

AUTOMOBILES

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PVs and 2Ws grow in April, tractors lose steam

- **PV sale volumes growth continues in April as compact cars lent a helping hand with a strong 27% YoY revival; SUV growth tapered off**
- **2W volumes recovered as domestic sales grew in the range of 2-18% YoY, though exports remain a concern**
- **Tractor segment weak due to worries of a potential monsoon deficit, unseasonal rains and preponement of festivals to March**

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PV segment growth continues, rural demand key for stronger revival: Domestic PV industry volumes continued to grow in the month of April, rising 22% YoY and 3% MoM. The focus on SUVs and MUVs continued, and growth here could have been higher but for the supply chain issues that continued to afflict the high-end models (+8% YoY). The UV order book stayed healthy. The industry is gradually recovering from peak chip shortage constraints, but the high-end auto segment remains vulnerable due to the greater complexity involved. Clarity over sales in this segment hinges on the revival of rural demand, which in turn depends on the monsoons and the pinch of price hikes due to the new emission norms.

2W segment revs up: The 2W segment recovered in April steered by strong domestic demand which helped counter the continuing weakness in export markets across players. Volumes for TVSL/EIM grew by 5%/18% YoY in Apr'23, contributed largely by domestic volume growth of 29%/28%. Market leader BJAUT's aggregate sales grew ~2% YoY while HMCL declined in both domestic and export markets. All the OEMs are continuing to ramp up EV volumes after seeing good traction and robust monthly sales in Q3FY23.

Tractor segment weak: Farm equipment sales declined on account of the preponement of key festivals from April to March this year coupled with unseasonal rains. Thus, the total sale volumes of key manufacturers such as MM/ESCORTS/VSTT declined by 11%/9%/19% YoY in April. Management commentary across the three players suggests confidence in a demand pick-up ahead.

Mixed trend in CVs: AL and EIM reported 10% and 19% YoY volume growth in CVs (albeit weak MoM), whereas TTMT delivered the weakest performance both in the M&HCV and LCV segments with declines of 18% and 32% YoY respectively.

Top picks: We remain positive on MM (BUY, TP Rs 1,496) among PV OEMs and AL (BUY, TP Rs 169) in the CV OEM segment. We maintain HOLD on MSIL (TP Rs 9,858) and BJAUT (TP Rs 4,188) with a positive bias on MSIL.

Recommendation snapshot

Ticker	Price	Target	Rating
AL IN	144	169	BUY
BJAUT IN	4,498	4,188	HOLD
EIM IN	3,356	3,543	HOLD
ESCORTS IN	1,986	1,742	SELL
HMCL IN	2,496	2,712	HOLD
MM IN	1,237	1,496	BUY
MSIL IN	8,777	9,858	HOLD
TVSL IN	1,158	1,252	HOLD
VSTT IN	2,442	2,802	BUY

Price & Target in Rupees | Price as of 2 May 2023



Segmental performance in April

Passenger vehicles (PV)

Domestic PV industry volumes continued to grow in the month of April, rising 22% YoY and 3% MoM. Market leader MSIL grew 7% YoY (-6% MoM) with domestic growth of 9% YoY (+3% MoM), partly offset by an 8% YoY (-44% MoM) drop in export volumes. TTMT grew 13% YoY (+7% MoM), whereas MM grew 54% YoY (-4% MoM). The industry is gradually recovering from peak chip shortage constraints, but the high-end auto segment remains vulnerable due to the greater complexity involved.

Automakers' focus has tilted towards producing more high-end PV models and launching new sports utility vehicles (SUV), with the thrust on low-end entry variants fading. This is reflected in MSIL's sales, where monthly volume growth stood at 8% YoY in the utility segment with an 18% drop in the mini segment in April. Its compact segment, however, revived strongly to grow at 27%. The UV segment continues to have a healthy order book, aiding overall growth for PV players. MSIL's exports recovered in the month of March but was weak in April.

Two-wheelers (2W)

The 2W segment recovered in April steered by strong domestic demand which helped counter the continuing weakness in export markets. BJAUT's 2W sales grew 2% YoY (+17% MoM) as demand in the domestic market surged 95% YoY (+19% MoM), offsetting a drop in exports by 44% YoY (+12% MoM).

TVSL/EIM grew by 5%/18% YoY (-4%/+1% MoM), contributed by domestic volume growth of 29%/28% YoY (-3%/+15% MoM). This cushioned the fall in their export volumes by 38%/49% YoY and 7%/66% MoM owing to recessionary conditions in some key markets. Notably, EIM's exports that had exhibited resilience thus far due to its large presence in the premium segment failed to buck the trend in April.

HMCL reported the weakest performance in the 2W space with total sales down 5% YoY (-24% MoM) led by declines in both domestic (-3% YoY, -23% MoM) and export volumes (-51% YoY, -40% MoM). The company had announced a price hike of 2% effective from 1 April.

Three-wheelers (3W)

BJAUT's 3W sale volumes grew 49% YoY (-3% MoM) in April driven by domestic growth of 250% YoY (-8% MoM), whereas exports declined 41% YoY but showed a sequential recovery of 16%. MM grew 85% YoY (-3% MoM). TVSL recorded the weakest performance in the segment as exports that form a large part of its volumes declined 30% YoY (+19% MoM), overshadowing the growth in domestic volumes of 19% YoY (+20% MoM). Chip availability remains a key concern in the high-end 3W segment.

Tractors

Farm equipment sales delivered the weakest performance in the automobile space due to preponement of festivals such as *Navratri* and *Gudi Padwa* to March compared to April last year coupled with unseasonal rains. Domestic sales of MM/ESCORTS/VSTT

declined 10%/6%/19% YoY (+5%/-25%/-53% MoM) in Apr'23. Exports for MM/ESCORTS also declined 34%/52% YoY and 28%/56% MoM. Going forward, all three players remain optimistic given a good *rabi* (winter crop) harvest, improved crop prices and higher wheat procurement.

Commercial vehicles (CV)

The CV segment has been a mixed bag where AL and EIM reported growth but TTMT posted its weakest performance in both the medium & heavy (M&HCV) and light CV (LCV) segments. TTMT saw total volumes decline 27% YoY (-52% MoM) in April, led by a fall in domestic volumes by 28% YoY (-76% MoM), marginally set off by growth in exports of 13% YoY (-36% MoM). MHCV/LCV volumes both decreased by 18%/32% YoY and 56%/51% MoM.

In contrast, AL/EIM's sales grew by 10%/19% YoY (-46%/-45% MoM) as their domestic volumes rose 10%/29% YoY (-46%/-46% MoM), offsetting a 7%/61% YoY and 42%/38% MoM decline in exports. In M&HCVs, AL grew by 5% YoY (-53% MoM) and in LCVs, sales were up 20% YoY (-29% MoM).

Company-wise performance

Passenger vehicles

MSIL: The company took a price increase of 0.8% effective from 1 April due to cost pressure driven by inflation and BS6-2 regulatory requirements. Pending orders stand at 0.37mn units. The share of CNG in overall PV sales has increased to 12.3% from 11% in April last year.

MSIL announced the launch of its upgraded *Super Carry* LCV and also introduced a new CNG cab chassis variant. Thus, the mini-truck is now available in CNG deck, gasoline deck and gasoline cab chassis variants. With the rapid shift in customer preferences towards SUVs and the success of *Brezza*, MSIL has started retail sales of its compact SUV *Fronx*. This will help strengthen its SUV portfolio along with the existing *Grand Vitara*, *Brezza* and the upcoming *Jimny*. Management has indicated that supply chain issues continue to affect production.

Fig 1 – MSIL sales volume

Segment	Apr-23	Apr-22	YoY (%)	Mar-23	MoM (%)
Mini	14,110	17,137	(17.7)	11,582	21.8
Compact	74,935	59,184	26.6	71,832	4.3
Super compact	4,039	579	597.6	3,165	27.6
Mid-size	1,017	5,987	(83.0)	300	239
Total Passenger Cars	94,101	82,887	13.5	86,879	8.3
Utility vehicles	36,754	33,941	8.3	37,054	(0.8)
Vans	10,504	11,154	(5.8)	11,995	(12.4)
LCV	2,199	4,266	(48.5)	4,024	(45.4)
Total Domestic Sales	143,558	132,248	8.6	139,952	2.6
Exports	16,971	18,413	(7.8)	30,119	(43.7)
Total Sales	160,529	150,661	6.5	170,071	(5.6)

Source: Company, BOBCAPS Research

MM: PV growth remains robust as strong momentum in high-end, value-added SUV segment sales continued despite supply chain issues. The farm equipment business declined in the month of April, but management expects better demand going forward on the back of strong wheat procurement, high reservoir levels and a good rabi crop. CVs grew 16% YoY in April and MM is further consolidating its position in the <3.5t LCV segment with the recently launched *Bolero Max* pick-up range.

Fig 2 – MM sales volume

Segment	Apr-23	Apr-22	YoY (%)	Mar-23	MoM (%)
Passenger vehicles	34,698	22,526	54.0	35,997	(3.6)
- Utility vehicles	34,694	22,168	56.5	35,976	(3.6)
- Cars + Vans	4	358	(98.9)	21	(81)
Commercial vehicles	20,231	17,402	16.3	22,282	(9.2)
3-wheelers	5,552	3,009	84.5	5,697	(2.5)
Total domestic sales	60,481	42,937	40.9	63,976	(5.5)
Exports	1,813	2,703	(32.9)	2,115	(14.3)
Total auto sales	62,294	45,640	36.5	66,091	(5.7)
Tractor domestic	35,398	39,405	(10.2)	33,622	5.3
Tractor exports	1,007	1,534	(34.4)	1,392	(27.7)
Total tractor sales	36,405	40,939	(11.1)	35,014	4.0

Source: Company, BOBCAPS Research

Commercial vehicles

TTMT: TTMT had announced price hikes of up to 5% on its CVs starting from 1 April in order to comply with BS6-2 emission norms. However, domestic sales for the month declined 4% YoY (-23% MoM) as 13% growth in the PV segment (+7% MoM) was negated by a fall of 18%/32% YoY in M&HCV/LCV volumes. We note that JLR plans to invest GBP 15bn over five years toward an industrial footprint, vehicles programmed with artificial intelligence and digital technologies, and autonomous and people skills.

Fig 3 – TTMT sales volume

Segment	Apr-23	Apr-22	YoY (%)	Mar-23	MoM (%)
M&HCV	6,984	8,489	(17.7)	15,963	(56.2)
LCV	14,523	21,391	(32.1)	29,344	(50.5)
PV	47,007	41,587	13.0	44,044	6.7
Total domestic sales	68,514	71,467	(4.1)	89,351	(23.3)
Exports	1,085	958	13.3	1,697	(36.1)
Total auto sales	69,599	72,425	(3.9)	91,048	(23.6)

Source: Company, BOBCAPS Research

AL: The M&HCV truck segment declined 2% YoY while bus volumes soared 186% and LCVs grew by 20%. Exports of trucks decreased 4% YoY, but that of buses/LCVs grew by 82%/21%. In the month of April, AL received an order for 1,560 trucks from VRL Logistics for the *AVTR 3120* and *AVTR 4420 TT* models, which will contribute towards a better product mix.

Fig 4 – AL sales volume

Segment	Apr-23	Apr-22	YoY (%)	Mar-23	MoM (%)
M&HCV Truck	6,656	6,805	(2.2)	14,399	(53.8)
M&HCV Bus	766	268	185.8	1,537	(50.2)
LCV	4,944	4,124	19.9	6,949	(28.9)
Total domestic sales	12,366	11,197	10.4	22,885	(46.0)
Total exports	608	650	(6.5)	1,041	(41.6)
Total Sales	12,974	11,847	9.5	23,926	(45.8)

Source: Company, BOBCAPS Research

Tractors

ESC: Domestic tractor sales declined 6% YoY (-25% MoM) due to festive preponement and unseasonal rains. Management expects demand momentum to improve across geographies in Q1FY24.

Fig 5 – ESCORTS sales volume

Segment	Apr-23	Apr-22	YoY (%)	Mar-23	MoM (%)
Domestic	7,252	7,676	(5.5)	9,601	(24.5)
Exports	313	649	(51.8)	704	(55.5)
Total sales	7,565	8,325	(9.1)	10,305	(26.6)

Source: Company, BOBCAPS Research

VSTT: Sales declined in both the power tiller and tractor segments by 24% and 19% YoY respectively as rural demand remained weak.

Fig 6 – VSTT sales volume

Segment	Apr-23	Apr-22	YoY (%)	Mar-23	MoM (%)
Power Tillers	1,790	2,355	(24.0)	5,596	(68.0)
Tractors	412	507	(18.7)	872	(52.8)
Total	2,202	2,862	(23.1)	6,468	(66.0)

Source: Company, BOBCAPS Research

VECV: Total sales grew 19% YoY (-45% MoM) driven by domestic sales (ex-Volvo) which rose 29% YoY (-46% MoM). Exports stayed weak, contracting 61% YoY and 38% MoM. Volvo grew 54% YoY.

Fig 7 – VECV sales volume

Segment	Apr-23	Apr-22	YoY (%)	Mar-23	MoM (%)
Domestic	6,142	4,766	28.9	11,263	(45.5)
Exports	257	650	(60.5)	414	(37.9)
Volvo	168	109	54.1	229	(26.6)
Total	6,567	5,525	18.9	11,906	(44.8)

Source: Company, BOBCAPS Research

Two-wheelers

HMCL: HMCL announced ~2% price hikes on select motorcycles and scooters effective 1 April owing to cost increases on account of OBD-2 (onboard diagnostics) transition. The company reported a weak performance for the month in both domestic and export markets. Management expects demand momentum to build up ahead, aided by a slew of product launches and positive consumer sentiment. We bake in robust volume growth for the company due to a likely revival of the rural sector.

Fig 8 – HMCL sales volume

Segment	Apr-23	Apr-22	YoY (%)	Mar-23	MoM (%)
Motorcycles (incl exports)	368,830	392,627	(6.1)	485,896	(24.1)
Scooters (incl exports)	27,277	25,995	4.9	33,446	(18.4)
Total domestic	386,184	398,490	(3.1)	502,730	(23.2)
Total exports	9,923	20,132	(50.7)	16,612	(40.3)
Total sales	396,107	418,622	(5.4)	519,342	(23.7)

Source: Company, BOBCAPS Research

EIM: The 2W segment recorded robust volume growth of 18% YoY driven by 26% growth in models with engine capacity up to 350cc, whereas those above 350cc shrank 21% YoY. Per the company, the *Hunter 350* and *Super Meteor 650* have received good traction and attracted new customers. However, exports that had remained strong due to EIM's large presence in the premium segment saw a reversal in April, declining 49% YoY and 66% MoM.

Fig 9 – EIM sales volume

Segment	Apr-23	Apr-22	YoY (%)	Mar-23	MoM (%)
Up to 350cc (incl exports)	64,728	51,564	25.5	62,726	3.2
Exceeding 350cc (incl exports)	8,408	10,591	(20.6)	9,509	(11.6)
Exports	4,255	8,303	(48.8)	12,351	(65.5)
Total sales	73,136	62,155	17.7	72,235	1.2
Domestic sales	68,881	53,852	27.9	59,884	15.0

Source: Company, BOBCAPS Research

TVSL: The export slump continued in 2Ws and 3Ws which contracted by 38% and 30% YoY respectively in April. In the EV space, the *iQube Electric* has transitioned to AIS156 phase 2. Production for April was constrained due to AIS156 changeover and supply chain challenges – thus, sale volumes fell from 15,364 units in March to 6,227 units in April. Management expects a ramp-up from the month of May as the order book for the *iQube* is robust.

TVS Motor (Singapore) has completed its acquisition of a 25% stake in Killwatt GmbH and considers Killwatt as a long-term partner to establish a strong presence in the e-mobility business.

Fig 10 – TVSL sales volume

Segment	Apr-23	Apr-22	YoY (%)	Mar-23	MoM (%)
2W Domestic	232,956	180,533	29.0	240,780	(3.2)
3W Domestic	1,605	1,348	19.1	1,335	20.2
2W Exports	61,830	99,489	(37.9)	66,779	(7.4)
3W Exports	9,833	13,938	(29.5)	8,258	19.1
Total 2-wheeler Sales	294,786	280,022	5.3	307,559	(4.2)
Total 3-wheeler Sales	11,438	15,286	(25.2)	9,593	19.2

Source: Company, BOBCAPS Research

BJAUT: Domestic sales clocked robust growth across both 2W and 3W segments. However, exports declined across both segments due to the non-availability of US dollars. BJAUT's market share for *Pulsar* in the 150-250cc class is back over 50%. Market share in the 125cc segment has also improved. Currently, 60% of the company's domestic motorcycle sales come from this segment, up from 50% three years ago.

BJAUT and Triumph Motorcycles launched the next phase of their partnership effective 1 April, where all the 15 Triumph dealerships will be managed by BJAUT.

Fig 11 – BJAUT sales volume

Segment	Apr-23	Apr-22	YoY (%)	Mar-23	MoM (%)
Domestic Motorcycles	181,828	93,233	95.0	152,287	19.4
Domestic 3-wheelers	31,344	8,944	250.4	34,235	(8.4)
Exports Motorcycles	106,157	188,478	(43.7)	94,715	12.1
Exports 3-wheelers	11,949	20,119	(40.6)	10,330	15.7
Total Motorcycles	287,985	281,711	2.2	247,002	16.6
Total 3-wheelers	43,293	29,063	49.0	44,565	(2.9)

Source: Company, BOBCAPS Research

Management commentary in Q4

- **MSIL:** Management expects the domestic PV industry to grow in the range of 5-7% in FY24, and MSIL aims to outpace this growth. The industry is recovering from the peak chip shortage, but the high-end auto segment remains vulnerable to the same.
- **BJAUT:** Management expects the industry to grow by 6-8% over the next few quarters.

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