Auto retail sales up 10%, rains lead to monthly dip

Sport utility vehicles continued to remain a popular choice, says Fada

SHINE JACOB
Chennai, 7 August

In keeping with the growth momentum, retail sales of automobiles in July posted a 10 per cent year-on-year (Y-o-Y) increase, with 1.77 million units sold, though they declined 5 per cent month-on-month (M-o-M) mainly due to heavy rain.

Three-wheelers took the lead with a record growth rate of 74 per cent Y-o-Y, according to the Federation of Automobile Dealers' Associations (Fada).

However, except three-wheelers, which recorded 9 per cent growth, all other categories dipped M-o-M. Three-wheelers hit record sales in July at 94,148 units, surpassing the previous best of 86,857 units in March this year.

"It has been a good month. The best news is two-wheeler sales, which were lagging," said Manish Raj Singhania, president, Fada.

"Three-wheelers have recorded a historic hike. M-o-M July is normally the leanest for us due to rain. We are seeing excessive precipitation."

Y-o-Y segments like two-wheelers, passenger vehicles (PVs), tractors, and commercial vehicles (CVs) grew 8 per cent, 4 per cent, 21 per cent, and 2 per cent, respectively. Compared to pre-Covid numbers, however, auto retail is down 13 per cent, with two-wheelers behind 23 per cent and commercial vehicles 4 per cent.

"Despite challenges like a heavy monsoon and a tilt towards electric vehicles (EVs) due to high fuel prices, two-wheelers showed resilience in July, with demand and trust in reputable brands increasing," Singhania said.

The three-wheeler segment's record numbers indicate the industry's potential and a growing EV interest, he added. "Yet, addressing issues like OEM (original equipment manufacturer) support and dealer engagement remain crucial."

In PVs, Maruti Suzuki's sales increased 10 per cent from 106,689 in July last year to 117,571 units and number three player Tata Motors saw a 6 per cent rise. On the other hand, despite being number two, Hyundai Motors saw a 6 per cent dip in sales during the month.

In two-wheelers, Hero MotorCorp's decrease in sales was lower than 1 per cent to 361,291 units.

However, Honda Motorcycle and Scooter India saw a 9 per cent increase during the period.

TVS Motor, on the other hand, saw an 18 per cent rise in sales to 213,101 units, mainly driven by the success of its EVs.

Bajaj Auto, on the back of the performance of three-wheelers, saw a 115 per cent rise in sales to 31,453 units during the month.

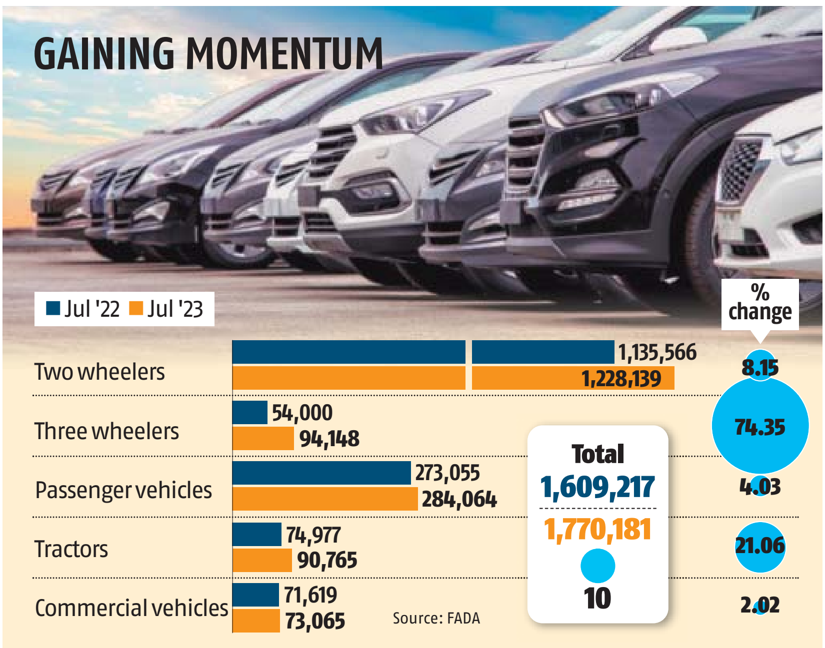
In CVs, market leader Tata Motors' dip in sales was 6 per cent.

On the other hand, Mahindra and Mahindra saw a 2 per cent and Ashok Leyland an 8 per cent rise, respectively.

Sales of PVs in July were a mix of challenges and triumphs. Orders surged and OEM supplies were timely as new products were introduced. However, a severe monsoon and a flood-like situation, especially in North India, impacted sales. Sport utility vehicles continued to remain a popular choice, FADA added.

"The CV segment showed mixed dynamics. Despite robust stock availability and growth in areas like school buses, challenges from erratic weather and high vehicle costs affected demand," Singhania said.

"The boost to infrastructure projects, though, is a silver lining."



Auto parts industry's turnover growth hit record high in FY23

DEEPAK PATEL
New Delhi, 7 August

The auto component industry's turnover grew at the fastest rate at 33 per cent to touch ₹5.59 trillion in 2022-23 (FY23) on the back of pent-up demand, better supply of raw materials, and sale of larger vehicles such as sport utility vehicles (SUVs), the Automotive Component Manufacturers Association of India (ACMA) said on Monday.

The auto component makers earned about 2.7 per cent of their revenue from electric vehicle (EV) makers. The share was just about one per cent in FY22. While export of auto components jumped by 5 per cent to $20.1 billion, imports jumped by 11 per cent to $20.3 billion. About 30 per cent of the imports were from China.

Sunjay Kapur, president, ACMA, said the Indian auto component industry would observe double-digit growth in FY24. He added ACMA was struggling to put down what the headwinds for FY24 were because everything was "looking so good".

"We are witnessing a conflict in Europe. Yet, our exports to Europe have grown by 3 per cent. Exports to the US have grown by 8 per cent even when people were talking about a recession in the US. A lot of that has to do with the China+1 strategy which is definitely playing out. Also, the Indian component industry is investing heavily in new technology. Therefore, it has an opportunity to supply to the world," he told reporters at a press conference.

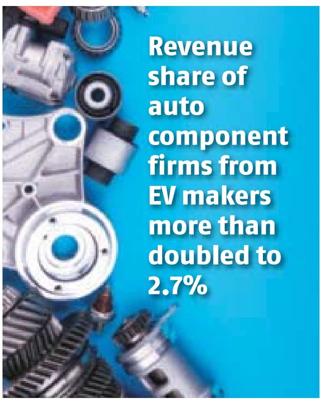
China's relationship with most of the western countries has deteriorated during the last few years, and therefore, companies based out of these countries are looking to get an additional supply base other than China. This has been named the China+1 strategy.

Kapur does not see any black swan events hurting the growth of the Indian components industry in FY24.

Tesla is currently in discussions with the central government to open a factory in India. However, the Elon Musk-led company also wants to bring its Chinese component makers to India.

When asked if ACMA would welcome Chinese suppliers coming along with Tesla, Kapur replied, "I don't feel that this is a threat. Whether an OEM (original equipment manufacturer) comes in India, I don't feel that the Chinese suppliers are a threat anymore because we are investing in technology. The reason to come to India for any OEM is to tap into the local sourcing base. If an OEM wants to bring any Chinese suppliers, they can go to China. If an OEM comes to India, they are going to leverage the Indian supply chain... We are well-positioned and well-equipped to supply to any OEM across the globe."

Kapur mentioned that the Indian component makers are trying to reduce imports. "I don't think it can happen overnight. I am pretty proud of the fact that we have brought exports and imports so close to each other. Last year, we had a trade surplus of $700 million. This year we have a trade deficit of $200 million. This is a significant improvement from what we have seen in the past where the trade deficit was in billions," he added.



Kapur said that electronic content was being imported a lot. "Electronics has been a little bit of a weak area for us as a nation. It is just not our industry. We are importing electronics across industries," said Kapur, who is also chairman of global automotive systems and components manufacturer Sona Comstar.

With the help of the central government, the auto industry groups like ACMA have set up a "sourcing group" with a specific focus of bringing imports down. "We (sourcing group) have targets on bringing imports down. We are well ahead of our targets so far," Kapur noted.

Vinnie Mehta, director general, ACMA, said the cumulative growth rate of exports was 5.7 per cent while that of imports was half of that. "Therefore, we do hope that in some time, the exports will overtake the imports," he noted.

China's share in India's auto component exports was 30 per cent in FY23. "The trend has been pretty similar during the last five years, in the range of 25-30 per cent. It has always been substantial. The size of industry in China is 10 times that of ours," Mehta noted.

"There are multiple reasons why imports happen — cost competitiveness, shortage of domestic capacities, technological advantages, global sourcing strategy — what is very interesting is that the mood of the globe in terms of sourcing from India is now very, very positive. The reason why our exports grew in FY23 despite recessionary trends in some of the key markets is essentially because of this: China+1," Mehta said.