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# *Quarterly vehicle industry performance – Q1 FY20*

Prepared for ACMA

*Strictly private  
and confidential*

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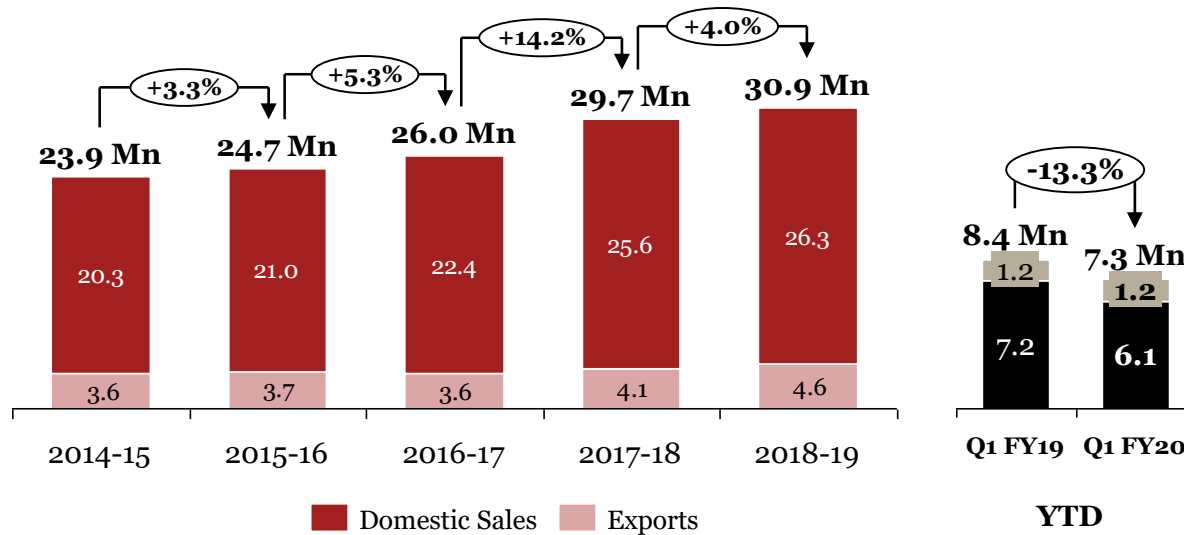
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# *Executive Summary*

# Automotive industry performance overview

## Q1-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 increase in vehicle ownership costs

- Increased operating costs due to higher fuel & insurance costs
- Increase in financing costs due to liquidity crunch along with slowing income growth

Vehicle segment	Dom. Sales Q-o-Q Q1 19-Q1 20	Exports Q-o-Q Q1 19-Q1 20
	▼ 11.7%	▲ 3.1%
	▼ 18.4%	▲ 3.6%
	▼ 9.5%	▼ 52.4%
	▼ 14.8%	▼ 27.8%
	▼ 7.3%	▼ 13.0%
<b>TOTAL</b>	▼ 12.3%	▲ 0.2%

## Key Updates

### Past Trends

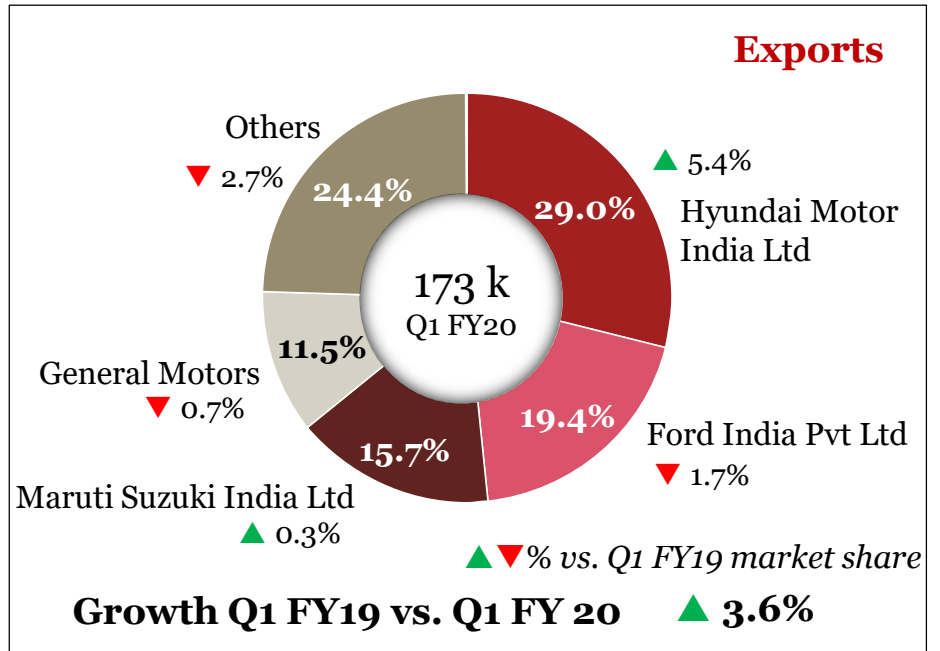
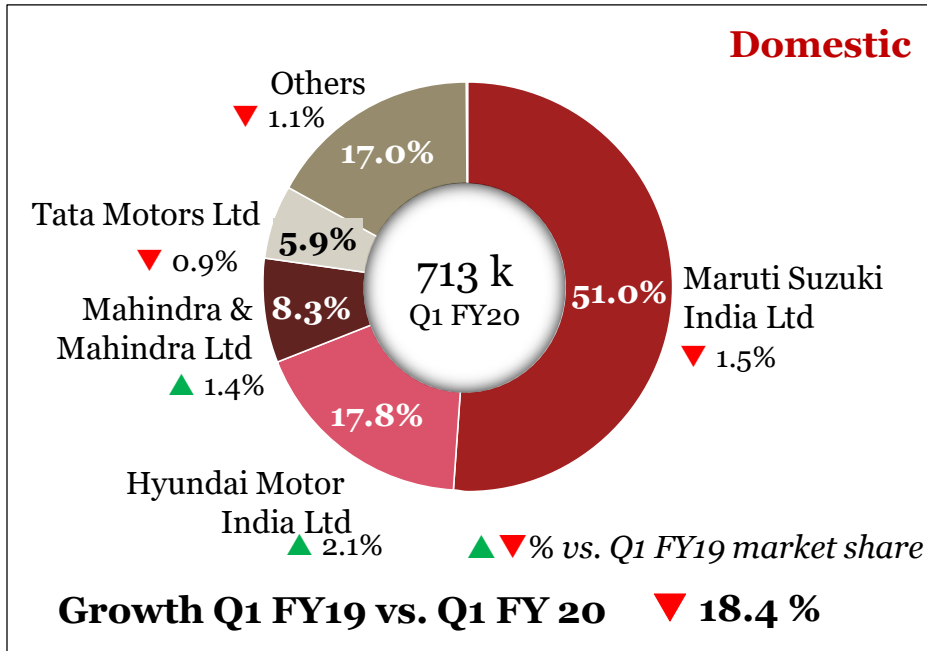
- The growth momentum in the auto sector has slowed down to increased vehicle ownership costs, high \$-rupee conversion, slowing income growth and the NBFC crisis.
- Many vehicle makers had production shut downs and last minute closures took place in anticipation of the GST ushering in lower product prices. Hence, **consumers delayed their purchases** that in turn led to very significant drop in sales in 2017.
- Crude oil prices pressured up fuel prices as the low base effect of early 2018 thinned out which in turn impacted sales.
- The passenger vehicle segment saw successful new rollouts of Toyota Glanza along with Hyundai's Venue.

### Going Forward

- 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.
- Medium & Heavy Commercial vehicles and Tractors show signs of revival as the government announced to increase infrastructure spending, improve rural road connectivity & increase farmer income.
- Planned shutdowns by OEMs to manage rising inventories at dealerships may continue in the later half of 2019. Dealer inventories have risen from 45-50 days in May to 60-65 days in June.
- OEM margins shall continue to remain thin or decrease further due to sharp regulatory cost pressures such as safety, insurance & emission compliance costs.
- 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.

# *Segment wise Q1 FY 20 industry performance*

## Passenger vehicles



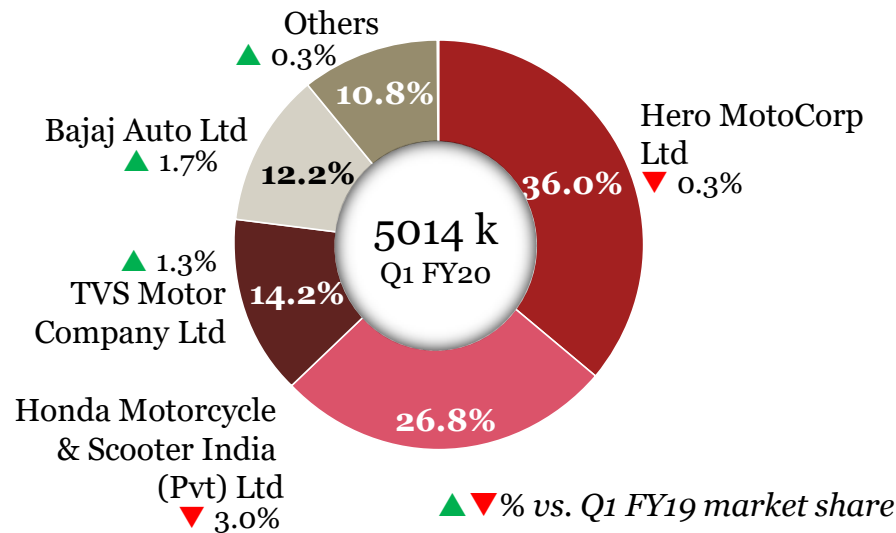
- The sharpest decline within the segment was posted by vans at 25.7% with domestic sales of 40,943 units, followed by passenger cars at 23.3%.
- Customer sentiments continue to be moderate
- The slowdown in PV demand this quarter is attributed to the weak credit supply due to the NBFC crisis along with 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 6.3% at 136,2014 units.
- Hyundai Motor has registered the highest exports market growth among OEMs this quarter. Hyundai's passenger car exports grew by 29.7% & utility vehicle exports grew by 18.9% over Q1 FY19

Source : SIAM, PwC Analysis

## 2 wheelers

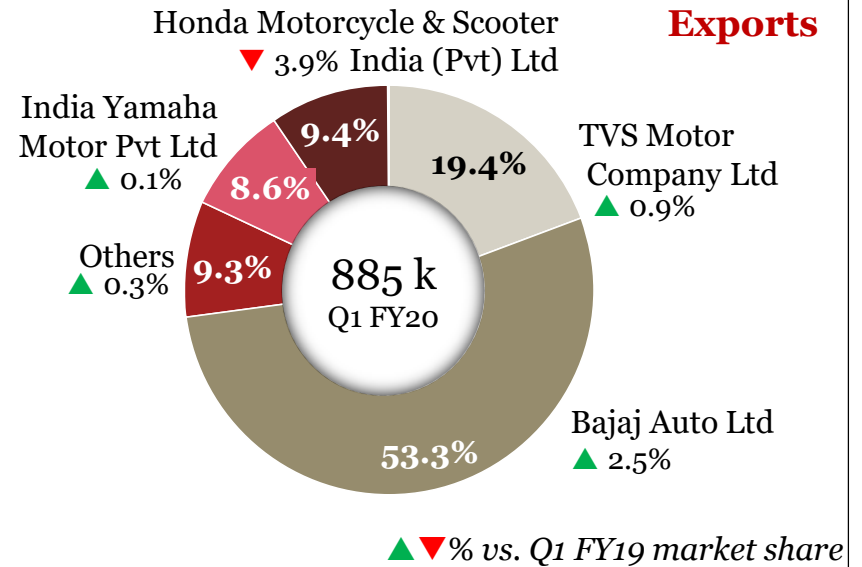
### Domestic



**Growth Q1 FY19 vs. Q1 FY 20 ▼ 11.7 %**

- 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 19%, followed closely by scooters at 16.7%.
- Bajaj Auto Ltd & TVS Motors reported increase in domestic market share owing to aggressive pricing strategies.

### Exports



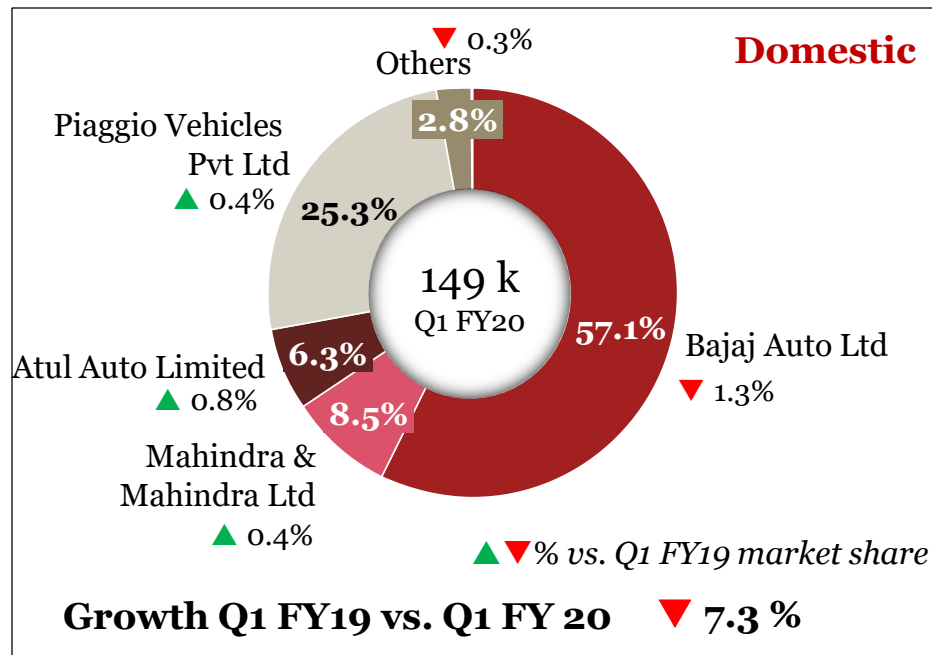
**Growth Q1 FY19 vs. Q1 FY 20 ▲ 3.1 %**

- 2 wheeler exports recorded positive growth Q1 FY20 on account of geography additions over the years and enhanced market share in these geographies.
- Mopeds witnessed a heavy decline in exports at 61.1% compared to an increase in exports of 154.32% in Q1 FY19. Motorcycle exports grew at 6.1% despite a high base.

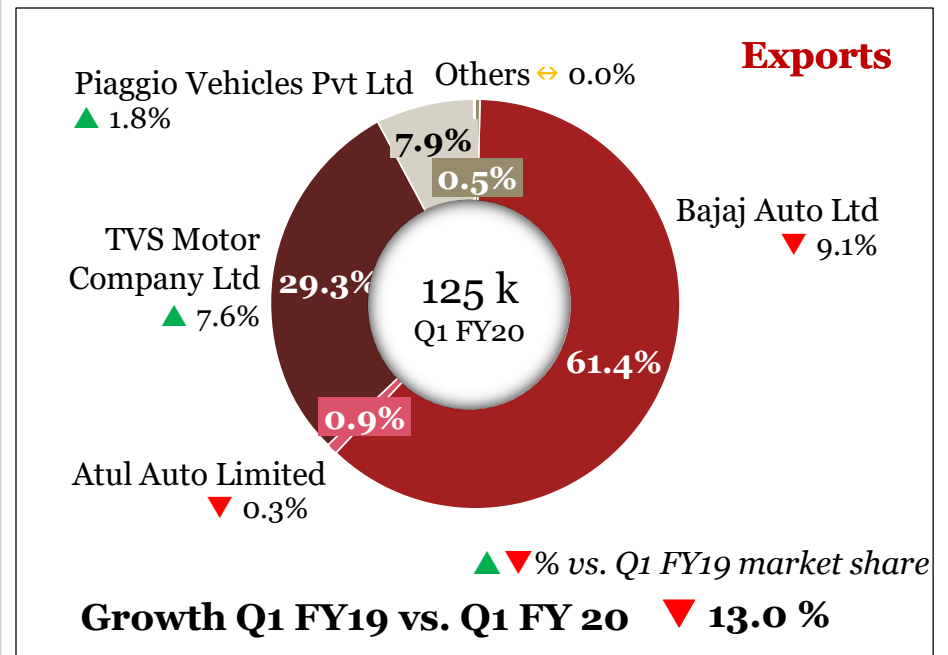
Source : SIAM, PwC Analysis



## 3 wheelers



- Passenger carrier sales declined by 8.7% while sales for good carriers fell by 1.5%.
- Decrease in sales numbers can be attributed to market corrections since passenger carriers recorded abnormally high growth of 64.5% and goods carriers recorded a growth of 21% for Q1 FY19.

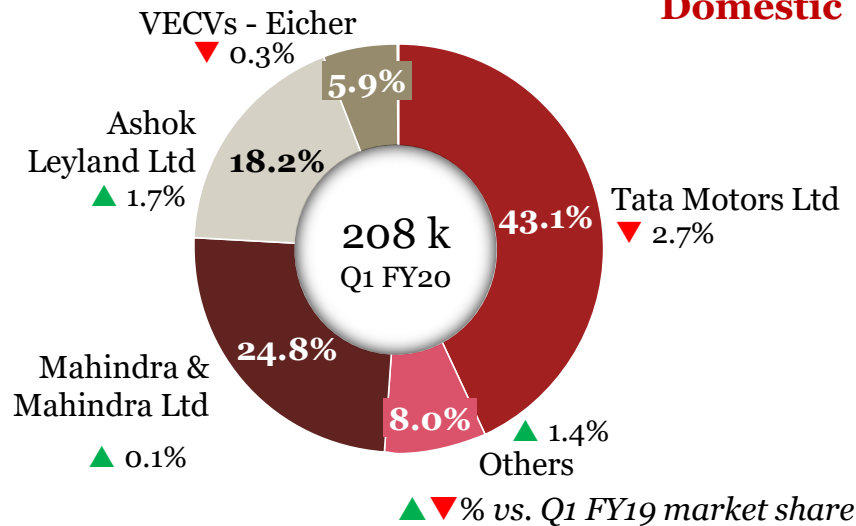


- Passenger carriers recorded a decline of 13.5% in exports on following a 75% volume growth in Q1 FY19. Goods carriers recorded a 44.3% volume growth this quarter due to a low base of 1189 units only.
- Bajaj Auto & TVS Motor continue to dominate the 3 wheelers export market with both accounting for more than 90% of 3 wheeler exports.

Source : SIAM, PwC Analysis

## Commercial vehicles

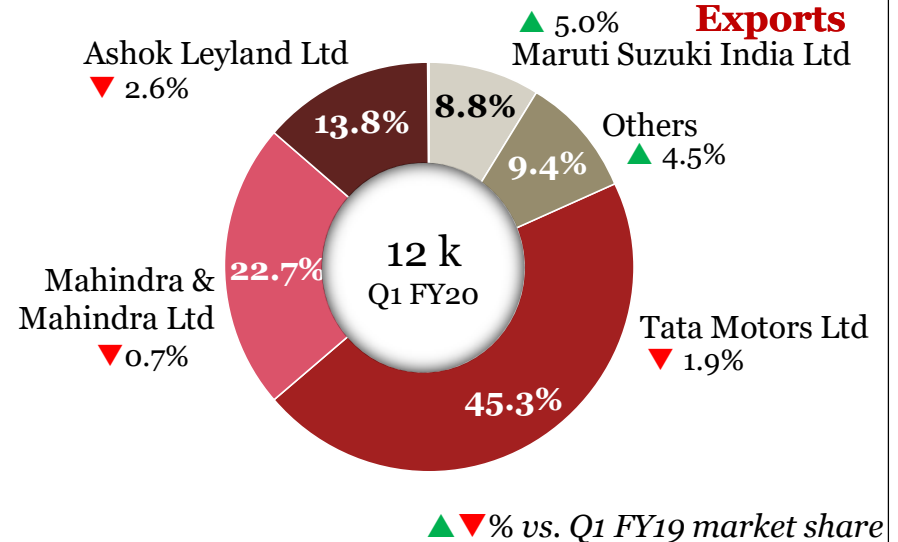
### Domestic



**Growth Q1 FY19 vs. Q1 FY 20 ▼ 9.5 %**

- Sales for Medium & heavy commercial vehicles declines by 16.6% while Light commercial vehicle sales declined by 5.1%. Sales volume decrease in commercial vehicles is attributed to the muted investment scenario in the country.
- Increased infrastructure spending announcements in current budget & improved connectivity efficiency signal a positive growth sentiment for M&HCVs.

### Exports



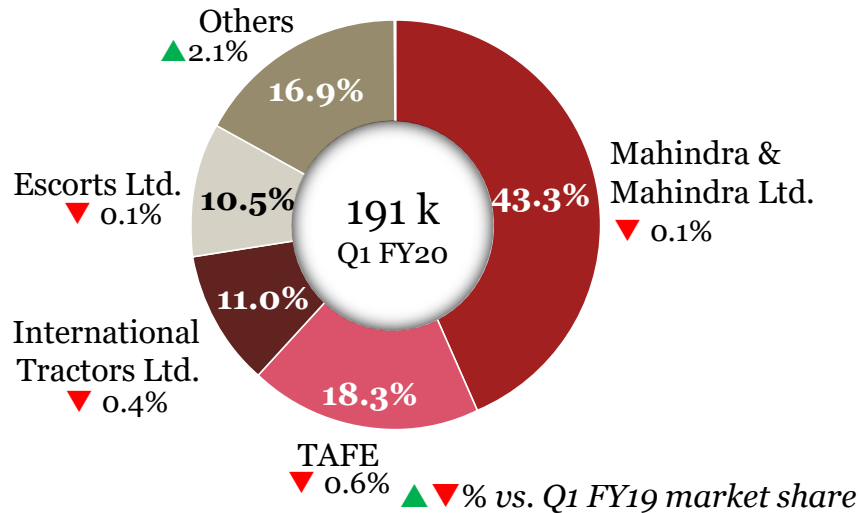
**Growth Q1 FY19 vs. Q1 FY 20 ▼ 52.4 %**

- Medium & Heavy commercial vehicles witnessed a decline of 57% in export volumes while Light commercial vehicle exports declines by 48.5%.
- While Tata motor remains the largest exporter in the commercial vehicles space, Maruti Suzuki has gained 5% market share owing to Light goods carriers EECO Cargo & Super CARRY.

Source : SIAM, PwC Analysis

# Tractors

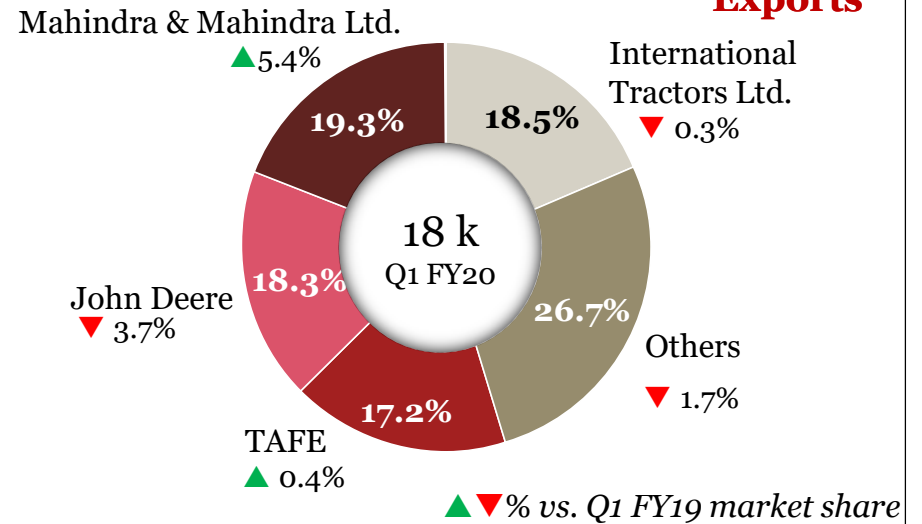
## Domestic



**Growth Q1 FY19 vs. Q1 FY 20 ▼ 14.8 %**

- Domestic sales slumped 14.8% over Q1 FY19 over stagnating rural income growth.
- Strong segment growth is expected to ensue in the coming quarters due to the government’s focus on increasing farmer income and improving rural road connectivity.

## Exports



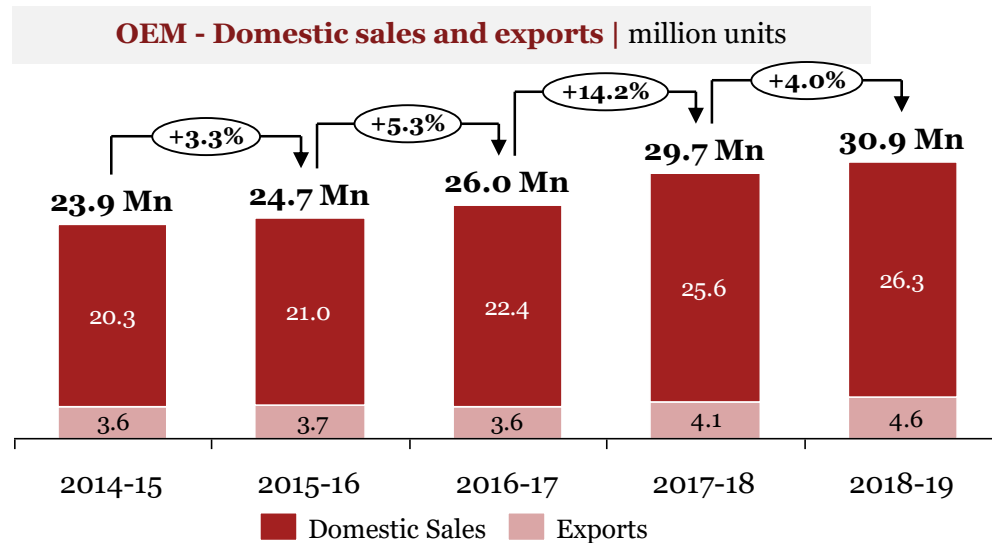
**Growth Q1 FY19 vs. Q1 FY 20 ▼ 27.8 %**

- Tractor exports fell by 27.8% over Q1 FY19.
- In a bid to further expand international footprint, many players are introducing and adopting newer technologies to make their tractor models export compliant in developed markets such as Europe.

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 Q1 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%
<b>TOTAL</b>	▲ 7.7%	▲ 6.8%



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