Impact of macro-economic environment on the automotive industry

Automotive Component Manufacturers Association of India

January 2024

Market Intelligence & Analytics

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Global scenario

Global economy gained momentum in CY2023 and pace to taper in CY2024

GDP growth forecasts

Annual percentage change

	GDP growth forecast				Change from previous forecast			
	2023	2024	2025	2026	2023	2024	2025	2026
U.S.	2.4	1.5	1.4	1.8	0.1	0.1	0.0	0.1
Eurozone	0.6	0.8	1.5	1.4	0.0	0.0	0.0	(0.1)
Germany	-0.2	0.5	1.5	1.4	0.0	(0.1)	0.1	0.0
France	0.9	0.9	1.5	1.3	0.2	0.1	0.1	(0.1)
Italy	0.7	0.6	1.2	1.3	(0.2)	(0.1)	(0.1)	(0.1)
Spain	2.4	1.8	2.0	2.1	0.3	0.2	(0.2)	0.0
U.K.	0.5	0.4	1.5	1.6	0.2	(0.1)	(0.1)	0.0
Asia-Pacific								
China	5.4	4.6	4.8	4.6	0.6	0.2	(0.2)	0.1
Japan	1.7	0.9	1.0	0.9	(0.1)	(0.1)	0.0	0.0
India*	6.4	6.4	6.9	7.0	0.4	(0.5)	0.0	0.0
Emerging economies								
Mexico	3.3	1.8	2.0	2.1	0.3	0.1	(0.1)	0.0
Brazil	2.9	1.5	1.9	2.0	0.0	0.2	0.2	0.0
South Africa	0.8	1.5	1.6	1.6	0.0	(0.2)	(0.1)	(0.1)
World	**3.3**	**2.8**	**3.2**	**3.3**	**0.2**	**0.0**	**(0.1)**	**0.0**

World GDP is in purchasing power parity terms, based on sample of 33 countries we cover (excluding Russia).
*Fiscal year, beginning April 1 of the reference calendar year. Sources: S&P Global Market Intelligence. S&P Global Ratings.

- S&P Global expects the global economy to expand 3.3% this year, marking a 20 basis points (bps) increase from its previous forecast.
- US GDP growth accelerated to 5.2% in the third quarter
- Several central banks held interest rates steady at their latest policy meetings
  - The US Federal Reserve (Fed), Bank of England, European Central Bank (ECB) and Bank of Japan (BoJ) held interest rates steady at their latest policy meetings.
  - These central banks, excluding BoJ, have raised rates by 400-525 bps in the current cycle to curb high inflation.
- Energy prices fell on-month

India landscape

Improved landscape for FY24, momentum to continue in FY25

Macro Indicators	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25P
GDP growth (%)	7.4	8.0	8.3	6.8	6.5	3.7	(5.8)	9.1	7.2	6.4	6.4
CAD (as a % of GDP)	(1.3)	(1.1)	(0.7)	(1.8)	(2.1)	(0.9)	0.9	(1.2)	(2.0)	(1.8)	-
10-year G-sec yield (%)	7.7	7.5	6.8	7.6	7.5	6.2	6.2	6.8	7.4	7.0	6.8
PFCE growth (%)	6.4	7.9	8.1	6.2	7.1	5.2	(6.0)	7.6	7.5	6.5	6.2
Crude oil ($/barrel/CY)	99.0	52.0	44.0	54.5	71.0	64.0	42.3	70.4	99.8	80-85	75-80
Inflation (CPI)	5.9	4.9	4.5	3.6	3.4	4.8	6.2	5.5	6.8	5.5	4-5

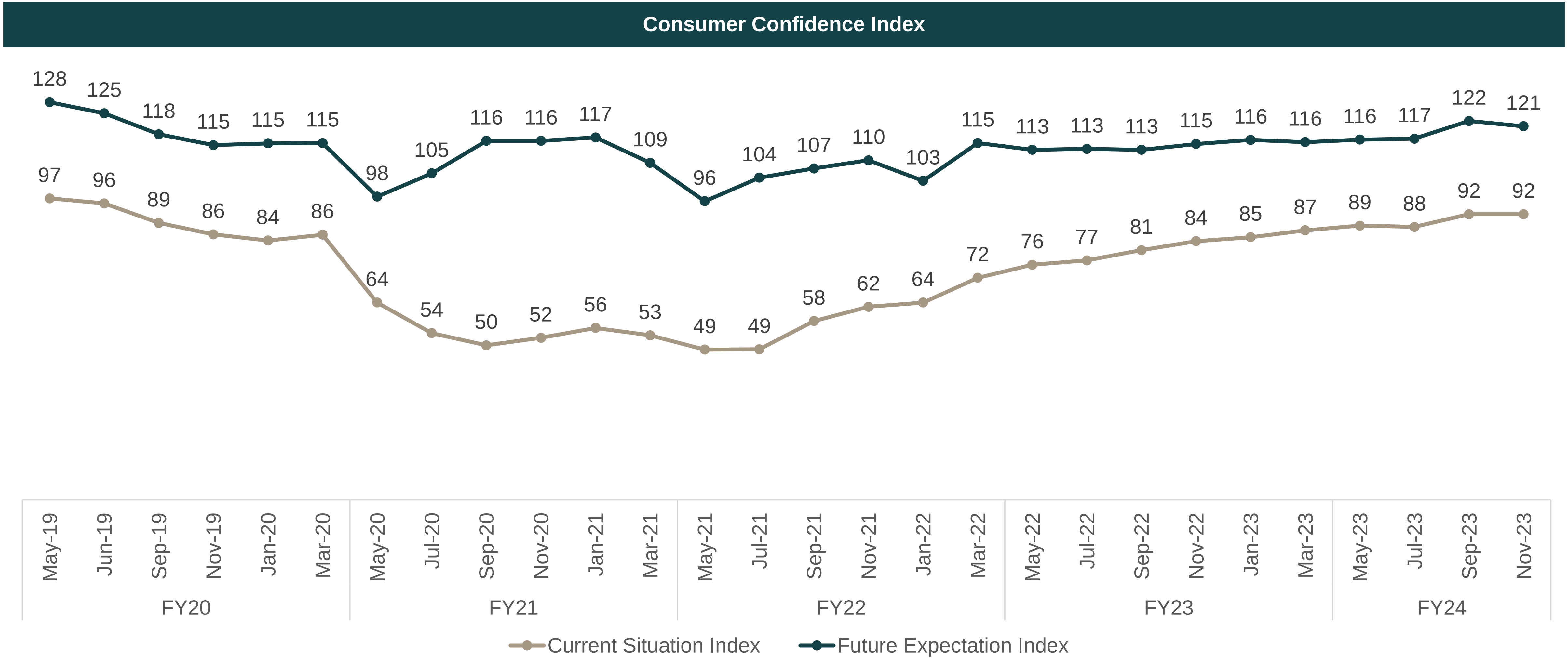
P: Projected; CY: Calendar year; PFCE: Private final consumption expenditure
Note: Crude oil prices are for CY, upward revision possible amid OPEC supply cuts
Source: Central Statistics Office, Reserve Bank of India and CRISIL MI&A estimates

High frequency parameters seeing sequential improvement

Segments	FY23												FY24								
	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Core Sectors																					
Coal	29%	25%	31%	11%	8%	12%	4%	12%	12%	13%	9%	12%	9%	7%	10%	15%	18%	16%	18%	11%	
Crude Oil	-1%	5%	-2%	-4%	-3%	-2%	-2%	-1%	-1%	-1%	-5%	-3%	-4%	-2%	-1%	2%	2%	0%	1%	0%	
Natural Gas	6%	7%	1%	0%	-1%	-2%	-4%	-1%	3%	5%	3%	3%	-3%	0%	4%	9%	10%	7%	10%	8%	
Petroleum Refinery Products	9%	17%	15%	6%	7%	7%	-3%	-9%	4%	5%	3%	2%	-2%	3%	5%	4%	10%	6%	4%	12%	
Fertilizers	9%	23%	8%	6%	12%	12%	5%	6%	7%	18%	22%	10%	24%	10%	3%	3%	2%	4%	5%	3%	
Steel	-1%	15%	3%	6%	2%	7%	4%	11%	9%	6%	7%	9%	12%	9%	22%	14%	11%	10%	11%	9%	
Cement	8%	26%	19%	2%	2%	12%	-4%	29%	9%	5%	7%	-1%	12%	16%	9%	7%	19%	5%	17%	-4%	
Electricity	11%	22%	16%	2%	1%	11%	0%	12%	10%	12%	8%	-2%	-1%	0%	3%	7%	14%	9%	20%	6%	
Auto-offtake																					
Two Wheelers	15%	250%	23%	10%	16%	14%	2%	16%	4%	5%	8%	9%	15%	17%	2%	-7%	1%	1%	20%	31%	16%
Cars+UVs	-4%	185%	19%	11%	21%	91%	29%	31%	8%	17%	11%	4%	13%	14%	2%	3%	9%	2%	16%	4%	4%
Three Wheelers	51%	2162%	184%	73%	65%	73%	69%	102%	34%	102%	85%	59%	101%	70%	112%	83%	70%	47%	41%	33%	34%
Auto-Vaahan																					
2W	56%	238%	34%	2%	23%	20%	76%	31%	-1%	10%	15%	13%	-7%	10%	7%	8%	6%	22%	-13%	20%	26%
Cars+UVs	31%	219%	46%	0%	12%	16%	51%	23%	12%	24%	13%	16%	0%	6%	6%	4%	8%	17%	-2%	19%	2%
Others																					
PMI Manufacturing	54.7	54.6	53.9	56.4	56.2	55.1	55.3	55.7	57.8	55.4	55.3	56.4	57.2	58.7	57.8	57.7	58.6	57.5	55.5	56.0	54.9
IIP Overall	7%	20%	13%	2%	-1%	3%	-4%	8%	5%	6%	6%	2%	5%	6%	4%	6%	10%	6%	12%	2%	

Source: CSO, RBI and CRISIL estimates
Note - (based on MOSPI classification)*

Steady current situation index, some tapering in future expectation index

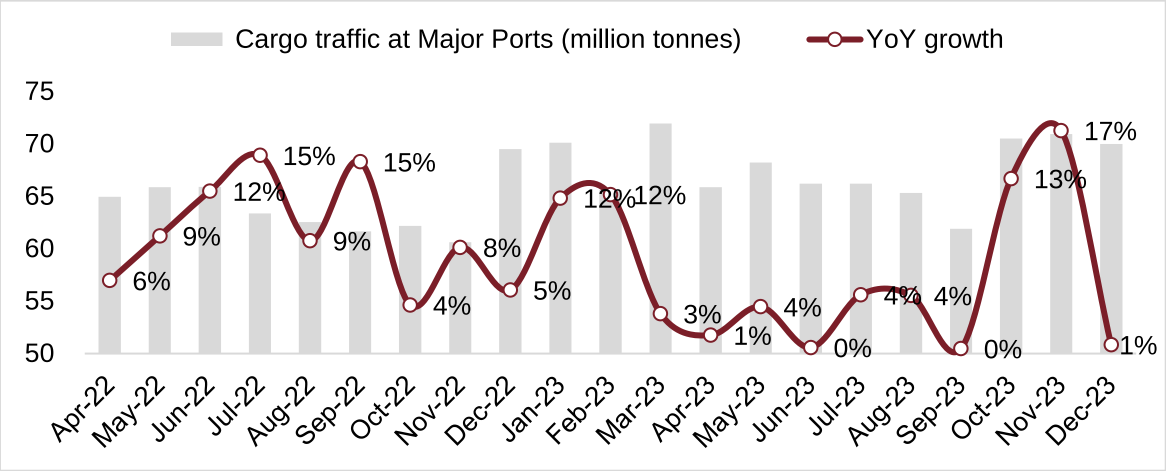


Source: CRISIL MI&A, RBI, NCAER

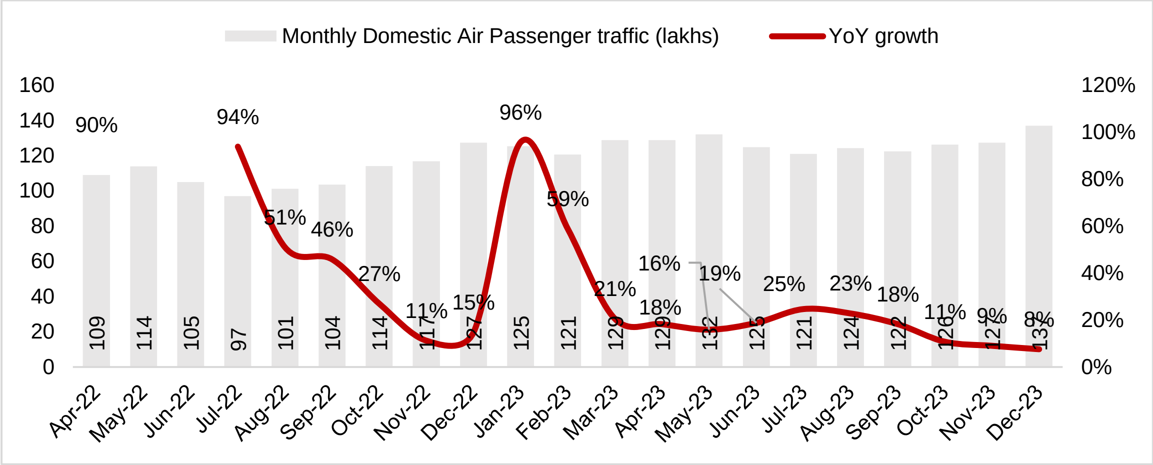
Mobility & Auto industry

Overall mobility

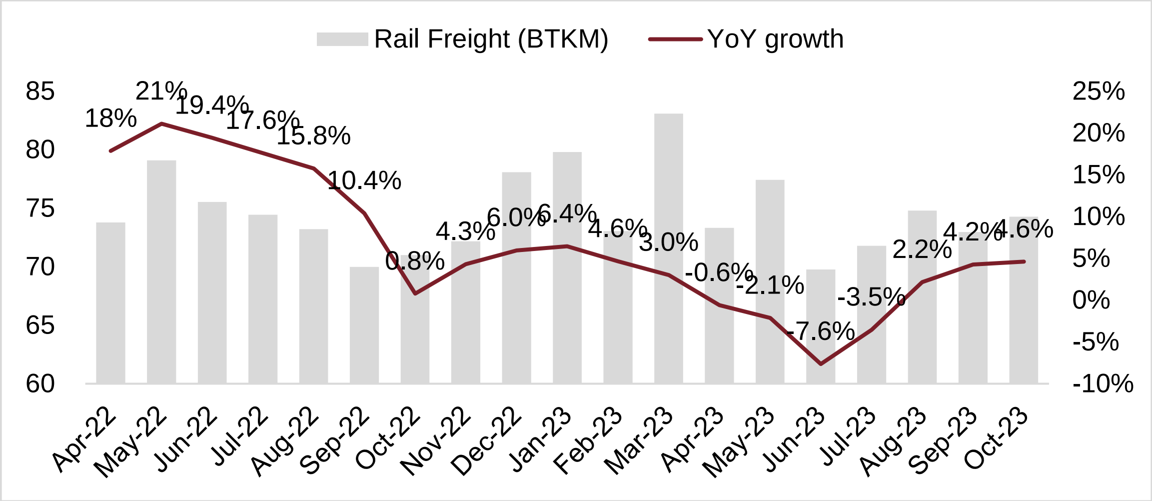
Port Traffic



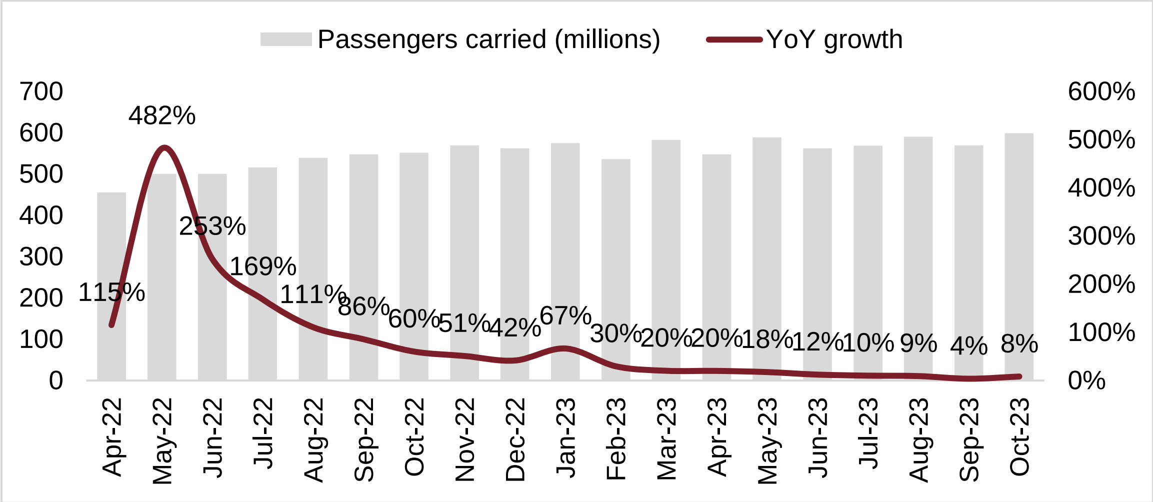
Air traffic domestic



Rail Cargo



Rail Passenger

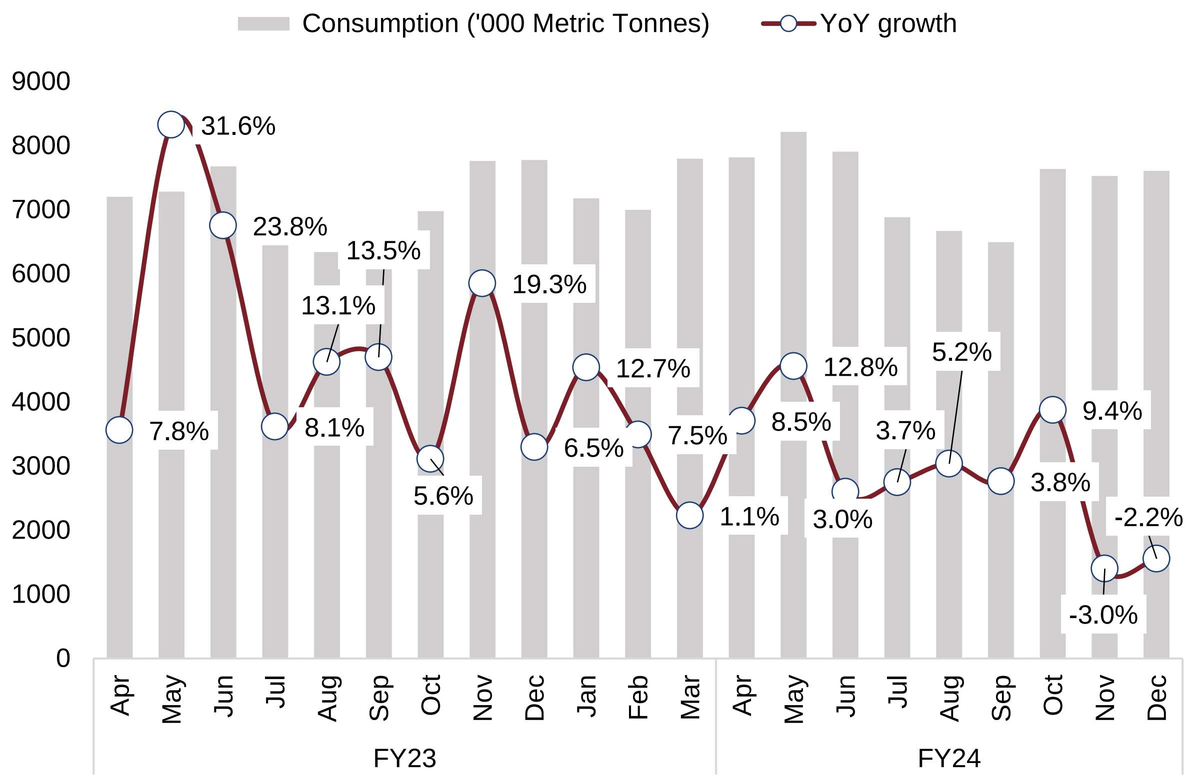


Note: Ministry of Railways recently revamped their website, and Rail Cargo and Passenger data is not available post Oct

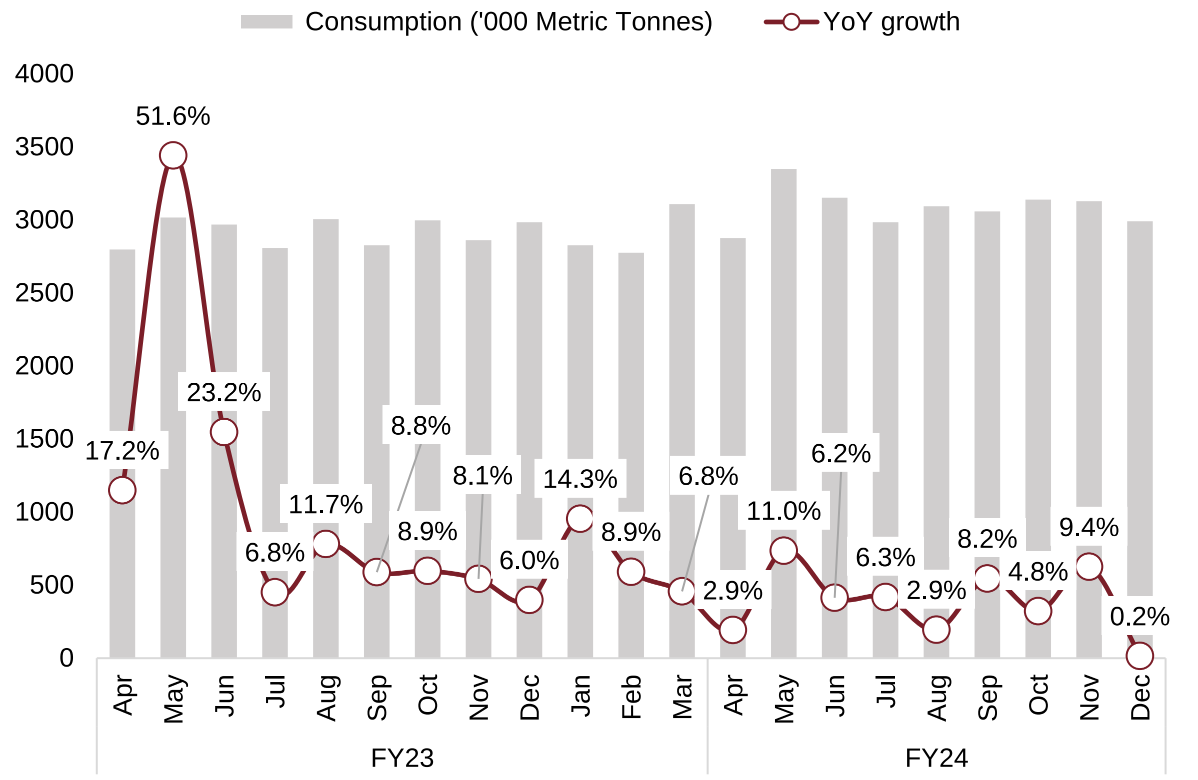
Source: IPA,DGCA, Indian Railways, PPAC,NPCI,RBI, CRISIL MI&A Consulting

Sequential rise in Diesel consumption during December

Diesel consumption



Petrol consumption



- Diesel consumption rose 0.9% sequentially to 7.6 million tonnes during December 2023.
- Petrol consumption, on the other hand, slipped 4.5% m-o-m to 2.9 million tonnes.

Hi-Frequency indicators
How are they shaping?

Mobility indicators

Mobility Indicators in Q3 indicate 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 an 2% year on year growth in December 2023. Diesel consumption witnessed de-growth of -2% in December 2023 on y-o-y basis while petrol consumption saw a growth of 0.2% for the same period

Freight movement & Transporter Profitability

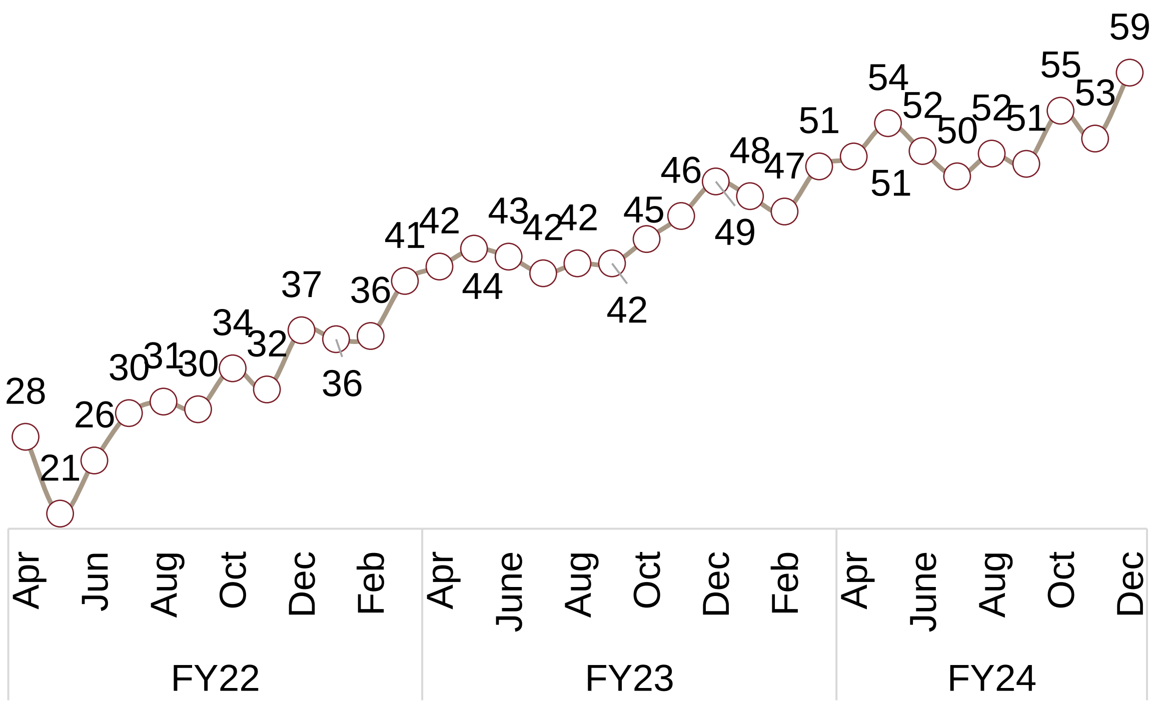
- E-waybill generation has been at daily average of 1.97 mn in December 2023 compared to November 2023 daily average of 2.1 mn for intra-city
- While for inter-city the same has been about daily average of 1.1 mn in December 2023 compared with daily average of 0.82 mn in November 2023

STU Tendering Tracker

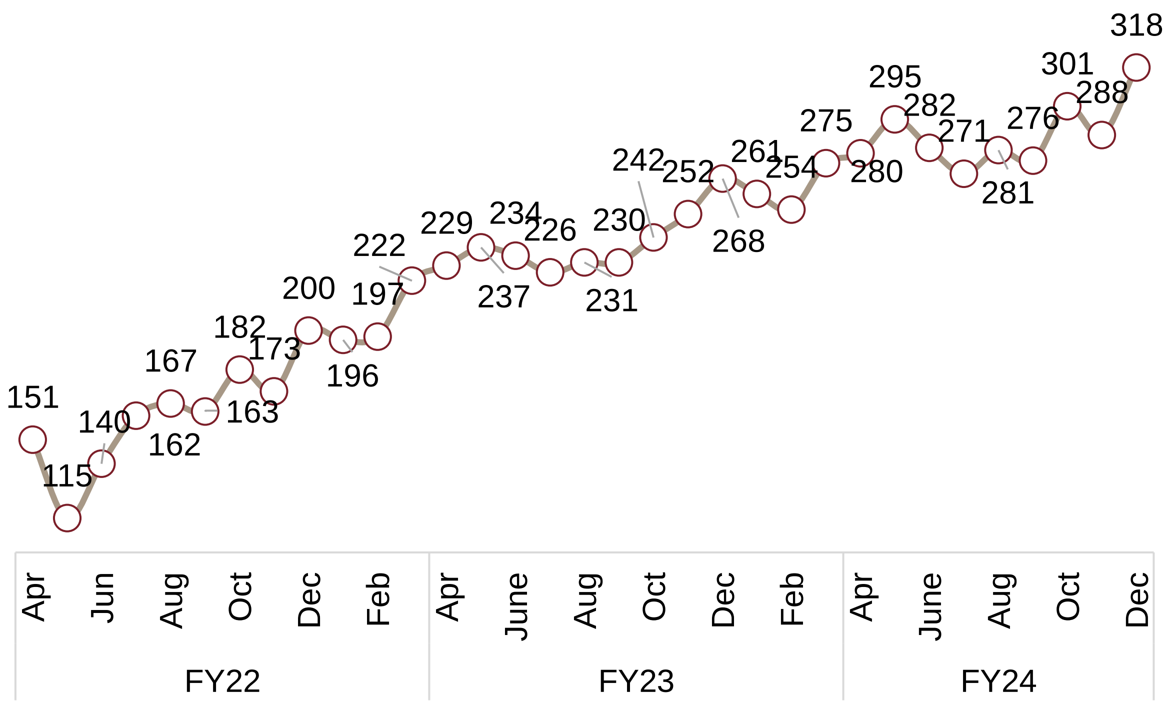
Interactions indicate STU tenders from states like Delhi, Maharashtra, Karnataka, Uttar Pradesh, Tamil Nadu, Telangana, can see delivery spread over the next 12 months

NETC Fastag collection measured ~ ₹59 billion in December

Fastag collections (INR billion)



Fastag trend (Feb 2020 level = 100)



- Fastag recorded an index of 318 in December 2023.

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Source: NPCI, CRISIL MI&A Consulting

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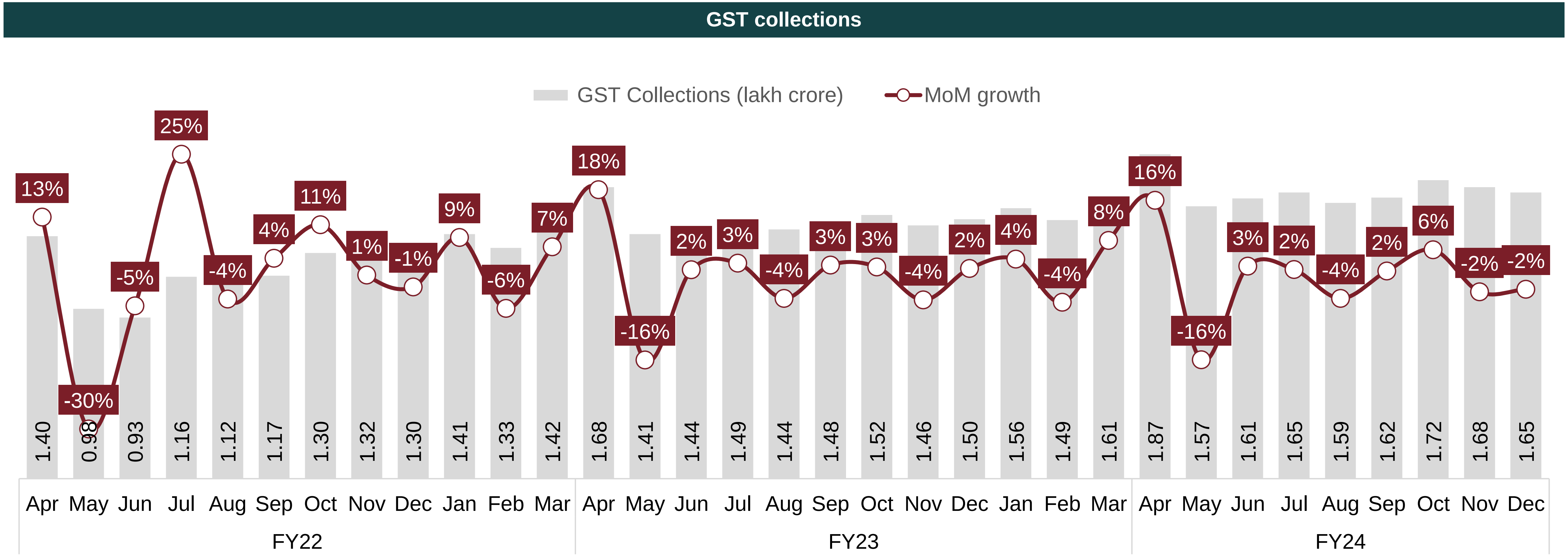
GST revenue collection stood at Rs 1.65 lakh crore in December



- Goods and Services Tax (GST) revenues reached ₹1,64,800 crore in December 2023, with year-on-year growth slowing to a three-month low of 10.4% from a 15.1% rise in the previous month.

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Source: GST Network, CRISIL MI&A Consulting

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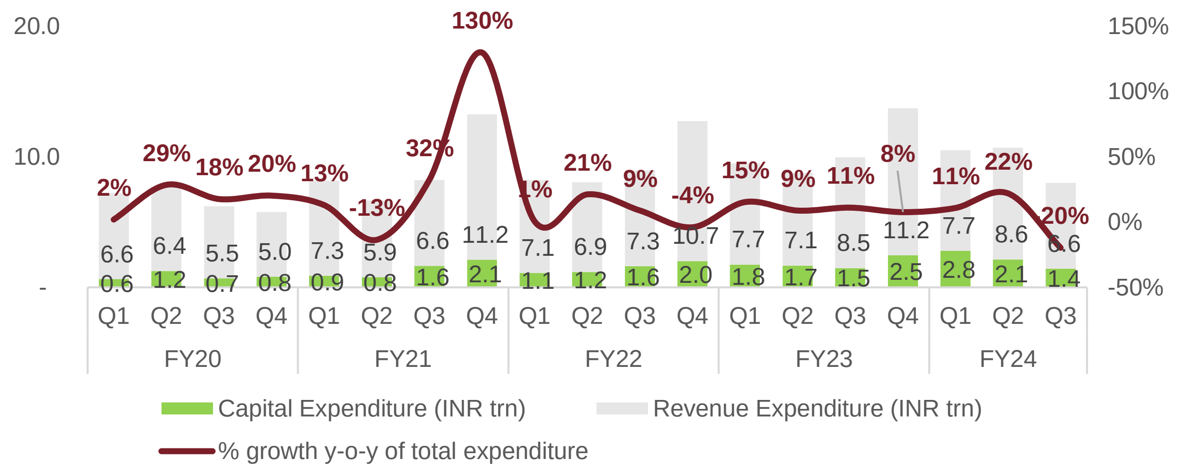
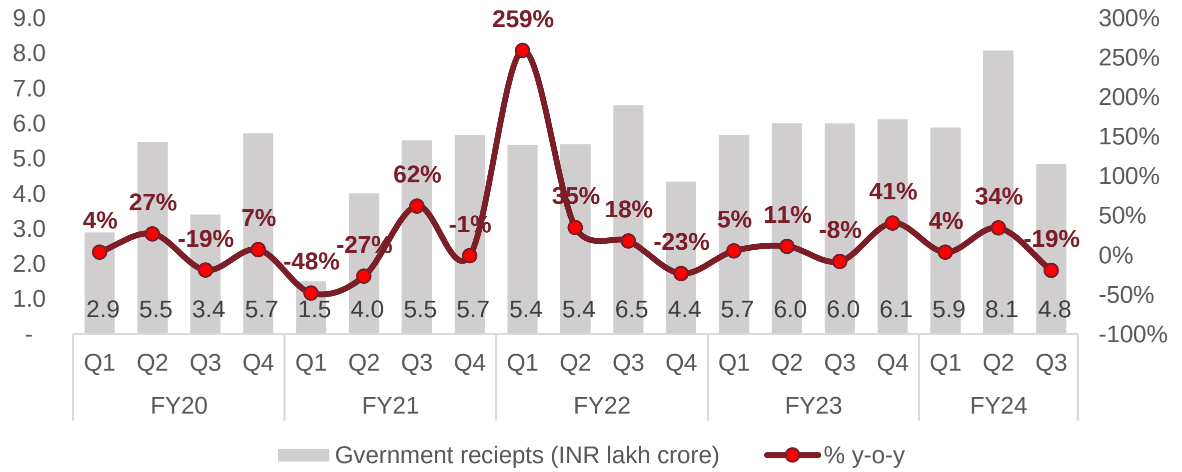
Central government finances in a relatively healthier position in Apr-Dec FY24 compared to last year

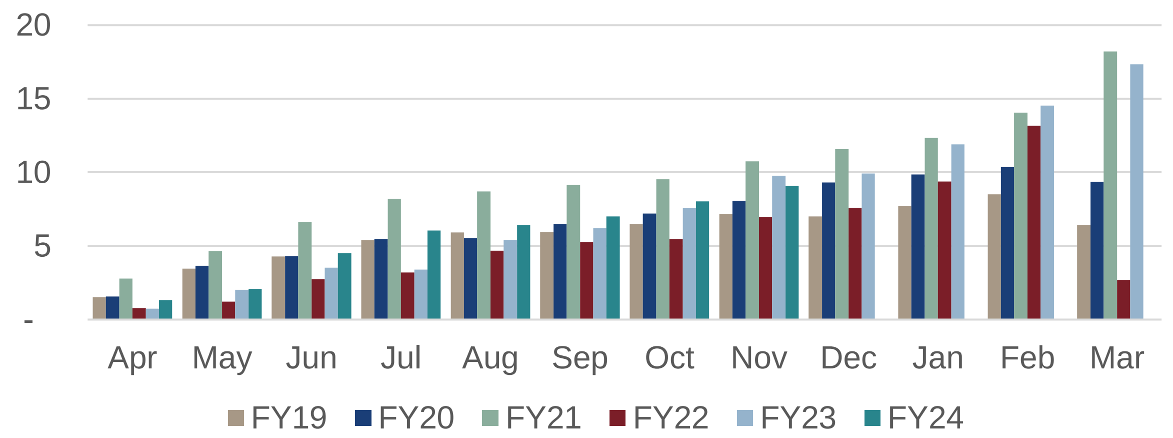
Government expenditure decreased in Q3FY24 compared to Q3FY23



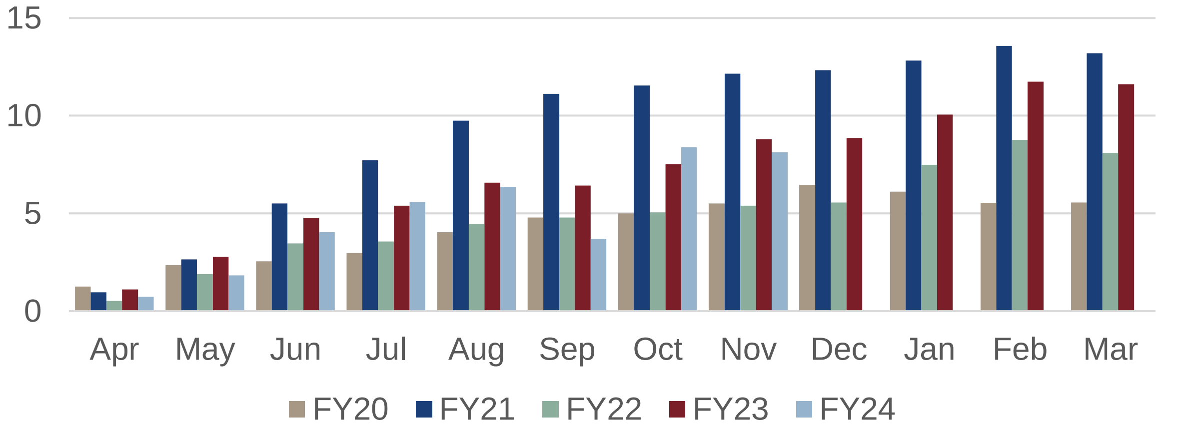
Receipts in Q3FY24 down



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)



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Note : exp and receipts data for Q3 extrapolated based on 2 months data
Source: RBI, CONTROLLER GENERAL OF ACCOUNTS, MINISTRY OF FINANCE , CRISIL MI&A Consulting

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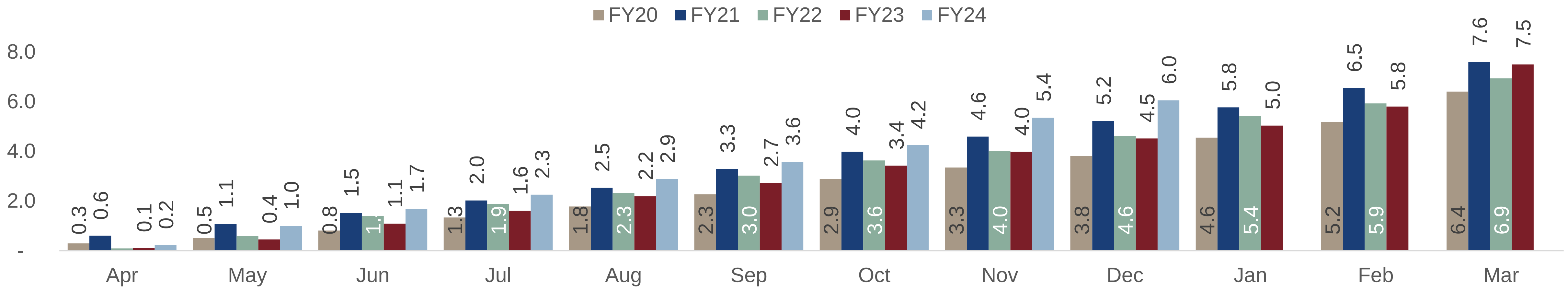
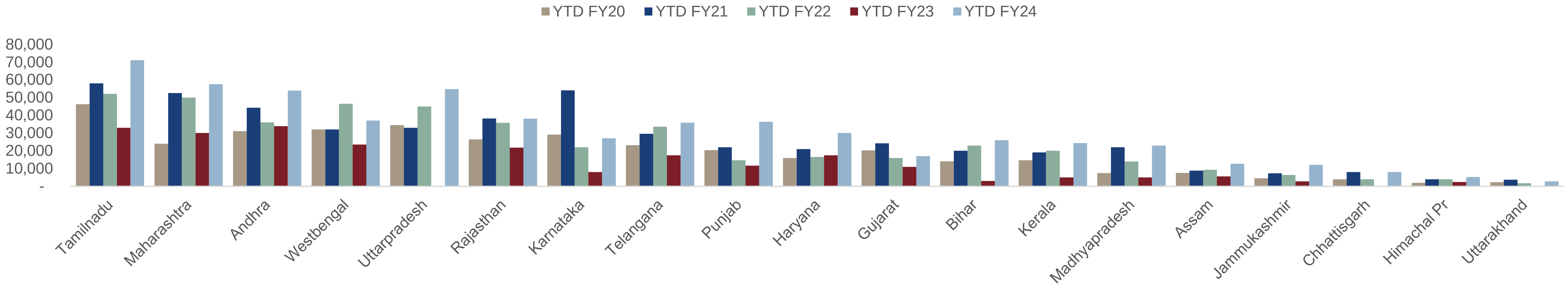
State government borrowings better than last year

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)

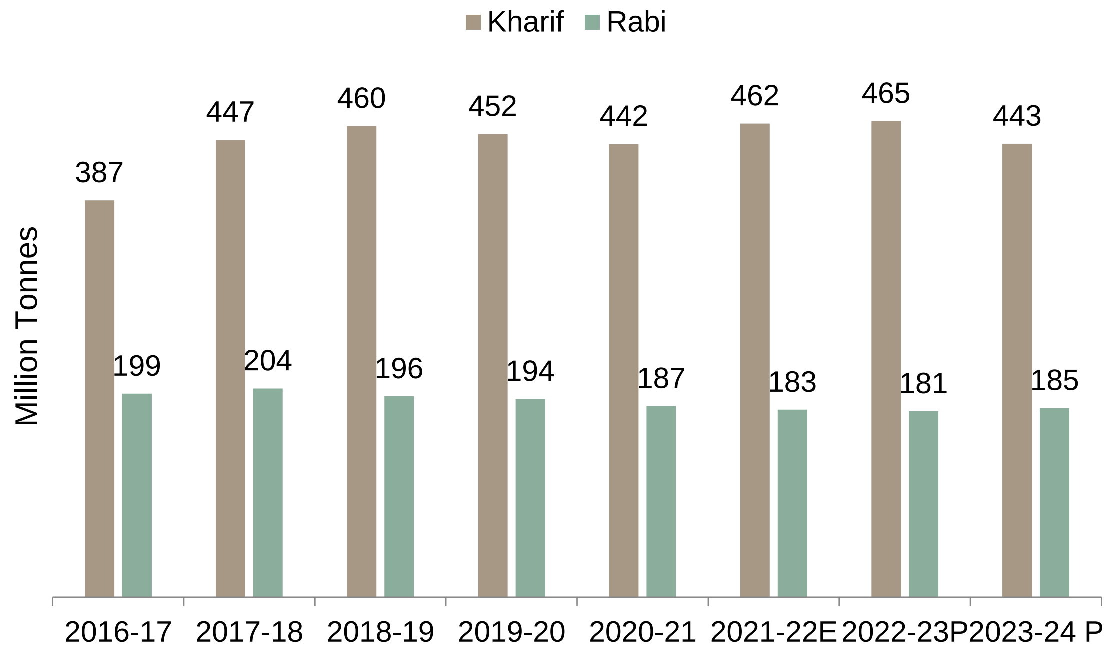


Source: RBI, MINISTRY OF FINANCE , CRISIL MI&A Consulting

Rural Scenario

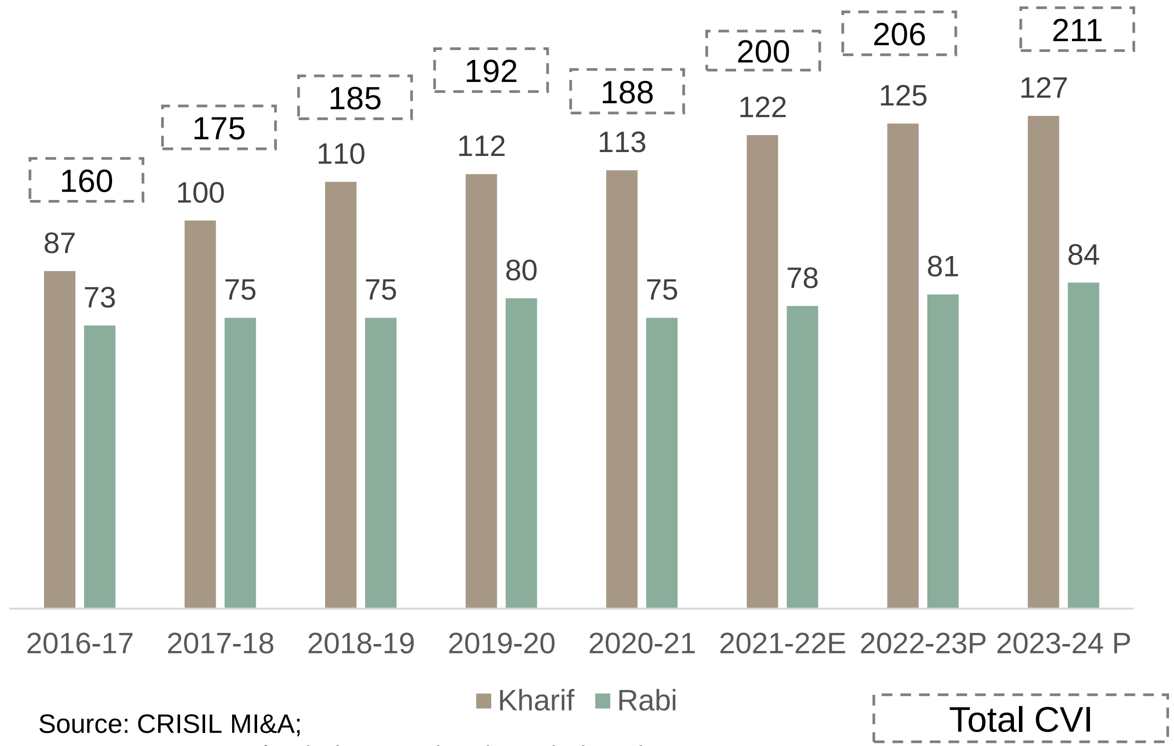
Government hopeful for a good harvest of rabi crop even though there has been a marginal drop in acreage

Food-grain Crop Production



Source: CRISIL MI&A

Food-grain CVI (Crop Value Index)



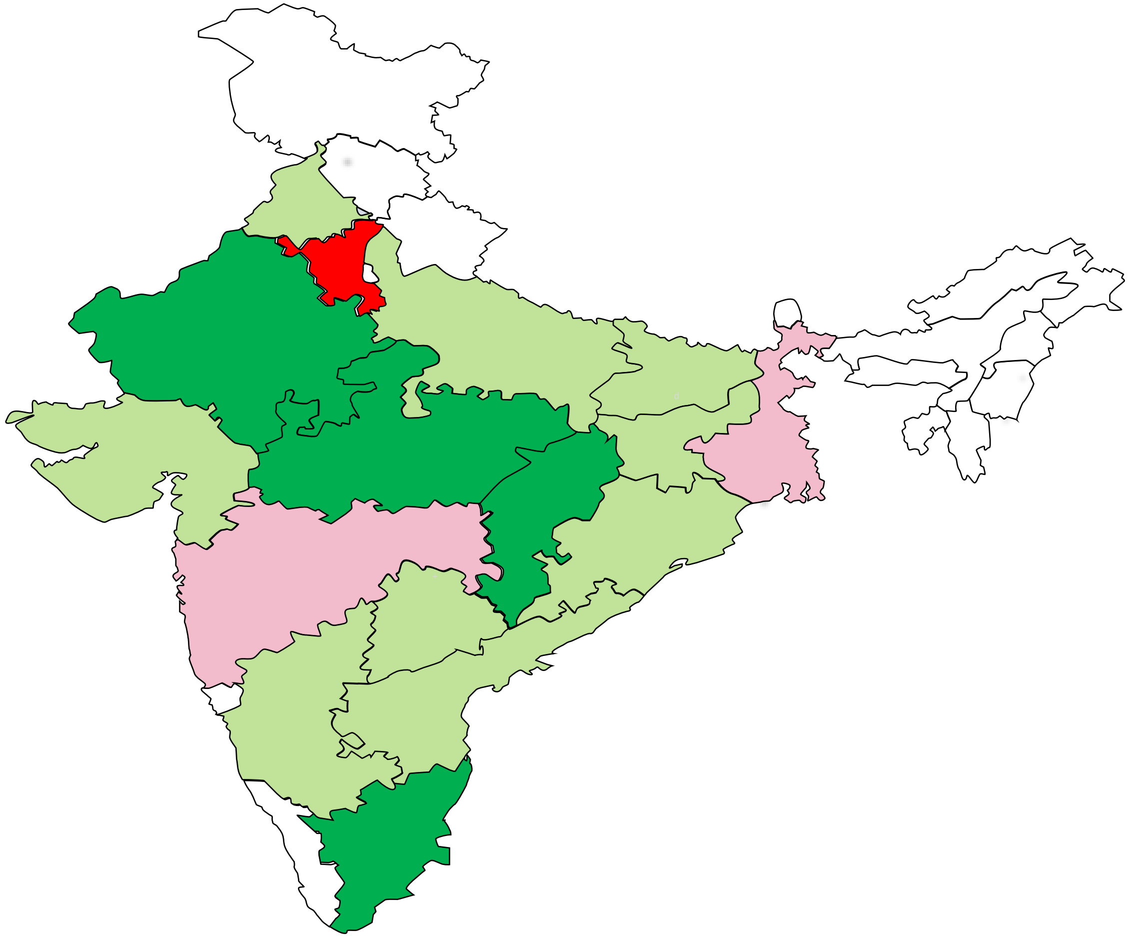
Source: CRISIL MI&A;
Note: CVI- Crop value index, CVI has been indexed to 100 at 2011-12

Kharif production is expected to be 3-5% lower on-year on account of uneven rainfall spread across the country but good crop prices to result in better farm incomes

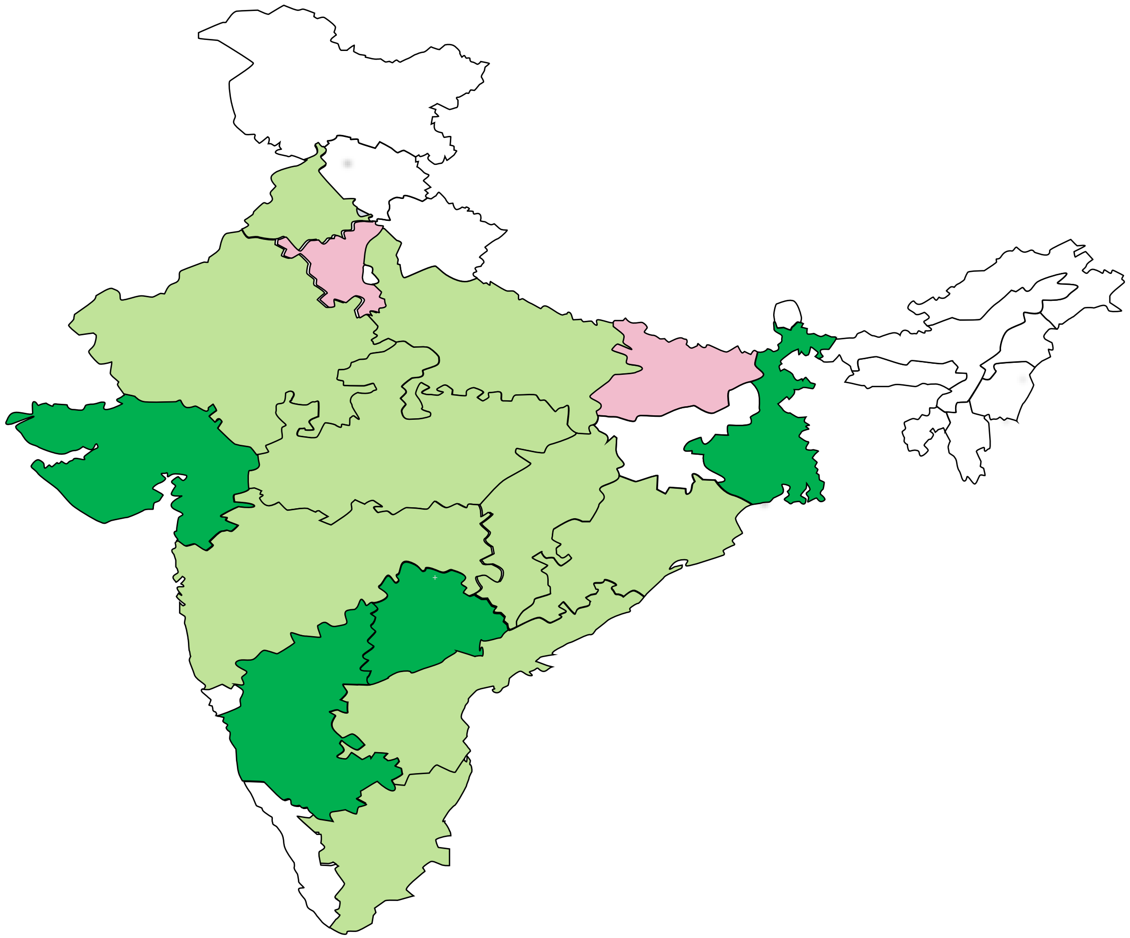
Rabi crop harvest is expected to be positive, however weather conditions will be a key monitorable for a healthy output.

State-wise farm income expectation

Kharif CVI heat Map for FY24



Rabi CVI heat Map for FY24



Source: CRISIL MI&A

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Colours indicate % change on-year

>10% | 0-10% | (10)%-0% | <(10)% | No data

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Positive rural incomes, continued government support

Agri scenario to lend support

Crop scenario

- Kharif production to be impacted, rural incomes to be positive with better pricing
- Rabi production expected to be healthy with sufficient reservoir levels
- Rural scenario to remain positive

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 FY23.

Government support

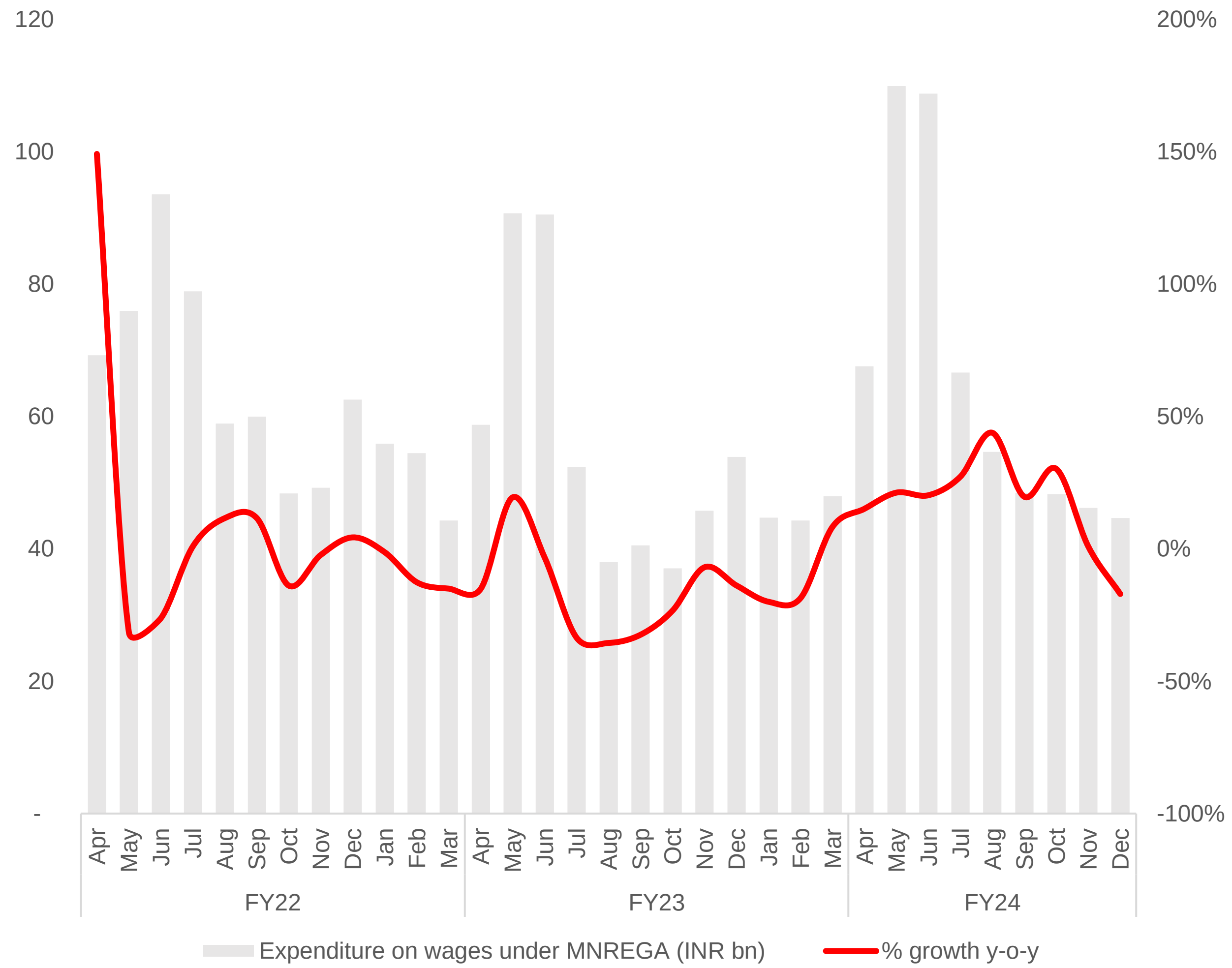
PM Garib Kalyan Yojana

- 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 a period of 5 years to about 81.35 crore beneficiaries with effect from 1st January, 2024

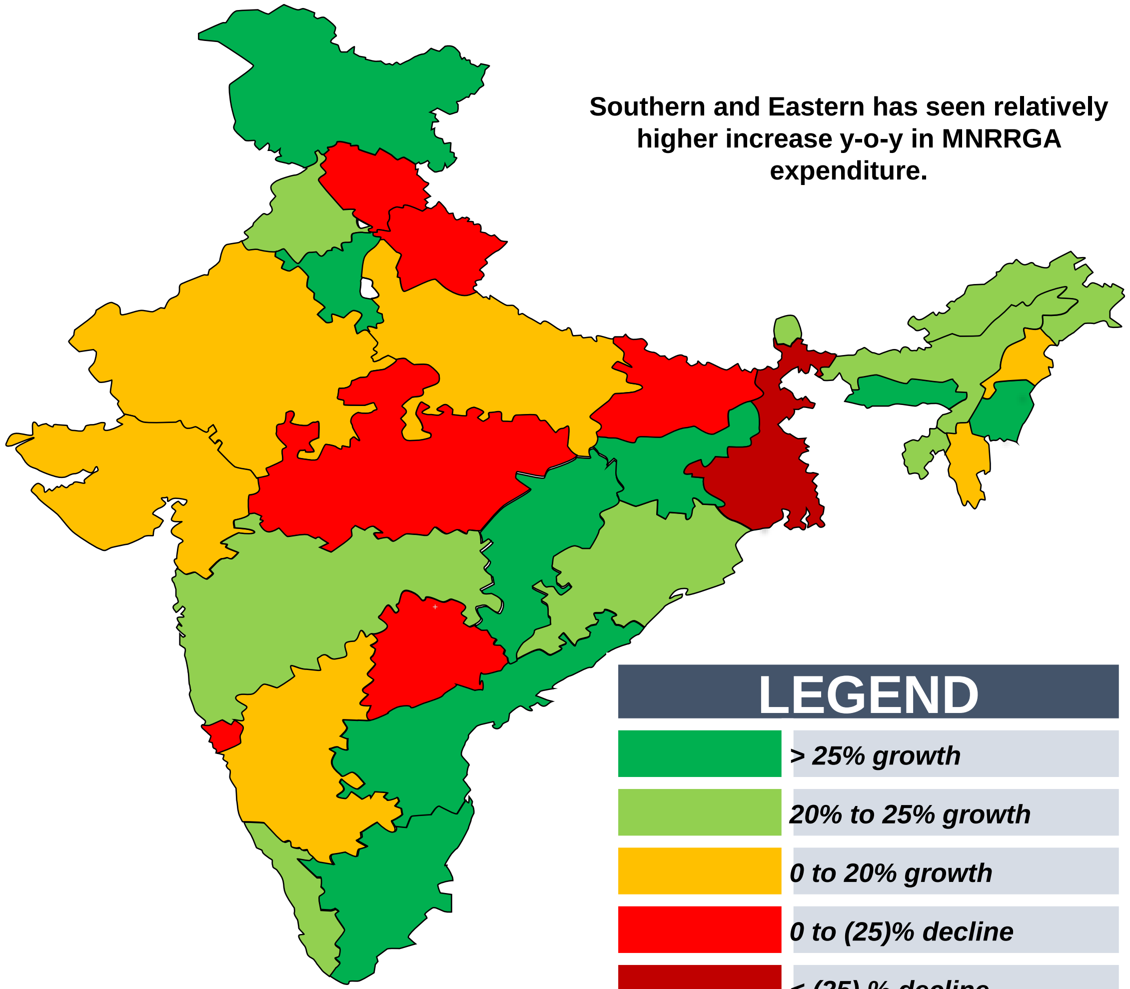
Source - Industry, CRISIL MI&A

MNREGA scheme expenditure shows improvement for 9M FY24

MNREGA wages growth



State wise growth in MNREGA wages expenditure for Apr-Dec FY24



Southern and Eastern has seen relatively higher increase y-o-y in MNRRGA expenditure.

LEGEND
> 25% growth
20% to 25% growth
0 to 20% growth
0 to (25)% decline
< (25) % decline

Source: Budget documents, Ministry of Rural development, CRISIL MI&A Consulting

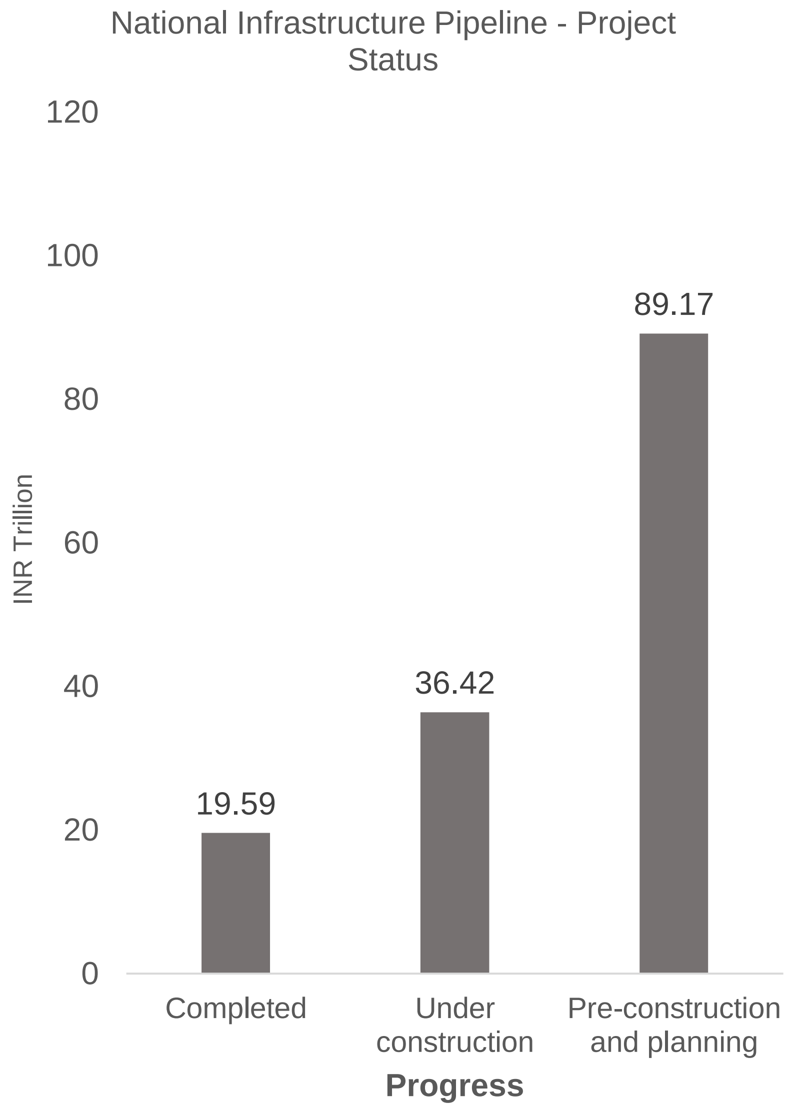
National Infrastructure pipeline

Roads & highways , real estate and railways investments dominate the investments outlined in the NIP; completion picks up pace

Pre-construction & planning	
Sectors	**Amt (INR Trillion)**
Roads and Highways	19.05
Waste and water	2.16
Railways	15.11
Real Estate	8.53
Water Resources	10.37
Education	1.34
Electricity Generation	5.53
Healthcare	1.80
Transmission & Distribution	4.31
Urban Public Transport	5.82
Aviation & Aviation Infrastructure	1.15
Sports	0.11
Oil & Gas	3.32
Shipping	0.37
Tourism Hospitality & Wellness	0.22
Energy Storage	1.86
Oil & gas (Refining; Exploration and production)	5.14
Food processing and agriculture	0.14
Logistics Infrastructure	0.13
Food Processing	0.16
Telecommunication	1.38
IT/ITES	0.06
Textiles	0.02
Utility and Resources pipeline	0.16
Inland Waterways	0.82
Coal	0.06
Leather	0.01
Steel	0.03
Chemicals	0.01
Total	**89.17**

Under construction	
Sectors	**Amt (INR Trillion)**
Roads and Highways	10.64
Education	0.69
Waste and water	3.45
Water Resources	1.20
Railways	0.87
Electricity Generation	12.90
Real Estate	1.25
Healthcare	0.20
Urban Public Transport	1.75
Transmission & Distribution	0.51
Shipping	0.81
Food processing and agriculture	0.95
Logistics Infrastructure	0.29
Aviation & Aviation Infrastructure	0.26
Tourism Hospitality & Wellness	0.08
Sports	0.03
Inland Waterways	0.23
Steel	0.20
Food Processing	0.01
Energy Storage	0.02
Telecommunication	0.01
Utility and Resources pipeline	0.02
IT/ITES	0.00
Coal	0.03
Total	**36.42**

Completed	
Sectors	**Amt (INR Trillion)**
Roads and Highways	1.83
Waste and water	0.52
Railways	3.60
Real Estate	8.11
Education	0.11
Transmission & Distribution	1.70
Energy Storage	0.35
Electricity Generation	1.07
Healthcare	0.13
Urban Public Transport	0.26
Water Resources	0.86
Shipping	0.07
Oil & Gas	0.72
Logistics Infrastructure	0.00
Aviation & Aviation Infrastructure	0.18
Tourism Hospitality & Wellness	0.01
IT/ITES	0.00
Food processing and agriculture	0.00
Sports	0.01
Telecommunication	0.01
Textiles	0.00
Inland Waterways	0.03
Metals and Mining	0.01
Total	**19.59**



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Source: *CRISIL MI&A Consulting*, India Investment Grid
Note: Data as of Dec 2023

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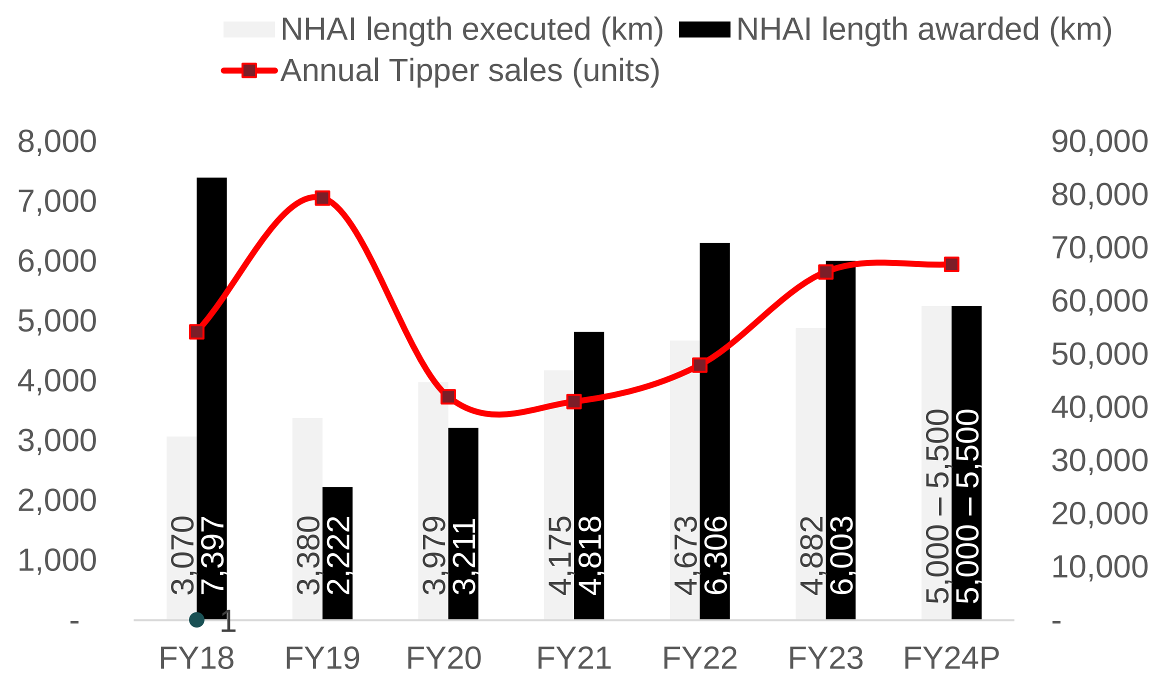
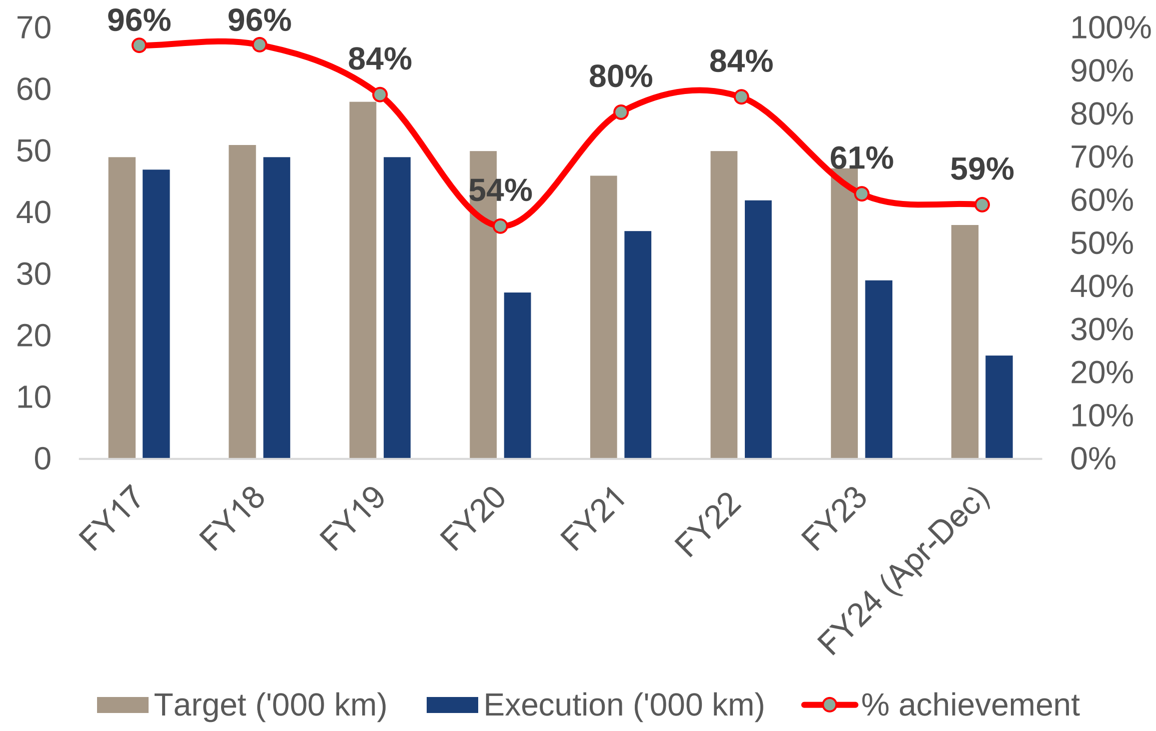
Focus on Road Infrastructure

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

National highways (NHAI) – Awarded and executed



Trend in PMAY-U execution per quarter



NHAI awarding to moderate in FY2024, share of HAM likely to remain stable. Orderbooks have also seen a steady growth due to high awarding

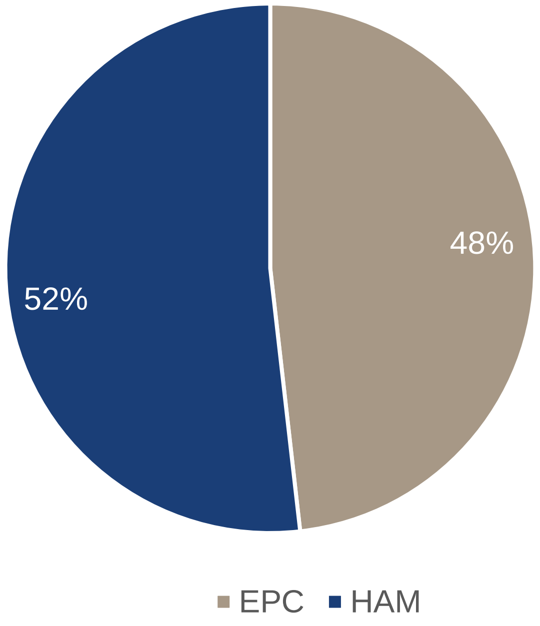
E: Estimated; P: Projected, National Highway Authority of India

Source: NHAI, MoRTH, CRISIL MI&A Consulting

NHAI tendering in Apr-Dec FY24

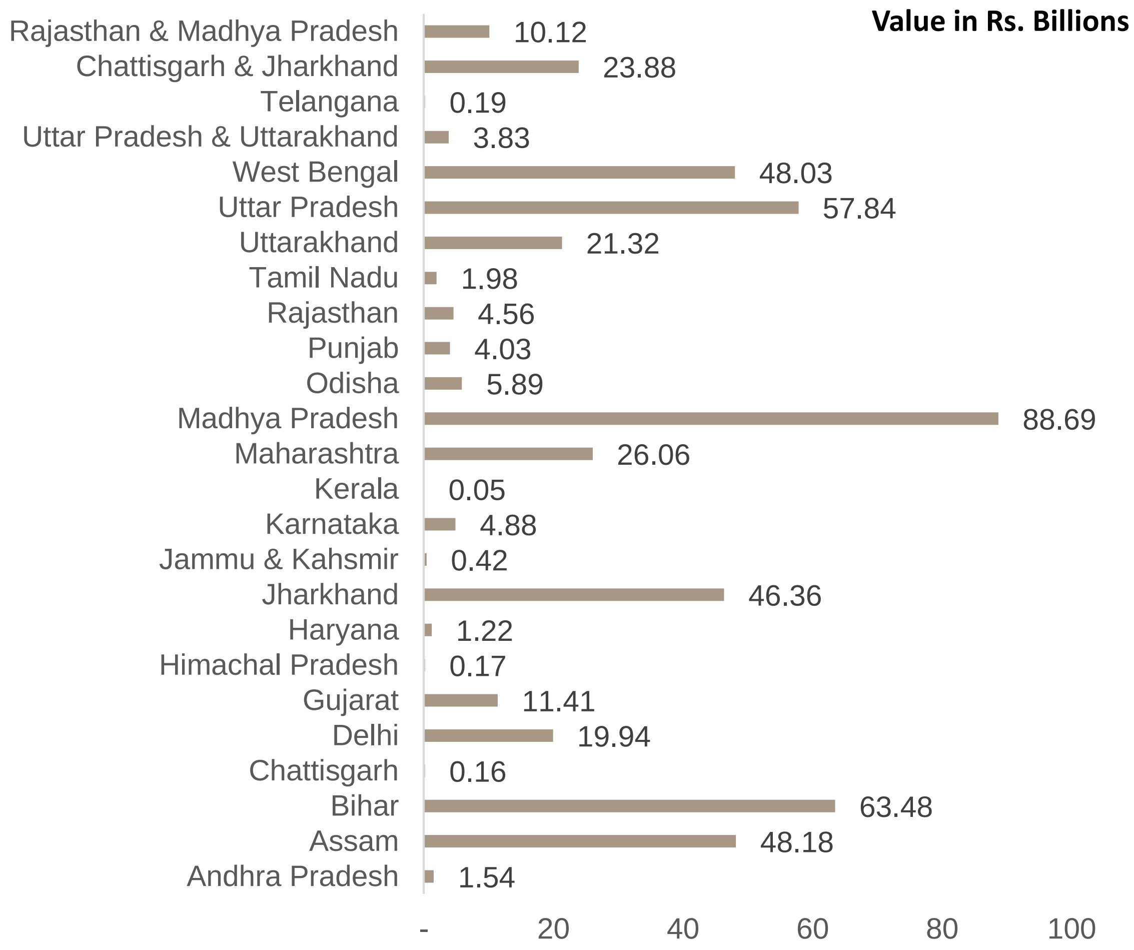
Total NHAI project value by mode type in Apr-Dec

Value in Rs. Billions **~494**



*Total tender value consists of states mentioned herewith

Tender project value in major states



Source: CRISIL MI&A Consulting

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)	Q1FY23	Q2FY23	Q3Y23	Q4Y23	Q1FY24	Q2FY24
Larsen & Tourbo	**3634**	**3724**	**3866**	**3995**	**4126**	**4507**
Hindustan constructio n	**148**	**138**	**127**	**148**	**136**	**123**

Source: CRISIL MI&A Consulting; 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 to semiconductor/ component supply chain
- Normal monsoons
- Continued government investments and focus on rural India
- OEM production/launch plans to continue unabated
- Financing scenario to remain accommodative
- FAME or equivalent incentive to continue
- Impact of ongoing conflict in the Middle East remains a key monitorable

Domestic – Annual forecast

Segment	Volumes				*Y-o-y growth rate*			
	FY22	FY23	FY24E	FY25P	*FY22*	*FY23*	*FY24E*	*FY25P*
PV (mn)	**3.1**	**3.9**	**4.0- 4.2**	**4.1- 4.3**	*13%*	*27%*	*5-7%*	*2-4%*
PV-EV penetration	*0.5%*	*1.2%*	*2-3%*	*3-4%*				
Two Wheelers (mn)	**13.7**	**16.3**	**18.1-18.3**	**19.3-19.6**	*(10)%*	*19%*	*11-13%*	*6-8%*
TW-EV penetration	*2%*	*4.5%*	*4-6%*	*5-7%*				
CV (‘000)	**731**	**960**	**995-975**	**945-965**	*29%*	*34%*	*0-2%*	*(2)-0%*
CV-EV penetration	*0.3%*	*0.3%*	*0.5-1%*	*1.5-3%*				
Three Wheelers (‘000)	**260**	**489**	**768-775**	**914-922**	*20%*	*88%*	*57-59%*	*18-20%*
3W- EV penetration	*4%*	*6%*	*11-13%*	*16-18%*				
Tractors (mn)	**0.84**	**0.94**	**0.88-0.90**	**0.90-0.93**	*(6)%*	*12%*	*(6)- (5)%*	*2-3%*

Note: Numbers include Evs; E- Estimated, P – Projected
Source: SIAM, CRISIL MI&A

Domestic – Long Term

Segment	Volumes				*Y-o-y growth rate*			
	FY21	FY22	FY23	FY28P	*FY21*	*FY22*	*FY23*	*CAGR (FY23-FY28)*
PV (mn)	2.7	3.1	3.9	**5.0-5.4**	*(2)%*	*13%*	*27%*	***5-7%***
Two Wheelers (mn)	15.1	13.7	16.3	**23.5-24.5**	*(13)%*	*(10)%*	*18%*	***7-9%***
CV (‘000)	566	731	960	**1050-1200**	*(21)%*	*29%*	*34%*	***2-4%***
Three Wheelers (‘000)	217	260	489	**900-950**	*(66)%*	*23%*	*88%*	***12-15%***
Tractors (mn)	0.89	0.84	0.94	**1.1-1.3**	*27%*	*(6)%*	*12%*	***3-5%***

Note: Numbers include Evs; E- Estimated, P – Projected
Source: SIAM, CRISIL MI&A

Exports – Annual forecast

Segment	Subsegment	Volumes				Y-o-y growth rate			
		FY22	FY23	FY24E	FY25P	*FY22*	*FY23*	*FY24E*	*FY25P*
PV (mn)	Cars	0.37	0.41	0.40-0.47	0.4-0.5	*42%*	*10%*	*4-6%*	*2-4%*
	UV+vans	0.20	0.25	0.22-0.26	0.23-0.26	*45%*	*23%*	*(3)-(1)%*	*0-2%*
	Industry	**0.58**	**0.66**	**0.66-0.70**	**0.68-0.71**	***43%***	***15%***	***2-3%***	***1-3%***
Two Wheelers (mn)	Motorcycle	4.1	3.2	2.8-3.0	2.8-3.0	*34%*	*(21)%*	*(11)-(9)%*	*0-2%*
	Scooter	0.4	0.42	0.4-0.6	0.4-0.7	*51%*	*19%*	*27-29%*	*1-3%*
	Moped	0.01	0.004	0.002-0.004	0.002-0.003	*23%*	*(60)%*	*(31)-(29)%*	*(16)-(14)%*
	Industry	**4.4**	**3.6**	**3.3-3.5**	**3.3-3.6**	***35%***	***(18)%***	***(7)-(5)%***	***0-2%***
CV ('000)	LCV	58.3	54.8	46-48	44-47	*87%*	*(6)%*	*(15)-(13)%*	*(4)-(2)%*
	MHCV	26.1	11.6	6-9	5-8	*90%*	*(55)%*	*(36)-(34)%*	*(13)-(11)%*
	Buses	8.3	12.3	13-15	13-16	*46%*	*49%*	*13-15%*	*3-5%*
	Industry	**92.3**	**78.7**	**67-70**	**66-68**	***83%***	***(15)%***	***(14)-(12)%***	***(4)-(2)%***
Three Wheelers ('000)	GV	10	4.5	2-4	2-4	*82%*	*(56)%*	*(39)-(37)%*	*(3)-(1)%*
	PV	490	361.1	300-310	290-300	*26%*	*(26)%*	*(16)-(14)%*	*(5)-(3)%*
	Industry	**500**	**365.5**	**308-312**	**295-300**	***27%***	***(27)%***	***(16)-(14)%***	***(5)-(3)%***
Tractors ('000)		**129**	**125**	**90-95**	**93-98**	***45%***	***(3)%***	***(27)-(26)%***	***2-5%***

Note: Numbers include Evs; E- Estimated, P – Projected
Source: SIAM, CRISIL MI&A

Segment wise inventory

Vehicle segment	Normal inventory in days	Current inventory levels*	Inventory Units	Reasons
Passenger Vehicles	~30	45+	~0.5 million	Despite sequential improvement in retails, festive season was below expectation for the industry. Increased inventory after the festive period, especially of basic hatchbacks. Some liquidation was done during December with added discounts and pre buying push before the Jan price rise.
Two Wheelers	~45	~40	2-2.5 million	After the healthy festive retails, industry reduced offtake during December. Normal stock levels with Dealers at the end of Q3.
Commercial Vehicles	~30	20-25	65-70 thousand	Inventory levels decreased for most of the segments in Q3 largely in the MHCV cargo, LCV and Buses segment. Inventory levels for Tippers decreased marginally as demand stays resilient on account of completion of existing projects before the general elections. SCV demand under pressure as sub-normal and erratic monsoon has dragged down kharif output by 4.6% from last fiscal. Reservoir levels of the current year are almost 80% of last year and rabi sowing progress is relatively lower (lower single digit) as compared to last year.
Three Wheelers	20-25	~20	~50 thousand	Festive built up was done in Q2 and continued during Oct. Lowered offtake after the festive season, Dealers have normal inventory post Q3
Tractors	40-45	48-52	140-150 thousand	Inventory levels have been high in Q2 FY24 end, built up in anticipation of kharif harvesting and festivals. However, in Q3 after healthy festive and harvesting, offtake reduced in quarter end, inventory level reduced.

NOTE: Inventory level at the end of Q3*   *Source: Industry, CRISIL MI&A*

Passenger vehicles

Industry to continue its growth momentum in FY25, albeit at a slower pace

Parameters	Impact			
	FY 22	FY23	FY24E	FY25 P
Income for discretionary spending	Favorable	Favorable	Favorable	Favorable
Cost of ownership				
--Petrol / CNG Vehicles	Not Favorable	Not Favorable	Not Favorable	Not Favorable
-- Diesel Vehicles	Not Favorable	Not Favorable	Not Favorable	Not Favorable
-- Interest Rate	Neutral	Not Favorable	Not Favorable	Not Favorable
New model/ facelift launches	Favorable	Favorable	Favorable	Neutral
Regulations – Passenger vehicles	Neutral	Neutral	Not Favorable	Neutral
Vehicle Supply	Not Favorable	Neutral	Favorable	Favorable
Impact on Overall Sales Growth	Favorable	Favorable	Neutral	Neutral

Favorable

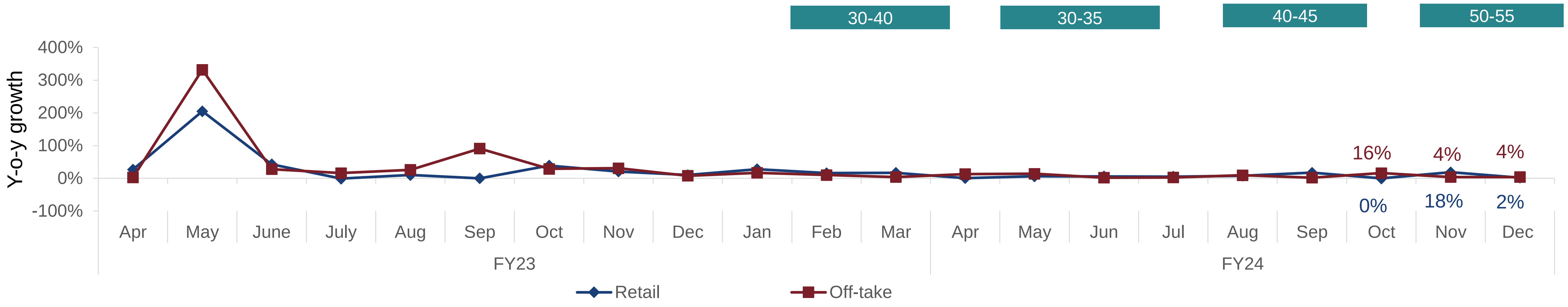
Neutral

Not Favorable

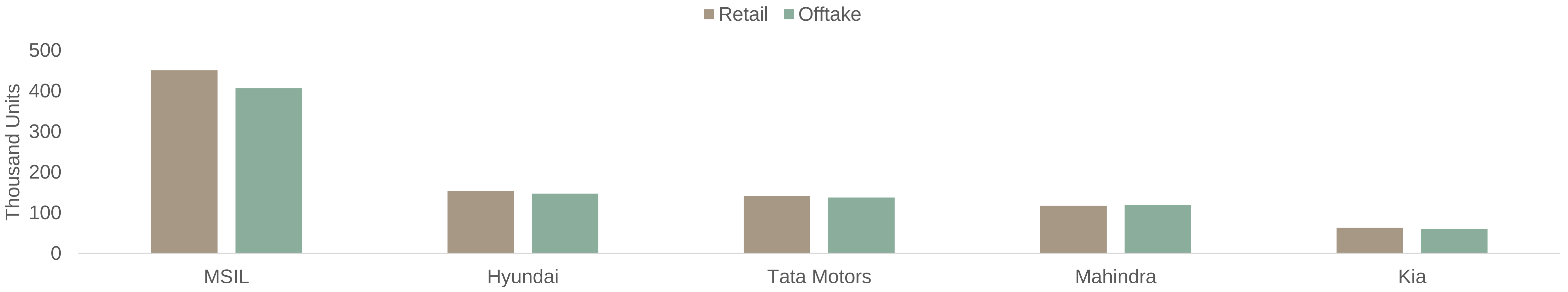
Source: CRISIL MI&A

High inventory levels in Dec exerted pressure on offtake

Elevated inventory levels, primarily lower compact segment stock



Q3 Retail vs Offtake



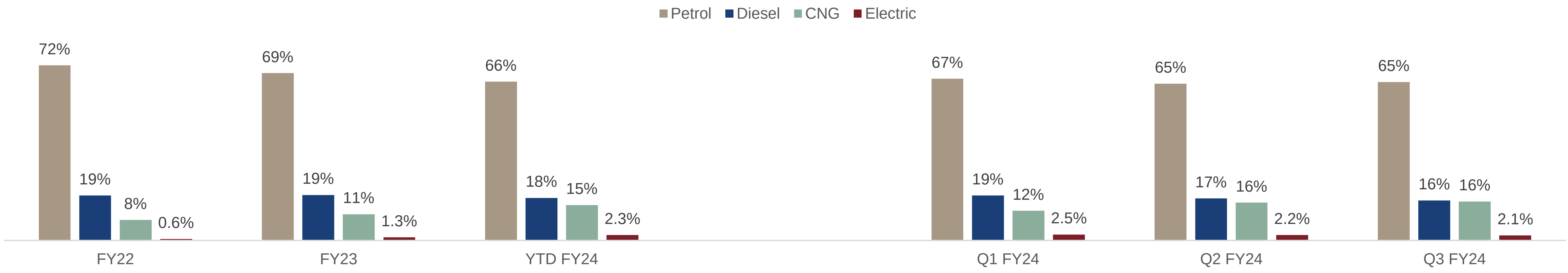
Market Intelligence & Analytics

xxx *Dealer inventory days* *Source: SIAM, MoRTH, CRISIL MI&A*

CRISIL An S&P Global Company

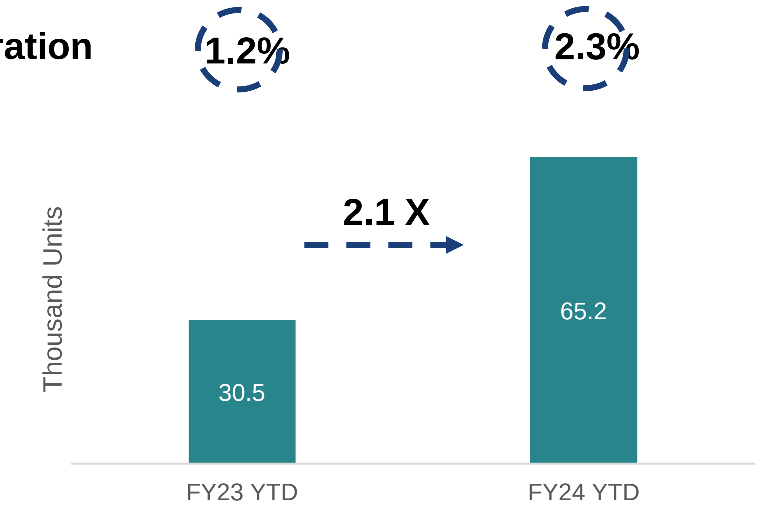
CNG continues its strong momentum in Q3; MG, M&M expanding presence in EVs

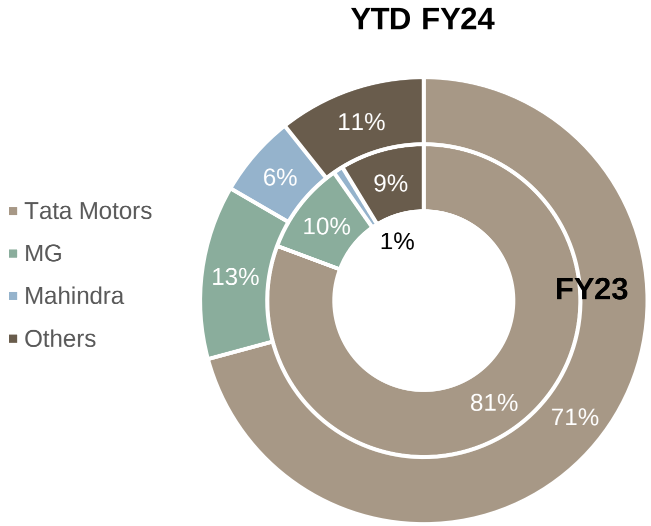
Model launches, subdued fuel price backing CNG demand



Rising EV penetration, intensifying competition in the segment

EV Penetration





Market Intelligence & Analytics

YTD: April-Dec 2023; Source: Industry, MoRTH, CRISIL MI&A

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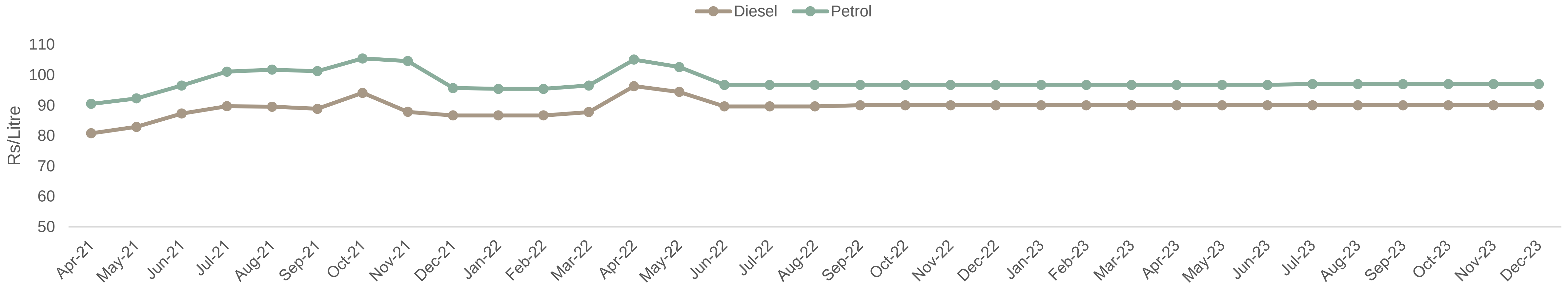
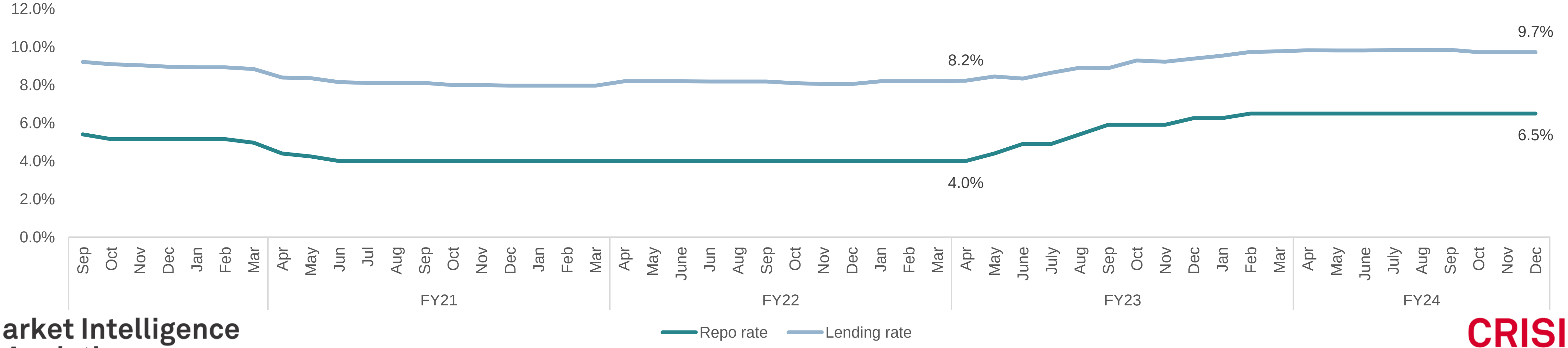
No respite from elevated fuel prices and high interest rates

Fuel prices remain elevated, although no further hike done



Elevated interest burden weighing on vehicle TCO



Market Intelligence & Analytics

Source: Industry, MoRTH, CRISIL MI&A

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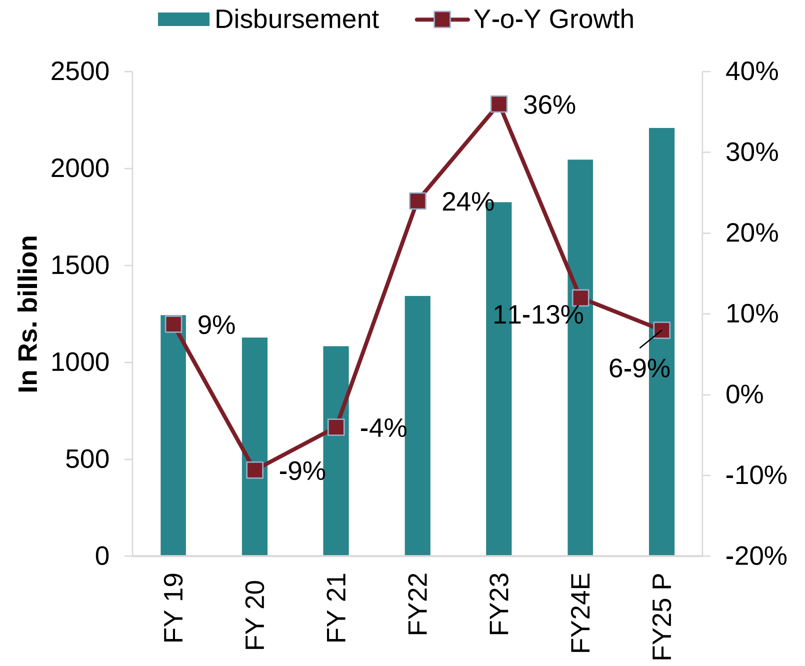
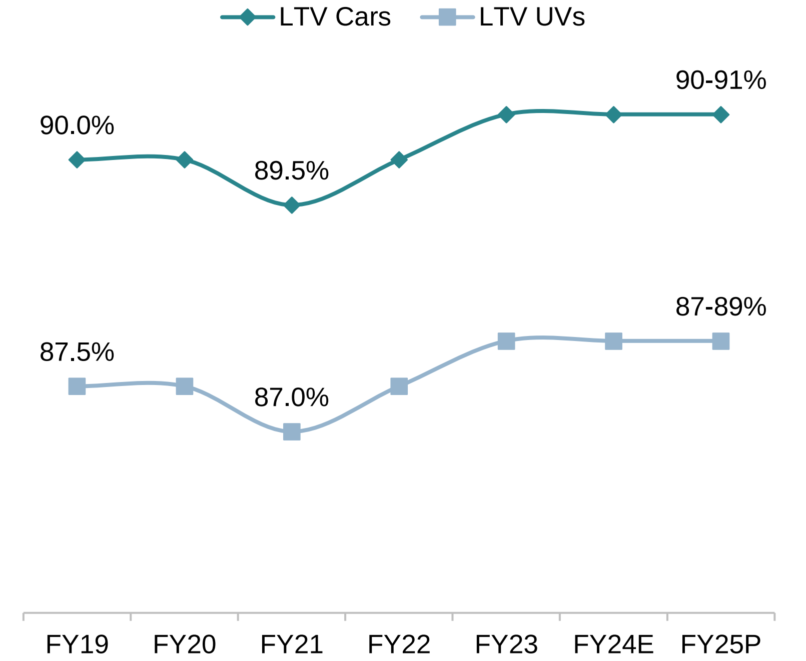
Disbursement growth to continue albeit at a slower pace

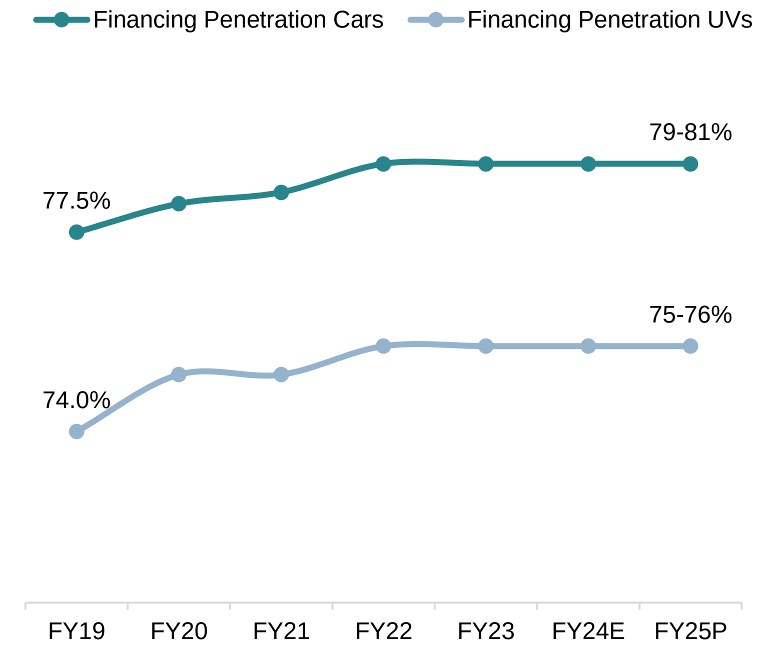
Disbursement



Loan-to-value (LTV)



Financing penetration

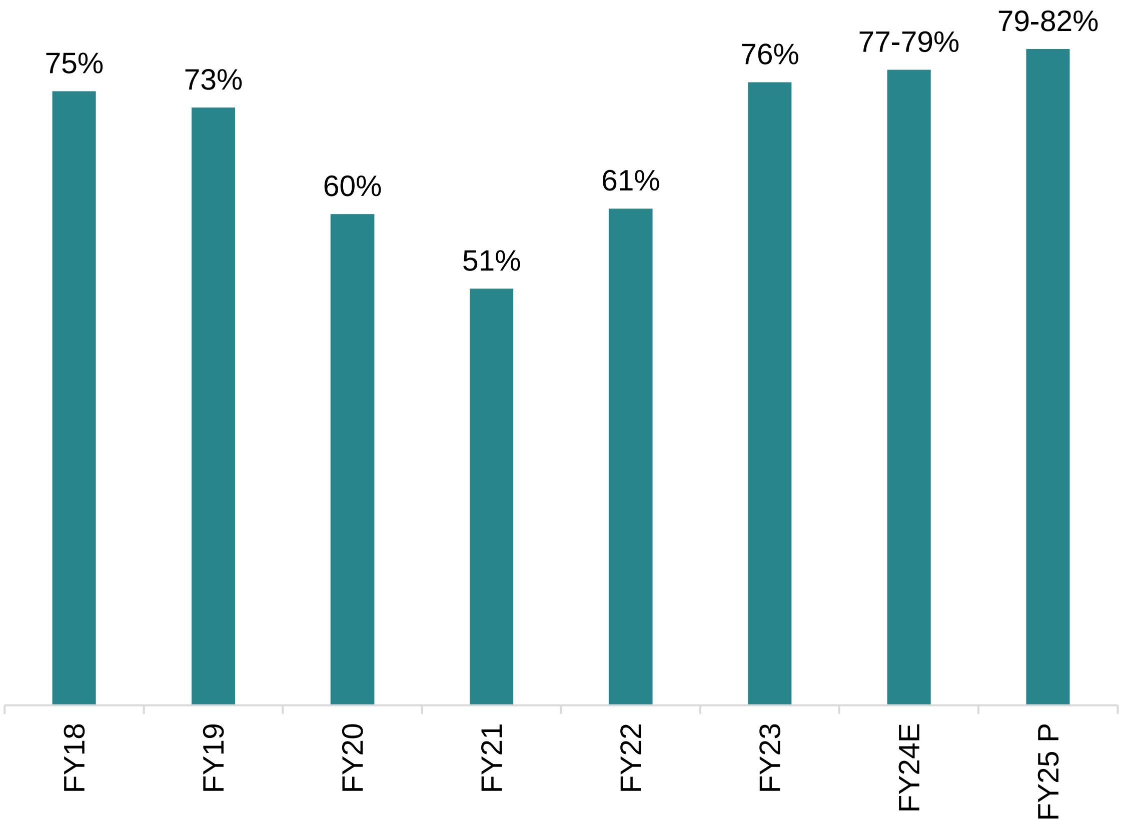


Source: Company Report, Industry, CRISIL MI&A

- 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 FY24 and FY25 albeit at a slower pace
- The vehicle sales are expected to grow 5-7% during FY24. And a further 2-4% growth is expected for FY25.
- Price hike for the year as well as premiumization to provide an additional push
- Financers remain accommodative of the PV industry
- RBI has kept the rates unchanged since February hike, however, elevated interest rates remain a concern

Utilization improvement expected in FY24 & FY25

Utilization trend in the PV industry



Source: CRISIL MI&A Estimated

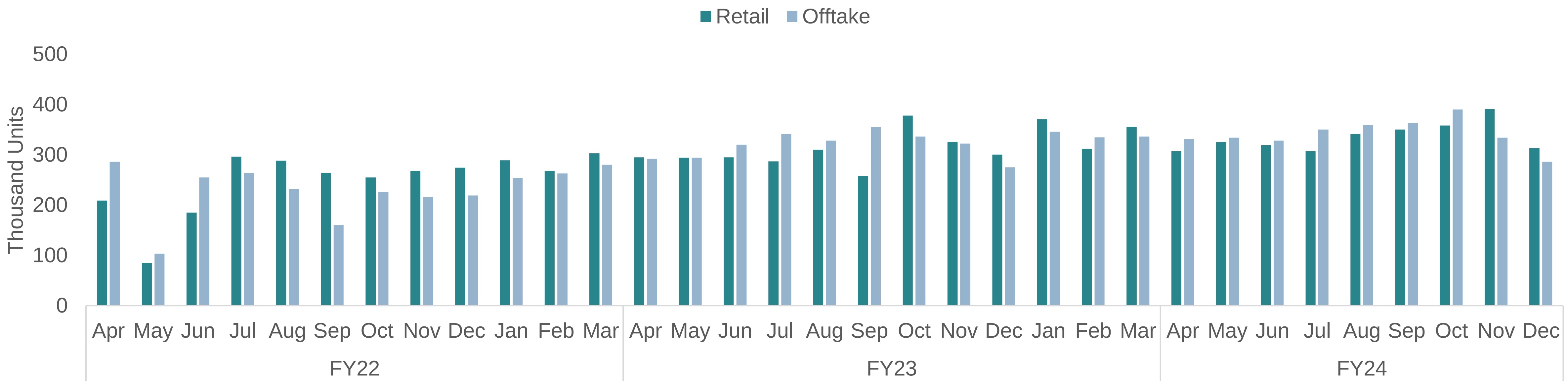
Capacity utilisation of key players

Player	Effective Capacity (in '000) (on 31st Mar 2023)	Capacity Utilisation in FY23	Capacity Utilisation in Apr-Nov FY24
Maruti	2,250	84%	86%
Hyundai	763	93%	103%
Tata Motors	564	98%	NA
Renault-Nissan	480	45%	25%
Toyota	310	54%	108%
Honda	180	65%	64%
Volkswagen	179	37%	49%
Kia Motors	400	90%	79%

Source: SIAM, Industry, CRISIL MI&A

Sequential improvement during festive, high inventory and stock correction for the year end

Offtake dropped below 3 lakh first time in FY24 during December

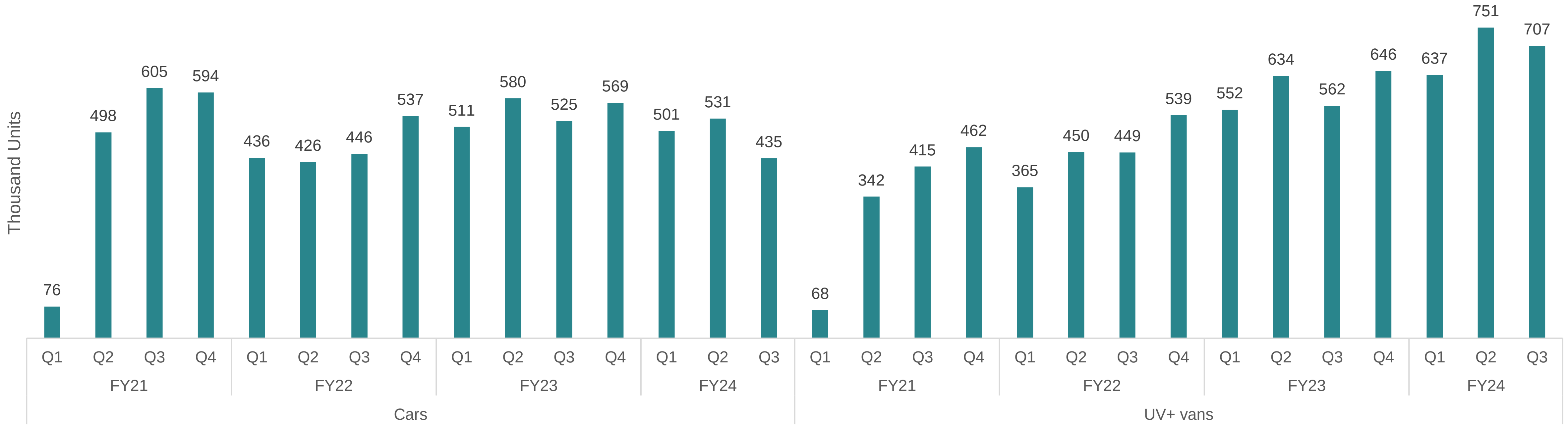


Note: Retail numbers are estimated, Offtake numbers include Tata Motors sales
Source – MoRTH, SIAM, CRISIL MI&A

- Increased offtake amidst the festive inventory built up during Aug Sep and Oct
- Reduced offtake and higher retails during the festive period in November
- High festive built up pushed the stock levels up in Dec (50-55 days)
- Sharp reduction in offtake during December for inventory liquidation

Some sequential drop in production, UVs remain the focus

Quarterly production trend



Source: SIAM, CRISIL MI&A

- Compared to last year, production levels decreased in car segment while increased in UV + vans segment during Q3.
- OEMs prioritized UV production over cars given the continued growth momentum in the UV segment. The recent launches in the UV segment provided an added boost to the UV production during Q3
- Traction for cars, especially the basic hatchbacks has been under pressure, keeping the production restricted for the cars segment
- Sequentially, production levels normalized in Q3 after increased production for the festive built up during Q2

Domestic – Annual forecast

	Units	Passenger cars	UVs & vans	Total	EV penetration
FY21	Millions	1.54	1.17	**2.71**	**0%**
y-o-y growth	*%*	*-9%*	*9%*	***-2%***	
FY22	Millions	1.47	1.60	**3.06**	**0.5%**
y-o-y growth	*%*	*-5%*	*37%*	***13%***	
FY23	Millions	1.73	2.15	**3.88**	**1.2%**
y-o-y growth	*%*	*18%*	*34%*	***27%***	
FY24 E	Millions	1.4-1.6	2.5-2.7	**4.0-4.2**	**2-3%**
y-o-y growth	*%*	*(14)-(12)%*	*20-22%*	***5-7%***	
FY25 P	Millions	1.3-1.5	2.7-2.9	**4.1-4.3**	**3-4%**
y-o-y growth	*%*	*(7)-(5)%*	*7-9%*	***2-4%***	

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	413	*4%*	580	*14%*	992	*9%*
	Q2	398	*(15)%*	675	*22%*	1,072	*5%*
	Q3	345	*(18)%*	667	*30%*	1,033	*8%*
	Q4 E	340-350	*(24)-(22)%*	685-695	*20-22%*	1,030-1,040	*2-4%*
FY25P	Q1 P	325-335	*(22)-(20)%*	670-690	*17-19%*	1,000-1,020	*1-3%*
	Q2 P	370-375	*(9)-(7)%*	710-720	*5-7%*	1,070-1,090	*1-3%*
	Q3 P	345-360	*1-3%*	690-710	*4-6%*	1,040-1,060	*3-5%*

Domestic – Quarterly forecast

- Industry did the festive built up during Q2, sizeable offtake push was done across OEMs during Q2
- Significant discounts were offered during Q3 for the festive period
- Despite this, dealers were left with sizeable stock of 50-55 days during December
- The basic hatchback segment continued to remain under stress
- OEMs had to reduce the offtake significantly during December to liquidate the inventory
- Industry expected to clock 5-7% growth in FY24 and reach a further historic high
- In FY25, industry expected to continue its trajectory at a subdued pace off this high base
- UV segment to provide the thrust while car segment to remain under pressure
- Festive built up to back increased offtake during Q2
- New launches – primarily upgrades to provide the much-needed boost
- Increased EV portfolio to further EV penetration in FY25

Stakeholder interactions

OEMs

- Festive demand not up to the mark
- High inventory levels at dealer end
- Some sequential drop in retails as well as offtake expected in December
  - Some push back from dealers amidst increased stock
- Slack continues in lower compact segment
- UVs continue their momentum
- Supply situation has normalized
- Primarily 1-2 months waiting period- that too on few fast-moving models
- Year to end on a positive note 6-7% growth for the year
- Pace expected to taper off the high base of FY24
- Recent launches to primarily provide the push
- Continued momentum in the macroeconomic landscape, investment push by the government, intermittent launches to provide momentum next year
- Low single digit growth projected for the next year
- UVs to provide the push, cars to decelerate the pace

Dealer

- Sequential improvement in retails during festive
- Festive retails not as per expectations
- Only restricted improvement in lower compact segment retails despite the festive discounts
- Sizeable inventory push done by all OEMs during the built-up period
- Now significant 50-55 days inventory at dealer level
- Higher inventory for slow moving lower compact segment
- Waiting periods have gone down across models, most models available off the rack
- High pressure to clear the 2023 inventory
- Very high discounts being offered- additional discounts from dealer side as well
- Increased discounts and announcement of a price rise from Jan is incentivizing customers
- Dealers do not expect the complete liquidation of 2023 inventory
- Have restricted vehicle offtake- mainly clearing booking pipeline
- 2024 models expected only in the second half of Jan
- Retails to be muted in Jan
- Some improvement expected from Feb with March doing good retail numbers

Financier

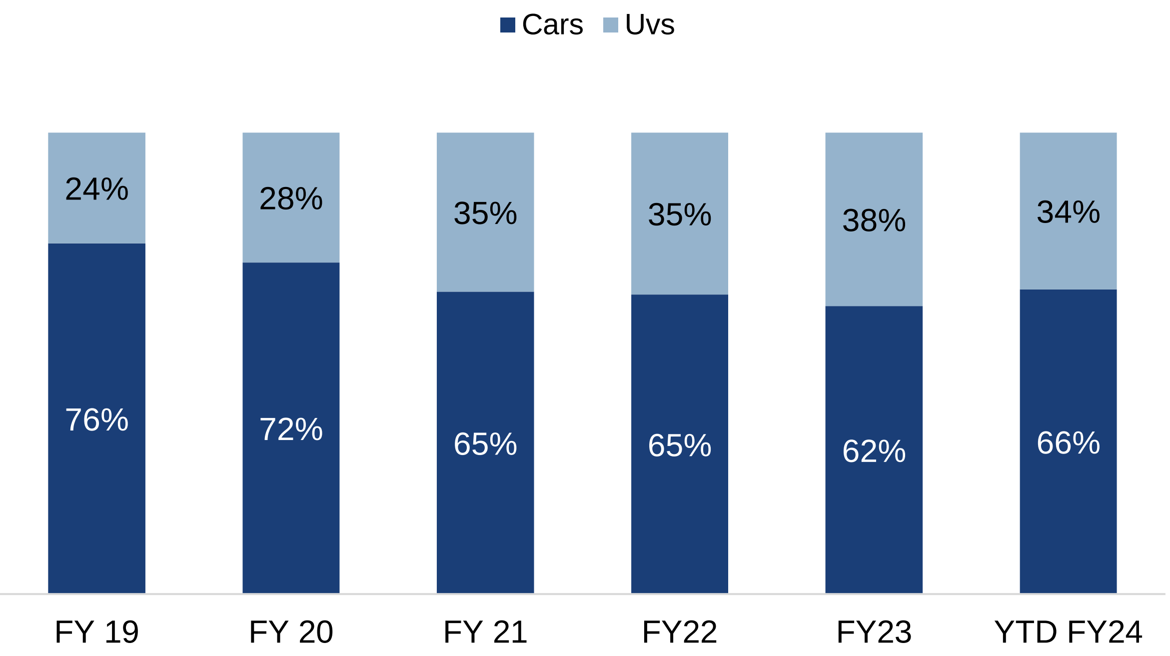
- Stance of financers remains accommodative
- High retail traction in the market is backing the disbursement growth
- Interest rates remain elevated, no further rise expected with RBI keeping the rates steady
- LTV and penetration levels remain steady

Source – Industry, CRISIL MI&A

PV exports

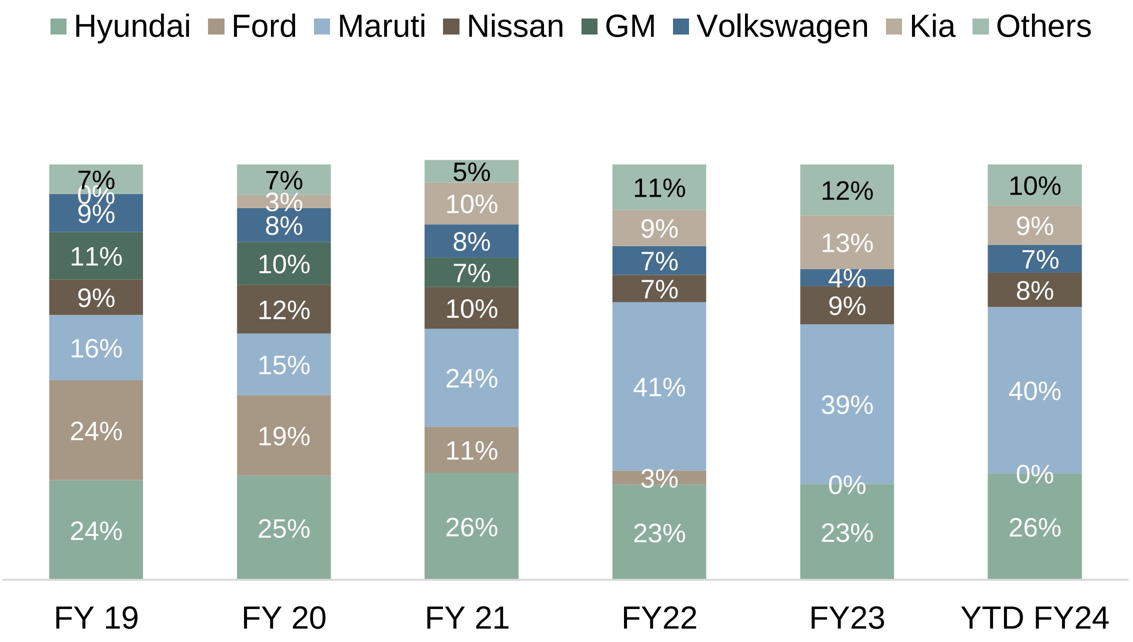
Unlike the domestic market, cars provide the push to exports in YTD FY24

Increased contribution of cars



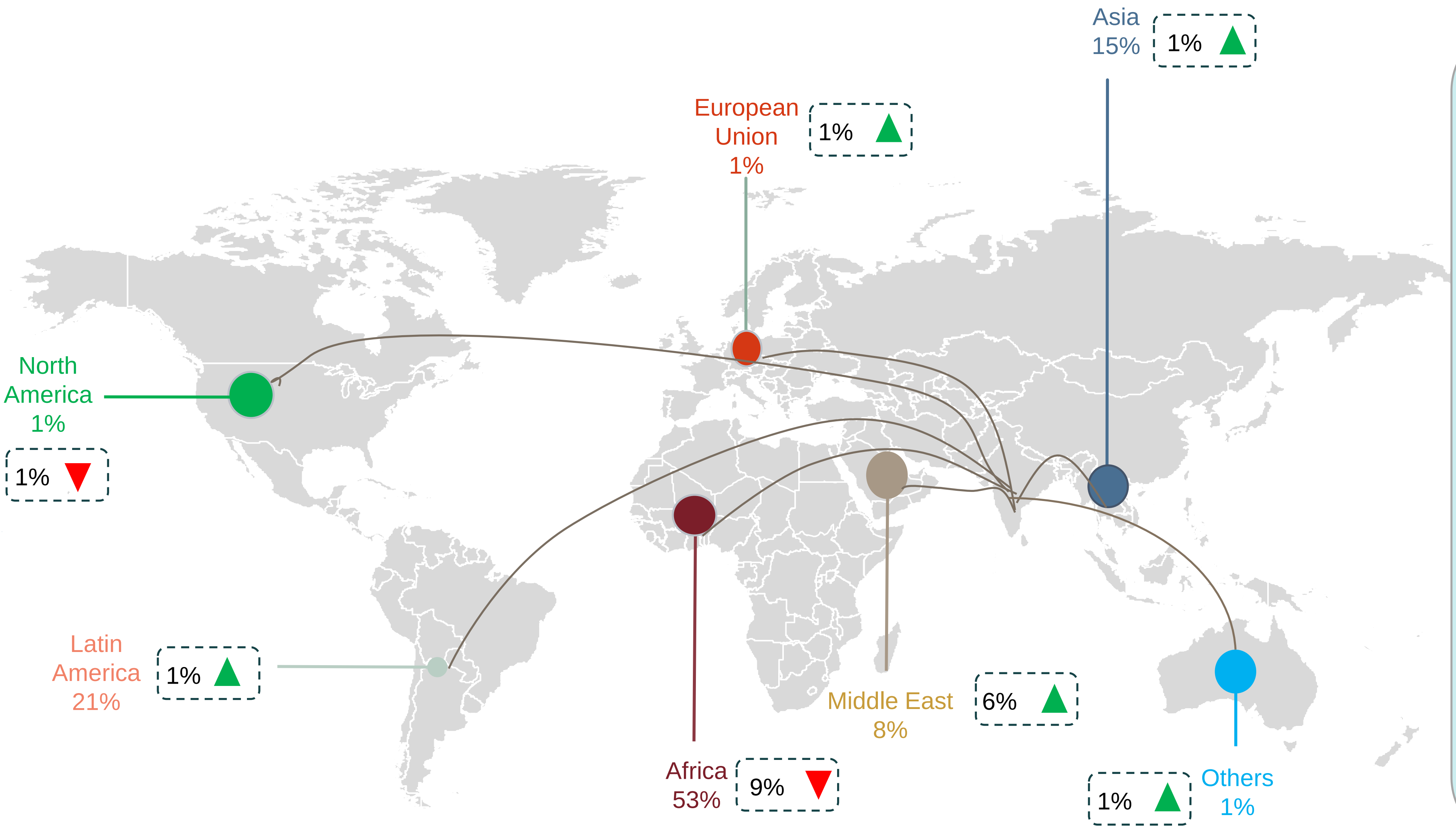
Source: SIAM, CRISIL MI&A
YTD – Apr – Dec 2023

MSIL maintains its export focus



- Industry exports recorded 3% growth during YTD FY24
- Cars have regained their share in exports amidst slowdown in the segment demand in the domestic market.
- In turn, MSIL & Hyundai have maintained their lead during YTD FY24.
- One of the highest contributors to domestic sales, Tata Motors has low presence in the exports market

Passenger Vehicle Exports



- During FY23, PV exports increased at a healthy pace, there was a marginal improvement witnessed during YTD FY24
- Africa continued to dominate the exports, however, its lead contracted in FY24 amidst tapered exports to South Africa, the leading export destination
- Contribution of exports to LATAM increased during Apr-Oct FY24, with increased exports to Mexico.
- Contribution of Middle east also expanded with increased exports to Saudi Arab.

Note: : Represents volume data for Apr-Oct FY24 exports, % in dotted boxes indicates change in contribution from FY23

Source: DGFT, CRISIL MI&A

Two-wheelers

Industry demand expected to continue its momentum in FY25

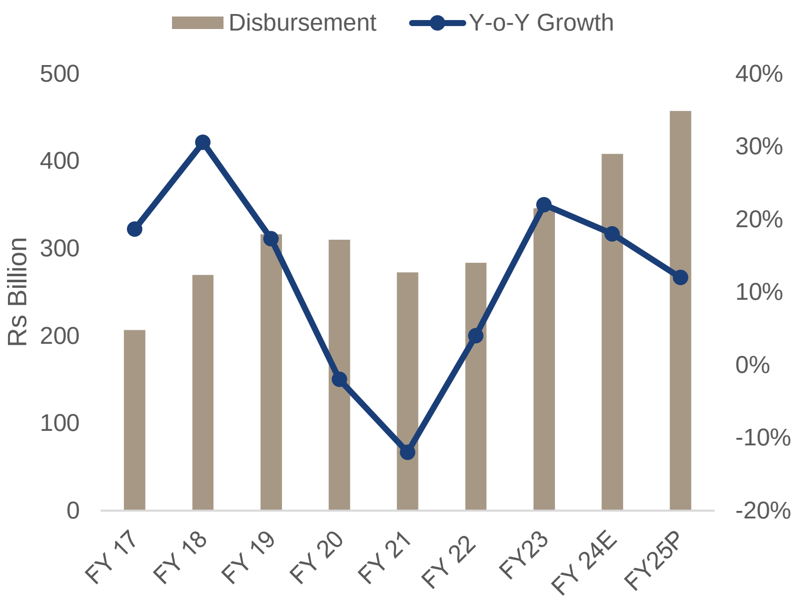
Parameters	Impact			
	FY 22	FY23	FY24E	FY25P
-- Income for discretionary spending	Neutral	Favorable	Favorable	Favorable
-- Cost of ownership	Neutral	Not Favorable	Not Favorable	Not Favorable
-- Interest rates	Neutral	Not Favorable	Not Favorable	Not Favorable
-- New model/ facelift launches	Neutral	Favorable	Favorable	Favorable
-- Regulations – two-wheeler vehicles	Neutral	Neutral	Not Favorable	Neutral
-- Impact on Overall Sales Growth	Not Favorable	Favorable	Favorable	Neutral

Favorable
Neutral
Not Favorable

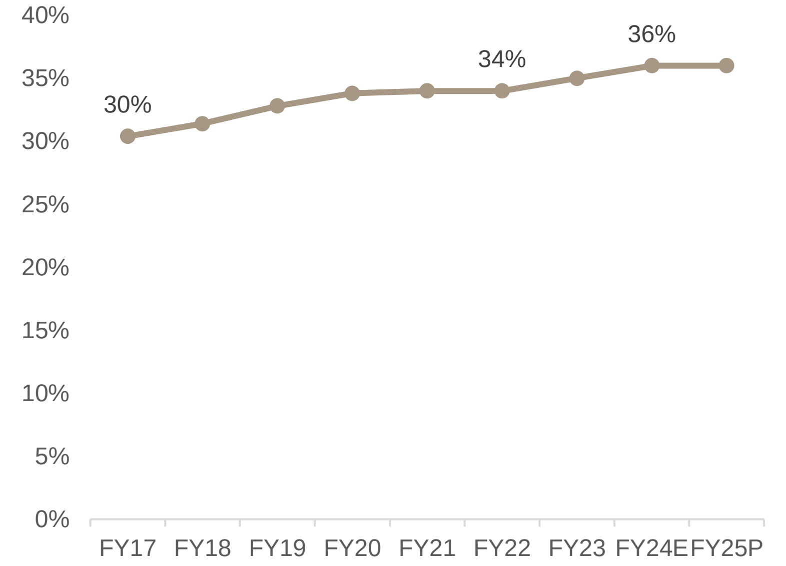
Source: CRISIL MI&A

Disbursements to improve further in FY25, albeit at a slower pace

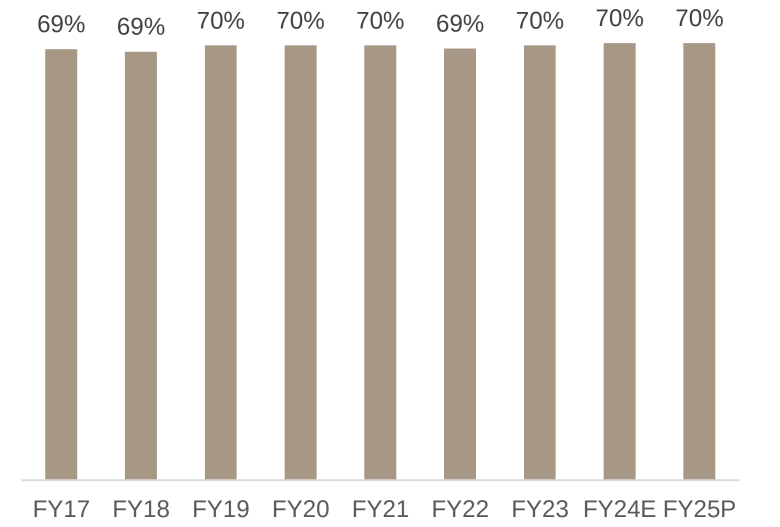
Disbursements



Auto finance penetration



Loan-to-value

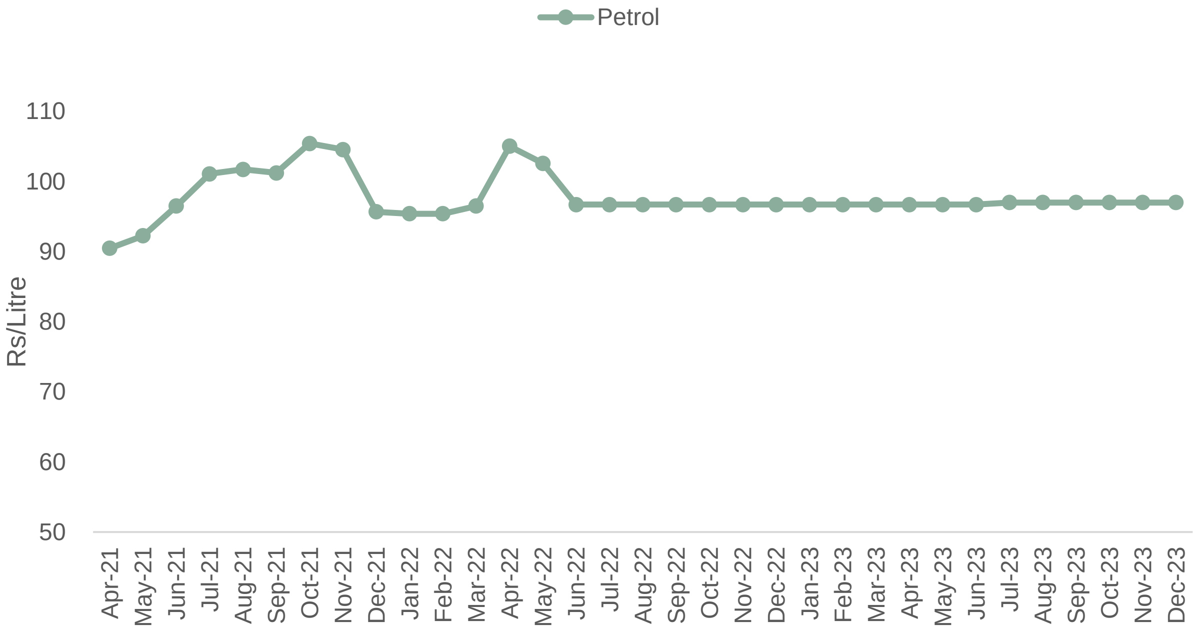


Source: Experian Credit Bureau, Company Reports, CRISIL MI&A

- Disbursements rebounded in FY23 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 financers became more accommodative with reopening of economy
- Disbursement growth continued in FY24 albeit at a tapered pace of 17-19%
- From this high base, some further deceleration is expected in FY25
- Penetration levels are expected to remain healthy in FY25, as financers remain positive about the segment
- LTVs are expected to remain rangebound

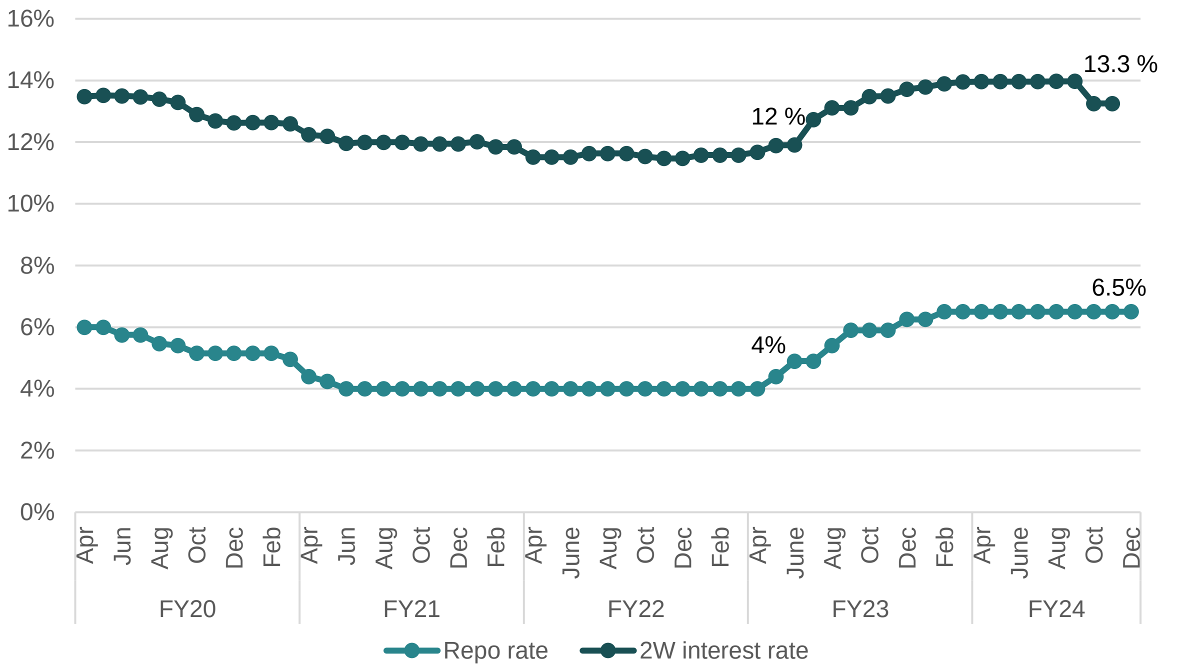
Operating costs remain elevated

Petrol Prices: Remained steady



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

Interest Rates mimicking the repo trend

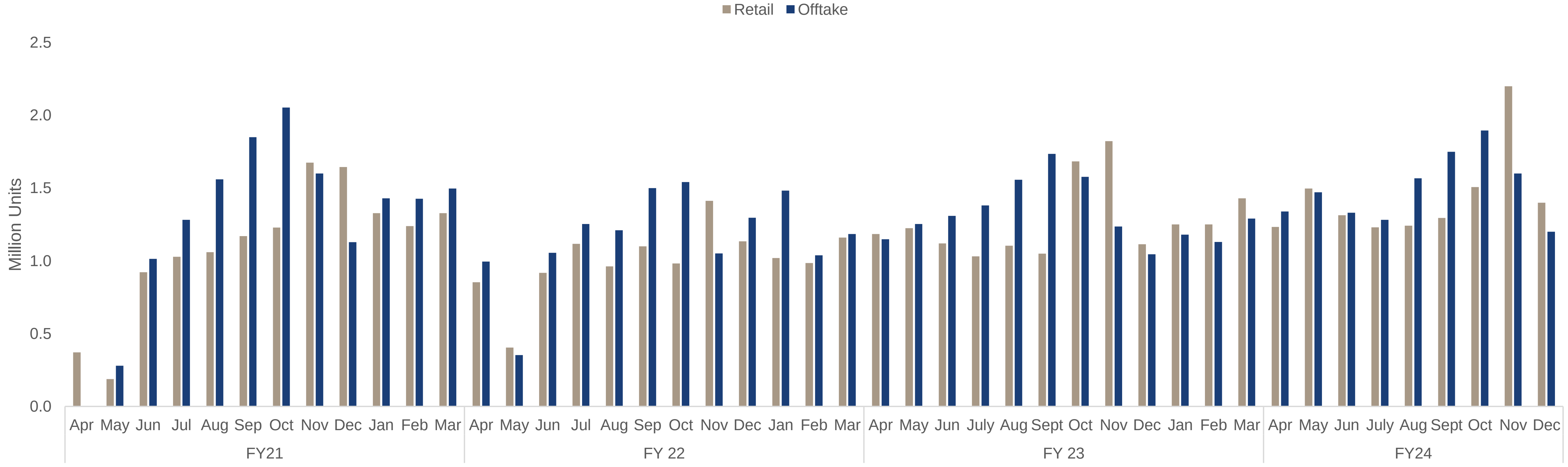


NOTE – Mentioned interest rates are indicative rates charged by Banks
Source – CRISIL MI&A

- Fuel prices after being stagnant for about four months from Dec-Mar, spiked to Rs. 105-106 in Apr and May 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 225 bps in tandem with 250 bps rise in repo rates since April 22, some interest rate cut was done by SBI in October
- Rising operating costs remain a concern for the industry especially for the commuter segment

Festive momentum in Q3, retails remain rangebound

Retail vs off-take sales trend

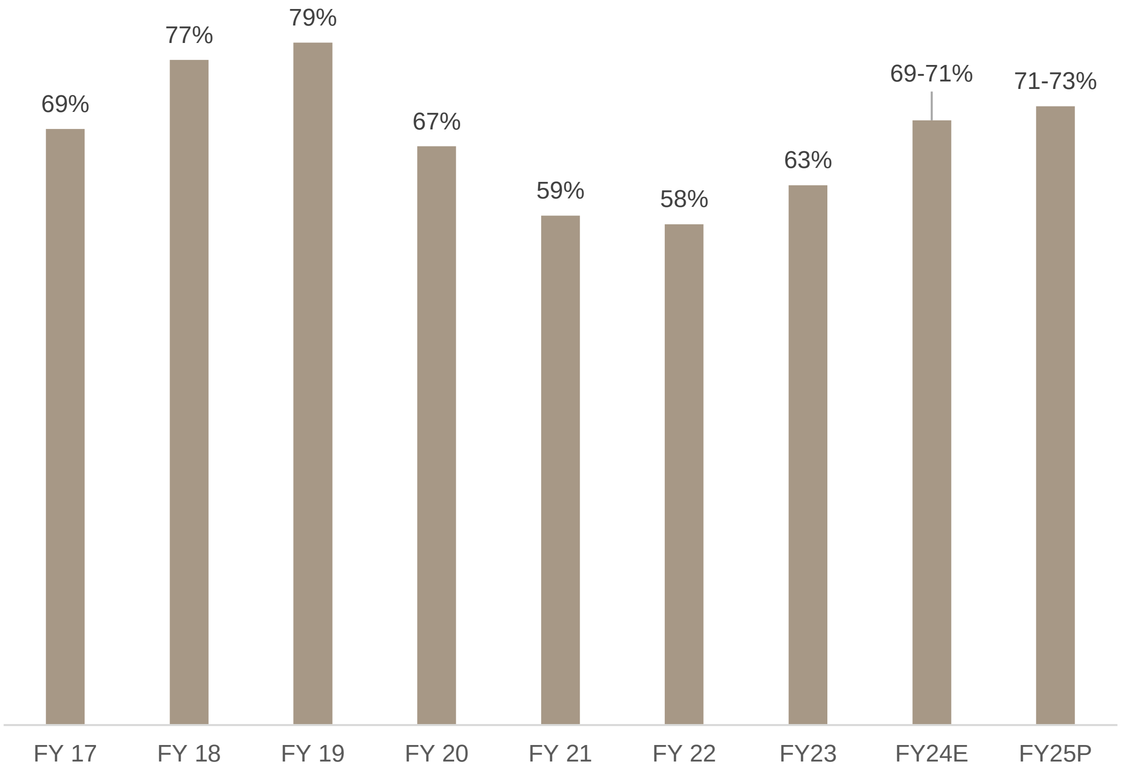


Note: Retail numbers do not include TS & LD numbers
Source – MoRTH, SIAM, CRISIL MI&A

- From August, OEMs started inventory built up for the festive season, retails witnessed growth during November amidst the strong festival momentum, increased incentives and healthy rural sentiments.
- On the other hand, offtakes contracted with some inventory correction post festive built up.
- Sizeable offtake push happened in October and retail push in November and December months in Q3.
- In turn, inventory levels decreased to **~40 days** at the end of the quarter

Further improvement in utilization expected in FY24 & FY25

Utilisation improved in FY23 from low Covid base



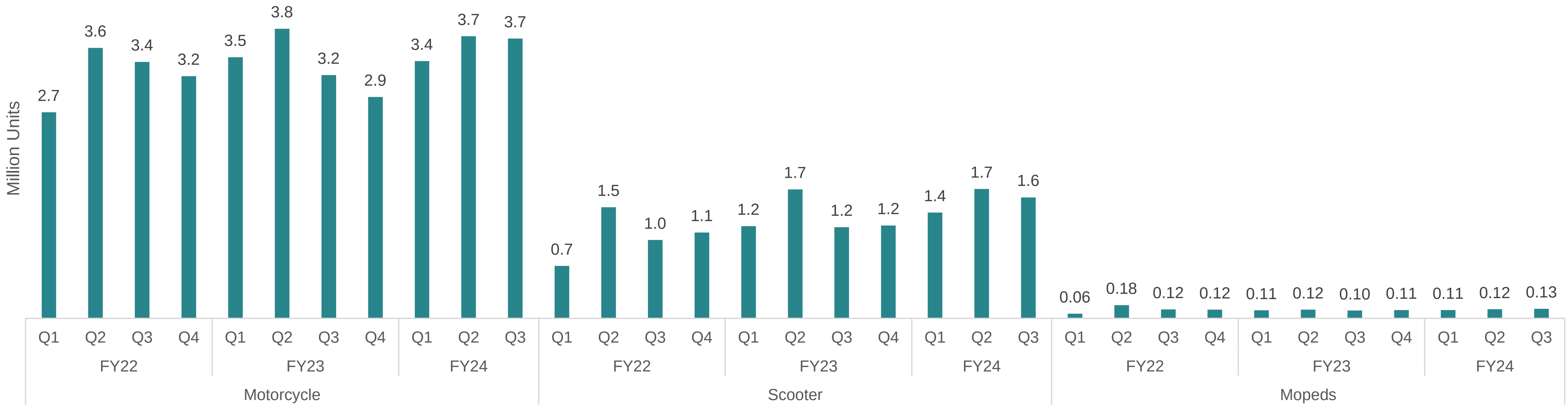
Source: Industry, SIAM, CRISIL MI&A

Player wise utilization

Player	Effective Capacity estimate in mn (as on 31st Mar 2023)	Production YTD FY24	Utilization
Hero Motocorp	9.6	4.1	57%
Bajaj Auto	5.7	2.8	65%
HMSI	6.4	3.6	75%
TVS Motor Company	4.5	3.0	89%
India Yamaha Motors	1.6	0.7	57%
Suzuki Motors	1.3	0.8	88%
Royal Enfiled	1.0	0.7	98%

Continued production momentum during Q3

Segment wise production trend



Source: SIAM, CRISIL MI&A

- OEMs increase production to cater to the festive season demand.
- This year as well, a sizeable sequential increase was done to support the festive offtake
- Scooters witnessed sequential increase as well as y-o-y growth
- While motorcycles witnessed relatively slower sequential growth
- Q3 production was positive to support the festive momentum for Diwali during mid November.

Domestic – Annual forecast

	Units	Motorcycle	Scooters	Mopeds	Total	EV penetration
FY21	Millions	10.0	4.5	0.6	**15.1**	0%
y-o-y growth	*%*	*(11)%*	*(19)%*	*(3)%*	***(13)%***	
FY22	Millions	9.0	4.3	0.5	**13.7**	2%
y-o-y growth	*%*	*(10)%*	*(7)%*	*(23)%*	***(10)%***	
FY23	Millions	10.2	5.6	0.4	**16.3**	4.5%
y-o-y growth	*%*	*14%*	*32%*	*(7)%*	***19%***	
FY24E	Millions	11.3-11.8	6.1-6.3	0.4-0.6	**18.1-18.3**	4-6%
y-o-y growth	*%*	*12-14%*	*10-12%*	*7-9%*	***11-13%***	
FY25P	Millions	12.1-12.3	6.6-6.9	0.4-0.6	**19.3-19.6**	5-7%
y-o-y growth	*%*	*5-7%*	*7-9%*	*4-6%*	***6-8%***	

Note: Numbers include EVs, EV data based on VAHAN retail numbers
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%	1.6	18%	0.1	(29)%	4.9	17%
	Q3	2.5	4%	1.4	21%	0.1	(20)%	4.1	11%
	Q4	2.3	4%	1.3	12%	0.1	0%	3.6	7%
FY24E	Q1	2.7	14%	1.4	10%	0.1	(6)%	4.3	12%
	Q2	2.9	(3)%	1.6	0%	0.2	1%	4.7	(2)%
	Q3	3.1	22%	1.6	23%	0.1	28%	4.8	21%
	Q4 E	2.7-2.9	21-23%	1.4-1.7	17-19%	0-0.2	8-10%	4.3-4.6	19-21%
FY25P	Q1 P	2.8-3.0	4-6%	1.5-1.7	12-14%	0-0.2	14-16%	4.5-4.7	7-9%
	Q2 P	3.0-3.3	7-9%	1.7-1.9	9-11%	0-0.2	8-10%	4.9-5.1	8-10%
	Q3 P	3.0-3.2	0-2%	1.6-1.8	3-5%	0-0.2	(7)-(5)%	4.8-5.0	1-3%

Note: Numbers include EVs, EV data based on VAHAN retail numbers
Source – SIAM, CRISIL MI&A

Domestic – Quarterly forecast

- Industry witnessed healthy festive demand during FY24
- The commuter motorcycle segment which was under pressure during the entire year, also witnessed sequential improvement
- Stock levels were normal at the end of Q3
- Industry is expected to see healthy growth for the entire year
- Off the high base, some tapering is expected during FY25
- Within motorcycles, the premium segment to primarily provide the push while the commuter segment to maintain its slow growth
- 110 Scooter subsegment has been under pressure amidst the EV shift- it is expected to remain under pressure
- On the other hand, backed by OEM focus, continued intermittent launches the scooters 125 cc subsegment to witness better growth
- EV segment has witnessed gradual growth post the June hiatus when the FAME subsidy was cut
- Higher EV prices have become the new normal and EV subsegment is expected to continue its traction going ahead
- Launch of competitively priced EVs as well as EV push from traditional OEMs like TVS to provide an added push

Stakeholder interactions

OEMs

- Positive festive demand
- Offtake to be reduced for the commuter segments in Q4
- Premium segments to drive offtake in Q4
- Overall healthy growth expected for the year
- Some moderation expected in FY25
- Clear shift towards premium vehicles
- OEM focusing on the premium segments, motorcycles as well as scooters
- Launches expected in the premium segment
- EV traction to be buoyant going ahead
- Penetration to rise further
- Rural demand expected to be healthy in the coming year
- Development of monsoon remains a monitorable

Dealers

- Healthy traction witnessed in Q3
- Retails improved sequentially from Q2 owing to the strong festive momentum ,increased incentives and healthy rural sentiments.
- Premium segments provided the push, but commuter segments witnessed improvement
- EVs consistently maintaining its strong position in Q3 with November seeing sharp rise in EV retails
- Inventory correction post festival
- Stock of 40 days with dealers
- Price rise expected in coming quarter.
- Within scooters 125 segment is seeing better traction
- Even for motorcycles, 200+ cc segment is driving the demand
- Jan & Feb retails to be subdued , some improvement expected in March
- Positive rural demand, marriage season to back traction in Q1

Financier

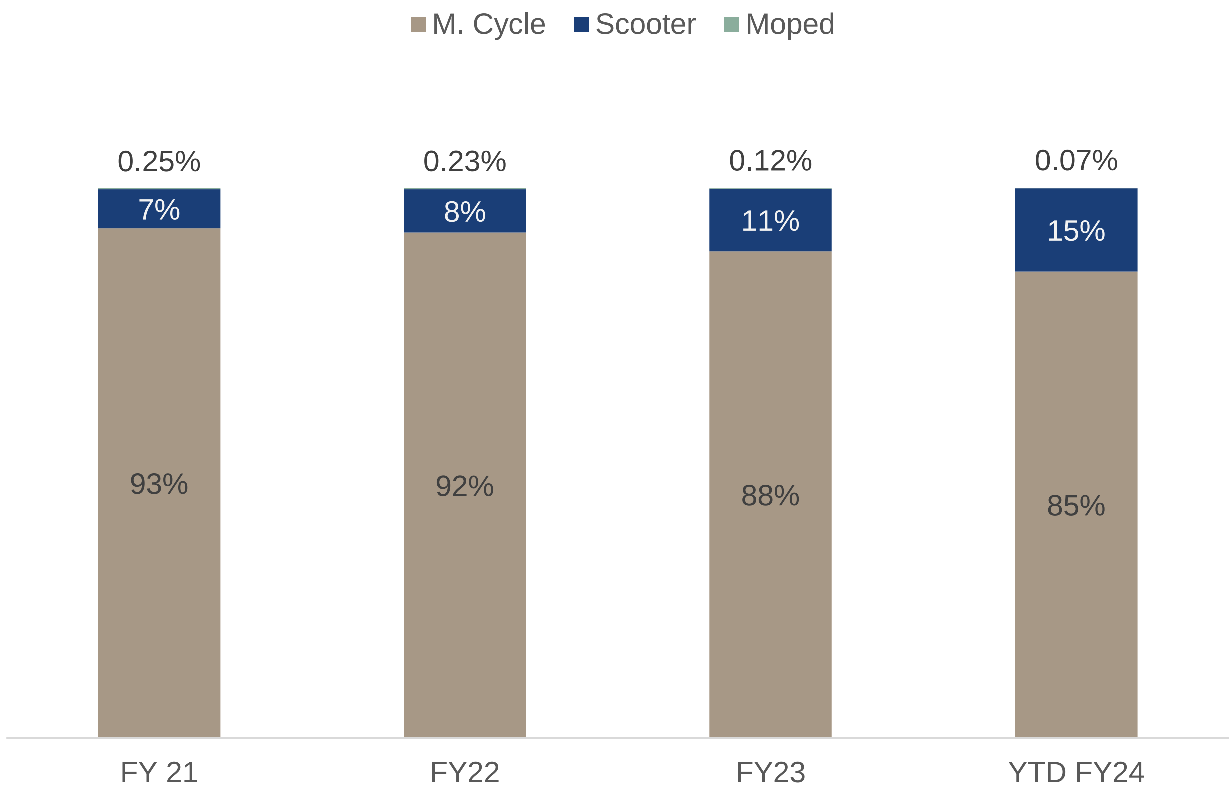
- Continued increase in disbursements with rising retails
- Aggressive financing by the financers during the festive season
- Financing support remained crucial
- Stance of the financers to remain accommodative with the new launches .
- No further rise in repo rates after the Feb round
- SBI has reduced its interest rates in October

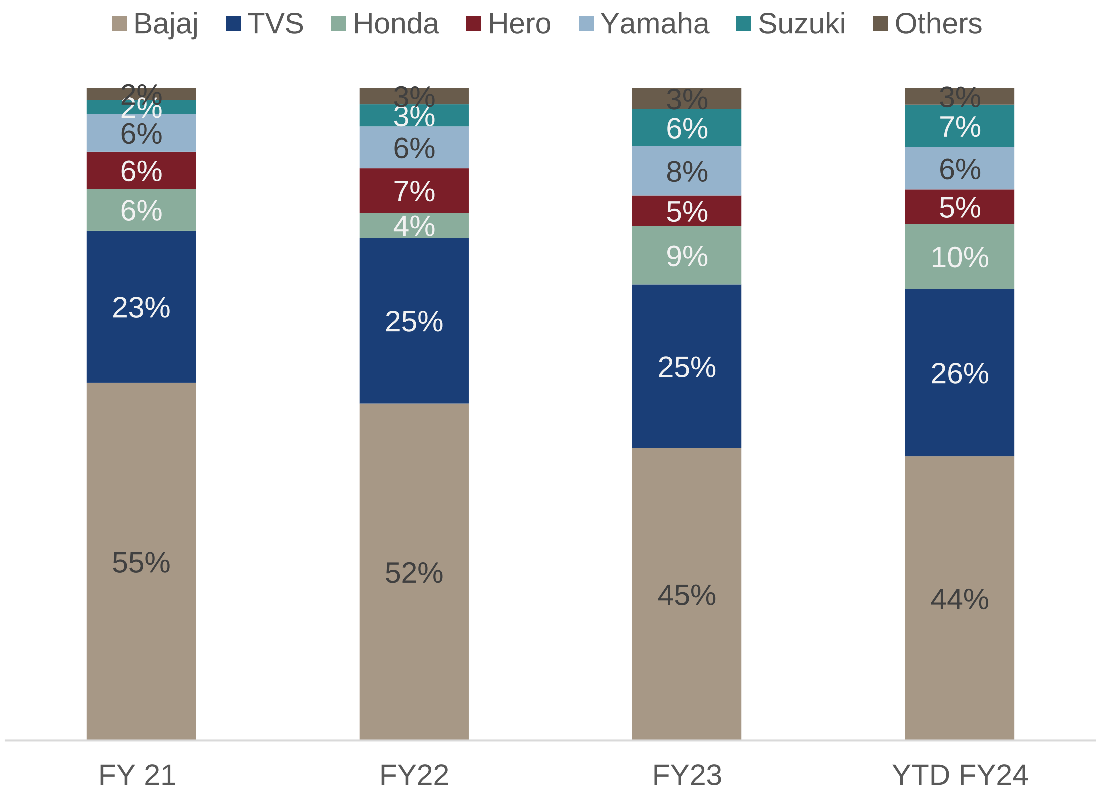
Source – Industry, CRISIL MI&A

Two-wheeler exports

Exports contract 14% y-o-y in YTD FY24; Scooter exports rise

In turn, scooter major Honda, Suzuki extend their presence

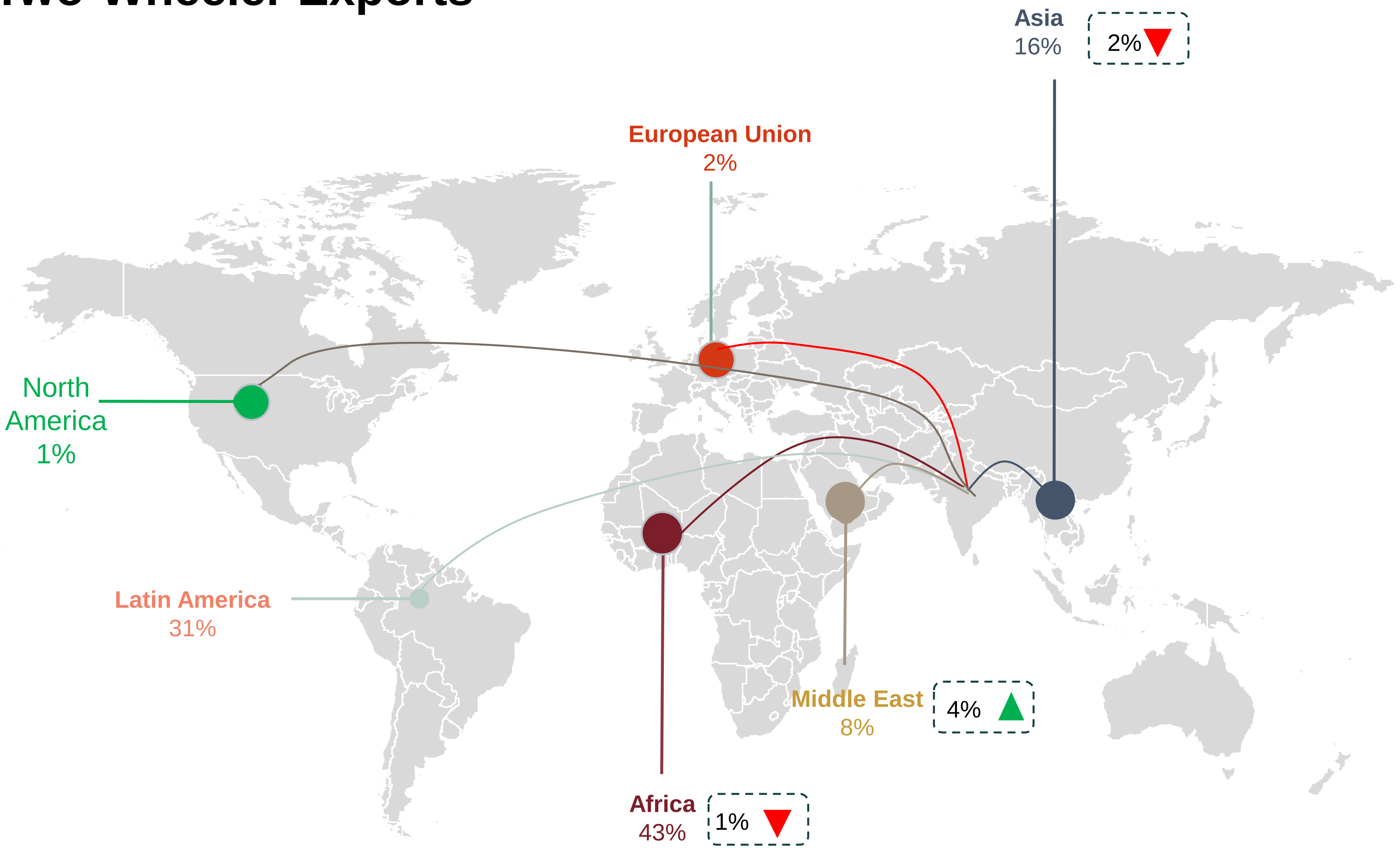




Source: YTD- Apr-Dec’23 SIAM, CRISIL MI&A

- Exports contracted 18% in FY23; Motorcycles dropped 21% , while scooter exports rose 19%
- Similar trend continued in YTD FY24 , overall exports dropped 14% y-o-y; on the other hand, scooter exports rose 24%
- In turn, the share of scooters rose from 11% in FY23 to 15 % for YTD FY24
- Consequently, share of TVS, HMSI, Hero and Suzuki expanded during the quarter, while the leader Bajaj witnessed some contraction

Two-Wheeler Exports



- There has been demand pressure in key export destinations due to global tightening, high inflation & FOREX unavailability
- Weakening currencies coupled with country specific issues such as demonitisation, elections, uprisings, geopolitical conflicts are other issues impacting exports.
- Increased exports to Turkey supported Middle East share expansion
- While ASEAN countries have experienced lesser impact compared to African and LATAM economies, both regions have been affected by the prevailing global tightening and worsening economic conditions.

Note: Represents share of volume for FY 24 April-Oct exports, % in dotted boxes indicates change in share from FY 23

Source: DGFT, CRISIL MI&A

Commercial Vehicles

High base effect to now reflect on growth rates

Segments (% Growth Y-o-Y)	FY19	FY20	FY21	FY22	FY23	FY24E	FY25P	
Coal (Production)	7	0	(2)	9	14	7-9	4-6	Core Sectors
Iron ore (Production)	3	19	(17)	23	3	9-11	3-5	
Steel (Consumption)	9	1	(5)	11.4	13.3	11-13	3-5	
Cement (Consumption)	12	(3)	1	9	12	10-12	3-5	
Roads (Km Constructed / Day)-NHAI	9	11	11	13	13.5	14-15	13-15	
Port (Traffic)	8.2	2	(5.5)	4.3	8.7	3-6	0-3	
Two-wheelers (Domestic sales)	5	(18)	(13)	(10)	19	11-13	6-8	Discretionary Products
Passenger vehicles (Domestic sales)	3	(18)	(2)	13	27	5-7	2-4	
Consumer durables (Consumption)	7	5	(17)	14	10-13	10-12	8-10	
E-retail	36	23	13	27	27	19-24	24-26	
RMG (Market Size)	6	(2)	(24)	23	14	8-10	10-12	
Dairy (Production)	7	5	(4)	3	3	3-4	5-6	Non - Discretionary Products
FMCG	12	5	3.5	14	13.3	3-5	5-7	
Pharmaceuticals (Market Size)	15	9	13	8	12	8-10	9-11	

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

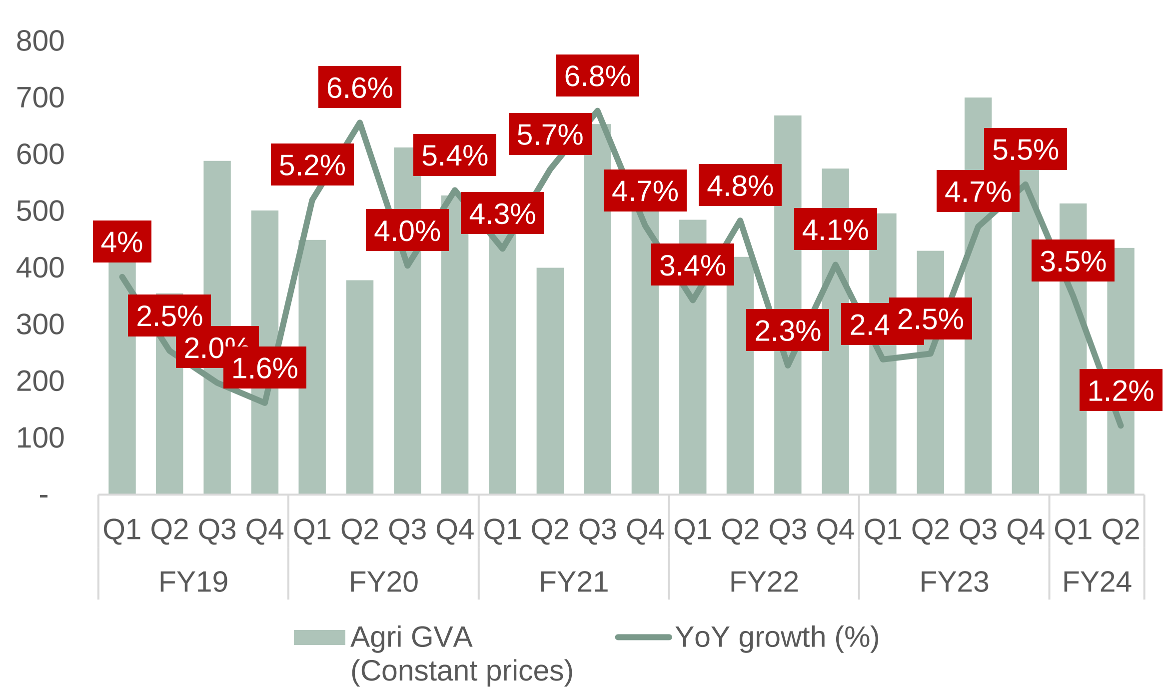
Overview of end-use segments - Buses

Segments (% Growth Y-o-Y)	FY19	FY20	FY21	FY22	FY23	FY24P	FY25P	
Gross School Enrollment								Buses
K-12	73.4	78	74.5	74.8	75.4	75.7	75.9	
Above K-12	22.5	22.5	22.2	23.0	23.4	23.4	23.3	
IT Employee Base	4	4	7	14.5	7-9	1-3	2-5	
Air Passenger Traffic – Domestic (million passengers)	140	142	54	84.7	135	153-163	179	
Air Passenger Traffic – International (million passengers)	69	66.5	10.4	22.1	60	68-73	80-82	
Hotel Room Demand	4	1	(51)	68	58	8-12	4-8	

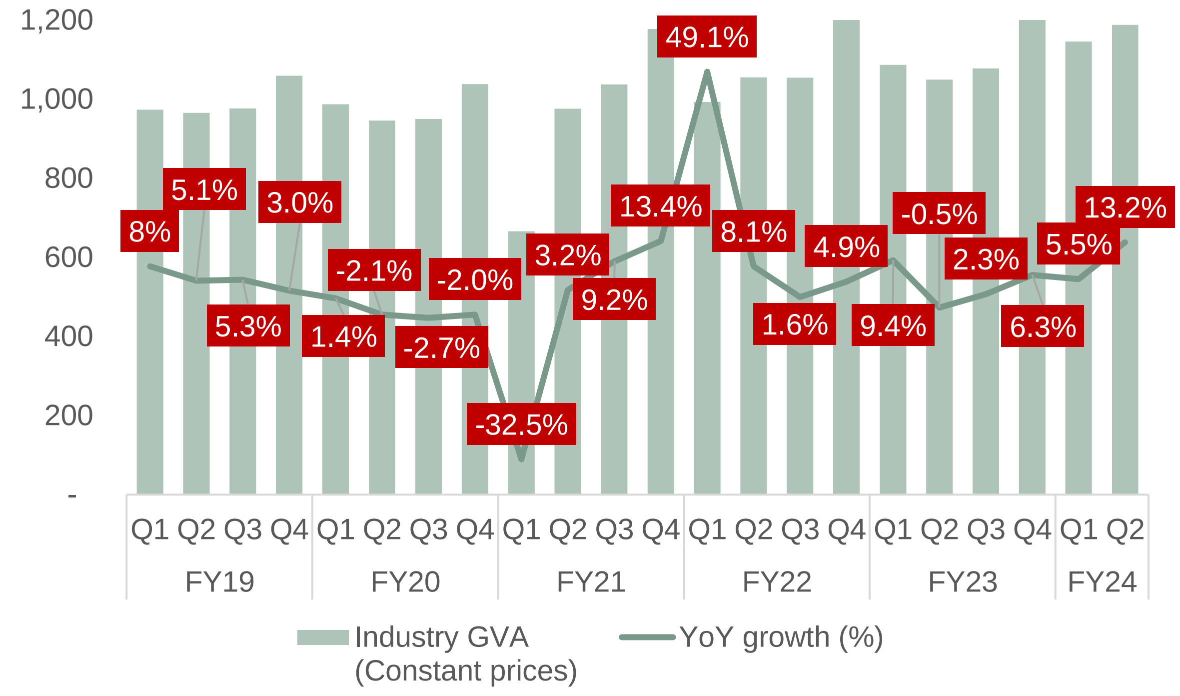
Source: CSO, RBI, SIAM and CRISIL estimates E: Estimated; P: Projected

Industry GVA witnessed growth in this quarter

Agriculture GVA growth (in Rs. Thousand Crore)



Industry GVA growth (in Rs. Thousand Crore)

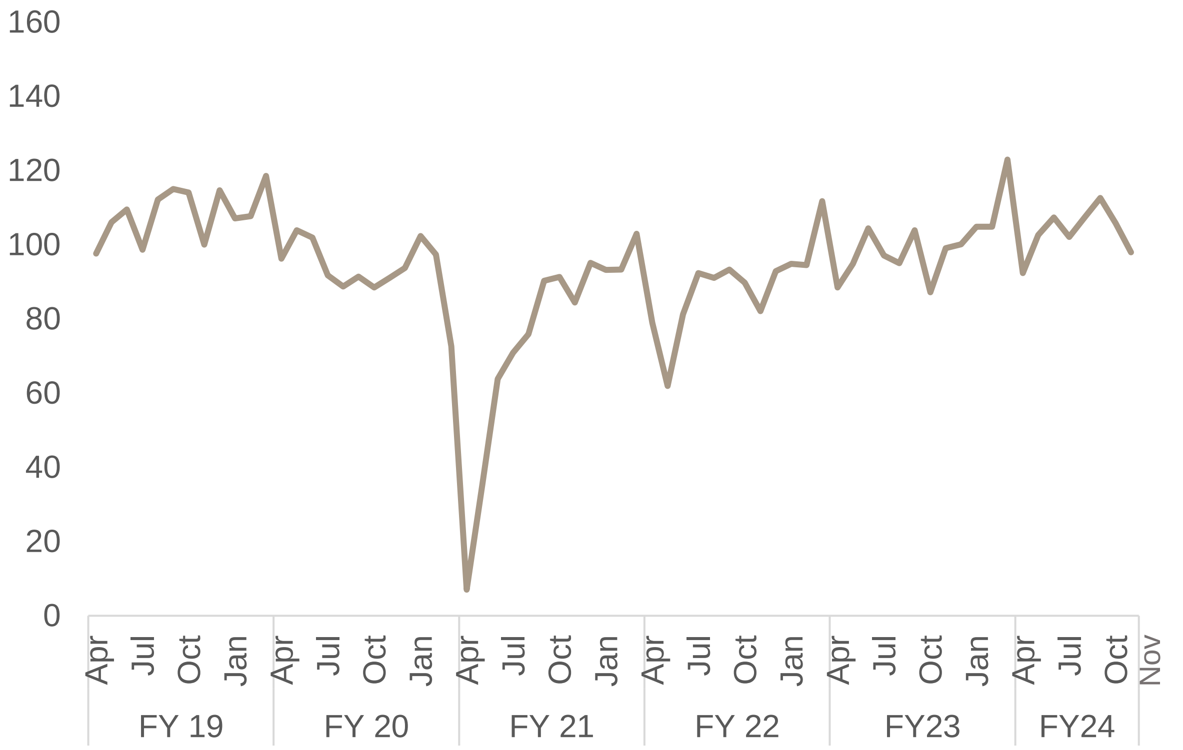


- The GVA growth in the farm sector skidded sharply to just 1.2% in Q2 from 3.5% in Q1, the growth in Q2FY23 was around 2.5%
- Industry GVA witnessed 13.2% growth in Q2FY24

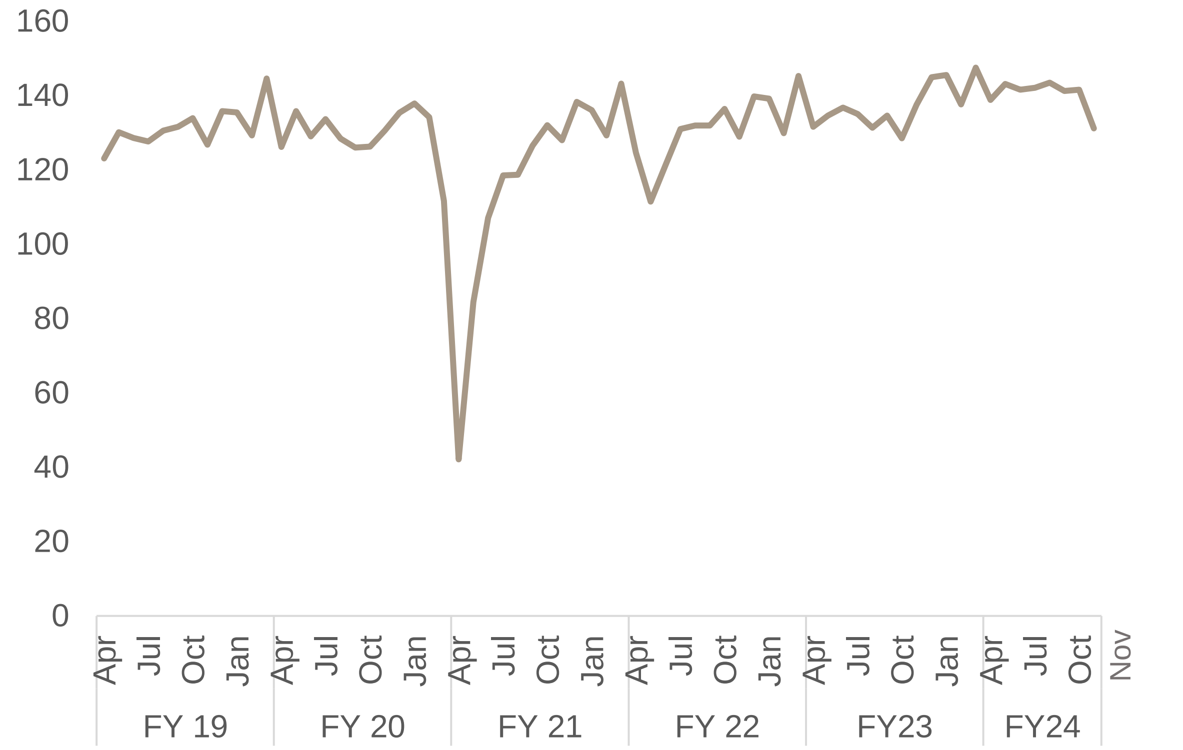
Source: MOSPI, CRISIL MI&A

Sequential drop in IIP

IIP Capital Goods



IIP Manufacturing



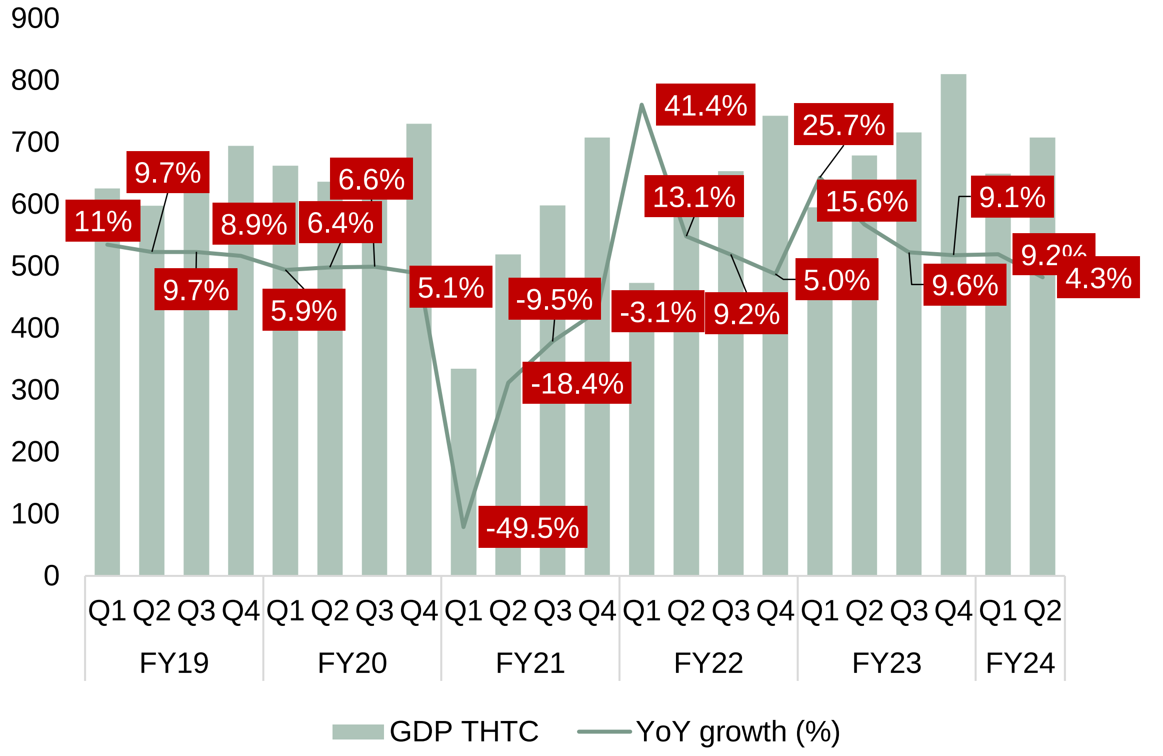
- The Index of Industrial Production (IIP) Capital goods declined by 1.1% in November 2023 compared with 21.3% on-year rise in October 2023.
- Activity picked up for industrial goods, manufacturing but growth continued to be slower for consumer-oriented sectors.

Source: MOSPI, CRISIL MI&A

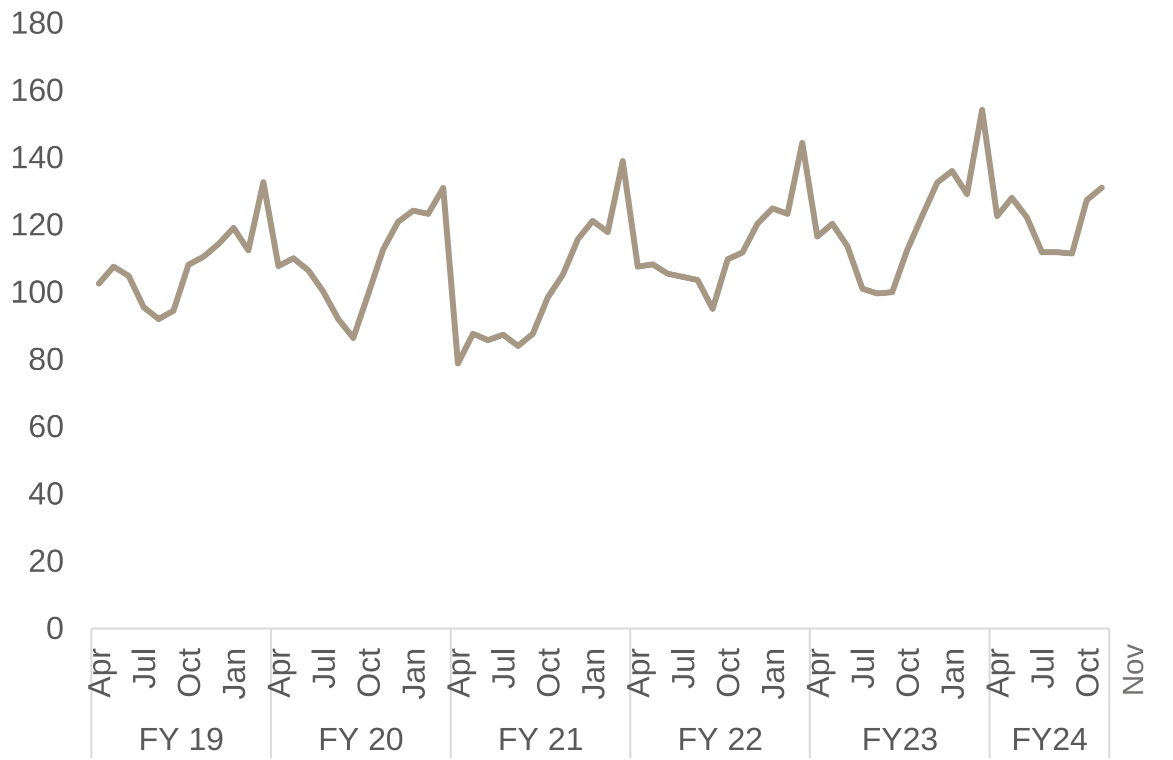
GVA growth less than halved for THTC in this quarter compared to last quarter

Consulting

GDP THTC (in Rs. Thousand Crores)



IIP Mining



- The GVA growth less than halved for services sectors such as trade, hotels and transport from 9.2% in Q1 to 4.3% in Q2.
- The Index of Industrial Production (IIP) Mining grew by 6.8% on-year in November 2023 compared with 13.1% on-year in October 2023.

Market Intelligence & Analytics

Note: THTC: Transport Hotel Transport Communication Services

Source: MOSPI, CRISIL MI&A

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Overview of end-use segments – Discretionary consumer goods

Segments (% Growth Y-o-Y)	FY 18	FY 19	FY 20	FY 21	FY 22	FY 23	FY24E	FY 25 P
Consumer durables (Consumption)	5.8	7	5	(17)	12-17	10-12	10-12	8-10

- Consumption is expected to witness moderation this fiscal, which will have an impact on household appliances growth. Rising inflation and reduced discretionary spend is expected to limit growth of household appliances sector in FY24. CRISIL thus expects sector to grow 10-12% in FY24.

Segments (% Growth Y-o-Y)	FY 18	FY 19	FY 20	FY 21	FY 22	FY 23	FY24E	FY 25 P
E-retail	35	35-37	23	13	27	22-25	19-24	24-26

- CRISIL projects the Indian e-commerce sector to clock 21-26% CAGR between FY23 and FY26. The industry is expected to reach Rs 5.7 trillion by FY26. Penetration of e-retail is significantly low, providing a sizeable opportunity in the sector. Increasing internet penetration, greater usage of smartphones, discounts, and convenience of shopping online will propel penetration of e-retail to ~6.3% in FY25 from 3.7% in FY23. Post FY24, demand is expected to improve.

Segments (% Growth Y-o-Y)	FY 18	FY 19	FY 20	FY 21	FY 22	FY 23	FY24E	FY 25 P
RMG (Market Size)	5	6	(2)	(24)	23	14	9-11	10-12

- Growth of RMG industry is to be driven by domestic demand while exports to witness gradual recovery. FTAs signed with key countries to boost India's exports. Players to see margin expansion due to easing cotton yarn prices, positive revenue growth in FY24. Overall RMG market is projected to cross Rs.5.4 trillion in FY 2024, up 9-11% from FY23 and Rs 6 trillion in FY 25 up 10-12% from FY24. The RMG industry's revenues are estimated to have increased by around 14% during FY23.

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

Overview of buses

Segments	FY 18	FY 19	FY 20	FY 21	FY 22	FY 23	FY24E	FY 25 P
No of K-12 institutions (million)	1.56	1.56	1.65	1.62	1.6	1.7	1.7	1.7
Gross enrolment ratio (GER) (%)	73.4	73.4	78	74.5	74.8	75.4	75.7	75.9

- In FY24, the Indian education sector is projected to be worth INR 11,500–12,000 billion. The formal sector accounts for the greatest portion of the pie (59%), with K–12 and higher education contributing ~37% and ~23%, respectively. Given the high base of the FY23, a moderate rise of 10-15% is anticipated for the industry in the FY24. It is anticipated that the formal and informal categories will expand at rates of 5–10% and 15-20%, respectively.

Segments (% Growth Y-o-Y)	FY 18	FY 19	FY 20	FY 21	FY 22	FY 23	FY24E	FY 25 P
Growth in number of IT employees	3	4	4	7	17	7-9	1-3	2-5

- Over the medium term, from FY23-28, revenues of the Indian IT services industry (in dollar terms) are projected to grow at a compound annual growth rate (CAGR) of 9-11%, compared to approximately 6% in the previous five years. For FY24 IT industry is expected to grow by 3-5%. The growth was slowed down from the fourth quarter of FY23 due to global uncertainties and companies deferring non-essential projects

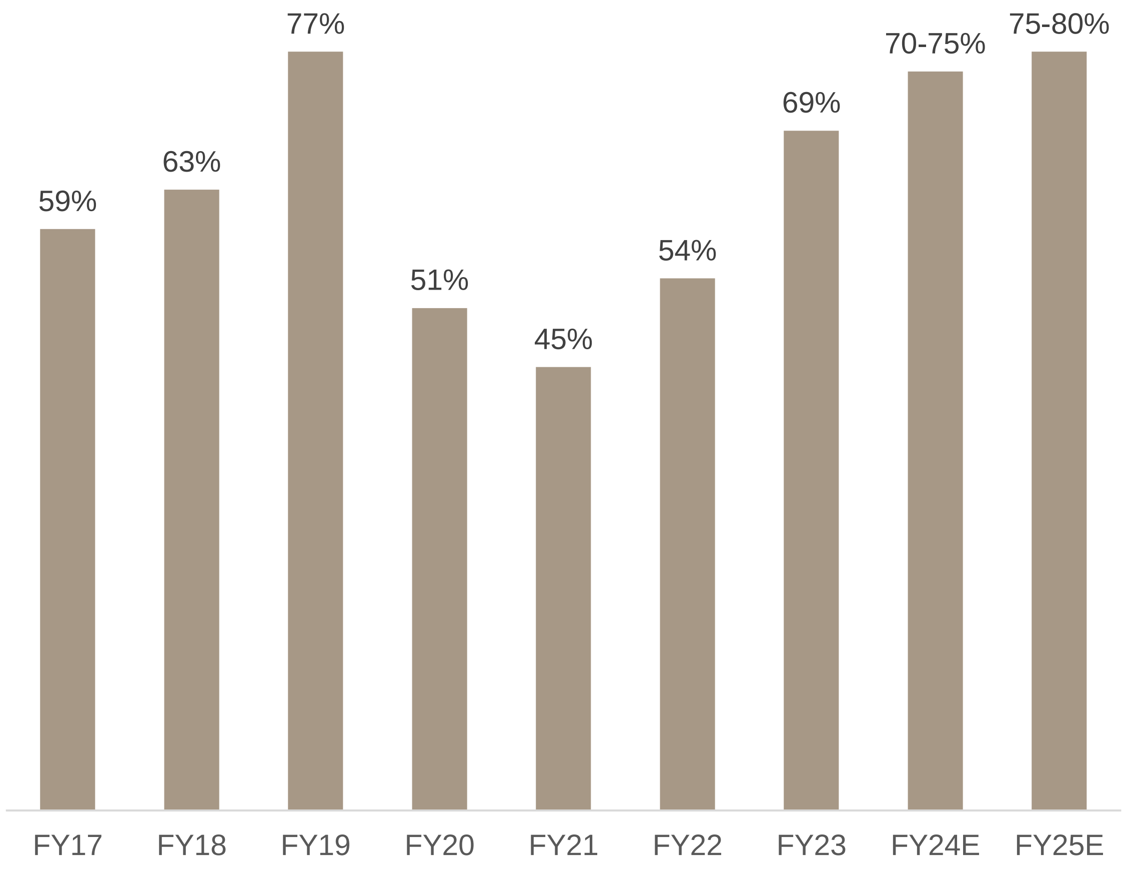
Segment	FY 18	FY 19	FY 20	FY 21	FY 22	FY 23	FY24E	FY 25 P
Pan India hotel rooms supply	72028	75250	77619	79300	83415	94927	98475	99772
Occupancy rates (%)	65	65	64	31	50	69	68-73	70-75

- In FY24, sector is expected to witness rise in demand owing strong corporate travel, leisure travel and MICE events coupled with International and foreign tourist arrival reaching pre-pandemic levels. FY24, is expected to witness growth of 20-25% on the high base of FY23, growth momentum expected to continue in FY25. In FY23, sector reported record level high margins of ~34% owing to revival in corporate & international travel demand, as players have been able to retain their cost rationalisation measures. Margins in FY24 to remain flat at 32-34%.

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

Utilization to improve further

Increase in capacity utilization level



Player-wise capacity utilisation

Player	Effective Capacity estimate (as on 31st Mar 2020)	Production in FY24 (Apr-Dec)	Capacity utilization in FY24 (Apr-Dec)
Ashok Leyland	2,22,300	1,41,435	85%
Tata Motors	7,62,000	3,03,402	53%
Mahindra & Mahindra	2,92,000	2,01,070	92%
Eicher Motors	97,500	61,977	85%

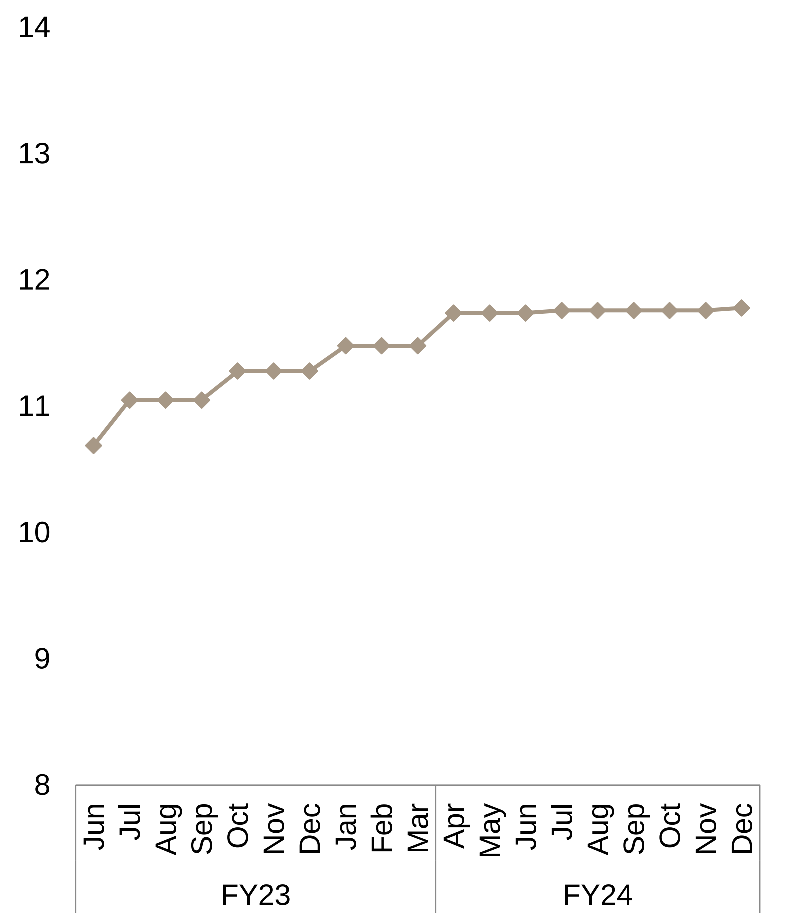
Capacity additions

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

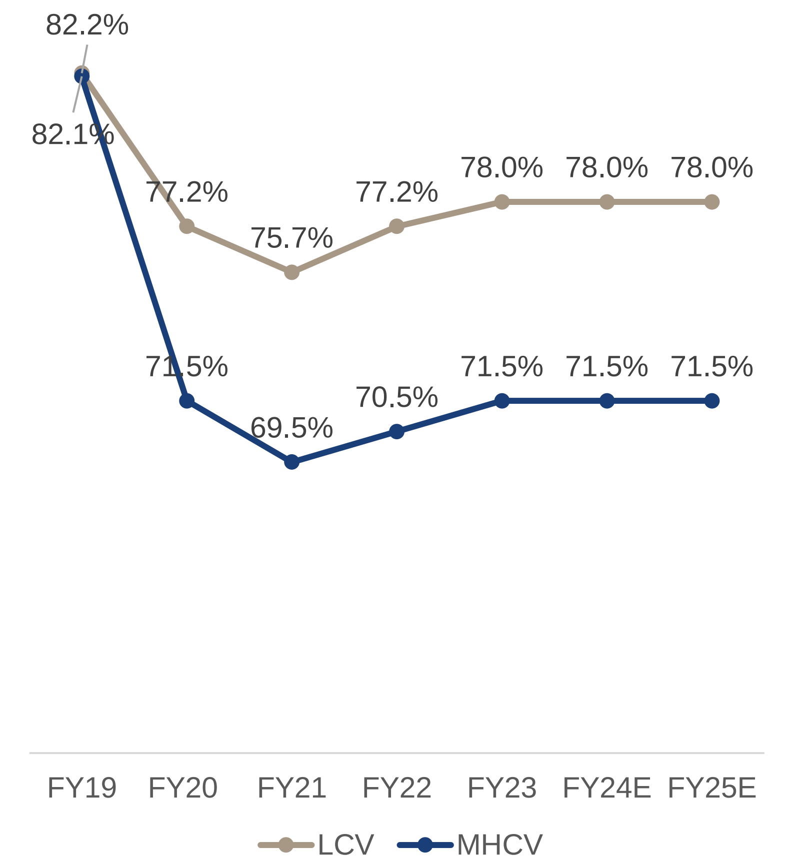
Note: Capacity utilization is that of Tata Motors, Ashok Leyland, Eicher Motors and Mahindra & Mahindra representing 90% of domestic sales
Source: Industry, CRISIL MI&A

Lending rates remain elevated, cautious lending by banks in few states

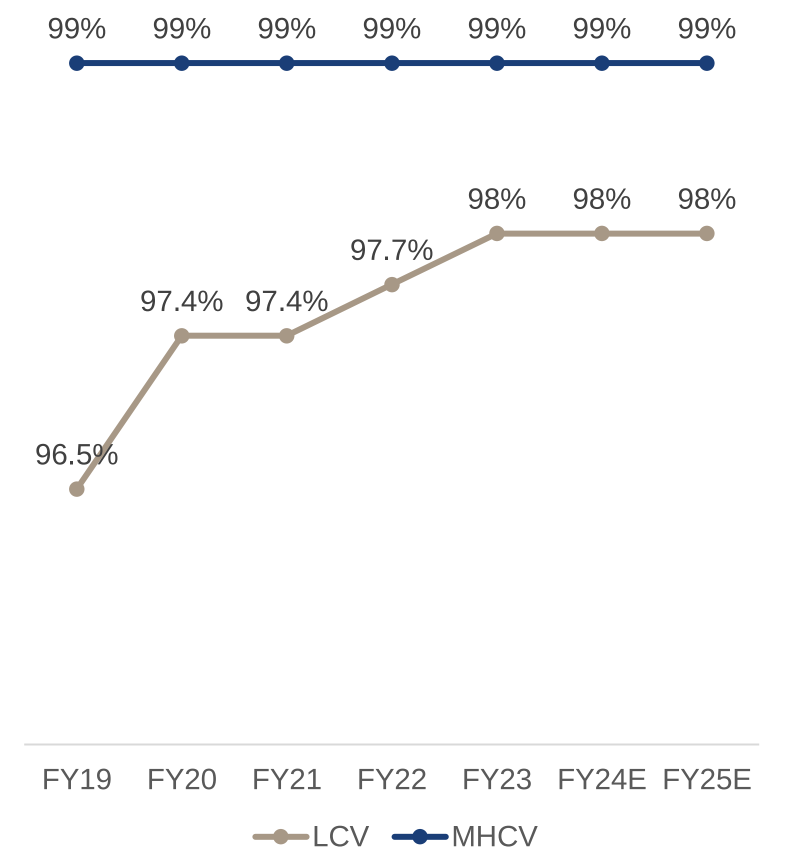
CV finance rates (%)



Loan-to-value for CV



CV finance penetration



Market Intelligence & Analytics

Note: Interest rates are an indicative rates charged by Banks

Source: Company Reports, Industry, Crisil MI&A

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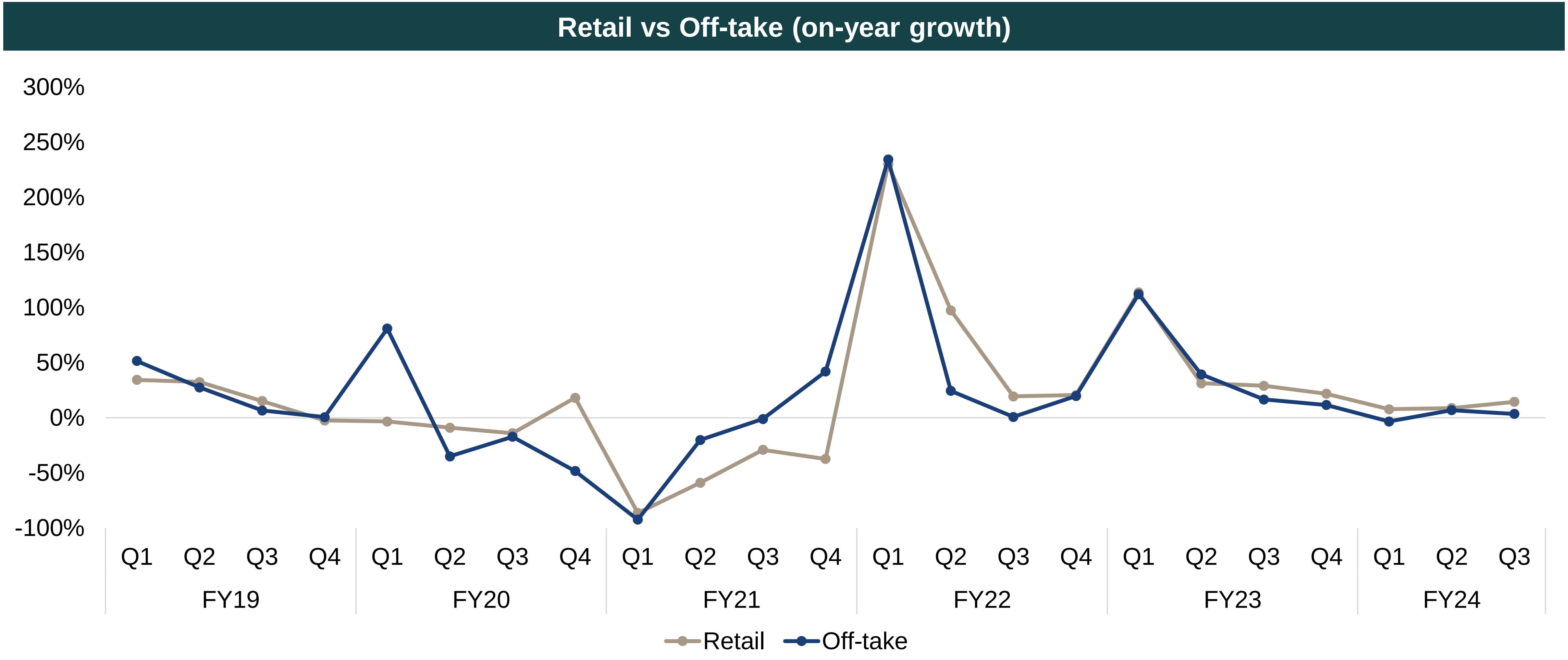
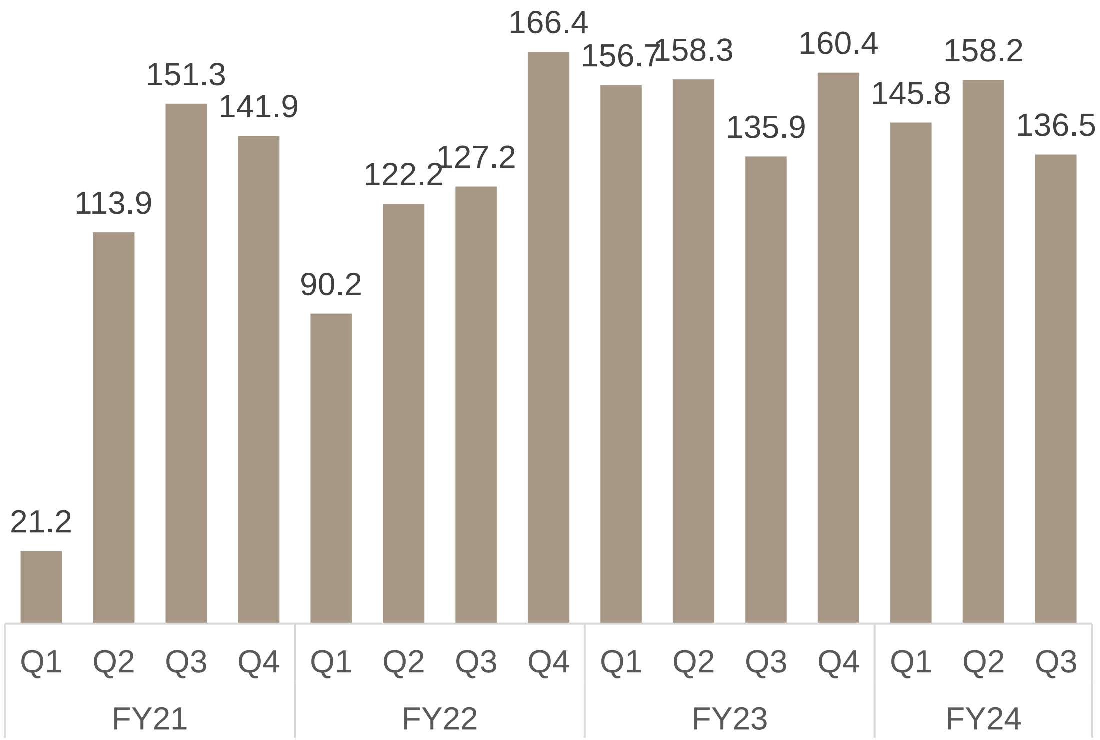
Positive momentum in retail during Q3 of FY24



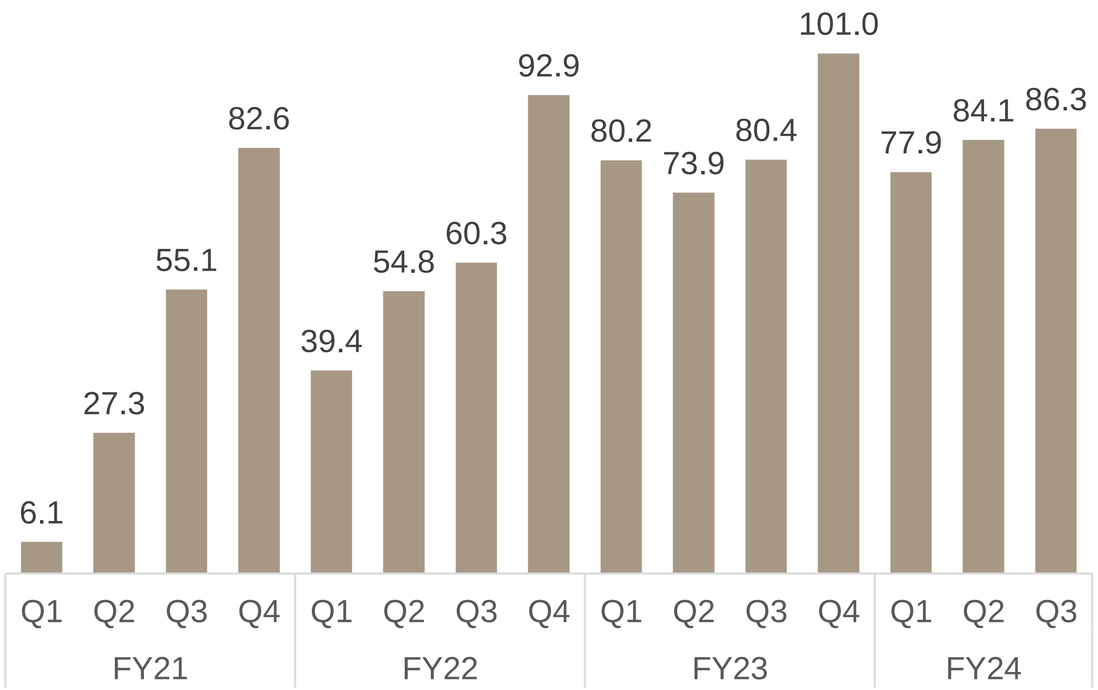
Source: SIAM, MoRTH, CRISIL MI&A

Production of LCVs decreased while increased for MHCVs in Q3 of FY24

LCV production levels (in thousands)



M&HCV production levels (in thousands)

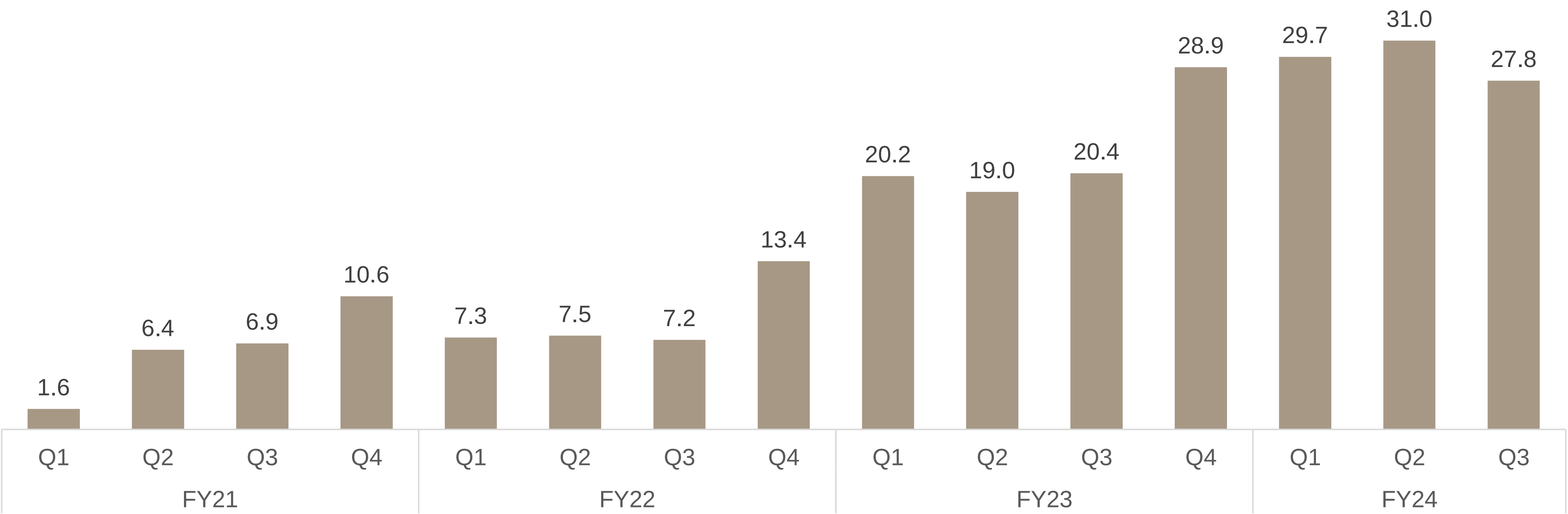


- Production for LCV remained rangebound y-o-y and MHCV increased by approx. 7% on-year in Q3FY24.
- Production is expected to remain strong for the entire fiscal as government uses infrastructure-capex to support the economy that would further aid to the demand of MHCV.

Source: SIAM, CRISIL MI&A

Bus production declined in Q3 FY24

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 FY23 and has continued in FY24.
- STU procurement by means of GCC contract has continued in FY24 before certain states as well as general elections come into play.

Source: SIAM, CRISIL MI&A

Domestic – Annual forecast

Sales	Units	LCV cargo	IMHCV cargo	Buses	CV	EV Penetration
FY22	Thousands	472	227	32	**731**	**0.3%**
y-o-y growth	*%*	*19%*	*47%*	*90%*	***29%***	
FY23	Thousands	559	320	81	**960**	**0.3%**
y-o-y growth	*%*	*22%*	*41%*	*163%*	***34%***	
FY24E	Thousands	*538-549*	*322-330*	*94-97*	***955-975***	***0.5-1%***
y-o-y growth	*%*	*(4)-(2)%*	*1-3%*	*17-19%*	***0-2%***	
FY25P	Thousands	*530-541*	*327-334*	*88-91*	***945-965***	***1.5-3%***
y-o-y growth	*%*	*(2)-0%*	*1-3%*	*(7)-(5)%*	***(2)-0%***	

Note – EV penetration is within the entire CV segment sales
Source – SIAM, CRISIL MI&A

Domestic – Quarterly forecast

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	123.8	*(9)%*	67.0	*(1)%*	25.2	*32%*	216.0	*(3)%*
	Q2	140.7	*(1)%*	82.7	*15%*	23.8	*33%*	247.2	*7%*
	Q3	134.7	*1%*	80.8	*5%*	19.2	*21%*	234.7	*4%*
	Q4E	143-146	*(3)-(1)%*	94-96	*(9)-(7)%*	26-28	*(5)-(3)%*	264-270	*(5)-(3)%*
FY25P	Q1P	111-114	*(10)-(8)%*	65-67	*(2)-0%*	22-23	*(11)-(9)%*	199-204	*(7)-(5)%*
	Q2P	140-143	*0-2%*	82-84	*(1)-1%*	21-23	*(9)-(7)%*	244-250	*(1)-1%*
	Q3P	134-137	*(1)-1%*	84-86	*5-7%*	18-20	*(4)-(2)%*	236-242	*1-3%*

Source – SIAM, CRISIL MI&A

Domestic – Quarterly forecast

- **SCV & ULCV**: In the near term, sub one tonne is facing pressure due to electric 3W on the lower side of the tonnage segment in view of operating economics and companies wanting to earn more carbon credits It is also facing pressure due to intra/pikup on the higher tonnage segment. Although with the launch of electric power train, we expect this segment see some stabilization in the coming years. Sub-normal and erratic monsoon has dragged down kharif output by 4.6% from last fiscal. Reservoir levels of the current year are almost 80% of last year and rabi sowing progress is relatively lower (lower single digit) as compared to last year. However, being an pre-election year situation remains a key monitorable on the cashflows, especially on the rural side. Replacement demand from municipal applications to be one of the key drivers for the ULCV segment. However, with the launch of models in pik-up segment (V70) could eat up some share of the ULCV segment. Demand from segments such as auto components, LPG/POL tenders, FMCG, Ecommerce should continue stable momentum. In northern states, some demand for ICVs were driven by successive POL tenders

- **MHCV**: With the advent of key models in ICV (16T 32 ft), MCV (19T 160 HP) and newer model launches in MCV, replacement cycle could see uptick in the coming quarters. Our interactions also suggest some cannibalization from ICV to MCV segment. Share of fixed investment in GDP rose to a decadal high of 34.9% this fiscal, supported by enhanced government spending on capital expenditure. In the first eight months of the fiscal, central government investments grew 31% and those of states by 40% because of which awarding had slowed down in Q3 and that may have a little impact in Q4 as well because model code of conduct would be applicable from 15th of february and hence the upside has been capped and the downward revision in numbers for MAV and Tippers for Q4. Deployment of TT for auto carriers to be sluggish as PV dispatches for Q4 could see some pressure due to higher inventory at dealerships. Global growth's also projected to slow this year due to lagged sharp increases in interest rates, particularly in advanced countries, which will curb their growth momentum. Hence, some downward revision in Q4 numbers for TT.

Domestic – Quarterly forecast

- **Buses**: Tourism has seen a substantial spike in the past 2-3 quarters which may see the same continuity in Q4FY24. As per MoRTH notification, a new regulation called FAPS(Fire Alarm Protection System) is expected to cause price increase of Rs 1-1.5 lakh due to the incorporation of FAPS. Due to elections in the coming quarter we may see uptick in sales of vans owing to rise in disposable income with the SFO which largely dominates the van segment. Major IT companies have gradually ended hybrid culture and are shifting to work from office permanently especially in export oriented SEZ units as a result demand from staff buses to see growth in the coming quarters. It is expected that deliveries of tenders awarded may get fast tracked in current quarter as deployment of vehicles gets prioritized due to this being a pre-election year and the model code of conduct coming into effect by end of Q4FY24.

Stakeholder interactions

Transporters

Utilization levels

- Utilisation levels have improved due to improved movement of commodities like parcel/loose goods, FMCG/FMCD, e-commerce, which has been keeping the fleet of LFO;s engaged. Whereas SFOs have been facing some challenges with regards to load availability and financing issues, thus affecting their utilization levels
- Post BS6 phase II implementation, the new models have been consuming more urea for proper functioning, thus transporters have been complaining of added cost of urea which has been keeping their profit margins tight.

Freight rates

- Festival season has contributed to growth, freight rates have stabilized, October saw robust movement of FMCG, FMCD and E-commerce goods.
- Mining activity has picked up since this quarter and is expected to continue unabated in January as well. Freight rates for mining has improved.
- India's iron ore exports to China has increased by leaps and bounds this fiscal and is expected to continue to do so.
- Cement freight rates have fallen following consolidation in the cement sector.

Dealers & OEMs

Demand Story

- The SCV category is primarily driven by pik-ups, sub one tonne segment is under pressure from Electric three wheelers in the lower tonnage side and pik ups in the higher tonnage side. Sub one tonne TIV is expected to further dip in FY25.
- Outlook for LCV segment is anticipated to be better in the coming quarter due to demand from E-commerce companies for their last-mile delivery needs particularly for carrying FMCG/FMCD products. There has been significant demand for ULCVs from municipalities across the country primarily for garbage truck applications.
- Due to the close categorization distinctions between 18 tonne ICV and 19 tonne MCV, where there has been a progressive movement in preference towards MCVs due to increased payload capacity with minimal cost difference between them, ICVs and MCVs have been experiencing considerable overlap in demand.
- ICVs segment is expected to continue to do well owing to the multitude of applications and end use segments it caters to. In FMCD, FMCG, E-Commerce industries ICVs are increasingly being preferred for mid mile deliveries especially for voluminous, lightweight goods.
- MAV segment has seen some cannibalization from TT segment due to stricter overloading norms and general cessation of overloading.
- TTs have been doing exceptionally well, driven by the increased infra push by the government and the ever-flowing stream of never-ending construction projects like Bharatmala Pariyojana, Metro Projects across India, various expressways, and road projects.
- Tipper demand to stay resilient on account of pre-elections spending towards the completion of existing projects in advanced stages as the focus is likely to shift on timely completion of these projects before the general elections.
- For Buses, due to FAPS (Fire Alarm Protection System) coming into effect from, there may be some challenges from the OEM and Bodybuilders side with regards to preparedness of the models, however it will get better as we enter Q1 of FY25.

Financier

LTVs and participation levels

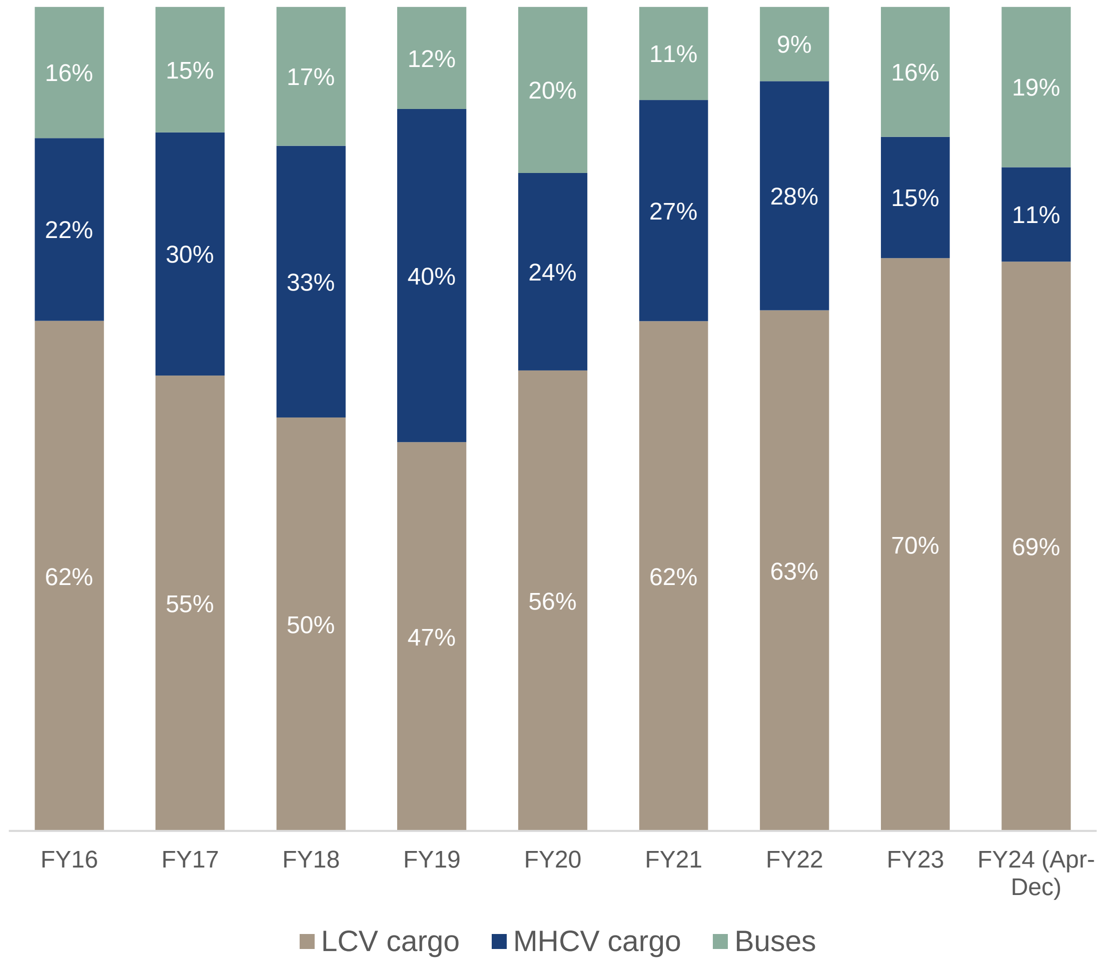
- Post change in RBI norms regarding NPAs and provisioning, financiers have become more stringent and wary of approving risky vehicular loans.
- Financiers have become particularly stringent regarding approval of MHCV, MAV, TT loans where customers are made to go through various conditions . Only upon the fulfillment of all these express conditions will the corpus be disbursed.
- For SCVs, there has been financing concerns in the sub one tonne with first time buyers struggling to get funded. In the pickup segment there has some financing concerns especially for vehicles other than Mahindra Bolero, where financiers have been more cautious about lending money to the buyers owing to depreciated resale value.
- Interest rates have been on a rising trajectory since FY22 however, this has not dampened overall CV sales. Furthermore, MPC has kept the interest rates unchanged for the fifth consecutive time. RBI has communicated that controlling inflation is the top priority hence interest rates might remain unchanged for the near future
- Payments from government agencies are expected to pickup before elections, which will alleviate the liquidity crunch for contractors and transporters. This will alleviate any NPA anxiety for financiers.

Source – Industry, CRISIL MI&A

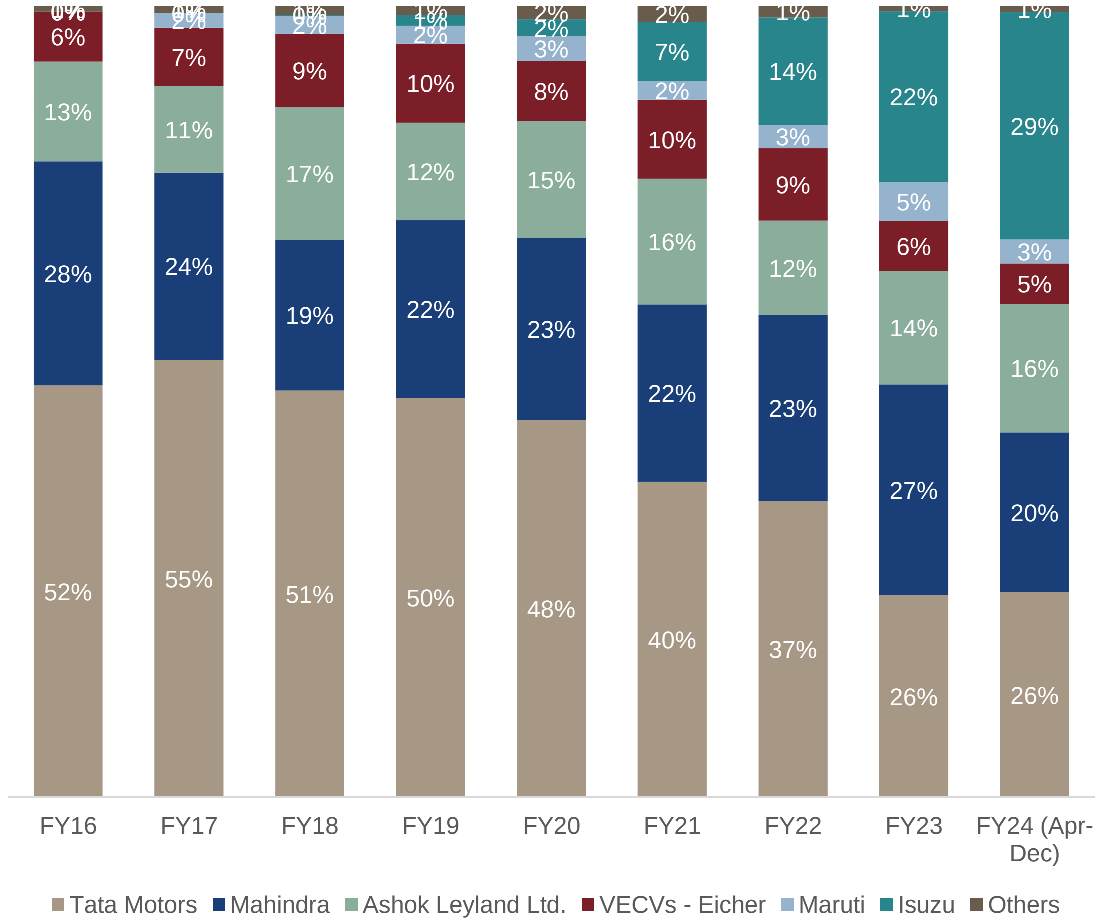
Commercial vehicle exports

Share of Buses on an uptrend

LCV occupies more than ~2/3rd share

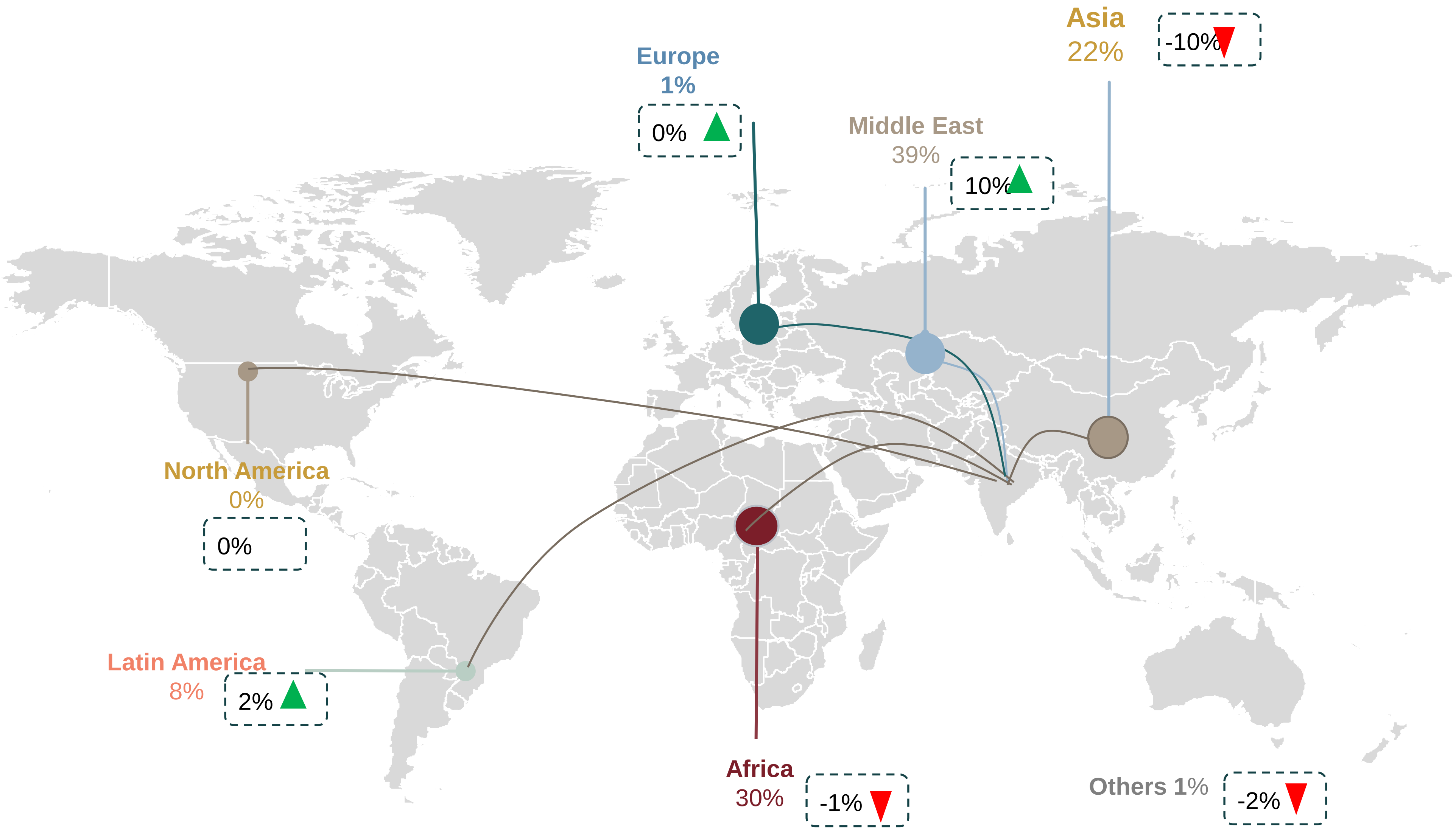


Share of Isuzu continued to grow



Source: SIAM, CRISIL MI&A

Commercial vehicles exports



- CV exports have been under pressure in FY24 amidst the slowdown in exporting countries, unavailability of FOREX as well as limited retail financing.
- Saudi Arabia has taken the lead in recent times.
- Asia has lost share amidst the slowdown in demand from neighbouring countries of Bangladesh, Nepal & Bhutan.

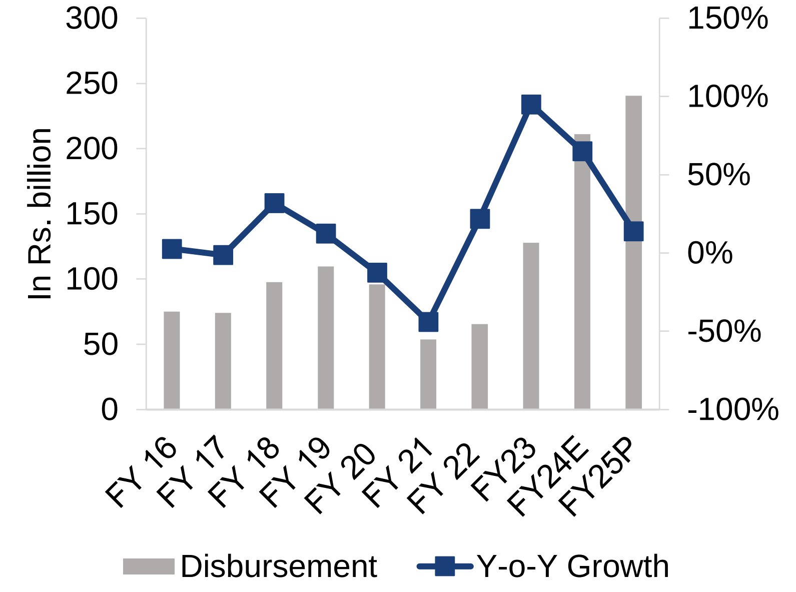
Note: Represents share of exports for FY24 (Apr-Oct), % in dotted boxes indicates change in market share from FY23 to FY24

Source: DGFT, CRISIL MI&A

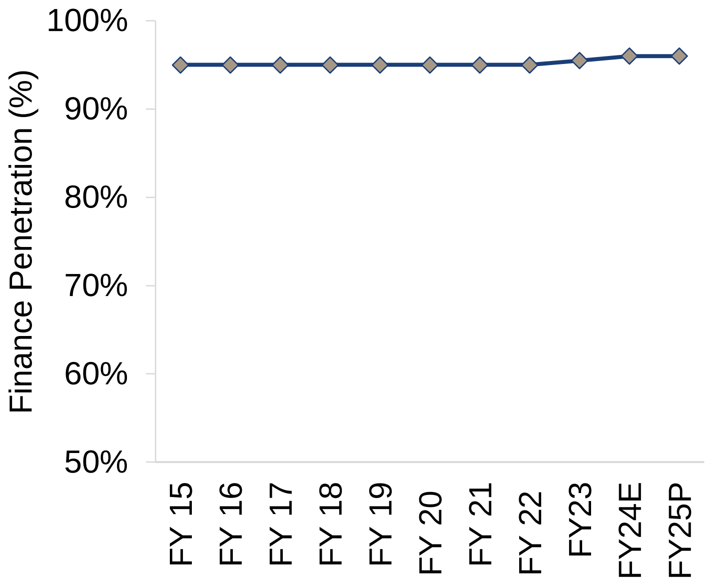
Three-wheelers

Improvement in financing scenario

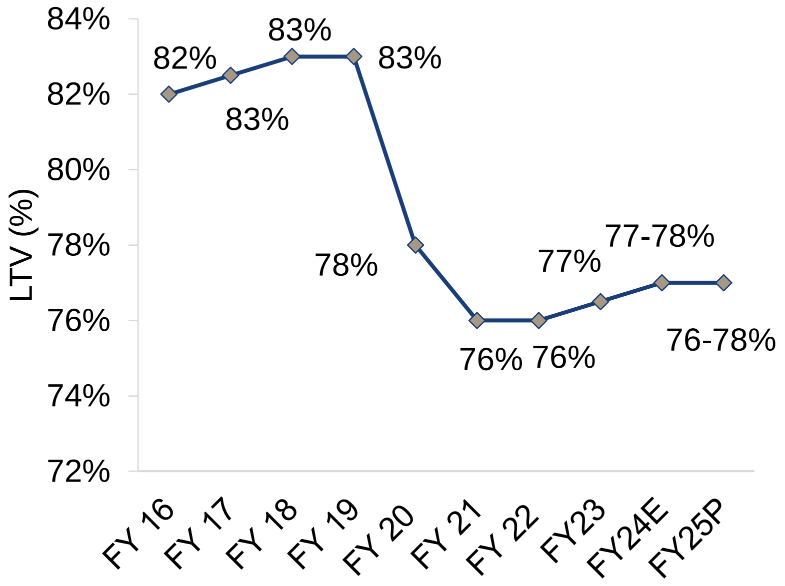
Disbursements to improve further



Finance penetration



Recovery in LTV levels

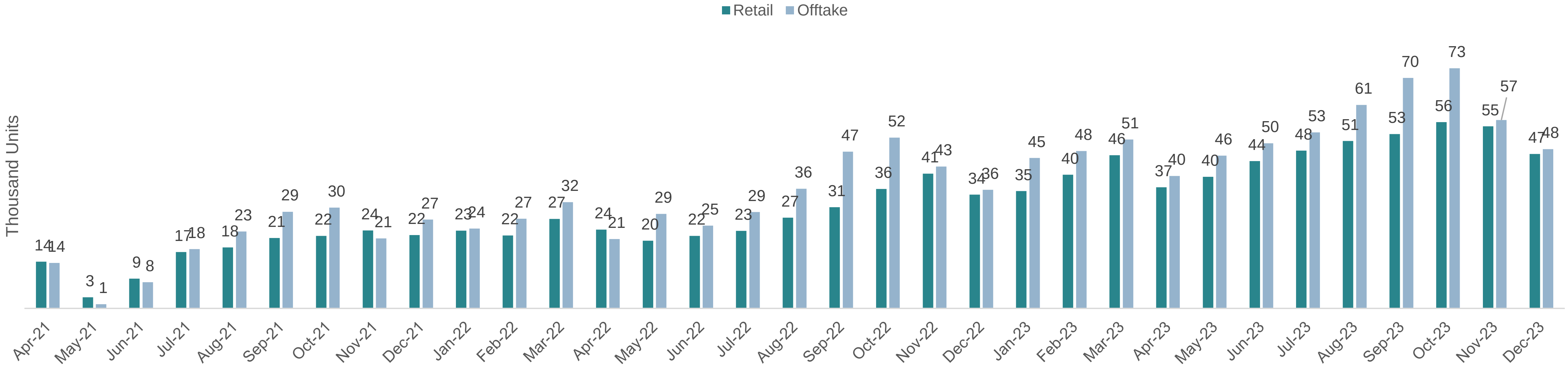


- From the bottom reached during the pandemic, sales and in turn disbursements are on the rising momentum
- FY23 saw a significant improvement, with sales rising 88% on year, FY24 expected to have an 57-59% growth on year.
- Going ahead, disbursement growth is expected to continue in FY25, albeit at a slower pace of around 9-11%.
- Financers are expected to be accommodative in FY25 backing the improvement in LTV and in turn, the penetration

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

On year growth in retails as well as offtake post festive demand

Gradual improvement in retails



Note: Data does not include E rickshaw & E cart numbers
Source: SIAM, Vahan, CRISIL MI&A

- Industry witnessed festive built up during Q2 end and start of the Q3.
- Only gradual improvement in retails seen during festive season
- Some sequential drop in retails as well as offtake was witnessed during December
- Compared to last year, retails as well as offtake witnessed growth
- Passenger segment clocked a much faster growth during Q3 (42% for PV vs 13% for GV)
- E auto sales also saw improved traction, the supply situation has also improved for E autos
- Normal ~20 days inventory with dealers at the end of Q3

Domestic – Annual forecast

Sales	Units	Passenger	Goods	Total	EV penetration
FY21	‘000	133	84	**217**	**1%**
y-o-y growth	*%*	*-75%*	*-24%*	***-66%***	
FY22	‘000	178	83	**260**	**4%**
y-o-y growth	*%*	*34%*	*-1%*	***20%***	
FY23	‘000	376	113	**489**	**6%**
y-o-y growth	*%*	*112%*	*37%*	***88%***	
FY24E	‘000	630-640	130-140	**768-775**	**11-13%**
y-o-y growth	*%*	*68-70%*	*19-21%*	***57-59%***	
FY25P	‘000	760-780	145-155	**914-922**	**16-18%**
y-o-y growth	*%*	*20-22%*	*7-9%*	***18-20%***	

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	121	102%	33	31%	154	81%
FY24E	Q1	123	132%	28	14%	150	95%
	Q2	171	82%	35	43%	207	74%
	Q3	167	55%	36	17%	203	46%
	Q4 E	170-180	44-46%	33-40	9-11%	210-215	36-38%
FY25P	Q1 P	180-190	48-50%	33-40	32-34%	210-230	45-47%
	Q2 P	190-200	12-14%	33-40	4-6%	220-240	10-12%
	Q3 P	190-200	15-17%	34-38	(1)-1%	220-240	12-14%

Note: Includes EV 3W, does not include E Rickshaw
Source – SIAM, CRISIL MI&A

Domestic – Quarterly forecast

- Three-wheeler industry has witnessed robust growth in FY23 from a low base of previous year. H2 saw much better sales.
- Passenger segment performed better as compared to the goods segment as urban movement for schools, colleges, business and recreational outings increased substantially during the period
- Sales momentum has continued in FY24. Apr-Dec FY24 witnessed 68% y-o-y growth where PV segment sales clocked 81% growth
- Momentum is expected to continue in Q4 FY24 , albeit at a slower growth pace, on the increased base of Q4 FY23.
- Passenger segment is expected to outpace the goods segment, EV segment is estimated to expand its presence and contribute 12-15% in FY24
- On this high base, some tapering is expected in the growth pace in FY25 where the industry has crossed the pre Covid levels
- Passenger segment to provide the thrust while goods segment to back the growth
- Continued traction in end use sectors of FMCG, E retail, construction to back GV demand
- Last mile connectivity as well as replacement demand to push the PV segment
- Improved availability and rising traction to back EV growth

Stakeholder interactions

OEMs

- Growth in passenger segment thrusted industry growth in FY23 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.
- CNG price cut is helping the ICE segment
- Healthy growth expected for the complete year FY24
- Industry expected to reach Pre covid levels in FY24
- Some moderation is expected from this high base in FY25
- Goods segment is facing competition from the SCV segment, EV a threat for passenger segment
- Supply of E autos has improved gradually and expected to improve further
- ICE segments are also witnessing good traction

Dealers

- Retails remained rangebound in Q2
- Dispatches contracted owing to new year model
- Incentives given by some of the leading OEMs for inventory correction.
- Passenger segment is maintaining its strong momentum
- Primary growth driver is the larger passenger segment
- Goods segment remained range bound
- Demand for alternate fuel and Eauto spur the competition in 3W segment
- New launches and easy supply by Eauto supported the growth momentum .
- EVs in Goods carrier segment majorly driven by last mile connectivity during festive period
- Demand for 3W segment accelerated by replacement demand
- Stock of 20 days with dealers

Financier

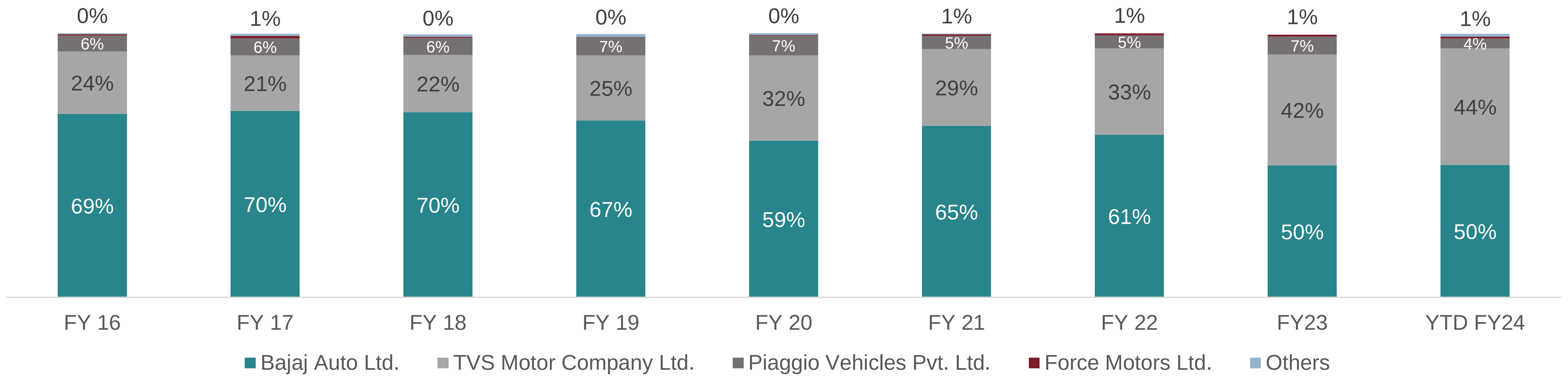
- Continued increase in disbursements with rising retails
- Aggressive financing by the financers: LTV in the range of 95-100% which has increased by some leading financers during the festive period
- No further rise in repo rates after the Feb round
- Stance of the financers to remain accommodative

Source – Industry, CRISIL MI&A

Three-wheeler exports

Slide continues for 3W exports

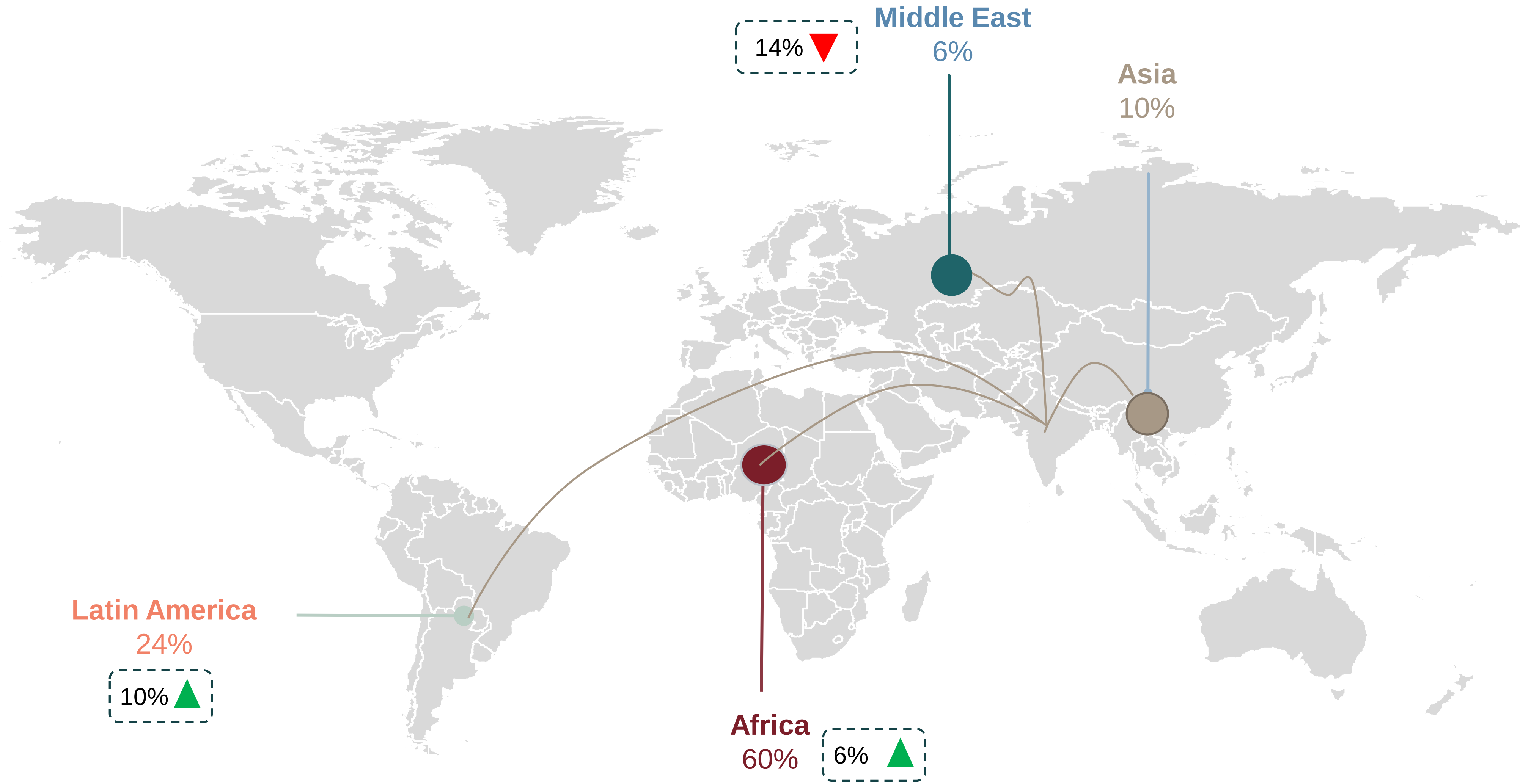
TVS gained further ground



Source: YTD- Apr-Dec, SIAM, CRISIL MI&A

- FY22 witnessed a 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 FY23
- YTD FY24 witnessed a further drop of 24% y-o-y
- The larger passenger segment contracted 27% and cargo segment dropped 56%
- Bajaj maintained its lead in the market, Piaggio lost some ground to TVS

Three-wheeler exports



- Amidst the sluggish global macroeconomic environment, reduced Forex availability in importing countries, improvement in domestic demand, 3W exports are sliding
- Moderated exports to UAE & Iraq contracted share of Middle East
- On the other hand, share of Latin America rose with increased contribution from Mexico, Peru & Guatemala

Note: : Represents share of volume data for April-Oct FY 24 exports, % in dotted boxes indicates change in market share from FY23

Source: DGFT, CRISIL MI&A

Tractors

Tractor demand expected to grow marginally in FY25

Parameters	Impact			
	FY 22	FY23	FY24E	FY25P
Farm Income**	Neutral	Favorable	Neutral	Neutral
-- Crop Prices	Favorable	Favorable	Neutral	Neutral
-- Crop Output	Favorable	Favorable	Neutral	Neutral
-- Kharif Output	Neutral	Favorable	Neutral	Neutral
-- Rabi Output	Favorable	Neutral	Neutral	Neutral
Demand Indicators	Neutral	Neutral	Neutral	Favorable
-- Infrastructure Development	Neutral	Favorable	Favorable	Favorable
-- Sand Mining	Neutral	Neutral	Neutral	Neutral
Supply side variables & financing	Favorable	Favorable	Favorable	Favorable
-- Finance Availability	Neutral	Neutral	Favorable	Favorable
-- Channel Inventory	Not Favorable	Not Favorable	Neutral	Neutral
-- Player Action	Not Favorable	Favorable	Neutral	Neutral

Favorable

Neutral

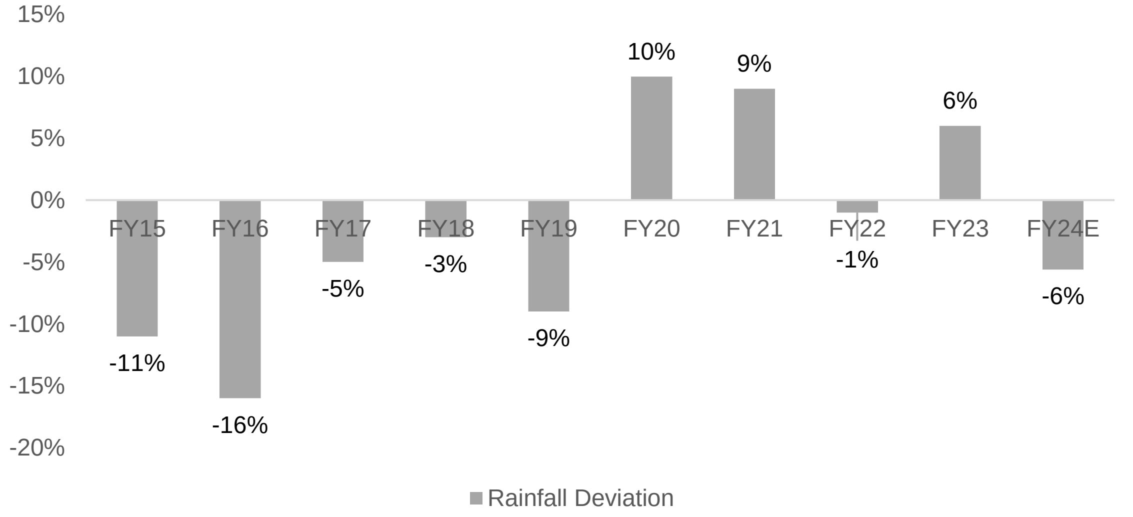
Not Favorable

*NOTE : ** FY25 assumed neutral assuming normal monsoon,*

Source: CRISIL MI&A

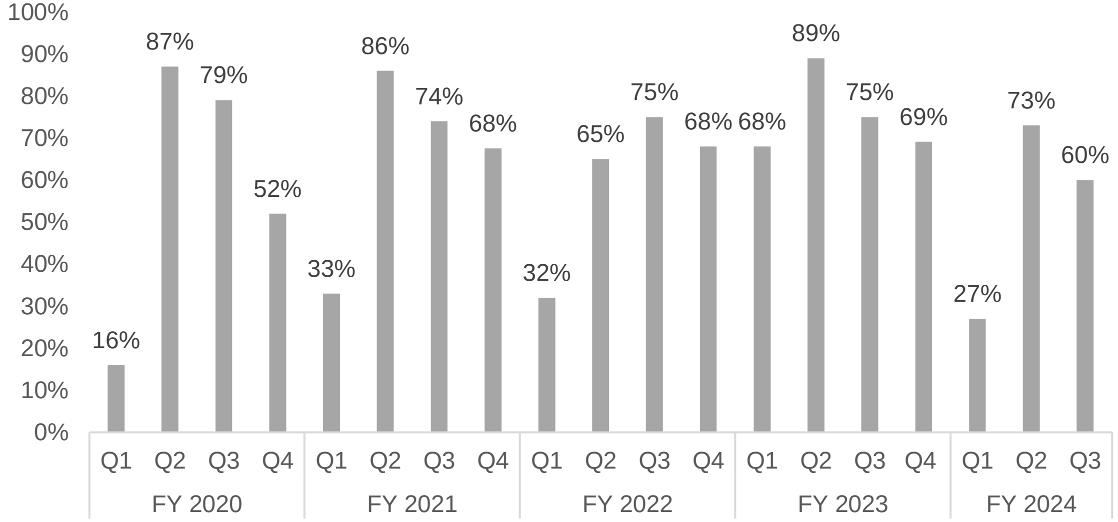
Delay in monsoon caused postponement in harvesting activities for kharif crops across the country

Southwest Monsoon deviation is slightly 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 average

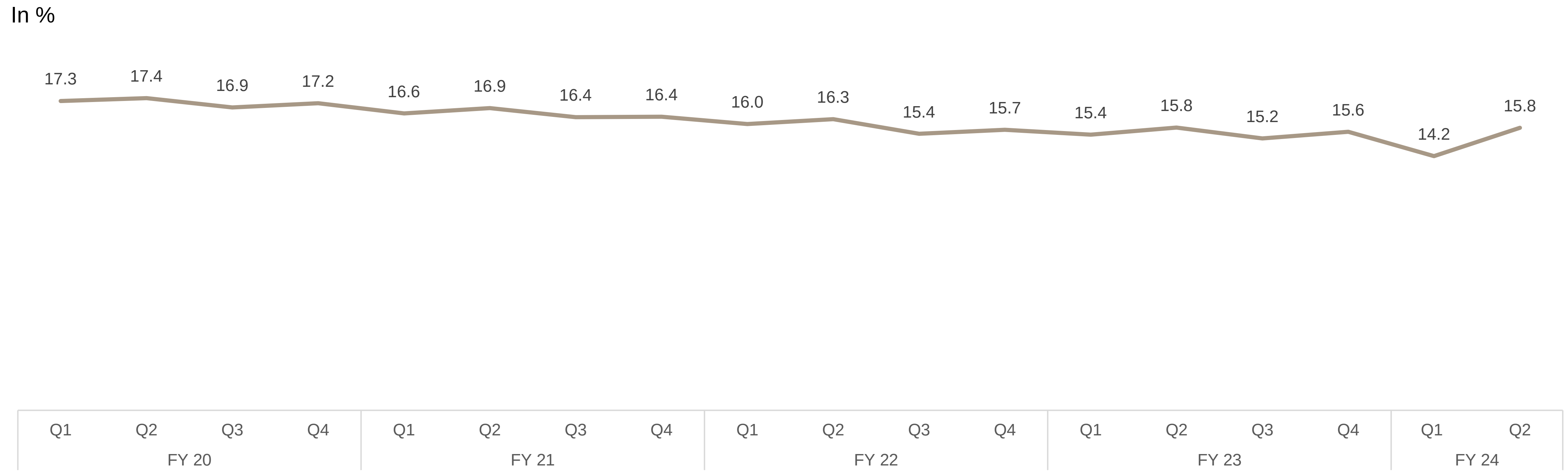


Notes: Storage Status of 143 Reservoirs of the Country

- Reservoir levels are at average levels, although there is a contraction compared to last year due to delayed and erratic monsoon majorly in the southern states
- Kharif harvesting activities were completed majorly in all states; although delayed due to erratic and delayed monsoon.
- Sown area under major kharif crops like paddy, cotton and groundnut has declined especially in southern states like Andhra Pradesh, Telangana, Karnataka.
- Rabi sowing activity has been completed in major parts however in southern states like Andhra Pradesh, Telangana and Tamilnadu impact on sowing activity is seen because of unfavorable weather conditions.

Tractor financing supported the festive momentum in Q3

Interest Rates trend

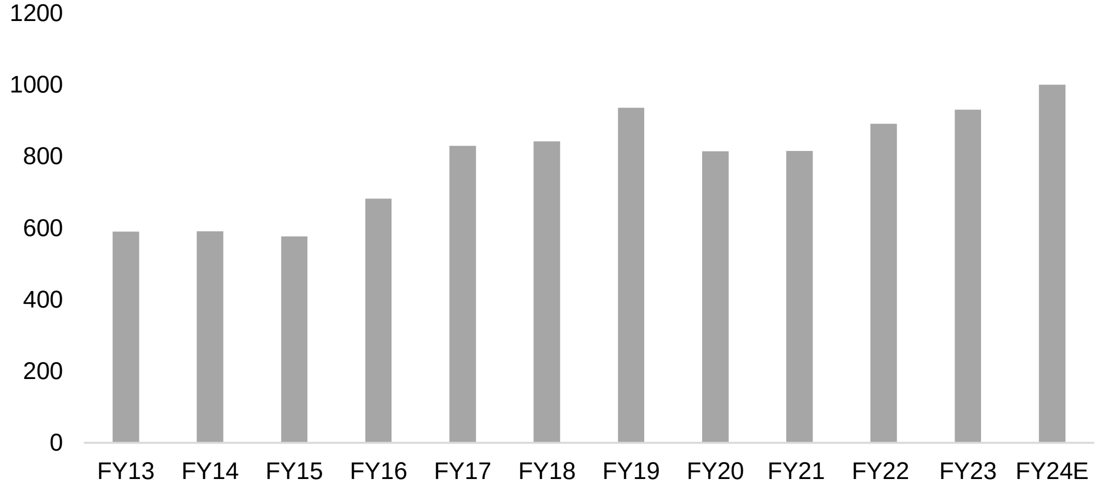


Source: CRISIL MI&A

- Financers were aggressive due to festive momentum in the market.
- Finance penetration has remained rangebound majorly in the states of Andhra Pradesh and Telangana where financers have reduced the funding due to increase in delinquency levels.
- LTVs are expected to have increased in FY24 marginally.
- The entry of private financiers over the past few years has also increased finance availability.
- Increasing budgetary allocation towards the rural sector, government support for farm mechanization to encourage growth and harvesting activities along with festivals months helped in increasing credit availability and affordable rates of finance.

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

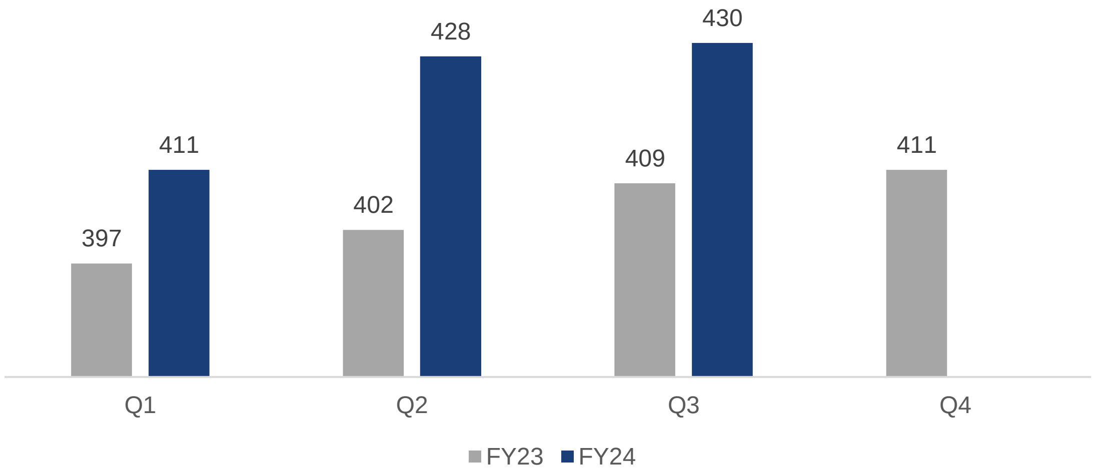
Irrigation spending is expected to increase



Irrigation Investments (In RS Billion)

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

Daily Rural Wage increased in Q1, Q2 and Q3 FY24



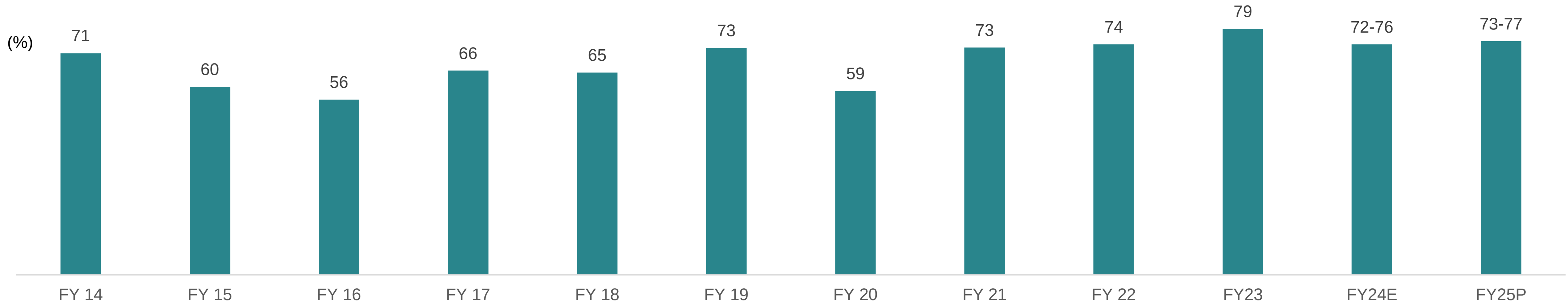
Note: Data for Q1 FY24 is not available, considered same as Q4 FY23.

Rural wages includes general non-agricultural labour.
Source: Labour Bureau, 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.
- Estimated irrigation spending of Rs 1000 billion has been proposed by the central government as per the budget document of 2023-24 registering a growth of 7% as compared to last year.
- 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 program with average wage being Rs 430 per day witnessing a growth of 5% as compared to last year.

Utilization to witness some contraction in FY24 and remain rangebound in FY25

Capacity utilization trend



E: Estimated
Source: CRISIL MI&A

- In FY23, capacity utilization of the industry rose to 79% due to 12% increase in domestic volumes.
- In FY24, anticipated decline in volumes for the fiscal and capacity additions to lead to decline in capacity utilization of the players. Capacity is expected to increase with volume additions by Swaraj.
- In FY25 capacity utilization is expected to be rangebound.
- Moreover, expected contraction in exports to exert added pressure on utilization

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

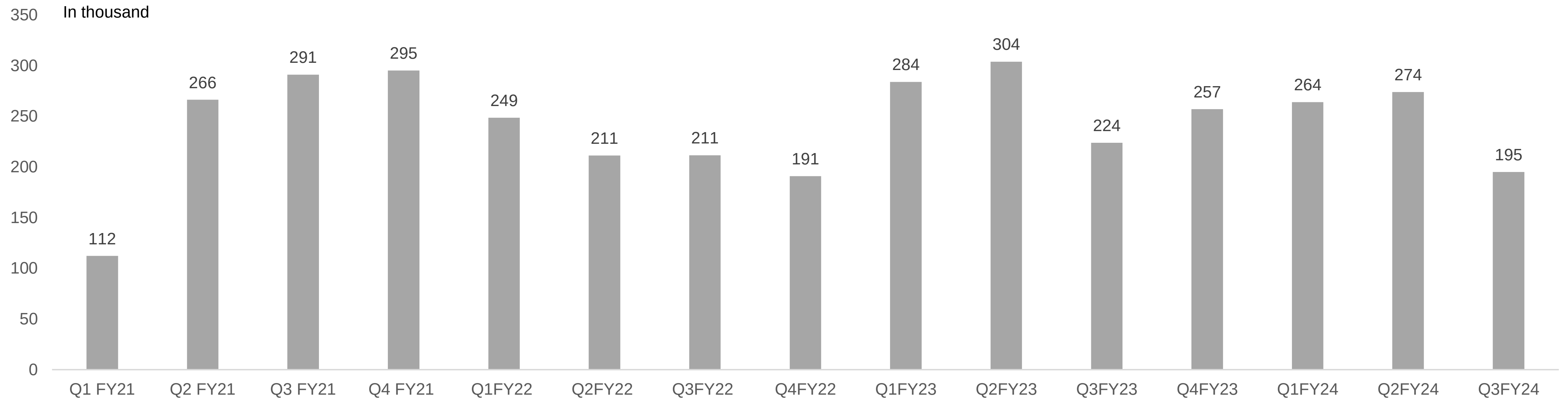
Emission standard stage	Engine Power	Market share	Date	CO	HC+Nox	PM
	HP			*g/kWh*		
Trem Stage III A	11 to 25HP	9%	1st April 2010	5.5	8.5	0.8
	25 to 50HP	84%	1st April 2010	5.5	7.5	0.6
	50 to 75 HP	7%	1st April 2010	5	4.7	0.4
Trem Stage IV	11 to 25HP	8%	No change			
	25 to 50HP	84%				
	50 to 75 HP	8%	1st January 2023	5	4.7	0.025

Source: Industry, CRISIL MI&A

- TREM IV norms are applicable only on 50HP and above tractor segment forming ~7% 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, given the price sensitive nature of the farming community.
- Cost escalations to the tune of 10-15% are expected
- John Deere, Mahindra and Sonalika accounts for about 66% in more than 51 hp tractors in the domestic market.

Production levels are 13% lower on-year in Q3

Production Levels



Source: CRISIL MI&A

- Q3 Production levels have registered a degrowth of 29% sequentially and a de-growth of 13% on y-o-y basis
- Production was low as compared to Q2 FY24 due to stock correction being done in November and December months and tapering down of farm activities during the quarter ending.

Domestic – Annual & Quarterly forecast

	Units	Sales
FY22	Millions	0.84
y-o-y growth	%	*(6)%*
FY23	Millions	0.94
y-o-y growth	%	*12%*
FY24 E	Millions	0.88-0.90
y-o-y growth	%	*(6)-(5)%*
FY25 P	Millions	0.90-0.93
y-o-y growth	%	*2-3%*

Source – TMA, CRISIL MI&A
Note: Forecasts for FY24 and FY25 have been given assuming normal monsoon

Fiscal	Quarter	Tractors	
		Sales ('000)	*y-o-y growth*
FY22	Q3	223	*-13%*
	Q4	177	*-25%*
FY23	Q1	266	*16%*
	Q2	222	*4.8%*
	Q3	247	*11%*
	Q4	211	*19%*
FY24 E	Q1	261	*-1.9%*
	Q2	209	*-5.8%*
	Q3	235	*-4.9%*
	Q4 E	187-202	*(11)-(9)%*
FY25 P	Q1 E	255-260	*(2)-0%*
	Q2 P	200-210	*(3)-(1)%*
	Q3 P	240-250	*4-6%*

- Domestic tractor demand to decline 5-6% in FY24 amid negative farmer sentiments brought about by current delayed monsoon after registering a 12% on-year rise in FY23. Demand is expected to be moderate in Q4 owing to tapering down of agriculture activity. In FY25 slight growth is expected assuming normal monsoon season.
- India has received below normal monsoon in the current year. Moreover, rains were uneven throughout the country as majorly northern states faced floods due to excess rainfall with farmers fearing the crop damage, whereas majorly southern states faced drought like situations due to rainfall deficit leading to delay in kharif sowing and thus delay in harvesting activities. In Q3 Southern states are also affected by cyclone especially Tamilnadu affecting the farm activities.
- Commercial demand expected to be slow with ban on mining activity by various state government.
- Demand for lower hp tractors to cater to the small and marginal farm is relatively better.

Stakeholder interactions

OEMs

- Moderate cash flow availability as kharif - crops have been harvested and are moving to mandis generating cash.
- Healthy festive demand, various government schemes and discounts supported retail growth momentum, while stock correction in quarter end has pushed offtake momentum also.
- Due to delay in monsoon agriculture sentiments for kharif season were impacted. Overall sentiments are moderate in most of the states.
- Rabi crop sowing completed in Q3 in majority of the states. Outlook for rabi crops is so far good while southern states of India might witness a drop in sowing area as does not have enough water availability for rabi season.
- 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

- In Q3 momentum has been good due to Festive season and harvesting of kharif crops. But lower as compared to last year due to erratic monsoon across various regions.
- Crop prices are good, but yield is expected to be impacted this season as in many regions water availability was not good due to delayed monsoon.
- Cash flow from the Kharif crops was generated as crops are being procured by government and moving to mandis.
- 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.
- The MSP for wheat and paddy has increased, which means the farm cash flows are expected to be better.

Financier

- In Q3 has aggressive financing was being done with lucrative terms of credit offered during festive.
- 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 76% in FY23 to 77% in FY24.
- Financing situation in certain states lie Andhra Pradesh and Telangana are worrisome with rising NPA levels and is a key monitorable in the coming months as funding levels could be significantly impacted

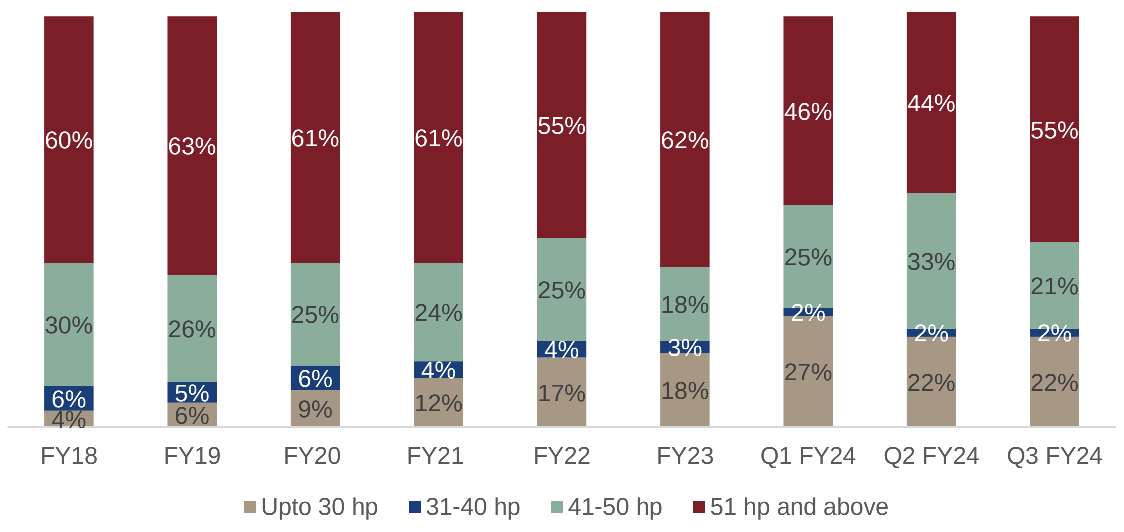
Source – Industry, CRISIL MI&A

Tractor exports

Consulting

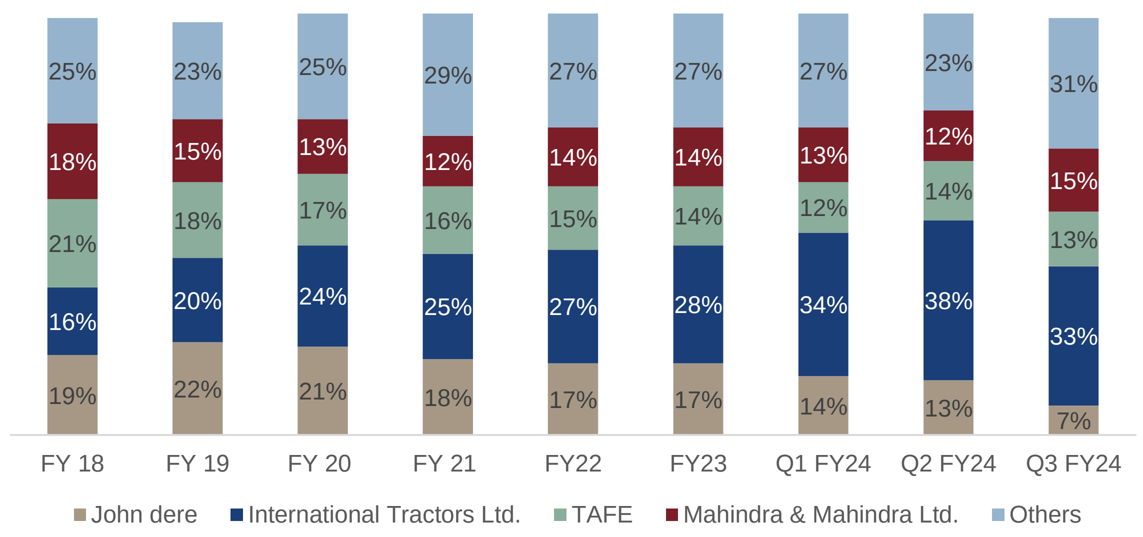
Exports remained under pressure in FY24

Segment wise market share of exports



Source: CRISIL MI&A

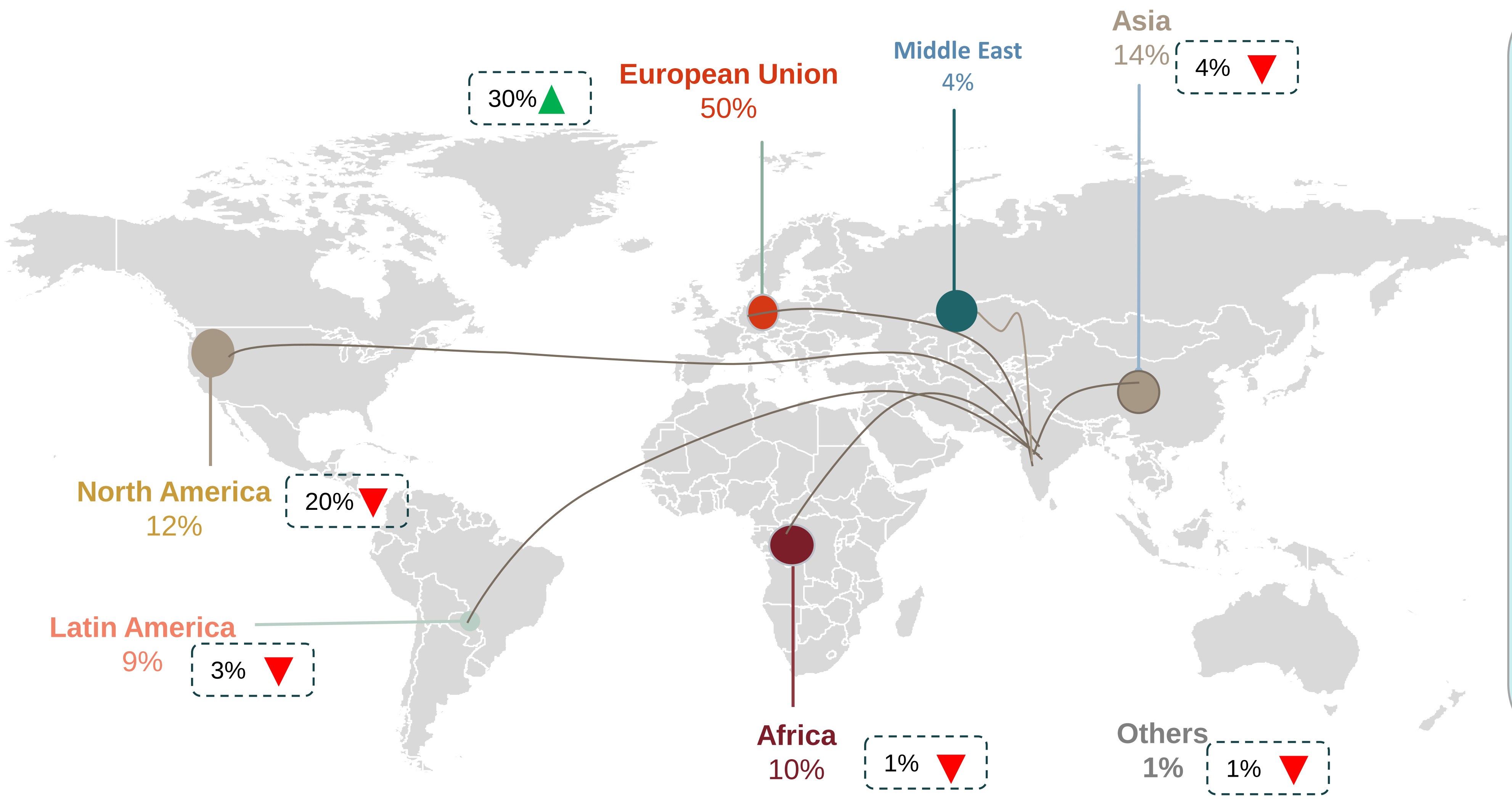
Player wise market share of exports



Source: CRISIL MI&A

- During Q3FY24, exports dropped 27% compared to Q3FY23 as demand for Indian tractors had been slower in various Asian and European countries due to the political disruptions and energy crisis in these regions.
- Exports of 51 hp and above tractors increased by 11% while exports of tractors of 41-50 hp dropped by 12% respectively.
- In Q3 FY24 Mahindra & Mahindra expanded its share in overall exports by 3%
- YTD FY24 exports dropped by 28% as compared to same period FY23 on account of global economic slowdown.
- India has been emerging as an export hub for relatively smaller tractors. The share of up to 30 hp tractors has been on the rise while 51 hp & above segment maintains its leadership

Tractor Exports



- In FY23, tractor exports declined by 3% on-year on a high base of 45% on-year growth registered in FY22.
- During YTD FY24, exports witnessed 28% drop y-o-y
- Demand for Indian tractors had been slower in various European countries due to the political disruptions and energy crisis in these regions.
- Huge support from Germany backed share expansion for European Union.
- Contraction from US backed share contraction of North America.

Note: : Represents value data for April- Oct FY24 exports, % in dotted boxes indicates change in market share from FY23

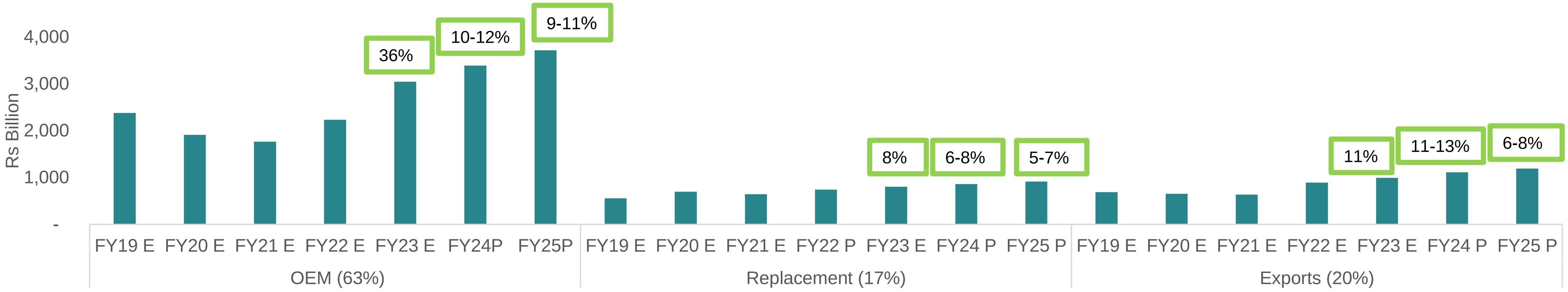
Source: DGFT, CRISIL MI&A

Auto Components

Revenue growth to continue in FY25 at a slower pace

Demand from OEMs to push the industry revenue in FY24

	FY20	FY21	FY22	FY23E	FY24P
Industry revenue	-10%	-6%	27%	25%	10-12%

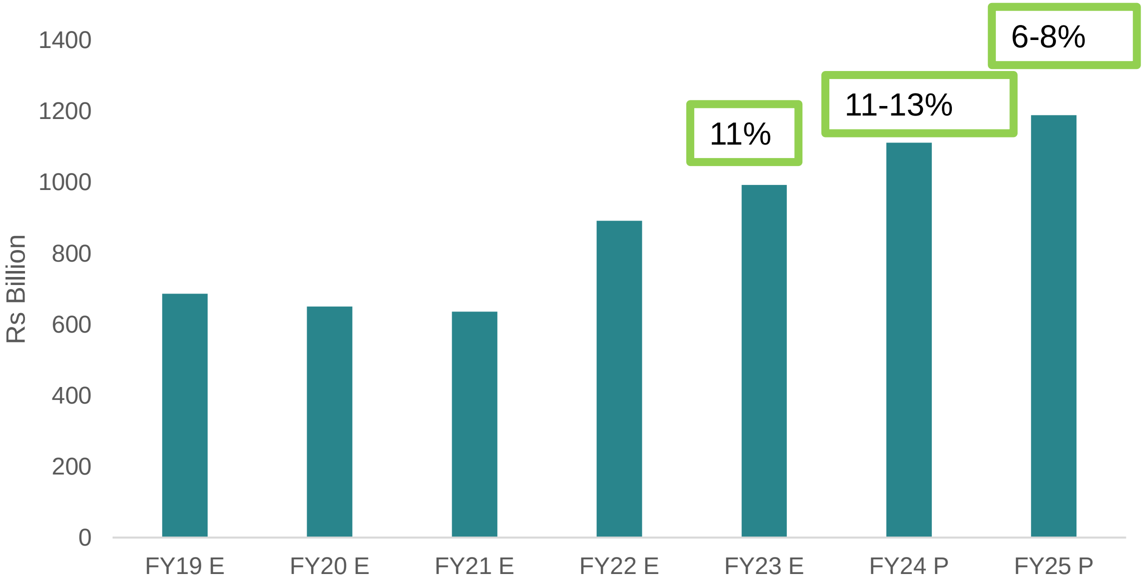


Note: Coloured brackets represent y-o-y growth; Numbers in the bracket in the axis represent share in production for FY23
Source: CRISIL MI&A

- Industry witnessed healthy growth in FY23 across segments. On this high base, demand growth rates are expected to moderate in FY24 and FY25, decelerating the growth of components segment as well
- In FY24, the OEM segment to witness 10-12% growth on higher base of FY23. Some tapering down is expected during FY25.
- Exports are projected to increase by 11-13% in FY24, over the 11% growth clocked in FY23.
- Replacement demand is also expected to grow by 6-8% in FY24 and around 5-7% in FY25, driven by higher vehicle movement and the high sales witnessed in FY18-19

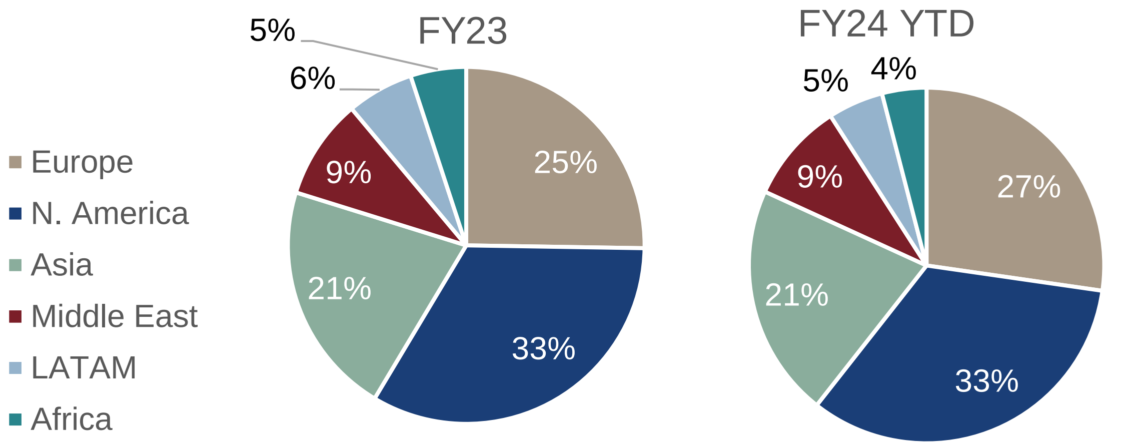
Improvement in global economic scenario to back growth in FY25

Export demand expected to grow further in FY 24



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

Developed nations support exports

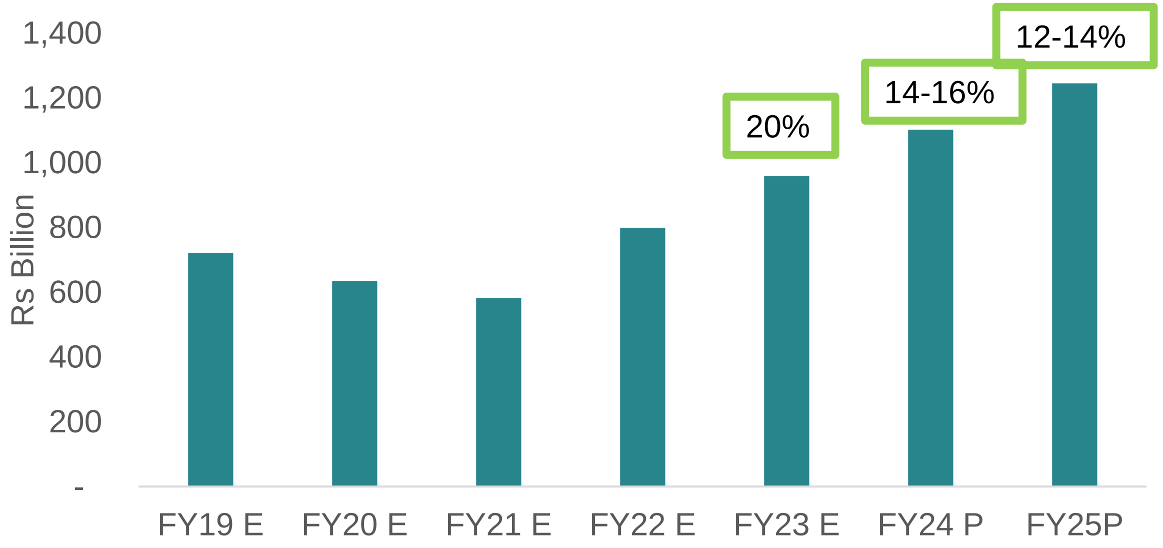


YTD: April-Sep 2023
Source: DGFT, CRISIL MI&A

- Auto component exports (accounting for 21% of the overall demand in FY23) are projected to witness 11-13% growth in FY24 and 6-8% growth in FY25 over the healthy 11% growth witnessed in FY23
- 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, Europe and Asia.
- Projections have been increased with improvement in global economic forecast for CY2023
- The volatile global political situation remains a key monitorable

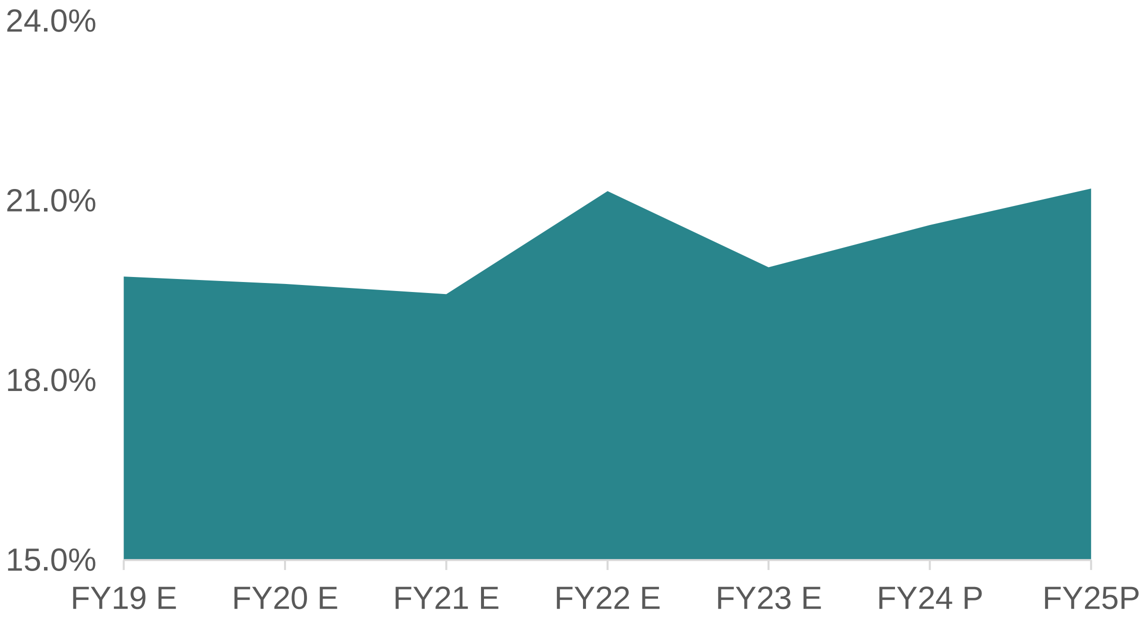
Continued traction to back higher import demand

Import demand to grow further, at a reduced pace



Source – DGFT, CRISIL MI&A

However, the share in consumption to remain subdued

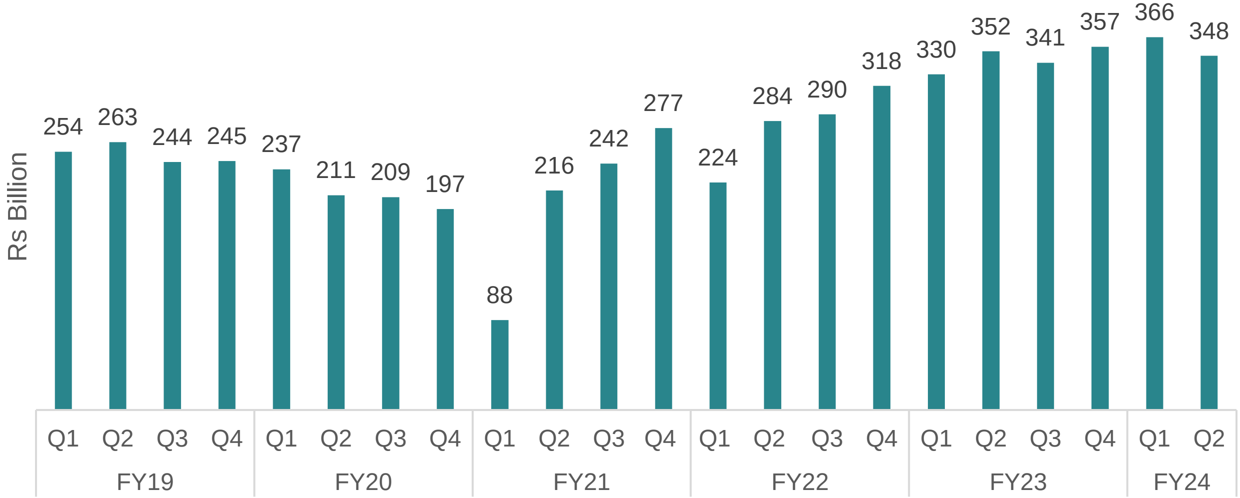


Source: DGFT, CRISIL MI&A

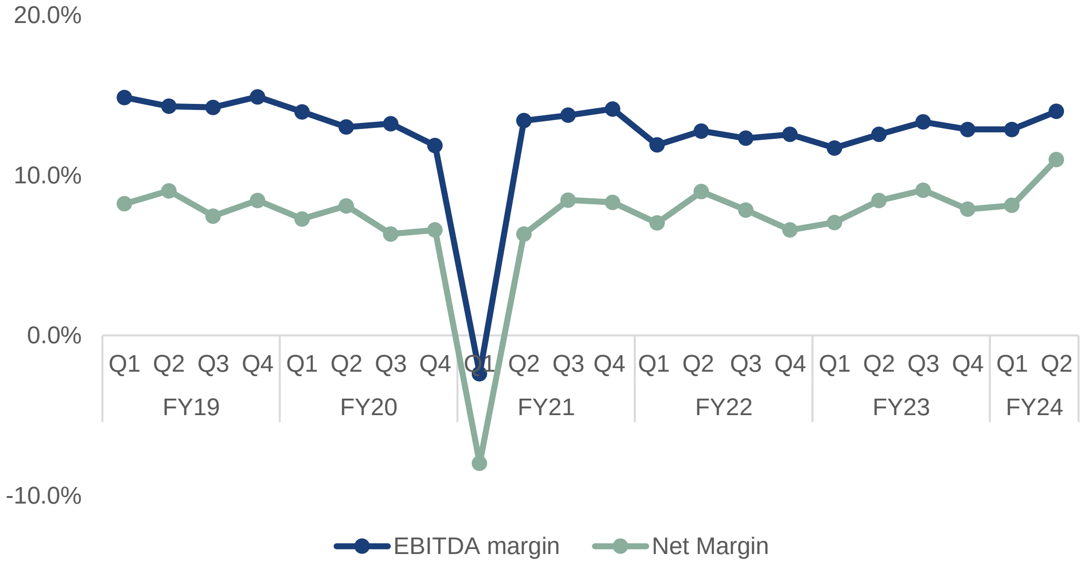
- Auto component imports improved in FY23 with improving domestic vehicle production and is expected to increase in FY24 by 14-16% and in FY25 by 12-14%.
- Going ahead, import demand is likely to grow led by continued growth in domestic market
- In FY23, imports increased by 20% amidst the increased need of components for higher domestic demand with consumption increasing at 28%
- In FY24, consumption growth pace is estimated to taper down, some moderation is expected in import demand growth as well

Financials improve further in Q2FY24

Company financials



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



Source: Company financials, CRISIL MI&A

- Revenue levels remained healthy for the component players during FY23, Q-o-q marginal drop of 3% during Q2FY24
- Some improvement was witnessed in the margins during Q2 amidst the improved demand from all segments and recovery in utilization levels
- Utilization levels of players had dropped to an all-time low in FY21; This coupled with higher input costs took a toll on profitability during FY22.
- Utilization is on an improving trend with sustained demand
- In FY24, margins are expected to remain buoyant with input costs correction and improving revenues

Thank You

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