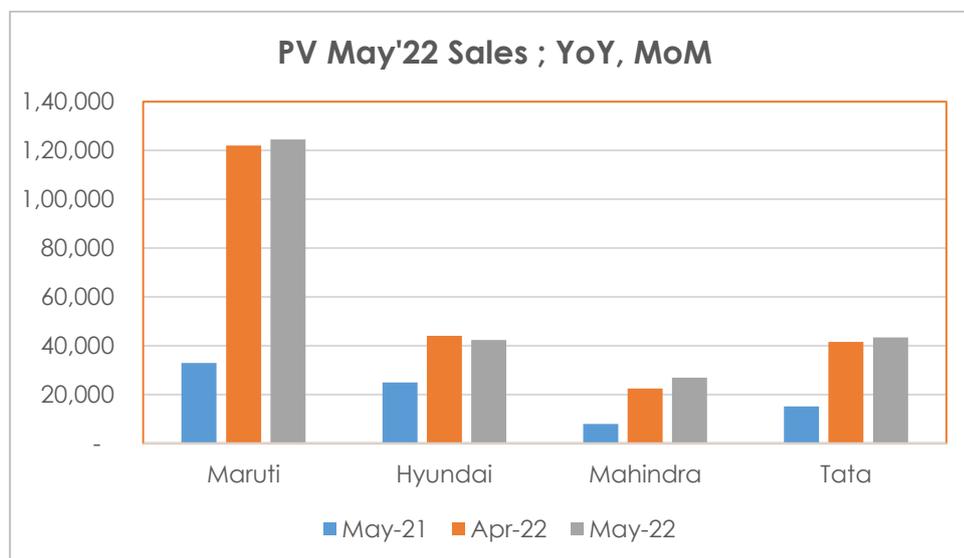


Press Release

Demand - still uncertain in PVs, improving in 2Ws and robust in CV

03 June, 2022

- PV Segment



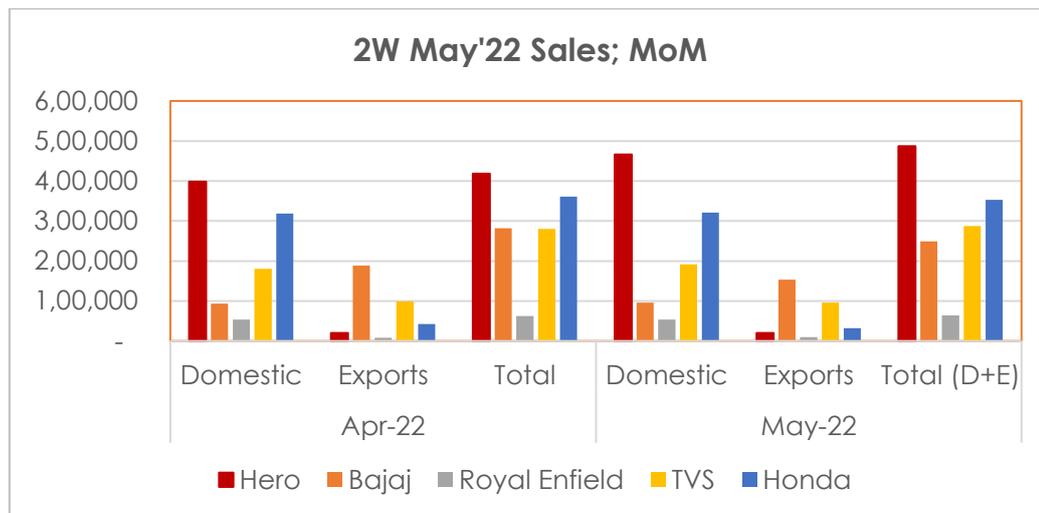
The demand for PVs remained muted on a sequential basis during May'22 as reflected by the domestic sales of top 13 PV players in the country. While the strong YoY growth is somewhat misleading given the favourable statistical base of the pandemic disrupted May'21, the domestic sales witnessed a muted growth of 0.3% MoM in May'22 against April'22. The demand continues to be partly impacted by increase in cost of ownership with multiple price hikes by major OEMs and high fuel costs apart from a lack of traction in rural demand. Furthermore, the production and sales have been affected due to persisting chip shortage across the country especially in the high end variants of many models.

The market leader in the segment i.e. MSIL reported growth of 2% MoM during May'22 whereas Hyundai posted decline in sales by 3.9% during the same period. On the other hand, Tata Motors has regained the second spot overtaking Hyundai by registering highest ever PV sales with a MoM growth of 4.2% in May'22. The sales of Tata was majorly driven by high demand of its UV models such as Nexon, Punch and Harrier. Another major UV player M&M also reported a strong growth of 19.4% MoM despite muted industry growth during the period. The domestic sales of other key players such as Kia, Toyota, Renault, Volkswagen and Skoda witnessed decline in sales on a MoM basis by 1.6%, 32.3%, 34.0%, 1.2% and 10.6% respectively.

"In our opinion, the demand pattern in the domestic PV segment is likely to remain volatile in FY23 with the pent up demand factor getting partially offset by the sharply increased fuel prices, increase in vehicle prices led by higher commodity costs as well as longer waiting period for some models over the near term owing to chip shortages."

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

- **2W Segment**



The overall demand in the 2W segment continued to witness moderate recovery on a sequential basis during May' 22 as per the sales volumes reported by the top 5 players in the industry. The YoY growth reflected in total sales during the month is majorly on account of low base effect. The total sales of the major 5 players in the industry improved by 2.6% MoM during May'22 against April'22. The growth in sales was primarily on account of improvement in domestic demand owing to a gradual revival of the rural economy, seasonal demand led by marriage session and healthy rabi harvest.

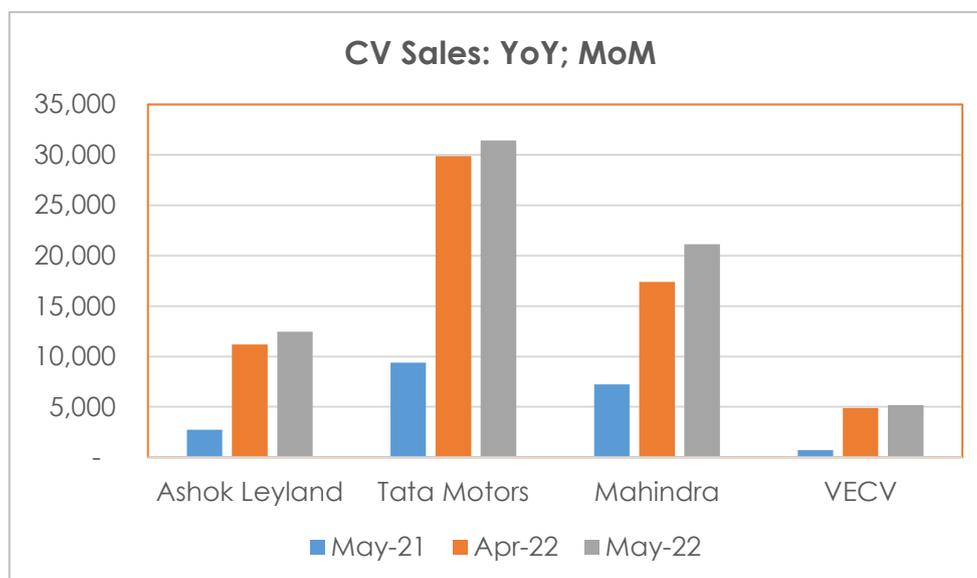
The domestic sales of the players grew at a healthy growth of 8.0% MoM during the same period against domestic sales of April' 22. The market leader in the domestic segment HMCL reported 17.1% MoM growth during the period followed by TVS, Bajaj and Honda who also reported growth of 6.1%, 3.1% and 0.7% MoM respectively. However, Royal Enfield is the only player who reported marginal decline in domestic sales by 0.6% during the period; its sales were impacted due to persistent chip shortages which has a larger usage in the premium segments.

On the other hand, the demand of exports continued to shrink as reflected by exports sales reported by players during May'22. The total exports witnessed decline by 6.3% YoY and 13.1% MoM during the same period. The exports of the largest exporter in the 2W segment Bajaj Auto declined by 18.6% MoM along with TVS and Honda who also reported decline in exports by 3.9% and 23.5% MoM respectively. On the other hand, exports of Royal Enfield and HMCL reported growth in exports by 21.9% and 0.5% MoM during May'22. The depreciation of the currencies of the importing nations due to global monetary tightening has adversely impacted affordability and demand of 2Ws in those nations.

“The gradual improvement in domestic 2W sales after a period of weak demand reflects better demand environment in the rural economy. We believe that the demand in the 2W segment will continue on its path of recovery in the current year with the expectation of a normal monsoon and another healthy kharif harvest, that will support a further improvement in the rural economy.”

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

CV Segment:



The domestic CV segment in the Indian auto industry continues to be bright spot. It maintained its growth momentum in May'22 marked by a healthy sequential growth in the domestic sales of the top four CV manufacturers. The sales also showed significant growth on a YoY basis albeit on a low base as the sales were significantly impacted during same month last year due to the onset of second Covid wave.

The total domestic CV sales of the four major players registered a healthy growth of 10.8% MoM during May'22 owing to recovery in industrial activities, normalisation of economic activities across the country, pickup in construction activities and high demand from the e-commerce industry. The domestic sales on a YoY basis witnessed 250.1% growth on low base effect. The market leaders of the segment, Tata Motors and Ashok Leyland reported MoM growth of 5.1%, and 11.3% respectively against April'22. One of the other key player M&M has witnessed significant recovery in the domestic CV segment with a 21.5% MoM growth during the same period. Another major player VECV also reported growth in domestic sales of 6.0% MoM against April'22.

“We believe that the growth momentum in CV sector across the country will continue going ahead owing to growing construction activities across the nation including development of National Highways, Railways, Metro Rail and Airports. Furthermore, the normalization of economic activities, healthy momentum in external trade volumes and high demand from the e-commerce industry is expected to further boost the demand of CVs over the medium term”

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

About Acuité Ratings & Research Limited:

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