

www.pwc.com

# *Quarterly vehicle industry performance – Q3 FY19*

Prepared for ACMA

*Strictly private  
and confidential*

*January 2019*



**pwc**

# Contents

<b>Executive Summary</b>	<b>3</b>
<b>Segment wise Q3 FY 19 industry performance</b>	<b>6</b>
<b>Appendix</b>	<b>12</b>

## ***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

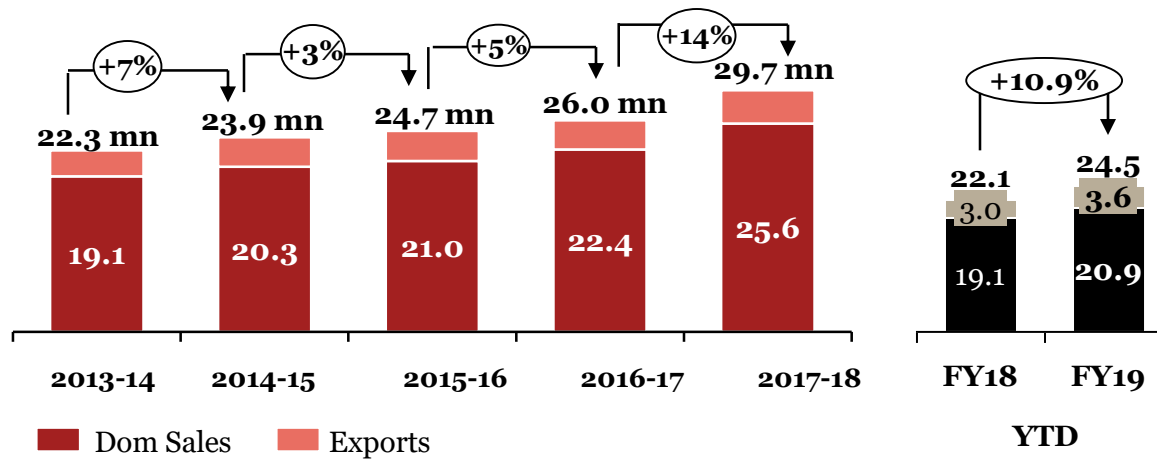
From the contents listing on any section divider – click on the title of the sub-section

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*

## Automotive industry performance overview Q3-FY19

OEM - Domestic sales and exports | million units



Indian automotive domestic sales grew at 7.1% and exports at 7.2% registering an **overall industry growth of 7%** over Q3 last year.

### Slowdown in demand growth due to increase in vehicle ownership costs

- Increase in manufacturing costs due to further rupee depreciation at 72 to a \$
- Increase in financing costs due to liquidity crunch, with increase of 70-80 BPs in funding costs for NBFCs

Vehicle segment	Dom. Sales Q-o-Q Q3 18-Q3 19	Exports Q-o-Q Q2 18-Q2 19
	▲ 8.4%	▲ 12.0%
	▼ 0.8%	▼ 17.5%
	▲ 6.8%	▼ 17.1%
	▲ 22.4%	▲ 20.4%
	▼ 6.8%	▲ 33.3%
<b>TOTAL</b>	▲ 7.1%	▲ 7.2%

## Key Updates

### Past Trends

- Auto sales over the past few months were **lower than expected** because of high fuel prices, non-availability of credit and weak overall customer sentiment as the impact of the seventh pay commission fades
- Q3 2019 witnesses **dampened rural demand** which further impacted auto sales as 50% two-wheeler sales, 30% four wheeler sales and a majority of CV and tractor sales are from the rural sector
- Since a significant part of **vehicle financing** in two-wheelers and commercial vehicles is done by NBFCs, the recent **liquidity crisis** in the **NBFC** sector contributed to slower vehicle sales growth in Q3 2019
- Major OEMs increased announced further price increases, a move which may be triggered by shrinking margins owing to raw material inflation, currency depreciation and higher variable marketing expenses

### Going Forward

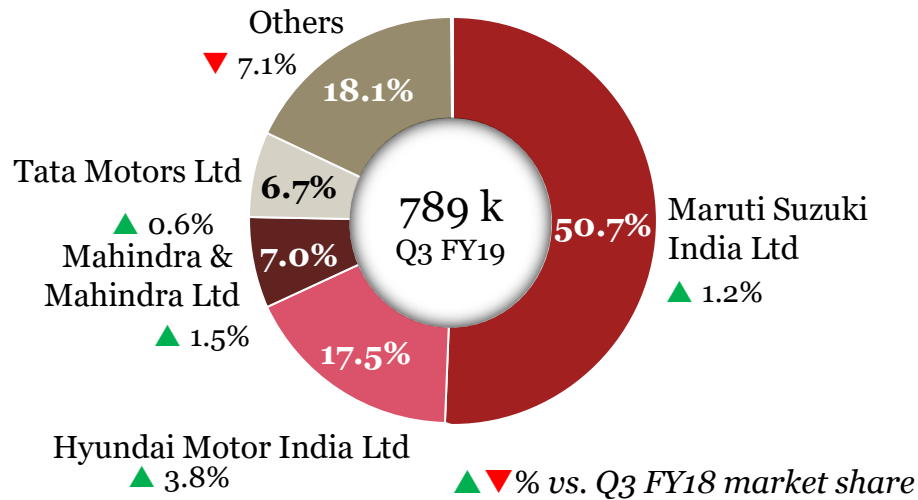
- According to the 13th SIAM Looking Ahead Conclave, factors like **low interest rate**, **benign inflation**, **moderation in oil prices**, etc. are likely to be supportive for consumer demand which is a positive sign for automobile sales
- Major on-going disruptions with Indian financial system like **financial crisis** among the NBFCs, bank NPA, etc. may not exacerbate further but appears to **subside** gradually from early 2019-20. Moreover, **crude oil** prices are also likely to remain low in 2019-20
- **Lower food prices** are expected to adversely impact the farm and rural income in spite of higher MSP and farm loan waiver, adversely impacting rural income
- On the global front, the economic **growth** of the **developed economies** like USA, Europe, etc. seems to remain weak which poses major downside **risk for exports** from India

Source : SIAM, PwC Analysis

# *Segment wise Q3 FY 19 industry performance*

## Passenger vehicles

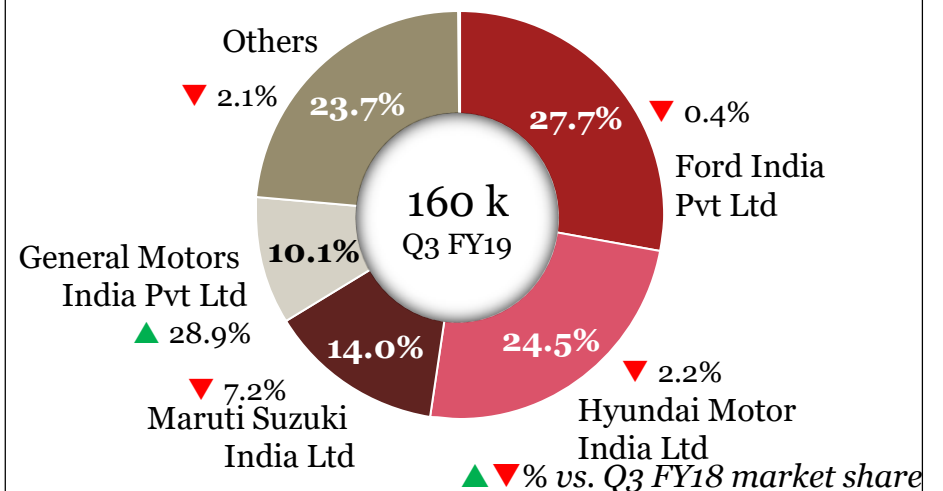
### Domestic



**Growth Q3 FY18 vs. Q3 FY 19 ▼ 0.8 %**

- The highest growth within the segment was posted by vans at 10 percent while Utility Vehicles and Passenger Car sales declined by 3 percent and 1 percent respectively
- Major model launches such as new Hyundai Santro, Maruti Ertiga failed to offset weak demand for other models
- In December, retail sales saw an uptick on the back of record high discounts given by OEMs so as to clear the 2018 inventory at the dealers

### Exports



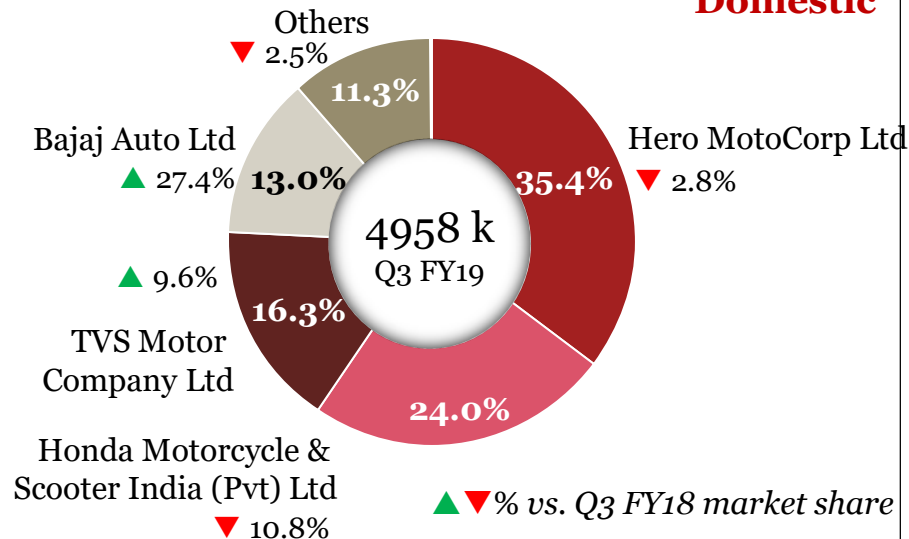
**Growth Q3 FY18 vs. Q3 FY 19 ▼ 17.5 %**

- The exports for Q3 FY19 recorded highest increase at 1.5 times for Vans segment whereas Passenger Car and Utility Vehicles exports declined by 22 percent and 9 percent
- Exports of Maruti Suzuki were the worst hit out of all the major carmakers
- There is a slowdown across many key foreign markets, which include Mexico, Peru, South Africa, and the UK which led to sharp decline in exports

Source : SIAM, PwC Analysis

## 2 wheelers

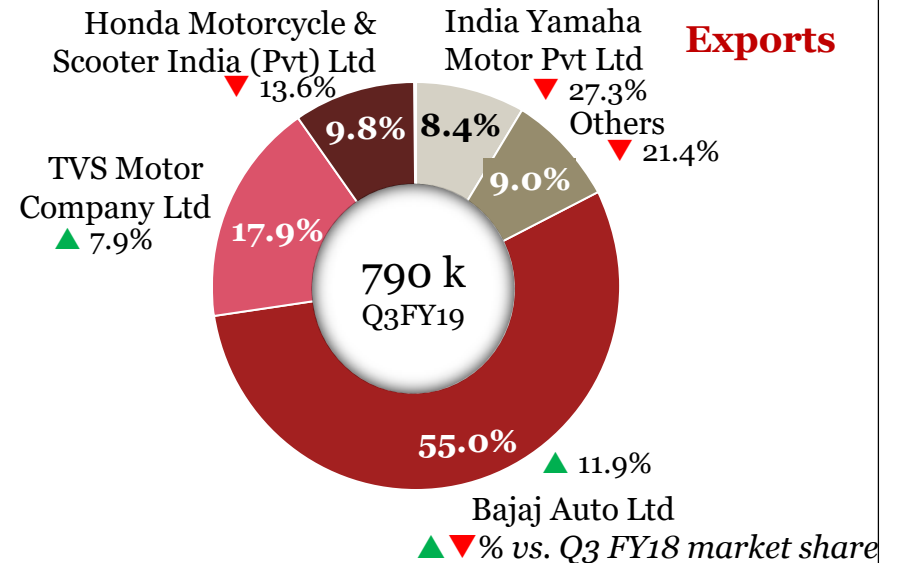
### Domestic



**Growth Q3 FY18 vs. Q3 FY 19 ▲ 8.4 %**

- Motorcycles experienced growth of 11 percent over Q3 2018 while scooter and moped sales saw a growth of 4 and 2 percent respectively, indicating negative impact of higher insurance premiums and fuel prices
- Six of thirteen two-wheeler manufacturers reported declined in sales for Q3 FY19 while TVS and Bajaj Auto registered growth on back of higher sales of their new models, ie. Bajaj Platina 110 cc motorcycle and TVS Jupiter

### Exports



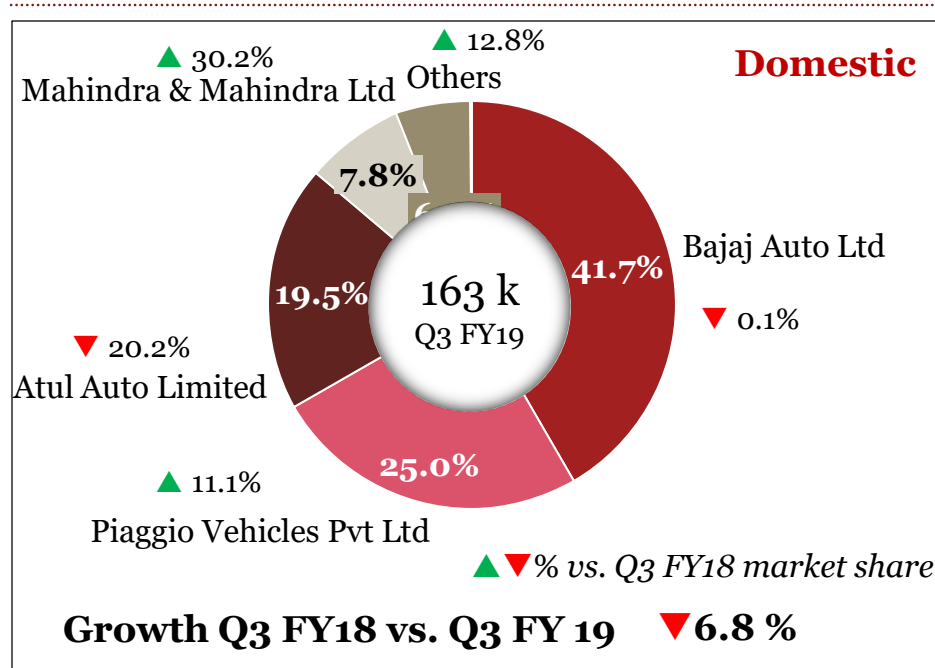
**Growth Q3 FY18 vs. Q3 FY 19 ▲ 12.0 %**

- Motorcycle and scooter exports grew by 13 and 7 percent respectively while moped exports witnessed drastic decline of 65 percent in Q3 FY19
- Bajaj Auto and TVS Motors strengthened share of two wheeler exports from India to 73 percent from 65 percent last year
- Players are trying to penetrate key exporting destinations like Nigeria and other African countries

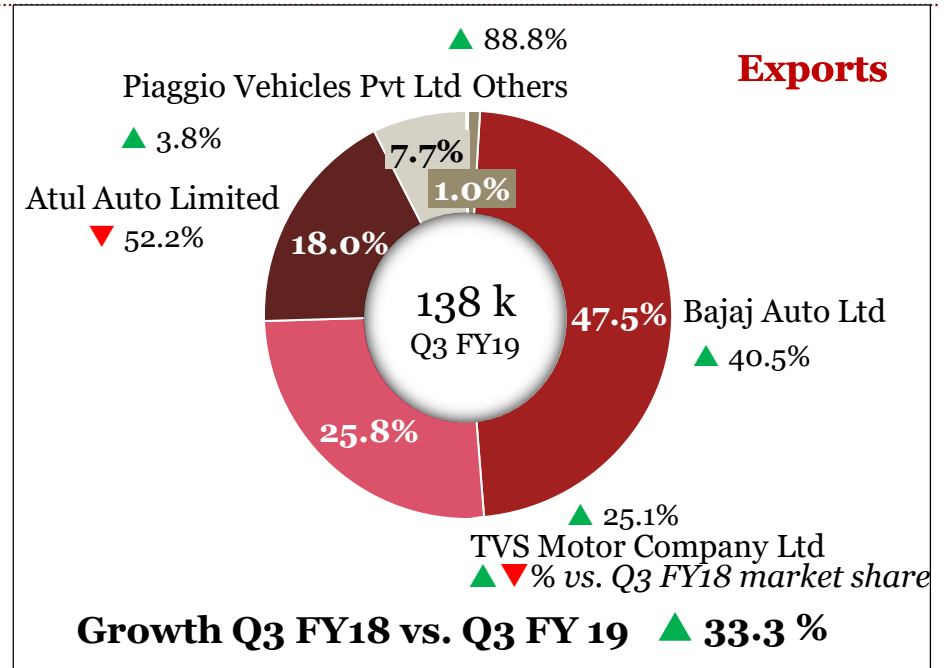
Source : SIAM, PwC Analysis



## 3 wheelers



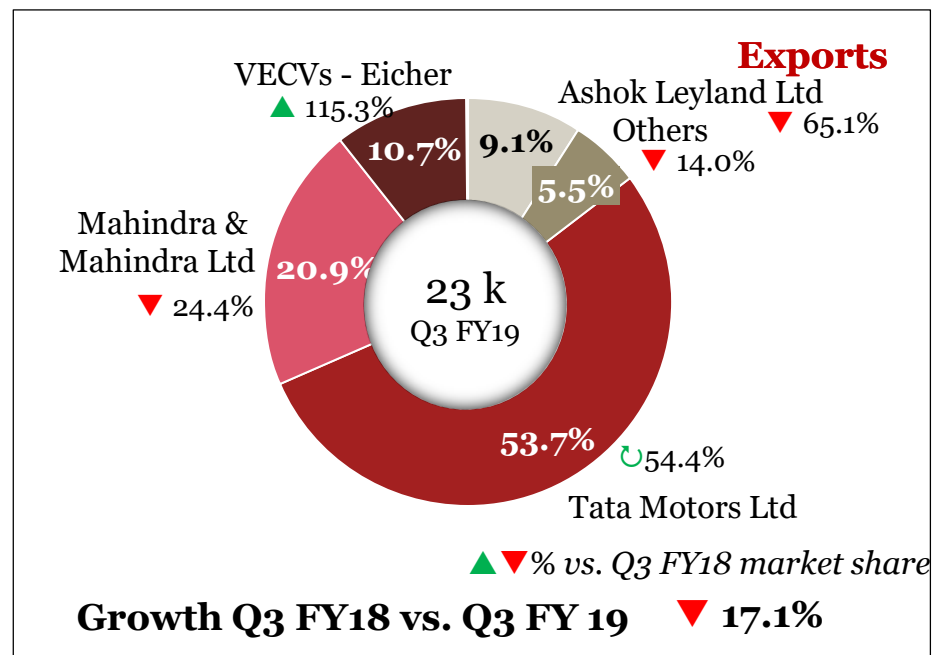
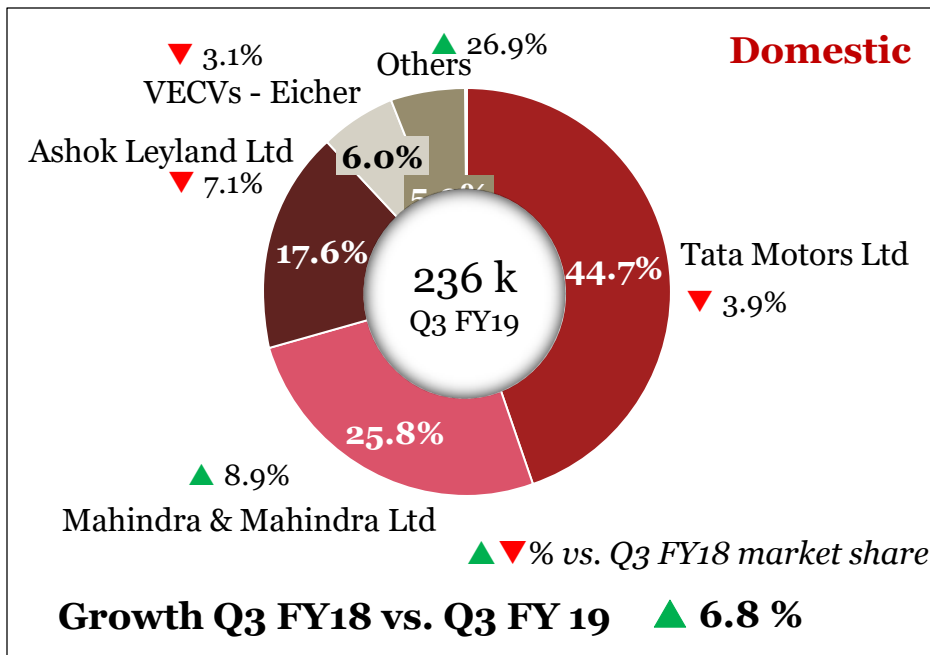
- Domestic sales in the three-wheeler segment has declined significantly in comparison with other segments or the overall automobile industry
- Passenger carrier sales declined by 8 percent whereas goods carrier sales grew by 1 percent
- Home-grown three wheeler manufacturer Atul Auto witnessed the most drastic decline in sales by 25 percent



- The segment saw the maximum number of growth in volume terms with overall exports growing by more than 30 percent in the quarter to December
- Passenger carriers registered export growth in Q3 FY 19 at 34 percent while passenger carriers saw 7 percent growth
- The largest three wheeler exporters, Bajaj and TVS, accounted for 73 percent of two wheeler exports from 54 percent in Q3 FY18

Source : SIAM, PwC Analysis

## Commercial vehicles



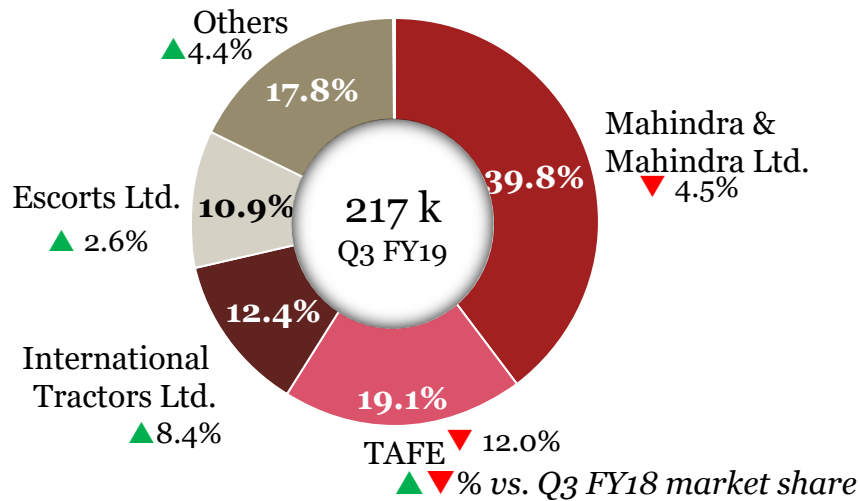
- Light commercial vehicle sales increased by 17 percent
- Sales in medium & heavy commercial vehicle segment declined by 7 percent, primarily owing to axel load norms
- Sales growth was further impacted due to decline in small operators' profitability due to reduced freights on account of the benefits passed by large operators from the GST related credit

- Exports of LCVs declined by 28 percent and of M&HCVs by 3 percent respectively due to high base effect from last year owing to uptick in demand from export destinations
- In the M&HCV segment, Passenger Carrier exports fell by 39 percent whereas Goods Carrier exports grew by 8 percent
- In the LCV segment, Passenger Carrier exports declined by 6 percent whereas Goods Carrier exports fell by 30 percent

Source : SIAM, PwC Analysis

# Tractors

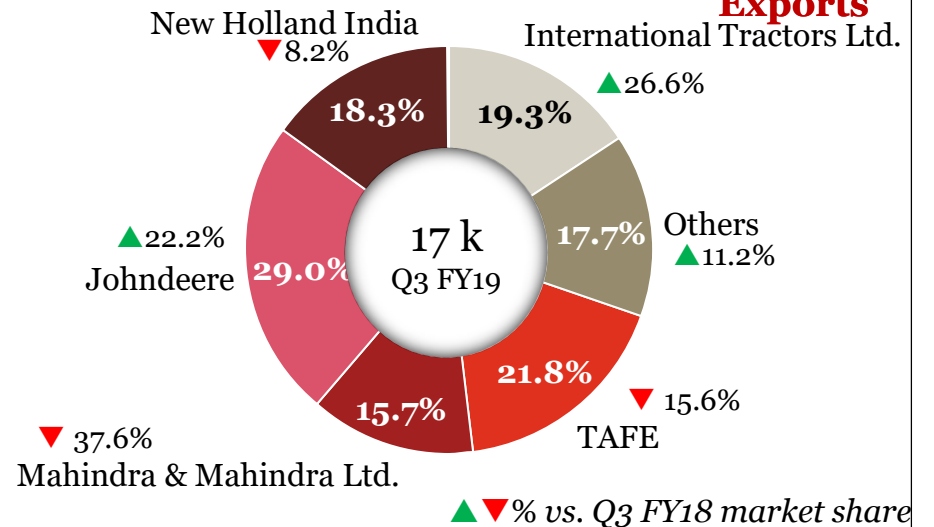
## Domestic



**Growth Q3 FY18 vs. Q3 FY 19 ▲ 22.2 %**

- Escorts and International Tractors witnessed the highest sales growth of 34 percent
- Tractors had the best segment sales performance higher deliveries, farm loan waivers, subsidies and commercial demand. Compact tractor sales outpaced those of other variants
- Sales in East, North and West India increased whereas sales in the South region declined due to lower rainfall

## Exports



**Growth Q3 FY18 vs. Q3 FY 19 ▼ 20.4 %**

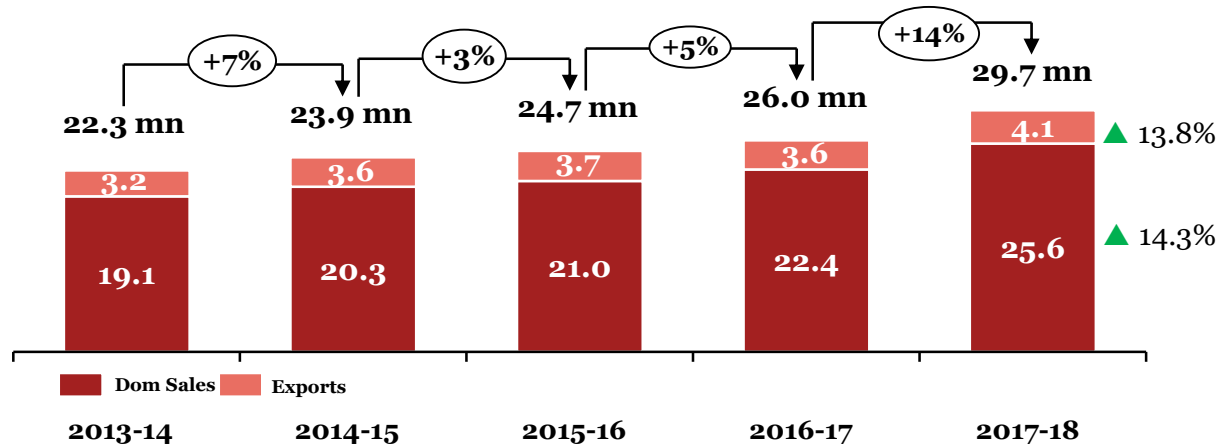
- TAFE, Mahindra & Mahindra and Johndeere account for two thirds of all tractor exports from India
- Currently, major tractor OEMs are making efforts to penetrate emerging export destinations in East Africa and Asian countries like Myanmar, Sri Lanka and Bangladesh
- Also, many players are introducing and adopting newer technologies to make their tractor models export compliant in developed markets

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%
<b>TOTAL</b>	▲ 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