

**J.D. POWER**  
ASIA PACIFIC



**India Automotive Monthly  
Executive Summary**

August 2011

## On India



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### Better Port Infrastructure Needed To Expand Exports

India aims to become a major exporter of mini cars and sub-compact models to the world. However, the country needs to improve its port infrastructure if it wants to fulfill this ambition.

There are 13 major ports in India, but many of them are unable to handle increasing capacity. In fact, India ranks 83rd (out of 139 nations) for the quality of its port infrastructure according to the World Economic Forum's Global Competitiveness Index 2010-2011.

The government recognizes this bottleneck and has earmarked INR 50 billion (USD 1 billion) worth of tax free bonds for the development of major ports for the financial year ending March 2012. India's Ministry of Shipping will put up for bidding 23 projects worth INR 170 billion (USD 3.7 billion) this year.

The Ministry further aims to create seven new ports by 2017 with a public and private investment of INR 350 billion (USD 7.6 billion). And under its Maritime Agenda 2020, the goal is to increase capacity of India's ports to three billion tons at an investment cost of INR 3 trillion (USD 65 billion).

All of this looks very impressive on paper, but the important issue here is how quickly it will be translated into completed projects on the ground. In the past, such massive infrastructure projects have been burdened with delays.

This is perhaps why Maruti Suzuki decided to make its own investment in a dedicated car handling facility at Mundra Port in 2008, just before it started exporting its A-Star to Europe, where it is sold as the Alto. Similarly, Hyundai built a multi-level car park at the Chennai Port to enhance the capacity of the car terminal there.

For the moment though, India's biggest vehicle exporters Hyundai, Maruti Suzuki and Nissan will have to make best of the current situation. All three have major vehicle export programs out of India, and have further plans to increase these volumes in the years to come.

Take Hyundai for instance. It chose India as a global production base for its i10 mini car. In the year through July, Hyundai exported 137,000 vehicles, a majority of these being its i10 and i20 sub-compact going to Europe.

Maruti-Suzuki's major export model is the A-Star going to Europe. The largest vehicle maker in India exported 70,000 light vehicles between January and July.

Nissan too made the critical decision of shifting production of the Micra out of its Sunderland, UK facility to the newly constructed Renault-Nissan plant in Chennai in southern India. It exported a total of 94,000 Micras to the UK through July.

Going forward, more vehicle makers in India are looking to start exporting their made-in-India small cars as they seek to fully utilize their plant capacities and gain from economies of scale through higher output.

What is worse is that India also suffers from a wider 'infrastructure deficit' that is in part preventing the automotive industry from reaching its full potential.

J.D. Power's 'India Automotive 2020: The Next Giant from Asia' report, released in June 2011, importantly notes "The inadequacy of India's infrastructure cannot be overstated. The country needs more roads, better port facilities, and reliable power generation."

India's ranking for the quality of its roads and power generation is no better than its port infrastructure. The World Economic Forum's Global Competitiveness Index 2010-2011 ranks India 90<sup>th</sup> for the quality of its roads and 110<sup>th</sup> for the quality of its power supply among 139 nations.

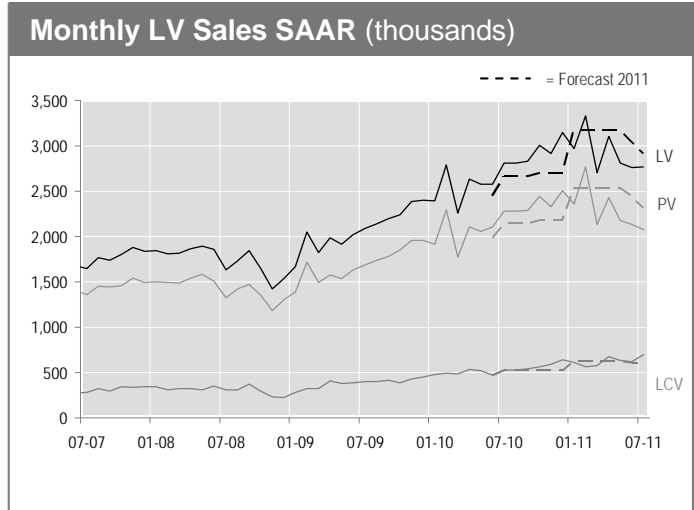
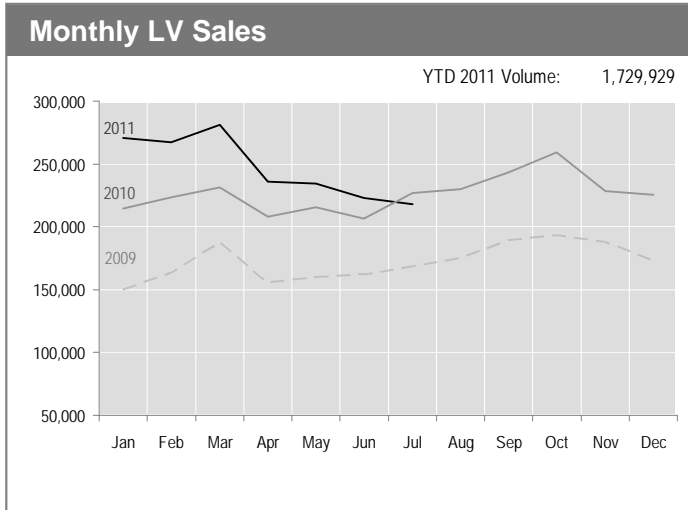
Again, the government has earmarked enormous sums to improve India's overall infrastructure. It has announced plans to spend the equivalent of USD 514 billion on infrastructure during its 11th Economic Plan (2007-2008 to 2011-2012). The government further aims to increase this amount to USD 1 trillion during the 12th Plan (2012-2013 to 2016-2017).

While this investment is massive, the government must ensure it is spent on the projects that align with its overall strategy for growth. The timely completion of infrastructure projects is also critical to the sustained development of the country's economy.

This is not to say, however, that the country's growth in infrastructure cannot be rapidly achieved. Much has already been accomplished in less than 5 years, including road and airport construction.

It is clear that much is required of India before it can become a truly global production base and export hub for small cars. Each of India's infrastructure needs will first have to be met before this ambition can be fully realized.

<b>Light Vehicle (LV) Demand</b>	JUL	<b>-4%</b>	YTD	<b>13%</b>
Passenger Vehicle (PV) Demand		<b>-11%</b>		<b>11%</b>
Light Commercial Vehicle (LCV) Demand		<b>27%</b>		<b>23%</b>



## J.D. Power Further Cuts India Forecast

After posting record high monthly sales in the first quarter of 2011, sales of light vehicles in India slowed from April onwards. Demand in July slid 4% year on year (yoy), the first time sales have shrunk over a year ago since March 2009.

In total, the industry sold 218,000 light vehicles during July. Passenger vehicle sales declined 12% yoy to 163,000 units, although light commercial vehicle volumes (up to GVW 6 tons) rose by 27% yoy to 55,000 units.

On a seasonally adjusted annualized rate basis (SAAR), sales in India came in at 2.77 million units in July, slightly better than SAAR of 2.75 million units in June.

In the year through July, sales reached more than 1.73 million units, consisting of 1.37 million passenger vehicles and 365,000 light commercial vehicles.

The sustained slowdown in sales has convinced us to cut our India forecast for the second time in as many months. We currently forecast light vehicle sales to near 2.92 million units, an increase of 8% over sales in 2010.

Passenger vehicle sales are projected to grow by 6% yoy to 2.32 million units. Meanwhile, demand for light commercial vehicles is estimated to gain 13% yoy to 597,000 units.

This compares with a forecast of 3.17 million light vehicles at the start of this year. Passenger vehicle sales were then estimated at 2.54 million units and light commercial vehicles at 630,000 units.

Several factors are behind the volume drop witnessed in the last few months. Foremost, high inflation and the Reserve Bank of India's constant interest rate hikes has led to lower consumer confidence among new car buyers.

In India, 70% of vehicles are purchased on finance. As a result, any big increase in the costs of financing has a direct impact on new car sales. This is why many new car buyers have stayed away from the market.

Another factor that has hurt demand is the rise in both petrol and diesel prices. Therefore, first time car buyers are likely to have deferred their vehicle purchases.

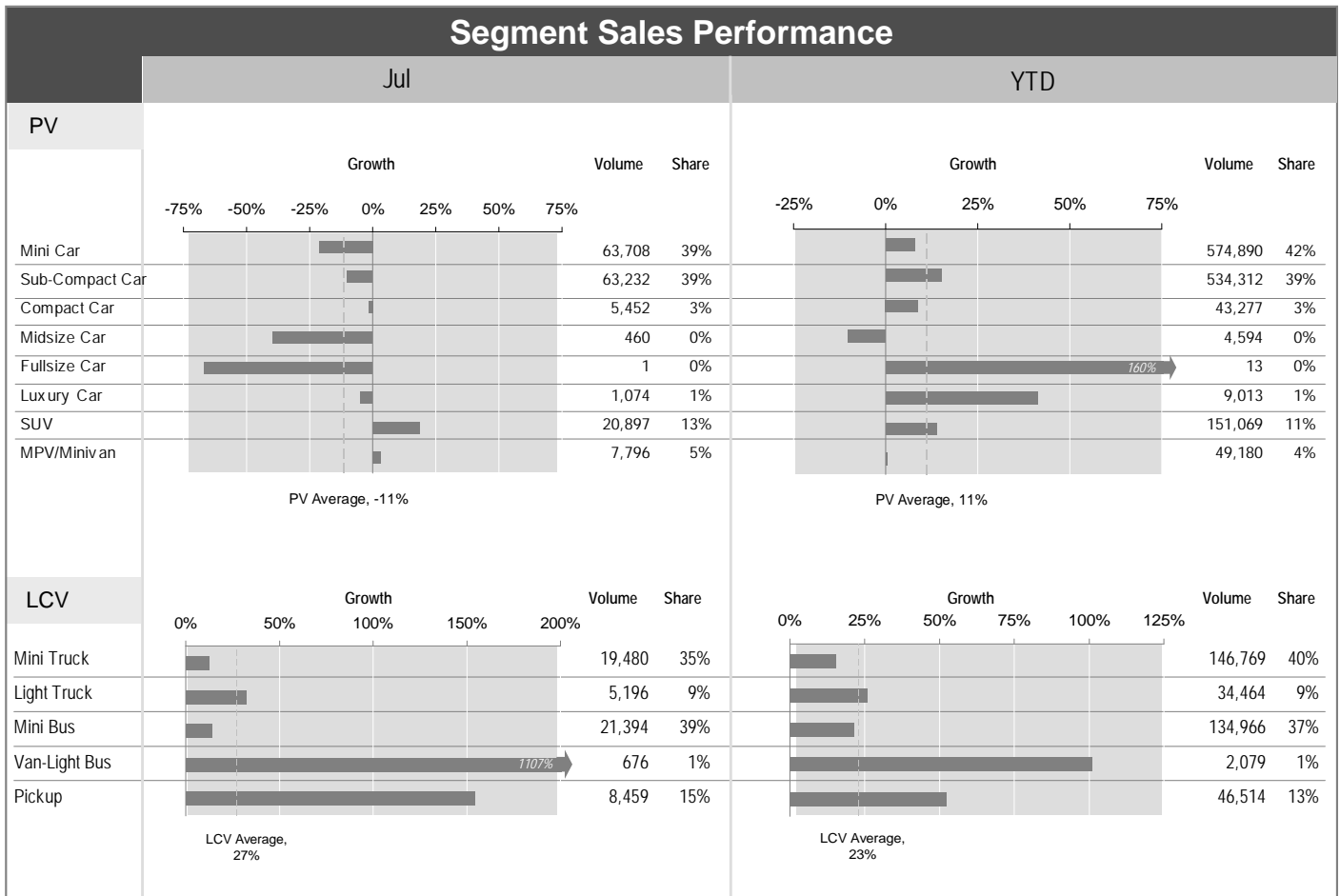
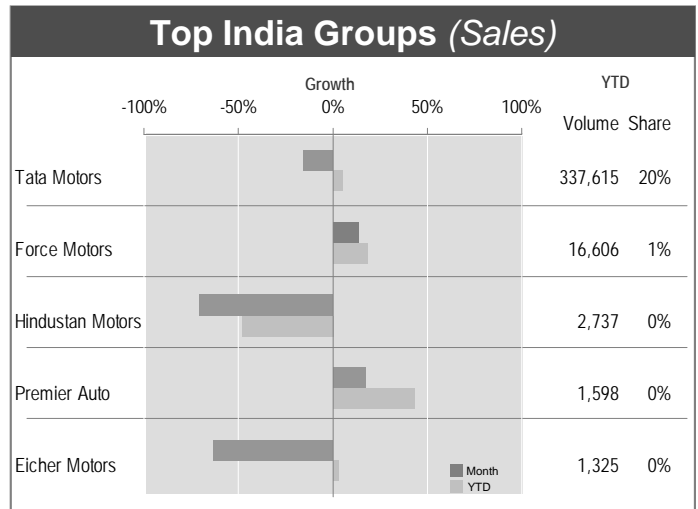
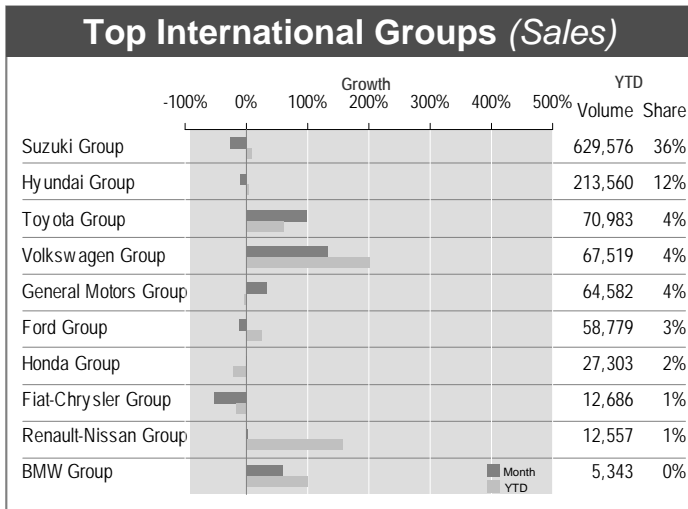
Furthermore, the offtake of vehicles at the start of the festival season – which began in August and will last until October – has been below expectations. This is a time when buyers in India consider an auspicious time to buy new vehicles.

It is still early to make a call, and sales are most likely to improve in the next two months as more models and variants are introduced at attractive prices. At the same time, vehicle makers also offer more discounts and incentives during this period to boost volumes.

We have also lowered our forecast for India through 2018. However, we remain bullish in the long-term performance of the light vehicle market. Strong economic growth, rising income levels and development of rural India will drive up volumes in subsequent years. We estimate India's light vehicle market to have a size of 8.64 million units by 2018.

Market Top Lines						
	Jul	Growth	YTD	Growth	2011f	Growth
<b>Sales</b>	<b>248,294</b>	<b>-2%</b>	<b>1,949,853</b>	<b>13%</b>		
PV	162,637	-11%	1,366,401	11%	2,319,848	6%
LCV	55,205	27%	364,792	23%	596,662	13%
M&H CV	30,452	11%	218,660	8%		
<b>Production</b>	<b>333,004</b>	<b>0%</b>	<b>2,397,426</b>	<b>18%</b>		
PV	236,198	2%	1,756,414	18%	2,928,994	10%
LCV	62,748	23%	402,465	24%	646,454	10%
M&H CV	34,058	8%	238,547	13%		

Best Selling Models						
	Jul	Growth	Share	YTD	Growth	Share
<b>PV</b>						
Maruti-Suzuki Alto	24,974	-10%	15.4%	203,267	35%	14.9%
Maruti-Suzuki Wagon R	10,629	-16%	6.5%	91,011	11%	6.7%
Hyundai i10	8,828	-22%	5.4%	89,764	-3%	6.6%
<b>LCV</b>						
Tata Ace	13,806	13%	8.5%	104,803	22%	7.7%
Maruti-Suzuki Omni	7,408	-5%	4.6%	54,624	4%	4.0%
Maruti-Suzuki Eeco	5,971	3%	3.7%	41,401	53%	3.0%



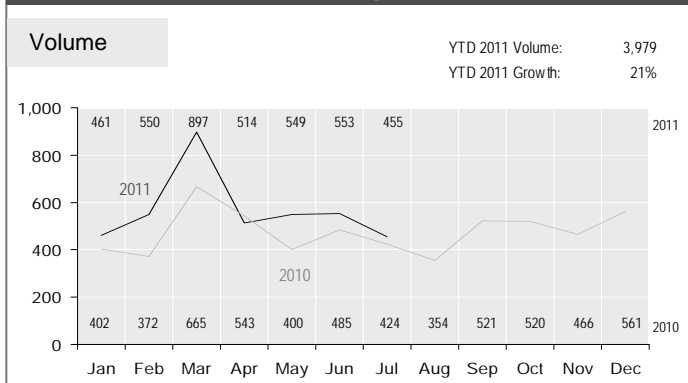
### Top Brands (Sales)

	#	Brand	Jul	Growth	YTD	Growth
Passenger Vehicle	1	Maruti-Suzuki	53,125	-31%	533,551	7%
	2	Hyundai	25,642	-11%	213,560	5%
	3	Tata	16,517	-41%	169,332	-6%
	4	Mahindra	17,312	43%	115,470	25%
	5	Toyota	13,585	99%	70,983	61%
	6	Chevrolet	9,465	34%	64,582	-4%
	7	Ford	7,587	-13%	58,779	26%
	8	Volkswagen	6,529	151%	45,869	373%
	9	Honda	4,725	1%	27,303	-22%
	10	Skoda	2,411	97%	18,574	68%
	11	Fiat	1,102	-53%	12,686	-16%
	12	Nissan	1,593	59%	12,055	788%
	13	BMW	840	59%	5,343	100%
	14	Force	291	-65%	4,286	-8%
	15	Mercedes-Benz	478	-8%	4,081	41%
	16	Audi	484	115%	3,076	92%
	17	Hindustan	200	-71%	2,611	-48%
	18	Premier	192	17%	1,598	43%
	19	Mitsubishi	289	-12%	1,544	-13%
	20	Renault	212	N/A	502	N/A
Commercial Vehicle	1	Tata	24,193	18%	167,929	20%
	2	Maruti-Suzuki	13,379	-2%	96,025	21%
	3	Mahindra	14,094	104%	77,641	29%
	4	Force	2,293	58%	12,320	32%
	5	Piaggio	1,158	64%	9,426	55%
	6	Eicher	72	-63%	1,325	3%
	7	Hindustan	16	-69%	126	-58%
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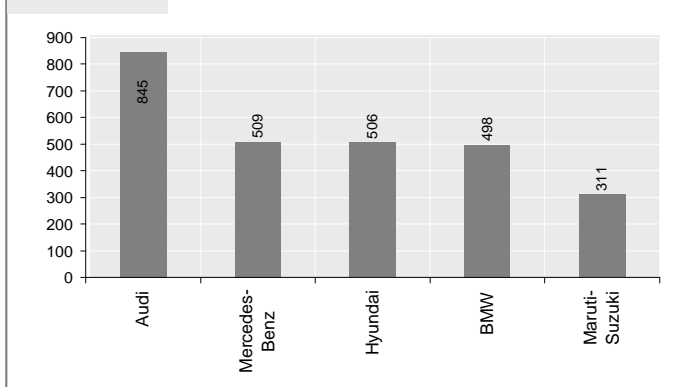
### Top Manufacturers (Production)

	#	Manufacturer	Jul	Growth	YTD	Growth
Passenger Vehicle	1	Maruti Suzuki India	76,480	-21%	654,452	5%
	2	Hyundai Group	55,503	6%	361,547	4%
	3	Tata Motors	19,399	-16%	164,479	7%
	4	Mahindra	18,708	35%	120,160	23%
	5	Renault-Nissan Group	10,729	1022%	72,393	7472%
	6	Ford Group	10,060	-7%	71,764	41%
	7	General Motors Group	9,716	28%	71,445	8%
	8	Toyota Kirloskar India	13,389	108%	70,004	60%
	9	Volkswagen Group	10,044	228%	65,405	571%
	10	Tata-Fiat	5,740	-8%	48,757	43%
	11	Honda SIEL Cars India	2,890	-45%	26,961	-22%
	12	Skoda Auto	1,257	-40%	10,001	-9%
	13	BMW Group	878	225%	5,619	236%
	14	Daimler Group	651	41%	4,205	56%
	15	Force Motors	213	-69%	3,881	-13%
	16	Hindustan Motors	353	-67%	3,693	-45%
	17	Premier Auto	188	17%	1,648	42%
	18					
	19					
	20					
Commercial Vehicle	1	Tata Motors	29676	25%	196775	27%
	2	Maruti Suzuki India	14956	4%	98844	21%
	3	Mahindra	14785	46%	85061	20%
	4	Force Motors	1900	46%	13299	37%
	5	Piaggio	1352	28%	6474	-2%
	6	Eicher Motors	67	-76%	1898	19%
	7	Hindustan Motors	12	-77%	114	-61%
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9						
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### Total Imports



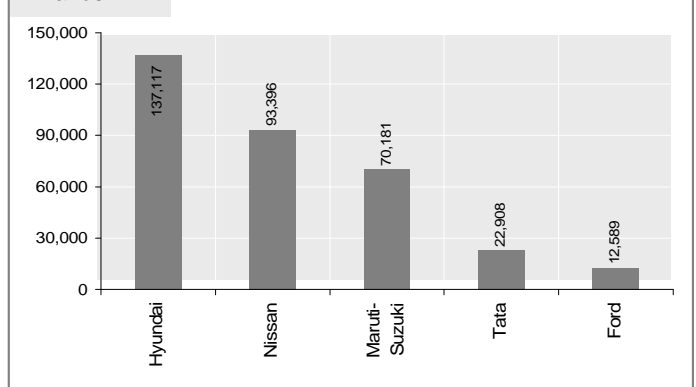
### Brands



### Total Exports



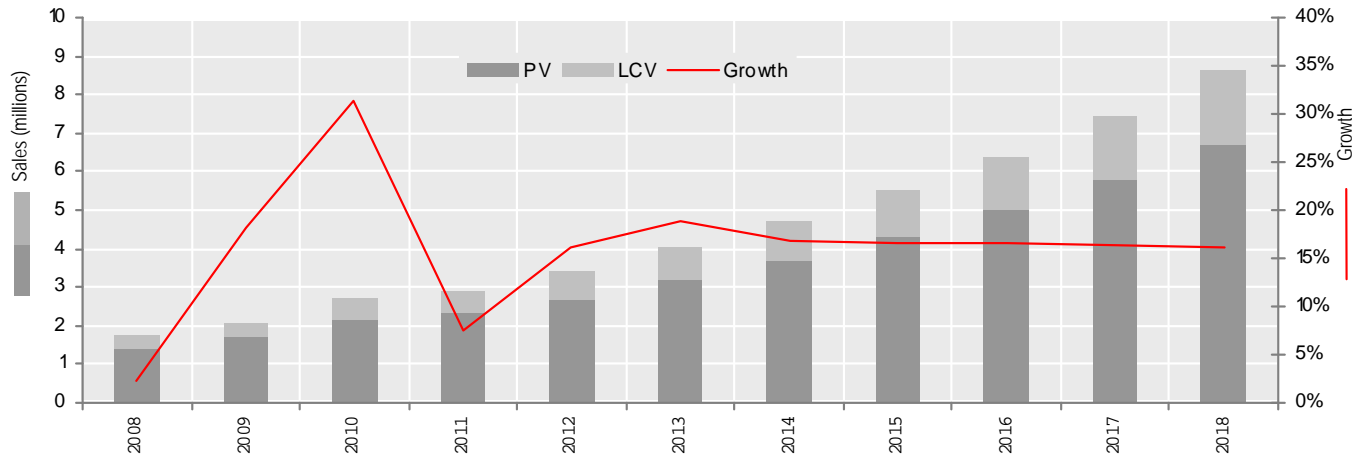
### Brands



## India Outlook

### India Light Vehicle Sales Outlook

- The slowdown in India's light vehicle market convinced us to cut our forecast for a second time in as many months. Our new 2011 outlook is at 2.92 million units, down from 3.05 million units projected in the previous month.
- We have also adjusted our long-term outlook for India. We forecast India's light vehicle market to have a size of 8.64 million units by 2020.

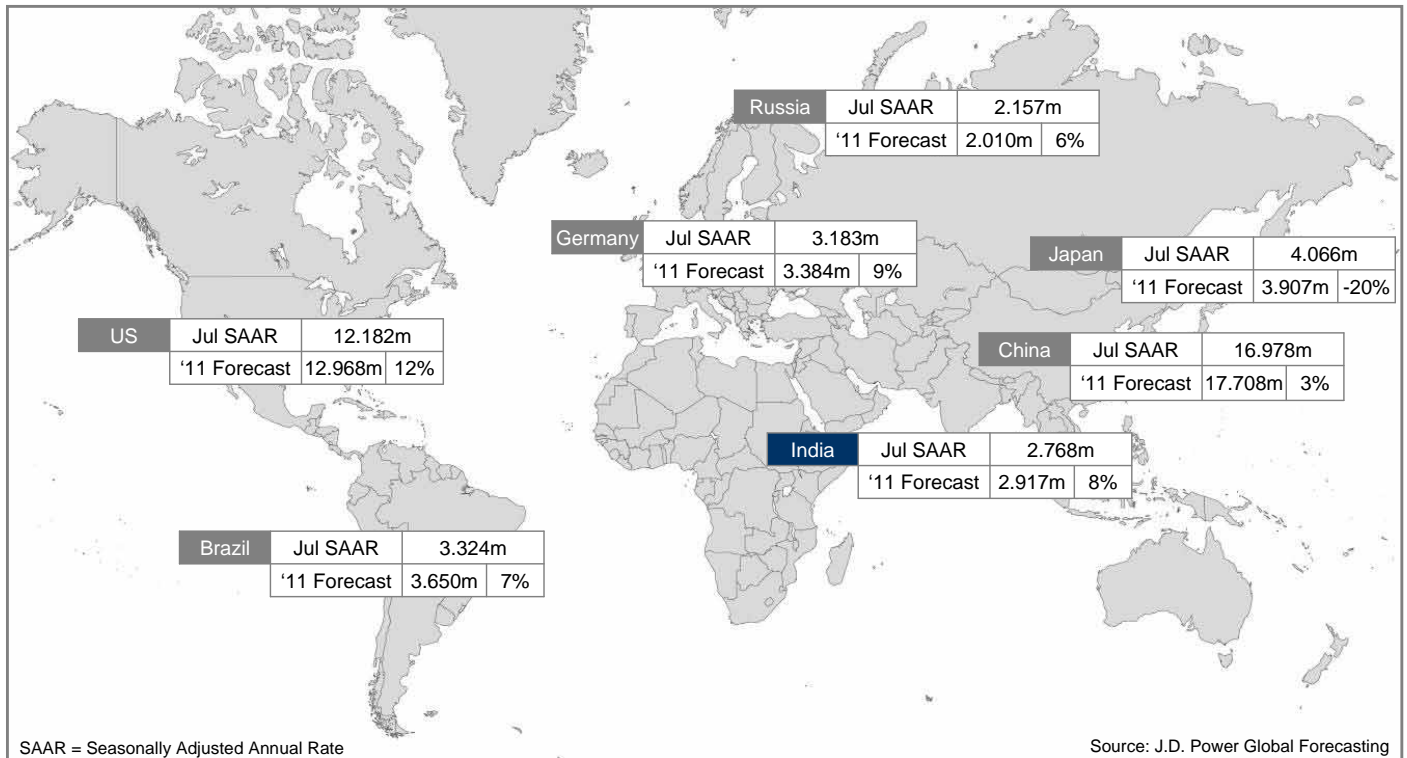


### Factors Driving Market Outlook

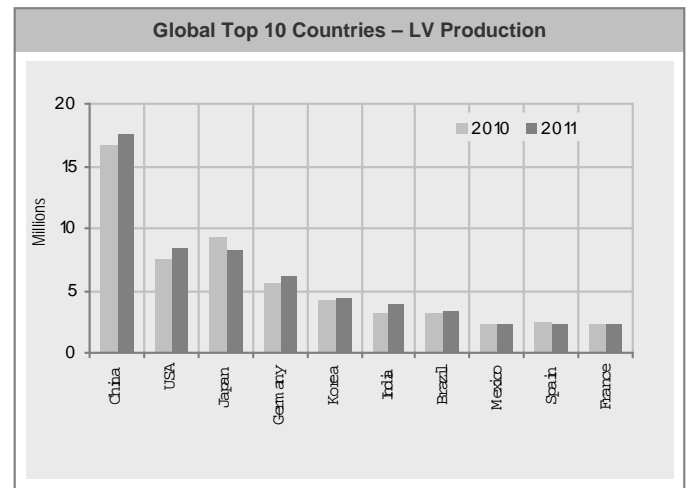
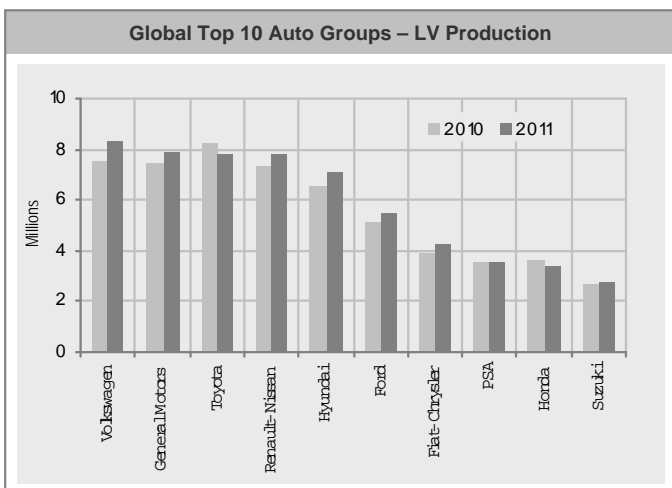
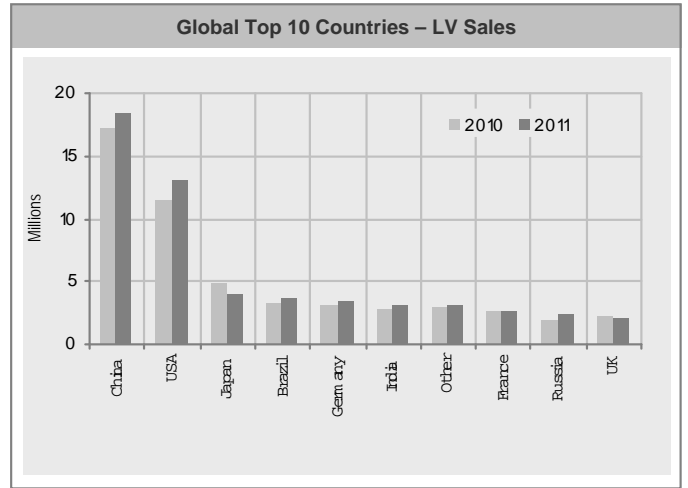
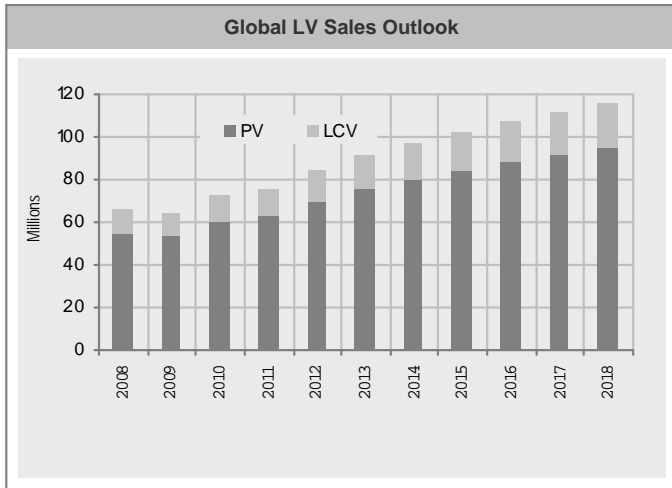
		2011	2012	Beyond 2012
<b>Economy</b>	GDP Growth (% chg)	7.4%	8.1%	Improving through 2013, then declining
	Private Consumption (% chg)	7.6%	8.8%	Improving through 2013, then declining
	CPI (% chg)	8.4%	5.6%	Expected to come down to 3.7% by 2018
	Short-Term Interest Rates	7.6%	7.9%	Expected to be stable at 7.5% from 2014
<b>Consumer</b>	Population (bn)	1.23	1.25	Approaching 1.34 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 2018
	Savings Rate (%)	28.2%	29.9%	Rising to about 32% by 2014 and then stable through 2018
	Vehicle Finance	Positive	Positive	Improving due to public sector banks expanding their portfolio
<b>Policy</b>	Stability	Neutral	Neutral	Neutral
	Infrastructure	Positive	Positive	Positive
	Taxes	Neutral	Neutral	Neutral
	Emissions	Positive	Positive	Positive

# Global Perspective

## 2011 Light Vehicle Sales Growth



Executive Summary



## Understand the Territory



## Strategic Advisory Group



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

### Client Services

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