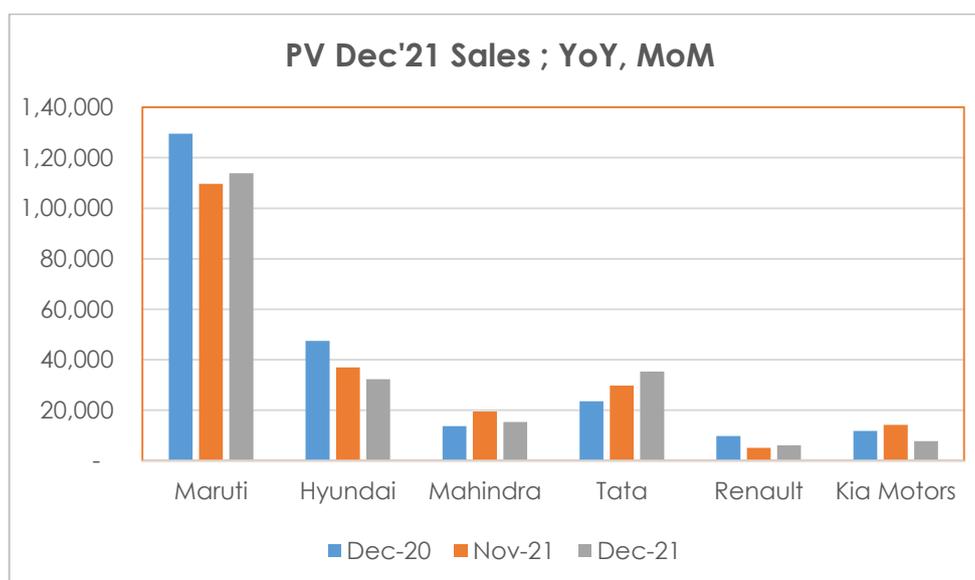


Press Release

Recovery in CV but persistent weakness in PV and 2Ws Threat of a third wave may impact near term demand

4 January, 2022

- **PV Segment**

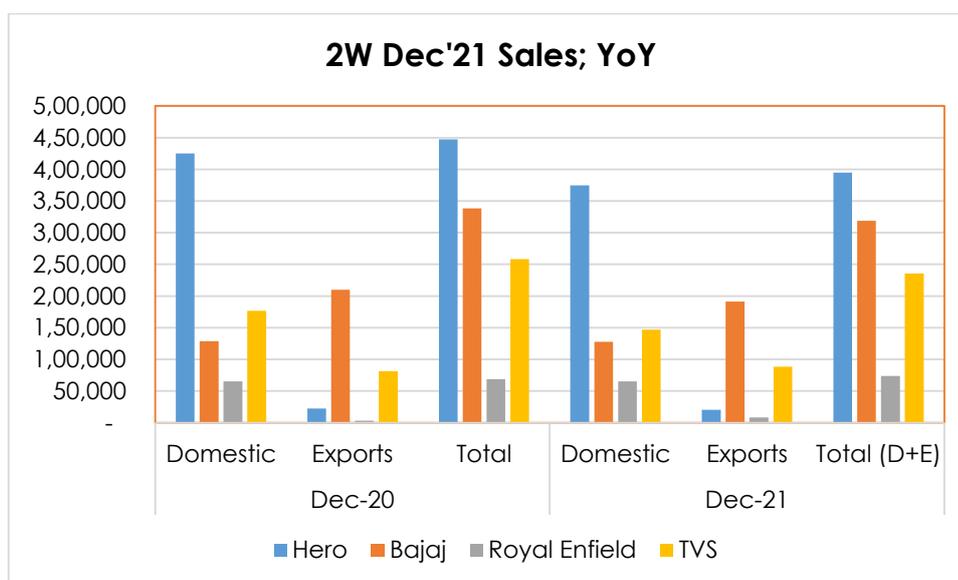


The weakness in domestic demand for PV segment continued in Dec'21 as reported by the top 13 PV players in the country. The domestic sales recorded a contraction of 7.0% YoY during Dec'21 driven by persistent global shortage of semiconductors and a longer waiting period for many models. Furthermore, on sequential basis the sales declined marginally by 0.9% MoM vs Nov'21 which also highlights some weakness in demand primarily coming from the rural markets. The domestic sales of the market leader Maruti Suzuki registered decline in sales of 12.1% YoY whereas witnessed growth of 3.8% on a sequential basis against Nov'21. The key highlight for the month has been the despatches of Tata Motors which not only registered annualised growth of 49.9% in domestic sales but also picked the second position in terms of market share overtaking Hyundai with 14.5% market share during Dec'21. Hyundai on the other hand registered a decline in both YoY & MoM of 31.8% and 12.7% during the same period.

Furthermore, during Q3FY22 the domestic sales have slipped by 14.1% YoY compared against Q3FY21 owing to supply chain constraints as well as a relatively weak festive season.

Going ahead, the shortage of semiconductors may continue to disrupt PV production and despatches over the next few months which may be aggravated further by the fresh spurt in Covid cases increasing the risk of re-imposition of lockdown like restrictions.

- **2W Segment**



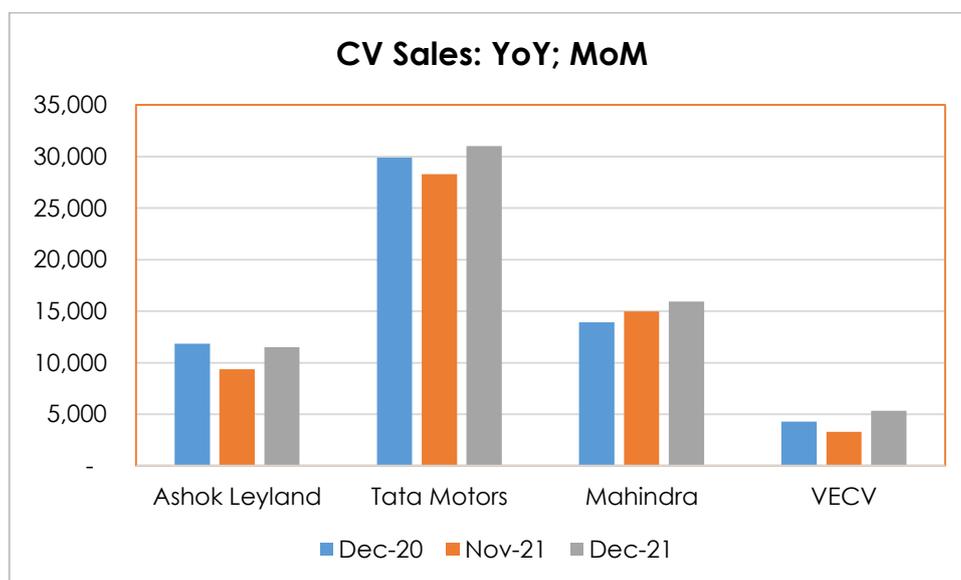
The demand in overall 2W sales volumes in Dec'21 continued to remain weak as reflected by the volumes of the top 4 players in the industry. The total sales of the major 4 players in the industry declined 8.1% YoY owing to the weak demand from the rural market, high fuel prices and a slowdown in exports. The domestic sales of the 4 players declined to a higher extent of 10.3% YoY during the same period against domestic sales of Dec'20. The fall was majorly led by 11.9% YoY in HMCL followed by 17.0% YoY decline by TVS Motors during the same period. However, it is encouraging to note that the sequential trajectory in domestic sales has witnessed a slight improvement by 2.8% MoM as against Nov'21.

The demand from the international market also remain lacklustre during Dec'21 reflected by a decline in exports of 2.7% YoY against Dec'20. The market leader in exports of 2Ws - Bajaj Auto continued to report a decline in exports by 8.9% YoY during Dec'21. On the other hand, TVS Motors reported 9.0% YoY growth in exports during the same period amid a low base. On a sequential basis, total exports were up by 1.9% MoM as against Nov'21.

During the quarter, the total sales of the four major manufacturers have declined by 20.2% YoY as against Q3FY21, largely reflecting the weakness in rural demand. The domestic sales were down by 26.0% YoY during Q3FY22 whereas the exports grew marginally by 1.2% YoY during the same period.

While we expect a recovery in 2W sales in the near term due to the seasonal rise in farm incomes, the fresh rise in Covid cases triggered by the emergence of a new virus variant across the country may delay the revival.

- **CV Segment:**



The domestic demand in the CV segment witnessed a healthy recovery during Dec'21 marked by 6.4% YoY growth in domestic CV sales of the top four CV manufacturers. While Ashok Leyland has been an exception with a decline in YoY sales of 3.1%, the other top three players in the market i.e. Tata Motors, M&M and VECV registered YoY growth of 3.8%, 14.4% and 25.0% respectively during Dec'21. The improvement was primarily on account of a strong revival in LCV demand driven by the growing e-commerce sector followed by low base. Furthermore, on a sequential basis too, the total domestic sales of all the four CV manufactures showed improvement by registering growth of 14.0% MoM against Nov'21. On a quarterly basis, however, the volumes have recorded a marginal decline of 0.4% against Q3FY21.

While there is an increased risk of a third Covid wave, there are indications that its intensity and impact on economic activity will be relatively limited. With a step up in infrastructure creation and construction activities, a higher momentum in the core sector should lead to a stronger demand for CVs in the medium term.

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