

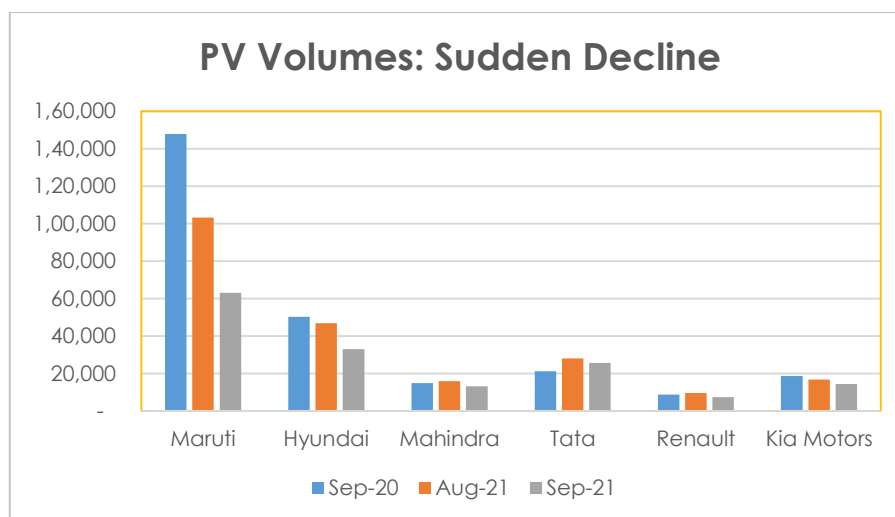
## Press Release

### PV sales hit a roadblock due to chip shortages

**2W and CV volumes likely to pick up with the ongoing economic revival**

08 October 2021

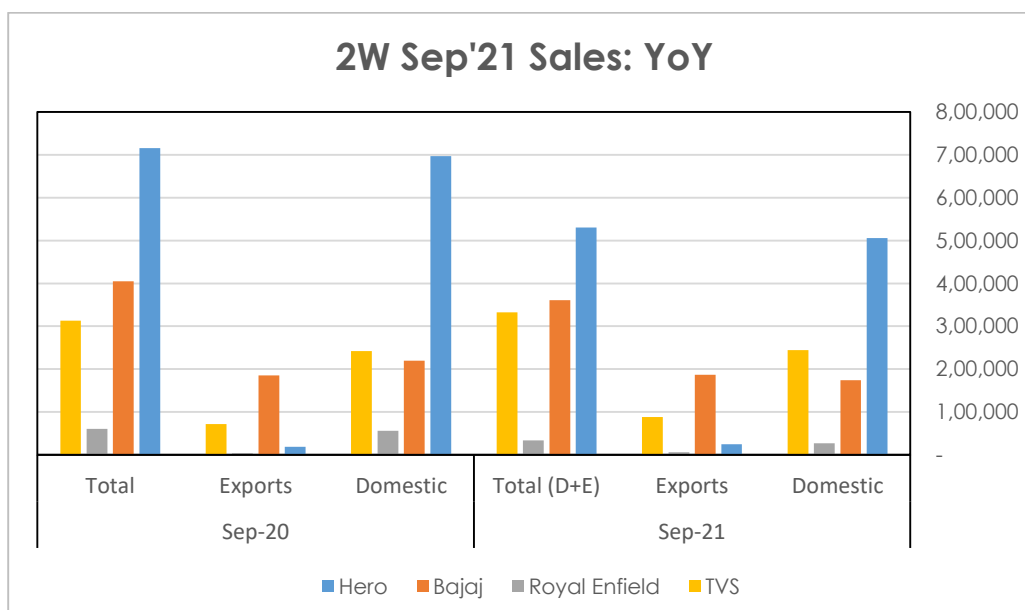
- **PV Segment**



The domestic PV volumes have witnessed a sharp dip in Sep'21 as reported by the top 14 PV players in India. The volumes recorded a contraction of 36.6% YoY during Sep'21 primarily on account of significant production challenges across the PV sector due to a severe global shortage of semiconductors. Further, there was also a sequential decline in sales of 28.6%MoM vs Aug'21 despite the onset of the festival season, highlighting the weakness in consumer sentiments. Nevertheless, the quarterly sales print looks better growing at 13.5% vis-à-vis Q1FY22 which had been impacted by the second Covid wave and also witnessed a marginal growth of 0.8%YoY in Q2FY22 as against Q2FY21. The supply chain headwinds have hit the sales of the market leaders, Maruti Suzuki and Hyundai with both reporting a severe volume drop on a yearly and sequential basis although the drop has been sharper for Maruti. Clearly, the supply challenge is not just transient in nature as the latter has further announced a 60% production cut in Oct'21 after a production drop of 40% in Sep'21. Among the major players, only Tata Motors has been able to clock a YoY growth of 21.4% but its despatches also fell by 8.2% on a sequential basis.

Going ahead, the shortage of semiconductors may continue to disrupt PV sales over the next few months despite the pent up demand factor and a recovery in consumer sentiments with the onset of festive season.

- **2W Segment**

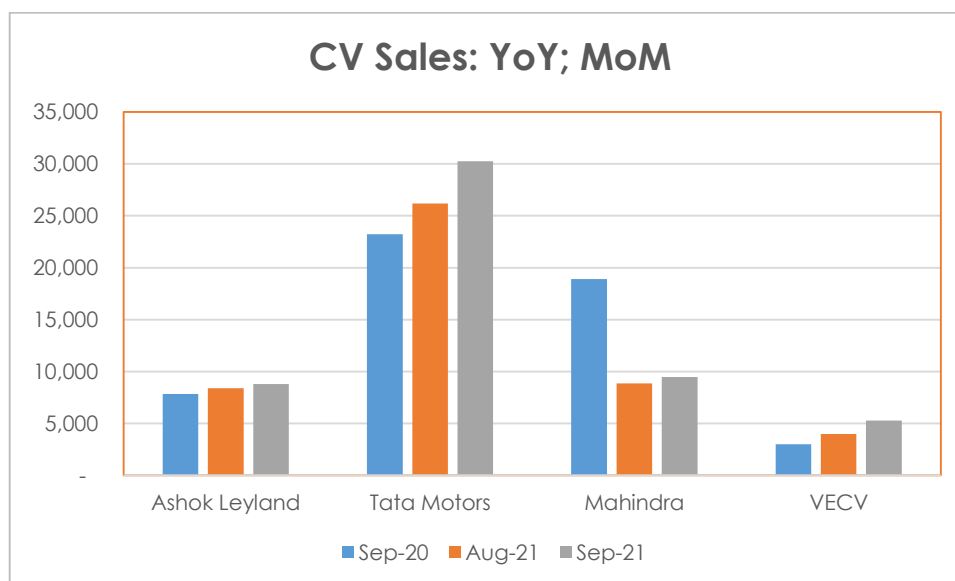


The overall 2W sales volumes in Sep'21 indicate that domestic demand particularly from the rural markets is yet to revive in a big way since the severe second wave of the pandemic. The volumes of the top 4 players in the industry declined 15.8%YoY owing to the 21.7% drop in domestic despatches in Sep'21. Nevertheless, the sequential trajectory is encouraging with domestic volumes rising by 17.6% as against Aug'21 as the country heads for the festive season.

What remains a sweet spot is the demand from the international market as reflected by the YoY growth of 9.7% in exports and also a slight 0.8% growth vs Aug'21. However, the market leader in exports of 2Ws - Bajaj Auto has reported a marginal growth of only 0.9%YoY growth during Sep'21 whereas Hero Motors and Royal Enfield reported 35.1% and 52.4% YoY growth in exports. On a quarterly basis, exports showed healthy growth of 38.9%YoY during Q2FY22 given the high demand from the African and Middle East markets.

While export volumes are likely to remain steady, we expect to witness a healthy revival in domestic sales in the coming months with the onset of the festive season, improved kharif crop prospects and a rise in rural incomes.

- **CV Segment:**



The ease in restrictions on movement of goods by various state governments and the visible recovery in the core infrastructure sector remain positive for the CV industry as reflected by the domestic CV sales reported during Sep'21. The total domestic sales of the top 4 players in the CV space witnessed a marginal growth of 1.6%YoY in Sep'21. On a sequential basis, however the growth stood at 13% MoM during the same period. On quarterly basis, the aggregate domestic volumes recorded a growth of 22.6% YoY in Q2FY22 as compared against Q2FY21.

The overall growth in the CV industry is majorly led by strong domestic sales by market leaders namely Tata Motors recording 30.4% YoY in domestic CV sales whereas Ashok Leyland and Volvo-Eicher (VECV) also reported growth of 12.2% and 76.3% respectively on a YoY basis. Supply challenges continue to plague M&M as reflected by the decline in domestic CV sales by 49.9%YoY in Sep'21.

As industrial activity and the momentum of both public and private sector capital expenditure picks up, the overall demand for CVs will continue to strengthen over the near to 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 8,850 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 <a href="mailto:roshnirohira@eminenceonline.in">roshnirohira@eminenceonline.in</a>	Neelam Naik Ph: + 91-9619699906 <a href="mailto:neelam@eminenceonline.in">neelam@eminenceonline.in</a>
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**Investor Outreach:****Analytical Contact:**

Rituparna Roy Deputy Vice President Ph: + 91-7506948108 <a href="mailto:rituparna.roy@acuite.in">rituparna.roy@acuite.in</a>	Suman Chowdhury Chief Analytical Officer Ph: + 91-9930831560 <a href="mailto:suman.chowdhury@acuite.in">suman.chowdhury@acuite.in</a>
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