

Auto-Roundup | November 2023

2Ws report good numbers in festives, CVs subdued

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Sector performance

The month of November observed the festival of Diwali which was good for 2Ws, and SUVs. We observed a better Navratri season than Diwali. Overall festive season was up by 15-20% for 2Ws on the retail side and also premiumization. All segments and companies have posted sequential falls in more or less magnitudes. On a yoy basis, all the companies have posted growth. 2Ws posted a strong recovery as the sentiments improved and also on lower base of last year. For all the 2W companies the growth was above 20% yoy, while on mom basis, the declines were more than 10%. 2W exports have shown some strong signs of improvement sequentially as well as yoy, which can be an important parameter to trace it going forward. This growth was 6% for Bajaj Auto's motorcycle exports segment and 9.5% yoy for TVS's 2W exports. The negativity is due to countries like Nigeria and Bangladesh where there are still macro headwinds prevailing. We believe the mom fall seen in the auto sector overall, is the result of inventory built-up done in the previous month which got de-stocked in November.

On the PV front, SUV growth story remained intact and bucked the trend. On the CV side of the sector, we witnessed both Ashok Leyland and Tata Motors posting declines, on mom basis. For TaMo, the SCV segment has posted fall on yoy as well. LCVs have posted strong growths on a yoy basis as well. Tractors witnessed a reduction in volumes mom, while growing in mid-single digit yoy as El Nino impacted monsoons and ended up with a deficit at 94.4% of LPA thus recording below average rainfall in some of the important agricultural regions. This along with the cyclicity observed in this segment, and high base shall end up the year with muted growth. On a sequential basis, unseasonal rains in some of the major agricultural states leading to a negative impact on tractors.

Company wise performance

Among the PV OEMs, MSIL has posted 1.64 lakh units. On a yoy basis, the total sales in the domestic markets came in 1.2% yoy while the exports grew by 16.3% yoy. Total sales came in at 3.4% up yoy. Going forward, the easing up of chip shortage should lead to faster exhaustion of the order book. Small cars in November de-grew by 44% yoy and 31.6% mom. The compact car segment dropped by 11.2% yoy and 20% mom. The SUV segment continued their splendid growth at 50.5% yoy propelling MSIL as the #1 SUV maker in the country.

TaMo's PV segment saw a 2% yoy and 10.6% mom de-growth sequentially. M&M's SUV segment on the other hand, continued its strong run and jumped by 32% yoy and fell by 8.5% mom. CV division was up 13.4% yoy on LCV demand but down by 13.6% mom. M&M's tractor business in the domestic markets fell by 37% mom and jumped by 6.5% yoy. Escorts Kubota also showed a similar trend as domestic tractor sales dropped 37% mom and grew by 6.7% yoy. With below normal monsoons and unseasonal rains in November, tractor sales may get impacted negatively in FY 24E as losses of ~Rs30 bn were seen in the states of Maharashtra, Gujarat and Rajasthan on crop destruction.

In 2W segment Bajaj reported a growth of 77% yoy while falling by 21.5% mom for its domestic motorcycles, while exports motorcycles fell by 5.9% yoy. The sequential growth of 0.6% is a positive sign indicating exports may have bottomed out, but it is too early to predict a strong bounce back as Nigeria is still reeling under currency pressures, despite demand remaining robust. Bangladesh is also facing macro issues, due to which exports are yet to revive completely. However, we need to follow this trend closely in the ensuing months. Their 3W segment moved up by 33% yoy domestically on a good pick up in the CNG portfolio and e-3Ws. Exports 3Ws however posted a slight de-growth of 2.6% yoy and growing by a whopping 24.3% mom.

Consolidated

	Nov-23	Oct-23	% mom	Nov-22	% yoy	YTD FY24	YTD FY 23	% yoy
Hero Motocorp	491,050	574,930	-14.6%	390,932	25.6%	3,880,763	3,663,875	5.9%
Bajaj Auto	403,003	471,188	-14.5%	306,719	31.4%	2,955,551	2,786,615	6.1%
TVS	364,231	434,714	-16.2%	277,123	31.4%	2,817,001	2,571,639	9.5%
Maruti	164,439	199,217	-17.5%	159,044	3.4%	1,413,731	1,311,890	7.8%
M&M	102,650	131,139	-21.7%	88,831	15.6%	837,075	747,123	12.0%
<i>Auto</i>	70,576	80,679	-12.5%	58,303	21.1%	549,471	452,552	21.4%
<i>Tractors</i>	32,074	50,460	-36.4%	30,528	5.1%	287,604	294,571	-2.4%
Tata Motors	74,172	82,954	-10.6%	75,478	-1.7%	626,815	627,930	-0.2%
Ashok Leyland	14,053	16,864	-16.7%	9,474	48.3%	122,092	114,370	6.8%
Escorts Kubota	8,258	13,205	-37.5%	7,960	3.7%	70,069	72,952	-4.0%

Hero Motocorp also followed a similar trend of sequential decline on inventory pile up witnessed in October on the back of anticipated strong festive season sales in October-November. Inventory destocking in November led to a mom decline of ~15%, while on a yoy basis, sales zoomed by 25.6% to 4.91 lakhs on low base and sentimental positivity. Scooter sales grew by 12.7% on a yoy basis on success of Xoom.

TVS 2W segment reported 31.4% yoy growth of which motorcycle segment grew by 19.2% yoy, while scooters grew by 62.2% yoy, on robust e-scooter I-Qube sales (~16.8K in November v/s ~10K units in November 22). The impact of FAME-2 subsidy seems to have faded off. Mopeds segment of TVS grew 24.5% yoy. 3Ws fell 10% yoy and 14% mom on rising competition from the market leader Bajaj Auto.

Our View

We witnessed a good growth yoy in November for almost all of the segments. 2Ws and SUV segments were the best performers again this month. Exports also saw an improvement in the month. Going forward, the impact of currently prevailing El Nino needs to be seen on the rural centric segments like tractors, which may fall further on unseasonal rains observed in November. CVs have posted a decline mom on high base, cyclical trough and inventory destocking.

We remain positive on the sector. However, our choice is in the following order –PVs, 2Ws and CVs. Stocks specifically, within the 2Ws, we like Bajaj Auto as we expect the exports coming back on track gradually seen in the past 4 months and shall continue hereon as things are gradually easing out in Africa and Latam. However, still there is some uncertainty surrounding it. Also the EV strength gaining from Chetak and launch of e-3W can be additional positives. Domestically on the motorcycles side we expect new launches especially the premium ones to assist posting decent numbers.

TVS too looks promising with its dominance in EV scooters and solid performance by its star performers like iQube, NTorq, Jupiter, Apache, Raider and the recently launched premium bike Ronnin.

While on the PV side, we like M&M because of its strength in the proliferating SUV segment, prudent capital allocation and a robust growth strategy in UVs, EVs and CVs. We also like MSIL on the PV side because of its wide portfolio of vehicles and newly gained leadership in the SUV industry.

We like Ashok Leyland within CVs as it has a diversified revenue base deriving from LCVs, Defense, MHCVs, exports and spares.

Q2 FY24 observed good numbers from the mainstream auto companies on both volumes as well as profitability front. Going forward, in Q3, we expect even better numbers on good festive demand both qoq as well as yoy. Profitability too will be stably good as raw materials are more or less stable and operating leverage should benefit the auto majors.

Every dip in the stocks mentioned above, shall provide good opportunities for investors to enter into them from medium to long term perspective. Lower than expected monsoon and unseasonal rains may have bearing on the sector in H2 FY 24 and H1 of FY25.

Bajaj Auto Limited

	Nov-23	Oct-23	% mom	Nov-22	% yoy	YTD FY24	YTD FY 23	% yoy
Motorcycles								
Domestic	218,597	278,486	-21.5%	123,657	76.8%	1,545,334	1,265,340	22.1%
Exports	130,451	129,658	0.6%	138,630	-5.9%	982,771	1,205,042	-18.4%
Total	349,048	408,144	-14.5%	262,287	33.1%	2,528,105	2,470,382	2.3%
3W								
Domestic	39,147	51,132	-23.4%	29,226	33.9%	321,140	177,671	80.7%
Exports	14,808	11,912	24.3%	15,206	-2.6%	106,306	138,562	-23.3%
Total	53,955	63,044	-14.4%	44,432	21.4%	427,446	316,233	35.2%
Domestic	257,744	329,618	-21.8%	152,883	68.6%	1,866,474	1,443,011	29.3%
Exports	145,259	141,570	2.6%	153,836	-5.6%	1,089,077	1,343,604	-18.9%
Total	403,003	471,188	-14.5%	306,719	31.4%	2,955,551	2,786,615	6.1%

TVS Motor Company Limited

	Nov-23	Oct-23	% mom	Nov-22	% yoy	YTD FY24	YTD FY 23	% yoy
Motorcycles	172,836	201,965	-14.4%	145,006	19.2%	1,331,049	1,220,016	9.1%
Scooters	135,749	165,135	-17.8%	83,679	62.2%	1,052,916	881,306	19.5%
Mopeds	43,518	53,510	-18.7%	34,957	24.5%	338,602	344,671	-1.8%
Total 2W	352,103	420,610	-16.3%	263,642	33.6%	2,722,567	2,445,993	11.3%
3W	12,128	14,104	-14.0%	13,481	-10.0%	104,000	125,646	-17.2%
Total sales	364,231	434,714	-16.2%	277,123	31.4%	2,817,001	2,571,639	9.5%
Exports out of the above	75,203	87,952	-14.5%	84,134	-10.6%	667,501	803,189	-16.9%
2W exports	65,086	75,653	-14.0%	71,912	-9.5%	576,772	688,079	-16.2%

Maruti Suzuki India Limited

	Nov-23	Oct-23	% mom	Nov-22	% yoy	YTD FY24	YTD FY 23	% yoy
Mini(Alto, Old WagonR, S-Presso)	9,959	14,568	-31.6%	18,251	-45.4%	97,077	164,243	-40.9%
Compact(New WagonR, Swift,Celerio, Baleno, Dzire, Ignis)	64,679	80,662	-19.8%	72,844	-11.2%	564,270	579,957	-2.7%
Mid size (Ciaz)	278	695	-60.0%	1,554	-82.1%	8,414	10,364	-18.8%
Total passenger cars	74,916	95,925	-21.9%	92,649	-19.1%	669,761	754,564	-11.2%
Utility Vehicles(Gypsy, Ertiga, XL6, S-Cross, Vitarra Brezza)	49,016	59,147	-17.1%	32,563	50.5%	414,631	227,164	82.5%
Vans(Omnis, Eeco)	10,226	12,975	-21.2%	7,183	42.4%	90,920	85,554	6.3%
LCV (Super Carry)	2,509	3,894	-35.6%	2,660	-5.7%	21,899	25,082	-12.7%
Total domestic sales	136,667	171,941	-20.5%	135,055	1.2%	1,197,211	1,092,364	9.6%
Sales to other OEM :A:Compact	4,822	5,325	-9.4%	4,251	13.4%	39,087	46,708	-16.3%
Exports	22,950	21,951	4.6%	19,738	16.3%	177,433	172,818	2.7%
Total sales	164,439	199,217	-17.5%	159,044	3.4%	1,413,731	1,311,890	7.8%

Mahindra & Mahindra Limited

Auto segment	Nov-23	Oct-23	% mom	Nov-22	% yoy	YTD FY24	YTD FY 23	% yoy
Utility Vehicles	39,981	43,708	-8.5%	30,238	32.2%	298,593	229,516	30.1%
Cars+Vans			-	154	-	10	1,897	-99.5%
Total PV	39,981	43,708	-8.5%	30,392	31.6%	298,603	231,413	29.0%
LCV(<3.5 T)	21,367	24,684	-13.4%	18,836	13.4%	169,408	157,994	7.2%
LCV (>3.5T)+ MHCV	844	1,031	-18.1%	755	11.8%	8,278	5,653	46.4%
Total CV	22,211	25,715	-13.6%	19,591	13.4%	177,686	163,647	8.6%
3 wheelers	6,568	9,402	-30.1%	5,198	26.4%	55,196	35,859	53.9%
Total domestic sales	68,760	78,825	-12.8%	55,181	24.6%	531,485	430,919	23.3%
Total exports	1,816	1,854	-2.0%	3,122	-41.8%	17,986	21,633	-16.9%
Total sales	70,576	80,679	-12.5%	58,303	21.1%	549,471	452,552	21.4%

FES	Nov-23	Oct-23	% mom	Nov-22	% yoy	YTD FY24	YTD FY 23	% yoy
Domestic	31,069	49,336	-37.0%	29,180	6.5%	279,129	282,024	-1.0%
Exports	1,005	1,124	-10.6%	1,348	-25.4%	8,475	12,547	-32.5%
Total FES	32,074	50,460	-36.4%	30,528	5.1%	287,604	294,571	-2.4%

Ashok Leyland Limited

	Nov-23	Oct-23	% mom	Nov-22	% yoy	YTD FY24	YTD FY 23	% yoy
MHCV	8,500	10,185	-16.5%	7,811	8.8%	76,936	71,356	7.8%
LCV	5,553	6,679	-16.9%	1,663	233.9%	45,156	43,014	5.0%
Total	14,053	16,864	-16.7%	9,474	48.3%	122,092	114,370	6.8%

Tata Motors Limited

	Nov-23	Oct-23	% mom	Nov-22	% yoy	YTD FY24	YTD FY 23	% yoy
M&HCV	8,253	10,204	-19.1%	8,194	1%	73,595	72,060	2%
I & LCV	4,385	5,351	-18.1%	4,147	6%	36,540	35,005	4%
Passenger Carriers	2,130	2,514	-15.3%	2,041	4%	26,011	21,477	21%
SCV cargo and pick up	11,811	14,419	-18.1%	13,048	-9%	104,324	119,676	-13%
Total CV	26,579	32,488	-18.2%	27,430	-3%	240,470	248,218	-3%
Total PV	46,068	48,337	-4.7%	46,037	0%	373,225	364,508	2%
Exports	1,525	2,129	-28.4%	2,011	-24%	13,120	15,204	-14%
Total sales	74,172	82,954	-10.6%	75,478	-2%	626,815	627,930	0%

Escorts Kubota Limited

	Nov-23	Oct-23	% mom	Nov-22	% yoy	YTD FY24	YTD FY 23	% yoy
Domestic	7,855	12,642	-37.9%	7,359	6.7%	66,196	67,206	-1.5%
Exports	403	563	-28.4%	601	-32.9%	3,873	5,746	-32.6%
Total	8,258	13,205	-37.5%	7,960	3.7%	70,069	72,952	-4.0%

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