

Festive Season to Bring Cheer for Auto Sector in Near Term

September 28, 2022 | Industry Insights

Synopsis

Boosted by the onset of the festive season and the gradual economic recovery, retail sales in the passenger vehicle segment jumped 9.4% in August even though the wholesale demand witnessed moderation with a 3.8% decline month-on-month.

Supported by improved availability of semiconductors, two-wheelers registered a growth of 16.3% y-o-y in August 2022, with the motorcycles and scooters subsegments growing by 23.1% and 9.5%, respectively.

Three-wheeler sales grew 58.3% y-o-y owing to a recovery in demand in the passenger carrier subsegment.

Domestic tractor volumes fell 4.6% month-on-month, hit by the uneven rainfalls across the country.

CareEdge expects the growth momentum to continue with the festive season in the coming months.

Automobile Industry Domestic Sales					
Categories	Domestic Sales			Change (%)	
	Aug-22 Units	July-22 Units	Aug-21 Units	m-o-m	y-o-y
Two-Wheelers (2W)	15,57,429	13,81,303	13,38,740	12.8%	16.3%
Passenger Vehicles (PV)	3,24,531	3,37,348	2,59,220	-3.8%	25.2%
Commercial Vehicles* (CV)	72,007	73,310	49,865	-1.8%	44.4%
Tractors	52,691	55,211	53,721	-4.6%	-1.9%
Three-Wheelers (3W)	36,112	29,090	22,818	24.1%	58.3%
Total	20,42,770	18,76,262	17,24,364	8.9%	18.5%

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

* Note: Commercial Vehicle monthly data includes data for Tata Motors Ltd., Mahindra & Mahindra Ltd., Ashok Leyland Ltd., Maruti Suzuki India Ltd. & Eicher Motors Ltd.; Sales data does not include electric vehicle data; BMW, Mercedes, and Volvo Auto data is not available.

Trend Watch

Two-Wheelers:

The domestic sales in the 2Ws segment registered a growth of 16.3% y-o-y in August 2022, with the motorcycles subsegment growing strongly by 23.1% while the scooters sub-segment grew by 9.5%. The improved availability of semiconductors has supported growth in sales during the month. The average inventory days for the two-wheelers segment stood in the range of 30-33 days in August 2022.¹ OEMs have lined up various products across verticals with the onset of the festive season and are expecting further improvement in momentum going ahead with an overall positive market scenario. The exports for two-wheelers fell 15.1% on an m-o-m basis and 18.4% on a y-o-y basis due to economic slowdown and higher inflation in some geographies in the international market.

Passenger Vehicles:

The PV segment domestic sales showed an improvement in sales of 25.2% on a y-o-y basis during August 2022. The demand for utility vehicles continued to exceed that of passenger cars during the year. On a sequential basis, the PV segment saw a decline in sales by 3.8%, but retail demand has continued to remain robust. The OEMs are launching new models, facelifts, and other special editions with new rich features ahead of the festive season,

¹ FADA (Federation of Automobile Dealers Associations) Press Release August 2022

which has helped to sustain the demand during the month. The semiconductor shortage has eased, largely, especially in the premium segment. However, the waiting period continues to remain high with increasing demand. The average inventory days for this segment stood at 30-35 days for August 2022. ²The exports grew by 6.9% on a y-o-y basis and 1.2% marginally on an m-o-m basis. This growth was attributed to increasing demand in the utility vehicles sub-segment, which showed a growth in sales by 29.1% (y-o-y growth) and 32.9% (m-o-m growth) in the export market.

Commercial Vehicles:

The commercial vehicle domestic sales increased by 44.4% y-o-y in August 2022. This improvement in sales was on account upswing in economic activities along with the government's push towards infrastructure activities. Various OEMs released new models during the month and there were also better fleet operations which led to growth in sales. The Medium and Heavy Commercial Vehicle (MHCVs) and Light Commercial Vehicle (LCVs) sub-segments domestic sales grew by 52.8% and 41.2% on a y-o-y basis respectively. There has been an improvement in demand for higher tonnage vehicles during the month. On an m-o-m basis, the commercial vehicle segment sales declined marginally by 1.8% on a high base of July 2022; retail demand continued to be robust. The exports for this segment declined by 28.9% on a y-o-y basis and 11.4% on an m-o-m basis due to rising geopolitical tensions and high inflation across various exports market.

Tractors:

The tractor sales saw a marginal decline in sales of 1.9% y-o-y during August 2022. On an m-o-m basis also, the sales declined by 4.6%. This was on account of a slow revival in rural consumption activities and skewed rainfall distribution across the country. Some parts of the country have received heavy rainfall that affected the ground and farming activities, while some parts of the countries received deficient rainfall, especially the eastern parts of the country which are key paddy-producing states, thus impacting paddy sowing and hence tractor demand. A pickup in demand is expected in September owing to the offers and discounts during the festive season. Tractor exports grew by 3% (y-o-y basis) and 2.4% (m-o-m basis) respectively.

Three-Wheelers:

The 3Ws segment domestic sales grew 58.3% y-o-y during August 2022 owing to a recovery in demand in the passenger carrier subsegment which showed strong growth of 93.5% on a y-o-y basis. With the opening up of the economy, there has been traction in the passenger movement, which has improved the demand in this segment. However, the goods carrier subsegment sales declined by 9.9% on a y-o-y basis. There is an increasing preference for electric three-wheelers over ICE 3W vehicles for last-mile connectivity in the e-commerce industry. The export in the three-wheeler segment improved by 19.6% on a y-o-y basis with growth in exports of 21.1% in the passenger carrier sub-segments. Exports growth was primarily on account of increasing demand in LATAM and ASEAN regions. On an m-o-m basis also, the exports improved by 16% with a 16.6% increase in export sales of the passenger carrier sub-segment.

CareEdge Outlook:

With most OEMs focused on launching new models, facelifts and special editions, CareEdge expects the festive season (Navratri, Dussehra, Onam, and Diwali) in September and October to support growth momentum in the auto sector. Multiple discount schemes and offers by OEMs and dealerships are also likely to boost sentiment – both rural and urban. Increased infrastructure activities and ease in availability of semiconductors should further aid demand.

² FADA (Federation of Automobile Dealers Associations) Press release August 2022

Contact

Kanmaani S	Director	kanmaani.s@careedge.in	+91 - 22 - 6837 4423
Swati Singh	Analyst	swati.singh@careedge.in	+91 - 22 - 6837 4400
Mradul Mishra	Media Relations	mradul.mishra@careedge.in	+91 - 22 - 6754 3596

CARE Advisory Research & Training Ltd

(Wholly-owned subsidiary of CARE Ratings Ltd.)

A-Wing, 1102-1103, Kanakia Wall Street, Chakala, Andheri-Kurla Road, Andheri East, Mumbai- 400093

Phone: +91-22-68374400

Connect :



About:

CareEdge is a knowledge-based analytical group that aims to provide superior insights based on technology, data analytics and detailed research. CARE Ratings Ltd, the parent company in the group, is one of the leading credit rating agencies in India. Established in 1993, it has a credible track record of rating companies across multiple sectors and has played a pivotal role in developing the corporate debt market in India. The wholly-owned subsidiaries of CARE Ratings are (I) CARE Advisory, Research & Training Ltd, which offers customised advisory services, credible business research and analytical services (II) CARE Risk Solutions Private Ltd, which provides risk management solutions.

Disclaimer:

This report is prepared by CARE Advisory Research and Training Limited (CareEdge Research). CareEdge Research has taken utmost care to ensure accuracy and objectivity while developing this report based on information available in public domain. However, neither the accuracy nor completeness of information contained in this report is guaranteed. CareEdge Research is not responsible for any errors or omissions in analysis / inferences / views or for results obtained from the use of information contained in this report and especially states that CareEdge Research has no financial liability whatsoever to the user of this report.