

# Impact of Macro-economic Environment on the Automotive Industry

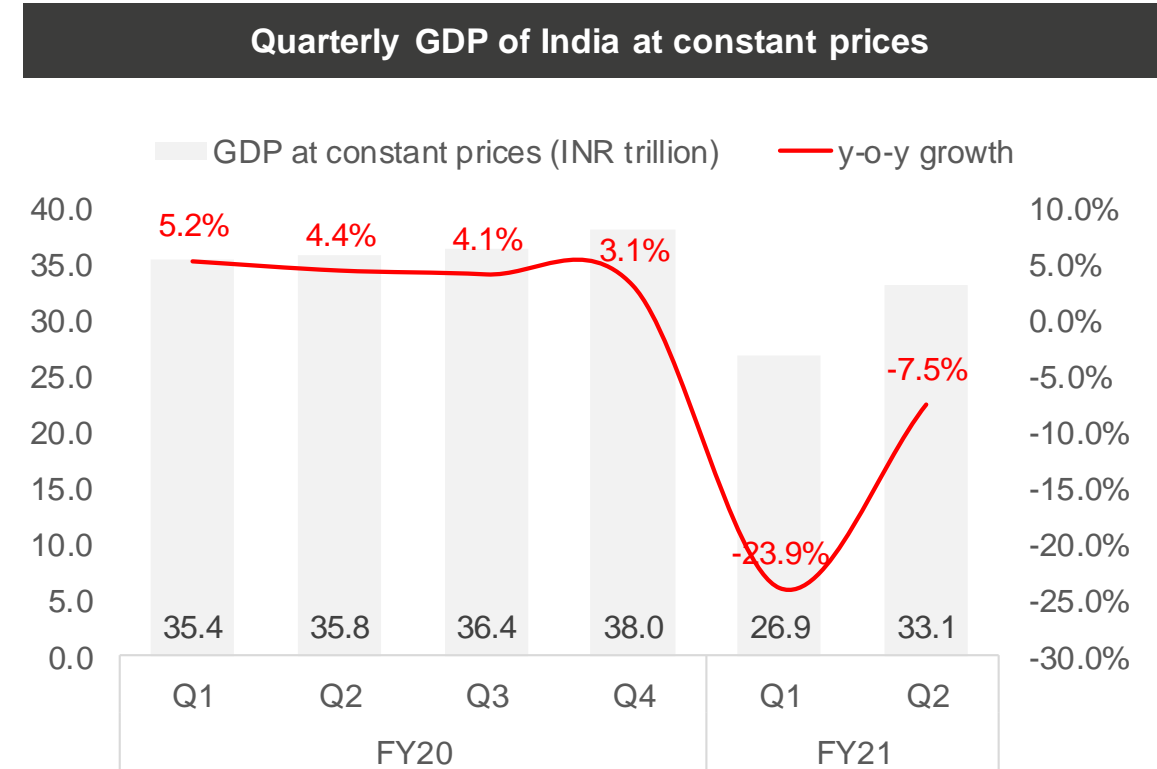
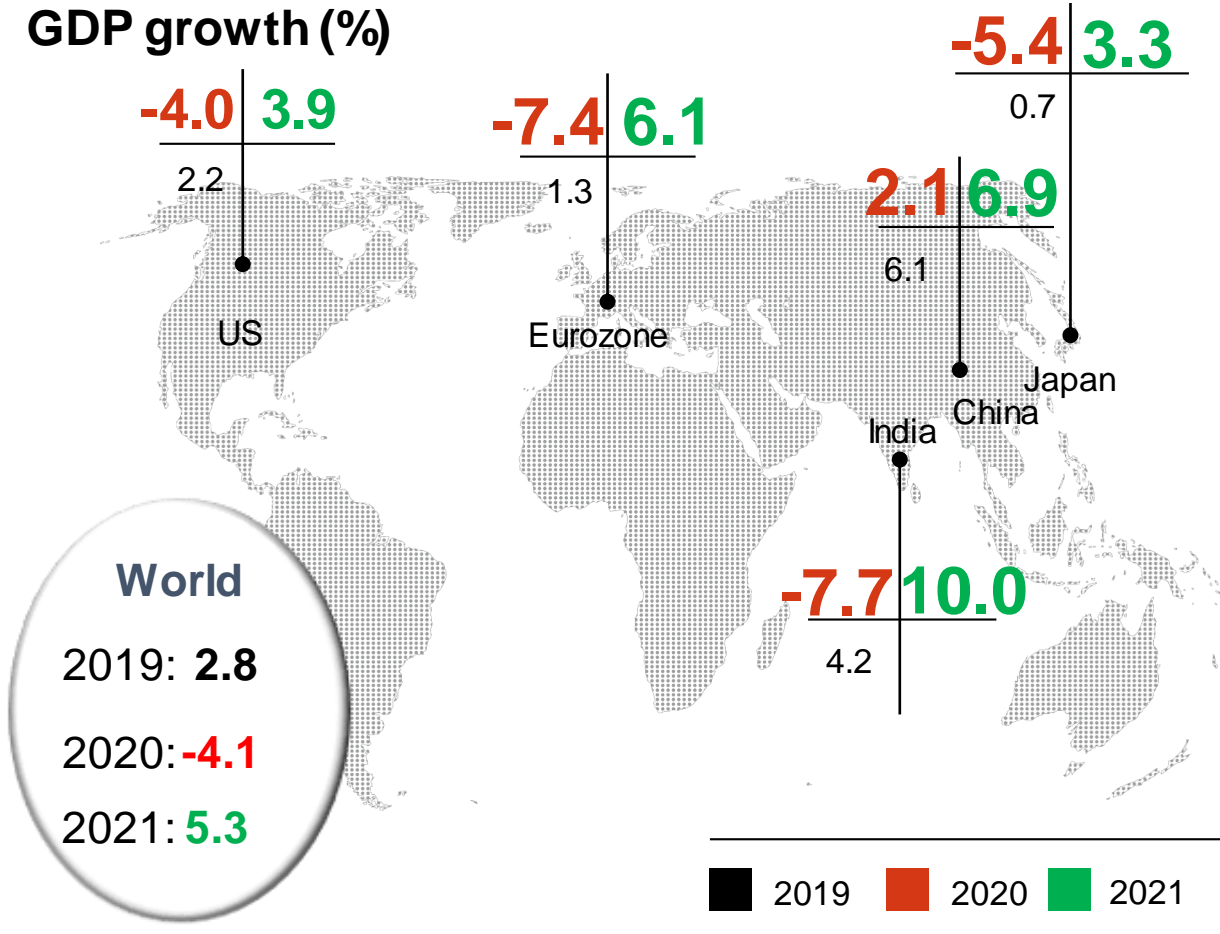
ACMA

Jan 2021



# Executive Summary

# A gradual recovery seen across the spectrum



Source: S&P Global, India outlook is for fiscal year e.g. 2020~FY21 and 2021~FY22

# Macroeconomic outlook

Segments (% Growth Y-o-Y)	FY 15	FY 16	FY 17	FY 18	FY 19	FY 20	FY 21 E	FY22 P
GDP (% Growth Y-o-Y)	7.4	8.0	8.3	7	6.1	4.2	(7.7)	10.0
GVA Industry	7.0	9.6	7.7	6.3	4.9	1.8	(9)-(8)	13-15
GVA Services	9.8	9.4	8.5	6.9	7.7	7.0	(10)-(9)	9-11
GVA Agriculture	-0.2	0.6	6.8	5.9	2.4	3.7	3-4	2-4
CAD (as a % of GDP)	-1.3	-1.1	-0.6	-1.8	-2.1	-0.9	1.2	-
10-year G-sec yield (end-March)	7.7	7.5	6.8	7.6	7.5	6.2	6.5	-
PFCE	6.4	7.9	8.1	7	7.2	5.3	(8)-(6)	10-11
Crude oil (\$/barrel/CY)			44	54.4	71.2	64	42.3	50-55
Inflation (Consumer Price Index)	5.9	4.9	4.5	3.6	3.4	4.8	6.4	-

Source: CSO, RBI and CRISIL estimates

# High frequency parameters point towards start of improvement since Q2FY21 end

Segments	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20
<b>Core Sectors*</b>																					
Coal	3%	2%	3%	-2%	-9%	-20%	-18%	-4%	6%	8%	11%	4%	-15%	-14%	-16%	-6%	4%	21%	12%	3%	
Crude Oil	-7%	-7%	-7%	-4%	-5%	-5%	-5%	-6%	-7%	-5%	-6%	-5%	-6%	-7%	-6%	-5%	-6%	-6%	-6%	-5%	
Natural Gas	-1%	0%	-2%	0%	-4%	-5%	-6%	-6%	-9%	-9%	-10%	-15%	-20%	-17%	-12%	-10%	-9%	-11%	-9%	-9%	
Petroleum Refinery Products	4%	-2%	-9%	-1%	3%	-7%	0%	3%	3%	2%	7%	0%	-24%	-21%	-9%	-14%	-19%	-9%	-17%	-5%	
Fertilizers	-4%	-1%	2%	2%	3%	5%	12%	14%	10%	0%	3%	-12%	-4%	7%	4%	7%	7%	0%	6%	2%	
Steel	13%	13%	11%	8%	4%	-1%	0%	7%	9%	2%	3%	-22%	-83%	-40%	-23%	-6%	-2%	3%	-3%	-4%	
Cement	2%	3%	-2%	8%	-5%	-2%	-8%	4%	5%	5%	8%	-25%	-85%	-21%	-7%	-13%	-15%	-4%	3%	-7%	
Electricity	6%	7%	9%	5%	-1%	-3%	-12%	-5%	0%	3%	12%	-8%	-23%	-15%	-10%	-2%	-2%	5%	10%	2%	
<b>Auto</b>																					
Two Wheelers	-16%	-7%	-12%	-17%	-22%	-22%	-14%	-14%	-17%	-16%	-20%	-40%	-100%	-84%	-39%	-15%	3%	12%	17%	17%	6%
Cars	-20%	-26%	-24%	-36%	-42%	-33%	-6%	-11%	-8%	-8%	-9%	-53%	-100%	-88%	-59%	-18%	11%	55%	39%	-14%	8%
Uvs + Vans	-11%	-10%	-4%	-21%	-8%	-4%	13%	20%	12%	-3%	-6%	-49%	-100%	-76%	-43%	1%	26%	38%	39%	3%	22%
Three Wheelers	-7%	-6%	-9%	-11%	-8%	0%	-4%	4%	22%	13%	-31%	-58%	-100%	-95%	-80%	-77%	-75%	-72%	-61%	-58%	-59%
<b>Others</b>																					
PMI Manufacturing	51.8	52.7	52.1	52.5	51.4	51.4	50.6	51.2	52.7	55.3	54.5	51.8	27.4	30.8	47.2	46	52	56.8	58.9	56.3	56.4
IIP Overall	3%	5%	1%	5%	-1%	-4%	-4%	2%	0%	2%	5%	-19%	-57%	-33%	-16%	-11%	-8%	0%	4%	-2%	
Diesel consumption	2%	3%	1%	3%	-1%	-3%	-7%	9%	0%	-2%	6%	-24%	-56%	-29%	-15%	-19%	-21%	-6%	8%	-7%	-3%
Rail freight (NTKM)	2%	1%	0%	-1%	-9%	-11%	-11%	-3%	0%	-3%	4%	-19%	-40%	-28%	-12%	-8%	1%	18%	11%	8%	

Note\* - based on MOSPI classification

Source: CSO, RBI and CRISIL estimates

# Assumptions for forecast

- Pandemic situation to improve; **economic activities to revive further** going forward; **no expectations of a second wave of COVID19 or any new virus**
- Positive sentiment on account of vaccine launch to help in demand momentum; however, **efficacy of vaccine will be a key monitorable.**
- 
- Schools, colleges and workplaces to resume in the later part of H1 fiscal 2022.
- No major announcement expected in **Budget 2021** related to automobile industry
- **Gradual improvement in economic parameters globally.**
- People starting to live with the pandemic and unlocking happening in the real sense in urban as well as rural centres.
- **Normal monsoon in 2021**
- **Crude oil prices** are expected to average **\$50-55 per barrel** in fiscal 2022
- Gradual, recovery in loan disbursements almost back to pre-Covid levels.
- Consistent support from government and RBI going forward too
- **Consumption** to lead recovery, private investment scenario to remain subdued; government to slowly gradually revive capital investments

# Annual Forecast - Domestic

	Volume			
	FY19	FY20	FY21E	FY22P
Passenger vehicles ('000)	3,377	2,773	2,630-2,650	3,250-3,270
Two-wheelers (mn)	21.18	17.42	14.85-15.20	17.04-17.34
Commercial vehicles ('000)	1,007	718	553-567	762-772
Three-wheelers ('000)	701	636	200-210	355-365
Tractors ('000)	787	709	895-909	965-992

	Growth yoy (%)			
	FY19	FY20	FY21E	FY22P
Passenger vehicles ('000)	3%	(18)%	(5)-(3)%	23-25%
Two-wheelers (mn)	5%	(18)%	(13)-(15)%	13-15%
Commercial vehicles ('000)	18%	(29)%	(23)-(21)%	36-38%
Three-wheelers ('000)	10%	(9)%	(67)-(69)%	72-74%
Tractors ('000)	8%	(10)%	26-28%	7-10%

SOURCE: SIAM, CRISIL Research

# Annual forecasts – Exports

Vehicle segment	Subsegment	Volume				YoY growth (%)			
		FY 19	FY 20	FY 21E	FY22P	FY 19	FY 20	FY 21E	FY22P
Passenger vehicles	Cars ('000)	514	491	281-297	457-469	(11)	(5)	(43)-(39)	58-62
	UVs & vans ('000)	162	186	158-170	190-197	(4)	15	(15)-(9)	16-20
	<b>PVs ('000)</b>	<b>676</b>	<b>677</b>	<b>438-467</b>	<b>647-666</b>	<b>(10)</b>	<b>0</b>	<b>(35)-(31)</b>	<b>43-47</b>
Two-wheelers	Motorcycles (mn)	2.87	3.14	2.95-3.04	3.29-3.44	15	9	(6)-(3)	10-15
	Scooters (mn)	0.40	0.37	0.23-0.24	0.31-0.32	27	(7)	(37)-(35)	30-35
	Mopeds ('000)	17	14	10.71-11.34	14.54-14.87	(4)	(17)	(23)-(18)	32-35
	<b>2W (mn)</b>	<b>3.28</b>	<b>3.52</b>	<b>3.19-3.29</b>	<b>3.62-3.78</b>	<b>17</b>	<b>7</b>	<b>(9)-(6)</b>	<b>12-17</b>
Commercial vehicles	LCV ('000)	47.2	33.9	30.4-31.6	46.5-47.8	(3)	(28)	(10)-(7)	50-54
	MHCV ('000)	40.4	14.9	11.9-12.9	20.9-21.4	27	(63)	(20)-(13)	68-72
	Buses ('000)	12.4	11.9	5.8-6.2	12.4-12.7	(24)	(3)	(52)-(48)	108-112
	<b>CVs ('000)</b>	<b>99.9</b>	<b>60.7</b>	<b>48.0-50.7</b>	<b>79.8-81.8</b>	<b>3</b>	<b>(39)</b>	<b>(21)-(16)</b>	<b>62-66</b>
Tractors ('000)		<b>92</b>	<b>76</b>	<b>80-84</b>	<b>87-91</b>	<b>7</b>	<b>(17)</b>	<b>6-11</b>	<b>6-10</b>
Three-wheelers	Goods ('000)	6.2	6.3	4.8-5.1	6.1-6.3	47	2	(25)-(20)	23-27
	Passenger ('000)	561.5	495.9	385.1-402.7	488.8-504.6	49	(12)	(22)-(19)	24-28
	<b>3W ('000)</b>	<b>567.7</b>	<b>502.2</b>	<b>389.9-407.8</b>	<b>494.9-510.8</b>	<b>49</b>	<b>(12)</b>	<b>(22)-(19)</b>	<b>24-28</b>

SOURCE: SIAM, CRISIL Research



# High festive demand, sustained demand post festive season to restrict the drop in FY21; Momentum expected to continue in FY22



Variables	FY18	FY19	FY20	FY21E	FY22P
Income for discretionary spending	F	F	NF	NF	F

Variables	FY18	FY19	FY20	FY21 E	FY22 E
Cost of ownership	F	NF	N	N	N
Petrol / CNG Vehicles	F	NF	N	N	N
Diesel vehicles	F	NF	N	NF	N
Interest rates	F	N	N	F	N

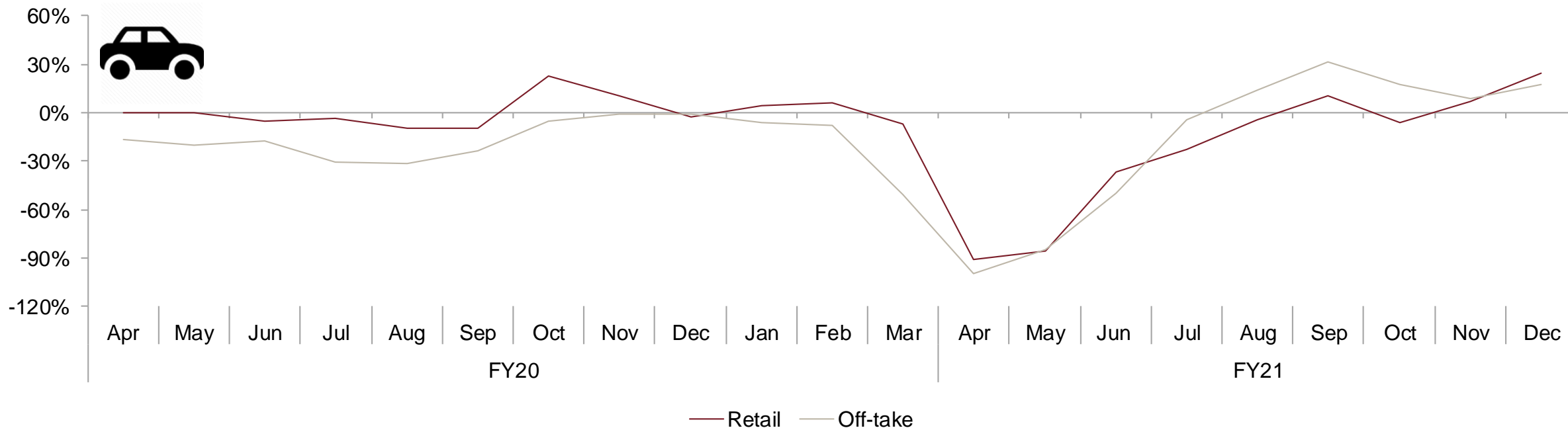
Variables	FY18	FY19	FY20	FY21 E	FY22 E
New model/ facelift launches	N	NF	F	N	F
Regulations – passenger vehicles	F	N	NF	N	N
<b>Impact on Overall Sales Growth</b>	<b>F</b>	<b>N</b>	<b>NF</b>	<b>NF</b>	<b>F</b>

E: Estimates P: Projected

SOURCE: Industry, CRISIL Research

# Retail sales continue their momentum after festive season; supply constraints restrain offtake growth

## Retail vs off-take (growth y-o-y)



Source – MoRTH, SIAM, CRISIL Research

- After a sharp drop in Q1 FY21 amidst lockdown, retails as well as off take sales bounced back in the next two quarters and posted really healthy 24% (retail) & 17% (off take ) growth in December
- Industry is facing a severe shortage of microprocessors impacting the vehicle supply.
- Dealer inventory levels have nearly halved and waiting period for popular models like Creta, Ertiga have reached to 10-12 week levels
- This supply crunch has restricted the growth in offtake as well as retails sales

# Domestic – passenger vehicle annual forecast

	Passenger vehicles	Cars	UVs and vans
FY 20 volumes	2,773	1,698	1,075
YoY Growth in FY20	18%	23%	7%
FY 21E volumes	2,630-2,650	1,510-1,520	1,120-1,130
YoY Growth in FY21E	3-5%	10-12%	3-5%
FY 22P volumes	3,250-3,270	1,855-1,865	1,385-1,395
YoY Growth in FY22P	23-25%	22-24%	24-26%

*NOTE: Volumes in thousand units, numbers in red boxes indicate y-o-y de-growth, numbers in green boxes represent y-o-y growth*

*Source – SIAM, CRISIL Research*

# Normal monsoon, opening up of economy to drive two-wheeler industry in FY22



Variables	FY 2018	FY 2019	FY 2020	FY 2021 E	FY 2022P
Income for discretionary spending	F	F	NF	NF	F

Variables	FY 2018	FY 2019	FY 2020 E	FY 2021 F	FY 2022 E
Cost of ownership	F	NF	N	NF	N
Interest rates	F	N	N	F	N

Variables	FY 2021 F	FY 2022 E
Fuel injector vehicle	NF	N
E- Carburetor vehicle	N	N

Variables	FY 2018	FY 2019	FY 2020 E	FY 2021 F	FY 2022P
Regulations – 2 wheelers	F	NF	N	NF	N

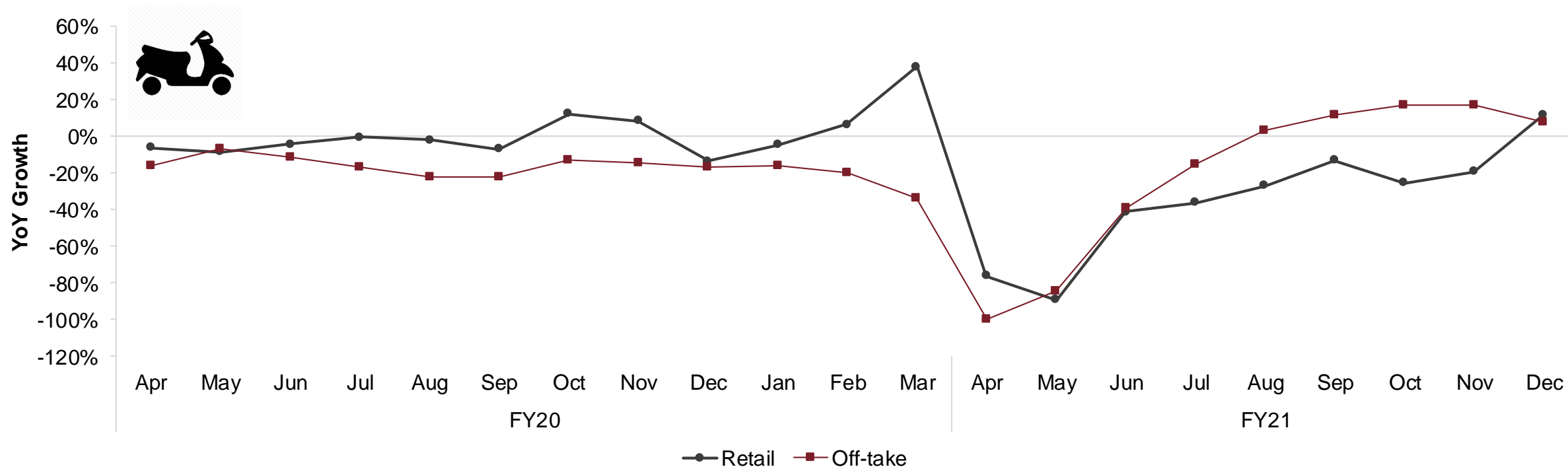
<b>Impact on Overall Sales Growth</b>	<b>F</b>	<b>N</b>	<b>NF</b>	<b>NF</b>	<b>N</b>
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NF: Not Favorable, F: Favorable; N: Neutral

E: Estimates P: Projected

# Off-take in positive zone for 5 consecutive months; retail registers a growth in Dec on a low base

Retail vs off-take (Growth yoy)



Source – MoRTH, SIAM, CRISIL Research

- Off-take has been in the positive trajectory since Aug 2020. Supply chains have normalized to great extent, however not yet completely. Festive built up led to inventory levels of 50-55 days with the two-wheeler dealers.
- However, in Dec 2020, wholesale push from OEM was less to correct dealer inventory plus systematic plant closure in the last month of the year by various OEMs.
- Retails registered a positive growth for the first time in this year in Dec 2020, however in absolute volume terms lower than the festive sales

# Domestic – two-wheeler annual forecast

	Two-wheelers	Motorcycles	Scooters	Mopeds
FY 20 volumes	17.4	11.2	5.6	0.64
YoY Growth in FY20	18%	18%	17%	28%
FY 21E volumes	14.85-15.20	9.84-10.07	4.35-4.46	0.66-0.67
YoY Growth in FY21E	13-15%	10-12%	20-22%	4-6%
FY 22P volumes	17.04-17.34	11.05-11.25	5.26-5.35	0.73-0.75
YoY Growth in FY22E	13-15%	11-13%	19-21%	10-12%

NOTE: Volumes in million units;  
 YoY Growth in red indicates a negative growth  
 YoY Growth in green indicates a positive growth

Source – SIAM, CRISIL Research

# Overview of end-use segments – cargo

Segments (% Growth Y-o-Y)	FY 17	FY 18	FY 19	FY 20	FY 21 P	FY 22 P
Coal (production)	3.0	3.0	7	1	(9)-(7)	12-14
Iron ore (production)	25	3	3	19	(21)-(19)	18-20
Steel (consumption)	3.1	8	9	1	(11)-(9)	12-14
Cement (consumption)	1.9	9	12	(2)	(5)-(3)	10-12
Roads (Km constructed / day)	7	8	9	11	11	11-12
Port (traffic)	5.6	6.5	4.5	1-2	(7)-(5)	6-9
Two-wheelers (domestic sales)	6.9	14.8	5	(17)	(14)-(12)	14-16
Passenger vehicles (domestic sales)	9.2	8	3	(18)	(4)-(6)	22-24
Consumer durables (consumption)	6.6	5.8	7	5	(25)-(20)	30-35
E-retail	22	35	35-37	23	10-15	20-25
RMG (market size)	17	5	8	(3)	(35)-(30)	40-45

Core Sectors

Discretionary Products

Source: CSO, RBI, SIAM and CRISIL estimates E: Estimated; P: Projected

# Overview of end-use segments

Segments (% growth Y-o-Y)	FY17	FY18	FY19	FY20	FY21E	FY22P	
Dairy (production)	5.8	6.7	6	(3)	7-9	6-8	Non - Discretionary Products
FMCG	5	8	12	5	0-1	13-15	
Pharmaceuticals (market size)	5	1	15	11	8-9	9-11	
Gross school enrollment							Buses
K-12	77.5	74.3	73.2	73.5	73.8	74	
Above K-12	22.6	22.6	23.2	23.7	24.3	24.9	
IT employee base	4	3	4	4	(5)-(3)	2-4	
Air passenger traffic	16	16	11	(2)	(65)-(60)	70-75	
Hotel room demand	7	5	5	3	(55)-(50)	50-55	

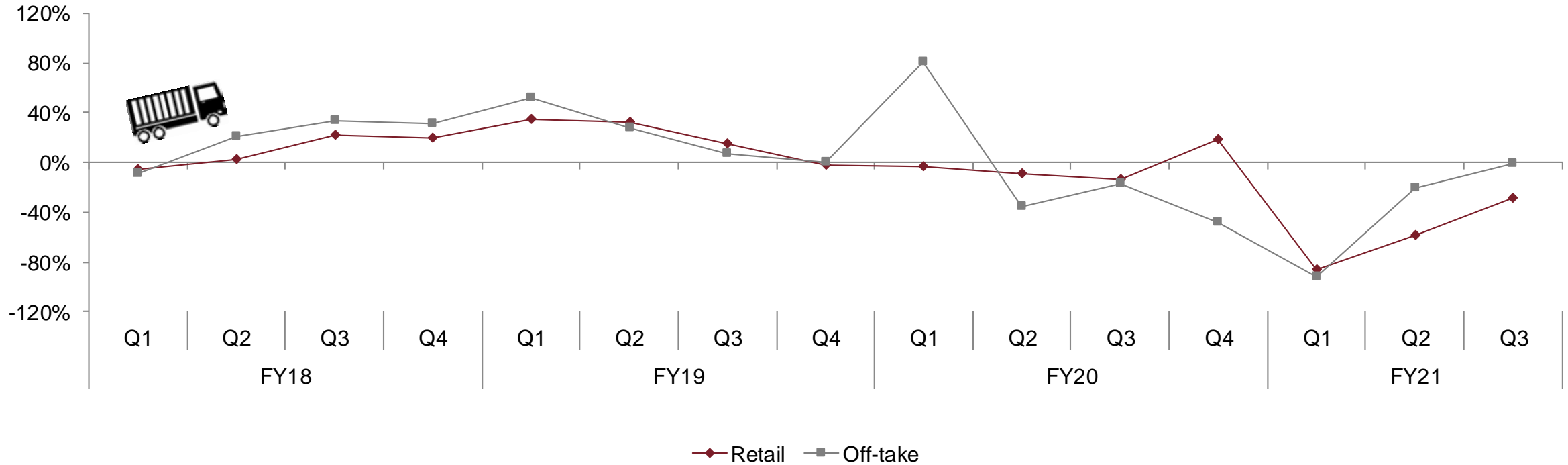
Note – Gross enrollment ratio (GER) is the ratio of the number of students enrolled to the population of those who qualify for the particular grade level. K-12 indicates classes 1<sup>st</sup> – 12<sup>th</sup>.

Source: NASSCOM, AAI, CRISIL Research



# Retail & offtake showing recovery on sequential basis

Retail vs off-take (Growth yoy)



Source: SIAM, MoRTH, CRISIL Research

- OEM's facing huge supply issues due to semi conductor supply constraints. Production issues to be there in Q4 FY21.
- Among all segments- Pick-ups continue to see good traction in the economy especially in rural areas.
- This is followed by the ICV segment with good traction visible due to e-commerce

# Domestic – commercial vehicle annual forecast

	CV	SCV	ULCV	MHCV	Buses
FY 20 volumes	718	411	36	185	86
YoY Growth in FY20	29%	20%	26%	47%	7%
FY 21E volumes	553-567	378-382	30-31	141-144	15-16
YoY Growth in FY21E	23-21%	7-8%	15-17%	24-22%	81-83%
FY 22P volumes	762-772	475-486	43.3-44.2	214-220	33-34
YoY Growth in FY22P	36-38%	25-28%	42-45%	51-55%	116-118%

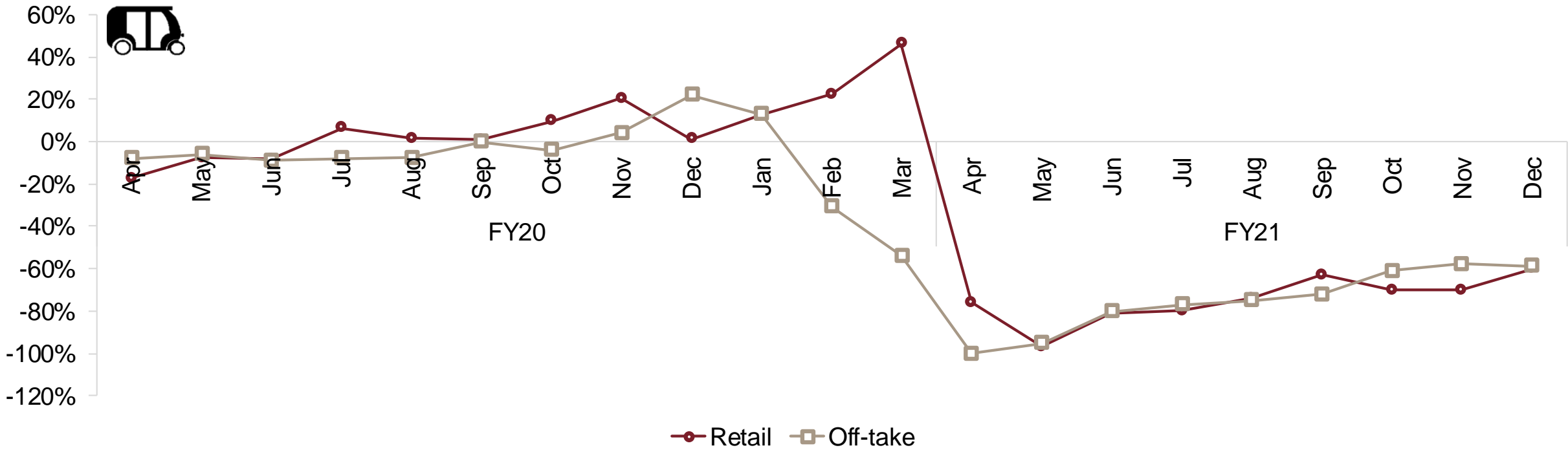
NOTE: Volumes in thousands units;

YoY Growth in red indicates a negative growth

YoY Growth in green indicates a positive growth

# Industry remains in red, however, m-o-m gradual improvement posted in Q3

Retail vs off-take (growth y-o-y)



Source: SIAM, MoRTH, CRISIL Research

- From the nadir reached in Q1, industry is showing gradual improvement
- This is primarily aided by traction in cargo segment, passenger segment remains in deep trouble
- Dealers have not done any major inventory built up in fiscal 2021 after BSIV stock clearing
- Stock levels are insignificant and orders are being placed only after the booking

# Domestic – three-wheeler annual forecast

	Three wheelers	Cargo	Passenger
FY 20 volumes	637	112	525
YoY Growth in FY20	9%	13%	8%
FY 21E volumes	200-210	82-87	120-125
YoY Growth in FY21E	67-69%	22-24%	76-78%
FY 22P volumes	355-365	110-115	242-247
YoY Growth in FY22P	72-74%	34-36%	99-101%

# Tractor sales expected to soar in fiscal 2021 after a fall in fiscal 2020

Parameters	Impact		
	FY 20	FY21P	FY22P
<b>Farm Income**</b>	Neutral	Favorable	Favorable
-- Crop Prices	Favorable	Favorable	Neutral
-- Crop Output	Neutral	Favorable	Favorable
-- Kharif Output	Neutral	Favorable	Favorable
-- Rabi Output	Neutral	Favorable	Favorable
<b>Demand Indicators</b>	Favorable	Neutral	Neutral
-- Infrastructure Development	Favorable	Not Favorable	Neutral
-- Sand Mining	Not Favorable	Favorable	Neutral
<b>Supply side variables &amp; financing</b>	Neutral	Neutral	Favorable
-- Finance Availability	Neutral	Favorable	Favorable
-- Channel Inventory	Neutral	Favorable	Favorable
-- Player Action	Favorable	Neutral	Neutral



NOTE : \*\* Fiscal 2021 assumed neutral assuming normal monsoon, P: Projected

Source: CRISIL Research

# Domestic – tractor annual forecast



NOTE : \*\* Fiscal 2022 assumed neutral assuming normal monsoon, P: Projected

NOTE: Volumes in thousand units;  
YoY Growth in red indicates a negative growth, green indicates positive growth

Source – CRISIL Research

# Detailed Report

# Content

Economy overview

On-ground sentiments

Indian automobile industry

Outlook on auto component industry

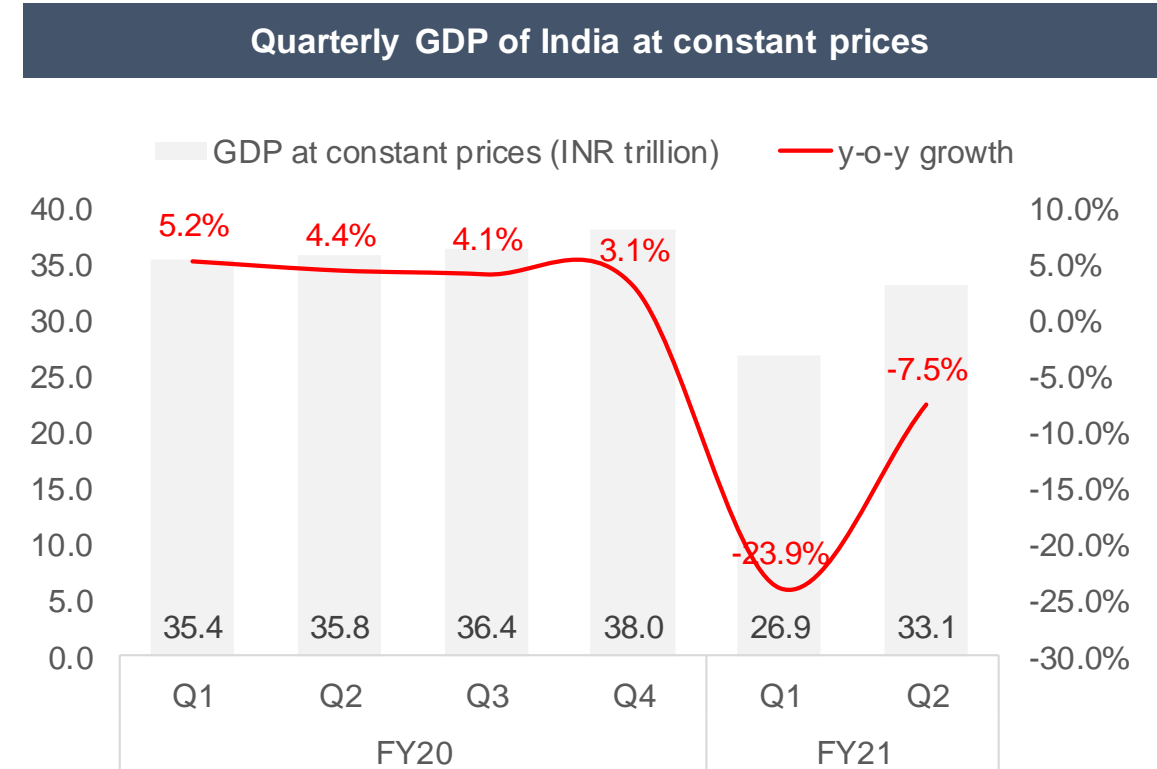
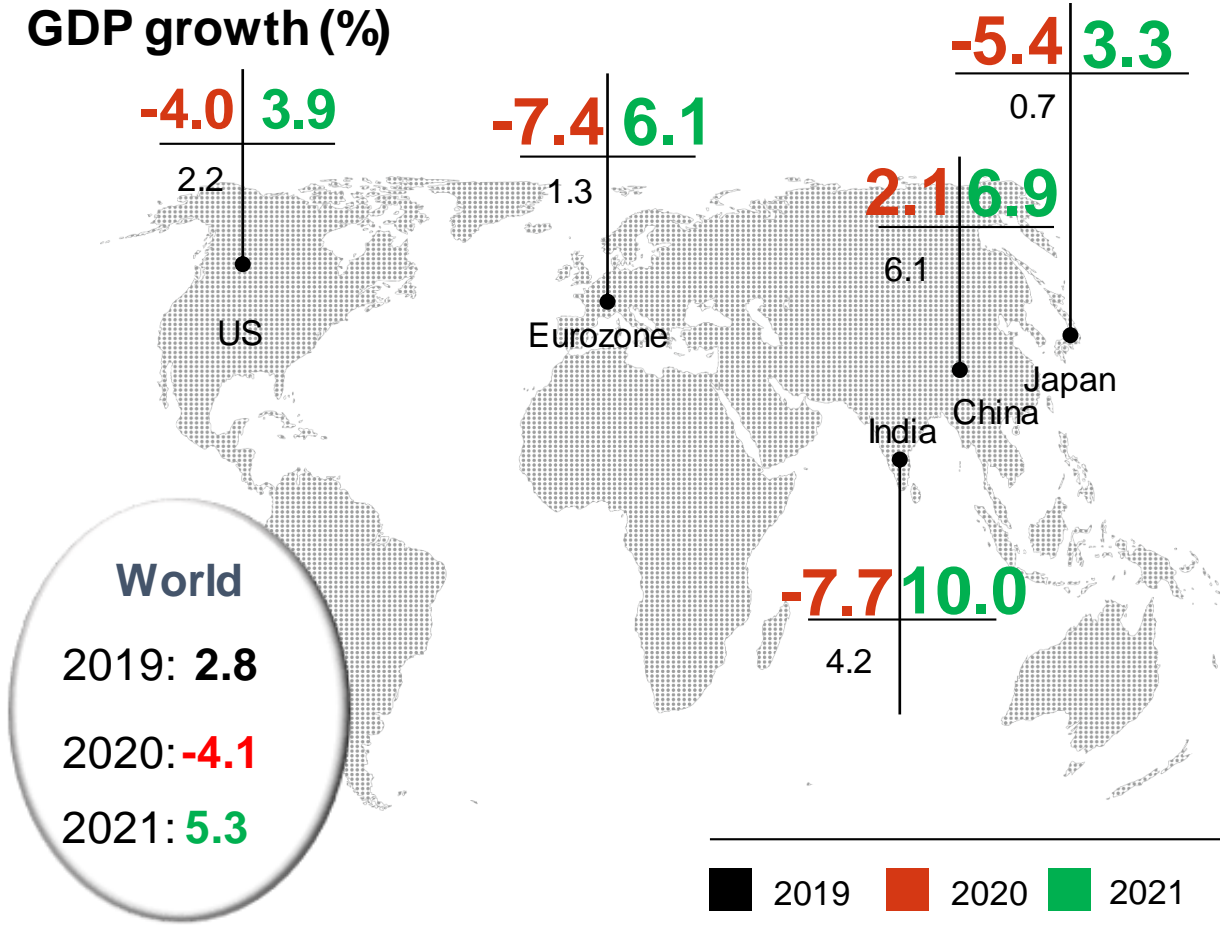
Summary





# Economy overview

# A gradual recovery seen across the spectrum



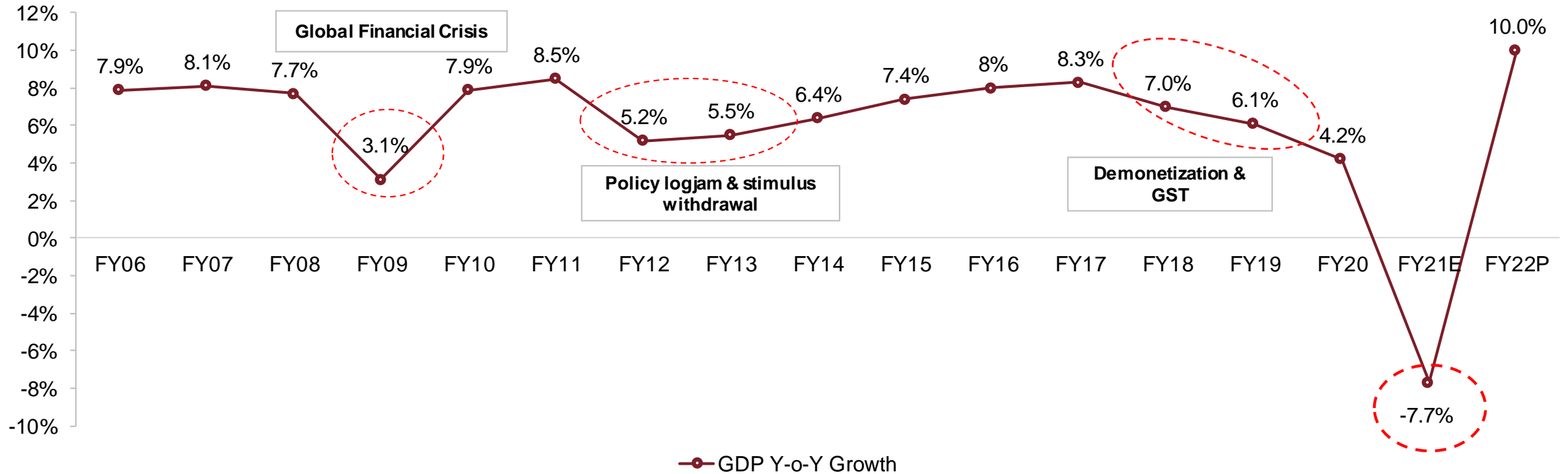
Source: S&P Global, India outlook is for fiscal year e.g. 2020~FY21 and 2021~FY22

# Macroeconomic outlook

Segments (% Growth Y-o-Y)	FY 15	FY 16	FY 17	FY 18	FY 19	FY 20	FY 21 E	FY22 P
GDP (% Growth Y-o-Y)	7.4	8.0	8.3	7	6.1	4.2	(7.7)	10.0
GVA Industry	7.0	9.6	7.7	6.3	4.9	1.8	(9)-(8)	13-15
GVA Services	9.8	9.4	8.5	6.9	7.7	7.0	(10)-(9)	9-11
GVA Agriculture	-0.2	0.6	6.8	5.9	2.4	3.7	3-4	2-4
CAD (as a % of GDP)	-1.3	-1.1	-0.6	-1.8	-2.1	-0.9	1.2	-
10-year G-sec yield (end-March)	7.7	7.5	6.8	7.6	7.5	6.2	6.5	-
PFCE	6.4	7.9	8.1	7	7.2	5.3	(8)-(6)	10-11
Crude oil (\$/barrel/CY)			44	54.4	71.2	64	42.3	50-55
Inflation (Consumer Price Index)	5.9	4.9	4.5	3.6	3.4	4.8	6.4	-

Source: CSO, RBI and CRISIL estimates

# GDP revised upwards for FY2021 due to faster than expected revival of economic activity

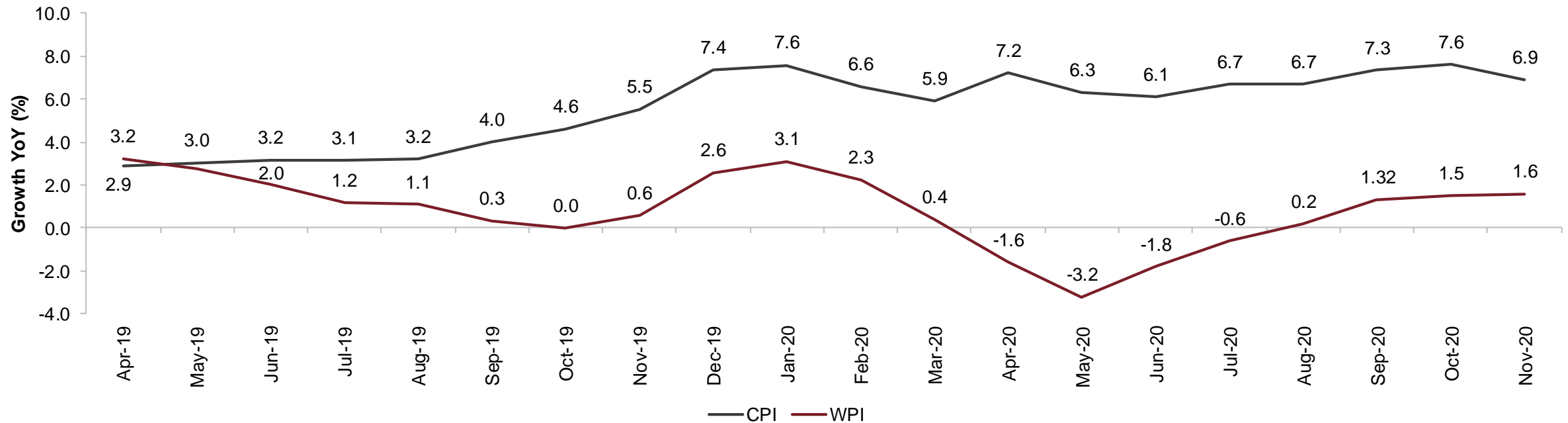


Note: GDP – Gross domestic product; Data on 2011-12 base, P=Projected  
 Source: Central Statistical Office, MOSPI, CRISIL Research

- We now see India's real gross domestic product (GDP) for the current fiscal contracting 7.7%, compared with earlier forecast of contraction of 9%.
- A faster-than-expected revival of activity in the second quarter, which continued into the festive season, is one factor behind the revision. Consistent decline in overall Covid-19 cases is the other.
- Manufacturing sector is expected to perform better than services.
- We expect India's real GDP growth to bounce back to 10% next fiscal, riding primarily on a low statistical base.

# CPI softens in Nov post peaking in Oct; WPI continues its upward march

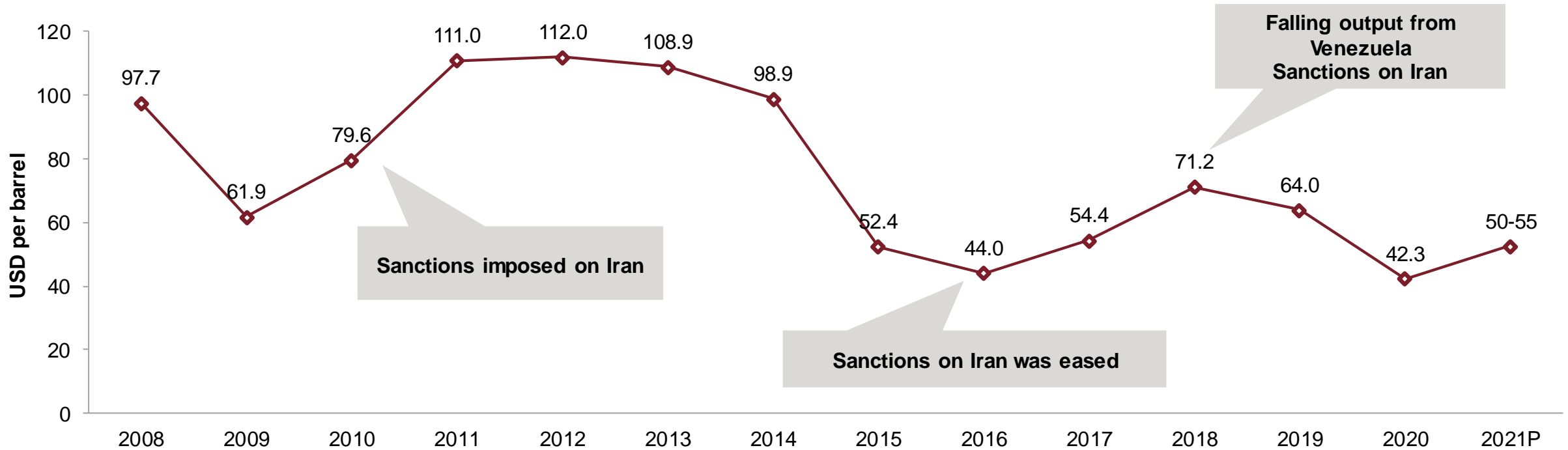
## Inflation (YoY Growth %)



Source- National Statistics Office, CRISIL Research

- Inflation based on the Consumer Price Index (CPI), which was persistently high over the last few months, appears to have peaked for now. In November, it softened to 6.9% on-year, after having reached a 77-month high of 7.6% in October.
- Despite this, the headline inflation continues to be outside the upper limit of the Reserve Bank of India's (RBI's) band of 2-6% for the eighth consecutive month. Hence, the needle needs to be watched carefully.
- WPI increase in the past two months has been led by *core*, unlike in the previous months when it was *food*-driven. For instance, in November, core inflation rose to 2.3%, from 1.6% in October, whereas food inflation softened to 4.3% from 5.8%. Fuel inflation, on the other hand, remains in negative territory on account of lower on-year commodity prices.

# Crude oil prices at all time low due to lower mobility on account of pandemic

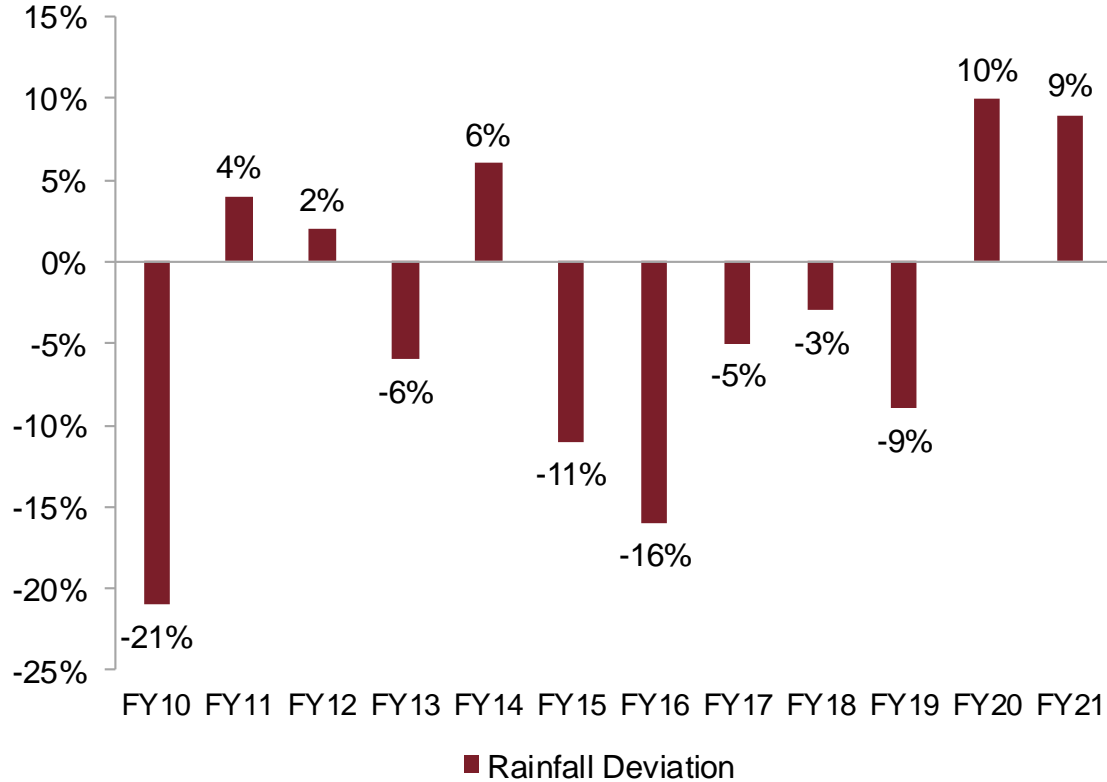


Note: Prices are as per calendar year  
 E=Estimate, P=Projected  
 Source: CRISIL Research

- Crude oil prices lowered to ~\$42 in 2020, considering the global oil demand contraction on account of Covid-19. The oil demand loss was substantial in Q2 of 2020. Normalcy is expected to kick-in in the economic activities post the containment of Covid-19.
- Crude oil demand was already under pressure owing to slowing economic growth in 2019 and was expected to recover in 2020 as a result of better prospects. However, with the complete shutdown of the airlines sector in major economies, limited road transportation activities, and sharper industrial output cuts accentuated by Covid-19, oil demand fell in the short term. This impacted the crude prices.
- In CY 2021, we expect the crude to inch up to \$50-55 per barrel.

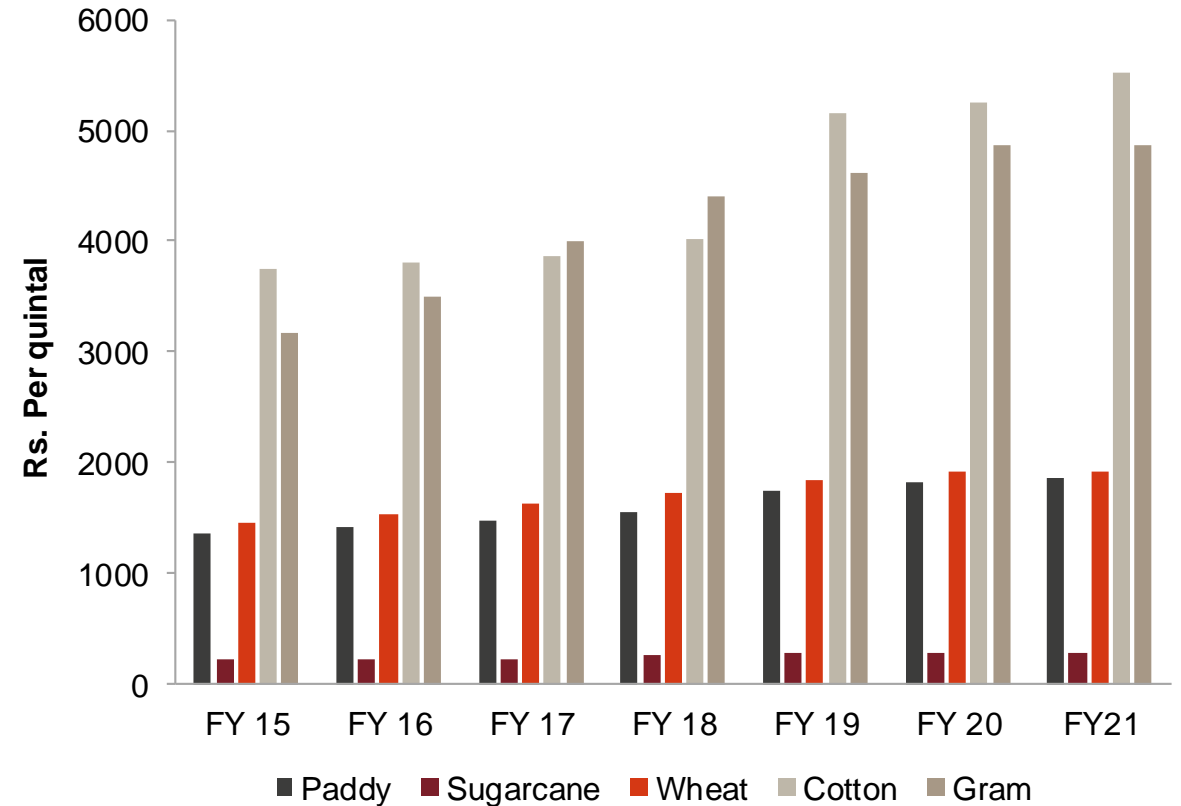
# Amid this gloom and doom, the one sector that holds out hope is agriculture

## Monsoon deviation from long normal rainfall levels



Source: Indian Meteorological Department

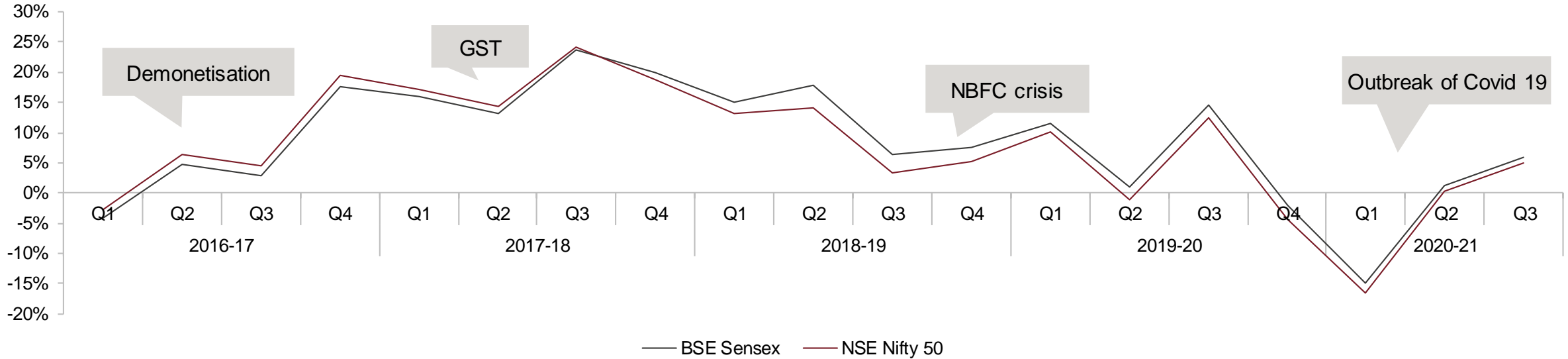
## MSP of major crops in the last 5 years



Source: Ministry of Agriculture & Farmers Welfare

# Indices continues its upward rally

## BSE Sensex and NSE Nifty 50



Source: BSE, NSE, CRISIL Research

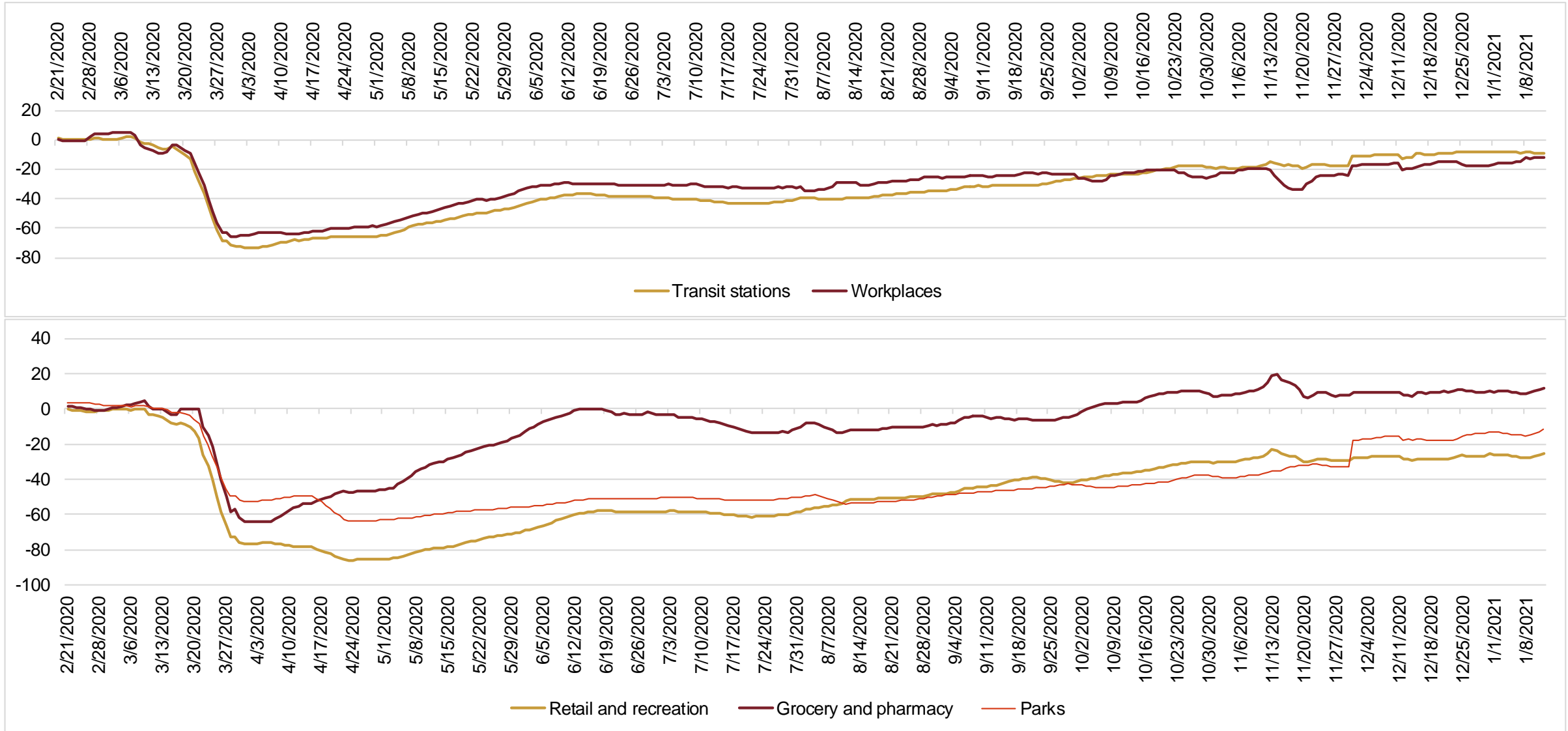
Index	Q1 FY20	Q2 FY20	Q3 FY20	Q4 FY20	Q1 FY21	Q2 FY21	Q3 FY21
BSE Sensex	39,380	37,827	40,725	36,163	33,476	38,255	43,101
NSE Nifty 50	11,819	11,205	12,033	10,587	9,861	11,236	12,644

- Indices reached its all time high in Q3. It registered a growth of ~5% on year basis, on a already high base of last year.
- However, the volatility in the index remained high. Panic selling was observed when new lockdown was announced in Europe. The fall was triggered amid fears of a resurgence of coronavirus following a new strain in the infection in the United Kingdom (UK).



# On ground sentiments

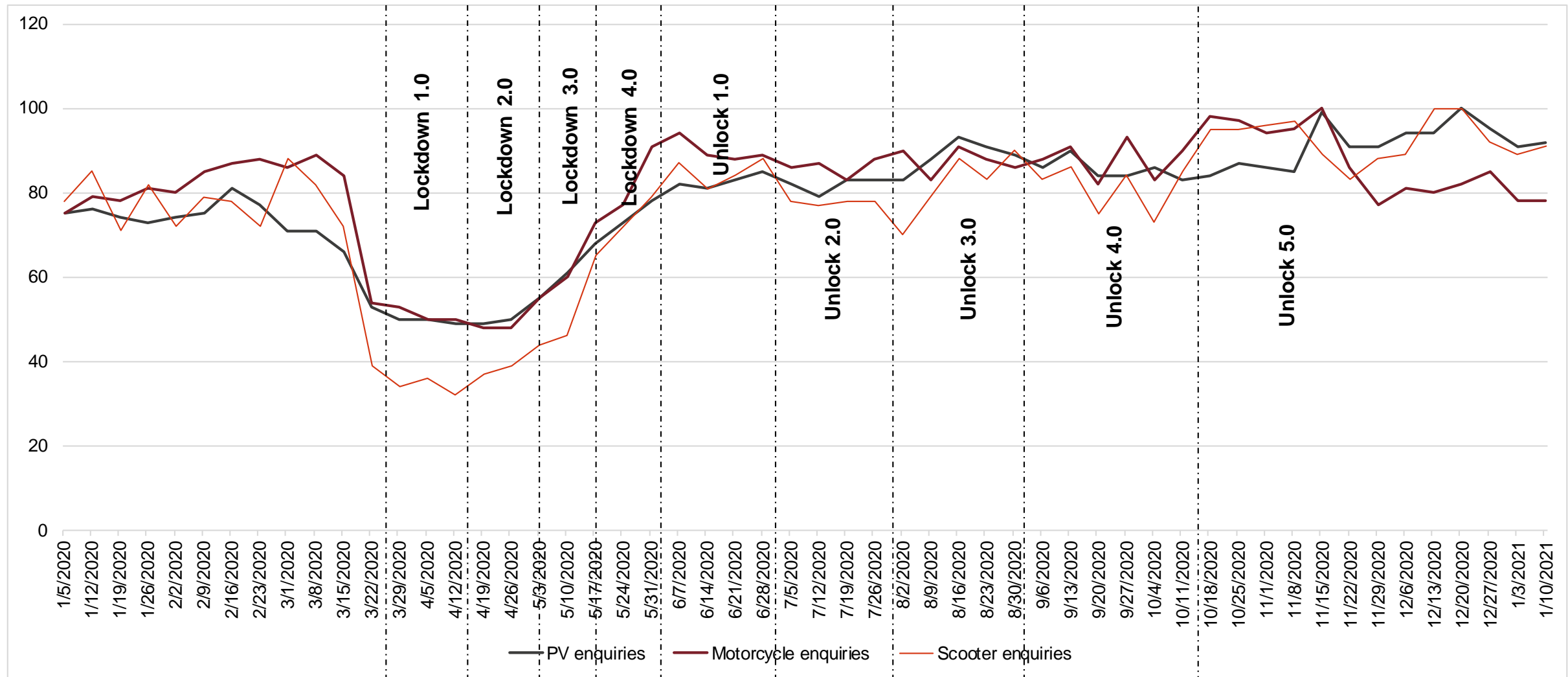
# Workplace mobility inches up post festive; discretionary spending remains stable after seeing a blip during festive



Note: Data is till Jan 12<sup>th</sup>, 2021. It is 7 day Moving Average data. Google's Community Mobility Reports use smartphone location data to publish reports about people's movement in an area. India's smartphone penetration is 25-30%

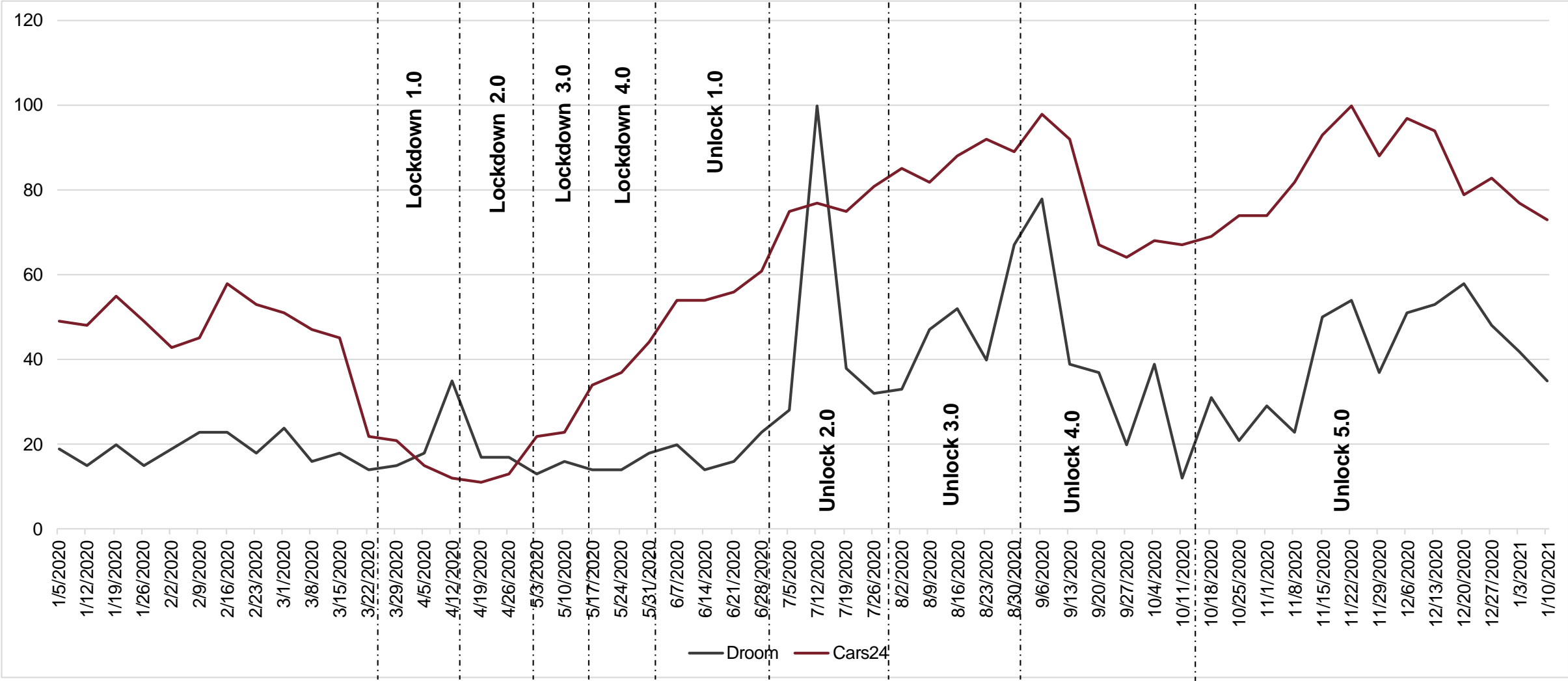
Source: CRISIL Research, Covid-19 Community Mobility Reports by Google,

# Personal mobility vehicles moving in tandem; popularity of scooter rises post urban unlock



Source: CRISIL Research, Google analytics

# Enquiries for used cars sees some tapering post festive; however supply side constraints downplaying demand too



Source: CRISIL Research, Google analytics

# High frequency parameters point towards start of improvement since Q2FY21 end

Segments	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20
<b>Core Sectors*</b>																					
Coal	3%	2%	3%	-2%	-9%	-20%	-18%	-4%	6%	8%	11%	4%	-15%	-14%	-16%	-6%	4%	21%	12%	3%	
Crude Oil	-7%	-7%	-7%	-4%	-5%	-5%	-5%	-6%	-7%	-5%	-6%	-5%	-6%	-7%	-6%	-5%	-6%	-6%	-6%	-5%	
Natural Gas	-1%	0%	-2%	0%	-4%	-5%	-6%	-6%	-9%	-9%	-10%	-15%	-20%	-17%	-12%	-10%	-9%	-11%	-9%	-9%	
PetroleumRefinery Products	4%	-2%	-9%	-1%	3%	-7%	0%	3%	3%	2%	7%	0%	-24%	-21%	-9%	-14%	-19%	-9%	-17%	-5%	
Fertilizers	-4%	-1%	2%	2%	3%	5%	12%	14%	10%	0%	3%	-12%	-4%	7%	4%	7%	7%	0%	6%	2%	
Steel	13%	13%	11%	8%	4%	-1%	0%	7%	9%	2%	3%	-22%	-83%	-40%	-23%	-6%	-2%	3%	-3%	-4%	
Cement	2%	3%	-2%	8%	-5%	-2%	-8%	4%	5%	5%	8%	-25%	-85%	-21%	-7%	-13%	-15%	-4%	3%	-7%	
Electricity	6%	7%	9%	5%	-1%	-3%	-12%	-5%	0%	3%	12%	-8%	-23%	-15%	-10%	-2%	-2%	5%	10%	2%	
<b>Auto</b>																					
Two Wheelers	-16%	-7%	-12%	-17%	-22%	-22%	-14%	-14%	-17%	-16%	-20%	-40%	-100%	-84%	-39%	-15%	3%	12%	17%	17%	6%
Cars	-20%	-26%	-24%	-36%	-42%	-33%	-6%	-11%	-8%	-8%	-9%	-53%	-100%	-88%	-59%	-18%	11%	55%	39%	-14%	8%
Uvs + Vans	-11%	-10%	-4%	-21%	-8%	-4%	13%	20%	12%	-3%	-6%	-49%	-100%	-76%	-43%	1%	26%	38%	39%	3%	22%
Three Wheelers	-7%	-6%	-9%	-11%	-8%	0%	-4%	4%	22%	13%	-31%	-58%	-100%	-95%	-80%	-77%	-75%	-72%	-61%	-58%	-59%
<b>Others</b>																					
PMI Manufacturing	51.8	52.7	52.1	52.5	51.4	51.4	50.6	51.2	52.7	55.3	54.5	51.8	27.4	30.8	47.2	46	52	56.8	58.9	56.3	56.4
IIP Overall	3%	5%	1%	5%	-1%	-4%	-4%	2%	0%	2%	5%	-19%	-57%	-33%	-16%	-11%	-8%	0%	4%	-2%	
Diesel consumption	2%	3%	1%	3%	-1%	-3%	-7%	9%	0%	-2%	6%	-24%	-56%	-29%	-15%	-19%	-21%	-6%	8%	-7%	-3%
Rail freight (NTKM)	2%	1%	0%	-1%	-9%	-11%	-11%	-3%	0%	-3%	4%	-19%	-40%	-28%	-12%	-8%	1%	18%	11%	8%	

Note\* - based on MOSPI classification

Source: CSO, RBI and CRISIL estimates

# Indian automobile industry

# Assumptions for forecast

- Pandemic situation to improve; **economic activities to revive further** going forward; **no expectations of a second wave of COVID19 or any new virus**
- Positive sentiment on account of vaccine launch to help in demand momentum; however, **efficacy of vaccine will be a key monitorable.**
- 
- Schools, colleges and workplaces to resume in the later part of H1 fiscal 2022.
- No major announcement expected in **Budget 2021** related to automobile industry
- **Gradual improvement in economic parameters globally.**
- People starting to live with the pandemic and unlocking happening in the real sense in urban as well as rural centres.
- **Normal monsoon in 2021**
- **Crude oil prices** are expected to average **\$50-55 per barrel** in fiscal 2022
- Gradual, recovery in loan disbursements almost back to pre-Covid levels.
- Consistent support from government and RBI going forward too
- **Consumption** to lead recovery, private investment scenario to remain subdued; government to slowly gradually revive capital investments

# Annual Forecast - Domestic

	Volume			
	FY19	FY20	FY21E	FY22P
Passenger vehicles ('000)	3,377	2,773	2,630-2,650	3,250-3,270
Two-wheelers (mn)	21.18	17.42	14.85-15.20	17.04-17.34
Commercial vehicles ('000)	1,007	718	553-567	762-772
Three-wheelers ('000)	701	636	200-210	355-365
Tractors ('000)	787	709	895-909	965-992

	Growth yoy (%)			
	FY19	FY20	FY21E	FY22P
Passenger vehicles ('000)	3%	(18)%	(5)-(3)%	23-25%
Two-wheelers (mn)	5%	(18)%	(13)-(15)%	13-15%
Commercial vehicles ('000)	18%	(29)%	(23)-(21)%	36-38%
Three-wheelers ('000)	10%	(9)%	(67)-(69)%	72-74%
Tractors ('000)	8%	(10)%	26-28%	7-10%

SOURCE: SIAM, CRISIL Research



# Quarterly forecasts – Domestic

Vehicle segment	Subsegment	Volume				YoY growth (%)			
		Q4 FY 21	Q1 FY 22	Q2 FY 22	Q3 FY 22	Q4 FY 21	Q1 FY 22	Q2 FY 22	Q3 FY 22
Passenger vehicles	Cars ('000)	505-515	455-465	470-480	455-465	24-26	470-475	16-18	(12)-(10)
	UVs & vans ('000)	380-390	340-350	350-360	345-355	52-54	367-369	23-25	(10)-(8)
	<b>PVs ('000)</b>	<b>890-910</b>	<b>800-820</b>	<b>820-840</b>	<b>800-820</b>	<b>36-38</b>	<b>420-430</b>	<b>19-21</b>	<b>(11)-(9)</b>
Two-wheelers	Motorcycles (mn)	2.73-2.78	2.75-2.76	2.86-2.92	2.77-2.84	21-23	205-207	(9)-(7)	(12)-(10)
	Scooters (mn)	1.29-1.31	1.30-1.31	1.41-1.44	1.29-1.31	17-19	283-285	5-7	(9)-(7)
	Mopeds ('000)	202-205	178-179	<b>194-197</b>	<b>179-183</b>	43-45	231-233	<b>(2)-0</b>	<b>(15)-(13)</b>
	<b>2W (mn)</b>	<b>4.23-4.30</b>	<b>4.22-4.25</b>	<b>4.47-4.56</b>	<b>4.24-4.34</b>	<b>21-23</b>	<b>227-229</b>	<b>(5)-(3)</b>	<b>(11)-(9)</b>
Commercial vehicles	SCV ('000)	127.5-130.7	99.5-101.6	119-122	129.3-131.8	57-61	295-303	21-24	1-3
	ULCV ('000)	11.7-11.9	8.8-9.0	10.8-11.0	11.2-11.5	65-68	698-715	59-63	5-7
	MHCV ('000)	60.9-61.9	42.5-43.4	48.9-49.9	53.5-54.5	61-64	913-933	105-109	8-10
	Buses ('000)	5.8-6.3	6.1-6.3	6.8-6.9	8.2-8.3	(72)-(70)	474-476	55-57	82-84
	<b>CVs ('000)</b>	<b>207-210</b>	<b>164.5-165.1</b>	<b>188.2-190.9</b>	<b>202.3-206.2</b>	<b>41-43</b>	<b>414-416</b>	<b>41-43</b>	<b>5-7</b>
<b>Tractors ('000)</b>		<b>240-243</b>	<b>258-261</b>	<b>227-232</b>	<b>245-250</b>	<b>64-66</b>	<b>56-58</b>	<b>(4)-(2)</b>	<b>(5)-(3)</b>
Three-wheelers	Goods ('000)	29-29.5	26.9-27.4	29.2-29.7	25.8-26.3	18-20	367-369	48-50	(11)-(9)
	Passenger ('000)	44.9-45.4	48.5-49	58.2-58.7	65.7-66.2	(58)-(56)	605-607	123-125	50-52
	<b>3W ('000)</b>	<b>74.3-74.8</b>	<b>75.7-76.2</b>	<b>87.8-88.3</b>	<b>91.7-92.2</b>	<b>(44)-(42)</b>	<b>496-498</b>	<b>91-93</b>	<b>25-27</b>

SOURCE: SIAM, CRISIL Research

# Annual forecasts – Exports

Vehicle segment	Subsegment	Volume				YoY growth (%)			
		FY 19	FY 20	FY 21E	FY22P	FY 19	FY 20	FY 21E	FY22P
Passenger vehicles	Cars ('000)	514	491	281-297	457-469	(11)	(5)	(43)-(39)	58-62
	UVs & vans ('000)	162	186	158-170	190-197	(4)	15	(15)-(9)	16-20
	<b>PVs ('000)</b>	<b>676</b>	<b>677</b>	<b>438-467</b>	<b>647-666</b>	<b>(10)</b>	<b>0</b>	<b>(35)-(31)</b>	<b>43-47</b>
Two-wheelers	Motorcycles (mn)	2.87	3.14	2.95-3.04	3.29-3.44	15	9	(6)-(3)	10-15
	Scooters (mn)	0.40	0.37	0.23-0.24	0.31-0.32	27	(7)	(37)-(35)	30-35
	Mopeds ('000)	17	14	10.71-11.34	14.54-14.87	(4)	(17)	(23)-(18)	32-35
	<b>2W (mn)</b>	<b>3.28</b>	<b>3.52</b>	<b>3.19-3.29</b>	<b>3.62-3.78</b>	<b>17</b>	<b>7</b>	<b>(9)-(6)</b>	<b>12-17</b>
Commercial vehicles	LCV ('000)	47.2	33.9	30.4-31.6	46.5-47.8	(3)	(28)	(10)-(7)	50-54
	MHCV ('000)	40.4	14.9	11.9-12.9	20.9-21.4	27	(63)	(20)-(13)	68-72
	Buses ('000)	12.4	11.9	5.8-6.2	12.4-12.7	(24)	(3)	(52)-(48)	108-112
	<b>CVs ('000)</b>	<b>99.9</b>	<b>60.7</b>	<b>48.0-50.7</b>	<b>79.8-81.8</b>	<b>3</b>	<b>(39)</b>	<b>(21)-(16)</b>	<b>62-66</b>
Tractors ('000)		<b>92</b>	<b>76</b>	<b>80-84</b>	<b>87-91</b>	<b>7</b>	<b>(17)</b>	<b>6-11</b>	<b>6-10</b>
Three-wheelers	Goods ('000)	6.2	6.3	4.8-5.1	6.1-6.3	47	2	(25)-(20)	23-27
	Passenger ('000)	561.5	495.9	385.1-402.7	488.8-504.6	49	(12)	(22)-(19)	24-28
	<b>3W ('000)</b>	<b>567.7</b>	<b>502.2</b>	<b>389.9-407.8</b>	<b>494.9-510.8</b>	<b>49</b>	<b>(12)</b>	<b>(22)-(19)</b>	<b>24-28</b>

SOURCE: SIAM, CRISIL Research

# Passenger vehicles

# High festive demand, sustained demand post festive season to restrict the drop in FY21; Momentum expected to continue in FY22

Variables	FY18	FY19	FY20	FY21E	FY22P
Income for discretionary spending	F	F	NF	NF	F

Variables	FY18	FY19	FY20	FY21 E	FY22 E
Cost of ownership	F	NF	N	N	N
Petrol / CNG Vehicles	F	NF	N	N	N
Diesel vehicles	F	NF	N	NF	N
Interest rates	F	N	N	F	N

Variables	FY18	FY19	FY20	FY21 E	FY22 E
New model/ facelift launches	N	NF	F	N	F
Regulations – passenger vehicles	F	N	NF	N	N

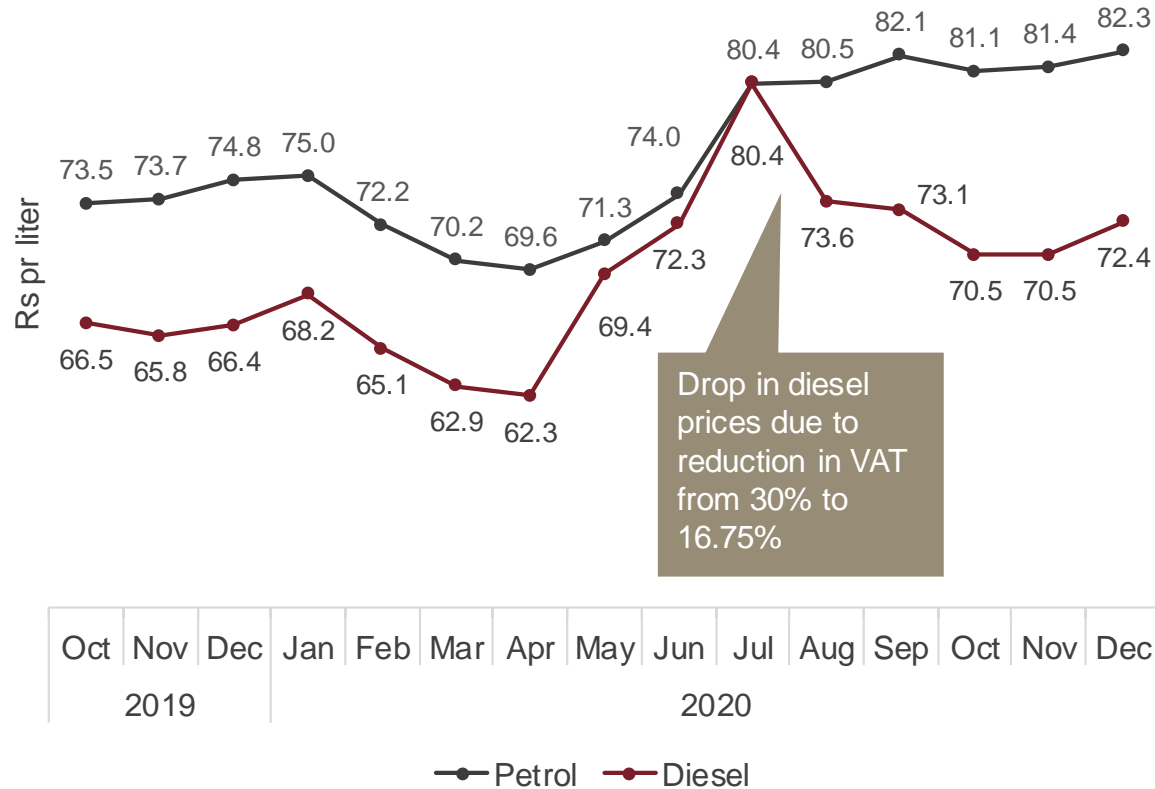
<b>Impact on Overall Sales Growth</b>	<b>F</b>	<b>N</b>	<b>NF</b>	<b>NF</b>	<b>F</b>
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E: Estimates P: Projected

SOURCE: Industry, CRISIL Research

# More launches in the UV segment to aid its faster growth

## Fuel prices



Note: Fuel prices in Delhi region  
Source: Industry, CRISIL Research

## Major upcoming launches

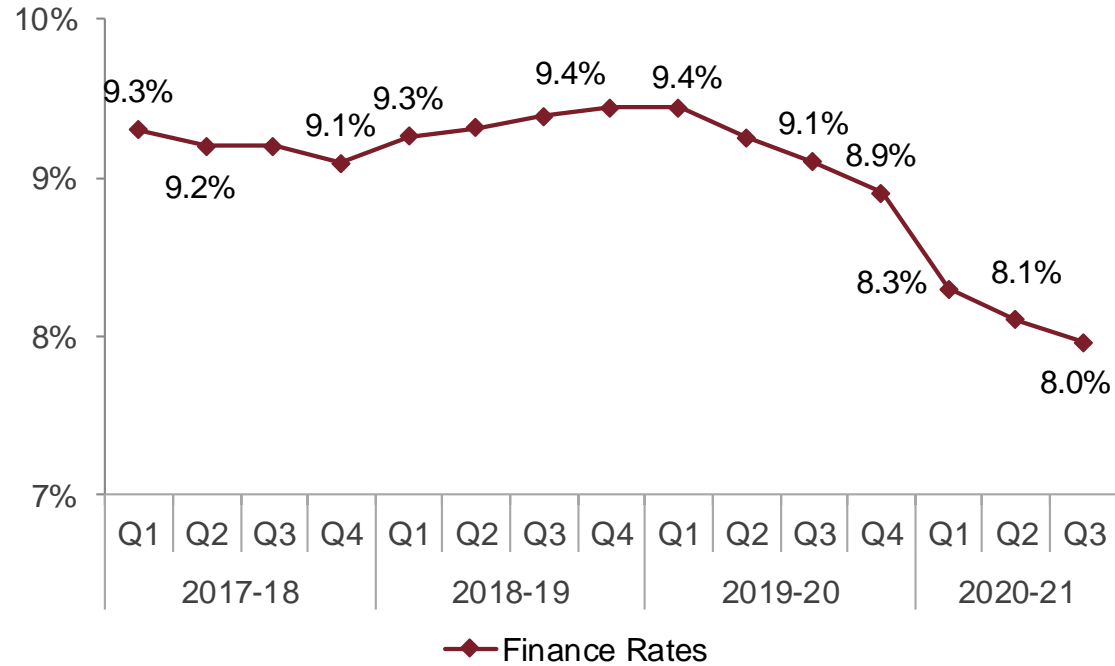
Company	Model	Segment
Maruti Suzuki	Swift 2021 facelift	Small Car
	XL 5	Small Car
Citroen	C5	UV
Mahindra	XUV 500 facelift	UV
	Scorpio facelift	UV
	TUV300 facelift	UV
Tata	HBX	Small Car
	Safari	UV
Hyundai	Sonata facelift	Large Car
MG	Hector facelift	UV

- Higher focus on the upgraded version of popular models
- Petrol prices are at record high

Source: Industry, CRISIL Research

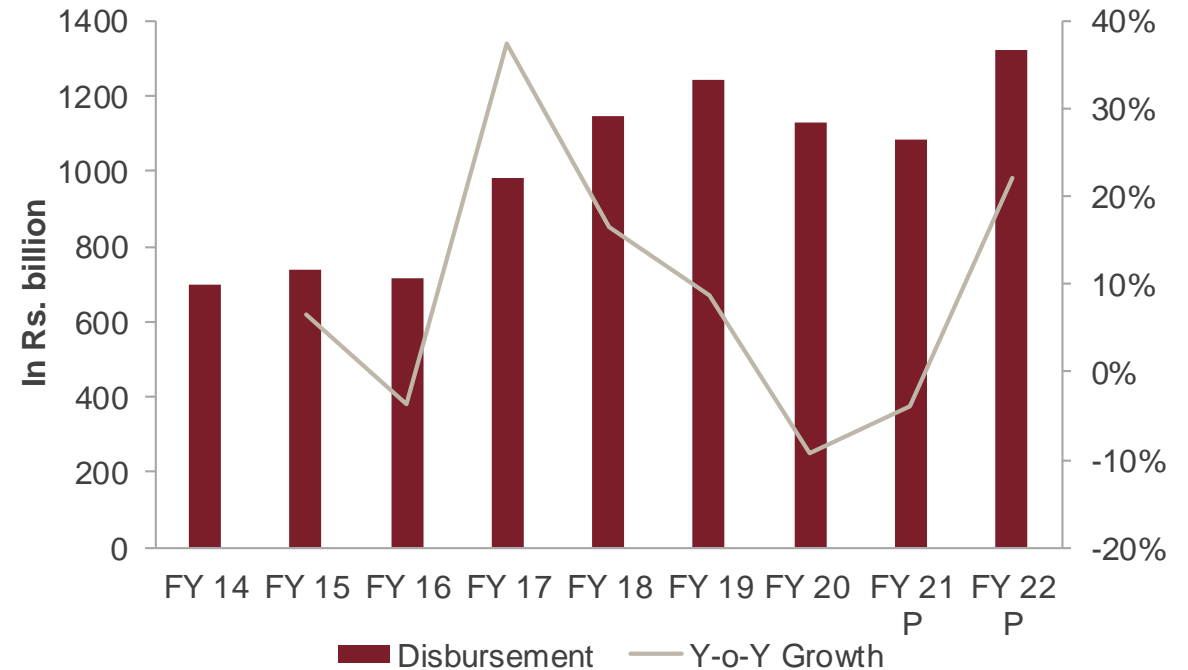
# After a 2 year consecutive drop, disbursements to bounce back & reach fiscal 2018 levels next year

## Interest rates



NOTE - Interest rates are an indicative rates charged by Banks  
Source – CRISIL Research

## Disbursement

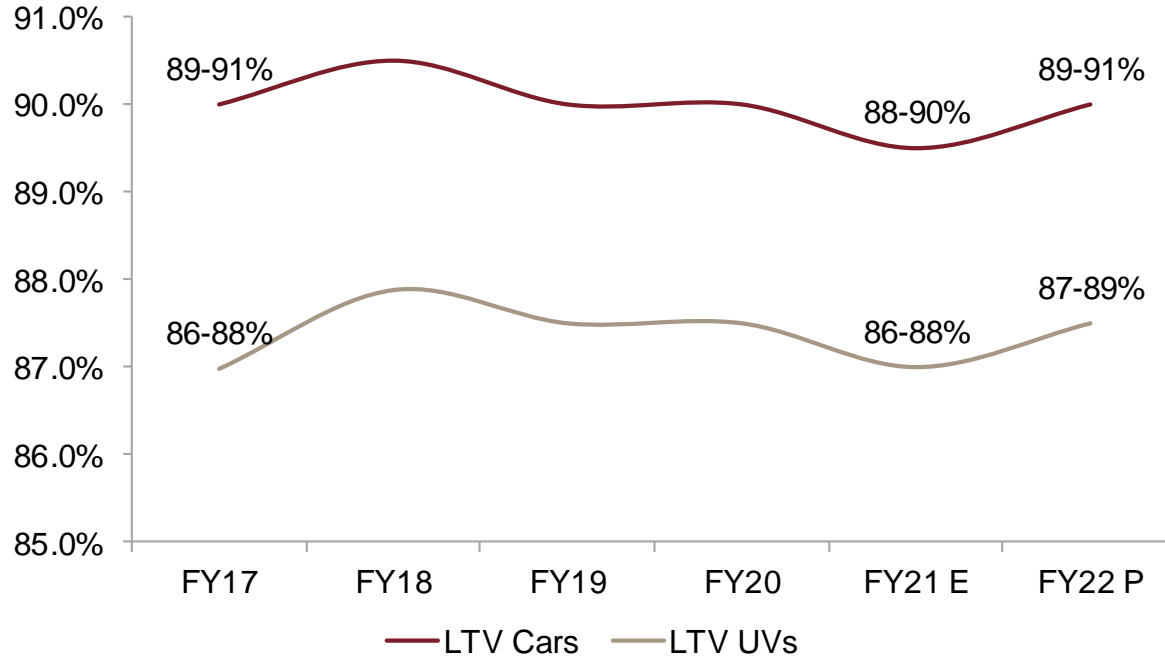


Source: Company Reports, CRISIL Research

- Higher reduction in interest rates (~70-90 bps) have been witnessed in PVs segment as income sentiments have not been as severely impacted for the buyer segment of these vehicles as compared to other vehicle segments
- However, continued y-o-y drop in underlying vehicle demand will exert pressure on disbursement levels in fiscal 2021
- In fiscal 2022, supported by the estimated pick up (23-25%) in PV demand, disbursements are also expected to register a healthy growth on a lower base

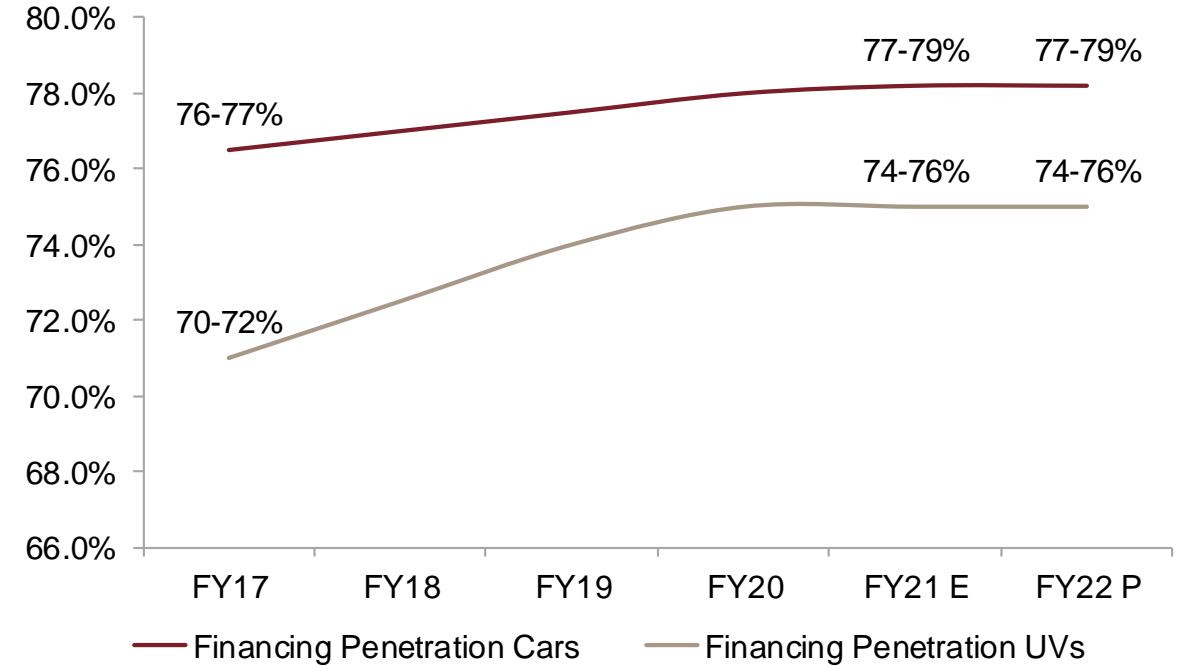
# Lower impact on PV portfolio given negligible share of loans under moratorium as well as low income uncertainty

## Loan-to-value (LTV) for PV



Source: Industry, CRISIL Research

## Financing penetration

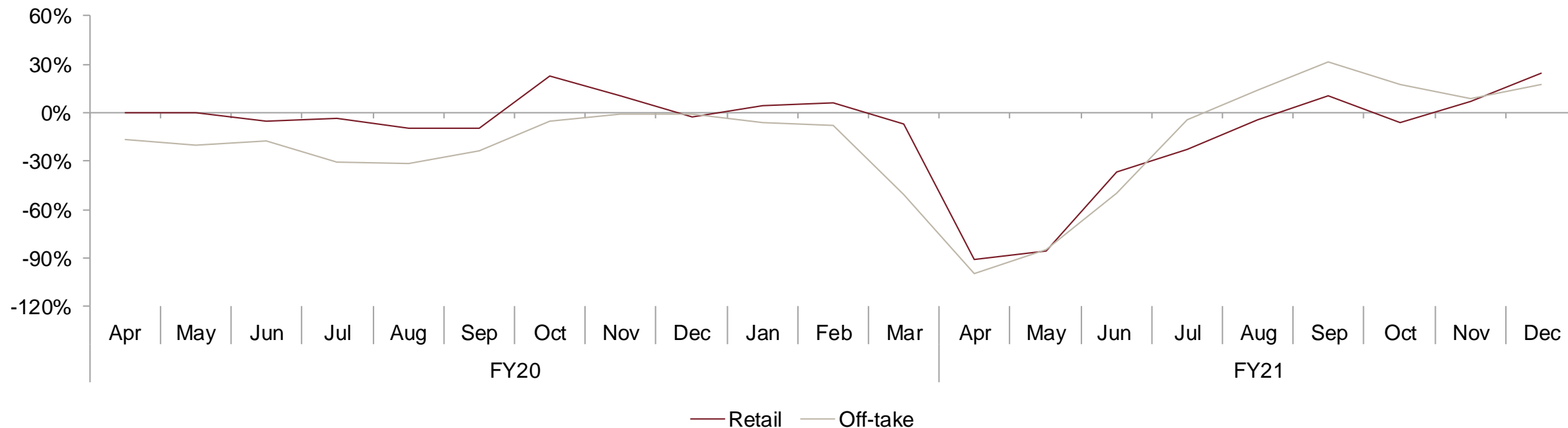


Source: Industry, CRISIL Research

- Only limited impact PV financial parameters during fiscal 21, given the negligible share of loans under moratorium as well as low income uncertainty
- Some improvement in expected in LTVs in fiscal 22 backed by estimated improvement in incomes, as well as pick up in disbursements
- Finance penetration is expected to remain range bound

# Retail sales continue their momentum after festive season; supply constraints restrain offtake growth

Retail vs off-take (growth y-o-y)



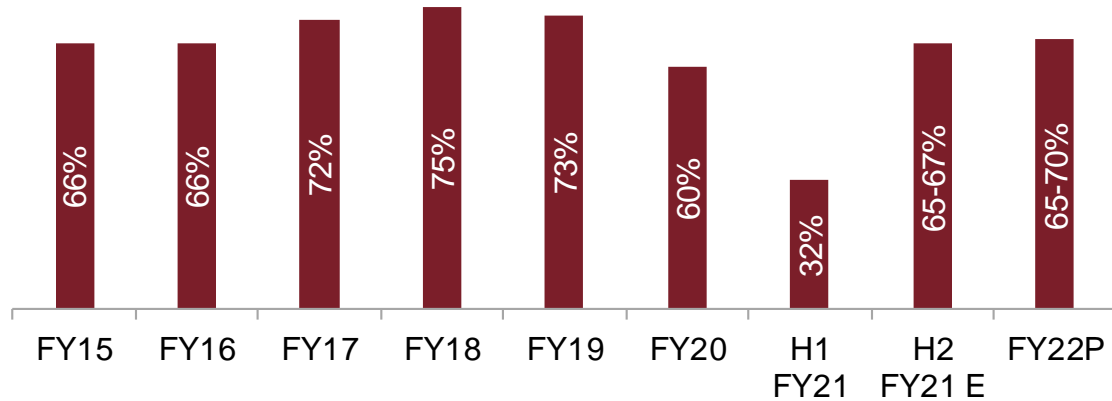
Source – MoRTH, SIAM, CRISIL Research

- After a sharp drop in Q1 FY21 amidst lockdown, retails as well as off take sales bounced back in the next two quarters and posted really healthy 24% (retail) & 17% (off take ) growth in December
- Industry is facing a severe shortage of microprocessors impacting the vehicle supply.
- Dealer inventory levels have nearly halved and waiting period for popular models like Creta, Ertiga have reached to 10-12 week levels
- This supply crunch has restricted the growth in offtake as well as retails sales



**~65% utilization in H2 to pull annual utilization to above 50% levels in FY21, high utilization levels expected to continue in FY22 as well**

### Utilization levels to reach 50-55% levels in FY21



Source: CRISIL Research Estimated

### Upcoming projects

Player	Location	Capacity lacs units pa	Investment	Status
Suzuki	Hansalpur, Gujarat	7.5	Rs 185 B	Construction completed in Nov 2020, production to begin by April 2021
PSA	Chennai, TN	1	Rs 7 B	Production planned from 2021

Source: Industry, CRISIL Research

### Player-wise capacity utilisation

Player	Effective Capacity (in '000) (on 31st Mar 2020)	Production (FY21) (in '000) (Apr- Dec)	Capacity utilization in FY21 (Apr-Dec)	Capacity utilization in FY21 (Q2+Q3)
Maruti	2,050	918	60%	84%
Hyundai	763	381	67%	92%
Tata Motors	564	131	31%	46%
Ford India	440	65	21%	27%
Renault-Nissan	480	81	23%	33%
General Motors	165	28	23%	30%
Toyota	310	30	13%	17%
Honda	300	56	25%	36%
Volkswagen	179	40	30%	36%
Kia Motors	300	131	58%	79%
<b>Industry Total</b>	<b>5,745</b>	<b>2,006</b>	<b>43%</b>	<b>62%</b>

Source: SIAM, CRISIL Research

# Domestic – annual forecast

	Passenger vehicles	Cars	UVs and vans
FY 20 volumes	2,773	1,698	1,075
YoY Growth in FY20	18%	23%	7%
FY 21E volumes	2,630-2,650	1,510-1,520	1,120-1,130
YoY Growth in FY21E	3-5%	10-12%	3-5%
FY 22P volumes	3,250-3,270	1,855-1,865	1,385-1,395
YoY Growth in FY22P	23-25%	22-24%	24-26%

NOTE: Volumes in thousand units, numbers in red boxes indicate y-o-y de-growth, numbers in green boxes represent y-o-y growth

Source – SIAM, CRISIL Research

# Domestic – quarterly forecast

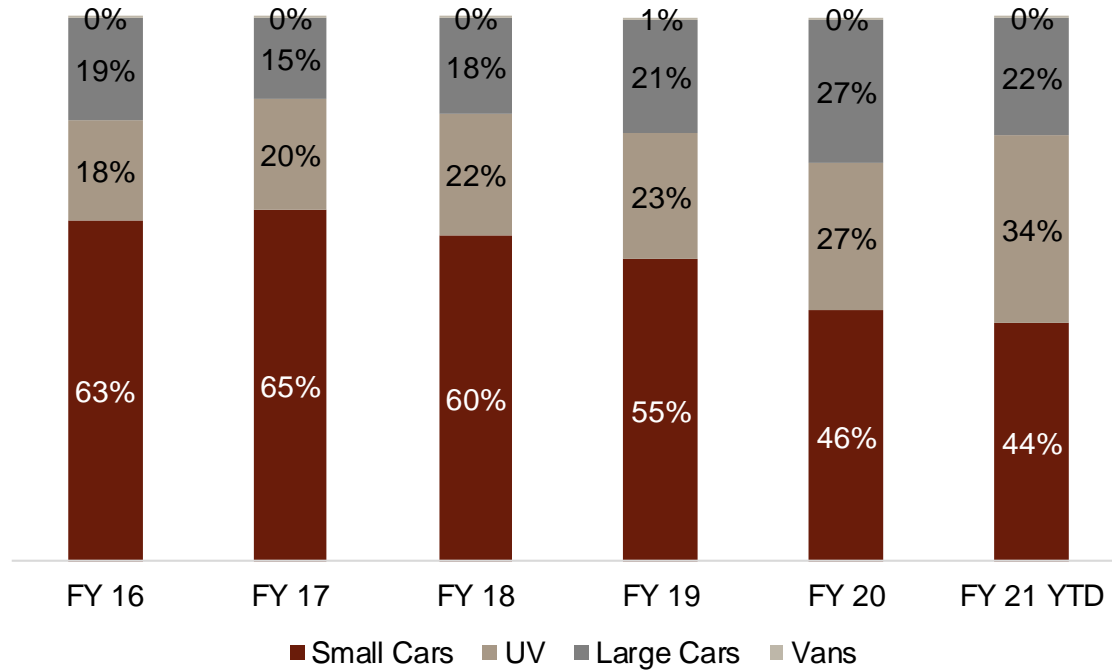
Period		Passenger vehicles		Cars		UVs and vans	
		Volume (000)	YoY Growth	Volume ('000)	YoY Growth	Volume ('000)	YoY Growth
FY20	Q4	655	(22)%	404	(23)%	251	(21)%
	Q1	154	(78)%	80	(82)%	74	(72)%
FY21E	Q2	692	12%	404	9%	288	15%
	Q3	897	14%	516	8%	381	24%
	Q4	890-910	36-38%	505-515	24-26%	380-390	52-54%
FY22P	Q1	800-820	420-430%	455-465	470-475%	340-350	367-369%
	Q2	820-840	19-21%	470-480	16-18%	350-360	23-25%
	Q3	800-820	(11)-(9)%	455-465	(12)-(10)%	345-355	(10)-(8)%

- Festive demand supported strong Q3 growth, retail/ off-take demand sustained in December as well
- Q4 expected to reach Q3 levels backed to expected inventory correction
- Continued need for personal mobility, improvement in economic scenario, continued traction for recent launches expected to back FY22 growth over the low base
- Early festive season expected to help register numbers in Q2
- Intermittent launches, competitively priced offerings, changing consumer preferences to assist UVs outperform industry growth

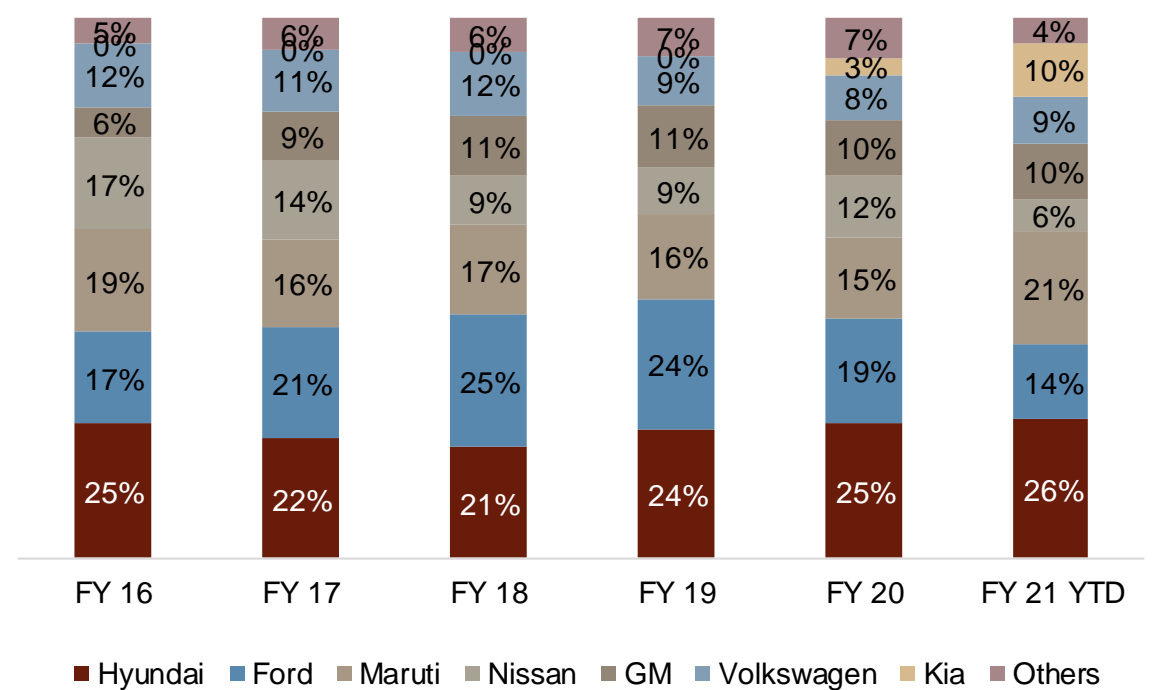
Source – SIAM, CRISIL Research

# Export continues to decline compared to last fiscal

## Share of Uvs on a rising trend



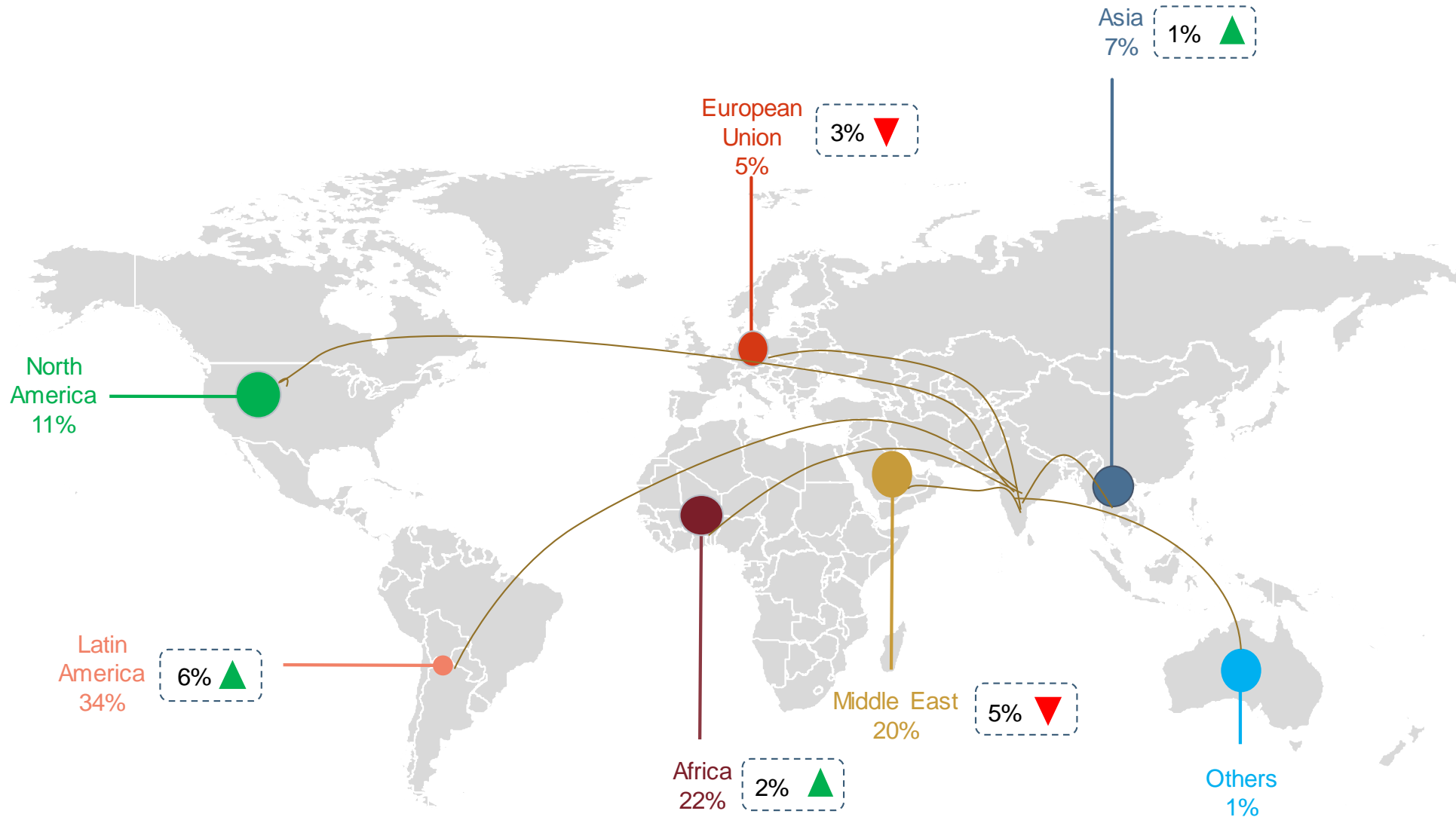
## Hyundai tops the pole position



NOTE: YTD is Apr to Dec 2020  
Source: SIAM, CRISIL Research

- Passenger vehicle exports registered a de-growth of 46% in in first three quarters of FY21.
- Among the top 10 major exporters, Maruti and Hyundai have recorded a positive growth on-year basis in Q3 of FY21.
- Few players faced serious supply constraints due to the unavailability of semiconductors, container and steel leading to glitch in the assembly line.
- Focus of the OEMs to serve domestic market first has also led to dent in exports. Exports to production ration has moved from 20% in FY20 to 14% in FY21 till date.

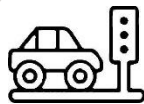
# Passenger Vehicle Exports



- Exports to **pandemic hit European** nations has de-grown.
- LATAM and Africa has aided the exports.
- Exports to North America remains stable. However, supply constraints led to low exports.
- **Second wave of covid and fresh lockdowns** in the underlying importing nations will remain a key monitorable.
- **Policies by the new US Government** will be a key monitorable

# Stakeholder interactions

## OEM



- Demand has been buoyant, however due to supply issues mainly for electronics, semi conductors, etc. has led to supply bottleneck.
- Supply constraint mainly due to geo-political and more than expected demand from other end use industries. It will take atleast another quarter to streamline this issue.
- RoDTEP scheme is expected to provide lower benefits as compared to MEIS scheme. However, PLI scheme is expected to provide some cushion to exports.
- Fiscal 22 is expected to see a robust growth in PV industry as the efficacy of the medicine will take time to be established
- SUV segment is the primary growth driver, majority of the model launches/ facelifts are in this segment.
- Announcement in budget to be a key monitorable

## Dealer



- After healthy retail during the festive season, demand sustained even post the festive season in December, retail demand up 24% y-o-y in Dec
- High traction for recently launched models like Sonet, Creta, Venue, Magnite
- Lower demand for large cars
- Share of first time buyers on the rise given the need for personal mobility
- Traction for pre owned cars on the rise as well however not enough pre owned cars available in the market
- Microprocessor unavailability has significantly impacted PV production
- Dealers across OEMs are facing severe supply crunch especially for popular models
- Dealer stock has reached all time low of 10-15 days by December 2020 end
- Very strong booking pipeline with most dealers

## Financier



- High retail demand backed m-o-m gradual improvement in disbursement, although, for the complete year disbursements to register a drop
- Aggressive push from financiers, however financiers are very cautious while lending to some profiles
- Preference given to government employees, salaried class
- No change in LTV for good profiles, some restrictions for risky profiles
- Interest rates are range bound
- No sizeable increase in NPA levels

# Two-wheeler

# Normal monsoon, opening up of economy to drive two-wheeler industry in FY22

Variables	FY 2018	FY 2019	FY 2020	FY 2021 E	FY 2022P
Income for discretionary spending	F	F	NF	NF	F

Variables	FY 2018	FY 2019	FY 2020 E	FY 2021 F	FY 2022 E
Cost of ownership	F	NF	N	NF	N
Interest rates	F	N	N	F	N

Variables	FY 2021 F	FY 2022 E
Fuel injector vehicle	NF	N
E- Carburetor vehicle	N	N

Variables	FY 2018	FY 2019	FY 2020 E	FY 2021 F	FY 2022P
Regulations – 2 wheelers	F	NF	N	NF	N

<b>Impact on Overall Sales Growth</b>	<b>F</b>	<b>N</b>	<b>NF</b>	<b>NF</b>	<b>N</b>
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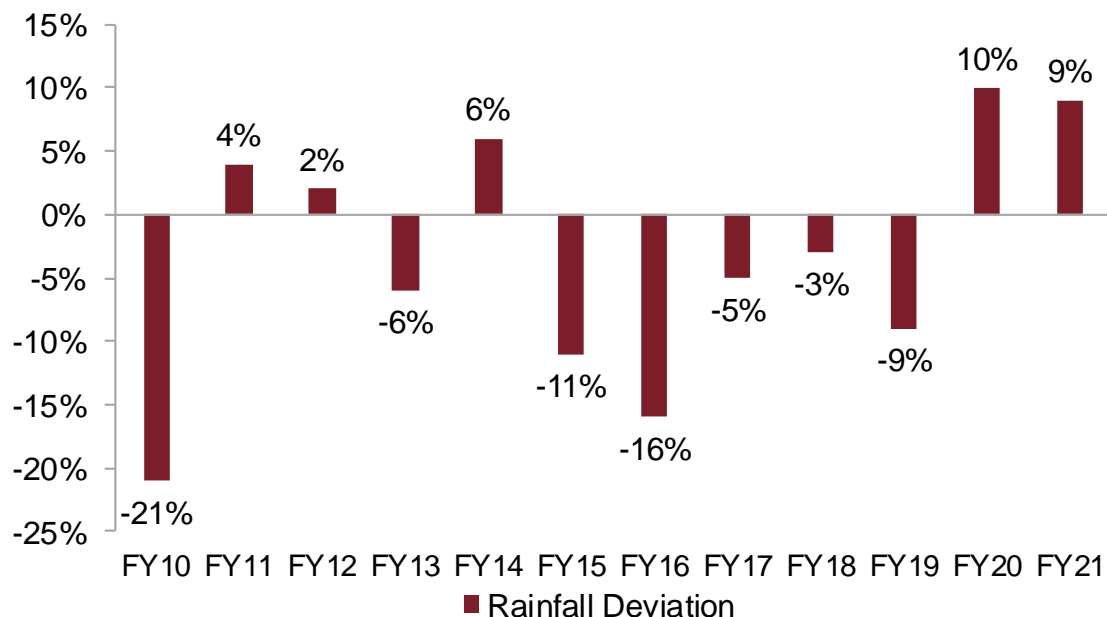
NF: Not Favorable, F: Favorable; N: Neutral

E: Estimates P: Projected



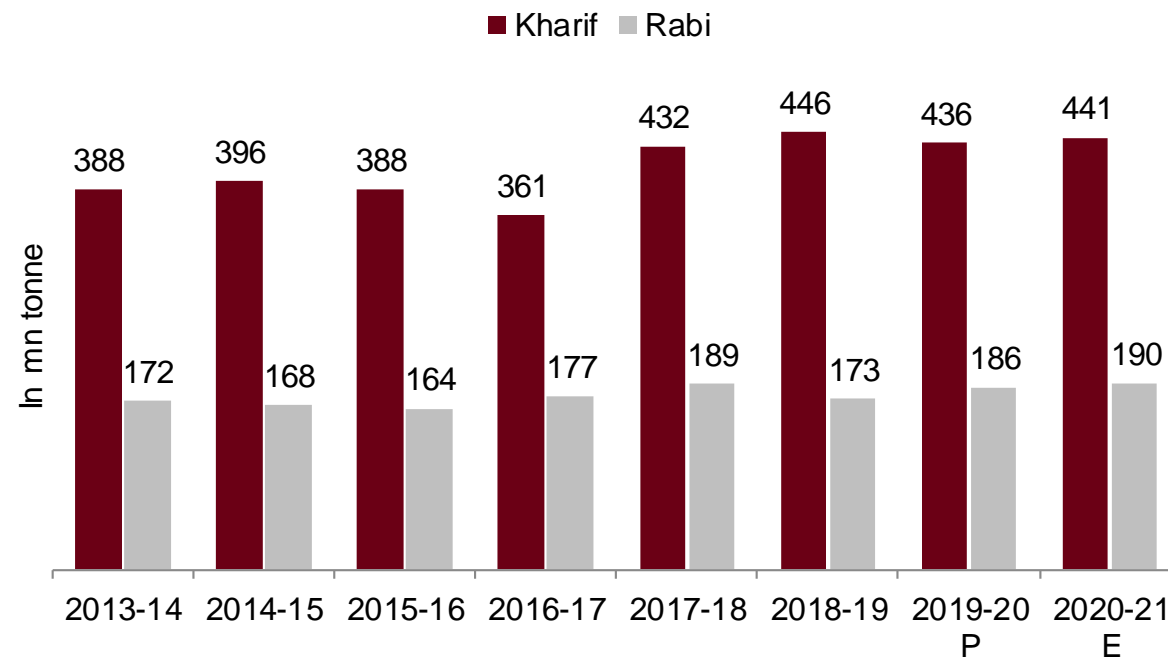
# Better farm sentiment and government income support schemes keep rural sentiment buoyant

## FY21 – an excess monsoon year



NOTE: Rainfall deficiency in the range of -10% to 10% of the long period average is considered as normal as per IMD  
 Source : IMD, CRISIL Research

## Bumper kharif production; positive rural sentiments

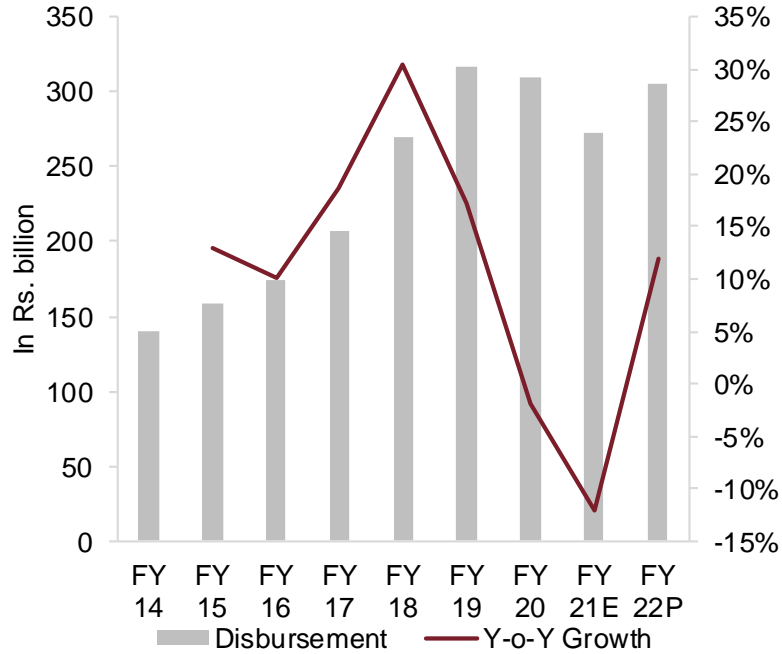


Source: CRISIL Research

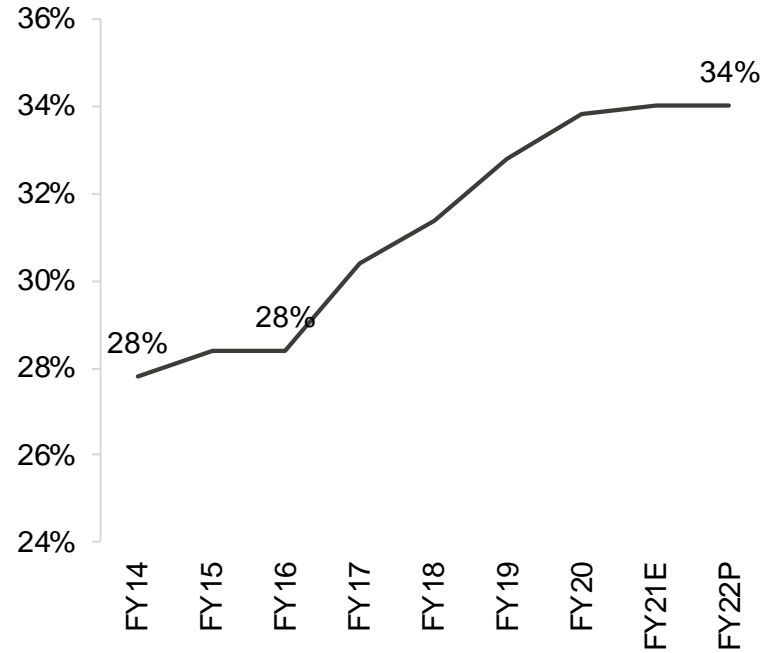
- Increase in total profit by 7-9% for the rabi and kharif crop expected to aid farm incomes
- High investment by farmers on agriculture activities amid absence of any other investment opportunities due to COVID-19 outbreak.
- Higher procurement through central and state government supports rural agri income.

# Two-wheeler financing in FY22 expected to bounce back to FY20 levels

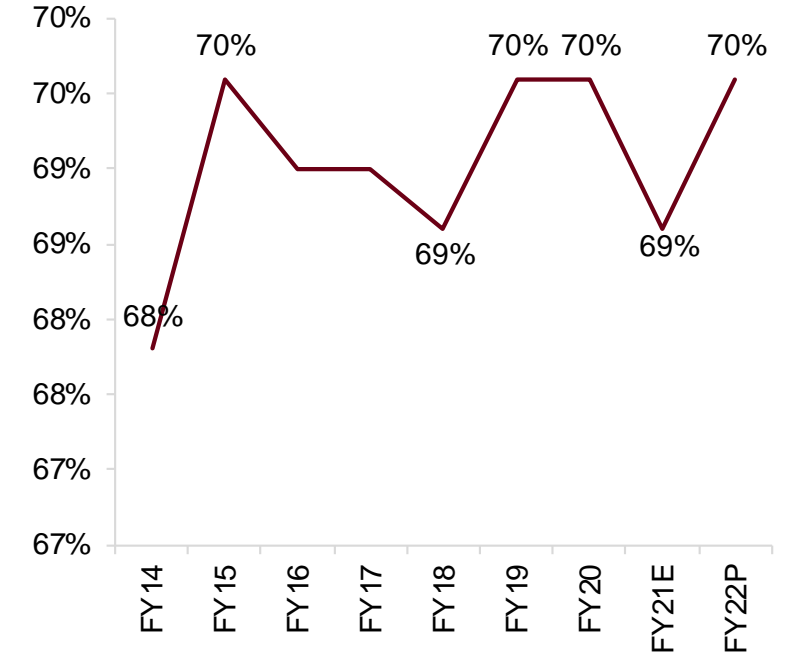
## Disbursement



## Auto finance penetration



## Loan-to-value

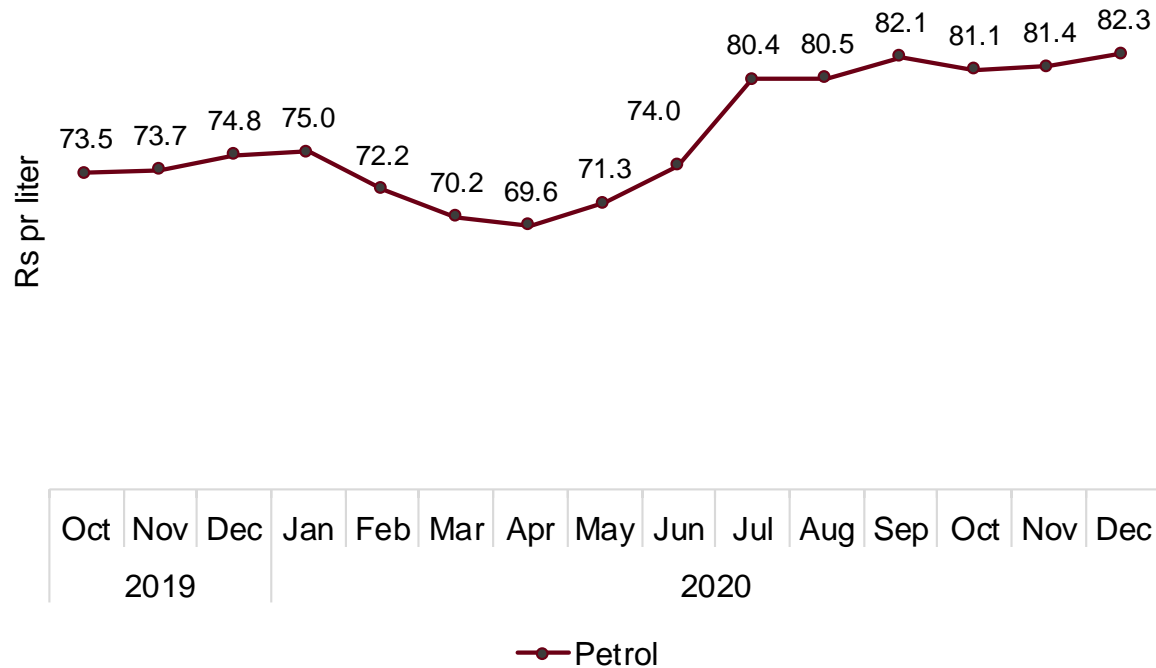


Source: Experian Credit Bureau, Company Reports, CRISIL Research

- Fiscal 2021 to see a sharp decline of 11-13% in disbursement due to more number of people in rural preferring cash payment (due to better cash availability in the hands of people) and financiers getting selective in lending. However, in FY22, financing scenario is expected to be back to pre-covid era.
- Loan-to-value (LTV) ratio will continue to be subdued as purchasing power of borrowers has taken a hit in the weakening economic environment, specially income loss to blue collar jobs and a hit taken by MSMEs.
- Financing penetration is expected to remain range-bound

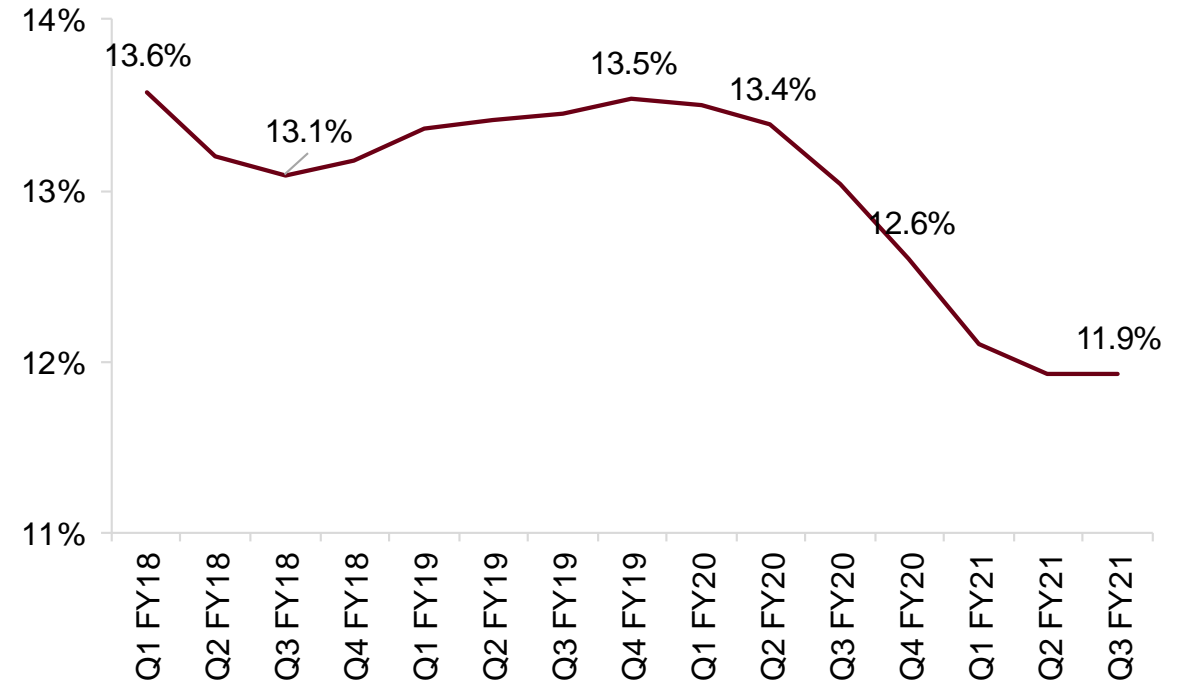
# Hike in fuel prices; stabilisation of interest rates

## Petrol Prices



Note: Fuel prices in Delhi region  
Source: Industry, CRISIL Research

## Interest Rates

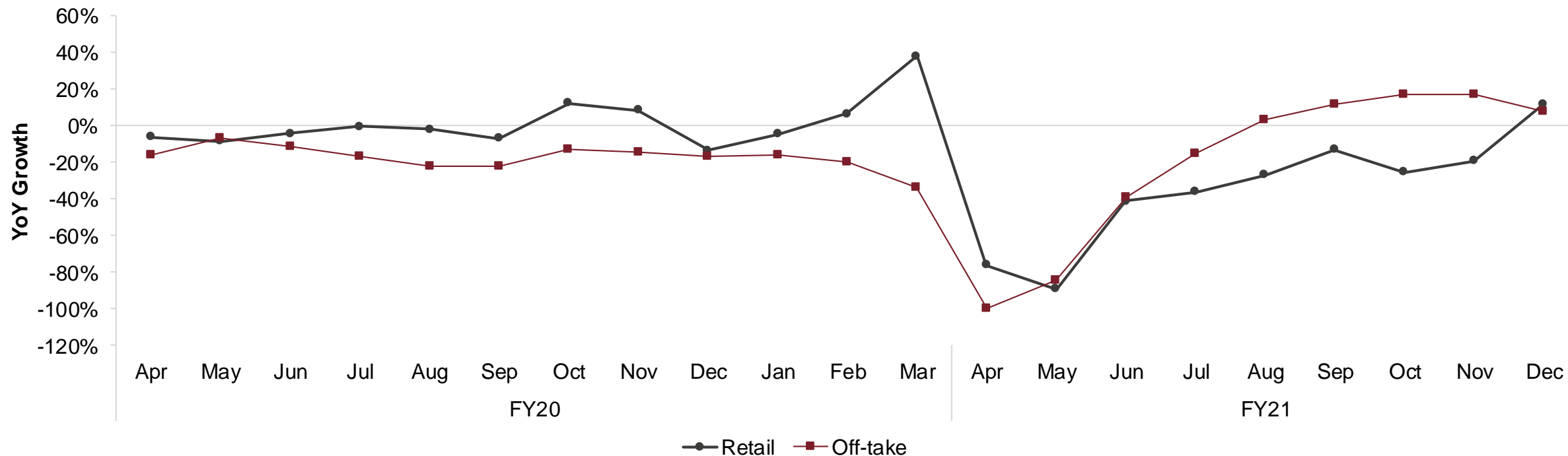


NOTE - Interest rates are an indicative rates charged by Banks  
Source - CRISIL Research

- Petrol prices continues to rise due to increase in crude prices as economic optimism outweighed concerns over fresh virus scare in Europe and China
- Interest rates have been on a declining trend since June 2019, however, entire repo rate cut has not been passed to the consumer. Defaults in two-wheeler portfolio is high since majority of the customers are blue-collared workers who have lost jobs. Going forward, interest rate are not expected to stabilise.

# Off-take in positive zone for 5 consecutive months; retail registers a growth in Dec on a low base

Retail vs off-take (Growth yoy)

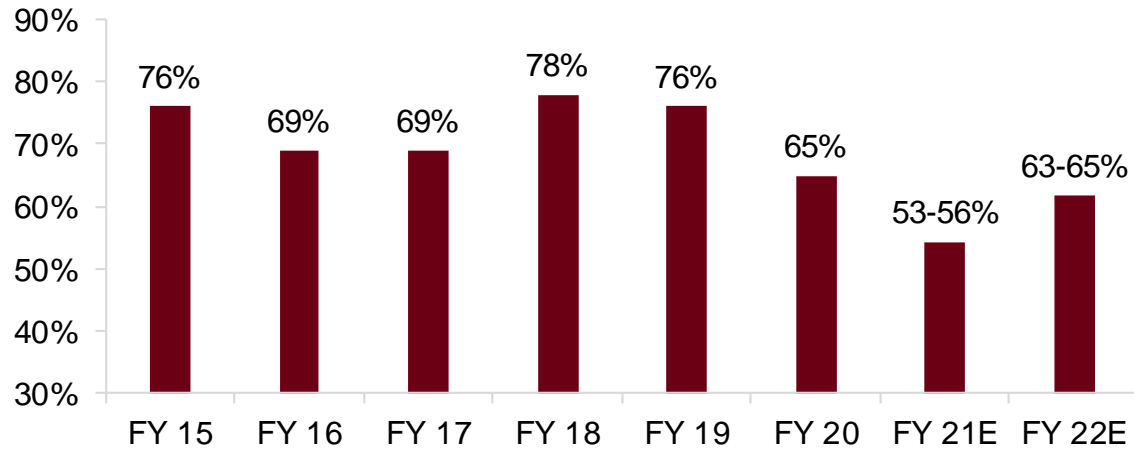


Source – MoRTH, SIAM, CRISIL Research

- Off-take has been in the positive trajectory since Aug 2020. Supply chains have normalized to great extent, however not yet completely. Festive built up led to inventory levels of 50-55 days with the two-wheeler dealers.
- However, in Dec 2020, wholesale push from OEM was less to correct dealer inventory plus systematic plant closure in the last month of the year by various OEMs.
- Retails registered a positive growth for the first time in this year in Dec 2020, however in absolute volume terms lower than the festive sales

# Capacity Utilisation in FY22 to be back to FY20 levels

## Utilisation rates to jump to pre-covid levels



## Expected capacity additions

Player	Location	Capacity million units	Investment (in crore)	Commissioning
Okinawa	Alwar, Rajasthan	1	200	Planning
HMSI <sup>^</sup>	Vithalpur, Gujarat	0.6	-	Completed

<sup>^</sup>HMSI built third line in Gujarat with a capacity of 6lac per annum. However, they have put a hold on when to start production on that line due to lower demand.

## Motorcycle focussed players ramped up utilisation level

Player	Effective Capacity* in mn (as on 31st Mar 2020)	Production (Apr-Dec) (in mn)	Capacity utilization (Apr-Dec) (%)	Capacity utilization (Q2 + Q3 FY21) (%)
Hero Motocorp	11.0	4.20	51%	67%
Bajaj Auto	5.4	2.56	63%	82%
HMSI	7.0	2.58	49%	71%
TVS Motor Company	4.5	2.03	60%	81%
India Yamaha Motors	1.6	0.49	41%	57%
Suzuki Motors	1.1	0.38	46%	65%
Royal Enfield	0.95	0.41	58%	77%
Piaggio Vehicles	0.3	0.05	23%	29%
Other Players	1.55	0.00	0%	0%
Industry Total	32.2	12.70	53%	71%

Note : \* Estimate

Capacity utilization estimates of Bajaj Auto and TVS Motor Co Ltd exclude three-wheelers

# Domestic – annual forecast

	Two-wheelers	Motorcycles	Scooters	Mopeds
FY 20 volumes	17.4	11.2	5.6	0.64
YoY Growth in FY20	18%	18%	17%	28%
FY 21E volumes	14.85-15.20	9.84-10.07	4.35-4.46	0.66-0.67
YoY Growth in FY21E	13-15%	10-12%	20-22%	4-6%
FY 22P volumes	17.04-17.34	11.05-11.25	5.26-5.35	0.73-0.75
YoY Growth in FY22E	13-15%	11-13%	19-21%	10-12%

NOTE: Volumes in million units;  
 YoY Growth in red indicates a negative growth  
 YoY Growth in green indicates a positive growth

Source – SIAM, CRISIL Research

# Domestic – quarterly forecast

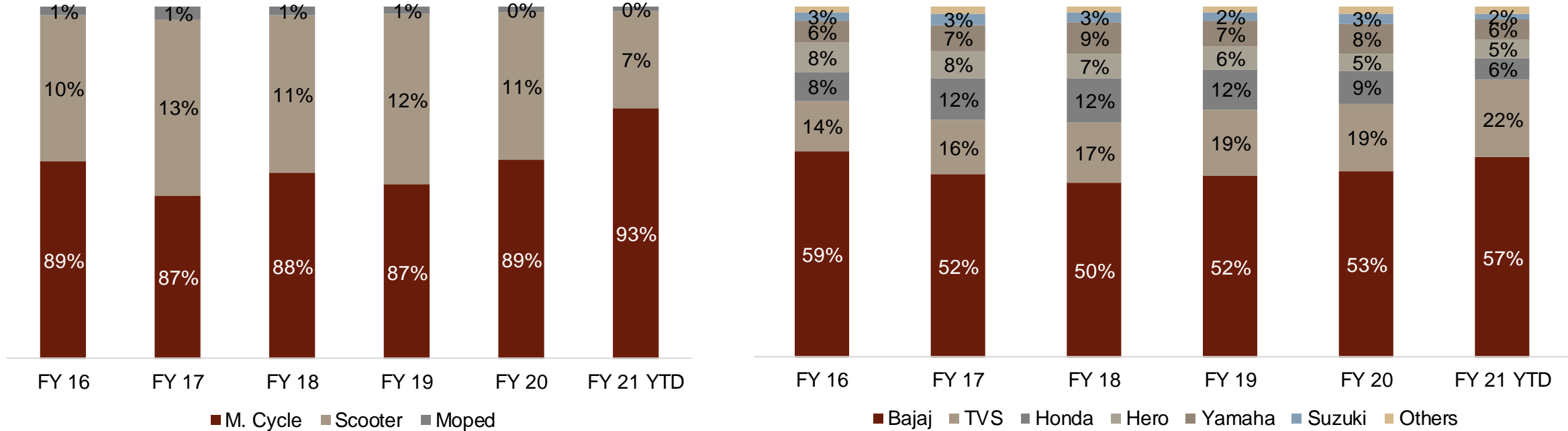
Period		Two-wheeler		Motorcycles		Scooters		Mopeds	
		Volume (mn)	YoY Growth	Volume (mn)	YoY Growth	Volume (mn)	YoY Growth	Volume ('000)	YoY Growth
<b>FY20</b>	Q4	3.51	(25)%	2.26	(26)%	1.10	(20)%	144	(34)%
<b>FY21E</b>	Q1	1.29	(74)%	0.90	(73)%	0.34	(78)%	54	(68)%
	Q2	4.72	1%	3.15	8%	1.38	(16)%	197	20%
	Q3	4.78	13%	3.15	16%	1.42	5%	211	29%
	Q4	4.23-4.30	21-23%	2.73-2.78	21-23%	1.29-1.31	17-19%	202-205	43-45%
<b>FY22P</b>	Q1	4.22-4.25	227-229%	2.75-2.76	205-207%	1.30-1.31	283-285%	178-179	231-233%
	Q2	4.47-4.56	(5)-(3)%	2.86-2.92	(9)-(7)%	1.41-1.44	5-7%	194-197	(2)-0%
	Q3	4.24-4.34	(11)-(9)%	2.77-2.84	(12)-(10)%	1.29-1.31	(9)-(7)%	179-183	(15)-(13)%

Source – SIAM, CRISIL Research

- Q3 of FY21 registered a growth of 13% driven by motorcycle and mopeds. Festive demand remained sluggish due to impact on incomes of blue collared jobs, however cash availability in rural region has aided the growth on motorcycle front.
- Marriage season for 2021 is from second half of March, this is expected to give push to motorcycle sale from Q1 of FY22. In FY22, we expect a normal monsoon aiding the motorcycle sales.
- Scooters growth was at mere 5% in Q3 FY21 mainly due to urban centres still opening up, hence the demand being lower.
- We expect schools, colleges and workplaces to resume from Q1 of FY22 aiding to scooter demand from the first quarter of FY22.
- Demand for mopeds has been positive. We expect the similar momentum to continue in FY22 also.

# Motorcycle exports at its record high

## Share of motorcycle zooms up

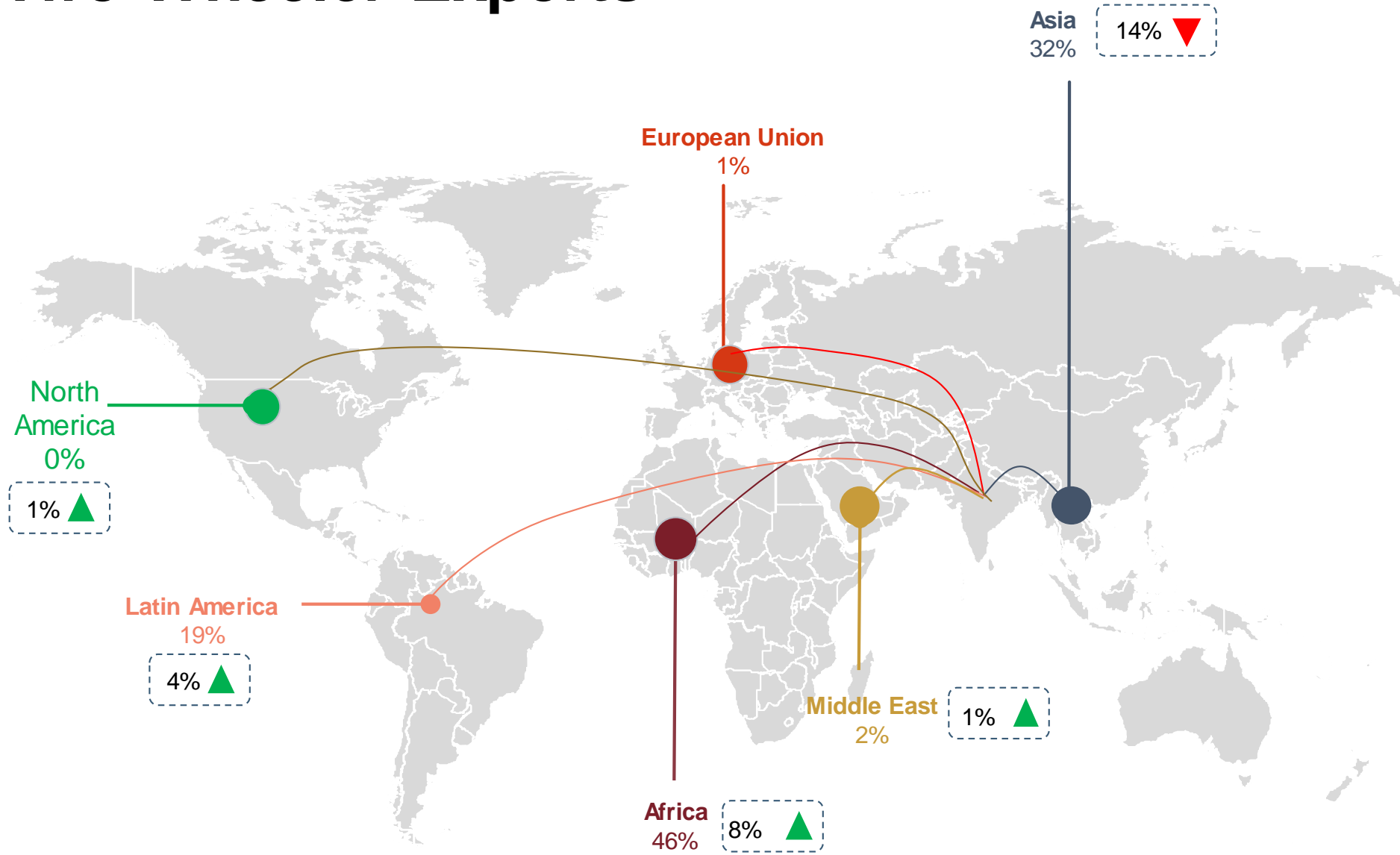


NOTE: YTD is Apr to Dec 2020  
Source: SIAM, CRISIL Research

- In 9 months of FY2021, exports declined by 19% as compared to same period last year. However, in Q3, exports registered a growth of 20% led by growth of 22% in motorcycle and marginal de-growth in mopeds and scooter segment.
- Bajaj recorded its all time high export volume in Q3, aided by demand from African continent.
- Scooters continue its de-growth, since demand from Asian market is still subdued.



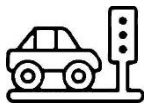
# Two-Wheeler Exports



- Lower spread of covid in African regions has proved beneficial for motorcycle exports.
- Two-wheeler in **LATAM is now used for personal commute due to social distancing** requirement. Share of LATAM has increased in total pie of exports from India.
- **Firming up of crude oil prices** is expected to provide impetus to two-wheeler exports.
- **Srilanka, continues to ban imports of non-essential items.**

# Stakeholder interactions

## OEM



- Motorcycle demand in Q4 at best is expected to be similar to Q3 of FY21. Demand from **marriage season** is shifted to Q1 of FY22.
- Scooters in Q4 is expected to record a lower volume compared to Q3 of FY21 because of no clarity in opening up of school, colleges and other transit modes (specially in metros).
- Scooter to show recovery once education institutes and workplaces resume to normalcy. However, on low growth of last two years, **scooters is expected to record a high double digit growth.**
- Supply side constraints were faced for few models. However, the condition is not as grave as other vehicle segments like PV and CV.
- **Price hike due to increase in raw material cost will remain a key monitorable**
- Demand from **replacement buyer** is expected to culminate in FY22 due to postponement in purchase in FY21.

## Dealer



- Festive demand was sluggish across the dealers.
- On motorcycle front, dealers expect better demand in Q4 of FY21 due to **harvesting season** and hence higher cash flow in the hands of the people.
- Enquiries have gone down, however the conversion rate has increased because of serious buyers visiting the dealerships.
- **Inventory levels have come down** due to lower billing in Dec 2020.
- Few models are facing supply issue, it is mainly due to people buying new year models, specially on premium two-wheeler side.
- Sale of **second hand motorcycles** have increased because of higher price difference between used BS IV vehicle and new BS VI vehicle.
- However, **people do not prefer second hand scooter**, since it is used by most of the family members to avoid inconvenience faced in case of breakdown.

## Financier



- Cash buying is seen mainly due to higher cash availability mainly in rural markets.
- Post the unlock phase, financiers were more stringent in lending, like reduction in LTV was seen. Now, the stringency is back to pre-Covid situation, however, higher emphasis is given to good **CIBIL** score.
- Few financiers have seen higher stringency in credit appraisal due to rising defaults. They have even started **repossessing** the vehicles and selling as second hand vehicles.
- Complete pass on of repo rate cuts is not seen due to two-wheeler portfolio being a riskier one. seen due to two-wheeler portfolio being a riskier one.

Source – Industry, CRISIL Research

# Commercial vehicles

# Overview of end-use segments – cargo

Segments (% Growth Y-o-Y)	FY 17	FY 18	FY 19	FY 20	FY 21 P	FY 22 P
Coal (production)	3.0	3.0	7	1	(9)-(7)	12-14
Iron ore (production)	25	3	3	19	(21)-(19)	18-20
Steel (consumption)	3.1	8	9	1	(11)-(9)	12-14
Cement (consumption)	1.9	9	12	(2)	(5)-(3)	10-12
Roads (Km constructed / day)	7	8	9	11	11	11-12
Port (traffic)	5.6	6.5	4.5	1-2	(7)-(5)	6-9
Two-wheelers (domestic sales)	6.9	14.8	5	(17)	(14)-(12)	14-16
Passenger vehicles (domestic sales)	9.2	8	3	(18)	(4)-(6)	22-24
Consumer durables (consumption)	6.6	5.8	7	5	(25)-(20)	30-35
E-retail	22	35	35-37	23	10-15	20-25
RMG (market size)	17	5	8	(3)	(35)-(30)	40-45

Core Sectors

Discretionary Products

Source: CSO, RBI, SIAM and CRISIL estimates E: Estimated; P: Projected

# Overview of end-use segments

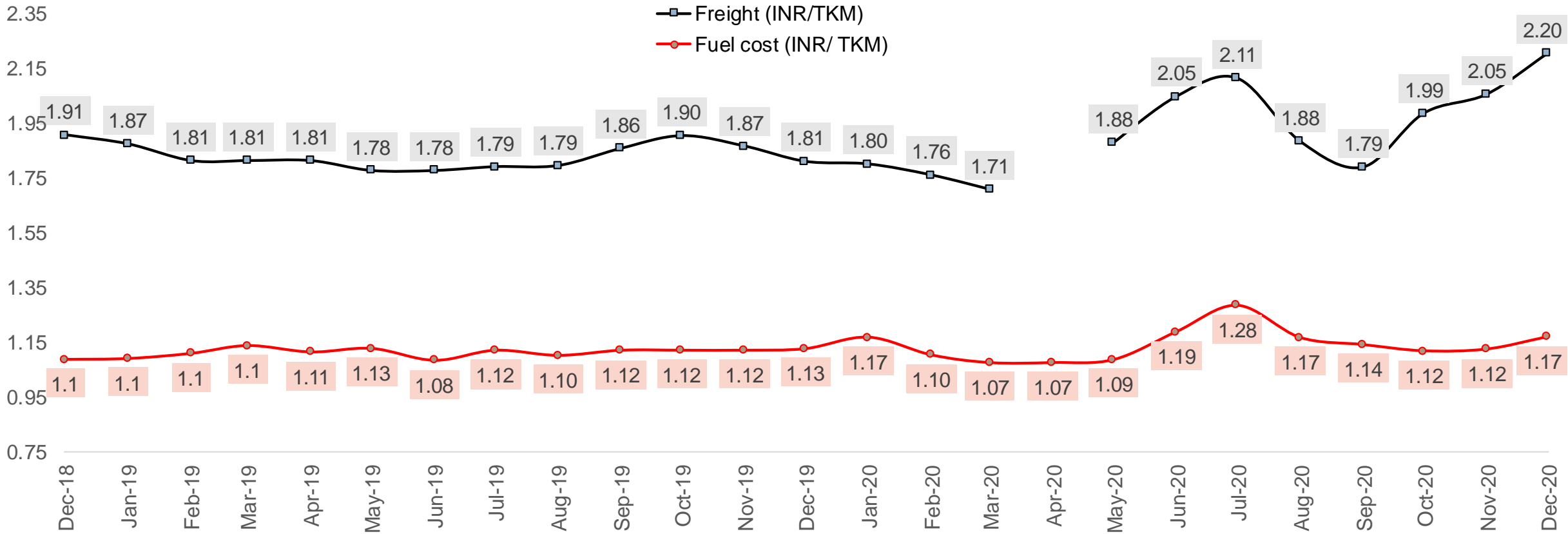
Segments (% growth Y-o-Y)	FY17	FY18	FY19	FY20	FY21E	FY22P		
Dairy (production)	5.8	6.7	6	(3)	7-9	6-8	Non - Discretionary Products	
FMCG	5	8	12	5	0-1	13-15		
Pharmaceuticals (market size)	5	1	15	11	8-9	9-11		
<b>Gross school enrollment</b>								Buses
K-12	77.5	74.3	73.2	73.5	73.8	74		
Above K-12	22.6	22.6	23.2	23.7	24.3	24.9		
IT employee base	4	3	4	4	(5)-(3)	2-4		
Air passenger traffic	16	16	11	(2)	(65)-(60)	70-75		
Hotel room demand	7	5	5	3	(55)-(50)	50-55		

Note – Gross enrollment ratio (GER) is the ratio of the number of students enrolled to the population of those who qualify for the particular grade level. K-12 indicates classes 1<sup>st</sup> – 12<sup>th</sup>.

Source: NASSCOM, AAI, CRISIL Research

# Freight rates and diesel prices seeing a peak after stabilizing in August

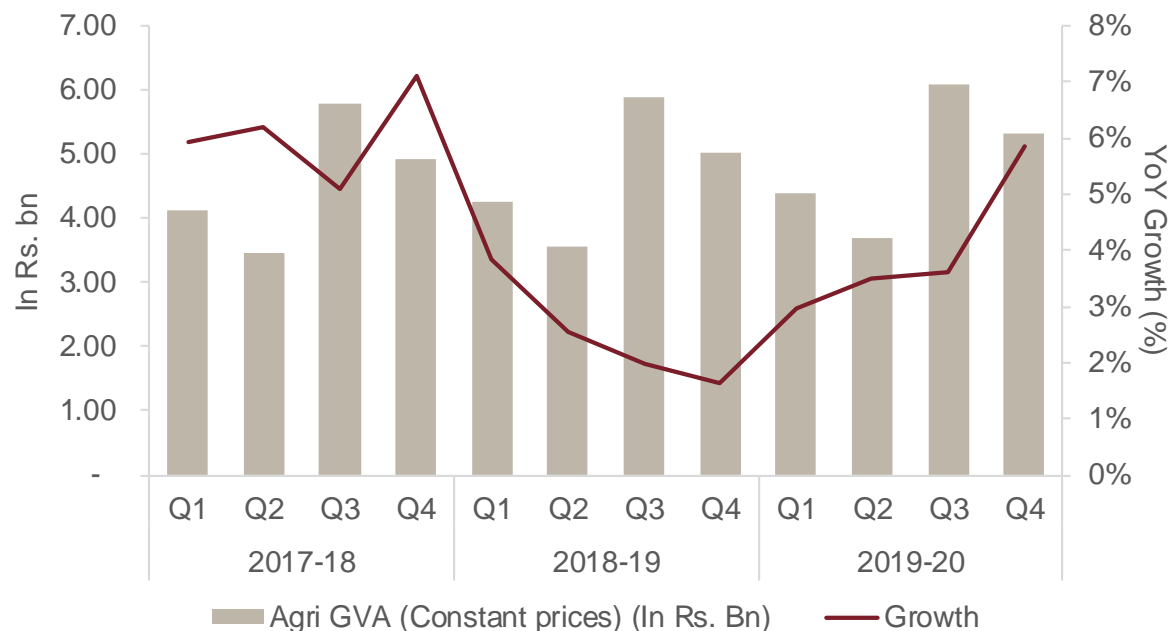
Freight rates vs Diesel prices



Source: Business Standard, PTI, CRISIL Research, IFTRT, AITWA  
 Note: (i) The estimated freight rate data is a representative of average freight rates from Delhi to 24 locations across India for a 9T payload truck  
 (ii) Indexed freight rates and diesel prices have been derived taking April 2014 values equaling 100  
 TKM is tonne per km

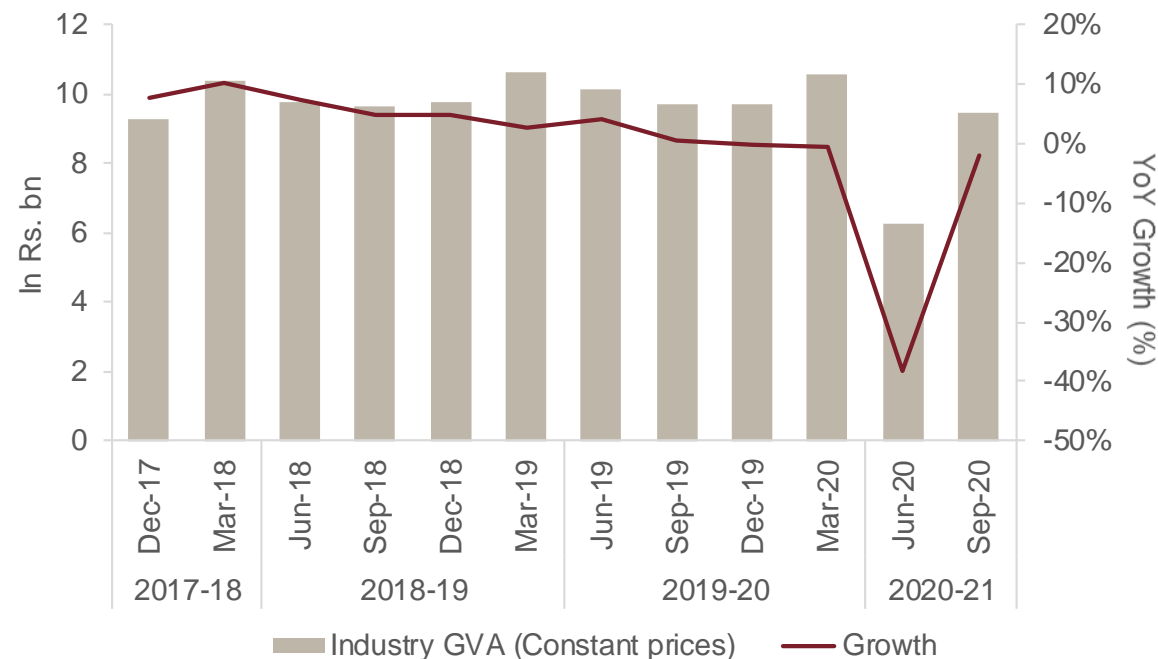
# Festive built-up augmented well for Industrial GVA, normal monsoon to support sustained Agri GVA growth momentum in fiscal 2021

## Agriculture GVA growth



Source: MOSPI, CRISIL Research

## Industry GVA growth

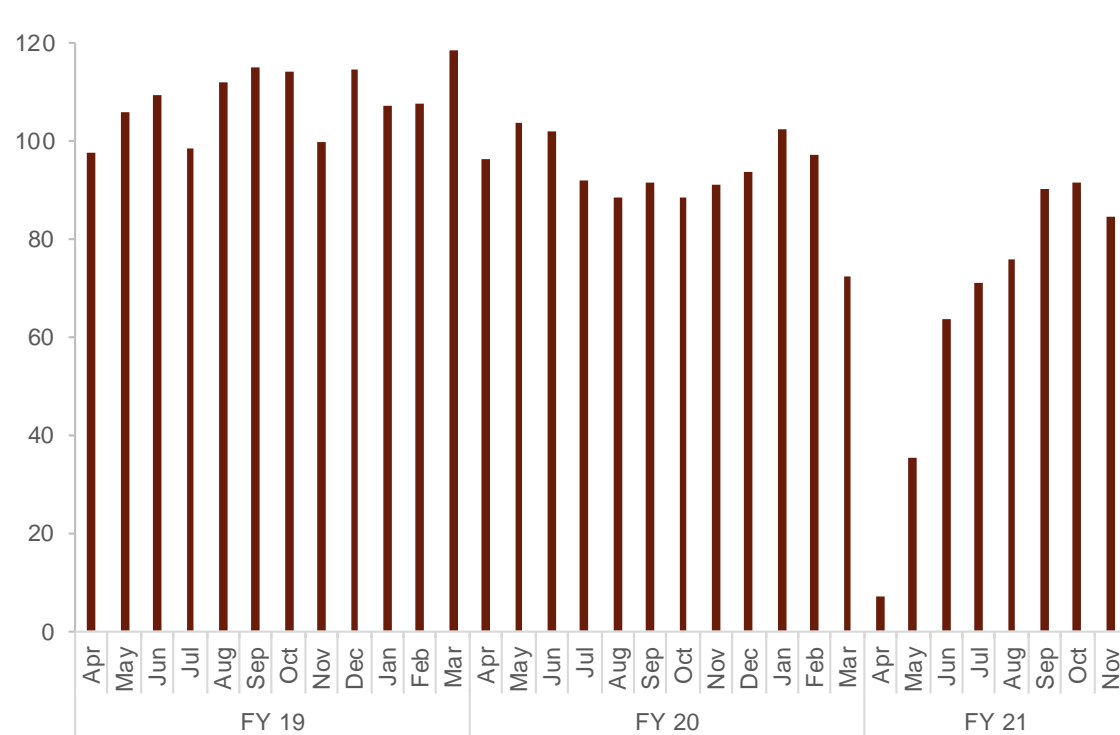


Source: MOSPI, CRISIL Research

- Agri GDP growth of Q2 FY2021 again grew at 3.4% on-year similar to Q1. It has been the best performing sector among the three broad categories.
- Consecutive good monsoons have helped the agri sector remain relatively unscathed thus far. With good sowing, the upcoming rabi season as well as expectations of normal rainfall in FY22 will help the sector maintain its momentum in the upcoming fiscal as well.
- Industry GVA continued to contract in Q2 FY21 by a meagre 2.1% which was significantly better than Q1 decline of -38.1%

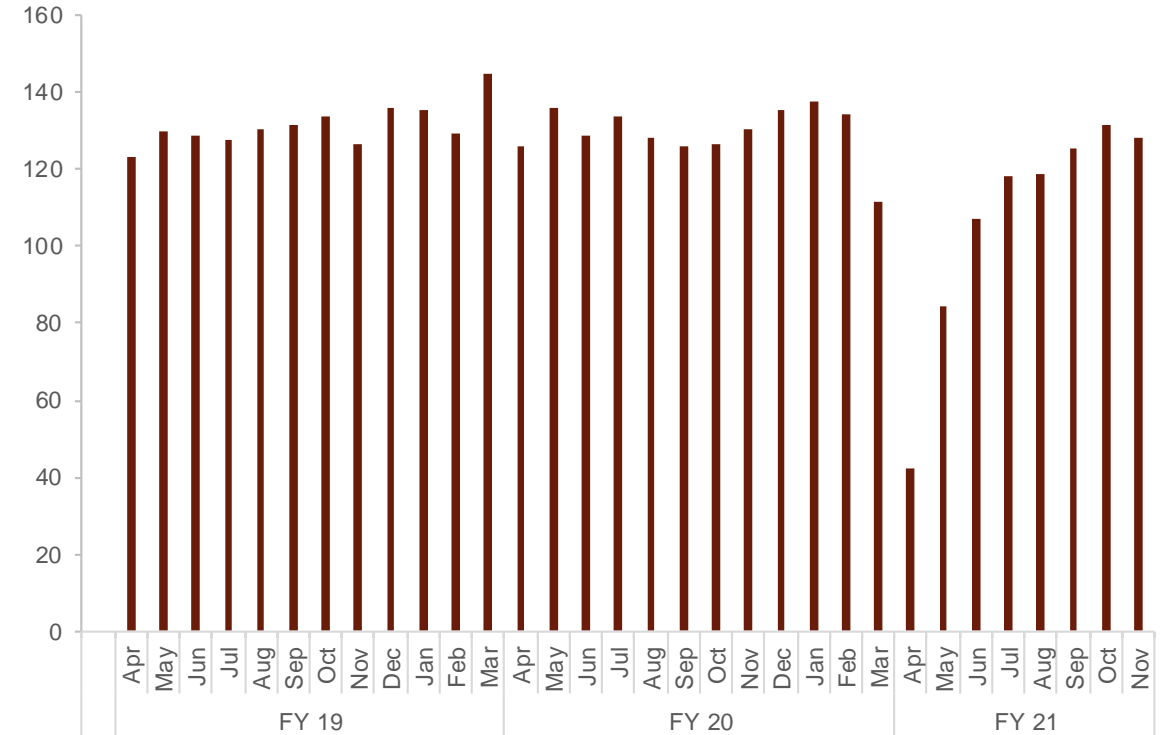
# IIP contracts in Nov after two months of expansion

IIP Capital Goods dips in Nov post festive



Source: MOSPI, CRISIL Research

IIP Manufacturing posts a 2% yoy decline



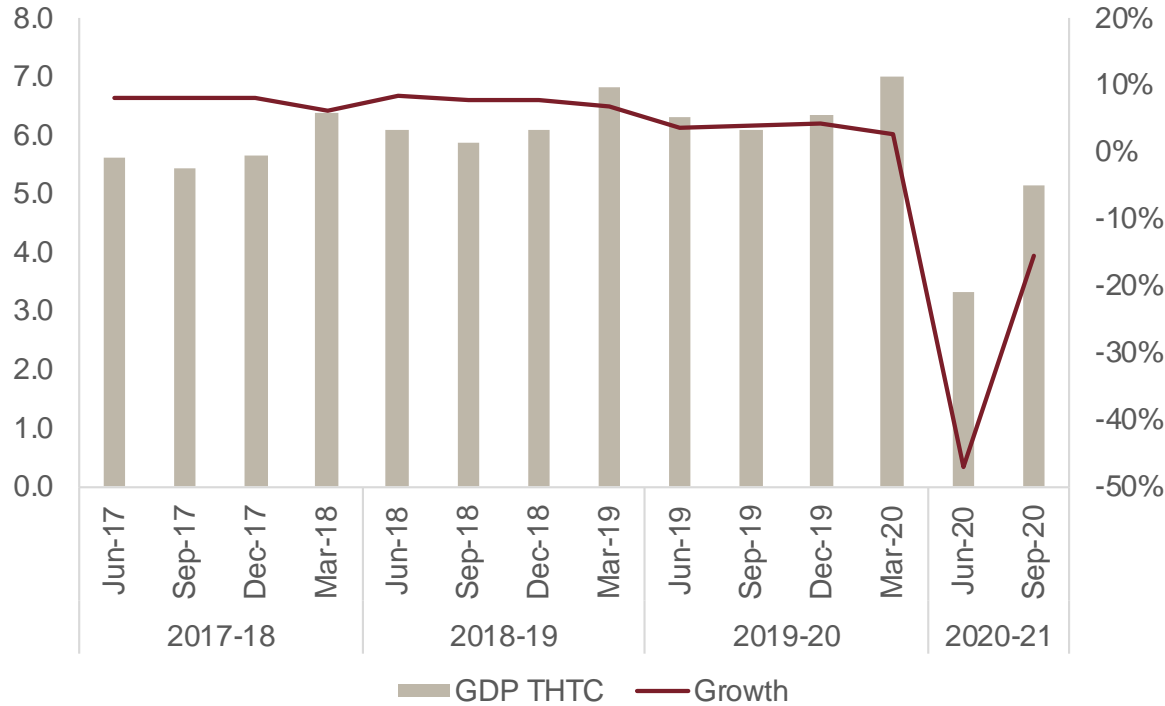
Source: MOSPI, CRISIL Research

- IIP capital recorded a de-growth of 7% yoy in Nov 2020 on a moderate base of last year. Lower capacity utilisation because of subdued demand has kept its growth in negative territory.
- IIP manufacturing has seen a marginal de-growth on a high base of last year.
- Gradually the manufacturing activities have resumed post the unlock phase initiative.



# GDP THTC records a sequential growth

GDP THTC

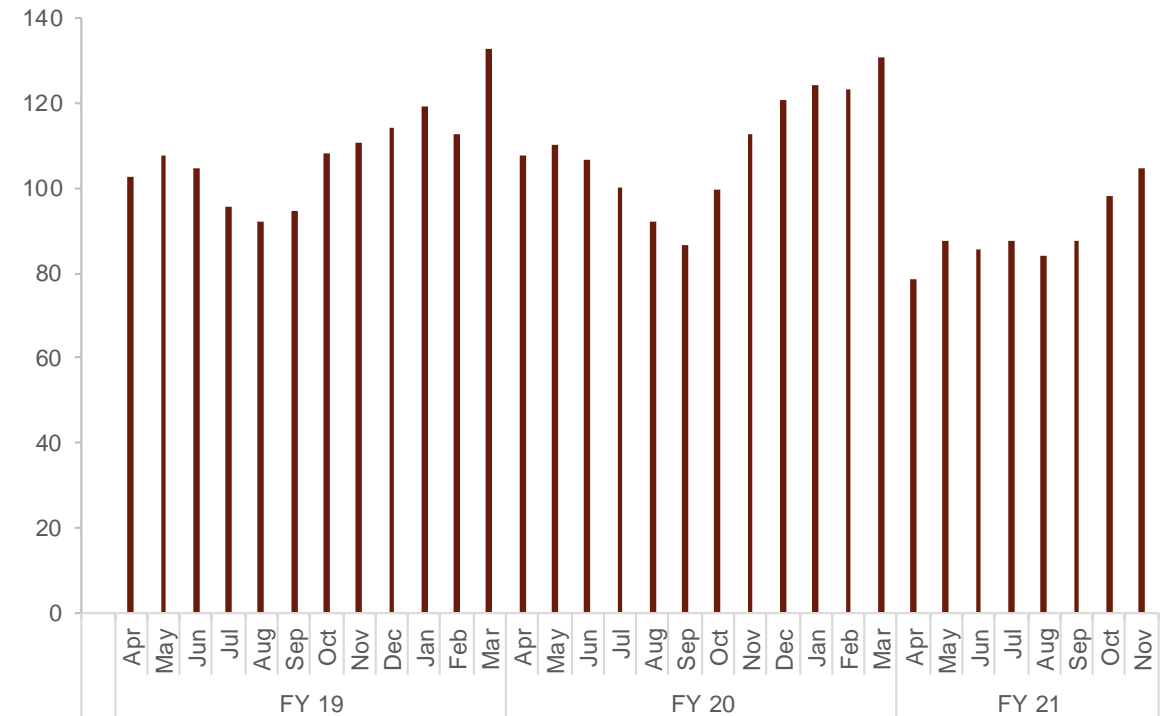


NOTE: THTC: Transport Hotel Transport Communication Services

Source- MOSPI, CRISIL Research

- GDP THTC registered a steep de-growth of 17% in September quarter. For entire fiscal, this segment is expected to be affected due to fear of catching virus, which will continue to restrict movement.
- IIP mining has remained in a band since May 2020 onwards due to lower requirement from the end use segments like steel, cement, etc. It contracted by 7% in Nov 2020.

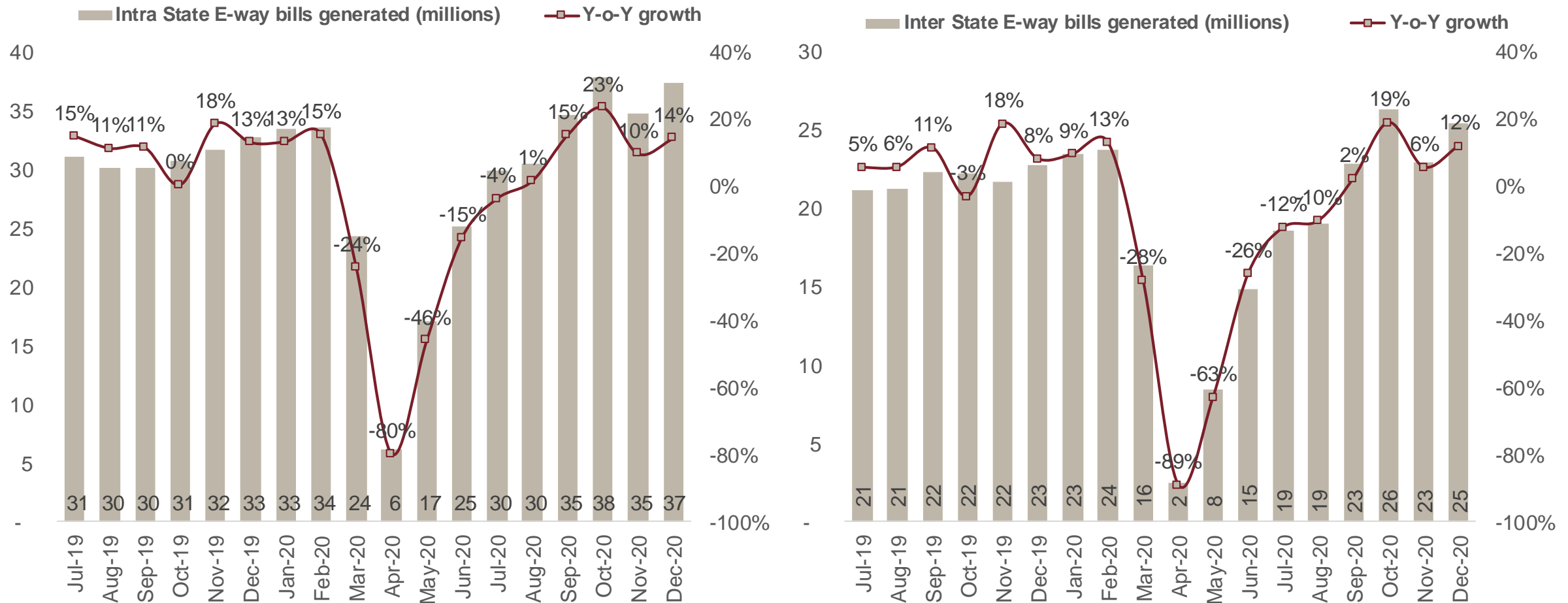
IIP mining on a gradual uptick



Source- MOSPI, CRISIL Research

# E-waybill growth back to double digit territory in December after seeing a small blip in November

Number of E-way bills generated in India (millions)

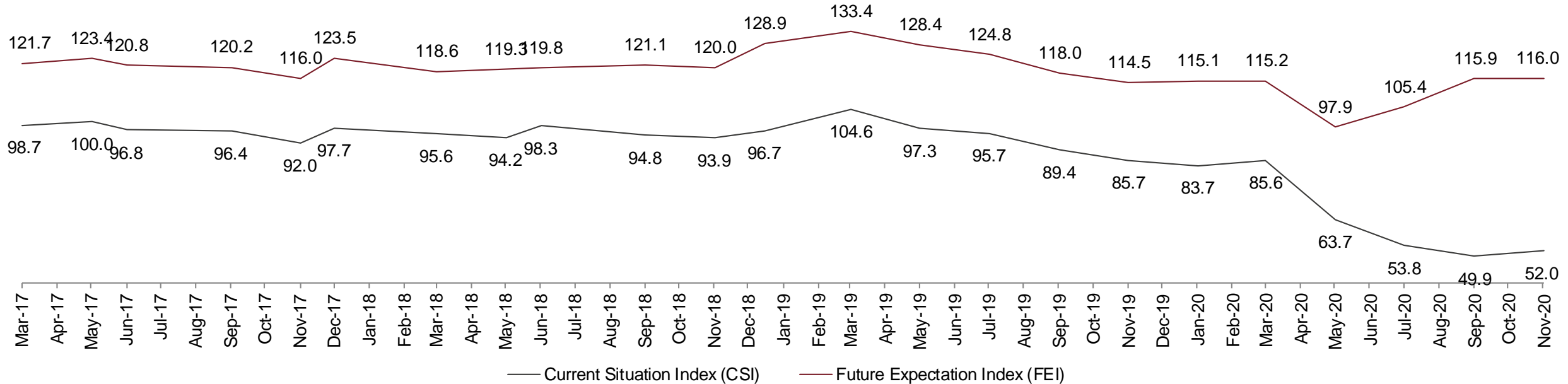


Note: Agri, last mile distribution and market load operations do not come under ambit of E-way bill hence the E-way bills mentioned here may not represent the entire movement of goods in the country

Source: GST Network, CRISIL Research

# Consumer confidence index on current situation shows marginal improvement

## Consumer Confidence Index

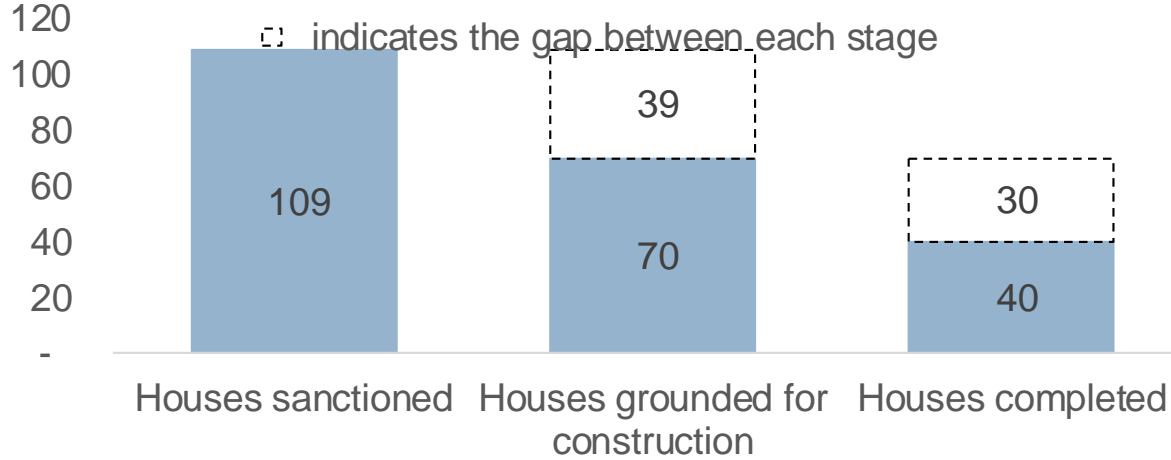


Source- RBI, CRISIL Research

- Consumer confidence remained very low in November 2020 when compared to a year ago, though it showed a marginal improvement over the all-time low recorded in the previous round
- Households were, however, more confident for the year ahead: the future expectations index (FEI) improved for the third successive survey round.
- Consumers expect improvements in general economic situation, employment conditions and income scenario during the coming year

# PMAY(Urban):Improving construction activity to help support demand marginally

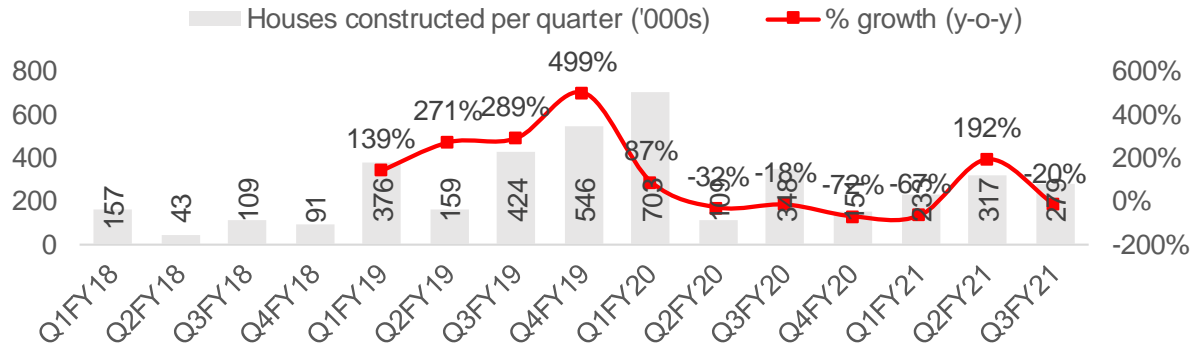
Cumulative completion status as on 4<sup>th</sup> Jan 2020 (lakh houses)



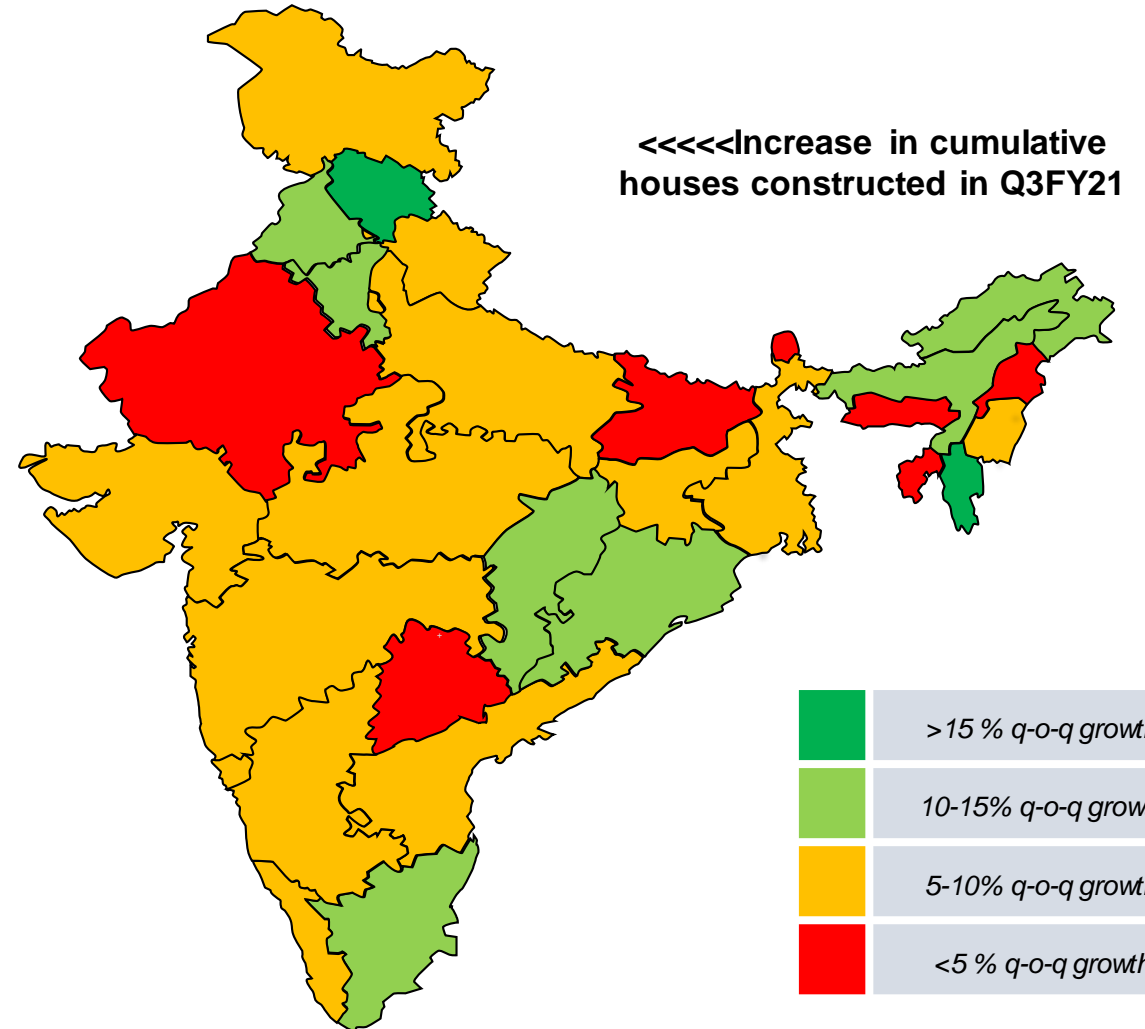
## Year wise house construction

Houses constructed per year ('000 houses)

	FY18	FY19	FY20	FY21 YTD
Houses constructed per year ('000 houses)	400	1,505	1,311	784

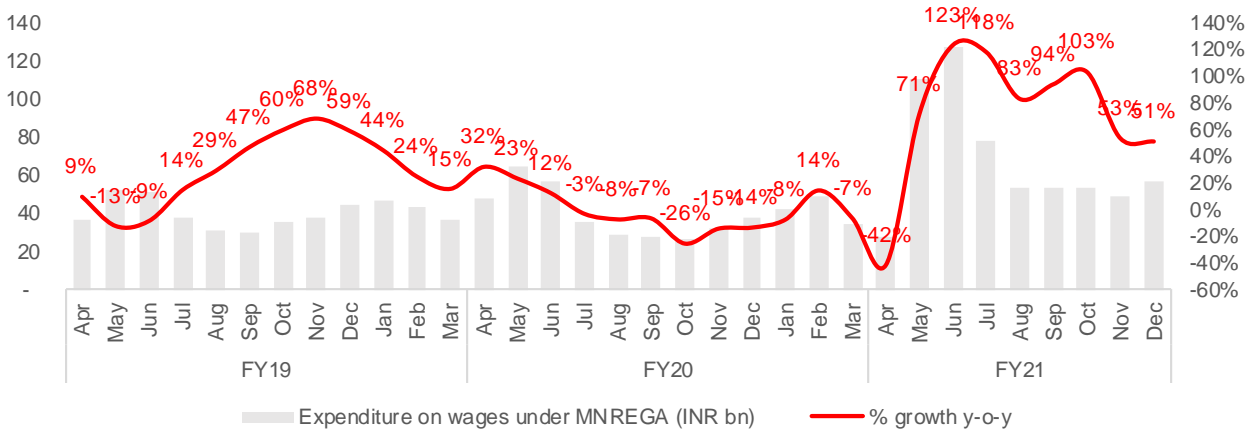


State wise cumulative house construction-Q3FY21

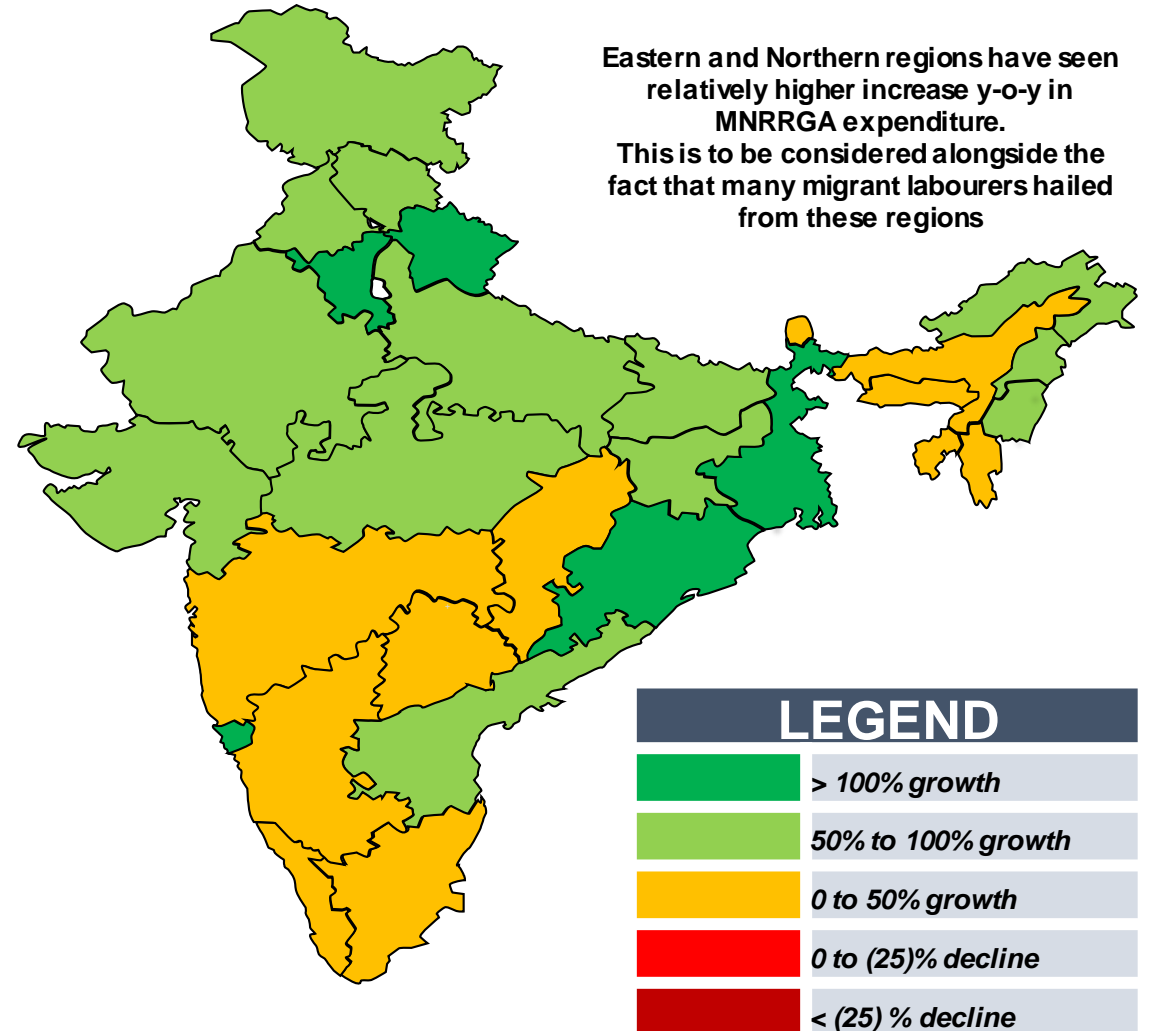


# In the first 9 months of MNREGA about 80% of budgeted funds expended yet

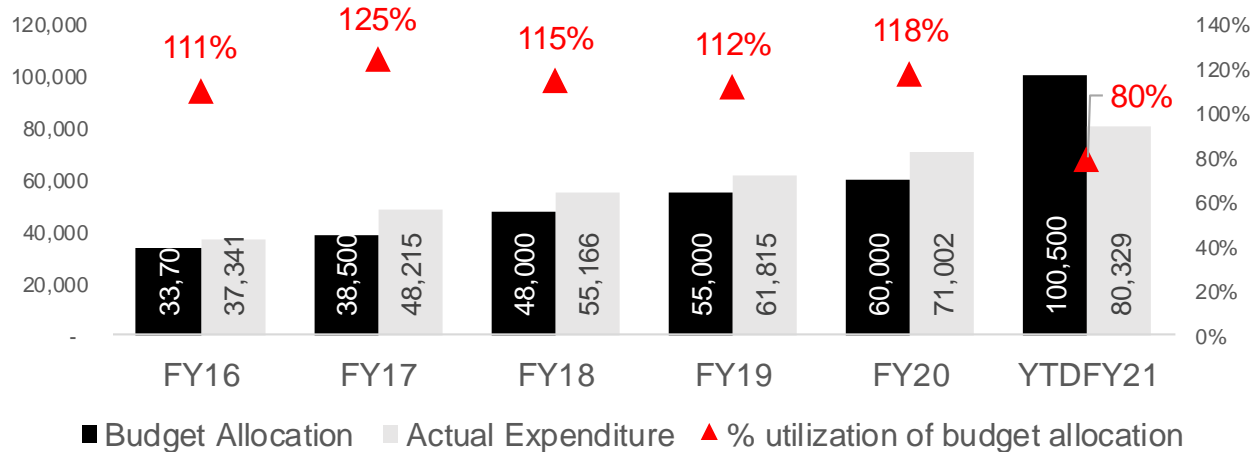
## MNREGA wages growth robust in FY21



## State wise growth in MNREGA wages expenditure for Apr-Dec FY21



## The MNREGA scheme has a history of overshooting budget



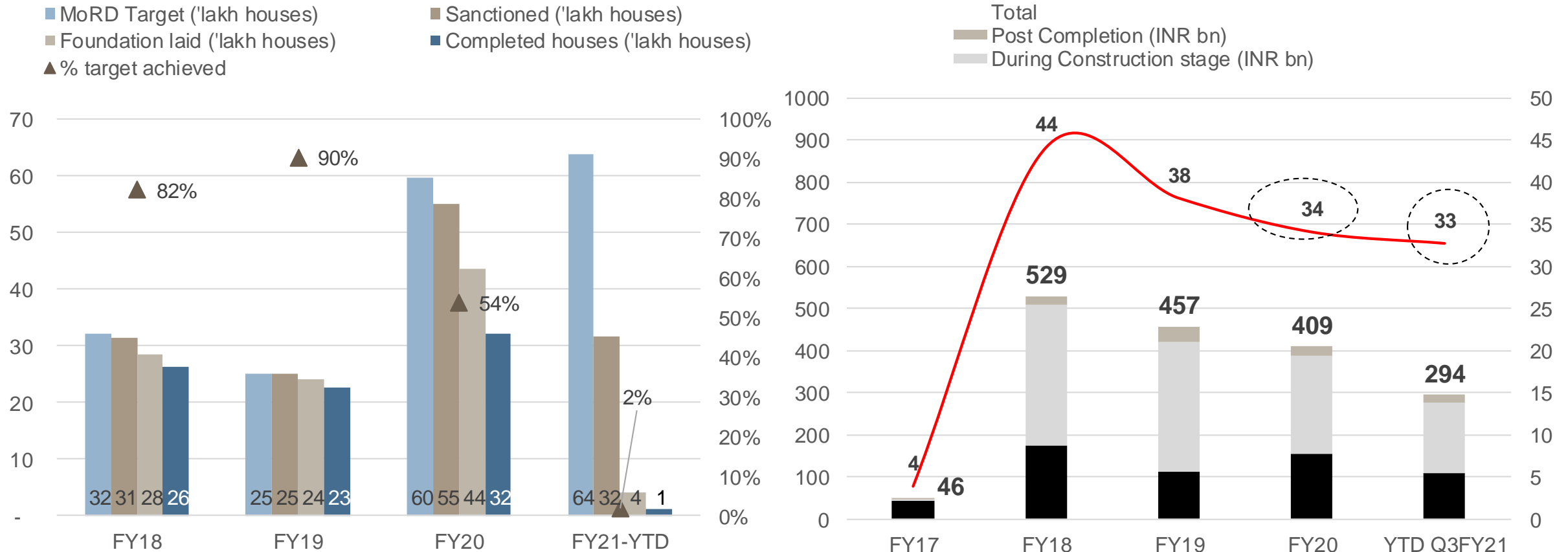
**Note:**

November data is provisional and maybe restated over the next few days  
 FY21 person days are based on projected person day generation published for FY21 by MoRD  
 YTD FY21 data as of 21<sup>st</sup> Dec 2020

Source: Budget documents, Ministry of Rural development, CRISIL Research

# PMAY-G: Completion of houses could fall short second year in a row in FY21 as funding has not kept pace with the elevated targets in FY20 and FY21

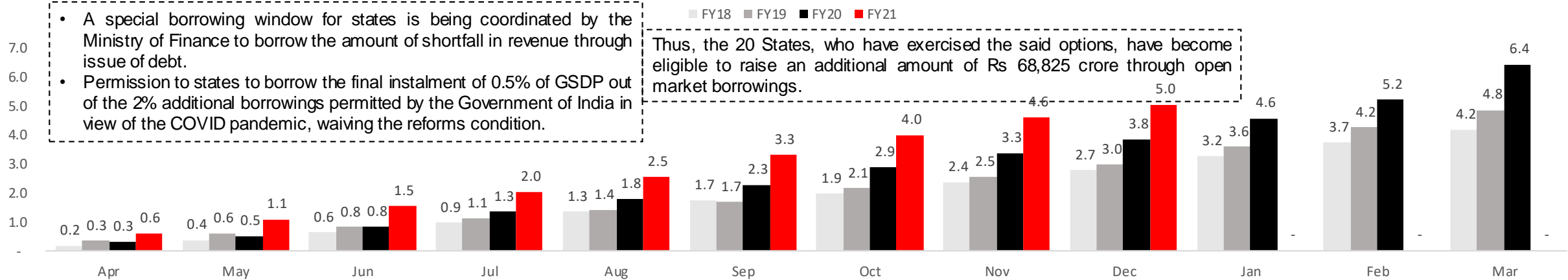
PMAY-G construction and fund disbursement levels



The focus thus far has been on sanctioning houses rather than completion of already sanctioned houses, as also seen in the pattern of fund disbursements

# Along with centre, state governments too are borrowing higher than last year; Centre has approved further borrowing for states for Capex

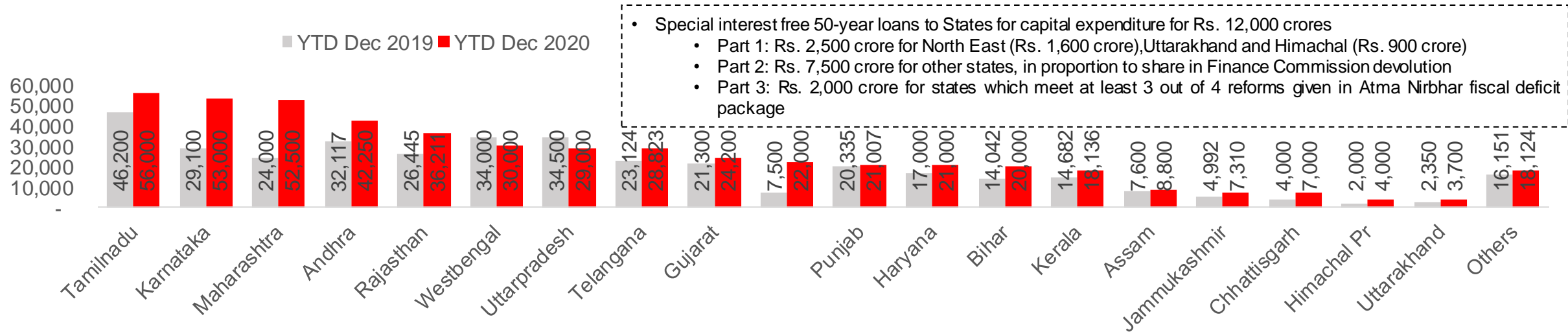
m-o-m build-up of state government G-sec borrowings (INR trillion/INR lakh crore)



- A special borrowing window for states is being coordinated by the Ministry of Finance to borrow the amount of shortfall in revenue through issue of debt.
- Permission to states to borrow the final instalment of 0.5% of GSDP out of the 2% additional borrowings permitted by the Government of India in view of the COVID pandemic, waiving the reforms condition.

Thus, the 20 States, who have exercised the said options, have become eligible to raise an additional amount of Rs 68,825 crore through open market borrowings.

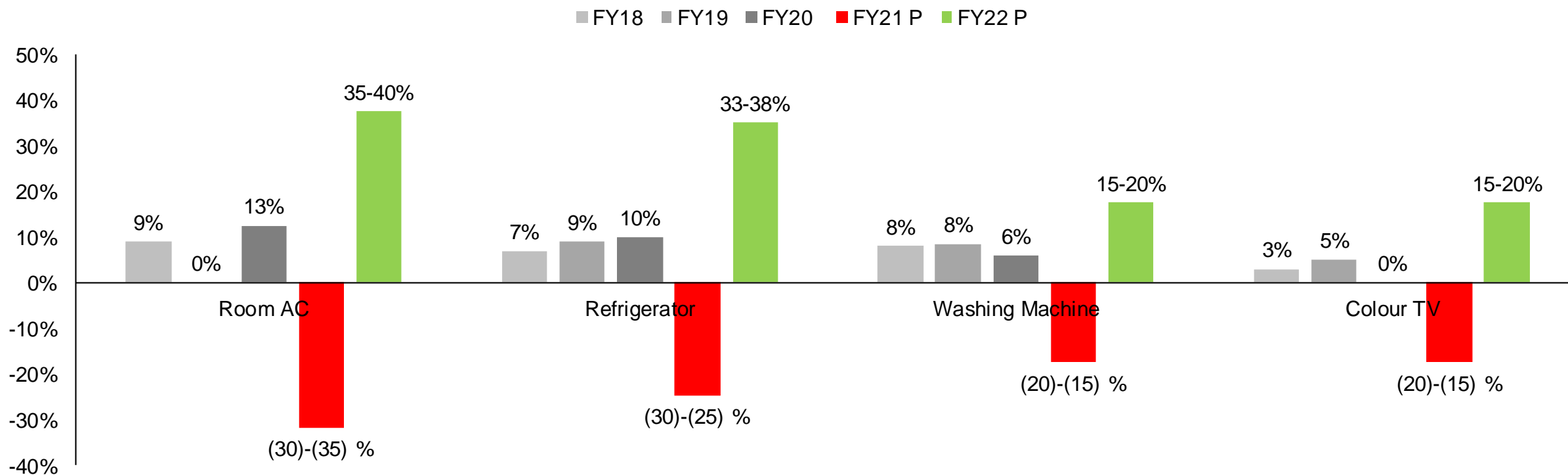
Year to date G-sec borrowings of various state governments and comparable levels for past year (INR crore)



- Special interest free 50-year loans to States for capital expenditure for Rs. 12,000 crores
  - Part 1: Rs. 2,500 crore for North East (Rs. 1,600 crore), Uttarakhand and Himachal (Rs. 900 crore)
  - Part 2: Rs. 7,500 crore for other states, in proportion to share in Finance Commission devolution
  - Part 3: Rs. 2,000 crore for states which meet at least 3 out of 4 reforms given in Atma Nirbhar fiscal deficit package

# Overall consumer durable segment is expected to fall by ~20-25% in fiscal 2021, central government schemes may give a minor relief

Trend in annual volume growth across consumer durables and automobiles



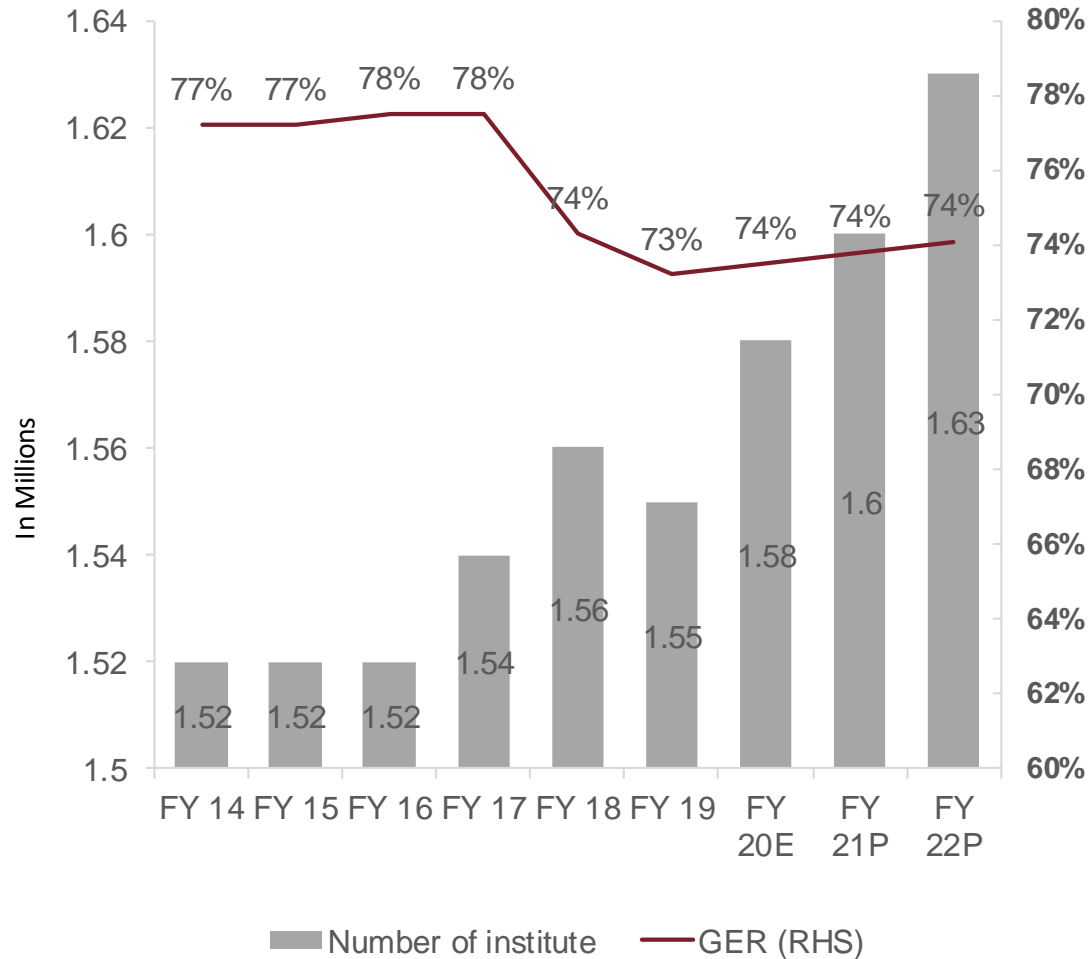
Source: CRISIL Research

- Lost sales in the first quarter due to the lockdown for products such as Room AC may not return in this fiscal. Demand for household appliances such as washing machine, dish washer have increased in Q2
- Moreover income pressures will limit spending on other appliances such as television post lockdown as well
- The central government has launched 2 new schemes for public sector employees for encashment of leave travel coupons and festival advances, which may cause result in slight positivity in consumer spending for goods in >12% GST slab . The government estimates these schemes to generate additional consumer spending of ~INR 36,000 crore

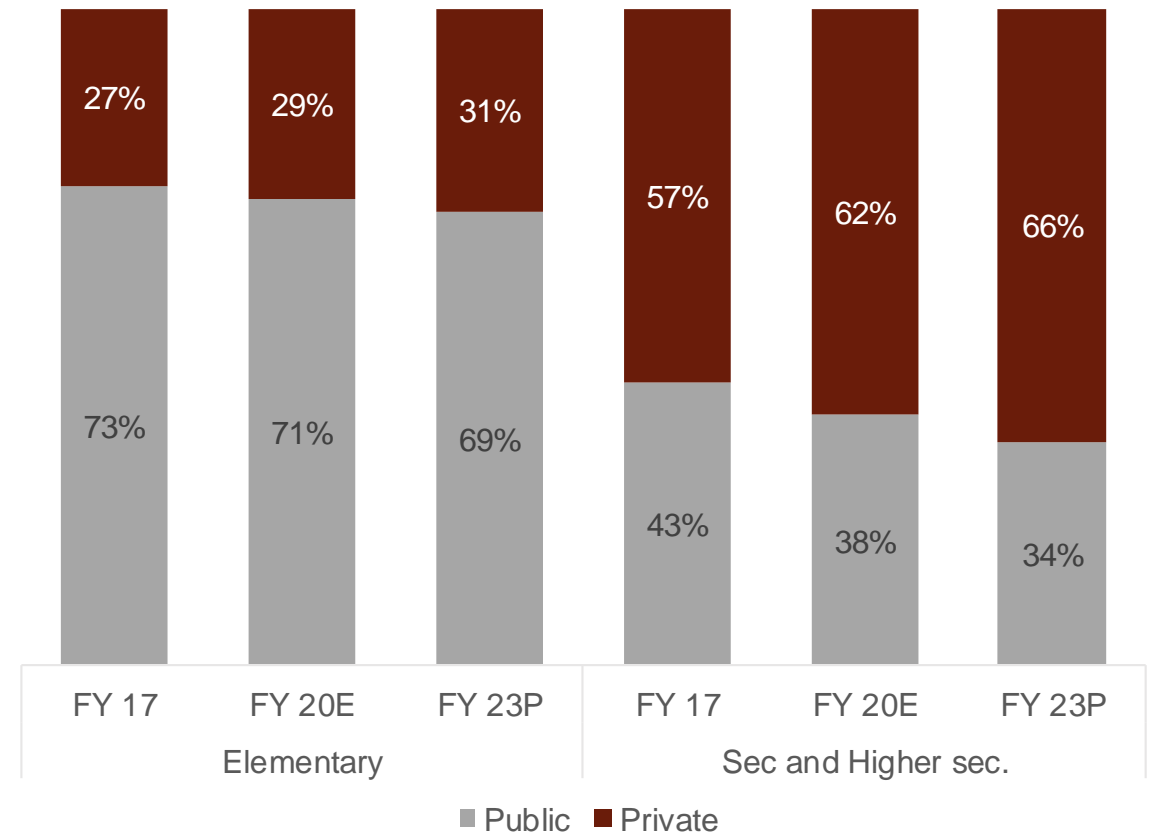


# While school enrolment is resilient, online school concept expected to severely dent school bus demand

K-12 (Elementary + Sec & Higher Sec) : Institutions and GER



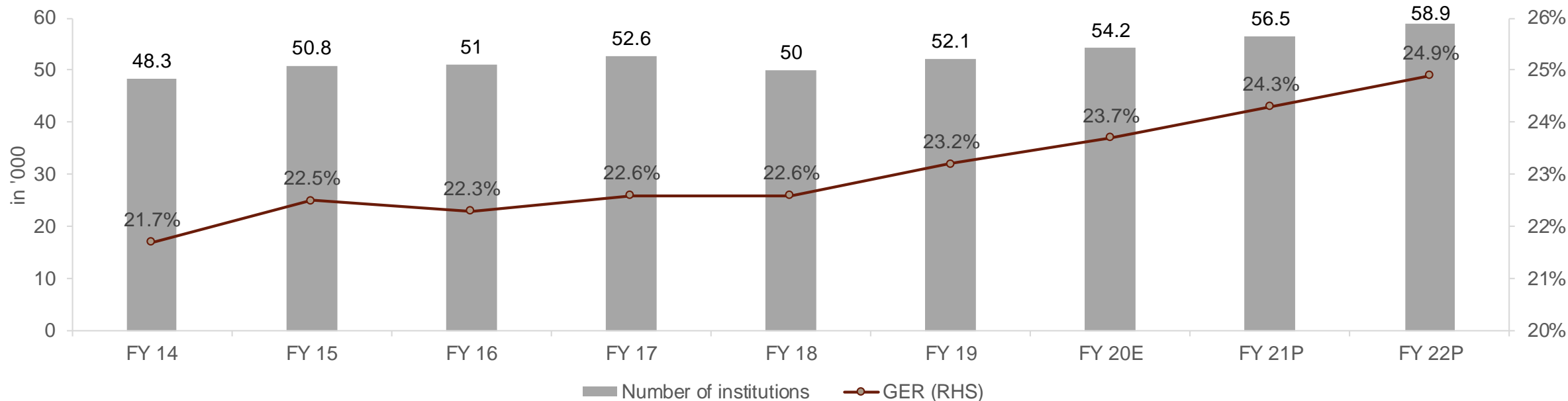
Private institute shaping up, share expected to increase further



Note – GER is the ratio of the number of students enrolled to the population of those who qualify for the particular grade level.  
 E : Estimated, P : Projected  
 Source: CRISIL Research, DISE, MHRD

# Higher education in India characterised by poor but improving GERs, bus demand unlikely to materialize in this fiscal year

Higher education institutes (Above 12<sup>th</sup> Class)



**Covid 19 has delayed graduation enrollments for Higher education due to postponement of exams**

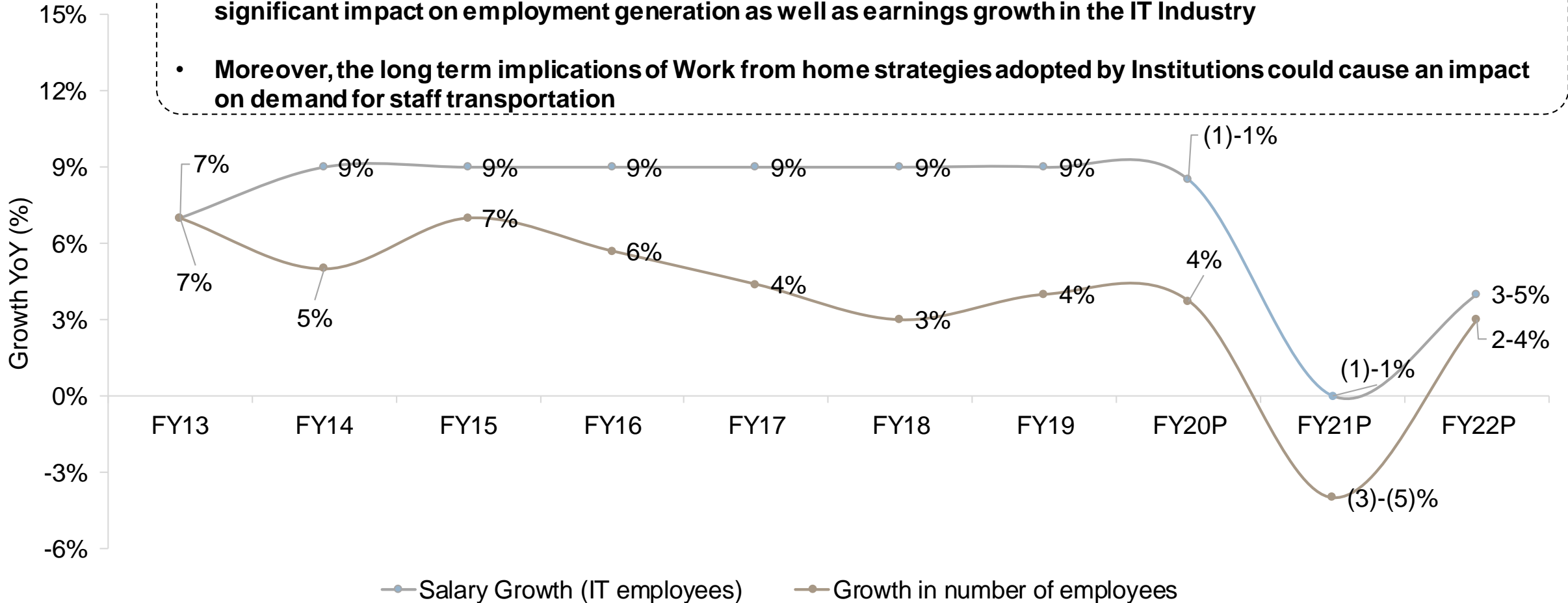
Both formal and non- formal segments have shifted to online mode and conducting the classes through online channels. Institutes are using online applications to conduct classes and exams. A combination of offline recorded videos and online lectures is used by most of the institutes.

**As a result demand for bus is expected to be non-material this fiscal**

# Employee base to contract in FY21; with non-linearity to limit medium term employee additions, salary growth to be flat in FY21

## Growth in salary and number of IT employees

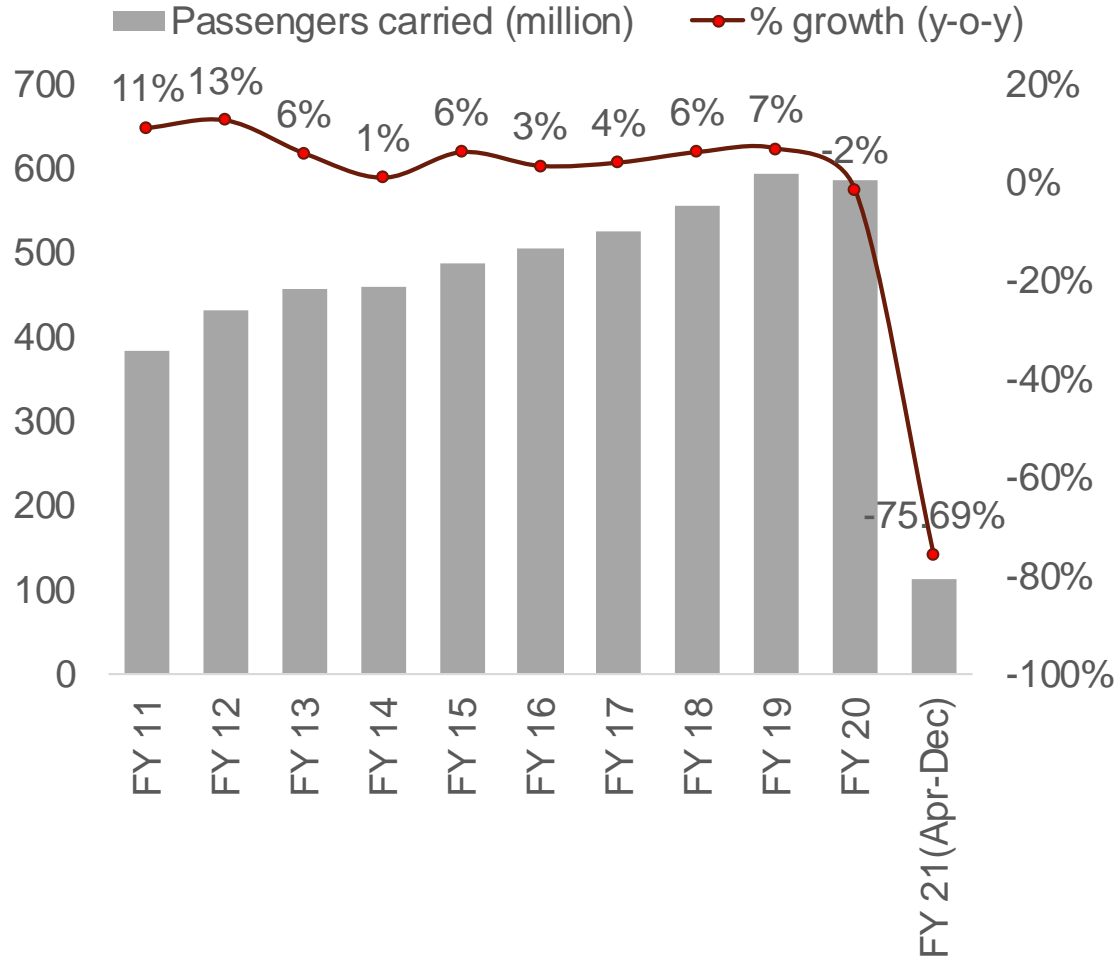
- The severe impact of COVID -19 on the global economy (especially regions such as USA and EU) could have a significant impact on employment generation as well as earnings growth in the IT Industry
- Moreover, the long term implications of Work from home strategies adopted by Institutions could cause an impact on demand for staff transportation



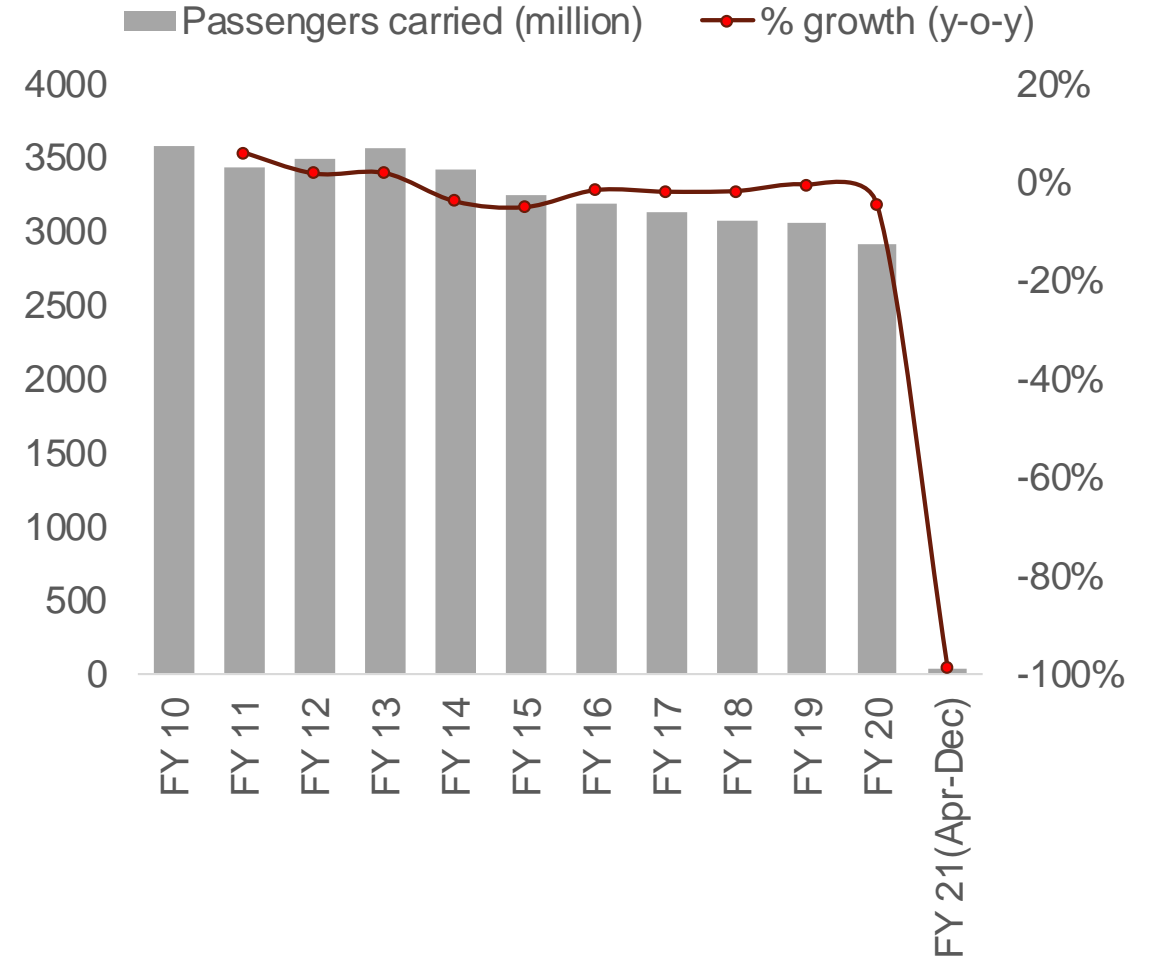
NOTE: Employee growth is summation of employees working for domestic and international clients based in India  
 Source: National Association of Software and Services Companies (NASSCOM), CRISIL Research

# While railways was losing share to road and air based modes earlier, with the advent of COVID-19 passenger movement across modes to suffer

Railway Passenger Traffic growth (%) - Non suburban-Reservation

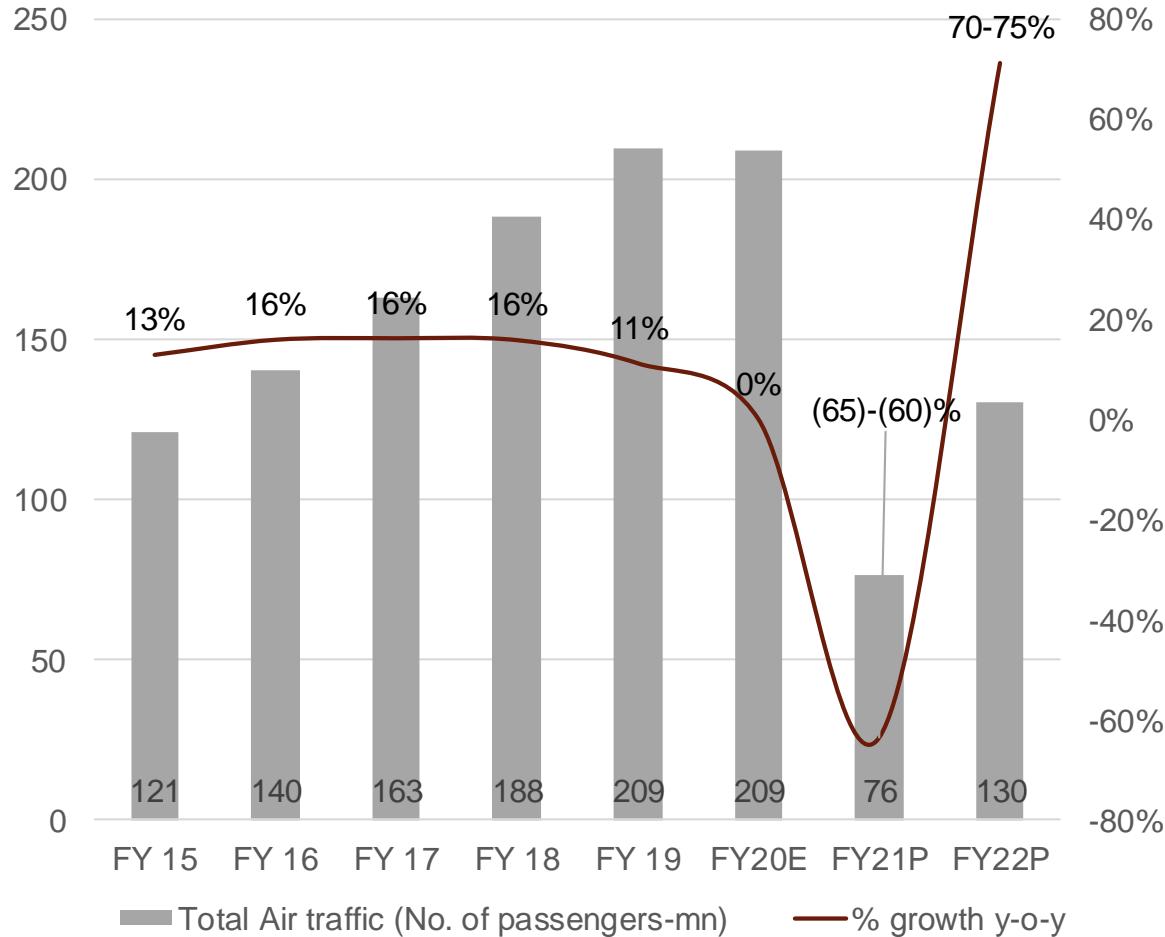


Railway Passenger Traffic growth (%) - Non suburban-Unreserved

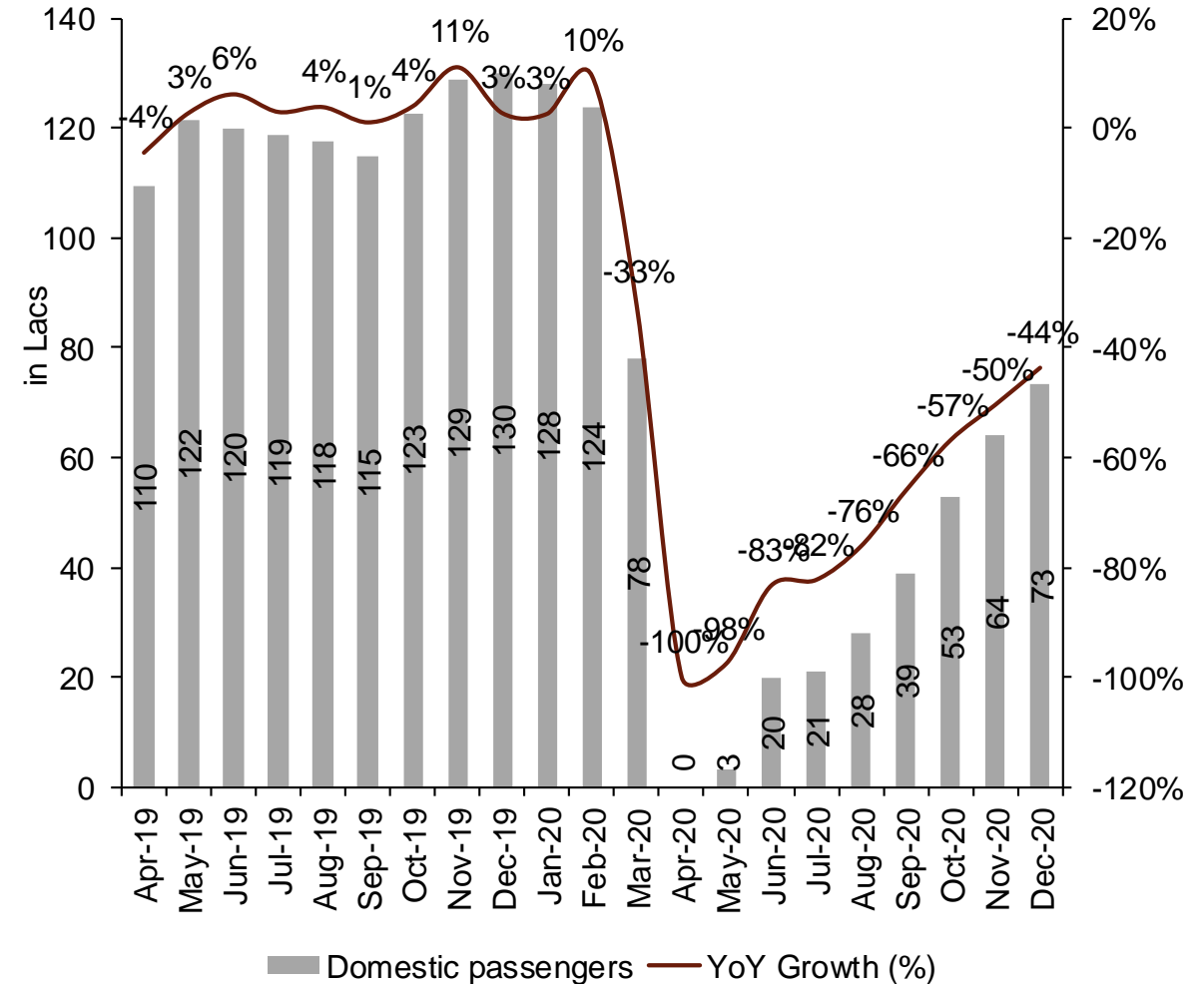


# Air passenger traffic could erode by $\geq$ half in FY21 amid pessimistic travel sentiments as well as restrictions placed due to COVID-19

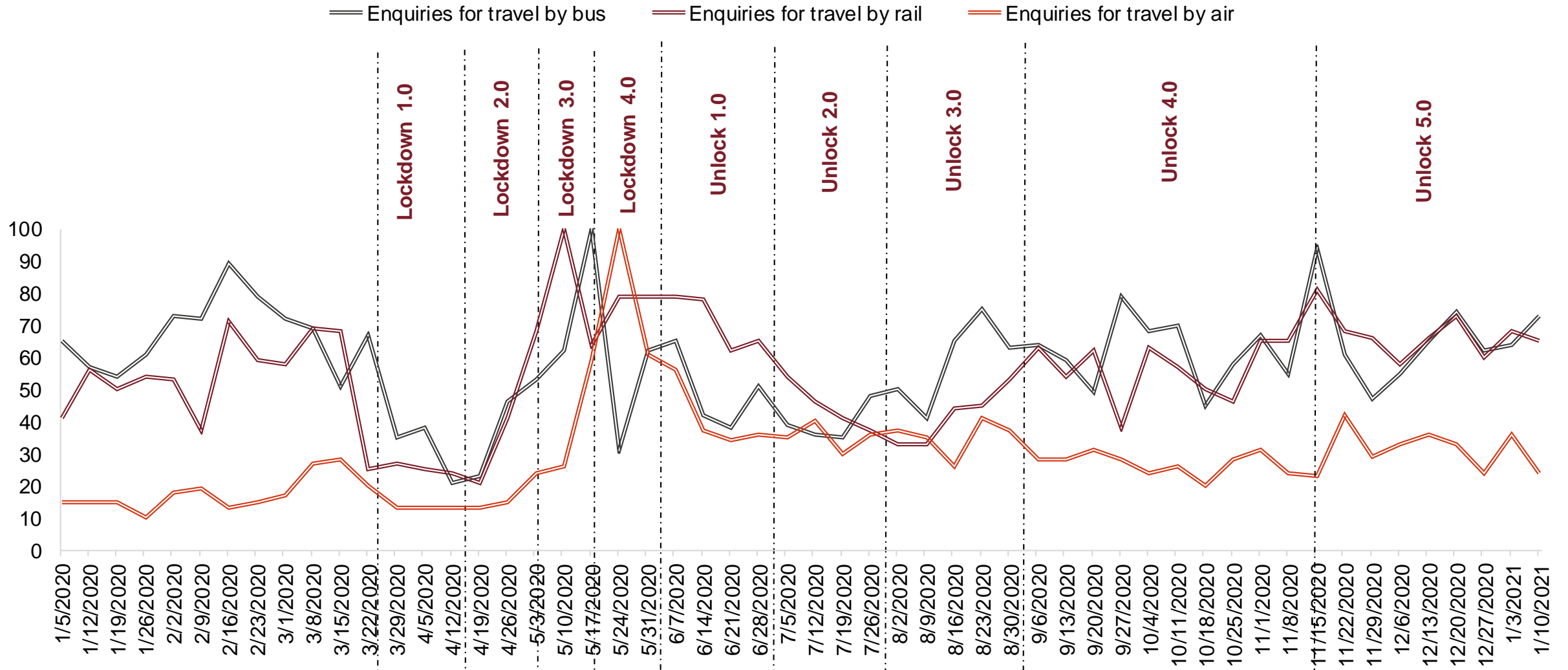
## Air passenger traffic- Annual (Domestic + International)



## Domestic Air passenger traffic- Monthly



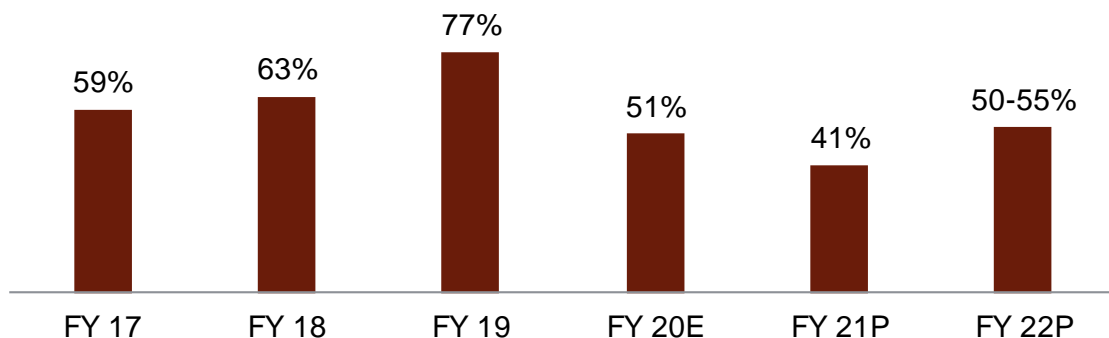
# Demand for train & bus travel at pre-covid levels



Source: CRISIL Research, Google analytics

# Capacity utilisation on a downward trend

## Decline in capacity utilization level



Note : Capacity utilization is that of Tata Motors, Ashok Leyland, Eicher Motors and Mahindra & Mahindra representing ~90% of domestic sales

Source: CRISIL Research

## Capacity additions

Player	Location	Capacity '000 units	Investment	Status
Ashok Leyland Ltd.	Medak, Telangana	20	Rs 5 billion	Under implementation
Ashok Leyland Ltd.	Alwar, Rajasthan	1	Rs 2 billion	Planning
VECV Ltd.	Bhopal, MP	40	Rs 4 billion	Under implementation
Volvo Buses India Pvt. Ltd.	Bengaluru, Karnataka	1.5	Rs 3 billion	Planning
Sino Truck	Medak, Telangana	1.45	Rs 1 billion	Planning

Research

Source: Industry, CRISIL Research

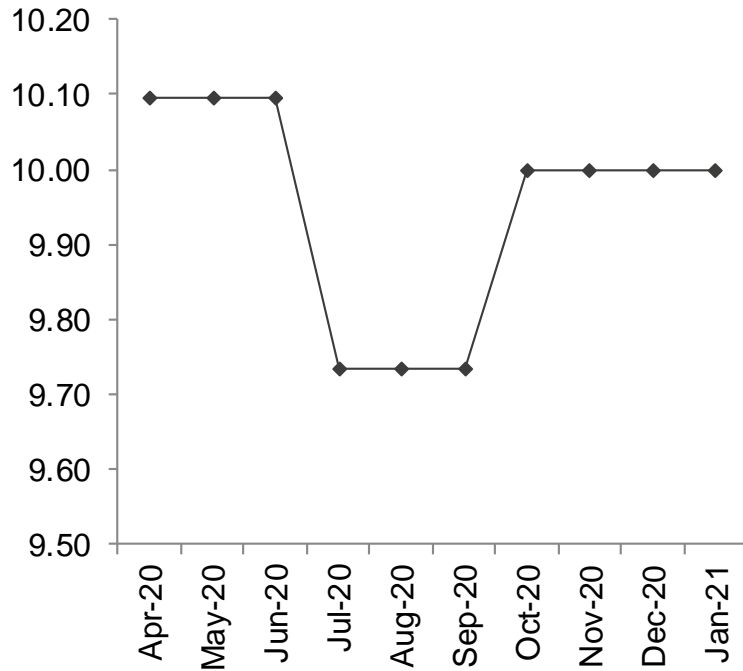
## Player-wise capacity utilisation

Player	Effective Capacity estimate (as on 31st Mar 2020)	Production (FY21) (in '000) (Apr- Dec)	Capacity utilization in FY21E (Apr-Dec)	Capacity utilization in FY21E (Q2+Q3 FY21)
Ashok Leyland	2,22,300	58,682	35%	49%
Eicher Motors	97,500	23,105	32%	43%
Tata Motors	7,62,000	1,60,424	28%	39%
Mahindra & Mahindra	2,92,000	1,14,918	52%	72%

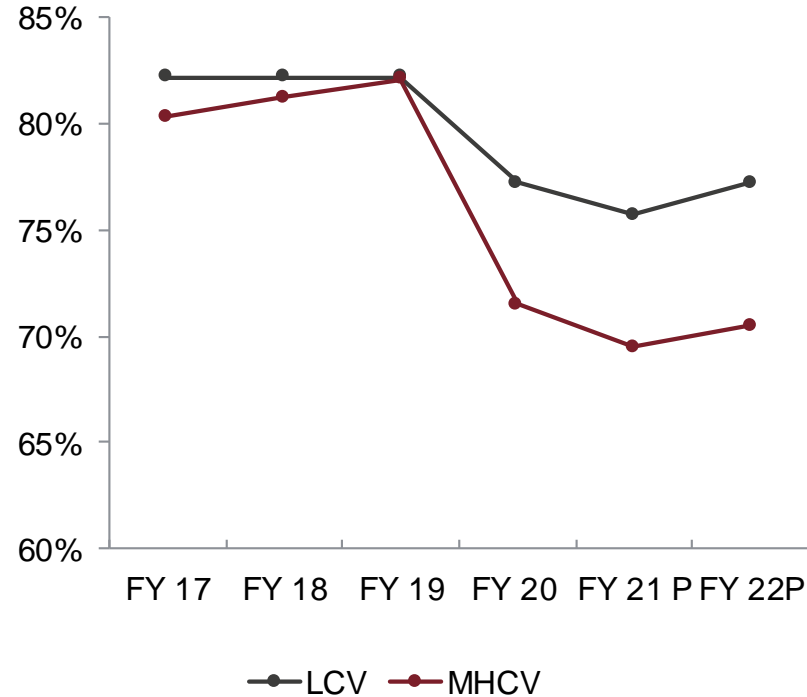
- The capacity utilisation of the top four players - Tata Motors (standalone), Ashok Leyland, Volvo Eicher Commercial Vehicles (VECV), and Mahindra & Mahindra - which was at ~77% in fiscal 2019, is expected to have fallen to ~41% in fiscal 2021 but expected to show improvement in fiscal 22 and settle at ~50-55%
- OEMs had earlier anticipated demand to be muted in FY21 (owing to increase in vehicle prices) because of which they had refrained from any major capacity expansion in FY20 and FY21.

# Cautious lending by banks; more focus on collections

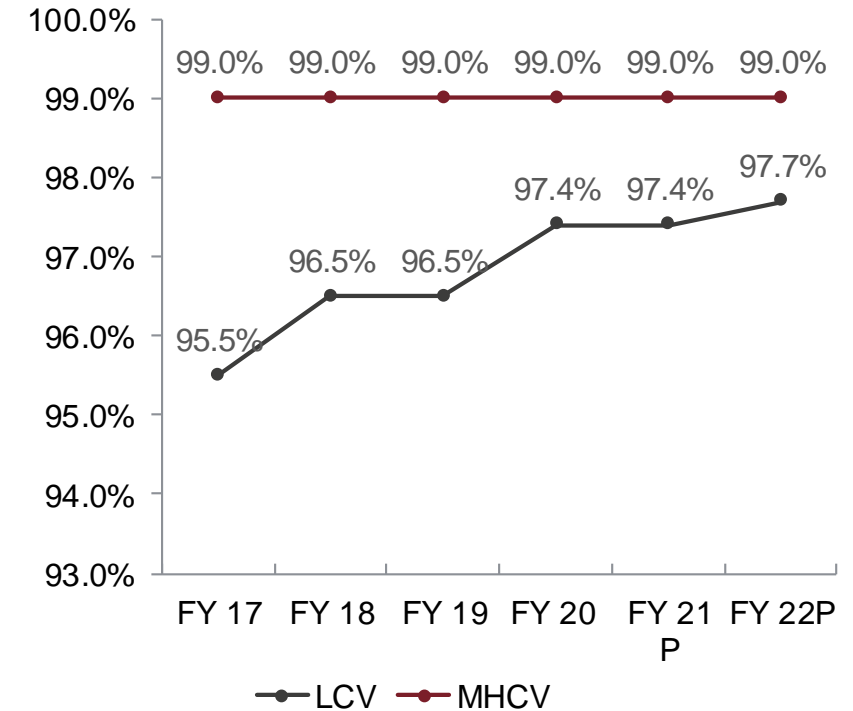
## CV finance rates (%)



## Loan-to-value for CV



## CV finance penetration



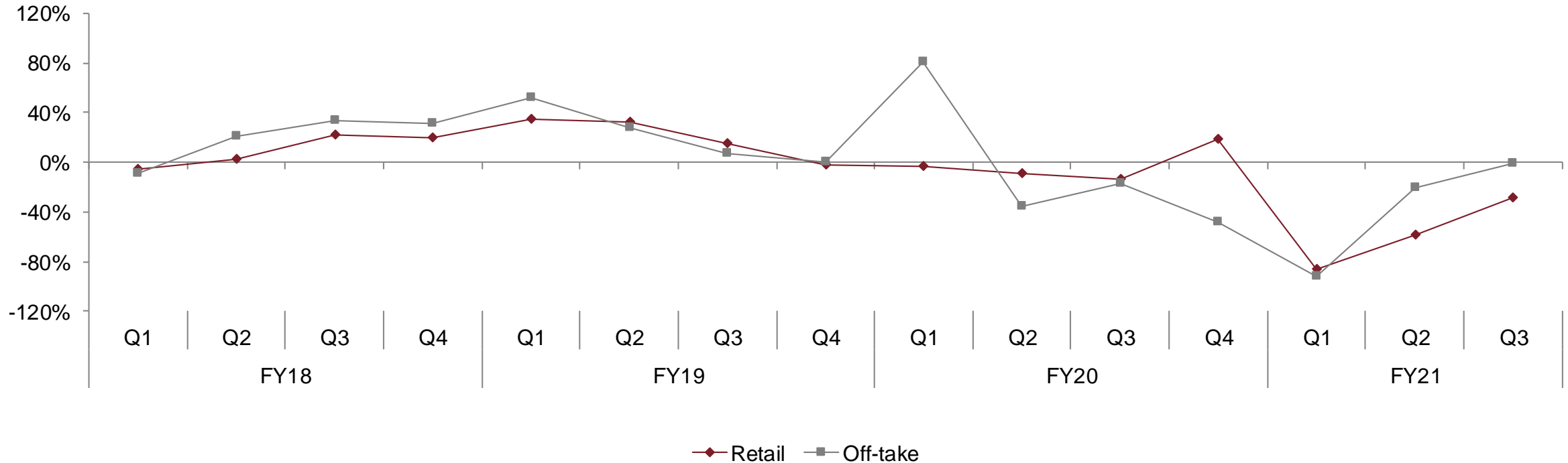
NOTE - Interest rates are an indicative rates charged by Banks

Source: Company Reports, Industry, Crisil Research



# Retail & offtake showing recovery on sequential basis

Retail vs off-take (Growth yoy)



Source: SIAM, MoRTH, CRISIL Research

- OEM's facing huge supply issues due to semi conductor supply constraints. Production issues to be there in Q4 FY21.
- Among all segments- Pick-ups continue to see good traction in the economy especially in rural areas.
- This is followed by the ICV segment with good traction visible due to e-commerce

# Domestic – Annual Forecast

	CV	SCV	ULCV	MHCV	Buses
FY 20 volumes	718	411	36	185	86
YoY Growth in FY20	29%	20%	26%	47%	7%
FY 21E volumes	553-567	378-382	30-31	141-144	15-16
YoY Growth in FY21E	23-21%	7-8%	15-17%	24-22%	81-83%
FY 22P volumes	762-772	475-486	43.3-44.2	214-220	33-34
YoY Growth in FY22P	36-38%	25-28%	42-45%	51-55%	116-118%

NOTE: Volumes in thousands units;

YoY Growth in red indicates a negative growth

YoY Growth in green indicates a positive growth

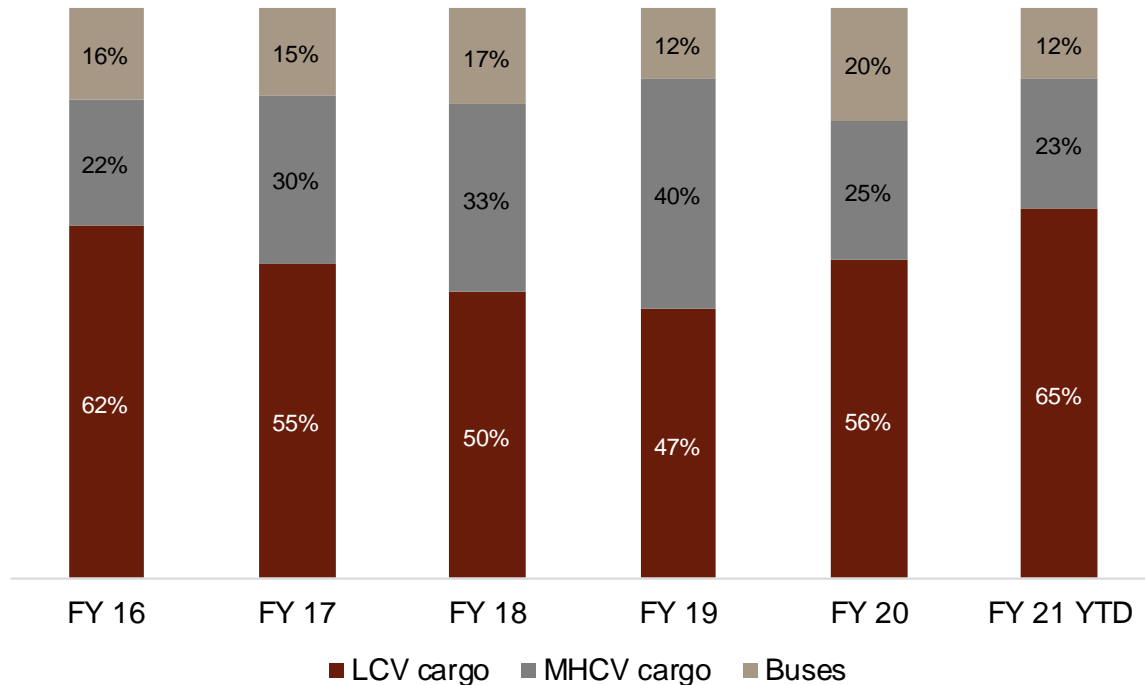
# Domestic – Quarterly Forecast

Period		CV		SCV		ULCV		MHCV		Buses	
		Volume ('000)	YoY Growth	Volume ('000)	YoY Growth	Volume ('000)	YoY Growth	Volume ('000)	YoY Growth	Volume ('000)	YoY Growth
FY20	Q4	147	(48)%	81.2	(43)%	7.1	(49)%	37.8	(62)%	20.9	(27)%
FY21 E	Q1	32	(85)%	25.2	(77)%	1.1	(88)%	4.2	(93)%	1.1	(96)%
	Q2	133.5	(20)%	98.4	(1)%	6.8	(23)%	23.9	(41)%	4.4	(76)%
	Q3	192.7	(1)%	128	5%	10.7	4%	49.5	16%	4.5	(78)%
	Q4	207-210	41-43%	127.5-130.7	57-61%	11.7-11.9	65-68%	60.9-61.9	61-64%	5.8-6.3	(72)-(70)%
FY22 P	Q1	164.5-165.1	414-416%	99.5-101.6	295-303%	8.8-9	698-715%	42.5-43.4	913-933%	6.1-6.3	474-476%
	Q2	188.2-190.9	41-43%	119-122	21-24%	10.8-11	59-63%	48.9-49.9	105-109%	6.8-6.9	55-57%
	Q3	202.3-206.2	5-7%	129.3-131.8	1-3%	11.2-11.5	5-7%	53.5-54.5	8-10%	8.2-8.3	82-84%

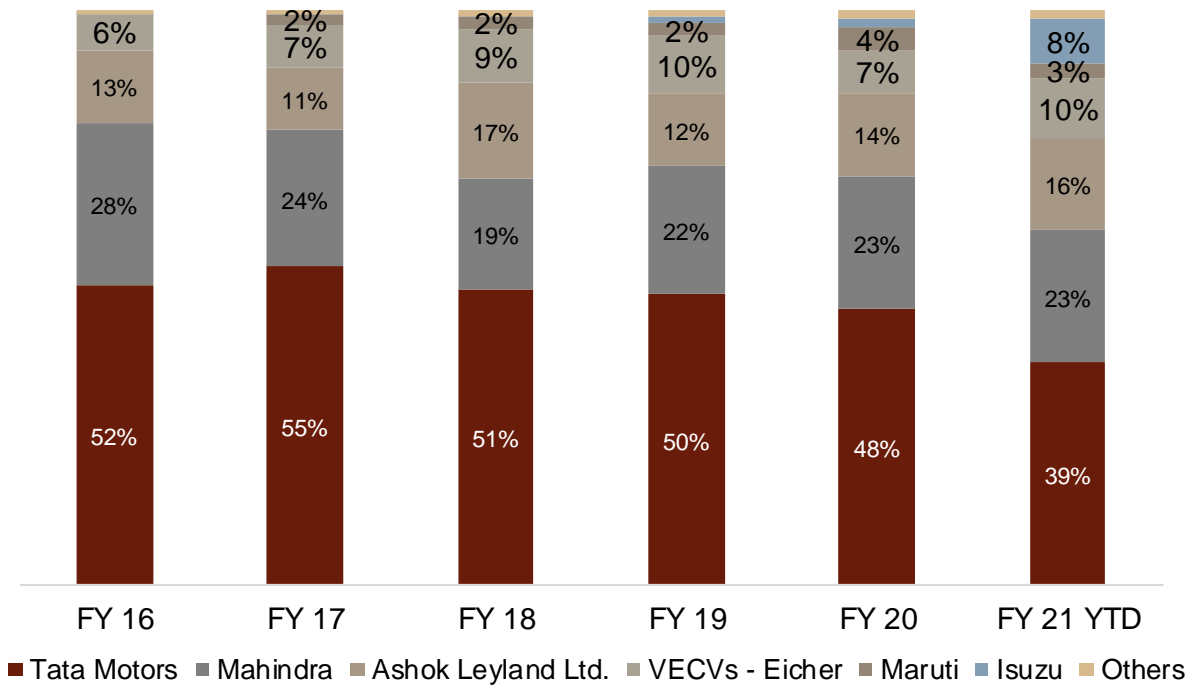
- **SCV & ULCV:** Rural sentiments to be driven by robust agri output in rabi of CY 21, farm produce movement to see a healthy growth. **Captive purchases by farmers, grocery and essentials retailers to continue**
- **IMHCV:** Recovery in utilization of large industries may improve performance and output of SMEs catering to these entities, PLI scheme has potential to provide some fillip.
- **Buses:** Inter city and Stage carriage application slowly picking up, but the traction is still much lower than pre COVID levels, some large LFOs have commenced surrender of vehicles in the luxury segment

# Share of LCV cargo on an uptrend

LCV occupies ~2/3<sup>rd</sup> share



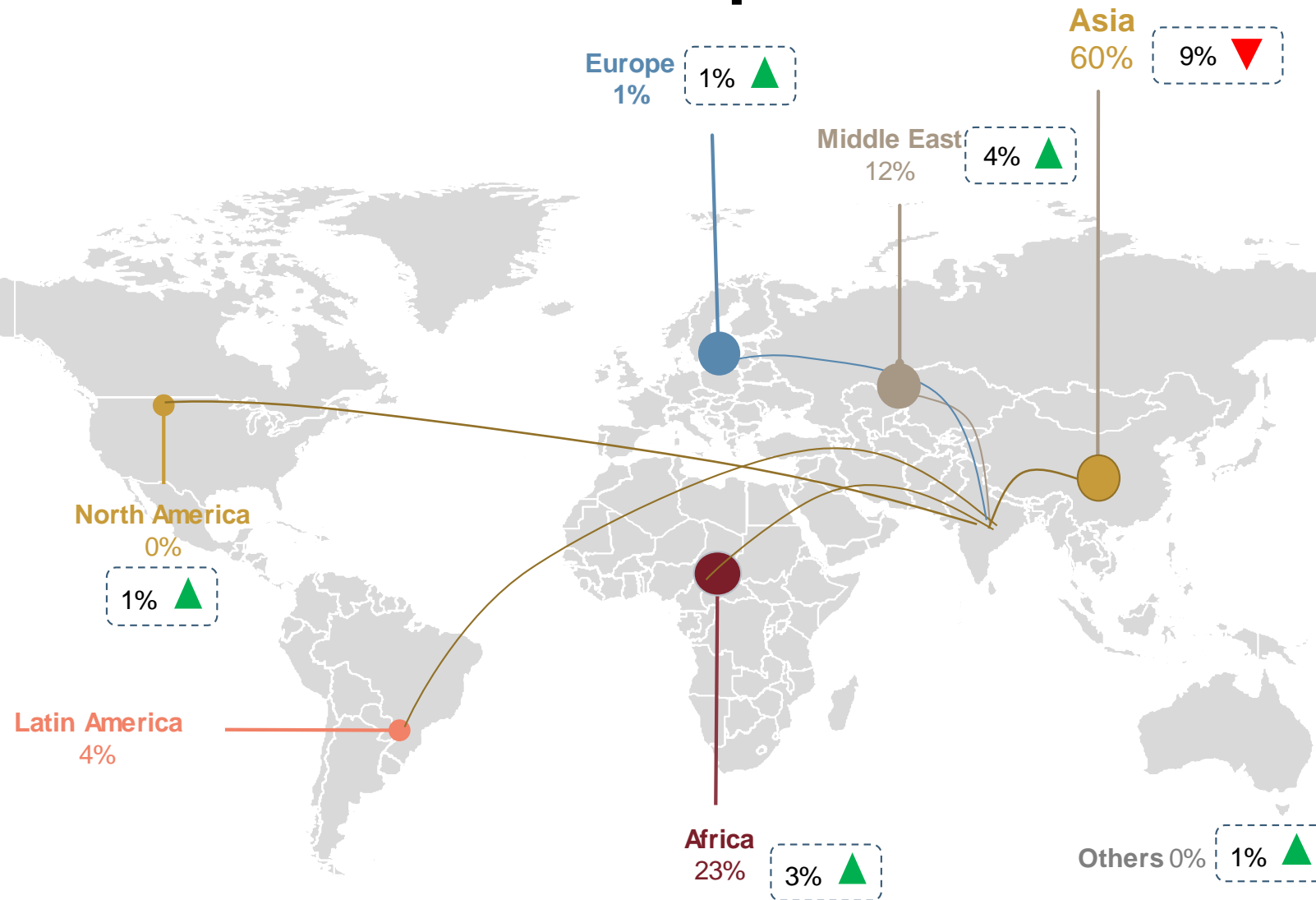
Share of leading players declines



NOTE: YTD is Apr to Dec 2020  
Source: SIAM, CRISIL Research

- Exports growth across segments continues to decline. Overall CV exports declined by 35%, LCV cargo by 25%, MHCV cargo by 38% and buses by 59%.
- LCV/ICV segment expected to be better compared to other segments due to e-commerce and essential movement.
- Tipper category is also expected to perform better due to revival in construction activities in the underlying economies.
- Isuzu has gained a share of 8% by mainly gaining traction on pickup category in exports market.

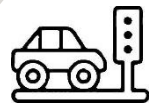
# Commercial vehicles exports



- Good traction seen from Middle East nations, mainly in buses category.
- Demand of buses due to social distancing, requirement on **staff segment** mainly from Middle East nations.
- Traction seen in tipper category followed by revival in construction activities.
- Srilanka continues with its ban on non-essential imports.

# Stakeholder interactions

## OEM



- Replacement demand from cement and steel coming back to some extent
- Most OEMs expect the MHCV haulage segment to grow by close to 2X or so in FY22, where MCVs could grow 1.5-2X, MAV by ~2.5X and TT by 1.5-2X
- E-comm, Agri and FMCG/FMCD to drive the ICV segment.
- Auto carrier segment in MCV to be muted, 32ft body for e-comm and consumer goods could see traction
- MAV replacement to be driven by Cement/steel
- TT replacement uncertain for container, but cement, steel and auto-carriers could materialise
- .Very limited visibility on any resolution of supply side constraints before Q4FY21 end
- Supply issues prevalent in SCVs and ULCVs, may persist for few months

## Dealer



- Transactions of used vehicles have gathered pace in the market as many operators are uncertain about deploying BS-VI vehicles due to high cost and yet to be proven operational metrics
- New purchases are largely being made for committed fleet operations with Large MNCs mandating fleet vintage
- LFOs in West expressed possibility of fleet rationalisation (reduction in fleet size to match freight demand)
- Transporters wishing to exit the market are able to find fair values for takeover of their existing vehicles with loans, as a result the NPA levels have not spiked due to stressed assets being taken over by other operators who would have otherwise purchased new vehicles

## Financier



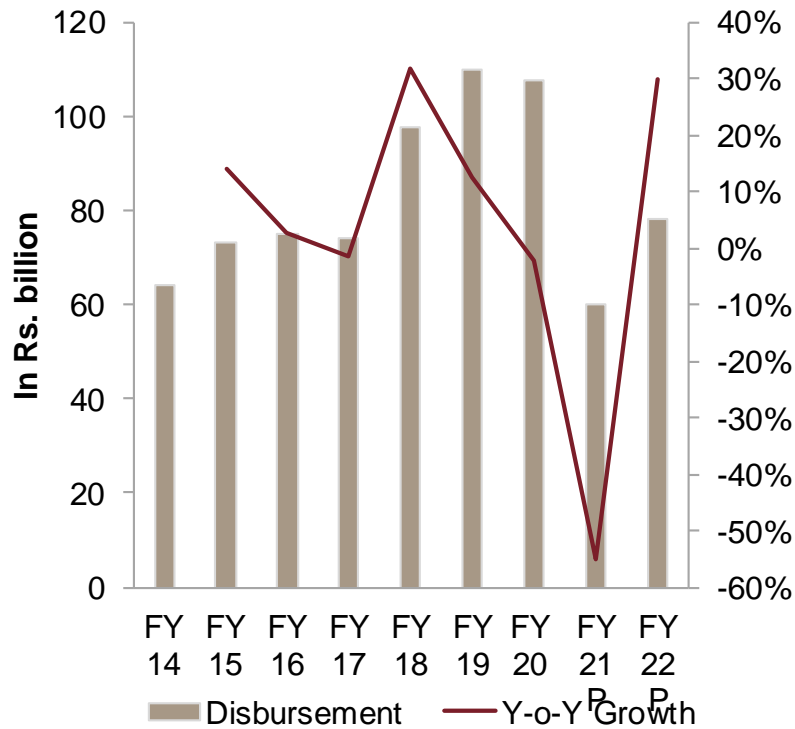
- MHCV funding is starting gradually and the sentiments should improve sequentially over the next quarter or so
- Financiers whose focus is only LCVs at this moment as portfolio quality is good may also start looking at MHCVs on improving market conditions
- GNPA spike may not be very severe by Q4 FY21 due to partial relief of moratorium and ECLG scheme.
- FY21 levels may not exceed 1.5X of FY20
- Financers formulating step-up EMIs and balloon/bullet payment programs in addition to 7 year tenures in order to address at least some portion of retail segment of MHCV in FY22.
- However OEM participation may also be needed in some manner to materialize this

Source – Industry, CRISIL Research

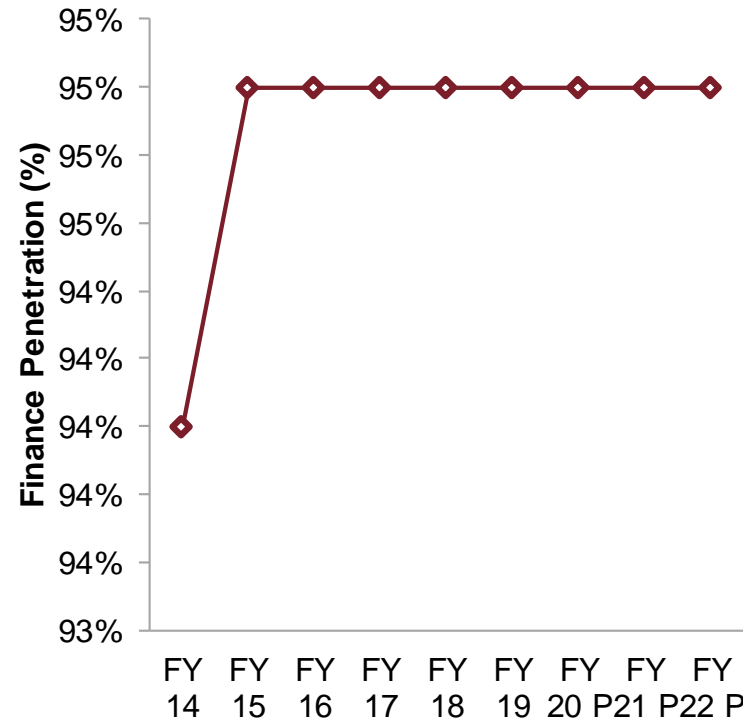
# Three-wheelers

# Financing parameters to remain in red in fiscal 2021, some recovery expected in fiscal 2022 from a very low base

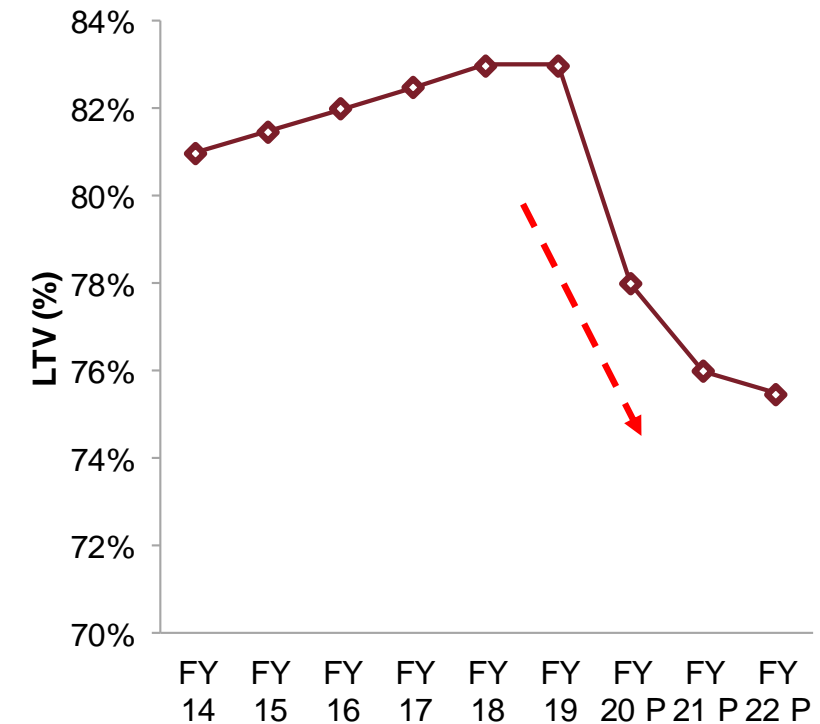
## Disbursement



## Finance penetration



## Decline in loan-to-value



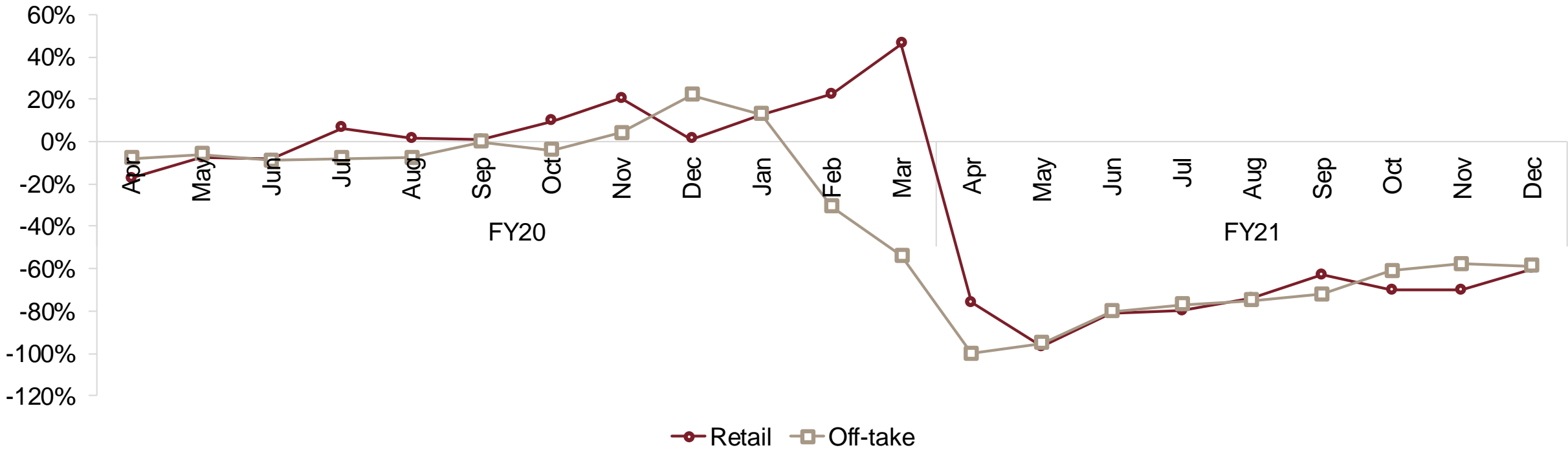
- Three-wheeler segment expected to witness sharp decline in disbursement in fiscal 2021. Financiers have got cautious in lending to this segment, especially passenger segment given the consumer reluctance to use shared mobility
- From a very low base of fiscal 2021, some pick up is expected in fiscal 2022 with gradual improvement in customer incomes & expected growth in retail demand
- LTVs are expected to remain under pressure even in fiscal 2022 given the continued cautious approach of the financiers

Source: Experian Credit Bureau, Company Reports, CRISIL Research



# Industry remains in red, however, m-o-m gradual improvement posted in Q3

Retail vs off-take (growth y-o-y)



Source: SIAM, MoRTH, CRISIL Research

- From the nadir reached in Q1, industry is showing gradual improvement
- This is primarily aided by traction in cargo segment, passenger segment remains in deep trouble
- Dealers have not done any major inventory built up in fiscal 2021 after BSIV stock clearing
- Stock levels are insignificant and orders are being placed only after the booking

# Domestic – annual forecast

	Three wheelers	Cargo	Passenger
FY 20 volumes	637	112	525
YoY Growth in FY20	9%	13%	8%
FY 21E volumes	200-210	82-87	120-125
YoY Growth in FY21E	67-69%	22-24%	76-78%
FY 22P volumes	355-365	110-115	242-247
YoY Growth in FY22P	72-74%	34-36%	99-101%

NOTE: Volumes in thousand units, numbers in red boxes indicate y-o-y de-growth, numbers in green boxes represent y-o-y growth  
 Source – SIAM, CRISIL Research

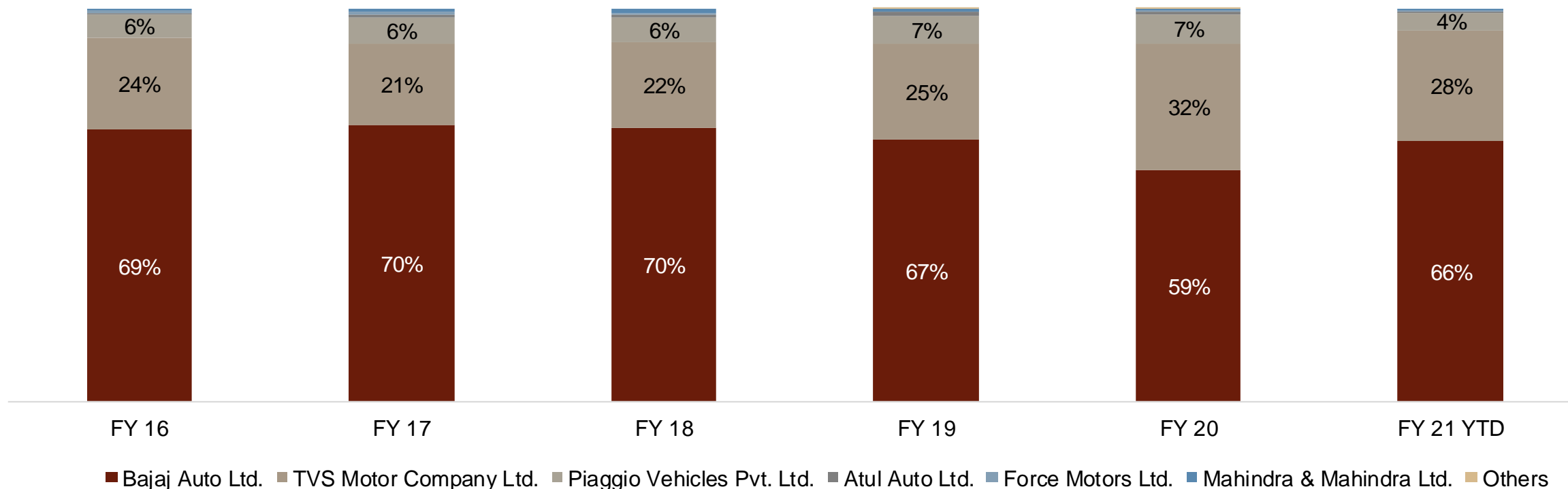
# Domestic – quarterly forecast

Period		Three-wheeler		Cargo		Passenger	
		Volume ('000)	YoY Growth	Volume ('000)	YoY Growth	Volume ('000)	YoY Growth
FY20E	Q4	129.8	(28)%	24.6	(32)%	105.3	(27)%
	Q1	12.8	(91)%	5.8	(90)%	6.9	(94)%
FY21E	Q2	45.9	(75)%	19.8	(27)%	26.2	(83)%
	Q3	72.7	(59)%	29.1	(2)%	43.6	(70)%
	Q4	74.3-74.8	(44)-(42)%	29.0-29.5	18-20%	44.9-45.4	(58)-(56)%
FY22P	Q1	75.7-76.2	496-498%	26.9-27.4	367-369%	48.5-49	605-607%
	Q2	87.8-88.3	91-93%	29.2-29.7	48-50%	58.2-58.7	123-125%
	Q3	91.7-92.2	25-27%	25.8-26.3	(11)-(9)%	65.7-66.2	50-52%

- Gradual recovery in end user segments like FMCG, e retail, construction has boosted the cargo segment demand
- On the other hand, despite easing restrictions, customers are still reluctant to use shared transportation impacting passenger segment
- Moreover, restricted operations at metro, railway, bus stations has limited need for last mile transportations which further impacted passenger segment demand
- Price rise amidst BSVI implementation, restricted financing have worsened the situation
- In fiscal 2022, we expect cargo segment to continue its recovery and post healthy numbers while passenger segment to witness gradual recovery with reopening of schools, colleges, offices and recovery in metro, railway & bus traffic

# Export performs better than domestic market

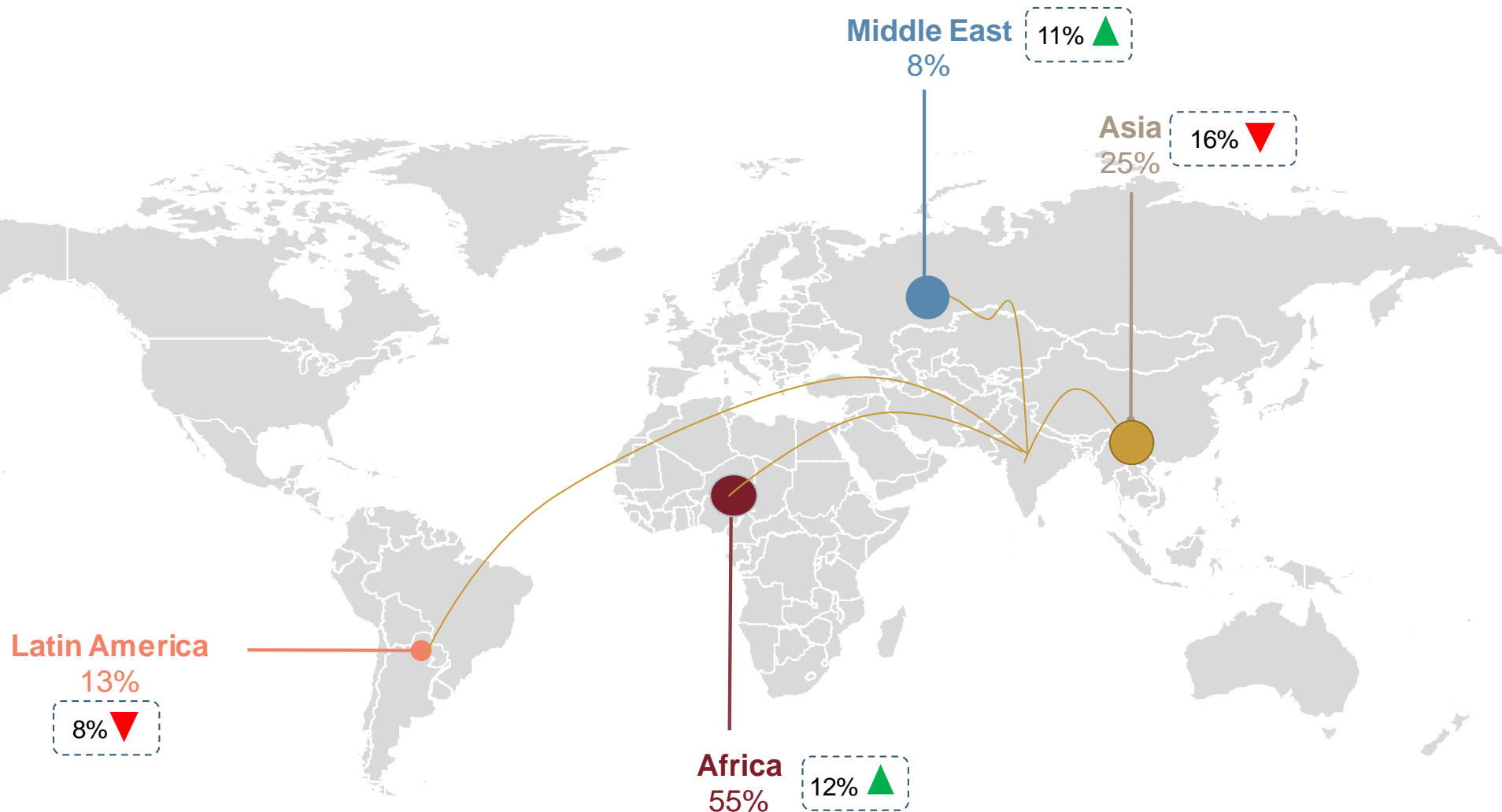
## Bajaj maintains its top position



NOTE: YTD is Apr to Dec 2020  
Source: SIAM, CRISIL Research

- In last 9 months of FY21, exports declined by 31%, cargo segment saw a dip of 39% whereas passenger segment declined by 30%.
- Bajaj continues to perform better even in passenger three-wheeler exports.
- Companies with higher exposure towards African markets performed better compared to others.

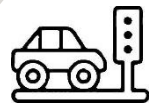
# Three-wheeler exports



- Exports share of African and Middle East countries increased aided by lower covid spared and crude prices firming up.
- **Substantial recovery is seen in exports to Egypt** after the ban of auto-rickshaw was lifted which has aided to exports growth.
- Exports to Latin American country was lower due to considerable spread of Covid and hence people not preferring a shared mode of transport.
- **Firming up of crude oil prices**, will aid the economy of African and Latin American region, aiding three-wheeler exports.

# Stakeholder interactions

## OEM



- Auto rickshaw drivers have moved back from their hometowns, however utilisation levels are still low due to closure of schools and colleges in urban cities.
- Sale of second hand three-wheeler has increased in pandemic due to higher price difference between second hand BS IV vehicle and new BS VI vehicle, this has given competition to new purchases
- Higher repossession on account of defaults has led to increased supply of second hand vehicle.
- Availability of finance is a major concern on passenger three-wheeler side.
- Cargo segment is expected to continue its growth momentum in fiscal 22 as well, demand for passenger three-wheeler to improve gradually from a very low base of fiscal 21

## Dealer



- Relatively few takers for passenger vehicles
- Income of passenger segment has been severely impacted (60-70% drop) given reduced requirement for last mile transport
- 50-70k price rise in BS VI vehicles
- No discounts, no schemes
- Financing is another major hurdle for the customers, financiers are not willing to lend to 3w industry
- Traction for cargo segment is gradually improving
- Mainly used for transportation of e retail, construction, FMCG, Dairy etc
- Product mix has reversed from a typical 60% passenger & 40% cargo to 70% cargo & 30% passenger
- Despite all cost reduction measures, many dealers are finding it difficult to sustain
- Good traction for pre owned vehicles

## Financier



- Incomes of 3W customers have dropped significantly since the pandemic
- Many are finding it difficult to sustain, are selling off their vehicles
- NPA levels have increased especially for passenger segment
- LTV levels have dropped from 90-95% earlier to 70-75%
- Focus is more on collection rather than lending
- Lending is being done after much deliberation & caution
- Passenger segment is being avoided as far as possible

Source – Industry, CRISIL Research

# Tractors

# Tractor sales expected to soar in fiscal 2021 after a fall in fiscal 2020

Parameters	Impact		
	FY 20	FY21P	FY22P
<b>Farm Income**</b>	Neutral	Favorable	Favorable
-- Crop Prices	Favorable	Favorable	Neutral
-- Crop Output	Neutral	Favorable	Favorable
-- Kharif Output	Neutral	Favorable	Favorable
-- Rabi Output	Neutral	Favorable	Favorable
<b>Demand Indicators</b>	Favorable	Neutral	Neutral
-- Infrastructure Development	Favorable	Not Favorable	Neutral
-- Sand Mining	Not Favorable	Favorable	Neutral
<b>Supply side variables &amp; financing</b>	Neutral	Neutral	Favorable
-- Finance Availability	Neutral	Favorable	Favorable
-- Channel Inventory	Neutral	Favorable	Favorable
-- Player Action	Favorable	Neutral	Neutral



NOTE : \*\* Fiscal 2021 assumed neutral assuming normal monsoon, P: Projected

Source: CRISIL Research

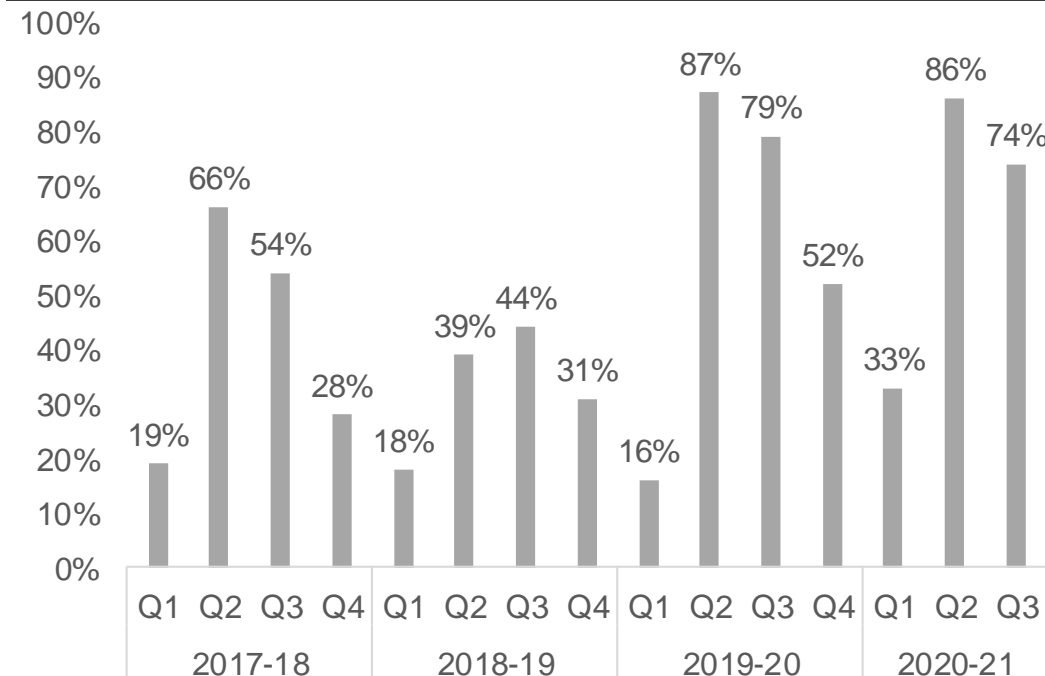


# Southwest Monsoon up by 9%, augured well for agriculture

Normal rainfall in fiscal 2021



Reservoir Levels are higher



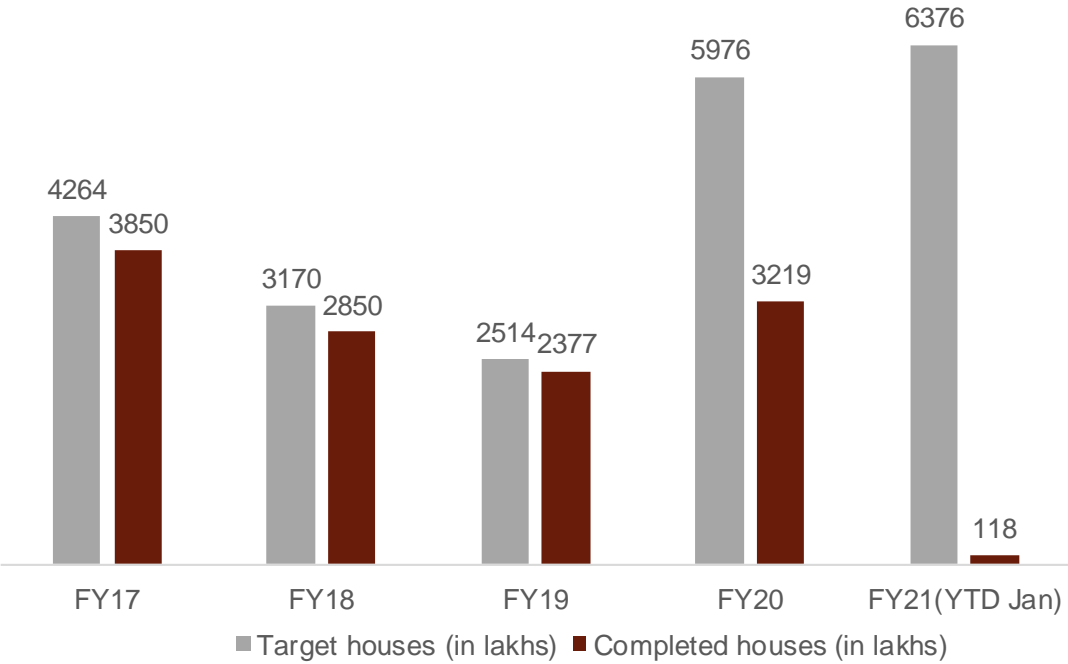
NOTE: Rainfall deficiency in the range of -10% to 10% of the long period average is considered as normal as per IMD. P: Projected  
Source : IMD, CRISIL Research

SOURCE: Ministry of Rural Development, CRISIL Research

- Normal and well distributed monsoon in FY21 aiding to better farm sentiments.
- Above normal monsoon leading to above normal reservoir levels, ~5% higher sowing for upcoming Rabi.
- Good reservoir levels, an expected normal monsoon, better commercial demand, and higher government support in the form of schemes and subsidies to augur well for the industry in fiscal 2022. Total profit under upcoming rabi is expected to increase by ~9% supported by higher sowing

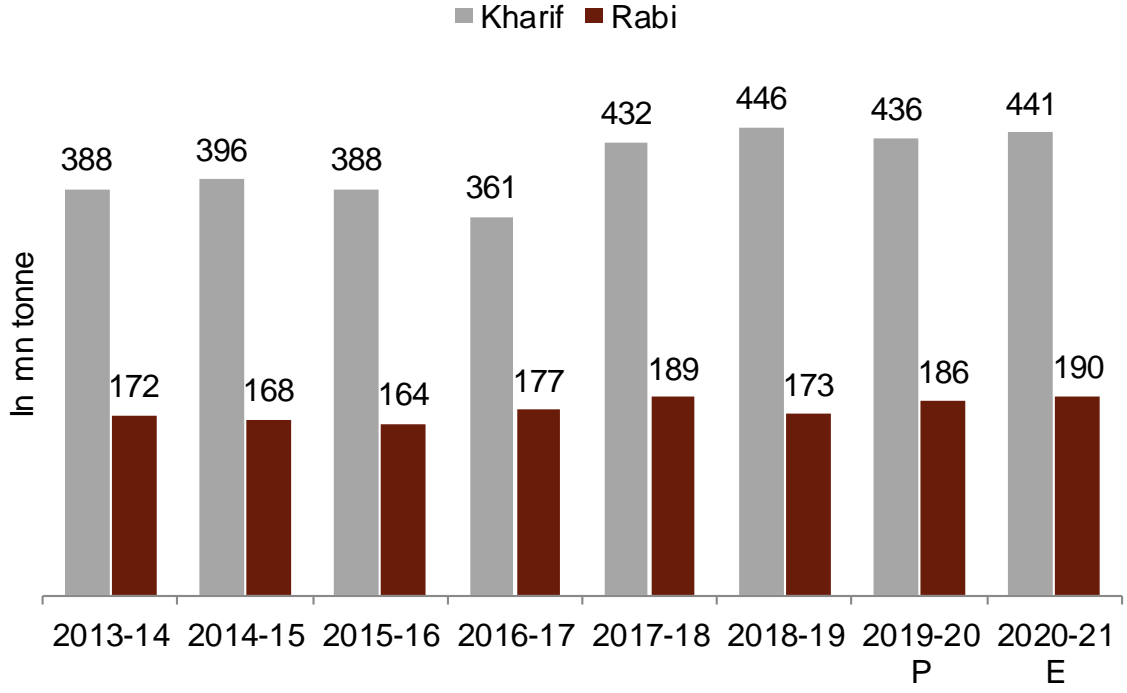
# PMAY-G witnessed uptick in from Q2 FY21

## PMAY-G



Source: CWC, CRISIL Research  
 Notes: Storage Status of 120 Reservoirs of the Country

## Food grain crop production

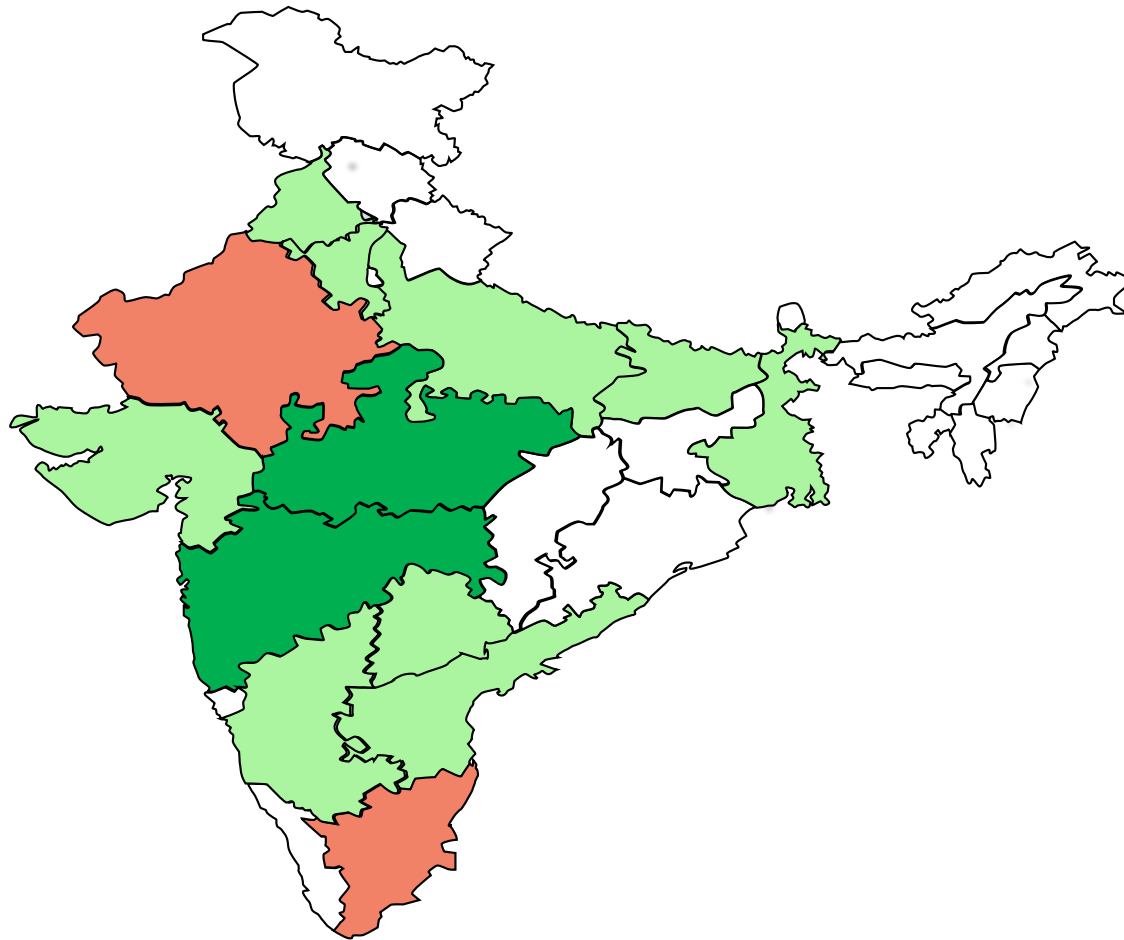


Source: CRISIL Research

- Increase in total profit by ~8% and 7-9% for the rabi and kharif crop respectively expected to aid farm incomes
- High investment by farmers on agriculture activities amid absence of any other investment opportunities due to COVID-19 outbreak.
- The completion rate under Pradhan Mantri awas yojana-Gramin(PMAY-G) also picking up but mostly for eastern states and Rajasthan.

# State wise Crop Value Index

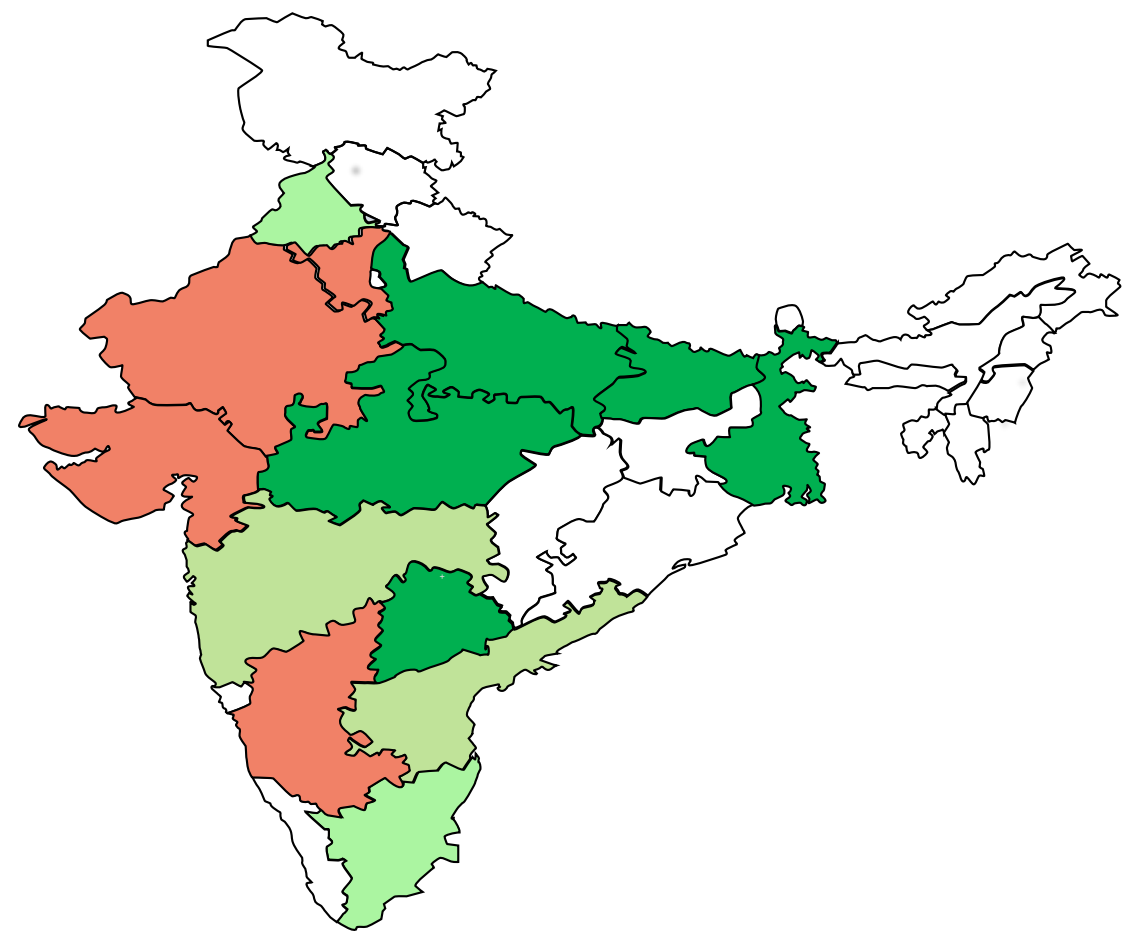
Kharif CVI heat Map for FY21



NOTE: CVI updated as per data for the month of December 2020

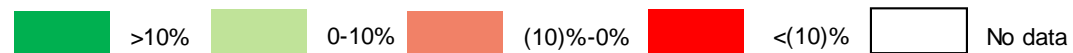
Source: CRISIL Research

Rabi CVI heat map for FY21



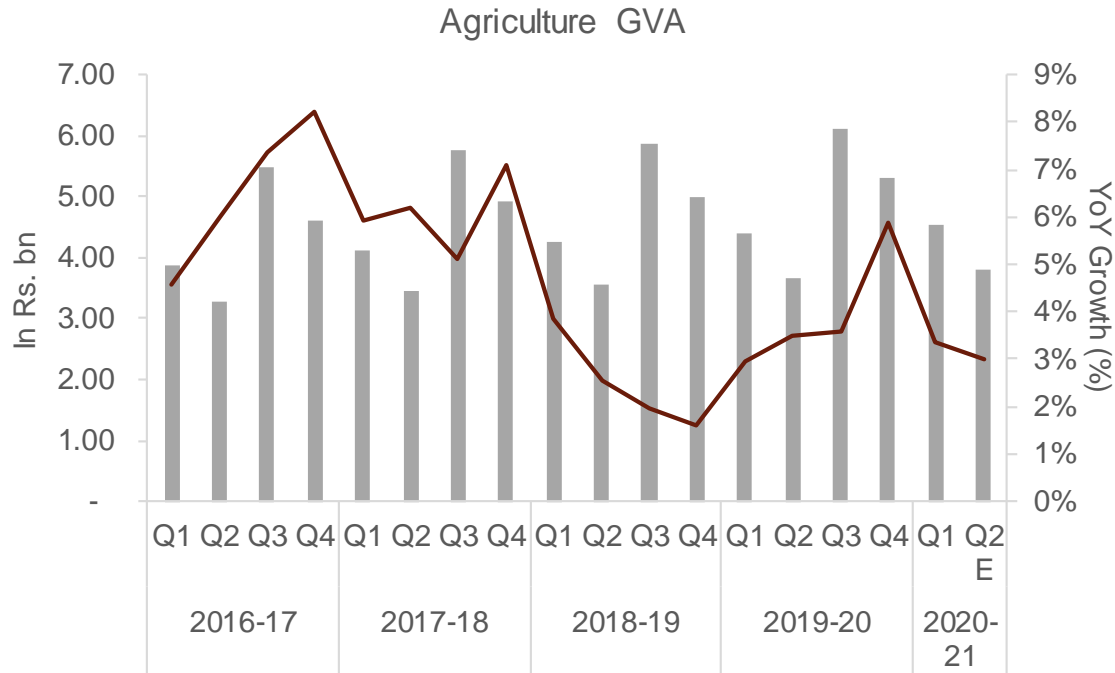
Source: CRISIL Research

Colours indicate % change from FY20



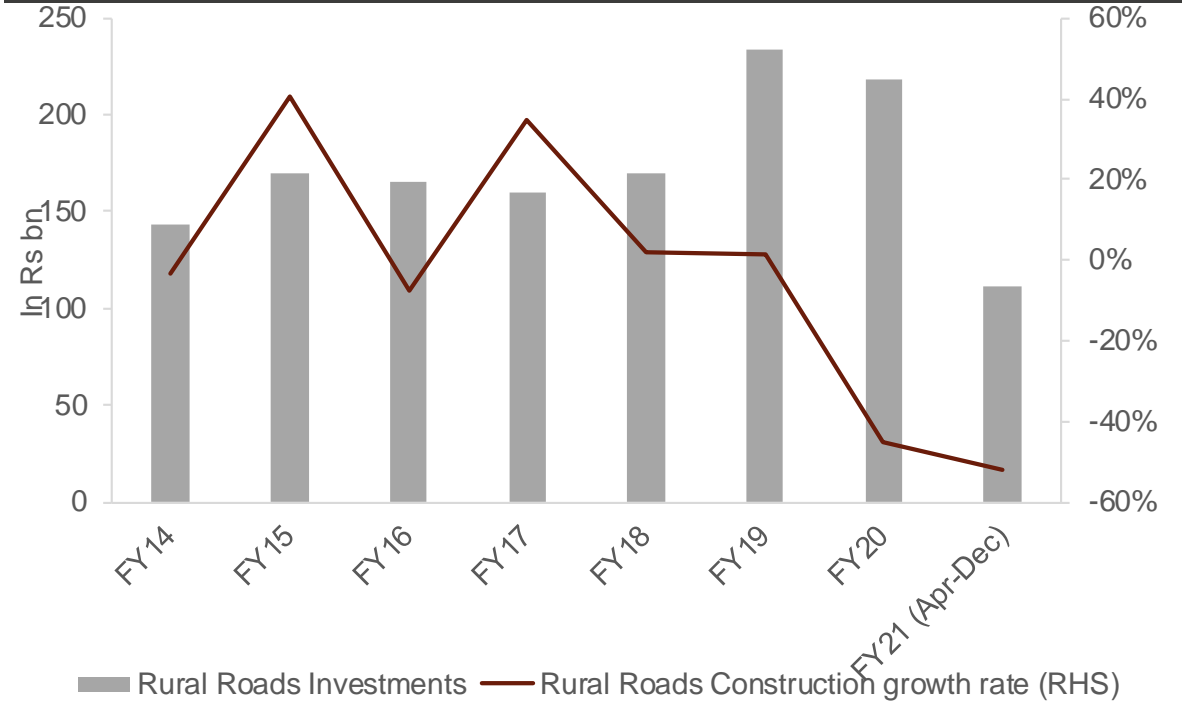
# GVA for agriculture sector remains unchanged in the Q2 FY21 on the back of bumper rabi and aggressive procurement

Agriculture GVA & Growth rate (y-o-y)



Source: Ministry of Statistics and Programme Implementation, CRISIL Research  
Notes: GVA at basic prices (constant 2011-12)

PMGSY Status

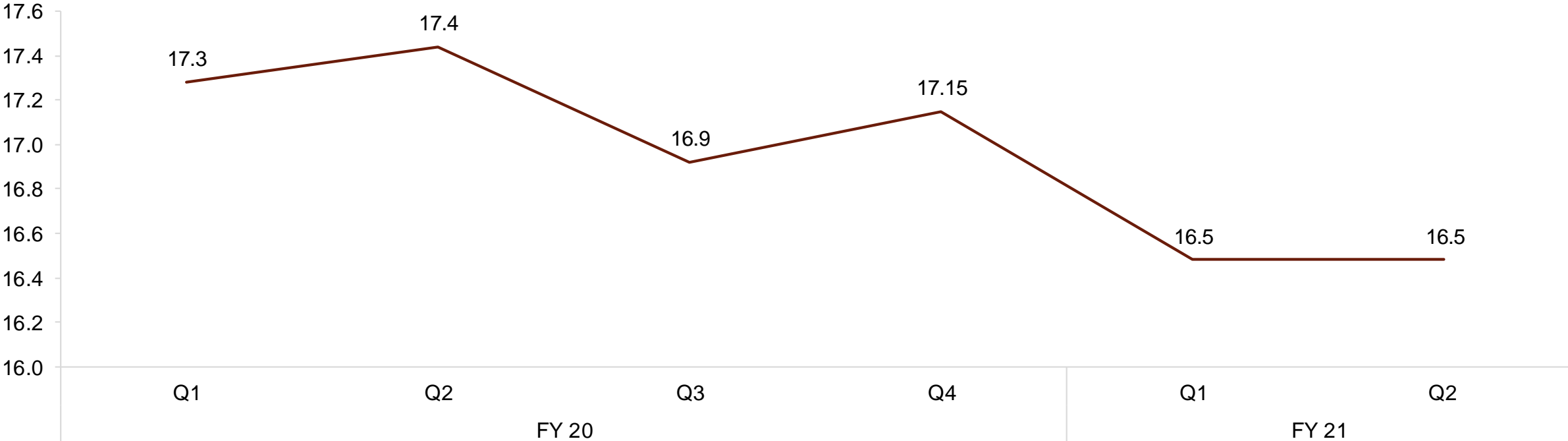


Source: OMMS (Online management, Monitoring and Accounting System), CRISIL Research

- Pace of rural construction plunged in Q1FY21 as construction activities being put to halt in April and May'20 on account of nationwide lockdown. However, due to higher government spend since Q2FY21 under PMGSY, commercial demand picked up.
- The agricultural sector had remained unruffled by the lockdown in the June quarter, backed by a bumper rabi crop and aggressive procurement by the government.

# Interest rate remains stable in festive season

Repo rate cuts from RBI can lead to marginal decline in the interest rates

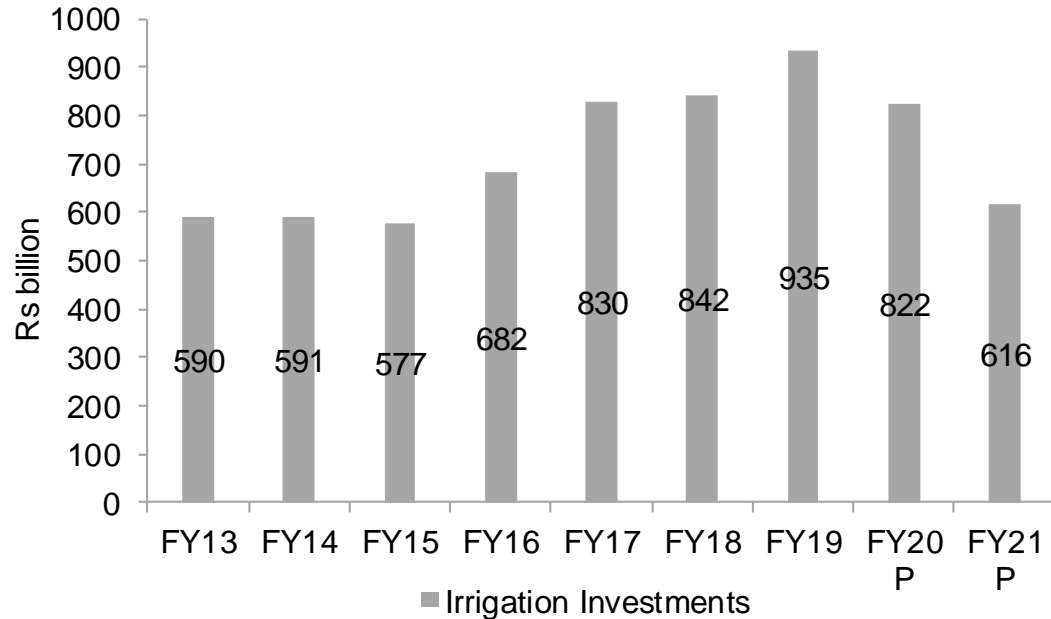


NOTE: Interest rates for Q3 FY21 is not yet released by leading financiers  
Source: Company Reports, CRISIL Research

- Amid robust demand, no interest rate cuts were undertaken in Q2FY21 during festive season.
- Tractor NPAs are estimated to be at a stable level in H1 of FY21.
- Tractor loans under moratorium are estimated to be at less than 10% as on Oct 2020.

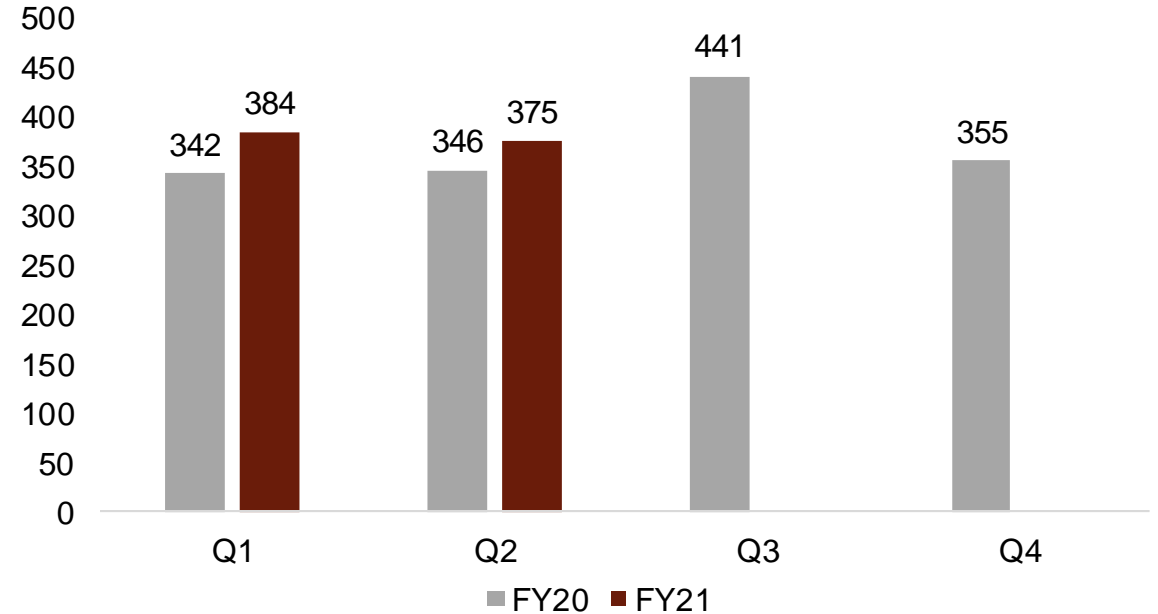
# Investment in irrigation is expected to improve in the long term, barring a drop in FY21 due to Covid-19 outbreak

Irrigation spending increasing at a slower pace



Source: Department of Agriculture, Cooperation & Farmers Welfare, CRISIL Research  
P: Projected

Daily Rural Wage

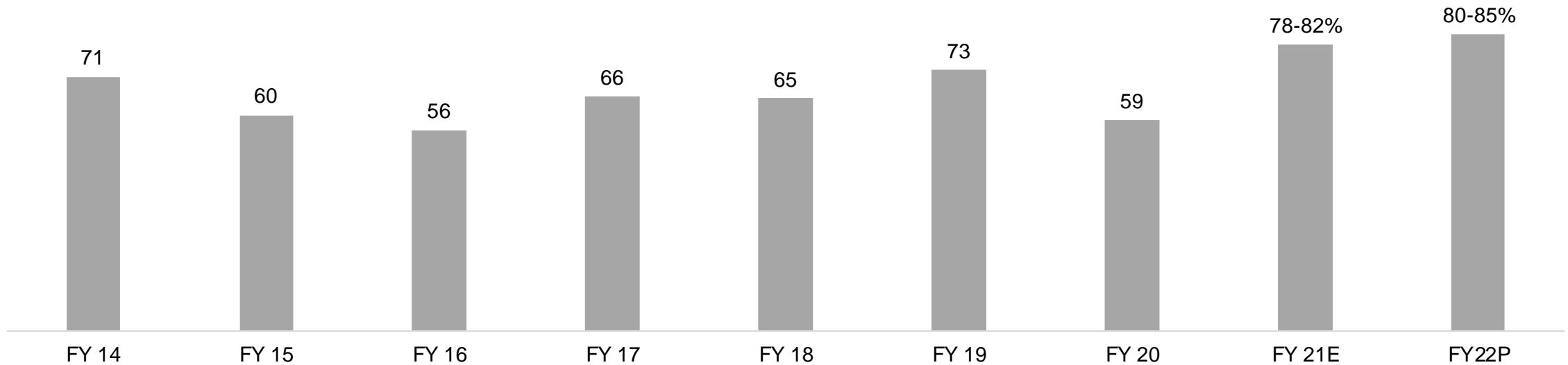


Rural wages includes general non-agricultural labour.  
Source: RBI, CRISIL Research

- Investments to decline to the tune of 8-12% in fiscal 2021 as states divert funds towards healthcare and other social expenditure owing to COVID. The Investments are expected to record a 10-15% rise in the next fiscal led by states such as Maharashtra, Karnataka and Madhya Pradesh who have higher needs for irrigation investments. Irrigation intensity is highest in northern region, followed by the southern and eastern regions.
- The government's renewed thrust on enhancing irrigation intensity and making the nation more drought-proof is expected to support agriculture growth and increase mechanization.

# Amidst healthy demand, capacity utilization is expected to improve in FY21

## Capacity utilization




*P = Projected*

*Source: CRISIL Research*

- Supply constraints led to liquidation of plant level inventory in April and May. Plant inventory is expected to be marginally lower in fiscal 2021 as supply constraints will persist and then stabilize in fiscal 2022.
- Production capacity of Escorts Ltd is expected to reach 129,000 units in fiscal 2021 (including capacity addition due to JV with Kubota). The company plans to increase its capacity to 150,000 tractors annually by fiscal 2022.
- Tractor and Farm Equipment Company (TAFE), the country's second largest tractor manufacturer will be undertaking capital investment of Rs 250 crore at its Bhopal and Doddaballapur plants to increase its total installed capacity by 50,000 tractors. The company increased its capacity to ~1,80,000 tractors and is further expected to reach at a capacity of 2,00,000 by fiscal 2022.

# Implementation of Trem IV norms postponed by one year

Emission standard stage	Engine Power	Market share	Date	CO	HC+Nox	PM
	HP			g/kWh		
Trem Stage III A	11 to 25HP	9%	1st April 2010	5.5	8.5	0.8
	25 to 50HP	84%	1st April 2010	5.5	7.5	0.6
	50 to 75 HP	7%	1st April 2010	5	4.7	0.4
Trem Stage IV	11 to 25HP	8%	No change			
	25 to 50HP	84%				
	50 to 75 HP	8%	1st October 2021	5	4.7	0.025

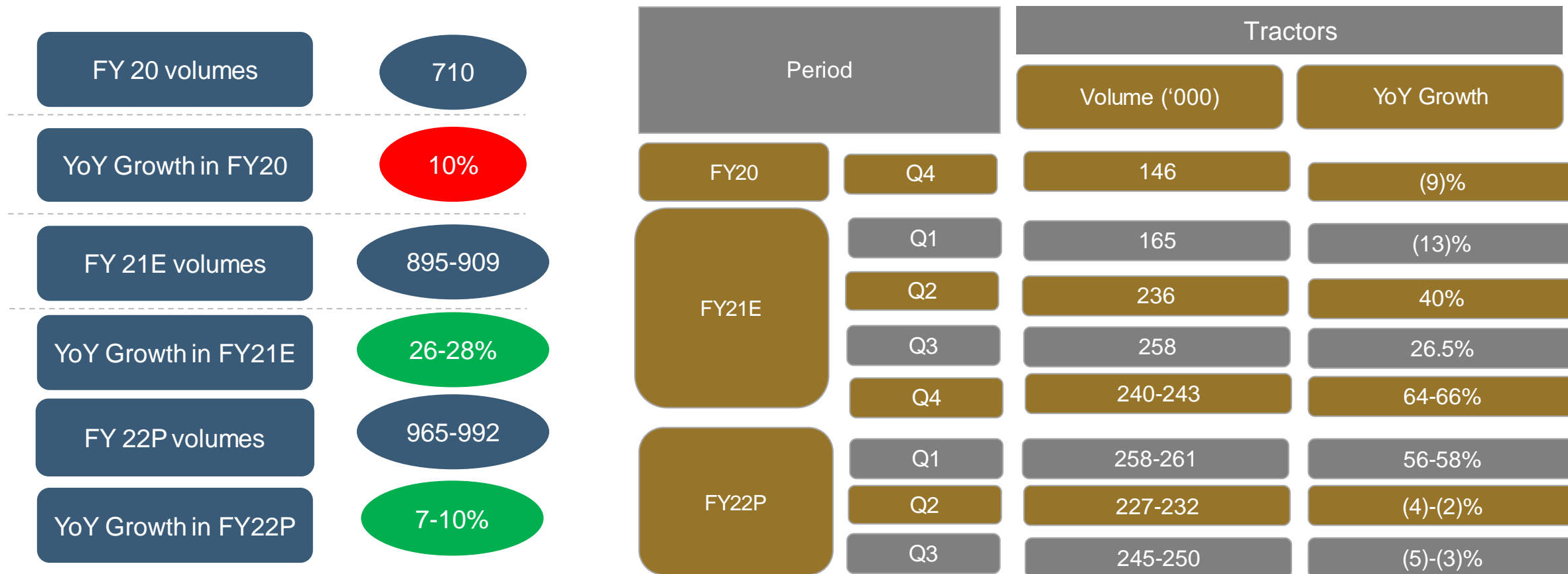


Source: Industry, CRISIL Research

- The new emission norms which are expected to be set in place will require Agricultural machinery – including agricultural tractors, power tillers and combined harvesters.
- To simplify and avoid any confusion with other vehicle norms with “BS” or “Bharat Stage” prefix, Agricultural tractors and other farm equipment vehicles will fall under the TREM Stage-IV and TREM Stage-V.
- The coming in of TREM IV regulations effective from October 2021 (due to which the price for >50 hp tractors is expected to increase by 10-12%) will aid in increasing realizations marginally.
- As tractor with more than 50HP contribute only 8% to overall tractor sales, we expect limited impact on tractor industry.



# Domestic – Annual & Quarterly Forecast



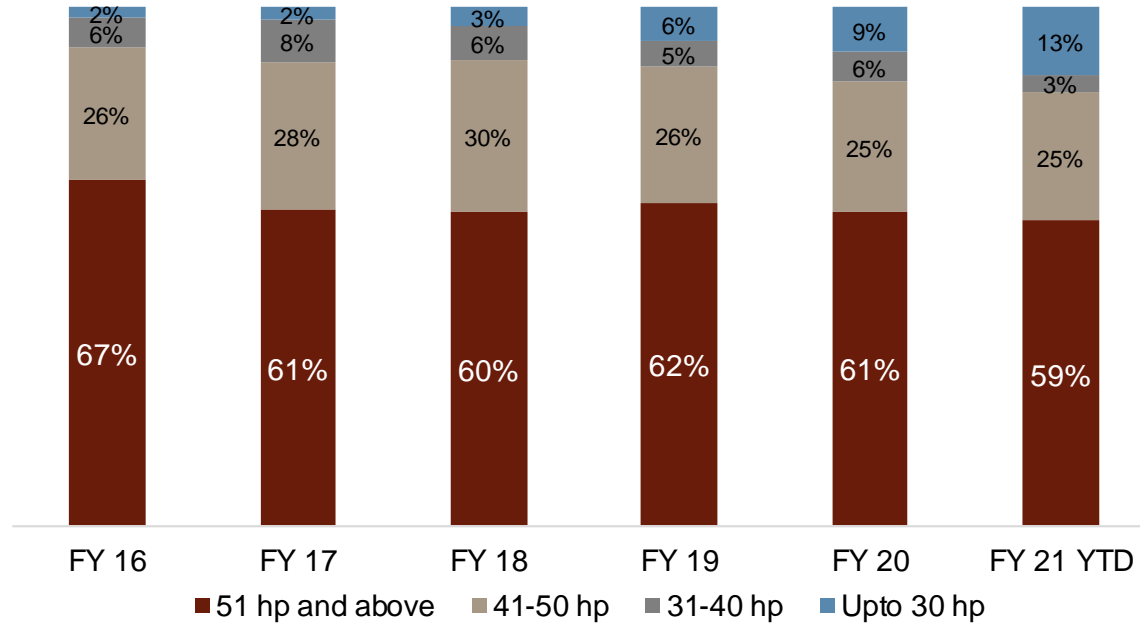
NOTE : \*\* Fiscal 2022 assumed neutral assuming normal monsoon, P: Projected

Source – CRISIL Research

- Tractor industry to see a growth by 26-28% in FY21 as most of the lost retail sales in March-April due to the lockdown has come back, positive farm sentiments on account of better crop profitability, higher government support through income support schemes, higher procurement of field crops and higher rural expenditure.
- Tractor demand is expected to further improve on account of healthy reservoir level and expected pick up in commercial demand.
- Agriculture spend has been higher by 52% on-year (as of Mid-Sept'20). However, government spending in H2 will remain a key monitor able as fund run low.

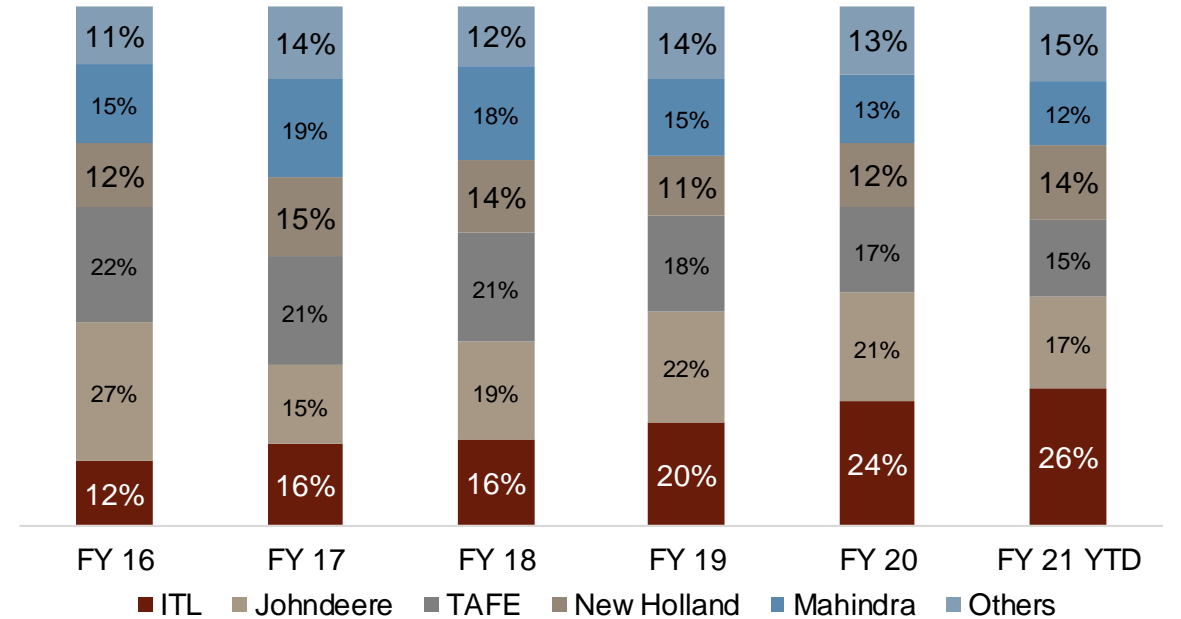
# Tractor exports enters a positive growth territory

## Segment wise market share of exports



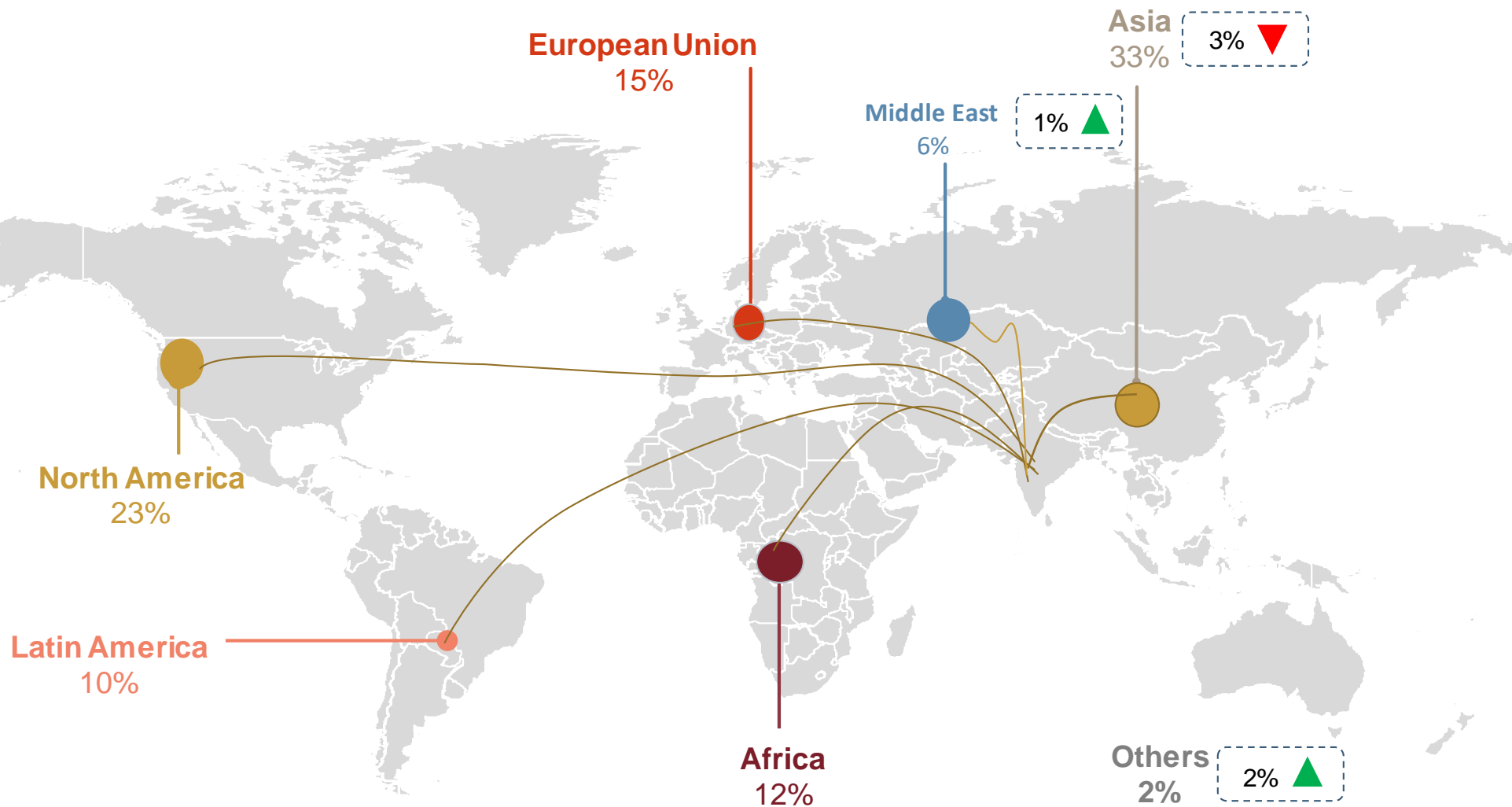
NOTE: YTD is Apr to Dec 2020  
Source: CRISIL Research

## Player wise market share of exports



- Tractor exports increased by 2% in last 9 months of FY21 as compared to last year.
- Share of Johndeere and New Holland expanded in this year.
- Increase in share of smaller tractors (<30HP), demand mainly seen from Asian countries where land pattern is similar to India and hence higher demand for smaller tractors.
- Demand expected to recover in FY22 propelled by strategic push by players to cater to the global demand. ITL's Solis brand launched last fiscal has been gaining popularity in European markets.

# Tractor Exports



- Demand for tractors has remained robust in importing nations, similar to domestic market. It has grown by **2% in Apr to Dec 2020** as compared to same period last year.
- Drop seen by Asian countries in the first half of the fiscal has gradually eased out.
- **Exports to Srilanka** has also improved. (Tractor is considered as an essential commodity for imports)
- Demand seen from **European nations** on personal agriculture side.
- **Second wave of Covid** specially in European and North American region remains a **key monitorable**.

# Stakeholder interactions

## OEM



- Resilient tractor demand even post festive season on account of positive agri sentiments and good cash flow.
- Higher procurement to aid cash flow for farmer although average growth in MSPs to only have positive impact for wheat and paddy belt.
- SW Monsoon has led to good sentiments for the Kharif season and increase in Kharif production can be expected.
- There are certain supply constraints as well which are expected to smoothen by Q1FY22.
- OEMs have also been boosting production levels to ramp-up inventory for the coming quarter as healthy sales are expected to continue
- The demand on-ground is positive across states on account of a good Kharif produce and expectation of better farm income. Further, high reservoir levels to secure the upcoming Rabi season as well.

## Dealer



- Supply constraints dampened dealer sentiments as dealers were not able to cater to the huge on ground demand. Higher HP tractors are in demand and are unavailable at present.
- Demand has been robust at present as farmers want to buy 2021 models.
- Dealers are looking to stock up as inventory is low.
- Kharif crop has done really well. Harvest is almost complete.
- Rabi sowing is underway and almost complete as well.
- Government procurement of crop has started and is expected to gain momentum.

## Financier

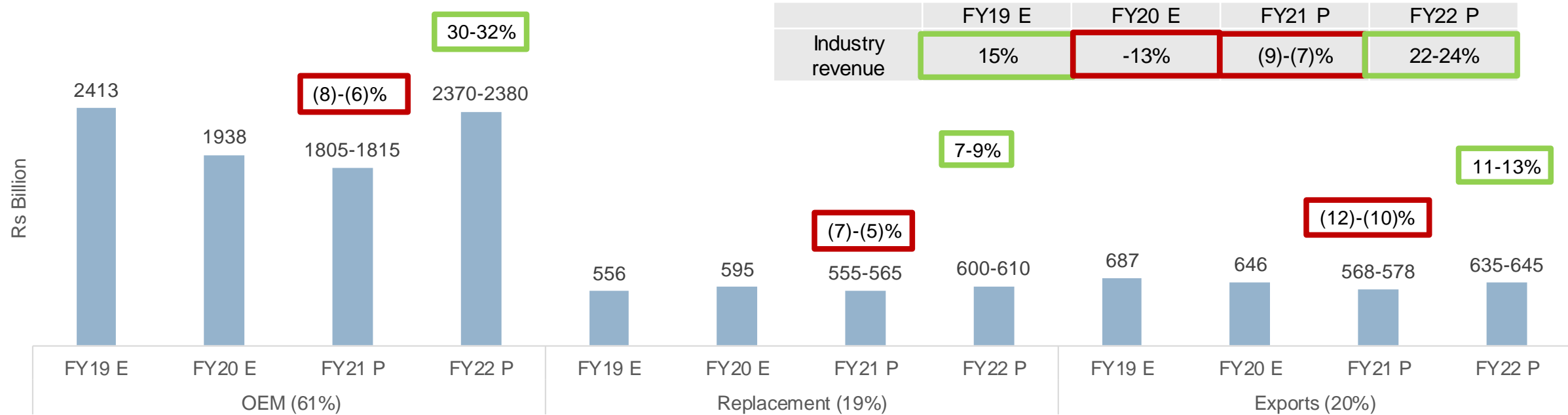


- Financers have now come up with digital processes.
- There is cash flow in market as farmers have received better crop realizations
- This year there has been good collection. Collection is at 75% till now and if it continues to be good for coming months financers will also be aggressive for the next quarter.
- LTVs are expected to remain at a similar level at 70-75% amid risk averse investors.
- Tractor loans under moratorium are estimated to be at less than 10%.

# Outlook on auto component industry

# After a consecutive drop in fiscal 2021, component industry revenue expected to bounce back in fiscal 2022

## Demand from OEMs to drive auto component growth in fiscal 2022



Note: Brackets represent y-o-y growth; Numbers in the bracket represent share in production for fiscal 2020

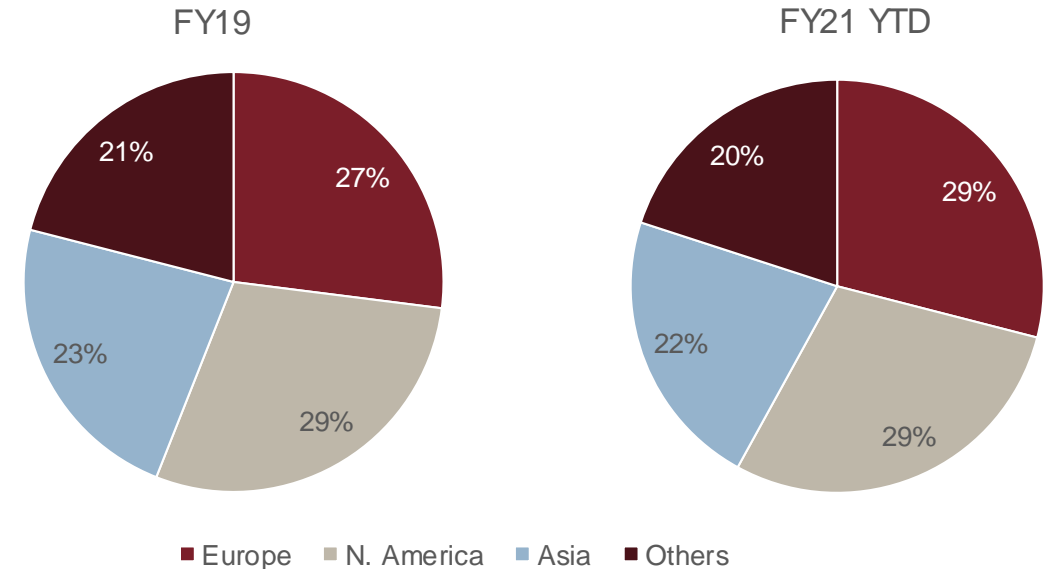
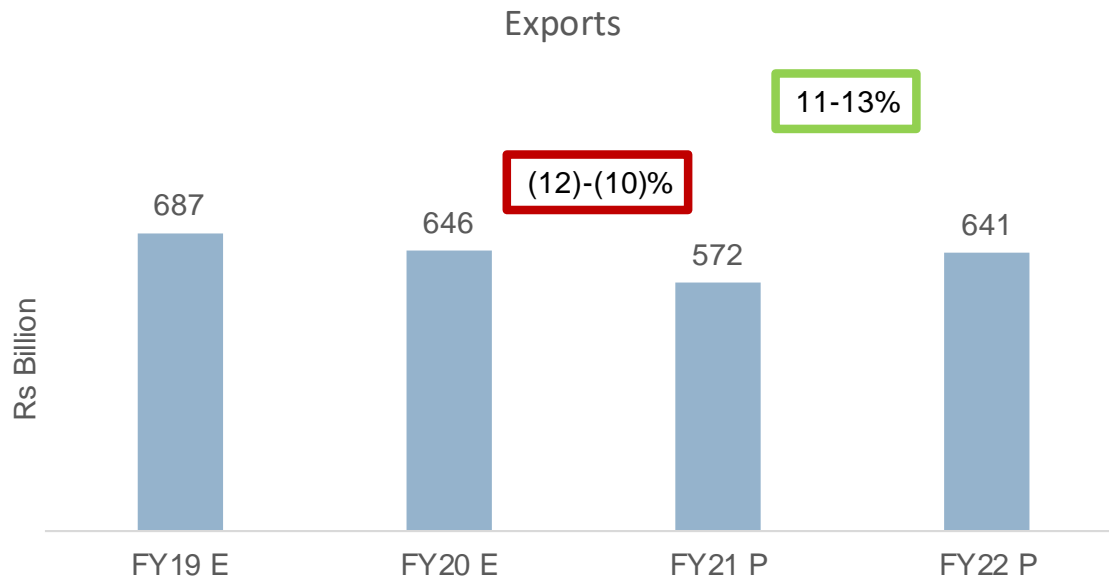
Source: CRISIL Research

- Production revenue to drop 8-10% in fiscal 2021, on account of subdued demand across all automobile asset classes amid continued weakness in the economy, decline in exports given COVID-19 outbreak in key export destinations and lower demand from replacement market owing to less movement of vehicles
- In fiscal 2022, revenue is projected to accelerate at 22-24% on the back of an expected improvement in automobile demand
- However, auto components production revenue is not expected to reach fiscal 2019 levels, wherein the industry reported a healthy growth across all segments

# Europe, US to back export revival in fiscal 2022, impact of second wave remains a key monitorable

Export demand expected to revive partially in fiscal 22

Early recovery pushed Europe demand in Q2 fiscal 21



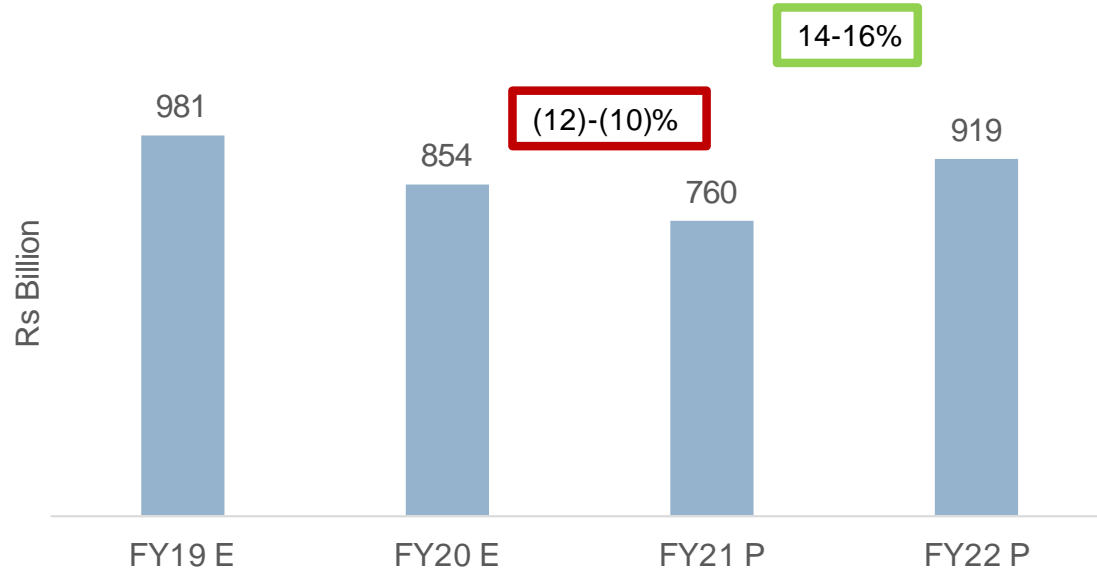
Note: Brackets represent y-o-y growth;  
Source: CRISIL Research

Note: YTD represents April- Oct 2020 data  
Source: DGFT, CRISIL Research

- Export demand got severely impacted in 2020 with H1 fiscal 2021 posting 28% y-o-y drop
- Some recovery was seen in Q3 led by increase in demand from Europe and Asia, primarily Germany and Italy
- Going ahead, demand from Europe remains a key monitorable owing to re-imposition of lockdown in the wake of second wave of COVID-19
- With easing of pandemic situation & improvement in global production, export demand expected to recover in fiscal 2022

# Slowdown in domestic demand to shrink import levels further in fiscal 21, recovery in domestic demand to back imports in fiscal 22

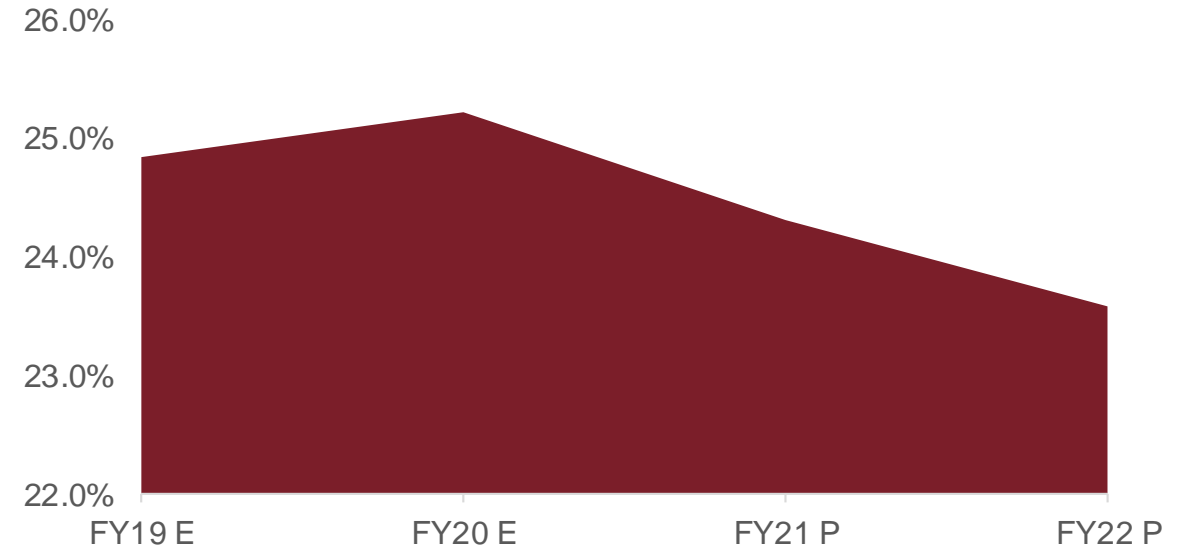
## Imports under pressure



Source – DGFT, CRISIL Research

## Localisation pulling the import share down

### Share of imports in domestic consumption



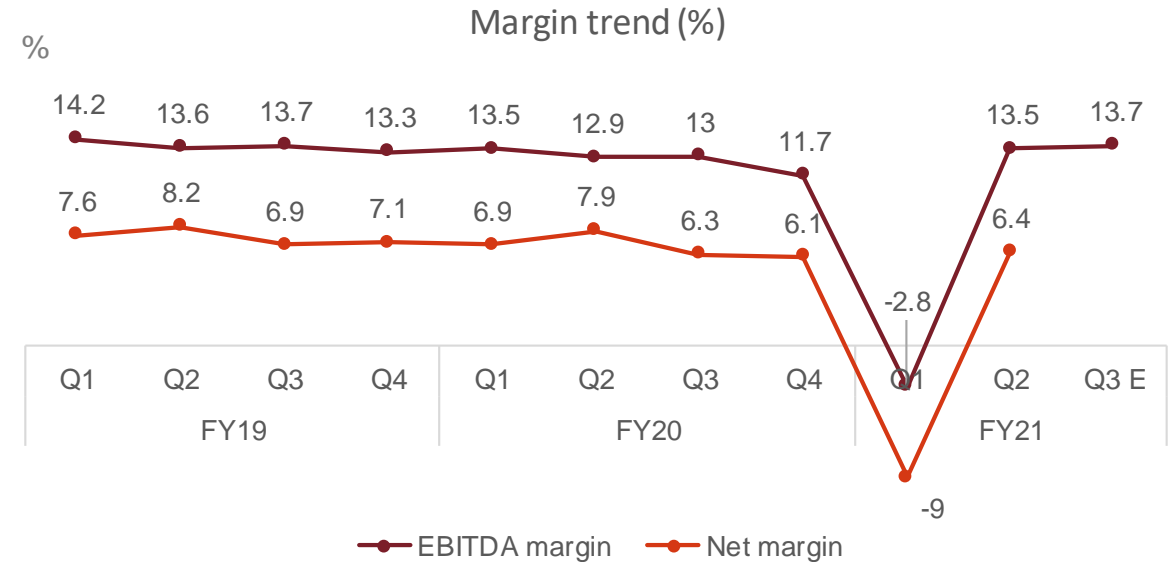
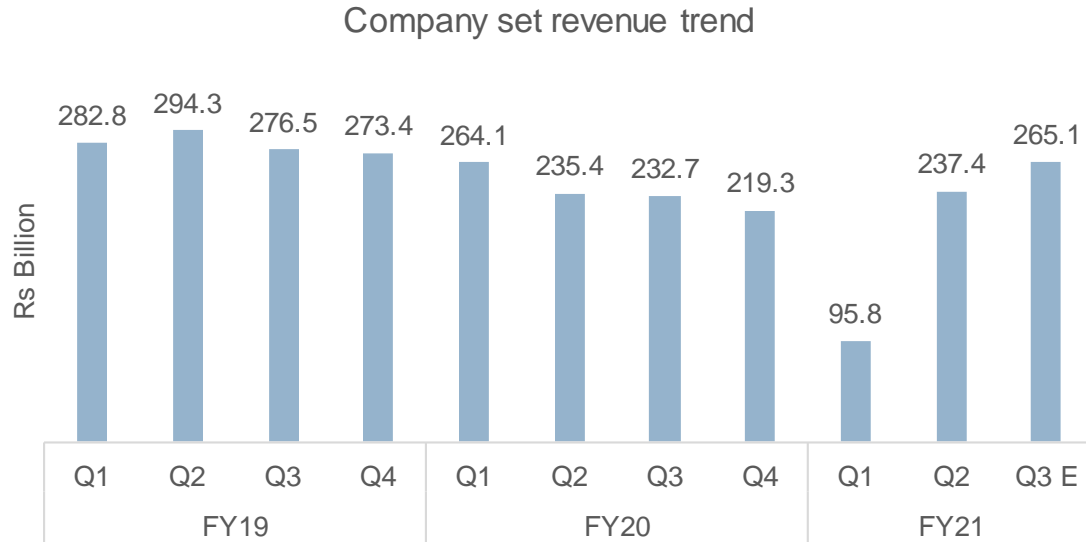
Source: DGFT, CRISIL Research

- India imports mainly from China, Korea, Germany, Japan and the USA
- In fiscal 2021, imports are expected to decline by 10-12% owing to subdued demand from OEMs and aftermarket.
- Demand dropped ~35% in H1 FY21; Nonetheless, imports have been increasing month-on-month.
- In fiscal 2022, imports to bounce back with an expected recovery in the global markets along with healthy demand from domestic automotive manufacturers
- Increasing localization to put pressure on import levels



# Company financials return to pre Covid levels, further improvement expected

## Revenue as well as margins bounce back after a trough in Q1



Note: Amara Raja Batteries, Bharat Forge, BOSCH, Exide industries, Motherson Sumi Systems WABCO Ltd are considered for analysis  
 Source: Company financials, CRISIL Research

- With improvement in production, revenue of the auto component companies is expected to rise further
- Operating margins are expected to rise despite continued increase in raw material prices with cost cutting measures undertaken by companies as well as improving economies of scale
- Rise in raw material prices is expected to be passed on the end customer

# Summary

# Annual Forecast - Domestic

	Volume			
	FY19	FY20	FY21E	FY22P
Passenger vehicles ('000)	3,377	2,773	2,630-2,650	3,250-3,270
Two-wheelers (mn)	21.18	17.42	14.85-15.20	17.04-17.34
Commercial vehicles ('000)	1,007	718	553-567	762-772
Three-wheelers ('000)	701	636	200-210	355-365
Tractors ('000)	787	709	895-909	965-992

	Growth yoy (%)			
	FY19	FY20	FY21E	FY22P
Passenger vehicles ('000)	3%	(18)%	(4)-(6)%	23-25%
Two-wheelers (mn)	5%	(18)%	(13)-(15)%	13-15%
Commercial vehicles ('000)	18%	(29)%	(23)-(21)%	36-38%
Three-wheelers ('000)	10%	(9)%	(67)-(69)%	72-74%
Tractors ('000)	8%	(10)%	26-28%	7-10%

SOURCE: SIAM, CRISIL Research

# Quarterly forecasts – Domestic

Vehicle segment	Subsegment	Volume				YoY growth (%)			
		Q4 FY 21	Q1 FY 22	Q2 FY 22	Q3 FY 22	Q4 FY 21	Q1 FY 22	Q2 FY 22	Q3 FY 22
Passenger vehicles	Cars ('000)	505-515	455-465	470-480	455-465	24-26	470-475	16-18	(12)-(10)
	UVs & vans ('000)	380-390	340-350	350-360	345-355	52-54	367-369	23-25	(10)-(8)
	<b>PVs ('000)</b>	<b>890-910</b>	<b>800-820</b>	<b>820-840</b>	<b>800-820</b>	<b>36-38</b>	<b>420-430</b>	<b>19-21</b>	<b>(11)-(9)</b>
Two-wheelers	Motorcycles (mn)	2.73-2.78	2.75-2.76	2.86-2.92	2.77-2.84	21-23	205-207	(9)-(7)	(12)-(10)
	Scooters (mn)	1.29-1.31	1.30-1.31	1.41-1.44	1.29-1.31	17-19	283-285	5-7	(9)-(7)
	Mopeds ('000)	202-205	178-179	<b>194-197</b>	<b>179-183</b>	43-45	231-233	<b>(2)-0</b>	<b>(15)-(13)</b>
	<b>2W (mn)</b>	<b>4.23-4.30</b>	<b>4.22-4.25</b>	<b>4.47-4.56</b>	<b>4.24-4.34</b>	<b>21-23</b>	<b>227-229</b>	<b>(5)-(3)</b>	<b>(11)-(9)</b>
Commercial vehicles	SCV ('000)	127.5-130.7	99.5-101.6	119-122	129.3-131.8	57-61	295-303	21-24	1-3
	ULCV ('000)	11.7-11.9	8.8-9.0	10.8-11.0	11.2-11.5	65-68	698-715	59-63	5-7
	MHCV ('000)	60.9-61.9	42.5-43.4	48.9-49.9	53.5-54.5	61-64	913-933	105-109	8-10
	Buses ('000)	5.8-6.3	6.1-6.3	6.8-6.9	8.2-8.3	(72)-(70)	474-476	55-57	82-84
	<b>CVs ('000)</b>	<b>207-210</b>	<b>164.5-165.1</b>	<b>188.2-190.9</b>	<b>202.3-206.2</b>	<b>41-43</b>	<b>414-416</b>	<b>41-43</b>	<b>5-7</b>
<b>Tractors ('000)</b>		<b>240-243</b>	<b>258-261</b>	<b>227-232</b>	<b>245-250</b>	<b>64-66</b>	<b>56-58</b>	<b>(4)-(2)</b>	<b>(5)-(3)</b>
Three-wheelers	Goods ('000)	29-29.5	26.9-27.4	29.2-29.7	25.8-26.3	18-20	367-369	48-50	(11)-(9)
	Passenger ('000)	44.9-45.4	48.5-49	58.2-58.7	65.7-66.2	(58)-(56)	605-607	123-125	50-52
	<b>3W ('000)</b>	<b>74.3-74.8</b>	<b>75.7-76.2</b>	<b>87.8-88.3</b>	<b>91.7-92.2</b>	<b>(44)-(42)</b>	<b>496-498</b>	<b>91-93</b>	<b>25-27</b>

SOURCE: SIAM, CRISIL Research

# Annual forecasts – Exports

Vehicle segment	Subsegment	Volume				YoY growth (%)			
		FY 19	FY 20	FY 21E	FY22P	FY 19	FY 20	FY 21E	FY22P
Passenger vehicles	Cars ('000)	514	491	281-297	457-469	(11)	(5)	(43)-(39)	58-62
	UVs & vans ('000)	162	186	158-170	190-197	(4)	15	(15)-(9)	16-20
	<b>PVs ('000)</b>	<b>676</b>	<b>677</b>	<b>438-467</b>	<b>647-666</b>	<b>(10)</b>	<b>0</b>	<b>(35)-(31)</b>	<b>43-47</b>
Two-wheelers	Motorcycles (mn)	2.87	3.14	2.95-3.04	3.29-3.44	15	9	(6)-(3)	10-15
	Scooters (mn)	0.40	0.37	0.23-0.24	0.31-0.32	27	(7)	(37)-(35)	30-35
	Mopeds ('000)	17	14	10.71-11.34	14.54-14.87	(4)	(17)	(23)-(18)	32-35
	<b>2W (mn)</b>	<b>3.28</b>	<b>3.52</b>	<b>3.19-3.29</b>	<b>3.62-3.78</b>	<b>17</b>	<b>7</b>	<b>(9)-(6)</b>	<b>12-17</b>
Commercial vehicles	LCV ('000)	47.2	33.9	30.4-31.6	46.5-47.8	(3)	(28)	(10)-(7)	50-54
	MHCV ('000)	40.4	14.9	11.9-12.9	20.9-21.4	27	(63)	(20)-(13)	68-72
	Buses ('000)	12.4	11.9	5.8-6.2	12.4-12.7	(24)	(3)	(52)-(48)	108-112
	<b>CVs ('000)</b>	<b>99.9</b>	<b>60.7</b>	<b>48.0-50.7</b>	<b>79.8-81.8</b>	<b>3</b>	<b>(39)</b>	<b>(21)-(16)</b>	<b>62-66</b>
Tractors ('000)		92	76	80-84	87-91	7	(17)	6-11	6-10
Three-wheelers	Goods ('000)	6.2	6.3	4.8-5.1	6.1-6.3	47	2	(25)-(20)	23-27
	Passenger ('000)	561.5	495.9	385.1-402.7	488.8-504.6	49	(12)	(22)-(19)	24-28
	<b>3W ('000)</b>	<b>567.7</b>	<b>502.2</b>	<b>389.9-407.8</b>	<b>494.9-510.8</b>	<b>49</b>	<b>(12)</b>	<b>(22)-(19)</b>	<b>24-28</b>

SOURCE: SIAM, CRISIL Research

# Deviation in the forecast for Q3 FY21

Vehicle segment	Subsegment	Volume		Deviation	Reasons for Deviation
		Forecast	Actuals		
Passenger vehicles	Cars ('000)	470-480	516	7.5%	Impact of incomes on urban was far lower than anticipated. Model launches and fear factor on account of COVID19 fueled growth higher than anticipation
	UVs & vans ('000)	318-324	381	17.6%	
	<b>PVs ('000)</b>	<b>789-805</b>	<b>897</b>	<b>11.4%</b>	
Two-wheelers	Motorcycles (mn)	2.97-3.03	3.15	3.8%	Scooter inventory build up was lower than anticipated which lead to deviation in scooters while wrt motorcycles and mopeds we were largely in line
	Scooters (mn)	1.52-1.55	1.42	7.0%	
	Mopeds ('000)	201-205	211	2.8%	
	<b>2W (mn)</b>	<b>4.70-4.78</b>	<b>4.78</b>	-	
Commercial vehicles	SCV ('000)	119.5-121.5	128	5.1%	Pick up in consumption demand was strong and slight inventory build up lead to deviation in LCV nos; MHCV demand recovery was sustained even post festive and despite pressure on credit quality financiers were proactive helping MHCV sales
	ULCV ('000)	10.0-11.0	10.7	-	
	MHCV ('000)	39.0-39.8	49.5	19.6%	
	Buses ('000)	4.0-4.4	4.5	2.2%	
	<b>CVs ('000)</b>	<b>172.4-176.3</b>	<b>192.7</b>	<b>8.5%</b>	
Tractors ('000)		256-261	258	-	Financiers not at all accommodative towards 3W passengers despite economy and travel opening up were we had anticipated some conversions on account of festive which did not happen. Goods we were largely in line
Three-wheelers	Goods ('000)	29.6-30.2	29.1	3.8%	
	Passenger ('000)	47.8-48.8	43.6	9.6%	
	<b>3W ('000)</b>	<b>77.4-79.0</b>	<b>72.7</b>	<b>6.1%</b>	

NOTE: Forecast give in Oct 2020 update, Deviation is calculated by dividing the absolute difference between the actual and closest range given by the actual volume

SOURCE: SIAM, CRISIL Research

# Inventory level lower compared to festive; supply constraints hits inventory of PV & CV

Vehicle segment	Normal inventory in days	Current inventory levels (days)*	Reasons
Passenger Vehicles	25-30	10-15	Industry registered healthy retail numbers during the festive season. Moreover, traction in the PV market continued post festive in December as well. On the other hand, due to the severe shortage of semiconductors, most OEMs faced supply constraints. And in turn, dealer inventory got impacted. Currently dealer inventory is at a record low of 10-15 days.
Two Wheelers	30-35	38-42	OEMs have sharply corrected the inventory, since the retail sale during festive was sluggish and inventory piled up at the dealer end. In Oct and Nov, inventory with the dealers was >50days.
Commercial Vehicles	25-35	25-30	Inventory levels continue to remain at 30 days for majority of dealers. Some dealers even maintaining lower inventory. Huge supply issues faced by one of the OEM's due to semiconductors shortage.
Tractors	30-35	20-25	Inventory levels are stable. However, demand is higher than the supply OEMs are able to run factories in multiple shifts to achieve optimum production levels. Supply chain situation continues to remain volatile.
Three-wheeler	20-25	5-10	Three wheeler segment was impacted the most during the pandemic. There was gradual recovery in the cargo segment, passenger segment is still struggling. Given the sharp drop in retail demand, dealers are unwilling to stock vehicles & prefer to order once the vehicle is booked. Hence, dealer inventory levels are dwindling.

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