

J.D. POWER
ASIA PACIFIC



**India Automotive Monthly
Executive Summary**

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On India



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India Aims To Revamp Its Land Acquisition Laws

The issues in acquiring land for large scale industrial projects in India are not new. And it is widely accepted that India's archaic Land Acquisition Act 1894 needs a major overhaul.

With general elections looming in a little over two years, politicians have started to woo India's over 500 million farmers, a strong voter base, with changes and proposals to the current land acquisition policies.

In recent months, states such as Uttar Pradesh have revised their land acquisition policies. In West Bengal, the new Chief Minister Mamata Banerjee (who drove out Tata Motors' Nano project) is implementing its new Land Rehabilitation Act, which would allow the state government to return 400 acres of disputed land from Tata Motors back to farmers. The automaker is now fighting the matter legally.

At the same time, a revised Land Acquisition Bill is to be proposed to India's Parliament in the session which begins in August. The salient features of this landmark Bill are likely to include the following:

- a) Eighty percent of land owners and those who depend on the land for their livelihood (the 'landless') must give consent before the land is purchased for industry.
- b) The compensation given is to be six times the registered value, with annuities provided for the next 20 years.
- c) Private parties may acquire land up to 100 acres, beyond which the government would be the only acquirer of land.
- d) A special provision will be provided in the Bill for Scheduled Tribes whose land is acquired, with each family getting one acre of land. This is mainly to discourage the purchase of land in tribal areas.

The major aim of the new Land Acquisition Bill is to protect farmers, especially those with small land holdings, as well as the landless from being exploited.

According to Census data, 82% of India's 127 million farmers with land holdings have less than 2 hectares each. Add to this another 234 million agricultural workers, or over 20% of India's population.

It is thus very clear that adequate provisions and laws must be in place to protect such a large group. However, India's policy makers will have to strike a fine balance between protecting farmers and encouraging industrial development.

Two major issues have been the source of farmer agitation against land acquisition, and subsequently industrial development: a) compensation, be it in the form of a one-time payout and/or employment guarantees from industry, and b) the forcible acquisition of land from farmers with small land holdings, arguably in some cases by state government industrial corporations.

While the recently changing land acquisition policies and the new Bill is addressing the former, the forcible acquisition of farmers' lands also needs to be prevented.

To be fair, some states in India (Gujarat being a case in point) have done better than others. Still, a lot more is required if India wants to embark on a next wave of industrial development.

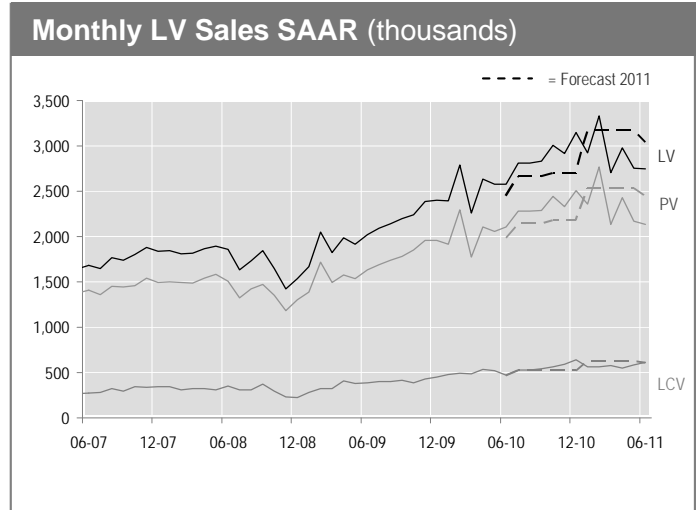
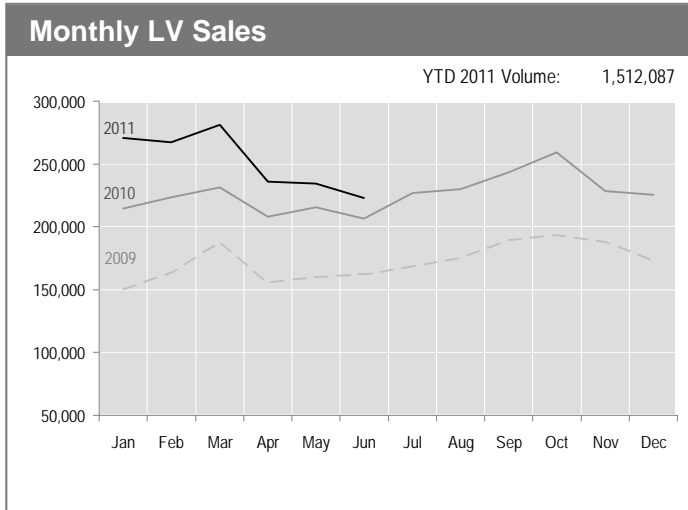
For the most part, the automotive industry has been insulated from massive farmer protests when it has sought expansion. And the agitation against Tata Motors in West Bengal was perhaps more politically driven.

Barring the slowdown of the past few months, India's automotive market is on a growth part over the long term. Already, manufacturers are suffering from capacity constraints and are looking to expand further, with some even scouting to set up new production facilities.

To be sure, the case of Tata Motors is going to make the industry tread more carefully in selecting locations for new manufacturing units. The acquisition of trouble-free land would possibly be the most important issue for automakers to take a decision on a new plant location.

Since any new plant requires large plots of land, the role of state governments will be critical to industrial development in India. Therefore, the gainers will be states that have sound land acquisition policies and are able to guarantee a fairly smooth and peaceful business environment.

Light Vehicle (LV) Demand	JUN	8%	YTD	16%
Passenger Vehicle (PV) Demand		2%		15%
Light Commercial Vehicle (LCV) Demand		33%		22%



J.D. Power Lowers India's 2011 Outlook

The slowdown in India's light vehicle market over the last three months, compounded by negative market sentiments, higher fuel prices and rising costs of finance, has urged us to lower our 2011 outlook.

We now forecast the total light vehicle market in India to expand by 12% year on year (yoy) to 3.05 million units, with passenger vehicles accounting for 2.44 million units (+12% yoy) and light commercial vehicles up to GVW 6 tons at more than 600,000 units (+14%).

In comparison, our previous sales outlook for India in 2011 was for a growth of 17% yoy to 3.16 million units. Passenger vehicle sales were projected to increase 16% yoy to 2.54 million units, while light commercial volumes were estimated to rise by 19% yoy to 630,000 units.

Sales have slowed down since April, with manufacturers posting lower sales in May and June as well when compared to January-March 2011.

In June, the industry registered light vehicle sales of 223,000 units – up by 8% versus June 2010. Passenger vehicle sales rose by a mere 2% yoy to 171,000 units, which indicate that higher inflation and rising costs of finance have convinced potential buyers to stay away. Meanwhile, commercial vehicle sales at 52,000 units were up 33% yoy over weak sales in June 2010.

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

Apart from macroeconomic factors, another reason for lower sales in recent months has been the lack of diesel models in the market. With petrol prices rising, buyers are opting for diesel powered models since diesel is subsidized more than petrol in India.

The sudden spurt in demand for diesel models has also left manufacturers scrambling to produce enough units of these vehicles. Vehicle makers such as Maruti Suzuki and Ford, both of whom produce diesel engines in India, are ramping up capacity to meet the growing demand.

Other manufacturers such as General Motors too are expanding their lineup of diesel models. In July, GM launched the much awaited diesel version of its Beat, powered by a 1.0L diesel engine that is also built in India.

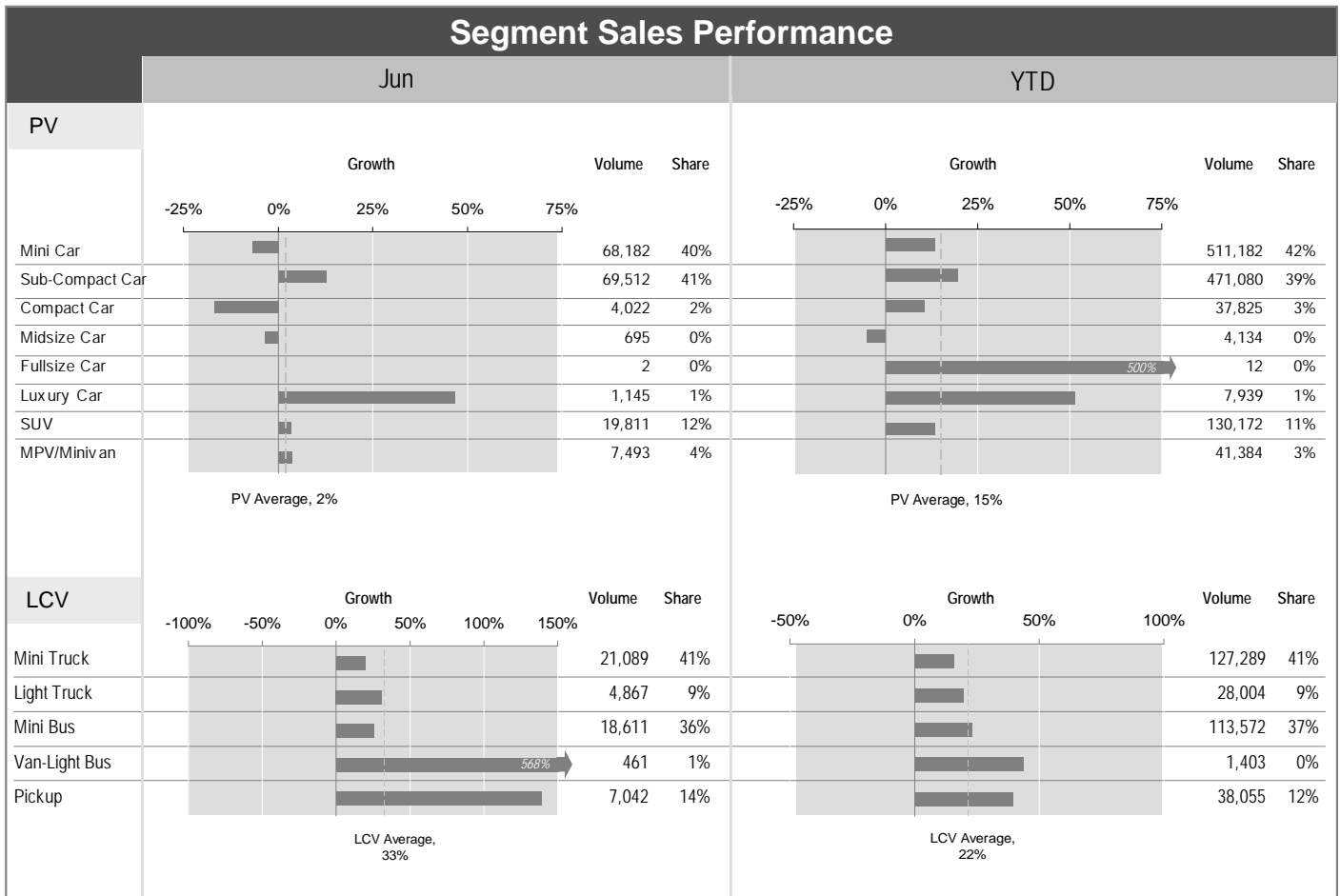
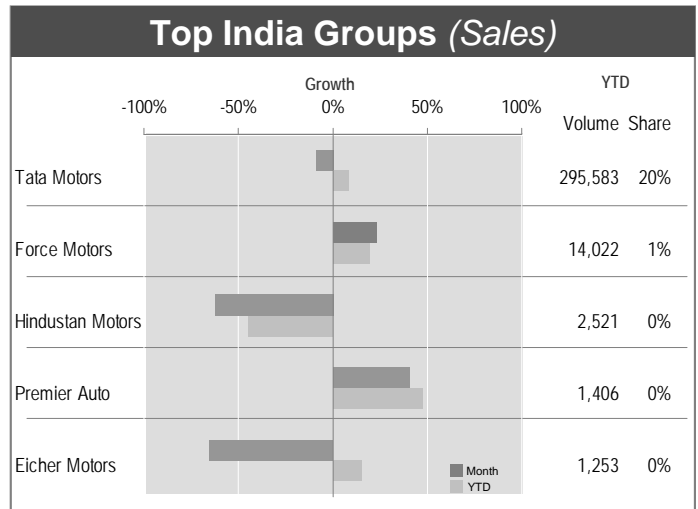
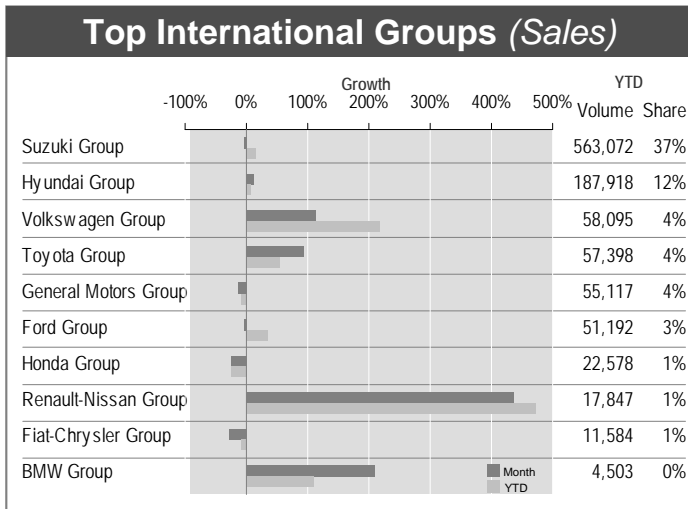
We expect the supply situation to improve within the next few months, and thus believe that sales are likely to start improving by September. The start of the festival season, during which time buyers in India consider an auspicious time to purchase vehicles and are influenced by massive discounts, is also likely to boost sales towards the end of the year.

We continue to be bullish over the long term prospects of India's light vehicle market. A growing population, rising income levels and low vehicle penetration rate means there is room for much expansion of the market.

As highlighted by J.D. Power's 'India Automotive 2020: The Next Giant from Asia' report, we believe that India will move up from its current No. 6 spot to become the world's third largest light vehicle market by 2020.

Market Top Lines						
	Jun	Growth	YTD	Growth	2011f	Growth
Sales	254,525	8%	1,698,892	15%		
PV	170,872	2%	1,203,764	15%	2,442,048	12%
LCV	52,070	33%	308,323	22%	603,132	14%
M&H CV	31,583	7%	186,805	7%		
Production	303,609	0%	2,057,386	20%		
PV	219,882	10%	1,520,030	20%	3,047,071	15%
LCV	50,555	16%	335,658	22%	653,424	12%
M&H CV	33,172	8%	201,698	12%		

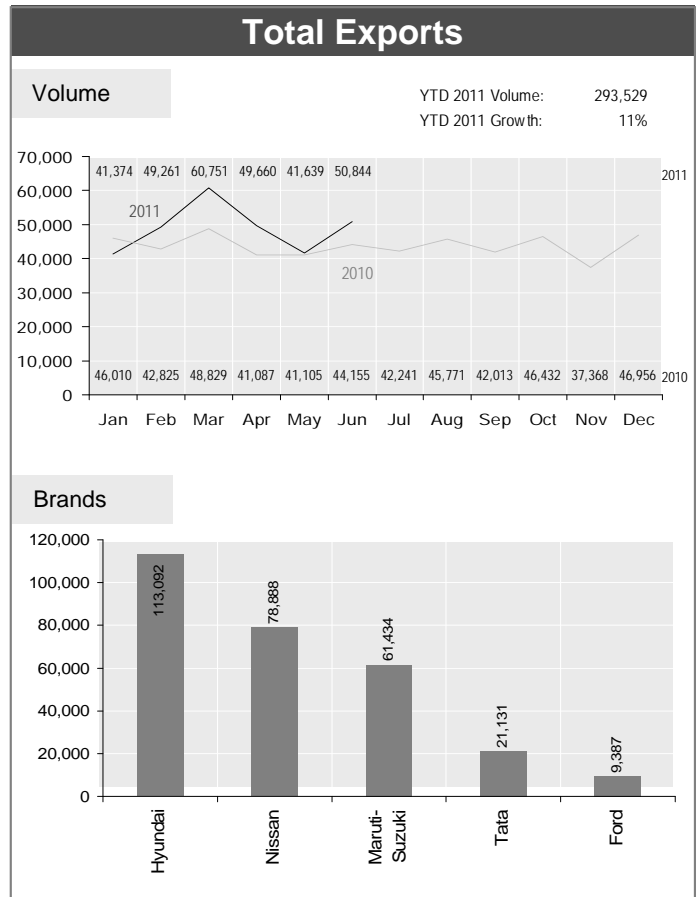
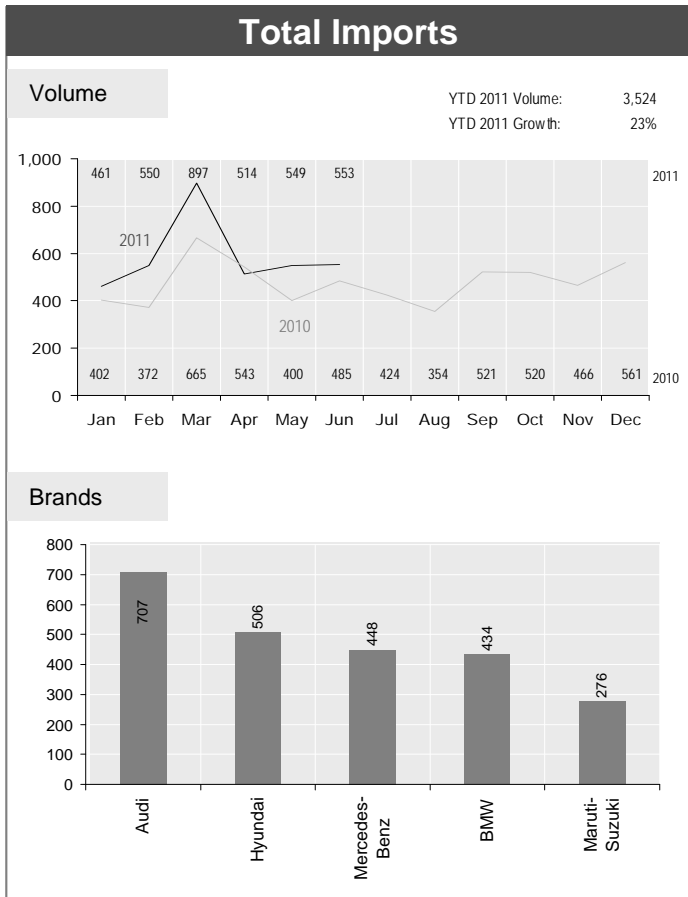
Best Selling Models						
	Jun	Growth	Share	YTD	Growth	Share
PV						
Maruti-Suzuki Alto	23,240	16%	13.6%	178,293	45%	14.8%
Hyundai i10	10,969	-12%	6.4%	80,936	-1%	6.7%
Maruti-Suzuki Wagon R	12,215	34%	7.1%	80,382	16%	6.7%
LCV						
Tata Ace	12,907	7%	7.6%	90,997	24%	7.6%
Maruti-Suzuki Omni	6,683	13%	3.9%	47,216	5%	3.9%
Maruti-Suzuki Eeco	5,499	38%	3.2%	35,430	67%	2.9%



Top Brands (Sales)						
	#	Brand	Jun	Growth	YTD	Growth
Passenger Vehicle	1	Maruti-Suzuki	57,838	-8%	480,426	14%
	2	Hyundai	30,402	11%	187,918	7%
	3	Tata	21,597	-22%	152,815	0%
	4	Mahindra	16,041	26%	98,158	22%
	5	Toyota	12,034	95%	57,398	55%
	6	Chevrolet	8,187	-14%	55,117	-8%
	7	Ford	7,023	-3%	51,192	35%
	8	Volkswagen	5,397	166%	39,340	454%
	9	Honda	3,455	-25%	22,578	-26%
	10	Skoda	2,611	59%	16,163	65%
	11	Fiat	1,506	-30%	11,584	-10%
	12	Nissan	1,630	2017%	10,462	2864%
	13	BMW	887	210%	4,503	110%
	14	Force	274	-59%	3,995	4%
	15	Mercedes-Benz	566	47%	3,603	51%
	16	Audi	356	44%	2,592	88%
	17	Hindustan	250	-62%	2,411	-44%
	18	Premier	244	41%	1,406	48%
	19	Mitsubishi	163	-31%	1,255	-13%
	20	Renault	290	N/A	290	N/A
Commercial Vehicle	1	Tata	21,583	10%	142,472	19%
	2	Maruti-Suzuki	12,182	23%	82,646	25%
	3	Mahindra	12,076	65%	63,547	19%
	4	Force	2,181	66%	10,027	27%
	5	Piaggio	3,980	399%	8,268	54%
	6	Eicher	60	-66%	1,253	15%
	7	Hindustan	8	-77%	110	-56%
	8					
	9					
	10					

Top Manufacturers (Production)						
	#	Manufacturer	Jun	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%
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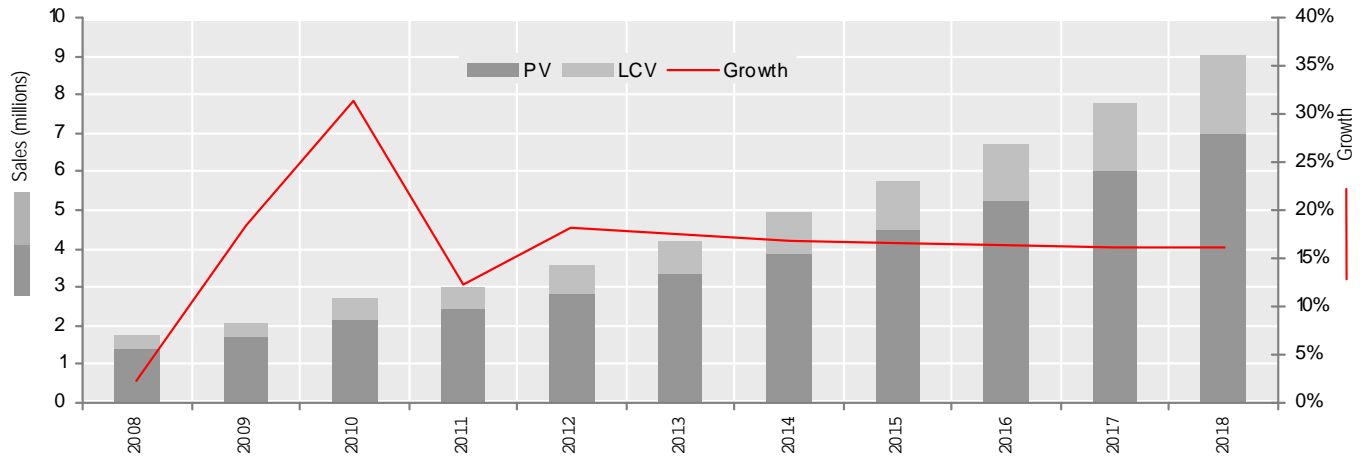
Executive Summary



India Outlook

India Light Vehicle Sales Outlook

- J.D. Power lowers India's 2011 outlook to 3.05 million units, an increase of 12% yoy over sales in 2010. Passenger vehicle volumes are projected at 2.44 million units, and light commercial vehicles up to GVW 6 tons at over 600,000 units.
- A growing population, rising income levels and low vehicle penetration rate are factors we believe will influence the steady rise of India as the third largest light vehicle market by 2020.



Factors Driving Market Outlook

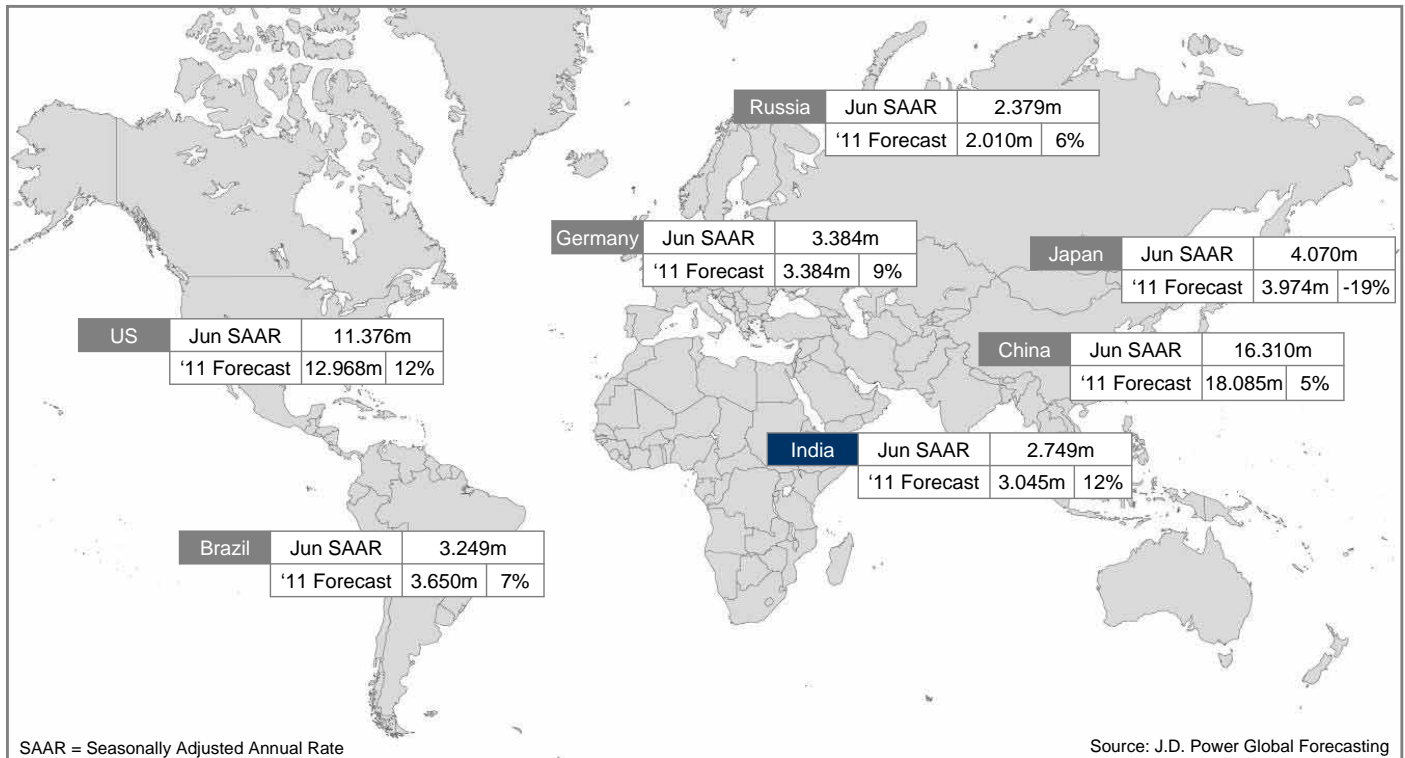
		2010	2011	Beyond 2011
Economy	GDP Growth (% chg)	8.6%	7.9%	Improving to 8.9% through 2013, then declining
	Private Consumption (% chg)	6.9%	8.5%	Rising to 9.2% through 2012, then declining
	Government Consumption (% chg)	4.1%	10.6%	Declining to 5.4% in 2012, then rising
	Exports (% chg)	14.6%	10.0%	Growing 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

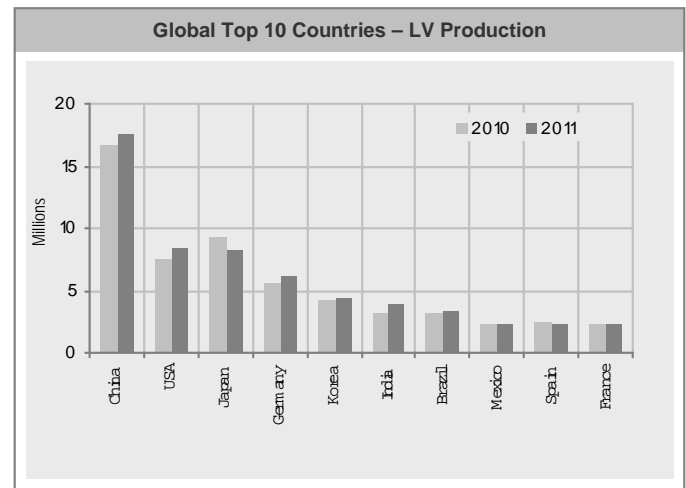
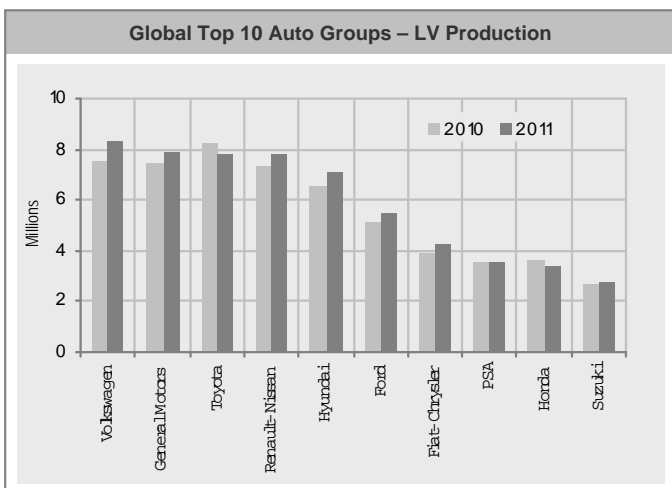
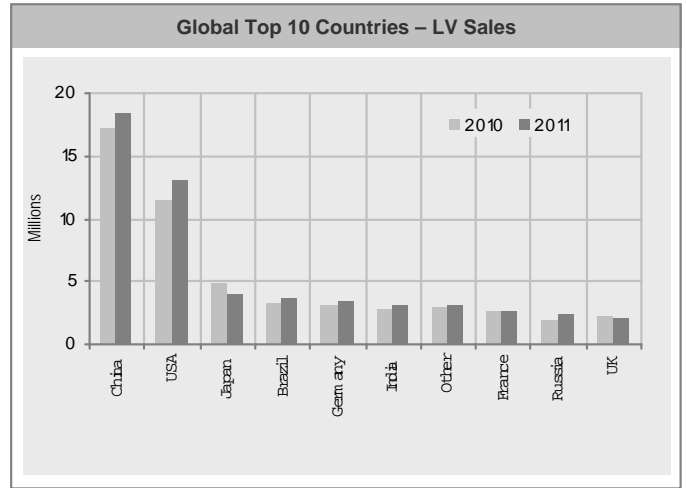
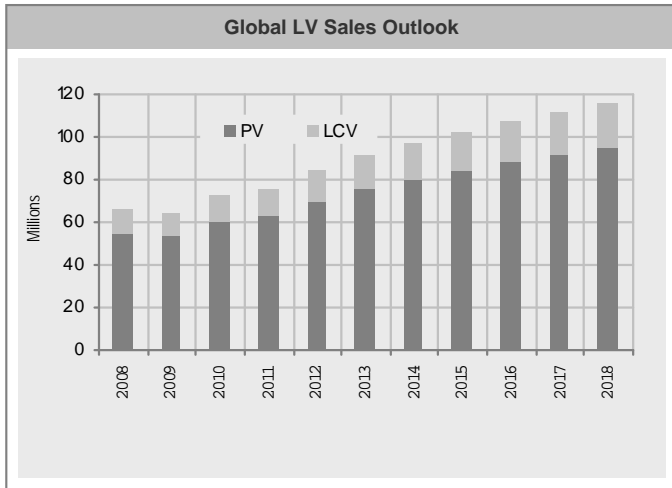
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Global Perspective

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

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