



# Impact of macro-economic environment on the automotive industry

**ACMA**

Automotive Component Manufacturers Association of India

July 2023

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# Content

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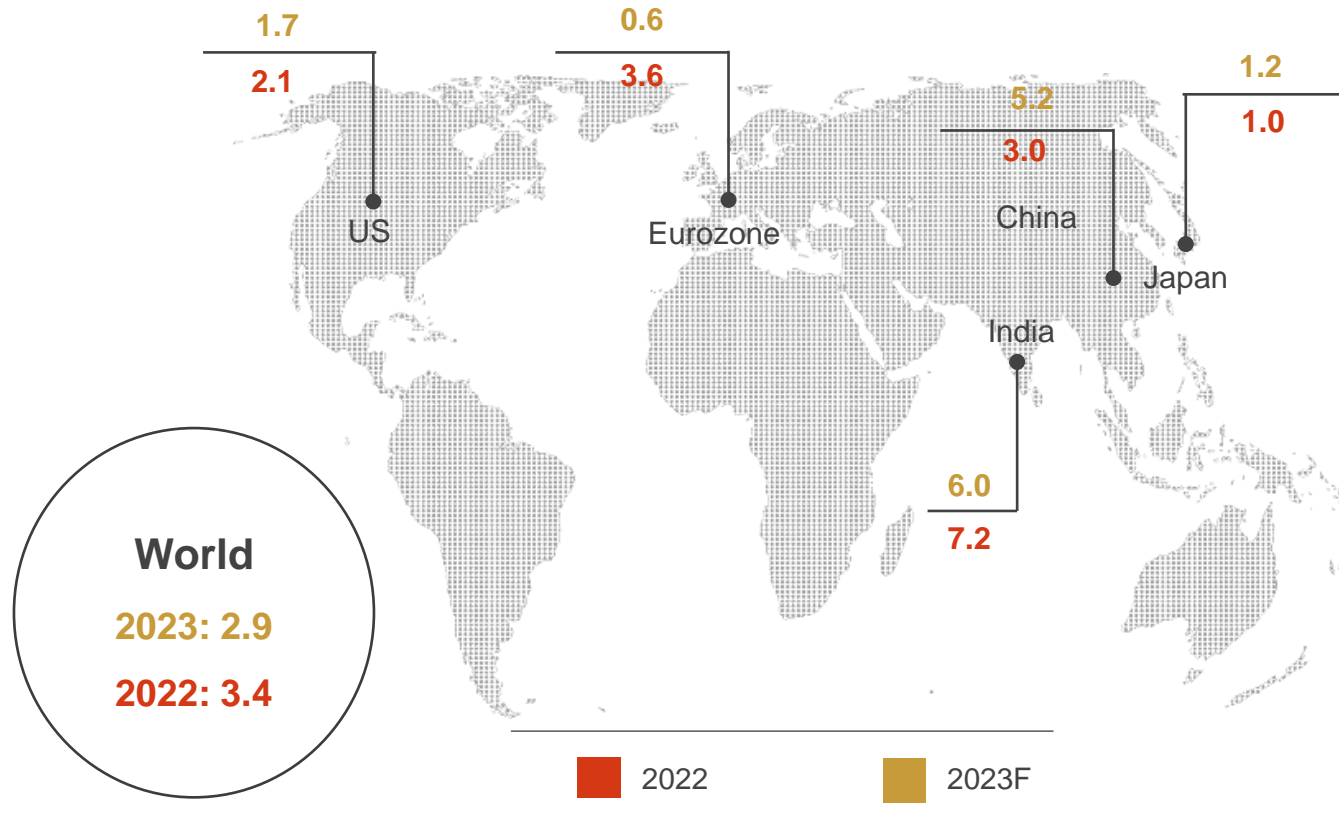
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# Global scenario

# Global economy growth pace to taper under elevated interest rates

Real GDP growth (%)



## Global economy outlook

- A shallower but more protracted slowdown
- Rate hikes not yet over in advanced economies
- Sticky inflation and tight labour market conditions to keep rates higher for longer

## Impact on India

- Hit to exports
- Risk to capital flows

F: Forecast;  
Source: S&P Global, June 2023

# India landscape

# Indian economy to remain in growth mode

Segments (% growth y-o-y)	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24E
GDP	7.4	8.0	8.3	6.8	6.5	3.9	(5.8)	9.1	7.2	6.0
CAB (as a % of GDP)	-1.3	-1.0	-0.6	-1.8	-2.1	-0.9	+0.9	-1.2	-2.0	-1.8
10-year G-sec yield (end-March)	7.7	7.5	6.8	7.6	7.5	6.2	6.2	6.8	7.4	7.0
PFCE	6.4	7.9	8.1	6.2	7.1	5.2	(6.0)	7.6	7.5	6.2
Crude oil (\$/barrel/CY)	99	52	44	54.5	71	64	42.3	70.4	99.8	75-80
Inflation (Consumer Price Index)	5.9	4.9	4.5	3.6	3.4	4.8	6.2	5.5	6.7	5.0

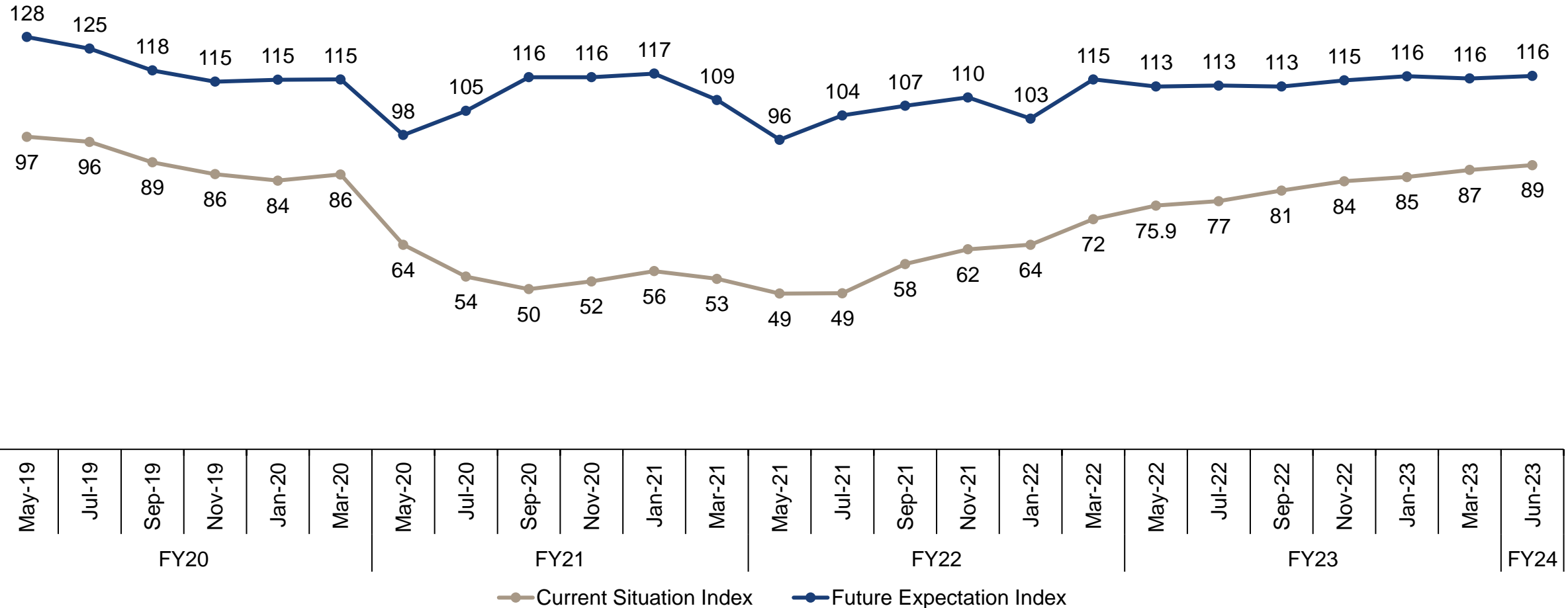
CAB: Current account Balance CY: Calendar year; PFCE: Private final consumption expenditure

Note: Crude oil prices are for CY, upward revision possible amidst the OPEC supply cut, GDP numbers have been revised from FY21

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

# Continued improvement in Current Situation Index while Future Expectation Index remains rangebound

## Consumer Confidence Index



Source: CRISIL MI&A, RBI, NCAER

# High frequency parameters seeing sequential improvement

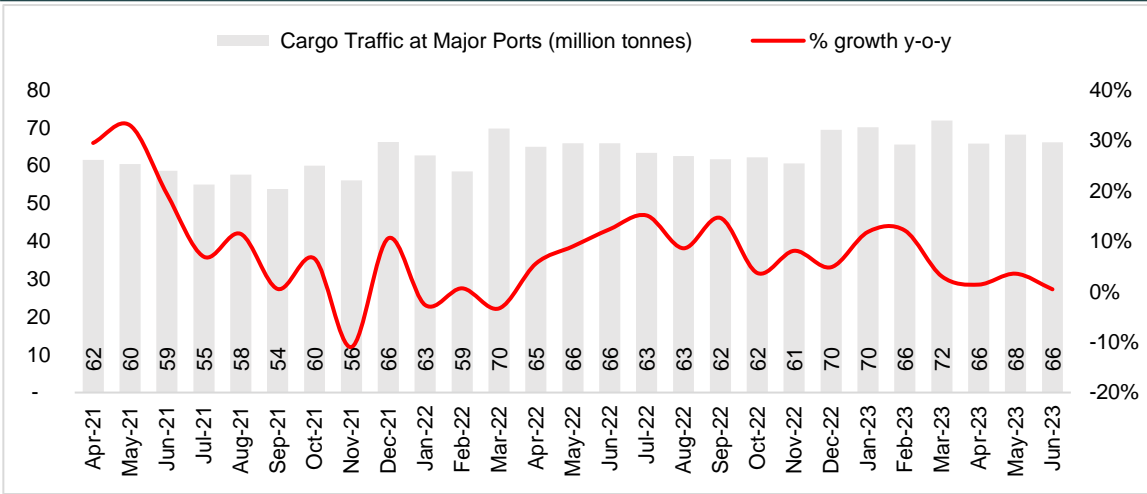
Segments	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23
<b>Core Sectors</b>															
Coal	29%	25%	31%	11%	8%	12%	4%	12%	12%	13%	9%	12%	9%	7%	
Crude Oil	-1%	5%	-2%	-4%	-3%	-2%	-2%	-1%	-1%	-1%	-5%	-3%	-4%	-2%	
Natural Gas	6%	7%	1%	0%	-1%	-2%	-4%	-1%	3%	5%	3%	3%	-3%	0%	
Petroleum Refinery Products	9%	17%	15%	6%	7%	7%	-3%	-9%	4%	5%	3%	2%	-2%	3%	
Fertilizers	9%	23%	8%	6%	12%	12%	5%	6%	7%	18%	22%	10%	24%	10%	
Steel	-1%	15%	3%	6%	2%	7%	4%	11%	9%	6%	7%	9%	12%	9%	
Cement	8%	26%	19%	2%	2%	12%	-4%	29%	9%	5%	7%	-1%	12%	16%	
Electricity	11%	22%	16%	2%	1%	11%	0%	12%	10%	12%	8%	-2%	-1%	0%	
<b>Auto-offtake</b>															
Two Wheelers	15%	250%	23%	10%	16%	14%	2%	16%	4%	5%	8%	9%	15%	17%	2%
Cars+UVs	-4%	185%	19%	11%	21%	91%	29%	31%	8%	17%	11%	4%	13%	14%	2%
Three Wheelers	51%	2162%	184%	73%	65%	73%	69%	102%	34%	102%	85%	59%	101%	70%	99%
<b>Auto-Vaahan</b>															
2W	42%	214%	20%	-9%	9%	18%	71%	29%	-3%	23%	27%	25%	-7%	25%	18%
Cars+UVs	31%	209%	41%	-3%	8%	11%	51.1%	22.8%	11.5%	23.8%	12.9%	16.2%	0.4%	5.9%	4.3%
<b>Others</b>															
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
IIP Overall	7%	20%	12%	2%	-1%	3%	-4%	7%	4%	5%	6%	2%	4%	5%	
Diesel consumption	8%	32%	24%	8%	13%	14%	6%	19%	7%	13%	8%	1%	9%	13%	13%
Rail freight (NTKM)	21%	19%	18%	18%	13%	10%	1%	4%	6%	6%	5%	3%	-1%	-2%	-2%
Bitumen consumption	-8%	6%	22%	1%	51%	16%	-11%	39%	-15%	-20%	-9%	13%	-6%	0%	0%
<b>Credit</b>															
Industry credit	7%	9%	11%	12%	16%	15%	12%	13%	9%	9%	7%	6%	7%	6%	
-Micro and Small	46%	49%	48%	44%	41%	45%	39%	20%	15%	14%	13%	12%	10%	10%	
-Medium	52%	50%	49%	34%	30%	29%	22%	30%	15%	18%	14%	20%	19%	19%	
-Large	1%	2%	3%	5%	11%	8%	6%	11%	7%	7%	5%	3%	5%	4%	



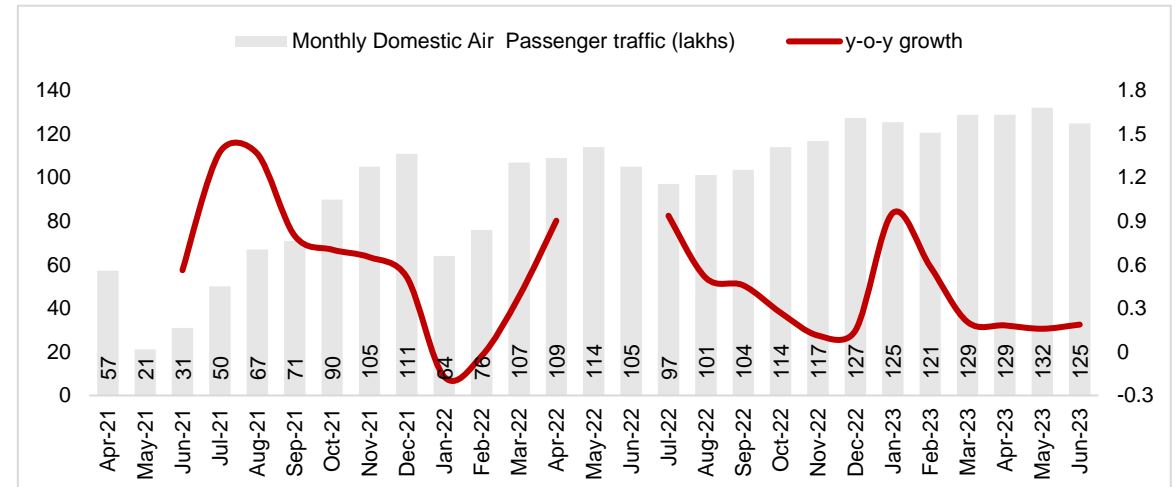
# Mobility & Auto industry

# Overall mobility

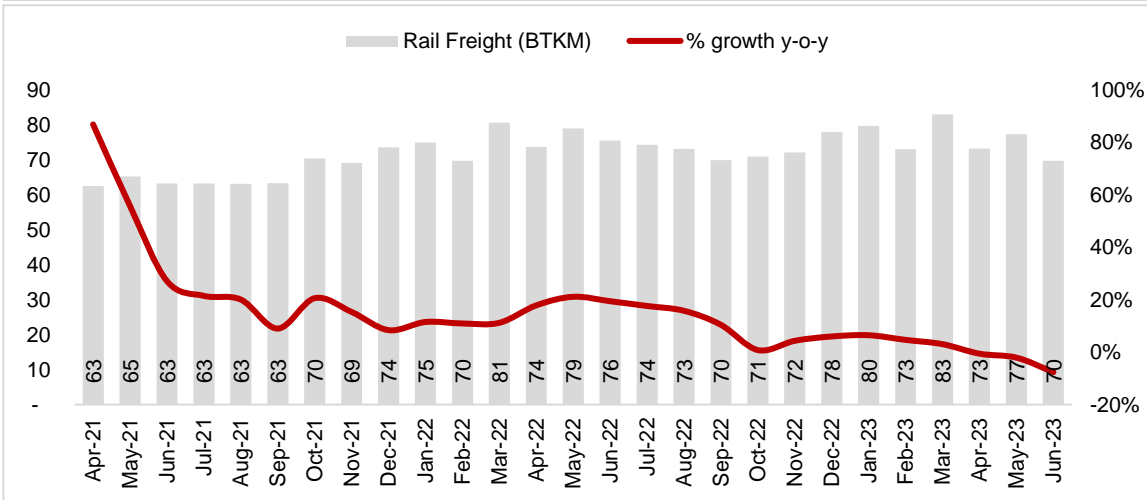
## Port Traffic



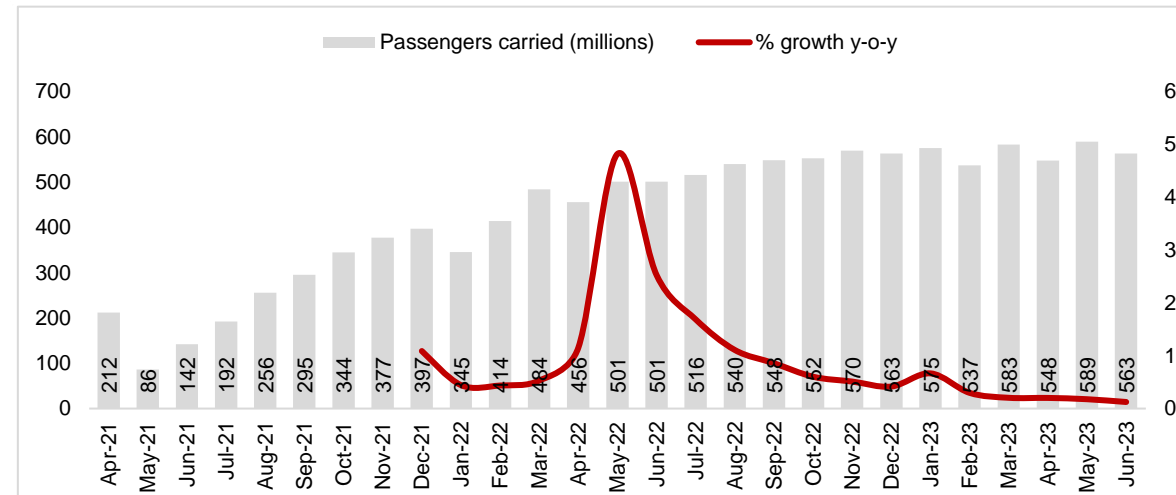
## Air traffic domestic



## Rail Cargo

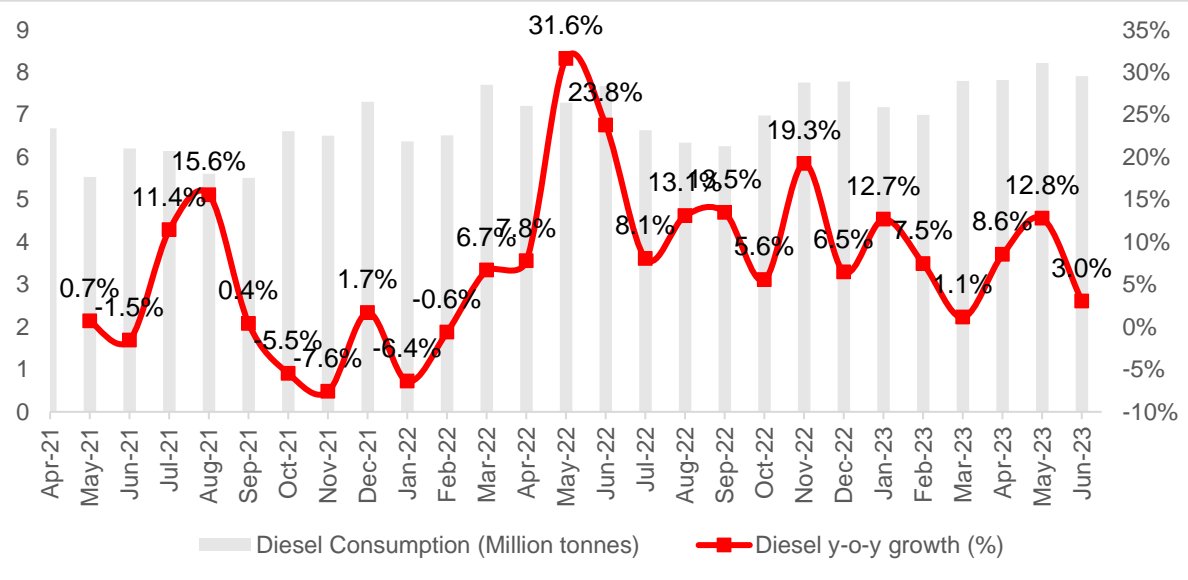


## Rail Passenger

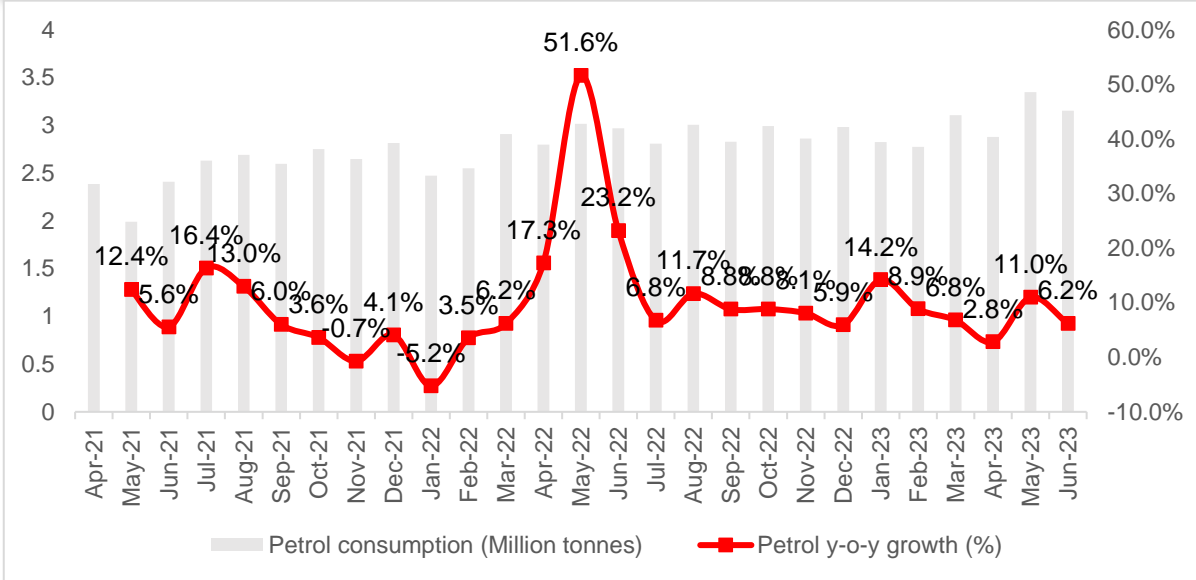


# Fuel consumption

Diesel consumption



Petrol consumption



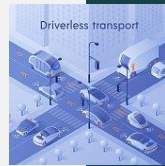
- Diesel consumption witnessed growth of 3% in June 2023 on y-o-y basis while petrol consumption saw a growth of 6.2% for the same

Source: PPAC, CRISIL MI&A and Consulting

# Hi-Frequency indicators

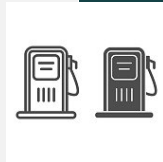
## How are they shaping?

### Mobility indicators and Vaccination progress



Mobility Indicators in first half of October month 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 a 4.3% year on year growth in June 2023. Diesel consumption witnessed growth of 3% in June 2023 on y-o-y basis while petrol consumption saw a growth of 6.2% for the same

### Freight movement & Transporter Profitability



- E-waybill generation has been at daily average of 1.87mn in June 2023 compared to May 2023 daily average of 1.83mn for intra-city
- While for inter-city the same has been about daily average of 1.0mn in June 2023 compared with daily average of 1.01mn in May 2023

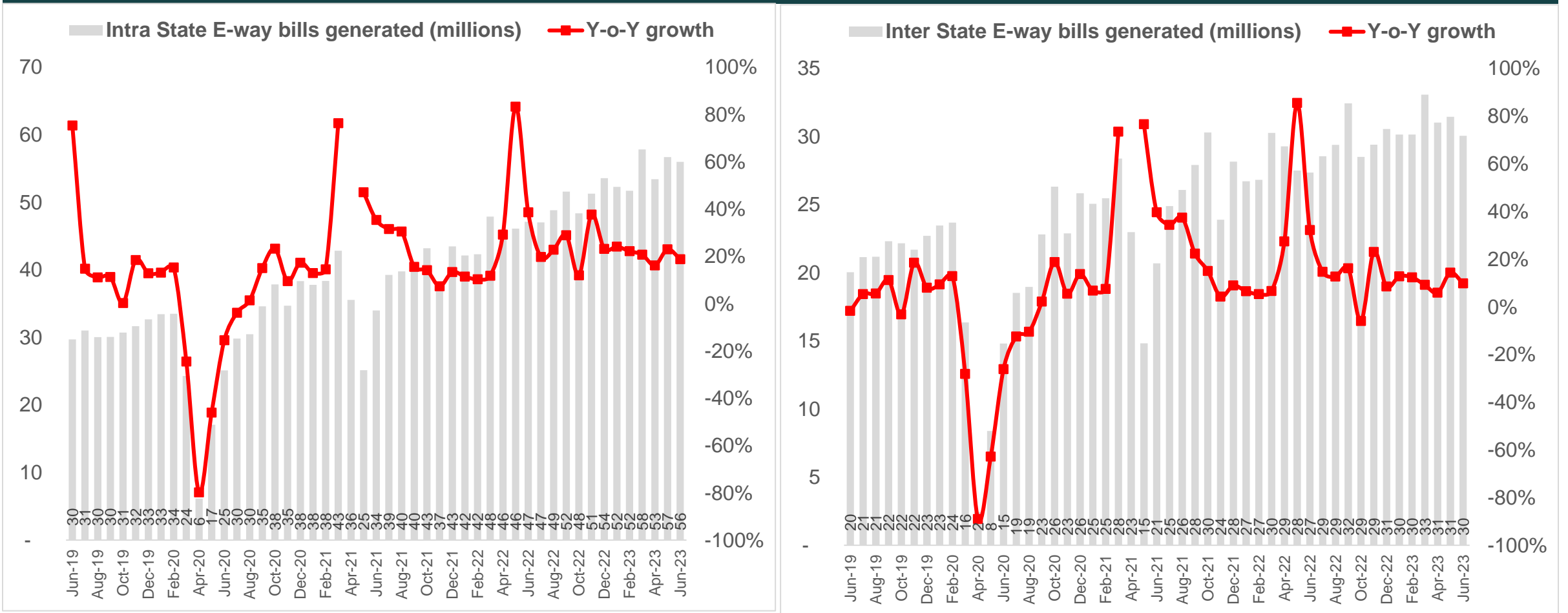
### STU Tendering Tracker



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

# E-waybill trend

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



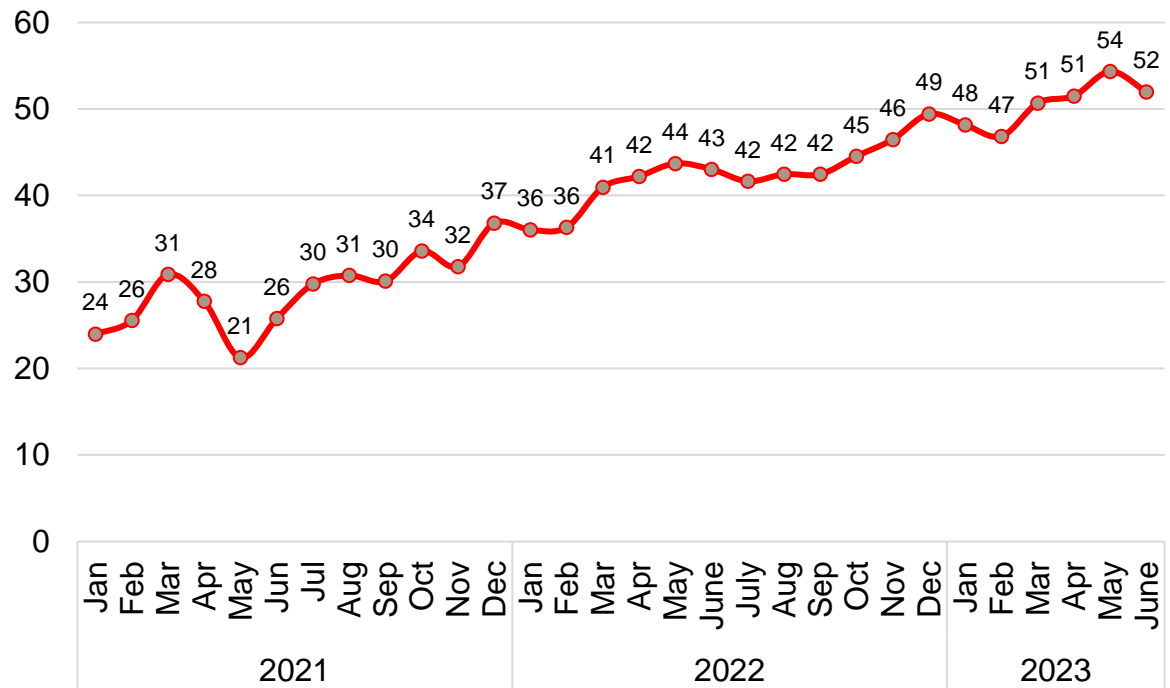
Note:

1. y-o-y growth not mentioned in Apr-21 as values are not meaningful due to low base effect of previous year caused by the nationwide lockdown. 2. Agri, last mile distribution and market load operations do not come under ambit of E-way bill hence the E-way bills mentioned here may not represent the entire movement of goods in the country

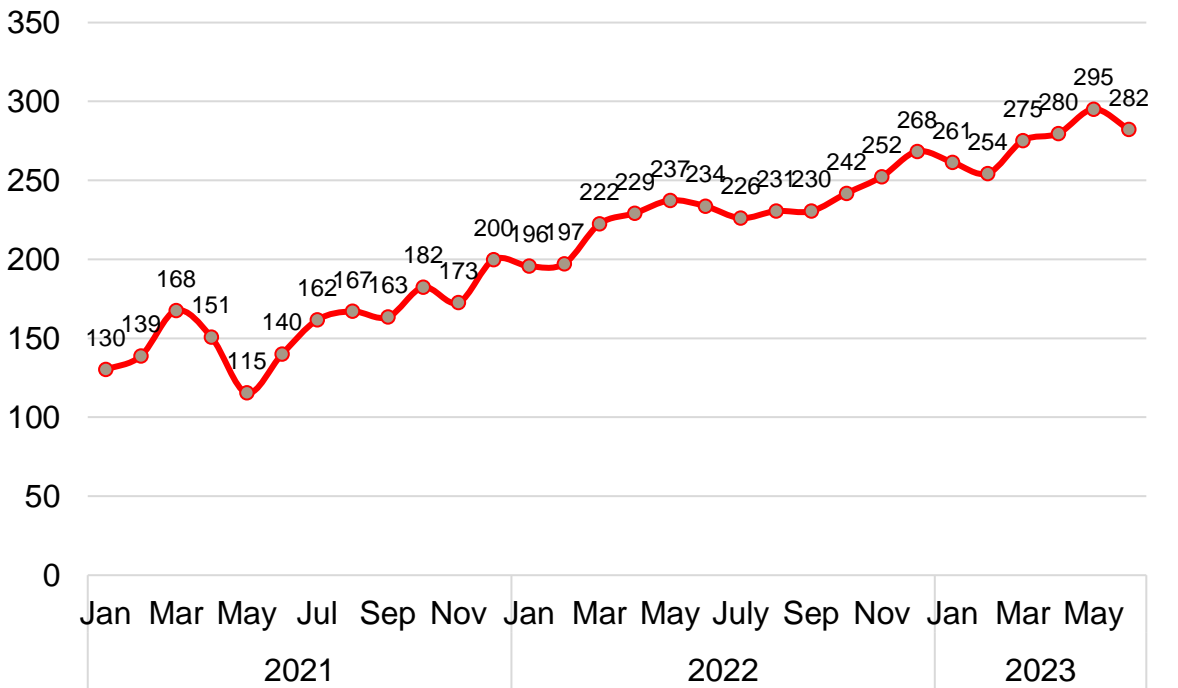
3. Source: GST Network, CRISIL MI&A Consulting

# June NETC Fastag collection at about ₹52 billion

**Fastag collections (INR billion)**



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

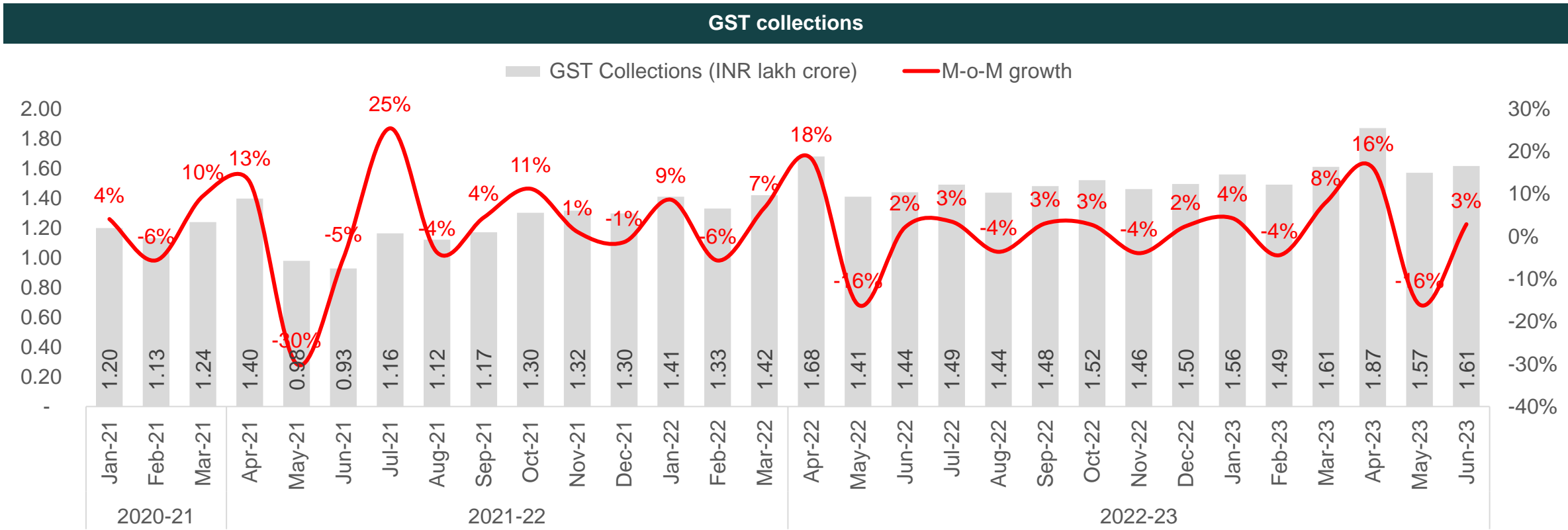


- Fastag recorded an index of 282 in June 2023

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

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# GST revenue collection for June 2023 at Rs 1.61 lakh crore



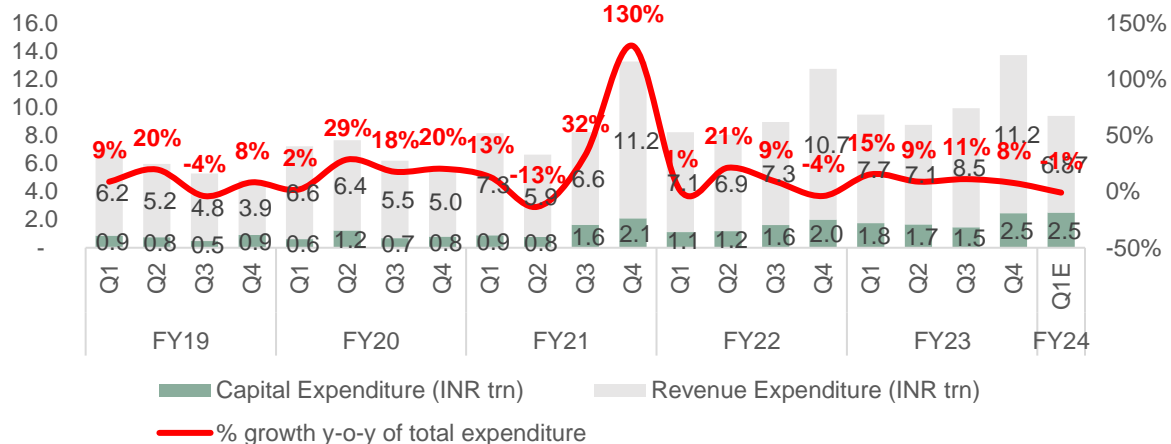
Source: GST Network, NPCI, CRISIL MI&A Consulting

- June GST collection at ₹1.61 lakh crore is 12% higher than the GST revenue in the same month last year, which was ₹1.45 lakh crore

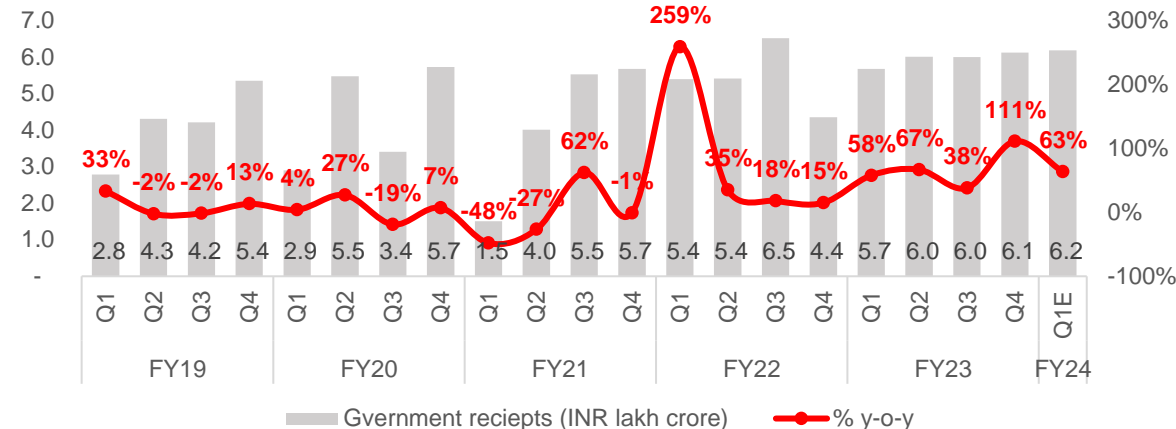
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# Central government finances in a relatively healthier position in Q1FY24 compared to last year

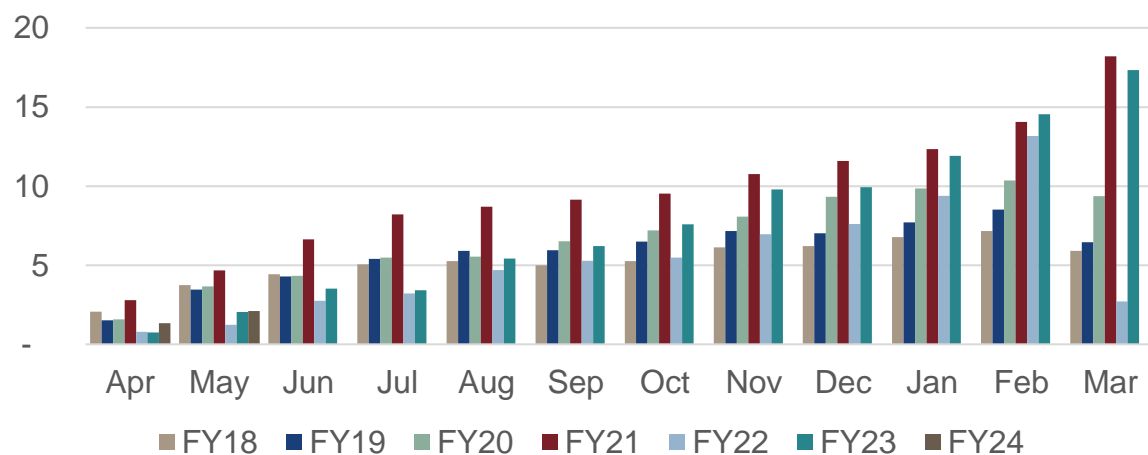
### Government expenditure better in Q4FY23 than Q3FY23



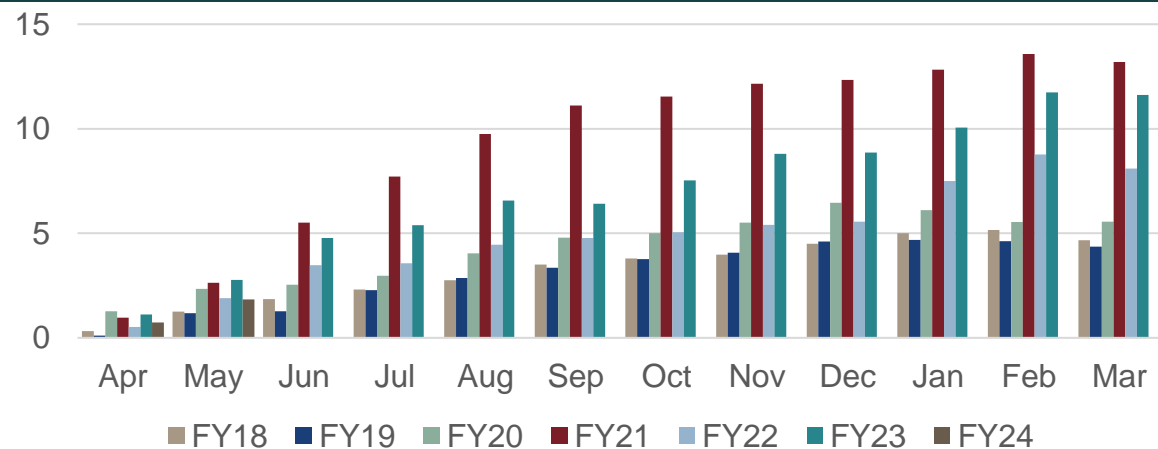
### Receipts in Q4FY23 improve



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



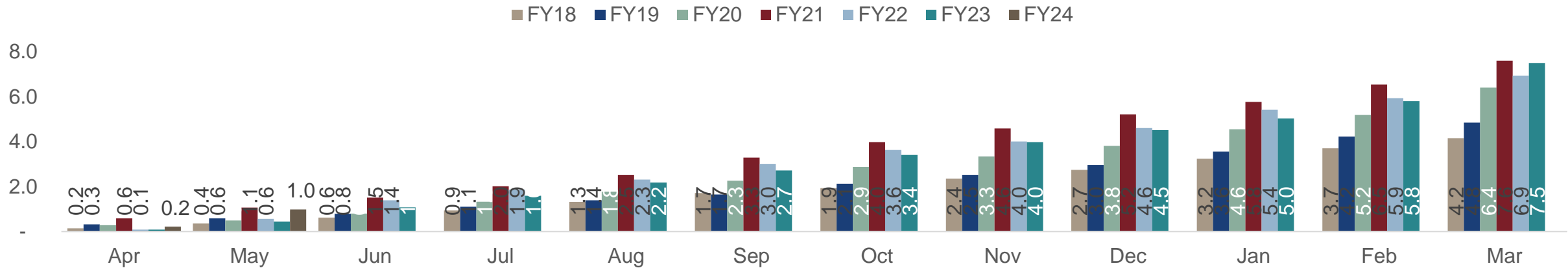
### m-o-m build-up of cumulative market borrowings of the govt. (INR trillion)



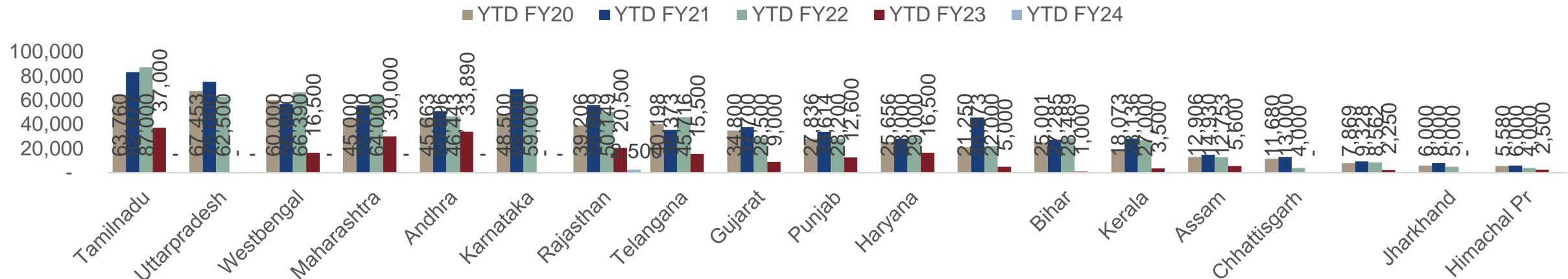


# State government borrowings similar to last year

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



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

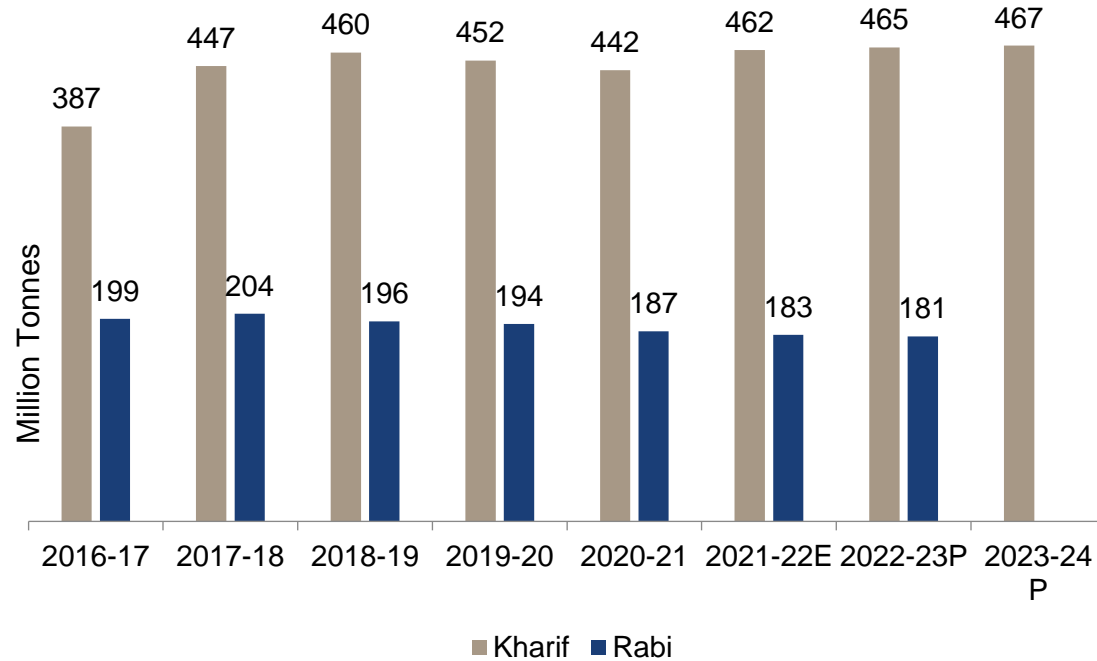


Source: RBI, MINISTRY OF FINANCE, CRISIL Research

# Rural Scenario

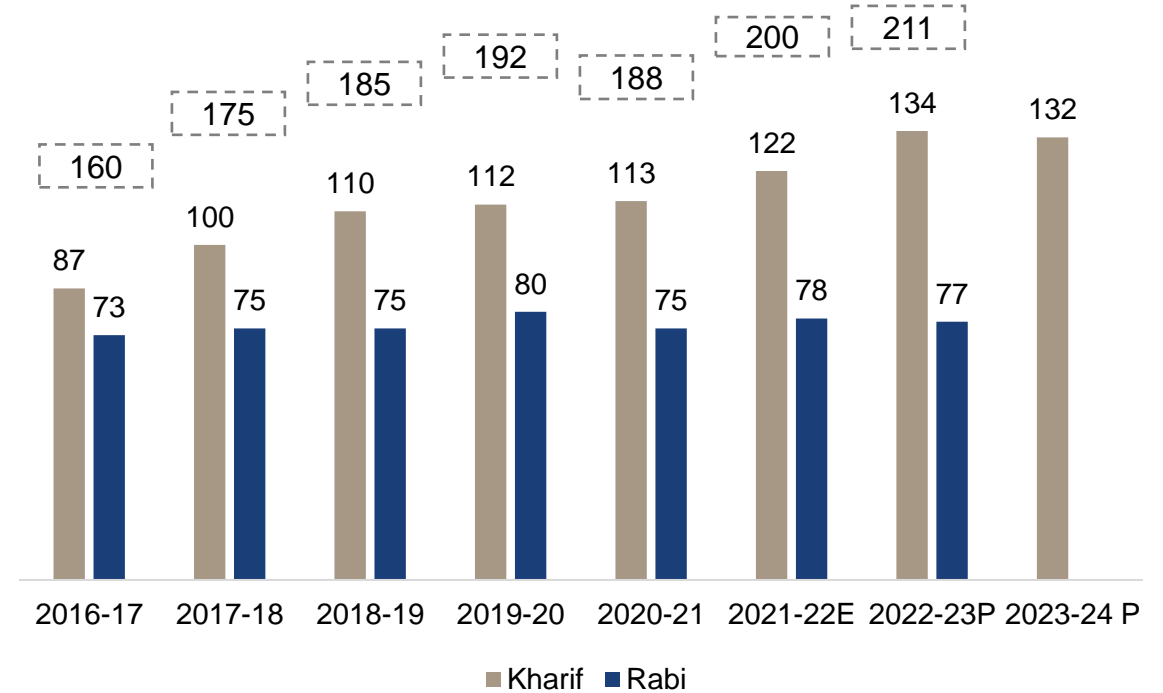
# Rainfall progress and spread to play a key role for the current kharif cycle

## Food-grain Crop Production



Source: CRISIL MI&A

## Food-grain CVI (Crop Value Index)



Source: CRISIL MI&A;

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

Total CVI



Kharif sowing has been delayed on the back on delayed rainfall, however the same is expected to pick up with progress in rainfall

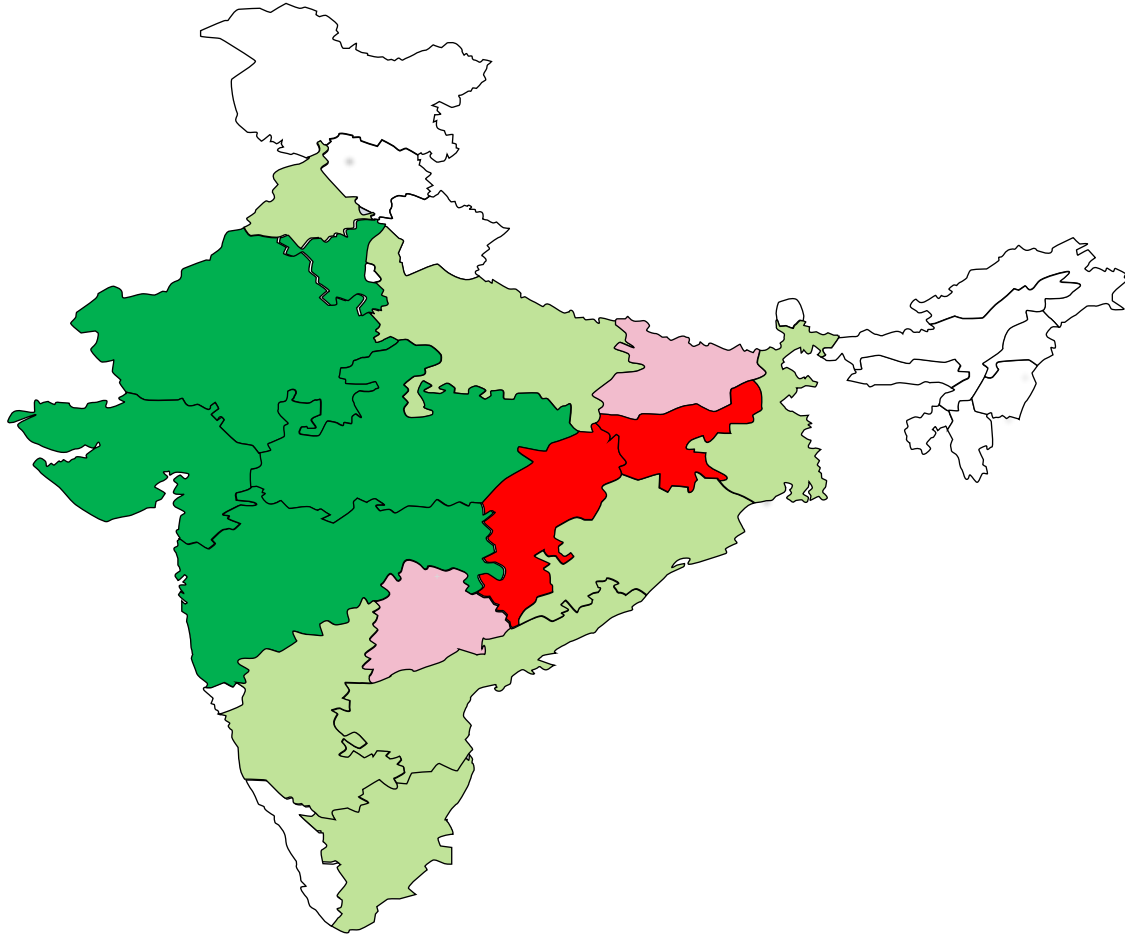


Higher MSP allocation for FY24 and good prices in mandi's has maintained the positivity on-ground

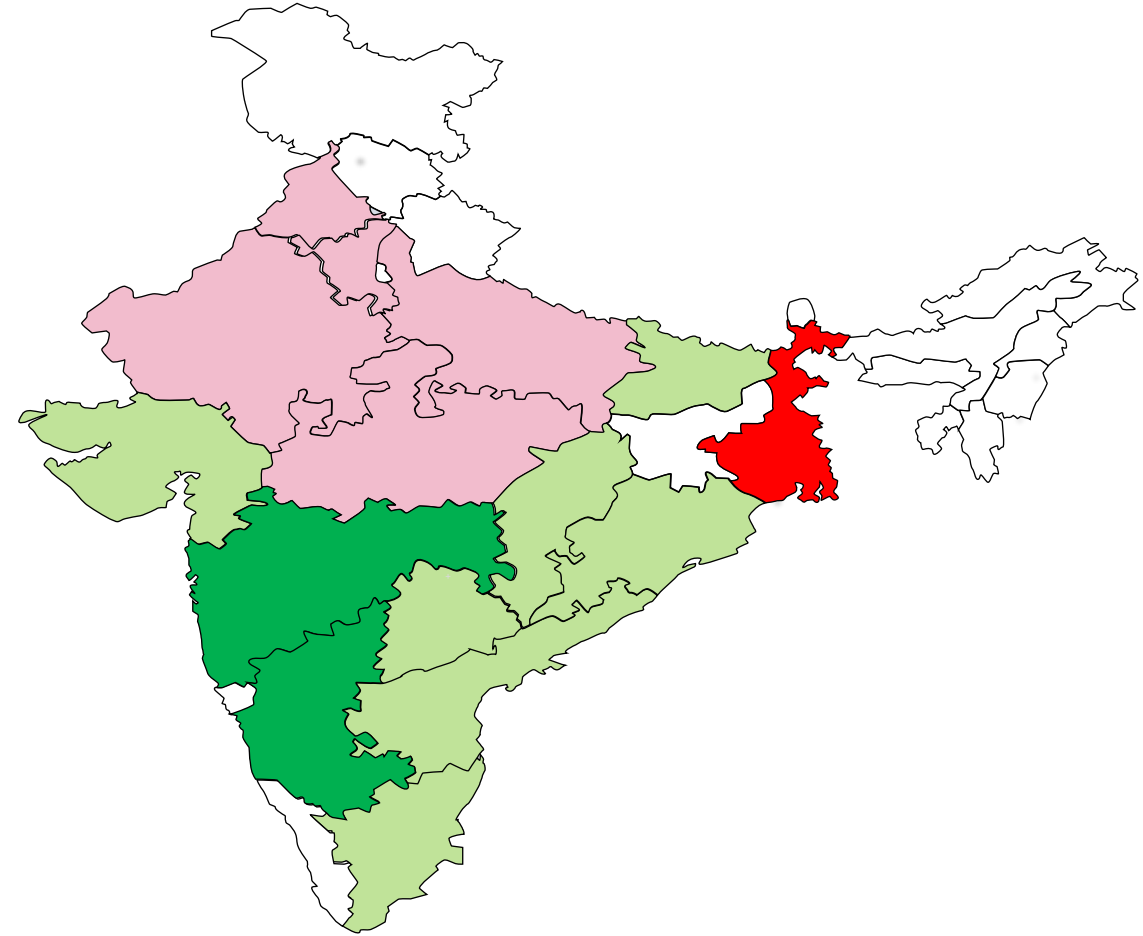
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# State-wise farm income expectation

Kharif CVI heat Map for FY24



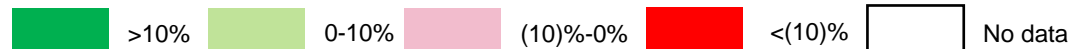
Rabi CVI heat Map for FY23



Source: CRISIL MI&A

Market Intelligence  
& Analytics

Colours indicate % change on-year



# Kharif uncertainty, shift in govt focus from transfers to investment

## Agri scenario lends support in Q1

### Crop scenario



- Rabi CVI dipped slightly in FY23 amidst the unseasonal rainfall which had led to crop damage & decline in quality of standing crop
- Rabi cashflow positive during Q1 FY24
- Kharif CVI was estimated to have improved in FY23 backed by higher production. For FY24, Kharif CVI is expected to remain rangebound.
- However, progress of the monsoon remains a key monitorable

### 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

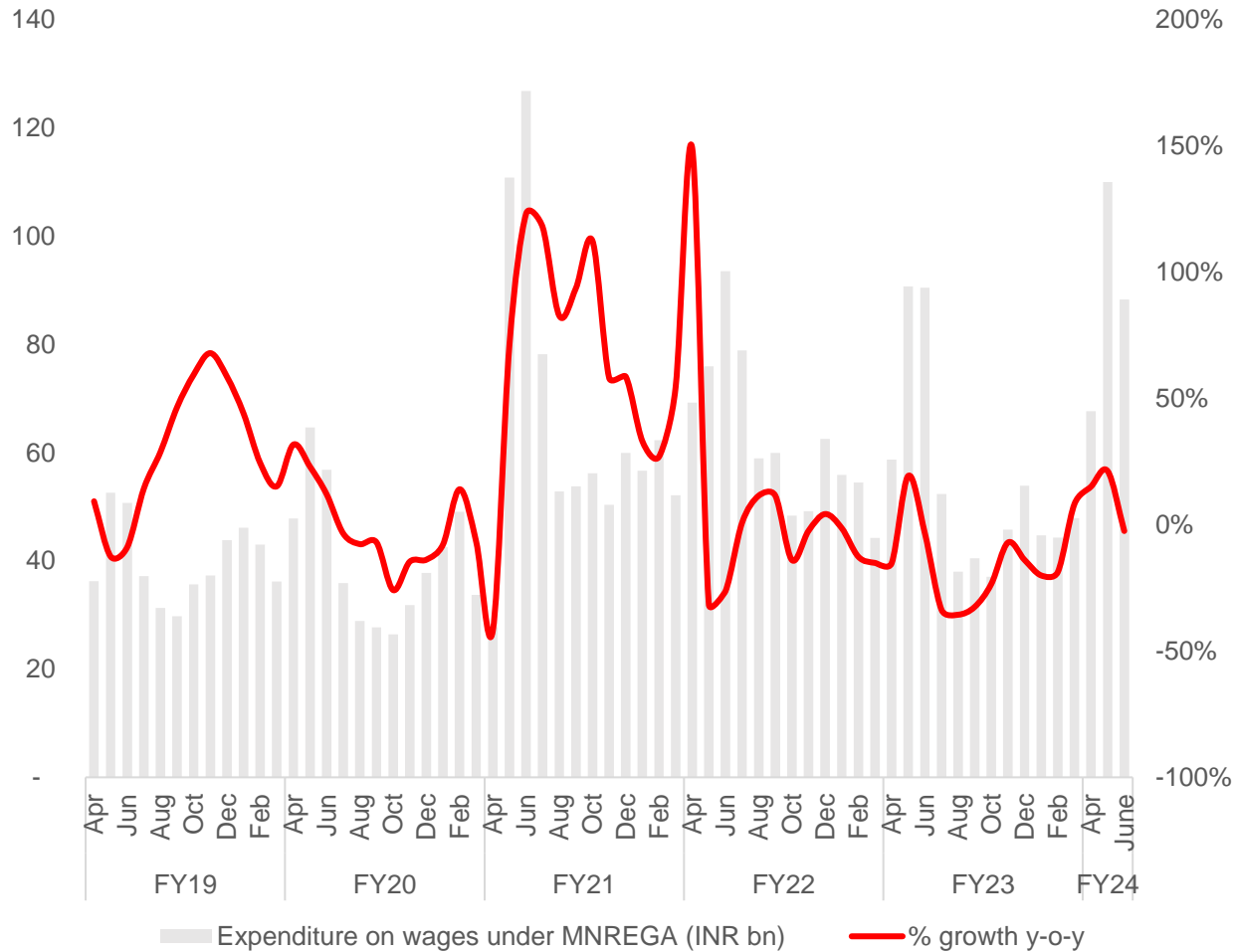
### PM Garib Kalyan Yojana



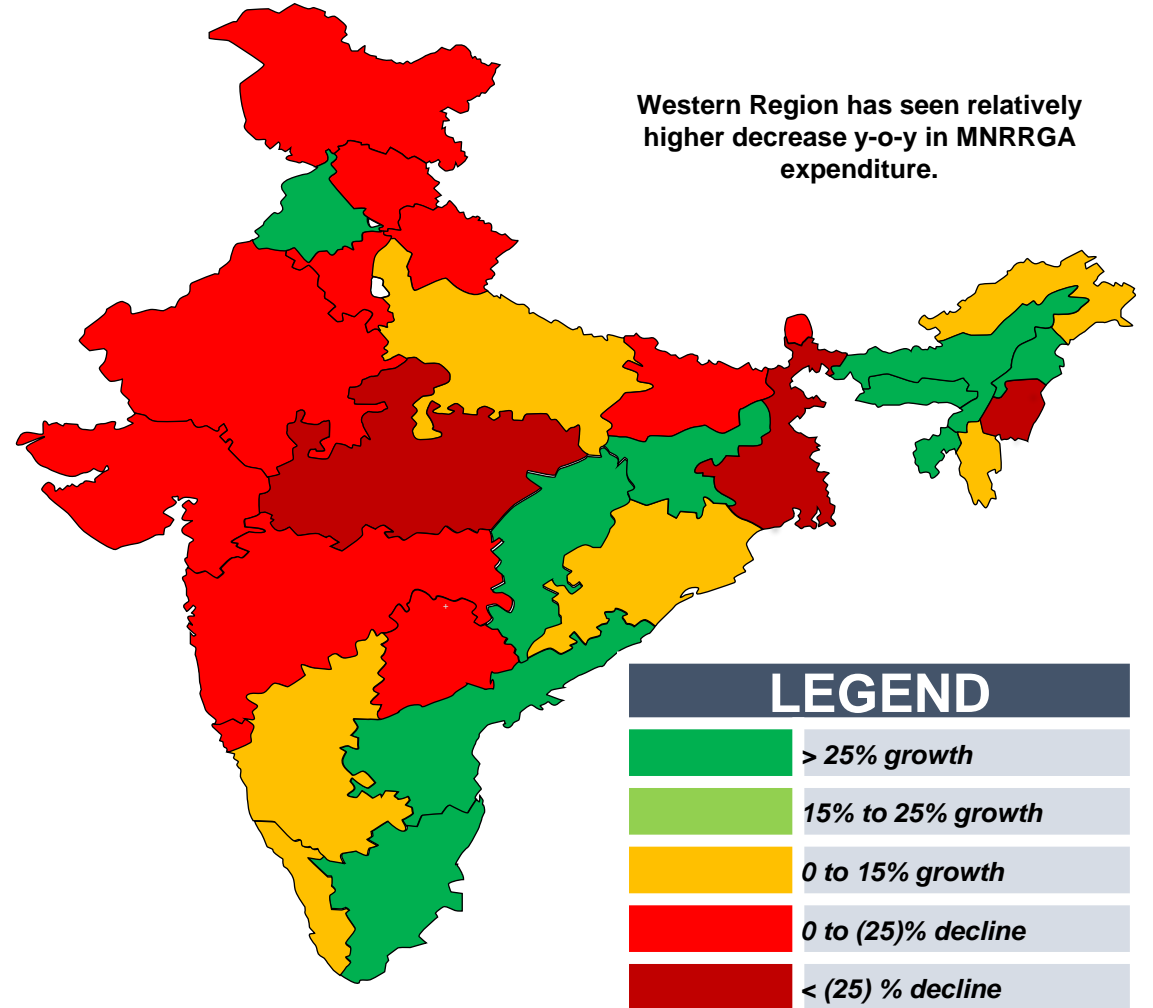
- The Cabinet approved new integrated food security scheme Pradhan Mantri Garib Kalyan Ann Yojana (PMGKAY). for providing free foodgrains to Antodaya Ann Yojna (AAY) & Primary Household (PHH) beneficiaries,
- Free foodgrains will be provided under PMGKAY for the year 2023 to all PHH and AAY beneficiaries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

# MNREGA scheme expenditure tapered down in FY23

MNREGA wages growth



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



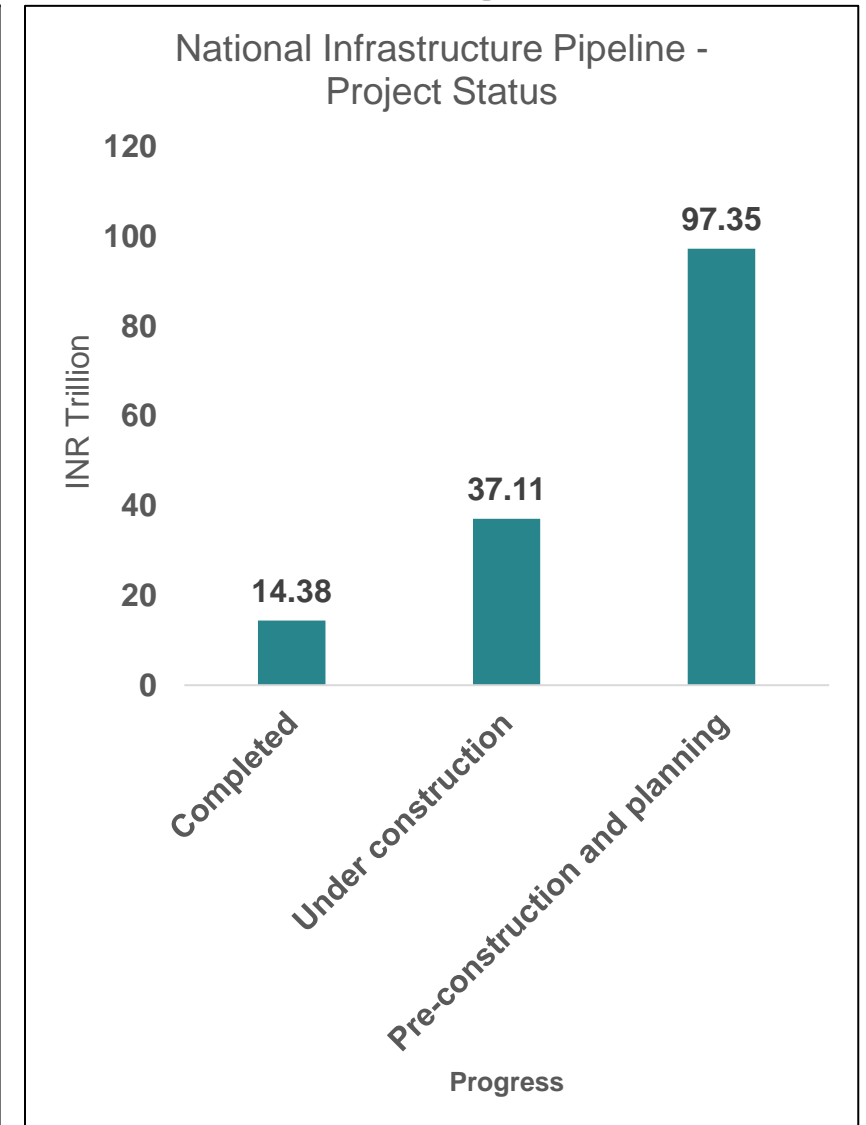
# National Infrastructure pipeline

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

Pre-construction & planning	
Sectors	Amt (INR Trillion)
Roads and Highways	18.94
Waste and water	5.79
Railways	16.44
Real Estate	9.91
Water Resources	9.84
Education	1.69
Electricity Generation	5.22
Healthcare	1.65
Transmission & Distribution	7.56
Urban Public Transport	6.25
Aviation & Aviation Infrastructure	1.16
Sports	0.12
Oil & Gas	2.55
Shipping	0.36
Tourism Hospitality & Wellness	0.22
Storage	2.59
Oil & gas (Refining; Exploration and production)	4.92
Food processing and agriculture	0.14
Logistics Infrastructure	0.12
Food Processing	0.15
Telecommunication	1.34
IT/ITES	0.06
Textiles	0.02
Utility and Resources pipeline	0.12
Inland Waterways	0.07
Coal	0.06
Leather	0.01
Steel	0.03
Chemicals	0.01
Construction	0.00
<b>Total</b>	<b>97.35</b>

Under construction	
Sectors	Amt (INR Trillion)
Roads and Highways	11.29
Education	0.68
Waste and water	3.46
Water Resources	1.24
Railways	1.05
Electricity Generation	12.41
Real Estate	1.30
Healthcare	0.18
Urban Public Transport	1.92
Transmission & Distribution	0.51
Shipping	0.89
Food processing and agriculture	0.95
Logistics Infrastructure	0.29
Aviation & Aviation Infrastructure	0.31
Tourism Hospitality & Wellness	0.06
Sports	0.03
Inland Waterways	0.19
Steel	0.20
Food Processing	0.02
Energy Storage	0.03
Telecommunication	0.08
Utility and Resources pipeline	0.01
IT/ITES	0.00
<b>Total</b>	<b>37.11</b>

Completed	
Sectors	Amt (INR Trillion)
Roads and Highways	1.50
Waste and water	0.24
Railways	1.12
Real Estate	6.64
Education	0.09
Transmission & Distribution	1.05
Energy Storage	0.44
Electricity Generation	1.05
Healthcare	0.14
Urban Public Transport	0.24
Water Resources	0.68
Shipping	0.07
Oil & Gas (Bulk material transportation pipeline)	0.26
Logistics Infrastructure	0.17
Aviation & Aviation Infrastructure	0.13
Tourism Hospitality & Wellness	0.01
IT/ITES	0.00
Oil & Gas(Refining)	0.07
Food processing and agriculture	0.00
Sports	0.00
Telecommunication	0.00
Textiles	0.00
Inland Waterways	0.01
Coal	0.02
Metals and Mining	0.01
Energy and Storage	0.44
<b>Total</b>	<b>14.38</b>

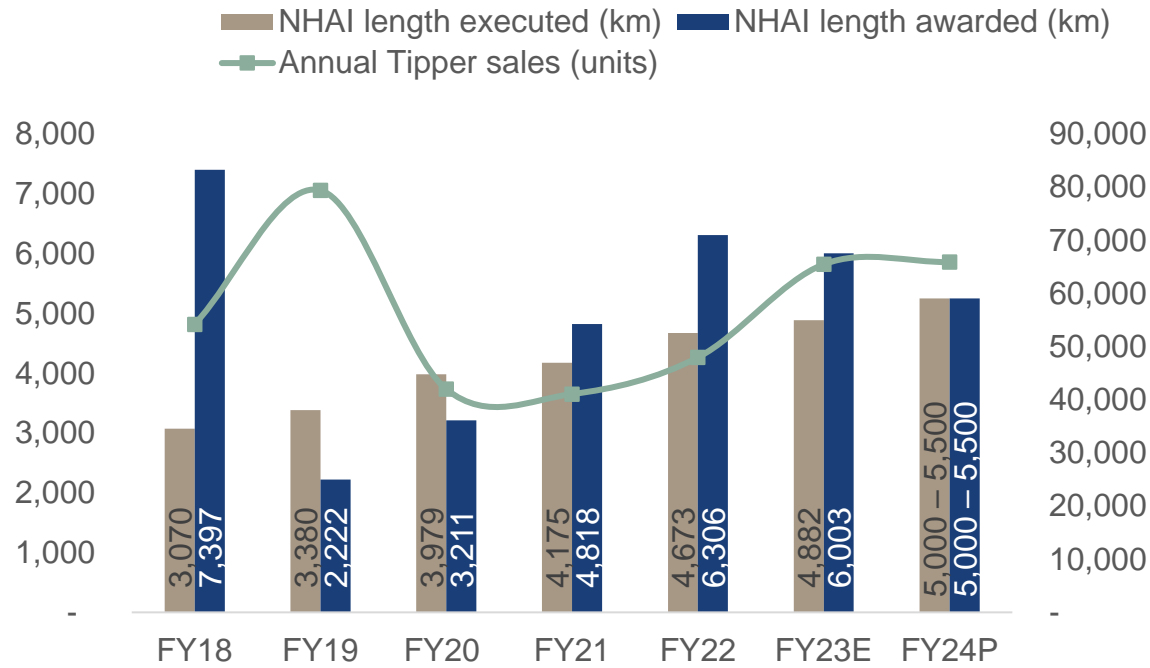




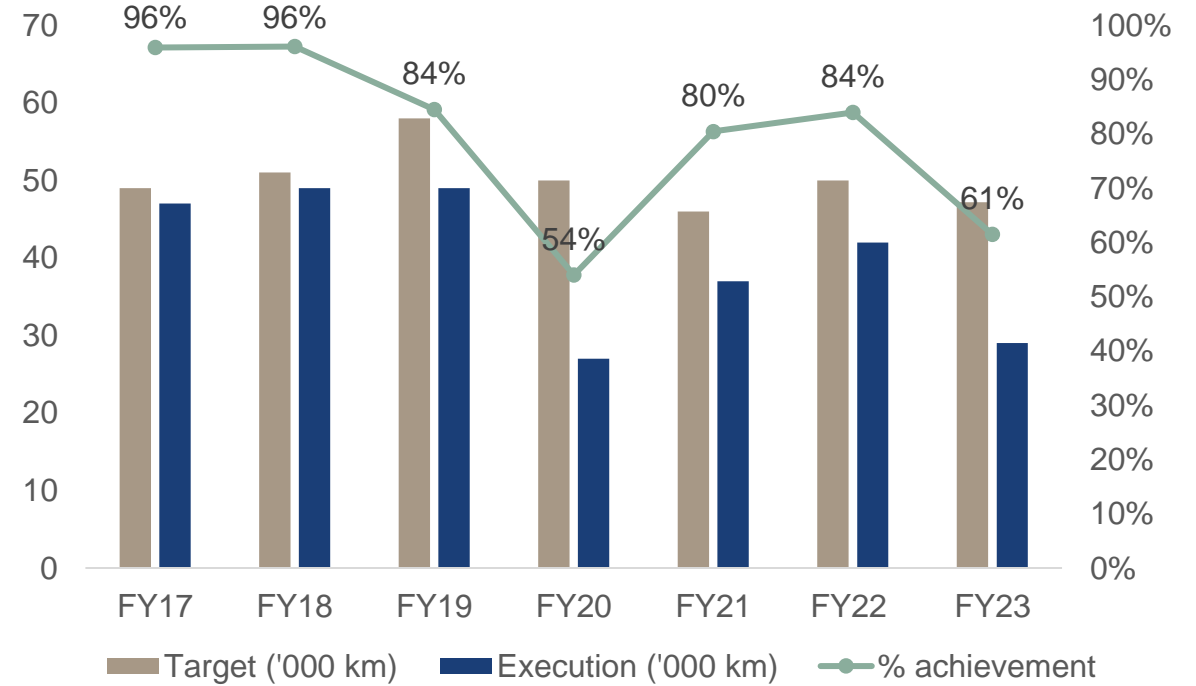
# Focus on Road Infrastructure

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

## National highways (NHA) – Awarded and executed



## Trend in PMGSY target and execution



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

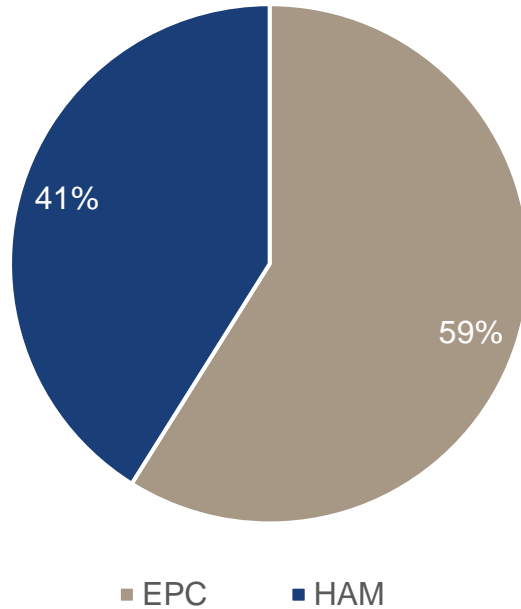
E: Estimated; P: Projected, National Highway Authority of India  
 Source: NHA, MoRTH, CRISIL Research

# NHAI tendering in Apr-June FY24

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

Value in Rs. Billions

~125

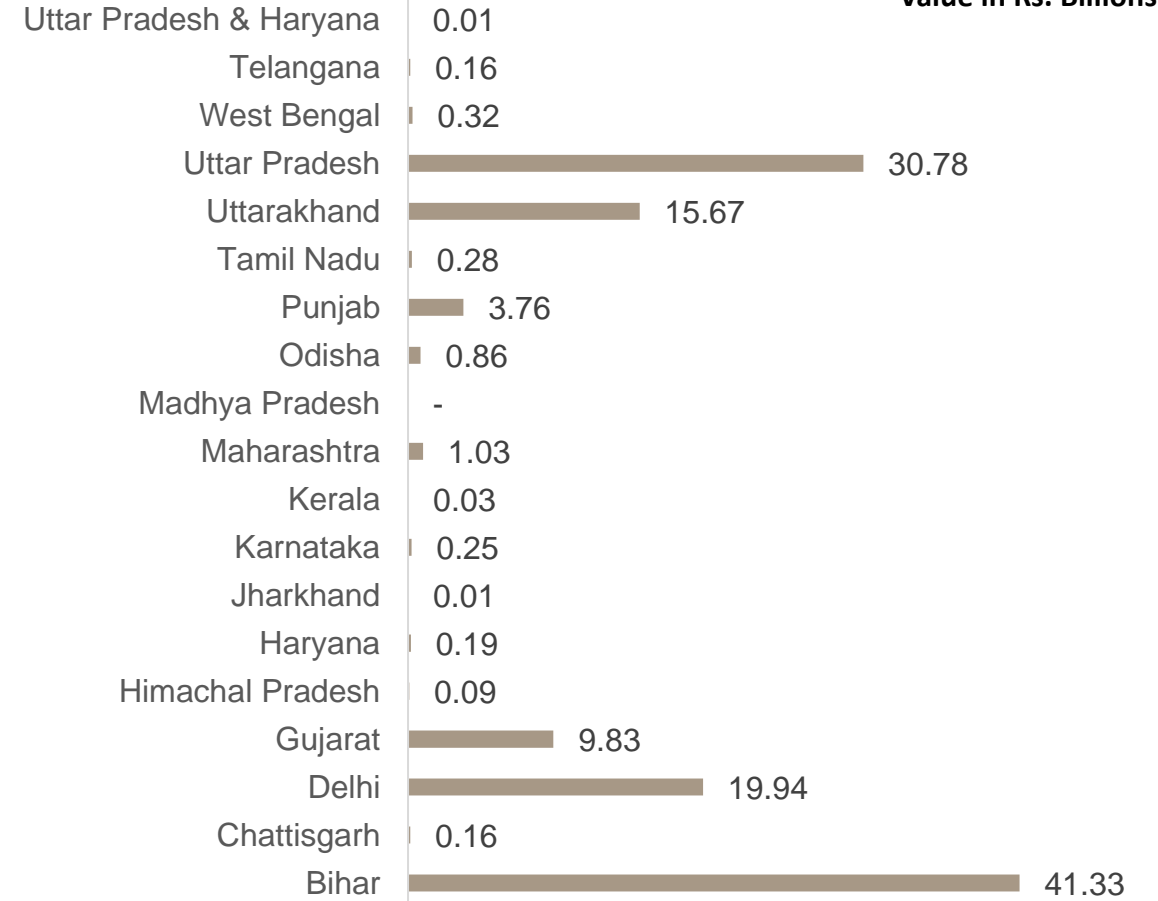


\*Total tender value consists of states mentioned herewith

Source: CRISIL Research

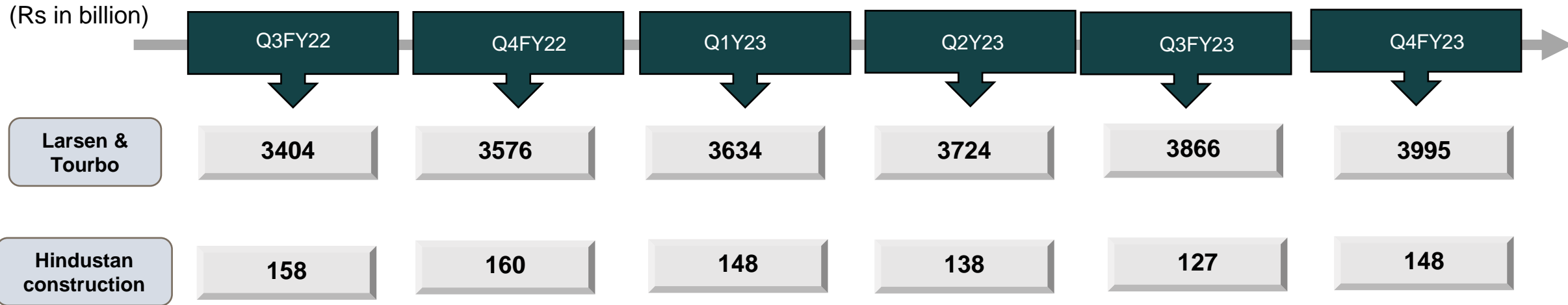
## Tender project value in major states

Value in Rs. Billions



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

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



Source: CRISIL Research; Company Reports

Note: Order book is cumulative till that quarter

NA- Not available

# Indian Automobile Industry

# Assumptions for forecast

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

# Domestic – Annual forecast

Segment	Volumes				Y-o-y growth rate			
	FY21	FY22	FY23	FY24E	FY21	FY22	FY23	FY24E
PV (mn)	<b>2.7</b>	<b>3.1</b>	<b>3.9</b>	<b>3.9-4.1</b>	(2)%	13%	27%	3-5%
PV-EV penetration	0%	0.5%	1.5%	3-4%				
Two Wheelers (mn)	<b>15.1</b>	<b>13.7</b>	<b>16.3</b>	<b>18.2-18.5</b>	(13)%	(10)%	18%	13-15%
TW-EV penetration	0%	2%	4.5%	4-6%				
CV ('000)	<b>566</b>	<b>731</b>	<b>960</b>	<b>986-1006</b>	(21)%	29%	34%	3-5%
CV-EV penetration	0%	2%	3%	3-5%				
Three Wheelers ('000)	<b>217</b>	<b>260</b>	<b>489</b>	<b>630-640</b>	(66)%	23%	88%	28-31%
3W- EV penetration	1%	4%	6%	10-13%				
Tractors (mn)	<b>0.89</b>	<b>0.84</b>	<b>0.94</b>	<b>0.91-0.93</b>	27%	(6)%	12%	(3)-(1)%

# 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	<b>5.3-5.8</b>	(2)%	13%	27%	<b>6-8%</b>
Two Wheelers (mn)	15.1	13.7	16.3	<b>23-24</b>	(13)%	(10)%	18%	<b>6-8%</b>
CV ('000)	566	731	960	<b>1100-1300</b>	(21)%	29%	34%	<b>4-6%</b>
Three Wheelers ('000)	217	260	489	<b>880-930</b>	(66)%	23%	88%	<b>20-22%</b>
Tractors (mn)	0.89	0.84	0.94	<b>1.1-1.3</b>	27%	(6)%	12%	<b>3-5%</b>



# Exports – Annual forecast

Segment	Subsegment	Volumes				Y-o-y growth rate			
		FY21	FY22	FY23	FY24E	FY21	FY22	FY23	FY24E
PV (mn)	Cars	0.26	0.37	0.41	0.38-0.4	(44)%	42%	10%	(6)-(4)%
	UV+vans	0.14	0.20	0.25	0.24-0.26	(25)%	45%	23%	2-4%
	<b>Industry</b>	<b>0.40</b>	<b>0.58</b>	<b>0.66</b>	<b>0.63-0.66</b>	<b>(39)%</b>	<b>43%</b>	<b>15%</b>	<b>(3)-(1)%</b>
Two Wheelers (mn)	Motorcycle	3.0	4.1	3.2	2.7-2.9	(3)%	34%	21%	(13)-(11)%
	Scooter	0.2	0.4	0.42	0.4-0.6	(40)%	23%	19%	9-11%
	Moped	0.008	0.01	0.004	0-0.005	(37)%	51%	(60)%	4-6%
	<b>Industry</b>	<b>3.3</b>	<b>4.4</b>	<b>3.6</b>	<b>3.2-3.5</b>	<b>(7)%</b>	<b>36%</b>	<b>(18)%</b>	<b>(10)-(8)%</b>
CV ('000)	LCV	31.1	58.3	54.8	47-49	(8)%	87%	(6)%	(13)-(11)%
	MHCV	13.5	26.1	11.6	6-8	(7)%	90%	(55)%	(41)-(39)%
	Buses	5.7	8.3	12.3	12-14	(53)%	(46)%	(48)%	3-5%
	<b>Industry</b>	<b>50.3</b>	<b>92.3</b>	<b>78.7</b>	<b>66-69</b>	<b>(17)%</b>	<b>83%</b>	<b>(15)%</b>	<b>(15)-(13)%</b>
Three Wheelers ('000)	GV	5.6	10	4.5	1-3	(12)%	82%	(56)%	(61)-(59)%
	PV	387	490	361.1	278-283	(22)%	26%	(26)%	(23)-(21)%
	<b>Industry</b>	<b>393</b>	<b>500</b>	<b>365.5</b>	<b>280-285</b>	<b>(22)%</b>	<b>27%</b>	<b>(27)%</b>	<b>(24)-(21)%</b>
Tractors ('000)		<b>89</b>	<b>129</b>	<b>125</b>	<b>103-108</b>	<b>17%</b>	<b>45%</b>	<b>(3)%</b>	<b>(16)-(13)%</b>

# Segment wise inventory

Vehicle segment	Normal inventory in days	Current inventory levels*	Inventory Units	Reasons
Passenger Vehicles	~30	30-35	~0.3 million	Continued improvement in production, waiting periods have contracted. Very few fast-moving models in the stock, primarily stock consists of slow moving lower compact models. Inventory built up for festive season to start from Q2.
Two Wheelers	~45	35-40	~1.5 million	Some inventory built up for the phase 2 during Q1FY24, retails were healthy during Q1 after some sequential drop in April. Dealers have normal inventory. Festive built up to begin from Sep- Q2.
Commercial Vehicles	~30	24-28	66-70 thousand	Inventory levels increased for most of the segments in Q1 largely in the MHCV cargo, Tippers and Buses segment. Inventory levels for LCV decreased marginally as One of the OEM's was facing production issues in the initial month of the quarter while the other OEM was focusing on upgrading the existing models in the sub-1 tonne segment
Three Wheelers	20-25	~20	~35 thousand	Some inventory correction was done in Q3 FY23 and stock levels have been normal in Q4 & Q1FY24. There was some sequential drop in retails as well as offtake during Q1, however, the drop in retails & offtake was nearly in line keeping the stock levels rangebound
Tractors	~40-45	50-55	142-152 thousand	Inventory levels have been high in Q1 FY24 end, built up in anticipation of start of kharif season. However, retails were slower amidst the delay in monsoon during June. Some correction is expected in coming 2 months.

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# Passenger vehicles

# Industry to continue its growth momentum in FY24, albeit at a slower pace

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

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

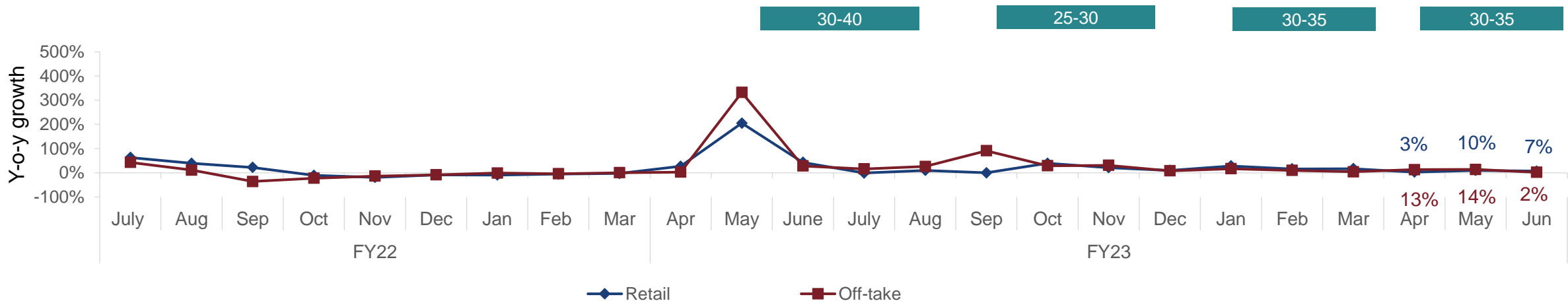
Variables	FY21	FY22	FY23	FY24 E
New model/ facelift launches	N	F	F	F
Regulations – passenger vehicles	NF	N	N	NF

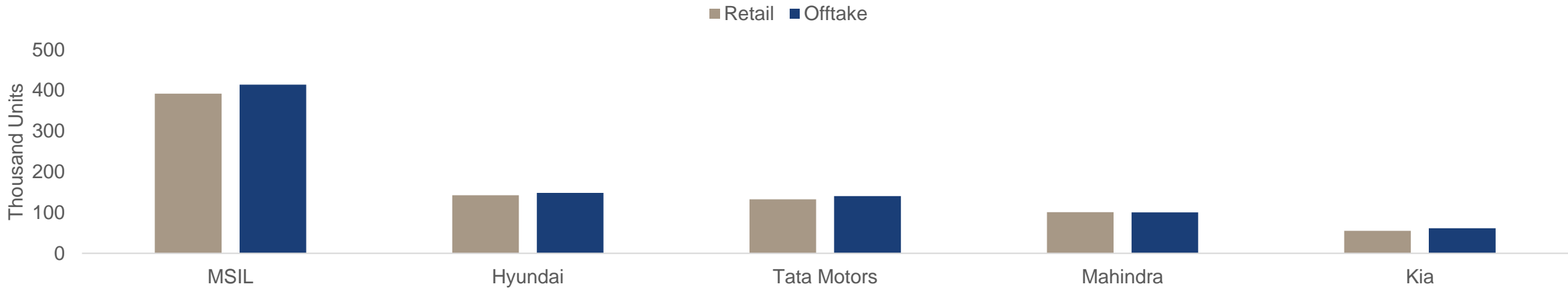
Variables	FY21	FY22	FY23	FY24 E
Vehicle Supply	NF	NF	N	F
<b>Impact on Overall Sales Growth</b>	<b>NF</b>	<b>F</b>	<b>F</b>	<b>N</b>

# Strong offtake momentum continues, industry maintains 3 lakh+ retails in Q1

Normal Dealer inventory levels, primarily lower compact segment stock

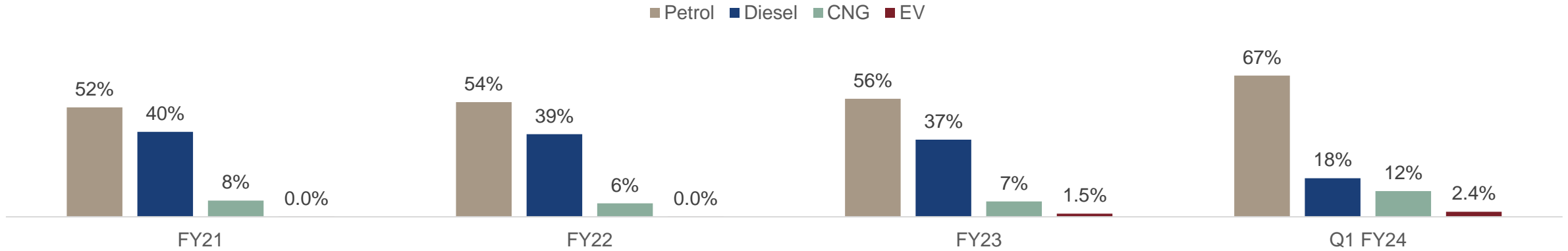


Increased offtake for Maruti & KIA

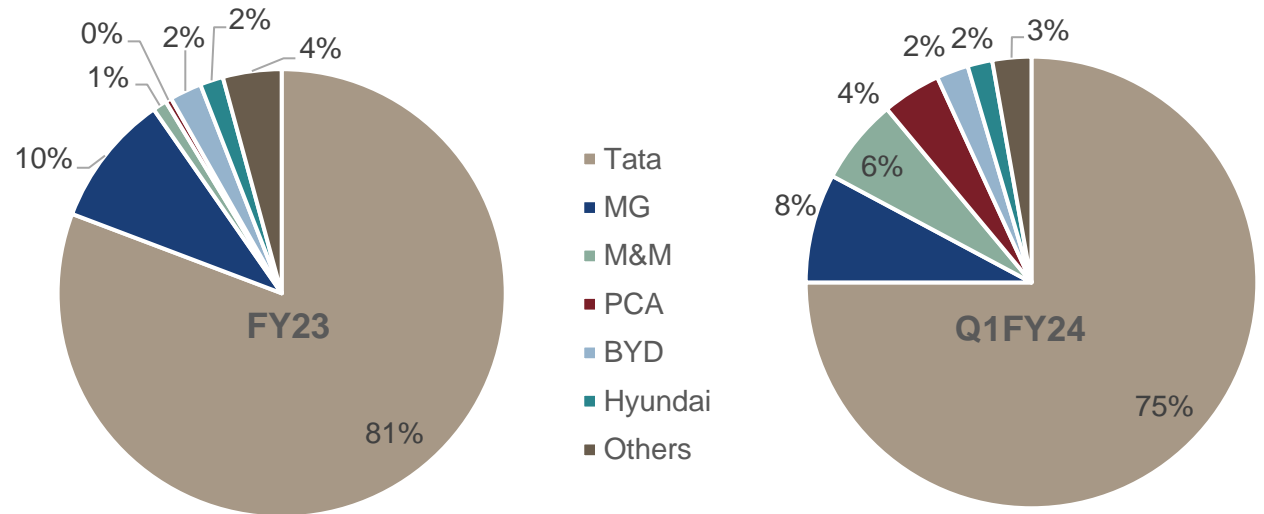
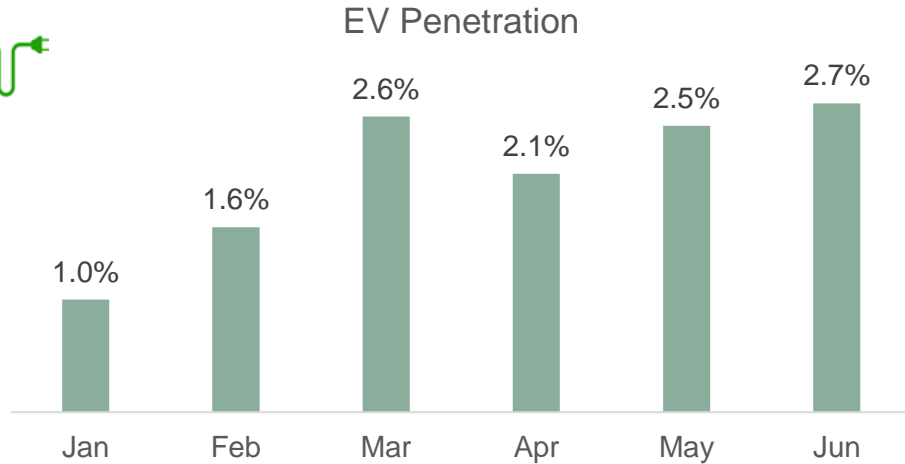


# CNG, EV penetration on the rise; M&M expanding presence in EVs

## Model launch, subdued fuel price backing CNG demand



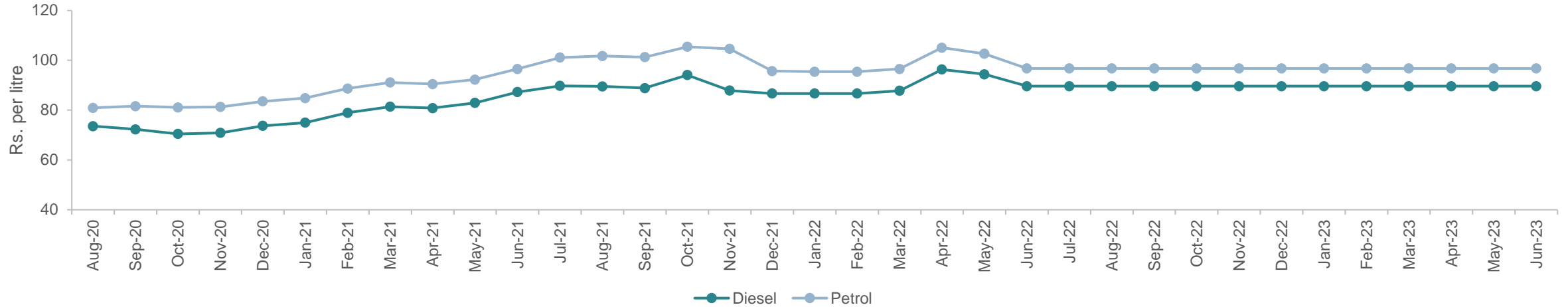
## EV share expanding, intensifying competition in the segment



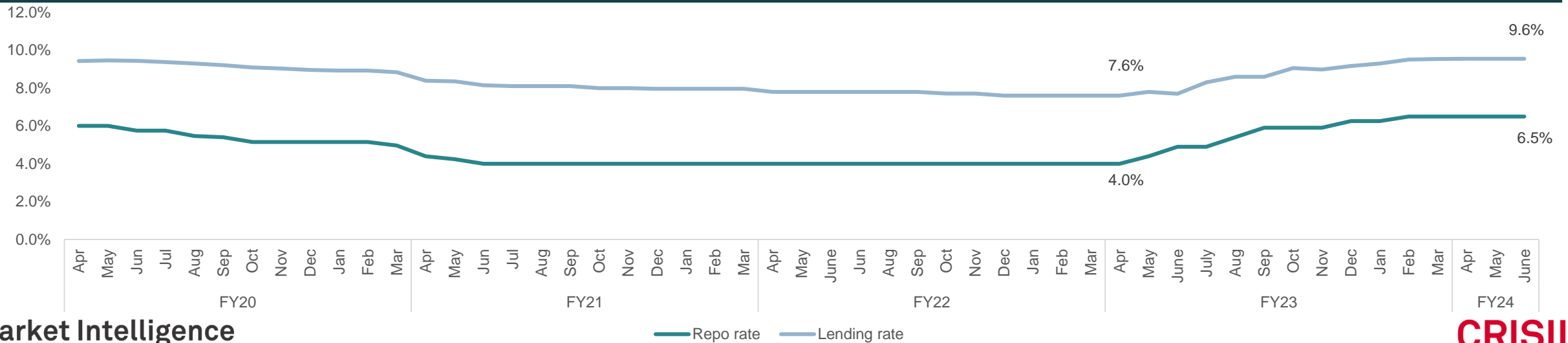
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# Interest rates on a rising trend, 35 bps repo rate hike in Dec to push rates to hike up lending rates further Consulting

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



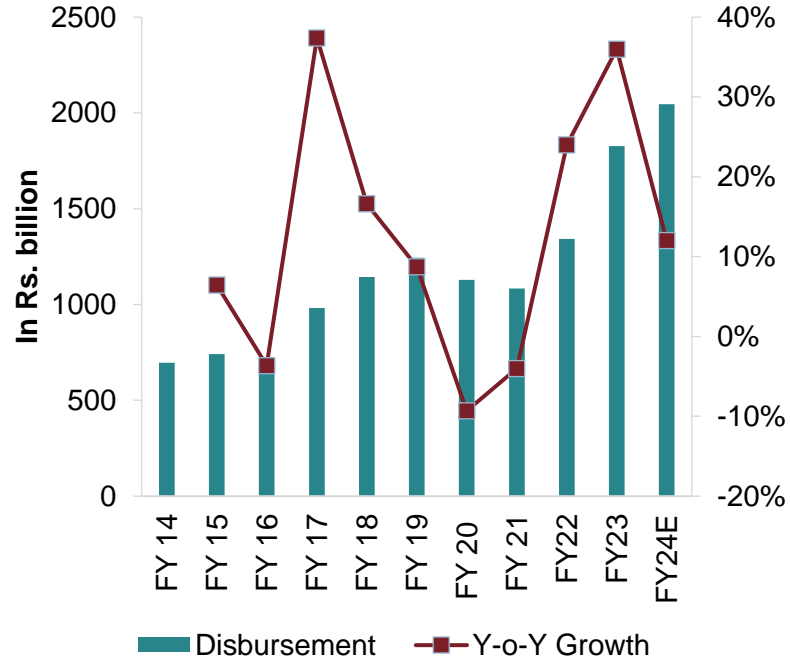
Increasing interest burden weighing on vehicle TCO



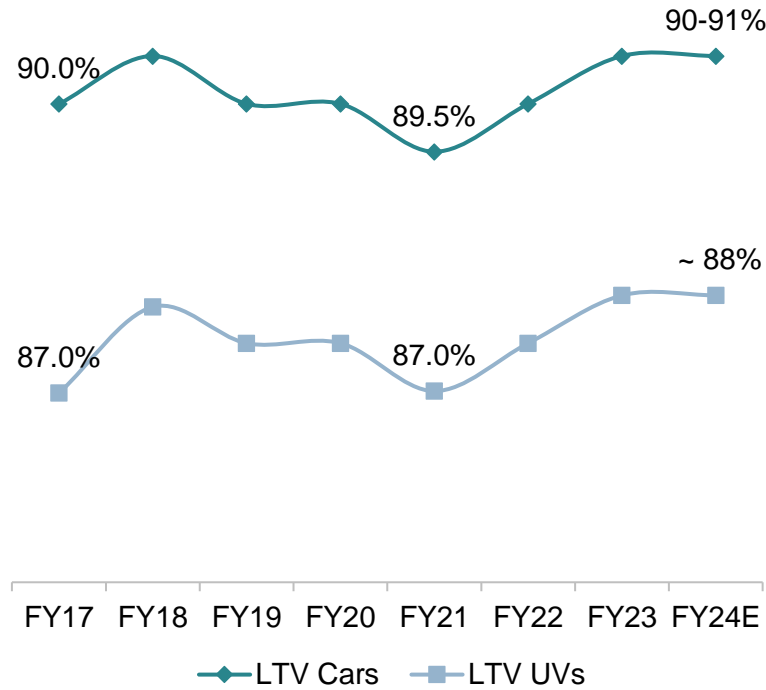
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# Disbursement growth to continue in FY24 albeit at a slower pace

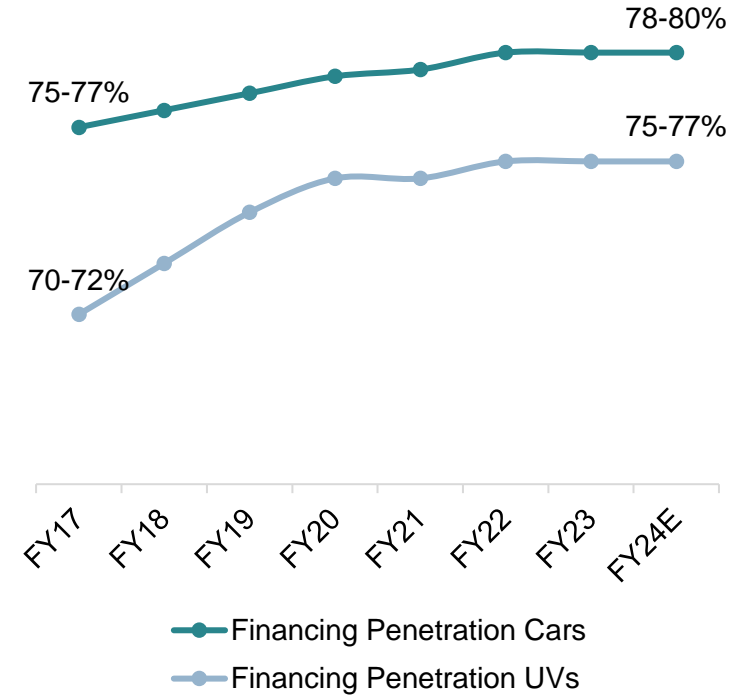
Disbursement



Loan-to-value (LTV)



Financing penetration



Source: Company Report, Industry, CRISIL MI&A

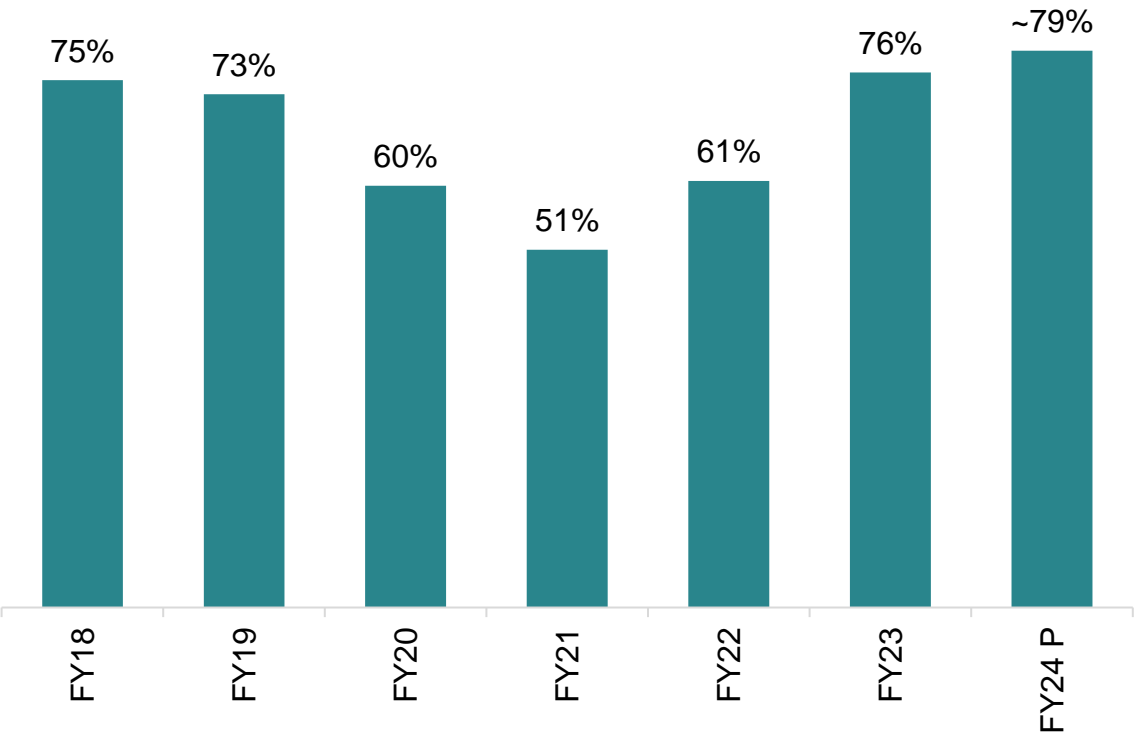
- There was a significant improvement in disbursement levels during FY23 led by the sharp rise in vehicle sales coupled with the price hikes undertaken during the year
- Even on this high base, disbursements are expected to grow further in FY24 albeit at a slower pace
- The vehicle sales are expected to grow 3-5% during FY24.
- Price hike for the year to include hike for the phase 2 coupled with annual price hike undertaken every year
- Financiers remain accommodative of the PV industry
- Rising interest rates remain a concern

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# Utilization rebounded to pre Covid levels in FY23, further improvement expected in FY24

## Utilization trend in the PV industry



Source: CRISIL MI&A Estimated

## Capacity utilisation of key players

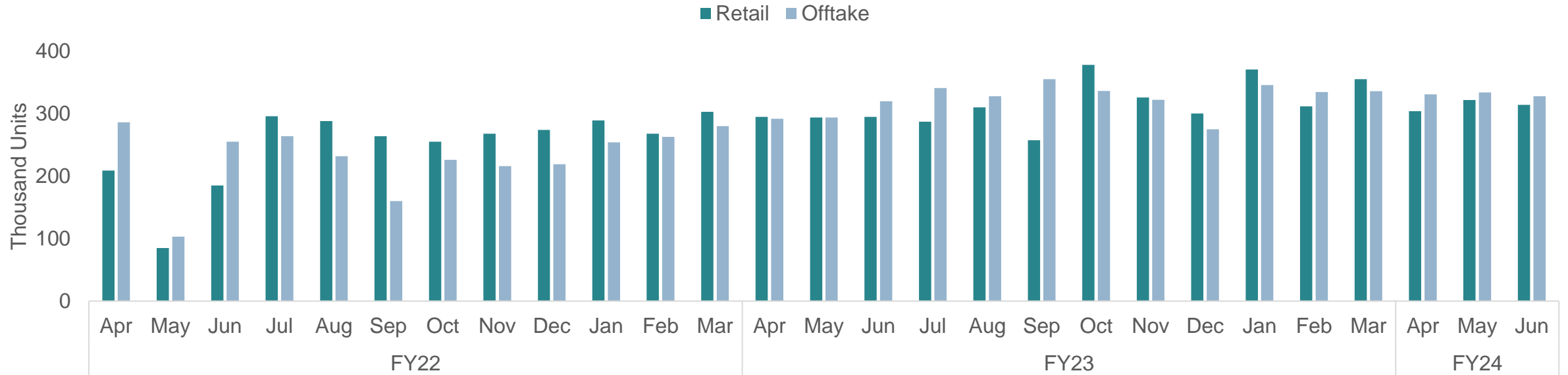
Player	Effective Capacity (in '000) (on 31st Mar 2023)	Capacity Utilisation in FY22	Capacity Utilisation in FY23	Capacity Utilisation in Q1 FY24
Maruti	2,250	79%	84%	81%
Hyundai	763	79%	93%	95%
Tata Motors	564	66%	98%	102%
Renault-Nissan	480	39%	45%	23%
Toyota	310	24%	54%	100%
Honda	180	59%	65%	40%
Volkswagen	179	43%	37%	44%
Kia Motors	400	79%	90%	80%

Source: SIAM, Industry, CRISIL MI&A

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# Continued healthy retail as well as offtake traction in FY24

3 lakh+ retails & offtakes during Q1 FY24



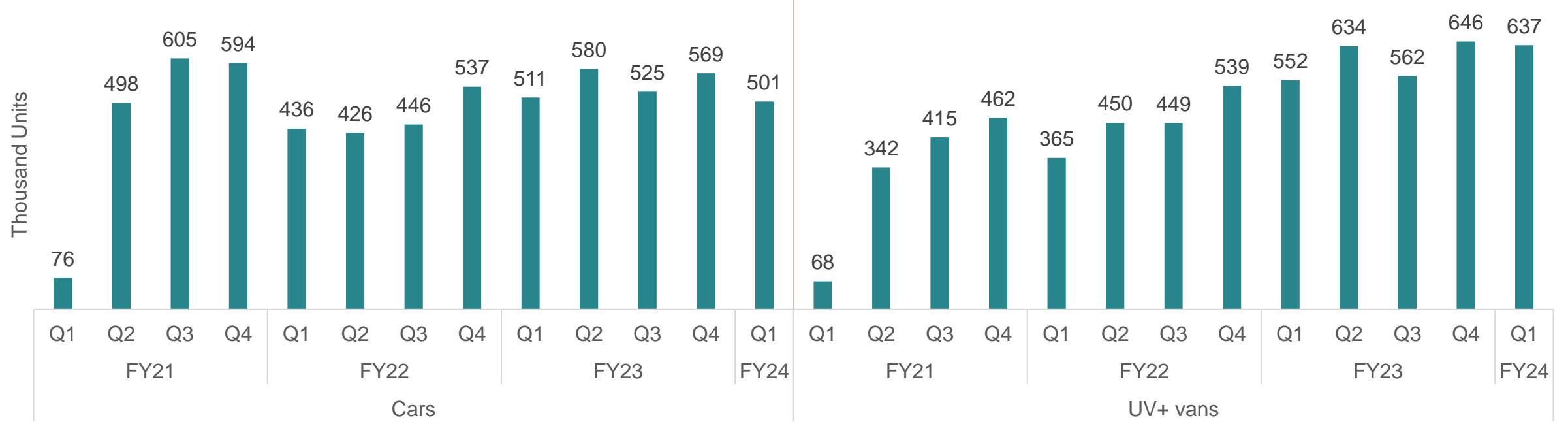
Note: Retail numbers are estimated, Offtake numbers include Tata Motors sales  
 Source – MoRTH, SIAM, CRISIL MI&A

- BSVI phase 2 was mandated from Apr 2023, price hikes were undertaken for the same from March & April
- There was some increased push to retails during March for the BSVI phase 1 vehicles; the pre buying limited retails during April
- On the other hand, inventory push for BSVI phase 2 vehicles backed offtake during April
- Continued traction especially for the latest launched vehicles provided a boost to the retails and offtake during the entire Q1
- Moreover, further improvement in production supported this demand helping industry clock 3 lakh+ retails as well as offtake during the quarter

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# Some sequential drop in production, UVs remain the focus

## Quarterly production trend



Source: SIAM, CRISIL MI&A

- During Q4, with continued improvement in supply situation, continued traction, production improved across segments (y-o-y & q-o-q)
- For UVs, production reached record high levels during Q4
- From this high base, some moderation was seen during Q1, which is relatively lean period
- However, sequential drop was limited in UVs and the segment in fact witnessed y-o-y growth and continued its healthy streak
- Given the continued traction for UV segment supported by intermittent launches, it remains the priority for the OEMs in production as well

# Domestic – Annual forecast

	Units	Passenger cars	UVs & vans	Total	EV penetration
<b>FY21</b>	Millions	1.54	1.17	<b>2.71</b>	<b>0%</b>
<i>y-o-y growth</i>	%	-9%	9%	<b>-2%</b>	
<b>FY22</b>	Millions	1.47	1.60	<b>3.06</b>	<b>0.5%</b>
<i>y-o-y growth</i>	%	-5%	37%	<b>13%</b>	
<b>FY23</b>	Millions	1.73	2.15	<b>3.88</b>	<b>1.5%</b>
<i>y-o-y growth</i>	%	18%	34%	<b>27%</b>	
<b>FY24E</b>	Millions	1.6-1.8	2.3-2.5	<b>3.9-4.1</b>	<b>3-4%</b>
<i>y-o-y growth</i>	%	(6)-(4)%	10-12%	<b>3-5%</b>	

Source – SIAM, CRISIL MI&A

# Domestic – Quarterly forecast

Fiscal	Quarter	Passenger cars		UVs & vans		Total	
		Sales ( '000)	y-o-y growth	Sales ( '000)	y-o-y growth	Sales ( '000)	y-o-y growth
FY22	Q1	336	348%	309	317%	649	335%
	Q2	344	(21)%	396	32%	740	0%
	Q3	349	(32)%	411	9%	760	(15)%
	Q4	437	(15)%	482	15%	919	(1)%
FY23	Q1	398	19%	509	65%	908	40%
	Q2	470	37%	554	40%	1,025	38%
	Q3	420	20%	514	25%	934	23%
	Q4	448	2%	570	17-19%	1,017	11%
FY24E	Q1 E	413	4%	580	14%	992	9%
	Q2 E	415-425	(12)-(10)%	605-615	9-11%	1,025-1,035	0-2%
	Q3 E	395-405	(6)-(4)%	575-585	12-14%	970-980	4-6%
	Q4 E	405-415	(9)-(7)%	610-620	5-7%	1,015-1025	(1)-1%
FY25P	Q1 P	400-410	(3)-(1)%	575-585	(1)-1%	980-990	(2)-0%

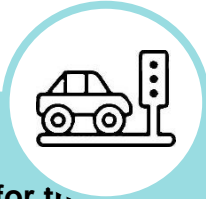
Source – SIAM, CRISIL MI&A

# Domestic – Quarterly forecast

- Industry clocked a historic high of 3.9 million sales in FY23
- Retail traction continued during Q, witnessing 3 lakh+ retails in each month of the first quarter
- Improvement in vehicle supply continued during the quarter supporting the offtake growth
- BSVI phase 2 became mandatory from Q1 FY24, dispatches for the same had begun from Q4 and continued in Q1
- This inventory built up provided an additional support to the offtake numbers during Q1
- New launches like Altroz CNG, Fronx, Jimny pushed the retail demand
- Going ahead, the recent launches coupled with upcoming vehicles like Exter, Invicto to back the industry growth
- UV segment is expected to provide the primary thrust to the demand
- On the other hand, cars segment, especially the basic hatchback segment is expected to remain sluggish amidst pressure on disposable incomes, increased vehicle costs and no new launches for the segment
- Additionally, improved supply situation to complement the industry sales during the year
- Inventory built up for the festive season is expected to begin from Aug/ Sep and continue till November, thus backing the sales during Q2 and Q3
- EV segment is projected to expand further in FY24 and contribute 3-4% to industry sales during the year

# Stakeholder interactions

## OEMs



- **Traction remains healthy especially for the premium vehicles (above 10 lakh)**
- Increased TCO impacting the lower compact segment demand; normalized availability of public transport, no fresh models also impacting demand
- **Recent launches providing the necessary boost**
- **Booking pipeline is currently strong, to support demand for next 1 to 2 quarters; fresh bookings remain a key monitorable**
- **Booking to retail ratio has improved from 55-60% in FY23 to 65-70% currently**
- **Improvement in supply situation- faster clearance of booking pipelines; However, situation has not normalized**
- Intermittent launches to support demand growth going ahead
- UV1 and Compact UV segment to drive the industry
- Lack of launches to limit premium compact sales; Micro UVs to also eat into the segment
- Q3 expected to be the best quarter, with near million sales expected in each quarter
- Industry to cross 4 million in FY24
- Another price hike may happen before festive season

## Dealer



- Strong retail momentum continued in April and May, primarily backed by the healthy booking pipeline
- Some slowdown in momentum witnessed in the first half of June
- Second half is expected to be better
- Recent launches like Altroz iCNG, Fronx and Jimny seeing good momentum
- Despite the heavy discounting (50k+), the Lower compact segment continues to remain under pressure across OEMs
- Sedan segment also remains under pressure
- UV segment continues to enjoy customer traction supported by intermittent launches
- Strong launches expected in all the UV segments in July are garnering customer attraction, are expected to back the UV demand further
- Normal 30–35-day inventory levels with the dealers
- Lower compact segment primarily contributing to the stock across OEMs
- Waiting periods primarily in 1–3-month range
- High discounting for slow moving models, no or minimal discounts on fast moving products
- Festive Inventory built up expected from Sep and to continue till Nov

## Financier



- High retail traction in the market is backing the disbursement growth
- **Interest rates remain elevated**
- LTV and penetration levels remain steady
- **No sizeable impact of rate hike seen on disbursement during Q1**
- **Stance of financiers remains accommodative**

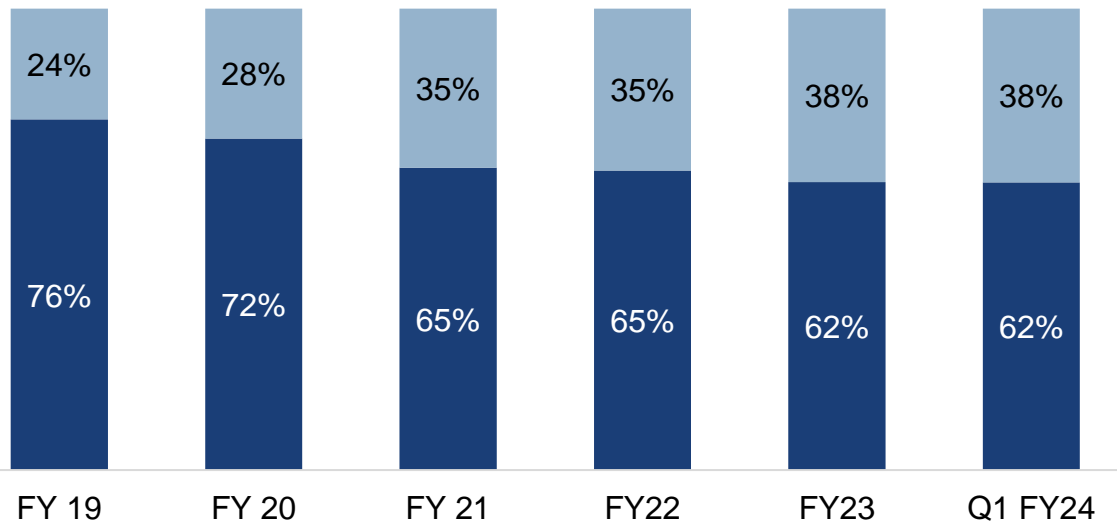
# PV exports



# UVs provide thrust to PV exports in FY23

## Exports push for cars

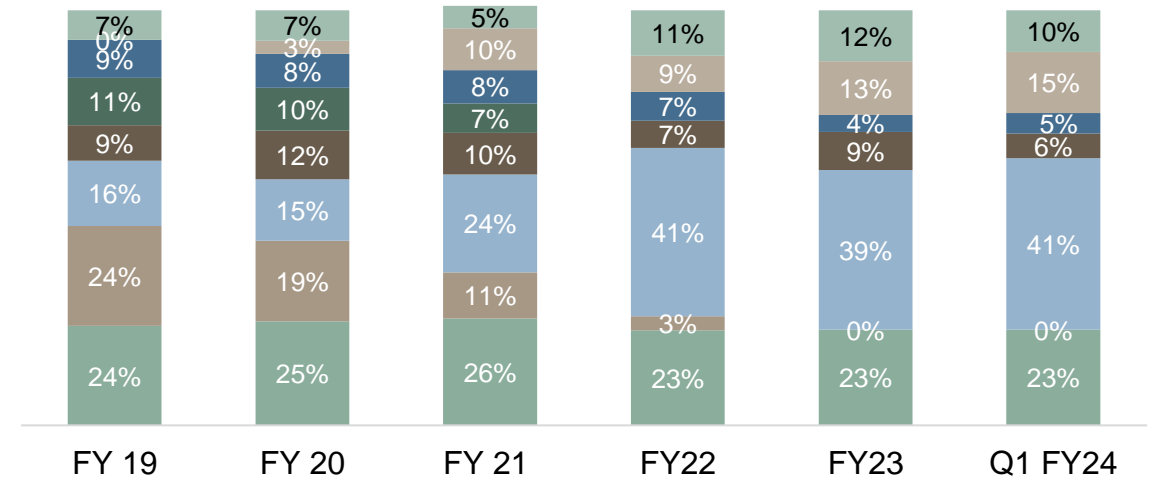
■ Cars ■ Uvs



Source: SIAM, CRISIL MI&A

## MSIL maintains its export focus

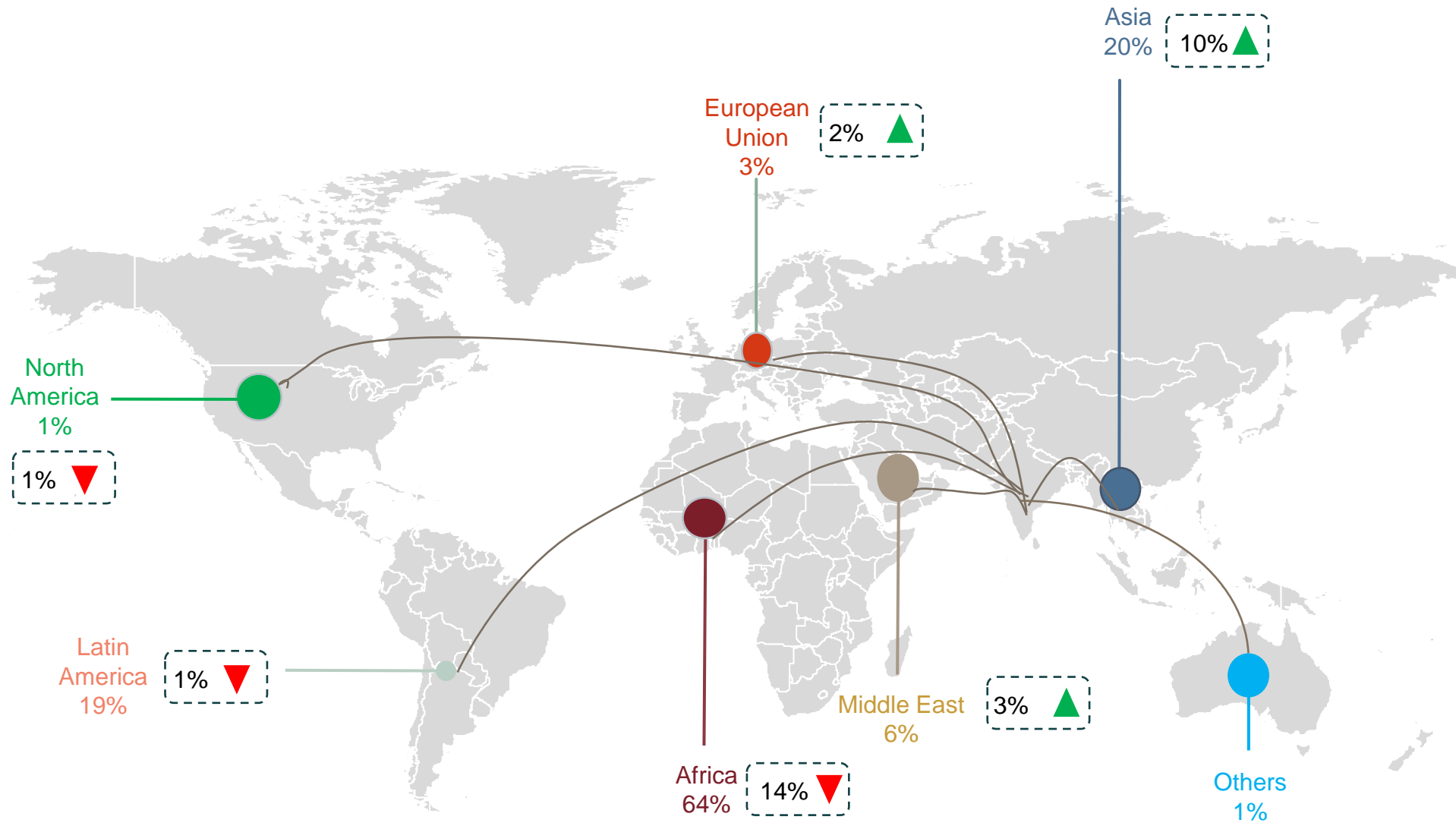
■ Hyundai ■ Ford ■ Maruti ■ Nissan ■ GM ■ Volkswagen ■ Kia ■ Others



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- Industry exports recorded 15% growth during FY23 reaching pre Covid levels during the year
- In line with domestic market, UVs have expanded their presence in the export market as well, growing at a faster pace of 23%
- During the year, Maruti continued to dominate the exports as well, Hyundai maintained its share
- Kia has fast gained ground even in the exports space with Seltos and Sonet
- Third highest contributor to domestic sales, Tata Motors has low presence in the exports market

# Passenger Vehicle Exports



- During FY23, PV exports increased further
- Africa continued to dominate the exports, however, its lead contracted during April-May FY24 amidst tapered exports to leading contributor to Indian exports, South Africa
- Exports to Asia on the other hand, increased with higher exports to Philippines and Indonesia
- Exports to third largest contributing region LATAM remained rangebound with drop in exports to Chile and some increase in exports to Peru & Colombia

# Two-wheelers

# Growth to continue, at a slightly tapered pace

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

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

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

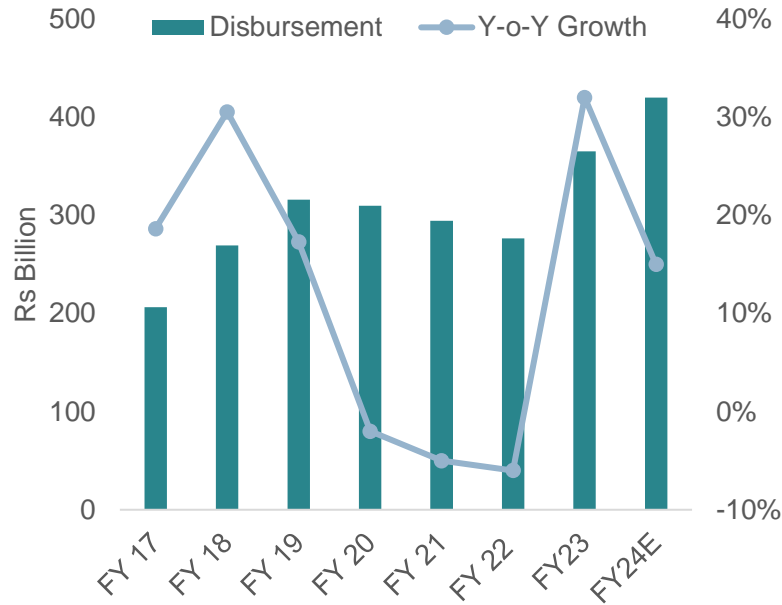
  

<b>Impact on Overall Sales Growth</b>	<b>NF</b>	<b>NF</b>	<b>F</b>	<b>F</b>
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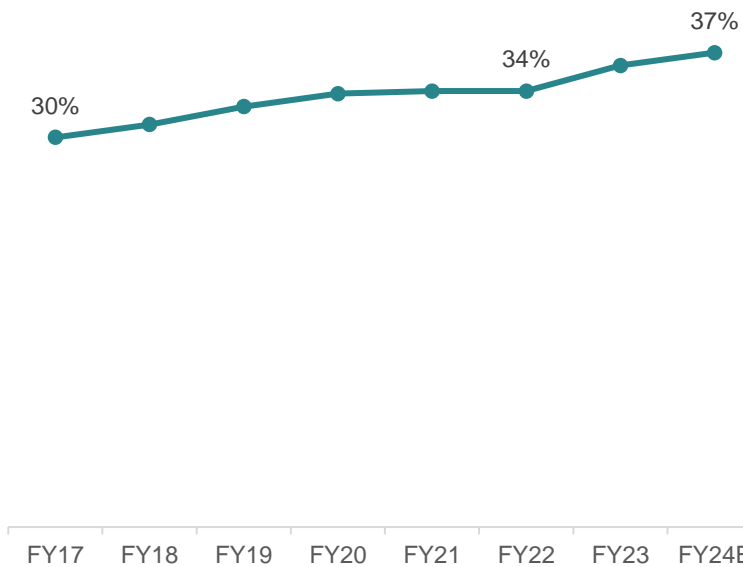
NF: Not Favorable, F: Favorable; N: Neutral  
 E: Estimates P: Projected

# Disbursements to improve further in FY24, albeit at a slower pace

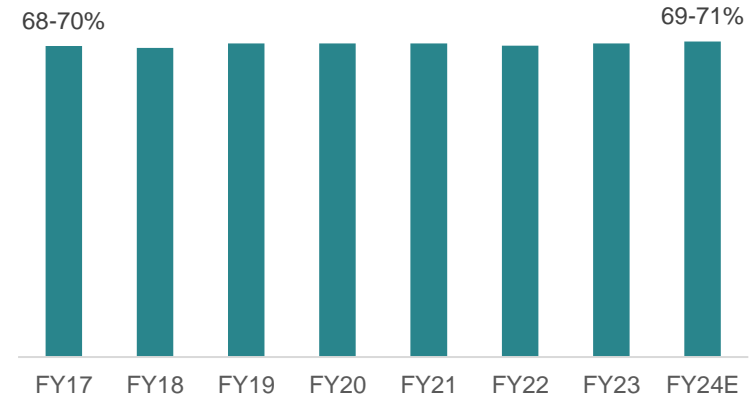
## Disbursements



## Auto finance penetration



## Loan-to-value



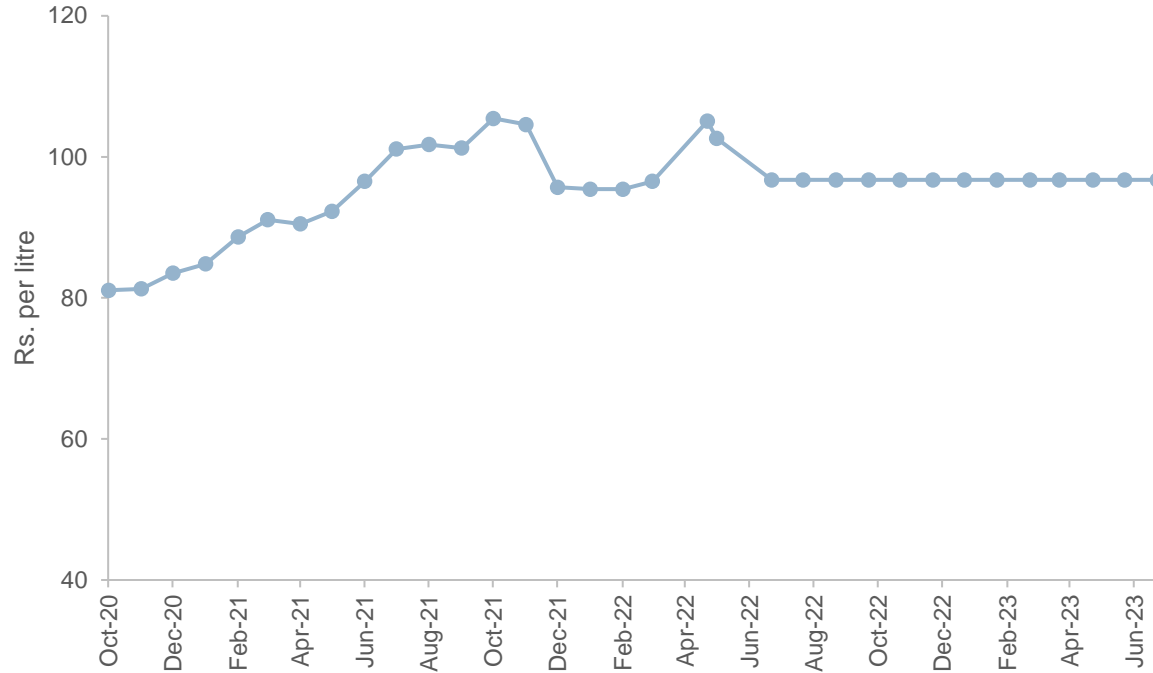
Source: Experian Credit Bureau, Company Reports, CRISIL MI&A

- 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 financiers became more accommodative with reopening of economy
- The disbursement growth is expected to continue in FY24, although at a subdued pace given the relatively tapered vehicle sales growth expected next year
- Penetration improvement is expected to continue in FY24, as financiers remain positive about the segment
- LTVs are expected to remain rangebound

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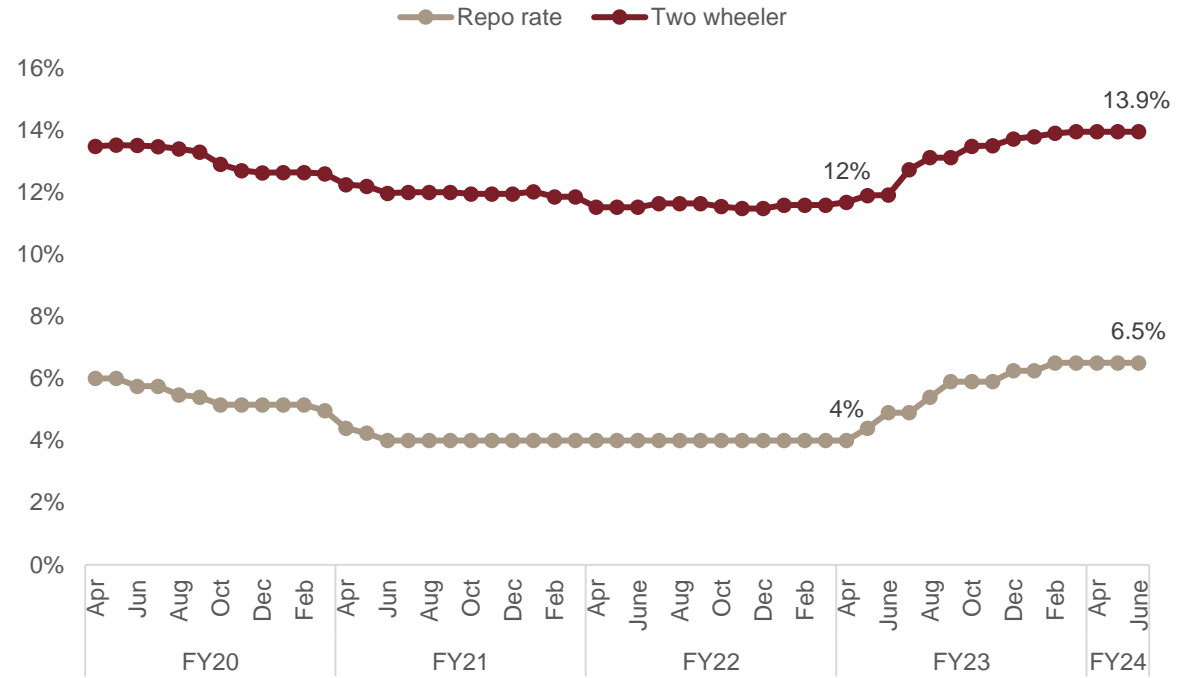
# Fuel costs remain elevated, interest rates on the rise

## Petrol Prices: Remained steady in the last quarter



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

## Interest Rates mimicking the repo trend

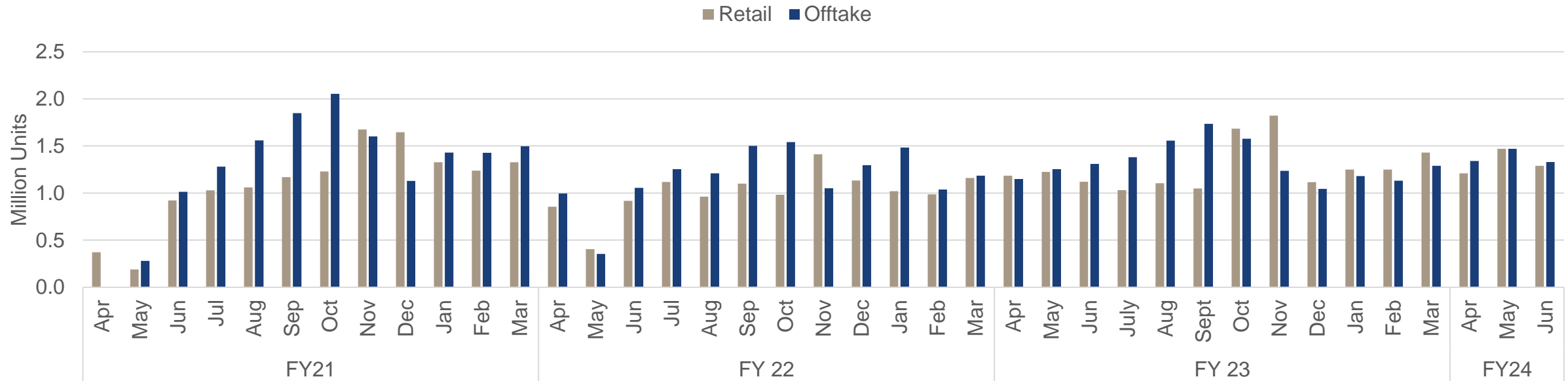


NOTE - Interest rates are an indicative rates charged by Banks  
Source – CRISIL MI&A

- Fuel prices after being stagnant for about three months from Dec-Feb, spiked to Rs. 105 in Apr 22 owing to rise in worldwide crude oil prices. It has now settled in the range from Rs. 96 to Rs.97
- Interest rates have been hiked by more than 200 bps in tandem with 250 bps rise in repo rates since April 22
- Rising operating costs remain a concern for the industry especially for the commuter segment

# BSVI phase 2 inventory built up from Q4 end, continued retail traction in Q1

Retail vs off-take sales trend

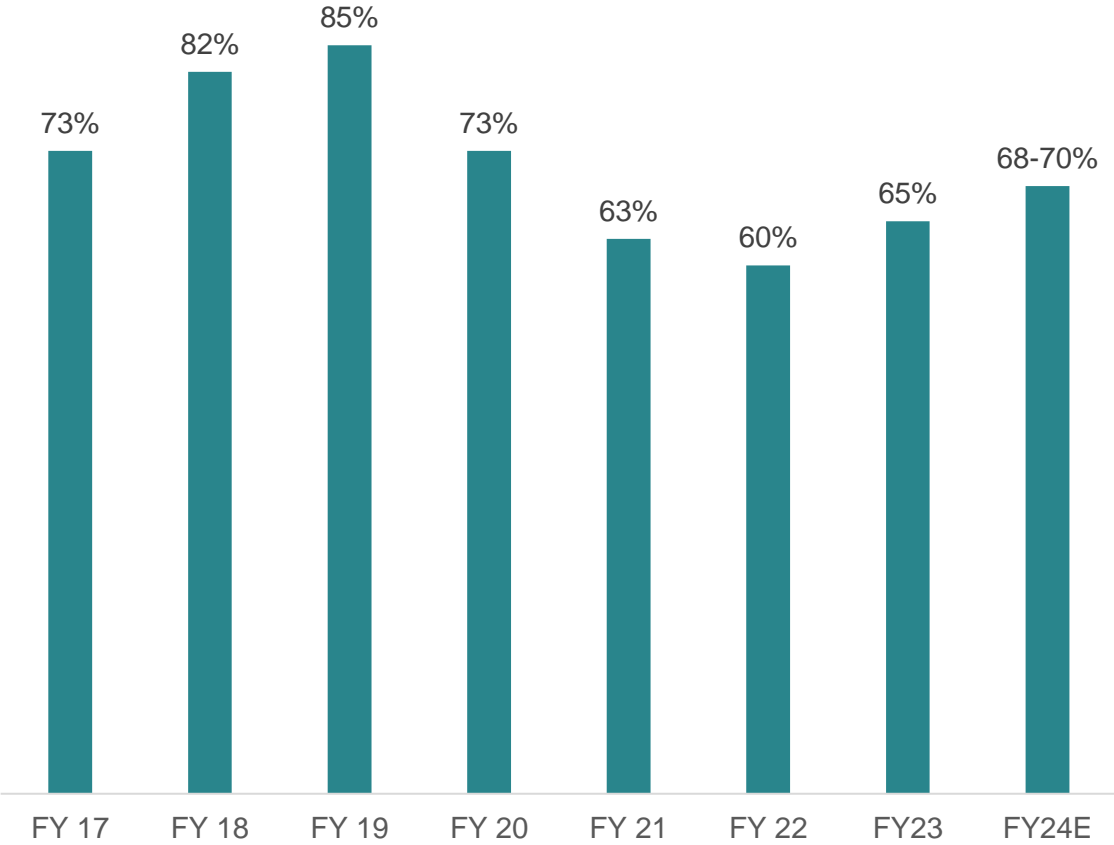


Note: Retail numbers are estimated  
 Source – MoRTH, SIAM, CRISIL MI&A

- Some inventory correction by OEMs for BSVI phase 1 vehicles during Q4
- BSVI phase 2 dispatches began from Feb end; picked up pace in Q1 FY24
- Q1 is typically a slower quarter for the industry, however, retail as well as offtake witnessed healthy growth over last year
- Retails were impacted sequentially in Apr amidst the price rise for BSVI phase 2 mandate

# Further improvement in utilization expected in FY24

## Utilisation improved in FY23 from low Covid base



## Player wise utilization

Player	Effective Capacity estimate in mn (as on 31st Mar 2023)	Production Q1 FY24	Utilization
Hero Motocorp	9.3	1.3	57%
Bajaj Auto	5.7	0.9	61%
HMSI	5.2	1.0	78%
TVS Motor Company	4.3	0.9	87%
India Yamaha Motors	1.5	0.2	57%
Suzuki Motors	1.3	0.3	83%
Royal Enfield	1.0	0.2	94%
Piaggio	0.2	0.0	36%

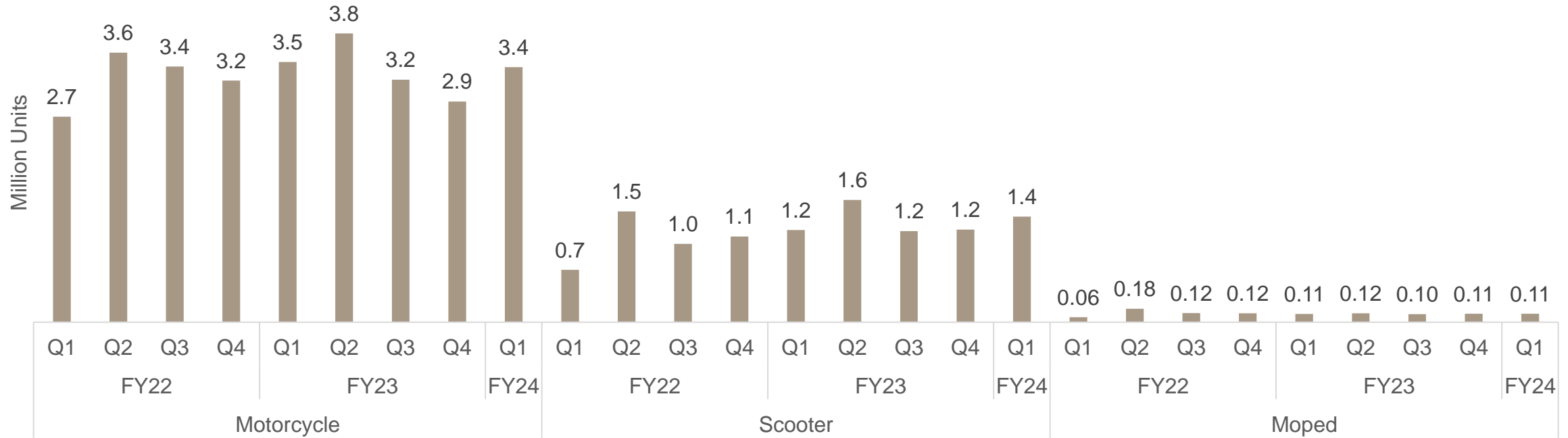
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SOURCE: Industry, SIAM, CRISIL MI&A



# Sequential improvement in production for phase 2 vehicles

## Segment wise production trend



Source: SIAM, CRISIL MI&A

- During Q4, production of largest segment motorcycle contracted ~9% sequentially, for the phase 2 transition; while for scooters, it remained rangebound
- At overall 2W level, production dropped 5% sequentially during Q4
- On this reduced base, production rose ~12% (q-o-q) in Q1 in line with the offtake increase during the same period
- Some inventory built up was done by OEMs for the BSVI phase 2 vehicles during the quarter
- Production of motorcycles rose at the fastest pace of 16% while scooter production rose 6%. Production of mopeds remained rangebound.
- On a y-o-y basis, production remained rangebound during Q1FY24

# Domestic – Annual forecast

	Units	Motorcycle	Scooters	Mopeds	Total	EV penetration
<b>FY21</b>	Millions	10.0	4.5	0.6	<b>15.1</b>	0%
<i>y-o-y growth</i>	%	(11)%	(20)%	(3)%	<b>(13)%</b>	
<b>FY22</b>	Millions	9.0	4.3	0.5	<b>13.7</b>	2%
<i>y-o-y growth</i>	%	(10)%	(6)%	(23)%	<b>(9)%</b>	
<b>FY23</b>	Millions	10.2	5.6	0.4	<b>16.3</b>	4.5%
<i>y-o-y growth</i>	%	14%	31%	(7)%	<b>18%</b>	
<b>FY24E</b>	Millions	11.6-11.9	6.1-6.4	0.4-0.5	<b>18.2-18.5</b>	4-6%
<i>y-o-y growth</i>	%	14-16%	11-13%	(6)-(4)%	<b>13-15%</b>	

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

# Domestic – Quarterly forecast

Consulting

Fiscal	Quarter	Motorcycle		Scooter		Moped		Total	
		Sales ( mn)	y-o-y growth	Sales ( mn)	y-o-y growth	Sales ( mn)	y-o-y growth	Sales ( mn)	y-o-y growth
FY22	Q1	1.7	93%	0.6	85%	0.1	28%	2.4	88%
	Q2	2.6	(17)%	1.4	5%	0.2	(17)%	4.2	-11%
	Q3	2.4	(22)%	1.1	(24)%	0.1	(38)%	3.7	-24%
	Q4	2.2	(22)%	1.1	(19)%	0.1	(30)%	3.4	-22%
FY23	Q1	2.4	38%	1.3	109%	0.1	61%	3.9	60%
	Q2	3.0	15%	1.	18%	0.1	(29)%	4.9	17%
	Q3	2.5	4%	1.4	21%	0.1	(20)%	4.1	11%
	Q4	2.3	4%	1.3	12%	0-0.2	0%	3.6	7%
FY24E	Q1	2.7	14%	1.4	10%	0.1	(6)%	4.3	12%
	Q2 E	2.8-3	(2)-0%	1.4-1.6	(7)-(5)%	0-0.2	(12)-(10)%	4.5-4.7	(4)-(2)%
	Q3 E	2.9-3.1	20-22%	1.5-1.7	19-21%	0-0.2	(1)-1%	4.7-4.9	19-21%
	Q4 E	2.9-3.1	31-33%	1.6-1.8	27-29%	0-0.2	(5)-(3)%	4.7-4.9	28-30%
FY25P	Q1 P	3-3.2	10-12%	1.6-1.8	19-21%	0-0.2	(3)-(1)%	4.7-4.9	13-15%

Data includes EVs

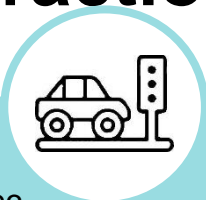
Source – SIAM, CRISIL MI&A

- FY23 saw healthy growth in offtakes from a low base after consecutive contractions
- Some inventory clearing done by OEMs for BSVI phase 1 models during Q4
- Dispatches of BSVI phase 2 began from February end and continued during Q1FY24
- Motorcycles witnessed healthy y-o-y growth during Q1, growth in scooters was relatively slower while moped segment remained under pressure and contracted further
- Retails remained under pressure in April, however, May witnessed some sequential growth
- During May, government cut down the FAME subsidy for 2-wheeler EVs, which came into effect from 1 June
- There was a significant pre buying happened during May and EV sales reached a high of 1 lakh units during the month
- After the drop in subsidy, June EV sales saw a sharp contraction of 60% sequentially
- Going ahead, EV sales are expected to be under pressure and are expected to remain in 0.8-1 million levels for FY24
- The pressure on EVs is expected to provide some boost to the ICE scooter segment during the year
- For the complete year, motorcycles are expected to provide the primary thrust backed by continued traction for premium vehicles and some improvement in economy segment
- Improvement in economy, favourable monsoon expectations and no sharp increase in operating costs will back the economy segment
- ICE Scooters are expected to rise further led by the premium 125 cc segment; moped segment is expected to remain under pressure
- Festive built up is expected to start from September and continue till November backing the growth during Q2 and Q3
- The floods witnessed in July has raised questions on the overall favourable monsoon expectations during the year
- It remains a key monitorable going ahead

# Stakeholder interactions

Consulting

## OEMs



- Industry clocked strong growth in FY23
- Phase 1 vehicle inventory clearance done primarily in Q4; phase 2 dispatches began from February and continued in Q1
- Sequential Increase in offtake during Q1
- Some impact of price rise on retail during initial part of Q1
- Healthy retails during May
- Subsidy cut applied brakes on EV growth pace
- EV future remains uncertain,
- EV estimates for the year cut from initial 1.2-1.4 million for FY24 to 0.8-1 million
- ICE segment is expected to grow further in FY24
- Monsoon remains a key deciding factor in the light of recent floods
- Premiumization trend to continue during the year
- Launches expected to be mainly in premium motorcycle segment and scooters; recent launches seeing good traction especially in the premium 200+ motorcycles
- Few OEMs facing supply constraints for phase 2 vehicles
- Overall improvement expected for FY24, albeit at a reduced pace from the high base of FY23

## Dealer



- Some improvement in the economy motorcycle segment during the quarter
- Favourable rabi output as well as expectation of good monsoon backed the consumer confidence
- Traction for premium segment continues
- 125 cc scooter seeing much better traction
- Moped sales remained rangebound
- Price rise across OEMs for the BSVI phase 2
- Some impact seen for the price sensitive segment
- Inventory built up for phase 2 done during the quarter
- No phase 1 inventory left
- 35-40 day stock
- Supply constraints in HMSI and Bajaj especially premium motorcycles
- A big jolt for EV segment amidst the subsidy cut
- EVs now 15-20k costlier than ICE counterparts
- Some shift from EVs to ICE
- Most customers are in wait and watch mode on EVs
- Sequential improvement expected during Q2 and Q3
- Festive season expected to be healthy this year
- Overall good growth expected for FY24, motorcycles to lead the growth

## Financier

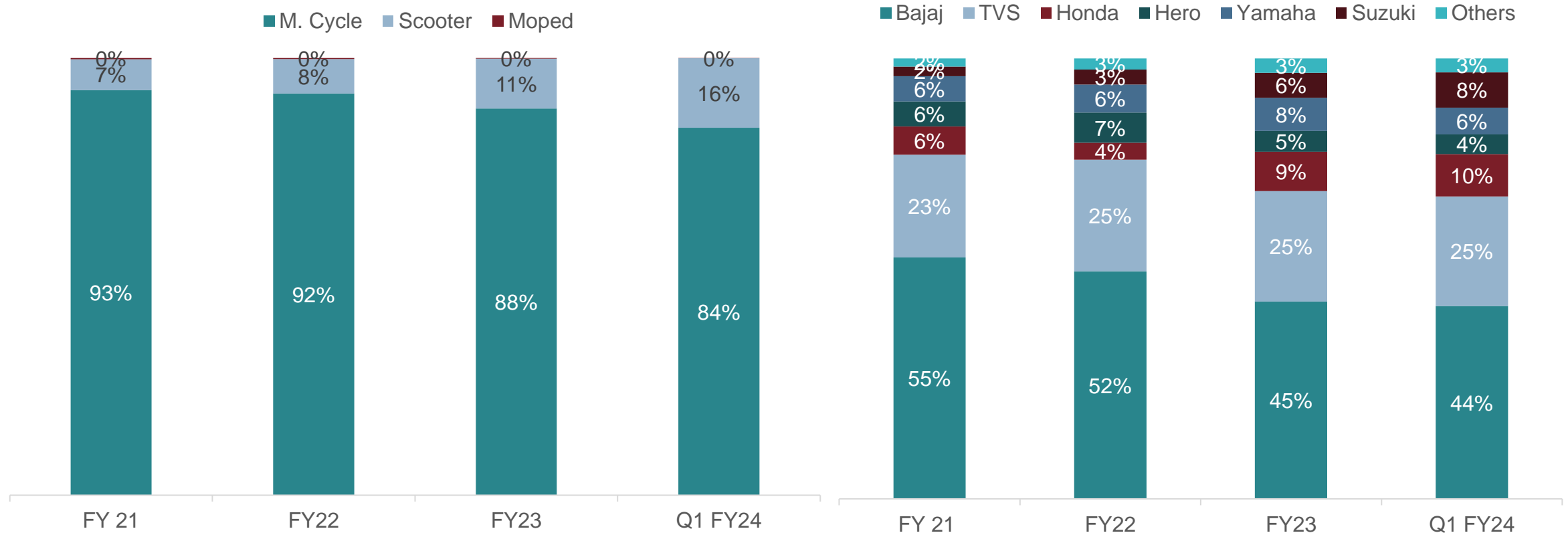


- Nearly 200 bps rise in interest rates during the year FY23
- Despite the interest rate hikes, disbursements seeing positive momentum
- Repo rate has remained steady after the Feb rate hike
- Continued increase in retail demand to support disbursement growth going ahead, although at a slower rate
- Financier stance remains accommodative for the 2W segment

# Two-wheeler exports

# Exports contract 30% y-o-y in Q1FY24; Scooter exports rise

In turn, scooter major Honda, Suzuki extend their presence

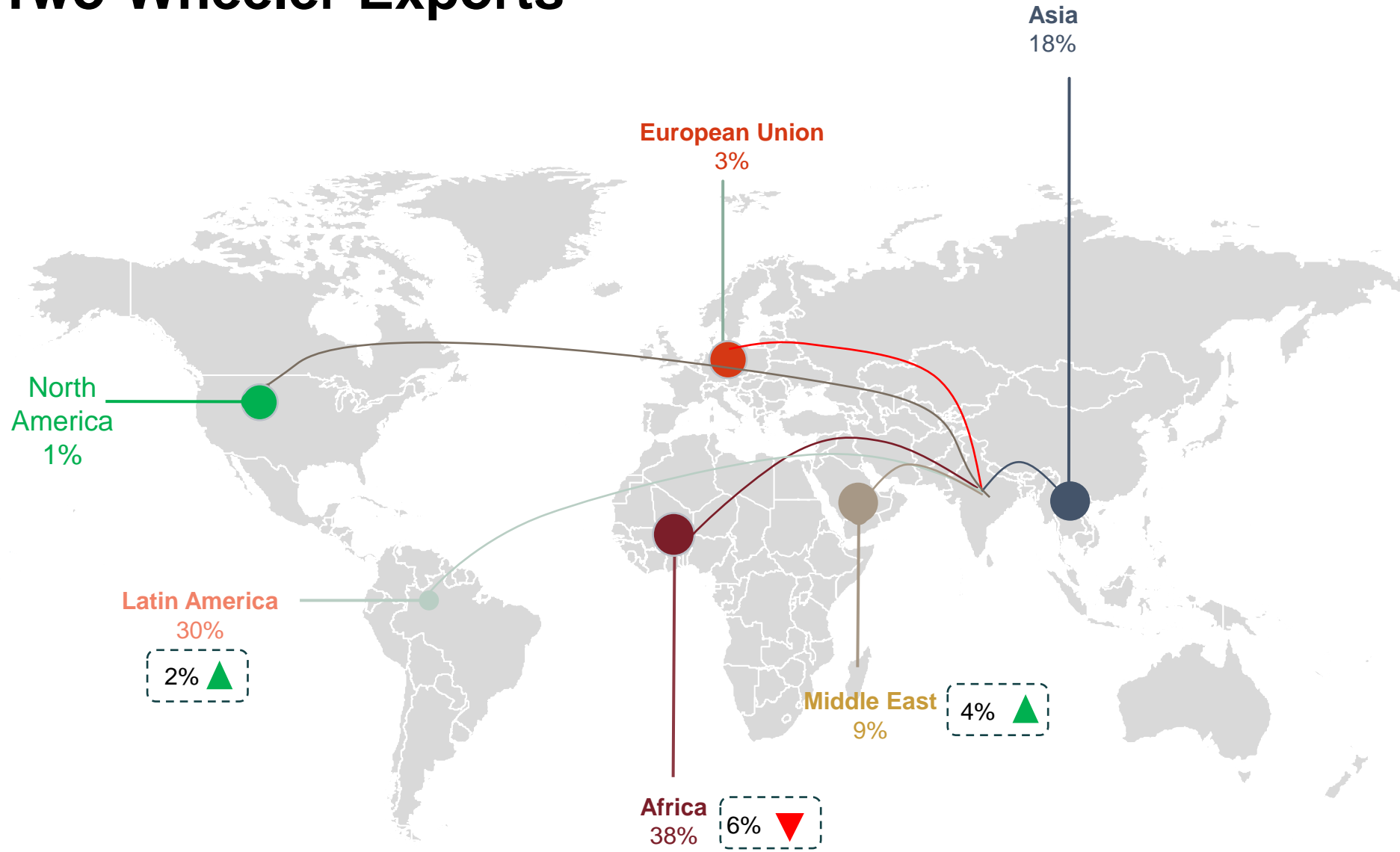


Source: SIAM, CRISIL MI&A

- Exports contracted 18% in FY23; Motorcycles dropped 21% , while scooter exports rose 19%
- Similar trend continued in Q1FY24 , overall exports dropped 31% y-o-y; on the other hand, scooter exports rose 30%
- In turn, the share of scooters rose from 11% in FY23 to 16 % in Q1 FY24
- Consequently, share of HMSI and Suzuki expanded during the quarter, while Bajaj and Hero witnessed some contraction

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# Two-Wheeler Exports



- There has been demand pressure in key export destinations due to global tightening, high inflation & FOREX unavailability
- Devaluation of currencies against the Indian rupee and US dollar has also made products expensive. Exports to Largest contributor Nigeria dropped during Apr-May FY24, dragging Africa's share down compared to FY23
- Increased exports to Turkey supported Middle East share expansion



# Commercial Vehicles

# Overview of end-use segments - Cargo

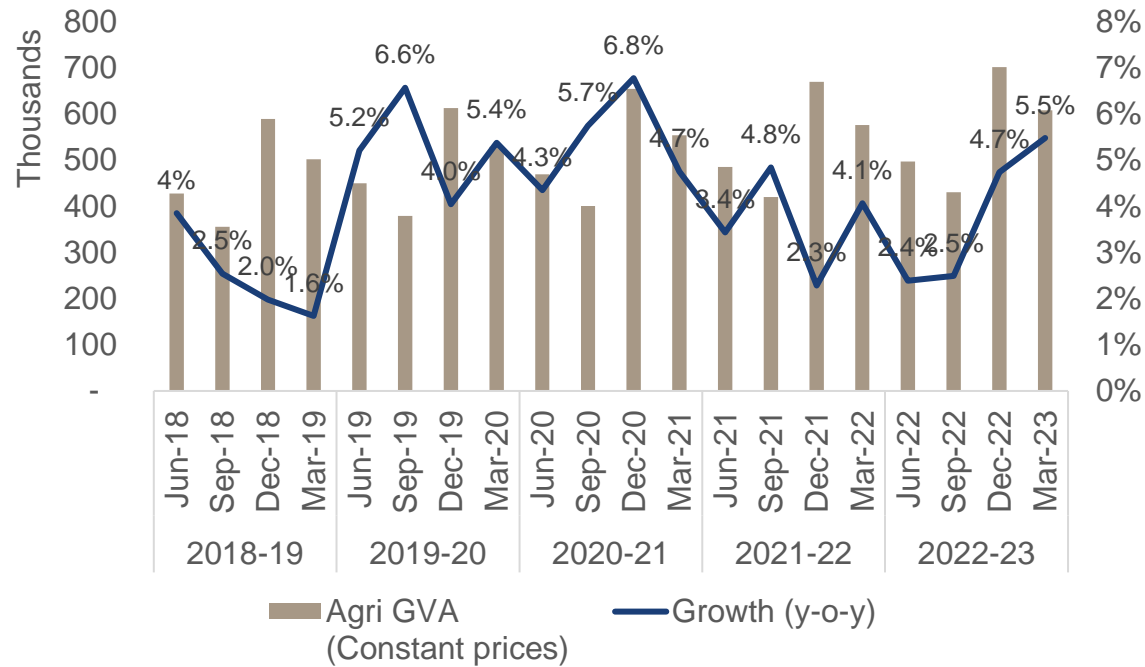
Segments (% Growth Y-o-Y)	FY18	FY19	FY20	FY21	FY22	FY23E	FY24P	
Coal (Production)	2	7	0	(2)	9	17	5-6	Core Sectors
Iron ore (Production)	3	3	19	(17)	23	0-2	6-8	
Steel (Consumption)	8	9	1	(5)	11.4	12-13	7-9	
Cement (Consumption)	9	12	(-3)	1	9	11-12	8-10	
Roads (Km Constructed / Day)-NHAI	8	9	11	11	13	13-14	15-16	
Port (Traffic)	6.5	8.2	2	(5.5)	4.3	8-9	3-6	
Two-wheelers (Domestic sales)	14.8	5	(18)	(13)	(11)	16	9-11	Discretionary Products
Passenger vehicles (Domestic sales)	8	3	(18)	(2)	13	27	5-6	
Consumer durables (Consumption)	5.8	7	5	(17)	15	12	7-9	
E-retail	35	35-37	23	13	27	22-25	19-24	
RMG (Market Size)	5	6	(2)	(24)	23	12-14	8-10	
Dairy (Production)	6.7	7	5	(4)	3	3	5-6	Non - Discretionary Products
FMCG	8	12	5	3.5	14	11	3-5	
Pharmaceuticals (Market Size)	1	15	9	13	7-8	9-11	9-11	

# Overview of end-use segments - Buses

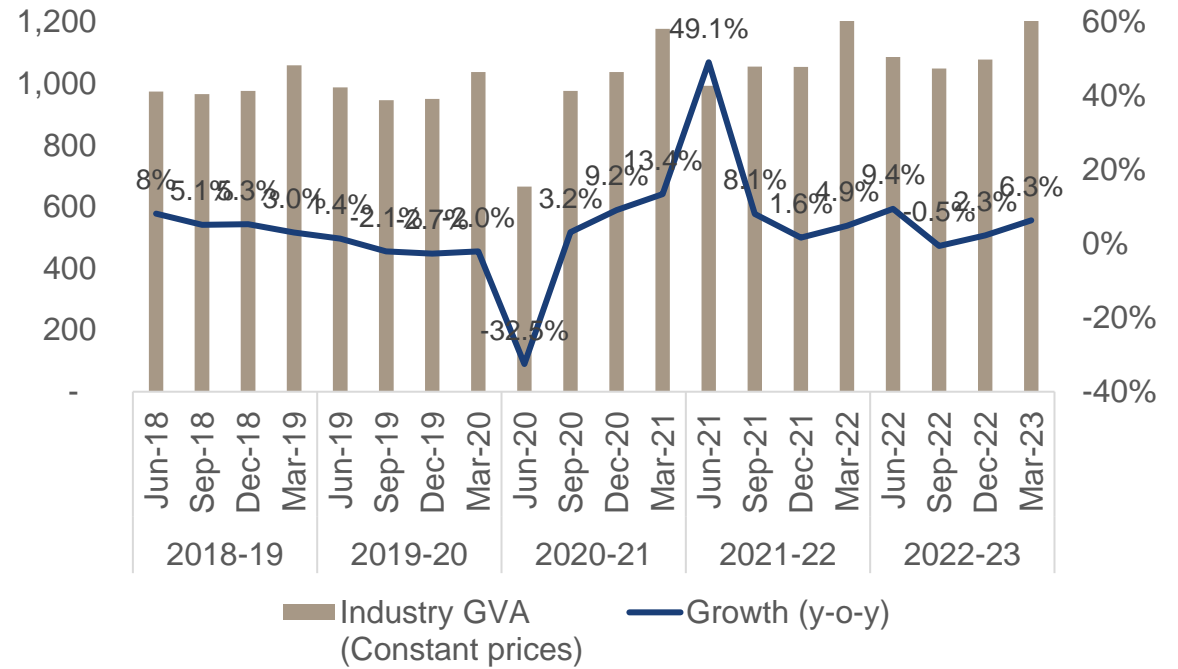
Segments (% Growth Y-o-Y)	FY18	FY19	FY20	FY21	FY22	FY23E	FY24P	
Gross School Enrollment								<b>Buses</b>
K-12	73.4	73.4	78	74.5	74.8	75.1	75.4	
Above K-12	23.4	22.5	22.5	22.2	23.0	23.4	23.4	
IT Employee Base	3	4	4	7	14.5	7-9	5-7	
Air Passenger Traffic – Domestic (million passengers)	123	140	142	54	84.7	135	145-160	
Air Passenger Traffic – International (million passengers)	65.4	69	66.5	10.4	22.1	60	65-75	
Hotel Room Demand	5	4	1	(51)	68	55-60	8-12	

# Healthy agriculture growth improving rural aspects

**Agriculture GVA growth (in Rs. Thousand Crore)**



**Industry GVA growth (in Rs. Thousand Crore)**

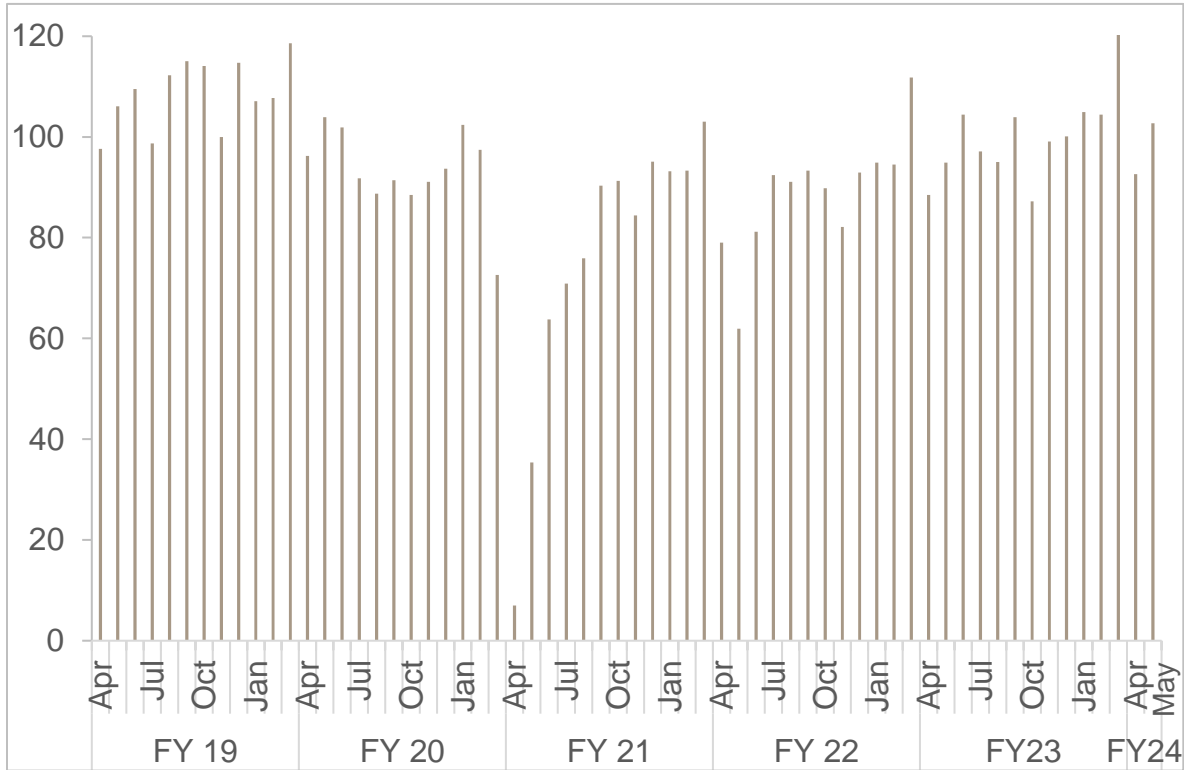


- Agri GDP grew at 5.5% on-year during Q4FY23. Growth in Q4FY22 was around 4.1%
- Overall agriculture growth is expected to remain around 3% in next fiscal
- Industry GVA witnessed 6.3% growth in Q4FY23

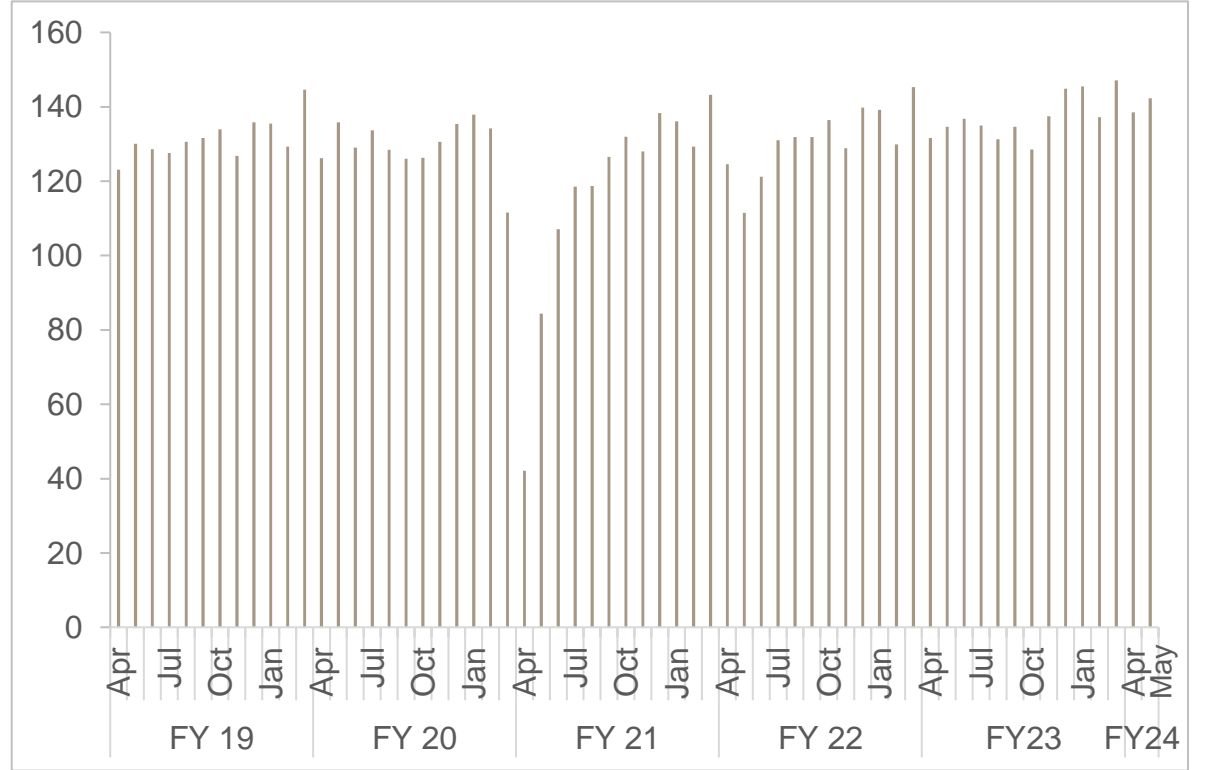
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# Mild m-o-m improvement in industrial activity

IIP Capital Goods



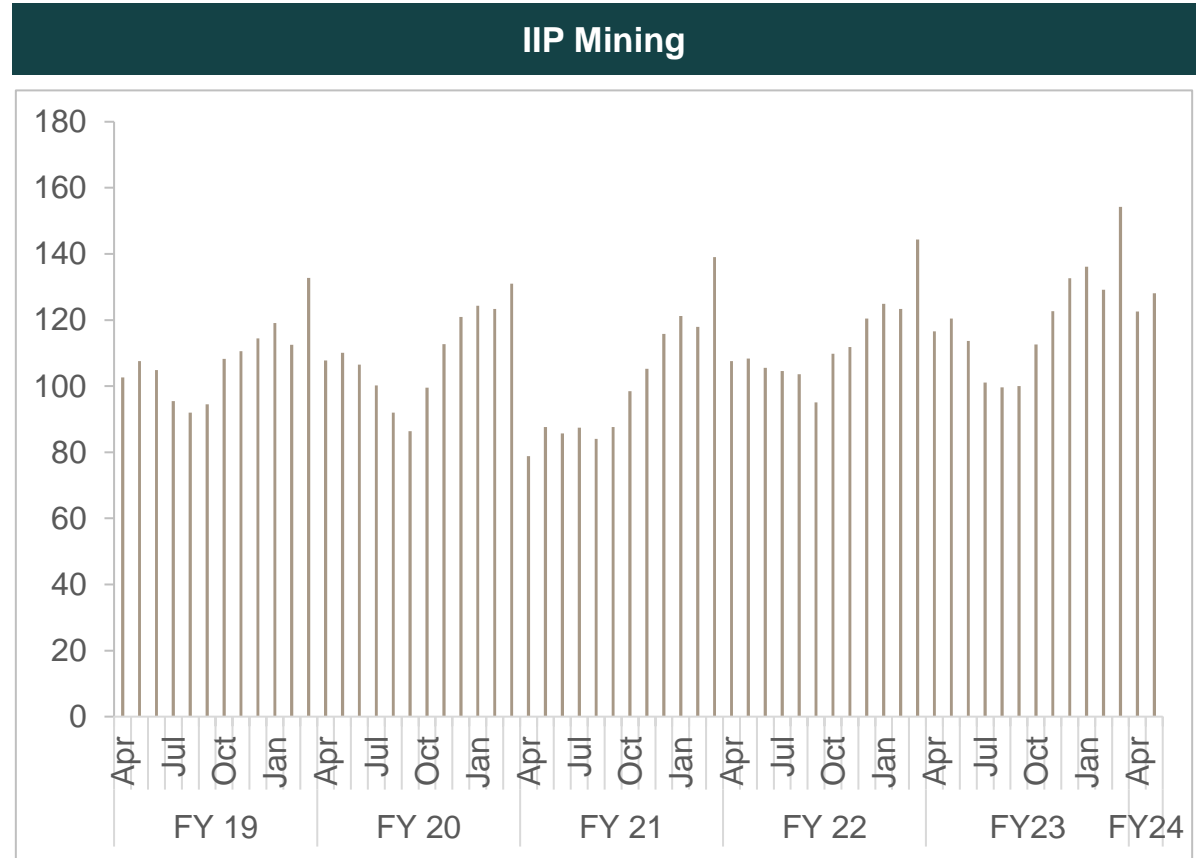
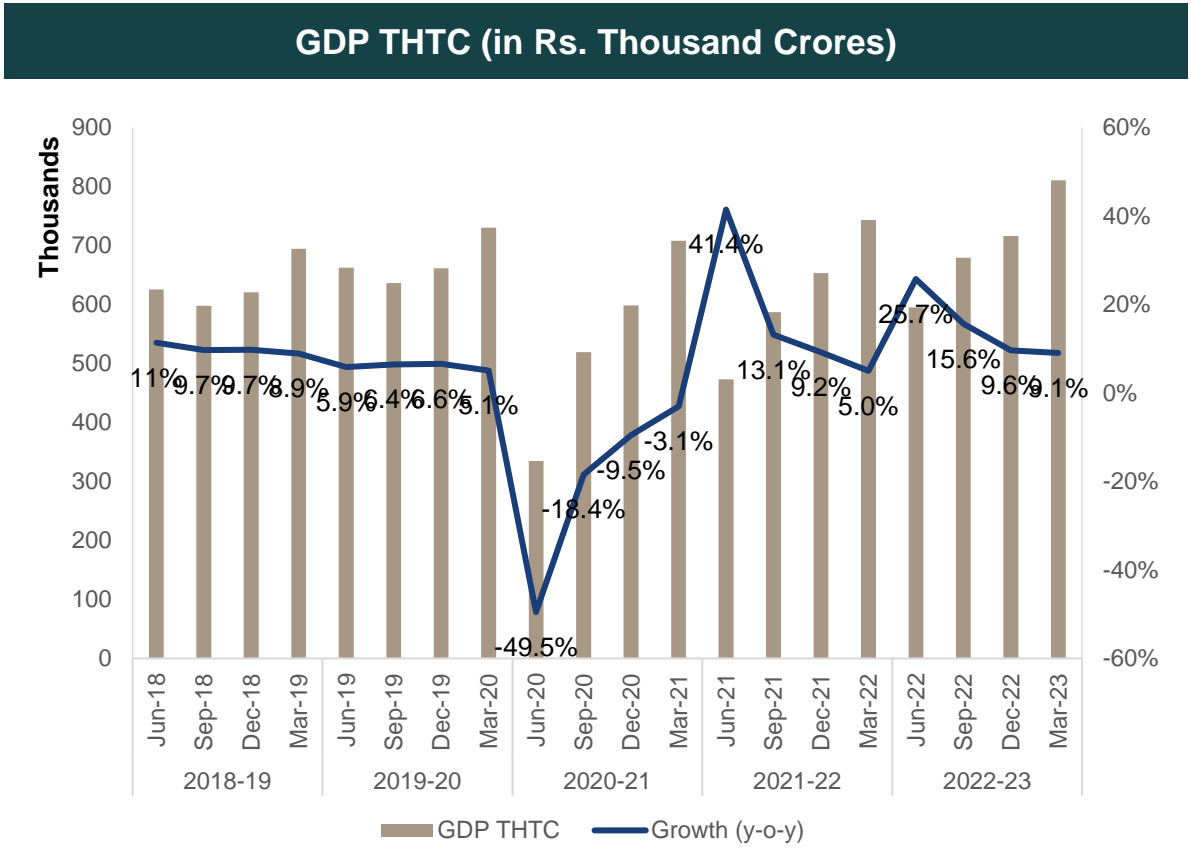
IIP Manufacturing



- The Index of Industrial Production (IIP) general grew 5.2% on-year in May 2023 compared with 4.5% on-year in April 2023.
- Activity picked up for industrial goods, manufacturing but growth continued to slower for consumer-oriented sectors.

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# GDP THTC sees growth on low base; Mining IIP on year growth improves



- GDP THTC registered a growth of 9.1% in Q4FY23 over Q4FY22. This segment is showing healthy growth on account of tourism sector picking up.
- Mining IIP increased to 6.4% on-year in May from 5.1% levels witnessed in April.

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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 E	FY24P
<b>Consumer durables (Consumption)</b>	5.8	7	5	(17)	15	10-13	7-9

- Rising inflation and reduced discretionary spend is expected to limit growth of household appliances sector in FY24.
- Consumption is expected to witness moderation next fiscal, which will have an impact on household appliances growth. Domestic demand could come under pressure as interest rate hikes gets transmitted more to consumers. CRISIL Research thus expects sector to grow 7-9% in FY24.



Segments (% Growth Y-o-Y)	FY 18	FY 19	FY 20	FY 21	FY 22	FY 23 E	FY24P
<b>E-retail</b>	35	35-37	23	13	27	22-25	19-24

- The Indian e-commerce sector—estimated at Rs 3,100 billion inFY23—has grown rapidly barringFY21. Due to rising internet penetration, online shopping awareness, and lucrative deals and discounts from well-established players and start-ups, the market has grown more than three times between fiscals 2018 and 2023. Inflation and slowdown in consumption will hinder growth next fiscal year. E-commerce is estimated to reach Rs 8.7 trillion byFY28, growing 21-26%.



Segments (% Growth Y-o-Y)	FY 18	FY 19	FY 20	FY 21	FY 22	FY 23 E	FY24 P
<b>RMG (Market Size)</b>	5	6	(2)	(24)	23	12-14	8-10

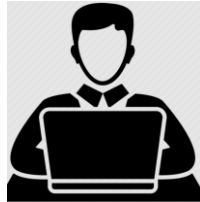
- Overall RMG market is projected to cross Rs.5.3 trillion inFY24 from an estimated Rs.4.9 trillion inFY23 with a growth of 7-9%. The RMG industry's revenues increased by 22-24% in FY22 and are estimated to end FY23 with a 12-14% growth. Increase in socializing will boost womenswear and casual clothing sales. Workwear demand is predicted to climb when workplaces reopen for 4-5 days a week and wedding, and festive demand continues. As domestic RMG demand develops steadily, FY24 may see another 5-7% domestic price hike and equivalent volume growth.

# Overview of buses



Segments	FY 18	FY 19	FY 20	FY 21	FY 22	FY 23 E	FY24 P
No of K-12 institutions (million)	1.56	1.56	1.65	1.62	1.6	1.7	1.7
Gross enrolment ratio (GER) (%)	73.4	73.4	78	74.5	74.8	75.1	75.4

- With a projected compound annual growth rate CAGR 2-3% from the fiscal year 2018 to the fiscal year 2022, the formal segment is mostly anticipated to support the expansion in the industry due to recovering demand. With post-covid high growth in FY23, FY24 is expected to have moderate growth. The formal and informal segments are projected to grow at 5-10% and 15-20%



Segments (% Growth Y-o-Y)	FY 18	FY 19	FY 20	FY 21	FY 22	FY 23 E	FY24P
Growth in number of IT employees	3	4	4	7	17	7-9	5-7

- Over the medium term, from fiscals 2023-28, 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. The growth will be led by an increasing share of digital revenues, while traditional non-digital services are likely to moderate driven by volume as billing rates remain under pressure.



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

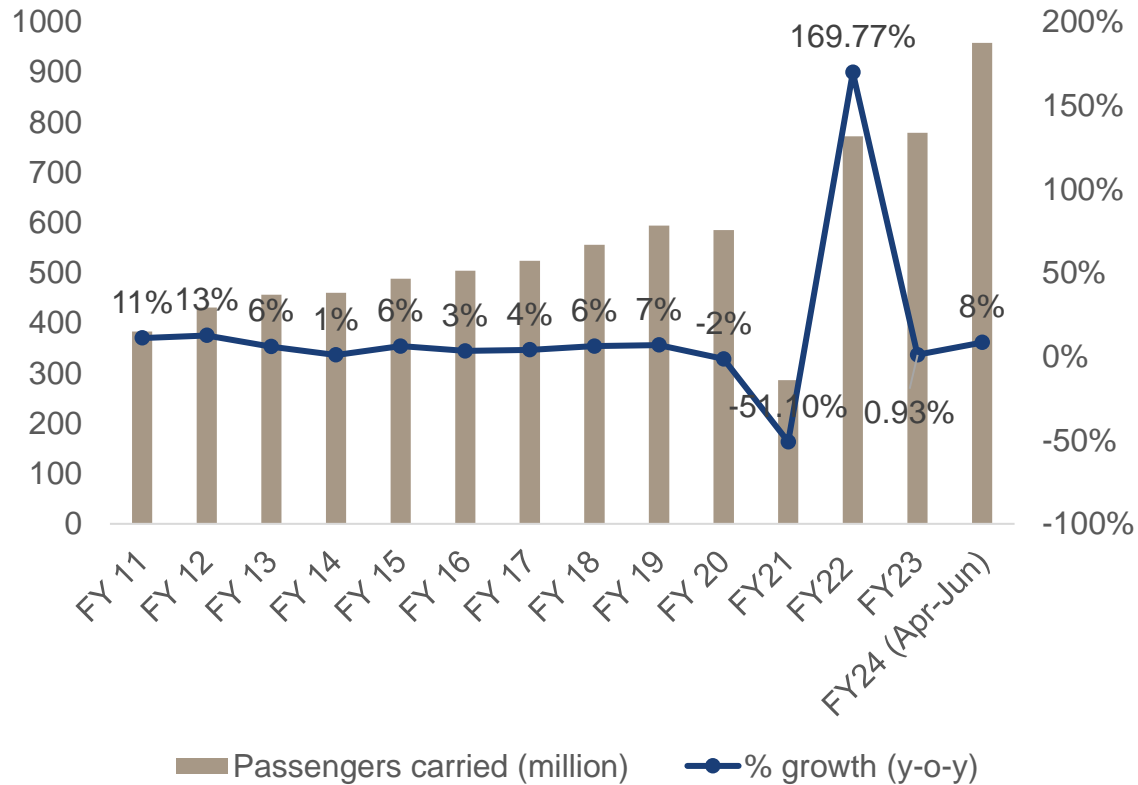
- The premium hotels sector is expected to log strong growth across operating parameters in the current and next fiscals riding on continued recovery of the economy and waning of the Covid-19 pandemic. Recovery is visible across categories – leisure, corporate, MICE (meetings, incentives, conferences, and exhibitions), as well as international travel. For FY24, we expect revenue of premium hotels to grow 15-20% and margins to remain range bound at 30-32%,



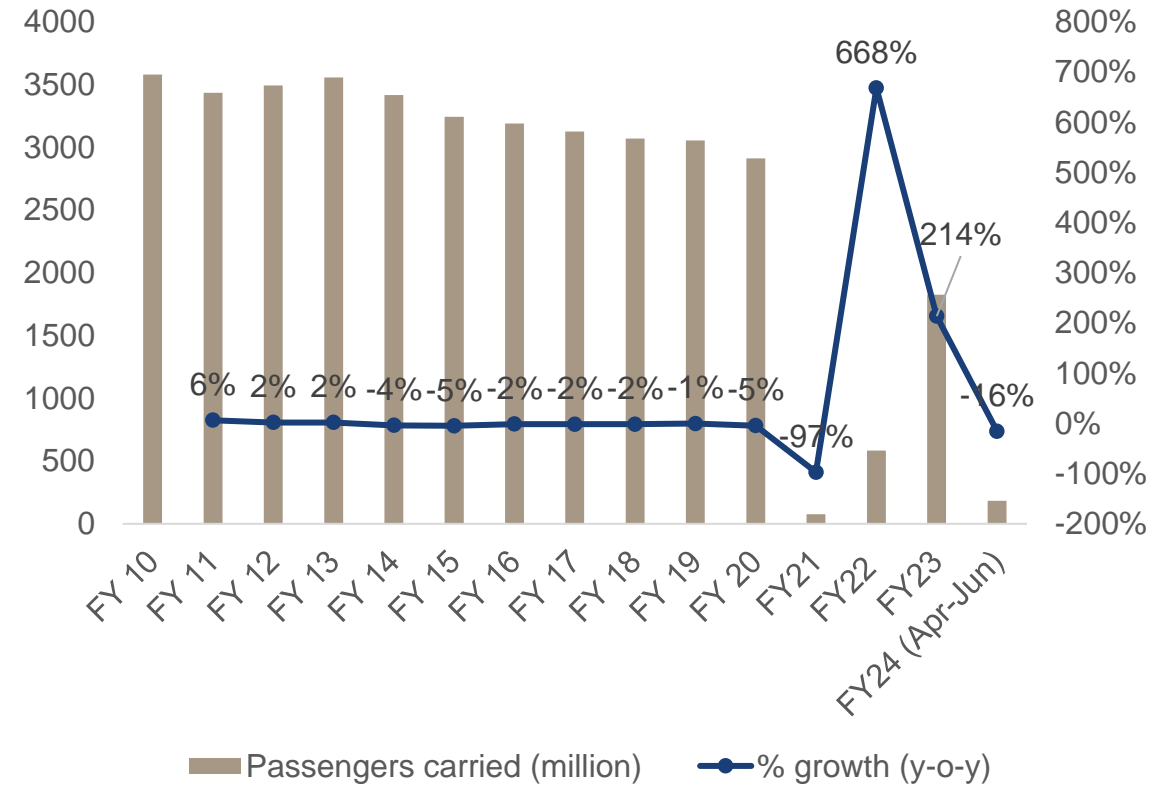
# With the COVID-19 effect waning, passenger movement across modes has improved

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

### Reserved

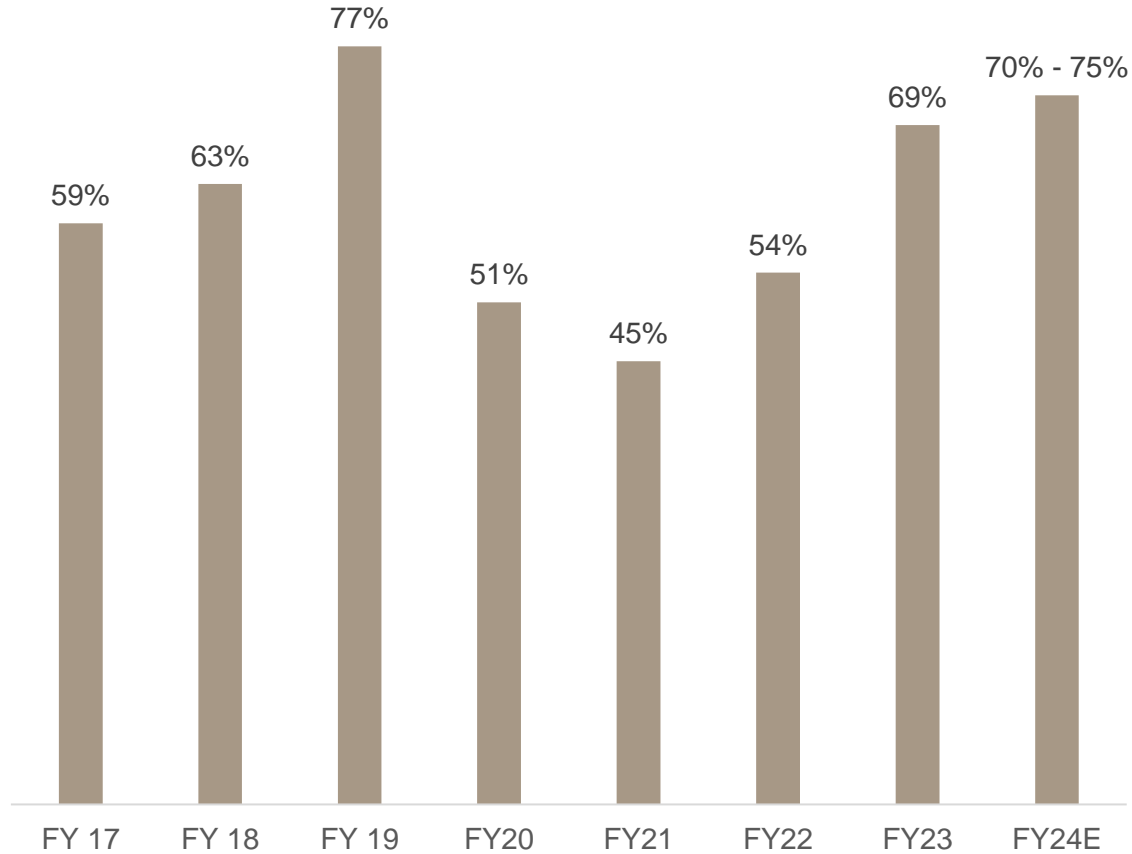


### Unreserved



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

## Increase in capacity utilization level



## Player-wise capacity utilisation

Player	Effective Capacity estimate (as on 31st Mar 2020)	Production in Q1FY24	Capacity utilization in Q1 FY24
Ashok Leyland	2,22,300	42,657	77%
Tata Motors	7,62,000	95,735	50%
Mahindra & Mahindra	2,92,000	67,085	92%
Eicher Motors	97,500	22,779	93%

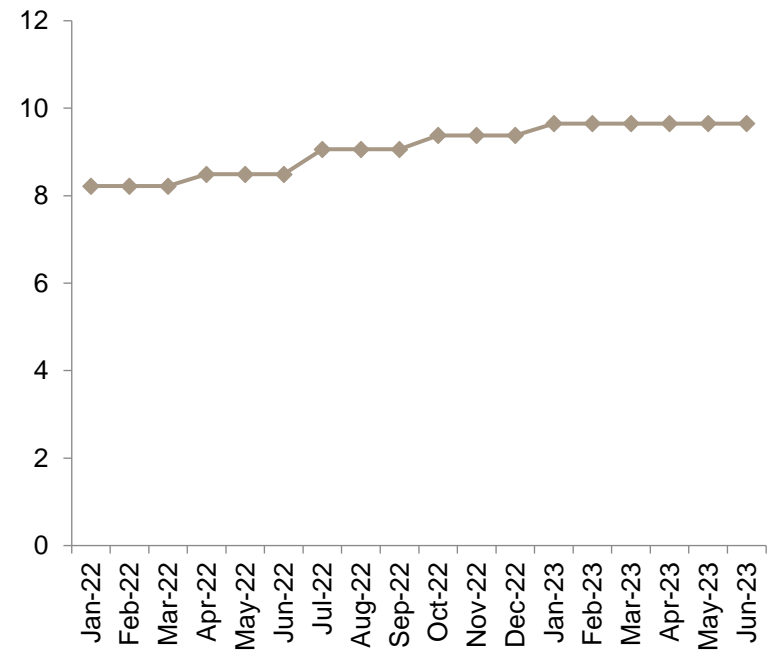
## Capacity additions

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

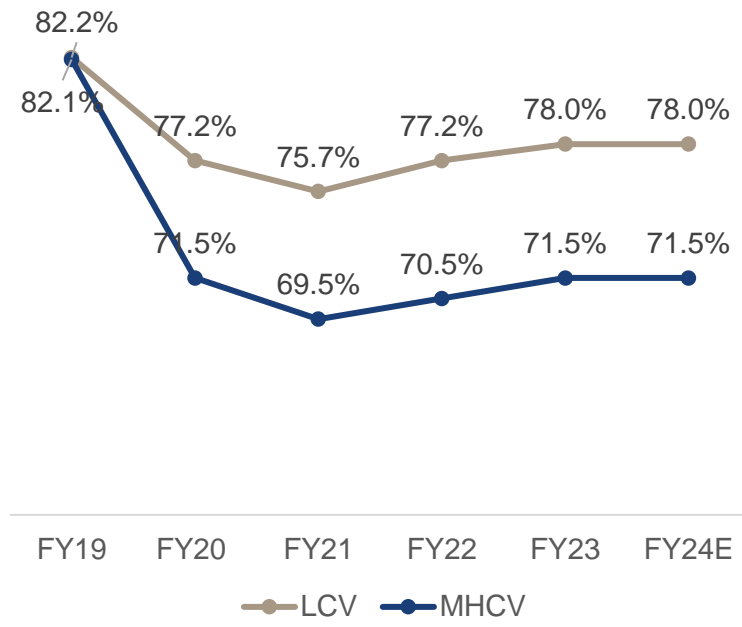
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# Lending rates remain elevated, cautious lending by banks in few states

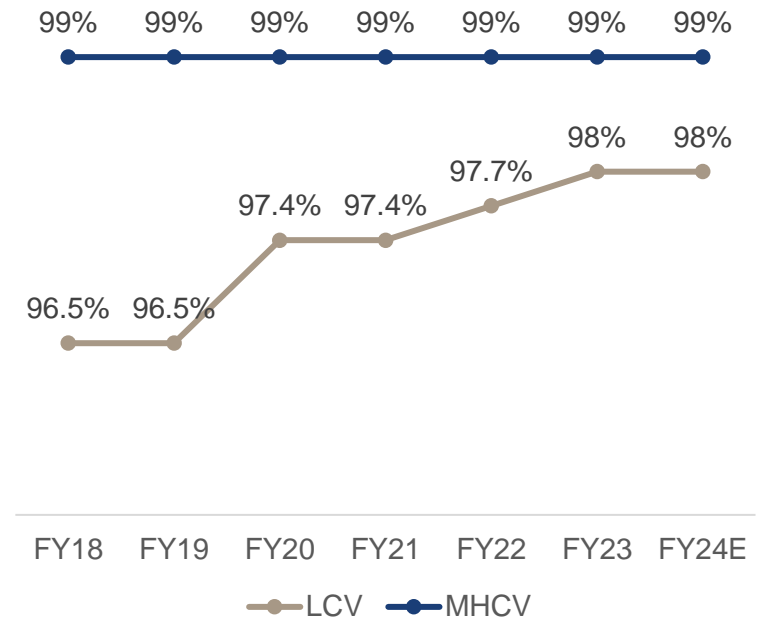
### CV finance rates (%)



### Loan-to-value for CV



### CV finance penetration

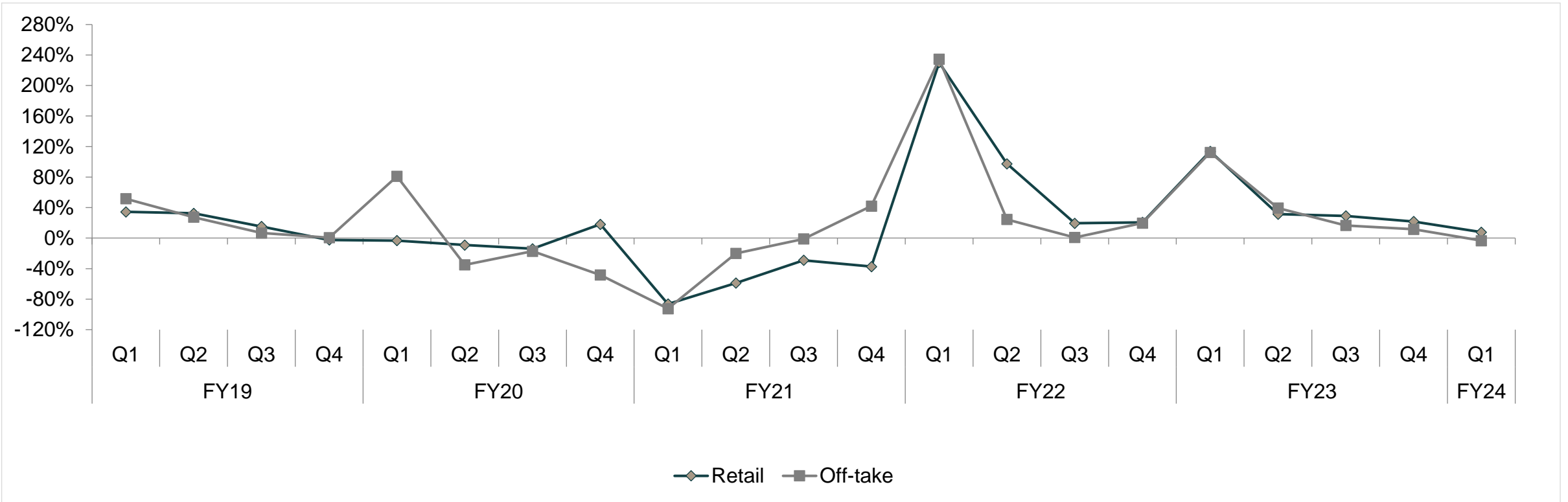


NOTE - Interest rates are an indicative rates charged by Banks  
 Source: Company Reports, Industry, Crisil MI&A

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

CV: Retail vs off-take (Growth y-o-y)

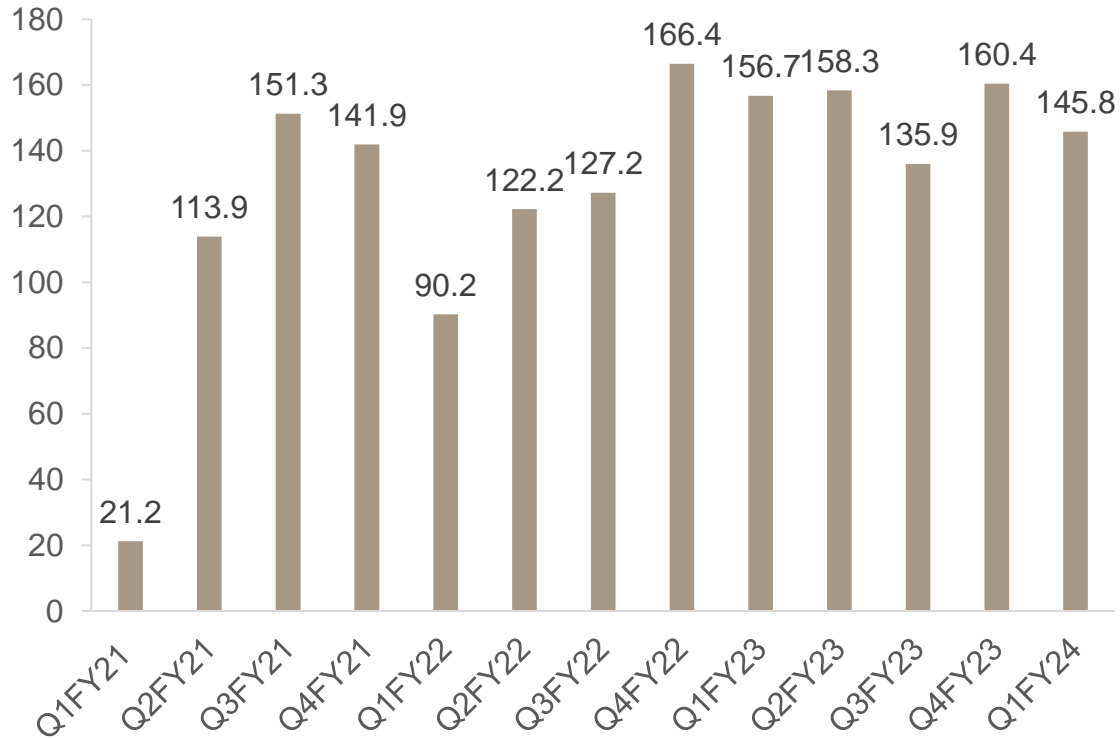


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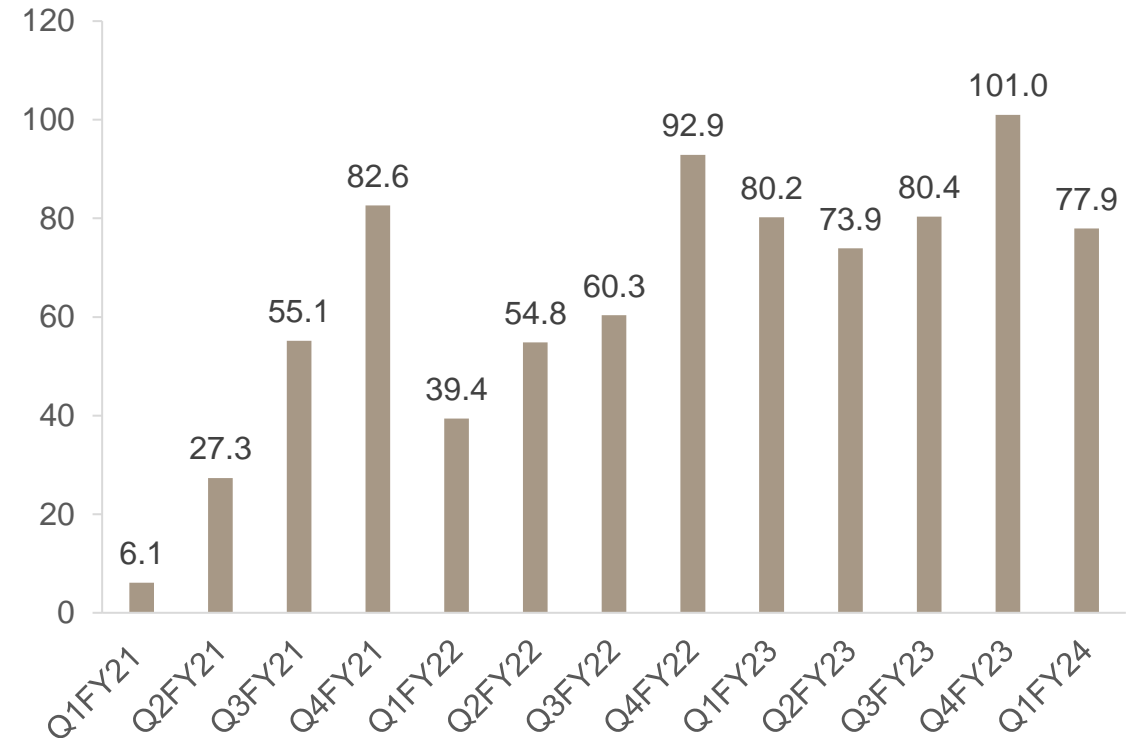
Source: SIAM, MoRTH, CRISIL MI&A

# Production of MHCVs and LCVs declined in Q1FY24

### LCV production levels (in thousands)



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

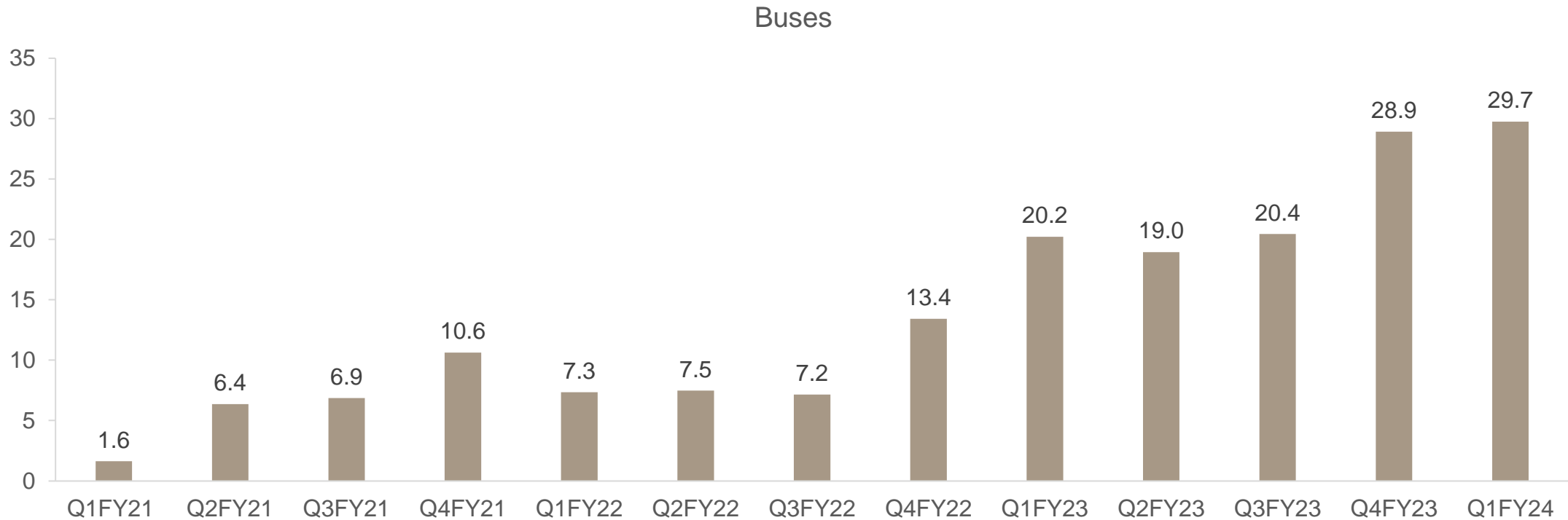


- Production for LCV increased by 5% and MHCV decreased by approx. 4% Y-o-Y in Q1.
- Production tapered down in Q1 FY24 but expected to remain strong for the entire fiscal as government to use infrastructure-capex to support the economy that would further aid to the demand of MHCV

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# Bus demand supported by tourism and STU procurement in Q4FY23

## Buses production levels (in thousands)



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- Tourism and other avenues of passenger mobility have seen return to normalcy over the last 1 year and hence the normal buying cycle seen in FY23 is expected to continue in FY24
- STU procurement by means of GCC contract is expected to continue in FY24 before certain states as well as general elections come into play

# Domestic – Annual forecast

Sales	Units	LCV cargo	IMHCV cargo	Buses	CV	EV Penetration
<b>FY22</b>	Thousands	472	227	32	<b>731</b>	<b>2%</b>
<i>y-o-y growth</i>	%	19%	47%	90%	<b>29%</b>	
<b>FY23</b>	Thousands	559	320	81	<b>960</b>	<b>2-4%</b>
<i>y-o-y growth</i>	%	22%	41%	163%	<b>34%</b>	
<b>FY24E</b>	Thousands	565-575	330-336	90-93	<b>986-1006</b>	<b>3-5%</b>
<i>y-o-y growth</i>	%	1-3%	3-5%	13-15%	<b>3-5%</b>	

# Domestic – Quarterly forecast (1/2)

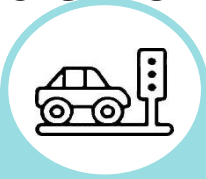
Consulting

Annual	Quarter	LCV cargo		IMHCV cargo		Buses		Total	
		Sales ( '000)	y-o-y growth	Sales ( '000)	y-o-y growth	Sales ( '000)	y-o-y growth	Sales ( '000)	y-o-y growth
FY22	Q1	73.6	180%	27.3	567%	5.4	389%	106.2	237%
	Q2	108	3%	51.3	115%	6.3	57%	165.5	24%
	Q3	127.6	(8%)	60.4	21%	6.9	67%	195	1%
	Q4	148.9	19%	88.1	16%	12.1	53%	249	19%
FY23	Q1	136.6	86%	67.4	147%	19.1	255%	223.1	111%
	Q2	141.7	31%	72	40%	17.9	185%	231.6	40%
	Q3	133.3	4%	76.8	27%	15.9	129%	225.9	16%
	Q4	147	(1)%	104.1	18%	27.9	130%	279	12%
FY24 E	Q1	123.8	(9)%	67.0	(1)%	25.2	32%	216.0	(3)%
	Q2E	141-144	0-2%	76-78	7-9%	20-21	12-14%	238-243	3-5%
	Q3E	147-150	10-12%	82-85	8-10%	18-19	15-17%	248-253	10-12%
	Q4E	154-157	5-7%	104-107	1-3%	28-30	1-3%	287-293	3-5%
FY25P	Q1P	130-133	5-7%	68-70	2-4%	25-27	3-5%	224-229	4-6%



- **SCV & ULCV:** Sub-1 tonne segment is seeing pressure because of interest rate hike and our interactions also suggest that there is some portfolio constraint. This segment has seen deployment already in E-commerce and other sectors and is also facing competition from both Pickups and EV 3 wheelers. One of the OEM's is currently focusing on upgrading the existing models in the sub-1 tonne segment and is going slow on the offtake which would cause some loss to the overall TIV for the sub-1 tonne segment. Given the current scenario the Agri output for horticulture and foodgrains is expected to have a good outlook for FY24, which should auger well for the pickup segment. Replacement demand from municipal applications to be one of the key drivers for the ULCV segment
- **MHCV:** Q1 witnessed some supply constraints in ULCV and ICV with April and May facing maximum issues. While the situation had eased in June and supply reached almost 90% levels, it will still take a month or so for the supply to be fully resolved and thus the numbers for the LOB have been considered slightly down compared to the forecast given last cycle.. As freight rates have been in line with fuel prices over the last 12 months, transporter profitability has been stable. Increase in capital expenditure announced in the union budgetFY24 with government using infrastructure-capex to support the economy and aid to the demand of MHCV. Tippers have started facing some competition from the emerging Tip trailer segment. Tractor Trailer to witness some incremental demand as Tip trailers have been making some headway in the industry. In some states, cement bulkers application has begun to shift towards TT platform from the erstwhile MAV platform e.g. includes Chhattisgarh, Orissa, Rajasthan and Telangana among others. Further the usage of tip-trailers for the transportation of commodities like coal, fly ash and clinkers has begun to show a rising trend.
- **Buses:** Q1 witnessed high demand for the passenger mobility largely driven by schools. Q2 demand has been revised slightly downwards as we believe some anticipated demand in Q2 has already been met in Q1. Q2 might also face some challenges on the body building side as our interactions suggest that most of the body building capacities are running at peak levels and is expected to remain same till festive season. However, the situation should improve post festive season as we might see pre-election demand from the IMHCV buses largely driven by STU's before the model code of conduct. Hence, we are maintaining positive view on the overall LOB and have revised the forecast for the entire fiscal slightly upwards compared to the forecast given last cycle

# Stakeholder interactions



## Transporters

### Utilization levels

- Utilisation levels have been growing since the economy revived and freight demand increased. It is expected to continue growing at a similar pace and therefore resulting in higher MHCV demand for this fiscal.
- Preference for higher tonnage vehicles in trailers and tippers is becoming prominent among transporters, however, start of monsoons have kept the demand tight for these vehicles due to slowdown in mining and construction activities during monsoon months
- Competition amongst transporters has increased and freight rates for few commodities like steel, cement have declined this quarter, thus affecting profitability. Whereas for other commodities, freight rates have remained stable.
- Cement demand has declined in June month, due to start of monsoons in most regions and shall have momentary impact on its freight rates getting declines.



## Dealers & OEMs

### Demand Story

- SCV products now cover a wide range of tonnages to meet all customer needs. Over the past five years, players have released many items to fill tonnage gaps. Supply issues slowed SCV demand in April and May in most regions. However, June witnessed easing of supply
- Mining and construction have halted due to start of monsoon in South and Central regions, affecting tipper demand. In some locations, the delayed monsoon has not affected tipper demand, although Q1 seasonality has kept them tight.
- The April price hike affected SCVs and LCVs, which are price sensitive, but it didn't affect M&HCVs because most OEMs communicated it beforehand and M&HCV buyers are MFOs/LFOs, who are well placed with their financial commitments.
- Quarterly bus demand has grown. School admissions are up, and schools are buying up. Staff service buses are in demand since some IT giants have now mandated work from office.
- As OEMs made model revisions for BS-VI phase 2 implementations, heavy vehicle new versions faced availability issues at the start of the quarter. However, things have improved on that fronts as the quarter progressed.
- Discounts have lowered across all OEMs compared to last quarter



## Financier

### LTVs and participation levels

- Although the interest rates increased in 2022 impacting the financing costs and EMIs, as long as the freight rates and truck utilisation remained high there was no significant impact in volumes
- SCVs have been witnessing aggressive financing options and higher loan offerings as the customers in this segment are generally more price sensitive. Also, in some regions, due to defaulters in SCV segment, financiers have become more cautious with respect to lending money to individual customers with poor CIBIL scores
- MHCV cargo and tippers segment is expected to do well largely due to the increased capex allocation in the budget
- There have been some delinquencies in smaller vehicles category in states where the release of funds have been delayed. Due to this the financiers have decreased exposure slightly in some key areas and the situation is being monitored closely
- For some cases in retail funding, customers have been asked to present contract copy or guarantor particularly for MHCVs
- Overall financing situation is stable for this quarter as most banks and NBFCs are open for lending for all categories of commercial vehicles

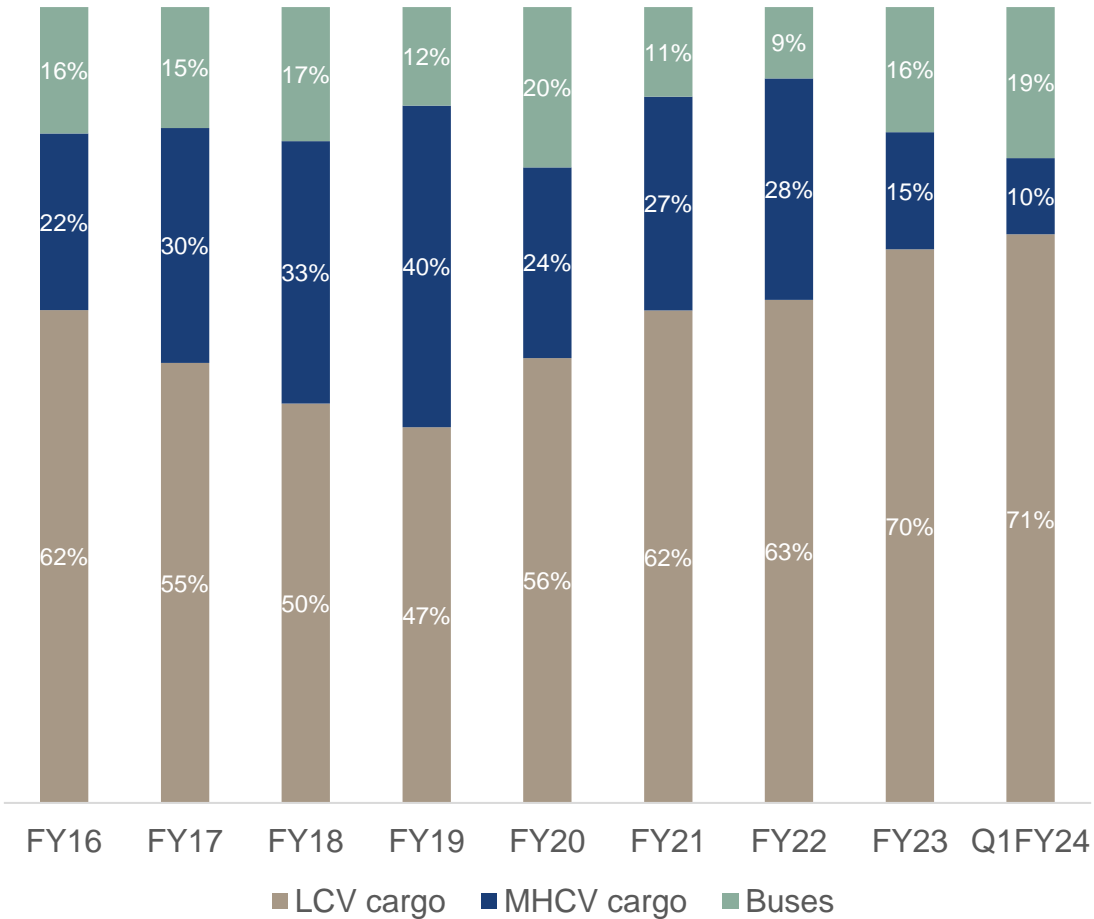
Consulting

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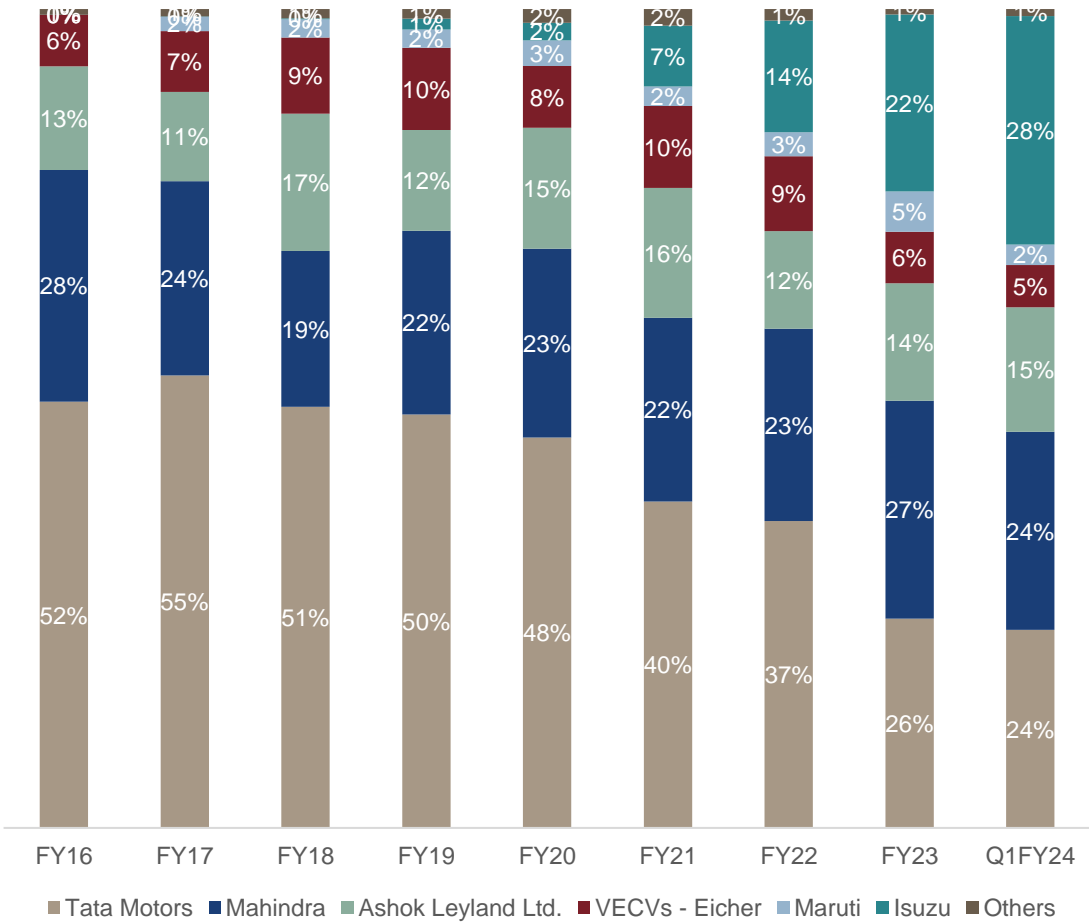
# Commercial vehicle exports

# Share of LCV cargo on an uptrend

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

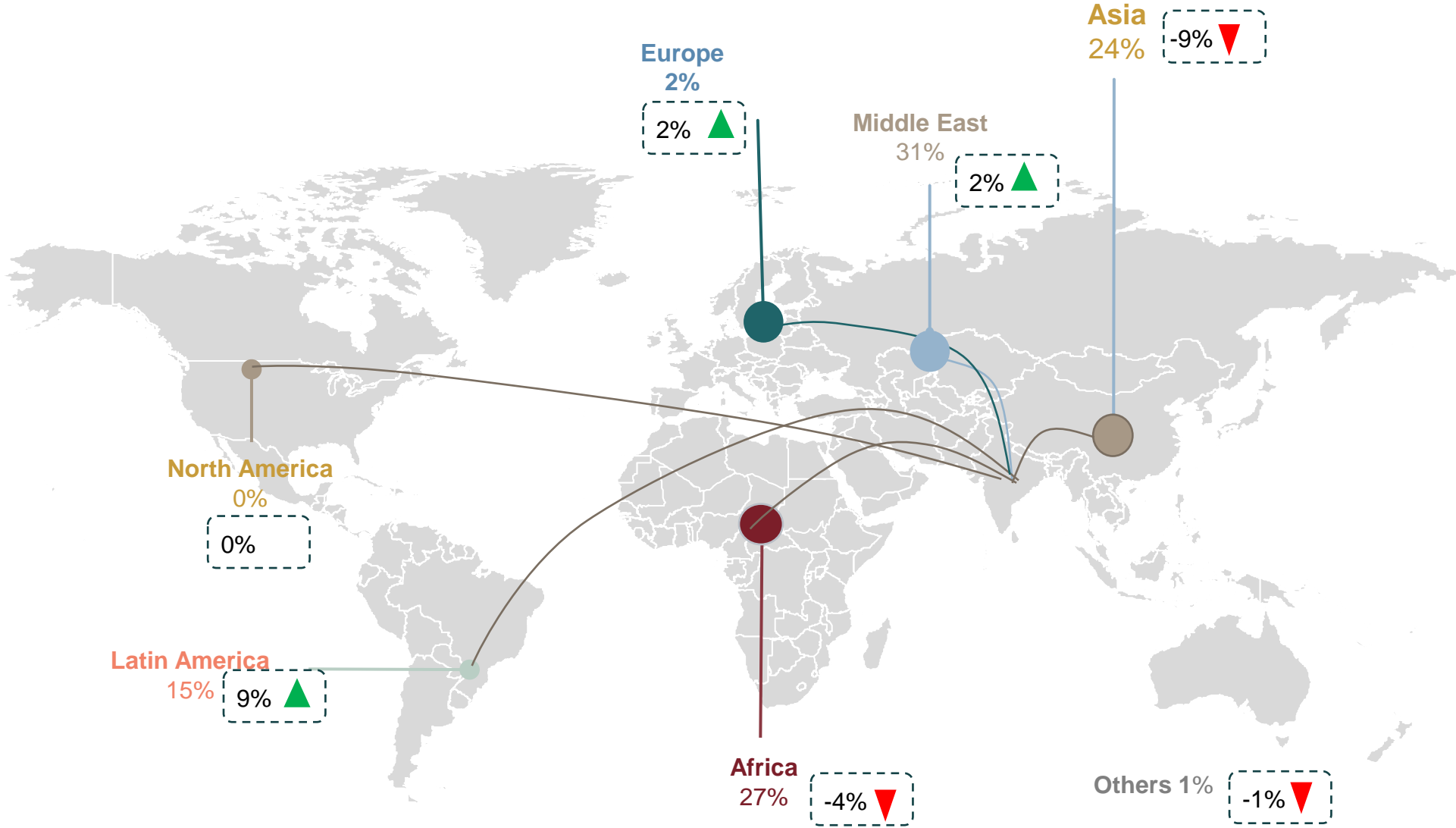


Share of leading players declines



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# Commercial vehicles exports

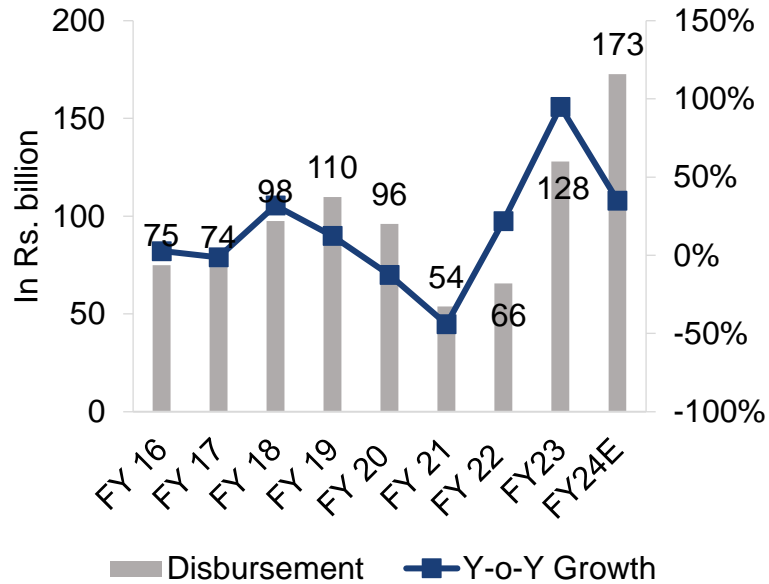


- CV exports have been under pressure in FY24 amidst the slowdown in exporting countries, unavailability of FOREX as well as limited retail financing.
- Saudi Arabia has taken the lead in recent times.
- Asia has lost share amidst the slowdown in demand from neighbouring countries of Bangladesh, Nepal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

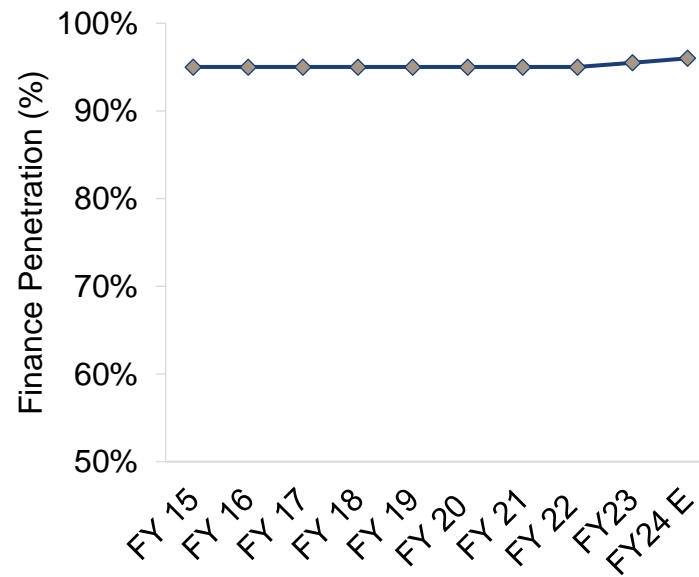
# Three-wheelers

# Improvement in financing scenario

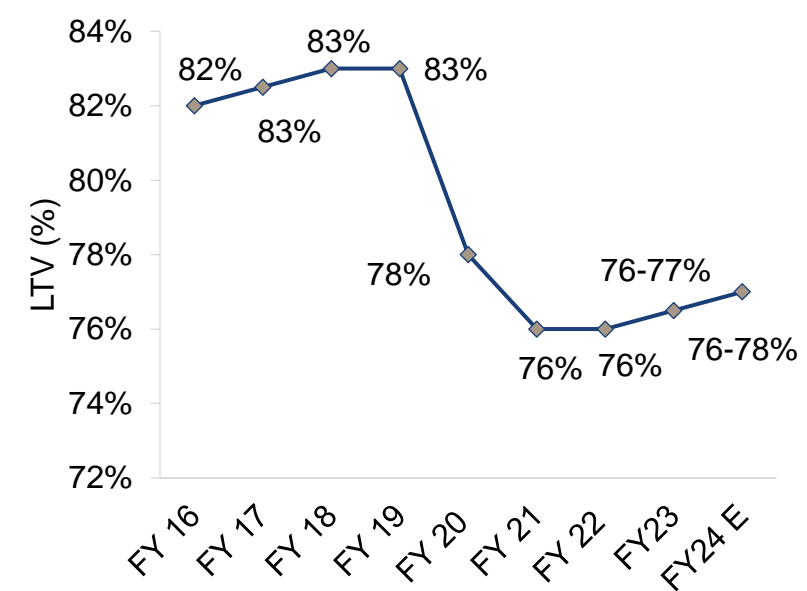
## Disbursements to improve further



## Finance penetration



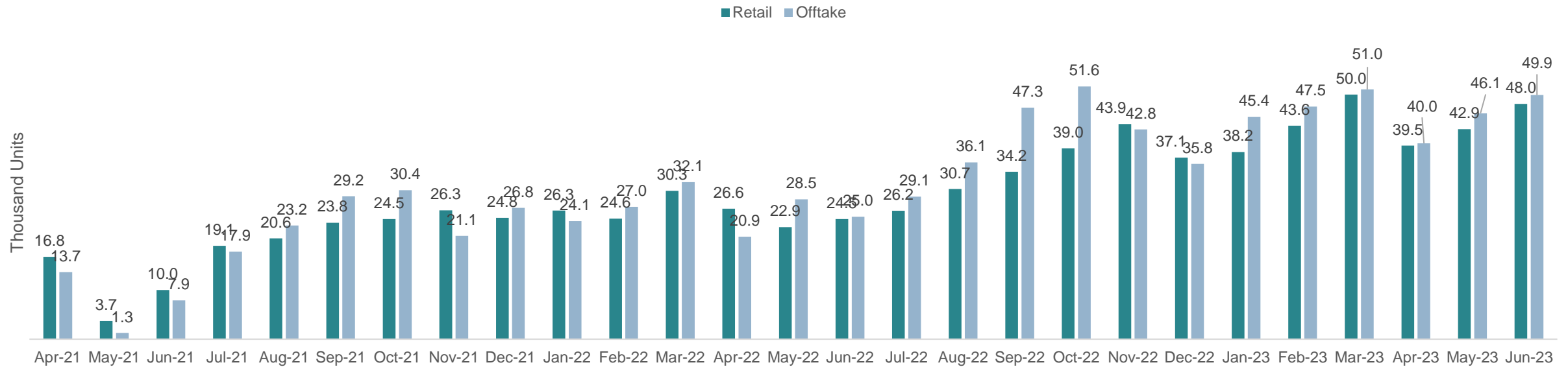
## Recovery in LTV levels



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

# Some sequential moderation in offtakes during Q1

## Retails remain rangebound



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

Source: SIAM, Vahan, CRISIL MI&A

- After high offtakes during Q4, there was some moderation in offtakes during Q1
- Goods segment witnessed sharper contraction while passenger segment saw marginal drop of 2%
- Typically, Q1 is relatively a lean quarter
- However, retails continued to remain healthy during Q1 backed by continued demand for passenger segment



# Domestic – Annual forecast

Sales	Units	Passenger	Goods	Total	EV penetration
<b>FY21</b>	'000	133	84	<b>217</b>	<b>1%</b>
<i>y-o-y growth</i>	%	-75%	-24%	<b>-66%</b>	
<b>FY22</b>	'000	178	83	<b>260</b>	<b>4%</b>
<i>y-o-y growth</i>	%	34%	-1%	<b>20%</b>	
<b>FY23</b>	'000	376	113	<b>489</b>	<b>6%</b>
<i>y-o-y growth</i>	%	112%	37%	<b>88%</b>	
<b>FY24E</b>	'000	455-465	130-135	<b>630-640</b>	<b>10-13%</b>
<i>y-o-y growth</i>	%	37-40%	2-5%	<b>28-31%</b>	

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

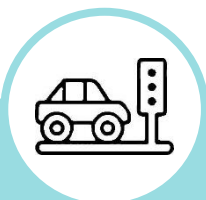
Fiscal	Quarter	Passenger		Goods		Total	
		Sales ( '000)	y-o-y growth	Sales ( '000)	y-o-y growth	Sales ( '000)	y-o-y growth
FY22	Q1	16	121%	9	54%	25	90%
	Q2	46	73%	25	26%	71	53%
	Q3	62	8%	24	10%	86	9%
	Q4	60	7%	25	-15%	85	0%
FY23	Q1	53	241%	24	168%	77	214%
	Q2	94	105%	25	-2%	119	67%
	Q3	108	75%	31	28%	139	62%
	Q4	121	102%	33	31%	154	81%
FY24E	Q1	123	132%	28	14%	150	95%
	Q2 E	125-130	34-36%	28-30	17-19%	155-160	30-32%
	Q3 E	130-135	23-25%	28-31	(4)-(2)%	160-165	17-19%
	Q4 E	130-135	8-10%	29-31	(12)-(10)%	160-165	4-6%
FY25P	Q1 P	128-133	5-7%	28-30	4-6%	158-163	5-7%

- Three-wheeler industry has witnessed robust growth in FY 2023 from a low base of previous years. H2 saw much better sales.
- Passenger segment performed better as compared to the goods segment as urban movement in terms of schools, colleges, business and recreational outings has increased substantially during the year
- Sales momentum is expected to continue In FY24. On the increased base of FY23, some deceleration is expected during FY 2024. Passenger segment is expected to outpace the goods segment
- EV segment is estimated to expand its presence and contribute 10-13% in FY 2024

Note: Includes EV 3W, does not include E Rickshaw

Source – SIAM, CRISIL MI&A

## OEMs



- Growth in passenger segment thrust 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.
- On a high base of FY 2023, some moderation is expected in FY 2024
- Goods segment is facing competition from the SCV segment, EV a threat for passenger segment
- ICE sales are expected to be impacted on the back of competition from electric vehicles. Increased cost of ownership for ICE vehicles is making customers consider EV's as an option.
- Supply of E autos improved gradually and expected to improve further
- Prices rose by 1-2% during April for compliance with BSVI phase 2 norms
- Financers support will help improve retail momentum on-ground

## Dealers



- Some moderation in sales in Q1 from high base of Q4
- Q1 a typical lean quarter
- Phase 2 vehicle dispatches mainly done in Q1
- Price rise of Rs 3-5k done, had no perceptible impact
- Continued traction for passenger segment
- Some drop in goods segment
- Some improvement in E Auto demand during Q1, however, supply remains a concern
- High Price of E auto is another hurdle for the segment
- Growth in E auto adoption to be slower
- ICE segment to improve further in FY24, sequential improvement expected in Q2 and further in Q3 amidst the festive season
- Goods segment to also register some growth
- Year expected to end on a positive note
- Monsoon impact remains to be seen

## Financier

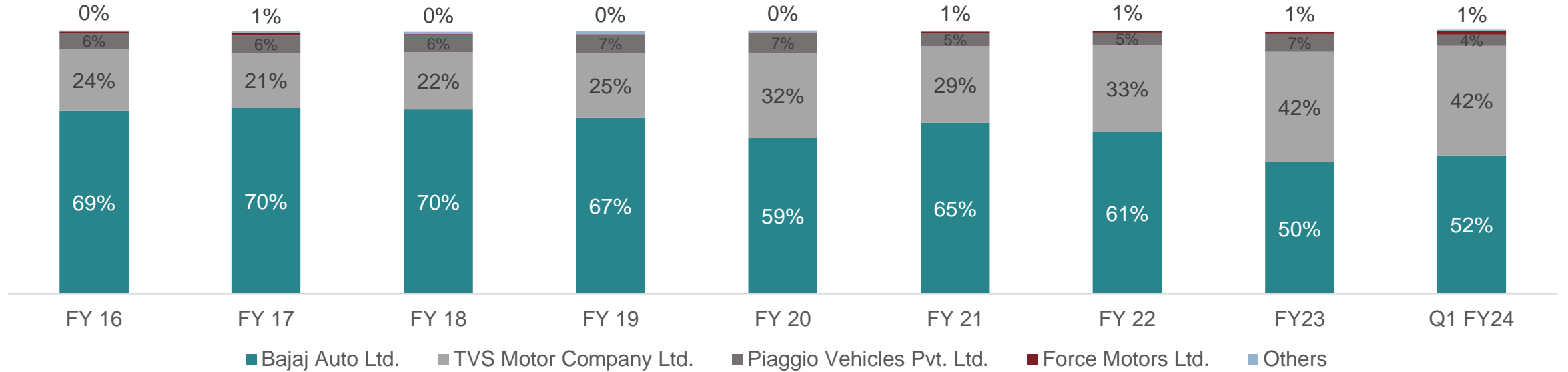


- Increase in disbursements with rising retails
- LTV expected to be in the range of 95-100% which has increased in the near term.
- Repo rate has increased which has impacted the rate of interest.
- NBFC contributes 90% of total 3-wheeler finance.
- Stance of the financers to remain accommodative

# Three-wheeler exports

# Exports contracted from the high base during FY 2023

## TVS gained further ground

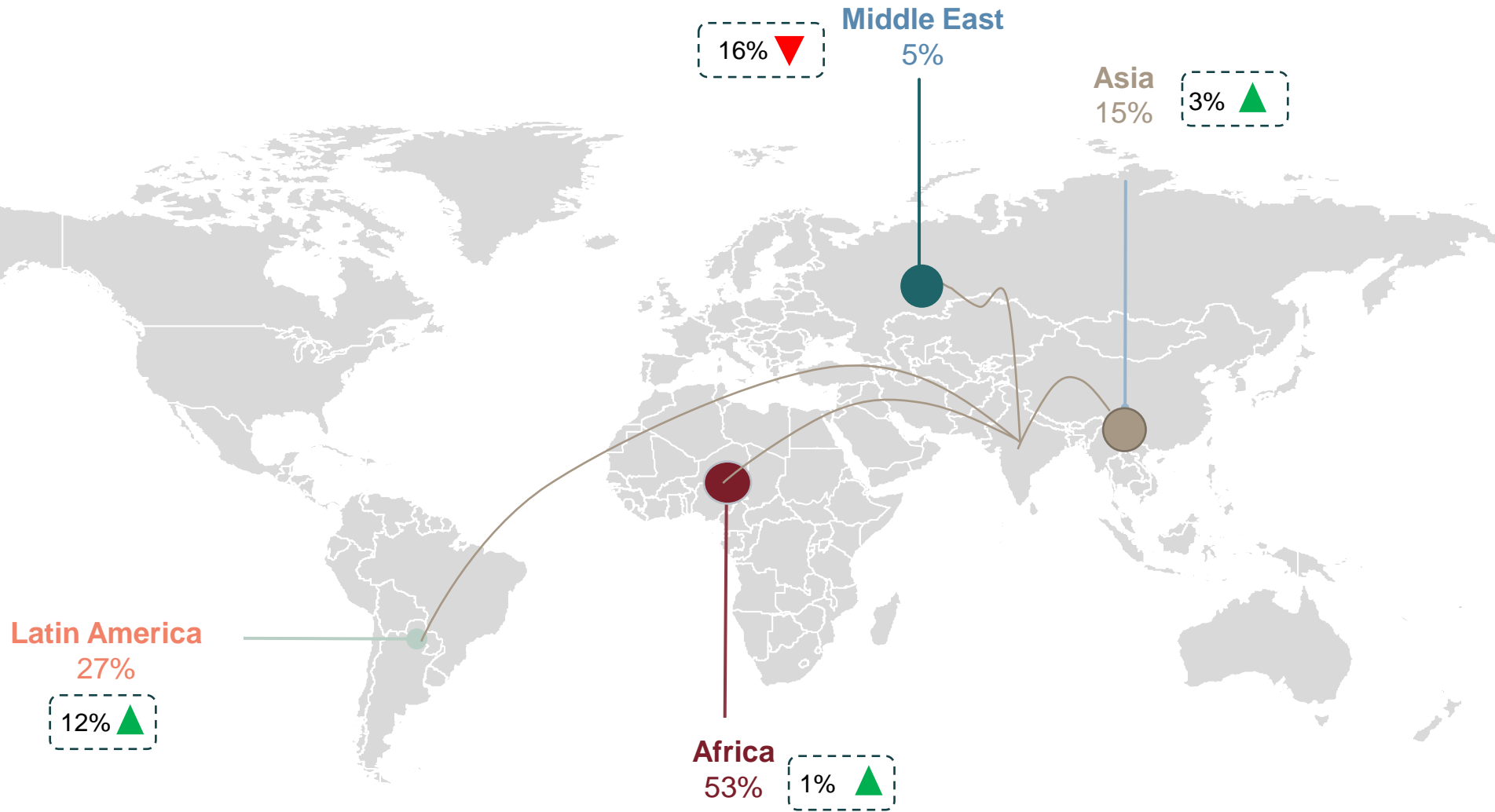


Source: SIAM, CRISIL MI&A

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

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# Three-wheeler exports



- Amidst the sluggish global macroeconomic environment, Forex availability in importing countries, improvement in domestic demand, 3W exports are sliding
- Drop in 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

# Tractors

# Tractor demand to contract marginally in FY24

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



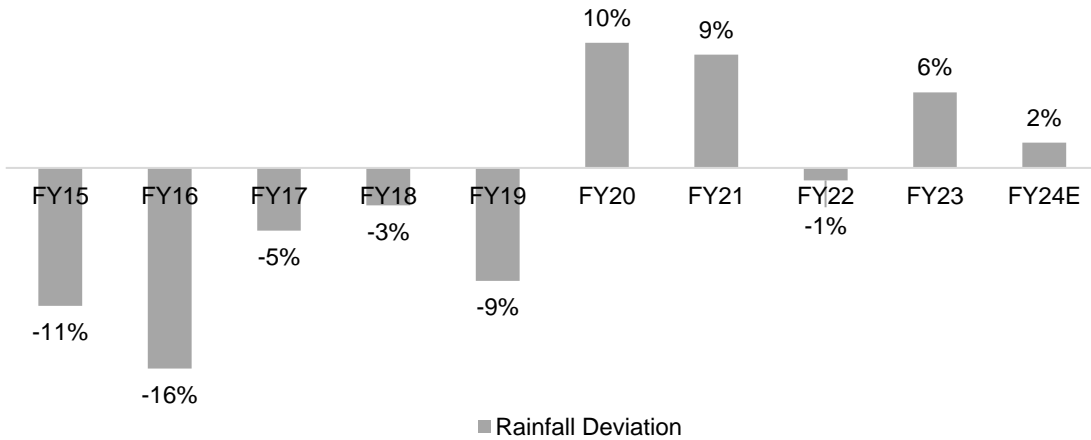
NOTE : \*\* FY24 assumed neutral assuming normal monsoon,

Source: CRISIL MI&A

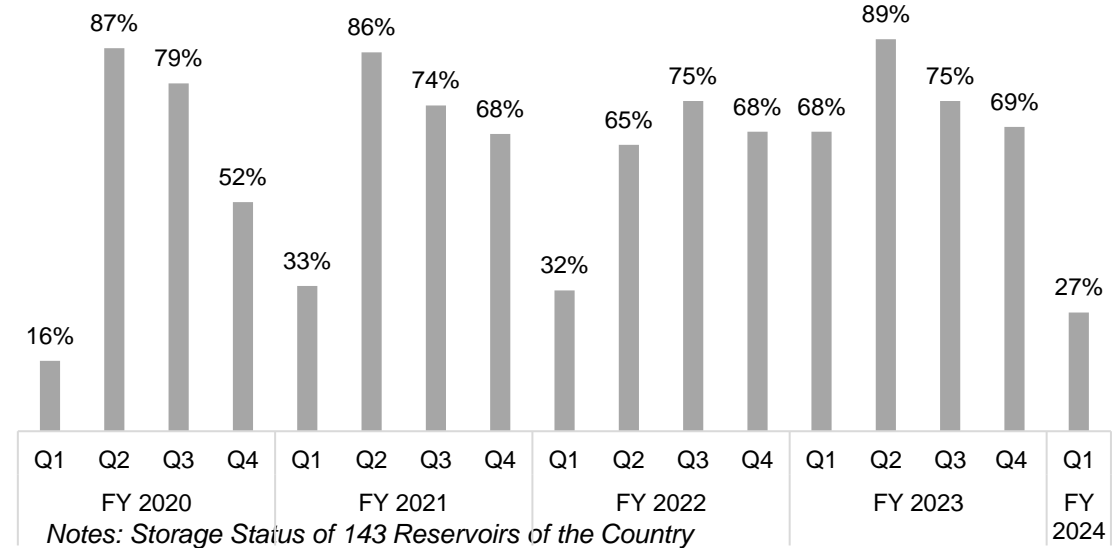


# Delay in monsoon caused postponement in land preparation and sowing activities for kharif crops across the country

## Southwest Monsoon deviation was normal



## Reservoir Levels are lower



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 low due to delayed monsoon majorly in the southern states, as monsoon showers started in late June.
- Announcement of higher MSP for crops contributed towards slightly better farmer sentiments thereby pushing retail momentum in Q1.
- Rabi harvesting activities were delayed due to untimely rains, hailstorm and strong winds impacting wheat and paddy crops across states to some extent .
- There was crop damage as well to some extent due to untimely rainfall, although cash flow generated through it in majority of states had led to positive farmer sentiments in Q1.
- Although in some states by mid-June land preparation and sowing activities would have started but majorly farmers were waiting for rainfall to start it in full swing.

# Tractor financing remains favorable

## Interest Rates trend

In %

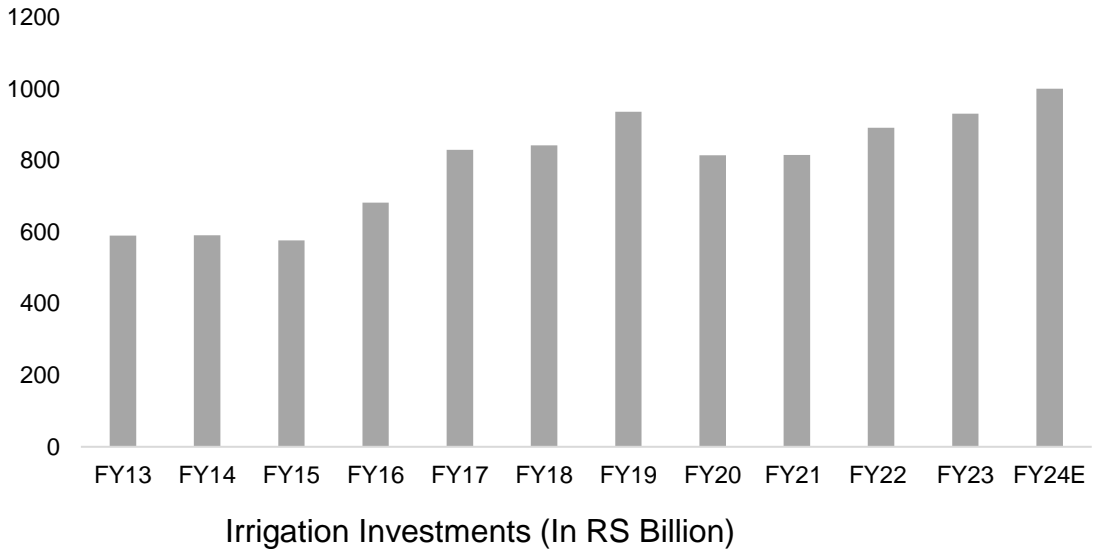


Source: CRISIL MI&A

- Credit availability and affordable rates of finance, increasing budgetary allocation towards the rural sector, and government support for farm mechanization to encourage growth.
- Finance penetration has declined to some extent, majorly because of delay in crop payments to the farmers from government increasing the delinquency levels due to which financiers have become bit cautious.
- We expect LTVs to increase marginally in fiscal 2024.
- The entry of private financiers over the past few years has also increased finance availability.

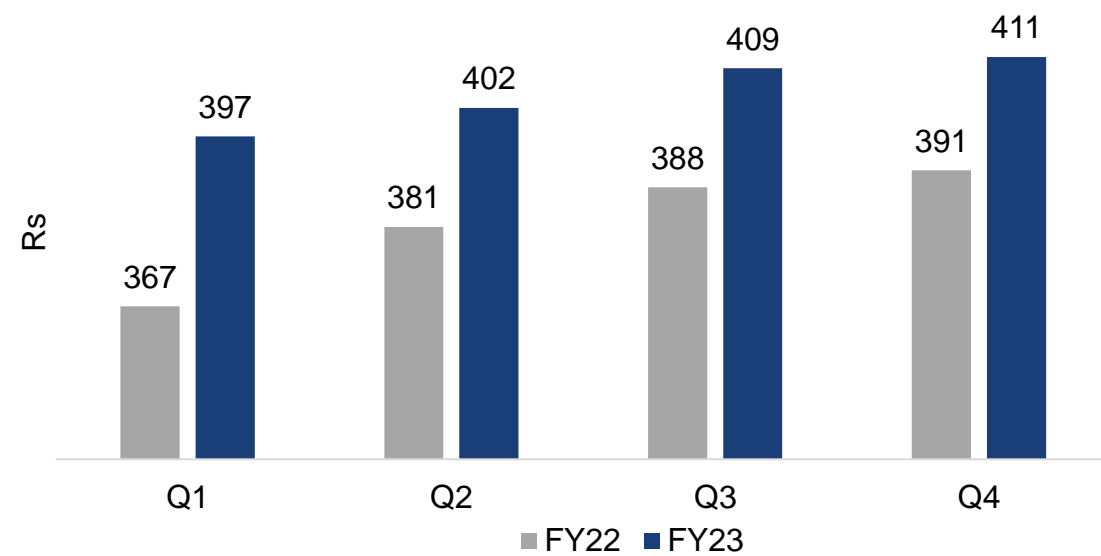
# Irrigation intensity is expected to continue to improve over the medium term, supporting tractor sales

## Irrigation spending is expected to increase



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

## Daily Rural Wage increased in Q3 and Q4 FY23



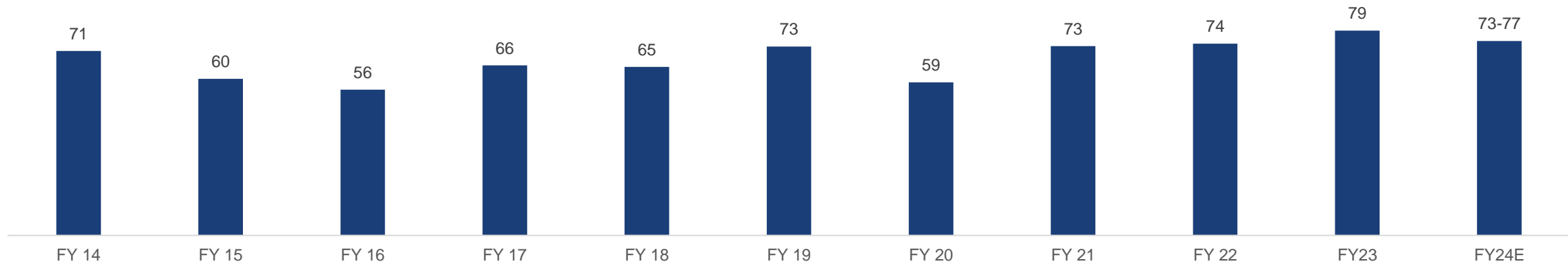
Note: Q1 data is not yet available  
 Rural wages includes general non-agricultural labour.  
 Source: RBI, CRISIL MI&A

- Irrigation investments have risen considerably in past 10 years, resulting in a consistent increase in irrigation intensity. This, in turn, heightened cropping intensity and has led to higher and stable farm incomes over the period.
- 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 411 per day witnessing a growth of 5% as compared to last year, under which Haryana having the highest daily wage at Rs 357 per day and Madhya Pradesh and Chhattisgarh the lowest at Rs 221.

# Utilization to witness some contraction in FY24

## Capacity utilization trend

(%)



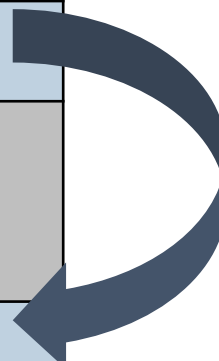
*E: Estimated*

*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.
- Thus, utilization is expected to drop with increase in capacity coupled with expected 1-3% decline in domestic sales as well as 8-10% contraction in exports.

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

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

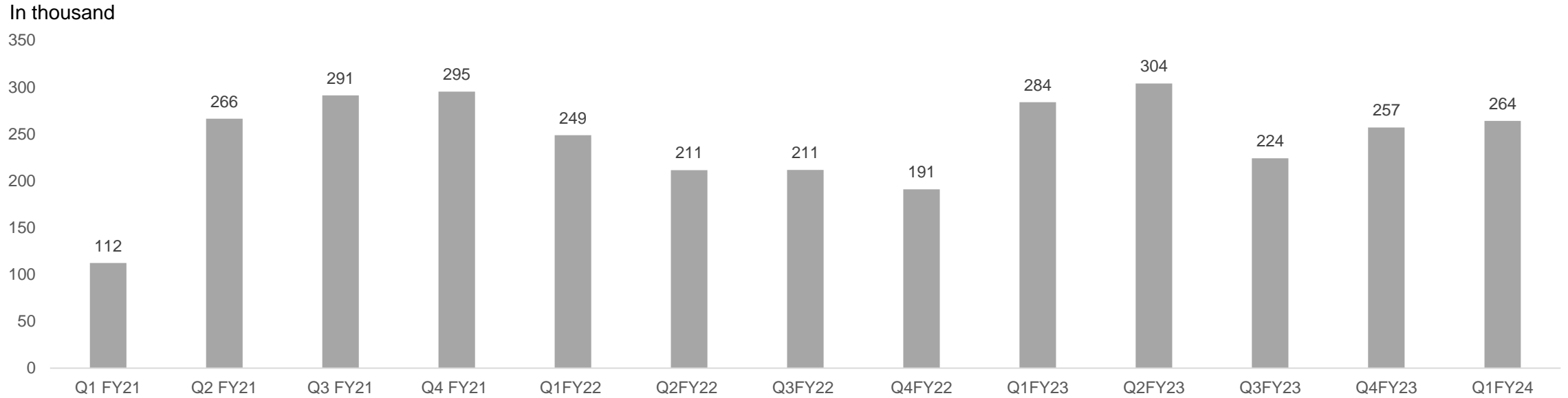


Source: Industry, CRISIL MI&A

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

# Production levels are 7% lower on-year in Q1

## Production Levels



Source: CRISIL MI&A

- Q1 Production levels have registered a slight growth of 3% sequentially and de-growth of 7% on y-o-y basis
- Production was lower in Q1 compared to last year, although it was slightly better as compared to Q4 FY23 in anticipation of kharif season in June month.

# Domestic – Annual & Quarterly forecast

Consulting

	Units	Sales
<b>FY22</b>	Millions	0.84
<i>y-o-y growth</i>	%	(6)%
<b>FY23</b>	Millions	0.94
<i>y-o-y growth</i>	%	12%
<b>FY24 E</b>	Millions	0.91-0.93
<i>y-o-y growth</i>	%	(3)-(1)%

Fiscal	Quarter	Tractors	
		Sales ( '000)	y-o-y growth
FY22	Q2	211	-11%
	Q3	223	-13%
	Q4	177	-25%
FY23	Q1	266	16%
	Q2	222	4.8%
	Q3	247	11%
	Q4	211	19%
FY24 E	Q1	261	-2%
	Q2 E	208-212	(6)-(4)%
	Q3 E	253-258	2-4%
	Q4 E	198-202	(6)-(4)%
FY25 P	Q1 P	258-263	(1)-1%

Source – TMA, CRISIL MI&A

Note: Forecasts for FY24 and FY25 have been given assuming normal monsoon

- Domestic tractor demand to decline 1-3% in fiscal 2024 amid negative farmer sentiments brought about by current delayed monsoon after registering a 12% on-year rise in fiscal 2023.
- India has received average monsoon though it was deficit up to mid June, despite concerns that an El Nino weather pattern could lead to lower rainfall this year. Rains are uneven throughout the country as majorly northern states are facing floods due to excess rainfall with farmers fearing the crop damage, whereas majorly southern states facing drought like situations due to rainfall deficit leading to delay in kharif sowing.
- In fiscal 2024, replacement demand is expected to be higher by 4-6% on-year with healthy sales registered in fiscals 2017 and 2018.
- Commercial demand expected to be slow with ban on mining amidst the NGT guidelines
- Demand for lower hp tractors to cater to the small and marginal farm is relatively better.

# Stakeholder interactions

## OEMs



- Healthy cash flow from rabi crop, average reservoir levels due to delay in monsoon season and higher MSP announcement has all led to moderate farmer sentiments in Q1.
- Healthy festive demand, various government schemes and discounts supported retail growth momentum.
- Due to delay in monsoon agriculture sentiments for kharif season were impacted. Overall sentiments are moderate in most of the states.
- Commercial demand is muted from sand mining due to restrictions and from brick kilns due to their increased cost of operations owing to NGT regulations to prevent pollution.
- Demand from haulage and construction activities are however unaffected.

## Dealers



- Rabi crops have generated moderate cash flow across the country as there was crop damage to some extent due to unseasonal rainfall as well as delay in harvesting activities.
- Wheat arrivals were delayed in Mandis till May month. Current Wheat prices are high, and it is expected to further go up as the stocks at central level is lower compared to last year.
- Cash flow through the rabi crops was generated in the month of June though due to delay in monsoon farmers sentiments were moderate.
- 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 is good, which means the farm cash flows are expected to be better.

## Financier



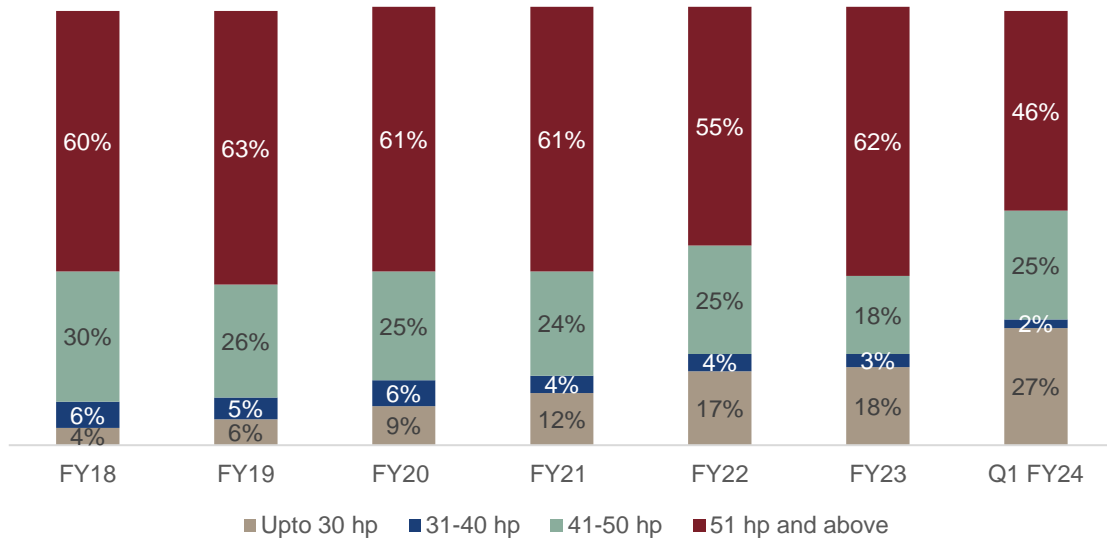
- Financing is robust with lucrative terms of credit offered during festive continues
- Disbursements to increase at a moderate pace in FY24.
- Non-performing assets are higher in public banks as compared with private banks and NBFCs.
- LTVs are estimated to have grown from 76% in fiscal 2023 to 76.50% in fiscal 2024.
- Financing situation in certain states are worrisome with rising NPA levels and is a key monitorable in the coming months as funding levels could be significantly impacted



# Tractor exports

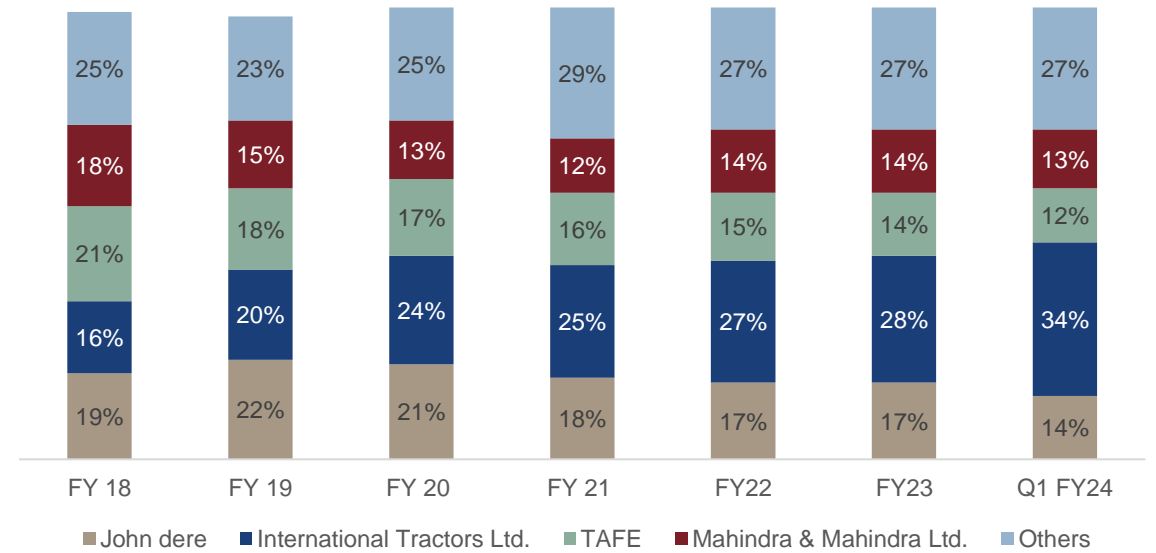
# Exports to remain under pressure in FY24

Segment wise market share of exports



Source: CRISIL MI&A

Player wise market share of exports

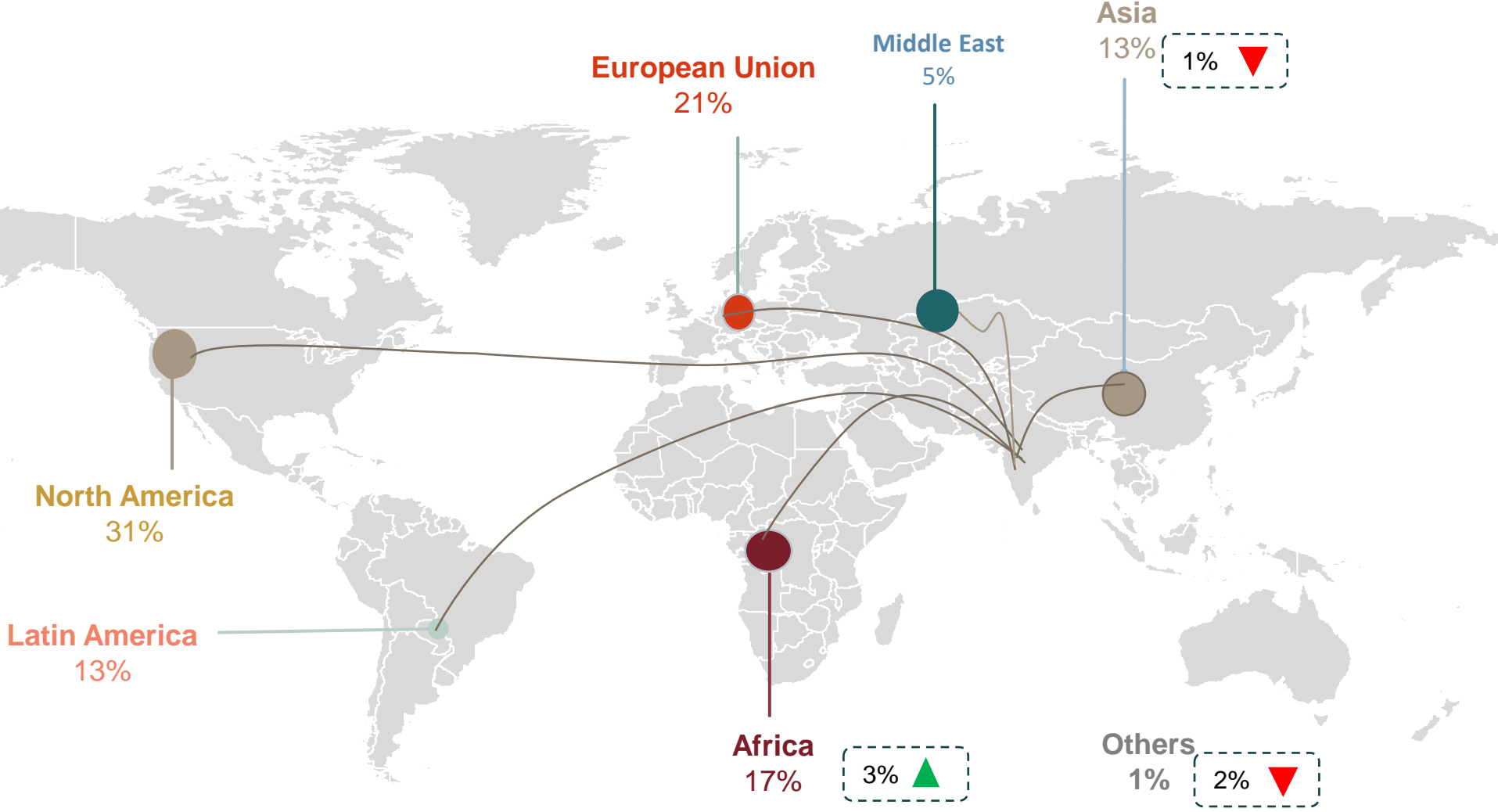


Source: CRISIL MI&A

- During Q1FY24, exports dropped 31% compared to Q1FY23 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 31-40 hp, 41-50 hp and 51 hp and above tractors dropped by 69%, 2% and 49% respectively while exports of tractors up to 30 hp rose 12%.
- In Q1 FY24 ITL expanded its share in overall exports
- India has been emerging as an export hub for relatively smaller tractors. The share of upto 30 hp tractors has been on the rise while 51 hp & above segment maintains its leadership
- In FY24, amidst the slowdown in Asian and European countries coupled with slower demand from the US is expected to exert pressure on exports.

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# Tractor Exports



- In FY23, tractor exports declined by 3% on-year on a high base of 45% on-year growth registered in FY22.
- Demand for Indian tractors had been slower in various Asian and European countries due to the political disruptions and energy crisis in these regions.
- Some support from South Africa and Namibia backed share expansion for Africa
- Going ahead, Slowdown in various Asian and European countries coupled with slower demand from the US to exert pressure on Indian exports in FY24

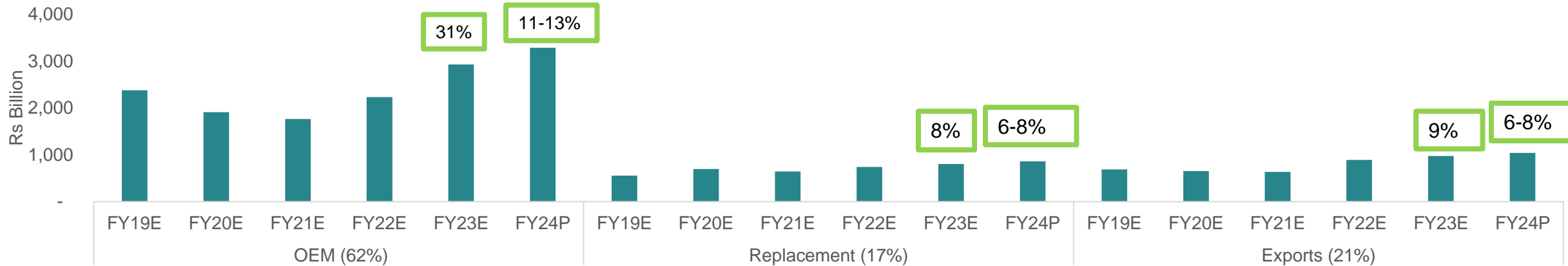
# Auto Components

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# Revenue growth to continue in FY 2024, albeit at a slower pace

## Demand from OEMs to push the industry revenue in FY24

	FY20	FY21	FY22	FY23E	FY24P
Industry revenue	-10%	-6%	27%	22%	9-11%



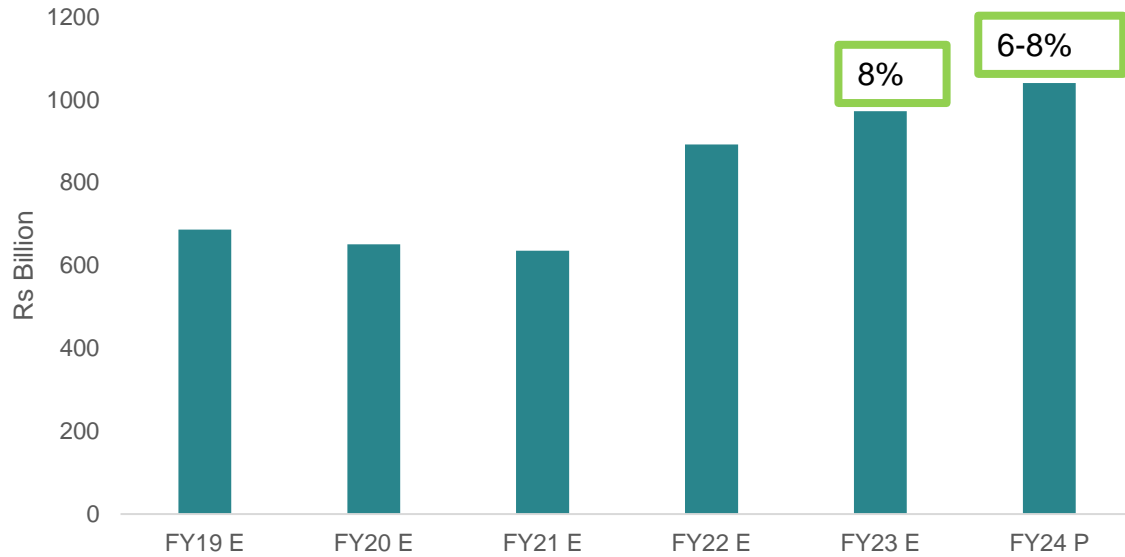
Note: Coloured brackets represent y-o-y growth; Numbers in the bracket in the axis represent share in production for FY23

Source: CRISIL MI&A

- Industry witnessed healthy growth in FY 2023 across segments. On this high base, demand growth rates are expected to moderate in FY 2024, decelerating the growth of components segment as well
- In FY23, the OEM segment (62% of revenues) witnessed robust growth; PV and CV segments provided the thrust in FY23. On a lower base, two-wheeler and three-wheeler segments also improved and supported the component industry growth. Some tapering is expected during FY24.
- Exports (21% of revenues) are projected to increase by 6-8% in FY24, over the 8% growth clocked in FY23
- Replacement demand (17% of revenues) is also expected to grow by 6-8% in FY24, driven by higher vehicle movement and the high sales witnessed in FY18-19

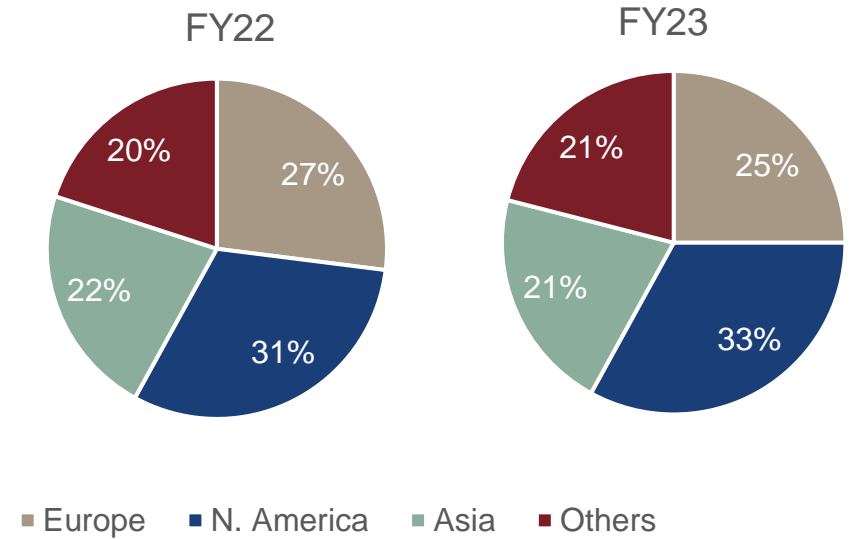
# Improvement in global economic scenario to back growth in FY24

## Export demand expected to grow further in FY 24



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

## Developed nations support exports

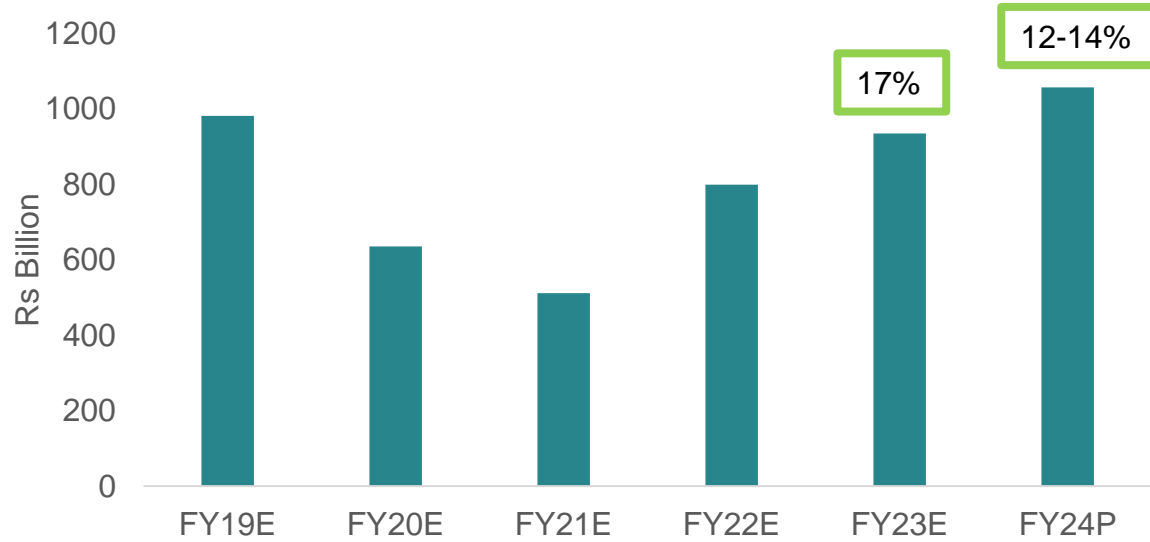


Source: DGFT, CRISIL MI&A

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

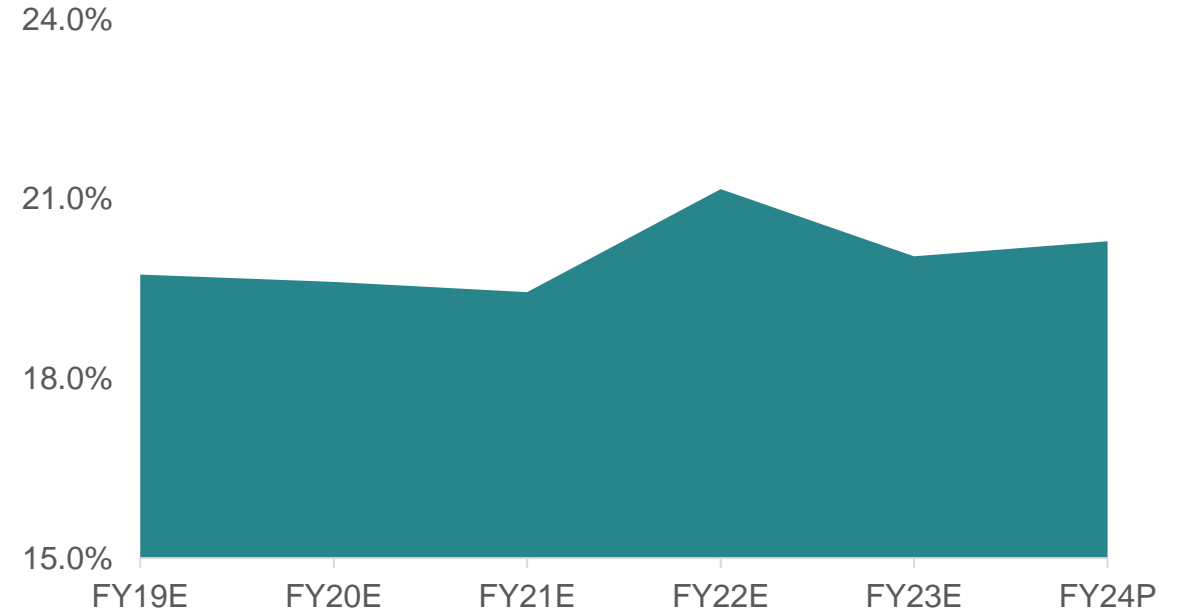
# Continued traction to back higher import demand in FY24

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



Source – DGFT, CRISIL MI&A

## However, the share in consumption to remain subdued

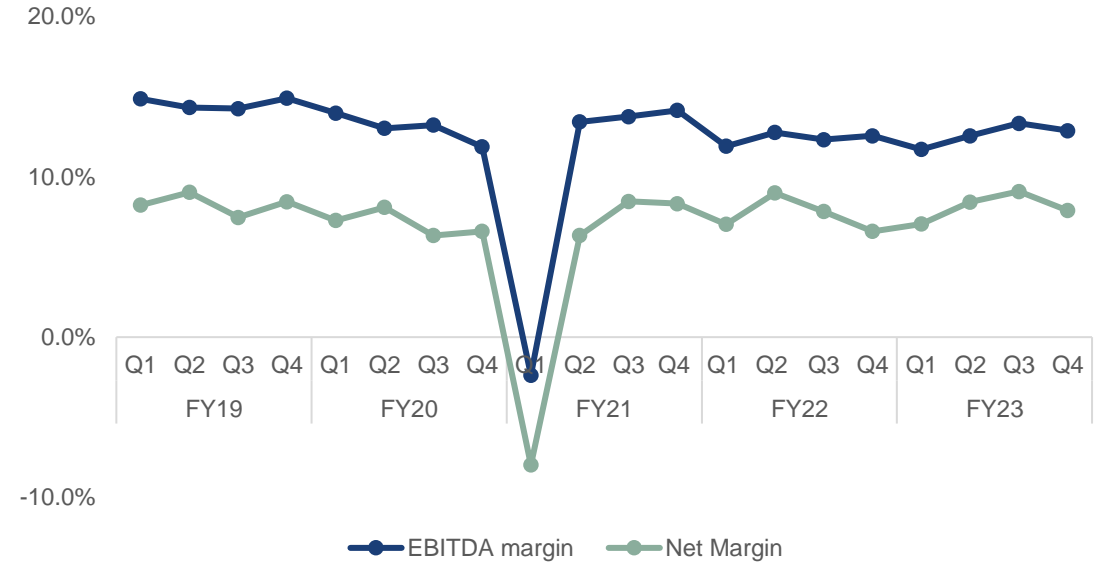
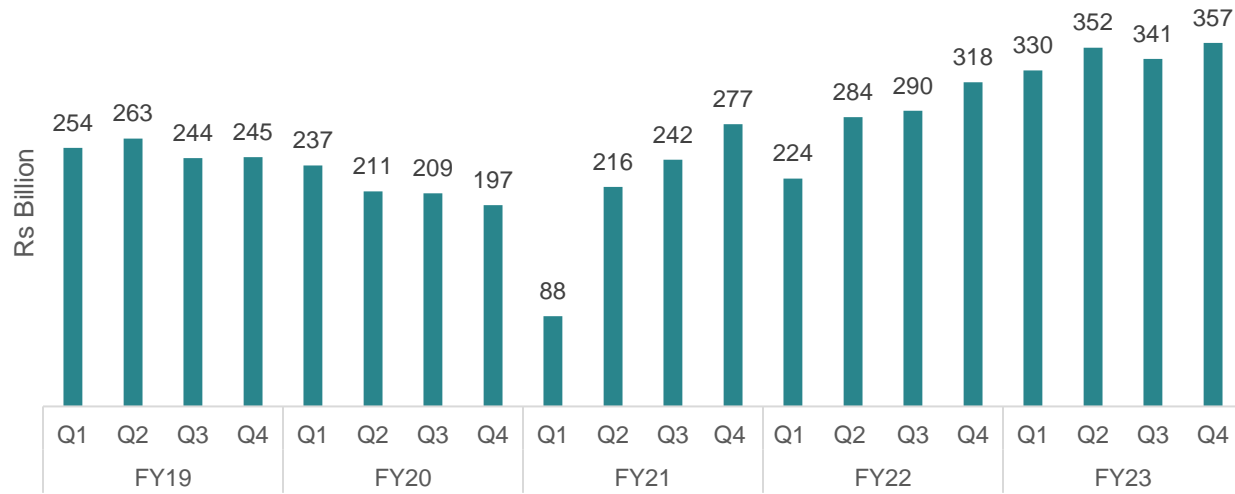


Source: DGFT, CRISIL MI&A

- Auto component imports improved in FY23 with improving domestic vehicle production.
- Going ahead, import demand is likely to grow led by continued growth in domestic market
- In FY23, imports increased by 17% amidst the increased need of components for higher domestic demand with consumption increasing at 24%
- In FY24, consumption growth pace is estimated to taper down, some moderation is expected in import demand growth as well

# Margins improved in FY23, led by increased offtake, correction in raw material prices; improvement to continue in FY24

## 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
- Some improvement was witnessed in the margins during the year amidst the improved demand from all segments and recovery in utilization levels
- Utilization levels of players had dropped to an all-time low in fiscal 2021; This coupled with higher input costs took a toll on profitability during fiscal 2022.
- In FY24, margins are expected to improve further with input costs correction and improving revenues



# Thank You

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