Automobile Industry: Structure and prospects

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Overview:

The Indian auto industry is expected to be the world's third largest by 2016 only behind China and the US. (India is currently world's second largest two-wheeler manufacturer). India's annual production stood at 23.96 mn vehicles (including passenger vehicles, commercial vehicles, three wheelers, two wheelers and quadricycle) in 2015-16 as against 23.36 mn in 2014-15, registering a sluggish growth of 2.6% y-o-y.

The industry accounts for 7.1% of the country's Gross Domestic Product (GDP). The Two Wheelers segment is the leader of the Indian Automobiles market with 79% market share owing to a growing middle class and a young population. Moreover, the companies growing interest in exploring the rural markets further aided the growth of the sector. The Passenger Vehicle (PV) segment has 14% market share.

Besides, India is also a prominent auto exporter and exports about 15% of the automobiles produced annually. However, exports grew only marginally by about 1.9% y-o-y in 2015-16. In Apr-Jan 2016-17, exports of Passenger vehicles increased by 17.5% and that of Commercial Vehicles registered a growth of 8.2% y-o-y. On the other hand, exports of Two-wheelers and Three-wheelers declined by about 9.7% and 34% y-o-y respectively during the same period due to currency issues in key global markets (Africa and Latin America) along with low crude prices.

Outlook:

2016-17 has been an eventful year for the auto industry. The early part of the year saw a revival trend in the automobile sales which was plagued due to massive demand fall in the rural market owing to uneven and delayed monsoon in the previous year. The ban on diesel cars further hurt the automobile industry. Second half of 2016 had started witnessing strong positive sentiment this was backed by factors such as improved consumer sentiments post the Seventh Pay Commission, normal monsoon after two successive years of deficit rainfall, lower financing costs (banks base rates have declined from 10.75% in December 2011 to 9.65% in December 2016) fuel prices and healthy replacement demand due to diesel car ban. However, as soon as the industry was about to pick up speed, demonetization was announced by the government in November 2016. This led to de-growth in the auto industry during December 2016.

In Q3-2017, total auto sales declined by 16.6% q-o-q on back of about 20% decline in two-wheeler and three-wheeler sales during the quarter on back of liquidity crunch in the market. The sales of CVs and passenger cars declined marginally by about 2% and 4.7% respectively during this period. However, on a y-o-y basis, total auto production and sales witnessed decline of about 3.5% in Q3-2017.

The overall growth in 2016-17 is likely to improve marginally over the 9-months performance as the currency situation returns to normal. Higher spending power, discounts from companies and corporate rush to purchase vehicles can be some of the drivers in the last couple of months.

In 2017-18, CARE Ratings expects the industry to witness gradual pickup in demand as the effect of demonetization begins to moderate. Also, demand is expected to improve on back of various initiatives taken by the government in the Union Budget 2018. Higher allocation for infrastructure and transportation segment is likely to benefit the commercial vehicles demand during the year. Allocation to farm credit has been increased which is expected to fuel demand for the tractors segment. Also, reduction in tax burden for individuals with income below Rs 5 lakhs is likely to have positive impact on the two-wheelers and small cars demand.

The investment required in order to ensure improved emission standards is likely to pose a challenge for the players. Also, apart from demonetization, car manufacturers are also unsure about the uncertainties surrounding the implementation of the GST.

Performance of the industry in FY17 and FY18

Table 1: Growth in sales

Category	Apr-Dec FY17 (Actual)	FY17 E*	FY18 E*
CVs	4.5%	5-7%	12-13%
PVs	10.3%	10-12%	12-13%
Two & Three wheelers	6.2%	8-10%	10-12%
Tractors	16.8%	16-18%	18-20%

E - Estimated

Main drivers for these growth rates:
- Common assumption is that GST will be neutral in cost and price impact
- GDP growth to be higher at above 7.5%
- Repo rate can only decrease and hence rates to be stable
- Good monsoon and farm income

Segment	Driver
Passenger vehicles	Higher growth in GDP, income levels and stable prices
Two and three wheelers	Higher GDP growth, good monsoon, higher disposable income
Commercial vehicles	Pick up in industrial production, GDP, stable interest rates
Tractors	Good monsoon, stable interest rates

Overview of sector

Automotive sector in India may be classified under 4 segments as follows:

Chart 1: Automobiles Segment

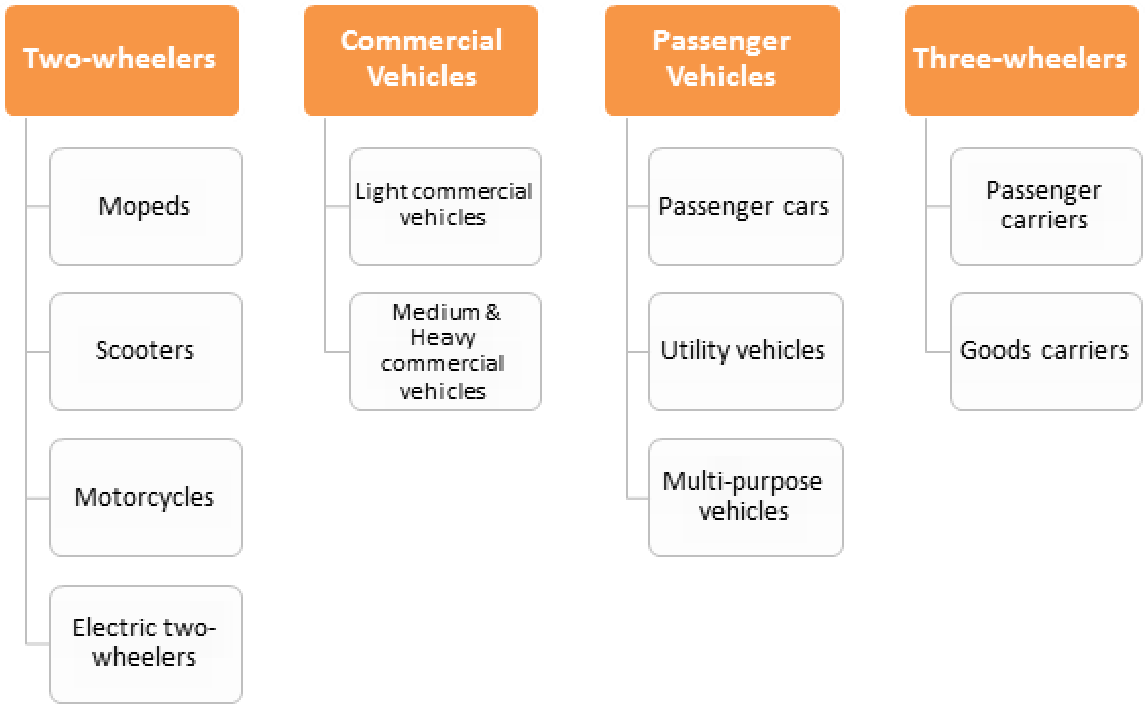


Chart 2: Automotive Clusters in India – Indian and Global Players

Two-wheelers

- **Andhra Pradesh**
  - Hero Motocrop
- **Haryana**
  - Hero Honda, Harley-Davidson, Honda. Suzuki
- **Himachal Pradesh**
  - TVS Motors
- **Madhya Pradesh**
  - M&M
- **Rajasthan**
  - Hero Motocorp, Honda
- **Uttar Pradesh**
  - India Yamaha Motor Pvt Ltd
- **Uttarakhand**
  - Hero Honda, Bajaj Auto
- **Karnataka**
  - TVS, Honda
- **Tamil Nadu**
  - TVS, Royal Enfield, Yamaha
- **Maharashtra**
  - Piaggio & C. Spa, Aprilia, Kinetic, Beneli, Kawasaki, KTM

Commercial Vehicles

- **Andhra Pradesh**
  - Isuzu Motors
- **Telangana**
  - M&M
- **Himachal Pradesh**
  - TAFE
- **Jharkhand**
  - Tata Motors
- **Madhya Pradesh**
  - Hindustan Motors, MAN Force Trucks Pvt Ltd, TAFE
- **Punjab**
  - SML Isuzu
- **Rajasthan**
  - Ashok Leyland, TAFE
- **Uttar Pradesh**
  - Tata Motors
- **Uttarakhand**
  - Ashok Leyland, Tata Motors, M&M
- **Karnataka**
  - Scania CV Ind Pvt Ltd, TAFE, Tata Motors, Volvo
- **Tamil Nadu**
  - Ashok Leyland, BharatBenz, Kamaz Vectra, TAFE, TVS, Caterpillar Ind Pvt Ltd
- **West Bengal**
  - Hindustan Motors
- **Gujarat**
  - Asia Motor Works (AMW)
- **Maharashtra**
  - Ashok Leyland, Bajaj Auto, Force Motors, Mahindra Navistar, Premier

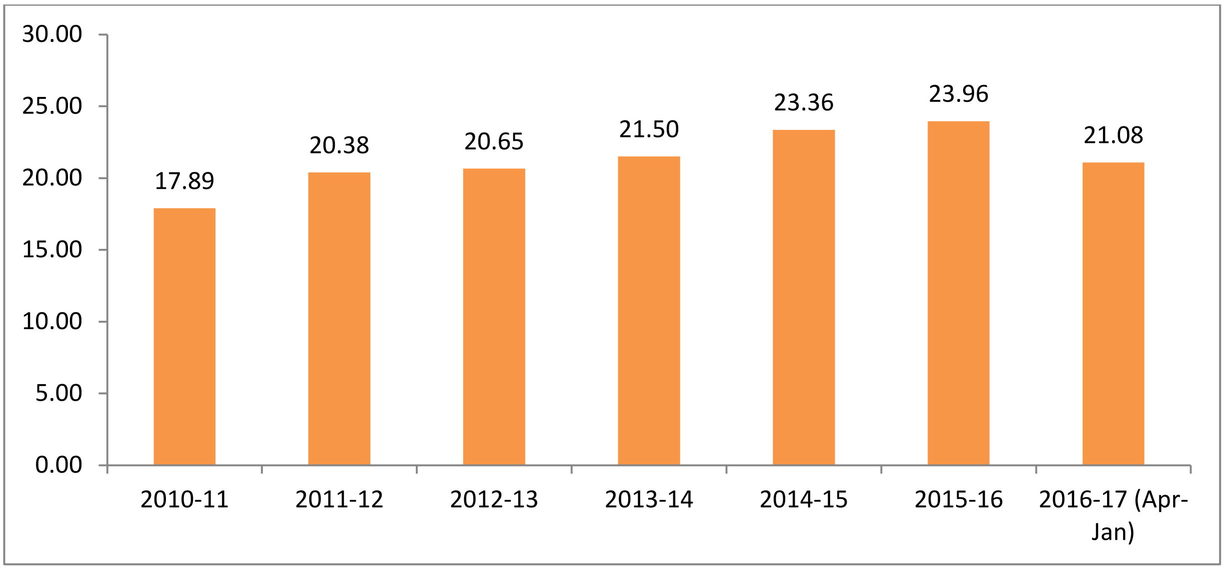
Passenger Vehicles

- **Andhra Pradesh**
  - Isuzu Motors
- **Haryana**
  - Maruti Suzuki
- **Himachal Pradesh**
  - International Cars & Motors Ltd
- **Rajasthan**
  - Honda Cars India
- **Uttar Pradesh**
  - Honda Siel Cars India
- **Karnataka**
  - Mahindra REVA, Toyota Kirloskar Motor Pvt Ltd
- **Tamil Nadu**
  - BMW, Ford, Hyundai, Mitsubishi, Ranault, Nissan Motors, Hindustan Motors
- **West Bengal**
  - Hindustan Motors
- **Gujarat**
  - GM, Tata Motors, Ford (planned)
- **Maharashtra**
  - GM, Tata Motors, Fiat, M&M, Mercedes-Benz, Premier, Jaguar & Land Rover, Audi, Skoda, Volkwagen, M&M, Jeep

Source: SIAM

Trends in Total Production of Automobiles:

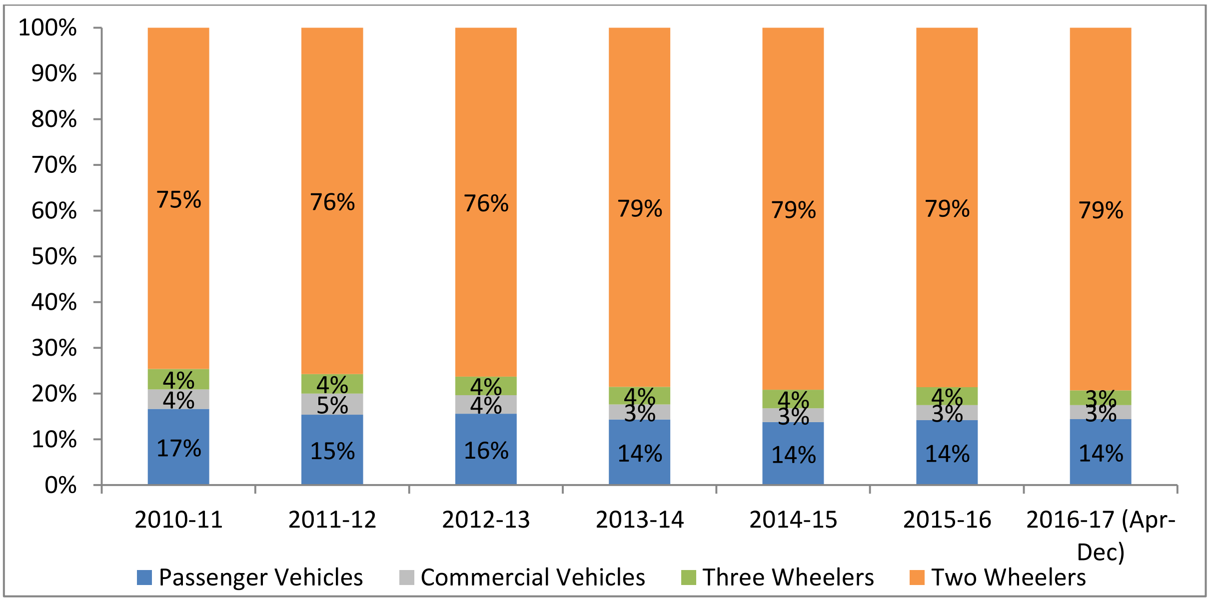
Chart 3: Total Production of Automobiles (Million units)



Source: SIAM

In 2015-16, India's annual production stood at 23,960,940 vehicles (including passenger vehicles, commercial vehicles, three wheelers, two wheelers and quadricycle) as against 23,358,047 in 2014-15, registering a sluggish growth of 2.6% y-o-y. Two-wheelers have dominated the production volumes of the automobile industry over the years. Over the past 4 years, Two-wheeler production share in the overall automobile production has remained constant at around 80%. This is followed by passenger vehicles having a share of 14%. Productions of commercial vehicles and three-wheelers have about 3% share each in the automobile industry.

Chart 4: Category wise Production of Automobiles



Source: SIAM

Commercial Vehicles

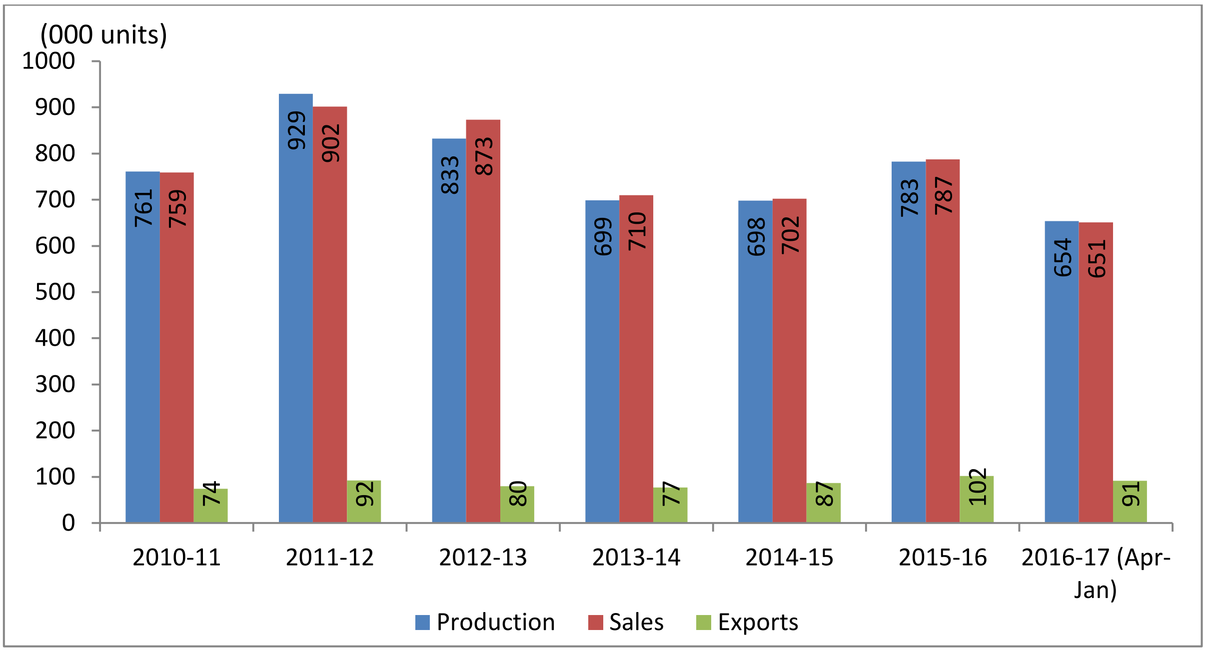
The Indian commercial vehicle (CV) industry is divided into medium and heavy commercial vehicles – MHCVs (trucks and buses) and light commercial vehicles - LCVs (goods carrier and passenger vehicles). The industry is divided into light commercial vehicles, intermediate commercial vehicles, medium commercial vehicles and heavy commercial vehicles on the basis of gross vehicle weight. CVs are also categorised on the basis of engine capacity, power, rated payload, compression ratio, extent of overloading, etc. MHCVs, under the Motor Vehicles Act – 1988, are vehicles with gross vehicle weight (GVW) over 7.5 tonnes. Based on GVW, vehicles are categorised as: intermediate commercial vehicles, medium commercial vehicles and heavy commercial vehicles. MHCV goods vehicles are majorly used for carrying higher loads over longer distances. LCVs are mostly used for carrying passenger and goods within cities having shorter distances. LCVs have a GVW of below 7.5 tonnes. LCV goods vehicles are further classified as – mini trucks (<=3.5 tonnes), pick-ups (<= 3.5 tonnes) and upper-end trucks (3.5 -7.5 tonnes).

The Indian CV industry is dominated by goods carriers (Approximately 88 per cent of domestic CV sales) and hence, the domestic sales are dependent largely upon the economic activities like industrial and agricultural production. Other factors affecting domestic demand of CVs –

- Country's GDP and macroeconomic growth
- Freight movement – changes in rates and fuel pieces
- Profitability of truck operators and state transport undertakings
- Index of Industrial Production
- Availability of Finance and interest rates
- Government policies

For LCVs (mainly buses), demand is analysed by linking it with factors like competition from the railways and other modes of transport, rail-road network, rate of urbanization, GDP and per-capita GDP.

Chart 5: Commercial Vehicles: Production, Sales and Exports



Source: CMIE, SIAM

In 2015-16, production of commercial vehicles increased by over 12% after declining in 2012-13 and 2013-14 by about 10% and 16% respectively and remaining stable in 2014-15. Production of CVs reached 782,814 units in 2015-16. In 2016-17 (Apr-Jan), total production increased by 4% y-o-y led by about 5.8% growth in production of LCVs while the production of MHCVs increased only marginally by about 1.5% during the period. However, in December 2016, production of CVs declined by about 20% y-o-y post demonetization after increasing by over 15% y-o-y in November 2016. In January 2017, production of CVs picked up by a sharp 34% on m-o-m basis.

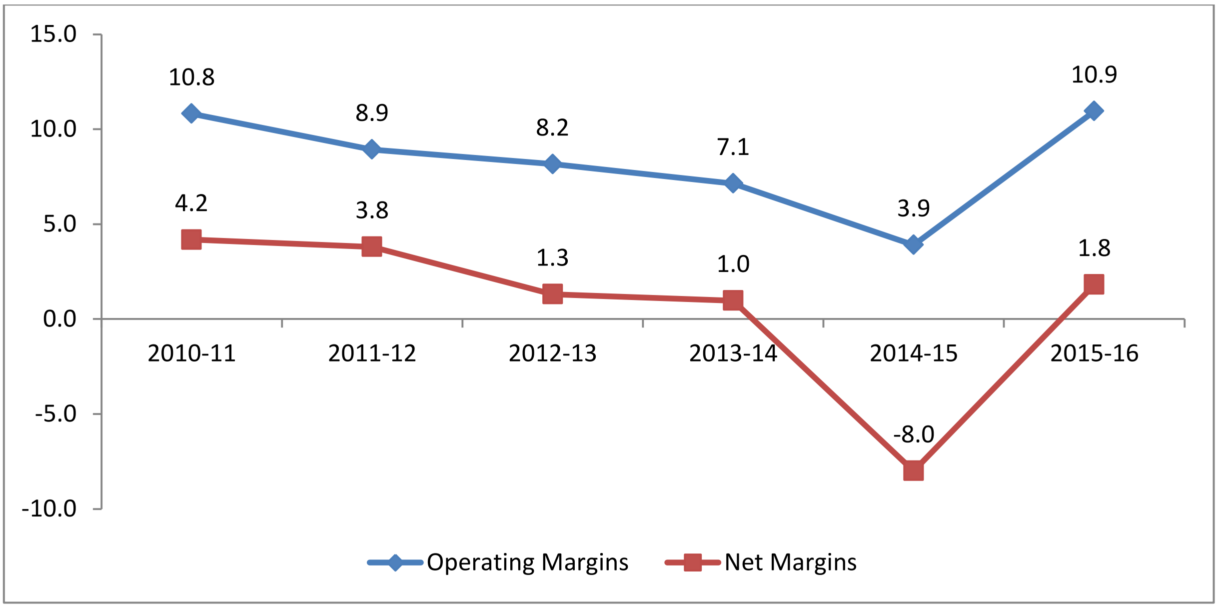
Tepid economic activity during 2012-15 led to weak freight demand; moreover, profitability of transport operators (TOs) was squeezed due to spiraling diesel prices post partial de-regulation of diesel. TOs restrained from fleet additions during 2013-15 period on account of low utilization and lower profitability. New government was formed at Centre in May 2014 and subsequently business sentiments showed signs of revival. Sales grew by 12% in 2015-16. Although complete recovery of economy is still away, gradual revival was witnessed aided by lower inflation and higher industrial activity during the year. Consequently, transport operators went ahead with fleet additions during 2014-15 and continued in 2015-16 which led to fillip in CV demand.

India exports about 10-15% of its sales of commercial vehicles. Major exports markets for commercial vehicles have been China and US. In 2015-16, sale of CVs was registered at 787,393 units, out of which 101,689 units were exported. In 2016-17, till January, country's CVs exports stood at 91,250 units, about 14% of total sales.

Commercial vehicle (CV) sales are expected to grow, however, marginally in 2016-17. With CV manufacturers ordered to migrate to Bharat Stage (BS) IV emission norms from April 2017 by the government, MHCV sales are expected to continue growth during 2016-17. As the BS IV vehicles are relatively more expensive, the fleet owners may rush their purchase plans in 2016-17, which will be required to replace after a decade or so. This will augur well for CV sales in 2016-17. Additionally, lower fuel costs, an expected pick-up in major load generating sectors such as coal, steel and cement due to higher spending on infrastructure and construction projects are expected to provide fillip to demand for trucks. This combined with reduced interest rates would assist demand for CV fleet additions in 2016-17.

However, with demonetization taking place in Q3 FY17, demand is expected to remain under pressure for next couple of months. This effect of demonetization is not likely to last for more than a quarter or two and we expect the liquidity situation to ease. Therefore, demand for CVs is likely to rise in 2017-18 with increased demand from fleet owners after postponing purchases due to cash crunch in H2 FY17.

Chart 6: Margins of Commercial Vehicles (Trucks, buses & LCVs)



Note: The industry margins are based on the financial results of 4 listed CV (Trucks & LCV) companies

Source: Ace Equity

International automakers are also ramping up their capacities (MHCV segments) in India, which may intensify the competitive landscape for the MHCV segment- largely trucks and buses. However, sustainable recovery of CV industry would depend on successful implementation of the initiatives like “Make in India”,” GST”, “Smart City” etc. combined with easing of business environment. The demand outlook for LCVs for 2016-17 is stable, attributable to greater availability of load from the consumer goods segment- which utilises LCVs for transportation and is expected to provide traction to sales.

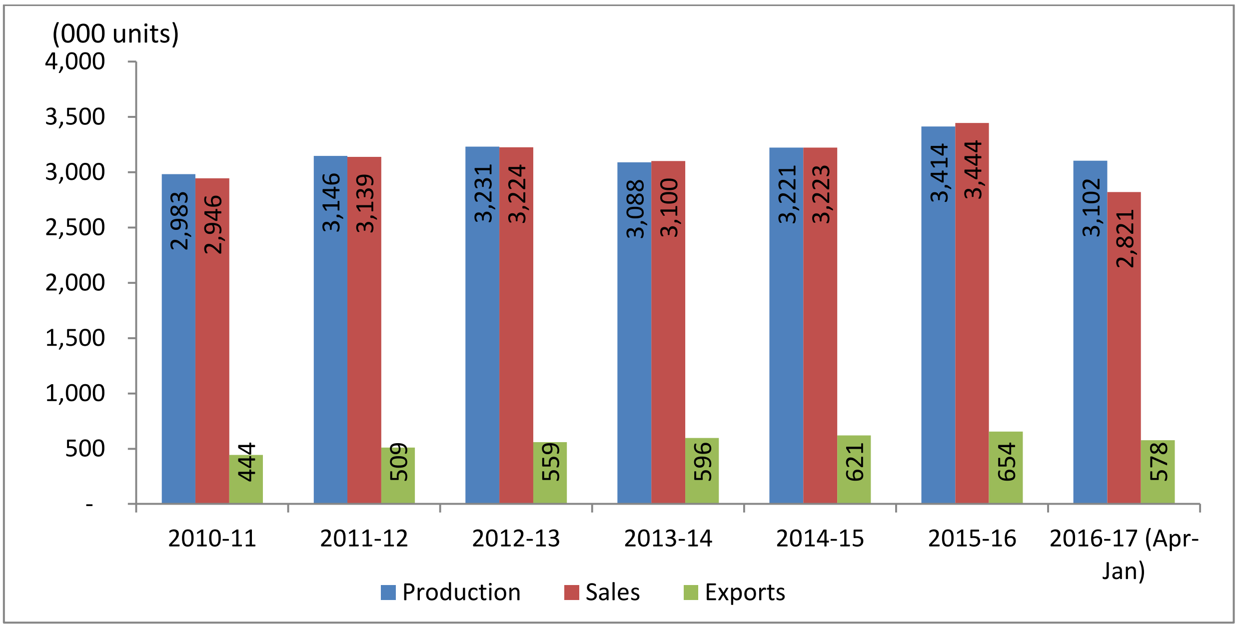
Capacity utilization of CV manufacturers is expected to improve in 2016-17 leading to operating margins expansion during the year. However, the margin expansion is expected to be meager as the cost of raw materials is expected to be higher on a year on year basis. Besides, implementation of GST remains uncertain among the manufacturers.

Passenger Vehicles

The Indian passenger vehicles industry includes passenger cars and utility vehicles. In 2015-16, production of passenger vehicles increased by over 6% after declining by 4.4% y-o-y in 2013-14 and increasing by about 4.3% y-o-y in 2014-15. Production of PVs reached 3,414,390 units in 2015-16. In 2016-17 (Apr-Jan), total production increased by 9.6% y-o-y led by sharp increase of about 32% growth in production of MUVs while the production of passenger cars increased only marginally by about 4.8% during the period. However, in December 2016, production of PVs declined by about 20% y-o-y post demonetization after increasing by about 3.8% y-o-y in November 2016. In January 2017, production picked up and increased by about 20% on a m-o-m basis while it increased by about 15.5% on a y-o-y basis.

The Indian PV sales grew by around 6.9 per cent in 2015-16 attributable to growth in utility vehicle sales which increased by over 12% y-o-y in 2015-16. Meanwhile, sales of passenger cars & vans rose by 5.7% and 3.3% per cent respectively, during the year. The growth in domestic sales was driven by high discounts and complimentary offerings by the manufacturers. This along with fall in fuel prices, new launches and reduction in interest rates resulted in growth in the PV sales. Close to 90 per cent of passenger vehicles are generally purchased on finance. The availability and cost of finance is based on liquidity in the system, financing schemes and the interest rates.

Chart 7: Passenger Vehicles: Production, Sales and Exports



Source: CMIE, SIAM

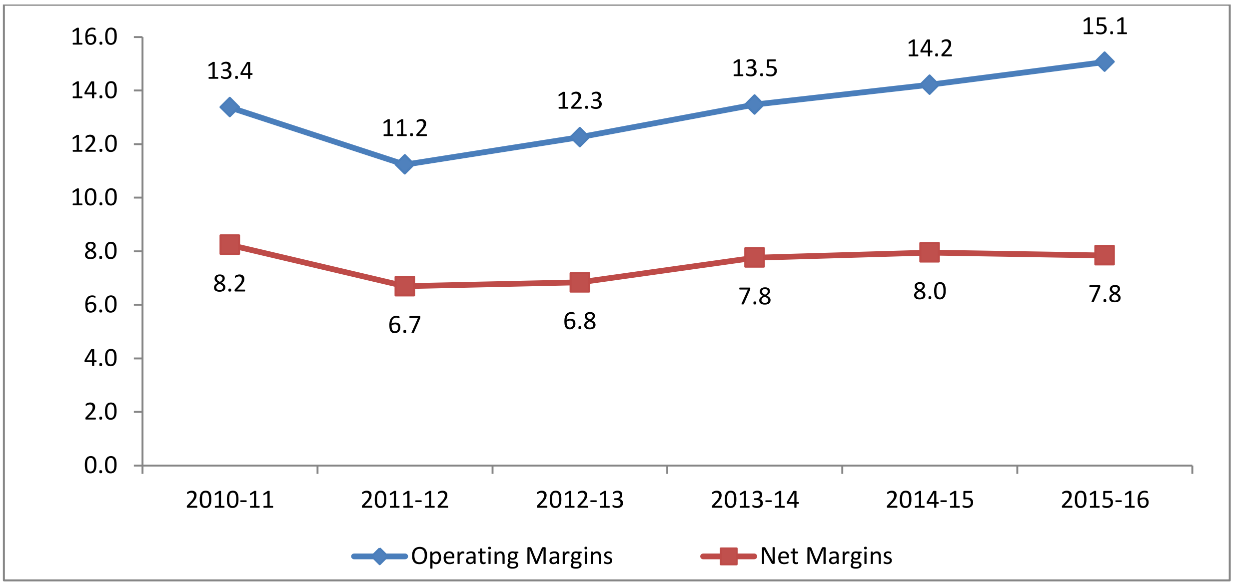
PV industry is characterized by reasonably low entry barriers and minimal regulatory interference from the Government. However, the industry has to comply with the vehicle pollution/ emission norms, which keep on getting stricter and involve capital costs. The industry is important to the economy by directly and indirectly providing employment opportunities and consumption of commodities like steel, aluminum, plastics and tyres. However, the industry has limited say in the prices of key inputs like steel, aluminum and rubber, though it enjoys good bargaining power with the component suppliers. The industry is very capital intensive and setting up strong distribution network is critical for garnering significant market share.

India exports about 20% of its sales of passenger vehicles. USA, Western Europe, Japan and China are the major exports markets for passenger vehicles. In 2015-16, sale of PVs was registered at 3,443,901 units, out of which 654,223 units were exported.

We foresee the domestic PV sales to grow during 2016-17. Although manufacturers undertook two price hikes since the start of the calendar year due to increasing input costs and the imposition of the infrastructure cess announced in the Union Budget 2016-17, several favourable factors for the segment are expected to remain conducive during the year. CARE expects the sales volumes will be buoyed by new launches, likelihood of stable crude oil prices, reduction in interest rates and improvement in the economic scenario which will boost the industry demand in short to medium term. However, in the near term, demand will be affected due to liquidity crunch among the consumers. Though small cars will continue to dominate the domestic demand, the mid-size category will lead the passenger cars (PC) industry growth supported by healthy growth from mid-size and A4-A6 (i.e. executive, premium and luxury) segments. Due to changing consumer preference towards premium small cars and more powerful and spacious UVs, the segment is expected to post healthy growth in next five-year period.

Post the demonetization effect; we expect the segment to witness a gradual pickup in the subsequent years starting from 2017-18 with increase in demand for utility vehicles estimated to be the sharpest.

Chart 8: Margins of Passenger car players



Note: The industry margins are based on the financial results of 2 listed passenger car companies and may not be representative of the entire industry

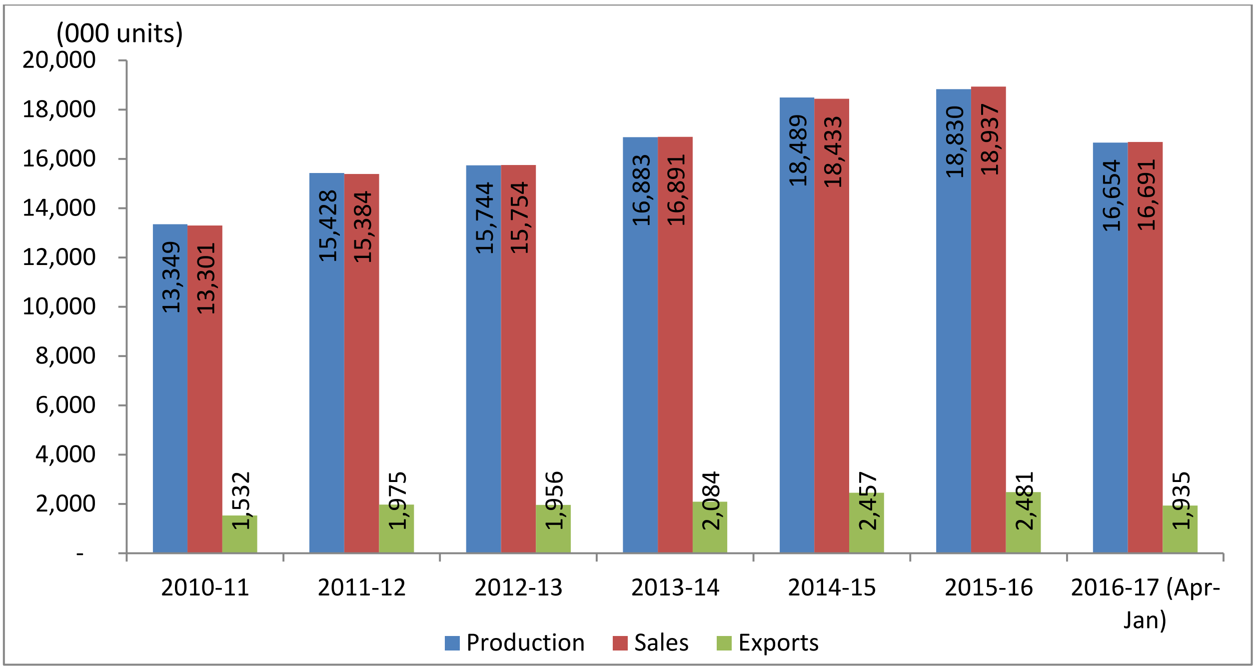
Source: Ace Equity

Passenger vehicles manufacturer's profitability is sensitive to the changes in raw material cost as it forms the bulk of net sales. In 2016-17, with increase in steel and aluminum costs, overall raw material costs are expected to increase. Operating margins are expected to be range bound in 2016-17 after rising in 2015-16, while higher raw material costs and marketing costs due to stiff competition led by new model launches will restrict the margin expansion.

Two-wheelers

India is the world's largest two-wheeler market, followed by China and Indonesia. Over the past few years the two wheeler industry has witnessed healthy growth scenario primarily driven by strong demand from urban as well as rural areas owing to healthy economic scenario. Growing population in urban and rural areas also created the need for public transport infrastructure for regular commuting and thereby pushing the demand for low cost and fuel efficient two wheelers. TW industry can be broadly classified as Motorcycles (~70% of total TW sales), scooters and mopeds.

Chart 9: Two-wheelers: Production, Sales and Exports



Source: CMIE, SIAM

The production of two-wheelers recorded marginal growth of 1.8% y-o-y in the 2015-16 and reached 18,829,786 units. The segment recorded marginal sales growth of 2.7% during the year. Although scooter sales grew by 12.6 %, a fall in sales of motor cycles and mopeds dragged down the overall sales growth of the two wheeler segment. In 2016-17 (Apr-Jan), production of two-wheelers increased by 6.6% y-o-y after showing flat trend in the same period previous year. During the same period, sales of the two-wheeler segment registered a growth of 5.8% y-o-y. In November and December 2016, two-wheeler sales declined by a sharp 27.8% and 22.5% m-o-m respectively on back of the cash crunch led by the demonetization drive of the government. However, sales picked up in January 2017 and increased by 29.7% m-o-m post the remonetization process.

Exports of Two-wheelers in 2015-16 stood at about 15% of the overall sales of the segment. Key export markets for two-wheeler segments are Africa and Latin America. While demand is expected to remain under pressure in the short term, we expect demand to pick up gradually with stable crude prices going forward and as the players plan global footprint expansion.

Of all the auto OEM categories, TW is a high-volume vehicle segment which is largely driven by extent of disposable income available, which in turn is a function of the state of economic turnaround especially in the rural areas that contribute to nearly 50% of the overall TW demand. In view of the above average monsoon for 2016, TW segment demand is expected to maintain its growth momentum in both the segments- scooters as well as motorcycles. The overall motorcycle segment is expected to recover and witness growth in sales in 2016-17. However, scooter sales are expected to grow at much higher rate at on the back of steady urban demand.

In 2017-18, we expect the industry to bounce back after the liquidity crunch stabilises. Also, reduction in the tax burden of individual with an income of Rs 2.5 lakh to Rs 5 lakh in Union Budget 2017-18 is seen as a big positive with higher disposable income in hands of buyers. This will increase demand for the small cars and two wheelers. In the long term, favourable demographic profile, moderate 2W penetration levels (as compared to several other emerging markets), growing urbanization, government's increased focus on rural development, under developed public transport system and strong replacement demand are expected to augur well for the prospects of Indian TW industry.

Two-wheeler manufacturer's profitability is expected to be under pressure with rising raw materials cost as well as increased selling & distribution costs with many new model launches at competitive prices. Margins are expected to show somewhat flat trend for the year on back of increased costs despite higher sales during the year.

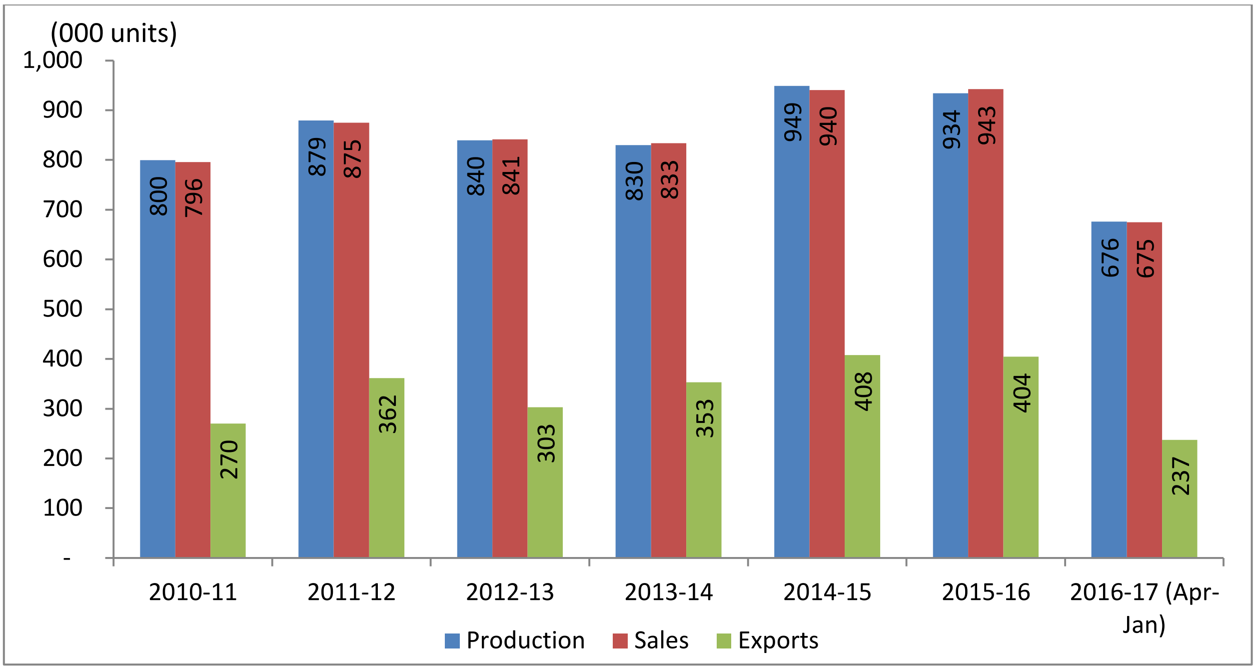
Three-wheelers

Three wheelers are an integral part of the country's automobile sector as they are one of the most preferred means of transportation in rural as well as urban India. India is positioned as the largest manufacturer as well as market for three wheelers globally with industry volumes of around 943,533 units in 2015-16.

Production declined marginally by 1.6% in 2015-16 and reached 933,950 units on back of lower demand from key exports market. Exports increased only by 5% y-o-y after increasing by over 20% in the previous year. In 2016-17 (Apr-Jan), overall sales declined by about 15.9% led by a sharp dip in exports during the period. Exports declined by 34% during the period on back of combination of factors such as regulatory moves by countries like Sri Lanka (hike in import duty) and Bangladesh (as per new regulation three-wheelers not allowed to operate on highways), currency fluctuation and reduction in export incentives. Also, in the domestic market, demand for three-wheeler goods carriers' remains under pressure due to competition from Small Commercial Vehicles (SCVs).

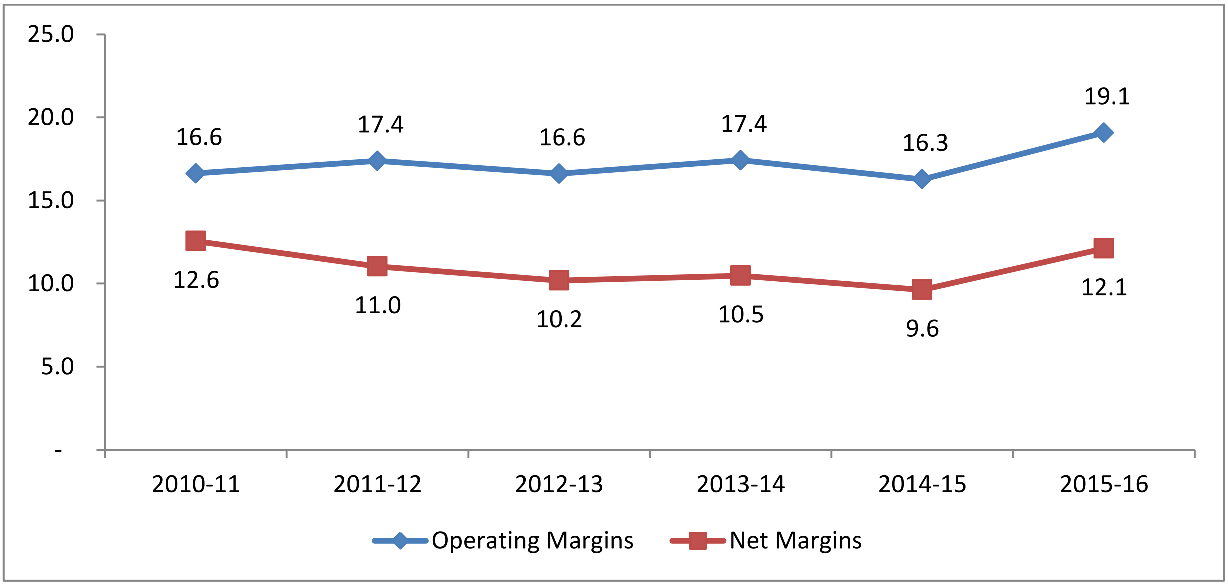
Sri Lanka, Bangladesh (within South Asia) followed by Middle East and Africa account for around 90% of exports from India as per the industry estimates. However, Indian OEMs have also started exploring relatively developed markets in the ASEAN and Latin American region over the past few years. Bajaj Auto accounts for the largest share of ~70% in the exports of three-wheelers from India followed by TVS Motors which account for about 24%.

Chart 10: Three-wheelers: Production, Sales and Exports



Source: CMIE, SIAM

Chart 11: Margins of Two-Wheeler & Three-Wheeler players



Note: The industry margins are based on the financial results of 8 listed Two-wheeler & Three-wheeler companies

Source: Ace Equity

CARE does not expect the situation to improve in the near future. However, over the medium to long term, the segment is likely to register growth on back of improving distribution reach of Indian OEMs along with structurally favourable growth drivers such as rising urbanization and migration to cities boosting intra-city transportation.

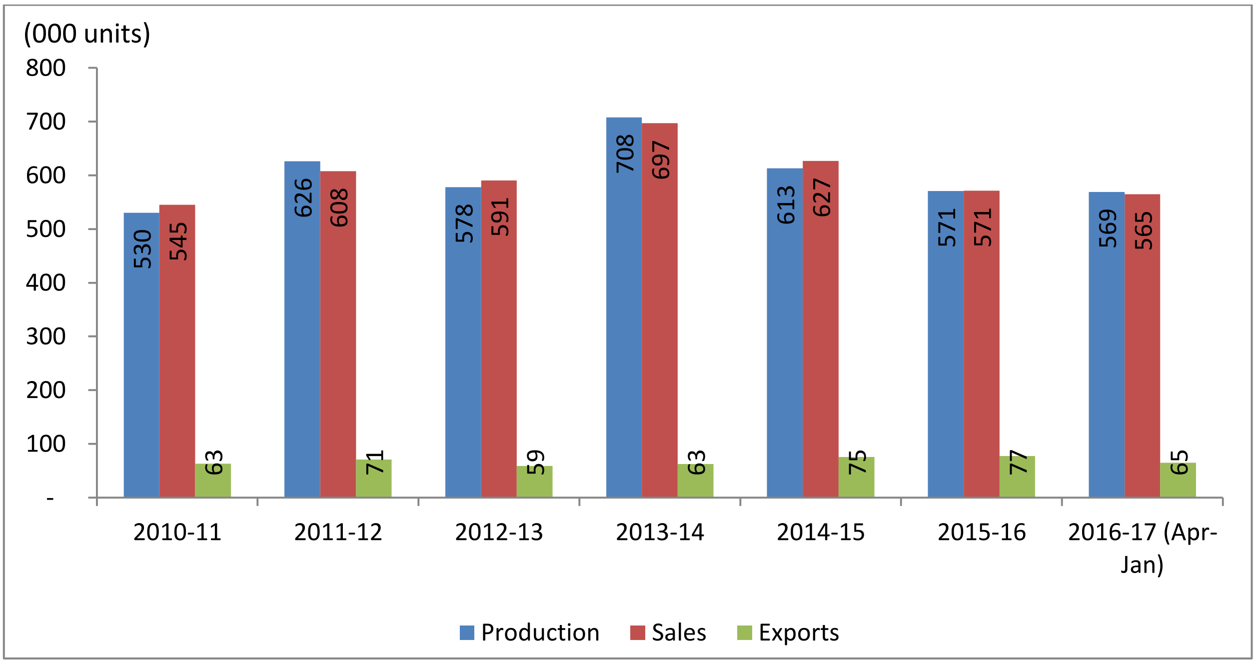
Tractors

Tractors are considered to be a part of the agricultural machinery segment in the broader sense. However, being an automobile, we have considered it as a part of the study. Based on the engine horsepower (HP), the Indian tractor industry is classified into small, medium and large tractors. In India, tractors with engine size between 31-40 dominate the tractors segment with over 40% share in sales coming from this size. This is followed by engine size between '41-50', having 28% share in 2015-16. In the recent years, demand for large tractors has increased on back of various up-gradations. Large part of the demand comes from the agriculture sector. While non-agri demand (infrastructure and construction activities) forms a smaller part of the total demand.

M&M continues to remain the market leader in the tractor industry with a share of over 37% in the total industry volumes over the past few years. Other major company in the tractor industry is Escorts Ltd., with a market share of about 10%. John Deere and TAFE are other major companies in the Indian tractor industry.

After declining by over 11% in 2015-16 (Apr-Jan) on back of below average monsoon as well as slower growth in MSPs of various crops, production of tractors increased by over 15.8% during the same period in 2016-17 on back of improved farm sentiments due to higher than expected monsoon during the year. Demand is expected to further improve in the last quarter of 2016-17 on back of improved farm sentiments and higher farm activities along with improved non-agri demand.

Chart 12: Tractors: Production, Sales and Exports



Note: Sales numbers excludes exports
Source: CMIE

Going forward, in 2017-18, CARE Ratings expects demand for tractors to improve on back of increased farm activities due to anticipated abundant and timely monsoon after two consecutive weak years and improved soil moisture and reservoir levels. This is expected to improve the soil productivity. Also, the government has increased allocation for farm credit which will improve the credit flow. 'Pradhan Mantri Fasal Bima Yojna', an initiative of the GOI, would provide the much needed economic support to farmers. Upward revision in the minimum support prices (MSPs) of kharif and rabi crops would lead to a spurt in farm incomes. These factors together with a rising need for farm-mechanization and increasing replacement demand for tractors are expected to boost the agricultural demand for tractors. Also, with the infrastructure push given by the government, construction activities will be higher leading to non-agricultural demand for tractors to be higher on a y-o-y basis. As per CMIE's Capex database, projects worth Rs.1 trillion are likely to get completed in the road infrastructure sector during 2017-18. Execution of these projects is likely to generate demand for tractors in the years going forward.

Investments

India has significant cost advantages; auto firms save 10-25 per cent on operations vis-à-vis Europe and Latin America. A large pool of skilled manpower and a growing technology base would induce greater investments going forward.

In order to keep up with the growing demand, several auto makers have started investing heavily in various segments of the industry during the last few months. The industry has attracted foreign direct investment (FDI) worth US$15.79 billion during the period April 2000 to September 2016, according to data released by Department of Industrial Policy and Promotion (DIPP).

Some of the major investments and developments in the automobile sector in India are as follows:

- Electric car maker Tesla Inc. is likely to introduce its products in India sometime in the summer of 2017.
- South Korea's Kia Motors Corp is close to finalising a site for its first factory in India, slated to attract US$1 billion (Rs 6,700 crore) of investment. It is deciding between Andhra Pradesh and Maharashtra. The target for operationalising the factory is the end of 2018 or early 2019.
- Several automobile manufacturers, from global majors such as Audi to Indian companies such as Maruti Suzuki and Mahindra & Mahindra, are exploring the possibilities of introducing driverless self-driven cars for India.
- BMW plans to manufacture a local version of below-500 CC motorcycle, the G310R, in TVS Motor's Hosur plant in Tamil Nadu, for Indian markets.
- Honda Motorcycle and Scooter India (HMSI) has inaugurated its 900th Honda Authorised Exclusive Dealership in India, thereby taking its total dealership network to 4,800 across the country and further plans to increase its network to 5,300 by end of 2016-17.
- Hero MotoCorp Ltd seeks to enhance its participation in the Indian electric vehicle (EV) space by pursuing its internal EV Programme in addition to investing Rs 205 crore (US$ 30.75 million) to acquire around 26-30 per cent stake in Bengaluru-based technology start-up Ather Energy Pvt Ltd.
- JustRide, a self-drive car rental firm, has raised US$ 3 million in a bridge round of funding led by a group of global investors and a trio of Y Combinator partners, which will be utilised to amplify JustRide's car sharing platform JustConnect and Yabber, an internet of things (IoT) device for cars that is based on the company's smart vehicle technology (SVT).
- Ford Motor Co. plans to invest Rs 1,300 crore (US$ 195 million) to build a global technology and business centre in Chennai, which will be designed as a hub for product development, mobility solutions and business services for India and other markets.
- Cummins has plans to make India an export hub for the world, by investing in top components and technologies in India.
- Suzuki Motor Corporation, the Japan-based automobile manufacturer, plans to invest Rs 2,600 crore (US$ 390 million) for setting up its second assembly plant in India and an engine and transmission unit in Mehsana, Gujarat.

- Mr Masayoshi Son, Chief Executive Officer, SoftBank Group, has stated that Ola Cabs may introduce a fleet of one million electric cars in partnership with an electric vehicle maker and the Government of India, which could help reduce pollution and thereby transform the electric mobility sector in the country.
- China's biggest automobile manufacturer, SAIC Motor, plans to invest US$ 1 billion in India by 2018, and is exploring possibilities to set up manufacturing unit in one of three states – Maharashtra, Andhra Pradesh and Tamil Nadu.
- Suzuki Motorcycle India Pvt Ltd has started exports of made-in-India flagship bike Gixxer to its home country of Japan, which will be in addition to current exports to countries in Latin America and surrounding countries.
- General Motors plans to invest US$ 1 billion in India by 2020, mainly to increase the capacity at the Talegaon plant in Maharashtra from 130,000 units a year to 220,000 by 2025.
- FIAT Chrysler Automobiles has recently invested US$280 million in its Ranjangaon plant to locally manufacture Jeep Compass, its new compact SUV which will be launched in India in August 2017.

Source: IBEF

Factors to watch for:

- Higher allocation for farm credit in Budget 2018 will improve agricultural activities in the rural areas and boost demand for farm equipment and tractors segment.
- Higher outlay for infrastructure and transportation segment, which had been volatile off late, is expected to be positive for the commercial vehicles demand.
- With the decline in the holding period of a vehicle from 5-6 years to 3-4 years, the inflow of used cars and commercial vehicles has gone up considerably. Also, easy access to finance options, greater participation of organized OEM backed players in used vehicle markets; higher number of aspiring buyers with improvement in standard of living and increased industrial activities, etc. is likely to create higher demand for the used-vehicle segment. This in turn is expected to impact the demand for new passenger vehicles and commercial vehicles in the future.
- Reduction in the tax burden of individual with an income of Rs 2.5 lakh to Rs 5 lakh is seen as a big positive with higher disposable income in hands of buyers. This will increase demand for the small cars and two wheelers. Two-wheelers demand is expected to improve on back of steady urban demand.
- Demand for three-wheelers coul0d be under pressure in near term. However, the segment is likely to register growth on back of rising urbanization and migration to cities boosting intra-city transportation.
- Auto exports from India is expected to show strong growth as many companies like Volkwagen, Ford Motors, General Motor are focusing on exports and expansions in newer markets such as South America, North America and Asia will only add to the growth.
- With GST being implemented in 2017-18, raw materials cost is expected to be lower and prices will follow improving the demand. This will thereby support the margins of the automobile players. However, it will take some time for things to normalize after the impact of demonetization drive on the sector.

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