

September 13, 2023

**SECTOR UPDATE** | Sector: Automobile

# Automobile 2W industry update

## Replacement demand drives premiumization

Although domestic 2W volumes have grown ~5% in YTD FY24 at ~7m units, they are lower by ~26%/~13% vis-à-vis YTD FY19/YTD FY20 levels. We reckon FY24E industry will grow 8-10% to 17-17.5m units, largely led by low base and better demand for premium 2Ws, as rural demand is yet to build up. On the other hand, segmental/sub-segmental demand trends are diverse.

Our observations – 1) Scooter share in overall 2W is stable at ~32% in YTD FY24 (v/s 32.7% in FY23 and peak of 33% in FY18). However, if we add EV 2W volumes, the share has already surpassed the prior peak at 34%. 2) Within motorcycles (MC), share of executive/premium >300cc segments has risen consistently over past 5 years at ~39%/~5.4% (highest), led by new product launches and higher replacement/upgrades share. Consequently, share of premium 2Ws is at 7 year high at ~24%. 3) Market share trajectory within motorcycles: TVSL/RE/BJAUT/HMSI gained ~400/180bp/60/90bp market share over (v/s FY20) significantly denting HMCL (-740bp). Among listed peers, TVSL has consistently gained share in overall 2W segment by ~380bp to 17.6% (v/s -460bp/+60bp by HMCL/BJAUT at 31.1%/12.6%) from FY20-YTD FY24. 4) While ICE continues to struggle, EV volumes grew ~45% in FY24YTD led by pre-buy owing to OBD-2 and FAME 2 subsidy cut. Market share of listed players increased steadily to ~35.3% in YTD FY24 (v/s ~17.8%/ 27.7% in FY22/FY23).

**Share of ICE Scooters stable; TVSL & Suzuki mega gainers** – Share of Scooters was subdued till FY22 (declined to 29.7% v/s 33.1% in FY18) but is back at ~32.7%/~31.8% in FY23/YTD FY24. However, it is ~34% if we add EV 2Ws volumes in YTD FY24. Within ICE scooters, share of 125CC expanded to ~34.2% in YTD FY24 (v/s ~31%/27% in FY23/FY19) led by new launches and better customer value proposition.

**Motorcycles: Share of executive segment at ~9 years high** - While 2W demand was subdued over last 4 years, share of executive 125CC has been on the rise. Subsequently, its contribution increased to ~15.4% in YTD FY24 (v/s ~8.8% in FY19) led by overall increase in value proposition (added safety features, braking, electronics, etc.) leading to downtrading from 150cc segment. The share of executive 110cc too increased to 23.5% in YTD FY24 (v/s 21.8% in FY23) led by Shine 110.

**HMSI's share in >300CC stable, RE holds turf** - RE has held on to its overall market share of 93% in YTD FY24 in >300cc segment (v/s 94.2% in FY23). This was led by new launches by HMSI/BJAUT who gained ~100bp/~30bp share in YTD FY24 at 5%/1.6%, respectively. However, increased inquiries at RE post recent launches by BJAUT/HMCL have led to ~10-15% jump in bookings.

**Overall domestic 2Ws: TVS makes steady gains across segments** – HMCL's market share in motorcycle segment dropped to decade low at ~44.4% in YTD FY24 v/s ~51.8% in FY20. BJAUT's share increased by a meagre ~60bp at 12.6% in YTD FY24 (v/s FY20), despite several new product launches. TVS gained ~400bp/660bp/380bp within MC/Scooters/2Ws segments at 10.8%/24.9%/17.6% (highest) for YTD FY24.

**E2Ws: Listed peers hold >1/3<sup>rd</sup> of the pie, TVSL leads** - EV 2W penetration among new scooter sales in YTD FY24 was at record high of 16% (v/s ~12% in FY22) whereas it was at 4.3%/5.8% among overall 2W sales in FY23/YTD FY24. OEM wise listed players (TVSL+BJAUT+GRV+HMCL) have cornered 35.3% of EV 2W market led by TVSL at 18.8% in YTD FY24 (vs 11.4% in FY23, Aug'23 exit share of 24.6%), BJAUT at 8.3% in YTD FY24 (vs 4.4% in FY23, Aug'23 exit share of 10.4%), GRV at 7.2% (vs 11.8% in FY23, Aug'23 exit share of 7.2%) and HMCL at 1% in YTD FY24 (vs Aug'23 exit share of 1.5%).

### YES Sec coverage Summary

Stock	Rating	TP
Ashok Leyland	ADD	207
Bajaj Auto	ADD	5,435
Bharat Forge	BUY	1,156
CEAT	NEUTRAL	2,344
Eicher Motors	BUY	4,008
Endurance	BUY	1,959
Escorts	NEUTRAL	2,502
Exide Industries	BUY	306
Hero MotoCorp	ADD	3,563
Mahindra & Mahindra	ADD	1,674
Maruti Suzuki	ADD	11,004
Motherson Sumi	BUY	121
Tata Motors	BUY	768
TVS Motors	ADD	1,465
Sona BLW	ADD	654

Source – YES Sec

**DEEP SHAH**

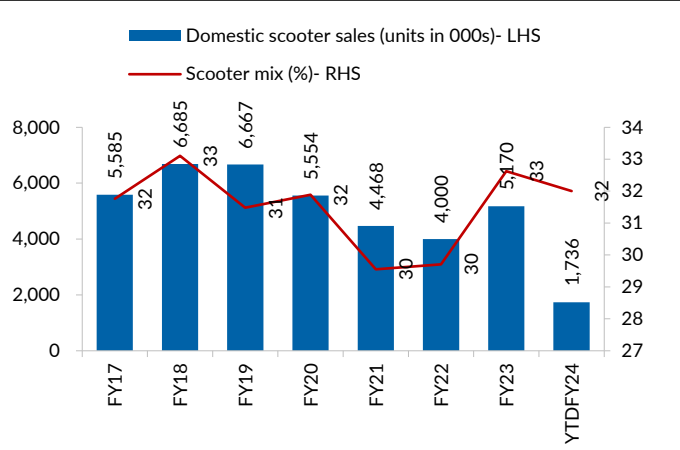
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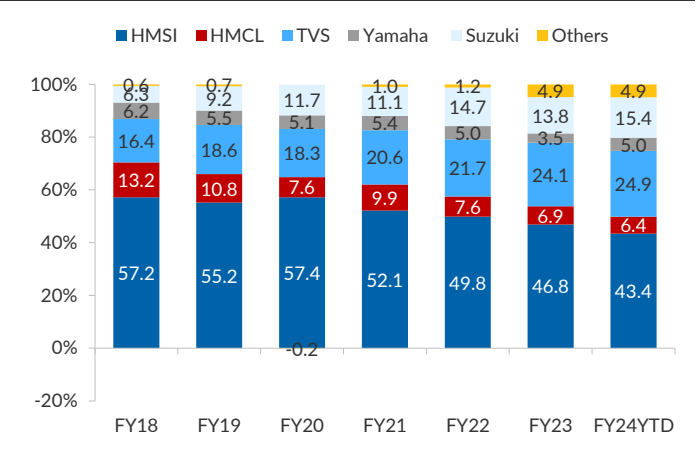


**Exhibit 1: Share of ICE scooters stable at 32-22% (v/s peak of 33% in FY18)**



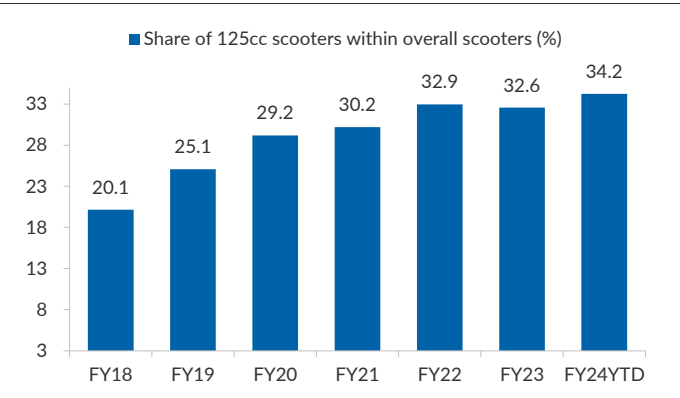
Source: SIAM, YES Sec

**Exhibit 2: TVSL witnessed consistent gains in market share followed by Suzuki within Scooters**



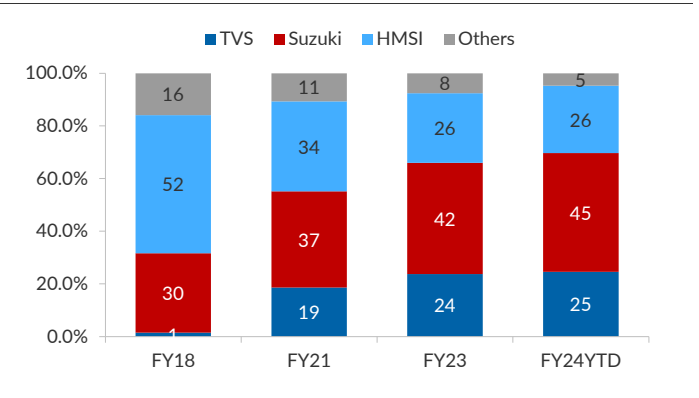
Source: SIAM, YES Sec

**Exhibit 3: Share of 125cc increasing gradually led by better customer proposition**



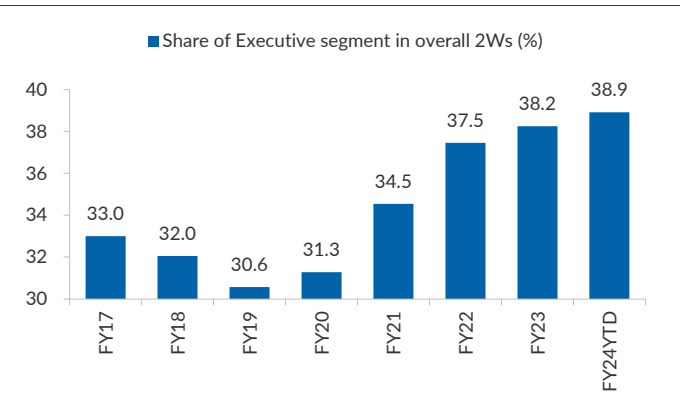
Source: SIAM, YES Sec

**Exhibit 4: Suzuki holds ~45% of 125cc segments, followed by HMSI/TVSL at 26%/25%**



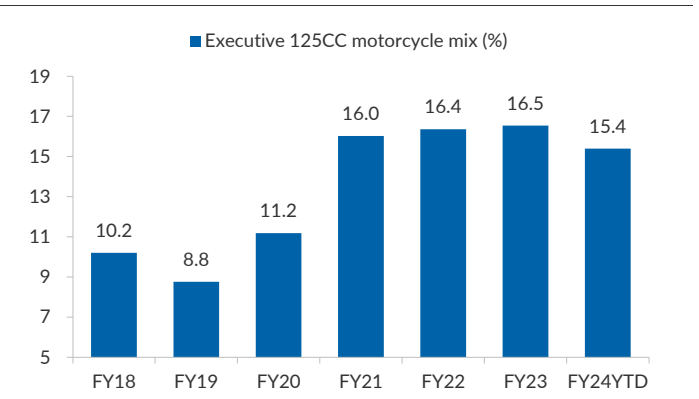
Source: SIAM, YES Sec

**Exhibit 5: Executive segment contribution increased consistently post BS6**



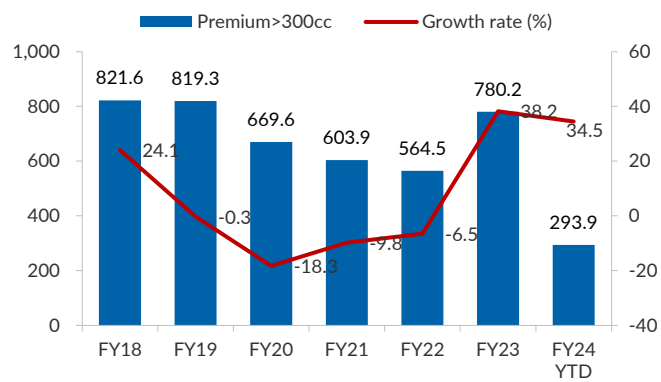
Source: SIAM, YES Sec

**Exhibit 6: Share of Executive 125cc at 15.4% in FY24YTD**



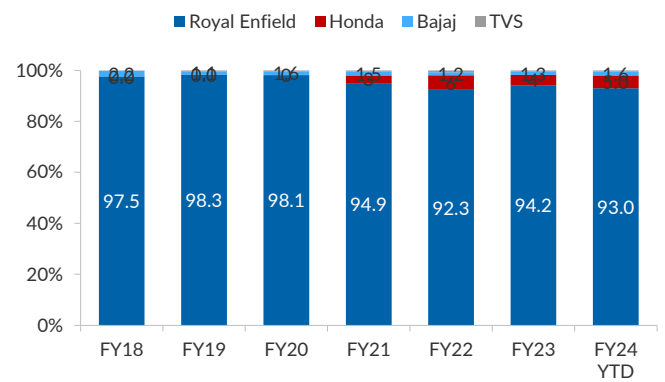
Source: SIAM, YES Sec

**Exhibit 7: >300cc witnessing a faster growth, led by premoimization**



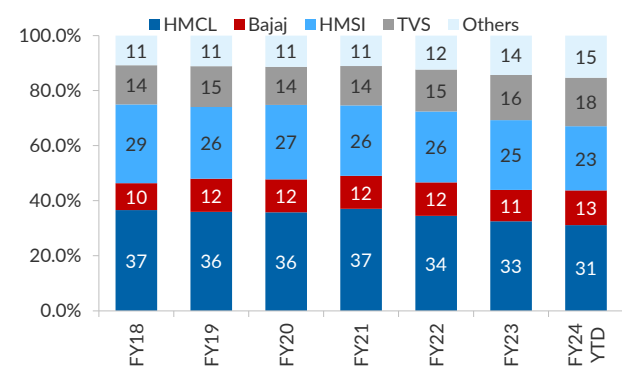
Source: SIAM, YES Sec

**Exhibit 8: RE is holding its turf despite increased competition**



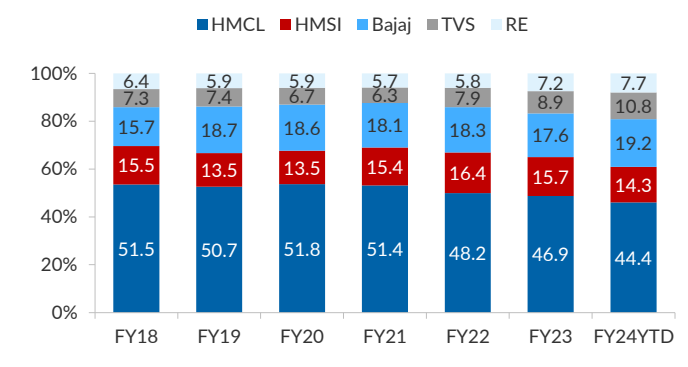
Source: SIAM, YES Sec

**Exhibit 9: HMCL is losing overall market share while TVSL is gaining consistently**



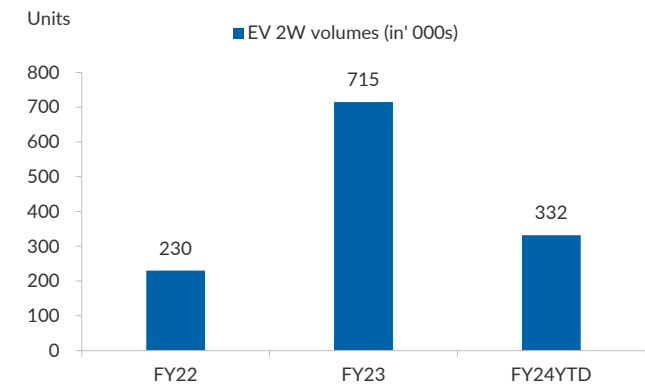
Source: SIAM, YES Sec

**Exhibit 10: TVSL/RE witnessed consistent gains in motorcycle market share.**



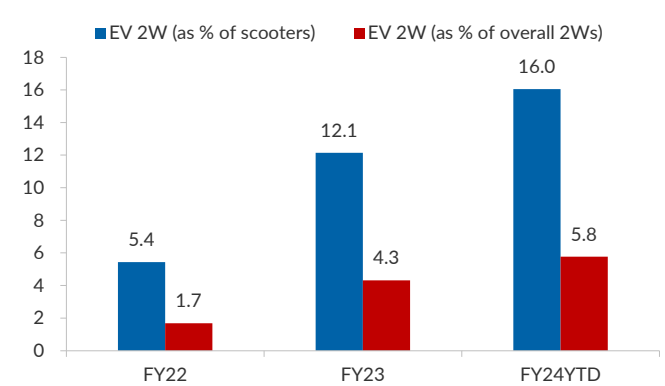
Source: SIAM, YES Sec

**Exhibit 11: EV 2W volumes grew 45% led by pre buy**



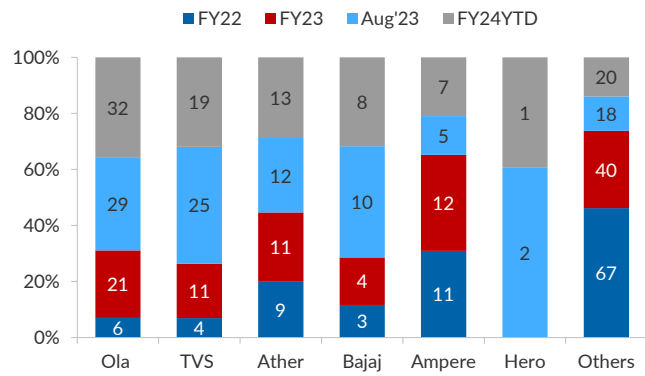
Source: SIAM, YES Sec

**Exhibit 12: ...leading to rise in share of EV 2Ws**



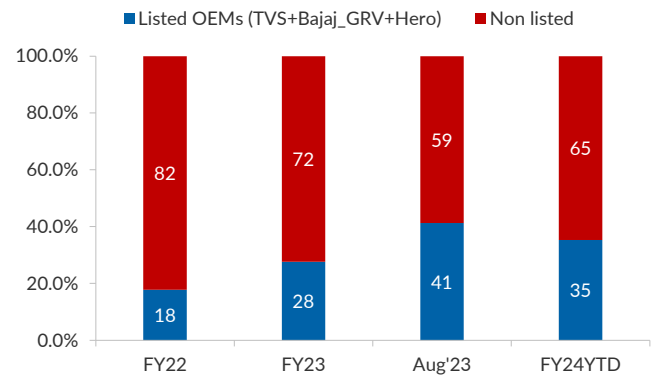
Source: SIAM, YES Sec

**Exhibit 13: EV 2W market share trends**



Source: SIAM, YES Sec

**Exhibit 14: EV 2Ws – share of listed OEMs increasing**



Source: SIAM, YES Sec

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