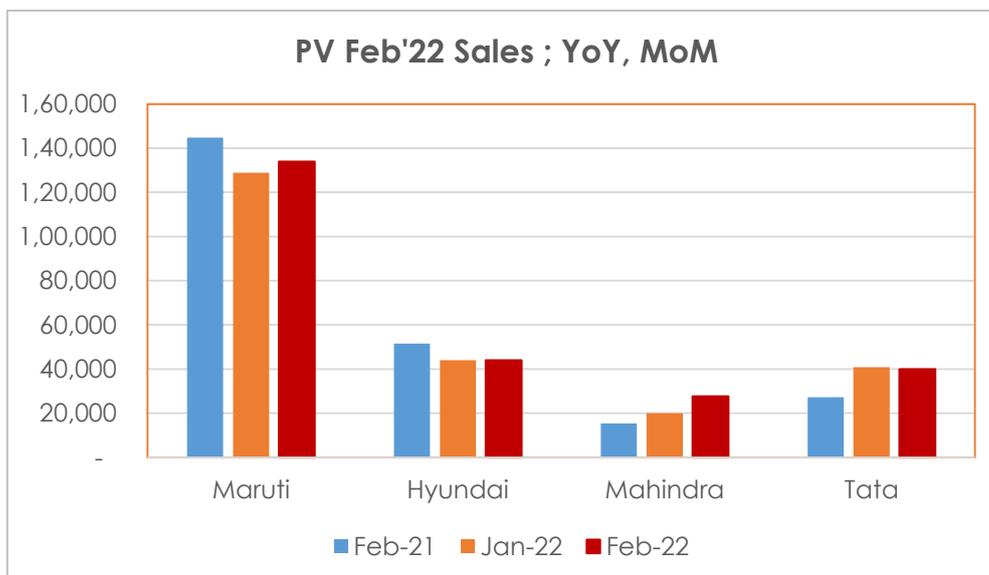


Press Release

CV remains outperformer; continuing weakness in 2Ws a concern Marginal recovery visible in PVs due to SUV demand

02 March, 2022

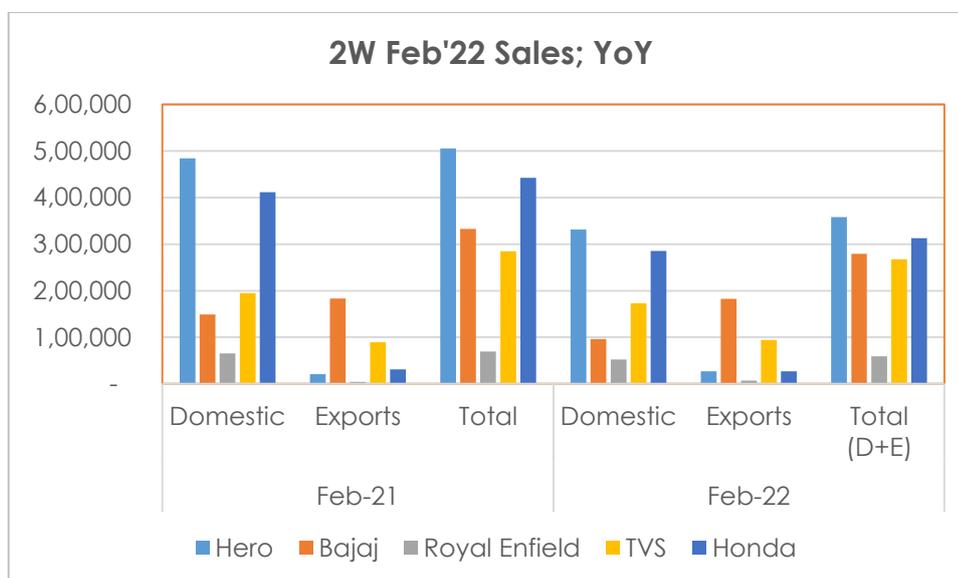
- **PV Segment**



A marginal recovery is witnessed in the domestic PV market during Feb'22 as reflected by the domestic sales of top 12 PV players in the country. The total domestic sales of these players reported a marginal growth of 1.5% YoY during the same period against Feb'21. However, the domestic sales of the top two market leaders i.e. MSIL and Hyundai reported decline of 7.5% and 14.6% YoY respectively during Feb'22. The sales continued to be impacted by weak demand particularly from rural areas, higher operating costs due to higher retail fuel prices and the persistent shortage of semiconductors leading to production cuts and high waiting periods for specific models. Nevertheless, Tata Motors and M&M reported healthy growth in domestic sales of 46.9% and 79.7% YoY respectively due to high demand from the SUV segment led by new model launches. Further, on a sequential basis, the domestic sales continued to improve reflected by growth of 3.3% MoM vs Jan'22 mostly on account of the buoyancy in the SUV segment.

We believe that the demand in the domestic PV segment will remain moderate over the near term with the continuing shortage of semiconductors and high fuel prices. However, the gradual recovery in private consumption after the taper of the Covid pandemic is expected to improve the demand for PVs over the medium term.

- **2W Segment**

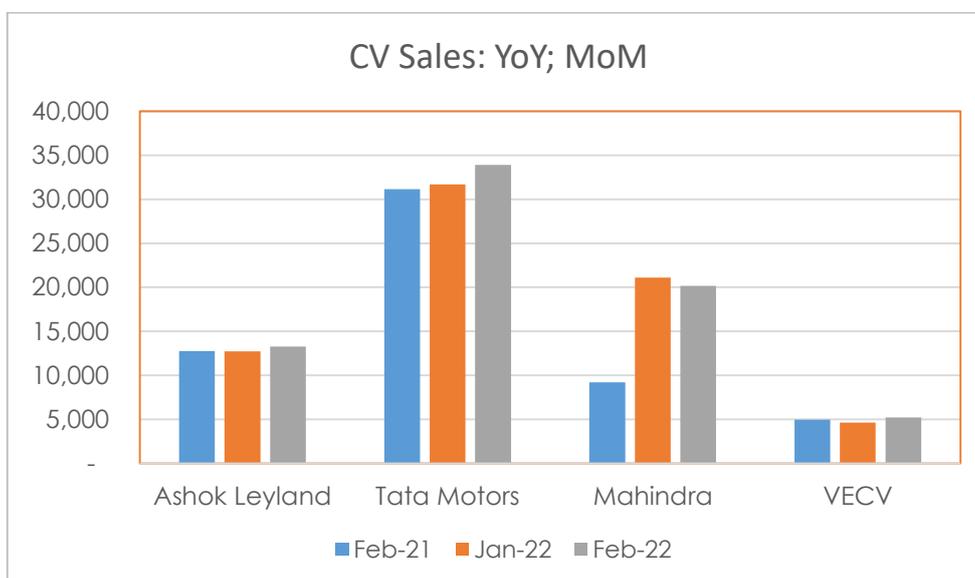


The overall demand in 2W segment continued to remain significantly in the negative zone in Feb'22 as per the sales volumes reported by the top 5 players in the industry. The total sales of the major 5 players in the industry declined 21.9% YoY majorly on account of lacklustre domestic demand especially in the semi-urban and the rural market across the country. These markets are yet to recover from the impact caused to the informal sector by the Covid pandemic. The domestic sales of the top 5 players declined 28.1% YoY during the same period against domestic sales of Feb'21. The domestic sales of the largest manufacturer HMCL declined 31.6% YoY followed by Bajaj, Royal Enfield, TVS and HMSI with 35.2%, 19.9%, 11.2% and 30.6% YoY decline during the same period respectively. The decline in domestic sales also happened on a sequential basis with a decline of 8.6% MoM as against Jan'22.

On the positive side, the demand from the international market have witnessed slight recovery during Feb'22 reflected by a growth in exports of 2.5% YoY against Feb'21. The growth was majorly led by growth in sales of players like HMCL, Royal Enfield and TVS motors which reported growth in exports of 27.4%, 54.6% and 5.6% respectively. However, the market leader in exports of 2Ws - Bajaj Auto reported marginal decline in exports by 0.4% YoY during the same period along with HMSI which also reported a drop in exports by 13.4% YoY possible due to the impact of the Omicron wave.

It is apparent that the rural market demand has been deeply affected by the prolonged Covid pandemic and may take some more time for recovery. The harvest of the rabi crop, hopefully will lead to a partial revival in the 2W market which continues to struggle to revert back to the pre-Covid volume levels.

- **CV Segment:**



The recovery in demand of CVs in the domestic market continued to remain strong during Feb'22 marked by a further pickup in domestic CV sales of the top four CV manufacturers. The total domestic CV sales of the four major players registered a healthy growth of 14.0% YoY during Feb'22 owing to recovery in economic activities particularly infrastructure development and construction across the country. The market leaders of the segment Tata Motors and Ashok Leyland reported YoY growth of 4.0%, and 8.8% respectively against Feb'21. Other key players such as M&M and VECV also reported growth in domestic sales of 119.1% and 5.2% YoY respectively during the same period. Furthermore, on a sequential basis too, the total domestic sales witnessed improvement with a growth of 3.4% MoM against Jan'21.

“We had expected a steady recovery in the CV segment since H2FY22 which has been reinforced by the latest data and we remain optimistic on a further recovery going ahead with gradual improvement in industrial activity, continuing buoyancy in merchandise exports and the government continuous push towards development of infrastructure particularly the National Highways.”

- **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 9,000 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.

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