

Autos - India

Dec: More misses than hits. 2Ws, CVs decent prints; PVs & tractors lag

Industry Overview

Dec: More of misses. Eicher, MSIL, MM, Escorts disappoint

Dec prints were soft, in general, reflecting the low seasonality, channel inventory destocking ahead of model year change in Jan & base catch up. In terms of segments – PVs dispatches are moderating to +4-5% y/y (MSIL/ MM miss, Hyundai/ TTMT in line) & tractors disappointed with 17% decline y/y. M&HCV saw slight pick up (+9-10% y/y) after slow Nov. On 2Ws, TVS fared in line (+33% dom), Bajaj was small miss with exports lagging. Eicher's RE nos were weak at -7% y/y for Dec. Hero/ AL prints awaited.

PVs: Dispatches moderate. Retails healthy on year end

Overall PV dispatches at around 285K were up ~4% y/y in Dec, taking YTD FY24 growth to 7% y/y. Overall industry is on track to surpass 4.1m unit sales in FY24 (+6% y/y). Given model year change in Jan, most OEMs destock the channel in Dec with dealer stock now at reasonable levels of 2-2.5 weeks. Retails were healthy at 7% y/y in Dec (440K). In terms of OEMs, it was a mixed bag – Maruti lagged low expectations at 137.5K, down 1% y/y (-6% in domestic). Small car portfolio continues to lag; while SUV are still strong (50% of mix). M&M also had a soft print in UV at 35K (+24% y/y) despite order backlogs-co attributed this due to some supply hiccups. Among other OEMs, Hyundai / Tata fared well with +9-10% y/y growth in Dec. Discounts have risen in Dec to ~3% levels, +50bps with large discounts on entry/ hatch portfolio and EV models. EV penetration in EVs has been range around at sub 2%; while CNG is at 15-16% levels.

2Ws: Domestic on recovery mode, exports lag. EIM miss

2Ws dispatches will likely see a mid teen growth in Dec and YTD trend should take us to 11-12% y/y odd growth for FY24. Retails have remained strong in 2Ws even post festive (1.5m retails, strong growth y/y), underpinning our thesis of 2W cycle recovery being firmly in place now. Among OEMs, TVS's print at 302K, +25% y/y was in line with domestic vols up 33% & export lower at 8% y/y. Bajaj's print at 327K, +16% y/y is decent but tad below street expectations. Domestic vols were up 29% y/y and exports lagged at 2% y/y. Export recovery is taking longer to recover and could possibly see some cost impact from Red Sea crisis. Eicher's dispatch at 63.4K, down 7% y/y disappointed being the sole negative print in 2Ws. Hero nos still awaited. On EV side, adoption rate remains at 4.7% levels though TVS vols were lower, Bajaj stayed in 10K volume range and Ola witnessed increase in mshare to 38% in Dec.

Tractors & LCVs weak, M&HCV pick up post slow Nov

Tractor prints were quite a miss at down 17% y/y for both M&M and Escorts (domestic). This is attributable to delay in harvest season as well as lower sowing for Rabi crops as per Escorts. Overall YTD FY24 is trending at down 2% & Q4FY24 is unlikely to be growth Q on demanding base in our view. M&HCVs on other hand showed some improvement in Dec with both Tata/ VECV vols up 9-11% y/y in Dec (AL nos awaited). YTD FY24 M&HCV is trending around 6-7% y/y though elections & demanding base going in CY24 could weigh on growth trajectory over next 2-3Qs. LCV remain in slow lane at -10% y/y in Dec.

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Glossary:

PV: Passenger Vehicle

2W: Two-Wheeler

UV: Utility Vehicle

OEM: Original Equipment Manufacturer

MHCV: Medium & Heavy Commercial Vehicle

CV: Commercial Vehicle

ILCV: Intermediate Light Commercial Vehicle

RE Royal Enfield

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Summary of December 2023 Wholesales

Exhibit 1: December: Monthly wholesale volumes of Auto OEMs

Dec-23 is seasonally low month for dispatches due to year end & post festive dealer inventory correction- Most prints were a miss on high expectations- key call out being Royal Enfield in 2Ws big miss, MM & MSIL also lagged estimates, Tractor prints disappointed from both MM, Escorts Kubota. CV fared tad better after not so great Nov. TVS/ TMT were in line to slightly better

Company	Dec-23	Dec-22	YoY %	Nov-23	MoM %	YTD FY24	YTD FY23	YoY %
Two-wheelers & Three-Wheelers								
TVS Motors	301,898	242,012	25%	364,231	-17%	3,128,465	2,813,651	11%
Domestic	216,507	162,610	33%	289,028	-25%	2,375,483	1,931,060	23%
Exports	85,391	79,402	8%	75,203	14%	752,982	882,591	-15%
Bajaj Auto	326,806	281,486	16%	403,003	-19%	3,282,357	3,067,934	7%
Domestic	190,919	148,555	29%	257,744	-26%	2,057,393	1,591,399	29%
Exports	135,887	132,931	2%	145,259	-6%	1,224,964	1,476,535	-17%
Eicher Motors (RE)	63,387	68,400	-7%	80,251	-21%	685,059	616,370	11%
Domestic	57,291	59,821	-4%	75,137	-24%	629,903	542,818	16%
Exports	6,096	8,579	-29%	5,114	19%	55,156	73,552	-25%
Passenger Vehicles and Commercial vehicles & Tractors								
Maruti Suzuki	137,551	139,347	-1%	164,439	-16%	1,551,292	1,451,237	7%
Domestic	110,667	117,551	-6%	141,489	-22%	1,346,965	1,256,623	7%
Exports	26,884	21,796	23%	22,950	17%	204,327	194,614	5%
Mahindra & Mahindra	79,326	79,920	-1%	102,650	-23%	916,401	827,053	11%
Uvs & Cars	35,174	28,445	24%	39,981	-12%	333,777	259,858	28%
LCV	17,888	20,080	-11%	22,211	-19%	195,574	183,737	6%
Tractors-Domestic	18,028	21,640	-17%	31,069	-42%	297,157	303,664	-2%
Tractors-Exports	1,110	1,603	-31%	1,005	10%	9,585	14,150	-32%
Tata Motors	77,855	74,356	5%	74,173	5%	704,251	702,804	0%
M&HCV domestic	16,874	15,433	9%	12,639	34%	127,010	122,498	4%
LCV domestic	15,794	17,521	-10%	13,941	13%	146,129	158,674	-8%
PV domestic	43,470	40,043	9%	46,068	-6%	415,945	403,747	3%
Exports	1,717	1,359	26%	1,525	13%	15,167	17,885	-15%
Escorts Limited	4,536	5,573	-19%	8,258	-45%	74,605	78,525	-5%
Tractors-Domestic	4,131	4,979	-17%	7,855	-47%	70,327	72,185	-3%
Tractors-Exports	405	594	-32%	403	0%	4,278	6,340	-33%
Hyundai (Domestic)	42,750	38,831	10%	49,451	-14%	454,424	419,840	8%
Toyota Kirloskar (Domestic)	19,878	10,421	91%	16,924	17%	173,019	127,160	36%

Source: Company Reports

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Exhibit 2: December: 2Ws Industry wholesale prints (Domestic)

2W domestic dispatches likely to be up mid teens y/y in Dec and down 20% m/m (seasonality). Industry now at 12-13% YTD FY24 growth. Recovery in 2Ws sustaining well – Royal Enfield disappointed among 2Ws, TVS in line and Bajaj small miss with export recovery taking longer. Hero nos still awaited.

	Dec-23	Dec-22	YoY %	Nov-23	MoM %	YTD FY24	YTD FY23	YoY %
Two wheelers								
TVS Motors	216,507	162,610	33.1	289,028	(25.1)	2,375,483	1,931,060	23.0
Bajaj Auto	158,370	125,525	26.2	218,597	(27.6)	1,703,704	1,390,698	22.5
Eicher Motors (RE)	57,291	59,821	(4.2)	75,137	(23.8)	629,903	542,818	16.0

Source: Company Reports

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Exhibit 3: December: Monthly PV domestic wholesale volumes

PV dispatches for Dec were up 4% y/y. Retail at 440K up 7% y/y. Inventory now reasonable between 15-20 days. FY24 on track for 6% y/y growth

	Dec-23	Dec-22	YoY %	Nov-23	MoM %	YTD FY24	YTD FY23	YoY %
PVs - Domestic								
Maruti Suzuki	104,778	112,010	(6.5)	134,158	(21.9)	1,280,090	1,179,292	8.5
Hyundai	42,750	38,831	10.1	49,451	(13.6)	454,424	419,840	8.2
Tata Motors	43,470	40,043	8.6	46,068	(5.6)	415,945	403,747	3.0
Mahindra & Mahindra	35,174	28,445	23.7	39,981	(12.0)	333,777	259,858	28.4
Honda	7,902	7,062	11.9	8,730	(9.5)	63,690	70,819	(10.1)
Toyota	19,878	10,421	90.7	16,924	17.5	173,019	127,160	36.1
Total	287,000	275,352	4.2	334,130	-14.0	3,073,036	2,866,660	7.2

Source: Company Reports

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Exhibit 4: December: Monthly CV domestic wholesale volumes

MHCVs for the month were up 10% y/y and reflected good m/m pick up allaying concerns of slowdown. YTD M&HCV growth is around 6% y/y. LCVs remain in slow zone declining further in Dec on y/y basis. LCVs on YTD basis are also down low single digit.

	Dec-23	Dec-22	YoY %	Nov-23	MoM %	YTD FY24	YTD FY23	YoY %
M&HCVs								
Tata Motors	16,874	15,433	9.3	12,639	33.5	127,010	122,498	3.7
VECV	7,789	7,003	11.2	4,989	56.1	57,998	51,716	12.1
Total	24,663	22,436	9.9	17,628	39.9	185,008	174,214	6.2
LCVs								
Mahindra & Mahindra	17,888	20,080	(10.9)	22,211	(19.5)	195,574	183,737	6.4
Tata Motors	15,794	17,521	(9.9)	13,941	13.3	146,129	158,674	(7.9)
Maruti	1,714	1,525	12.4	2,509	(31.7)	23,613	26,607	(11.3)
Total	35,396	39,126	(9.5)	38,661	(8.4)	410,472	417,908	(1.8)

Source: Company Reports

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Exhibit 5: December: Tractor domestic wholesale volumes

Tractors prints came off on seasonality m/m (43%) but were also down 17% y/y. Escorts pointed to delay in crop harvest and lower rabi sowing weighing on farmer sentiment. YTD industry is down low single digit

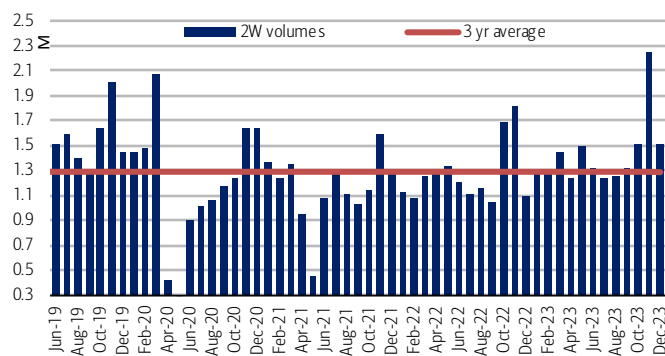
	Dec-23	Dec-22	YoY %	Nov-23	MoM %	YTD FY24	YTD FY23	YoY %
Tractor - Domestic								
Mahindra & Mahindra	18,028	21,640	(16.7)	31,069	-42	297,157	303,664	(2.1)
Escorts	4,131	4,979	(17.0)	7,855	-47	70,327	72,185	(2.6)
Total	22,159	26,619	(16.8)	38,924	(43.1)	367,484	375,849	(2.2)

Source: Company Reports

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Retail trends (registrations from Vahan)**Exhibit 6: Monthly 2W retail (vahan registrations) (Mn units)**

2W retails remain healthy even after festive at 1.5m units for Dec

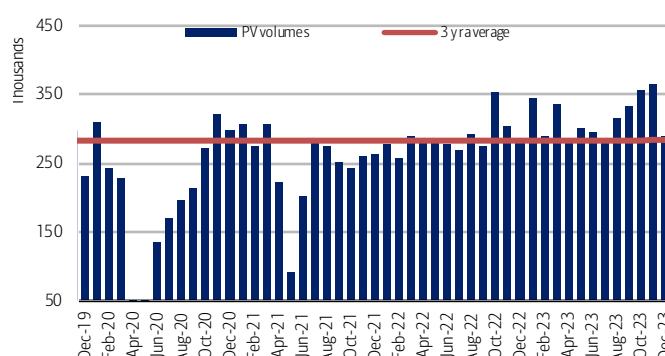


Source: Vahan registrations

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Exhibit 7: Monthly PV retail (vahan registrations) ('000 units)

PV retails are up 7% YTD (factoring delayed registrations).

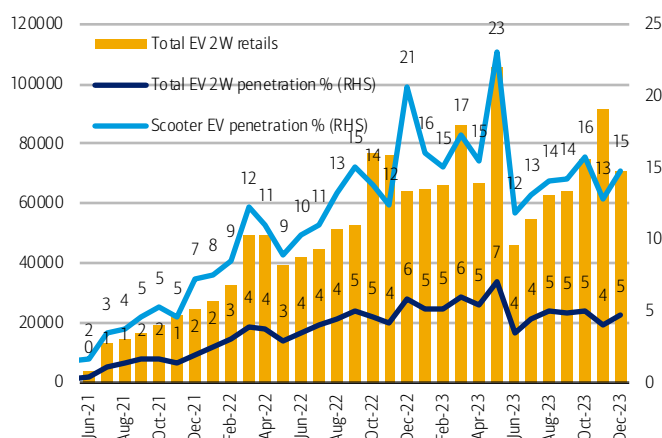


Source: Vahan registrations

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Exhibit 8: Electric 2W retail sales & penetration (%)

Electric penetration trending at ~4-5% levels in two wheelers.

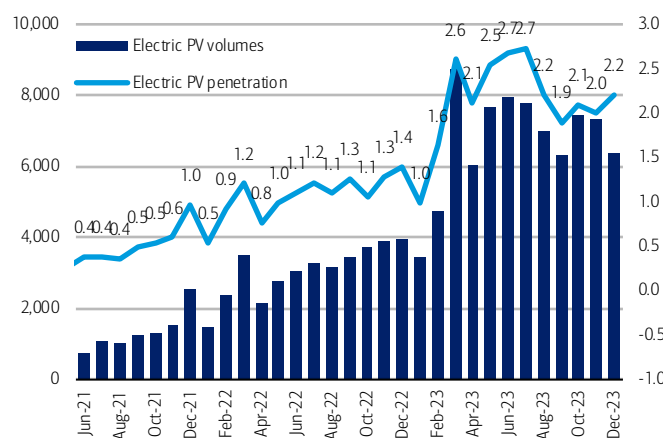


Source: Vahan registrations

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Exhibit 9: Electric PV retail sales and penetration (%)

PV electric penetration trending at 2%. Tata Motors leading the market

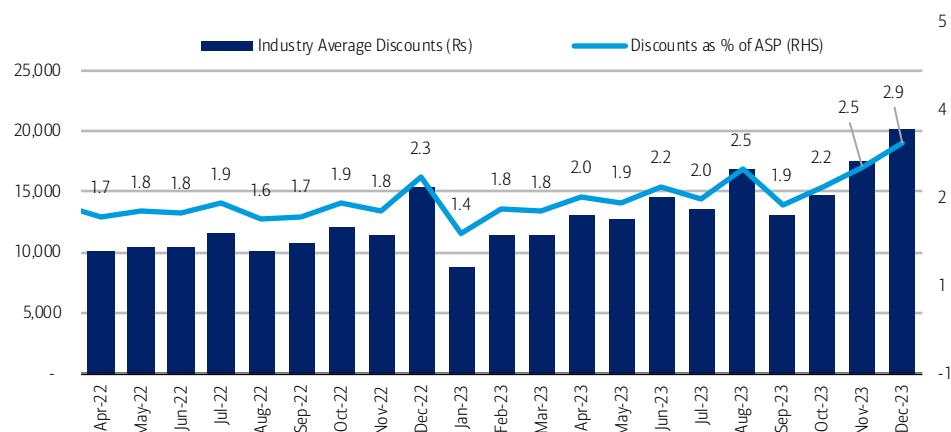


Source: Vahan registrations

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Exhibit 10: PV industry retail discount trend

Dec witnessed steep increase in discounts esp for small car/ entry car portfolio. There was also rise in discounts for inventory destocking ahead of model year change



Source: mycarhelpline, SIAM, BofA Global Research

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^{R1} Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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