

Good growth in PVs, 2Ws witness domestic recovery, CVs rock solid, tractors decline seasonally

Sector performance - July witnessed a good performance for the auto OEMs. On a yoy basis, the declines witnessed in FY 22 for the two wheeler sector is getting wiped off, especially in the domestic markets with all the three companies witnessing low single digit declines (Hero Motocorp) to a double digit growth (TVS). Bajaj in domestic markets grew at 9.4%, while exports faltered on weakness in Africa. The growth in the domestic markets was on account of good monsoon and its spread (except some states in east India), absorption of high acquisition costs of vehicles, robust marriage season in the North and positive sentiments. On the PV side of the industry, the sector has tailwinds in the form of easing of the chip shortage issue, volume upsurge on new launches, burgeoning order book and a good monsoon. CVs which have all their underlying parameters in place are posting good numbers. Tractors segment has been reporting unstable growth over the past few months. In the month of July, we saw a sequential as well as yoy declines in tractor sales as July is a lean month. Also the land preparation phase, wherein a tractor finds highest utility, gets over and farmers start sowing their crops. Also there was deficient rainfall in some of the eastern states of the country, which are the key paddy producing markets.

Company wise performance - Among the PV OEMs, MSIL posted mom growth of 12.9% in the domestic markets which was driven by a 40.8% growth in the entry level segment of Alto and Wagon-R, while the UV segment excelled by 23.4% on new launches of the All New Brezza and Grand Vitara model variants. In the exports markets however, the company posted a 14.8% mom fall on high base. On a yoy basis, MSIL sales grew by 8.3%. TaMo's PV segment saw a 5.1% yoy growth on continued success of its EV Nexon, Tigor, Harrier and their new launch of SUV 'Punch' last year. M&M's SUV segment jumped by 34% mom on the success of Thar, XUV 700, XUV 300 and Bolero Neo. CV division posted growth of 23.8% mom as the bigger segment zoomed exponentially. M&M's tractor business in the domestic markets de-grew by a whopping 45% mom while fell by 14.4% yoy. July is a generally a lean month and the base was also high which led to this seasonal fall. Due to same reason, even Escorts witnessed a similar trend. The M&HCV segment saw a strong yoy growth for both the companies on low base and since the macro indicators like construction, mining, real estate and farming sectors are very well in place. Also freight availability has been increasing and infrastructure activities are on an up-move given the capex kicker provided by GoI during the union budget.

In 2W segment the performance was positive in the domestic markets. Bajaj reported a growth of 31.2% mom and 5.2% yoy for its domestic motorcycles while in exports, motorcycles declined by 13.6% yoy and 21% mom. TVS 2W segment reported growth of 12.8% yoy and 2% mom as its mopeds segment dropped by 22% yoy and 7.8% mom. TVS' motorcycle segment grew by 8.3% yoy, while scooters jumped by 49% yoy. For Bajaj, its 3W segment moved up by 40% mom and 68% yoy domestically. Exports 3Ws dipped by 23.5% yoy on African weakness. Hero Motocorp witnessed just 2% dip yoy. However, this has been a massive recovery from FY 22. New launches, low base and good monsoon is leading this recovery.

Our view - We remain positive on the entire automobile sector. Our choice is in the following order - PVs, CVs and 2Ws. Stocks specifically, within the 2Ws, we like Bajaj Auto as we believe the upcoming months to report good growth in domestic markets as well as in exports markets like LatAm and Asia. We even like Hero on its domestic strength and then TVS for its volume excellence and margin revival. While on the PV side, we believe MSIL is coming out of the chip shortage issue and with new launches last month, the company is in a sweet spot. Its focus on CNG is yielding good results though it is delaying its EV plans. With new launches coming up, huge order book and their EV plus Hybrid plans now in place, we believe the upcoming quarters to be quite good for MSIL. We also like M&M because of its thrust on rural markets through its leadership in tractors business, prudent capital allocation and a robust growth strategy in UVs, EVs and CVs. We like Ashok Leyland within CVs as it has a diversified revenue base deriving from LCVs, Defense, MHCVs and spares. Tata Motors is seeing a strong PV business, along with a very healthy revival in CVs and improvement in JLR business. Every dip in these stocks in the short term, shall provide good opportunities for investors to enter into them from medium to long term perspective.

	Jul-22	Jun-22	% mom	Jul-21	% yoy	YTD FY 23	YTD FY 22	% yoy
Hero Motocorp	4,45,580	4,84,867	-8.1%	4,54,398	-1.9%	18,35,773	14,78,917	24.1%
Bajaj Auto	3,54,670	3,47,004	2.2%	3,69,116	-3.9%	12,88,316	13,75,130	-6.3%
TVS	3,14,639	3,08,501	2.0%	2,78,855	12.8%	12,21,430	9,36,613	30.4%
Maruti	1,75,916	1,55,857	12.9%	1,62,460	8.3%	6,43,847	5,16,076	24.8%
M&M	83,806	95,944	-12.7%	70,212	19.4%	3,51,426	2,56,989	36.7%
Auto	60,499	54,096	11.8%	42,983	40.8%	2,09,610	1,29,831	61.4%
Tractors	23,307	41,848	-44.3%	27,229	-14.4%	1,41,816	1,27,158	11.5%
Tata Motors	81,659	82,462	-1.0%	54,033	51.1%	3,12,705	1,68,564	85.5%
Ashok Leyland	13,625	14,531	-6.2%	8,650	57.5%	53,276	26,637	100.0%
Escorts Kubota	5,360	10,051	-46.7%	6,564	-18.3%	32,157	32,499	-1.1%



Hero Motocorp

	Jul-22	Jun-22	% mom	Jul-21	% yoy	YTD FY 23	YTD FY 22	% yoy
Total sales	4,45,580	4,84,867	-8.1%	4,54,398	-1.9%	18,35,773	14,78,917	24.1%

Bajaj Auto

	Jul-22	Jun-22	% mom	Jul-21	% yoy	YTD FY 23	YTD FY 22	% yoy
Motorcycles								
Domestic	1,64,384	1,25,083	31.4%	1,56,232	5.2%	4,78,802	4,98,784	-4.0%
Exports	1,50,670	1,90,865	-21.1%	1,74,337	-13.6%	6,83,410	7,31,090	-6.5%
Total	3,15,054	3,15,948	-0.3%	3,30,569	-4.7%	11,62,212	12,29,874	-5.5%
3W								
Domestic	18,572	13,268	40.0%	11,041	68.2%	56,990	25,626	122.4%
Exports	21,044	17,788	18.3%	27,506	-23.5%	69,114	1,19,630	-42.2%
Total	39,616	31,056	27.6%	38,547	2.8%	1,26,104	1,45,256	-13.2%
Domestic	1,82,956	1,38,351	32.2%	1,67,273	9.4%	5,35,792	5,24,410	2.2%
Exports	1,71,714	2,08,653	-17.7%	2,01,843	-14.9%	7,52,524	8,50,720	-11.5%
Total	3,54,670	3,47,004	2.2%	3,69,116	-3.9%	12,88,316	13,75,130	-6.3%

TVS Motors

	Jul-22	Jun-22	% mom	Jul-21	% yoy	YTD FY 23	YTD FY 22	% yoy
Motorcycles	1,50,340	1,46,075	2.9%	1,38,772	8.3%	5,84,002	5,44,061	7.3%
Scooters	1,10,196	1,05,211	4.7%	73,811	49.3%	4,18,281	2,13,786	95.7%
Mopeds	39,122	42,429	-7.8%	50,145	-22.0%	1,58,170	1,23,582	28.0%
Total 2W	2,99,658	2,93,715	2.0%	2,62,728	14.1%	11,60,453	8,81,429	31.7%
3W	14,981	14,786	1.3%	16,127	-7.1%	60,977	55,184	10.5%
Total sales	3,14,639	3,08,501	2.0%	2,78,855	12.8%	12,21,430	9,36,613	30.4%
Exports out of the above	1,12,032	1,14,449	-2.1%	1,03,133	8.6%	4,50,153	4,31,238	4.4%
2W exports	97,716	1,00,625	-2.9%	87,559	11.6%	3,93,406	3,77,377	4.2%

Maruti Suzuki

	Jul-22	Jun-22	% mom	Jul-21	% yoy	YTD FY 23	YTD FY 22	% yoy
Mini(Alto, Old WagonR, S-Presso)	20,333	14,442	40.8%	19,685	3.3%	69,320	66,925	3.6%
Compact(New WagonR, Swift,Celerio, Baleno, Dzire, Ignis)	84,818	77,746	9.1%	70,266	20.7%	2,89,695	2,31,778	25.0%
Mid size (Ciaz)	1,379	1,507	-8.5%	1,450	-4.9%	4,051	3,968	2.1%
Total passenger cars	1,06,530	93,695	13.7%	91,401	16.6%	3,63,066	3,02,671	20.0%
Utility Vehicles(Gypsy, Ertiga, XL6, S-Cross, Viterra Brezza)	23,272	18,860	23.4%	32,272	-27.9%	1,04,124	92,283	12.8%
Vans(Omni, Eeco)	13,048	10,130	28.8%	10,057	29.7%	44,814	31,840	40.7%
LCV (Super Carry)	2,816	3,025	-6.9%	2,768	1.7%	13,633	6,824	99.8%
Total domestic sales	1,45,666	1,25,710	15.9%	1,36,498	6.7%	5,25,637	4,33,618	21.2%
Sales to other OEM :A:Compact	9,939	6,314	57.4%	4,738	109.8%	28,462	15,715	81.1%
Exports	20,311	23,833	-14.8%	21,224	-4.3%	89,748	66,743	34.5%
Total sales	1,75,916	1,55,857	12.9%	1,62,460	8.3%	6,43,847	5,16,076	24.8%



Mahindra & Mahindra

Auto segment	Jul-22	Jun-22	% mom	Jul-21	% yoy	YTD FY 23	YTD FY 22	% yoy
Utility Vehicles	27,854	26,620	4.6%	20,797	33.9%	1,03,274	63,367	63.0%
Cars+Vans	199	260	-23.5%	249	-20.1%	1,089	881	23.6%
Total PV	28,053	26,880	4.4%	21,046	33.3%	1,04,363	64,248	62.4%
LCV(<3.5 T)	20,138	19,815	1.6%	17,238	16.8%	77,167	50,404	53.1%
LCV (>3.5T)+ MHCV	5,159	616	737.5%	428	1105.4%	2,761	1,296	113.0%
Total CV	25,297	20,431	23.8%	17,666	43.2%	79,928	51,700	54.6%
3 wheelers	4,351	4,008	8.6%	2,148	102.6%	15,013	5,213	188.0%
Total domestic sales	57,701	51,319	12.4%	40,860	41.2%	1,99,304	1,21,161	64.5%
Total exports	2,798	2,777	0.8%	2,123	31.8%	10,306	8,670	18.9%
Total sales	60,499	54,096	11.8%	42,983	40.8%	2,09,610	1,29,831	61.4%

FES	Jul-22	Jun-22	% mom	Jul-21	% yoy	YTD FY 23	YTD FY 22	% yoy
Domestic	21,684	39,825	-45.6%	25,769	-15.9%	1,35,067	1,21,617	11.1%
Exports	1,623	2,023	-19.8%	1,460	11.2%	6,749	5,541	21.8%
Total FES	23,307	41,848	-44.3%	27,229	-14.4%	1,41,816	1,27,158	11.5%

Ashok Leyland

	Jul-22	Jun-22	% mom	Jul-21	% yoy	YTD FY 23	YTD FY 22	% yoy
MHCV	8,148	9,354	-12.9%	3,822	113.2%	33,135	12,872	157.4%
LCV	5,477	5,177	5.8%	4,828	13.4%	20,141	13,765	46.3%
Total	13,625	14,531	-6.2%	8,650	57.5%	53,276	26,637	100.0%

Tata Motors

	Jul-22	Jun-22	% mom	Jul-21	% yoy	YTD FY 23	YTD FY 22	% yoy
M&HCV	8,522	9,191	-7.3%	5,416	57%	34,611	18,184	90%
I & LCV	4,475	4,718	-5.2%	3,357	33%	18,210	9,119	100%
Passenger Carriers	3,454	3,868	-10.7%	825	319%	13,091	3,009	335%
SCV cargo and pick up	15,022	16,632	-9.7%	12,198	23%	61,264	34,884	76%
Total CV	31,473	34,409	-8.5%	21,796	44%	1,27,176	65,196	95%
Total PV	47,505	45,197	5.1%	30,185	57%	1,77,630	94,571	88%
Exports	2,681	2,856	-6.1%	2,052	31%	7,899	8,797	-10%
Total sales	81,659	82,462	-1.0%	54,033	51%	3,12,705	1,68,564	86%

Escorts

	Jul-22	Jun-22	% mom	Jul-21	% yoy	YTD FY 23	YTD FY 22	% yoy
Domestic	4,704	9,265	-49.2%	6,055	-22.3%	29,312	30,555	-4.1%
Exports	656	786	-16.5%	509	28.9%	2,845	1,944	46.3%
Total	5,360	10,051	-46.7%	6,564	-18.3%	32,157	32,499	-1.1%



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