

INDIAN AUTOMOTIVE INDUSTRY – PASSENGER VEHICLES & TWO-WHEELERS

**Attractive discounts aid retails
during the festive season**

NOVEMBER 2024





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The 2024 festive period saw healthy growth in retails across the consumer segments (two-wheeler and passenger vehicles), aided by attractive discounts and festive cheer.



The recently-concluded festive season (October 3, 2024-November 13, 2024) brought cheer to the automotive industry, with robust retails across most segments (barring commercial vehicles), representing a moderate-to-healthy growth on a YoY basis. The sentiments since the onset of the festive period (during Navratri) were strong and the demand was boosted further with a healthy pick-up during Diwali.



There was a robust 14% growth in two-wheeler retail sales during the festive season, aided by festive cheer and an improvement in rural demand. Dealers reported a significant increase in footfalls and bookings; as per channel check, enquiries and sales conversions were strong, particularly in the semi-urban and rural areas and inventory levels were at near normal levels. ICRA has revised the outlook for the wholesale volume growth for the industry to 11-14% in FY2025, led by steady replacement demand and an improvement in rural demand on the back of a healthy monsoon precipitation.



Retail sales of passenger vehicles during the festive season grew at a moderate pace of ~6% YoY to ~6.5 lakh units, aided by attractive discounts and competitive financing rates. Despite good retail sales (YoY growth of ~6% in April-October FY2025, partially on account of an early festive season), the high inventory levels for the industry curtailed wholesale volume growth. ICRA has thus revised the outlook for the wholesale volume growth for the industry in FY2025 downwards to 0-2%.

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TWO-WHEELER INDUSTRY



2

PASSENGER VEHICLE INDUSTRY



3

ANNEXURE

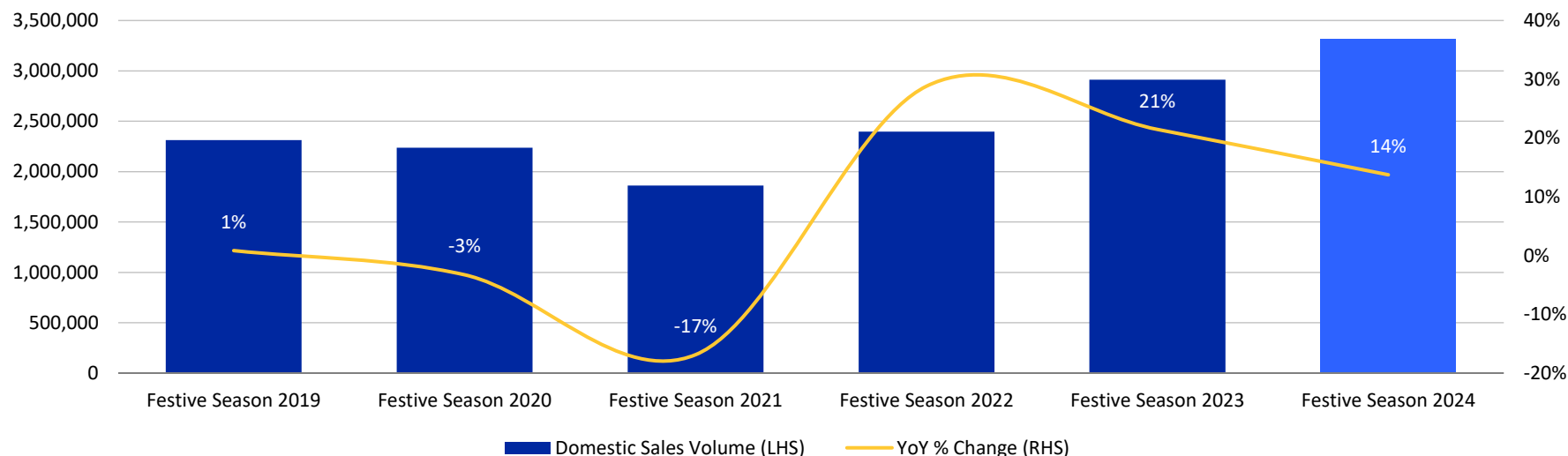




TWO-WHEELER INDUSTRY

Festive cheer and favourable rural demand steer festive season retails

Exhibit: Domestic two-wheeler retail trend during the festive season over the years













- The recently-concluded festive season saw a robust growth in two-wheeler retails, aided by festive cheer and an improvement in rural demand.
- Dealers reported a significant increase in footfall and bookings, aided by attractive discounts and offers; as per channel check, enquiries and sales conversions remained particularly strong in semi-urban and rural areas.

Source: Vahan, ICRA Research; Please refer to this [link](#) for festive season date ranges over the years

Favourable demand drivers to aid growth over near term

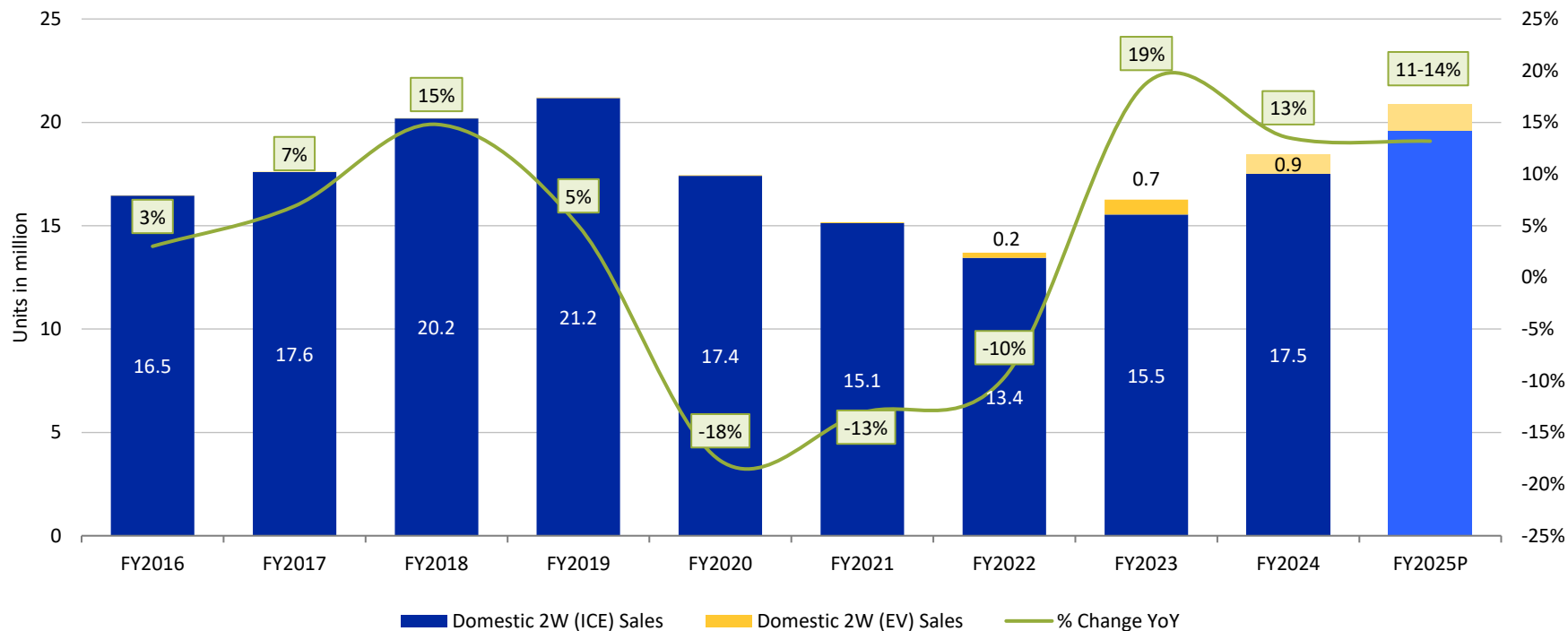
Exhibit: Key demand drivers for industry

KEY DRIVERS		Trend	Remarks
	FINANCING ENVIRONMENT	 NEUTRAL	<ul style="list-style-type: none"> Improving 2W financing penetration aiding retail sales
	COST OF OWNERSHIP	 NEUTRAL	<ul style="list-style-type: none"> Price hikes expected to remain at limited levels
	SUPPLY CHAIN ISSUES	 NEUTRAL	<ul style="list-style-type: none"> Semiconductor chip supplies remain stable
	RURAL DEMAND	 FAVOURABLE	<ul style="list-style-type: none"> Healthy monsoon precipitation has aided improvement in demand
	ECONOMIC OUTLOOK	 FAVOURABLE	<ul style="list-style-type: none"> Government and private capex to support economic growth/disposable incomes

Source: ICRA Research

Domestic volumes to grow at a healthy pace

Exhibit: Two Wheeler industry - growth estimates



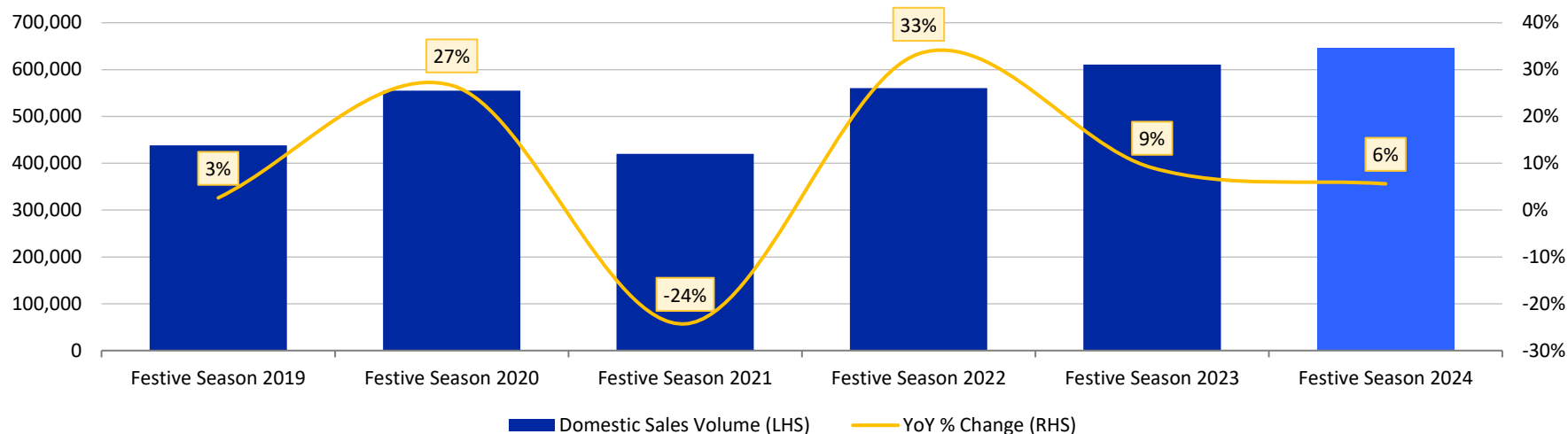
Source: CMIE data, ICRA Research; Note – Domestic 2W include e2W's (registered (high-speed))



PASSENGER VEHICLE INDUSTRY

High discounts and attractive offers spice up festive retails

Exhibit : Domestic passenger vehicle retail trend during the festive season over the years

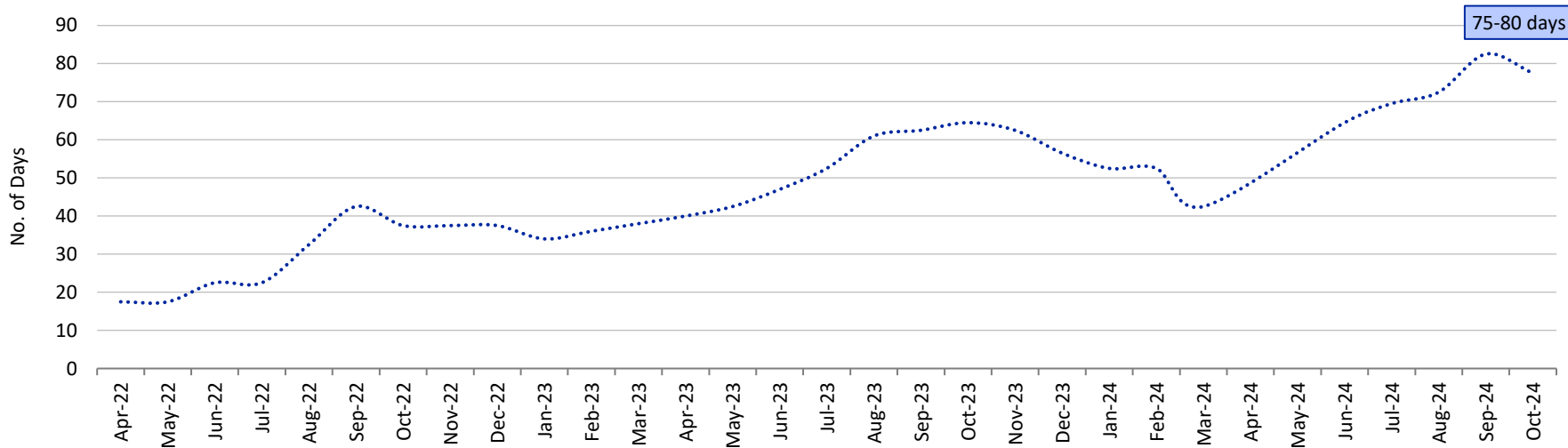


- Retail sales of passenger vehicles during the festive season grew at a moderate pace of ~6% YoY to ~6.5 lakh units (even on a high base). Amidst high inventory levels, high discounts, bundled offers and competitive financing rates supported the retail sales.
- Channel check indicates that the utility vehicles (UVs) continued to be the favoured segment during festive period.

Source: Vahan, ICRA Research; Please refer to this [link](#) for festive season date ranges over the years

Inventory level across dealerships dips but still remains higher than past figures

Exhibit: Trend in inventory level of PV across dealerships (In days)













- Even as retails during the festive season remained healthy, the inventory levels for the industry remained at high levels of 75-80 days at the end of October 2024 as per the Federation Automobile Dealers Association (FADA) estimates.
- The same may necessitate continuation of healthy discounts in the upcoming months, especially for slow-moving entry-level models.

Source: FADA, ICRA Research

Demand drivers remain largely supportive

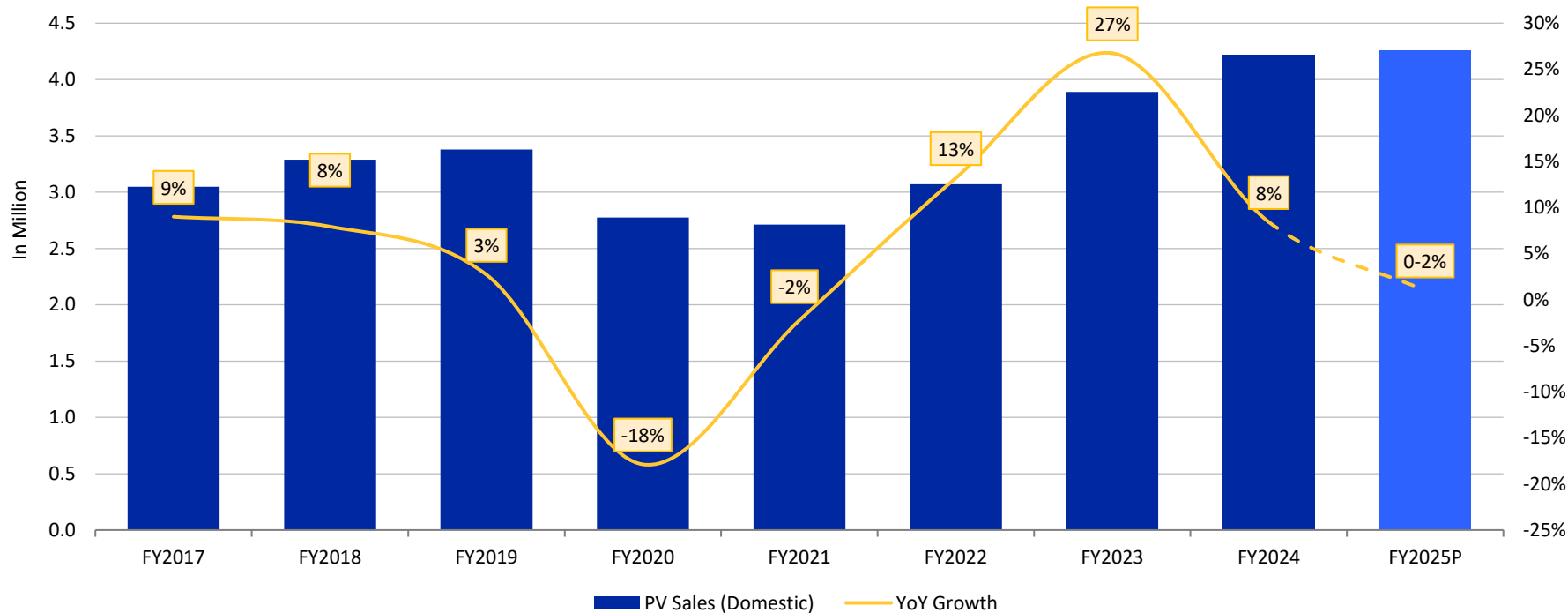
Exhibit: Key demand drivers for industry

KEY DRIVERS		Favourable/Unfavourable	Remarks
	COST OF OWNERSHIP	 NEUTRAL	<ul style="list-style-type: none"> Hike in vehicle prices and lending rates have resulted in higher cost of ownership
	NEW MODEL LAUNCHES	 FAVOURABLE	<ul style="list-style-type: none"> Multiple product launches done by OEMs, especially in the UV segment
	DISPOSABLE INCOMES/ECONOMIC OUTLOOK	 FAVOURABLE	<ul style="list-style-type: none"> Improvement in economic activity has supported demand
	INVENTORY LEVELS	 UNFAVOURABLE	<ul style="list-style-type: none"> Heightened inventory levels a concern
	SEMICONDUCTOR SUPPLY	 NEUTRAL	<ul style="list-style-type: none"> Semiconductor supplies are stable

Source: ICRA Research

Industry volumes to remain flattish

Exhibit: Passenger vehicle industry - growth estimates



Source: CMIE Data, ICRA Research



ANNEXURE

Festive period ranges across the years

Exhibit: Trend in festive period range across the years

Year	First Day of Festive Season	Last Day of Festive Season	Number of Days
CY2024	3-Oct-24	13-Nov-24	42
CY2023	15-Oct-23	25-Nov-23	42
CY2022	26-Sep-22	06-Nov-22	42
CY2021	07-Oct-21	17-Nov-21	42
CY2020	17-Oct-20	28-Nov-20	42
CY2019	29-Sep-19	09-Nov-19	42
CY2018	10-Oct-18	20-Nov-18	42

Source: ICRA Research



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