



India Light Vehicle Sales Update

Positive Growth Expected in H2 2016, But Concerns Remain

India's Light Vehicle sales in June improved at a similar pace to that seen in the preceding month, up by 4% year-on-year (YoY) to 254k units. Passenger Vehicle sales inched up by 3% YoY to 212k, while the Light Commercial Vehicle sector gained 11% YoY to 42k.

The volume in June was also affected by a fire incident at air-conditioning kits supplier Subros Ltd on 29 May, which forced Maruti-Suzuki to stop production at its facilities for the first ten days of June in order to manage its inventory.

Total sales in the first half of 2016 increased by 5% YoY to 1.61 mn units, split between 1.34 mn Passenger Vehicles (+4% YoY) and 269k Light Commercial Vehicles (+13%).

While the continued diesel ban on large vehicles in Delhi and the National Capital Region (NCR) – and the possibility of it being extended to other cities – remains a key detriment to vehicle sales growth, some positive news arises in the form of a good monsoon season. This should help revive consumer sentiment in rural India, thus generating positive vehicle sales during the remainder of the year.

Another factor that will partially boost sales during the second half is the approval of a 14% hike in salaries and pensions, with arrears of eight months, for over 10 million government employees. Some of these employees should replace their older vehicles or become first-time car buyers.

Nevertheless, it should be noted that the pay hike this time around is going to have a more muted impact compared to the implementation of the Sixth Pay Commission in 2008, when civil servants' overall pay was raised by 40%, with arrears of almost two years.

There are also other negative factors at play that could urge buyers to hold on to their savings. One is India's economic climate, which is plagued by a slow job market and high corporate debt, among other issues.

And while the government's decision to increase civil servants' pay will likely boost consumer spending, it will come at a cost.

Indeed, the central government will have to shell out US\$15 billion per year, which is about 0.7% of GDP. About 75% of the total cost has already been allocated in the FY 2016/17 Union Budget.

India's Finance Minister Arun Jaitley has stated that the fiscal deficit target of 3.5% of GDP for FY 2016/17 will be adhered to, but that reducing the fiscal deficit will be more challenging. In view of the fact that India's gross fiscal deficit is estimated to be about 7% – well above the norm for most emerging markets and at a worryingly high level – the situation raises considerable concerns.

Moreover, the move could fuel inflationary pressures, at a time when inflation is already rising above the central bank's target of 5%, due to a weak rupee and an increase in global oil prices, particularly as India is one of the world's largest oil importers.

Bearing these various factors in mind, our outlook for 2016 remains largely unchanged. We continue to forecast that Light Vehicle sales will climb by 4% YoY to 3.26 mn units, with the Light Commercial Vehicle sector growing faster than the Passenger Vehicle segment.

Market Top Lines						
	Jun	Growth	YTD	Growth	2015	Growth
Sales	280,955	4%	1,799,246	7%		
PV	211,986	3%	1,342,810	4%	2,716,720	4%
LCV	42,208	11%	269,344	13%	545,687	9%
M&H CV	26,761	2%	187,092	22%		
Production	347,842	0%	2,186,255	8%		
PV	265,172	7%	1,661,076	5%	3,444,247	8%
LCV	48,252	30%	303,791	16%	599,629	10%
M&H CV	34,418	15%	221,388	23%		

Best Selling Models						
	Jun	Growth	Share	YTD	Growth	Share
PV						
Maruti-Suzuki Alto	15,750	-25%	7.4%	117,056	-16%	8.7%
Maruti-Suzuki Dzire	15,560	-29%	7.3%	98,577	-13%	7.3%
Maruti-Suzuki Swift	9,033	-48%	4.3%	81,105	-26%	6.0%
LCV						
Tata Ace	7,181	3%	3.4%	45,134	-3%	3.4%
Maruti-Suzuki Omni	5,530	-9%	2.6%	41,106	7%	3.1%
Maruti-Suzuki Eeco	4,344	-1%	2.0%	31,342	8%	2.3%

Top Brands (Sales)						
	#	Brand	Jun	Growth	YTD	Growth
Passenger Vehicle	1	Maruti-Suzuki	75,182	-18%	524,089	-5%
	2	Hyundai	39,806	10%	243,441	9%
	3	Mahindra	15,336	10%	120,476	16%
	4	Honda	11,407	-38%	79,432	-22%
	5	Renault	11,837	173%	61,895	165%
	6	Tata	12,482	22%	61,482	-16%
	7	Toyota	13,567	30%	61,170	-15%
	8	Suzuki	7,077	N/A	59,196	N/A
	9	Ford	9,469	109%	41,868	31%
	10	Volkswagen	4,022	0%	20,750	-13%
	11	Chevrolet	1,951	-36%	14,690	-33%
	12	Datsun	4,267	188%	14,567	34%
	13	Nissan	945	-50%	8,075	-37%
	14	Škoda	1,002	-16%	6,600	-13%
	15	Mercedes-Benz	958	23%	6,597	-1%
	16	Audi	928	29%	6,026	6%
	17	BMW	436	-41%	3,521	-15%
	18	Fiat	605	-20%	3,213	-27%
	19	Force	170	22%	1,566	40%
	20	Land Rover	138	75%	1,108	91%
Commercial Vehicle	1	Tata	14,246	12%	86,422	12%
	2	Mahindra	12,996	23%	80,850	18%
	3	Maruti-Suzuki	9,874	-6%	72,448	8%
	4	Ashok Leyland	2,412	17%	14,827	14%
	5	Force	2,049	19%	11,636	15%
	6	Piaggio	246	-37%	2,144	-24%
	7	Eicher	162	523%	667	239%
	8	Isuzu	223	130%	350	-42%
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Top Manufacturers (Production)						
	#	Manufacturer	Jun	Growth	YTD	Growth
Passenger Vehicle	1	Maruti Suzuki India	80,148	-5%	631,587	3%
	2	Hyundai Group	60,606	5%	311,706	1%
	3	Renault-Nissan Group	28,881	49%	143,997	39%
	4	Mahindra	15,126	-3%	124,542	16%
	5	Ford Group	23,856	148%	114,310	55%
	6	Honda Cars India	11,061	-42%	83,776	-23%
	7	Volkswagen Group	13,105	16%	69,682	12%
	8	Toyota Kirloskar India	14,988	19%	66,001	-18%
	9	Tata Motors	9,035	18%	51,864	-12%
	10	General Motors Group	2,937	-22%	26,892	8%
	11	Tata-Fiat	2,570	-35%	17,033	-23%
	12	Škoda Auto	1,175	31%	6,603	-12%
	13	Daimler Group	749	29%	5,269	-1%
	14	BMW Group	426	-37%	3,740	-1%
	15	Force Motors	87	-49%	1,612	48%
	16	Premier Auto	151	-29%	1,075	-11%
	17	Bajaj Auto	241	N/A	694	N/A
	18	Hindustan Motors	30	-87%	693	-57%
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Commercial Vehicle	1	Mahindra	15,820	39%	99,192	22%
	2	Tata Motors	16,804	20%	99,116	16%
	3	Maruti Suzuki India	10,662	23%	74,817	10%
	4	Ashok Leyland	2,300	-4%	15,645	18%
	5	Force Motors	1,872	253%	11,592	29%
	6	Piaggio	359	139%	2,333	-17%
	7	Eicher Motors	181	906%	732	172%
	8	Hindustan Motors	0	-100%	72	-88%
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