

Automobile

PV and CV better off in December 2021

Summary

In December 21, Overall Indian Auto industry struggled to recover from sluggishness. The Passenger Vehicle (PV) segment reported volume drop primarily owing to semiconductor shortages although demand remains robust. The Domestic 2W market continues to display weakness due to subdued demand. The CV segment reported volume recovery primarily due to lower base, higher Infra spending and increased freight movement across India while the Tractor segment performance affected due to cyclical downturn. Our top picks in the sector are MSIL and SonaComs. MSIL is well positioned to address turnaround in Indian PV market while SonaComs exposure to EV segment to add to its growth.

Key highlights:

- PV segment:** The industry PV Sales in December – 21 showed improvement on MoM basis. Despite the chip shortages supply constrains in last few months, the demand for PV remains intact. Going forward we expect gradually recovery in the segment.
- 2W segment:** The industry 2W Sales in December-21 remained sluggish on MoM and YoY basis. The weak demand in Rural and Urban India and higher fuel prices dented the performance. The volume recovery is expected only in FY23.
- CV segment:** The industry CV Sales in December -21 showed improvement on YoY and MoM basis. The growth in the segment was primarily due to opening of economy, revival in freight movement and pick up in construction activities. We expect volume recovery to sustain in upcoming months.
- Tractor segment:** The industry Tractor Sales declined in December-21 on YoY and MoM basis. The volume decline was on account of cyclical nature of business and higher base. We expect single digit volume growth for the segment in FY22.

Monthly Sales volume summary (Domestic + Exports)

Company	Dec-21	Dec-20	YoY (%)	Nov-21	MoM (%)
2W					
Hero MotoCorp	3,94,773	4,47,335	(11.8)	3,49,393	13.0
Bajaj Auto	3,18,769	3,38,584	(5.9)	3,38,473	(5.8)
TVS Motor	2,35,392	2,58,239	(8.8)	2,57,863	(8.7)
RE	73,739	68,995	6.9	51,654	42.8
PV					
MSIL	1,53,149	1,60,226	(4.4)	1,39,184	10.0
Hyundai India	48,933	66,750	(26.7)	46,910	4.3
Tata Motors (D)	35,299	21,641	63.1	33,925	4.1
MM (D)	17,722	16,182	9.5	19,458	(8.9)
Toyota (D)	10,832	7,487	44.7	13,003	(16.7)
CV					
Tata Motors	34,151	27,982	22.0	33,674	1.4
AL	12,518	12,760	(1.9)	10,480	19.4
VECV	6,154	4,892	25.8	4,085	50.6
Tractors					
MM	18,269	22,417	(18.5)	27,681	(34.0)
Escorts	4,695	7,733	(39.3)	7,116	(34.0)

Source: Company

Exhibit 1: Valuation Snapshot

Companies	Mkt Cap (Rs bn)	CMP (Rs)	TP (Rs)	Upside (%)	Reco	EPS (Rs)		BVPS (Rs)		PER (x)		P/B (x)		EV/EBITDA (x)		RoE(%)		RoCE (%)	
						FY23E	FY24E	FY23E	FY24E	FY23E	FY24E	FY23E	FY24E	FY23E	FY24E	FY23E	FY24E	FY23E	FY24E
OEM's																			
ASHOK LEYLAND	374.1	127	160	26.0	HOLD	4.0	6.2	27	31	40.1	24.6	4.4	4.8	15.0	13.0	15.4	21.0	15.8	18.7
BAJAJ AUTO	951.8	3289	4,124	25.4	HOLD	200.7	223.8	984	1051	20.5	18.4	3.3	3.1	16.5	14.4	21.0	22.0	21.7	22.7
EICHER MOTORS	739.3	2704	2,926	8.2	HOLD	85.3	107.4	527	604	34.3	27.3	4.9	4.2	20.6	16.0	17.2	19.0	18.5	20.6
HERO MOTOCORP	496.3	2484	3,127	25.9	BUY	199.3	225.4	909	1014	15.7	13.9	2.7	2.4	9.6	8.2	23.1	23.4	26.5	26.8
MARUTI SUZUKI INDIA	2304.1	7628	10,405	36.4	BUY	285.9	346.8	1991	2226	36.4	30.0	3.7	3.3	17.0	13.2	15.1	16.4	14.8	17.1
TVS Motor Co.	299.6	631	674	6.8	BUY	26.1	31.6	121	145	25.8	21.3	5.1	4.3	11.6	9.9	23.5	23.8	25.9	27.5
Auto Anc.																			
GNA Axles	15.7	736	929	26.2	HOLD	40.7	42.0	308	344	22.8	22.1	2.2	2.0	11.1	10.2	14.0	12.9	15.5	14.8
Jamna Auto Industries	40.7	102	115	12.7	HOLD	3.4	4.1	18	21	33.8	28.1	5.6	4.8	17.6	14.6	19.6	20.6	26.5	28.0
Lumax Auto Tech.	11.2	165	166	0.6	HOLD	15.1	18.4	102	119	11.0	7.9	1.6	1.2	5.5	4.6	15.9	298.9	15.5	253.1
Subros	24.1	370	382	3.2	HOLD	12.9	17.4	138	154	29.7	22.0	2.7	2.4	9.1	6.7	9.7	11.9	12.9	16.3
Sona BLW Precisions Forging	440.5	754	669	-11.3	HOLD	9.4	11.8	43	55	70.8	56.6	16.4	12.9	(0.1)	(0.5)	24.5	24.0	30.8	30.2

Source: Company; IDBI Capital Research

Exhibit 2: Auto monthly Sales volumes (Domestic + Exports)

Company	Dec-21	Dec-20	YoY (%)	Nov-21	MoM (%)	FY22YTD	FY21YTD	YTD (%)
2W								
Hero MotoCorp	3,94,773	4,47,335	(11.8)	3,49,393	13.0	37,55,248	42,23,383	(11.1)
Bajaj Auto	3,18,769	3,38,584	(5.9)	3,38,473	(5.8)	29,77,765	25,58,261	16.4
TVS Motor	2,35,392	2,58,239	(8.8)	2,57,863	(8.7)	23,35,811	20,41,653	14.4
RE	73,739	68,995	6.9	51,654	42.8	4,16,593	4,07,456	2.2
PV								
MSIL	1,53,149	1,60,226	(4.4)	1,39,184	10.0	11,63,823	9,65,463	20.5
Hyundai India	48,933	66,750	(26.7)	46,910	4.3	4,54,305	3,88,010	17.1
Tata Motors (D)	35,299	21,641	63.1	33,925	4.1	1,73,510	1,13,826	52.4
MM (D)	17,722	16,182	9.5	19,458	(8.9)	1,50,665	1,04,491	44.2
Toyota (D)	10,832	7,487	44.7	13,003	(16.7)	90,566	52,927	71.1
CV								
Tata Motors	34,151	27,982	22.0	33,674	1.4	3,11,616	1,79,726	73.4
AL	12,518	12,760	(1.9)	10,480	19.4	79,607	56,667	40.5
VECV	6,154	4,892	25.8	4,085	50.6	36,984	23,098	60.1
Tractors								
MM	18,269	22,417	(18.5)	27,681	(34.0)	2,81,816	2,60,604	8.1
Escorts	4,695	7,733	(39.3)	7,116	(34.0)	72,333	74,153	(2.5)

Source: Company

Maruti Suzuki: Semi-Conductor supply affects production

- MSIL Mini segment de-grew by 35% YoY and 7% MoM to 16.3k. The Compact sales decreased by 10.7% YoY and grew 21.6% MoM to 69.3k units. The Utility Vehicles sales grew by 5% YoY and grew 9.8% MoM to 26.9k units. The Domestic sales decreased by 14% YoY to 126k units. The total domestic YTD sales grew by 8.4% to 957.6k units.
- The total sales were impacted primarily due to semiconductor shortage, which is likely to remain for the next 2-3 quarters, while the recovery is seen on MoM basis.

Exhibit 3: MSIL sales volume

Segment	Dec-21	Dec-20	YoY (%)	Nov-21	MoM (%)	FY22YTD	FY21YTD	YTD (%)
A2: Mini (Alto, WagonR)	16,320	24,927	(34.5)	17,473	(6.6)	1,57,946	1,52,394	3.6
A2: Compact (Swift, Ritz, Celerio, Dzire, Baleno, Ignis)	69,345	77,641	(10.7)	57,019	21.6	4,73,300	4,79,994	(1.4)
A3: Mid-Size (Ciaz)	1,204	1,270	(5.2)	1,089	10.6	10,457	9,367	11.6
Total PC	86,869	1,03,838	(16.3)	75,581	14.9	6,41,703	6,41,755	(0.0)
B: Uvs (Gypsy, Ertiga, S-Cross, Vitara Brezza)	26,982	25,701	5.0	24,574	9.8	2,13,716	1,52,156	40.5
C: Vans (Omni, Eeco)	9,165	11,215	(18.3)	9,571	(4.2)	79,406	69,963	13.5
LCV: Super Larry	3,015	5,726	(47.3)	3,291	(8.4)	22,819	19,754	15.5
Total Domestic sales	1,26,031	1,46,480	(14.0)	1,13,017	11.5	9,57,644	8,83,628	8.4
Exports	22,280	9,938	124.2	21,393	4.1	1,69,922	60,611	180.3
Sales to other OEM	4,838	3,808	27.0	4,774	1.3	36,257	21,224	70.8
Total sales	1,53,149	1,60,226	(4.4)	1,39,184	10.0	11,63,823	9,65,463	20.5

Source: Company

Exhibit 4: Mini + Compact sales trend

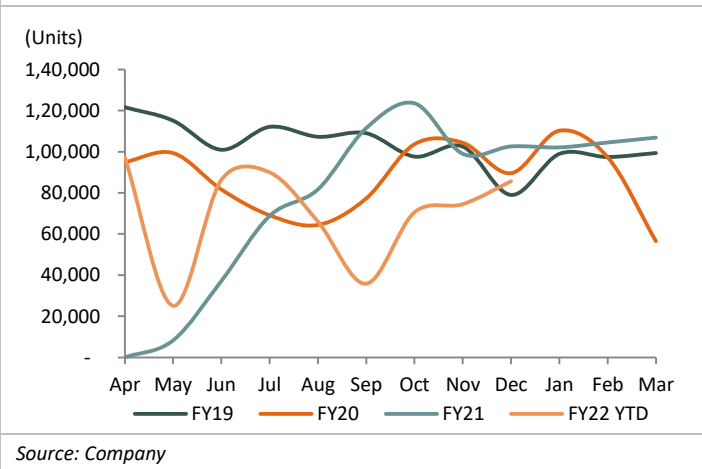


Exhibit 5: Domestic UVs sales trend

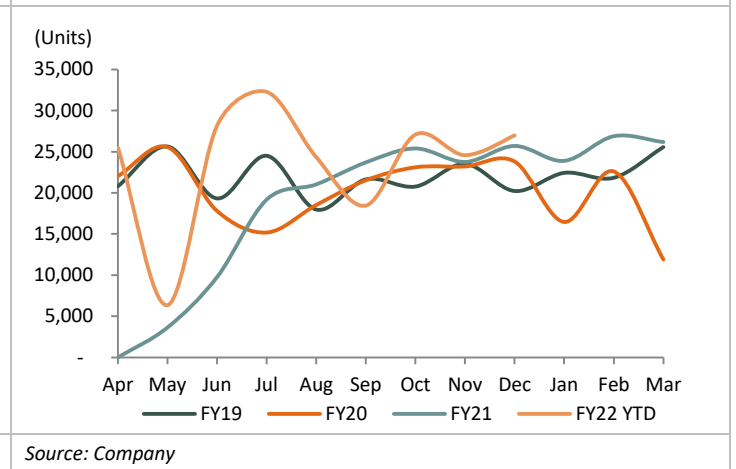


Exhibit 6: Domestic PC sales trend

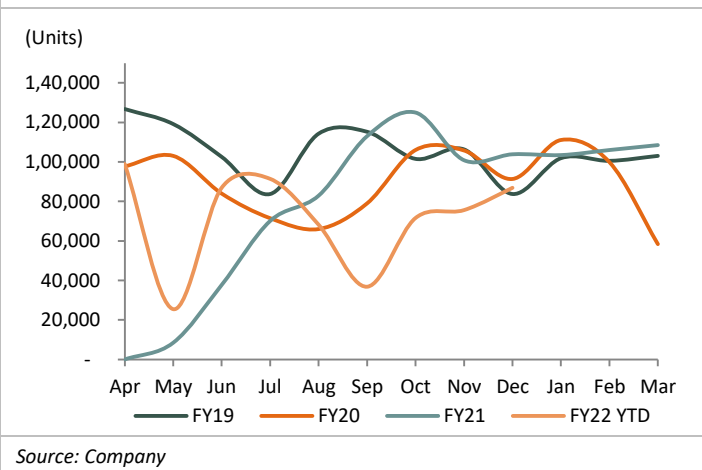
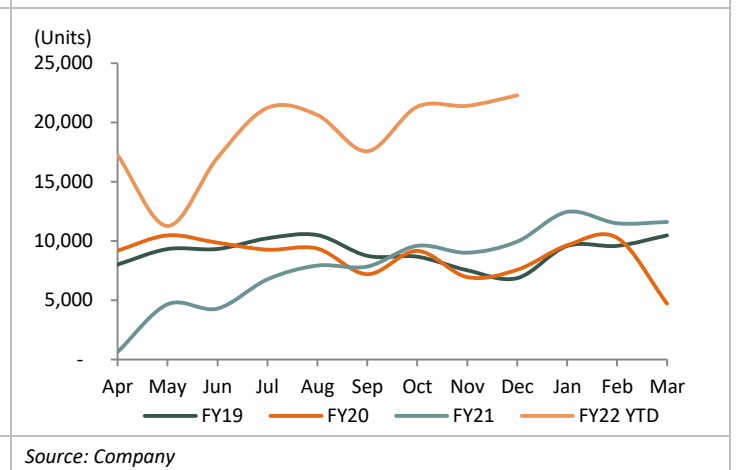


Exhibit 7: Export sales trend



Mahindra & Mahindra (M&M): Growth in UV; Tractor Disappoints

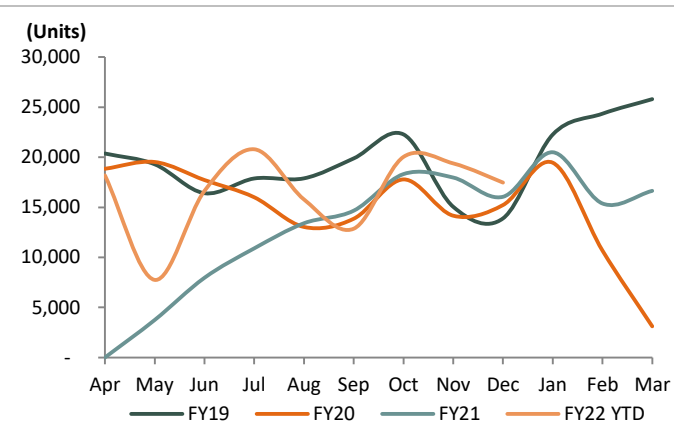
- M&M UV sales increased by 10% YoY and decreased 9% MoM to 17.7k units. YTD sales increased by 44% to 150.6k units. The CV sales increased by 14% YoY to 15.9k units. YTD sales decreased by 1% to 116k units. The overall Auto division domestic sales increased by 11.1% YoY to 39.1k units. YTD sales increased by 23.2% to 286k units. The Company sales were primarily impacted due to global semiconductors shortage. However, it has good order book for its Thar, XUV 700, Bolero Neo and Bolero Pick-up models. The Company has revealed that its most-awaited XUV700 getting good response from customers.
- The Domestic FES decreased sales by 21% YoY and 36% MoM to 16.6K units. YTD sales were up 6% to 268.9k units. The higher base and uneven monsoon affected the performance of the division.

Exhibit 8: M&M sales volume

Segment	Dec-21	Dec-20	YoY (%)	Nov-21	MoM (%)	FY22YTD	FY21YTD	YTD (%)
Passenger Vehicles	17,722	16,182	9.5	19,458	(8.9)	1,50,665	1,04,491	44.2
Utility Vehicles	17,469	16,050	8.8	19,384	(9.9)	1,48,903	1,03,009	44.6
Cars + Vans	253	132	91.7	74	241.9	1,762	1,482	18.9
Commercial Vehicles	15,938	14,000	13.8	14,979	6.4	1,16,003	1,16,870	(0.7)
LCV < 3.5T	15,354	13,389	14.7	14,458	6.2	1,11,682	1,14,107	(2.1)
LCV > 3.5T+M&HCV	584	541	7.9	521	12.1	4,321	2,346	84.2
3W	2,480	2,865	(13.4)	2,564	(3.3)	19,356	10,866	78.1
Total Domestic	36,140	33,047	9.4	37,001	(2.3)	2,86,024	2,32,227	23.2
Export	3,017	2,210	36.5	3,101	(2.7)	23,671	12,142	95.0
Total Auto Sales	39,157	35,257	11.1	40,102	(2.4)	3,09,695	2,44,369	26.7
Farm Equipment Segment (FES)								
Domestic	16,687	21,173	(21.2)	26,094	(36.1)	2,68,868	2,53,284	6.2
Exports	1,582	1,244	27.2	1,587	(0.3)	12,948	7,320	76.9
Total FES	18,269	22,417	(18.5)	27,681	(34.0)	2,81,816	2,60,604	8.1

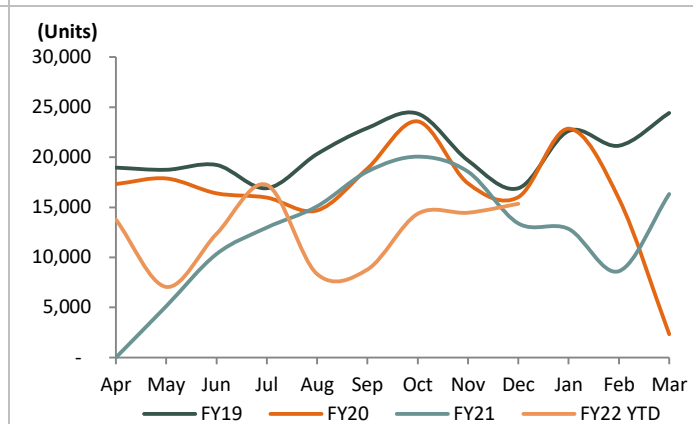
Source: Company

Exhibit 9: Domestic UV sales trend



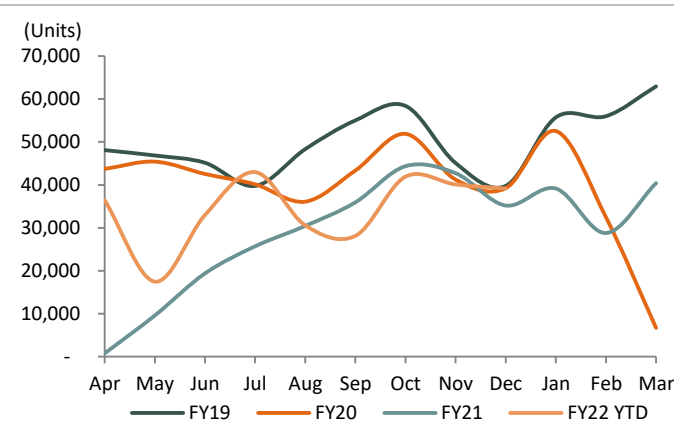
Source: Company

Exhibit 10: Domestic CV sales trend



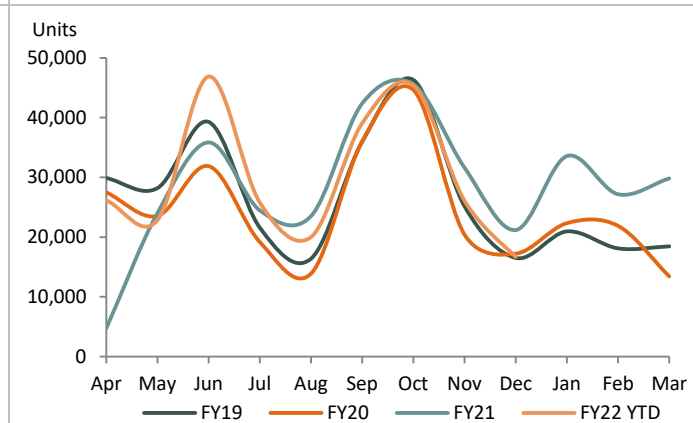
Source: Company

Exhibit 11: Total auto sales trend



Source: Company

Exhibit 12: Domestic tractor sales trend



Source: Company

Escorts Ltd: Higher base and uneven Monsoon affected sales growth

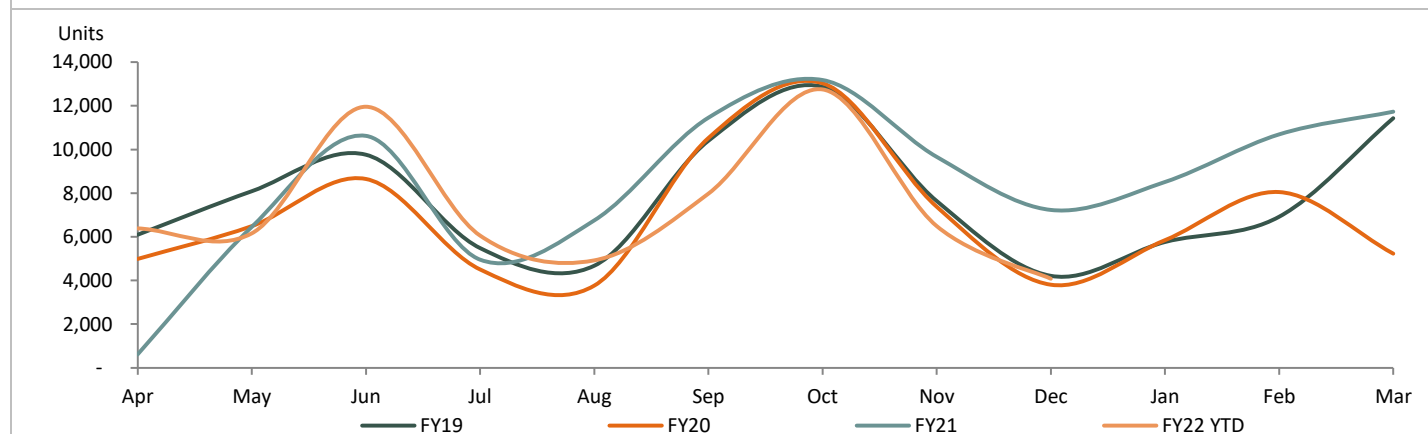
- Escorts domestic sales decreased by 44% YoY and 37% MoM to 4,080 units. The Company expects a strong farmer sentiment aided by favorable macroeconomic factors, reasonably good water level of reservoirs, good pace of Kharif sowing and continued support by the Government in Agri sector to drive Tractor demand in coming quarters.

Exhibit 13: Escorts sales volume

Segment	Dec-21	Dec-20	YoY (%)	Nov-21	MoM (%)	FY22YTD	FY21YTD	YTD (%)
Domestic	4,080	7,230	(43.6)	6,492	(37.2)	66,771	70,918	(5.8)
Export	615	503	22.3	624	(1.4)	5,562	3,235	71.9
Total	4,695	7,733	(39.3)	7,116	(34.0)	72,333	74,153	(2.5)

Source: Company

Exhibit 14: Domestic tractor sales trend



Source: Company

Hero MotoCorp: Weak Rural demand

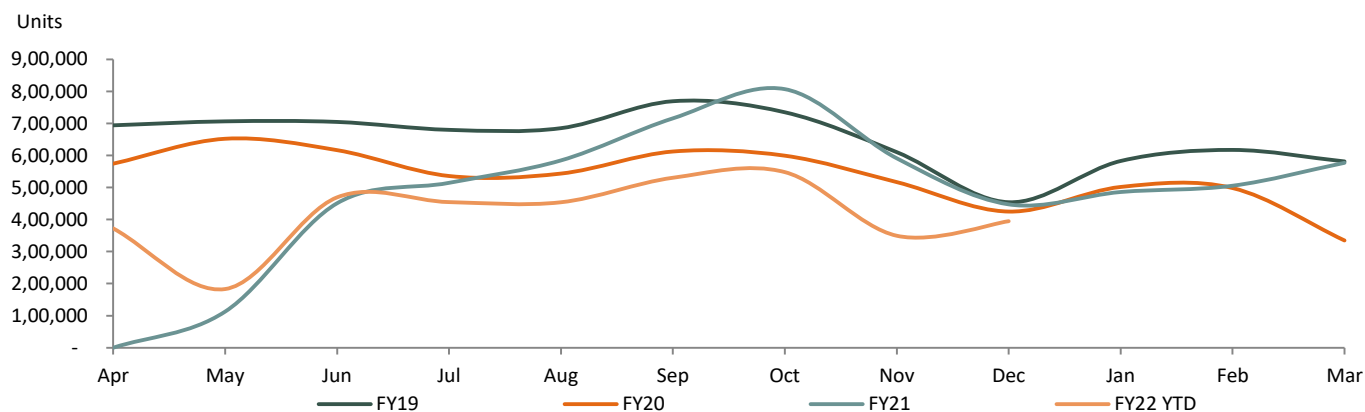
- HMCL Domestic sales declined by 12% YoY to 394.7k units. The Exports sales decreased by 9% YoY and 1% MoM to 20.2k units. The total sales declined by 11.8% YoY to 394.7K units. The total YTD sales decreased by 11.2% YoY to ~3.7 mn units.
- HMCL has higher Inventory at dealer level currently. We anticipate HMCL to take longer time to revive its operations as commuter segment is still struggling with Covid impact.

Exhibit 15: HMCL sales volume

Segment	Dec-21	Dec-20	YoY (%)	Nov-21	MoM (%)	FY22YTD	FY21YTD	YTD (%)
Motorcycles	3,76,862	4,15,099	(9.2)	3,29,185	14.5	35,05,097	39,03,079	(10.2)
Scooters	17,911	32,236	(44.4)	20,208	(11.4)	2,49,521	3,27,138	(23.7)
Total	3,94,773	4,47,335	(11.8)	3,49,393	13.0	37,54,618	42,30,217	(11.2)
Domestic	3,74,485	4,25,033	(11.9)	3,28,862	13.9	35,37,622	41,10,372	(13.9)
Exports	20,288	22,302	(9.0)	20,531	(1.2)	2,17,626	1,19,845	81.6

Source: Company

Exhibit 16: Total 2W sales trend



Source: Company

Bajaj Auto: Steady Performance

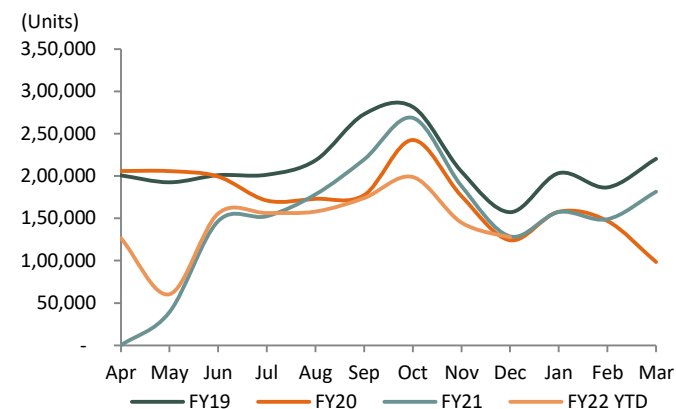
- BJAUT domestic Motorcycle sales decreased by 1% YoY to 127.5k units whereas export motorcycle sales decreased by 9% YoY to 191.2k units. The domestic 3W grew by 68% YoY to 18.4k units. The total sales decreased by 3% YoY and 4% MoM to 362.5K units. Total YTD sales increased by 19% to 3.3 mn units.
- The overall 2W volume decline in export market was mitigated by slight recovery in domestic market. As economy opens and vaccinated population increases, we expect 3W demand to improve on the back of higher demand for shared mobility.

Exhibit 17: BJAUT sales volume

Segment	Dec-21	Dec-20	YoY (%)	Nov-21	MoM (%)	FY22YTD	FY21YTD	YTD (%)
Domestic	1,27,593	1,28,642	(0.8)	1,44,953	(12.0)	13,01,984	13,21,644	(1.5)
Exports	1,91,176	2,09,942	(8.9)	1,93,520	(1.2)	16,75,781	12,36,617	35.5
Total 2W	3,18,769	3,38,584	(5.9)	3,38,473	(5.8)	29,77,765	25,58,261	16.4
Domestic	18,386	10,964	67.7	13,802	33.2	1,10,668	62,904	75.9
Exports	25,315	22,984	10.1	27,001	(6.2)	2,43,349	1,82,085	33.6
Total 3W	43,701	33,948	28.7	40,803	7.1	3,54,017	2,44,989	44.5
Domestic	1,45,979	1,39,606	4.6	1,58,755	(8.0)	14,12,652	13,84,548	2.0
Exports	2,16,491	2,32,926	(7.1)	2,20,521	(1.8)	19,19,130	14,18,702	35.3
Total Sales	3,62,470	3,72,532	(2.7)	3,79,276	(4.4)	33,31,782	28,03,250	18.9

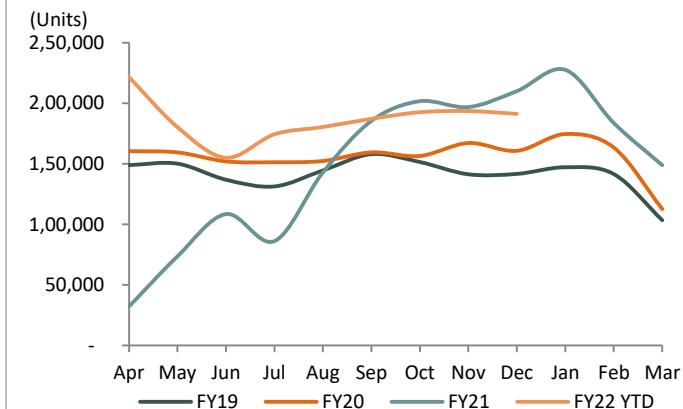
Source: Company

Exhibit 18: Domestic motorcycle sales trend



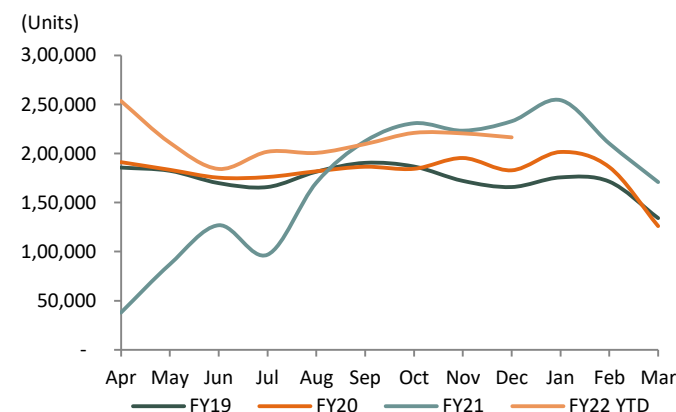
Source: Company

Exhibit 19: Export motorcycle sales trend



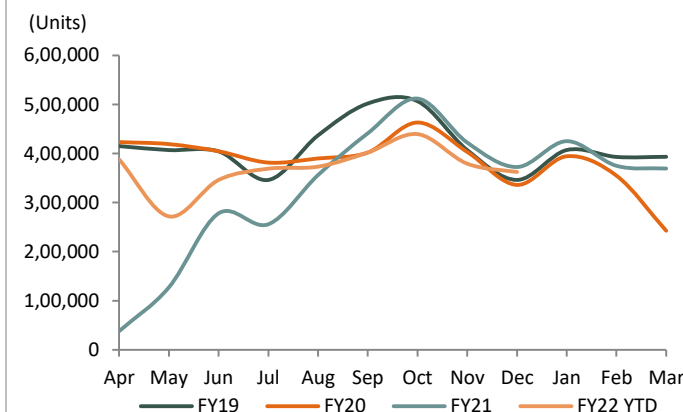
Source: Company

Exhibit 20: Total exports sales trend



Source: Company

Exhibit 21: Total sales trend



Source: Company

TVS Motors: Steady Performance

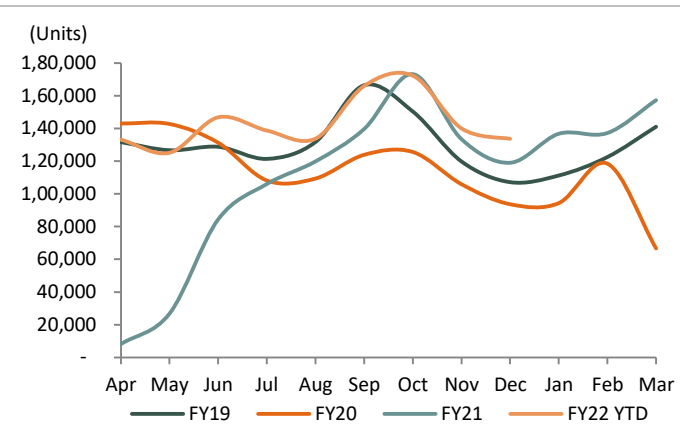
- Overall Motorcycle sales increased by 12% YoY/ -5% MoM to 133.7k units. The Scooter sales decreased by 13% YoY/ 10% MoM to 67.5k units. The 3W sales increased by 12% YoY and 5% MoM to 15.5K units. The total sales declined by 8% YoY/ 8% MoM to 250.9K units. The overall YTD sales increased by 16% to 2.5mn units.
- We anticipate, with the opening of work places, schools and colleges demand for 2W to normalize. The Company is well placed with its robust Motorcycle and Scooters portfolio to meet the demand for personal mobility.

Exhibit 22: TVSL sales volume

Segment	Dec-21	Dec-20	YoY (%)	Nov-21	MoM (%)	FY22YTD	FY21YTD	YTD (%)
Motorcycle	1,33,700	1,19,051	12.3	1,40,097	(4.6)	12,90,054	9,10,790	41.6
Scooters	67,553	77,705	(13.1)	75,022	(10.0)	6,60,635	6,62,349	(0.3)
Mopeds	34,139	61,483	(44.5)	42,744	(20.1)	3,85,122	4,66,581	(17.5)
2W (Total)	2,35,392	2,58,239	(8.8)	2,57,863	(8.7)	23,35,811	20,39,720	14.5
3W	15,541	13,845	12.2	14,830	4.8	1,30,101	82,143	58.4
Sales volume (2W+3W)	2,50,933	2,72,084	(7.8)	2,72,693	(8.0)	24,65,912	21,21,863	16.2

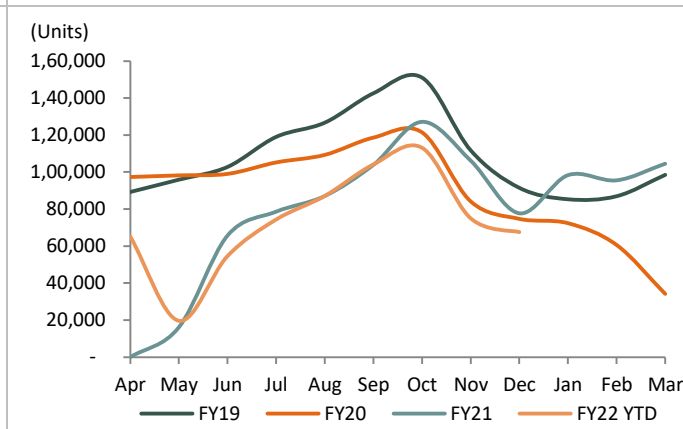
Source: Company

Exhibit 23: Motorcycle sales trend



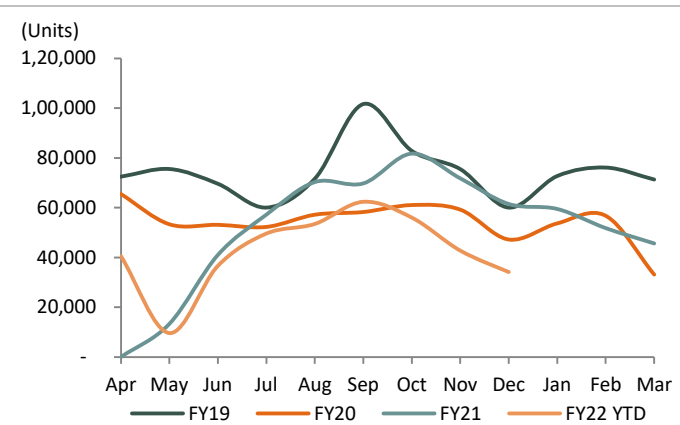
Source: Company

Exhibit 24: Scooter sales trend



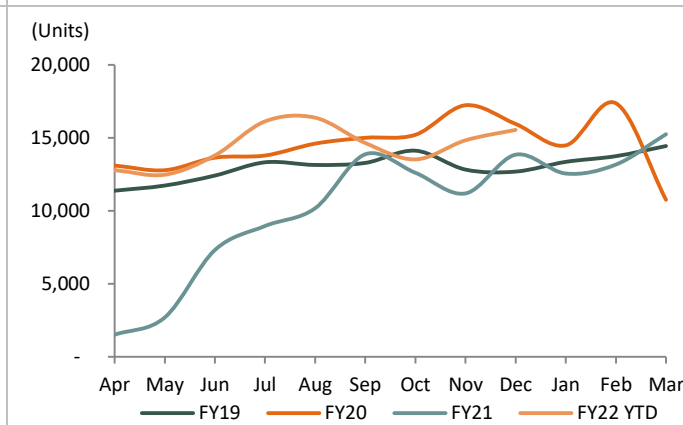
Source: Company

Exhibit 25: Moped sales trend



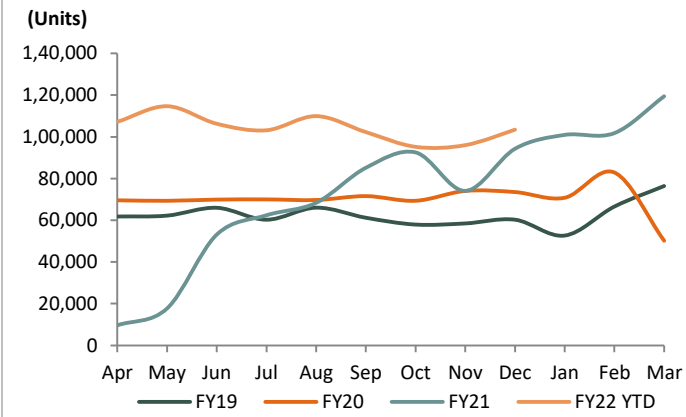
Source: Company

Exhibit 26: 3W sales trend



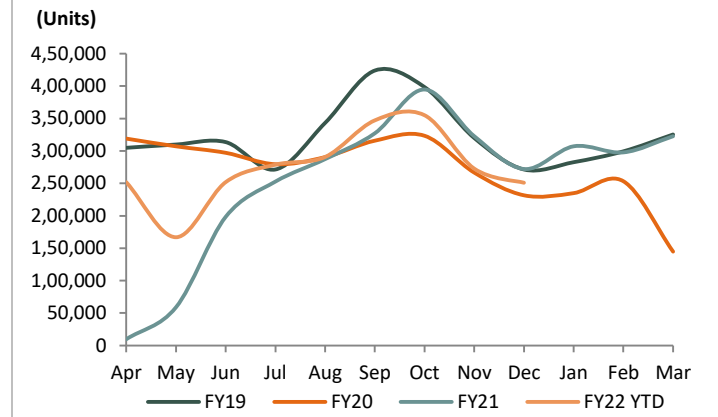
Source: Company

Exhibit 27: Export sales trend



Source: Company

Exhibit 28: Total sales trend



Source: Company

Eicher Motors: Exports picking up momentum

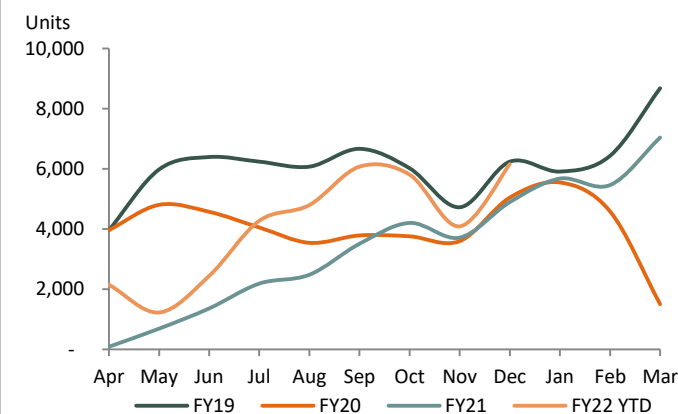
- Royal Enfield domestic sales decreased by 1% YoY and increased 45% MoM to 65.1K units. The total sales increased by 7% YoY and grew 43% MoM to 73.7K units whereas export sales increased by 144% YoY/ 25% MoM to 8.5k units. Overall YTD sales increased by 2% to 416.5K units. The semiconductor shortage is primarily responsible for its volume drop.

Exhibit 29: EIM sales volume

Segment	Dec-21	Dec-20	YoY (%)	Nov-21	MoM (%)	FY22YTD	FY21YTD	YTD (%)
Domestic	65,187	65,492	(0.5)	44,830	45.4	3,58,670	3,83,779	(6.5)
Export	8,552	3,503	144.1	6,824	25.3	57,923	23,677	144.6
Total RE	73,739	68,995	6.9	51,654	42.8	4,16,593	4,07,456	2.2
VECV	6,154	4,892	25.8	4,085	50.6	36,984	23,098	60.1

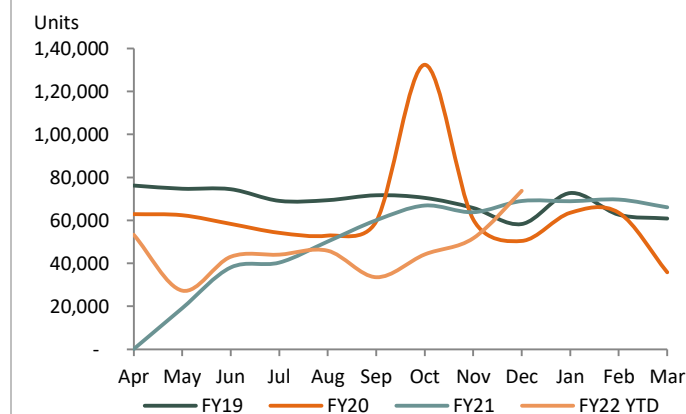
Source: Company

Exhibit 30: VECV sales trend



Source: Company

Exhibit 31: Royal Enfield domestic sales trend



Source: Company

Ashok Leyland: Volume rebounds

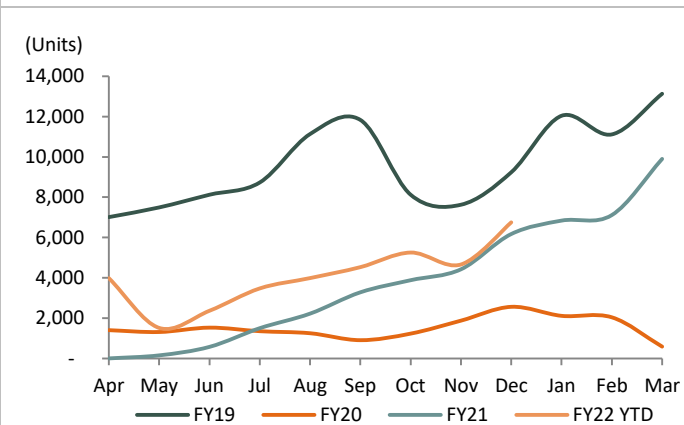
- The Domestic sales decreased by 3% YoY and increased 23% MoM to 11.4K units whereas M&HCV Goods segment increased by 4% YoY/ 48% MoM to 6.1K units. The Domestic LCV segment declined by 17% YoY to 4.7K units. The Total sales decreased by 2% YoY to 12.5K units. YTD sales increased by 41% to 79.6k units.
- Ashok Leyland has been focusing on LCV and Export market to garner incremental growth. With pickup in the construction activities and strong Govt. Infra push, the demand for tippers and trucks is expected to go up.

Exhibit 32: AL Sales Volumes

Segment	Dec-21	Dec-20	YoY (%)	Nov-21	MoM (%)	FY22YTD	FY21YTD	YTD (%)
M&HCV Goods	6,137	5,928	3.5	4,163	47.4	34,346	21,357	60.8
MH&CV Passenger	615	245	151.0	498	23.5	2,169	844	157.0
LCV	4,741	5,682	(16.6)	4,703	0.8	36,251	29,629	22.3
Domestic	11,493	11,855	(3.1)	9,364	22.7	72,766	51,830	40.4
Exports	1,025	905	13.3	1,116	(8.2)	6,841	4,837	41.4
Total Sales	12,518	12,760	(1.9)	10,480	19.4	79,607	56,667	40.5

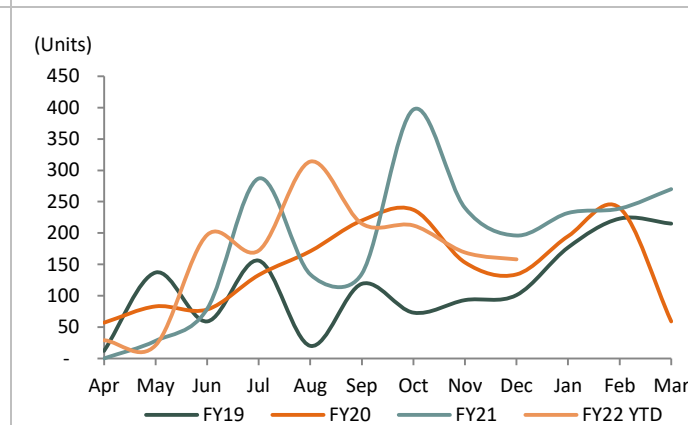
Source: Company

Exhibit 33: M&HCV domestic goods sales trend



Source: Company

Exhibit 34: LCV domestic sales trend



Source: Company



Notes

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