



## India Light Vehicle Sales Update

### Another Round of Downward Revisions

India's Light Vehicle (LV) wholesales in December improved by just 1% year-on-year (YoY) to 281k units, as OEMs continued to streamline dealership inventory that was built up during a weak festival season. Indeed, LV volume declined month-on-month from October to December.

Passenger Vehicle (PV) sales in December fell by 2% YoY to 224k units, but Light Commercial Vehicle (LCV) sales grew by 16% YoY to 57k units on the back of stronger rural demand.

Heavy discounting, especially in the PV segment, drove retail sales and helped bring down inventory levels further during the month. Nevertheless, PV stocks remain high at 40-45 days' supply – this compares to an acceptable inventory level of 30 days.

On a seasonally adjusted annualized rate (SAAR) basis, LV sales declined to 3.65 mn units in December, compared to 3.80 mn in November and 3.72 mn in October. This is a far cry from the record high of 4.37 mn units in May 2018.

Full-year 2018 LV sales increased by 8% YoY to an all-time high of 3.98 mn units. This total consisted of 3.22 mn PVs (+5% YoY) and 763k LCVs (+24% YoY).

In addition, preliminary data for January 2019 indicate that PV sales may have been slightly lower than a year ago.

A weak rupee and rising interest rates are eroding consumer purchasing power, while some private consumers and businesses are holding off on purchases ahead of the general elections in April-May 2019.

What's more, slowing industrial production, exports and vehicle sales in Q4 suggest that the economy ended 2018 on a subdued note. The severe liquidity crunch in the country's NBFCs has eased, but credit conditions remain tight.

And while India is less export-dependent than many other Asian nations, its financial markets remain vulnerable to external shocks, due to its structural problems. Although the rupee has stabilized, capital flight could resume, if investor confidence sours again.

In addition to the challenging macroeconomic environment, we also decided to downgrade our forecasts further through the long term for the following reasons:

1) The implementation of BS VI emissions standards (equivalent to Euro VI) in April 2020 could depress sales that same year more than we previously forecast. Moreover, Suzuki Group has announced that it will stop producing BS IV vehicles by December 2019, which may urge other automakers to shift as many BS IV vehicles as possible this year. This pre-buying assumption also led us to trim the sales outlook for 2020.

2) There is a good chance that the stricter CAFE norms will be implemented in 2022-2023. As such, we decided to reduce India's sales growth by two to three percentage points for those years.

Total LV sales in 2019 are estimated at 4.12 mn units (+3% YoY). There is, however, a downside risk to this forecast, given the more stringent import rules for high-grade steel, which are due to come into force in February.



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Under the new rules, the Ministry of Steel will require all foreign steel makers to obtain certification from the Bureau of Indian Standards for imported high-grade steel (i.e., not produced in India) used to manufacture key components such as engine parts, exhaust pipes and fuel systems.

Automakers have appealed to the government for a minimum period of a year to comply with the new norms, arguing that they need time adapt and convince foreign steel manufacturers from South Korea and Japan who may have little interest in obtaining Indian certification, due to low volumes.

The situation remains unresolved at the time of writing this report. To reflect these developments, we cut the Q1 2019 forecast and shifted some units to H2 2019. On the other hand, automakers may choose to import whole components to avoid having to suspend production due to a lack of high-grade steel.

## Market Top Lines

	Dec	Growth	YTD	Growth	2018	Growth
<b>Sales</b>	<b>315,137</b>	<b>-2%</b>	<b>4,418,293</b>	<b>9%</b>		
PV	223,876	-2%	3,215,760	5%	3,329,125	4%
LCV	57,129	16%	763,039	24%	786,529	3%
M&H CV	34,132	-20%	439,494	23%		
<b>Production</b>	<b>337,117</b>	<b>0%</b>	<b>5,196,539</b>	<b>8%</b>		
PV	250,606	-14%	3,889,670	3%	4,094,915	5%
LCV	52,739	6%	802,703	26%	821,112	2%
M&H CV	33,772	-9%	504,166	35%		

## Best Selling Models

	Dec	Growth	Share	YTD	Growth	Share
<b>PV</b>						
Maruti-Suzuki Dzire	16,797	-21%	7.5%	264,612	18%	8.2%
Maruti-Suzuki Alto	25,121	23%	11.2%	256,661	0%	8.0%
Maruti-Suzuki Swift	11,790	20%	5.3%	223,630	34%	7.0%
<b>LCV</b>						
Tata Ace	13,548	18%	6.1%	162,935	54%	5.1%
Maruti-Suzuki Omni	7,318	29%	3.3%	86,257	2%	2.7%
Maruti-Suzuki Eeco	8,532	49%	3.8%	84,565	17%	2.6%

## Top Brands (Sales)

	#	Brand	Dec	Growth	YTD	Growth
Passenger Vehicle	1	Maruti-Suzuki	82,203	-4%	1,214,503	6%
	2	Hyundai	42,093	5%	550,002	4%
	3	Suzuki	21,751	1%	346,125	17%
	4	Mahindra	13,890	-1%	221,622	2%
	5	Tata	14,260	1%	214,489	26%
	6	Honda	13,139	4%	174,859	-2%
	7	Toyota	11,836	10%	151,480	9%
	8	Ford	5,840	15%	97,803	12%
	9	Renault	7,263	-17%	82,368	-27%
	10	Volkswagen	2,820	-15%	37,038	-23%
	11	Datsun	2,141	-23%	34,375	-15%
	12	Jeep	1,277	-55%	19,816	38%
	13	Škoda	1,397	-20%	16,592	-5%
	14	Mercedes-Benz	1,271	16%	15,538	1%
	15	BMW	1,078	26%	10,405	11%
	16	Nissan	224	-75%	7,214	-44%
	17	Audi	332	-47%	6,463	-18%
	18	Force	161	-30%	2,823	3%
	19	Volvo	225	2%	2,638	30%
	20	Land Rover	135	-41%	2,463	-6%
Commercial Vehicle	1	Tata	19,574	0%	255,225	33%
	2	Mahindra	14,693	16%	238,696	22%
	3	Maruti-Suzuki	17,525	44%	191,291	17%
	4	Ashok Leyland	3,886	26%	48,749	38%
	5	Force	603	-47%	18,431	-6%
	6	Isuzu	447	64%	4,934	47%
	7	Eicher	318	-14%	3,891	32%
	8	Piaggio	83	43%	1,822	-22%
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## Top Manufacturers (Production)

	#	Manufacturer	Dec	Growth	YTD	Growth
Passenger Vehicle	1	Maruti Suzuki India	77,720	-20%	1,424,514	2%
	2	Hyundai Group	60,992	0%	713,059	5%
	3	Ford Group	18,874	-31%	263,156	-2%
	4	Suzuki Group	12,823	-2%	253,466	60%
	5	Mahindra	11,091	5%	231,978	4%
	6	Renault-Nissan-Mitsub	13,113	-24%	199,357	-22%
	7	Tata Motors	9,084	6%	170,792	9%
	8	Honda Cars India	13,410	-13%	165,931	-2%
	9	Toyota Kirloskar India	12,324	-6%	160,905	5%
	10	Volkswagen Group	8,300	-16%	101,729	-32%
	11	Tata-Fiat	3,963	-52%	81,197	113%
	12	General Motors Group	5,804	6%	77,834	-11%
	13	Škoda Auto	730	-31%	16,241	31%
	14	Daimler Group	1,052	11%	13,250	2%
	15	BMW Group	973	39%	9,372	23%
	16	Force Motors	58	-86%	2,619	-18%
	17	Premier Auto	121	-20%	1,821	-10%
	18	Isuzu Motors Limited	66	-43%	1,184	32%
	19	Volvo Group India	108	120%	937	429%
	20	Hindustan Motors	0	-100%	328	-38%
Commercial Vehicle	1	Mahindra	11,821	-16%	272,227	24%
	2	Tata Motors	16,906	-5%	251,979	37%
	3	Maruti Suzuki India	16,883	43%	197,165	18%
	4	Ashok Leyland	5,010	27%	49,711	34%
	5	Force Motors	1,147	-27%	19,662	-3%
	6	Isuzu Motors Limited	631	85%	6,226	64%
	7	Eicher Motors	250	-15%	4,044	34%
	8	Piaggio	91	-36%	1,689	-40%

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