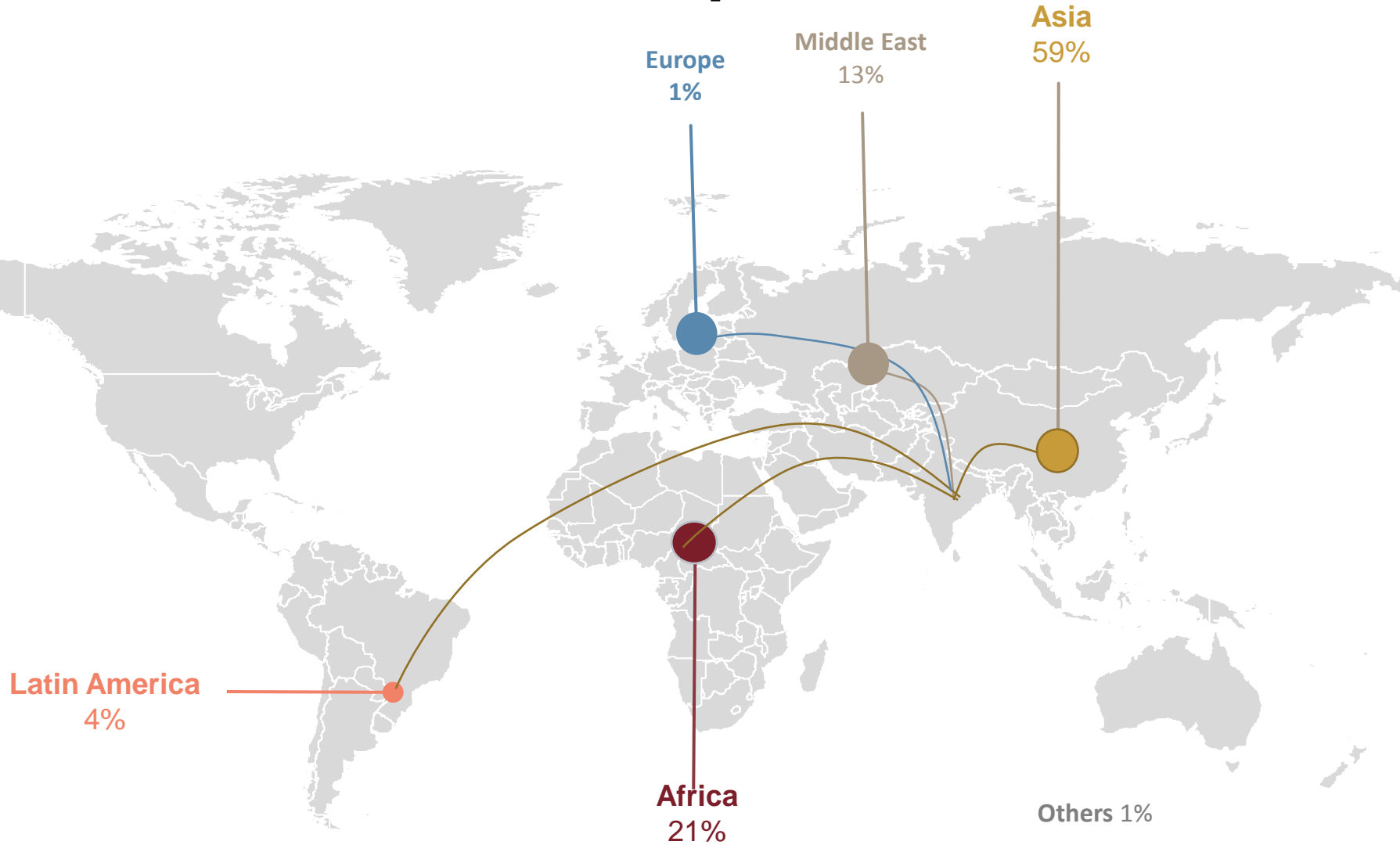


Share of a top player declines



- Overall CV exports declined by 67%, LCV cargo by 61%, MHCV cargo by 66\$ and buses by 82%.
- Buses expected to see a major decline in FY21 owing to social distancing on account of CoViD.
- LCV/ICV segment expected to be better compared to other segments due to e-commerce and essential movement.
- OEMs had few orders which were majorly delivered in Q1, now the exports order has dried up.

Commercial vehicles exports



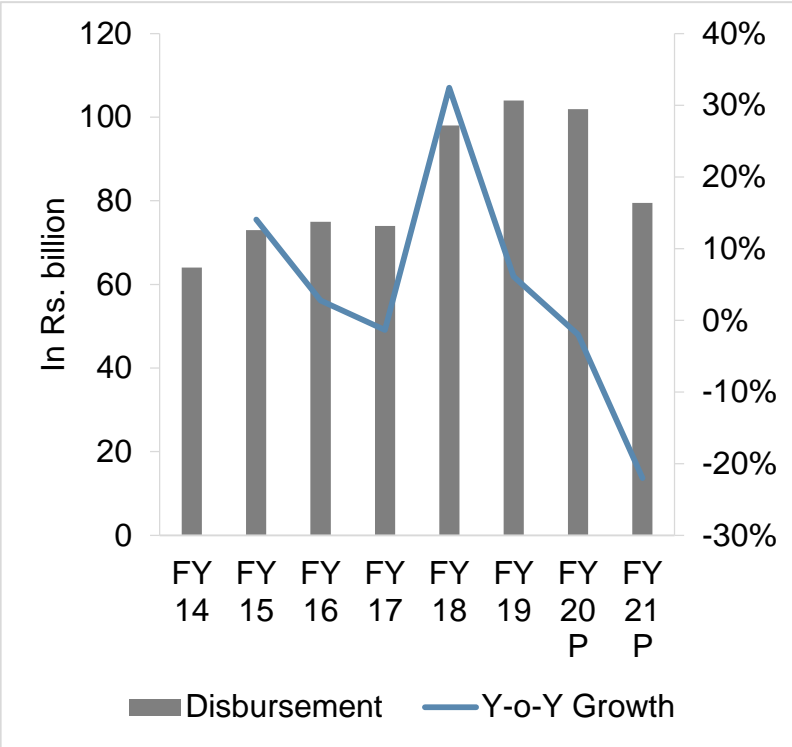
- **Geo-political tensions** across Nepal and Bangladesh border, pulled down the exports in Q1 FY21.
- Lower demand in importing nations due to lockdown situation, has led to **increase in inventory levels**. This is expected to lead to lower exports
- Due to **closure of schools and work from home**, is expected to lower the demand for buses.
- LCV/ICV segment to perform better on back of increase in usage of e-commerce.
- **Srilanka has banned imports of non-essential items**, which is expected to pull down exports going forward.



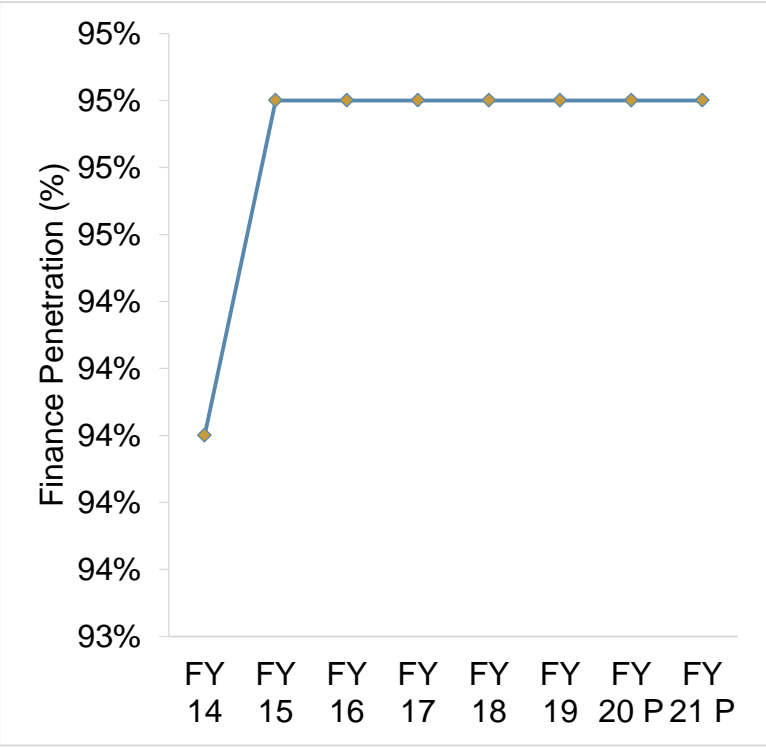
Three-wheeler

Increased prices, limited earning amid CoVid19 to pull disbursements further down in FY21

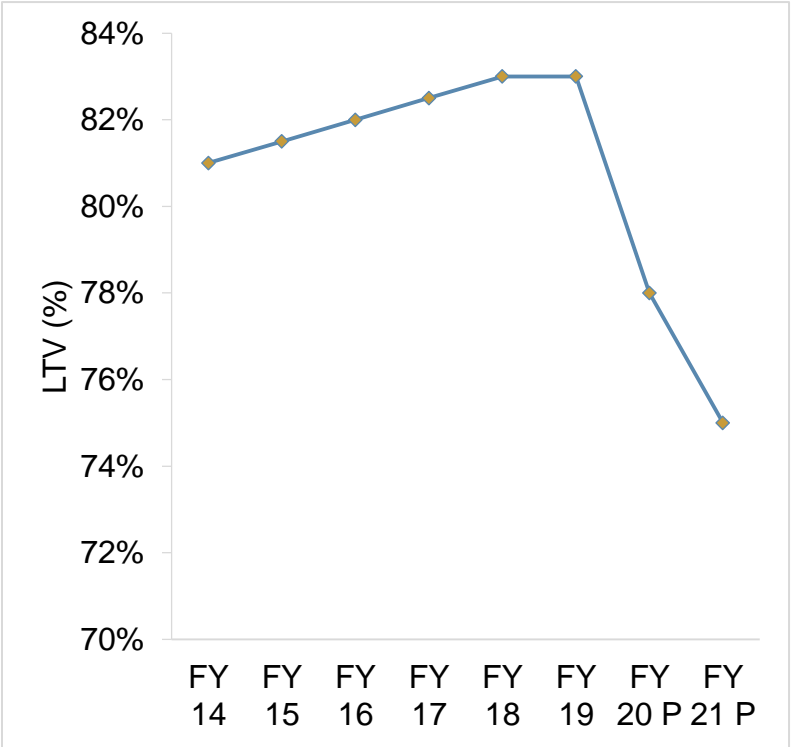
Disbursement



Finance Penetration



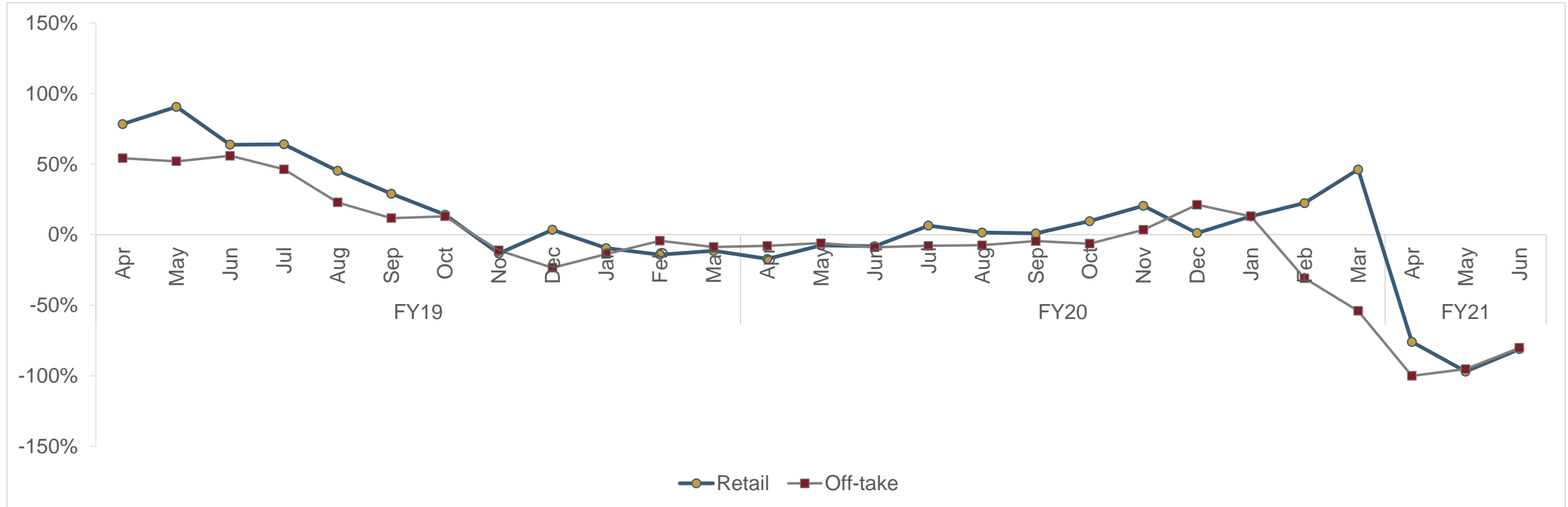
Loan-to-Value



- From a 5 year high, disbursements dropped slightly in FY20. CoVid 19 to significantly impact the retail demand & in turn the disbursements in FY21
- LTV declined in fiscal 20 due to perceived risk by the financier after freight rates declined, thereby leading to a drop in overall profitability. LTV expected to further decline in FY21, due to lower freight availability and lower passenger movement, hence impacting the revenue generation.

Retail/ off take sales took a nosedive in Q1 FY21 amid CoVid-19

Retail vs off-take (Growth yoy)



Source: SIAM, Vahan, CRISIL Research

- Inventory build up was done during Jan & Feb 2020, while pre buying took place in the months of Feb and March 2020.
- Retail as well as off take sales plummeted in Q1FY21 amidst lockdown for CoVid 19.
- Retail sales showed some improvement in May, while off take remained insignificant.

Domestic – Annual Forecast

| | Three-wheeler | = | Cargo | + | Passenger |
|---------------------|---------------|---|------------|---|------------|
| FY 20 volumes | 637 | | 112 | | 525 |
| YoY Growth in FY20 | (9)% | | (13)% | | (8)% |
| FY 21P volumes | 361-374 | | 79-81 | | 282-292 |
| YoY Growth in FY21P | (41)-(43)% | | (27)-(29)% | | (44)-(46)% |

NOTE: Volumes in thousand units;
YoY Growth in red indicates a negative growth

Domestic – Quarterly Forecast

| Period | | Three-wheeler | | Cargo | | Passenger | |
|--------|----|---------------|------------|---------------|------------|---------------|------------|
| | | Volume ('000) | YoY Growth | Volume ('000) | YoY Growth | Volume ('000) | YoY Growth |
| FY20E | Q1 | 149.8 | (7)% | 30.5 | (1)% | 119.3 | (9)% |
| | Q2 | 180.9 | (6)% | 26.9 | (14)% | 154.0 | (4)% |
| | Q3 | 176.1 | 6% | 29.7 | (1)% | 146.4 | 7% |
| | Q4 | 129.8 | (28)% | 24.6 | (32)% | 105.3 | (27)% |
| FY21P | Q1 | 12.8 | (91)% | 5.8 | (90)% | 6.9 | (94)% |
| | Q2 | 70.5-74.5 | (59)-(61)% | 21.5-22.1 | (18)-(20)% | 47.7-50.8 | (67)-(69)% |
| | Q3 | 133.2-136.7 | (22)-(24)% | 24.5-25.1 | (15)-(17)% | 108.7-111.6 | (24)-(26)% |
| | Q4 | 146.5-149.1 | 13-15% | 27.6-28.1 | 12-14% | 118.9-121.0 | 13-15% |
| FY22P | Q1 | 94.9-95 | 651-653% | 20.1-20.2 | 256-258% | 74.7-74.9 | 984-986% |

- Major lockdown due to CoVid severely impacted customer income levels & increased BSVI prices, limited financing support further escalated the situation & completely derailed the industry demand in Q1 FY21
- We foresee the downtrend to continue during the year with only gradual recovery in the second half of FY21.
- Passenger segment is expected to be much more impacted than the cargo segment.
- Few green shoots, will be seen from e-commerce segment, where cargo three-wheeler will be preferred as compared to SCV (small commercial vehicle) due to higher price increase on account of BS VI.

Stakeholder interactions

OEM



- **Revival** is expected from Q3 FY21 onwards.
- Cargo segment is expected to perform better than passenger segment.
- On cargo side, demand is expected to be seen from **e-commerce** players. Moreover, e-commerce is expected to perform better since more **people are buying online**.
- Since, **labourers have migrated to rural regions**, they currently do not have jobs. This segment is expected to buy three-wheeler to earn their living.
- On passenger side, demand will be significantly hit because people are apprehensive in using auto rickshaws in urban areas.
- Currently, running of auto rickshaw has slowed down due to lockdown in major metros where it is used as **last mile connectivity**.

Dealer



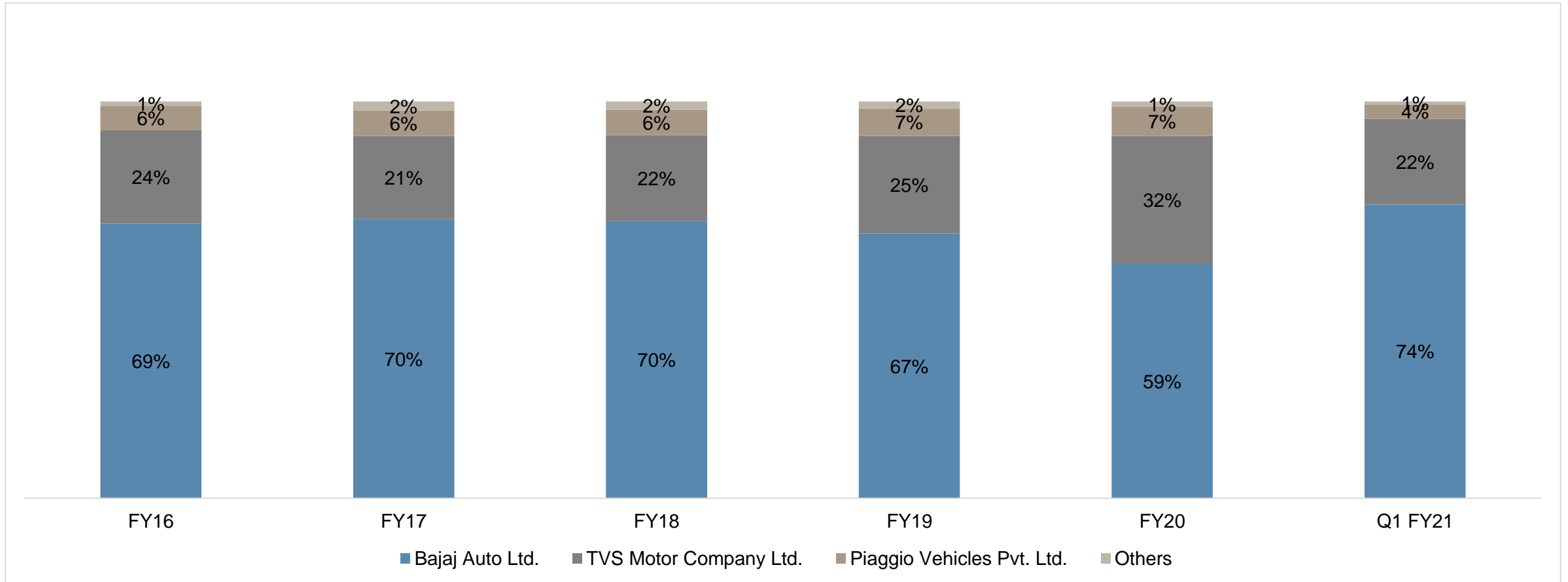
- Dealerships opened in the last week of May
- Very few enquiries received during the lockdown period
- Cargo operators have started operations in June in most states, West region remains most affected
- **Passenger vehicle operators facing major issue**
- **Some revival in enquiries/ retail demand for cargo vehicles, passenger vehicles sales still insignificant**
- **Hurdles in demand recovery path**
 - Drop in customer income levels
 - ~20% price hike with BSVI
 - No discounts from OEMs
 - No additional support from financiers
 - Down payment/ EMIs have shot up
- Many customers are paying off their moratorium dues on priority

Financier



- Credit profile of customers in this segment is typically weak
- Current **focus mainly on collections**- nearly half of the customers are choosing the early payoff option over additional interest burden for moratorium period
- **Post lockdown, loan disbursements have not even begun in many regions**
- Credit norms have become stringent given the risk involved
- **Few financiers have gone slow in funding for this category.**
- LTVs expected to drop, interest rates are steady
- **Down payment has increased** for all customers given BSVI price increase and lower LTV

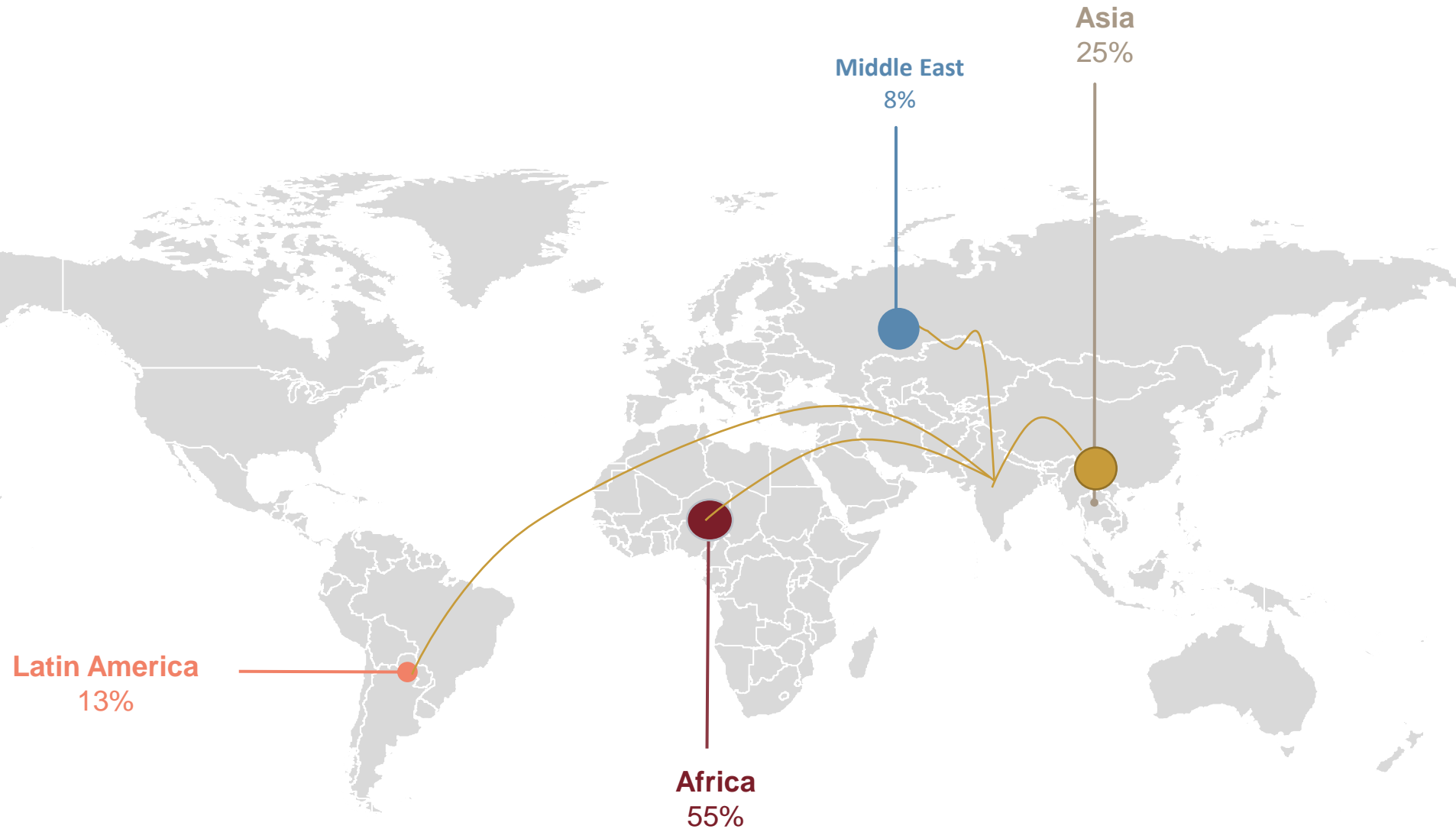
Exports declined by 60% in Q1 FY21



Source: SIAM, Vahan, CRISIL Research

- Passenger three-wheeler occupies 99% of the share in total three-wheeler exports.
- Exports dipped in Q1 FY21 by 60%, by 59% in passenger segment and by 88% in cargo segment.
- Share of Bajaj zoomed up in Q1 FY21 due to pending orders it had catered to.

Three-wheeler exports







































- Exports share in Africa declined in FY20 due to ban on auto rickshaw by Egypt.
- **Exports to Egypt declined by >80% in FY20.**
- However, Indian OEMs have started exporting to Egypt from start of this year.
- Due to **social distancing norms**, exports of three-wheeler expected to be hit in FY21.
- African nations like Nigeria (leading three-wheeler importer) is oil dependent, Hence, oil prices remains a key monitorable.



Tractors

Tractor sales is expected to recover in fiscal 21 after a fall in fiscal 2020.

| Parameters | Impact | | |
|--|---|---|---|
| | FY 19 | FY 20P | FY21P |
| Farm Income** |  |  |  |
| -- Crop Prices |  |  |  |
| -- Crop Output |  |  |  |
| -- Kharif Output |  |  |  |
| -- Rabi Output |  |  |  |
| Demand Indicators |  |  |  |
| -- Infrastructure Development |  |  |  |
| -- Sand Mining |  |  |  |
| Supply side variables & financing |  |  |  |
| -- Finance Availability |  |  |  |
| -- Channel Inventory |  |  |  |
| -- Player Action |  |  |  |

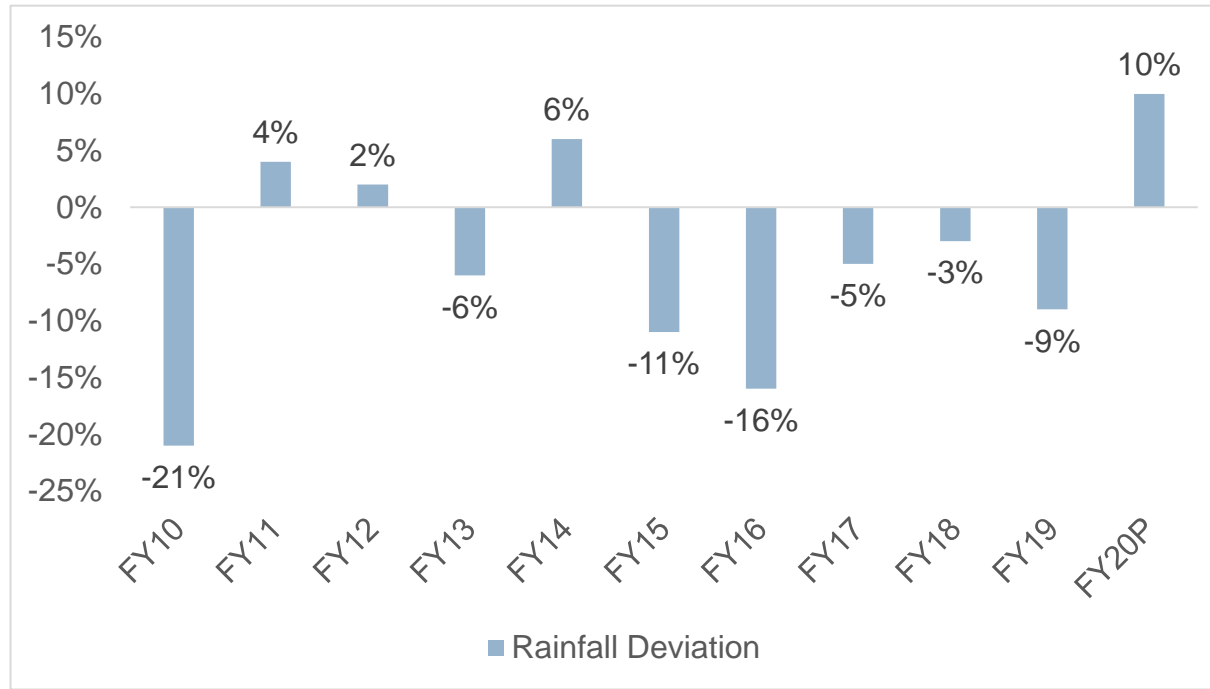


NOTE : ** Fiscal 2021 assumed neutral assuming normal monsoon, P: Projected

Source: CRISIL Research

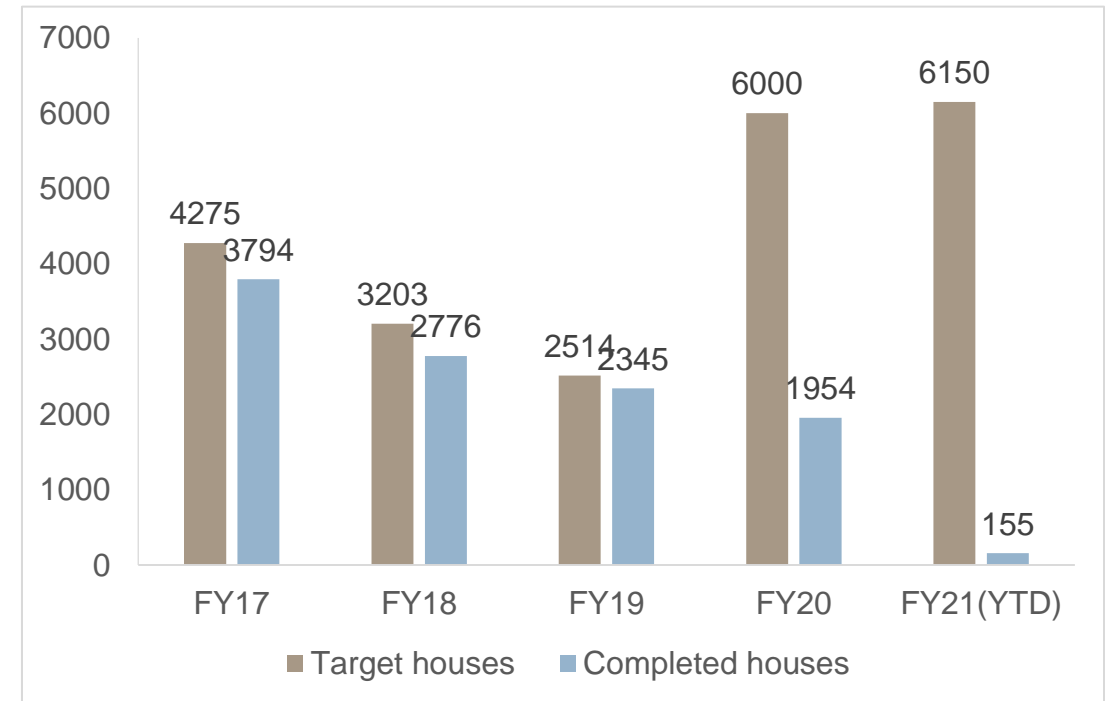
Rainfall progressing well has led to good sentiments for the kharif season

Above normal rainfall in fiscal 2020



NOTE: Rainfall deficiency in the range of -10% to 10% of the long period average is considered as normal as per IMD. P: Projected
Source : IMD, CRISIL Research

PMAY-G

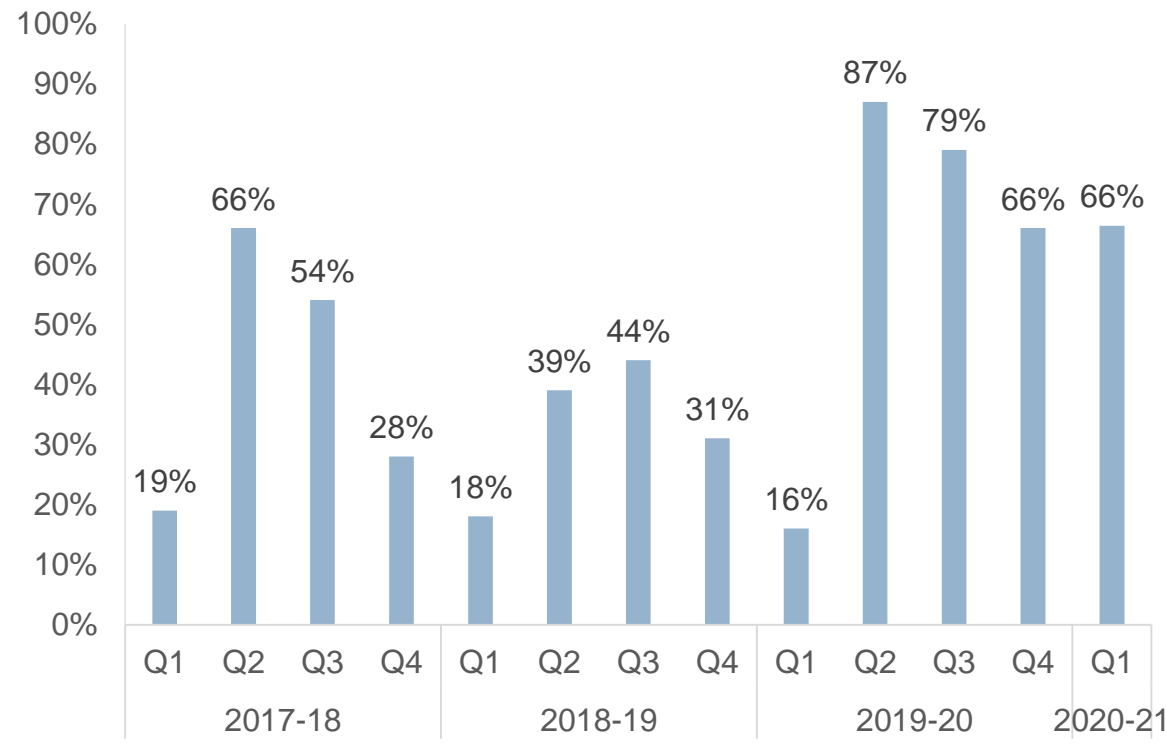


SOURCE: Ministry of Rural Development, CRISIL Research

- Normal and well distributed monsoon expected in FY21
- Bumper rabi along with expected good kharif will lead to demand for tractors
- Completion rate under PMAY-G declined by 17% in FY20

Higher Reservoir levels to aid crop production in MY20, supporting tractor sales

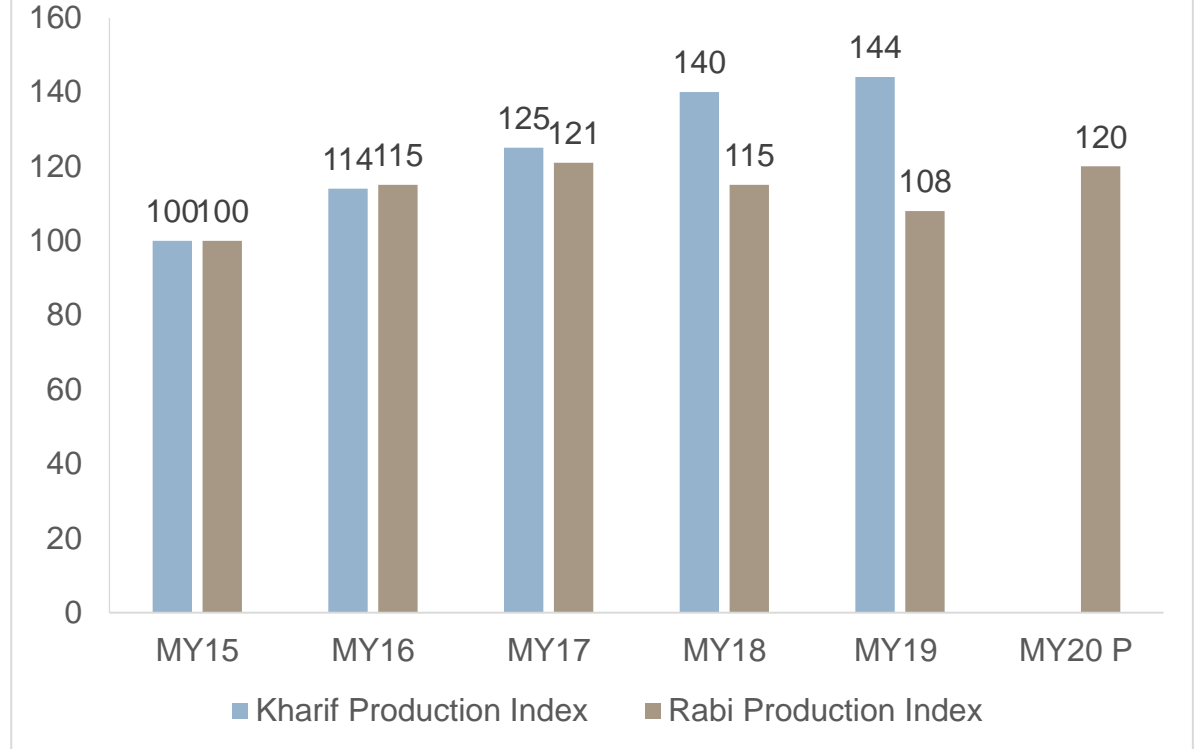
Reservoir levels at all time high



Source: CWC, CRISIL Research

Notes: Storage Status of 120 Reservoirs of the Country

Crop production growth higher for MY19



Source: Ministry of Agriculture, CRISIL Research

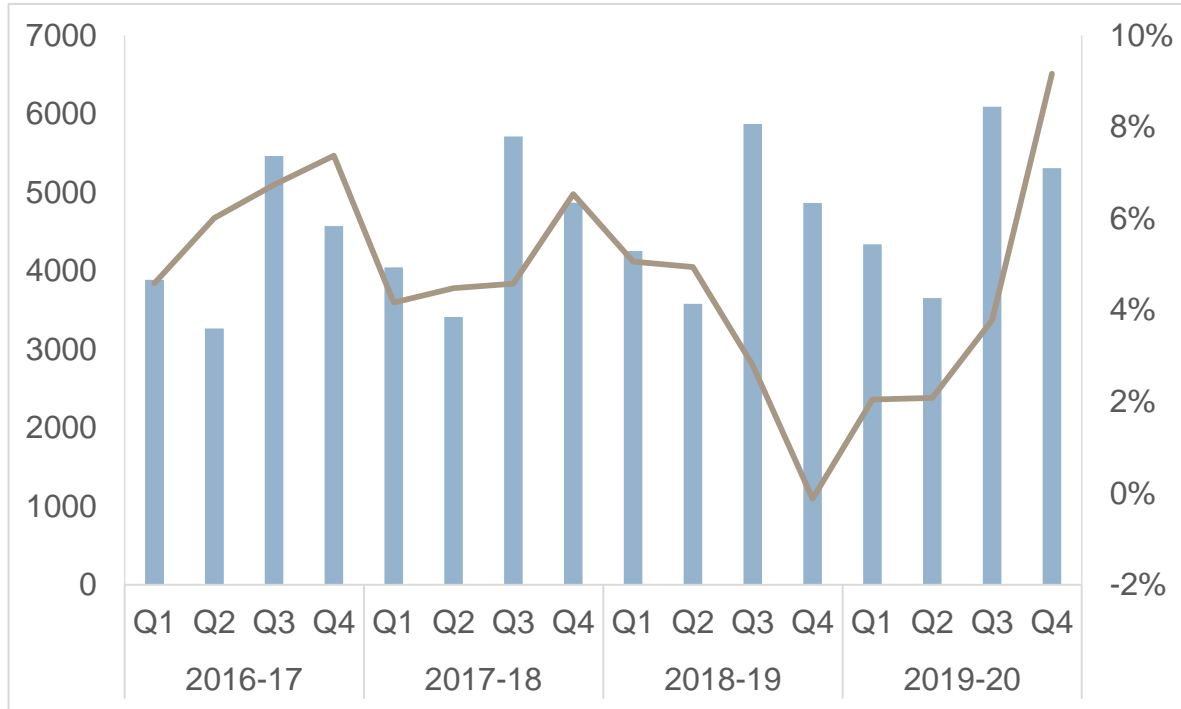
MY: Marketing year, P: Projected

Notes: 1) Base of 100 for Index (kharif and rabi) taken in MY Jan-Dec 2015

- Total profit for upcoming kharif to increase by 3-4% on account of better yields despite sowing expected to remain at a fiscal 2020 levels owing to labour availability issues with the COVID-19 pandemic.
- The bumper rabi harvest is on account of the best-ever wheat output, The rabi prospects this year looked up because of the excess monsoon rainfall in 2019

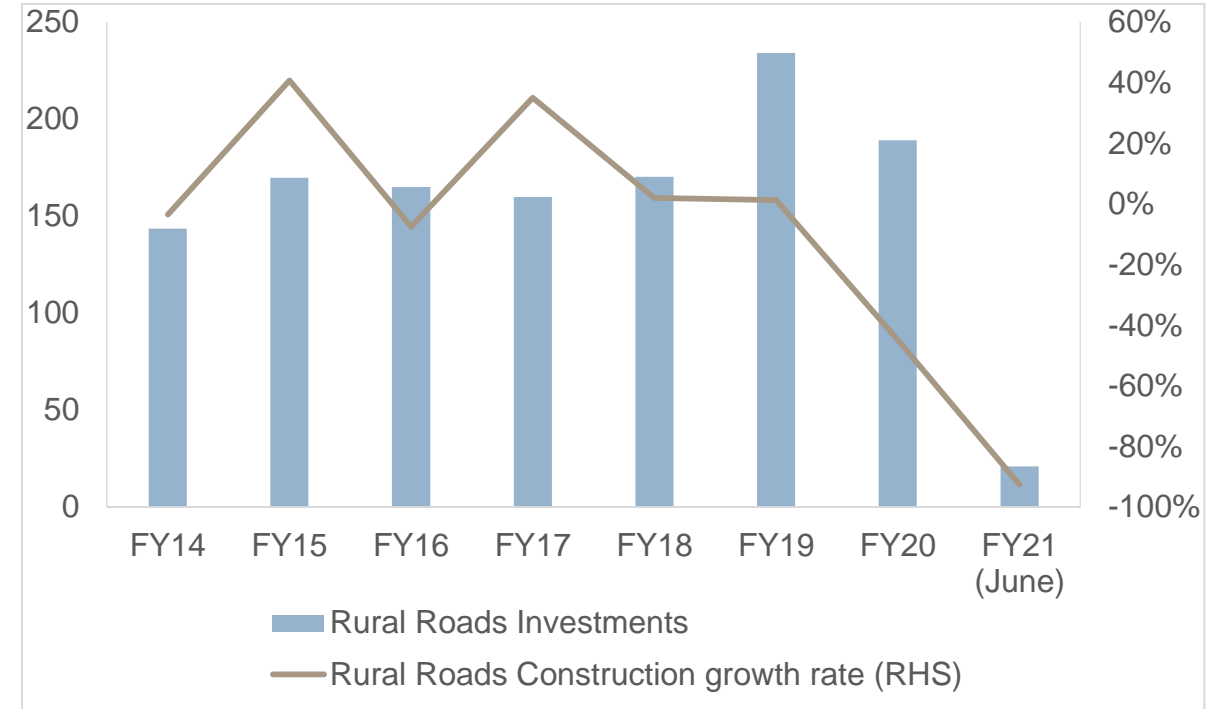
Robust agriculture growth played a huge role is cushioning growth in Q4 FY20

Agriculture GVA & Growth rate (y-o-y)



Source: Ministry of Statistics and Programme Implementation, CRISIL Research
 Notes: GVA at basic prices (constant 2011-12)

PMGSY Status

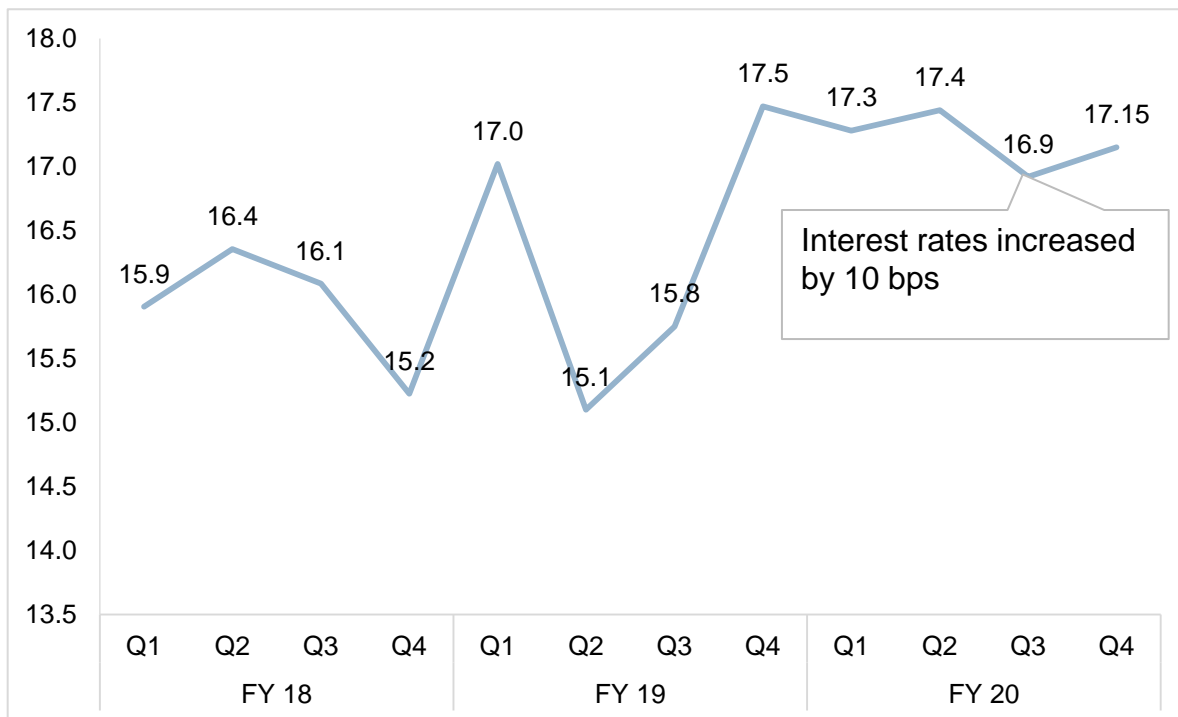


Source: OMMS (Online management, Monitoring and Accounting System), CRISIL Research

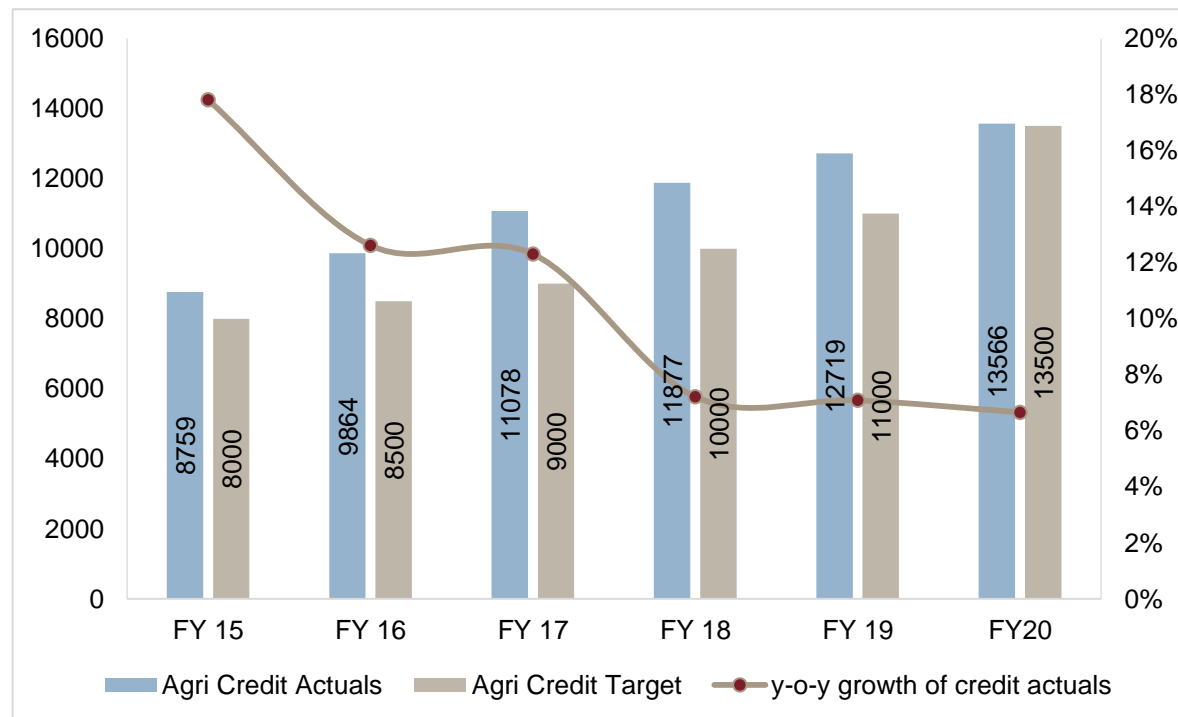
- Rural road construction declined significantly in fiscal 2020; COVID-19 brings down rural road construction further.
- Pace of rural construction is expected to plunge in FY21 as well due to construction activities being put to halt in April and May'20 on account of nationwide lockdown due to COVID-19 outbreak and as investments towards PMGSY are expected to decline as funds divert towards healthcare.

Financiers expected to turn mild cautious amid the COVID-19 outbreak

Higher interest rates to hamper farm profitability



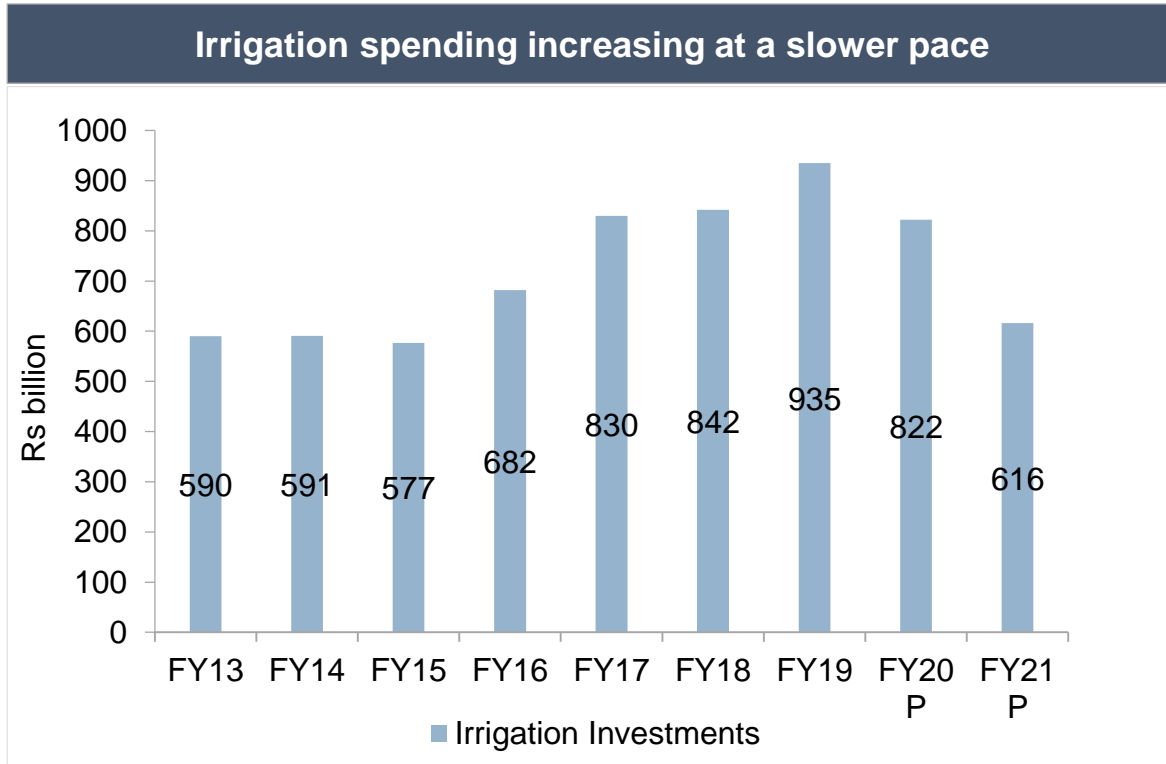
Actual agri credit disbursal higher than target in last five years



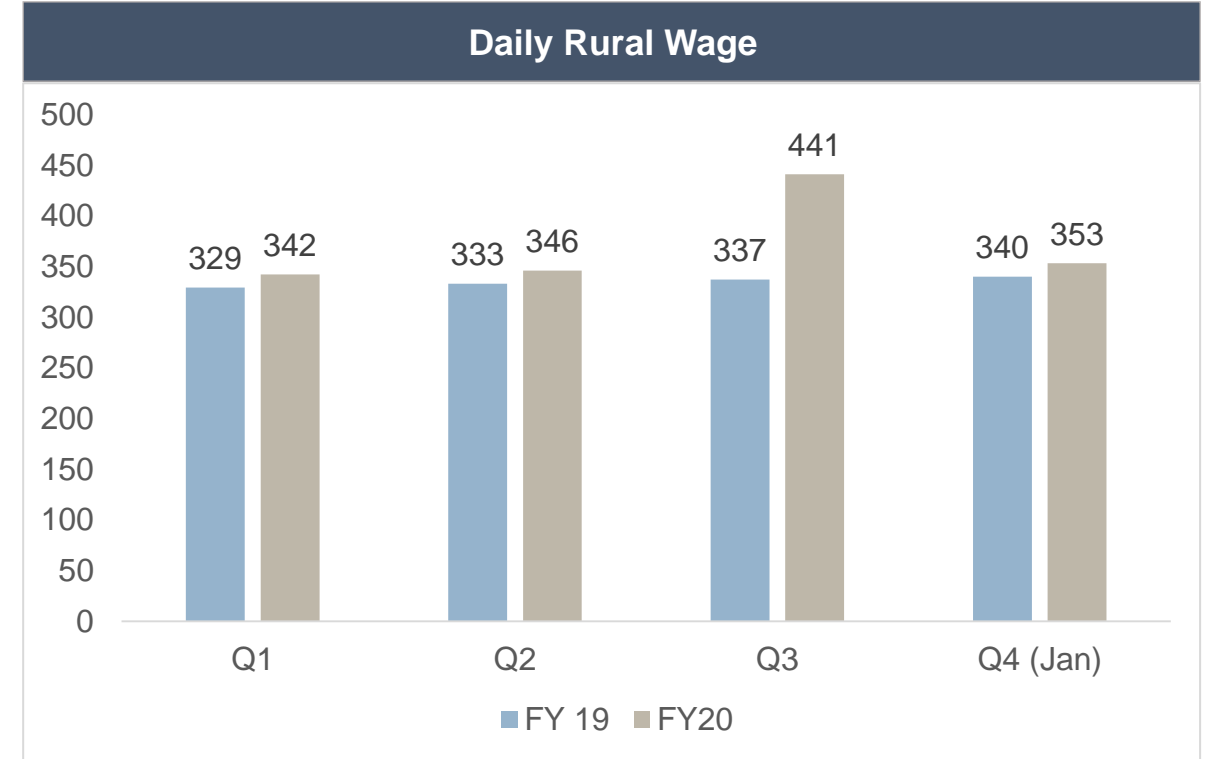
NOTE: Interest rates for Q1FY21 is not yet released by leading financiers
Source: CRISIL Research

- Funding from NBFCs (as financiers turn risk averse), government disbursements and cash support to farmers remain a key monitorable.
- Repo rate cuts from RBI since last fiscal will lead to marginal decline in the interest rates. Moreover as financiers turn risk averse, median interest rates is expected to fall in FY21.
- Also, captive financing is picking up in the industry, with increasing penetration of Mahindra Finance and Escorts Finance which is expected to be positive for the industry.

Investments in irrigation to see decline in FY21 owing to CoViD-19



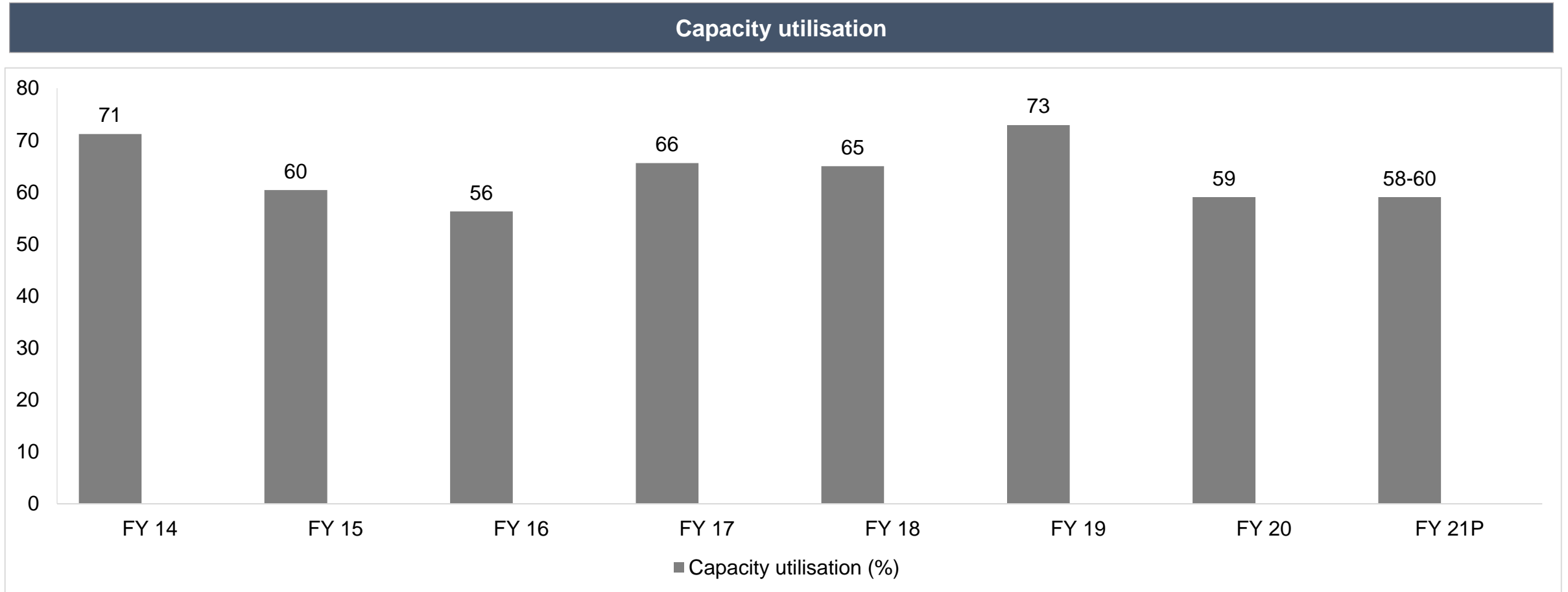
Source: Department of Agriculture, Cooperation & Farmers Welfare, CRISIL Research
P: Projected



Rural wages includes general non-agricultural labour.
Source: RBI, CRISIL Research

- Irrigation intensity is highest in northern region, followed by the southern and eastern regions. And higher irrigation intensity will boost usage of higher HP tractors.
- The growth in rural wages and increasing mechanization on farm fields bode well for structural tractor demand growth.
- It is expected that investments to decline in fiscal 2021 as states would divert some of their funds towards healthcare expenditure owing to COVID. It is expected that a majority of the irrigation projects stalled for want of funds will resume work post the increased budgetary allocation towards irrigation.
- Investments are expected to recover post fiscal 2021 due to states such as Maharashtra, Karnataka and Madhya Pradesh who have higher needs for irrigation investments.

Capacity utilisation to be at par with FY20




P = Projected

Source: CRISIL Research

- The imposition of lockdown had not allowed companies to increase their production level. Due to this, stock levels are low, while there is an increase in demand.
- Production levels are expected to go up in Q2 and demand is expected to be high.
- The capacity utilization is expected to be flat

Implementation of Trem IV norms postponed by one year

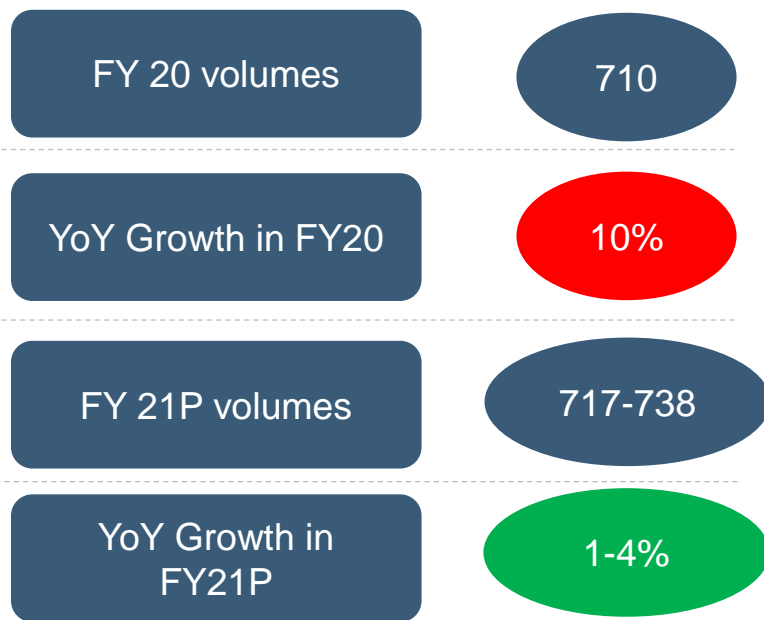
| Emission standard stage | Engine Power | Market share | Date | CO | HC+Nox | PM |
|-------------------------|--------------|--------------|------------------|-------|--------|-------|
| | HP | | | g/kWh | | |
| Trem Stage III A | 11 to 25HP | 9% | 1st April 2010 | 5.5 | 8.5 | 0.8 |
| | 25 to 50HP | 84% | 1st April 2010 | 5.5 | 7.5 | 0.6 |
| | 50 to 75 HP | 7% | 1st April 2010 | 5 | 4.7 | 0.4 |
| Trem Stage IV | 11 to 25HP | 9% | No change | | | |
| | 25 to 50HP | 84% | | | | |
| | 50 to 75 HP | 7% | 1st October 2021 | 5 | 4.7 | 0.025 |



Source: Industry, CRISIL Research

- Ministry of Road Transport and Highways has decided to defer implementation of BS-IV emission norms for construction vehicles, tractors and harvesters for a year due to the Covid-19 pandemic.
- As tractor with more than 50HP contribute only 8% to overall tractor sales, we expect limited impact on tractor industry.
- Cost is expected to increase by a tune of 15%.

Domestic – Annual & Quarterly Forecast



| Period | | Tractors | |
|--------|----|---------------|------------|
| | | Volume ('000) | YoY Growth |
| FY20E | Q2 | 168 | (10)% |
| | Q3 | 204 | (6)% |
| | Q4 | 146 | (9)% |
| FY21P | Q1 | 165 | (13)% |
| | Q2 | 176-179 | 5-7% |
| | Q3 | 218-222 | 7-9% |
| | Q4 | 167-170 | 14-16% |
| FY22P | Q1 | 188-191 | 14-16% |

- Tractor industry to grow by 1-4% in FY21 considering spread of CoViD in rural regions which will impact kharif harvesting and pose difficulty in transportation of crops from farms to mandi. If this issue doesn't arise, we expect the tractor sale to grow by 4-6%.
- Supply constraints to remain a key monitorable. Recent lockdown in Bangalore led to shortage of components such as fuel injection, fuel pump and filters.
- Rabi output has increased by 6% on year to 151.72 million tonnes (as per the 3rd advance estimates)
- Expectation of normal monsoon to drive kharif output.
- Cash flow has not been a constraint as the farmers are receiving payments from private agencies on-time and are sure to receive payments from government agencies within few days of selling the produce.

Stakeholder interactions

OEM



- The industry momentum is very good as compared to last year on account of better realizations. Government procurement has been higher on-year and payments have also been timely. Even private agencies have been giving payments in a timely manner, thus ensuring good cash flow in the market.
- Good pre-monsoon rainfall has led to good sentiments for the kharif season as well and till date sowing is >30% higher as compared to last year.
- There are certain supply constraints as well which are expected to smoothen by Q2FY21.
- The demand on-ground is positive across states on account of a good rabi produce and positive agricultural sentiments. Further, high reservoir levels to secure the upcoming kharif season as well.

Dealer



- Delivery momentum is good.
- Sentiments are positive on the back of positive agriculture. Kharif sowing is in progress and it is better than last year
- Local authorities are strict in urban and town areas because of COVID. Villages there is still some leniency. Government procurement for Rabi crops is almost done.
- Supply issues are there as demand is more.
- Sufficient stocks are not available. Even nonmoving models are getting sold now.

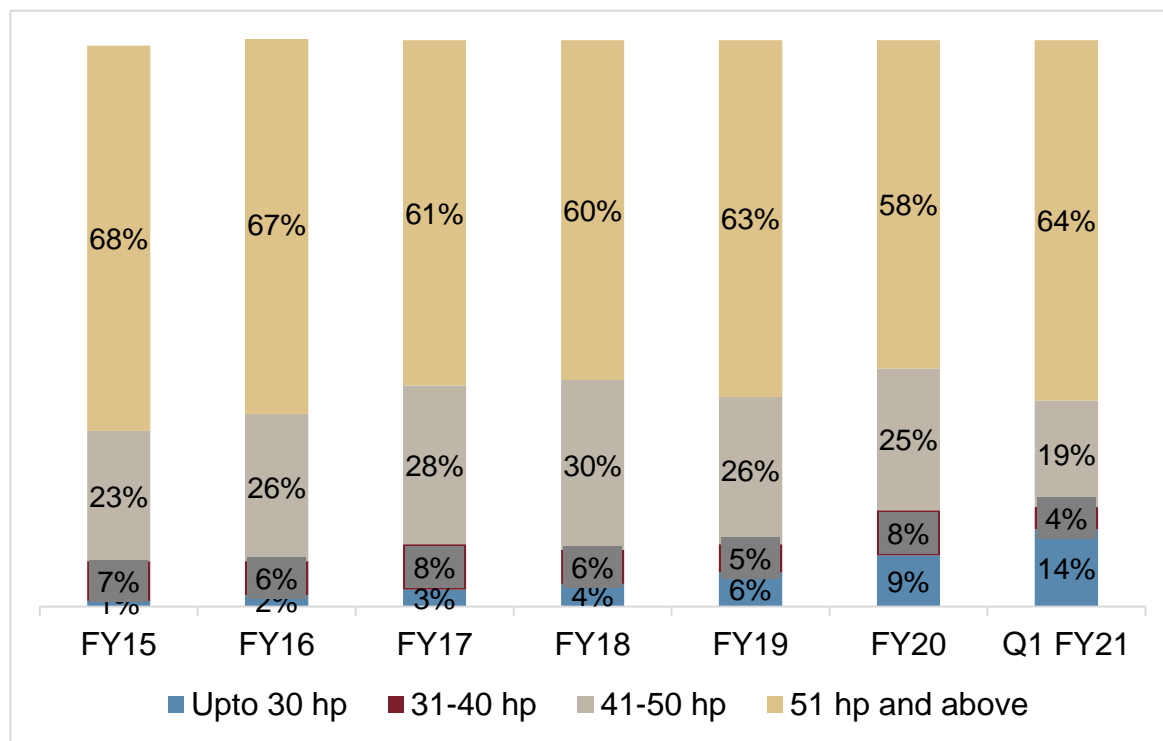
Financier



- Financiers expected to turn mild cautious amid the COVID-19 outbreak.
- FIs are happening and online means are also used. All the processing is done online, Delivery orders are coming online and even payments are received online.
- Moratorium is extended, because of which farmers have good cash flow. Financing is happening but loan amount has come down, but farmers are not facing problem.

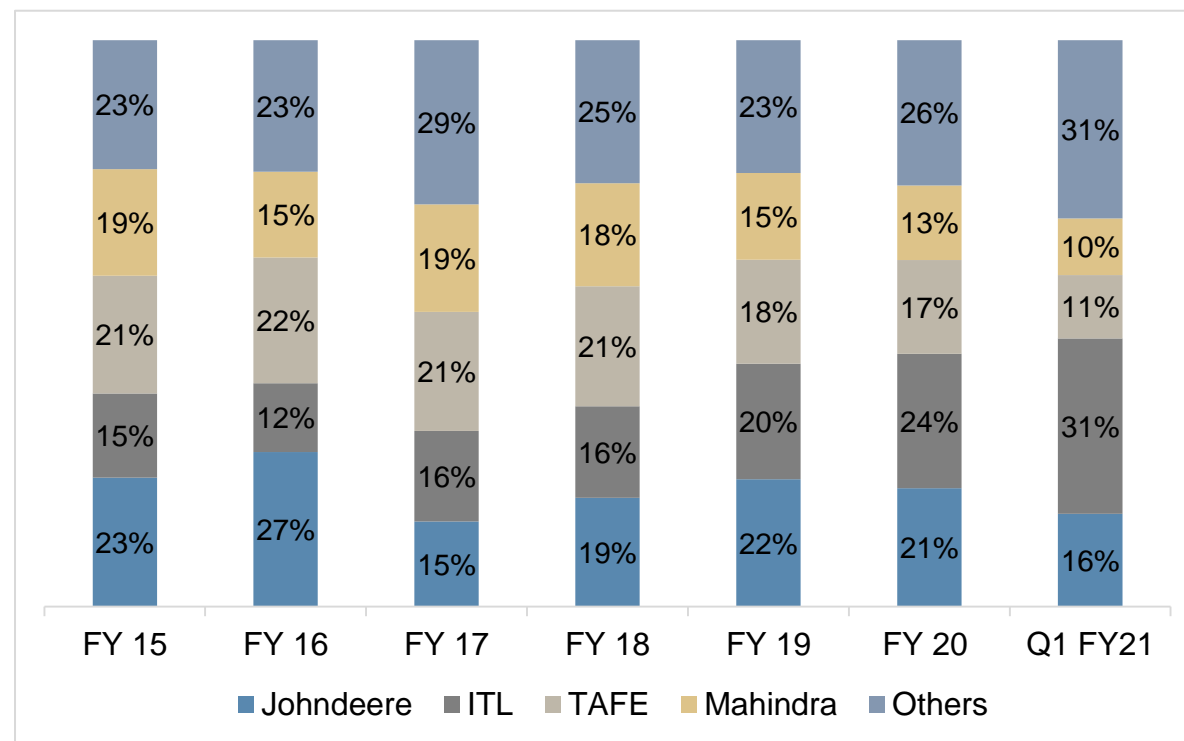
Tractors <30HP on an uptrend in exports

Segment wise market share of exports



Source: CRISIL Research

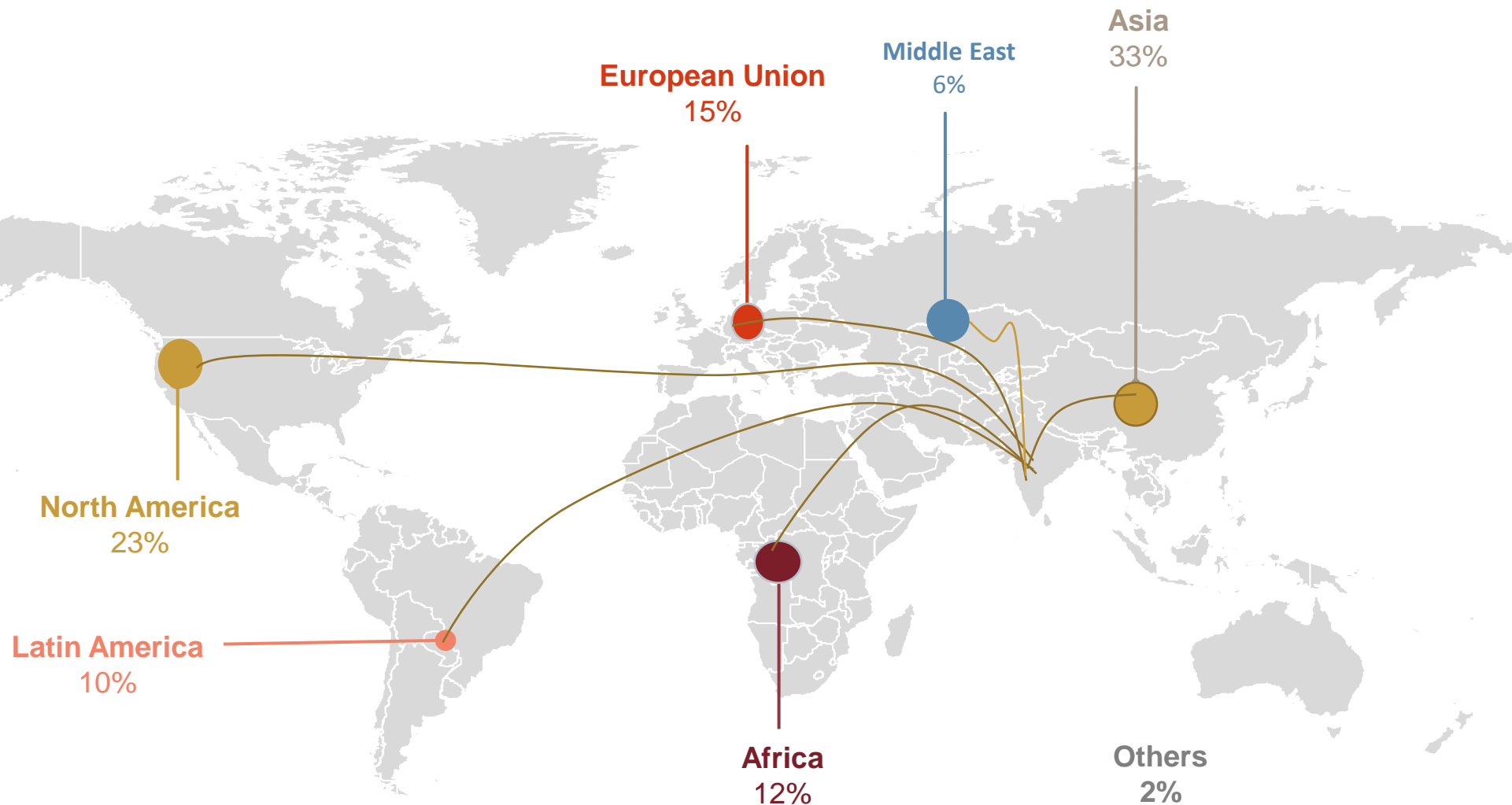
Player wise market share of exports



Source: CRISIL Research

- Tractor exports to decline by 17% in fiscal 2020 and further decline by 20-24% in fiscal 2021.
- Export of small tractors (upto 30HP) has increased from its miniscule share to 9% in FY20 to 14% in Q1FY21 due to players focusing on Asian and African regions
- ITL's growing exports have also contributed to a shift towards the higher horsepower segment. ITL, manufacturing higher and lower horsepower tractors, is continuing to expand its overseas footprint by launching tractors in the 90-120 hp range for developed markets.

Tractor Exports



- The decline in exports in FY20 was due to strict **emission norms in North America** and also due to **political tension in some African countries**. Demand from Europe also declined on the back of global economic slowdown.
- FY 21 to be second consecutive year to register de-growth in tractor exports.
- **Top 20 CoViD impacted nations contribute to 28% of the total exports share.**
- Share of Asia has increased recently. However, impact of CoViD and geo-political tensions to weigh down on demand.

Inventory scenario

Inventory across segments lower compared to normal inventory; except three-wheeler

| Vehicle segment | Normal inventory in days | Current inventory levels* | Reasons |
|---------------------|--------------------------|---------------------------|--|
| Passenger Vehicles | 25-30 | 22-25 | Inventory built in last quarter due to festive (Gudi padwa/ Ugadi) followed by lockdown was liquidated after lockdown relaxation due to shift towards personal mobility. OEMs have ramped up their production to cater to the domestic demand. |
| Two Wheelers | 30-35 | 15-20 | Supply side issue coupled with higher than expected demand from rural areas led to lowering of inventory levels. OEMs have ramped up their production to cater to the domestic demand. |
| Commercial Vehicles | 25-35 | 4-7 | Inventory levels marginally went up due to start of production post lockdown relaxation. |
| Tractors | 30-35 | 20-22 | Inventory levels, have been lowest ever. OEMs are able to run factories in multiple shifts to achieve production at about 90% of the capacity. Supply chain situation continues to remain volatile. |
| Three-wheeler | 20-25 | 25-28 | Retails lower compared to offtake due to lower consumer sentiments led to increase in inventory levels. |

Research NOTE: Normal inventory days for passenger three-wheeler is 15-20 days and for goods three-wheeler is 25-30 days
* Inventory level as on end of June 2020.

Source: Industry, CRISIL Research

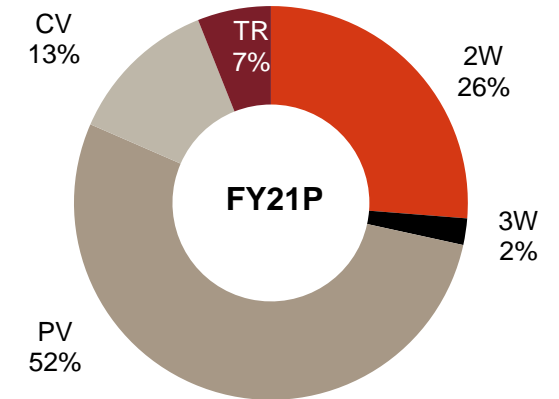
View on auto component industry

Supply shock abating, but demand shock to persist near term

OEM revenue FY 21 growth (YoY)

| 2W | 3W | PV | CV | Tractor |
|------------|------------|------------|------------|---------|
| (12)-(13)% | (36)-(38)% | (22)-(24)% | (23)-(25)% | 6-8% |

OEM revenue segment proportion, FY21



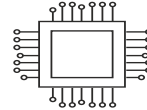
SOURCE: SIAM, Industry, CRISIL Research



Factory shutdowns



Labour shortage



Disruptions in input supply



Drying of cash flows

Supply shock



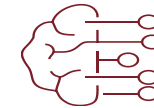
Lower discretionary spending



Weaker global demand



Loss in income/employment



Weaker sentiment

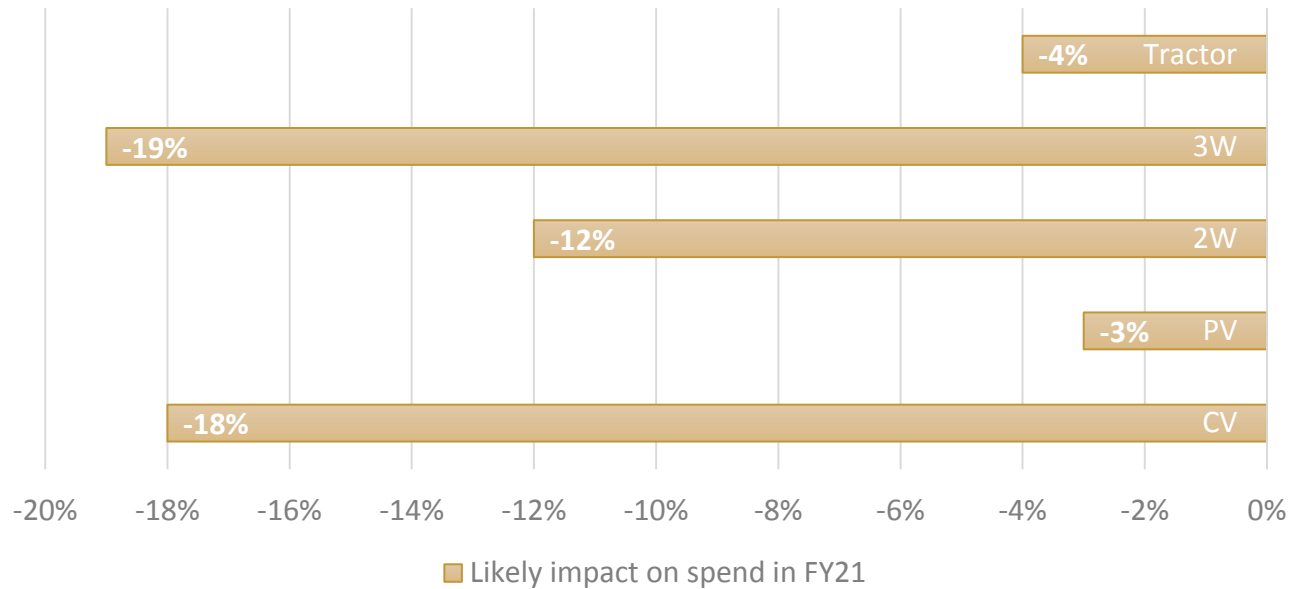
Demand shock

Reduced plying and decision deferrals to impact aftermarket

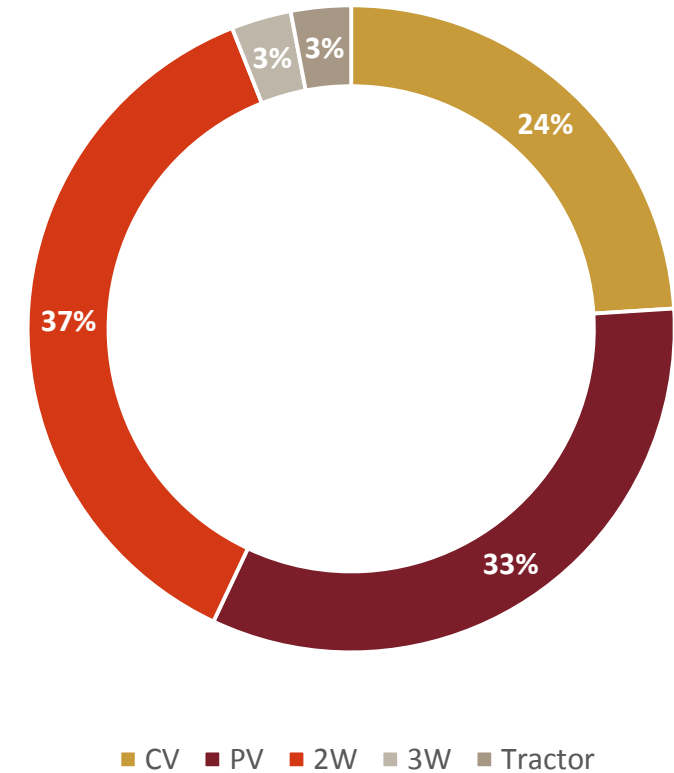
Aftermarket spending pattern in 75 Indian mega cities for fiscal 2021 – Drop by 11%

Segment-level spending

Likely impact on spend in FY21



Aftermarket spending proportion (FY21)



Source: CRISIL Research

Note: The above automotive component industry includes tyres, engine oil and lubricants apart from ACMA components

Focus on engine parts, transmission drives to drive exports

Challenging market shares

| | Asean | China | South Korea | Japan |
|--------------------------|--|---|---|--------------------------------------|
| Global share (2015-18) | 4.3% | 8.2% | 4.4% | 8.3% |
| Major countries exported | Japan (15%) US (10%) Asean -30% China – India (5%) | US (30%) Asean (8%) Japan (10%) Mexico (5%) | US (25%) China (17%) Japan (6%) Mexico (6%) | US (25%) China (20%) Asean (18%) |
| Major segment | Engine parts | Engine parts | Lighting parts Wheels | Drive transmission |
| Major segment | Drive transmission | Drive transmission | Engine parts | Engine parts |
| FTA signatories | 16 | 22 | 47 | 44 |

Source: UNCOMTRADE: 2015-2018 , CRISIL Research

- Drive transmission and engine parts are largely sourced by North America and European Union from China, Asean, Japan, South Korea and India
- Exports from China – Japan – Asean and South Korea for these components touched \$65 billion in calendar year 2018
- Even if a 5% share is taken by Indian companies from their competing counterparts, the domestic automotive component export revenue will increase by 20-25%

Forecast Snapshot

Automobile industry to skid further in FY21

| Segments | FY20 (units) | YoY Growth (%) | FY21 (units) | YoY Growth (%) | Chances of downside |
|----------------------------|--------------|----------------|--------------|----------------|---------------------|
| Passenger Vehicles (mn) | 2.8 | (18)% | 19.9-20.1 | (26)-(28)% | High |
| Two-wheelers (mn) | 17.4 | (18)% | 13.4-13.8 | (21)-(23)% | Medium |
| Commercial Vehicles ('000) | 718 | (29)% | 477-492 | (31)-(33)% | High |
| Three-wheeler ('000) | 637 | (9)% | 361-374 | (41)-(43)% | Medium |
| Tractors ('000) | 710 | (10)% | 717-738 | 1-4% | Low |

Click on the segment to go to the section

Forecasts – Domestic & Exports

| | | Domestic (% y-o-y) | | | | | | Exports (% y-o-y) | |
|---------------------|----------------|--------------------|-----------|---------|-----------|---------|-----------|-------------------|-----------|
| | | Q2 FY21 | Q3 FY21 | Q4 FY21 | Q1 FY22 | FY 20 | FY 21P | FY 20 | FY 21 |
| Passenger vehicles | Cars | (18)-(20) | (16)-(18) | 5-7 | 317-319 | (23) | (28)-(30) | (5) | (24)-(28) |
| | UVs and vans | (10)-(12) | (15)-(17) | 3-5 | 197-199 | (7) | (23)-(25) | 15 | (22)-(26) |
| | PVs | (15)-(17) | (16)-(18) | 5-7 | 263-265 | (18) | (26)-(28) | 0 | (24)-(28) |
| Two-wheelers | Motorcycles | (18)-(20) | 1-3 | 24-26 | 190-192 | (18) | (20)-(22) | 9 | (22)-(26) |
| | Scooters | (30)-(32) | (1)-(3) | 31-33 | 323-325 | (17) | (23)-(25) | (7) | (40)-(44) |
| | Mopeds | (11)-(13) | 6-8 | 24-26 | 243-245 | (27) | (13)-(15) | (17) | (19)-(23) |
| | 2W | (22)-(24) | 0-2 | 26-28 | 227-229 | (18) | (21)-(23) | 7 | (24)-(28) |
| Commercial vehicles | LCV (<3.5T) | (33)-(35) | (13)-(15) | 34-36 | 273-275 | (20) | (25)-(27) | (27) | (36)-(40) |
| | LCV (3.5-7.5T) | (37)-(39) | (13)-(15) | 40-42 | 648-650 | (26) | (29)-(31) | (32) | |
| | MHCV | (52)-(54) | (6)-(8) | 17-19 | 906-908 | (47) | (38)-(42) | (63) | (32)-(36) |
| | Buses | (53)-(55) | (32)-(34) | 2-4 | 1812-1814 | (7) | (48)-(50) | (3) | (52)-(56) |
| | CVs | (40)-(42) | (13)-(15) | 25-27 | 433-435 | (1)-(3) | (31)-(33) | (39) | (39)-(43) |
| Tractors | | 5-7 | 7-9 | 14-16 | 14-16 | (10) | 1-4 | (17) | (20)-(24) |
| Three-wheelers | Goods | (18)-(20) | (15)-(17) | 12-14 | 256-258 | (13) | (27)-(29) | 2 | (40)-(44) |
| | Passenger | (67)-(69) | (24)-(26) | 13-15 | 984-986 | (8) | (44)-(46) | (12) | (46)-(50) |
| | 3W | (59)-(61) | (22)-(24) | 13-15 | 651-653 | (9) | (41)-(43) | (12) | (46)-(50) |

About CRISIL Limited

CRISIL is a leading, agile and innovative global analytics company driven by its mission of making markets function better.

It is India's foremost provider of ratings, data, research, analytics and solutions, with a strong track record of growth, culture of innovation and global footprint.

It has delivered independent opinions, actionable insights, and efficient solutions to over 100,000 customers.

It is majority owned by S&P Global Inc, a leading provider of transparent and independent ratings, benchmarks, analytics and data to the capital and commodity markets worldwide.

About CRISIL Research

CRISIL Research is India's largest independent integrated research house. We provide insights, opinion and analysis on the Indian economy, industry, capital markets and companies. We also conduct training programs to financial sector professionals on a wide array of technical issues. We are India's most credible provider of economy and industry research. Our industry research covers 86 sectors and is known for its rich insights and perspectives. Our analysis is supported by inputs from our large network sources, including industry experts, industry associations and trade channels. We play a key role in India's fixed income markets. We are the largest provider of valuation of fixed income securities to the mutual fund, insurance and banking industries in the country. We are also the sole provider of debt and hybrid indices to India's mutual fund and life insurance industries. We pioneered independent equity research in India, and are today the country's largest independent equity research house. Our defining trait is the ability to convert information and data into expert judgments and forecasts with complete objectivity. We leverage our deep understanding of the macro-economy and our extensive sector coverage to provide unique insights on micro-macro and cross-sectoral linkages. Our talent pool comprises economists, sector experts, company analysts and information management specialists

CRISIL Privacy

CRISIL respects your privacy. We may use your contact information, such as your name, address, and email id to fulfil your request and service your account and to provide you with additional information from CRISIL. For further information on CRISIL's privacy policy please visit www.crisil.com

Disclaimer

CRISIL Research, a division of CRISIL Limited (CRISIL) has taken due care and caution in preparing this Report based on the information obtained by CRISIL from sources which it considers reliable (Data). However, CRISIL does not guarantee the accuracy, adequacy or completeness of the Data / Report and is not responsible for any errors or omissions or for the results obtained from the use of Data / Report. This Report is not a recommendation to invest / disinvest in any company covered in the Report. CRISIL especially states that it has no financial liability whatsoever to the subscribers/ users/ transmitters/ distributors of this Report. CRISIL Research operates independently of, and does not have access to information obtained by CRISIL's Ratings Division / CRISIL Risk and Infrastructure Solutions Limited (CRIS), which may, in their regular operations, obtain information of a confidential nature. The views expressed in this Report are that of CRISIL Research and not of CRISIL's Ratings Division / CRIS. No part of this Report may be published / reproduced in any form without CRISIL's prior written approval.