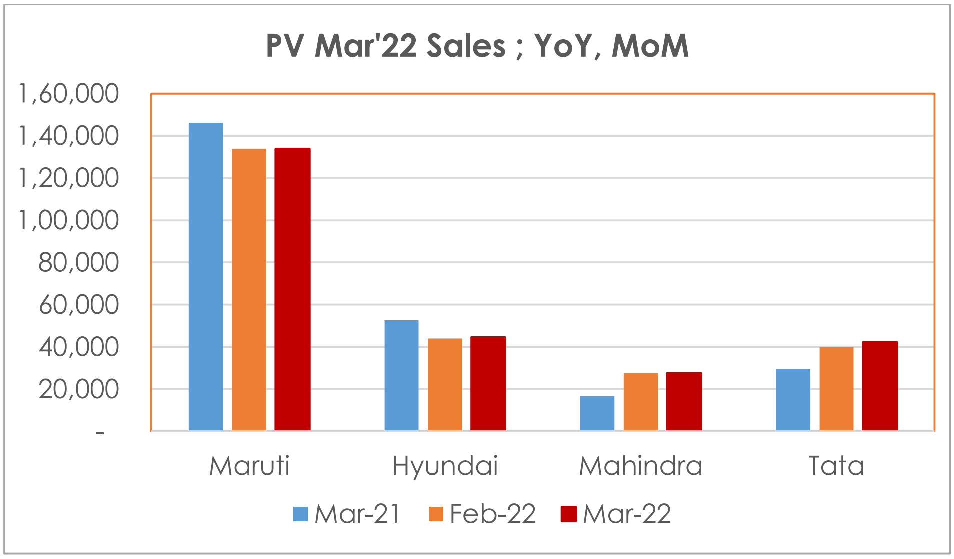
Press Release

Gradual recovery in PV demand, weakness persists in 2Ws

Sharply rising fuel prices may impact near term demand across segments

05 April, 2022

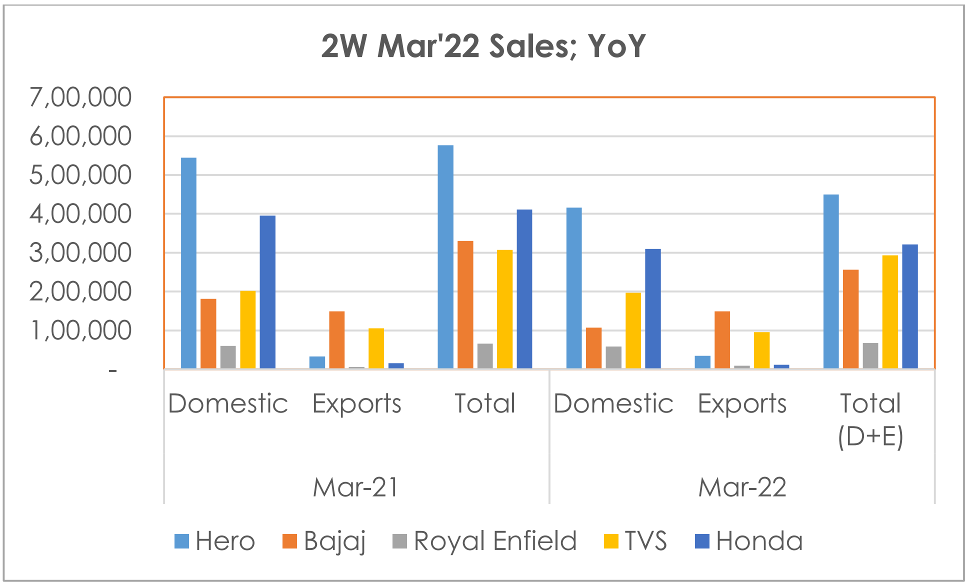
- **PV Segment**



A moderate recovery in the domestic PV segment continued during Mar'22 as reflected by the domestic sales of top 13 PV players in the country. The total domestic sales of these players reported a growth of 2.8% YoY during the same period against Mar'21. The domestic sales of the top two market leaders i.e. MSIL and Hyundai however, continued to decline by 8.4% and 15.2% YoY respectively during Mar'22. Despite that, the domestic sales witnessed improvement led by healthy sales reported by other key players such as Tata Motors, M&M, Kia and Toyota which reported growth in domestic sales of 42.6%, 65.3%, 18.4% and 14.2% YoY respectively led by high demand in the SUV and compact SUV segment driven by new product launches and variants. On a sequential basis, the domestic PV sales recorded a growth of 6.5% MoM. For the whole financial year, the domestic sales registered a healthy growth of 14.7% YoY during FY22 as compared to FY21 despite the supply bottlenecks in semiconductors which led to longer waiting periods and production cuts for certain models. The growth print was also supported by a low base factor given the protracted lockdown in FY21.

Acuité believes that the demand for PVs will witness a moderate growth over the next few quarters with complete unlocking of the economy and revival of demand particularly in the rural areas. The volumes may remain partly constrained due to the continuing supply challenges in semiconductors and also the sharp increase in retail fuel prices.

2W Segment

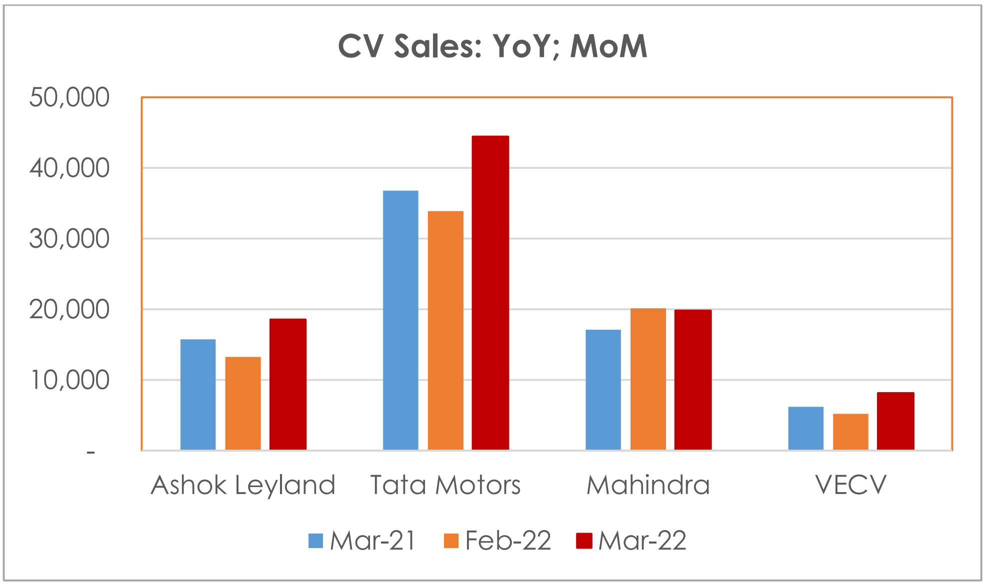


The overall demand in 2W segment continued to remain weak in Mar'22 as observed from the sales volumes reported by the top 5 players in the industry. The total despatches of the major 5 players in the industry declined 17.9% YoY during the period. The demand continued to remain weak in the domestic market especially from the rural market owing to slow recovery from the Covid pandemic. The domestic sales of the players declined 21.3% YoY during the same period against domestic sales of Mar'21. The domestic sales of the largest manufacturer HMCL (Hero Group) declined 23.6% YoY followed by Bajaj, RE, TVS and HMSI with 41.0%, 2.8%, 2.6% and 21.6% YoY decline during the same period respectively. Nevertheless, on a sequential basis, the recovery in domestic demand was witnessed marked by growth in domestic sales of 15.9% MoM as against Feb'22. For FY22 as a whole, the domestic volumes in FY22 dropped 12.8% YoY compared against FY21 primarily due to sluggish demand from the rural market throughout the year arising from the impact of the prolonged pandemic on livelihoods in the informal sector.

The demand from the international market has also witnessed decline during Mar'22 reflected by a drop in exports by 2.6% YoY vs Mar'21. The decline in exports was majorly led by drop in shipments of players like HMSI and TVS Motors which reported a decline in exports of 26.3% and 8.8% respectively. However, the market leader in exports of 2Ws - Bajaj Auto and HMCL reported growth in exports by 0.3% and 5.4% YoY during the same period. Overall, the exports have actually witnessed a significant jump in FY22 reflected by a growth of 31.4% YoY compared against the previous year owing to healthy demand from the African and Middle Eastern countries.

The demand for 2Ws in India has continued to be plagued by the prolonged Covid pandemic and its impact on the informal sector and small businesses. While we expect demand to make a comeback in FY23 due to unlocking of the economy and the expectation of healthy agricultural output, the timeframe for the same is uncertain and may also be impacted by the sharply rising retail fuel prices.

CV Segment:



The demand of CVs in the domestic market has continued to recover in Mar'22 marked by improvement 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 19.8% YoY during Mar'22 driven by the normalization of economic activities across the country due to a steady decline in the pandemic intensity. The market leaders of the segment, Tata Motors and Ashok Leyland reported YoY growth of 20.7%, and 17.7% respectively against Mar'21. Other key players such as M&M and VECV also reported growth in domestic sales of 15.9% and 31.0% YoY respectively during the same period. The recovery is witnessed on a sequential basis too with the total domestic sales growth at 25.4% MoM against Feb'22.

On a yearly basis, the aggregate domestic CV sales registered a growth of 25.2% YoY during FY22. The growth was majorly on account of a recovery witnessed in demand during H2FY22 led by a revival in industrial activity, pickup in trade volumes and increased public investments in infrastructure despite the bouts of the Covid pandemic.

"The improvement in the demand of CVs will continue going ahead with unlocking of the economy and the government's focus towards development of infrastructure and expansion of National Highways in the country. However, the sharp rise in retail fuel prices due to the current geo-political scenario will put pressure on transporters' margins and may impact purchase of new vehicles in the near term."

- **Suman Chowdhury, Chief Analytical Officer, Acuité 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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