# Festivals hold promise but PV sales may stay flat in FY25

## Demand for SUVs may grow in mid-high teens; CNG vehicles in demand too

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Passenger vehicle (PV) sales, which have been on a slower growth trajectory so far this financial year (FY25), are likely to end FY25 on a flat note, feel industry insiders.

While original equipment manufacturers (OEMs) are upbeat on the upcoming festival season sales, analysts peg the overall growth in PV sales for FY25 at a flat 0.8 per cent.

Shailesh Chandra, managing director (MD), Tata Motors Passenger Vehicles and Tata Passenger Electric Mobility, said he expects the year to end with a 2-3 per cent overall growth in PV retail sales over the 4.2 million units (highest ever) last year.

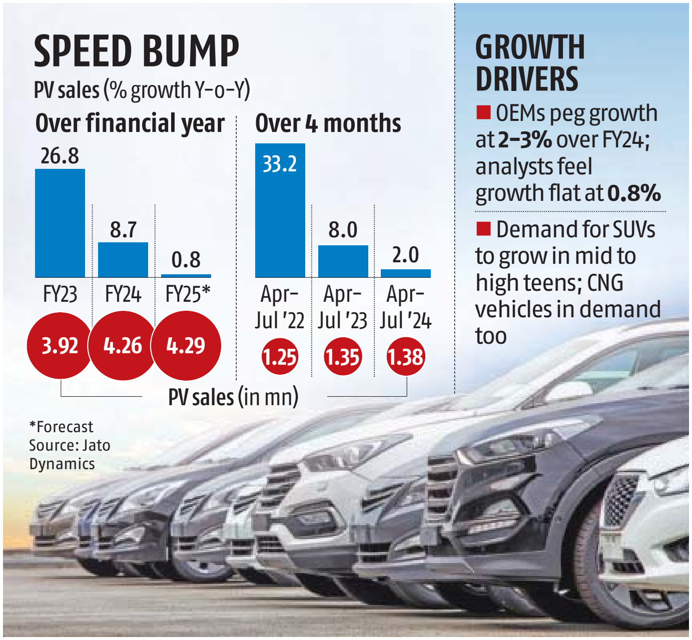
Chandra said the second half of the year would see growth led by the festival season.

So far, there is no significant change in any of the macro-economic factors that affect auto sales — be it GDP growth projection, interest rates or inflation. "Rural demand is back riding on good monsoon sentiments. Enquiry levels at dealerships are also stable," he added.

Chandra said that realistically, a 2-3 per cent year-on-year (Y-o-Y) growth over last year's 4.2 million units is possible in 2024-25.

"H2 will have the burden of defining auto sales growth for this financial year as H1 has been largely flattish. Even if there is a 10 per cent growth in sales in H2 FY25, overall annual sales growth would work out to be around 5 per cent or so," he told *Business Standard*.

"Data from Jato Dynamics clearly illustrates the cooling trend in the automotive market following the post-pandemic rebound. After a strong 26.8 per cent Y-o-Y growth in FY23, we've observed a significant slowdown. Growth moderated to 8.7 per cent in FY24, with projections indicating a mere 0.8 per cent increase for FY25," said Ravi Bhatia, president and director, Jato Dynamics.




Market leader Maruti Suzuki India (MSIL) feels that the festival season holds promise. "We have achieved the highest total sales in Q1 of any year in our company's history. Coincidentally, this would also be highest in the Indian automobile industry. The coming festival season promises to bring new opportunities. Budgetary announcement to strengthen road network and infrastructure is a boost to our enthusiasm," said Partho Banerjee, senior executive officer, marketing & sales, MSIL.

Banerjee added: "As a market leader, our efforts are to charge up customer interest across all segments. Launch of the Epic New Swift and introduction of Dream Series Limited Edition models of Celerio, Alto K-10, S-Presso, and Ignis Radiance edition are generating good customer interest."

SUV maker Mahindra and Mahindra (M&M) feels the SUV segment would grow in the mid to high teens. "At M&M, we expect SUV growth in mid to high teens in FY25. We have had a successful 3XO launch and are excited with the upcoming Thar Roxx soon. That should keep the momentum on," Rajesh Jejurikar, executive director (ED) and chief executive officer (CEO), auto and farm sectors, M&M, told *Business Standard*.

As such, automakers feel that adoption of cleaner fuels will also drive sales.

Banerjee, for example, said that their CNG portfolio (14 models) continues to draw customers. "In Q1, 30 per cent of our sales were of CNG variants. We are trying to further increase production to meet the high demand for CNG variants," he said.

Similarly, Chandra felt that the demand from fleet operators for electric vehicles (EVs) is going to be back in the second half.

The discontinuation of the FAME subsidy scheme had impacted fleet sales. "Customers preponed sales (in Q4 FY24) and now they are postponing sales. So, Q1 FY25 has seen this impact. But once clarity on the subsidy comes, the demand is going to be back," he said.

As a larger trend, customers are slow in buying both internal combustion engine (ICE) and EVs, and enquiry to retail is taking longer.

"This deceleration is further emphasised in our four-month analysis. The April-July period shows a stark contrast in growth rates dropping from 33.2 per cent in 2022 to 8 per cent in 2023, and further down to just 2 per cent in 2024," Bhatia told *Business Standard*.

These figures suggest that the initial pent-up demand and supply chain recovery that drove the post-Covid sales surge has largely played out. The industry now faces more normalised market conditions, potentially coupled with economic headwinds that are tempering consumer demand for new vehicles.