

Easing Supply Chain Issues Improve PV & CV Traction; 2Ws Continue To be Tepid

FY22 was a difficult year for the auto industry on account of supply-chain challenges as well as RM headwinds, resulting in an increased total cost of ownership. In Mar'22, wholesale volumes for the PV industry remained flat but it continued its sequential recovery (up 6% MoM), led by improvement in chip availability. The 2W and tractor segments declined by 21% and 10% respectively on a YoY basis on account of muted demand and the high base of the last year. CV segment, however, continued its strong performance and reported ~19% growth YoY. The CV segment volume recovery was led by a pick-up in economic activity and improving fleet utilization levels.

Consumer sentiment in the domestic PV segment continues to be robust on account of the strong order backlog and easing chip shortage and supply chain issues. We expect new product launches to help drive excitement among buyers with the SUV segment likely to retain consumer traction. Moreover, improving demand in the Infrastructure and Construction sectors as well as improving freight availability along with increasing demand for e-commerce and last-mile delivery should support CV volumes moving forward. We expect a sharp uptick in the CV volumes as economic activities pick up pace and financing and cash-flow constraints iron out. The demand for 2Ws has been impacted primarily due to weak rural demand owing to the rising cost of ownership and higher fuel prices. However, the inquiry levels in the domestic market are gradually improving and we expect the domestic 2W to see recovery from FY23E onwards. While Tractor volumes are expected to be reasonably supported by rural sentiments and expectations of a normal monsoon, they will likely decline on a YoY basis due to a high base of the last year. **Despite near-term headwinds, we remain positive on the Automobile sector and expect sustained demand recovery going forward. From OEMs under our coverage, we expect Hero Motocorp, Bajaj Auto, and TVS Motors in the 2W segment, Maruti Suzuki in the PV segment, and Ashok Leyland in the CV space to perform well.**

2W/3W Segment

- **Hero Motocorp** Mar'22 volumes declined 22% YoY to record total sales of 4.5 Lc units. Motorcycles de-grew by 19% YoY whereas Scooters sales were down 53% YoY. The company's exports witnessed a growth of 5% YoY to 34K units in Mar'22.
- **Bajaj Auto** reported a 20% YoY de-growth in total sales to 2.9 Lc units, led by a 22% decline in 2W being partially offset by a 4% growth in 3 wheelers. Domestic sales were down 36% YoY whereas exports remained flat at 1.7 Lc units.
- **TVS Motors'** total sales for Mar'22 stood at 3 Lc units, posting a 5% YoY decline. While the 2W segment de-grew by 5% YoY, the 3W segment witnessed a marginal 1% decline. Exports also remained muted, reporting a de-growth of 9% YoY to ~95K units.
- **Eicher Motors** sold ~67K units of RE, registering a ~2% YoY growth in Mar'22. The sub 350cc models de-grew by 5% YoY whereas above 350cc segment bikes saw a strong growth of 58% YoY. While domestic volumes declined by 3% YoY, exports witnessed robust growth of 56% YoY to 9K units.

PV Segment

- **Maruti Suzuki** posted total sales of 1.7 Lc units reporting a 2% growth YoY during Mar'22. The domestic sales de-grew by 7% YoY to 1.4 Lc units whereas the company recorded strong exports at 26K units. The shortage of electronic components had a minor impact on the production of vehicles during the month, primarily affecting the production of vehicles sold in the domestic market. The company is taking all possible measures to minimise the impact.
- **Mahindra's** Auto division grew by 35% YoY to ~54K units. Its PV segment witnessed a strong growth of 65% YoY whereas the CV segment sales grew by 16%. The company sold ~4K 3Ws (including electric 3Ws) in Mar'22.
- **Tata Motors** reported total sales of ~89K units registering a growth of 27% YoY. The PV sales grew by 43% YoY to ~42K units whereas the CV segment recorded sales of ~44K units, registering a growth of 20% YoY. The exports sales stood at 2.8K units.

CV Segment

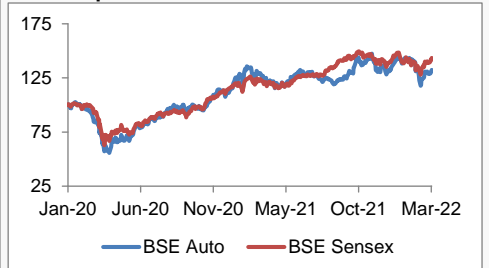
- **Ashok Leyland** sold ~20K units, reporting a 17% YoY growth in the overall sales. The MHCV segment posted a growth of 26% YoY whereas the LCV segment remained flat. The sales were aided by a pickup in economic activities and infra push by the government.
- **VECV** reported strong growth of 25% YoY in Mar'22 to 8,803 units.

Tractor Segment

- **M&M (Farm Equipment Sector)** witnessed a de-growth of 4% YoY to 29K units, led by the high base effect of the last year. M&M expects continued government focus on agriculture, rural infrastructure, and higher cash flows with all-time high rabi sowing will lead to positive sentiments and an increase in tractor demand.
- **Escorts** reported total sales of 10,074 units in Mar'22, registering an 18% YoY decline. While domestic sales de-grew by 19% YoY, exports declined by 2.6% YoY. Going forward overall high rabi sowing, good water level reservoirs, increased budget allocations to the agri sector and initial indicators of normal monsoon next year will drive positive momentum for the tractor industry.

Volume Summary (Mar'22)

Company	Mar-22	Mar-21	YoY(%)
Ashok Leyland	20,123	17,231	17%
Bajaj Auto	2,97,188	3,69,448	-20%
Eicher Motors	76,480	73,095	5%
Escorts	10,074	12,337	-18%
HeroMoto Corp	4,50,154	5,76,957	-22%
M&M	84,406	71,373	18%
Maruti Suzuki	1,70,395	1,67,014	2%
Tata Motors	89,516	70,263	27%
TVS Motors	3,07,954	3,22,643	-5%

Relative performance


Source: Capitaline, Axis Securities

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Auto Sales Monthly Update

Company	Auto Sales Monthly Update (Summary)						View/Remarks
	Mar-22 Sales (Units)	Y-o-Y (%)	M-o-M (%)	FY YTD (Numbers)		Y-o-Y (%)	
				FY 22	FY 21		
<u>Maruti Suzuki</u>							
Domestic Sales	1,43,899	-7%	3%	14,14,277	13,61,722	4%	Company posted total sales of 1.7 Lc units reporting a 2% growth YoY during Mar'22. The domestic sales de-grew by 7% YoY whereas company recorded strong exports at 26K units. The shortage of electronic components had a minor impact on the production of domestic vehicles during the month.
Exports	26,496	128%	10%	2,38,376	96,139	148%	
Total Sales	1,70,395	2%	4%	16,52,653	14,57,861	13%	
<u>Tata Motors (Ex JLR)</u>							
Passenger Vehicles	42,293	43%	6%	3,70,372	2,22,025	67%	Tata motors reported total sales of ~89K units registering a growth of 27% YoY. The PV sales grew by 43% YoY to ~42K units whereas the CV segment recorded sale of ~44K units, registering a growth of 20% YoY. The exports sales stood at 2.8K units.
Commercial Vehicles	44,425	20%	31%	3,22,182	2,42,184	33%	
Exports	2,798	-23%	-27%	35,328	20,529	72%	
Total Sales	89,516	27%	15%	7,27,882	4,84,738	50%	
<u>Mahindra & Mahindra</u>							
Passenger Vehicles	27,603	65%	0%	2,25,895	1,57,216	44%	M&M's auto segment grew by 35% YoY. The PV segment witnessed a strong growth of 65% YoY whereas the CV segment grew by 16%. FES division witnessed a decline of 4% YoY. The auto segment witnessed strong growth owing to continued strong demand for SUVs and CVs. Degrowth in FES division is due to high base of last year.
Commercial Vehicles	19,837	16%	-2%	1,77,117	1,56,159	13%	
3 Wheelers	4,043	-9%	6%	30,079	20,525	47%	
Total Sales (ex tractor)	54,643	35%	0%	4,65,597	3,52,281	32%	
Tractors	29,763	-4%	46%	3,54,698	3,54,498	0.1%	
<u>Escorts</u>							
Tractors	10,074	-18%	65%	94,228	1,06,741	-12%	Escorts reported total sales of 10,074 units in Mar'22 registering a 18% YoY decline. Domestic sales de-grew by 19% YoY whereas exports declined by 3% YoY. Going forward overall high rabi sowing, good water level reservoirs, increased budget allocations to agri sector and initial indicators of normal monsoon next year will drive positive momentum for tractor industry.
<u>Ashok Leyland</u>							
LCV	6,133	0%	16%	54,441	48,908	11%	Ashok Leyland sold ~20K units, reporting a 17% YoY growth in overall sales. The MHCV segment posted a growth of 26% YoY whereas the LCV Segment remained flat. The sales were aided by pickup in economic activities and strong infra push by the government.
MHCV	13,990	26%	49%	73,885	51,809	43%	
Total Sales	20,123	17%	37%	1,28,326	1,00,717	27%	

TVS Motors							
2W	2,92,918	-5%	9%	31,37,703	29,28,227	7%	TVS reported a de-growth of 5% YoY in total volumes for the month of Mar'22. The 2W segment de-grew by 5% YoY whereas the 3W segment saw a marginal de-growth of 1% YoY. Exports were also down by 9% YoY to ~95K units.
3W	15,036	-1%	7%	1,71,875	1,23,596	39%	
Total Sales	3,07,954	-5%	9%	33,09,578	30,51,823	8%	
Bajaj Auto							
2 Wheelers	2,56,324	-22%	-8%	38,36,856	36,05,893	6%	Bajaj Auto reported a 20% YoY de-growth in total sales led by 22% decline in 2 wheelers partially offset by 4% growth in 3 wheelers. Domestic sales were down by 36% YoY whereas exports remained flat at 1.7L units.
3 Wheelers	40,864	4%	11%	4,71,577	3,67,021	28%	
Exports	1,70,436	0%	-16%	25,06,626	20,54,247	22%	
Total Sales	2,97,188	-20%	-6%	43,08,433	39,72,914	8%	
Hero Motocorp							
Scooter	24,433	-53%	23%	3,16,385	4,58,083	-31%	Hero Motocorp reported a decline of 22% YoY in Mar'22 to record total sales of 4.5 Lc units. Motorcycles de-grew by 19% YoY whereas Scooters sales were down by 53% YoY. Company's exports witnessed a growth of 5% YoY to 34K units in Mar'22.
Motorcycles	4,25,721	-19%	26%	46,27,765	53,40,447	-13%	
Total Sales	4,50,154	-22%	26%	49,44,150	57,98,530	-15%	
Eicher Motors							
2 Wheelers	67,677	2%	14%	6,02,268	6,12,060	-2%	Eicher Motors reported a growth of 2% YoY in RE sales. The sub 350cc models de-grew by 5% YoY whereas above 350cc segment bikes saw a strong growth of 58% YoY. While domestic volumes declined by 3% YoY, exports witnessed robust growth of 56% YoY to 9K units. The VECV business saw a growth of 25% YoY.
Commercial Vehicles	8,803	25%	50%	57,077	41,265	38%	
Total Sales	76,480	5%	18%	6,59,345	6,53,325	1%	

About the analyst**Analyst:** Darshan Gangar**Contact Details:** darshan.gangar@axissecurities.in**Sector:** Auto**Analyst Bio:** Darshan Gangar is Chartered Accountant with over two years of research experience in the Mid Cap space and Auto sector.**Disclosures:**

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