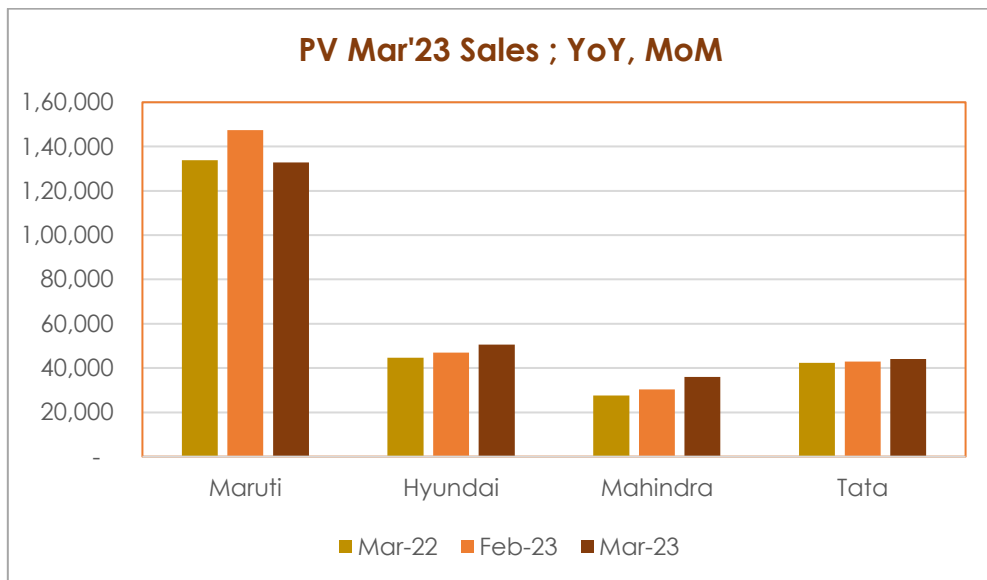


FY23 ends with healthy auto demand

Growth may slow down in PVs and 2Ws, CV growth to remain strong

10-April-2023

- **Passenger Vehicle (PV) Segment**



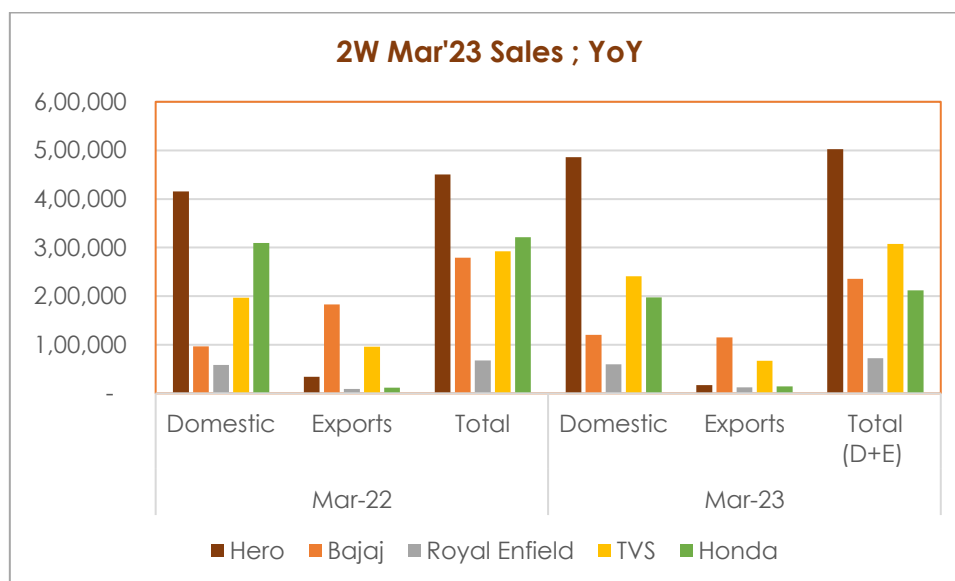
- The total domestic PV sales of the top 13 players¹ completed the year with a positive momentum led by a healthy pickup in demand in H2FY23.
- The total domestic sales witnessed a strong volume growth of 26.1% YoY in FY23 vs FY22. The growth was clearly led by strong consumer sentiments in urban areas supported by pent-up demand, new model launches and faster replacement of existing cars and increased preference for SUVs.
- During Mar'23, the volume growth has seen a moderation; total domestic sales grew by a moderate 3.7% YoY; on a sequential basis, the volumes witnessed a marginal decline of 0.3% MoM in Mar'23 vs Feb'23.

“The PV segment has seen a good run over the last two years with the personal mobility factor and the pent up demand factor coming into play during and after the pandemic respectively. Continuing replacement of sedans by newly launched affordable SUVs will continue to drive the market. However, there is a likelihood of a gradual saturation in the urban markets, leading to the dependence of domestic sales on the recovery in rural demand. Also, increased interest rates are likely to have an impact on PV volumes. We expect PV demand to be in single digits in FY24.”

- **Suman Chowdhury, Chief Analytical Officer, Acuite Ratings & Research Ltd.**

¹ Estimates taken for four manufacturers for whom Mar-23 data not available

- **Two Wheeler (2W) Segment**

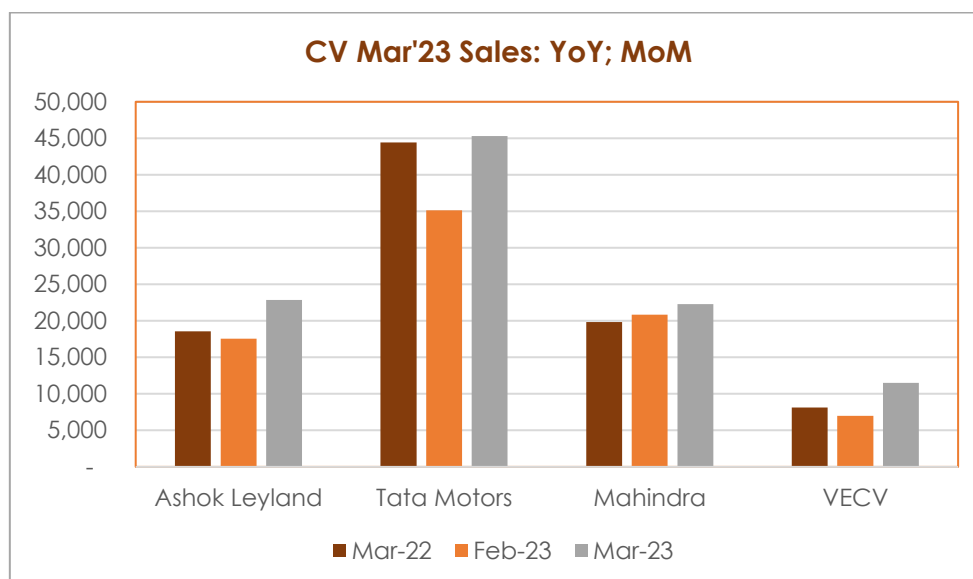


- The total sales of top five 2W players in the segment reported a decline of 5.8% YoY in Mar'23 compared against Mar'22. However, the total volumes grew on a sequential basis by 9.4% MoM compared against Feb'23.
- The domestic volumes, however witnessed growth of 2.6% YoY. On a sequential basis too, the domestic sales witnessed growth of 8.7% MoM during the month compared against Feb'23. Despite improvement in domestic sales, the increase in cost of ownership especially in the entry level segment continue to remain a key concern for the rural 2W market.
- The export demand from the international market continue to remain adversely impacted due to the global slowdown as reflected by a large decline in export volume by 32.6% YoY in Mar'23. However, on a sequential basis, there is a recovery seen with growth of 12.6% MoM during the same month compared against Feb'23.
- The total sale volumes of 2Ws registered a growth of 6.6% YoY during FY23 compared against FY22. The growth in sales is majorly driven by domestic sales which grew by 15.7% YoY during the same period. On the other hand, weak demand from the international market had constrained the overall growth momentum as reflected by in a decline of export volumes by 21.3% YoY during the past fiscal.

“While the global headwinds have adversely impacted exports of 2Ws, a recovery in domestic demand in FY23 is visible in a double digit recovery in volumes. There is also a steady growth in sales of EVs in this segment. The uncertainty in exports is likely to continue well into FY24. Further, increasing cost of ownership in the entry level segment remains a key concern for the rural demand of 2Ws.”

Suman Chowdhury, Chief Analytical Officer, Acuite Ratings & Research Ltd.

- **Commercial Vehicle (CV) Segment:**



- The demand for CVs in the domestic market improved significantly. The total domestic sales of the top four players in the CV industry registered a growth of 34.9% YoY in FY23, reflecting a very strong recovery in the CV industry.
- During Mar'23, the domestic volumes witnessed growth of 12.1% YoY compared against Mar'22. Furthermore, on a sequential basis the sales witnessed growth of 26.6% MoM during the month compared against Feb'23.
- The push towards infrastructure and construction activities in the country by the government along with rising demand of construction materials and improvement in logistics at a faster pace continued to support the demand for CVs in the country.

“An increased outlay for public infrastructure creation and a moderate recovery in industrial activity have driven the strong CV volume growth in FY23. With the government enhancing the budgetary allocation further for infrastructure development in FY24 and tighter scrappage rules coming into play, demand growth is likely to remain healthy. The passenger CV segment has also received a boost with the focus on minimising carbon emission and replacing diesel vehicles with CNG or EVs”.

- **Suman Chowdhury, Chief Analytical Officer, Acuite Ratings & Research Ltd.**

About Acuité Ratings & Research Limited:

Acuité Ratings & Research Limited is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL-II norms in the year 2012. Since then, it has assigned more than 9,500 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

Media Contact:

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

Analytical Contacts:

Suman Chowdhury
Chief Analytical Officer
Ph: + 91-9930831560
suman.chowdhury@acuite.in

Prosenjit Ghosh
Chief Operating Officer – Subsidiaries
Ph: +91-9920656299
prosenjit.ghosh@acuite.in

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