

Automobile Update: Fuel Price Cuts Aid Demand in May

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May Sees Healthy Sales Growth on Low Base

The automobile industry's domestic sales grew 6.9% sequentially in May 2022 as the reduction in excise duty on fuels improved demand sentiment. The government on May 21, 2022, cut excise duty on petrol and diesel by Rs.8 and Rs.6 per litre, respectively. On a year-on-year (y-o-y) basis, the growth was largely on account of the low base effect as the year-ago period was hit by the second wave of Covid-19. Exports during the month fell 2.4% y-o-y amid global uncertainties.

Table 1: Automobile Industry Domestic Sales					
Categories	Domestic Sales			Change (%)	
	May-22 units	Apr-22 units	May-21 Units	m-o-m	y-o-y
Two-Wheelers	1,253,187	1,148,696	354,824	9.1%	253.2%
Passenger Vehicles	290,939	290,846	102,750	0.0%	183.2%
Commercial Vehicles*	73,580	67,511	23,004	9.0%	219.9%
Tractors	81,940	89,201	55,609	-8.1%	47.4%
Three-Wheelers	28,542	20,938	1,262	36.3%	2161.6%
Total	1,728,188	1,617,192	537,449	6.9%	221.6%

Source: CareEdge Research, SIAM (Society of Indian Automobile Manufacturers), TMA (Tractors Manufacturers Association)

*Note: Commercial Vehicle data includes data for Tata Motors Ltd., Mahindra & Mahindra Ltd., Ashok Leyland Ltd., Maruti Suzuki India Ltd. & V E Commercial Vehicles Ltd.

- Sales data does not include electric vehicle data.

Table 2: Automobile Industry Exports Sales					
Categories	Exports			Change (%)	
	May-22 units	Apr-22 Units	May-21 Units	m-o-m	y-o-y
Two-Wheelers	347,747	405,439	358,789	-14.2%	-3.1%
Passenger Vehicles	56,888	46,548	42,017	22.2%	35.4%
Commercial Vehicles*	4,297	4,465	4,243	-3.8%	1.3%
Tractors	11,582	10,715	7,704	8.1%	50.3%
Three-Wheelers	27,496	35,780	46,437	-23.2%	-40.8%
Total	448,010	502,947	459,190	-10.9%	-2.4%

Source: CareEdge Research, SIAM, TMA

*Note: Commercial Vehicle data includes data for Tata Motors Ltd., Mahindra & Mahindra Ltd., Ashok Leyland Ltd., Maruti Suzuki India Ltd. & V E Commercial Vehicles Ltd.

- Sales data does not include electric vehicle data.

Trend Watch

Passenger Vehicles:

The passenger vehicle segment domestic sales showed marginal improvement in sales on a m-o-m basis during May 2022. The passenger cars subsegment grew 9.9%, while the utility vehicle and vans subsegment sales declined 8.6% and 6.7%, respectively, on a m-o-m basis. There is healthy booking and high demand in the utility vehicle subsegment. However, due to the supply-side constraints, there has been an increase in waiting periods ranging from three months to two years, which is delaying the availability of passenger vehicles. The average inventory days, as per a FADA report, stood at 15-20 days for May 2022. The exports increased by 22.2% m-o-m due to increasing demand in the passenger cars and utility vehicles subsegment, which showed a growth in sales by 28.4% and 12.5%, respectively, in the exports market.

Two-Wheelers:

The domestic sales in the two-wheeler segment registered a growth of 9.1% m-o-m in May 2022, with the scooters and motorcycles subsegment growing by 6.3% and 11.5%, respectively, on account of reduction in fuel prices and marriage season demand in north and east regions of India. However, the mopeds subsegment showed a decline in sales by 9.4% m-o-m. The exports for two-wheelers fell 14.2% on a m-o-m basis. Premium motorcycles subsegment is facing chip shortage issues leading to an increase in waiting periods. The average inventory days for the two-wheelers segment stood in the range of 23-25 days in May 2022.

Three-Wheelers:

The three-wheeler segment domestic sales grew 36.3% m-o-m during May 2022. The passenger carrier subsegment grew by 60.4% m-o-m, while goods carrier subsegment sales declined by 6% on a m-o-m basis. There has been an increase in the demand for passenger carrier three-wheelers with the opening of offices, schools and colleges. The export sales fell 23.2% m-o-m due to global uncertainties amidst the ongoing geopolitical tensions across various international markets.

Tractors:

The domestic tractor sales declined by 8.1% m-o-m during May 2022 on account of lower crop yields due to extreme heat conditions in the harvest season. However, the exports were up 8.1% m-o-m in May 2022. The timely arrival of the South-West monsoon and normal monsoon forecast is expected to result in good Kharif crop production, which should improve demand sentiments in this segment.

Commercial Vehicles:

The commercial vehicle domestic sales improved by 9% m-o-m in May 2022. The growth was on account of improvement in haulage demand and an increase in bus demand with the reopening of educational institutions. The Medium and Heavy Commercial Vehicle and Light Commercial Vehicle subsegments domestic sales have increased by 1.9% and 12.1%, respectively, led by pick up in construction activities and improving last-mile connectivity. However, the exports for this segment declined by 3.8% due to global uncertainties amidst the ongoing geopolitical tensions across various exports market.

CareEdge Outlook:

CareEdge Research expects that the recent government's move to reduce the excise duty on petrol and diesel, which has cut fuel costs, might further improve the demand. The rural demand is improving gradually on account of the timely arrival of monsoon, along with timely sowing of crops. This will lead to improvement in demand in the two-wheelers and tractors segment. The premium passenger vehicle and two-wheeler segments are battling with semi-conductor shortage, which has hit the production and sales. However, the expected new launches by OEMs in the coming months should support demand. The three-wheelers and commercial vehicle segment,

especially the bus segment demand, is likely to increase with the opening up of schools and offices. Improved profitability and fleet utilisation, along with the government's thrust on infrastructure, will further aid the growth of the commercial vehicle segment. However, concerns regarding supply chain constraints due to the ongoing geopolitical tensions also persist. In addition, the second hike in repo rates by RBI, along with an increase in third party insurance rates from June 2022, might hurt the demand sentiments in the near term.

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