

## AUTOMOBILES

03 October 2024

### Double-digit volume gains MoM points towards healthy recovery

- Passenger vehicle volumes grew in higher single digit (8%) YoY with share of SUV segment continuing to stay higher
- 2-wheeler segment shows healthy signs of (volume) growth, MoM growth of 22% indicates the segment is in a strong recovery mode
- Commercial vehicle segment grew MoM (~15%) after flat growth in Aug'24, pointing to encouraging signals in the near future

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**Passenger vehicle segment:** Domestic passenger vehicle (PV) industry volumes grew 8.1%/3.4% YoY/MoM driven by anticipated pre-festive demand, higher network penetration in Tier II/III cities and discount offers. Maruti Suzuki (MSIL) volumes were flat YoY/MoM (-1%/1%), exports volume grew ~23%/7% YoY/MoM and helped mitigate the slower domestic demand. SUV major Mahindra & Mahindra (MM) replaced Tata Motors (TTMT) for the third slot in the PV segment driven by price rationalisation and discount offers and the new 3XO launch.

**Two-wheeler segment:** 2W segment volume grew double-digits at ~18%, equally supported by domestic and export markets. The key highlight was strong MoM growth of ~22% in September entirely driven by domestic growth (~25%). Bajaj Auto (BJAUT) posted the strongest ~28% YoY gain and TVS Motors delivered strong MoM growth driven by healthy exports. Hero Motors (HMCL) grew ~19%/24% YoY/MoM indicating strong signs of revival in the entry level segment.

**Three-Wheeler segment:** The 3W segment growth was flat YoY/MoM as healthy domestic demand (21%) was offset by weak exports volume (down 12%). BJAUT's domestic volume grew 7%/10% YoY/MoM and TVSL's overall volume rose by a strong 33% YoY but fell by 7% MoM as exports stayed weak (down 40%/18% YoY/QoQ).

**Tractors segment:** Overall sales stayed flat YoY (~+2%) but rose sharply MoM by nearly double volume due to the festive demand and healthy well spread monsoon. Escorts (ESC) and MM collectively delivered 8% YoY gain with the doubling of sales MoM. Exports disappointed, with MM/ESC volumes falling 10%/47% YoY.

**Commercial vehicles:** CV segment volume fell by ~9% YoY but shot up by 15% MoM driven by strong exports and MHCV segment revival. Domestic volumes for TTMT fell 23%/60% YoY/MoM, Ashok Leyland (AL) fell 12% YoY but rose by a strong 20% MoM backed by healthy freight operator enquiries. TTMT's exports fell 30%/2% YoY/MoM, but AL's exports increased by 18%/7% YoY/MoM.

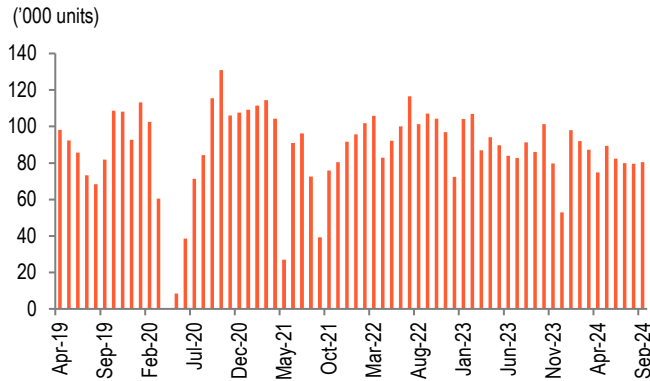
**Key ratings:** Retain BUY rating on MM and AL and SELL on ESCORTS and VSTT.



**Summary of key performance highlights of individual OEMs**

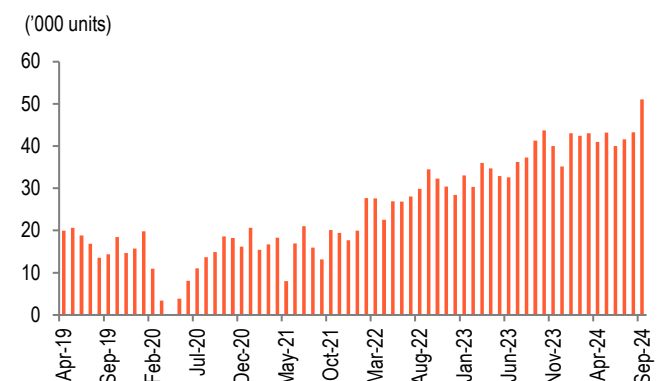
**Maruti Suzuki India:** Demand uptick for utility vehicles (UV) continued with YTD growth of 12%, despite relatively lower growth of 4% YoY. The passenger car segment's (comprising mini, compact, and mid-size cars) share in domestic sales dropped to 51.1% in Aug'24, further sliding to 49% in Sep'24 (from 56% in Sep'23). The YTD contribution of this segment declined to 51% from 56% a year ago. MSIL's exports rose 23%/6% YoY/MoM to ~28.0k units.

**Fig 1 – MSIL's PV sales**



Source: Company, BOBCAPS Research

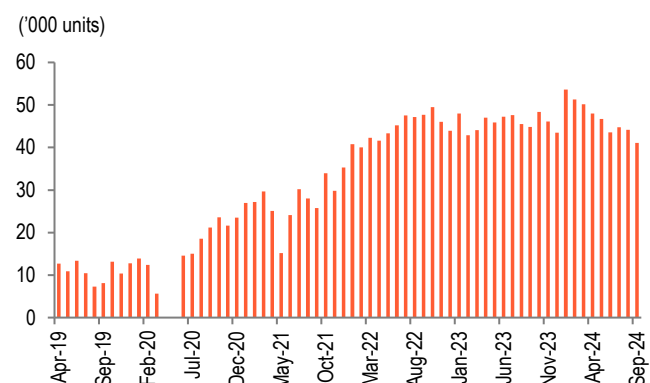
**Fig 2 – MM's PV sales**



Source: Company, BOBCAPS Research

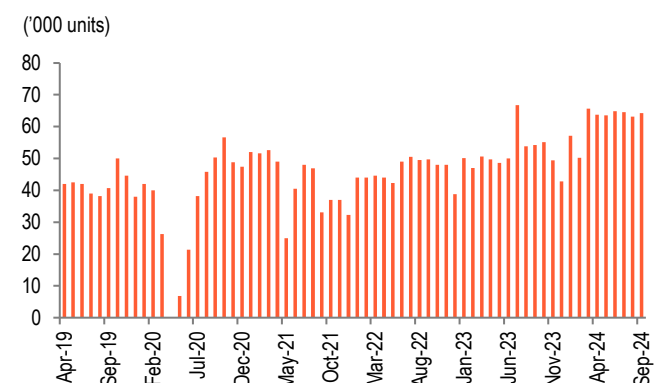
**Mahindra & Mahindra:** MM's SUV segment grew ~24% YoY following a healthy response to the price rationalisation that ends by Sep'24 (started in Jun'24). Further, the newly-launched compact SUV XUV 3XO also contributed to volume growth. In the tractor segment, volume grew by 2% YoY and 5% YTD. With the cumulative monsoon rainfall being normal to above normal in nearly all the regions across the country tractor volume could be 5% for FY25 as indicated by MM's management earlier. The upcoming festive season, above normal monsoon, bumper Kharif harvest and favourable terms of trade for farmers are likely to drive growth for the tractor industry.

**Fig 3 – TTMT's PV sales**



Source: Company, BOBCAPS Research

**Fig 4 – Hyundai's PV sales**



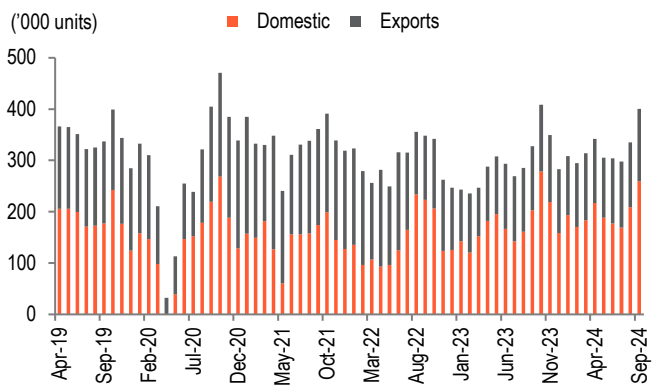
Source: Company, BOBCAPS Research

**Bajaj Auto:** BJAUT introduced Bajaj Freedom 125, the CNG-integrated motorcycle in three variants ranging from Rs 95k to Rs 110k. It targets to push CNG variant sales to ~40k/month by Jan'25. BJAUT is planning to introduce one more CNG motorcycle and launch an ethanol-based motorcycle in FY25. BJAUT's EV volume stayed healthy, which came as a positive surprise.

**TVS Motors:** TVS iQube Electric 2W grew ~42% YoY to ~28.9k units in Sep'24 after jumping to 24k units in Aug'24. YTD growth of the EV vehicles is also very healthy at 24% in FY25, in our view. TVS introduced new colours to the TVS NATORQ 125 and Race XP series.

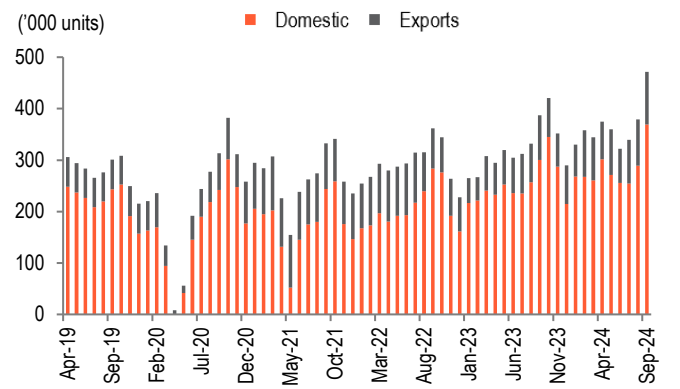
**Hero Motors Corp:** HMCL launched the new Hero Xtreme 160R 2V 2024 Edition in September at an attractive price of Rs 0.11mn across the country. It teamed up with Thums up brand to present the Mavrick 440 Thunder-wheels, a limited edition of its flagship motorcycle Mavrick 440. The company's YTD FY25 volume growth was ~10% and continues to experience strong demand across the 100cc, 125cc, and premium segments.

**Fig 5 – BJAUT's 2W sales**



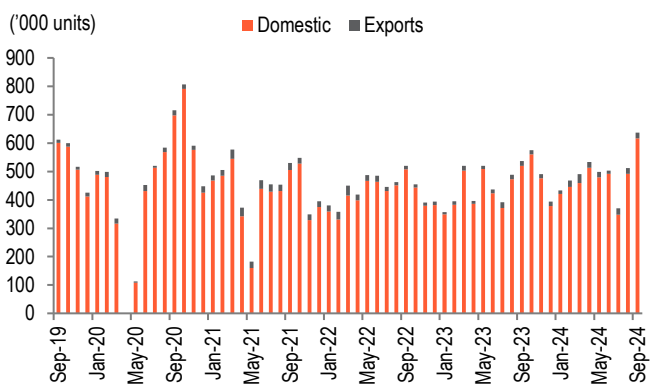
Source: Company, BOBCAPS Research

**Fig 6 – TVSL's 2W sales**



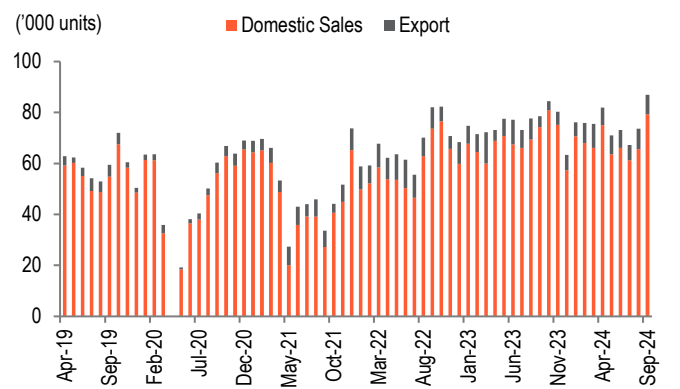
Source: Company, BOBCAPS Research

**Fig 7 – HMCL's 2W sales**



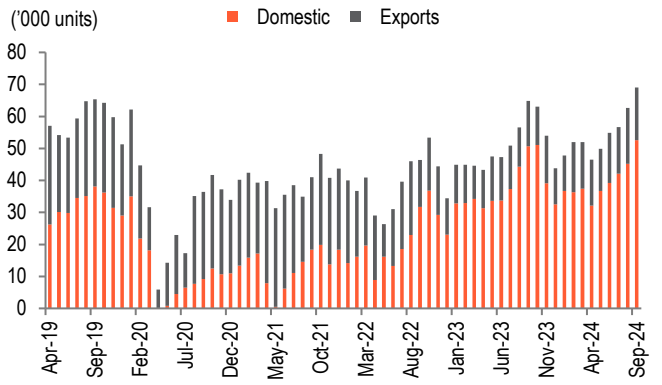
Source: Company, BOBCAPS Research

**Fig 8 – EIM's 2W sales**



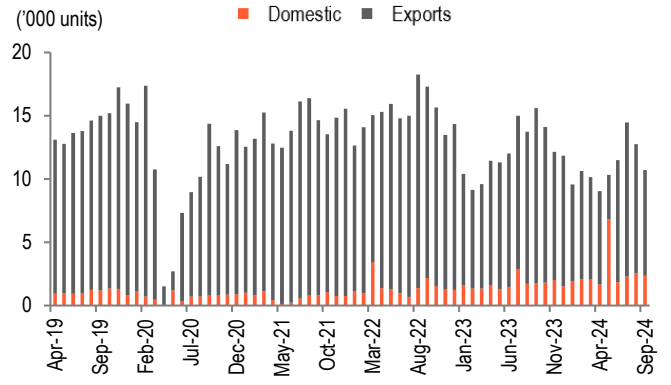
Source: Company, BOBCAPS Research

**Fig 9 – BJAUT’s 3W sales**



Source: Company, BOBCAPS Research

**Fig 10 – TVSL’s 3W sales**

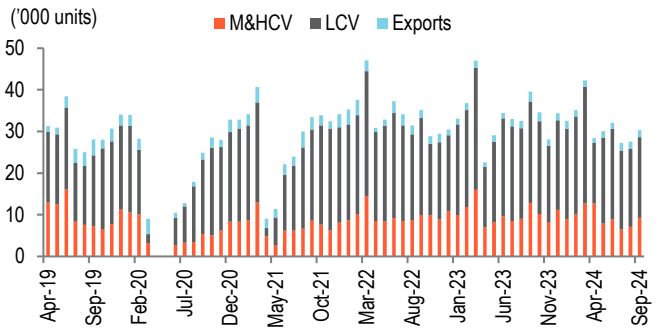


Source: Company, BOBCAPS Research

**Eicher Motors:** EIM’s trucks and buses domestic volumes remained flat YoY but increased 13% MoM in Sep’24. The less than 350cc segment grew ~7% YoY but improved 23% MoM, while the 350cc+ grew with a healthy rise of 41% YoY and 31% YTD sales. Exports for EIM saw 7% YTD growth.

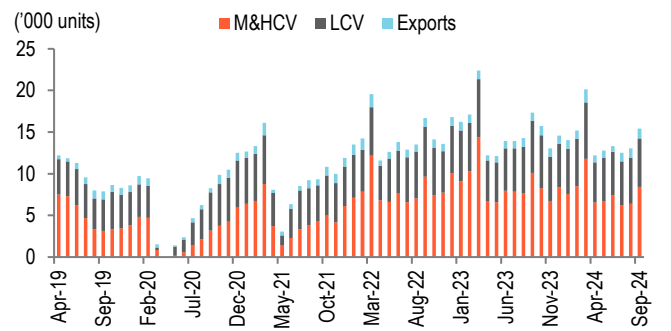
**Ashok Leyland:** AL’s overall volume was a mixed bag as YoY volume fell by 10%, however MoM the company delivered 19% growth. On the domestic front, the trucks segment fell by 16% YoY (+32% MoM), while bus segment growth momentum continued at 39% YTD sales in FY25. However, exports delivered flat growth YoY but grew 18% MoM. Management indicated the lull in the truck segment would be short-lived and expects healthy growth in 2HFY25.

**Fig 11 – TTMT’s CV sales**



Source: Company, BOBCAPS Research

**Fig 12 – AL’s CV sales**



Source: Company, BOBCAPS Research

**Fig 13 – EIM’s CV sales**

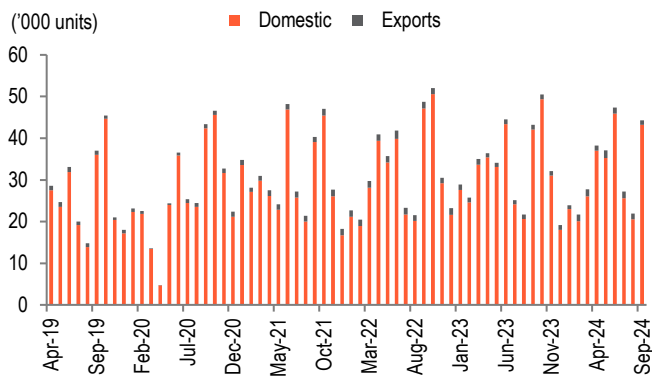


Source: Company, BOBCAPS Research

**Escorts:** Escorts Kubota’s Agri Machinery Business Division in Sep’24 sold 12,380 tractors, registering growth of 2.5% YoY. Domestic tractor sales in Sep’24 were at 11,985 tractors, growing 5.7% YoY. With timely, widespread and above-average monsoon leading to replenished water reservoir levels and favourable terms of trade, ESC anticipates good sales growth in 2HFY25.

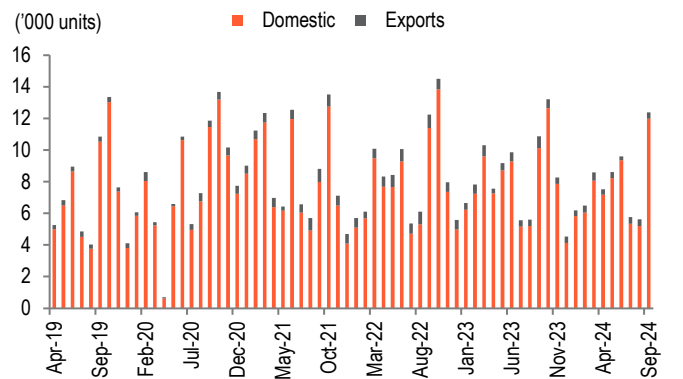
**VSTT:** VSTT’s Power Tiller segment volume growth was flat by 1% YoY, while the tractor segment was down ~11% YoY in Sep’24. Aggregate volumes fell by ~2% in September. However, YTD volume growth for the power tillers and tractor segment fell by ~13%/11% and aggregate YTD sales were effectively down by 13% in FY25.

**Fig 14 – MM’s tractor sales**



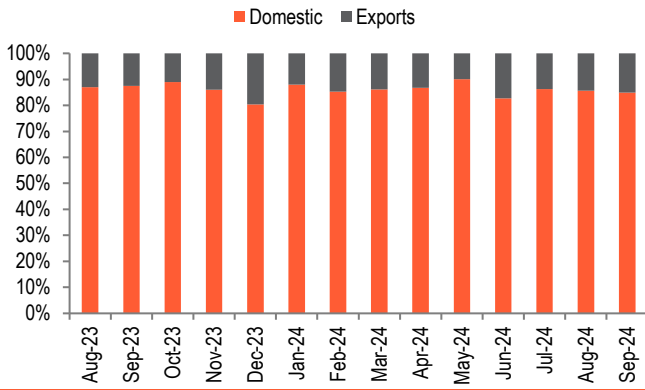
Source: Company, BOBCAPS Research

**Fig 15 – ESCORTS's tractor sales**



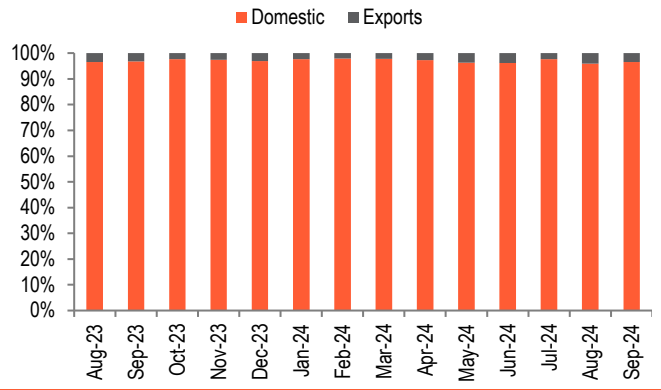
Source: Company, BOBCAPS Research

**Fig 16 – MSIL’s domestic and exports volumes**



Source: Company, BOBCAPS Research

**Fig 17 – MM’s domestic and exports volumes**



Source: Company, BOBCAPS Research

**Fig 18 – TTMT’s domestic and exports volumes**



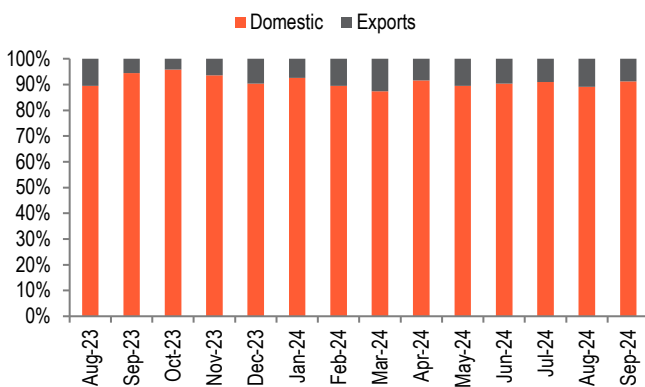
Source: Company, BOBCAPS Research

**Fig 19 – AL’s domestic and exports volumes**



Source: Company, BOBCAPS Research

**Fig 20 – EIM (2W) – Domestic and exports volumes**



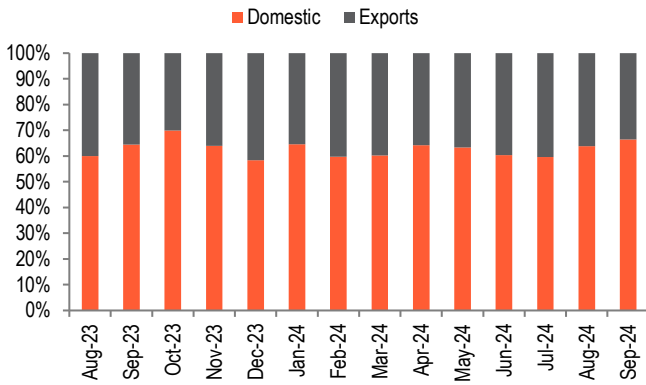
Source: Company, BOBCAPS Research

**Fig 21 – EIM (CV) – Domestic and exports volumes**



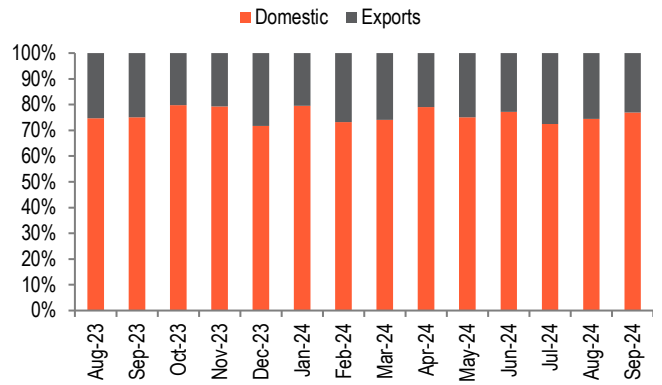
Source: Company, BOBCAPS Research

**Fig 22 – BJAUT’s domestic and exports volumes**



Source: Company, BOBCAPS Research

**Fig 23 – TVSL’s domestic and exports volumes**



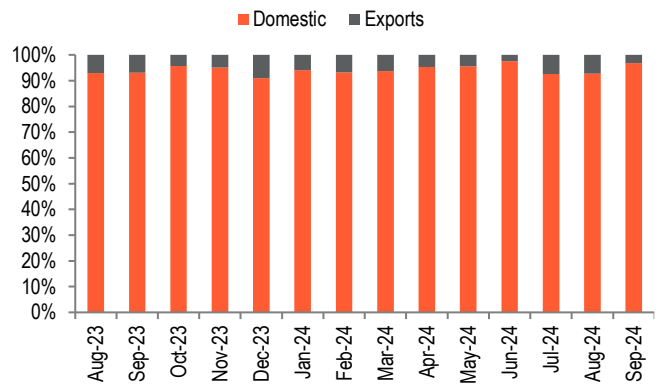
Source: Company, BOBCAPS Research

**Fig 24 – HMCL’s domestic and exports volumes**



Source: Company, BOBCAPS Research

**Fig 25 – ESCORTS’ domestic and exports volumes**



Source: Company, BOBCAPS Research

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