

Auto Newscast

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Auto sales continue to decline in March 2019, growth restricted to 6.5% y-o-y in FY19 on back of weak consumer sentiments

In March 2019, auto industry sales (including PVs, CVs and two & three wheelers) registered a y-o-y decline of about 11.6% in overall sales vis-à-vis a double-digit growth of over 18% registered a year ago. However, on a m-o-m basis, the decline has moderated marginally. The sales growth during the month was largely restricted on account of subdued demand for two & three wheelers and passenger vehicles that led to a decline in sales of about 14% and 3.5% y-o-y while sales of commercial vehicle segment remained largely stable during the month according to the latest data of the industry body SIAM. Overall exports witnessed a y-o-y growth of just about 4% in March 2019 vis-à-vis a double-digit growth of over 19.5% during the corresponding period of previous year on back of slowdown in the global economies.

Chart 1: Auto Sales (March) (in Numbers)

	Passenger Vehicles	Growth rate (%)	Commercial Vehicles	Growth rate (%)	Two & Three Wheelers	Growth rate (%)
Mar-15	291,988	0.2	74,888	2.6	1,560,380	-1.4
Mar-16	319,083	9.3	90,408	20.7	1,714,419	9.9
Mar-17	354,269	11.0	96,502	6.7	1,734,540	1.2
Mar-18	373,612	5.5	119,702	24.0	2,095,109	20.8
Mar-19	360,655	-3.5	119,522	-0.2	1,806,863	-13.8

Source: Companies, CMIE

- Passenger vehicles segment witnessed a decline of 3.5% y-o-y in sales during March 2019. While the Van segment sales registered a double-digit growth of 15.2%, Passenger cars segment and Multi-Utility Vehicles (MUV) segment sales declined by 6.2% and 1.1% y-o-y despite various new launches and promotional discounts by major players in the previous months, restricting the overall growth during the month. Quadricycles, with a very low base, however, grew sharply by over 300% y-o-y. Increased insurance cost, high ownership cost and interest costs along with the liquidity crunch in the market have had an impact keeping the buyers away from the automobiles during the month.
- Commercial vehicles sales remained largely stable during the month registering a decline of only about 0.2% during the month. While Light Commercial Vehicles (LCVs) sales witnessed a y-o-y growth of about 3.2%, Medium and Heavy Commercial Vehicles (M&HCVs) sales declined by 4.8% y-o-y.
- In case of Two & Three Wheelers, despite a growth of over 10.3% in sales of passenger and goods carriers (three-wheelers), a decline of about 15% in two wheelers sales led to a double digit decline in the overall segment sales. Demand remained under pressure on back of high interest rates and higher outlay in insurance cost that led to slower movement in the segment sales.

Table 2: Auto Exports (March) (in Numbers)

	Passenger Vehicles	Growth rate (%)	Commercial Vehicles	Growth rate (%)	Two & Three Wheelers	Growth rate (%)
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
Mar-19	68,502	-6.0	10,492	-4.4	299,920	7.0

Source: Companies, CMIE

- Total exports registered a marginal growth of about 4% y-o-y in March 2019. Passenger vehicles and commercial vehicles segment witnessed a decline of 6% and 4.4% respectively while two & three wheelers segment witnessed a lower growth of about 7% in exports during the month.

Table 3: Tractor sales & exports (April-February) (in Numbers)

	Sales	Growth rate (%)	Exports	Growth rate (%)
FY15	585,803	-8.9	68,160	10.8
FY16	526,212	-10.2	71,119	4.3
FY17	606,053	15.2	71,369	0.4
FY18	713,759	17.8	75,568	5.9
FY19	807,790	13.2	83,724	10.8

Source: Companies, CMIE

Table 4: Auto Sales & Exports – FY19 (in Numbers)

(Numbers)	Auto Sales			Auto Exports		
	FY18	FY19	Growth (%)	FY18	FY19	Growth (%)
A. Passenger vehicles	4,038,552	4,058,656	0.5	749,971	680,593	(9.3)
Passenger cars	2,754,177	2,732,461	(0.8)	580,153	513,912	(11.4)
Vans	194,131	221,455	14.1	1,896	4,029	112.5
MUVs	1,088,639	1,099,713	1.0	166,317	158,252	(4.8)
Quadricycles	1,605	5,027	213.2	1,605	4,400	174.1
B. Commercial vehicles	953,781	1,107,250	16.1	96,865	99,931	3.2
M&HCVs	384,874	439,414	14.2	44,093	48,674	10.4
LCVs	568,907	667,836	17.4	52,772	51,257	(2.9)
C. Two & Three Wheelers	24,031,820	25,730,931	7.1	3,196,005	3,848,530	20.4
Two-wheelers	23,015,120	24,462,231	6.3	2,815,003	3,280,841	16.5
Three-wheelers	1,016,700	1,268,700	24.8	381,002	567,689	49.0
Total (A+B+C)	29,024,153	30,896,837	6.5	4,042,841	4,629,054	14.5

Note: MUVs - Multi utility vehicles, M&HCVs – Medium & heavy commercial vehicles, LCVs – Light commercial vehicles

Source: CMIE

- In FY19, automobile industry witnessed a y-o-y lower sales growth of about 6.5% y-o-y (vis-à-vis 14.5% in FY18) **led by liquidity crunch, uneven monsoon, increased insurance cost, higher fuel costs and growing influence of shared mobility in the country while the exports grew by about 14.5% during FY19 vis-à-vis a growth of 16.1% in FY18**
- In terms of sales, the sharpest growth of over 16% was witnessed in commercial vehicle sales followed by a 7.1% growth in two & three wheelers. Passenger vehicles registered a meager growth of about 0.5% y-o-y in sales during the period.
- Two & three wheelers witnessed the sharpest growth of 20.4% in exports during the year followed by commercial vehicles that registered a growth of about 3.2% y-o-y.
- Exports of passenger vehicles, however, declined sharply by 9.3% y-o-y during FY19 led by decline in exports of passenger cars and MUVs. Overall exports witnessed a y-o-y subdued performance led by slowdown across many key foreign markets such as Mexico, South Africa, Peru and UK.

Major policies announced during FY19:

- Load carrying capacity of heavy vehicles (including trucks) raised by 20-25%
- The Insurance Regulatory and Development Authority of India (IRDAI) introduced two new sets of rules in October 2018 where the total outflow towards insurance has gone up in 2 ways –
 - upfront payment of insurance premium and
 - increase in compulsory personal accident cover for owner under motor insurance policies from Rs 2 lakh to Rs 15 lakh.
- FAME II scheme gets a Rs 10,000 crore clearance from the Union Cabinet

CARE Ratings View:

Table 5: Growth in sales

Vehicle Category	FY20*
Passenger Vehicles	4-6%
Commercial Vehicles	12-13%
Two & Three Wheelers	10-12%
Tractors	11-13%

*P – Projected

- In FY19, with a high base of FY18 post demonetization and GST and implementation of BS IV norms in April 2017, the auto industry witnessed a slower growth of about 6.5% in sales (including PVs, CVs and two & three wheelers) vis-à-vis a double-digit growth of 14.5% during FY18.
- Going forward in FY20, demand is expected to pick up with various **planned product launches** in the passenger vehicle segment along with **pre-buying** on account of BS VI emission norms to be implemented on April 1, 2020.
- Manufacturing cost is expected to increase by about 12-15% for passenger vehicles and about 15-20% for commercial vehicles to meet the new **BS VI emission norms along with the new safety norms**. However, the OEMs will not be able to pass on the total cost burden immediately on account of subdued market conditions.
- Also, demand is expected to remain muted during H1 FY20 with general elections to be held in the country during April – May 2019. Post this, the demand is expected to increase on back of various initiatives taken by the government for the Agriculture and Infrastructure sectors along with increased disposable income in the hands of rural populace. Also, festive season during FY20 is expected to comparatively better than in FY19.
- The pickup in construction and mining activities along with increased inter-state movement of goods with the streamlining of e-commerce and FMCG and **pre-buying of commercial vehicles** is expected to further boost demand for the segment. However, the recent policy revision by the government (increasing the load carrying capacity for heavy vehicles) could weigh on CVs demand and the high growth witnessed in FY19 could slightly moderate going forward.
- The government has announced to totally skip Bharat Stage (BS)-V norms and adopt BS-VI norms by April 2020 for cars for fighting pollution, poses a challenge to the domestic manufacturers. Many manufacturers have already started setting up plants for production of BS-VI complaint vehicles. However, the availability of auto components and higher grade fuel for these vehicles is of high concern as using BS-VI fuel in the current BS-IV engines or running BS-VI engines on the current-grade fuel, may be not be effective in curbing vehicular pollution, and may wreck the engine in the long run. Manufacturers are also setting up units for manufacturing electric vehicles (EVs) and many EVs are planned for launches (mostly in two & three wheelers segment) in the coming months during FY20.
- Over the past few months with the liquidity crisis in NBFCs and resultant slowdown in credit financing, disbursements for automobile

