

Automobiles Industry accelerates in FY18

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Overview

In March 2018, auto industry registered a sharp double-digit growth of over 19.3% y-o-y in overall sales vis-à-vis a 5.2% growth registered a year ago during the same period. However, sales growth remained restricted during the month on back of rising fuel prices and inflation along with hike in interest rates during the month.

The sales were driven by strong performance registered by commercial vehicles and two & three wheelers segments of the industry while passenger vehicles sales increased by about 5.5% during the month according to the latest numbers of the industry body SIAM.

Table 1: Category-wise sales growth rates - March (%)

Vehicle Category	Mar-17	Mar-18
Passenger Vehicles	11.0	5.5
Commercial Vehicles	6.7	24.0
Two & Three Wheelers	4.1	21.7
Total Automobiles	5.2	19.3
Tractors - Agri Machinery	22.4	50.7

Source: CMIE

In FY18, all categories have witnessed positive growth in the auto industry with total sales registering a sharp double-digit growth of about 14.5% y-o-y vis-à-vis a growth of 5.2% witnessed last year. Growth was supported by strong demand for commercial vehicles and two-& three wheelers. Passenger vehicles demand remained subdued during the year on back of implementation of Goods and services tax (GST) on July 1, 2018 followed by revisions in the rates during the year.

Table 2: Category-wise sales growth rates – FY (%)

Vehicle Category	FY17	FY18
Passenger Vehicles	10.6	6.0
Commercial Vehicles	4.2	15.9
Two & Three Wheelers	4.2	16.0
Total Automobiles	5.2	14.5
Tractors - Agri Machinery	15.7	20.5

Source: CMIE

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Table 3: Auto sales (March) (in Numbers)

	Passenger Vehicles	Growth rate (%)	Commercial Vehicles	Growth rate (%)	Two & Three Wheelers	Growth rate (%)
Mar-13	308,829	-	90,804	-	1,312,075	-
Mar-14	291,328	-5.7	72,982	-19.6	1,520,088	15.9
Mar-15	291,988	0.2	74,888	2.6	1,538,240	1.2
Mar-16	319,083	9.3	90,408	20.7	1,736,937	12.9
Mar-17	354,269	11.0	96,502	6.7	1,808,065	4.1
Mar-18	373,612	5.5	119,653	24.0	2,200,532	21.7

Source: CMIE

- **Passenger vehicles** registered over 5.5% growth on back of over 24% growth in the Vans and about 20% growth in Multi-Utility Vehicle (MUV) segment along with higher sales of new models of passenger cars.
- **Commercial vehicles** witnessed a sharp growth of 24% y-o-y during the month with Light Commercial Vehicles (LCVs) growing at a sharp 31% and Medium and Heavy Vehicles (M&HCVs) growing by about 16% during the month. Demand for CVs recovered on back of infrastructure development along with streamlining of logistics and e-commerce sectors post GST caused disruptions. M&HCVs demand got a push with restrictions on truck overloading in some states and high replacement buying during the month while LCVs sales improved on back of two consecutive good monsoon years along with higher disposable income in the hands of rural populace.
- In case of **Two & Three Wheelers**, passenger and goods carriers (three-wheelers) registered a sharp growth of over 85% during the month while the two wheelers sales increased by about 18.6% y-o-y.

Table 4: Auto Exports (March) (in Numbers)

	Passenger Vehicles	Growth rate (%)	Commercial Vehicles	Growth rate (%)	Two & Three Wheelers	Growth rate (%)
Mar-13	51,850		5,848		172,627	
Mar-14	53,267	2.7	8,881	51.9	206,743	19.8
Mar-15	47,593	-10.7	9,443	6.3	194,770	-5.8
Mar-16	62,141	30.6	10,543	11.6	195,563	0.4
Mar-17	71,571	15.2	9,244	-12.3	223,904	14.5
Mar-18	72,890	1.8	10,972	18.7	280,337	25.2

Source: CMIE

- Total exports increased in line with sales posting a strong double-digit growth of 19.5% in March 2018 vis-à-vis a growth of about 13.6% in the corresponding period last year. Two & three wheelers segment registered a sharp growth of over 25% in exports followed by commercial vehicles that witnessed a growth of 18.7% y-o-y in exports during the month. However, exports of Passenger Vehicles increased only marginally by about 1.8% y-o-y in March 2018.

Table 5: Auto Sales (April - March) (in Numbers)

	Passenger Vehicles	Growth rate (%)	Commercial Vehicles	Growth rate (%)	Two & Three Wheelers	Growth rate (%)
2013-14	3,099,650		709,901		17,724,255	
2014-15	3,222,577	4.0	701,887	-1.1	19,373,253	9.3
2015-16	3,442,595	6.8	788,828	12.4	19,881,376	2.6
2016-17	3,807,865	10.6	822,353	4.2	20,713,788	4.2
2017-18	4,036,857	6.0	953,320	15.9	24,023,692	16.0

Source: CMIE

Table 6: Tractor Sales & Exports (April - March) (in Numbers)

	Sales	Growth rate (%)	Exports	Growth rate (%)
2013-14	696,828		62,677	
2014-15	626,839	-10.0	75,376	20.3
2015-16	571,249	-8.9	77,485	2.8
2016-17	661,195	15.7	78,351	1.1
2017-18	796,873	20.5	85,395	9.0

Source: CMIE

- Tractor sales registered a sharp growth of over 20% during FY18 on back of near normal monsoon during the year along with improved farm activities.
- However, it is to be noted that the base for consideration last year (demonetisation caused disruption) was lower compared with that of the current year.
- Exports however, registered a sharp y-o-y growth of about 9% vis-à-vis a meagre 1.1% in FY17 on back of high demand from countries like USA, Nepal, Bangladesh, Netherlands, Mexico among various others.

CARE Ratings View:

- *Going forward in FY19, CARE Ratings expects the auto industry to continue witnessing healthy growth as the disruptions caused by various policy implementations (demonetization, ban on BS-III vehicles, GST, rate revisions) have almost moderated. Also, demand is expected to improve on back of various initiatives taken by the government in the Union Budget 2019 for the **Agriculture and Infrastructure sectors**.*
- Improved consumer sentiments post the **Seventh Pay Commission** by the Centre as well as **salary revisions** by States and **higher farm incomes** supported by **increased MSPs** for certain kharif crops in expected to further increase rural disposable income. This is expected to boost the demand for **passenger vehicles and two-wheelers especially motor cycles**.
- *The government has also recently (October 2017) approved one of the biggest highway construction projects in India - **Bharatmala** project, worth Rs 7 lakh crores to build approximately 83,000 kms of road by 2022 along with **improvement in construction and mining activities and higher demand from e-commerce and FMCG industries** is expected to give a fillip to the **commercial vehicles segment** going forward. Also, in order to take the polluting commercial vehicles (CVs) off road, the government may fix 20 years as the lifetime of the commercial vehicles. *The**

Vehicle scrapping policy is expected to come into force from April 1, 2020. This is expected to give further boost to CV sales in the country.

However, on the other hand, increase in commodity prices and frequent policy changes are the key concerns for the growth of the industry.

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