

Monthly Pulse: Automobile







April 2024

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Automobile Data – Glance

Indian Domestic 2w, 3w, PV (Passenger Vehicle), CV (Commercial Vehicle) and EV (Electric Vehicle)

CATEGORY	RETAIL*	WHOLESALE #
	2 Wheelers <ul style="list-style-type: none"> Sales: 16,43,510 MoM: 7.43% YoY: 33.21% 	2 Wheelers <ul style="list-style-type: none"> Sales: 17,51,393 MoM: 17.73% YoY: 30.84%
	3 Wheelers <ul style="list-style-type: none"> Sales: 80,105 MoM: -23.87% YoY: 9.27% 	3 Wheelers <ul style="list-style-type: none"> Sales: 49,116 MoM: -13% YoY: 15%
	Passenger Vehicle <ul style="list-style-type: none"> Sales: 3,35,123 MoM: 3.96% YoY: 15.94% 	Passenger Vehicle <ul style="list-style-type: none"> Sales: 3,35,629 MoM: -8.61% YoY: 1.86%
	Commercial Vehicle <ul style="list-style-type: none"> Sales: 90,707 MoM: -0.64% YoY: 2.31% 	Commercial Vehicle <ul style="list-style-type: none"> Sales: ~68,962 MoM: -20% YoY: 14%

*Source- FADA (Federation of Automobile Dealers' Association), #SIAM (Society of Indian Automobile Manufacturers)

Executive Summary

The auto industry has commenced the fiscal year 2024-25 on a positive note, with all segments posting healthy growth in April 2024 compared to April 2023. This growth has been driven by improved consumer sentiments and the festive season effects (new year for several Indian communities). Conducive factors such as a favourable monsoon outlook, stability in government policy post-elections, and the government's emphasis on manufacturing and infrastructure sectors are expected to further propel economic growth, supporting the auto sector's continued expansion.

Two-Wheelers (2W) segment continued the strong growth trend from Q4 of 2023-24, reporting a substantial increase of 30.8% year-on-year with sales of approximately 17.5 lakh units (wholesale) in April 2024, highlighting a significant recovery.

Total wholesale PV volumes in the domestic market rose by 1.3% year-on-year to 3,35,629 units from 3,31,278 units. But the passenger car segment saw a decline of 8.61% MoM which is expected after the year-end push

CV sales in the domestic market rose by 14% year-on-year and expectedly, declined by 20% on month-on-month basis.

Dealer Level Sales

In April 2024, the volumes at the dealer level exhibited a remarkable 27% year-on-year (YoY) growth, marking a significant upturn across all segments. This has been largely driven by the two-wheeler (2W) segment which witnessed a recovery with an impressive 33% YoY increase, spurred by improved supply chains and a rising demand for 125cc models, reflecting a broader consumer shift towards mid-range vehicles.

The three-wheeler (3W) segment also saw positive movement, growing by 9% YoY, while the passenger vehicle (PV) segment experienced a robust 16% YoY growth. This was largely due to enhanced model availability and buoyant market sentiments, particularly during festive periods such as Navratri and Gudi Padwa, which were shifted to April this year compared to March last year.

The tractor segment registered a modest 1% YoY growth, and the commercial vehicle (CV) segment saw a 2% YoY increase. Several factors contributed to this positive trend, including stable fuel prices, a favorable monsoon outlook, festive demand, and the marriage season, which all bolstered consumer confidence and spending. Additionally, new model launches across various segments attracted consumer interest, although some supply chain delays were noted.

Despite the strong performance, the industry faced challenges such as high competition and excessive supply, which necessitated significant discounting efforts and impacted profitability. Some players struggled due to a lack of new models, affecting their market traction.

In the CV segment, bulk deals as well as school bus demand showed the positive momentum, the election season dampened market sentiment, with customers delaying expansion plans. Regional issues, such as water scarcity and limited finance options, further impacted performance.

Overall, the sector's healthy performance in April 2024, driven by favorable economic conditions and consumer sentiment, sets a positive outlook for the upcoming months. However, managing supply chain issues and maintaining competitive advantage amidst high competition will be crucial for achieving sustainability in the growth.

Wholesale & Retail Overview - April'24

I. Two-Wheeler

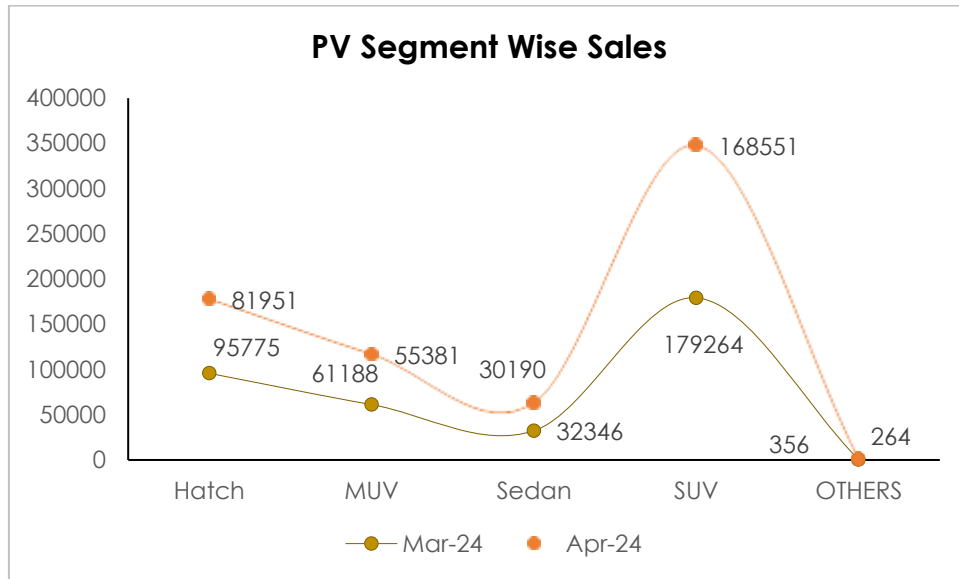
- On the wholesale front, Hero, and Honda, led the market, marking 33% and 42% of increase in growth respectively.. Under the exports, Honda outperformed the market along with Royal Enfield and Hero.
- On the retail front, the growth in the two-wheeler segment stemmed from enhanced supply chains and rising demand for 125cc models. Favourable market segments, supported by stable fuel prices, a promising monsoon outlook, festive demand, and the wedding season, all played roles in the upturn. Additionally, despite some supply delays, the introduction of new models further propelled growth in the segment.
- Despite a low base from the last year, the rural automotive market experienced robust sales growth in April 24 boosted by strong purchases during the auspicious nine-day Navratri festival. Additionally, the industry saw an uptick in exports despite challenges such as the Red Sea Crisis.
- The sector maintains its recovery momentum as the rural economy demonstrates growth after a prolonged period of stagnation. Last month, two – wheeler sales had received a boost from the wedding season nationwide. Moving ahead, attention shifts to the upcoming monsoon season as a pivotal factor for future performance.

Outlook

The outlook for FY24-25 is buoyed by several encouraging factors. With enhanced vehicle supply and strategic planning in the two-wheeler segment, customer bookings are on the rise, reflecting improved market sentiments, further fuelled by a recovery in agricultural growth.

II. Four-Wheeler Vehicle (Passenger)

- On the wholesale front, Maruti led the market with the highest number of sales units, followed by Hyundai and Tata. Mahindra marked an 18% share, followed by Tata and Hyundai with 1.86% and 1.01%, respectively. On a monthly basis, only Mahindra showed growth momentum, while Maruti, Hyundai, and Tata slipped by 10%, 5%, and 4%, respectively.



Source: SIAM April 2024

- On retail basis, a growth of 3.96% is witnessed on MoM basis, whereas on yearly basis, the growth surged to 15.94%. Despite witnessing strong bookings and customer interest, the market faced challenges due to intense competition, surplus supply, and aggressive discounting, hindering sustainable growth. Furthermore, the absence of new model in certain portfolios affected market traction adversely.
- In April 24, the Indian market witnessed the sale of approximately 3.37 lakh passenger cars in the wholesale segment, showing a marginal change compared to April of the previous year and a notable decline of 8.7% compared to March 24. April typically experiences subdued sales, marked by price hikes from most major manufacturers and the absence of festive triggers to boost car sales. Moreover, automakers tend to slow down dispatches in April following a surge in March. This decrease in dispatches is also attributed to the high base of last year, elevated dealer stock levels dampening demand for small cars and the onset of general elections.

Outlook

Expectations remain steady as we head into June, with stability anticipated in the market trends. However, the anticipation mounts for a potential market revival post the formation of the new government.

III. Commercial Vehicle

Modest Growth in CV Segment

- On the wholesale front, Tata Motors marked 33% of yearly growth, whereas Ashok Leyland and Mahindra stood at 9% respectively. On MoM basis, Tata Motors to hold a slight optimistic trajectory with 2% increase in growth, while Ashok Leyland, Mahindra and VECV declined by 37%, 16% and 53% respectively.
- On the retail front, the commercial vehicle segment demonstrated a modest 2% YoY growth but experienced a slight 0.6% MoM decline, highlighting towards a diverse market dynamic. Encouraging trends were observed in bulk and corporate deals along with the surge in demand of the school buses. However, limited financing alternatives and regional obstacles like water scarcity also contributed to the performance challenges.

Outlook

- The demand for commercial vehicles is driven by the government's infrastructure drive, higher utilization of fleets and replacement demand. Further, it is expected to have some growth in the goods segment of the CV industry and a strong growth in the bus segment, driven by modernization drive (undertaken) by the STUs (State Transport Undertakings) and strong demand for buses in the schools and offices.
- Going forward, volumes are expected to gain further traction as the year progresses, supported by the healthy allocation for capital spending in the Union Budget 2024-25 which would continue to support infrastructure development in segments like roads, metros, railways etc. Furthermore, the increased focus on replacement of old vehicles and on green mobility, also bodes well for the industry.

IV. Electric Vehicle

India witnesses a steady rise in Electric Vehicle

- EV YoY (Total Registered EV Sales April 2024 is 1,14,910 Units vs April 2023 is 1,11,555 Units).
- In April 2024, EV sales in India highlighted an overall decrease across different categories compared to March 2024. E-2w decreased from 1,39,288 units in March to 65,057 in April. Similarly, e-rickshaw sales experienced a decline from 37352 units in March to 31,796 units in April. The category of E3W Passenger vehicles also witnessed notable decrease from 11,777 units in March to 4,721 units in April. However, there is

a significant drop in E2W Cargo Vehicles, plummeting from 6,554 units in March to 1,745 units in April. Electric four-wheeler (E4W) also declined from 9,383 units in March to 7,290 units in April. Sales of Electric Buses decreased from 414 units in March to 211 units in April. From April 2023 to April 2024, India witnessed a steady rise in electric vehicles sales.

Outlook

- Electric vehicle (EV) sales in India reached 1.67 million units in FY2024, marking a 42% increase year-on-year (YoY). The EV sales in India experienced significant growth in the last few months of FY2024, with the e-car segment registering the highest YoY growth of 90%, despite the limited availability of models in this segment. This underscores the future potential of the e-car segment. If provided with incentives, like those implemented for the E2W and E3W segments in the FAME scheme, the e-car segment is poised for massive adoption.
- Moreover, with the thriving logistics and e-commerce sectors, as well as favorable cost economics, it is expected that this momentum will persist. The government's initiative of EMPS (Electric Mobility Promotion Scheme), commencing from April 1, 2024, alongside FAME-III, which will soon be introduced, is set to further accelerate EV adoption through government incentives across various categories.

Near term outlook

May 2024 presents a promising outlook for the automotive industry with various positive indicators driving growth. Increased vehicle supply and strategic planning in the 2W segment have boosted customer bookings, while favourable crop yields contributed to a positive market sentiment. In the PV segment, the introduction of new models and optimistic monsoon forecasts are expected to pique customer interest, complemented by bulk deals in the CV segment, particularly benefiting sectors like iron ore, steel, and cement. Despite these advancements, challenges persist, including election-related uncertainty, financial limitations, and overcapacity in the CV segment, potentially hindering growth.

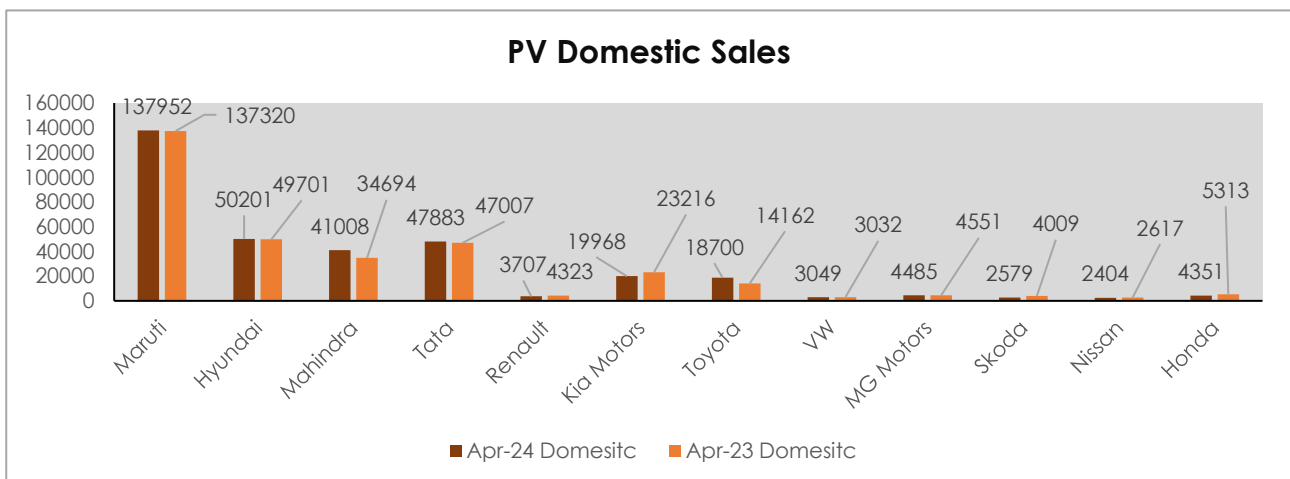
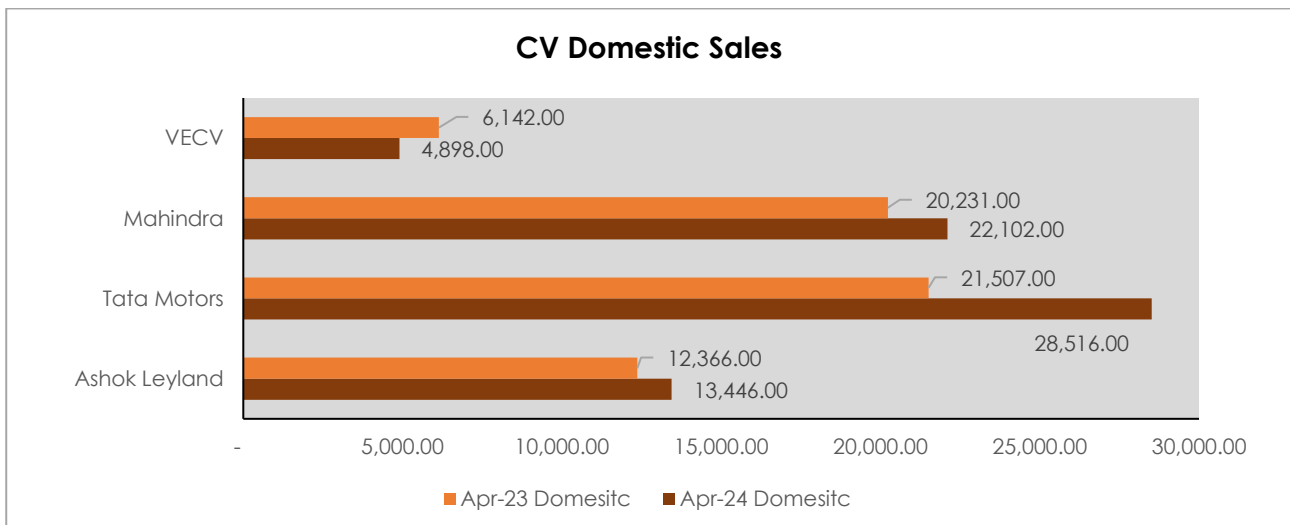
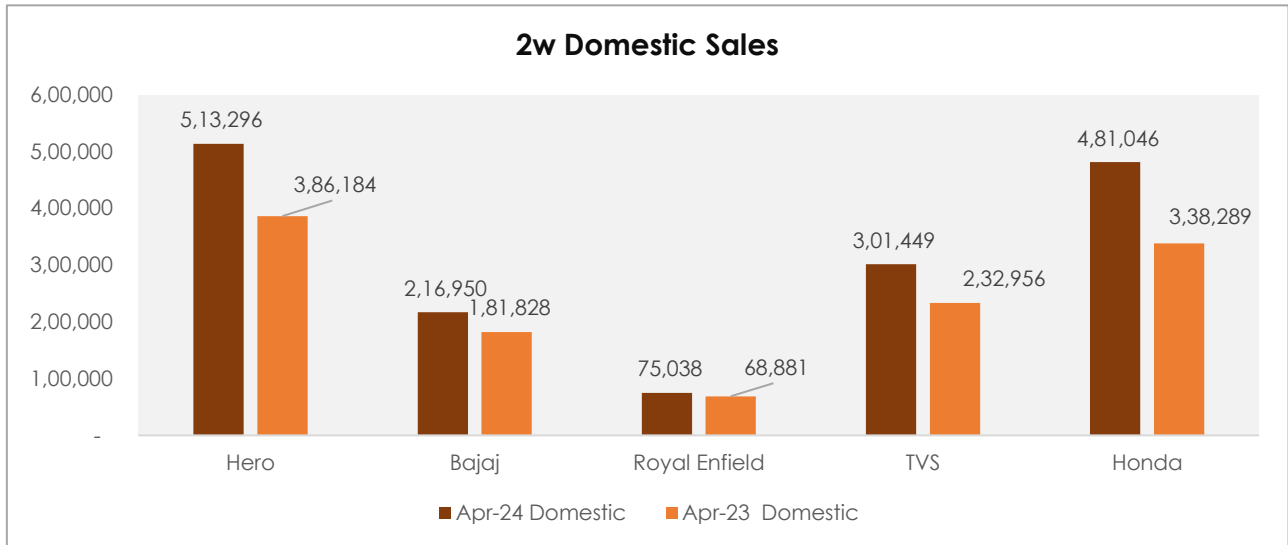
The upcoming Lok Sabha elections are expected to significantly boost the SUV segment in India. SUVs, with their robust build and versatility, are often preferred by political parties for rallies and campaign logistics, necessitating large-scale purchases. Additionally, the general optimism and financial incentives often associated with election periods can

stimulate consumer confidence, encouraging more private buyers to invest in new vehicles. As a result, the SUV market is poised for substantial growth leading up to the elections.

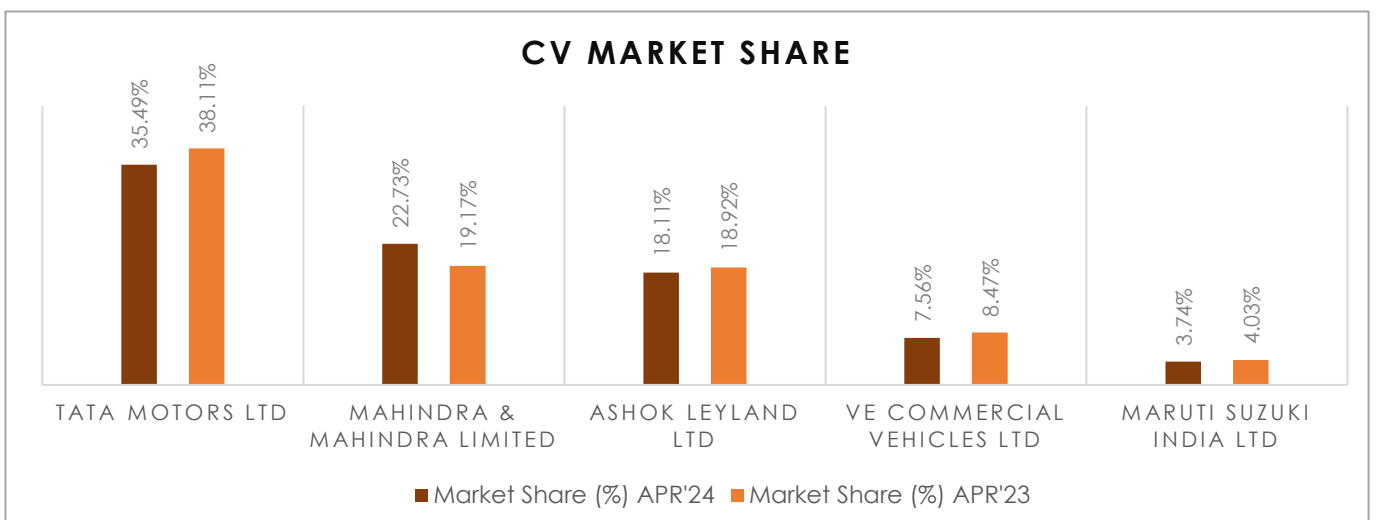
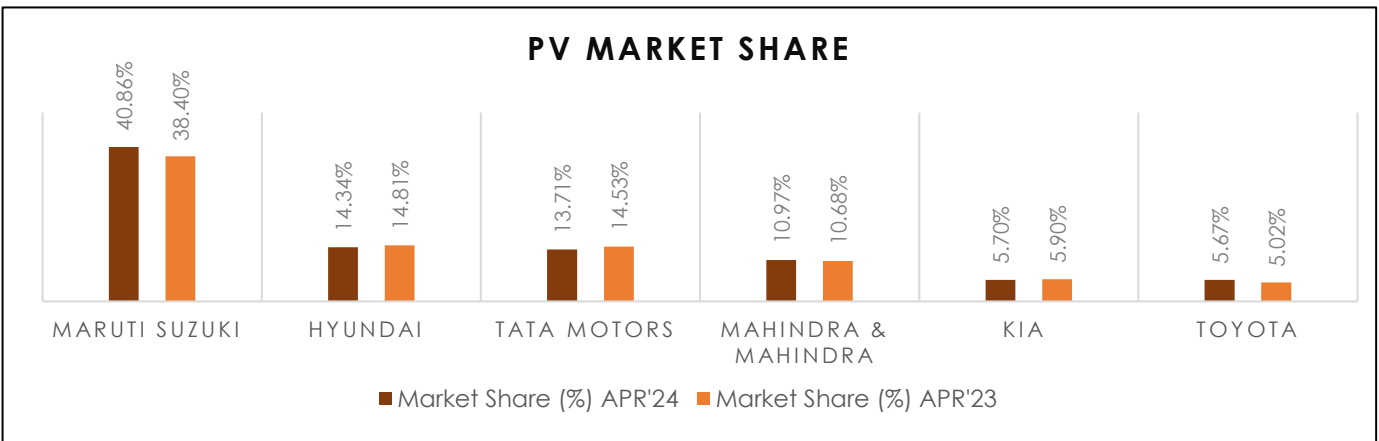
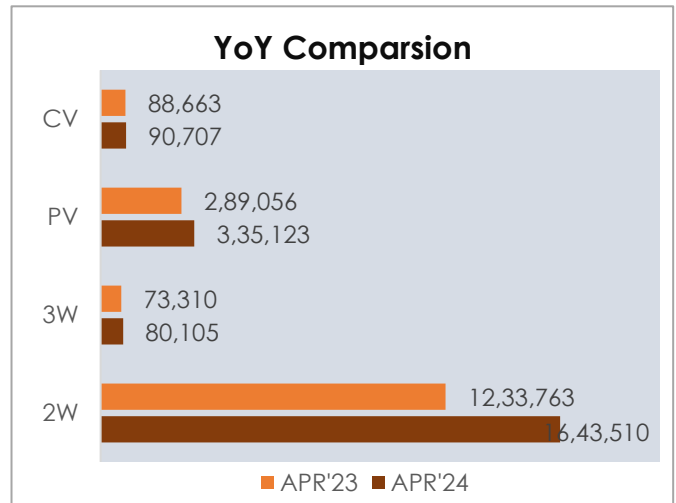
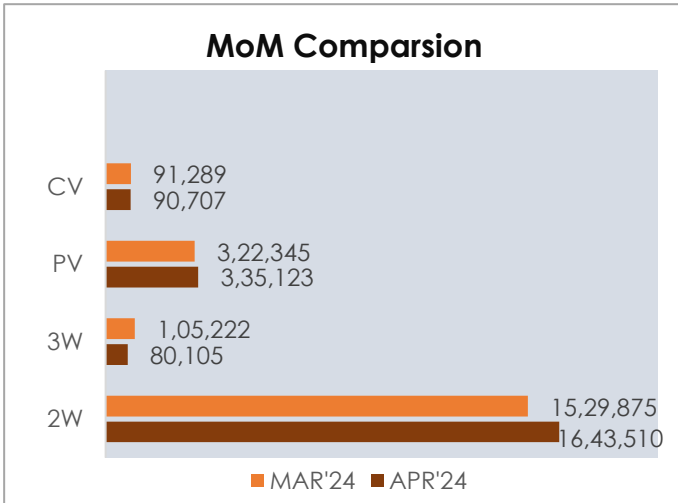
The outlook for the automobile industry in FY25 is cautiously optimistic, driven by several key factors. Post-pandemic economic recovery is gaining momentum, boosting consumer spending, and positively impacting automobile sales. Government initiatives, such as the Production Linked Incentive (PLI) scheme and the push for electric vehicles (EVs), are expected to drive further growth, supported by infrastructure development projects.

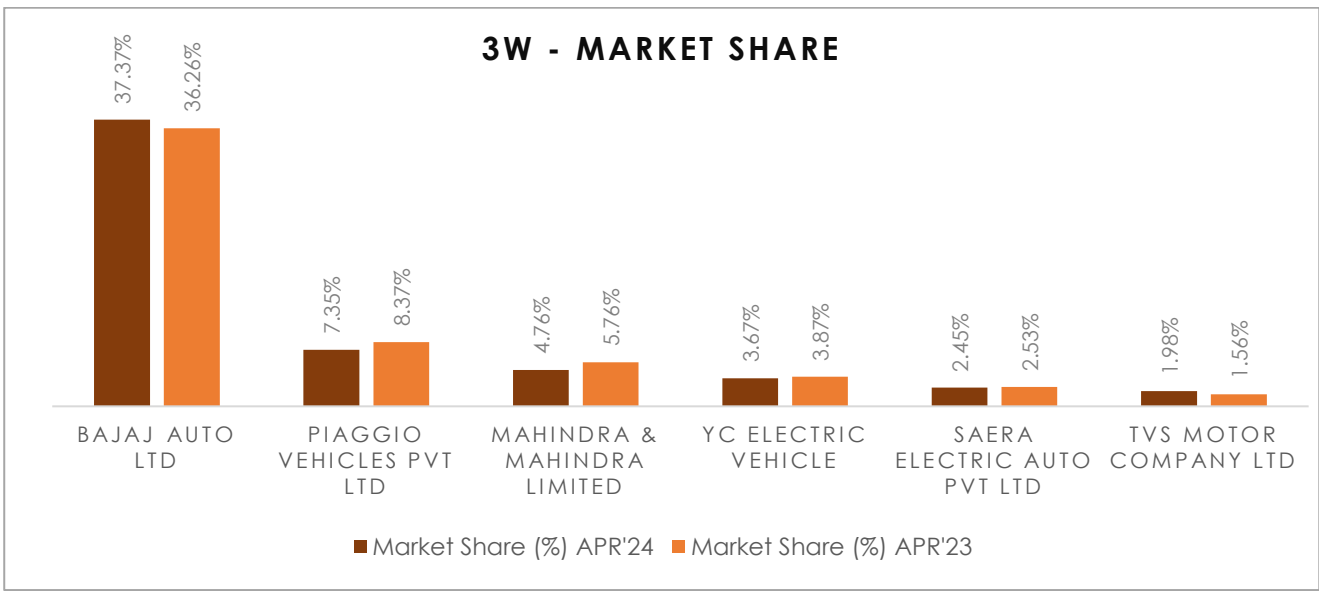
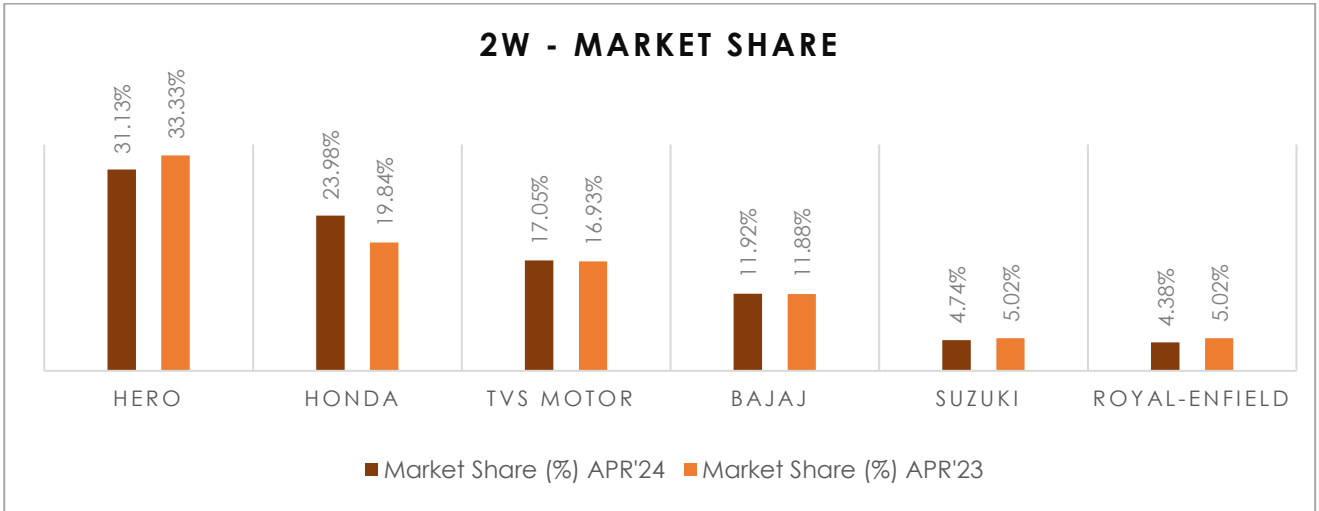
Further, the industry is observing a significant shift towards EVs due to increasing environmental awareness and government incentives, with new models entering the market. Technological advancements in connectivity, autonomous driving, and safety are attracting consumers to upgrade their vehicles. Improved supply chain resilience and rising disposable incomes, coupled with favorable financing options, are also anticipated to spur demand across different segments. Additionally, the SUV and premium vehicle segments are expected to continue on a strong growth path, driven by consumer preference for larger, feature-rich vehicles and the upcoming Lok Sabha elections, which may further fuel this segment's growth. Overall, FY25 is poised to be a year of significant growth for the automobile industry, with strength in the SUV and EV segments.

Annexures 1: Charts Wholesale Summary



Charts Retail Sales





About Acuité Group

Acuité Ratings & Research Ltd (Acuité) was originally incorporated as SMERA Rating Agency of India on Sept 5, 2005, at the initiative of Ministry of Finance, Government of India and RBI with SIDBI as one of the leading promoter shareholders. Subsequently, it became a full-service Credit Rating Agency after the receipt of licence for bond ratings from SEBI in 2011 and accreditation for bank loan ratings from RBI in 2012. Acuité has a complete institutional shareholding with SIDBI and Dun & Bradstreet, a global data and analytics company as the co-promoters and further backed by the largest public and private sector banks of India.

As a Credit Rating Agency, Acuité has assigned more than 9,800 bank loans, bonds and other types of regulated ratings since 2011-12. Under SMERA Grading & Ratings, a 100% subsidiary, the Group has undertaken assessment of over 50,000 SMEs. Acuité also incorporated a new subsidiary, ESG Risk Assessment & Insights Ltd (ESGRisk.ai) in 2020 which became the first ESG ratings company in India promoted by a CRA. Currently, ESGRisk.ai has a coverage on over 1,100 listed companies of India and has applied for an ERP (ESG Rating Provider) licence under the new regulatory framework.

Acuité also undertakes economic and industry research on a consistent basis. Acuité Macro Pulse, a monthly commentary on the domestic and the Indian economy, is known for its quality insights. Acuité also releases a Macro Heat Map and a Macro Index monthly which tracks the state of the Indian economy. Its views on the economy receive wide coverage in the public domain. Acuité also maintains Industry Risk Scores (IRS) on 84 industries of India.