



## India Light Vehicle Sales Update

### Sales Slow Further: 2019 Outlook at Below 4 mn units

The slowdown in India's Light Vehicle (LV) wholesales has been more pronounced than we had anticipated.

In April, LV sales slumped by 15% year-on-year (YoY) to 290k units. Following the trend of the past few months, the volume of Passenger Vehicles (PVs) plummeted by 16% YoY to 236k units. Even more worryingly, sales of Light Commercial Vehicles (LCVs), with GVW of up to 6 tonnes, drifted into negative territory, falling by 10% YoY to 54k units.

Retail sales remained subdued as buyers adopted a wait-and-see approach during the general elections.

According to the Federation of Automobile Dealers Association (FADA), PV inventory in April remained high, at 40-45 days. "The near-term outlook continues to be negative to neutral with the absence of any immediate positive triggers which could affect retail sales," warned FADA President Ashish Harsharaj Kale.

On a seasonally adjusted annualized rate (SAAR) basis, LV sales slowed to 3.59 mn units in April, compared to 3.67 mn in March and 3.77 mn in February. In addition, the April SAAR was down by 2% from a sluggish March, marking the fourth consecutive month of month-on-month decline.

In the four months to April, LV demand declined by 4% YoY to 1.30 mn units. This volume consisted of 1.03 mn PVs (-6% YoY) and 267k LCVs (+7% YoY).

Along with buyers awaiting the results of the general elections, a slowing economy, a weak rupee and tight credit conditions (despite a recent interest rate cut) also impacted sales in the year so far.

The situation is likely to improve in the coming months though, now that the general elections are over, with Prime Minister Narendra Modi winning by an even bigger majority than last time.

Indian stocks have already recorded their strongest rally in over three years on the news, and the rupee has strengthened. This is because investors are expecting the Hindu nationalist BJP-led coalition's victory to bring policy continuity and business-friendly reforms.

Nevertheless, we decided to reduce India's LV forecasts through to 2026. In the short term, the economy continues to face significant challenges from the stress in the banking sector and the uncertain global outlook.

LV sales in 2019 have therefore been revised to 3.97 mn units (-0.3% YoY), consisting of 3.19 mn PVs (-1% YoY) and 778k LCVs (+2% YoY).

The key factors driving our downgrade to the long-term forecast are as follows:

**1) Doubts over reform prospects:** even though the BJP-led coalition was victorious in the elections, it is difficult to envisage the multi-coalition government successfully accelerating structural reforms, upon which sustained high economic growth will depend.

**2) Credit squeeze:** although the severe liquidity squeeze in India's non-banking financial companies (NBFC) has eased, the impact of the NBFC crisis last fall on vehicle loans does not appear to have abated.

**3) Darkening global outlook:** India remains vulnerable to external shocks, such as Brexit and the heightened tensions between the US and Iran, due to its deep structural problems, not least the government budget and current account deficits.

By 2026, India's LV sales are projected to reach 5.91 mn units. This translates to a compound annual growth rate (CAGR) of 6% over the next seven years.

Market Top Lines						
	Apr	Growth	YTD	Growth	2019	Growth
<b>Sales</b>	<b>319,093</b>	<b>-14%</b>	<b>1,452,783</b>	<b>-4%</b>		
PV	236,589	-16%	1,030,731	-6%	3,188,295	-1%
LCV	53,730	-10%	267,127	7%	777,536	2%
M&H CV	28,774	-11%	154,925	-5%		
<b>Production</b>	<b>401,113</b>	<b>0%</b>	<b>1,734,610</b>	<b>-4%</b>		
PV	309,446	-7%	1,287,130	-6%	3,855,766	-1%
LCV	56,564	-14%	278,702	4%	814,364	1%
M&H CV	35,103	-14%	168,778	-4%		

Best Selling Models						
	Apr	Growth	Share	YTD	Growth	Share
<b>PV</b>						
Maruti-Suzuki Alto	22,766	7%	9.6%	87,703	5%	8.5%
Maruti-Suzuki Dzire	18,544	-28%	7.8%	73,467	-20%	7.1%
Suzuki Baleno	17,355	-15%	7.3%	69,280	-1%	6.7%
<b>LCV</b>						
Tata Ace	11,570	6%	4.9%	57,148	8%	5.5%
Maruti-Suzuki Eeco	10,254	37%	4.3%	36,873	37%	3.6%
Mahindra Bolero Pickups	6,712	0%	2.8%	32,537	37%	3.2%

Top Brands (Sales)						
	#	Brand	Apr	Growth	YTD	Growth
Passenger Vehicle	1	Maruti-Suzuki	94,932	-16%	395,356	-3%
	2	Hyundai	42,005	-10%	175,268	-5%
	3	Suzuki	24,804	-28%	99,615	-19%
	4	Mahindra	18,061	-5%	87,410	4%
	5	Tata	12,694	-26%	66,440	-12%
	6	Honda	11,272	23%	60,262	22%
	7	Toyota	10,112	-22%	45,911	-8%
	8	Ford	6,515	-12%	29,155	-17%
	9	Renault	6,256	-16%	25,449	-13%
	10	Volkswagen	1,995	-36%	10,166	-24%
	11	Datsun	1,509	-46%	7,034	-49%
	12	Mercedes-Benz	1,269	11%	5,154	-10%
	13	Škoda	1,126	-20%	5,026	-6%
	14	Jeep	1,327	-34%	4,893	-43%
	15	Nissan	518	-28%	3,769	3%
	16	BMW	836	-5%	3,658	17%
	17	Audi	458	-9%	1,854	-18%
	18	Volvo	242	25%	923	12%
	19	Force	72	-43%	810	-42%
	20	Land Rover	171	-24%	776	-20%
Commercial Vehicle	1	Mahindra	18,099	-4%	87,557	15%
	2	Tata	16,208	-10%	85,189	-1%
	3	Maruti-Suzuki	13,968	-20%	67,596	13%
	4	Ashok Leyland	3,801	12%	17,410	7%
	5	Force	1,251	5%	6,452	-16%
	6	Isuzu	208	7%	1,409	-15%
	7	Eicher	134	-35%	1,177	-2%
	8	Piaggio	61	-44%	337	-45%
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Top Manufacturers (Production)						
	#	Manufacturer	Apr	Growth	YTD	Growth
Passenger Vehicle	1	Maruti Suzuki India	112,903	-8%	458,425	-13%
	2	Hyundai Group	63,331	2%	238,055	0%
	3	Mahindra	19,937	-9%	97,427	6%
	4	Suzuki Group	21,055	-15%	87,942	19%
	5	Ford Group	16,562	-28%	83,515	-14%
	6	Honda Cars India	12,550	53%	62,694	42%
	7	Mitsubishi	14,862	-6%	59,901	-21%
	8	Tata Motors	12,446	-8%	50,954	-13%
	9	Toyota Kirloskar India	9,470	-29%	45,802	-10%
	10	Volkswagen Group	9,334	-2%	33,565	-6%
	11	Tata-Fiat	6,528	-8%	27,715	-18%
	12	General Motors Group	6,964	1%	27,057	-5%
	13	Škoda Auto	1,252	-10%	4,454	-25%
	14	Daimler Group	1,080	13%	4,376	-12%
	15	BMW Group	774	1%	3,374	25%
	16	Force Motors	92	12%	600	-43%
	17	Volvo Group India	166	58%	599	45%
	18	Premier Auto	140	-14%	569	-18%
	19	Isuzu Motors Limited	0	-100%	106	-72%
	20	Hindustan Motors	0	-100%	0	-100%
Commercial Vehicle	1	Mahindra	18,271	-24%	99,954	6%
	2	Tata Motors	18,420	-7%	82,719	0%
	3	Maruti Suzuki India	13,655	-17%	69,468	10%
	4	Ashok Leyland	4,523	21%	17,769	15%
	5	Force Motors	1,030	-19%	4,727	-35%
	6	Isuzu Motors Limited	487	68%	2,576	53%
	7	Eicher Motors	158	-47%	1,130	-10%
	8	Piaggio	20	-84%	359	-32%
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6<sup>th</sup> June 2019

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