

# Automobile

PV & CV gaining strong traction in July 2022

## Summary

In July 22, Overall Indian Auto industry witnessed partial recovery. The Passenger Vehicle (PV) segment reported strong volume recovery despite semiconductor shortages while the demand remains robust. The Domestic 2W market continues to struggle 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 also soft. 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 premiumization trend in 2W/3W industry.

## Key highlights:

- PV segment:** The Industry PV Sales in July 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 July 2022 remained muted due to soft rural demand. The recovery though delayed as industry still struggling to recover from pre-pandemic levels.
- CV segment:** The Industry CV Sales in July 2022 improved on YoY basis, which was primarily due to lower base, pick up in economy, revival in freight movement and construction activities. We expect good volume growth in upcoming months.
- Tractor segment:** The Industry Tractor Sales remained soft in July 2022. We expect steady improvement in volumes in coming months supported by good monsoon season.

## Monthly Sales volume summary (Domestic + Exports)

Company	Jul-22	Jul-21	YoY (%)	Jun-22	MoM (%)
<b>2W</b>					
Hero MotoCorp	445,580	454,398	(1.9)	484,867	(8.1)
HMSI	443,643	384,909	15.3	383,882	15.6
Bajaj Auto	315,054	330,569	(4.7)	315,948	(0.3)
TVS Motor	299,658	262,728	14.1	288,666	3.8
RE	55,555	44,038	26.2	61,407	(9.5)
<b>PV</b>					
MSIL	175,916	162,462	8.3	155,857	12.9
Hyundai India	63,851	60,249	6.0	62,351	2.4
Tata Motors (D)	47,505	30,185	57.4	45,197	5.1
M&M (D)	28,053	21,046	33.3	26,880	4.4
Toyota (D)	19,693	13,105	50.3	16,500	19.4
<b>CV</b>					
Tata Motors	34,154	23,848	43.2	37,265	(8.3)
AL	13,625	8,650	57.5	14,531	(6.2)
VECV	5,982	4,271	40.1	6,307	(5.2)
<b>Tractors</b>					
MM	23,307	27,229	(14.4)	41,848	(44.3)
Escorts	5,360	6,564	(18.3)	10,051	(46.7)

Source: Company

Exhibit 1: Valuation Snapshot

Companies	Mkt Cap (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	2720	9,004	10,047	11.6	<b>BUY</b>	283.0	354.2	1975	2205	32	25	4.6	4.1	18	14	15	17	17	19
MAHINDRA & MAHINDRA	1537	1,236	1,643	32.9	<b>BUY</b>	54.4	72.9	366	421	23	17	3.4	2.9	12	9	16	19	28	33
BAJAJ AUTO	1150	3,975	4,208	5.8	<b>HOLD</b>	191.7	215.9	960	1003	21	18	4.1	4.0	18	16	20	22	22	23
EICHER MOTORS	845	3,089	2,786	(9.8)	<b>BUY</b>	89.5	110.8	529	613	35	28	5.8	5.0	19	15	18	19	20	21
HERO MOTOCORP	568	2,841	2,872	1.1	<b>BUY</b>	165.7	191.1	831	879	17	15	3.4	3.2	10	9	20	22	24	26
ASHOK LEYLAND	453	154	158	2.4	<b>HOLD</b>	3.8	6.6	28	32	41	23	5.6	4.8	16	11	14	22	14	23
TVS MOTOR	441	927	923	(0.5)	<b>HOLD</b>	29.5	37.9	125	153	31	24	7.4	6.0	11	9	26	27	28	33
<b>Auto Anc.</b>																			
SONACOMS	348	596	770	29.3	<b>BUY</b>	7.2	10.6	41	50	83	56	14.6	11.9	50	36	19	23	24	29
JAMNA AUTO	52	130	137	5.8	<b>HOLD</b>	4.6	5.3	18	22	28	25	7.3	6.0	15	13	26	27	29	30
SUBROS	22	335	339	1.2	<b>BUY</b>	14.0	18.8	138	155	24	18	2.4	2.2	7	5	11	13	15	17
SJS ENTERPRISES	14	449	600	33.7	<b>BUY</b>	25.6	33.3	139	166	18	13	3.2	2.7	10	8	20	22	24	26
LUMAX AUTO TECH.	17	242	183	(24.5)	<b>BUY</b>	15.3	18.3	87	104	16	13	2.8	2.3	6	5	19	19	18	18

Source: Company; IDBI Capital Research

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

Company	Jul-22	Jul-21	YoY (%)	Jun-22	MoM (%)	FY23YTD	FY22YTD	YoY (%)
<b>2W</b>								
Hero MotoCorp	445,580	454,398	(1.9)	484,867	(8.1)	1,390,193	1,024,489	35.7
HMSI	443,643	384,909	15.3	383,882	15.6	1,098,097	573,733	91.4
Bajaj Auto	315,054	330,569	(4.7)	315,948	(0.3)	847,428	899,305	(5.8)
TVS Motor	299,658	262,728	14.1	288,666	3.8	860,795	631,491	36.3
RE	55,555	44,038	26.2	61,407	(9.5)	187,205	123,640	51.4
<b>PV</b>								
MSIL	175,916	162,462	8.3	155,857	12.9	467,931	353,614	32.3
Hyundai India	63,851	60,249	6.0	62,351	2.4	169,815	149,798	13.4
Tata Motors (D)	47,505	30,185	57.4	45,197	5.1	177,630	94,571	87.8
MM (D)	28,053	21,046	33.3	26,880	4.4	76,310	43,202	76.6
Toyota (D)	19,693	13,105	50.3	16,500	19.4	41,801	19,130	118.5
<b>CV</b>								
Tata Motors	34,154	23,848	43.2	37,265	(8.3)	135,075	73,864	82.9
AL	13,625	8,650	57.5	14,531	(6.2)	39,651	17,987	120.4
VECV	5,982	4,271	40.1	6,307	(5.2)	17,469	5,806	200.9
<b>Tractors</b>								
MM	23,307	27,229	(14.4)	41,848	(44.3)	118,509	99,929	18.6
Escorts	5,360	6,564	(18.3)	10,051	(46.7)	26,797	25,935	3.3

Source: Company

## Maruti Suzuki: Robust recovery seen on yearly basis

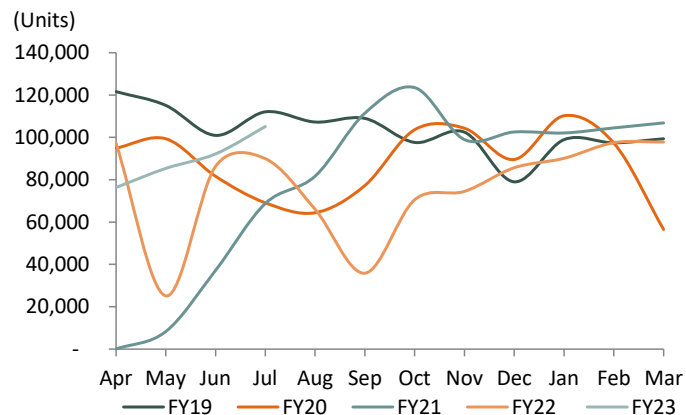
- MSIL Mini segment grow by 3.3% YoY and MoM by 40.8%. The Compact sales grew YoY by 20.7% and MoM by 9.1% to 84.8k units. The Mid-Size segment de-grew on YoY by 4.9% to 1,379 units. The Domestic sales grow by 6.7% YoY at 145.6k units.
- The Total Sales improved YoY indicating robust recovery in chips procurement. The overall chip shortage situation expected to be better than last year.

### Exhibit 3: MSIL sales volume

Segment	Jul-22	Jul-21	YoY (%)	Jun-22	MoM (%)	FY23YTD	FY22YTD	YoY (%)
A2: Mini (Alto, WagonR)	20,333	19,685	3.3	14,442	40.8	48,987	47,240	3.7
A2: Compact (Swift, Ritz, Celerio, Dzire, Baleno, Ignis)	84,818	70,268	20.7	77,746	9.1	204,877	161,510	26.9
A3: Mid-Size (Ciaz)	1,379	1,450	(4.9)	1,507	(8.5)	2,672	2,518	6.1
<b>Total PC</b>	<b>106,530</b>	<b>91,403</b>	<b>16.5</b>	<b>93,695</b>	<b>13.7</b>	<b>256,536</b>	<b>211,268</b>	<b>21.4</b>
B: Uvs (Gypsy, Ertiga, S-Cross, Vitara Brezza)	23,272	32,272	(27.9)	18,860	23.4	80,852	60,011	34.7
C: Vans (Omni, Eeco)	13,048	10,057	29.7	10,130	28.8	31,766	21,783	45.8
LCV: Super Carry	2,816	2,768	1.7	3,025	(6.9)	10,817	4,056	166.7
<b>Total Domestic sales</b>	<b>145,666</b>	<b>136,500</b>	<b>6.7</b>	<b>125,710</b>	<b>15.9</b>	<b>379,971</b>	<b>297,118</b>	<b>27.9</b>
Exports	20,311	21,224	(4.3)	23,833	(14.8)	69,437	45,519	52.5
Sales to other OEM	9,939	4,738	109.8	6,314	57.4	18,523	10,977	68.7
<b>Total sales</b>	<b>175,916</b>	<b>162,462</b>	<b>8.3</b>	<b>155,857</b>	<b>12.9</b>	<b>467,931</b>	<b>353,614</b>	<b>32.3</b>

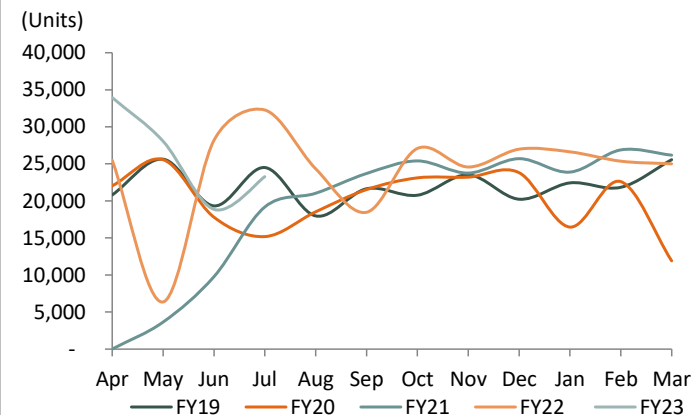
Source: Company

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



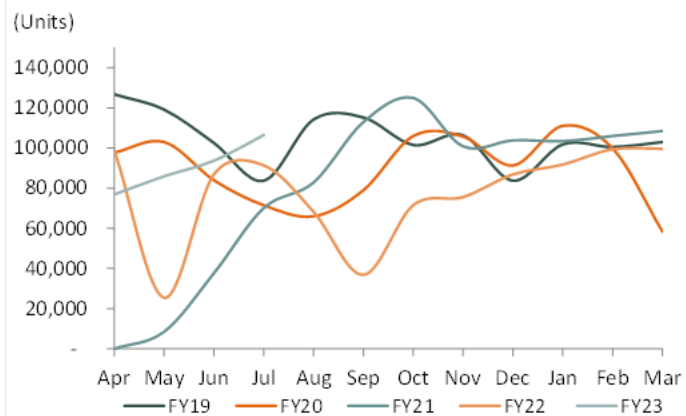
Source: Company

**Exhibit 5: Domestic UVs sales trend**



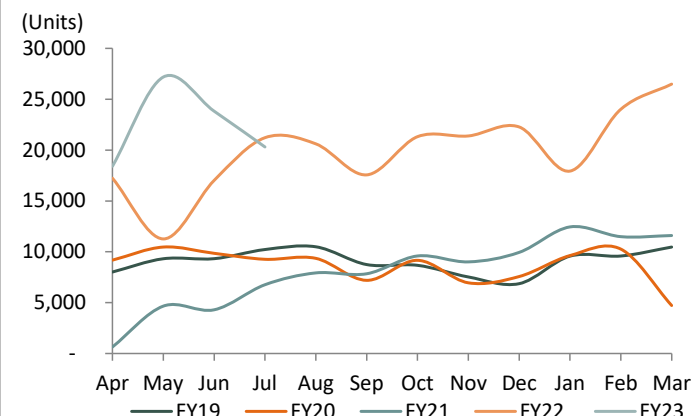
Source: Company

**Exhibit 6: Domestic PC sales trend**



Source: Company

**Exhibit 7: Export sales trend**



Source: Company

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

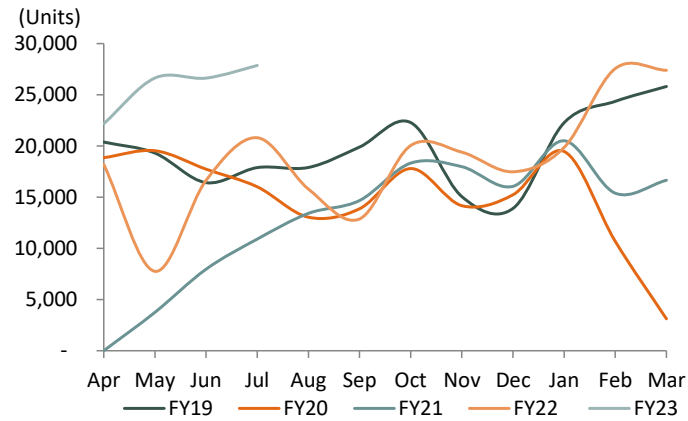
- M&M UV sales increased by 33.9% YoY to 27.8k units. The CV sales increased by 18.6% YoY to 20.9k units. The Total Auto division Domestic sales increased by 30.6% YoY to 53.3k units. M&M has good order book Thar, XUV 300, Bolero Neo and Bolero Pick-up models. The XUV700 is getting good response from customers. The newly launched Scorpio-N in June-22 is expected to perform well.
- The Domestic FES Sales decreased by 15.9% YoY and up 45.6% MoM to 21.6K units. Overall, single digit industry growth is expected in FY23.

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

Segment	Jul-22	Jul-21	YoY (%)	Jun-22	MoM (%)	FY23YTD	FY22YTD	YoY (%)
<b>Passenger Vehicles</b>	<b>28,053</b>	<b>21,046</b>	<b>33.3</b>	<b>26,880</b>	<b>4.4</b>	<b>76,310</b>	<b>43,202</b>	<b>76.6</b>
<b>Utility Vehicles</b>	<b>27,854</b>	<b>20,797</b>	<b>33.9</b>	<b>26,620</b>	<b>4.6</b>	<b>75,420</b>	<b>42,570</b>	<b>77.2</b>
<b>Cars + Vans</b>	<b>199</b>	<b>249</b>	<b>(20.1)</b>	<b>260</b>	<b>(23.5)</b>	<b>890</b>	<b>632</b>	<b>40.8</b>
<b>Commercial Vehicles</b>	<b>20,946</b>	<b>17,666</b>	<b>18.6</b>	<b>20,431</b>	<b>2.5</b>	<b>58,982</b>	<b>34,034</b>	<b>73.3</b>
LCV < 3.5T	20,138	17,238	16.8	19,815	1.6	57,029	33,166	72.0
LCV > 3.5T+M&HCV	808	428	88.8	616	31.2	1,953	868	125.0
3W	4,351	2,148	102.6	4,008	8.6	10,662	3,065	247.9
<b>Total Domestic</b>	<b>53,350</b>	<b>40,860</b>	<b>30.6</b>	<b>51,319</b>	<b>4.0</b>	<b>145,954</b>	<b>80,301</b>	<b>81.8</b>
Export	2,798	2,123	31.8	2,777	0.8	7,508	6,547	14.7
<b>Total Auto Sales</b>	<b>56,148</b>	<b>42,983</b>	<b>30.6</b>	<b>54,096</b>	<b>3.8</b>	<b>153,462</b>	<b>86,848</b>	<b>76.7</b>
<b>Farm Equipment Segment (FES)</b>								
Domestic	21,684	25,769	(15.9)	39,825	(45.6)	113,383	95,848	18.3
Exports	1,623	1,460	11.2	2,023	(19.8)	5,126	4,081	25.6
<b>Total FES</b>	<b>23,307</b>	<b>27,229</b>	<b>(14.4)</b>	<b>41,848</b>	<b>(44.3)</b>	<b>118,509</b>	<b>99,929</b>	<b>18.6</b>

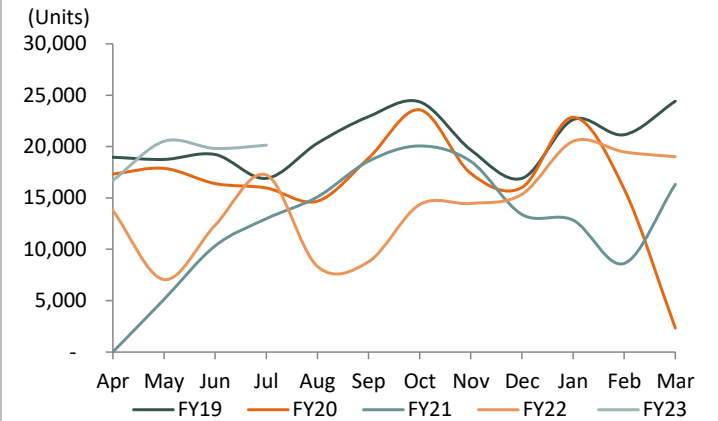
Source: Company

**Exhibit 9: Domestic UV sales trend**



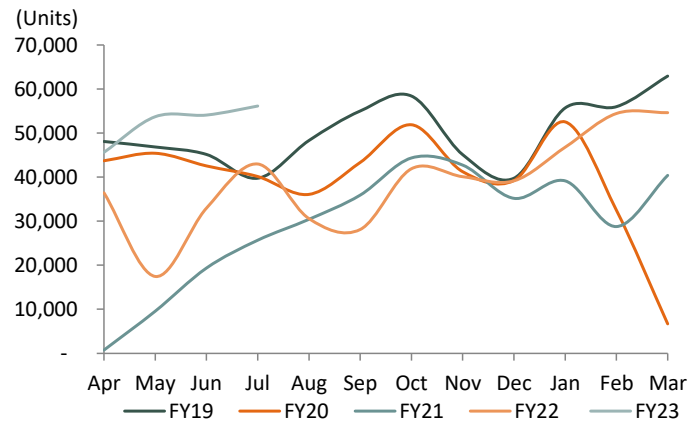
Source: Company

**Exhibit 10: Domestic CV sales trend**



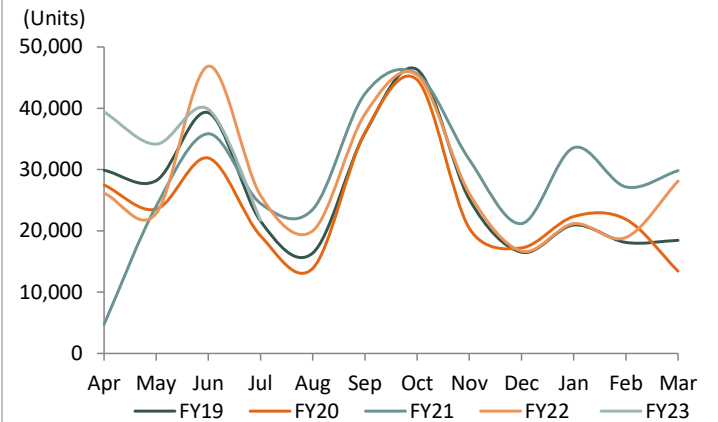
Source: Company

**Exhibit 11: Total auto sales trend**



Source: Company

**Exhibit 12: Domestic tractor sales trend**



Source: Company

## Escorts: Subdued Performance

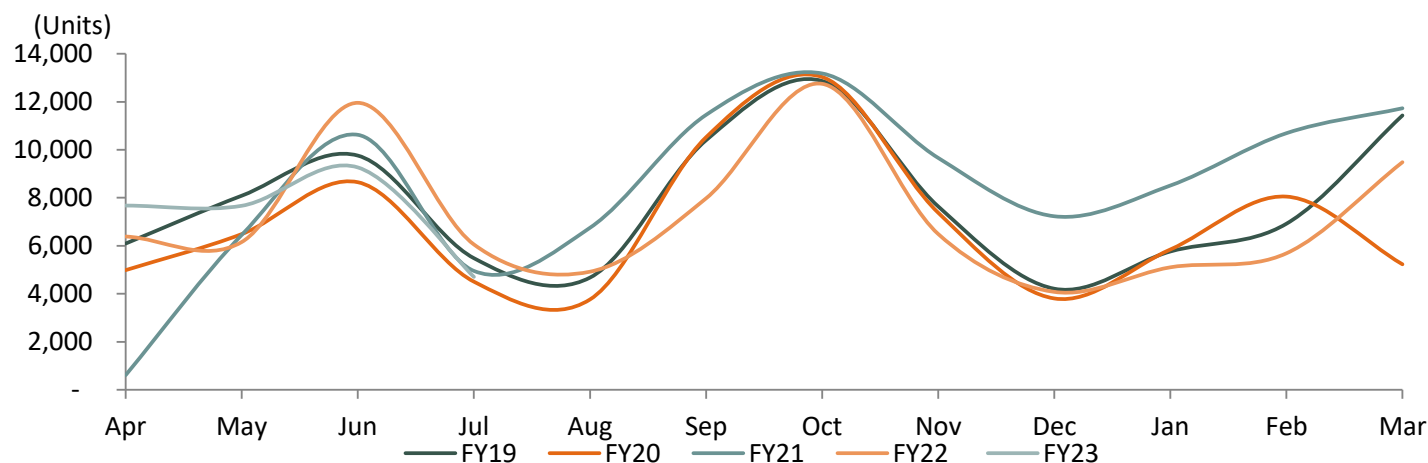
- Escorts domestic sales decreased by 22.3% YoY and on MoM by 49.2% to 4,704 units. When compared with pre-pandemic month of July-19, Escorts total sales are higher by 10.3%. The Company expects a strong farmer sentiment aided by favorable macroeconomic factors, reasonably good water level of reservoirs, good pace of Kharif sowing and continued support by the Government in Agri sector to drive Tractor demand in coming quarters.

**Exhibit 13: Escorts sales volume**

Segment	Jul-22	Jul-21	YoY (%)	Jun-22	MoM (%)	FY23YTD	FY22YTD	YoY (%)
Domestic	4,704	6,055	(22.3)	9,265	(49.2)	24,608	24,500	0.4
Export	656	509	28.9	786	(16.5)	2,189	1,435	52.5
<b>Total</b>	<b>5,360</b>	<b>6,564</b>	<b>(18.3)</b>	<b>10,051</b>	<b>(46.7)</b>	<b>26,797</b>	<b>25,935</b>	<b>3.3</b>

Source: Company

**Exhibit 14: Domestic tractor sales trend**



Source: Company



## Hero MotoCorp: Gradual recovery expected ahead

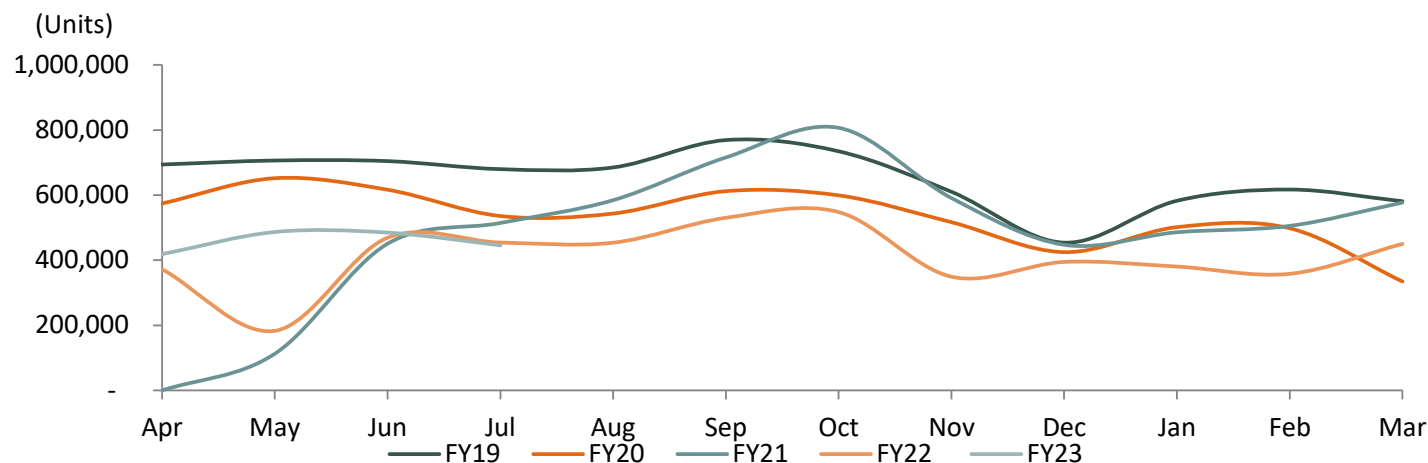
- HMCL Domestic sales increased by 0.3% YoY to 430.6k units. The Exports sales decreased by 40.9% YoY to 14.8k units. The Total Sales decreased by 1.9% YoY and up by 12.9% MoM to 445.5k units.
- HMCL total sales compared to pandemic month of July-19 are lower by 16.8% indicating slowdown in recovery.

**Exhibit 15: HMCL sales volume**

Segment	Jul-22	Jul-21	YoY (%)	Jun-22	MoM (%)	FY23YTD	FY22YTD	YoY (%)
Motorcycles	421,288	424,126	(0.7)	461,421	(8.7)	1,306,294	958,941	36.2
Scooters	24,292	30,272	(19.8)	23,446	3.6	83,899	64,918	29.2
<b>Total</b>	<b>445,580</b>	<b>454,398</b>	<b>(1.9)</b>	<b>394,773</b>	<b>12.9</b>	<b>1,390,193</b>	<b>1,023,859</b>	<b>35.8</b>
Domestic	430,684	429,208	0.3	463,210	(7.0)	1,328,166	940,689	41.2
Exports	14,896	25,190	(40.9)	21,657	(31.2)	62,027	83,800	(26.0)

Source: Company

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



Source: Company

## Bajaj Auto: Recovery delayed; 2W exports softens

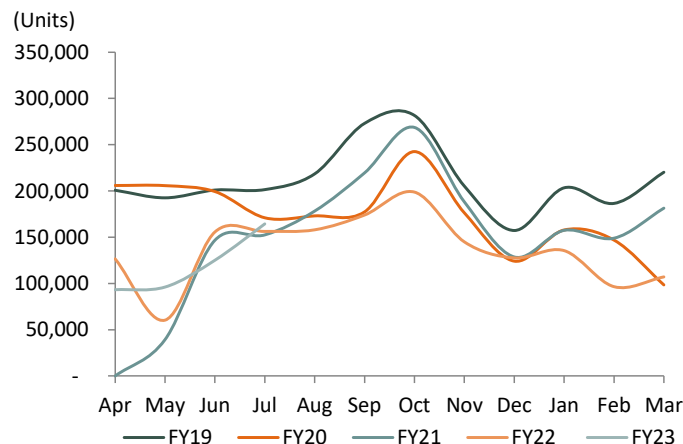
- BJAUTO Domestic Motorcycle sales increased by 5.2% YoY and higher by 31.4% MoM to 164.3k units whereas Export Motorcycle sales decreased by 13.6% YoY to 150.6k units. The Total 3W increased by 2.8% YoY and increased 27.6% MoM to 39.6k units. The Total sales decreased on YoY by 3.9% and increase by 2.2% MoM to 354.6K units.
- Although the 2W Domestic and Exports markets have improved slightly, when compared with pre-pandemic month of July-19, BJAUTO total 2W sales is down by 2.2%. We expect slight delay in recovery going ahead.

**Exhibit 17: BJAUT sales volume**

Segment	Jul-22	Jul-21	YoY (%)	Jun-22	MoM (%)	FY23YTD	FY22YTD	YoY (%)
Domestic	164,384	156,232	5.2	125,083	31.4	314,418	342,552	(8.2)
Exports	150,670	174,337	(13.6)	190,865	(21.1)	533,010	556,753	(4.3)
<b>Total 2W</b>	<b>315,054</b>	<b>330,569</b>	<b>(4.7)</b>	<b>315,948</b>	<b>(0.3)</b>	<b>847,428</b>	<b>899,305</b>	<b>(5.8)</b>
Domestic	18,572	11,041	68.2	13,268	40.0	38,418	14,585	163.4
Exports	21,044	27,506	(23.5)	17,788	18.3	48,070	92,124	(47.8)
<b>Total 3W</b>	<b>39,616</b>	<b>38,547</b>	<b>2.8</b>	<b>31,056</b>	<b>27.6</b>	<b>86,488</b>	<b>106,709</b>	<b>(18.9)</b>
Domestic	182,956	167,273	9.4	138,351	32.2	352,836	357,137	(1.2)
Exports	171,714	201,843	(14.9)	208,653	(17.7)	581,080	648,877	(10.4)
<b>Total Sales</b>	<b>354,670</b>	<b>369,116</b>	<b>(3.9)</b>	<b>347,004</b>	<b>2.2</b>	<b>933,916</b>	<b>1,006,014</b>	<b>(7.2)</b>

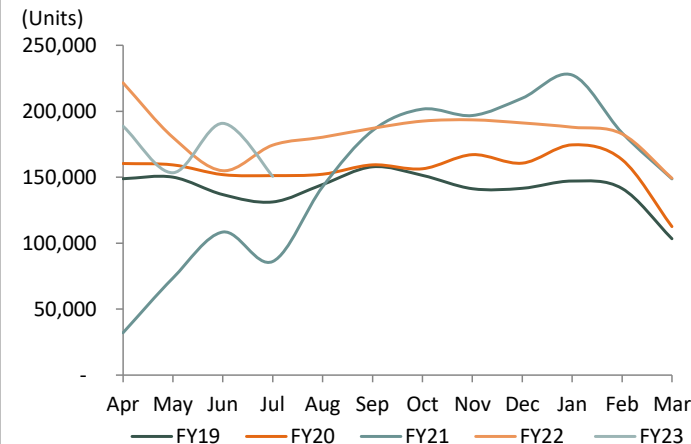
Source: Company

**Exhibit 18: Domestic motorcycle sales trend**



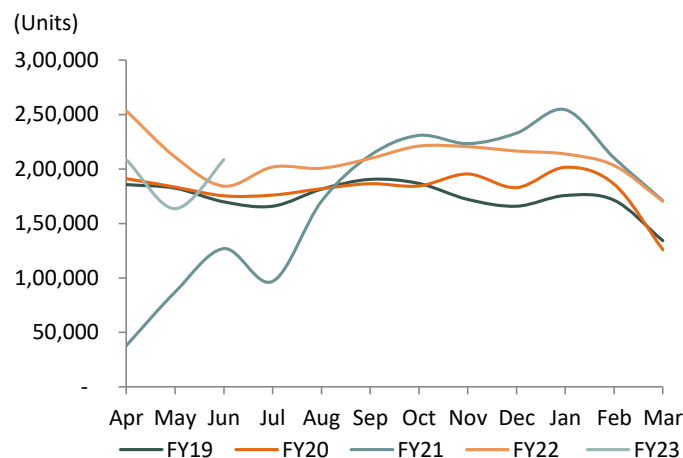
Source: Company

**Exhibit 19: Export motorcycle sales trend**



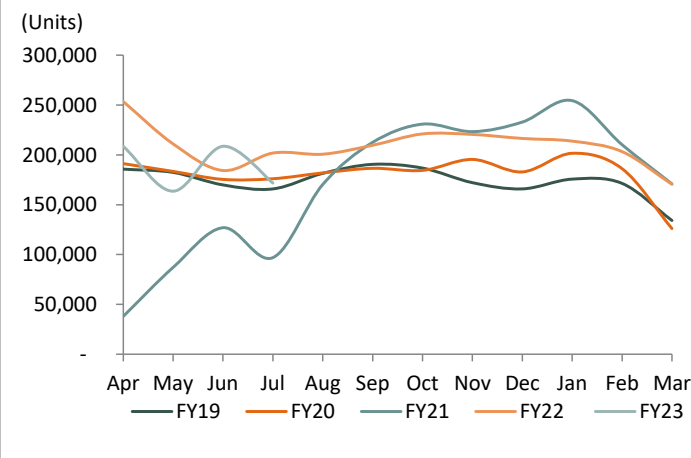
Source: Company

**Exhibit 20: Total exports sales trend**



Source: Company

**Exhibit 21: Total sales trend**



Source: Company

## TVS Motors: Steady Performance

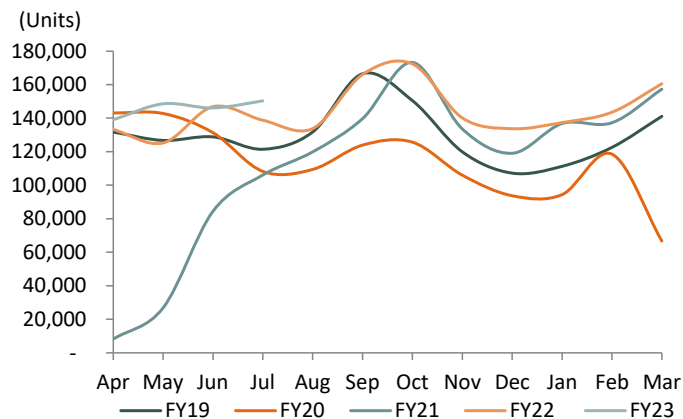
- The Motorcycle Sales increased by 8.3% YoY to 150.3k units. The Scooter sales increased by 48.2% YoY to 110.1k units. The 3W Domestic Sales decreased by 7.1% YoY to 14.9K units. The Total Sales increased by 12.8% YoY to 314.6K units.
- When compared with pre-pandemic month of July-19, TVS sales are up by 12.8%, ahead in terms of recovery when compared with peers. The company is well placed with its robust motorcycle and scooters portfolio to meet the demand for personal mobility.

**Exhibit 22: TVSL sales volume**

Segment	Jul-22	Jul-21	YoY (%)	Jun-22	MoM (%)	FY23YTD	FY22YTD	YoY (%)
Motorcycle	150,340	138,772	8.3	146,075	2.9	433,662	405,289	7.0
Scooters	110,196	74,351	48.2	105,211	4.7	308,085	139,435	121.0
Mopeds	39,122	49,605	(21.1)	42,429	(7.8)	134,334	86,767	54.8
<b>2W (Total)</b>	<b>299,658</b>	<b>262,728</b>	<b>14.1</b>	<b>293,715</b>	<b>2.0</b>	<b>876,081</b>	<b>631,491</b>	<b>38.7</b>
3W	14,981	16,127	(7.1)	14,786	1.3	45,996	39,057	17.8
<b>Sales volume (2W+3W)</b>	<b>314,639</b>	<b>278,855</b>	<b>12.8</b>	<b>308,501</b>	<b>2.0</b>	<b>922,077</b>	<b>670,548</b>	<b>37.5</b>

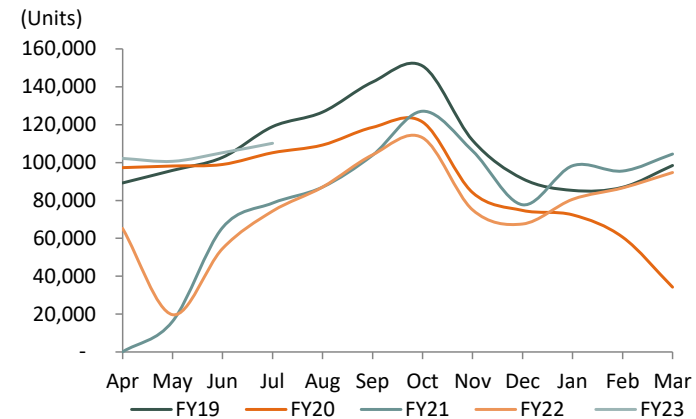
Source: Company

**Exhibit 23: Motorcycle sales trend**



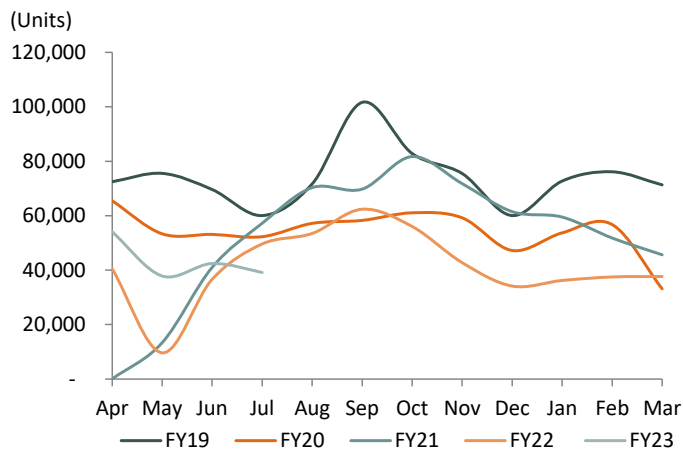
Source: Company

**Exhibit 24: Scooter sales trend**



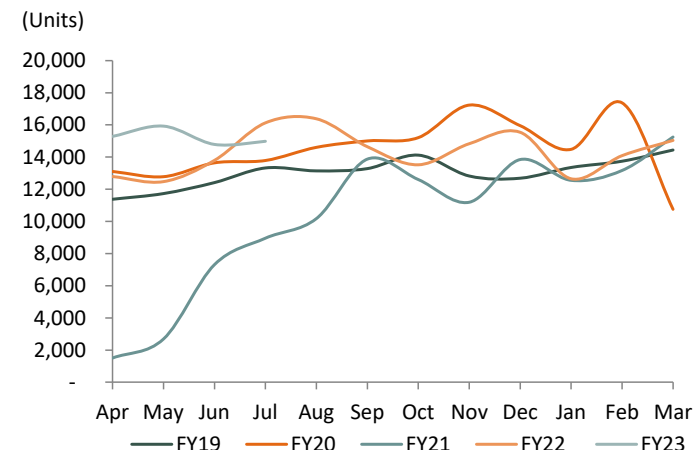
Source: Company

**Exhibit 25: Moped sales trend**



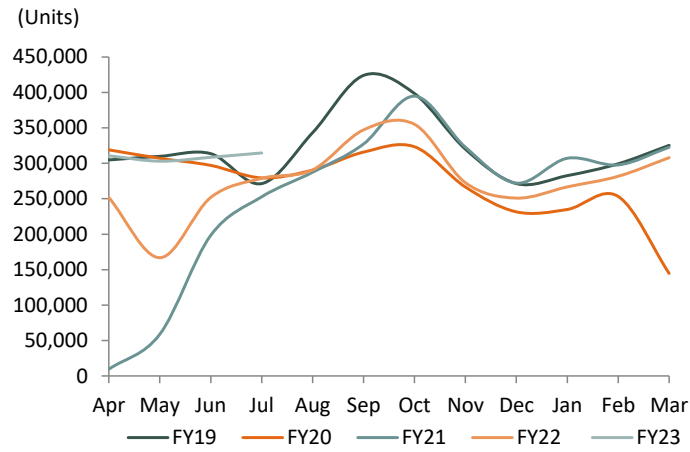
Source: Company

**Exhibit 26: 3W sales trend**



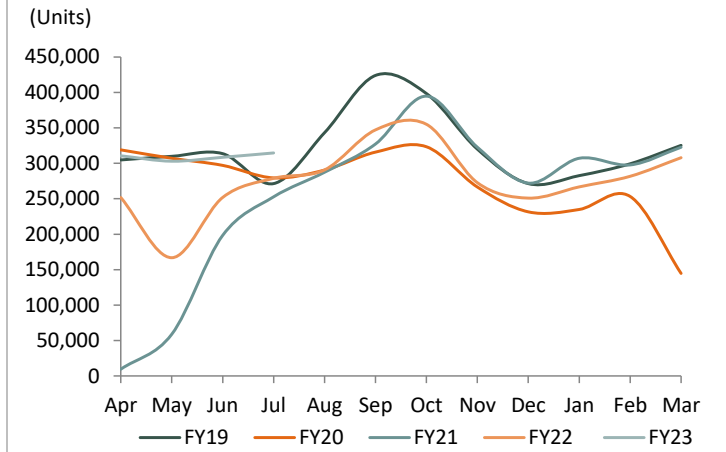
Source: Company

**Exhibit 27: Export sales trend**



Source: Company

**Exhibit 28: Total sales trend**



Source: Company

## Eicher Motors: Exports picking up momentum; Signs of growth visible

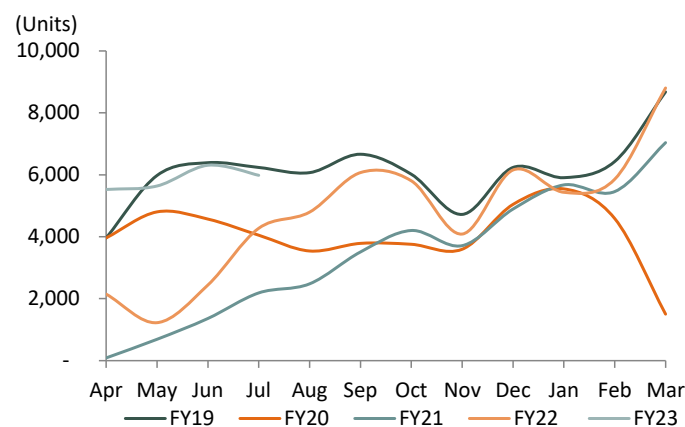
- Royal Enfield Domestic Sales increased by 18.4% YoY to 46.5k units. The Total Sales increased by 26.2% YoY to 55.5k. VECV Sales increased by 40% YoY and saw an decrease by 5.2% MoM to 5982 units. When compared with pre-pandemic month of July-19, RE total sales are higher by 2.5% indicating signs of growth.

**Exhibit 29: EIM sales volume**

Segment	Jul-22	Jul-21	YoY (%)	Jun-22	MoM (%)	FY23YTD	FY22YTD	YoY (%)
Domestic	46,529	39,290	18.4	50,265	(7.4)	157,642	102,449	53.9
Export	9,026	4,748	90.1	11,142	(19.0)	29,563	21,191	39.5
<b>Total RE</b>	<b>55,555</b>	<b>44,038</b>	<b>26.2</b>	<b>61,407</b>	<b>(9.5)</b>	<b>187,205</b>	<b>123,640</b>	<b>51.4</b>
VECV	5,982	4,271	40.1	6,307	(5.2)	17,469	5,806	200.9

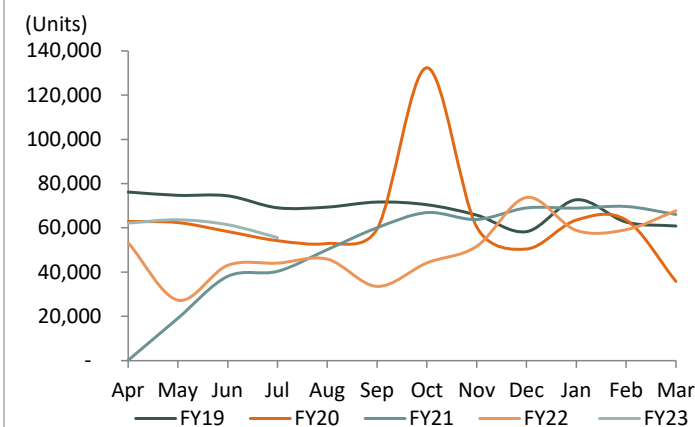
Source: Company

**Exhibit 30: VECV sales trend**



Source: Company

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



Source: Company

## Ashok Leyland: Volume rebound as Economy expands

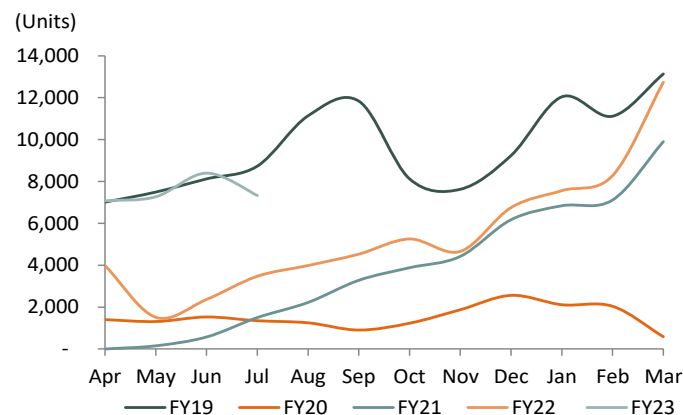
- The Domestic sales increased by 56.4% YoY and an de-growth of 5.6% MoM to 12.7K units. M&HCV Goods segment increased by 97.1% on YoY to 6.5K units. The Domestic LCV segment saw an growth of 15.7% YoY & by 6.2% QoQ to 5.3k units. Total sales increased by 57.5% YoY to 13.6k units.
- Ashok Leyland has 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	Jul-22	Jul-21	YoY (%)	Jun-22	MoM (%)	FY23YTD	FY22YTD	YoY (%)
M&HCV Goods	6,596	3,347	97.1	7,703	(14.4)	21,147	7,520	181.2
MH&CV Passenger	733	126	481.7	696	5.3	1,593	340	368.5
LCV	5,386	4,656	15.7	5,070	6.2	14,384	8,690	65.5
<b>Domestic</b>	<b>12,715</b>	<b>8,129</b>	<b>56.4</b>	<b>13,469</b>	<b>(5.6)</b>	<b>37,124</b>	<b>16,550</b>	<b>124.3</b>
Exports	910	521	74.7	1,062	(14.3)	2,527	1,437	75.9
<b>Total Sales</b>	<b>13,625</b>	<b>8,650</b>	<b>57.5</b>	<b>14,531</b>	<b>(6.2)</b>	<b>39,651</b>	<b>17,987</b>	<b>120.4</b>

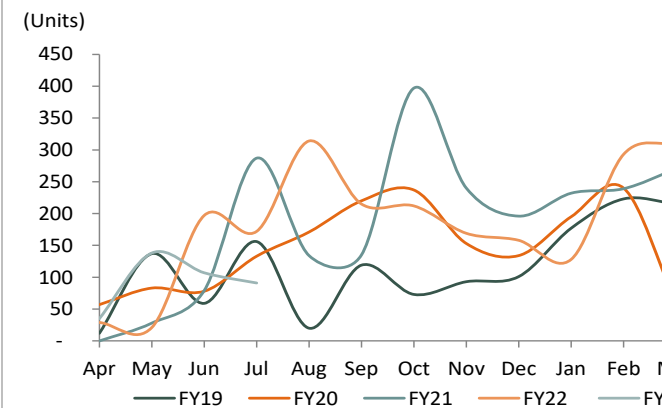
Source: Company

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



Source: Company

**Exhibit 34: LCV Domestic sales trend**



Source: Company





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