



Automobile Industry Slowdown

Automobile sales in India witnessed its sharpest decline in nearly 19 years in July, dropping 18.71 per cent, rendering almost 15,000 workers jobless over the past two-three months as the sector reels under a prolonged slump, auto industry body Society of Indian Automobile Manufacturers (SIAM) reported on Tuesday. As per data released by the Society of Indian Automobile Manufacturers (SIAM) the previous biggest decline across overall domestic automobile sales was recorded in December 2000 when it fell 21.81 per cent.

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

	Passenger Vehicles	Growth rate (%)	Commercial Vehicles	Growth rate (%)	Two & Three Wheelers	Growth rate (%)
Jul-15	282,314	10.7	60,809	10.5	1,621,449	0.7
Jul-16	321,783	14.0	62,058	2.1	1,755,195	8.2
Jul-17	364,488	13.3	65,587	5.7	1,964,776	11.9
Jul-18	355,533	-2.5	85,176	29.9	2,202,319	12.1
Jul-19	262,651	-26.1	62,660	-26.4	1,914,433	-13.1

Source: CMIE

Similarly, domestic PV sales also saw the biggest fall in nearly 19 years, slumping by 30.98 per cent in the same period a year ago. Previously, the worst decline was registered in December 2000, when wholesales had fallen 35.22 per cent. The fall in PV sales in July was also the ninth consecutive month of decline. SIAM said passenger car sales in July were also worst since December 2000 when the segment had declined by 39.86 per cent. Last month, domestic car sales were down 35.95 per cent in July 2018. Besides, total two-wheeler sales last month declined 16.82 per cent in the year-ago month. Commercial vehicle sales were down 25.71 per cent as compared to in July 2018.

In the PV segment, market leader Maruti Suzuki India posted a 36.71 per cent decline in its July sales at 96,478 units. Hyundai Motor India Ltd (HMIL) also witnessed 10.28 per cent decrease at 39,010 units, while Mahindra & Mahindra posted a fall of 14.74 per cent at 16,830 units during the month. In the two-wheeler category, Hero MotoCorp registered a 22.9 per cent drop in sales at 5,11,374 units, while rival Honda Motorcycle and Scooter India (HMSI) saw sales decline by 10.53 per cent to 4,55,036 units. Similarly, Chennai-based TVS Motor Co saw its sales slump by 15.72 per cent at 2,08,489 units in July.

This downwards spiral will eventually lead to major consequences if not curbed soon. But why, despite new launches, despite offering tax benefits to upcoming EVs and major discounts on the current inventory are the sales figures so abysmal? It is a tricky answer as there seems to be a variety of reasons that may have caused this downturn. Here's a look at some of the root causes:

- 1) Stricter Lending Guidelines by Banks and NBFC's
- 2) The BS6 emission norms Dilemma
- 3) The Rise of Ride-share Services such as Ola, Uber, etc.
- 4) India's Rushed Electric Vehicles Plan
- 5) Overcrowding of vehicles leading jams and traffics on roads.
- 6) Taxation polices.

Source: News18, CARE ratings, CMIE, Zigwheels

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-Charles Frump, Managing Director, Volvo Car India,

Announcements by the government will rejuvenate the economy through the flow of credit and revival of consumption. The government has clearly signaled full support to the automobile industry which is reeling under a prolonged slowdown for more than 12 months now. The decision to allow a higher depreciation on cars, interest rate cuts and BS4 vehicles to run their life of registration will boost demand for the industry. The speed with which the government has responded after meeting various representatives of the industry is also highly appreciable.

Rahil Ansari, Head, Audi India,-

We highly appreciate the approach of the Government and the support with regards to the automotive industry taken. Now it is up to the banks and NBFCs to deliver the trust and benefit given. We are confident that the ease of access on loans to consumers will also be improved by banks. Independent of this we have had and will continue to have strong in-house financing that customers can continuously rely on. Additionally, the clarity on BS-IV vehicles and decision to support all fuels will remove the confusion that customers are facing. We have always maintained that luxury is not a sin and are thus enthused by the government's focus on reviewing the Super Rich tax. This should improve customer sentiment specifically in the luxury industry.



-S S Kim, Managing Director and CEO, Hyundai Motor India Ltd,

We welcome the Government's measures to boost the economy and automobile sector in particular. We are optimistic that this move will boost the customer sentiment in the current market scenario and encourage customer acquisition of car in the coming festival season.

Rohit Suri, President & MD, Jaguar Land Rover India Limited -

While the increased depreciation from 15% to 30% and deferment of increased registration fees till June 2020 will have a positive impact, moderation of GST base rate from 28% to 18% for all categories as being requested by the auto industry for some time now would have been the real demand stimulant!.



- Vishnu Mathur, SIAM (Society of Indian Automobile Manufacturers) Director General

We are hoping that the government would soon come out with a revival package... However, it is still not clear what all elements would be included in it, We are saying that reduction in GST rate, even for a temporary time, would help in reviving the sales... The more the industry goes down, the more difficult it would become for it to come up.