



Auto Sector Presentation for ValuePickr annual meet

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For educational purposes. This presentation does not constitute Investment advise
and is merely an effort towards enhancing learning and knowledge.

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- Jiten is co-founder of Aurum Capital. Aurum Capital is a SEBI registered investment advisory company
- The stocks which may have been discussed are not recommendations from Aurum Capital or Jiten Parmar
- Some of the stocks may have been recommended to our clients and Jiten Parmar may hold some of these.
- This presentation is only for educational purpose and does not constitute investment advice.

The Landscape

- Passenger Vehicles
- 2/3 wheelers
- MHCV
- Tractors

Current Scenario

- Currently auto sector is in down cycle after 3-4 very good years. This sector is also cyclical and many market participants are realizing that now.
- Best investments happen in down cycle
- Long term looks good. Demographics favor that.

Reasons for downturn

- High base
- Liquidity crunch
- Higher cost of ownership due to insurance regulation change
- Election period
- BS VI uncertainty
- Cyclical in economy reflects in auto sector too

Possible Revival Timelines

- Passenger Vehicles - Expect to revive in H2
- 2/3 wheelers – Expect to revive in H2
- MHCV – may face tougher time. May revive next year or earlier if buying preponed due to BSVI
- Tractors – monsoon dependent. We have to track it.

Challenges for the industry

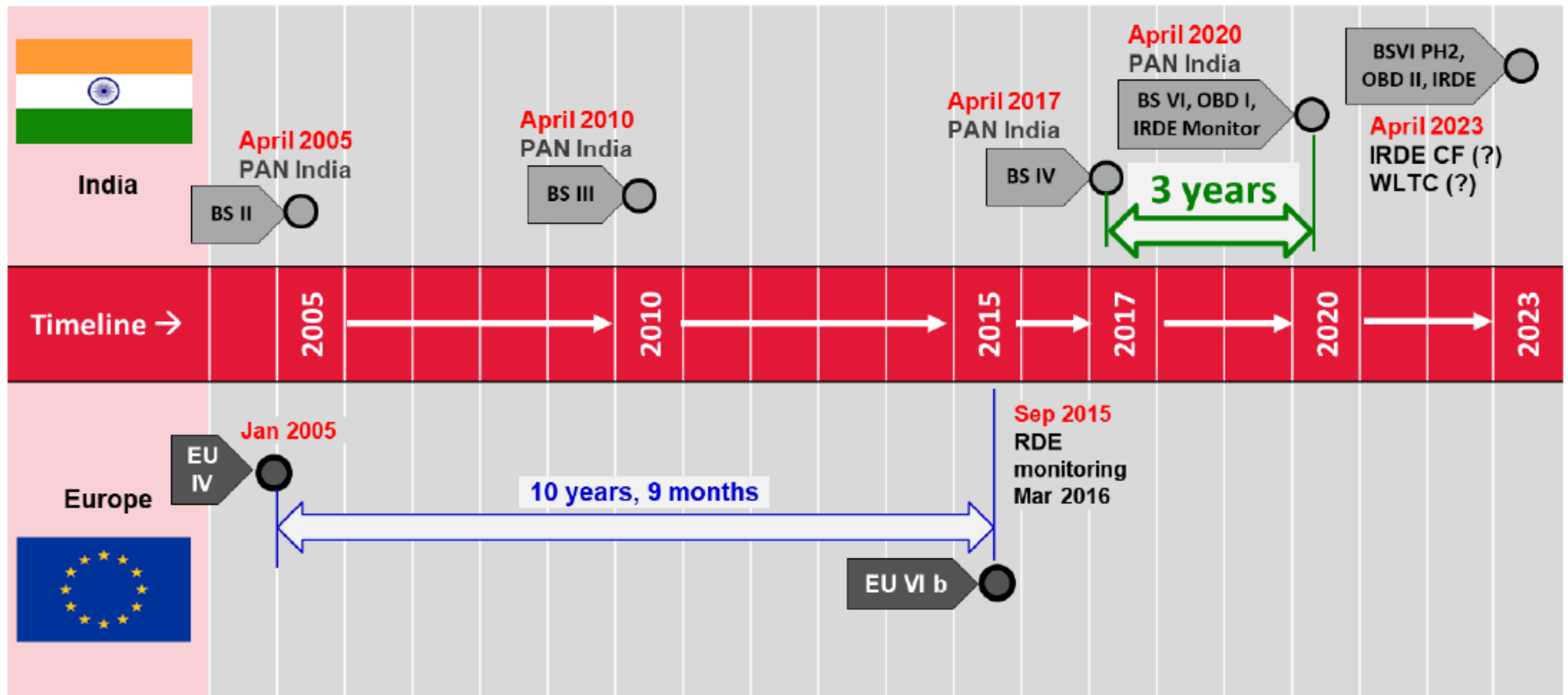
- ✓ BS VI – many diesel variants of small cars will become unviable. Maruti has said they will completely phase out diesel engines. Costs will increase across the board. M&M also told some diesel variants will be phased out, especially 1.2l and 1.4l
- ✓ Economy – Economic revival is a must for the industry to grow

Challenges for the industry

- External factors – US, Europe slowing down. Brexit, US-China trade war impact
- India is skipping a stage. Moving from BS IV to BS VI. And that too in 3 years, which took 10 years for Europe. It is too aggressive
- EV deadline push is too aggressive and 2w manufacturers and government are at loggerheads

Legislation Overview

Legislation Roadmap : India & Europe



Stage 4 to Stage 6 Emission Migration, Europe in over 10 years and India in 3 Years

BS4 to BS6 : (Both PM and NOx reduction together)

First country to skip an emission standard (BS-V)

BS4 [mg/km]
NOx – 250
PM – 25

DIESEL

NOx – 68 %
PM – 82 %

BS6 [mg/km]
NOx – 80
PM – 4.5

BS4* [mg/km]
CO – 833
HC – 83

GASOLINE

CO – 20 %
HC – 8.5 %

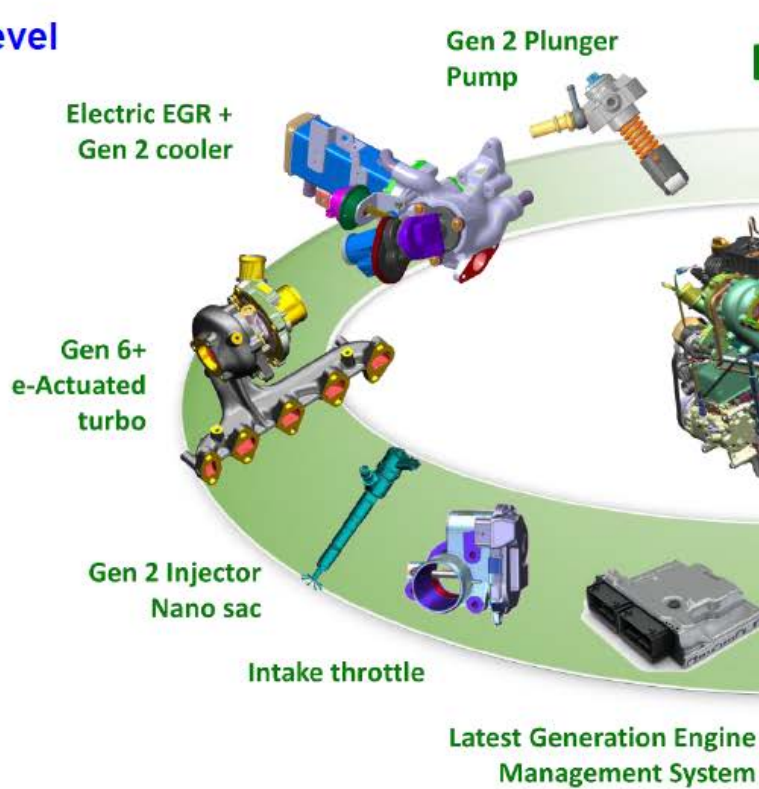
BS6* [mg/km]
CO – 667
HC – 76

* thru Deterioration Factor

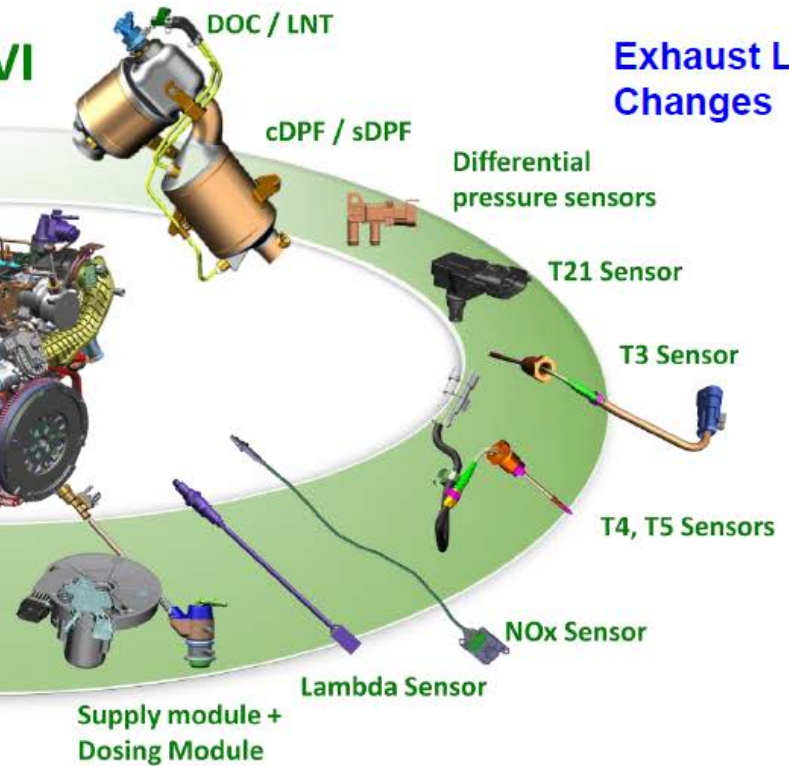
Technology Overview

BS4 to BS6 : Major Technology Migration (Engine & Exhaust level)

Engine Level Changes



BS VI



Exhaust Level Changes

BS VI Cost Increments

- Petrol – 1.50 Rs, Diesel – 0.70 Rs (Opp : OMCs need to modernize their refineries, Cost 30000 cr)
- 2W - 10 to 12%
- PVs - 3 to 10% (higher for diesel cars)
- Trucks - 10 to 12%

EV's

- India lagging behind. Charging infra is a major challenge. We will be at least 5-10 years behind developed markets or China.
- Order of acceptance : 2w, 3w, PV
- Subsidies will be needed to make it commercially viable
- Think-tank statements too aggressive. Not practical
- Look at companies which can evolve

EV's

- New leaders can emerge
- In auto-ancillaries, look for companies where EVs have least impact. Derating may happen much before actual and meaningful deployment
- EV tech will also change
- Component of electronics in vehicles will go up
- Autonomous cars will take much longer in India

Conclusion

- Sector should be on radar. Put foot in the door. Ramp up should be done once revival signs are clear
- Be sensitized to the fact that though EV may take longer time for implementation, derating may start sooner
- Try to find companies/ancillaries which are EV-ready, BS VI-ready or have minimal or no impact of EVs