

Auto-Roundup | September 2023

Volumes look high on inventory build-up for the upcoming festive

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Sector performance

The month of September was a decent month for the auto companies. 2Ws posted better recovery as compared to last month, while on yoy basis, the growth was lower than the mom growth. For TVS and Hero, we saw positive growth both mom and yoy, while for Bajaj Auto, the 3W growth was so high that it offset the negative 2W growth yoy. On a sequential basis, all the 3 companies posted robust double digit growth. 2W exports have shown some signs of improvement sequentially as well as yoy, which can be an important parameter to trace it going forward. This growth was flattish for Bajaj Auto and 8% yoy and 15% mom for TVS. This is a strong traction after huge negative growths witnessed over the last one year. We believe the mom growth seen in the auto sector overall, is the result of inventory build-up on the back of festive season in October and November. On the PV front, all the companies have posted strong growth led by the SUV growth story. On the CV side of the sector, we witnessed both Ashok Leyland and Tata Motors posting a strong growth, which we can call erratic given an uncertain trend observed every month. Even tractors, LCVs and 3Ws have all posted strong growths on a mom basis. Tractors witnessed a reduction in volumes 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 regions. This along with the cyclicity observed in this segment, shall end up the year with muted growth. The companies have however built up inventories anticipating a strong festive season offtake, however it will all depend on the North East rains in H2 and related Rabi sowing.

Company wise performance

Among the PV OEMs, MSIL has posted 1.81 lakh units. On a yoy basis, the total sales in the domestic markets came in 1.5% yoy while the exports grew by 5.2% yoy. The domestic growth was slightly muted as compared to last month's high base. Even on yoy basis, the growth was low. Going forward, the easing up of chip shortage should lead to catering of the pent up demand. Also expectations of a good festive season shall lead to volumes moving up in the next couple of months. Also last year, Navratra was in September, which justifies the high base and low growth yoy. Small cars in September de-grew by 65% yoy and 15.2% mom. The compact car segment was also down, but by 5% yoy and 5.4% mom. The SUV segment grew 82% yoy and 1% sequentially.

TaMo's PV segment saw a 6% yoy and 2.4% dip sequentially. M&M's SUV segment on the other hand, jumped by 20.4% yoy and 10.7% mom. CV division was up 10.8% yoy and 1.6% up mom despite the impact of BS VI Phase-2 implementation and OBD-2 norms. M&M's tractor business in the domestic markets fell by 10.8% yoy and jumped by 104% mom on inventory build-up before the festive. However, Escorts Kubota's domestic tractor sales dropped 11.2% yoy and grew by 95% mom on inventory build-up. With below normal monsoon tractor sales may get impacted negatively in FY 24E.

In 2W segment Bajaj reported a growth of 9.2% yoy fall and 25.9% mom gain for its domestic motorcycles, while in exports motorcycles fell by 0.2% yoy. The sequential growth of 0.8% is a positive sign indicating exports may have bottomed out, but it is too early to predict a strong bounce back. However, we need to follow this trend closely in the ensuing months. Their 3W segment moved up by 59.6% yoy and 14.5% mom domestically on a good pick up in the CNG portfolio and e-3Ws. Exports 3Ws however disappointed by posting a de-growth of 3.3% yoy and grew by 15.7% mom. Hero Motocorp has posted 3.2% yoy and 10% mom growth on inventory build-up and some demand for its existing portfolio.

Consolidated

	Sep-23	Aug-23	% mom	Sep-22	% yoy	YTD FY24	YTD FY 23	% yoy
Hero Motocorp	536,499	488,717	9.8%	519,980	3.2%	2,814,783	2,818,361	-0.1%
Bajaj Auto	392,558	341,548	14.9%	394,747	-0.6%	2,081,320	2,084,658	-0.2%
TVS	402,553	345,848	16.4%	379,011	6.2%	2,018,056	1,934,228	4.3%
Maruti	181,343	189,082	-4.1%	176,306	2.9%	1,938,688	1,800,385	7.7%
M&M	118,814	92,026	29.1%	113,199	5.0%	603,286	545,184	10.7%
<i>Auto</i>	75,604	70,350	7.5%	64,486	17.2%	398,216	333,135	19.5%
<i>Tractors</i>	43,210	21,676	99.3%	48,713	-11.3%	205,070	212,049	-3.3%
Tata Motors	84,381	78,430	7.6%	82,754	2.0%	469,689	474,117	-0.9%
Ashok Leyland	19,202	15,576	23.3%	17,549	9.4%	91,175	84,946	7.3%
Escorts Kubota	10,861	5,593	94.2%	12,232	-11.2%	22,024	23,703	-7.1%

TVS 2W segment reported 6.2% yoy growth of which motorcycle segment grew by 10.1% yoy and 21.8% mom, while scooters grew by 7.7% yoy, on robust e-scooter I-Qube sales (20.3K in September v/s 4.9K units in September 22). The sales seemed to have grown despite the impact of FAME-2 subsidy. Mopeds segment of TVS grew 23% mom and fell by 6.1% yoy. 3Ws fell 9.7% yoy on competition from the market leader Bajaj Auto while growing by 13.5% mom.

Our view

We witnessed a strong September for most of the segments other than PVs (high base). SUV segment was the best performer. 2Ws also performed well on sequential basis, as inventory build-up happened on anticipation of good festive season. Exports also saw slight improvement in the month. Going forward, the impact of currently prevailing El Nino needs to be seen on the rural centric segments like 2Ws and tractors. CVs have posted a strong performance post decline seen in previous month. The impact of BS VI phase-2 implementation, OBD-2 norms and high base seem to be fading off.

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 August and September to continue hereon as things are easing out in Africa. However, still there is some uncertainty surrounding it, but better than earlier. Also the EV strength gaining from Chetak and upcoming launch of e-3W can be additional positives. Domestically on the motorcycles side we expect new launches to assist posting decent numbers. TVS too looks promising with its dominance in EV scooters and solid performance by its star performers like 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 inroads into the SUV industry. We like Ashok Leyland within CVs as it has a diversified revenue base deriving from LCVs, Defense, MHCVs, exports and spares. 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 may have bearing on the sector in H2 FY 24 and H1 of FY25.

Hero Motocorp Limited

	Sep-23	Aug-23	% mom	Sep-22	% yoy	YTD FY24	YTD FY 23	% yoy
Total sales	536,499	488,717	9.8%	519,980	3.2%	2,814,783	2,818,361	-0.1%

Bajaj Auto Limited

	Sep-23	Aug-23	% mom	Sep-22	% yoy	YTD FY24	YTD FY 23	% yoy
Motorcycles								
Domestic	202,510	160,820	25.9%	222,912	-9.2%	1,048,251	935,552	12.0%
Exports	125,202	124,211	0.8%	125,443	-0.2%	722,622	930,640	-22.4%
Total	327,712	285,031	15.0%	348,355	-5.9%	1,770,873	1,866,192	-5.1%
3W								
Domestic	50,683	44,280	14.5%	31,752	59.6%	230,861	111,659	106.8%
Exports	14,163	12,237	15.7%	14,640	-3.3%	79,586	106,807	-25.5%
Total	64,846	56,517	14.7%	46,392	39.8%	310,447	218,466	42.1%
Domestic	253,193	205,100	23.4%	254,664	-0.6%	1,279,112	1,047,211	22.1%
Exports	139,365	136,448	2.1%	140,083	-0.5%	802,208	1,037,447	-22.7%
Total	392,558	341,548	14.9%	394,747	-0.6%	2,081,320	2,084,658	-0.2%

TVS Motor Company Limited

	Sep-23	Aug-23	% mom	Sep-22	% yoy	YTD FY24	YTD FY 23	% yoy
Motorcycles	186,438	153,047	21.8%	169,322	10.1%	956,248	910,442	5.0%
Scooters	155,526	142,502	9.1%	144,356	7.7%	752,032	684,503	9.9%
Mopeds	44,991	36,561	23.1%	48,051	-6.4%	241,574	242,776	-0.5%
Total 2W	386,955	332,110	16.5%	361,729	7.0%	1,949,854	1,837,721	6.1%
3W	15,598	13,738	13.5%	17,282	-9.7%	77,768	96,507	-19.4%
Total sales	402,553	345,848	16.4%	379,011	6.2%	2,018,056	1,934,228	4.3%
Exports out of the above	100,294	87,515	14.6%	92,975	7.9%	504,346	636,239	-20.7%
2W exports	86,462	75,491	14.5%	77,851	11.1%	436,033	547,471	-20.4%

Maruti Suzuki India Limited

	Sep-23	Aug-23	% mom	Sep-22	% yoy	YTD FY24	YTD FY 23	% yoy
Mini(Alto, Old WagonR, S-Presso)	10,351	12,209	-15.2%	29,574	-65.0%	72,550	121,056	-40.1%
Compact(New WagonR, Swift,Celerio, Baleno, Dzire, Ignis)	68,552	72,451	-5.4%	72,176	-5.0%	418,930	434,428	-3.6%
Mid size (Ciaz)	1,491	849	75.6%	1,359	9.7%	7,441	6,926	7.4%
Total passenger cars	80,394	85,509	-6.0%	103,109	-22.0%	498,921	562,410	-11.3%
Utility Vehicles(Gypsy, Ertiga, XL6, S-Cross, Viterra Brezza)	59,271	58,746	0.9%	32,574	82.0%	306,467	163,630	87.3%
Vans(Omni, Eeco)	11,147	11,859	-6.0%	12,697	-12.2%	67,719	69,510	-2.6%
LCV (Super Carry)	2,294	2,564	-10.5%	2,505	-8.4%	15,496	19,509	-20.6%
Total domestic sales	153,106	158,678	-3.5%	150,885	1.5%	888,603	815,059	9.0%
Sales to other OEM :A:Compact	5,726	5,790	-1.1%	4,018	42.5%	917,543	852,694	7.6%
Exports	22,511	24,614	-8.5%	21,403	5.2%	132,542	132,632	-0.1%
Total sales	181,343	189,082	-4.1%	176,306	2.9%	1,938,688	1,800,385	7.7%

Mahindra & Mahindra Limited

Auto segment	Sep-23	Aug-23	% mom	Sep-22	% yoy	YTD FY24	YTD FY 23	% yoy
Utility Vehicles	41,267	37,270	10.7%	34,262	20.4%	214,904	167,052	28.6%
Cars+Vans	-	-	-	246	-	10	1,671	-99.4%
Total PV	41,267	37,270	10.7%	34,508	19.6%	214,914	168,723	27.4%
LCV(<3.5 T)	22,858	22,664	0.9%	20,865	9.6%	123,357	118,868	3.8%
LCV (>3.5T)+ MHCV	1,139	949	20.0%	801	42.2%	6,403	4,208	52.2%
Total CV	23,997	23,613	1.6%	21,666	10.8%	129,760	123,076	5.4%
3 wheelers	7,921	7,044	12.5%	5,774	37.2%	39,226	25,580	53.3%
Total domestic sales	73,185	67,927	7.7%	61,948	18.1%	383,900	317,379	21.0%
Total exports	2,419	2,423	-0.2%	2,538	-4.7%	14,316	15,756	-9.1%
Total sales	75,604	70,350	7.5%	64,486	17.2%	398,216	333,135	19.5%

FES	Sep-23	Aug-23	% mom	Sep-22	% yoy	YTD FY24	YTD FY 23	% yoy
Domestic	42,034	20,647	103.6%	47,100	-10.8%	198,724	202,305	-1.8%
Exports	1,176	1,029	14.3%	1,613	-27.1%	6,346	9,744	-34.9%
Total FES	43,210	21,676	99.3%	48,713	-11.3%	205,070	212,049	-3.3%

Ashok Leyland Limited

	Sep-23	Aug-23	% mom	Sep-22	% yoy	YTD FY24	YTD FY 23	% yoy
MHCV	12752	9763	30.6%	11,314	12.7%	58,251	52,828	10.3%
LCV	6450	5813	11.0%	6,235	3.4%	32,924	32,118	2.5%
Total	19,202	15,576	23.3%	17,549	9.4%	91,175	84,946	7.3%

Tata Motors Limited

	Sep-23	Aug-23	% mom	Sep-22	% yoy	YTD FY24	YTD FY 23	% yoy
M&HCV	12,867	9,000	43.0%	8,889	45%	55,138	53,321	3%
I & LCV	6,377	5,207	22.5%	6,238	2%	26,804	27,460	-2%
Passenger Carriers	3,344	2,986	12.0%	2,287	46%	21,367	17,677	21%
SCV cargo and pick up	14,626	13,555	7.9%	15,565	-6%	78,094	91,010	-14%
Total CV	37,214	30,748	21.0%	32,979	13%	181,403	189,468	-4%
Total PV	44,809	45,933	-2.4%	47,654	-6%	278,820	272,660	2%
Exports	2,358	1,749	34.8%	2,121	11%	9,466	11,989	-21%
Total sales	84,381	78,430	7.6%	82,754	2%	469,689	474,117	-1%

Escorts Kubota Limited

	Sep-23	Aug-23	% mom	Sep-22	% yoy	YTD FY24	YTD FY 23	% yoy
Domestic	10,114	5,198	94.6%	11,384	-11.2%	20,473	21,396	-4.3%
Exports	747	395	89.1%	848	-11.9%	1,551	2,307	-32.8%
Total	10,861	5,593	94.2%	12,232	-11.2%	22,024	23,703	-7.1%

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