

Auto volume to be muted except PVS

Wholesale numbers in Feb-23 are expected to be a mixed bag, strong demand for PVs, premium bikes, and scooters was offset by muted demand for entry and mid-level bikes and LCVs. Enquiries and bookings across segments are improving on back of marriage season demand and recovery in rural spending. Dealer inventory is at a normal level (PV 15-20 days, 2Ws 30-35 days).

PVs- PVs demand continues to be strong on the back of a healthy order backlog and low system inventory. Production is ramping up gradually owing to easing supply-side issues. In Maruti, demand for the newly launched Grand Vitara and Brezza is strong and the waiting period is 3-6 months. Recently launched Jimny 5-Door is getting a good response (750 units/day booking, order book of 16.5k units). For entry-level cars, demand has moderated for Models like Alto, Wagon R, S-Presso, and Celerio and these models are readily available. **We expect MSIL to dispatch ~171k units (-0.9% MoM) in Feb-23 and M&M (Automotive) to dispatch 63k units (-2.1% MoM). Tata Motors PVs to see 5.2% MoM de-growth to 45.5k units.**

2Ws- 2Ws entry-level and export demand remains subdued however recovery is expected from Q4 onwards on back of the pickup in rural demand. For Eicher-Hunter is receiving good demand (the waiting period for Metro 350 is high) due to the powerful engine, lightweight, and lower pricing strategy. This bike is attracting a large pull of youth customers. Demand for entry-level bikes is weak as customers are deferring their purchases due to financial stress, increased cost of ownership, and the absence of material discounts/incentives. For Hero, demand for less than 125cc models like Splendor, HF deluxe, and Glamour Xtec is steady. **We expect Bajaj/Hero/Eicher (RE)/TVS to dispatch ~295K/~385K/~74K/~278K units in Feb’23.**

CVs and tractors- CV demand is strong led by pre-buying due to expected price hikes from April onwards on account of BS6 Phase2 norms, however, from Q1 FY23 onwards CV demand may get impacted owing to high base, lower discounts, the ripple effect of high-interest rates in many sectors, and price increase. LCVs being a price-sensitive segment are showing signs of weakness due to higher inflation. Despite a high base and rural orientation, the tractor segment is continuously delivering healthy volumes which are likely to see a moderation in growth in FY24.

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Our take- PVs demand is strong and a high order backlog to drive volume growth in the coming quarters. Domestic 2W business is showing signs of recovery however entry-level bike demand is still in a weaker zone. In CV, although current demand was driven by pre-buying, expect it will see some moderation in growth in FY24 due to the ripple effect of high-interest rates in many sectors and cost increase due to the implementation of BS6 Phase 2.

We expect rural demand to pick up from Q4 led by pickup in government spending (ahead of 2024 elections) and strong Rabi sowing (benefitted from adequate water level in reservoirs) and strong prices of all agro products which will benefit players like Hero Moto Corp, MSIL and M&M.

Our top Large cap picks are - M&M & Maruti.

Small cap - Subros, JBM Auto

Exhibit 1: Volume Snapshot for Feb-23E

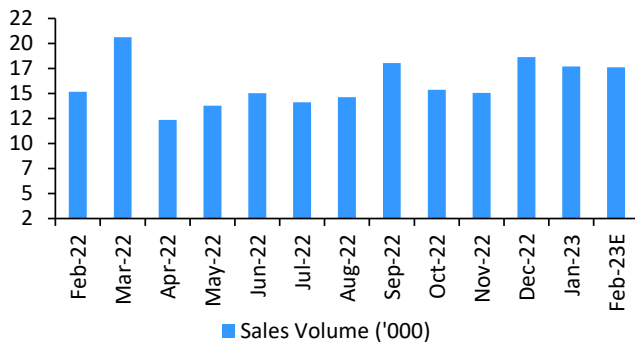
Company	Feb-23E	Feb-22A	YoY (%)	Jan-23A	MoM (%)
Two/Three Wheeler					
Bajaj Auto	2,95,000	3,16,020	(6.7)	2,85,995	3.1
Motorcycle	2,47,107	3,23,430	(23.6)	2,41,107	2.5
3 Wheeler	47,893	40,013	19.7	44,888	6.7
Eicher - RE	74,000	59,160	25.1	74,746	(1.0)
Hero MotoCorp	3,85,000	3,58,254	7.5	3,56,690	7.9
TVS Motors	2,78,405	2,81,714	(1.2)	2,75,115	1.2
Total	10,32,405	10,62,571	(2.8)	9,92,546	4.0
Four Wheeler					
Maruti Suzuki	1,71,000	1,64,056	4.2	1,72,535	(0.9)
M&M (Automotive)	63,000	54,455	15.7	64,335	(2.1)
Tata Motors	45,500	39,981	13.8	47,987	(5.2)
Total	2,79,500	2,58,492	8.1	2,84,857	(1.9)
Commercial Vehicles					
Ashok Leyland	17,100	14,657	16.7	17,200	(0.6)
Eicher - VECV	6,889	5,856	17.6	7,181	(4.1)
SML Isuzu	780	714	9.2	771	1.2
Tata Motors	32,000	33,894	(5.59)	31,694	1.0
Total	56,769	55,121	3.0	56,846	(0.1)
Tractors					
Escorts	7,000	6,114	14.5	6,649	5.3
M&M Tractors	22,400	20,437	9.6	28,926	(22.6)
Total	29,400	26,551	10.7	35,575	(17.4)

Source: Company, DART

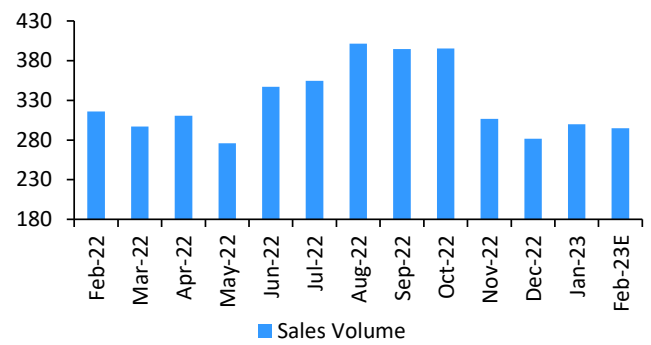
Commodity trend

Commodities	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Apr-22	May-22	June-22	July-22	Aug-22	Sept-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23
CRC (RMB/MT)	6,269	6,449	5,892	5,517	5,473	4,580	4,450	5,699	5,525	5301	4791	4520	4430	4476	4357	4518	4582	4666
% QoQ /MoM%	12.44	2.88	(8.64)	(6.36)	(0.80)	(16.31)	(2.84)	1.69	(3.05)	(4.05)	(7.76)	(5.66)	(1.99)	1.04	(2.67)	3.69	1.43	1.55
HRC India (Rs/MT)	66,900	66,667	69,000	67,647	70,600	61,498	58,167	77,300	70,500	64000	61500	62000	61000	60000	57000	57500	58084	59197
% QoQ /MoM%	3.36	(0.35)	3.50	(1.96)	4.37	(12.89)	(5.42)	11.32	(8.80)	(9.22)	(4)	0.82	(1.61)	(1.64)	(5.00)	0.88	1.02	1.92
Aluminium(\$/MT)	2,399	2,649	2,750	3,230	2,908	2,363	2,333	3,304	2,843	2661	2401	2432	2257	2250	2351	2398	2454	2443
% QoQ /MoM%	14.47	10.43	3.80	17.45	(9.97)	(18.72)	(1.28)	(5.12)	(13.96)	(6.37)	(6.79)	1.29	(7.20)	(0.31)	4.48	2.02	2.32	(2.07)
Lead (USD/MT)	2,127	2,333	2,318	2,321	2,212	1,985	2,112	2,416	2,144	2123	1,977	2,089	1,890	2,009	2,100	2,226	2,228	2,097
% QoQ /MoM%	5.77	9.67	(0.63)	0.14	(4.72)	(10.24)	6.37	3.25	(11.26)	(0.93)	(4.77)	5.67	(9.53)	6.30	4.53	6.01	0.10	(4.99)
Brent (USD/bbl)	69	73	80	98	112	99	88	105	111	120	110	98	90	92	91	81	82	83
% QoQ /MoM%	6.39	6.36	9.15	23.65	14.34	(11.70)	(11.42)	(7.94)	4.83	8.61	(8.76)	(10.91)	(8.16)	2.22	(1.01)	(11.17)	1.57	(0.12)
RSS4 (Rs/MT)	16,853	17,343	17,820	16,647	17,357	16,370	14,702	17,144	17,263	17587	17560	16547	15002	15279	14830	13997	13909	14297
% QoQ /MoM%	6.39	2.91	2.75	(6.58)	4.27	(5.69)	(10.19)	1.06	0.69	1.88	(0.58)	(5.77)	(9.34)	1.85	(2.94)	(5.62)	(0.62)	2.10
Palladium USD/Oz	2,789	2,460	1,937	2,320	2,116	2,066	1,956	2,367	2,063	1938	1954	2134	2109	2140	1921	1808	1760	1572
% QoQ /MoM%	15.97	(11.80)	(21.29)	19.80	(8.80)	(2.37)	(5.29)	(10.48)	(12.81)	(6.08)	1.93	9.21	(1.17)	1.47	(10.23)	(5.86)	(2.70)	(9.34)
Platinum \$/troy Oz	1,182	1,022	1,000	1,032	963	890	966	975	959	962	867	918	886	902	989	1006	1062	961
% QoQ /MoM%	1.84	(13.53)	(2.18)	3.21	(6.70)	(7.52)	8.48	(7.94)	(1.65)	0.42	(9.21)	5.88	(3.49)	1.81	9.65	1.76	5.54	(8.74)
Copper USD/MT	9,702	9,393	9,699	9,980	9,610	7,769	8,021	10,282	9,473	9075	7504	7977	7825	7641	8050	8371	8914	8969
% QoQ /MoM%	14.12	(3.19)	3.26	2.91	(3.71)	(19.16)	3.24	0.99	(7.86)	(4.20)	(17.30)	6.30	(1.91)	(2.35)	5.35	3.99	6.48	(0.43)

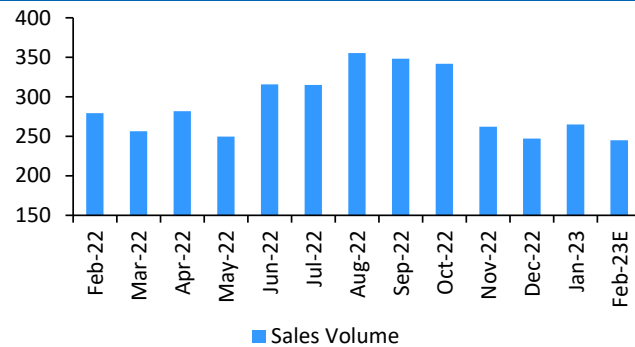
Source: Company, DART, Bloomberg

Exhibit 2: Ashok Leyland


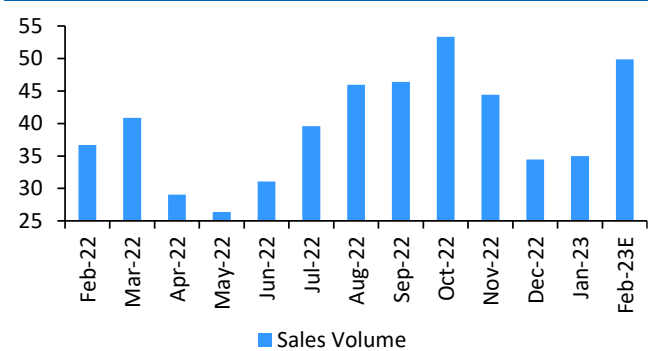
Source: Company, DART

Exhibit 3: Bajaj – Overall


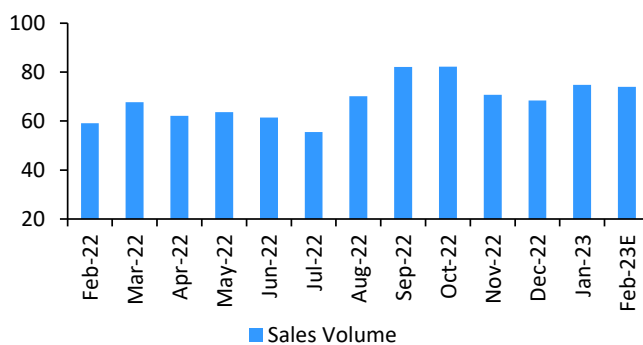
Source: Company, DART

Exhibit 4: Bajaj- Motorcycle


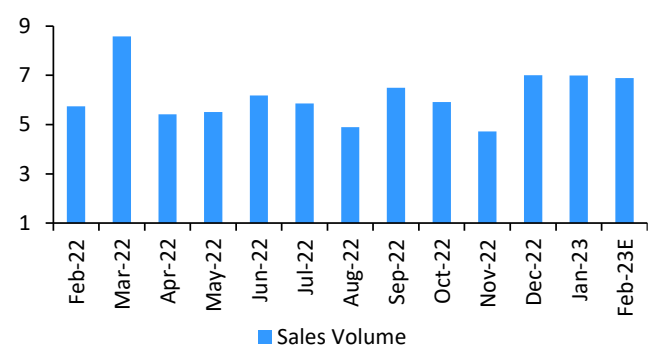
Source: Company, DART

Exhibit 5: Bajaj – CV


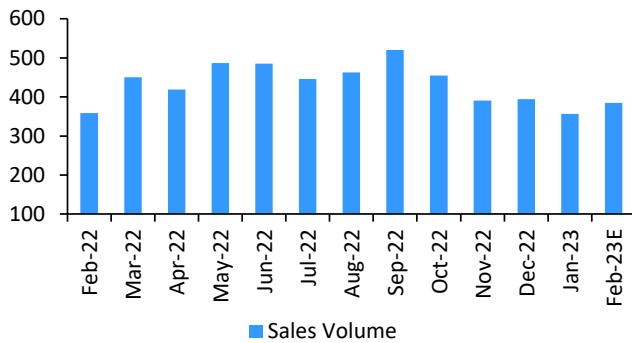
Source: Company, DART

Exhibit 6: Eicher – RE


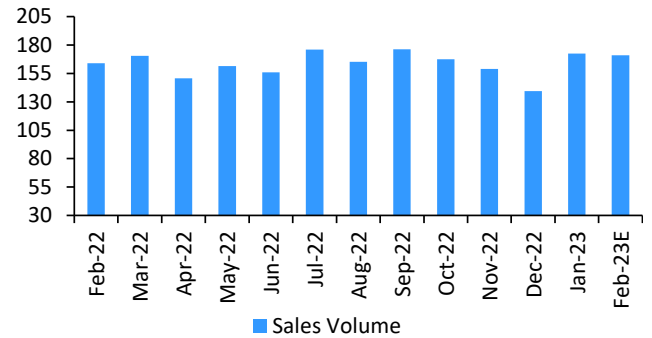
Source: Company, DART

Exhibit 7: Eicher – VECV


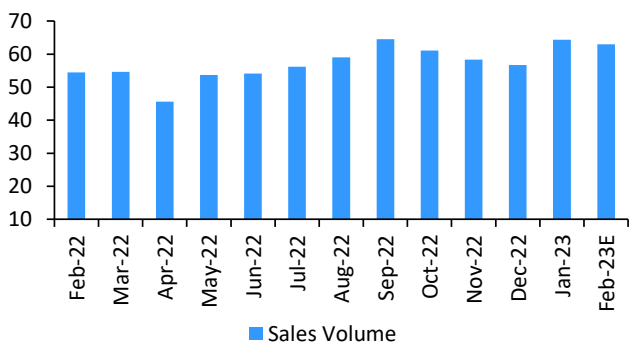
Source: Company, DART

Exhibit 8: Hero MotoCorp


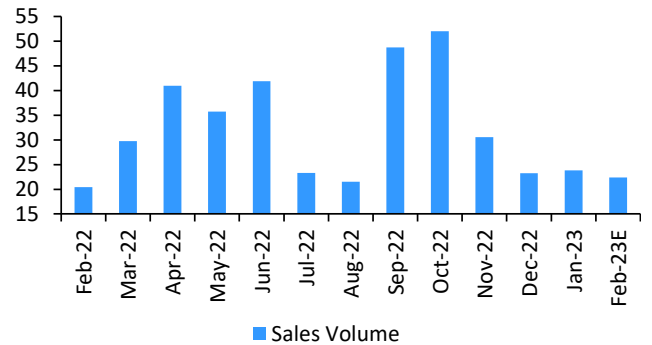
Source: Company, DART

Exhibit 9: Maruti Suzuki


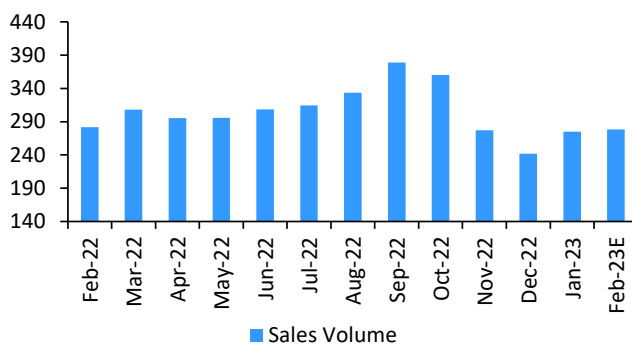
Source: Company, DART

Exhibit 10: M&M Auto


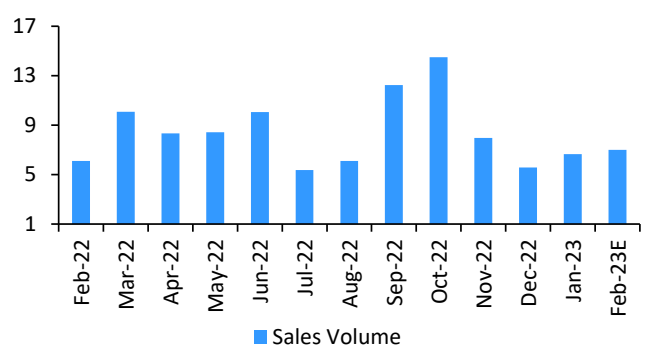
Source: Company, DART

Exhibit 11: M&M Tractors


Source: Company, DART

Exhibit 12: TVS Motors


Source: Company, DART

Exhibit 13: Escorts


Source: Company, DART

Valuation Matrix



Auto OEMs	Mcap	CMP	TP	Upside	Rating	Adj EPS (Rs/sh)				P/E (X)				EV/EBITDA (X)				ROE (%)			
	(Rs Bn)	(Rs)	(Rs)	(%)		FY22	FY23E	FY24E	FY25E	FY22	FY23E	FY24E	FY25E	FY22	FY23E	FY24E	FY25E	FY22	FY23E	FY24E	FY25E
Ashok Leyland	419	143	185	29	Buy	1.9	3.8	6.3	8.1	77.4	37.5	22.8	17.8	43.4	17.6	12.1	9.3	6.3	12.9	20.8	26.0
Bajaj Auto	1113	3,847	4,355	13	Buy	162.5	194.4	213.9	229.7	23.7	19.8	18.0	16.7	40.8	32.8	29.7	27.7	18.1	21.3	23.5	23.7
Eicher Motors	888	3,255	3,362	3	Reduce	61.4	99.2	125.9	147.9	53.0	32.8	25.8	22.0	87.4	54.9	44.9	39.9	16.3	19.0	20.9	22.3
Escorts	256	2,090	2,193	5	Accumulate	69.3	64.0	82.9	97.9	30.2	32.7	25.2	21.4	50.5	62.2	48.1	42.0	11.5	8.7	10.6	11.5
Hero MotoCorp	499	2,500	2,985	19	Accumulate	123.8	148.8	181.0	206.0	20.2	16.8	13.8	12.1	13.0	10.6	8.7	7.5	16.0	18.4	21.0	22.0
M&M	1579	1,331	1,646	24	Buy	40.8	54.9	69.7	83.2	32.6	24.2	19.1	16.0	22.9	15.7	12.5	10.5	13.7	16.4	18.2	18.6
Maruti Suzuki	2617	8,663	10,150	17	Buy	124.7	248.5	329.0	406.0	69.5	34.9	26.3	21.3	38.4	20.1	14.5	11.3	7.1	13.3	15.9	17.5
SML ISUZU	10	699	636	-9	Sell	(98.5)	(20.7)	24.2	37.7	(7.1)	(33.8)	28.9	18.6	(15.6)	40.1	11.2	8.8	(68.4)	(20.7)	24.4	29.7
TVS Motor	528	1,112	1,113	0	Accumulate	18.8	29.5	38.8	47.2	59.1	37.7	28.7	23.6	27.7	20.5	16.1	13.2	19.9	26.4	28.7	28.8
Auto Ancillary																					
Amara Raja	97	567	644	14	Accumulate	30.0	40.8	45.0	47.5	18.9	13.9	12.6	11.9	9.5	7.2	6.5	5.8	11.7	14.5	14.5	14.9
Apollo Tyres	188	329	349	6	Reduce	10.1	14.0	17.6	20.5	32.4	23.4	18.7	16.0	9.4	7.7	6.7	5.9	5.6	7.4	8.9	9.8
Asahi India	119	490	546	11	Accumulate	14.1	16.1	18.3	21.8	34.8	30.5	26.8	22.5	17.1	15.6	14.4	12.3	21.4	20.2	19.4	19.6
Balkrishna Ind	398	2,058	2,227	8	Accumulate	73.0	64.5	83.3	92.8	28.2	31.9	24.7	22.2	40.2	45.8	35.0	31.2	17.1	12.6	15.8	16.2
Bharat Forge	390	838	891	6	Reduce	21.2	17.6	27.0	31.3	39.4	47.5	31.0	26.8	21.8	23.9	17.9	15.1	16.3	11.9	16.3	16.6
CEAT	60	1,476	1,539	4	Reduce	20.8	39.3	87.5	102.6	71.0	37.5	16.9	14.4	17.1	14.3	10.3	9.3	2.6	4.8	10.2	11.3
Exide Ind*	147	173	-	-	UR	9.0	10.1	12.0	12.7	19.3	17.1	14.5	13.6	20.4	17.5	15.1	14.1	6.2	6.2	6.8	6.6
Jamna Auto	40	100	106	6	Sell	3.5	3.9	4.4	5.1	28.4	26.1	22.7	19.8	18.4	16.1	14.1	12.3	22.3	21.3	21.6	21.3
JBM Auto	66	562	643	14	Buy	13.2	11.6	21.6	29.7	42.6	48.3	26.0	18.9	23.3	18.4	13.0	10.4	19.0	14.3	22.3	24.5
Lumax Auto	18	269	294	9	Buy	10.2	14.9	17.9	19.3	26.2	18.1	15.0	13.9	12.6	9.4	7.7	6.4	13.0	17.5	18.4	17.3
Lumax Ind	15	1,646	2,355	43	Buy	56.4	110.5	138.5	155.3	29.2	14.9	11.9	10.6	14.3	8.7	7.1	6.6	10.5	20.2	20.3	20.5
Minda Corp	45	197	291	48	Buy	6.7	9.2	12.6	14.4	29.5	21.5	15.6	13.6	15.8	10.0	7.7	6.4	12.0	14.0	16.0	15.3
RK Forging	42	266	272	2	Reduce	12.9	14.1	14.5	17.0	20.5	18.8	18.3	15.7	11.0	8.9	8.8	7.8	9.0	7.8	8.0	8.6
Sandhar tech	14	226	372	65	Buy	9.3	10.6	22.0	26.2	24.3	21.3	10.3	8.6	13.5	11.4	8.1	7.3	8.3	7.8	13.7	14.1
Sterling Tools	12	330	430	31	Accumulate	7.1	14.5	19.8	26.9	46.5	22.7	16.7	12.3	19.1	11.1	8.8	6.7	7.6	13.8	16.6	19.4
Subros	19	287	386	34	Buy	5.0	6.4	16.8	19.3	57.4	44.7	17.1	14.9	26.8	24.1	14.6	12.9	4.0	5.0	12.3	13.0
Suprajit Eng	48	350	370	6	Buy	12.5	11.8	16.6	20.4	28.0	29.6	21.1	17.2	19.1	17.6	12.2	10.7	16.7	14.4	17.0	24.0
Varroc Eng.	39	258	352	37	Buy	(5.3)	3.7	14.4	18.5	(48.4)	69.3	17.9	13.9	15.2	9.8	7.5	6.4	(3.2)	4.0	22.9	23.4
NRB Bearings	14	143			Not Rated	6.4	9.6	11.7	13.1	22.5	14.9	12.2	11.0	12.3	9.1	7.7	6.6	11.5	15.7	17.1	16.4
GNA Axles	20	918	670	-27	Buy	41.4	45.2	45.9	53.8	22.2	20.3	20.0	17.1	12.0	10.7	10.1	8.9	16.0	15.2	13.7	14.5
Craftsman Auto	71	3,363	3,701	10	Accumulate	77.2	109.9	151.0	185.0	43.6	30.6	22.3	18.2	26.5	21.3	18.2	16.0	15.5	18.6	21.2	21.2
MM Forgings	21	863	957	11	Buy	44.8	53.3	57.2	68.1	19.3	16.2	15.1	12.7	12.8	9.8	9.0	7.7	20.6	20.9	19.0	19.2
SSWL	24	152	255	68	Buy	13.2	14.0	18.2	21.3	11.5	10.9	8.3	7.2	2.3	6.3	4.9	4.0	24.2	20.5	21.7	20.5

Source: DART, *UR: Under Review

DART RATING MATRIX

Total Return Expectation (12 Months)

Buy	> 20%
Accumulate	10 to 20%
Reduce	0 to 10%
Sell	< 0%

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