

Automobile Sales Update for January 2021

February 12, 2021

Performance in January 2021 and trends in 10M-FY21

The Indian automotive sector saw a modest start to the new year 2021 as sales figures for January present a mixed bag. While the factory dispatches clocked positive growth during the month, sales by dealers to consumers declined for most categories on a YoY basis. Analysis on a sequential basis indicates wholesales were better off this month for all categories and the same held true for retail sales, except in case of two wheelers and tractors which declined 18.3% and 12.1% respectively.

Domestic wholesales of two-wheelers during 10M-FY21 shows the industry volumes have reached 80% of 10M-FY20 levels. Comparison for the same period for three-wheelers and passenger vehicles (excluding Tata Motors) depict a decline of 72.4% and 15.4% respectively, while for tractors shows a positive growth of 19.9%.

Is the automotive sector out of the woods?

After the initial two months of FY21, which witnessed near nil level of sales due to lockdowns, the automotive sector has rebounded quickly. On a sequential basis, all segments have shown impressive growth and are inching closer to previous year's levels, except for three wheelers, which is expected to take another 6-7 months for a full demand recovery. However, comparison of FY21 sales data with FY20 may present a fallacious picture of the swift recovery in the automotive sector as FY20 presents a low base effect (owing to the slowdown witnessed in this sector). Hence, comparison with 10M-FY19 shows that wholesales of two wheelers, three wheelers and passenger vehicles (excluding Tata Motors) were lower by 32.7%, 72.7% and 27% respectively, while tractors were greater by 9.2% during 10M-FY21.

Ongoing challenges

In order to cope with the pent-up demand in successive months of strict lockdowns (April to May 2020), large automobile manufacturing nations (like China) increased their outputs much faster than expected. This created disruptions in the global supply chain and planning of semi-conductors. Additionally, the semi-conductor demand from non-automotive sectors, like consumer electronics, escalated due to the rise of 5G connectivity in H2-CY2020. These factors led to a surge in global demand of semiconductors, a critical component used in manufacturing of automobile electronics. Hence, semi-conductor manufacturers are now facing difficulty in meeting the high and unexpected demand from automobile manufacturers globally. Due to the long lead times in the semiconductor industry, the required additional volumes are expected to be available with a considerable delay and hence, affect the production and as well as sales volumes of automobiles in Q4-FY21.

Additionally, due to the imbalances in the import-export scenario, cargo containers are facing a global shortfall. The shipping freight rates have surged since H2-FY21, which has created difficulties for companies to sustain normal trade operations acting as a cause of concern for imports of automobile components.

Concluding remarks

The automotive sector will face the challenge of sustaining its sales volumes in February and March 2021 with low inventory levels caused by production losses due to shortage of microchips and containers. We expect YoY growth in Q4-FY21 for domestic sales of passenger vehicles at 4 to 9%, 2 wheelers of 3 to 8%, 3 wheelers of -50 to -55%, tractors of -3 to +2% and commercial vehicles of 18 to 23%.

Table 1: Automobile domestic sales in January 2021

Wholesales	Units	Change	
		Y-o-Y	M-o-M
Two-wheeler	14,29,928	6.6%	26.8%
Three-wheeler	26,335	-56.8%	19%
Passenger vehicle	2,76,554	11.1%	9.3%
Tractor	78,345	46.7%	27.9%
Retail sales			
Two-wheeler	11,63,322	-8.8%	-18.3%
Three-wheeler	31,059	-51.3%	12.1%
Passenger vehicle	2,81,666	-4.5%	3.8%
Tractor	60,754	11.1%	-12.1%
Commercial vehicle	55,835	-25%	8.5%

Source: SIAM, TMA, CMIE, FADA, CARE Ratings

Note 1: PV wholesales is excluding Tata Motors

Note 2: Wholesales of commercial vehicles are released quarterly by SIAM

Note 3: Retail sales do not include data from AP, MP, LD & TS

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