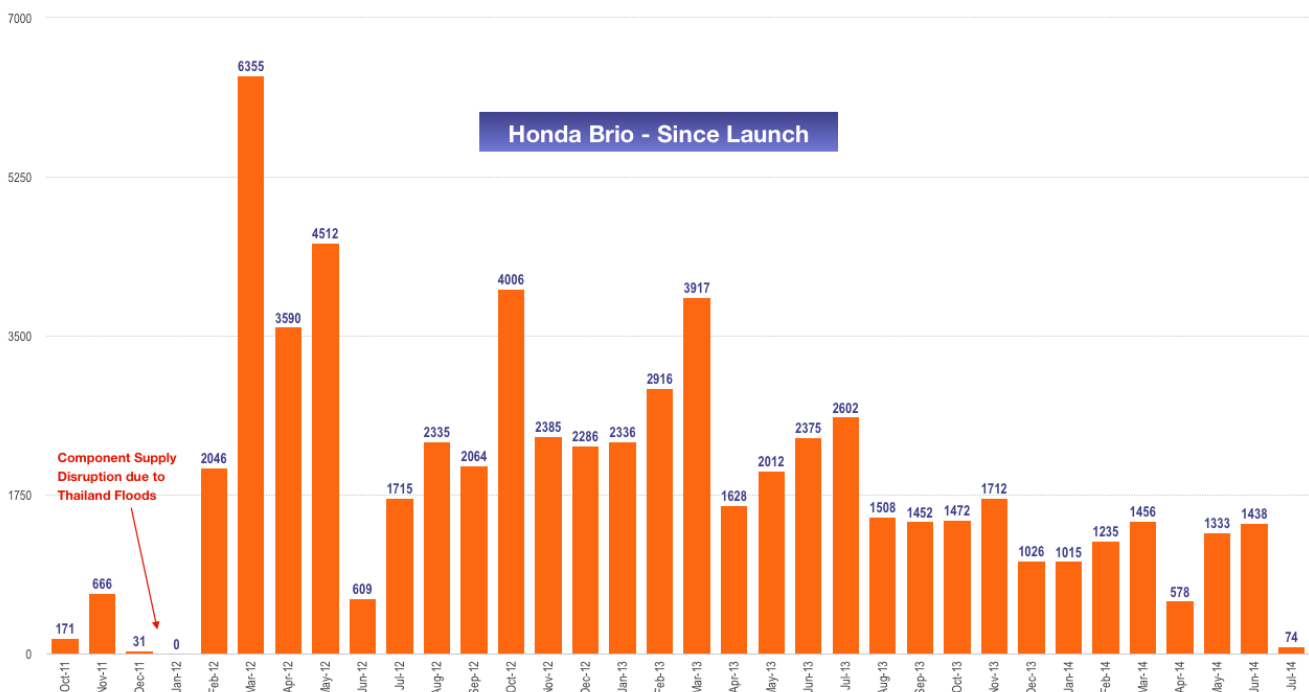


Corking the Champagne

The miser in us has always wondered if it is possible to open a bottle of Champagne, pour out a flute, then cork it again, and put it back in the fridge? Would the bubbly still be bubbly when I take it out another day and pour out another flute?

Honda India needs to find this out. Because the Champagne they uncorked after the successive successes of the City, Amaze and Mobilio needs to be corked and put back in the chiller for another day. The Brio is struggling, badly; so badly that it made the Tata Aria smell like roses in July 2014.

The Brio small hatchback has been treated like the runt of the litter ever since Honda found their mojo with successive hits in the new-generation City and Amaze, and now the Mobilio.



[Save Your Eyes – Click to Enlarge](#)

The Amaze Super Compact sedan is the main problem – its aggressive pricing makes the Brio almost redundant. Also,

unlike the Amaze, Honda has not slotted the much-acclaimed diesel engine in the Brio's bay. This makes the Brio much less desirable.

As a result, dispatches in July were all of 74 units. That's a special month, most likely a result of dealer inventory issues, dispatch irregularities or temporary production issue.

However, even before July, the Brio had been struggling. Dispatches have hovered at slightly above 1000 units per month during 2014. April dispatches had dipped down to 578 units before the disaster in July.

A small hatchback shifting about a 1000 units is hardly something to be happy about. It is a cause for concern; even more so considering Honda has been seriously contemplating dipping below the Brio into the Mini car segment.

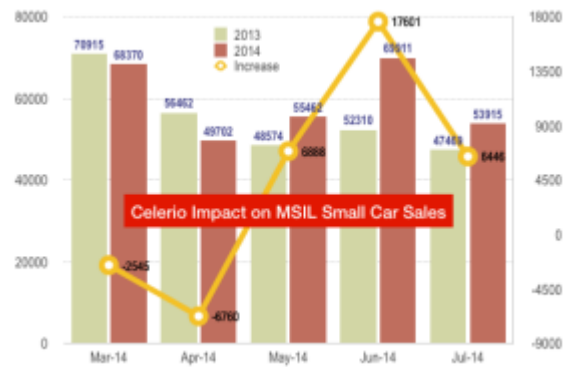
Are we Successful – A Common Confusion?

Honda is not alone in experiencing this suspended animation, somewhere in between delight and misery. We are in an interesting situation where 18 months of slowdown has left every manufacturer in agony and made them vulnerable. No one can claim to be a winner and yet there are many losers.

Honda is the best case and even they would hesitate in uncorking the bubbly.

Maruti-Suzuki – Discounting Heavily to Preserve Volumes

After them, perhaps the most successful manufacturers emerging this side of the slowdown are Maruti-Suzuki and Hyundai. MSIL has had a stellar two months with 31% year-on-year dispatch improvement in June 2014 and a 20% improvement in July. These were the best growth numbers, barring Honda, in the entire industry.



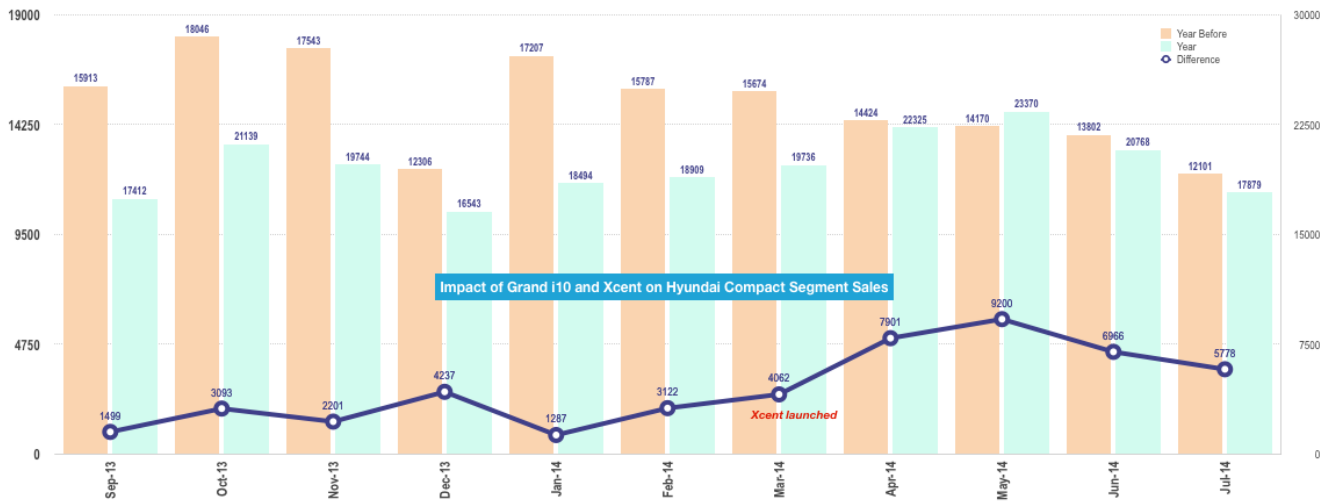
However, there are plenty of problems as well. The Celerio has not resulted in a major increment in sales. Between last year and this, the Celerio's impact has been all of 1297 units in June and 11274 units in July. Arguably, MSIL has been shifting more Celerios every month and the smaller net gain indicates a considerable cannibalisation of Wagon R, Ritz, Alto K-10 and Alto800 models by the Celerio.

[Tweet "Cannibalisation is not the only worry for Maruti-Suzuki."]

A bigger worry is the customer moving from the Mini segment towards the Compact segment. Numbers in the lower segment are being increasingly sustained through heavy discounting and attractive schemes. That's a pressure on the margins and also creates volatility in the dispatch numbers. June dispatches were up 52% year-on-year but July is down 14.4%.

Hyundai – Failure to Increase Volumes with New Models

Archrival Hyundai is doing well for itself. Sales were up 9.5% in June 2014 and 12.7% in July 2014 over previous year. However, the company has two fresh models – Grand i10 and Xcent – in the showrooms and the growth is hardly significant when you take into account the normal impact that a new model has on sales.

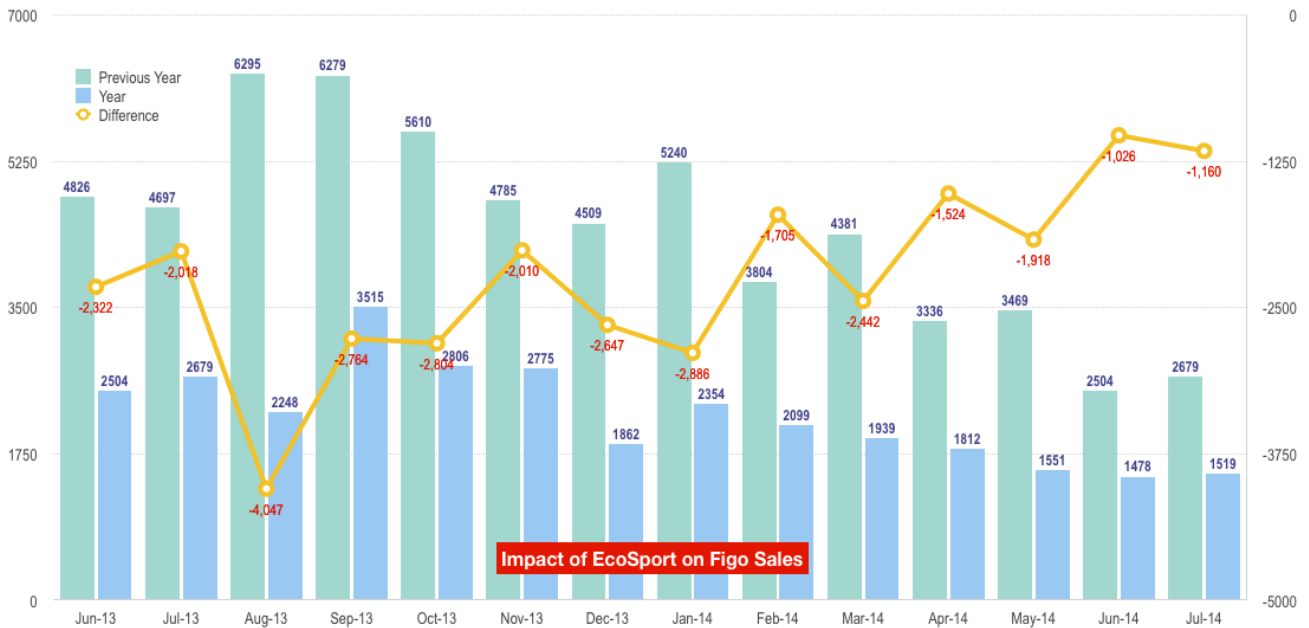


Again, similar to Maruti-Suzuki, Hyundai India is also facing pressure in the Mini segment as Eon sales have been dipping every month.

Ford India – Helium Balloons on one end, a Hole at the other

Ford India is experiencing mixed feelings, something similar to what you would have if you saw your mom-in-law driving off a cliff in your new Ferrari Mustang.

The EcoSport is a qualified success and Ford has just changed gears there by fixing its production bottlenecks. As a result, monthly sales of the EcoSport have gone up from about 4000 units to above 5200 units. A similar jump has happened on the exports front with similar dispatch numbers.



However, whatever the EcoSport has gained, the Figo has lost. July dispatches of the Figo were down to 1519 units, 43% down from previous years and 78% down from July 2010.

Figo's problems are a headache that Ford has to bear for the time being – the replacement model is still a few quarters away. The replacement hatchback would be accompanied by a compact sedan on the same platform and would allow Ford to enter the lucrative Super Compact segment. It would also allow the company to finally retire the Classic sedan.

However, all that is a few quarters away and till then, Ford has to sweat and bear it out through financing schemes and other sweeteners.

Toyota – Innova Still Earns the Bread

Toyota sales were up 3.53% year-on-year in July 2014 and a 9% growth in dispatches in June. However, the Liva and Etios are still struggling and the Innova has maintained most of the momentum. During the resurrection months of June-July, the Etios / Liva lost 10.5% in dispatches. Toyota has sort of resigned itself to the fate of the Etios and Liva and will not try anything smaller for a while.

However, an even bigger problem for Toyota is creeping up in the form of the Honda Mobilio. While the Maruti-Suzuki Ertiga created the compact MPV segment, the Mobilio is going to expand it further. Some of the Mobilio's numbers would be at the expense of the much higher priced Innova. Worse, the Ertiga-Mobilio combination has the capability of changing consumer tastes in the MPV market forever. Many family buyers looking at seven-seater MPVs would shift to the Ertiga-Mobilio, leaving the Innova with only taxi customers.

From there, it would be a matter of time before the Maruti Ertiga moves down-market to the taxi segment.

The positive state of the industry ends with Maruti-Suzuki, Toyota, Hyundai, Honda & Ford. After that most manufacturers are either bleeding or are in the data honeymoon period.

There is also the Renault-Nissan group, which has some major successes, as well as some spectacular failures to show for its efforts in India.

Nissan – Back to the Drawing Board?

“There are lies and then there are statistics” is a heavily abused quote. However, it works quite well in the case of Nissan-Datsun sales numbers. The brands reported a 48% jump in dispatches in June and a 138% growth in dispatches in July. However, this came off an extremely low base of June-July 2013 when the brands did not have the Terrano or the Go in the showrooms.

Between the two months, Nissan-Datsun dispatched a total of 7275 units. Out of this, the Terrano / Evalia accounted for 2897 units while the Sunny added 1071 units. This leaves 3307 units to be split between the Go and the Micra over two months. Even if we assume that the Micra have died completely, the Go's dispatches, or the lack of them, are quite worrying.

In simple terms, Nissan has delivered another turd in the Go

after the Evalia debacle. The brand's reach in the B- and C-towns, while selling what is arguably a car designed for the same target customers, has hurt the chances of the Go. Hopefully, the Go debacle would push Nissan-Datsun to analyse its problems and address them. This may also delay the launch of the Go+ MPV.

On the Nissan front, the once hot Sunny is now stone cold and it is difficult to say how alive is the Micra, if at all. All in all, the slowdown has essentially wiped out the Renault-Nissan V-platform in India.

Nissan also has to worry about the Evalia MPV in India. Though capable, spacious, flexible and a worthy alternative to the Innova, the Evalia has fizzled out completely. Even attempts at resuscitation have been futile and Nissan's behavior is more like a deer caught in the headlights.

Renault – When the One-Horse Starts Slowing Down

Renault India managed to make a hash of everything in India but the Duster's success has made everyone forgive & forget. Renault essentially became a single horse rider, nothing wrong with that except that the single horse is slowing down now.

Duster sales are down almost 13% in the June-July period when the industry leaders were making smart gains. To give the group credit, whatever the Duster has lost in sales, the stepsister Terrano has more than gained.

However, beyond the Duster, Renault has little going for it. The Scala and the Pulse, both on the V-platform are near dead and the Fluence and Koleos are just showroom ornaments.

We should also not miss Mahindra and Fiat both of which have braved the slowdown quite well.

Fiat – The Fastest Growth out of Irrelevance

Statistics is an illusion – they can dress up even the most

depressing of stories and also drill holes into the best of the success fables. For Fiat, it is a mix of both.

In the first seven months of 2014, Fiat doubled its sales in the Indian market. This, at a time when GM and Tata spent a chunk of their time drafting depressing press releases, is commendable by any measure. However, at 7337 units, the company's dispatches in the first seven months were hardly more than a 1000 unit every month.

In a nutshell, Fiat India is still in an ICU and has plenty to worry about. Things can still fall apart any time and the company needs to measure every step, nursing itself back into reckoning. Already some signals are worrying – dispatches in June-July fell short by 10.8% over previous years. The next few months would be worth observing for Fiat to see if the strong recovery was just a small-base effect or a genuine resurgence in demand.

Mahindra – Product Portfolio does it in

Not many quarters back, Mahindra could do no wrong. Sales were improving every month and the company was eating market share everywhere from rivals like Tata Motors. Post the slowdown; recovery has been slow for the UV manufacturer as customers are yet to return to expensive, large-sized utility vehicles.

In June 2014, Mahindra dispatches were down 2.6% over June 2013. Dispatches were down 5.3% year-on-year in July 2014 as well. Now this decline is not alarming, when compared to GM India, Tata Motors and Volkswagen numbers. However, Mahindra is no longer in the same league as a Hyundai and Marti-Suzuki as the aggressive growth driver in the industry.

The company has more things to worry about as well. The Quanto ~~mini-SUV~~ ~~mini-UV~~ contraption has not worked and sales of the Xylo too are under pressure. The Bolero and other rural market targeted utility vehicles also face strong resistance in the market, worsened by a weak monsoon driving down rural incomes.

Even more worrying, the Verito Super Compact sedan and the Vibe Compact hatchback, both based on the Logan platform that Mahindra received as divorce settlement from Renault, are close to extinction. Despite making strong sales arguments, both models have seen dispatches fall below 200 units a month.

The Quanto would ~~be finished~~ face more pressure once the small SUV segment heats up with Maruti-Suzuki's entry. While Mahindra is working on multiple new models in the mini-SUV / compact crossover area, Indian manufacturers do have the habit of missing their product development deadlines and the same may be the case with the company's under development S-platform.

For the purpose of this analysis we wanted to have a look at companies who had a lot of positive things going for them, and yet were also facing multiple problems. For this reason, there is no point in including General Motors India, Tata Motors and the Volkswagen group (sans Audi). In all of these three cases, the stories are so depressing that a new model, or any other band aid measures, at this stage would not be sufficient to instil life in the brands.

Next week, we look at GM India and its future, or lack of it, in the Indian market.