

Auto Data Update for December and Year Ending 2016

11 January, 2017



Key Takeaways:

- The December domestic auto sales numbers seen the major decline of around 19%, YoY, lowest since last 16 years.
- Two Wheelers, Passenger Cars and Commercial Vehicles faced some downward pressure in the demand cycle by average 15-30 per cent individually.
- Year 2017 is expected to witness new launches across the segments.
- SIAM expects the demonetization effect will linger for short-term, however long-term prospect is strong.

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December Auto Sales Data (YoY% and MoM% change)

The effect of demonetization is clearly visible in the December month auto sales numbers. All major four-wheeler and two-wheeler companies total vehicle sales dipped in the month of December 2016. The low availability of cash challenged the new buying decision. Moreover, the two wheeler segment which mostly dealt in cash, has seen massive impact. The rural sales were very slow and remained under pressure.

In December 2016, Maruti Suzuki witnessed a negative auto sales numbers. The effect clearly came from the demonetization activity. While considering Maruti's MoM data, it was badly hit and also YoY basis it fell marginally by 1%. Followed by Hyundai, the December sales came down by 4.31%, YoY, but on MoM basis, it was up marginally by 0.10%. Eicher Motors came up with a very strong set of sales number during the month, growing by 43% on YoY. Eicher Motors November export number witnessed stellar YoY growth, Exports jumped 160 per cent in December to 1,082 units from 416 units reported for December 2015. However, Ashok Leyland delineated double digit growth of 135 on MoM basis, and negative growth on YoY basis. **(Exhibit 1)**

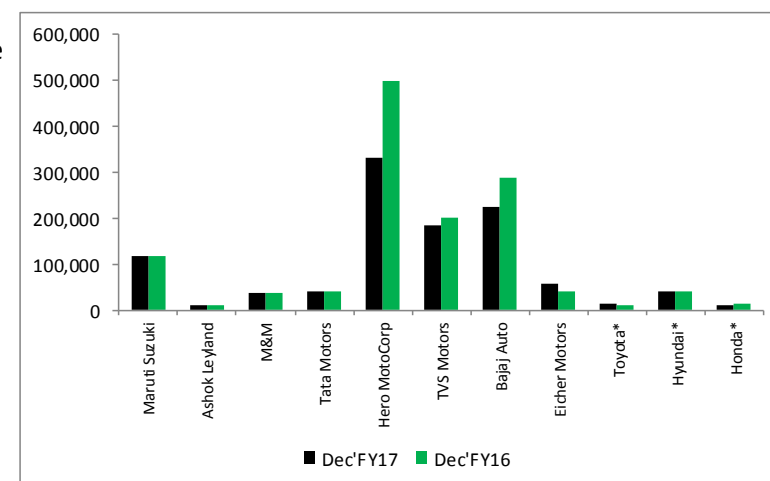
Mahindra & Mahindra also registered strong headwind in terms of its sales during the period. The demonetization effect has tightened the grip over the auto sales for the month of December 2016, and it is clearly visible that the MoM percentage changes were negative. Tata Motors, although faced strong pressure in the commercial vehicle segment, but passenger vehicle sales seen growth of 35%, YoY basis.

Considering segment-wise sales figure **(Exhibit 2)**, across the segment, it witnessed negative growth, with overall two-wheeler segment taken the major hit, in December 2016.

Exhibit 1: YoY sales and MoM sales data with % change

Companies	Dec'FY17	Dec'FY16	YOY Ch	Nov'FY17	MoM ch
Maruti Suzuki	117,908	119149	-1.04%	149143	-20.94%
Ashok Leyland	10,731	12154	-11.71%	9574	12.08%
M&M	36363	37915	-4.09%	46130	-21.17%
Tata Motors	40944	39973	2.43%	48648	-15.84%
Hero MotoCorp	330,202	499,665	-33.92%	479856	-31.19%
TVS Motors	184,901	202,021	-8.47%	224971	-17.81%
Bajaj Auto	225,529	289003	-21.96%	376765	-40.14%
Eicher Motors	58,480	40767	43.45%	57842	1.10%
Toyota*	12747	10442	22.07%	13167	-3.19%
Hyundai*	40057	41861	-4.31%	40016	0.10%
Honda*	10071	12379	-18.64%	8029	25.43%

Exhibit 2: December Sales - Segment Wise (in units)						
	Cars	PV	CV	Two-Wheeler	Scooter	Motorcycle
Sales	158,617	227,824	53,966	910,235	284,384	516,690
YoY % change	-8.14%	-1.36%	-5.06%	-22.04%	-26.38%	-22.50%



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The Year 2016 - At A Glance

The year 2016 was full of ups and downs. This year particularly has been a mixed bag with both moments of success and disappointment for automobiles industry. The first half of 2016 significantly was fruitful for automakers with sales volume notching up numbers nearly to double-digit growth. But as soon the demonetization effects came into picture in November 2016, the whole story changed thereafter, resulting into declined sales of cars and other vehicles.

The major decline came in the last two months of the year 2016 sales numbers, and with this the December sales plunged by 18% YoY in December 2016, the steepest fall in last 16 years. Automakers sold total 12,21,929 vehicle together in December 2016. The passengers vehicle, Passenger cars and multi purpose vehicle delineated a fall of 1.4%, 8.1% and 18.8%, on YoY basis. Whereas, utility vehicle registered a YoY growth of 30%, during December 2016. Commercial vehicles also witnesses negative growth of 5.1%, on YoY basis, during the same time.

Although looking at the prospect, various vehicle manufacturing companies came up with their new models and variants and launched around 50 cars in 2016.

Exhibit 3: Commercial Vehicle sales (January - December, 2016)

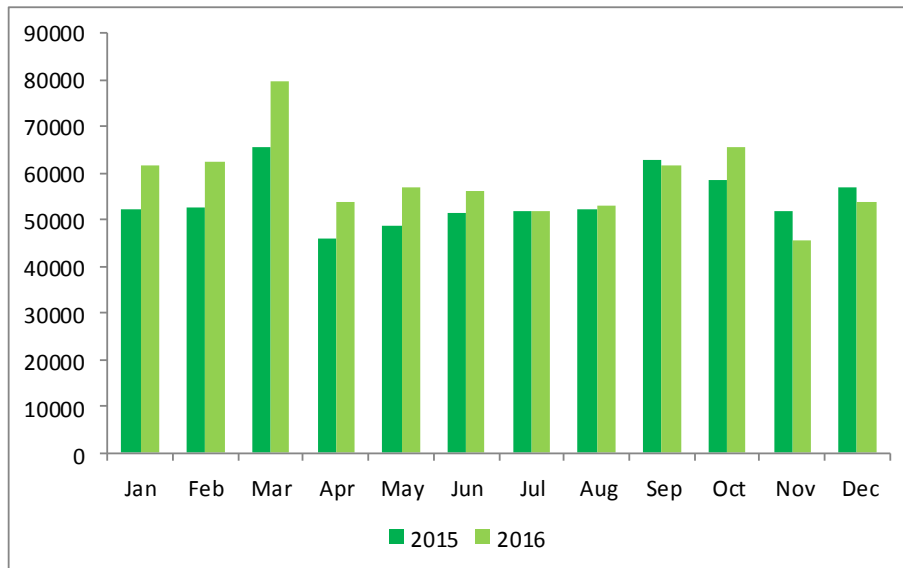
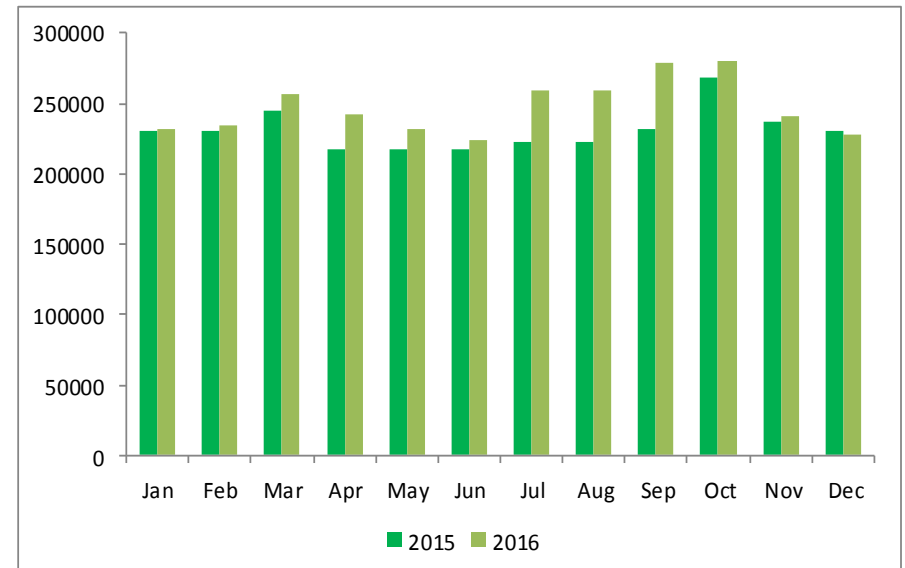


Exhibit 4: Passenger Vehicle sales (January - December, 2016)



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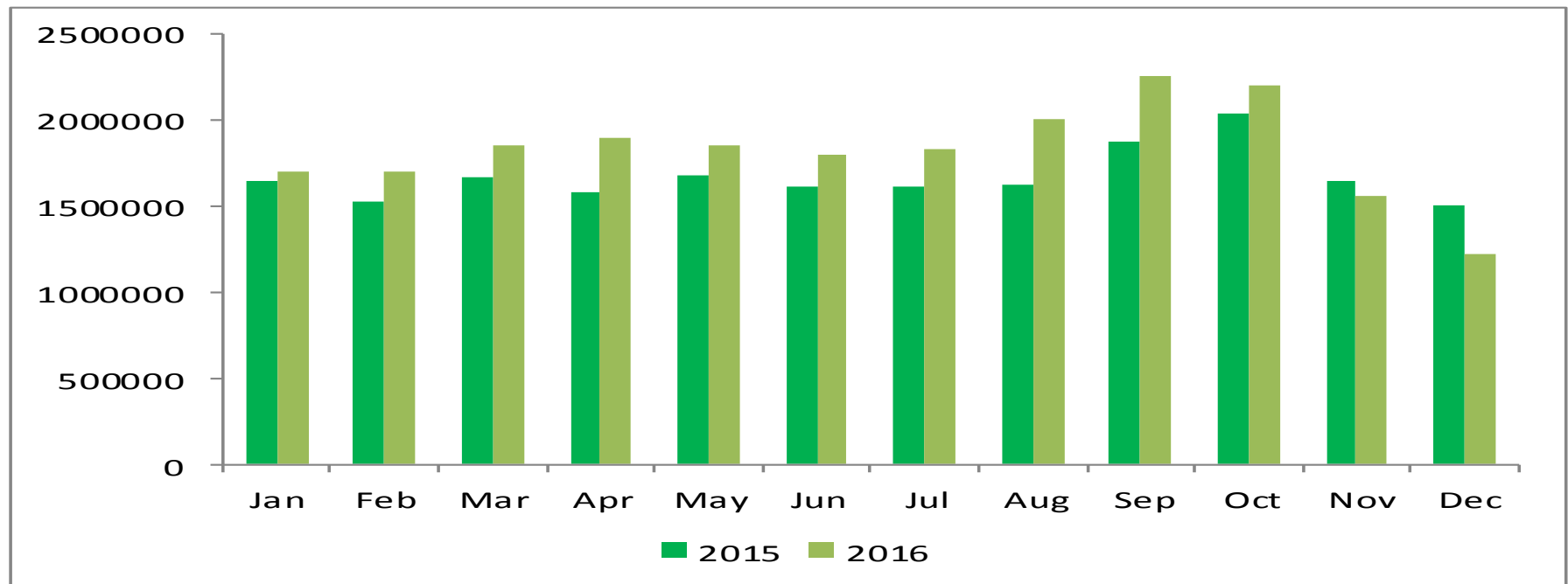
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Source: Bloomberg

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The total domestic automobile sales growth has seen some headwind after the announcement of demonetization activity by the Government of India. With this move, the consumption for discretionary and non-discretionary products took a backseat and touched its lower level. Every segment of domestic automobile sales including Two Wheelers, Passenger Cars and Commercial Vehicles faced some downward pressure in the demand cycle by average 15-30 per cent individually. The enquiries in the automobile showrooms in the country have seen less enquiries and delayed booking by at least three to six months, resulting into the significant decline in the sales number during the period between November and December, 2016. Although, the demonetization was expected as the short-term headwind, but the effect seems to linger for another 6 months to one year. The year-on-year two-wheeler sales for the month of December are down 40 percent in urban areas and 50-60 percent in rural parts of India. Bookings for two-wheelers is down about 25-30% and that for cars are down 10-15 per cent. The luxury segment, CV segment and tractor sales have also been hit badly.

Exhibit 5: Total Vehicle sales (January—December, 2016)



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Year 2017 - Outlook

- Despite the recent demonetization effect on the sector, the Indian automobile industry is expected to see some new launches of cars sequentially throughout the year 2017. Maruti Suzuki India is expected to launch new models including Ignis, Jimny, Swift Hybrid and Maruti Suzuki Vitara. Apart from these cars, there are other new launches also lined up in CY2017.
- Although, Tata Motors witnessed some downtrend in its car sales number on MoM basis in December 2016, the Company is also coming up with a few new launches including Tata Hexa, Tata Tiago Sport, Tata Kite5 and Tata Nexon among others, in CY2017. Mahindra & Mahindra also lining up with some new modified version under it's old brands and some new launches. M&M is planning to launch Mahindra Scorpio and Mahindra XUV in petrol version, Mahindra XUV Aero and Mahindra XUV Hybrid. These cars will debut the market in early and mid 2017.
- In two wheeler segment, India will see some latest models by Bajaj Auto and Hero MotoCorp, in CY2017. Bajaj is planning to launch its new model named Pulsar CS200, Pulsar 150NS, Pulsar 180NS and Baja Pulsar RS400. These launches are expected to hit the market through early CY2017 to mid CY2017. Whereas, Hero MotoCorp is coming up with Hero XF3R, Hero HX250R and Hero Extreme 200S among others.
- Although the rural India demand is doubted to be sluggish, but these new launches will create some buzz in the India automobile sector and can see some upward movement in the CY2017 and forward.

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