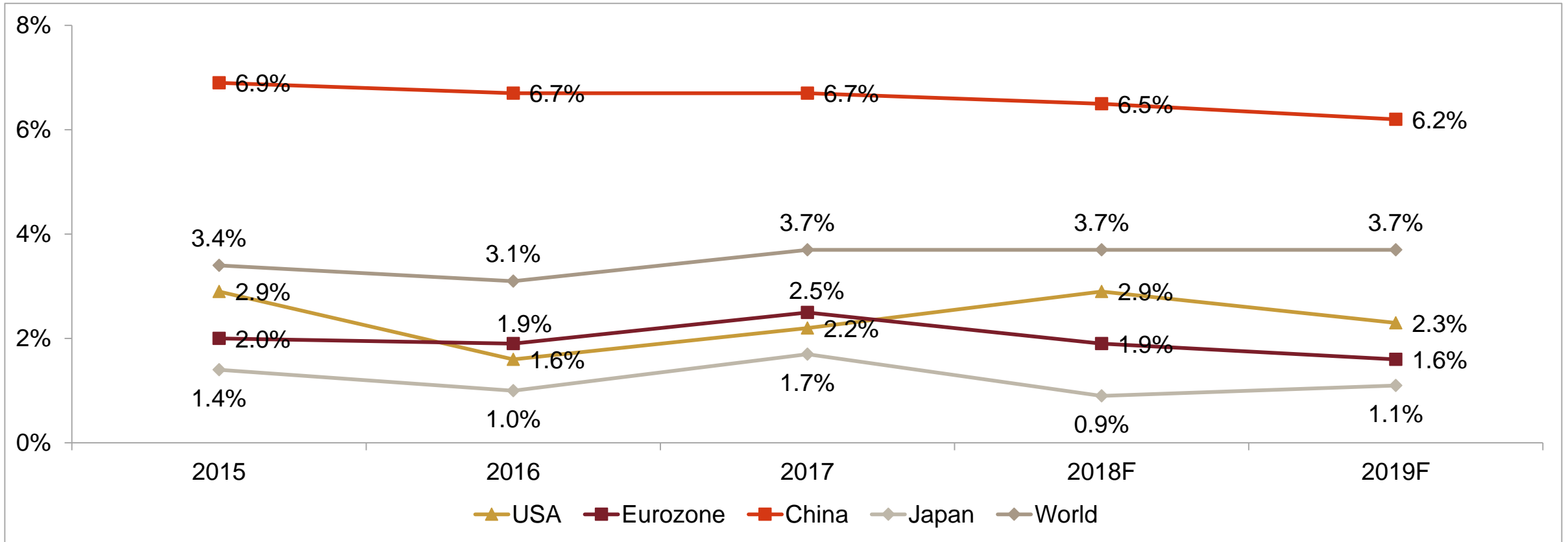


Analysis of Indian Automotive Industry

Macro-economic Analysis

Global recovery getting weak and less synchronized

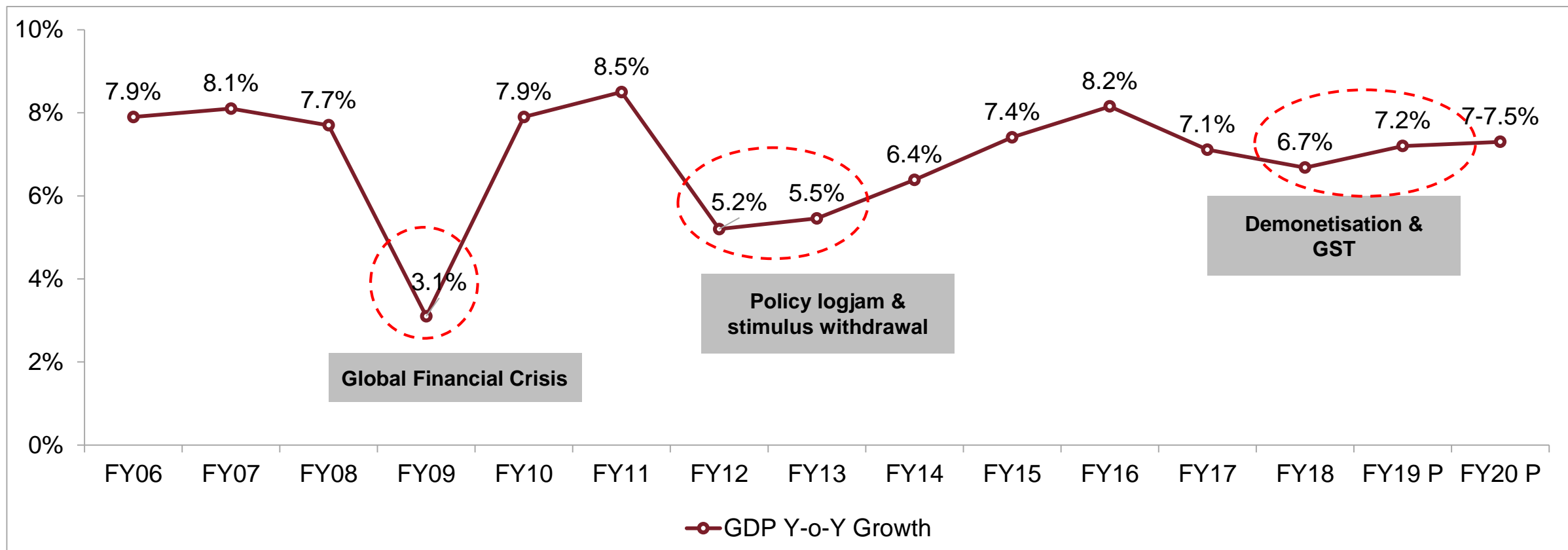
World is forecasted to grow at a CAGR of 3.7% in FY 2019



Note: F forecast

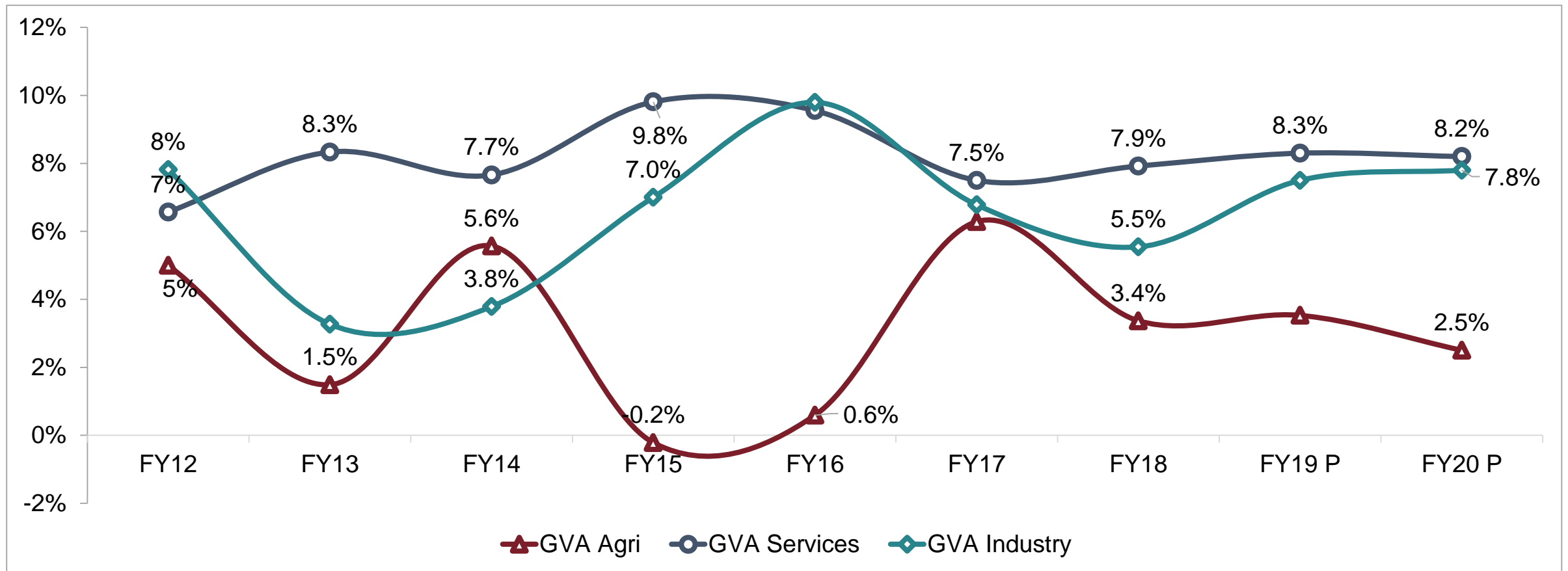
Source: Statistical Bureaus of respective countries, S&P Global (November, 2018) and IMF (October 2018)

Consumption, investment and rural push to support GDP growth



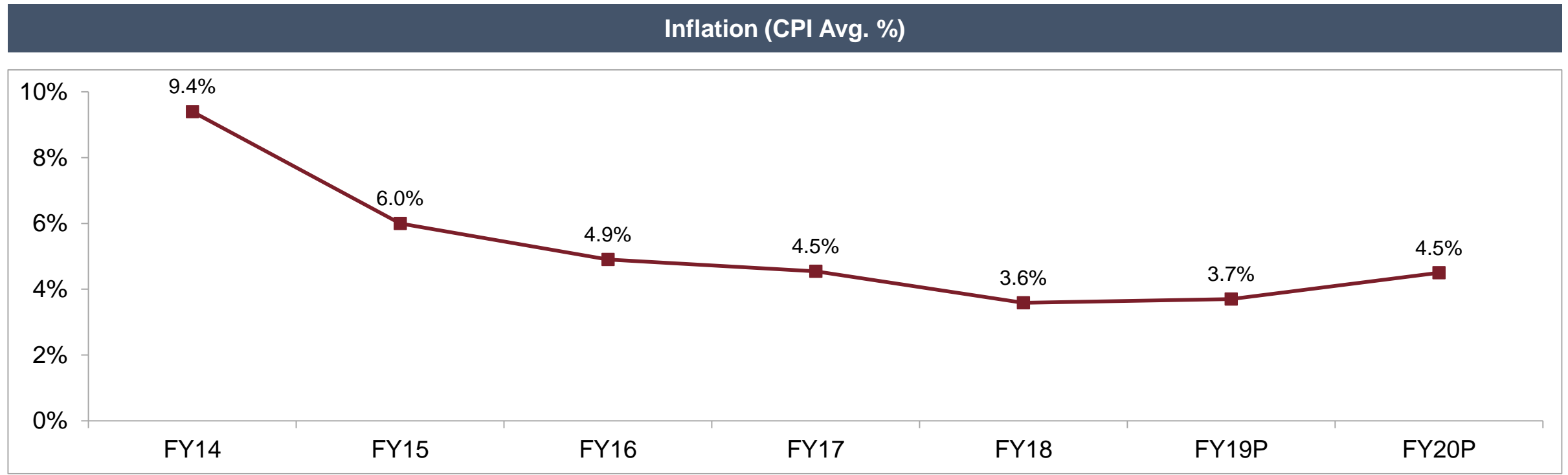
Note: GDP – Gross domestic product; Data on 2011-12 base, P=Projected
Source: Central Statistical Office, MOSPI, CRISIL Research

GVA industry to grow on back of higher capacity utilisation



Source: Central Statistical Office, MOSPI, CRISIL Research.
P=Projected

CPI inflation to rise to 3.7% in fiscal 19 from 3.6% average in fiscal 2018



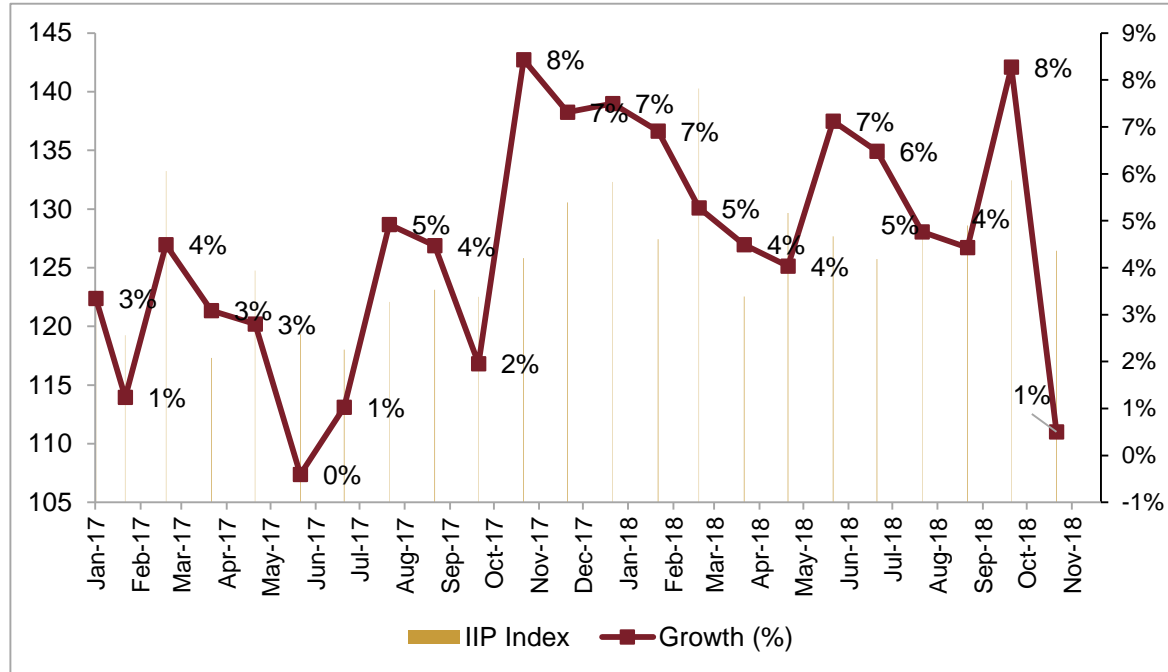
Note: CPI – Consumer price index

Source: Ministry of Statistics and Programme Implementation (MoSPI), CRISIL Research

- CRISIL Research expects CPI inflation to rise to 3.7% in fiscal 2019
- The pick-up will be due to rising consumption demand, impact of house rent allowance revisions on housing inflation, and higher global crude prices
- With improving domestic demand conditions, manufacturers will pass on higher input costs to consumers, which will show up in core inflation

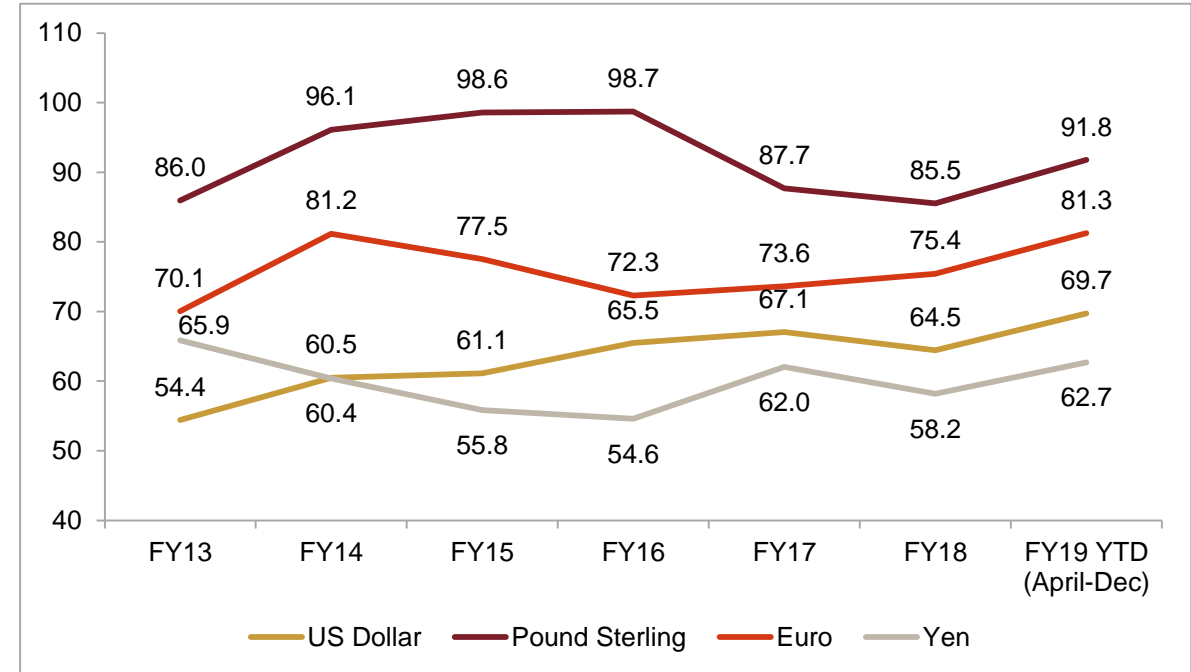
Industrial growth falls to 17-month low of 0.5 per cent in November 2018

IIP



Source: MoSPI, Crisil Research

Exchange Rates

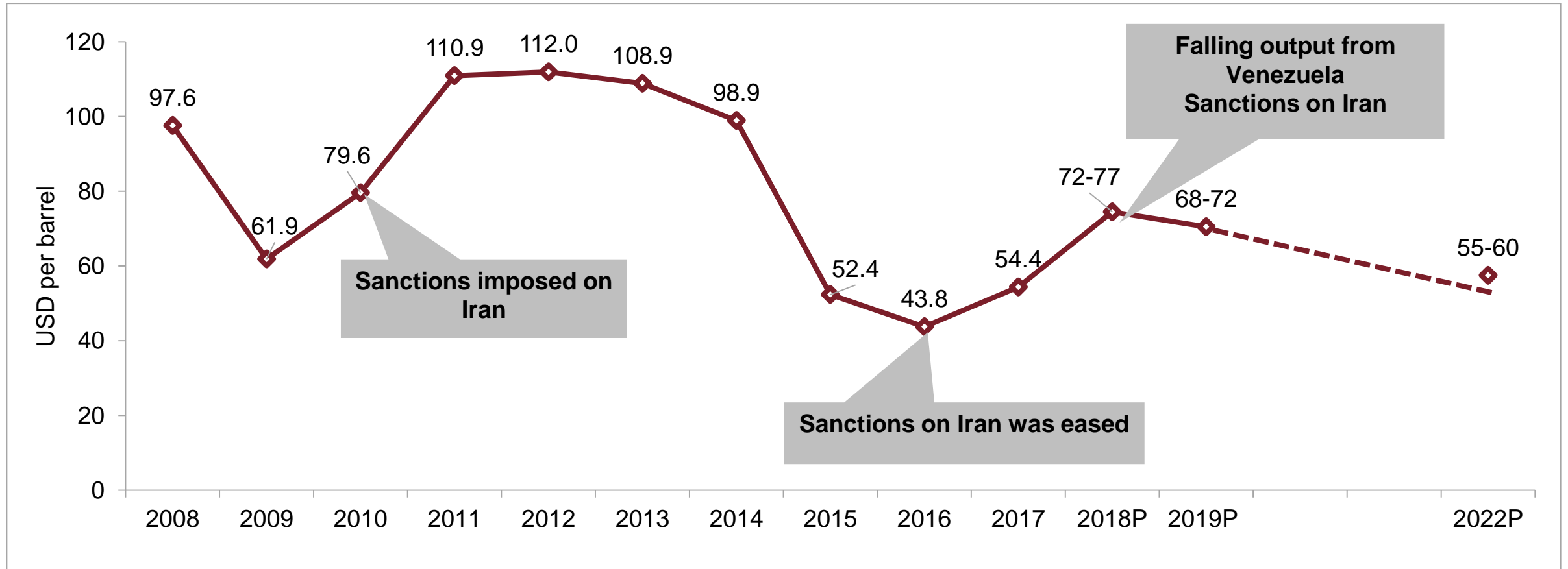


Source: RBI, FBIL, Crisil Research

Note – For Yen rupees value are per 100 Yen

- IIP Index has grown by 5.6% (Apr-Oct) Y-o-Y which shows that the impact of Demonetization and GST has waned away.
- Manufacturing, which constitutes 77.63 per cent of IIP, shrank 0.4% in November 2018 versus 10.4% growth a year ago.
- Crisil Research expects the exchange rate to be at around 71/dollar by the end of FY19 and 72/dollar by the end of FY20.

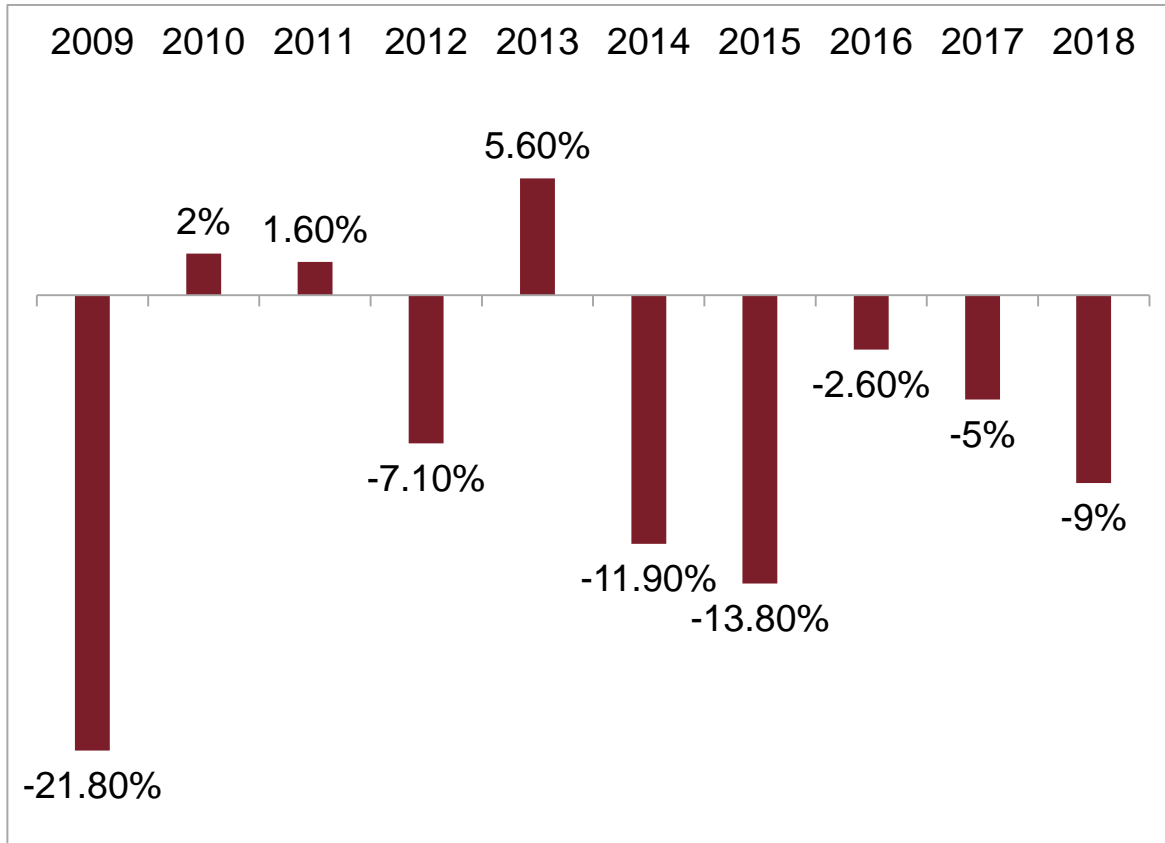
Crude oil prices expected to inch lower in medium term



Source: CRISIL Research

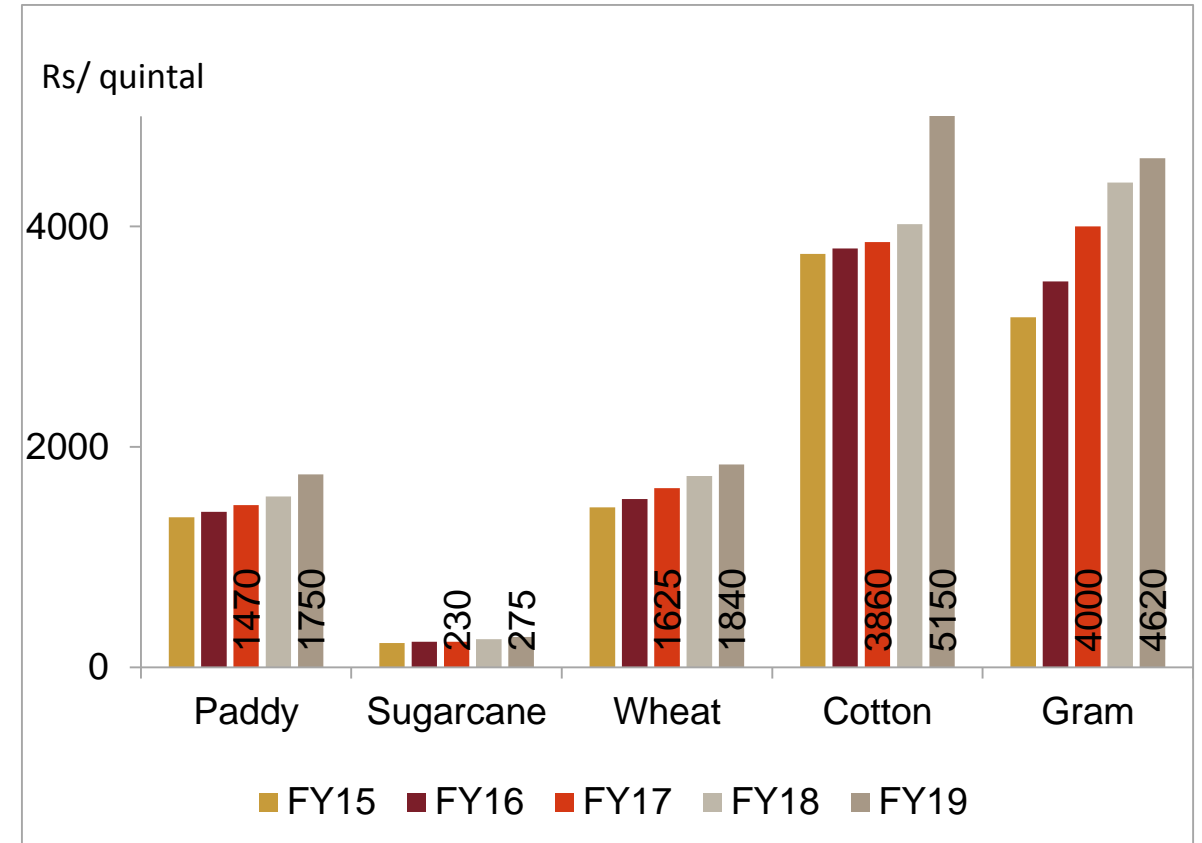
Consecutive normal monsoons & better MSP to support favourable farmer sentiments

Monsoon deviation from long normal rainfall levels



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

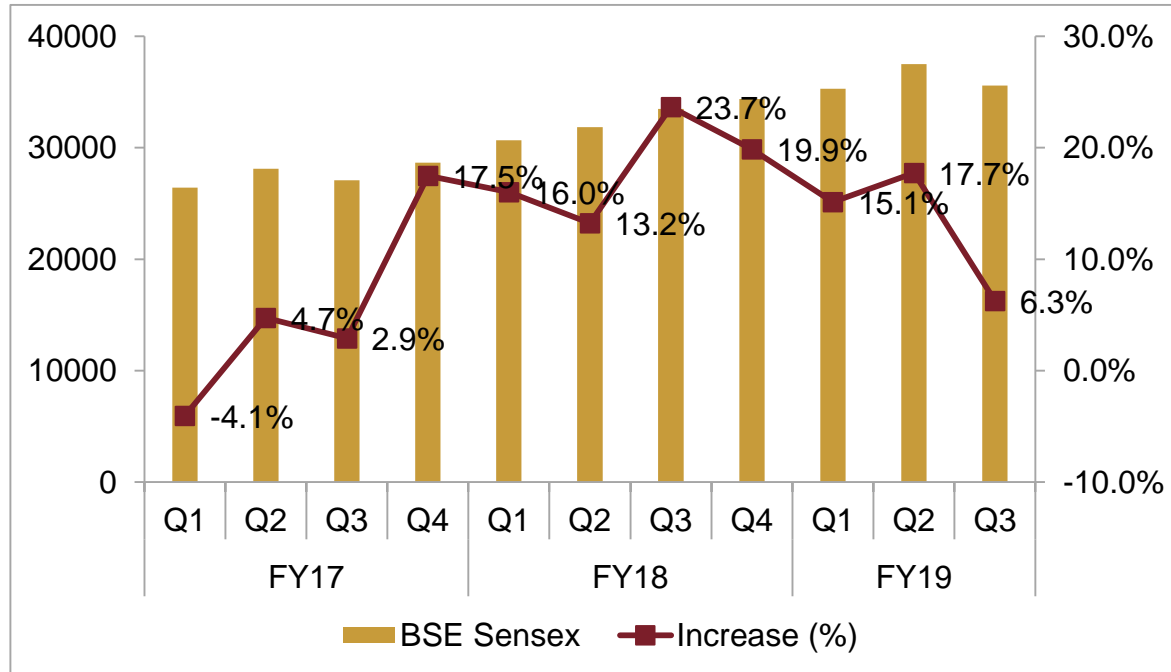
MSP of major crops in the last 5 years



Source: Ministry of Agriculture & Farmers Welfare

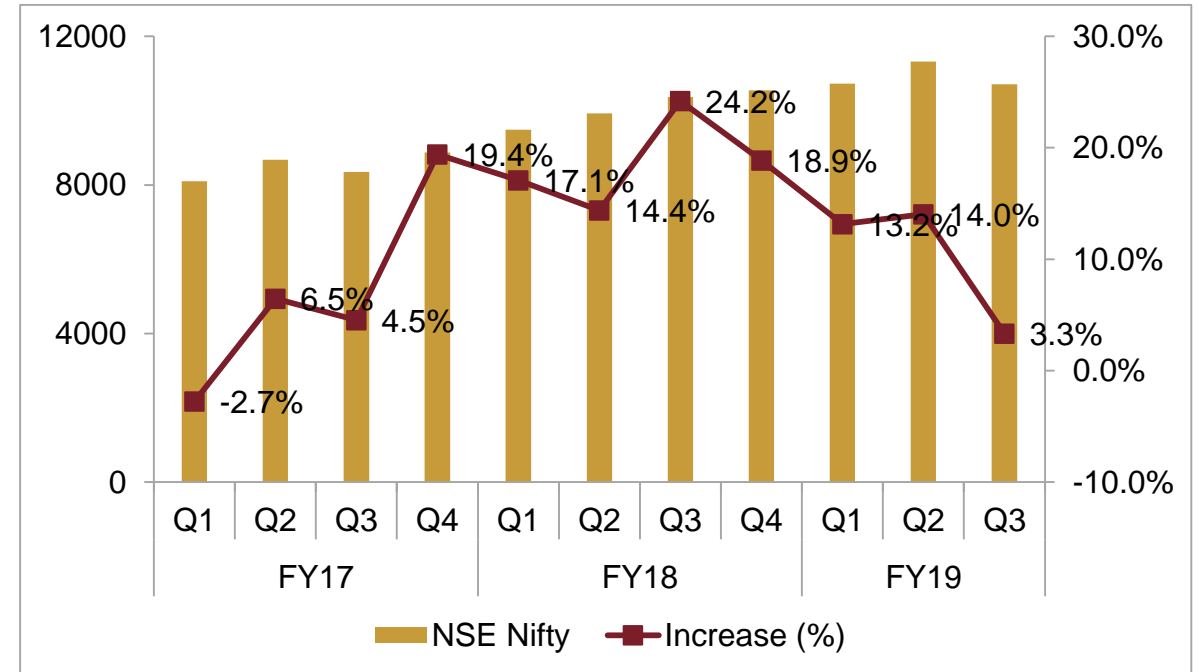
Fall in Sensex and Nifty in 2019 Q3

BSE Sensex



Source: BSE

NSE Nifty



Source: NSE

- Earnings, especially in automobiles and consumer durables, may be somewhat muted because the peak period for sales (September-November) was affected due to the non-banking financial company crisis as well as low sentiments
- The index of industrial production rose 0.5 per cent, its slowest growth since June 2017 as manufacturing output fell.
- Foreign portfolio investors sold shares worth Rs 732.46 crore, while domestic institutional investors bought shares worth Rs 527.49 crore.

Two-Wheelers

Improvement expected across most parameters

	Impact			
	2016-17	2017-18	2018-19 P	2019-20 P
Demand side variables				
-- Real GDP growth	7.1%	6.7%	7.2%	7-7.5%
-- Rural Roadways Investments (INR bn)	160	170	183	F
-- Crop Value index	F	N	N	F*
Cost of ownership				
-- Petrol Prices	Rs 70.2 / liter	Rs 77.0/ liter	Rs 85-87/ liter	Rs 79-80 / liter
-- Interest rates	F	F	NF	F
Supply side variables & financing				
-- Finance Penetration	29%	30%	31%	32%

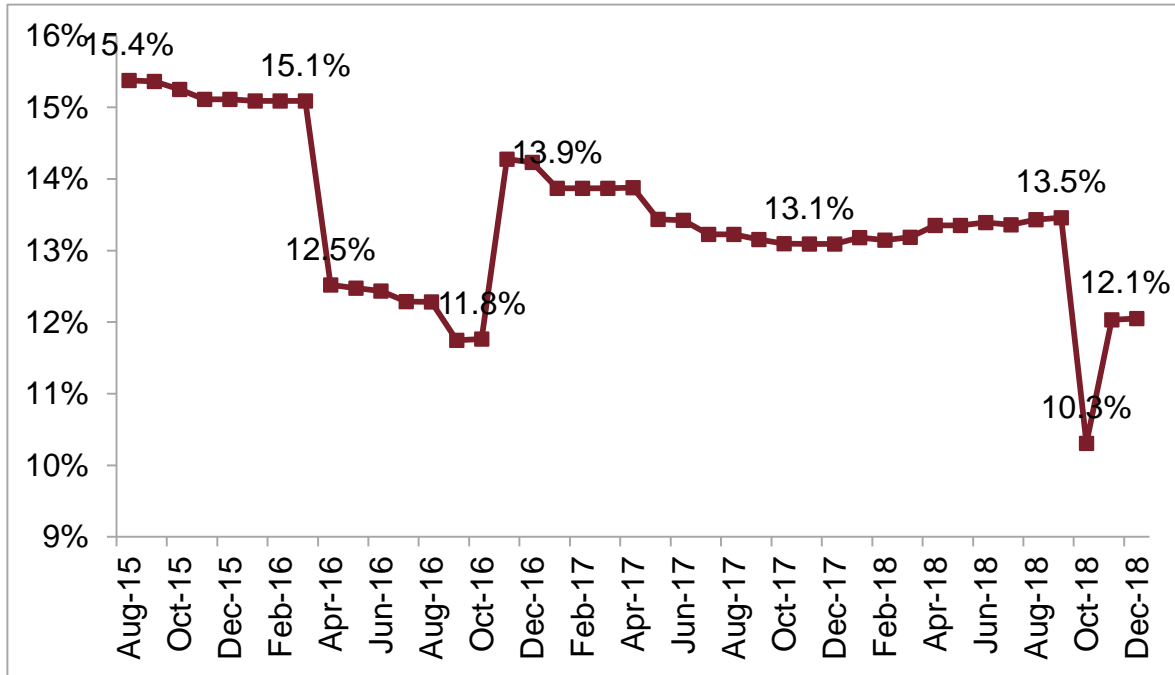
NOTE : CPI index base 2000-01 ; Fiscal 2020 crop value index assumed favorable assuming normal monsoon

F: Favorable, N:Neutral, NF: Non-Favorable

Source: CRISIL Research

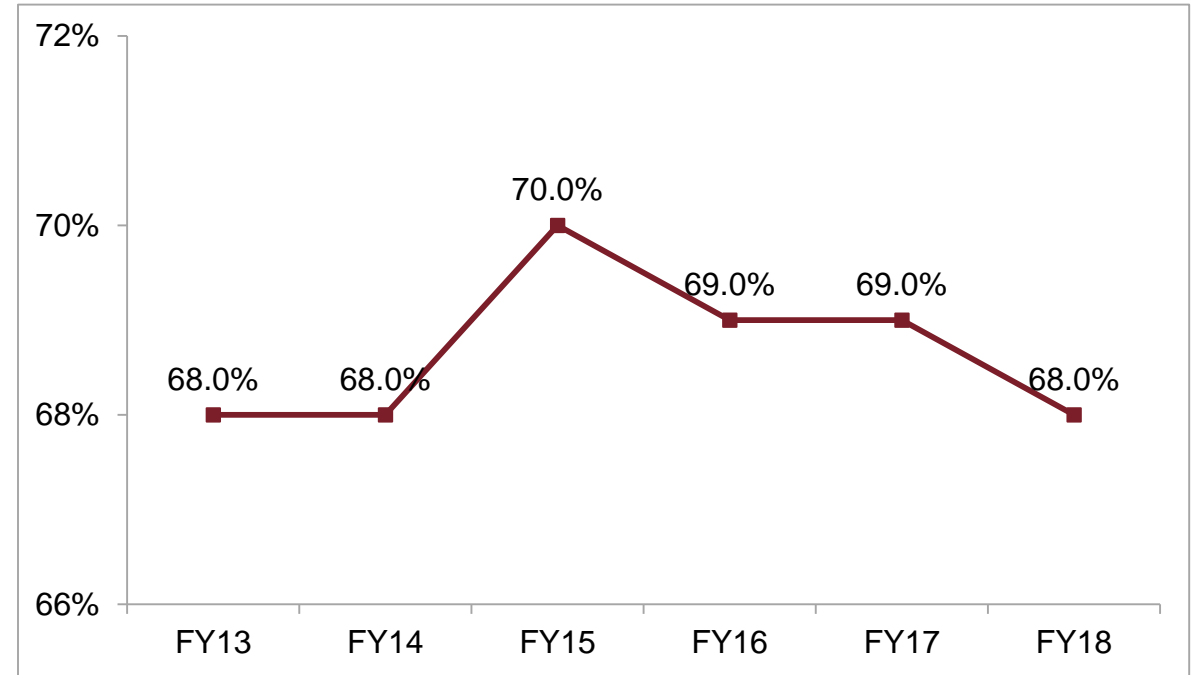
Increasing penetration of credit bureau and competition among financiers to boost LTV ratios

Interest Rates



Source: Crisil Research

Loan-to-Value

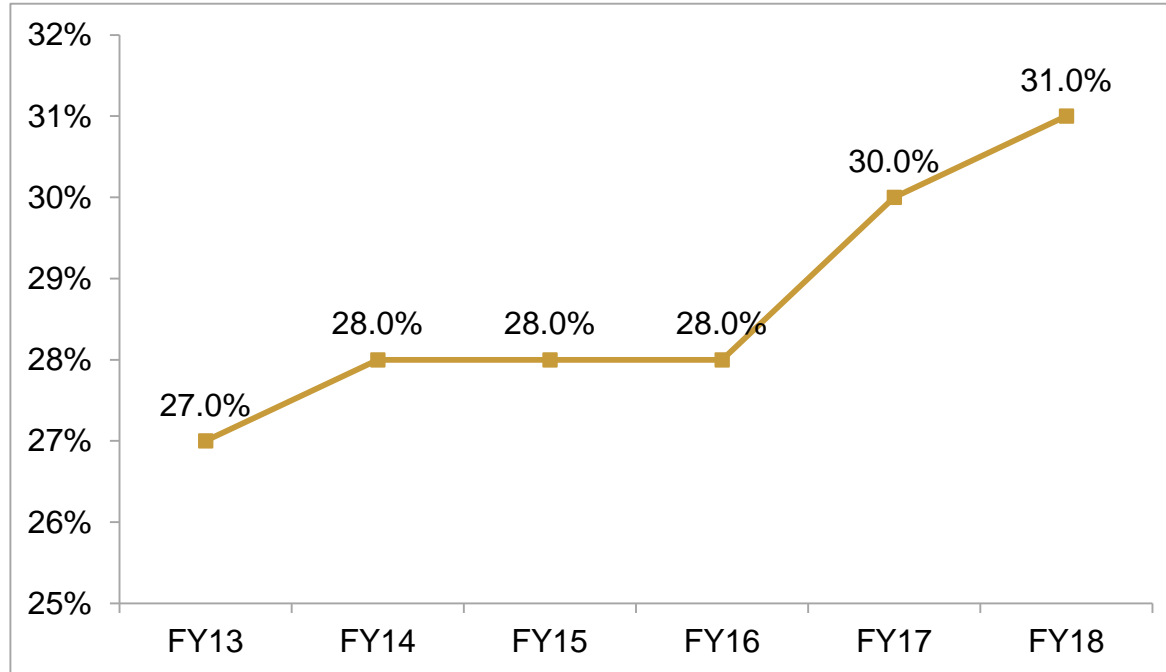


Source: Crisil Research

- Cash transactions continue to dominate motorcycle sales, as compared with other automobile segments, given the industry's smaller ticket sizes, relatively lower-income profile of customers.
- Increasing competition among financiers will force organized players to offer high LTVs.

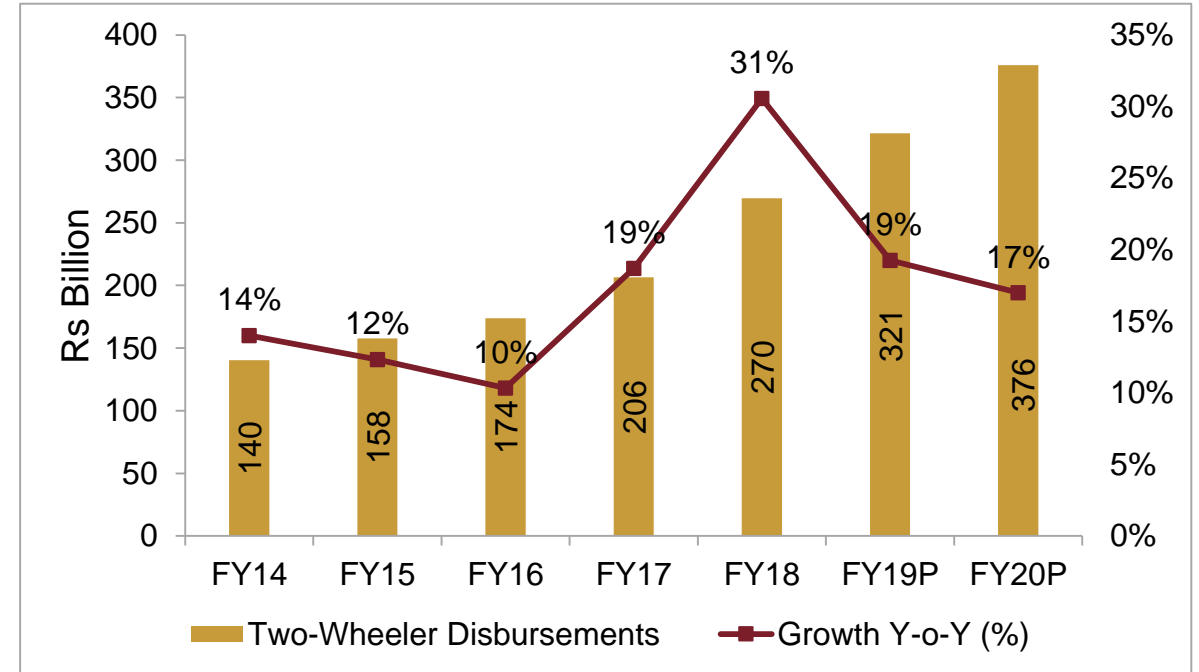
Increasing affordability, new model launches and increase in prices to steer long-term disbursement growth

Auto Finance Penetration



Source: Crisil Research

Two-Wheeler Disbursements

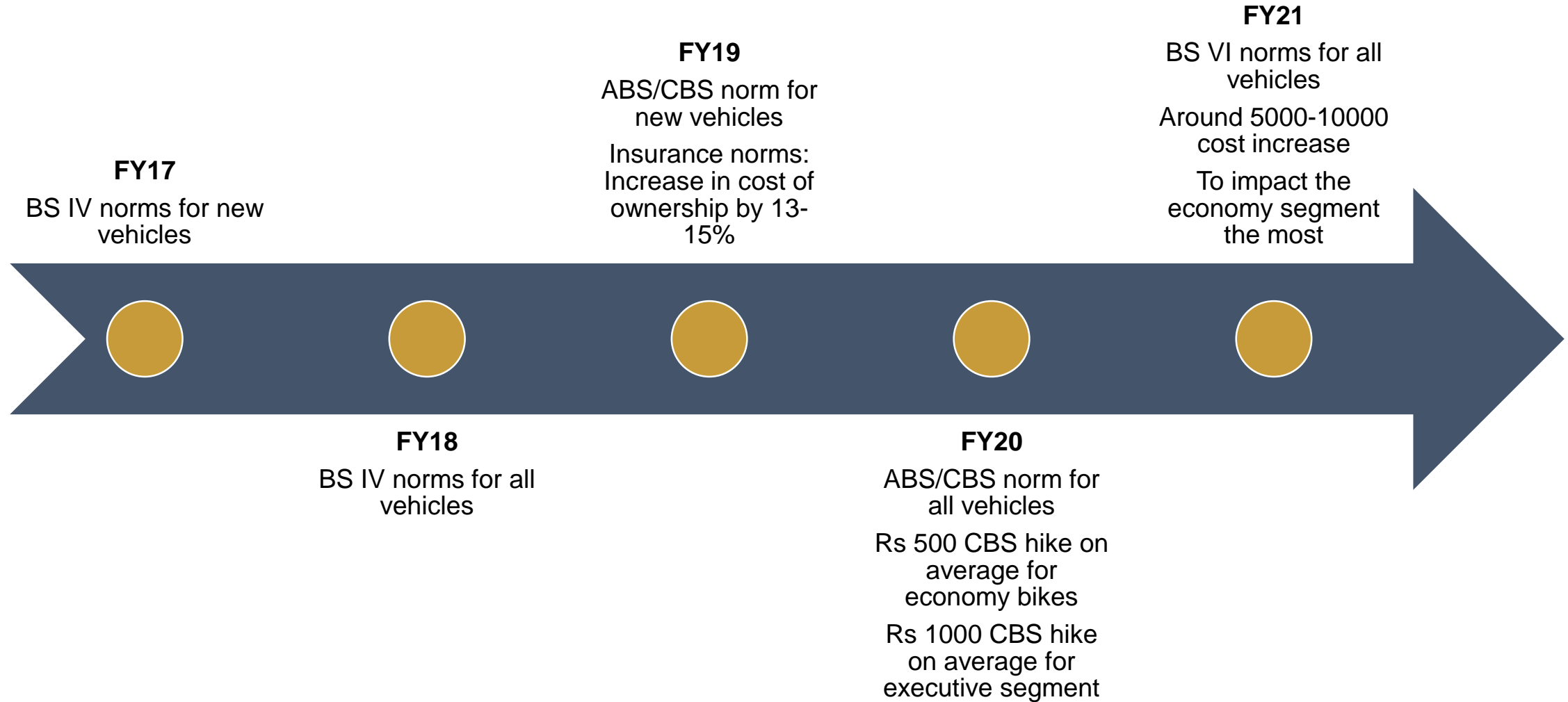


Source: SIAM, Crisil Research

- Higher rural income supported two-wheeler disbursements in fiscal 2018.
- Overall disbursements increased ~31% on-year in fiscal 2018, supported mainly by 15% growth in sales and 11% growth in average prices.
- Consumer preference has shifted significantly towards premium segment's vehicles (its share has grown to 14% in total two-wheeler volume from 12% in fiscal 200) mostly in urban areas.

Research

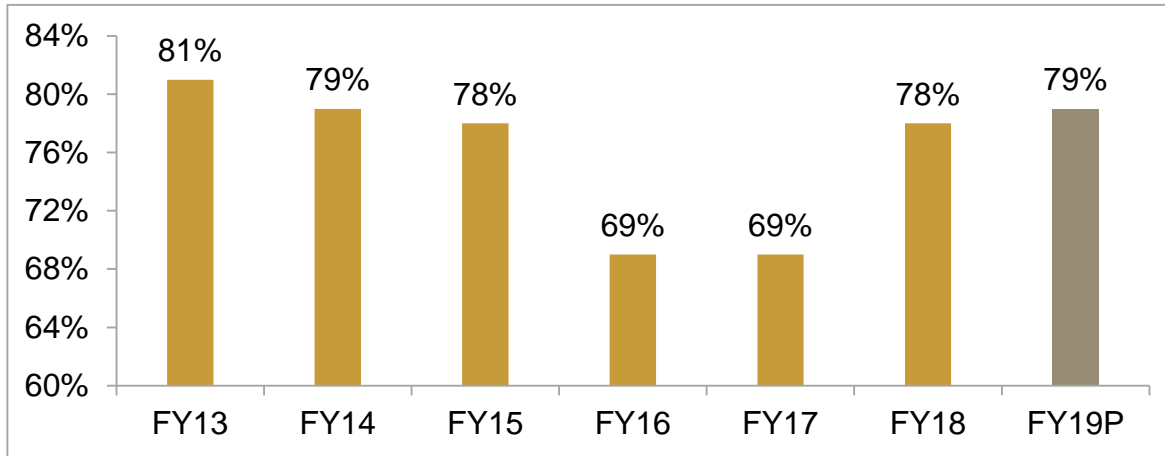
Regulations timeline and price impact



Source: Crisil Research

Higher growth in demand to increase utilization levels in fiscal 2019

Utilization rates to rise in fiscal 2019



Source: Crisil Research

Expected capacity additions

Player	Location	Capacity mn units	Investment	Commissioning
TVS	Mysore	0.6	Rs 3.5 billion	FY 19
Hero Motocorp	Chittor	1.8	Rs 16 billion	FY 19
Royal Enfield	Chennai	0.1	Rs 8 billion	FY 19
HMSI	Gujarat	1.8	Rs 6.3 billion	FY21

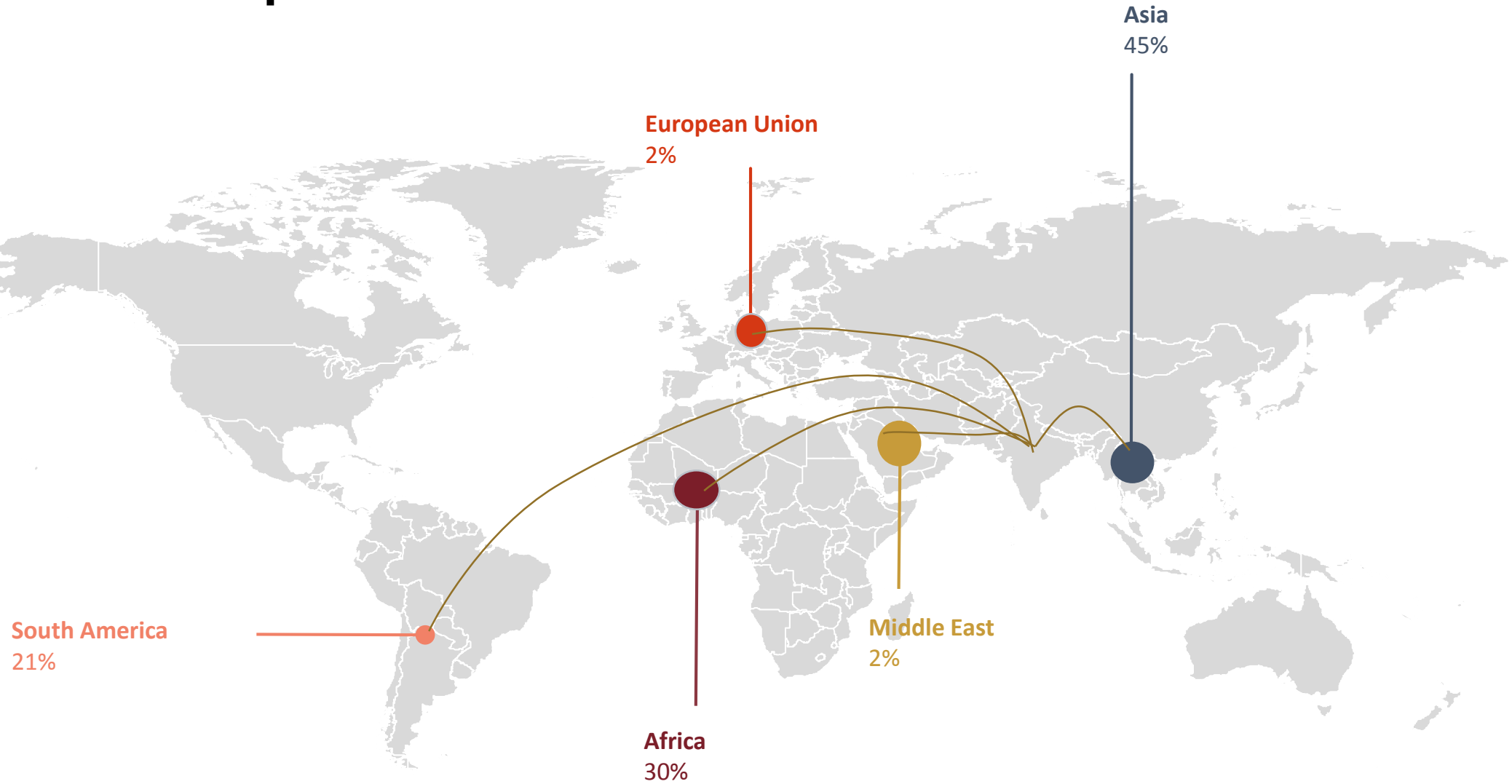
Source: Crisil Research

Improved demand to help boost utilization rates

Player	Effective Capacity estimate (as on 31st Mar 2018)	Production (2017-18)	Capacity utilization
Hero Motocorp Limited	9.2	7.6	83%
Bajaj Auto Limited	5.4	3.4	63%
HMSI	6.4	6.2	97%
TVS Motor Company Limited	3.9	3.3	85%
India Yamaha Motors Limited	1.6	1.0	65%
Suzuki Motors India Private Limited	1.1	0.6	55%
Royal Enfield Limited	0.8	0.8	101%
Piaggio Vehicles Private Limited	0.3	0.1	23%
Industry Total	29.7	23	78%

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

Two-Wheeler Exports



Note: Numbers represent CY2017 numbers

Source: UN Comtrade, , CRISIL Research

Research

Neighbouring countries gained importance in recent years

Top 10 export destinations for 2w industry

Share in India's Export		
Country	2012	2017
Bangladesh	9%	14%
Sri Lanka	9%	12%
Nigeria	22%	11%
Nepal	3%	9%
Colombia	17%	9%
Philippines	7%	8%
Kenya	2%	4%
Guinea	1%	3%
Uganda	3%	3%
Mexico	2%	3%

Source: UN Comtrade, , CRISIL Research

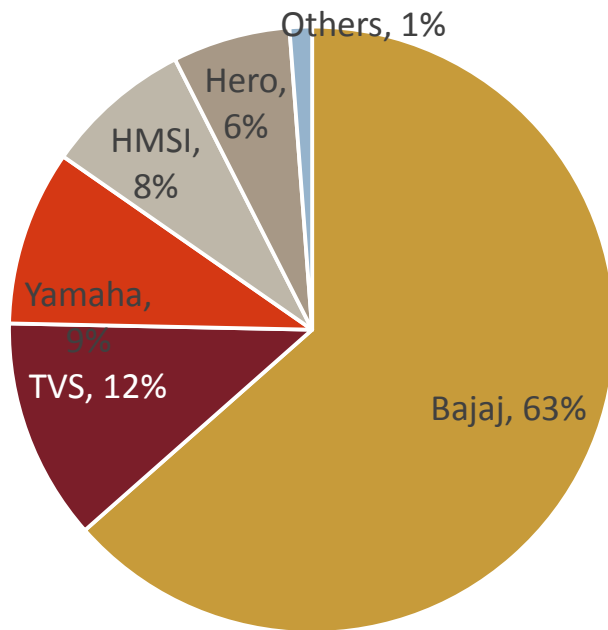
- Crude oil price drop impacted major African economies like Nigeria limiting the demand for Indian two wheelers
- Share of exports to Asian countries has increased significantly in the last 5 years
- Bangladesh is currently under Euro 2 equivalent norms; From July 2019, implementation of Euro 3 norms has been proposed
- Lenient emission norms in these countries is also supporting the exports to these countries

Share in India's Export

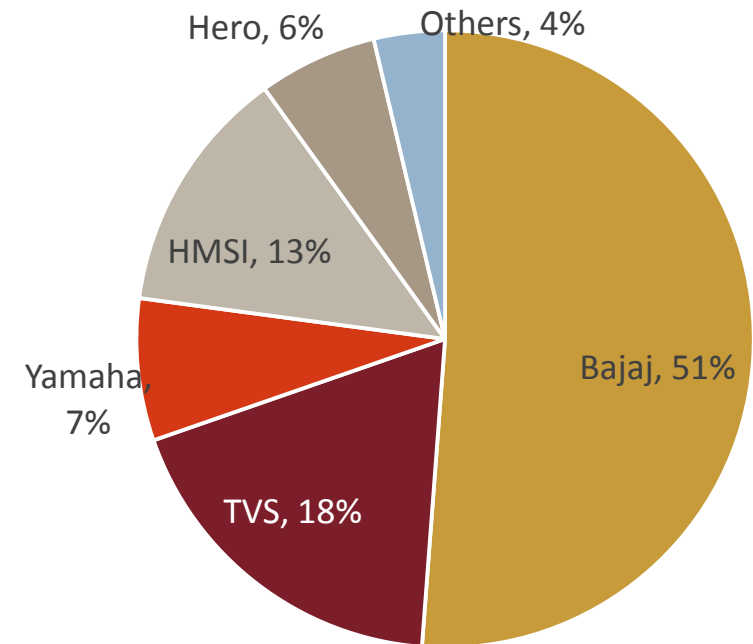
	2012	2017
USA	0.05%	0.3%
Europe	0.8%	1.9%

HMSI / TVS expand their share, but Bajaj maintains its clear lead

Bajaj dominates the export segment



FY14



FY19

Note: Others include Enfield, Suzuki, Piaggio, Harley etc
Source: SIAM, CRISIL Research

Cars and UV

Fuel prices have turned adverse as compared to last year

Parameters	Impact			
	2016-17	2017-18	2018-19 P	2019-20 P
Demand side variables				
-- Real GDP growth	7.1%	6.7%	7.2%	7-7.5%
-- CPI growth (%)	4.5	3.6	3.7	4.5
-- Crop Value index	F	N	N	F*
-- Car Price growth	4%	5%	6%	4%
Cost of ownership				
-- Petrol Prices	Rs 70.2 / liter	Rs 77.0/ liter	Rs 85-87/ liter	Rs 79-80 / liter
-- Diesel Prices	Rs 57.6 / liter	Rs 61.7/ liter	Rs 74-76/ liter	Rs 68-70/ liter
-- Car finance rates	NF	F	NF	F
Supply side variables & financing				
-- Finance Penetration	75.4%	76.6%	76-78%	77-79%
-- Model launches	F	N	N	F
-- Regulations/taxes	NF	F	NF	N
-- Capacity expansion/constraints	NF	NF	N	N

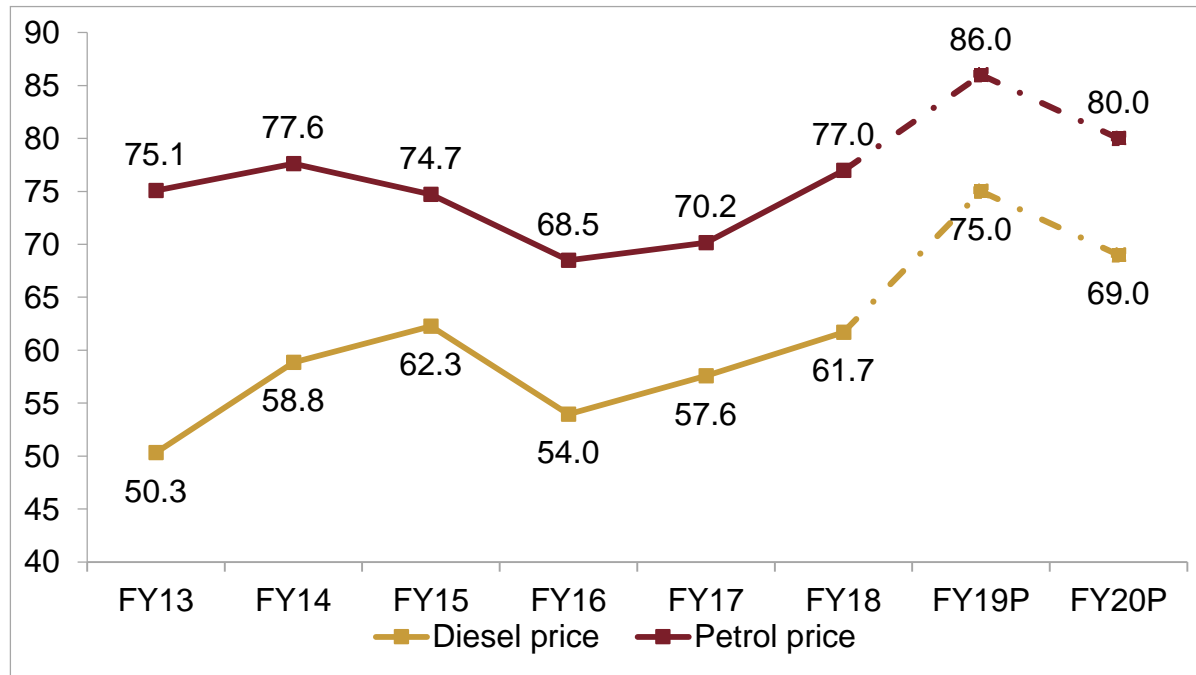
NOTE : CPI index base 2000-01 ; Fiscal 2020 crop value index assumed favorable assuming normal monsoon

F: Favorable, N:Neutral, NF: Non-Favorable

Source: CRISIL Research

Reduction in fuel prices to decrease the ownership cost, contribution from model launches to be average in fiscal 2019

Fuel prices significantly higher than past 5 year average



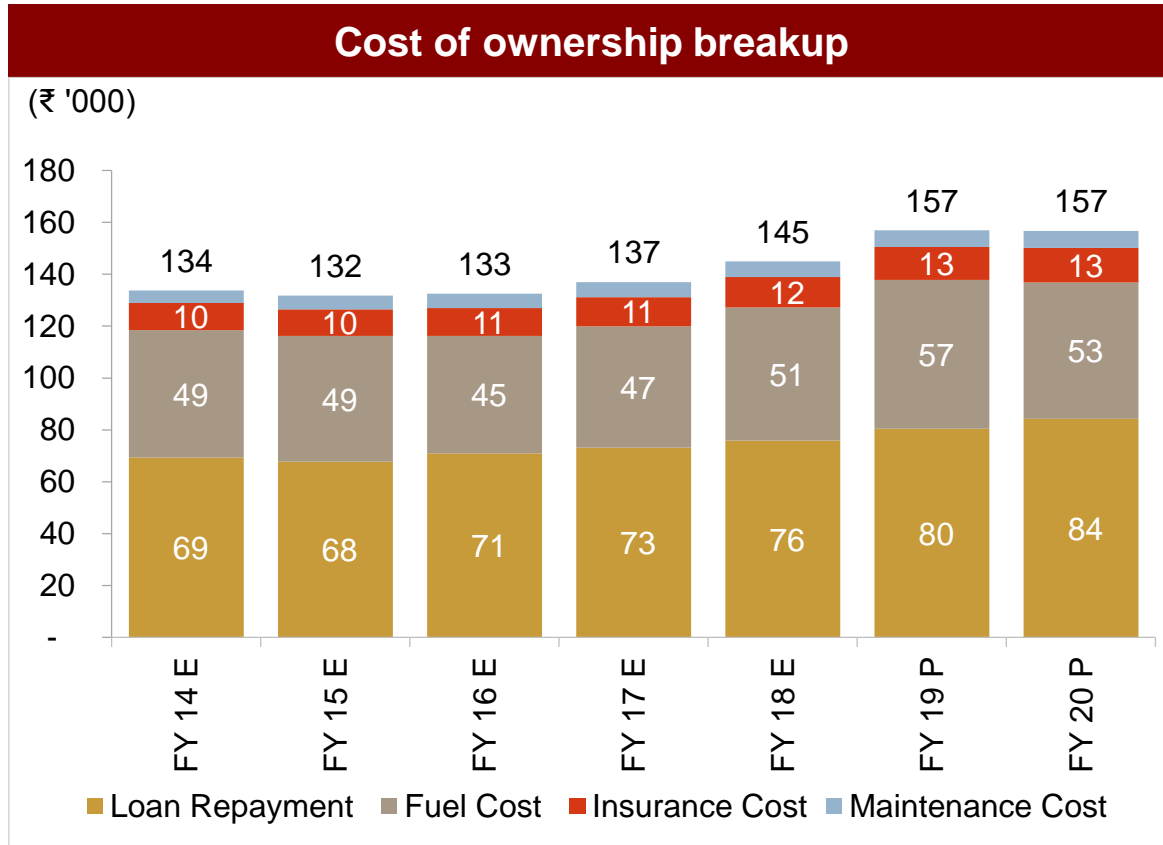
Source: Crisil Research

Major Upcoming Launches and their contribution

Year	Month	Company	Model	Segment	Impact	
2018	December	Tata	Q501	UV	Low	
2019	January	Tata	Harrier	UV	Medium	
2019		Mahindra	TUV 300	UV	Low	
2019		Toyota	Camry 2019	Large Cars	Low	
2019		Maruti	New Wagonr	Small Cars	Medium	
2019		Ford	Endeavour 2019	UV	Low	
2019		Nissan	Kicks	UV	Low	
2019		Ford	Figo Facelift	Small Cars	Medium	
2019		February	Audi	Q8	UV	Low
2019			Jeep	Cherokee	UV	Low
2019			Honda	Civic	Large Cars	Low
2019	March	Nissan	Leaf	Small Cars	Low	
2019		Mahindra	Inferno	UV	Low	
2019	April	Jeep	Wrangler	UV	Low	
2019		Mahindra	EKUV 100	UV	Low	
2019		Audi	A6 2019	Large Cars	Low	

Source: SIAM, CRISIL Research

New motor rules hike insurance cost of a new car substantially



Note: Above numbers represent annual expenditure (cost of ownership) for an entry level petrol car

Source: CRISIL Research

Vehicles with less than 1000cc engine			
	Purchased before Sept 1, 2018	Purchased after Sept 1, 2018	
	1 year TP + 1 year PA	3 year TP+ 3 year PA	3 year TP+1 year PA
TP premium	1850	5550	5550
PAC	100	2250	750
Total premium + taxes	2301	9204	7434

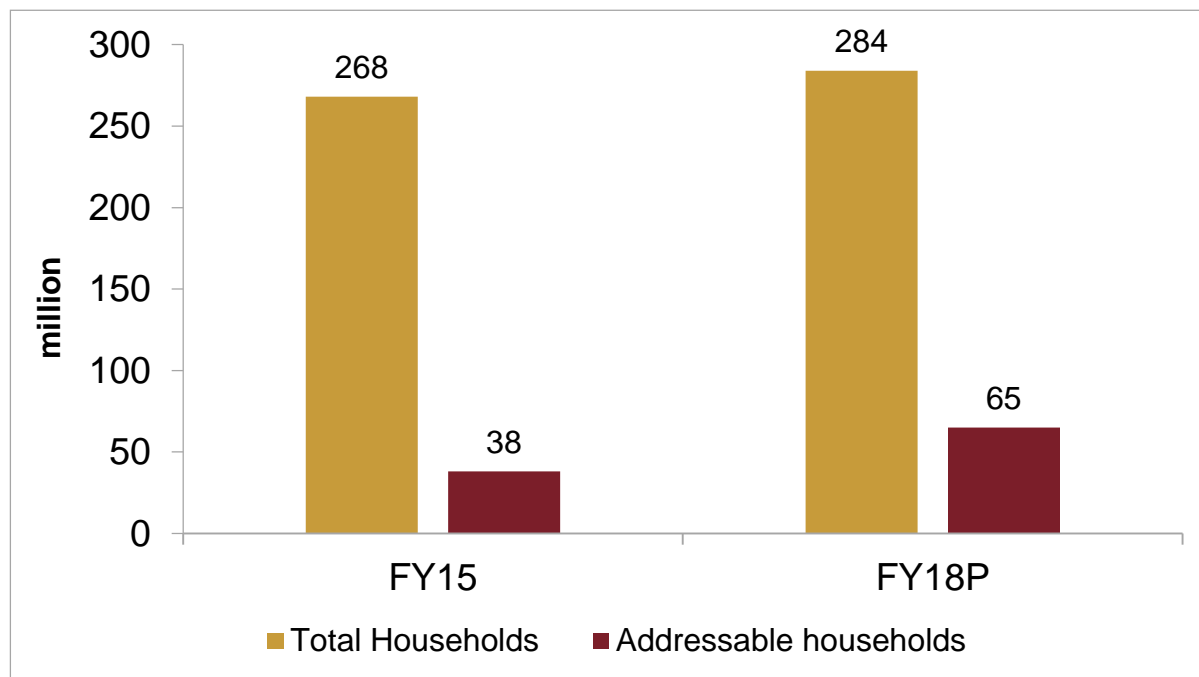
Vehicles with greater than 1000cc but less than 1500 cc engine			
	Purchased before Sept 1, 2018	Purchased after Sept 1, 2018	
	1 year TP + 1 year PA	3 year TP+ 3 year PA	3 year TP+1 year PA
TP premium	2863	8589	8589
PAC	100	2250	750
Total premium + taxes	3496	12790	11020

Vehicles with greater than 1500 cc engine			
	Purchased before Sept 1, 2018	Purchased after Sept 1, 2018	
	1 year TP + 1 year PA	3 year TP+ 3 year PA	3 year TP+1 year PA
TP premium	7890	23670	23670
PAC	100	2250	750
Total premium + taxes	9428	30586	28816

NOTE: TP-Third Party Premium, PAC – Personal Accident Cover

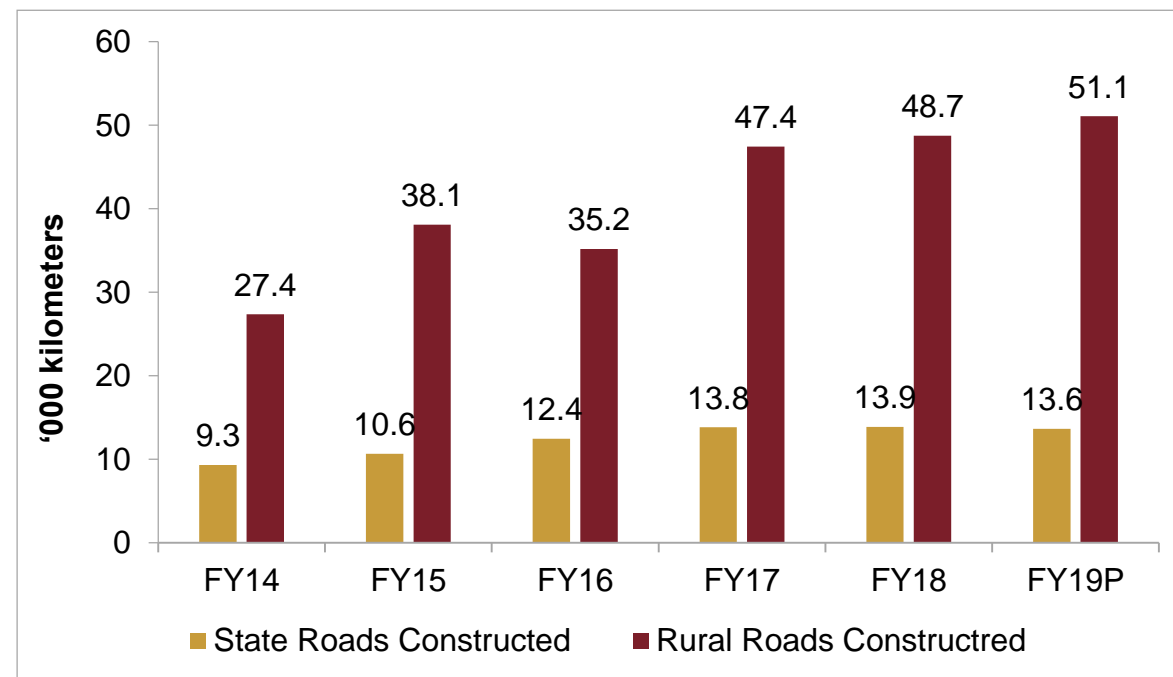
Better income prospects, subdued cost of ownership and fast paced road development to help clock better demand

Expansion in Addressable market at faster pace



Source: Crisil Research

Construction of rural roads to stay strong over short-term

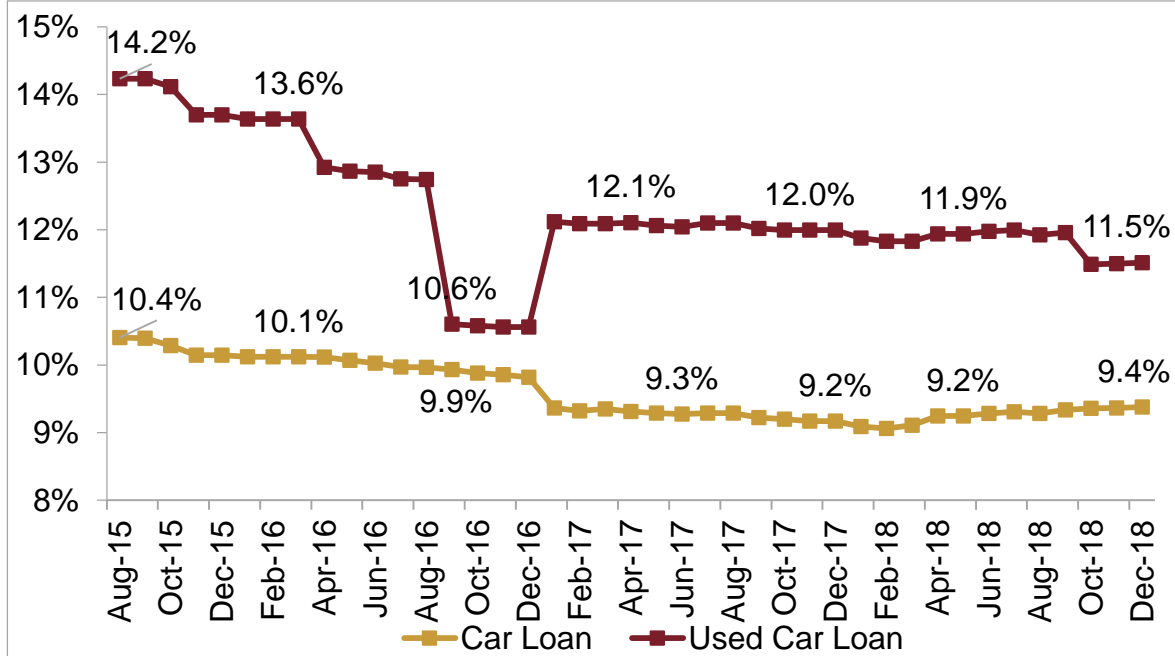


Source: NHA, Crisil Research, P : Projected.

- Increasing urbanization, expanding working population and availability of finance to aid growth in sales
- PMGSY total investments are expected to be Rs. 1.8 trillion from fiscals 2018 to 2022 as the central government aims to achieve targets three years ahead of schedule

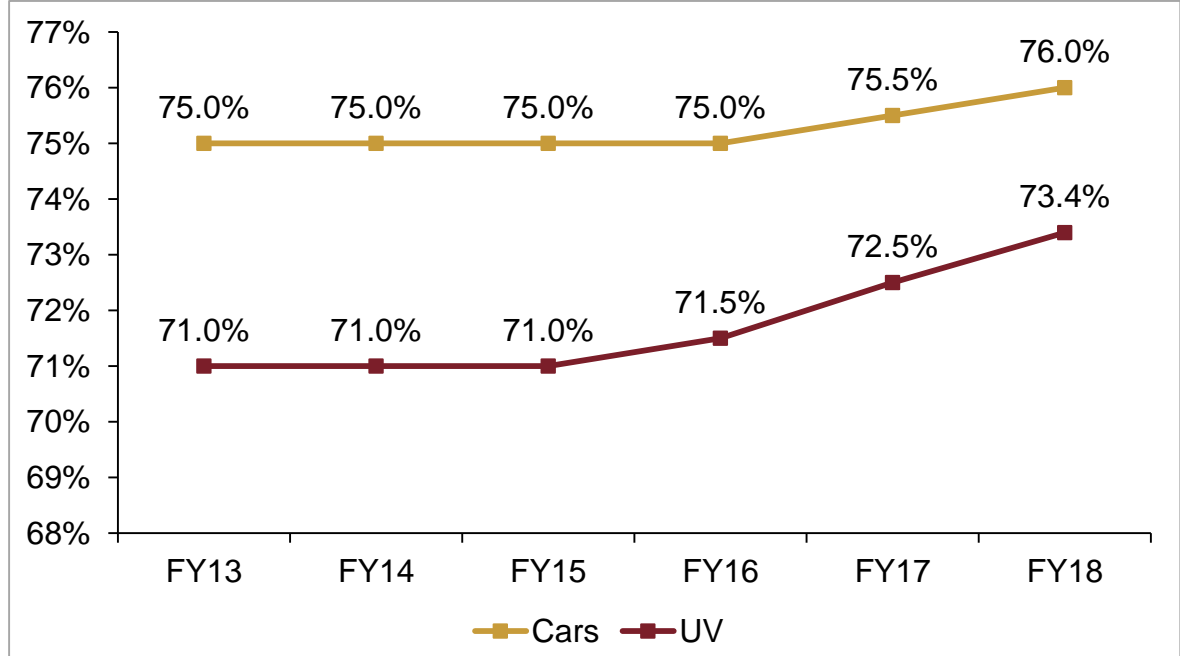
Improving affordability to boost long term passenger vehicles' demand

Interest Rates for PV



Source: Crisil Research

Loan-to-Value for PV

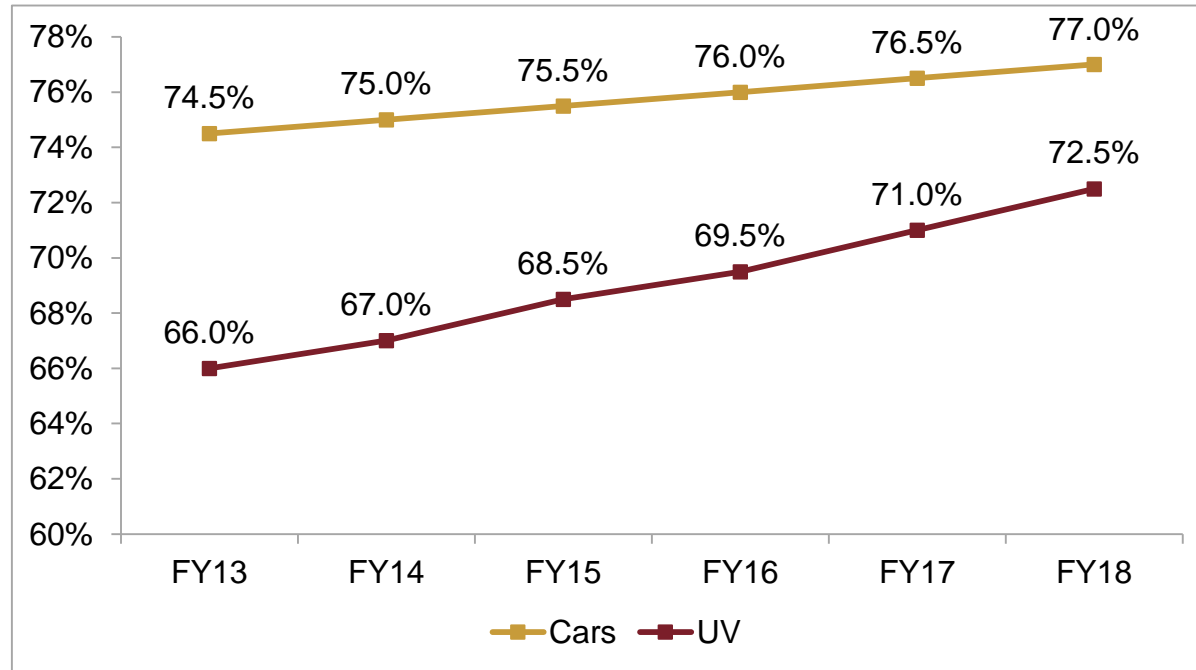


Source: Crisil Research

- Penetration of auto finance in the top 20 cities is higher at nearly 80% vis-à-vis about 65% in other cities.
- Banks have increased their focus on the retail segments and they have also started waving off processing fee and pre-payment charges.
- Average LTV across the top 20 cities is higher at 75-80%, owing to the better credit profile of buyers.

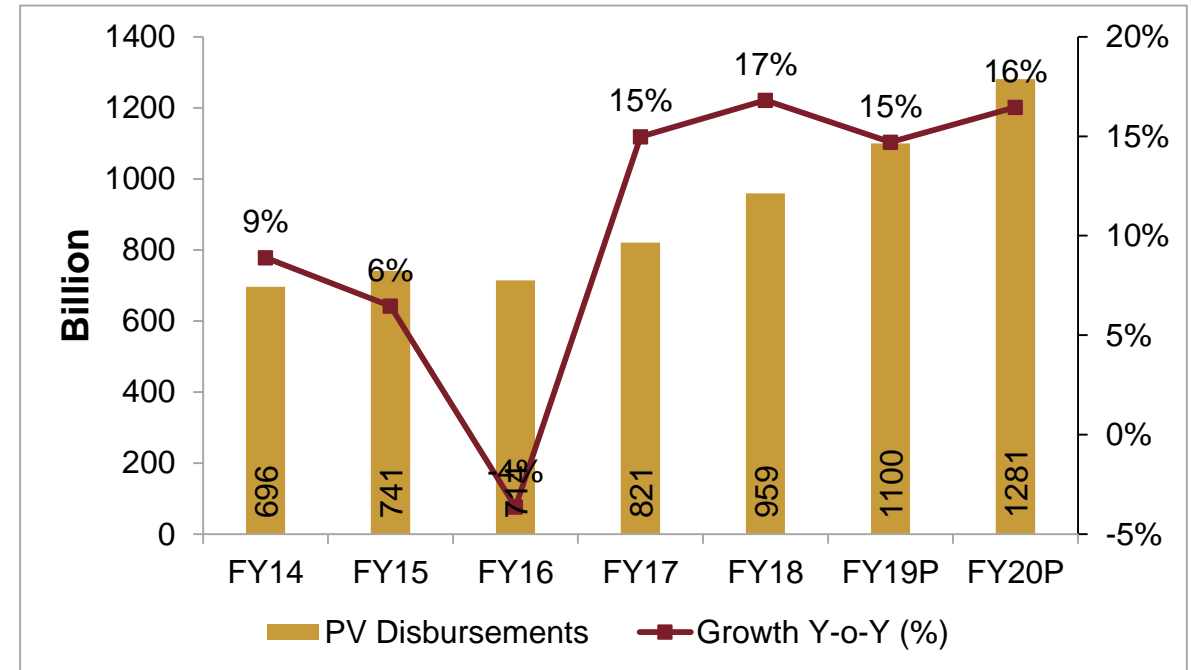
Disbursement towards UVs to continue to drive PV disbursement

Auto Finance Penetration



Source: Crisil Research

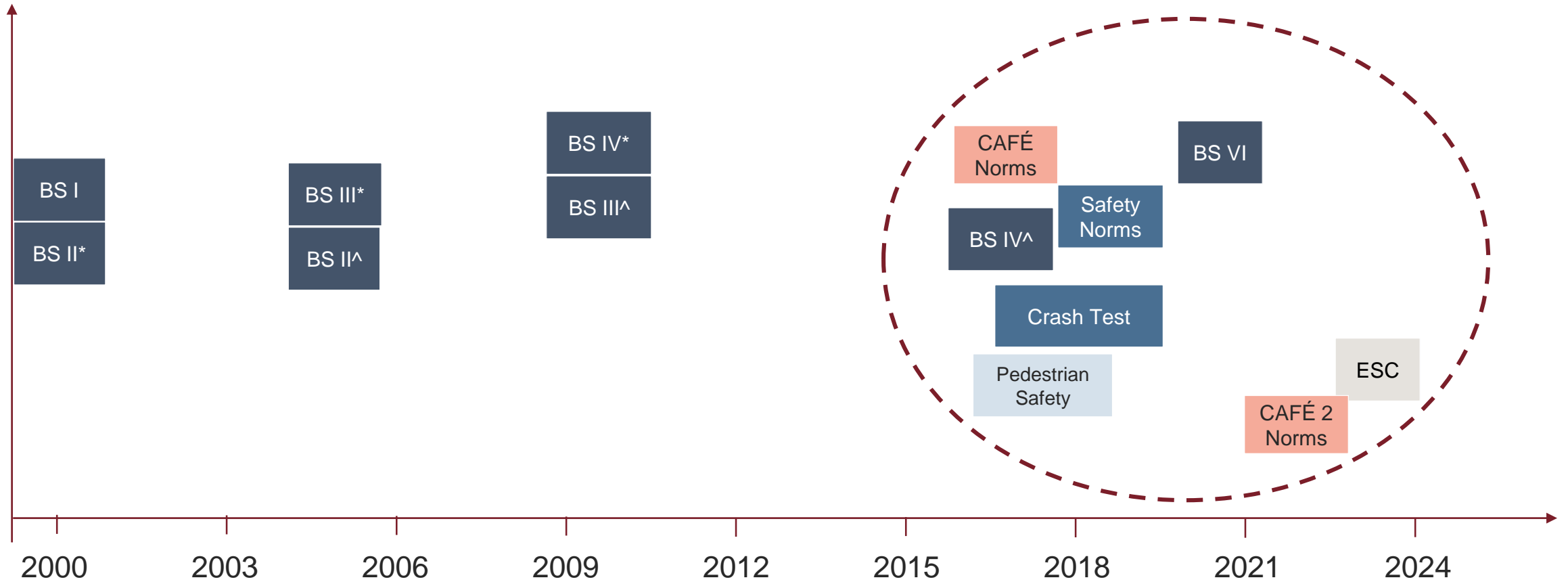
PV Disbursements



Source: SIAM, Crisil Research

- Loan disbursement for passenger vehicles (PVs) grew ~17% in fiscal 2018 mainly supported by a ~30% disbursement growth in the utility vehicle (UV) segment. The disbursement growth in the car segment was low at ~8%.
- The disbursement is expected to grow at a CAGR of 16% over next two years and is expected to reach ~Rs.1,282 billion by fiscal 2020.

Regulations shaping Passenger vehicle industry in India



*- Introduction of norm in NCR and 13 cities

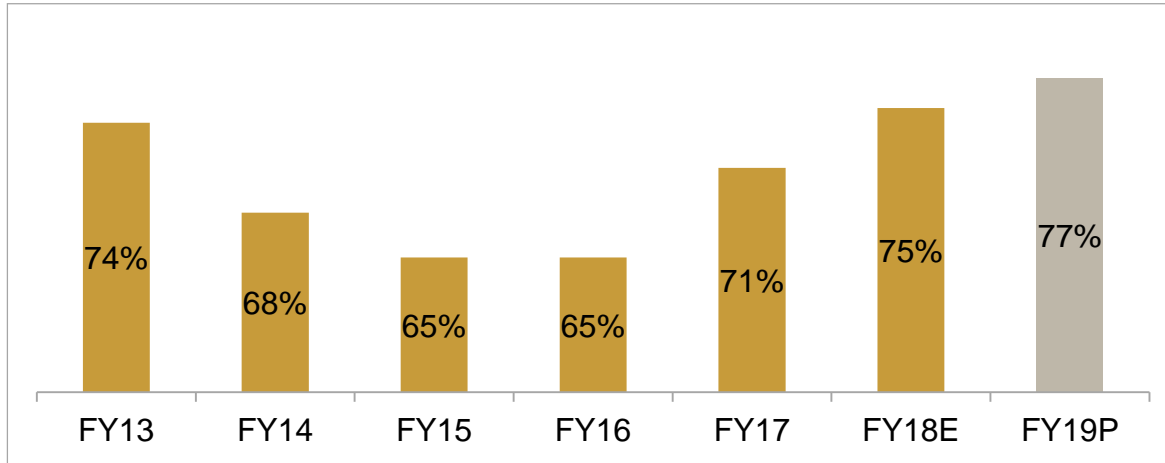
^ Nationwide implementation

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

Source: Crisil Research

Higher growth in demand to increase utilization levels in fiscal 2019

Utilization levels on a rising trend



Source: Crisil Research

Planned Capacities Addition

Player	Location	Capacity mn units	Investment	Commissioning
Kia Motors	Anantpur AP	0.3	Rs 65 billion	FY 19
Hyundai	Sriperumbudur	0.50	Not disclosed	FY 19
Maruti Suzuki	Mehsana Gujarat	0.25	Rs 85 billion	FY 20
PSA	Tiruvallur , TN	0.1	Rs 7 billion	FY20

Note: Honda Cars acquired a 380 acre plot in Vithalpur, Gujarat in 2017

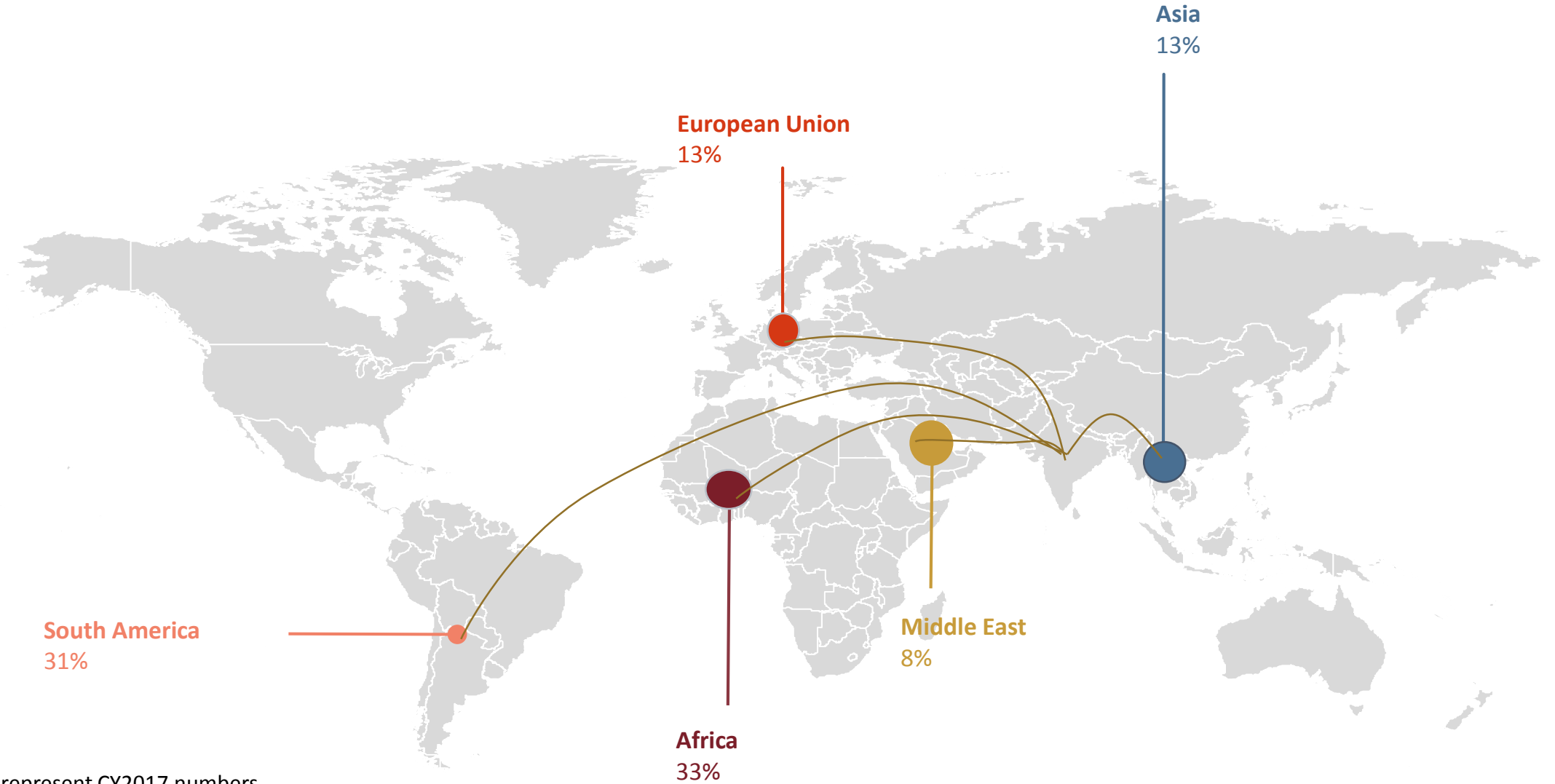
Top players running on optimum capacity

Player	Effective Capacity estimate (as on 31st Mar 2018)	Production (2017-18)	Capacity utilization
Maruti	1700	1767	104%
Hyundai	713	691	97%
Tata Motors	564	192	34%
Ford India	440	281	64%
Renault-Nissan	480	252	53%
General Motors	165	85	52%
Toyota	310	155	50%
Honda	300	168	56%
Volkswagen	200	136	68%
Industry Total	4933	3721	75%

Note : Maruti Suzuki plants are working in double shifts resulting in more than 100% utilization rates
Source: CRISIL Research

- Tata Motors, Mahindra, Maruti, Hyundai and Honda to continue to invest Rs ~70 billion in fiscal 2019 for product development as well as increasing capacity
- New players such as PSA Peugeot, Kia Motors and MG Motor to invest Rs ~100 billion in fiscal 2019 to setup production & dealer networks in India and product development
- JSW energy has invested Rs 30 billion to foray into electric vehicles, energy storage systems and charging infrastructure

Passenger Vehicle Exports



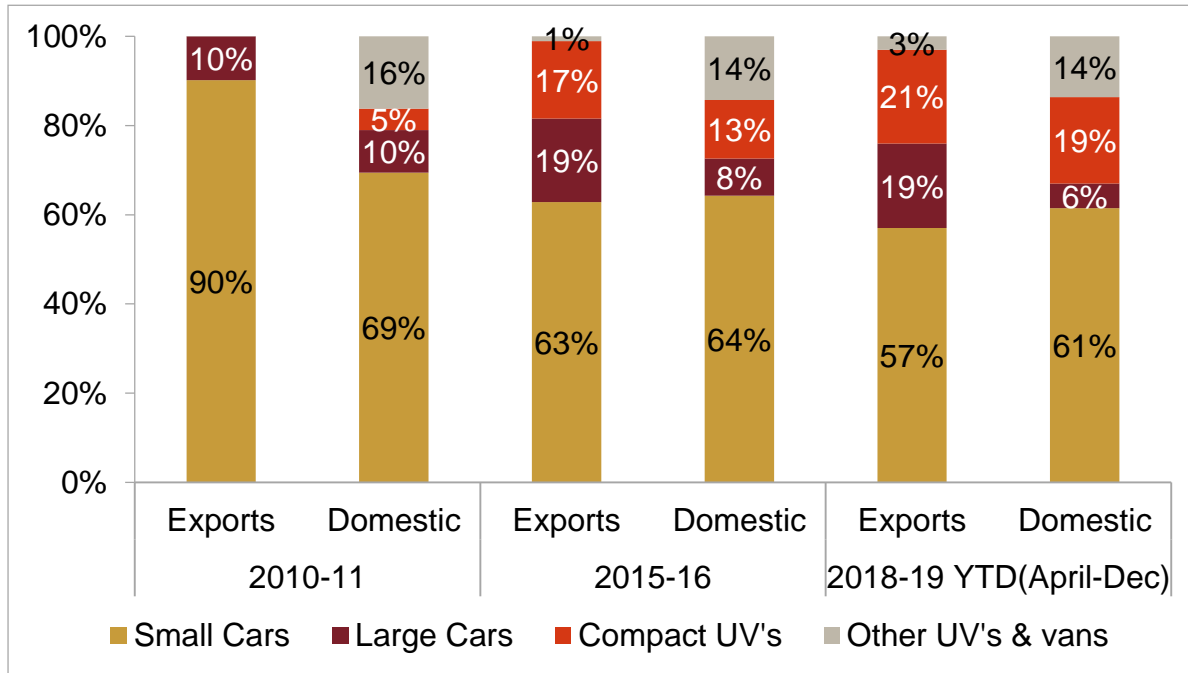
Note: Numbers represent CY2017 numbers

The remaining 2 % is contributed by other regions, with each contributing a very small share

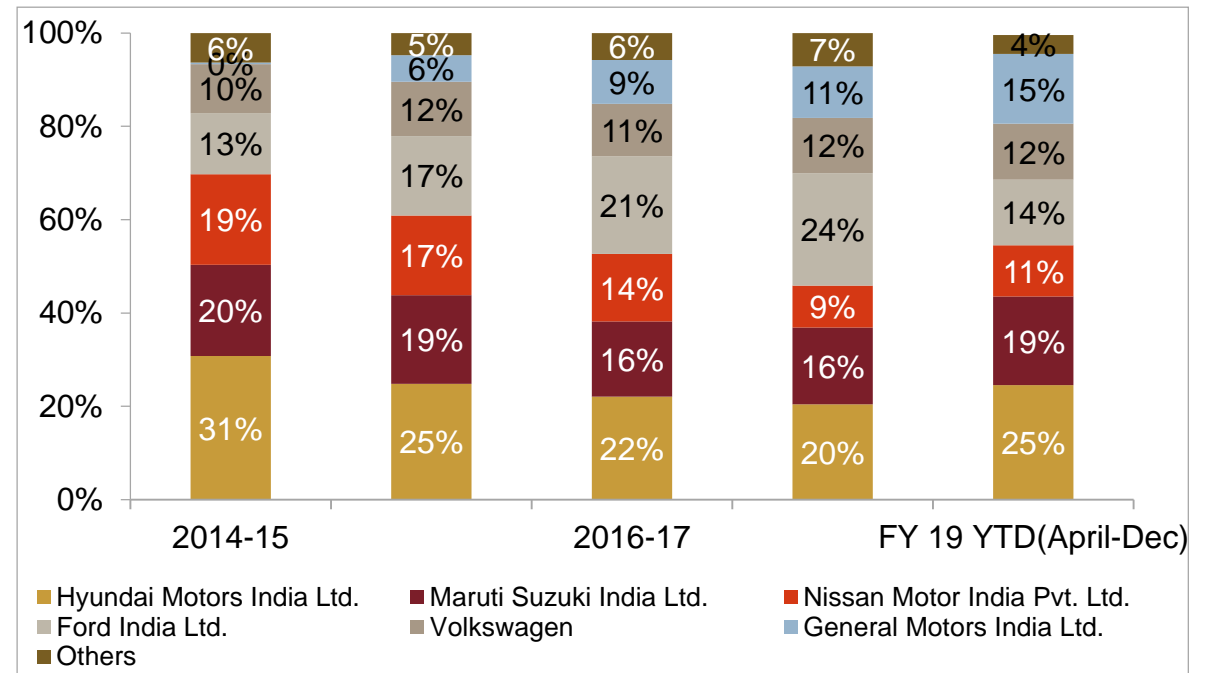
Source: UN Comtrade, CRISIL Research

Exports to continue declining in fiscal 2019, recover marginally in fiscal 2020

Share Of Compact UV's in exports on the rise



Top 2 domestic players gaining share in India's exports



Source: SIAM, CRISIL Research

- Share of Small Cars in the overall export portfolio has seen a decline over the last 7 years with share of Compact UV's seeing a sharp rise.
- Maruti and Hyundai which account for about 68% of India's domestic sales account for 41% of India's exports in fiscal 19 till date
- Compact UV exports have grown at a whopping 44% CAGR over last 4 years(fiscal 2014 to fiscal 2018)
- Small cars exports saw a meagre 3% CAGR growth while Large cars exports saw a 25.5% CAGR growth(over a low base) over the last 6 years

Commercial Vehicles

Demand to remain robust across CV segments

Variables (common factors across Commercial vehicles)	FY 2018	FY 2019E	FY 2020P
Diesel prices	N	NF	N
Regulatory (BSIV to BSVI)	N	N	F
Availability and cost of finance	F	NF	F

Variables	2017-18	2018-19 E	2019-20 P
Freight demand (LCV) – PFCE	N	N	N
Replacement demand	F	F	F
Overall sales growth (SCVs)	F	F	F

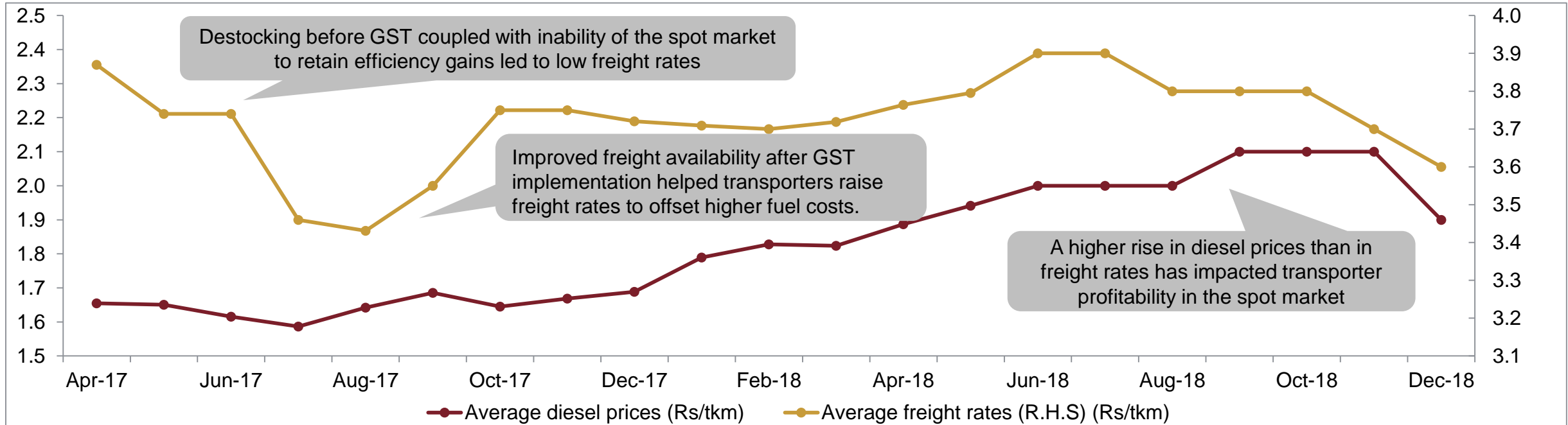
Variables	2017-18	2018-19 E	2019-20 P
Freight demand	F	N	F
Industrial GDP	N	F	F
Replacement demand	F	N	N
NHAI Road Execution	F	F	F
Impact of Axle load norms	----	NF	N
Overall sales growth (>3.5T)	F	F	F

NF: Not favorable, F: Favorable; N: Neutral

Source: CRISIL Research

Freight rates on an downward trend due to falling diesel price

Lowering diesel prices expected to aid transporters profitability



Note: Represent freight rate for a MCV truck, Diesel price per tkm is representative for a 10T payload with and fuel efficiency 3.5 kmpl

Source: Business Standard, PTI, CRISIL Research

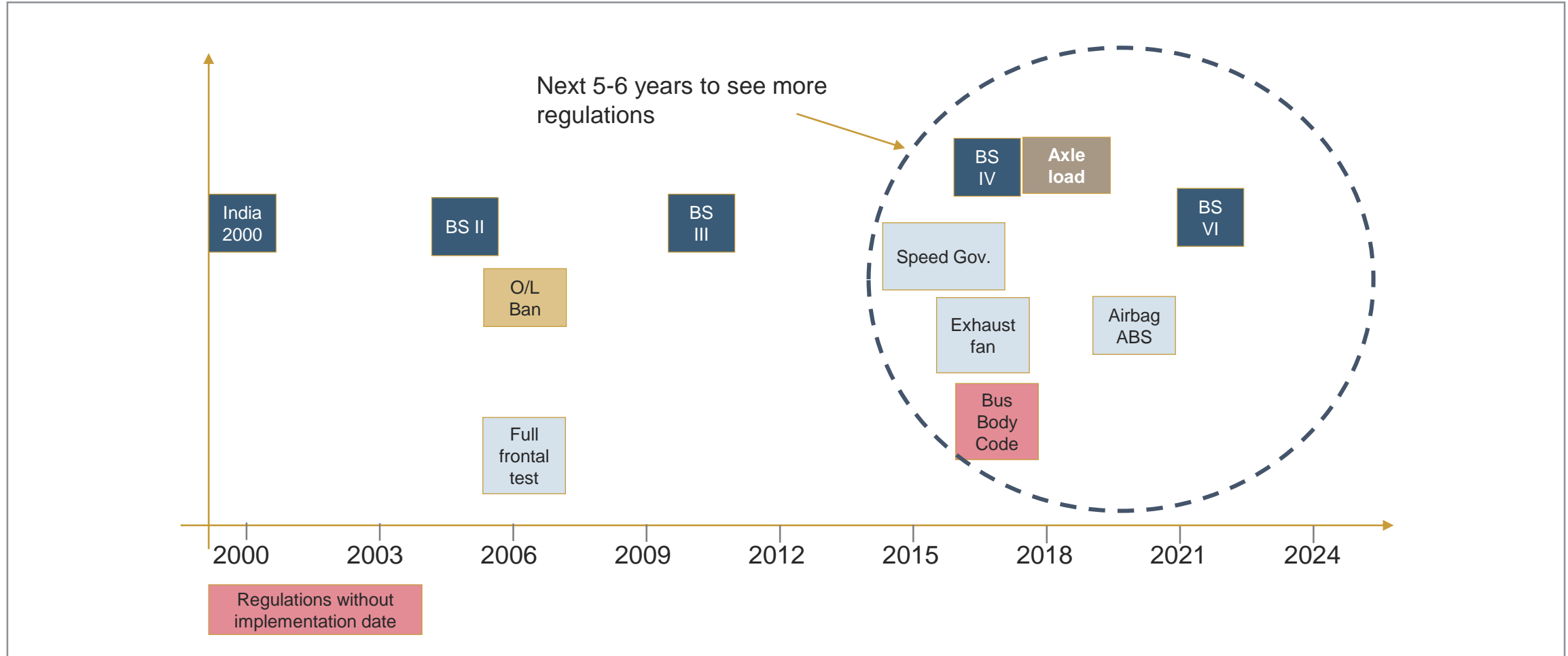
- Falling diesel price and rationalization of freight rates on account of new axle load norms resulted in lower freight rates during November and December
- LFOs who have contractual freight rates are expected to have passed on the higher fuel prices, although, not completely
- Small fleet operators, who work on spot freight rates, have been impacted due to their inability to pass higher input costs because of their reduced competitiveness.

Overview of end-use segments - Cargo

Segments (% Growth Y-o-Y)	FY 14	FY 15	FY 16	FY 17	FY 18	FY 19E	FY 20P
Coal (Production)	2	9	5	3	3	7-9	6-8
Iron ore (Production)	12.1	(15.4)	20.9	23.1	9.4	6-8	4-6
Steel (Consumption)	0.8	3.9	5.8	3.1	8.0	7-9	6-8
Cement (Consumption)	3.4	4.9	4.7	1.9	9.1	9-11	5-7
Roads (Construction)	(34.4)	(3.2)	40.1	19	17.0	21-23	14-16
Consumer durables (Consumption)	0.3	7.9	5.5	5.3	5.8	8-9	8-9
E-commerce	46	71	68	22	35	35-37	34-36

Source: CRISIL Research

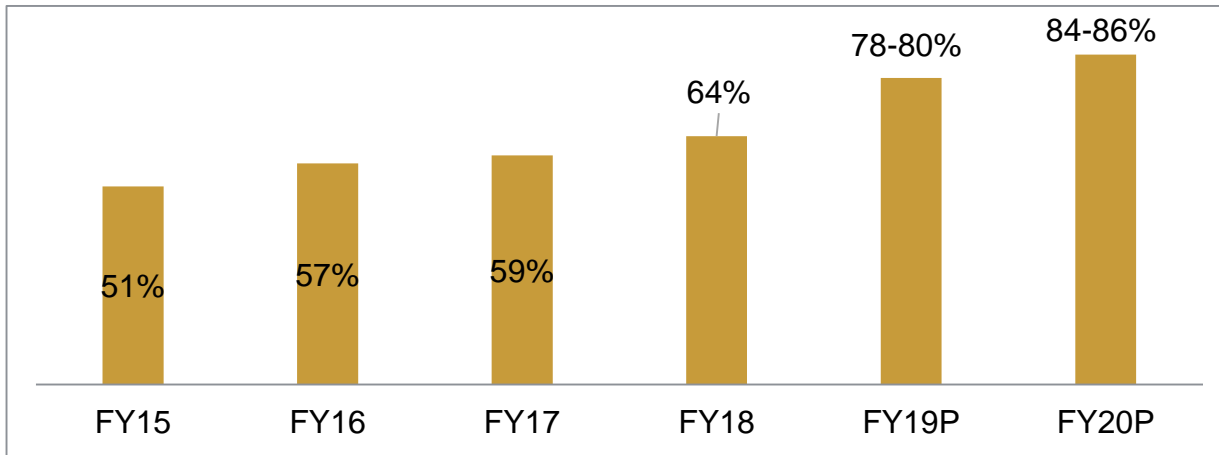
Regulations shaping commercial vehicle industry in India



Source: CRISIL Research

Higher capacity utilization to help improve margins

Utilization levels on a rising trend



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	Near Completion
Ashok Leyland Ltd.	Krishna, AP	4.8	Rs 1.7 billion	Under implementation
Ashok Leyland Ltd.	Alwar, Rajasthan	1	Rs 2 billion	Near Completion
Goldstone Infratech Ltd.	Bidar, Karnataka	1.5	Rs 6 billion	Under implementation
JBM Auto Ltd	Mathura, UP	1.5	Rs 3 billion	Near Completion

Source: Crisil Research

Top players running on optimum capacity

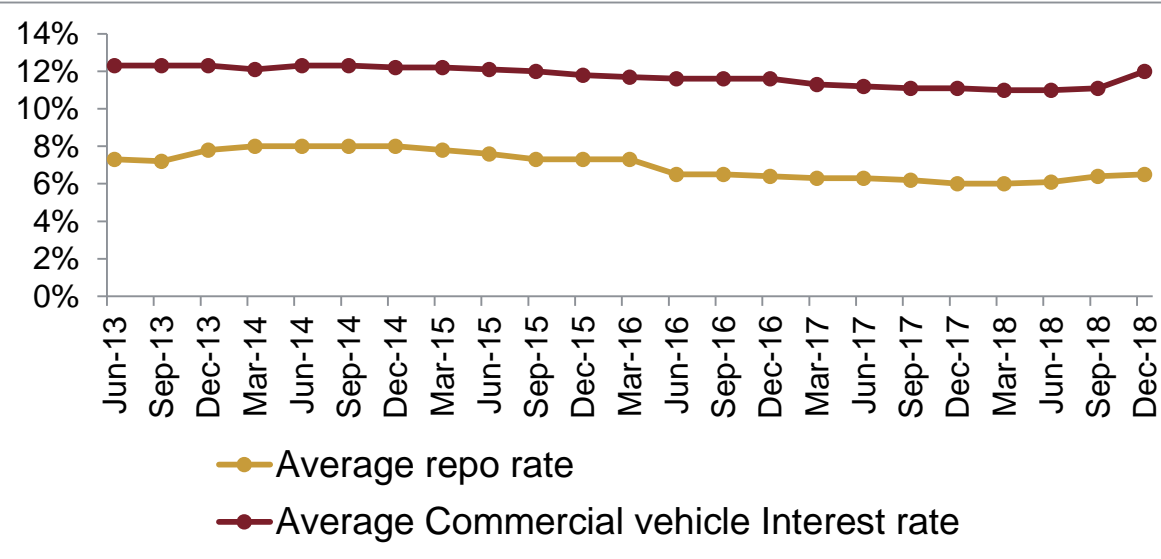
Player	Effective Capacity estimate (as on 31st Mar 2018)	Production (2017-18)	Capacity utilization
Ashok Leyland	185000	165338	89%
Eicher Motors	68700	64912	94%
Tata Motors	762000	377118	49%
Mahindra & Mahindra	292000	233546	80%

Source: Crisil Research

- Higher sales amid marginally higher capacity additions is expected aid capacity utilization levels driving margins in fiscal 2019 and 2020.
- The capacity utilisation of the top four players - Tata Motors (standalone), Ashok Leyland, Eicher, and Mahindra & Mahindra - which was at ~64% in fiscal 2018, is projected to rise to ~79% in fiscal 2019 and rise further to ~85% in fiscal 2020.
- OEMs have already incurred capital expenditure for BS VI transition and with an expectation of lowering of demand sentiments from FY21 (owing to increase in price of vehicles) OEMs are expected to go slow for any capacity expansion, despite high capacity utilization levels.

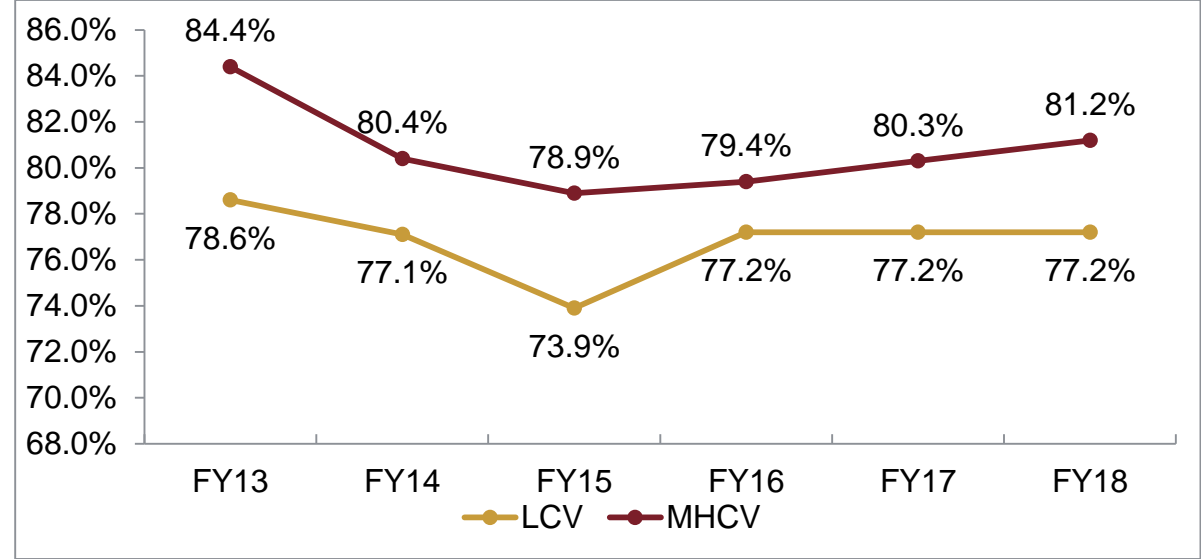
CV financing to remain key monitrable as repo rate expands

CV interest rates and repo rates



Source: CRISIL Research

Loan-to-Value for CV

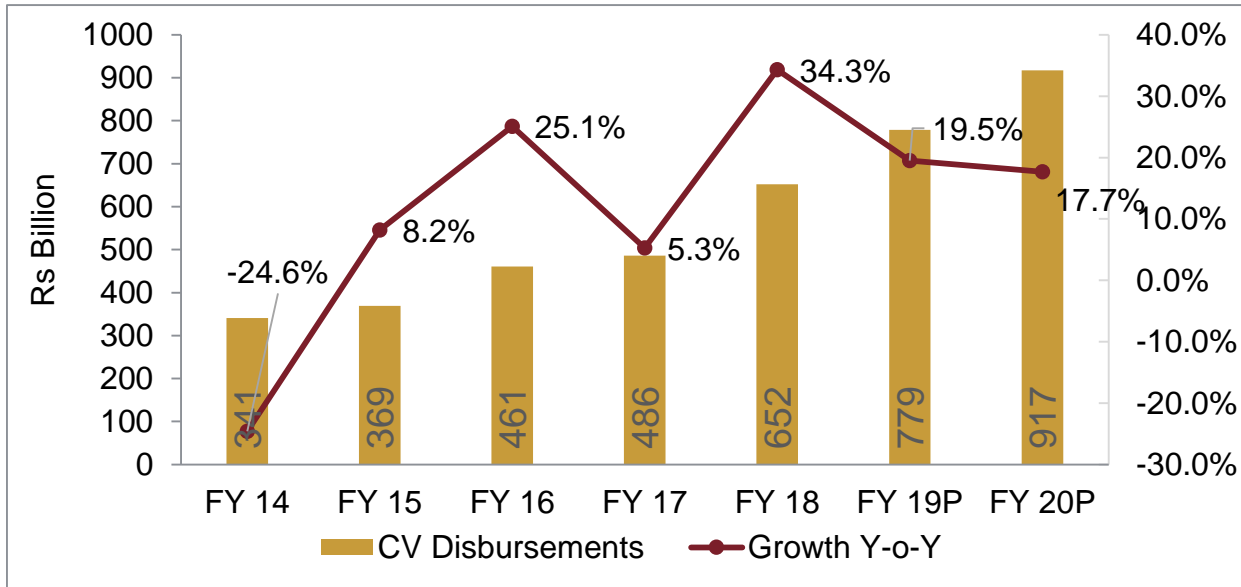


Source: SIAM, Crisil Research

- Increase in CV interest rates in line with repo rate may create pressure on transporter profitability which can further result into increased NPAs
- With the economy improving this fiscal, the asset quality in the CV loan portfolio is also likely to improve, prompting financiers to offer higher LTV.
- LTV in the MHCV segment is expected to improve 2-3% over the next 5 years, on account of increasing competition and rising penetration of credit bureau data
- The average LTV in the top 20 cities is higher than in other regions owing to a larger proportion of MHCV sales. MHCV buyers are primarily large fleet operators who have a stronger credit profile than LCV buyers.

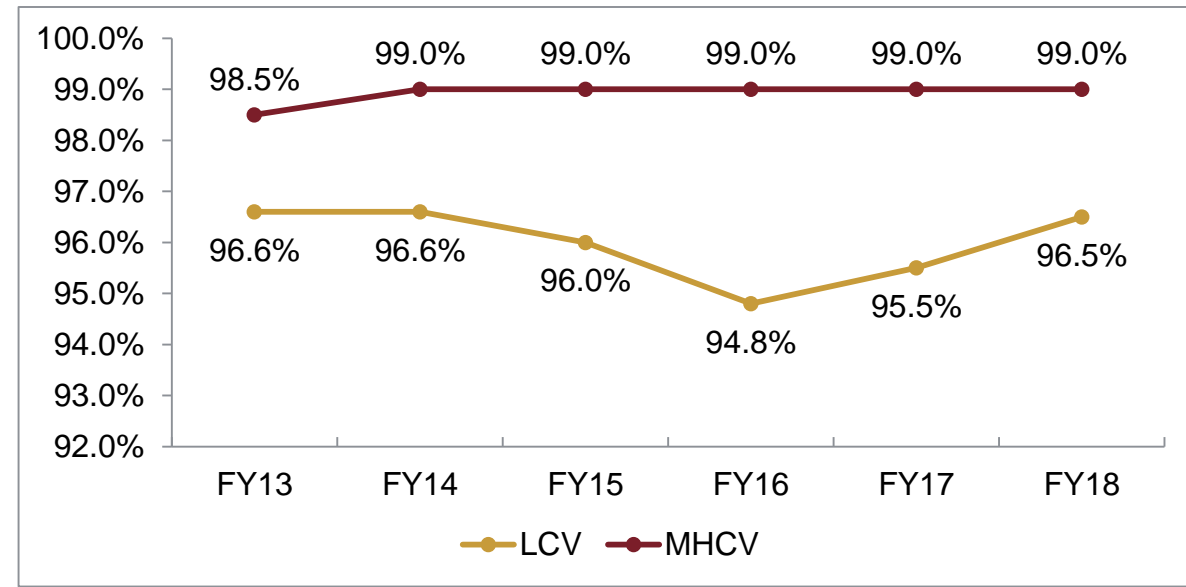
CV loan disbursements to log robust growth in medium and long term

CV Disbursements



Source: Crisil Research

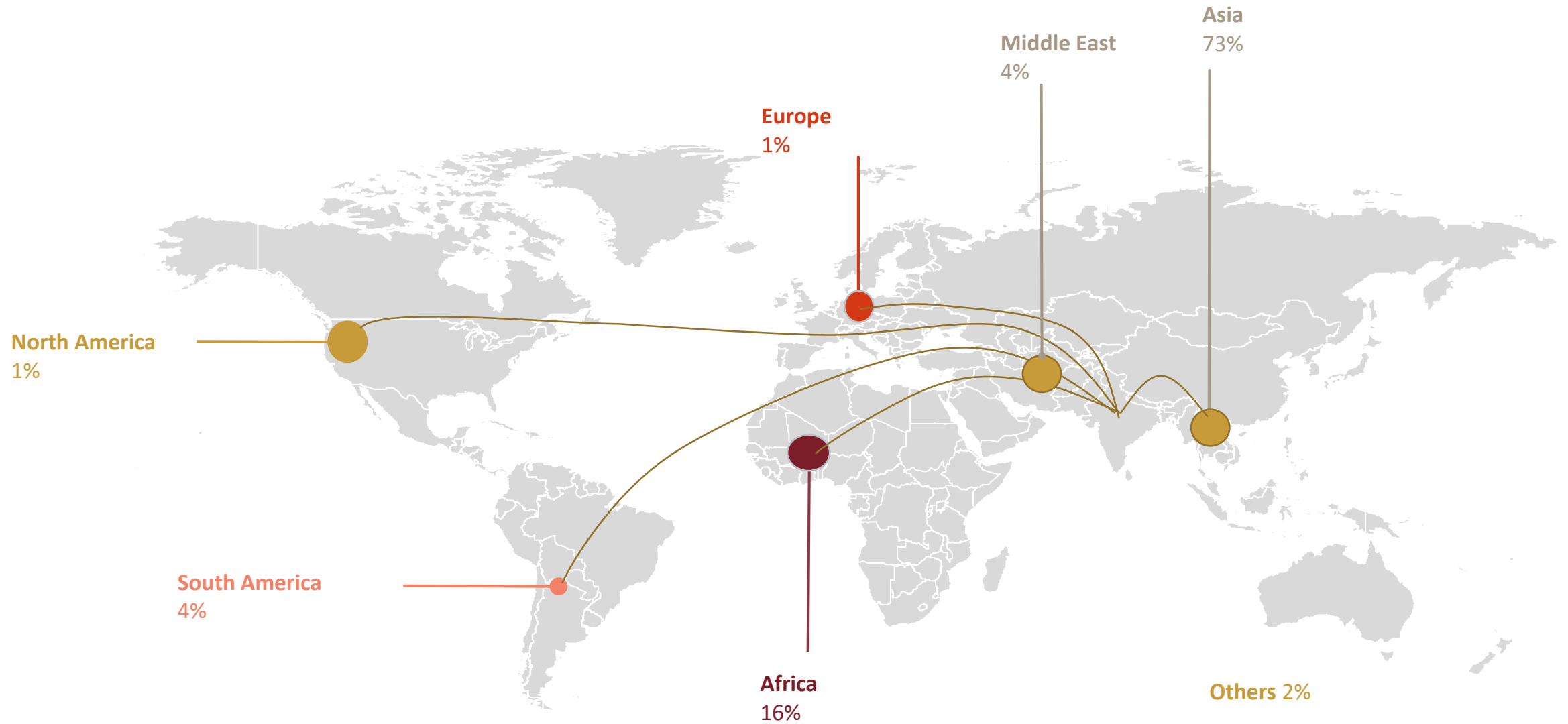
CV Finance Penetration



Source: Crisil Research

- Commercial vehicles (CV) loan disbursements grew at a compounded annual growth rate (CAGR) of 8% between fiscals 2013 and 2018
- MHCVs have marginally higher finance penetration compared with LCVs, owing to the higher vehicle price and the better credit profile of customers.
- Improvement in finance penetration in LCVs and improvement in the loan-to-value (LTV) offered on MHCVs supported CV disbursement growth in fiscal 2018.
- Finance penetration in the LCV segment is also expected to increase 1-2% in the next 5 years with expanding network of banks/NBFCs branches

Commercial vehicles exports



Source: UN Comtrade, CRISIL Research

Tractors

Positive agriculture, commercial & finance scenario support to help growth

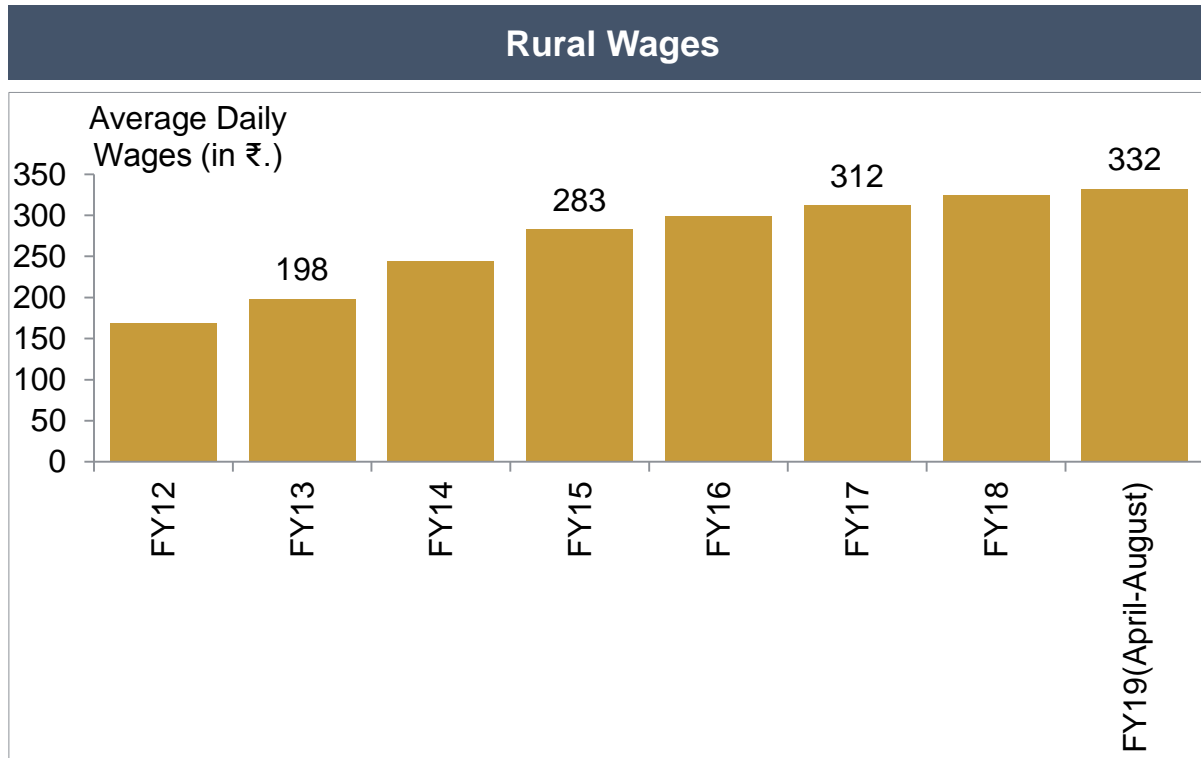
Parameters	Impact			
	2016-17	2017-18	2018-19 E	2019-20 P
Farm Income**	F	F	F	F
-- Crop Prices	N	F	F	F
-- Crop Output	F	F	F	F
-- Kharif Output	F	N	F	F
-- Rabi Output	N	F	F	F
Demand Indicators	F	F	F	F
-- Infrastructure Development	F	F	F	F
-- Sand Mining	F	N	F	F
Supply side variables & financing	N	F	N	F
-- Finance Availability	N	F	N	F
-- Channel Inventory	N	N	N	N
-- Player Action	N	N	N	N

NOTE : ** Fiscal 2020 assumed favorable assuming normal monsoon

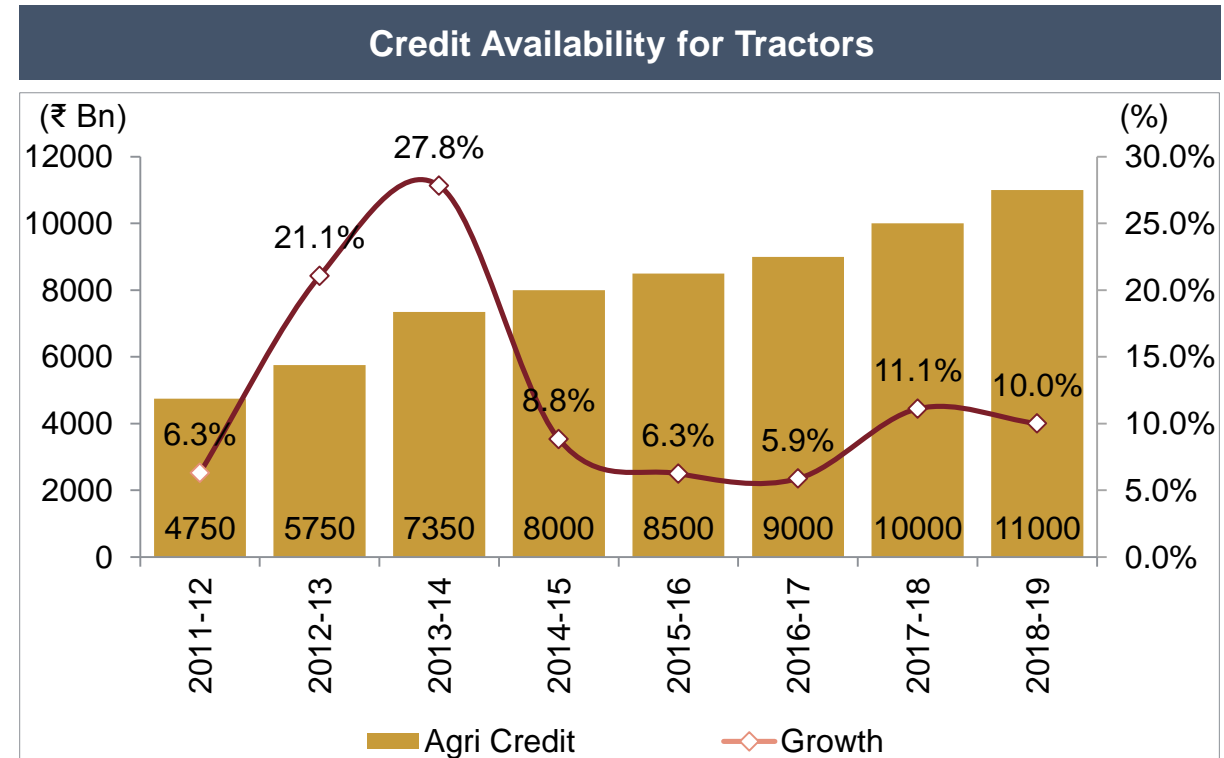
Source: CRISIL Research

NF: Not favorable, F: Favorable; N: Neutral

Growth in rural wages has plateaued in last few years



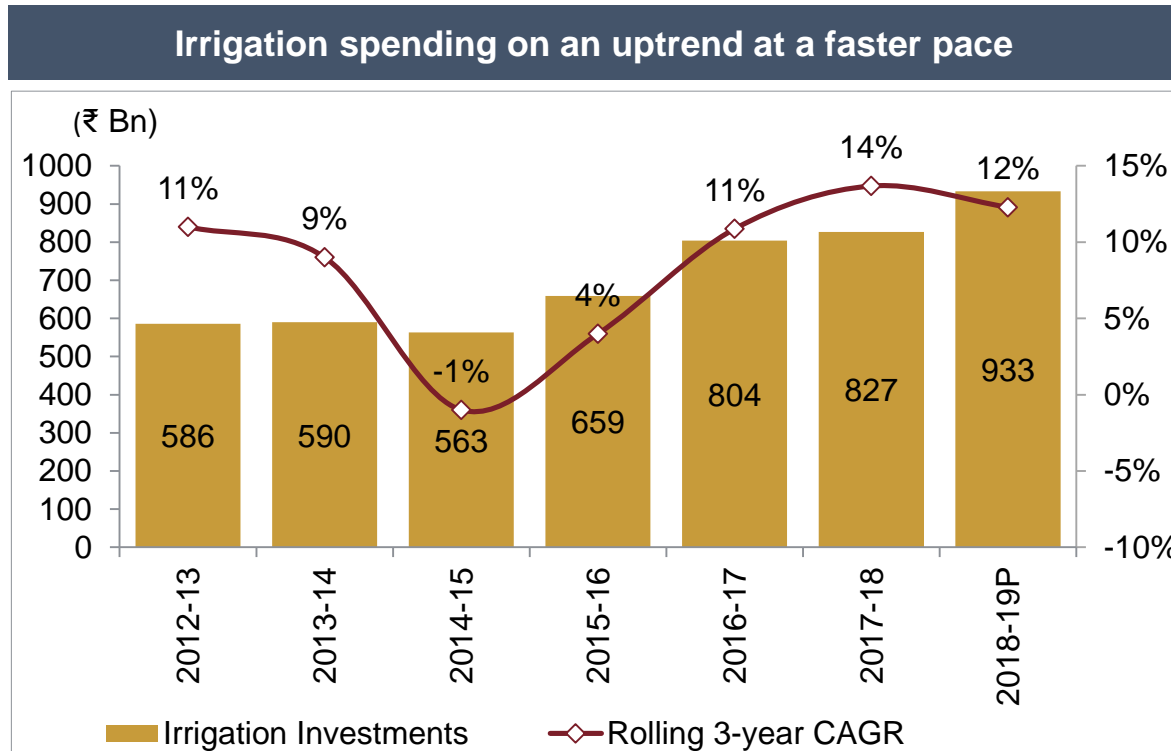
Rural wages includes general non-agricultural labour.
Source: Crisil Research



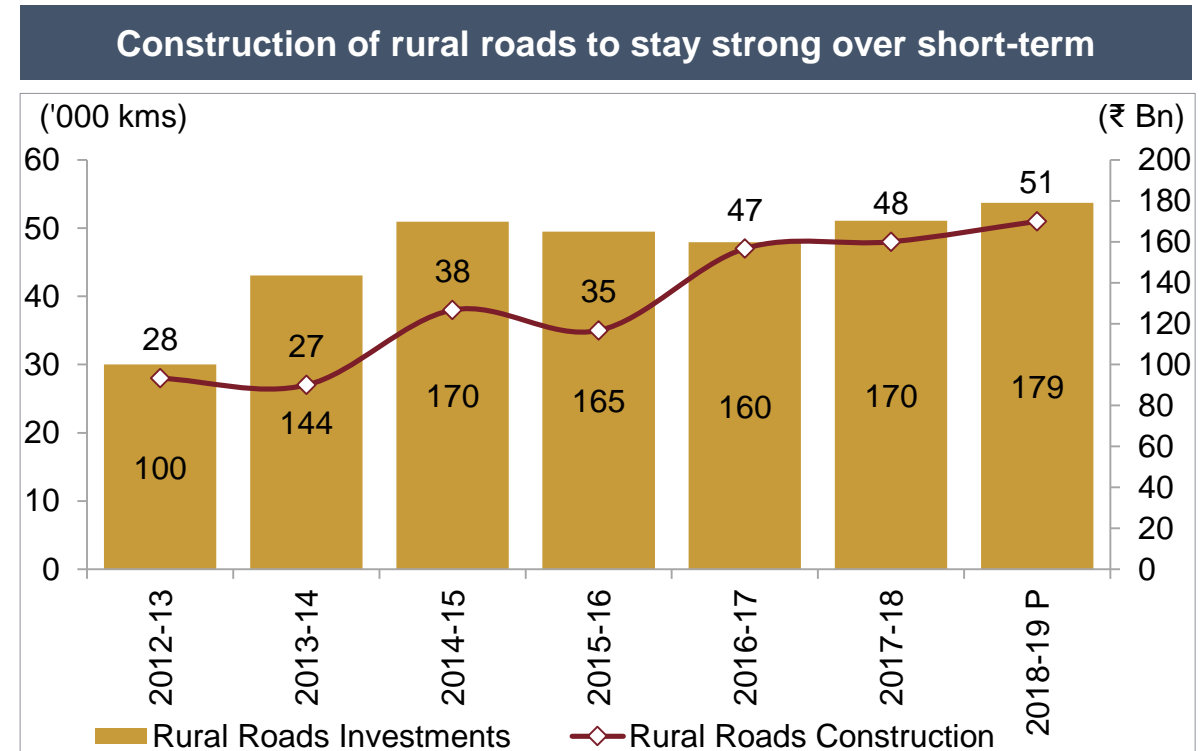
Source: Crisil Research

- High growth in non-farm rural wages between fiscals 2010 and 2014 supported increased non-farm employment opportunities and steady outflux of rural populace into cities, thereby limiting labour supply.
- Support from financing companies to aid demand for tractors.

Higher irrigation intensity will boost usage of higher hp tractors



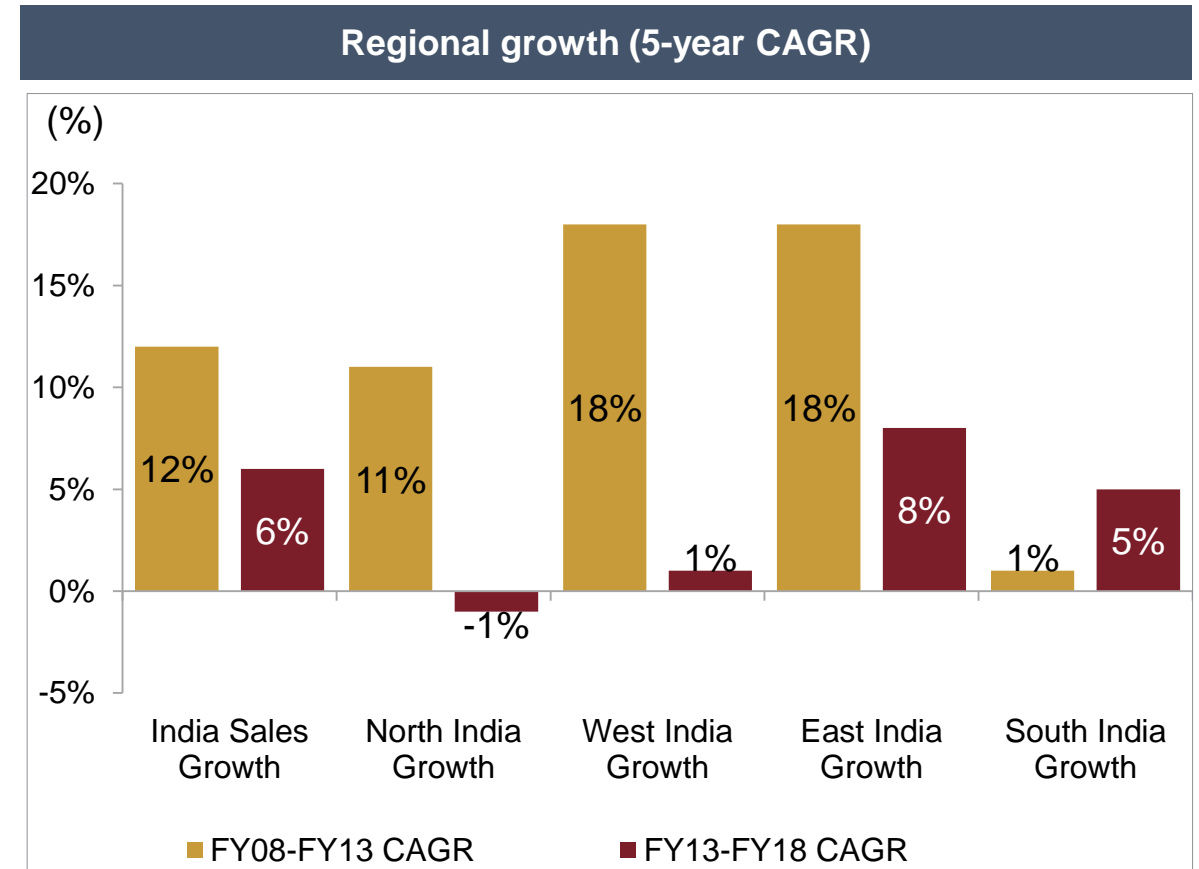
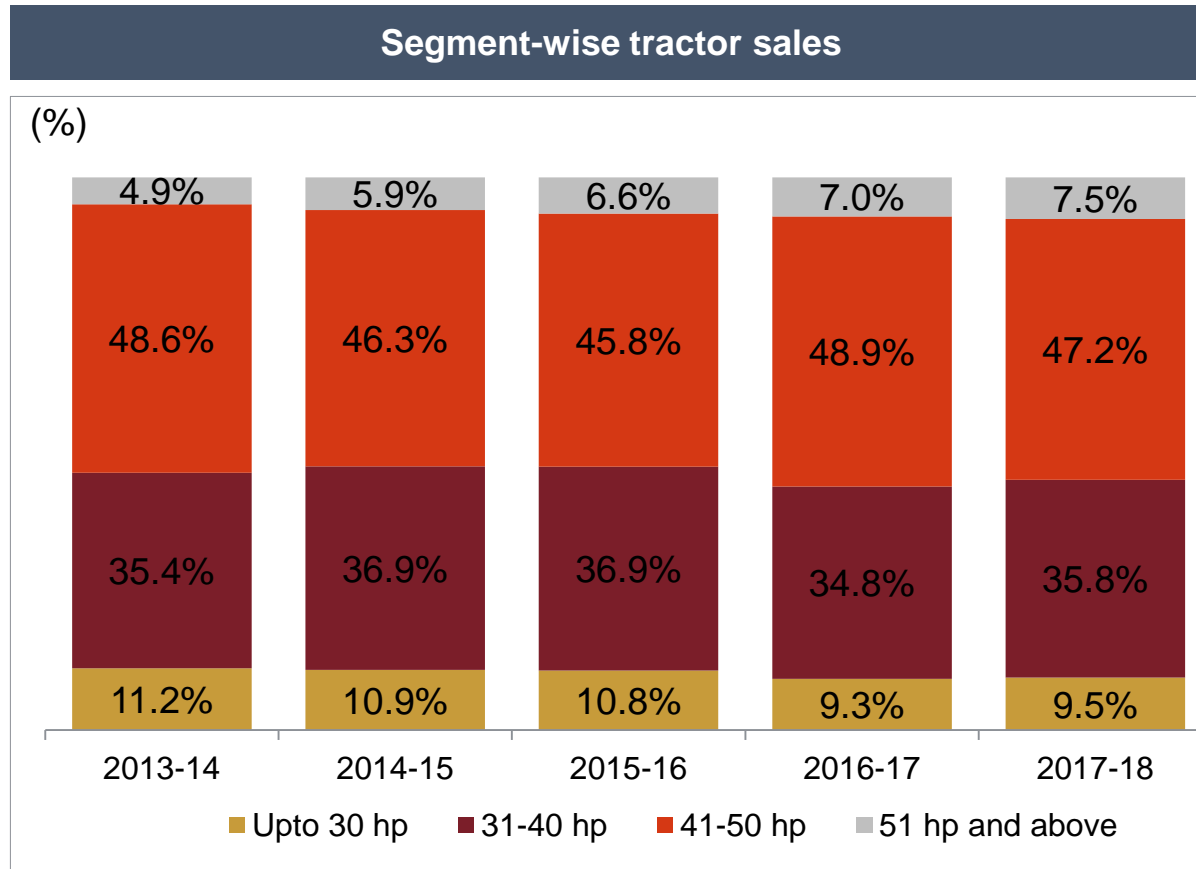
Rural wages includes general non-agricultural labour.
Source: Crisil Research



Source: Crisil Research

- Government's renewed thrust towards improving the rural economy, via measures such as doubling farm income by 2022, increasing spend towards irrigation, and improving crop productivity by distributing soil health cards is expected to drive growth in the long term.
- PMGSY total investments are expected to be Rs. 1.8 trillion from fiscals 2018 to 2022 as the central government aims to achieve targets three years ahead of schedule

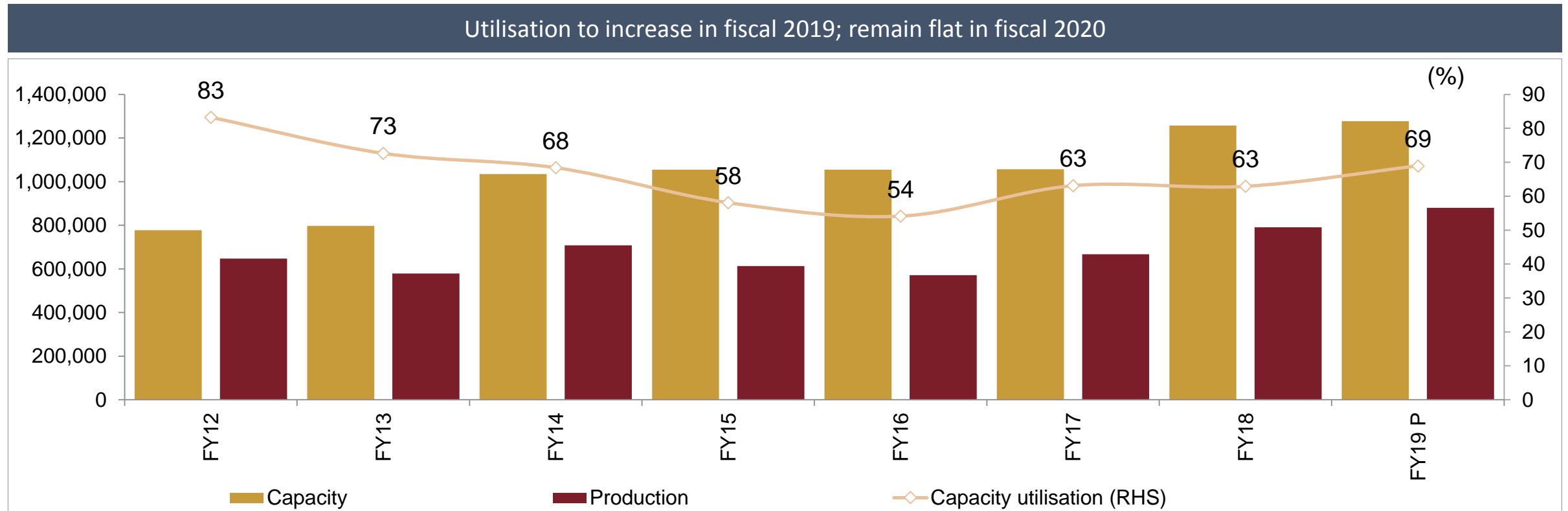
Uptick in share of 31-40 hp tractors during fiscal 2018



Source: Crisil Research

- As tractor penetration improves, new farmers are expected to purchase tractors in less than 30 hp segment leading to increase in proportion in the long term.
- The pace of farm mechanisation is slower in the eastern and north-eastern states.

Capacity utilization is expected to increase in fiscal 2019

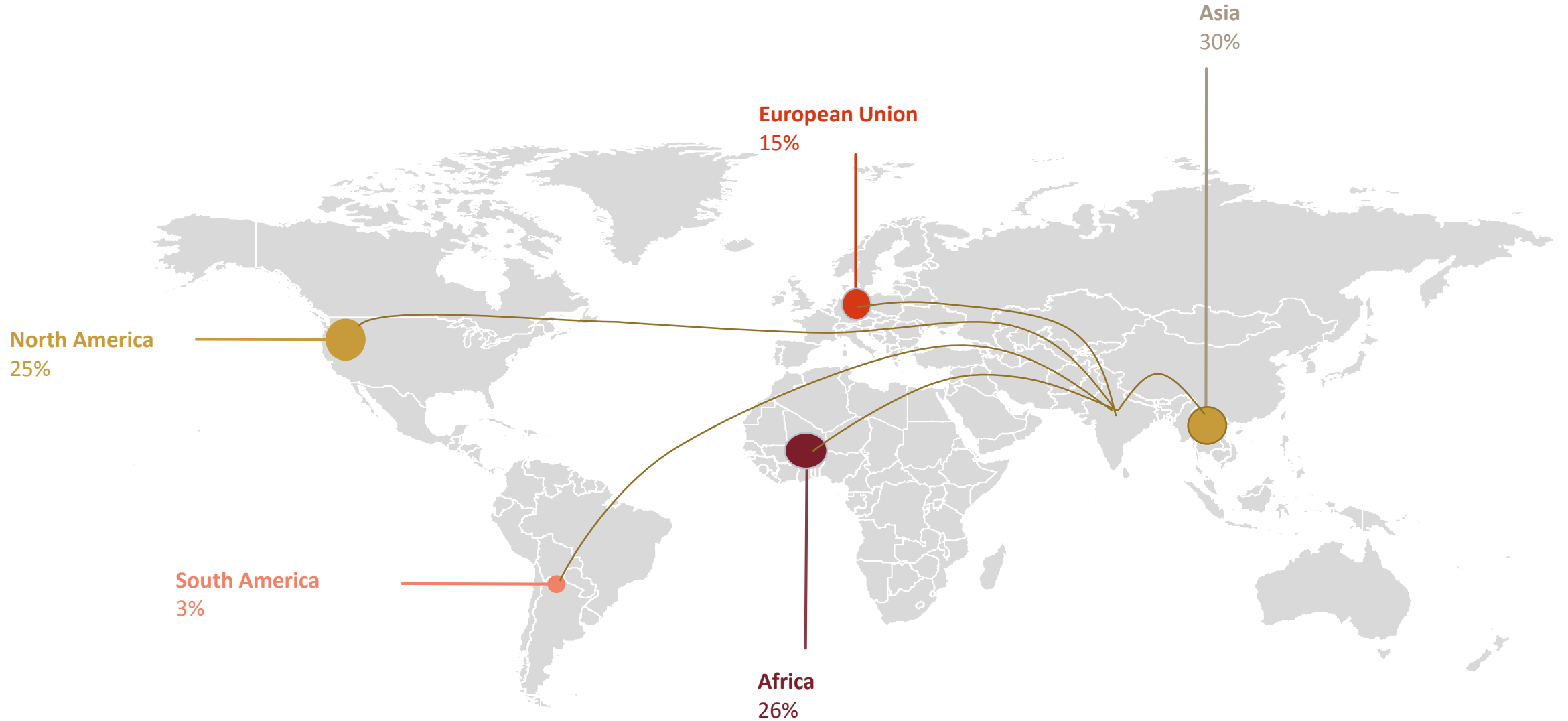


Source: Crisil Research

- Overall utilization is expected to increase to 71-73% in fiscal 2019, mainly driven by higher production to cater to rising tractor demand and negligible capacity addition in current fiscal.
- Production is expected to grow by 10-12% in this fiscal supported by higher domestic demand.

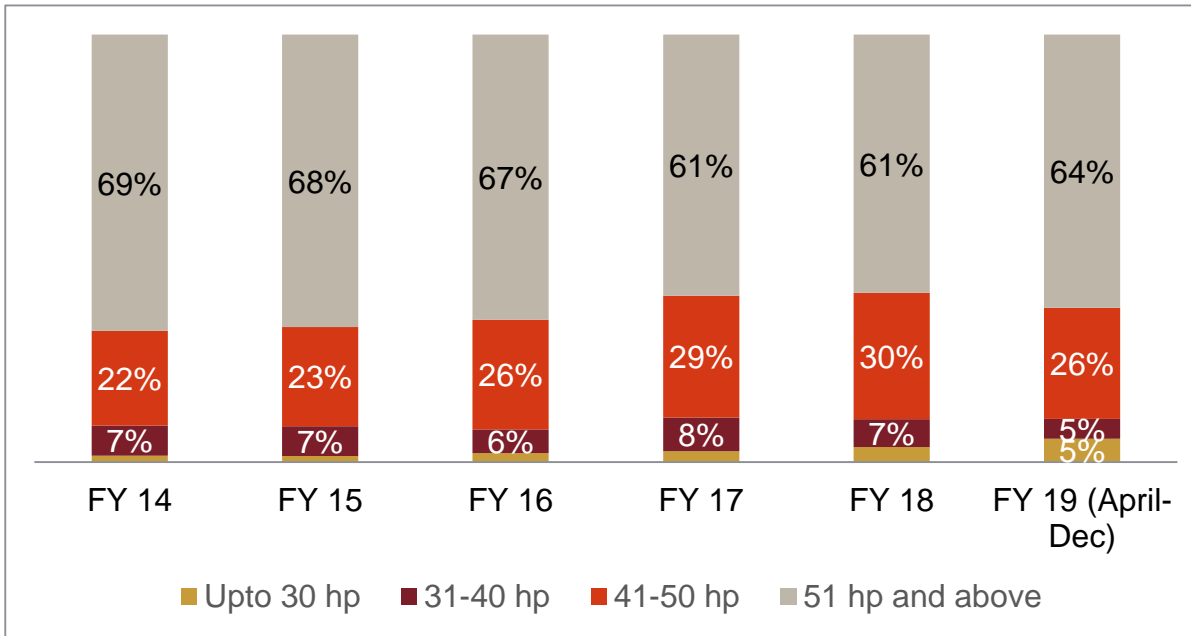
Tractor Exports

Proportion of tractors exported in 2017-18



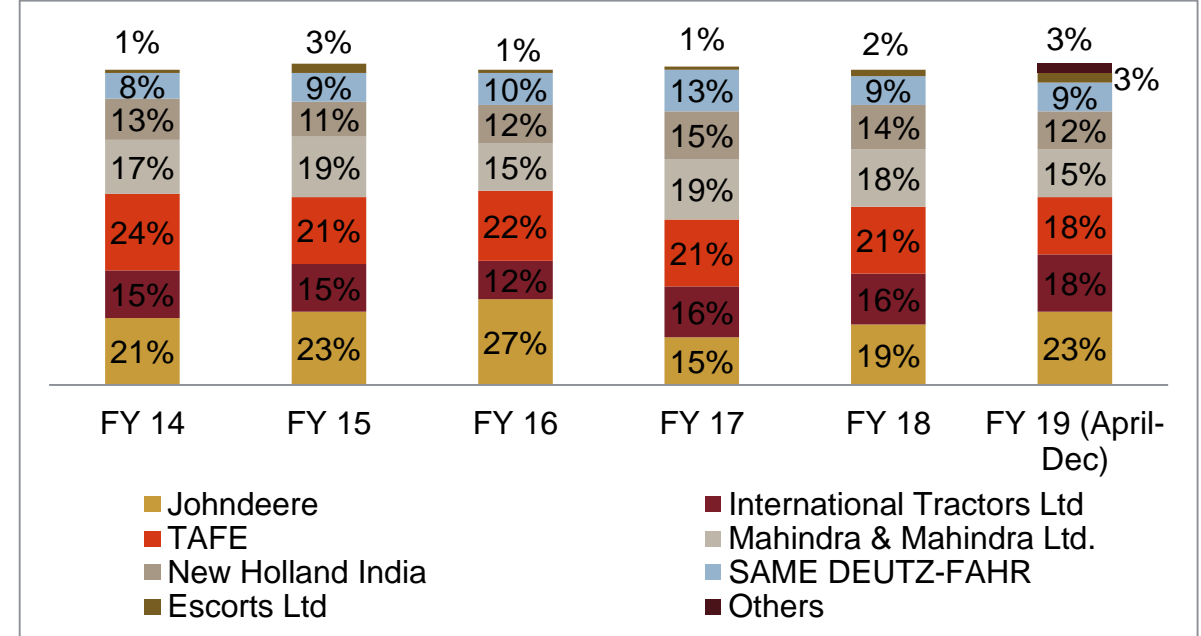
Tractor exports to see a healthy growth in fiscal 2019 before moderating in fiscal 2020

Segment wise market share of exports



Source: SIAM, CRISIL Research

Player wise market share of exports



Source: SIAM, CRISIL Research

- Tractor exports have grown at a 7.78% CAGR over last 4 years(fiscal 2014 to fiscal 2018)
- CRISIL Research expects tractor exports to grow 11-13% this fiscal, on account of strong pickup in key markets such as Asia and Africa. CRISIL Research estimates the growth to moderate to 6-8% in fiscal 2020, on a high base.
- Players such as John Deere and New Holland are using India as a base to export to North America and Europe, which primarily use high-horsepower tractors. >51 hp segment dominates tractor exports.
- 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.

Inventory scenario

Inventory levels a concern across segments

Vehicle segment	Normal inventory in days	Current inventory levels	Actions being taken
Passenger Vehicles	28-33	33-38	OEMs offering huge discounts to bring down the inventory levels
Two Wheelers	30-35	40-50	OEMs trying to correct their inventory levels by offering discounts
Commercial Vehicles	33-38	25-30	Inventory levels to remain unchanged since players will try to grab market share by pushing sales through discounts and further pushing the inventory.
Tractors	30-35	35-40	Inventory levels expected to remain at this level, since players are trying to gain market share

Forecast

Domestic sales forecasts across vehicle segments

Vehicle segment	FY19E	Q4FY19	Q1FY20	Q2FY20	Q3FY20
Passenger Vehicles					
Cars	3-5%	2-4%	(3)-(5)%	7-9%	20-22%
Uvs & Vans	4-6%	4-6%	(1)-1%	19-21%	17-19%
Two Wheelers					
Motorcycles	9-11%	1-3%	1-3%	3-5%	5-7%
Scooters	4-6%	3-5%	4-6%	9-11%	8-10%
Mopeds	4-6%	4-6%	5-7%	7-9%	5-7%
Commercial Vehicles					
LCVs (<7.5T)	20-22%	18-20%	4-6%	8-10%	8-10%
MHCVs	14-16%	(6)-(8)%	5-7%	6-8%	25-27%
Buses	4-6%	(7)-(9)%	3-5%	11-13%	26-28%
Tractors	10-12%	(1)-(3)%	1-3%	7-9%	0-2%

Export sales forecasts across vehicle segments

Vehicle segment	FY19E	FY20P
Passenger Vehicles		
Cars	(11)-(13)%	(2)-(4)%
UVs & Vans	(1)-1%	(3)-(5)%
Two Wheelers		
Motorcycles	13-15%	9-11%
Scooters	16-18%	8-10%
Mopeds	10-12%	9-11%
Commercial Vehicles		
LCVs (<7.5T)	3-5%	8-10%
MHCVs	35-40%	10-12%
Buses	(23)-(28)%	0-2%
Tractors	11-13%	6-8%

Total sales forecasts across vehicle segments

Vehicle segment	FY19E	FY20P
Passenger Vehicles	2-4%	8-10%
Two Wheelers	8-10%	7-9%
Commercial Vehicles	15-17%	11-13%
Tractors	10-12%	5-7%

Thank you

For any further queries please contact:

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