Automobile

Strong growth across the board; Export under pressure

Summary

In February 23, Overall Indian Auto industry witnessed strong volume (vol) growth in domestic market, whereas export market remains weak. The Passenger Vehicle (PV) sales are clearly on the growth path on the back of easing of semiconductor supplies and robust demand. The two-wheeler segment has been facing challenges in the entry-level space due to weak demand from rural and international markets. The CV segment reported growth on the back of higher Infra spending and increased freight movement across India. The Tractor segment performance was better than last year and sequentially on the back of rural sentiment. Our Top picks in the sector are M&M, Maruti, Eicher and SJS Enterprises. M&M is well positioned to address turnaround in Indian PV market, new launches of 2W players are expected to performance in 2023. Sona Comstar to be beneficiary of growth momentum in EV industry.

Key highlights

- **PV segment:** PV sales are clearly on the growth path led by M&M which saw a vol growth of 10% YoY followed by Hyundai And Tata Motors which saw vol growth of ~8% each and Maruti's volume grew of 5% YoY. On MoM PV sales down by ~6%.
- **2W segment:** 2W segment remain mix bag as vol of Eicher and Hero motocorp was up by 21% and 10% respectively on YoY, whereas TVS saw flat growth in vol and Bajaj vol were down by 16% due to weak export.
- **CV segment:** CV segment saw fastest vol growth as Ashok Leyland and Volvo vol were up by 27% and 25% respectively on YoY. Whereas Tata motors CV sales were up by 4%. On MoM CV segment saw a growth of ~7%.
- **Tractor segment:** Tractor segment saw strong growth as MM vol were up by 26% and Escorts vol were up by 27% on the back of good sentiment in rural market.

Monthly Sales volume summary (Domestic + Exports)

Company	Feb-23	Feb-22	*YoY (%)*	Jan-22	*MoM (%)*
2W					
Hero MotoCorp	3,94,460	3,58,254	*10.1*	3,56,690	*10.6*
Bajaj Auto	2,35,356	2,79,337	*(15.7)*	2,41,107	*(2.4)*
TVS Motor	2,67,026	2,67,625	*(0.2)*	2,64,710	*0.9*
RE	71,544	59,160	*20.9*	74,746	*(4.3)*
PV					
MSIL	1,72,321	1,64,056	*5.0*	1,72,535	*(0.1)*
Hyundai India	57,851	53,159	*8.8*	62,276	*(7.1)*
Tata Motors (D)	43,140	40,181	*7.4*	47,987	*(10.1)*
MM (D)	30,358	27,663	*9.7*	33,040	*(8.1)*
Toyota (D)	15,338	8,745	*75.4*	12,835	*19.5*
CV					
Tata Motors	35,144	33,894	*3.7*	31,694	*10.9*
AL	18,571	14,657	*26.7*	17,200	*8.0*
VECV	7,289	5,856	*24.5*	7,181	*1.5*
Tractors					
MM	25,791	20,437	*26.2*	28,926	*(10.8)*
Escorts	7,811	6,114	*27.8*	6,649	*17.5*

Source: Company

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Exhibit 1: Valuation Snapshot

Companies	MktCap (Rs bn)	CMP (Rs)	TP (Rs)	*Upside (%)*	Reco	EPS (Rs)		BVPS (Rs)		PER (x)		P/B (x)		EV/EBITDA (x)		RoE(%)		RoCE (%)	
						FY23E	FY24E	FY23E	FY24E	FY23E	FY24E	FY23E	FY24E	FY23E	FY24E	FY23E	FY24E	FY23E	FY24E
OEM's																			
MARUTI SUZUKI	2,606	8,626	10,098	*17.1*	**HOLD**	335	415	2183	2453	25.8	20.8	4.0	3.5	16.6	13.2	*16.1*	*17.9*	*18.0*	*20.3*
MAHINDRA & MAHINDRA	1,579	1,270	1,600	*26.0*	**BUY**	75	89	423	490	16.9	14.3	3.0	2.6	11.0	9.0	*19.0*	*19.5*	*33.5*	*31.7*
BAJAJ AUTO	1,059	3,661	4,537	*23.9*	**HOLD**	216	247	1003	1052	17.0	14.8	3.6	3.5	14.8	12.8	*22.0*	*24.0*	*23.3*	*25.5*
EICHER MOTORS	849	3,105	3,800	*22.4*	**BUY**	125	149	630	739	24.8	20.8	4.9	4.2	17.5	14.5	*21.5*	*21.8*	*24.1*	*23.8*
HERO MOTOCORP	484	2,420	2,975	*22.9*	**HOLD**	162	187	860	911	15.0	13.0	2.8	2.7	10.6	9.0	*19.3*	*21.1*	*22.0*	*24.4*
ASHOK LEYLAND	427	146	180	*23.7*	**HOLD**	6	8	32	37	23.3	19.0	4.6	3.9	12.7	10.6	*21.1*	*22.4*	*22.2*	*25.3*
TVS MOTOR	513	1,080	1,109	*2.7*	**HOLD**	38	49	153	190	28.5	22.2	7.0	5.7	15.7	12.4	*27.2*	*28.3*	*32.9*	*36.6*
Auto Anc.																			
SONACOMS	262	448	660	*47.2*	**BUY**	11	14	51	63	41.1	31.9	8.8	7.1	26.0	20.2	*23.8*	*24.6*	*29.1*	*30.8*
JAMNA AUTO	40	101	123	*21.7*	**HOLD**	5	6	22	26	19.2	16.7	4.7	3.8	11.5	9.7	*26.7*	*25.1*	*30.2*	*29.4*
SUBROS	18	281	340	*21.0*	**HOLD**	21	24	155	177	13.1	11.6	1.8	1.6	6.3	5.4	*14.7*	*14.6*	*19.9*	*19.9*
SJS ENTERPRISES	13	416	565	*35.8*	**BUY**	31	35	163	191	13.3	11.8	2.5	2.2	8.3	7.3	*20.8*	*19.9*	*24.4*	*23.3*
LUMAX AUTO TECH.	18	266	256	*(3.6)*	**HOLD**	18	24	110	110	14.5	10.9	2.4	2.4	8.4	7.4	*18.0*	*22.1*	*17.6*	*22.0*

Source: Company; IDBI Capital Research

Exhibit 2: Auto monthly Sales volumes (Domestic + Exports)

Company	Feb-23	Feb-22	YoY (%)	Jan-22	MoM (%)	FY23YTD	FY22YTD	YoY (%)
2W								
Hero MotoCorp	3,94,460	3,58,254	*10.1*	3,56,690	*10.6*	48,09,204	44,93,978	*7.0*
Bajaj Auto	2,35,356	2,79,337	*(15.7)*	2,41,107	*(2.4)*	31,93,972	35,80,532	*(10.8)*
TVS Motor	2,67,026	2,67,625	*(0.2)*	2,64,710	*0.9*	32,39,108	28,57,575	*13.4*
RE	71,544	59,160	*20.9*	74,746	*(4.3)*	7,62,660	5,34,591	*42.7*
PV								
MSIL	1,72,321	1,64,056	*5.0*	1,72,535	*(0.1)*	17,96,093	14,82,258	*21.2*
Hyundai India	57,851	53,159	*8.8*	62,276	*(7.1)*	6,59,066	5,60,891	*17.5*
Tata Motors (D)	43,140	40,181	*7.4*	47,987	*(10.1)*	4,96,042	3,28,841	*50.8*
MM (D)	30,358	27,663	*9.7*	33,040	*(8.1)*	3,23,502	1,98,292	*63.1*
Toyota (D)	15,338	8,745	*75.4*	12,835	*19.5*	1,55,333	1,06,639	*45.7*
CV								
Tata Motors	35,144	33,894	*3.7*	31,694	*10.9*	3,59,711	2,93,984	*22.4*
AL	18,571	14,657	*26.7*	17,200	*8.0*	1,68,279	1,08,203	*55.5*
VECV	7,289	5,856	*24.5*	7,181	*1.5*	67,717	48,274	*40.3*
Tractors								
MM	25,791	20,437	*26.2*	28,926	*(10.8)*	3,72,531	3,24,935	*14.6*
Escorts	7,811	6,114	*27.8*	6,649	*17.5*	92,985	84,154	*10.5*

Source: Company

Maruti Suzuki: Electronic components remain the key concern

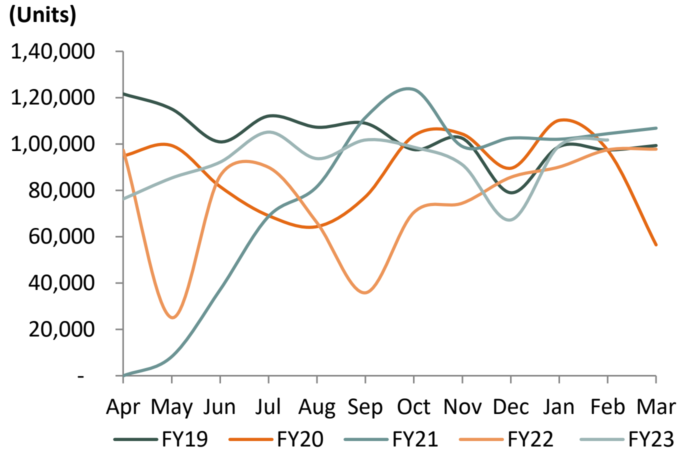
- MSIL Mini segment up by 11% YoY, however down by 14% on MoM at 23k. The Compact sales grew YoY by 3% and 8% MoM to 80k units. The Mid-Size segment de-grew YoY by 59% to 792 units. The Domestic sales were up by 10% YoY at 151k units.
- Total Sales were up by 5% on YoY and flat on MoM, Exports fell by 28% on YoY.
- The shortage of electronic components had a minor impact on the production of vehicles, mainly in domestic models. The Company took all possible measures to minimise the impact.

Exhibit 3: MSIL sales volume

Segment	Feb-23	Feb-22	*YoY (%)*	Jan-22	*MoM (%)*	FY23YTD	FY22YTD	*YoY (%)*
A2: Mini (Alto, WagonR)	21,875	19,691	*11.1*	25,446	*(14.0)*	2,21,329	1,96,271	*12.8*
A2: Compact (Swift, Ritz, Celerio, Dzire, Baleno, Ignis)	79,898	77,795	*2.7*	73,840	*8.2*	7,91,197	6,22,567	*27.1*
A3: Mid-Size (Ciaz)	792	1,912	*(58.6)*	1,000	*(20.8)*	13,310	14,035	*(5.2)*
Total PC	**1,02,565**	**99,398**	***3.2***	**1,00,286**	***2.3***	**10,25,836**	**8,32,873**	***23.2***
B: Uvs (Gypsy, Ertiga, S-Cross, Vitara Brezza)	33,550	25,360	*32.3*	35,353	*(5.1)*	3,29,075	2,65,700	*23.9*
C: Vans (Omni, Eeco)	11,352	9,190	*23.5*	11,709	*(3.0)*	1,19,196	99,124	*20.2*
LCV: Super Carry	3,356	3,659	*(8.3)*	4,019	*(16.5)*	33,982	30,015	*13.2*
Total Domestic sales	**1,50,823**	**1,37,607**	***9.6***	**1,51,367**	***(0.4)***	**15,08,089**	**12,27,712**	***22.8***
Exports	17,207	24,021	*(28.4)*	17,393	*(1.1)*	2,29,214	2,11,880	*8.2*
Sales to other OEM	4,291	2,428	*76.7*	3,775	*13.7*	58,790	42,666	*37.8*
Total sales	**1,72,321**	**1,64,056**	***5.0***	**1,72,535**	***(0.1)***	**17,96,093**	**14,82,258**	***21.2***

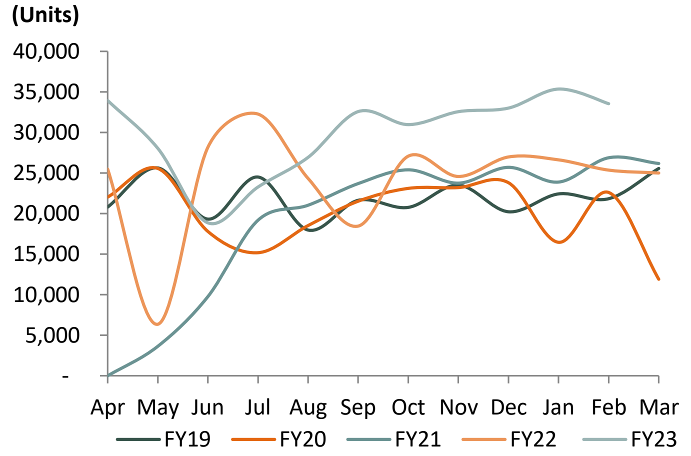
Source: Company

Exhibit 4: Mini + Compact sales trend



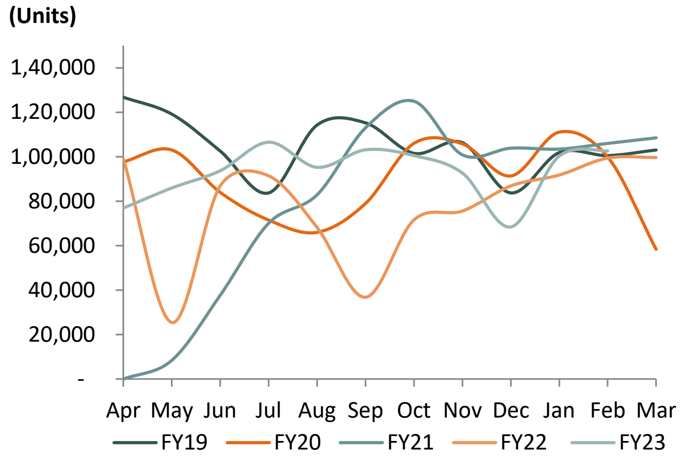
Source: Company

Exhibit 5: Domestic UVs sales trend



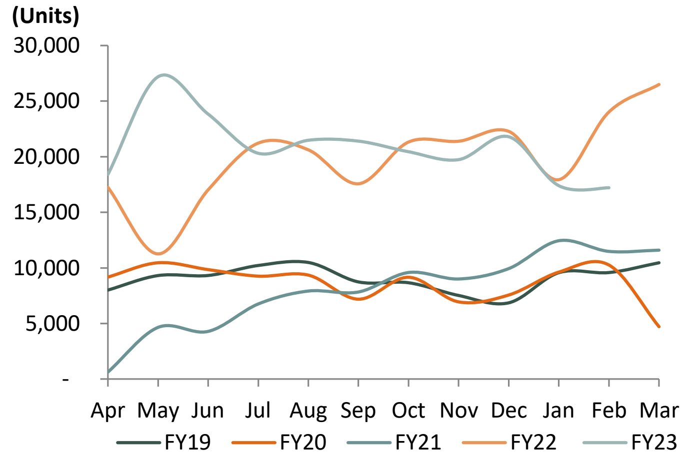
Source: Company

Exhibit 6: Domestic PC sales trend



Source: Company

Exhibit 7: Export sales trend



Source: Company

M&M: Car Dispatches Up 10%, Tractor Sales Jump

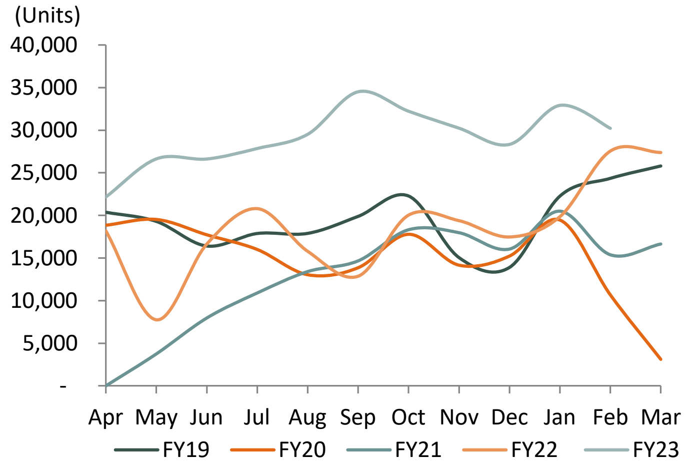
- M&M UV sales increased by 10% YoY to 30k units. The CV sales increased by 3% YoY to 21k units. The Total Auto division Domestic sales increased by 10% YoY to 57k units.
- The Domestic FES Sales grew by 30% YoY to 25K units, FES total sales grew by 26% on YoY however down by 11% on MoM.
- Utility Vehicles segment saw strong growth despite disruptions in supply chain of Crash Sensors and Air Bag ECUs due to availability of semiconductors.

Exhibit 8: Mahindra & Mahindra sales volume

Segment	Feb-23	Feb-22	*YoY (%)*	Jan-22	*MoM (%)*	FY23YTD	FY22YTD	*YoY (%)*
Passenger Vehicles	**30,358**	**27,663**	***9.7***	**33,040**	***(8.1)***	**3,23,502**	**1,98,292**	***63.1***
Utility Vehicles	30,221	27,551	*9.7*	32,915	*(8.2)*	3,21,231	1,96,302	*63.6*
Cars + Vans	137	112	*22.3*	125	*9.6*	2,271	1,990	*14.1*
Commercial Vehicles	**20,843**	**20,166**	***3.4***	**21,724**	***(4.1)***	**2,26,304**	**1,57,280**	***43.9***
LCV < 3.5T	19,756	19,479	*1.4*	20,776	*(4.9)*	2,17,727	1,51,674	*43.5*
LCV > 3.5T+M&HCV	1,087	687	*58.2*	948	*14.7*	8,577	5,606	*53.0*
3W	5,350	3,812	*40.3*	6,562	*(18.5)*	52,823	26,036	*102.9*
Total Domestic	**56,551**	**51,641**	***9.5***	**61,326**	***(7.8)***	**6,02,629**	**3,81,608**	***57.9***
Export	2,250	2,814	*(20.0)*	3,009	*(25.2)*	29,992	29,346	*2.2*
Total Auto Sales	**58,801**	**54,455**	***8.0***	**64,335**	***(8.6)***	**6,32,621**	**4,10,954**	***53.9***
Farm Equipment Segment (FES)								
Domestic	24,619	18,910	*30.2*	27,626	*(10.9)*	3,55,909	3,08,940	*15.2*
Exports	1,172	1,527	*(23.2)*	1,300	*(9.8)*	16,622	15,995	*3.9*
Total FES	**25,791**	**20,437**	***26.2***	**28,926**	***(10.8)***	**3,72,531**	**3,24,935**	***14.6***

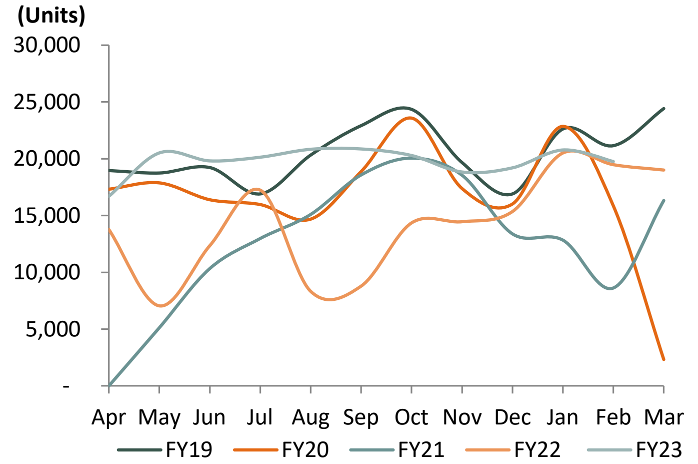
Source: Company

Exhibit 9: Domestic UV sales trend



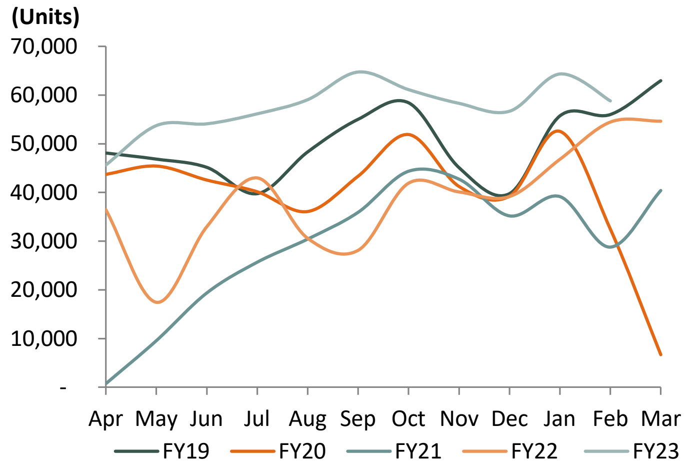
Source: Company

Exhibit 10: Domestic CV sales trend



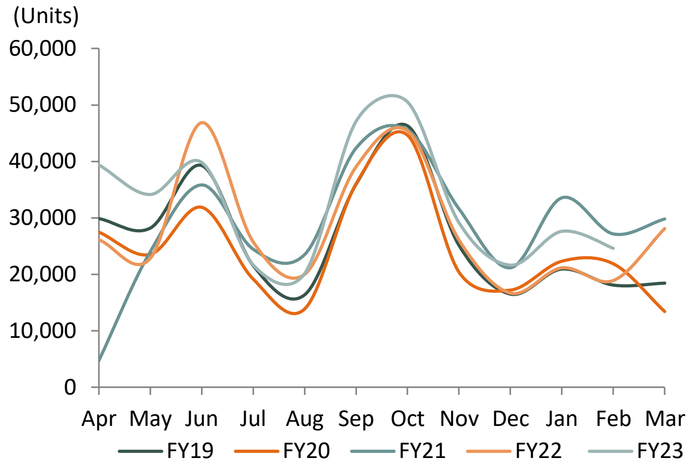
Source: Company

Exhibit 11: Total auto sales trend



Source: Company

Exhibit 12: Domestic tractor sales trend



Source: Company

Escorts: Strong growth across the board

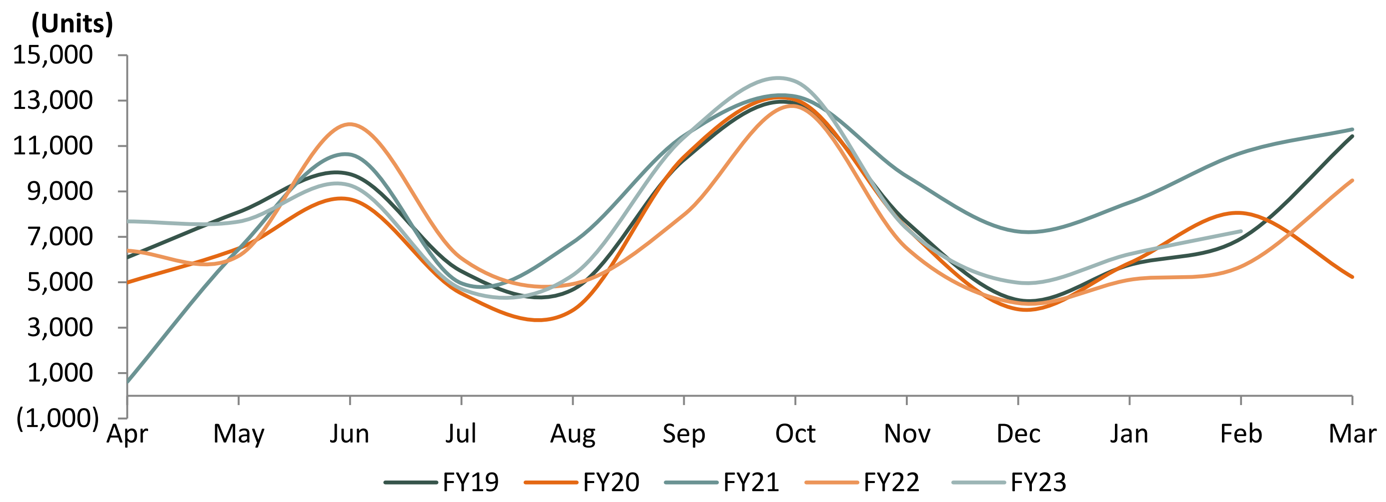
- Escorts Kubota total sales increased by 29% YoY and 18% on MoM at 7,811 tractors last month. Sales in the domestic market increased 27% YoY to 7,245 tractors. Export sales up by 32% YoY and 38% on MoM.

Exhibit 13: Escorts sales volume

Segment	Feb-23	Feb-22	*YoY (%)*	Jan-22	*MoM (%)*	FY23YTD	FY22YTD	*YoY (%)*
Domestic	7,245	5,686	*27.4*	6,235	*16.2*	85,665	77,560	*10.4*
Export	566	428	*32.2*	414	*36.7*	7,320	6,594	*11.0*
Total	**7,811**	**6,114**	***27.8***	**6,649**	***17.5***	**92,985**	**84,154**	***10.5***

Source: Company

Exhibit 14: Domestic tractor sales trend



Source: Company

Hero MotoCorp: Indicating the continuously improving in consumer sentiment

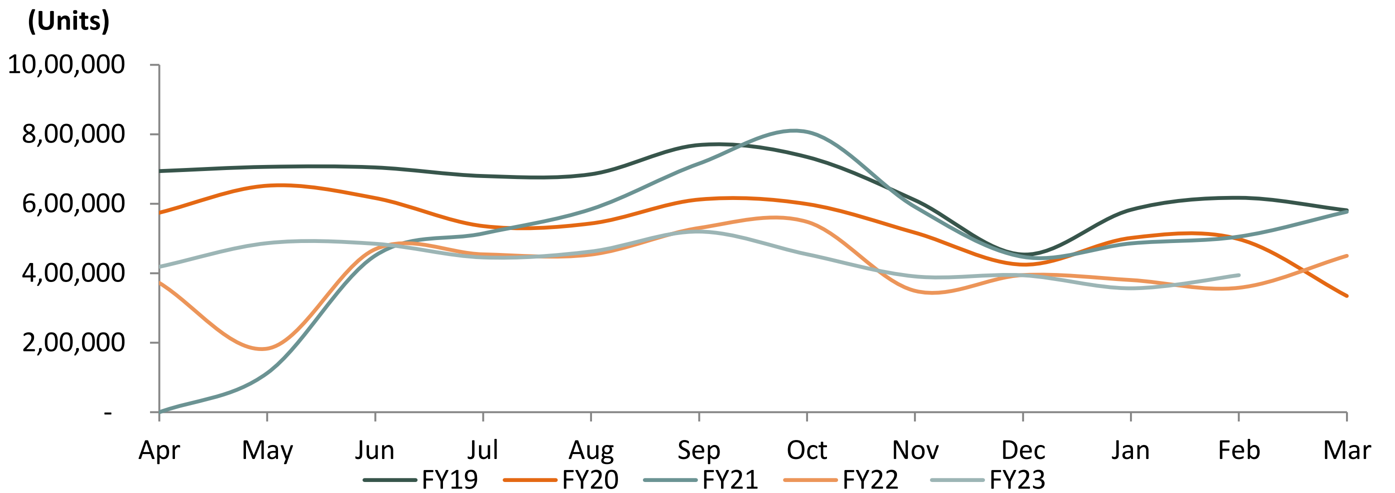
- HMCL Domestic sales up by 15% on YoY and 9% on MoM to 382k units. The Exports sales decreased by 55% YoY to 12k units. The Total Sales stood up by 10% on YoY and flat sequentially to 394k units
- The company expects the positive trend to continue in the coming months, on the back of favorable economic indicators.

Exhibit 15: HMCL sales volume

Segment	Feb-23	Feb-22	*YoY (%)*	Jan-22	*MoM (%)*	FY23YTD	FY22YTD	*YoY (%)*
Motorcycles	3,71,854	3,38,454	*9.9*	3,33,638	*11.5*	44,73,261	42,01,396	*6.5*
Scooters	22,606	19,800	*14.2*	23,052	*(1.9)*	3,35,943	2,91,952	*15.1*
Total	**3,94,460**	**3,58,254**	***10.1***	**3,94,773**	***(0.1)***	**48,09,204**	**44,93,348**	***7.0***
Domestic	3,82,317	3,31,462	*15.3*	3,49,437	*9.4*	46,53,063	42,27,744	*10.1*
Exports	12,143	26,792	*(54.7)*	7,253	*67.4*	1,56,141	2,66,234	*(41.4)*

Source: Company

Exhibit 16: Total 2W sales trend



Source: Company

Bajaj Auto: Weak exports remain a drag on total sales

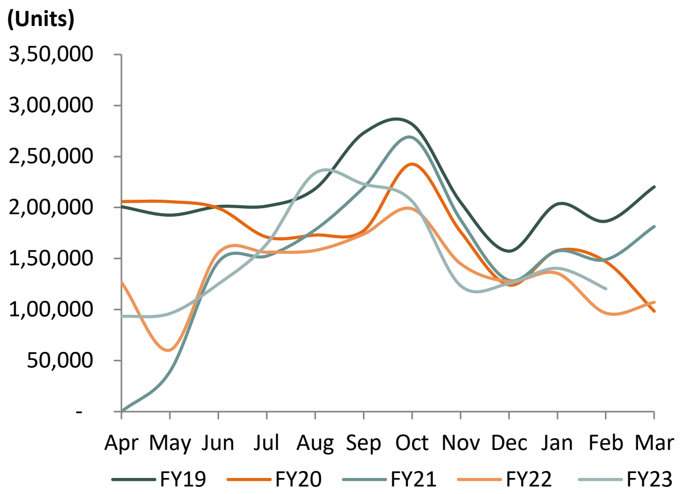
- BJAUTO Domestic Motorcycle sales up by 25% YoY to 120k units whereas Export Motorcycle sales decreased by 38% YoY to 115k units. The Total 3W sales up by 22% YoY and flat on MoM to 45k units. The Total sales de-grew YoY by 11% to 280K units.
- Company expects Export market would revive by Q1FY24.
- Entering the scale up phase in EV, restructuring gives visibility of 10K units/Month

Exhibit 17: BJAUT sales volume

Segment	Feb-23	Feb-22	*YoY (%)*	Jan-22	*MoM (%)*	FY23YTD	FY22YTD	*YoY (%)*
Domestic	1,20,335	96,523	*24.7*	1,40,428	*(14.3)*	16,51,461	15,34,003	*7.7*
Exports	1,15,021	1,82,814	*(37.1)*	1,00,679	*14.2*	15,42,511	20,46,529	*(24.6)*
Total 2W	**2,35,356**	**2,79,337**	***(15.7)***	**2,41,107**	***(2.4)***	**31,93,972**	**35,80,532**	***(10.8)***
Domestic	32,956	16,224	*103.1*	32,842	*0.3*	2,66,499	1,41,052	*88.9*
Exports	11,914	20,459	*(41.8)*	12,046	*(1.1)*	1,73,954	2,89,661	*(39.9)*
Total 3W	**44,870**	**36,683**	***22.3***	**44,888**	***(0.0)***	**4,40,453**	**4,30,713**	***2.3***
Domestic	1,53,291	1,12,747	*36.0*	1,73,270	*(11.5)*	19,17,960	16,75,055	*14.5*
Exports	1,26,935	2,03,273	*(37.6)*	1,12,725	*12.6*	17,16,465	23,36,190	*(26.5)*
Total Sales	**2,80,226**	**3,16,020**	***(11.3)***	**2,85,995**	***(2.0)***	**36,34,425**	**40,11,245**	***(9.4)***

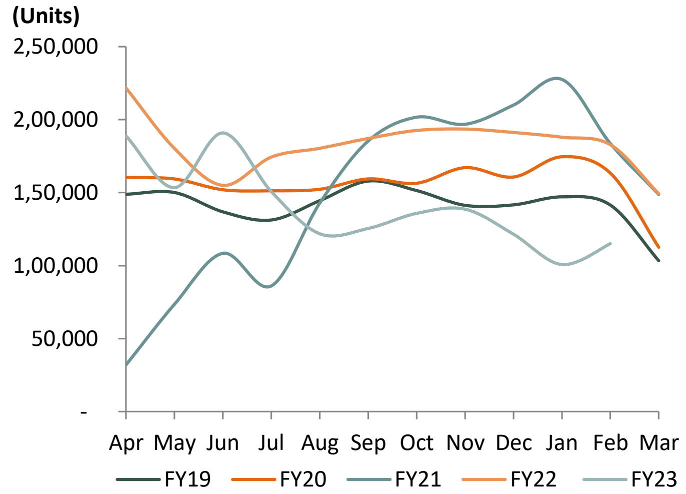
Source: Company

Exhibit 18: Domestic motorcycle sales trend



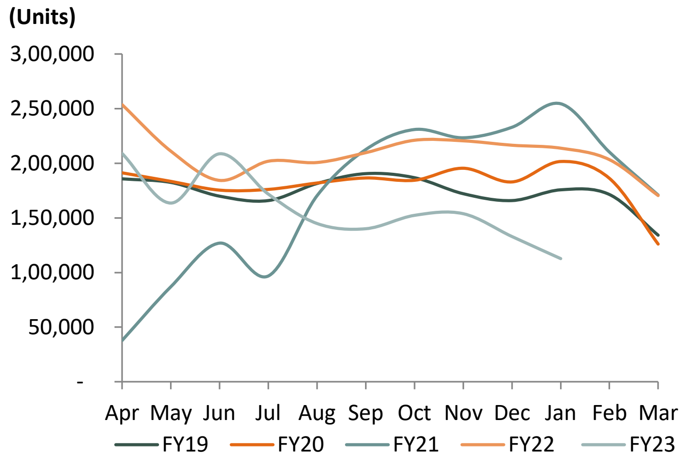
Source: Company

Exhibit 19: Export motorcycle sales trend



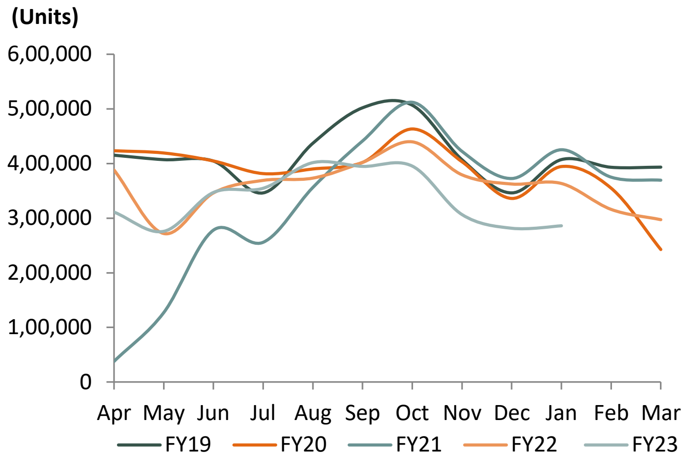
Source: Company

Exhibit 20: Total exports sales trend



Source: Company

Exhibit 21: Total sales trend



Source: Company

TVS: Sales Decline As Exports Fall Sharply

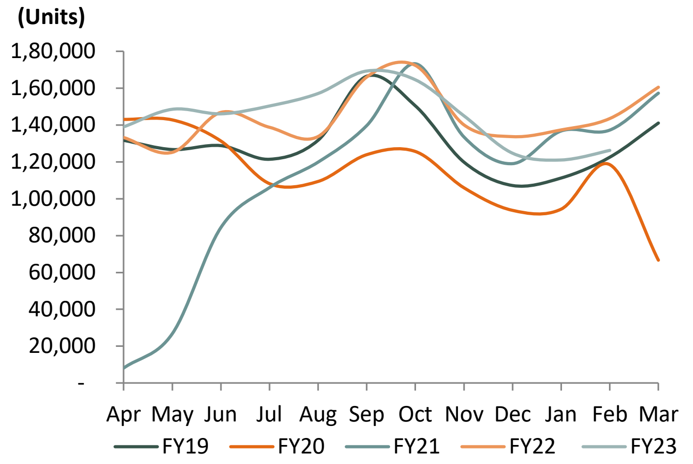
- The Motorcycle Sales at 126k units down by 12% on YoY. The Scooter sales increased by 21% YoY to 105k units. The 3W Domestic Sales decreased by 35% YoY to 9K units. The Total Sales down by 2% YoY and flat on MoM to 276K units.

Exhibit 22: TVSL sales volume

Segment	Feb-23	Feb-22	YoY (%)	Jan-22	MoM (%)	FY23YTD	FY22YTD	YoY (%)
Motorcycle	1,26,243	1,43,523	*(12.0)*	1,21,042	*4.3*	15,92,006	15,70,937	*1.3*
Scooters	1,04,825	86,616	*21.0*	1,06,537	*(1.6)*	11,91,500	8,27,831	*43.9*
Mopeds	35,958	37,486	*(4.1)*	37,131	*(3.2)*	4,37,175	4,58,807	*(4.7)*
2W (Total)	**2,67,026**	**2,67,625**	***(0.2)***	**2,64,710**	***0.9***	**32,20,681**	**28,57,575**	***12.7***
3W	9,124	14,089	*(35.2)*	10,405	*(12.3)*	1,59,521	1,56,839	*1.7*
Sales volume (2W+3W)	**2,76,150**	**2,81,714**	***(2.0)***	**2,75,115**	***0.4***	**33,80,202**	**30,14,414**	***12.1***

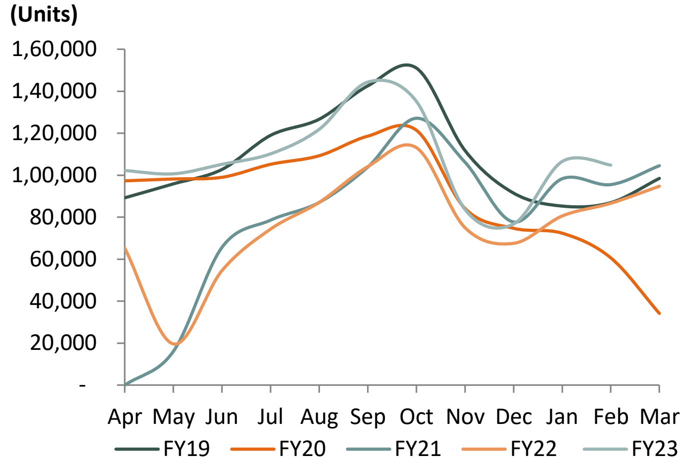
Source: Company

Exhibit 23: Motorcycle sales trend



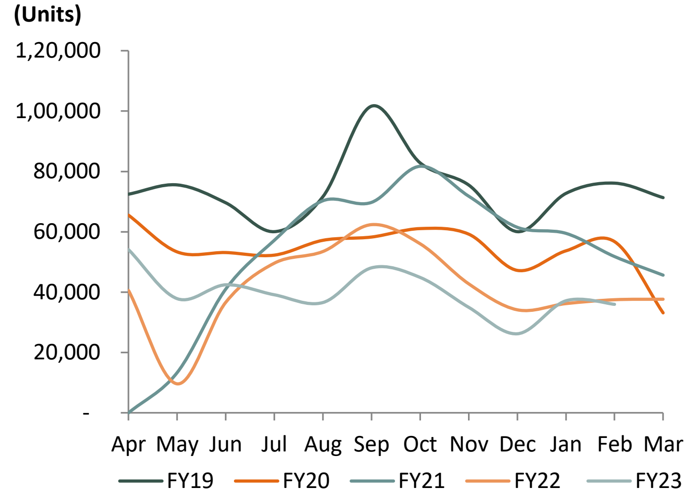
Source: Company

Exhibit 24: Scooter sales trend



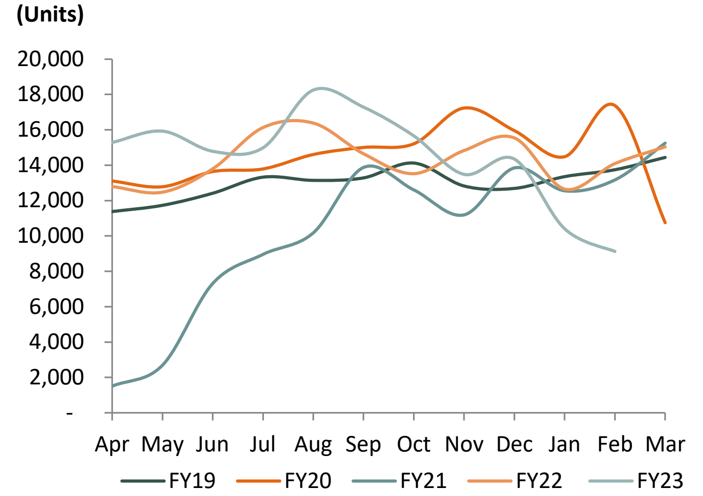
Source: Company

Exhibit 25: Moped sales trend



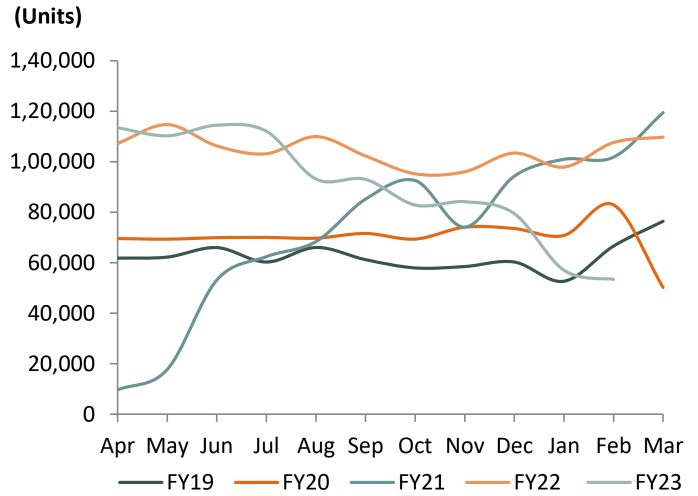
Source: Company

Exhibit 26: 3W sales trend



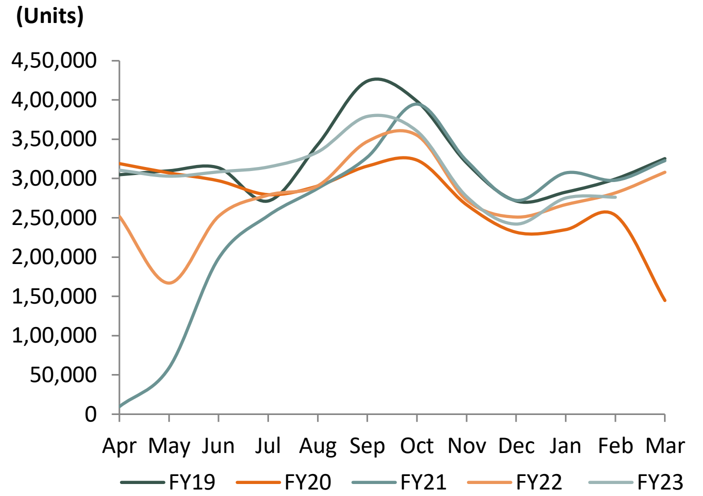
Source: Company

Exhibit 27: Export sales trend



Source: Company

Exhibit 28: Total sales trend



Source: Company

Eicher Motors: Recovery in export, overall strong performance

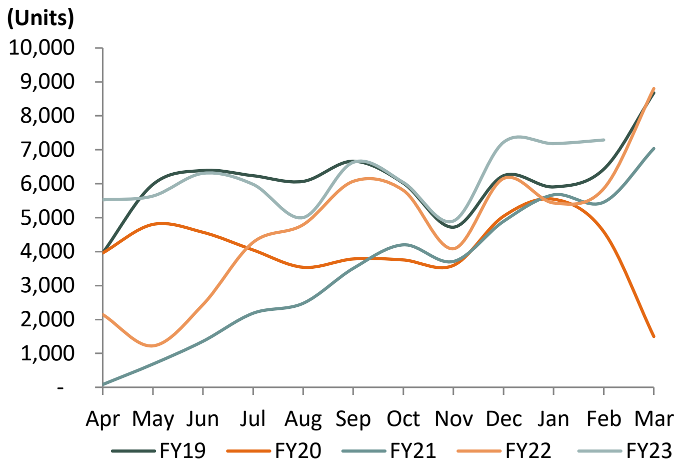
- Royal Enfield Domestic Sales up by 24% YoY to 64k units. The Total Sales increased by 21% YoY to 72k. VECV Sales grew by 25% YoY and flat sequentially to 7,289 units.

Exhibit 29: EIM sales volume

Segment	Feb-23	Feb-22	*YoY (%)*	Jan-22	*MoM (%)*	FY23YTD	FY22YTD	*YoY (%)*
Domestic	64,436	52,135	*23.6*	67,702	*(4.8)*	6,74,956	4,60,531	*46.6*
Export	7,108	7,025	*1.2*	7,044	*0.9*	87,704	74,060	*18.4*
Total RE	**71,544**	**59,160**	***20.9***	**74,746**	***(4.3)***	**7,62,660**	**5,34,591**	***42.7***
VECV	7,289	5,856	*24.5*	7,181	*1.5*	67,717	48,274	*40.3*

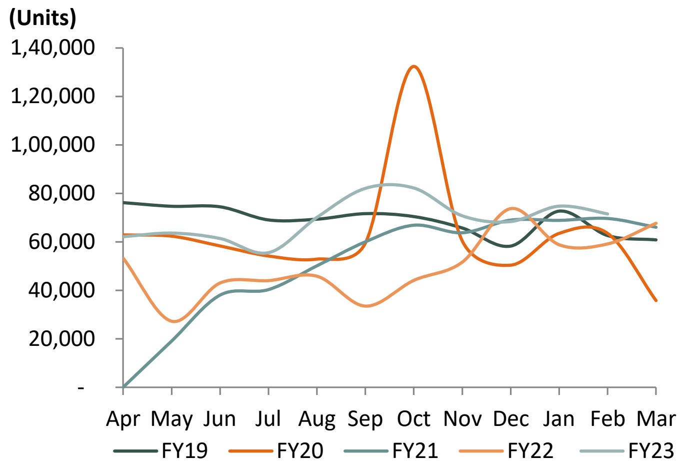
Source: Company

Exhibit 30: VECV sales trend



Source: Company

Exhibit 31: Royal Enfield domestic sales trend



Source: Company

Ashok Leyland: Sales Jump Led By Heavy Duty Trucks

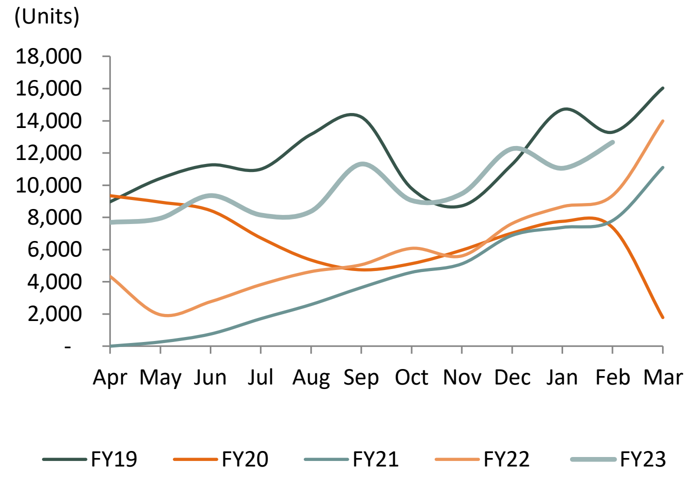
- The Domestic sales increased by 32% YoY and decline by 5% to 18K units. M&HCV Goods segment increased by 31% YoY to 10k units. The Domestic LCV segment increased YoY by 16% to 6k units. Total sales increased by 27% YoY to 19k units.

Exhibit 32: AL Sales Volumes

Segment	Feb-23	Feb-22	*YoY (%)*	Jan-22	*MoM (%)*	FY23YTD	FY22YTD	*YoY (%)*
M&HCV Goods	10,312	7,861	*31.2*	9,119	*13.1*	89,081	49,343	*80.5*
MH&CV Passenger	1,455	419	*247.3*	989	*47.1*	9,282	3,013	*208.1*
LCV	5,801	5,001	*16.0*	6,090	*(4.7)*	59,668	46,400	*28.6*
Domestic	**17,568**	**13,281**	***32.3***	**16,198**	***8.5***	**1,58,031**	**98,756**	***60.0***
Exports	1,003	1,376	*(27.1)*	1,002	*0.1*	10,248	9,447	*8.5*
Total Sales	**18,571**	**14,657**	***26.7***	**17,200**	***8.0***	**1,68,279**	**1,08,203**	***55.5***

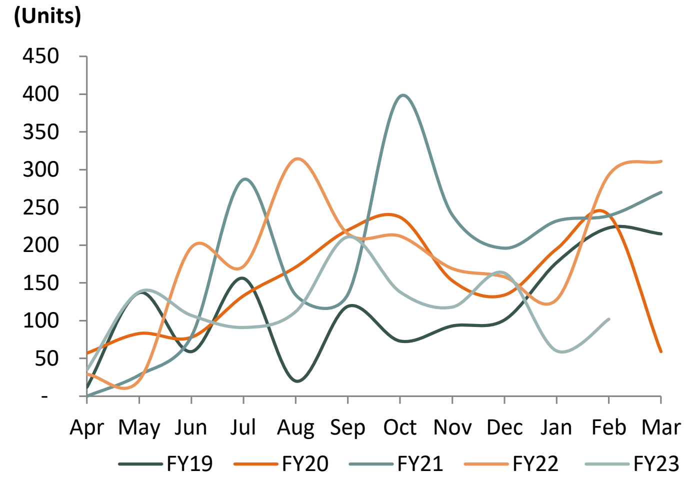
Source: Company

Exhibit 33: M&HCV Domestic Goods sales trend



Source: Company

Exhibit 34: LCV Domestic sales trend



Source: Company

Notes

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