

Two wheelers, PVs subdued, M&HCV growth continues despite seasonality

Sector performance - The base month of December 21 showed improvement on the back of pent up demand post pandemic. Therefore the base is slightly high just before Omicron hit the globe. Therefore, sectors such as two wheelers reported muted growth in the domestic markets. Exports performance has been weak for past few months now, and a similar story was observed in December. On the PV side of the industry as well, the sector posted dismal performance both sequentially and yoy on seasonality and biannual maintenance work at manufacturing facilities (MSIL). Also the semi-conductor shortage continued up to some extent impacting vehicular production in PVs. However this fall was quite more as compared to the 2W sales dip. On the other hand, M&HCVs which have all their underlying parameters in place posted resilient numbers sequentially, while the LCVs faltered on high base. Tractors segment has been reporting unstable growth over the past few months. In the month of December, we saw the strong mom decline while on a yoy basis, tractors posted robust growth.

Company wise performance - Among the PV OEMs, MSIL posted de-growth of 9.9% yoy. On mom basis, sales were down by 16% as the small size segment declined by 47%, while the UV segment grew a bit by 1.4% mom on success of All New Brezza and Grand Viterra model variants. Even the compact segment posted 17% yoy and 21% mom dips. In the exports markets as well the company posted a 2.2% fall yoy, while grew 10% mom. TaMo's PV segment saw a 13% mom fall. On yoy basis, TaMo's PV sales grew by 14%. M&M's SUV segment as well narrowed down by 6.3% mom, while grew by 62% yoy, bucking the trend. CV division posted de-growth of 2.5% mom while growing by 26% yoy. M&M's tractor business in the domestic markets plummeted by 26% mom and grew 30% yoy. Similarly, Escorts Kubota's domestic tractor sales too contracted by 32% mom while grew 22% yoy.

In 2W segment Bajaj reported a de-growth of 1.6% yoy and 1.6% mom growth for its domestic motorcycles while in exports, motorcycles grew by 12.4% mom, while fell by 36.4% yoy. TVS 2W segment reported mom drop of 3.3% as motorcycle segment de-grew by 6.7%, while scooters fell by 8% mom, while jumped by 13.77% yoy on higher e-scooter I-Qube sales. Mopeds de-grew by 25% mom and 23% yoy. For Bajaj, its 3W segment moved down by 21% mom while grew 26% yoy domestically on a good yoy pick up in 3W sales, mainly by the CNG portfolio and e-3Ws. Exports 3Ws however de-grew by 55% yoy and 25% mom. Hero Motocorp witnessed a flattish sales growth both mom and yoy as it is not much export oriented.

Our view - We believe December was sequentially low due to high base of November and it being a seasonally weak month. However, we believe the fourth and the last quarter of the year to witness stronger growth in the PV segment as the chip shortage issue eases further and new launches on both ICE and EV sides do take place. Seasonally too, Q4 is a good quarter. 2Ws shall further gain strength on low base of last year, EV launches and good monsoon leading to better rural demand on the back of solid Rabi crop. CVs are already continuing with their good run. Tractors shall report a decent growth this year on good monsoon, Rabi sowing and improvement in the rural economy.

We remain positive on the entire automobile sector. However, our choice is in the following order - CVs PVs and 2Ws. Stocks specifically, within the 2Ws, we like Hero Motocorp as we believe it is almost free from the exports weakness and is also led by strong monsoons barring a few eastern states, improvement in rural economy and upcoming EV launches. While on the PV side, we like M&M because of its thrust on rural markets through its leadership in tractors business, prudent capital allocation and a robust growth strategy in UVs, EVs and CVs. We like Ashok Leyland within CVs as it has a diversified revenue base deriving from LCVs, Defense, MHCVs, exports and spares. Every dip in the stocks mentioned above, shall provide good opportunities for investors to enter into them from medium to long term perspective.



	Dec-22	Nov-22	% mom	Dec-21	% yoy	YTD FY 23	YTD FY 22	% yoy
Hero Motocorp	3,94,179	3,90,932	0.8%	3,94,773	-0.2%	40,58,054	37,55,098	8.1%
Bajaj Auto	2,81,546	3,06,552	-8.2%	3,62,470	-22.3%	30,67,934	33,31,782	-7.9%
TVS	2,42,012	2,77,123	-12.7%	2,50,933	-3.6%	28,13,651	24,53,122	14.7%
Maruti	1,39,347	1,59,044	-12.4%	1,53,149	-9.0%	14,51,237	11,63,823	24.7%
M&M	79,920	88,831	-10.0%	57,426	39.2%	8,27,043	5,91,511	39.8%
<i>Auto</i>	56,677	58,303	-2.8%	39,157	44.7%	5,09,229	3,09,695	64.4%
<i>Tractors</i>	23,243	30,528	-23.9%	18,269	27.2%	3,17,814	2,81,816	12.8%
Tata Motors	74,356	75,478	-1.5%	69,613	6.8%	7,02,286	4,83,561	45.2%
Ashok Leyland	14,381	14,561	-1.2%	12,518	14.9%	1,32,508	79,607	66.5%
Escorts Kubota	5,573	7,960	-30.0%	4,695	18.7%	78,525	72,333	8.6%



Hero Motocorp

	Dec-22	Nov-22	% mom	Dec-21	% yoy	YTD FY 23	YTD FY 22	% yoy
Total sales	3,94,179	3,90,932	0.8%	3,94,773	-0.2%	40,58,054	37,55,098	8.1%

Bajaj Auto

	Dec-22	Nov-22	% mom	Dec-21	% yoy	YTD FY 23	YTD FY 22	% yoy
Motorcycles								
Domestic	1,25,525	1,23,490	1.6%	1,27,593	-1.6%	13,90,698	13,01,984	6.8%
Exports	1,21,499	1,38,630	-12.4%	1,91,176	-36.4%	13,26,541	16,75,781	-20.8%
Total	2,47,024	2,62,120	-5.8%	3,18,769	-22.5%	27,17,239	29,77,765	-8.7%
3W								
Domestic	23,090	29,226	-21.0%	18,386	25.6%	2,00,701	1,10,668	81.4%
Exports	11,432	15,206	-24.8%	25,315	-54.8%	1,49,994	2,43,349	-38.4%
Total	34,522	44,432	-22.3%	43,701	-21.0%	3,50,695	3,54,017	-0.9%
Domestic	1,48,615	1,52,716	-2.7%	1,45,979	1.8%	15,91,399	14,12,652	12.7%
Exports	1,32,931	1,53,836	-13.6%	2,16,491	-38.6%	14,76,535	19,19,130	-23.1%
Total	2,81,546	3,06,552	-8.2%	3,62,470	-22.3%	30,67,934	33,31,782	-7.9%

TVS Motors

	Dec-22	Nov-22	% mom	Dec-21	% yoy	YTD FY 23	YTD FY 22	% yoy
Motorcycles	1,24,705	1,45,006	-14.0%	1,33,700	-6.7%	13,44,721	12,90,054	4.2%
Scooters	76,766	83,679	-8.3%	67,533	13.7%	9,58,072	6,60,635	45.0%
Mopeds	26,195	34,957	-25.1%	34,159	-23.3%	3,70,866	3,72,332	-0.4%
Total 2W	2,27,666	2,63,642	-13.6%	2,35,392	-3.3%	26,73,659	23,23,021	15.1%
3W	14,346	13,481	6.4%	15,541	-7.7%	1,39,992	1,30,101	7.6%
Total sales	2,42,012	2,77,123	-12.7%	2,50,933	-3.6%	28,13,651	24,53,122	14.7%
Exports out of the above	79,402	84,134	-5.6%	1,03,420	-23.2%	8,82,591	9,38,035	-5.9%
2W exports	66,297	71,912	-7.8%	88,629	-25.2%	7,54,376	8,13,406	-7.3%

Maruti Suzuki

	Dec-22	Nov-22	% mom	Dec-21	% yoy	YTD FY 23	YTD FY 22	% yoy
Mini(Alto, Old WagonR, S-Presso)	9,765	18,251	-46.5%	16,320	-40.2%	1,74,008	1,57,946	10.2%
Compact(New WagonR, Swift,Celerio, Baleno, Dzire, Ignis)	57,502	72,844	-21.1%	69,345	-17.1%	6,37,459	4,73,300	34.7%
Mid size (Ciaz)	1,154	1,554	-25.7%	1,204	-4.2%	11,518	10,457	10.1%
Total passenger cars	68,421	92,649	-26.2%	86,869	-21.2%	8,22,985	6,41,703	28.3%
Utility Vehicles(Gypsy, Ertiga, XL6, S-Cross, Vitarra Brezza)	33,008	32,563	1.4%	26,982	22.3%	2,60,172	2,13,716	21.7%
Vans(Omni, Eeco)	10,581	7,183	47.3%	9,165	15.5%	96,135	79,406	21.1%
LCV (Super Carry)	1,525	2,660	-42.7%	3,015	-49.4%	26,607	22,819	16.6%
Total domestic sales	1,13,535	1,35,055	-15.9%	1,26,031	-9.9%	12,05,899	9,57,644	25.9%
Sales to other OEM :A:Compact	4,016	4,251	-5.5%	4,838	-17.0%	50,724	36,257	39.9%
Exports	21,796	19,738	10.4%	22,280	-2.2%	1,94,614	1,69,922	14.5%
Total sales	1,39,347	1,59,044	-12.4%	1,53,149	-9.0%	14,51,237	11,63,823	24.7%



Mahindra & Mahindra

Auto segment	Dec-22	Nov-22	% mom	Dec-21	% yoy	YTD FY 23	YTD FY 22	% yoy
Utility Vehicles	28,333	30,238	-6.3%	17,469	62.2%	2,57,849	1,48,903	73.2%
Cars+Vans	112	154	-27.3%	253	-55.7%	2,009	1,762	14.0%
Total PV	28,445	30,392	-6.4%	17,722	60.5%	2,59,858	1,50,665	72.5%
LCV(<3.5 T)	19,201	18,836	1.9%	15,354	25.1%	1,77,195	1,11,682	58.7%
LCV (>3.5T)+ MHCV	879	755	16.4%	584	50.5%	6,532	4,321	51.2%
Total CV	20,080	19,591	2.5%	15,938	26.0%	1,83,727	1,16,003	58.4%
3 wheelers	5,052	5,198	-2.8%	2,480	103.7%	40,911	19,356	111.4%
Total domestic sales	53,577	55,181	-2.9%	36,140	48.2%	4,84,496	2,86,024	69.4%
Total exports	3,100	3,122	-0.7%	3,017	2.8%	24,733	23,671	4.5%
Total sales	56,677	58,303	-2.8%	39,157	44.7%	5,09,229	3,09,695	64.4%

FES	Dec-22	Nov-22	% mom	Dec-21	% yoy	YTD FY 23	YTD FY 22	% yoy
Domestic	21,640	29,180	-25.8%	16,687	29.7%	3,03,664	2,68,868	12.9%
Exports	1,603	1,348	18.9%	1,582	1.3%	14,150	12,948	9.3%
Total FES	23,243	30,528	-23.9%	18,269	27.2%	3,17,814	2,81,816	12.8%

Ashok Leyland

	Dec-22	Nov-22	% mom	Dec-21	% yoy	YTD FY 23	YTD FY 22	% yoy
MHCV	12,262	9,474	29.4%	7,619	60.9%	83,618	41,869	99.7%
LCV	2,119	5,087	-58.3%	4,899	-56.7%	48,890	37,738	29.6%
Total	14,381	14,561	-1.2%	12,518	14.9%	1,32,508	79,607	66.5%

Tata Motors

	Dec-22	Nov-22	% mom	Dec-21	% yoy	YTD FY 23	YTD FY 22	% yoy
M&HCV	10,885	8,879	22.6%	8106	34%	82,945	54,649	52%
I & LCV	4,548	3,462	31.4%	5130	-11%	39,553	35,174	12%
Passenger Carriers	2,694	2,041	32.0%	1,380	95%	24,171	8,465	186%
SCV cargo and pick up	14,827	13,048	13.6%	16,392	-10%	1,34,503	1,13,867	18%
Total CV	32,954	27,430	20.1%	31,008	6%	2,81,172	2,12,155	33%
Total PV	40,407	46,425	-13.0%	35,462	14%	4,04,915	2,47,321	64%
Exports	995	1,623	-38.7%	3,143	-68%	16,199	24,085	-33%
Total sales	74,356	75,478	-1.5%	69,613	7%	7,02,286	4,83,561	45%

Escorts Kubota

	Dec-22	Nov-22	% mom	Dec-21	% yoy	YTD FY 23	YTD FY 22	% yoy
Domestic	4,979	7,359	-32.3%	4,080	22.0%	72,185	66,771	8.1%
Exports	594	601	-1.2%	615	-3.4%	6,340	5,562	14.0%
Total	5,573	7,960	-30.0%	4,695	18.7%	78,525	72,333	8.6%

**DISCLAIMERS AND DISCLOSURES**

LKP Sec. Ltd. (CIN-L67120MH1994PLC080039, www.lkpsec.com) and its affiliates are a full-fledged, brokerage and financing group. LKP was established in 1992 and is one of India's leading brokerage and distribution house. LKP is a corporate trading member of Bombay Stock Exchange Limited (BSE), National Stock Exchange of India Limited (NSE), MCX Stock Exchange Limited (MCX-SX). LKP along with its subsidiaries offers the most comprehensive avenues for investments and is engaged in the businesses including stock broking (Institutional and retail), merchant banking, commodity broking, depository participant, insurance broking and services rendered in connection with distribution of primary market issues and financial products like mutual funds etc.

LKP hereby declares that it has not defaulted with any stock exchange nor its activities were suspended by any stock exchange with whom it is registered in last five years. However, SEBI and Stock Exchanges have conducted the routine inspection and based on their observations have issued advice letters or levied minor penalty on LKP for certain operational deviations in ordinary/routine course of business. LKP has not been debarred from doing business by any Stock Exchange / SEBI or any other authorities; nor has its certificate of registration been cancelled by SEBI at any point of time.

LKP offers research services to clients. The analyst for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject company or companies and its or their securities, and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report.

Other disclosures by LKP and its Research Analyst under SEBI (Research Analyst) Regulations, 2014 with reference to the subject company(s) covered in this report:-

Research Analyst or his/her relative's financial interest in the subject company. (NO)

LKP or its associates may have financial interest in the subject company.

LKP or its associates and Research Analyst or his/her relative's does not have any material conflict of interest in the subject company. The research Analyst or research entity (LKP) has not been engaged in market making activity for the subject company.

LKP or its associates may have actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of Research Report.

Research Analyst or his/her relatives have actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of Research Report: (NO)

LKP or its associates may have received any compensation including for investment banking or merchant banking or brokerage services from the subject company in the past 12 months.

LKP or its associates may have received compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past 12 months.

LKP or its associates may have received any compensation or other benefits from the Subject Company or third party in connection with the research report.

Subject Company may have been client of LKP or its associates during twelve months preceding the date of distribution of the research report and LKP may have co-managed public offering of securities for the subject company in the past twelve months.

Research Analyst has served as officer, director or employee of the subject company: (NO)

LKP and/or its affiliates may seek investment banking or other business from the company or companies that are the subject of this material. Our salespeople, traders, and other professionals may provide oral or written market commentary or trading strategies to our clients that reflect opinions that are contrary to the opinions expressed herein, and our proprietary trading and investing businesses may make investment decisions that may be inconsistent with the recommendations expressed herein.

In reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest including but not limited to those stated herein. Additionally, other important information regarding our relationships with the company or companies that are the subject of this material is provided herein. This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or which would subject LKP or its group companies to any registration or licensing requirement within such jurisdiction. Specifically, this document does not constitute an offer to or solicitation to any U.S. person for the purchase or sale of any financial instrument or as an official confirmation of any transaction to any U.S. person.

Unless otherwise stated, this message should not be construed as official confirmation of any transaction. No part of this document may be distributed in Canada or used by private customers in United Kingdom.

All trademarks, service marks and logos used in this report are trademarks or registered trademarks of LKP or its Group Companies. The information contained herein is not intended for publication or distribution or circulation in any manner whatsoever and any unauthorized reading, dissemination, distribution or copying of this communication is prohibited unless otherwise expressly authorized. Please ensure that you have read "Risk Disclosure Document for Capital Market and Derivatives Segments" as prescribed by Securities and Exchange Board of India before investing in Indian Securities Market. In so far as this report includes current or historic information, it is believed to be reliable, although its accuracy and completeness cannot be guaranteed.

All material presented in this report, unless specifically indicated otherwise, is under copyright to LKP. None of the material, nor its content, nor any copy of it, may be altered in any way, transmitted to, copied or distributed to any other party, without the prior express written permission of LKP