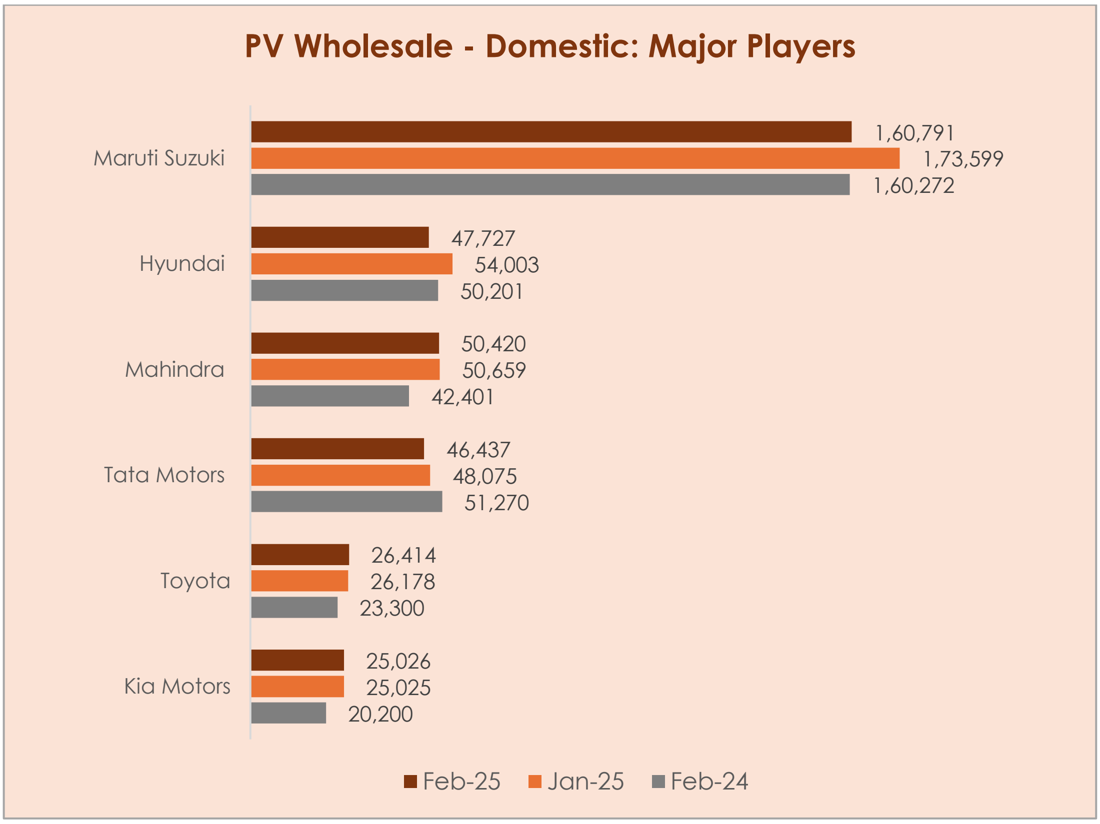
Export Surge Fuels Auto Industry Growth Amid Subdued Domestic Volumes

11 March 2025

Passenger Vehicles:



Source: Company Data

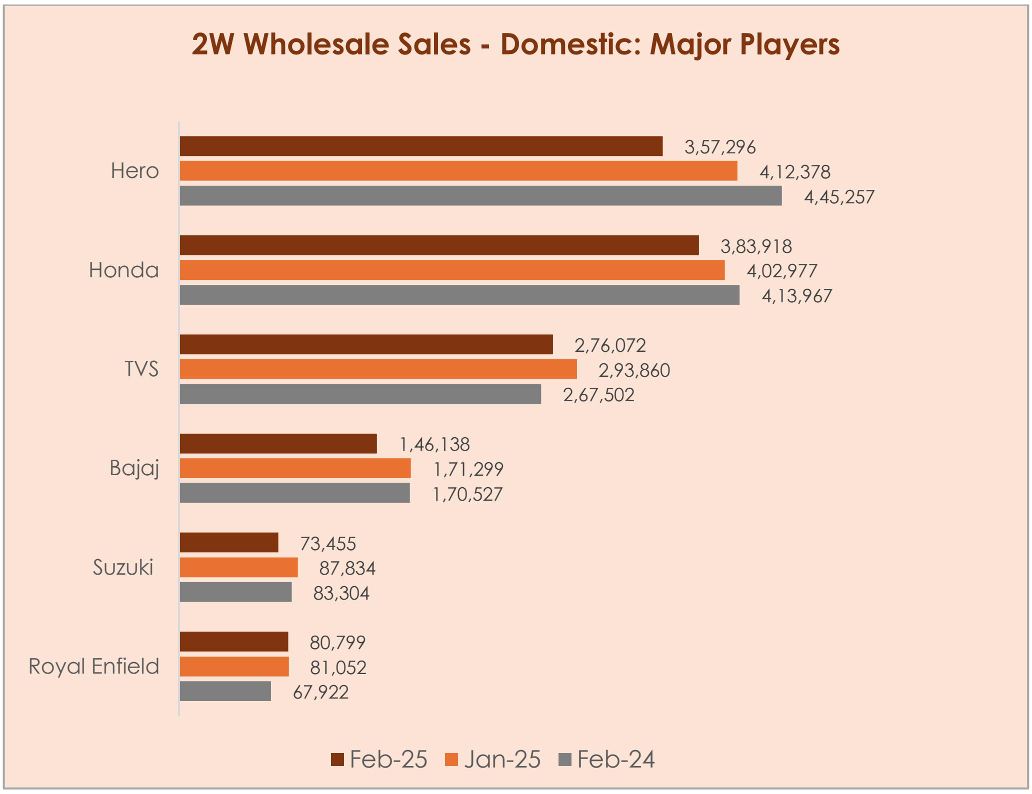
- On the wholesale front, domestic sales volume of passenger vehicles (PVs) across the top 13 OEMs in the country were up 2.3% in Feb'25 compared to Feb'24, though it showed a decline of 5.1% vs Jan'25.
- In Feb'25, domestic wholesale sales of PVs among the key players, Mahindra up 18.9% on a YoY basis, sustained its robust performance, crossing the 50,000-unit sales mark for the fourth consecutive month in FY25, driven by strong demand for its SUVs. The growth was fueled by popular models such as the XUV 700, XUV 3X0 and Thar, contributing to Mahindra's dominance in the Indian SUV market. Maruti Suzuki maintained its leadership by showing a marginal rise of 0.3% YoY growth, reflecting a steady market demand. This marginal growth comes amid a broader market slowdown, with key competitors experiencing varied performance outcomes. Despite a decline in its mini segment, Maruti Suzuki observed a rise in compact car sales, including models like Fronx, Baleno and Swift.
- Kia Motors, up 23.9% on a YoY basis, showed notable growth, driven by strong product demand and expanding market presence. Toyota experienced a growth of 13.4% YoY, where the Company's MPV (Multi-Purpose Vehicles) and SUV (Sports Utility

Vehicle) segments continue to be the primary growth drivers, contributing 68.0% to overall sales. The strong demand led by models such as Innova Crysta, Innova Hycross, Urban Cruiser Hyryder, Hilux, Fortuner, Legender and Rumion reflects its biggest contributor to overall volumes. Skoda also delivered an impressive 147.7% growth on a YoY basis, bolstered by Skoda Kylaq, which has easily emerged as the Company's best-selling model.

- In contrast, Hyundai had its fourth consecutive month of decline, reporting a 4.9% YoY drop in sales due to intense competition and a shift in consumer preferences towards other brands. Hyundai numbers have stagnated, with no major model launches. Tata also experienced a 9.4% decline, potentially due to a notable drop in EV sales, a significant drop of 22.8% over the same month last year, when EV sales accounted for 6,923 units.
- MG Motors experienced a decline of 11.7% on a YoY basis and 10.2% on a MoM basis. This decline was largely due to temporary production adjustments at the Halol facility, where necessary modifications were being made to accommodate new products and stabilise the production process of the MG Windsor EV. Despite this short-term setback, MG's electric vehicle lineup continued to drive significant sales, contributing 78% of its total sales. The company is preparing for the launch of a higher-spec Windsor EV with a larger battery pack, expected by April 2025. Additionally, MG plans to expand its product portfolio with the introduction of the MG Cyberster and MG M9 under its luxury brand channel, MG Select.
- Overall, the market sentiments are also low, citing price increases and a drop in offers on new models since Jan'25. Also, the lull in the current economic scenario impacts the current PV volumes; however, consumer spending on discretionary products is expected to rise gradually.
- On the retail front, PV sales decreased by 10.3% on YoY and 34.9% on a MoM basis. This decline was largely driven by weak market sentiment, especially in the entry-level category, along with delayed conversions and high targets. Dealers stressed that OEMs should avoid burdening them with excessive inventory, underscoring the need for improved alignment between national strategies and local dealer insights. Inventory levels in this segment remained stable at around 50-52 days, suggesting a more balanced supply-demand outlook in the near future. (Source: FADA).
- New product launches in Feb'25, such as Kia Syros, Renault Kiger SUV and Triber MPV, MG Majestor, MG Cyberster, Tata Sierra, Tata Harrier and Maruti Suzuki Grand Vitara

7-seater are expected to generate interest among urban car buyers and improve PV volumes. Additionally, with the convergence of upcoming festivals like Holi, Gudi Padwa and Navratri to lift the retail sentiment and year-end depreciation benefits, attractive schemes are expected to provide a much-needed boost to vehicle purchases.

Two Wheelers:



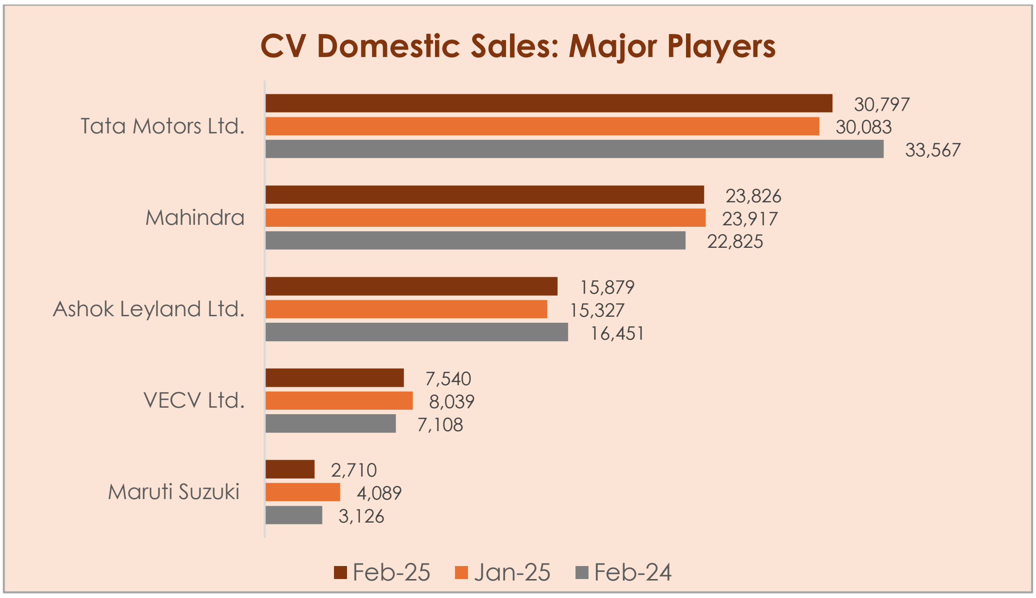
Source: Company Data

- In Feb'25, the top six OEMs in the Indian two-wheeler market reported mixed performance compared to the same month last year. This was due to a significant decline in domestic demand but an increase in export volumes. Domestic wholesale sales declined by 9.0% on a YoY basis and by 9.1% on a MoM basis. In contrast, exports led to a wholesale growth of 19.9% on a YoY basis and 3.0% on a MoM basis.
- On the wholesale domestic front, Royal Enfield led the market with a growth in sales in Feb'25 of 19.0% on a YoY basis, largely driven by demand for the Super Meteor 650 & Interceptor 650 models. The company's Classic 350 and Meteor 350 are also showing robust growth. TVS Motors showed a growth of 3.2% increase in domestic sales compared to the same month last year, driven by healthy demand for the new model TVS Jupiter, TVS Apache series and TVS i-Qube scooter. Strong demand has been sustained by robust consumer sentiment, which is bolstered by wedding season demand and a steady rise in first-time buyers.
- In contrast, Hero MotoCorp, Baja Auto, Suzuki Motorcycles and Honda reported YoY declines of 19.8%, 14.3%, 11.8% and 7.3%, respectively. These declines and challenges are attributed to ongoing domestic market issues, such as inflation and economic

pressures affecting lower-middle and working-class consumers, as well as rising competition from new entrants across segments.

- On the wholesale export front, Hero MotoCorp leads with a 32.9% growth on a YoY basis, driven by expanding global presence and demand for affordable bikes in key global markets, particularly in Latin America and Southeast Asia.
- Competitive pricing and value products have made Indian two-wheelers more attractive in global markets, contributing to the overall increase in exports. Bajaj Auto, Royal Enfield, TVS Motors and Suzuki Motorcycles saw a growth of 23.5%, 23.2%, 28.2% and 18.5% on a YoY basis, driven by strong demand for premium motorcycles in key international markets and demonstrated steady progress despite rising competition. In contrast, Honda registered a decline in sales of 13.9% on a YoY basis, attributed to factors such as competition and market dynamics that impacted its export volumes.
- On the retail front, 2Ws sales declined by 6.3% YoY and a notable 11.3% on a MoM basis. This decline was influenced by inventory imbalances, aggressive price adjustments (especially following OBD-2B), weak consumer sentiment, reduced inquiry volumes, and limited financing options as contributing factors. These challenges were exacerbated by concerns about slow-selling models and external economic pressures, including liquidity constraints and inflation. Moreover, urban areas saw a more significant decline of 7.3% than the 5.5% drop in rural markets. The rural sector performed better, driven by positive agricultural sentiments on the back of the strong kharif season and positive rabi sowing, as well as seasonal wedding demand.
- Retail sales of 2Ws are expected to rise, driven by increased walk-ins, new product launches, and strategic promotional activities, all of which are likely to sustain customer footfalls and further boost demand. Additionally, positive Agri-output and the festive calendar are seen as catalysts, even though the booking pipeline slowed towards the end of Feb’25.

Commercial Vehicles:



Source: Company Data

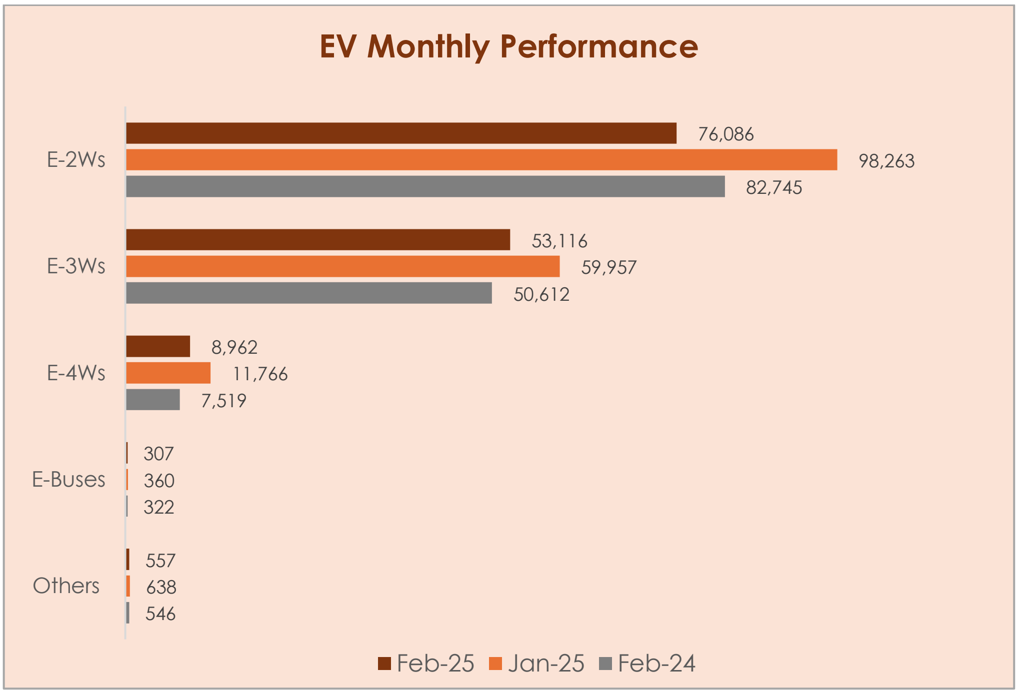
- In Feb'25, the domestic Commercial Vehicle (CV) sales trend for the top five players has seen a decline of 2.8% on a YoY basis and 0.9% on a MoM basis, reflecting a challenging period in domestic sales.
- On the wholesale domestic front, Mahindra achieved 23,826 units in domestic sales, reflecting a modest 4.4% increase on a YoY basis, driven by a 9.1% rise in LCV (2T-3.5T) and a 22.7% jump in LCV >3.5T & M&HCV. VECV stood out with a significant 6.1% growth on a YoY basis, selling 7,540 units, driven by new model launches, steady demand and a strategic focus on domestic markets.
- In contrast, Tata Motors reported 30,797 units, a decline of 8.3% on a YoY basis but an increase of 2.4% on a MoM basis. This decline was primarily driven by a decrease in the SCV (Small Commercial Vehicle) cargo & pickup segment, where the company sold 10,898 units in Feb'25, down from 13,701 units in Feb'24, reflecting a 20.4% decrease. The demand remained flat, hindered by affordability issues and a shift to Electric 3Ws. Ashok Leyland reported 15,879 units, a decline of 3.5% on a YoY basis. This decline was primarily due to a decrease in the M&HCV Trucks segment, where the company sold 8,368 units in Feb'25, down from 8,656 units in Feb'24, reflecting a 3.3% decrease. Maruti Suzuki also saw a decline, reflecting a 13.3% decrease in sales, primarily due to a decrease in the LCV segment.
- Overall, on the domestic front, the slight market decline was led by weaker small commercial vehicle (SCV) and passenger carrier demand, affecting Tata Motors

significantly. However, medium & heavy commercial vehicle (M&HCV) trucks and LCVs in the 2T-3.5T range showed resilience, benefiting Mahindra & Mahindra and VECV. While challenges remain in certain segments, sustained growth in the LCV (Light Commercial Vehicle) and HCV (Heavy Commercial Vehicle) categories suggests stable demand in core logistics and transportation sectors.

- OIn terms of the total exports front, the volumes for the top four players have seen strong 68.1% YoY growth. This growth was led by Mahindra and Ashok Leyland, selling 3,061 units and 2,024 units, up 98.9% and 99.8% on a YoY basis, respectively.
- On the retail front, CV sales experienced a decline of 8.6% on YoY and 16.8% on a MoM basis. This decline resulted from sluggish sales in the transportation sector, tightening finance norms, and pricing pressures that slowed customer decision-making, especially for bulk orders and institutional contracts. Strong order bookings, especially in the tipper segment, were bolstered by increased government spending and consistent supplies, providing some relief. Further, there is cautious optimism about market improvement by March 2025 as dealers adjust their targets to better match current demand.
- Boosting CV volumes is anticipated through increased investments in road infrastructure, logistics hubs, and urban development, which will enhance transportation efficiency and improve market access. Additionally, the CV space is expected to benefit from increased government spending and institutional purchases, which are likely to boost volumes despite the ongoing liquidity challenges.

Electric Vehicles (EV):

In Feb’25, India's electric vehicle (EV) market exhibited a sluggish performance across most categories. However, the Indian EV market, driven by increasing consumer adoption and competitive market dynamics, continues to evolve. Despite the competitive landscape, economic factors and consumer spending remain significant influencers on overall EV sales. The sector is striving to maintain its upward momentum, bolstered by initiatives like the PM E-DRIVE Scheme and supportive state government incentives.



Source: Vaahan Portal, EV Reporter

- **E2W:**

  The segment saw a decline of 8.0% on YoY and 22.6% on a MoM basis. This decline was due to increased competition, which has led to pricing strategies that affected consumer demand.

  - This decline was led by OLA Electric, selling 8,647 units in Feb’25, down 74.6% on a YoY basis and 64.5% on a MoM basis. The company has renegotiated its contracts with its vehicle registration agencies, which led to a temporary drop in registration numbers on the VAHAN portal in Feb’25. The renegotiation aims to reduce costs and streamline the registration process.
  - Bajaj is the new leader of the E2W market and the only major player to manage a flat month. Bajaj Auto experienced a sales boost, selling a record 21,389 units, while

TVS Motors followed closely with 18,762 units, and Aether Energy reached 11,807 units.

- Bajaj Auto, buoyed by the Chetak model's strong performance, has registered a strong 81.3% YoY growth compared to Feb'24, with 11,763 units sold. This performance sees Bajaj Auto win the No. 1 e-2W OEM title for the second time in three months, having topped the segment for the first time in Dec'24. TVS's iQube remains a strong competitor with reliable performance and legacy brand trust. Ather's 450-S and 450X models have gained traction, offering unmatched space and practicality.
- Going ahead, Hero's Vida V2, with modest updates, benefits from the brand's reputation and should see steady sales. As Honda and Suzuki enter the market, competition among top e-2W manufacturers will intensify, driving innovation and improving consumer choices. Further, both companies are exploring electric options, with Honda planning to introduce electric scooters soon, while Suzuki has showcased concepts like the Burgman Electric.

- **E3W:**

  The overall E3W market experienced a growth of 4.9% on a YoY basis but declined by 11.4% on a MoM basis, reflecting a mixed performance varied across its sub-segments:

  - The E3W (e-rickshaw) segment saw a decline of 11.4% on YoY and 16.6% on a MoM basis. This was due to a decline in sales of SAERA Electric, down by 5.0% and YC Electric, down by 1.9% on a YoY basis. The dip in this segment is attributed to market challenges faced by some brands due to higher competition.
  - E3W (Passenger L5 Pax) segment saw a strong growth of 70.9% on a YoY basis but a decline of 7.6% on a MoM basis. Year-on-year growth was led by Mahindra. Last Mile Mobility, which led the charge and sold 4,732 units, followed by Bajaj Auto, which sold 4,156 units in Feb'25. This surge indicates a rise in demand for E3W Passenger L5 Pax, fueled by improved infrastructure and government support for eco-friendly mobility options.
  - E-Cart segment saw a growth of 44.1% on a YoY basis and 11.1% on a MoM basis. This performance was attributed to YC Electric and Dilli Electric, which sold 425 units and 349 units in Feb'25. This highlights the growing demand for e-carts, reflecting the increased adoption of sustainable logistics solutions. The e-cart segment remains the only segment to post YoY and MoM growth in the EV market.

- E3W (Goods L5) segment saw a decline of 8.3% on a YoY basis and 1.7% on a MoM basis. This decline was led by Mahindra Last Mile Mobility, which sold 589 units in Feb'25 compared to 955 units sold in Feb'24. In contrast, Omega Seiki sold 535 units in Feb'25 compared to 366 units in Feb'24, and Bajaj Auto sold 430 units in Feb'25 compared to 180 units in Feb'24. This highlights the growing demand for electric goods carriers as businesses seek sustainable and efficient solutions for their operations.

- **EPV (e-4W):**
  The sales in this segment grew 19.2% on a YoY basis but declined by 23.8% on a MoM basis, reflecting a mixed performance:
  - MG Motors led the market and saw a growth of 214.6% on a YoY basis, selling 3,269 units in Feb'25. This significant YoY increase points to a strong adoption of electric cars, driven by improved infrastructure and better models such as MG Windsor. Further, the company is set to expand its product lineup with the launch of the MG Cyberster, an all-electric roadster, and the MG M9, a luxury offering under MG Select, the brand's premium vehicle channel. These new models will further strengthen MG's presence in the EV segment.
  - In contrast, Tata Motors saw a decline of 21.6%, reflecting the growing competition from rival EV OEMs, increased product choice for buyers and expiry of the FAME 2 subsidy.

- **ECV (e-Bus):**
  - Overall, the e-bus segment reported subdued performance. The sales in this segment declined by 4.7% on a YoY basis and 14.7% on a MoM basis. Switch Mobility-led e-bus reported its sales with the highest market share in e-bus of 38.7% in Feb'25, selling 88 units, followed by Olectra Greentech, selling 66 units in Feb'25.
  - The e-bus market is facing challenges like long procurement cycles and infrastructure limitations. Despite increasing sales, electric buses remain a fraction of India's total bus registrations. However, government incentives and procurement programs, such as the PM e-Bus Sewa Scheme-2, are expected to accelerate adoption.

Overall Comments – Auto Sales:

Indian automobile sales faced a broad-based downturn across all categories, reflecting a challenging market environment marked by weak demand and economic uncertainties.

Passenger Vehicles

PV sales in Feb'25 showed steady growth, with Mahindra and Toyota performing well, owing to their new launches. However, the persistence of high inventories of PV with the dealers reflects a significant slowdown in the segment, which may be partly attributed to higher interest rates, some saturation in urban demand for SUVs and a push for EV adoption. The near-term outlook remains optimistic, supported by rising incomes and urbanization, although global headwinds could temper growth, leading to a worsening of sentiment.

Two Wheelers

The 2Ws segment reported mixed numbers in Feb'25. The rural markets performed better, fuelled by an agricultural boost from the kharif harvest and rabi sowing, along with wedding season demand. Additionally, the segment saw a notable rise in first-time buyers, which has contributed to sustained demand.

Commercial Vehicles

CV volumes have remained weak and inconsistent in the current fiscal year, but there is potential for a recovery in the coming quarters. This recovery is expected to be driven by an increase in government capital expenditure, funding key infrastructure projects. Additionally, the development of better EV infrastructure will boost demand, particularly from logistics and delivery service providers. However, fleet operators remain cautious about expanding their capacity due to ongoing economic uncertainties, which could moderate the pace of recovery in the CV sector.

Looking ahead, the broader auto sector is expected to regain strength, supported by new model launches, improved disposable incomes owing to favourable agricultural output, and improvement in overall demand on the back of economic stability.

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