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Quarterly vehicle industry performance – Q2 FY20

Prepared for ACMA

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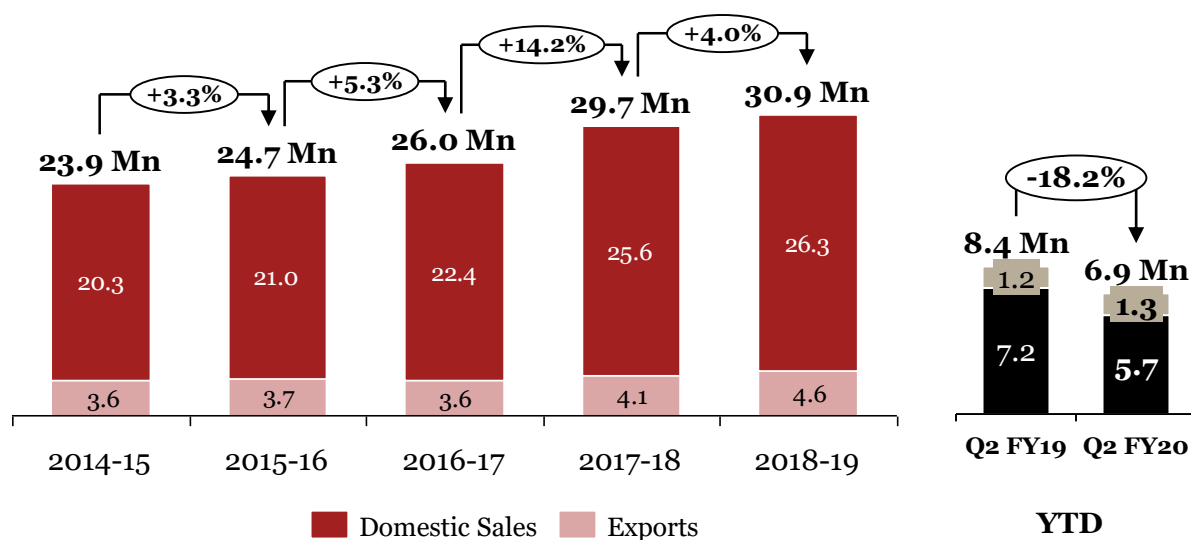
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Executive Summary

Automotive industry performance overview

Q2-FY20

OEM - Domestic sales and exports | million units



Indian automotive domestic sales and exports grew at an overall CAGR of 5.3% over last 5 years.

Slowdown in domestic demand due to moderate credit availability

- Liquidity crunch due to health of NBFCs
- Resultant decrease in private consumption growth

Vehicle segment	Dom. Sales Q-o-Q Q2 19-Q2 20	Exports Q-o-Q Q2 19-Q2 20
	▼ 20.51%	▲ 5.07%
	▼ 28.3%	▲ 5.13%
	▼ 34.97%	▼ 32.2%
	▼ 9.98%	▼ 15.8%
	▼ 6.08%	▼ 10.23%
TOTAL	▼ 21.63%	▲ 2.39%

Key Updates

Past Trends

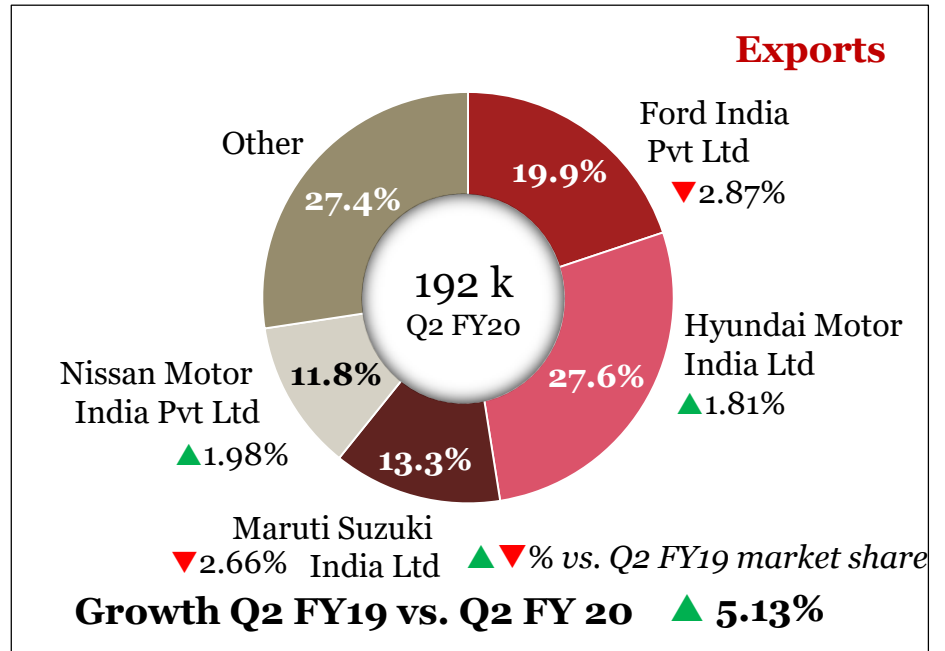
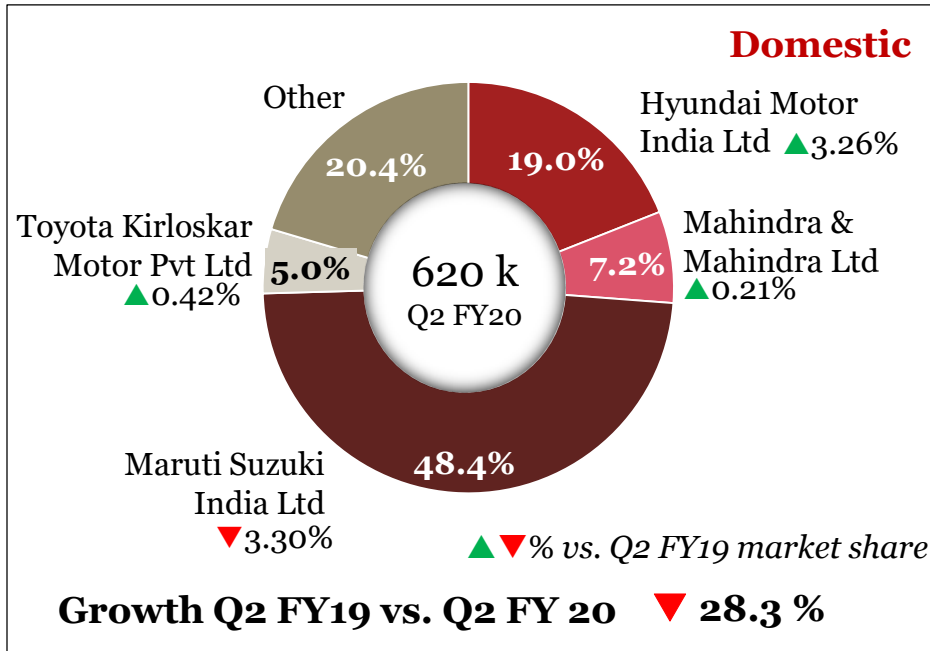
- The growth momentum in the auto sector has slowed down to increased vehicle ownership costs, high \$-rupee conversion, slowing income growth and the NBFC crisis.
- The passenger vehicle segment saw successful new rollouts of MG Hector along with Kia Seltos.
- Subdued demand in the coming quarters is expected to continue in the Passenger Vehicles & 2 Wheelers segment. However, several new launches lined up in the next few months may provide temporary relief.
- Plant shutdowns by OEMs to manage rising inventories at dealerships may continue in the latter half of 2019. Dealer inventories have risen from 45-50 days in May to 60-65 days in June.
- OEMs face stiff competition from the organized pre-owned cars market which has shown significant increase recently. Sharp price hikes for BS VI compliant vehicles may further bolster the pre-owned cars market.

Going Forward

- With the rollout of BS VI norms from April 1, 2020, manufacturers must adopt a calibrated approach to managing inventory levels. 2 Wheeler OEMs burdened with large inventories must be pro-active in inventory management.
- Passenger vehicle sales may show an uptick in the last quarter of FY20 due to pre-buying on account of BS VI.
- The near-term outlook for commercial vehicles remains subdued due to the current macroeconomic scenario. However, with the government's announcement to spend 100 lakh crore on infrastructure projects over the next 5 years, commercial vehicle demand, especially construction equipment, should pick up.

Segment wise Q2 FY 20 industry performance

Passenger vehicles

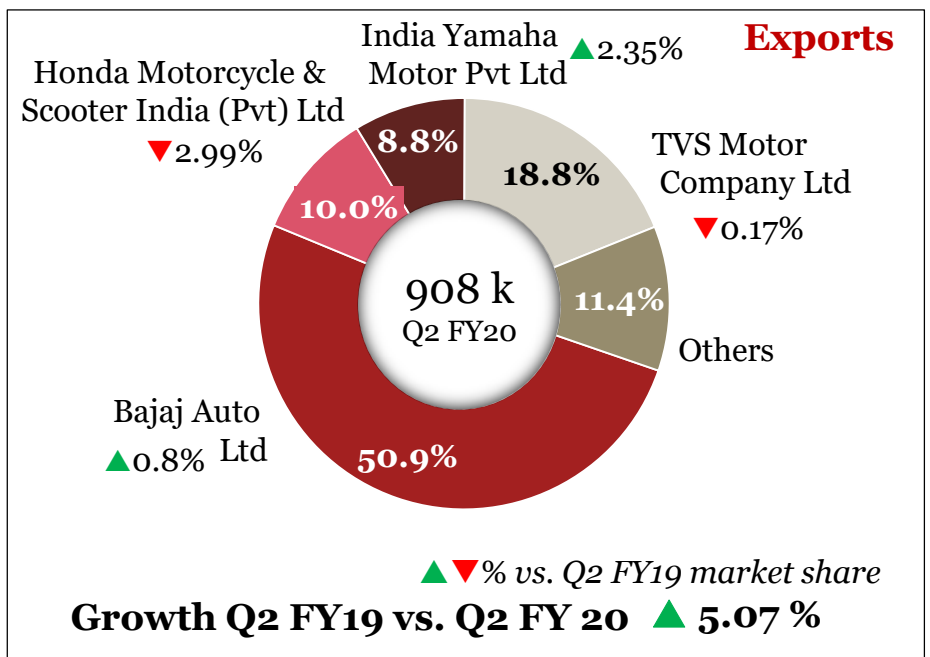
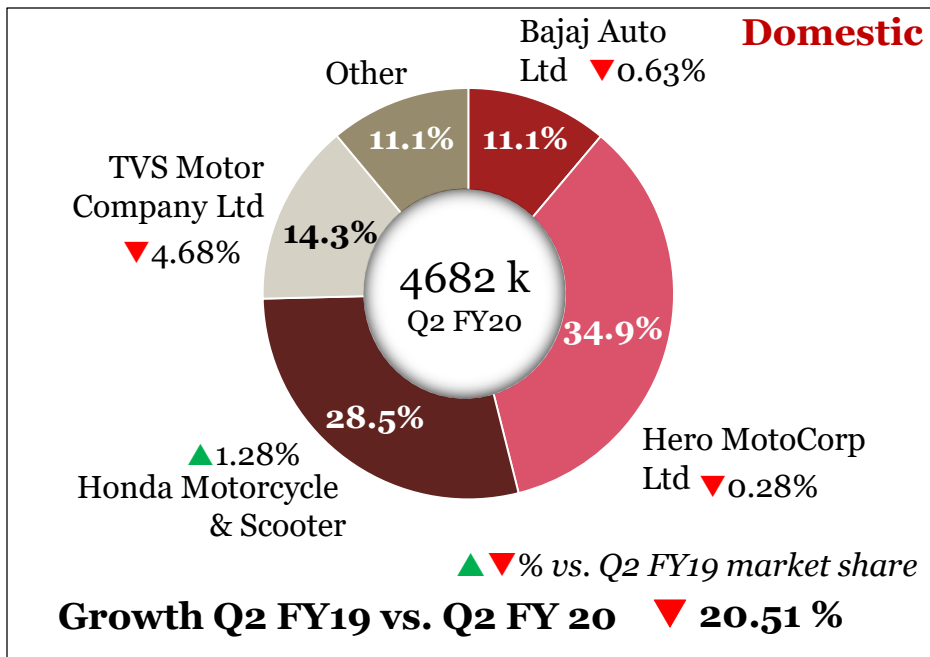


- The sharpest decline within the segment was posted by vans at 45% with domestic sales of 30,304 units, followed by passenger cars at 37.7%.
- The slowdown in PV demand this quarter is attributed to the weak credit supply due to the NBFC crisis along with rising lifetime cost of operation.

- PV exports for Q1 FY20 have recorded positive growth against weak domestic sales. Increase in exports is led by passenger cars which have grown at 5.1% at 192,186 units.
- Hyundai Motor has registered the highest exports market growth among OEMs this quarter. Hyundai's passenger car exports grew by 7.74% & utility vehicle exports grew by 29.19% over Q1 FY19

Source : SIAM, PwC Analysis

2 wheelers

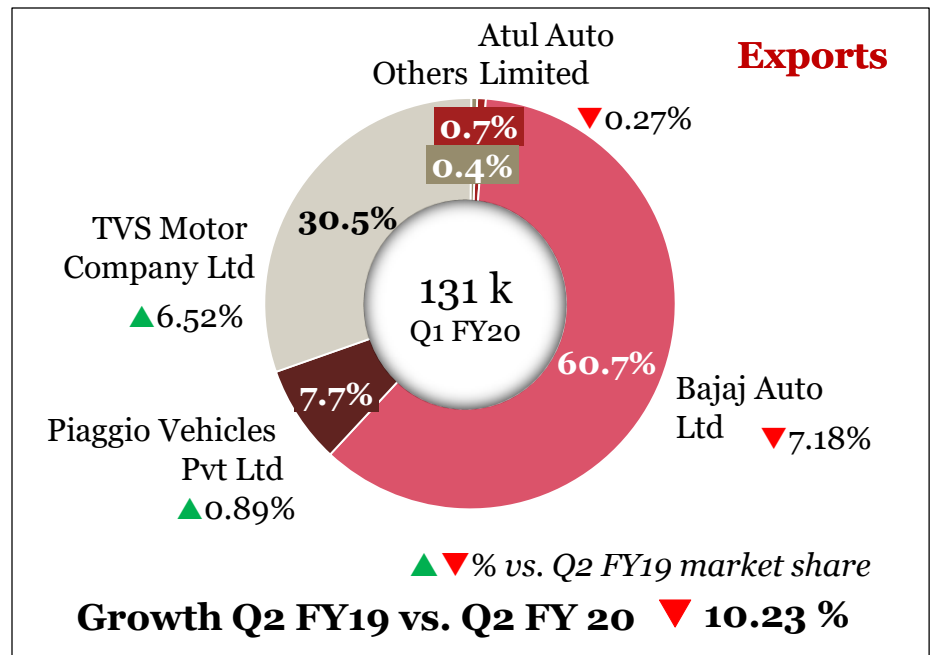
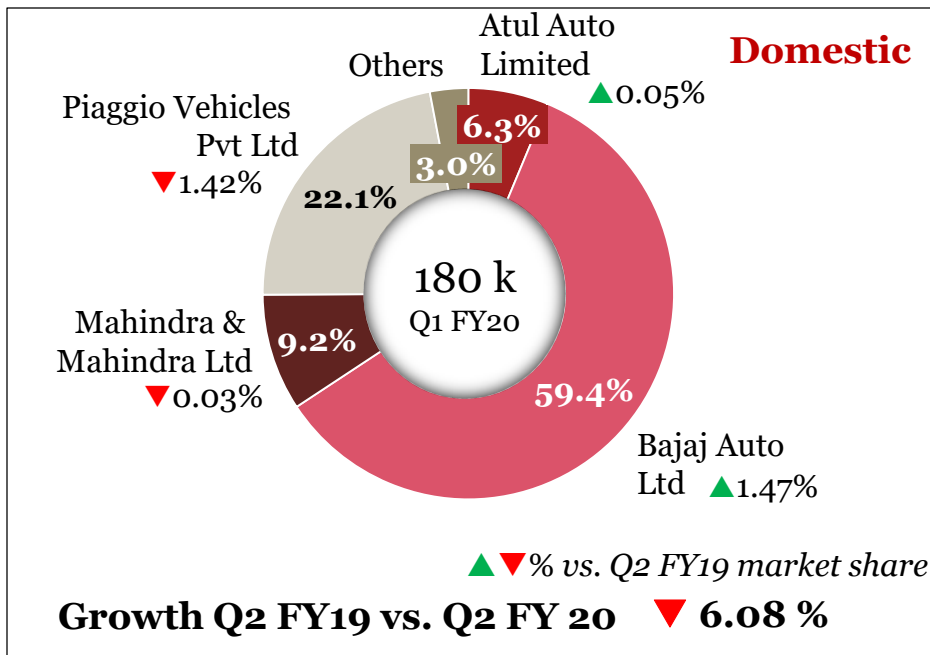


- Motorcycles experienced muted demand due to slowdown in rural economy, NBFC credit crunch & increased prices due to mandatory CBS & ABS since April'19.
- Mopeds registered the sharpest decline in sales over Q1 FY19 at 30.83%, followed closely by Motorcycles at 21.61%.
- Honda Motorcycle witnessed the largest increase in market share.

- 2 wheeler exports recorded positive growth Q1 FY20 on account of geography additions over the years and enhanced market share in these geographies.
- Scooters witnessed a decline in exports at 9.99%, with Honda Motorcycle exports falling by 19.8%. Motorcycle exports grew at 7.54%, with an increase of 55,773 units.

Source : SIAM, PwC Analysis

3 wheelers



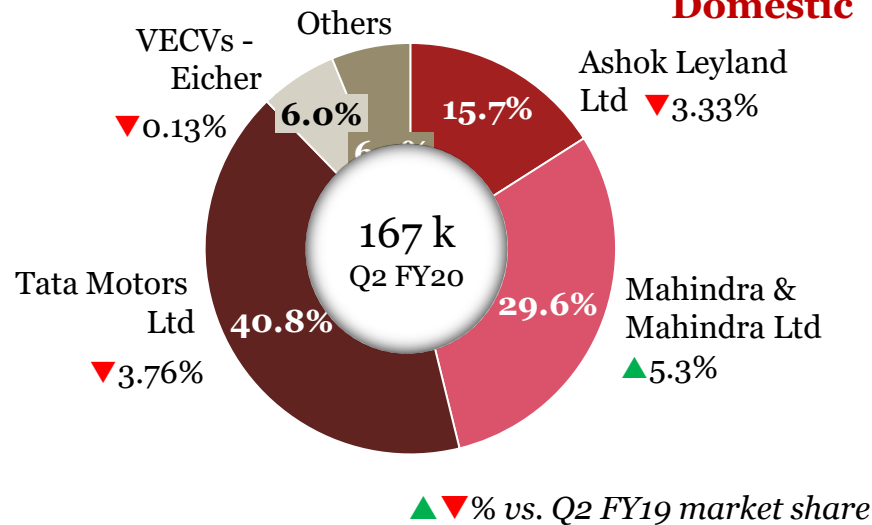
- Passenger carrier sales declined by 4.46% while sales for good carriers fell by 14.41%.
- Bajaj Auto Ltd was able to grow its market share despite being the industry leader and facing a sales decline of 4124 units.

- Passenger carriers recorded a decline of 10.31% in exports. Goods carriers recorded a 4.15% decline compared to this time last year,.
- Bajaj Auto & TVS Motor continue to dominate the 3 wheelers export market with both accounting for more than 90% of 3 wheeler exports.

Source : SIAM, PwC Analysis

Commercial vehicles

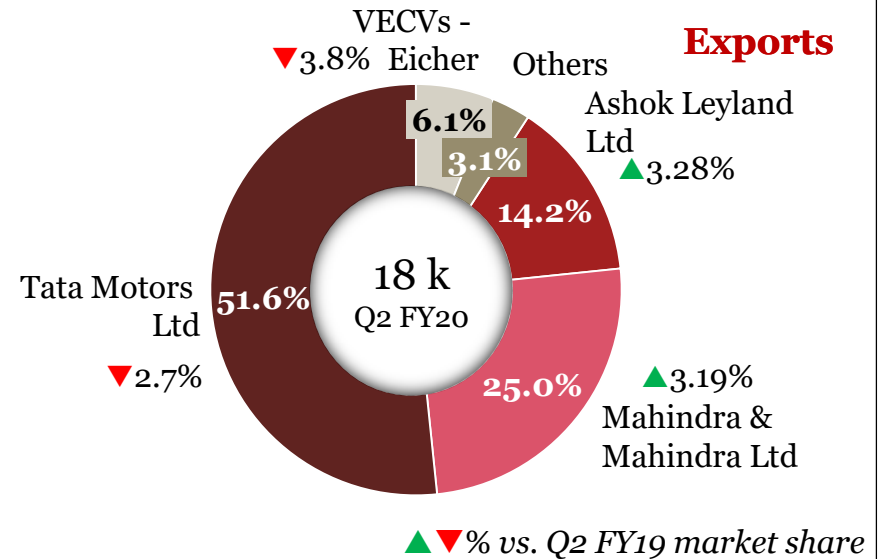
Domestic



Growth Q2 FY19 vs. Q2 FY 20 ▼ 34.97 %

- Sales for Medium & heavy commercial vehicles declines by 16.6% while Light commercial vehicle sales declined by 5.1%..
- Tata Motors and Mahindra & Mahindra together account for nearly 70% of domestic sales.

Exports

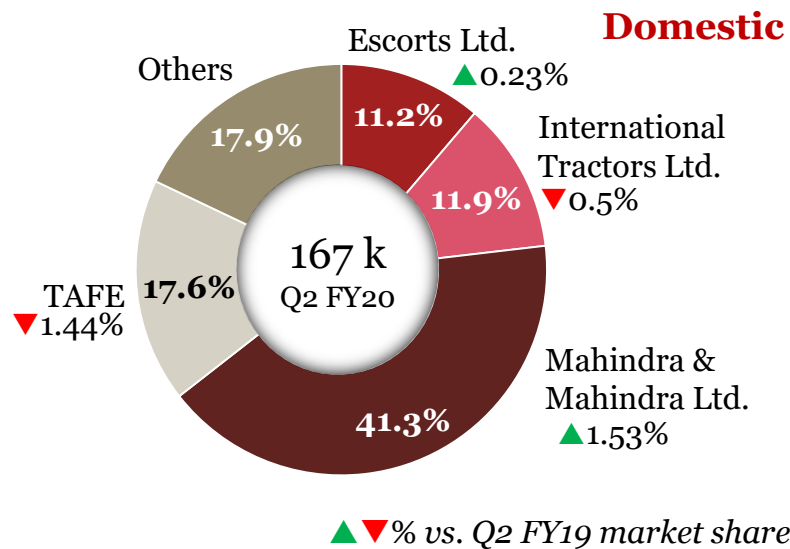


Growth Q2 FY19 vs. Q2 FY 20 ▼ 32.2%

- Medium & Heavy commercial vehicles witnessed a decline of 49% in export volumes while Light commercial vehicle exports declined by 15%.
- While Tata motor remains the largest exporter in the commercial vehicles space, Mahindra and Mahindra as well as Ashok Leyland have cut into their market share over the past half year.

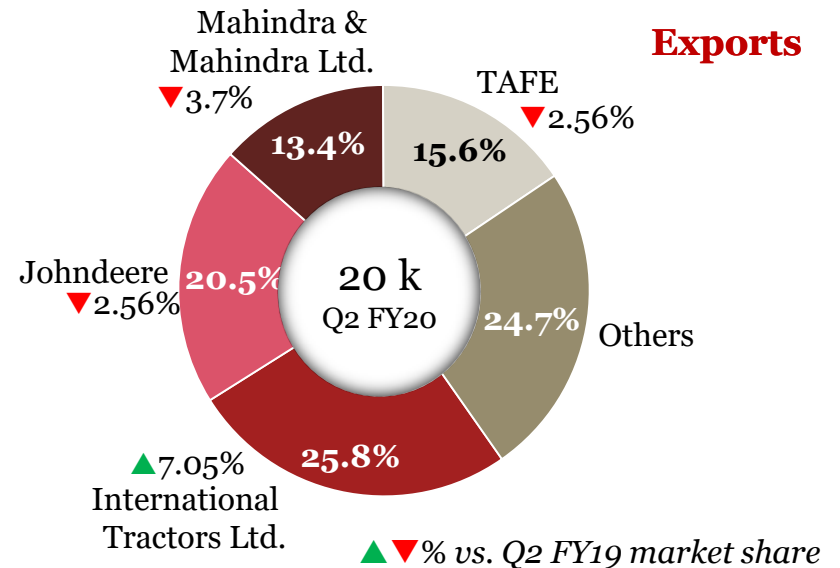
Source : SIAM, PwC Analysis

Tractors



Growth Q2 FY19 vs. Q2 FY 20 ▼ 9.98 %

- Domestic sales slumped 9.98% over Q2 FY19 over stagnating rural income growth.
- The largest player remains Mahindra and Mahindra, who were able to further grow their market share.



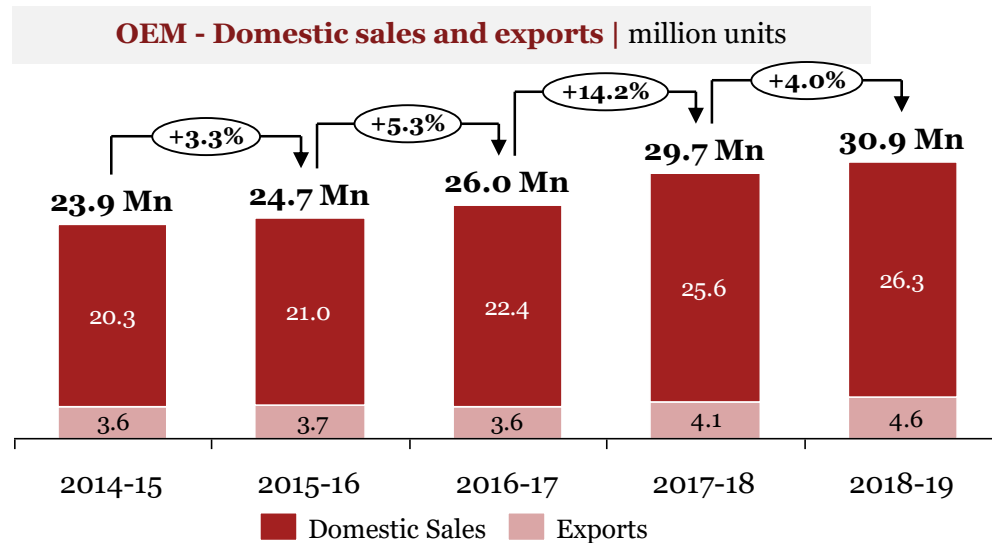
Growth Q2 FY19 vs. Q2 FY 20 ▼ 15.9 %

- Tractor exports fell by 15.9% over Q2 FY19, compared to a 27.8% Quarter on Quarter decline in Q1FY19.
- Over 45% of the export market is controlled by International Tractors Ltd. And Johndeere

Source : TMA, CRISIL, PwC Analysis

Appendix

FY19 automotive industry performance overview



Indian automotive domestic sales and exports grew at an overall **CAGR of 5.3 % over last 5 years**.

Slowing GDP growth, decreased investment & stable rupee in Q1 FY20

⚡ GDP growth ▼ FY19 💎 FDI ▼ in FY19

📈 \$ to Rupee conversion rates stabilized in Q2 FY20

Vehicle	Dom. Sales CAGR FY 15 - 19	Exports CAGR FY 15 - 19
	▲ 8.1%	▲ 7.8%
	▲ 7.1%	▲ 5.9%
	▲ 7.9%	▲ 5.9%
	▲ 2.9%	▲ 8.0%
	▲ 7.3%	▲ 1.9%
TOTAL	▲ 7.7%	▲ 6.8%



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

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