

For immediate dissemination

Edelweiss unveils thematic Research Report 'Auto Components: The Future – Mega Trends Mega Factors'

Covers over 30 top Indian auto component manufacturers - Predicts India to be the next auto component hub of the future in Asia

Mumbai, November 25, 2014: Edelweiss Financial Services Limited, India's leading diversified financial services company, released its thematic Research Report titled '**Auto Components: The Future – Mega Trends Mega Factors**' highlighting the recent as well as future trends in the USD 38 bn auto components sector in India.

The scope of the Edelweiss Wealth Research Report primarily covers:

1. *Supplier consolidation & increased bargaining power*
2. *'Make in India' – India Auto Export Hub and*
3. *Attaining scale through global acquisitions.*

Unveiled at the Edelweiss Auto Ancillary conference, the report covers over 30 top auto component manufacturers from across the country. At the conference the discussions between the investors and corporate, veered around how India is touted to be the next auto ancillary hub globally by 2020. The result of a sustained interaction spanning over 20 plus auto component suppliers and 50 plus dealers combined with in-house research and analysis of global auto component suppliers, the report presents a compelling case for debunking the myth '**Auto component suppliers do not have bargaining power**'.

Speaking on the unveiling of the report, **Mr. Harish Sharma, Head Broking Business, Edelweiss** said, "Of the sectors we are bullish on, the Indian auto components sector highlights a promising future, with the profitability of companies having improved steadily over the last decade. International Revenues of some of these companies now contribute over 50% of sales when compared with a mere 10% in 2002. '*Indian auto component companies are now truly global*'. Our aim has always been to provide value based intrinsic research backed advice to our clients and this is part of a strong line-up of specific sector research that are to follow in the near future."

Mr. Vinay Khattar, Associate Director & Head of Retail Research, Edelweiss said, "We believe the timing of our report - 'Auto Components: The Future – Mega Trends Mega Factors' is perfect. The Indian auto component industry is going through a huge trend shift. Pegged at USD38 bn and estimated to post 17% CAGR to ~USD115bn by FY21E (ACMA), the auto component exports currently contribute around 17% (~USD7bn) to the overall industry. Spurred by the availability of skilled manpower and technological competence, most Indian players are now graduating from being component suppliers to system or module suppliers, they are also in turn, gaining significant muscle, portending humungous opportunity for Indian auto

Key Highlights

- Predicting India to be the next auto ancillary hub in Asia by 2020 - Exports currently contribute 17% to the auto component industry and is expected to increase to 26% to the industry by 2021.
- More business for few players - OEM's drive to source from a few players has engineered a paradigm shift in the industry.
- Indian OEMs are actively looking to reduce suppliers over the next 4-5 years.
- The profitability of Indian auto component companies have steadily improved over the last decade.
- International Revenues now contribute 51% to Indian Auto component companies Vs 12% in 2002 - Indian companies are now truly global

component suppliers. At Edelweiss, we truly believe the ‘India Auto Component Story’ to be a magnificent opportunity for investors.”

Synopsis of the report:

- Predicting India to be the next auto ancillary hub in Asia by 2020 - Exports currently contribute 17% to the auto component industry and is expected to increase to 26% to the industry by 2021.
- More business for few players - OEM's drive to source from a few players has engineered a paradigm shift in the industry.
- Indian OEM's are actively looking to reduce suppliers over the next 4-5 years. For instance , Tata Motors is planning to reduce the number of suppliers by 1/3 in 3-4 years
- Debunking the myth - ' Auto component companies don't have bargaining power' - Profitability (measured by ROCE) for global Component player = OEM in 2013, Vs lower profitability even a decade ago.
- Global tier-1 suppliers have filed >50% patents of the total patent pool between OEM and component suppliers, with a few Tier-1 suppliers surpassing OEM on this count.
- Indian auto component companies’ profitability has improved over last decade.
- International Revenues now contribute 51% to Indian Auto component companies Vs 12% in 2002 - Indian companies are now truly global
- Ability to manage acquisition brings scale. Global auto components have scaled up through acquisition. Indian companies following global suite.
- Indian auto component companies have been able to turnaround acquired companies and scale up revenues. Strategy to manage acquisitions have changed.
- Government regulations on emission (BSIV) and safety (ABS, airbag) will benefit players like Bosch, WABCO etc. Advancement in technology will lead to higher realization.

Recent other research reports included ‘Value Investing’ – an insight into investing in companies that could be multi-baggers; ‘Manufacturing Exports’ – an insight into opportunities in the manufacturing sector; ‘El-Nino: Weather to Worry or Not’ – an insight on the monsoon vagaries and impact of El-Nino, among others.

About Edelweiss Financial Services

Edelweiss is a leading Indian company that provides a broad range of financial products and services to a substantial and diversified client base that includes corporations, institutions and individuals. It offers products and services spanning across asset classes, consumer segments and geographies. Its businesses are broadly divided into Credit including Retail Finance, Commodities, Financial Markets, Asset Management and Life Insurance. The group’s research driven approach and proven history of innovation has enabled it to foster strong relationships across all segments of clients. Life Insurance, Retail Finance including Housing Finance, Mutual Fund and Retail Financial Markets businesses have paved the way for Edelweiss to cater to the large retail client segment. Edelweiss’ presence now covers 227 offices in 121 cities in India and abroad with 4,739 employees. Together with nearly 4,900 strong networks of Authorized Persons and Sub-Brokers, Edelweiss group has presence across all major centers in India catering to over 530,000 clients under various businesses in retail and wholesale segments. Edelweiss Financial Services trades under the symbols NSE: EDELWEISS, BSE: 532922, Bloomberg: EDEL.IN, Reuters: EDEL.BO. To learn more about the Edelweiss Group, please visit www.edelweissfin.com.

<p>Edelweiss Financial Services Ltd George Koshy Group Head – Retail PR & Corporate Communication Phone: +919819808042 george.koshy@edelweissfin.com</p>	<p>Perfect Relations Sporshita Goswami Senior Image Manager Phone: 9920883234 sporshitag@perfectrelations.com</p>
--	---