

Automobiles

Nov'23: Volumes miss estimates across categories

2Ws were relatively better off; HMCL reported highest-ever festive sales
Nov'23 overall dispatches were lower than expected across the segments. 2Ws were relatively better off compared to other segments. Festival volume growth remained strong as per expectations. 2W domestic dispatches grew 39% YoY, whereas exports declined 5% YoY. In PVs, demand remained strong for UVs and the execution of a strong order backlog led to 6% YoY growth in overall dispatches. Volumes for CVs declined 2.5% YoY, while volumes for MHCVs/LCVs declined 2%/4% YoY. Tractor volumes grew 5% YoY. We believe demand momentum in 2Ws should sustain in the coming months, and CV demand will continue to improve, driven by higher infra-led demand and a recovery in replacement buying.

- **2Ws – Dispatches grew 29% YoY:** Overall 2W dispatches were below our estimate due to lower-than-expected volumes for TVSL and HMCL. BJAUT and EIM reported in-line volumes. Wholesales for BJAUT/HMCL/TVSL/RE grew 33%/26%/34%/13% YoY. Domestic dispatches saw strong growth of 39% YoY, whereas exports declined 5% YoY. Interacting with the media, BJAUT's Rakesh Sharma, Executive Director, said that exports are witnessing MoM recovery, but Nigeria and Bangladesh businesses remain a drag. The company aims for retail of 150k units per month in export markets. HMCL expects the demand to remain healthy in the coming months on account of favorable economic indicators, including the ongoing marriage season and positive consumer sentiment. We believe demand momentum in 2W should remain positive, led by stable urban demand and a gradual recovery in rural driven by the ongoing marriage season.
- **PVs – Dispatches grew 6% YoY:** Volumes for MSIL came in at 164.4k units (+3% YoY) while they were flat YoY for TTMT at ~46.1k units. MM UVs (incl pickups) grew 21% YoY to 63.1k units. We believe healthy growth momentum should sustain for SUVs, while the weakness in lower-end models will continue to dent overall PV growth.
- **CVs – Dispatches declined 2.5% YoY:** MHCV/LCV volumes declined ~2%/3% YoY. TTMT/AL/VECV volumes fell 3.5%/3.5%/6% YoY. While there was some post-festive weakness in the underlying industries, we believe CV demand will continue to improve, driven by higher infra-led demand and a recovery in replacement buying.
- **Tractors – Dispatches grew 5% YoY:** MM/ESC volumes grew 5%/4% YoY. As per M&M, "The festive season saw high demand pull in the domestic market, supported by Kharif harvest realizations, with retails being strong during Dhanteras and Diwali. Terms of trade continue to be favorable for farmers; while rural spending by Government and progress in Rabi sowing are the factors to watch out for." As per ESCORTS, "Overall festive demand has been good, barring few states, where demand was marginally impacted due to scanty or unseasonal rainfall. Given generally positive macroeconomic factors, we expect current momentum to continue in balance of the year too."
- **Variance:** All companies, except BJAUT and RE, reported lower-than-expected volumes.
- **Valuation and view:** We prefer 2Ws within the sector, followed by CVs. We are already witnessing a reversal in demand patterns, especially in the 2W segment, wherein we anticipate better growth potential compared to other segments over FY23-25E. On the other hand, we turn cautious on PV growth outlook due to a slowdown in demand and a high base. TTMT and HMCL are our top OEM picks. Among auto component stocks, we prefer ENDU and CRAFTSMA.

"We are speculating how much time it will take for a small car buyer to get over this affordability hurdle and it could take another 2-3 years before the small car segment revives."

-RC Bhargava,
Chairman, MSIL

Snapshot of volumes for Nov-23 (incl Exports) *

YoY				MoM				
Company Sales	Nov-23	Nov-22	YoY (%) chg	Oct-23	MoM (%) chg	FY24YTD	FY23YTD	(%) chg
2W	12,72,452	9,87,627	28.8	14,88,119	-14.5	97,07,424	91,28,220	6.3
Cars	1,16,697	1,30,372	-10.5	1,38,190	-15.6	9,99,375	10,71,009	-6.7
Uvs + MPVs	1,54,540	1,24,787	23.8	1,76,016	-12.2	12,52,773	9,91,865	26.3
PVs	2,71,237	2,55,159	6.3	3,14,206	-13.7	22,52,148	20,62,874	9.2
3Ws	72,651	63,111	15.1	86,550	-16.1	5,86,642	4,77,738	22.8
M&HCVs	26,589	27,050	-1.7	33,719	-21.1	2,40,171	2,24,247	7.1
LCVs	24,040	24,882	-3.4	29,873	-19.5	2,16,126	2,30,316	-6.2
CVs	50,629	51,932	-2.5	63,592	-20.4	4,56,297	4,54,563	0.4
Tractors	40,332	38,488	4.8	63,665	-36.6	3,57,673	3,67,523	-2.7

Snapshot of volumes for Nov-23

Company Sales	YoY		MoM							Residual	Residual	FY24 YTD	YoY
	Nov-23	Nov-22	YoY (%) chg	Oct-23	MoM (%) chg	FY24YTD	(%) chg	FY24E	Gr. (%)	Growth (%)	Monthly Run rate	Monthly Run rate	Nov-23
Maruti Suzuki	1,64,439	1,59,044	3.4	1,99,217	-17.5	14,13,881	7.8	21,71,209	10.4	15.8	1,89,332	1,76,735	1,80,425
LCVs	2,509	2,660	-5.7	3,894	-35.6	21,899	-12.7	34,205	-10.0	-4.8	3,077	2,737	2,926
Vans	10,226	7,183	42.4	12,975	-21.2	91,060	6.4	1,37,095	4.5	0.9	11,509	11,383	10,415
Mini Segment	9,959	18,251	-45.4	14,568	-31.6	97,077	-40.9	1,63,038	-30.0	-3.9	16,490	12,135	12,776
Compact													
(incl Dzire Tour)	69,501	77,095	-9.9	85,987	-19.2	6,03,358	-0.2	9,10,715	0.9	3.0	76,839	75,420	79,408
Mid Size - CIAZ	278	1,554	-82.1	695	-60.0	8,414	-18.8	14,154	4.0	76.8	1,435	1,052	1,088
UVs	49,016	32,563	50.5	59,147	-17.1	4,14,630	66.3	6,44,652	66.0	65.5	57,506	51,829	52,101
Domestic	1,41,489	1,39,306	1.6	1,77,266	-20.2	12,36,438	8.5	19,03,860	20.7	52.3	1,66,855	1,54,555	1,58,714
Export	22,950	19,738	16.3	21,951	4.6	1,77,443	2.7	2,67,350	3.1	3.9	22,477	22,180	21,712
M & M	1,02,650	88,831	15.6	1,31,139	-21.7	8,37,075	12.0	12,56,934	13.6	17.0	1,04,965	1,04,634	1,08,866
UV (incl. pick-ups)	63,164	52,350	20.7	70,246	-10.1	4,85,997	18.2	7,48,321	18.8	19.9	65,581	60,750	66,485
LCV & M&HCV	844	755	11.8	1,031	-18.1	8,278	46.2	13,288	32.4	14.6	1,252	1,035	1,004
Three-Wheelers	6,568	5,198	26.4	9,402	-30.1	55,196	53.9	87,780	50.0	43.8	8,146	6,900	7,797
Tractors	32,074	30,528	5.1	50,460	-36.4	2,87,604	-2.4	4,07,545	0.0	6.2	29,985	35,951	33,581
Tata Motors	74,172	75,478	-1.7	82,954	-10.6	6,26,395	-0.3	9,79,412	2.6	8.2	88,254	78,299	81,469
HCV's	12,895	12,673	1.8	16,048	-19.6	1,11,433	4.3	1,92,840	6.6	10.1	20,352	13,929	14,954
LCV's	15,134	16,380	-7.6	18,269	-17.2	1,40,793	-10.1	2,21,633	-4.8	6.1	20,210	17,599	17,527
CV's	28,029	29,053	-3.5	34,317	-18.3	2,52,226	-4.3	4,14,472	0.2	8.1	40,562	31,528	32,481
Cars	14,009	13,734	2.0	14,989	-6.5	1,13,083	-5.0	1,71,865	-3.0	1.2	14,695	14,135	14,009
UV's	32,134	32,691	-1.7	33,648	-4.5	2,61,086	6.2	3,93,075	8.0	11.9	32,997	32,636	34,979
Hero MotoCorp	4,91,050	3,90,932	25.6	5,74,930	-14.6	38,35,080	4.7	56,53,319	6.1	9.2	4,54,560	4,79,385	5,16,030
Bajaj Auto	4,03,003	3,06,719	31.4	4,71,188	-14.5	29,55,551	6.1	43,63,759	11.1	23.4	3,52,052	3,69,444	4,19,212
Motorcycles	3,49,048	2,62,287	33.1	4,08,144	-14.5	25,28,105	2.3	37,17,945	8.0	22.4	2,97,460	3,16,013	3,59,526
Two-Wheelers	3,49,048	2,62,287	33.1	4,08,144	-14.5	25,28,105	2.3	37,17,945	8.0	22.4	2,97,460	3,16,013	3,59,526
Three-Wheelers	53,955	44,432	21.4	63,044	-14.4	4,27,446	35.2	6,45,815	33.2	29.4	54,592	53,431	59,687
Domestic	2,57,744	1,52,883	68.6	3,29,618	-21.8	18,66,474	29.3	25,88,050	22.9	8.7	1,80,394	2,33,309	2,69,044
Exports	1,45,259	1,53,836	-5.6	1,41,570	2.6	10,89,077	-18.9	17,75,709	-2.5	43.8	1,71,658	1,36,135	1,50,169
Ashok Leyland	14,053	14,561	-3.5	16,864	-16.7	1,22,092	6.8	2,08,650	8.6	11.2	21,639	15,262	15,957
M&HCV	8,500	9,474	-10.3	10,185	-16.5	76,936	7.8	1,36,712	10.2	13.3	14,944	9,617	9,853
LCV	5,553	5,087	9.2	6,679	-16.9	45,156	5	71,937	5.6	6.8	6,695	5,645	6,104
TVS Motor	3,64,231	2,77,123	31.4	4,34,714	-16.2	28,26,567	9.9	42,54,537	15.6	28.8	3,56,993	3,53,321	3,91,603
Motorcycles	1,72,836	1,45,006	19.2	2,01,965	-14.4	13,31,049	9.1	19,95,575	15.1	29.5	1,66,131	1,66,381	1,88,508
Scooters	1,35,749	83,679	62.2	1,65,135	-17.8	10,87,154	18.6	16,46,226	23.4	34.1	1,39,768	1,35,894	1,50,622
Mopeds	43,518	34,957	24.5	53,510	-18.7	3,04,364	-1.5	4,37,152	-1.9	-2.9	33,197	38,046	38,453
Three-Wheelers	12,128	13,481	-10.0	14,104	-14.0	1,04,000	-17.2	1,75,585	5.0	72.1	17,896	13,000	14,020
Domestic	2,89,028	1,92,989	49.8	3,46,762	-16.6	21,58,976	22.1	31,36,311	20.0	15.6	2,44,334	2,69,872	3,00,033
Exports	75,203	84,134	-10.6	87,952	-14.5	6,67,591	-16.9	11,18,227	4.8	71.1	1,12,659	83,449	91,570
Eicher Motors													
Royal Enfield	80,251	70,766	13.4	84,435	-5.0	6,21,672	13.5	9,35,805	12.1	9.5	78,533	77,709	80,673
VECV	5,194	4,903	5.9	7,486	-30.6	51,802	12.5	89,369	12.2	11.8	9,392	6,475	6,889
Escorts Kubota	8,258	7,960	3.7	13,205	-37.5	70,069	-4.0	1,02,257	-1.0	6.1	8,047	8,759	8,979
Domestic	7,855	7,359	6.7	12,642	-37.9	66,196	-1.5	96,106	0.9	6.6	7,478	8,275	8,389
Exports	403	601	-32.9	563	-28.4	3,873	-33	6,151	-23	0.0	570	484	590

Comparative valuations

	Rating	Mcap	CMP	TP	P/E (x)			EV/EBITDA (x)			PB (x)			FY25 Yield (%)		EPS CAGR (%)
Auto OEM's		(INR b)	(INR)	(INR)	FY23	FY24E	FY25E	FY23	FY24E	FY25E	FY23	FY24E	FY25E	Div	FCF	FY23-25E
Bajaj Auto	Neutral	1,711	6,047	5,225	28.2	21.9	19.6	22.6	16.6	14.3	6.7	6.1	5.6	3.3	4.0	20.1
Hero MotoCorp	Buy	752	3,759	3,850	25.8	18.7	17.6	16.0	11.9	10.5	4.5	4.0	3.6	2.9	5.7	21.0
TVS Motor	Neutral	907	1,909	1,500	62.8	42.3	36.0	34.7	25.5	21.5	15.0	11.5	9.0	0.3	2.6	32.0
Eicher Motors	Neutral	1,064	3,891	3,800	36.5	26.2	23.1	30.7	23.9	20.4	7.1	6.0	5.1	1.3	4.1	25.8
Maruti Suzuki	Buy	3,328	10,584	12,300	39.7	23.7	22.7	24.8	15.7	14.3	5.3	4.5	3.5	1.1	2.2	31.6
M&M	Buy	1,949	1,627	1,785	25.1	17.9	17.0	16.9	12.8	10.9	2.2	1.9	1.6	1.4	5.4	21.4
Tata Motors	Buy	2,595	706	750	328.1	15.9	15.9	10.4	5.1	4.3	6.0	4.5	3.4	0.6	5.0	354.8
Ashok Leyland	Buy	518	176	215	39.1	19.3	15.4	18.1	11.0	9.3	7.1	6.1	3.9	1.1	6.8	59.5
Escorts	Neutral	393	3,206	3,000	62.5	35.3	30.2	47.9	27.6	21.3	5.2	4.3	3.8	0.3	2.9	43.9
Auto Ancillaries																
Bharat Forge	Buy	539	1,157	1,250	99.5	41.9	29.9	33.6	21.4	17.5	8.0	7.0	5.8	0.5	3.8	82.3
Exide Industries	Buy	248	291	310	27.4	22.7	19.5	15.7	13.0	11.4	2.2	2.1	1.9	1.1	4.6	18.6
Amara Raja	Neutral	131	769	660	18.0	15.8	14.3	9.6	8.5	7.7	2.5	2.2	2.0	2.0	5.1	12.2
BOSCH	Neutral	651	22,082	18,500	45.7	39.3	32.1	34.9	30.2	23.6	5.9	5.3	4.9	1.5	1.9	19.3
Endurance Tech	Buy	236	1,680	2,000	48.5	35.4	28.0	23.0	18.0	14.7	5.4	4.8	4.2	0.5	2.2	31.6
SAMIL	Buy	631	93	110	40.3	21.5	18.8	11.4	8.9	7.8	2.8	2.6	2.3	1.6	10.5	46.5
CIE Automotive	Buy	184	484	575	26.8	21.6	17.9	15.9	12.5	10.5	3.6	3.2	2.8	0.9	4.3	22.5
CEAT	Buy	88	2,171	2,950	41.8	13.3	11.6	11.1	6.3	5.5	2.6	2.2	1.9	0.8	8.9	89.7
Balkrishna Ind	Neutral	495	2,559	2,500	49.1	36.0	26.8	25.8	22.3	17.3	6.5	5.9	5.2	1.4	2.6	35.4
MRF	Sell	472	1,11,418	97,000	61.4	20.9	21.2	19.4	10.1	9.6	3.2	2.8	2.5	0.2	3.0	70.3
Apollo Tyres	Buy	281	442	525	25.8	15.8	13.3	9.8	6.6	5.9	1.7	1.6	1.4	1.2	9.1	39.5
Sona BLW	Neutral	329	562	565	82.6	63.1	48.6	43.0	32.7	25.9	14.4	12.4	10.6	0.7	1.0	30.4
Tube Investments	Buy	617	3,292	3,634	81.2	55.6	46.2	32.5	26.3	22.2	16.1	12.9	10.4	0.3	2.9	32.5
MSUMI	Buy	271	61	70	55.7	43.9	34.4	34.0	27.1	21.6	20.4	16.3	13.1	1.8	2.5	27.2
CRAFTSMAN	Buy	108	5,098	5,800	43.3	27.4	22.7	16.7	11.6	9.5	7.5	5.9	4.7	0.4	3.8	38.3

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