

Automobile Sales in January 2022

The automobile sales saw some improvement in the month of January 2022 with 12.3% growth on a month-on-month basis with the relaxing of the Covid-19 restrictions and a growing demand for electric vehicles.

However, on a year-on-year (YoY) basis, the domestic automobile industry continued to show declining sales by 18.3% during the month. The sales were adversely impacted on account of vehicle price hikes, continued Covid-19 pandemic related challenges like weekend lockdowns in some cities, coupled with supply chain issues.

The automobile industry sales in 10MFY22 (April 2021 to January 2022) declined by 4% compared to last year 10MFY21 sales. The festive season sales were very weak compared to previous year and potential Omicron wave remained a significant risk.

Table 1: Automobile Domestic Sales in January 2022

Categories	Jan'22 Units	Jan'21 Units	Change (%)	
			MoM	YoY
Passenger Vehicles	254,287	276,554	15.9%	-8.1%
Two-Wheelers	1,128,293	1,429,928	12.1%	-21.1%
Three-Wheelers	24,091	26,794	-14.3%	-10.1%
Tractors	52,767	78,345	18.8%	-32.6%
Commercial Vehicles*	73,588	64,984	10.4%	13.2%
MHCVs	20,744	20,126	3.5%	3.1%
LCVs	52,844	44,858	13.4%	17.8%
Total	1,533,026	1,876,605	12.3%	-18.3%

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.

MHCVs - Medium and Heavy Commercial Vehicles

LCVs - Light Commercial Vehicles

Segment-wise Trends:

Passenger Vehicles:

The passenger vehicle sales during the month declined by 8.1% compared on a yearly basis. This segment continues to face the brunt of semi-conductor shortage. However, sales improved on a month-on-month basis showing a growth of 15.9% enabled by comparative easing of vehicle supply. The average inventory days also ranged from 8-10 days.

In 10MFY22, the sales in the passenger vehicle segment increased by 12.5% compared to 10MFY21 due to low base effect. There has been traction in demand in this segment as the dealerships are receiving higher enquiries and bookings on the back of customer preference for personal mobility.

Two-Wheelers:

The sales in two-wheeler segment declined by 21.1% on YoY basis in January 2022. The demand sentiment continues to remain tepid both in rural as well as in urban areas along with price hikes. The production and sales of premium two-wheelers were also impacted due to semi-conductor shortage. The average inventory days for the

segment stood at the range of 25-30 days. Consequently, driving customers interest in e-Scooters, supported by subsidies are also affecting the sales.

The two-wheeler segment was worst affected in 10MFY22 with a sales decline of 7.8% compared to 10MFY21. With the slowest recovery in rural sector, added with exorbitant rise in fuel prices and price hikes taken by the OEMs, this segment has not taken off to reach the previous year sales level.

Three-Wheelers:

The three-wheeler segment saw decline in sales of 10.1% on a yearly basis in January 2022. The staggered lockdowns in states and restrictions in opening up of schools and offices due to Omicron wave have impacted the sales during the month. The opening up of offices and schools along with ease in financing led to improvement in demand sentiment during the month.

In 10MFY22, the three-wheeler segment saw improvement in sales with a growth of 26.7% compared to 10MFY21. The opening up of offices and schools in some of the months with ease in lockdown restrictions along with improved financing led to improvement in demand sentiment in this segment.

Tractors:

The tractors sales declined by 32.6% compared on a yearly basis on account of high base last year and unseasonal rainfall in certain parts of the country. Higher level of channel inventory in certain geographies lead by inflationary impact on short-term demand also impacted the sales.

The tractor sales in 10MFY22 declined by 2.9% compared to 10MFY21. Going forward, the momentum is expected to recover in coming months led by high Rabi sowing, good reservoir level and continued government focus on agriculture will lead to positive rural sentiments that will aid tractors sales.

Commercial vehicles:

The commercial vehicle segment showed a growth in sales by 13.2% compared on YoY basis during the month. The MHCVs segment saw an improvement in sales by 3.1% YoY in January 2022. Growth was primarily led by rising activities in sectors such as mining along with increased construction and infrastructure spending by the government. The cargo segment is showing a sequential improvement due to increased freight availability. The LCV segment sales also improved by 17.8% during the month benefiting from the rise in e-commerce and increasing need of last mile delivery.

In 10MFY22, the commercial vehicle segment saw increase in sales by 18.3% on a YTD basis. This segment has gained momentum benefitting from improving viability among fleet operators as well as improving demand from the haulage and infra segments and increased infrastructure spending by central as well as state governments.

Government push towards alternative fuel

The government also issued an advisory to the automakers to produce 'flex-fuel' vehicles engines in the next 3-4 months. The Minister of Road Transport & Highways had highlighted the government's plans to announce guidelines for flexible fuel vehicles (FFVs) and enabling the use of various alternate fuels in an effort to shift from fossil fuels. In order to accelerate the introduction of Flex Fuel vehicles, the Production-Linked Incentive (PLI) scheme has included automobile & auto components of flex fuel engines. The OEMs are advised to start manufacturing Flex Fuel Vehicles (FFV) and Flex Fuel Strong Hybrid Electric Vehicles (FFV-SHEV) complying with BS-VI Norms in a time bound manner within a period of six months.

Flex-fuel, or flexible fuel, is an alternative fuel made of a combination of gasoline and methanol or ethanol. These vehicles are capable to run on a combination of 100% Petrol or 100% bio-ethanol and their blends, along with strong Hybrid Electric technology in case of FFV-SHEVs. NITI Aayog has formulated the road map for Ethanol blending for the period 2020-2025. It is expected that higher percentages of ethanol will be blended in gasoline in the next five years, requiring availability of flex engine vehicles.

The Ministry of Power recently notified the Green Hydrogen/Green Ammonia policy in February 2022. Additionally, the government has also been promoting the adoption of green alternative fuels such as ethanol, bio-diesel, bio-CNG, methanol, electric and fuel cell technology in order to reduce dependency on petrol and diesel.

Outlook: Ease in supply chain might improve demand sentiments

The automotive industry is witnessing one of the most challenging times, facing disruptions due to the pandemic, new technologies and regulations. Price hikes taken by the OEMs in order to offset the increasing raw material prices may further affect sales in coming months. As the 3rd wave of Covid-19 has improved, auto sales are expected to improve going ahead. There has also been some ease in semi-conductor shortages which are helping OEMs to do better dispatches of vehicles. However, it is expected the supply will improve in the coming months. If the supply chain challenges and Covid-19 outbreak remain under control, growth in volumes can be expected in coming months. Going forward, the industry is looking forward to leveraging the benefits of government schemes for increasing localisation and exports.

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