

Rise of the Auto Industry in India



Overview

- The **Automotive Industry of India** is one of the larger markets in the world and fast growing
- India's passenger car and commercial vehicle manufacturing industry is the **6th largest*** in the world behind major manufacturers such as Japan, Germany, US and the likes
- Annual Production of **4.14 million** units in 2012. An increase of 5.5% from 2011*
- Key Pillar of Economy and major contributor to India's GDP - **7%**
- This dynamic industry currently employs about **19 million*** people both directly and indirectly

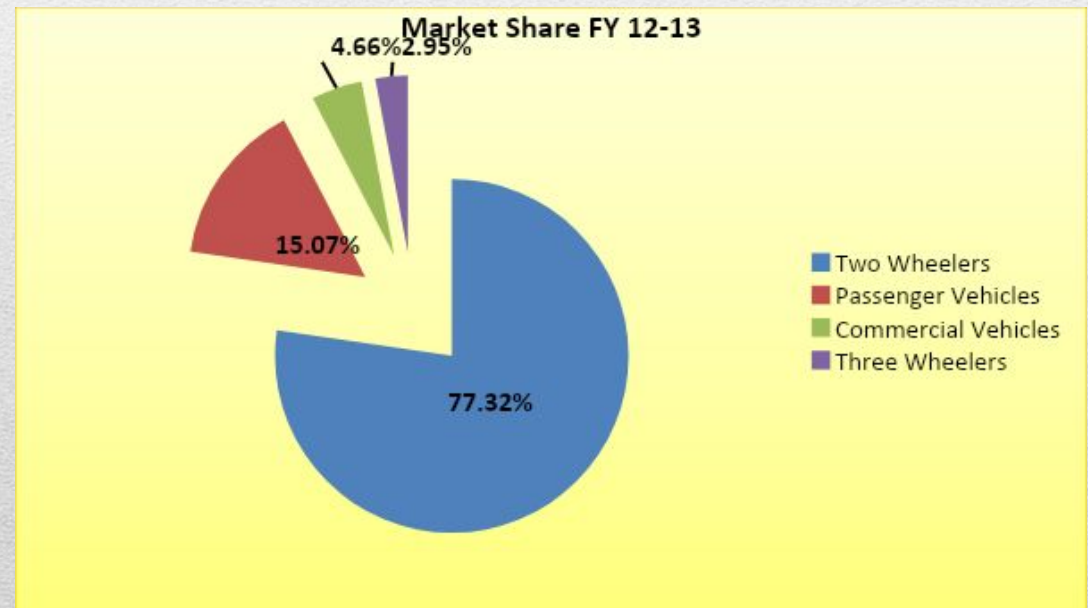
*Source:

en.wikipedia.org/wiki/Automotive_industry
www.oica.net/category/production-statistics/2012-statistics/
www.siamindia.com/Event/view-eventhead.aspx?id=286

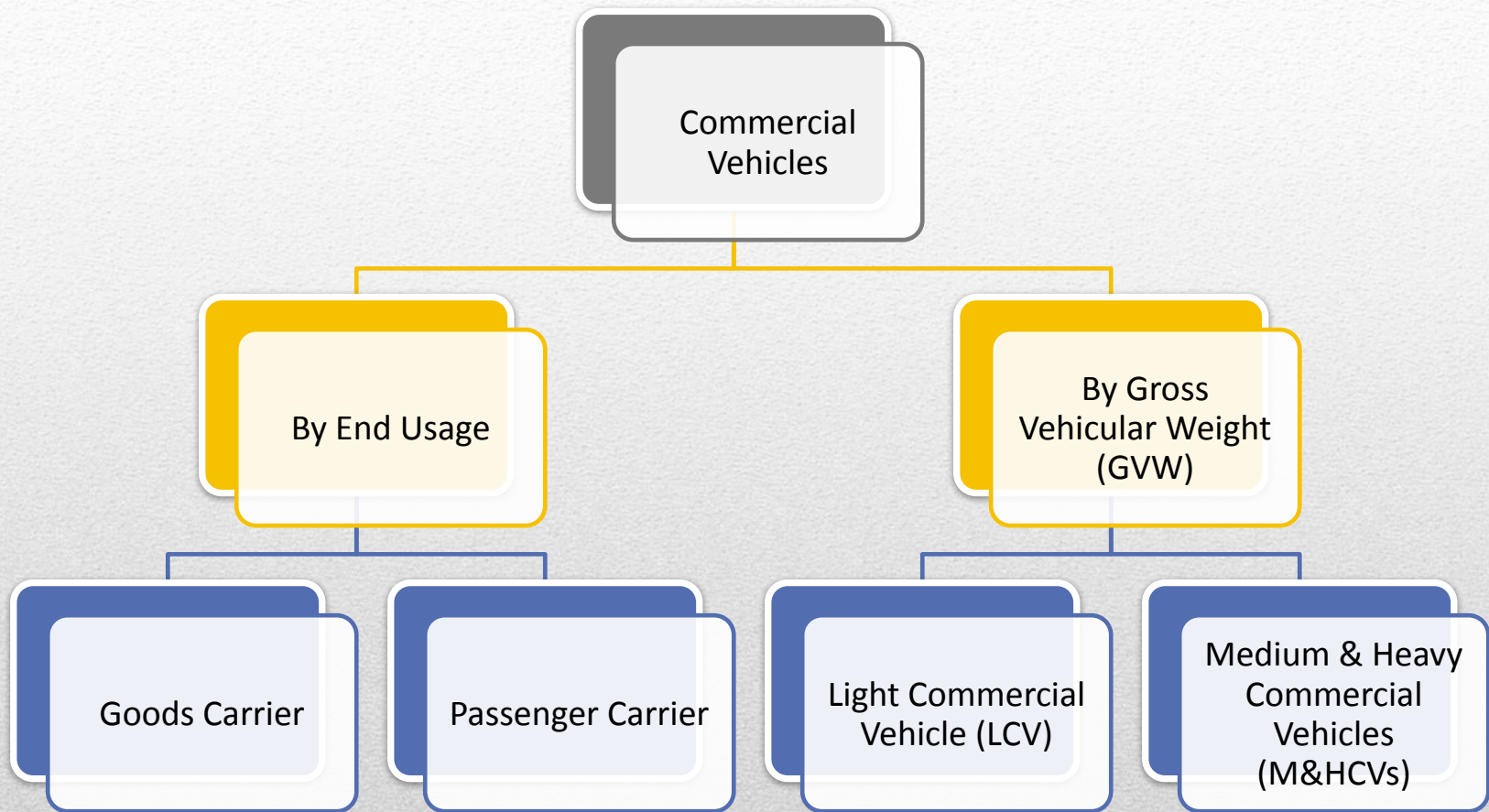
Background of the Auto Industry

The automobile industry can be classified into:

- a) Passenger vehicles
- b) Commercial vehicles
- c) Three wheelers
- d) Two wheelers

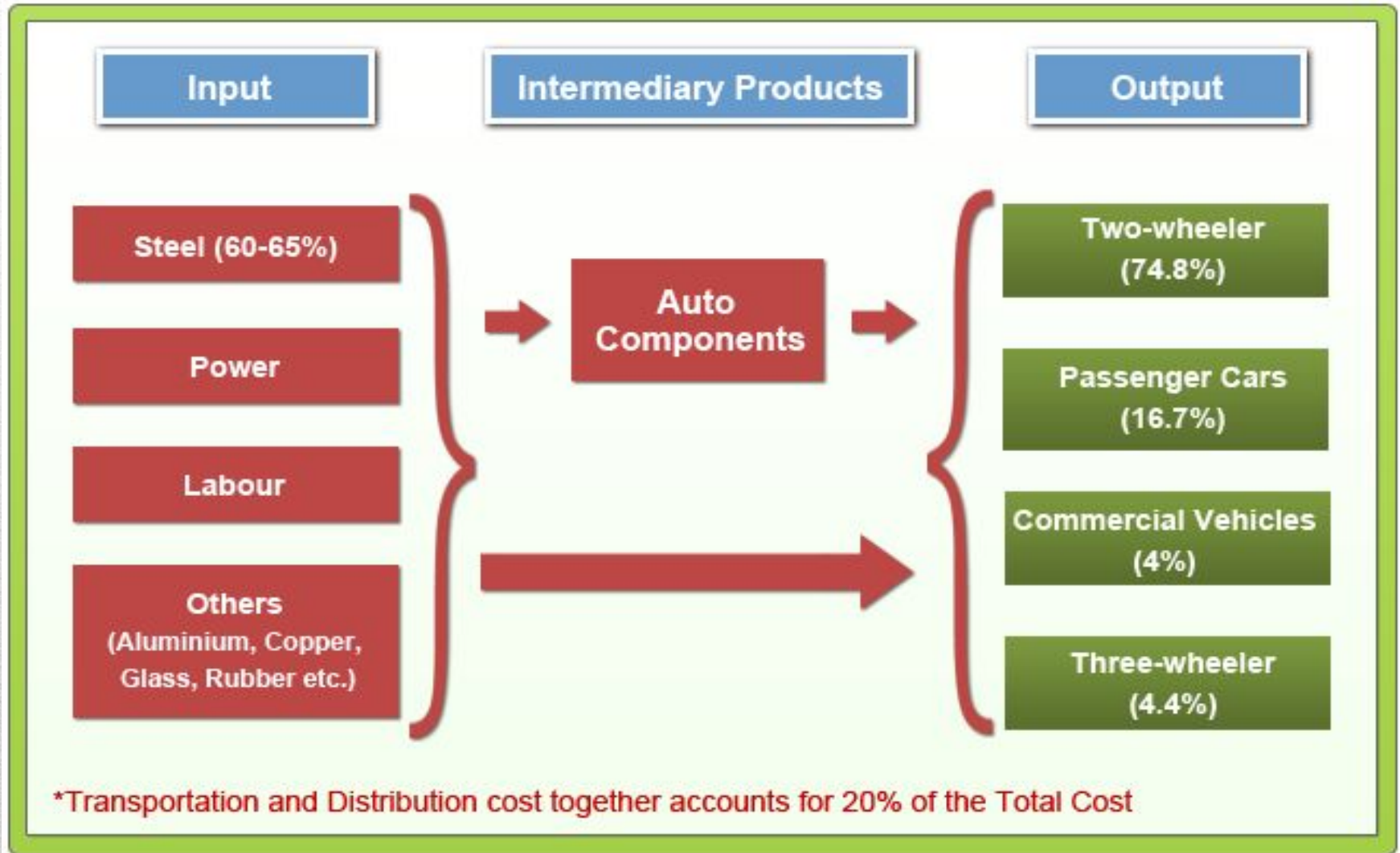


Classification of Commercial Vehicle Market



- The goods carrier market presently dominates the CV sector, with an approx. share of 88% of the market volumes*

How Does Auto Sector Work?



Emergence of Auto Finance Sector

Factors:

- ✓ De-licensing of the auto sector in 1991
- ✓ Opening of 100% FDI
- ✓ Increase in purchasing power over the years and growth of the Indian middle class with high disposable incomes



Banks (Public & Private)

- HDFC
- CitiBank
- SBI
- ICICI

Non Banking Financial Institutions

- Au Financiers
- Mahindra Finance
- Shriram Transport Finance Company
- Magma FinCorp



**Future
Growth**

Overall Expected Growth (Next 5 Years)

Growth in New Vehicle Finance Disbursements						
(Rs. Billion)	FY10E	FY11E	FY12P	FY13P	FY17P	CAGR FY12-FY17P
Cars	349	476	456	506	1,165	19-21%
Utility Vehicles	108	155	172	217	409	18-20%
Commercial Vehicles	272	402	478	457	1,150	18-20%
Two- Wheelers	60	77	93	108	199	15-17%
Total	789	1,110	1,119	1,288	2,923	19-21%

Source: CRISIL Research, Retail Finance - Auto, December 2012

By the fiscal year 2017, penetration levels are expected to increase to:

- 74% for cars from 68%
- 66% for utility vehicles from 62%

as a result of a moderation in interest rates and alleviation of credit risk

Loan-to-value (LTVs) expected to increase marginally to 75% for cars and 71% for UVs from 74% and 70% respectively over the next 5 years

Domestic Car & UV Industry – Expected Growth

(CAGR %)	FY 12	FY 13E	FY 14P	FY 13-18P
Small Cars	(1.5)	(9)-(7)	8-10	11-13
Sedan Cars	19.1	5-7	8-10	12-14
Total Cars	2.4	(4)-(6)	8-10	12-14
UVs	17.9	32-35	18-20	--
Vans	9	4-6	9-11	--
UVs + Vans	14.3	22-24	15-17	13-15
Total PVs	4.9	1-3	9-11	12-14

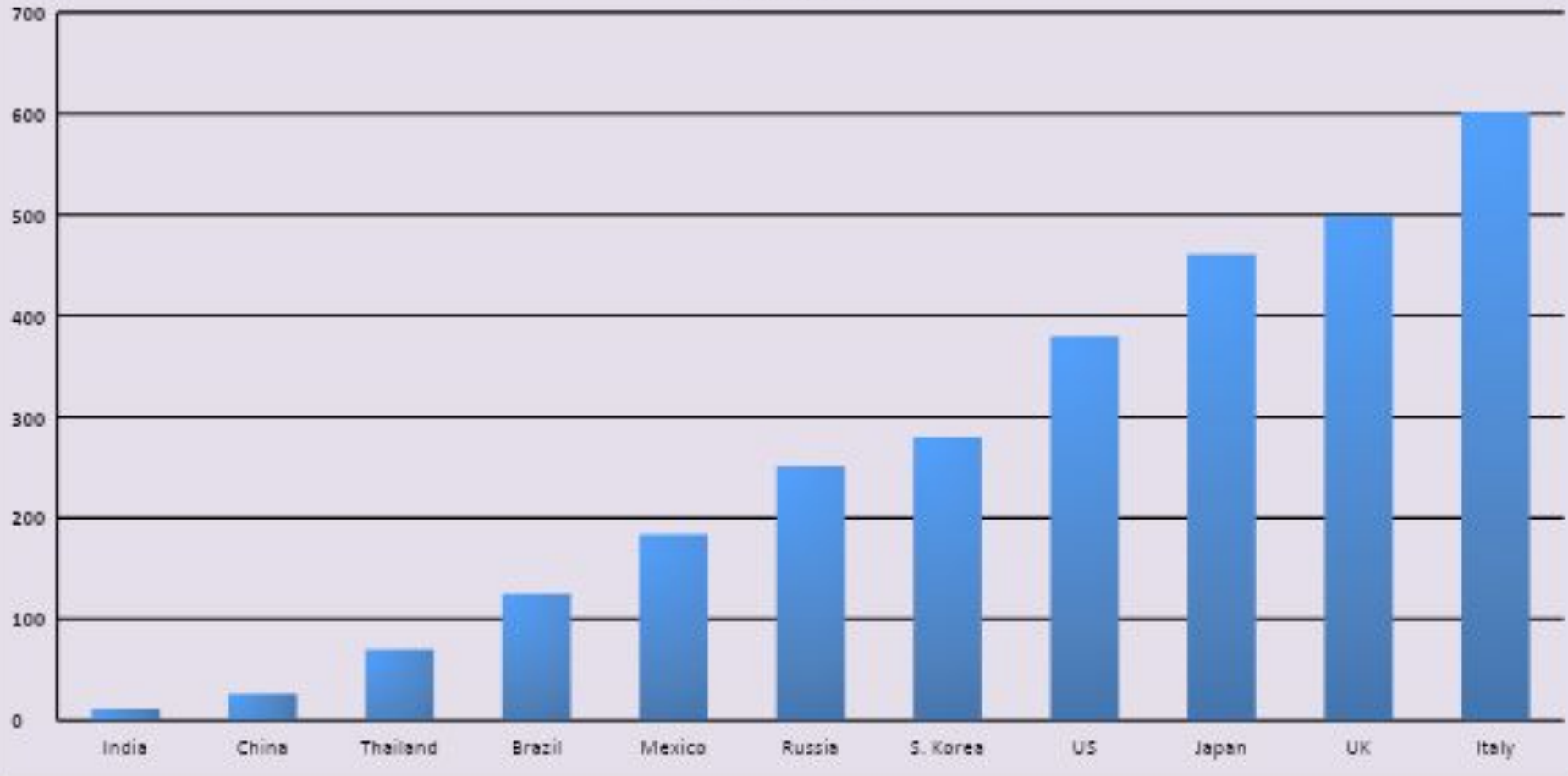
Source: *CRISIL Research, Car & UV Opinion - March 2013

Growth Drivers for Private Vehicles

- Strong prospects in the long-term. Growth to be driven by increase in income of households and higher passenger vehicle penetration
 - Addressable market is expected to grow at a CAGR of 16% to reach 139 Million households in 2017-18 from 67 Million in 2012-13
 - UV sales expected to grow at 15-17%. Moderation in growth due to expected diesel price hikes
 - Small Cars segment is expected to grow marginally lower than sedan with sedan sales growing at 12-14% as a result of high petrol prices
 - *With only 11 cars per 1000 people, India's potential is greater*
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Global Comparison in terms of PV per 1000 people

Global Trends



*Data is for CY2011

Auto Industry Volumes

Domestic Sales (Volume in '000)	9MFY14	9MFY13	Y-o-Y
Passenger Vehicles (PVs)			
Passenger Cars/Vans	1,293	1,361	5%
UVs	533	578	8%
Commercial Vehicles (CVs)			
M & HCVs	145	198	27%
LCVs	326	378	14%
Three Wheelers	365	402	9%

*Source - Crisil

Overall Demand Drivers

- Increase in affordability
 - Growth in Addressable Market
 - Entry of New Players and New Model Launches
 - Increase in dealerships and access to Finance
 - Reduction in holding period, which increases the demand for second vehicles
 - Growth in Economic Activity
 - Infrastructure development, structural changes and government initiatives
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Automobile Finance Growth Factors

- ❑ Entry of Private Sector banks & Financial Institutions due to Liberalization of Economy
 - ❑ Higher Disposable Income due to Economic Growth, especially for young professionals in the IT sector
 - ❑ Availability of credit data, empowering banks and financial institutes to offer high loan to value and affordable EMIs
 - ❑ Widespread of Automobile Finance companies to remote locations as manufacturers setup shop across the nation
 - ❑ Emergence of direct selling, collection and recovery agents which support banks and institutes during the lending cycle
 - ❑ Securitization of automobile loans after the 2008 financial crisis
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