

J.D. POWER
ASIA PACIFIC



**India Automotive Monthly
Executive Summary**

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On India



John Humphrey
Senior Vice President,
Global Automotive Division
J.D. Power and Associates

India to Become One of World's Largest Auto Markets

While China's automotive industry and market have been garnering most of the interest from the investment, business, and media communities during the past few years, another Asian country—India—has been quietly going about establishing itself as one of the fastest-growing automotive markets in the world, and positioning itself for future growth.

In 2010, Indian light-vehicle sales reached 2.7 million units. This performance made it possible for India to surpass more mature markets—such as France, the United Kingdom, and Italy—in terms of overall size, and become the sixth-largest light-vehicle market in the world. Moreover, India also exported some 520,000 light vehicles in 2010, making it the fourth-largest vehicle exporter in Asia (behind Japan, South Korea, and Thailand).

The future looks bright for India. The country benefits from a young and increasingly well-trained workforce and more liberalized and proactive economic policies. Opportunities in the employment sector—outside of what had been considered traditional “secure” occupations in government, education, medicine, and engineering—have become increasingly available.

As a result, average income is rising, particularly in the country's major urban centers. India's GDP per capita (on a PPP basis) reached US \$3,000 in 2010, nearly double the per capita average of a decade earlier.

Besides the liberalized policies and economic growth taking place in India, the sheer size of the population and the low penetration rate in its automotive market make the country an attractive destination for global automakers.

While the majority of the world's most developed automotive markets have between 500 and 600 vehicles on the road per 1,000 population—and the United States has about 950 light vehicles per 1,000 population—by comparison, India's total light-vehicle units in operation in 2010 was only about 16 light vehicles per 1,000 population.

Clearly, India represents tremendous opportunity for automakers in the coming decade. This is not to say that India does not have its challenges.

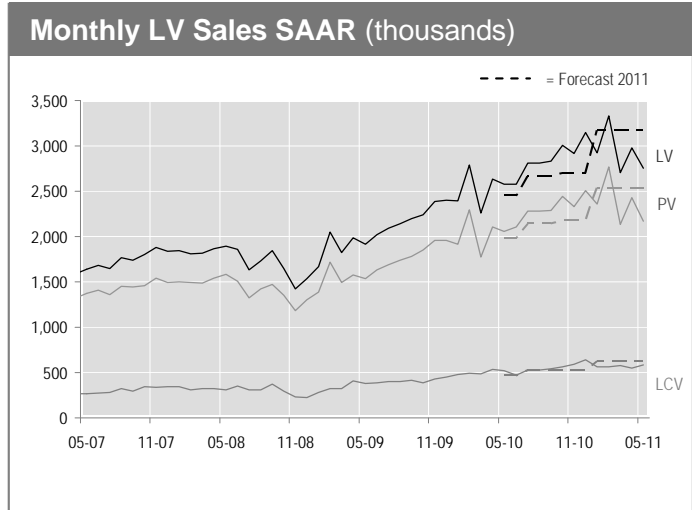
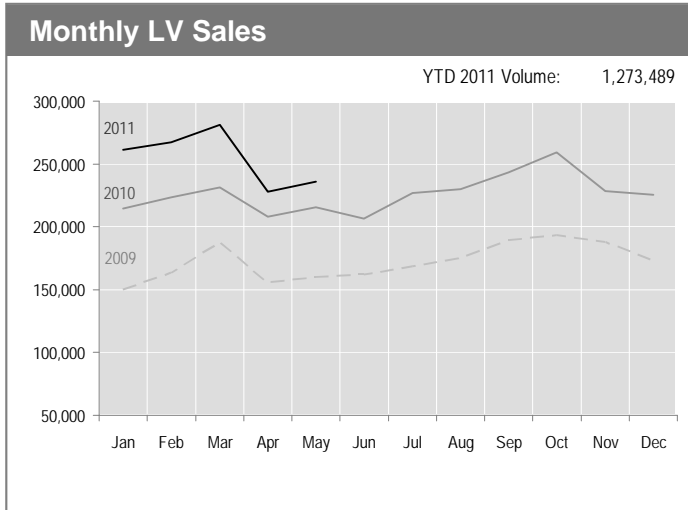
Much must come together in terms of further market liberalization; active government support of industry; development and infrastructure; and a plan to sustain this growth over time.

However, given all that India has accomplished in the past 20 years and the momentum it has created, we believe that the country is on track to become one of the world's largest automotive markets in the coming decade.

Whether India will likely become the next giant from Asia must be based in part on the following issues:

- *Take-off in India will not mirror those of Japan, South Korea, and China due to a slower pace of industrialization. Additionally, India's GDP per capita on a PPP basis by 2020 will not match those of Japan, South Korea, and China when they achieved take-off. Underdeveloped infrastructure is one of the main reasons, which is burdened with bureaucratic delays and corruption*
- *Growth in the past decade has been in the service sector rather than in heavy manufacturing, such as the automotive industry*
- *The affordability ratio of vehicles in India will take 10 years to reach parity with levels achieved by Japan and China during their 5-year take-off periods*
- *The strong growth projected for India's vehicle market does not meet the requirements for a classic take-off*
- *Challenges to growth in the automotive market include a chronic trade deficit; a government budget deficit; and an infrastructure deficit*
- *Additional challenges relate to supplier and component issues, as well as whether automotive manufacturers and related companies will be hampered by the ability to acquire land to build plants*

Light Vehicle (LV) Demand	MAY	9%	YTD	18%
Passenger Vehicle (PV) Demand		7%		18%
Light Commercial Vehicle (LCV) Demand		21%		20%



Sales Slow Further in May, More Headwinds Ahead

India's light vehicle market is slowing down. Particularly in the last two months, higher fuel prices and rising costs of financing has brought upon a negative mood in the market. It is, however, also important to note that the industry had posted record sales in 2010.

Light vehicle sales in May rose by a much slower 9% year on year (yoy) growth, compared to an average 20% gain in the first quarter of 2011. Total volumes reached 236,000 units in May 2011. Passenger vehicle sales rose 7% yoy to 185,000 units, while commercial vehicle sales (up to GVW 6 tons) climbed 21% yoy to 51,000 units.

On a seasonally adjusted annualized rate basis (SAAR), sales in India came in at 2.75 million units in May, which is much lower than the SAAR of 2.98 million units in April 2011.

One of the biggest concerns for the industry this year is India's high inflation, and the central bank's tightening monetary policy to keep inflation at manageable levels. Notably, the Reserve Bank of India has raised its key lending rate 10 times in the last 15 months.

Post the most recent rate hike in mid-June, the repurchase rate is now at 7.50%, and the reverse repo rate has been adjusted to 6.5%. The 25 basis points hike was expected, and there is a likelihood that rates may be raised further.

This tightening has resulted in auto financing rates going up to 12%, from 10%, in the last couple of months. These rates could go higher in the coming months.

Given that more than 70% of vehicles in India are purchased on credit, this increase in lending rates is having a negative impact on light vehicle volumes.

What's worse is that retail prices for both petrol and diesel have also risen, further increasing the burden on buyers. Petrol prices rose by five rupees (USD 11 cents) in May 2011, followed by an increase of three rupees (USD 6 cents) in diesel prices in June 2011.

There is also indication that showroom traffic has fallen, with fewer potential buyers converting their inquiries into actual purchases.

As a result, dealers are offering more incentives and discounts to improve sales. These range in value between INR 10,000 and INR 40,000 (USD 223 and USD 890).

We expect the slowdown to continue at least until August, beyond which the start of India's festive season is likely to spur sales as more attractive incentives and discounts are offered to vehicle buyers. This is also a time when buyers in India consider it auspicious to purchase new vehicles.

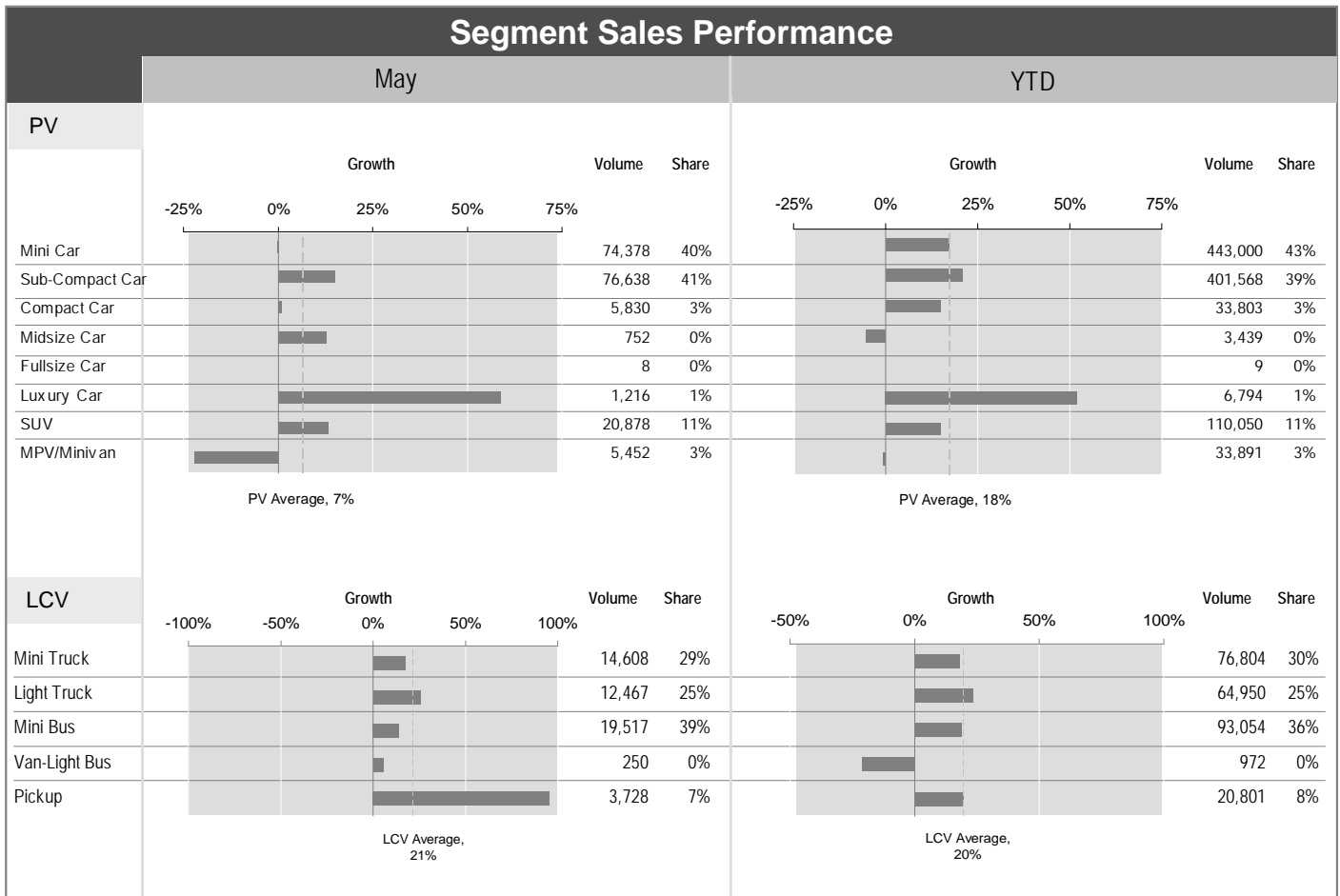
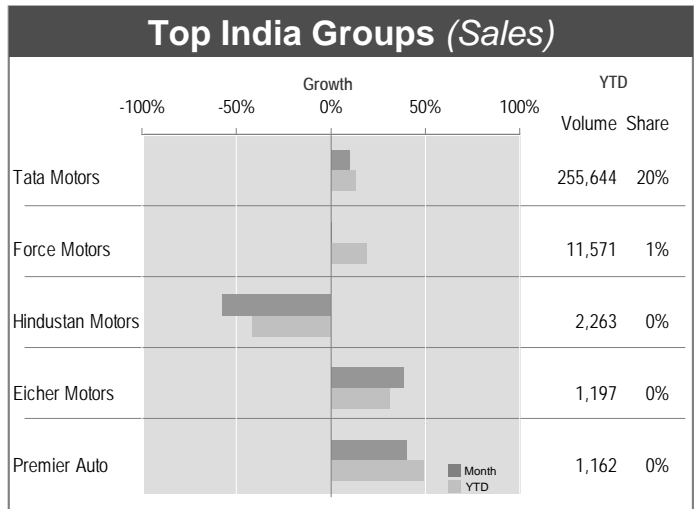
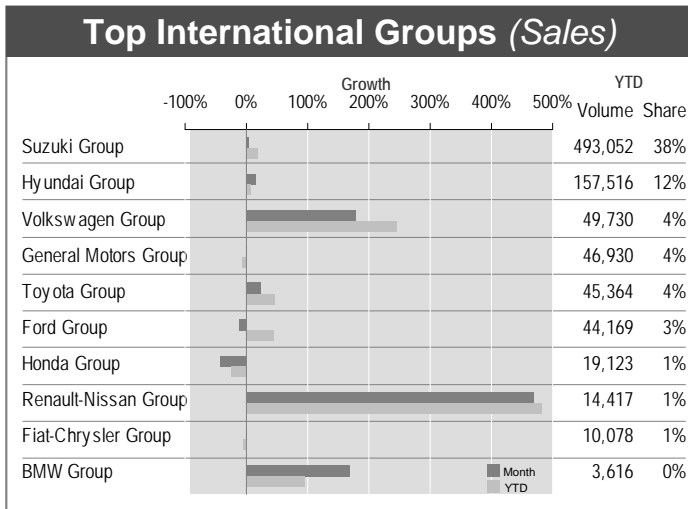
At the same time, a number of new models and variants are expected to be introduced in the market during the festive season. Note least among them will be Honda's Brio that is due to come out in September to take on the just launched Toyota Etios Liva hatchback. Ford's Fiesta sedan and Chevrolet Beat diesel are also expected to be in the market at this time.

We forecast India's light vehicle sales to rise 17% yoy to 3.16 million units, although this is currently being reviewed. We are likely to lower our outlook for India in the coming months.

Nonetheless, we remain positive on India over the long term as the country continues on its growth path and transforms into an even bigger economic power.

Market Top Lines						
	May	Growth	YTD	Growth	2011f	Growth
Sales	263,617	9%	1,445,786	17%		
PV	185,160	7%	1,032,580	18%	2,536,904	16%
LCV	50,570	21%	256,581	20%	630,102	19%
M&H CV	27,887	8%	156,625	8%		
Production	315,059	0%	1,752,984	21%		
PV	231,416	13%	1,299,582	22%	3,114,929	17%
LCV	51,120	25%	282,085	22%	679,932	16%
M&H CV	32,523	15%	171,317	15%		

Best Selling Models						
	May	Growth	Share	YTD	Growth	Share
PV						
Maruti-Suzuki Alto	25,393	0%	13.7%	155,053	51%	15.0%
Hyundai i10	11,538	-14%	6.2%	69,967	1%	6.8%
Maruti-Suzuki Wagon R	12,736	7%	6.9%	68,167	13%	6.6%
LCV						
Tata Ace	12,275	40%	6.6%	59,467	34%	5.8%
Maruti-Suzuki Omni	9,333	21%	5.0%	40,533	4%	3.9%
Mahindra Cabking/Loading	6,359	17%	3.4%	33,661	17%	3.3%



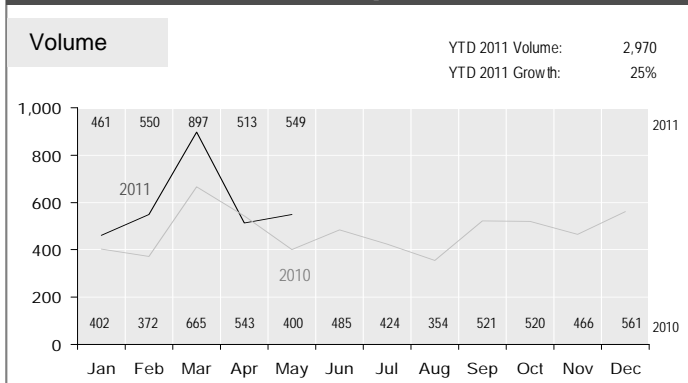
Top Brands (Sales)

	#	Brand	May	Growth	YTD	Growth
Passenger Vehicle	1	Maruti-Suzuki	77,974	1%	422,588	18%
	2	Hyundai	31,123	15%	157,516	7%
	3	Tata	18,782	-12%	130,907	4%
	4	Mahindra	16,692	24%	82,117	21%
	5	Chevrolet	8,292	1%	46,930	-7%
	6	Toyota	7,470	23%	45,364	47%
	7	Ford	7,046	-13%	44,169	44%
	8	Volkswagen	6,185	245%	33,942	569%
	9	Honda	2,334	-43%	19,123	-26%
	10	Skoda	2,761	100%	13,552	66%
	11	Fiat	2,148	-1%	10,078	-6%
	12	Nissan	1,588	2736%	8,832	3100%
	13	Force	275	-55%	3,721	18%
	14	BMW	705	169%	3,616	95%
	15	Mercedes-Benz	551	34%	3,037	52%
	16	Audi	420	110%	2,236	98%
	17	Hindustan	255	-58%	2,161	-41%
	18	Premier	220	40%	1,162	49%
	19	Mitsubishi	221	-21%	1,092	-9%
	20	Volvo	39	875%	212	444%
Commercial Vehicle	1	Tata	24,127	37%	124,512	25%
	2	Maruti-Suzuki	15,545	20%	70,464	26%
	3	Mahindra	7,907	-9%	48,168	4%
	4	Force	1,674	26%	7,850	19%
	5	Piaggio	1,072	32%	4,288	-6%
	6	Eicher	227	38%	1,197	31%
	7	Hindustan	18	-56%	102	-53%
	8					
	9					
	10					

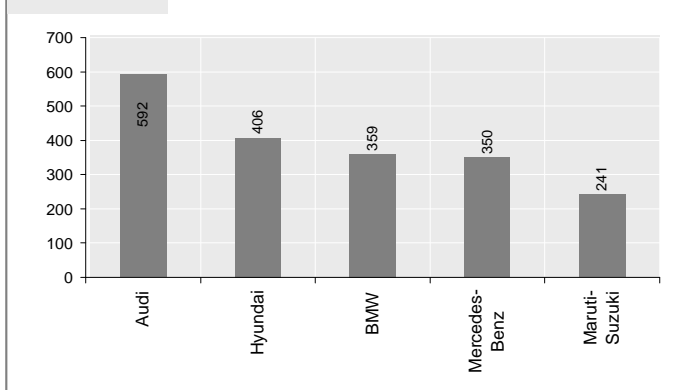
Top Manufacturers (Production)

	#	Manufacturer	May	Growth	YTD	Growth
Passenger Vehicle	1	Maruti Suzuki India	99,184	6%	520,496	15%
	2	Hyundai Group	44,907	12%	248,378	0%
	3	Tata Motors	17,046	-13%	124,694	16%
	4	Mahindra	17,377	25%	84,792	21%
	5	Ford Group	9,573	14%	52,987	73%
	6	Renault-Nissan Group	8,531	N/A	50,318	N/A
	7	General Motors Group	7,900	-13%	48,535	-3%
	8	Volkswagen Group	8,083	347%	44,436	888%
	9	Toyota Kirloskar India	7,476	26%	43,727	41%
	10	Tata-Fiat	5,866	18%	37,093	67%
	11	Honda SIEL Cars India	1,650	-52%	21,826	-15%
	12	Skoda Auto	1,405	-2%	8,098	15%
	13	BMW Group	720	386%	3,697	202%
	14	Force Motors	309	-53%	3,342	8%
	15	Hindustan Motors	500	-41%	3,052	-37%
	16	Daimler Group	641	76%	2,895	59%
	17	Premier Auto	248	48%	1,216	44%
	18					
	19					
	20					
Commercial Vehicle	1	Tata Motors	25393	52%	143558	31%
	2	Maruti Suzuki India	15560	22%	71769	26%
	3	Mahindra	7813	-11%	53675	4%
	4	Force Motors	809	-46%	6816	-2%
	5	Piaggio	1066	18%	4040	-15%
	6	Eicher Motors	453	108%	2137	97%
	7	Hindustan Motors	26	-35%	90	-55%
	8					
	9					
	10					

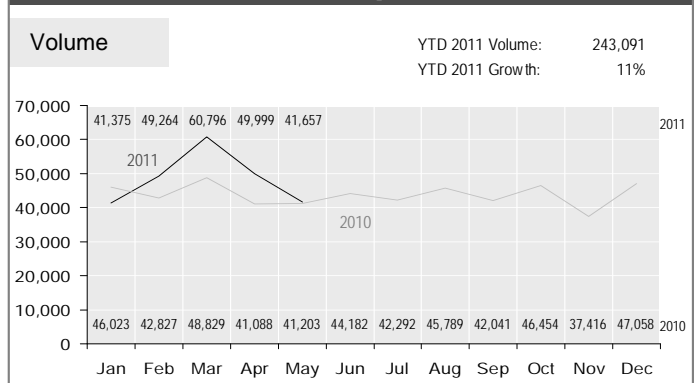
Total Imports



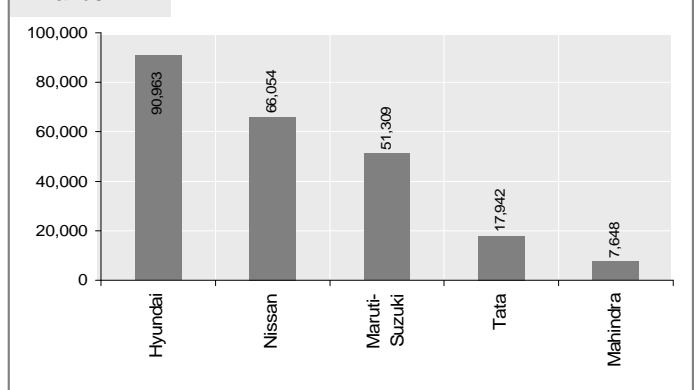
Brands



Total Exports



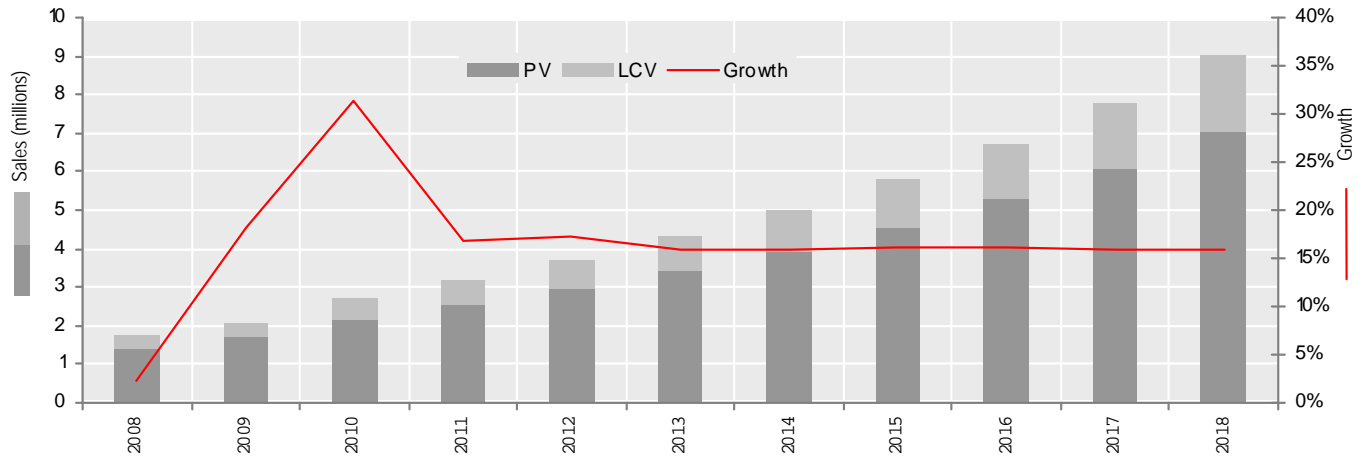
Brands



India Outlook

India Light Vehicle Sales Outlook

- J.D. Power maintains a cautiously optimistic view of the long term. Light vehicle sales are projected to grow by 15%-18% annually, approximately double the rate of expected 7%-9% of GDP growth.
- The upside risk is that the market has the potential to grow at a faster pace. However, we recommend some caution due to India's fundamental economic weaknesses, such as the chronic government budget and trade deficits.



Factors Driving Market Outlook

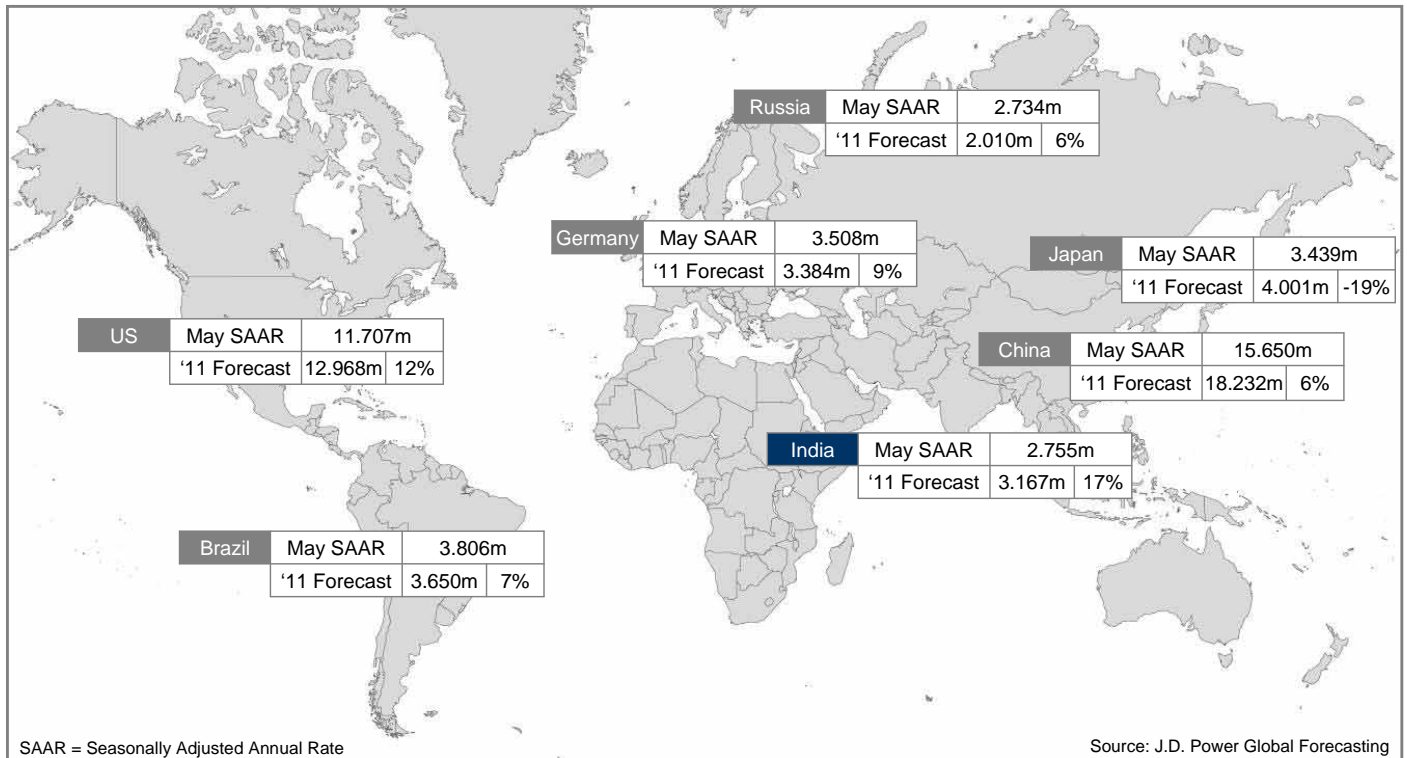
		2010	2011	Beyond 2011
Economy	GDP Growth (% chg)	8.6%	7.9%	Improving to 8.9% through 2013, then declining
	Private Consumption (% chg)	6.9%	8.5%	Rising to 9.2% through 2012, then declining
	Government Consumption (% chg)	4.1%	10.6%	Declining to 5.4% in 2012, then rising
	Exports (% chg)	14.6%	10.0%	Growing at above 12% from 2012 onwards
	Imports (% chg)	3.5%	11.8%	Rising to 15.9% during 2012, then declining
	Industrial Production (% chg)	10.6%	6.5%	Rising to over 10% in 2012, then declining
	CPI (% chg)	12.0%	7.9%	Expected to soften to under 5% in 2012, then declining
	Short-Term Interest Rates	5.6%	8.0%	Expected to be stable at 7.5% from 2012
Consumer	Population (bn)	1.21	1.21	Approaching 1.32 bn by 2018
	Car Buying Pop. (affordability)	Positive	Positive	Growing middle class, higher incomes are increasing affordability
	Unemployment Rate (%)	8.0%	8.0%	Stable at 8% through 2017
	Savings Rate (%)	27.6%	27.6%	Rising to 30% by 2013 and then stable through 2017
	Vehicle Finance	Positive	Positive	Improving due to public sector banks expanding their portfolio
Policy	Stability	Neutral	Neutral	Neutral
	Infrastructure	Positive	Positive	Positive
	Taxes	Neutral	Neutral	Neutral
	Emissions	Positive	Positive	Positive

Data Source: Oxford Economics

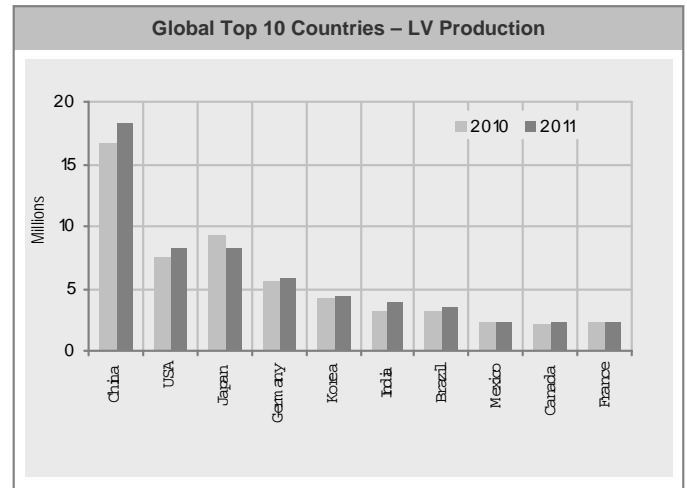
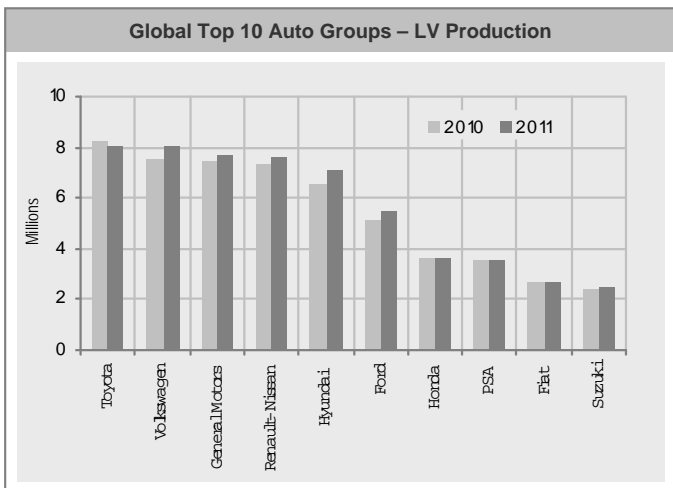
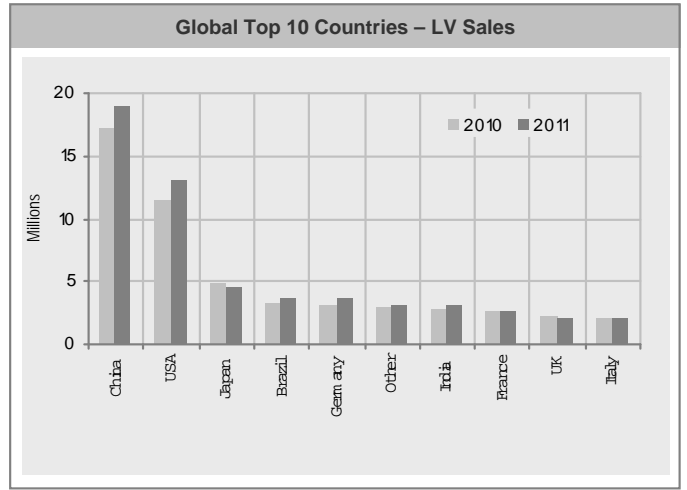
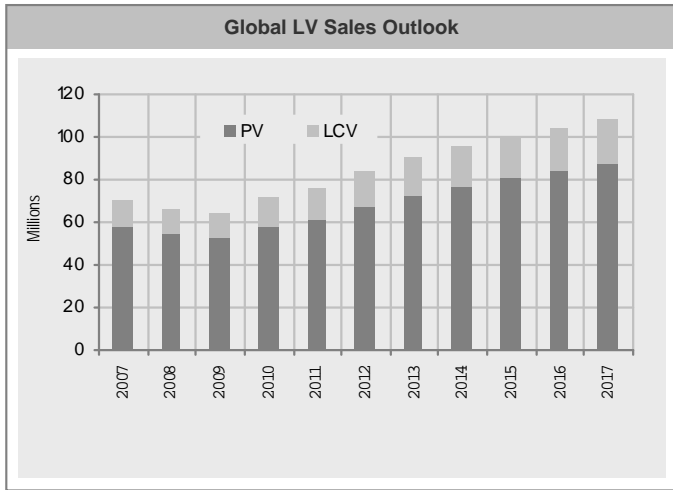
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Global Perspective

2011 Light Vehicle Sales Growth



Executive Summary



Understand the Territory



Strategic Advisory Group



Reports	Focus	Delivery
India Automotive Monthly; Market Trends	<ul style="list-style-type: none"> • By model report on monthly sales and production • JDPA perspective on trends and outlook - by brand 	<ul style="list-style-type: none"> • PDF, Excel • Monthly
India Automotive Monthly; Market Assessment	<ul style="list-style-type: none"> • By model report on the impact changes in the business environment will have on sales and production. • Detailed manufacturer profile and by-model outlook 	<ul style="list-style-type: none"> • PDF, Excel • Monthly
Asia Pacific Forecast	<ul style="list-style-type: none"> • By model report on the impact changes in business environment will have on sales and production. • Ten countries in Asia Pacific 	<ul style="list-style-type: none"> • Hard copy • PDF • Quarterly
Global Forecast	<ul style="list-style-type: none"> • By model report on the impact changes in business environment will have on sales and production. • 60 countries covered 	<ul style="list-style-type: none"> • Hard copy • PDF • Quarterly

Client Services

Benjamin Asher
benjamin_asher@jdpa.com
Sukanya Tunhau
sukanya_tunhau@jdpa.com

11 Fl. Q. House Asoke Bldg.
66 Sukhumvit 21 Road,
Wattana, Bangkok, 10110 Thailand
Tel: 66 2 264 2050, Fax: 66 2 264 2051