

www.pwc.com

Quarterly vehicle industry performance – Q2 FY19

Prepared for ACMA

*Strictly private
and confidential*

25 October 2018



pwc

Contents

Executive Summary	3
Segment wise Q2 FY 19 industry performance	6
Appendix	12

To navigate this report on-screen (in pdf format)

From any page – click on the section title in the header navigation bar

From this Contents page – click on the title of the section or sub-section

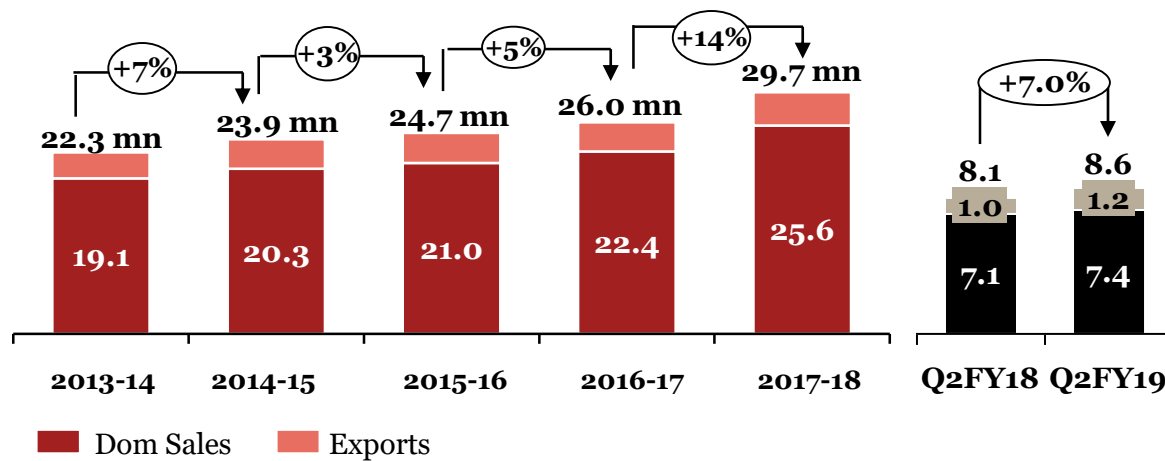
From the contents listing on any section divider – click on the title of the sub-section

This proposal does not constitute a contract to perform services. Final acceptance of this engagement by PricewaterhouseCoopers is contingent upon successful completion of PricewaterhouseCoopers' acceptance procedures. Any engagement arising out of this proposal will be subject to the execution of our formal engagement contract, including our standard terms and conditions and fees and billing rates established therein.

Executive Summary

Q2-FY19 Quarterly automotive industry performance overview

OEM - Domestic sales and exports | million units



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

Growth drivers are rural demand, disposable incomes, new launches

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

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

Key Updates

General Trends

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

Industry Trends

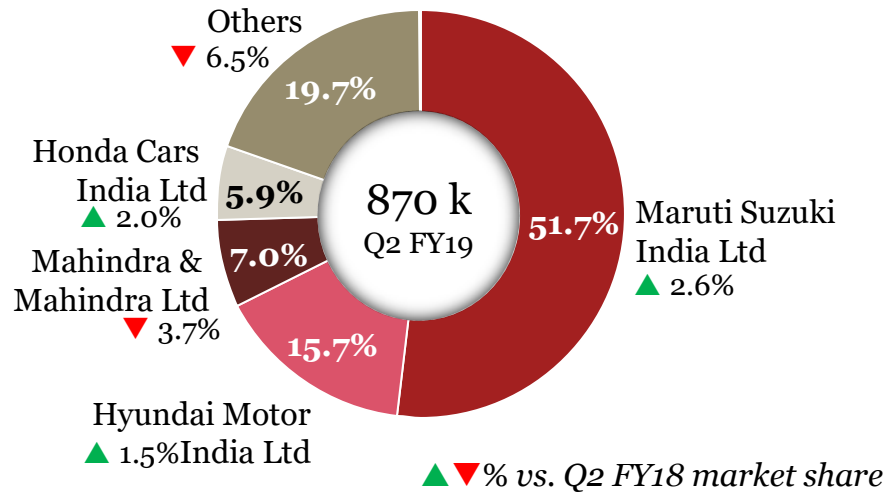
- Passenger Vehicle sales declined owing to higher insurance premiums and Kerala floods.
- **Two-wheeler** sales saw a lukewarm growth due to higher insurance cost and West Bengal restrictions that vehicles should be sold only to those holding driving license.
- **M&HCVs** demand, considered the barometer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

Source : SIAM, PwC Analysis

Segment wise Q2 FY 19 industry performance

Passenger vehicles

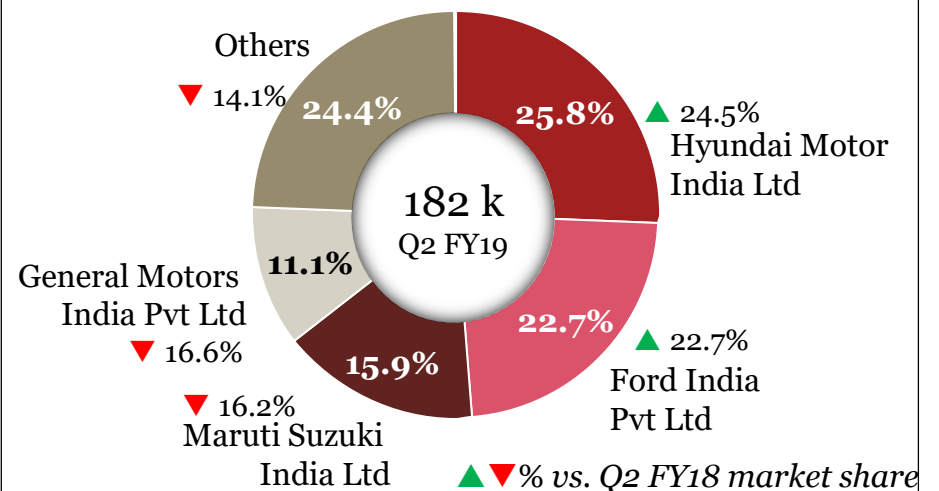
Domestic



Growth Q2 FY18 vs. Q2 FY 19 ▼ 3.6 %

- The highest growth within the segment was posted by vans at 4 percent while Utility Vehicles and Passenger Car sales declined by 8 percent and 2 percent respectively.
- The decline in sales this year is attributed to the high base of last year when sales shot up after GST introduction resulting in drop in prices by automakers. However, the cess on most vehicles has since been increased, causing manufactures to raise prices.

Exports

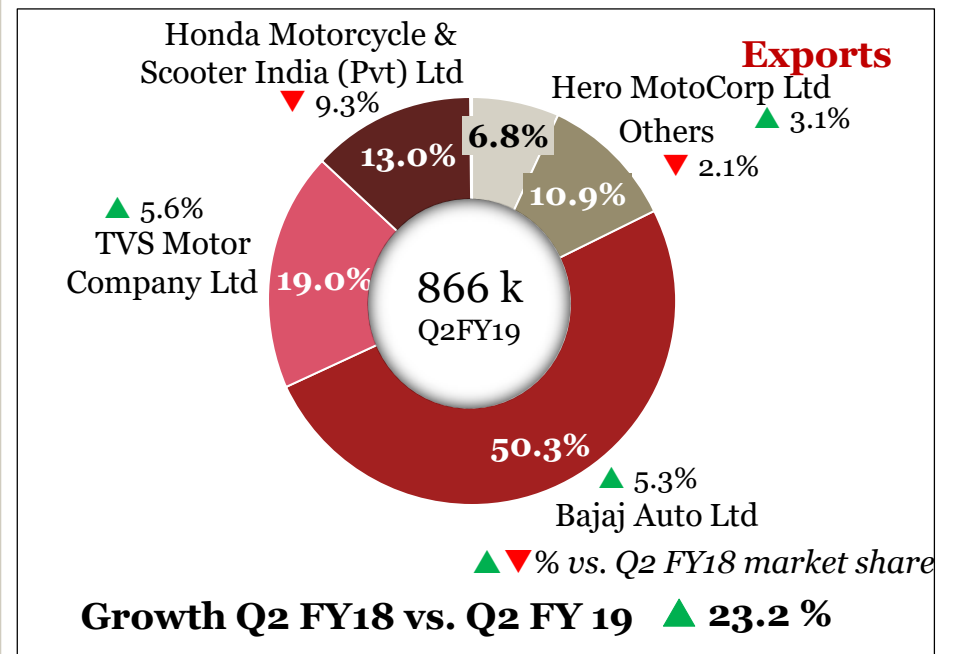
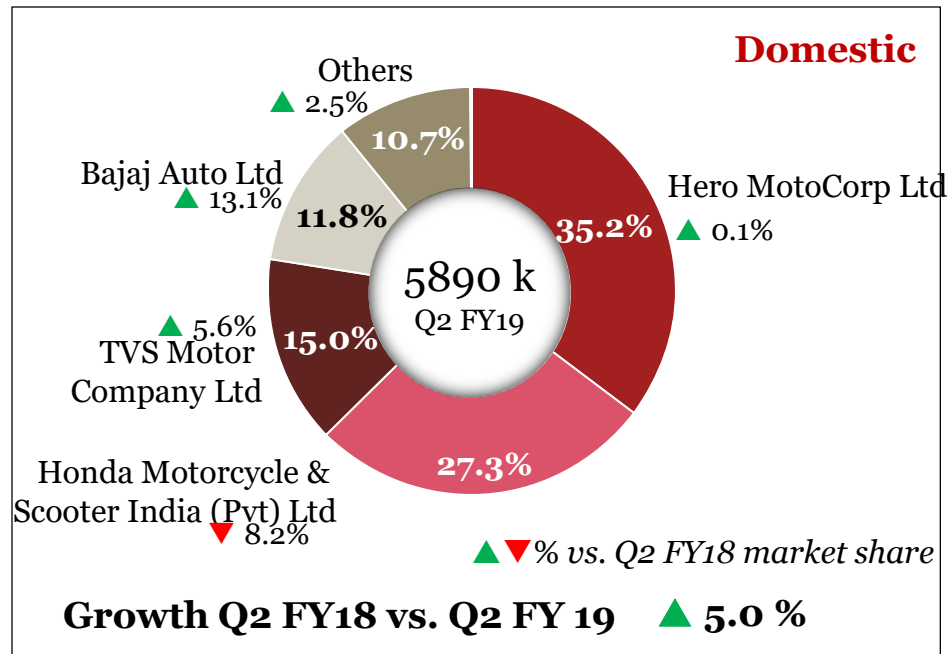


Growth Q2 FY18 vs. Q2 FY 19 ▲ 0.8%

- The overall exports for Q2 FY19 outpaced domestic sales for Utility Vehicles and Vans with 14 percent and 2.7 times increase in exports respectively.
- Hyundai Motors outpaced Maruti Suzuki to become India's largest passenger car exporter and experienced an increase in passenger car exports of 53 percent.
- Many PV makers had diverted/reduced exports in August in expectation of higher domestic demand in September.

Source : SIAM, PwC Analysis

2 wheelers

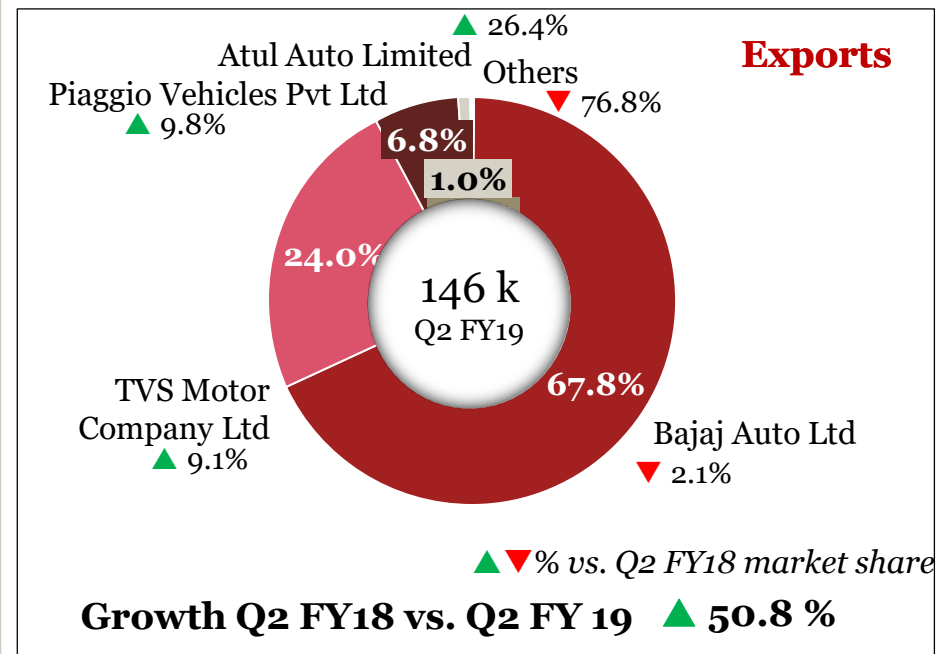
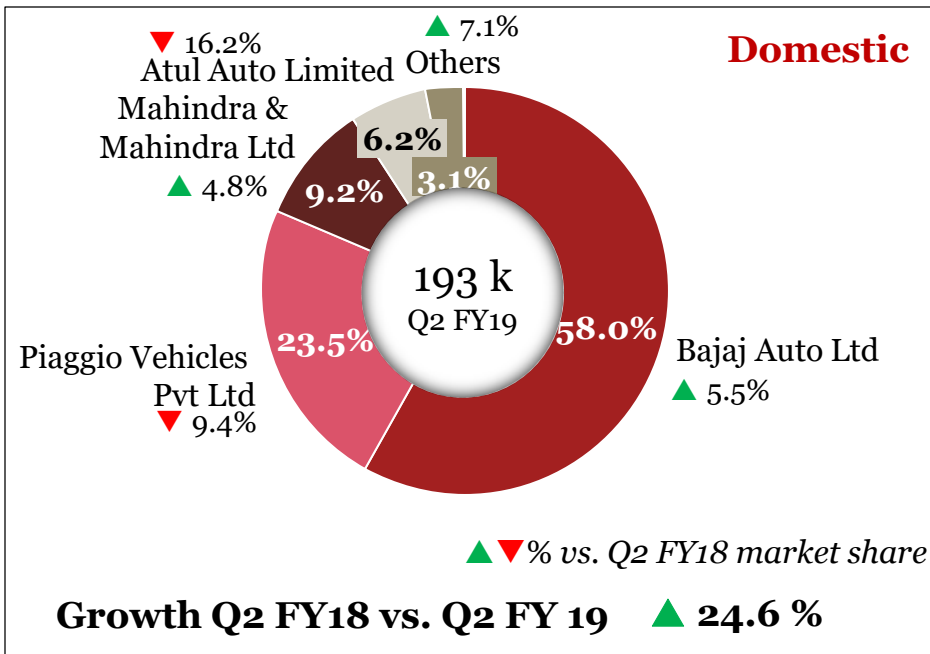


- Motorcycles experienced growth of 8 percent primarily helped by the continued growth in rural demand.
- Scooter sales saw a flat growth in the second quarter, indicating negative impact of higher insurance premiums.
- Mopeds registered domestic sales growth of 4 percent over the quarter.
- Domestic players recorded increased market share.

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

Source : SIAM, PwC Analysis

3 wheelers

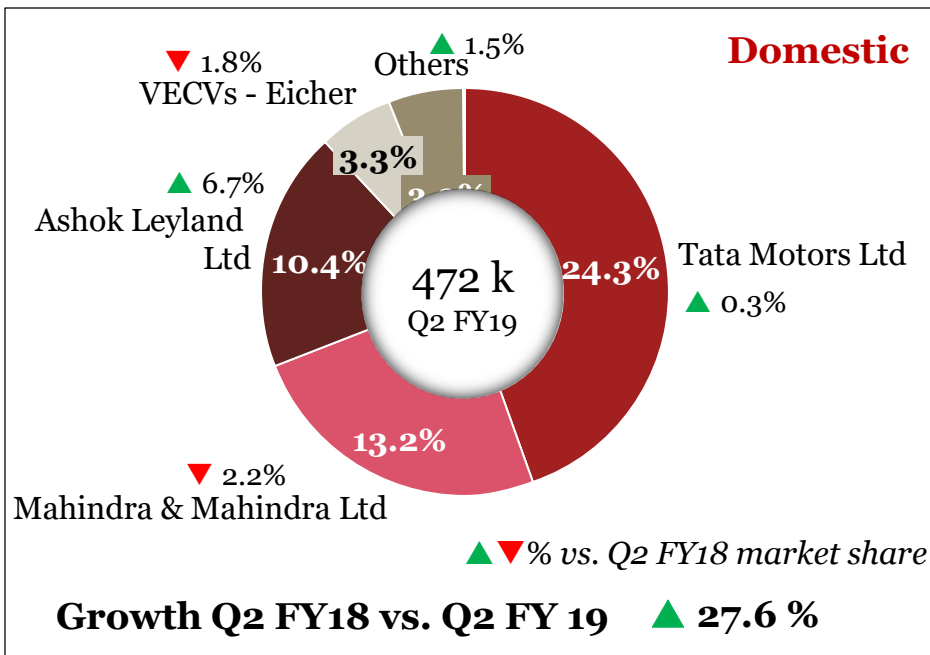


- Three-wheeler segment has been growing significantly in comparison with other segments or the overall automobile industry.
- Passenger carriers grew 28 percent whereas goods carriers grew by 9 percent.
- Bajaj Auto, the largest OEM in the segment, saw domestic sales growth outpace overall segment growth at 31 percent.

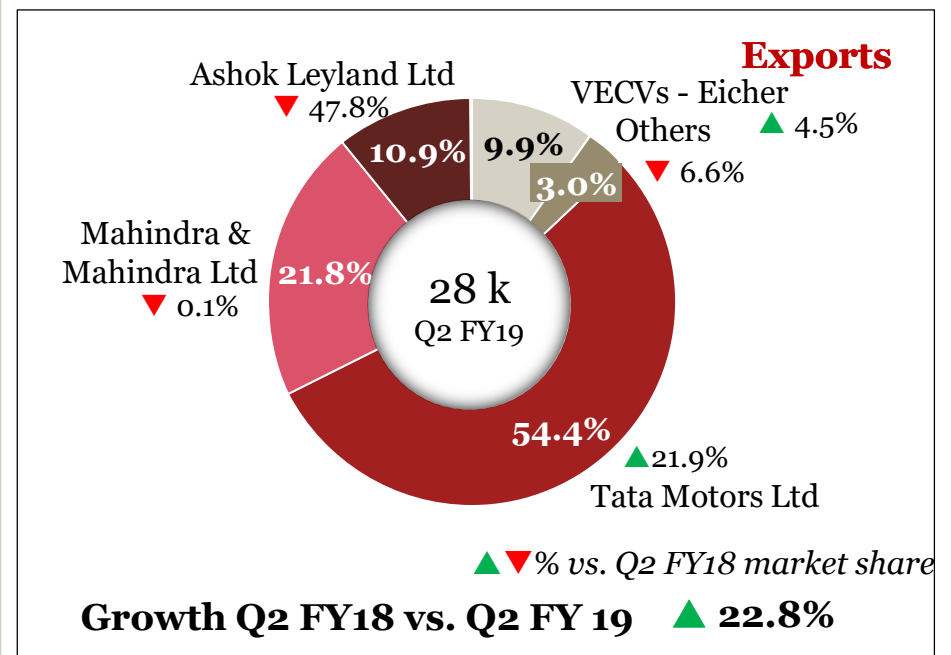
- The segment saw the maximum number of growth in volume terms with overall exports growing by more than 50 percent in the quarter to September.
- Goods carriers registered export growth in Q2 FY 19 at 60.3 percent while passenger carriers saw 50.7 percent growth.
- The largest three wheeler exporters,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

Source : SIAM, PwC Analysis

Commercial vehicles



- Medium & heavy commercial vehicle segment grew 26.4 percent and light commercial vehicles experienced an upswing of 28.2 percent.
- Sales growth was driven by infrastructure growth and healthy demand from core sectors like cement & steel.
- Passenger Carriers grew by 7 percent and Goods Carriers by 30 percent.

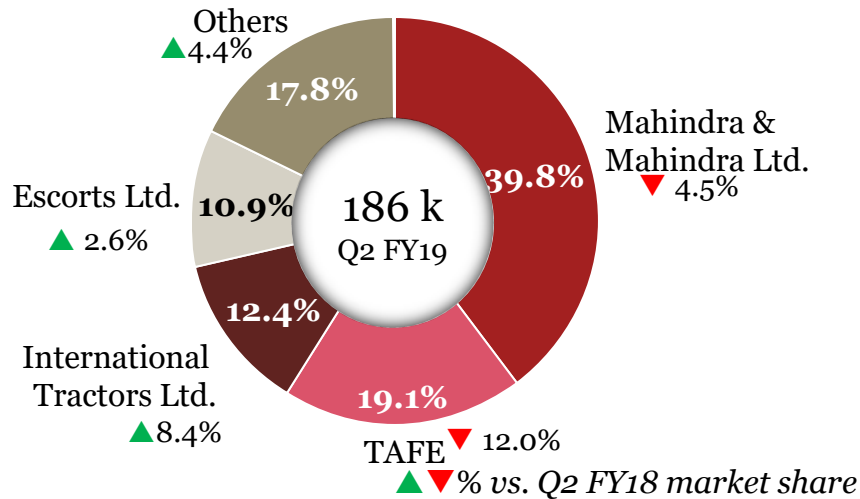


- Exports of LCVs grew by 10 percent and of M&HCVs by 38.7 percent respectively.
- Passenger Carrier exports declined by 18 percent whereas Goods Carrier exports grew by 31 percent.
- Tata Motors export sales grew by 49.7 percent, Mahindra & Mahindra export sales grew by 22.7 percent while Ashok Leyland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

Source : SIAM, PwC Analysis

Tractors

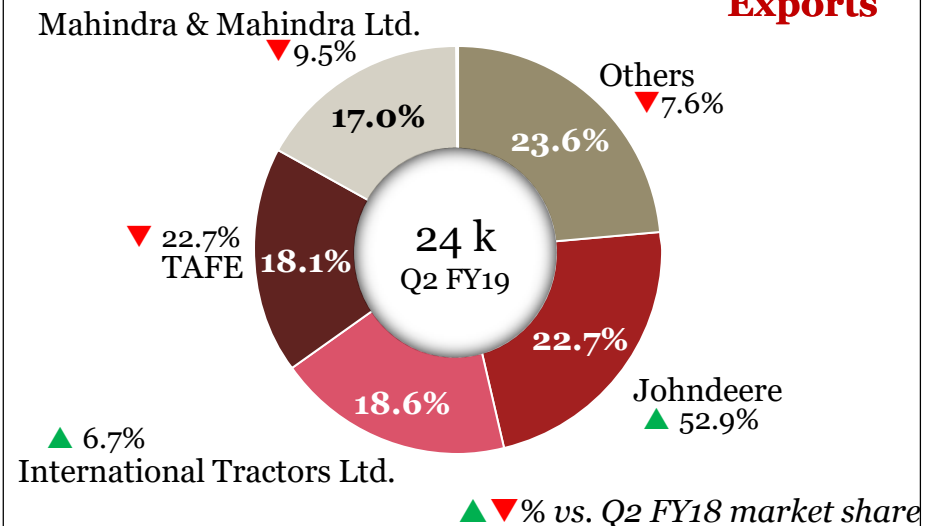
Domestic



Growth Q2 FY18 vs. Q2 FY 19 ▼ 0.04 %

- Domestic sales of top 2 OEMs declined in Q2 FY19.
- North and West India account for more than 60 percent of total domestic tractor sales while East India recorded highest sales growth out of all the four regions.
- Strong segment growth is expected in the future owing to good monsoon, government's focus on agriculture, and positive forecast on Kharif and rabi crops.

Exports



Growth Q2 FY18 vs. Q2 FY 19 ▲ 14.3 %

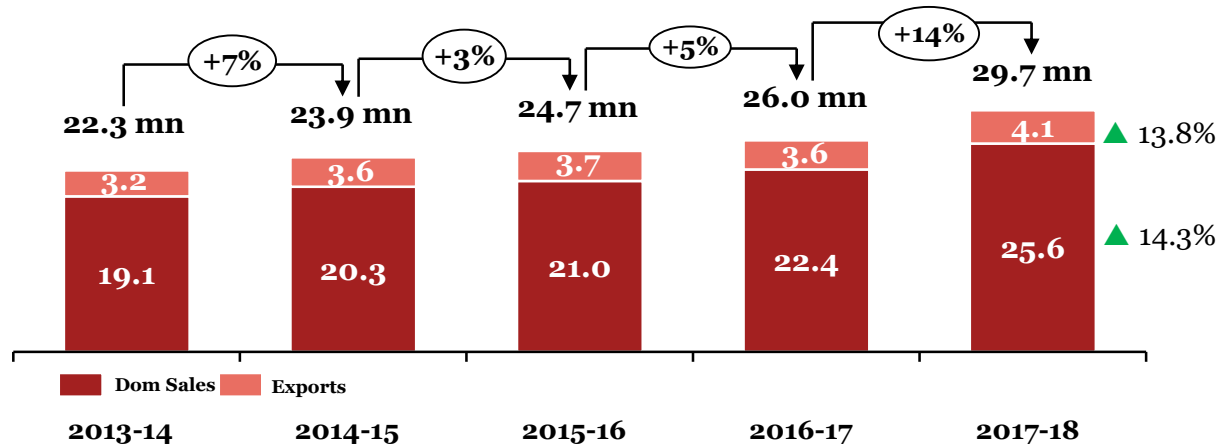
- Johndeere outpaced TAFE, Mahindra & Mahindra and International Tractors Ltd to become the largest tractor exporter in Q2 FY19.
- Johndeere and International Tractors Ltd recorded the fastest growing tractor exports of 75 percent and 22 percent respectively.
- Africa is expected to continue to be a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

Source : SIAM, PwC Analysis

Appendix

FY18 automotive industry performance overview

OEM - Domestic sales and exports | million units



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

Infrastructure improvements, revival post GST, Demonetisation

⚡ GDP ▲ after Q2 FY18 💎 Public capex : 24% jump in FY18

📈 Int. Rates dipped 0.25% in Q1 FY18

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



Disclaimer

This document has been prepared solely for [ACMA] Automotive Component Manufacturers Association of India, being the express addressee to this document. PwC does not accept or assume any liability, responsibility or duty of care for any use of or reliance on this document by anyone, other than (i) ACMA, to the extent agreed in the relevant contract for the matter to which this document relates (if any), or (ii) as expressly agreed by PwC in writing in advance.

This publication has been prepared for general guidance on matters of interest only, and does not constitute professional advice. You should not act upon the information contained in this publication without obtaining specific professional advice. No representation or warranty (express or implied) is given as to the accuracy or completeness of the information contained in this publication, and, to the extent permitted by law, PwC, its members, employees and agents accept no liability, and disclaim all responsibility, for the consequences of you or anyone else acting, or refraining to act, in reliance on the information contained in this publication or for any decision based on it.

This publication contains certain examples extracted from third party documentation and so being out of context from the original third party documents; readers should bear this in mind when reading the publication. The copyright in such third party material remains owned by the third parties concerned, and PwC expresses its appreciation to these companies for having allowed it to include their information in this publication. For a more comprehensive view on each company's communication, please read the entire document from which the extracts have been taken. Please note that the inclusion of a company in this publication does not imply any endorsement of that company by PwC nor any verification of the accuracy of the information contained in any of the examples.

This publication contains various companies' forward looking statements, which by their nature involve numerous assumptions, inherent risks and uncertainties, both general and specific, and risks that predictions, forecasts, projections and other forward looking statements will not be achieved. We caution readers of this publication not to place undue reliance on these forward looking statements, as a number of important factors could cause actual future results to differ materially from the plans, objectives, expectations, estimates, and intentions expressed in such forward looking statements.

PwC contacts for ACMA Knowledge Partnership

- Kavan Mukhtyar, Partner & Leader-Automotive, PwC India - kavan.mukhtyar@pwc.com / +912261198735
- Somnath Chatterjee, ACMA Knowledge Partnership Manager –somnath.chatterjee@pwc.com / +911244620724

** This map is not to scale. It is an indicative outline intended for general reference use only.

© 2018 PricewaterhouseCoopers Private Limited. All rights reserved. In this document, "PwC" refers to PricewaterhouseCoopers Private Limited (a limited liability company in India), which is a member firm of PricewaterhouseCoopers International Limited, each member firm of which is a separate legal entity