

Robust 2W Domestic Sales, Exports Remain Weak; PV/CV Growth Slows Down YoY

Jun'23 Wholesale Volumes: Domestic 2W dispatches stood strong. PV/CV growth slows down while Tractor sales were mixed YoY. Domestic 2W sales stood strong across OEMs except for Hero MotoCorp, indicating continuing softness in rural demand. On the other hand, 2W exports de-grew across OEMs which partially offset the strong domestic volumes. PV domestic sales were driven by strong SUV dispatches while entry-level car sales continue to remain under pressure. CV sales were a mixed bag with Ashok Leyland and VECV registering strong sales while Tata Motors sales de-growing on a YoY basis.

PV growth momentum slows down YoY: The domestic PV industry volumes grew by only ~4% YoY and de-grew by 3% on an MoM basis. M&M domestic sales outperformed domestic industry sales volume by growing at a robust 21%YoY followed by Maruti/Tata which were up 8%/5% YoY. Amongst unlisted players, MG/Toyota/Hyundai witnessed 14%/11%/2% YoY growth in volumes while Kia Motors/Honda cars/Nissan witnessed a decline in sales by 19%/35%/27% YoY. As per M&M, SUV sales were restricted by short-term disruptions in engine-related parts and semiconductors at the suppliers' end.

CV domestic sales marginally up by 1% YoY while recovering MoM on the impacted base: Our CV Domestic dispatches proxy grew only marginally by 1% YoY but recovered by 13% MoM, on the low base of May'23. CV sales were mixed across OEMs with VECV outperforming the industry growing by 13% YoY against the overall industry growth of 1% YoY. While Ashok Leyland/M&M grew by 7%/3% YoY, Tata Motors/Maruti sales de-grew by 4%/1% YoY. On an MoM basis, all OEMs registered growth, especially Tata and Ashok Leyland sales recovered by a healthy 20%/16% respectively post the impact of OBD Phase II norms on CV sales in April and May'23.

2W domestic sales are robust while exports remain impacted: The Domestic 2W industry sales grew across OEMs except for Hero MotoCorp whose sales de-grew by 9% YoY, indicating that rural distress continues. On the other hand, TVS/Bajaj/RE domestic sales grew by a robust 22%/33%/34% on a YoY basis (albeit on a low base). The domestic growth was offset by a decline in the overall exports for all the OEMs. TVS/Bajaj/RE/Hero's exports were down 31%/32%/14%/34% YoY. TVS iQube sales stood at ~14.5k units against ~4.7k units in Jun'22 (~17.9k units in May'23). The first two weeks of Jun'23 witnessed a decline in EV 2W industry sales due to price hikes led by a reduction in FAME II subsidy. We note that the 2W electric industry retails were down by a significant 66% MoM and 19% YoY (iQube retails were down to 5,253 units, down 74% MoM). TVS's press release stated that the iQube's order book remains healthy and the company is already seeing a pick-up in sales and is confident of continued improvement in the coming months. iQube's sales trajectory in the coming months will be the key watch point to understand if the FAME II subsidy impacts persist or the consumers absorb higher prices.

Tractor sales remained resilient: M&M domestic volumes were up 9% YoY (on the high base) while Escorts sales were flat YoY. As per Escorts, market sentiments are mixed as markets with deficient rainfall have slightly dampened demand. Escorts stated that with further advancement of monsoon across the country along with adequate reservoir levels, better liquidity and consumer credit availability, the demand momentum may improve in the coming months.

We expect 2W sales volumes to sustain in FY24, which will be led by new vehicle launches, especially in the premium category, an elongated replacement demand buoyed by the Indian growth story, and an expected revival in exports in H2FY24. PV sales will be led by the strong UV order book. However, we expect the growth rate to moderate in FY24 after strong growth of 27% YoY in FY23. For CVs, a longish CV cycle is expected by various OEMs based on increased spending on infrastructure by the government. We will continue to monitor if signs of the CV cycle peaking arise in future months. Tractor volumes may see marginal growth on account of the high base of FY23. **We remain selective and for OEMs under our coverage, we prefer TVS and Eicher motors in the 2W segment, Maruti in the PV segment, and Ashok Leyland in the CV space.**

2W/3W Segment

- **Hero Motocorp's** total sales stood at ~4.37 Lc units in Jun'23. The company registered a volume de-growth of 10%/16% on a YoY and MoM basis.
- **TVS Motors'** total 2W sales for Jun'23 was 3.04 Lc units, up 4% YoY but down 5% MoM. 3W sales were down 19% YoY at ~12k units. The 2W sales include EV iQube sales at ~14.5k units against ~4.7k units in Jun'22 (17.95k units in May'23).
- **Eicher Motors (RE)** sold a total of ~77.1K units of RE, up 26% YoY and flat MoM. However, exports declined 14% YoY (but up 44% MoM) to 9,614 units.

PV & CV Segment

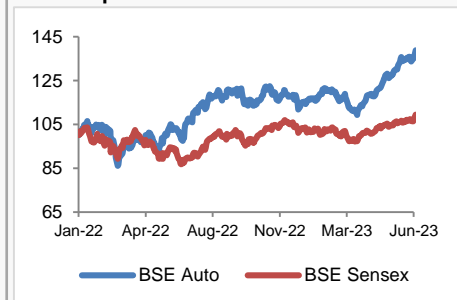
- **Maruti Suzuki** posted total sales of 1.59 Lc units, up 2% YoY but down 10% MoM in Jun'23. The domestic sales were up 6% YoY but down 8% on an MoM basis.
- **Mahindra's** Auto division grew by 15.4%/1.7% YoY/MoM to ~62.4k units. Its PV segment witnessed a growth of 21% and the 3W segment saw 59%YoYgrowth to ~6.4K units.
- **Tata Motors** reported total sales of ~81.8k units, flat on a YoY basis and up 9% on an MoM basis. The domestic CV sales were down 4% YoY but up 20% on an MoM basis to ~33.1k units; domestic PV sales were up 4.5%/3% on a YoY/MoM basis to ~47.2 k units.
- **Ashok Leyland** reported total sales of ~15.2k units, up 5%/16 % YoY/MoM basis. The domestic MHCV segment posted growth of 10.4%/22.2%YoY/MoM and the LCV segment witnessed a growth of 0.4%/6.3% YoY/MoM.
- **Eicher Motors (VECV)** reported total sales of 6.7k, up 6.5%/6.8% YoY/MoM.

Tractor Segment

- **M&M** total tractor sales grew by 6%/30% YoY/MoM to ~44.5k units.
- **Escorts Kubota Limited** sold 9.8k tractors in Jun'23, -2%/7.5% YoY/MoM. The ECE segment saw the sale of 491 units (up 53%/15% YoY/MoM).

Total Sales Summary (Jun'23)

Company	Jun-23	Jun-22	YoY (%)
Ashok Leyland	15,221	14,531	5%
Bajaj Auto (2W+3W)	3,40,981	3,47,004	-2%
Eicher Motors (RE)	77,109	61,407	26%
Escorts (Tractors)	9,850	10,051	-2%
Hero Moto Corp	4,36,993	4,84,867	-10%
M&M	1,06,907	95,944	11%
Maruti Suzuki	1,59,418	1,55,857	2%
Tata Motors	81,673	82,570	-1%
TVS Motors	3,16,411	3,08,501	3%

Relative performance


Source: Bloomberg

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Exhibit 1: Auto Sales Monthly Update

Auto Sales Monthly Update (Summary)							View/Remarks
	Jun'23	FY23					
Company	Sales (Units)	YoY (%)	MoM (%)	FY24	FY23	YoY (%)	
<u>Maruti Suzuki</u>							
Passenger Car	80,269	-14.3%	-5.2%	2,54,978	2,56,536	-0.6%	The total sales stood at ~1.59 Lc units in Jun'23 vs ~1.56Lc units in Jun'22 (~1.78 Lc units in May'23)
Utility Vehicle	43,404	130.1%	-6.1%	1,26,401	80,852	56.3%	
Vans	9,354	-7.7%	-27.0%	32,676	31,766	2.9%	
Sales to Other OEMs	3,629	-42.5%	-27.6%	12,678	18,523	-31.6%	
LCV	2,992	-1.1%	3.6%	8,079	10,817	-25.3%	
Total Domestic Sales	1,39,648	5.8%	-7.9%	4,34,812	3,98,494	9.1%	
Total Exports	19,770	-17.0%	-25.3%	63,218	69,437	-9.0%	
Total Sales	1,59,418	2.3%	-10.5%	4,98,030	4,67,931	6.4%	
<u>Tata Motors (Ex JLR)</u>							
Domestic PV Sales	47,235	4.5%	3.0%	1,40,120	1,30,125	7.7%	Total domestic sales were ~80.4 k in Jun'23 vs. ~79.6 K units in Jun'22 (~73.4 k in May'23).
Domestic CV Sales	33,148	-3.7%	20.2%	82,225	95,703	-14.1%	
Total Domestic Sales	80,383	1.0%	9.4%	2,22,345	2,25,828	-1.5%	
PV Exports	124	14.8%	17.0%	330	202	63.4%	
CV Exports	1,196	-58.1%	-15.7%	3,600	5,218	-31.0%	
Total Sales	81,703	-1.1%	9.0%	2,26,275	2,31,248	-2.2%	
<u>Mahindra & Mahindra</u>							
Passenger Vehicles	32,588	21.2%	-0.9%	1,00,172	76,310	31.3%	Total domestic sales were ~59.9 k units in Jun'23 vs. 51.3k units in Jun'22 (~58.8k units in May'23). Total Export sales were 2,505 units in Jun'23 vs 2,777 units in Jun'22 (2,616 units in May'23).
Light Commercial Vehicles	20,959	2.6%	4.5%	61,252	58,982	3.8%	
3 Wheelers	6,377	59.1%	9.0%	17,780	10,662	66.8%	
Total Domestic Sales	59,924	16.8%	1.9%	1,79,204	1,45,954	22.8%	
Total exports	2,505	-9.8%	-4.2%	6,934	7,508	-7.6%	
Total Vehicle Sales	62,429	15.4%	1.7%	1,86,138	1,53,462	21.3%	
Tractors Domestic	43,364	8.9%	31.0%	1,11,875	1,13,383	-1.3%	Domestic FES sales were ~43.4K units in Jun'23 vs. ~39.8K units in Jun'22 (~33.1K units in May'23). Export sales were 1,114 units in Jun'23 vs. 2,023 units in Jun'22 (1,013 units in May'23).
Tractor Exports	1,114	-44.9%	10.0%	3,134	5,126	-38.9%	
Total tractors	44,478	6.3%	30.3%	1,15,009	1,18,509	-3.0%	
<u>Escorts</u>							
Tractors Domestic	9,270	0.1%	6.5%	15,956	15,343	4.0%	Domestic tractor sales in Jun'23 were at ~9.3k units vs. ~9.3k units sold in Jun'22 (May'23 were at ~8.7k). Export tractor sales in Jun'23 were at 580 units vs. 786 units in Jun'22 (May'23 at ~463k units).
Tractors Exports	580	-26.2%	25.3%	776	1,403	-44.7%	
Total tractors	9,850	-2.0%	7.5%	16,732	16,746	-0.1%	
ECEs	491	53.0%	15.5%	882	645	36.7%	

Auto Sales Monthly Update (Summary)

	Jun'23			FY YTD (Numbers)			
Company	Sales (Units)	YoY (%)	MoM (%)	FY24	FY23	YoY (%)	View/Remarks
<u>Ashok Leyland</u>							
Domestic MHCV	9,274	10.4%	22.2%	24,286	22,740	6.8%	Domestic sales were ~14.4 k units in Jun'23 vs. ~13.5k units in Jun'22 (12.4 k units in May'23).
Domestic LCV	5,089	0.4%	6.3%	14,821	14,384	3.0%	
Total Domestic Sales	14,363	6.6%	16.0%	39,107	37,124	5.3%	
Exports MHCV	688	-28.0%	1.2%	1,879	2,247	-16.4%	
Exports LCV	170	58.9%	123.7%	343	280	22.5%	Export sales were 858 units in Jun'23 vs 1,062 units in Jun'22 (756 units in May'23).
Total Exports	858	-19.2%	13.5%	2,222	2,527	-12.1%	
Total Sales	15,221	4.7%	15.9%	41,329	39,651	4.2%	
<u>TVS Motors</u>							
Scooters	1,21,364	15.4%	17.6%	3,32,063	3,08,085	7.8%	Total domestic sales stood at ~ 2.37 Lc units in Jun'23 vs ~1.94 Lc in Jun'22 (2.54 Lc units in May'23).
Motorcycles	1,48,208	1.5%	-8.7%	4,62,821	4,33,662	6.7%	
Mopeds	34,829	-17.9%	-35.3%	1,23,598	1,19,048	3.8%	
Total 2W Sales	3,04,401	3.6%	-4.7%	9,18,482	8,60,795	6.7%	
Total 3W	12,010	-18.8%	6.2%	34,762	45,996	-24.4%	Total Exports were at ~79.1 k units in Jun'23 vs ~1.14k in Jun'22 (~76.6 k units in May'23).
Total Sales	3,16,411	2.6%	-4.3%	9,53,244	9,06,791	5.1%	
Domestic Sales	2,37,267	22.3%	-6.6%	7,25,830	5,68,670	27.6%	
Exports Sales	79,144	-30.8%	3.3%	2,27,414	3,38,121	-32.7%	
<u>Bajaj Auto</u>							
2W Domestic	1,66,292	32.9%	-14.6%	5,42,931	3,14,418	72.7%	Total domestic sales were ~1.99 Lc units in Jun'23 vs. ~ 1.38 Lc units in Jun'22 (~2.28 Lc units in May'23).
2W Exports	1,27,357	-33.3%	12.8%	3,46,399	5,32,740	-35.0%	
Total 2W Sales	2,93,649	-7.1%	-4.6%	8,89,330	8,47,158	5.0%	
CV Domestic	33,691	153.9%	0.3%	98,625	38,418	156.7%	Export sales were ~1.4 Lc units in Jun'23 vs. 2.08 L units in Jun'22 (~1.26 Lc units in May'23).
CV Exports	13,641	-23.3%	-1.6%	39,452	48,070	-17.9%	
Total CV Sales	47,332	52.4%	-0.3%	1,38,077	86,488	59.6%	
Total Sales	3,40,981	-1.7%	-4.0%	10,27,407	9,33,646	10.0%	

Auto Sales Monthly Update (Summary)

	Jun'23	FY YTD (Numbers)					View/Remarks
Company	Sales (Units)	YoY (%)	MoM (%)	FY24	FY23	YoY (%)	
<u>Hero MotoCorp</u>							
Scooter	32,519	38.7%	7.9%	89,934	83,899	7.2%	Domestic sales were ~4.22 Lc units in Jun'23 vs. ~4.63 Lc units in Jun'22 (~5.08 Lc units in May'23). Export sales were ~14.2 K units in Jun'23 vs. ~21.7K units in Jun'22 (~11.1K units in May'23).
Motorcycles	4,04,474	-12.3%	-17.3%	12,62,640	13,06,294	-3.3%	
Total Sales 2W	4,36,993	-9.9%	-15.9%	13,52,574	13,90,193	-2.7%	
Domestic	4,22,757	-8.7%	-16.8%	13,17,250	13,28,166	-0.8%	
Exports	14,236	-34.3%	27.5%	35,324	62,027	-43.1%	
<u>Eicher Motors</u>							
2W Domestic	67,495	34.3%	-4.7%	2,07,171	1,57,642	31.4%	Domestic RE sales stood at ~67.5 K units in Jun'23 vs ~50.3K units in Jun'22 (~70.8 K units in May'23) and exports were at ~9.6 K in Jun'23 vs ~11.1 K units in Jun'22 (~6.66 K in May'23).
2W Exports	9,614	-13.7%	44.2%	20,535	29,563	-30.5%	
Total Sales 2W	77,109	25.6%	-0.5%	2,27,706	1,87,205	21.6%	
CV Domestic	6,277	12.4%	7.7%	18,245	15,383	18.6%	
CV Exports	250	-58.4%	0.0%	757	1,722	-56.0%	
Volvo CV	188	54.1%	-11.7%	569	364	56.3%	Total sales in VECC business was 6,715 units in Jun'23 vs 6,307 units in Jun'22 (6,289 units in May'23).
Total Sales CV	6,715	6.5%	6.8%	19,571	17,469	12.0%	

Source: Company data

Exhibit 2: Auto Sales Monthly Segmental Summary (Domestic Units Sold)

2W sales	Jun-23	Jun-22	YoY %	May-23	MoM %
Hero MotoCorp	4,22,757	4,63,210	-9%	5,08,309	-17%
TVS motors	2,35,833	1,93,090	22%	2,52,690	-7%
Bajaj Auto	1,66,292	1,25,083	33%	1,94,811	-15%
RE	67,495	50,265	34%	70,795	-5%
Total 2W excl HMSI	8,92,377	8,31,648	7%	10,26,605	-13%
Tractors sales	Jun-23	Jun-22	YoY %	May-23	MoM %
M&M	43,364	39,825	9%	33,113	31%
Escorts	9,270	9,265	0%	8,704	7%
Total Tractor Sales	52,634	49,090	7%	41,817	26%
PV sales	Jun-23	Jun-22	YoY %	May-23	MoM %
Maruti Suzuki	1,33,027	1,22,685	8%	1,43,708	-7%
Hyundai	50,001	49,001	2%	48,601	3%
Tata Motors	47,235	45,197	5%	45,878	3%
M&M	32,588	26,880	21%	32,886	-1%
Kia India	19,391	24,024	-19%	18,766	3%
Toyota Kirloskar	18,237	16,495	11%	19,079	-4%
Honda Cars	5,080	7,834	-35%	7,834	-35%
MG Motor	5,121	4,503	14%	5,006	2%
Nissan	2,552	3,515	-27%	2,618	-3%
Total PV	3,13,232	3,00,134	4%	3,24,376	-3%
CV sales	Jun-23	Jun-22	YoY %	May-23	MoM %
Tata Motors	33,148	34,409	-4%	27,570	20%
M&M	20,959	20,431	3%	20,062	4%
Ashok Leyland	14,363	13,469	7%	12,378	16%
VECV	6,465	5,706	13%	6,039	7%
Maruti Suzuki	2,992	3,025	-1%	2,888	4%
Total CV	77,927	77,040	1%	68,937	13%
3W sales	Jun-23	Jun-22	YoY %	May-23	MoM %
Bajaj Auto	33,691	13,268	154%	33,590	0%
TVS Motor	12,010	14,786	-19%	11,314	6%
M&M	6,377	4,008	59%	5,851	9%
Total 3W	52,078	32,062	62%	50,755	3%

Source: Company data

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