

# Automobile

PV & CV witnessed strong dispatches; 2W continued to struggle

## Summary

In October 22, Overall Indian Auto industry witnessed mixed performance. The Passenger Vehicle (PV) segment reported volume recovery on the back of easing of semiconductor supplies and demand remains robust. The Domestic 2W market continues to exhibit weakness. 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 M&M, Eicher and SJS Enterprises. M&M is well positioned to address turnaround in Indian PV market. SJS to be beneficiary of growth momentum in 2W/4W industry.

## Key highlights

- PV segment:** The Industry PV Sales in October 2022 showed improvement on YoY basis whereas decline on MoM. The demand for PV remains strong with visible recovery seen in context to chip crisis. Going ahead, we expect volume growth momentum to sustain in the segment.
- 2W segment:** The Industry 2W Sales in October 2022 weakened further led by poor rural and urban demand. The recovery seems to be delayed.
- CV segment:** The Industry CV Sales in October 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 October 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	Oct-22	Oct-21	YoY (%)	Sept-22	MoM (%)
<b>2W</b>					
Hero MotoCorp	4,54,582	5,47,970	(17.0)	5,19,980	(12.6)
HMSI	4,49,391	4,32,229	4.0	5,18,559	(13.3)
Bajaj Auto	3,41,903	3,91,303	(12.6)	3,48,355	(1.9)
TVS Motor	3,44,630	3,41,513	0.9	3,79,454	(9.2)
RE	82,235	44,133	86.3	82,097	0.2
<b>PV</b>					
MSIL	1,67,520	1,38,335	21.1	1,76,306	(5.0)
Hyundai India	58,006	43,556	33.2	63,201	(8.2)
Tata Motors (D)	45,423	34,155	33.0	47,864	(5.1)
MM (D)	32,298	20,130	60.4	34,754	(7.1)
Toyota (D)	13,143	12,440	5.7	15,378	(14.5)
<b>CV</b>					
Tata Motors	31,320	31,226	0.3	32,979	(5.0)
AL	14,863	11,079	34.2	17,549	(15.3)
VECV	6,038	5,805	4.0	6,631	(8.9)
<b>Tractors</b>					
MM	51,994	47,017	10.6	48,713	6.7
Escorts	14,492	13,514	7.2	12,232	18.5

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	2,877	9,526	10,047	5.5	<b>HOLD</b>	269	335	1966	2183	35.4	28.4	4.8	4.4	23.3	18.5	14.3	16.1	15.6	18.0
MAHINDRA & MAHINDRA	1,674	1,347	1,765	31.1	<b>BUY</b>	57	79	368	427	23.8	17.0	3.7	3.2	12.7	9.0	16.3	19.9	28.8	35.2
BAJAJ AUTO	1,062	3,669	3,981	8.5	<b>HOLD</b>	192	216	960	1003	19.1	17.0	3.8	3.7	16.9	14.8	20.4	22.0	21.5	23.3
EICHER MOTORS	,1052	3,847	3,638	(5.4)	<b>BUY</b>	99	125	536	630	38.8	30.9	7.2	6.1	24.0	19.0	19.9	21.4	22.6	23.9
HERO MOTOCORP	535	2,677	3,062	14.4	<b>HOLD</b>	166	191	831	879	16.2	14.0	3.2	3.0	11.8	10.3	20.4	22.3	23.7	26.0
ASHOK LEYLAND	450	153	158	3.1	<b>HOLD</b>	4	6	27	32	43.5	24.5	5.6	4.9	20.2	13.6	13.5	21.3	13.6	22.0
TVS MOTOR	544	1,146	923	(19.5)	<b>HOLD</b>	29	38	125	153	38.9	30.3	9.2	7.5	17.6	14.2	26.0	27.2	28.4	32.9
<b>Auto Anc.</b>																			
SONACOMS	272	466	685	47.2	<b>BUY</b>	7	11	41	51	62.8	42.7	11.4	9.2	38.1	27.1	19.7	23.8	23.7	29.1
JAMNA AUTO	45	113	137	21.6	<b>HOLD</b>	5	5	18	22	24.7	21.4	6.4	5.2	14.9	12.8	26.1	26.7	28.8	30.2
SUBROS	22	330	339	2.7	<b>HOLD</b>	14	19	138	155	23.6	17.5	2.4	2.1	8.6	6.8	10.6	12.8	15.0	16.7
SJS ENTERPRISES	14	447	600	34.2	<b>BUY</b>	26	33	139	166	17.4	13.4	3.2	2.7	10.7	8.4	19.9	21.9	23.6	25.8
LUMAX AUTO TECH.	17	246	256	4.1	<b>HOLD</b>	15	18	93	110	16.5	13.4	2.6	2.2	10.5	9.1	17.2	18.0	16.2	17.6

Source: Company; IDBI Capital Research

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

Company	Oct-22	Oct-21	YoY (%)	Sept-22	MoM (%)	FY23YTD	FY22YTD	YoY (%)
<b>2W</b>								
Hero MotoCorp	4,54,582	5,47,970	(17.0)	5,19,980	(12.6)	32,72,943	30,11,082	8.7
HMSI	4,49,391	4,32,229	4.0	5,18,559	(13.3)	30,41,869	23,05,221	32.0
Bajaj Auto	3,41,903	3,91,303	(12.6)	3,48,355	(1.9)	22,08,365	23,20,523	(4.8)
TVS Motor	3,44,630	3,41,513	0.9	3,79,454	(9.2)	22,16,064	18,42,556	20.3
RE	82,235	44,133	86.3	82,097	0.2	4,77,204	2,91,200	63.9
<b>PV</b>								
MSIL	1,67,520	1,38,335	21.1	1,76,306	(5.0)	11,52,846	8,71,490	32.3
Hyundai India	58,006	43,556	33.2	63,201	(8.2)	4,17,083	3,58,462	16.4
Tata Motors (D)	45,423	34,155	33.0	47,864	(5.1)	3,18,083	1,82,474	74.3
MM (D)	32,298	20,130	60.4	34,754	(7.1)	2,01,267	1,13,485	77.4
Toyota (D)	13,143	12,440	5.7	15,378	(14.5)	1,04,974	66,731	57.3
<b>CV</b>								
Tata Motors	31,320	31,226	0.3	32,979	(5.0)	2,30,866	1,65,129	39.8
AL	14,863	11,079	34.2	17,549	(15.3)	99,809	56,609	76.3
VECV	6,038	5,805	4.0	6,631	(8.9)	41,123	26,745	53.8
<b>Tractors</b>								
MM	51,994	47,017	10.6	48,713	6.7	2,64,043	2,35,866	11.9
Escorts	14,492	13,514	7.2	12,232	18.5	64,992	60,522	7.4

Source: Company

## Maruti Suzuki: Strong come back

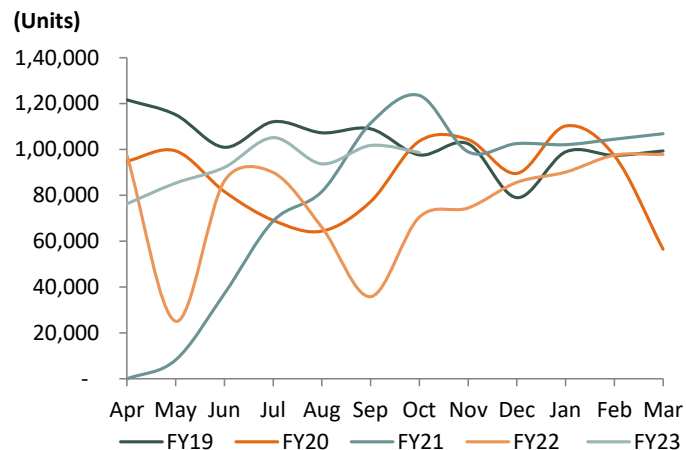
- MSIL Mini segment grew by 14% YoY and MoM to 25k. The Compact sales grew YoY by 51% and MoM by 2% to 74k units. The Mid-Size segment grew YoY by 76% to 1884 units. The Domestic sales were grew YoY at 143k units.
- The shortage of electronic components had a minor impact on the production of vehicles, mainly in domestic models. Exports sales remain under pressure.

### Exhibit 3: MSIL sales volume

Segment	Oct-22	Oct-21	YoY (%)	Sept-22	MoM (%)	FY23YTD	FY22YTD	YoY (%)
A2: Mini (Alto, WagonR)	24,936	21,831	14.2	29,574	(15.7)	1,45,992	1,24,153	17.6
A2: Compact (Swift, Ritz, Celerio, Dzire, Baleno, Ignis)	73,685	48,690	51.3	72,176	2.1	5,07,113	3,46,936	46.2
A3: Mid-Size (Ciaz)	1,884	1,069	76.2	1,359	38.6	8,810	8,164	7.9
<b>Total PC</b>	<b>1,00,505</b>	<b>71,590</b>	<b>40.4</b>	<b>1,03,109</b>	<b>(2.5)</b>	<b>6,61,915</b>	<b>4,79,253</b>	<b>38.1</b>
B: Uvs (Gypsy, Ertiga, S-Cross, Vitara Brezza)	30,971	27,081	14.4	32,574	(4.9)	1,94,601	1,62,160	20.0
C: Vans (Omni, Eeco)	8,861	10,320	(14.1)	12,697	(30.2)	78,371	60,670	29.2
LCV: Super Carry	2,913	3,797	(23.3)	2,505	16.3	22,422	16,513	35.8
<b>Total Domestic sales</b>	<b>1,43,250</b>	<b>1,12,788</b>	<b>27.0</b>	<b>1,50,885</b>	<b>(5.1)</b>	<b>9,57,309</b>	<b>7,18,596</b>	<b>33.2</b>
Exports	20,448	21,322	(4.1)	21,403	(4.5)	1,53,080	1,26,249	21.3
Sales to other OEM	3,822	4,225	(9.5)	4,018	(4.9)	42,457	26,645	59.3
<b>Total sales</b>	<b>1,67,520</b>	<b>1,38,335</b>	<b>21.1</b>	<b>1,76,306</b>	<b>(5.0)</b>	<b>11,52,846</b>	<b>8,71,490</b>	<b>32.3</b>

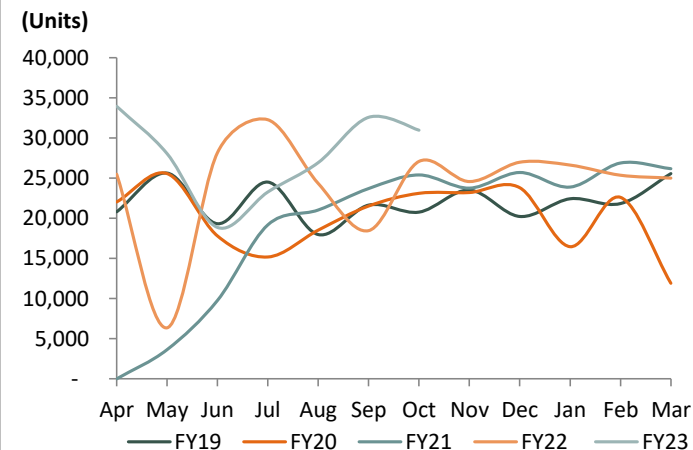
Source: Company

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



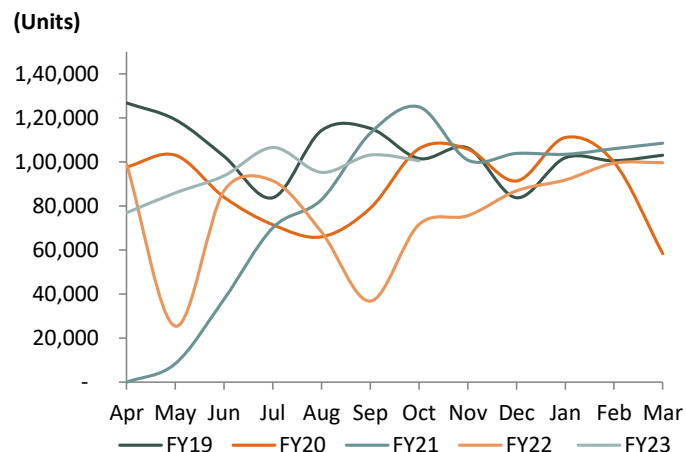
Source: Company

**Exhibit 5: Domestic UVs sales trend**



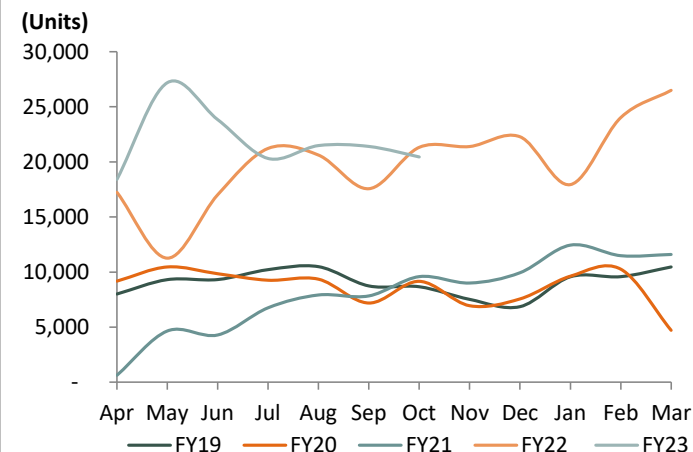
Source: Company

**Exhibit 6: Domestic PC sales trend**



Source: Company

**Exhibit 7: Export sales trend**



Source: Company

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

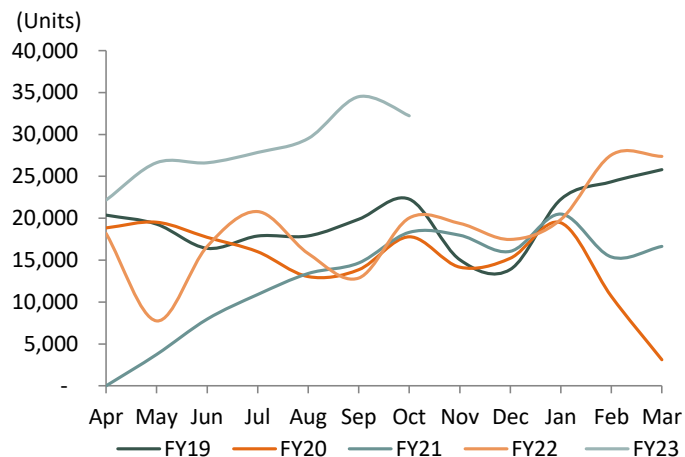
- M&M UV sales increased by 61% YoY to 32k units. The CV sales increased by 39% YoY to 20.9k units. The Total Auto division Domestic sales increased by 51% YoY to 58k units. Company’s electric SUV launches are in focus.
- The Domestic FES Sales grew by 11% YoY and 7% MoM to 50K units, FES total sales grew by 10% on YoY and 7% on MoM.

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

Segment	Oct-22	Oct-21	YoY (%)	Sept-22	MoM (%)	FY23YTD	FY22YTD	YoY (%)
<b>Passenger Vehicles</b>	<b>32,298</b>	<b>20,130</b>	<b>60.4</b>	<b>34,754</b>	<b>(7.1)</b>	<b>2,01,267</b>	<b>1,13,485</b>	<b>77.4</b>
<b>Utility Vehicles</b>	<b>32,226</b>	<b>20,034</b>	<b>60.9</b>	<b>34,508</b>	<b>(6.6)</b>	<b>1,99,524</b>	<b>1,12,050</b>	<b>78.1</b>
<b>Cars + Vans</b>	<b>72</b>	<b>96</b>	<b>(25.0)</b>	<b>246</b>	<b>(70.7)</b>	<b>1,743</b>	<b>1,435</b>	<b>21.5</b>
<b>Commercial Vehicles</b>	<b>20,980</b>	<b>15,077</b>	<b>39.2</b>	<b>21,666</b>	<b>(3.2)</b>	<b>1,44,066</b>	<b>85,086</b>	<b>69.3</b>
LCV < 3.5T	20,290	14,353	41.4	20,865	(2.8)	1,39,158	81,870	70.0
LCV > 3.5T+M&HCV	690	724	(4.7)	801	(13.9)	4,908	3,216	52.6
3W	5,081	3,527	44.1	5,774	(12.0)	30,661	14,312	114.2
<b>Total Domestic</b>	<b>58,359</b>	<b>38,734</b>	<b>50.7</b>	<b>62,194</b>	<b>(6.2)</b>	<b>3,75,994</b>	<b>2,12,883</b>	<b>76.6</b>
Export	2,755	3,174	(13.2)	2,538	8.6	18,511	17,553	5.5
<b>Total Auto Sales</b>	<b>61,114</b>	<b>41,908</b>	<b>45.8</b>	<b>64,732</b>	<b>(5.6)</b>	<b>3,94,505</b>	<b>2,30,436</b>	<b>71.2</b>
<b>Farm Equipment Segment (FES)</b>								
Domestic	50,539	45,420	11.3	47,100	7.3	2,52,844	2,26,087	11.8
Exports	1,455	1,597	(8.9)	1,613	(9.8)	11,199	9,779	14.5
<b>Total FES</b>	<b>51,994</b>	<b>47,017</b>	<b>10.6</b>	<b>48,713</b>	<b>6.7</b>	<b>2,64,043</b>	<b>2,35,866</b>	<b>11.9</b>

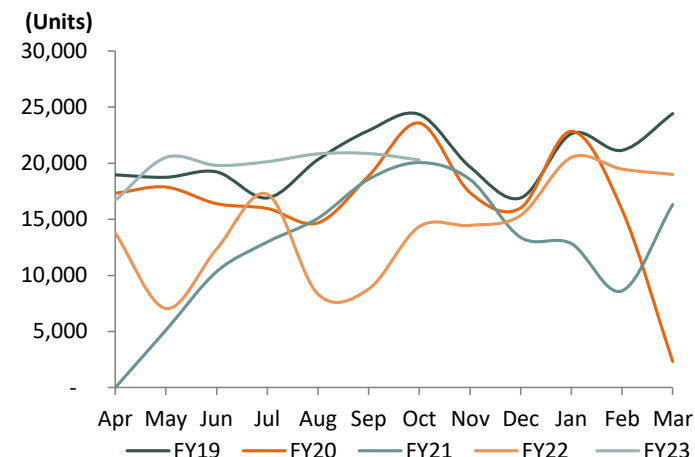
Source: Company

**Exhibit 9: Domestic UV sales trend**



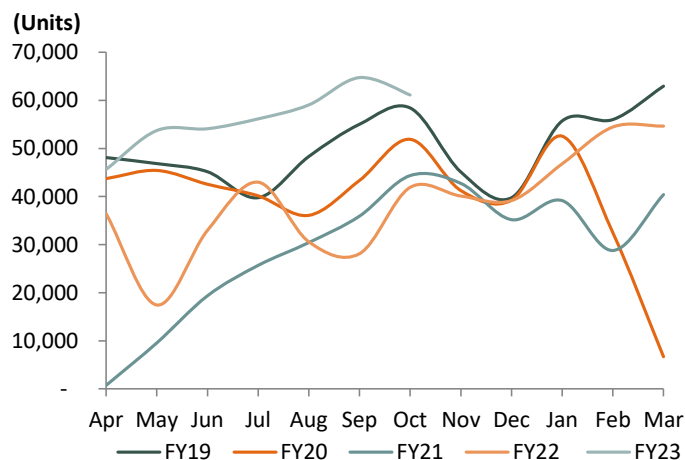
Source: Company

**Exhibit 10: Domestic CV sales trend**



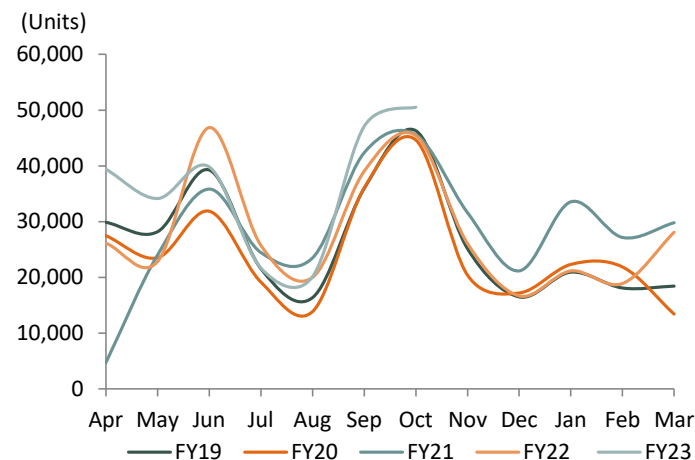
Source: Company

**Exhibit 11: Total auto sales trend**



Source: Company

**Exhibit 12: Domestic tractor sales trend**



Source: Company

### Escorts: Sequential improvement in domestic sales

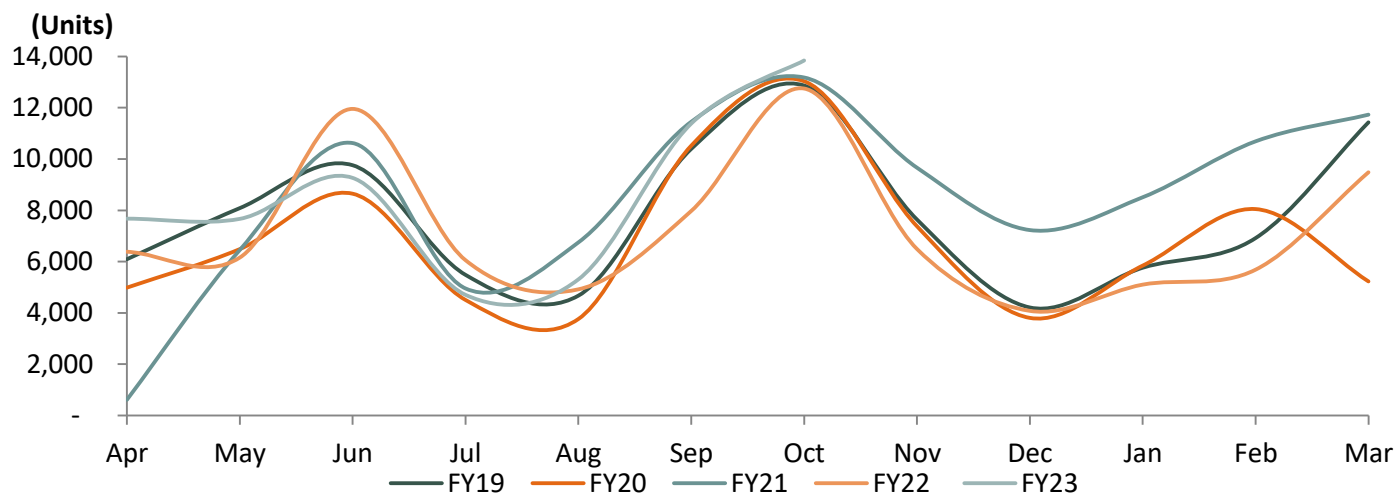
- Escorts Kubota total sales increased by 7% YoY and 19% on MoM at 14,492 tractors last month. Sales in the domestic market increased 9% YoY and 22% MoM to 13,843 tractors. Whereas export sales decline by 15% YoY and 24% on MoM.

**Exhibit 13: Escorts sales volume**

Segment	Oct-22	Oct-21	YoY (%)	Sept-22	MoM (%)	FY23YTD	FY22YTD	YoY (%)
Domestic	13,843	12,749	8.6	11,384	21.6	59,847	56,199	6.5
Export	649	765	(15.2)	848	(23.5)	5,145	4,323	19.0
<b>Total</b>	<b>14,492</b>	<b>13,514</b>	<b>7.2</b>	<b>12,232</b>	<b>18.5</b>	<b>64,992</b>	<b>60,522</b>	<b>7.4</b>

Source: Company

**Exhibit 14: Domestic tractor sales trend**



Source: Company



## Hero MotoCorp: Weak performance

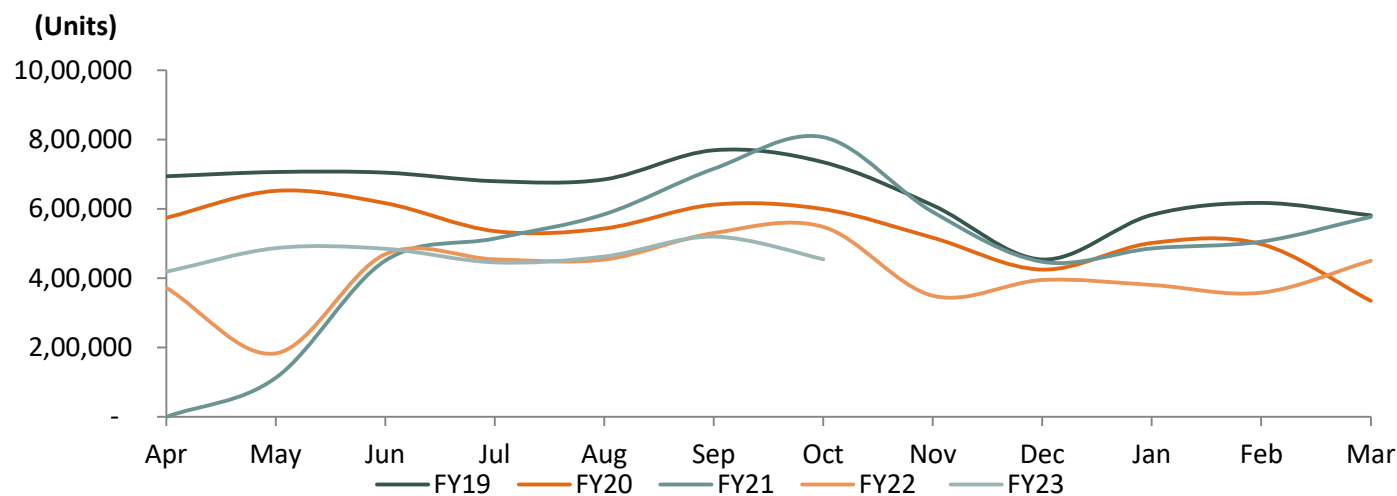
- HMCL Domestic sales decline by 16% YoY to 442k units. The Exports sales decreased by 41% YoY to 11.7k units. The Total Sales were down by 17% YoY and up by 15% on MoM to 454k units.

**Exhibit 15: HMCL sales volume**

Segment	Oct-22	Oct-21	YoY (%)	Sept-22	MoM (%)	FY23YTD	FY22YTD	YoY (%)
Motorcycles	4,19,568	5,05,957	(17.1)	4,80,237	(12.6)	30,58,186	27,99,050	9.3
Scooters	35,014	42,013	(16.7)	39,743	(11.9)	2,14,757	2,11,402	1.6
<b>Total</b>	<b>4,54,582</b>	<b>5,47,970</b>	<b>(17.0)</b>	<b>3,94,773</b>	<b>15.2</b>	<b>32,72,943</b>	<b>30,10,452</b>	<b>8.7</b>
Domestic	4,42,825	5,27,779	(16.1)	5,07,690	(12.8)	31,60,105	28,34,275	11.5
Exports	11,757	20,191	(41.8)	12,290	(4.3)	1,12,838	1,76,807	(36.2)

Source: Company

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



Source: Company

## Bajaj Auto: Exports sales remain under pressure

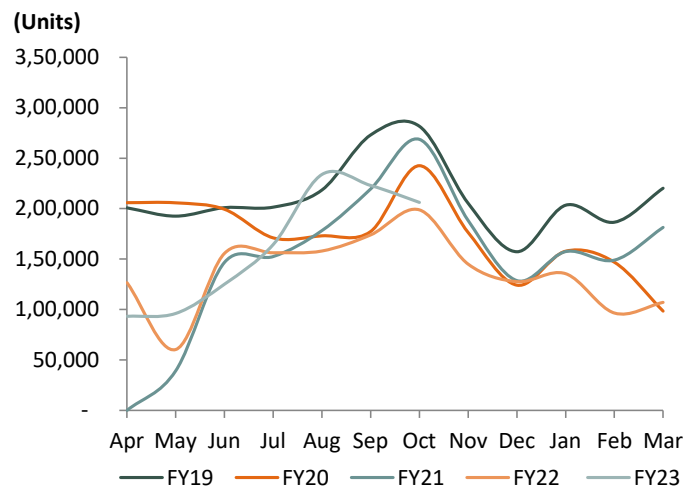
- BJAUTO Domestic Motorcycle sales increased by 4% YoY and decline by 7.5% MoM to 206k units whereas Export Motorcycle sales decreased by 30% YoY to 135k units. The Total 3W increased by 10% YoY and 15% MoM to 53k units. The Total sales de-grew YoY by 10% to 395K units.

**Exhibit 17: BJAUT sales volume**

Segment	Oct-22	Oct-21	YoY (%)	Sept-22	MoM (%)	FY23YTD	FY22YTD	YoY (%)
Domestic	2,06,131	1,98,738	3.7	2,22,912	(7.5)	11,41,683	10,29,438	10.9
Exports	1,35,772	1,92,565	(29.5)	1,25,443	8.2	10,66,682	12,91,085	(17.4)
<b>Total 2W</b>	<b>3,41,903</b>	<b>3,91,303</b>	<b>(12.6)</b>	<b>3,48,355</b>	<b>(1.9)</b>	<b>22,08,365</b>	<b>23,20,523</b>	<b>(4.8)</b>
Domestic	36,786	19,827	85.5	31,752	15.9	1,48,445	78,480	89.2
Exports	16,549	28,485	(41.9)	14,640	13.0	1,23,356	1,91,033	(35.4)
<b>Total 3W</b>	<b>53,335</b>	<b>48,312</b>	<b>10.4</b>	<b>46,392</b>	<b>15.0</b>	<b>2,71,801</b>	<b>2,69,513</b>	<b>0.8</b>
Domestic	2,42,917	2,18,565	11.1	2,54,664	(4.6)	12,90,128	11,07,918	16.4
Exports	1,52,321	2,21,050	(31.1)	1,40,083	8.7	11,90,038	14,82,118	(19.7)
<b>Total Sales</b>	<b>3,95,238</b>	<b>4,39,615</b>	<b>(10.1)</b>	<b>3,94,747</b>	<b>0.1</b>	<b>24,80,166</b>	<b>25,90,036</b>	<b>(4.2)</b>

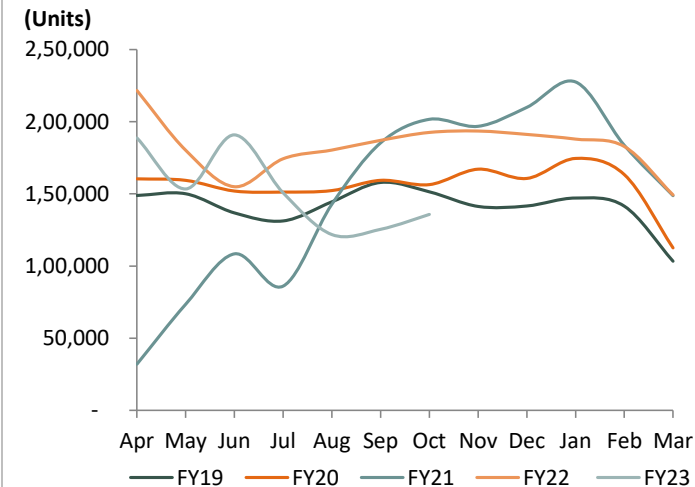
Source: Company

**Exhibit 18: Domestic motorcycle sales trend**



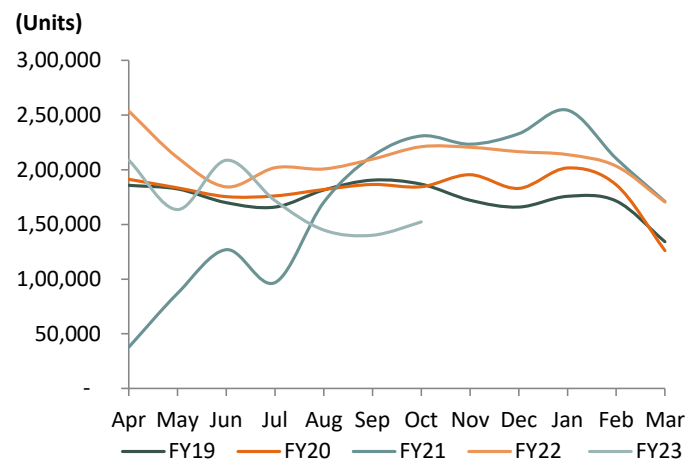
Source: Company

**Exhibit 19: Export motorcycle sales trend**



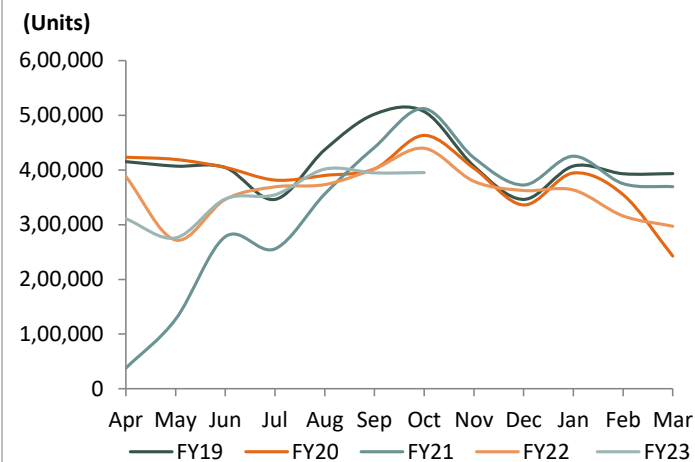
Source: Company

**Exhibit 20: Total exports sales trend**



Source: Company

**Exhibit 21: Total sales trend**



Source: Company

## TVS Motors: Recovery expected in 2W segment

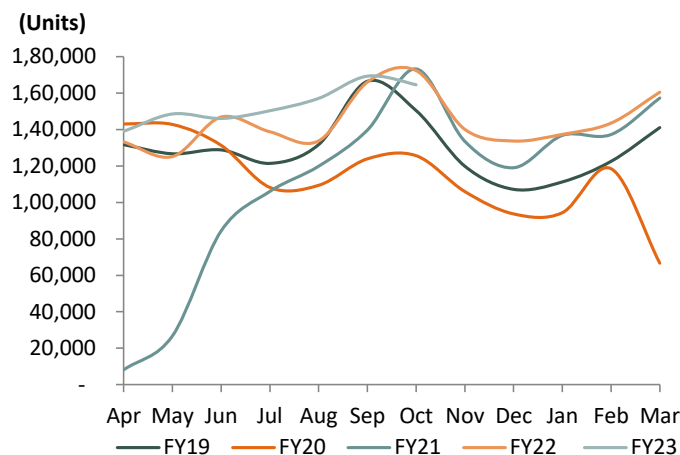
- The Motorcycle Sales at 164k units down by 5% on YoY and 3% on MoM. The Scooter sales increased by 20% YoY to 135k units. The 3W Domestic Sales increased by 16% YoY to 15.7K units. The Total Sales increased by 2% YoY to 360K units.

**Exhibit 22: TVSL sales volume**

Segment	Oct-22	Oct-21	YoY (%)	Sept-22	MoM (%)	FY23YTD	FY22YTD	YoY (%)
Motorcycle	1,64,568	1,72,361	(4.5)	1,69,322	(2.8)	10,75,010	10,16,257	5.8
Scooters	1,35,190	1,13,124	19.5	1,44,356	(6.3)	8,19,693	5,18,060	58.2
Mopeds	44,872	56,028	(19.9)	48,051	(6.6)	3,02,934	3,08,239	(1.7)
<b>2W (Total)</b>	<b>3,44,630</b>	<b>3,41,513</b>	<b>0.9</b>	<b>3,61,729</b>	<b>(4.7)</b>	<b>21,97,637</b>	<b>18,42,556</b>	<b>19.3</b>
3W	15,658	13,520	15.8	17,282	(9.4)	1,12,165	99,730	12.5
<b>Sales volume (2W+3W)</b>	<b>3,60,288</b>	<b>3,55,033</b>	<b>1.5</b>	<b>3,79,011</b>	<b>(4.9)</b>	<b>23,09,802</b>	<b>19,42,286</b>	<b>18.9</b>

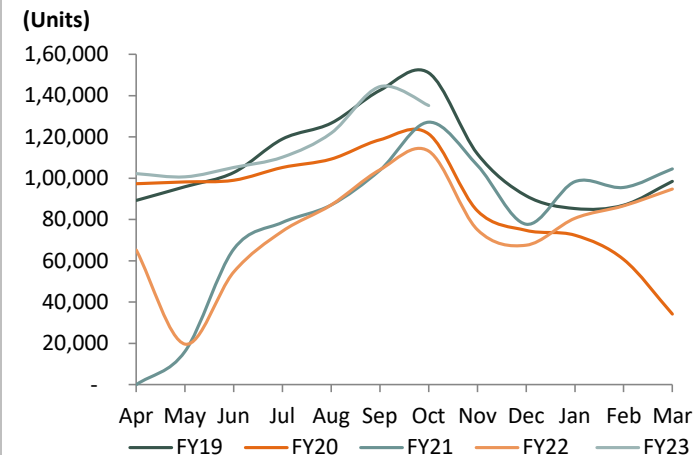
Source: Company

**Exhibit 23: Motorcycle sales trend**



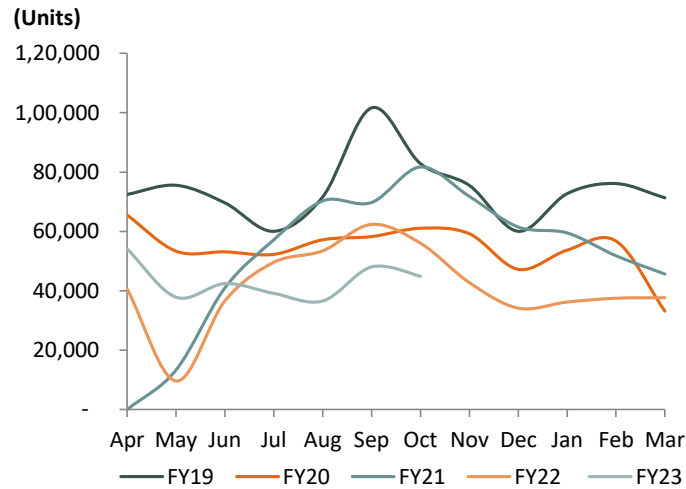
Source: Company

**Exhibit 24: Scooter sales trend**



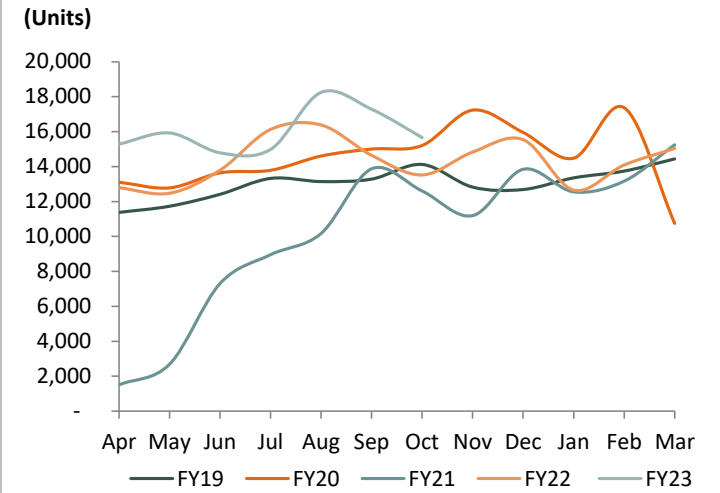
Source: Company

**Exhibit 25: Moped sales trend**



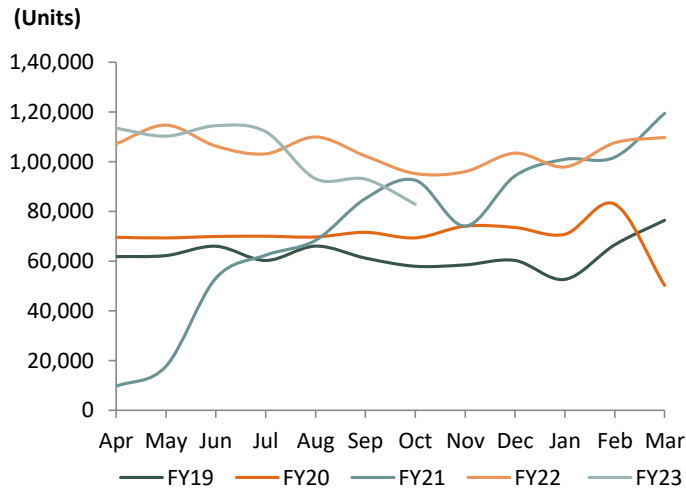
Source: Company

**Exhibit 26: 3W sales trend**



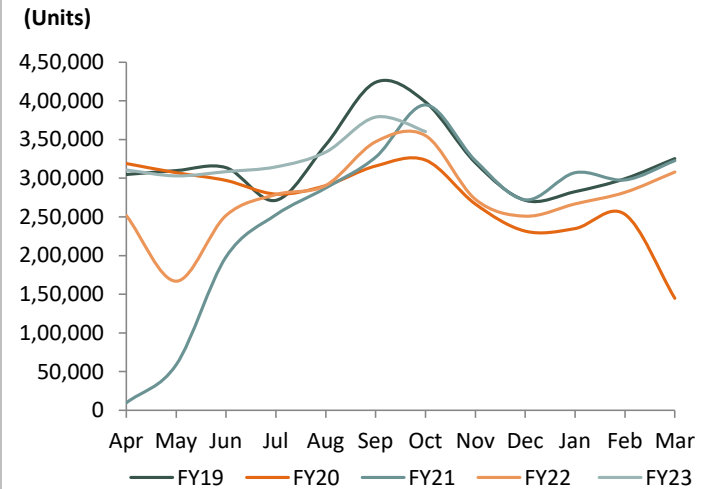
Source: Company

**Exhibit 27: Export sales trend**



Source: Company

**Exhibit 28: Total sales trend**



Source: Company

## Eicher Motors: Signs of growth visible

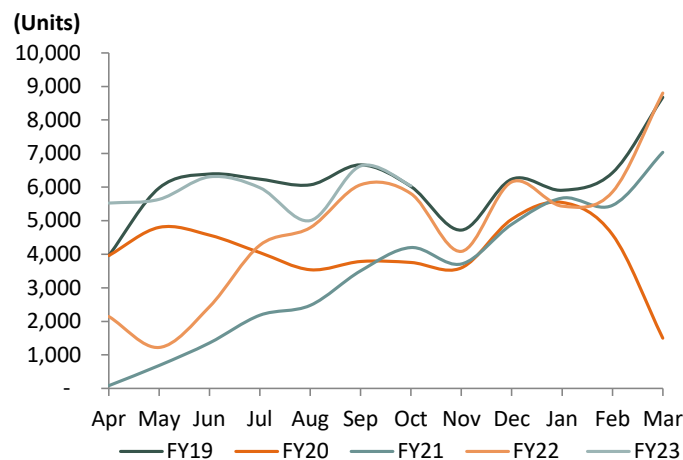
- Royal Enfield Domestic Sales increased by 88% YoY to 76.5k units. The Total Sales increased by 86% YoY to 82k. VECV Sales grew by 4% YoY and decline by 9% MoM to 6,038 units.

**Exhibit 29: EIM sales volume**

Segment	Oct-22	Oct-21	YoY (%)	Sept-22	MoM (%)	FY23YTD	FY22YTD	YoY (%)
Domestic	76,528	40,611	88.4	73,646	3.9	4,17,237	2,48,653	67.8
Export	5,707	3,522	62.0	8,451	(32.5)	59,967	42,547	40.9
<b>Total RE</b>	<b>82,235</b>	<b>44,133</b>	<b>86.3</b>	<b>82,097</b>	<b>0.2</b>	<b>4,77,204</b>	<b>2,91,200</b>	<b>63.9</b>
VECV	6,038	5,805	4.0	6,631	(8.9)	41,123	26,745	53.8

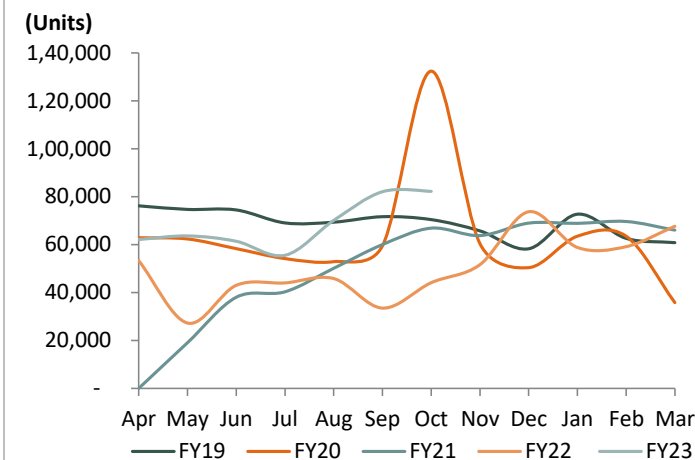
Source: Company

**Exhibit 30: VECV sales trend**



Source: Company

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



Source: Company

## Ashok Leyland: Volume rebound as Economy opens

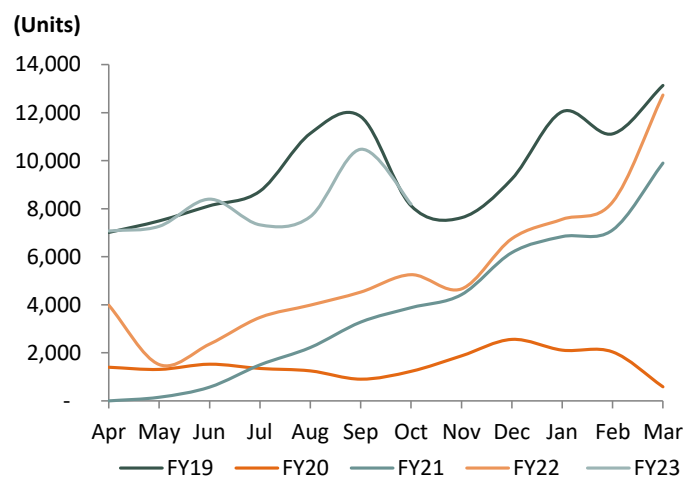
- The Domestic sales increased by 38% YoY and decline by 16% MoM to 14K units. M&HCV Goods segment increased by 49% YoY to 7432 units. The Domestic LCV segment increased YoY by 18% to 5671 units. Total sales increased by 34% YoY to 14.8k units.

**Exhibit 32: AL Sales Volumes**

Segment	Oct-22	Oct-21	YoY (%)	Sept-22	MoM (%)	FY23YTD	FY22YTD	YoY (%)
M&HCV Goods	7,432	4,993	48.8	9,628	(22.8)	51,854	24,046	115.6
MH&CV Passenger	757	261	190.0	847	(10.6)	4,550	1,056	330.9
LCV	5,671	4,789	18.4	6,024	(5.9)	37,095	26,807	38.4
<b>Domestic</b>	<b>13,860</b>	<b>10,043</b>	<b>38.0</b>	<b>16,499</b>	<b>(16.0)</b>	<b>93,499</b>	<b>51,909</b>	<b>80.1</b>
Exports	1,003	1,036	(3.2)	1,050	(4.5)	6,310	4,700	34.3
<b>Total Sales</b>	<b>14,863</b>	<b>11,079</b>	<b>34.2</b>	<b>17,549</b>	<b>(15.3)</b>	<b>99,809</b>	<b>56,609</b>	<b>76.3</b>

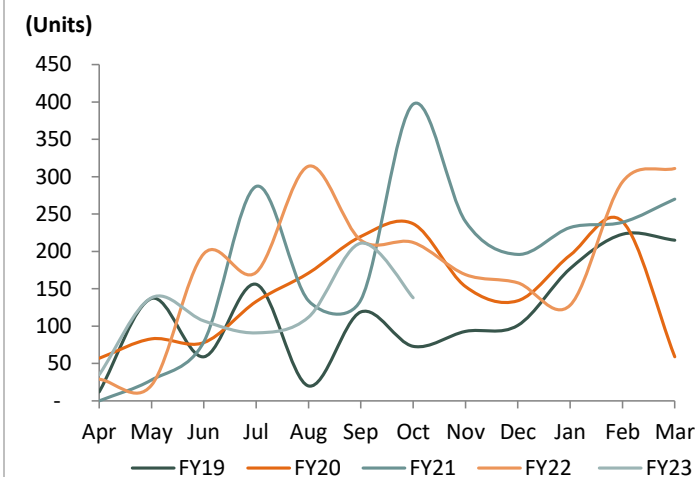
Source: Company

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



Source: Company

**Exhibit 34: LCV Domestic sales trend**



Source: Company



# Notes

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Dealing	(91-22) 6836 1111	dealing@idbicapital.com
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**IDBI Capital Markets & Securities Ltd.**

**Equity Research Desk**

6th Floor, IDBI Tower, WTC Complex, Cuffe Parade, Colaba, Mumbai – 400 005. Phones: (91-22) 2217 1700; Fax: (91-22) 2215 1787; Email: info@idbicapital.com

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