

RESIDUAL VALUE ANALYSIS OF LUXURY CAR SEGMENT

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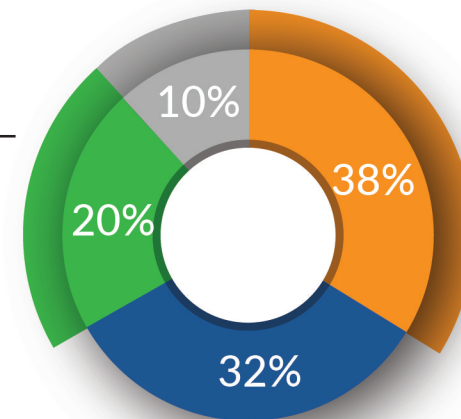


LUXURY SEGMENT PENETRATION TRIVIAL BUT GROWING

New car market size lies at **2.8 Million**



3 OEMs dominate the luxury car market – Mercedes-Benz, Audi, BMW account for **90% share**



Mercedes-Benz Audi BMW Others

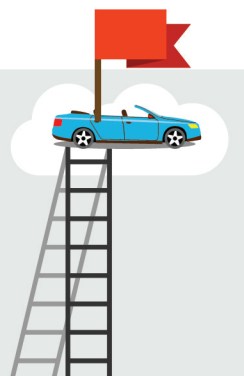


Luxury share of New car market – **1.3%**
(**35,300 units sold in 2015**)

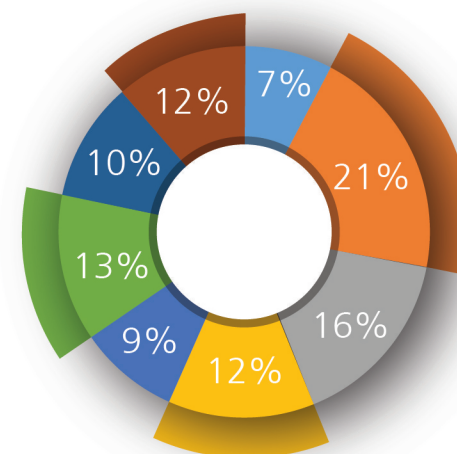
ASPIRATIONAL ONLINE RESEARCHERS

7% search of volumes 1% of sales volumes

Our study indicates that while luxury vehicles accounts for little more than 1% of the actual monthly new cars sales; however, their share of searches on Google is close to 7%, indicating the aspirational nature of the online researcher.



Vehicle searches on Google



Luxury Maruti Hyundai Tata Mahindra
Honda Toyota Others

DEMONETIZATION WILL HAVE ADVERSE SHORT TERM IMPACT

The Impact of demonetization on the luxury car segment is adverse in the short term as cash forms a significant portion of the car transaction. The impact will be relatively harder in the pre-owned luxury cars over new cars.

CPO PROGRAMS AND SERVICE CENTERS KEY TO GROWTH

Make	CPO Program	No. of service centers (Pan-India)
Mercedes-Benz	✓	53
Audi	✓	39
BMW	✓	30



Enhancing dealer network
beyond metros



Localization of parts



Greater access to finance
for the consumer

OTHER FACTORS FOR GROWTH –

3 POPULAR MODELS IN INDIA – A LOOK AT ON ROAD PRICES

MAKE	BMW	AUDI	MERCEDES-BENZ
Model	3 Series	A4	C-Class
Variant	320i Prestige	30 TFSI Premium Plus	C200 v
On road price (₹)	49,64,176	48,39,638	50,19,335
Cruise control	✗	✓	✓
Parking assist	✗	✓	✓
Sunroof	✗	✓	✓
GPS navigation system	✗	✗	✓
iPod compatibility	✗	✗	✓
Leather	✗	✓	✓
On road price - Normalized (₹)*	53,71,926	50,22,638	50,19,335

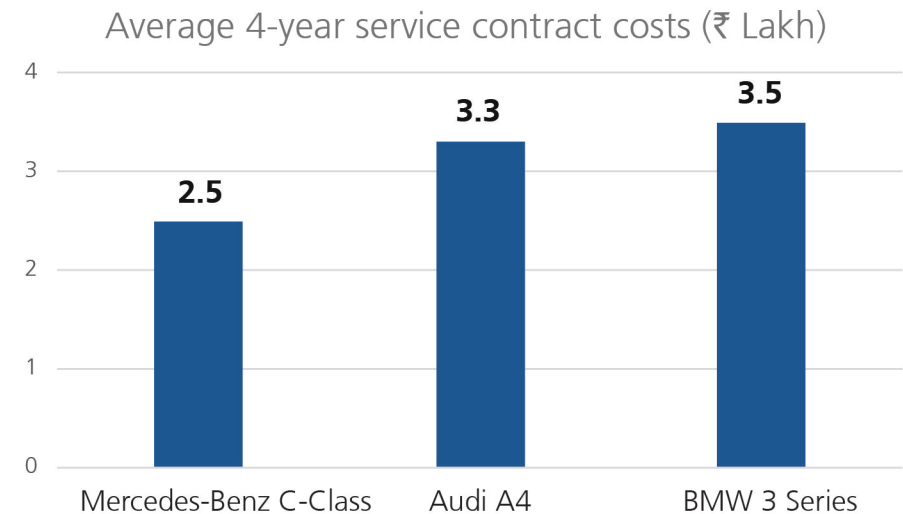
*The 'normalized' price is the imputed price of a vehicle after adding the costs of the missing features to the on road car price for a like to like comparison. For example in the case above we have added the costs of features such as cruise control, parking assist, sunroof, GPS navigation system, iPod compatibility, and leather interiors.

- The Mercedes C-Class base model, unlike those of peers, packed with goodies, justifying higher on road price
- Normalizing for difference in key features, Mercedes-Benz still offers the best value to the luxury car buyer in India

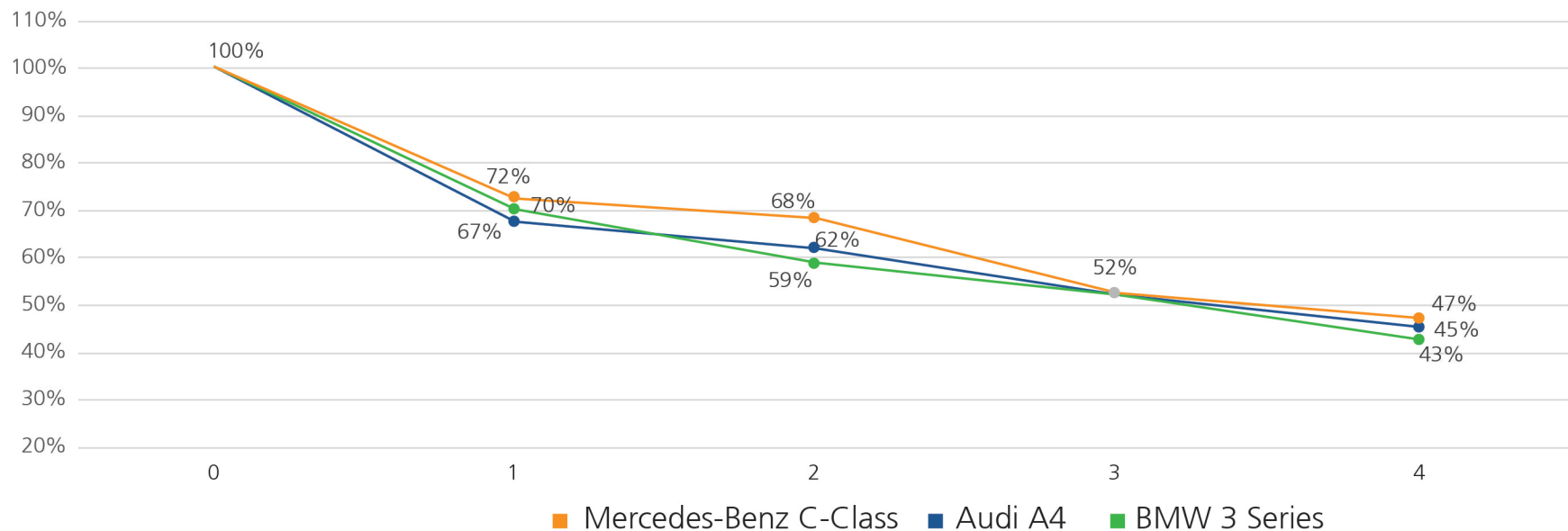
MERCEDES-BENZ HAS LOWEST AVERAGE MAINTENANCE COSTS AMONGST PEERS

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

Mercedes Benz leads in JD Power Customer Service Index ranking in the luxury brands category in 2015



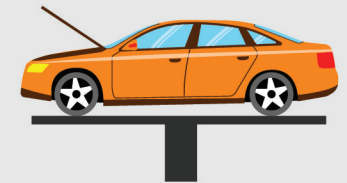
RESIDUAL VALUE COMPARISON



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 hatch backs or compact sedans where 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



LEASING IN THE LUXURY SEGMENT

OEM's offer residual value guarantees on the ex showroom price of the vehicle.

Therefore, they typically keep a **8 to 10% lower** residual value guarantee on their products.

Make	Leasing Program
Mercedes-Benz	✓
Audi	✗
BMW	✓ (Diesel portfolio only)

Standard finance is more attractive than a buyback guarantee based leasing product

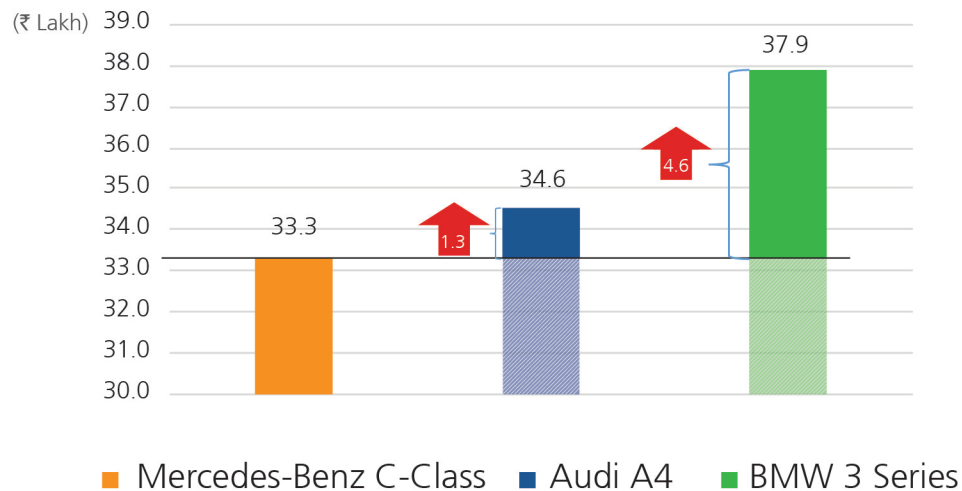
- Interest rate would work out to be 0.30% lower over the period of 4 years
- Lower initial down payments
- Greater flexibility of usage to customer
- Less prone to litigation in terms of the contract closure



TOTAL COST OF OWNERSHIP (TCO)* ANALYSIS

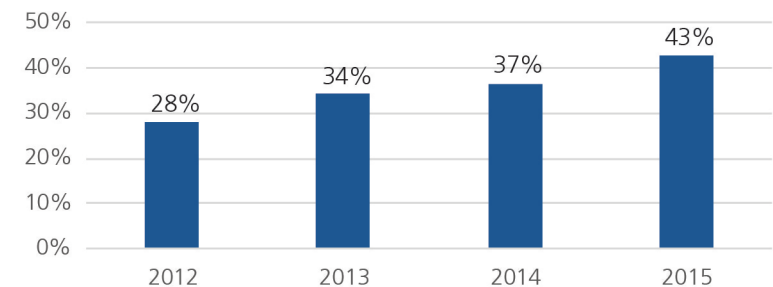
MAKE	BMW	AUDI	MERCEDES-BENZ
Model	3 Series	A4	C-Class
Variant	320i Prestige	30 TFSI Premium Plus	C200 Avantgarde
On road price - Normalized (₹)	53,71,926	50,22,638	50,19,335
Maintenance	3,50,000	3,30,000	2,50,000
Insurance	1,12,442	1,19,260	1,25,423
Fuel costs	2,46,848	2,43,666	2,94,912
Residual value	22,89,376	22,60,187	23,59,087
TCO - 4 years (₹)	37,91,840	34,55,377	33,30,582

Mercedes-Benz C-Class has the lowest TCO for a 4-year period



Mercedes-Benz is leading the luxury market in India, having achieved an increasing share of the market amongst its peers

Mercedes-Benz share (%) of top 3 luxury OEMs



Lower cost of maintenance and lower cost of ownership has helped Mercedes increase its market share in India

*Mileage assumed at 15,000 kms/year