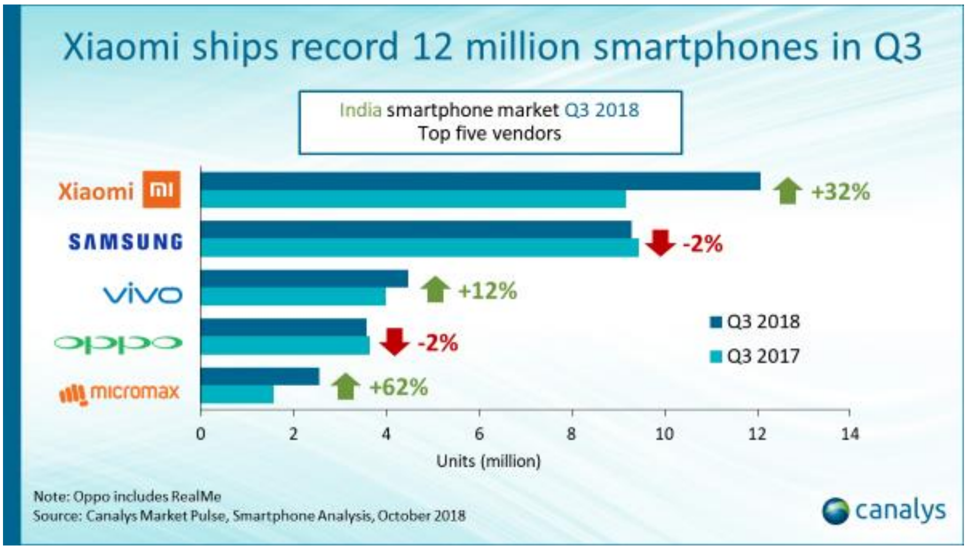
India struggles to grow in Q3 despite Xiaomi's record sell-in of 12 million smartphones

Palo Alto, Shanghai, Singapore and Reading (UK) – Tuesday, 30 October 2018

Xiaomi ships record 12 million smartphones to India, grabbing 30% of the market in Q3 2018. Overall, smartphone shipments to India fell by 1% to 40.4 million units – via @Canalys https://tinyurl.com/ycchh8m3

Xiaomi's performance streak is showing no signs of abating. It shipped more than 12 million smartphones in Q3 2018, growing by more than 30% year on year, and took pole position for the fourth quarter in a row, further cementing its lead in the country. Samsung, which came very close to Xiaomi in Q2, shipped 9.3 million smartphones in Q3, taking 23% of the market. Vivo and Oppo came third and fourth respectively, with shipments of 4.5 million and 3.6 million. While Vivo grew annually, shipments of Oppo's self-branded smartphones fell by 24%. The overall decline of the vendor eased to 2%, partly due to a strong performance by its secondary brand "RealMe", which shipped almost 800,000 units. Despite strong performances by many vendors, the total smartphone market in India declined by 1% year on year to 40.4 million units, primarily due to a late Diwali in Q4, which effectively slowed shipments in Q3.



Eight of India's top 10 vendors have managed to grow this quarter, either by launching new products or by further diversifying business with new brands and sub-brands. But multiple macro-economic factors continue to affect the global smartphone market, adding to uncertainty and asking questions of the long-term sustainability of vendors' go-to-market strategies.

"The rising value of the US dollar is the number one concern for smartphone vendors," said Canalys Research Manager Rushabh Doshi. The US dollar has risen from an average or INR68 in July to INR74 in October 2018, marking a 5% to 10% increase in the cost of components typically bought in US dollars. "Both the Chinese yuan and Indian rupee continue to slide against the dollar, directly affecting material costs. For Chinese vendors that operate on razor-thin margins, price corrections are well in order, and these price hikes will hurt growth in India, among other markets. While larger vendors will persist, by hedging against currency fluctuations, smaller vendors will struggle to maintain a price-competitive strategy."

Also affecting the Indian market is the price of crude oil, which, after a long lull, has risen by more than 25% from US$68 per barrel in August 2018 to US$86 per barrel in October 2018. "As vendors consider a much-needed correction in market prices, they will also need to contend with rising oil prices in India, which are likely to stoke inflation, effectively shrinking the average consumer's expendable income. These two factors will stifle market growth from opposite ends," said Doshi.

India smartphone shipments, market share and annual growth (by vendor), Canalys Smartphone Market Pulse Q3 2018

Vendor (company)	Q3 2018 shipments (million)	Q3 2018 market share	Q3 2017 shipments (million)	Q3 2017 market share	Annual growth
Xiaomi	12.1	29.8%	9.2	22.5%	31.5%
Samsung	9.3	23.0%	9.4	23.1%	-1.6%
Vivo	4.5	11.1%	4.0	9.8%	12.3%
Oppo*	3.6	8.8%	3.6	8.9%	-2.0%
- ***RealMe***	*0.8*	*1.9%*	-	-	*N/A*
Micromax	2.6	6.3%	1.6	3.9%	61.5%
Others	8.5	21.0%	13.0	31.8%	-34.7%
Total	**40.4**	**100.0%**	**40.8**	**100.0%**	**-0.9%**

* Oppo's shipments include RealMe.

Source: Canalys Smartphone Analysis, October 2018

The Indian government is also close to fully implementing its Phased Manufacturing Program (PMP), under which certain smartphone components attract additional import duties. The move has spurred local ecosystem investment by vendors and ODMs alike. "Local manufacturing gives vendors breathing space, and offsets rising material costs with lower tax burdens," said Canalys Analyst TuanAnh Nguyen. "For some Chinese vendors, the 'forced' investment into India's local manufacturing might prove to be a silver lining. With wages constantly rising in China, India's falling rupee and lower manpower costs will allow vendors to sustain their competitive pricing models. The high capital investment is likely to pay back quickly."

Micromax made a surprise re-entry into the top five, with 2.6 million shipments in Q3. The vendor shipped five times as many smartphones this quarter as last quarter, making it the best performance by the Indian vendor in recent years**.** Micromax's re-entry was strongly helped by a government order from Chhattisgarh state, where, along with Reliance Jio, it would provide smartphones and telecom connectivity for a fixed price of INR2,510 (US$34) to 5 million women and college students. "The Micromax deal is due to a well-known market force – patriotism," said Nguyen. "The meteoric rise of Huawei, Oppo, Vivo and Xiaomi, and the flagging popularity of Apple in China is a prime example. While Micromax is not likely to displace Xiaomi, or even Oppo and Vivo in India in the near future, its return marks a shift in the strategies of local vendors.

Should more governments follow in Chhattisgarh's footsteps, local vendors will find themselves relevant again, especially in increasing the crucial total available market for Indian smartphones."

Smartphone quarterly estimate and forecast data is taken from Canalys' Smartphone Analysis service.

For more information, please contact:

Canalys APAC (Singapore): +65 6671 9399
Rushabh Doshi: rushabh_doshi@canalys.com +65 6671 9387
TuanAnh Nguyen: tuananh_nguyen@canalys.com +65 6671 9384

Canalys APAC (Shanghai): +86 21 2225 2888
Jason Low: jason_low@canalys.com +86 21 2225 2816
Mo Jia: mo_jia@canalys.com +86 21 2225 2812

Canalys EMEA: +44 118 984 0520
Ben Stanton: ben_stanton@canalys.com +44 118 984 0525

Canalys Americas: +1 650 681 4488
Vincent Thielke: vincent_thielke@canalys.com +1 650 656 9016

About Canalys

Canalys is an independent analyst company that strives to guide clients on the future of the technology industry and to think beyond the business models of the past. We deliver smart market insights to IT, channel and service provider professionals around the world. We stake our reputation on the quality of our data, our innovative use of technology and our high level of customer service.

Receiving updates

To receive media alerts directly, or for more information about our events, services or custom research and consulting capabilities, please complete the contact form on our web site.

Alternatively, you can email press@canalys.com or call +1 650 681 4488 (Palo Alto, California, USA), +65 6671 9399 (Singapore), +86 21 2225 2888 (Shanghai, China) or +44 118 984 0520 (Reading, UK).

Americas: Suite 317, 855 El Camino Real, Palo Alto, CA 94301, US | tel: +1 650 681 4488
APAC: Room 310, Block A, No 98 Yanping Road, Jingan District, Shanghai 200042, China | tel: +86 21 2225 2888
APAC: 133 Cecil Street, Keck Seng Tower, #13-02/02A, Singapore 069535 | tel: +65 6671 9399
EMEA: Diddenham Court, Lambwood Hill, Grazeley, Reading RG7 1JQ, UK | tel: +44 118 984 0520
email: inquiry@canalys.com | web: www.canalys.com