

Automobile Sector

Institutional Equity Research

Monthly Quick View - Feb'23 | 13 March 2023

Steady YoY Growth Continues

As per the Society of Indian Automobile Manufacturers (SIAM), domestic auto sales volume (excluding CVs) grew ~10% YoY (down 4% MoM) to 14,72,078 units in Feb'23. Notably, all segments of the automobile industry witnessed a decent performance in domestic market, supported by healthy urban sales. However, exports continue to remain laggards. Traditionally industry witnesses MoM decline due to lower number of days, however industry witnessed MoM growth this time in few segments like 3Ws, Cars and Scooters. In PV segment semiconductor supply impacted production to some extent. On the other hand, 3W segments recorded healthy double-digit growth of >80% YoY. Despite improvement, overall demand level remained below pre Covid level for 2Ws. The wholesale volume was broadly in line with the retail. We expect volume improvement to continue gradually as nearly normal monsoon and higher water reservoir would support Rabi cropping and rural recovery in coming months. Industry would witness healthy pick up in 1HFY24 with likely healthy agri output and cool off in inflation, turning customer sentiment positive. EV penetration should improve further in 2023.

PV Segment: Overall, PV volume grew by 11% YoY (down 2% MoM) to 2,91,928 units due to better semiconductor supply on YoY basis, new launches and inventory re-stocking ahead of upcoming Navratra in Mar'23. UVs sales grew by 15% YoY (down 7% MoM), led by a higher production of new models by key OEMs. While MPV volume grew by 24% YoY (down 3% MoM), PC sales increased by 7% YoY (up 4% MoM) in Feb'23. Due to supply mis match and high demand, waiting period for most products still remain high.

Scooter & Motorcycle Segment: Scooter sales grew by 10% YoY (up 4% MoM), motorcycle sales grew by 7% YoY (down 9% MoM). Overall, domestic 2W volume grew by 8% YoY (down 5% MoM). Moped sales decreased by 1% YoY (down 4% MoM). Further, 2W production was 1% lower than the sales in Feb'23. Overall, two-wheeler sales improved marginally due to bit of rural recovery and decent urban sales.

3W Segment: Domestic 3W sales increased by strong 86% YoY (up 3% MoM) to 50,382 units on a low base. 3W passenger carriers' sales volume grew by 114% YoY (up 5% MoM), while 3W goods carriers' sales volume grew by 16% YoY (up 4% MoM) in Feb'23.

CV Segment: SIAM has stopped reporting the monthly CV volume performance since the beginning of FY21 due to unavailability of monthly CV volume data of select OEMs, and hence reports a quarterly volume performance. Thus, we analyse the data on a quarterly basis.

Exports: Overall, exports declined by 35% YoY (up 1% MoM) to 3,01,561 units in Feb'23. PV exports declined by 9% YoY (down 16% MoM), while 3W exports decreased by 45% YoY (down 15% MoM). Motorcycle exports decreased by 42% YoY (up 6% MoM) in Feb'23. Higher inflationary pressure, weakening demand, currency devaluation in few countries and issue of availability of currency (USD) impacted exports sales, it is expected to improve in 2HFY24.

Inventory: In the PV segment, inventory remained flat at the company level, as production was similar to the sales volume. In the 2W segment, inventory decreased at the company level, as production was 1% lower than the sales volume.

Our View: We expect gradual recovery to continue with likely rural recovery due to higher water reservoir level and likely healthy Rabi output. We have seen impact of a slower recovery and cost inflation on auto makers' profitability in 3QFY23, while there would be sequential improvement in coming quarters due to lag effect of lower commodity cost benefit and lower energy cost. We believe that gradual price hike, volume recovery and softening commodity prices would improve operating margins in 4QFY23 on QoQ basis. We expect the 3Ws and M&HCV segment to witness a strong double-digit volume growth in FY23E. We believe the long-term fundamentals continue to remain intact for the automobile sector. We remain constructive on tyre sector amid falling raw material prices and likely healthy margins ahead. Therefore, we prefer Ceat and Ashok Leyland within our Auto and Ancillary coverage.

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Exhibit 1: Auto Sales - Domestic

Domestic	Feb'23	Feb'22	YoY (%)	Jan'23	MoM (%)	YTD23	YTD22	YoY (%)
Passenger Cars	1,42,201	1,33,572	6.5	1,36,931	3.8	15,78,963	12,90,030	22.4
Utility Vehicles	1,38,238	1,20,122	15.1	1,49,328	(7.4)	17,57,160	12,73,090	38.0
Vans	11,489	9,290	23.7	11,834	(2.9)	1,25,593	1,02,989	21.9
Passenger Vehicles	2,91,928	2,62,984	11.0	2,98,093	(2.1)	34,61,716	26,66,109	29.8
Passenger Carrier	38,777	18,144	113.7	37,061	4.6	3,20,963	1,51,587	111.7
Goods Carrier	8,711	7,535	15.6	8,346	4.4	86,679	67,273	28.8
E-Rickshaw	2,615	1,249	109.4	3,188	(18.0)	23,936	9,298	157.4
E-Cart	279	146	91.1	308	(9.4)	2,830	1,092	159.2
Three Wheelers	50,382	27,074	86.1	48,903	3.0	4,34,408	2,29,250	89.5
Scooters	3,91,054	3,56,222	9.8	3,76,035	4.0	47,52,401	37,37,975	27.1
Motorcycles	7,03,261	6,58,009	6.9	7,71,621	(8.9)	94,14,380	81,97,707	14.8
Mopeds	35,346	35,848	(1.4)	36,723	(3.7)	4,04,753	4,35,501	(7.1)
Two wheelers	11,29,661	10,50,079	7.6	11,84,379	(4.6)	1,45,71,534	1,23,71,183	17.8
Quadricycle	107	10	970.0	72	48.6	620	75	726.7
Grand Total	14,72,078	13,40,147	9.8	15,31,447	(3.9)	1,84,68,278	1,52,66,617	21.0

Source: SIAM

Exhibit 2: Auto Sales - Export

Export	Feb'23	Feb'22	YoY (%)	Jan'23	MoM (%)	YTD23	YTD22	YoY (%)
Passenger Cars	25,207	33,515	(24.8)	31,002	(18.7)	3,72,498	3,34,450	11.4
Utility Vehicles	21,139	17,623	20.0	24,527	(13.8)	2,20,119	1,79,795	22.4
Vans	140	75	86.7	22	536.4	457	1,746	(73.8)
Passenger Vehicles	46,486	51,213	(9.2)	55,551	(16.3)	5,93,074	5,15,991	14.9
Passenger Carrier	19,386	34,820	(44.3)	22,995	(15.7)	3,41,819	4,51,318	(24.3)
Goods Carrier	254	1,177	(78.4)	85	198.8	4,396	9,877	(55.5)
Three Wheelers	19,640	35,997	(45.4)	23,080	(14.9)	3,46,215	4,61,195	(24.9)
Scooters	33,378	24,830	34.4	30,256	10.3	3,74,014	3,28,601	13.8
Motorcycles	2,01,097	3,49,221	(42.4)	1,89,439	6.2	30,29,006	37,53,043	(19.3)
Mopeds	612	1,638	(62.6)	408	50.0	3,528	10,246	(65.6)
Two wheelers	2,35,087	3,75,689	(37.4)	2,20,103	6.8	34,06,548	40,91,890	(16.7)
Quadricycle	348	126	176.2	306	13.7	1,854	4,314	(57.0)
Grand Total	3,01,561	4,63,025	(34.9)	2,99,040	0.8	43,47,691	50,73,390	(14.3)

Source: SIAM

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