



# INDIA AUTOMOBILE SECTOR: Q3 FY25 SNAPSHOT





January 2025

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## Automobile Monthly Data Dashboard – Quick Glance

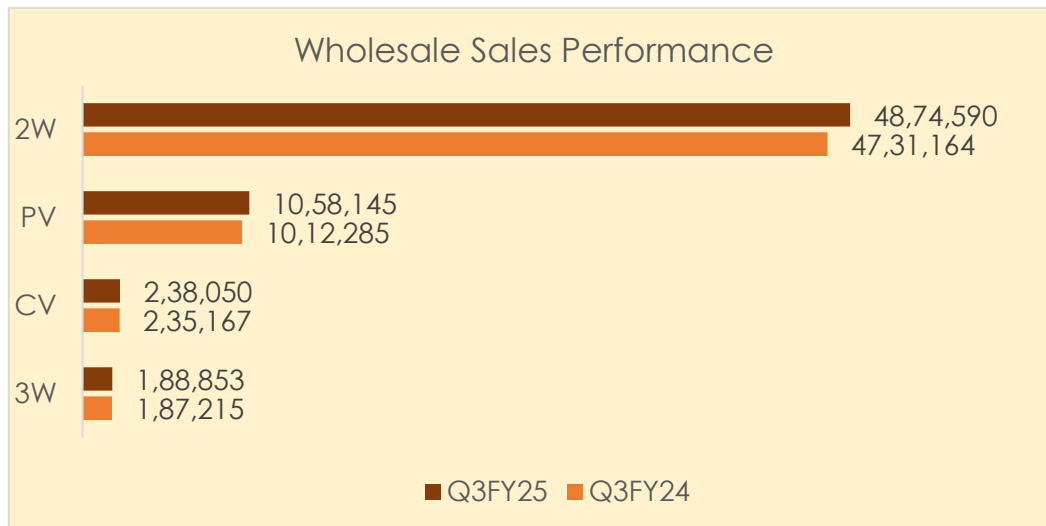
Indian Domestic 2W, 3W, PV, and CV - December 2024:

CATEGORY	RETAIL (FADA)*	WHOLESALE (SIAM)#
	<b>2 Wheelers</b> <ul style="list-style-type: none"> <li>Volume: 11,97,742</li> <li>MoM: -54.2%</li> <li>YoY: -17.6%</li> </ul>	<b>2 Wheelers</b> <ul style="list-style-type: none"> <li>Volume: 11,05,565</li> <li>MoM: -31.1%</li> <li>YoY: -8.8%</li> </ul>
	<b>3 Wheelers</b> <ul style="list-style-type: none"> <li>Volume: 93,892</li> <li>MoM: -13.3%</li> <li>YoY: -4.6%</li> </ul>	<b>3 Wheelers</b> <ul style="list-style-type: none"> <li>Volume: 52,733</li> <li>MoM: -11.1%</li> <li>YoY: 4.3%</li> </ul>
	<b>Passenger Vehicle</b> <ul style="list-style-type: none"> <li>Volume: 2,93,465</li> <li>MoM: -8.8%</li> <li>YoY: -2.0%</li> </ul>	<b>Passenger Vehicle</b> <ul style="list-style-type: none"> <li>Volume: 3,14,934</li> <li>MoM: -9.4%</li> <li>YoY: 10.0%</li> </ul>
	<b>Commercial Vehicle</b> <ul style="list-style-type: none"> <li>Volume: 72,028</li> <li>MoM: -12.1%</li> <li>YoY: -5.2%</li> </ul>	<b>Commercial Vehicle</b> <ul style="list-style-type: none"> <li>Volume: 75,129</li> <li>MoM: 14.4%</li> <li>YoY: 2.7%</li> </ul>

Source: \*FADA, #SIAM and Company data, Acuite Research

## Executive Summary

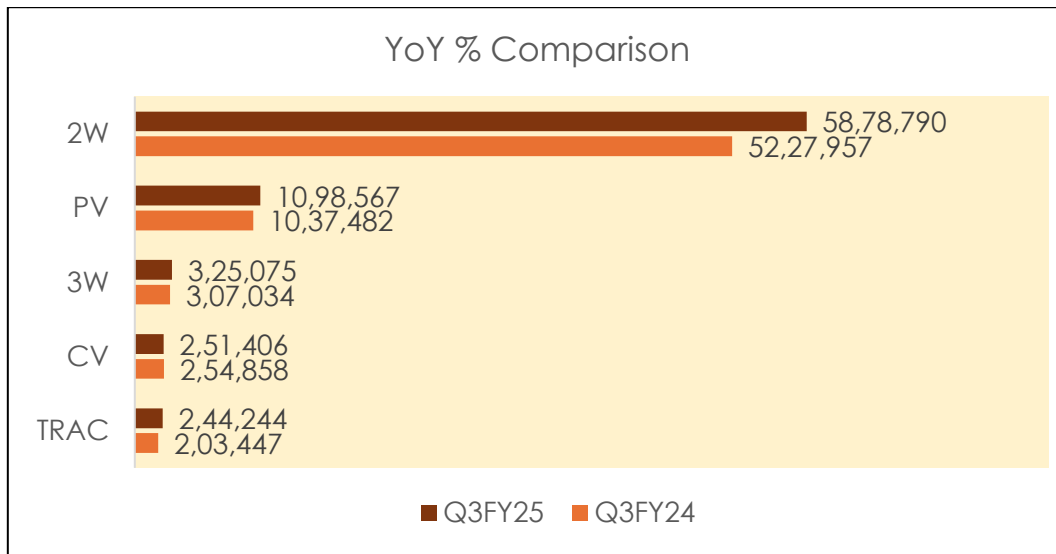
### Quarterly Wholesale Data



Source: SIAM

- The Indian automobile industry reported a mixed performance with an aggregate volume growth of 3.1% YoY in Q3FY25. There has been a healthy recovery in PV volumes to 4.5% YoY and a somewhat slower 3.0% growth in the 2W industry; on the other hand, there has been a very modest rise of 0.9% YoY in the 3W segment which can be attributed to a saturation in urban markets and a slowdown in vehicle finance. CV volumes also remained lacklustre, rising only by 1.2%, reflecting the slowdown in industrial activity and capital expenditure.
- On a calendar year basis, the total automobiles sale volumes have seen a strong revival in CY24, notching up a growth of 11.6%. The pickup in rural demand has helped the 2W industry to show a strong growth of 14.5% YoY. While the PV industry had a slower growth of 4.2% in the last calendar year, it recorded its highest ever volumes at 4.3 million units and continued to be driven by the ongoing shift to SUVs which grew by 16.8% YoY. However, the slowdown in industrial growth and government capex particularly in the second half of the calendar, impacted the CV industry which saw a 2.7% YoY decline in CY24.

**Retail Data**

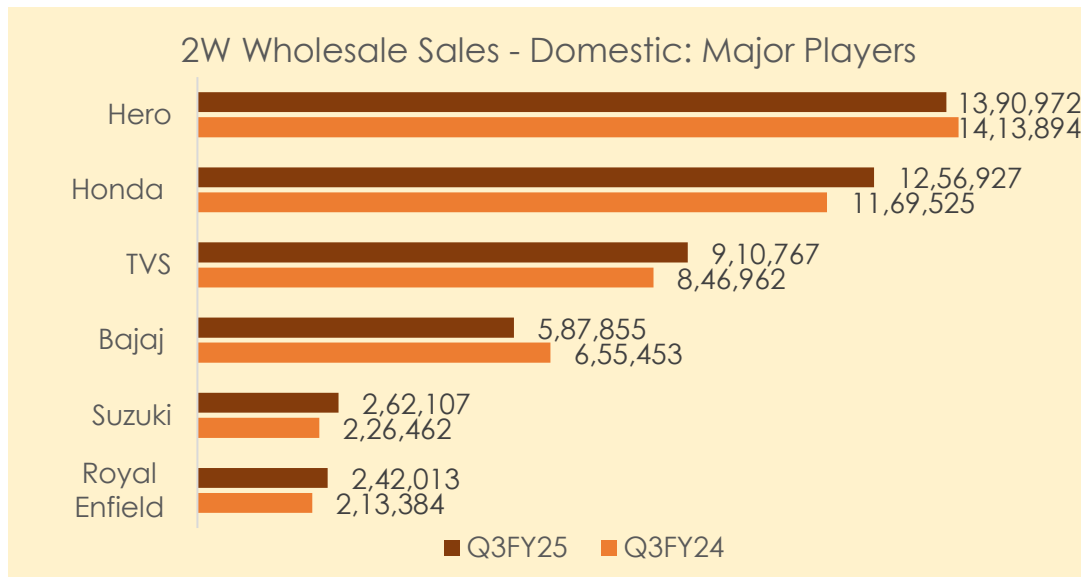


Source: FADA

- In Q3FY25, retail sales data from FADA revealed a divergent performance across vehicle categories. The tractor industry experienced solid volume growth of 20.1% YoY, rising to 2,44,244 units in Q3FY25 from 2,03,447 units in Q3FY24, on the back of strong agricultural growth and rural demand pickup. The two-wheeler segment continued to show positive momentum, with a 12.4% increase YoY, indicating healthy rural demand. Further, passenger vehicles and three-wheelers both grew by 5.9%, reflecting healthy retail demand.
- On the other hand, the commercial vehicle segment experienced a decline of 1.4% YoY. This highlights the weakness in industrial activity during the quarter as also the delays in the pickup of public and private capex in the current fiscal.

## Quarterly Analysis: Q3FY25

### Two-Wheeler (2Ws)



Source: Company Data, Acuite Research

#### **Wholesale Domestic Market:**

- In Q3FY25, Suzuki Motorcycles witnessed the highest growth in the domestic market at 15.7% YoY; Royal Enfield saw a 13.4% growth in YoY. Honda and TVS both saw a steady growth of 7.5%. In contrast, Hero and Bajaj experienced a decline of 1.6% and 10.3% on YoY basis. Overall, the growth in domestic wholesale volumes for these top players was moderate at 2.8% YoY in Q3 which indicates a tough market environment despite the improvement in rural demand and increased competition with some brands like Royal Enfield and Suzuki performing relatively better.

#### **Export Market:**

- India's two-wheeler exports have seen a consistent improvement in Q3FY25. The export despatches for the top 6 players have seen a 28.1% YoY growth during the quarter, reflecting a pickup in demand from the other developing

nations. The export growth underscores the increasing global acceptance of Indian 2Ws, driven by competitive pricing and enhanced quality.

**Retail Market Volumes:**

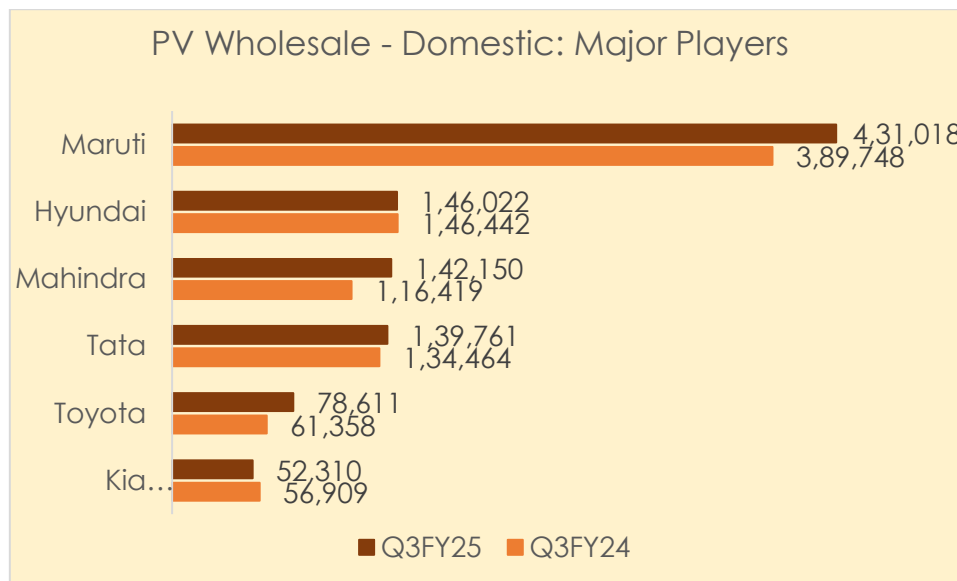
- The overall retail sales growth of 2Ws in the third quarter has been strong at 12.4% YoY driven by the festive season. However, it experienced a decline of 17.6% on YoY and 54.2% on MoM basis in Dec'2024. This slippage of growth towards the end of the last quarter can be attributed due to slower release of government funds, delay in the harvest of some crops due to excessive rains in Oct'24 and continuing weakness in urban demand. A tightening of financing norms by lenders may have also contributed to the loss of momentum in the market.
- Nevertheless, the prospects for the two-wheeler segment remain healthy, supported by improved supply, new models, and improved rural demand, although financing constraints may continue to pose challenges.

**Outlook:**

While there has been a slip in the 2W sales momentum in Dec'2024, the industry has seen a strong revival in CY2024 and also in the last quarter by notching up a double digit growth. This has been clearly supported by a favourable monsoon (except for excess rains in some parts), robust growth in the agriculture sector and higher rural demand. While there may be a slight decline in the growth print in the last quarter, we expect the overall volume growth in the domestic 2W market to remain in low double digits. The launch of new models by the leading players including that in the EV segment, will help in driving growth. Further, there is also a revival in sight in the export markets, as seen in the figures of the last quarter.

- **Suman Chowdhury, Chief Economist and Executive Director**

## Passenger Vehicle (4Ws)



Source: Company data, Acuite Research

### **Wholesale Domestic Market:**

- In Q3FY25, domestic wholesale sales of PV in India totalled 10,69,839 units, up 8.2% from 9,89,064 units in Q3FY24. The retail dealer level sales have also seen a healthy growth of 5.9% during the last quarter. Clearly, the slowdown in PV demand seen in the first half of the fiscal has been arrested; the festive season, weddings and a pickup in rural purchases have contributed to the improvement.
- The bellwether of the industry, Maruti Suzuki recorded one of the highest quarterly YoY growth in the post Covid period at 10.6%, reflecting an improved demand for entry level cars. Mahindra and Toyota saw solid growth of 22.1% and 28.1% respectively which highlights the strong demand for robust SUVs. MG Motors saw the highest growth of 51.8% albeit on a lower base due to the increased interest in EVs. The interest in the latter EVs may be on account of the launch of the innovative BadS (battery as a service) programme which reduced upfront price of the vehicle by allowing the customer to pay rentals on the battery on actual usage (per km) basis.
- On the other hand, the second largest player in the industry, Hyundai witnessed a slight YoY decline in its volumes at 0.3%. The performance of Hyundai has



remained disappointing in CY2024. Similarly, another Korean manufacturer, Kia has also experienced a volume dip of 8.1% in Q3FY24.

- In the post Covid era, the domestic car market in India has been characterised by intense competition between 10-12 OEMs and volatile market shares. New launches often lead to a step up in market share, but several players have found it difficult to sustain a good growth in volumes.

**Export Market:**

- It is noteworthy that the volume of PV exports from India saw a quarterly high of 2,01,409 units in Q3FY25 with a YoY growth of 18.9%. Maruti and Hyundai remain the two major exporter from India, primarily shipping smaller cars.

**Retail Market Volumes:**

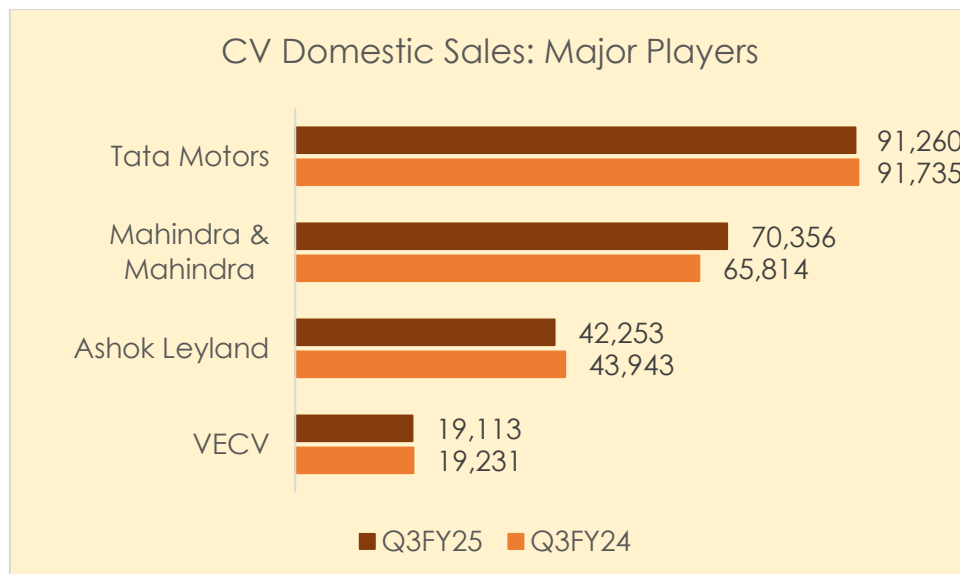
- While the dealer level volume growth at 5.9% in the quarter was not as high as that in wholesale, it has seen a material reversal from the annualized contraction of 5.1% YoY seen in Q2. There has been a good pickup in demand during the festive season which was more broad-based and included entry level cars. The dealer inventory levels on Dec'2024 appears to have moderated to around 60 days. The discounts offered by some of the OEMs have helped in pushing sales at the dealer level.

**Outlook:**

Our expectation of a revival in PV demand in the second half of the fiscal has been reinforced from the Q3 data. An improvement in rural demand has pulled up volumes for entry level cars which is important from the growth perspective. We have also seen aggressive launches in SUVs and marketing strategies from some OEMs namely Mahindra and Toyota which have led to an increase in their market shares. Nevertheless, a weakness in urban demand, relatively high interest rates and some tightening in retail loans may constrain the overall growth in the domestic car market. On the other hand, it is encouraging to note a pickup in car exports in Q3FY25. Overall, we expect a low single digit volume growth for PVs in FY25.

- **Suman Chowdhury, Chief Economist and Executive Director**

## Commercial Vehicle (CV)



Source: Company data, Acuite Research

### **Wholesale Domestic Market:**

- In Q3FY25, the domestic wholesale volumes grew only by 1.2% YoY. Except for Mahindra, all the other major OEMs saw an annualized contraction during the quarter; VECV down by 0.6%, Ashok Leyland by 3.8%, and Tata Motors by 0.5%.
- Mahindra was an outperformer, growing by 6.9% YoY in Q3FY25 on account of higher demand for its LCVs, particularly in the e-commerce sector.

### **Export Market:**

- While exports remain modest at 9% of the domestic market size, it showed a growth of 14.1% YoY in Q3FY25.

### **Retail Market Volumes:**

- The sluggishness in the CV market is also reflected in the dealer level sales. Retail volumes dropped by 1.4% YoY, mainly driven by delayed government fund releases and slow financing approvals. Many customers may have chosen to delay their purchases to the last quarter of the fiscal.
- However, there is growing optimism, particularly in areas benefiting from infrastructure projects. Furthermore, the CV sector may see a mild recovery in

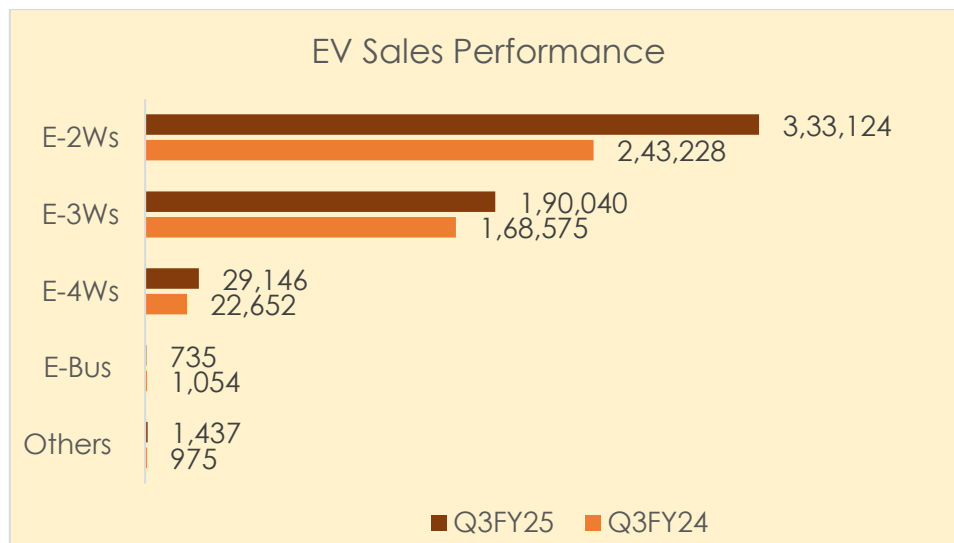
Q4, driven by faster pace of infrastructure projects and government incentives, potentially boosting fleet renewals and expansions.

**Outlook:**

The volumes in the CV market have continued to be a disappointment since FY24 when there was a marginal 0.7% contraction in volumes. In the first nine months of the fiscal, industry volumes have actually dipped by 1.3% YoY. This can be largely attributed to the slowdown in industrial activity and the slow pace of government capital expenditure due to multiple elections. Some of the LCV demand is also getting cannibalised due to the increasing popularity of 3W EVs for local transportation. There are some signs of a pickup in CV demand, but we don't expect a significant growth in the remaining part of the fiscal; overall, we estimate industry volumes to remain flattish or contract by 1%-2% in FY25.

- **Suman Chowdhury, Chief Economist and Executive Director**

## Electric Vehicle (EV)



Source: EV Reporter, Vahan Portal

### **Overall Trends:**

Overall EV sales showed significant growth of 27.0% in Q3FY25 compared to Q3FY24 respectively. While the 2W EVs continued to show strong growth of 37.0% YoY, there is a discernible slowdown in the momentum due to lower customer level subsidies (PM E DRIVE vs FAME II). 4W EV sales also saw strong growth 28.7% YoY albeit on a much lower base.

### **E-2W:**

- In Dec'24 2024, the E-2Ws sales actually declined by 3.4% to 73,356 units from 75,947 units in Dec'23. This is possibly also on account of the competitive costs of traditional scooters compared to 2W EVs net of subsidies. The industry has also been reportedly facing supply chain challenges for batteries.
- Ola Electric, the erstwhile leader in the E2W market, witnessed a 54.8% sequential drop in sales in Dec'2024. In contrast, Bajaj Auto saw a growth of 75.5% on YoY basis.

**E-3W:**

- In the E-3Ws segment, sales logged a 3.1% YoY increase but a 6.3% MoM decline in Dec'2024, indicating some slowdown in the market. While the E-Rickshaw sales slipped by 9.4% YoY, it was partly offset by the other segments in the 3W market.

**E-4W:**

- E-4W sales grew to 8,781 units in Dec'24 from 7,508 units in Dec'23. The sales saw a growth of 17.0% on YoY basis and a drop of 2.5% on MoM basis.
- Tata Motors experienced a YoY decline of 16.2%, selling 4,037 units in Dec'24 compared to 4,820 units in Dec'23. In contrast, MG Motors India saw a major pickup in Dec'24 and reduced the volume gap with the former.

**E-Bus:**

- E-bus sales decreased from 176 units in Dec'24 to 573 units in Dec'23. It faced a steep 69.3% YoY decline, likely due to delayed orders and limited infrastructure, although they saw a 9.3% MoM increase, suggesting short-term recovery.

**Outlook:**

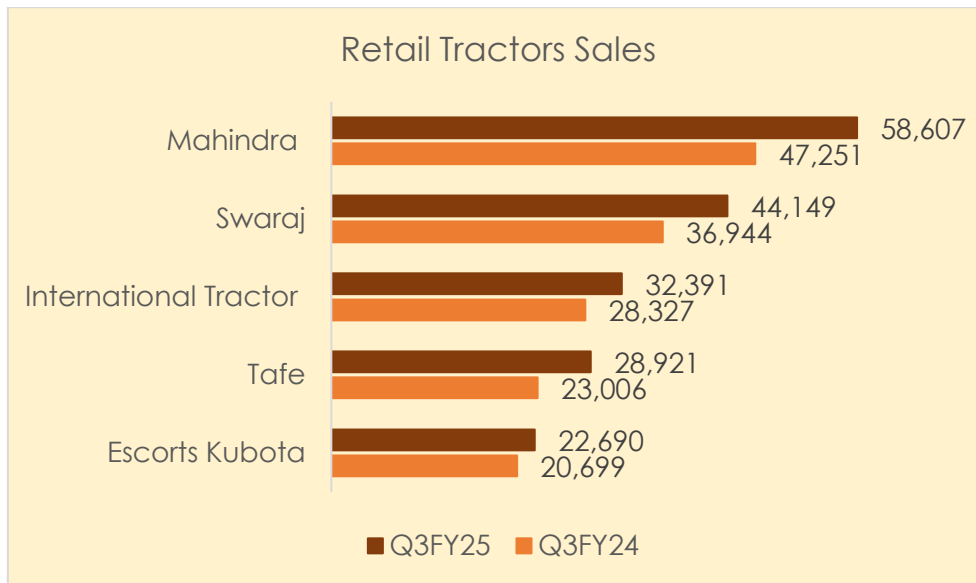
The EV industry in India is undergoing a transition. It continues to be driven by the 2W segment where while the penetration is on the rise, the quantum of direct subsidies on each vehicle has seen a decline with the replacement of FAME with PM E DRIVE programme. This has been reflected in a sequential decline in E2W volumes over the last few months although the annualized growth continues to be healthy.

The volume growth in the 4W EV segment continues to be insignificant; monthly sales remain in the range of 2.5% of the total 4W market.

With increasing PLI incentives to the manufacturers for the production of batteries, the prices for the latter is expected to see a material decline over the next 1-2 years, translating to lower EV prices, higher affordability and demand. In our opinion, volume growth in 2W EV and 4W EV is likely to be 40% and 20% in the near term i.e. FY26.

- **Suman Chowdhury, Chief Economist and Executive Director**

**Tractor Market**



Source: FADA

**Retail Market Trends:**

- In Q3FY25, the tractor industry saw a significant volume growth of 20.1%, driven by a strong growth in agricultural sector and a favourable monsoon during the year.
- Mahindra led the growth with a 24.0% increase, driven by strong rural demand and its popular product lineup. Tafe also saw robust growth of 25.7%, likely due to its expanding market presence. John Deere recorded a notable 28.2% growth, fueled by strong brand recognition and demand for premium tractors. Swaraj (19.5%), International Tractor Ltd (14.3%), and CNH Industrial Pvt Ltd (19.3%) also showed solid performance, supported by increased agricultural activity. Escorts Kubota and Eicher had more modest growth of 9.6% and 12.3% respectively.

**Outlook:**

The volume growth in the tractor industry has been around 5% in the first nine months of the current fiscal but given the strong outlook in the agricultural sector, the growth is likely to improve in the last quarter. While the industry will continue to have strong linkages with the vagaries of agriculture, higher mechanization and higher farmer incomes along with easier access to financing should lead to an average volume growth of 5% over the next 3 years.

- **Suman Chowdhury, Chief Economist and Executive Director**

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