

Car sales zoom to new high, signal strong festival show

Uptick in production on better chip supply, high demand for SUVs helped

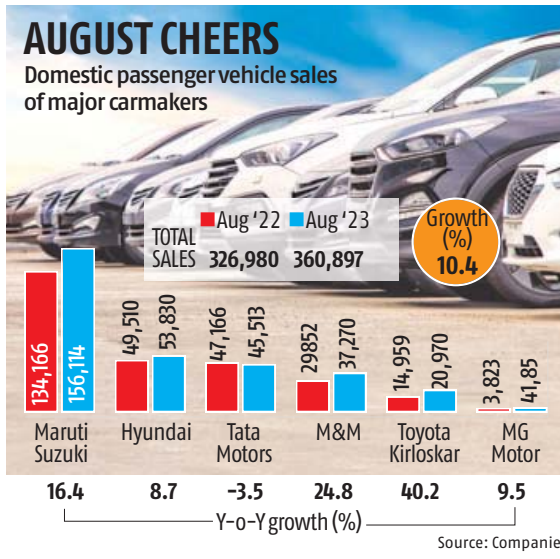
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The Indian auto mobile industry posted its highest ever monthly domestic passenger vehicle (PV) sales at 360,897 units in August, up 10.4 per cent year-on-year (Y-o-Y). This came ahead of festival season and on the back of growth in the overall economy, an uptick in production due to a better chip supply, and high demand for SUVs.

The GST collection last month, too, witnessed high growth of 11 per cent Y-o-Y to over ₹1.59 trillion; it, however, was less than the ₹1.65 trillion mop-up in July due to muted growth in the collection of integrated GST (IGST) and cess on imports.

Manufacturing activities in the country also gained



momentum in August as new orders and output increased.

The S&P Global India

Manufacturing Purchasing Managers' Index (PMI) rose to 58.6 in August, against 57.7 in July. Turn to Page 6 ▶



Aug GST collection rises 11% to ₹1.59 trn

Goods and services tax (GST) collection in August grew 11 per cent to ₹1.59 trillion annually on account of increased compliance and anti-inflation measures. In August 2022, collection was ₹1.43 trillion. 4 ▶

MANUFACTURING PMI AT 3-MONTH HIGH IN AUGUST P4 ▶

SOWING OF PADDY RISES 4%, PULSES DOWN 8% THIS SEASON P4 ▶



Markets log biggest gain in 2 months

Benchmark indices logged their biggest single-day gain in over two months, buoyed by encouraging economic data. The Sensex closed at 65,387, with a gain of 556 points. 10 ▶

Car sales...

The August figure, the highest in three months, marked 26 months of the index remaining above the 50 mark, separating expansion from contraction.

On the other hand, around 19.16 million households sought work under the rural job guarantee scheme last month, up 20 per cent Y-o-Y, which experts and activists attributed to a prolonged monsoon break. This exacerbated existing weakness in the rural job market.

The Indian automobile industry in August topped its previous domestic PV sales high of 355,400 units, achieved in September 2022.

Shashank Srivastava, senior executive officer (marketing and sales) at Maruti Suzuki India (MSIL), told reporters that the festival season has started with Onam and there has been retail sales growth of 25 per cent in Kerala. "That is a very good number. The demand parameters such as bookings and inquiries have been pretty high," he further said.

MSIL, India's largest car maker, saw its domestic PV sales jump by 16.4 per cent Y-o-Y to 156,114 units in August this year. The company posted its highest-ever domestic PV sales at 163,656 units in October 2022.

"There have been a lot of new models, especially in the SUV (sport utility vehicle) segment, which have been introduced by MSIL as well as other companies. This introduction of models in the fastest growing segment has also boosted the sales," Srivastava noted.

He said SUV sales of Indian carmakers jumped by

about 25 per cent Y-o-Y in the January-August period this year. In comparison, hatchback sales decreased by 5 per cent Y-o-Y in the same period.

Srivastava also noted high GDP growth as a factor behind the high monthly sales. The Indian economy grew 7.8 per cent in the April-June quarter of FY24 – the fastest in four quarters.

"The correlation of GDP growth and auto sales growth is quite high. It is 0.983," he explained.

According to Srivastava, car companies' production also jumped as the supply of semiconductor chips consistently improved over the past several months.

"The semiconductor crisis seems to be behind us, according to the available data. From July onwards, we have seen very good production levels. The bookings may have come in the period before August. The execution (of sales), due to better production, may have happened in August," he explained. He added that the rural sentiment has been positive so far and it has boosted the sales figure, too.

Hyundai's domestic PV sales increased by 8.7 per cent Y-o-Y to 53,830 units in August 2023. Tarun Garg, chief operating officer (COO), Hyundai Motor India, said the festival season in India has kicked off on a positive note with strong Onam sales in the Kerala market. "Demand for SUVs in our portfolio remains robust, contributing more than 60 per cent to our domestic sales in August," Garg said.

Domestic PV sales of Mahindra & Mahindra (M&M) increased by 24.8 per cent Y-o-Y in August. Veejay Nakra, president (Automotive Division), M&M, said: "We are

excited to witness another record month, as we clocked our highest ever SUV domestic sales in a month of 37,270 – showing growth of 25 per cent...While demand for our key SUV brands continues to be strong, we are keeping a close watch on the availability of semiconductors and select parts for sustained and smooth scale-up."

Domestic PV sales of Toyota Kirloskar Motor jumped 40.2 per cent Y-o-Y to 20,970 units in August. The company said its total sales (domestic sales plus exports) in August stood at a record 22,910 units.

Atul Sood, vice-president (sales and strategic marketing), TKM said: "Strong sales volume and enhanced demand showcases customers' ever-growing affinity for the brand. The Toyota Urban Cruiser Hyryder and Toyota Innova Hycross continue to register strong demand. The Innova Crysta, Fortuner and Legender are witnessing sustained segment leadership. The Camry Hybrid and Glanza are also strongly contributing to the overall success."

According to Dhruv Mudaraddi, research analyst, StoxBox, "The domestic PV sales in August reached a new all-time high of 360,897 units on the back of robust demand in the market for newer models in the aspirational utility segments of Maruti Suzuki, MG Motors, and Hyundai. The numbers seem to solidify the shift in consumer preference towards feature-packed larger cars as vehicle financing is easily available in urban markets where demand remained positive."

"However, volumes of smaller/entry-level cars for most OEMs registered a contraction as there seems to be

a lag in the rise of income of entry-level consumers, particularly in the tier II, III, and rural markets. We expect the revival of the same as the delayed festival season kicks in," he said.

Asked if the car industry is expecting this year's festival season to be the best in terms of sales, Srivastava from MSIL replied: "It looks like that. Generally, the festival season is 23-26 per cent of the annual sales."

Growth forecast...

Morgan Stanley Research's report said the GDP growth for the quarter ended June came higher than its expectations. "We mark the market GDP growth higher to 6.4 per cent year-on-year (YoY) from 6.2 per cent for FY2024, driven by robust domestic demand, notwithstanding the weakness in global growth," it said.

Separately, Nomura Research also revised its growth forecast upwards for FY24 to 5.9 per cent from 5.5 per cent.

It, however, said economic growth would moderate in the second half of 2023 due to weak monsoons, higher food inflation, a likely slowdown in government capex, and sluggish global growth, all of which signal a slowdown in domestic demand.

Nomura lowered its FY25 GDP growth projection to 5.6 per cent from 6.5 per cent.

BofA Global Research, however, cut its FY24 forecast to 6.3 per cent from 6.5 per cent as the first-quarter number was far below its 9.1 per cent year-over-year (Y-o-Y) estimate. "The improvement in Y/Y terms masks a sharp sequential decline seen