



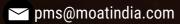
AUTOMOBILE SECTOR OUTLOOK

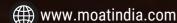
The automobile sector has been gradually amassing inventories in anticipation of the upcoming festive season. Most Original Equipment Manufacturers (OEMs) are operating with sufficient production capacity, except for a few specific products. Encouraged by robust retail sales during festivals like Onam and Ganesh Chaturthi, OEMs hold optimistic expectations for even stronger retail performance during the upcoming significant festive season in Q3FY24, which includes Deepawali and Dusshera. Consequently, they are projected to continue bolstering their inventory levels throughout September 2023. Although dealers have reported mixed retail outcomes in September, with some regions impacted by heavy rainfall, there has been increased activity during auspicious occasions such as Ganesh Chaturthi.

Manufacturers of passenger vehicles (PVs) are proactively enhancing their manufacturing capabilities to meet the soaring demand, supported by substantial order backlogs. Notably, Tata Motors Limited (TML) announced an impending price hike of up to 3%, set to take effect from October 1, 2023. This announcement may incentivize fleet operators to expedite their purchases to benefit from the existing prices. On a month-on-month (m-o-m) basis, it is anticipated that the Commercial Vehicle (CV) segment will see a 3.9% increase, domestic PV volumes will experience a 4.2% rise, the two-wheeler segment will witness a 3.8% uptick, and the tractor segment is forecasted to achieve a substantial 51.8% increase, primarily due to a low base.

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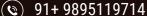


Expectations are high for festive demand, especially following the positive retail sales trends observed during Onam, Ganesh Chaturthi, and Janmashtami. Maruti Suzuki India Limited (MSIL) reported remarkable retail sales growth of around 24% during Onam in Kerala, followed by an 8% increase during Ganesh Chaturthi and Janmashtami. A noteworthy shift in consumer demand towards SUVs is evident, and Maruti is making strides toward its goal of attaining a 25% market share in the SUV segment, having already secured a 23.6% market share in the SUV segment as of August 2023.

OEMs are consistently passing on heightened input costs to customers, with a particular focus on premium products. With advanced notice of price hikes by OEMs, some customers may opt to expedite their purchases to take advantage of the current pricing. The anticipated recovery in rural markets remains pending, with the irregular monsoon and its repercussions on agricultural conditions playing a pivotal role. While P&G has reported some positive signs in rural markets, the situation remains uncertain due to erratic rainfall patterns. In the United States, a prolonged strike by the United Auto Workers (UAW) against major auto companies such as Ford, GM, and Stellantis has the potential to disrupt supply chains and lead to price increases for specific vehicles and components. Although Indian exporters may not experience immediate repercussions due to existing inventory and shipping lead times, a protracted strike could eventually impede shipments.

The auto component industry experienced robust growth of 33% in FY23, driven by increased vehicle sales and a shift towards premiumization and SUVs in the passenger vehicle segment. According to the Automotive Component Manufacturers Association (ACMA), the industry's turnover surged by 32.8% year-on-year to reach Rs 5.6 lakh crore. While exports and imports remained relatively stable, with exports growing by 5.2% to Rs 1.61 lakh crore and imports increasing by 10.9% to Rs 1.63 lakh crore/it's noteworthy that exports to North America expanded by 8% year-on-year, and exports to Europe saw a 3% year-on-year increase. Components sales to OEMs registered a substantial 39.5% year-on-year growth, reaching Rs 4.76 lakh crore, while the after-market segment is estimated to grow by 15% year-on-year to Rs 85,333 crore.





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