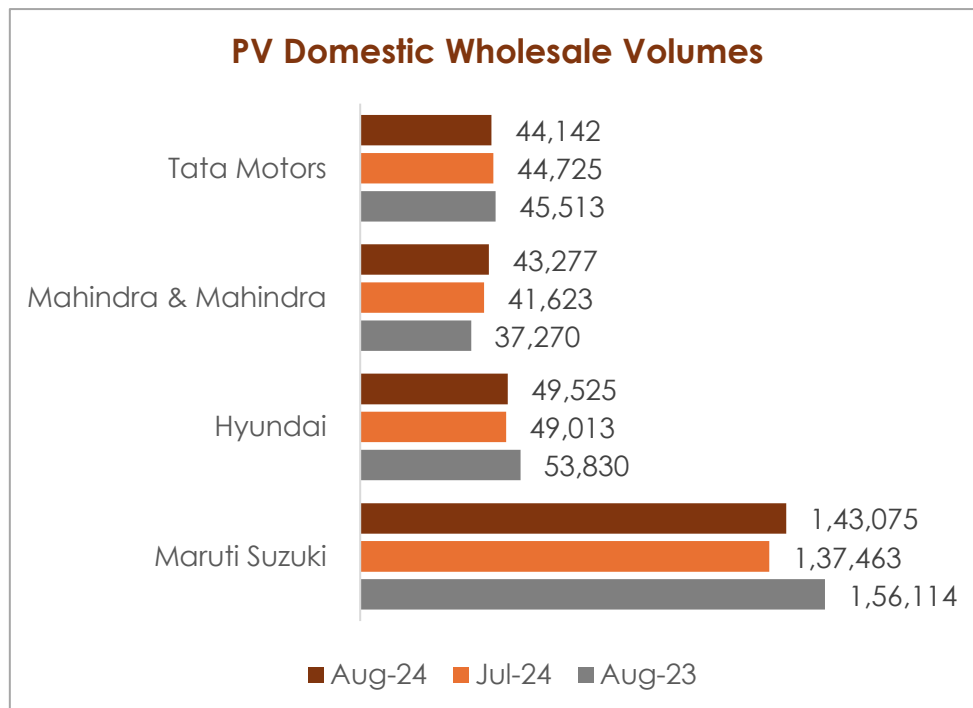


# 2W on the revival path, PV and CVs continue to lag



September 12, 2024

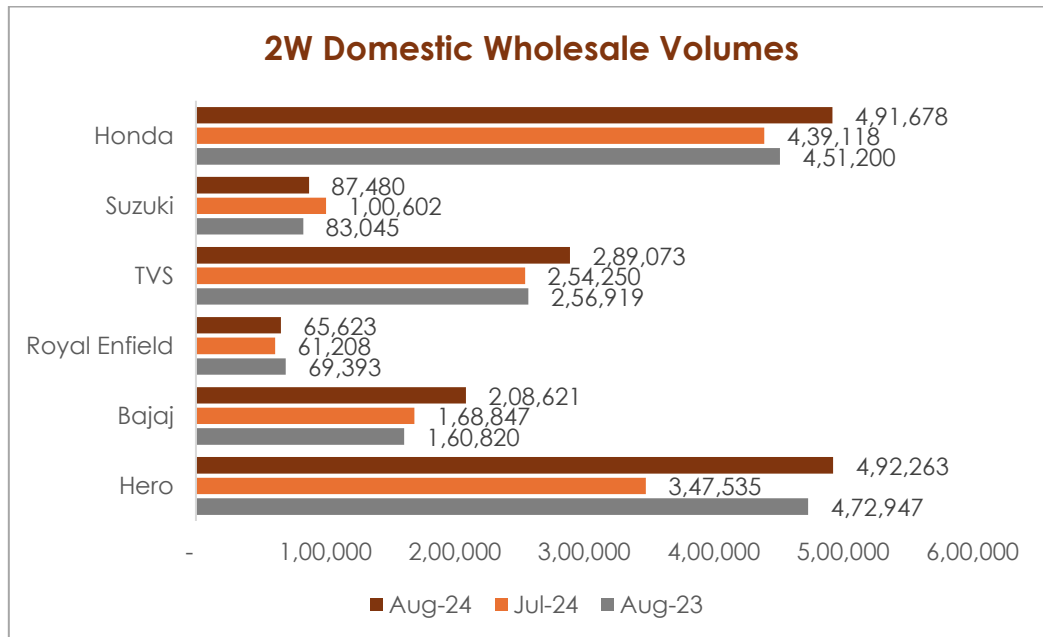
## Passenger Vehicles:



\*Source: Company Data

- On wholesale front, sales volume of passenger vehicles (PVs) across the top 13 OEMs in the country were down 1.9% in Aug'24 compared to Aug'23, though it showed a modest sequential increase of 3% vs July'24.
- As per retail data, PV sales continues to remain weak, declining by 3.5% MoM and 4.5% YoY. Despite the onset of the festive season, the PV market remains under significant strain due to weak consumer sentiment particularly in the urban areas. Dealer inventory levels continue to be high, with stock days extending to 70-75 days and a total of 7.8 lakh vehicles. (Source: FADA). OEMs have reportedly started to reduce dispatches to dealerships to control stock levels.
- Overall weakness notwithstanding, Mahindra saw a significant 16.1% YoY increase and a 3.9% MoM rise, driven by its utility vehicle (UV) lineup with strong demand for new models such as the Scorpio N, XUV 400, XUV 700, Mahindra Thar ROXX and Bolero Neo. Toyota also saw a solid 36.3% YoY volume growth, driven by strong demand and delivery in new models such as the Urban Cruiser and the Innova Hycross (which also has a hybrid version). Further, Kia motors had a 17.1% YoY growth and 9.8% on MoM basis, on the back of strong demand for the feature-laden new Sonet Compact SUV, Seltos and Carens MPV.
- New product launches in August 2024 such as the Mahindra's Thar Roxx, Tata's Curvv and Citroen's Basalt are expected to generate interest among urban car buyers during the festive season and improve PV volumes.

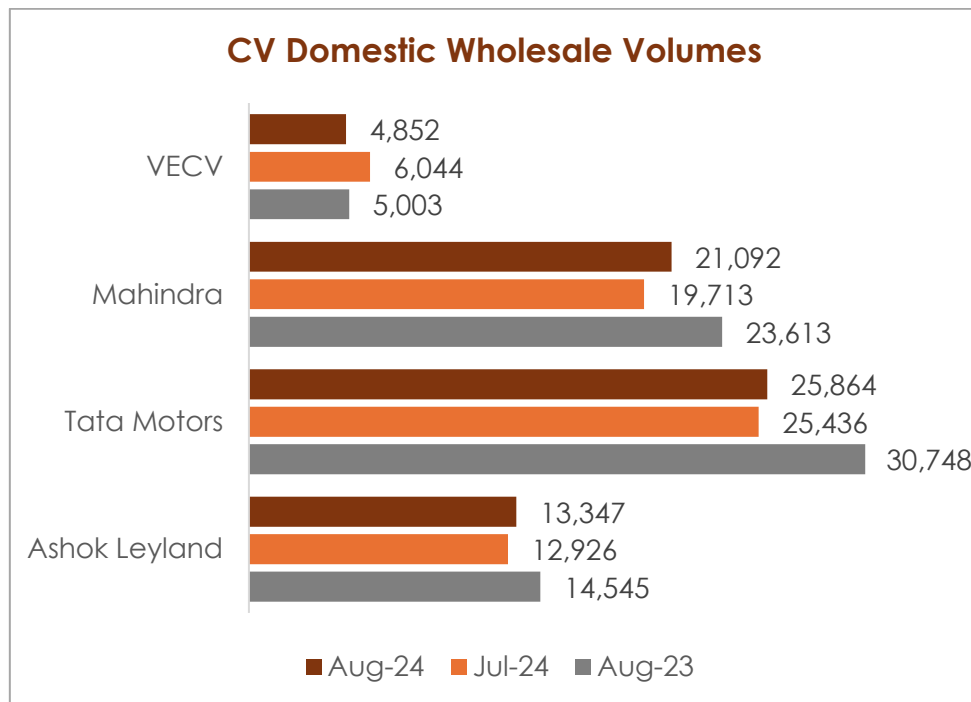
## Two Wheelers:



\*Source: Company Data

- In August 2024, the two-wheeler (2W) segment continued to sustain the strong recovery seen in the early part of the fiscal. The top six OEMs reported a total wholesale growth of 10.1% on a YoY basis and 16.1% on a MoM basis.
- Hero MotoCorp led the market for wholesale domestic sales in Aug'24 with a sharp 41.6% increase on MoM basis, largely driven by demand for the Xtreme 125R model. The company has successfully increased supply to meet the rising demand. Bajaj Auto followed suit, achieving growth of 23.6% MoM, primarily supported by sales of the Pulsar series and the introduction of the new Freedom 125 CNG motorcycle. Royal Enfield showed a modest 7.2% MoM increase in domestic sales but declined 5.4% on YoY basis.
- On the export front, the volume growth YoY has been a healthy 14.3% for the top six OEMs, reflecting a moderate revival in global demand. The major rise in shipments has happened for TVS while Honda also saw a robust growth on YoY basis, albeit on a lower base.
- At the retail level, the volume growth stood at 6.3% YoY. This growth is primarily driven by strong rural demand. While improved monsoon conditions have positively impacted rural sentiments, dealers are building inventory in anticipation of the upcoming festive season, contributing to higher growth in wholesale sales than retail sales. Retail sales are also expected to pick up, supported by rising walk-ins and inquiries ahead of regional festivals and improved monsoon conditions.

## Commercial Vehicles:

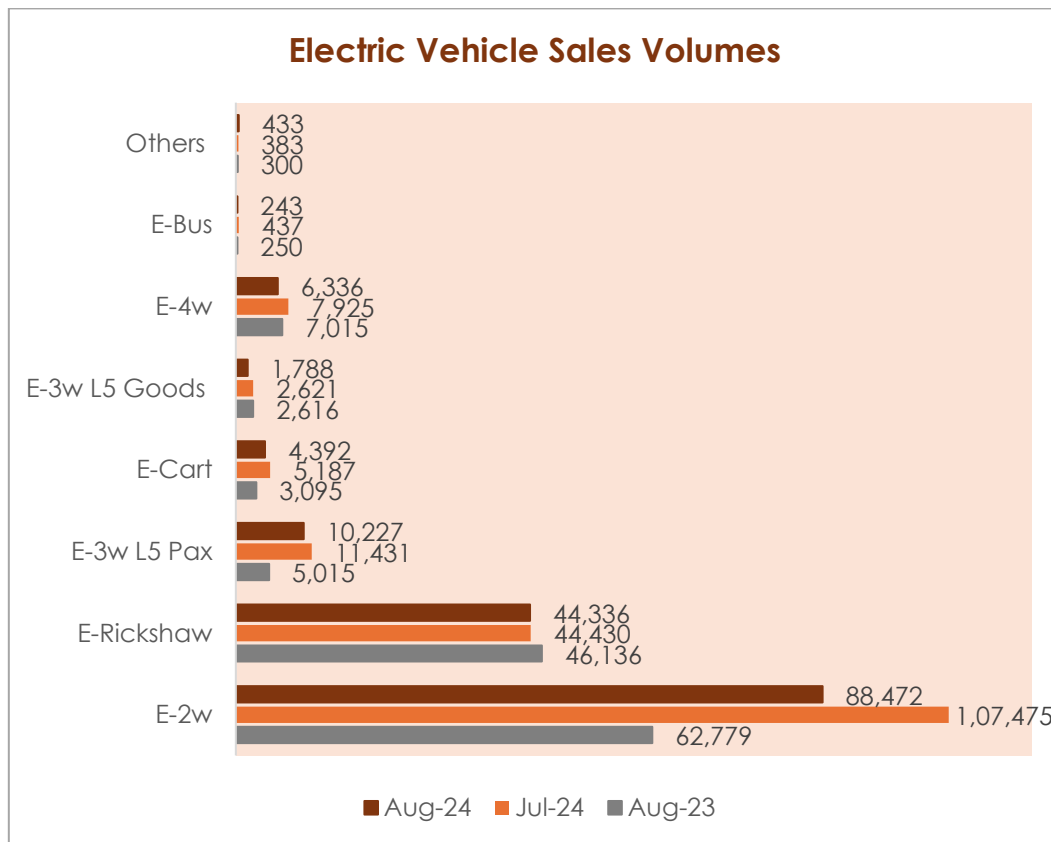


\*Source: Company Data

- On the wholesale front, the domestic Commercial Vehicle (CV) sales trend has been disappointing. The volumes for the top four players have seen 11.8% YoY decline but a marginally increase of 1.6% MoM.
- On the retail front, CV sales experienced a sharp drop, with 8.5% MoM and 6.0% YoY fall. This decline was due to weakness in both the Medium & Heavy Commercial Vehicles (MHCV) and Light Commercial Vehicles (LCV) segments. Other key challenges, such as heavy rains, floods and landslides, have severely impacted market activity in some parts of the country.
- Tata Motors reported a 15.9% YoY drop in domestic CV sales. Similarly, Ashok Leyland has also experienced 8.2% YoY decline but modest growth of 3.3% on MoM basis. This downturn comes despite the ongoing expansion in infrastructure, which traditionally drives demand for commercial vehicles.
- Increased investments in road networks, logistics parks, and urban development projects typically aid CV sales by improving transportation efficiency and expanding market reach. However, the current dip in CV sales reflects the transitional challenges caused by adverse weather conditions of heavy rainfall and flooding, which created hazardous road conditions leading to delays and increased maintenance costs.

## Electric Vehicles:

In Aug'24, India's EV market showed a blended performance across different categories:



Source: Vaahan Portal, EV Reporter

- E2W:** The segment saw a 40.9% YoY growth in sales and 17.7% decline on MoM basis. Ola Electric led the e-2W sales in Aug'24 with 27,517 units sold, followed by TVS Motor at 17,543 and Bajaj Auto at 16,706. On monthly basis, e-2W was down due to the monsoon season, which saw a cyclical dip in consumer sentiment and sales, as well as reduced subsidies in the e-2W space.
- E3W:** The E3W market experienced mixed performance trends in Aug'24. On a YoY basis, the E3W segment saw modest growth of 6.8% in sales, but saw a decline of 4.6% MoM. E3W (e-rickshaw) declined 3.9% YoY, where Mahindra Last Mile Mobility was impacted the most with a decline of 51.4% YoY.
- EPV (e-4W):** The sales in this segment fell 9.7% on YoY basis and 20.1% on MoM basis. Mahindra & Mahindra Electric, saw a sales decline of 16.4% YoY, followed by Tata Passenger Electric Mobility (Tata Motors - EV) with a decline of 11.6% YoY. This was mainly due to potential buyers delaying purchases in anticipation of festive season discounts and clarity on government incentives.
- ECV (e-Bus):** Overall e-bus sales declined by 2.8% on YoY basis and 44.4% on MoM basis. Tata Motors led electric bus sales in Aug'2024, selling 115 units, but saw 59.8% decline on MoM basis. Olectra Greentech increased its sales by 36.9%, selling 89 units in Aug'2024. JBM Auto's sales in the segment fell sharply, marking a 95.7% decline from Jul'24.

## **Overall Comments – Auto Sales:**

Divergent trends continue to be visible in the Indian auto sector even in the second quarter of the fiscal.

### **Passenger Vehicles**

The persistence of high inventories of passenger vehicles with the dealers reflect a significant slowdown in the segment which may be partly attributed to higher interest rates and some saturation in urban demand for SUVs. The PV market is awaiting the onset of festive demand over the next few months which can help to clear the inventories, supported by launch of new models and aggressive discounts. The launch of new EV models with innovative concepts like battery as a service can be a game changer by making EV cars cost competitive with ICE vehicles.

### **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 set to strengthen the current volume growth levels. The launch of 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.

### **Commercial Vehicles**

CV volumes have been weak and inconsistent in the current fiscal so far but 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 from the third quarter of the fiscal, 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.

Overall, the auto sector should regain strength in the second half of FY25 on the back of a favourable monsoon, improved agricultural incomes and higher rural demand in addition to the support from the infrastructure sector.

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

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