

# Automobile

PV & CV gaining traction; Recovery in sight for 2W

## Summary

In August 22, Overall Indian Auto industry witnessed robust recovery. The Passenger Vehicle (PV) segment reported volume recovery despite semiconductor shortages while the demand remains robust. The Domestic 2W market exhibited partial recovery with gradual recovery expected going ahead. The CV segment reported growth primarily due to lower base, higher Infra spending and increased freight movement across India while the Tractor segment performance was better prior to earlier months. Our Top picks in the sector are MSIL, M&M, SonaComs and SJS Enterprises. MSIL and M&M are well positioned to address turnaround in Indian PV market. SonaComs is likely to be the fastest growing India based Auto ancillary due to its presence in EV segment. SJS to be beneficiary of growth momentum in 2W industry.

## Key highlights:

- **PV segment:** The Industry PV Sales in August 2022 showed improvement on YoY basis. The demand for PV remains strong with visible recovery seen in context to chip crisis. Going ahead, we expect faster volume recovery in the segment.
- **2W segment:** The Industry 2W Sales in August 2022 improved YoY and QoQ led by good rural demand and wedding season. The recovery seems to be picking up the pace towards pre-pandemic levels.
- **CV segment:** The Industry CV Sales in August 2022 improved on YoY basis, which was primarily due to opening of economy, revival in freight movement and pick up in construction activities. We expect good volume growth in upcoming months.
- **Tractor segment:** The Industry Tractor Sales improved in August 2022 on YoY basis. We expect steady improvement in volumes in coming months supported by good monsoon season.

## Monthly Sales volume summary (Domestic + Exports)

Company	Aug-22	Aug-21	YoY (%)	Jul-22	MoM (%)
<b>2W</b>					
Hero MotoCorp	4,62,608	4,53,879	1.9	4,45,580	3.8
HMSI	4,62,523	4,30,683	7.4	4,43,643	4.3
Bajaj Auto	3,55,625	3,38,310	5.1	3,15,054	12.9
TVS Motor	3,49,252	2,74,313	27.3	2,97,518	17.4
RE	70,112	45,860	52.9	55,555	26.2
<b>PV</b>					
MSIL	1,65,173	1,30,699	26.4	1,75,916	(6.1)
Hyundai India	62,210	59,068	5.3	63,851	(2.6)
Tata Motors (D)	47,166	28,018	68.3	47,505	(0.7)
MM (D)	29,852	15,973	86.9	28,053	6.4
Toyota (D)	14,959	12,772	17.1	19,693	(24.0)
<b>CV</b>					
Tata Motors	31,492	29,781	5.7	34,154	(7.8)
AL	14,121	9,360	50.9	13,625	3.6
VECV	5,003	4,793	4.4	5,982	(16.4)
<b>Tractors</b>					
MM	21,520	21,360	0.7	23,307	(7.7)
Escorts	6,111	5,693	7.3	5,360	14.0

Source: Company

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
<b>OEM's</b>																			
MARUTI SUZUKI	2638	8,732	10,047	15.1	<b>BUY</b>	269	335	1966	2183	32.5	26.1	4.4	4.0	22.0	17.4	14.3	16.1	15.6	18.0
MAHINDRA & MAHINDRA	1567	1,261	1,765	40.0	<b>BUY</b>	57	79	368	427	22.3	16.0	3.4	3.0	12.7	9.0	16.3	19.9	28.8	35.2
BAJAJ AUTO	1175	4,062	4,208	3.6	<b>HOLD</b>	192	216	960	1003	21.2	18.8	4.2	4.0	18.8	16.6	20.4	22.0	21.5	23.3
EICHER MOTORS	952	3,482	3,638	4.5	<b>BUY</b>	99	125	536	630	35.1	27.9	6.5	5.5	24.0	19.0	19.9	21.4	22.6	23.9
HERO MOTOCORP	560	2,800	3,062	9.4	<b>HOLD</b>	166	191	831	879	16.9	14.7	3.4	3.2	12.1	10.5	20.4	22.3	23.7	26.0
ASHOK LEYLAND	433	148	158	7.1	<b>HOLD</b>	4	7	28	32	38.8	22.4	5.4	4.6	15.8	10.7	14.5	22.1	14.4	22.7
TVS MOTOR	451	949	923	(2.7)	<b>HOLD</b>	29	38	125	153	32.2	25.0	7.6	6.2	17.6	14.2	26.0	27.2	28.4	32.9
<b>Auto Anc.</b>																			
SONACOMS	306	524	770	47.1	<b>BUY</b>	7	11	41	50	73.0	49.2	12.9	10.4	46.7	33.2	19.1	23.4	23.8	29.3
JAMNA AUTO	46	114	137	19.9	<b>HOLD</b>	5	5	18	22	25.0	21.7	6.4	5.3	15.3	13.1	26.1	26.7	28.8	30.2
SUBROS	21	326	339	4.1	<b>HOLD</b>	14	19	138	155	23.3	17.3	2.4	2.1	7.5	5.9	10.6	12.8	15.0	16.7
SJS ENTERPRISES	15	490	600	22.4	<b>BUY</b>	26	33	139	166	19.1	14.7	3.5	3.0	10.7	8.4	19.9	21.9	23.6	25.8
LUMAX AUTO TECH.	18	270	256	(5.3)	<b>HOLD</b>	15	18	87	104	17.6	14.8	3.1	2.6	8.9	7.7	19.2	19.1	17.6	18.4

Source: Company; IDBI Capital Research

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

Company	Aug-22	Aug-21	YoY (%)	Jul-22	MoM (%)	FY23YTD	FY22YTD	YoY (%)
<b>2W</b>								
Hero MotoCorp	4,62,608	4,53,879	1.9	4,45,580	3.8	22,98,381	19,32,766	18.9
HMSI	4,62,523	4,30,683	7.4	4,43,643	4.3	20,04,263	13,89,325	44.3
Bajaj Auto	3,55,625	3,38,310	5.1	3,15,054	12.9	15,18,107	15,68,184	(3.2)
TVS Motor	3,49,252	2,74,313	27.3	2,97,518	17.4	15,09,705	11,68,532	29.2
RE	70,112	45,860	52.9	55,555	26.2	3,12,872	2,13,538	46.5
<b>PV</b>								
MSIL	1,65,173	1,30,699	26.4	1,75,916	(6.1)	8,09,020	6,46,775	25.1
Hyundai India	62,210	59,068	5.3	63,851	(2.6)	2,95,876	2,69,115	9.9
Tata Motors (D)	47,166	28,018	68.3	47,505	(0.7)	2,24,796	1,22,589	83.4
MM (D)	29,852	15,973	86.9	28,053	6.4	1,34,215	80,221	67.3
Toyota (D)	14,959	12,772	17.1	19,693	(24.0)	76,453	45,007	69.9
<b>CV</b>								
Tata Motors	31,492	29,781	5.7	34,154	(7.8)	1,66,567	1,03,645	60.7
AL	14,121	9,360	50.9	13,625	3.6	67,397	35,997	87.2
VECV	5,003	4,793	4.4	5,982	(16.4)	28,454	14,870	91.4
<b>Tractors</b>								
MM	21,520	21,360	0.7	23,307	(7.7)	1,63,336	1,48,518	10.0
Escorts	6,111	5,693	7.3	5,360	14.0	38,268	38,192	0.2

Source: Company

## Maruti Suzuki: Strong come back

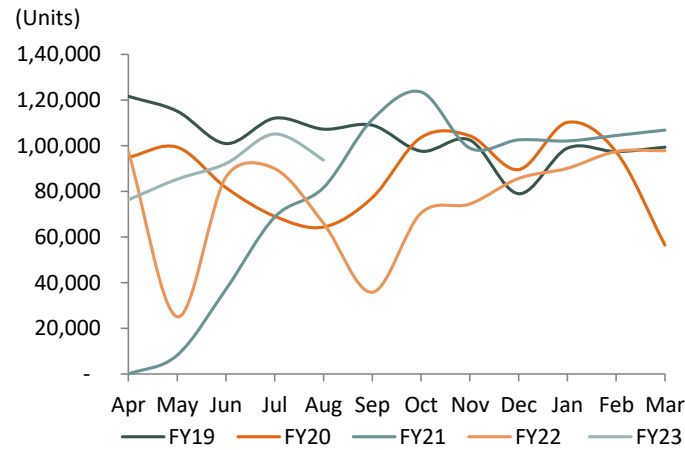
- MSIL Mini segment grew by 8.3% YoY and MoM to 22.1k. The Compact sales grew YoY by 57% and MoM de-grew by -15.6% to 71.6k units. The Mid-Size segment de-grew YoY by 29% to 1516 units. The Domestic sales were grew YoY at 137.5k units.
- The Total Sales improved YoY indicating gradual recovery in chips procurement. The overall chip shortage situation expected to be better than last year.

### Exhibit 3: MSIL sales volume

Segment	Aug-22	Aug-21	YoY (%)	Jul-22	MoM (%)	FY23YTD	FY22YTD	YoY (%)
A2: Mini (Alto, WagonR)	22,162	20,461	8.3	20,333	9.0	91,482	87,386	22,162
A2: Compact (Swift, Ritz, Celerio, Dzire, Baleno, Ignis)	71,557	45,577	57.0	84,818	(15.6)	3,61,252	2,77,355	71,557
A3: Mid-Size (Ciaz)	1,516	2,146	(29.4)	1,379	9.9	5,567	6,114	1,516
<b>Total PC</b>	<b>95,235</b>	<b>68,184</b>	<b>39.7</b>	<b>1,06,530</b>	<b>(10.6)</b>	<b>4,58,301</b>	<b>3,70,855</b>	<b>95,235</b>
B: Uvs (Gypsy, Ertiga, S-Cross, Vitara Brezza)	26,932	24,337	10.7	23,272	15.7	1,31,056	1,16,620	26,932
C: Vans (Omni, Eeco)	11,999	10,666	12.5	13,048	(8.0)	56,813	42,506	11,999
LCV: Super Carry	3,371	2,588	30.3	2,816	19.7	17,004	9,412	3,371
<b>Total Domestic sales</b>	<b>1,37,537</b>	<b>1,05,775</b>	<b>30.0</b>	<b>1,45,666</b>	<b>(5.6)</b>	<b>6,63,174</b>	<b>5,39,393</b>	<b>1,37,537</b>
Exports	21,481	20,619	4.2	20,311	5.8	1,11,229	87,362	21,481
Sales to other OEM	6,155	4,305	43.0	9,939	(38.1)	34,617	20,020	6,155
<b>Total sales</b>	<b>1,65,173</b>	<b>1,30,699</b>	<b>26.4</b>	<b>1,75,916</b>	<b>(6.1)</b>	<b>8,09,020</b>	<b>6,46,775</b>	<b>1,65,173</b>

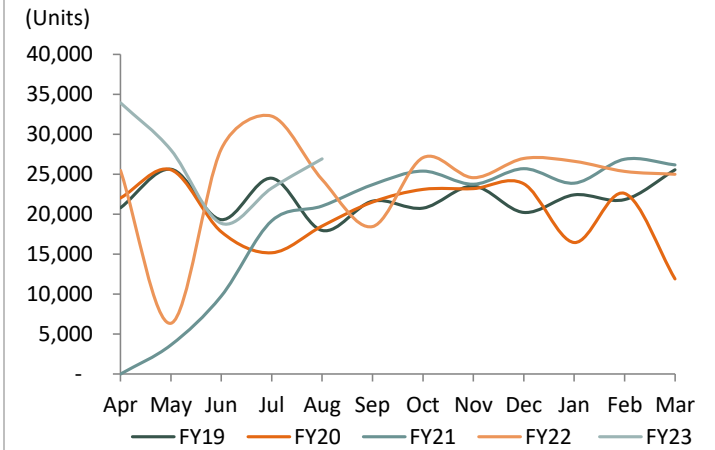
Source: Company

**Exhibit 4: Mini + Compact sales trend**



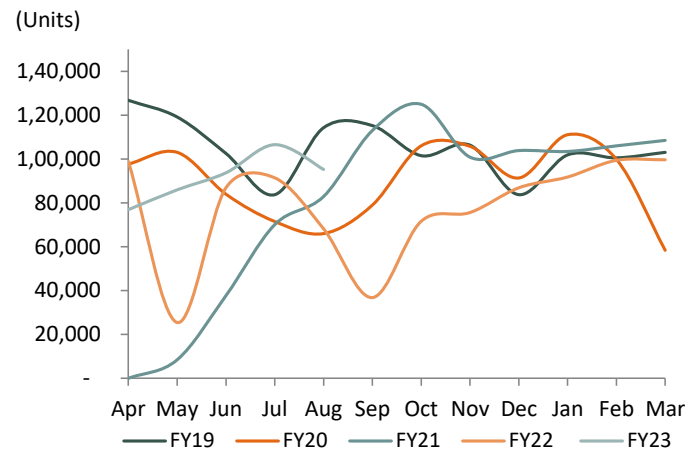
Source: Company

**Exhibit 5: Domestic UVs sales trend**



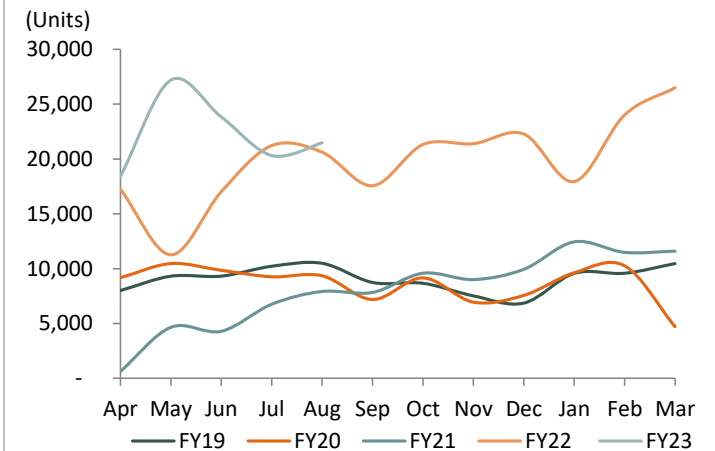
Source: Company

**Exhibit 6: Domestic PC sales trend**



Source: Company

**Exhibit 7: Export sales trend**



Source: Company

## Mahindra & Mahindra (M&M): Growth in UV

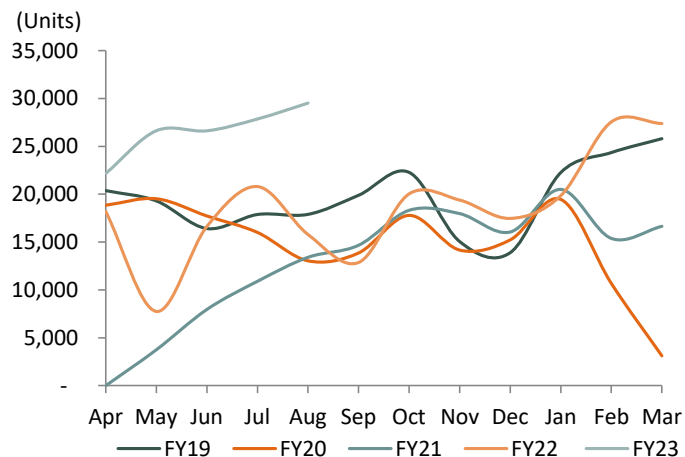
- M&M UV sales increased by 97% YoY to 29.5k units. The CV sales increased by 143% YoY to 21.4k units. The Total Auto division Domestic sales increased by 141% YoY to 56k units. M&M has good order book Thar, XUV 300, Bolero Neo and Bolero Pick-up models. The XUV700 is getting good response from customers. The newly launched Scorpio-N in June-22 is expected to perform well.
- The Domestic FES Sales flat by 0.7% YoY and decline by 7% MoM to 20K units. Overall, single digit industry growth is expected in FY23. When compared pre-pandemic month of June-19, FES total sales stood flat by 0.7%.

**Exhibit 8: M&M sales volume**

Segment	Aug-22	Aug-21	YoY (%)	Jul-22	MoM (%)	FY23YTD	FY22YTD	YoY (%)
<b>Passenger Vehicles</b>	<b>29,852</b>	<b>15,973</b>	<b>86.9</b>	<b>28,053</b>	<b>6.4</b>	<b>1,34,215</b>	<b>80,221</b>	<b>67.3</b>
<b>Utility Vehicles</b>	<b>29,516</b>	<b>15,786</b>	<b>87.0</b>	<b>27,854</b>	<b>6.0</b>	<b>1,32,790</b>	<b>79,153</b>	<b>67.8</b>
<b>Cars + Vans</b>	<b>336</b>	<b>187</b>	<b>79.7</b>	<b>199</b>	<b>68.8</b>	<b>1,425</b>	<b>1,068</b>	<b>33.4</b>
<b>Commercial Vehicles</b>	<b>21,492</b>	<b>8,841</b>	<b>143.1</b>	<b>20,946</b>	<b>2.6</b>	<b>1,01,420</b>	<b>60,541</b>	<b>67.5</b>
LCV < 3.5T	20,836	8,329	150.2	20,138	3.5	98,003	58,733	66.9
LCV > 3.5T+M&HCV	656	512	28.1	808	(18.8)	3,417	1,808	89.0
3W	4,793	2,591	85.0	4,351	10.2	19,806	7,804	153.8
<b>Total Domestic</b>	<b>56,137</b>	<b>27,405</b>	<b>104.8</b>	<b>53,350</b>	<b>5.2</b>	<b>2,55,441</b>	<b>1,48,566</b>	<b>71.9</b>
Export	2,912	3,180	(8.4)	2,798	4.1	13,218	11,850	11.5
<b>Total Auto Sales</b>	<b>59,049</b>	<b>30,585</b>	<b>93.1</b>	<b>56,148</b>	<b>5.2</b>	<b>2,68,659</b>	<b>1,60,416</b>	<b>67.5</b>
<b>Farm Equipment Segment (FES)</b>								
Domestic	20,138	19,997	0.7	21,684	(7.1)	1,55,205	1,41,614	9.6
Exports	1,382	1,363	1.4	1,623	(14.8)	8,131	6,904	17.8
<b>Total FES</b>	<b>21,520</b>	<b>21,360</b>	<b>0.7</b>	<b>23,307</b>	<b>(7.7)</b>	<b>1,63,336</b>	<b>1,48,518</b>	<b>10.0</b>

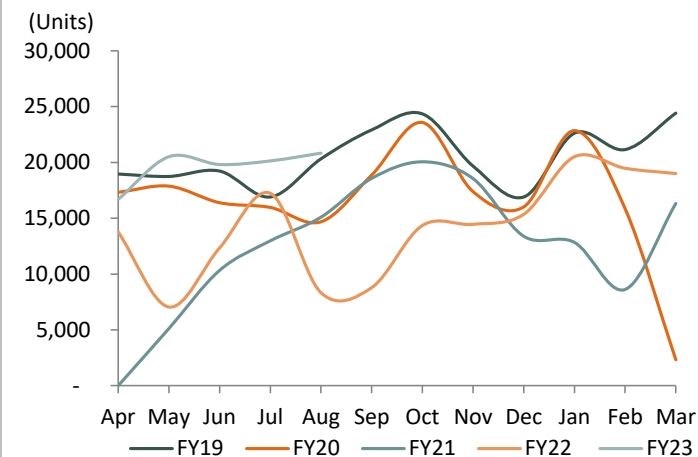
Source: Company

**Exhibit 9: Domestic UV sales trend**



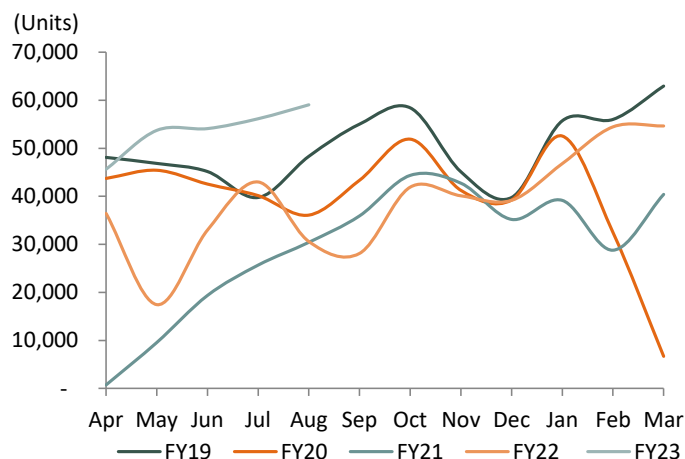
Source: Company

**Exhibit 10: Domestic CV sales trend**



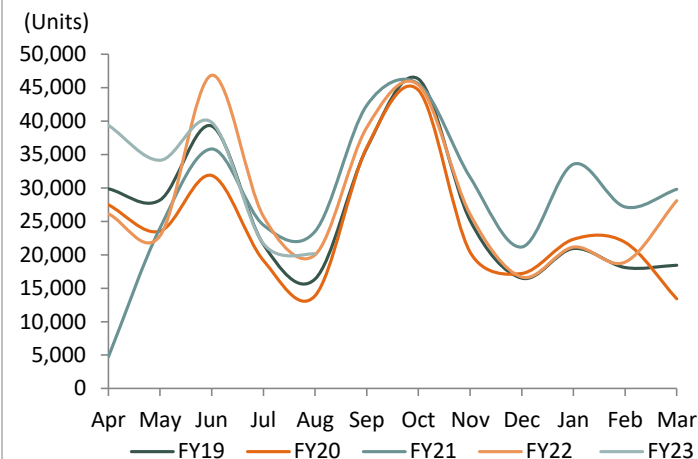
Source: Company

**Exhibit 11: Total auto sales trend**



Source: Company

**Exhibit 12: Domestic tractor sales trend**



Source: Company

### Escorts: Recovery seen on sequential basis

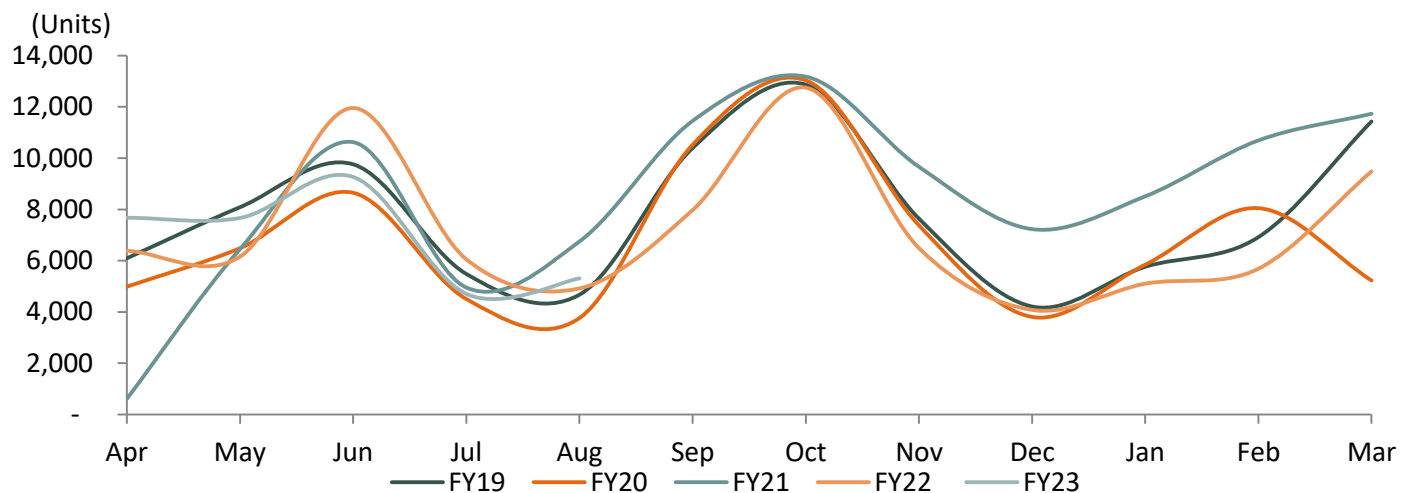
- Escorts Domestic sales increased by 8% YoY and increased MoM by 13% to 5,308 units.

**Exhibit 13: Escorts sales volume**

Segment	Aug-22	Aug-21	YoY (%)	Jul-22	MoM (%)	FY23YTD	FY22YTD	YoY (%)
Domestic	5,308	4,920	7.9	4,704	12.8	34,620	35,475	(2.4)
Export	803	773	3.9	656	22.4	3,648	2,717	34.3
<b>Total</b>	<b>6,111</b>	<b>5,693</b>	<b>7.3</b>	<b>5,360</b>	<b>14.0</b>	<b>38,268</b>	<b>38,192</b>	<b>0.2</b>

Source: Company

**Exhibit 14: Domestic tractor sales trend**



Source: Company



## Hero MotoCorp: Sequential improvement; Gradual recovery expected ahead

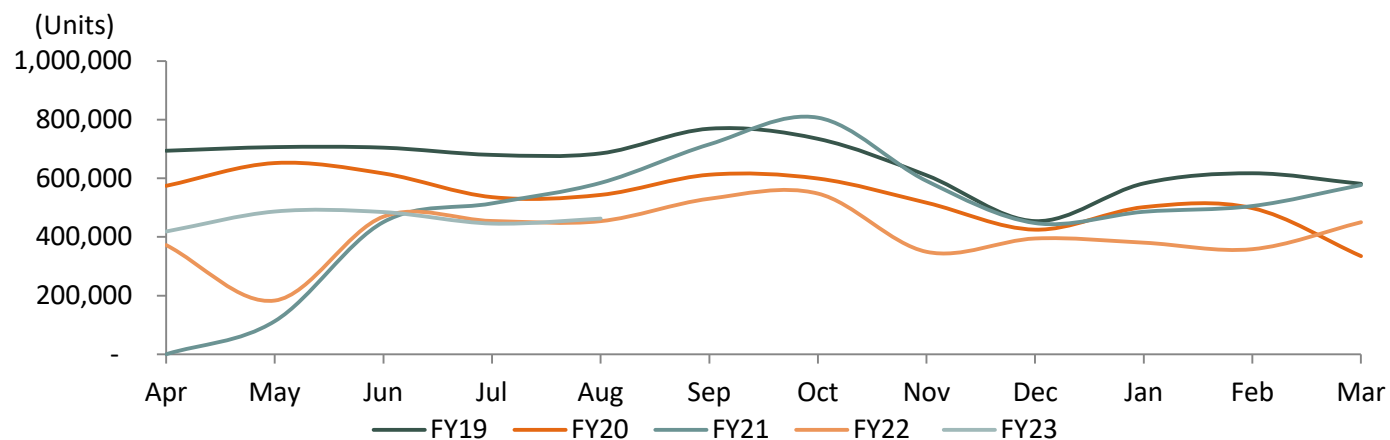
- HMCL Domestic sales increased by 4.5% YoY to 430k units. The Exports sales decreased by 47% YoY to 11.9k units. The Total Sales increased by 2% YoY and 17% MoM to 463k units.
- Although the recovery seen on sequential basis was led by some uptick in rural markets and wedding season.

**Exhibit 15: HMCL sales volume**

Segment	Jun-22	Jun-21	YoY (%)	May-22	MoM (%)	FY23YTD	FY22YTD	YoY (%)
Motorcycles	4,30,799	4,20,609	2.4	4,21,288	2.3	21,58,381	18,03,676	19.7
Scooters	31,809	33,270	(4.4)	24,292	30.9	1,40,000	1,28,460	9.0
<b>Total</b>	<b>4,62,608</b>	<b>4,53,879</b>	<b>1.9</b>	<b>3,94,773</b>	<b>17.2</b>	<b>22,98,381</b>	<b>19,32,136</b>	<b>19.0</b>
Domestic	4,50,740	4,31,137	4.5	4,30,684	4.7	22,09,590	18,01,034	22.7
Exports	11,868	22,742	(47.8)	14,896	(20.3)	88,791	1,31,732	(32.6)

Source: Company

**Exhibit 16: Total 2W sales trend**



Source: Company

## Bajaj Auto: 2W exports improves sequentially

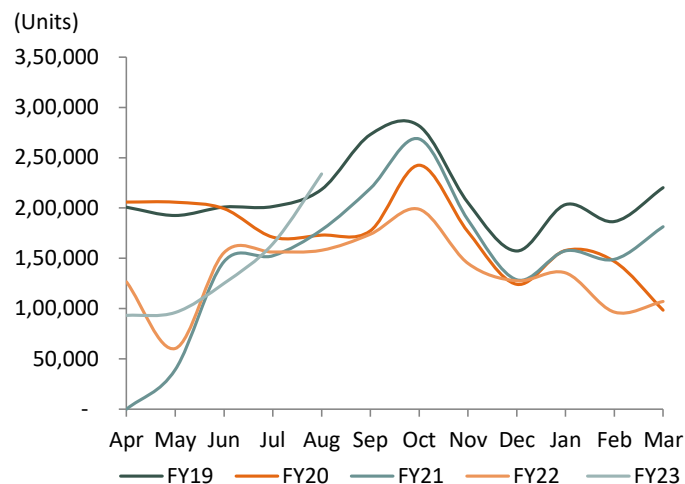
- BJAUTO Domestic Motorcycle sales increased by 48% YoY and higher by 42% MoM to 234k units whereas Export Motorcycle sales decreased by 33% YoY to 122k units. The Total 3W increased by 32% YoY and increased 16% MoM to 46k units. The Total sales grew YoY by 7.6% MoM to 402K units.

**Exhibit 17: BJAUT sales volume**

Segment	Aug-22	Aug-21	YoY (%)	Jul-22	MoM (%)	FY23YTD	FY22YTD	YoY (%)
Domestic	2,33,838	1,57,971	48.0	1,64,384	42.3	7,12,640	6,56,755	8.5
Exports	1,21,787	1,80,339	(32.5)	1,50,670	(19.2)	8,05,467	9,11,429	(11.6)
<b>Total 2W</b>	<b>3,55,625</b>	<b>3,38,310</b>	<b>5.1</b>	<b>3,15,054</b>	<b>12.9</b>	<b>15,18,107</b>	<b>15,68,184</b>	<b>(3.2)</b>
Domestic	22,917	14,624	56.7	18,572	23.4	79,907	40,250	98.5
Exports	23,053	20,336	13.4	21,044	9.5	92,167	1,39,966	(34.2)
<b>Total 3W</b>	<b>45,970</b>	<b>34,960</b>	<b>31.5</b>	<b>39,616</b>	<b>16.0</b>	<b>1,72,074</b>	<b>1,80,216</b>	<b>(4.5)</b>
Domestic	2,56,755	1,72,595	48.8	1,82,956	40.3	7,92,547	6,97,005	13.7
Exports	1,44,840	2,00,675	(27.8)	1,71,714	(15.7)	8,97,634	10,51,395	(14.6)
<b>Total Sales</b>	<b>4,01,595</b>	<b>3,73,270</b>	<b>7.6</b>	<b>3,54,670</b>	<b>13.2</b>	<b>16,90,181</b>	<b>17,48,400</b>	<b>(3.3)</b>

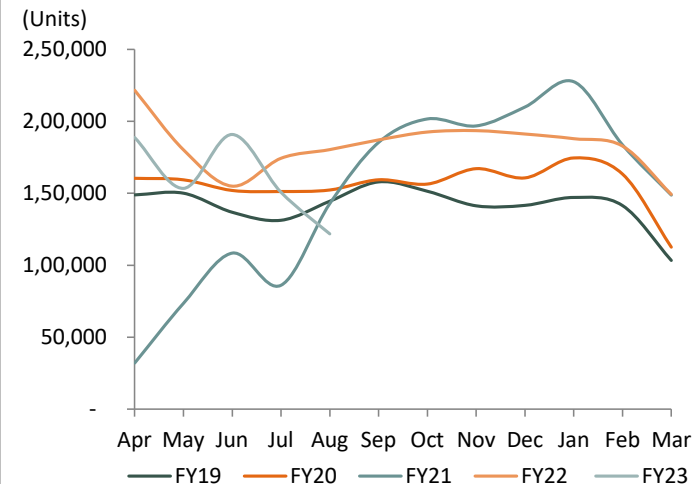
Source: Company

**Exhibit 18: Domestic motorcycle sales trend**



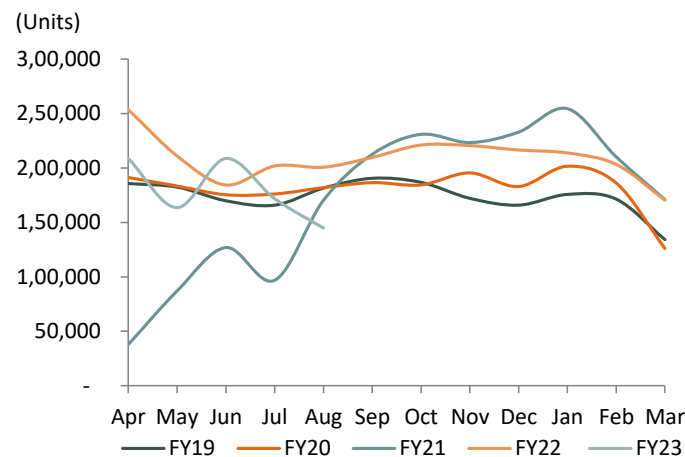
Source: Company

**Exhibit 19: Export motorcycle sales trend**



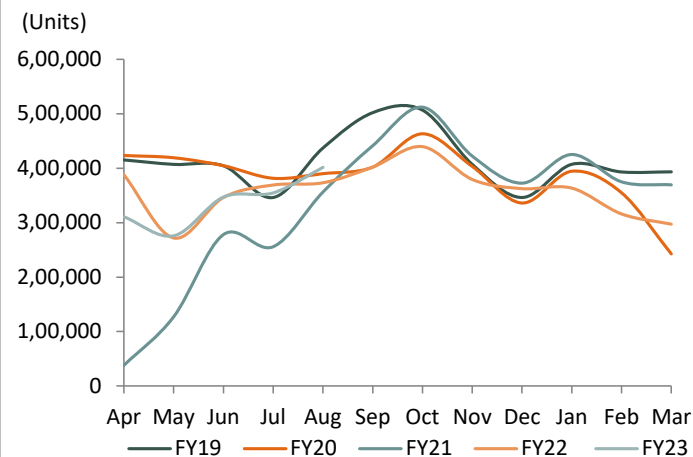
Source: Company

**Exhibit 20: Total exports sales trend**



Source: Company

**Exhibit 21: Total sales trend**



Source: Company

## TVS Motors: Strong Performance

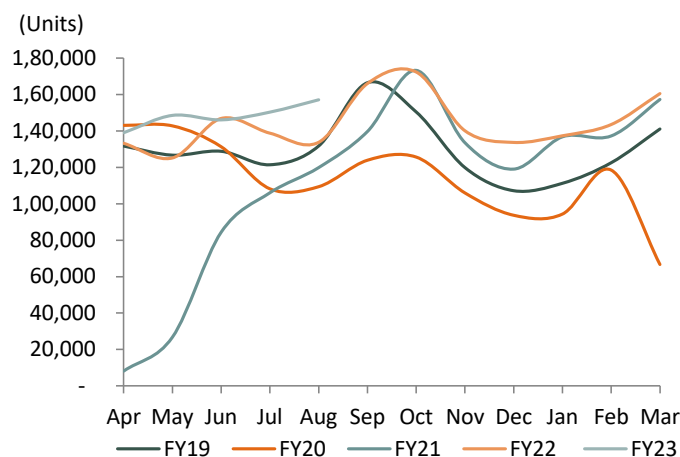
- The Motorcycle Sales grew YoY to 157k units. The Scooter sales increased by 40% YoY and to 110k units. The 3W Domestic Sales increased by 15% YoY to 18.2K units. The Total Sales increased by 14.8% YoY to 333.8K units.

**Exhibit 22: TVSL sales volume**

Segment	Aug-22	Aug-21	YoY (%)	Jul-22	MoM (%)	FY23YTD	FY22YTD	YoY (%)
Motorcycle	1,57,118	1,33,789	17.4	1,50,340	4.5	7,41,120	6,77,850	9.3
Scooters	1,21,866	87,059	40.0	1,10,196	10.6	5,40,147	3,00,845	79.5
Mopeds	36,555	53,465	(31.6)	39,122	(6.6)	2,10,011	1,89,837	10.6
<b>2W (Total)</b>	<b>3,15,539</b>	<b>2,74,313</b>	<b>15.0</b>	<b>2,99,658</b>	<b>5.3</b>	<b>14,91,278</b>	<b>11,68,532</b>	<b>27.6</b>
3W	18,248	16,381	11.4	14,981	21.8	79,225	71,565	10.7
<b>Sales volume (2W+3W)</b>	<b>3,33,787</b>	<b>2,90,694</b>	<b>14.8</b>	<b>3,14,639</b>	<b>6.1</b>	<b>15,70,503</b>	<b>12,40,097</b>	<b>26.6</b>

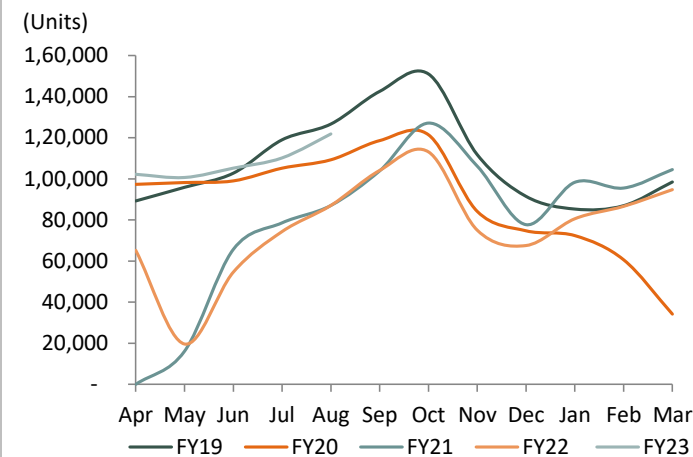
Source: Company

**Exhibit 23: Motorcycle sales trend**



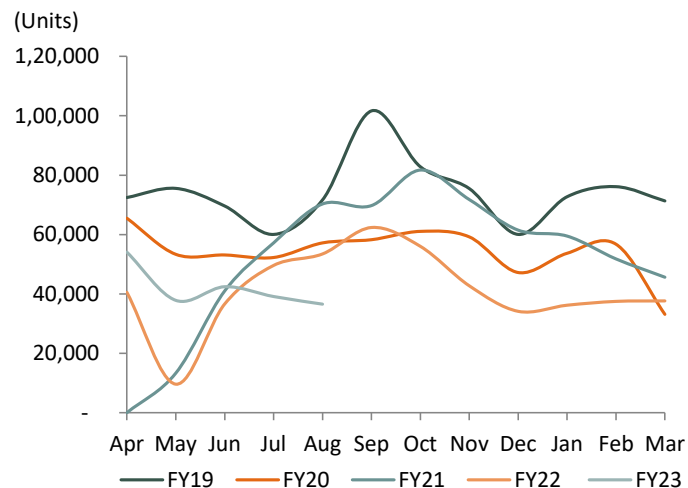
Source: Company

**Exhibit 24: Scooter sales trend**



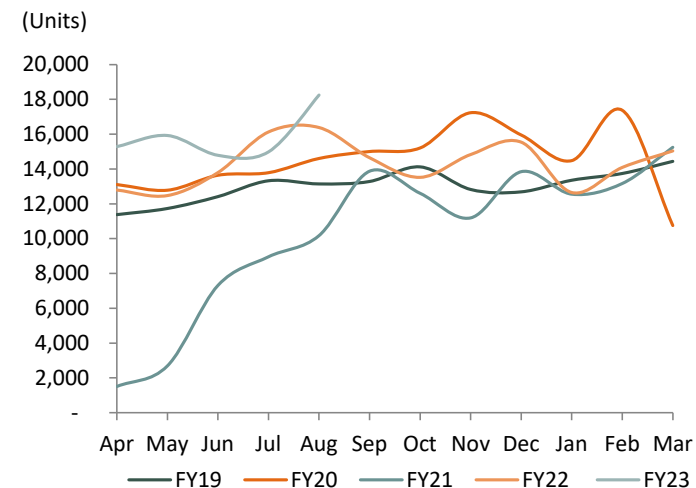
Source: Company

**Exhibit 25: Moped sales trend**



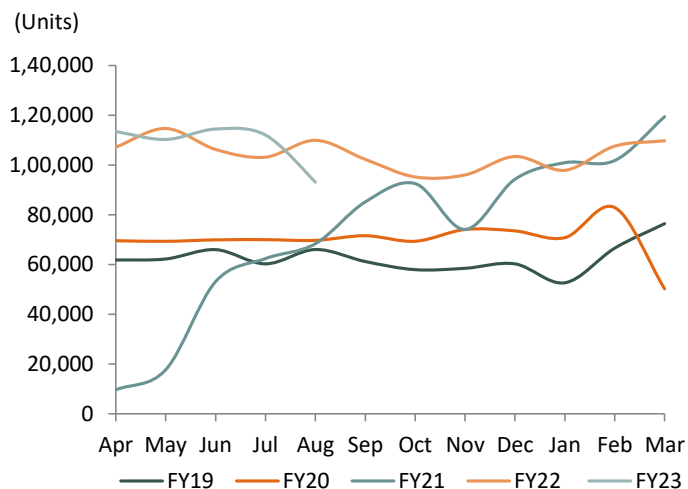
Source: Company

**Exhibit 26: 3W sales trend**



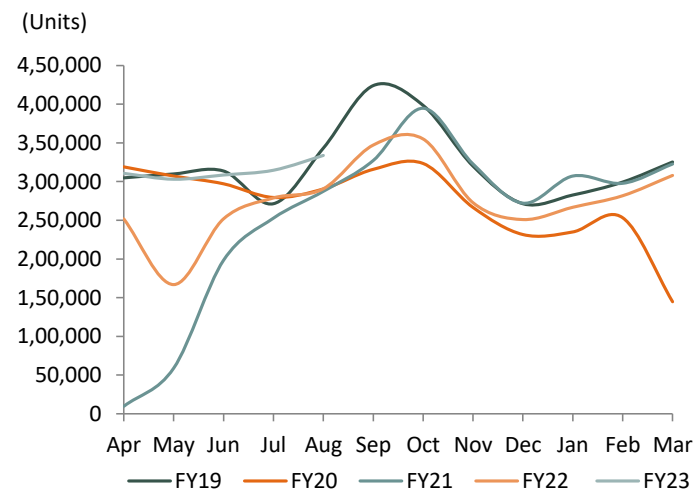
Source: Company

**Exhibit 27: Export sales trend**



Source: Company

**Exhibit 28: Total sales trend**



Source: Company

## Eicher Motors: Signs of growth visible

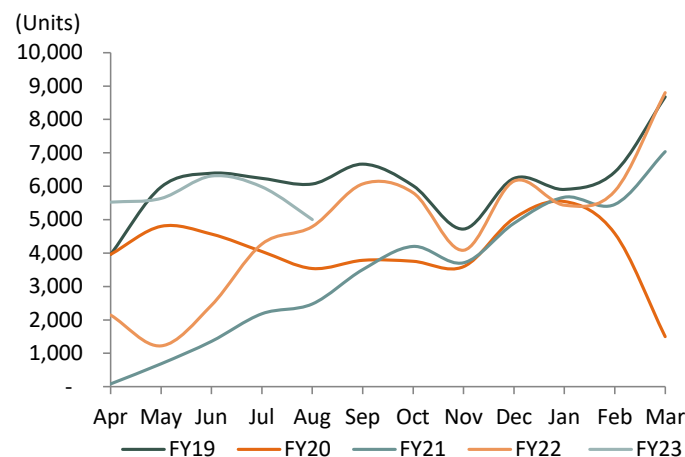
- Royal Enfield Domestic Sales increased by 61% YoY to 62.9k units. The Total Sales increased by 53% YoY to 70.1k. VECV Sales flat by 4.4% YoY and decline by -16% MoM to 5,003 units.

**Exhibit 29: EIM sales volume**

Segment	Aug-22	Aug-21	YoY (%)	Jul-22	MoM (%)	FY23YTD	FY22YTD	YoY (%)
Domestic	62,892	39,070	61.0	46,529	35.2	2,67,063	1,80,809	47.7
Export	7,220	6,790	6.3	9,026	(20.0)	45,809	32,729	40.0
<b>Total RE</b>	<b>70,112</b>	<b>45,860</b>	<b>52.9</b>	<b>55,555</b>	<b>26.2</b>	<b>3,12,872</b>	<b>2,13,538</b>	<b>46.5</b>
VECV	5,003	4,793	4.4	5,982	(16.4)	28,454	14,870	91.4

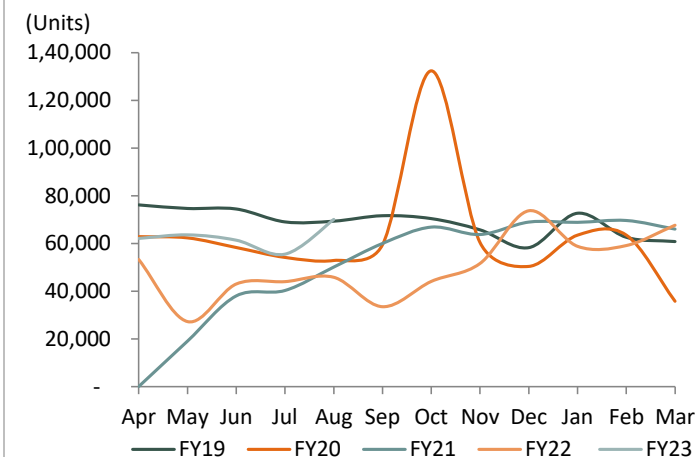
Source: Company

**Exhibit 30: VECV sales trend**



Source: Company

**Exhibit 31: Royal Enfield domestic sales trend**



Source: Company

## Ashok Leyland: Volume rebound as Economy opens

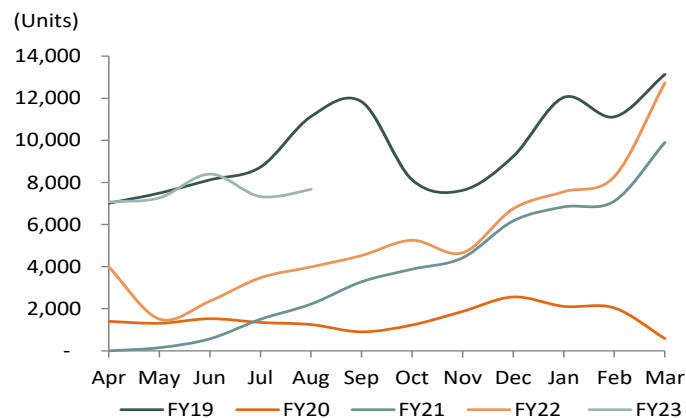
- The Domestic sales increased by 58% YoY and 4.6% MoM to 13.3K units. M&HCV Goods segment increased by 83% YoY to 7.0k units. The Domestic LCV segment increased YoY by 28% to 5.6k units. Total sales increased by 50% YoY to 14.1k units.
- Ashok Leyland has been focusing on LCV and Export market to garner incremental growth. With pickup in the construction activities and strong Govt. Infra push, the demand for tippers and trucks are expected to inch up.

**Exhibit 32: AL Sales Volumes**

Segment	Jun-22	Jun-21	YoY (%)	May-22	MoM (%)	FY23YTD	FY22YTD	YoY (%)
M&HCV Goods	7,051	3,845	83.4	6,596	6.9	34,794	14,712	136.5
MH&CV Passenger	620	141	339.7	733	(15.4)	2,946	607	385.3
LCV	5,630	4,414	27.5	5,386	4.5	25,400	17,760	43.0
<b>Domestic</b>	<b>13,301</b>	<b>8,400</b>	<b>58.3</b>	<b>12,715</b>	<b>4.6</b>	<b>63,140</b>	<b>33,079</b>	<b>90.9</b>
Exports	820	960	(14.6)	910	(9.9)	4,257	2,918	45.9
<b>Total Sales</b>	<b>14,121</b>	<b>9,360</b>	<b>50.9</b>	<b>13,625</b>	<b>3.6</b>	<b>67,397</b>	<b>35,997</b>	<b>87.2</b>

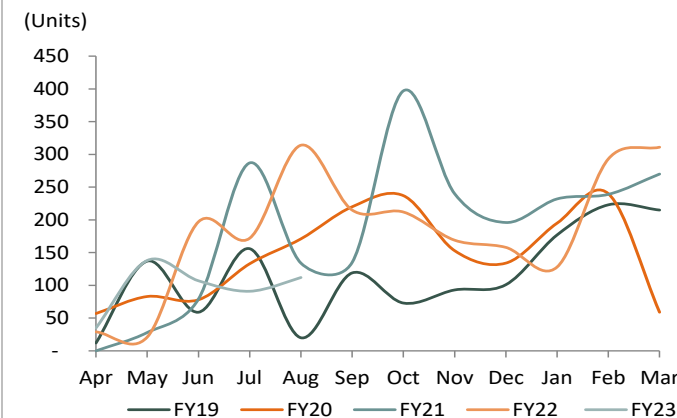
Source: Company

**Exhibit 33: M&HCV Domestic Goods sales trend**



Source: Company

**Exhibit 34: LCV Domestic sales trend**



Source: Company



# Notes

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