

11th January 2016
New Delhi

State of the Indian Automobile Industry

Quarterly Review : Q3 FY16

SIAM

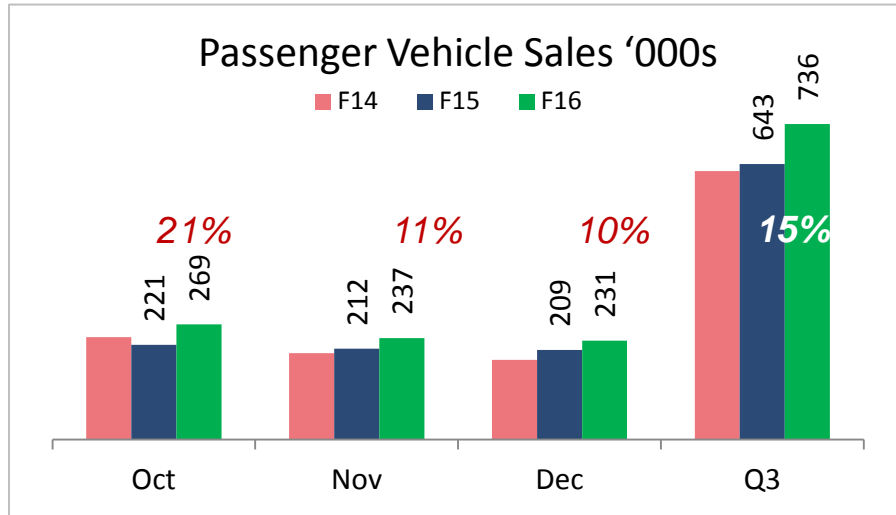
Society of Indian Automobile Manufacturers

Presentation Outline

- ▶ Q3 F16 Performance & Growth
 - Domestic Market Performance
 - Exports Performance
- ▶ Business Environment
- ▶ F16 Outlook
- ▶ Going Forward

Q3 F16 Performance & Growth

Domestic Sales Q3 F16



PVs-Trends

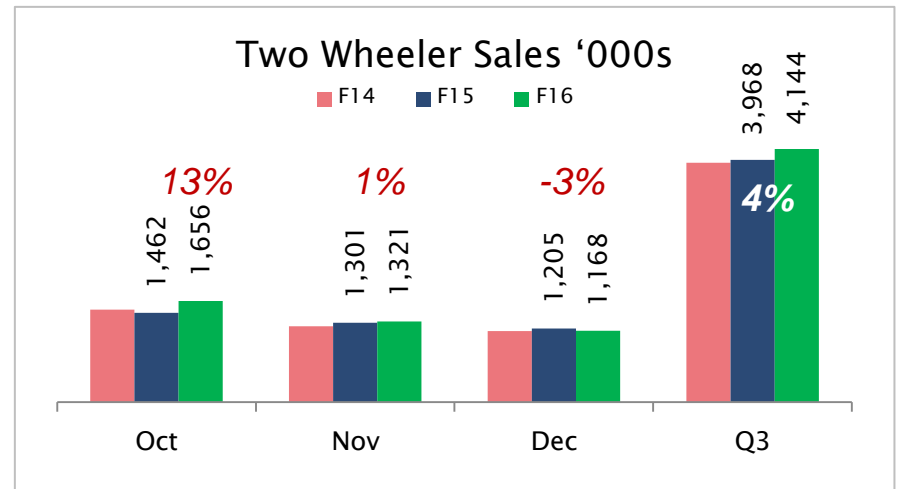
PVs=Cars + UVs + Vans

- 15% in Q3 F16 over Q3 F15
- 3% in Q3 F15 over Q3 F14

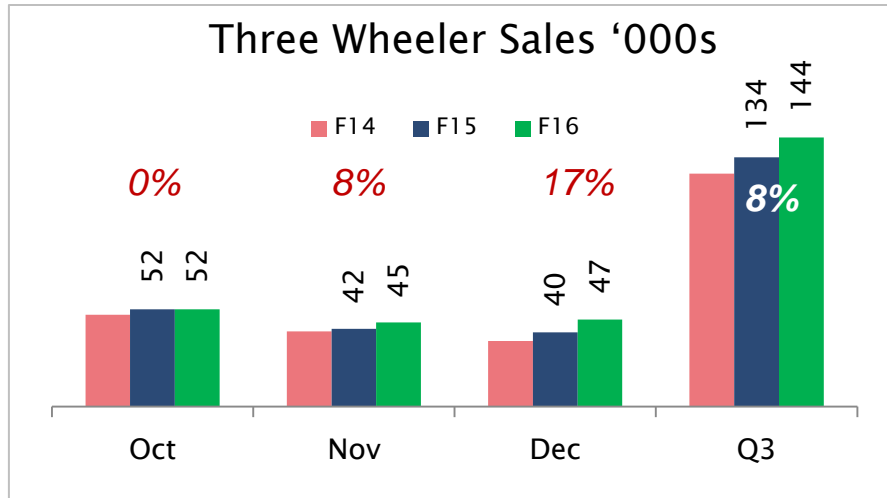
2Ws -Trends

2W= Scooters+ Motorcycles + Mopeds

- 4% in Q3 F16 over Q3 F15
- 1% in Q3 F15 over Q3 F14



Domestic Sales Q3 F16



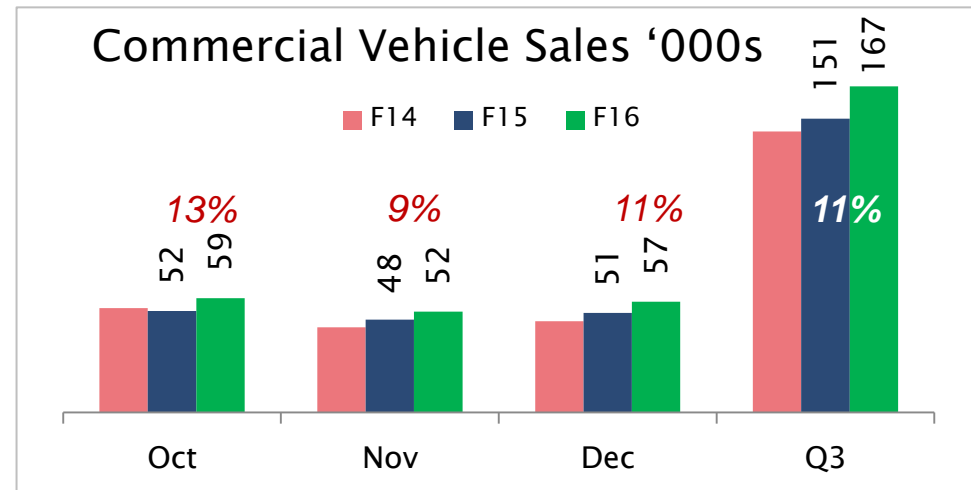
3Ws-Trends

- 8% in Q3 F16 over Q3 F15
- 7% in Q3 F15 over Q3 F14

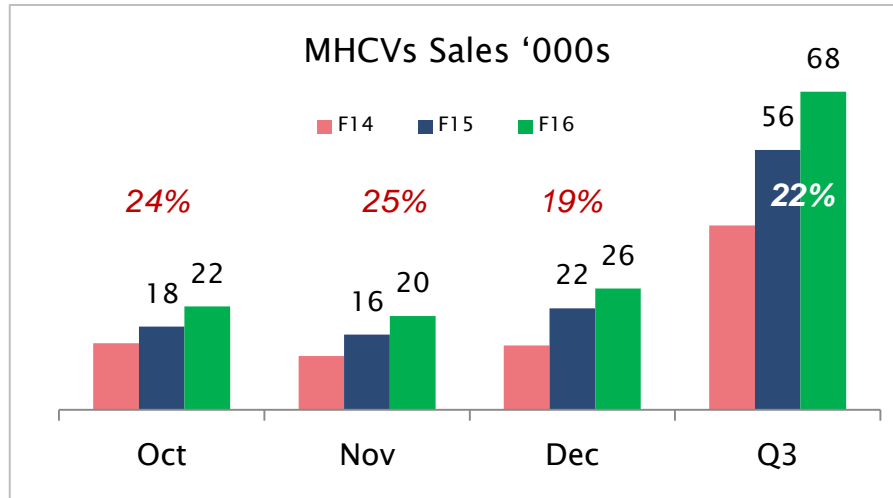
CVs-Trends

CVs=M&HCVs+LCVs

- 11% in Q3 F16 over Q3 F15
- 5% in Q3 F15 over Q3 F14



Domestic Sales Q3 F16: CVs

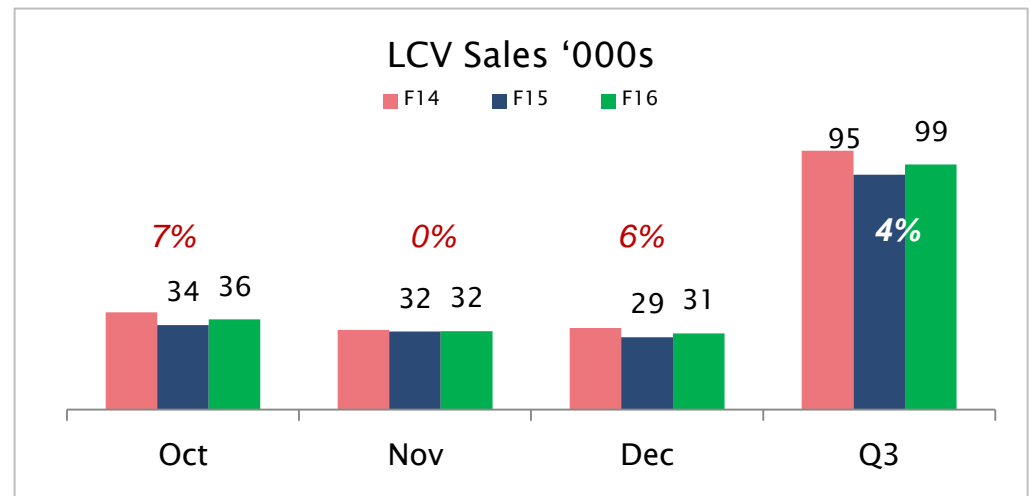


M&HCVs– Trends

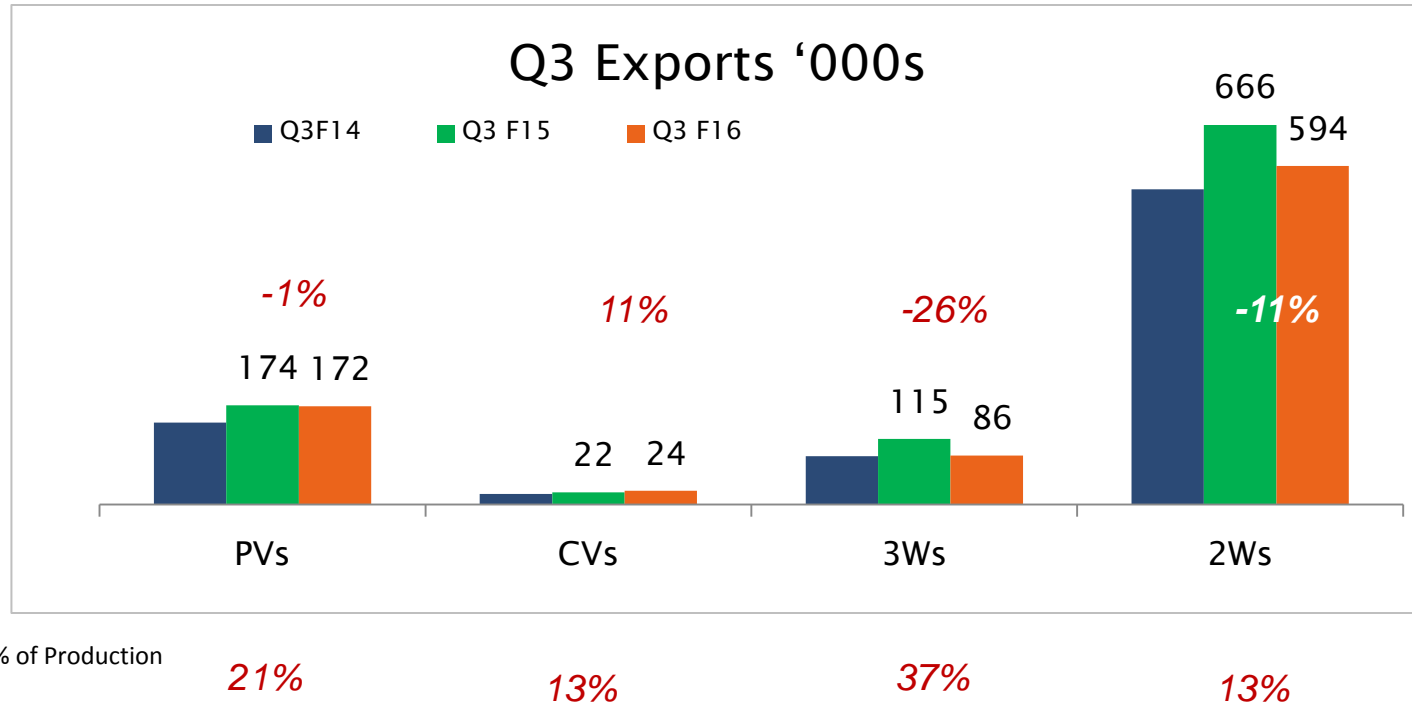
- 22% in Q3 F16 over Q3 F15
- 41% in Q3 F15 over Q3 F14

LCVs–Trends

- 4% in Q3 F16 over Q3 F15
- -9% in Q3 F15 over Q3 F14



Q3 F16 Export Performance



Business Environment

Interest Rates

Months	Natl. Banks	Pvt. Banks	NBFCs
Dec-14	11.1%	12.4%	14.6%
Jan-15	11.1%	12.1%	14.6%
Feb-15	11.1%	12.1%	14.6%
Mar-15	11.1%	12.1%	14.6%
Apr-15	10.9%	11.8%	14.4%
May-15	10.9%	11.8%	14.4%
June-15	10.9%	11.8%	14.4%
July-15	10.8%	11.6%	14.3%
Aug-15	10.8%	11.6%	14.3%
Sep-15	10.8%	11.6%	14.3%
Oct-15	10.2%	11.5%	14.0%
Nov-15	10.2%	11.5%	14.0%
Dec-15	10.2%	11.5%	14.0%



Months	Natl. Banks	Pvt. Banks	NBFCs
Dec-14	14.0%	17.0%	17.9%
Jan-15	14.0%	17.0%	17.9%
Feb-15	14.0%	17.0%	17.9%
Mar-15	14.0%	17.0%	17.9%
Apr-15	12.5%	16.5%	17.3%
May-15	12.5%	16.5%	17.3%
June-15	12.5%	16.5%	17.3%
July-15	12.5%	16.3%	17.0%
Aug-15	12.5%	16.3%	17.0%
Sep-15	12.5%	16.3%	17.0%
Oct-15	12.5%	16.0%	17.0%
Nov-15	12.5%	16.0%	17.0%
Dec-15	12.5%	16.0%	17.0%

Commodity Prices

Commodity	Unit	6 Months Variation			Recent Variation		
		June-15	Nov-15	% Variation	Sep-15	Nov-15	% Variation
HR Steel	Rs/ton	34,500	32,000	-7.25	33,000	32,000	-3.03
CR Steel	Rs/ton	38,750	35,750	-7.74	37,250	35,750	-4.03
Pig Iron	Rs/ton	26,425	25175	-4.73	27,500	25,175	-8.45
Virgin Aluminium	USD/ton	1,727	1,481	-14.24	1,604	1,481	-7.67
Copper	USD/ton	5,849	4,794	-18.04	5,194	4,794	-7.70
Lead	USD/ton	1,852	1,625	-12.26	1,693	1,625	-4.02
Polypropylene	Rs/kg	102.08	80.74	-20.91	83.14	81	-2.89
Natural Rubber	Rs/kg	130.98	109.5	-16.40	112.18	110	-2.39
Carbon Black	Rs/kg	90.99	91.3	0.34	96.57	91	-5.46

Source: SIAM Data

Global Comparison: First Eleven Months –Sales

Country	Category	Jan-Nov 2014	Jan-Nov 2015	% Change
China	PV	17,639,000	18,681,300	5.91
	CV	3,439,000	3,105,400	-9.70
Germany	PV	2,807,164	2,958,700	5.40
	CV	299,714	303,380	1.22
Brazil	PV	2,773,763	2,195,054	-20.86
	CV	168,594	92,437	-45.17
France	PV	1,632,531	1,733,506	6.19
	CV	374,447	383,446	2.40
Italy	PV	1,268,380	1,464,747	15.48
	CV	119,823	134,093	11.91
Japan	PV	4,339,244	3,908,030	-9.94
	CV	791,725	769,021	-2.87
UK	PV	2,310,237	2,453,426	6.20
	CV	337,012	392,323	16.41
US	PV	3,932,229	3,878,494	-1.37
	CV	6,859,251	7,372,312	7.48
India	PV	2,361,271	2,541,745	7.64
	CV	555,270	594,153	7.00

Business Environment: F16 Outlook...Q3 Update

► Issues Affecting Auto Industry

- Economic growth – *Improvement seen, however momentum yet to build*
- Inflation – *November CPI shows increase in inflation*
- Growth in Industrial Activity – *significant growth witnessed in Oct 2015*
- Abrupt policy changes, such as ban on Diesel vehicles of more than 2000cc in Delhi, would impact sale of vehicles
- Export incentive of vehicles curtailed substantially, incentive in important markets like Sri Lanka and Bangladesh withdrawn
- 20% safeguard duty introduced on hot roll steel coils
- Anti-dumping duty on aluminum alloy wheels imported from China, Thailand and Korea

F16 Economic Outlook

India Economic Outlook

Variables	2014-15 PE	2015-16 F	2016-17 F
Overall GDP: Supply-side	7.3	7.4	8.1
Agriculture	0.2	1.5	4.0
Industry	6.1	6.5	7.0
Services	10.2	9.8	9.9
Other macroeconomic variables			
CPI inflation (average)	6.0	5.4	5.2
Interest rate (10-year G-sec Year-end)	7.7	7.5	7.4
Exchange rate (INR-\$ year end)	62.6	64^	63.5
Fiscal deficit (As % of GDP)	4.1	3.9	3.5*
Crude oil (Indian basket) per barrel	US\$ 85	US\$ 47-79	US\$ 43-48

Source: CRISIL Research (C-CER)

Note: * Provisional estimates. ^Advanced Estimates based on new accounting data series

F16 Outlook

▶ Positives

- Industrial production improving (*IIP grew by 9.8 per cent in Oct 2015*)
- Commodity prices largely under control
- Repo rate cut by RBI (*current 6.75%*) – *No rate cut in Dec owing to rise in inflation*
- General sentiment is improving (*As per Nielsen report, India leads in consumer confidence index*)
- Improvement in Investment climate (*FDI inflows of \$26.5 billion during Jan-Sep 2015, compared to \$22 billion in Jan-Sep 2014*)
- Some Mining activity has restarted
- A Few Infra projects reportedly being fast tracked

▶ Key Concerns

- Inflation rate up in November (*CPI 5.4 per cent in November 2015*)
- Vehicle finance rates still very high
- Infrastructure development still low
- Commodity prices likely to go up as and when industry revives

F16 Outlook

Overall economy expectation

In FY16

- Overall GDP for 2015–16 expected to grow at 7.4%
- GDP industry expected to marginally improve to 6.5% growth in 2015–16 on account of gradual easing of mining bans in some states , improvement in private consumption demand aided by a rise in discretionary spending and faster implementation of projects as the investment climate improves
- GDP services growth is expected to grow at around 9.8% in 2015–16
- Due to weak monsoon, GDP agriculture is expected to grow marginally at 1.5% in 2015–16 over a low base.

Cars and Utility vehicles

In FY 16, Passenger vehicle sales expected witness growth

- Positive consumer sentiment, new launches and increasing disposable incomes are driving the growth in car sales
- The cost of ownership remained stable in 2015–16 for Petrol vehicles. For Diesel vehicles, it is estimated to be lower by 2–4% as compared to FY15 with petrol and diesel expected to decline by 6–8% and 12–14% respectively for FY16.
- With RBI cutting repo rate by 75 bps this fiscal, lower interest rates on passenger vehicle loans helped support demand.
- With lower commodities prices, higher discounts boosted demand.
- Rural sentiments, however, are expected to remain subdued due to second consecutive rainfall failure

Commercial Vehicles – Cargo

LCV goods segment

In FY 16, LCV demand is to remain flattish; on account of slow revival in Private Final Consumption Expenditure (PFCE) and weak financing participation:

- With continued high level of NPA's, financing scenario did not recover completely in FY'16, as financiers continue to concentrate on loan collections.
- Recovery in consumption demand delayed: Marginal revival in PFCE driven by urban revival supported slight LCV recovery

MHCV goods segment

In FY16, MHCV sales to grow at double digits due to improvement in industrial GDP and higher replacement demand

- Improvement in industrial output, attributed to a rise in construction, mining & quarrying activity, driving MHCV demand, and replacement demand from LFO's
- poor demand from agriculture kept the growth in check
- Regulatory changes like ABS implementation, NGT ban sales led to pre-buying in months of Aug 15 and Sep 15 boosting sales
- Tractor trailer growth was due to improvement in passenger car movement, steel & cement demand
- Further Tippers recovered due to:
 - Execution pace of NHs improved due to project implementation on EPC basis.
 - Resumption in mining in a few mines in Orissa, Karnataka, Jharkhand and a few captive ones

Commercial Vehicles–Passenger

Buses segment

In FY16 overall bus segment to grow

LCV buses:

- Demand from schools and other educational institutes grew at a moderate pace of 9–11% in this season.
- Demand from the tourist segment posted high growth during the Diwali and winter holiday season

MHCV buses: Improving profitability of operators due to low diesel prices expected to boost this segment supported by replacement demand which was extended from previous year.

- Demand from the intercity travels segment boosted MHCV buses growth.
- Demand from corporate grew at a moderate pace
- Replacement demand and lower base of last year especially in STU segment to boost growth in MHCV sales

Two Wheelers

Motorcycle segment

In FY16, motorcycle sales to remain flat

- Current slowdown in the rural economy will continue to weigh down rural dominated motorcycle
- Crop value output expected to grow marginally (0–2%) on assumption of a better rabi
- However, slow and consistent recovery in urban sentiments to contribute to growth

Scooters segment

In FY16, growth rate in scooter sales is to slow down

- Stabilizing consumer confidence supported scooters segment
- Consumer preference in urban areas shifting towards scooters and new model launches continued to support sales.

Commercial Vehicles – Three wheelers

Three-wheeler segment

In FY16, sales to grow marginally in 2015–16 driven by permits and replacement demand

- Three wheeler sales grew slow due to higher base of 2014–15
- Despite improving macro economic conditions, rural consumption was impacted due to a second consecutive low monsoon season during kharif crop after a low rabi output due to untimely rains

Thank You

SIAM

Society of Indian Automobile Manufacturers