



India Light Vehicle Sales Update

July's "Bloodbath" Leads to Another Major Cut

India's Light Vehicle (LV) wholesales in July crashed by 29% year-on-year (YoY) to 239k units. Shipments of Passenger Vehicles (PVs) to dealers slumped by 30% YoY to 192k units, while the volume of Light Commercial Vehicles (LCVs), with GVW of up to 6 tonnes, plunged by 28% YoY to 47k units.

A result as dire as this has not been seen since the global financial crisis in late 2008.

"It's a virtual bloodbath out there," an auto industry official told the BusinessLine.

On a seasonally adjusted annualized rate (SAAR) basis, LV sales in July fell to 3.01 mn units, from 3.49 mn units in June and 3.48 mn in May.

Cumulative LV sales between January and July declined by 12% YoY to 2.10 mn units, consisting of 1.67 mn PVs (-13% YoY) and 425k LCVs (-5% YoY). The selling rate averaged 3.55 mn units in the seven-month period.

Not only is the industry in the midst of a cyclical downturn (which typically occurs every five years), it has also faced a number of headwinds. Firstly, buyers adopted a wait-and-see approach in the first half of 2019 as the general elections unfolded. Secondly, consumers are facing very tight credit conditions, due to the liquidity crisis among non-bank financial companies (NBFCs) and the introduction of stricter lending rules. Thirdly, vehicle prices have gone up by an estimated 10-13% in the past year, owing to the more stringent safety and emissions regulations.

While these factors have certainly undermined vehicle sales, it is also important to note a high base effect from the exceptionally robust demand in April-August 2018.

And there has been little improvement of late, given that the preliminary data for August suggest a possible 33% YoY plunge in PV sales – marginally worse than anticipated.

As a consequence, the central bank and the government are taking steps to address the liquidity crunch in the financial sector.

These include cutting the benchmark lending rate, a recapitalization plan for public sector banks (PSBs) and a one-time credit guarantee to allow PSBs to purchase pooled assets of NBFCs. It remains to be seen, however, whether the additional liquidity in the system will immediately convince banks to ease lending norms and urge NBFCs to return to the vehicle financing market in a meaningful way.

This marked deterioration in the overall industry performance in July convinced us to make another round of significant downgrades to our long-term forecasts for the Indian market. On average, we lowered our outlook by 6% a year compared to our last report.

More specifically, the revised 2019 outlook stands at 3.56 mn units (-11% YoY), versus 3.82 mn units (-4% YoY) previously. We are also now far less positive about the industry's recovery in 2020 and estimate a mere 2% YoY upturn in LV sales, to a total of 3.62 mn units. This compares to our forecast last month of 4.03 mn units (+6% YoY).

We expect sales to improve over the rest of 2019 and in Q1 2020 as consumers will try to take advantage of heavy discounts on BS-IV vehicles. The extent of this growth, however, will be smaller than previously anticipated.



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Sales are seen to decline sharply in Q2 2020, due to the implementation of the BS-VI emissions standards (and thus higher vehicle prices), but are likely to start recovering gradually in H2 2020.

The LV market should then pick up strong momentum as consumers begin to accept higher vehicle prices and as global trade tensions potentially subside, following the 2020 presidential election in the US.

Note, however, that we expect the next cyclical downturn to hit the market in 2023 as the stricter CAFE norms are likely to be implemented by 2022-2023. These market dynamics should not, however, prevent India's LV sales from expanding at a CAGR of 6% over the next seven years, to reach 5.25 mn units by 2026.

| Market Top Lines | | | | | | |
|-------------------|----------------|-------------|------------------|-------------|-----------|--------|
| | Jul | Growth | YTD | Growth | 2019 | Growth |
| Sales | 259,890 | -30% | 2,329,226 | -12% | | |
| PV | 192,503 | -30% | 1,670,673 | -13% | 2,857,678 | -11% |
| LCV | 46,825 | -28% | 424,692 | -5% | 697,786 | -10% |
| M&H CV | 20,562 | -36% | 233,861 | -12% | | |
| Production | 379,735 | 0% | 2,859,621 | -9% | | |
| PV | 301,306 | -15% | 2,152,619 | -10% | 3,528,846 | -10% |
| LCV | 53,880 | -24% | 444,994 | -6% | 729,223 | -10% |
| M&H CV | 24,549 | -37% | 262,008 | -12% | | |

| Best Selling Models | | | | | | |
|-------------------------|--------|--------|-------|---------|--------|-------|
| | Jul | Growth | Share | YTD | Growth | Share |
| PV | | | | | | |
| Maruti-Suzuki Alto | 11,577 | -50% | 6.0% | 134,407 | -8% | 8.0% |
| Maruti-Suzuki Dzire | 12,923 | -50% | 6.7% | 117,454 | -29% | 7.0% |
| Maruti-Suzuki Swift | 12,677 | -37% | 6.6% | 113,059 | -14% | 6.8% |
| LCV | | | | | | |
| Tata Ace | 5,991 | -51% | 3.1% | 80,080 | -12% | 4.8% |
| Mahindra Bolero Pickups | 8,110 | -24% | 4.2% | 76,069 | -5% | 4.6% |
| Maruti-Suzuki Eeco | 9,814 | 30% | 5.1% | 67,691 | 41% | 4.1% |

| Top Brands (Sales) | | | | | | |
|--------------------|----|---------------|--------|--------|---------|--------|
| | # | Brand | Jul | Growth | YTD | Growth |
| Passenger Vehicle | 1 | Maruti-Suzuki | 71,564 | -35% | 635,500 | -12% |
| | 2 | Hyundai | 39,010 | -10% | 298,787 | -6% |
| | 3 | Suzuki | 15,096 | -43% | 157,153 | -25% |
| | 4 | Mahindra | 16,025 | -11% | 146,079 | 2% |
| | 5 | Tata | 10,485 | -39% | 101,176 | -21% |
| | 6 | Honda | 10,250 | -49% | 92,268 | -10% |
| | 7 | Toyota | 10,423 | -24% | 79,075 | -12% |
| | 8 | Ford | 6,287 | -20% | 47,140 | -22% |
| | 9 | Renault | 3,660 | -41% | 40,458 | -17% |
| | 10 | Volkswagen | 2,521 | 2% | 17,835 | -19% |
| | 11 | Datsun | 991 | -56% | 10,539 | -52% |
| | 12 | Škoda | 1,076 | -15% | 8,237 | -13% |
| | 13 | Jeep | 589 | -55% | 7,467 | -43% |
| | 14 | Mercedes-Benz | 875 | -29% | 7,436 | -20% |
| | 15 | BMW | 612 | -24% | 5,889 | 3% |
| | 16 | Nissan | 313 | -44% | 4,894 | -11% |
| | 17 | Audi | 304 | -54% | 2,534 | -38% |
| | 18 | MG | 1,508 | N/A | 1,508 | N/A |
| | 19 | Volvo | 168 | -27% | 1,327 | 4% |
| | 20 | Land Rover | 128 | -25% | 1,225 | -23% |
| Commercial Vehicle | 1 | Mahindra | 15,836 | -22% | 138,458 | -4% |
| | 2 | Tata | 13,228 | -35% | 136,996 | -7% |
| | 3 | Maruti-Suzuki | 11,546 | -34% | 104,401 | -5% |
| | 4 | Ashok Leyland | 3,863 | 1% | 28,910 | 7% |
| | 5 | Force | 1,800 | -6% | 11,338 | -12% |
| | 6 | Isuzu | 309 | -13% | 2,247 | -12% |
| | 7 | Eicher | 239 | -40% | 1,923 | -14% |
| | 8 | Piaggio | 4 | -96% | 419 | -60% |
| | 9 | | | | | |
| | 10 | | | | | |

| Top Manufacturers (Production) | | | | | | |
|--------------------------------|----|------------------------|--------|--------|---------|--------|
| | # | Manufacturer | Jul | Growth | YTD | Growth |
| Passenger Vehicle | 1 | Maruti Suzuki India | 98,774 | -26% | 747,231 | -17% |
| | 2 | Hyundai Group | 62,600 | -2% | 414,395 | 1% |
| | 3 | Mahindra | 19,062 | -2% | 160,218 | 2% |
| | 4 | Suzuki Group | 19,843 | -25% | 156,077 | 6% |
| | 5 | Ford Group | 22,215 | -1% | 138,301 | -15% |
| | 6 | Renault-Nissan-Mitsub | 19,610 | 30% | 102,117 | -14% |
| | 7 | Honda Cars India | 10,452 | -44% | 96,859 | 3% |
| | 8 | Toyota Kirloskar India | 11,259 | -28% | 81,823 | -14% |
| | 9 | Tata Motors | 8,855 | -38% | 75,011 | -26% |
| | 10 | Volkswagen Group | 10,854 | 15% | 63,860 | -2% |
| | 11 | General Motors Group | 7,177 | 3% | 47,398 | -3% |
| | 12 | Tata-Fiat | 5,527 | -13% | 45,055 | -17% |
| | 13 | Daimler Group | 747 | -31% | 7,076 | -13% |
| | 14 | Škoda Auto | 885 | -45% | 6,404 | -40% |
| | 15 | BMW Group | 570 | -23% | 5,450 | 8% |
| | 16 | SAIC Motor | 1,988 | N/A | 1,988 | N/A |
| | 17 | Force Motors | 179 | 40% | 979 | -41% |
| | 18 | Premier Auto | 98 | -38% | 923 | -20% |
| | 19 | Volvo Group India | 117 | -2% | 854 | 28% |
| | 20 | Kia Motors | 422 | N/A | 422 | N/A |
| Commercial Vehicle | 1 | Mahindra | 17,090 | -22% | 151,742 | -9% |
| | 2 | Tata Motors | 15,686 | -33% | 139,796 | -4% |
| | 3 | Maruti Suzuki India | 14,571 | -23% | 108,843 | -5% |
| | 4 | Ashok Leyland | 3,960 | -1% | 28,998 | 10% |
| | 5 | Force Motors | 1,924 | 24% | 9,535 | -20% |
| | 6 | Isuzu Motors Limited | 416 | -24% | 3,834 | 27% |
| | 7 | Eicher Motors | 225 | -49% | 1,694 | -26% |
| | 8 | Piaggio | 8 | -94% | 552 | -46% |

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