

April Sales Show Signs of Recovery

New launches by OEMs and a low base effect helped the automobile sector exhibit some signs of recovery in April 2022 as domestic sales volumes increased by 15.7% year-on-year (y-o-y). However, on a m-o-m basis, sales fell by 5%, owing to multiple price hikes and semi-conductor shortages amid the ongoing geopolitical tensions. The exports for the month fell 5.7% y-o-y due to rising prices of oil and a supply-side crunch amidst lockdown in China.

Automobile Industry Domestic Sales and Exports								
Categories	Domestic Sales			Change (%)		Exports		Change (%)
	Apr-22 units	Apr-21 Units	Mar-22 Units	m-o-m	y-o-y	Apr-22 Units	Apr-21 Units	y-o-y
Two-Wheelers	1,148,696	995,115	1,184,210	-3.0%	15.4%	405,439	431,311	-6.0%
Passenger Vehicles	290,846	286,147	279,501	4.1%	1.6%	46,548	42,017	10.8%
Commercial Vehicles*	67,511	39,198	94,544	-28.6%	72.2%	4,465	4,688	-4.8%
Tractors	89,201	63,422	72,888	22.4%	40.6%	10,715	8,918	20.2%
Three-Wheelers	20,938	13,856	32,088	-34.7%	51.1%	35,780	46,437	-22.9%
Total	1,617,192	1,397,738	1,663,231	-5.0%	15.7%	502,947	533,371	-5.7%

Source: CareEdge Research, SIAM, TMA, CMIE

*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 industry's domestic sales improved by 1.6% y-o-y in April 2022, led by some new launches. The utility vehicle segment grew 16.8%. However, overall sales fell 8.7% on a m-o-m basis as the segment continues to face the effect of long waiting periods amid semi-conductor shortages. As per a FADA report, the average inventory days stood at 15-20 days for April 2022. The exports increased by 10.8% y-o-y due to increasing demand in the passenger cars segment, which showed a growth in sales by 19% in the exports market.

Two-Wheelers:

The domestic two-wheeler segment showed some signs of recovery after a very long time as sales improved by 15.4% y-o-y in April 2022. The scooters and motorcycles segment grew by 24.3% and 10.1%, respectively, on account of some uptick in rural markets and the wedding season. The mopeds segment also showed an increase in sales by 49.3% during the month. However, on a m-o-m basis, the sales declined by 3% due to a steep increase in the vehicle's acquisition cost and high fuel prices. The exports for two-wheelers declined by 6% on a y-o-y basis, led by geopolitical tensions across various international markets. The average inventory days for the segment were in the range of 20-25 days.

Three-Wheelers:

The three-wheeler segment domestic sales grew by 51.1% y-o-y during April 2022. Both the passenger carrier and goods carrier segments grew by 43.7% and 66.1%, respectively. There has been an increase in the demand for three-wheelers with the opening of offices and educational institutions. However, the sales declined by 34.7% on a m-o-m basis amid a shift from ICE to the electric vehicle segment. The exports also fell 22.9% y-o-y due to global uncertainties amidst the Russia-Ukraine war and lockdown in China.

Tractors:

The domestic tractor sales increased by 40.6% y-o-y. Led by good Rabi harvesting and higher MSP crop prices, a 22.4% jump was seen m-o-m. The exports were up 20.2% y-o-y due to the low base effect last year. However, the price hikes by the OEMs and commodity price inflation remain areas of concern for the segment. The average inventory days for the segment stood in the range of 35-45 days.

Commercial Vehicles:

The commercial vehicle domestic sales improved by 72.2% y-o-y in April 2022 due to the low base effect, the government's push for infrastructure spending, increased freight movement, pick up in construction activities and improving last-mile connectivity. However, on a m-o-m basis, the sales in the domestic market have fallen by 28.6%. Both the MHCV and LCV segments have dropped by 42.2% and 20.5%, respectively, on account of diesel price hikes and increasing freight rates. The exports for this segment declined by 4.8% due to a sharp rise in commodity prices, fuel inflation and supply-side challenges.

CareEdge Outlook:

CareEdge Research expects that consumer sentiments might get dampened owing to price hikes by OEMs and fuel inflation. The RBI's decision to increase the repo rate by 40 bps will lead to more expensive auto loans and thus hurt demand further. In addition, concerns regarding global supply chain constraints due to the lockdown in China and the Russia-Ukraine war also persist.

However, automobile sales in this fiscal year are expected to be supported by a normal monsoon forecast, good water reservoirs levels, increased Kharif sowing, ongoing marriage season, new launches, and continued support by the government in the agriculture sector and infrastructure spending.

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