



# Impact of macro-economic environment on the automotive industry

**ACMA**

Automotive Component Manufacturers Association of India

**April 2023**

© 2022 CRISIL Ltd. All rights reserved.

# Content

[Economy overview](#)

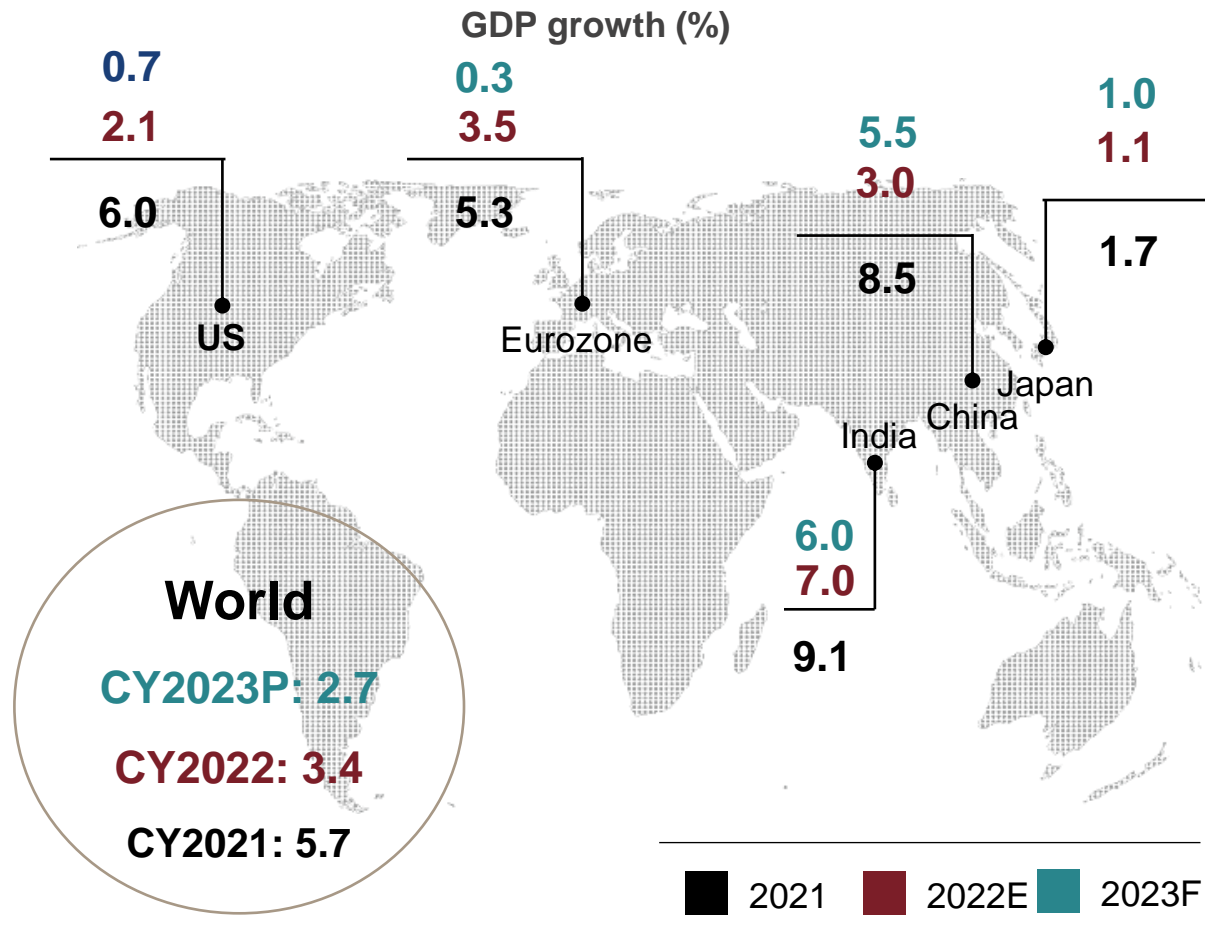
[Rural Scenario](#)

[Indian automobile industry](#)

[Auto Components](#)

# Global scenario

# Global uncertainties, spillover risks for India



- Real economic activity stayed fairly resilient – fourth quarter real gross domestic product expanded in US and Japan, and remained stable in the Eurozone. But recent turmoil in the banking sector renewed fears of similar risks and weaknesses emanating in other economies and the hit to financial markets
- Inflation softened but stayed uncomfortably high in several key economies leading to expectations of continue rate hikes despite jitters in the financial markets
- Energy prices continued to moderate, falling by 7.3% on-month

# Some improvement from November forecast for most geographies

## GDP Growth Forecasts

(%)	<u>Latest forecast</u>				<u>Change from previous forecast</u>		
	2023	2024	2025	2026	2023	2024	2025
<b>U.S.</b>	0.7	1.2	1.8	2.0	0.8	(0.2)	0
<b>Europe</b>							
Eurozone	0.3	1.0	1.7	1.6	0.3	(0.4)	0.2
Germany	0.0	0.9	1.8	1.7	0.5	(0.1)	0.5
France	0.4	1.2	1.6	1.4	0.2	(0.4)	0.1
Italy	0.4	1.0	1.4	1.4	0.5	(0.4)	0.2
Spain	1.1	1.6	2.3	2.2	0.2	(0.3)	(0.2)
U.K.	(0.5)	1.5	1.8	1.6	0.5	0.2	0.3
<b>Asia-Pacific</b>							
China	5.5	5.0	4.7	4.5	0.7	0.3	0.1
Japan	1.0	1.1	1.1	1.0	(0.2)	0	0
India*	6.0	6.9	6.9	7.1	0	0	0
<b>Other emerging market economies</b>							
Mexico	1.3	1.7	2.1	2.1	0.5	(0.3)	(0.1)
Brazil	0.8	1.7	2.0	2.0	0.2	(0.2)	(0.2)
South Africa	0.8	2.1	1.7	2.2	(0.7)	0.5	0
World§	2.7	3.1	3.4	2.9	0.4	0	0.1

# India landscape

# Indian economy to remain in growth mode

Segments (% growth y-o-y)	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24P
GDP	7.4	8.0	8.3	6.8	6.5	3.7	(6.6)	8.7	7.0	6.0
CAD (as a % of GDP)	-1.3	-1.1	-0.7	-1.8	-2.1	-0.9	+0.9	-1.2	-3.0	-2.4
10-year G-sec yield (end-March)	7.7	7.5	6.8	7.6	7.5	6.2	6.2	6.8	7.5	7.0
PFCE	6.4	7.9	8.1	6.2	7.1	5.2	(6.0)	7.6	7.0	6.2
Crude oil (\$/barrel/CY)	99	52	44	54.5	71	64	42.3	70.4	99.8	80-85
Inflation (Consumer Price Index)	5.9	4.9	4.5	3.6	3.4	4.8	6.2	5.5	6.8	5.0

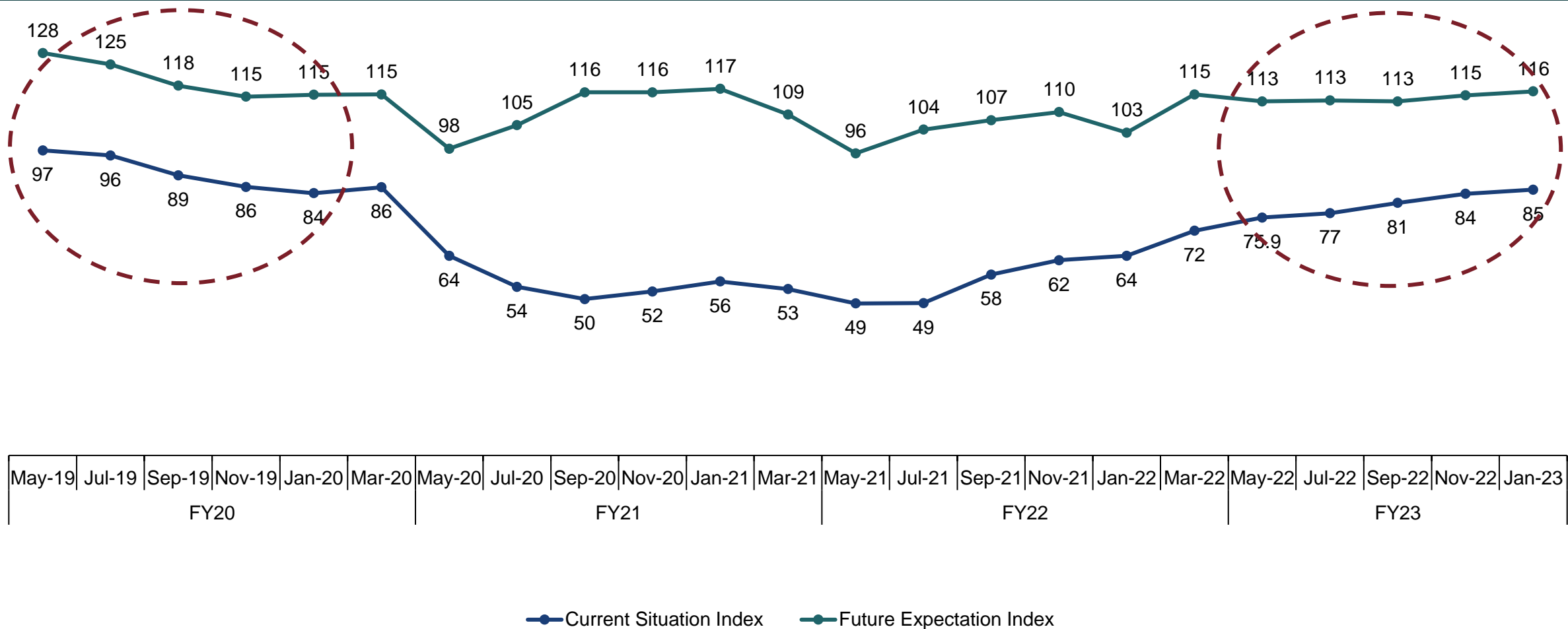
CY: Calendar year; PFCE: Private final consumption expenditure

Note: Crude oil prices are for CY, upward revision possible amidst the OPEC supply cut

Source: Central Statistics Office (CSO), Reserve bank of India (RBI), and CRISIL MI&A estimates

# Current Situation Index improving however Future Expectation Index still catching up

## Consumer Confidence Index



Source: CRISIL MI&A, RBI, NCAER



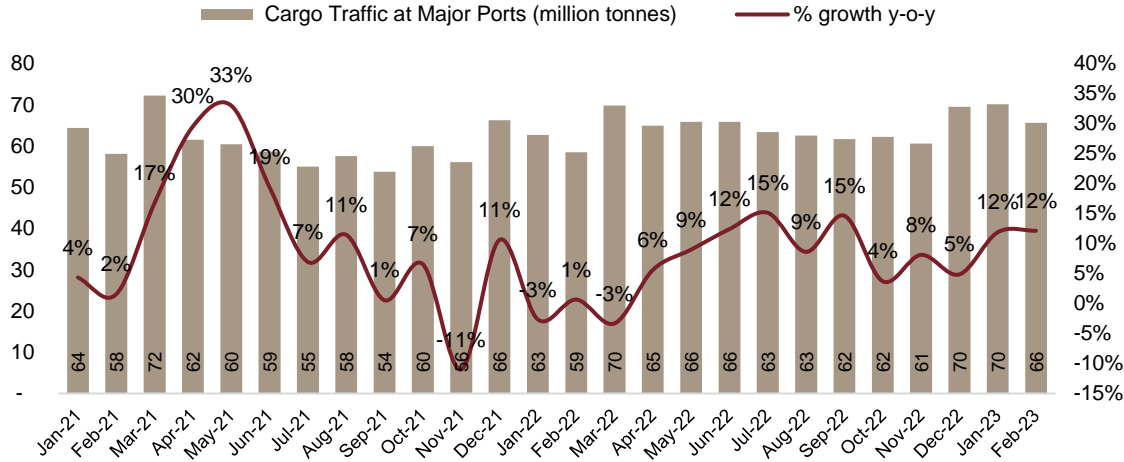
# High frequency parameters seeing sequential improvement

Segments	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23
<b>Core Sectors</b>																								
Coal	9%	7%	7%	19%	21%	8%	15%	8%	5%	8%	7%	0%	29%	25%	31%	11%	8%	12%	4%	12%	12%	13%	9%	
Crude Oil	-2%	-6%	-2%	-3%	-2%	-2%	-2%	-2%	-2%	-2%	-2%	-3%	-1%	5%	-2%	-4%	-3%	-2%	-2%	-1%	-1%	-1%	-5%	
Natural Gas	25%	20%	21%	19%	21%	28%	26%	24%	20%	12%	13%	8%	6%	7%	1%	0%	-1%	-2%	-4%	-1%	3%	5%	3%	
Petroleum Refinery Products	31%	15%	2%	7%	9%	6%	14%	4%	6%	4%	9%	6%	9%	17%	15%	6%	7%	7%	-3%	-9%	4%	5%	3%	
Fertilizers	4%	-10%	2%	1%	-3%	0%	0%	3%	4%	-2%	-1%	15%	9%	23%	8%	6%	12%	12%	5%	6%	7%	18%	22%	
Steel	494%	55%	25%	9%	5%	3%	5%	1%	-1%	3%	6%	4%	-1%	15%	3%	6%	2%	7%	4%	11%	9%	6%	7%	
Cement	607%	12%	8%	22%	36%	11%	15%	-3%	13%	14%	5%	9%	8%	26%	19%	2%	2%	12%	-4%	29%	9%	5%	7%	
Electricity	39%	7%	8%	11%	15%	1%	3%	2%	3%	1%	4%	5%	11%	22%	16%	2%	1%	11%	0%	12%	10%	12%	8%	
<b>Auto-offtake</b>																								
Two Wheelers	NM	26%	3%	-2%	-15%	-17%	-25%	-34%	-11%	-21%	-27%	-21%	15%	250%	23%	10%	16%	14%	2%	16%	3%	4%	8%	8%
Cars	NM	113%	118%	45%	8%	-41%	-27%	-19%	-13%	-8%	-7%	-4%	-4%	185%	19%	11%	21%	91%	29%	31%	7%	17%	11%	4%
Uvs + Vans	NM	118%																						
Three Wheelers	NM	-49%	-9%	41%	60%	54%	19%	-7%	25%	-10%	-2%	-1%	51%	2162%	184%	73%	65%	73%	70%	102%	37%	102%	85%	66%
<b>Auto-Vaahan</b>																								
2W	171%	155%	18%	28%	7%	-9%	-6%	0%	-19%	-13%	-10%	-4%	42%	214%	20%	-9%	9%	18%	71%	29%	-3%	15%	27%	10%
Cars+Uvs	913%	171%	43%	63%	39%	22%	-11%	-19%	-10%	-10%	-7%	-5%	31%	209%	41%	-3%	8%	11%	48%	21%	10%	28%	16%	17%
<b>Others</b>																								
PMI Manufacturing	55.5	50.8	48.1	55.3	52.3	53.7	55.9	57.6	55.5	54	54.9	54	54.7	54.6	53.9	56.4	56.2	55.1	55.3	55.7	57.8	55.4	55.3	56.4
IIP Overall	134%	29%	14%	11%	12%	3%	4%	1%	1%	1%	2%	2%	7%	20%	12%	2%	-1%	3%	-4%	7%	4%	5%	6%	
Diesel consumption	106%	1%	-2%	11%	16%	0%	-6%	-8%	2%	-6%	-1%	7%	8%	32%	24%	8%	13%	14%	6%	19%	7%	13%	8%	1%
Rail freight (NTKM)	87%	56%	27%	21%	20%	9%	21%	15%	8%	11%	11%	18%	21%	19%	18%	18%	13%	10%	1%	4%	6%	6%	5%	3%
Bitumen consumption	343%	12%	-23%	5%	16%	-2%	5%	-22%	-18%	-2%	3%	-12%	-8%	6%	22%	1%	51%	16%	-11%	39%	-15%	-20%	-9%	-1%
<b>Total credit</b>																								
Industry credit	0%	1%	0%	1%	2%	2%	4%	4%	8%	6%	11%	7.00%	10%	11%	11.0%	12%	16%	15%	12%	13%	9%	9%	7%	
-Micro and Small	4%	5%	6%	9%	10%	10%	12%	13%	20%	20%	29%	32.00%	46%	49%	48%	44%	41%	45%	39%	20%	14%	15%	13%	
-Medium	50%	52%	61%	66%	63%	49%	49%	49%	87%	75%	82%	55.00%	52%	50%	49%	34%	30%	29%	22%	30%	15%	18%	14%	
-Large	-2%	-2%	-3%	-3%	-1%	-1%	1%	0%	1%	0%	4%	0.00%	1%	2%	3%	5%	11%	8%	6%	11%	7%	7%	5%	

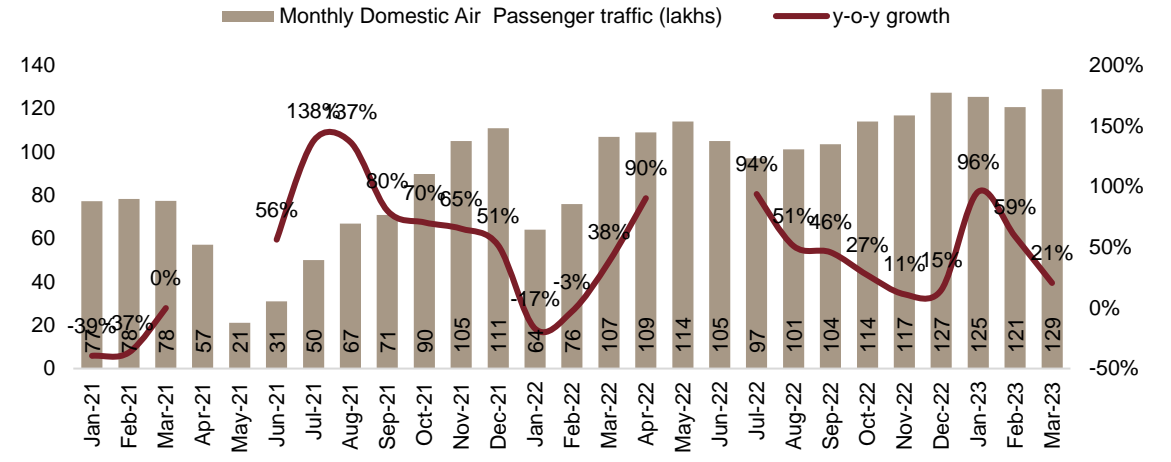
# Mobility & Auto industry

# Overall mobility

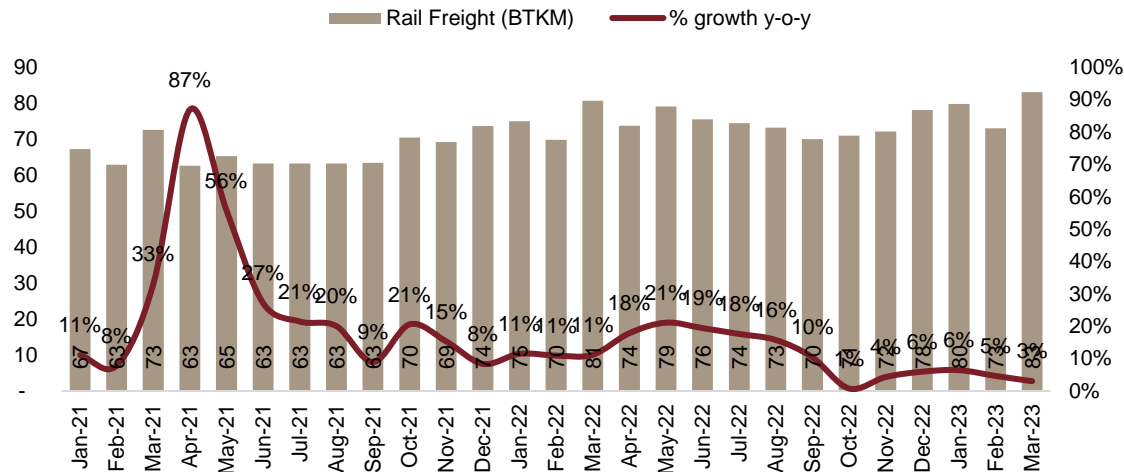
## Port Traffic



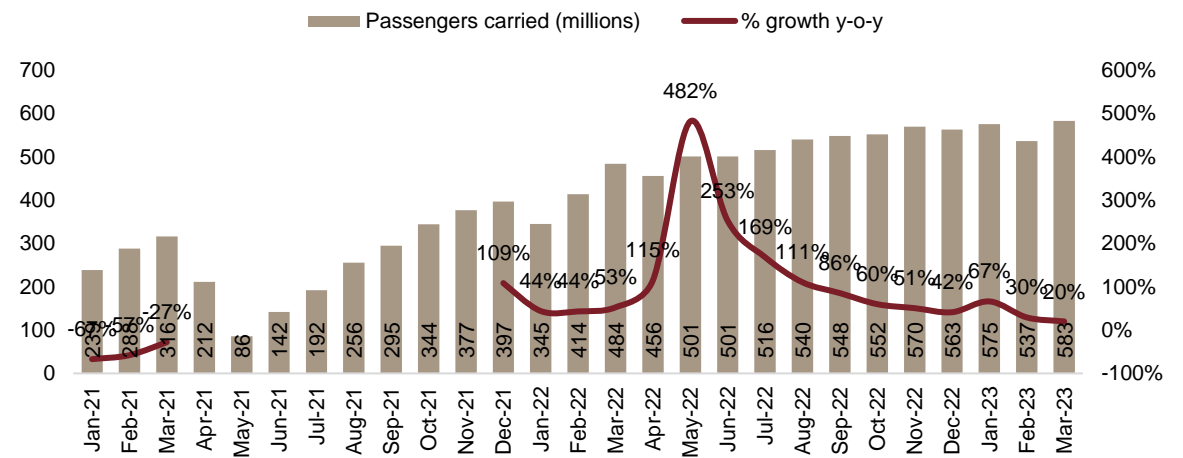
## Air traffic domestic



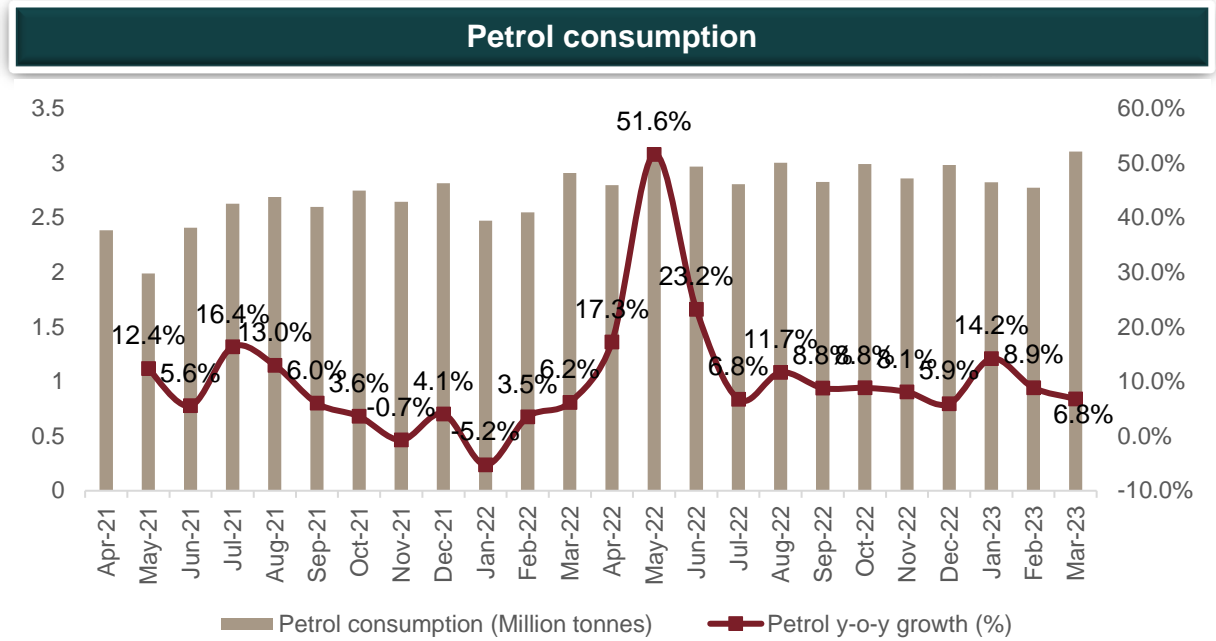
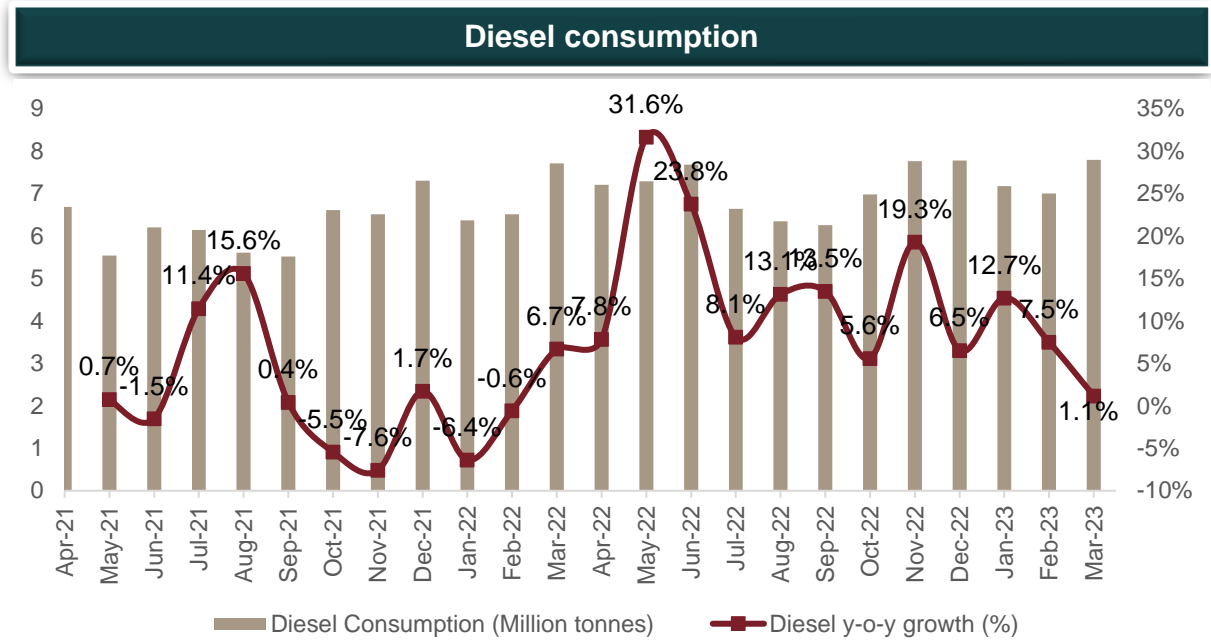
## Rail Cargo



## Rail Passenger



# Fuel consumption



- Diesel consumption witnessed growth of 1% in March 2023 on y-o-y basis while petrol consumption saw a growth of 7% for the same

Source: PPAC, CRISIL MI&A and Consulting

# Hi-Frequency indicators

## How are they shaping?

### Mobility indicators and Vaccination progress



Mobility Indicators in first half of October month indicated that most segments such as grocery and pharmacy, parks, retail and recreation and transit stations showing mixed trends

### Fuel and Power consumption



Power consumption witnessed a 2.2% year on year de-growth in March 2023. Diesel consumption witnessed growth of 1% in March 2023 on y-o-y basis while petrol consumption saw a growth of 7% for the same

### Freight movement & Transporter Profitability



- E-waybill generation has been at daily average of 1.87mn in March 2023 compared to February 2023 daily average of 1.85mn for intra-city
- While for inter-city the same has been about daily average of 1.07mn in March 2023 compared with daily average of 1.08mn in February 2023

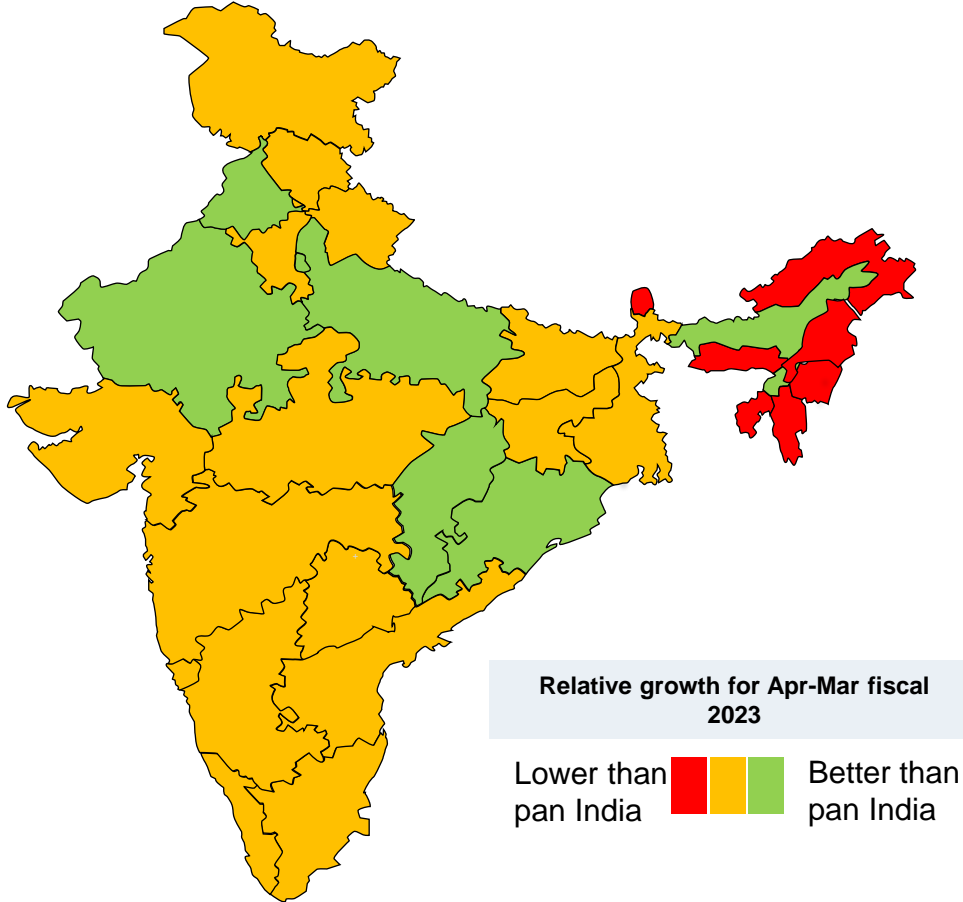
### STU Tendering Tracker



Interactions indicate STU tenders from states like Maharashtra, Karnataka, Uttar Pradesh, Tamil Nadu, Telangana, Kerala can see delivery spread over the next 12 months

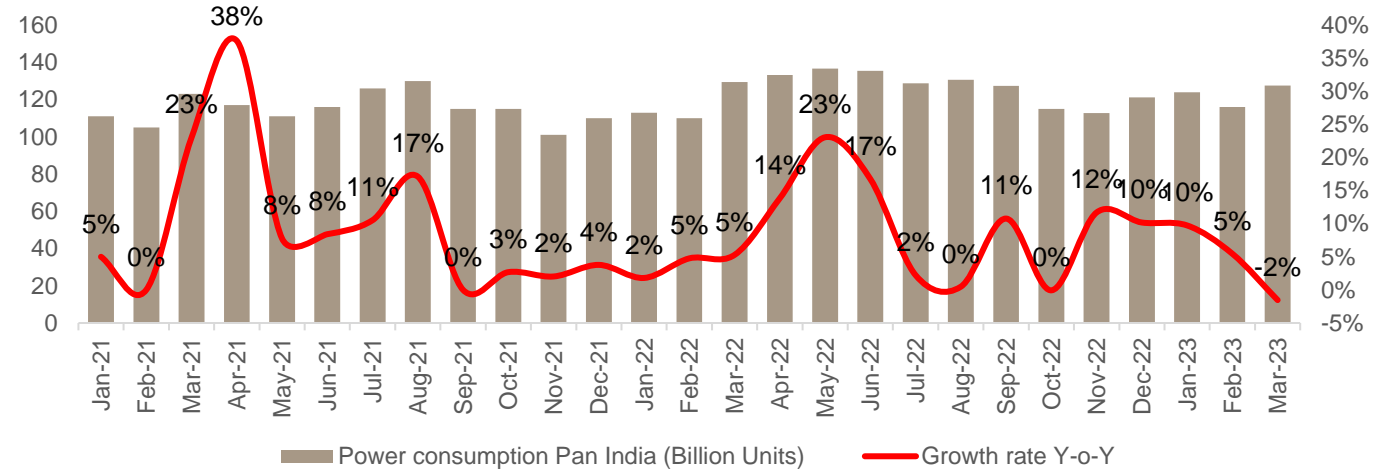
# North region performs better than other regions in Apr–Mar FY23 period

Eastern region saw a slowdown in power consumption

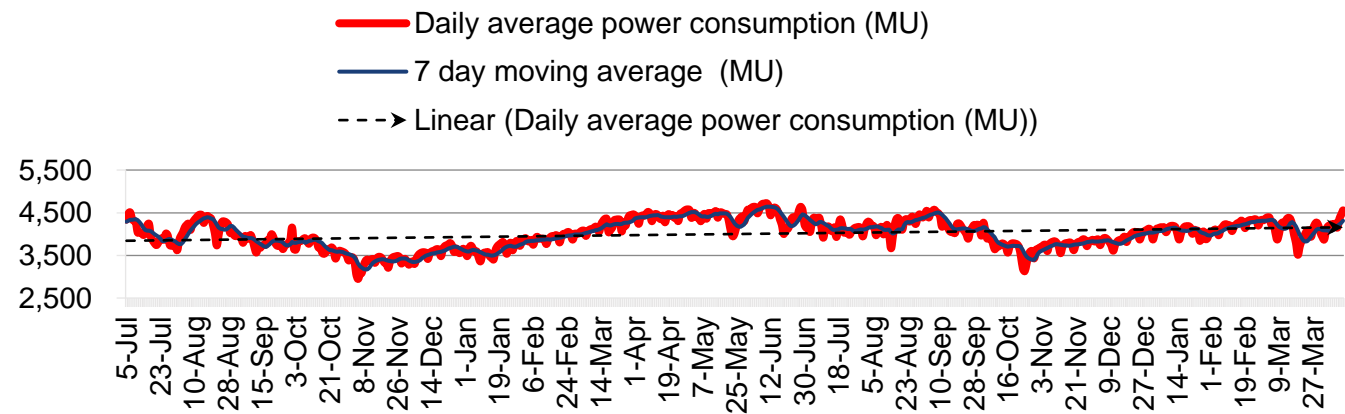


Source: Posoco, CRISIL MI&A,

Monthly trend for power consumption in India

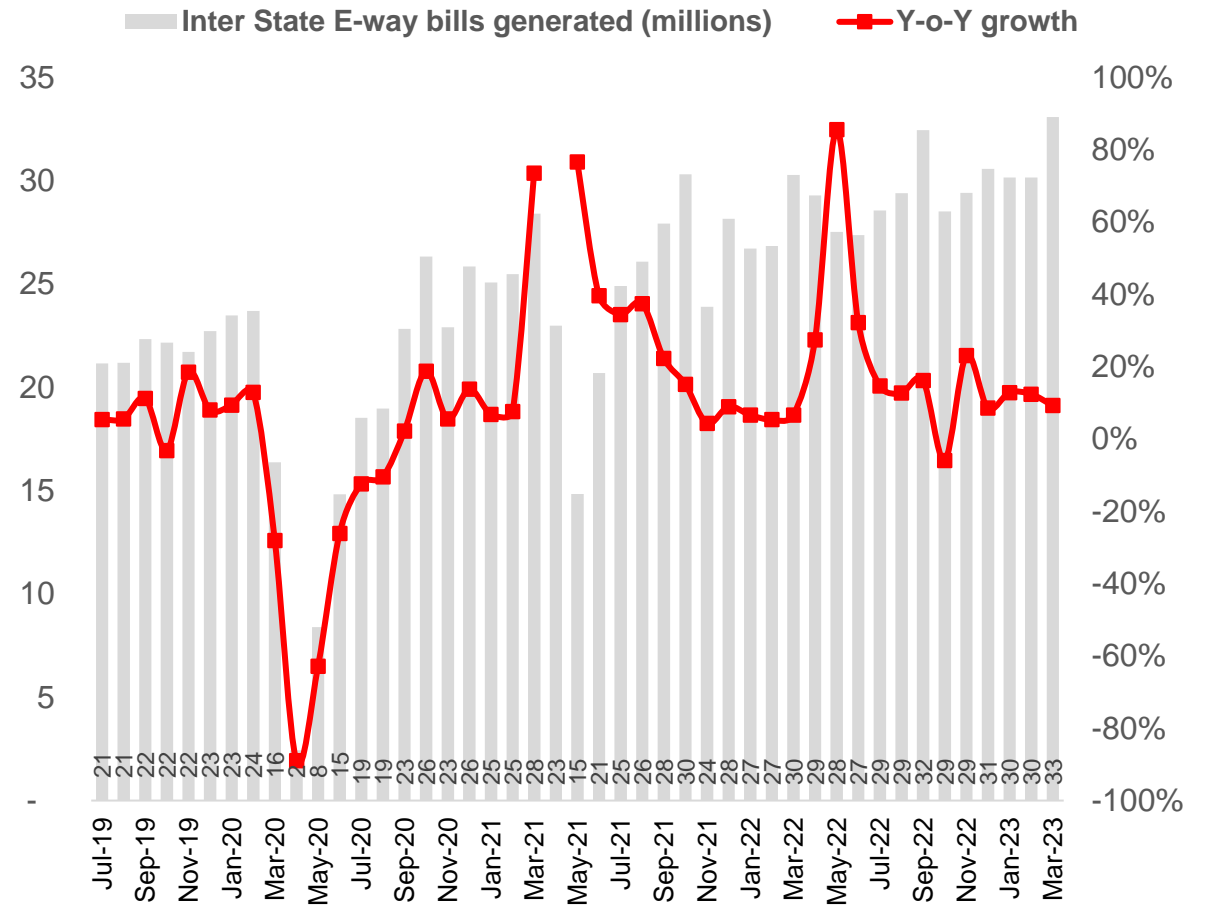
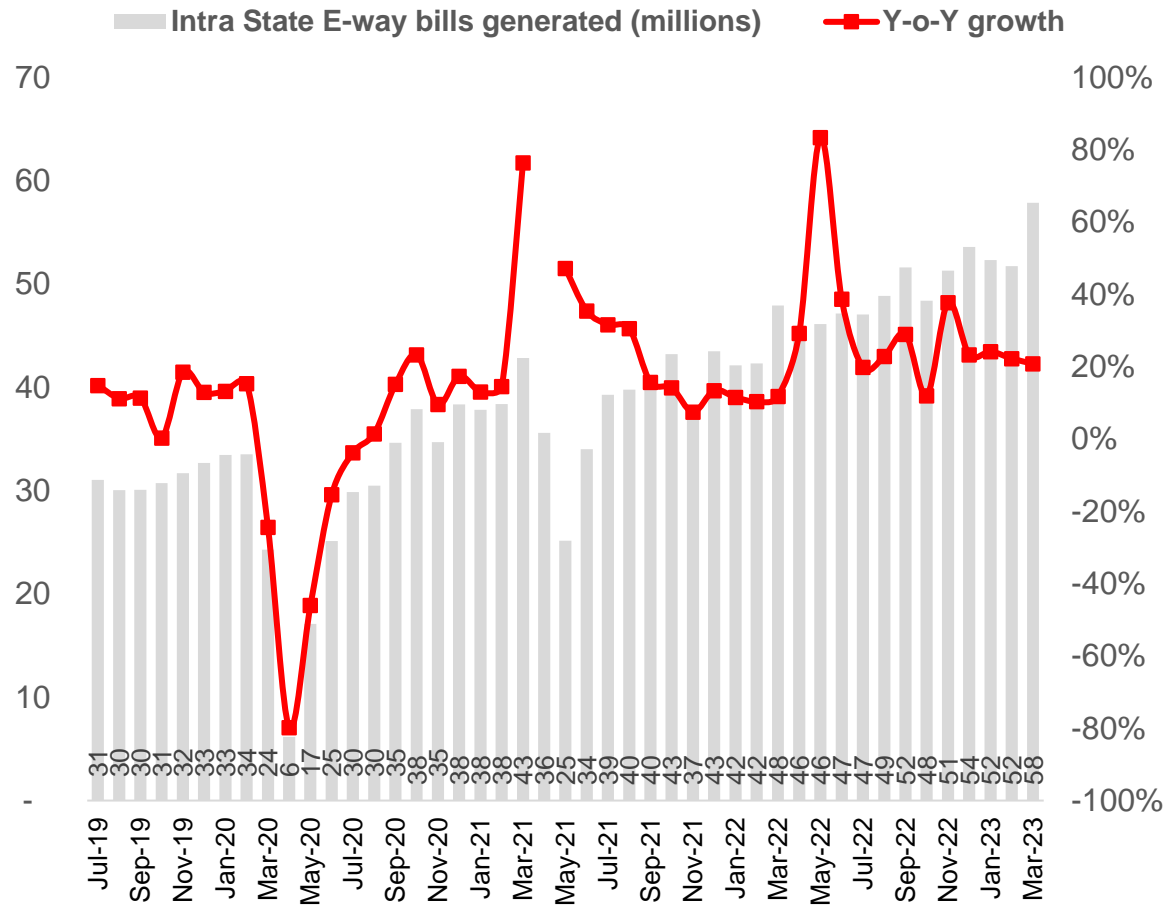


Daily trend for power consumption in India



# E-waybill trend

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



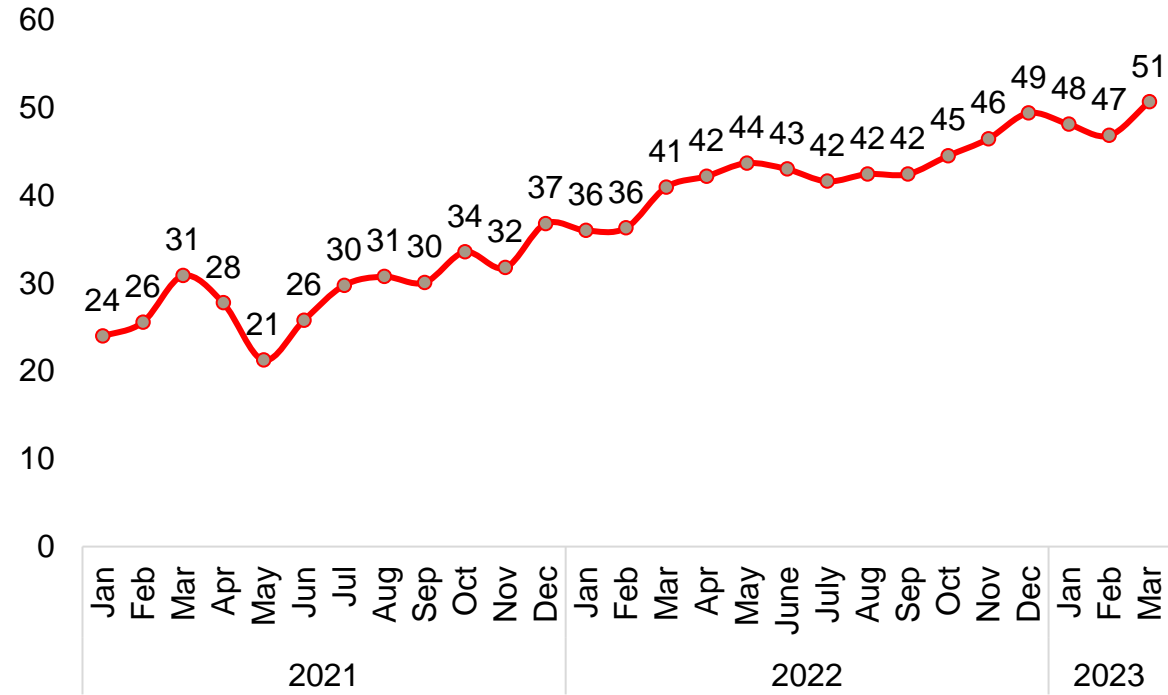
Note:

1. y-o-y growth not mentioned in Apr-21 as values are not meaningful due to low base effect of previous year caused by the nationwide lockdown. 2. 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

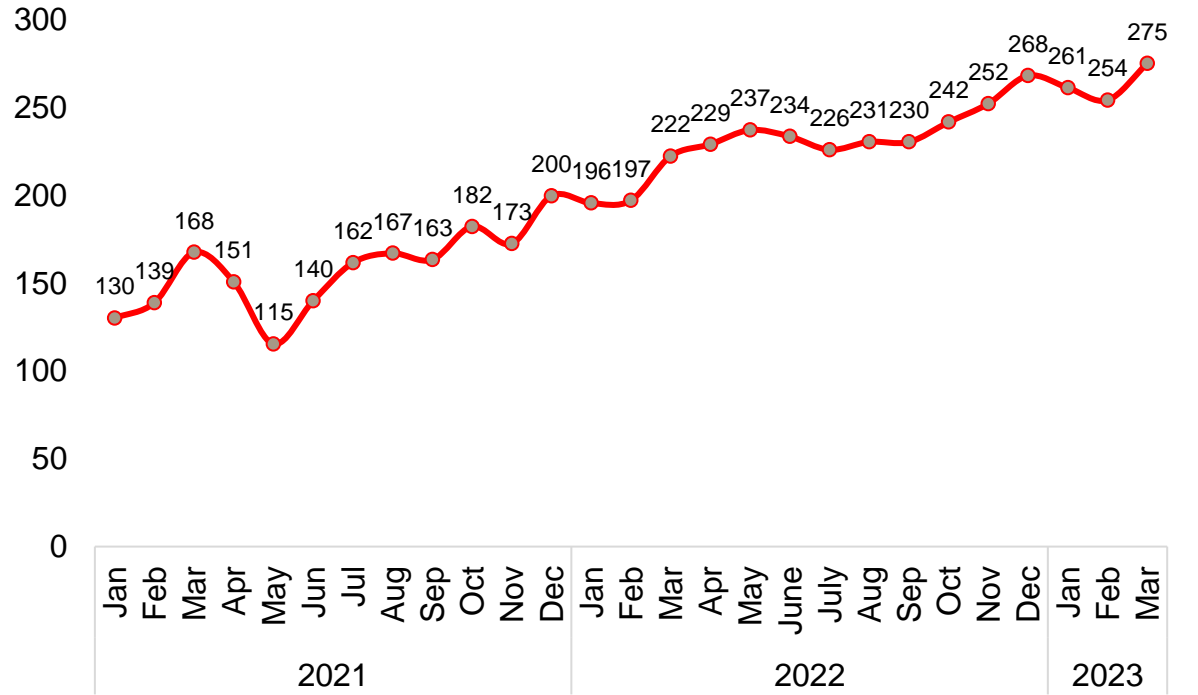
3. Source: GST Network, CRISIL MI&A Consulting

# March NETC Fastag collection at about ₹51 billion

**Fastag collections (INR billion)**



**Fastag trend (Feb 2020 level =100)**

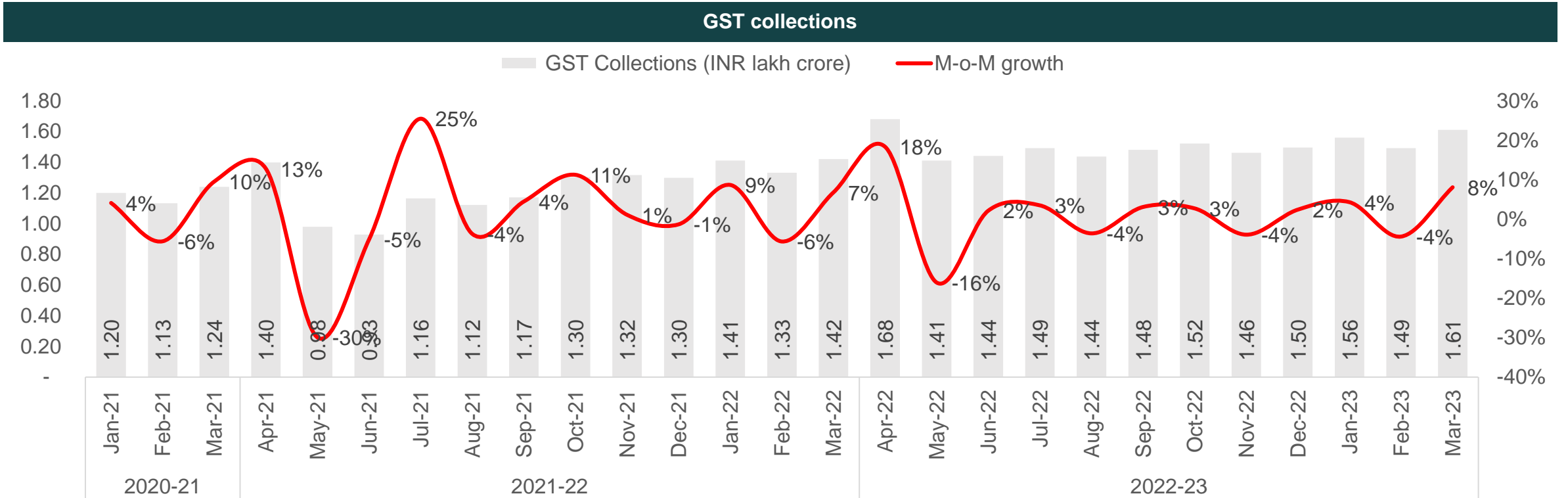


- Fastag recorded an index of 275 in March 2023, highest level till now

Source: GST Network, NPCI, CRISIL MI&A Consulting



# March sees second highest GST collection of ₹1.6 lakh crore



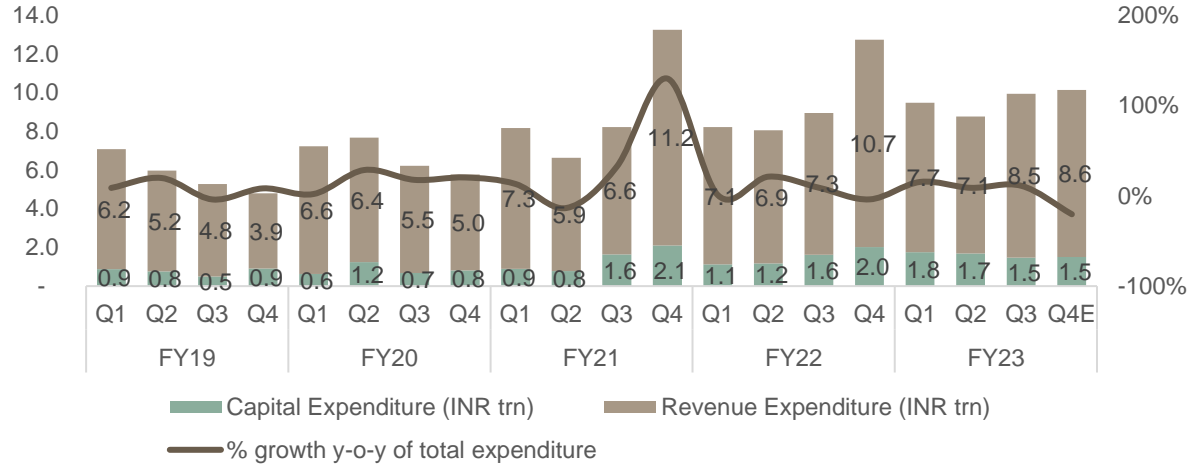
- March GST collection at ₹1.61 lakh crore is 22% higher than the GST revenue in the same month last year, which was ₹1.42 lakh crore

Source: GST Network, NPCI, CRISIL MI&A Consulting

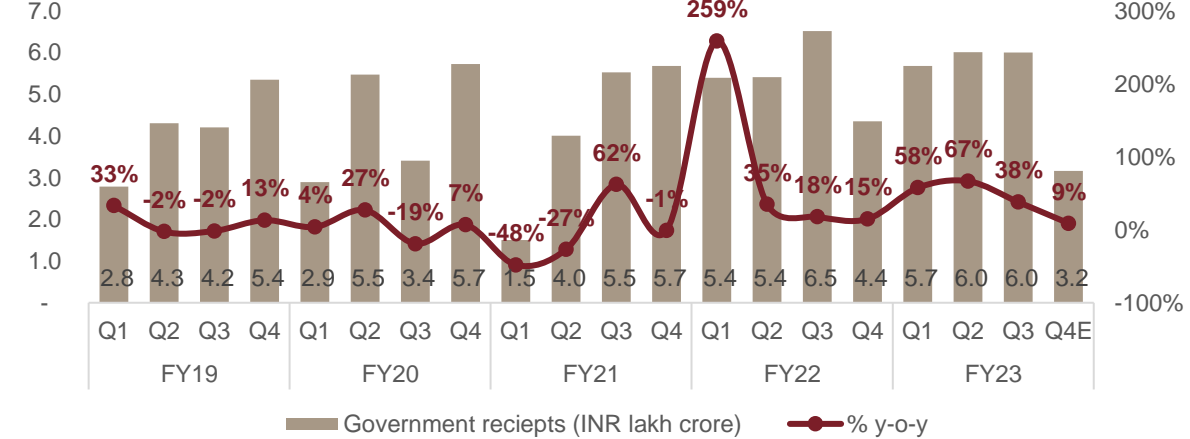
© 2022 CRISIL Ltd. All rights reserved.

# Central government finances in a relatively healthier position in FY23 compared to last year

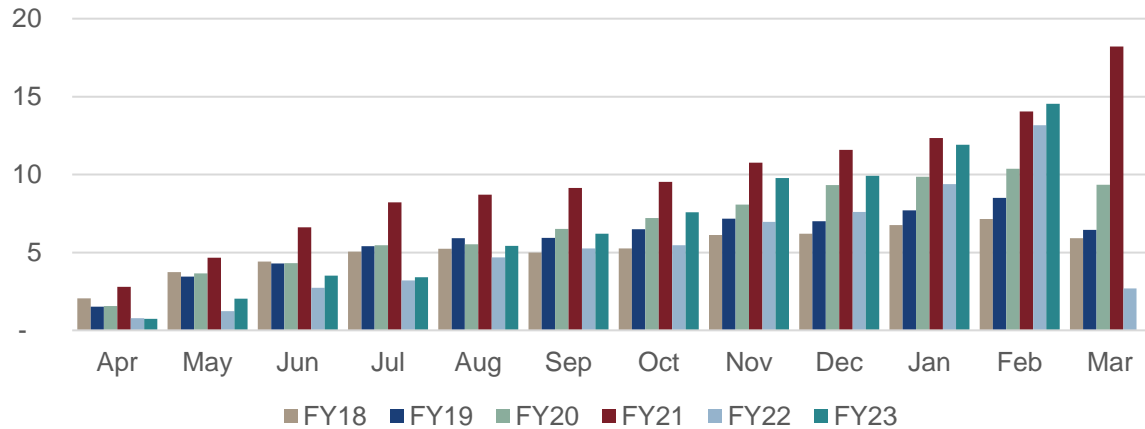
### Government expenditure better in Q4FY23 than Q3FY23



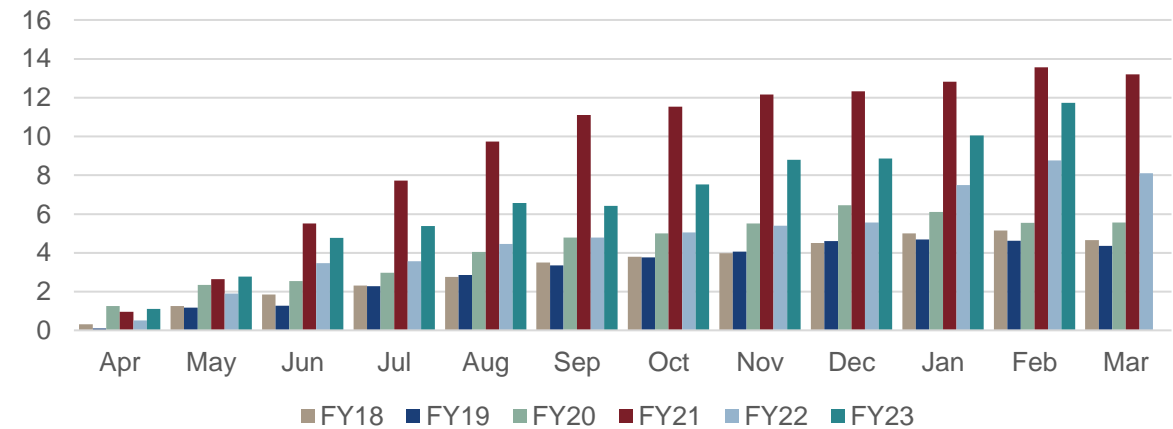
### Sequential drop in government receipts in Q4



### m-o-m build up of cumulative fiscal deficit in value terms (INR trillion)

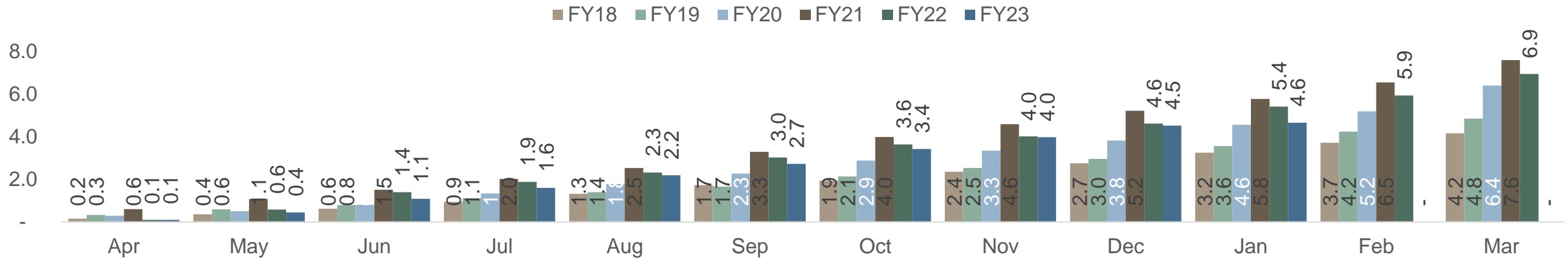


### m-o-m build-up of cumulative market borrowings of the govt. (INR trillion)

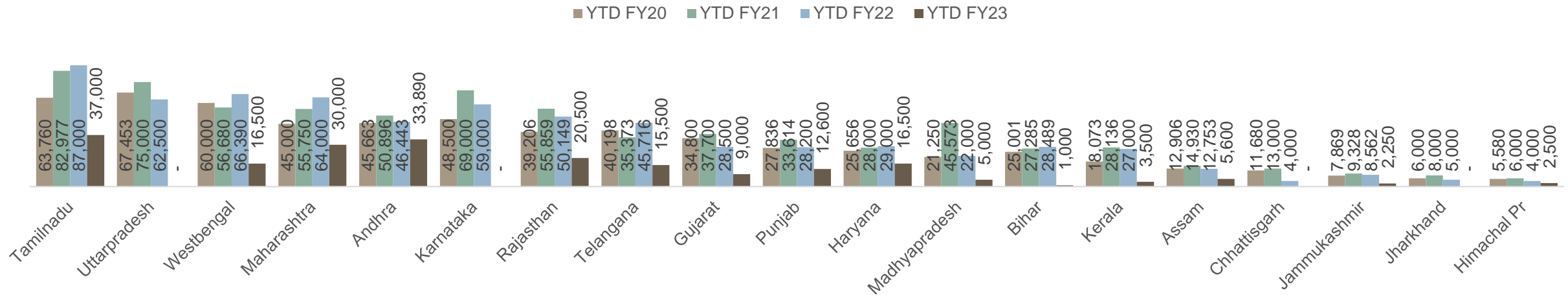


# State government borrowings similar to last year

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



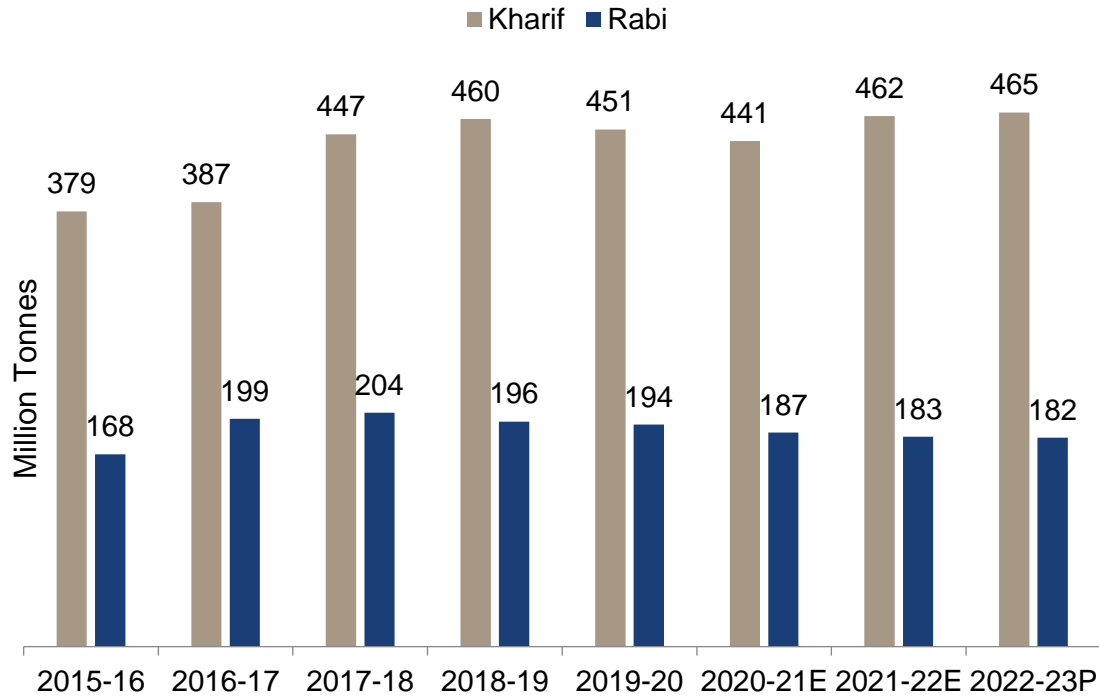
Year to date G-sec borrowings of various state governments and comparable levels for past year (INR crores)



# Rural Scenario

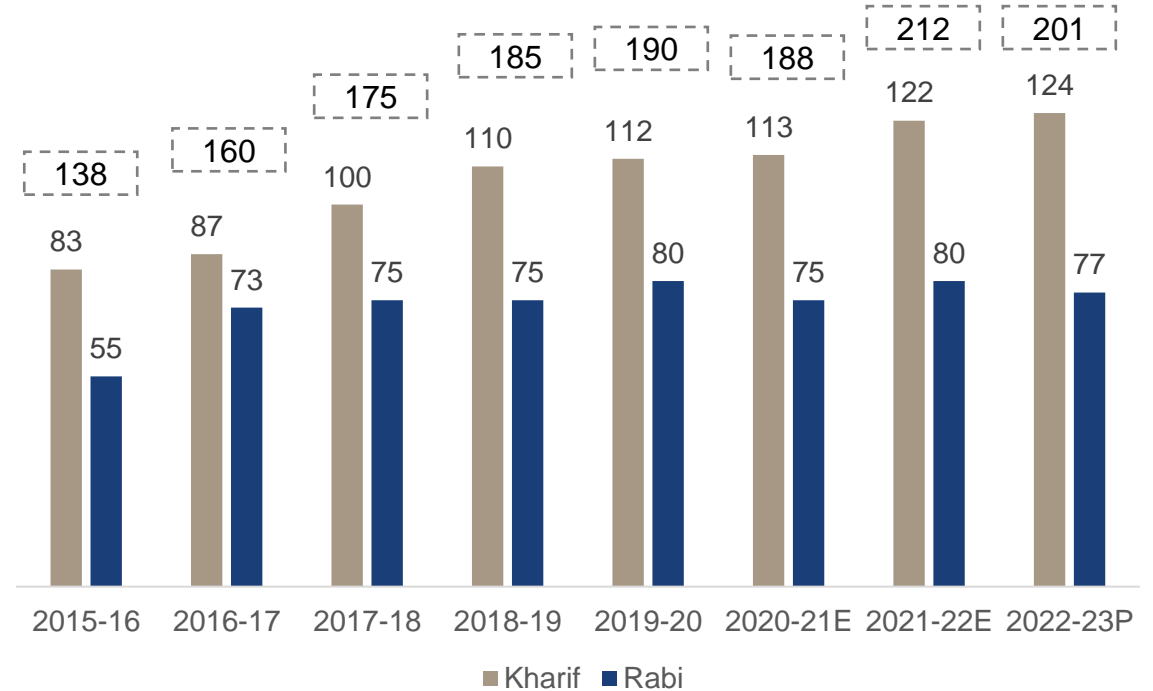
# Unseasonal rainfall expected to impact rabi output

Food-grain Crop Production



Source: CRISIL MI&A

Food-grain CVI (Crop Value Index)



Source: CRISIL MI&A;

Note: CVI- Crop value index, CVI has been indexed to 100 at 2011-12

Total CVI



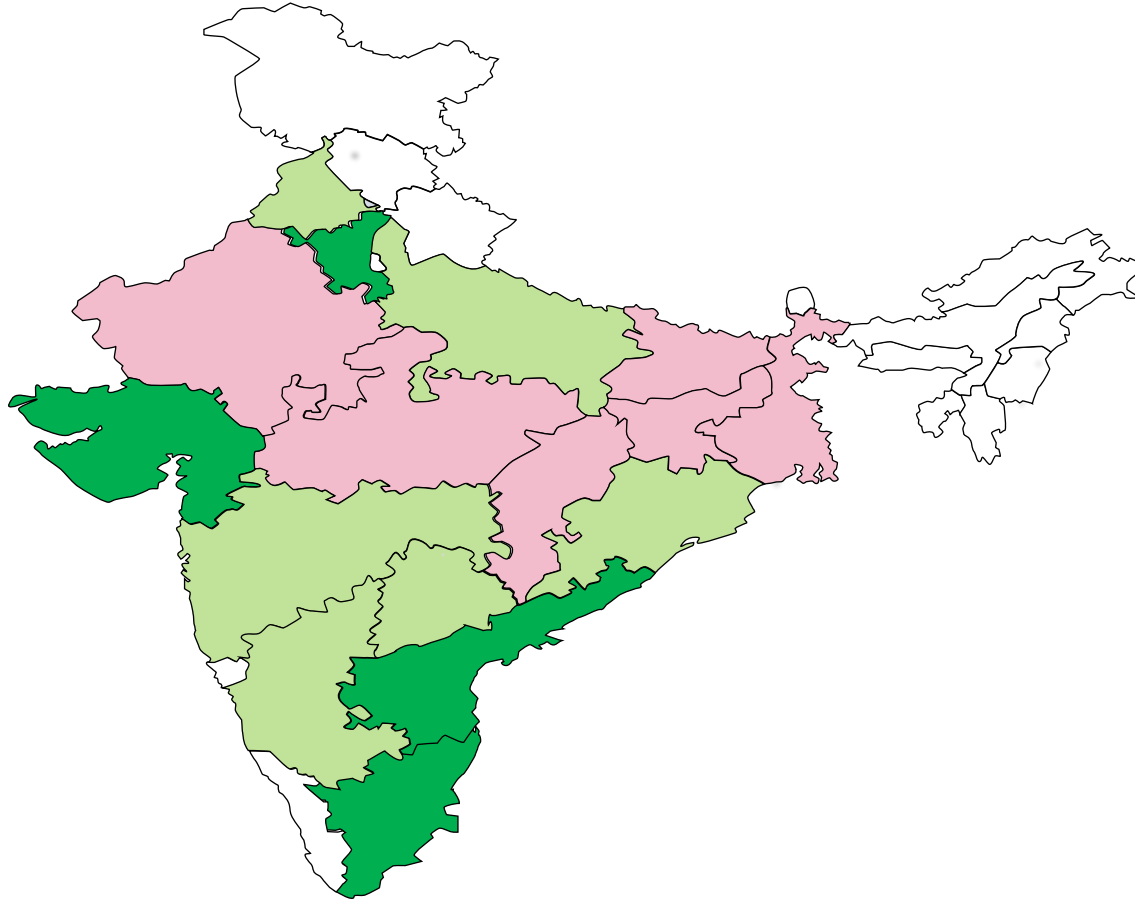
Rabi production is expected to decline marginally over the previous year on account of unseasonal rainfall which has led to crop damage & decline in quality of standing crop



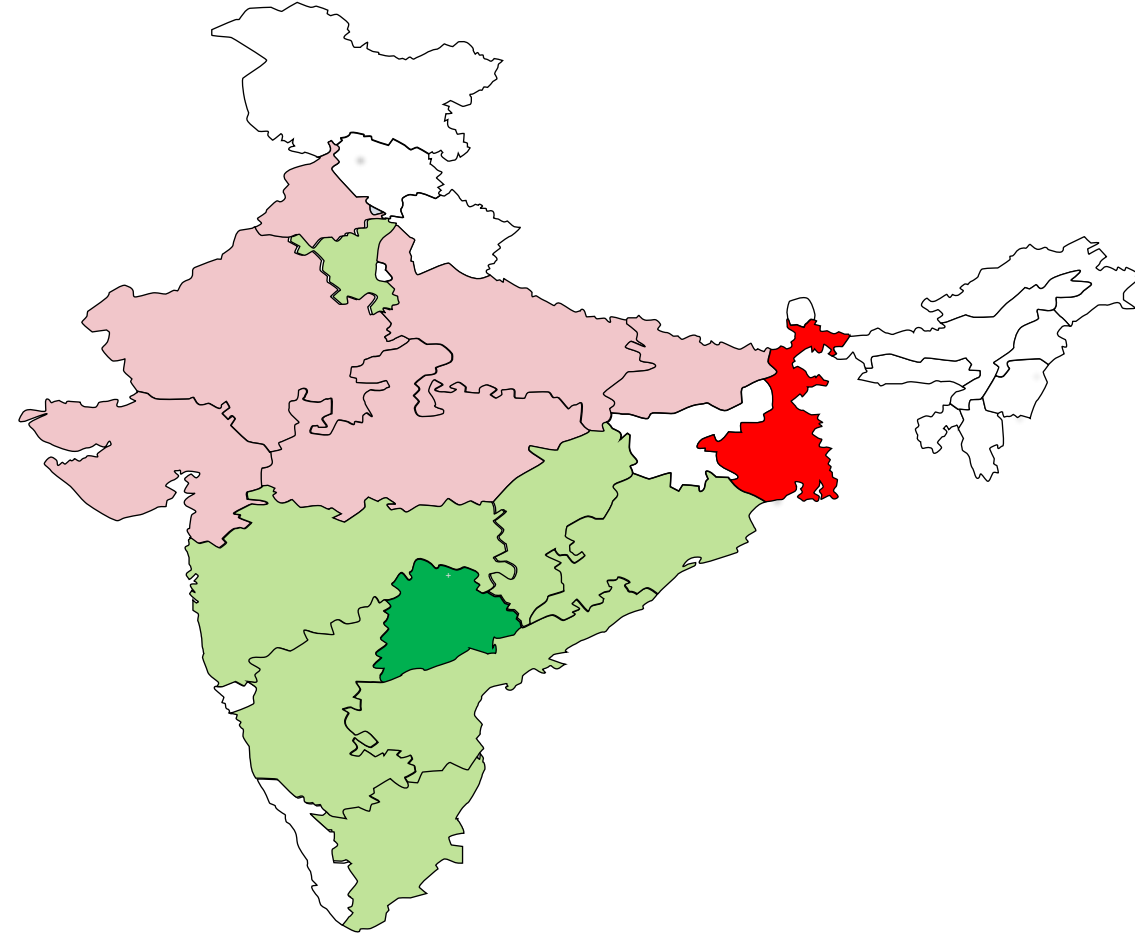
Prices for rabi crops has declined on a m-o-m basis, this might impact farm income in certain states

# State-wise farm income expectation

Kharif CVI heat Map for FY23

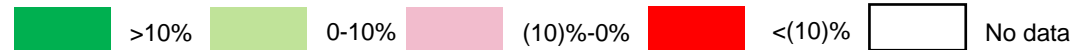


Rabi CVI heat Map for FY23



Source: CRISIL MI&A

Colours indicate % change on-year



# Some pressure on Rabi output, shift in govt focus from transfers to investment

## Agri scenario lends support

### Crop scenario



- Kharif CVI was estimated to be stable in FY23 even though production was slightly higher on-year.
- Rabi CVI to dip slightly amidst the unseasonal rainfall which has led to crop damage & decline in quality of standing crop

### Rural schemes



- For FY24, allocated expenditure for MGNREGA has been cut by 33% to Rs.60,000 cr.
- It is one of the lowest allocations to the scheme in the last 5 years
- However, substantial increase in allocation for Pradhan Mantri Awaas Yojana – Gramin (PMAY-G) scheme for FY24 at Rs 54,487 crore from the Rs 20,000 crore BE (Rs 48K crore RE).
- The budgetary allocation for the Pradhan Mantri Gramin Sadak Yojana has been retained at Rs 19,000 crore, the same as the current fiscal.



## Government support

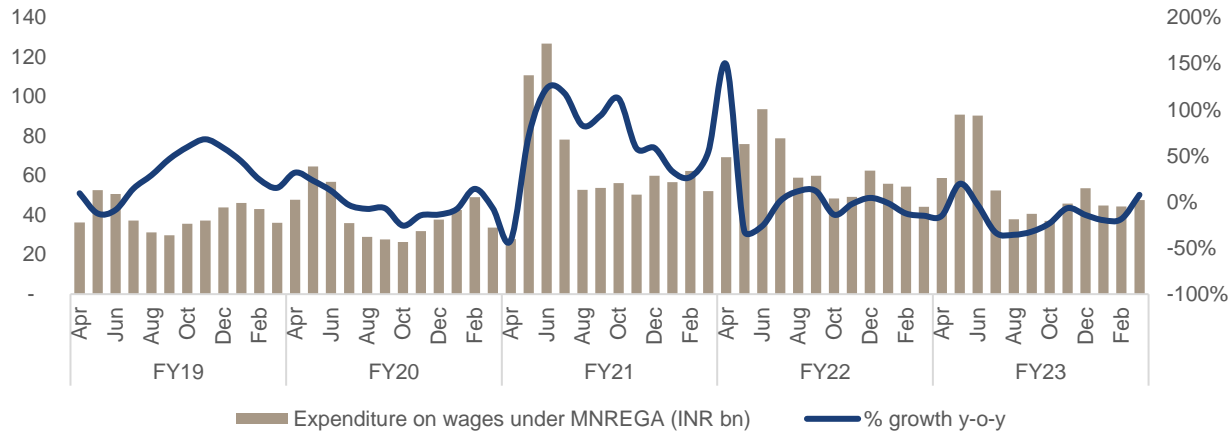
### PM Garib Kalyan Yojana



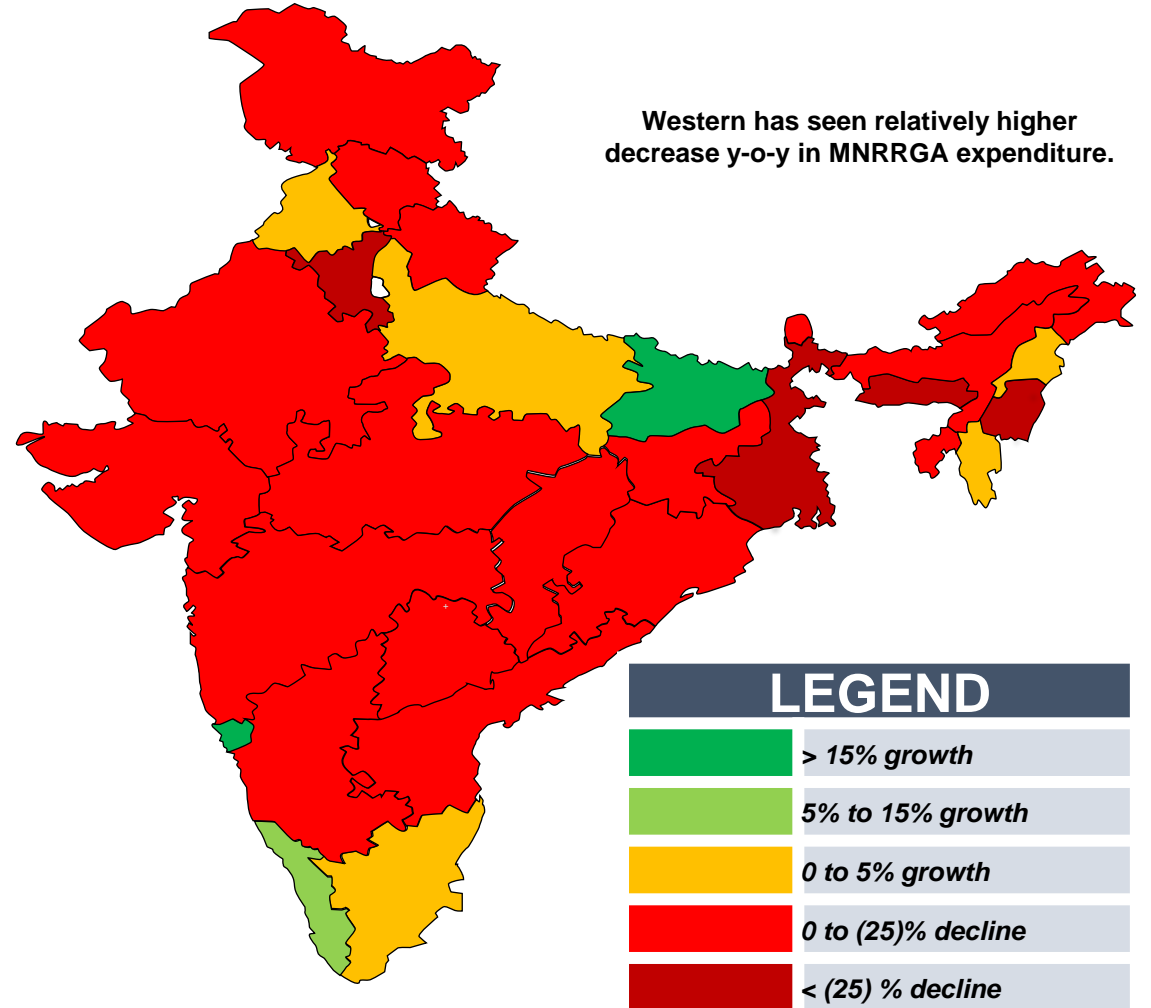
- The Cabinet approved new integrated food security scheme Pradhan Mantri Garib Kalyan Ann Yojana (PMGKAY). for providing free foodgrains to Antodaya Ann Yojna (AAY) & Primary Household (PHH) beneficiaries,
- Free foodgrains will be provided under PMGKAY for the year 2023 to all PHH and AAY beneficiaries (around 80 crore poor people)

# MNREGA scheme expenditure tapered down in FY23

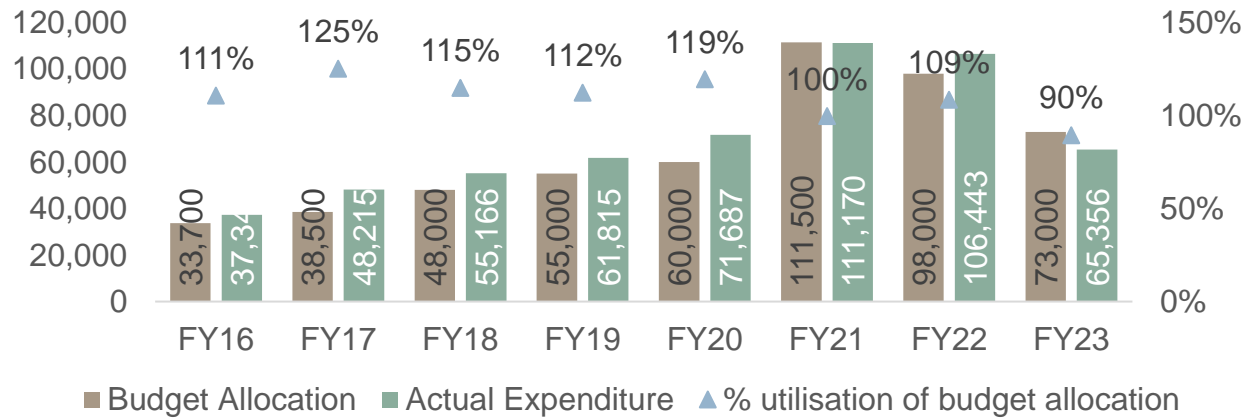
## MNREGA wages growth



## State wise growth in MNREGA wages expenditure for Apr-Mar FY23



## Higher allocation than expenditure during FY23





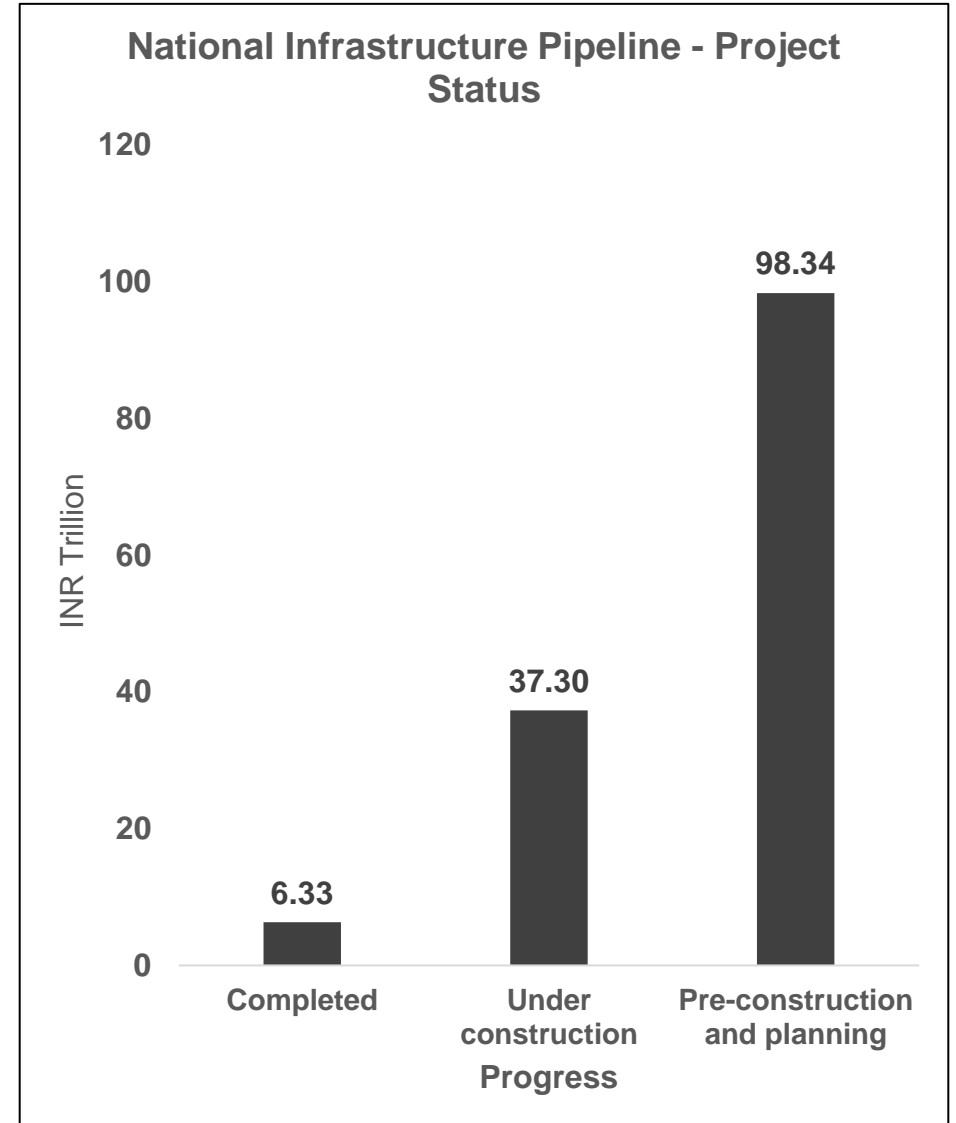
# National Infrastructure pipeline

# Roads & highways, real estate and railways investments dominate the investments outlined in the NIP; planning pipeline looks promising

Pre-construction & planning	
Sectors	Amt (INR Trillion)
Roads and Highways	19.18
Waste and water	5.68
Railways	16.03
Real Estate	16.38
Water Resources	9.82
Education	1.70
Electricity Generation	4.95
Healthcare	1.62
Transmission & Distribution	7.63
Urban Public Transport	6.39
Aviation & Aviation Infrastructure	1.14
Sports	0.11
Oil & Gas (Bulk material transportation pipeline)	0.88
Shipping	0.41
Tourism Hospitality & Wellness	0.24
Storage	2.50
Oil & gas (Refining; Exploration and production)	1.58
Food processing and agriculture	0.15
Logistics Infrastructure	0.12
Food Processing	0.15
Telecommunication	1.34
IT/ITES	0.06
Textiles	0.02
Utility and Resources pipeline	0.12
Inland Waterways	0.05
Coal	0.05
Leather	0.01
Steel	0.03
<b>Total</b>	<b>98.34</b>

Under construction	
Sectors	Amt (INR Trillion)
Roads and Highways	11.13
Education	0.71
Waste and water	3.50
Water Resources	1.34
Railways	1.13
Electricity Generation	12.38
Real Estate	1.35
Healthcare	0.25
Urban Public Transport	1.94
Transmission & Distribution	0.51
Shipping	0.93
Food processing and agriculture	0.95
Logistics Infrastructure	0.29
Aviation & Aviation Infrastructure	0.32
Tourism Hospitality & Wellness	0.04
Sports	0.03
Inland Waterways	0.16
Steel	0.20
Food Processing	0.02
Storage	0.03
Telecommunication	0.08
Utility and Resources pipeline	0.01
IT/ITES	0.00
<b>Total</b>	<b>37.30</b>

Completed	
Sectors	Amt (INR Trillion)
Roads and Highways	1.34
Waste and water	0.21
Railways	0.55
Real Estate	0.16
Education	0.07
Transmission & Distribution	0.98
Storage	0.42
Electricity Generation	1.05
Healthcare	0.08
Urban Public Transport	0.22
Water Resources	0.62
Shipping	0.06
Oil & Gas (Bulk material transportation pipeline)	0.17
Logistics Infrastructure	0.17
Aviation & Aviation Infrastructure	0.10
Tourism Hospitality & Wellness	0.01
IT/ITES	0.00
Oil & Gas(Refining)	0.07
Food processing and agriculture	0.00
Sports	0.00
Telecommunication	0.00
Textiles	0.00
Inland Waterways	0.01
Coal	0.02
Metals and Mining	0.01
<b>Total</b>	<b>6.33</b>

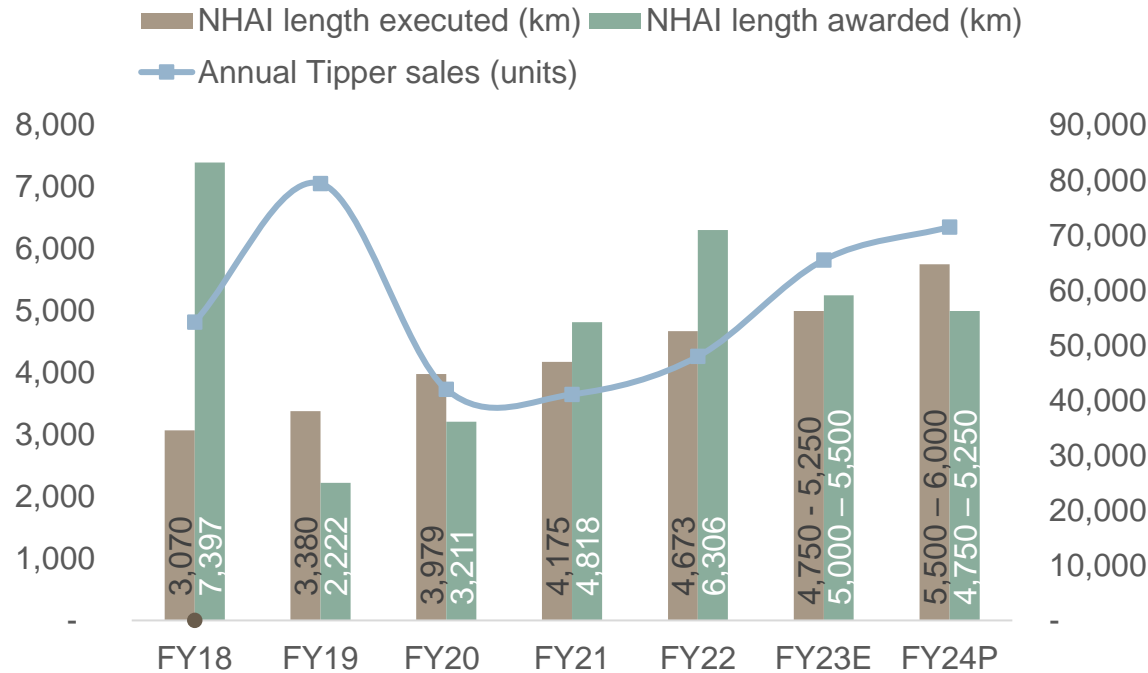


Source: CRISIL MI&A, India Investment Grid

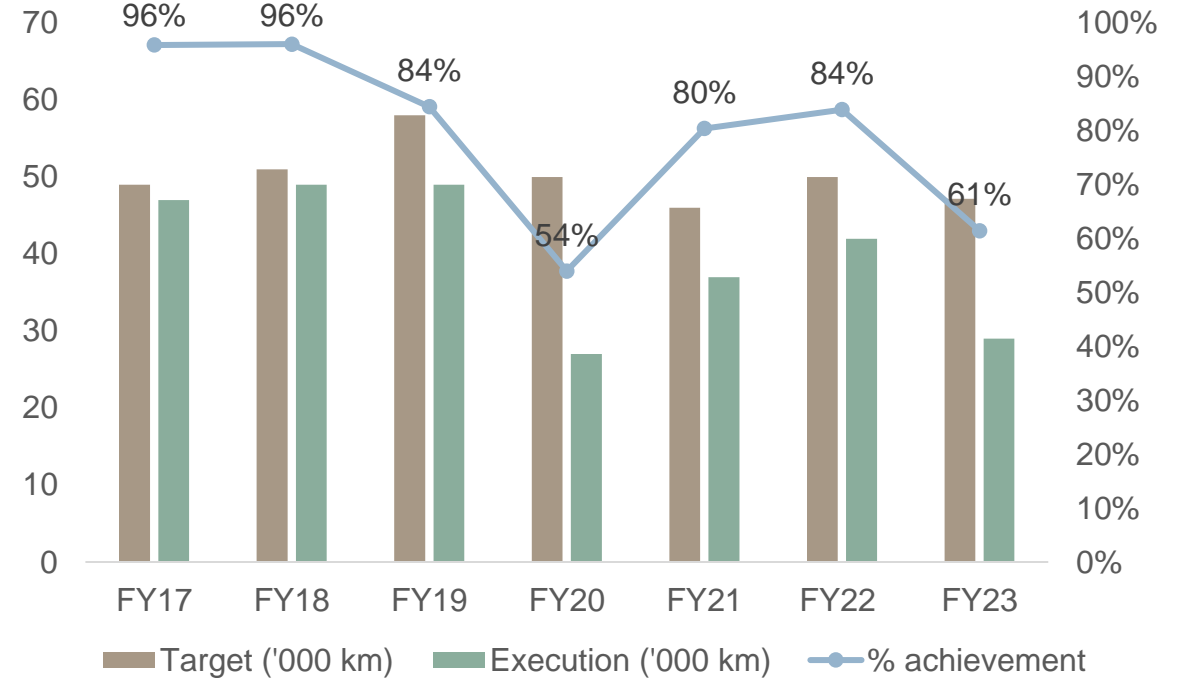
# Focus on Road Infrastructure

# Strong pace of central government projects to keep tipper demand higher than previous year

## National highways (NHA) – Awarded and executed



## Trend in PMGSY target and execution



FY23 has seen strong awarding of road projects, this should keep the tipper segment buoyant as the government pushes infra outlay ahead of key state and central elections

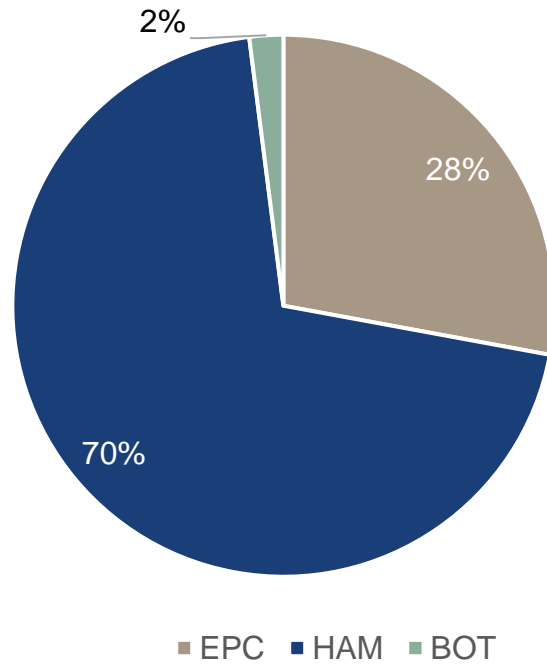
E: Estimated; P: Projected, National Highway Authority of India  
 Source: NHA, MoRTH, CRISIL MI&A

# NHAI tendering in Apr-Mar FY23

## Total NHAI project value by mode type in Apr-Mar

Value in Rs. Billions

~1553

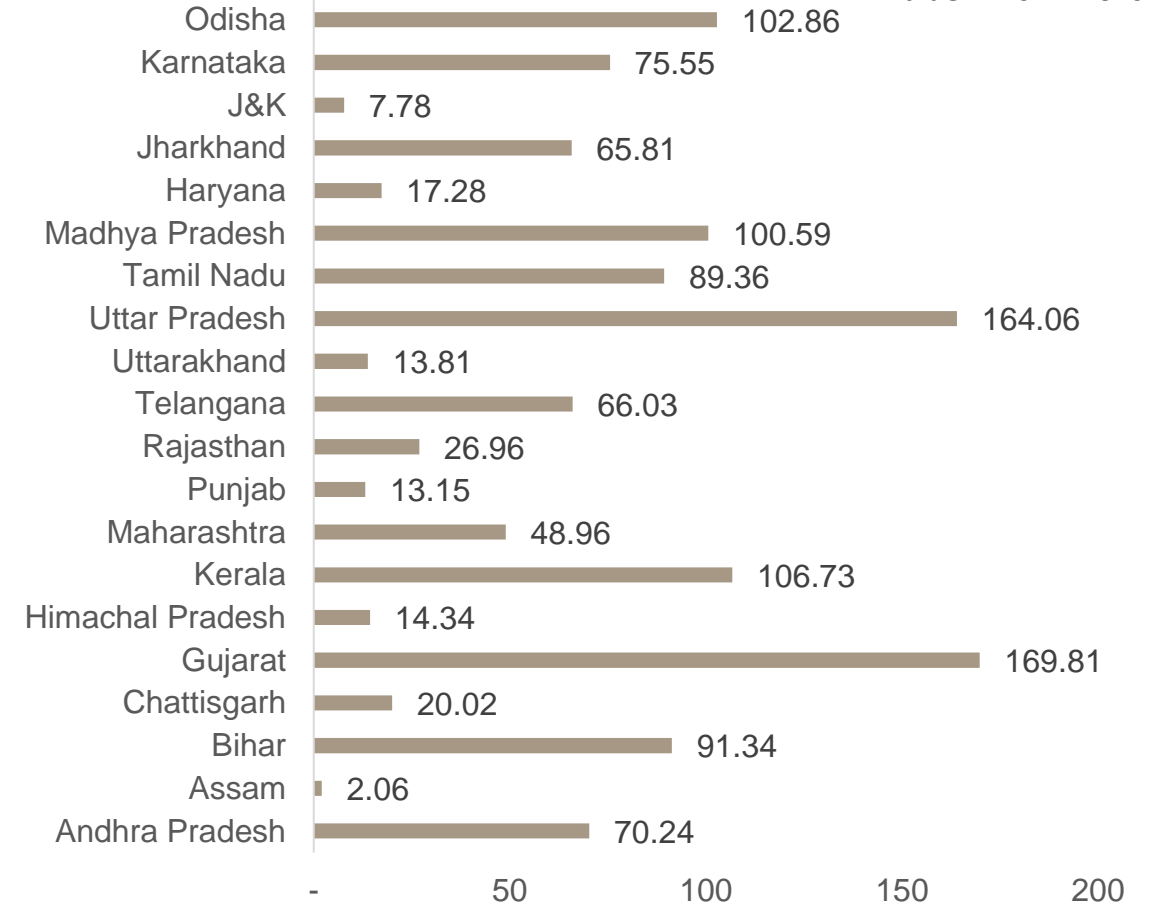


\*Total tender value consists of states mentioned herewith

Source: CRISIL MI&A

## Tender project value in major states

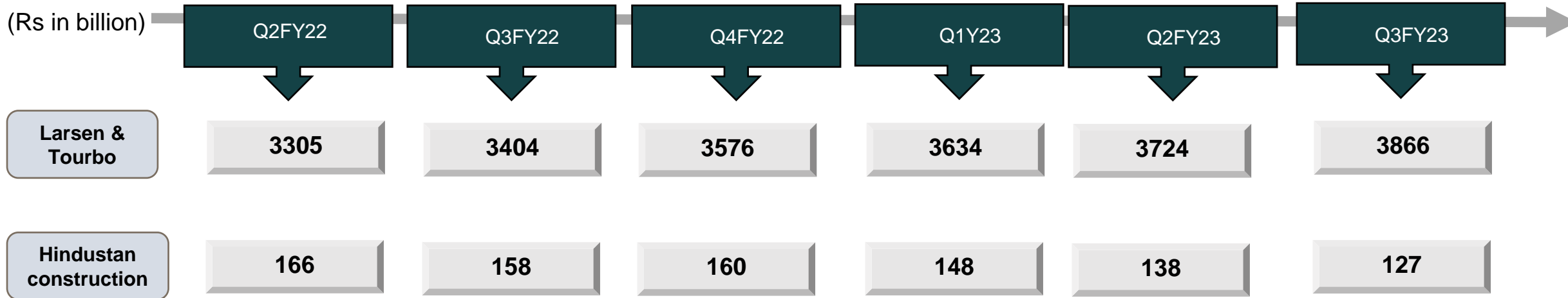
Value in Rs. Billions



# Order books swelling at EPC firms amid high govt spending and swift economic rebound

*Major players have bulging order book; Players with focus on roads, bridges and metro witnesses' robust growth*

(Rs in billion)



Source: CRISIL MI&A; Company Reports  
 Note: Order book is cumulative till that quarter  
 NA- Not available

# Indian Automobile Industry

# Assumptions for forecast

- **No further global disruptions**
- **No disruptions due to semiconductor/supply chain constraints**
- **Normal monsoons**
- **Continued government investments and focus on rural India**
- **Financing scenario to remain accommodative**
- **OEM production/launch plans to continue unabated**
- **No further extension to Airbags mandate- to be compulsory from October 2023**



# Domestic – Annual forecast

Segment	Volumes				Y-o-y growth rate			
	FY21	FY22	FY23	FY24E	FY21	FY22	FY23	FY24E
PV (mn)	<b>2.7</b>	<b>3.1</b>	<b>3.9</b>	<b>3.9-4.1</b>	(2)%	13%	27%	3-5%
PV-EV penetration	0%	0.5%	1.5%	3-4%				
Two Wheelers (mn)	<b>15.1</b>	<b>13.7</b>	<b>16.3</b>	<b>17.9-18.4</b>	(13)%	(10)%	18%	10-12%
TW-EV penetration	0%	2%	4.5%	6-8%				
CV ('000)	<b>566</b>	<b>731</b>	<b>960</b>	<b>990-1010</b>	(21)%	29%	34%	3-5%
CV-EV penetration	0%	2%	3%	3-5%				
Three Wheelers ('000)	<b>217</b>	<b>260</b>	<b>489</b>	<b>590-600</b>	(66)%	23%	88%	20-22%
3W- EV penetration	1%	4%	6%	12-15%				
Tractors (mn)	<b>0.89</b>	<b>0.84</b>	<b>0.94</b>	<b>0.93-0.95</b>	27%	(6)%	12%	0-4%

# Exports – Annual forecast

Segment	Subsegment	Volumes				Y-o-y growth rate			
		FY21	FY22	FY23	FY24E	FY21	FY22	FY23	FY24E
PV (mn)	Cars	0.26	0.37	0.41	0.43-0.45	(44)%	42%	10%	5-7%
	UV+vans	0.14	0.20	0.25	0.27-0.29	(25)%	45%	23%	11-13%
	<b>Industry</b>	<b>0.40</b>	<b>0.58</b>	<b>0.66</b>	<b>0.69-0.73</b>	<b>(39)%</b>	<b>43%</b>	<b>15%</b>	<b>7-9%</b>
Two Wheelers (mn)	Motorcycle	3.0	4.1	3.2	3.3-3.5	(3)%	34%	21%	4-6%
	Scooter	0.2	0.4	0.42	0.5-0.6	(40)%	23%	19%	9-11%
	Moped	0.008	0.01	0.004	0-0.004	(37)%	51%	(60)%	(30)-(25)%
	<b>Industry</b>	<b>3.3</b>	<b>4.4</b>	<b>3.6</b>	<b>3.7-3.9</b>	<b>(7)%</b>	<b>36%</b>	<b>(18)%</b>	<b>5-7%</b>
CV ('000)	LCV	31.1	58.3	54.8	55-60	(8)%	87%	(6)%	2-4%
	MHCV	13.5	26.1	11.6	11-14	(7)%	90%	(55)%	8-10%
	Buses	5.7	8.3	12.3	10-15	(53)%	(46)%	(48)%	4-6%
	<b>Industry</b>	<b>50.3</b>	<b>92.3</b>	<b>78.7</b>	<b>80-85</b>	<b>(17)%</b>	<b>83%</b>	<b>(15)%</b>	<b>3-5%</b>
Three Wheelers ('000)	GV	5.6	10	4.5	7-9	(12)%	82%	(56)%	9-11%
	PV	387	490	361.1	420-430	(22)%	26%	(26)%	7-9%
	<b>Industry</b>	<b>393</b>	<b>500</b>	<b>365.5</b>	<b>430-435</b>	<b>(22)%</b>	<b>27%</b>	<b>(27)%</b>	<b>7-9%</b>
Tractors ('000)		<b>89</b>	<b>129</b>	<b>125</b>	<b>125-127</b>	<b>17%</b>	<b>45%</b>	<b>(3)%</b>	<b>0-2%</b>

# Segment wise inventory

Vehicle segment	Normal inventory in days	Current inventory levels*	Inventory Units	Reasons
Passenger Vehicles	~30	30-35	~0.3 million	Some inventory correction was done in Q4 for BSVI phase 1 inventory, inventory built up began for phase 2 vehicles from February end. Current inventory is primarily comprised of small cars, high selling UV models have waiting periods.
Two Wheelers	~45	40-50	~1.8-2 million	Some moderation in inventory levels after festive period. BSVI phase 1 inventory clearing done in Q4. Inventory built up began for phase 2 , expected to pick up pace in Q1 fiscal 2024
Commercial Vehicles	~30	23-27	59-63 thousand	Inventory levels increased for most of the segments in Q4 largely in the SCV, ICV and TT segment. Inventory stocking was largely on account of healthy offtake due to OBD 2 norms and price hike. Buses too have witnessed some inventory buildup in LCV and MHCV bus
Three Wheelers	20-25	15-20	~25 thousand	Inventory levels continued to remain at normal levels in Q4, after correction in Q3. Retails as well as offtake improved in Q4 keeping the inventory levels rangebound.
Tractors	~35-40	45-50	145-155 thousand	Inventory levels have been high in fiscal 2023, despite which significant correction has not been undertaken by the players.

© 2022 CRISIL Ltd. All rights reserved.

# Passenger vehicles

# Industry to continue its growth momentum in fiscal 2024, albeit at a slower pace

Variables	FY21	FY22	FY23	FY24 E
Income for discretionary spending	NF	F	F	N

Variables	FY21	FY22	FY23	FY24 E
Cost of ownership	N	N	NF	NF
Petrol / CNG Vehicles	N	NF	NF	NF
Diesel vehicles	NF	NF	NF	NF
Interest rates	F	N	NF	NF

Variables	FY21	FY22	FY23	FY24 E
New model/ facelift launches	N	F	F	F
Regulations – passenger vehicles	NF	N	N	NF

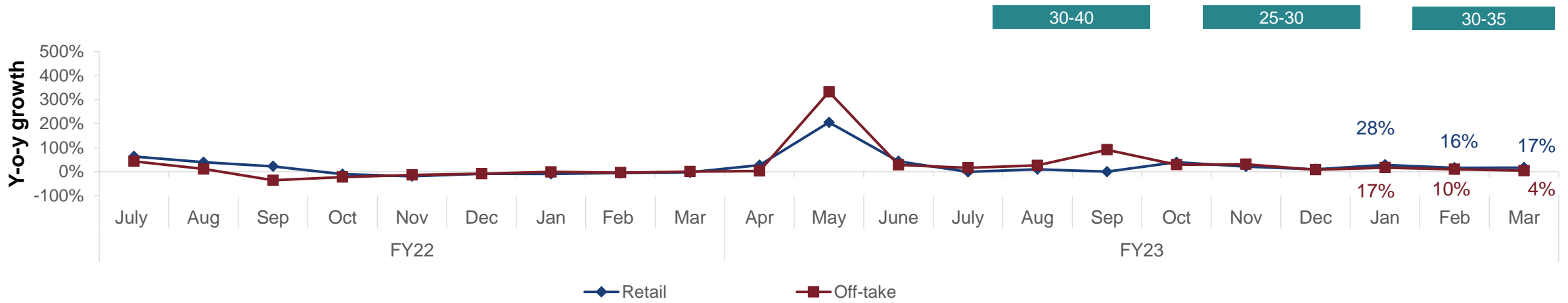
  

Variables	FY21	FY22	FY23	FY24 E
Vehicle Supply	NF	NF	N	F
<b>Impact on Overall Sales Growth</b>	<b>NF</b>	<b>F</b>	<b>F</b>	<b>N</b>

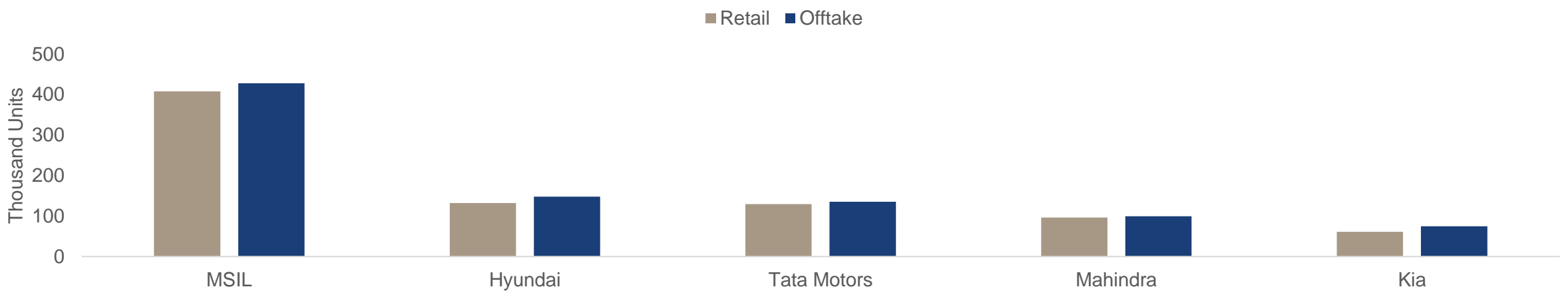
© 2022 CRISIL Ltd. All rights reserved.

# Q4 retails at par with festive retails, 9% q-o-q growth in offtakes

Increase in stock levels, start of RDE stock build up for all players

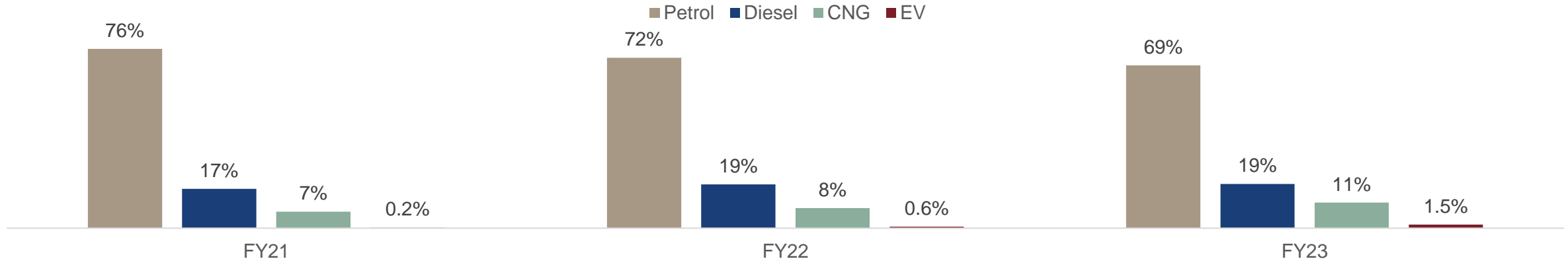


Higher offtake during Q4 for all major players

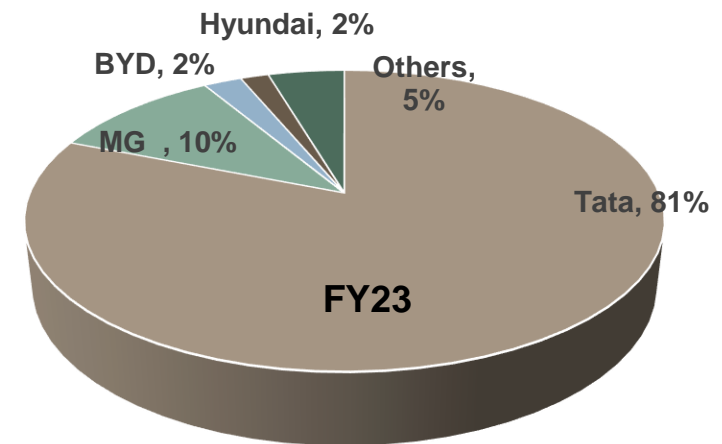
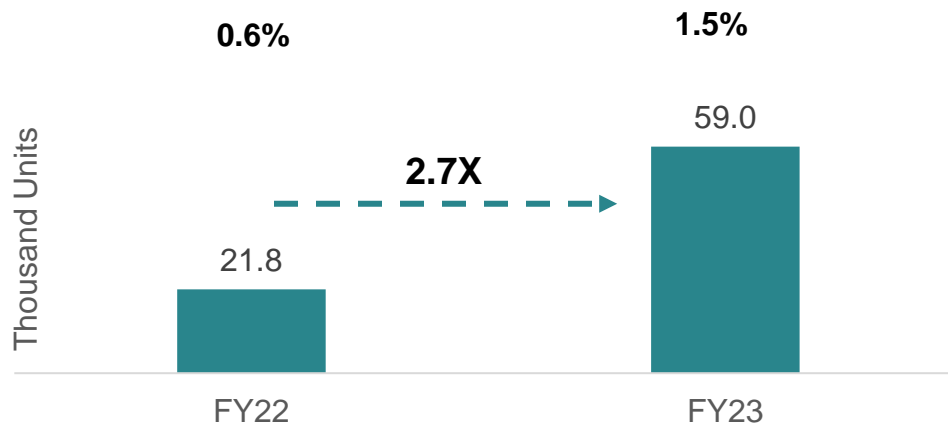


# Petrol lost some ground to CNG, Diesel maintained share; Electrification on the rise

Gradual improvement in CNG share despite hike in CNG retail price



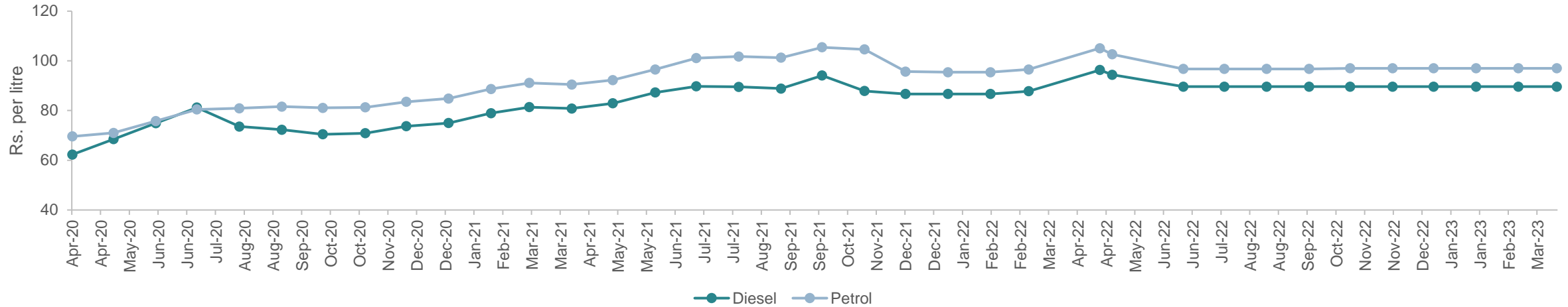
EV penetration more than doubled, Tata Motors leads the market



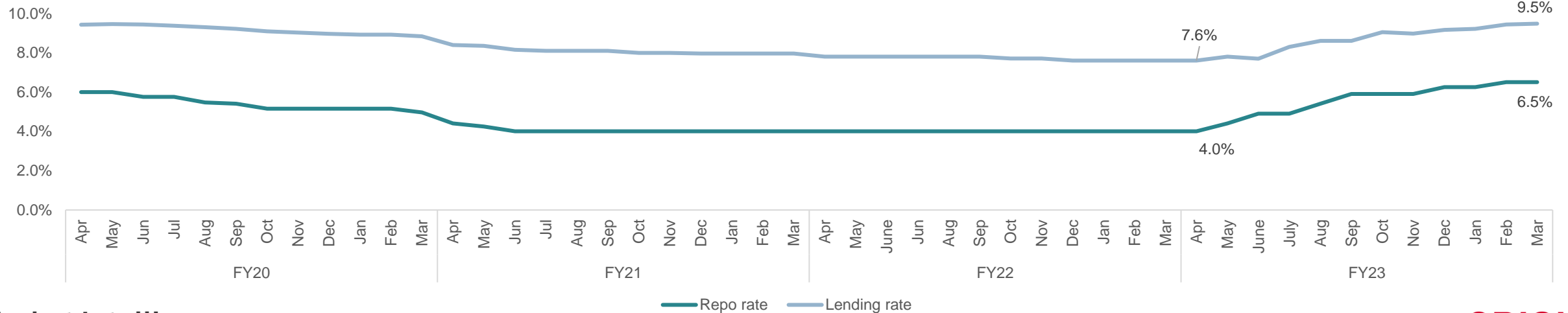
© 2022 CRISIL Ltd. All rights reserved.

# Interest rates on a rising trend, 25 bps repo rate hike in Feb to pushed repo rates further

Fuel prices remain elevated, although some respite in Q2/Q3 from Q1 levels



Increasing interest burden weighing on vehicle TCO

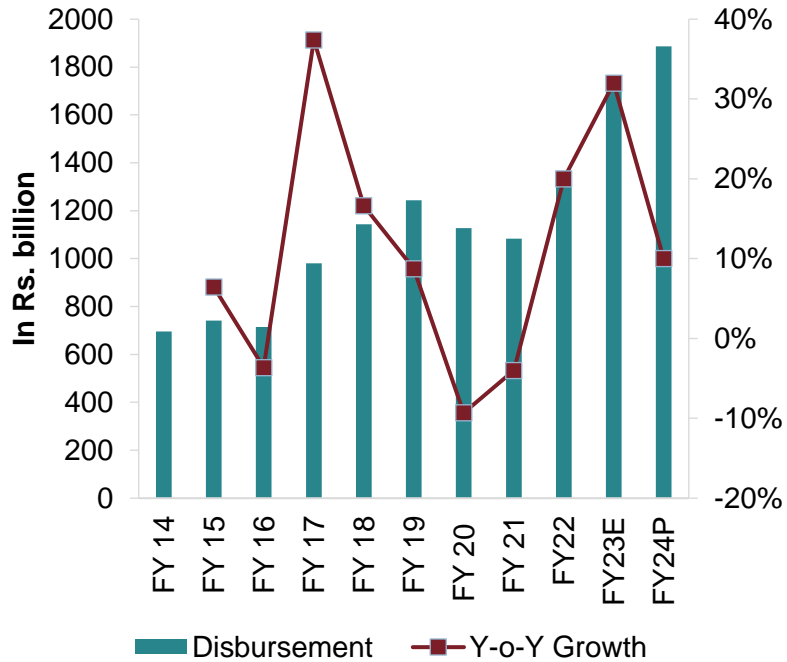


© 2022 CRISIL Ltd. All rights reserved.

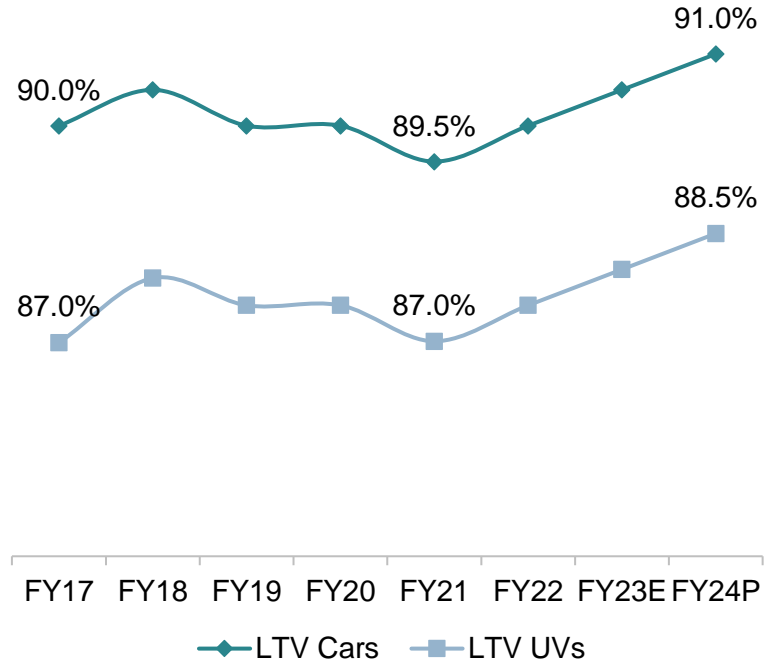


# Disbursement growth to continue in fiscal 2024 albeit at a slower pace

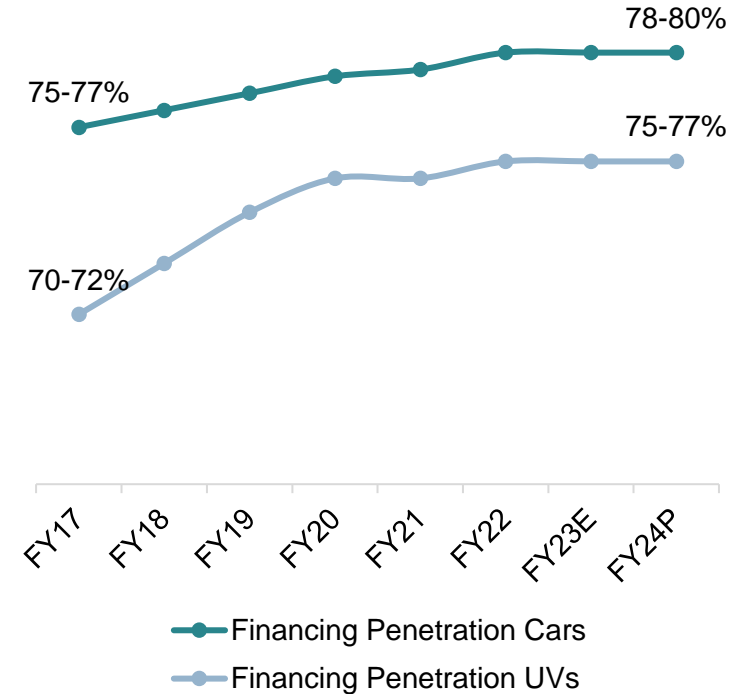
Disbursement



Loan-to-value (LTV)



Financing penetration



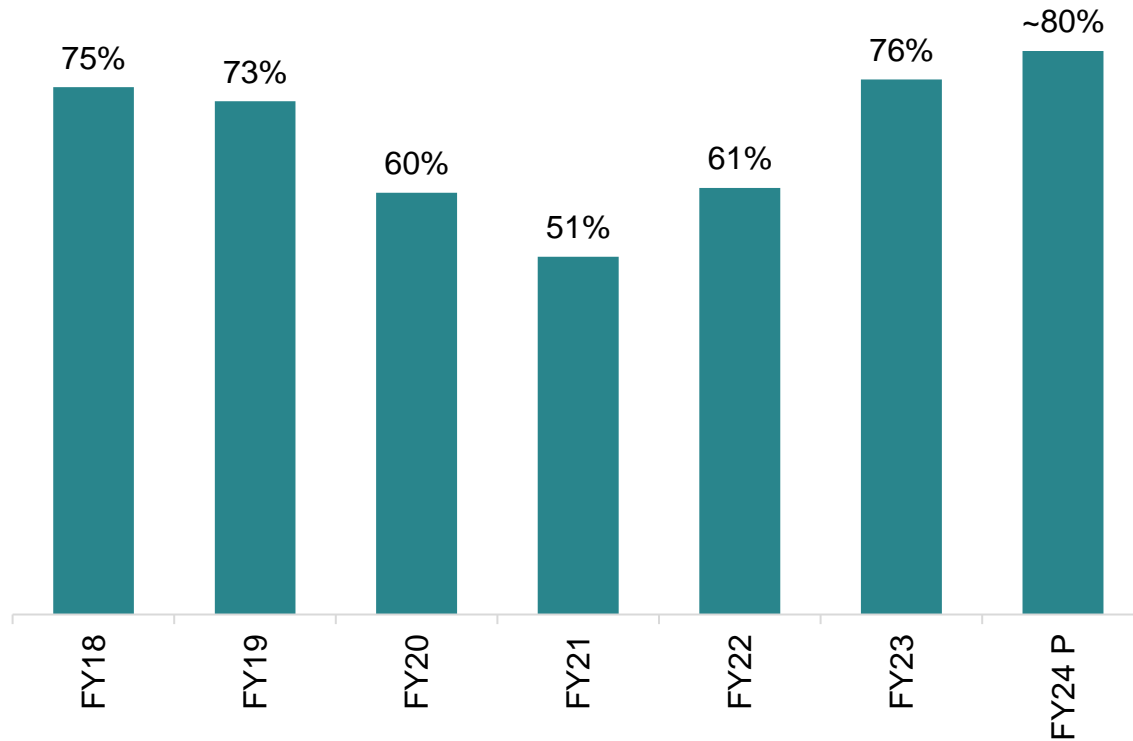
Source: Company Report, Industry, CRISIL MI&A

- There was a significant improvement in disbursement levels during FY23 led by the sharp rise in vehicle sales coupled with the price hikes undertaken during the year
- Even on this high base, disbursements are expected to grow further in fiscal 2024 albeit at a slower pace
- The vehicle sales are expected to grow 4-6% during fiscal 2024.
- Price hike for the phase 2/ airbags mandate coupled with annual price hike undertaken every year
- Financers remain accommodative of the PV industry
- Rising interest rates remain a concern

© 2022 CRISIL Ltd. All rights reserved.

# Further improvement in utilization expected in fiscal 2024

## Utilization reached pre Covid levels in fiscal 2023



Source: CRISIL MI&A Estimated

## Capacity utilisation of key players

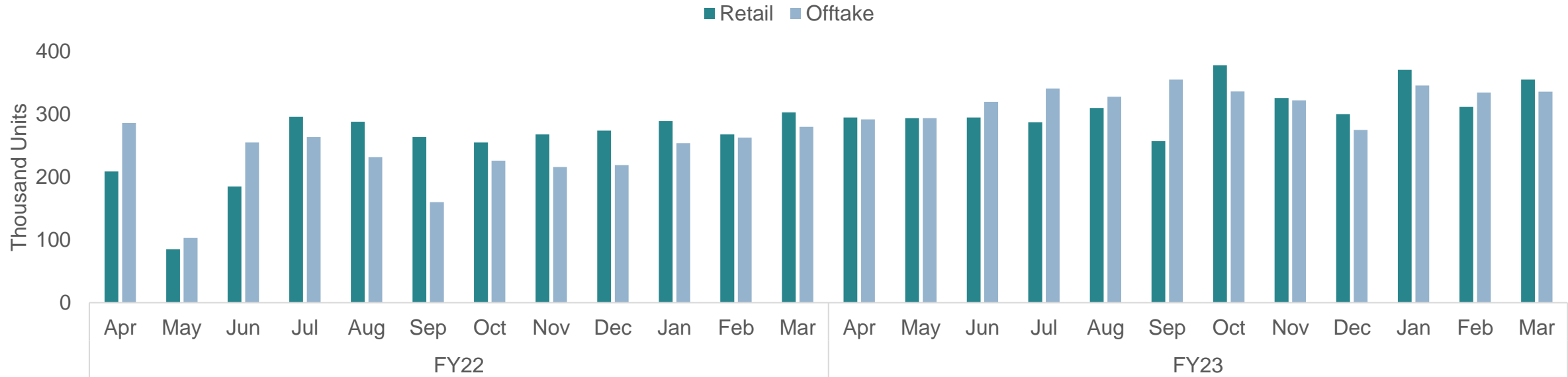
Player	Effective Capacity (in '000) (on 31st Mar 2023)	Capacity utilisation in FY21	Capacity Utilisation in FY22	Capacity Utilisation in FY23
Maruti	2,250	69%	79%	84%
Hyundai	763	74%	79%	93%
Tata Motors	564	38%	66%	98%
Renault-Nissan	480	30%	39%	45%
Toyota	310	17%	24%	54%
Honda	180	48%	59%	65%
Volkswagen	179	28%	43%	37%
Kia Motors	400	64%	79%	90%

Source: SIAM, Industry, CRISIL MI&A

© 2022 CRISIL Ltd. All rights reserved.

# Healthy sequential as well as y-o-y growth during Q4

3 lakh+ retails across months in Q3 & Q4



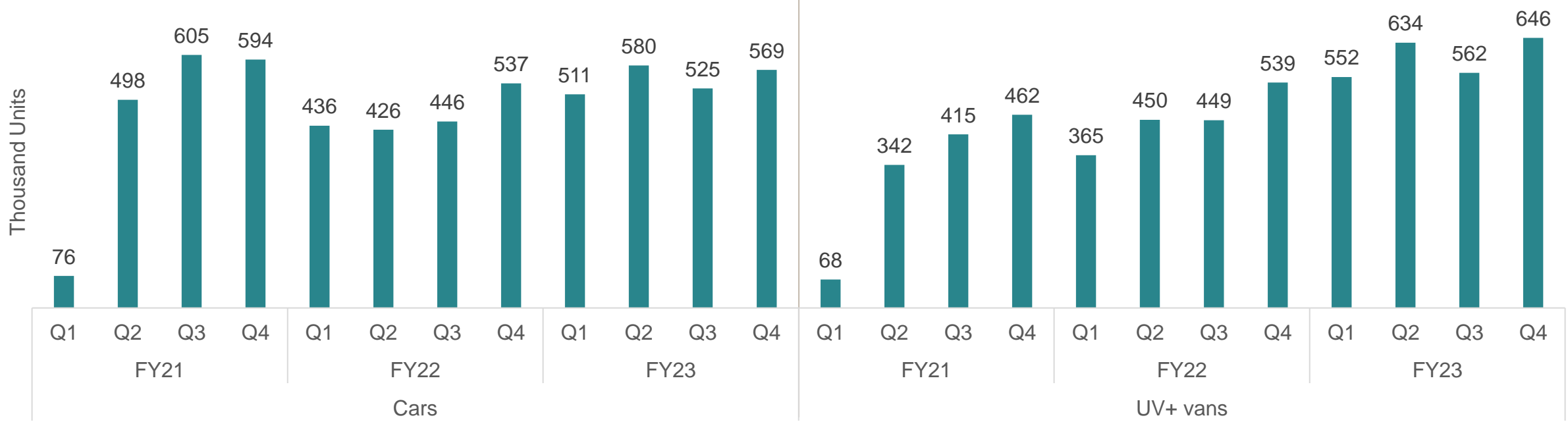
Note: Retail numbers are estimated, Offtake numbers include Tata Motors sales  
 Source – MoRTH, SIAM, CRISIL MI&A

- Industry witnessed healthy sales- retail as well as offtake during Q4, crossing 1 million mark in both retail & offtake
- Retail and offtake have followed similar trend during the quarter
- After a sluggish December amidst the year end, sales picked up in January ; retails reached Festive high during the month
- Some sequential drop was witnessed in Feb to pick up in March
- Inventory correction for BSVI phase 1 was done in February, BSVI phase 2 inventory built up began from Feb end/March

© 2022 CRISIL Ltd. All rights reserved.

# Further easing of supply woes, production improved (y-o-y & q-o-q) in Q4

## Quarterly production trend



Source: SIAM, CRISIL MI&A

- With easing of supply chain issues as well as strong demand, production reached record high levels in Q2 especially for UVs
- On this high base, production moderated in Q3 amidst the inventory correction by OEMs
- During Q4, with continued improvement in supply situation, continued traction production improved across segments (y-o-y & q-o-q)
- For UVs, production reached record high levels during Q4
- Production of BSVI phase 2 began in Q4 and inventory built up began for the same. Inventory built up expected to pick up pace in Q1 fiscal 2024

# Domestic – Annual forecast

	Units	Passenger cars	UVs & vans	Total	EV penetration
<b>FY21</b>	Millions	1.54	1.17	<b>2.71</b>	<b>0%</b>
<i>y-o-y growth</i>	%	-9%	9%	<b>-2%</b>	
<b>FY22</b>	Millions	1.47	1.60	<b>3.06</b>	<b>0.5%</b>
<i>y-o-y growth</i>	%	-5%	37%	<b>13%</b>	
<b>FY23</b>	Millions	1.73	2.15	<b>3.88</b>	<b>1.5%</b>
<i>y-o-y growth</i>	%	18%	34%	<b>27%</b>	
<b>FY24E</b>	Millions	1.6-1.8	2.3-2.5	<b>3.9-4.1</b>	<b>3-4%</b>
<i>y-o-y growth</i>	%	(2)-0%	8-10%	<b>3-5%</b>	

Source – SIAM, CRISIL MI&A

# Domestic – Quarterly forecast

Fiscal	Quarter	Passenger cars		UVs & vans		Total	
		Sales ( '000)	y-o-y growth	Sales ( '000)	y-o-y growth	Sales ( '000)	y-o-y growth
FY22	Q1	336	348%	309	317%	649	335%
	Q2	344	(21)%	396	32%	740	0%
	Q3	349	(32)%	411	9%	760	(15)%
	Q4	437	(15)%	482	15%	919	(1)%
FY23	Q1	398	19%	509	65%	908	40%
	Q2	470	37%	554	40%	1,025	38%
	Q3	420	20%	514	25%	934	23%
	Q4	448	2%	570	17-19%	1,017	11%
FY24E	Q1 E	420-430	5-7%	565-575	11-13%	985-995	8-10%
	Q2 E	430-440	(8)-(6)%	585-595	5-7%	1,020-1,030	(1)-1%
	Q3 E	430-440	3-5%	600-610	17-19%	1,040-1,050	11-13%
	Q4 E	410-420	(9)-(7)%	570-580	0-2%	985-995	(4)-(2)%

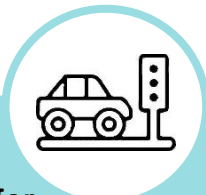
Source – SIAM, CRISIL MI&A

# Domestic – Quarterly forecast

- Q4 offtake crossed a record million units taking the overall annual numbers to a historic high of 3.9 million for fiscal 2023
- The dispatched for BSVI phase 2 began in the quarter and will continue in Q1, boosting the Q1 offtake as well
- Moreover, dispatched for new launches like Verna, Fronx and Jimny to provide additional boost to sales
- Festive inventory built up is expected from September and to continue till November backing growth in Q2 & Q3
- The booking pipeline across OEMs will provide the support for sales growth in fiscal 2024
- Additionally, improved supply situation to complement the industry sales during the year
- UVs, especially the larger UVs will provide the thrust on the back of continued consumer preference and competitively priced model launches
- On the other hand, cars segment, especially the basic hatchback segment is expected to remain sluggish amidst pressure on disposable incomes, increased vehicle costs and no new launches for the segment
- EV segment is projected to expand further in fiscal 2024 and contribute 3-4% to industry sales during the year

# Stakeholder interactions

## OEMs



- **Traction remains healthy especially for the premium vehicles (above 10 lakh)**
- **Recent launches also garnering good demand** backing overall sales
- **Improvement in supply situation- faster clearance of booking pipelines**
- UVs continue to enjoy increased demand
- BSVI phase 2 model dispatches from Jan /Feb
- Price hikes undertaken in Q4 or will be done from April
- No perceptible impact of the same expected on demand
- **Q4 witnessed better than anticipated demand- industry remained buoyant despite price hikes**
- Historic high numbers in fiscal 2023
- **Further mid to high single digit growth anticipated during fiscal 2024**
- Improvement in economic scenario, healthy booking pipeline, new launches and ironing out of supply issues to back this growth

## Dealer



- Improvement in retails during January after the sluggish numbers in Dec
- Year change backed healthy retails in Jan despite the price hike
- Some slowdown in retail in first half of March- last week retails were healthy
- **Improvement in supply situation- lowered waiting periods**
- **Higher stock push during Feb- increased stock levels in Mar 30-35 days**
- **Stock primarily of slow moving lower compact**
- Waiting period for fast moving models
- **Lower compact segment still struggling across OEMs-continued traction for premium models**
- Very few BSVI phase 1 vehicles left in stock
- Their retails to continue in Q1 fiscal 2024
- **BSVI phase 2 dispatches to pick up pace in Q1**
- Rs 20-50k price rise for BSVI phase 2 models
- Maruti to increase prices from April
- **Healthy bookings for upcoming models Verna, Fronx & Jimny**
- **Healthy dispatches expected in Q1- retails to be under pressure**
- Current bookings amidst improved supply to back retails in Q1

## Financier



- High retail traction in the market is backing the disbursement growth
- **Interest rates have been hiked in line with the hike in repo rates during Q4**
- LTV and penetration levels remain steady
- **No sizeable impact of rate hike seen on disbursement during Q4**
- **Stance of financiers remains accommodative**

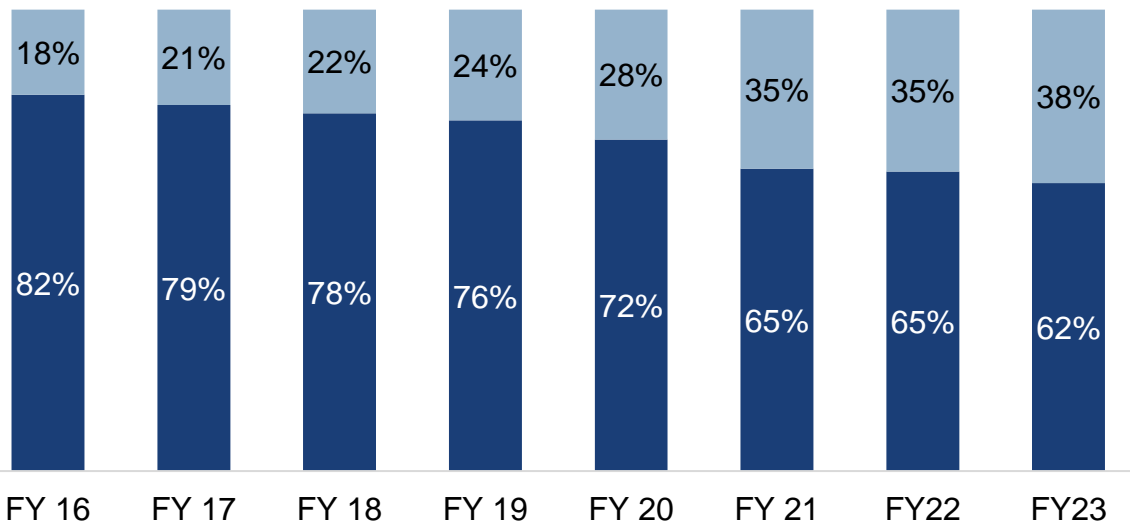


# PV exports

# UVs provide thrust to PV exports in fiscal 2023

## Exports push for cars

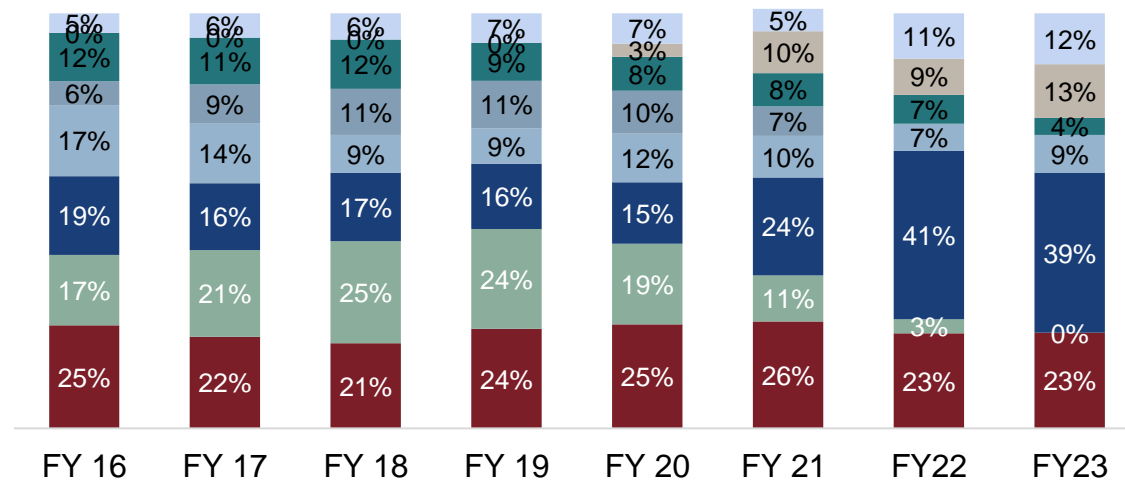
■ Cars ■ Uvs



Source: SIAM, CRISIL MI&A

## MSIL maintains its export focus

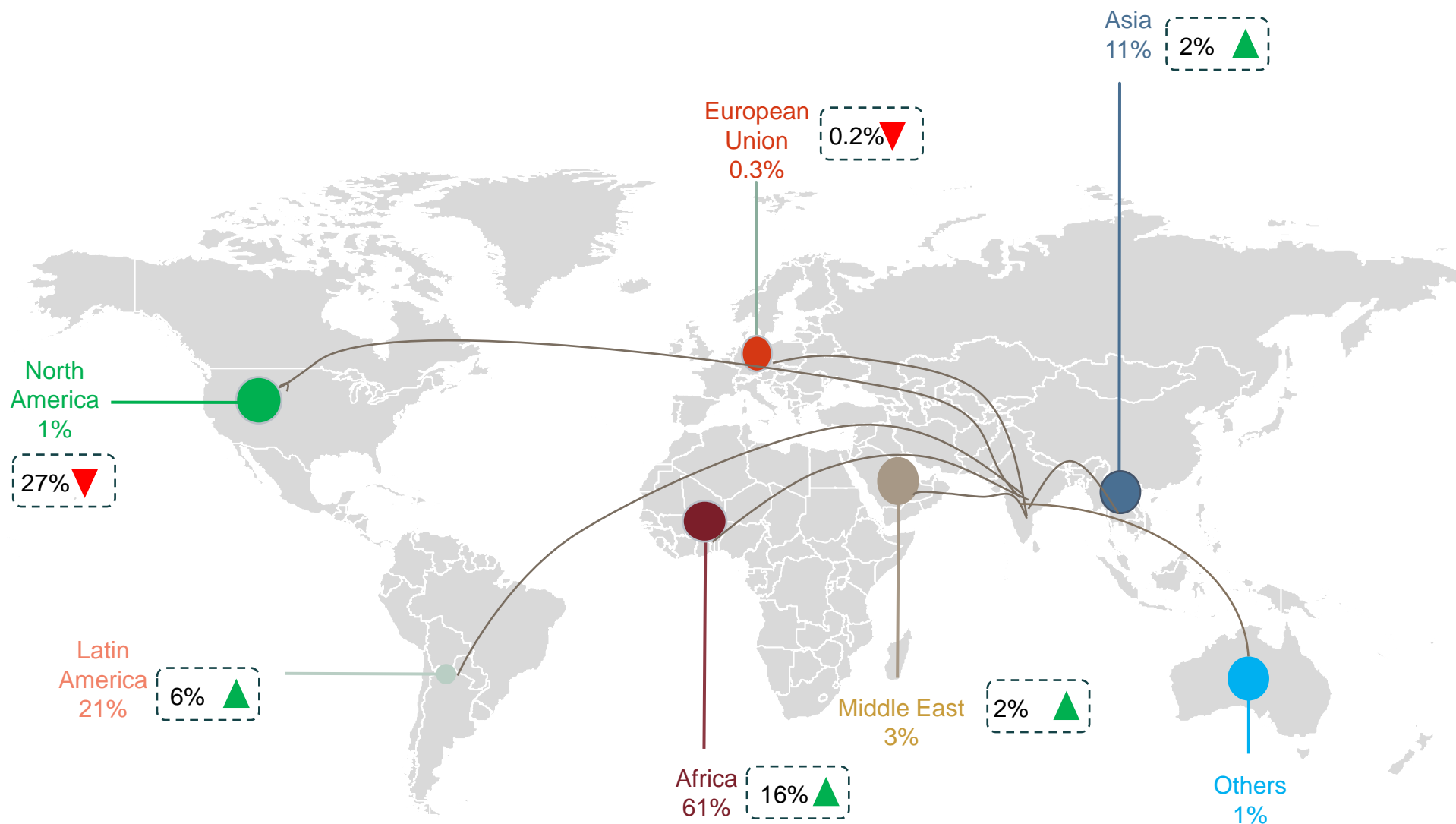
■ Hyundai ■ Ford ■ Maruti ■ Nissan ■ GM ■ Volkswagen ■ Kia ■ Others



© 2022 CRISIL Ltd. All rights reserved.

- Industry exports recorded 15% growth during fiscal 2023 reaching pre Covid levels during the year
- In line with domestic market, UVs have expanded their presence in the export market as well, growing at a faster pace of 23%
- During the year, Maruti continued to dominate the exports as well, Hyundai maintained its share
- Kia has fast gained ground even in the exports space with Seltos and Sonet
- Third highest contributor to domestic sales, Tata Motors has low presence in the exports market

# Passenger Vehicle Exports



- During fiscal 2023, PV exports increased further
- Africa continued to dominate the exports and extended its lead during the year
- This growth was led by the increased exports to South Africa
- South Africa emerged as the leading contributor to Indian exports
- Continued drop in exports to US exerted pressure on North American exports
- Increased exports to Mexico backed LATAM region exports

# Two-wheelers

# After the recovery in fiscal 2023, pace to slacken in fiscal 2024

Variables	FY21	FY22	FY23	FY24E
Income for discretionary spending	NF	N	F	N

Variables	FY21	FY22	FY23	FY24E
Cost of ownership	N	N	NF	NF
Interest rates	F	N	NF	NF

Variables	FY21	FY22	FY23	FY24E
New model/ facelift launches	N	F	F	F
Regulations – two-wheeler vehicles	NF	N	N	NF

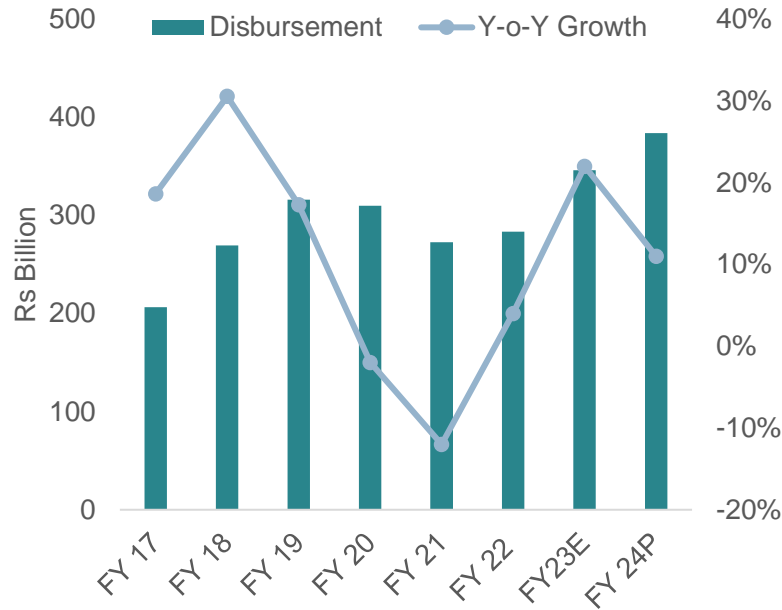
<b>Impact on Overall Sales Growth</b>	<b>NF</b>	<b>NF</b>	<b>F</b>	<b>N</b>
---------------------------------------	-----------	-----------	----------	----------

NF: Not Favorable, F: Favorable; N: Neutral  
 E: Estimates P: Projected

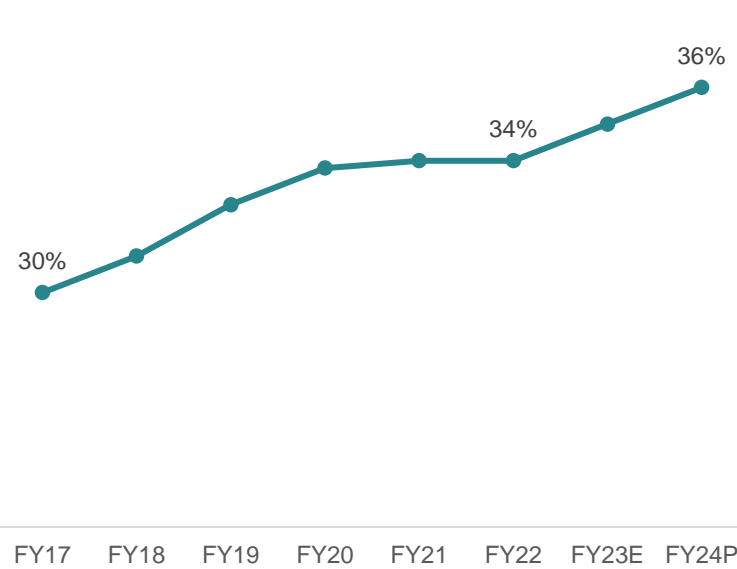
© 2022 CRISIL Ltd. All rights reserved.

# Disbursements to improve further in fiscal 2024, albeit at a slower pace

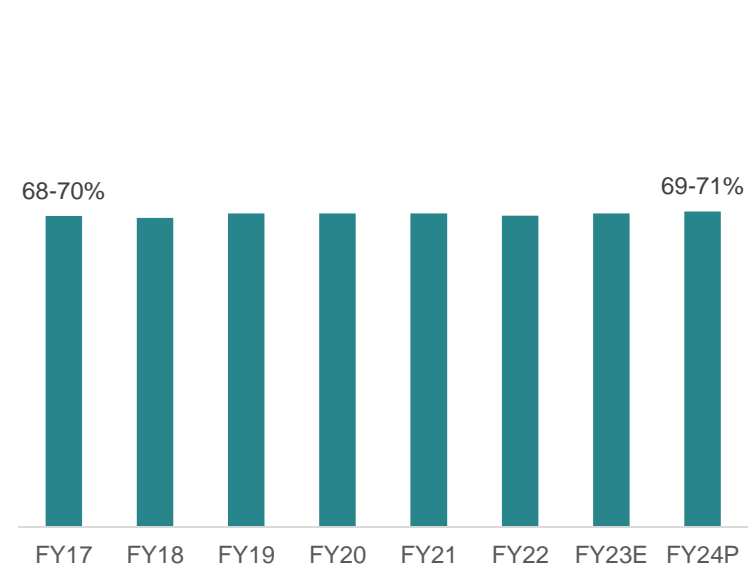
## Disbursements



## Auto finance penetration



## Loan-to-value



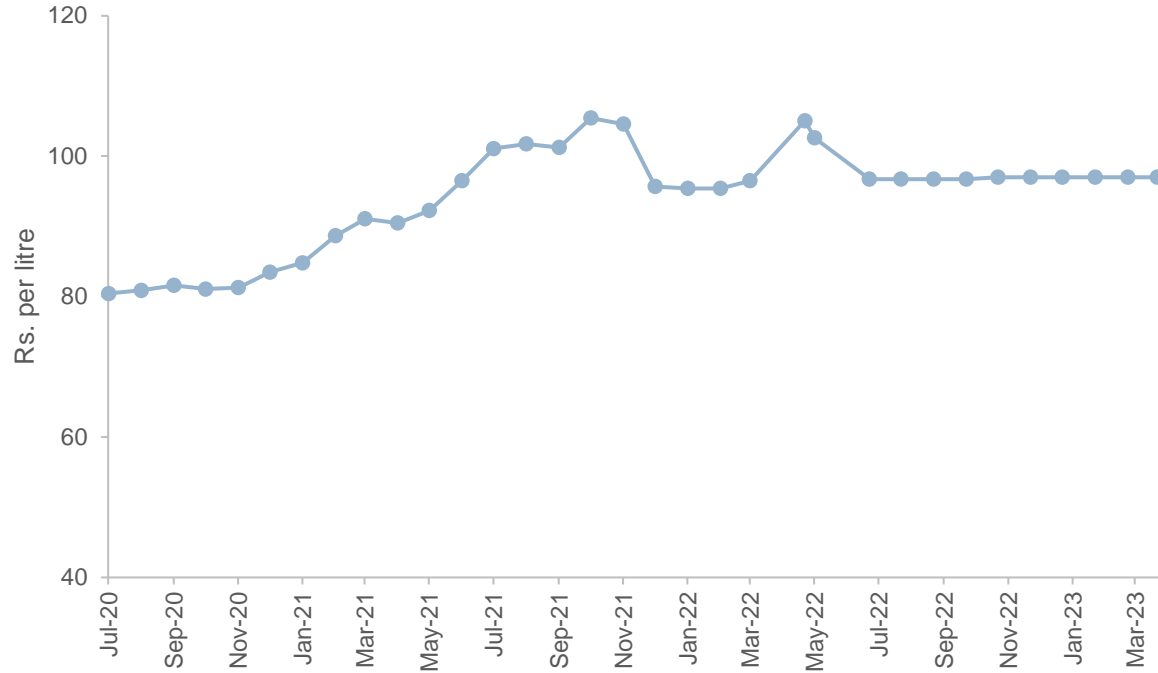
Source: Experian Credit Bureau, Company Reports, CRISIL MI&A

- Disbursements rebounded in fiscal 2023 after the subdued levels witnessed during the Corona period
- The improvement was on the back of improvement in vehicle sales as well as the price hikes undertaken. Moreover, there was some improvement in the penetration as financiers became more accommodative with reopening of economy
- The disbursement growth is expected to continue in fiscal 2024, although at a subdued pace given the tapered vehicle sales growth expected next year
- Penetration improvement is expected to continue in fiscal 2024, as financiers remain positive about the segment
- LTVs are expected to remain rangebound

© 2022 CRISIL Ltd. All rights reserved.

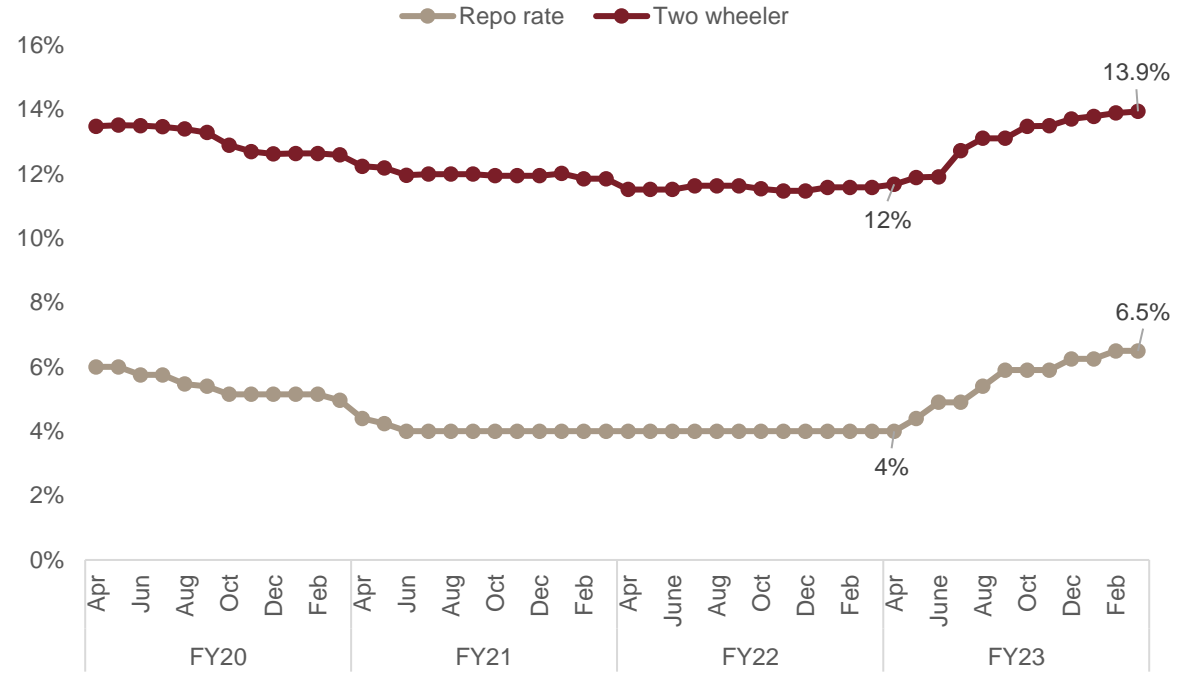
# Fuel costs remain elevated, interest rates on the rise

## Petrol Prices: Remained steady in the last quarter



Note: Fuel prices in Delhi region  
Source: Industry, CRISIL MI&A

## Interest Rates mimicking the repo trend

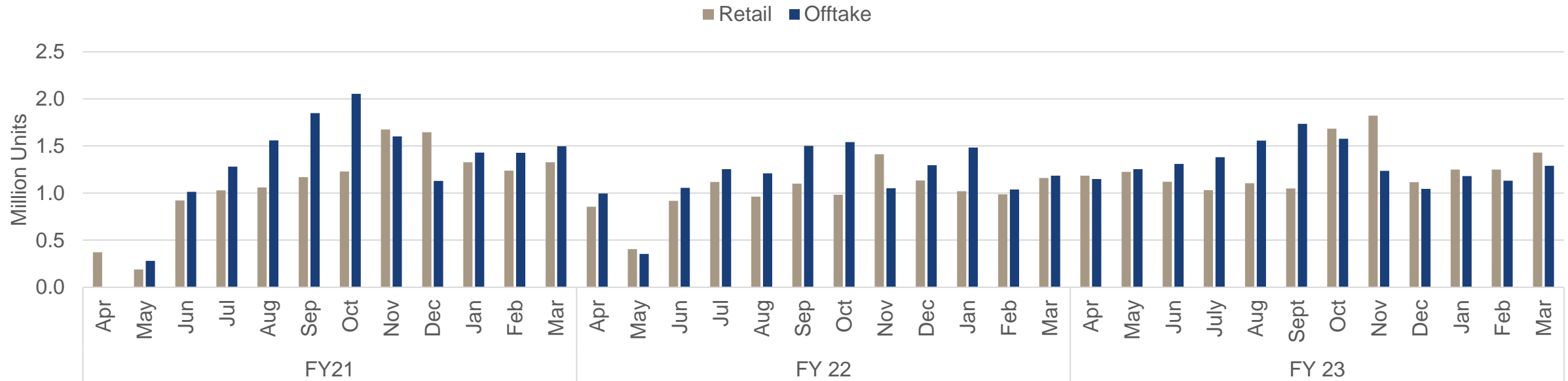


NOTE - Interest rates are an indicative rates charged by Banks  
Source – CRISIL MI&A

- Fuel prices after being stagnant for about three months from Dec-Feb, spiked to Rs. 105 in Apr 22 owing to rise in worldwide crude oil prices. It has now settled in the range from Rs. 96 to Rs.97
- Interest rates have been hiked by more than 200 bps in tandem with 225 bps rise in repo rates
- Rising operating costs remain a concern for the industry especially for the commuter segment

# Healthy retail traction in Q4, BSVI phase 2 inventory built up from Q4 end

Retail vs off-take sales trend



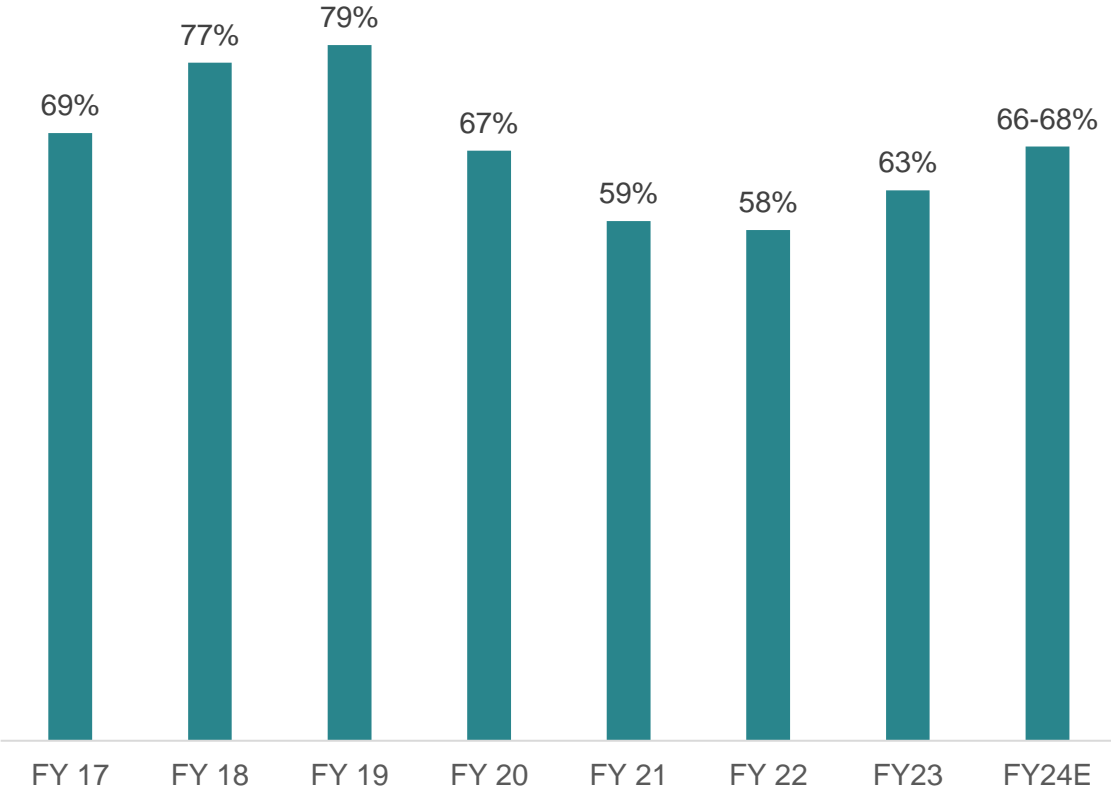
Note: Retail numbers are estimated  
 Source – MoRTH, SIAM, CRISIL MI&A

- Gradual improvement in retail from low Dec levels
- Some inventory correction by OEMs for BSVI phase 1 vehicles during Q4
- BSVI phase 2 dispatches began from Feb end; Expected to pick up pace in Q1 fiscal 2024



# Further moderate improvement in utilization expected in fiscal 2024

## Utilisation rates to jump to pre-COVID levels



## Player wise utilization

Player	Effective Capacity estimate in mn (as on 31st Mar 2023)	Production FY23	Utilization
Hero Motocorp	9.6	5.3	55%
Bajaj Auto	5.7	3.5	61%
HMSI	6.4	4.3	67%
TVS Motor Company	4.5	3.5	78%
India Yamaha Motors	1.6	0.8	53%
Suzuki Motors	1.3	0.9	76%
Royal Enfield	0.95	0.8	87%
Piaggio	0.15	0.1	40%

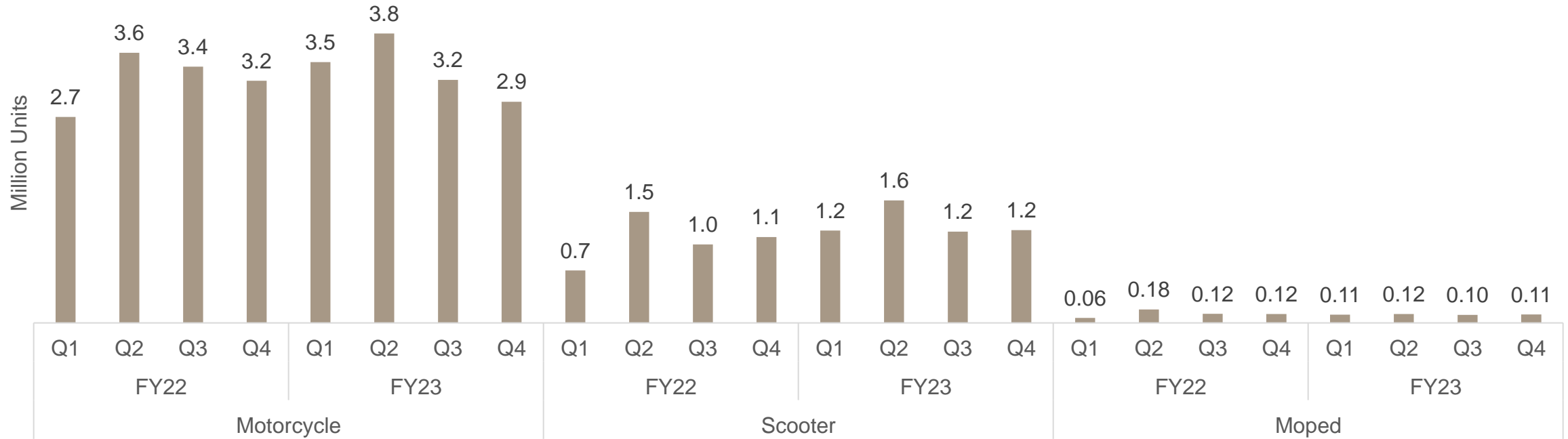
© 2022 CRISIL Ltd. All rights reserved.

SOURCE: Industry, SIAM, CRISIL MI&A

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

# Some sequential production drop amidst phase 2 transition

**Segment wise production trend: Steeper contraction for scooters during Q3**



Source: SIAM, CRISIL MI&A

- Backed by increased offtake demand and normalization in supply, production improved on a q-o-q basis for all the segments during Q2
- Production dropped 17% during Q3 in line with the domestic offtake
- During Q4, production of largest segment motorcycle contracted ~9% sequentially, for the phase 2 transition; while for scooters, it remained rangebound
- At overall 2W level, production dropped 5% sequentially

## Domestic – Annual forecast

	Units	Motorcycle	Scooters	Mopeds	Total	EV penetration
<b>FY21</b>	Millions	10.0	4.5	0.6	15.1	0%
<i>y-o-y growth</i>	%	(11)%	(20)%	(3)%	(13)%	
<b>FY22</b>	Millions	9.0	4.3	0.5	13.7	2%
<i>y-o-y growth</i>	%	(10)%	(6)%	(23)%	(9)%	
<b>FY23</b>	Millions	10.2	5.6	0.4	16.3	4.5%
<i>y-o-y growth</i>	%	14%	31%	(7)%	18%	
<b>FY24E</b>	Millions	10.8-11.3	6.2-6.7	0.4-0.5	17.9-18.4	6-8%
<i>y-o-y growth</i>	%	8-10%	15-17%	(6)-(4)%	10-12%	

Note: Numbers include EVs  
Source – SIAM, CRISIL MI&A

# Domestic – Quarterly forecast

Consulting

Fiscal	Quarter	Motorcycle		Scooter		Moped		Total	
		Sales ( mn)	y-o-y growth	Sales ( mn)	y-o-y growth	Sales ( mn)	y-o-y growth	Sales ( mn)	y-o-y growth
FY22	Q1	1.7	93%	0.6	85%	0.1	28%	2.4	88%
	Q2	2.6	(17)%	1.4	5%	0.2	(17)%	4.2	-11%
	Q3	2.4	(22)%	1.1	(24)%	0.1	(38)%	3.7	-24%
	Q4	2.2	(22)%	1.1	(19)%	0.1	(30)%	3.4	-22%
FY23	Q1	2.4	38%	1.3	109%	0.1	61%	3.9	60%
	Q2	3.0	15%	1.	18%	0.1	(29)%	4.9	17%
	Q3	2.5	4%	1.4	21%	0.1	(20)%	4.1	11%
	Q4 E	2.3	4%	1.3	12%	0-0.2	0%	3.6	7%
FY24E	Q1 P	2.4-2.6	4-6%	1.1-1.5	9-11%	0-0.2	(7)-(5)%	4.0-4.2	6%
	Q2 P	2.6-2.8	4-6%	1.4-1.6	(7)-(5)%	0-0.2	(10)-(8)%	4.3-4.5	(9)-(7)%
	Q3 P	2.9-3.1	(10)-(8)%	1.5-1.7	28-30%	0-0.2	(1)-1%	4.7-4.9	20-22%
	Q4 P	2.9-3.1	17-19%	1.5-1.7	36-38%	0-0.2	(5)-(3)%	4.7-4.9	30-32%

Data includes EVs  
Source – SIAM, CRISIL MI&A

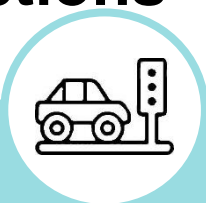
# Domestic – Quarterly forecast

- fiscal 2023 saw healthy growth in offtakes from a low base after consecutive contractions
- After a healthy festive season, Q4 witnessed some sequential contraction in Q4
- Some inventory clearing done by OEMs for BSVI phase 1 models during Q4
- Dispatches of BSVI phase 2 began from February end
- The inventory built up for BSVI phase 2 models to back the offtake growth during Q1, although retails are expected to be under pressure
- Festive built up is expected to start from September and continue till November backing the growth during Q2 and Q3
- Motorcycles to grow further in fiscal 2024 albeit at a slower pace led by the expected growth in the premium segment, while only restricted growth is expected in the commuter segment
- ICE scooters are estimated to grow at a sluggish pace, better traction expected for the 125 cc segment
- From a low base, EV segment is expected to continue its strong growth and expand its penetration further during fiscal 2024
- Moped segment will remain under pressure going ahead

# Stakeholder interactions

Consulting

## OEMs



- Relatively higher inventory with the dealers : 40-50 days
- Phase 1 vehicle inventory clearance to continue in Q4; OBD2 phase A dispatches have begun for few models from February
- Pace of phase 2 vehicle dispatches will pick up in Q1 and continue in Q2; Only marginal price rise for phase 2 transition
- Thus, Q4 fiscal 2023 offtake is expected to be subdued and gradual improvement is expected from Q1; Q2 and Q3 offtake expected to be healthy
- Industry to clock strong growth in the current year and further improvement expected for fiscal 2024, albeit at a reduced pace from the high base of fiscal 2023
- Launches expected to be mainly in premium motorcycle segment and scooters; recent launches seeing good traction especially in the premium 200+ motorcycles
- No supply chain constraints currently being faced by the industry

## Dealer



- After the inventory build up done during September and October, some inventory correction from OEMs' side in Q3 & Q4 (Jan & Feb); No inventory push from OEMs
- Inventory levels at 40-50 days
- Commuter segment is still struggling amidst the elevated fuel prices, high inflation, increased interest burden; some shift from entry to deluxe 110 segment also happening
- Good traction in premium segment as well as scooters
- Dispatches for BSVI phase 1 have begun from February second half and will continue going ahead
- Nominal price rise of 0-2% for BS VI phase 2, no perceptible impact on demand expected
- Q1 fiscal 2024 retails to remain subdued with mainly phase 2 vehicles in the stock, inventory built up to be done for phase 2 vehicles in Q1
- Festive built up to happen from September and continue in October fiscal 2024
- fiscal 2024 sales are expected to be positive, however, growth pace expected to be slower than fiscal 2023
- After the hiccup due to fire incidents and FAME issue, EV traction rising; to impact ICE scooters segment

## Financier

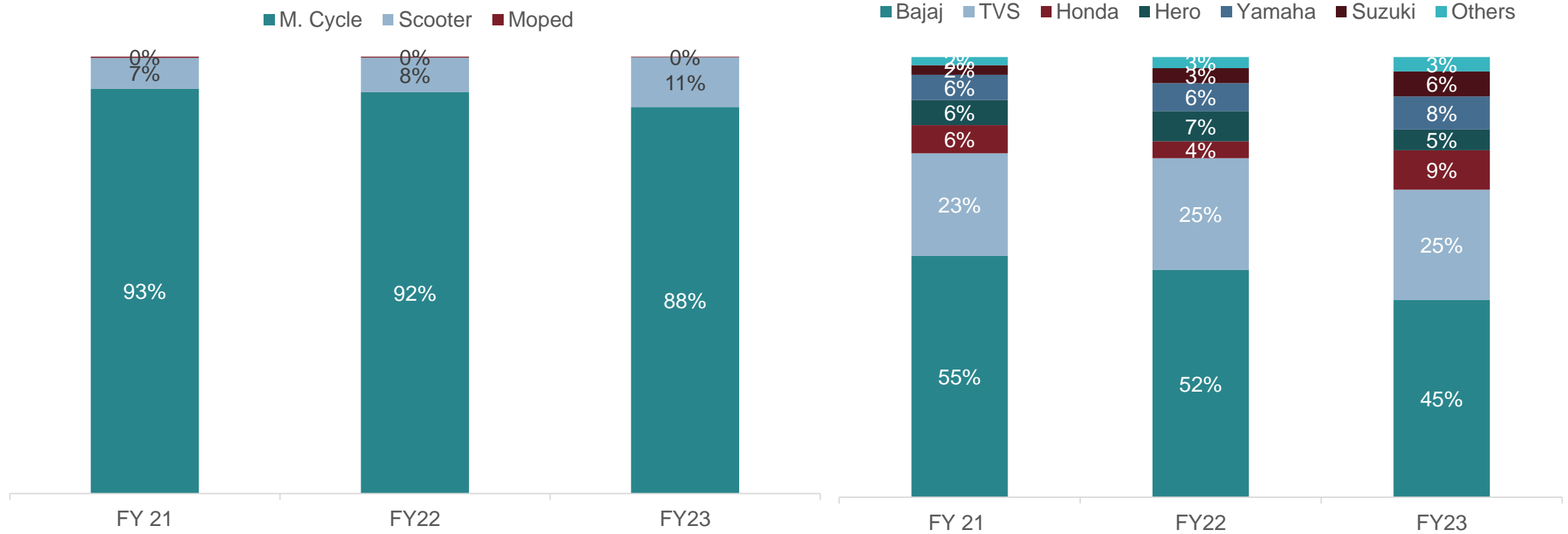


- Nearly 200 bps rise in interest rates during the year
- Despite the interest rate hikes, disbursements seeing positive momentum
- Repo rate has increased in February, further rate hike may happen soon
- There is no change in the LTVs
- Continued increase in retail demand to support disbursement growth going ahead, although at a slower rate
- Financier stance remains accommodative for the 2W segment

# Two-wheeler exports

# Increased scooter exports in fiscal 2023

## In turn, scooter major Honda extends its presence



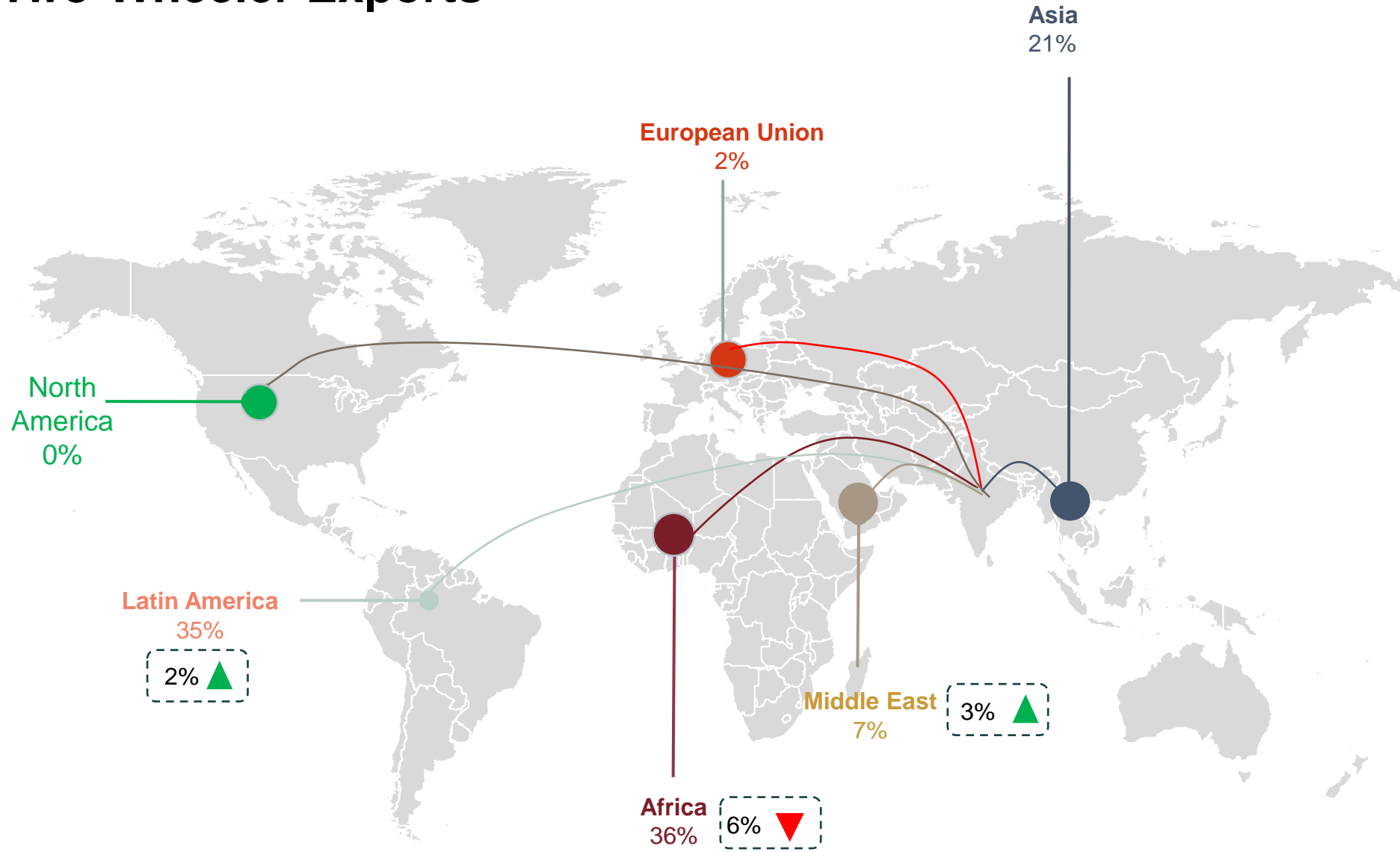
Source: SIAM, CRISIL MI&A

- Exports contracted 18% in fiscal 2023; Motorcycles dropped 21% , while scooter exports rose 19%
- In turn, the share of scooters rose from 8% in FY22 to 11 % in fiscal 2023
- Consequently, share of HMSI and Suzuki expanded during the year, while Bajaj and Hero witnessed some contraction

© 2022 CRISIL Ltd. All rights reserved.



# Two-Wheeler Exports



- There has been demand pressure in key export destinations due to global tightening and high inflation.
- Devaluation of currencies against the Indian rupee and US dollar has also made products expensive. ASEAN countries are lesser impacted than African economies due to worsening economic conditions.
- This can be seen in the fiscal 2023 YTD exports to Africa which lost share to Asia and LATAM countries
- In fiscal 2023, exports contracted 27%

# Commercial Vehicles

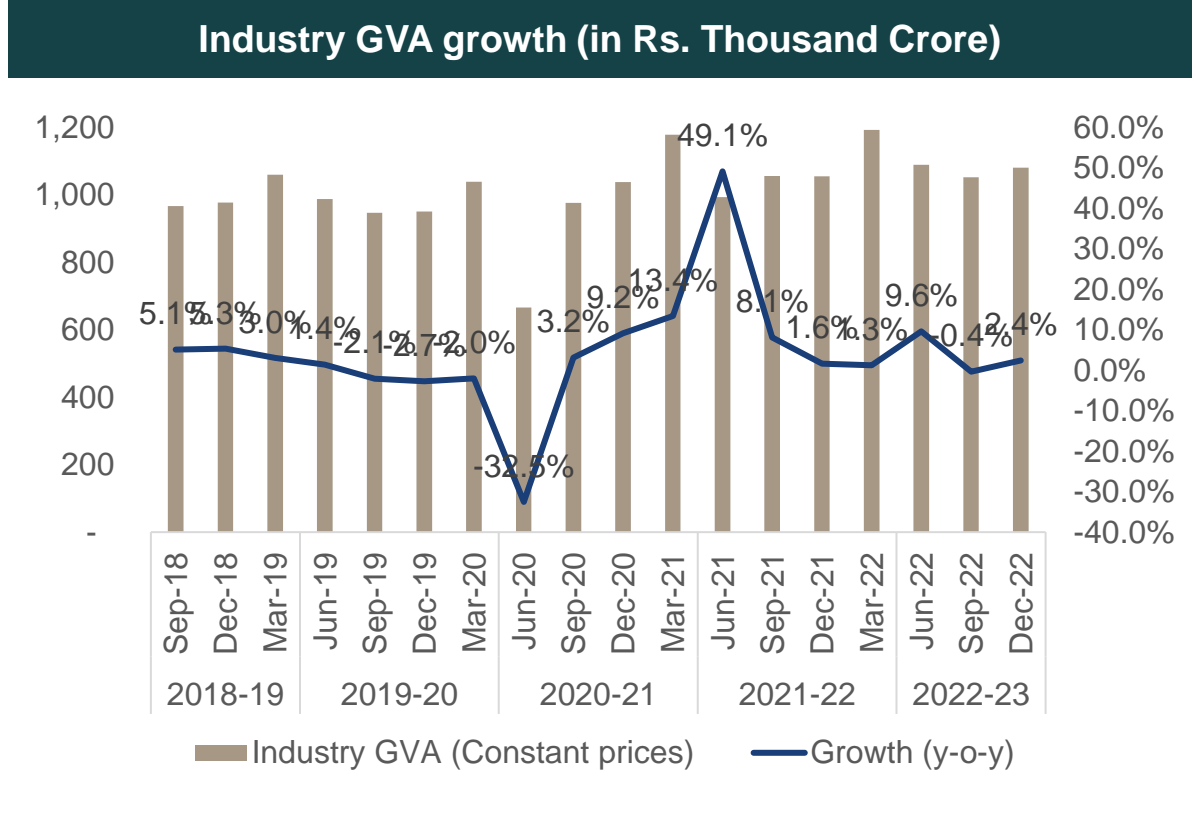
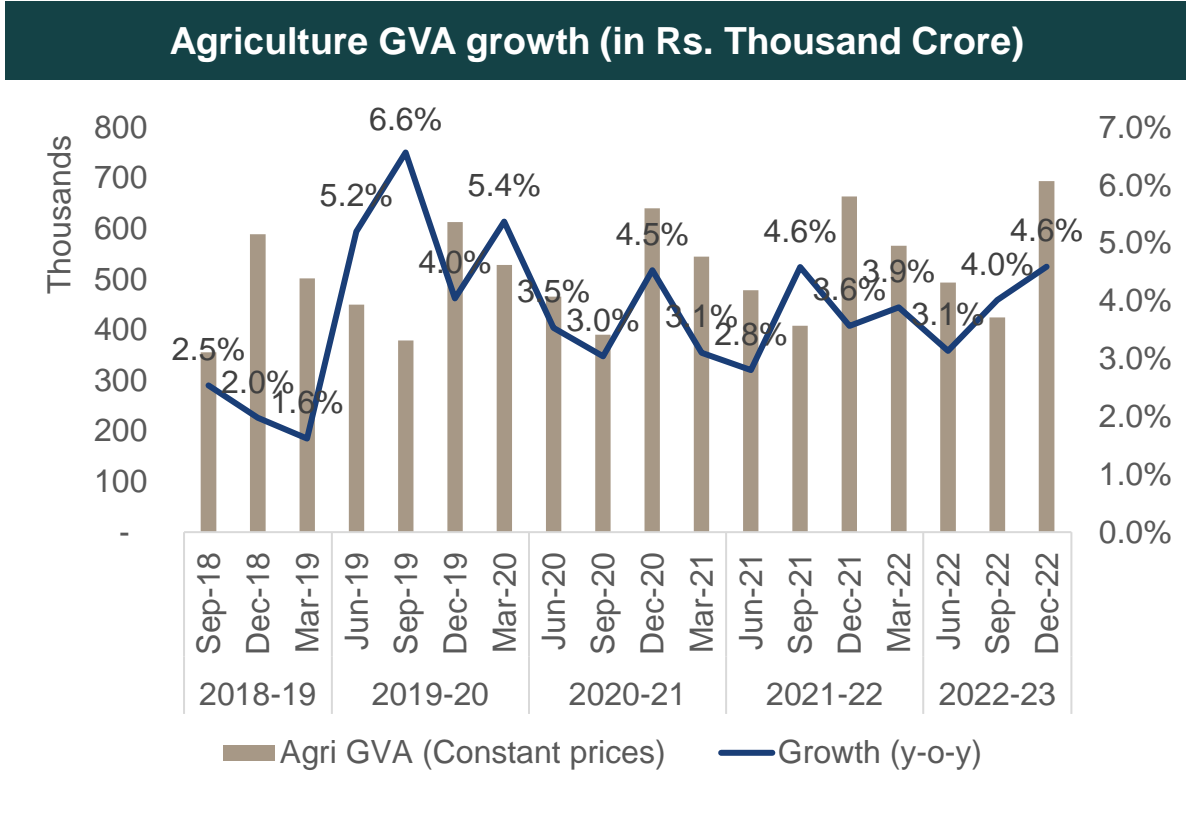
# Overview of end-use segments - Cargo

Segments (% Growth Y-o-Y)	FY 18	FY 19	FY 20	FY 21	FY 22	FY 23 E	FY 24 P	
Coal (Production)	2	7	0	(2)	9	16-18	4-6	Core Sectors
Iron ore (Production)	3	3	19	(17)	23	0-2	3-5	
Steel (Consumption)	8	9	1	(5)	11.4	10-12	7-8	
Cement (Consumption)	9	12	(-3)	1	9	11-12	7-9	
Roads (Km Constructed / Day)-NHAI	8	9	11	11	13	14-15	15.5-16.5	
Port (Traffic)	6.5	8.2	2	(5.5)	4.3	5-8	3-6	
Two-wheelers (Domestic sales)	14.8	5	(18)	(13)	(11)	16	6-8	Discretionary Products
Passenger vehicles (Domestic sales)	8	3	(18)	(2)	13	27	3-5	
Consumer durables (Consumption)	5.8	7	5	(17)	12-17	10-13	6-8	
E-retail	35	35-37	23	13	27	20-25	20-25	
RMG (Market Size)	5	6	(2)	(24)	23	12-14	7-9	
Dairy (Production)	6.7	7	5	(4)	3	5-7		Non - Discretionary Products
FMCG	8	12	5	3.5	13-15	8-10	7-9	
Pharmaceuticals (Market Size)	1	15	9	13	7-8	6-8	9-11	

# Overview of end-use segments - Buses

Segments (% Growth Y-o-Y)	FY 18	FY 19	FY 20	FY 21	FY 22	FY 23 E	FY 24 P	
<b>Gross School Enrollment</b>								<b>Buses</b>
K-12	73.4	73.4	78	74.5	74.8	75.1	75.4	
Above K-12	23.4	22.5	22.5	22.2	23.0	23.4	23.4	
<b>IT Employee Base</b>	3	4	4	7	14.5	8-10	5-9	
<b>Air Passenger Traffic (million passengers)</b>	188	209	209	64.4	106.8	195	210-230	
<b>Hotel Room Demand</b>	5	4	1	(51)	74	25-30		

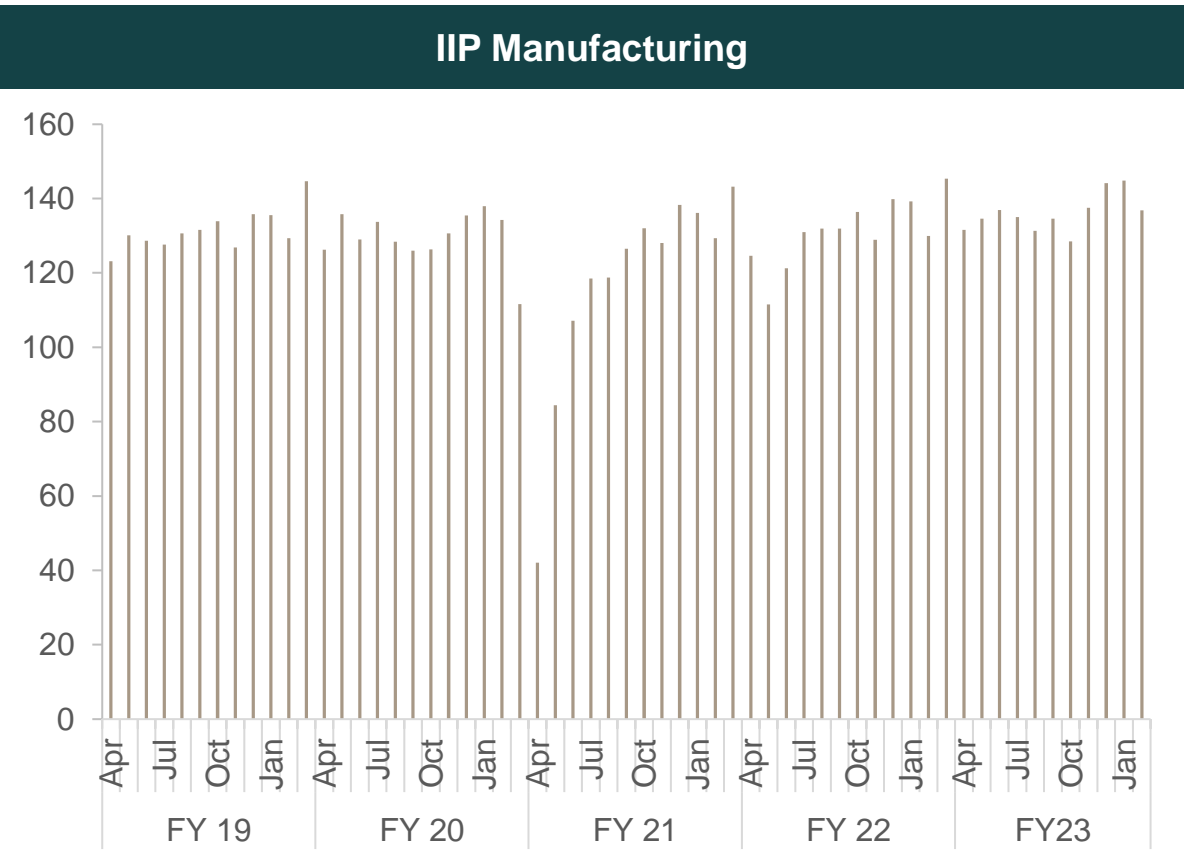
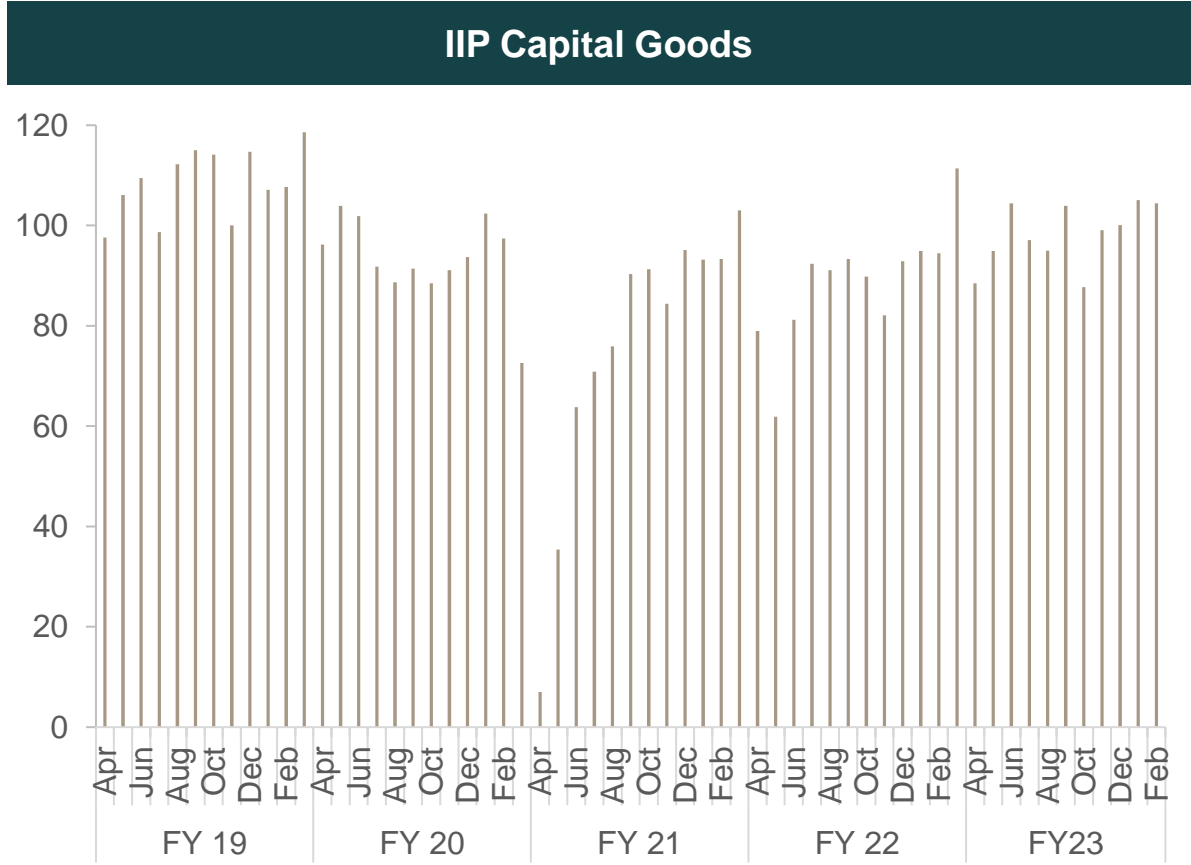
# Healthy agriculture growth improving rural aspects



- Agri GDP grew at 4.6% on-year during Q3 fiscal 2023. Growth in Q3FY22 was around 3.6%
- Overall agriculture growth is expected to remain at 3% in next fiscal, but El Nino has emerged as another risk which could hit agriculture production and rural incomes.
- Industry GVA witnessed 2% growth in Q3 fiscal 2023

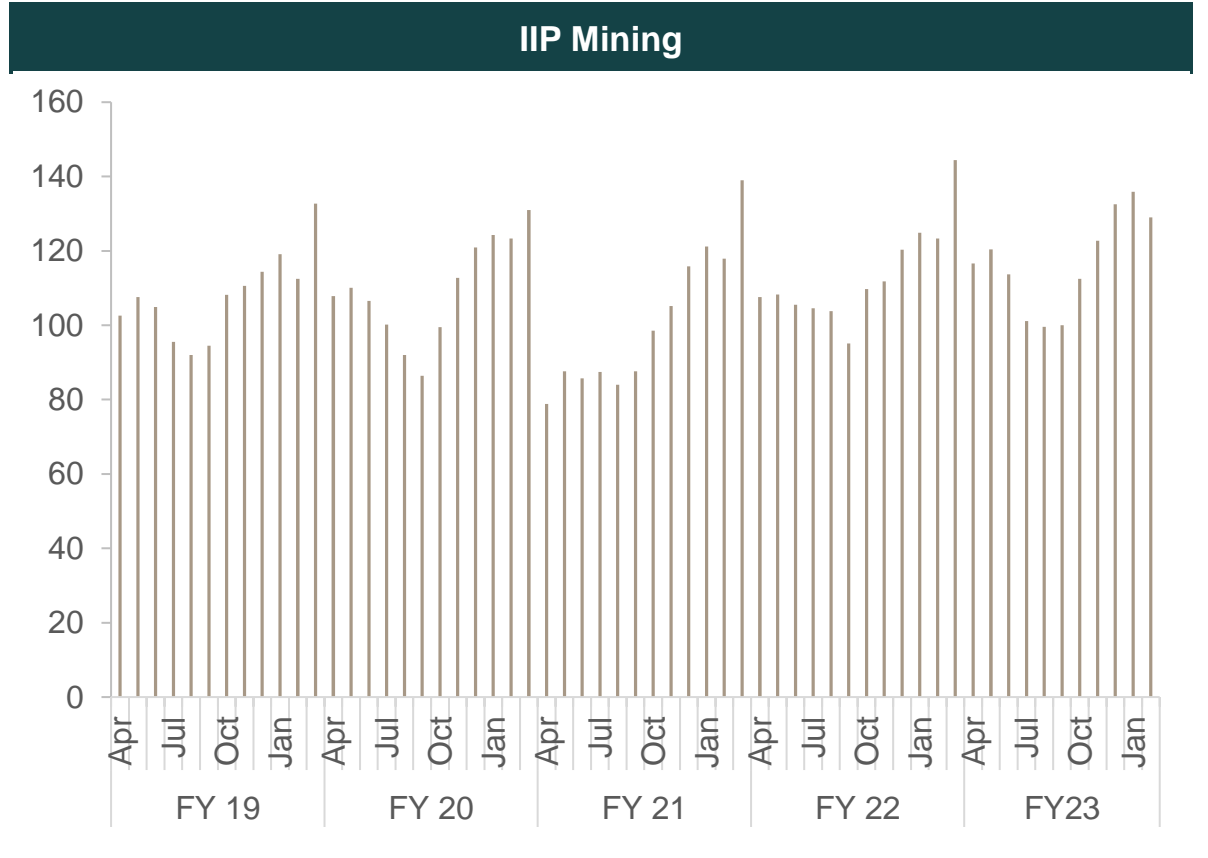
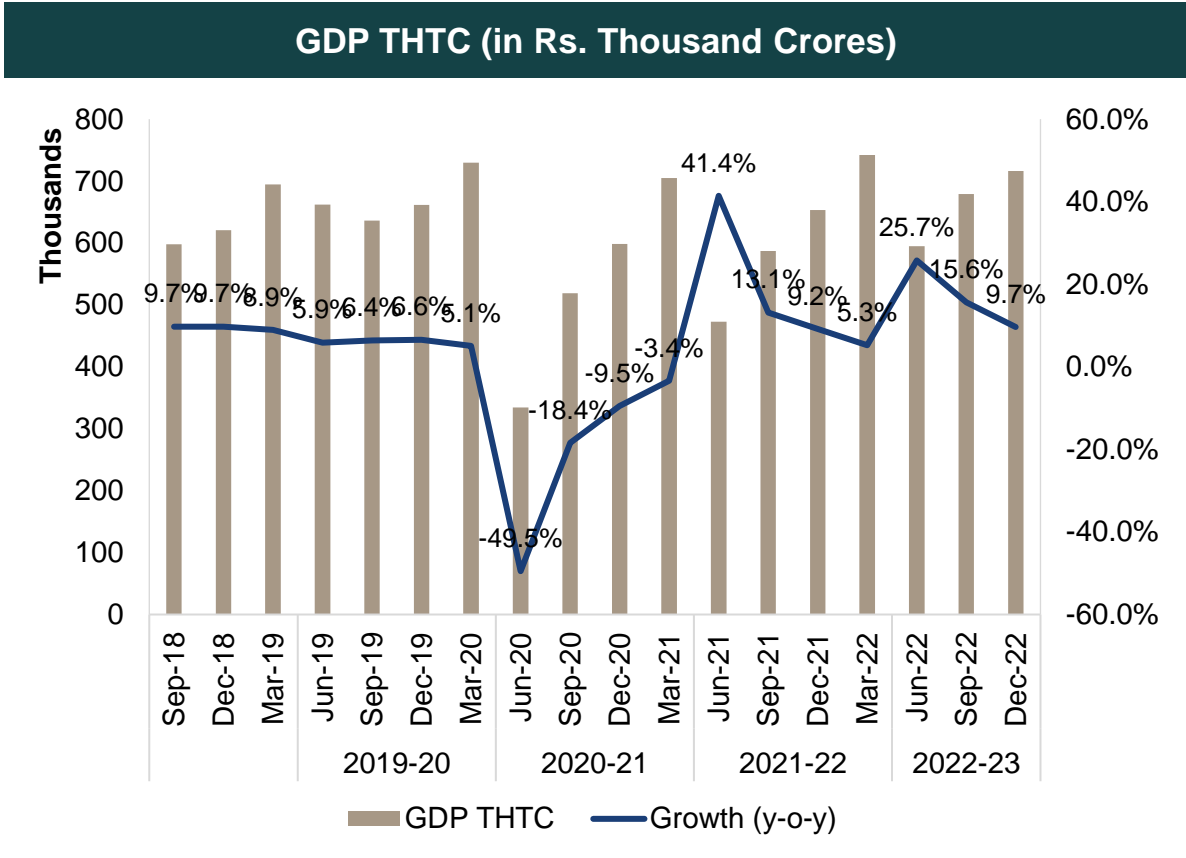
© 2022 CRISIL Ltd. All rights reserved.

# Mild m-o-m improvement in industrial activity



- The Index of Industrial Production (IIP) rose to 5.6% on-year in February 2023 compared with 5.5% in the previous month. A pick-up in manufacturing and electricity production supported growth.
- Activity picked up for industrial goods but continued to weaken for consumer-oriented sectors.

# GDP THTC sees growth on low base; Mining IIP declines



- GDP THTC registered a growth of 9.7% in third quarter over Q3 fiscal 2023. This segment is showing tremendous growth on account of tourism sector picking up.
- Mining IIP contracted 5% in February from January levels. In January, IIP clocked 9% sequential growth.

© 2022 CRISIL Ltd. All rights reserved.

# Overview of end-use segments – Discretionary consumer goods



Segments (% Growth Y-o-Y)	FY 18	FY 19	FY 20	FY 21	FY 22 E	FY 23E	FY24P
<b>Consumer durables (Consumption)</b>	5.8	7	5	(17)	12-17	10-13	6-8

- Rising inflation and reduced discretionary spend is expected to limit growth of household appliances sector in fiscal 2023 and fiscal 2024.
- Consumption is expected to witness moderation next fiscal, which will have an impact on household appliances growth. Domestic demand could come under pressure as interest rate hikes gets transmitted more to consumers. CRISIL Research thus expects sector to grow 6-8% in fiscal 2024.



Segments (% Growth Y-o-Y)	FY 18	FY 19	FY 20	FY 21	FY 22 E	FY 23E	FY24P
<b>E-retail</b>	35	35-37	23	13	27	20-25	20-25

- The sector is expected to witness 20-25% growth in fiscal 2024 on account of higher discretionary spending and waning impact of the pandemic. An improving economy amid low to moderate inflation is expected to drive consumer spends in the medium to long term, propelling growth in the retail industry. Among verticals, food & grocery is expected to grow at a healthy pace on back of significant offline as well as online impetus.



Segments (% Growth Y-o-Y)	FY 18	FY 19	FY 20	FY 21	FY 22	FY 23E	FY24P
<b>RMG (Market Size)</b>	5	6	(2)	(24)	23	12-14	7-9

- Overall RMG market is projected to cross Rs.5.3 trillion in fiscal 2024 from an estimated Rs.4.9 trillion in fiscal 2023 with a growth of 7-9%. The RMG industry's revenues increased by 22-24% in fiscal 2022 and are estimated to end fiscal 2023 with a 12-14% growth, primarily on account of a 6-8% growth in domestic volumes in combination with a 9-11% hike in domestic prices. In fiscal 2024, domestic RMG prices are set to increase by 5-7%, prices, but the export market is expected to register a 1-3% de-growth in prices primarily due to projections of weak demand in the first half of the year.



# Overview of buses



Segments	FY 18	FY 19	FY 20	FY 21	FY 22	FY 23E	FY24P
No of K-12 institutions (million)	1.56	1.56	1.65	1.62	1.6	1.7	1.7
Gross enrolment ratio (GER) (%)	73.4	73.4	78	74.5	74.8	75.1	75.4

- We expect ~80,000 to 90,000 K-12 institutions to be set up between fiscals 2022 and 2025, as compared with 55,000 to 65,000 in the previous three years. GER in the overall K-12 segment is likely to reach 75.1% in fiscal 2023 from 74.5% in fiscal 2021.



Segments (% Growth Y-o-Y)	FY 18	FY 19	FY 20	FY 21	FY 22	FY 23E	FY24P
Growth in number of IT employees	3	4	4	7	14.5	8-10	5-9

- Revenue of the Indian IT services industry is expected to show double digit growth in this fiscal due to digitization and transformational projects. Operating margins are expected to contract in this fiscal account of increased employee related costs and increase in expenses. Employee additions are expected to bump up with skilled workforce at core in future for both the domestic and export markets.

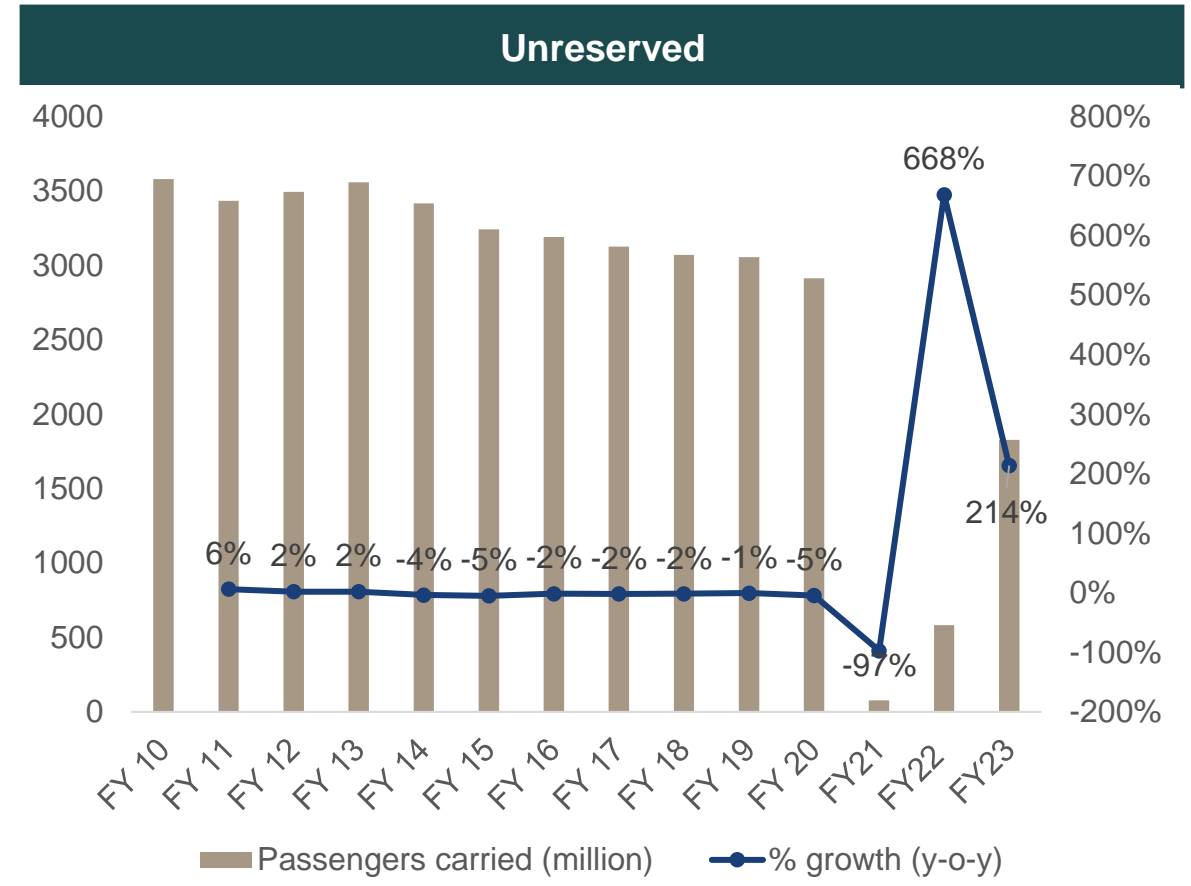
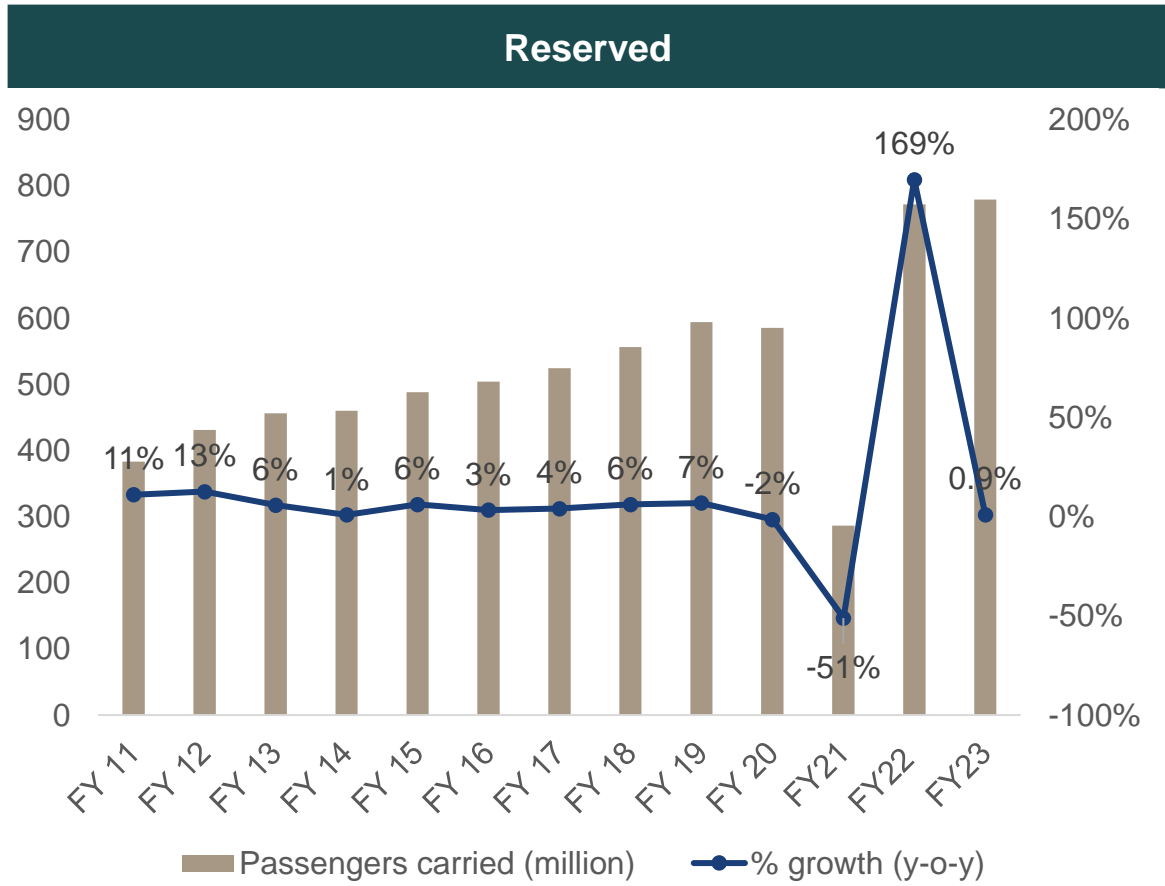


Segment	FY 18	FY 19	FY 20	FY 21	FY 22	FY 23E	FY 24 P
Pan India hotel rooms supply	72028	75250	77619	79300	83415	92868	96419
Occupancy rates (%)	65	65	64	31	50	69	73

- The hotels sector is expected to witness strong growth in fiscal 2024, on the back of a recovery in major demand drivers as the economy picks up. The sector will likely reach pre-pandemic levels in absolute terms, as it emerges from the shadows of the pandemic. The momentum is anticipated to continue in fiscal 2024 as well.
- Premium hotels saw a sharp recovery in fiscal 2022 on a low base, driven by staycations and leisure demand. A revival in corporate travel and MICE segments, coupled with restarting of inbound international travel, should help the sector regain pre-pandemic levels in fiscal 2023 and further continue the same momentum in fiscal 2024.

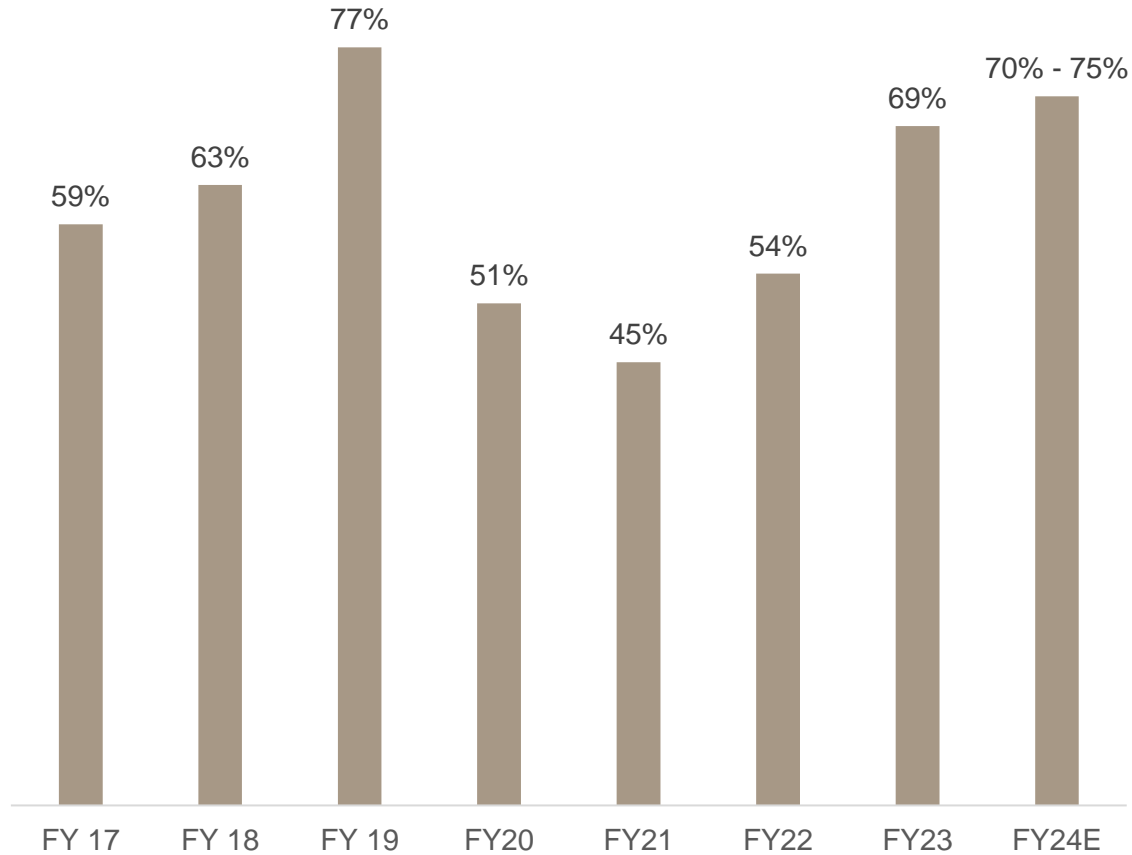
# While railways was losing share to road and air-based modes earlier, with the COVID-19 effect waning passenger movement across modes to be better

## Railway passenger traffic growth (%) - non-suburban



# Capacity utilisation increased as production picked up in last quarter on account of BSVI phase 2 Consulting

## Decline in capacity utilization level



## Player-wise capacity utilisation

Player	Effective Capacity estimate (as on 31st Mar 2020)	Production FY23 (in '000)	Capacity utilization in FY23
Ashok Leyland	2,22,300	1,95,140	88%
Eicher Motors	97,500	78,189	80%
Tata Motors	7,62,000	4,04,236	53%
Mahindra & Mahindra	2,92,000	2,64,672	91%

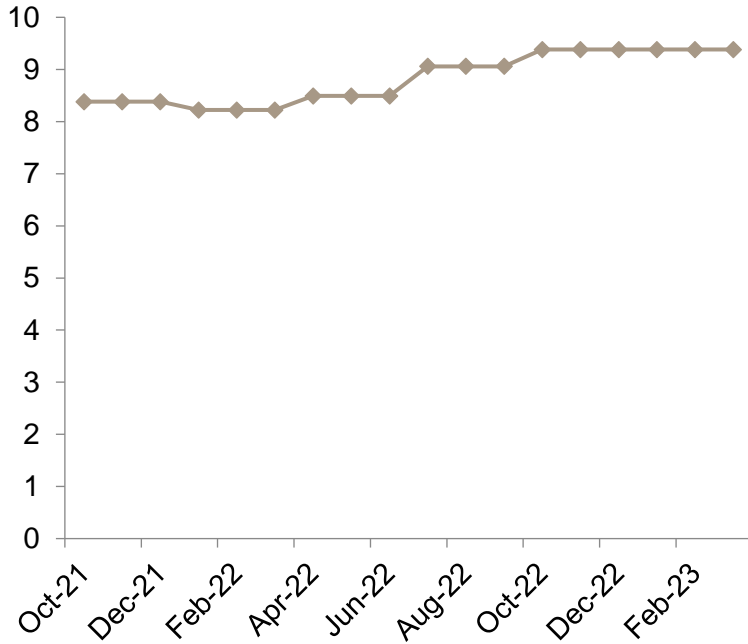
## Capacity additions

Player	Location	Capacity '00 units	Status
Causis E-Mobility Pvt. Ltd.	Murshidabad, West Bengal	15	Planning
Causis E-Mobility Pvt. Ltd.	Pune, Maharashtra	10	Under implementation
Veera Vahana Udyog Pvt. Ltd.	Anantapur, Andhra Pradesh	30	Planning
Triton Electric Vehicle Pvt. Ltd.	Kutch, Gujarat	500	Planning

© 2022 CRISIL Ltd. All rights reserved.

# Cautious lending by banks; more focus on collections

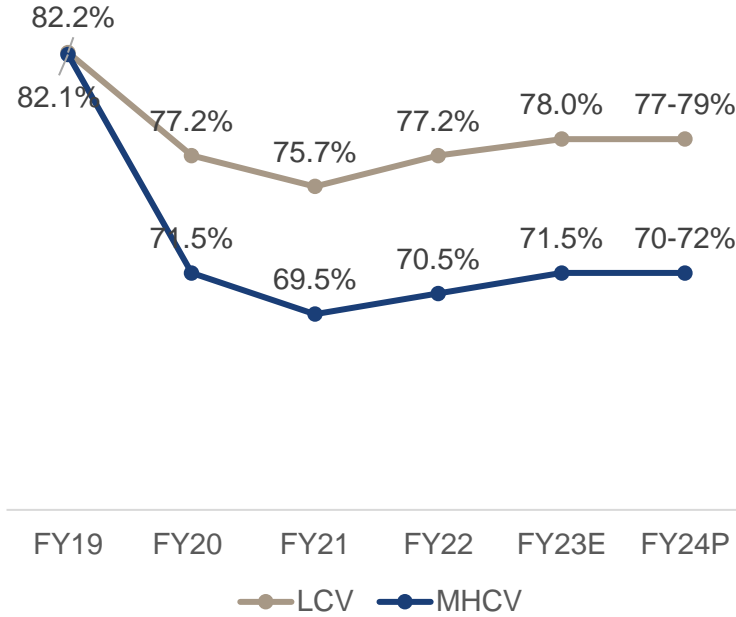
### CV finance rates (%)



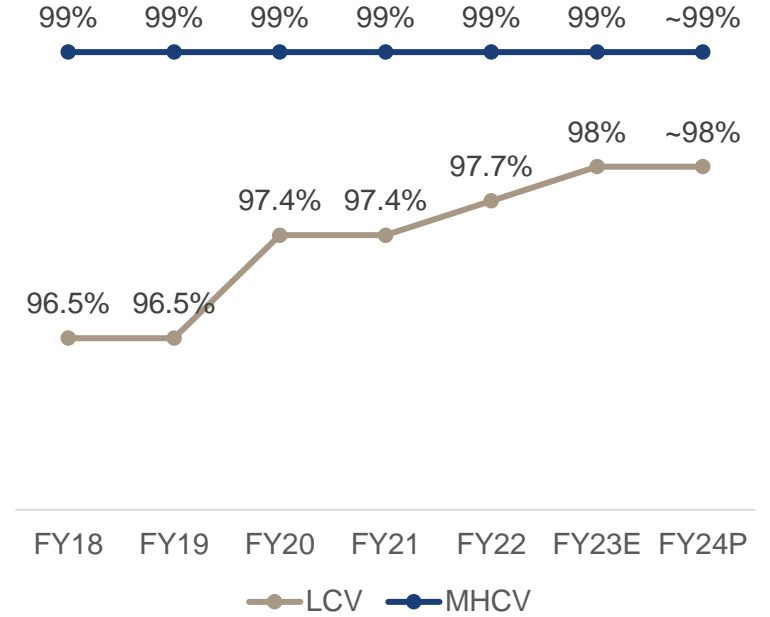
NOTE - Interest rates are an indicative rates charged by Banks

Source: Company Reports, Industry, Crisil MI&A

### Loan-to-value for CV



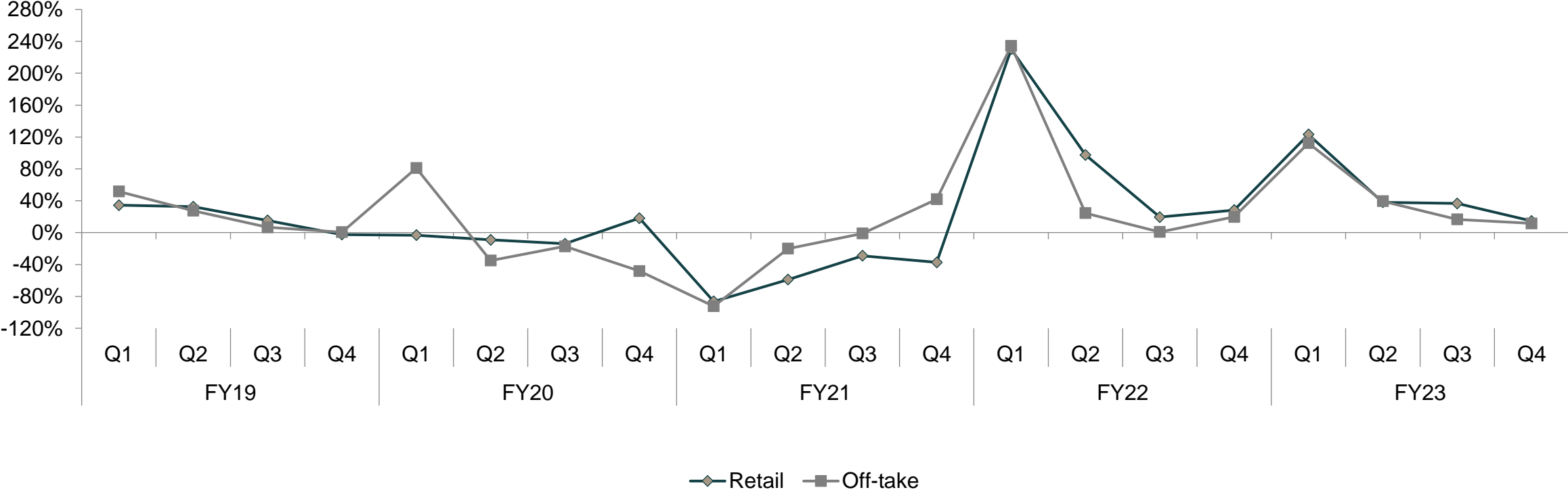
### CV finance penetration



© 2022 CRISIL Ltd. All rights reserved.

# Retail momentum continued its recovery on account of continued traction and BSVI phase 2 price impact from April 2023

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

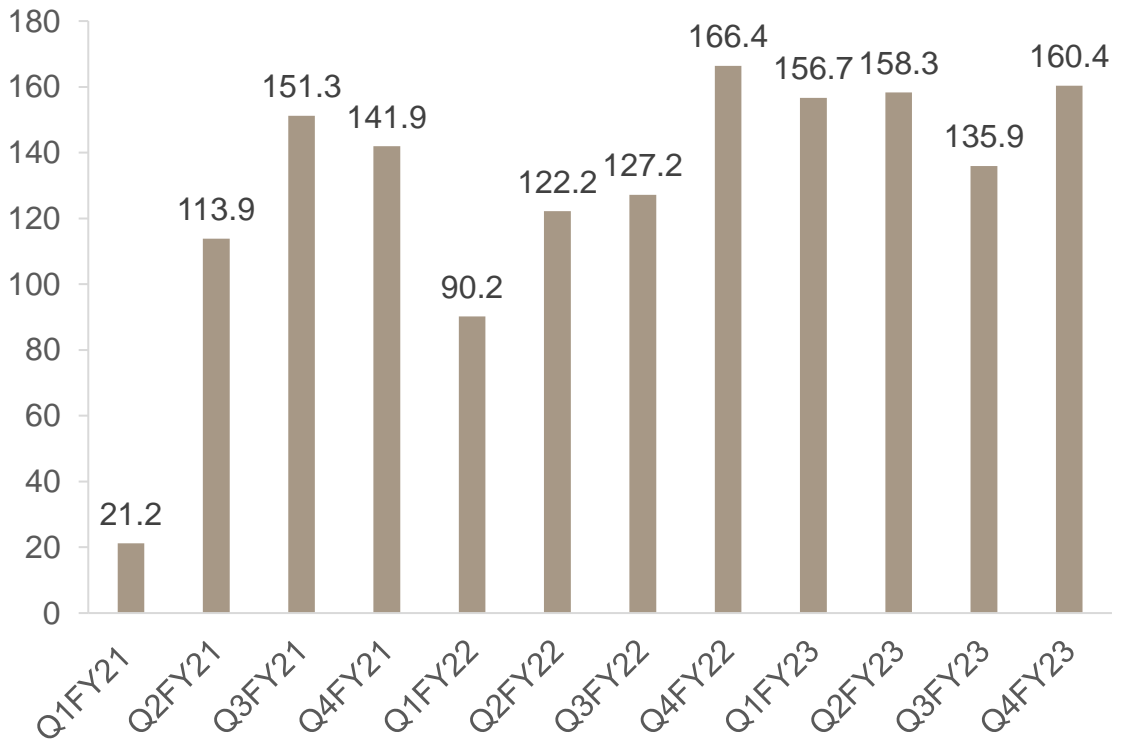


© 2022 CRISIL Ltd. All rights reserved.

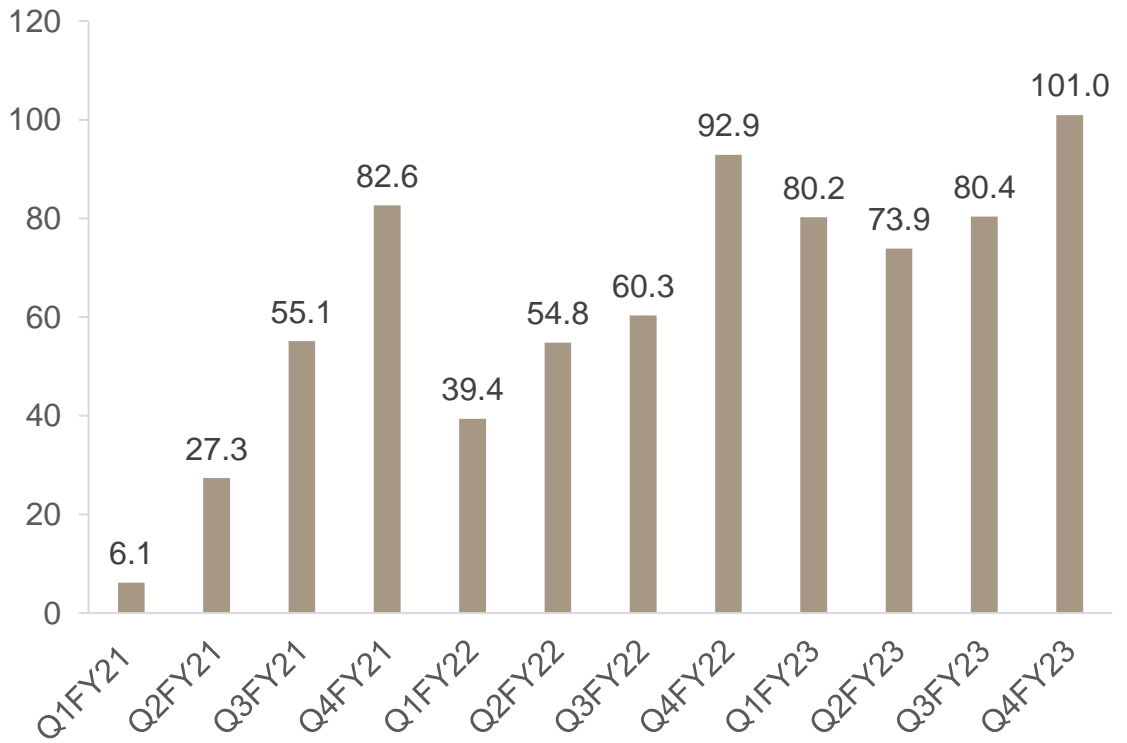
Source: SIAM, MoRTH, CRISIL MI&A

# Production of MHCVs continues to see upward trajectory behind story of infra dependent applications

### LCV production levels (in thousands)



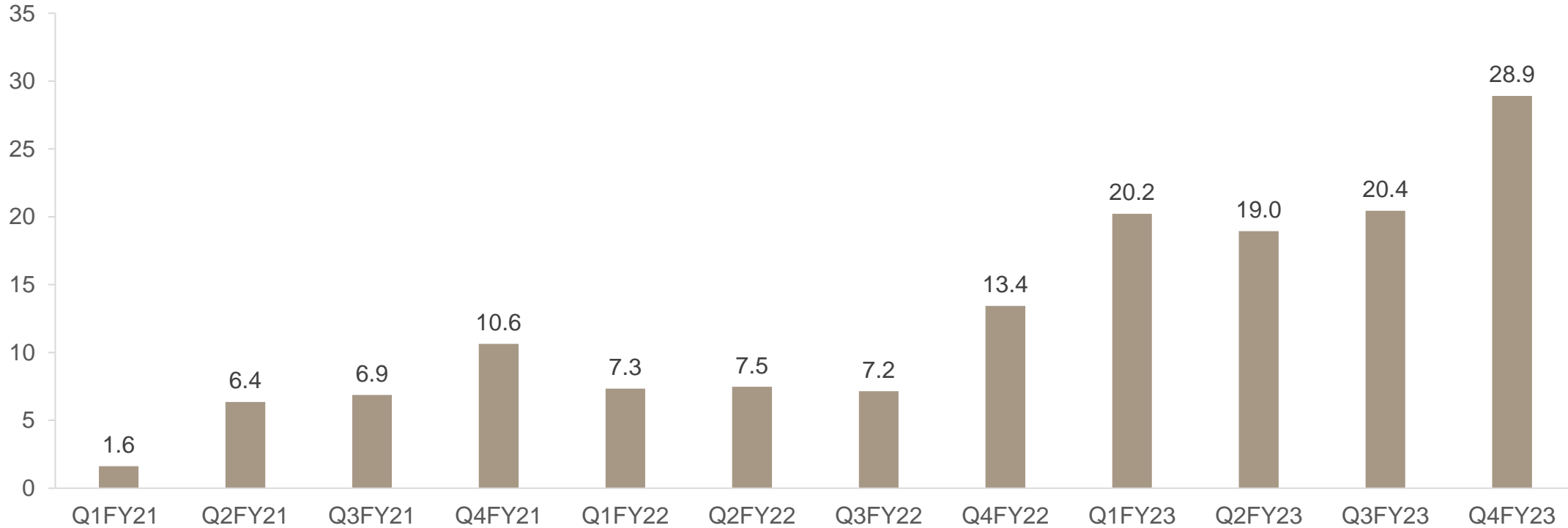
### M&HCV production levels (in thousands)



- Production for LCV decreased by -4% and MHCV increased by approx. 9% Y-o-Y in Q4
- MHCV production increased on account of demand from MHCV's as new financial year was witnessing newer norms and price hike
- Production to taper down in Q1fiscal 2024 but to remain strong in the entire fiscal as government to use infrastructure-capex to support the economy that would further aid to the demand of MHCV

# Bus demand supported by tourism and STU procurement in Q4fiscal 2023

## Buses production levels (in thousands)



- Tourism and other avenues of passenger mobility has seen return to normalcy over the last 1 year and hence the normal buying cycle seen in fiscal 2023 is expected to continue in fiscal 2024
- STU procurement by means of GCC contract is expected to continue in fiscal 2024 before certain state as well as general elections come into play

© 2022 CRISIL Ltd. All rights reserved.

# Domestic – Annual forecast

Sales	Units	LCV cargo	IMHCV cargo	Buses	CV	EV Penetration
<b>FY22</b>	Thousands	472	227	32	<b>731</b>	<b>2%</b>
<i>y-o-y growth</i>	%	19%	47%	90%	<b>29%</b>	
<b>FY23</b>	Thousands	559	320	81	<b>960</b>	<b>3%</b>
<i>y-o-y growth</i>	%	22%	41%	163%	<b>34%</b>	
<b>FY24E</b>	Thousands	568-580	333-340	87-90	<b>990-1010</b>	<b>3-5%</b>
<i>y-o-y growth</i>	%	2-4%	4-6%	9-11%	<b>3-5%</b>	



# Domestic – Quarterly forecast (1/2)

Consulting

Annual	Quarter	LCV cargo		IMHCV cargo		Buses		Total	
		Sales ( '000)	y-o-y growth	Sales ( '000)	y-o-y growth	Sales ( '000)	y-o-y growth	Sales ( '000)	y-o-y growth
FY22	Q1	73.6	180%	27.3	567%	5.4	389%	106.2	237%
	Q2	108	3%	51.3	115%	6.3	57%	165.5	24%
	Q3	127.6	(8%)	60.4	21%	6.9	67%	195	1%
	Q4	148.9	19%	88.1	16%	12.1	53%	249	19%
FY23	Q1	136.6	86%	67.4	147%	19.1	255%	223.1	111%
	Q2	141.7	31%	72	40%	17.9	185%	231.6	40%
	Q3	133.3	4%	76.8	27%	15.9	129%	225.9	16%
	Q4	147	(1)%	104.1	18%	27.9	130%	279	12%
FY24E	Q1 P	125-128	(9)-(7)%	64-66	(4)-(2)%	21-22	11-13%	211-215	(6)-(4)%
	Q2 P	143-146	1-3%	78-80	8-10%	20-21	15-17%	241-246	4-6%
	Q3P	148-150	11-13%	86-88	12-14%	17.5-18.5	13-15%	252-256	12-14%
	Q4P	153-156	4-6%	104-106	0-2%)	28-30	0-2%	284-291	2-4%

Source – SIAM, CRISIL MI&A

- **SCV & ULCV:** Sub-1 tonne segment is seeing pressure because of interest rate hike due to RBI increasing repo rates. The superior cost economics of CNG vehicles over diesel vehicles has almost disappeared over the past 3-4 quarters. Going forward, if the CNG prices come down the penetration levels in sales is expected to pickup. Currently the demand for CNGs have dropped and customers have reverted to favouring diesel trucks. The pickup segment had done well in the previous quarter owing to positive sentiments, rural and replacement demand by fleet operators. It is expected to be positive going forward too. There is a segmental shift in terms of demand from the consumers for pick up trucks over sub 1 tons basis interactions with the market players clearly indicating a rise in enquiries
- **MHCV:** Vehicles with higher load carrying capacity are being preferred by LFOs. Rising popularity of hub and spoke model, improved road infrastructure, and axle norm preference over tractor trailers is likely to propelled demand for higher tonnage MAVs. Tipper demand is expected to increase as many infra related projects as possible of NHAI, PMGSY, dry port, bridges, logistics park, irrigation and metro projects are either under implementation or announced.
- Mining activities in the northern part of the country is anticipated to be stable and operational, barring monsoon months; thus contributing to the continued demand for the tippers.
- **Buses:** The government is considering launching its largest-ever procurement to buy roughly 8,000 electric buses for State Transport Undertakings (STUs) around the country to speed up the transition to clean mobility in the public transportation system, Despite being a part of replacement, this is likely to boost the demand for IMHCV buses. STU procurement by means of GCC contract is expected to continue in FY24 before certain state as well as general elections come into play

# Stakeholder interactions



## Transporters

### Utilization levels

- Utilisation levels have been growing since the economy revived and freight demand increased. It is expected to continue growing at a similar pace and therefore resulting in higher MHCV demand for this fiscal.
- The truck utilisation dipped slightly compared to festive season in FMCG/CD, courier/parcels due to e-commerce and freight goods which experienced a boost in the previous quarter.
- Transportation of Iron ore in Orissa has resumed to some extent after certain regulatory and geopolitical obstacles that were impeding the state's progress have been addressed.
- Preference for higher tonnage vehicles in trailers and tippers is becoming prominent among transporters  
There has been an increase in preference for tractor trailers over tippers as a result of this



## Dealers & OEMs

### Demand Story

- The SCV segment now offers a wide selection of products, covering various tonnages that cater to the needs of all types of customers. Players have launched numerous products, especially over the past five years, to plug gaps in tonnages.
- The 2 – 3.5T/pickup segment did well in the previous quarter owing to improved rural sentiments
- Demand for SCVs and ICVs continues to be driven by FMCG, e-commerce, and agriculture.
- Although CNG adoption is more prominent in sub-one tonne and ICV segments, the demand for this fuel type has dropped significantly over the past 8-12 months.
- There was a significant increase in the contribution to overall industry volumes from both the M&HCV segment and the Bus segment. The school segment played a major role in driving the rebound of the Bus segment.
- Strong demand from construction, infrastructure, and mining activities are boosting tractor trailer and tipper volumes
- BS-VI phase 2 has caused some mixed reactions in the market where the majority of them believe that the new regulation will have a negative impact on retail numbers in April thereby causing a flattish growth compared to previous year in the upcoming quarter.



## Financier

### LTVs and participation levels

- Although the interest rates increased in 2022 impacting the financing costs and EMIs, as long as the freight rates and truck utilisation remained high there was no significant impact in volumes
- SCVs have been witnessing aggressive financing options and higher loan offerings as the customers in this segment are generally more price sensitive
- MHCV cargo and tippers segment is expected to do well largely due to the increased capex allocation in the budget
- There have been some delinquencies in smaller vehicles category in states where the release of funds have been delayed. Due to this the financiers have decreased exposure slightly in some key areas and the situation is being monitored closely
- There has been an increase in the demand for buses as schools have reopened. The segment is also being boosted right now by STUs and replacement demand.
- For some cases in retail funding, customers have been asked to present contract copy or guarantor particularly for MHCVs

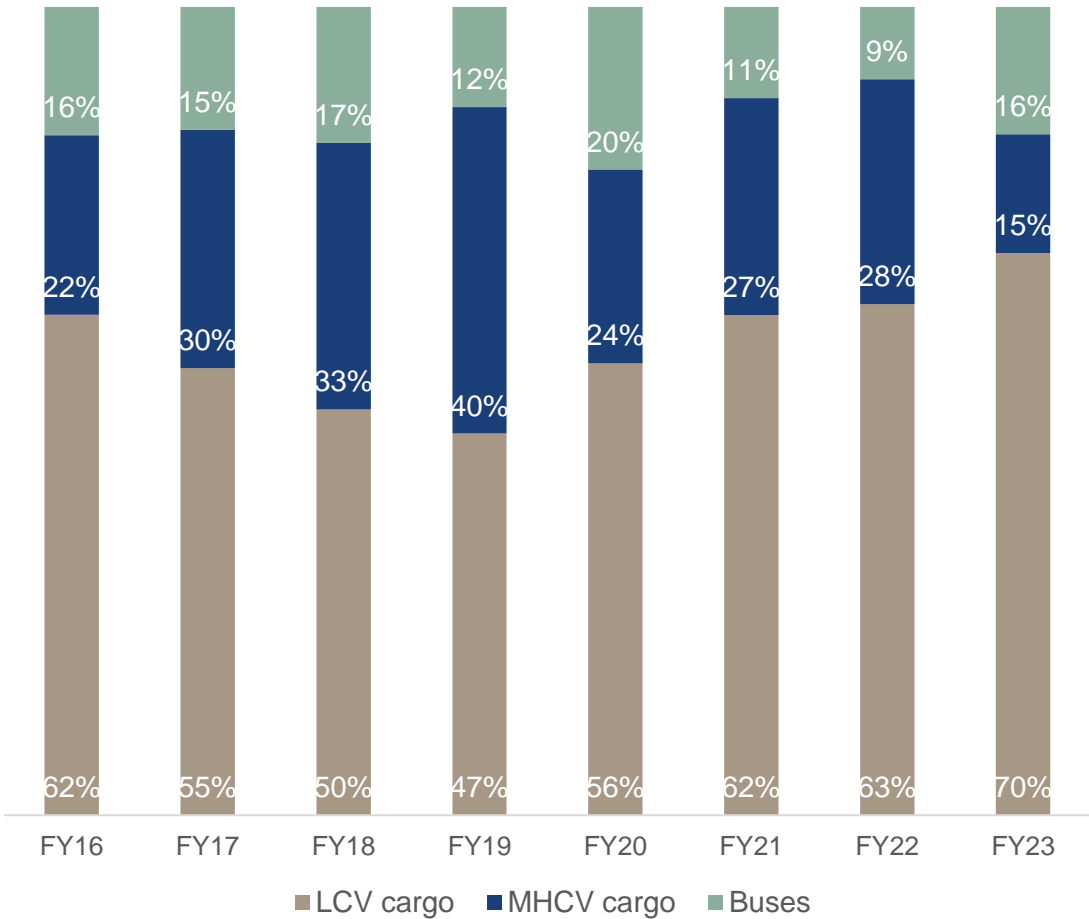
Consulting

© 2022 CRISIL Ltd. All rights reserved.

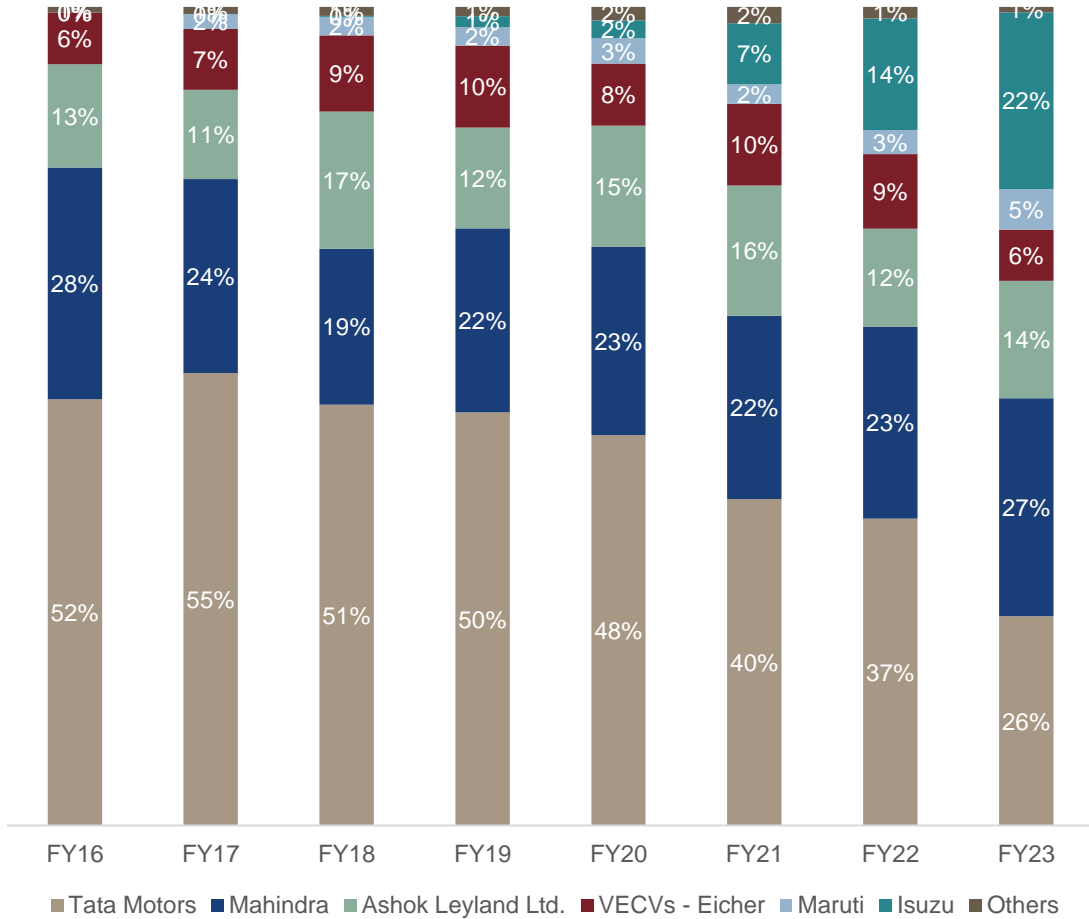
# Commercial vehicle exports

# Share of LCV cargo on an uptrend

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

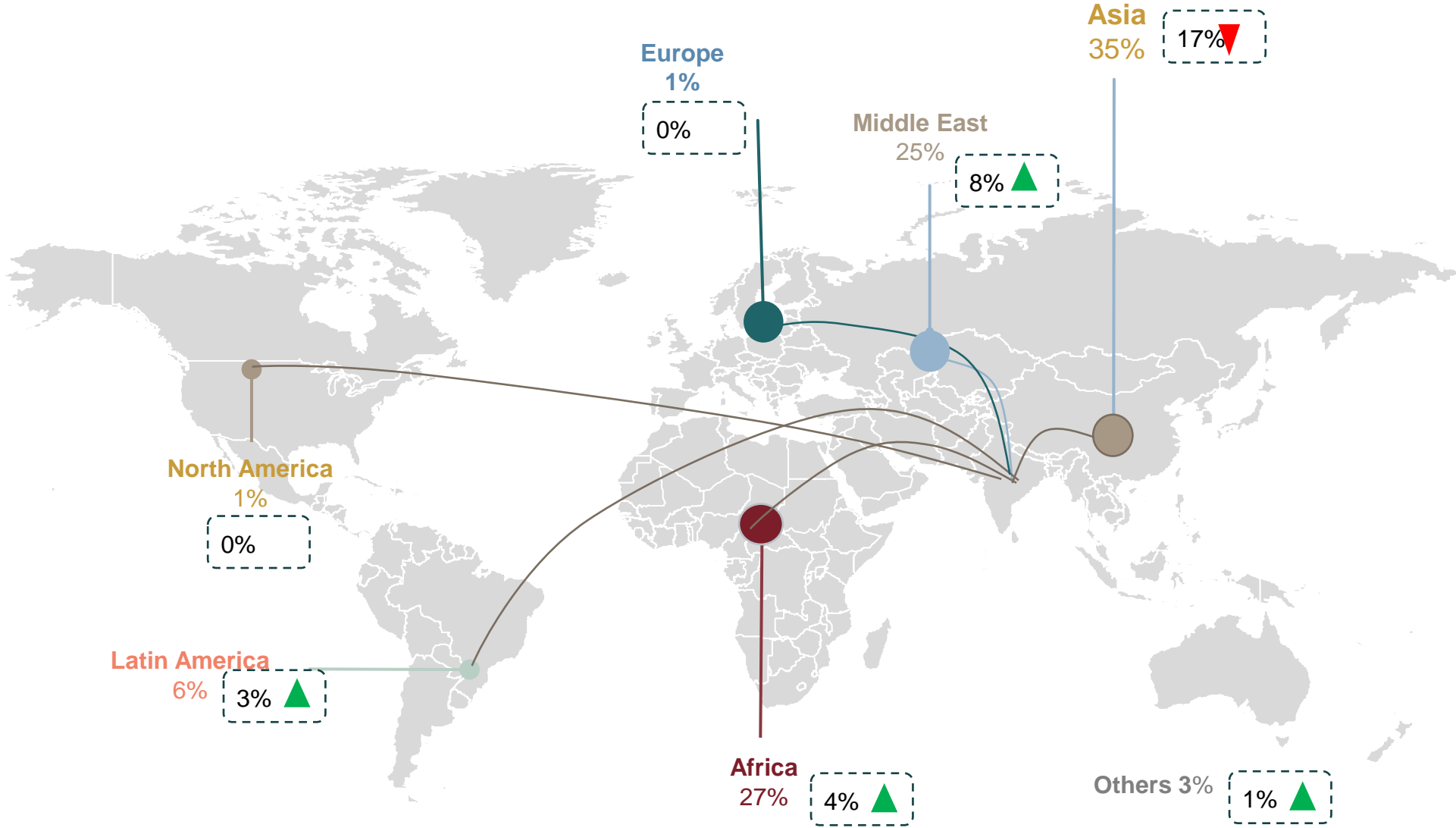


Share of leading players declines



© 2022 CRISIL Ltd. All rights reserved.

# Commercial vehicles exports

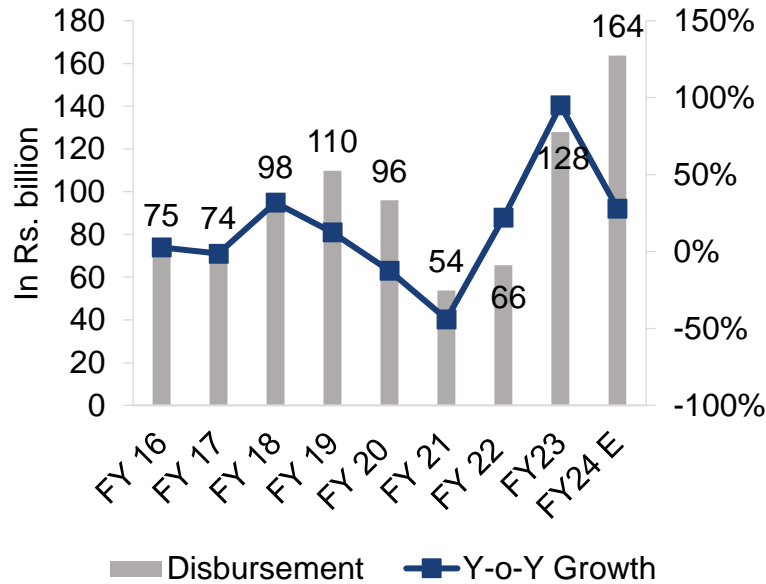


- Neighboring countries Bangladesh and Nepal continue to dominate Indian exports contributing 21% in fiscal 2023.
- Saudi Arabia has taken the lead during the year.
- South Africa contributes to 10% of India's exports while Saudi Arabia contributes 20% to exports.
- Apr-Jan data is considered

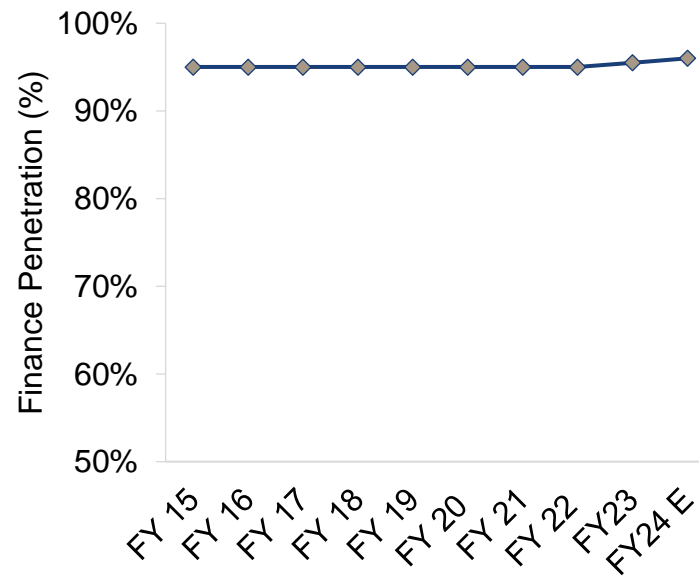
# Three-wheelers

# Improvement in financing scenario

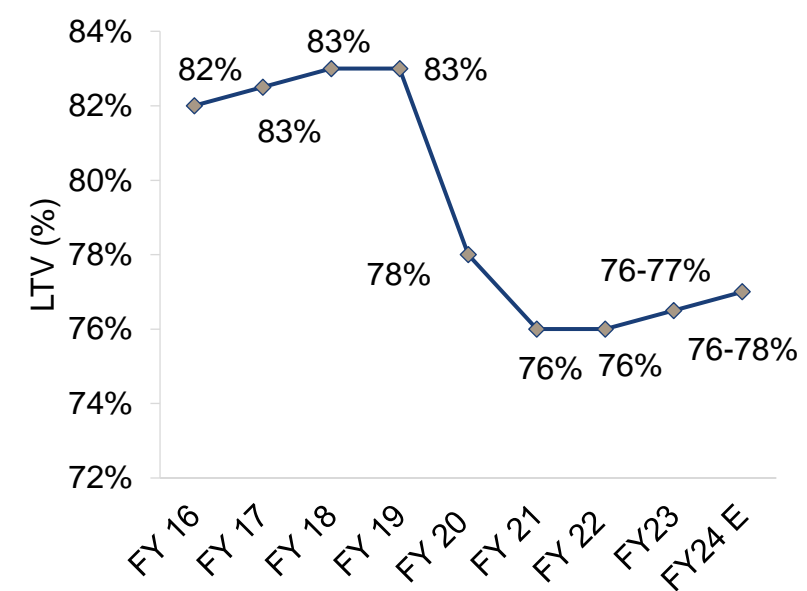
## Disbursements to improve further



## Finance penetration



## Recovery in LTV levels

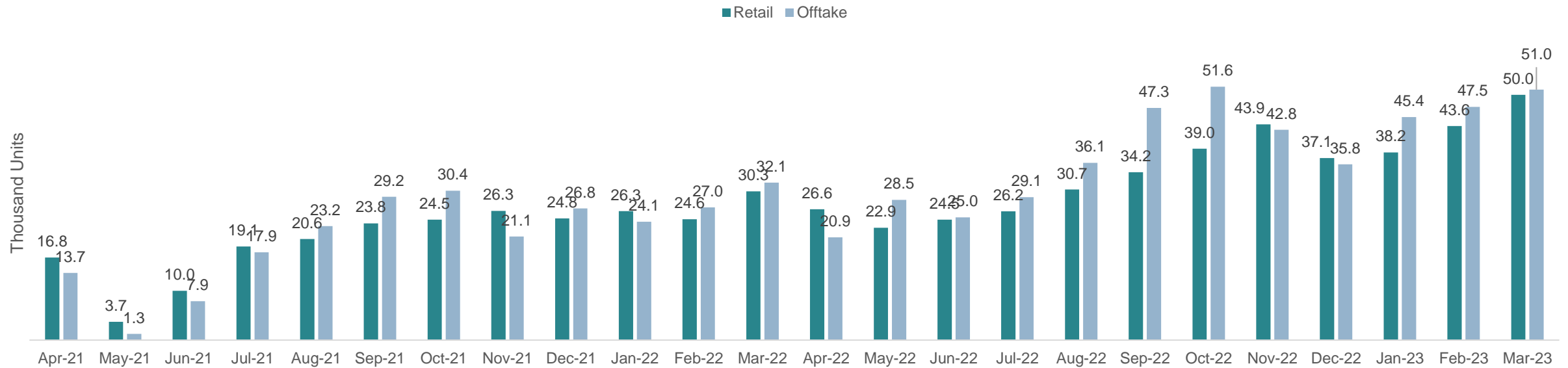


- From the bottom reached during the pandemic, sales and in turn disbursements are on the rising momentum
- Fiscal 2023 saw a significant improvement, with sales rising 88% on year
- Going ahead, disbursement growth is expected to continue in fiscal 2024, albeit at a slower pace
- Price rise for BSVI phase 2 over and above the annual price rise will support the disbursement growth during the year
- Financers are expected to be accommodative in fiscal 2024 backing the improvement in LTV and in turn, the penetration



# Gradual rise in offtake as well as retail in Q4

## Faster growth in offtakes



Note: Data does not include E rickshaw & E cart numbers

Source: SIAM, Vahan, CRISIL MI&A

- Festive retail was relatively healthy with m-o-m improvement, Industry continued to do inventory built up during October
- Some inventory correction was done during November, After the festive increase, there was some contraction in retail during the year end in December
- From the December low, retail as well as offtake witnessed gradual improvement and offtake numbers reached festive level during March

# Domestic – Annual forecast

Sales	Units	Passenger	Goods	Total	EV penetration
FY21	'000	133	84	217	1%
<i>y-o-y growth</i>	%	-75%	-24%	-66%	
FY22	'000	178	83	260	4%
<i>y-o-y growth</i>	%	34%	-1%	20%	
FY23	'000	376	113	489	6%
<i>y-o-y growth</i>	%	112%	37%	88%	
FY24E	'000	455-465	130-135	590-600	12-15%
<i>y-o-y growth</i>	%	21-23%	16-18%	20-22%	

Note: Includes EV 3W/ E Auto, does not include E Rickshaw; VAHAN retail data has been used for E Auto numbers

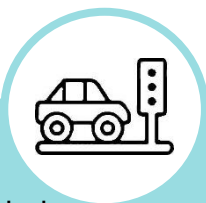
Source – SIAM, CRISIL MI&A

# Domestic – Quarterly forecast

Fiscal	Quarter	Passenger		Goods		Total	
		Sales ( '000)	y-o-y growth	Sales ( '000)	y-o-y growth	Sales ( '000)	y-o-y growth
FY22	Q1	16	121%	9	54%	25	90%
	Q2	46	73%	25	26%	71	53%
	Q3	62	8%	24	10%	86	9%
	Q4	60	7%	25	-15%	85	0%
FY23	Q1	53	241%	24	168%	77	214%
	Q2	94	105%	25	-2%	119	67%
	Q3	108	75%	31	28%	139	62%
	Q4 E	121	102%	33	31%	154	81%
FY 24 E	Q1 P	65	23%	28	16%	93	20%
	Q2 P	114	21%	29	16%	143	20%
	Q3 P	132	23%	36	18%	169	21%
	Q4 P	148	23%	40	19%	188	22%

- Three-wheeler industry has witnessed robust growth in fiscal 2023 from a low base of previous years. H2 saw much better sales.
- Passenger segment performed better as compared to the goods segment as urban movement in terms of schools, colleges, business and recreational outings has increased substantially during the year
- On this increased base, some deceleration is expected during fiscal 2024. Passenger segment is expected to outpace the goods segment
- EV segment is estimated to expand its presence and contribute 12-15% in fiscal 2024

## OEMs



- Growth in passenger segment to back industry growth from a low base of previous years.
- Urban movement has been growing on account of normalcy. Businesses have also witnessed good growth which has led to an uptick in employment.
- ICE sales are expected to be impacted on the back of competition from electric vehicles. Increased cost of ownership for ICE vehicles is making customers consider EV's as an option.
- On a high base of fiscal 2023, some moderation is expected in fiscal 2024
- Goods segment is facing competition from the SCV segment, EV a threat for passenger segment
- Supply of E autos improved gradually and expected to improve further
- Prices rose by 1-2% during April for compliance with BSVI phase 2 norms
- Financers support will help improve retail momentum on-ground

## Dealers



- Festive demand was healthy during Q3, some moderation in December for year change
- Normal 15-20 day inventory with dealers
- Q4 was better than Q3 due to financial year ending, and BS-VI phase 2 norms which is implemented from 1<sup>st</sup> April 2023.
- Prebuying helped retails in Q4
- However unseasonal rainfall and hailstorms in certain regions impacted rural market.
- Q1 2024 expected to remain muted however demand will uptick from Q2
- CNG prices has come down as per new guidelines of government and demand for CNG vehicles has increased especially in the Passenger segment.
- EVs seeing increasing traction, supply has improved
- For OBD phase 2 implementation price of vehicle increased by Rs 3-5k
- Further improvement in sales is expected for fiscal 2024, ICE growth to be impacted by EV sales

## Financier

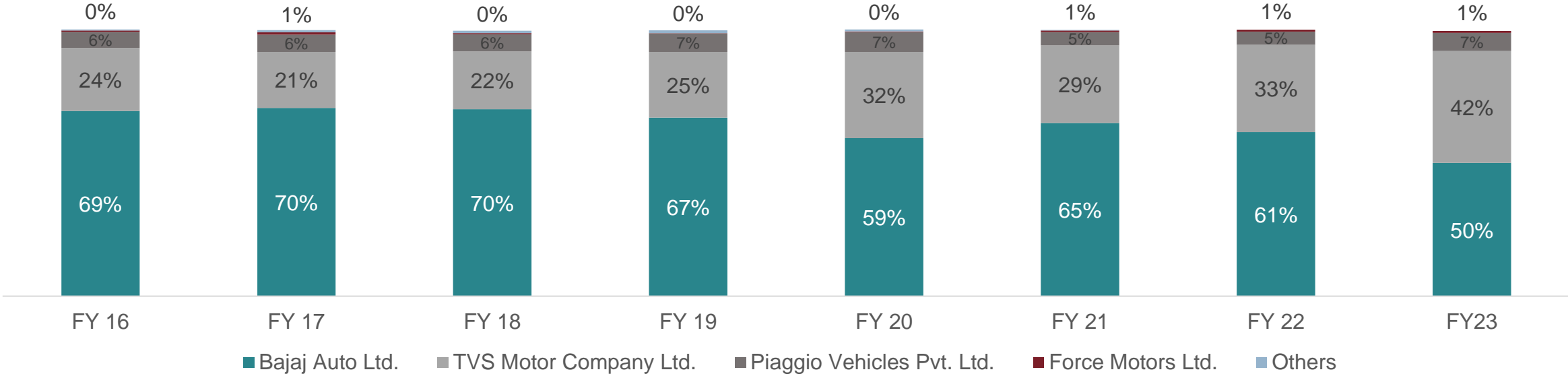


- Financers are accommodative with positive sentiments in the market
- Some leading financers are providing higher funding.
- LTV expected to be in the range of 95-100% which has increased in the near term.
- Repo rate has increased which has impacted the rate of interest.
- NBFC contributes 90% of total 3-wheeler finance.
- Stance of the financers to remain accommodative

# Three-wheeler exports

# Exports contracted from the high base during fiscal 2023

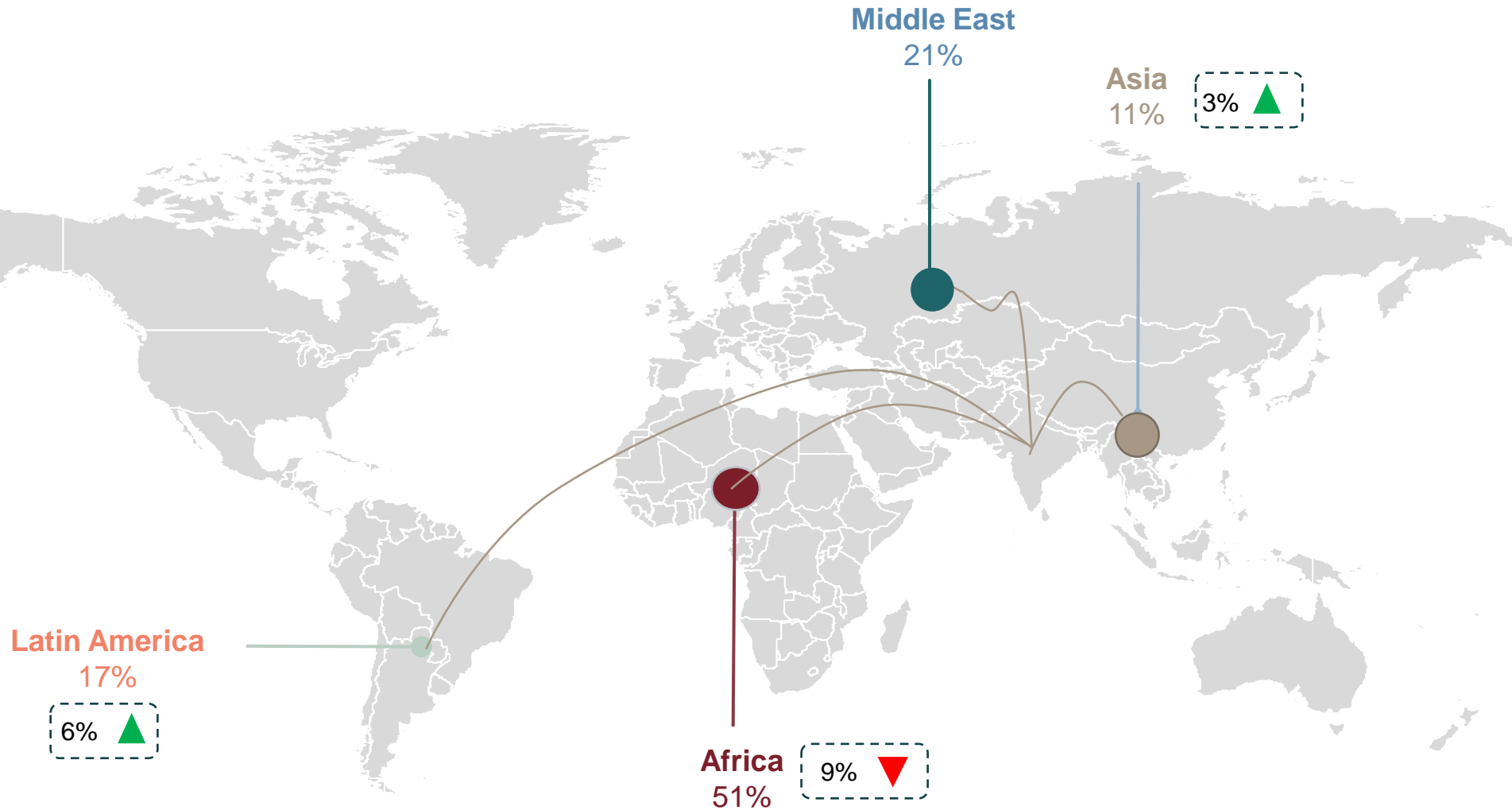
**TVS gained further ground**



Source: SIAM, CRISIL MI&A

- FY22 witnessed sharp improvement in exports, exports grew 27% y-o-y , with smaller cargo segment registering a sharp growth of 82% y-o-y.
- On this high base, exports contracted 27% during fiscal 2023
- The larger passenger segment contracted 26% and cargo segment dropped 56%
- Bajaj maintained its lead in the market, but lost some ground to TVS

# Three-wheeler exports



- Amidst the sluggish global macroeconomic environment, 3W exports contracted in fiscal 2023
- Steeper fall was witnessed in African demand while Asia & LATAM countries witnessed y-o-y growth, thus restricting the contraction in overall exports
- In turn, the share of Africa dropped and gained by Asian and LATAM countries.

# Tractors



# Tractor demand is expected to remain rangebound in fiscal 2024

Parameters	Impact		
	FY 22	FY23	FY24P
<b>Farm Income**</b>	Neutral	Favorable	Neutral
-- Crop Prices	Favorable	Favorable	Neutral
-- Crop Output	Favorable	Favorable	Neutral
-- Kharif Output	Neutral	Favorable	Neutral
-- Rabi Output	Favorable	Neutral	Neutral
<b>Demand Indicators</b>	Neutral	Neutral	Neutral
-- Infrastructure Development	Neutral	Favorable	Favorable
-- Sand Mining	Neutral	Neutral	Neutral
<b>Supply side variables &amp; financing</b>	Favorable	Favorable	Favorable
-- Finance Availability	Neutral	Neutral	Favorable
-- Channel Inventory	Not Favorable	Not Favorable	Neutral
-- Player Action	Not Favorable	Favorable	Neutral

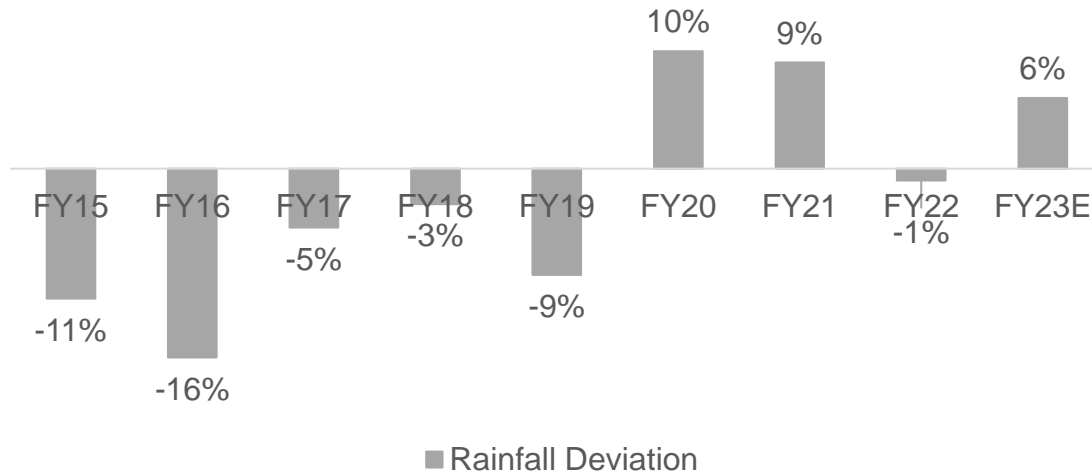


NOTE : \*\* FY24 assumed neutral assuming normal monsoon,

Source: CRISIL MI&A

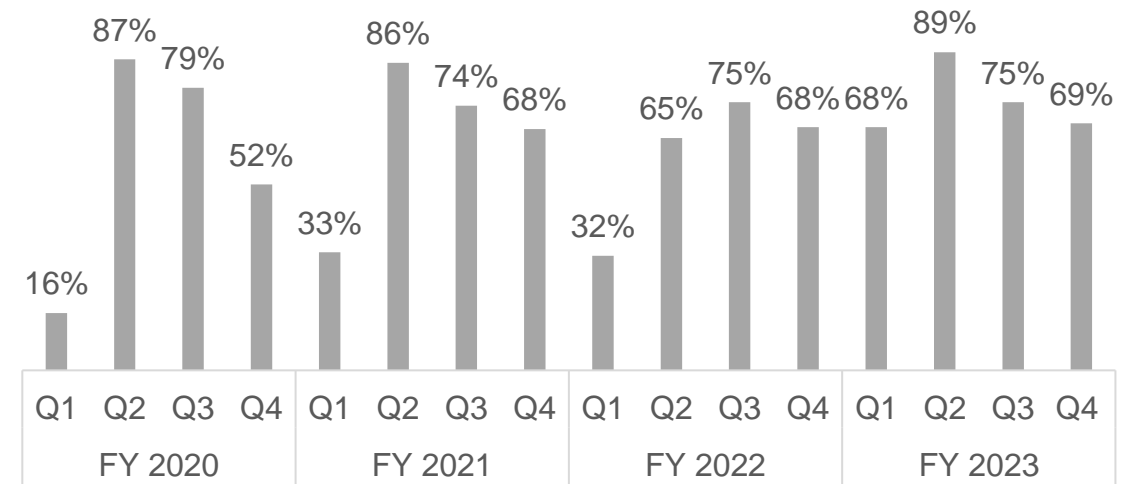
# Untimely rains and hailstorms have caused delay in harvesting, some crop damage is expected

## Southwest Monsoon deviation was above normal



NOTE: Rainfall deficiency in the range of -4% to 4% of the long period average is considered as normal as per IMD. P: Projected  
Source : IMD, CRISIL MI&A

## Reservoir Levels are higher



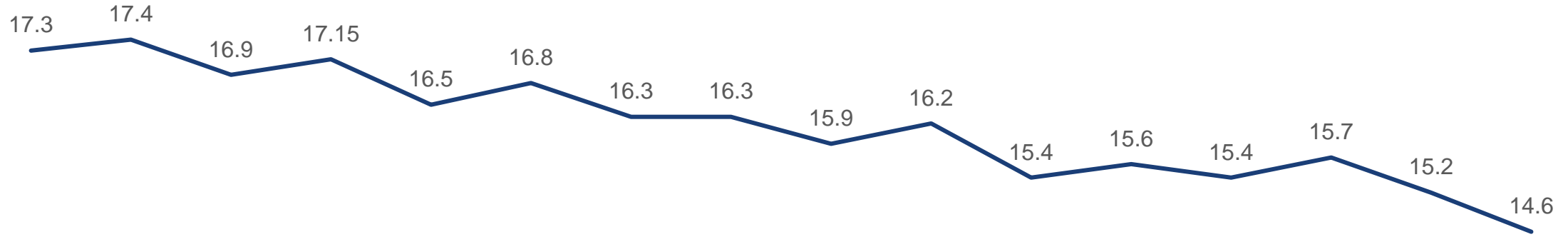
Notes: Storage Status of 143 Reservoirs of the Country

- Healthy reservoir levels, above normal monsoon and announcement of higher MSP for crops contributed towards positive farmer sentiments thereby pushing retail momentum in Q3 and Q4.
- However, untimely rains, hailstorm and strong winds have impacted wheat crop across states, triggering fears of huge yield loss for farmers and harvesting challenges.
- Rains have come at a time when the crop was almost ready for harvesting. In some states, the government procurement at minimum support price has begun.

# Tractor financing remains favourable

## Interest Rates trend

In %



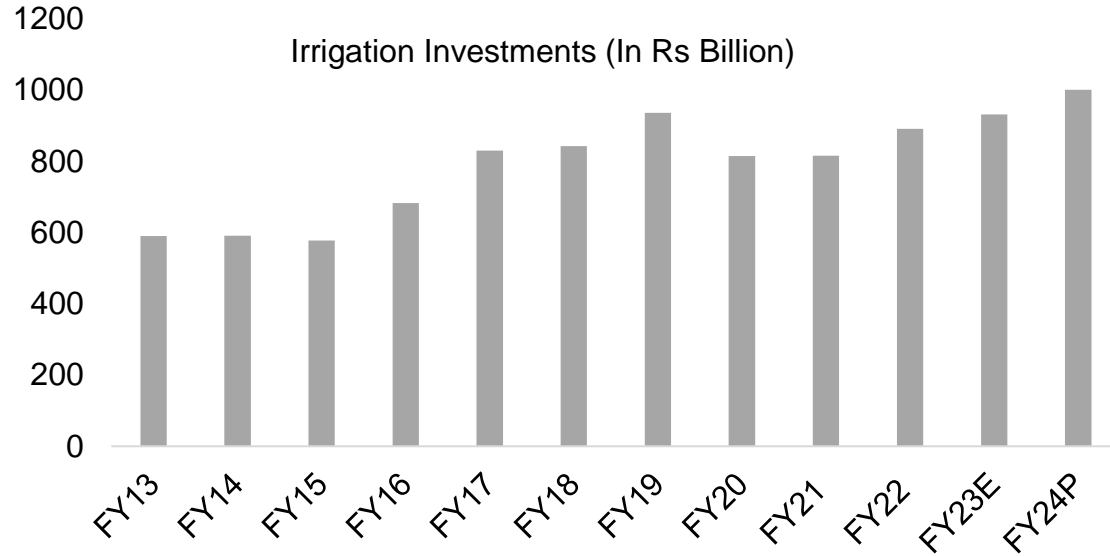
Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
FY 20				FY 21				FY 22				FY 23			

Source: CRISIL MI&A

- Credit availability and affordable rates of finance, increasing budgetary allocation towards the rural sector, and government support for farm mechanization encourage growth.
- The Minimum support price for wheat is good, which means the farm cash flows are expected to be better.
- We expect LTVs to increase marginally in fiscal 2024.
- The entry of private financiers over the past few years has also increased finance availability.

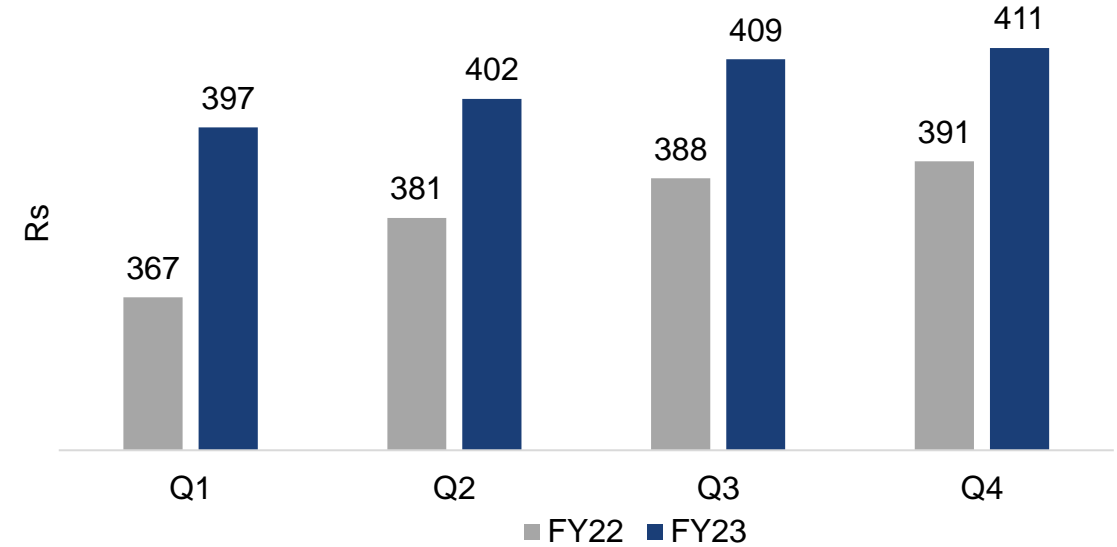
# Irrigation intensity is expected to continue to improve over the medium term, supporting tractor sales.

## Irrigation spending is expected to increase



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

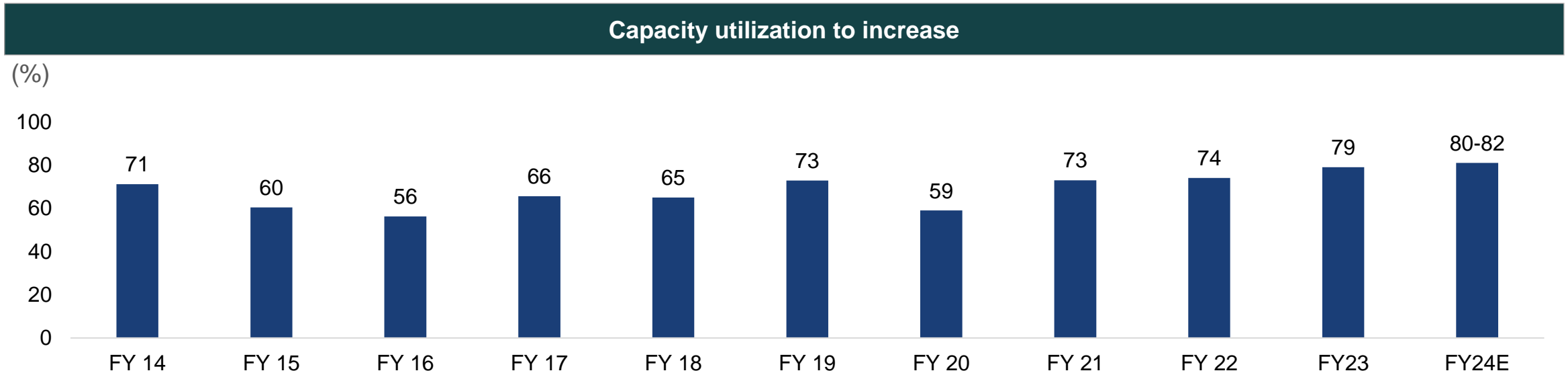
## Daily Rural Wage increased in Q3 and Q4 FY23



Rural wages includes general non-agricultural labour.  
Source: RBI, CRISIL MI&A

- Irrigation investments have risen considerably in past 10 years, resulting in a consistent increase in irrigation intensity. This, in turn, heightened cropping intensity and has led to higher and stable farm incomes over the period.
- Irrigation intensity is the highest in Punjab and Haryana, which have the highest tractor penetration in India.
- As irrigation facilities improve in the rest of India, tractor penetration will see corresponding increase.
- The government has announced hike in wage rates under the rural job guarantee programme for with Haryana having the highest daily wage at Rs 357 per day and Madhya Pradesh and Chhattisgarh the lowest at Rs 221.

# Capacity utilization is expected to increase at slower pace in FY24.

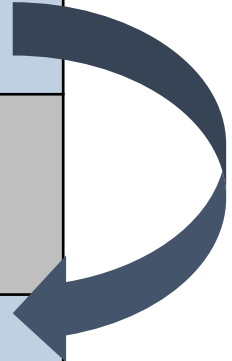


E: Estimated  
Source: CRISIL MI&A

- In fiscal 2024, with expected increase in volumes, we expect the capacity utilization to rise further albeit at a slower pace due to capacity addition by Mahindra.
- ITL, manufacturing both higher and lower horsepower tractors, is continuing to expand its overseas footprint by launching tractors in the 90-120 hp range for developed markets.
- By the end of 2023, CNH wants to take it up to 75,000 units, before scaling it to 1 lakh units per annum, given the fact that India will serve both the domestic market as well as exports.

# TREM IV norms have come into effect from 1st January'23

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 January 2023	5	4.7	0.025



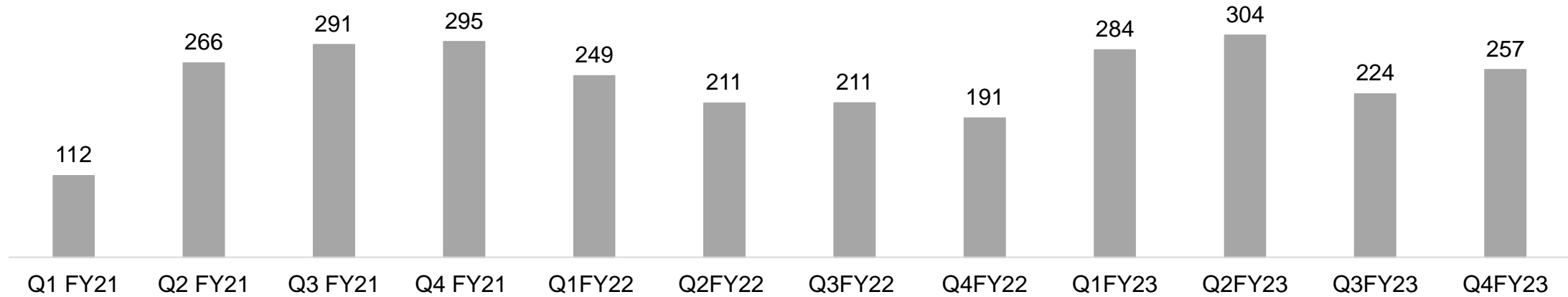
Source: Industry, CRISIL MI&A

- TREM IV norms applicable only on 50HP and above tractor segment forming ~10% of domestic sales, thus we expect limited impact on tractor industry.
- Although major technological changes are available with OEMs, the pass through of the incremental cost, related to the technological changes, to the farmers is likely to be a challenge
- Cost escalations to the tune of 10-12% is expected
- Currently TREM III are primarily being sold in the market and retails of the same are expected to continue till June

# Production levels are 35% higher on-year in Q4

## Production Levels

In thousand



Source: CRISIL MI&A

- Several OEMs have ramped up their production in Q2. Production levels were slightly lower in Q3 due to lean months.
- Production levels improved in Q4, 15% sequentially and 35% y-o-y basis
- On an annual level production levels rose 24% y-o-y

# Domestic – Annual & Quarterly forecast

	Units	Sales
<b>FY22</b>	Millions	0.84
<i>y-o-y growth</i>	%	(6)%
<b>FY23</b>	Millions	0.94
<i>y-o-y growth</i>	%	12%
<b>FY24P</b>	Millions	0.93-0.95
<i>y-o-y growth</i>	%	0-4%

Fiscal	Quarter	Tractors	
		Sales ( '000)	y-o-y growth
FY22	Q2	211	-11%
	Q3	223	-13%
	Q4	117	-25%
FY23	Q1	266	16%
	Q2	222	4.8%
	Q3	247	11%
	Q4	211	19%
FY24 P	Q1 P	250-255	(3)-(5)%
	Q2 P	217-222	(0)-(2)%
	Q3 P	263-268	6-8%
	Q4 P	206-211	1-3%

Source – TMA, CRISIL MI&A

Note: Forecasts for FY24 have been given assuming normal monsoon

- Domestic tractor demand has clocked 12% on-year growth in FY23 after declining by 6.2% on-year in FY22.
- Good crop prices at the beginning of the fiscal, healthy reservoir levels due to a above normal monsoon season and higher MSP announcement has all led to positive farmer sentiments.
- In FY24, on basis of normal monsoon assumption we expect the tractor sales to grow by 0-4% on-year due to higher commercial and replacement demand.
- Farmer profitability is expected to rise by 3-5% on-year further contributing towards healthy tractor sales in the fiscal.



## OEMs



- Healthy crop prices, healthy reservoir levels due to a above normal monsoon season, higher MSP announcement and rabi acreage, has all led to positive farmer sentiments.
- Healthy festive demand due to various schemes and discounts supported retail growth momentum.
- However, there has been some unseasonal rains which might affect the yield of rabi crops.
- Overall sentiments are moderate in most of the states.
- Commercial demand is muted from sand mining due to restrictions and from brick kilns due to their increased cost of operations owing to NGT regulations to prevent pollution.
- Demand from haulage and construction activities are however unaffected.

## Dealers



- The crops are affected by unseasonal rainfall. Northern states have been affected more.
- Delayed sowing of Mustard led to delayed Harvesting thus leading to damage to standing crop.
- Wheat arrivals are expected in Mandis by end of April. Current Wheat prices are high, and it is expected to further go up as the stocks at central level is lower compared to last year.
- Major momentum is expected when more crop money comes in the market next month onwards.
- There is not much of a change in discount pattern, tractor prices which were increased last year are indirectly going back to the customers in the form of Cash Discounts, Consumer Offerings, and Exchange.

## Financier

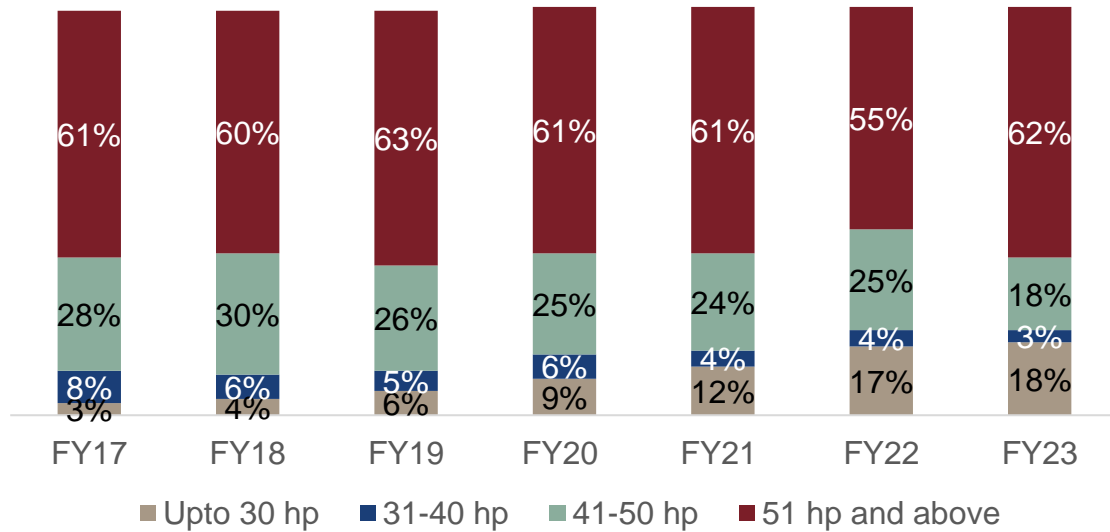


- Financing is robust with lucrative terms of credit offered during festive continues
- Disbursements to increase at a moderate pace in FY24.
- Non-performing assets are higher in public banks as compared with private banks and NBFCs.
- LTVs are estimated to have grown from 75.5% in to 76% in fiscal 2023.
- Financing situation in certain states are worrisome with rising NPA levels and is a key monitorable in the coming months as funding levels could be significantly impacted

# Tractor exports

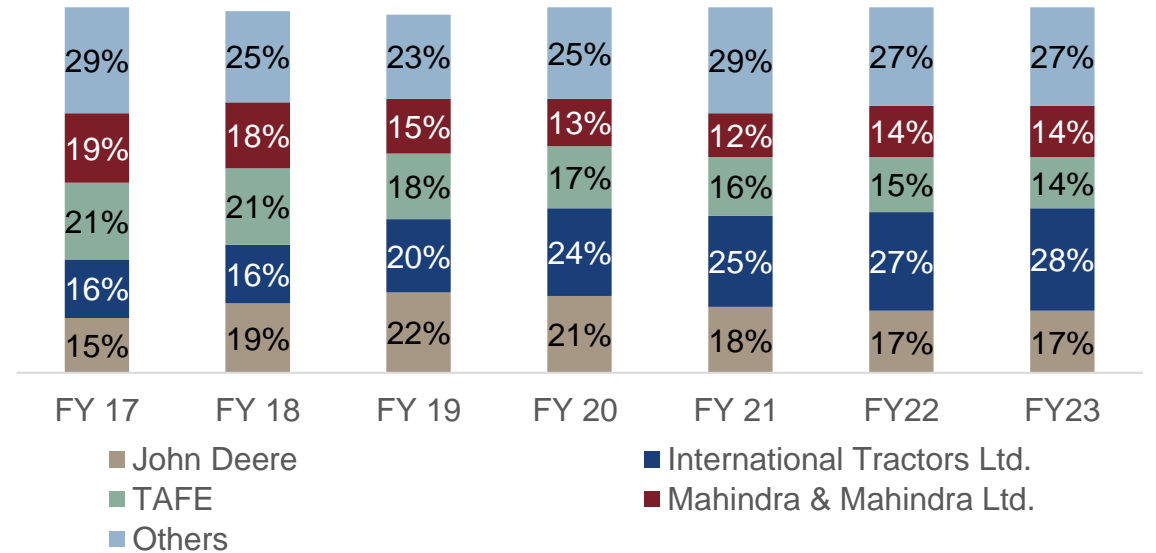
# Exports expected to rise moderately in fiscal 2024

Segment wise market share of exports



Source: CRISIL MI&A

Player wise market share of exports

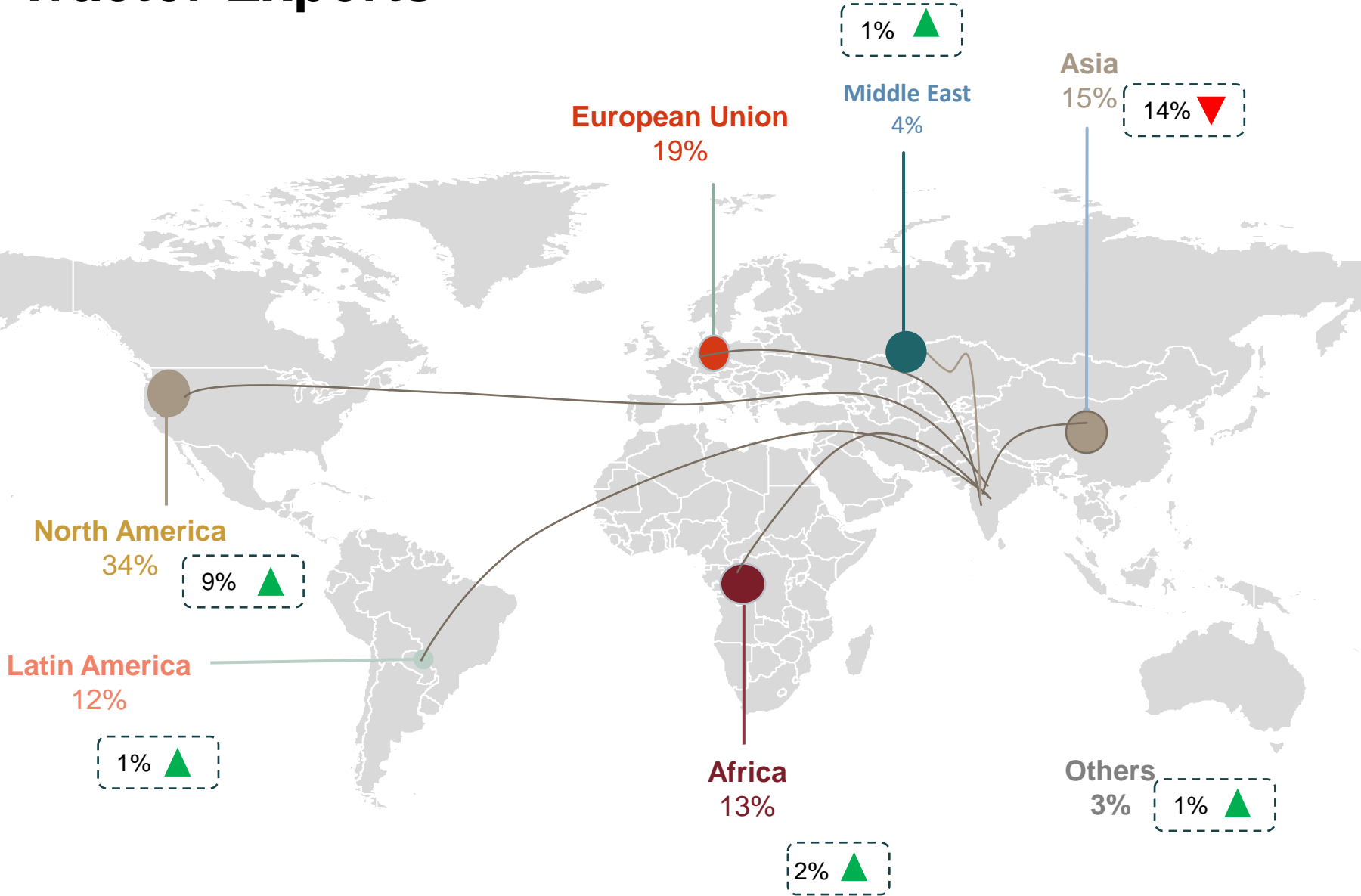


Source: CRISIL MI&A

- Share of exports in the overall Indian tractor market is around 13% in FY23
- Demand for Indian tractors has been slower in various Asian and European countries due to the political disruptions and energy crisis in these regions.
- In fiscal 2024, we expect slower growth of 0-2% on-year in exports primarily anticipating slowdown in the developed economies amid the volatile geopolitical scenario and rising interest rates.
- More than 51 hp tractors accounted for about 55% share in India's tractor export basket for FY22, the share has risen to 62% in FY23.
- Rising demand for Indian tractors from the US, Europe, Mexico and from the neighboring Asian countries has fueled demand for higher hp tractors.
- John Deere is the leading player for exports in this segment followed by International tractors limited (ITL).

© 2022 CRISIL Ltd. All rights reserved.

# Tractor Exports



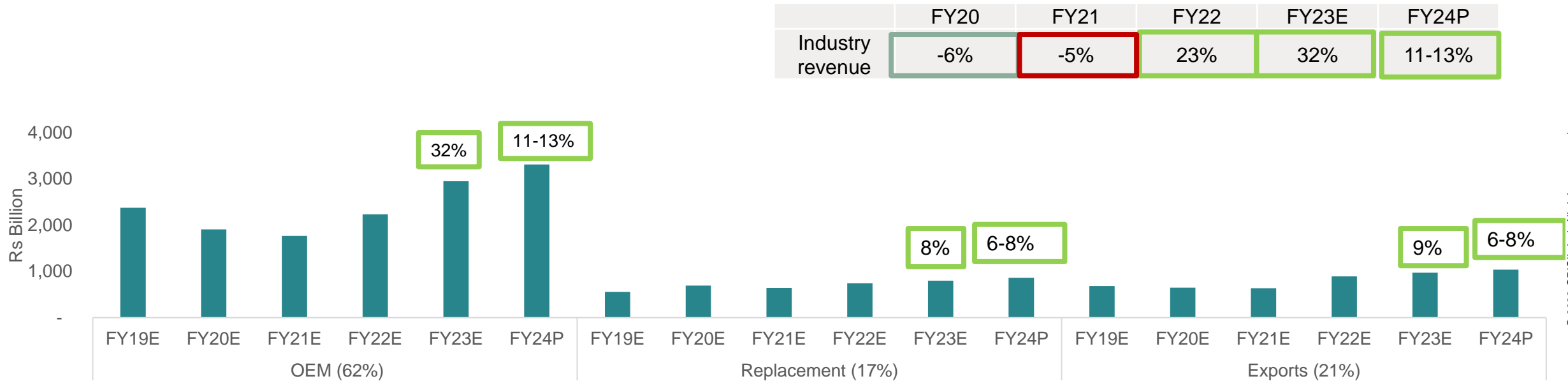
- The USA, Europe & Asia are likely to remain the focal regions for long-term exports.
- Strategic push, such as setting up base in foreign countries, by players to cater to the global demand would aid export sales.
- Rising demand for Indian tractors from the US, Europe, Mexico and from the neighbouring Asian countries has fuelled demand for higher hp tractors.
- Indian tractors are currently implementing Bharat (TREM) Stage III A norms (India follows the European standard of emission norms), but have made manufacturing provisions for advanced emission norms, mainly to cater to international markets.

# Auto Components

© 2022 CRISIL Ltd. All rights reserved.

# Some deceleration in growth in fiscal 2024 from a high base of fiscal 2023

Healthy demand growth across segments boost OEM demand in fiscal 2023



Note: Coloured brackets represent y-o-y growth; Numbers in the bracket in the axis represent share in production for fiscal 2023

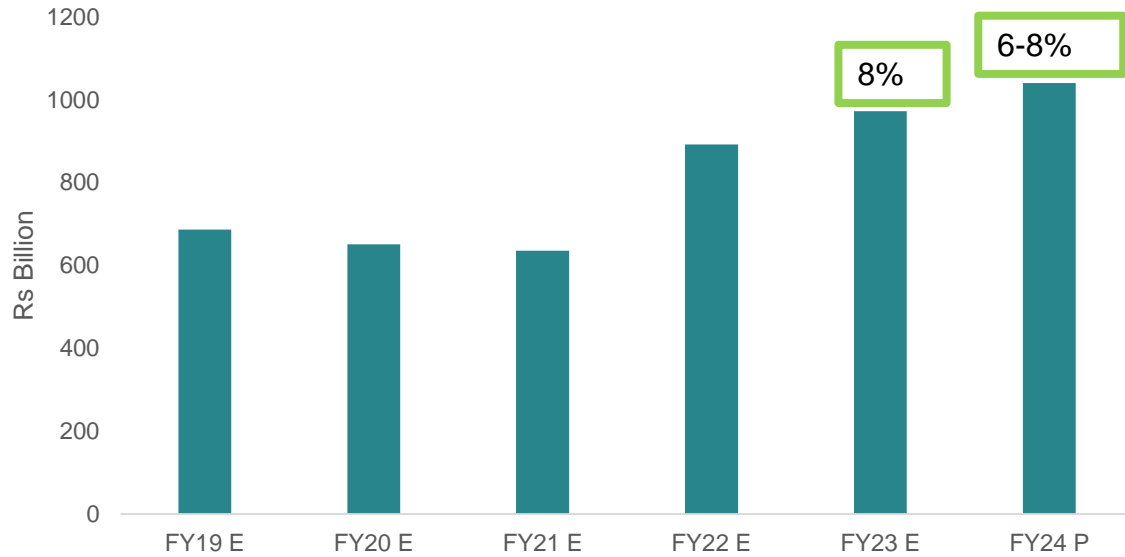
Source: CRISIL MI&A

- In fiscal 2023, the OEM segment (62% of revenues) witnessed robust growth; PV and CV segments provided the thrust in fiscal 2023. On a lower base, two-wheeler and three-wheeler segments also improved and supported the component industry growth
- Exports (21% of revenues) are projected to increase by 6-8% in fiscal 2024, over the 8% growth clocked in fiscal 2023
- Replacement demand (17% of revenues) is also expected to grow by 6-8% in fiscal 2024, driven by higher vehicle movement and the high sales witnessed in FY18-19
- Industry witnessed healthy growth in fiscal 2023 across segments. On this high base, demand growth rates are expected to moderate in fiscal 2024, decelerating the growth of components segment as well

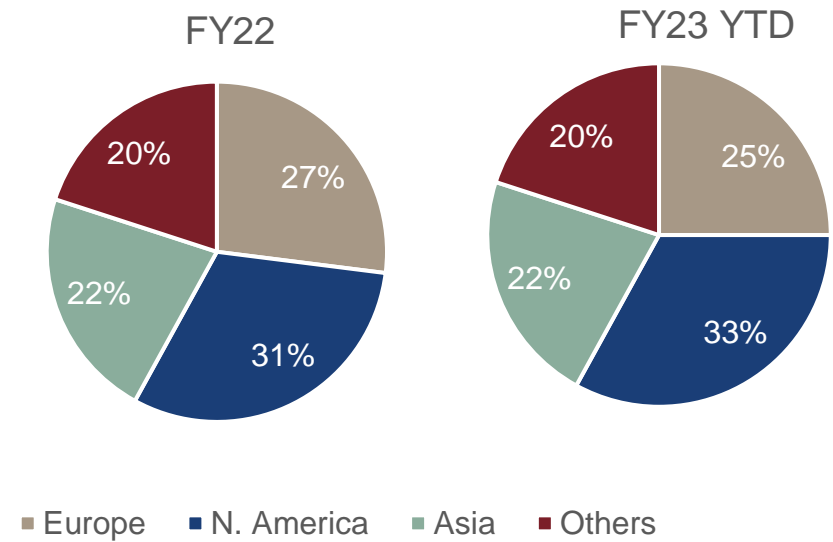
© 2022 CRISIL Ltd. All rights reserved.

# Improvement in global economic scenario to back growth in fiscal 2024

## Export demand expected to grow further in FY 24



## Developed nations support exports



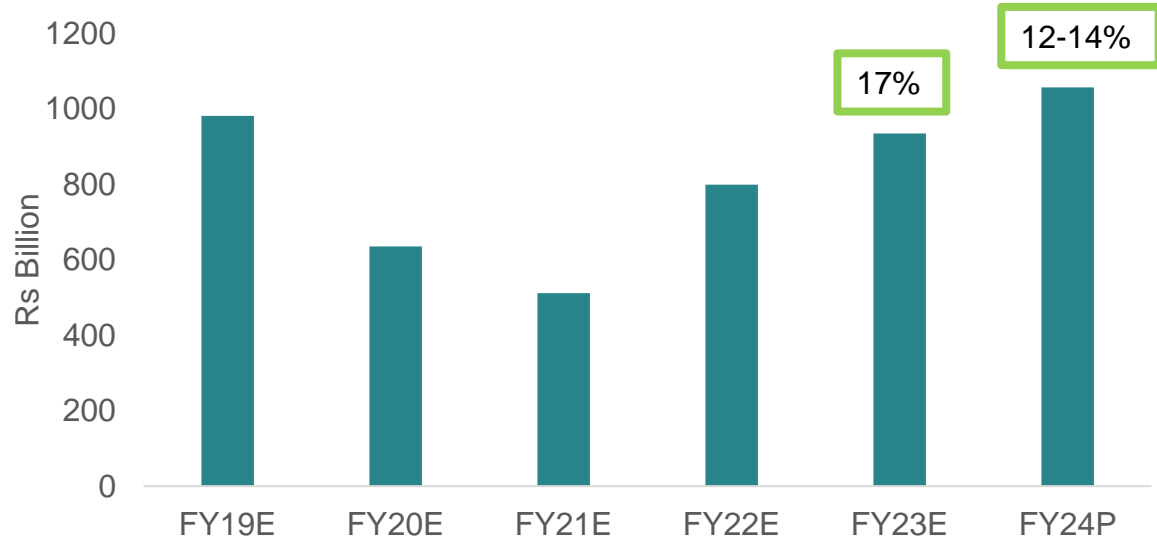
Note: Brackets represent y-o-y growth;  
Source: CRISIL MI&A

Source: DGFT, CRISIL MI&A

- Auto component exports (accounting for 21% of the overall demand in fiscal 2023) are projected to witness 6-8% growth over the healthy 8% growth witnessed in fiscal 2023
- Export revenues are also expected to be supported by the global demand and China +1 strategy.
- The growth would be on the back of healthy demand from North America and Europe
- Projections have been increased with improvement in global economic forecast for CY2023
- The volatile global political situation remains a key monitorable

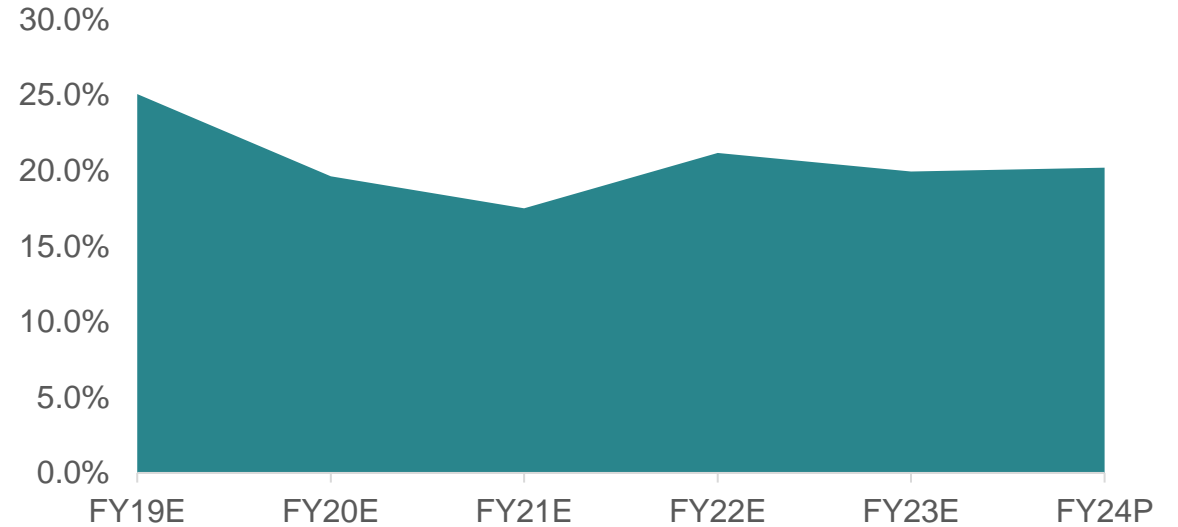
# Continued traction to back higher import demand in fiscal 2024

## Import demand to grow further, at a reduced pace



Source – DGFT, CRISIL MI&A

## However, the share in consumption to remain subdued



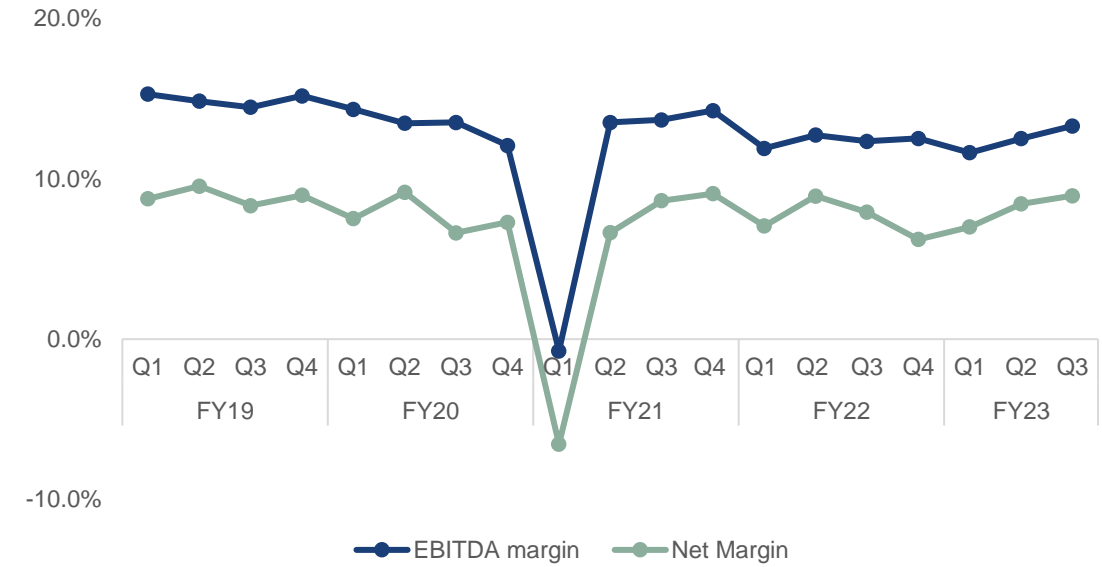
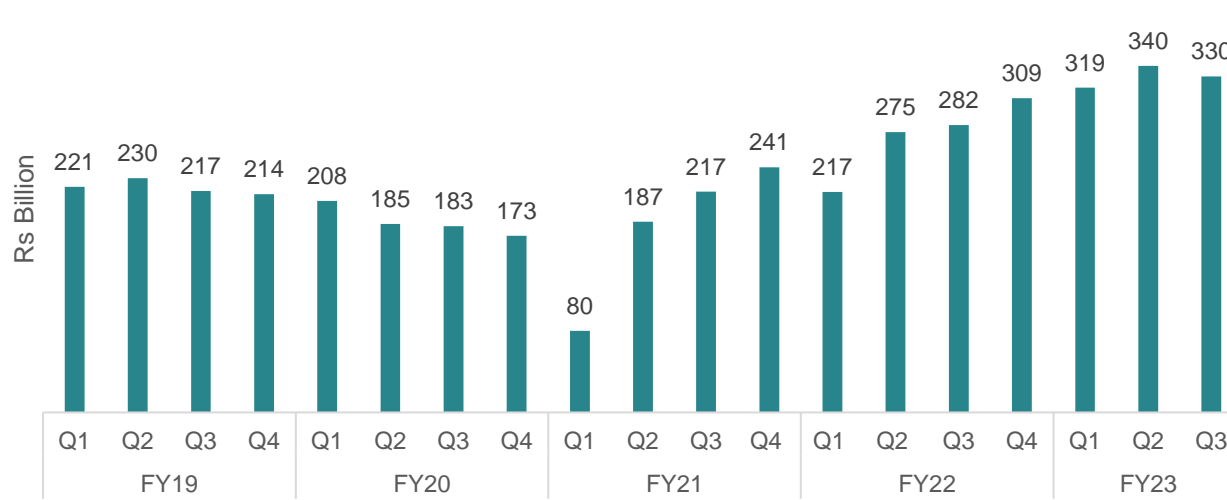
Source: DGFT, CRISIL MI&A

- Auto component imports improved in fiscal 2023 with improving domestic vehicle production.
- Going ahead, import demand is likely to grow led by continued growth in domestic market
- In fiscal 2023, imports increased by 17% amidst the increased need of components for higher domestic demand with consumption increasing at 24%
- In fiscal 2024, consumption growth pace is estimated to taper down, some moderation is expected in import demand growth as well



# Margins improved in fiscal 2023, led by increased offtake, correction in raw material prices; improvement to continue in fiscal 2024

## Company financials



Note: Based on the aggregated financials of 57 auto component players

Source: Company financials, CRISIL MI&A

- Gradual increase in aggregate revenue of players in the last 3 quarters backed by increased demand, some moderation in Q3 from a high base
- In fiscal 2023, operating margins of auto component manufacturers improved by ~70-100 bps due to operating leverage as well as correction in input costs.
- The basic raw material index (BRMI), which reflects ~27% of raw material costs of the industry is estimated to have decreased in fiscal 2023.
- Improvement in profitability is expected to continue in fiscal 2024

© 2022 CRISIL Ltd. All rights reserved.

# Thank You

**About CRISIL Market Intelligence & Analytics**

CRISIL Market Intelligence & Analytics, a division of CRISIL, provides independent research, consulting, risk solutions, and data & analytics. Our informed insights and opinions on the economy, industry, capital markets and companies drive impactful decisions for clients across diverse sectors and geographies.

Our strong benchmarking capabilities, granular grasp of sectors, proprietary analytical frameworks and risk management solutions backed by deep understanding of technology integration, make us the partner of choice for public & private organisations, multi-lateral agencies, investors and governments for over three decades.

**About CRISIL Limited**

CRISIL is a leading, agile and innovative global analytics company driven by its mission of making markets function better.

It is India's foremost provider of ratings, data, research, analytics and solutions with a strong track record of growth, culture of innovation, and global footprint.

It has delivered independent opinions, actionable insights, and efficient solutions to over 100,000 customers through businesses that operate from India, the US, the UK, Argentina, Poland, China, Hong Kong, UAE and Singapore.

It is majority owned by S&P Global Inc, a leading provider of transparent and independent ratings, benchmarks, analytics and data to the capital and commodity markets worldwide.

For more information, visit [www.crisil.com](http://www.crisil.com)

Connect with us: [LINKEDIN](#) | [TWITTER](#) | [YOUTUBE](#) | [FACEBOOK](#) | [INSTAGRAM](#)

**CRISIL Privacy Notice**

CRISIL respects your privacy. We may use your personal information, such as your name, location, contact number and email id to fulfil your request, service your account and to provide you with additional information from CRISIL. For further information on CRISIL's privacy policy please visit [www.crisil.com/privacy](http://www.crisil.com/privacy).

© 2022 CRISIL Ltd. All rights reserved.