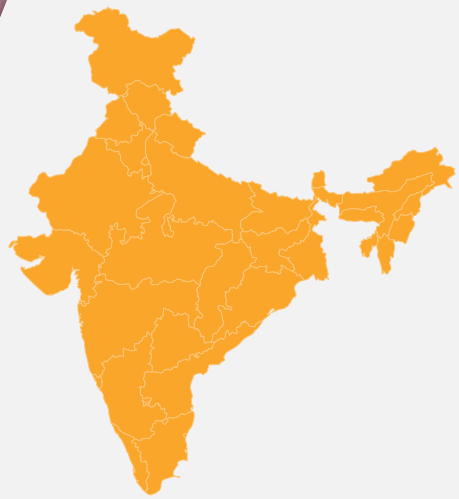


AUTOMOBILES



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EXECUTIVE SUMMARY

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4th largest automobile market

- 4th largest auto market in 2017 with sales increasing 9.5 per cent year-on-year to 4.02 million units in 2017.
- Presence of established domestic and international original equipment manufacturers (OEMs).
- Strong market in terms of both, the domestic demand and exports.
- 4th largest manufacturer of cars and 7th largest manufacturer of commercial vehicles in 2017.
- Automobile exports to grow at a CAGR of 3.05 per cent during 2016-2026.
- Indian automotive industry (including component manufacturing) is expected to reach Rs 16.16-18.18 trillion (US$ 251.4-282.8 billion) by 2026.

Segmented Market

- Automobile sector split into four segments , each having few market leaders.
- Two-wheelers and passenger vehicles dominate the domestic demand.
- Two-wheelers accounted for 81 per cent of domestic demand in 2017-18.

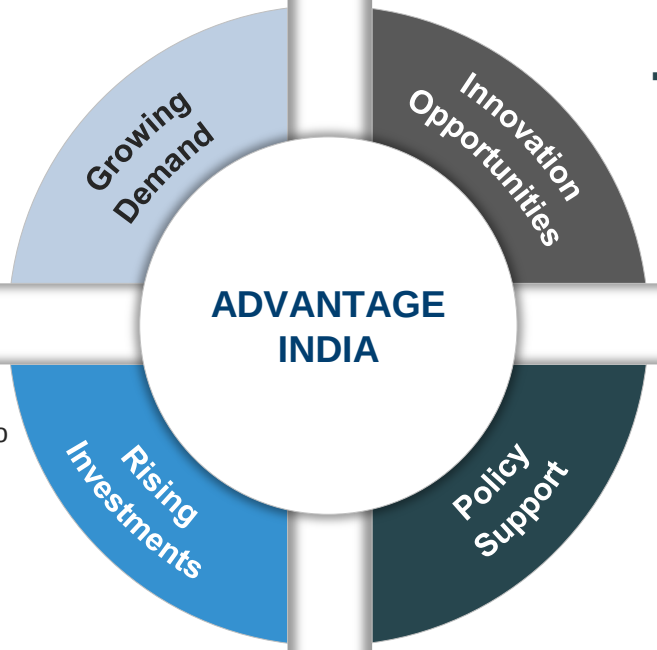
Positive growth prospects

- Exports grew at 6.86 per cent CAGR between FY13-18.
- Two-wheelers are expected to grow 9 per cent in 2018.
- Strong policy support from government.
- Indian auto industry is expected to see 8-12 per cent increase in its hiring during FY19.

Sources: *SIAM, OICA, Aranca research, Business Standard*

ADVANTAGE INDIA

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- Strong growth in demand due to rising income, middle class, and a young population.
- Indian automotive industry targeting to increase exports of vehicles five times in 2016-26.
- Domestic automobile sales increased at 7.01 per cent CAGR between FY13-18.

- Focus shifting on electric cars to reduce emissions.
- Innovation is likely to intensify among engine technology & alternative fuels.
- Government aims to build India into an R&D hub.

- India has significant cost advantages; auto firms save 10-25 per cent on operations vis-à-vis Europe & Latin America.
- Cumulative FDI inflow of around US$ 18.413 billion in automobiles sector between April 2000 – December 2017.

- Automotive Mission Plan : 2016-26 shows clear vision of government.
- The government aims to develop India as a global manufacturing centre.
- Reforms like GST to help boost the sector's growth.

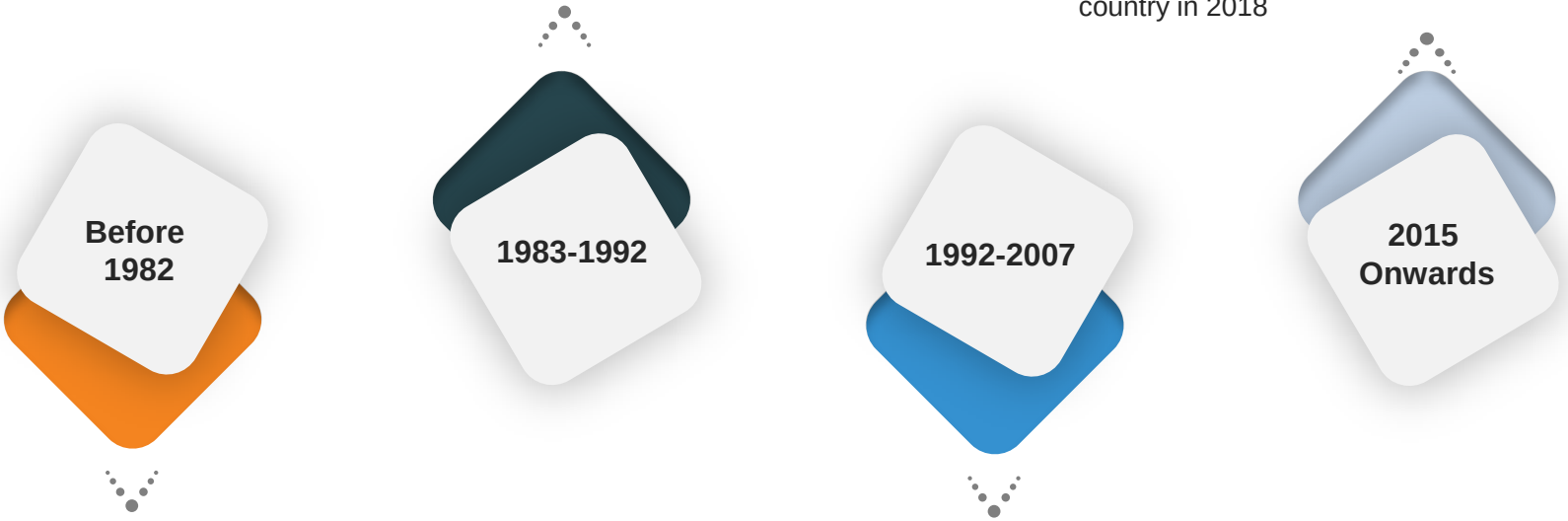
Sources: *Automotive Mission Plan (2016–2026), Make in India, SIAM*

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MARKET OVERVIEW

MARKET OVERVIEW



- Closed market
- 5 players
- Long waiting periods & outdated models
- Seller's market

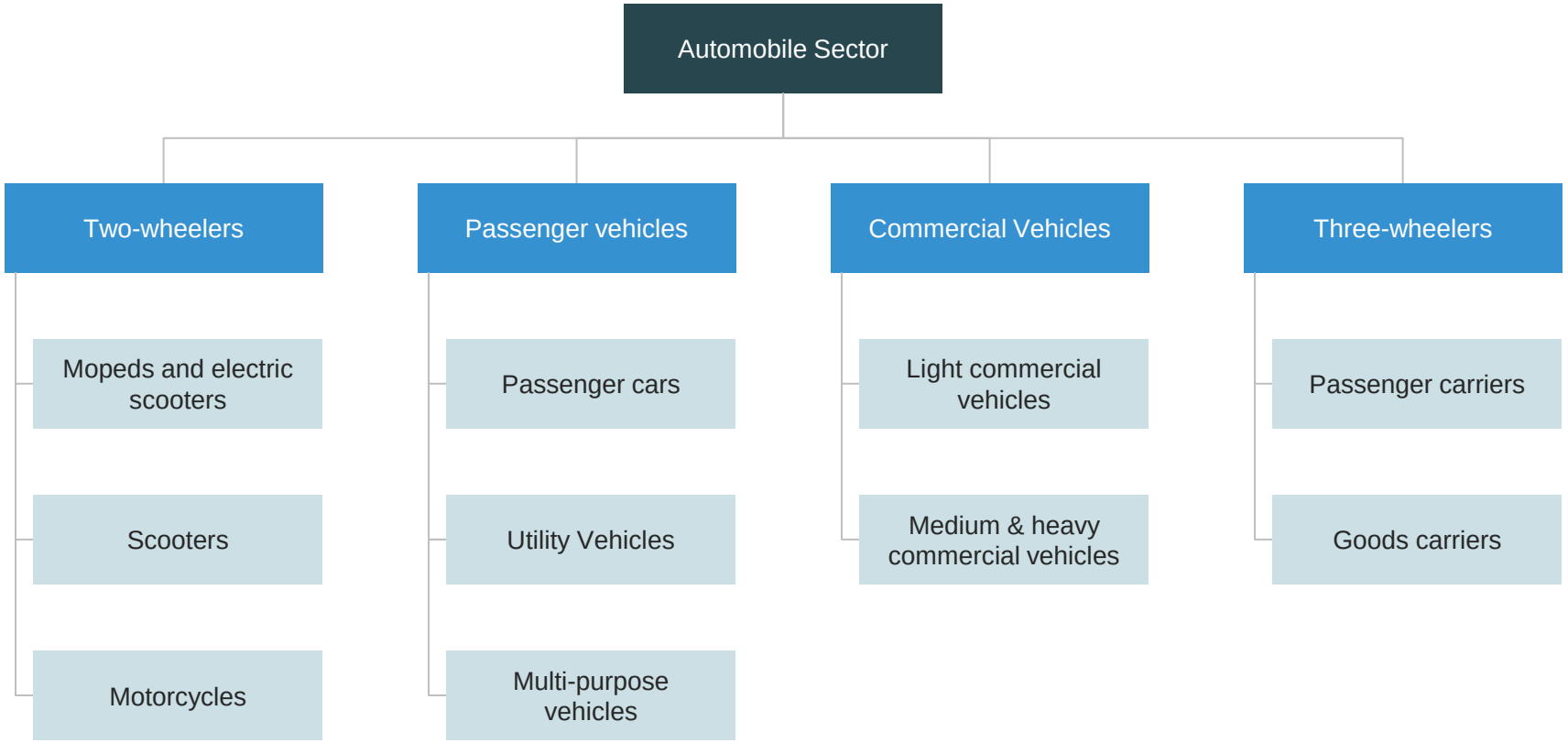
- Indian government & Suzuki formed Maruti Udyog and commenced production in 1983
- Component manufacturers entered the market via JV
- Buyer's market

- Sector de-licensed in 1993
- Major Original Equipment Manufacturers (OEMs) started assembly operations in India
- Imports permitted from April 2001
- Introduction of value- added tax in 2005

- Automotive Mission Plan 2016-26 launched in 2015
- Bharat Stage IV emission norms since April 2017
- 29.1 million vehicles produced in 2017-18
- More than 40 companies operating in the country in 2018

Sources: *Tata Motors, Society of Indian Automobile Manufacturers (SIAM), Aranca Research*

MARKET OVERVIEW

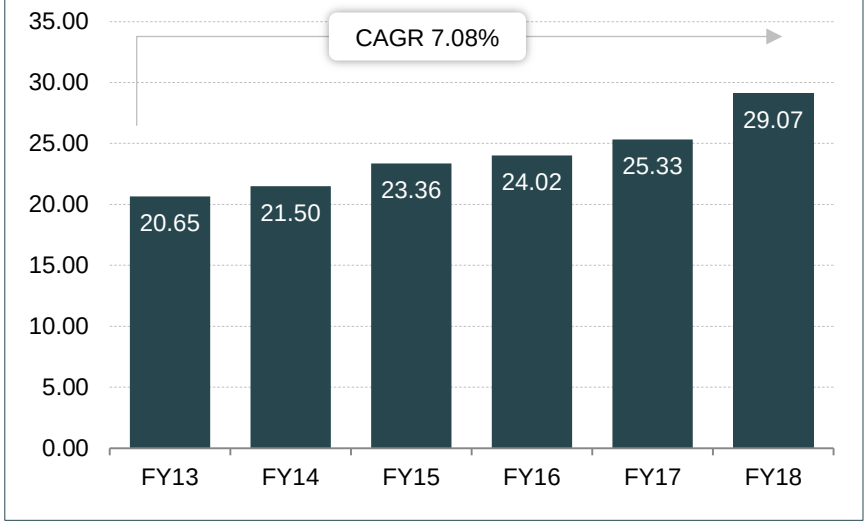


Source: *Aranca Research, Annual Report*

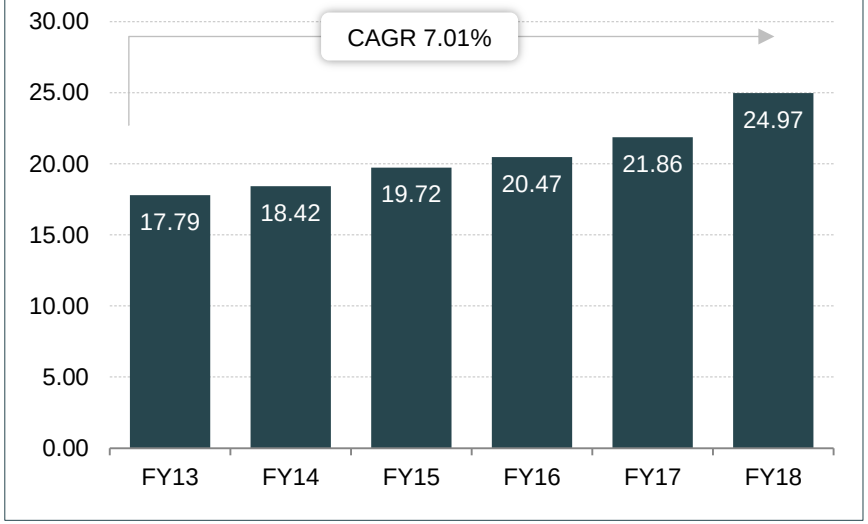
MARKET OVERVIEW

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Number of automobiles produced in India (in millions)



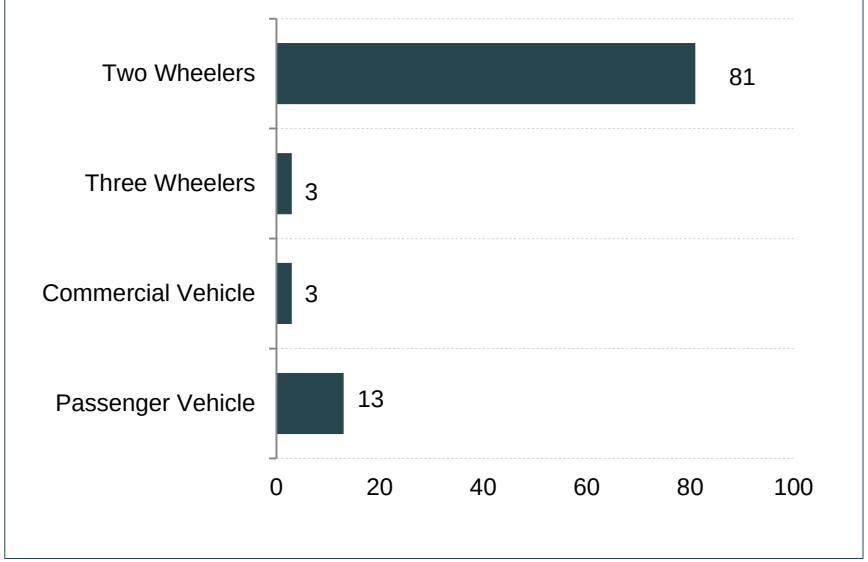
Number of automobiles sold in India (in millions)



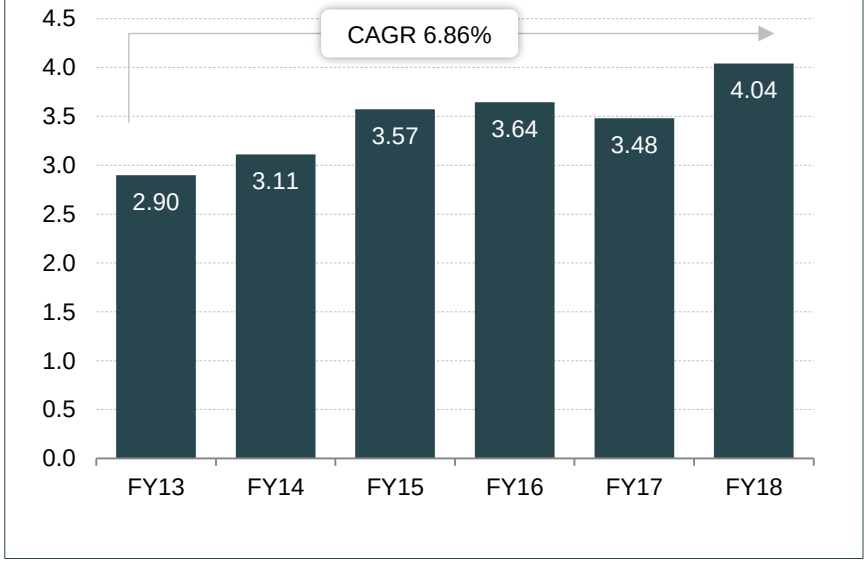
- India became the 4th largest auto market in 2017 with sales increasing 9.5 per cent year-on-year to 4.02 million units in 2017.
- The automotive manufacturing industry comprises the production of commercial vehicles, passenger cars, three & two-wheelers.
- Domestic automobile production increased at 7.08 per cent CAGR between FY13-18 with 29.07 million vehicles manufactured in the country in FY18.
- Domestic automobiles sales increased at 7.01 per cent CAGR between FY13-18 with 24.97 million vehicles getting sold in FY18
- In April 2018, automobile production in the country reached 2,645,618 units, an year-on-year increase of 17.95 per cent.

Source: *Society of Indian Automobile Manufacturers (SIAM), The Economic Times*

Segment-Wise Domestic Market Share in FY18 (%)



Number of automobiles exported (in millions)



- Two-wheelers and passenger vehicles dominate Indian auto market. Domestic passenger car sales are dominated by small and mid-size cars.
- Two-wheelers and passenger cars accounted for 81 per cent and 13 per cent of domestic sales in FY18, respectively.
- Overall automobile exports reached 4.04 million vehicles in FY18, implying a CAGR of 6.86 per cent between FY13-18. Two-wheelers made up 69.7 per cent of the exported vehicles, followed by passenger vehicles at 18.5 per cent, three-wheelers at 9.4 per cent and commercial vehicles at 2.4 per cent.
- In April 2018, commercial vehicle sales grew 75.95 per cent year-on-year, followed by three-wheelers at 54.17 per cent, two-wheelers at 16.92 per cent and passenger vehicles at 7.5 per cent. Overall exports during April 2018 increased 24.21 per cent year-on-year.

***Source**: Society of Indian Automobile Manufacturers (SIAM)*

Porter's Five Force Framework Analysis

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Threat of Substitutes

- **Low –** The threat from substitute products continues to be low, with public transportation being under developed even in cities.

Bargaining Power of Suppliers

- **Low –** Bargaining power of suppliers is low as most of the auto component manufacturers are specialised in some segments related to only one client.

Competitive Rivalry

- **High –** The competition has turned more intense after the entry of foreign players like Volkswagen and Ford with their changed designs to cater to Indian market.

Bargaining Power of Buyers

- **High –** In a market, like India there is lot of bargaining power available to the customers as there are variety of products available in the same range, by different manufacturers.

Threat of New Entrants

- **Moderate –** The threat of new entrants is generally medium because of the brand equity and capital intensive nature of the business.

Positive Impact
Neutral Impact
Negative Impact

Source: *Aranca Research*

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RECENT TRENDS

RECENT TRENDS

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Luxury Vehicles

- With sales of around 40,000 luxury cars in 2017, India became the 27th most attractive luxury market in the world. The luxury car market in India is expected to grow at 25 per cent CAGR till 2020.
- BMW Group India recorded its highest ever annual sales in 2017 at 9,800 units.
- Mercedes-Benz crossed 16,000 annual sales for the first time in India and sold 16,236 units in 2017-18, recording a 22.5 per growth during the year.
- Premium motorbike sales in India are expected to reach 20,000 units by 2020.

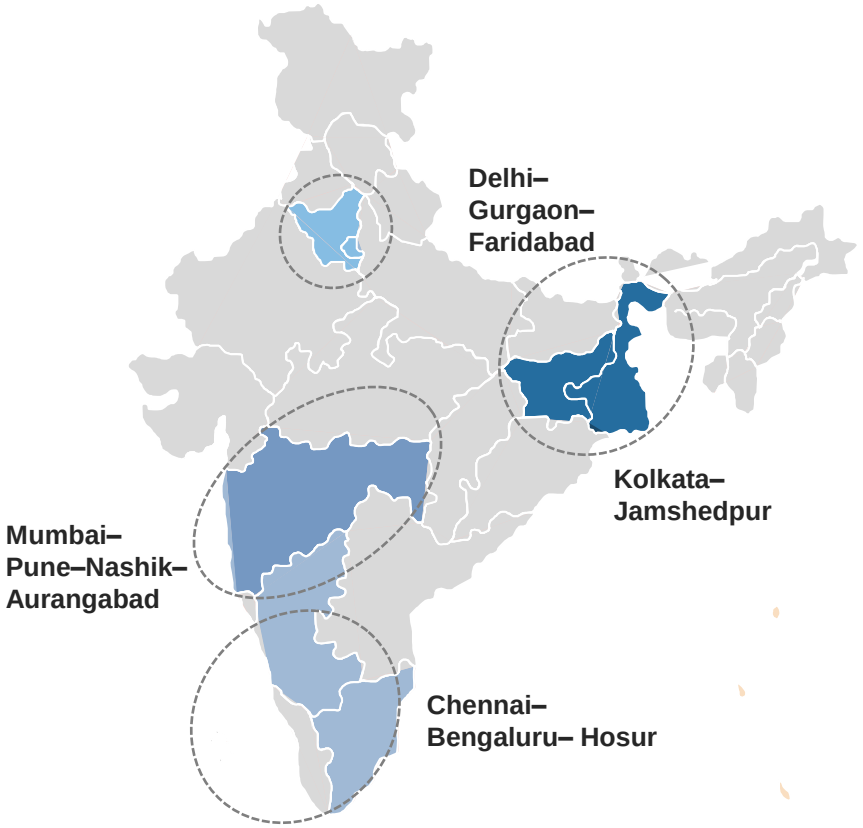
New Financing Options

- Carmakers such as BMW, Audi, Toyota, Skoda, Volkswagen & Mercedes-Benz have started providing customised finance to customers through NBFCs
- Major MNC & Indian corporate houses are moving towards taking cars on operating lease instead of buying them

Electric Vehicles

- Mahindra has launched its new electric car and Tesla motors is also set to enter the Indian market. Suzuki Motors is setting up a battery plant in Gujarat. Electric buses from Tata Motors are in testing phase.
- India's electric vehicle (EV) sales increased to 25,000 units during FY 2016-17 and are poised to rise further on the back of cheaper energy storage costs and the Government of India’s vision to see 6 million electric and hybrid vehicles in India by 2020.
- Sales of electric two-wheelers are estimated to have crossed 55,000 vehicles in 2017-18

Sources: *Society of Manufacturers of Electric Vehicles, Aranca Research, Moneycontrol, Siam*



List of companies

North	Ashok Leyland Force Motors Piaggio Swaraj	Mazda Amtek Auto Eicher Honda SIEL Maruti Suzuki	Tata Motors Bajaj Auto Hero Group Escorts ICML	JCB Yamaha Mahindra Suzuki Motorcycles
West	Ashok Leyland Bajaj Auto FIAT GM	M&M Eicher Skoda Bharat Forge	Tata Motors Volkswagen Renault-Nissan John Deere	Mercedes Benz Tata Hitachi Volvo Eicher
East	TataMotors Hindustan Motors Simpson & Co	International Auto Forgings JMT Exide		
South	Ashok Leyland Ford M&M Toyota Kirloskar	Volvo Sundaram Fasteners Enfield Hyundai BMW	Bosch TVS Motor Company Renault-Nissan TAFE	Daimler Caterpillar Hindustan Motors

Over the past few years four specific regions in the country have become large auto manufacturing clusters, each present with a different set of players.

Sources: *ACMA, Aranca Research*

RECENT STRATEGIES ADOPTED BY COMPANIES IN INDIAN AUTOMOBILES SECTOR

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Capacity Addition

- Hero MotoCorp will invest Rs 2,500 crores (US$ 387.9 million) by FY21 to increase its production capacity in India.
- With the total investment of around US$ 163.7 million, Honda Motorcycle & Scooter India expanded its production of Activa in three variants at Ahmedabad plant.
- Volvo has started local assembly of its cars in India from October 2017.
- Fiat Chrysler Automobiles launched Jeep brand in India 2017, which is being produced indigenously in Ranjangaon, Maharashtra. This is the fourth manufacturing hub, globally, for the brand.
- A new engine assembly line is being set up by the Volkswagen group in Aurangabad.
- Mahindra & Mahindra (M & M) is planning to make an additional investment of Rs 500 crore (US$ 77.23 million) for expanding the capacity for electric vehicles in its plant in Chakan.

Catering Indian needs

- Most of the firms including Ford & Volkswagen have adapted themselves to cater to the large Indian middle class by dropping their traditional structure and designs.
- This allows them to compete directly with domestic firms making the sector highly competitive.

Launch of new models

- Honda is planning to launch three new car models in India by 2020 and will localise the engines to keep the prriceslow.
- Ashok Leyland has planned a capital expenditure of Rs 1,000 crore (US$ 155.20 million) to launch 20-25 new models across various commercial vehicle categories in 2018-19.
- Hero MotoCorp will launch five new two-wheelers in FY19.
- Hyundai will launch its first electric vehicle in India in 2019.
- In January 2018, Ola announced plans to develop electric vehicles, including cars and auto-rickshaws for the Indian market.

Source: *Media sources, Autocar India, Business Today*

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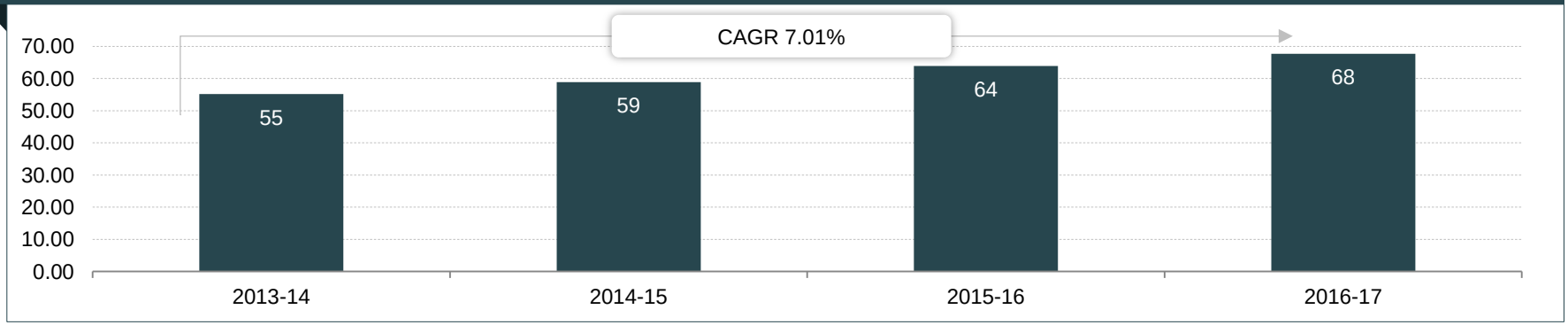


GROWTH DRIVERS AND OPPORTUNITIES

GROWTH DRIVERS

Growing demand	▪ Rising income and a large young population . ▪ Greater availability of credit and financing options. ▪ Demand for commercial vehicles increasing due to high level of activity in infrastructure sector.
Policy Support	▪ Clear vision of Indian government to make India an auto manufacturing hub. ▪ Initiatives like 'Make in India', 'Automotive Mission Plan 2026', and NEMMP 2020 to give a huge boost to the sector.
Support infrastructure and high investments	▪ Improving road infrastructure. ▪ Established auto ancillary industry giving the required support to boost growth. ▪ 5 per cent of total FDI inflows to India went into the automobiles sector.

Gross turnover of automobile manufacturers in India (in US$ billion)



Note: *NEMMP – National Electric Mobility Mission Plan; E - estimate*
Source: *Society of Indian Automobile Manufacturers (SIAM), Aranca Research*

OPPORTUNITIES

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India is fast emerging as a global R&D hub

- Strong support from the government; setting up of NATRIP centres.
- Private players, such as Hyundai, Suzuki, GM, keen to set up R&D base in India.
- Strong education base, large skilled English-speaking manpower.
- Comparative advantage in terms of cost.
- Firms both national and foreign are increasing their footprints with over 1,165 R&D centres.

Opportunities for creating sizeable market segments through innovations

- Mahindra & Mahindra targeting on implementing digital technology in the business.
- Bajaj Auto, Hero Honda & M&M plan to jointly develop a technology for 2-wheelers to run on natural gas.
- Tata Motors to launch MiniCAT, a car running on compressed air,
- Hyundai is planning to enter the hybrid vehicles segment, to explore alternative fuel technology & to avail the government incentives.

Small-car manufacturing hub

- General Motors, Nissan & Toyota announced plans to make India their global hub for small cars.
- Passenger vehicle market is expected to touch 10 million units by 2020. Sales crossed 3.2 million in FY18.
- Strong export potential in ultra low-cost cars segment (to developing & emerging markets).
- Maruti Suzuki launched facelift version of Alto 800, after the success of earlier model

Sources: *Automotive Mission Plan 20216-2026, media sources, Aranca Research*
Note: NATRIP – National Automotive Testing and R&D Infrastructure Project

INVESTMENT SCENARIO

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Indian automobile sector has seen huge investments from both domestic and foreign manufacturers. FDI inflows to the sector were US$ 18.413 billion between April 2000 and December 2017.

Nissan	▪ Planning to double its current investment level of about US$ 2.5 billion over the next five years ▪ Aims to raise its market share to 5 per cent by 2020. ▪ To increase the Chennai Plant capacity to 400,000 units a year in a few years time ▪ The company plans to launch 8 new car models in India by 2021
Toyota	▪ Toyota is planning to invest US$ 165 million on its new engine plants and projects.
Hyundai	▪ Plans to invest US$ 1 billion in India by 2020.
SAIC	▪ Chinese state owned auto major, SAIC Motor has announced investment of over US$ 310 million in India. It is expected to start operations in 2019. In March 2018, SAIC announced that its subsidiary MG Motor India will invest Rs 5,000 crore (US$ 775.8 million) in India over the next six years.
Mercedes-Benz	▪ Increased the plant capacity of 20,000 units per year in Chakan Plant, which is the largest for any luxury car manufacturer in India. ▪ Expansion of MIDC, to invest US$ 244 million for capacity expansion in Chakan, Pune.

Note: MIDC – Maharashtra Industrial Development Corporation; MoU – Memorandum of Understanding

Sources: *Company websites, media sources, Aranca Research, Autocar India*

POLICIES AND INITIATIVES

Support from the Indian government in the form of new policies and initiatives has been crucial in development and growth of Indian automobile sector.

NATRiP	▪ Setting up of R&D centres at a total cost of US$ 388.5 million to enable the industry to be on par with global standards. ▪ Nine R&D centres of excellence with focus on low-cost manufacturing & product development solutions.
Department of Heavy Industries & Public Enterprises	▪ Worked towards reduction of excise duty on small cars and increase budgetary allocation for R&D ▪ Weighted increase in R&D expenditure to 200 per cent from 150 per cent (in-house) & 175 per cent from 125 per cent (outsourced).
The Automotive Mission Plan 2016-26 (AMP 2026)	▪ AMP 2026 targets a 4-fold growth in the automobiles sector in India which includes the manufacturers of automobiles, auto components & tractor industry over the next 10 years.
FAME	▪ Planning to implement Faster Adoption & Manufacturing Of Electric Hybrid Vehicles (FAME) till 2020 which would cover all vehicle segments, all forms of hybrid & pure electric vehicles. Under the scheme, the Government of India is planning to provide grants of up to Rs 105 crore (US$ 16.33 million) to each of the selected city with population of more than a million, for buying electric buses, cars and three-wheelers in FY18. Additional funds will be provided for charging infrastructure. ▪ The Government of India has shortlisted 11 cities in December 2017 to have electric vehicle based public transportation systems under this scheme.

Source: *Aranca Research*

KEY PLAYERS

Each segment in the Indian automobiles sector has few established key players which hold major portion of the market.

- Market leader in the passenger vehicles segment and held around 50 per cent market share in the segment in FY18.
- The company recorded its highest ever sales of 1,779,574 units during 2017-18, a year-on-year increase of 13.4 per cent.

- Market leader in the commercial vehicles segment held 44 per cent market share in FY18.

- Hero MotoCorp and Honda are the top two players in the two-wheelers segment, with market share of 37 per cent and 29 per cent, respectively in FY18.

- Bajaj Auto is a leader in three wheelers with 58.15 per cent market share in FY18.
- Piaggio Vehicles is the second leader in three wheelers with 24.05 per cent market share in FY18.

Source: *Aranca Research, Autocar India, Financial express*

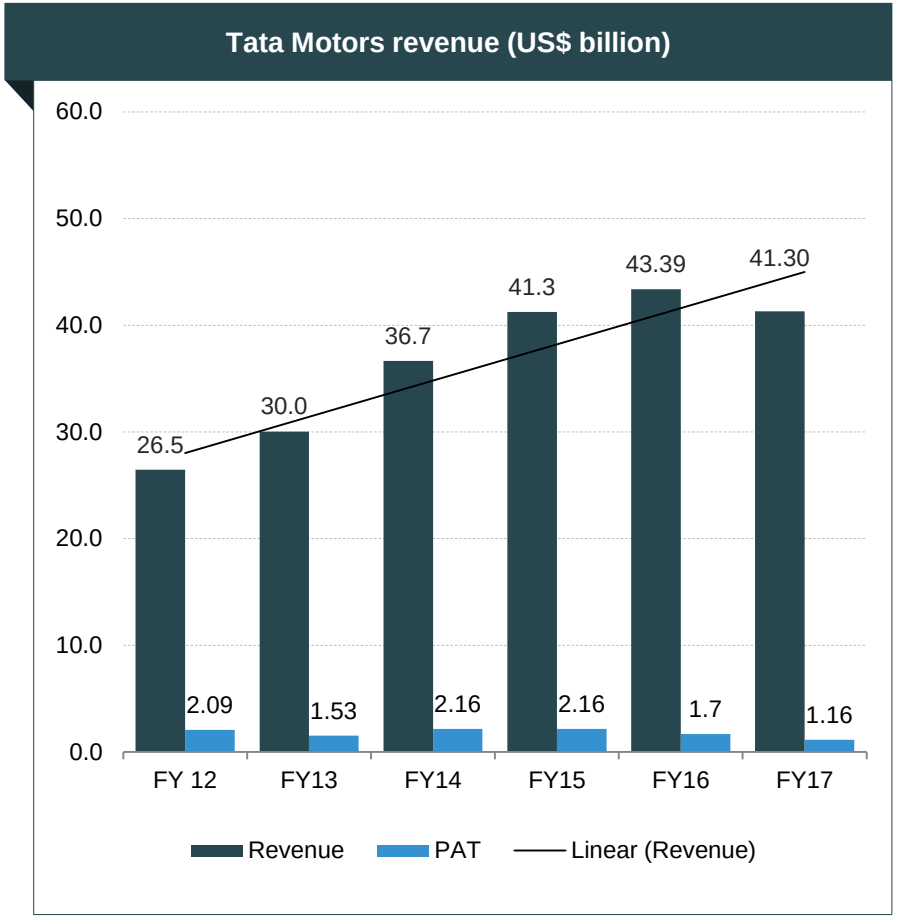
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CASE STUDIES

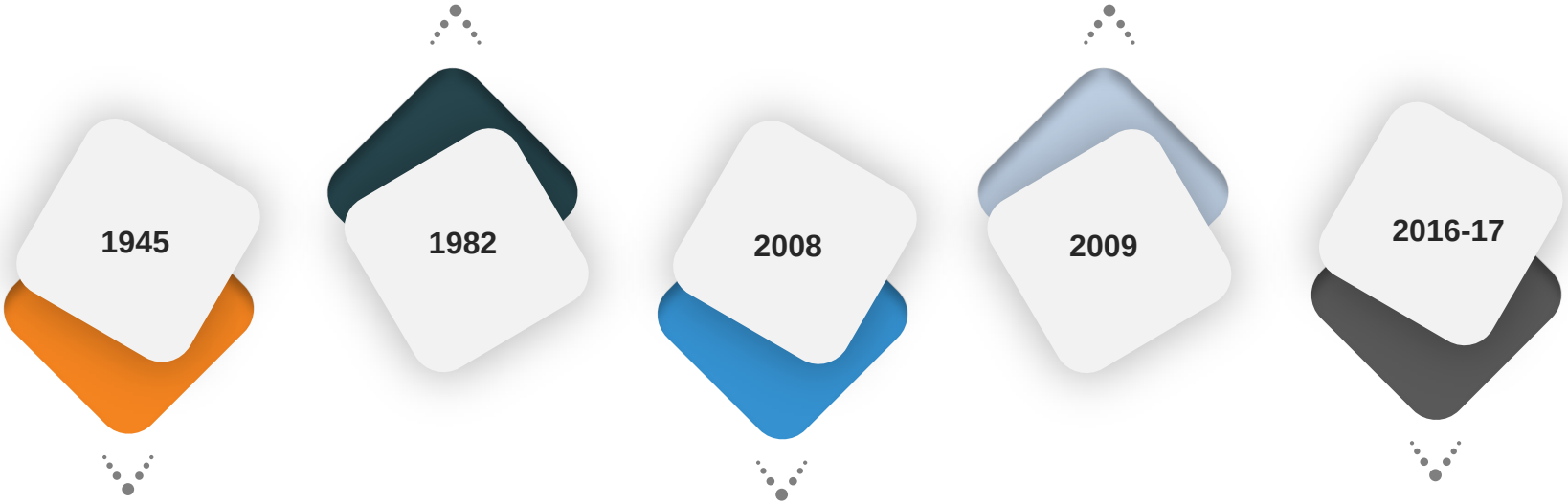
TATA MOTORS



- Tata Motors is part of the Tata group of companies established in 1868.
- Sales operations in over 175 countries.
- The company employs over 60,000 people in India and other locations.
- It is a market leader in the commercial vehicle segment in India with a 42 per cent market share in FY17 and also a key player in the passenger vehicle segment.
- The company has been at the forefront of technology and innovation and launched the cheapest car in the world .
- The company recorded 23 per cent growth in 2017-18 by selling 586,639 commercial and passenger vehicle units.
- Wholesale sales of the company increased 30 per cent year-on-year in April 2018 to 102,297 vehicles.

Source: *Company website, Annual Report*

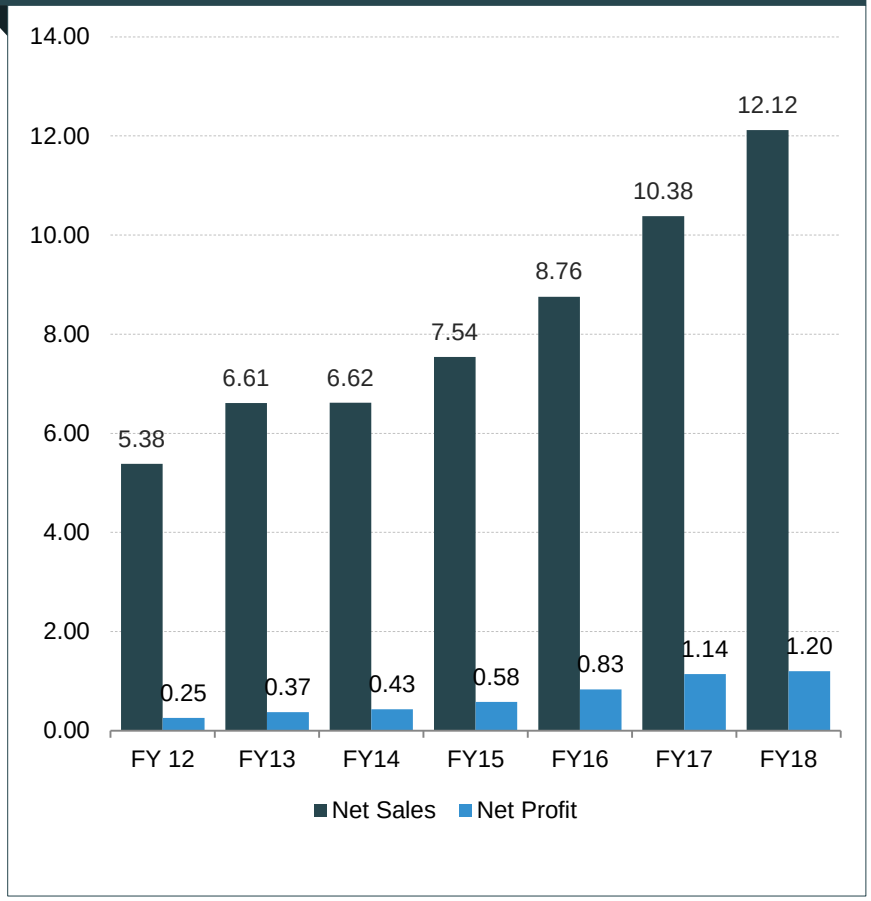
TATA MOTORS: MILESTONES



Sources: *Company Website, Annual Report*
Note: CV – Commercial Vehicle

MARUTI SUZUKI

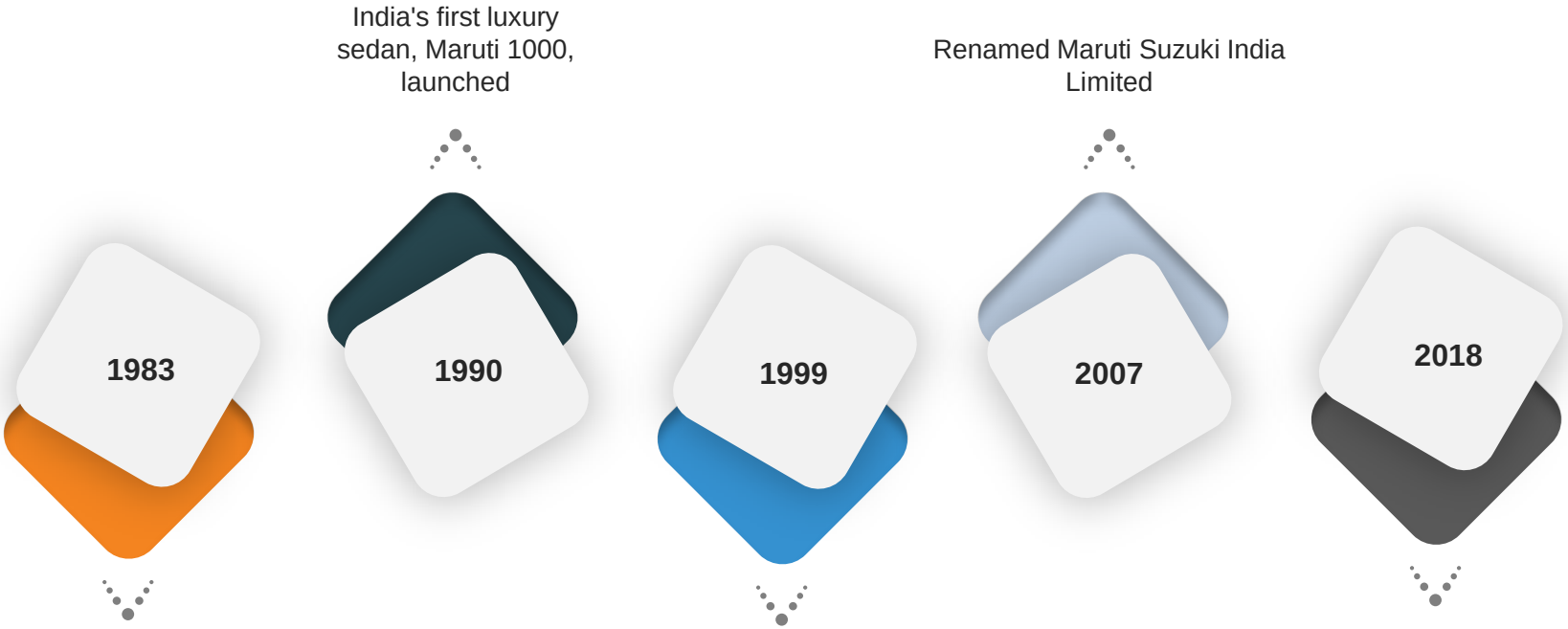
Maruti Suzuki Financials (US$ billion)



- Maruti Suzuki is a majority owned subsidiary of Japanese conglomerate Suzuki.
- The company started in Gurgaon, Haryana as a partnership between the Indian government and was known as Maruti Udyog Limited..
- It is now the undisputed market leader in the passenger vehicles segment in India with a market share of 50 per cent in FY18.
- The company has made the most affordable cars for the Indian middle class for more than three decades.
- New models are being launched each year to hold the position of the leader in its home market.
- The company recorded its highest ever sales of 1,779,574 units during 2017-18, a year-on-year increase of 13.4 per cent.
- Net sales of the company reached Rs 781,048 million (US$ 12.12 billion) in FY18 while the net profit in the year reached Rs 93,036 million (US$ 1.20 billion).
- The company sold 172,986 vehicles in April 2018, implying a 14.4 per cent year-on-year increase.

Source: *Company website, Annual Report*

MARUTI SUZUKI: MILESTONES



Source: *Company website, Annual Report*

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KEY INDUSTRY ORGANISATIONS

INDUSTRY ORGANISATIONS

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Society of Indian Automobile Manufacturers (SIAM)

Core 4-B, 5th Floor, India Habitat Centre
Lodhi Road, New Delhi – 110 003
India
Phone: 91 11 24647810–2
Fax: 91 11 24648222
E-mail: siam@siam.in

FEDERATION OF INDIAN AUTOMOBILE ASSOCIATIONS

Indian Merchant's Chamber Bldg. 76 Veer Nariman
Road – Churchgate, Mumbai - 400020
Phone ; 91 22 2204 1085
Fax: 91 22 2204 1382

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USEFUL INFORMATION

GLOSSARY

- CAGR: Compound Annual Growth Rate
- CV: Commercial Vehicle
- FDI: Foreign Direct Investment
- FY: Indian Financial Year (April to March)
  - So FY17 implies April 2016 to March 2017
- GOI: Government of India
- HCV: Heavy Commercial Vehicle
- INR: Indian Rupee
- LCV: Light Commercial Vehicle
- OEM: Original Equipment Manufacturers
- SIAM: Society of Indian Automobile Manufacturers

EXCHANGE RATES

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Exchange Rates (Fiscal Year)

Year INR	INR Equivalent of one US$
2004–05	44.81
2005–06	44.14
2006–07	45.14
2007–08	40.27
2008–09	46.14
2009–10	47.42
2010–11	45.62
2011–12	46.88
2012–13	54.31
2013–14	60.28
2014-15	61.06
2015-16	65.46
2016-17	67.09
2017-18	64.45

Exchange Rates (Calendar Year)

Year	INR Equivalent of one US$
2005	43.98
2006	45.18
2007	41.34
2008	43.62
2009	48.42
2010	45.72
2011	46.85
2012	53.46
2013	58.44
2014	61.03
2015	64.15
2016	67.21
2017	65.12

Source: *Reserve Bank of India*

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