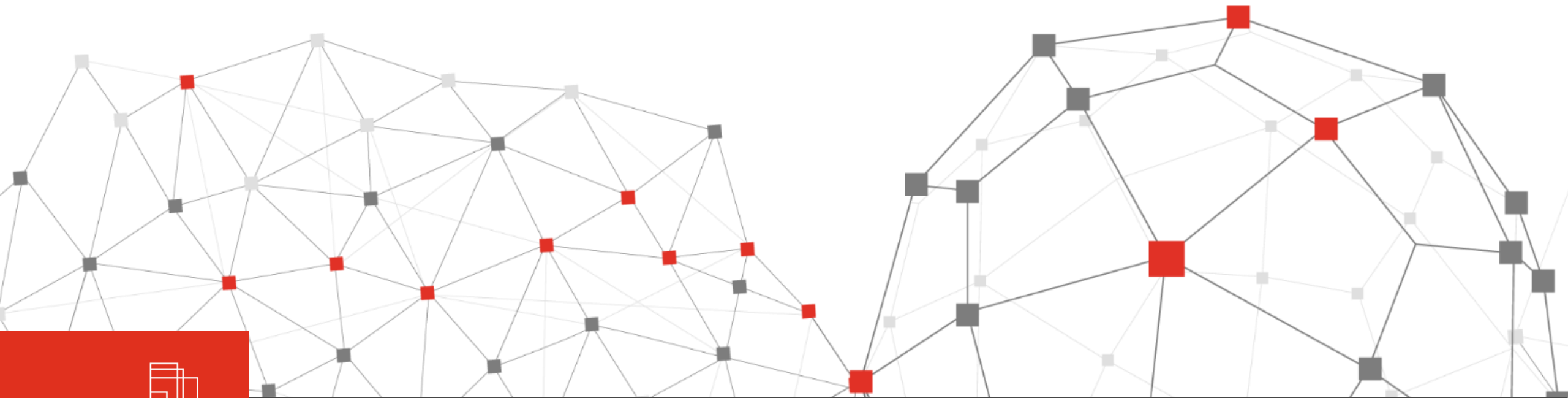


COVID-19

Automotive Industry: Impact of COVID-19 and navigating the turbulence



Agenda

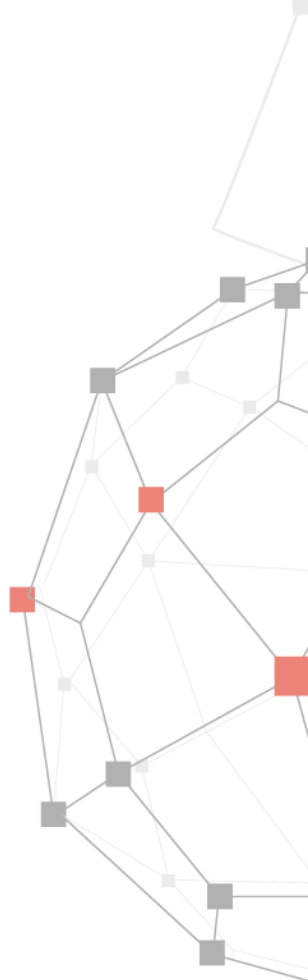
01 **COVID-19: Impact on Economy and Automotive Industry**

02 **How can we navigate through the turbulence?**

03 **Building for the Medium term: Every crisis is an opportunity**

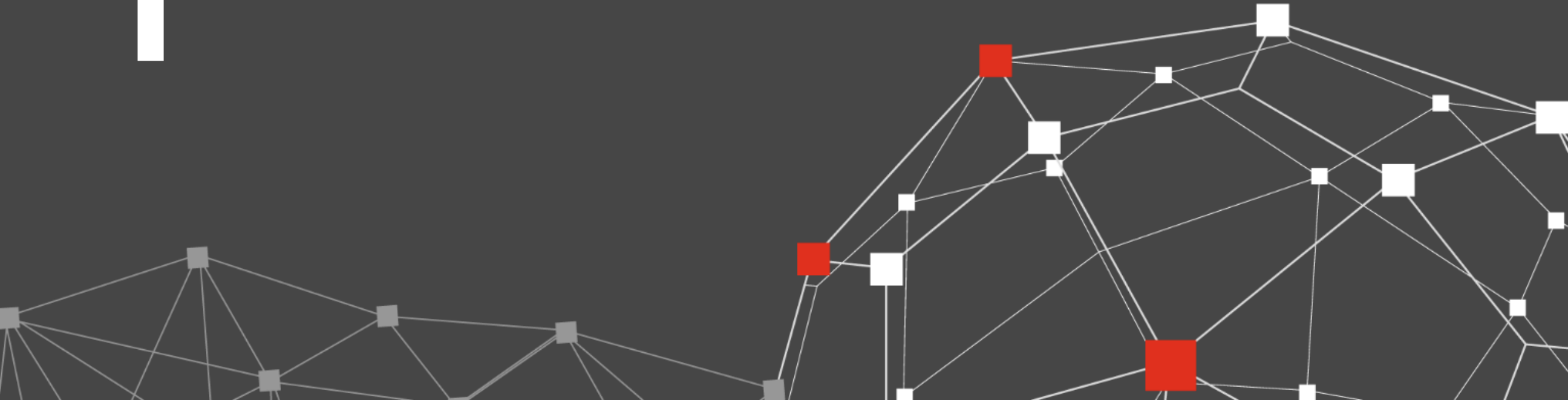
04 **Learning from China: COVID 19 Experience**

05 **Q&A**

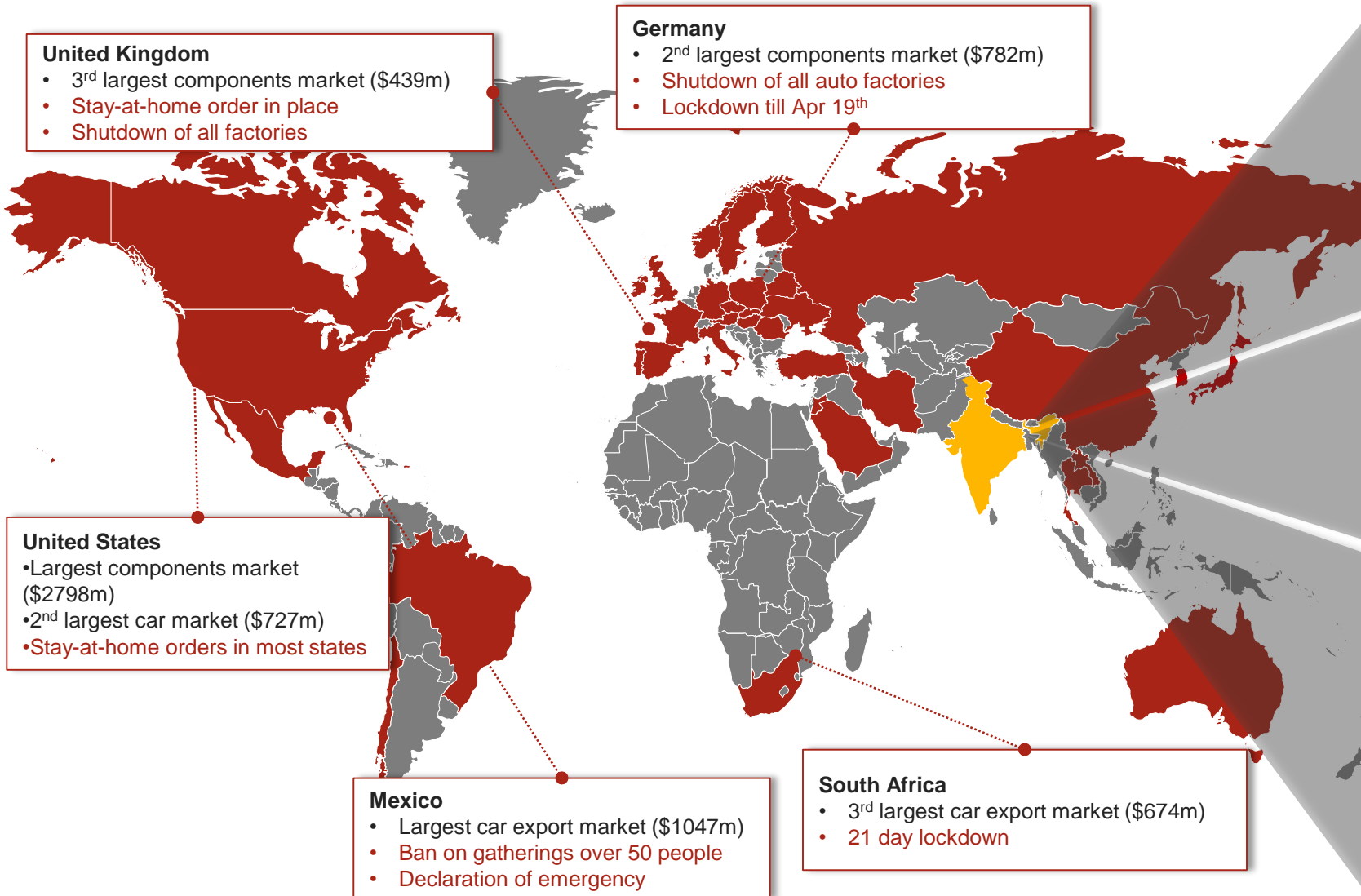


1

COVID-19: Impact on Economy and Automotive Industry



Covid-19 has affected global economy adversely



Global economy to shrink by 1% in FY21 – Goldman Sachs

- Global impact perceived to be larger than 2008 financial crisis - Lockdown (2020) Vs Slowdown (2008)
- Multiple monetary & fiscal measures – postponement in tax collections, policy rate cuts

In the short term, domestic demand will decline in India

- Health & Welfare being top priority ; 21-day lockdown
- Direct impact on tourism, hospitality, manufacturing industries & non-essential services

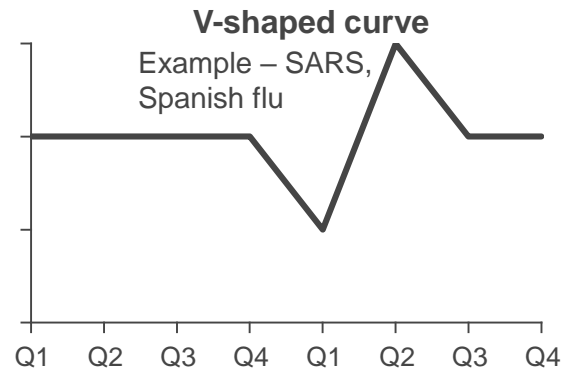
India's major export markets severely hit ; \$9 Bn of vehicle & component exports to NA & Europe

- ~31% of car exports go to North America and Europe (\$ 2.7 Bn)
- ~60% of components exports go to North America and Europe (\$ 6.6 Bn)

Historically, there have been 3 potential recovery scenarios post economic shocks

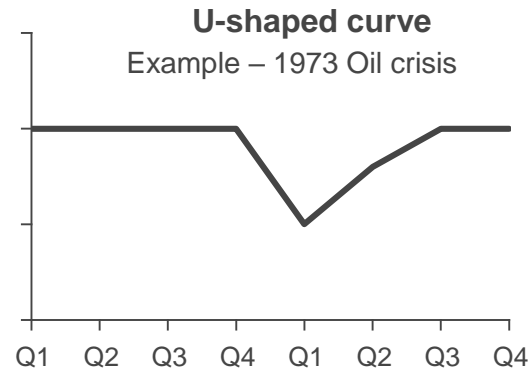
— GDP Growth %

Scenario 1 : Optimistic



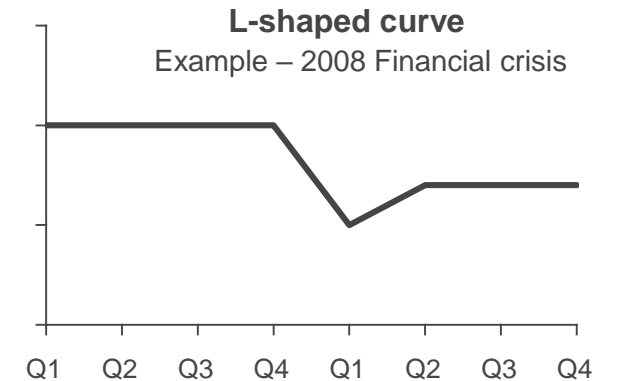
Rapid recovery, growth returns to normal, no loss of output

Scenario 2 : Realistic



Shock breaks growth trend, some loss of output permanently

Scenario 3 : Pessimistic



Real structural damage, lower long-term growth rate

Impact on Public Enterprises

- Monetary and fiscal response to the crisis (credit, liquidity push, policy rate easing)

Impact on Private Spending

- Rapid rebound in household spending
- Immediate pent-up demand seen

Impact on Automotive

- Rebound in Auto demand
- Cost pressures in the short term

- Sustained period of virus mitigation
- Significant fiscal and monetary interventions

- Household and business confidence loss, postponement of high ticket purchases
- Major cracks seen in financial system

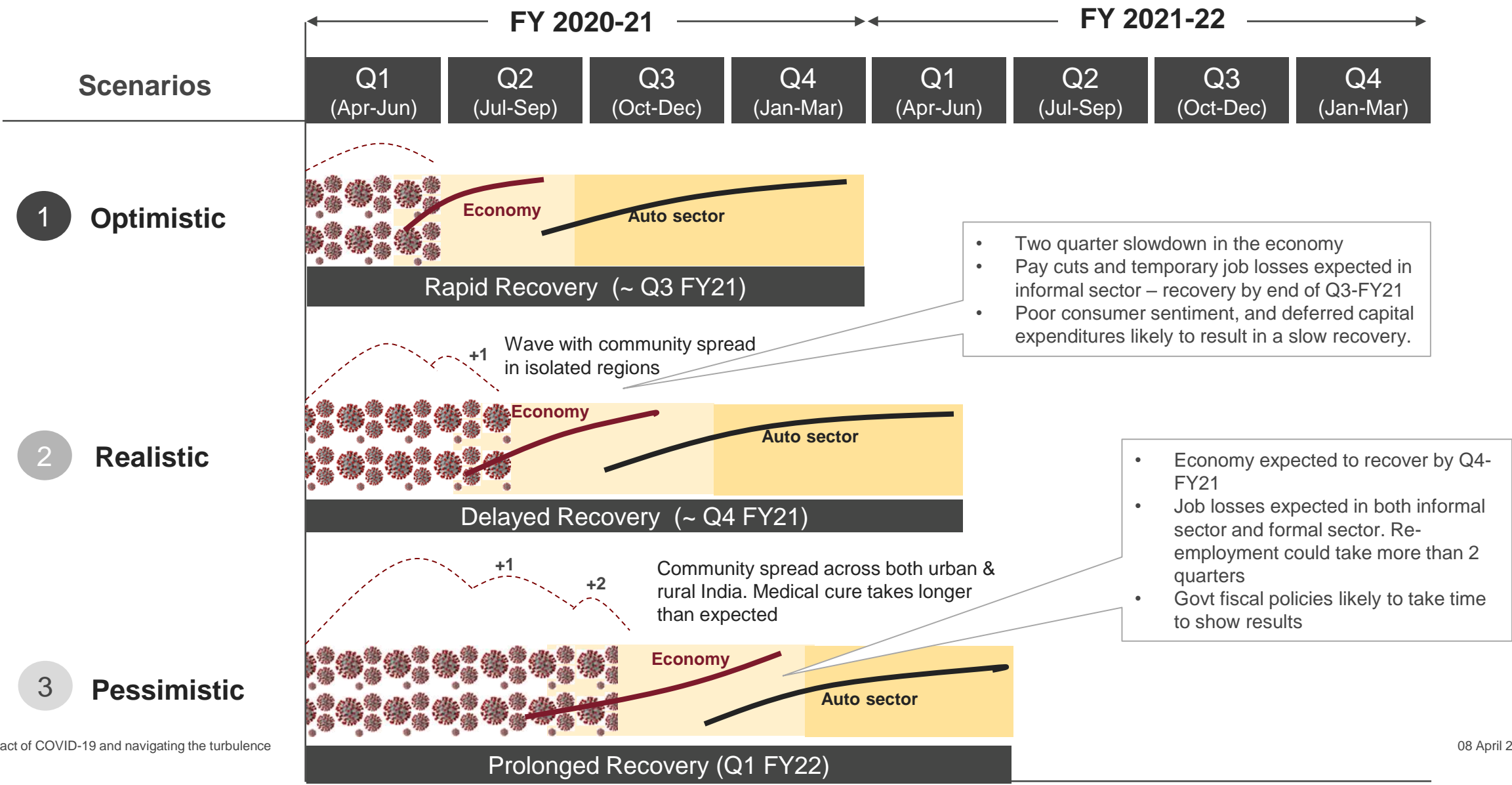
- Sales remain depressed, significant portion of demand lost
- Likely shift to used car purchases

- Long-term structural damage, Lack of resources for public spending
- Major spends in Healthcare and Welfare

- Large-scale unemployment, repeated waves cause unrest in the labor market
- Domestic spend on essentials

- Alternate supply chains, policy changes in procurement practices, trade agreements
- Continued disruption of production & retail

3 Possible scenarios with likely differing recovery period*



* Analysis is done based on the situation as on 08 April 2020. Analysis and forecasts could be subject to change during rapidly changing external environment



Factors impacting automotive demand over FY21*

(as on April 8, 2020)

	Factor	Key parameter	Characteristic	Optimistic	Realistic	Pessimistic
Supply Side	Supply (availability)	OEM - manufacturing capacity	Reduced production levels			
		Supply Chain issues	Expected supply chain disruptions			
	Finance availability	Stability of the Financial system	Financial system likely to undergo stress. Govt support expected			
	New Product Launches		OEMs to defer product launches later than Q3/Q4- FY21			
	OEM initiatives	Vehicle discounts & incentives	High discounts from OEMs. Unlikely to pass through BS6 price hikes			
	Govt. & Regulatory interventions	Tax cuts & other incentives	Govt support expected to reduce impact of taxes and duties			
Compliance costs		Govt. help to liquidate BS-4 stock				
Demand Side	Consumption Demand	Consumer Income	Job losses and pay cuts expected			
		Net-worth	Asset prices expected to decline			
		Sentiment	Consumer and business sentiment to remain low			
		Mobility Preferences	Increased preference for personal modes of transport			
		Vehicle finance rate	200-300 basis points lower than FY20			
	Activity levels in the economy	Manufacturing sector activity level	To remain below normal			
		Service sector activity level	To remain subdued due to poor sentiment & periodic lockdowns			
	Investment demand	Private Capex	To be deferred to FY21			
Infra Spend by Govt.		Boost in infrastructure spend by the Govt. post Covid-19				

Impact of COVID-19 and navigating the turbulence

PwC

* Analysis is done based on the situation as on 08 April 2020. Analysis and forecasts could be subject to change during rapidly changing external environment

Strong factor/ High negative impact

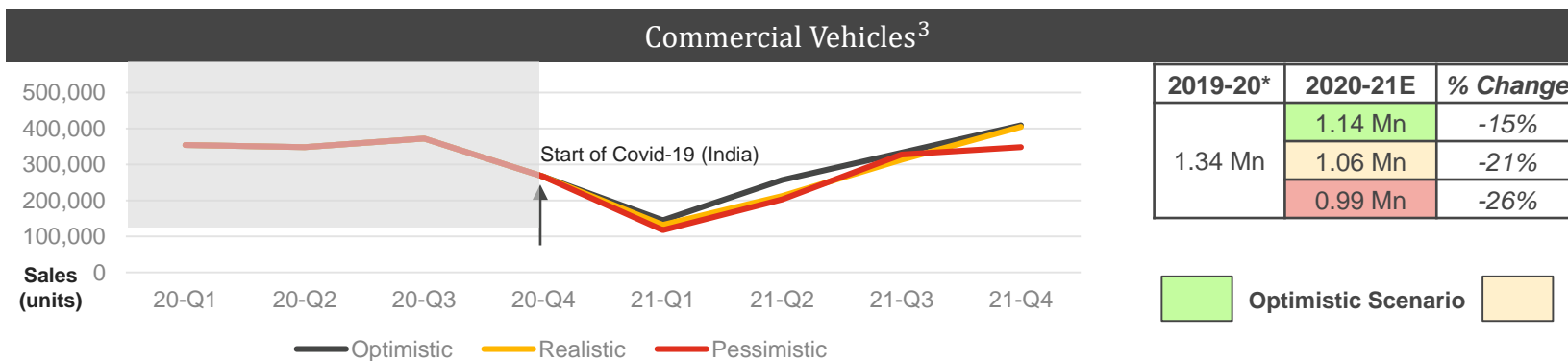
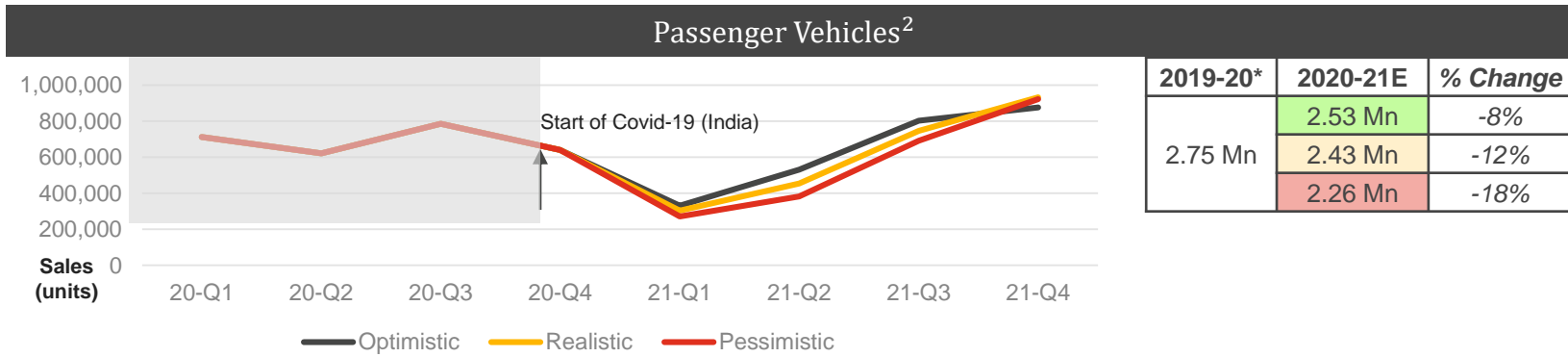
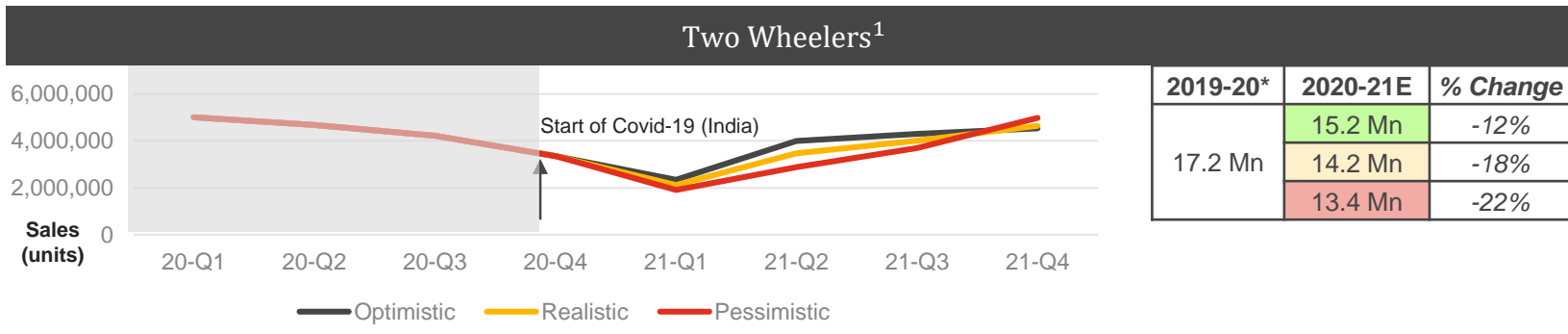


Strong factor / High positive impact

08 April 2020



How the 3 scenarios will play out in each vehicle segment*



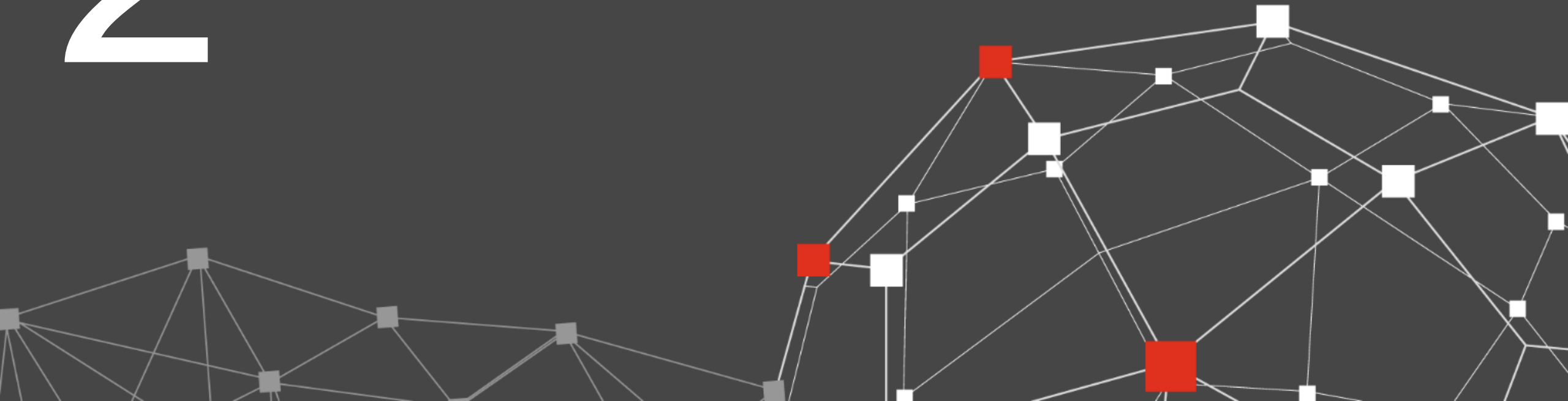
Key factors

- Preference for personal transport (changing mobility preferences) to be a key driver - used vehicle market to capture significant share of this demand
- Informal sector – a key buyer of two wheelers - affected significantly by the downturn.
- Online sales to grow
- Passenger vehicles expected to show strong growth post recovery - mobility preferences for personal mode of transport to have a significant impact on demand
- Shared mobility segment to remain subdued in the coming months
- Segment downgrade likely by buyers - consumers that buy PV/ 2W may go one segment, one variant lower
- Commercial Vehicle segment already carrying excess capacity (GST impact, axle loading, movement of goods lower due to weak economy) With logistics disruptions to continue in hot zones, and customers not in investment mode this sector will show a delayed recovery






Optimistic Scenario
 Realistic Scenario
 Pessimistic Scenario

2

How can we Navigate
through this Turbulence?



Automotive companies can have a phase wise plan in line with demand recovery; 1> Protect 2> Restore 3>Rebound

	“Protect” 3-6 Months	“Restore” 6-12 Months	“Rebound” >12 Months
 Strategic response	<ul style="list-style-type: none"> • Sense disruption impact • Protect customers & revenue 	<ul style="list-style-type: none"> • Recover operations & resume planned growth trajectory for the period 	<ul style="list-style-type: none"> • Prepare for growth • Invest in new opportunities
 Managing Liquidity	<ul style="list-style-type: none"> • Preserve cash & create liquidity • Identify quick cash generation / saving opportunities 	<ul style="list-style-type: none"> • Improve & sustain cash position through new initiatives 	<ul style="list-style-type: none"> • Strengthen cash position to invest in new growth initiatives
 Workforce Engagement & Productivity	<ul style="list-style-type: none"> • Safeguard employee welfare • Communicate & engage with employees 	<ul style="list-style-type: none"> • Manage employee productivity & adapt operating model to new ways of working 	<ul style="list-style-type: none"> • Re-organize to align with current business imperatives • Create a resilient organization
 Supply Chain Risk & Resilience	<ul style="list-style-type: none"> • Assess supply chain disruption & monitor / manage risks • Protect supplies, orders & deliveries 	<ul style="list-style-type: none"> • Evaluate supply chain gaps & restore operations to support business objectives 	<ul style="list-style-type: none"> • Strengthen the resilience & visibility of the supply chain • Invest in agile & flexible SC
 IT Readiness	<ul style="list-style-type: none"> • Stress test IT infrastructure • Resolve issues impacting business continuity 	<ul style="list-style-type: none"> • Scale up IT resources to meet business requirement 	<ul style="list-style-type: none"> • Strengthen IT infra & security and develop scalability

Strategic Response

Prepare for different scenarios – Sense & Respond quickly

	Scenario 1: Optimistic	Scenario 2: Realistic	Scenario 3: Pessimistic
Customer Segments	<ul style="list-style-type: none"> • Assess impact across core segments – mass vs premium, rural vs urban, private vs fleet • Protect core segments & prioritize segments that are showing more resilience 	<ul style="list-style-type: none"> • Sense any significant impact on core segments • Identify new segments / opportunities that are relatively insulated 	<ul style="list-style-type: none"> • Refocus business areas / segments under stress • Protect & grow attractive business segments
Product / Launches	<ul style="list-style-type: none"> • Evaluate any product delay costs & revise target costs • Assess launch readiness & identify opportunities to accelerate launches 	<ul style="list-style-type: none"> • Review product launches basis segment trends • Prepare for digital / soft launches • Assess launch readiness & ability to scale up new models 	<ul style="list-style-type: none"> • Shelve product launches that do not meet the revised business case • Evaluate & invest in product solutions that meet the evolving customer needs
Channels	<ul style="list-style-type: none"> • Enhance promotional activities across digital channels • Enabling digital sales journey • Evaluate network strength & expansion plans 	<ul style="list-style-type: none"> • Optimize sales channels for revised demand projections • Invest in convenient digital sales & marketing channels 	<ul style="list-style-type: none"> • Restructure sales channels to create more flexibility and resilience • Developed integrated digital channels to enhance visibility of demand & customer needs
Ecosystem	<ul style="list-style-type: none"> • Evaluate financial health of suppliers & dealers and develop support initiatives • Evaluate opportunities to enhance resilience of ecosystem 	<ul style="list-style-type: none"> • Support suppliers & dealers with financial initiatives to ensure sustenance • Review & enhance ecosystem continuity plans 	<ul style="list-style-type: none"> • Explore opportunities for strategic investment in distressed partners • Identify alternative sources / channel partners in line with revised strategy

Sensing demand signals & prioritizing segments

Rural market recovery could be more prolonged

- Impact of lockdown has resulted in rural output loss
- Automotive rural demand may be under stress:
 - Loss of income in farm, informal sectors impact demand (crop price reduction, migrant wage losses)
 - Continued lockdown of urban pockets may further impact rural economy (even if rural clusters open up)
 - Low cash reserves & limited liquidity support from banks due to NBFC crisis

- In China, impact of COVID lockdown on rural economy was estimated at >USD 100 bn / month, with half of surveyed households losing \$282-\$704 per month

Source: International Food Policy Research Institute

Increase in uptake of used vehicles

- Impact of COVID 19 along with upcoming environmental & safety regulations (e.g., BS VI) will likely dampen the demand for new vehicles
- An increasing number of buyers might choose to defer their new car purchase or shift towards pre-owned vehicles
- Automotive OEMs will need to focus on strengthening their used car business

Shared mobility likely to be adversely impacted

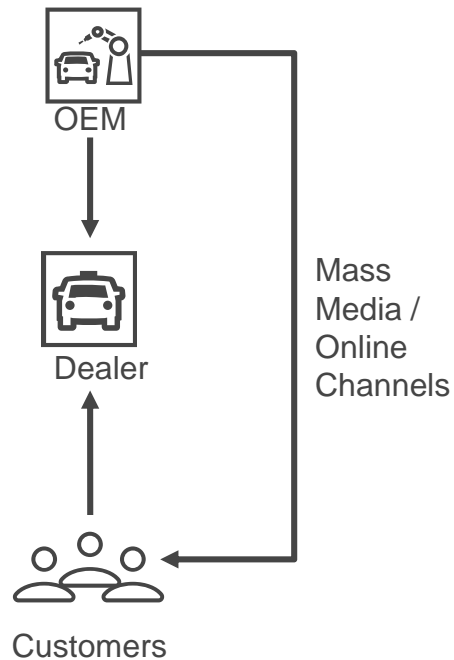
- Shared mobility startups have been negatively impacted by COVID 19 – services across the cities were disrupted and users inconvenienced
- In the short run, consumers are likely to prefer self driven rides
- OEMs already thinking about shared mobility play may identify opportunities to invest in the space at better valuations

- 66% of Chinese consumers indicated a preference for private vehicles for commute Post COVID-19 as compared to 34% pre-COVID, according to an IPSOS survey
- Preference for taxi & Car-hailing went down by 15% Post COVID-19
- Public transport modes were the most impacted with a decline of 32% in preference post COVID

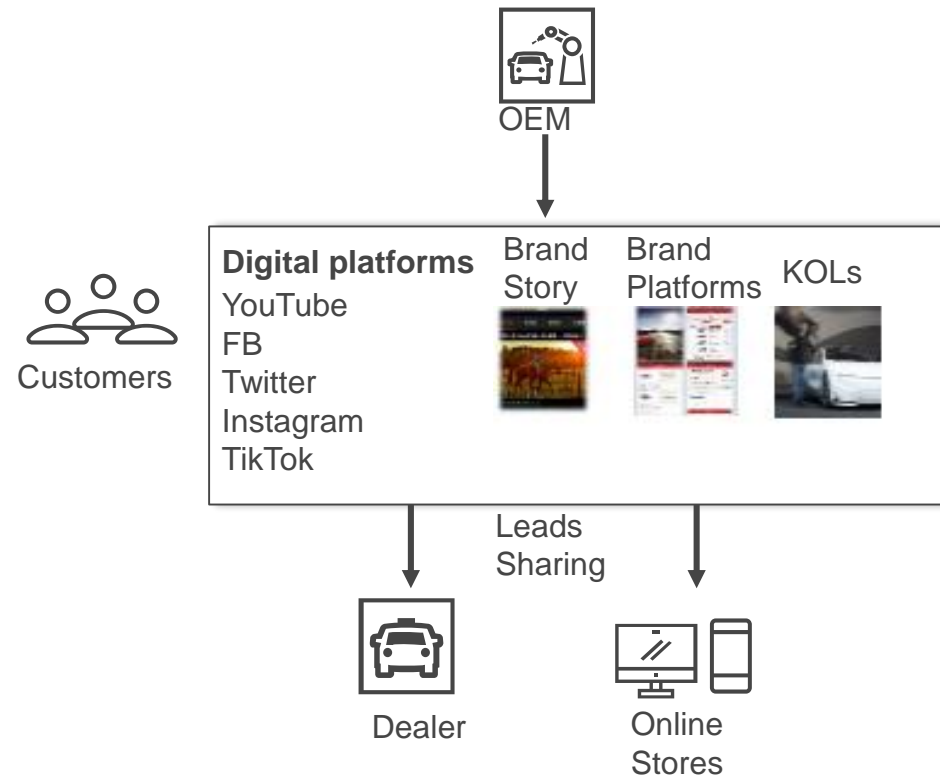
Source: IPSOS Impact of Coronavirus to new car purchase in China

OEMs will need to leverage digital sales & promotion channels to enhance engagement with customers

Traditional Model: Lead Generation primarily driven by Dealers



Increased focus on OEM led Lead Generation



———— **Key considerations** ————

Offline lead generation and sales promotion activities have been deeply impacted by COVID 19

OEMs can take the lead to engage with the prospective buyers through digital channels & share the leads with their dealer partners

For the digital natives, a trend towards online sales may get accelerated in the Post COVID environment

Managing Liquidity

While navigating turbulence, Cash is King!

**Global
uncertainty**

Requirement of Robust cash forecast

Why is it important to manage liquidity?

1

***Cash
visibility***

2

***Foundation for
Cash generation
initiatives***

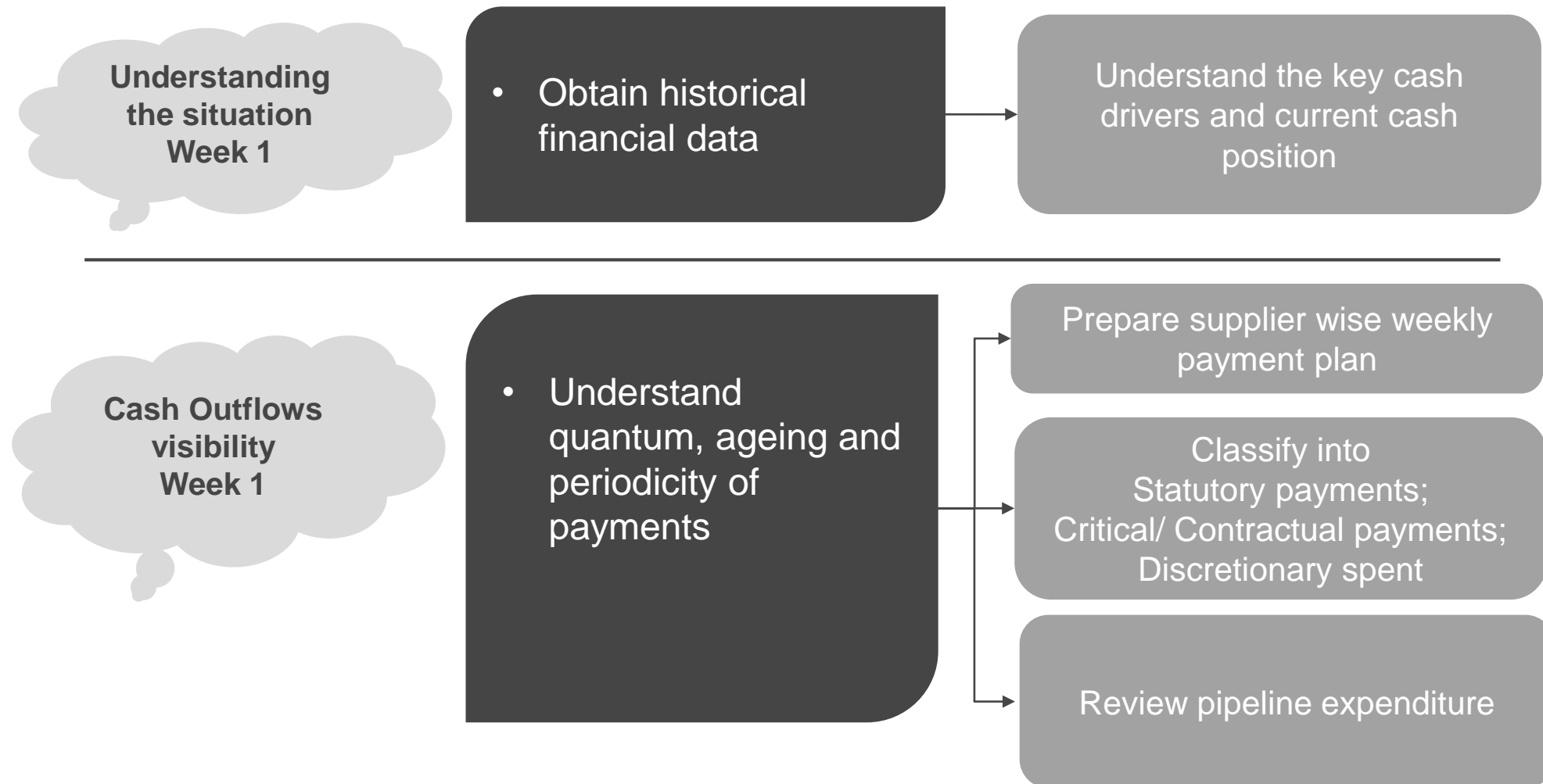
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***Process
improvement***

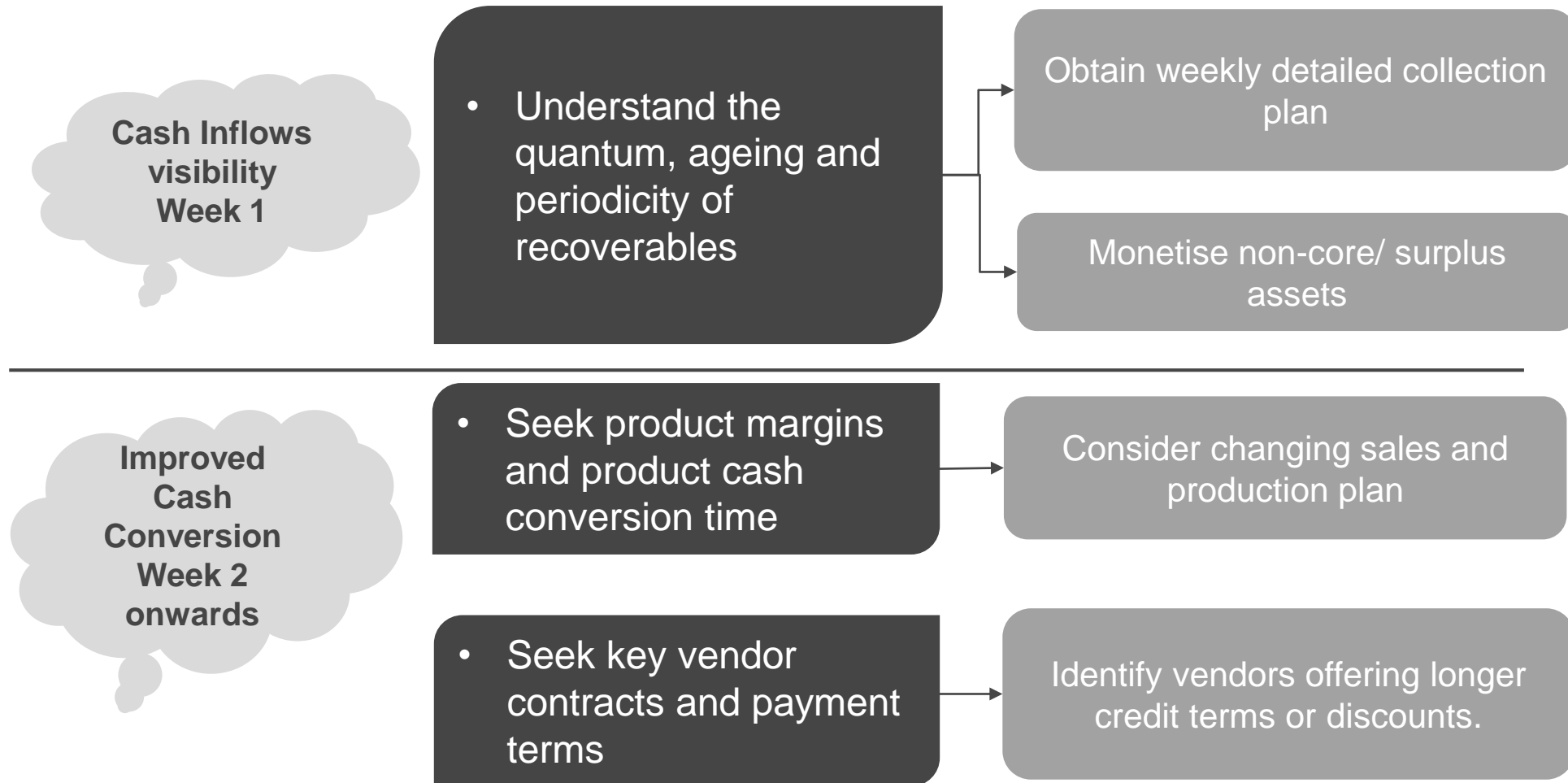
4

***Rapid
decision-making***

Indicative step wise plan- the “what, how and when” (1 of 2)



Indicative step wise plan- the “what, how and when” (2 of 2)



Implementation of Cash Conservation and Liquidity Management Office (CCLMO)

Members- Representative of CFO, Treasury, Payables, Receivables team

Role and Agenda of the CCLMO

Daily meetings with various departments

- Prepare daily payment requests
- Cost- benefit of delaying capex, R&D, on-boarding
- Accelerate refunds/ recovery processes, identify opportunities for bill discounting
- Capture cost reduction ideas

Weekly meetings

- Actual vs forecast variance
- Update of forecasts

Regulate the activities each day and at each stage.

Certain working capital levers to conserve cash

Debtors

- Proactive customer dispute management process
- Collection focused KPIs
- Increase invoice frequency
- Negotiate advance payment terms

Payables

- Prioritise payments
- Ensure process compliance
- Realise discounts/rebates
- Renegotiate credit terms
- Consolidate supplier base

Inventory

- Align target stock levels with supply chain
- Identify alternate sources

Direct 13 week cash flow forecast- this is how it may look like

13 week cash flow forecast - indicative format

Weeks	Week 1	Week 2	Week 3	Week 4	Week 5	Week 6	Week 7	Week 8	Week 9	Week 10	Week 11	Week 12	Week 13	Total
Cash inflow														
Collections from outstanding AR														
Customer 1														
Customer 2														
Customer 3														
Customer x														
Customer xx														
Collections from fresh invoices														
Product/ Project/ Service 1														
Product/ Project/ Service 2														
Product/ Project/ Service 3														
Product/ Project/ Service xx														
Product/ Project/ Service xxx														
Others														
Total cash inflow														
Cash outflow														
-Statutory payments														
Expense 1														
Expense 2														
-Contractual/ Critical payments														
Vendor 1														
Vendor 2														
-Discretionary payments														
Expense 1														
Expense 2														
General costs - total														
Tax payouts														
Total cash outflow														
Total cash from operations														
Cash flow from financing and investing														
-Capital expenditure														
-Investment														
-Inflow from monetisation of surplus/idle assets														
- Loan repayment														
- Interest payment														
- Other inflows														
- Other outflows														
Net inflow/ outflow from financing and investing														
Net cash forecast														

This is illustrative format and may change depending on your needs

Managing People and Organizations in the new 'normal'



The new normal.

**What we're least
prepared for, becomes
our new reality...**

The Roadmap: Key workforce focus areas to consider for the future

We visualise two horizons of action in which the focus areas will gradually shift and evolve ...

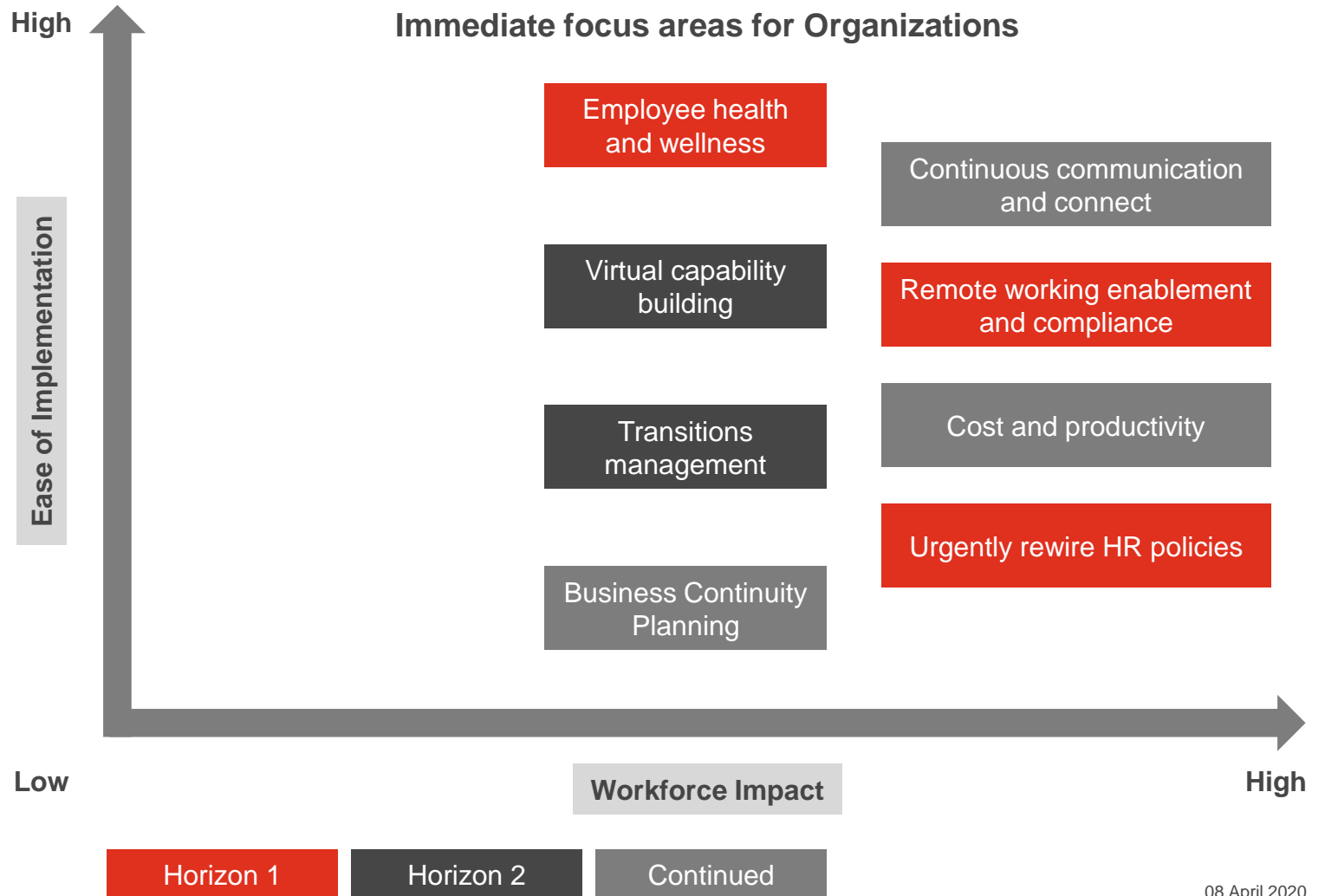
Horizon 1 : Immediate / Short Term

- Timeframe : 2 weeks to 2 months
- Focus : Keeping the lights on through cost, compliance, care and commitment

Horizon 2 : Mid Term

- Timeframe : 2 months to 6 months
- Focus : Building the momentum and nurturing the eco-system to adapt to new ways of working

There will also be clear focus areas, where continued focus would be imperative in both horizons



What are organizations doing to prepare for the long haul?

Key focus areas

Remote working enablement and compliance

- Test & enable technologies to support collaboration & communication
- Remote working policy and data security compliance



Business continuity planning

- Global mobility and business continuity with customers
- Leadership alignment for business continuity
- Workforce augmentation for key activities / tasks that need support
- Scenario based Crisis Preparedness Audits



Continuous communication and connect

- Constant communication to employees notifying about measures taken amid COVID-19
- Share knowledge nuggets from credible sources e.g. WHO
- Creating a Digital Workplace of the future



Cost & Productivity

- Workforce planning & management
- Refine performance expectations
- Plan for increase in absenteeism and work refusal
- Senior executives, white collar and blue collar productivity plans



Virtual Capability Building

- Managing Virtuality as a capability
- Building leadership capability for a Virtual world
- Coaching of leaders and staff for morale and resilience
- Future focused capability building and *Digital Fitness*



Transitions management

- Compliance & brand management around workforce transitions
- Coaching and career transition support for impacted staff
- Scenario based workforce transition plans creation



Urgently 'rewire' HR Policies for relevance

- Realign Hiring, Onboarding, Exits, C&B, PMS and L&D policies to support the organizational strategy and the current scenario



Employee Health & Wellness

- Conduct Health and wellness trainings
- Revise leave, travel and hospitalization / insurance
- Manage employee morale through care and communication
- Establishing employee support services e.g. dedicated hotline number



Key Industry wise considerations for managing productivity....

Key focus areas

Accepting the 'new normal'

- An otherwise 'brick and mortar' sector, has shown tremendous resilience to transition to 'Work from Home'
- Slow returning to normal and hence managing plans around that



Value Stream Management

- Depending upon the direct and indirect suppliers, our own planning of ramping up is going to be different
- From an employee productivity perspective, using the down time to build newer partnerships and avenues



Workforce Morale

- Employee costs not exceeding 10% of total costs for the sector; yet the success dependence on employee inclusivity is high
- Working with Executives, White Collar, Blue Collar, Contractual staff and unions to manage scenarios for sustenance



Productivity

- Productivity is going to be hugely governed by how productivity is defined in current circumstances
- Value to be delivered as a productivity norm by each function and level will be critical to be defined and focused upon
- Capture learnings from COVID



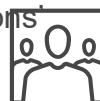
Newer Norms and Capability for the future

- Managing Virtuality as a capability and a way of life
- Building leadership capability for a Virtual world
- Coaching of leaders and staff for morale and resilience
- Future focused capability building and **Digital Fitness**



Contributing to the ecosystem

- An inclusive cash flow and productivity management plan, that takes into consideration the success of the entire value chain will be key
- Planning with ancillaries, suppliers and dealer / distributors for 'newer ways' and 'newer propositions' could be key



Preparing for the new customer and employee expectations

- Will the definition of 'mobility', and social distancing change human preferences?
- Could workforce models across the entire value chain be shifted to 'core' and non-core and build service providers for non core across all players?



The long term bets

- Ringfence my critical talent
- Upskill my talent for the future: people will have to run at double the speed as normalcy comes in
- Focus on talent pipeline and engaging them
- Finally, work on the new processes for enablement and decision making



“And once the storm is over, you won’t remember how you made it through, how you managed to survive. You won’t even be sure, whether the storm is really over. But one thing is certain. When you come out of the storm, you won’t be the same person who walked in. **That’s what this storm’s all about.**”

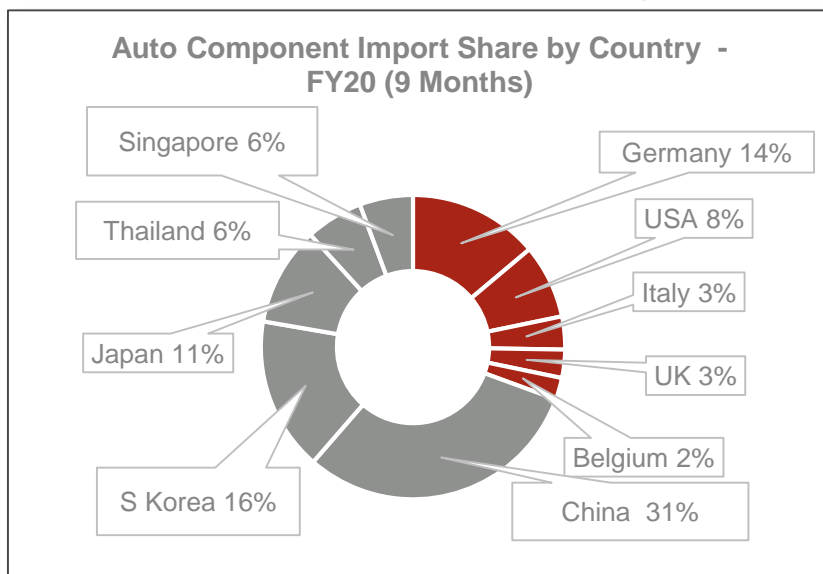
Haruki Murakami.



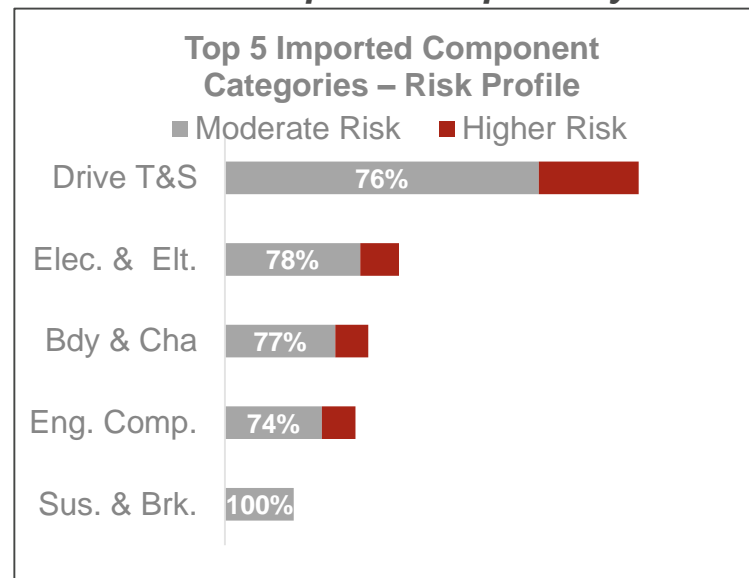
Supply Chain Risk & Resilience

We expect the global supply chain disruption impact on India to last over 6 months at least

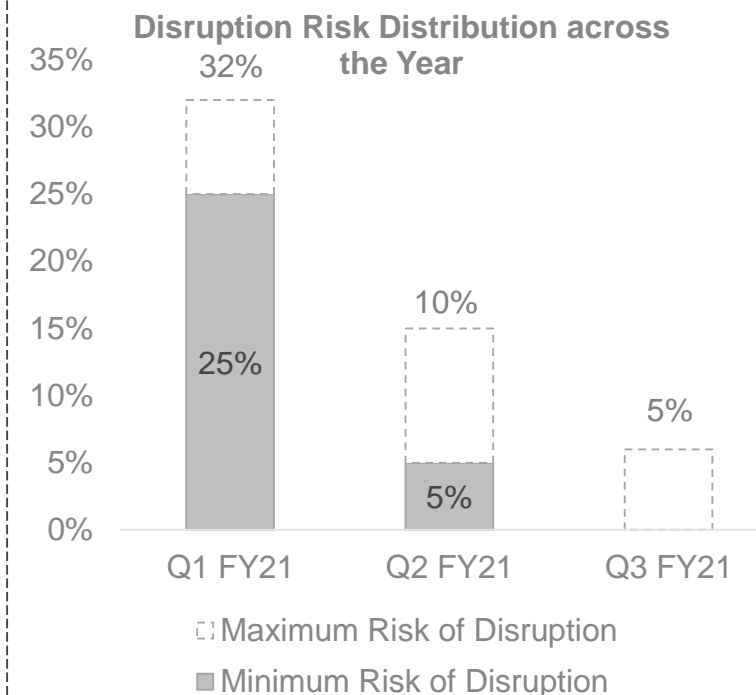
31% value from Top 10 auto-component source countries is current at higher risk



Top 5 At-risk auto components constitute 79% of all component imports by value



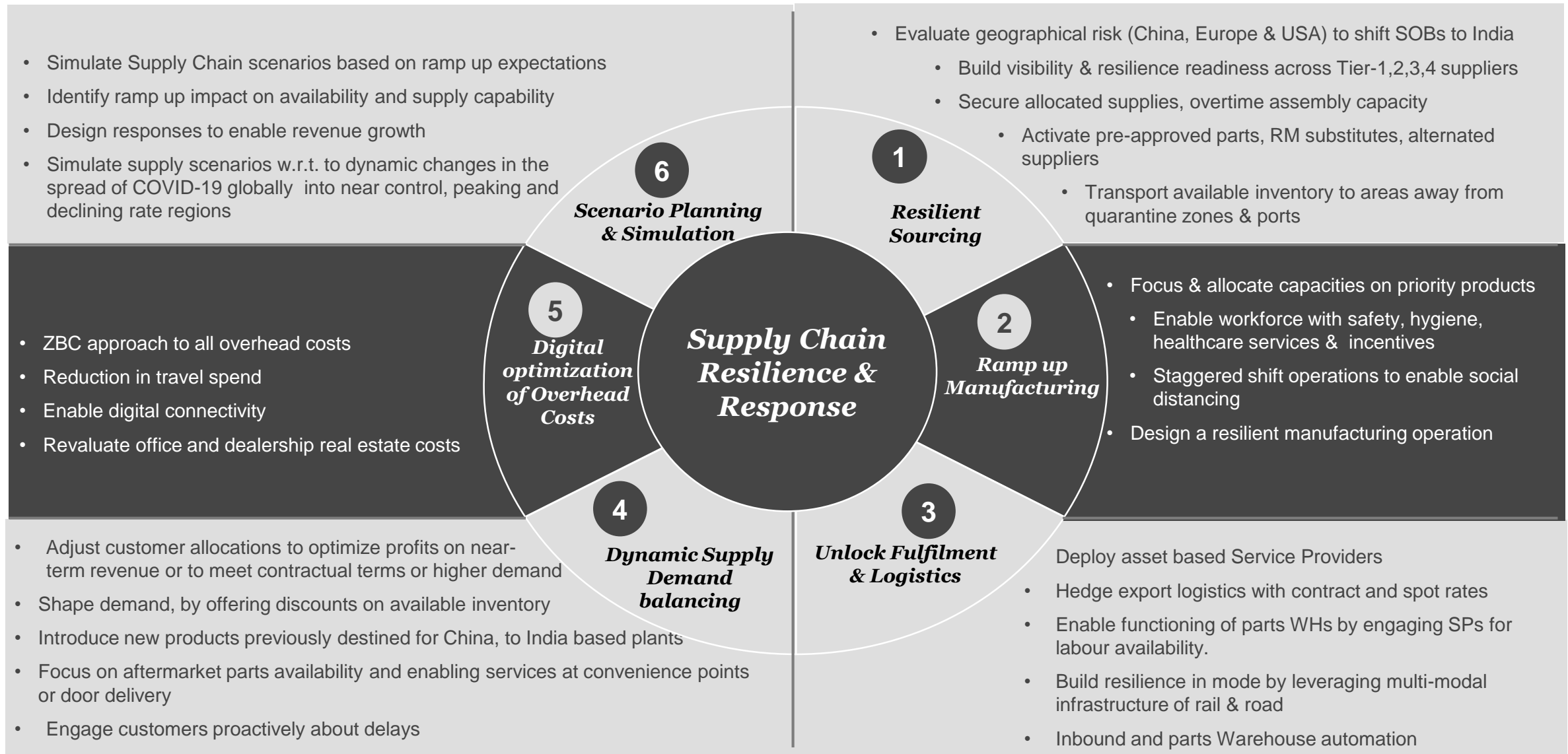
Probable disruption risk to last 7-9 months, peaking in Q1 FY 21*



* Based on the assumed risk profile of top 5 at risk imported components

Country Risk Category	Major Import Countries	Assumed Disruption Profile
Higher (At peak / yet to peak of the COVID-19 disruptions)	USA, Germany, Italy, Spain, UK, France, Belgium	Peak disruption in May (>50% risk of disruption); with disruption risk easing starting October
Moderate (COVID-19 disruptions peaked & on path of recovery)	China, S Korea, Japan, Thailand, Singapore	Peak disruption in March (25% risk of disruption); with disruption risk easing starting September

Supply chain resilience and risk management



IT Readiness & Security

Information technology readiness and security

- Identify functions, and number of employees & infrastructure
- Ensure secure practice awareness
- Contact details of IT and IS teams

Target WFH Workforce/Functions

IT & Security Tools

- Sufficient internet connectivity and bandwidth
- 24/7 availability of crisis management team
- VPN coverage in the complete network
- Laptops/mobiles/desktops A/V enabled VOIP

- Availability of a Central repository of Critical process documentation
- Access management processes & policies for different time zones/shifts
- Stringent security policies for internet

IT & Cyber Security Governance

Hardware and Data Centres

- Policy clarity on personal device usage & special attention
- Issue laptops / handheld devices to the extent possible
- All data centers to be equipped with live/hot network
- Robust & Scalable security infrastructure
- Adequate staffing of managed IT services partner

- Optimum mix of traditional & cloud based solutions
- Prioritize critical daily usage softwares
- Prioritize softwares with easy remote access and installation

Software and Licensing

Bandwidth Sizing & Data Backup

- Ensure ISP and VPN solutions have both upstream and downstream sufficient bandwidth
- Plan for peak-load scenarios

- Awareness on possible modus operandi of cyber attacks
- Authorisation to resources based on relevance
- Multifactor / adaptive/risk-based authentication
- Identity management solutions should be updated

Cyber security Considerations

Remote Working Ways

- Training workers with remote working nuances
- Disseminate guidance templates to make remote working self-explanatory

3

Building for the Medium term: Every crisis is an opportunity



As you may transform the cost structure, reorganize for future growth

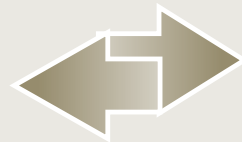
PwC's Fit for Growth framework

Company's strategy

- Reprioritize strategic initiatives & investments making organization fitter and stronger for future

Build industry leading capabilities

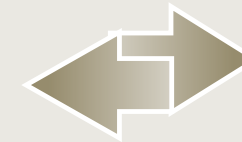
- Invest to build 3-6 differentiating capabilities (e.g. Technology, Service levels, Agile SC, Low cost)
- Invest in startups to acquire futuristic capabilities (e.g. Digital tools, Blockchain, EV, ADAS)
- Co-create with peers for shared investment in new technologies



Identify higher value-added priorities for investments

Transform cost structure

- Rationalize SKUs and programs
- Drive prod. & logistics efficiencies
- Amend vendor contracts for payment & pricing terms (e.g. large size ERP projects)
- Reduce supporting infrastructure and tools cost (e.g. Mfg. assets)
- Eliminate low value add work



Enable & sustain

Reorganize for growth

- Define right mix of products & services portfolio for future
- Ensure finance continuity
- Enhance innovation pipeline
- Invest in special projects (e.g. Brand positioning, Process streamline & automation, Lean)
- Rationalize roles & resources
- Define PMO for execution

Enable change and cultural evolution

- Minimize management through spans and layers
- Improve consistency through standardization
- Improve talent effectiveness through re-skilling and defined programs
- Optimize workload by redefining service levels and process change

Every Crisis presents an opportunity to emerge stronger

Strategy

Business restructuring
Create independent scalable Business Units with resiliency for future

Differentiated capabilities
Leverage low valuation to acquire capabilities for future through M&A

Unlock value
Identify low performing business & assets for sell off for improved liquidity

Product portfolio
Develop new products considering new customers (tier-II & III), health, hygiene & connectivity needs

Front End

New business opportunity
Shared mobility concerns can open up increased 2W, PV & used vehicle sales and Pay-per-use model

Increased online sales
Concerns to visit showroom will lead to online/ digital sales & marketing processes (Manpower & OH savings)

Re-evaluate retail format & network
Network footprint & showroom sizes reevaluated considering dealer viability

Door step service
Vehicles serviced & sanitized at door step to bring in hygiene transparency; Reduced service center footprint

Supply Chain & Operations

Be decisive
Considering financial viability for future decide on Ops restructuring, leadership & investments on hold

Focus on data
Build digital thread across Ops. for faster decisions, lower human intervention, fin. loss preemption, remote support

Build future ready SC*
Redesign supply base (on/ of-shore, critical parts, alternative matl.) w/ real time risk profiling (e.g. integrate blockchain)

Mfg. & Office space redesign
Reduced Opex (e.g. lease, energy, supplies) considering optimized mfg. (lower prodn.) / office space (remote work)

Workforce

Policy restructuring
Restructure HR policies (e.g. health, remote working, travel, visitors, immigration, leaves, pay) thru' crisis learning

Contract restructuring
Revisit labor union contracts (e.g. pay, leaves, benefits) for shared risk impact ownership for collaborative crisis mgmt.

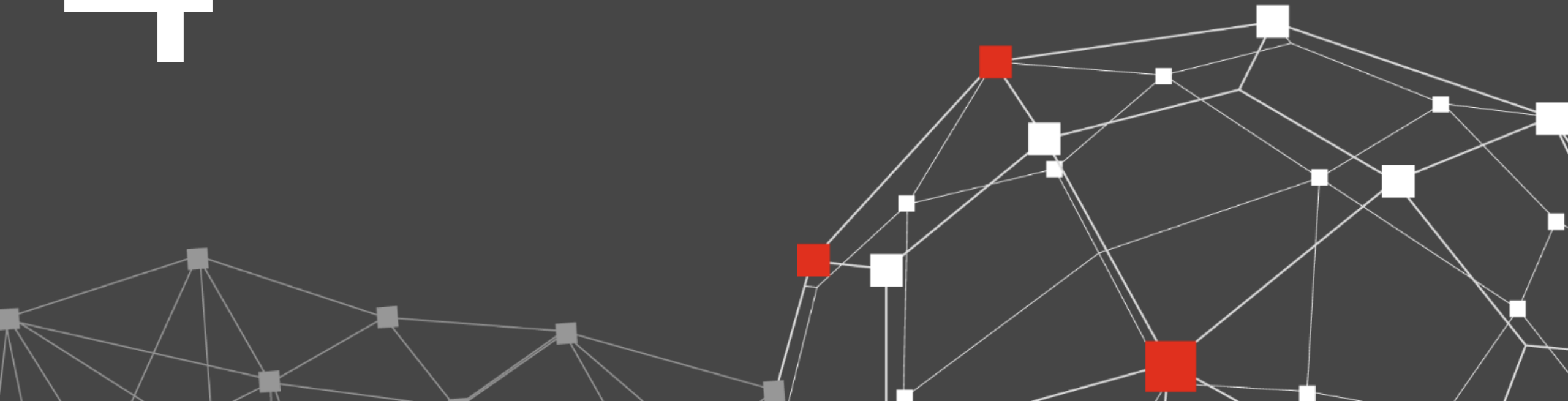
Shared services & IT

- Savings thru' shared services (Legal, Tax, Finance, Admin)
- Build scalable IT backbone for online and remote needs

Multi-skilled workforce
Convince need for multi-skilling and conduct relevant training programs (e.g. coding)

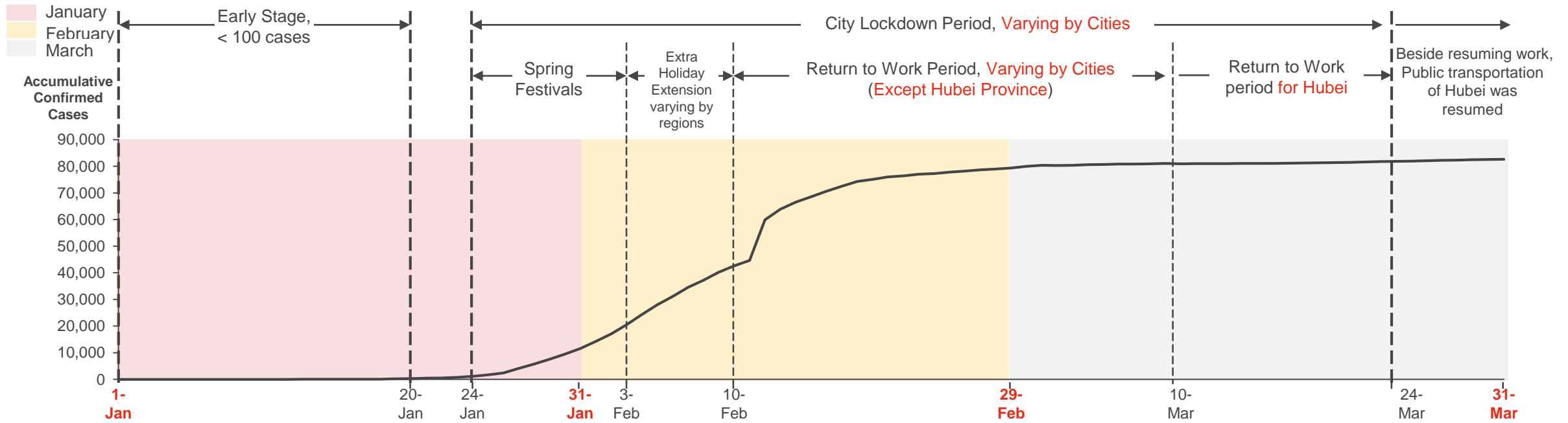
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Learning from China: COVID 19 Experience



Covid-19 situation in China and impact to automotive industry

China Accumulated Confirmed Cases of Coronavirus and Impact Period



PV Sales Volume	January	February	March
2020	1.72 million unit	0.25 million unit	1.04 million unit
2019	2.16 million unit	1.17 million unit	1.75 million unit
% change	-20.4% ↓	-78.6% ↓	-40.4% ↓

Source: CAAM, National Health Commission, PwC Analysis Notes: confirmed cases statistic cutoff by March 31st 2020

Major impacts and related responses to auto industry

Major Impacts and Challenges

Supply: Disrupted Supply Chain

- OEM Stop Production**
- The outbreak has the greatest impact on OEMs located in Hubei province. Other regions including Guangzhou, Zhejiang are also deeply affected
- Disrupted Supply Chain**
- In China about 40% of the production plants and R&D centers of world's top 10 suppliers located in the severe affected regions.
 - Due to the high degree of integration and interdependence of value chain, replacement of suppliers is not practical, and the impact on upstream enterprise will gradually transmit downward

Demand: Sluggish Customer Demand

- Postpone customer demand**
- As an necessity with long-term decision-making cycle, most of the demand will not disappear, but it may postpone to Q2-Q4 or to 2021 due to the epidemic
 - The epidemic might stimulate the demand for first-purchase opportunity, but the precise demand remain unknown
- Shrinking purchasing power**
- The epidemic has greatest impact on service industry and dispensable income for a number of industry, thus lead to shrinking purchase power.

Sales: Suspended Offline Sales

- Major impacts to OEM**
- Suspended offline marketing activities
 - Delayed new product launch plan
 - It may also report additional losses due to the discontinues of operation.
- Major impacts to dealers**
- Suspended offline sales and promotion in 4S stores
 - Delays in new car delivery, due to the logistic suspension and staff shortage
 - Stagnation of after-sales service, due to staff shortage and rotation

Cash Flow: Huge Cash Flow Pressure

- Major impacts to OEM & suppliers**
- OEMs and suppliers are experiencing cash flow pressure due to the declining revenue
- Major impacts to dealers**
- <30% of dealers have enough fund to operate functionally and the rest can only maintain normal operation for less than 3 months.
 - Average funding gap for volume brand dealers is about 3-5 mn, for luxury brand it may up to 6-8 mn
-

Major Reactions & Response

- Recovery on supply chain**
- Keep resuming production and operation to general revenue for both OEMs and suppliers
 - Enhance the construction of supplier risk prevention system and build ecosystem to resist risk together

- Seize first-purchase demand**
- Seize for first-purchase demand
 - Develop marketing strategy to address consumers' current emotions
 - Focus on Tier 3-4 cities' demand
 - Focus on compact model

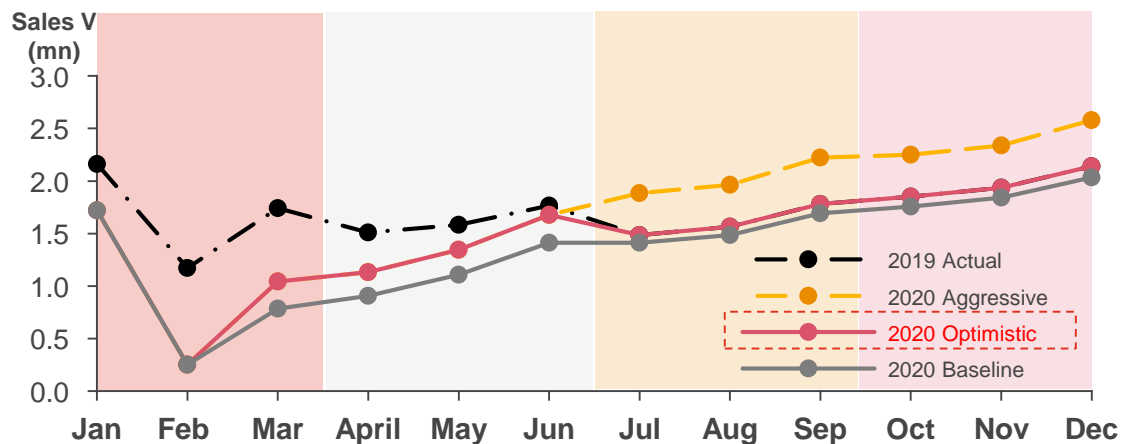
- Online-offline integration**
- Integrate online and offline activities for operation
 - Promote more new channels of online marketing and increase the conversion rate via active engage with potential customers.

- Enhance cash flow management**
- Dispose of distressed assets, and improve ability to optimize capital structure and restructure
 - Increase financial support strengthen cash flow forecast
 - Cutting unnecessary costs through labor and other expenses

Sales forecast and resumption of work

Overall China Automotive Market Overview and Projection: The sales volume plunged in Jan. and Feb., while the market is likely to recover from July and it is expected the overall 2020 sales volume will drop 10~15%, compared with 2019

China Passenger Vehicle Sales Volume Estimate 2020



- **Actual market demand of Q1:** The Jan and Feb sales plunged by 20% and 79%, respectively. And sales volume of March are expected to decline by about 40%
- **Forecasted market demand for 2H:** Starting from Q2, customer demand will recover gradually and sales volume might jump back to same level of 2H, 2019
- **Forecasted overall impact:** Based on forecast, total new cars sales volume for 2020 are likely to **drop approximately 10~15%**, compared with 2019

Status on Work Resumption

OEMs Resumption

China OEMs:

- Average resuming capacity utilization rate is **over 70%** and it is expected the production will resume to normal from April.
- China OMEs remain optimistic for future market and maintain the planned schedule going forward

Foreign OEMs:

- It is estimated that foreign OEMs are resuming about **50%~60%** normal operation

Suppliers Resumption

- Suppliers resumption is earlier than OEM production resumption
- Chinese suppliers who mainly sell product to local OEMs are recovering at fast pace than those who heavily rely on exporting

Dealers Resumption

- Resumption of work rate : about 95% of dealers have resumed to work
- Customer traffic: returns to about 60% ~ 70% compares with last year
- Sales efficiency: returns to about 60% ~ 65% compares with last years

Government supports to industry recovery

Auto market incentive policies

Extending subsidies for NEV

- 2 years NEV purchase subsidies extension until 2022
- 2 years purchasing tax exemption until 2022

Subsidies for used car

- Subsidies for State 3 emission standard used car sales
- Used car VAT cut 50% for enterprise registered used car (2%)
- Used car VAT exemption for personal used car

Releasing restrictions on car plate

- Guangzhou, Shenzhen, Hangzhou have been increased restricted car plate numbers

Financial incentives for enterprises resumption of work

Insurance support

- Social insurance expenditure extension without overdue fine (within 3 month)
- Housing fund expenditure extension without overdue fine (before June)
- Tax payment extension in 3 months

Financial support

- 50% interests subsidies in 1 year
- Increase credit loan quota and lower the financing cost

Tax incentives

- Property tax cut at least 2 months for those small to medium sized enterprises affected by the epidemic outbreak

Safety production supports

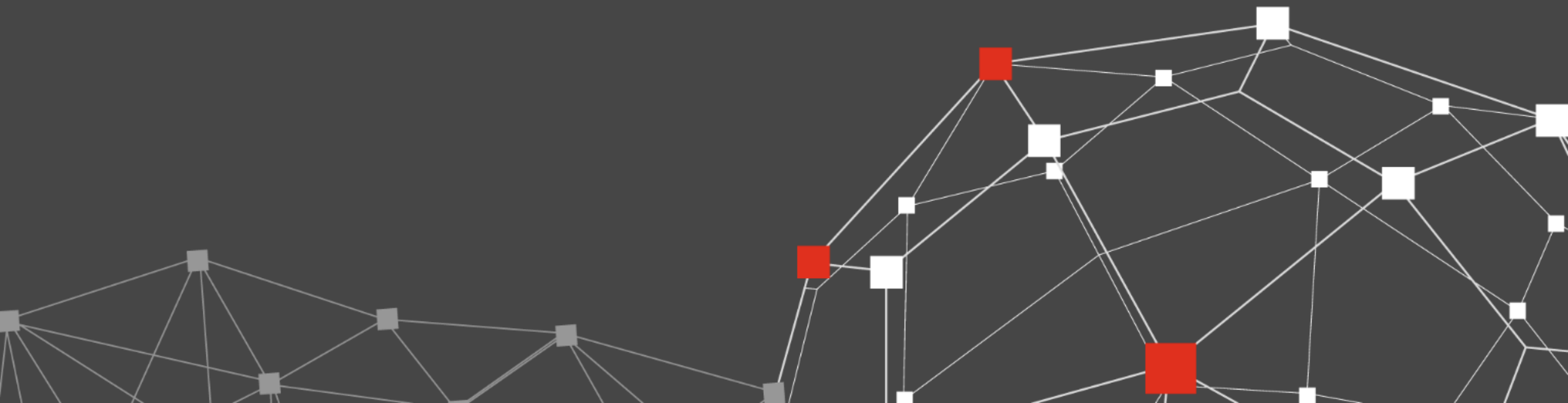
Daily sanitization and medical care

- Daily sanitization for plants and offices
- Newly added isolation area and medical area
- Closed production area

Staff care supports

- Real-time guest and staff registration
- Equipped sufficient masks for staffs both in the plants and offices
- Centralized staff commuting pickup and drop-off management
- Keep safety production and work distance
- Centralized meal supply and management

Q&A



Thank you

For further information & insights, please feel free to get in touch with:



Kavan Mukhtyar
Partner and Leader, Automotive,
PwC India
E-mail: kavan.mukhtyar@pwc.com



Rahul Bhargava
Director, Automotive,
PwC India
E-mail: rahul.bhargava@pwc.com

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