



India Pre-owned Car Market Report

2nd Edition (2017)

FOREWORD

Since the 1st Edition of the India Pre-owned Car Market Report was published last year, our industry has moved forward in spite of some significant “jolts”. Over the last 9 months, we have had three major market reforms impact the industry – Demonetization in November 2016, BSIII/BSIV in March 2017 and GST in July 2017. It felt like there wasn’t enough time to settle down before another major externality hit the industry. The reforms are not “priced” into the market just yet, and it will probably take another two financial quarters before we realize the full impact of these reforms. We should expect more changes as a Digital India moves forward with Aadhaar becoming more mainstream. While these reforms have no doubt disrupted the status quo, they have necessitated that all stakeholders change with the times and become “more organized”. Notwithstanding the short term hiccups, we strongly believe these market reforms are good for the organized industry in the long term.

The last edition of this report was a “primer” on India’s pre-owned car industry and provided a basic structure to understand its evolution in the context of two other major global markets, the United States and China. In this year’s edition (our second), we have provided updates to the basic market metrics that all industry practitioners have found useful and in addition, in light of market disruptions, we also review their impact on the overall market.

Much like last year, the pre-owned market sustained its high growth rate with the organized segment growing faster. Consumers are increasingly looking for a more trusted and transparent process for their pre-owned car purchase. Overall dealer productivity increased, especially in the metros with the rural segment making up greater than half of the overall market volume. We also provide some original consumer insights wherein we profile a metro vs. a rural pre-owned car customer.

This year, we introduce a special section to understand Total Cost of Ownership (TCO) of a vehicle – an important determinant in the consumer purchase decision process. We provide a rigorous framework for evaluating TCO of vehicles and provide TCO curves for various vehicle segments. These are also available as part of the indianbluebook.com product suite.

With the Indian automotive industry expected to be amongst the Top 5 markets in the world, the pre-owned market will be an important enabler for the new car industry growth. We hope that this year’s report provides content and insight that all industry participants will value as we collectively embrace industry change and exploit what we believe is a very large opportunity ahead of us.



Nagi Palle
MD & CEO

Mahindra First Choice Wheels Ltd.

This Year's Report

Summary Insights

Pre-owned car market in India – 2017 update

New & Pre-owned Car Market Sizes

Four Major Market Segments

Dealer Footprint

A look at Dealer productivity

Pre-owned car finance penetration

Pre-owned car financing

Risk-appetite compared amongst key players

Opportunities for the pre-owned car financing industry

Special Study: Impact of Regulatory Reforms

Impact of demonetization - consumers postpone purchase

Impact of demonetization - a look at prices

Impact of demonetization - wholesale prices decline

Impact of demonetization - structural shifts expected

GST impact across transaction channels identified

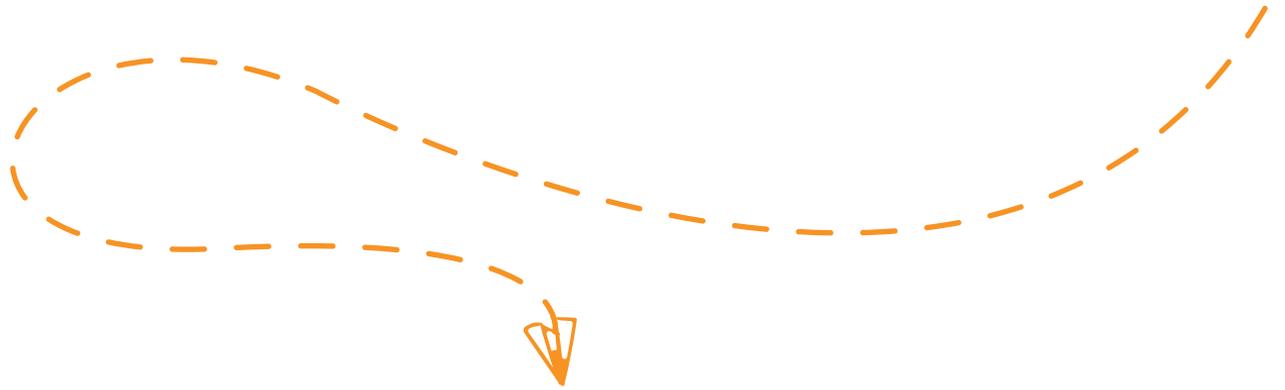
GST Impact - What this means...

Total cost of ownership and Residual values - Insights

What is Total Cost of Ownership (TCO) ?

1-4	Swift and Grand i10 lead hatchbacks in value The 'ideal age' at which to purchase a pre-owned hatchback	20
5	Diesel hatchbacks command higher residuals	22
6	Swift Dzire and Aspire have lowest TCO amongst sedans	23
7	Swift Dzire retains highest value amongst peers	24
8	Localized activities and dense dealer networks key for luxury segment	25
9	A word on Yellow Boards	26
10	TCO compared - Yellow-board, White-board,	27
11	Self-driven rental	28
12	White-boards command higher residuals	29
13	Pre-owned car market – Consumer Insights	
14	A look at fuel composition and car segments	29
15	Profiling the average pre-owned car in the organized segment	30
16	Vehicle preferences compared between the metros and non-metros	31
17	Profiling the average pre-owned car customer	32
18	Pre-GST VAT rates across India	33
19	A word about wholesale markets	34





SUMMARY INSIGHTS



HOW HAS THE MARKET CHANGED SINCE 2016?

The pre-owned car market size is **3.6** million units, **up 9%** from 2016. **Demonetization** diminished the market by **6%**. The nominal market size was 3.8 million units at a growth rate of **15%**

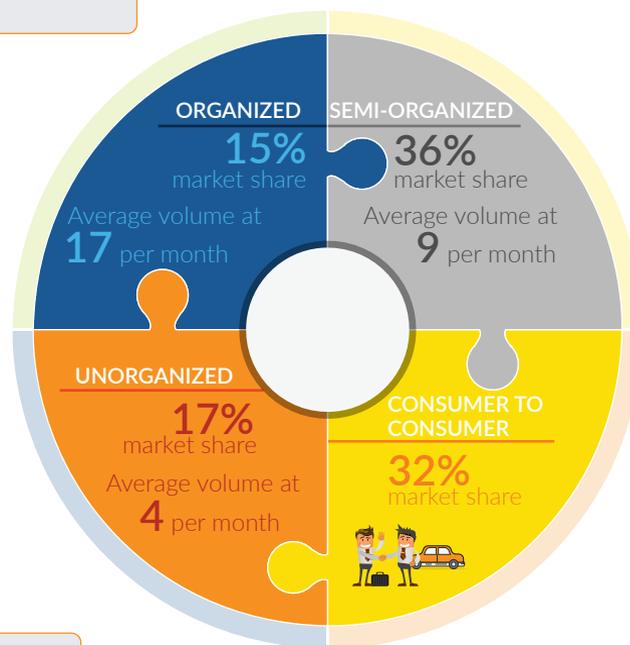
Overall pre-owned dealer count essentially flat at 29,530 dealers. The organized dealer count grew at **23%** yoy

Dealers became more efficient since last year, improved productivity by **18%** yoy and now sell 7 units / month / dealer

Share of non-metros of overall number of pre-owned cars financed was at **45%**, up from 42%

Approximately **190,000** new cars and **36,500** pre-owned cars are financed monthly

Market continues to organize rapidly, the organized segment by volume grew at **36%** and the semi-organized segment grew at **12%**. Consumer-to-consumer (C2C) segment was flat



HOW HAVE THE MARKET REFORMS IMPACTED THE INDUSTRY?

The **cash crunch** induced by **demonetization** has led to customers postponing their decision to buy pre-owned cars, leading to **a fall in volume**



On account of demonetization, the organized segment of the pre-owned car market has grown faster and at the expense of the semi-organized and unorganized market

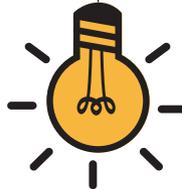
Finance cases have gone up by **20%** post **DEMONETIZATION**;
by about **10-15%** in metros



In **70%** of the states, dealers will have to pay **higher taxes post GST** compared to the old VAT regime



GST regime as it exists today imposes a **significantly higher TAX burden** on the dealer – on a pan-India basis – roughly twice the tax rate that was otherwise being incurred



Long term, with transaction transparency increasing, including expected RTO reforms, we expect the wholesale and retail prices to adjust to accommodate the new tax structure

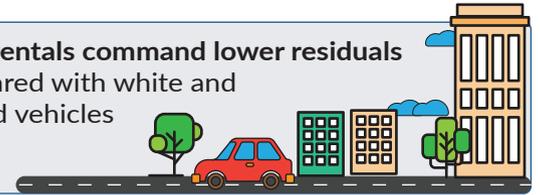
Current GST structure expected to give a fillip to C2C transactions or encourage the dealer to go in for a **“park and sell” arrangement**



INSIGHTS ON THE TOTAL COST OF VEHICLE OWNERSHIP

Car owners can **save on avoiding the initial depreciation loss** through engaging in a pre-owned car transaction

Self-driven rentals command lower residuals when compared with white and yellow-board vehicles



Diesel hatchbacks command higher residuals relative to petrol counterparts



Localized activities and dense dealer networks key for higher residuals in luxury segment



The scenario of buying a one- or two-year old car is perfect for shopping in the **certified pre-owned (CPO)** car market



When **purchasing a pre-owned car**, it is vital to consider the **condition of the vehicle**



Not all cars age at the same rate, as represented by their residual values



Normalizing for differences in features allows for a more accurate TCO comparison when comparing similar vehicles



WHAT ARE CONSUMERS TELLING US ABOUT PRE-OWNED CAR OWNERSHIP?

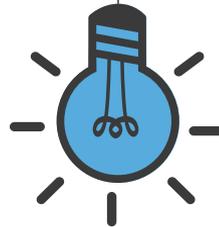
The **age profile of the customers in metros is younger** when compared to customers in the non-metros



Smaller towns are **more amenable to buy older vehicles**



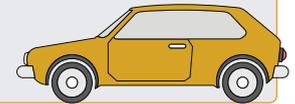
60% OF PRE-OWNED CARS SOLD ARE LESS THAN 5 YEARS OLD



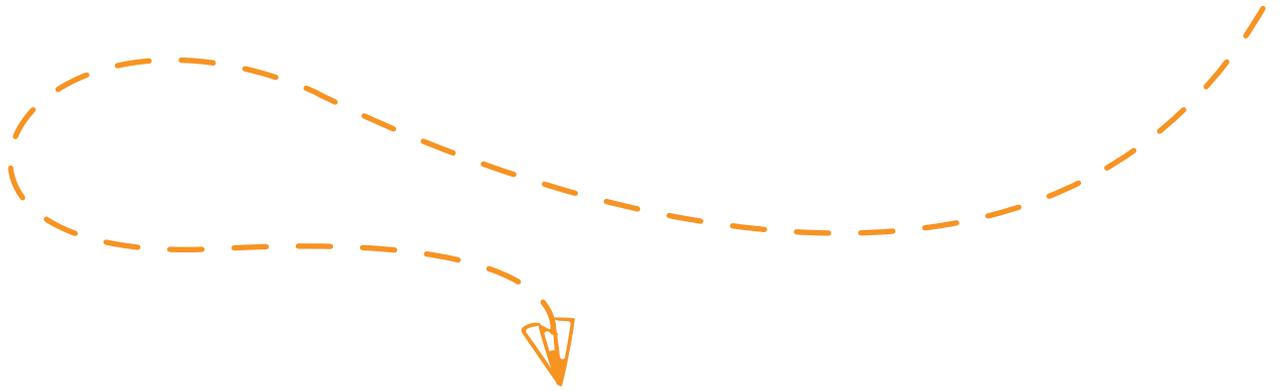
A greater share of organized transactions in the **metros** are **FINANCE-DRIVEN** in comparison to those in the **non-metros**



Residents in smaller towns have a preference for **Diesel vehicles** and a strong liking for **Utility Vehicles or small cars**



70% OF PRE-OWNED CARS SOLD ARE UNDER 4 LAKHS

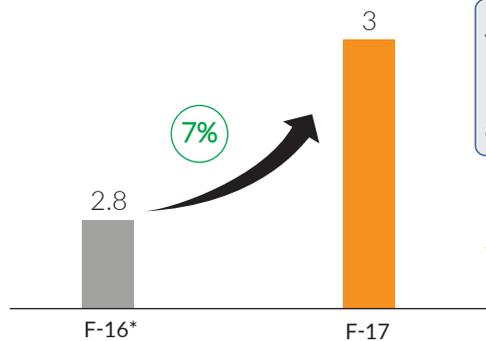


PRE-OWNED CAR MARKET IN INDIA – 2017 UPDATE



NEW & PRE-OWNED CAR MARKET SIZES

New car market size (million units)

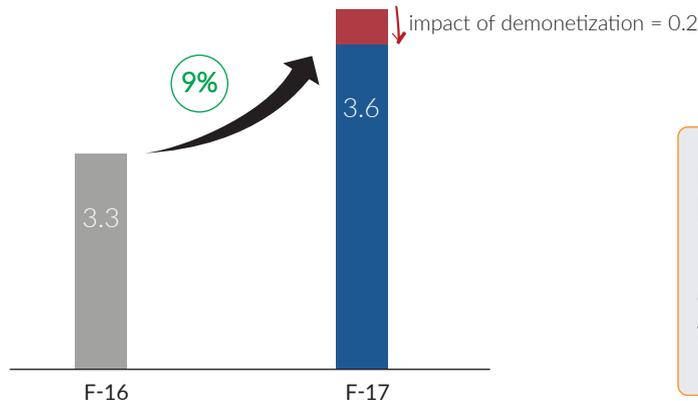


The Indian new car market expected to grow at **12-13%**** annually and will be amongst the **Top 5** global markets by 2020



25 - 28% of all new car transactions are accompanied by a trade-in

Pre-owned car market size (million units)



Pre-owned car market size is **1.2x** that of the new car market, well below 2.5x which is typically found in mature markets

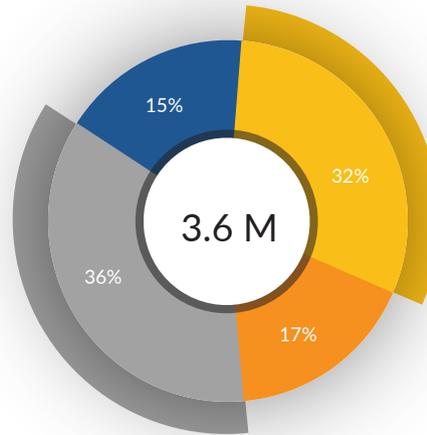
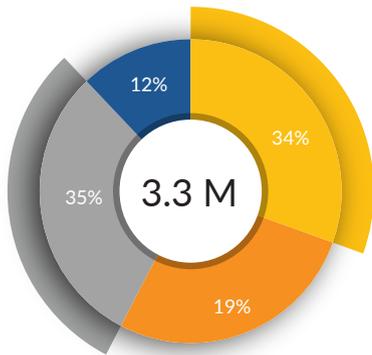
Indian pre-owned car market size grew at **9%**
Demonetization reduced the market size by approximately 200,000 units or roughly **6%** of the overall market. The market has however recovered since then to normal size and growth rates

*F-16 & F-17 refers to fiscal years for the purpose of the study

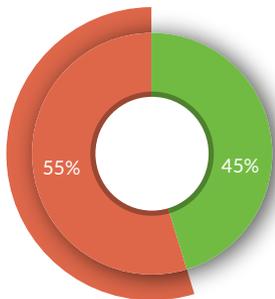
**Govt. of India automotive mission plan 2016-2026

FOUR MAJOR MARKET SEGMENTS

Pre-owned car market in India F-16 - F-17 compared (million units)



- Organized dealers *
- Semi-organized dealers
- Unorganized dealers
- C2C



- Non-metros
- Metros

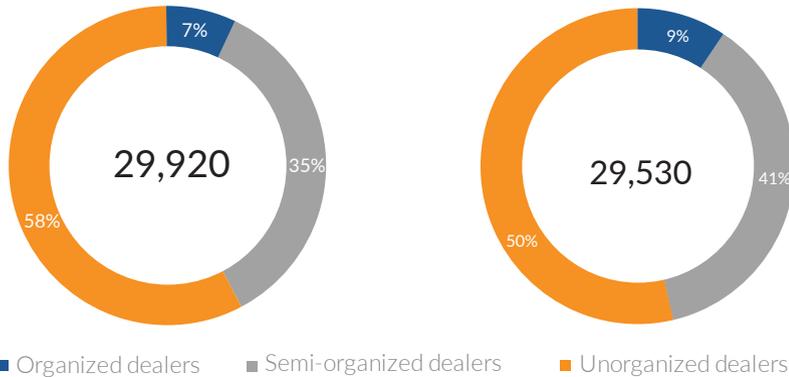
Currently at **3.6 million units**, the pre-owned car market has grown **9% yoy**. The market continues to organize – organized and semi-organized segments **growing 36% and 12% yoy**, while the unorganized segment and C2C have remained **flat**

Non-metros continue to account for a larger share of the pie (including C2C transactions)

**Organized dealers operate out of showrooms akin to those of new car dealers
Semi-organized dealers operate out of a physical place of business such as a garage or mechanic shop
Unorganized dealers are "brokers" or "commission agents" with no physical place of business*

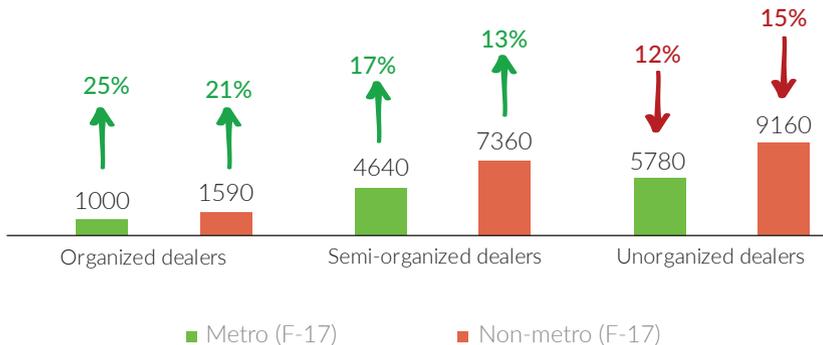
DEALER FOOTPRINT

Types of dealers across India F-16 – F-17 compared



Dealer count across India is **essentially flat**, with organized dealers growing fastest at **23%** yoy; we expect this growth to continue over the next few years

Dealer count across metros and non-metros



Organized segment in metros grew faster than in the non-metros. Unorganized segment shrunk overall, declining the most in the non-metros

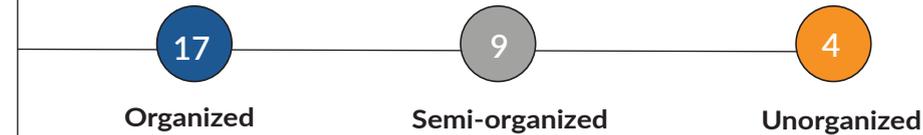
A LOOK AT DEALER PRODUCTIVITY



In India, on an average a dealer sells 7 cars per month

On average, dealer productivity risen by **18%** yoy. Organized dealer networks are significantly **more productive** than the unorganized

Avg. volume per dealer per month across segments - Pan-India



Average volume per dealer per month across metros and non-metros



■ Volume per dealer per month - F17

■ Volume per dealer per month - F16

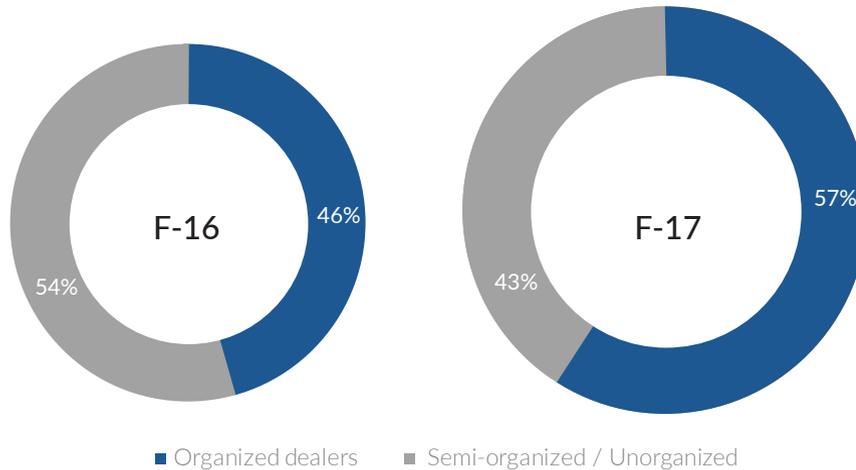


Dealer productivity increasing across all segments in the metros

Dealer productivity growth is a sign of a maturing industry

PRE-OWNED CAR FINANCE PENETRATION

Share of financing by dealer segment



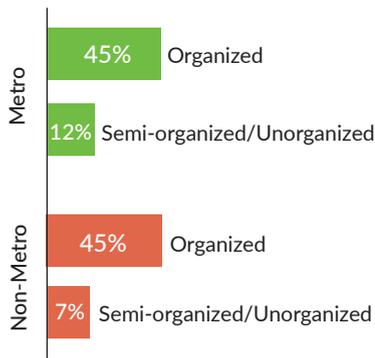
The demonetization ruling and greater access to credit have allowed for growth in finance penetration in the organized segment

Financing is primarily dealer originated



C2C transactions take place predominantly via cash, with approximately 2% financed

Finance penetration across India

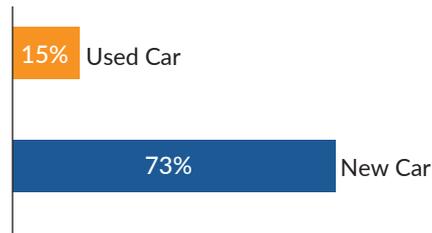


Finance penetration significantly higher within the **organized channel**

Semi-organized/unorganized channels continue to have higher channel costs for lenders

PRE-OWNED CAR FINANCING

Auto financing penetration



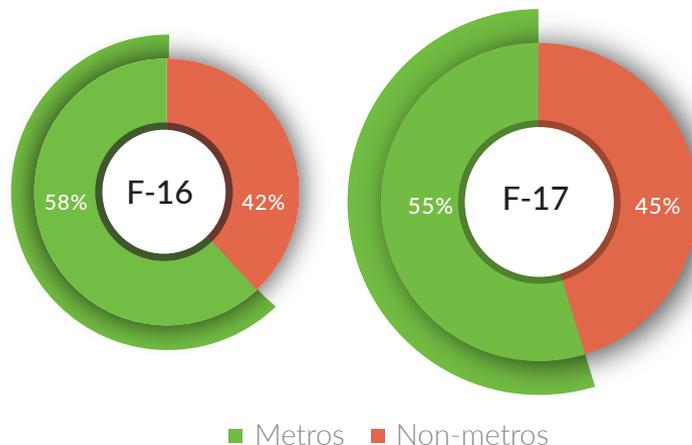
Approximately, **190,000 new cars** and **36,500 pre-owned cars** financed monthly

Projected growth (through FY20) for the new and pre-owned loan markets is **18%** and **20%**

Average LTV is b/w **75-80%**; Average disbursement is **3 lakhs**

At 70-80% finance penetration, the numbers are not too far off mature markets. However, the pre-owned segment lags significantly vs. mature markets

Share of pre-owned car finance F-16 & F-17



Significant headroom remains for pre-owned car finance

Non-metro share of pre-owned car finance at **45%**, up from **42%** last year



- In the leasing market for passenger vehicles - **20,000 units** leased per year
- Avg. ticket size is **10 lakhs**
- Projected growth - **10-15% through FY20**



RISK-APPETITE COMPARED AMONGST KEY PLAYERS

Indian captives and NBFCs follow a high risk-high yield model in comparison with **Private and PSU banks** and **foreign captives** that tend to be more risk averse



NBFCs AND INDIAN CAPTIVES*
High Risk : High Yield



PRIVATE AND PSU BANKS*
Low risk : Low Yield



FOREIGN CAPTIVES*
High-end Customer Segment



Self employed
- without income proof



Self employed
- with income proof



Salaried
- private and government

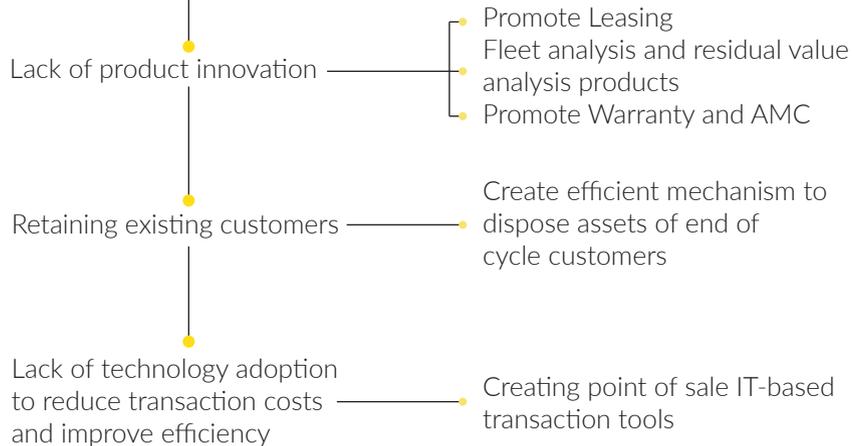


*Target customers are listed below

OPPORTUNITIES FOR THE PRE-OWNED CAR FINANCING INDUSTRY

CURRENT CHALLENGES

THE OPPORTUNITY



Comparing EMI per month per lakh (₹)

- New car @10%
- Premium for pre-owned car @16%

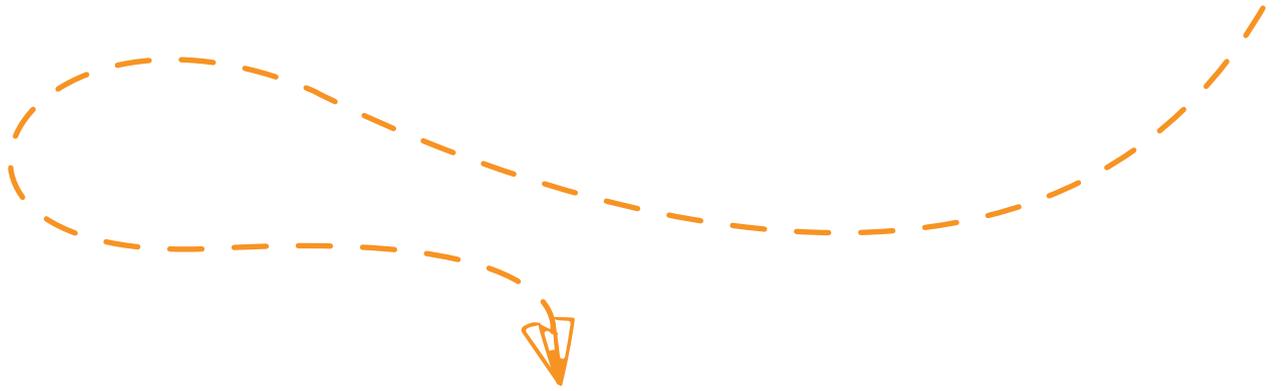


-The difference between new cars operating at **10%** and pre-owned cars operating at **16%** is about Rs.300 per month per lakh. Assuming a ticket size of Rs 4 lakhs this translates to an EMI difference of **Rs 1200 per month**

-This translates to higher costs, presenting a challenge to those looking to engage in a pre-owned car transaction, with some opting to do away with the excess EMI and opt for a new car with a higher ticket price instead

-**Demonetization has reduced cash transactions** in the industry and more people have opted to purchase pre-owned cars through the finance route. However, the current difference in the pre-owned and new car finance needs to be addressed for greater penetration

-With a growing organized segment, the quality of pre-owned cars is improving and more transactions are completed through organized channels; hence, a lower interest rate would provide much needed **fillip to the industry**

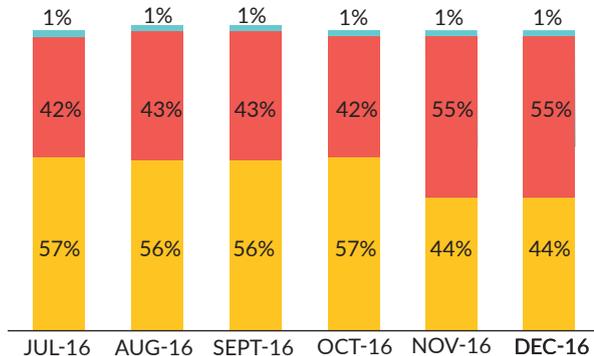


SPECIAL STUDY:IMPACT OF REGULATORY REFORMS



IMPACT OF DEMONETIZATION – CONSUMERS POSTPONE PURCHASE

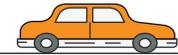
The auto sector was not insulated from this action taken by the government



- Customers planning to buy within 30 days
- Customers planning to buy within 30 to 60 days
- Customers planning to buy after 60 days

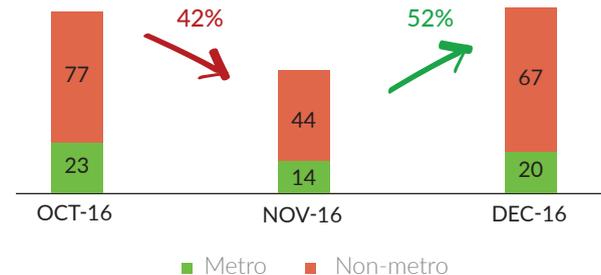
Data shows a sharp decline of **13%** in customers intending to complete the car purchase cycle within 30 days as compared to the period from Apr-Oct, 2016

The cash crunch induced by demonetization led to customers postponing their decision to buy pre-owned cars, leading to a fall in volume in November



December showed some recovery from November. North and Eastern regions of India were more severely impacted compared with the South and West

Pre-owned car sales drop month on month in the organized sector



*Sales volumes normalized to Oct, 2016 (October sales=100)

Exchange penetration at new car showrooms saw a decline on account of the cash crunch faced by the semi-/unorganized dealers who were enabling these transactions



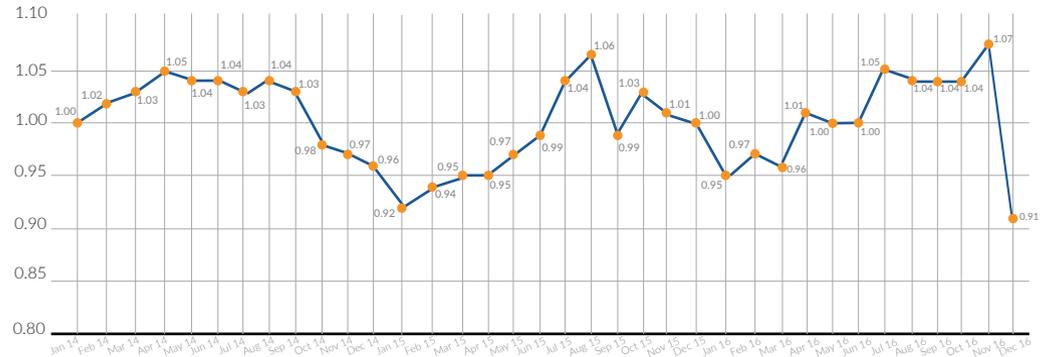
IMPACT OF DEMONETIZATION – A LOOK AT PRICES

Temporary spike and sharp decline in prices

The IBB price index, which tracks relative pre-owned vehicle price changes on a monthly basis across India, registered a **sharp spike in Nov, 2016** before collapsing in the month of Dec, 2016

The temporary spike could be attributed to customers rushing in to car showrooms to complete car transactions in the immediate aftermath of demonetization

PRE-OWNED CAR PRICE INDEX



BUT WHY THE SHARP DECLINE IN PRICES IN DECEMBER?

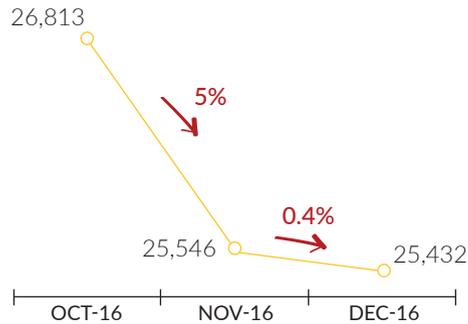


- **Decrease in supply** - people tightened their belts and chose to postpone their decision to replace their current cars
- **Decrease in demand** - 60% of Indian pre-owned car customers are first-time car buyers who are extremely susceptible to any macro-economic shocks

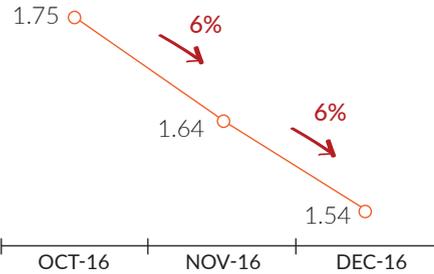
IMPACT OF DEMONETIZATION – WHOLESALE PRICES DECLINE

Impact on wholesale prices across segments

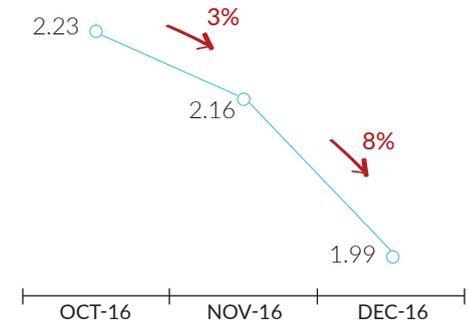
Two-wheeler wholesale prices (₹)



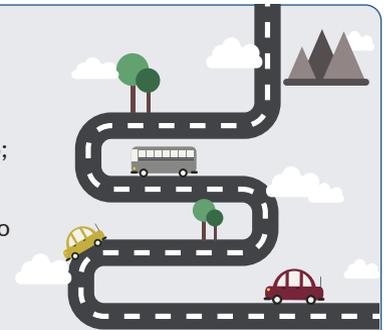
Commercial vehicle wholesale prices (₹ lakh)



Four-wheeler wholesale prices (₹ lakh)

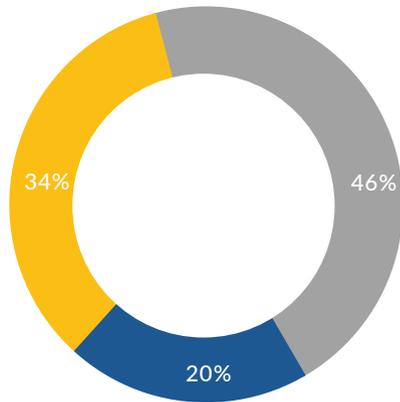


- IndianBlueBook notices a sequential **6%** month over month decline in prices in the commercial vehicle segment during Nov-Dec, 2016
- Wholesale prices for two-wheelers felt the impact of demonetization, dropping **5%** in Nov, 2016; however, prices remained flat in Dec, 2016
- Four-wheeler **prices were doubly impacted** by both demonetization and the impact of new models to be released in the new year, dropping **3%** and **8%** in Nov, 2016 and Dec, 2016, respectively



IMPACT OF DEMONETIZATION - STRUCTURAL SHIFTS EXPECTED

Pre-owned Car Market Structure - 1 year ahead

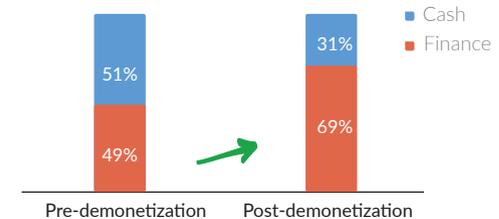


- Organized dealers
- Semi-organized / Unorganized dealers
- C2C

IMPACT ON MARKET STRUCTURE:

- IBB had predicted in Jan-2017 that the **organized segment of the pre-owned car market** will grow faster at the expense of the semi-organized or unorganized market
- IBB had also forecast that improved share of the organized sector will facilitate improved finance penetration - increasing from 15% at present to **20-25%** in the next 12 months
- A survey of more than 2,000 pre-owned car customers completed before and after demonetization revealed that pre-owned car finance penetration has increased

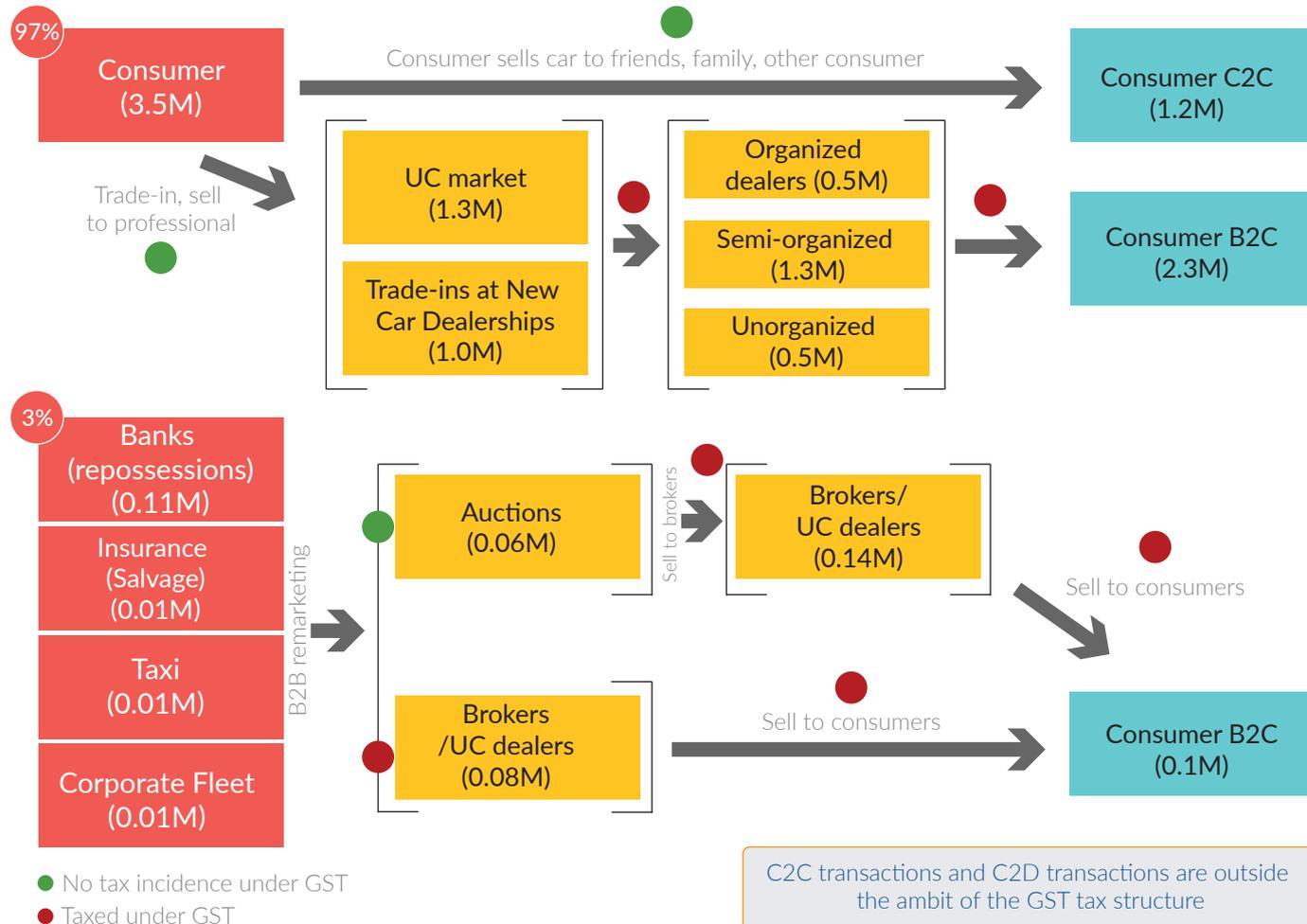
Customers opting for finance over cash payments post-demonetization



IMPACT ON FINANCING ACROSS METROS AND NON-METROS:

- Finance cases have gone up post demonetization by about **10-15%** in metros
- However, in non-metros it remained flat – as ticket sizes are **less than ₹2 lakhs on average**

GST IMPACT ACROSS TRANSACTION CHANNELS IDENTIFIED

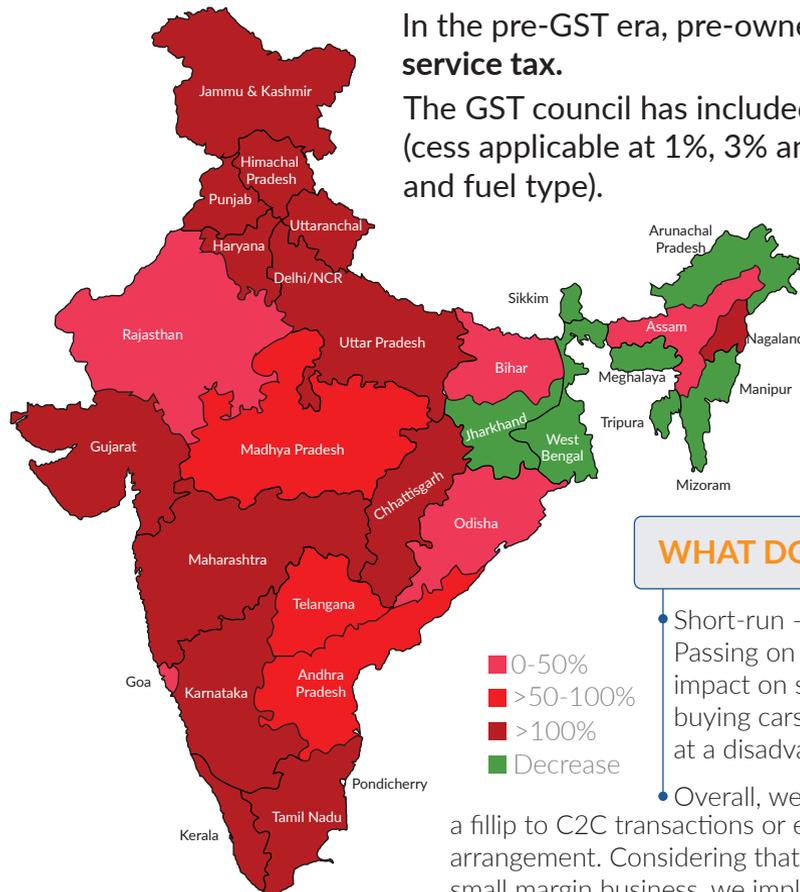


GST IMPACT – WHAT THIS MEANS...

With Road tax being outside the ambit of GST, pre-owned car transactions will still be confined to state geographies.

In the pre-GST era, pre-owned car dealers were expected to pay **VAT or service tax**.

The GST council has included car purchase under the **28% GST slab** (cess applicable at 1%, 3% and 15%* depending on engine size, length of car and fuel type).



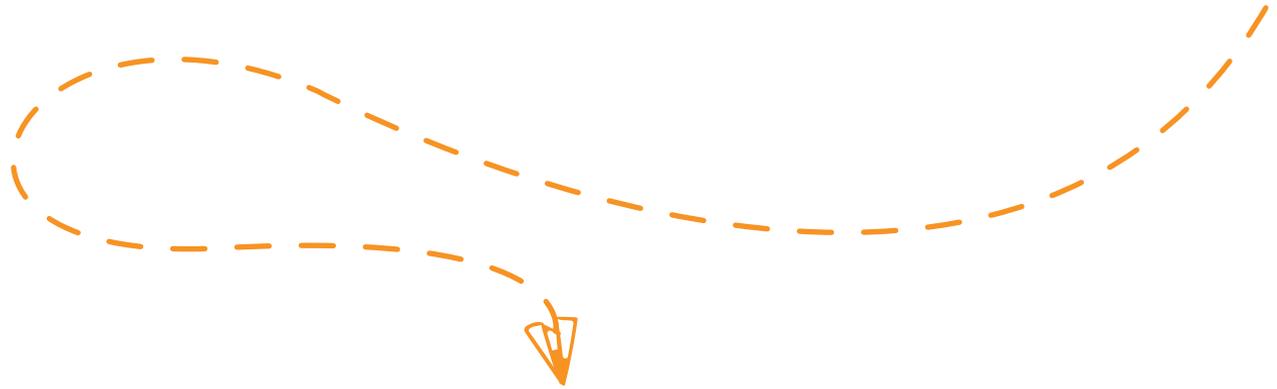
In **70%** of the states, dealers will have to pay **higher taxes post GST** compared to the old VAT regime

WHAT DOES THIS MEAN FOR THE INDUSTRY?

- Short-run – GST imposes a huge cost burden on the dealers. Passing on this cost burden to the customer would mean an adverse impact on sales. The other solution is to reduce the input cost, by buying cars from sellers at a lower price, thereby placing car dealers at a disadvantage vis a vis the C2C route
- Overall, we believe that the current tax structure is expected to give

a fillip to C2C transactions or encourage the dealer to go in for a “park and sell” arrangement. Considering that the pre-owned car is of a high transaction value but a small margin business, we implore the government to rethink and revisit the GST structure

*Rates were in effect at the time of print



TOTAL COST OF OWNERSHIP AND RESIDUAL VALUES - INSIGHTS



WHAT IS TOTAL COST OF OWNERSHIP (TCO)?

The primary focus of many car buyers is the price, but there are multiple costs which have an influence on the overall cost of ownership of a vehicle. Some of the key expenses to consider are:



Depreciation: Largest expense of motor vehicles. Not all vehicles age at the same rate, however. On average, the value of the vehicle comes down by 10% as soon as you drive it out of the showroom and by about 30-40% in the first year of owning it



Fuel costs: In India, fuel prices vary. Depending on how you use your car – your fuel price can be extremely high



Interest: The EMI not only includes the principal payment of the loan amount but it also includes the interest amount. The interest can vary anywhere from 6-14%



Scheduled maintenance: Due to road conditions in India and the traffic, the car needs to be serviced at least twice in a year. The cost of servicing can vary depending on the model and make of the vehicle



Insurance: An inevitable and mandatory cost of car ownership



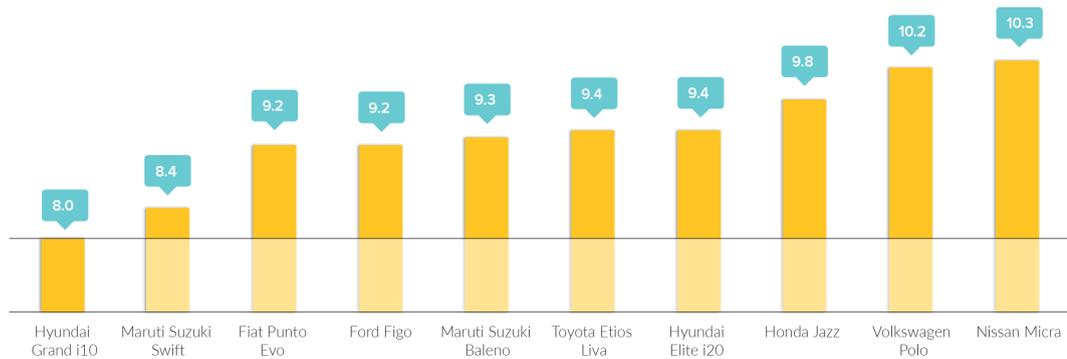
Repair costs: Damage due to accidents, natural calamities is expensive to repair. Though modern cars are competent and dependable, some accidents are unavoidable



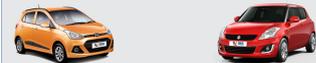
Accessorizing: Accessories can swell the overall cost. Normalizing for differences in features allows for a more accurate TCO comparison when comparing vehicles

SWIFT AND GRAND i10 LEAD HATCHBACKS IN VALUE

4-year TCO comparison - Petrol variants



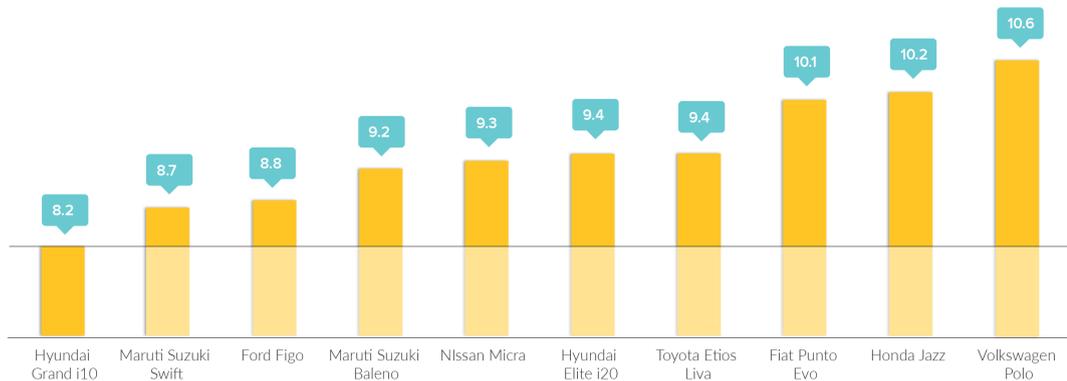
Maruti Suzuki Swift and Hyundai Grand i10 dominate volumes on the ground due to lowest TCO across both fuel variants



Cost of owning a Hyundai Grand i10 is less than a Maruti Suzuki Swift across both fuel variants.

Among the premium hatchbacks, the Maruti Suzuki Baleno is less costly to own compared to its competition, Hyundai Elite i20 and Honda Jazz

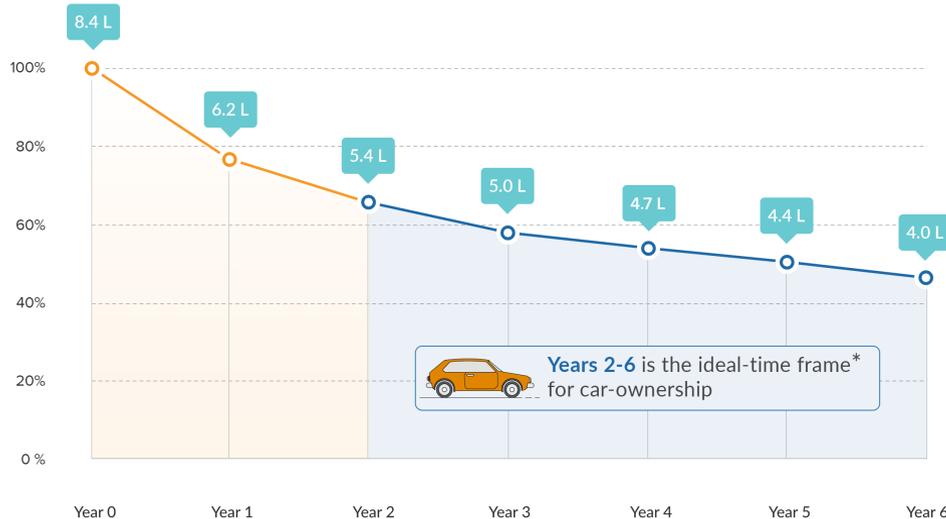
4-year TCO comparison - Diesel variants



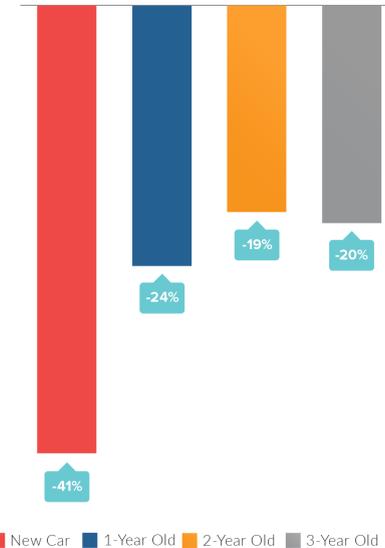
After normalizing for all features, the Honda Jazz and Volkswagen Polo appear to be more expensive across both fuel variants

THE 'IDEAL AGE' AT WHICH TO PURCHASE A PRE-OWNED HATCHBACK

Residual Value Curve (₹ lakh)



3-year loss in value of buying a hatchback in a different year



Average On-Road Price: ₹8.4 Lakhs

Car owners can save money on avoiding the initial depreciation loss associated with purchasing a new car through engaging in a pre-owned car transaction.

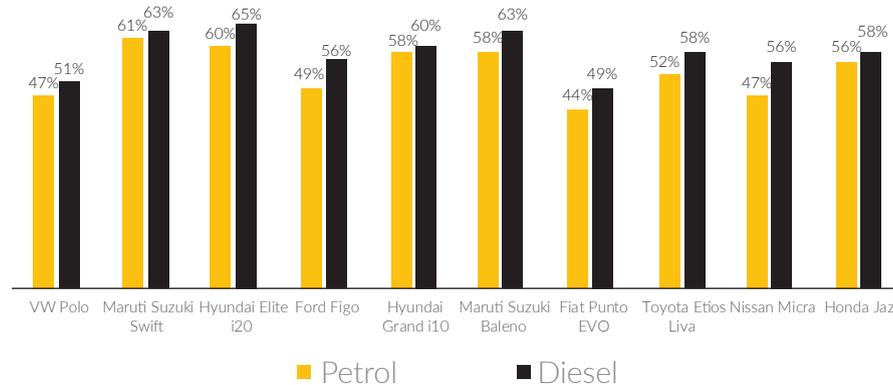
Ownership period	Loss Value (% of On-Road Price)
Years 0 - 1	26%
Years 2 - 5	21%
Years 3 - 6	17%

- In each of the 3-year ownership periods, loss is 15% and 34% less than the loss in the first-year alone
- Post Year 6, major wear and tear will increase depreciation dramatically, requiring significant overhaul expenses, and subsequently raise the costs of ownership, outweighing any potential savings from purchasing a pre-owned car
- To minimize loss over the ownership cycle, the 'ideal age' at which to purchase a pre-owned hatchback would be either in Year 2 or 3

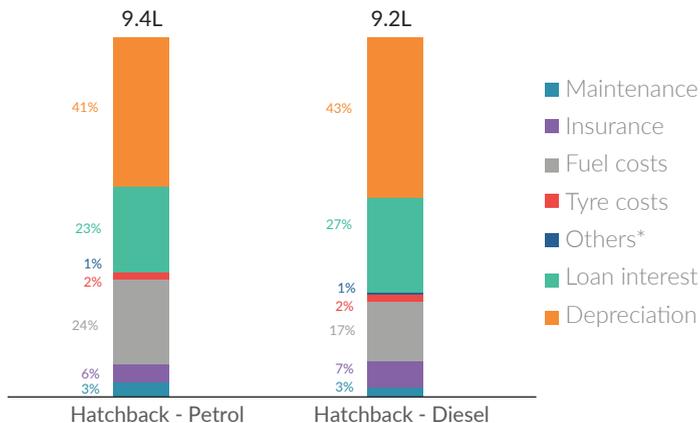
*Assuming ownership cycle of 3 years, customer can either buy in year 2 and sell in year 5 or buy in year 3 and sell in year 6, to harness savings.

DIESEL HATCHBACKS COMMAND HIGHER RESIDUALS

4-Year residual values compared by fuel type across popular hatchbacks



TCO - Hatchback Diesel vs. Petrol comparison



Average on-road normalized price -

Petrol - ₹8.5L
 Diesel - ₹9.8L

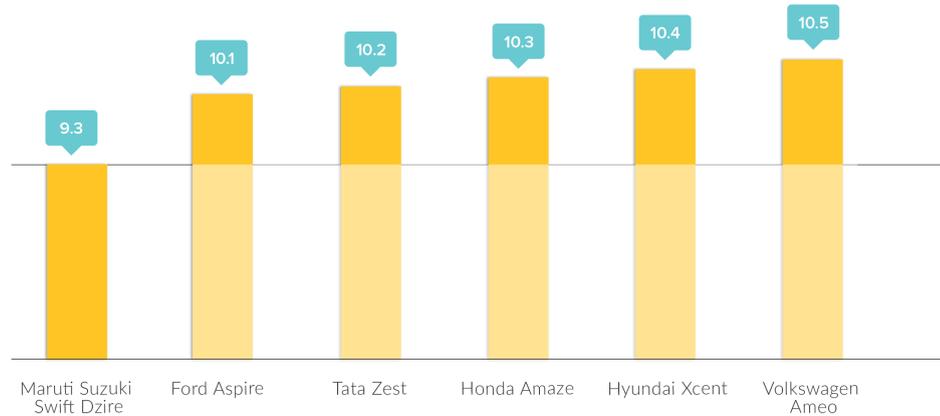


- The **average diesel hatchback** provides owners a TCO that is lower than the TCO of its petrol counterpart by **2%**
- The **estimated savings** are approximately **Rs. 17,000** over a 4-year ownership cycle
- Primary reasons for this are the higher residual value maintained relative to **petrol hatchbacks (59% vs. (53%))** as well as the **lower fuel costs (30% less)** over a 4-year cycle

*This refers to unforeseen maintenance related expenses

SWIFT DZIRE AND ASPIRE HAVE LOWEST TCO AMONGST SEDANS

4-year TCO comparison - Petrol variants (₹ lakh)

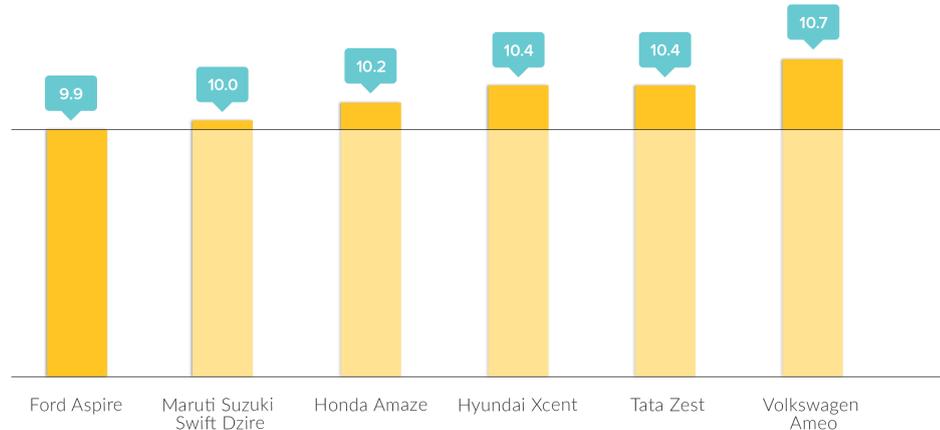


The cost of owning the Maruti Suzuki Swift Dzire and the Ford Aspire is the **lowest** across both fuel variants.

The Volkswagen Ameo's cost of ownership exceeds that of the Maruti Suzuki Swift Dzire by **13%** for the petrol variant and that of the Ford Aspire by **8%** for the diesel variant.

The Honda Amaze, Tata Zest and the Hyundai Xcent have similar costs of ownership across both fuel variants.

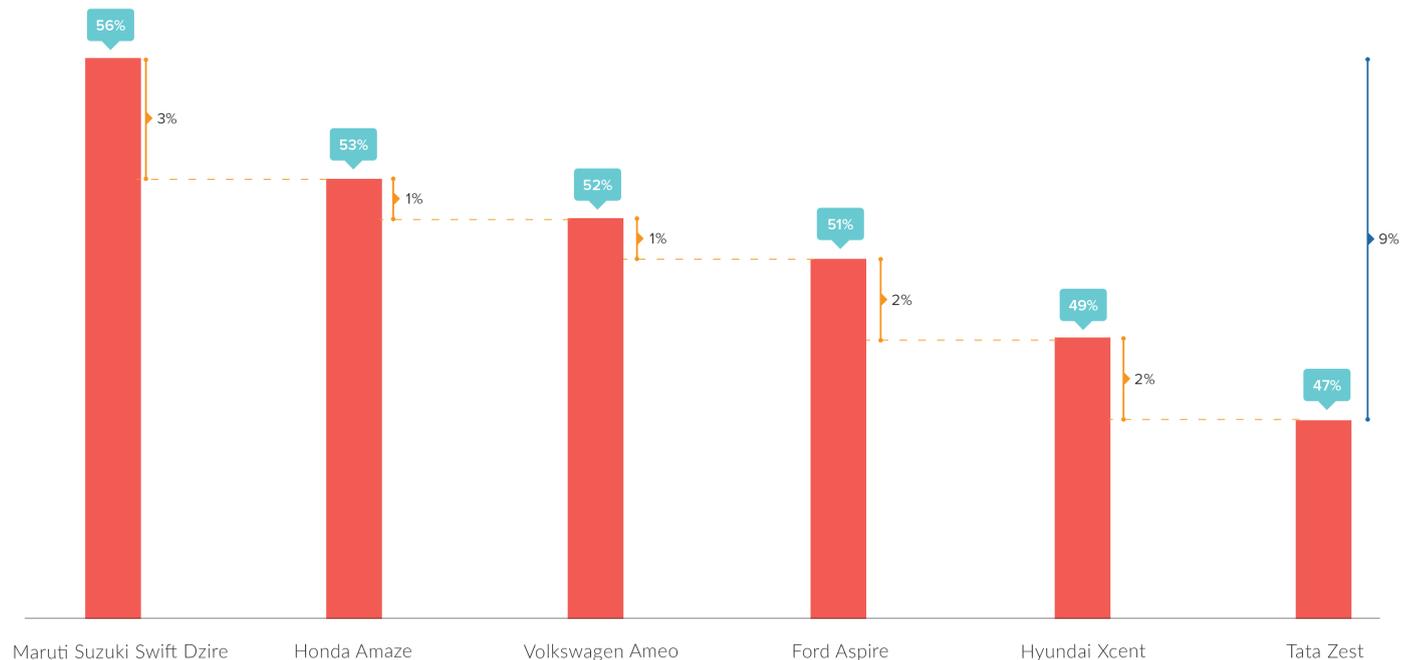
4-year TCO comparison - Diesel variants (₹ lakh)



The **Tata Zest**, owing to its relatively lower residual values, appears more costly in comparison with its peers

SWIFT DZIRE RETAINS HIGHEST VALUE AMONGST PEERS

4-Year residual value comparison*



Relative to its counterparts, the **Maruti Suzuki Swift Dzire** retains the highest **4-year Residual Value** (56%) while the **Tata Zest** retains the lowest (47%).

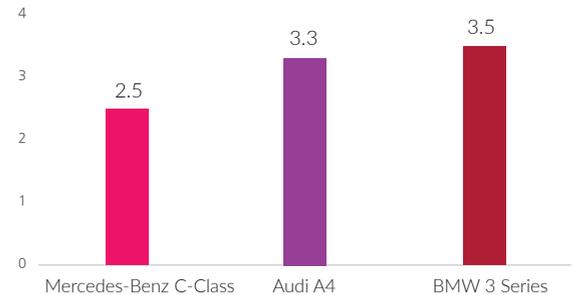
**The Residual Values depicted in the illustration above are variant agnostic and estimates, based on assumptions including (but not limited to) vehicle colour, no. of owners, no. of kms driven and location, etc.*

LOCALIZED ACTIVITIES AND DENSE DEALER NETWORKS KEY FOR LUXURY SEGMENT

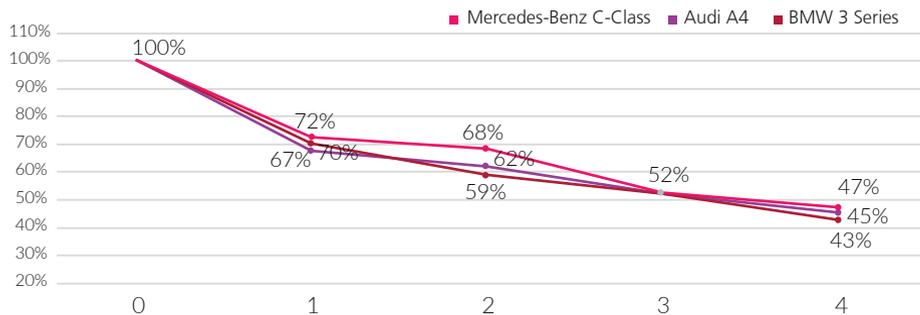
Mercedes-Benz has **lowest average maintenance costs** amongst peers

Mercedes-Benz service costs are **24%** and **29%** lower than those of Audi and BMW

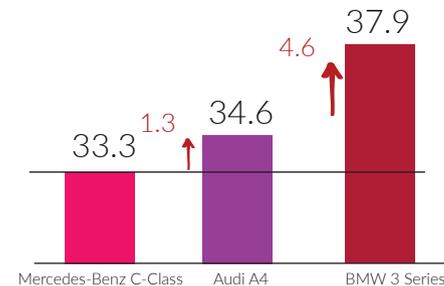
Average 4-year service contract costs (₹ Lakh)



Residual value comparison



Mercedes-Benz C-Class has the lowest TCO for a 4-year period (₹ Lakh)



Residual values for the 3 vehicles are similar, with Mercedes-Benz C-Class having an edge. Luxury vehicles tend to lose about 50% of their value in 3 years as compared to other segments like hatchbacks or compact sedans for which the depreciation is slower and the vehicles reach 50% of their residual value in 4 years. Localized activities and the densest dealer network among luxury car manufacturers provides the Mercedes-Benz C-Class with lower maintenance costs and therefore higher residual values relative to its peers

A WORD ON YELLOW BOARDS



Unorganized market
\$8.5 billion

The unorganized market is constituted of individual car owners and agencies which operate in one or few cities

Organized market
\$1.2 billion

Owners \$300-350 million
Owned vehicles segment includes pure-play car rental companies (e.g. Zoomcar) and players such as Carzonrent and Meru

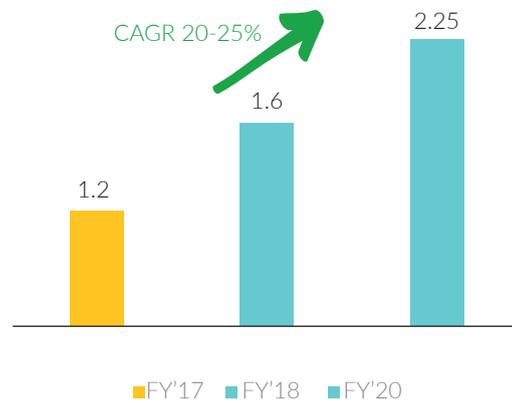
Affiliators \$100-150 million
Affiliators are associated with multiple car rental agencies and offer various packages /deals

Aggregators \$650+ million
Aggregators are a new phenomenon driven by rise of start-ups such as Ola and Uber

Estimated at \$9.7 billion, the taxi market in India is **highly fragmented and unorganized**. The organized sector constitutes around **14%** revenue share of the overall market

Organized Taxi Market in India

Market size estimates, USD Billion



The organized Taxi Market is expected to grow to **\$2+ Billion** over the next three years, sustaining a rapid growth rate of 20-25% CAGR

KEY DRIVERS

- Price competitive alternative to regular public transport
- High level of customer convenience
- Players opting for aggregators based asset-light model
- Investment by global funds
- Entry of multiple players

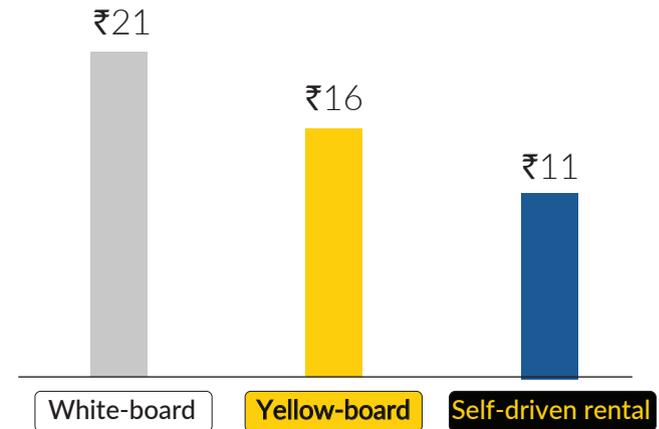
KEY CHALLENGES

- Lack of skilled drivers
- Technical issues with apps/payments
- Regulatory hurdles
- Demand much higher than supply; leads to frequent cab unavailability

TCO COMPARED – YELLOW-BOARD, WHITE-BOARD, SELF-DRIVEN RENTAL

TCO ANALYSIS	White-board	Yellow-board	Self-driven rental
Make	Maruti Suzuki	Maruti Suzuki	Maruti Suzuki
Model	Swift Dzire	Swift Dzire	Swift Dzire
Variant	LDI BS IV	LDI BS IV	LDI BS IV
On road price - Normalized	₹ 820,969	₹ 825,969	₹ 724,016
Maintenance	₹ 18,000	₹ 75,600	₹ 81,000
Insurance	₹ 54,184	₹ 79,293	₹ 121,635
Commercial taxes		₹ 2,500	₹ 7,500
Fuel costs	₹ 162,000	₹ 604,800	₹ 607,500
Tyre costs	₹ 14,400	₹ 52,920	₹ 60,750
Others	₹ 7,200	₹ 45,360	₹ 47,250
Loan interest	₹ 169,737	₹ 205,881	₹ 172,675
Driver Salary		₹ 900,000	
Residual Value	₹ 506,000	₹ 405,500	₹ 285,000
TCO - 3 years	₹ 740,490	₹ 2,386,823	₹ 1,537,326
Total KMs run	₹ 36,000	₹ 151,200	₹ 135,000
TCO - Per KM basis	₹ 21	₹ 16	₹ 11

TCO - Per KM basis (₹)

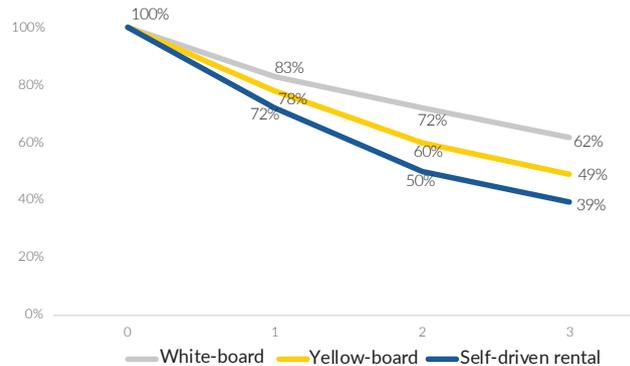


TCO on actual basis is highest for yellow-boards with main contribution from the cost of hiring a driver (₹25,000 per month) while relatively self-driven cars don't incur the same

TCO for white-boards are the highest because of lower productivity (driven for only 12,000 KMs annually)

WHITE-BOARDS COMMAND HIGHER RESIDUALS

Residual Values compared (% of normalized on-road car price)
– Maruti Suzuki Swift Dzire LDI BS IV

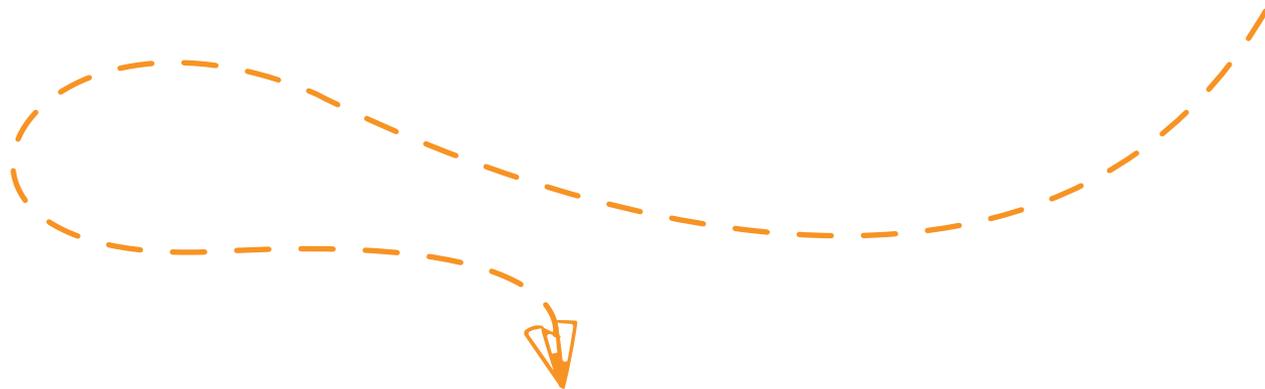


The white-board vehicle retains a **13%** and **23%** premium over a yellow-board car and self-driven rental at the end of a 3-year period primarily due to:

- Less distance traveled
- Better vehicle condition and maintenance
- White-board vehicles pay upfront life time tax valid for 15 years since registration
- White-board vehicles are perceived to be driven by mostly 1 driver

The yellow-board's residual value is **10%** greater than that of a self-driven rental even though yellow-boards travel greater distances. The reasons for this are:

- Self-driven rentals have multiple amateur drivers; with more drivers (different driving habits) comes more wear and tear
- For yellow-board registration, vehicles of value less than ₹10 lakh pay lifetime tax upfront similar to the white-board registration. Whereas, self-driven rentals don't pay lifetime tax and instead incur an annually recurring commercial tax expense of ₹2500
- The Contract carriage permit applied for yellow-board vehicles during registration is valid for 5 years

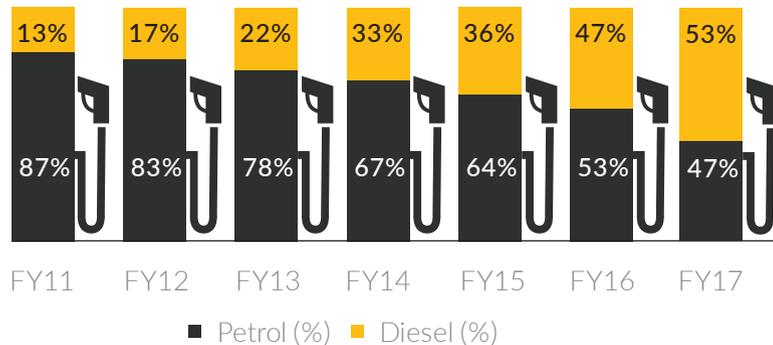


PRE-OWNED CAR MARKET – CONSUMER INSIGHTS



A LOOK AT FUEL COMPOSITION AND CAR SEGMENTS

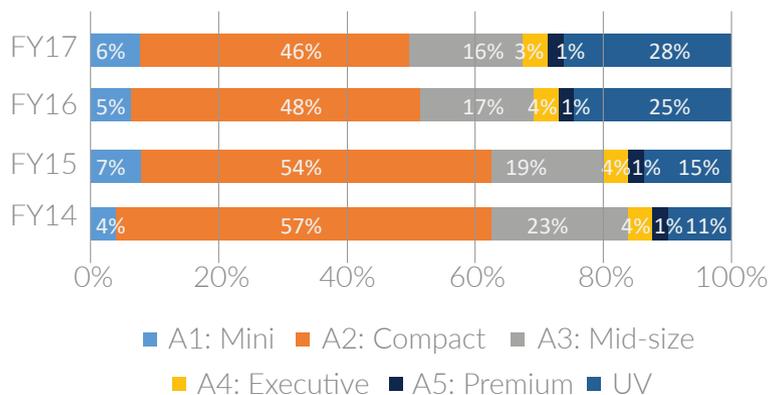
Fuel composition of pre-owned car sales



60% of pre-owned cars sold are less than 5 years old

70% of pre-owned cars sold are under 4 lakhs

Pre-owned car sales by segment



Total visitors per car sold per month



Internet traffic efficiency **declines**, with a **20%** increase in online visitors per car sold

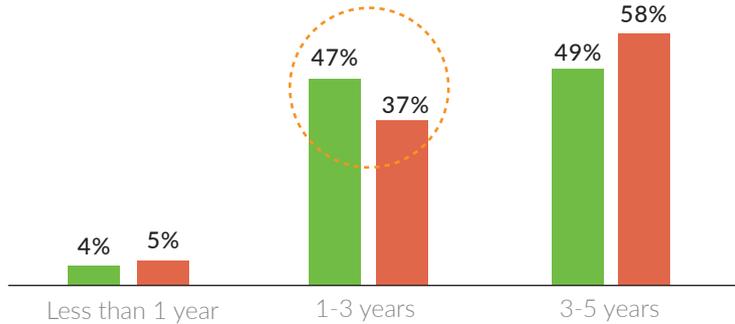
Internet traffic in India for auto sites is nearly **5X** that of the U.S. and therefore a lot of "wasted" traffic

PROFILING THE AVERAGE PRE-OWNED CAR IN THE ORGANIZED SEGMENT

Smaller towns are more amenable to buy older vehicles*

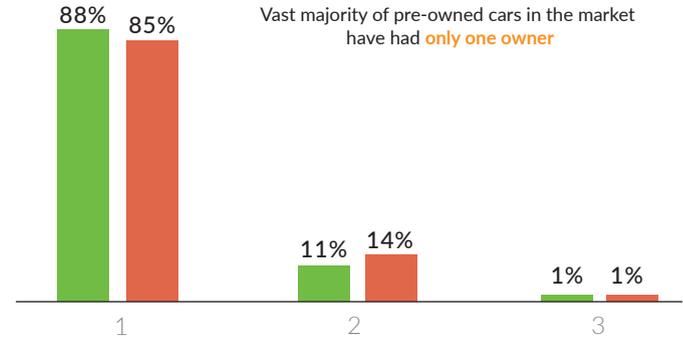
■ Metro ■ Non-metro

Vehicle age



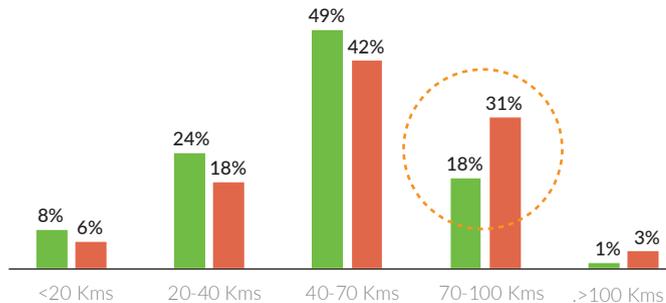
Average no. of owners

Vast majority of pre-owned cars in the market have had **only one owner**

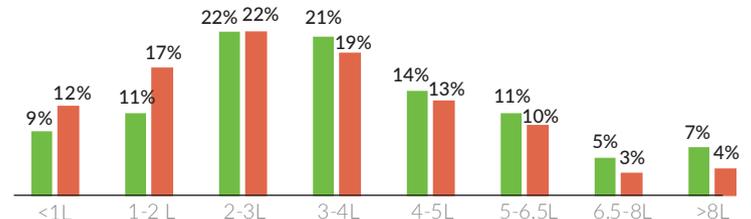


Non-metros prefer cars that have a lower ticket price (₹3.5 lakhs) vs. metros (₹6 lakhs)
This is on account of higher kms driven, older vehicles and vehicles with greater or equal to two owners

Kms (thousand) run at time of sale



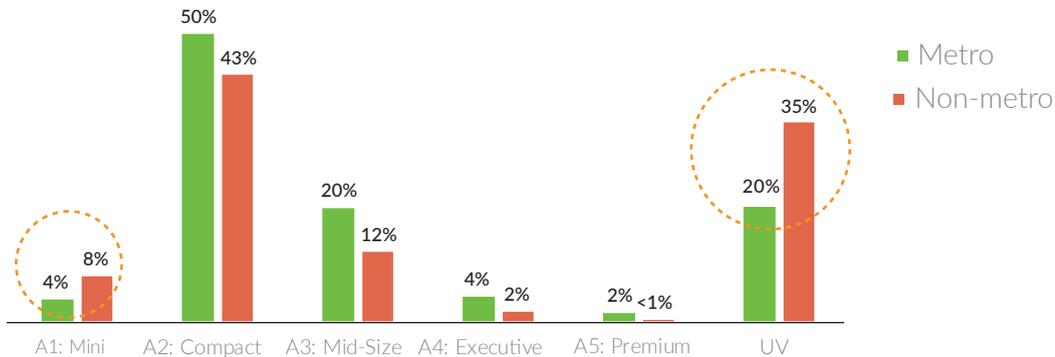
Avg. Ticket Size



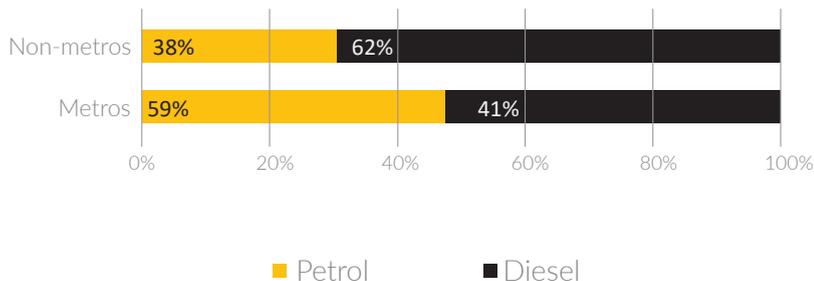
*A sample size of over 50,000 vehicles from the organized segment were analyzed

VEHICLE PREFERENCES COMPARED BETWEEN THE METROS AND NON-METROS

Segment-wise distribution



Fuel segmentation

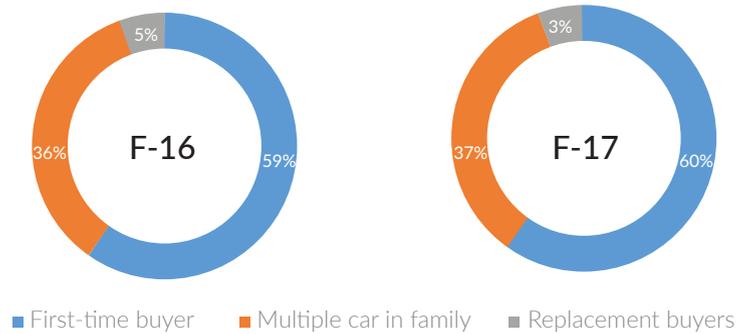


Non-metros have a preference for **Diesel vehicles** and a strong liking for **Utility Vehicles or small cars**

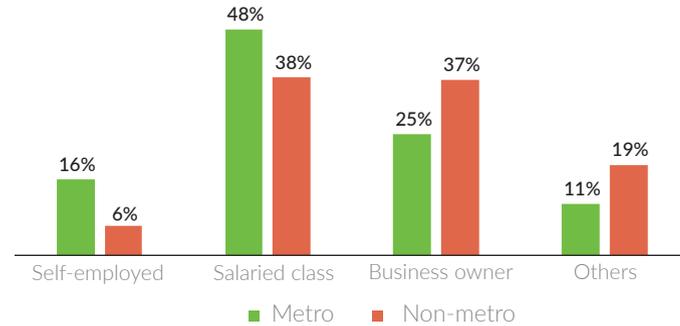


PROFILING THE AVERAGE PRE-OWNED CAR CUSTOMER*

Few people replace a pre-owned car with a pre-owned car

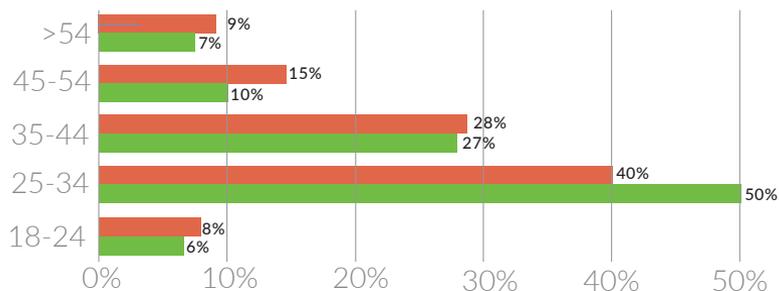


Occupation - Pre-owned car customers



Age distribution

■ Metro ■ Non-metro



The age profile of the customers in metros is younger when compared to customers in the non-metros

A greater share of organized transactions in the metros are **FINANCE-DRIVEN** in comparison to those in the non-metros



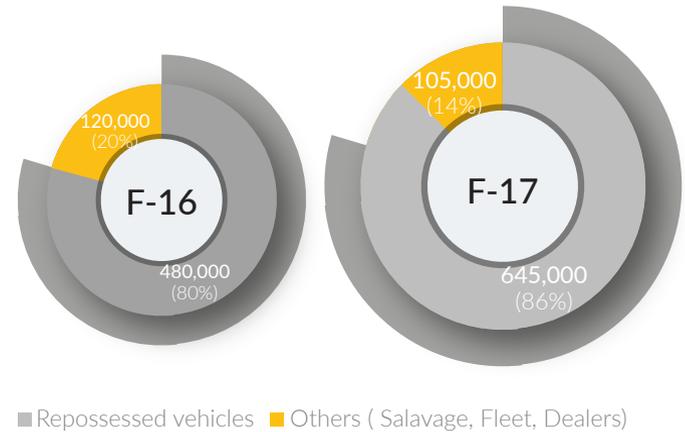
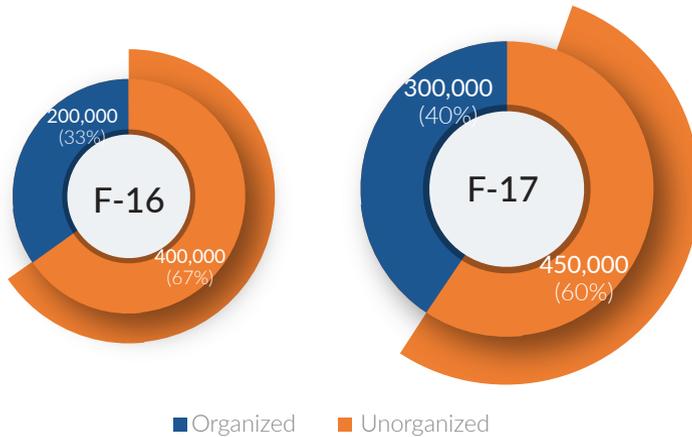
*Over 3,500 customers were surveyed by IndianBlueBook

PRE-GST VAT RATES ACROSS INDIA

S.No.	State	VAT	Basis of Taxation
1	Andhra Pradesh	14.5%	On margin/Commission
2	Arunachal Pradesh	4%	On Sale value
3	Assam	1000 cc - Rs 6000/- >1000 cc- Rs 10,000/-	Depends on cc
4	Bihar	1000cc ₹3000/-; 1000cc to 1500cc ₹5000/-; 1500cc to 2000cc ₹8000/-; 2000cc to 2500cc ₹10000/-; Above 2500cc ₹12000/-	Depends on cc
5	Chhattisgarh	Zero	No VAT on used cars
6	National Capital Territory of Delhi(UT)	12.50%	On margin/Commission
7	Goa	2.50%	On Sale value
8	Gujarat	₹2000 or 1% whichever lower	On Sale value
9	Haryana	Less than 1000cc ₹3000; Above 1000cc ₹5000/-	Depends on cc
10	Himachal Pradesh	5%	On margin/Commission
11	Jammu and Kashmir	Zero	No VAT on used cars
12	Jharkhand	5.5%	On Sale value
13	Karnataka	5.50%	On margin/Commission
14	Kerala	0.50%	On Sale value
15	Madhya Pradesh	2%	On Sale value
16	Maharashtra	2.02%	On margin/Commission
17	Manipur	5%	On Sale value
18	Meghalaya	5%	On Sale value
19	Mizoram	6% (1-5 years), 4.2%(5 to 10 years) & 2.2%(10-15years)	On Sale value
20	Nagaland	Zero	No VAT on used cars
21	Odisha	2%	On Sale value
22	Punjab	Less than 1000cc ₹3300; Above 1000cc ₹5000/-	Depends on cc
23	Rajasthan	2.50%	On Sale value
24	Sikkim	4%	On Sale value
25	Tamil Nadu	5%	On margin/Commission
26	Telangana	14.5%	On margin/Commission
27	Tripura	5%	On Sale value
28	Uttar Pradesh	Less than 1000cc ₹3000; Above 1000cc ₹5000/-	Depends on cc
29	Uttarakhand	5%	On margin/Commission
30	West Bengal	For registered dealer- 2.5% For Non-registered dealer- 5%	On Sale value

A WORD ABOUT WHOLESALE MARKETS

Wholesale market by segments F-16 & F-17



Wholesale market volume grew by **25% yoy**;
 Repossessed segment accounts for **85%** of the market, its volume growing by over **30% yoy**

Commercial vehicles account for **47%** of the repossessed segment



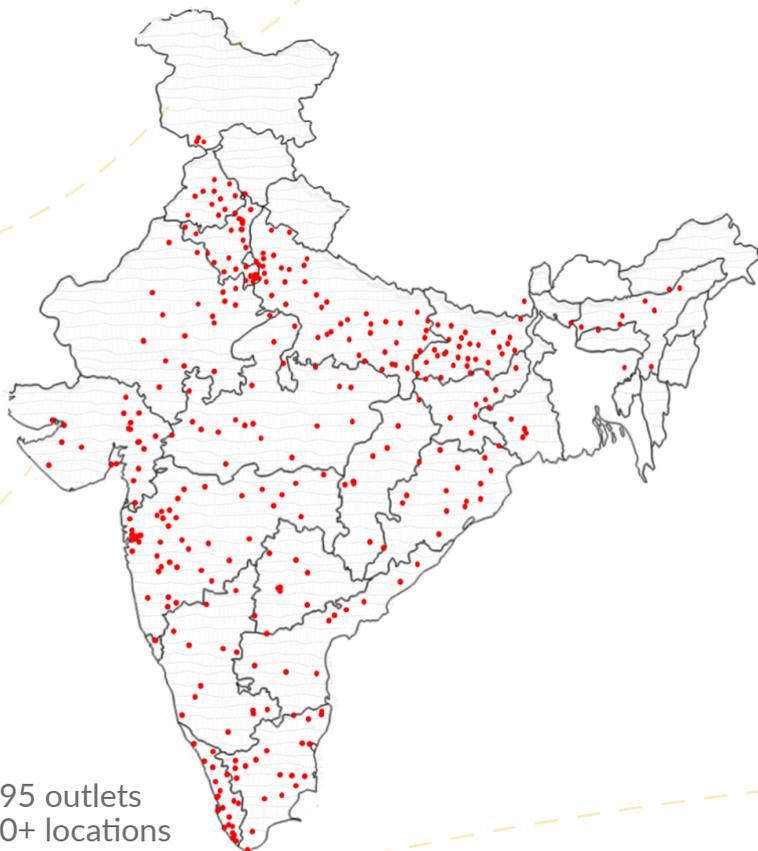
Organized share of market grew from 30% to 40%, its volume growing by **50%**



Two-wheelers and four-wheelers each account for approximately **20%** of the repossessed segment



Mahindra First Choice Wheels Franchise Dealer Footprint



1395 outlets
720+ locations
(as of August 2017)



www.mahindrafirstchoice.com



www.indianbluebook.com



www.autoinspekt.com



www.ediig.com

For further information contact: support@indianbluebook.com

About IndianBlueBook

IndianBlueBook (IBB) is the industry first pricing guide for new and pre-owned vehicle valuation in India. With exclusive access to a large number of car transactions that take place every day through different channels, IBB derives scientific and insightful inferences that lead to vehicle price discovery. Whether you're buying or selling a vehicle, IBB helps you discover its real worth. Through various transactions on different customer-facing and B2B channels, IBB's analytical engine logically deduces a pricing index which is then used to derive the benchmark market price of any vehicle. In essence, IBB is a one-of-a-kind valuation platform based on rigorous research and pure rationality. It is driven by the sheer passion to demystify the data points of a million transactions, thus ensuring that you never overpay or never undersell. IBB offers a wide array of tools such as Total Cost of Ownership (TCO) and residual value analysis, regularly updated reviews and insights via its blog, and a platform that enables its customers to buy and sell vehicles, thereby serving as a one-stop shop for customers looking to research vehicles.

Any use, including but not limited to the reproduction, display or transmission of the content of this report is strictly prohibited, unless authorized by IndianBlueBook

