

## India Automobiles

### Ford EcoSport - the Brazil experience

- Ford launched the Ecosport in India at an aggressive price point of Rs.559,000 onwards, which positions the vehicle against entry sedans and compact SUV's. The 'Ecosport' has been a successful global model for Ford, with the vehicle being launched in BRIC markets including Brazil, China and India. Our analyst in Brazil Cassio Lucin highlights that the EcoSport has been a success there and is also attracting passenger car buyers.
- **The Brazilian experience:** The new Ford EcoSport was launched in Brazil in August 2012 (the car is built over the New Fiesta Platform). YTD 2013, Ford has sold 27,000 units vs. 12,000 units y/y, although it is not comparable as it was phasing out the older model. With the EcoSport, Ford has 40% market share in this category (compact SUV), and a 2.5% market share on all passenger vehicles sold in Brazil through 2013. This is a new category growing fast in Brazil as the customers have developed a taste for compact SUV's. The main competitor for the EcoSport is the Renault Duster (also manufactured in Brazil).
- **Ford EcoSport launched at an aggressive price point in India, inline with entry sedans:** Ford's four meter SUV 'EcoSport' has been launched at a competitive price of Rs.559,000 (1.5L petrol) and Rs. 669,000 (1.5L diesel) - the pricing is at a sweet spot between premium hatchbacks/entry sedans and compact SUVs. The model will compete with entry sedans such as the Maruti Dzire as well as the compact SUV's such as the Mahindra Quanto and Maruti Ertiga, amongst others.
- In Brazil, Ford offers two engine options, 1.6 (115 hp) and a 2.0 (147 hp) both Flex-Fuel engines and 4x2 wheel version. The car is 4.24 meters long and is sold for roughly US\$25,000. In India, the EcoSport will come with a 1.5L diesel, 1.5L petrol & 1L petrol EcoBoost engine, it is sub 4meters in length (to avail of tax incentives) and is priced at ~ \$12,000 here.
- **Our View:** The EcoSport will compete with entry level sedans and compact SUV's. We re-iterate our UW stance on Maruti given that while Indian auto sales are in the midst of a multi year slowdown, the competition is eyeing Maruti's sweet spot by launching products in the price range of Rs.600,000–800,000. We are OW on Mahindra, given the revival in tractor sales over the year.

#### Indian Autos

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Table 1: Ford EcoSport –India and Brazil variants

	Brazil	India
Type of Fuel	Flex Fuel	Petrol, diesel
Length	4.24m	4m
Engine Power	1.6L (115bhp); 2L (147bhp)	1.5L petrol (110bhp), 1.5L diesel (91bhp)
Pricing	US\$ 25,000	US\$ 12,000

Source: J.P.Morgan, Company

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**Table 2: Brazilian compact SUV Sales (unit nos)**

Model	Ford EcoSport	Renault Duster
2010	43,048	-
2011	38,531	9,531
2012	38,286	46,895
YTD0-13	27,411	14,995

Source: Company, J.P. Morgan

**Ford Ecosport launched at an aggressive price point in India, inline with entry sedans:** Ford's four meter SUV 'EcoSport' has been launched at a competitive price of Rs.559,000 (1.5L petrol) and Rs. 669,000 (1.5L diesel) - the pricing is at a sweet spot between premium hatchbacks/entry sedans and compact SUVs. The EcoSport will compete with entry sedans such as the Maruti Dzire as well as the compact SUV's such as the Mahindra Quanto and Maruti Ertiga amongst others.

**Table 3: EcoSport Pricing in India**

Ford EcoSport Variant	Pricing in INR (ex showroom Delhi)
1.5 litre petrol engine - manual transmission	Rs 559,000
1.5 litre diesel engine - manual transmission	Rs 669,000
1.0 litre petrol EcoBoost engine	Rs 790,000
1.5 litre petrol automatic variant	Rs 844,000

Source: Company

The importance of this model for Ford is underlined by the multiple visits paid by Ford's global president and CEO, Alan Mulally - who was present in India during the inauguration of nationwide deliveries of the EcoSport from Chennai. Globally, while the EcoSport will be made at five plants, Chennai will be responsible for exports to Europe as well.

**Comparison between the Brazilian and Indian model:** In Brazil, Ford offers two engine options, 1.6 (115 hp) and a 2.0 (147 hp) both Flex-Fuel engines and 4x2 wheel version. The car is 4.24 meters long and is sold for roughly US\$25,000.

In India, the EcoSport will come with a 1.5L diesel, 1.5L petrol & 1L petrol EcoBoost engine. It is sub 4meters in length (to avail of tax benefits) and is priced at \$12,000 here.

**Table 4: Ford EcoSport – India and Brazil variants**

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**Table 5: Potential Segments which could be impacted by the Ford EcoSport**

Segment	Monthly Volumes (unit nos)	Price Point (Rs. In '000)	Models
Entry Sedan	25,000	Rs.500K-800K	Maruti Dzire, Honda Amaze
Mid Size Sedan	16,000	Rs.650K-900K	Maruti SX4, Nissan Sunny
Small SUV's (less than 4.4m length)	15,000	Rs.600-1,000K	Maruti Ertiga, Mahindra Quanto, Renault Duster
Large SUV (above 4.4m length)	20,000	Rs.800K+	
Bolero / rural SUV's	8,000	Rs.600K-750K	

Source: SIAM, Companies, J.P.Morgan

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Mahindra & Mahindra (MAHM.BO/Rs956.80/Overweight), Maruti Suzuki India Ltd (MRTI.BO/Rs1545.20/Underweight)

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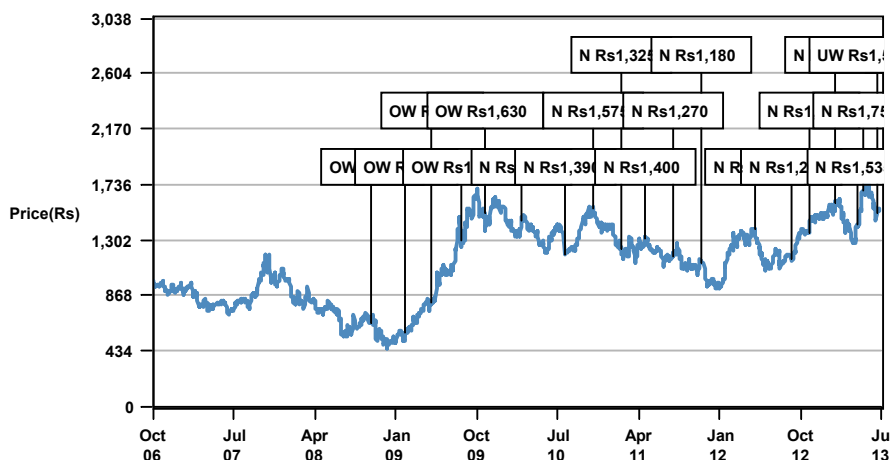
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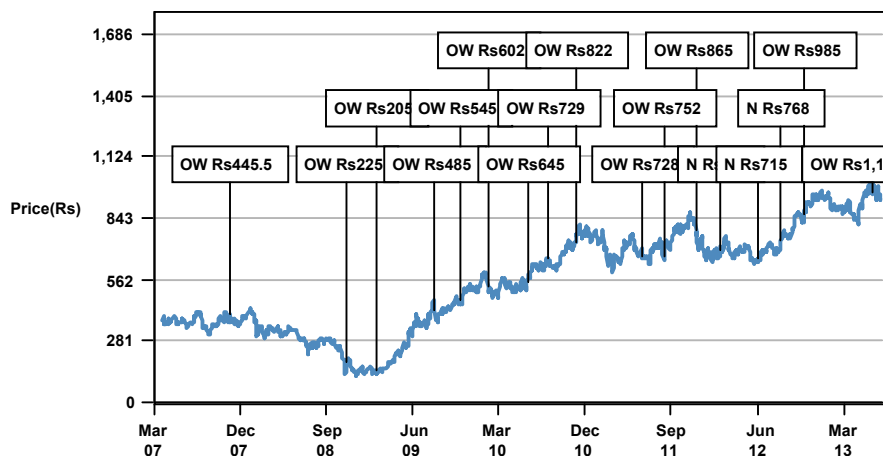
Maruti Suzuki India Ltd (MRTI.BO, MSIL IN) Price Chart



Source: Bloomberg and J.P. Morgan; price data adjusted for stock splits and dividends. Initiated coverage Oct 07, 2008.

Date	Rating	Share Price (Rs)	Price Target (Rs)
07-Oct-08	OW	659.90	810.00
30-Jan-09	OW	571.00	776.00
26-Apr-09	OW	807.50	870.00
07-Aug-09	OW	1291.30	1550.00
26-Oct-09	OW	1517.55	1630.00
01-Mar-10	N	1459.95	1560.00
25-Jul-10	N	1191.45	1390.00
01-Nov-10	N	1551.60	1575.00
30-Jan-11	N	1229.35	1325.00
26-Apr-11	N	1307.00	1400.00
26-Jul-11	N	1176.95	1270.00
31-Oct-11	N	1125.30	1180.00
29-Apr-12	N	1397.45	1405.00
29-Aug-12	N	1164.45	1265.00
31-Oct-12	N	1362.20	1450.00
25-Jan-13	N	1599.45	1650.00
12-Apr-13	N	1428.05	1535.00
28-Apr-13	N	1683.50	1750.00
17-Jun-13	UW	1514.15	1510.00

**Mahindra & Mahindra (MAHM.BO, MM IN) Price Chart**



Source: Bloomberg and J.P. Morgan; price data adjusted for stock splits and dividends. Initiated coverage Oct 29, 2007.

Date	Rating	Share Price (Rs)	Price Target (Rs)
29-Oct-07	OW	400.70	445.50
31-Oct-08	OW	187.25	225.00
03-Feb-09	OW	144.38	205.00
07-Aug-09	OW	417.73	485.00
30-Oct-09	OW	464.15	545.00
26-Jan-10	OW	535.63	602.00
01-Jun-10	OW	545.95	645.00
01-Aug-10	OW	661.40	729.00
30-Oct-10	OW	733.70	822.00
31-May-11	OW	672.10	728.00
09-Aug-11	OW	668.25	752.00
15-Nov-11	OW	791.05	865.00
30-Jan-12	N	700.10	760.00
31-May-12	N	657.50	715.00
09-Aug-12	N	743.05	768.00
26-Oct-12	OW	857.90	985.00
31-May-13	OW	961.05	1130.00

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