

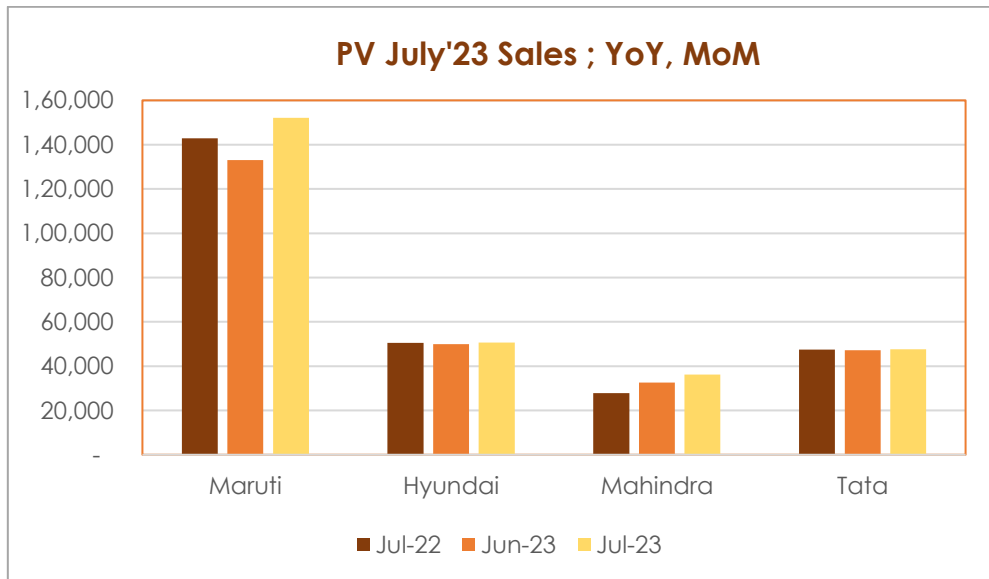
Press Release

Volume growth in auto sector set to be moderate in FY24

Buoyancy visible in the premium segments of 2Ws and PVs

8th Aug, 2023

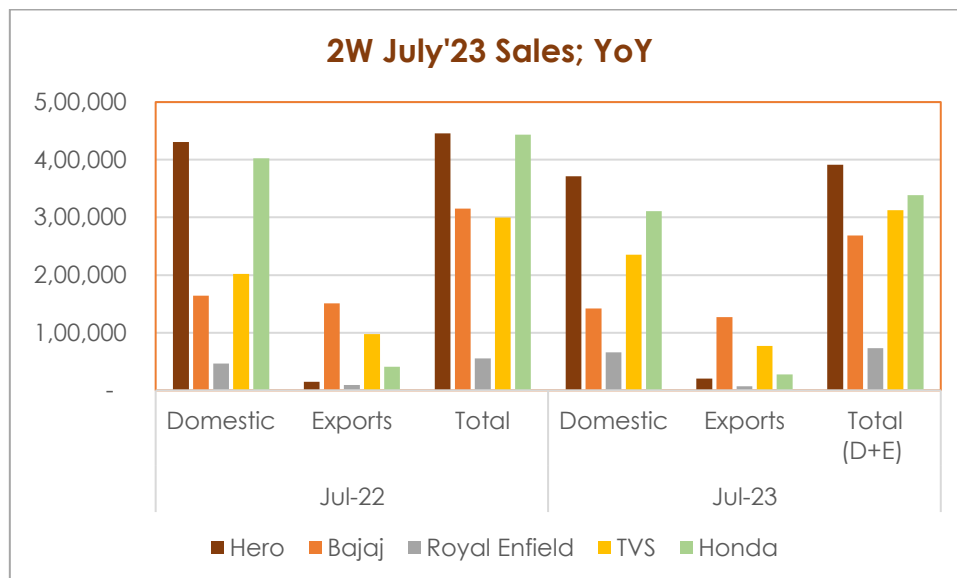
• **PV Segment**



- The aggregate domestic PV volumes of the top 13 players exceeded 3.5 lakh units which is the highest volume recorded so far in FY24 and since Sep-22.
- While the growth YoY was moderate at 3.3% in July'23 vs July'22, it has been fairly strong on a sequential basis at 7.2% MoM.
- With regards to retail sales, FADA (Federation of Automobile Dealers Association) reported a moderate growth of 4.0% YoY, similar to that in the last month (4.8%).
- The buoyant demand for compact SUVs and MUVs supported the volume growth in PVs; new models from OEMs also made a significant contribution.
- "The PV demand continues to show a positive growth trajectory led by an increasing trend of replacement of existing entry level vehicles and sedans with SUV and MPVs by the urban consumers. The improvement in the supply chain and better availability of semi-conductors have also led to higher despatches for certain models. With the approach of the festival season, PV volumes are likely to remain healthy in the near term."

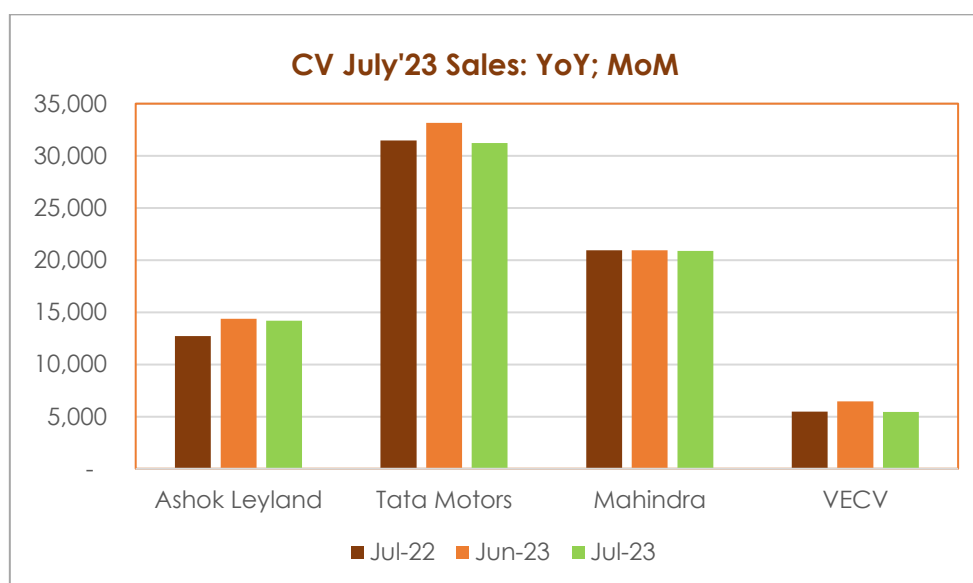
- **Suman Chowdhury, Chief Economist & Head - Research, Acuite Ratings & Research Ltd.**

- **2W Segment**



- The total sales of top five 2W players in India reported a decline in volumes by 11.3% YoY in July'23 compared against July'22. On a sequential basis, the total sales witnessed decline by 3.6% MoM as compared against Jun'23.
- The domestic sales witnessed a decline of 9.7% YoY during July'23 vs. July'22 and on a sequential basis, the domestic sales witnessed decline of 5.8% MoM during the month as compared against Jun'23. The decline in despatch volumes may be partly due to inventory realignment at the dealer level.
- Retail sales have seen a better performance with a growth of 8.1% YoY in Jul-23 (Source: FADA) During Q1FY24, the cumulative domestic volumes witnessed growth of 11.7% YoY.
- The export demand from the international market continue to remain impacted reflected by decline in export volume by 17.5% YoY in July'23 vis-à-vis July'22. However, on a sequential basis, the export witnessed positive growth of 7.2% MoM respectively during the month compared against June'22.
- "Higher cost of ownership, increase in interest rates and inconsistency in rural demand continue to have an impact on the domestic 2W market. Manufacturers are focussing on premium models as there is an increased demand for higher-end bikes from urban areas. The share of EVs is growing gradually but the share is still modest at around 10% of the total sales. While the overall demand from the international market remains weak compared to a year ago, the sequential rise raises the likelihood of improved global demand going forward."
- **Suman Chowdhury, Chief Economist & Head - Research, Acuite Ratings & Research Ltd.**

- **CV Segment:**



- The domestic sales of the top four players in the CV industry witnessed marginal growth of 1.6% YoY in July'23 compared against July'22.
- However, on a sequential basis, the domestic sales witnessed decline of 4.2% MoM in July'23 vis-à-vis June'23, largely on account of the seasonal factor associated with the monsoon season.
- Apart from Ashok Leyland, all the other three CV manufacturers witnessed a decline YoY in their wholesale numbers during the month.
- However, FADA has reported a 2.0% YoY growth in retail CV volumes during the month of July-23.
- “The start of FY24 has not really behind inspiring for the CV industry with a volume drop of 1.2% on an annualized basis for the top four players. However, the second half of the year typically shapes the performance of the sector. The infrastructure development and construction activities remain a key focus area for the government of India which is expected to continue driving the demand of CVs in the country. The increase in usage of public transport and importantly, the increased usage of battery operated buses are also expected to support the passenger CV segment going forward”.
- **Suman Chowdhury, Chief Economist & Head - Research, Acuite Ratings & Research Ltd.**

About Acuité Ratings & Research Limited:

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Media Contact:

Sahban Kohari
Ph: + 91-9890318722
sahban@eminenceonline.in

Analytical Contacts:

Suman Chowdhury
Chief Economist & Head of Research
Ph: + 91-9930831560
suman.chowdhury@acuite.in

Prosenjit Ghosh
Group Chief Business Officer
Ph: +91-9920656299
prosenjit.ghosh@acuite.in

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