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AUTO SALES GROWTH MAY DROP IN FY24 ON WEAK SENTIMENT



Passenger vehicle (PV) and commercial vehicle (CV) firms did well in FY23 as the sales of two-wheelers and tractors were muted, but growth is likely to moderate for most segments in FY24, said experts. The PV industry will close FY23 with a 24 per cent growth rate touching 3.8 million units, marking a record year, according to ICRA. Shamsher Dewan, senior vice president and group head—corporate ratings at ICRA, said that after a lull in PV sales during the pandemic, there was pent-up demand. "This has been largely addressed during this year and now there is a healthy inventory with dealers," he told *Business Standard*.

Auto sales may moderate in FY24 on weak sentiment

Passenger vehicle segment will close FY23 with 24 per cent growth, says report

SOHINI DAS & SHINE JACOB
Mumbai/Chennai, 22 March

Passenger vehicle (PV) and commercial vehicle (CV) companies did well in FY23 as sales of two-wheelers (2W) and tractors were muted but growth is likely to moderate for most segments in the new financial year, said experts.

The PV industry will close FY23 with a 24 per cent growth rate touching 3.8 million units, marking a record year, according to ICRA. Shamsheer Dewan, senior vice president and group head—corporate ratings at ICRA, said that after a lull in PV sales during the pandemic, there was pent-up demand.

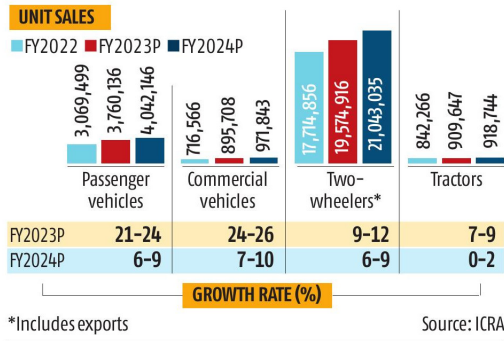
“This has been largely addressed during this year and now there is a healthy inventory with dealers,” Dewan told *Business Standard*. Some moderation in demand is expected in the coming fiscal.

“PVs are a very sentiment-driven segment, and news of IT job losses, economic slowdown, stock market not doing so well are factors that will impact demand in the segment. Discounts are already back for some models, and from our discussions with dealers and financiers we have learnt that inventory levels are building up,” Dewan said, adding that for FY24 a 6-9 per cent growth is expected in the PV segment. Maruti Suzuki India, the country’s largest PV



PATH OF GLORY

Automobile sales trend (segment wise)



maker, agreed with the estimate. “In FY23, PV sales are expected to end the year at a record 3.8 million units, up 26 per cent. In FY24, however, the industry is expecting 5-7 per cent volume growth,” said Shashank Srivastava, senior executive officer-marketing and sales.

Replacement demand has helped the CV segment grow 26 per cent in FY23. “For almost three years, there has not been much replacement in fleets. ICRA analysis shows that the average age of medium and heavy commercial vehicles (MHCV) in India is right now around 9.5 years,”

said Dewan.

Replacement pushed sales in FY23 but the next fiscal will primarily see organic growth of around 7-10 per cent, said Dewan. OEMs hope that infrastructure spending would continue to drive demand. “The automotive mission plan 2026 intends to increase the value of India’s automotive industry to over 12 per cent of its GDP and create 65 million employment by 2026, placing it among the top three global automotive leaders in engineering, manufacture, and exports,” said Sanjeev Kumar, Head M&HCV Business, Ashok Leyland, India’s second largest CV player.

Kumar said that volumes for the medium and heavy commercial vehicle (MHCV) industry are up 53 per cent over last year. He is optimistic that steady freight rates and commodities will negate the impact of rising interest rates.

“Bus volumes grew mainly due to the re-opening of schools, offices and inter-city travel taking off. Even tier 2 and 3 cities have experienced a spike in the ecommerce boom, which is fueling steady demand for LCVs (light commercial vehicles) for logistical needs in last mile delivery,” he said.

Two-wheelers, as a segment, are lagging: volumes in FY23 are about 90 per cent of FY20.