

Automobiles

Aug-23 volumes: Strong performance in 2Ws; record PV dispatches

Sector Report

SECTOR UPDATE

September 4, 2023

NIFTY 50: 19,435

Strong domestic 2W wholesales and retails despite delayed festive season:

Domestic 2W performance remained strong with 10%/7%/5% YoY growth in EIM, TVS and HMCL (beat across players) despite delayed festive season (~3 weeks), though exports remained weak with ~2% dip in volumes QoQ for both the large volume players (BJAUT and TVSL). Growth in 2W wholesales was supported by improving retail trends (as per Vahan), ahead of the upcoming festive season, with strong (22/16%) growth in BJAUT/TVSL and ~8% higher sales for RE. HMCL reported strong dispatches of 489K units, ahead of the likely uptick in festive sales (~125K inventory build-up, in our view).

E-2W penetration back to ~5% level; TVSL closing in on market leader Ola:

Absolute E-2W volumes grew 20% YoY/15% MoM to 62.3K units (slowly catching up post FAME subsidy reduction), with penetration levels at 5% vs. 4.4% in Jul-23 and 4.5% for FY23. TVSL reported its best-ever dispatches at ~23.9K units; retail gap vs. market leader Ola declined to just ~2K units.

BJAUT expects exports to slowly improve (Q2 avg. at 140K vs. 125K in Q1); about 5-10% recovery is being observed in retails and shipments; the key market, Nigeria is posting ~5% growth sequentially, although currency situation is yet to stabilize fully.

Record month for PV dispatches; MSIL witnesses ~25% rise in Onam festive retails:

The industry potentially saw record volumes in Aug-23 at ~360K units ([refer link](#)), as it prepares for the festive season with inventory build-up (PV retails up ~1% YoY as per Vahan). Market leader, MSIL reported a beat at 189K units (domestic PVs up ~15% YoY to ~162K units), with further market share gains (reflected in retail sales as well). Its UV mix stood at 31% in Aug-23/25% in Q1FY23 vs. 19% in FY23; we believe the overall sharp improvement in the mix along with expectations of a healthy festive season would lead to strong Q2 performance in volumes, ASPs and margins for MSIL.

MHCV space reported healthy double-digit growth with AL continuing to outpace TTMT (17%/10% YoY MHCV growth in AL/TTMT).

Tractor volumes were soft due to weak monsoon season in August and delayed festive season:

M&M reported 1% growth, while Escorts posted a 9% decline. As per the company's commentary, while there was positive momentum in some markets due to the government's subsidy programs, deficient monsoon season in other regions during August coupled with shifting of the key festive season to the third quarter of this fiscal impacted tractor sales this month; if monsoon catches up in September in these regions, tractor demand may witness good pick up in the upcoming festive months.

Aug-23 volume snapshot

Volume (in '000s)	Aug-23	Aug-22	YoY (%)	Jul-23	MoM (%)	FY24 YTD	FY23 YTD	YoY (%)
Maruti Suzuki (MSIL)	189	165	14	182	4	869	809	7
M&M Auto (MM)	70	59	19	66	6	323	269	20
M&M Farm	22	22	1	25	-14	162	163	-1
Tata Motors Domestic CV (TTMT)	31	29	5	31	-1	144	156	-8
Tata Motors Domestic PV	46	47	-4	48	-4	233	225	4
Ashok Leyland MHCV (AL)	9	8	17	9	0	42	38	12
Ashok Leyland Total	16	14	10	15	3	72	67	7
Eicher Motors CV (EIM-VECV)	6	5	29	6	10	32	28	12
Bajaj Auto (BJAUT)	342	402	-15	320	7	1,689	1,690	-0
Hero MotoCorp (HMCL)	489	463	6	391	25	2,233	2,298	-3
Royal Enfield (EIM-RE)	78	70	11	73	6	378	313	21
TVS Motors (TVSL)	346	334	4	326	6	1,625	1,555	4
Escorts (ESC)	6	6	-8	6	0	38	38	-1
Atul Auto (ATA)	3	2	34	2	24	8	9	-14

Source: Company, Emkay Research

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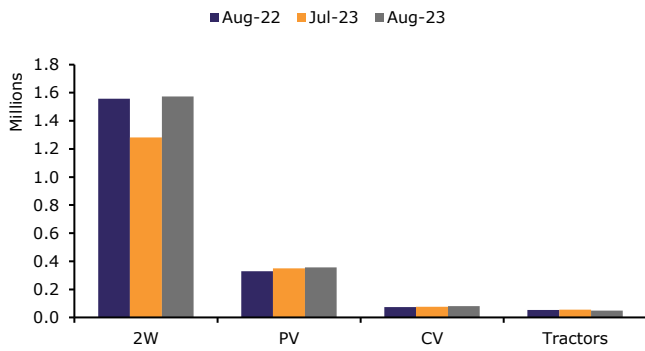
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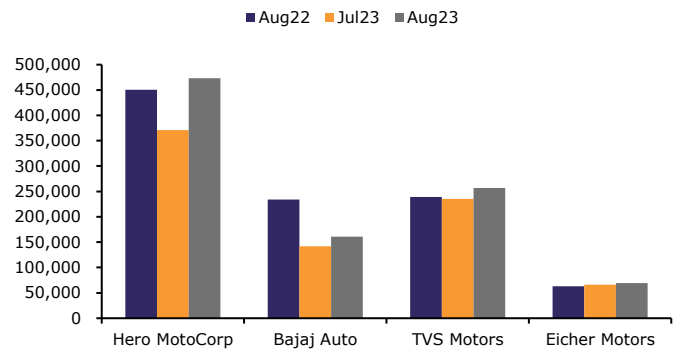
Story in Charts

Exhibit 1: Growth across major segments



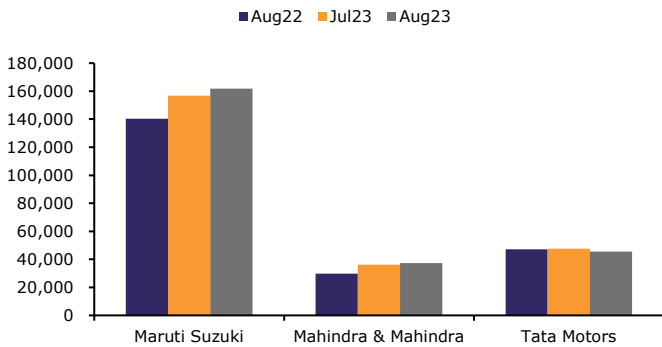
Source: Company, Emkay Research

Exhibit 2: RE, TVSL and HMCL led the way in 2Ws



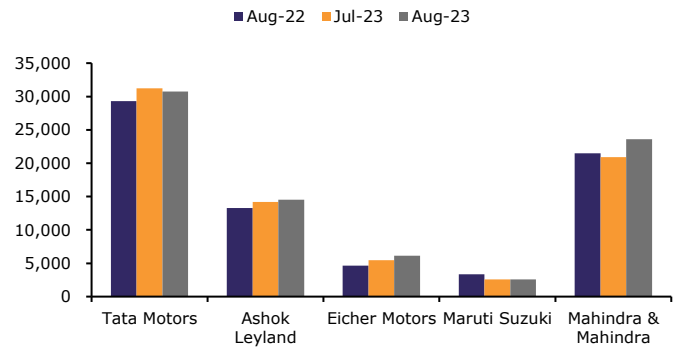
Source: Company, Emkay Research

Exhibit 3: In a likely record month for PVs, market leader, MSIL, likely expanded market share further with M&M also doing well



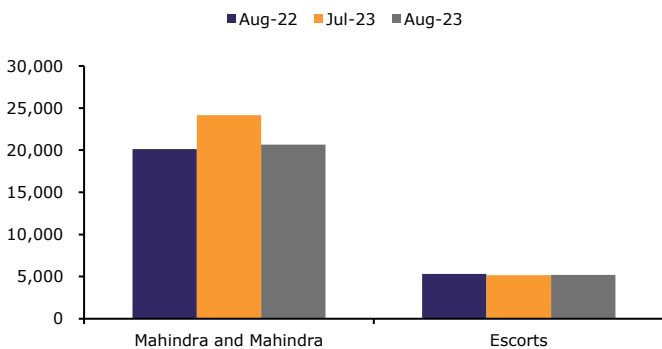
Source: Company, Emkay Research

Exhibit 4: AL continued to lead in MHCVs; the industry recorded double-digit growth for major players



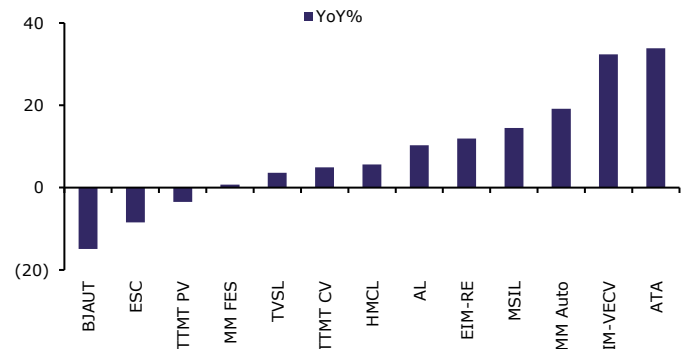
Source: Company, Emkay Research

Exhibit 5: Tractor performance was subdued



Source: Company, Emkay Research

Exhibit 6: Most 2W and PV players witnessed healthy growth



Source: Company, Emkay Research

Exhibit 7: Segment-wise volume snapshot (Domestic)

Company	Aug-23	Aug-22	YoY (%)	Jul-23	FY24 YTD	FY23 YTD	YoY (%)
2Ws (Domestic)							
Hero MotoCorp	4,72,947	4,50,740	4.9	3,71,204	21,61,401	22,09,590	(2.2)
Bajaj Auto	1,60,820	2,33,838	(31.2)	1,41,990	8,45,741	7,12,640	18.7
TVS Motor	2,56,619	2,39,325	7.2	2,35,230	12,13,328	10,06,372	20.6
Royal Enfield	69,393	62,892	10.3	66,062	3,42,626	2,67,063	28.3
PVs (Domestic)							
Maruti Suzuki	1,61,904	1,40,321	15.4	1,56,872	7,45,509	6,80,787	9.5
Mahindra & Mahindra	37,270	29,852	24.8	36,205	1,73,647	1,34,215	29.4
Tata Motors	45,513	47,166	(3.5)	47,628	2,33,261	2,24,796	3.8
CVs (Domestic)							
Tata Motors	30,748	29,313	4.9	31,216	1,44,189	1,56,489	(7.9)
Ashok Leyland	14,545	13,301	9.4	14,207	67,859	63,140	7.5
VECV	5,907	4,530	30.4	5,311	29,463	25,273	16.6
Mahindra & Mahindra	23,613	21,492	9.9	20,898	1,05,763	1,01,420	4.3
Tractors (Domestic)							
Mahindra & Mahindra	20,647	20,138	2.5	24,168	1,56,690	1,55,205	1.0
Escorts	5,198	5,308	(2.1)	5,161	35,585	34,620	2.8

Source: Company, Emkay Research

Exhibit 8: Retail volume trend

Total registrations	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23
2W	12,66,536	12,66,774	14,44,633	12,29,771	14,91,514	13,08,983	12,26,306	12,53,043
PV	3,31,438	2,76,864	3,14,787	2,66,936	2,79,291	2,76,195	2,60,928	2,88,699
3W	65,729	72,912	86,663	71,077	79,244	86,385	93,919	99,807
MHCV	30,442	30,087	36,190	34,903	28,010	23,114	22,171	24,040
LCV	52,786	49,243	53,732	46,495	44,402	44,360	45,513	46,420
Tractors	67,239	62,607	73,622	50,628	64,755	89,369	84,499	68,432
Total Electric	1,01,103	1,06,236	1,39,980	1,10,866	1,57,217	1,01,933	1,15,756	1,26,324
YoY (%)	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23
2W	10	15	12	(7)	9	7	8	6
PV	20	8	9	(4)	0	1	(1)	1
3W	63	87	80	68	91	88	86	72
MHCV	21	25	24	10	11	0	4	7
LCV	11	11	(1)	(5)	2	(4)	(3)	(2)
Tractors	10	17	7	3	10	43	25	16
Total Electric	99	85	70	44	128	36	45	44

Source: Vahan, Emkay Research

Company-wise Highlights

- Eicher Motors–Royal Enfield’s volumes grew 10.7% YoY to 77,583 units, above our estimate of 73K units. Domestic volumes rose 10% to 69.4K units, while exports saw 13.4% growth to 8.2K units.
- Eicher Motors–VECV (CV) volumes grew 29.4% YoY to 6,476 units, above our estimate of 6,030 units.

Exhibit 9: Eicher Motors

Volume (units)	Aug-23	Aug-22	YoY (%)	Jul-23	FY24 YTD	FY23 YTD	YoY (%)
Domestic 2Ws	69,393	62,892	10.3	66,062	3,42,626	2,67,063	28.3
Exports 2Ws	8,190	7,220	13.4	7,055	35,780	45,809	(21.9)
Total 2Ws	77,583	70,112	10.7	73,117	3,78,406	3,12,872	20.9
Domestic CVs	5,907	4,530	30.4	5,311	29,463	25,273	16.6
Volvo (Traded)	237	110	115.5	141	947	595	59.2
Exports CVs	332	363	(8.5)	425	1,514	2,586	(41.5)
Total CVs	6,476	5,003	29.4	5,877	31,924	28,454	12.2

Source: Company, Emkay Research

- **Hero MotoCorp’s** volumes grew 5.6% YoY to 489K units, above our estimates. Domestic 2W volumes grew ~5% to ~473K units, and exports saw volume growth of 33% to ~15.8K units. The company expects an uptick in consumer demand heading into the festive season, supported by positive consumer sentiments due to better monsoons and decent agricultural activity.

Exhibit 10: Hero MotoCorp

Volume (units)	Aug-23	Aug-22	YoY (%)	Jul-23	FY24 YTD	FY23 YTD	YoY (%)
Domestic	4,72,947	4,50,740	4.9	3,71,204	21,61,401	22,09,590	(2.2)
Exports	15,770	11,868	32.9	20,106	71,200	88,791	(19.8)
Total 2Ws	4,88,717	4,62,608	5.6	3,91,310	22,32,601	22,98,381	(2.9)
Scooters	36,531	31,809	14.8	30,718	1,57,183	1,40,000	12.3
Motorcycles	4,52,186	4,30,799	5.0	3,60,592	20,75,418	21,58,381	(3.8)

Source: Company, Emkay Research

- Bajaj Auto’s volumes fell ~15% YoY to 341.6K units, above our estimate of 325K units.
- Domestic 2W volumes declined 31% to ~161K units with exports up 2% to 124K units.
- Domestic 3W volumes grew strongly by 93% to 44.2K units.

Exhibit 11: Bajaj Auto

Volume (units)	Aug-23	Aug-22	YoY (%)	Jul-23	FY24 YTD	FY23 YTD	YoY (%)
Domestic 2Ws	1,60,820	2,33,838	(31.2)	1,41,990	8,45,741	7,12,640	18.7
Exports 2Ws	1,24,211	1,21,787	2.0	1,26,850	5,97,460	8,05,197	(25.8)
Total 2Ws	2,85,031	3,55,625	(19.9)	2,68,840	14,43,201	15,17,837	(4.9)
Domestic 3Ws	44,280	22,917	93.2	37,273	1,80,178	79,907	125.5
Exports 3Ws	12,337	23,053	(46.5)	13,634	65,423	92,167	(29.0)
Total 3Ws	56,617	45,970	23.2	50,907	2,45,601	1,72,074	42.7
Total	3,41,648	4,01,595	(14.9)	3,19,747	16,88,802	16,89,911	(0.1)

Source: Company, Emkay Research

- TVS Motors’ volumes grew 3.6% YoY to 346K units, above our estimate of 334K units.
- 2W volumes (domestic + exports) grew 5.3% to 332K units amid 7.2% growth in domestic volumes with exports down 1%.
- 3W volumes declined 24.7% to 13.7K units, led by lower exports (-29%).
- TVS iQube sales stood at a record ~23.9K units. The company’s volume gap vs. market leader Ola reduced to ~2K units in retail terms. TVS iQube continues to have a healthy order book.

Exhibit 12: TVS Motors

Volume (units)	Aug-23	Aug-22	YoY (%)	Jul-23	FY24 YTD	FY23 YTD	YoY (%)
Domestic 2Ws	2,56,619	2,39,325	7.2	2,35,230	12,13,328	10,06,372	20.6
Export 2Ws	75,491	76,214	(0.9)	77,077	3,49,571	4,69,620	(25.6)
Total 2Ws	3,32,110	3,15,539	5.3	3,12,307	15,62,899	14,75,992	5.9
Domestic 3Ws	1,714	1,351	26.9	1,534	7,599	5,581	36.2
Export 3Ws	12,024	16,897	(28.8)	12,136	54,571	73,644	(25.9)
Total 3Ws	13,738	18,248	(24.7)	13,670	62,170	79,225	(21.5)
Total	3,45,848	3,33,787	3.6	3,25,977	16,25,069	15,55,217	4.5

Source: Company, Emkay Research

- **Maruti Suzuki's** volumes grew 14.5% YoY to 189K units, above our estimate of 185K units.
- Domestic PV volumes (including sales to Toyota) grew 15.4% to 162K units. (Emkay est.: 160K units).
- Domestic UVs surged 118% to 58,746 units; Vans declined 1% to ~11.9K units, while cars fell 10.2% to 85.5K units. Its UV mix stood at 31% in Aug-23/25% in Q1FY23 vs. 19% in FY23.
- Domestic LCVs declined 24% to 2,564 units.
- Exports witnessed growth of 14.6% YoY to 24,614 units.

Exhibit 13: Maruti Suzuki

Volume (units)	Aug-23	Aug-22	YoY (%)	Jul-23	FY24 YTD	FY23 YTD	YoY (%)
Domestic Cars	85,509	95,235	(10.2)	78,040	4,18,527	4,58,301	(8.7)
Domestic UVs	58,746	26,932	118.1	62,049	2,47,196	1,31,056	88.6
Domestic Vans	11,859	11,999	(1.2)	12,037	56,572	56,813	(0.4)
Sales to other OEMs	5,790	6,155	(5.9)	4,746	23,214	34,617	(32.9)
Domestic PVs	1,61,904	1,40,321	15.4	1,56,872	7,45,509	6,80,787	9.5
Domestic LCVs	2,564	3,371	(23.9)	2,559	13,202	17,004	(22.4)
Exports	24,614	21,481	14.6	22,199	1,10,031	1,11,229	(1.1)
Total	1,89,082	1,65,173	14.5	1,81,630	8,68,742	8,09,020	7.4

Source: Company, Emkay Research

- **Mahindra & Mahindra's** volumes grew 14.2% YoY to 92,026 units, above our estimate of 88,700 units.
- The auto segment's volumes reported growth of 19% to 70,350 units (our estimate – 65,500 units). In the domestic market, volume grew by 25% to 37,270 units for PVs; 3Ws grew to 7,044 units, while CV volumes grew 10% to 23,613 units.
- The farm segment's volumes were flat YoY at 21,676 units.

Exhibit 14: Mahindra & Mahindra

Volume (units)	Aug-23	Aug-22	YoY (%)	Jul-23	FY24 YTD	FY23 YTD	YoY (%)
Domestic PVs	37,270	29,852	24.8	36,205	1,73,647	1,34,215	29.4
Domestic CVs	23,613	21,492	9.9	20,898	1,05,763	1,01,420	4.3
Domestic 3Ws	7,044	4,793	47.0	6,481	31,305	19,806	58.1
Exports Auto	2,423	2,912	(16.8)	2,540	11,897	13,218	(10.0)
Total Auto	70,350	59,049	19.1	66,124	3,22,612	2,68,659	20.1
Domestic Tractors	20,647	20,138	2.5	24,168	1,56,690	1,55,205	1.0
Exports Tractors	1,029	1,382	(25.5)	1,007	5,170	8,131	(36.4)
Total Tractors	21,676	21,520	0.7	25,175	1,61,860	1,63,336	(0.9)
Total	92,026	80,569	14.2	91,299	4,84,472	4,31,995	12.1

Source: Company, Emkay Research

- **Escorts Kubota's** tractor volumes declined 9% YoY to 5,593 units, missing our estimates (Emkay est. 6,000 units).

Exhibit 15: Escorts Kubota

Volume (units)	Aug23	Aug22	YoY (%)	Jul23	FY24YTD	FY23 YTD	YoY (%)
Domestic Tractors	5,198	5,308	(2.1)	5,161	35,585	34,620	2.8
Exports Tractors	395	803	(50.8)	409	2,160	3,648	(40.8)
Total Tractors	5,593	6,111	(8.5)	5,570	37,745	38,268	(1.4)

Source: Company, Emkay Research

- **Ashok Leyland's** volumes grew 10% YoY to 15,576 units, in-line with our estimates.
- Domestic MHCVs rose 17.5% to 9,013 units, while domestic LCVs were down 1.7%.
- Exports grew 25.7% to 1,031 units.

Exhibit 16: Ashok Leyland

Volume (units)	Aug-23	Aug-22	YoY (%)	Jul-23	FY24 YTD	FY23 YTD	YoY (%)
Domestic MHCVs	9,013	7,671	17.5	8,974	42,273	37,740	12.0
Domestic LCVs	5,532	5,630	(1.7)	5,233	25,586	25,400	0.7
Exports	1,031	820	25.7	861	4,114	4,257	(3.4)
Total CVs	15,576	14,121	10.3	15,068	71,973	67,397	6.8

Source: Company, Emkay Research

- **Tata Motors'** volumes declined 1% YoY to 78K units vs. our estimate of 81.5K units.
- Domestic CV volumes grew 5% YoY to 30.7K units. MHCV volumes grew by 10.2% YoY to 13.3K units, while LCV volumes were up 1% YoY.
- Domestic PV volumes declined by 3.5% to 45,513 units.
- Total exports declined 26% to 1,749 units.

Exhibit 17: Tata Motors

Volume (units)	Aug-23	Aug-22	YoY (%)	Jul-23	FY24 YTD	FY23 YTD	YoY (%)
Domestic CVs	30,748	29,313	4.9	31,216	1,44,189	1,56,489	(7.9)
Domestic PVs	45,513	47,166	(3.5)	47,628	2,33,261	2,24,796	3.8
Exports	1,749	2,364	(26.0)	1,789	7,438	10,596	(29.8)
Total	78,010	78,843	(1.1)	80,633	3,84,888	3,91,881	(1.8)

Source: Company, Emkay Research

- Atul Auto's volumes grew by 34% YoY to 2,610 units

Exhibit 18: Atul Auto

Volume (units)	Aug-23	Aug-22	YoY (%)	Jul-23	FY24 YTD	FY23 YTD	YoY (%)
Total 3Ws	2,610	1,950	33.8	2,110	7,803	9,055	(13.8)

Source: Company, Emkay Research

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