



AUTOMOBILES

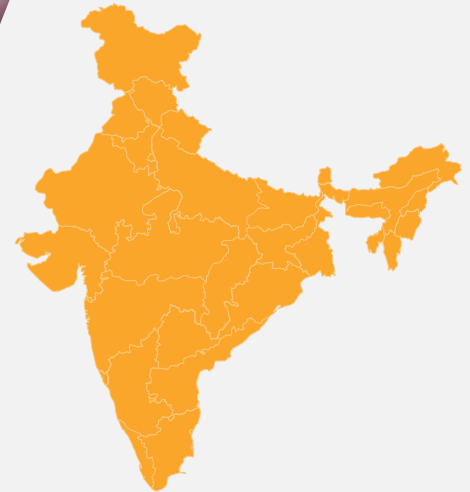
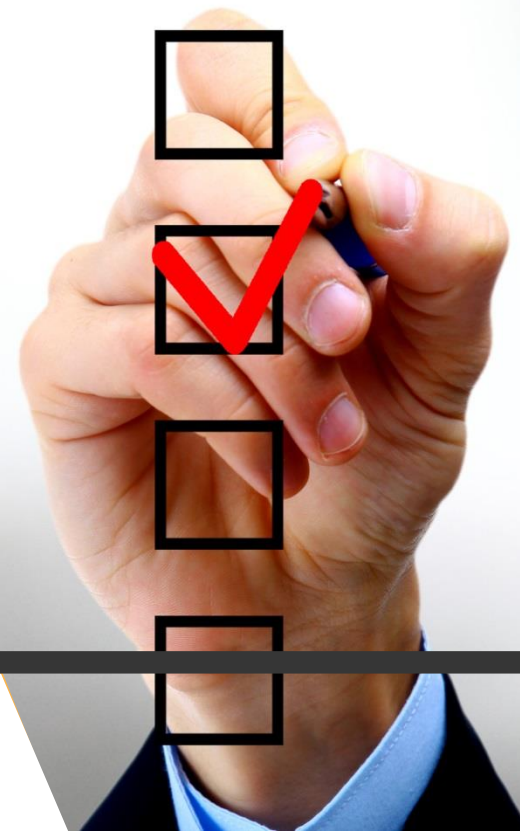
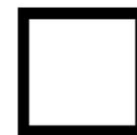


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EXECUTIVE SUMMARY

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 (excluding two wheelers) in 2017.
- 7th largest manufacturer of commercial vehicles in 2017.
- Presence of established domestic and international original equipment manufacturers (OEMs).
- Strong market in terms of both, the domestic demand and exports.

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.

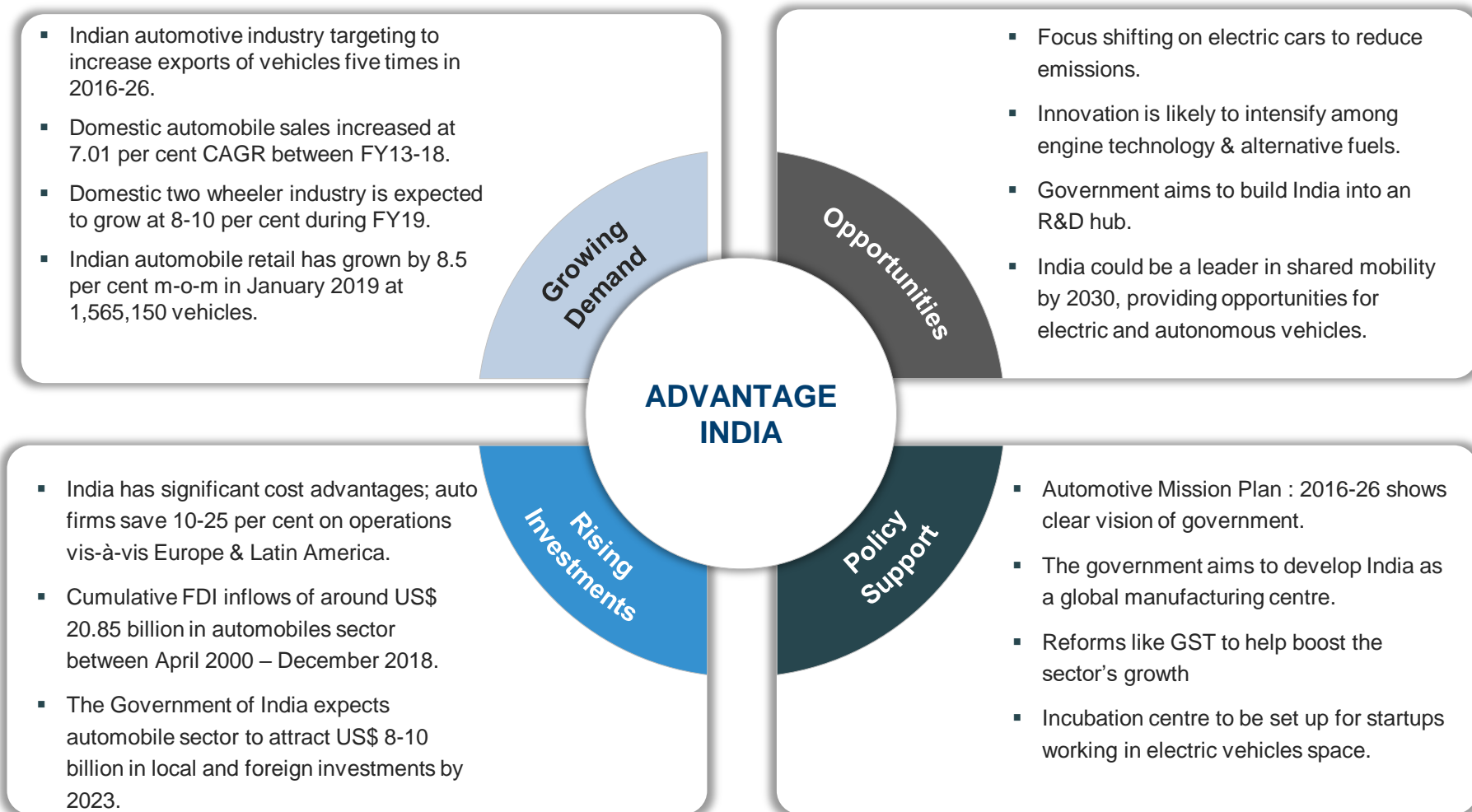
Positive growth prospects

- Automobile exports grew 15.54 per cent year-on-year during April 2018-February 2019.
- Indian automotive industry (including component manufacturing) is expected to reach Rs 16.16-18.18 trillion (US\$ 251.4-282.8 billion) by 2026. 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



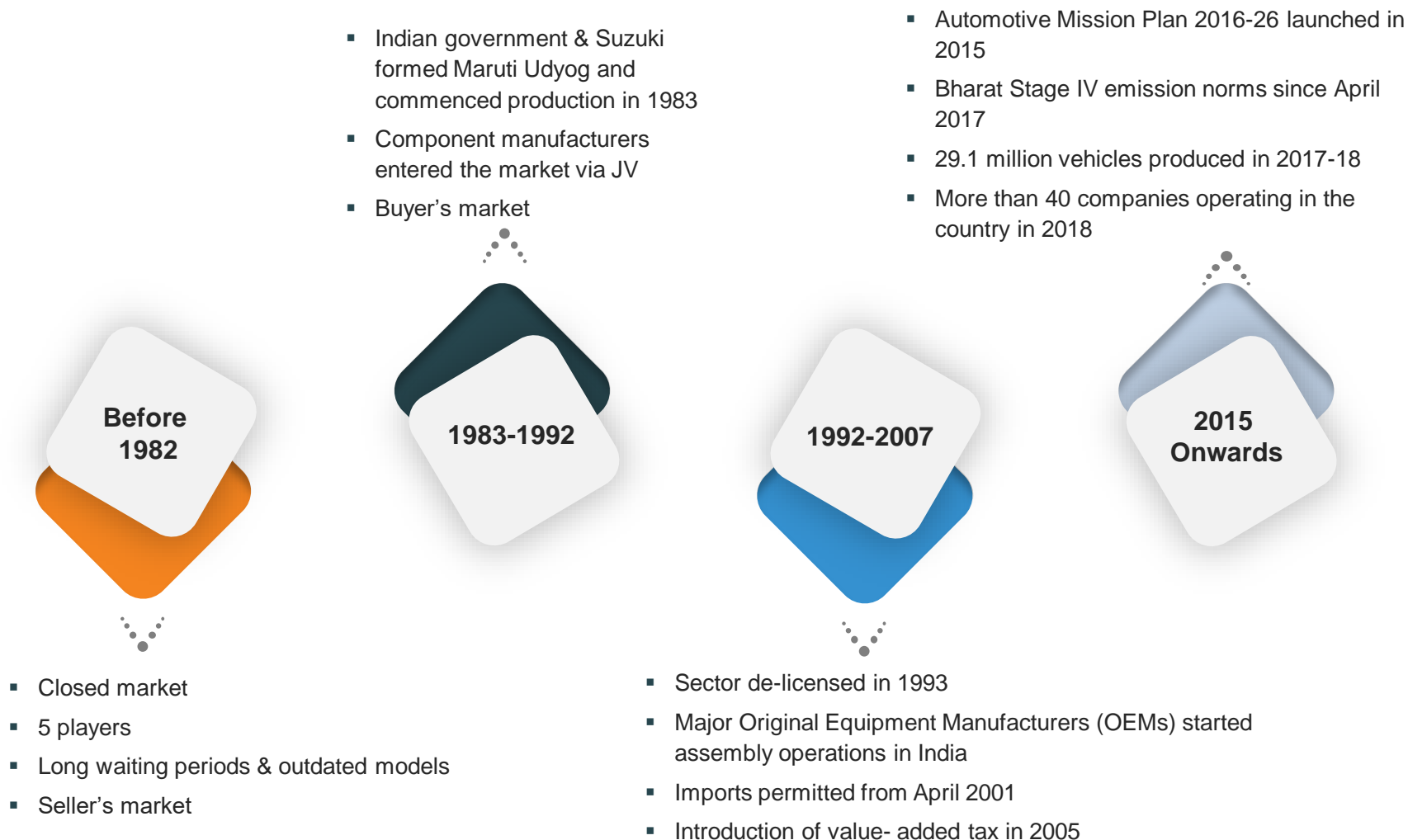


Sources: Automotive Mission Plan (2016–2026), Make in India, SIAM, ICRA, Federation of Automobile Dealers Association

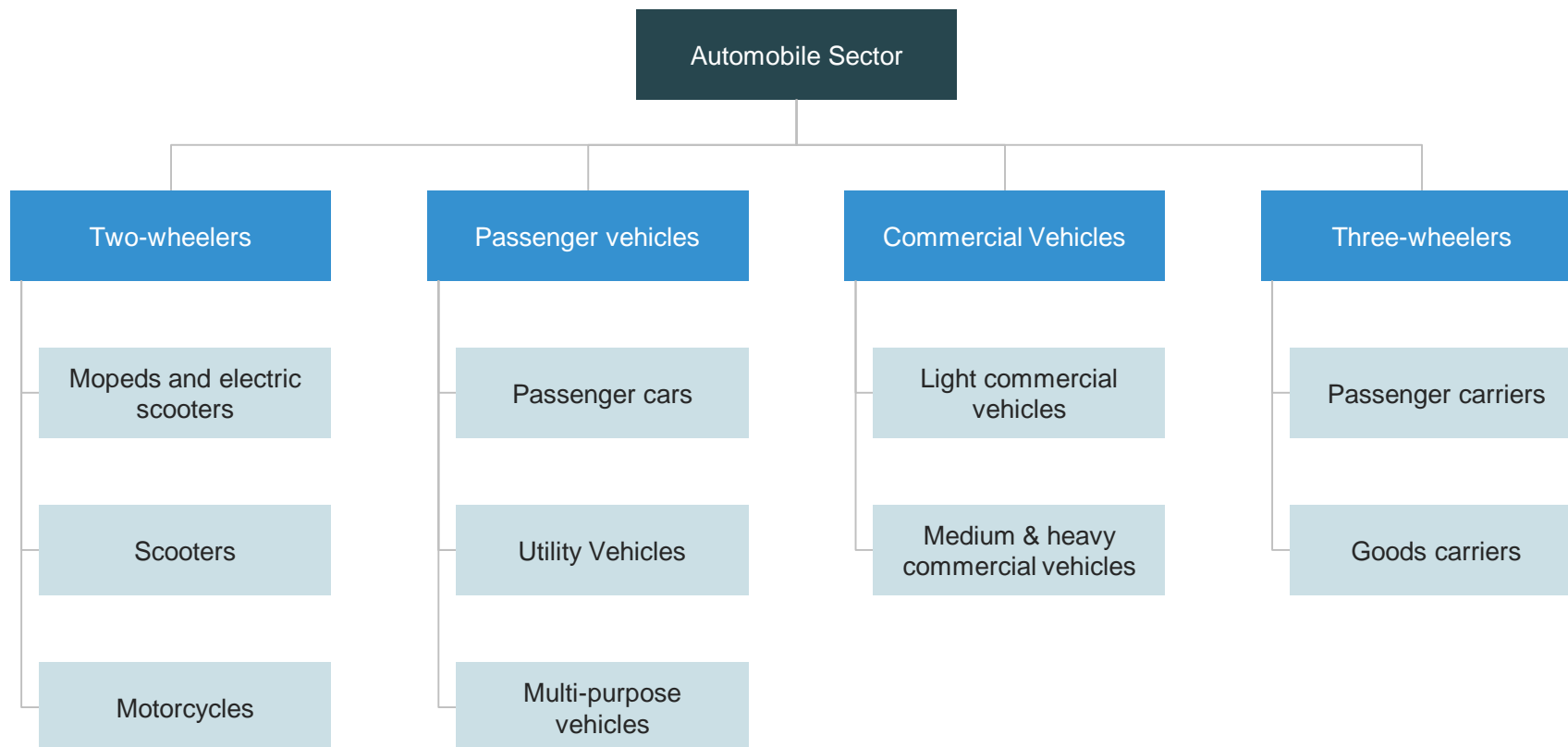
MARKET OVERVIEW



EVOLUTION OF THE SECTOR

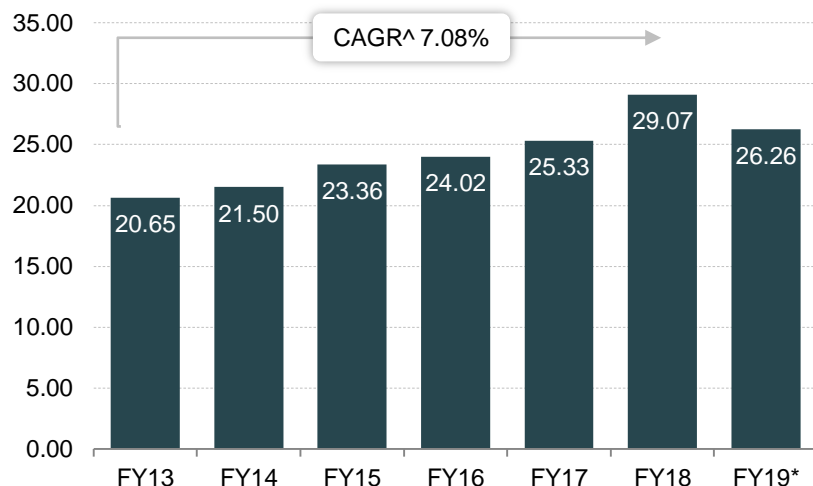


Sources: Tata Motors, Society of Indian Automobile Manufacturers (SIAM), Aranca Research

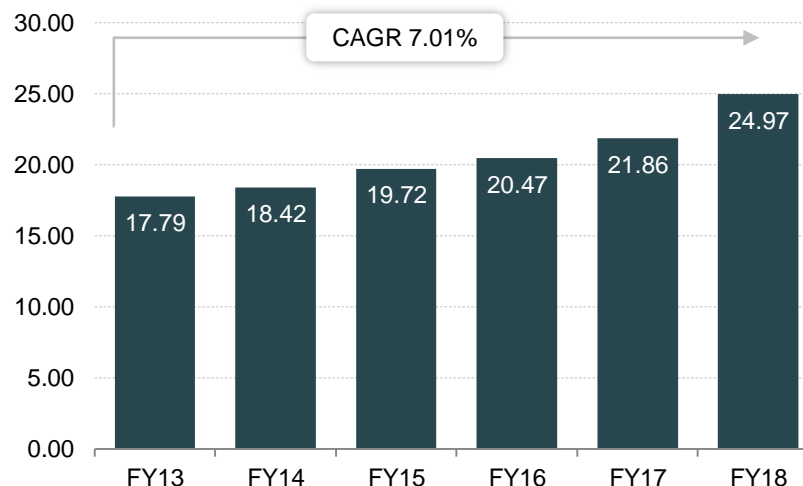


Source: Aranca Research, Annual Report

Number of automobiles produced in India (in millions)



Number of automobiles sold in India (in millions)

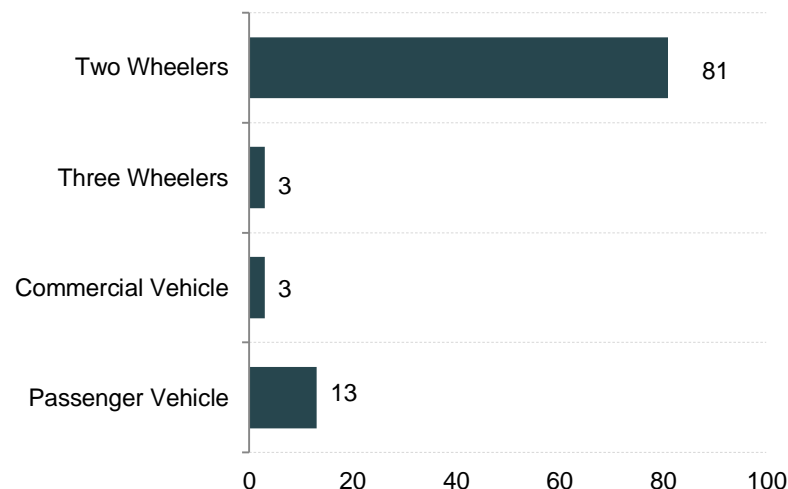


- The automotive manufacturing industry comprises the production of commercial vehicles, passenger cars, three & two-wheelers.
- India became the 4th largest auto market in 2017 with sales (excluding two-wheelers) increasing 9.5 per cent year-on-year to 4.02 million units in 2017. Overall domestic automobiles sales increased at 7.01 per cent CAGR between FY13-18 with 24.97 million vehicles getting sold in FY18.
- Domestic automobile production increased at 7.08 per cent CAGR between FY13-18 with 29.07 million vehicles manufactured in the country in FY18. During April 2018-January 2019, automobile production increased by 9.84 per cent year-on-year to reach 26.26 million units.
- During April 2018-January 2019, highest year-on-year growth in domestic sales among all the categories was recorded in commercial vehicles at 22.79 per cent, followed by 14.79 per cent year-on-year growth in the sales of three-wheelers.

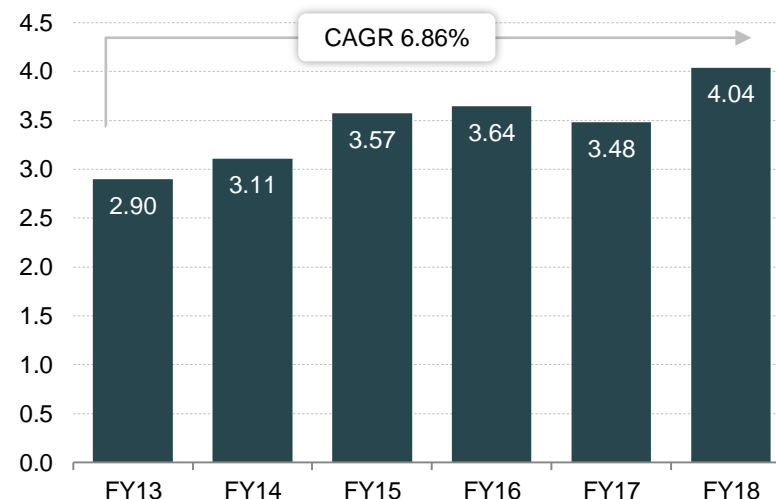
Note: * - Up to January 2019, ^ - CAGR upto FY18

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

Segment-Wise Domestic Market Share in FY18 (%)



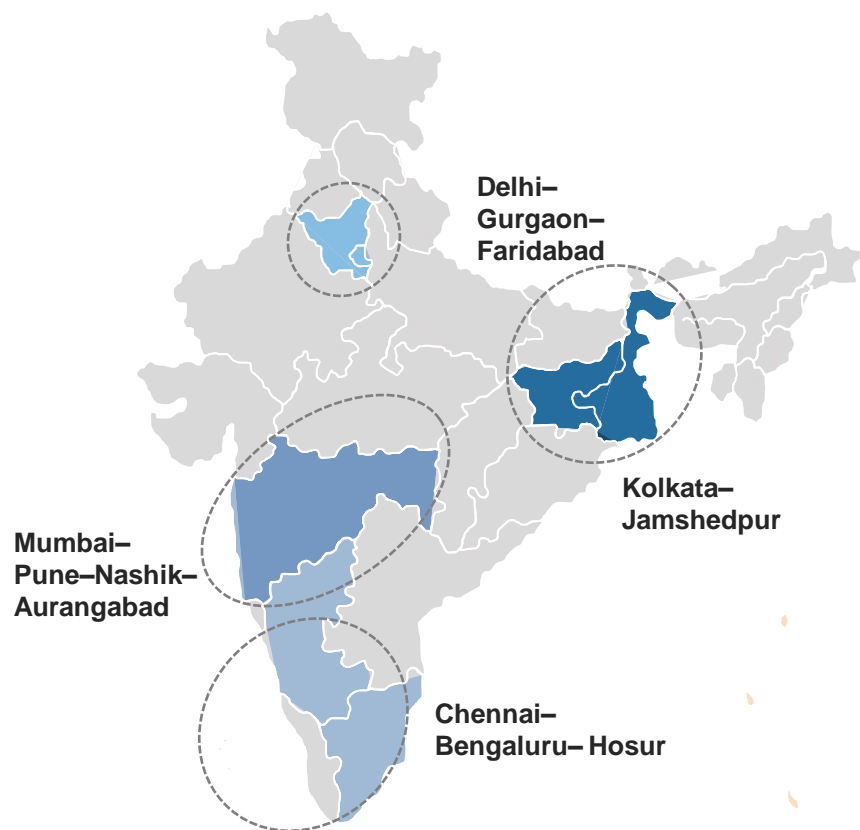
Number of automobiles exported (in millions)



- Two-wheelers and passenger vehicles dominate the domestic Indian auto market. 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 over 24.97 million vehicles sold 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.
- Overall automobile exports increased by 15.54 per cent year-on-year during April 2018-February 2019.

Source: Society of Indian Automobile Manufacturers (SIAM)

CLUSTERS AND LEADING COMPANIES



List of companies

North	<ul style="list-style-type: none"> Ashok Leyland Force Motors Piaggio Swaraj 			
	<ul style="list-style-type: none"> Mazda Amtek Auto Eicher Honda SIEL Maruti Suzuki 			
West	<ul style="list-style-type: none"> Tata Motors JCB Bajaj Auto Yamaha Hero Group Mahindra Escorts Suzuki Motorcycles ICML 			
	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> Tata Motors Hindustan Motors Simpson & Co International Auto Forgings JMT Exide 			
	<ul style="list-style-type: none"> Ashok Leyland Ford M&M Toyota Kirloskar Volvo Sundaram Fasteners Enfield Hyundai BMW Bosch TVS Motor Company Renault-Nissan TAFE Daimler Caterpillar Hindustan Motors 			
South	<ul style="list-style-type: none"> Ashok Leyland Ford M&M Toyota Kirloskar Volvo Sundaram Fasteners Enfield Hyundai BMW Bosch TVS Motor Company Renault-Nissan TAFE Daimler Caterpillar Hindustan Motors 			
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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

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.
- To promote green technology footprint in India, the company announced launch of WagonR S(Smart) which comes with factory fitted CNG.
- The company crossed its cumulative production milestone of four million two wheelers from its Gurugram-based plant in 2018.



- Market leader in the commercial vehicles segment held 44 per cent market share in FY18. Company's commercial vehicles sales increased 26 per cent year-on-year to 39,859 units in August 2018.
- Global wholesale for February 2019, including Jaguar Land rover, stood at 110,262 units.
- As of January 2019, Tata to soon unveil the electric car based on its newly developed Alpha Platform as a long term plan for sustainable mobility.



- Hero MotoCorp and Honda are the top two players in the two-wheelers segment, with market share of 37.67 per cent and 30.9 per cent, respectively in Q1 FY19.
- Bajaj Auto recorded domestic motorcycle sale of 1.57 million units in December 2018, up by 39 per cent over December 2017.
- Honda Cars India had a cumulative growth of 3.7 per cent year-on-year by selling 134,797 units during April-December 2018.



- Bajaj Auto is a leader in three wheelers with 58.15 per cent market share in FY18.
- As of February 2019, Bajaj Auto will launch its new all electric brand Urbanite in India in the coming six to nine months.
- 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

NOTABLE TRENDS AND STRATEGIES



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.
- Audi is launching its luxury electric SUV in India in 2019. The electric SUV will be called e-Tron.
- 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 cent growth during the year. The company ranked first in sales satisfaction in the luxury vehicles segment according to J D Power 2018 India Sales Satisfaction Index (luxury).
- Premium motorbike sales in India crossed one million units in FY18. As of February 2019, Lamborghini sold 45 units in the year 2018 and expects a jump in sales by 60 per cent in the year 2019.
- Volvo plans to assemble hybrid electric cars in India and also scale its market share to 10 per cent by 2020 in Indian luxury car segment.
- BMW crosses 10,000 unit mark for the first time in a calendar year 2018. BMW along with Mini grew 13 per cent compared to 2017. Mini sales rose by a staggering 66 per cent in 2018.

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.
- BMW India has launched its online sales channel in India to enable customers to browse all products, choose a preferred dealership and even book a test drive online.
- Hyundai has entered into a strategic alliance with shared mobility company Revv under which it will provide cars on subscription in six cities in India. This will provide customers the opportunity to use Hyundai's models with hassle-free ownership, flexibility and limited commitment.

New Financing Options

- Carmakers such as BMW, Audi, Toyota, Skoda, Volkswagen & Mercedes-Benz have started providing customised finance to customers through NBFCs. Auto finance business of NBFCs in India is expected to grow at a CAGR of 15 per cent by FY20 on the back of better macroeconomic environment and government's focus on infrastructure and rural areas.
- HDFC Bank Ltd started providing customised car loans to its customers in Mumbai, which will help them to buy cars at a lower EMI.

Note: CAGR – Compounded Annual Growth Rate

Sources: Society of Manufacturers of Electric Vehicles, Aranca Research, Moneycontrol, News Articles,

STRATEGIES ADOPTED...(1/2)

Capacity Addition

- Hero MotoCorp will invest Rs 2,500 crores (US\$ 387.9 million) by FY21 to increase its production capacity in India. Hyundai announced it will be increasing its production capacity of its Chennai plant from 713,000 to 750,000 units in 2019.
- 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.
- As of October 2018, Honda Motors Company is planning to set up its third factory in India for launching hybrid and electric vehicles with the cost of Rs 9,200 crore (US\$ 1.31 billion), its largest investment in India so far.
- In November 2018, Mahindra Electric Mobility opened its electric technology manufacturing hub in Bangalore with an investment of Rs 100 crore (US\$ 14.25 million) which will increase its annual manufacturing capacity to 25,000 units.

Electric Vehicles

- Volvo plans to come out with hybrid version of its upcoming S60 sedan in India along with a PHEV (Plug-in Hybrid Electric Vehicle) version of the S60.
- 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.
- Avan motors, an electric scooter start up announced in December 2018 that it plans to have total sales of 100,000 units in the coming two to three years.
- As of September 2018, China's leading Electric Vehicle (EV) company, Sunra, is planning to enter into Indian markets and set up a factory in Bangalore, Karnataka.
- As of December 2018, local arm of Finland based energy company Fortum India is planning to install about 720 charging facilities for electric vehicles by 2020 in seven cities in India.
- EV Motors, in partnership with DLF, ABB India and Delta Electronics, is also planning to invest US\$ 200 million to set up 6,500 electric vehicles (EV) charging stations in the next five years. They launched Plugngo, first public electric vehicle charging outlet in Delhi in November 2018.
- Electric policy finalised by the Government of Kerala has a aim to get 6,000 electric buses for the state road transport corporation by 2025.

Source: Media sources

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 prices low.
- 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.
- Jawa motorcycles, competing Royal Enfield in 300-cc segment are sold out till September 2019.
- Maruti Suzuki is planning to start testing prototypes of its electric vehicles in India in October 2018.
- Superbike seller Motoroyale Kinetic Pvt Ltd is planning to develop 300cc-500cc bikes in India by 2021. The company is also planning to set up a plant in Supa, Maharashtra with a capacity of 60,000 units.
- As of November 2018, Volvo Cars India Ltd is planning to launch four plug-in hybrid vehicles in the next three years.
- As of February 2019, Triumph motorcycles is all set to launch its 2019 Triumph Street Twin and Street Scrambler.
- Avan motors launched its new electric scooter Trend E, which is powered by lithium-ion batteries.

GROWTH DRIVERS AND OPPORTUNITIES



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.
- Introduction of a new National Auto Policy and Faster Adoption and manufacture of Hybrid and Electric Vehicles (FAME) II for a clean future in mobility to be launched soon.
- In February 2019, the Government of India approved the FAME-II scheme with a fund requirement of Rs 10,000 crore (US\$ 1.39 billion) for FY20-22.

Support infrastructure and high investments

- Improving road infrastructure.
- Established auto ancillary industry giving the required support to boost growth.
- 5.10 per cent of total FDI inflows to India from April 2000 to December 2018 went into the automobiles sector.

Note: NEMMP – National Electric Mobility Mission Plan

Source: Society of Indian Automobile Manufacturers (SIAM), Aranca Research

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.
- Under National Automotive Testing And R&D Infrastructure Project (NATRIP), five testing and research centres have been established in the country since 2015

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. Number of vehicles supported under FAME scheme has increased to 192,451 in March 2018 from 5,197 in June. FAME Phase-I has been extended up to March 31, 2019. The Government of India is expected to launch the second phase soon.
- In February 2019, the Government of India approved the FAME-II scheme with a fund requirement of Rs 10,000 crore (US\$ 1.39 billion) for FY20-22.

Source: Aranca Research

Indian automobile sector has seen huge investments from both domestic and foreign manufacturers. FDI inflows to the sector were US\$ 20.85 billion in automobiles sector between April 2000 – December 2018.

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 2022.
- To increase the Chennai Plant capacity to 400,000 units a year in a few years time. The company plans to launch eight new car models in India by 2021. As of December 2018, the company opened its first global digital hub at techno park in Trivandrum.

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. As of February 2019, the company will make an investment of Rs 7,000 (US\$ 970.20 million) crore approved by the Tamil Nadu Government for expansion into electric car division.

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.

Honda Motor Company

- As of October 2018, Honda Motors Company is planning to set up its third factory in India for launching hybrid and electric vehicles with the cost of Rs 9,200 crore (US\$ 1.31 billion), its largest investment in India so far.

Motoroyale Kinetic

- Superbike seller Motoroyale Kinetic is planning to establish a plant in Supa, Maharashtra with an outlay of Rs 12 crore (US\$ 1.71 million) by 2021.

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

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

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.
- Nissan to open a global digital Research & Development hub in Technopark in Thiruvananthapuram of Kerala for autonomous/driver-less cars by March 2019.

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

KEY INDUSTRY ORGANISATIONS



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

USEFUL INFORMATION



- 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

Exchange Rates (Fiscal Year)

Year INR	INR Equivalent of one US\$
2005–06	44.28
2006–07	45.29
2007–08	40.24
2008–09	45.91
2009–10	47.42
2010–11	45.58
2011–12	47.95
2012–13	54.45
2013–14	60.50
2014-15	61.15
2015-16	65.46
2016-17	67.09
2017-18	64.45
Q1 2018-19	67.04
Q2 2018-19	70.18
Q3 2018-19	72.15

Exchange Rates (Calendar Year)

Year	INR Equivalent of one US\$
2005	44.11
2006	45.33
2007	41.29
2008	43.42
2009	48.35
2010	45.74
2011	46.67
2012	53.49
2013	58.63
2014	61.03
2015	64.15
2016	67.21
2017	65.12
2018	68.36

Source: Reserve Bank of India, Average for the year

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