

Auto-Roundup | March 2024

2Ws, SUVs shine in FY 24; Tractors decline the most...

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Sector performance

The month of March was a mixed bag for the auto sector as 2Ws like Bajaj and TVS have excelled, while Hero has underperformed despite being in the same sector. On the other hand, MSIL has posted growth of 10%, while M&M's Auto segment has posted 3.5% growth. Tractors have fallen by and large around 20% average, while CVs have fallen around 6-11%. Exports seem to have bounced back in March with a strong 40% and 25% growth for Bajaj and TVS 2Ws respectively.

When we analyse the performance on full year basis, we see that 2Ws and SUVs have been the best performers. CVs have declined between 0-6% which was slightly better than our expectations, while tractors have fallen by 7-8% in line with anticipation. PVs have reported higher single digit growth. Improvement in sentiments, absorption of price hikes, new model launches and slow and steady revival of rural markets has led to robust growth in 2Ws, while the SUVs drove a decent growth in PVs. Electrification and premiumization also remain the main factors for growth in 2Ws.

As far as CVs and tractors are concerned, high base has become one of the biggest issues along with slowdown in capex and rural growth. We witnessed both Ashok Leyland and Tata Motors posting declines yoy, while on a sequential basis, they showed a good growth. Weak monsoons and unseasonal rains have added to woes of tractors, which led to low crop output, while weak Rabi sowing triggered tractor down cycle further.

Company wise performance

Among the PV OEMs, MSIL has posted 1.87 lakh units in March, growing by 10%, while in FY 24, it posted 2.13 mn sales, a growth of 8.6%, driven totally by SUV business, wherein the company has gained #1 spot. SUV (36% of domestic sales in FY24 v/s 22% in FY23) positivity more than offset the deceleration in the small and hatch back car segment (54% v/s 67% yoy). The compact car segment de-grew by 4.1% in FY24. The SUV segment continued its splendid run at 75% in FY24. Small car segment continued to be the spot of worry as it fell by 39% during the fiscal.

TaMo's PV segment saw a 14% yoy growth and 2.3% mom de-growth in March, while growing by 6% in FY24. M&M's SUV segment on the other hand, continued its strong run and jumped by 12.9% yoy and fell by 4.2% mom in the month. FY sales of SUV segment zoomed by 29%. CV division was down by 6.1% yoy and showed a decline of 8.3% mom. In FY 24, the CV division surprisingly grew by 5.7% mainly driven by >3.5T segment which is posting splendid performance. For Ashok Leyland as well MHCV sales declined by 7.2% yoy and grew by a huge 37% mom. On FY basis, it grew flattish which is a positive sign. LCVs posted 2.1% yoy and 19.8% mom hike, while total sales of Ashok Leyland reduced by 4.4% yoy while growing by 31% mom.

M&M's tractor business in the domestic markets de-grew by 20.7% mom and 27.8% yoy, while in FY 24, it dropped by 6.4%. Escorts Kubota also showed a similar trend as domestic tractor sales grew by 33% mom while reduced by 16% yoy. FY drop was 5.3%. VST Tillers compact tractors segment plummeted by 12% yoy, while grew by 92% mom. Tiller growth was at 8% mom, while dropping by 27% yoy. FY sales were down by 7.2%.

2W sector has been the outperformer in the industry for a while now. In 2W segment Bajaj reported a growth of 20.2% yoy and 7.3% mom for its domestic motorcycles, while exports motorcycles rose by a meaningful 38% yoy and 5.4% mom. The sequential growth is a positive sign indicating exports may have bottomed out.

Consolidated

	Mar-24	Feb-24	% mom	Mar-23	% yoy	FY 24	FY 23	% yoy
Hero Motocorp	490,415	468,410	4.7%	519,342	-5.6%	5,667,138	5,328,546	6.4%
Bajaj Auto	365,904	346,662	5.6%	291,567	25.5%	4,350,933	3,927,857	10.8%
TVS	354,592	368,424	-3.8%	317,152	11.8%	4,181,428	3,681,528	13.6%
Maruti	187,196	197,471	-5.2%	170,071	10.1%	2,135,323	1,966,164	8.6%
M&M	94,437	94,595	-0.2%	101,105	-6.6%	1,203,325	1,106,001	8.8%
<i>Auto</i>	68,413	72,923	-6.2%	66,091	3.5%	824,939	698,456	18.1%
<i>Tractors</i>	26,024	21,672	20.1%	35,014	-25.7%	378,386	407,545	-7.2%
Tata Motors	92,559	86,406	7.1%	91,048	1.7%	970,210	954,108	1.7%
Ashok Leyland	22,866	17,464	30.9%	23,926	-4.4%	194,683	192,205	1.3%
Escorts Kubota	8,584	6,481	32.4%	10,305	-16.7%	95,858	103,290	-7.2%
VST Tillers & Tractors	4,823	4,170	15.7%	6,468	-25.4%	41,868	45,122	-7.2%

A continued traction in exports is necessary to confirm the momentum going forward. Their 3W segment moved up by 9.2% yoy domestically on a good pick up in the CNG portfolio and e-3Ws. Exports 3Ws however posted a robust growth of 42% yoy. FY 24 total sales grew by 10.8%

TVS 2W segment reported 12% yoy growth of which motorcycle segment grew by 21% yoy, while scooters grew by 2% yoy, i-Qube, the e-scooter sales were ~15K in March v/s ~18K units in February 24 in the midst of rising competition. Mopeds segment of TVS grew 10% yoy. 3Ws were up by 5.8% yoy and down by 4.4% mom. Total FY sales were up by 13.6%. Hero Motocorp witnessed a growth of 4.7% mom and a fall of 5.6% in the month, which was less as compared with its other two peers. FY sales were up by 6.4%.

Our view

We witnessed a good year for SUVs and 2Ws. New launches, EV variants are all leading to a strong run in the SUV segment. Exports also saw a drastic improvement in the month which we need to monitor going forward. The impact of weak monsoons and unseasonal rainfall which is already evident through the performance of tractor companies may continue at least till monsoons which are predicted to be above normal by MET Departments. CVs are also in a weak lane on its cyclical nature, but shall revive in the medium term considering the government's emphasis on the capex and investment cycle which is expected to kick in in that time duration.

We remain positive on the sector with a cautious view as we may see a softer FY 25 for CVs and PVs. Our choice is in the following order –2W, PVs and CVs. Stocks specifically, within the 2Ws, we like **Bajaj Auto** more than its other two rivals as we see green shoots in the exports now (~40% of total volumes v/s 36% yoy). Also the EV strength gaining from Chetak (MS at 14% v/s 5% yoy) and e-3W can be additional positives. Domestically on the motorcycles side we expect new launches especially the premium ones (Bajaj + KTM + Triumph) to assist posting decent numbers. Market leadership on the 3Ws takes care of profitability.

TVS too looks promising with its dominance in EV scooters and solid performance by its star performers like Raider, iQube, NTorq, Jupiter and Apache. However slow margin growth and very high valuations are concerns for us.

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. For MSIL, however, we are concerned about its over dependence on SUVs for growth, as rest of the segments are underperformers, particularly the small car segment.

We like **Ashok Leyland** within CVs as it has a diversified revenue base deriving from LCVs, Defense, MHCVs, exports and spares. We are a cautious on CVs as we need to closely watch for the growth profile hereon considering the tapering off of the CV cycle. Tata Motors too looks good on JLR strength and domestic EV market leadership. However, the recent rally has limited its upside.

Hero Motocorp Limited

	Mar-24	Feb-24	% mom	Mar-23	% yoy	FY 24	FY 23	% yoy
Total sales	490,415	468,410	4.7%	519,342	-5.6%	5,667,138	5,328,546	6.4%

Bajaj Auto Limited

	Mar-24	Feb-24	% mom	Mar-23	% yoy	FY24	FY 23	% yoy
Motorcycles								
Domestic	183,004	170,527	7.3%	152,287	20.2%	2,250,585	1,805,883	24.6%
Exports	130,881	124,157	5.4%	94,715	38.2%	1,477,338	1,636,956	-9.8%
Total	313,885	294,684	6.5%	247,002	27.1%	3,727,923	3,442,839	8.3%
3W								
Domestic	37,389	36,367	2.8%	34,235	9.2%	464,138	300,734	54.3%
Exports	14,630	15,611	-6.3%	10,330	41.6%	158,872	184,284	-13.8%
Total	52,019	51,978	0.1%	44,565	16.7%	623,010	485,018	28.5%
Domestic	220,393	206,894	6.5%	186,522	18.2%	2,714,723	2,106,617	28.9%
Exports	145,511	139,768	4.1%	105,045	38.5%	1,636,210	1,821,240	-10.2%
Total	365,904	346,662	5.6%	291,567	25.5%	4,350,933	3,927,857	10.8%

TVS Motor Company Limited

	Mar-24	Feb-24	% mom	Mar-23	% yoy	FY24	FY 23	% yoy
Motorcycles	171,611	184,023	-6.7%	141,250	21.5%	1,990,343	1,733,256	14.8%
Scooters	131,472	132,152	-0.5%	128,817	2.1%	1,551,997	1,298,251	19.5%
Mopeds	41,363	41,635	-0.7%	37,492	10.3%	502,484	480,907	4.5%
Total 2W	344,446	357,810	-3.7%	307,559	12.0%	4,044,824	3,512,414	15.2%
3W	10,146	10,614	-4.4%	9,593	5.8%	146,170	169,114	-13.6%
Total sales	354,592	368,424	-3.8%	317,152	11.8%	4,181,428	3,681,528	13.6%
Exports out of the above	91,972	98,856	-7.0%	75,037	22.6%	1,013,063	1,068,057	-5.1%
2W exports	83,914	90,308	-7.1%	66,779	25.7%	887,774	915,018	-3.0%

Maruti Suzuki India Limited

	Mar-24	Feb-24	% mom	Mar-23	% yoy	FY24	FY 23	% yoy
Mini(Alto, Old WagonR, S-Presso)	11,829	14,782	-20.0%	11,582	2.1%	142,094	232,911	-39.0%
Compact(New WagonR, Swift,Celerio, Baleno, Dzire, Ignis)	69,844	71,627	-2.5%	71,832	-2.8%	828,015	863,029	-4.1%
Mid size (Ciaz)	590	481	22.7%	300	96.7%	10,337	13,610	-24.0%
Total passenger cars	82,263	86,890	-5.3%	83,714	-1.7%	980,446	1,109,550	-11.6%
Utility Vehicles(Gypsy, Ertiga, XL6, S-Cross, Viterra Brezza)	58,436	61,234	-4.6%	37,054	57.7%	642,296	366,129	75.4%
Vans(Omni, Eeco)	12,019	12,147	-1.1%	11,995	0.2%	137,139	131,191	4.5%
LCV (Super Carry)	3,612	3,126	15.5%	4,024	-10.2%	33,763	38,006	-11.2%
Total domestic sales	156,330	163,397	-4.3%	136,787	14.3%	1,793,644	1,644,876	9.0%
Sales to other OEM :A:Compact	4,974	5,147	-3.4%	3,165	57.2%	58,612	61,955	-5.4%
Exports	25,892	28,927	-10.5%	30,119	-14.0%	283,067	259,333	9.2%
Total sales	187,196	197,471	-5.2%	170,071	10.1%	2,135,323	1,966,164	8.6%

Ashok Leyland Limited

	Mar-24	Feb-24	% mom	Mar-23	% yoy	FY24	FY 23	% yoy
MHCV	15,562	11,369	36.9%	16,773	-7.2%	124,883	124,109	0.6%
LCV	7,304	6,095	19.8%	7,153	2.1%	69,800	68,096	2.5%
Total	22,866	17,464	30.9%	23,926	-4.4%	194,683	192,205	1.3%

Tata Motors Limited

	Mar-24	Feb-24	% mom	Mar-23	% yoy	FY24	FY 23	% yoy
M&HCV	12,710	10,091	26.0%	14206	-11%	116,501	122,494	-5%
I & LCV	6,781	5,083	33.4%	8327	-19%	58,822	54,580	8%
Passenger Carriers	5,854	4,692	24.8%	3,973	47%	43,489	34,627	26%
SCV cargo and pick up	15,367	13,701	12.2%	18,801	-18%	159,248	181,616	-12%
Total CV	40,712	33,567	21.3%	45307	-10%	378,060	393,317	-4%
Total PV	50,110	51,267	-2.3%	44,044	14%	572,105	540,569	6%
Exports	1,737	1,572	10.5%	1,697	2%	20,045	20,222	-1%
Total sales	92,559	86,406	7.1%	91,048	2%	970,210	954,108	2%

Mahindra & Mahindra Limited

Auto segment	Mar-24	Feb-24	% mom	Mar-23	% yoy	FY24	FY 23	% yoy
Utility Vehicles	40,631	42,401	-4.2%	35,976	12.9%	459,864	356,961	28.8%
Cars+Vans	-	-	-	21	-	13	2,292	-99.4%
Total PV	40,631	42,401	-4.2%	35,997	12.9%	459,877	359,253	28.0%
LCV(<3.5 T)	17,613	19,925	-11.6%	20,813	-15.4%	235,696	238,540	-1.2%
LCV (>3.5T)+ MHCV	3,317	2,900	14.4%	1,469	125.8%	27,114	10,036	170.2%
Total CV	20,930	22,825	-8.3%	22,282	-6.1%	262,810	248,576	5.7%
3 wheelers	5,279	6,158	-14.3%	5,697	-7.3%	77,589	58,520	32.6%
Total domestic sales	66,840	71,384	-6.4%	63,976	4.5%	800,276	666,349	20.1%
Total exports	1,573	1,539	2.2%	2,115	-25.6%	24,663	32,107	-23.2%
Total sales	68,413	72,923	-6.2%	66,091	3.5%	824,939	698,456	18.1%
FES	Mar-24	Feb-24	% mom	Mar-23	% yoy	FY24	FY 23	% yoy
Domestic	24,276	20,121	20.7%	33,622	-27.8%	364,526	389,531	-6.4%
Exports	1,748	1,551	12.7%	1,392	25.6%	13,860	18,014	-23.1%
Total FES	26,024	21,672	20.1%	35,014	-25.7%	378,386	407,545	-7.2%

Escorts Kubota Limited

	Mar-24	Feb-24	% mom	Mar-23	% yoy	FY24	FY 23	% yoy
Domestic	8,051	6,041	33.3%	9,601	-16.1%	90,239	95,266	-5.3%
Exports	533	440	21.1%	704	-24.3%	5,619	8,024	-30.0%
Total	8,584	6,481	32.4%	10,305	-16.7%	95,858	103,290	-7.2%

VST Tillers & Tractors

	Mar-24	Feb-24	% mom	Mar-23	% yoy	FY24	FY 23	% yoy
Power Tillers	4061	3773	8%	5596	-27.4%	36480	38247	-4.6%
Tractors	762	397	92%	872	-12.6%	5388	6875	-21.6%
Total	4823	4170	16%	6468	-25.4%	41868	45122	-7.2%

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