

FOURIN Asia Automotive Intelligence

Monthly Analysis of the Asian Automotive Industry and Its Globalization

PUBLISHER: Tetsuo KUBO. EDITOR-IN-CHIEF: Andor ZOMBORI. CONTRIBUTORS: Junhong CHEN, Kentaro FUJIKAWA, Saki FUJISAWA, Kazuki FUNAHASHI, Wakiko FUTAKUCHI, Takashi HORII, Kosuke KAWAI, Gangbok LEE, Toru NAKATA. ADDRESS: FOURIN, Inc. 292 Sakuragaoka, Chikusa-ward, Nagoya 464-0025, JAPAN. PHONE: +81-52-789-1101 (company) or +81-52-789-1179 (editor team) FAX: +81-52-789-1275 (editor team). URL: <http://www.fourin.com> E-MAIL: Sales@fourin.com ANNUAL SUBSCRIPTION: 192,000 JPY (free shipping, VAT on Japan orders). COPYRIGHT: All rights reserved.



(Isuzu 600P)



(Isuzu 700P)



(Isuzu 100P)

No. 94, October 2016

Vietnam's SCT on Automobiles

Asia's Automobile Production Capacity Forecast

USA H1 2016 Light Vehicle Sales

Asia

Japan

Korea

Taiwan

Isuzu Motors ①

Isuzu Motors ②

Battery Charging Equipment

Driscoll

Telematics

Asia Overview

Asia Vehicle Production / Sales

Japan Vehicle Production / Sales

China Overview

China Vehicle Production / Factory Shipment

China Engine Production / Factory Shipment

China Vehicle and Parts Import / Export

EDITORIAL

Rate on Small Passenger Vehicles Lowered 10 Percent 1

The Vietnamese government has put forth a policy to stimulate the automotive industry with small passenger vehicles at its core. Special consumption tax (SCT) on 1.5L and smaller passenger vehicles (including SUVs and MPVs) is reduced 10 percent from 2016 through to 2018 in an effort to foster domestic demand.

SPECIAL REPORTS

Volume to Reach 23 Million Units by 2020; Factories Expanded, Set Up in India, Indonesia .. 2

Asia's automobile production capacity is projected to increase 3 million units through to 2020 to 23 million units. In India, which may become the fifth largest automobile manufacturer by 2020 by surpassing Korea and Mexico, production capacity is expected to increase over 1.5 million units in the next 4-5 years.

Up 1.3 Percent; Toyota Drops 2.7 percent; Nissan, Honda Rise Single Digit 6

The United States' light vehicle (passenger vehicles and light trucks) sales volume in the first half of 2016 increased 1.3 percent compared to the same period of 2015 to 8.59 million units. Although sales continued to expand, the rate of growth became dull compared to the first six months of 2015.

COUNTRY REPORTS

H1 2016 Motorcycle Sales: Up 7.3 Percent; Philippines Excels, Indonesia Continues to Drop, Vietnam Revives 12

H1 2016 Automobile Sales: Down 4.8 Percent; Standard, Small PVs Revive, Mini PVs Continue to Decline 14

H1 2016 Automobile Sales: Up 9.1 Percent; Volume Is Driven Up by Consumption Tax Cut 16

H1 2016 Automobile Sales: Up 2.3 Percent; Consumption Tax Cut Raises Replacement Demand 18

MOTOR VEHICLE REPORTS

China: Strengthens SUV, PUT Business; Plans to Launch Locally-developed Heavy Truck in 2017 20

India: Launches Own PUT Factory; Challenges Indian Competitors by Raising Local Content 22

PARTS INDUSTRY REPORTS

China: Nationwide Coverage Is Intended by 2020; Infrastructure Development Is Spreading from Cities to Highways .. 24

India: Sets Sales Target at 30 Billion INR for 2020; Plans to Enter Mexico, Vietnam 26

China: Technology Spreads Primarily Among Luxury Vehicles, SUVs; Service Fees Restrict General Diffusion 28

ASIA & JAPAN STATISTICS/DATA

Vehicle Production / Sales Overview (Jul. 2016) 30

Vehicle Production by Country, Type and Brand in Seven Asian Nations (Jan.-Jul. 2016) 32

Vehicle Sales by Country, Type and Brand in Ten Asian Nations (Jan.-Jul. 2016) 35

Monthly HEV/PHEV/BEV/FCEV Passenger Vehicle Sales Volume (Jan.-Jun. 2016) 40

Monthly Vehicle Production/Sales Volume of Japanese Automakers (Jan.-Jul. 2016) 42

CHINA STATISTICS/DATA

Vehicle Production Overview (Passenger/Commercial) (Sep. 2016)

Vehicle Production and Factory Shipment by Class and Segment (||)

Vehicle Production and Factory Shipment by Group, Maker and Segment (||)

Passenger Vehicle Production and Factory Shipment by Origin and Brand (||)

Passenger Vehicle Production and Factory Shipment by Maker and Model (||)

Engine Production and Factory Shipment by Maker and Type (||)

Vehicle and Parts Trade (Im/Ex Value) by Region, Trading Bloc and Country (||)

Vehicle and Parts Trade (Im/Ex Value/Vol.) by Category, HS Code and Item (||)

Accessible from the last third of this month.

Accessible from the end of this month.

India: Sets Sales Target at 30 Billion INR for

Pricol

Pricol Limited, a major Indian automotive parts maker, is engaged in business expansion in an effort to realize its 2020 sales revenue target of 30 billion INR. FOURIN conducted an interview with this company, which put forth an ambitious goal of doubling sales in four years compared to fiscal 2015's 14.6 billion INR. Regarding undertakings until 2020, Pricol plans to

concentrate management capital in product sectors, enter new overseas markets and carry out M&As.

The 30 billion INR sales revenue target is intended to be reached through business acquisitions and expansion of existing operations. Out of the 30 billion INR sales revenue target, 8 billion–10 billion INR is aimed to be used for business expansion through

M&A. Pricol plans two M&As, one each in 2016 and 2017. New factories are planned to be set up overseas. Apart from plants in Indonesia and Brazil, the establishment of new factories in Mexico and Vietnam is under consideration. In an effort to realize its goal, Pricol plans to invest 3.5 billion–4 billion INR until 2020.

Looking at existing businesses, Pricol

Pricol: Sales Revenue Aimed to Be Doubled by 2020 Through M&A, Product Reinforcement, Overseas Expansion

Based on written interview with Pricol Limited's Managing Director Vikram Mohan and on-site interview with Pricol Japan's Branch Manager Kumar Ganesh on July 4, 2016 in Tokyo, Japan.



■Company outline

Pricol began operations as an instrument panel manufacturer in 1975 with its head office located in Coimbatore, India. Today, apart from the automotive industry, the company also expanded into the industrial equipment and other areas. Pricol's two wheeler, three wheeler, passenger vehicle, commercial vehicle, agricultural machinery and industrial equipment divisions offer over 2,000 products not only to the Indian market, but also in 45 countries around the world.

The company operates eight production plants and seven business offices in India, Indonesia, Brazil, the US, Germany, Singapore and Japan and employs approximately 5,100 people. Pricol launched the company's new brand identity called "Passionate, Sustainable, Dynamic, Evolving" in January 2016 with an aim to realize it companywide.

■Production structure

There are six plants in four Indian regions, namely in Coimbatore (Tamil Nadu state), Gurgaon (Haryana state), Pune (Maharashtra state) and Pantnagar (Uttarakhand state), and there is also one each in Indonesia and Brazil. Especially in India, lead time was reduced by setting up factories in various parts of the country, optimizing its supply structure for the competitive automotive industry. In addition, the Pricol effectively responds to QCD (quality, cost, delivery) demands from clients by using the company's own test center.

■Pricol's presence

The company holds the second largest share worldwide in its core business area namely motorcycle instrument clusters. In addition, Pricol is the fourth largest manufacturer of instrument clusters for agricultural machinery and off-highway vehicles and one of the top 10 manufacturers of automotive sensors in the world.

In India, the company is the largest manufacturer of motorcycle pumps (water and oil), speed governors and cab-tilt systems for commercial vehicles, and telematics for agricultural machinery and off-highway vehicles.

■Client portfolio

Currently, Pricol supplies products to 70 clients. Being an Indian auto parts maker, such high number of customers makes the company a top-class supplier. Therefore, naturally the company's client base must be increased to expand business in the future; however, it is also important how to further boost

In the motorcycle sector, Pricol is engaged in business with nearly all motorcycle manufacturers in India as well as supplies products around the world to Honda, Yamaha, Suzuki, Kawasaki, Harley-Davidson, BMW, Ducati and KTM.

In the passenger vehicle sector, Pricol's main customers are Honda, Toyota, Mitsubishi, Maruti Suzuki and Fiat, and recently began supplying products to Renault. In the commercial vehicle sector, Pricol's major clients are Daimler, MAN, Volvo, Piaggio, Ashok Leyland, Navistar, Tata Motors and Mahindra & Mahindra.

In the agricultural machinery sector, Pricol supplies John Deere (Deere & Company), AGCO, New Holland and Escorts.

■Dissolution of joint venture with Denso

In April 2013, Pricol and Denso set up a joint venture Denso Pricol India Limited and began production of instrument clusters for passenger vehicles. However, persistent deficit and no foreseeable prospects for performance improvement led to the dissolution of the joint venture. In March 2015, Pricol sold its 49 percent stake (200 million INR) in Denso Pricol India Limited to Denso. It had no significant impact on Pricol's business and performance.

■Dissolution of joint venture with Johnson Controls

In March 2012, Pricol and Johnson Controls set up a joint venture to manufacture instrument clusters for passenger vehicles. However, Johnson Controls underwent business reorganization and decided to pull out of the automotive electronics sector. In April 2015, the two companies agreed to end their joint venture partnership. Pricol acquired Johnson Controls' 50 percent stake in the joint venture for 200 million INR. The company was renamed to Pricol Pune Limited and became a wholly-owned subsidiary of Pricol.

While being a joint venture, the company could not turn to profit, facing continued deficit. However, once the joint venture was dissolved and operation was taken over by Pricol, profit began to improve, sales revenue rising 25 percent in fiscal year ended in March 2016.

■Business plan

Pricol announced the company's midterm business plan until 2020 in January 2016. In fiscal year ends in March 2020, consolidated sales revenue is aimed to reach 30 billion INR. Since consolidated sales revenue is planned to be doubled compared to the level of the fiscal year ended in March 2016 (14.5 billion INR), average annual growth is expected to be 20 percent from this year until 2020. Moreover, EBITDA is intended to account for 15 percent of consolidated sales revenue.

Out of the 30 billion INR sales revenue target, 8 billion–10 billion INR is aimed to be business expansion through M&A, while the other 20 billion–22 billion INR is envisioned to come from growth of current operations.

Pricol plans two M&As, one each in 2016 and 2017. One manufactures instrument clusters and sensors for commercial vehicles, while the other one makes oil pumps and water pumps automobiles, including commercial vehicles, in Europe.

In an effort to realize its goal, Pricol plans to invest 3.5 billion–4 billion INR until 2020. The company is always looking for opportunities to make investments and is making preparations to carry out investments if needed. In order to strengthen production, new factories are planned to be set up in Vietnam and Mexico; however, investments are carried out under careful watch of the business climate of both countries.

■Indian motorcycle market's future prospects, business policy

The Indian motorcycle market is projected to grow seven percent annually until 2020. Pricol aims to strengthen business ties with virtually all motorcycle makers in India and aims to expand business by surpassing the growth pace of

for 2020; Plans to Enter Mexico, Vietnam

Parts Industry Reports

is India's largest motorcycle instrument cluster manufacturer, supplying nearly all motorcycle makers in India. In addition, the company boasts the second largest market share in the world. In the coming years, Pricol intends to launch TFT (thin-film-transistor) liquid-crystal display and other high value-added products and enter the telematics

service sector. Moreover, in addition to instrument clusters, sensors and pumps are intended to become pillars of the company's motorcycle-related business.

In the passenger vehicle sector, Pricol is shifting from instrument clusters to pumps as its core business area. As for passenger vehicle instrument cluster operations, the company's two joint ventures with

Denso and Johnson Controls were dissolved in March and April 2015 respectively. Both joint ventures were hampered by poor financial performance. For this reason, Pricol plans to focus on water and oil pumps. In the commercial vehicle sector, the company intends to strengthen infotainment service and sensor business for vehicle fleets. (Takashi HORII)

Pricol: Sales Revenue Aimed to Be Doubled by 2020 Through M&A, Product Reinforcement, Overseas Expansion (Cont.)

the overall market.

In the coming years, instrument clusters, sensors and pumps are intended to become the three pillars of the company's motorcycle-related business. Regarding instrument clusters, Pricol is already the largest supplier in India; however, the company aims to boost its sensor and pump businesses as well.

■Business policy in the automobile market

In the passenger vehicle sector, Pricol aims to focus on oil and water pumps. Last year, the company was selected to supply oil and water pumps to the Renault Kwid. It is the first time that Pricol received an order for pumps for passenger vehicles; however, the company intends to boost passenger vehicle pump business by increasing the number of clients in the coming years.

In the commercial vehicle sector, Pricol is putting an emphasis on instrument clusters and sensors, but the company also wants to increase sales of cab-tilt systems and pumps. Pricol is already supplying cab-tilt systems to global manufacturers namely Daimler, Volvo and MAN; however, exports to the US and Europe is aimed to be increased.

■Future of in-vehicle telematics

Telematics services are developing globally and are expected to grow at a high pace. Telematics, which started as a service for individual models in the beginning, has become a service which is now connected to ETC and other infrastructure. OBD (on-board diagnostics), which is already mainstream in passenger vehicles, are forecast to be increasingly installed into commercial and off-road vehicles intended for fleet sales. This trend is seen as a major business opportunity by Pricol with its business interest in instrument panels.

In the telematics service sector, three business groups are present, namely instrument panel makers like Pricol, software developers and front-end engineering firms. Pricol believes that it is necessary to integrate these three areas and offer a comprehensive system in order to realize growth in the telematics sector.

■Instrument cluster business

Pricol calls instrument cluster as DIS (driver information system). Instrument cluster is no longer only a speedometer, but a thing that increases product value through telematics tools. The company became involved in telematics as a DIS business for the first time when it supplied John Deere's agricultural machinery (tractors); however, it aims to introduce the same product to motorcycles and commercial vehicles as well.

As a new type of instrument cluster, the company is currently engaged in the development of IFT (thin-film-transistor) liquid-crystal display in cooperation with clients.

■Sensor / pump business

The company is promoting the development of AdBlue/DEF sensors, Euro 6-compliant engine temperature sensors and electronically-controlled EGR valves.

The company is stepping up development of variable-discharge oil pumps, switchable water pumps and electric water pumps. Pricol aims to increase supply of these products to passenger and commercial vehicles which face rising demand in terms of environmental regulations.

■Overseas business ① Brazil

In January 2015, Pricol purchased Brazilian pump manufacturer Melling Do Brasil Componentes Automotivos, acquiring a production base in the country. Nearly all products of the factory are water and oil pumps for automobiles. Main customers are VW, Fiat and GM in Brazil, but supplies also go to the US. The plant also engages in small-scale production of motorcycle parts for Harley-Davidson.

The Brazilian plant is Pricol's most automatized manufacturing base. It has an integrated production system from casting through machining to final assembly.

In fiscal year ended in March 2016, Brazil's automotive industry dropped 25.6 percent due to political and economic crisis. This situation deeply affected Pricol's Brazilian operations as well, resulting in deficit.

■Overseas business ② Indonesia

Pricol began production in Indonesia in 2007. The company supplies instrument clusters for motorcycles to Honda, Yamaha, Suzuki and Kawasaki. These customers have asked Pricol to localize production of other products as well. For this reason, the company is planning to offer a product lineup similarly to its Indian product lineup. Ahead of others, Pricol has already received an order for oil pumps from Suzuki's Indonesian plant.

In fiscal year ended in March 2016, the Indonesian motorcycle market shrank, slightly reducing Pricol's profits in the country. However, despite drastic decline of the market, the company plans to minimize loss by reducing cost. In fiscal year ends in March 2017, Pricol intends to return to the black.

■Overseas business ③ New production bases (Mexico / Vietnam)

Pricol aims to optimize its global production structure. The company is looking forward to setting up new factories in Mexico and Vietnam with an eye on market and business conditions.

If Mexico remains on the current growth track, it could become one of the leading global automobile markets in the near future. If all business indices continue to show strong performance, Pricol will likely to build a new plant in the country in fiscal year ends in March 2019.

The establishment of a new factory in Vietnam is also under consideration. Pricol intends to position Vietnam as an export base for the US market. Therefore, regarding future the progress of the plan, the company will closely watch TPP developments as well as US policies and regulations.

Pricol Limited

Headquarters: CPM Towers, 109 Race Course Road, Coimbatore, Tamil Nadu State, India
Phone: +91 422-4336000
URL: <http://www.pricol.com>
Established: 1975
Sales revenue: 14.62 billion INR (FY 2015)
Employees: 5,100 people (FY 2015)

Pricol Japan: Shinagawa InterCity Building A, 28th Floor, 2-15-1 Konan, Minato-ku, Tokyo, Japan

(FOURIN)

