



## India Light Vehicle Sales Update

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### **PV Outlook Lowered; LCV Forecast Unchanged**

In spite of the festival season just starting, India's Light Vehicle (LV) wholesales in September dipped by 1% year-on-year (YoY) to 349k units. Although this is not a huge drop, it marks the first YoY decline in 15 months.

Passenger Vehicle (PV) sales decreased by 6% YoY to 277k units, while the Light Commercial Vehicle (LCV) volume increased by 25% YoY to 72k units.

On a seasonally adjusted annualized rate (SAAR) basis, LV sales slowed abruptly to 3.93 mn units in September, compared to 4.11 mn units in August and to 4.20 mn units in July. This contraction came after the selling rate exceeded 4 mn units for five consecutive months.

One reason for the negative growth was the high base in September 2017, when dealers had built up inventory for the Navratri festival. This year, the same festival falls in October. Buyers in northern India also stayed away because of the shradh period – a Hindu ceremony to honor deceased ancestors, especially one's parents.

At the same time, sales were hurt by higher fuel prices and more expensive insurance premiums. The flooding in Kerala in August was also partly to blame for subdued sales in that region.

Cumulatively, however, LV sales between January and September improved by 10% YoY to 3.04 mn units. This total consisted of 2.47 mn PVs (+7% YoY) and 575k LCVs (+27% YoY).

In particular, sales were flat in the July-September quarter, in part because of a high base in 2017, following the implementation of Goods and Services Tax (GST).

Preliminary wholesale data for October from the leading automakers suggest that PV sales may only be marginally higher than in September, again signaling a fairly muted performance during the festival season.

A further reason may be that dealerships have become cautious about taking in more inventory, amidst the plunging rupee and tightening credit.

Weak consumer sentiment and lower showroom footfall have forced vehicle makers to offer more incentives and introduce "special edition" models to move the metal during this festival season.

On the macroeconomic front, the rupee continues to plunge to record-low levels, amid growing global risk aversion and India's widening current account deficit.

In an attempt to reduce the external deficit, the government has raised import tariffs on a number of items, but such a measure could stoke inflation and hamper business activity.

The recent series of debt defaults by a large financial company has also sparked concerns over the health of the fast-growing non-bank lenders, clouding the outlook for private investment.

In light of the above factors, we decided to cut the PV outlook through the long term (by 53k units for 2018, 93k units for 2019, and 269k units for 2025) as rising concerns over the country's structural problems (such as the widening current account deficit and the health of the banking sector) are expected to undermine investment and thus job and income growth.



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In contrast, we left the LCV sales forecast unchanged because it is already conservative.

Despite the downward revision, our Indian sales forecast remains cautiously optimistic, with total LV volume this year projected to expand by 10% YoY to 4.07 mn units. In the long term, LV sales are predicted to rise further to 6.45 mn units in 2025.

Market Top Lines						
	Sep	Growth	YTD	Growth	2018	Growth
<b>Sales</b>	<b>391,633</b>	<b>1%</b>	<b>3,388,839</b>	<b>12%</b>		
PV	277,217	-6%	2,469,837	7%	3,289,572	7%
LCV	71,995	25%	574,649	27%	775,739	26%
M&H CV	42,421	25%	344,353	34%		
<b>Production</b>	<b>444,132</b>	<b>0%</b>	<b>4,043,737</b>	<b>13%</b>		
PV	323,559	-2%	3,046,410	7%	4,010,980	6%
LCV	72,562	31%	611,410	30%	819,291	29%
M&H CV	48,011	50%	385,917	43%		

Best Selling Models						
	Sep	Growth	Share	YTD	Growth	Share
<b>PV</b>						
Maruti-Suzuki Dzire	21,296	-38%	7.7%	209,374	30%	8.5%
Maruti-Suzuki Alto	21,719	-9%	7.8%	190,717	-2%	7.7%
Maruti-Suzuki Swift	22,228	68%	8.0%	172,434	30%	7.0%
<b>LCV</b>						
Tata Ace	16,026	44%	5.8%	121,182	65%	4.9%
Maruti-Suzuki Omni	7,291	5%	2.6%	65,415	0%	2.6%
Maruti-Suzuki Eeco	7,354	8%	2.7%	61,836	15%	2.5%

Top Brands (Sales)						
	#	Brand	Sep	Growth	YTD	Growth
Passenger Vehicle	1	Maruti-Suzuki	106,337	-4%	935,399	8%
	2	Hyundai	47,781	-4%	412,199	5%
	3	Suzuki	30,530	15%	269,158	24%
	4	Mahindra	18,960	-17%	172,403	2%
	5	Tata	18,429	7%	164,957	35%
	6	Honda	14,820	-19%	134,481	-4%
	7	Toyota	12,512	1%	116,317	12%
	8	Ford	8,239	-6%	76,544	9%
	9	Renault	6,434	-41%	61,905	-29%
	10	Volkswagen	3,217	-30%	28,526	-23%
	11	Datsun	2,801	-28%	27,140	-13%
	12	Jeep	1,371	-39%	15,946	167%
	13	Škoda	1,358	-22%	12,133	-3%
	14	Mercedes-Benz	1,211	-34%	11,789	-1%
	15	BMW	874	-4%	7,424	9%
	16	Nissan	426	-63%	6,473	-36%
	17	Audi	649	-3%	5,374	-9%
	18	Force	159	-60%	2,312	10%
	19	Land Rover	232	-6%	2,014	6%
	20	Volvo	216	31%	1,896	34%
Commercial Vehicle	1	Tata	24,577	23%	194,284	44%
	2	Mahindra	23,586	43%	179,249	22%
	3	Maruti-Suzuki	16,683	14%	141,765	15%
	4	Ashok Leyland	4,760	42%	35,743	43%
	5	Force	1,172	-32%	15,475	-2%
	6	Isuzu	597	-7%	3,741	39%
	7	Eicher	419	15%	3,028	56%
	8	Piaggio	201	-29%	1,364	-27%
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Top Manufacturers (Production)						
	#	Manufacturer	Sep	Growth	YTD	Growth
Passenger Vehicle	1	Maruti Suzuki India	114,239	-6%	1,111,720	4%
	2	Hyundai Group	59,415	-1%	534,674	8%
	3	Suzuki Group	28,282	83%	220,859	94%
	4	Ford Group	18,377	14%	202,348	3%
	5	Mahindra	19,547	-5%	189,454	7%
	6	Renault-Nissan-Mitsub	16,259	-14%	154,188	-23%
	7	Tata Motors	14,147	-7%	135,364	13%
	8	Honda Cars India	16,186	-12%	129,370	2%
	9	Toyota Kirloskar India	13,584	4%	123,912	10%
	10	Volkswagen Group	7,531	-42%	81,828	-30%
	11	Tata-Fiat	6,718	19%	66,897	349%
	12	General Motors Group	5,894	-24%	61,622	-13%
	13	Škoda Auto	973	-24%	12,278	36%
	14	Daimler Group	973	-39%	10,136	1%
	15	BMW Group	784	8%	6,535	19%
	16	Force Motors	271	-28%	2,120	-3%
	17	Premier Auto	158	-2%	1,462	-7%
	18	Isuzu Motors Limited	130	10%	780	42%
	19	Volvo Group India	73	103%	592	1544%
	20	Hindustan Motors	18	-68%	271	-45%
Commercial Vehicle	1	Mahindra	23,739	25%	212,960	29%
	2	Tata Motors	23,595	50%	190,242	46%
	3	Maruti Suzuki India	17,678	21%	148,721	18%
	4	Ashok Leyland	4,415	47%	35,401	41%
	5	Force Motors	1,853	2%	15,448	-2%
	6	Isuzu Motors Limited	632	17%	4,229	44%
	7	Eicher Motors	521	57%	3,167	57%
	8	Piaggio	129	-57%	1,242	-44%

5<sup>th</sup> November 2018

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