# Impact of macro-economic environment on the automotive industry

Automotive Component Manufacturers Association of India

April 2024

Market Intelligence & Analytics

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# Content

# Economic landscape

# Improved landscape for FY24, momentum to continue in FY25

| Macro Indicators | FY15 | FY16 | FY17 | FY18 | FY19 | FY20 | FY21 | FY22 | FY23 | FY24E | FY25P |
|---|---|---|---|---|---|---|---|---|---|---|---|
| GDP growth (%) | 7.4 | 8.0 | 8.3 | 6.8 | 6.5 | 3.7 | (5.8) | 9.1 | 7.2 | 7.6 | 6.8 |
| CAD (as a % of GDP) | (1.3) | (1.1) | (0.7) | (1.8) | (2.1) | (0.9) | 0.9 | (1.2) | (2.0) | (1.0) | (1.0) |
| 10-year G-sec yield (%) | 7.7 | 7.5 | 6.8 | 7.6 | 7.5 | 6.2 | 6.2 | 6.8 | 7.4 | 7.0 | 6.8 |
| PFCE growth (%) | 6.4 | 7.9 | 8.1 | 6.2 | 7.1 | 5.2 | (6.0) | 7.6 | 7.5 | 6.5 | 6.2 |
| Crude oil ($/barrel/CY) | 99.0 | 52.0 | 44.0 | 54.5 | 71.0 | 64.0 | 42.3 | 70.4 | 99.8 | 83.0 | 80-85 |
| Inflation (CPI) | 5.9 | 4.9 | 4.5 | 3.6 | 3.4 | 4.8 | 6.2 | 5.5 | 6.8 | 5.5 | 4-5 |

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

# High frequency parameters seeing sequential improvement

| Segments | FY23 | | | | | | | | | | | | FY24 | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | Jan | Feb | Mar |
| **Core Sectors** | | | | | | | | | | | | | | | | | | | | | | | | |
| *Coal* | 29% | 25% | 31% | 11% | 8% | 12% | 4% | 12% | 12% | 13% | 9% | 12% | 9% | 7% | 10% | 15% | 18% | 16% | 18% | 11% | 11% | 10% | 12% | |
| *Crude Oil* | -1% | 5% | -2% | -4% | -3% | -2% | -2% | -1% | -1% | -1% | -5% | -3% | -4% | -2% | -1% | 2% | 2% | 0% | 1% | 0% | -1% | 1% | 8% | |
| *Natural Gas* | 6% | 7% | 1% | 0% | -1% | -2% | -4% | -1% | 3% | 5% | 3% | 3% | -3% | 0% | 4% | 9% | 10% | 7% | 10% | 8% | 7% | 6% | 11% | |
| *Petroleum Refinery Products* | 9% | 17% | 15% | 6% | 7% | 7% | -3% | -9% | 4% | 5% | 3% | 2% | -2% | 3% | 5% | 4% | 10% | 6% | 4% | 12% | 3% | -4% | 3% | |
| *Fertilizers* | 9% | 23% | 8% | 6% | 12% | 12% | 5% | 6% | 7% | 18% | 22% | 10% | 24% | 10% | 3% | 3% | 2% | 4% | 5% | 3% | 6% | -1% | -10% | |
| *Steel* | -1% | 15% | 3% | 6% | 2% | 7% | 4% | 11% | 9% | 6% | 7% | 9% | 12% | 9% | 22% | 14% | 11% | 10% | 11% | 9% | 6% | 7% | 8% | |
| *Cement* | 8% | 26% | 19% | 2% | 2% | 12% | -4% | 29% | 9% | 5% | 7% | -1% | 12% | 16% | 9% | 7% | 19% | 5% | 17% | -4% | 1% | 6% | 10% | |
| *Electricity* | 11% | 22% | 16% | 2% | 1% | 11% | 0% | 12% | 10% | 12% | 8% | -2% | -1% | 0% | 3% | 7% | 14% | 9% | 20% | 6% | 1% | 5% | 6% | |
| **Auto-offtake** | | | | | | | | | | | | | | | | | | | | | | | | |
| *Two Wheelers* | 15% | 250% | 23% | 10% | 16% | 14% | 2% | 16% | 4% | 5% | 8% | 9% | 15% | 17% | 2% | -7% | 1% | 1% | 20% | 31% | 16% | 26% | 35% | 15% |
| *Cars+UVs* | -4% | 185% | 19% | 11% | 21% | 91% | 29% | 31% | 8% | 17% | 11% | 4% | 13% | 14% | 2% | 3% | 9% | 2% | 16% | 4% | -12% | -2% | 11% | 10% |
| *Three Wheelers* | 51% | 2162% | 184% | 73% | 65% | 73% | 69% | 102% | 34% | 102% | 85% | 59% | 101% | 70% | 112% | 83% | 70% | 47% | 41% | 33% | 34% | 14% | 15% | 7% |
| **Auto-Vaahan** | | | | | | | | | | | | | | | | | | | | | | | | |
| *2W* | 56% | 238% | 34% | 2% | 23% | 20% | 76% | 31% | -1% | 10% | 15% | 13% | -7% | 10% | 7% | 8% | 6% | 22% | -13% | 20% | 26% | 14% | 10% | 6% |
| *Cars+UVs* | 31% | 219% | 46% | 0% | 12% | 16% | 51% | 23% | 12% | 24% | 13% | 16% | 0% | 6% | 6% | 4% | 8% | 17% | -2% | 19% | 2% | 13% | 12% | -6% |
| **Others** | | | | | | | | | | | | | | | | | | | | | | | | |
| *PMI Manufacturing* | 54.7 | 54.6 | 53.9 | 56.4 | 56.2 | 55.1 | 55.3 | 55.7 | 57.8 | 55.4 | 55.3 | 56.4 | 57.2 | 58.7 | 57.8 | 57.7 | 58.6 | 57.5 | 55.5 | 56.0 | 54.9 | 56.5 | 56.9 | 59.1 |
| *IIP Overall* | 7% | 20% | 13% | 2% | -1% | 3% | -4% | 8% | 5% | 6% | 6% | 2% | 5% | 6% | 4% | 6% | 10% | 6% | 12% | 2% | 4% | 4% | | |
| *Diesel consumption* | 8% | 32% | 24% | 8% | 13% | 14% | 6% | 19% | 7% | 13% | 8% | 1% | 9% | 13% | 3% | 4% | 5% | 4% | 9% | -3% | -2% | 3% | 6% | |
| *Bitumen consumption* | -2% | 12% | 21% | -22% | 1% | -9% | -11% | 54% | -7% | -14% | -1% | 13% | 10% | 18% | 9% | 51% | 59% | 51% | 21% | -24% | 11% | 12% | 4% | |

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Source: CSO, RBI, CRISIL estimates



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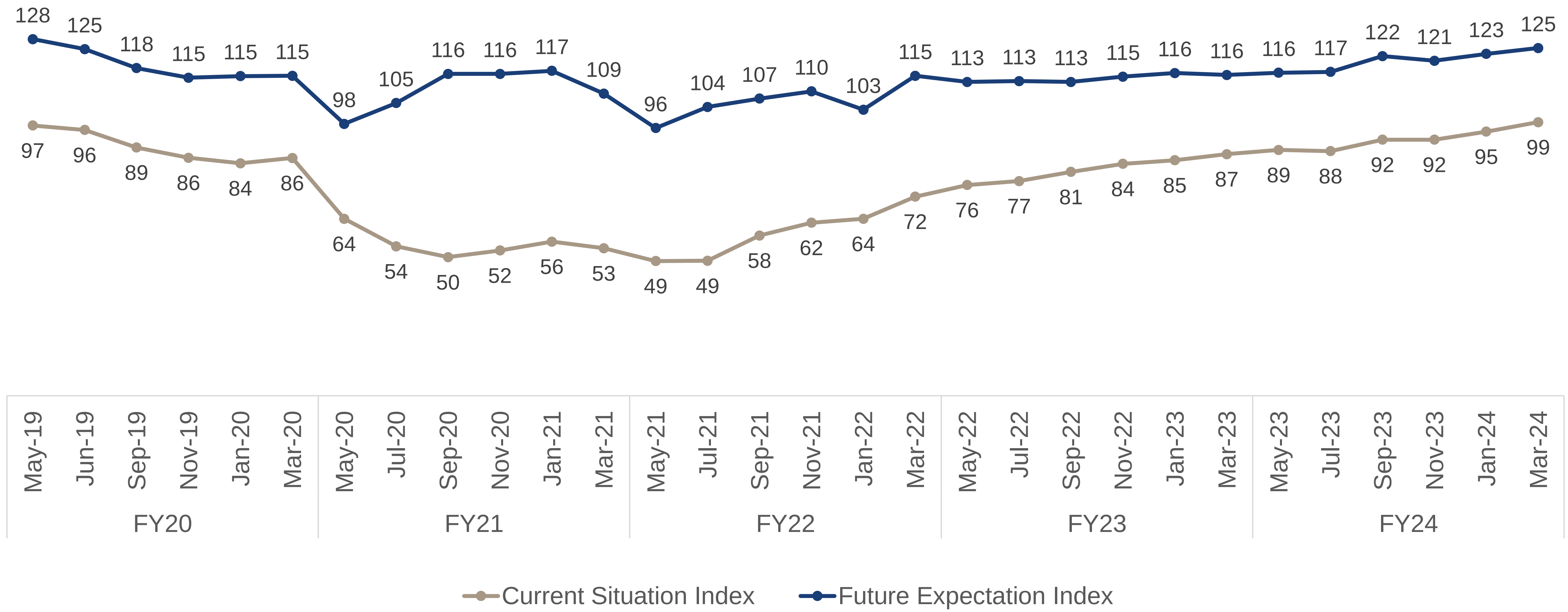
# Improvement in current situation index as well as future expectation index

## Consumer Confidence Index

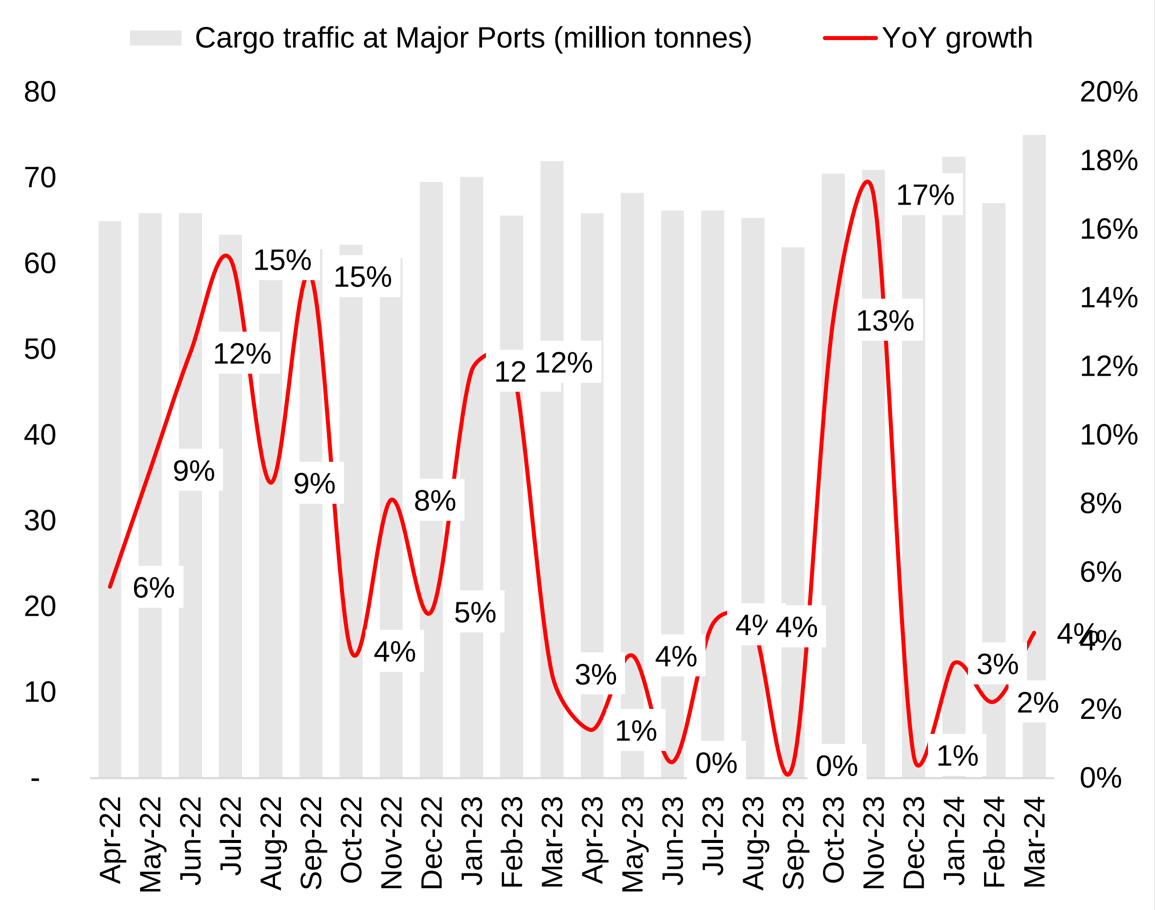



*Source: CRISIL MI&A Consulting, RBI, NCAER*

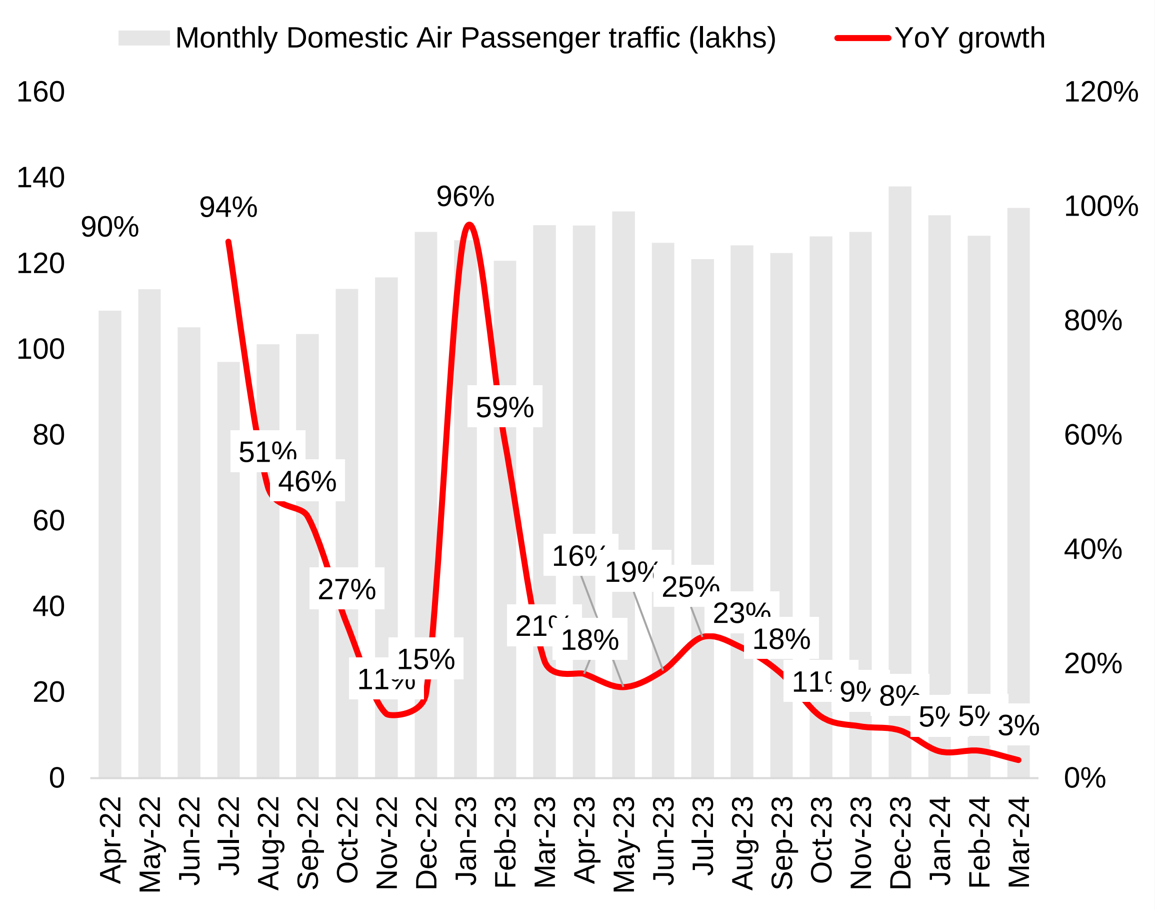
# Mobility & Auto industry

# Overall mobility

## Port Traffic



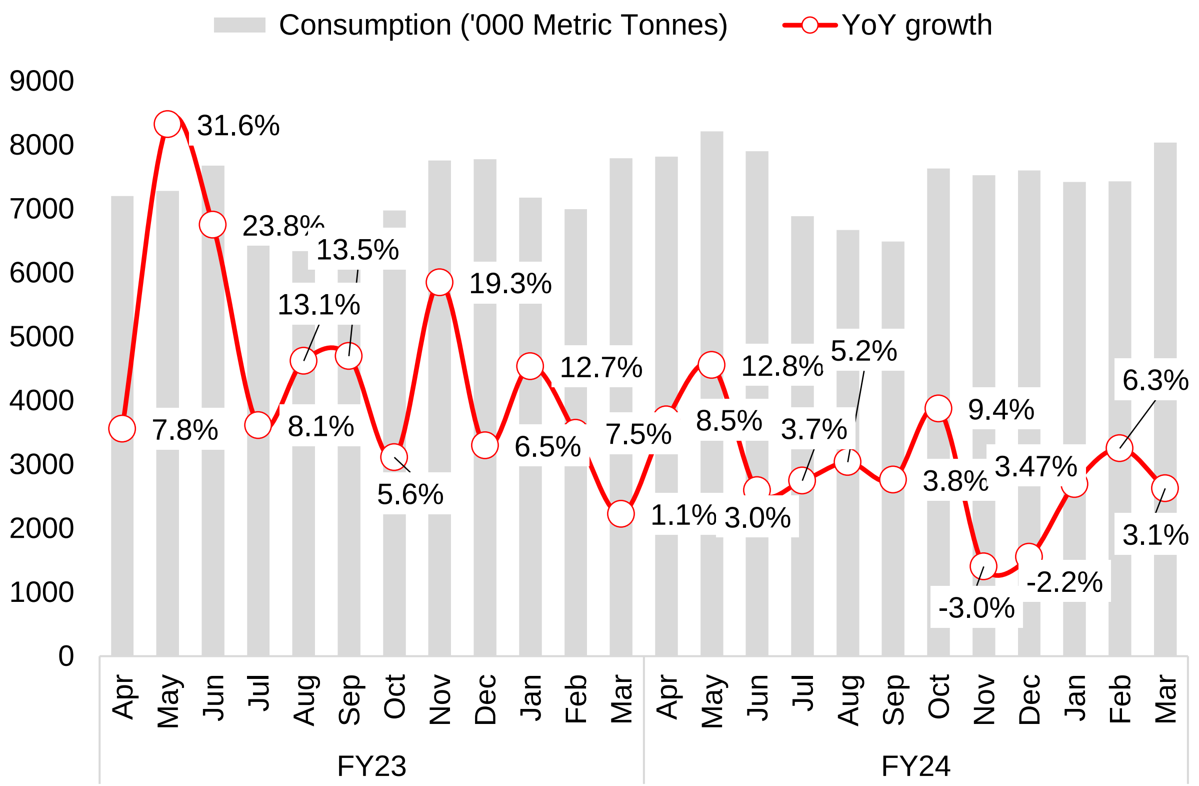

## Air traffic domestic



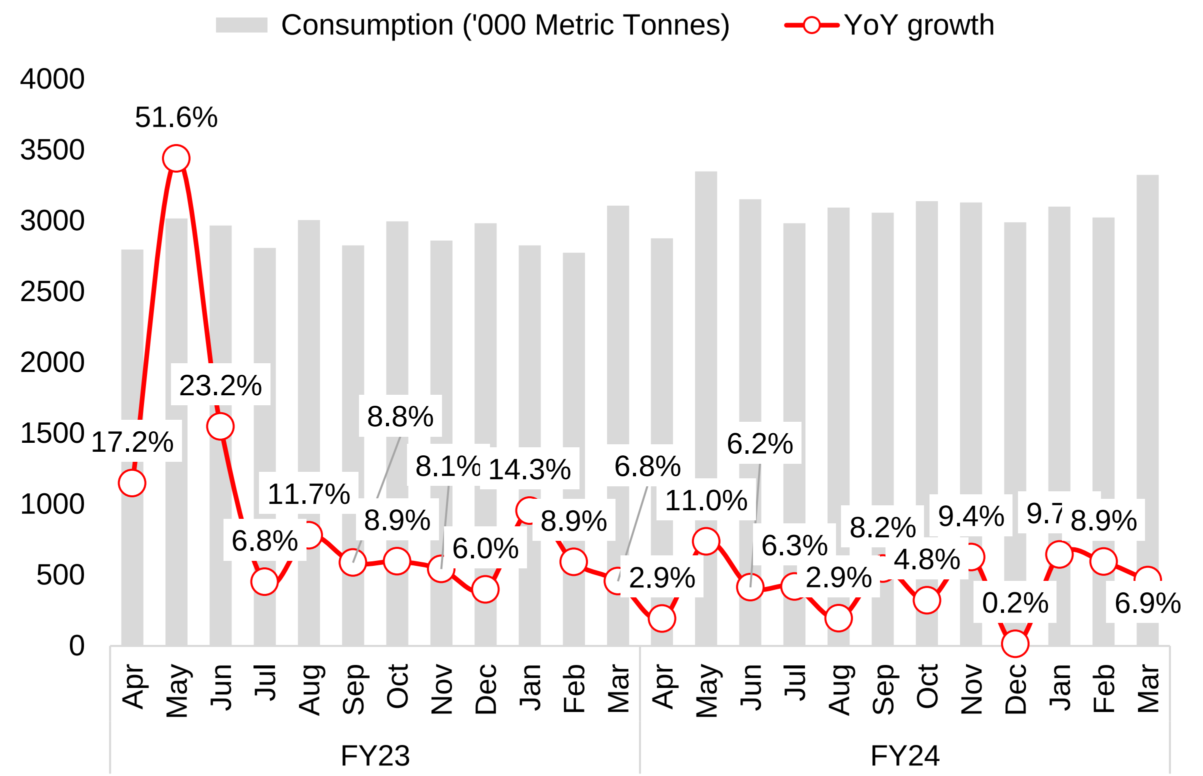

*Source: IPA,DGCA, Indian Railways, PPAC,NPCI,RBI, CRISIL MI&A Consulting*

# India's fuel demand soars in March; registers sequential as well as y-o-y growth

**Diesel consumption**




**Petrol consumption**




- Sales of diesel, mainly used by trucks and commercially run passenger vehicles, rose by 8.1% month-on-month to 8 million tonnes.
- Sales of petrol in March rose by 10% over previous month at 3.3 million tonnes.

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*Source: PPAC, CRISIL MI&A Consulting*



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# Hi-Frequency indicators
## How are they shaping?

**Mobility indicators**


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 an 9.1% year on year growth in March 2024**.** Diesel consumption witnessed growth of 6.3% in February 2024 on y-o-y basis while petrol consumption saw a growth of 8.9% for the same

**Freight movement & Transporter Profitability**

- E-waybill generation has been at daily average of 2.16 mn in March 2024 which is similar to February 2024 daily average of 2.16 mn for intra-city
- While for inter-city the same has been about daily average of 1.18 mn in March 2024, similar to that of February 2024 with daily average of 1.19 mn

**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

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*Note : Mobility indicators are not available after Oct.*



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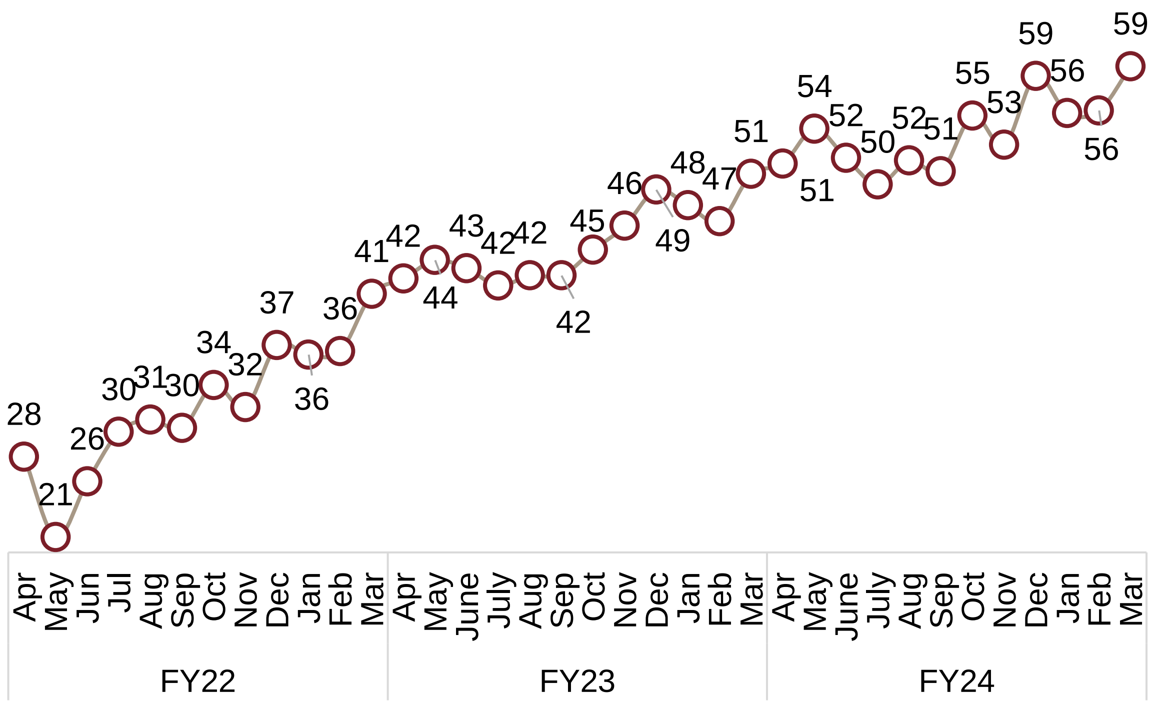
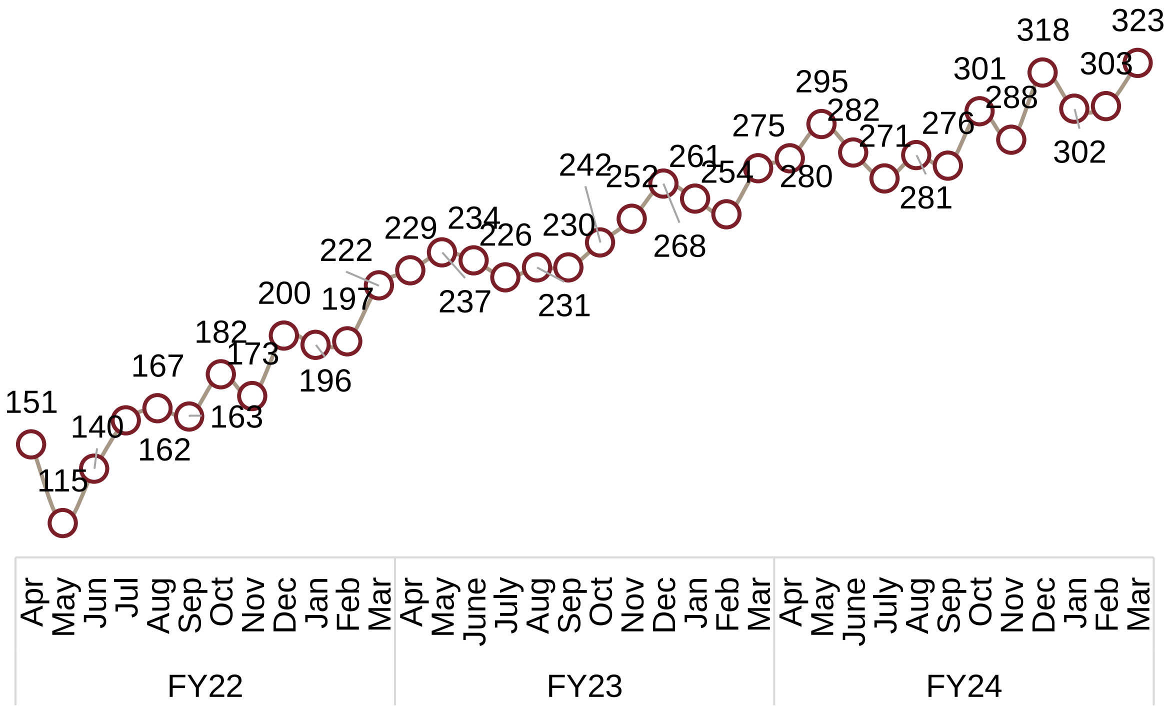
# NETC Fastag collection totaled ~ ₹59 billion in March 2024

**Fastag collections (INR billion)**




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



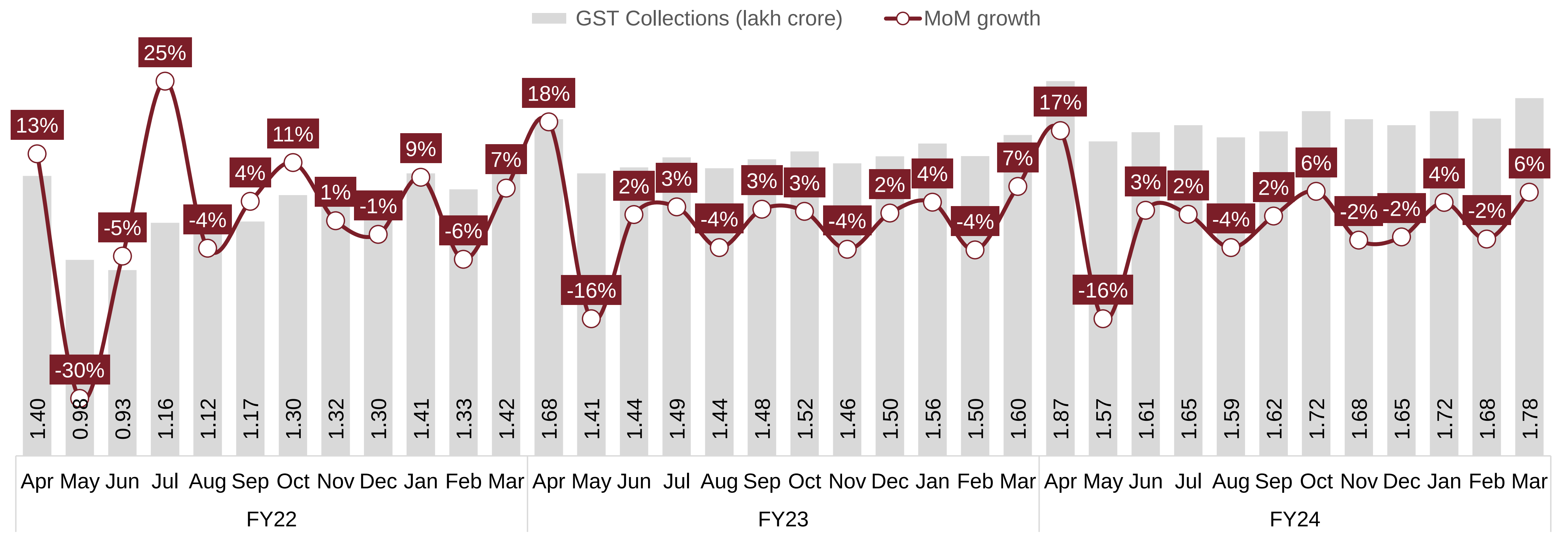

- Fastag recorded an index of 323 in March 2024.



*Source: NPCI, CRISIL MI&A Consulting*

# GST revenue collection clocked m-o-m as well as on year growth

**GST collections**

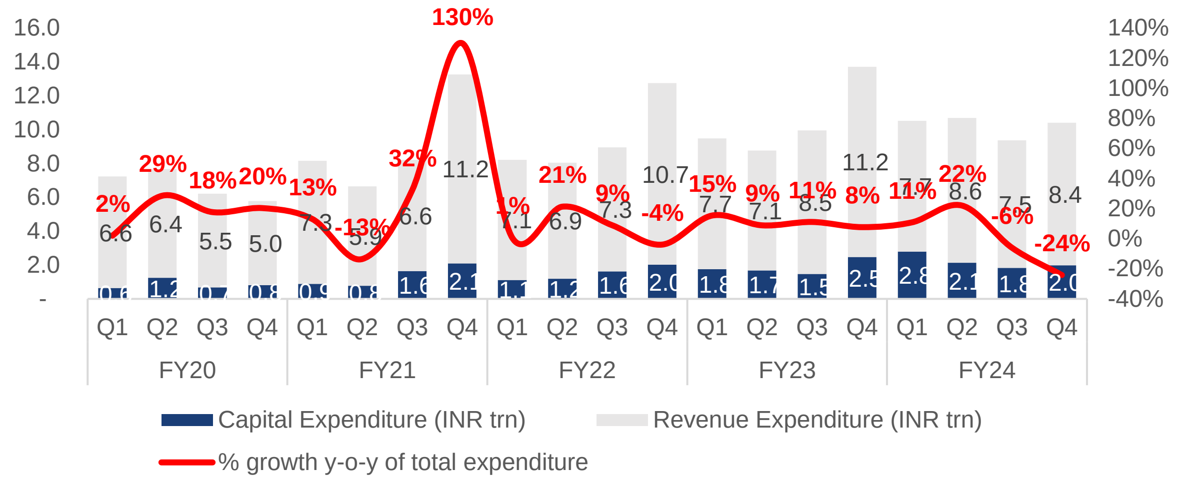



- Goods and Services Tax (GST) revenues crossed ₹1,78,484 crore in March 2024, with on-year growth of 11.5%

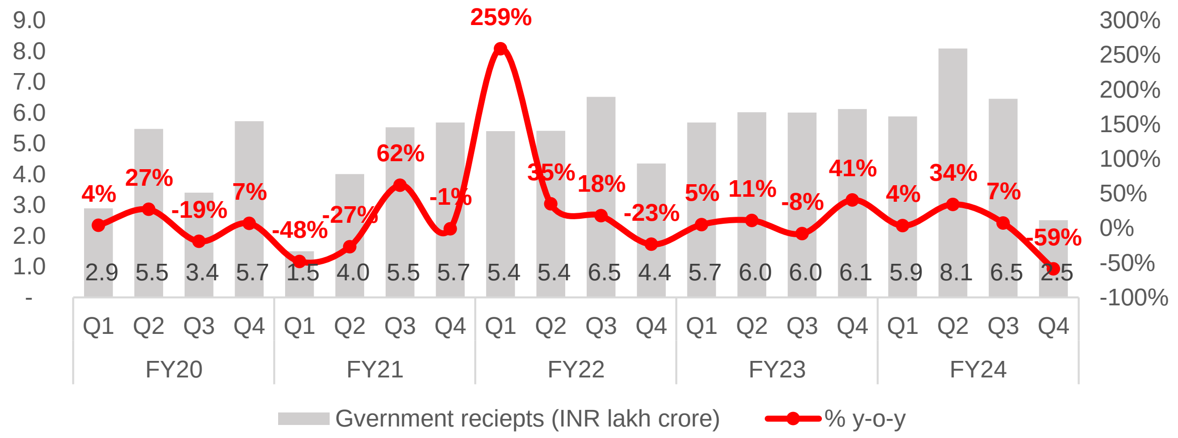
*Source: GST Network, CRISIL MI&A Consulting*

# Central government finances in a relatively healthier position in FY24

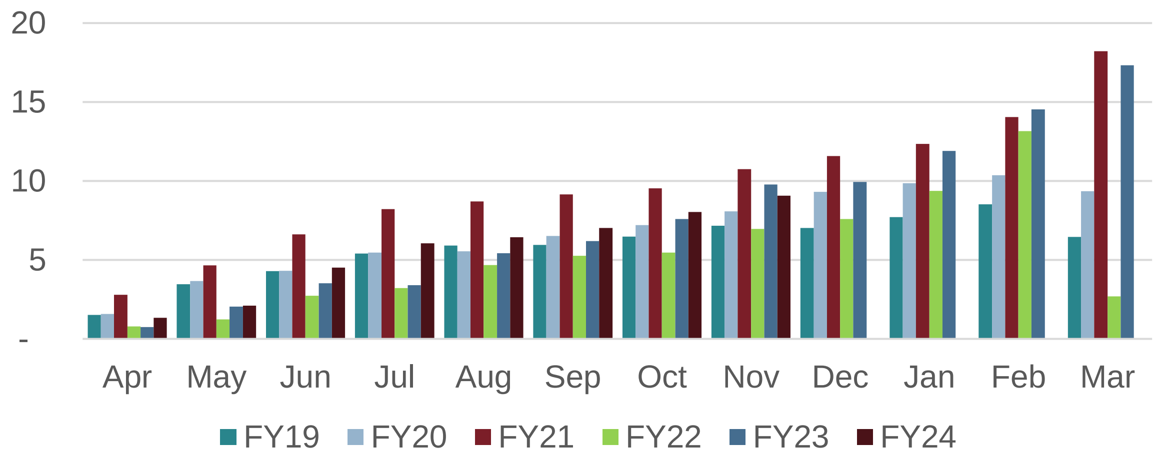
## Government expenditure decreased in Q4FY24 compared to Q4FY23



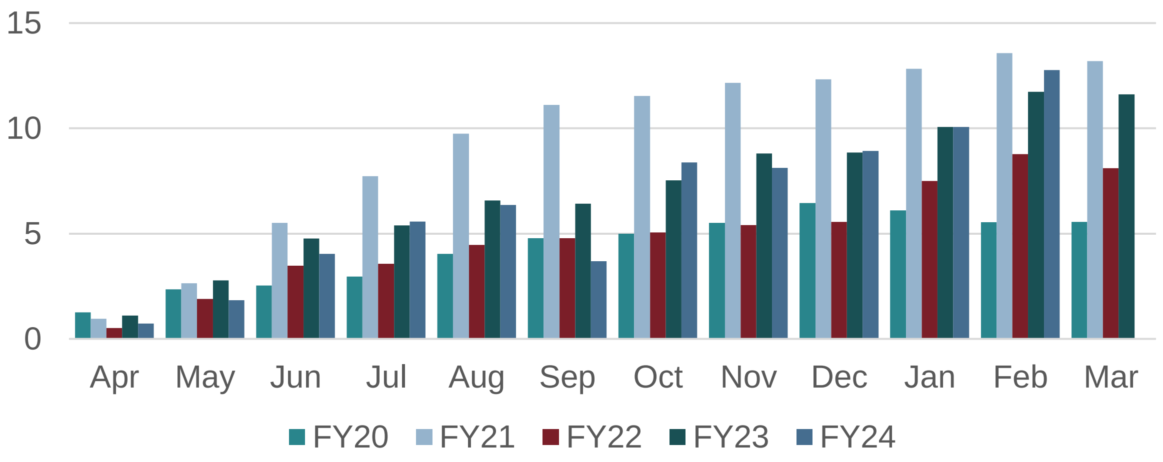

## Receipts in Q4FY24 down




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




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

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*Note : exp and receipts data for Q4 extrapolated based on 2 months data*
*Source: RBI, CONTROLLER GENERAL OF ACCOUNTS, MINISTRY OF FINANCE , CRISIL MI&A Consulting*



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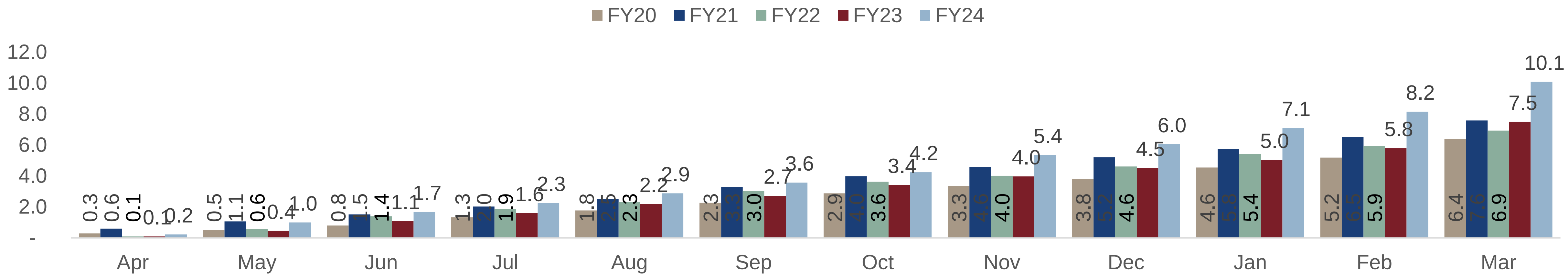
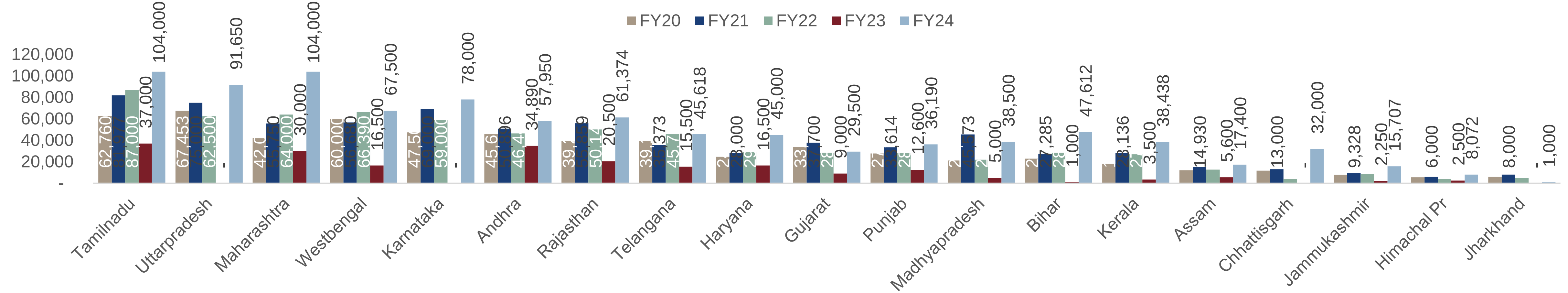
# State government borrowings better than last year

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




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

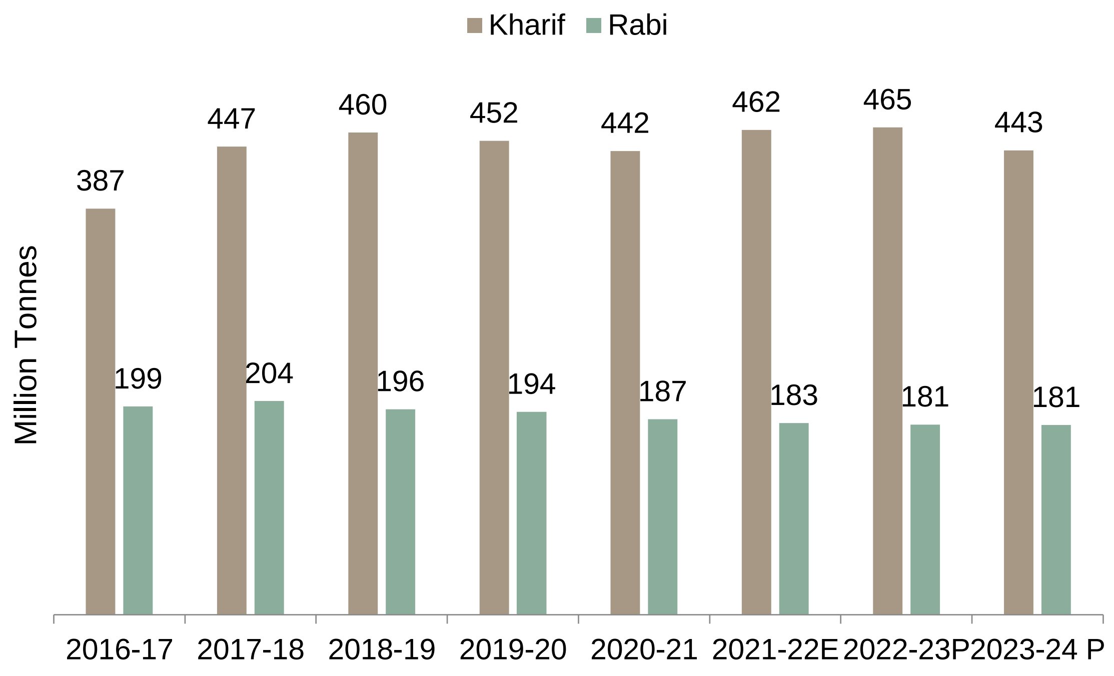



*Source: RBI, MINISTRY OF FINANCE , CRISIL MI&A Consulting*

# Rural Scenario

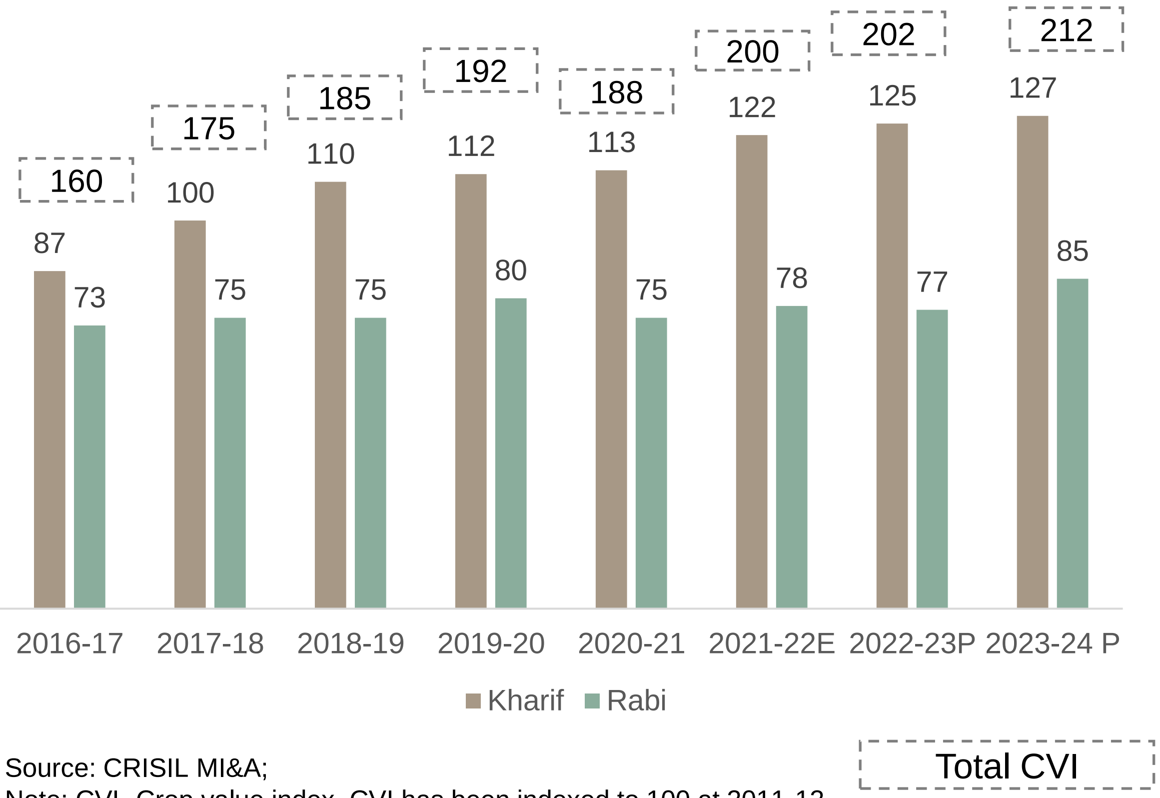
# Rabi output impacted on account of unseasonal rainfall; higher crop prices to keep farm income elevated

## Food-grain Crop Production




Source: CRISIL MI&A

## Food-grain CVI (Crop Value Index)



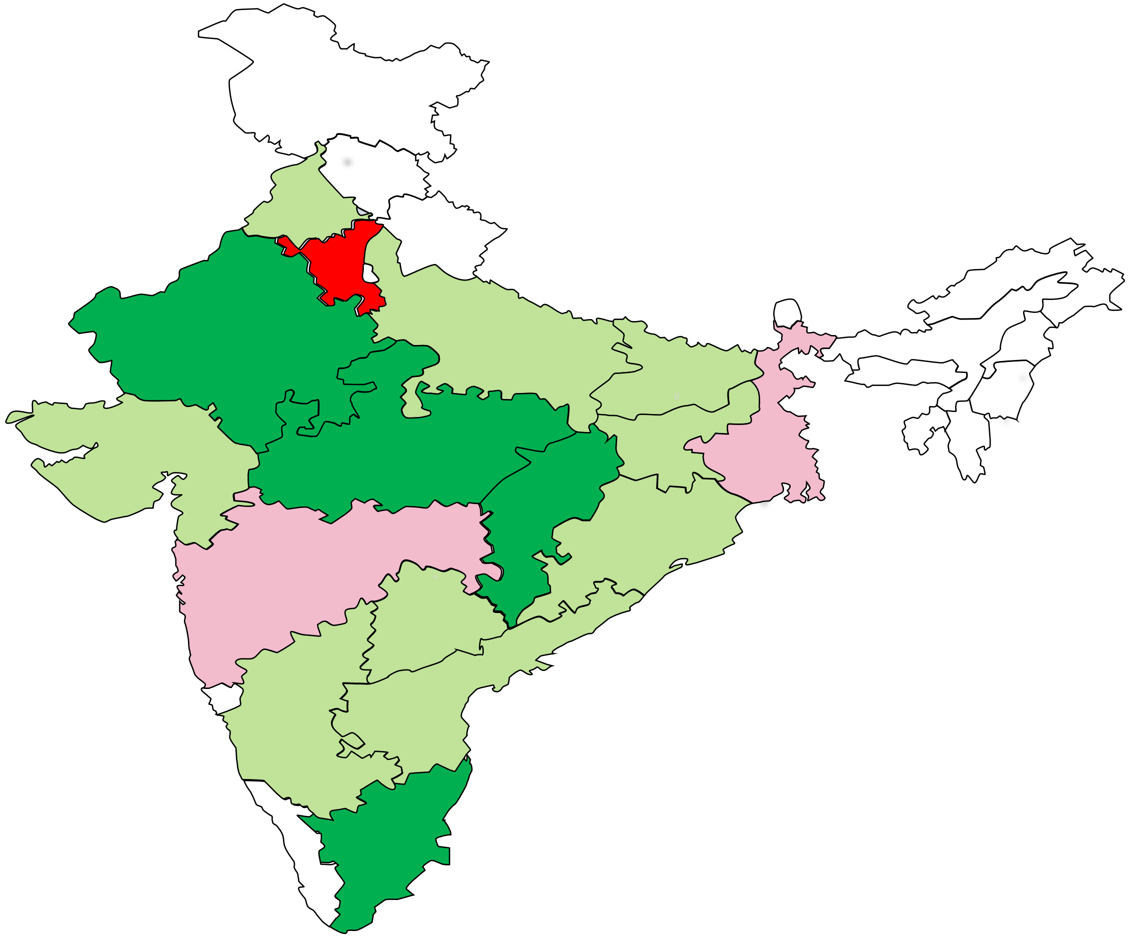

Source: CRISIL MI&A;
Note: CVI- Crop value index, CVI has been indexed to 100 at 2011-12

Rabi acreage was higher on-year for the current season; however, production is expected to be stable due to negative impact of unseasonal rainfall in certain regions

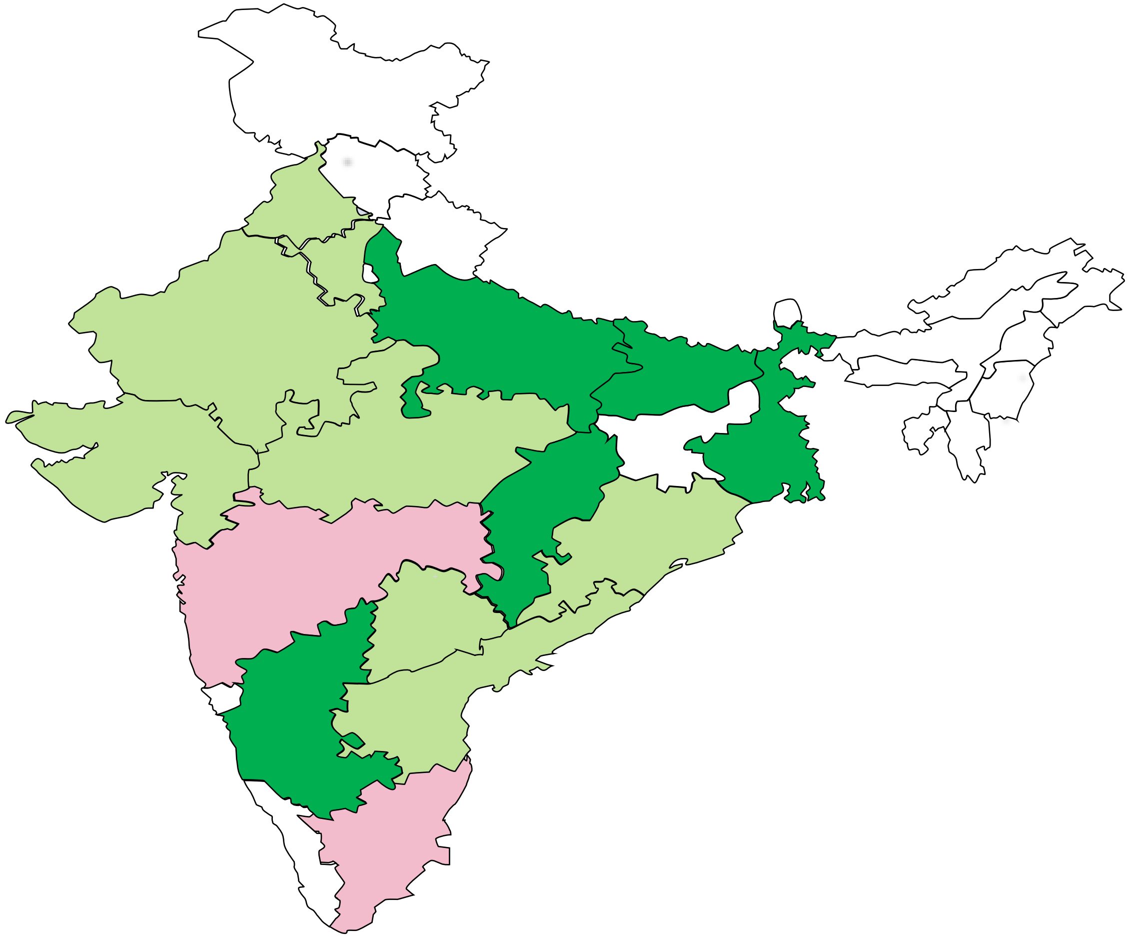
Farm activities to slow down on account of central elections; crop payment timeline also to be a key moniterable.

# State-wise farm income expectation

**Kharif CVI heat Map for FY24**



**Rabi CVI heat Map for FY24**



Source: CRISIL MI&A

**Colours indicate % change on-year**

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

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# Interim budget aims for a continued government support to farmers

## Agri scenario to lend support

### Crop scenario

- The government estimated the country's production of food grains to be about 154.19 million tonnes during the kharif season and 155.12 million tonnes in the rabi season in 2023-24.
- Kharif rice output is estimated at 111.46 million tonnes. For the rabi season, the estimate is 12.36 million tonnes.
- Production of wheat is projected to be 112.02 million tonnes.

### Upcoming plans

- A strategy will be formulated to achieve 'Atmanirbharta' for oil seeds such as mustard, groundnut, sesame, soybean, and sunflower. This will cover research for high-yielding varieties, widespread adoption of modern farming techniques, market linkages, procurement, value addition, and crop insurance.
- A comprehensive programme for supporting dairy farmers will be formulated. The programme will be built on the success of existing schemes such Rashtriya Gokul Mission, National Livestock Mission, and Infrastructure Development Funds for dairy processing and animal husbandry.

## Government support

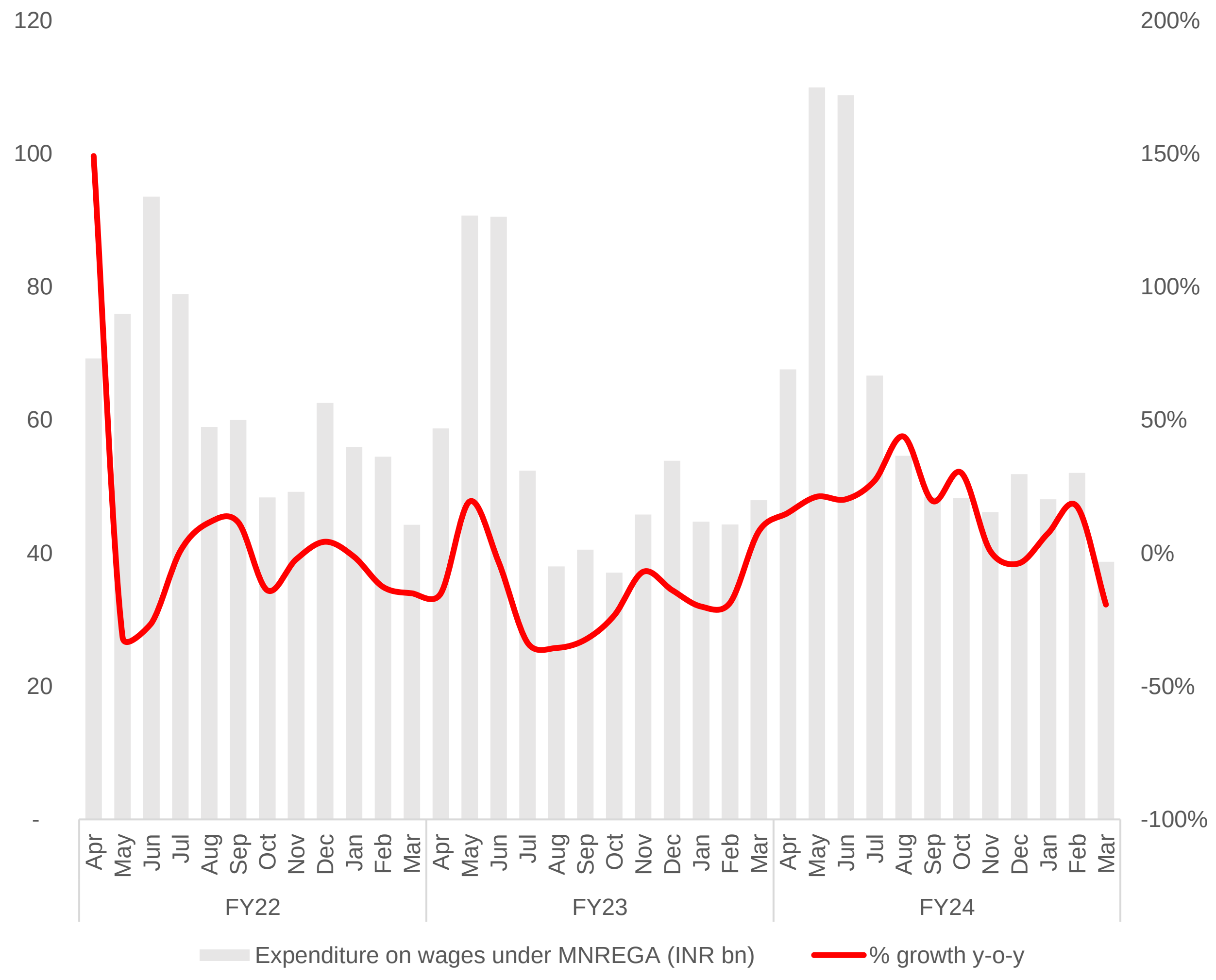
- Pradhan Mantri Kisan Sampada Yojana has benefitted 38 Lakh farmers and generated 10 Lakh employment.
- Pradhan Mantri Formalisation of Micro Food Processing Enterprises Yojana has assisted 2.4 Lakh SHGs and sixty thousand individuals with credit linkages.
- For ensuring faster growth of the sector, Government will further promote private and public investment in post-harvest activities including aggregation, modern storage, efficient supply chains, primary and secondary processing and marketing and branding.
- Application of Nano DAP on various crops will be expanded in all agro-climatic zones.
- Implementation of Pradhan Mantri Matsya Sampada Yojana (PMMSY) will be stepped up to:
    - Enhance aquaculture productivity from existing 3 to 5 Tonnes per hectare
    - Double exports to INR 1 Lakh Cr and
    - Generate 55 Lakh employment opportunities in the near future



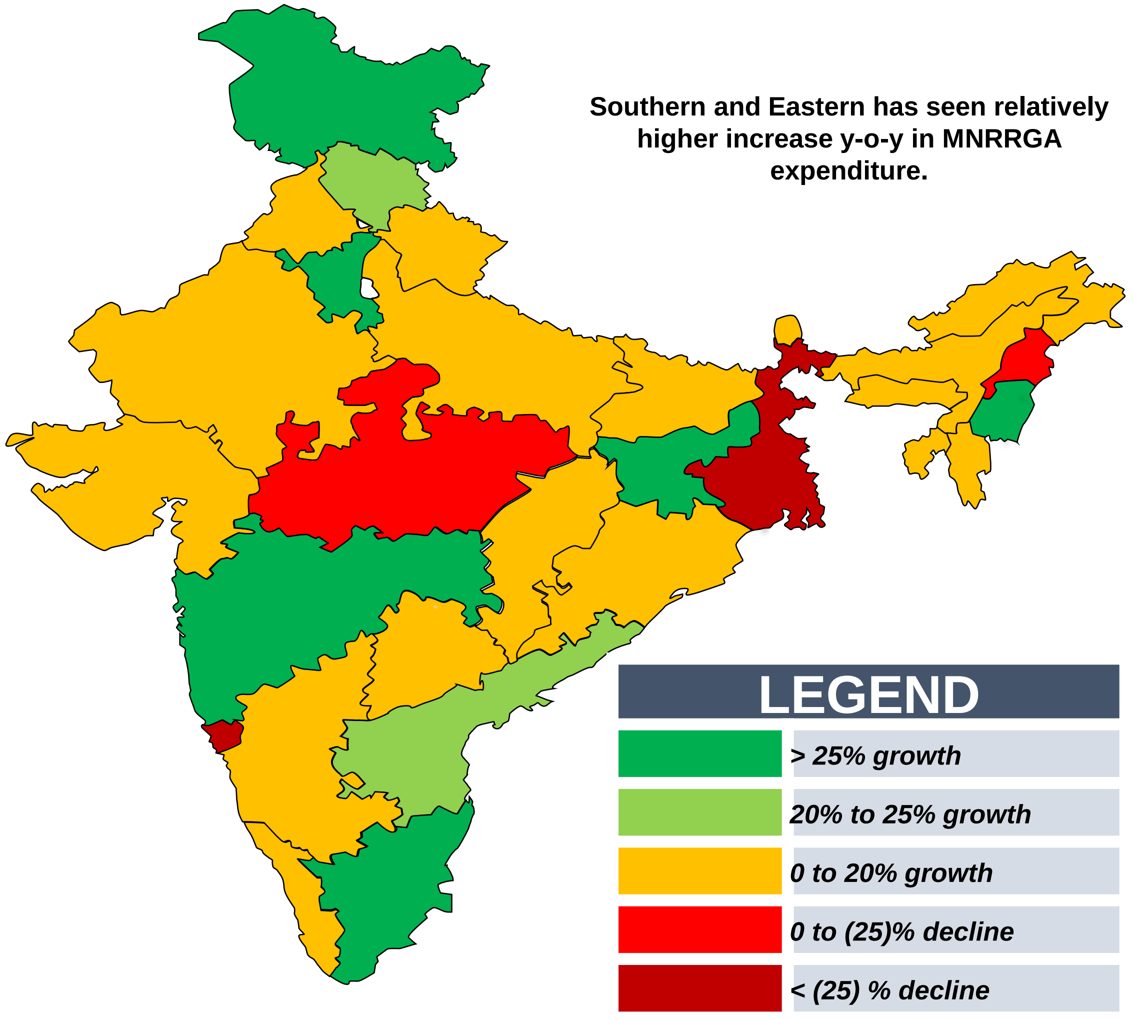
Source - Industry, *CRISIL MI&A Consulting*

# MNREGA scheme expenditure shows improvement for overall FY24 over last fiscal

## MNREGA wages growth




## State wise growth in MNREGA wages expenditure for FY24




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

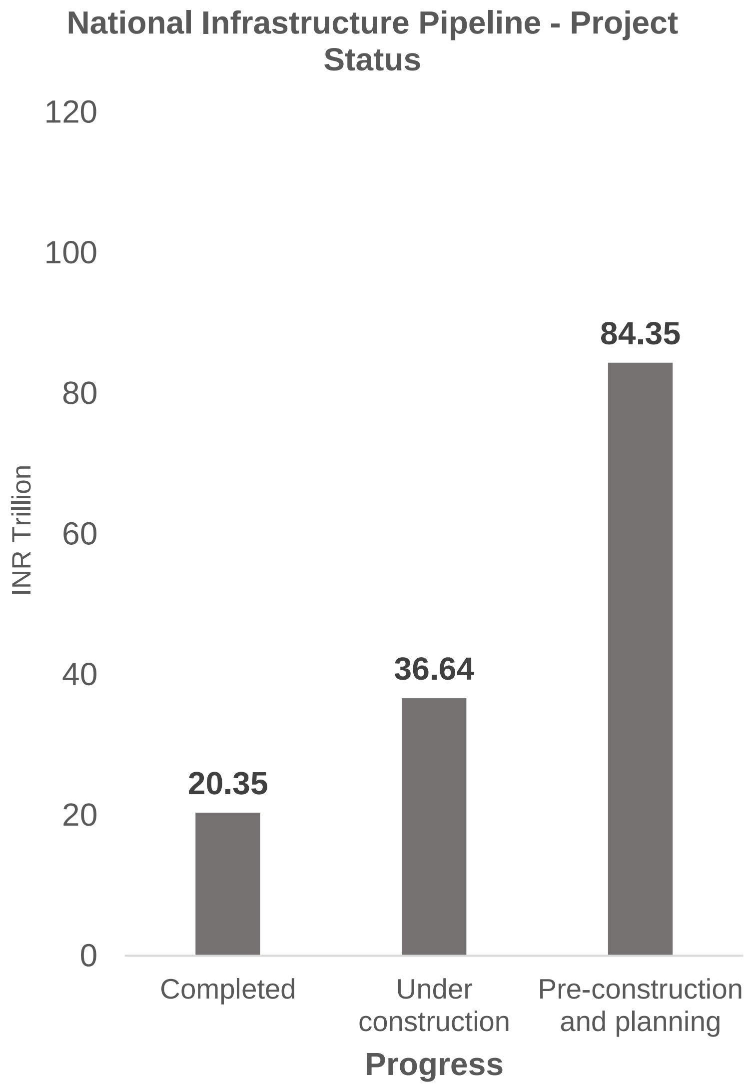
# National Infrastructure pipeline

# Roads & highways , real estate and railways investments dominate the investments outlined in the NIP; planning of projects moderates

| Pre-construction & planning | |
|---|---|
| **Sectors** | **Amt (INR Trillion)** |
| Roads and Highways | 19.04 |
| Waste and water | 2.16 |
| Railways | 14.95 |
| Real Estate | 8.45 |
| Water Resources | 10.43 |
| Education | 1.33 |
| Electricity Generation | 5.68 |
| Healthcare | 1.81 |
| Transmission & Distribution | 4.43 |
| Urban Public Transport | 5.75 |
| Aviation & Aviation Infrastructure | 1.15 |
| Sports | 0.11 |
| Oil & Gas | 3.30 |
| Shipping | 0.37 |
| Tourism Hospitality & Wellness | 0.24 |
| Energy Storage | 1.87 |
| Metals and Mining | 0.00 |
| Food processing and agriculture | 0.14 |
| Logistics Infrastructure | 0.13 |
| Food Processing | 0.16 |
| Telecommunication | 1.61 |
| IT/ITES | 0.06 |
| Textiles | 0.02 |
| Utility and Resources pipeline | 0.17 |
| Inland Waterways | 0.87 |
| Coal | 0.06 |
| Leather | 0.01 |
| Steel | 0.03 |
| Chemicals | 0.01 |
| **Total** | **84.35** |

| Under construction | |
|---|---|
| **Sectors** | **Amt (INR Trillion)** |
| Roads and Highways | 10.60 |
| Education | 0.69 |
| Waste and water | 3.41 |
| Water Resources | 1.20 |
| Railways | 1.04 |
| Electricity Generation | 12.97 |
| Real Estate | 1.27 |
| Healthcare | 0.20 |
| Urban Public Transport | 1.82 |
| Transmission & Distribution | 0.57 |
| Shipping | 0.81 |
| Food processing and agriculture | 0.95 |
| Logistics Infrastructure | 0.29 |
| Aviation & Aviation Infrastructure | 0.29 |
| Tourism Hospitality & Wellness | 0.06 |
| Sports | 0.03 |
| Inland Waterways | 0.18 |
| Steel | 0.20 |
| Food Processing | 0.01 |
| Energy Storage | 0.01 |
| Telecommunication | 0.01 |
| Utility and Resources pipeline | 0.02 |
| IT/ITES | 0.00 |
| **Total** | **36.64** |

| Completed | |
|---|---|
| **Sectors** | **Amt (INR Trillion)** |
| Roads and Highways | 1.91 |
| Waste and water | 0.61 |
| Railways | 3.79 |
| Real Estate | 8.15 |
| Education | 0.14 |
| Transmission & Distribution | 1.72 |
| Energy Storage | 0.35 |
| Electricity Generation | 1.18 |
| Healthcare | 0.14 |
| Urban Public Transport | 0.28 |
| Water Resources | 0.86 |
| Shipping | 0.07 |
| Oil & Gas | 0.75 |
| Logistics Infrastructure | 0.00 |
| Aviation & Aviation Infrastructure | 0.28 |
| Tourism Hospitality & Wellness | 0.01 |
| IT/ITES | 0.00 |
| Food processing and agriculture | 0.00 |
| Sports | 0.01 |
| Telecommunication | 0.04 |
| Textiles | 0.00 |
| Inland Waterways | 0.03 |
| Metals and Mining | 0.01 |
| **Total** | **20.35** |

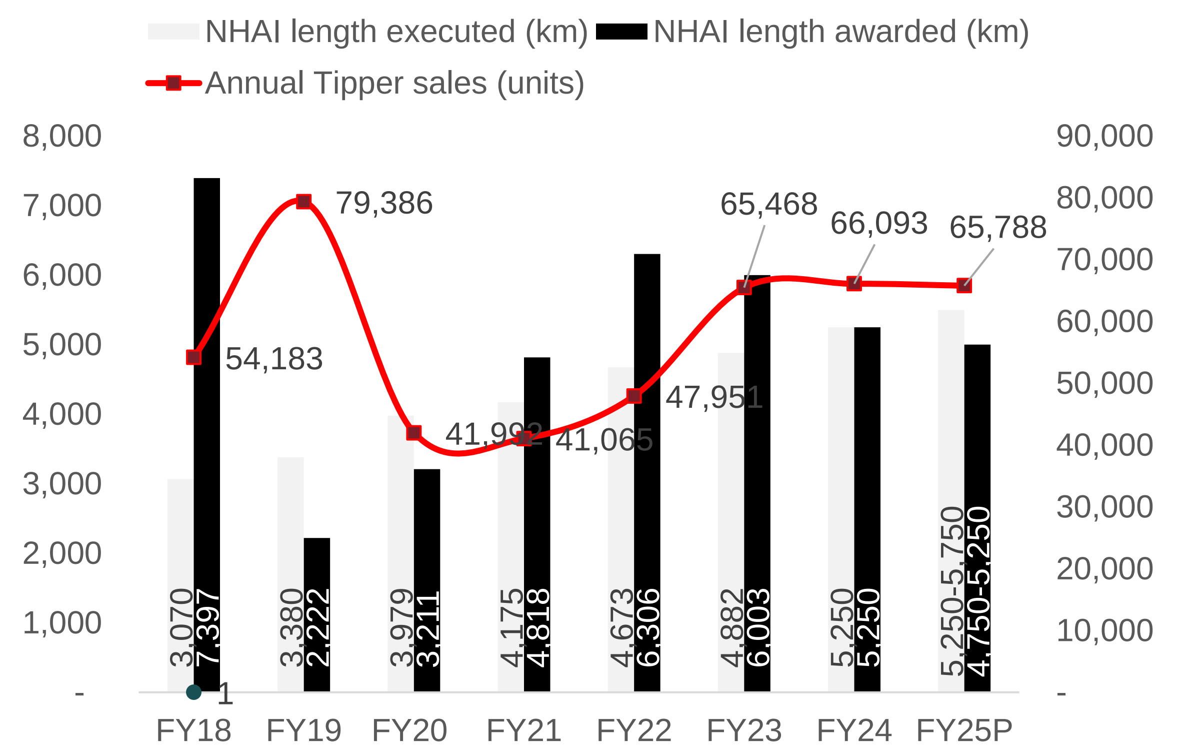



Source: *CRISIL MI&A Consulting*, India Investment Grid
Note: Data as of March 2024

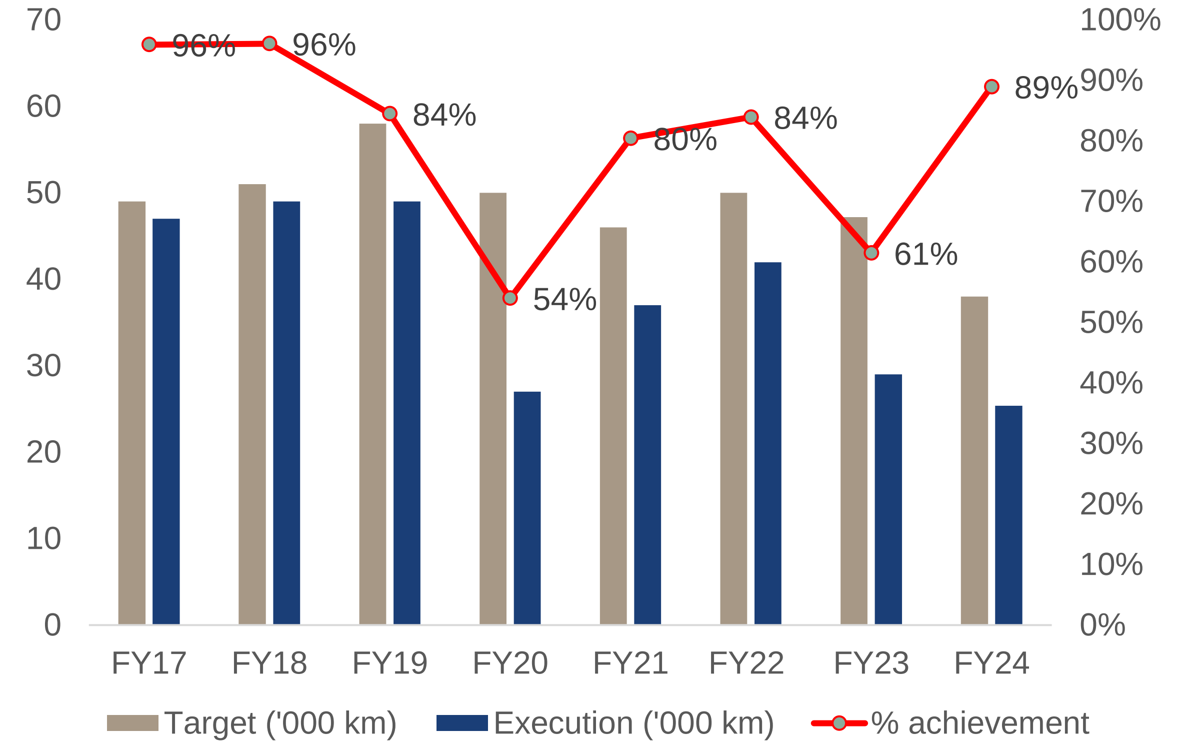
# Focus on Road Infrastructure

# Infrastructure sector shall continue to be the highlight of the economy

**National highways (NHAI) – Awarded and executed**




**Trend in PMGSY target and execution**




NHAI awarding to momentarily halt in Q1 of fiscal 2025 owing to elections, share of HAM likely to remain stable. Orderbooks have also seen a steady growth due to high awarding

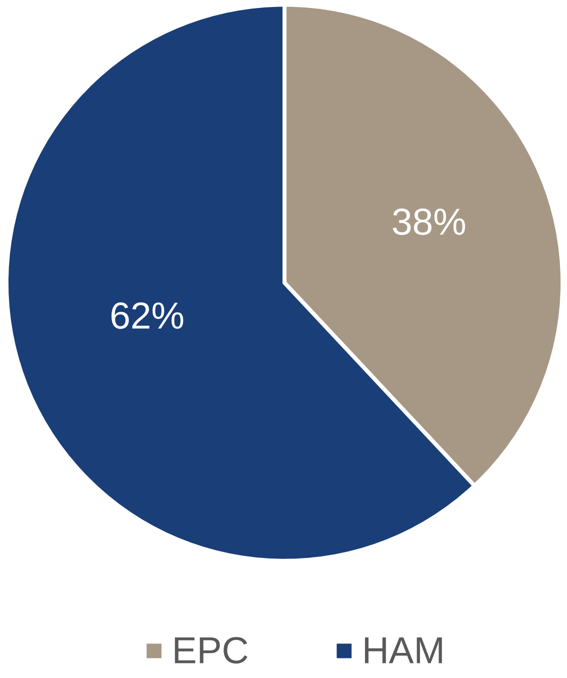
E: Estimated; P: Projected, National Highway Authority of India

*Source: NHAI, MoRTH, CRISIL MI&A Consulting*

# NHAI tendering in Apr-Mar FY24

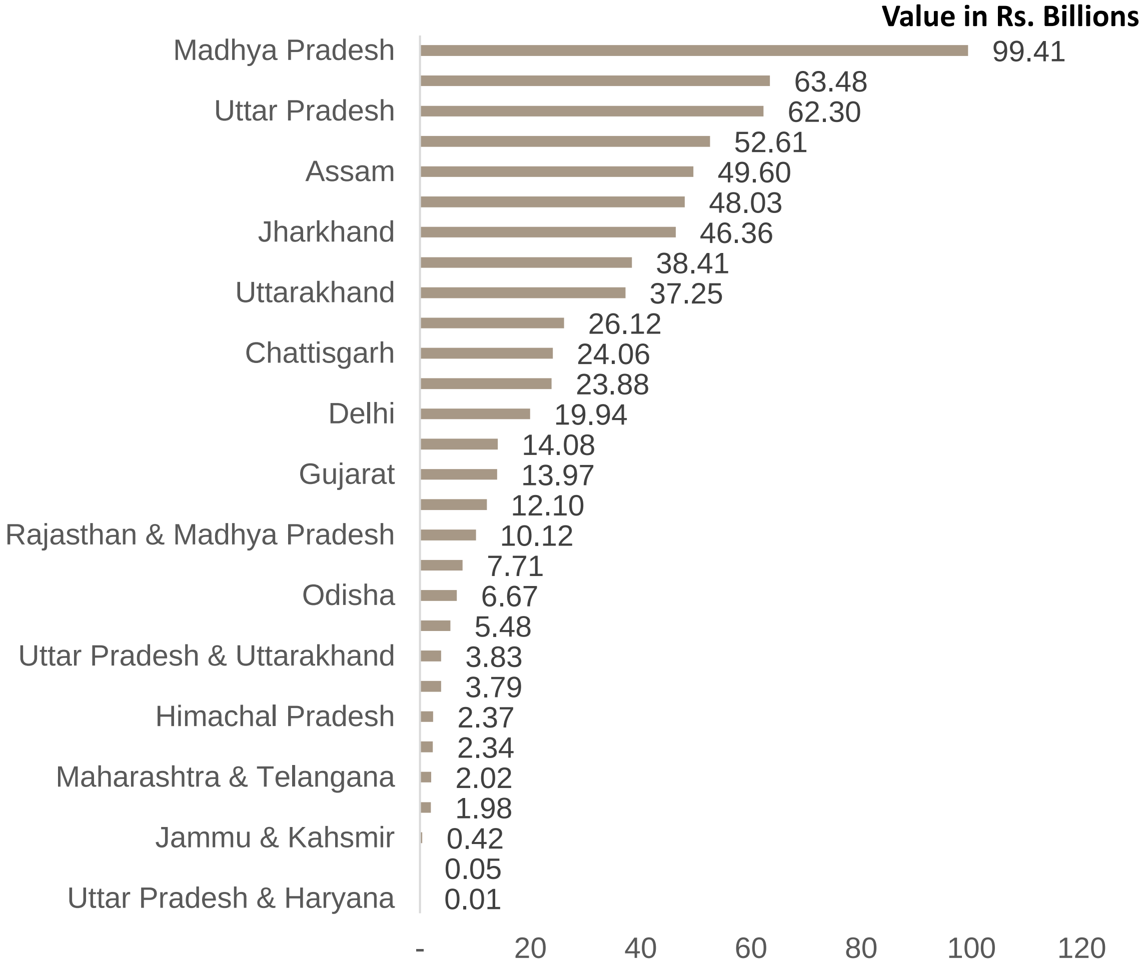
## Total NHAI project value by mode type in Apr-Mar

**Value in Rs. Billions** **~678**




*Total tender value consists of states mentioned herewith

## Tender project value in major states




*Source: CRISIL MI&A Consulting*

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

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

| (Rs in billion) | Q2FY23 | Q3FY23 | Q4Y23 | Q1FY24 | Q2FY24 | Q3FY24 |
|---|---|---|---|---|---|---|
| **Larsen & Tourbo** | **3724** | **3866** | **3995** | **4126** | **4507** | **4698** |
| **Hindustan constructio n** | **138** | **127** | **148** | **136** | **123** | **111** |

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

# Indian Automobile Industry

# Assumptions for forecast

- **No further global disruptions**
- **No disruptions to semiconductor/ component supply chain**
- **Normal monsoons**
- **Continued government investments and focus on rural India**
- **OEM production/launch plans to continue unabated**
- **Financing scenario to remain accommodative**
- **Impact of ongoing conflict in the Middle East remains a key monitorable**

# Domestic – Annual forecast

| Segment | Volumes | | | | *Y-o-y growth rate* | | | |
|---|---|---|---|---|---|---|---|---|
| | FY22 | FY23 | FY24 | FY25E | *FY22* | *FY23* | *FY24* | *FY25E* |
| PV (mn) | **3.1** | **3.9** | **4.2** | **4.3- 4.5** | *13%* | *27%* | *8%* | *3-5%* |
| PV-EV penetration | *0.5%* | *1.2%* | *2.3%* | *3-4%* | | | | |
| Two Wheelers (mn) | **13.7** | **16.3** | **18.4** | **19.7-19.9** | *(10)%* | *19%* | *13%* | *6-8%* |
| TW-EV penetration | *2%* | *4.5%* | *5%* | *5-7%* | | | | |
| CV ('000) | **731** | **960** | **965** | **945-965** | *29%* | *34%* | *1%* | *(3)-(1)%* |
| CV-EV penetration | *0.3%* | *0.3%* | *1%* | *1.5-3%* | | | | |
| Three Wheelers ('000) | **260** | **489** | **757** | **915-925** | *20%* | *88%* | *55%* | *21-23%* |
| 3W- EV penetration | *4%* | *6%* | *13%* | *19-21%* | | | | |
| Tractors (mn) | **0.84** | **0.94** | **0.88** | **0.88-0.90** | *(6)%* | *12%* | *(7.4)%* | *1-2%* |

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

# Exports – Annual forecast

| Segment | Subsegment | Volumes | | | | Y-o-y growth rate | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | FY22 | FY23 | FY24 | **FY25E** | *FY22* | *FY23* | *FY24* | ***FY25E*** |
| PV (mn) | Cars | 0.37 | 0.41 | 0.43 | 0.4-0.5 | *42%* | *10%* | *4%* | *5-8%* |
| | UV+vans | 0.20 | 0.25 | 0.24 | 0.23-0.25 | *45%* | *23%* | *(3)%* | *(1)-3%* |
| | **Industry** | **0.58** | **0.66** | **0.67** | **0.69-0.72** | ***43%*** | ***15%*** | ***1%*** | ***3-6%*** |
| Two Wheelers (mn) | Motorcycle | 4.1 | 3.2 | 2.9 | 2.9-3.1 | *34%* | *(21)%* | *(9)%* | *0-3%* |
| | Scooter | 0.4 | 0.42 | 0.5 | 0.4-0.7 | *51%* | *19%* | *23%* | *3-6%* |
| | Moped | 0.01 | 0.004 | 0.003 | 0.002-0.003 | *23%* | *(60)%* | *(35)%* | *(12)-(8)%* |
| | **Industry** | **4.4** | **3.6** | **3.5** | **3.4-3.7** | ***35%*** | ***(18)%*** | ***(5)%*** | ***(1)-3%*** |
| CV ('000) | LCV | 58.3 | 54.8 | 44.0 | 41-46 | *87%* | *(6)%* | *20%* | *(3)-0%* |
| | MHCV | 26.1 | 11.6 | 10.0 | 4-9 | *90%* | *(55)%* | *(5)%* | *(11)-(8)%* |
| | Buses | 8.3 | 12.3 | 13.6 | 13-16 | *46%* | *49%* | *11%* | *3-6%* |
| | **Industry** | **92.3** | **78.7** | **65.8** | **64-66** | ***83%*** | ***(15)%*** | ***(16)%*** | ***(3)-0%*** |
| Three Wheelers ('000) | GV | 10 | 4.5 | 3.9 | 2-5 | *82%* | *(56)%* | *(13)%* | *(3)-0%* |
| | PV | 490 | 361.1 | 296 | 285-295 | *26%* | *(26)%* | *(18)%* | *(4)-(1)%* |
| | **Industry** | **500** | **365.5** | **300** | **290-300** | ***27%*** | ***(27)%*** | ***(18)%*** | ***(3)-0%*** |
| Tractors ('000) | | **129** | **125** | **88** | **89-93** | ***45%*** | ***(3)%*** | ***(7.4)%*** | ***1-4%*** |

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

# Segment wise inventory

| Vehicle segment | Normal inventory in days | Current inventory levels* | Inventory Units | Reasons |
|---|---|---|---|---|
| Passenger Vehicles | ~30 | 40-45 | ~0.5 million | Some inventory correction was done during December. Retails as well as offtake improved during Q4. Dealer inventory levels at 40-45 days levels at the end of March. |
| Two Wheelers | ~45 | ~40 | ~2.0 million | Retails normalized in Q4 after a healthy Q3 number. Minor corrections in offtake as well. Normal stock levels with Dealers at the end of Q4. |
| Commercial Vehicles | ~30 | 25-30 | 65-70 thousand | Inventory levels decreased for most of the segments in Q4 except ICV and CV passenger. Inventory levels for Tippers decreased marginally as demand stays resilient on account of completion of existing projects before the general elections. Increase in inventory for CV passenger largely because of demand from corporates since January owing to budget allocation by corporates in the new year. |
| Three Wheelers | 15-20 | ~20 | ~40 thousand | Some correction in offtake during Q4 while retails improved sequentially. A normal 20-day inventory with the dealers. |
| Tractors | 40-45 | 53-58 | 130 thousand | Inventory levels have been high in Q4 FY24 end, built up in anticipation of Rabi harvesting and festivals. However, in Q3 after healthy festive and harvesting, offtake reduced in quarter end, inventory level reduced. |

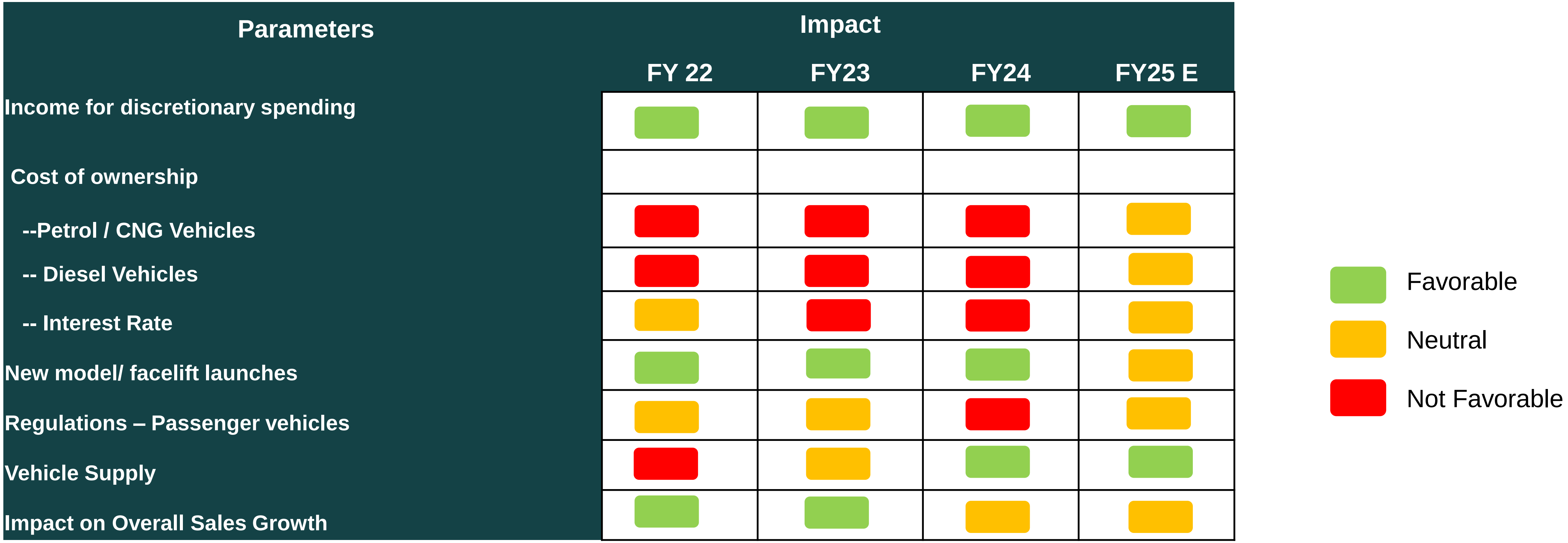


*NOTE:* Inventory level at the end of Q4*

*Source: Industry, CRISIL MI&A*

# Passenger vehicles

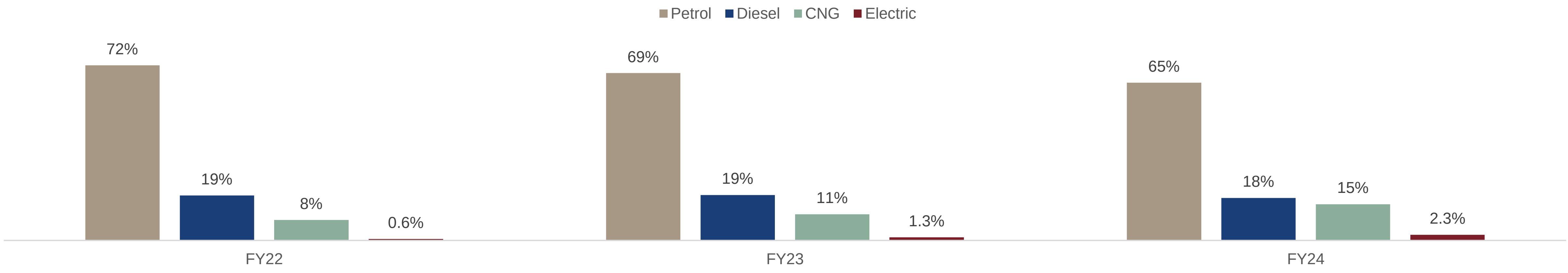
# Industry to continue its growth momentum in FY25, albeit at a slower pace



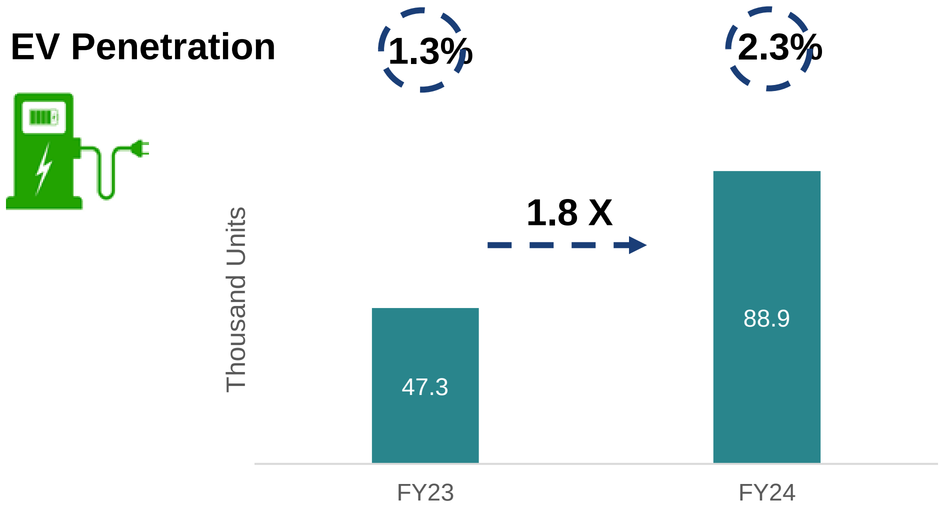

*Source: CRISIL MI&A*

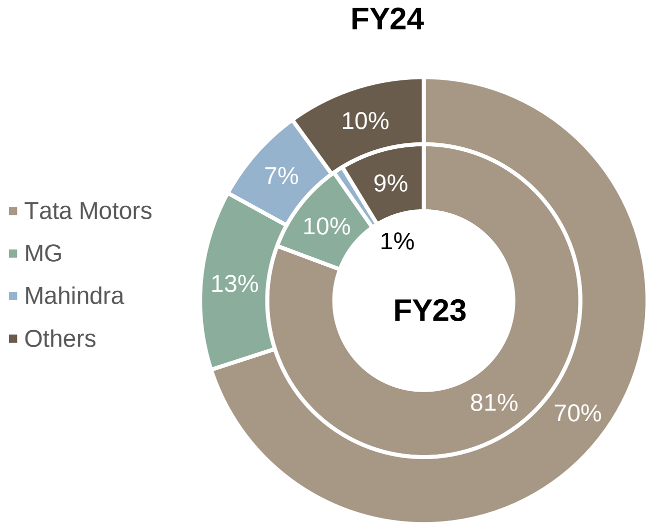
# Expanding CNG presence, furthering electrification

## Model launches, subdued fuel price backing CNG demand




## Rising EV penetration, intensifying competition in the segment




Market Intelligence & Analytics

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

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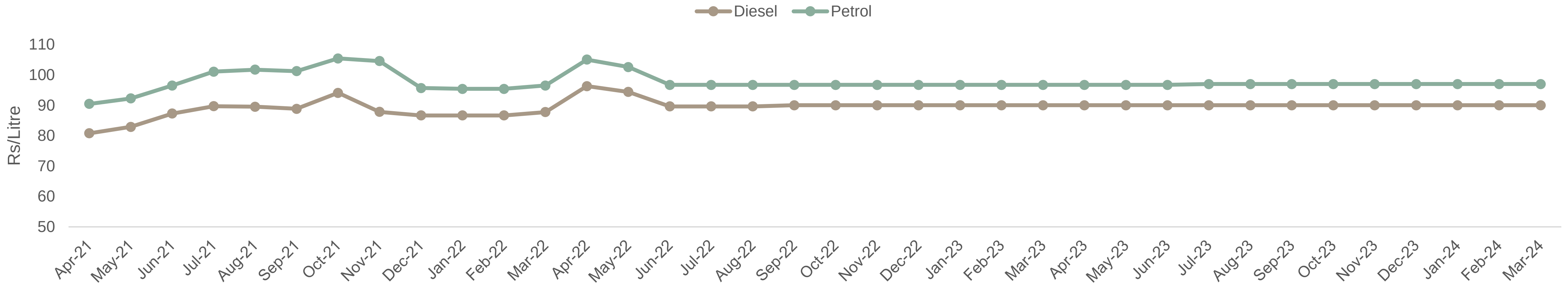
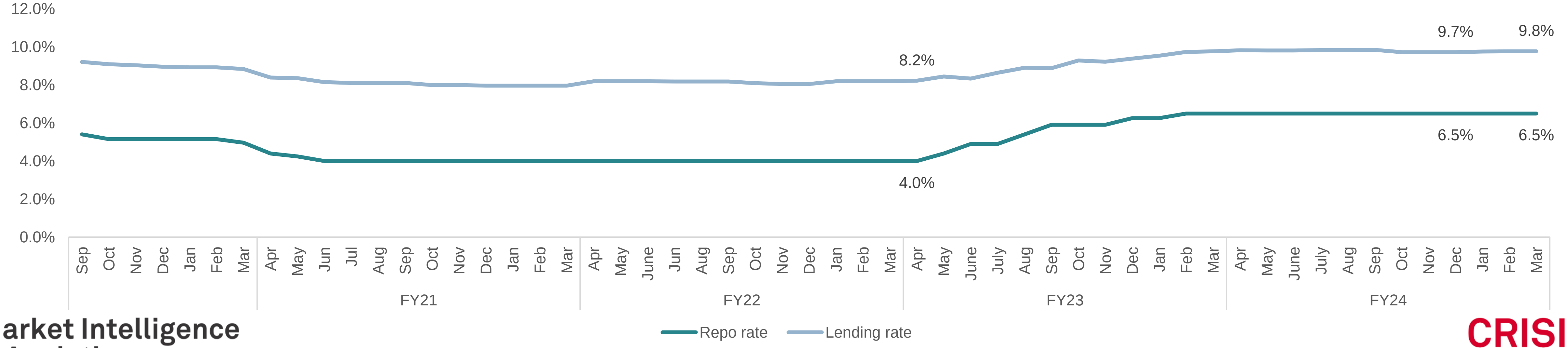
# No respite from elevated fuel prices and high interest rates

## Fuel prices remain elevated, although no further hike done




## Elevated interest burden weighing on vehicle TCO




Market Intelligence
& Analytics

*Source: Industry, MoRTH, CRISIL MI&A*

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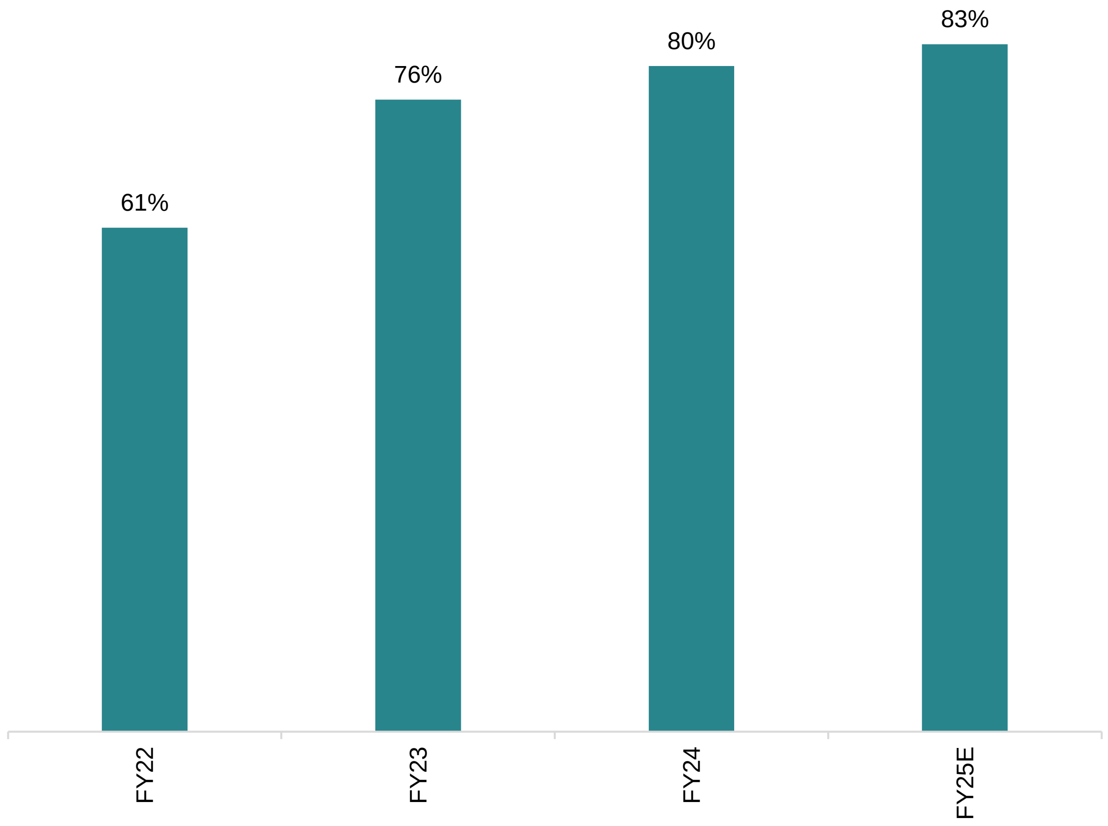
# Utilization improvement expected in FY25

## Utilization trend in the PV industry




*Source: CRISIL MI&A Estimated*

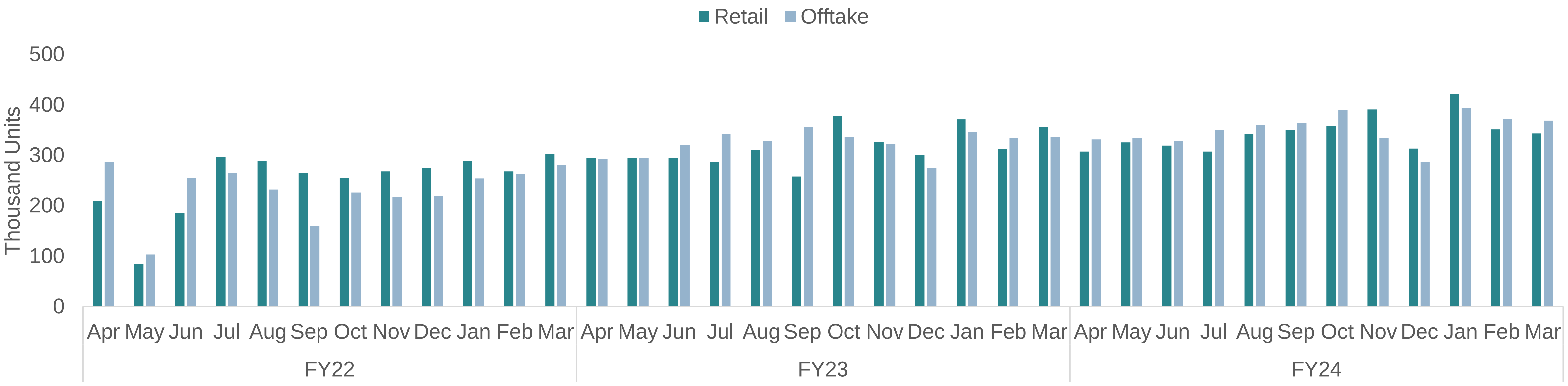
## Capacity utilisation of key players

| Player | Effective Capacity (in '000) (on 31st Mar 2023) | Capacity Utilisation in FY24 |
|---|---|---|
| Maruti | 2,250 | 87% |
| Hyundai | 820 | 96% |
| Tata Motors | 900 | 64% |
| Renault-Nissan | 480 | 25% |
| Toyota | 340 | 104% |
| Honda | 180 | 75% |
| Volkswagen | 179 | 50% |
| Kia Motors | 350 | 86% |

*Source: SIAM, Industry, CRISIL MI&A*

# Improved sequential as well as y-o-y sales during Q4

## Record high retails during January

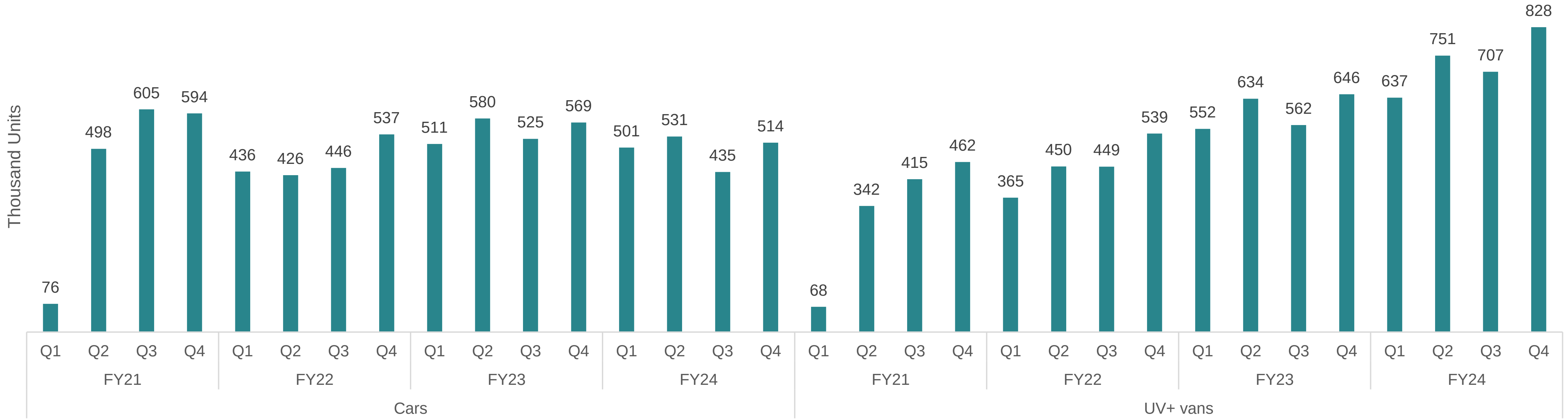



*Note: Retail numbers are estimated, Offtake numbers include Tata Motors sales*
*Source – MoRTH, SIAM, CRISIL MI&A*

- Retail as well as offtakes improved during Q4 with January recording record high sales
- January offtake increased after the year end December hiatus
- Dealer inventory levels at slightly above normal levels (40-45 days) during the year end

# Increased production during Q4, UVs remain the focus

## Quarterly production trend




*Source: SIAM, CRISIL MI&A*

- During Q4, overall production increased sequentially as well as on y-o-y basis
- In line with the drop in demand, production of cars dropped in Q4 fiscal 2024, compared to last year
- On the other hand, UV sales as well as production continued scaling further heights
- OEMs prioritized UV production over cars given the continued growth momentum in the UV segment. The recent launches in the UV segment provided an added boost to the UV production during Q4
- Traction for cars, especially the basic hatchbacks has been under pressure, keeping the production restricted for the cars segment
- Sequentially, production levels normalized in Q3 after increased production for the festive built up during Q2

# Domestic – Annual forecast

| | Units | Passenger cars | UVs & vans | Total | EV penetration |
|---|---|---|---|---|---|
| **FY21** | Millions | 1.54 | 1.17 | **2.71** | **0%** |
| ***y-o-y growth*** | *%* | *-9%* | *9%* | ***-2%*** | |
| **FY22** | Millions | 1.47 | 1.60 | **3.06** | **0.5%** |
| ***y-o-y growth*** | *%* | *-5%* | *37%* | ***13%*** | |
| **FY23** | Millions | 1.73 | 2.15 | **3.88** | **1.2%** |
| ***y-o-y growth*** | *%* | *18%* | *34%* | ***27%*** | |
| **FY24** | Millions | 1.5 | 2.7 | **4.2** | **2.3%** |
| ***y-o-y growth*** | *%* | *(11)%* | *25%* | ***8%*** | |
| **FY25 E** | Millions | 1.4-1.6 | 2.8-3.0 | **4.3-4.5** | **3-4%** |
| ***y-o-y growth*** | *%* | *(6)-(4)%* | *8-10%* | ***3-5%*** | |

*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%* |
| FY24 | Q1 | 413 | *4%* | 580 | *14%* | 992 | *9%* |
| | Q2 | 398 | *(15)%* | 675 | *22%* | 1,072 | *5%* |
| | Q3 | 345 | *(18)%* | 667 | *30%* | 1,033 | *8%* |
| | Q4 | 395 | *(12)%* | 741 | *30%* | 1,135 | *12%* |
| FY25E | Q1 E | 350-360 | *(16)-(14)%* | 700-710 | *21-23%* | 1,050-1,070 | *6-8%* |
| | Q2 E | 375-385 | *(6)-(4)%* | 750-760 | *11-13%* | 1,125-1,145 | *5-7%* |
| | Q3 E | 365-375 | *6-8%* | 730-740 | *9-11%* | 1,100-1,110 | *8-10%* |
| | Q4 E | 360-370 | *(7)-(5)%* | 710-720 | *(5)-(3)%* | 1,070-1,090 | *(6)-(4)%* |

# Domestic – Quarterly forecast

- Industry clocked almost a million vehicle sales in each quarter during the year and reached a high of 4.2 million vehicles during fiscal 2024
- Q4 witnessed sequential as well as on year growth this year with January seeing record high numbers
- UVs led the industry growth while cars' demand contracted further during the year
- Even going ahead, UVs are expected to drive the demand while further contraction is expected in cars segment, albeit at a slower pace
- From a record base of fiscal 2024, growth pace is expected to taper in fiscal 2025
- Even in fiscal 2025, each quarter offtakes are estimated to reach a million-unit levels
- At the end of fiscal 2024, dealer inventory levels were at 40-45 days ie slightly above the average
- Amidst the elevated inventory, Lok Sabha elections, monsoon concerns, price hike announcements; some sequential drop is expected for Q1
- Festive built up to aid offtake in Q2. Festive push is expected to continue even in Q3
- Upcoming launches, consumer preference towards UVs to drive faster growth in UV segment
- Cars segment expected to remain under pressure,  growth in premium hatchbacks to restrict its fall
- EV penetration to rise further backed by estimated launches coupled with improvement in EV charging infrastructure as well as rising awareness

# Stakeholder interactions

## OEMs

- Healthy retails as well offtake during the Quarter
- Dealer Inventory situation improved during Q4
- Record high numbers achieved during the year, healthy growth pace continued
- Off this high base, some tapering in the growth pace is expected in fiscal 2025
- Continued momentum in the macroeconomic landscape, investment push by the government, intermittent launches to provide momentum next year
- Low single digit growth projected for the next year
- UVs to provide the push, cars to decelerate the pace
- UVs to propel the industry; cars, especially, basic hatchbacks to be under pressure
- CNG variants to witness further growth, while EV penetration expected to expand further

## Dealer

- Amidst high inventory post festive,
- year end slack, December retails as well as offtakes dropped
- On this lower base, January retails & offtake increased significantly
- Some sequential tapering witnessed after the January high
- Slightly above normal inventory levels (40-45 days) at quarter end
- Higher inventory of slow moving models like basic hatchbacks
- Limited stock of fast moving models
- Waiting periods have come down across models
- Some sequential drop is expected in Q1
- Current heat wave is causing a concern for rural demand
- Monsoon remains a key monitorable
- Q2 to see healthy numbers
- Festive built up to be done primarily in Q2 , some offtake to be done during Q3
- New launches seeing good demand
- Pressure continues for basic hatchback segment
- CNG variant seeing good traction
- Ev traction expected to improve further

## Financier

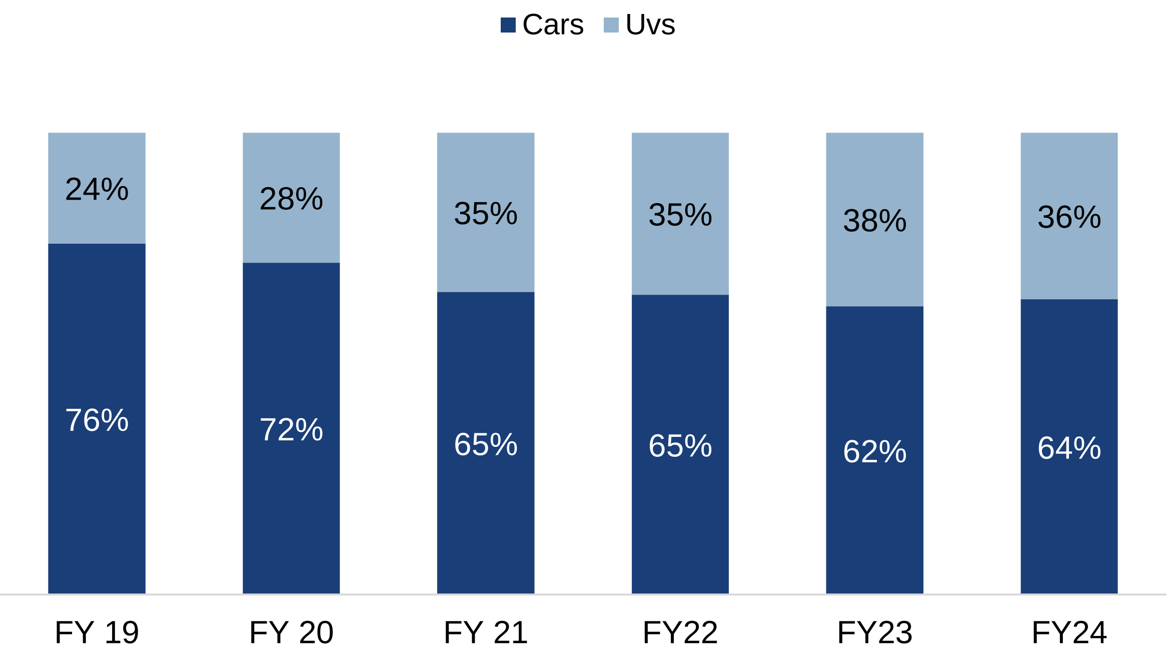
- Stance of financers remains accommodative
- High retail traction in the market is backing the disbursement growth
- Interest rates remain elevated, no further rise expected with RBI keeping the rates steady
- LTV and penetration levels remain steady

*Source – Industry, CRISIL MI&A*

# PV exports

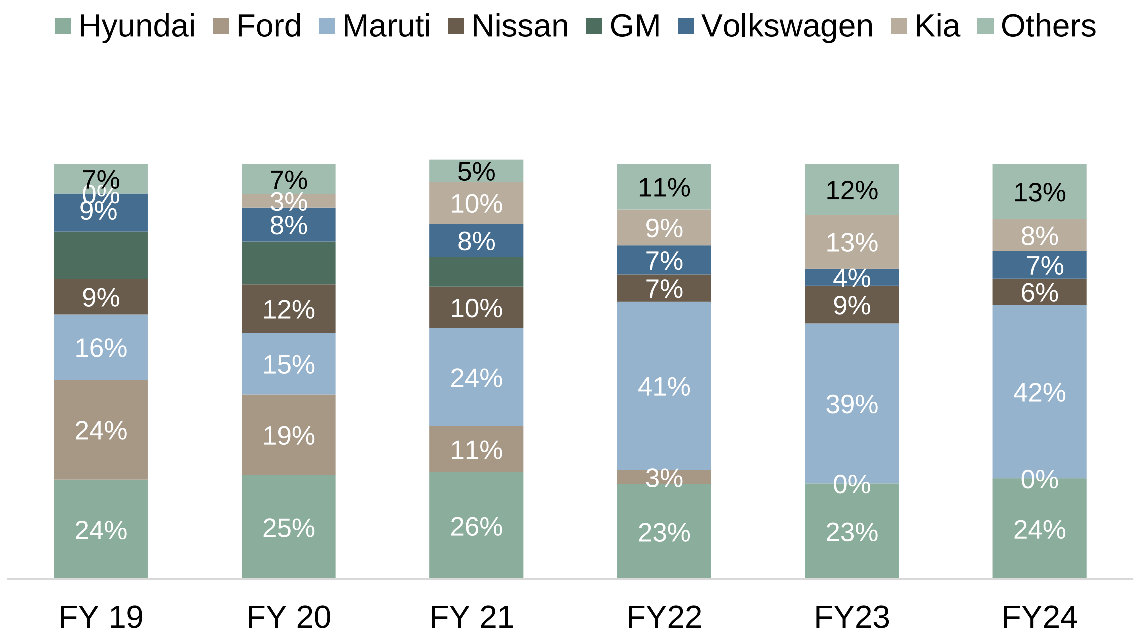
# Unlike the domestic market, cars provide the push to exports in fiscal 2024

## Increased contribution of cars



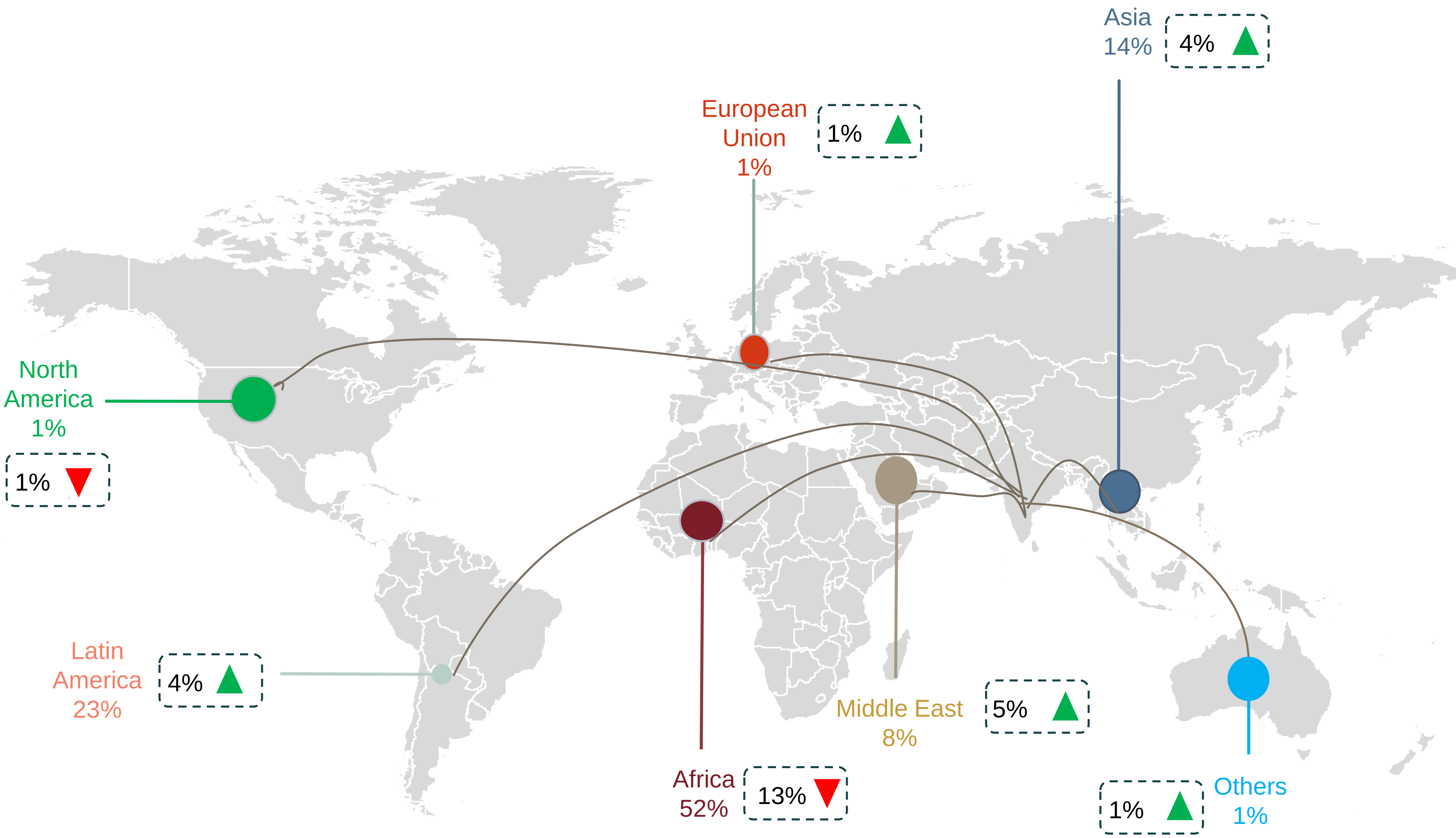

Source: *SIAM, CRISIL MI&A*

## MSIL maintains its export focus




- Industry exports recorded 1.4% growth during fiscal 2024
- Cars have regained their share in exports amidst slowdown in the segment demand in the domestic market.
- In turn, MSIL & Hyundai have maintained their lead during fiscal 2024
- One of the highest contributors to domestic sales, Tata Motors has low presence in the exports market

# Passenger Vehicle Exports




- During FY23, PV exports increased at a healthy pace, while a marginal rise of ~1.4% was witnessed during FY24.
- Africa continued to dominate the exports, however, its lead contracted in FY24 amidst tapered exports demand from South Africa, the leading export destination.
- Contribution of Middle east also expanded with increased exports to Saudi Arab.
- Contribution of exports to LATAM increased with increased exports to Mexico. Similarly, contribution of Asia increased due to increased exports to Philippines.

Market Intelligence & Analytics

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

*Source: DGFT, CRISIL MI&A*



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# Two-wheelers

# Industry demand expected to continue its momentum in FY25

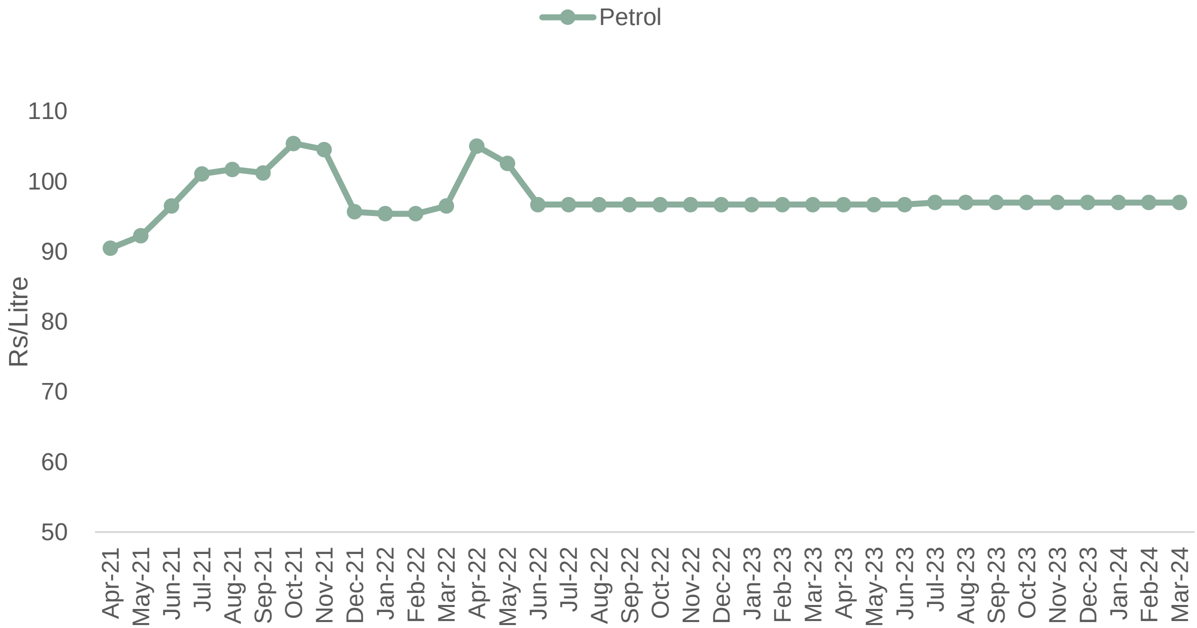
| Parameters | Impact | | | |
|---|---|---|---|---|
| | FY 22 | FY23 | FY24 | FY25E |
| -- Income for discretionary spending | Neutral | Favorable | Favorable | Favorable |
| -- Cost of ownership | Neutral | Not Favorable | Not Favorable | Not Favorable |
| -- Interest rates | Neutral | Not Favorable | Not Favorable | Neutral |
| -- New model/ facelift launches | Neutral | Favorable | Favorable | Favorable |
| -- Regulations – two-wheeler vehicles | Neutral | Neutral | Not Favorable | Neutral |
| -- Impact on Overall Sales Growth | Not Favorable | Favorable | Favorable | Favorable |

Favorable
Neutral
Not Favorable

*Source: CRISIL MI&A*

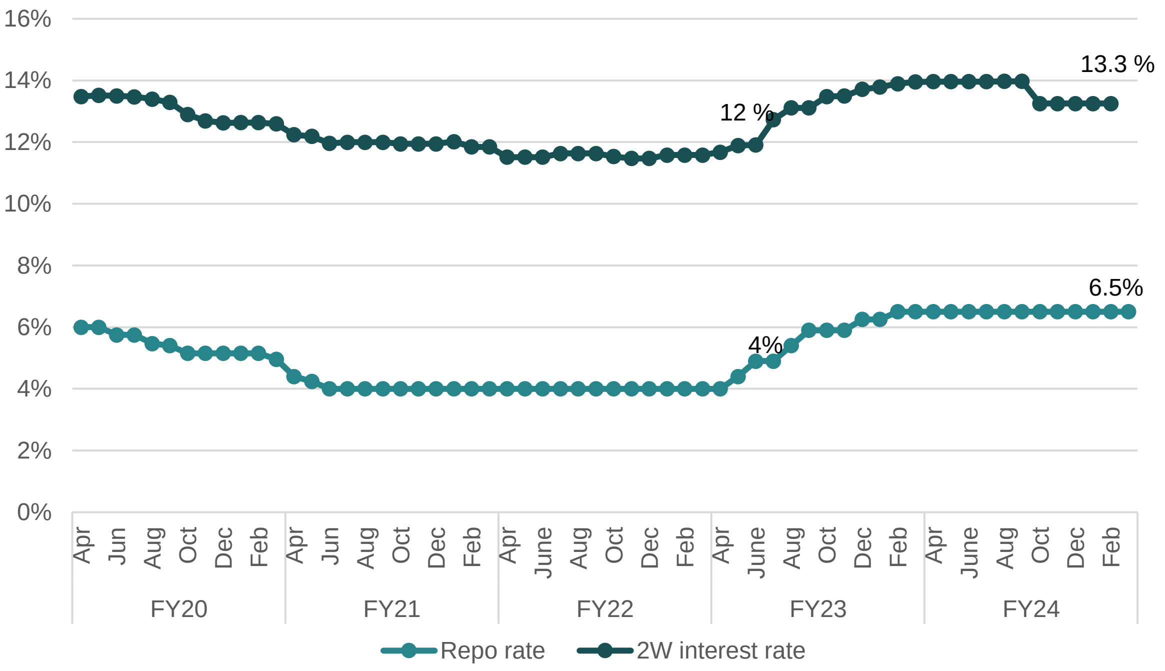
# Operating costs remain elevated

## Petrol Prices: Remained steady




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

## Interest Rates mimicking the repo trend

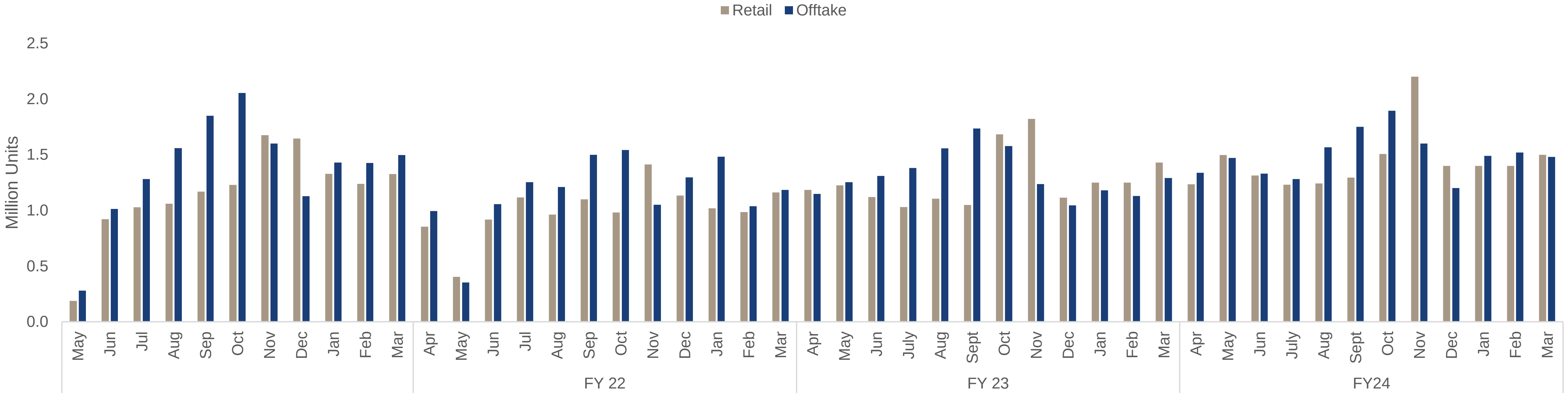



*NOTE – Mentioned interest rates are indicative rates charged by Banks*
*Source – CRISIL MI&A*

- Fuel prices after being stagnant for about four months from Dec’21-Mar’22, spiked to Rs. 105-106 in Apr and May 22 owing to rise in worldwide crude oil prices. It settled in the range from Rs. 96 to Rs.97
- Interest rates have been hiked by more than 225 bps in tandem with 250 bps rise in repo rates since April 22, some interest rate cut was done by SBI in October 23.
- Repo rate has been steady since Feb’23 at 6.5% and it has been kept steady even in Mar’24 by RBI.
- Rising operating costs remain a concern for the industry especially for the commuter segment

# Offtake and retails grew sequentially in Q4 on the back of improved demand

## Retail vs off-take sales trend

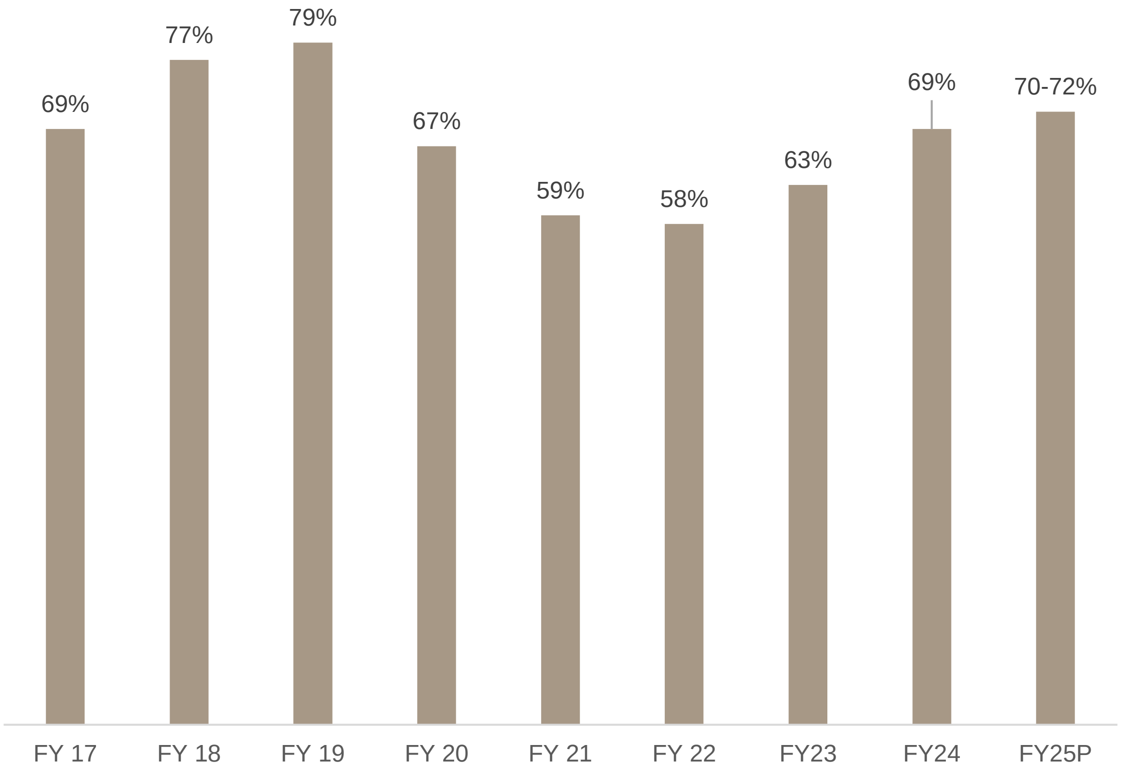



*Note: Retail numbers do not include TS & LD numbers*
*Source – MoRTH, SIAM, CRISIL MI&A*

- Offtake increased by 25% y-o-y in Q4FY24 majorly pushed by inventory built up after a drop in December as well as new launches. Financial year end push also backed offtake growth
- In March, retails increased by sustained demand owing to wedding season as well as increased EV retails.
- EV sales surged amidst the expiration of FAME-2 subsidy concern.
- Offtakes remained rangebound in March
- Inventory levels at a normal near 40 day level stock with dealers.

# Further improvement in utilization expected in FY25

## Utilisation improved in FY23 and FY24 from low Covid base



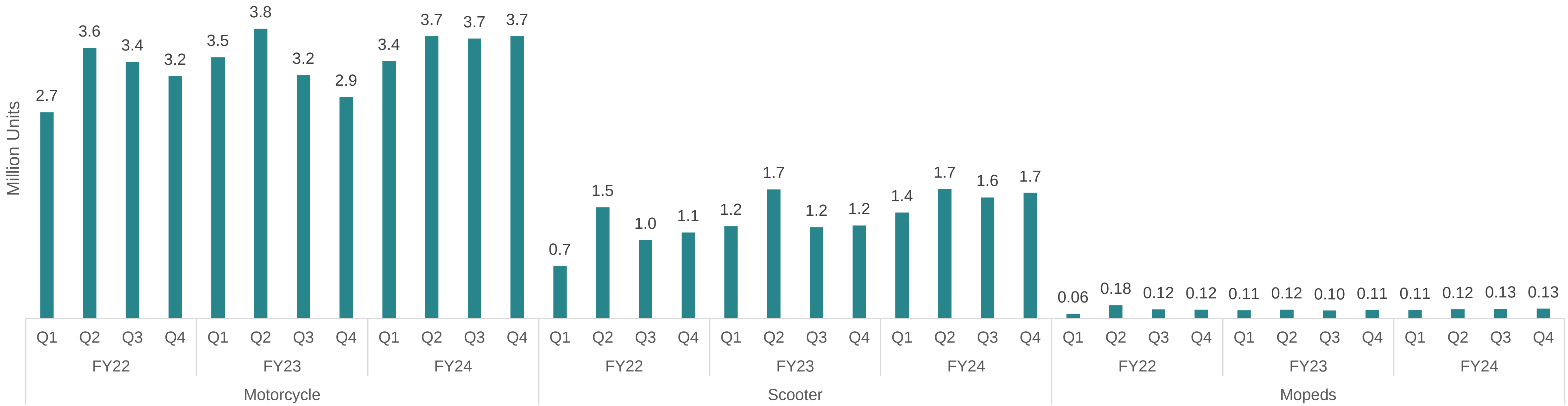

*Source: Industry, SIAM, CRISIL MI&A*

## Player wise utilization

| Player | Effective Capacity estimate in mn (as on 31st Mar 2023) | Production FY24 | Utilization |
|---|---|---|---|
| Hero Motocorp | 9.6 | 5.5 | 57% |
| Bajaj Auto | 5.7 | 3.7 | 65% |
| HMSI | 6.4 | 5.0 | 78% |
| TVS Motor Company | 4.5 | 4.1 | 91% |
| India Yamaha Motors | 1.6 | 0.9 | 56% |
| Suzuki Motors | 1.3 | 1.1 | 88% |
| Royal Enfiled | 1.0 | 0.9 | 95% |

# Near steady production during Q4

## Segment wise production trend




*Source: SIAM, CRISIL MI&A*

- In Q4, production continued to remain healthy with some improvement in scooter production
- Scooters witnessed sequential increase as well as y-o-y growth due to various new launches and continued traction, especially for the premium scooters
- Motorcycles witnessed marginal improvement in production in Q4
- FY24 production was positive due to strong domestic demand

# Domestic – Annual forecast

| | Units | Motorcycle | Scooters | Mopeds | Total | EV penetration |
|---|---|---|---|---|---|---|
| **FY21** | Millions | 10.0 | 4.5 | 0.6 | **15.1** | 0% |
| ***y-o-y growth*** | *%* | *(11)%* | *(19)%* | *(3)%* | ***(13)%*** | |
| **FY22** | Millions | 9.0 | 4.3 | 0.5 | **13.7** | 2% |
| ***y-o-y growth*** | *%* | *(10)%* | *(7)%* | *(23)%* | ***(10)%*** | |
| **FY23** | Millions | 10.2 | 5.6 | 0.4 | **16.3** | 4.5% |
| ***y-o-y growth*** | *%* | *14%* | *32%* | *(7)%* | ***19%*** | |
| **FY24** | Millions | 11.6 | 6.3 | 0.5 | **18.4** | 5% |
| ***y-o-y growth*** | *%* | *14%* | *13%* | *9%* | ***13%*** | |
| **FY25E** | Millions | 12.5-12.6 | 6.5-7.0 | 0.4-0.6 | **19.7-19.9** | 5-7% |
| ***y-o-y growth*** | *%* | *7-9%* | *6-8%* | *3-5%* | ***6-8%*** | |

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

# Domestic – Quarterly forecast



| Fiscal | Quarter | Motorcycle | | Scooter | | Moped | | Total | |
|---|---|---|---|---|---|---|---|---|---|
| | | Sales ( mn) | *y-o-y growth* | Sales ( mn) | *y-o-y growth* | Sales ( mn) | *y-o-y growth* | Sales ( mn) | *y-o-y growth* |
| FY22 | Q1 | 1.7 | 93% | 0.6 | 85% | 0.1 | 28% | 2.4 | 88% |
| | Q2 | 2.6 | (17)% | 1.4 | 5% | 0.2 | (17)% | 4.2 | -11% |
| | Q3 | 2.4 | (22)% | 1.1 | (24)% | 0.1 | (38)% | 3.7 | -24% |
| | Q4 | 2.2 | (22)% | 1.1 | (19)% | 0.1 | (30)% | 3.4 | -22% |
| FY23 | Q1 | 2.4 | 38% | 1.3 | 109% | 0.1 | 61% | 3.9 | 60% |
| | Q2 | 3.0 | 15% | 1.6 | 18% | 0.1 | (29)% | 4.9 | 17% |
| | Q3 | 2.5 | 4% | 1.4 | 21% | 0.1 | (20)% | 4.1 | 11% |
| | Q4 | 2.3 | 4% | 1.3 | 12% | 0.1 | 0% | 3.6 | 7% |
| FY24 | Q1 | 2.7 | 14% | 1.4 | 10% | 0.1 | (6)% | 4.3 | 12% |
| | Q2 | 2.9 | (3)% | 1.6 | 0% | 0.2 | 1% | 4.7 | (2)% |
| | Q3 | 3.1 | 22% | 1.6 | 23% | 0.1 | 28% | 4.8 | 21% |
| | Q4 | 2.9 | 27% | 1.6 | 25% | 0.1 | 14% | 4.7 | 26% |
| FY25 E | Q1 E | 2.9-3.0 | 7-9% | 1.5-1.7 | 9-11% | 0-0.2 | 18-20% | 4.5-4.7 | 8-10% |
| | Q2 E | 3.1-3.3 | 10-12% | 1.7-1.9 | 8-10% | 0-0.2 | 8-10% | 5.0-5.2 | 9-11% |
| | Q3 E | 3.1-3.3 | 2-4% | 1.6-1.8 | 2-4% | 0-0.2 | (9)-(7)% | 4.9-5.1 | 2-4% |
| | Q4 E | 3.1-3.3 | 9-11% | 1.6-1.8 | 4-6% | 0-0.2 | (2)-0% | 4.9-5.1 | 7-9% |

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

# Domestic – Quarterly forecast

- The industry witnessed healthy growth in FY24
- All the 3 segments of motorcycles, scooters & moped clocked positive growth
- Premium subsegments and EVs provided the primary thrust to the industry
- Some improvement was observed in the commuter motorcycle segment as well, which had been under pressure for the entire year.
- Stock levels stood at approximately 40 days by the end of Q4.
- Some moderation in growth rate is anticipated in FY25 due to the high base established in the previous year.
- The premium motorcycle segment will be the primary driver of growth, while the commuter segment will maintain its slow expansion.
- The 110cc scooter subsegment is facing pressure due to the rise of electric vehicles (EVs) and is likely to remain in a challenging position.
- However, supported by OEM attention and regular new releases, the 125cc scooter subsegment is expected to experience improved growth.
- Following a temporary slowdown after the reduction of the FAME subsidy in June 2023, the EV segment has been gradually growing.
- Further reduction in subsidy to restrict the growth in the short term
- Higher prices becoming standard in the EV market, the EV subsegment is expected to maintain its momentum.
- The introduction of competitively priced EVs, along with increased promotion from traditional OEMs like TVS, will further drive growth in the EV market.

# Stakeholder interactions



## OEMs

- Healthy growth during the year
- Premium segments & EVs provided the thrust
- Some moderation is anticipated in FY25.
- There is a noticeable trend towards premium vehicles.
- OEMs are concentrating on premium segments in both motorcycles and scooters.
- Anticipated launches in the premium segment.
- Expect buoyant traction in the EV market moving forward.
- EMPS to aid EV demand
- Further increase in penetration is expected.
- Healthy rural demand is projected for the upcoming year.
- The development of the monsoon is being closely monitored.

## Dealers

- Positive sentiments due to improved supply , introduction of new launches and model availability.
- Within Motorcycles 125cc + seeing strong traction.
- Premium segment, 200cc+ has consistently gained momentum with new launches.
- Seeing positivity in commuter motorcycle segment
- Marriage season backed retail growth during Q4
- EVs have shown healthy growth in Q4 ,subsidies added growth momentum.
- Stock with dealers around 40 days
- Coming quarter is expected to benefit from payment from harvested crop
- Festive built up to be done during Q2
- EVs continue to garner customer traction
- Competitively priced EVs are also seeing good momentum
- EV demand to improve further next year

## Financiers

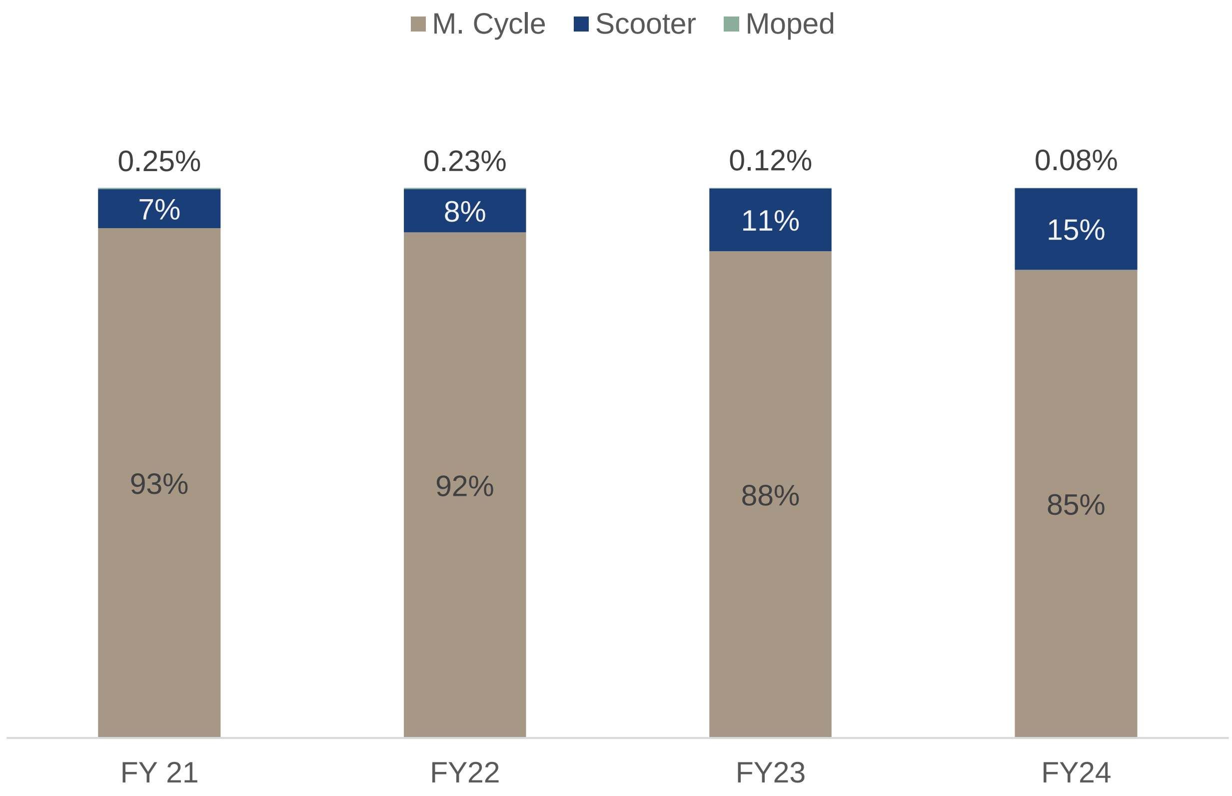
- Healthy disbursement growth with improvement in retails
- Further growth anticipated for the next year
- Stance of the financers to remain accommodative
- RBI has kept repo rate unchanged at 6.5%
- No further hike in interest rates expected
- LTV levels to remain encouraging

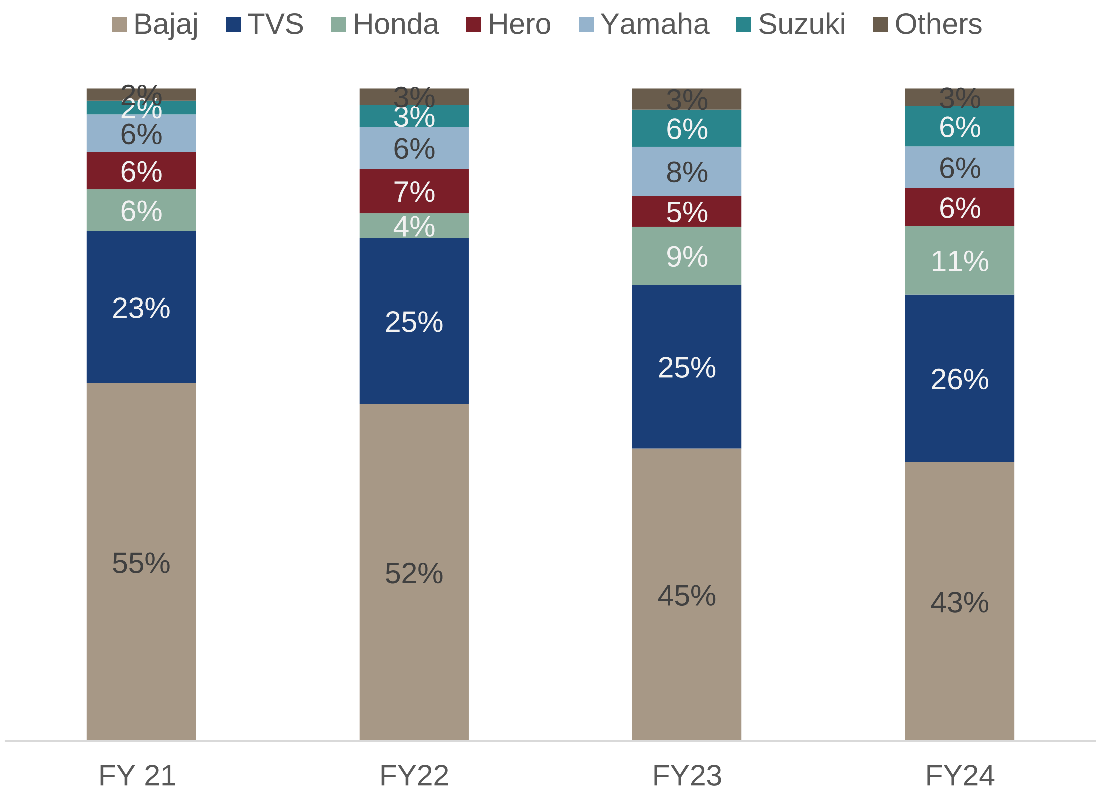
*Source – Industry, CRISIL MI&A*

# Two-wheeler exports

# Exports contract 5% y-o-y in FY24; Scooter exports rise

## TVS, Honda, Hero extend their presence

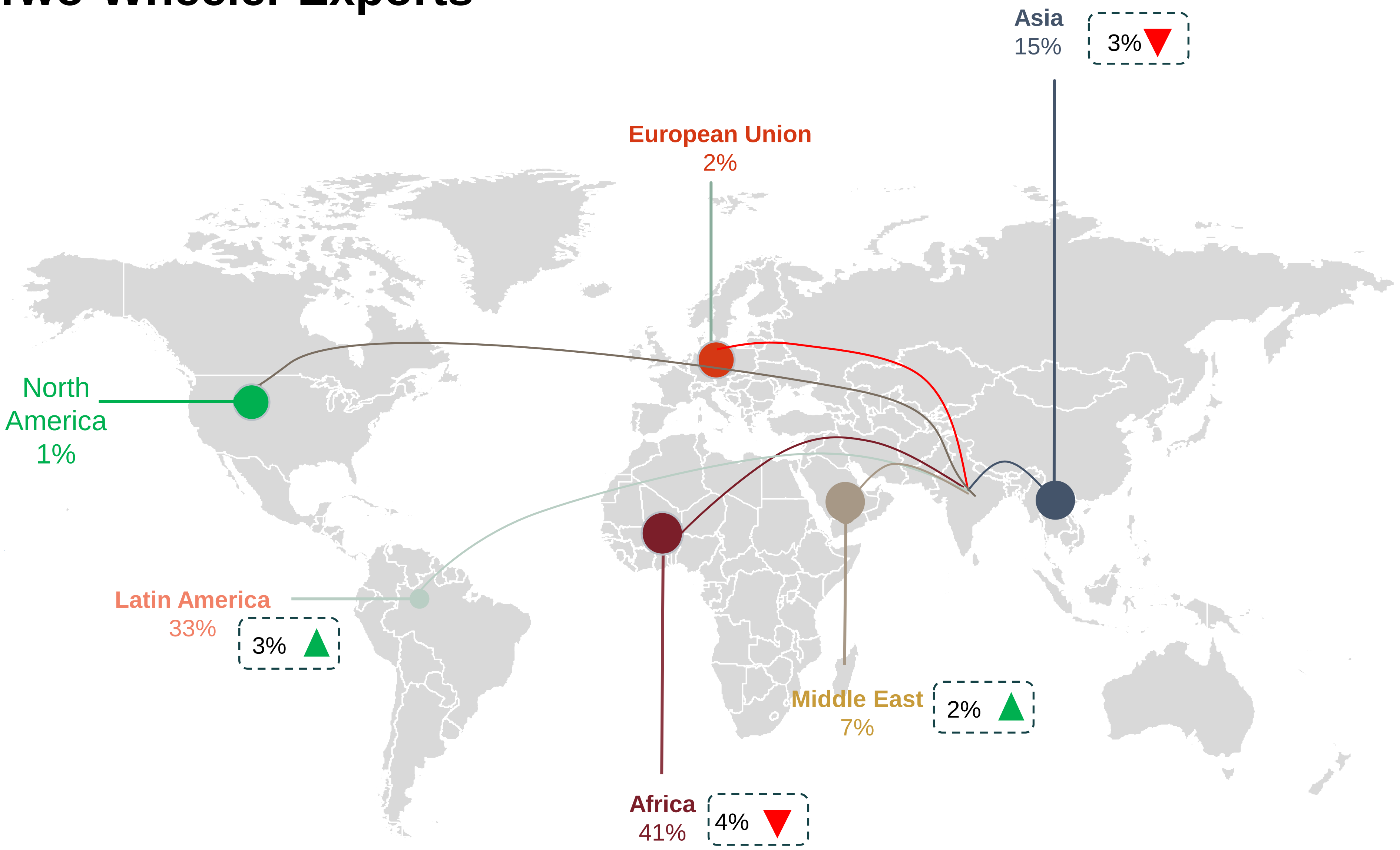



*Source: SIAM, CRISIL MI&A*

- Exports contracted 5% in FY24; Motorcycles dropped by 9% , while scooter exports rose by 23%
- In turn, the share of scooters rose from 11% in FY23 to 15% for FY24
- Consequently, share of TVS, HMSI, and Hero expanded during FY24, while the leader Bajaj witnessed some contraction.

# Two-Wheeler Exports




- There has been demand pressure in key export destinations due to global tightening, high inflation & FOREX unavailability
- Weakening currencies coupled with country specific issues such as demonitisation, elections, uprisings, geopolitical conflicts are other issues impacting exports.
- Increased exports to Turkey supported Middle East share expansion
- While export in Asia region saw contraction due to drop in export to Philippines.
- Contracted demand in Africa mainly from the drop in exports of Nigeria.

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

*Source: DGFT, CRISIL MI&A*

# Commercial Vehicles

# Overview of end-use segments - Cargo



| Segments (% Growth Y-o-Y) | FY 18 | FY 19 | FY 20 | FY 21 | FY 22 | FY 23 | FY 24 | FY 25 E | |
|---|---|---|---|---|---|---|---|---|---|
| Coal (Production) | 2 | 7 | 0 | (2) | 9 | 14 | 10-12 | 3-5 | Core Sectors |
| Iron ore (Production) | 3 | 3 | 19 | (17) | 23 | 3 | 8-10 | 6-8 | |
| Steel (Consumption) | 8 | 9 | 1 | (5) | 11.4 | 13.3 | 14 | 5-6 | |
| Cement (Consumption) | 9 | 12 | (-3) | 1 | 9 | 12 | 10-12 | 6-7 | |
| Roads (Km Constructed / Day)-NHAI | 8 | 9 | 11 | 11 | 13 | 13-14 | 14-15 | 13-15 | |
| Port (Traffic) | 6.5 | 8.2 | 2 | (5.5) | 4.3 | 8.7 | 3-7 | 2-5 | |
| Two-wheelers (Domestic sales) | 14.8 | 5 | (18) | (13) | (10) | 19 | 13 | 6-8 | Discretionary Products |
| Passenger vehicles (Domestic sales) | 8 | 3 | (18) | (2) | 13 | 27 | 8 | 3-5 | |
| Consumer durables (Consumption) | 5.8 | 7 | 5 | (17) | 13-15 | 10-13 | 8.5-10.5 | 10-12 | |
| E-retail | 35 | 35-37 | 23 | 13 | 27 | 27 | 17-20 | 18-21 | |
| RMG (Market Size) | 5 | 6 | (2) | (24) | 23 | 14 | 9-11 | 10-12 | |
| Dairy (Production) | 6.7 | 7 | 5 | (4) | 3 | 3 | 3-4 | 5-6 | Non - Discretionary Products |
| FMCG | 8 | 12 | 5 | 3.5 | 15 | 13.3 | 3-5 | 5-7 | |
| Pharmaceuticals (Market Size) | 1 | 15 | 9 | 13 | 10 | 10 | 7-9 | 8-10 | |



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

# Overview of end-use segments - Buses

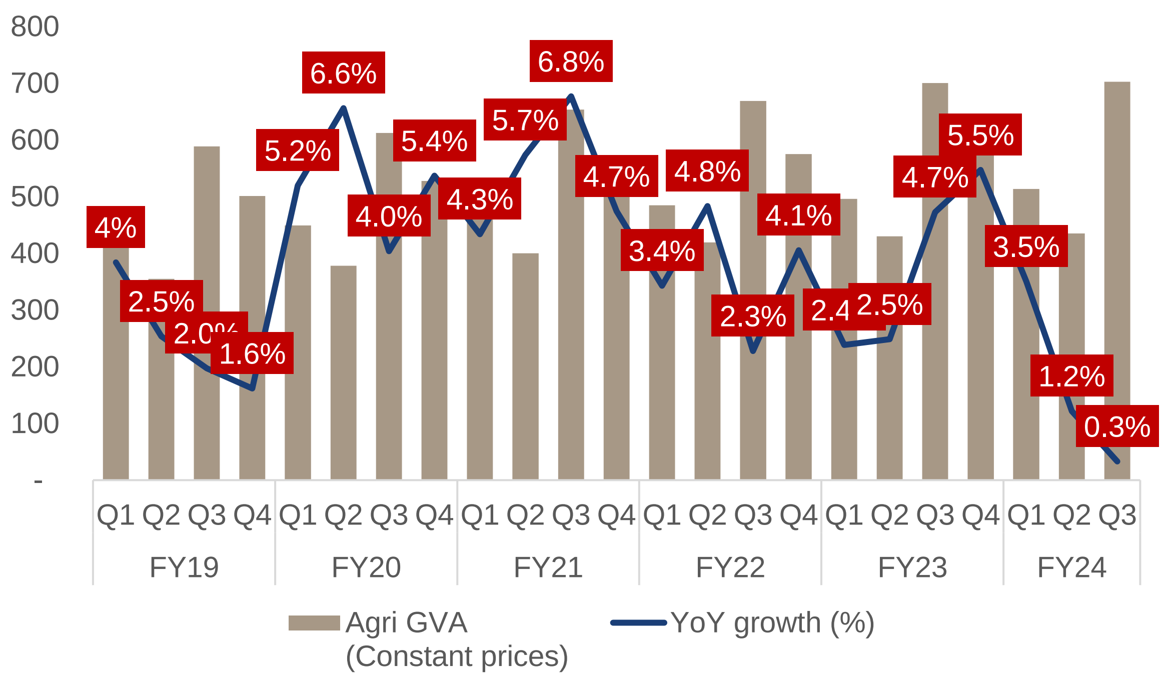


| Segments (% Growth Y-o-Y) | FY 18 | FY 19 | FY 20 | FY 21 | FY 22 | FY 23 P | FY 24 P | FY 25 P | |
|---|---|---|---|---|---|---|---|---|---|
| Gross School Enrollment | | | | | | | | | Buses |
| K-12 | 73.4 | 73.4 | 78 | 74.5 | 74.8 | 75.1 | 75.4 | 75.7 | |
| Above K-12 | 23.4 | 22.5 | 22.5 | 22.2 | 23.0 | 23.4 | 23.4 | | |
| IT Employee Base | 3 | 4 | 4 | 7 | 14.5 | 7-9 | 1-3 | 2-5 | |
| Air Passenger Traffic – Domestic (million passengers) | 123 | 140 | 142 | 54 | 84.7 | 137 | 152-154 | 163-173 | |
| Air Passenger Traffic – International (million passengers) | 65.4 | 69 | 66.5 | 10.4 | 22.1 | 57 | 69-71 | 81-84 | |
| Hotel Room Demand | 5 | 4 | 1 | (51) | 68 | 57 | 8-10 | 2-4 | |

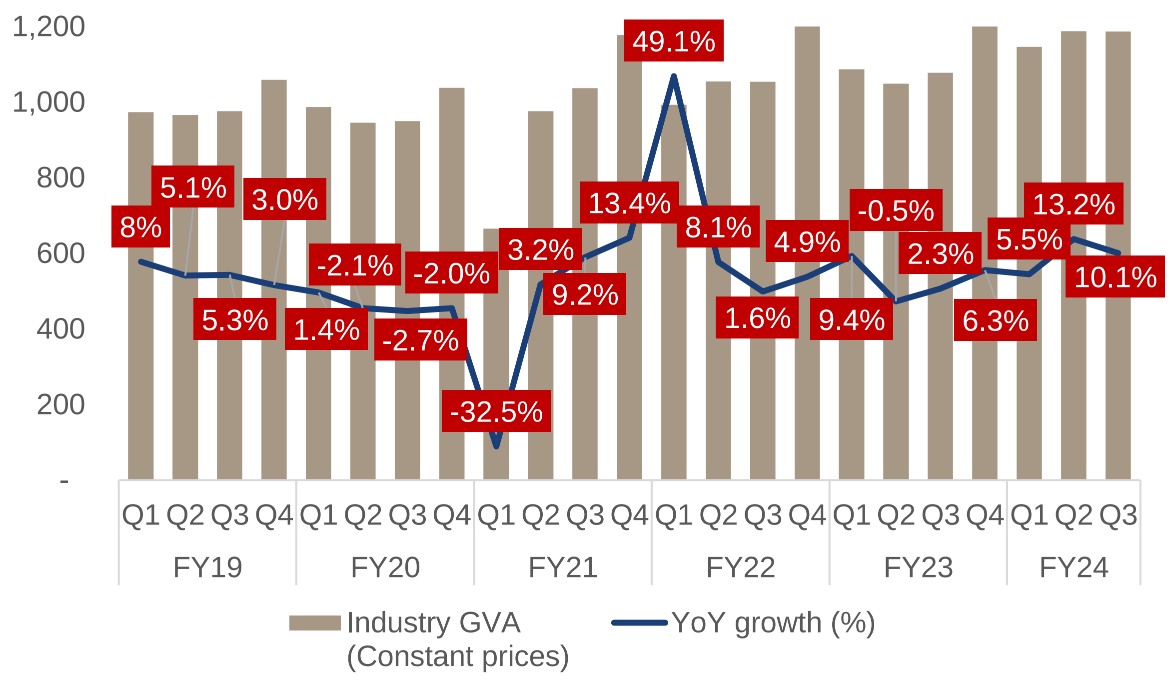
*Source: CSO, RBI, SIAM and CRISIL estimates E: Estimated; P: Projected*

# Industry GVA witnessed growth in Q3

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




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



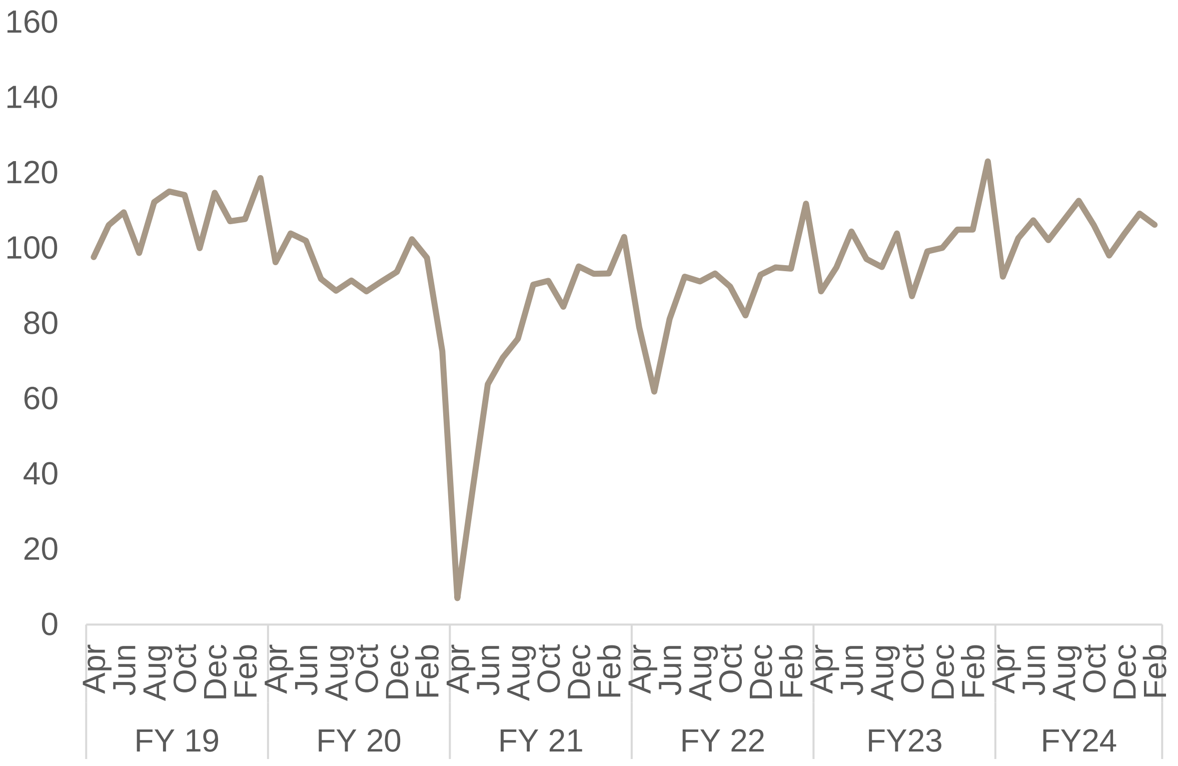

- Agri as well as industry GVA continued their on year growth trajectory, albeit at a slower pace
- Growth pace in the farm sector reduced to 0.3% in Q3 from 1.2% in Q2
- Industry GVA witnessed 10.1% growth in Q3FY24 compared to 13.2% seen in Q2



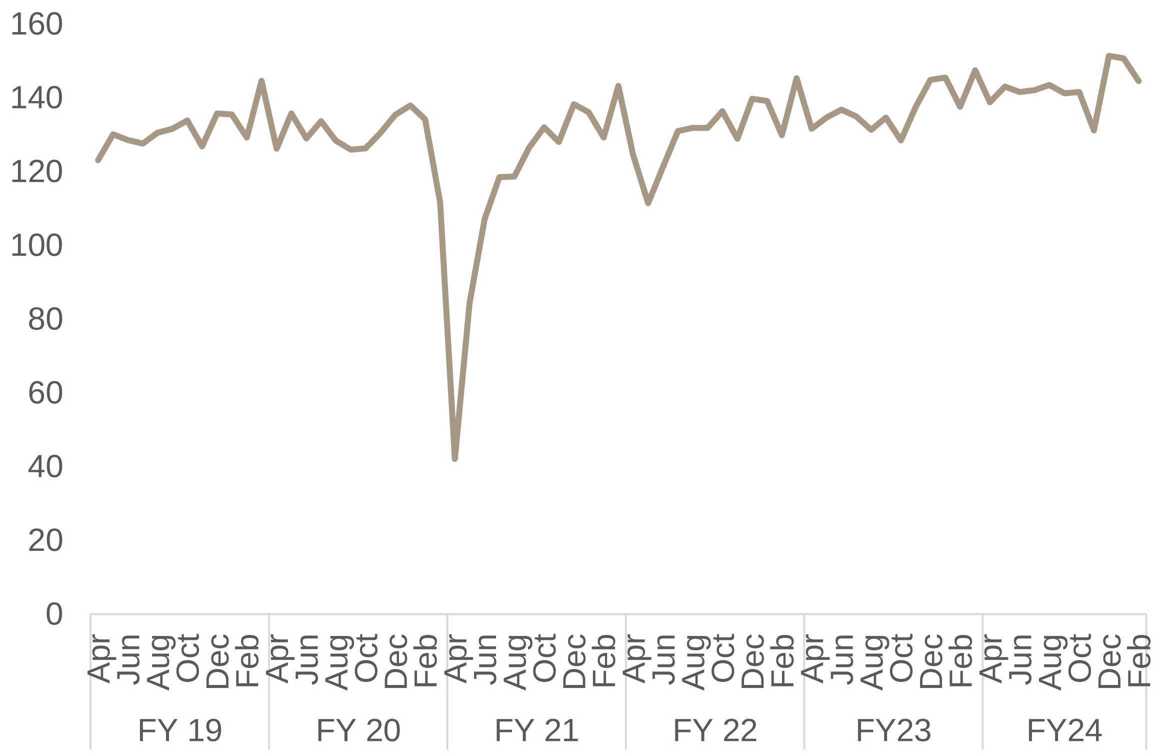
*Source: MOSPI, CRISIL MI&A*

# Some sequential drop in IIP during Feb

## IIP Capital Goods




## IIP Manufacturing

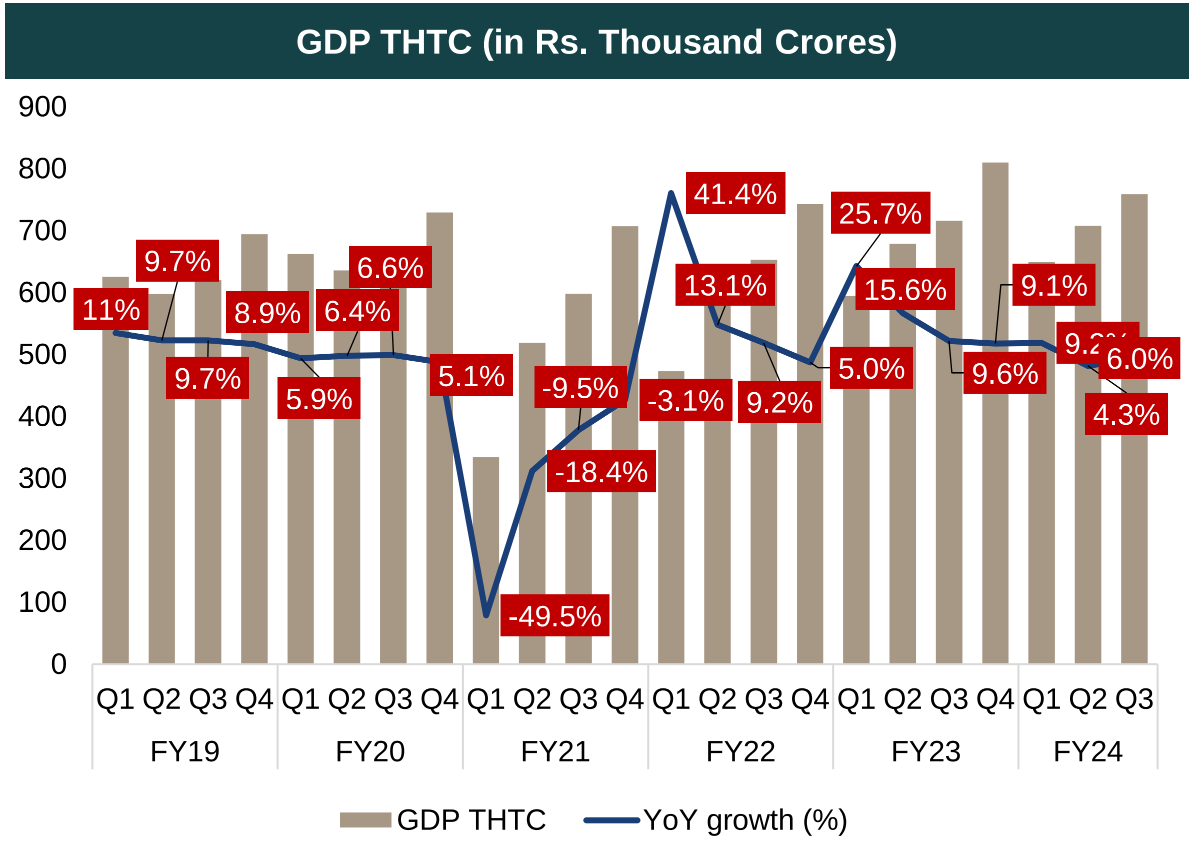


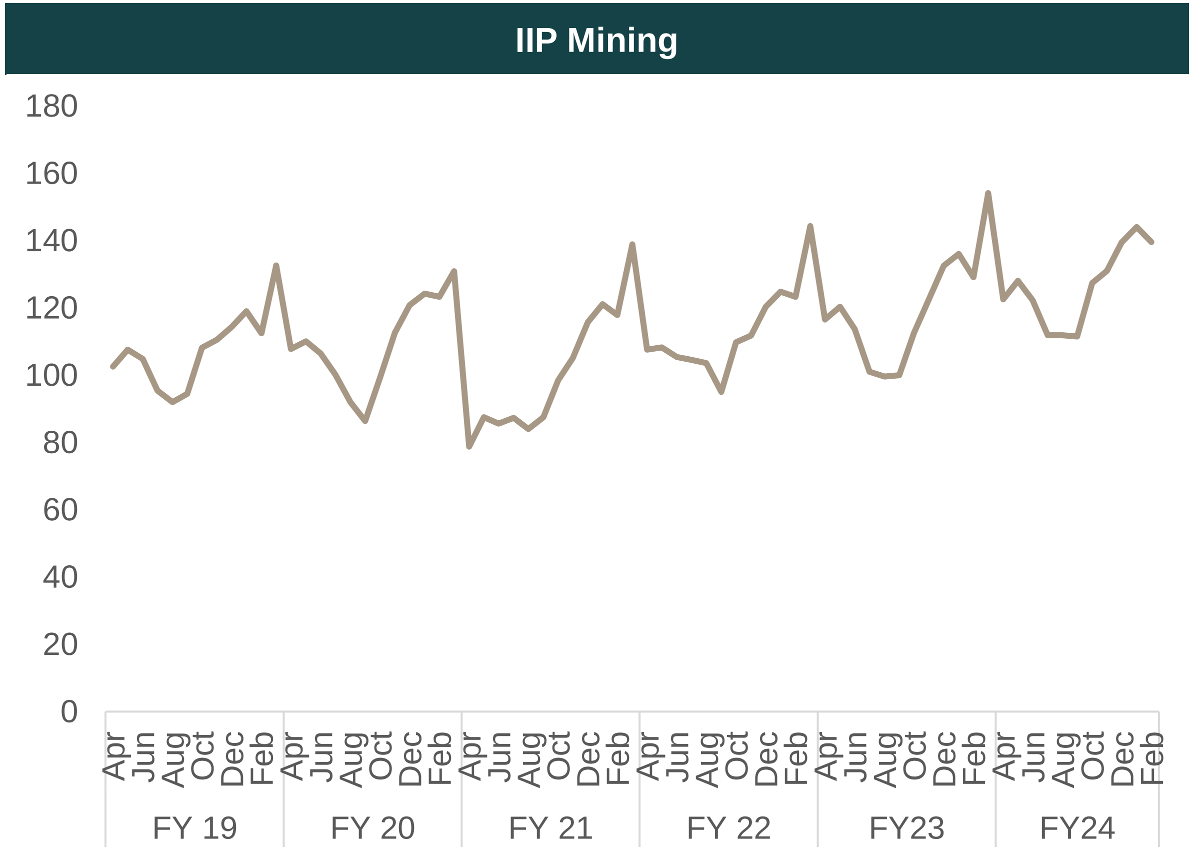

- The Index of Industrial Production (IIP) Capital goods and Manufacturing witnessed an on-year growth of 1.2% and 5.0% in February 2024
- There was a sequential drop in IIP numbers during Feb compared to Jan



*Source: MOSPI, CRISIL MI&A*

# Continued growth in THTC GVA, sequential drop in IIP mining




- THTC GVA growth continued in Q3, albeit at a slower pace
- The GVA growth for services sectors such as trade, hotels and transport reduced from 9.2% in Q2 to 6% in Q3.
- The Index of Industrial Production (IIP) Mining grew by 8% on-year in February 2024 compared with 5% on-year in February 2023.

Market Intelligence & Analytics

*Note: THTC: Transport Hotel Transport Communication Services*

*Source: MOSPI, CRISIL MI&A*

# 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 | FY 24P | FY 25P |
|---|---|---|---|---|---|---|---|---|
| Consumer durables (Consumption) | 5.8 | 7 | 5 | (17) | 13-15 | 10-13 | 8.5-10.5 | 10-12 |

- Expectation of a normal summer and improvement in consumer sentiments will aid growth of consumer durables in fiscal 2025. Long-term demand is expected to clock a healthy trajectory, led by rising disposable income and low penetration levels. Lower commodity prices aided margin of household appliances players in fiscal 2024

| Segments (% Growth Y-o-Y) | FY 18 | FY 19 | FY 20 | FY 21 | FY 22 | FY 23 | FY 24P | FY 25P |
|---|---|---|---|---|---|---|---|---|
| E-retail | 35 | 35-37 | 23 | 13 | 27 | 27 | 17-20 | 18-21 |

- The Indian e-commerce sector, estimated at ~Rs 3,000 billion in fiscal 2023, has had a phenomenal run over the past few years apart from fiscal 2021. The market has managed to attract not only consumers but also investors across the world and has grown more than three-fold between fiscals 2018 and 2023 on the back of rising internet penetration, increasing awareness of online shopping, and lucrative deals and discounts offered by well-established players and start-ups.

| Segments (% Growth Y-o-Y) | FY 18 | FY 19 | FY 20 | FY 21 | FY 22 | FY 23 | FY24 P | FY 25 P |
|---|---|---|---|---|---|---|---|---|
| RMG (Market Size) | 5 | 6 | (2) | (24) | 23 | 14 | 9-11 | 10-12 |

- Overall RMG market is projected to cross Rs.5.4 trillion in fiscal 2024. The RMG industry's revenues are estimated to have increased by around 14% during FY23.The export market is expected to register a 1-3% de-growth in prices primarily due to projections of weak demand in the first half of the year.
- To make Indian exporters more competitive, the government announced several new schemes and extended some older schemes as well. The government announced it would include the textiles industry, MMF, and technical textiles specifically, under the Production Linked Incentive Scheme, which will not only promote the production of MMF-based garments but also provide cost competitiveness.

# Overview of buses




| Segments | FY 18 | FY 19 | FY 20 | FY 21 | FY 22 | FY 23 | FY 24 P | FY 25 P |
|---|---|---|---|---|---|---|---|---|
| No of K-12 institutions (million) | 1.56 | 1.56 | 1.65 | 1.62 | 1.6 | 1.7 | 1.7 | 1.7 |
| Gross enrolment ratio (GER) (%) | 73.4 | 73.4 | 78 | 74.5 | 74.8 | 75.1 | 75.4 | 75.7 |

- In fiscal 2024, the Indian education sector is projected to be worth INR 11,500–12,000 billion. The formal sector accounts for the greatest portion of the pie (59%), with K–12 and higher education contributing ~37% and ~23%, respectively. Given the high base of the fiscal year 2023, a moderate rise of 10-15% is anticipated for the industry in the fiscal 2024. It is anticipated that the formal and informal categories will expand at rates of 5–10% and 15-20%, respectively.

| Segments (% Growth Y-o-Y) | FY 18 | FY 19 | FY 20 | FY 21 | FY 22 | FY 23 | FY24 P | FY 25 P |
|---|---|---|---|---|---|---|---|---|
| Growth in number of IT employees | 3 | 4 | 4 | 7 | 17 | 7-9 | 1-3 | 2-5 |

- Over the medium term, from 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 5-8%, 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 | FY 24 P | FY 25 P |
|---|---|---|---|---|---|---|---|---|
| Pan India hotel rooms supply | 72028 | 75250 | 77619 | 79300 | 83415 | 94927 | 98475 | 99772 |
| Occupancy rates (%) | 65 | 65 | 64 | 31 | 50 | 69 | 73 | 75 |

- In fiscal 2024, sector is expected to witness rise in demand owing to strong corporate travel, leisure travel and MICE events coupled with International and foreign tourist arrival reaching pre-pandemic levels. In fiscal 2024, occupancy and ARR across most leisure and corporate destination likely to continue the growth momentum as fiscal 2023 and ARR and OR is expected to remain moderate in fiscal 2025

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

# Utilization to improve further

## Increase in capacity utilization level


## Player-wise capacity utilisation

| Player | Effective Capacity estimate | Production in FY24 | Capacity utilization in FY24 |
|---|---|---|---|
| Ashok Leyland | 2,22,300 | 1,97,441 | 89% |
| Tata Motors | 7,62,000 | 4,00,178 | 53% |
| Mahindra & Mahindra | 2,92,000 | 2,88,146 | 99% |
| Eicher Motors | 97,500 | 85,050 | 87% |

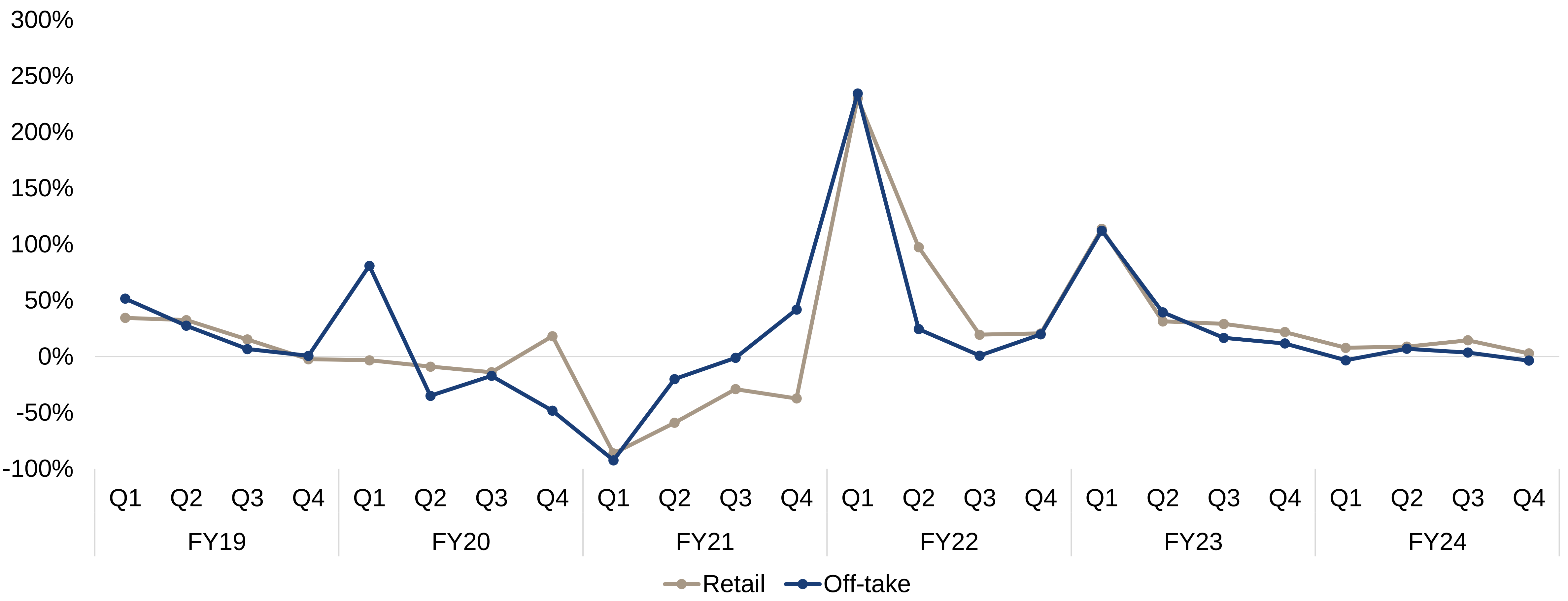
## Capacity additions

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

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

# Positive momentum in retail during Q4 of FY24

## Retail vs Off-take (on-year growth)

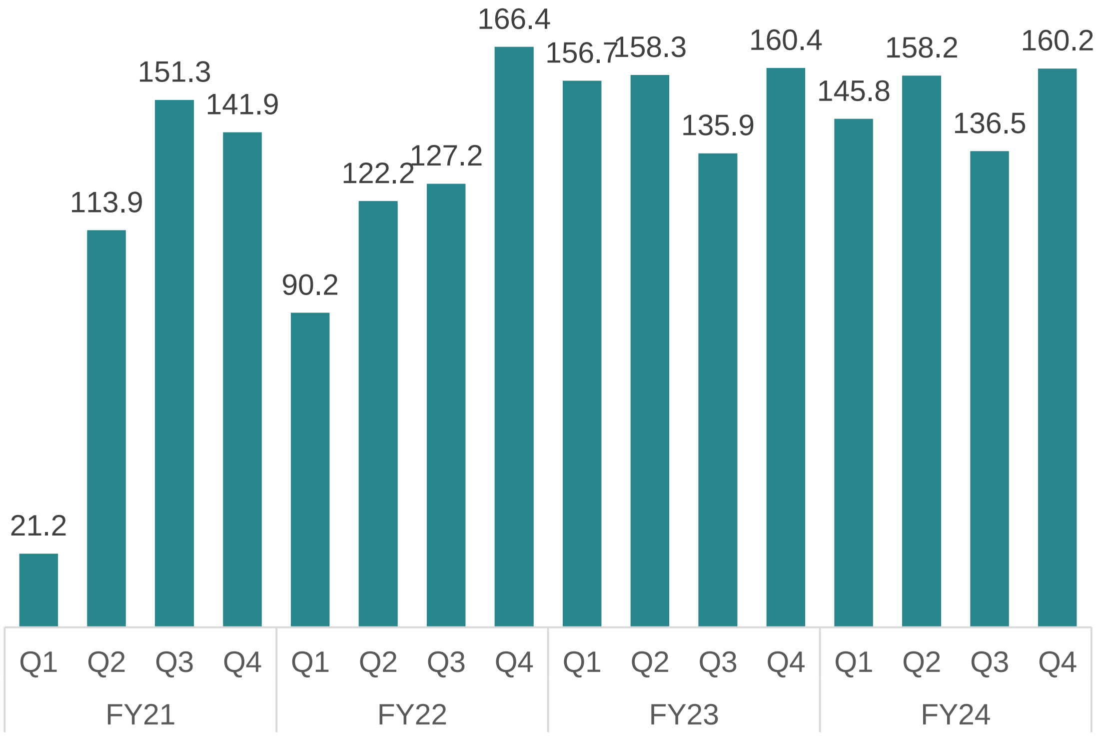




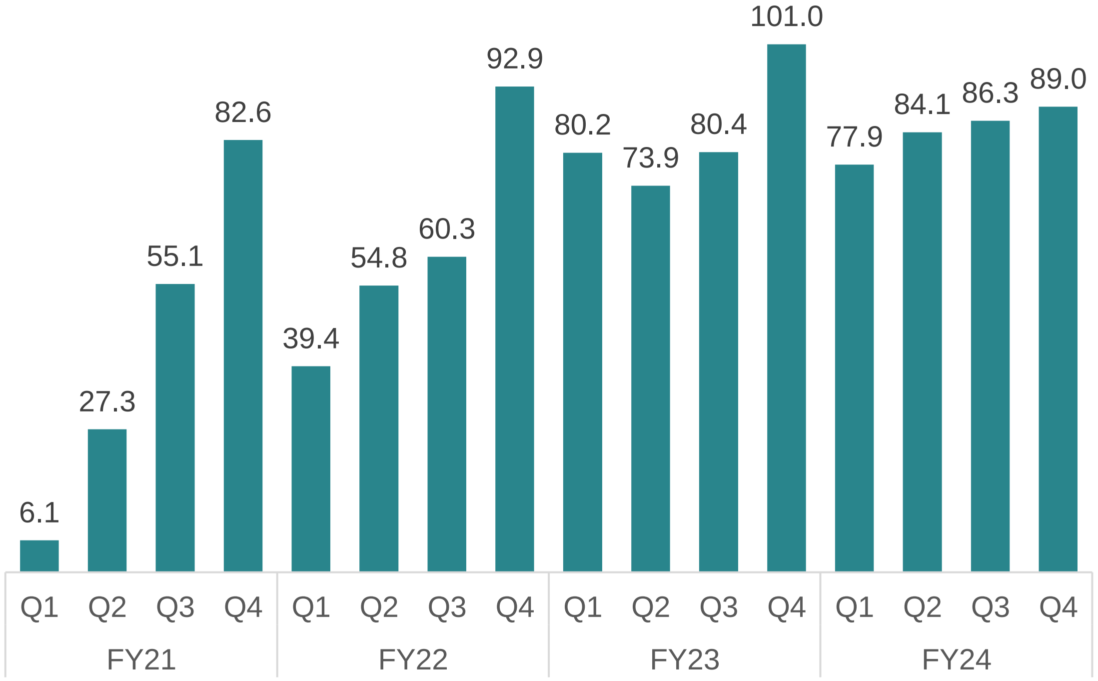

Source: SIAM, MoRTH, CRISIL MI&A

# Production of LCVs and MHCVs increased sequentially in Q4 of FY24

## LCV production levels (in thousands)




## M&HCV production levels (in thousands)



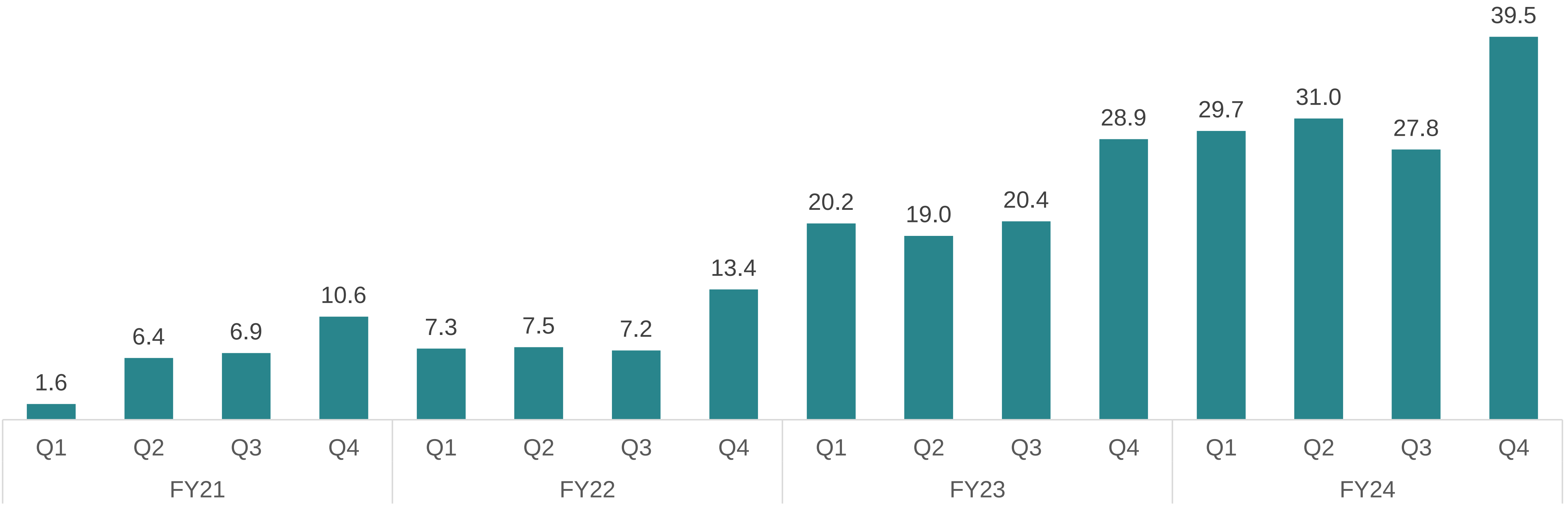

- LCV & MHCV production witnessed sequential growth in Q4
- However, on a y-o-y basis, production for LCV remained rangebound while for MHCV decreased by approx.12% on-year in Q4FY24.



*Source: SIAM, CRISIL MI&A*

# Bus production saw an increased growth in Q4 FY24

**Buses production levels (in thousands)**




- Tourism and other avenues of passenger mobility has seen return to normalcy over the last 1 year and hence the demand for buses improved during the year;
- STU procurement by means of GCC contract continued in FY24 before certain states as well as general elections come into play.
- In line with the rising demand, production also witnessed healthy growth during the year



*Source: SIAM, CRISIL MI&A*

# Domestic – Annual forecast

| Sales | Units | LCV cargo | IMHCV cargo | Buses | CV | EV Penetration |
|---|---|---|---|---|---|---|
| **FY22** | Thousands | 472 | 227 | 32 | **731** | **0.3%** |
| ***y-o-y growth*** | *%* | *19%* | *47%* | *90%* | ***29%*** | |
| **FY23** | Thousands | 559 | 320 | 81 | **960** | **0.3%** |
| ***y-o-y growth*** | *%* | *22%* | *41%* | *163%* | ***34%*** | |
| **FY24** | Thousands | *541* | *321* | *103* | ***965*** | **1%** |
| ***y-o-y growth*** | *%* | *(3)%* | *0%* | *27%* | ***1%*** | |
| **FY25E** | Thousands | *530-541* | *312-320* | *95-102* | ***945-965*** | **1.5-3%** |
| ***y-o-y growth*** | *%* | *(2)-0%* | *(1)-(3)%* | *(6)-(4)%* | ***(3)-(1)%*** | |

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

# Domestic – Quarterly forecast



| Annual | Quarter | LCV cargo | | IMHCV cargo | | Buses | | Total | |
|---|---|---|---|---|---|---|---|---|---|
| | | Sales ( '000) | *y-o-y growth* | Sales ( '000) | *y-o-y growth* | Sales ( '000) | *y-o-y growth* | Sales ( '000) | *y-o-y growth* |
| FY22 | Q1 | 73.6 | *180%* | 27.3 | *567%* | 5.4 | *389%* | 106.2 | *237%* |
| | Q2 | 108 | *3%* | 51.3 | *115%* | 6.3 | *57%* | 165.5 | *24%* |
| | Q3 | 127.6 | *(8%)* | 60.4 | *21%* | 6.9 | *67%* | 195 | *1%* |
| | Q4 | 148.9 | *19%* | 88.1 | *16%* | 12.1 | *53%* | 249 | *19%* |
| FY23 | Q1 | 136.6 | *86%* | 67.4 | *147%* | 19.1 | *255%* | 223.1 | *111%* |
| | Q2 | 141.7 | *31%* | 72 | *40%* | 17.9 | *185%* | 231.6 | *40%* |
| | Q3 | 133.3 | *4%* | 76.8 | *27%* | 15.9 | *129%* | 225.9 | *16%* |
| | Q4 | 147 | *(1)%* | 104.1 | *18%* | 27.9 | *130%* | 279 | *12%* |
| FY24 | Q1 | 123.8 | *(9)%* | 67.0 | *(1)%* | 25.2 | *32%* | 216.0 | *(3)%* |
| | Q2 | 140.7 | *(1)%* | 82.7 | *15%* | 23.8 | *33%* | 247.2 | *7%* |
| | Q3 | 134.7 | *1%* | 80.8 | *5%* | 19.2 | *21%* | 234.7 | *4%* |
| | Q4 | 141.7 | *(4)%* | 90.5 | *(13)%* | 34.5 | *23%* | 266.7 | *(4)%* |
| FY25E | Q1E | 112-115 | *(9)-(7)%* | 63-65 | *(5)-(3)%* | 28-29 | *12-14%* | 204-208 | *(5)-(3)%* |
| | Q2E | 137-141 | *(2)-0%* | 77-80 | *(6)-(4)%* | 21-22 | *(10)-(8)%* | 236-242 | *(4)-(2)%* |
| | Q3E | 134-137 | *0-2%* | 79-82 | *(2)-0%* | 19-20 | *(1)-1%* | 233-238 | *(1)-1%* |
| | Q4E | 144-147 | *2-4%* | 89-91 | *(1)-1%* | 28-29 | *(20)-(18)%* | 262-268 | *(2)-0%* |

*Source – SIAM, CRISIL MI&A*

# Domestic – Quarterly forecast



- **SCV & ULCV**: With the launch of electric power train and dual fuel, we expect sub-1 tonne segment to see some stabilization in the coming years. Demand from municipal applications for electric ace to be one of the key drivers for the sub-1 tonne segment. There is some pressure expected to be on agri output. However, it depends once there is more clarity on rabi output (harvested in April and May) and the signal on forthcoming southwest monsoons by June. A normal monsoon and easing inflation could support rural demand. Being an election year situation remains a key monitorable on the cashflows, especially on the rural side. Financing scenario continue to be below average for SCV segment with financiers still cautious of funding this category due to defaulting in payments by the customers.

- **MHCV**: MAVs have struggled lately, due to saturation in demand for these vehicles. Load availability on the infra linked commodities like steel, cement, other construction materials do not seem to be facing any challenges, however commodities like Agri-products have seen some fluctuations in demand due to lean period around last quarter owing to harvesting activities. TTs have been the biggest gainer in the market as far as demand for higher tonnage vehicles are concerned. Due to its wider capabilities ranging from carrying mining products, construction linked products and other cargo as well, they have been increasingly preferred by the customers. Pace of public investments is expected to slow as government lowers its fiscal deficit target - to be on a glide path towards a deficit of 4.5% of GDP by fiscal 2026. Sustainability of overall investment momentum, therefore, critically hinges on how quickly the private sector takes the lead in investments. Financiers are also bullish over tipper demand for the coming fiscal and expect the segment to do better with continued momentum in infra push by the government.

# Domestic – Quarterly forecast



- **Buses**: One of the significant drivers for this segment is the demand from STUs, which is currently driving the demand from buses segment. However, due to mode of conduct, that demand may get shifted to the later half of the fiscal year 2025, as awarding of new tenders shall be halted until new government forms. Q1 may see some demand from the school's side which shall keep the buses segment moving. Replacement demand is anticipated to be better for the coming quarters, as mandating of FAPS into new models have increased the prices of buses by 1-2 lacs, which is being highlighted by the customer's side. There is also an increasing demand for AC buses. Overall, demand from schools and corporates shall be the key drivers for the segment at least for the coming two quarters, whereas last two quarters shall see some significant movement from STUs side, keeping the buses industry for the coming fiscal on the move.

# Stakeholder interactions



## Transporters

***Utilization levels***

- Utilisation levels have remained stable for commodities like parcel/loose goods, auto-carriers; whereas they have improved for cement and steel due to rapid pace in execution of infrastructure projects in the last quarter.
- Agri movement saw some fluctuations in utilisation capacities due to pre-harvesting preparations by farmers that kept the commodity movement subpar

***Freight rates***

- Freight rates have remained stable over the last quarter for almost all the commodities' movement. Now with summers round the corner, movement of electronics appliances like Acs, refrigerator shall be significant thus driving FMCD demand.
- Infra linked commodities like cement and steel have seen stable to moderate improvement in freight rates over the last quarter owing to infra push by the government side.
- Agri sentiments have been average leading to fluctuating rates for agri-products movement whereas auto-carriers movement has also seen some fluctuations over the last quarter, as few categories struggle to maintain growth momentum.
- Mining activities have been stable across major mining belts..

## Dealers & OEMs

***Demand Story***

- Sub-one tonne segment have started to adapt to the increasing competition by OEMs in the segment, affecting the legacy of Tata Ace. Pik-ups faced some challenges in the last quarter from the demand side with numbers registering y-o-y de-growth. One of the reason for that was partial revival in demand from the sub-one category and some challenges from the E-com sector's demand.
- Stable demand from end use segments like FMCG/FMCD, e-commerce has kept the growth momentum steady for LCV segment.
- ICV and MCV segment continue to be favorites for mid-mile deliveries. There is increased competition in this space with launches in alternate fuels like CNG, which has kept the customers busy with exploring more options depending upon their nature of business. Close categorisation between ICV and MCV has split the demand amongst the two, however both combined continue to fetch stable demand from the market. Financiers also highlighted positive outlook on the repayment of loans for this segment.
- MAVs struggle in the last quarter of fiscal 2024 as the market hints at the saturation of demand for this segment. Also, TTs continue to eat into the market share of MAVs, thus affecting MAV sales. Market acceptance for wider applications for TTs and not just a construction transportation vehicle has been a driver for TTs sales in the past few months.
- Stable mining activities and considerable infra push from the government has kept the tipper demand steady over the last quarter. However, coming two quarters shall see a slowdown in demand for tippers due to elections followed by monsoon; but overall outlook for the year looks positive with OEMs hinting at a stable to moderate scenario for last two quarter of fiscal 2025

## Financier

***LTVs and participation levels***

- Though the overall scenario for financing Commercial Vehicles has improved for categories like M&HCV and LCV; SCVs still struggle to give that confidence to the financiers over non-defaulting. However, there are some delays in payments by higher tonnage segments which has kept financiers on the edge.
- Discounts on certain categories by OEMs continue to throttle financiers' confidence, as they ask for minimal or more reduced discounts especially for vehicles above LCV segment where value appreciation is greater.
- LTVs for segments like LCVs, ICVs and MCVs continue to be above 90+ as demand scenarios for all these categories have gotten better due to improvement in end use applications like e-commerce and FMCG/FMCD.
- Financing scenario in states like Delhi, Punjab, Western Maharashtra, Tamil Nadu, Andhra Pradesh have been under stress; whereas that in Uttar Pradesh, West Bengal, Orissa, Jharkhand, and Bihar has been better owing to improved mining scenario contributing to rise in tippers demand.
- The awarding of new tenders shall see a momentary halt due to the modal code of conduct resulting in muted demand for new vehicles in Q1. However, execution of projects whose awarding have happened before March, may continue to keep the demand scenario going in the coming quarter till new government takes the hold.

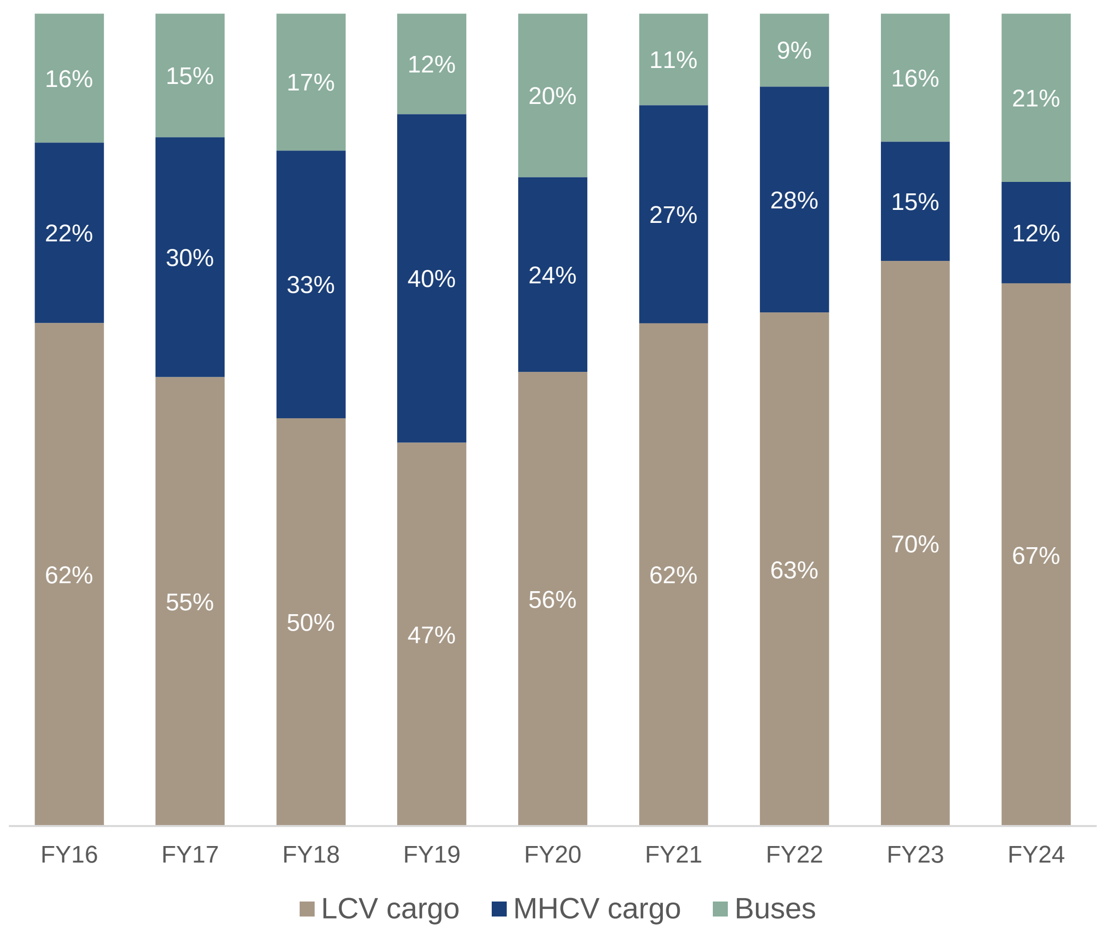
*Source – Industry, CRISIL MI&A*

# Commercial vehicle exports

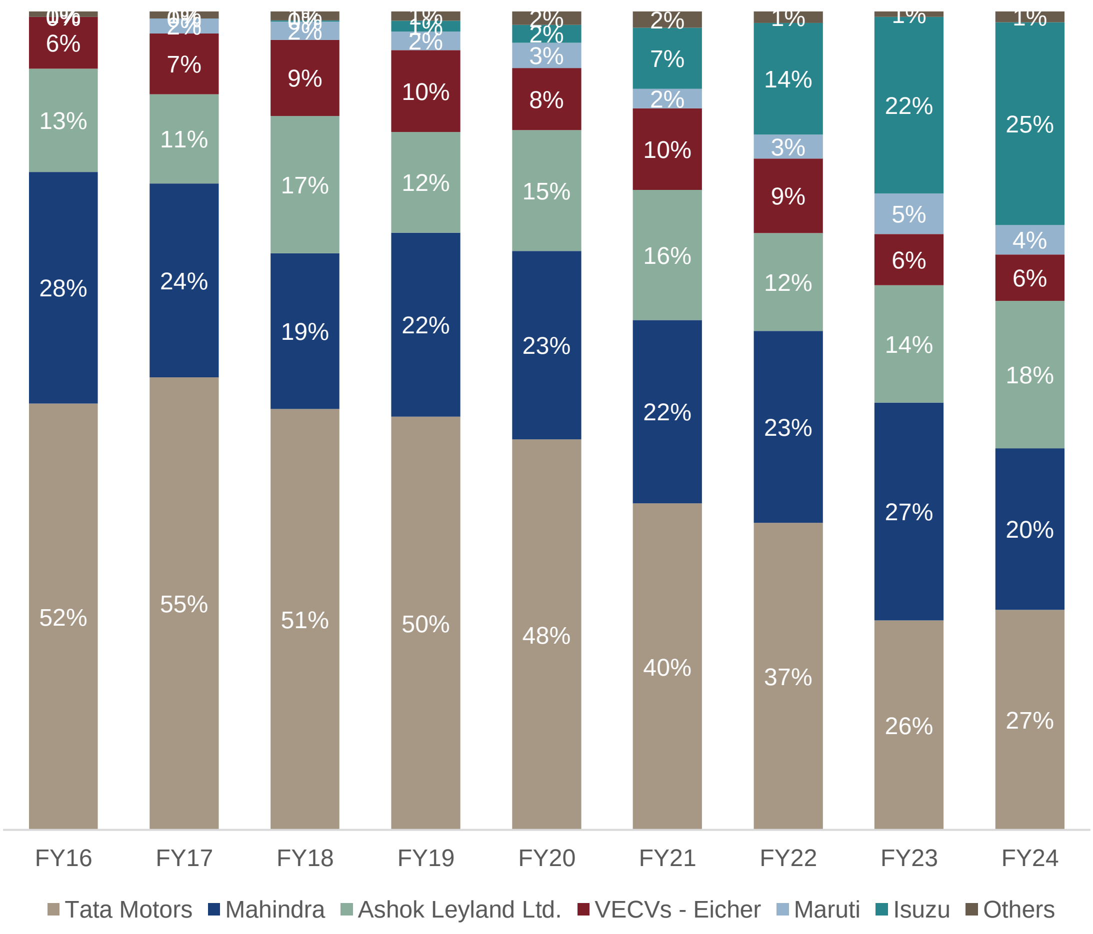
# Share of Buses on an uptrend



## LCV occupies more than ~2/3rd share



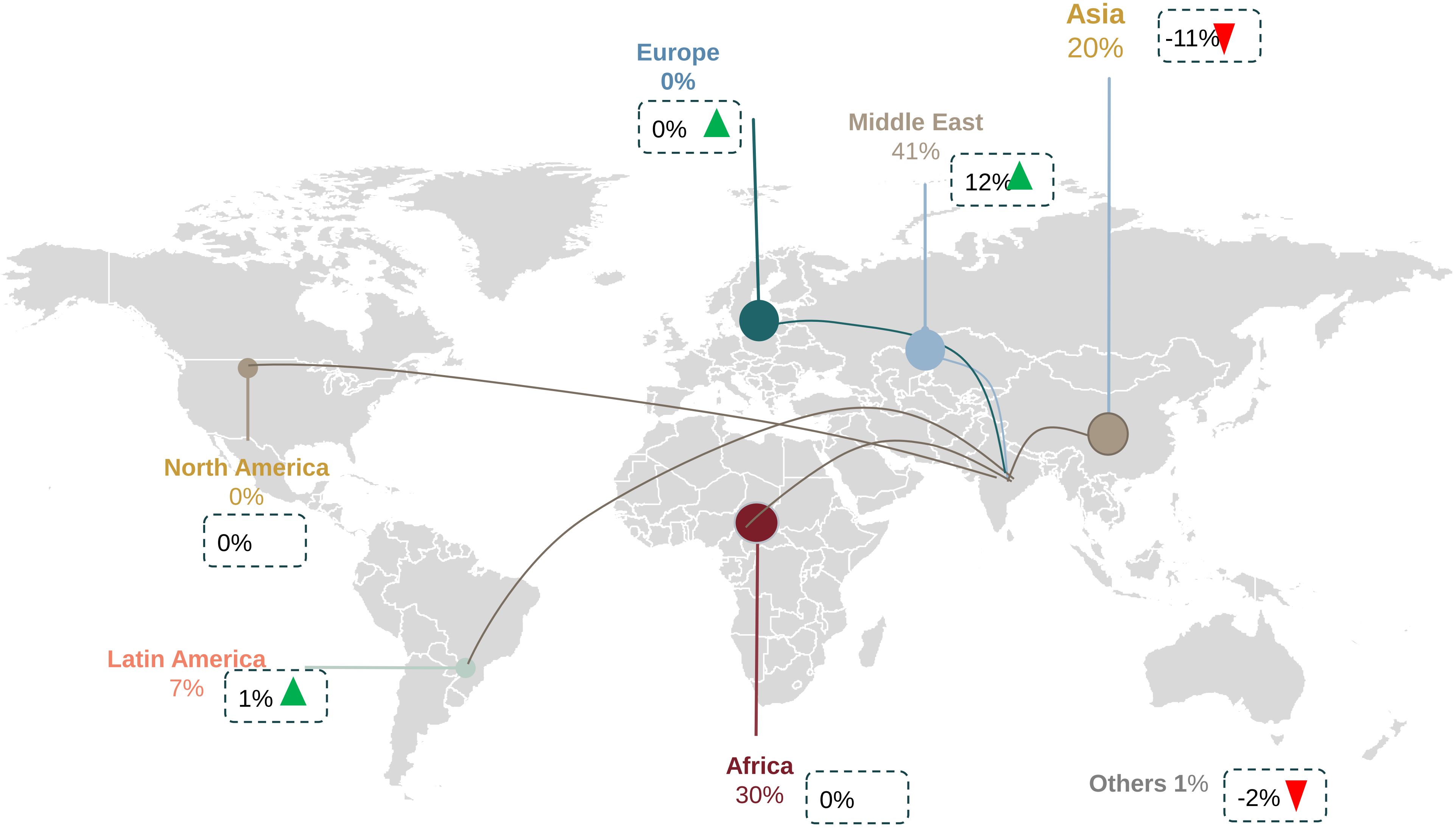

## Share of Isuzu continued to grow






*Source: SIAM, CRISIL MI&A*

# Commercial vehicles exports



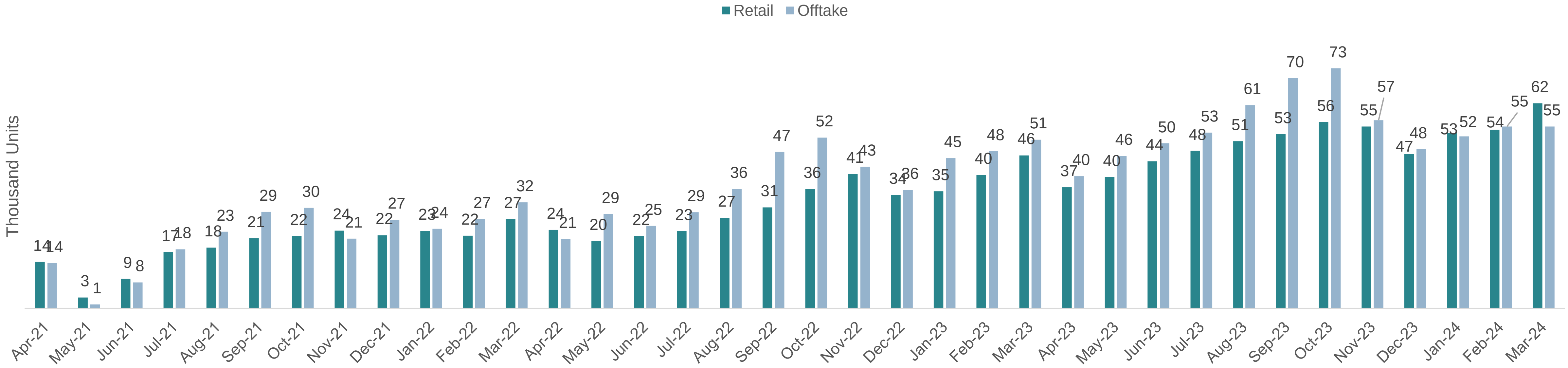

- CV exports have been under pressure in FY24 amidst the slowdown in exporting countries, unavailability of FOREX as well as limited retail financing.
- Saudi Arabia has taken the lead in recent times.
- Asia has lost share amidst the slowdown in demand from neighbouring countries of Bangladesh, Nepal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

*Note: Represents share of exports for FY24 (Apr-Jan), % in dotted boxes indicates change in market share from FY23 to FY24*
*Source: DGFT, CRISIL MI&A*

# Three-wheelers

# On year growth in retails and offtake on the back of improved demand

## Gradual improvement in retails




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

- Industry witnessed 39% growth in retail during Q4 y-o-y. while offtakes clocked 10% y-o-y growth
- Major contributor, passenger segment grew at 10% y-o-y while goods segment rose at a faster pace with 13% in Q4 FY24 y-o-y owing to last mile connectivity demand.
- Retail grew by 36% in March y-o-y due to continued healthy momentum supported by increased demand for CNG, new launches in EV and strong market sentiments.
- Compared to last year, retails as well as offtake witnessed growth.
- E auto retails also saw healthy traction, with improved supply and continued subsidy support
- Normal ~20 days inventory with dealers at the end of Q4

# Domestic – Annual forecast

| Sales | Units | Passenger | Goods | Total | EV penetration |
|---|---|---|---|---|---|
| **FY21** | ‘000 | 133 | 84 | **217** | **1%** |
| ***y-o-y growth*** | *%* | *-75%* | *-24%* | ***-66%*** | |
| **FY22** | ‘000 | 178 | 83 | **260** | **4%** |
| ***y-o-y growth*** | *%* | *34%* | *-1%* | ***20%*** | |
| **FY23** | ‘000 | 376 | 113 | **489** | **6%** |
| ***y-o-y growth*** | *%* | *112%* | *37%* | ***88%*** | |
| **FY24** | ‘000 | 614 | 143 | **757** | **13%** |
| ***y-o-y growth*** | *%* | *63%* | *26%* | ***55%*** | |
| **FY25E** | ‘000 | 740-750 | 168-178 | **915-925** | **19-21%** |
| ***y-o-y growth*** | *%* | *21-23%* | *20-22%* | ***21-23%*** | |

*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% |
| FY24 | Q1 | 123 | 132% | 28 | 14% | 150 | 95% |
| | Q2 | 171 | 82% | 35 | 43% | 207 | 74% |
| | Q3 | 167 | 55% | 36 | 17% | 203 | 46% |
| | Q4 | 153 | 26% | 43 | 30% | 196 | 27% |
| FY25E | Q1 E | 165-170 | 36-38% | 42-44 | 55-57% | 210-215 | 39-41% |
| | Q2 E | 185-190 | 9-11% | 43-45 | 24-26% | 230-235 | 11-13% |
| | Q3 E | 185-195 | 12-14% | 42-44 | 18-20% | 230-235 | 13-15% |
| | Q4 E | 195-205 | 30-32% | 43-45 | 0-2% | 242-247 | 24-26% |



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

# Domestic – Quarterly forecast

- Three-wheeler industry witnessed a healthy growth of 55% in FY24,  with the larger passenger segment clocking a 63% growth and goods segment witnessing a 26% growth
- E auto retails provided a sizeable push to the industry during the year. EV retails nearly tripled with rising demand and improved supply.
- Overall industry growth is expected to continue in FY25 albeit at a slower pace
- Post the pandemic hiatus, industry has bounced back in the next two year, a moderate growth is now expected going ahead
- The goods segment growth will be led by continued traction in end use sectors of FMCG, E retail, construction
- While last mile connectivity as well as replacement demand to push the PV segment
- Improved availability and rising traction to back EV growth in FY25
- Festive built up is expected to provide an added push during Q2 & Q3

# Stakeholder interactions



## OEMs

- FY24 witnessed healthy growth.
- Passenger segment growth drove industry growth in FY24
- FY25 to see moderation from the high base
- Market is stabilizing after sizeable growth witnessed in the last 2 years
- Gradual growth estimated for goods segment
- Passenger segment growth to moderate further
- Replacement demand to primarily support passenger segment growth
- CNG variant demand aiding ICE segment
- EVs to see further growth, supply to improve

## Dealers

- Retails improved in Q4 from Dec levels
- Continued traction for CNG models
- E autos receiving favourable customer demand
- Supply of E autos improved further aiding retails during Q4
- E-auto has shown significant growth in March as the amount of subsidy going to be reduced in coming months.
- E-cargo retail accelerated by increased in demand for FMCG,E-retail and last mile connectivity
- Goods segment witnessed growth momentum on the back of increased demand for last mile connectivity.
- Passenger segment demand remained muted
- Stock of 20 days with dealers
- Positive momentum is expected to be continued next year
- E autos to see faster growth

## Financier

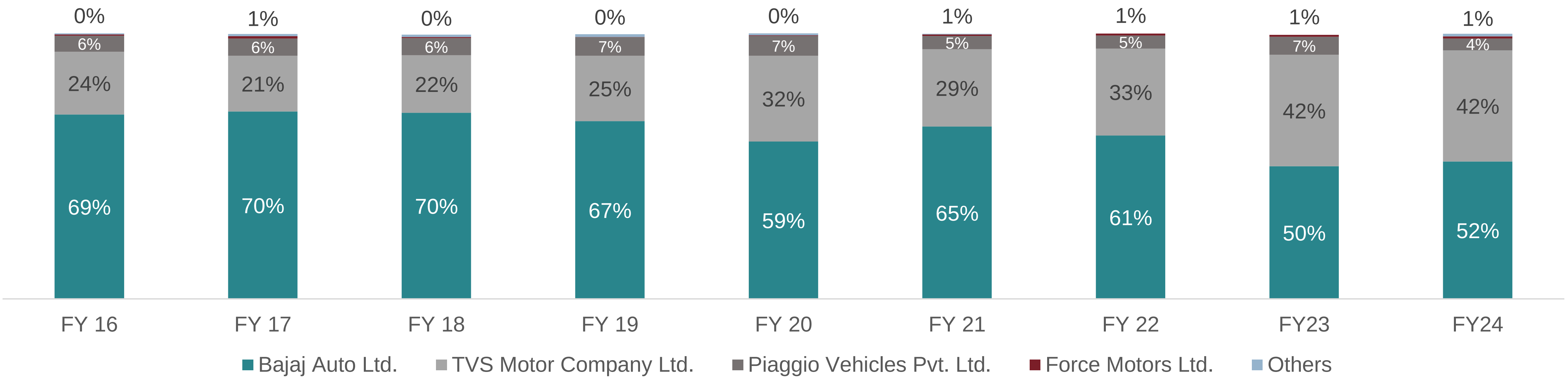
- Continued increase in disbursements with rising retails
- Aggressive financing by the financers: LTV in the range of 95-100
- Stance to remain accommodative going ahead
- No further interest rate hike expected with stable repo rate

*Source – Industry, CRISIL MI&A*

# Three-wheeler exports

# Sharp decline in 3W Exports in FY24

## Bajaj continue to lead the segment

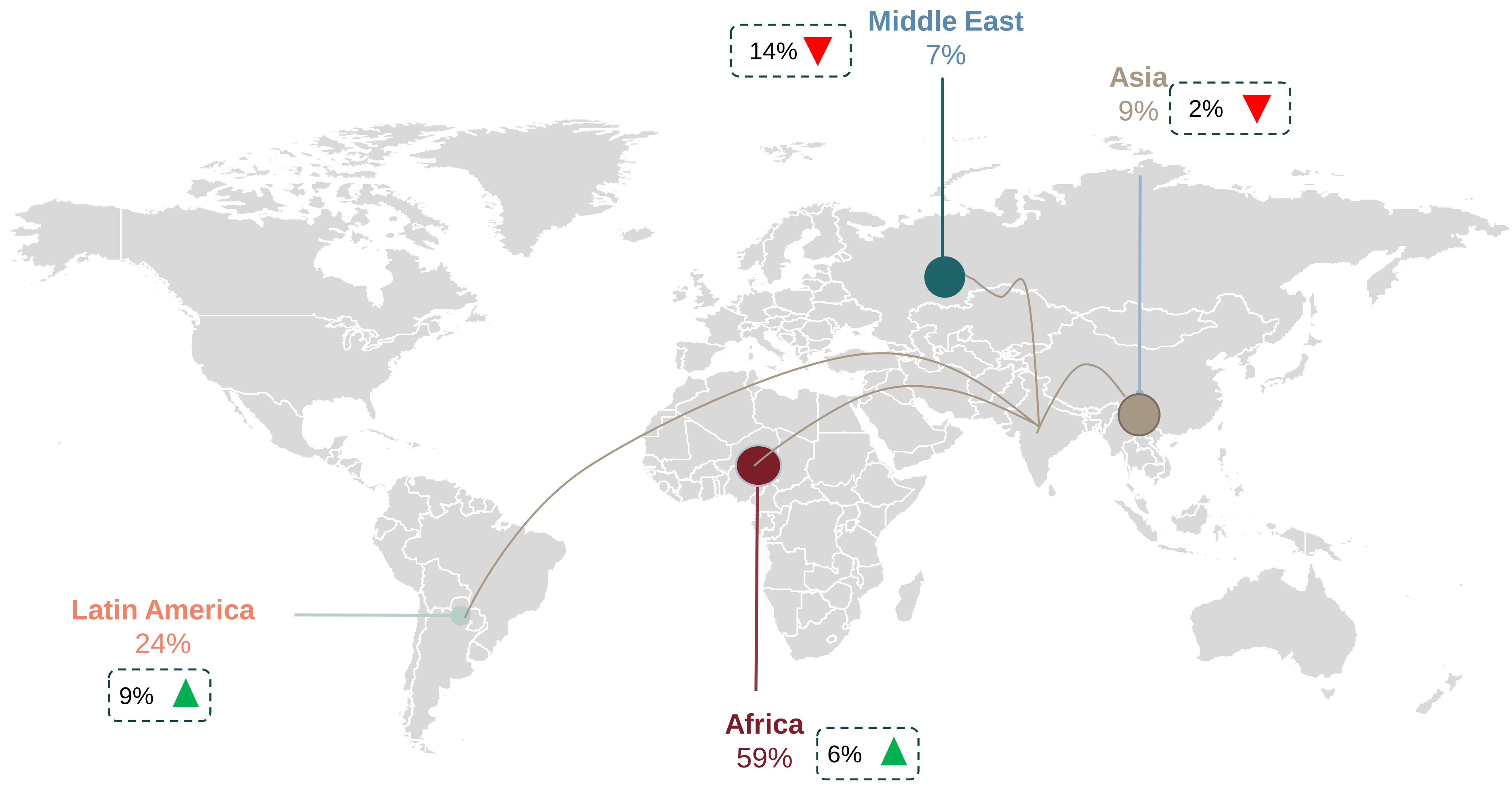



*Source: SIAM, CRISIL MI&A*

- FY24 witnessed a sharp 18% drop in exports
- The larger passenger segment contracted 18% y-o-y and cargo segment dropped by 13% y-o-y in FY24.
- Bajaj maintained its lead in the market, Piaggio lost some ground to Bajaj.
- TVS maintained its share of 42% in FY24.

# Three-wheeler exports






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

***Note: : Represents share of volume data for Apr-Jan FY 24 exports, % in dotted boxes indicates change in market share from FY23***
*Source: DGFT, CRISIL MI&A*

# Tractors

# Tractor demand expected to grow marginally in FY25

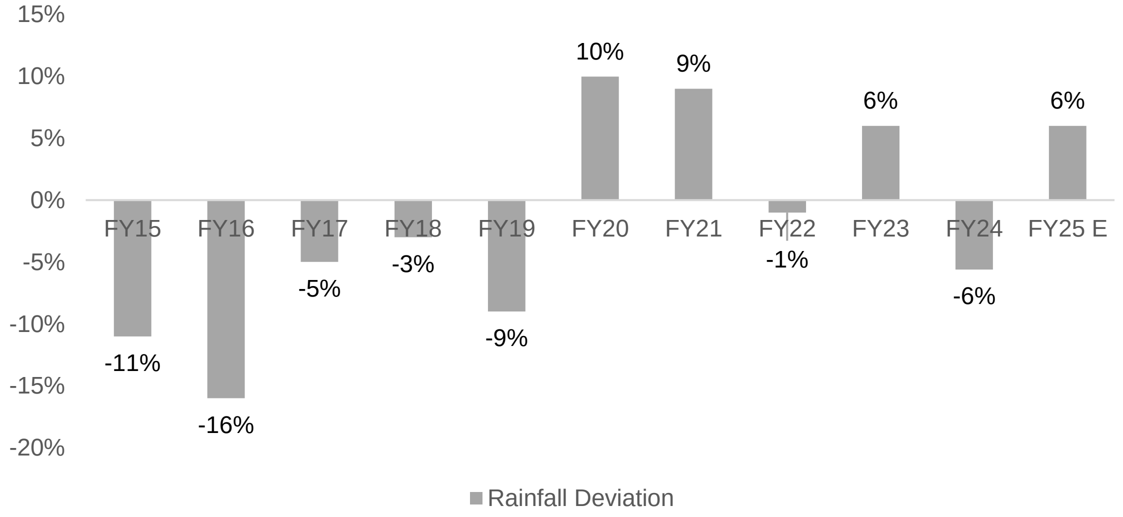
| Parameters | Impact | | | |
|---|---|---|---|---|
| | FY 22 | FY23 | FY24 | FY25E |
| **Farm Income**** | Neutral | Favorable | Neutral | Favorable |
| -- Crop Prices | Favorable | Favorable | Neutral | Neutral |
| -- Crop Output | Favorable | Favorable | Neutral | Favorable |
| -- Kharif Output | Neutral | Favorable | Neutral | Favorable |
| -- Rabi Output | Favorable | Neutral | Neutral | Favorable |
| **Demand Indicators** | Neutral | Neutral | Neutral | Favorable |
| -- Infrastructure Development | Neutral | Favorable | Favorable | Favorable |
| -- Sand Mining | Neutral | Neutral | Neutral | Neutral |
| **Supply side variables & financing** | Favorable | Favorable | Favorable | Favorable |
| -- Finance Availability | Neutral | Neutral | Favorable | Favorable |
| -- Channel Inventory | Not Favorable | Not Favorable | Neutral | Neutral |
| -- Player Action | Not Favorable | Favorable | Neutral | Neutral |

Favorable
Neutral
Not Favorable

*NOTE : ** FY25 assumed neutral assuming normal monsoon,*
*Source: CRISIL MI&A*

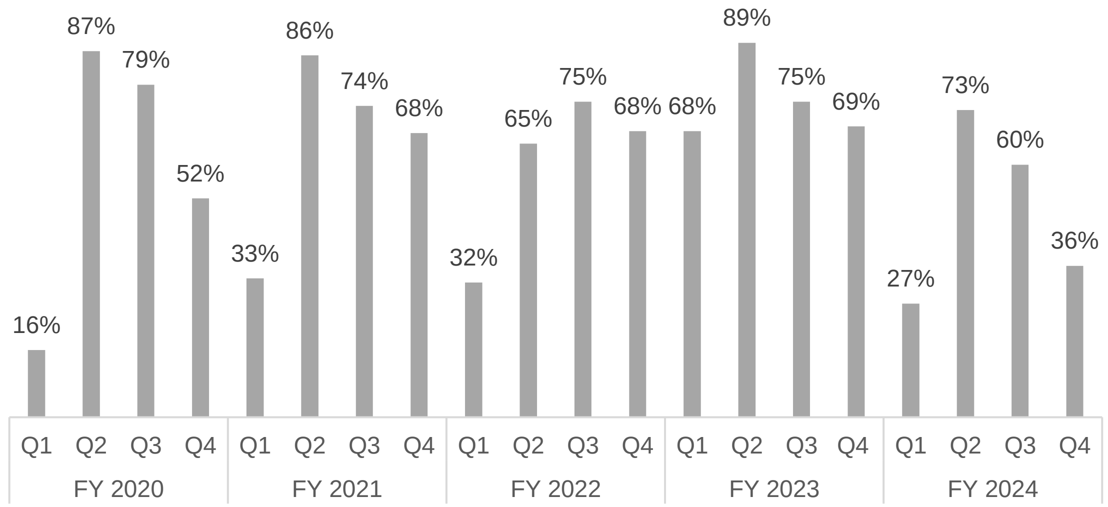
# Normal monsoon expected in FY25, reservoir levels remain low

## Deficient rains during FY24




*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 lowered down

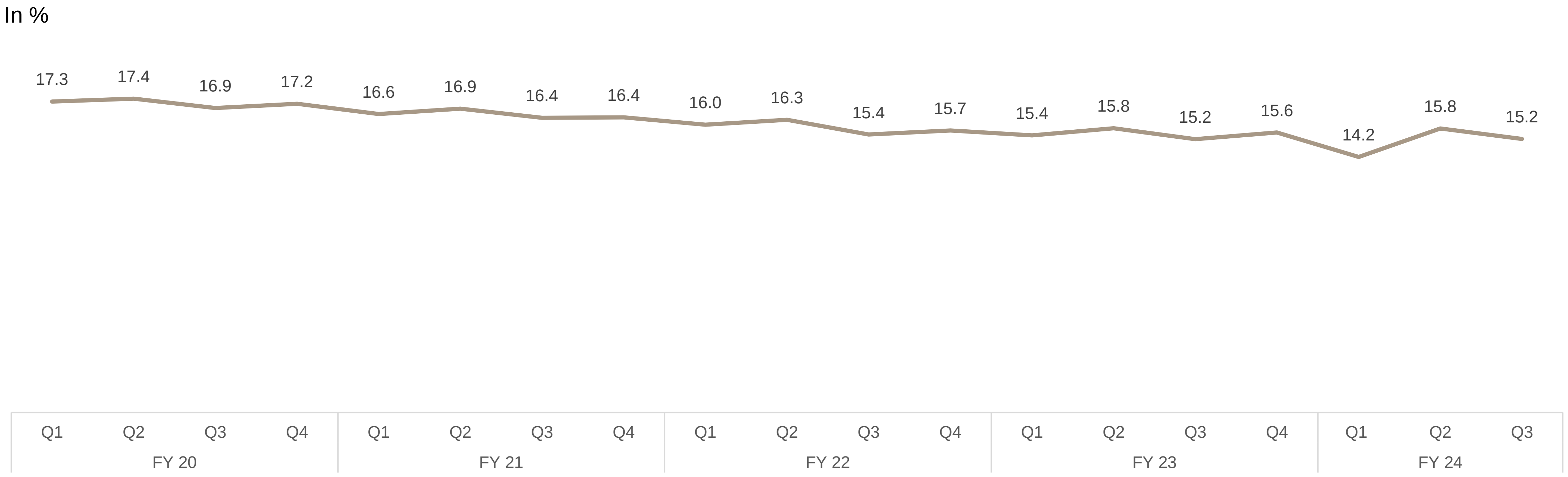



*Notes: Storage Status of 143 Reservoirs of the Country*

- Reservoir levels have tapered in Q4 due to delayed and erratic monsoons during the year, especially in the southern states.
- Rabi harvesting activities have started in majorly all the states; although, harvesting was slightly delayed due to postponement in kharif harvesting activities.
- Sown area under Rabi crops, majorly paddy, has declined especially in southern states like Andhra Pradesh, Telangana, Karnataka and Tamil Nadu.
- Overall Rabi outlook is expected to be average due to lower reservoir levels
- In FY25, IMD has predicted normal monsoons

# Cautious funding in Q4

## Interest Rates trend

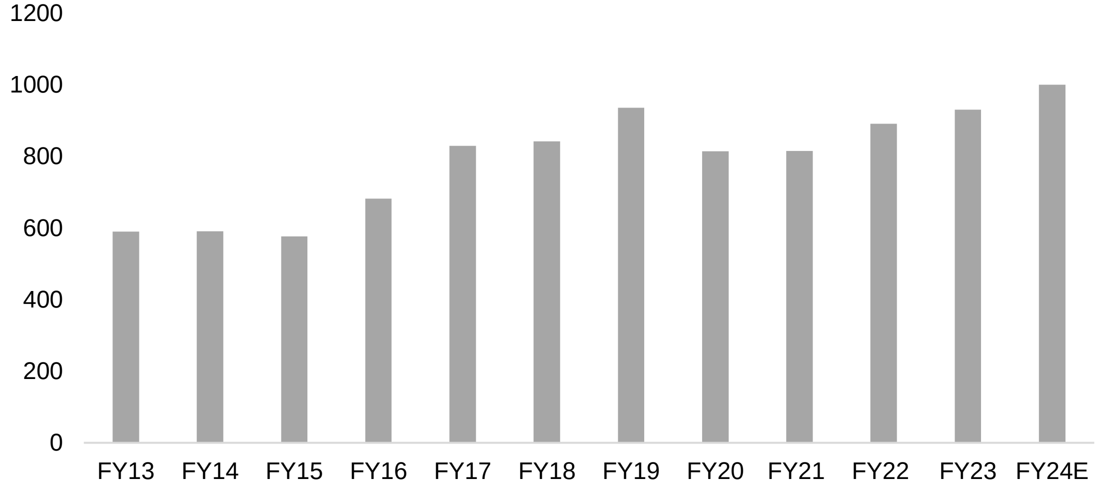



*Note: Q4 rates are not yet available*
*Source: CRISIL MI&A*

- Financers were little cautious during Q4, especially in Southern states amidst increased delinquency levels
- Some improvement is expected going forward
- LTVs are expected to remain healthy
- The entry of private financiers over the past few years has increased finance availability for the tractor industry

# Continued support from irrigation

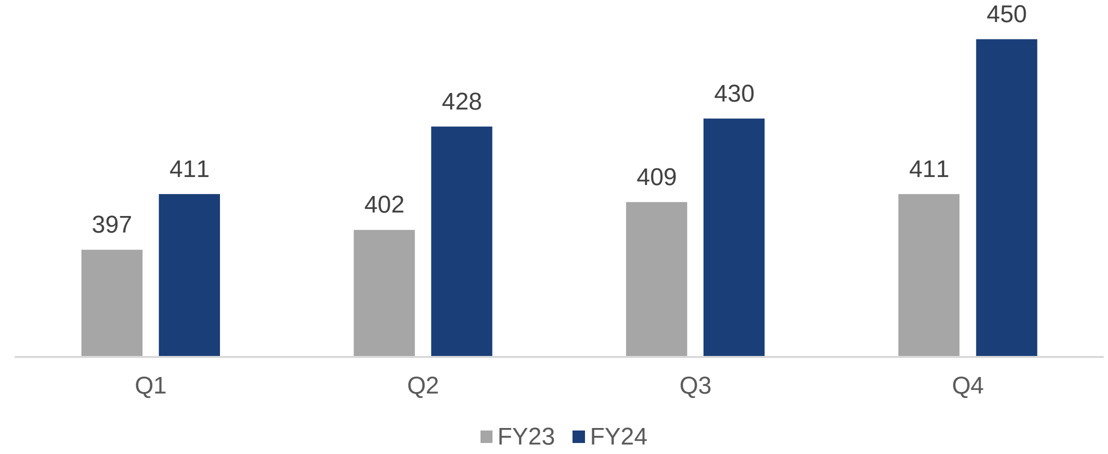
## Irrigation spending is expected to increase




Irrigation Investments (In RS Billion)

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

## Daily Rural Wage increased in Q1, Q2 and Q3 FY24

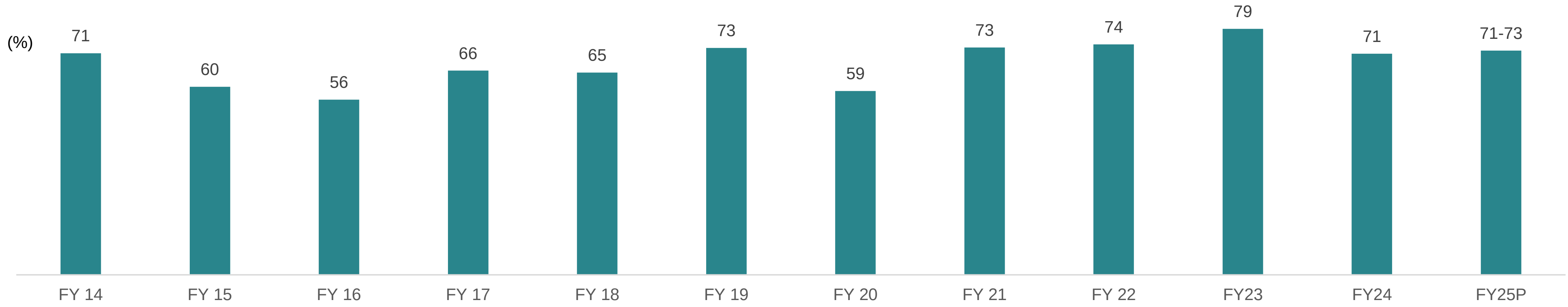



*Note: Data for Q1 FY24 is not available, considered same as Q4 FY23.*
*For Q4 FY24, data for January is taken.*
*Rural wages includes general non-agricultural labour.*
*Source: Labour Bureau, CRISIL MI&A*

- Irrigation investments have risen considerably in past 10 years, resulting in a consistent increase in irrigation intensity. This, in turn, has aided cropping intensity and has led to higher and stable farm incomes over the period.
- Estimated irrigation spending of Rs 1000 billion was 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 450 per day witnessing a growth of 9% as compared to last year.

# Utilization witnessed contraction in FY24 and will grow marginally in FY25

## Capacity utilization trend




*E: Estimated*
*Source: CRISIL MI&A*

- In fiscal 2023, capacity utilization of the industry rose to 79% with 12% increase in domestic demand.
- In fiscal 2024, the utilization fell to 71% due to capacity addition by Swaraj coupled with decline in volumes on account of lower domestic as well as export sales.
- In fiscal 2025, with limited growth in volumes, only moderate improvement in capacity utilization is expected

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



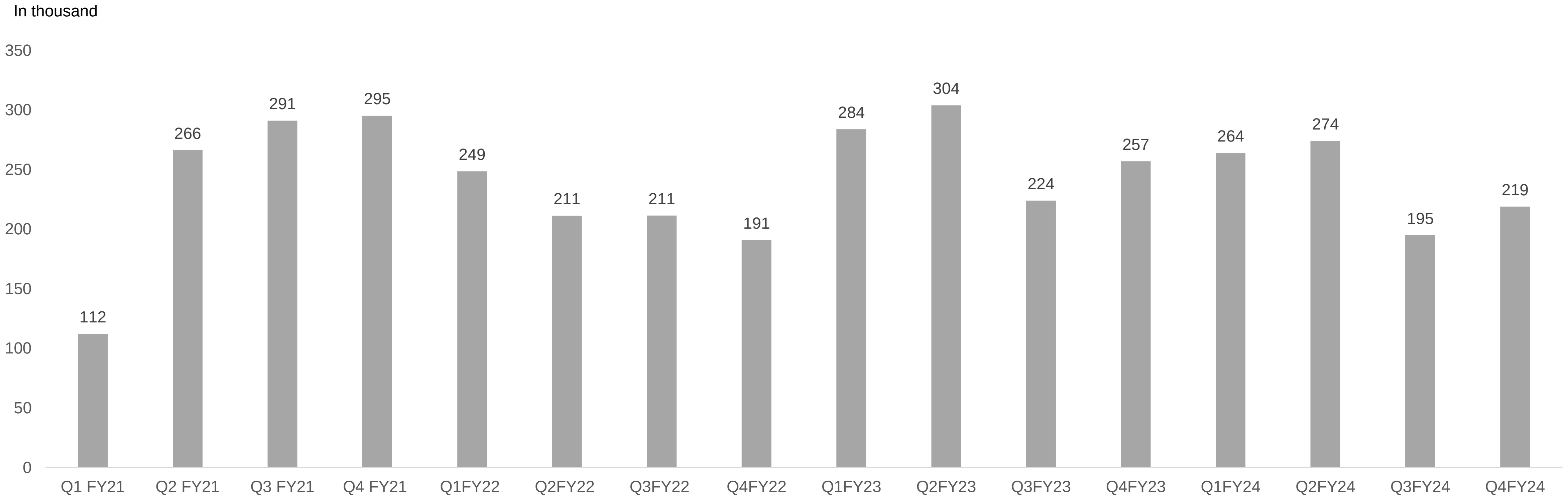
| Emission standard stage | Engine Power | Market share | Date | CO | HC+Nox | PM |
|---|---|---|---|---|---|---|
| | *HP* | | | *g/kWh* | | |
| Trem Stage III A | 11 to 25HP | 9% | 1st April 2010 | 5.5 | 8.5 | 0.8 |
| | 25 to 50HP | 84% | 1st April 2010 | 5.5 | 7.5 | 0.6 |
| | 50 to 75 HP | 7% | 1st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

*Source: Industry, CRISIL MI&A*

- TREM IV norms are applicable only on 50HP and above tractor segment forming ~7% of domestic sales, thus we expect limited impact on tractor industry.
- Although major technological changes are available with OEMs, the pass through of the incremental cost, related to the technological changes, to the farmers is likely to be a challenge, given the price sensitive nature of the farming community.
- With TREM IV norms application, share of more than 51 hp tractors at an all-time low in fiscal 2024 with average share of last 20 years
- John Deere, Mahindra and Sonalika accounts for about 66% in more than 51 hp tractors in the domestic market.

# Production levels are 15% higher on-year in Q4

## Production Levels




*Source: CRISIL MI&A*

- Q4 Production levels have registered a growth of 12% sequentially and a growth of 15% on y-o-y basis
- Production increased from a lowered base of Q3 FY24 when stock correction was done by the industry

# Domestic – Annual & Quarterly forecast

| | Units | Sales |
|---|---|---|
| **FY22** | Millions | 0.84 |
| *y-o-y growth* | *%* | *(6)%* |
| **FY23** | Millions | 0.94 |
| *y-o-y growth* | *%* | *12%* |
| **FY24** | Millions | 0.88 |
| *y-o-y growth* | *%* | *-7.4%* |
| **FY25 E** | Millions | 0.88-0.90 |
| *y-o-y growth* | *%* | *1-3%* |

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

| Fiscal | Quarter | Tractors | |
|---|---|---|---|
| | | Sales ( '000) | *y-o-y growth* |
| **FY22** | **Q3** | 223 | *-13%* |
| | **Q4** | 177 | *-25%* |
| **FY23** | **Q1** | 266 | *16%* |
| | **Q2** | 222 | *4.8%* |
| | **Q3** | 247 | *11%* |
| | **Q4** | 211 | *19%* |
| **FY24** | **Q1** | 261 | *-1.9%* |
| | **Q2** | 209 | *-5.8%* |
| | **Q3** | 235 | *-4.9%* |
| | **Q4** | 171 | *(19)%* |
| **FY25 E** | **Q1 E** | 240-245 | *(8)-(6)%* |
| | **Q2 E** | 200-210 | *(3)-(1)%* |
| | **Q3 P** | 240-250 | *4-6%* |
| | **Q4 P** | 190-200 | *14-16%* |

- Off the elevated base of FY23, domestic tractor demand contracted by 7.4% in FY24 amid negative farmer sentiments amidst the unfavourable monsoon witnessed during the year. India has received below normal monsoon in the FY24. Moreover, rains were uneven throughout the country as majorly northern states faced floods due to excess rainfall with farmers fearing the crop damage, whereas southern states faced drought like situations due to rainfall deficit leading to delay in kharif sowing and thus delay in harvesting activities. In Q3 Southern states, especially Tamil Nadu were affected by cyclone affecting the farm activities.
- In FY25 only moderate growth is expected assuming normal monsoon season and healthy replacement demand.
- Commercial demand is expected to be slow with ban on mining activity by various state government.
- Demand for lower hp tractors to cater to the small and marginal farms is expected to be relatively better.

# Stakeholder interactions



## OEMs

- Uneven rainfall distribution with monsoon 6% below normal levels impacted the tractor industry in fiscal 24. Overall sentiments currently are moderate in most of the states.
- Rabi crop sowing completed in Q3 in majority of the states. Outlook for rabi crops is average while southern states of India witnessed a drop in sowing area due to reduced water availability for rabi season.
- Moderate cash flow availability as Rabi – crops harvesting started and will move to mandis in 15-20 days.
- In Q1 of fiscal 25 demand might be impacted due to general elections.
- 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.
- Only marginal improvement is expected for FY25

## Dealers

- In Q4 momentum was average, demand was below expectations.
- Crop prices are good, but yield is impacted this season as in many regions water availability was not good due to delayed monsoon and low reservoir levels.
- Cash flow currently in the industry is average while once the harvesting of Rabi Crop is done, payments will start coming in.
- 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 was increased, hence the farm cash flows was expected to be better but marginal decrease in sown area and yield impacted cash flow to an extent.

## Financier

- In Q4 financers were cautious and focused on collections.
- LTVs declined marginally in Q4, however, are expected to improve in FY25.
- Non-performing assets are higher in public banks as compared with private banks and NBFCs.
- Financing situation in certain states like Andhra Pradesh and Telangana are worrisome with rising NPA levels and is a key monitorable in the coming months as funding levels could be significantly impacted.
- However, In FY25 overall availability of finance is expected to be better.

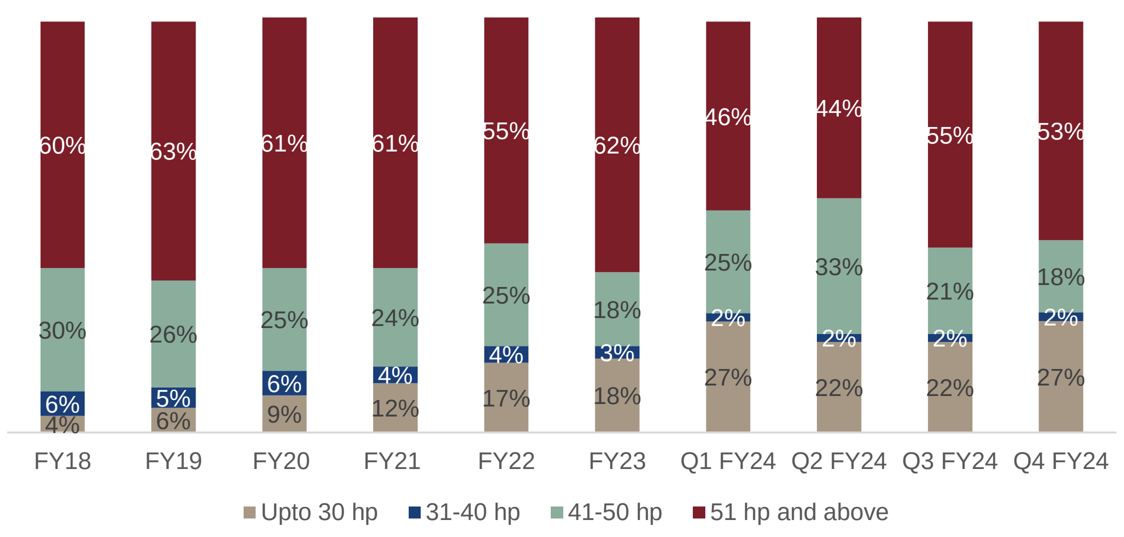


*Source – Industry, CRISIL MI&A*

# Tractor exports

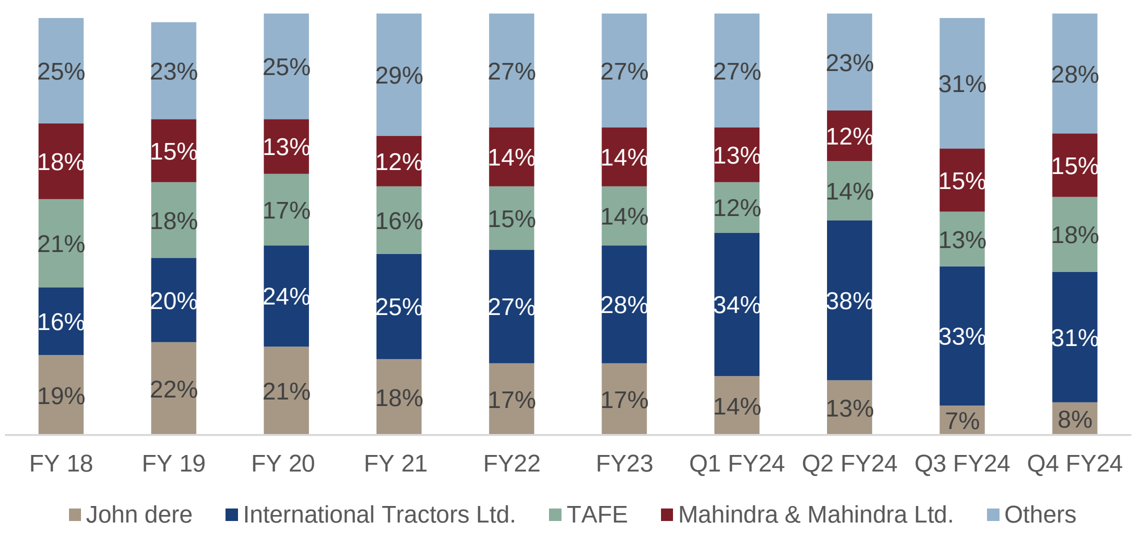
# Exports remained under pressure in FY24

## Segment wise market share of exports




*Source: CRISIL MI&A*

## Player wise market share of exports

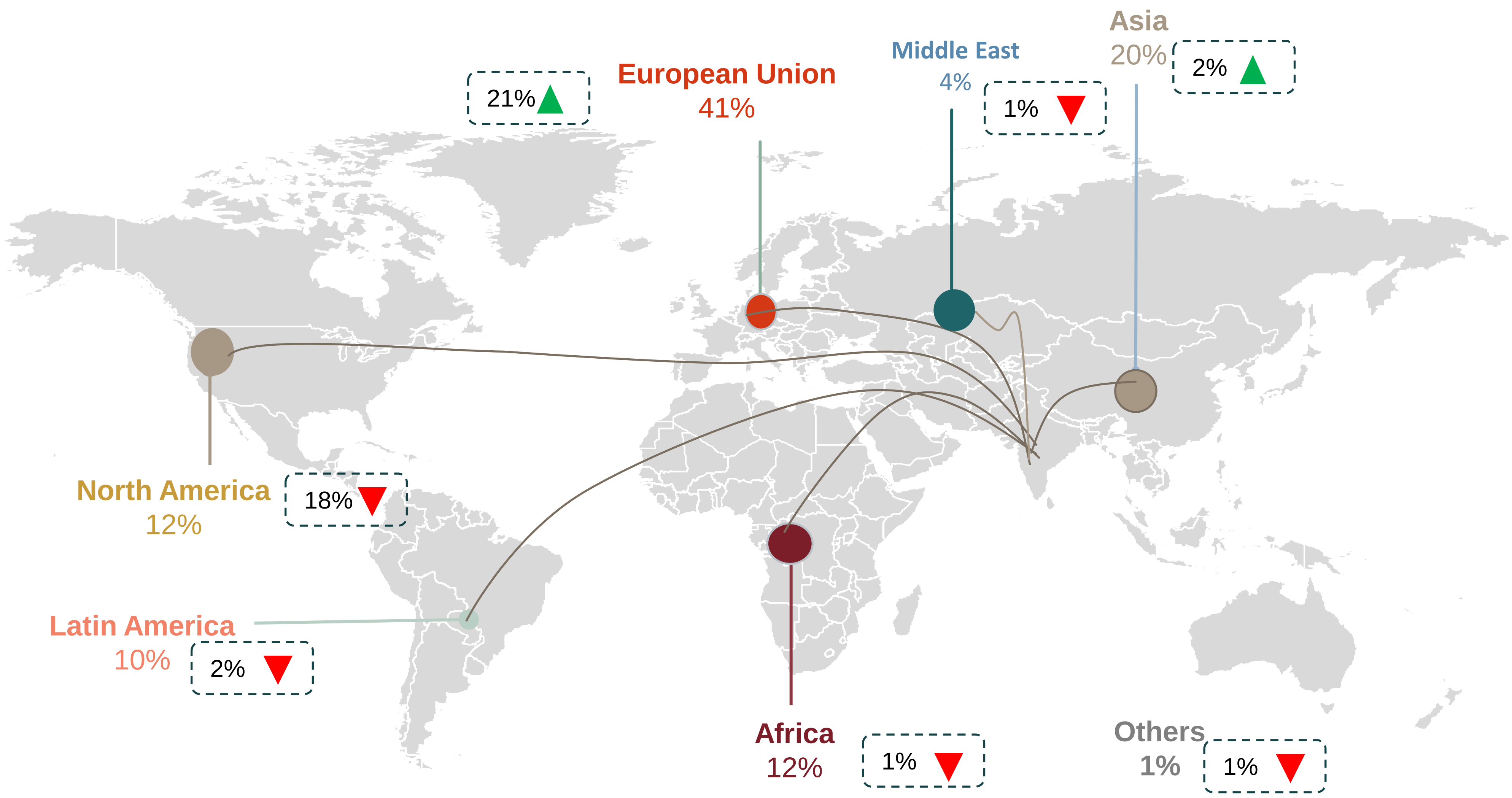



*Source: CRISIL MI&A*

- FY24 exports dropped 21% y-o-y on account of global economic slowdown.
- However, during Q4FY24, exports witnessed a 7% growth from a low base
- Share of 51 hp and above tractors dropped by 2% while share of tractors of 41-50 hp dropped by 3% during Q4
- Mahindra’s share contracted 3% in overall exports in Q4, while TAFE’s share expanded 5%.
- India has been emerging as an export hub for relatively smaller tractors. The share of up to 30 hp tractors has been on the rise and is about 27% in Q4 FY24, while 51 hp & above segment maintains its leadership with a share of 53%.

# Tractor Exports






- Reduced demand from USA impacted exports to North America
- Increased support from Germany backed share expansion for European Union.
- In FY24 marginal increase in export to Bangladesh supported a minimal growth in Asia region.

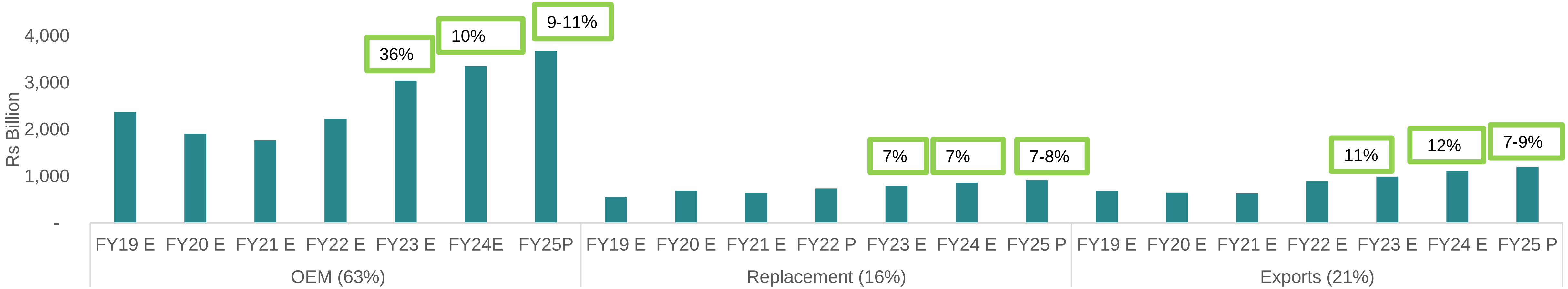
*Note: : Represents value data for April- Jan FY24 exports, % in dotted boxes indicates change in market share from Apr-Jan FY23*
*Source: DGFT, CRISIL MI&A*

# Auto Components

# Revenue growth to continue in FY25, albeit at a slower pace

## Demand from OEMs continue to push the industry revenue in FY25

| Industry revenue | FY20 | FY21 | FY22 | FY23E | FY24E | FY25P |
|---|---|---|---|---|---|---|
| | (10)% | (6)% | 27% | 25% | 10% | 8-10% |

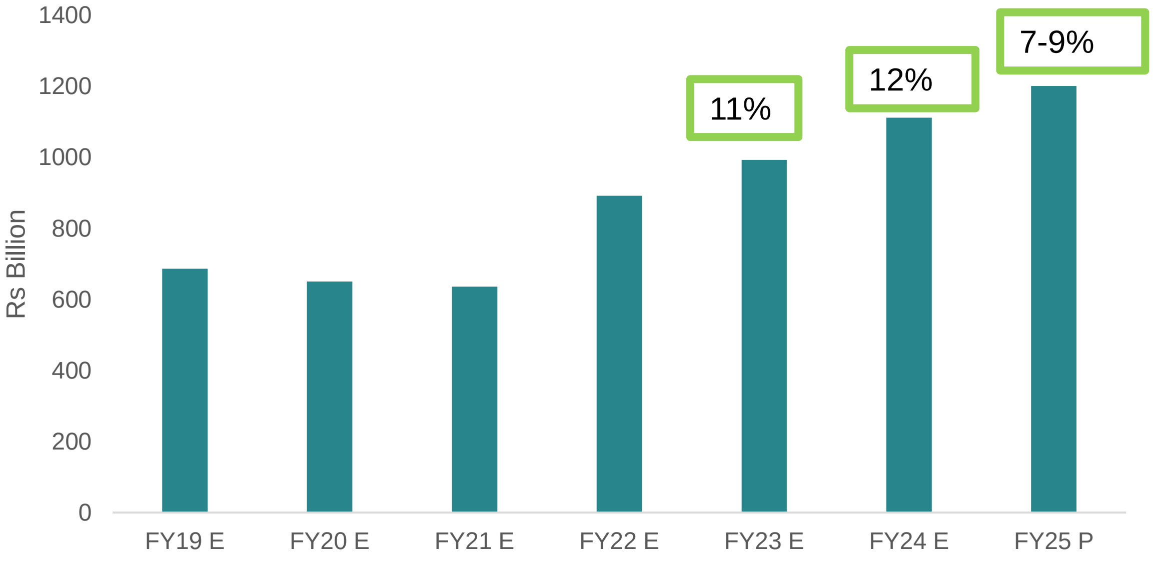



*Note: Coloured brackets represent y-o-y growth; Numbers in the bracket in the axis represent share in production for FY24*
*Source: CRISIL MI&A*

- Industry witnessed moderate growth in FY24 across segments on the high base of FY23, demand growth pace is expected to moderate in FY25, decelerating the growth of components segment as well.
- In FY24, the OEM segment witnessed 10% growth on higher base of FY23. Some tapering down is expected during FY25.
- Component replacement demand increased to 7% in FY24 and is estimated to be around 7-8% in FY25, driven by higher vehicle movement and the high sales witnessed in FY18-19.
- Component demand for exports is estimated to have increased by 12% in FY24, over the 11% growth clocked in FY23.

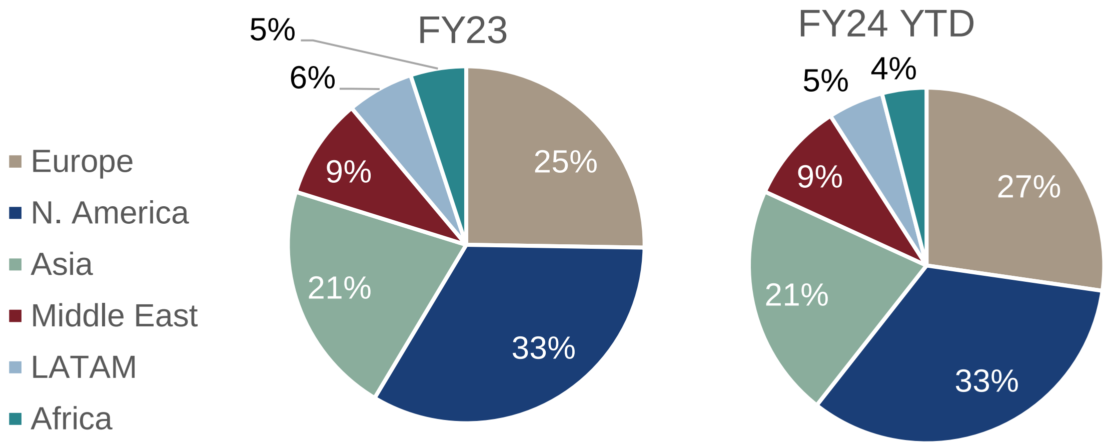
# Improvement in global economic scenario to back growth in FY25

## Export demand expected to grow further in FY25




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

## Developed nations support exports

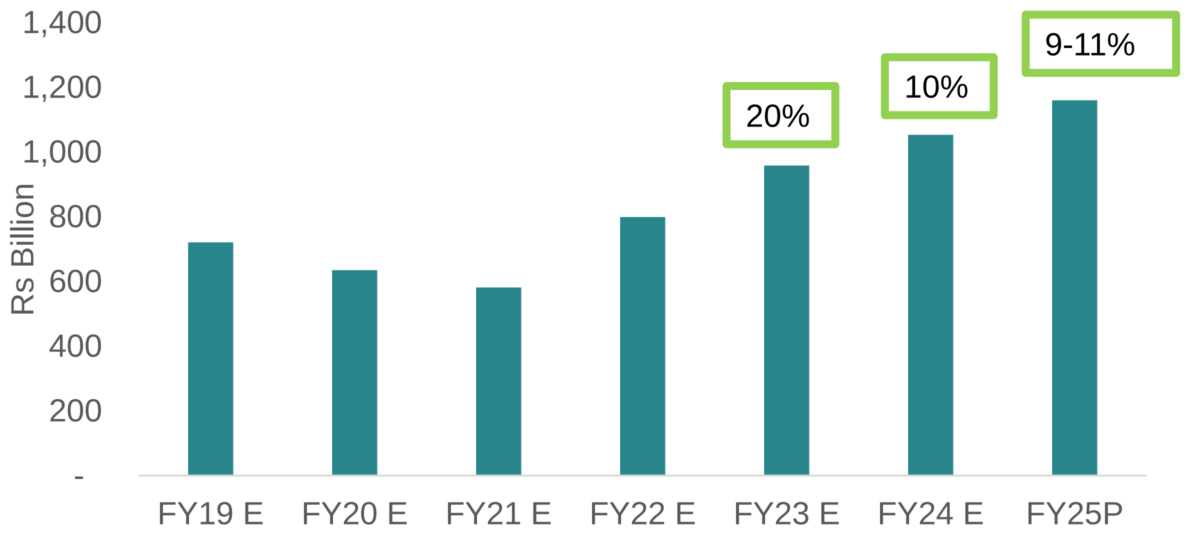



*YTD: April-Sep 2023*
*Source: DGFT, CRISIL MI&A*

- Auto component exports (accounting for 21% of the overall demand in FY24) witnessed 12% growth in FY24 over the healthy 11% growth witnessed in FY23.
- Going ahead, component demand from exports is expected to grow further in FY25 at a slightly tapered pace
- The growth would be on the back of healthy demand from North America, Europe and Asia.
- Export revenues are also expected to be supported by the global demand and China +1 strategy.
- However, the volatile global political situation remains a key monitorable

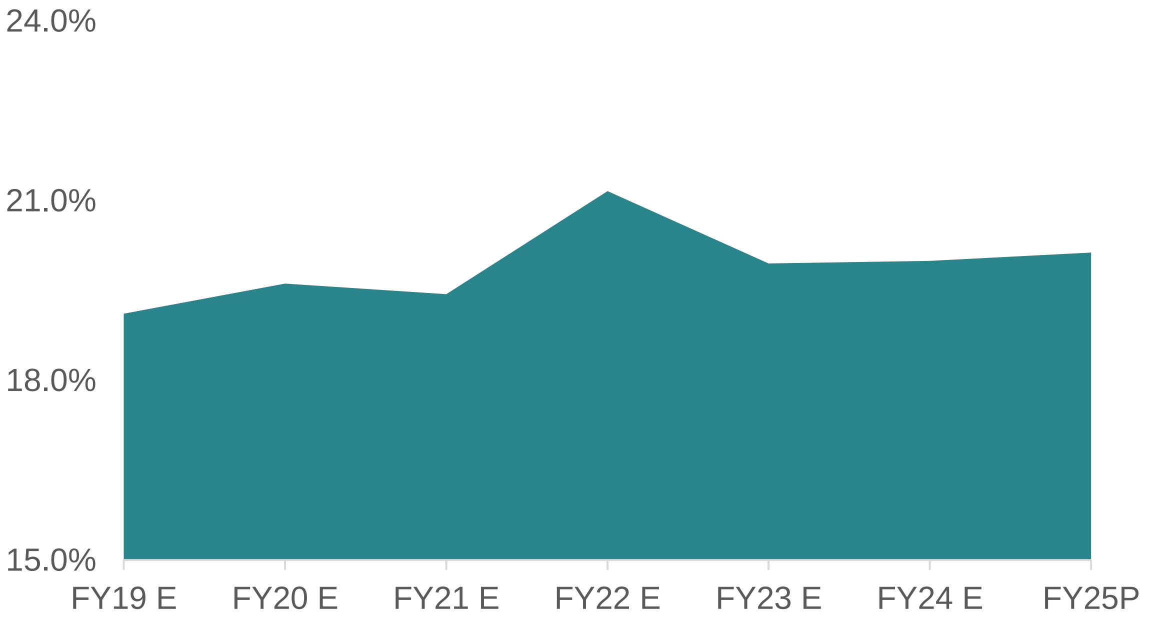
# Continued domestic traction to back higher import demand

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




*Source – DGFT, CRISIL MI&A*

## However, the share in consumption to remain subdued

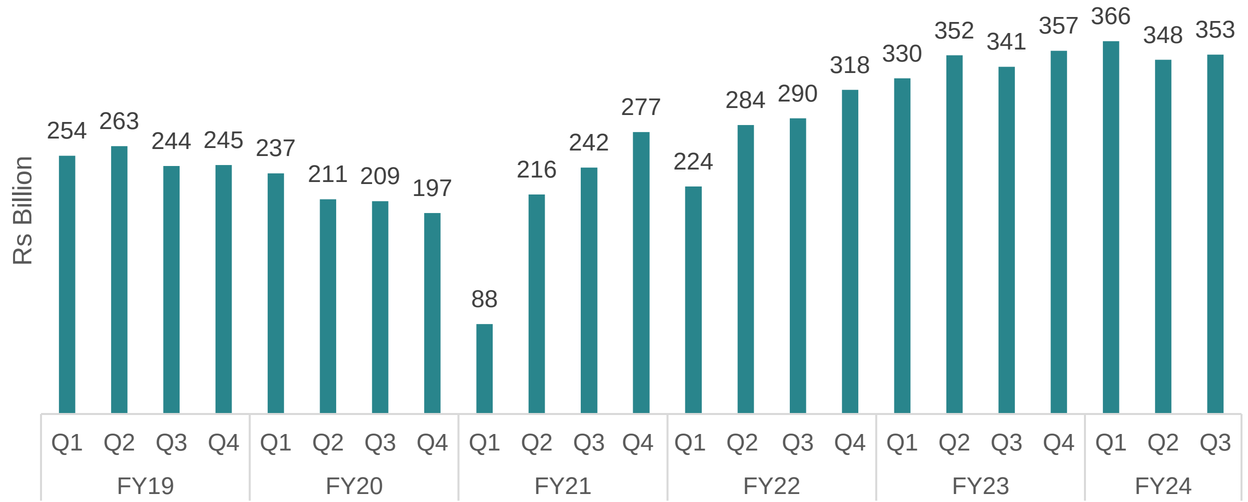



*Source: DGFT, CRISIL MI&A*

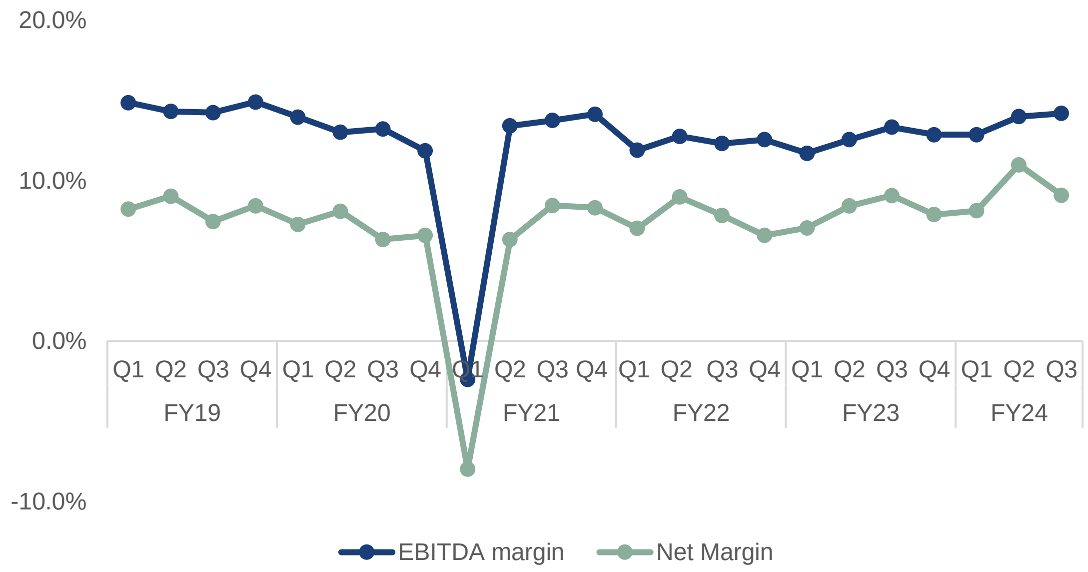
- Auto component imports improved in FY23 with improving domestic vehicle production and witnessed a growth of 10% in FY24.
- Going ahead, it is expected to grow by 9-11% FY25, led by continued growth in domestic market.
- In FY24, share of imports in overall consumption remained near steady at 20% levels.
- Even in FY25, imports as a proportion of total consumption is expected to remain rangebound

# Revenues and Operating margins improved in Q3FY24

## Company financials




*Note: Based on the aggregated financials of 98 auto component players*




*Source: Company financials, CRISIL MI&A*

- Revenue levels remained healthy for the component players during FY24, q-o-q marginal growth of 2% was witnessed during Q3FY24
- Net margins dropped during Q3 while the EBITDA margins clocked slight improvement.
- Utilization levels of players had dropped to an all-time low in FY21; This coupled with higher input costs took a toll on profitability during FY22.
- Utilization is on an improving trend with sustained demand.
- In FY24, margins remained buoyant with input costs correction.

# Thank You

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