

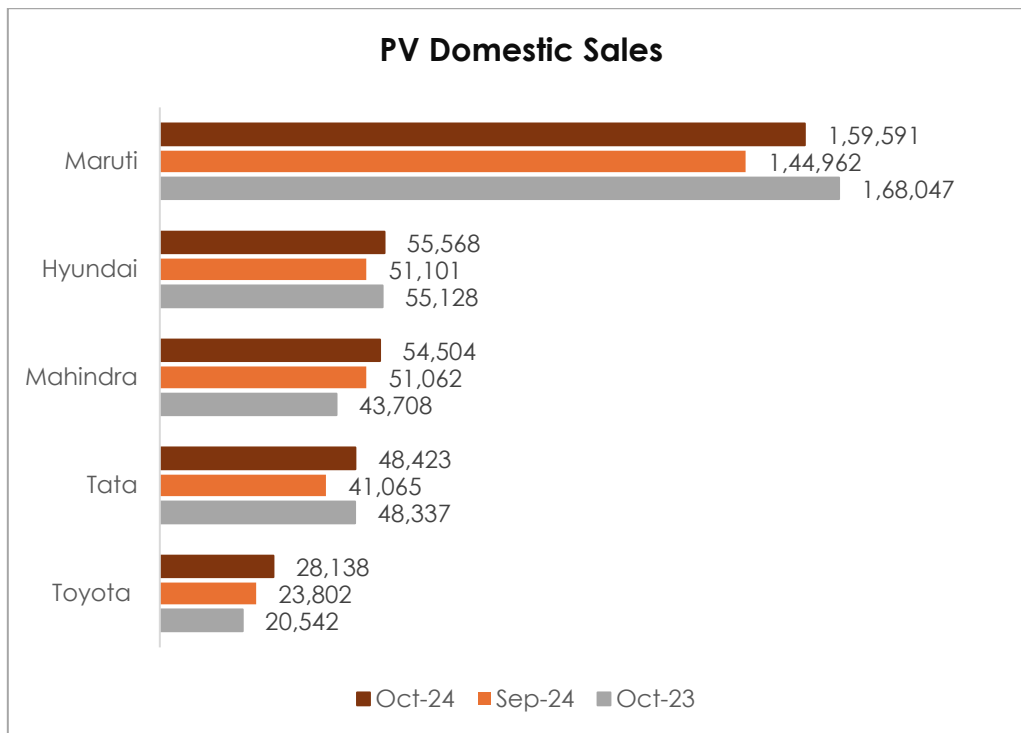


# Festive push to Auto Sales



November 08, 2024

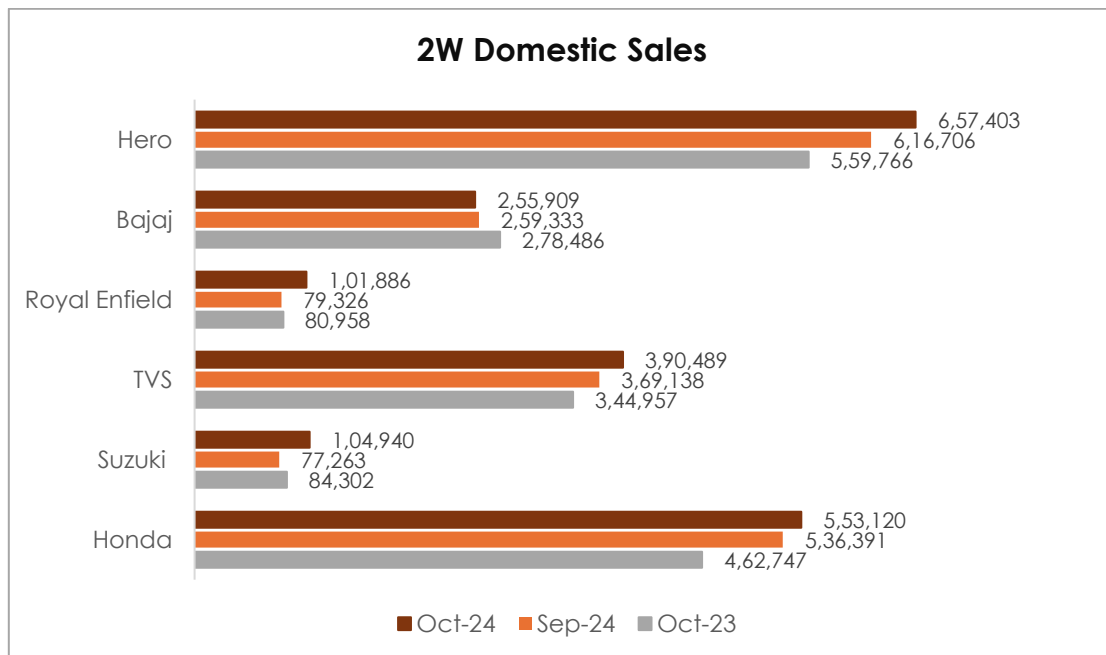
**Passenger Vehicles (PV):**



Source: Company Data

- On wholesale front, domestic sales volume of passenger vehicles (PVs) across the top 13 OEMs in the country were only modestly higher by 1.9% YoY in Oct'24 compared to Oct'23 while it showed a sequential increase of 11.0% vs Sep'24.
- In October 2024, domestic volumes of PVs showed notable growth (YoY) among the key players; Mahindra, Toyota and MG Motors sales grew by 24.7%, 37.0%, and 37.9% respectively, driven by solid demand for specific products. Hyundai and Tata Motors had a relatively sluggish performance with slight increases of 0.8% and 0.2% respectively. On the other hand, Maruti, the largest player, saw a decline of 5.0%, likely due to increased competition, shifting consumer preferences and also partly due to dealer inventory rationalization. Kia Motors and Skoda's despatches declined by 6.6% and 10.7%, while Honda's sales plummeted by 41.0%, reflecting ongoing challenges in customer interest for sedans. Overall, despite some declines in some OEMs, a recovery is visible in Oct-24 which can be attributed to strong performances and improved sales from established companies like Mahindra and Toyota.
- On retail front, PV sales increased by 32.4% on YoY and 75.3% on MoM basis, fuelled by strong festive demand, attractive promotions, and the launch of new models. While SUV demand stayed robust, dealer inventories still remained elevated at 75–80 days, sparking concerns about ongoing discounting through the rest of the year. (Source: FADA).
- New product launches in Oct'24 such as the Renault Bigster, Nissan Magnite Facelight, Next Generation Maruti Suzuki Dezire and Kia new-generation carnival are expected to generate interest among urban car buyers during the festive season and sustain a moderate growth in PV volumes.

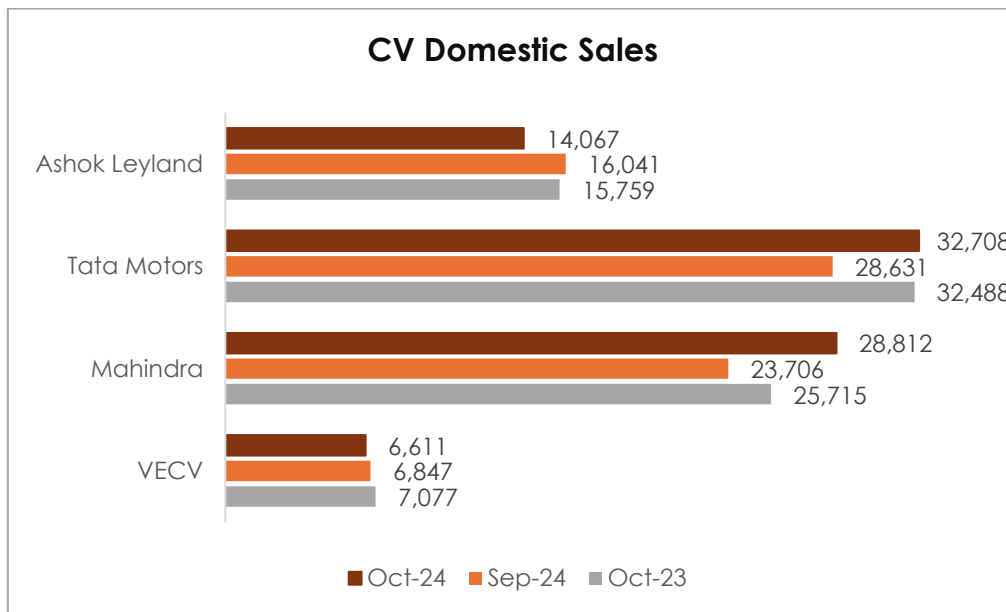
## Two Wheelers (2W):



Source: Company Data

- In October 2024, the two-wheeler (2W) segment continued to witness a sustained recovery in this fiscal driven by a rise in rural demand. The top six OEMs reported a total wholesale growth of 15.3% on a YoY basis and 5.3% on a MoM basis.
- On the wholesale domestic front, Royal Enfield led the market with a sharp growth in sales in Oct'24 of 25.9% on YoY basis, largely driven by demand for Guerilla 450 and most recently the Bear 650 model. Suzuki Motors India showed a growth of 24.5% YoY increase in total domestic sales, on the back of new model launch of GSX-8R. Further, Honda Motorcycles followed suit, achieving growth of 19.5% YoY, primarily supported by sales of the Activa, Hness CB 350 and Hornet 250 series. Bajaj Auto, the only one to post a decline of 8.1% on YoY basis, faced headwinds in the domestic market, primarily due to heightened competition and shifting customer choices.
- On the wholesale export front, YoY volume growth for the top six OEMs has been a healthy 24.4%, reflecting a strong revival in global demand. The major rise in shipments has happened for Royal Enfield and Honda Motorcycles.
- At retail front, 2W sales jumped very strongly by 36.3% on YoY and a notable 71.5% on MoM basis. The overlap of key festivals in the same month boosted consumer buying activity. Dealers also noted that appealing festive promotions, discounts, and new model introductions played a key role in driving customer interest. Improved stock levels and better vehicle supplies from manufacturers helped dealers meet the rising demand. Positive sentiment in rural areas, supported by favourable monsoons and expectations of good crop yields, further contributed to the strong performance.
- Retail sales of 2W are expected to sustain a healthy growth, driven by rising walk-ins and inquiries in anticipation of regional festivals. Additionally, favorable rural sentiment, strong crop yields, and the upcoming wedding season are expected to further boost demand.

**Commercial Vehicles:**

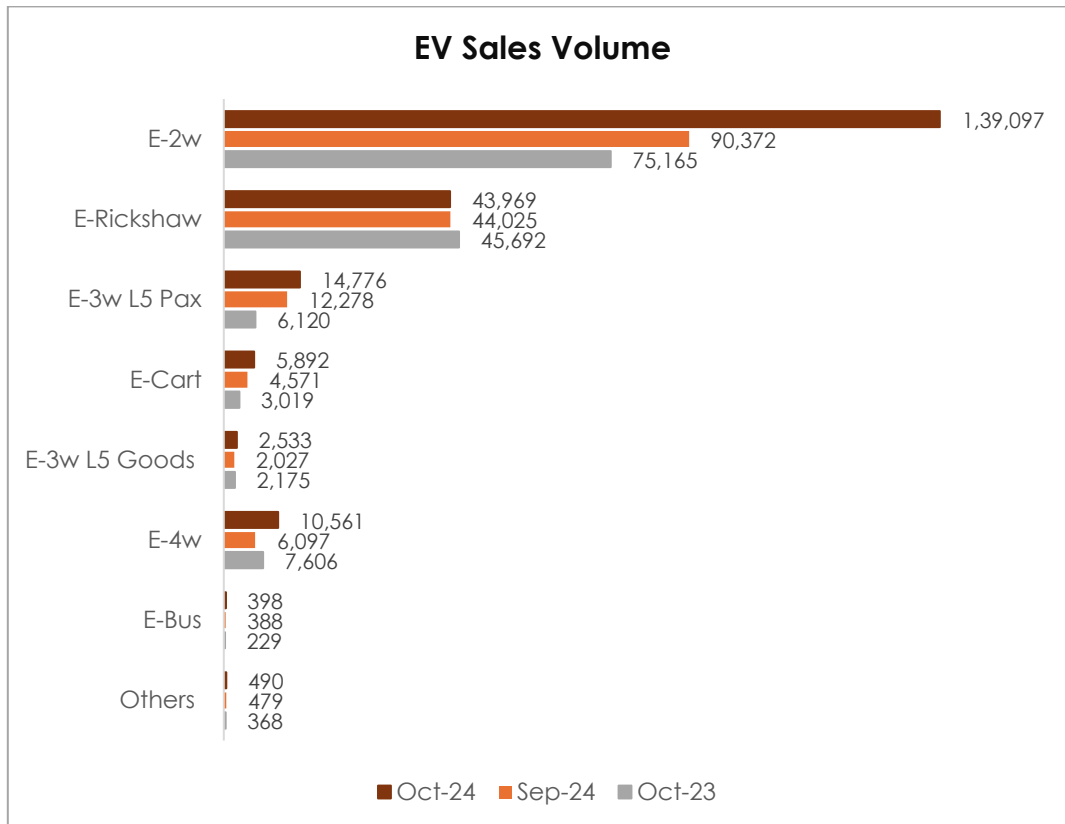


Source: Company Data

- On the wholesale front, the total domestic Commercial Vehicle (CV) sales trend has been recovering. The volumes for the top four players have seen 3.2% YoY growth and increase of 9.2% on MoM basis. It demonstrates resilience with a slight overall increase in sales compared to the previous year.
- Tata Motors achieved 34,259 units, reflecting a nearly flat performance with only a 0.2% decrease on YoY basis, but showed a strong rebound with a 14.1% increase on MoM basis. In contrast, Mahindra stood out with a significant 17.2% growth YoY, selling 32,318 units, driven by new model launches and a strategic focus on domestic markets. Ashok Leyland reported 15,310 units, down 9.2% YoY and 11.2% MoM, potentially due to production challenges.
- On the retail front, CV sales experienced a strong growth, with 31.1% on MoM and 6.4% on YoY basis. This growth was driven by factors which included strong agricultural markets and bulk purchases, especially for container transport. The festive season, with both Diwali and Dussehra, also helped boost demand, along with a partial recovery from the slowdown in September caused by heavy rains. However, dealers encountered challenges such as slow construction activity, financial difficulties among customers, and rising vehicle prices, which resulted in higher EMIs.
- Higher investments in road infrastructure, logistics hubs, and urban development projects is expected to support CV sales by enhancing transportation efficiency and broadening market access. Additionally, strong agricultural markets and sustained bulk purchasing are likely to have a positive impact.

## Electric Vehicles (EV):

In Oct'24, India's EV market showed a strong performance across different categories:



Source: Vaahan Portal, EV Reporter

- E2W:** The segment saw significant growth of 85.1% on YoY and 53.9% on MoM basis. This growth was led by Ola Electric which led the e-2W sales in Oct'24 with record sales of 41,606 units sold, followed by TVS Motors at 29,912, Bajaj Auto at 28,223 and Aether Energy at 15,991. On monthly basis, e-2W was up on the back of discount offers, festive season sales, and price cuts by industry players apart from availability of new variants.
- E3W:** The overall E3W market experienced a growth of 17.8% on YoY and 6.8% MoM basis. E3W (e-rickshaw) segment saw slight decline of 3.8% on YoY and 0.1% on MoM basis. Mahindra Last Mile Mobility saw a sales decline 48.6%, followed by Saera Electric with a decline of 25.9% YoY. On the other side, E3W (E-3w L5 Pax) saw a strong growth of 141.4% YoY and 20.3% on MoM basis. This was mainly due to TI clean mobility which saw a significant growth of 200% on YoY basis.
- EPV (e-4W):** The sales in this segment grew 38.9% on YoY basis and 73.2% on MoM basis. MG Motors saw a strong growth of 186.4% on YoY basis, followed by Tata Motors with a growth of 14.7% YoY. This was mainly driven by festive season cheer, increased product availability, enhanced financing options and OEM discounts.
- ECV (e-Bus):** Overall e-bus sales grown by 73.8% on YoY basis and 2.6% on MoM basis. Switch Mobility led electric bus sales in Oct'2024, selling 20 units, followed by Olectra Greentech increased its sales by 27.8%, selling 46 units in Oct'2024.

## **Overall Comments – Auto Sales:**

Auto sales have moved on to a higher gear in the festive month of October 2024. What has particularly helped in pushing demand is the concentration of festivals – namely Navratri (Dussehra) and Diwali during the same month.

### **Passenger Vehicles**

PV market has witnessed a healthy recovery in retail sales, supported by the festive demand. However, wholesale annualized volume growth has been modest, highlighting the overall demand weakness in the current year. The dealer inventory levels are reportedly still high and therefore retail demand trends over the next few months will be critical. Nevertheless, the ongoing festive mood and the wedding season are expected to drive PV demand in the current quarter. The segmental volume growth is likely to be modest at 2%-3% in FY25.

### **Two Wheelers**

The 2W segment has seen a steady revival in the current fiscal, driven by a pickup in rural demand, favourable monsoon conditions and improved growth in agriculture as well as government efforts to enhance rural incomes. The festive season is also helping to strengthen the current volume growth levels. The launch of new EV models particularly electric motorcycles may also generate additional demand. Export sales in the industry have also seen a healthy revival vis-à-vis last fiscal but its sustainability remains to be seen. 2W volume growth is projected to be in double digits in FY25.

### **Commercial Vehicles**

Expectedly, CV volumes have seen an uptrend after a seasonal downtrend in Q2FY25. Demand is likely to witness a normalization with a pickup in the pace of infrastructure projects from the third quarter. With government capital expenditure set to increase significantly in H2, a corresponding boost to CV demand is anticipated. The step up in infrastructure projects will drive greater need for transportation and logistics solutions, positioning the CV segment for robust growth. Additionally, the demand for EV buses is on the rise due to favourable government policies and increasing orders from State Transport Corporations.

While we expect the auto sector to witness a stronger H2 on the back of a favourable monsoon, improved agricultural incomes and higher rural demand in addition to the support from the infrastructure sector, there are downside risks amidst a broader concern around a slowdown in urban demand.

**- Suman Chowdhury, Executive Director & Chief Economist, Acuite Ratings & Research**

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