



**Capital**  
SPROUT

# NEWSLETTER

FEBRUARY 2023



# The Chairman's Message



Greetings from Capital Sprout !

It gives me pleasure to share with you February -2023 issue of Capital Sprout's Wealth Bulletin. Where this month's bulleting is about Automobile sector & importance of this sector in financial market & overall economy of the country.

We are already in 1st quarter of 2023 with the new aspirations, positivity & hope. India's stock market was the clear winner since last 2 - 2.50 years amongst world's some of the most developed stock markets till January 23. But the month of February brings jolts to Indian stock market in the form of "**Adani-Hidenburg Saga**". Indian market is striving hard to put behind this Saga and trying to get back to Business as usual. In last 5-6 years, one sector is the major instrumental behind India's economic success story is **Automobile Sector**. Automobile sector has been the most consistent & achieving sustainable Growth amongst all sectors in India.

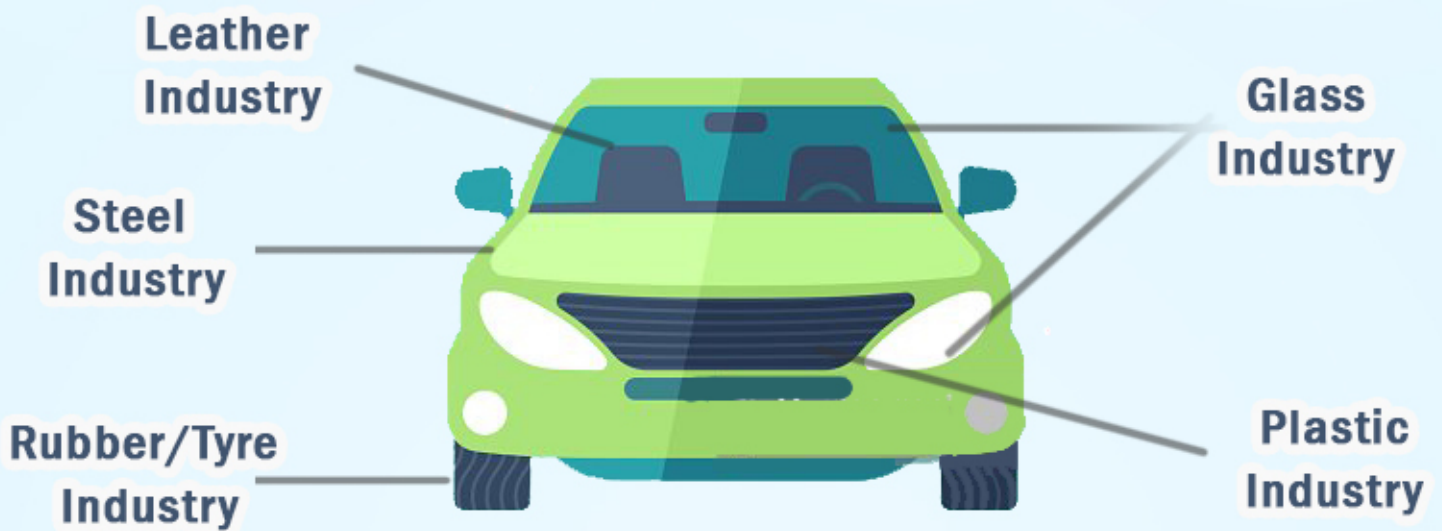
Corona virus has changed the human living, behavior & consumption pattern which forced industry to make respective changes in their whole business. Automobile sector is no exception in this.. We can evaluate Automobile industry Pre-Covid & Post Covid era. This industry was facing dual challenges before Covid period. On the one hand it was phasing economic slowdown, recession in Commercial vehicle segment, and on the other side, technological changes, migration challenges from Fuel vehicle to Electric Vehicle (EV) in Passenger vehicle segment. In 2020 Covid era, Automobile sector faced serious recession, drastic reduction in demand, disruption in demand supply chain etc. But from 2021, this sector has **shifted its gear to top gear** and since then there is no looking back. As it says, some disaster brings new opportunities for some; Covid-19 is turning as "**Blessing in disguise**" for automobile sector. A common man prefers to travel by own car/own vehicle instead of public transport which has spurt the demand of four wheel vehicles in the country. Rise in population, rise in middle class income, ease of availability of credit and financing, poor public transport in Tier-2, Tier-3 cities, town etc these factors have contributed in rising demand of vehicles

India's automobile sector has market size of **US\$ 222 Billion** and this sector contributes **7.10% in country's GDP & 49% in country's Manufacturing GDP**. It provides **37 million jobs** to all connected industry. Recently, India surpasses Japan to become **3rd largest auto market globally** .

I hope readers find this bulletin useful and help them understand Automobile sector, its importance in overall economic development of country & importance in Equity market & Mutual fund industry.

# Automobile Industry

The global automotive manufacturing sector is one of the biggest industries worldwide. Automotive industry is a major driver of economy's Manufacturing sector. Global economic development is dependent on the activities of the automotive industry due to the wide range of other industries Steel, Tyre, Auto components; Banking & Finance, Plastic, Glass, Leather, and much more are integrated with. According to statistics, about half of the world consumption of oil, rubber, about 1/4 of the glass output, and 1/6 of the steel output is accounted for by the automobile industry.



Growth in Manufacturing of Automobile means growth in manufacturing of Steel, Tyre, Glass, Plastic, Banking & Finance etc. Industries that feed into automotive manufacturing. Automobile Industry is considered to be an Employment generating industry. It generates huge employment.

**Automobile vehicles broadly categorised as under:**



**Two Wheel Vehicles**

**Three Wheel Vehicles**



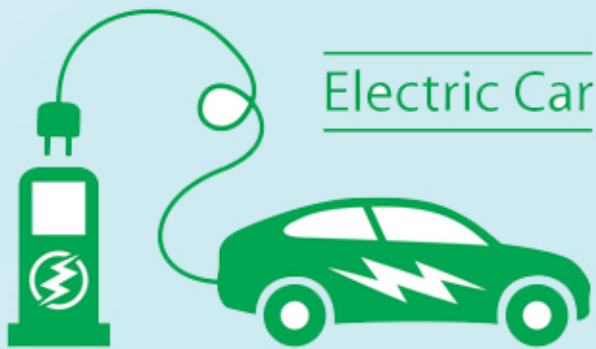
**Cars**



**Commercial Vehicles**

# Changing Automobile Industry

Automotive industry has been witnessing drastic changes in last 5-6 years. It is on the verge of adopting new technologies and innovations. Moreover, customers' unique and costly features demand is leading the automotive industry in the modern era. There are currently **two major changes** in automotive manufacturing that are gaining increasing attention around the world.



## Gas based Fuel To Electric Vehicle (EV)

Fossil-fuel makes environment more polluted. Diesel & Petrol are the main culprit in this segment. Whole world is facing environmental issues and global warming. To curb further deterioration environment, majority countries are moving swiftly from Fuel based vehicles to Electric vehicle. As a result, car manufacturers have responded and have begun developing innovative zero-emission electric vehicles, with new technology emerging each year. Country authority is also promoting EVs by providing various incentives. USA, Dubai, UK have taken a long stride in this path.



## Advanced Adaptive Driving System (ADAS)

Consumer nowadays expects Advance cruise control & semi auto mode driving in form of Adaptive Driving System (ADAS). Consumer wants relax driving experience. The other trend currently impacting the automotive manufacturing sector is connected cars. The boom of the Internet has driven consumer expectations for connected technologies across the board. The automotive industry refuses to be left behind, and vehicles are emerging with innovative connected features that are both functional and improve the driver and passenger experience.

# Automobile Industry World Scenario

The automotive industry contributes around 3% of the world's total GDP output, and that share is higher in emerging markets such as China and India, where the automotive industry accounts for 7% of GDP. The industry is expected to grow at a **CAGR of 3.71% from 2020-2030**. Globally, the automobile industry is supported by various factors such as the availability of skilled labour at low cost, robust R&D centers, and low-cost steel production.



## Global Market Size of Automotive Industry

Global Market Size of Automotive industry in 2022	2,900 BILLION US\$
Automotive Sale units in 2020	85.32 Million Units
Expected Automotive Sale units in 2030	122.83 Million Units
Contribution of Automotive industry in world' GDP	3% of total GDP
Expected Industry Growth rate from 2020-30	3.71% CAGR

## Automobile Market Size of World' Country

Name of Country	Automobile Market Size (USD Billion)	Share Of Automobile in Country's GDP	Share Of Automobile in Mfg GDP
USA	172.12	3.00%	24.35%
INDIA	222.00	7.10%	49.00%
CHINA (Approx)	1,400.00	10.00%	12.05%
UK	52.04	12.35%	27.00%

## Country Wise Automotive Annual Sales

Name Of Country	Automotive Calendar Year Sales (Only Four Wheel Vehicles (In Lakh Units))				
	2018	2019	2020	2021	2022
CHINA	280.81	257.69	253.11	262.75	268.64
USA	178.25	175.76	149.92	155.46	143.84
INDIA	44.00	38.17	29.38	37.60	47.64
JAPAN	52.64	51.91	45.95	44.45	41.98
GERMANY	37.64	395.47	32.19	29.22	29.10
FRANCE	26.79	27.43	21.00	21.42	19.27
UK	27.33	26.86	19.30	20.09	19.01
KOREA	18.13	17.81	18.74	17.08	16.70
Total of World	926.54	890.13	770.54	803.77	783.47

268.64

47.64

41.98

29.1

19.27

6



## Automobile Industry – Indian Scenario

Indian Automobile industry is growing at rapid rate. As Recently, India surpasses Japan to become 3rd largest auto market globally . India's sale of vehicles stood at 4.76 Million Units surpass Japan's 4.19 Million Units in 2022

The country's automotive sector is powered by the rising population, increasing disposable income, and ease of availability of credit and financing.

Furthermore, Government initiatives like Make in India and Automotive Mission Plan 2026 have boosted the Indian automotive sector. The Automotive Mission Plan 2026 is a collective vision of India's automotive industry and the government that aims to make the Indian automotive industry the driving factor of the Make in India initiative.

# Advantage in India

Growing Demand	Rising Investment	Opportunities
<ul style="list-style-type: none"> <li>▶ Rise in population, rise in middle class income, ease of availability of credit and financing and young population may result in strong growth</li> </ul>	<ul style="list-style-type: none"> <li>▶ India has significant cost advantages. Auto firms save 10-25% on operations vis-a-vis Europe and Latin America</li> </ul>	<ul style="list-style-type: none"> <li>▶ Focus shifting on electric cars to reduce emissions</li> </ul>
<ul style="list-style-type: none"> <li>▶ Having an own car has become necessity rather than luxury for higher middle class in some metro city especially after Covid</li> </ul>	<ul style="list-style-type: none"> <li>▶ The automobile sector received cumulative equity FDI inflow of about US\$ 33.53 billion between April 2000- June 2022.</li> </ul>	<ul style="list-style-type: none"> <li>▶ Government aims to transform India into a R&amp;D hub.</li> </ul>
<ul style="list-style-type: none"> <li>▶ Demand of four wheel vehicles has seen spurt post Covid effect</li> </ul>	<ul style="list-style-type: none"> <li>▶ The Government of India expects the automobile sector to attract US\$ 8-10 billion in local and foreign investments by 2023.</li> </ul>	<ul style="list-style-type: none"> <li>▶ Introduction of Production-linked Incentive (PLI) Scheme <b>worth Rs. US\$ 3.49 Billion</b></li> </ul>
<ul style="list-style-type: none"> <li>▶ Public transport is not up to the mark in 2 tier &amp; 3 tier cities, town</li> <li>▶ Constant improvements in Road infrastructures across city, town &amp; village</li> </ul>	<ul style="list-style-type: none"> <li>▶ Government initiatives like Make in India and Automotive Mission Plan 2026 have boosted the Indian automotive sector</li> </ul>	<ul style="list-style-type: none"> <li>▶ The Automotive Mission Plan 2016-26 (AMP 2026). AMP 2026 targets a four-fold growth in the automobile sector in India which include manufacturers of automobiles, auto components and tractors over the next 10 years.</li> </ul>

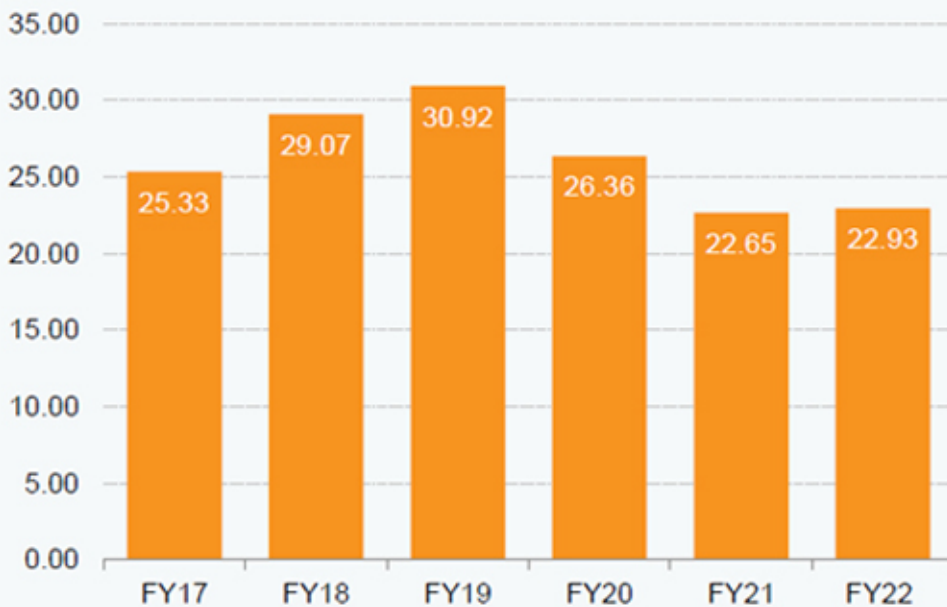




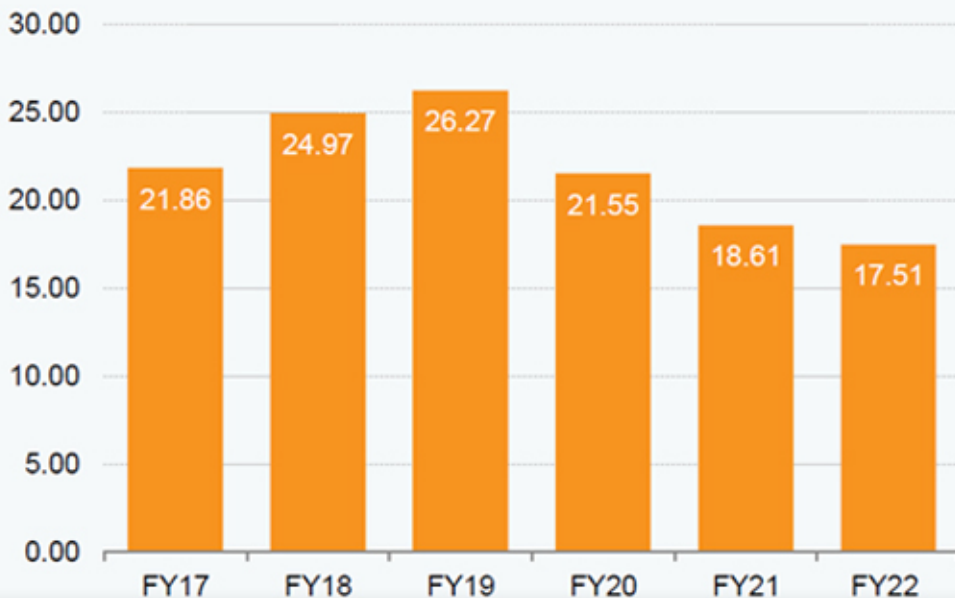
# Key Automobile Statistics of India

Estimated Market Size of Automotive industry in 2022	<b>222 BILLION US\$</b>
Annual Production Automobile Units FY 2021-22 <b>(inclusive of 2 wheel &amp; 3 wheel vehicle)</b>	<b>22.93 Million Units</b>
Annual Sale Automobile units FY 2021-22 <b>(inclusive of 2 wheel &amp; 3 wheel vehicle)</b>	<b>17.51 Million Units</b>
Annual Exports Automobile units FY 2021-22 <b>(inclusive of 2 wheel &amp; 3 wheel vehicle)</b>	<b>5.61 Million Units</b>
Share of Automobile in India's GDP	<b>7.10 %</b>
Employment generated through Automobile industry	<b>37 Million</b>
Share of Automobile in Country's Export	<b>8%</b>

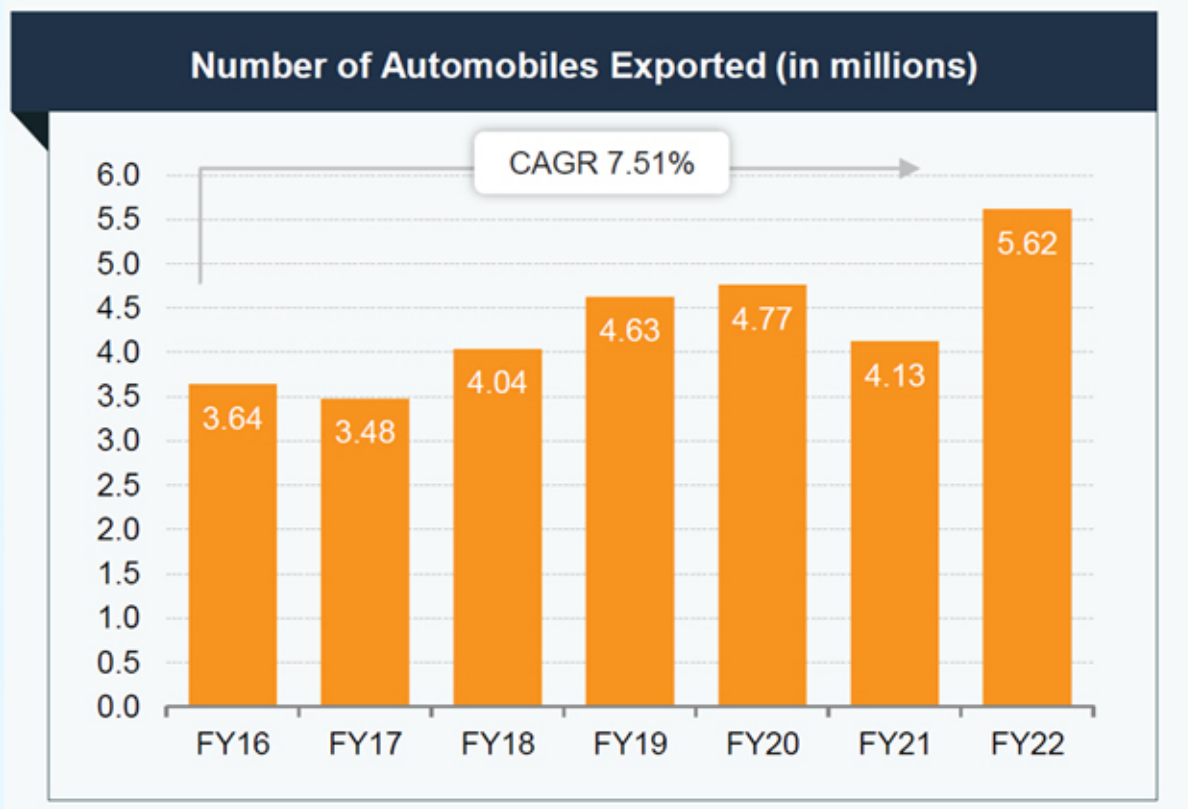
**Number of Automobiles Produced in India (in million)**



**Number of Automobiles Sold in India (in million)**



# Key Automobile Statistics of India



YEAR	FDI INFLOW IN AUTOMOBILE SECTOR BILLION US\$
2015-16	2.73
2016-17	2.54
2017-18	1.61
2018-19	2.09
2019-20	2.62
2020-21	2.82
2021-22	1.64
2022-23	5.96

*FDI inflow statistics clearly shows the potential of automobile sector in India to become the top producer in automobile sector*



# Performances



## Equity Market

Indices	01 <sup>st</sup> Feb, 2023	28 <sup>th</sup> Feb, 2023	High	Low
BSE S&P SENSEX	60,001.17	58,962.12	61,682.25	58,795.97
NIFTY 50	17,811.60	17,303.95	18,134.75	17,255.20

## Mutual Fund

### AUM Data of Mutual Fund for the Month of February 2023

(INR. In Lakh Crore)

Particulars	AUM As On 31-01-2023	Fresh Fund Mobilize During Feb – 23	Redemption During Feb -23	AUM As On 28-02-2023
Total AUM of all mutual funds scheme	39.05	7.96	7.87	39.14
AUM of equity oriented (growth) schemes	14.87	0.32	0.17	15.02

Source: Association of Mutual Fund of India (AMFI)

# Performances

## SIP Contribution

(INR. In Crore)

Year	SIP Contribution	SIP AUM
FEB-2023	13,686	6,74,415

## FII & DII Inflow/Outflow Position

FII's selling in the month of January 23 is (-0.11) Lakh.  
DII's buying in the month of January 23 is 0.19 Lakh.

### Inflow/Outflow position in the month of Feb - 2023

For The Month Of Feb 2023	Gross Purchase	Gross Sale	Net
FII	1.62 Lakh	1.73 Lakh	-0.11 Lakh
DII	1.30 Lakh	1.11 Lakh	0.19 Lakh

