

# India Automobile Sector: Q2FY25 Snapshot

October 2024







## Table of Contents

Executive Summary .....	4
Wholesale & Retail Overview .....	6
Two-Wheeler (2Ws).....	6
Passenger Vehicle (4Ws) .....	8
Commercial Vehicle.....	10
Electric Vehicle .....	12
Tractors.....	14
Half-Yearly Performance of Automobile Sector.....	15
About Acuité Group.....	16

## Automobile Data Dashboard – Quick Glance

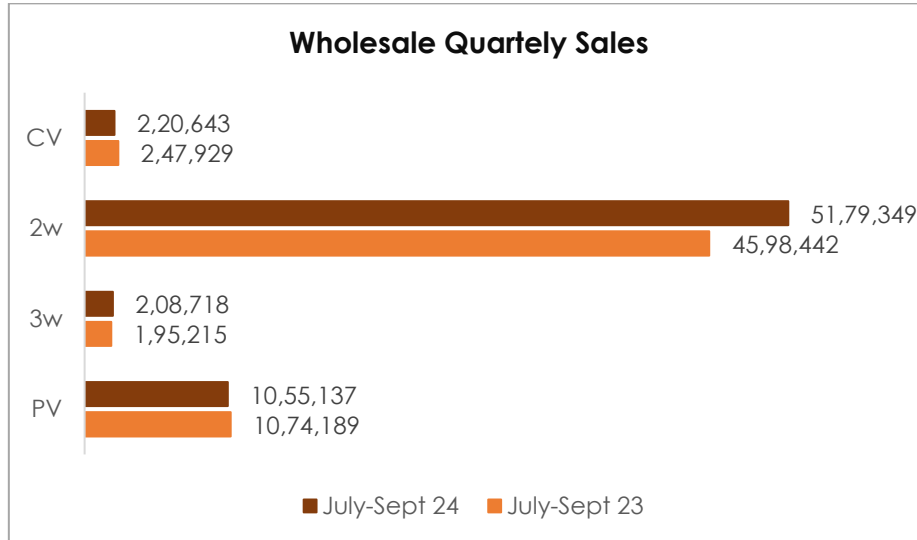
Indian Domestic 2W, 3W, PV, CV Sales – September 2024

CATEGORY	RETAIL*	WHOLESALE #
	<b>2 Wheelers</b> <ul style="list-style-type: none"> <li>Volume: 12,04,259</li> <li>MoM: -10.0%</li> <li>YoY: -8.5%</li> </ul>	<b>2 Wheelers</b> <ul style="list-style-type: none"> <li>Volume: 20,25,993</li> <li>MoM: 18.3%</li> <li>YoY: 15.7%</li> </ul>
	<b>3 Wheelers</b> <ul style="list-style-type: none"> <li>Volume: 1,06,524</li> <li>MoM: 1.0%</li> <li>YoY: 0.7%</li> </ul>	<b>3 Wheelers</b> <ul style="list-style-type: none"> <li>Volume: 79,683</li> <li>MoM: 13.9%</li> <li>YoY: 6.7%</li> </ul>
	<b>Passenger Vehicle</b> <ul style="list-style-type: none"> <li>Volume: 2,75,681</li> <li>MoM: -10.8%</li> <li>YoY: -18.8%</li> </ul>	<b>Passenger Vehicle</b> <ul style="list-style-type: none"> <li>Volume: 3,56,752</li> <li>MoM: 1.1%</li> <li>YoY: -1.4%</li> </ul>
	<b>Commercial Vehicle</b> <ul style="list-style-type: none"> <li>Volume: 74,324</li> <li>MoM: 1.5%</li> <li>YoY: -10.4%</li> </ul>	<b>Commercial Vehicle</b> <ul style="list-style-type: none"> <li>Volume: ~ 75,512</li> <li>MoM: 13.4%</li> <li>YoY: -12.6%</li> </ul>

Source: \*FADA, \*\*SIAM, Company Data, Acuite Research

## Executive Summary

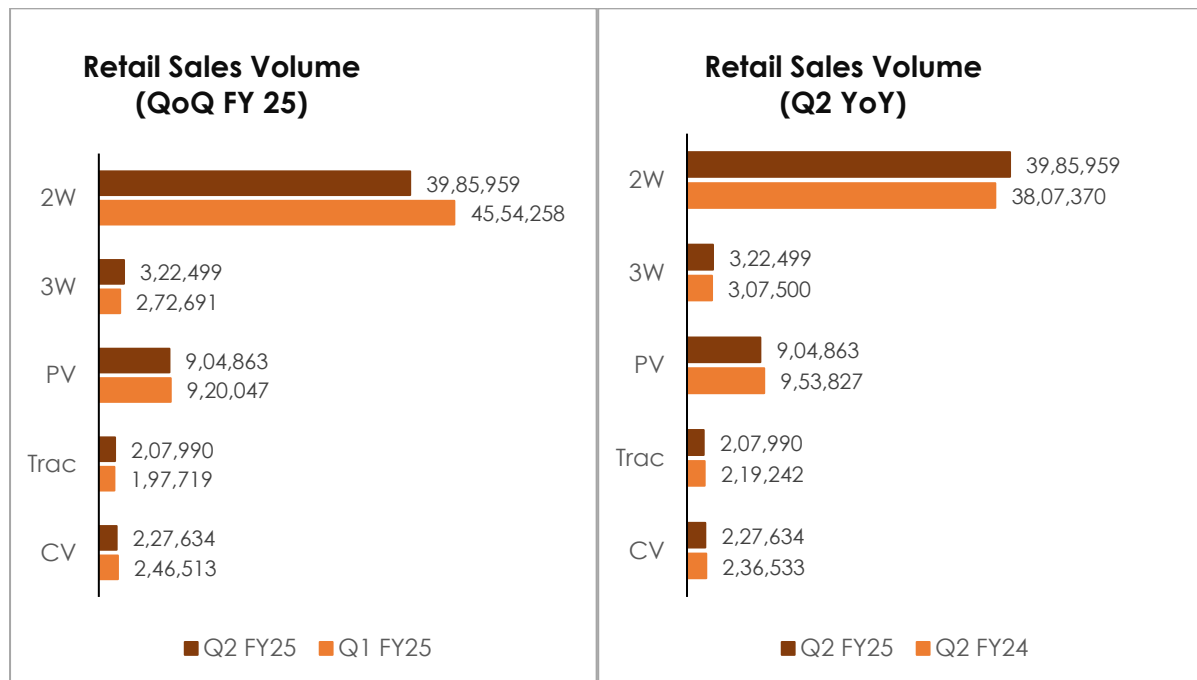
### Wholesale Volume



Source: SIAM

- The Indian automobile industry reported a healthy overall 8.9% sales growth in Q2FY25, reflecting its relative recovery compared to Q2FY24. SIAM data highlighted a 12.6% rise in two-wheeler sales and a 6.9% increase in that of three-wheelers, contrasting with the decline witnessed in the passenger and commercial vehicles market. The impact of heavy rains in key states and the 'Shradh' period in September hampered sales in specific segments. However, as the rains subside and infrastructure investments continue, further supported by the festive season, we expect stronger demand in the forthcoming quarter.
- The passenger vehicle segment saw a decline of 1.8% in Q2 FY25 compared to the same period last year. Two-wheelers achieved sales of 51.8 lakh units in Q2 FY25, up from 46.0 lakh units in Q2 FY24. Three-wheelers recorded their highest Q2 sales ever, totalling 2.09 lakh units. In contrast, commercial vehicles experienced an 11% decline for Q2 FY25 compared to the previous year.

## Retail Data



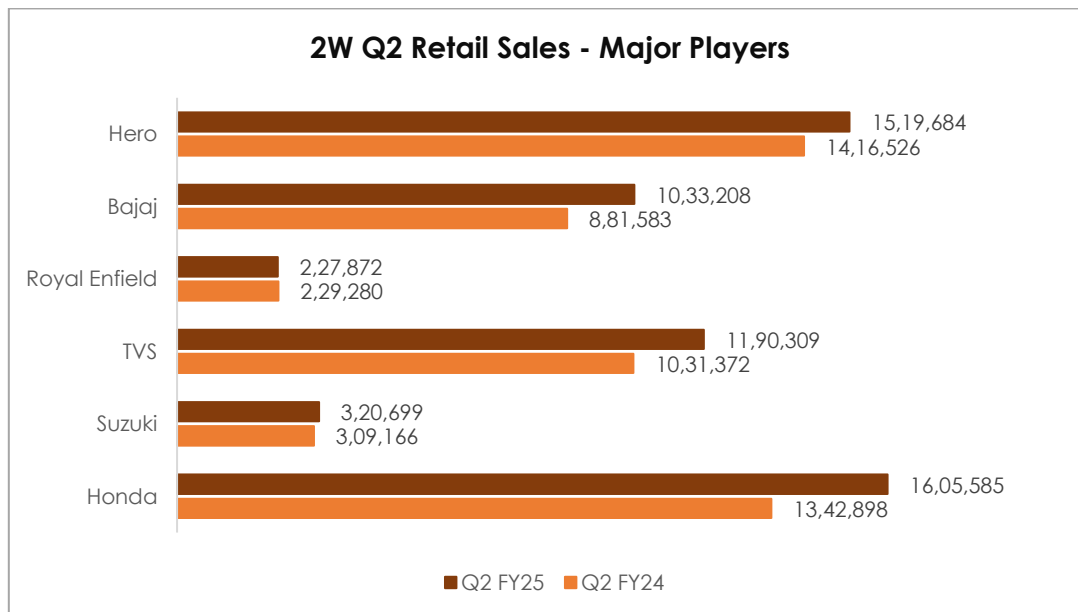
Source: FADA

- In Q2 FY25, retail sales data from FADA revealed a varied performance across vehicle categories. The two-wheeler segment experienced solid growth, increasing by 4.7% YoY, rising to 39,85,959 units in Q2 FY25 from 38,07,370 units in Q2 FY24, on the back of rural demand revival and favourable market conditions. The three-wheeler segment also showed positive momentum, with a 4.9% increase YoY, climbing to 3,22,499 units in Q2 FY25 from 3,07,500 units in Q2 FY24, indicating a consistent recovery.
- On the other hand, the commercial vehicle segment experienced a decline of 3.8% YoY in Q2, marking a drop to 2,27,634 units in the Jul-Sept period from 2,36,533 units the previous year. This decrease was likely influenced by a slowdown in industrial and construction activity. The passenger vehicle segment saw a higher decline in sales of 5.1%, registering 9,04,863 units in Q2 FY25 from 9,53,827 units in Q2 FY24 possibly on account of some demand saturation in urban markets, higher interest rates and sales disruption due to extended monsoon.

## Wholesale & Retail Overview

### Two-Wheeler (2Ws)

#### Optimistic outlook for two-wheelers



Source: Company data, Acuite Research

#### Wholesale Domestic Market and Export Performance:

- In September 2024, Hero MotoCorp dominated the domestic two-wheeler market by achieving sales of 6,16,706 units, which marks a 24.8% increase YoY and a 25.3% rise from August. Honda secured the second position with sales of 5,36,391 units, reflecting a 9.1% growth in both YoY and MoM figures. TVS Motor reported sales of 3,69,138 units, reflecting a 22.8% YoY increase and a 27.7% MoM increase. Bajaj Auto also showed strong performance, with 2,59,333 units sold, marking a 28.1% YoY increase. Royal Enfield achieved sales of 79,362 units, representing a modest 6.8% YoY growth. In contrast, Suzuki experienced a decline, selling 77,263 units, which is down 7.9% from the previous year.
- India's two-wheeler exports reached 340,970 units in September, resulting in a 19.5% YoY increase. Bajaj led the export market with 141,156 units sold, marking a 12.7% YoY rise, followed by TVS with exports totalling 102,654 units.

**Retail Market Performance:**

- According to FADA's report, retail sales of two-wheelers in September experienced a decline of 10.0% MoM and 8.5% YoY. This downturn can be attributed to rain and flood related disruption, a drop in inquiries, and lower foot traffic primarily due to seasonal factors like the Pitrapaksha, which contributed to deferred purchases and an overall sluggish market.
- Nevertheless, the prospects for the two-wheeler segment remain strong, building on the rural recovery trend. This growth is driven by several factors, including favourable monsoon conditions that have improved rural incomes and boosted the rural economy. A range of financing options from both captive finance companies and non-banking financial companies (NBFCs) is also fuelling demand. Furthermore, the launch of new models, the shift towards E-2W, and increased household incomes are contributing to this positive demand trend.

**Quarterly Performance:**

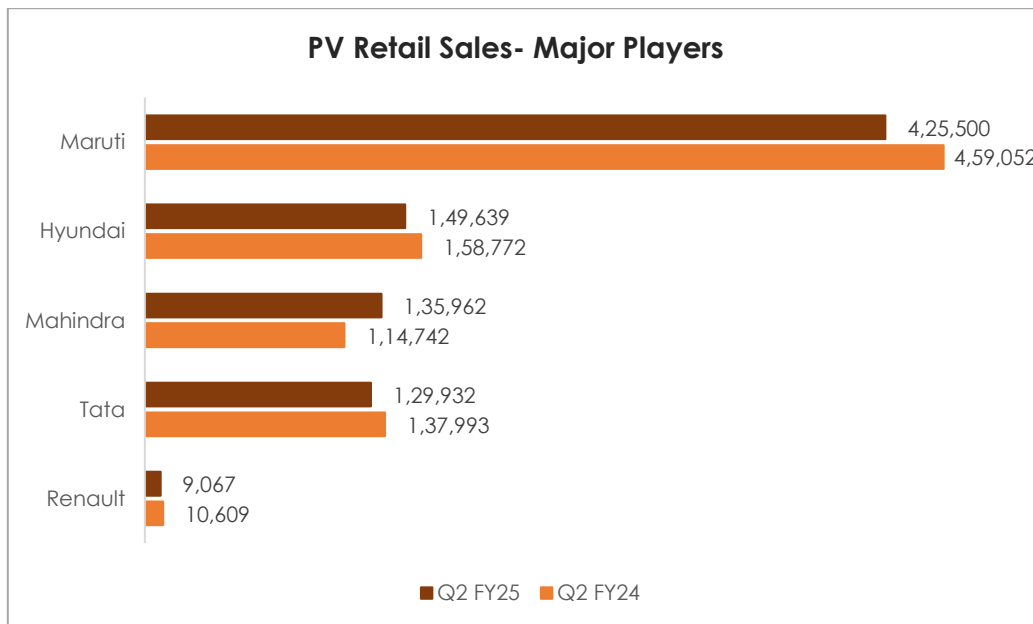
- In Q2 FY25, India's wholesale domestic sales of two-wheelers reached 49,44,455 units, reflecting a robust 13.1% QoQ growth from the 43,72,397 reported last year. Bajaj led the pack with a significant 26.0% rise from Q2 FY24, while Honda and TVS Motor reported gains of 17.0% and 15.2% from the previous year's quarter, respectively. Hero continued to hold its market leadership with a 6.8% growth from Q2 FY24. Meanwhile, Royal Enfield's performance remained steady, with a marginal decline of 1.7% YoY this year, suggesting difficulties in expanding its market hold.
- Moreover, wholesale exports of two-wheelers surged to 952,902 units in Q2 FY25, up from 838,428 in Q2 FY24, reflecting a 13.7% YoY increase during the quarter. Honda led the export segment, achieving a remarkable 55.5% growth with 138,398 units in Q2 FY25, compared to 89,029 units in Q2 FY24. This overall growth in exports underscores the increasing global acceptance of Indian two-wheelers, driven by competitive pricing and enhanced quality.

**Outlook:**

The outlook for the 2W sector remains positive in the current year. The key driver of stronger demand is higher agricultural growth on the back of a better monsoon as compared to the previous year and higher rural incomes. The ongoing festive season is likely to further add to the favourable demand scenario, going by initial reports. Further, the launch of new 2W models particularly the CNG and EV models (such as e-bikes) are also expected to create additional demand. We expect overall 2W wholesale volumes to grow at 10%-12% in FY25.

## Passenger Vehicle (4Ws)

### Festive period remains critical for PVs



Source: Company Data, Acuite Research

### Wholesale Domestic Market:

- In September 2024, on the domestic wholesale front, total PV sales remained largely disappointing, where the sales declined by 1.1% on a YoY basis and a slight increase of 0.8% on a MoM basis. Mahindra & Mahindra achieved record sales with 51,062 units, marking a 23.7% YoY increase and nearly overtaking Tata Motors, which saw sales drop 8.4% YoY to 41,063 units. Toyota grew by 7.4% YoY to 23,802 units, and Kia recorded a 17.5% rise YoY with 23,523 units sold. Maruti Suzuki sold 1,44,962 units, down 3.9% YoY from 1,50,812 units sold last year. Hyundai also faced a 5.8% YoY decline, selling 51,101 units. In contrast, Honda's sales plummeted 42.5% YoY to 5,675 units, while MG Motor, Volkswagen, Skoda, Renault, and Nissan all experienced declines in sales.
- The post-COVID surge in car sales is on the wane due to urban market saturation and delays in new model launches. There's a shift away from entry-level cars, with some manufacturers halting production. Although the transition to EVs continues, sales have fallen short, leading to heavy discounts. Seasonal factors and regional elections are also impacting showroom traffic, indicating that the PV sector is in a period of adjustment.



### **Retail Market performance:**

- On a retail front, in the PV segment, sales fell 10.8% MoM and 18.8% YoY basis, reflecting a significant weakness in consumer demand. With the onset of the festive season, OEMs expect a substantial clearance of inventories at the dealers' level. FADA expects support from OEMs on unsold inventories in case the festive demand is not as per expectations.

### **Quarter Performance**

- In Q2 FY25, domestic wholesale sales of PV in India totalled 10,56,146 units, down 1.6% from 10,73,300 units in Q2 FY24. Maruti and Hyundai led the decline with drops of 7.3% and 5.8% from the previous year's quarter. This decline is attributed to several factors, including consumers' expectations for additional discounts during the festival season, the launch of new models, and the base effect from last year's sales performance. In contrast, Mahindra & Mahindra and Kia Motors saw growth of 18.5% and 12.3%, respectively, driven by strong demand for their SUVs and new models. Toyota achieved a notable 31.8% increase as compared to Q2 FY24 on the back of its hybrid and electric offerings. Meanwhile, brands like Renault and Skoda faced significant declines, highlighting the need for innovation amid changing consumer preferences.

#### **Outlook:**

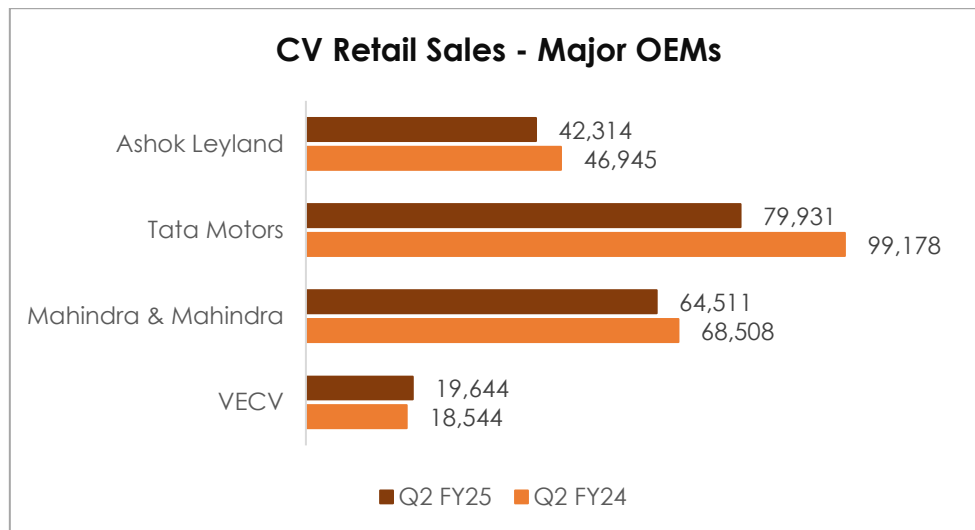
PV demand has continued to remain weak in the current year which can be attributed to a demand saturation in urban markets particularly for SUV models. The rural demand for cars particularly at entry level is still yet to witness a revival. It also appears that many prospective customers are waiting for new launches with additional features and better pricing.

Clearly, the ongoing festive season will be crucial for car sales in the current year. Car dealers are reportedly stranded with 80-85 days of inventory—estimated to be around 7.9 lakh vehicles.

We expect PV volumes to show better traction in the second half of the year but for FY25 as a whole, growth is likely to be negligible.

## Commercial Vehicle

### Modest Growth in CV Segment



Source: Company Data, Acuite Research

### Wholesale Domestic Market:

- On the domestic wholesale front, in the month of September, the domestic sales performance of CV companies presents a mixed picture, with total sales declining by 12.6% on a YoY basis despite a MoM increase of 13.4%, touching 75,512 units sold domestically in Sept-24 from 66,591 in Aug-24. Ashok Leyland experienced a significant drop of 11.8% YoY with 16,041 units sold but showed strong MoM growth of 20.2%, indicating a recovery in demand after earlier months. Tata Motors faced the largest YoY decline at 23.1% by selling 28,631 units domestically, possibly due to supply chain challenges and increased competition, though it still managed a 10.7% MoM increase, suggesting some resilience. Mahindra & Mahindra posted a minimal YoY decline of 1.2%, alongside a solid MoM rise of 12.4% by selling 23,706 units in Sept-24, highlighting its relatively stable market position. In contrast, VECV's slight YoY growth of 2.7% by selling 7,134 units domestically and strong MoM increase of 13.5% suggest it is capitalising on market opportunities effectively.

### Retail Market Performance:

- In September, CV sales on the retail front increased by 1.5% MoM, reflecting a positive trend despite a 10.4% YoY decline. Overall demand faced challenges due to lower government spending, extended monsoon delays, and seasonal factors. However, there is growing optimism, particularly in areas benefiting from infrastructure projects. Fleet purchases also showed signs of improvement, indicating potential for recovery, even as the market remains somewhat sluggish.

## Quarterly Performance

- In Q2 FY25, the domestic wholesale sales of CVs in India fell to 2,06,400 units, reflecting an 11.5% decline from 2,33,175 units in Q2 FY24. Tata Motors experienced the steepest drop at 19.4% from the previous year's quarter, attributed to a slowdown in infrastructure projects and a tightening of credit conditions affecting fleet purchases. Similarly, Ashok Leyland reported a 9.9% QoQ largely due to challenges in demand within the freight segment and competition from newer entrants. Mahindra & Mahindra also saw a modest decrease of 5.8% from Q2 FY24, indicating a more stable but still challenging market environment. In contrast, VECV (VE Commercial Vehicles) posted a growth of 5.9% QoQ, benefiting from strong demand for its newer models and a focus on expanding its market share.

### Outlook:

Overall, H1 FY25 has been slower for the CV sector due to the monsoon and the impact of elections, which caused many infrastructure projects to be delayed as stakeholders adopted a cautious approach. Consequently, many fleet operators were reluctant to place orders.

However, H2 FY25 is expected to see significant improvement as more projects gain approval on the back of higher infrastructure spending. We have a moderately positive outlook on the sector and expect a volume growth of 3%-5% in FY25.

## Electric Vehicle

### **India witnesses a steady rise in Electric Vehicle**

EV sales data shows significant growth in the month of September, with total sales up 24.1% YoY and 1.6% MoM.

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

- In September 2024, the E-2Ws segment continued to lead, with sales rising to 89,940 units from 88,928 units in Aug-24. E-2Ws led the charge with a robust YoY growth of 40.3% and a slight MoM uptick of 1.1%, reflecting increasing consumer adoption and a growing product range.
- Significantly, Ola holds a market share of 35.1%, leading the sector, followed by TVS at 19.3%. Bajaj Auto and Ather Energy follow closely, with market shares of 11.4% and 11.5%, respectively.
- However, listed E-2Ws maker Ola Electric has witnessed a drop in its market share in September amid intense competition. The Bengaluru-based Ola Electric company's market share fell to 27.9% in September, down from 31.3% in August and 39.2% in July, according to Vahan data. However, the company reported a sales figure of 24,665 with 31.8% of YoY growth.

#### **E-3W:**

- In the E-3W segment, sales also showed healthy performance, with a 9.3% YoY increase and 3.5% MoM growth, driven by demand in urban logistics and shared mobility. In September 2024, passenger E-3W sales reached 56,303 units, up about 3.2% MoM and 13.2% YoY. The top 10 manufacturers held a 41% market share, with Mahindra Last Mile Mobility at 10% and Bajaj Auto at 8%, posted total sales of 6,140 and 5,002, respectively, up by 21.9% and 638.8% YoY. For cargo E-3W, sales totalled 6,595 units, reflecting a 6.6% MoM increase and a decline of 15.7% YoY.

#### **E-4W:**

- In contrast, E-4W sales fell to 5,808 units in Sept-24 from 6,693 units in Aug-24. On the E-4W front, sales saw a decline of 8.7% YoY and a sharper drop of 13.2% MoM, likely due to market saturation and higher price points affecting consumer interest.
- Tata Motors experienced a year-on-year decline of 16.28%, selling 3,621 units in September 2024 compared to 4,325 units in September 2023. In contrast, MG Motors and Mahindra & Mahindra saw growth of 9.16% and 26.82% YoY, with sales of 977 units and 454 units in Sep-24, respectively. Despite this downturn, Tata Motors retains a dominant market position, holding over 61% of the market share, followed by MG Motors and Mahindra & Mahindra.

## E-Bus:

- However, E-bus sales increased from 243 units in Aug-24 to 388 units in Sept-24. E-bus segment surged impressively, with a YoY increase of 52.8% and MoM growth of 59.7%, indicating strong government support and rising demand for public transportation electrification.
- In September 2024, Tata Motors led in E-bus sales by registering the sales of 178 units from 169 units in Sept-23, maintaining its sales growth at 5.3% YoY. Followed by Olectra Greentech and PMI Electro Mobility which posted an impressive growth in Sep-24, with YoY increases of 425.0% and 117.6%, reporting with sales of 105 units and 74 units respectively. Currently, Tata Motors holds a market share of 46%, while Olectra Greentech and PMI Electro Mobility follow with 27% and 19% market shares, respectively.

### Outlook:

The growth in EV sales can be attributed to the introduction of new EV products in the E-2W segment, with average costs ranging from INR 1,00,000 to INR 1,50,000. This pricing effectively narrows the gap with internal combustion engine (ICE) vehicles, resulting in a more favourable total cost of ownership. As a result, the E-2W segment is experiencing strong performance in EV adoption. In the E-4W segment, there remains significant market potential to be tapped. The rise in demand for E-3W is driven by lower ownership costs, improved financing options, and various subsidy schemes like FAME II and the recent PM E-Drive initiative.

While sales growth was strong under the FAME II scheme, it has slowed to single digits under the EMPS, which ended on September 30, 2024. The PM E-Drive scheme aims to incentivize the purchase of e-three-wheelers, offering subsidies of Rs 25,000 for e-rickshaws and Rs 50,000 for cargo models in the first year. Overall, the ecosystem is positively embracing electric vehicles, signalling a promising future for the industry.

## Tractors

### **Wholesale Market Performance:**

- On the wholesale tractor market, September saw overall sales increase 2.2% on a YoY basis and a substantial growth of 85.4% on a MoM basis. Key players such as Escorts Kubota and Mahindra & Mahindra reported modest YoY increases of 2.5% and 2.4%, respectively, with sales of 12,380 units and 44,256 units. These results indicate steady demand and effective sales strategies. Conversely, VST Tillers & Tractors experienced a decline of 1.7% YoY and a significant drop of 41.5% MoM, registering sales of 2,583 units, indicating potential challenges in market positioning and product offerings. The impressive MoM surge suggests a seasonal uptick backed by favourable monsoon and successful promotional efforts, bolstering the overall market despite the struggles faced by some companies.

### **Retail Market Performance:**

- FADA reported a MoM decline of 4.5% but a YoY increase of 14.7%, with sales totalling 62,542 units in September.

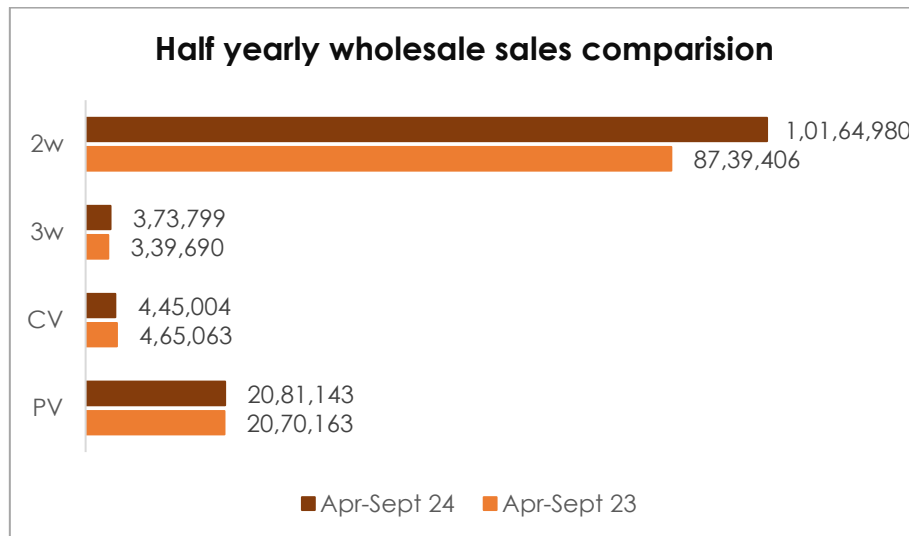
### **Quarterly Performance:**

- In Q2 FY25, tractor sales reached 1,29,687 units, up from 1,25,475 units in Q2 FY24, reflecting a 3.4% growth.
- Tractor sales often experience a boost in September for several reasons. First, the month signals the start of the harvest season in many areas, prompting farmers to invest in tractors to support heightened agricultural activities.
- Additionally, the arrival of festivals tends to increase spending on agricultural equipment as farmers seek to enhance productivity with new machinery. Government subsidy schemes and incentives for agricultural machinery also play a significant role in stimulating sales. Furthermore, favourable weather conditions and adequate monsoon rainfall contribute to improved agricultural output, encouraging farmers to purchase new tractors.

### **Outlook:**

The tractor segment is projected to exhibit robust growth in FY25, supported by favourable monsoon, rural development initiatives, and increasing mechanization in farming practices. Demand for tractors is expected to remain healthy over the medium term as farmers seek to enhance productivity and efficiency amid evolving climatic conditions and labour shortages. Manufacturers will focus on introducing technologically advanced and fuel-efficient models, including electric and autonomous tractors, to cater to diverse farming needs and environmental regulations.

## Half-Yearly Performance of Automobile Sector



Source: SIAM

The Society of Indian Automobile Manufacturers (SIAM) has released comparative sales figures for the periods of April to September 2023 and 2024, highlighting notable trends across various vehicle segments.

- The 2W segment showcased the most significant surge, with sales jumping from 87,39,406 units to 1,01,64,980 units, underscoring a strong consumer preference for cost-effective transportation solutions.
- The 3W market also demonstrated robust growth, rising from 3,39,690 units to 3,73,799 units, driven by increasing demand for affordable urban mobility.
- In the PV category, sales saw a slight increase from 20,70,163 units in H1 FY2023 to 20,81,143 units in H1 FY2024, indicating weaker demand growth in this segment.
- The CV segment experienced a decline, with sales dropping from 4,65,063 units in the first half last fiscal to 4,45,004 units this year, likely reflecting lower momentum in infrastructure and construction activity.
- Overall, the data reflects a dynamic automotive market, with varying performance across segments that highlight shifting consumer priorities.

## 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 license 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) license 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.



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