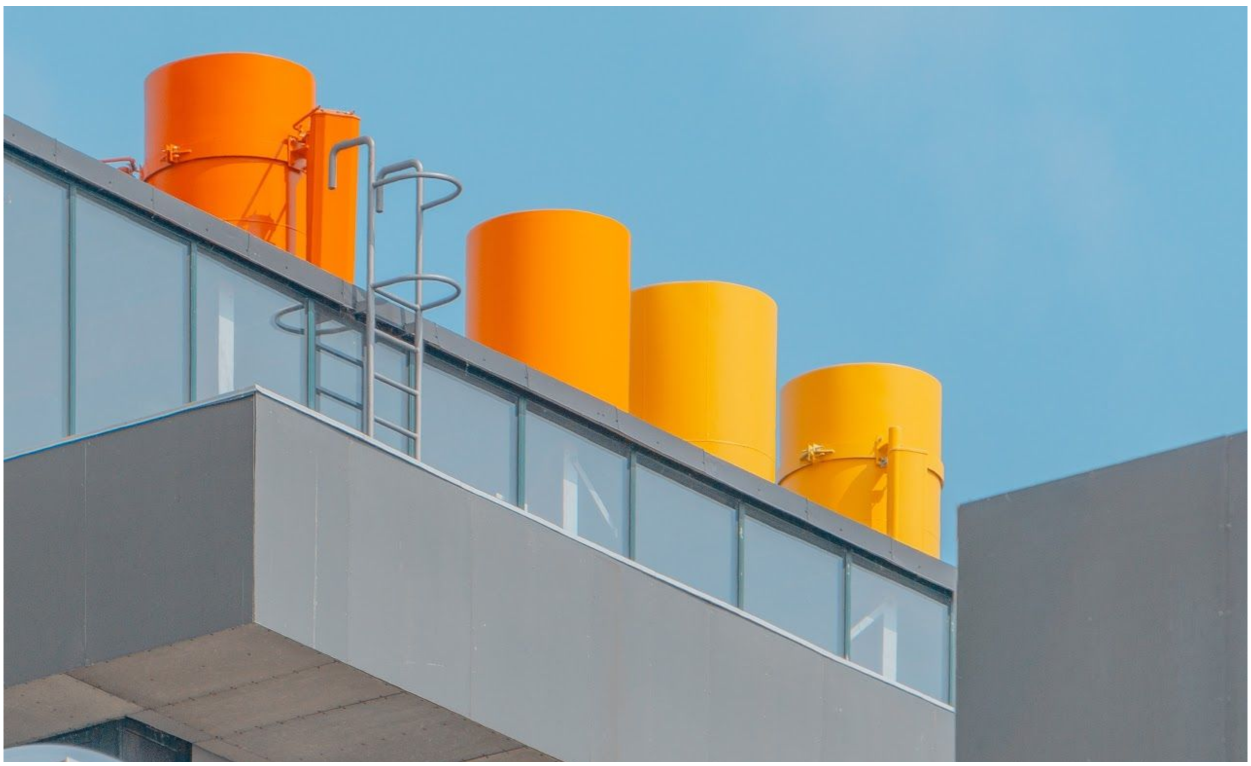
Emerging Automakers from an ESG Perspective

By Aizaz Bokhari

The collective technological application of the combustion engine has created an idiosyncratic p/e ratio amongst standard automakers. However, with broad trends indicating a shift in technological paradigm, new automakers are not thwarted by obsolete, yet expensive structures and non-consolidated debt payments.



Previous shifts in mechanical and technological paradigms have been domestic, but emerging automakers whilst still investing in the domestic market, are gradually shifting towards a more ASEAN based portfolio. This reconfiguration will likely break the Tesla model of acting as both an operator and supplier. A McKinsey report found that emerging automakers had operating profits of 25 billion euros, but pre-COVID January results show a 3x rebound. This is likely to continue its trajectory with a particularly emerging market with Passenger cars being only 15% of total vehicle production in China. Demand in Brazil, India, and China is highly price-sensitive and growth is led by the demand for a small car. Considering that the model still stands(combustion orientated larger vehicle, transitioning to smaller cars) for electrical vehicles, coupled with carbon/gas taxes being levied, means emerging markets are bound to grow.

A microcosm of this model functioning is Korea. The Korean industry has made the most significant progress and is now exporting cars to developed markets. It is the only country that invested in R&D for product development, retained management control in joint ventures with multinational companies (MNCs), and had ambitious export targets. The only contradiction to this market function is the rise of shared vehicular transportation, which could reduce the per-capita mileage. But there's an unanswered posit in this market paradigm; the growth of shared transportation is euro-centric. And consider family dynamics and Confucian values in vehicle transportation mean models already account for family shared vehicular transportation. Thus, Due to rising population figures and higher mobility demands, mileage will continue to increase. At the same time, given that driving will be easier, safer, and cheaper, general mobility trends will move even more strongly in the direction of individual mobility. Since the market equilibrium has shifted towards emerging markets, in fact ranking countries in accordance with their production figures, India had
climbed to sixth place by 2014, with impressive growth rates, with Brazil and Mexico not far behind.

The gap between ASEAN, Indo-Pacific countries and the west in regards to production has drastically decreased due to the mounting pressure felt by the US due to factory closures. The gap is expected to be only 0.4 percent by 2040 with a 43 percent growth in production in a 10-year span. NIO(EV car company) is most suited to meet these times, with long-term growth based on shared riding driven by public cultural values as well as government policies. NIO exceeds the industry 10 years moving average of 43 percent with shifts indicating 81 percent net growth. Moreover, NIO is on the verge of releasing a sedan which would provide individual friendly riding, allowing them to corner the existing market.