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# Comments on Auto Sector Nos - March 2021

## Passenger Vehicle Segment

“The data released by the PV manufacturers for March 2021 indicates a continuing buoyancy in demand, supported by the significantly low base in the previous year (March 2020) arising from the transition to BS VI vehicles and the onset of the Covid lockdown. The overall PV volumes for the top 11 companies recorded a very sharp growth of around 125% on a YoY basis but the growth print is relatively moderate at 4% on a sequential basis (month on month). The sales of the market leader, MSIL reflect a similar trend with domestic PV growth at 92% on a YoY and 1.0% on a MoM basis. We believe that the consumer sentiments in the PV segment remain positive due to preference for personal mobility, a significant number of new and competitively priced product launches particularly in the Compact SUV segment and lately, the introduction of the scrappage policy which will facilitate an easier replacement of old vehicles. The impact of the new product launches in the overall PV demand is reflected in the volumes of the players namely Hyundai, Kia Motors, Mahindra and Tata Motors. The demand, perhaps is not fully reflected yet in the sales numbers due to supply constraints in semiconductors leading to production cuts for specific models and delay in new launches by some OEMs, which hopefully will get resolved in the next 2-3 months. Acuite estimates that the overall domestic sales in the PV segment to be marginally lower by 2.0% in FY21 vs FY20 despite the severe impact of the lockdown in Q1FY21, thereby reflecting a sustained demand over the rest of the year.”

## Two Wheeler Segment

“The two wheeler sales for March 2021 continued to remain on a healthy track on the back of a particularly low base given the onset of Covid lockdown and BS VI transition challenges in the previous year (March 2020). The overall 2W volumes for the top five players recorded sharp growth of around 73% on a YoY basis although the growth on a MoM sequential basis is moderate at 3.5% for March 2021. The overall growth print has been partly impacted by the 6.4% MoM decline in 2W exports while domestic volumes rose 6.0% on a MoM basis. The volumes of the largest exporter from India, Bajaj Auto dropped sequentially by 19.0% although its domestic sales growth was robust at 21.8% in March 2021. The total sales of the market leader, Hero MotoCorp and TVS Motors showed a positive growth of 14% and 8% on a MoM basis whereas players like Bajaj Auto, Royal Enfield and Honda Motorcycles and Scooters Limited witnessed a sequential decline by 1%, 5% and 7% respectively. Acuite believes that the near term outlook in the two-wheeler segment will remain positive on account of continuing traction in rural demand with expected record Rabi output, need for personal mobility during the pandemic period and largely steady export demand to countries in Latin America and Middle East.”

## Commercial Vehicle Segment

“Interestingly, the most disrupted segment in the Indian automobile industry i.e. the CV segment witnessed a healthy traction in March, 2021. The total domestic sales of the top 4 market leaders in the CV space registered a very high positive growth of 616% YoY and 33% MoM in March, 2021. Clearly, the base factor has been a major driver as the economic slowdown along with the onset of the pandemic and the transition to BS VI had hit CV demand in FY20 and particularly in March 2020. While the market leader Tata Motors registered a strong MoM growth of 18 percent in domestic CV sales, Ashok Leyland, M&M and Volvo (VECV) also saw 23%, 101% and 25% MoM growth in Feb 2021. The sequential momentum in CV sales is an encouraging development in our opinion which should be supported going forward by the new scrappage policy and the expected economic revival in FY22 with increased focus on infrastructure development by the government.”