

J.D. POWER
ASIA PACIFIC



**India Automotive Monthly
Executive Summary**

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On India



Darius Lam
Senior Market Analyst
J.D. Power and Associates

Ashok Leyland takes on light truck market with Nissan

The rapid growth of the Indian economy over the past few years has led to an exponential increase in demand for light trucks. This is particularly true for mini trucks like the Tata Ace, which practically created the mini truck segment when it was launched a few years ago. During 2010, sales of light trucks increase by over 39% to 529,000 units. Of these, mini trucks contributed 156,000 units, an increase of 57%.

During 2011, we forecast that light truck sales would grow to 630,000 units, an increase of 19% over 2010. Of these sales, mini trucks would make up 203,000 units, an increase of 30% over 2010. The main reason for this spurt in demand is the move towards the hub and spoke model.

This is a massive structural change that is taking place within the industry. Earlier medium trucks weighing 12-16 tons moved goods to their final destination. However as the Indian highway network improves, demand has moved towards heavier and lighter trucks.

The launch of new heavy truck models also spurred demand among fleet owners. These larger trucks also offered lower operating costs. However these models, which weigh upward of 25 tons, could not enter urban areas due to new laws designed to lower traffic congestion and pollution levels.

Consequently, there was a need for mini trucks which provided the so called 'last mile solution' in the hub and spoke model. These models like the Ace weigh around one tonne and are used to move goods from the outskirts of cities and towns into the center, for final consumption.

Lured by this huge growth, India's second largest commercial vehicle manufacturer Ashok Leyland has just made its debut in the mini truck segment with the Dost. The Dost, which means Friend in Hindi, is a 1.25 tonne mini truck that Leyland jointly developed with Japanese partner Nissan.

During its development, Leyland was tasked with implementing Nissan's technology, quality and design inputs, while keeping costs down, using the frugal engineering approach pioneered by the Tata Nano.

Since the Dost was developed entirely in India, the partners have also been able to ensure 100% localization from day one. This would ensure the Dost is competitively priced, with exact pricing expected to be announced shortly.

Ashok Leyland and Nissan entered into a 50:50 joint venture agreement back in October 2007. This JV covered vehicles, powertrains and technology development. The use of existing manufacturing plants in the initial stage, will allow the companies to halve the original investment plan of USD 460 million.

The Dost is just the beginning, with the partners planning to launch two more truck models within the next two years. While the Dost will be sold under the Leyland brand, the next model would be branded as Nissan.

With this strategy the companies aim to appeal to a wider spectrum of increasingly sophisticated Indian truck buyers. In fact, the profile of these mini truck buyers is very different from those purchasing medium and heavy trucks.

Heavy trucks are usually bought by fleet owners, who already have hundreds of trucks. They are also becoming increasingly corporate and professional in their manner of operation. Light trucks on the other hand are the first truck bought by entrepreneurs.

The plan is to develop three distinct commercial vehicle platforms which would allow for the development of a range of light trucks up to 7.5 tonnes. The companies would also develop and make a range of engines for these models that would comply with Euro III and Euro IV emission standards.

The Dost would be made at Ashok Leyland's existing 150,000 units per annum plant at Hosur in south India. In the second phase, the partners plan to build an entirely new facility for which they have already been allocated land in the southern state of Tamil Nadu.

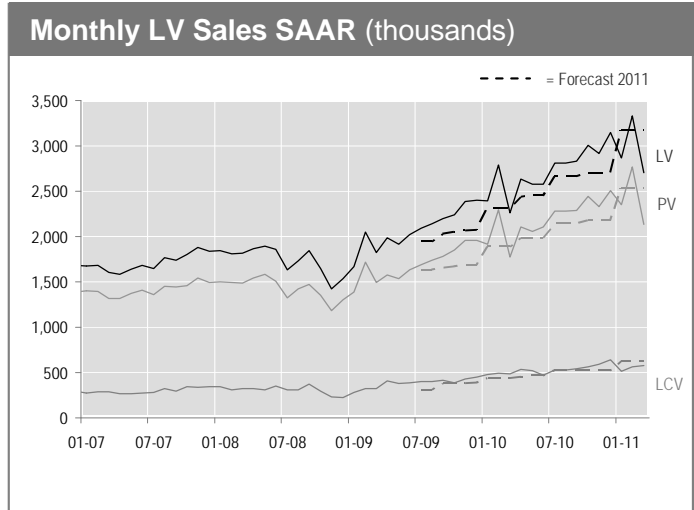
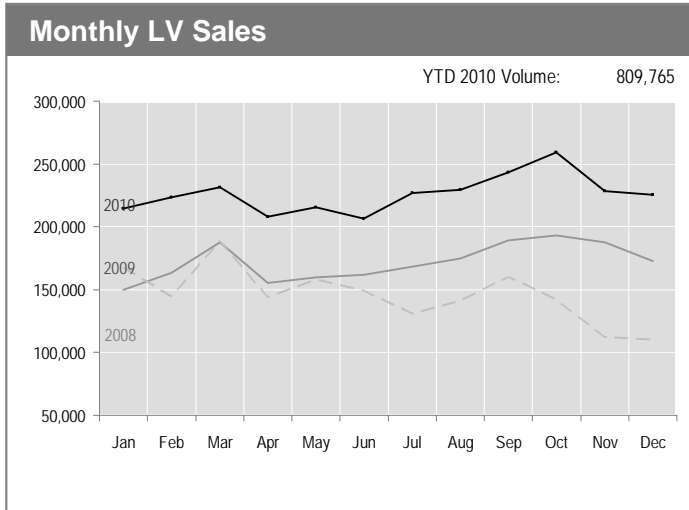
The two companies plan to sell the Dost through 25 new dealerships that are being set up across the country during the first year. Customer deliveries are set to begin from mid 2011 and Leyland is keen to develop a strong rapport with its light truck customers which it believes require more personal attention compared to fleet buyers.

Leyland and Nissan has been smart enough not to take on the dominant Tata Ace directly, with the 1.25 tonne Dost being positioned just above the sub one tonne Ace.

Several competitors including Mahindra, Force and Piaggio have tried unsuccessfully to eat into the Ace' volumes. However the Ace continues to remain the undisputed segment leader by a significant margin.

The reason for its dominance is the huge strength of the Tata brand coupled with the reliability and low running costs of the Ace. However the Leyland Dost will compete against the larger Super Ace model that Tata is expected to launch in the near future.

Light Vehicle (LV) Demand	MAR	22%	YTD	21%
Passenger Vehicle (PV) Demand		22%		23%
Light Commercial Vehicle (LCV) Demand		19%		14%



March 2011 light vehicle sales at monthly high

Sales of light vehicle reached an all-time monthly high of 281,000 units during March 2011, as overall economic growth and continued consumer confidence lead to greater demand for vehicles. These sales represented a growth of 22% over the same month in the previous year.

March sales also represented the third straight month of record highs, after sales of 267,000 units in February 2011 and 261,000 units in January 2011. Volumes during March are usually given a boost since it represents the end of the fiscal year in India.

Due to this many corporate buyers prefer to purchase vehicles during March, as they are able to claim depreciation, which in turn lowers their tax liability. Also the vehicle manufacturers themselves push sales in order to meet their fiscal sales targets during March.

Passenger vehicle sales touched 226,000 units in March, compared to 217,000 units in the previous month thanks to continued demand for new models. However, the best selling Maruti Alto extended its lead over the competition, selling a record breaking 38,000 units during the month.

Light commercial vehicle sales reached 56,000 units during March 2011, which was a growth of 19% over the same time last year. Increased movement of goods and improvements to the road network, particularly in semi urban and rural areas is driving this growth.

Ashok Leyland-Nissan recently made their debut in the mini truck segment with the Dost model. This 1.25 tonne vehicle would be positioned just above the top-selling Tata Ace, and was developed entirely in India. Pricing is expected to be very competitive, when it is announced in the next few weeks.

One other factor driving up sales during March 2011 was the anticipation of price hikes that several manufacturers said they would make during April. As a result buyers preferred to purchase their vehicles during March. During April, several leading manufacturers did raise their prices by 2% to 4%.

The main reason for these increases in April were the continued increase in prices of commodities like steel, rubber and aluminum, which are currently trading near their highs. This has put huge pressure on OEM margins and forced them to implement the price hikes.

Other emerging concerns for the Indian light vehicle industry include rising interest rates, higher fuel prices and an overall increase in the level of inflation across the country. All these factors could lead to some buyers postponing their purchases during the next few months.

In spite of these issues we firmly believe that the Indian market is all set for another record year in 2011. Our light vehicle forecast for 2011 stands at 3.16 million units, which is an increase of 17% over the previous year.

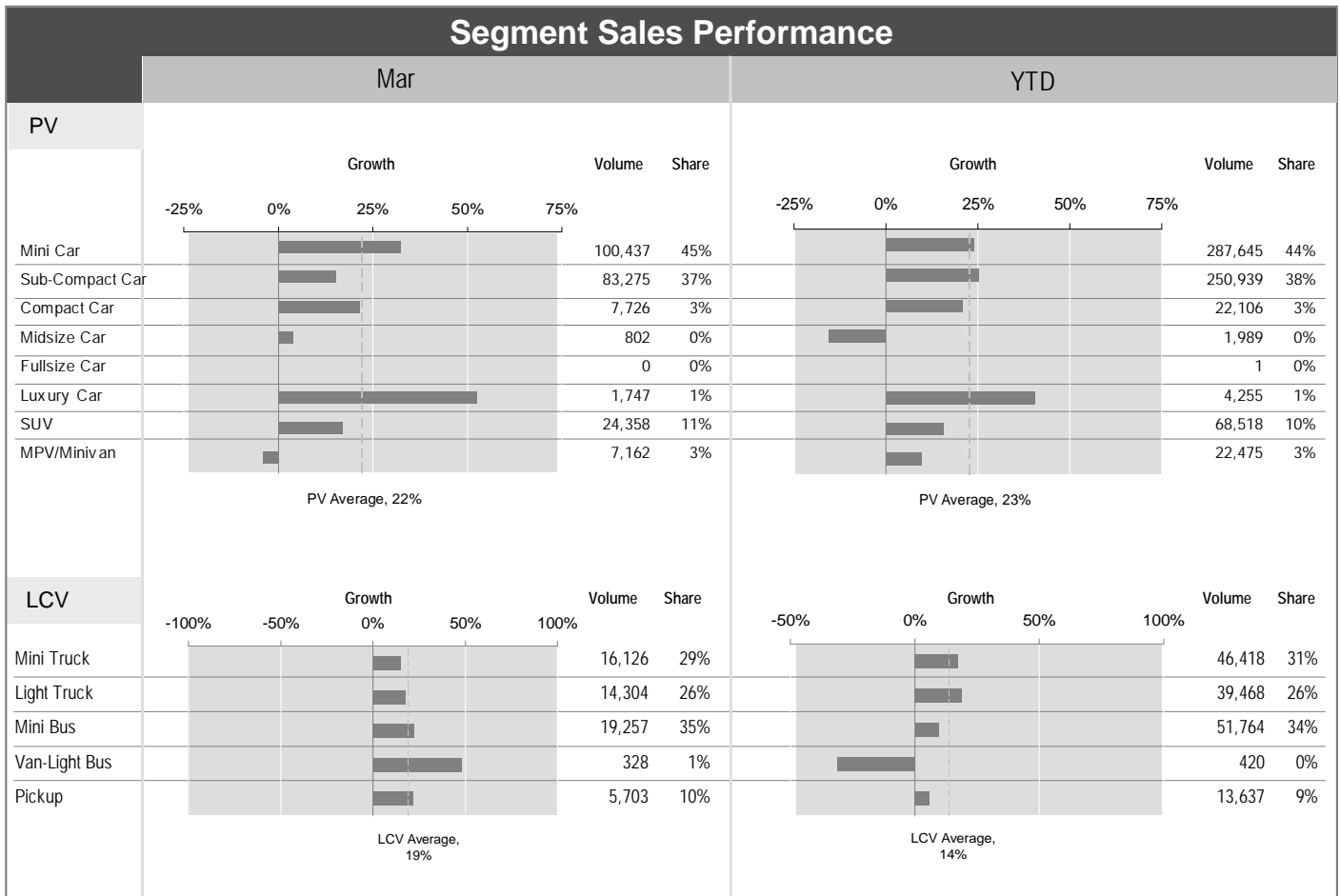
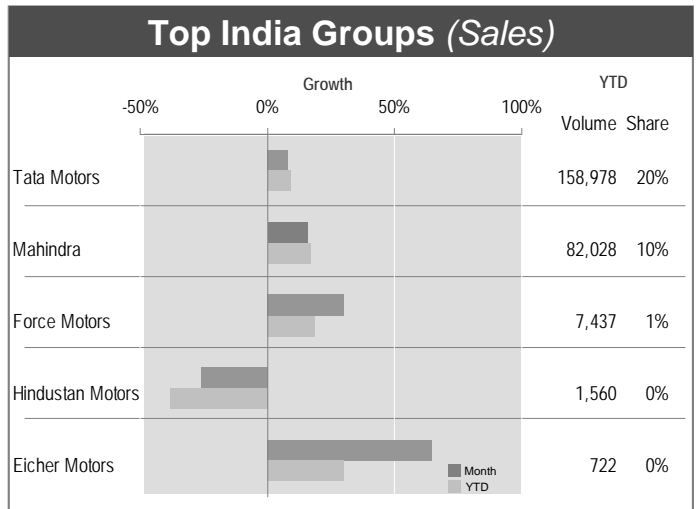
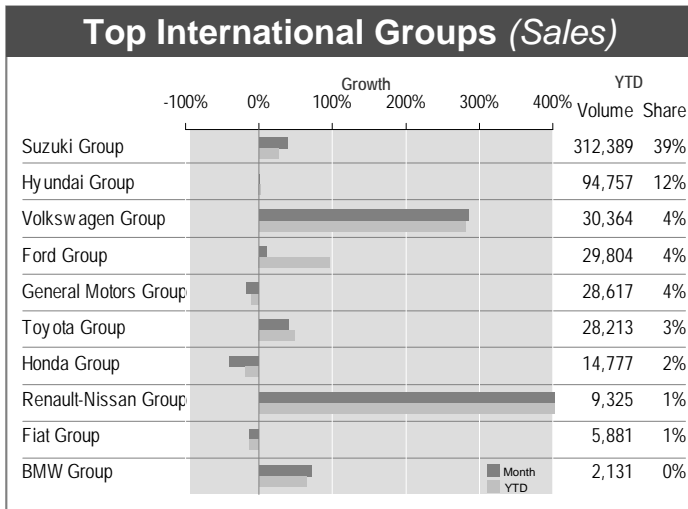
Passenger vehicle sales should increase to 2.53 million units in 2011, a growth of over 16% compared to 2010. Meanwhile, we expect that sales of light commercial vehicle would grow to 630,000 units, up 19% compared to 2010.

On a seasonally adjusted annualized rate basis, the selling rate in March 2011 was 2.70 million, which is somewhat lower than the February 2011 SAAR of 3.33 million units.

According to our SAAR for March 2011, the selling rate for passenger vehicles was 2.13 million units, while for commercial vehicles it was 576,000 units.

Market Top Lines						
	Mar	Growth	YTD	Growth	2011f	Growth
Sales	324,206	21%	914,368	20%		
PV	225,510	22%	657,947	23%	2,536,904	16%
LCV	55,719	19%	151,706	14%	630,102	19%
M&H CV	42,977	16%	104,715	11%		
Production	394,387	0%	1,088,556	24%		
PV	292,646	29%	808,225	26%	3,107,887	17%
LCV	61,568	19%	173,404	19%	678,366	16%
M&H CV	40,173	9%	106,927	14%		

Best Selling Models						
	Mar	Growth	Share	YTD	Growth	Share
PV						
Maruti-Suzuki Alto	38,065	132%	16.9%	104,198	79%	15.8%
Hyundai i10	14,215	-7%	6.3%	46,014	6%	7.0%
Maruti-Suzuki Wagon R	14,885	34%	6.6%	43,202	18%	6.6%
LCV						
Tata Ace	11,573	23%	5.1%	33,256	25%	5.1%
Maruti-Suzuki Omni	7,808	-3%	3.5%	23,623	-1%	3.6%
Mahindra Cabking/Loading	7,352	11%	3.3%	20,476	14%	3.1%



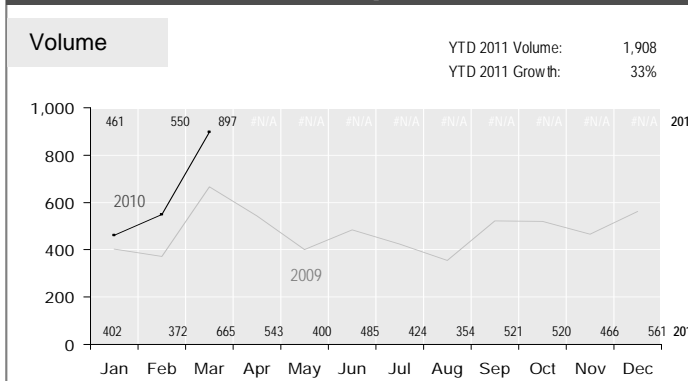
Top Brands (Sales)

	#	Brand	Mar	Growth	YTD	Growth
Passenger Vehicle	1	Maruti-Suzuki	96,008	40%	270,492	27%
	2	Hyundai	31,822	1%	94,757	3%
	3	Tata	27,431	-1%	89,095	10%
	4	Mahindra	17,319	21%	49,966	20%
	5	Ford	10,485	11%	29,804	97%
	6	Chevrolet	9,365	-17%	28,617	-10%
	7	Toyota	9,720	41%	28,213	49%
	8	Volkswagen	8,080	719%	20,758	1058%
	9	Honda	3,576	-40%	14,777	-19%
	10	Skoda	3,008	65%	8,345	51%
	11	Nissan	2,100	2260%	6,037	3390%
	12	Fiat	1,865	-14%	5,881	-12%
	13	Force	1,044	49%	2,717	39%
	14	BMW	1,017	72%	2,131	65%
	15	Mercedes-Benz	820	88%	1,949	54%
	16	Hindustan	768	-25%	1,509	-37%
	17	Audi	454	152%	1,261	94%
	18	Mitsubishi	294	-6%	723	8%
	19	Premier	249	71%	719	54%
	20	Volvo	61	N/A	128	357%
Commercial Vehicle	1	Tata	26,773	19%	69,815	8%
	2	Maruti-Suzuki	14,416	33%	41,897	29%
	3	Mahindra	11,539	8%	32,062	12%
	4	Force	1,930	22%	4,720	9%
	5	Piaggio	680	-27%	2,439	-15%
	6	Eicher	352	65%	722	30%
	7	Hindustan	28	-44%	51	-59%
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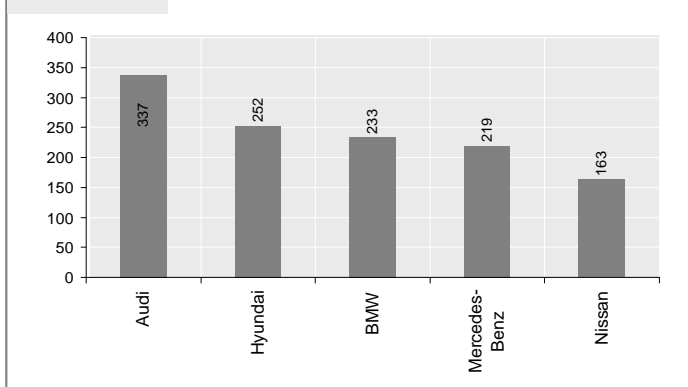
Top Manufacturers (Production)

	#	Manufacturer	Mar	Growth	YTD	Growth
Passenger Vehicle	1	Maruti Suzuki India	114,278	28%	317,775	18%
	2	Hyundai Group	58,979	10%	148,913	-4%
	3	Tata Motors	28,956	19%	87,736	29%
	4	Mahindra	17,439	16%	50,232	17%
	5	Ford Group	12,597	55%	33,197	125%
	6	Renault-Nissan Group	10,277	N/A	32,327	N/A
	7	General Motors Group	10,186	-10%	29,255	3%
	8	Toyota Kirloskar India	9,886	48%	27,141	43%
	9	Volkswagen Group	9,785	684%	26,199	1999%
	10	Tata-Fiat	7,608	29%	24,400	96%
	11	Honda SIEL Cars India	6,765	7%	16,646	-10%
	12	Skoda Auto	2,095	58%	5,011	21%
	13	Force Motors	1,161	64%	2,721	47%
	14	BMW Group	806	146%	2,231	202%
	15	Hindustan Motors	1,009	-21%	1,960	-36%
	16	Daimler Group	575	44%	1,745	58%
	17	Premier Auto	243	50%	735	41%
	18					
	19					
	20					
Commercial Vehicle	1	Mahindra	13,255	9%	35,814	9%
	2	Force Motors	1,885	21%	5,225	23%
	3	Piaggio	653	-28%	2,144	-25%
	4	Eicher Motors	358	90%	927	53%
	5	Hindustan Motors	16	-69%	16	-85%
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Total Imports



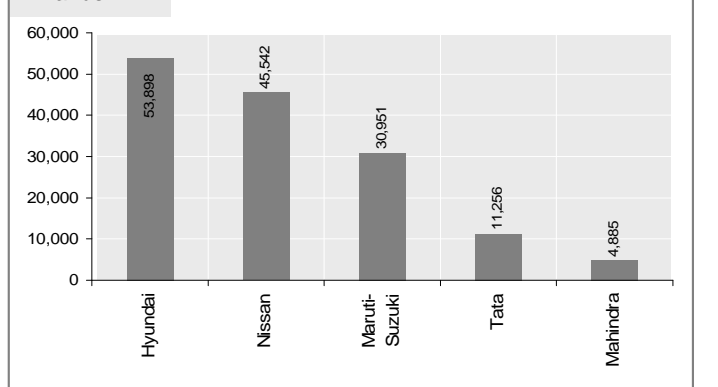
Brands



Total Exports



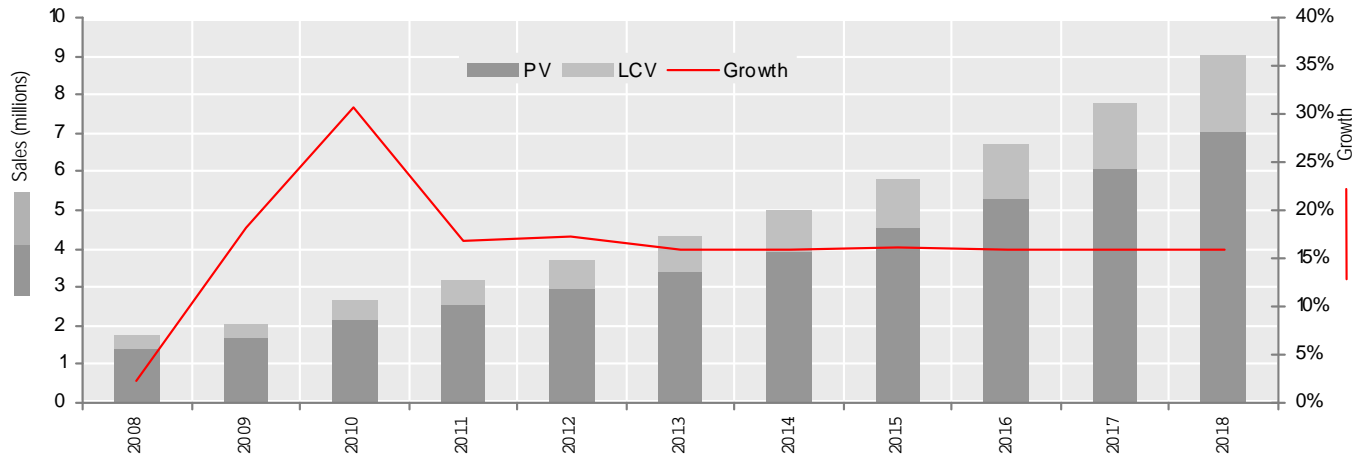
Brands



India Outlook

India Light Vehicle Sales Outlook

- Strong economic fundamentals including rising GDP growth and higher income levels, combined with the development of the road network, are likely to propel India's light vehicle sales to new highs during the next seven years.
- The recent launches of several new hatchback models like the Volkswagen Polo, Ford Figo and Nissan Micra, which are priced in the USD 10,000 range, should help to increase car sales over our forecast horizon.



Factors Driving Market Outlook

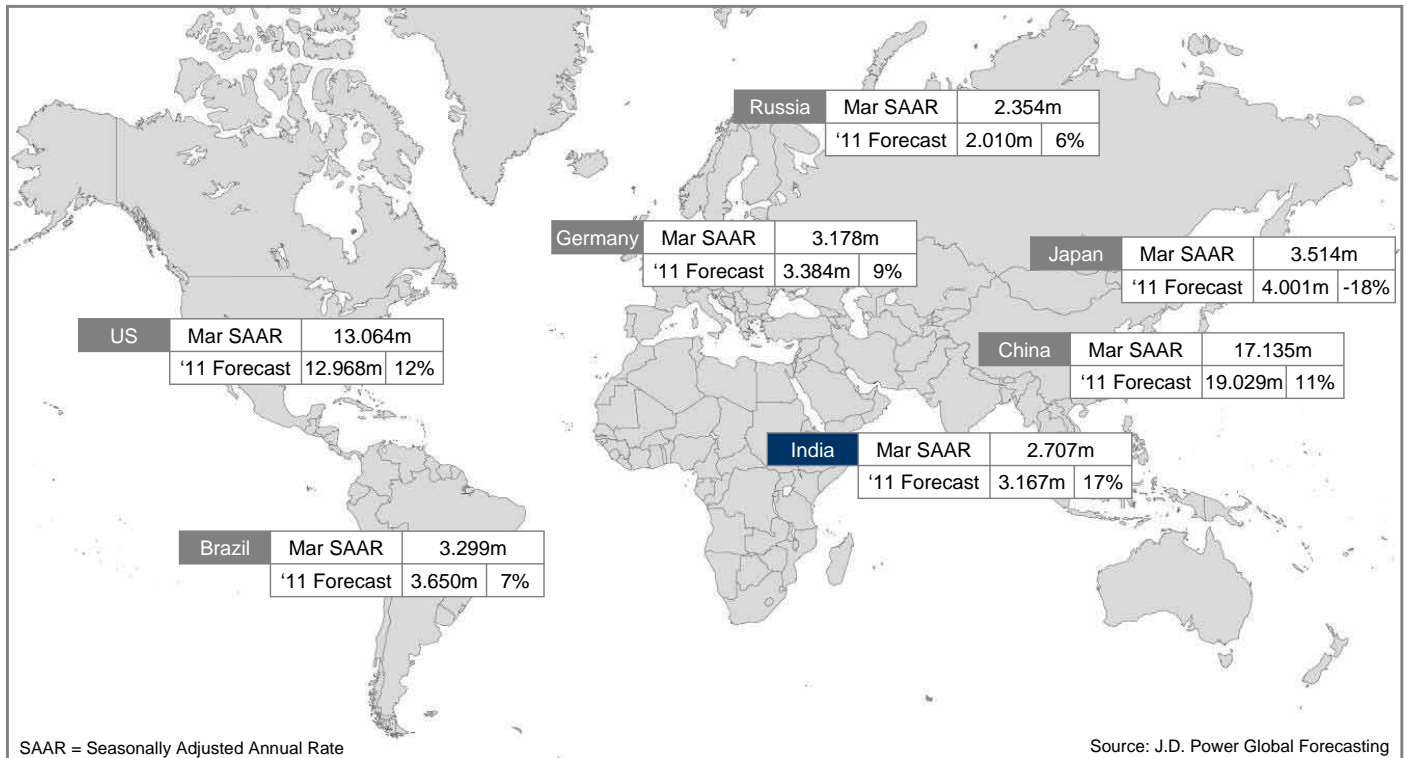
		2010	2011	Beyond 2011
Economy	GDP Growth (% chg)	8.6%	7.9%	Improving to 8.9% through 2013, then declining
	Private Consumption (% chg)	6.9%	8.5%	Rising to 9.2% through 2012, then declining
	Government Consumption (% chg)	4.1%	10.6%	Declining to 5.4% in 2012, then rising
	Exports (% chg)	14.6%	10.0%	Growing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

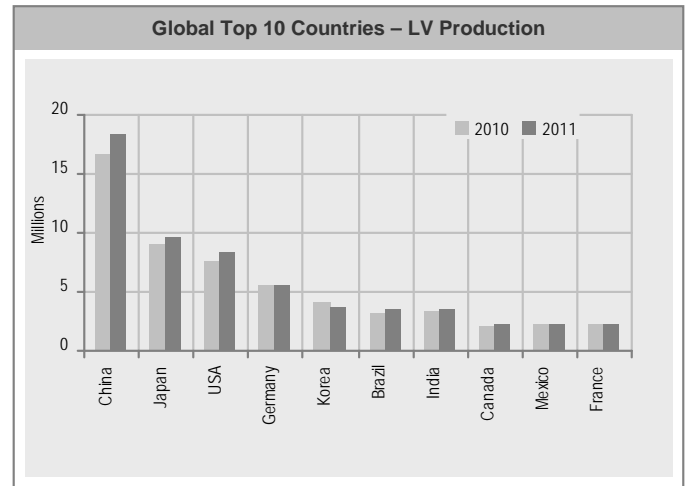
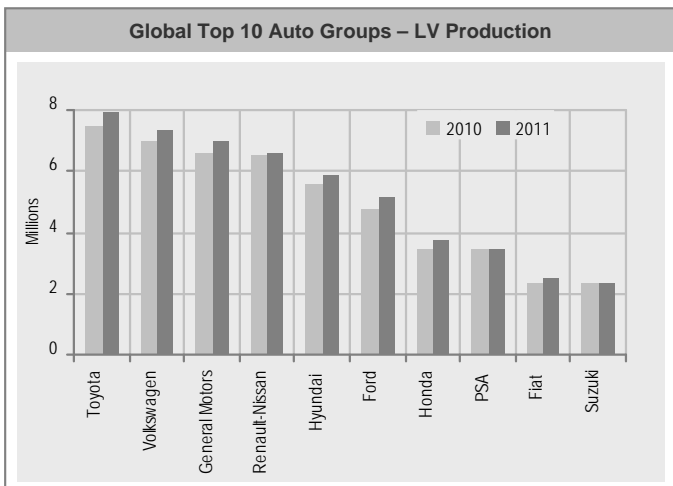
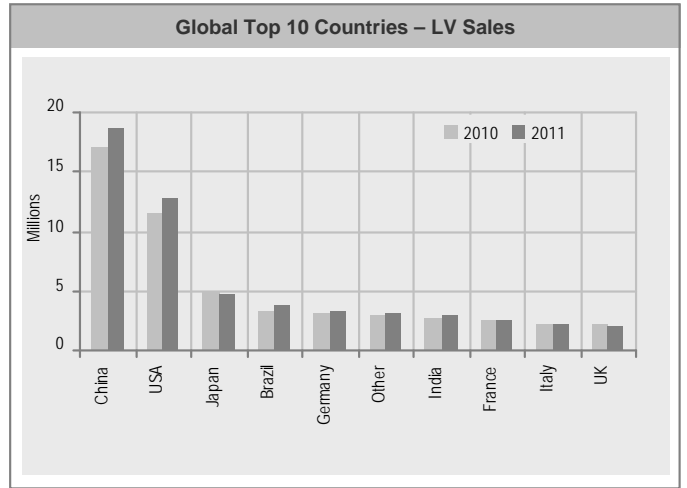
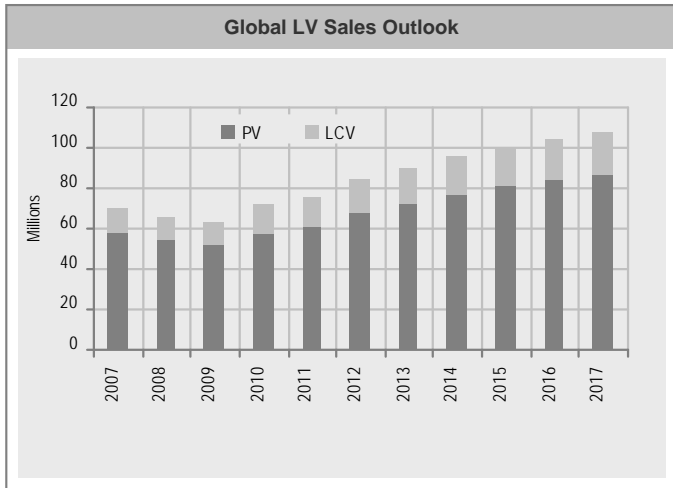
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Global Perspective

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@jdpower.com.sg
Sukanya Tunhau
sukanya_tunhau@jdpower.com.sg

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