INDIAN AUTOMOBILE INDUSTRY – PASSENGER VEHICLES

Monthly Update

MAY 2022

What's Inside…

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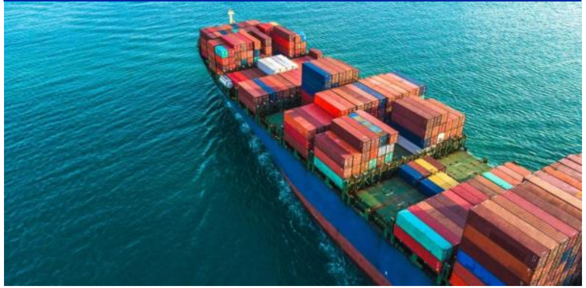
2 Segment-Wise Domestic Sales Trend

3 Export Volumes Trend



4 Trends in Market Share

5 ICRA Ratings in the Sector

Highlights

ICRA

Domestic wholesale volumes represented a sequential decline of ~9% in April 2022, constrained by semiconductor chip shortage

Supply shortage is now expected to extend well into 2023; the impact of the ongoing Russia-Ukraine crisis and lockdowns in China on chip supplies remain monitorable

Wholesale dispatches of passenger vehicles volume grew by ~2.3% YoY during April 2022; the volumes, however, represented a sequential decline of ~9%. The production levels continue to be constrained to an extent by semiconductor chip shortage, with supplies impacted by the recent lockdowns in China.

Retail sales grew by 25% YoY during April 20222 on account of the low base of April 2021 (impacted by second Covid wave). Underlying demand for the industry continues to remain robust; inventory levels across dealerships have started inching upward, even as they continue to remain lower than normal levels at around 15-20 days.

The UV segment continues to register a robust growth in volumes, despite the semiconductor shortage. The OEMs continue to prioritise the production of UVs on account of higher pricing flexibility, given the shift in consumer preference for the segment.

Monthly export volumes have continued to represent a healthy growth on a YoY basis with export demand remaining robust; export volumes in April 2022 represented a healthy growth of ~11% on a YoY basis.

ICRA expects the industry to grow by 9-12% in FY2023, aided by improvement in semiconductor supplies vis-à-vis FY2022. The underlying demand trends for the industry continue to remain healthy; inventory restocking at dealerships is also likely to cushion wholesale dispatches against any moderation in demand. Supply chain disruptions continue to remain the key monitorable.

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Thank You!