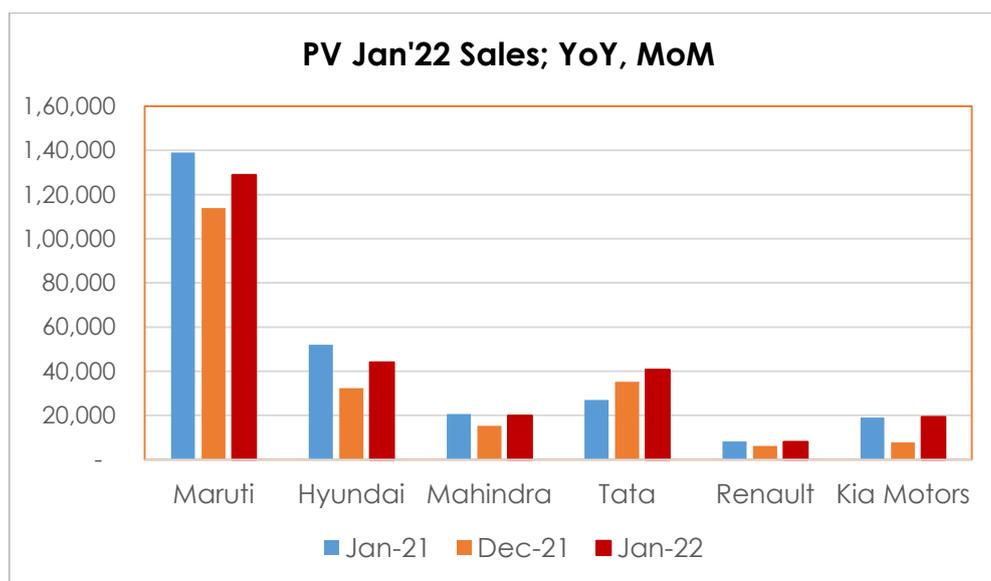


Press Release

CV recovery in progress, sequential improvement in PV and 2W Normalization in the auto sector, however, still some time way

07 February, 2022

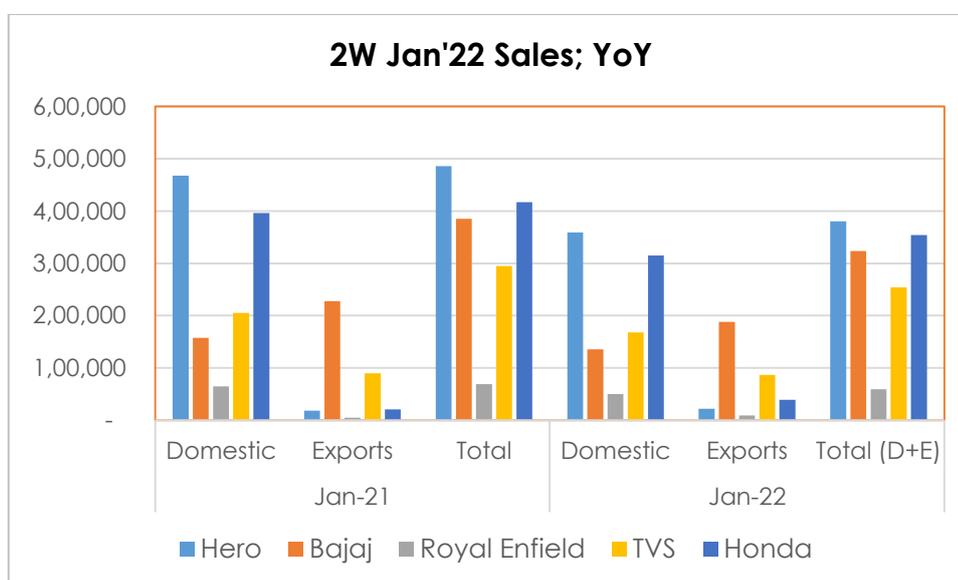
- **PV Segment**



The sluggish demand in the domestic market in the PV segment continued in the first month the calendar year Jan'22 as reflected by the domestic sales of top 13 PV players in the country. The domestic sales recorded a contraction of 1.5% YoY during Jan'22. While the onset of third wave of the Covid pandemic, continuing lack of momentum in rural sales and the increase in vehicle prices led by rising input costs had some impact of demand, the persistent global shortage of semiconductors also had an impact of deliveries for certain models. However, on sequential basis the domestic sales witnessed significant improvement marked by 21.4% MoM vs Dec'21 led by various new launches in the SUV segment. The domestic sales of the top two market leader in the segment Maruti Suzuki and Hyundai registered decline in sales of 7.3% & 15.4% YoY against Jan'21 but on the other hand, witnessed growth on a sequential basis of 13.2% & 36.2% against Dec'21 respectively. Tata Motors continued to witness a buoyancy in its sales with YoY and MoM growth of 51.1% and 15.5% in domestic sales during the same period on back of continuous demand of its new models in the market.

In our opinion, the recovery in domestic demand towards the pre-Covid levels still remains a long road for PVs, the sequential growth in Jan'22 notwithstanding.

- **2W Segment**

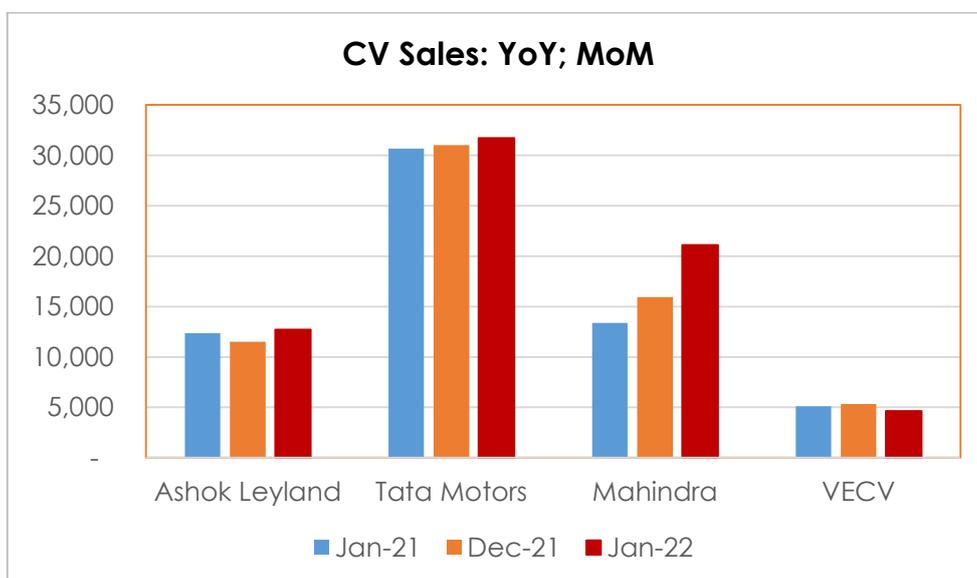


The overall 2W sales volumes continued to remain weak in Jan'22 reflected by the volumes of the top 4 players in the industry. The total sales of the major 4 players in the industry declined 17.0% YoY owing to the weak demand from the rural market, further aggravated by the sudden rise in Covid cases across the country. The domestic sales of the largest manufacturer HMCL declined 23.3% YoY followed by Bajaj, RE, TVS and HMSI with 13.9%, 22.8%, 18.2% and 20.5% YoY decline during the same period. However, the sequential trajectory in domestic sales have witnessed an encouraging improvement reflected by growth of 11.1% MoM as against Dec'21 majorly driven by improvement in sales of Bajaj, TVS Motors and HSMI.

The demand from the international market remained weak during Jan'22 reflected by a decline in exports of 4.4% YoY against Jan'21, given the impact of Omicron strain in many of the developing countries in Asia and Africa. The market leader in exports of 2Ws - Bajaj Auto continued to report decline in exports by 17.4% YoY during the same period. On the other hand, HMCL, Royal Enfield and HMSI reported YoY growth in exports of 20.4%, 101.8% and 90.6% respectively. Similar to domestic sales, 2W exports also reported growth on a sequential basis by 7.0% MoM as against Dec'21.

Going ahead, the recovery in the rural markets will remain a crucial variable in improving the demand in the 2W segment to pre Covid levels. Some of the policy measures being taken by the government to incentivise EV sales in this segment such as the announcement of battery swapping policy in the Union Budget 2022 is expected to lead to a higher market share of EVs in the near to medium term.

- **CV Segment:**



With gradual recovery in the economy, the demand of CVs in the domestic market continued to recover during Jan'22 as well, marked by improvement in domestic CV sales of the top four CV manufacturers which registered growth of 14.0% YoY and 10.0% MoM during the period. The top three players in the market i.e. Ashok Leyland, Tata Motors and M&M registered positive YoY growth of 2.8%, 3.4% and 57.7% respectively during Jan'22 with the exception of VECV which registered a decline in YoY sales of 9.5% during the same period. On a sequential basis too, the total domestic sales showed improvement by registering growth of 10.0% MoM against Dec'21.

"With the government continuous push towards higher infrastructure investments both by the public and the private sector, the accelerated pace of infrastructure projects and expansion of National Highways in the country will strengthen the overall demand for CVs over the medium term."

- **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.

Media Contacts:

Roshni Rohira Ph: + 91-9769383310 roshnirohira@eminenceonline.in	Sahban Kohari Ph: + 91-9890318722 sahban@eminenceonline.in
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Investor Outreach:**Analytical Contact:**

Rituparna Roy Deputy Vice President Ph: + 91-7506948108 rituparna.roy@acuite.in	Suman Chowdhury Chief Analytical Officer Ph: + 91-9930831560 suman.chowdhury@acuite.in
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