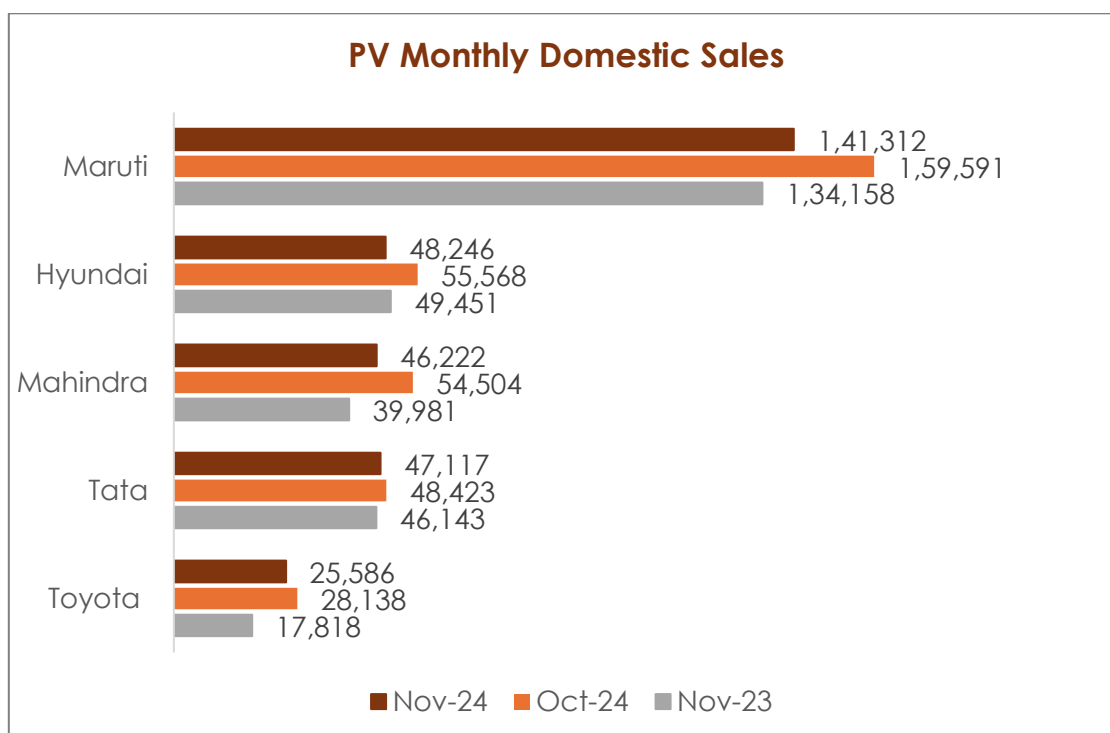


Auto sales move into slower lane post festive season

December 9, 2024



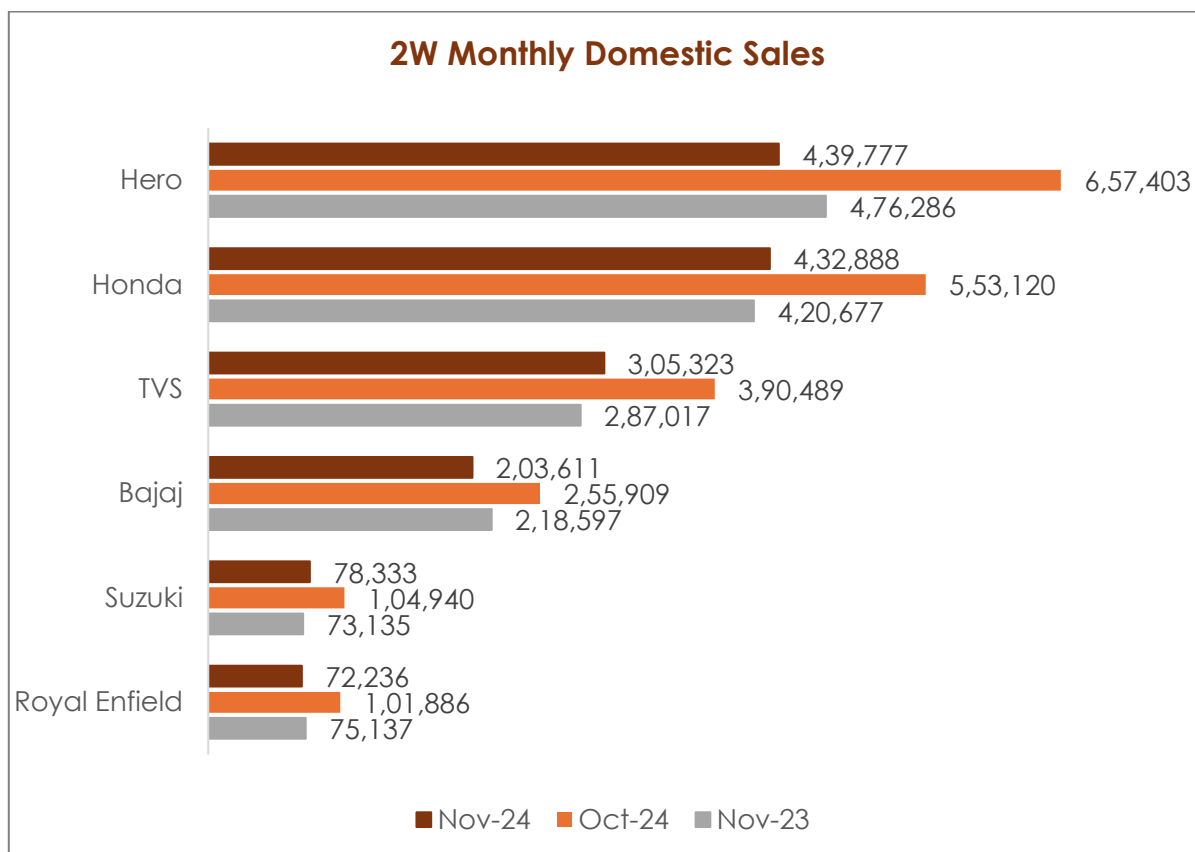
Passenger Vehicles (PV):



Source: Company Data

- On wholesale front, domestic sales volume of passenger vehicles (PVs) across the top 13 OEMs in the country were slightly up 3.3% in Nov'24 compared to Nov'23, though it showed a sequential decrease of 11.6% vs Oct'24.
- In Nov'24, a notable growth (YoY) in domestic wholesale PV volumes of PVs came largely from 3 players i.e. MG Motors 44.9%, Toyota up 43.6%, and Mahindra up 15.6%, driven by the popularity of their newly launched models. Maruti and Tata Motors maintained stable performance with single digit increase of 5.3% and 2.1%, respectively. On the other hand, Renault and Kia Motors saw a decline of 27.2% and 15.4% on YoY basis, likely due to increased competition and shifting consumer preferences. Honda and Skoda volumes declined by 42.7% and 36.8%, reflecting ongoing challenges in the sedan market. Overall, despite some declines in key brands, the market's growth is attributed to strong performances by newer entrants.
- On retail front, PV sales declined by 13.7% on YoY basis and 33.4% on MoM basis, impacted by inadequate demand in the current wedding season, a lack of new product launches, and the early festive season boost in October. Although inventory levels showed slight improvement, decreasing by around 10 days, they remain high at 65–68 days. (Source: FADA).
- While the market sentiments continue to be fragile, new product launches in Nov'24 are expected to generate significant interest among urban car buyers and boost passenger vehicle (PV) volumes over the next few months. Maruti recently launched the Dzire facelift Sedan, to strengthen its presence in the Sub-4 Meter sedan category. Further, other launches include the new Honda Amaze, Kia Syros, Renault New Duster, Toyota Camry 2024 and Skoda Kodiaq.

Two Wheelers (2W):

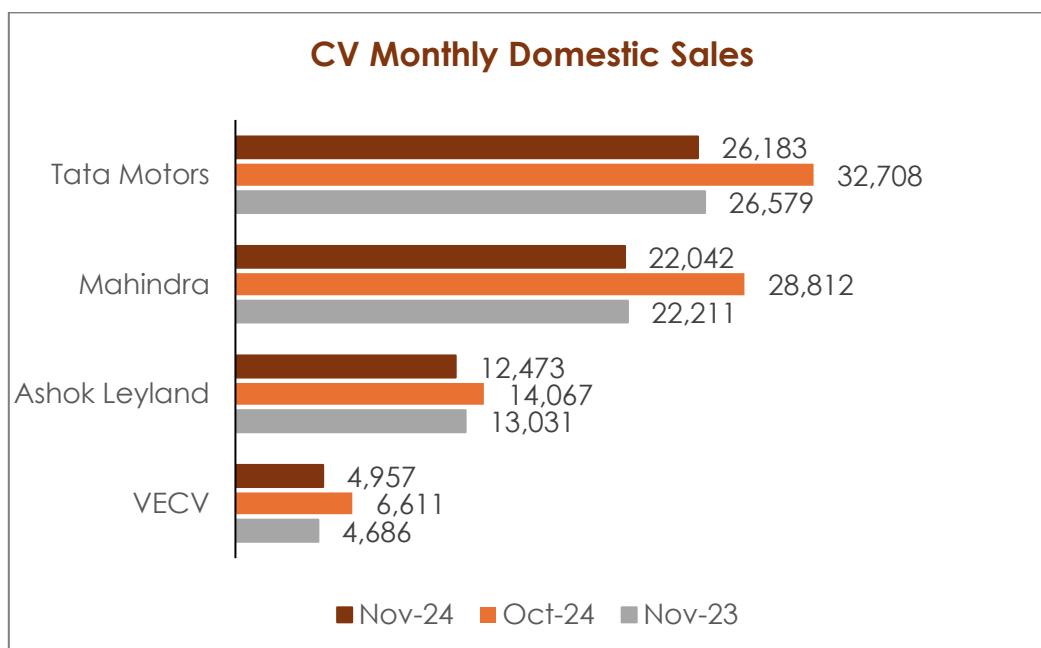


Source: Company Data

- In Nov'24, the two-wheeler (2W) segment continued to show growth in wholesale volumes albeit the pace of growth has clearly moderated. The top six OEMs reported a total wholesale growth of 3.4% on a YoY basis but it declined by 22.1% on a MoM basis.
- On the wholesale domestic front, Suzuki led the market with a growth in sales in Nov'24 of 7.1% on YoY basis, largely driven by new model launches of Access 125, Burgman Street and GSX-8S. TVS India showed a healthy growth of 6.4% YoY increase in total domestic sales, on the back of new model launch of Apache RTR 160 4V, TVS Apache RTR 160 4V Dual Channel ABS with USD and TVS Raider iGO. Honda Motorcycles followed suit, achieving growth of 2.9% YoY, primarily supported by sales of the Activa, Shine and Duo, Hness CB 350 and Hornet 250 series. On the other hand - Hero, Bajaj Auto and Royal Enfield, posted a decline of 7.7%, 6.9% and 3.9% on YoY basis, facing headwinds due to stronger competition.
- On the wholesale export front, YoY volume growth for the top six OEMs has been a healthy 31.6%, reflecting a strong revival in global demand although its sustainability needs to be seen. The major rise in shipments has happened for Royal Enfield, Honda Motorcycles and Hero with 96.0%, 46.7% and 35.7% YoY. Further, TVS, Bajaj, and Suzuki also witnessed an increase in volume growth of 33.9%, 26.1%, and 14.9%, respectively.

- At retail front, 2W sales jumped by 15.8% on YoY and a notable 26.7% on MoM basis. Despite a quieter marriage season, the continuation of festive buying from Oct'24 drove 2w registrations to an all-time high for Nov'24.
- Retail sales of 2Ws show a cautiously positive trend, driven by rising walk-ins. However, buyer hesitation persists due to new-year models and post-festive sentiment. Further, year-end discounts, stable rural demand, and easing inflation may provide moderate support. Overall, momentum is expected to remain steady, with no major surges in the immediate future.

Commercial Vehicles (CV):

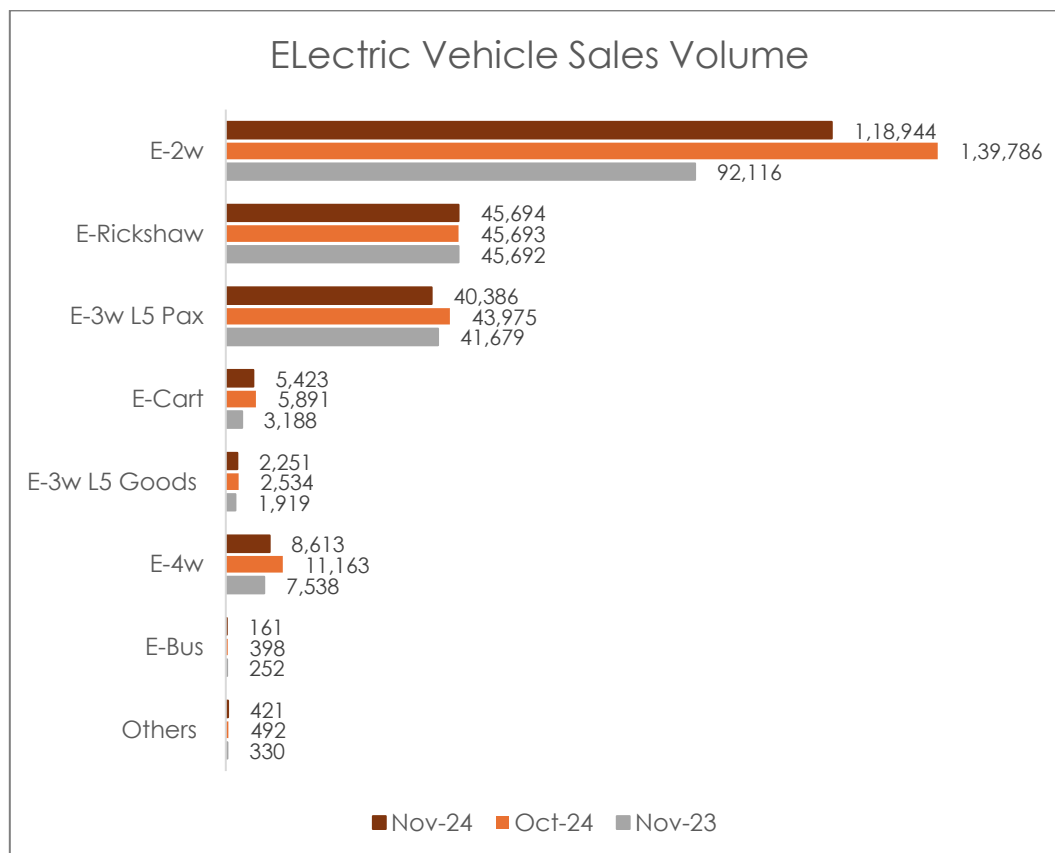


Source: Company Data

- On the wholesale front, the total Commercial Vehicle (CV) sales trend has seen a slight recovery. The volumes for the top four players have seen 1.2% YoY growth and decline of 19.0% on MoM basis.
- Mahindra recorded volumes of 24,818 units, reflecting a single digit growth of 3.3% on YoY basis, but showed a decline of 23.2% on MoM basis. Further, Ashok Leyland and VECV also showed a growth of 0.6% and 7.4% on YoY, selling 14,137 and 5,359 units, driven by new model launches and a strategic focus on domestic markets. Tata Motors reported 27,636 units, down 1.4% YoY and 19.3% MoM, potentially due to production challenges.
- On the retail front, CV sales experienced a decline of 6.1% on YoY and 15.9% on MoM basis. Contributing factors included a restricted product choice, issues with older models, limited financier support, and absence of major festivals in Nov'24 following a strong Oct'24. Additionally, external factors such as elections, a slowdown in the mining and the industrial sectors further impacted this category.
- Increased investments in road infrastructure, logistics hubs, and urban development projects typically boost CV sales by improving transportation efficiency and expanding market reach. Furthermore, robust agricultural markets and continued bulk purchasing are expected to have a positive effect.

Electric Vehicles (EV):

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



Source: Vaahan Portal, EV Reporter

- E2W:** E2W segment experienced a notable YoY growth of 29.1% in Nov'24. However, it witnessed a decline of 14.9% on MoM basis. The strong annual growth can be attributed to the impressive performances of Hero MotoCorp and Bajaj Auto, which led the e-2W sales in Nov'24, with record sales of 7,309 and 26,164 units, respectively. They were closely followed by TVS Motors with 26,974 units sold and Ather Energy with 12,751 units. The monthly decline could be attributed to seasonal factors, inventory adjustments and temporary fluctuations in consumer demand.
- E3W:** The overall E3W market experienced a decline of 15.0% on YoY and 19.7% on MoM basis. The E-3W L5 Pax category showed a remarkable 20.3% MoM increase and a 141.4% YoY surge, driven by higher demand in the passenger vehicle segment. Atul Greentech and TI Clean Mobility led E-3W L5 Pax with 270% and 153% YoY growth. Further, E-Carts and E-3W L5 Goods also saw positive MoM growth of 28.9% and 25.0%, respectively, with consistent demand for goods transportation. However, the E-Rickshaw category faced a slight decline of 0.1% MoM and a 3.8% YoY drop, reflecting market saturation and seasonal fluctuations. The overall segment's decline can be attributed to slower sales in the E-Rickshaw category and the base effect from higher sales in the previous months.
- EPV (e-4W):** The sales in this segment saw a 14.3% growth on YoY basis but experienced a decline of 22.8% on MoM basis. MG Motors saw a strong growth of 252.0% on YoY basis, followed by BYD India with a growth of 167.2% YoY. This surge is

attributed by festive season boost, improved product availability, enhanced financing options and OEM discounts. On the other hand, Tata Motors faced a 12.9% YoY decline, reflecting a challenging market environment and possible shifts in consumer preferences.

- **ECV (e-Bus):** Overall e-bus sales faced a considerable downturn, with a 36.1% decrease on YoY basis and a sharp 59.5% decline on MoM basis. Both Tata Motors and Olectra Greentech experienced significant drops, with sales falling by 61.2% and 31.7% YoY, respectively, amounting to 62 and 42 units sold. This decline is attributed to fewer orders, seasonal demand fluctuations and delays in procurement by public and private transport operators.

Overall Comments – Auto Sales – Nov. 2024:

The general slowdown in urban consumption and demand witnessed in the second quarter of the fiscal, seems to have impacted auto sales in the month of Nov'2024. However, the base factor has also come to play since the festival season in the current year had a high concentration in the month of October whereas it was spread over Oct-Nov in the previous year.

Passenger Vehicles

The retail sales in PVs have seen a significant dip in Nov-24 which can be partly attributed to the unfavourable base and the continuing weakness in urban demand. The wedding season hasn't made much of an impact yet on PV demand. Dealer inventories are still reported to be significant although they have seen a decline compared to the previous months. We expect the PV players to resort to aggressive discounts in the current and next quarters; volumes also likely to be supported by new launches in the SUV and EV category. We expect a flattish to modest volume growth in domestic PV market 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. This continues to be reflected in the retail level sales. However, increased competition in the industry is leading to monthly volatility in the market shares. Export sales in the industry have seen a healthy revival vis-à-vis last fiscal but its sustainability remains to be seen. We expect overall volume growth in the 2W segment to be in early double digits in the current fiscal.

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 likely. 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. Nevertheless, the overall volume growth is likely to be modest in FY25.

The auto volumes in the next few months will be an important indicator of the strength of consumer demand and to assess whether the current economic slowdown is only temporary in nature.

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

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