

Silver lining for two-wheelers, investors should be cautious

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The auto industry sees the festive season as critical and this year, it seems two-wheelers and tractors will lead the way.

At the wholesale level, two-wheelers have seen double-digit growth in anticipation of the festive season. This is despite an apparently weak start. However, Bajaj Auto, TVS Motor, Hero MotoCorp, and Royal Enfield wholesales have all exceeded expectations as original equipment manufacturers (OEMs) anticipate a pickup in October 2024.

The two-wheeler numbers will need to be monitored closely since low momentum would trigger downgrades for stocks that have moved up in anticipation of outperformance.

Also, dispatches would crash if expectations are not met since

there has been a big inventory buildup in anticipation.

Wholesale dispatches for Bajaj, TVS, Hero MotoCorp, and Royal Enfield grew 22 per cent, 22 per cent, 19 per cent and 11 per cent year-on-year (Y-o-Y), respectively to 400,500, 471,800, 637,000 and 87,000 units.

Export dispatches for Bajaj and TVS grew 13 per cent and 11 per cent Y-o-Y, respectively due to a rebound in Africa. Hero MotoCorp has indicated positive sentiment as the festive season started and crafted festive offers.

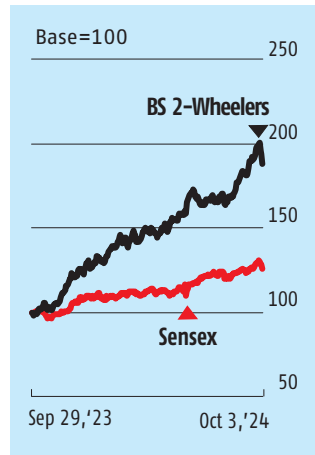
In other auto segments, PVs are slightly lower on easing of demand, and high dealer stocks. CV volumes have slipped due to the slow pickup in infrastructure/capex and heavy rains.

But tractor volumes are up, along with strong management commentaries. These two segments, tractors, and two-

wheelers are outstripping others. Both should see volume growth in double digits in H2FY25.

For Hero MotoCorp (HMCL), volumes grew 19 per cent Y-o-Y to 637,050 units, above Street estimates of 590,000. Domestic volumes grew 19 per cent and exports, 22 per cent. But registration (vahan) volumes were reported at 251,356 vs 616,706 wholesales.

For Bajaj Auto, volumes grew 20 per cent Y-o-Y to 469,531 units, above consensus estimates of 433,000 due to better-than-expected domestic and export two-wheeler volumes. Domestic grew 23 per cent. Within domestic, two-wheelers grew 28 per cent and three-wheelers 4 per cent. Exports grew 13 per cent. Within exports, two-wheelers grew 13 per cent and three-wheelers 16 per cent. The registration volumes were



reported at 169,363 units against wholesales of 311,887.

Bajaj Auto has positive commentary across domestic and exports with the African market recovering, with Nigeria at 25,000 in September compa-

red with 20,000 in August. The upcoming season from October to December 2024 would be good. Going ahead, volumes are expected to improve by 10 per cent month-on-month with domestic industry growth at 6-8 per cent expected in October 2024. Green energy (EV+Yulu+E3W+CNG) combined contributed 40 per cent to domestic revenues in September 2024. The above 125cc motorcycle industry is outperforming. The EV volume momentum is expected to continue and Bajaj hopes to be a leader in this segment by FY25 end. The company is close to leadership in e3W also.

TVS Motor has seen volumes grow 20 per cent Y-o-Y to 482,495 units, above the estimated 440,000. Domestic units grew 23 per cent. Within domestic, two-wheelers grew 23 per cent, three-wheelers 33 per cent. The iQube

volumes grew 42 per cent to 28,901 units. TVS' exports grew 11 per cent. Within exports, two-wheelers grew 19 per cent, but three-wheelers fell 40 per cent. Registration volumes were reported at 212,211 units vs 371,488 wholesales.

For Eicher Motors, Royal Enfield (RE) volumes grew 11 per cent Y-o-Y to 86,978 units, above the estimated 83,000. Domestic grew 7 per cent, exports 77 per cent. In CVs, volumes grew 6 per cent to 7,609 while domestic grew 2 per cent, exports 90 per cent and Volvo 23 per cent. Registration volumes for Royal Enfield were at 54,021 vs 79,326 wholesales and for VECV 5,991 vs 6,847 wholesales. The positive sentiment is encouraging but investors should track sales data with care since there's high inventory. A slowdown could lead to a sharp correction.