

Automobile

Volume Update – July 2021

Summary

In Jul 21, Indian Passenger Vehicle (PV) segment reported robust recovery on the back of higher preference to personal mobility, pent up demand and opening of dealerships across country. Tractor segment has also shown YoY growth and is expected to continue its momentum on account of better Key Kharif crops higher MSP and Monsoon revival. CV segment also reported decent recovery although on low base. However, domestic 2W market continues to struggle and remain muted. We believe, 2nd covid wave has hit bottom of workforce pyramid harder and hence the commuter segment is likely to take time to recover.

Outlook: We believe Auto industry is set to report double digit volume growth in FY22, especially for PV, on account of low base, all time low interest rates and demand for personal mobility. Two macro factors are currently under developments which are likely to have positive impact on Auto industry. A) Monsoon spreading well across the Country (~40% of car sales and ~60% of 2W sales comes from rural areas) B) Vaccination has picked up strong momentum in last one month. This is expected to bring in incremental normalcy in the urban areas and likely to help urban Auto market to recover. Risk of 3rd COVID wave and regional lockdowns could impact sentiments in the near term.

Exhibit 1: Auto monthly volume

Company	Jul-21	Jul-20	YoY (%)	Jun-21	MoM (%)	FY22YTD	FY21YTD	YTD (%)
2W (D)								
Bajaj Auto	1,56,232	1,52,474	2.5	1,55,640	0.4	4,98,784	3,38,455	47.4
HMCL	4,29,208	5,12,541	(16.3)	4,38,514	(2.1)	13,69,897	10,52,278	30.2
TVS	1,75,722	1,90,355	(7.7)	1,45,640	20.7	5,18,165	3,76,818	37.5
RE	39,290	37,925	3.6	35,815	9.7	1,41,739	92,864	52.6
PV (D)								
MSIL	1,41,238	1,01,307	39.4	1,30,348	8.4	4,49,333	1,68,171	167.2
Hyundai	48,042	38,200	25.8	40,496	18.6	1,62,541	66,403	144.8
MM (PV)	21,046	11,025	90.9	16,913	24.4	64,248	22,967	179.7
Toyota	13,105	5,386	143.3	8,801	48.9	32,235	10,891	196.0
CV (D)								
AL	8,650	4,776	81.1	6,448	34.2	17,987	3,814	371.6
VECV	4,271	2,184	95.6	2,438	75.2	10,077	4,313	133.6
Tractors (D)								
MM	25,769	24,463	5.3	46,875	(45.0)	1,21,617	89,040	36.6
Escorts	6,055	4,953	22.2	11,956	(49.4)	30,555	22,643	34.9

Source: Company

Maruti Suzuki: Sustaining the growth momentum

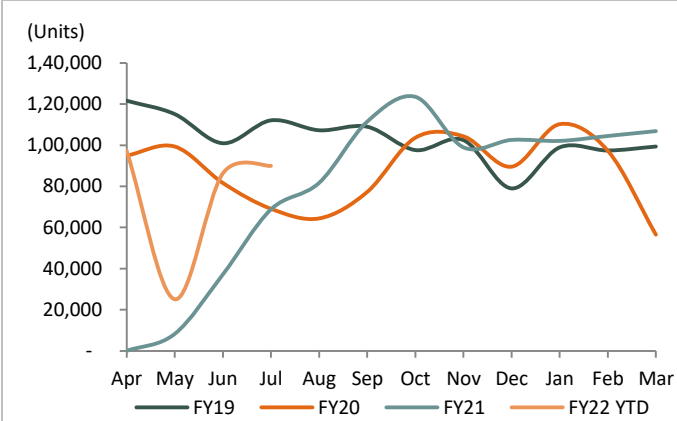
- MSIL mini segment grew by 14% YoY/13% MoM to 19.7k. Compact sales increased by 36% YoY/ 2% MoM to 70.3k units. Mid-Size sales grew by 11% YoY/ 141% MoM to 1.5K units. Domestic sales increased by 37% YoY/8% MoM to 136.5k units. Total domestic YTD sales grew by 161% to 433.6k units.
- As per Management, Demand has picked up across country where unlock happened except Manipur and Mizoram. However lockdown extension in Kerala and Tamil Nadu is concern. We expect MSIL to continue the growth momentum in volume due to preference of personal mobility, pent up demand, etc.

Exhibit 1: MSIL sales volume

Segment	Jul-21	Jul-20	YoY (%)	Jun-21	MoM (%)	FY22YTD	FY21YTD	YTD (%)
A2: Mini (Alto, WagonR)	19,685	17,258	14.1	17,439	12.9	66,925	29,711	125.3
A2: Compact (Swift, Ritz, Celerio, Dzire, Baleno, Ignis)	70,268	51,529	36.4	68,849	2.1	2,31,778	84,487	174.3
A3: Mid-Size (Ciaz)	1,450	1,303	11.3	602	140.9	3,968	2,048	93.8
Total PC	91,403	70,090	30.4	86,890	5.2	3,02,671	1,16,246	160.4
B: Uvs (Gypsy, Ertiga, S-Cross, Vitara Brezza)	32,272	19,177	68.3	28,172	14.6	92,283	32,577	183.3
C: Vans (Omni, Eeco)	10,057	8,501	18.3	9,218	9.1	31,840	13,921	128.7
LCV: Super Larry	2,768	2,232	24.0	1,916	44.5	6,824	3,258	109.5
Total domestic sales	1,36,500	1,00,000	36.5	1,26,196	8.2	4,33,618	1,66,002	161.2
Exports	21,224	6,757	214.1	17,020	24.7	66,743	16,329	308.7
Sales to other OEM	4,738	1,307	262.5	4,152	14.1	15,715	2,169	624.5
Total sales	1,62,462	1,08,064	50.3	1,47,368	10.2	5,16,076	1,84,500	179.7

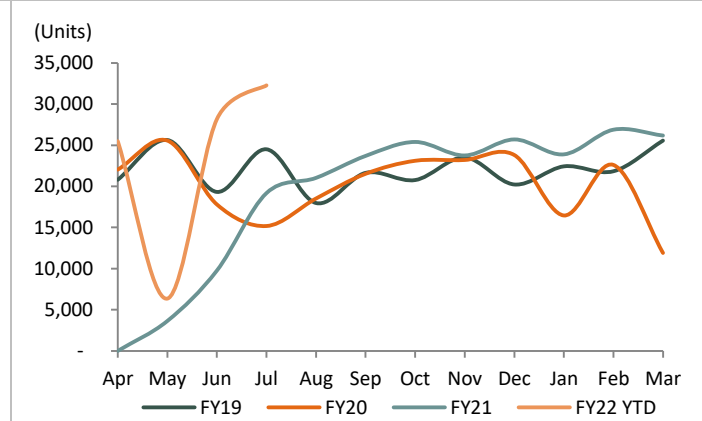
Source: Company

Exhibit 2: Mini + Compact sales trend



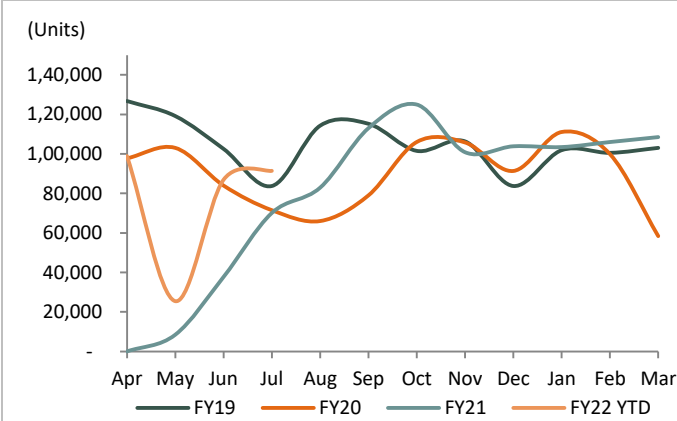
Source: Company

Exhibit 3: Domestic UVs sales trend



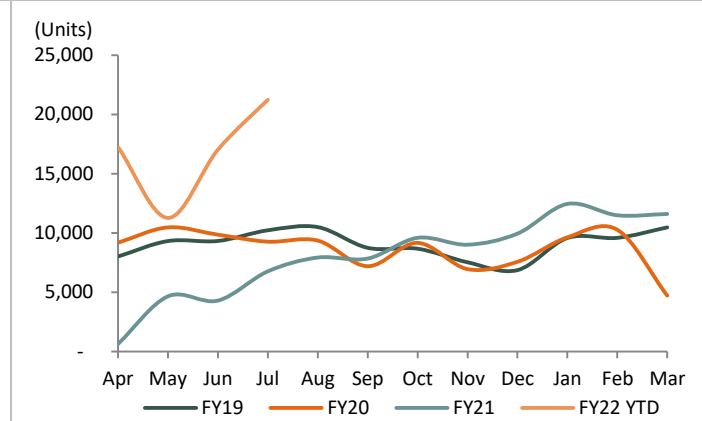
Source: Company

Exhibit 4: Domestic PC sales trend



Source: Company

Exhibit 5: Export sales trend



Source: Company

Mahindra & Mahindra (M&M): Tractor Disappoints

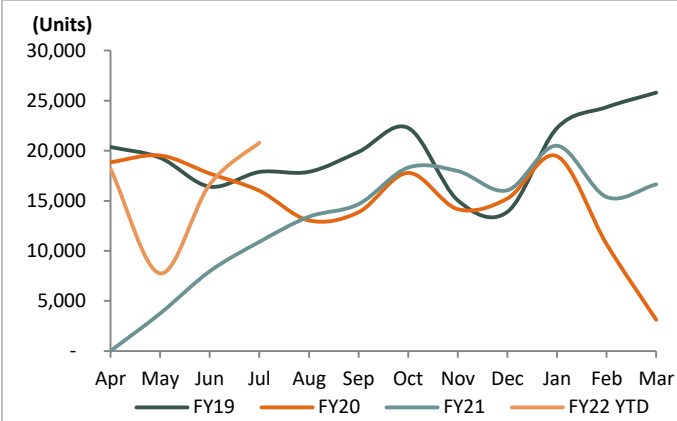
- M&M UV sales increased by 91% YoY/25% MoM to 20.8k units. YTD sales increased by 264% to 42.6K units. CV sales increased by 21% YoY/ 75% MoM to 12.9k units. YTD sales increased by 180% to 63.4k units. Overall auto division domestic sales increased by 67% YoY/35% MoM to 40.9k units. YTD sales increased by 133% to 121.2k units. Currently 90+% of dealership network are operational and the company is observing strong enquiries across its product. The launch of new products i.e. Bolero Neo in SUV and Supros Profitruck range in SCV is getting positive responses. The company has also on boarded Mr. Ajay Devgn as Brand Ambassador.
- Domestic FES sales increased by 7% YoY/-45% MoM to 25.8K units. YTD sales up 37% to 121.6k units. The management remains bullish on FES and factors like higher MSP on Kharif Crops, upcoming festive season and better monsoon distribution will help rural economy.

Exhibit 6: M&M sales volume

Segment	Jul-21	Jul-20	YoY (%)	Jun-21	MoM (%)	FY22YTD	FY21YTD	YTD (%)
Passenger Vehicles	21,046	11,025	90.9	16,913	24.4	64,248	22,967	179.7
Utility Vehicles	20,797	10,898	90.8	16,636	25.0	63,367	22,601	180.4
Cars + Vans	249	127	96.1	277	(10.1)	881	366	140.7
Commercial Vehicles	17,666	13,173	34.1	12,694	39.2	51,700	28,850	79.2
LCV < 3.5T	17,238	12,978	32.8	12,347	39.6	50,404	28,431	77.3
LCV > 3.5T+M&HCV	428	125	242.4	347	23.3	1,296	259	400.4
3W	2,148	83	2488.0	750	186.4	5,213	135	3,761.5
Total Domestic	40,860	24,281	68.3	30,357	34.6	1,21,161	51,952	133.2
Export	2,123	1,467	44.7	2,607	(18.6)	8,670	3,537	145.1
Total Auto Sales	42,983	25,748	66.9	32,964	30.4	1,29,831	55,489	134.0
Farm Equipment Segment (FES)								
Domestic	25,769	24,017	7.3	46,875	(45.0)	1,21,617	89,040	36.6
Exports	1,460	324	350.6	1,347	8.4	5,541	2,019	174.4
Total FES	27,229	24,341	11.9	48,222	(43.5)	1,27,158	91,059	39.6

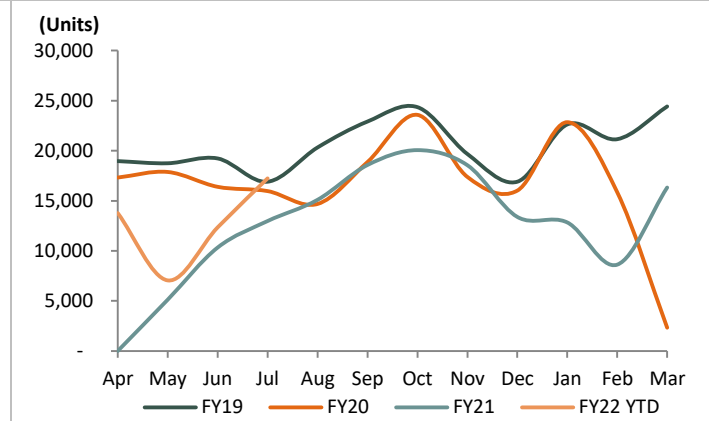
Source: Company

Exhibit 7: Domestic UV sales trend



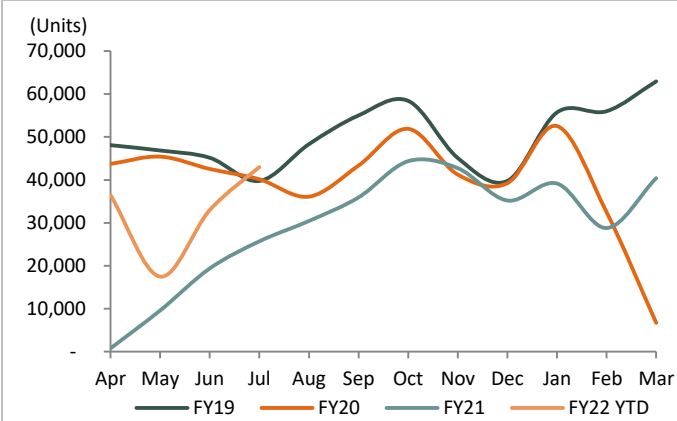
Source: Company

Exhibit 8: Domestic CV sales trend



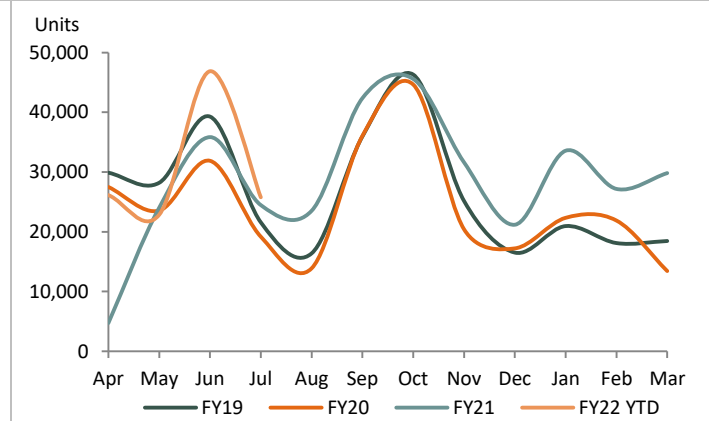
Source: Company

Exhibit 9: Total auto sales trend



Source: Company

Exhibit 10: Domestic tractor sales trend



Source: Company

Escorts Ltd: Below Expectation

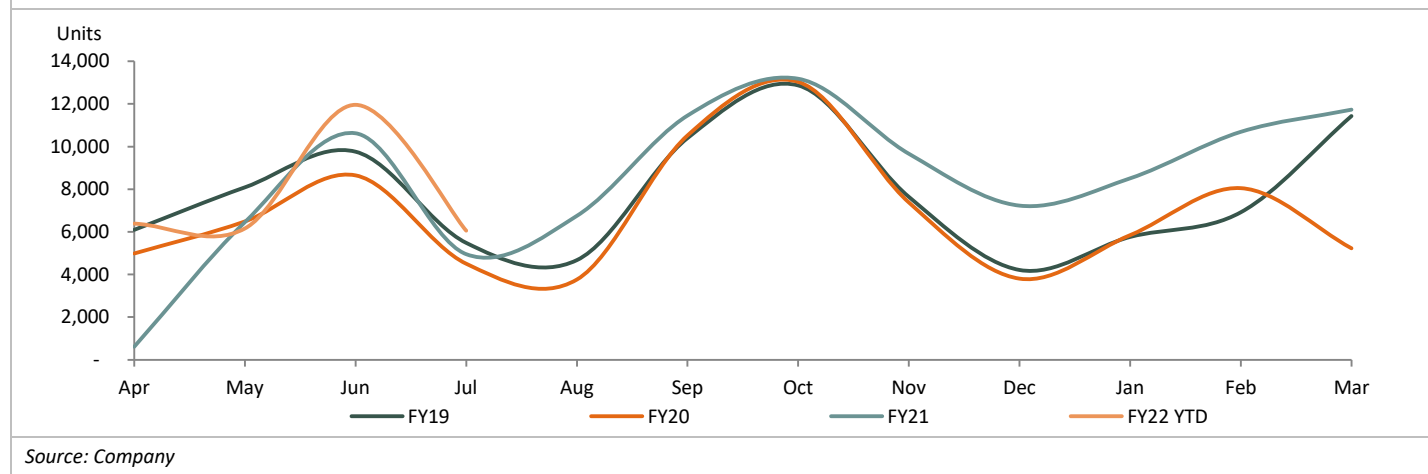
- Escorts domestic sales increased 22% YoY/-49% MoM to 6.1K units. Expected above normal monsoon, higher MSP and Govt. direct procurement helped in building positive sentiments among farmers. The dealership is opened in most part of countries through operating at restricted time duration. However steep increase in commodity prices is concern. Export sales increased by 38% YoY/ -12% MoM to 509 units. Total YTD sales increased by 39% to 32.5K units.

Exhibit 11: Escorts sales volume

Segment	Jul-21	Jul-20	YoY (%)	Jun-21	MoM (%)	FY22YTD	FY21YTD	YTD (%)
Domestic	6,055	4,953	22.2	11,956	(49.4)	30,555	22,643	34.9
Export	509	369	37.9	577	(11.8)	1,944	829	134.5
Total	6,564	5,322	23.3	12,533	(47.6)	32,499	23,472	38.5

Source: Company

Exhibit 12: Domestic tractor sales trend



Source: Company

Hero MotoCorp: Weak Demand

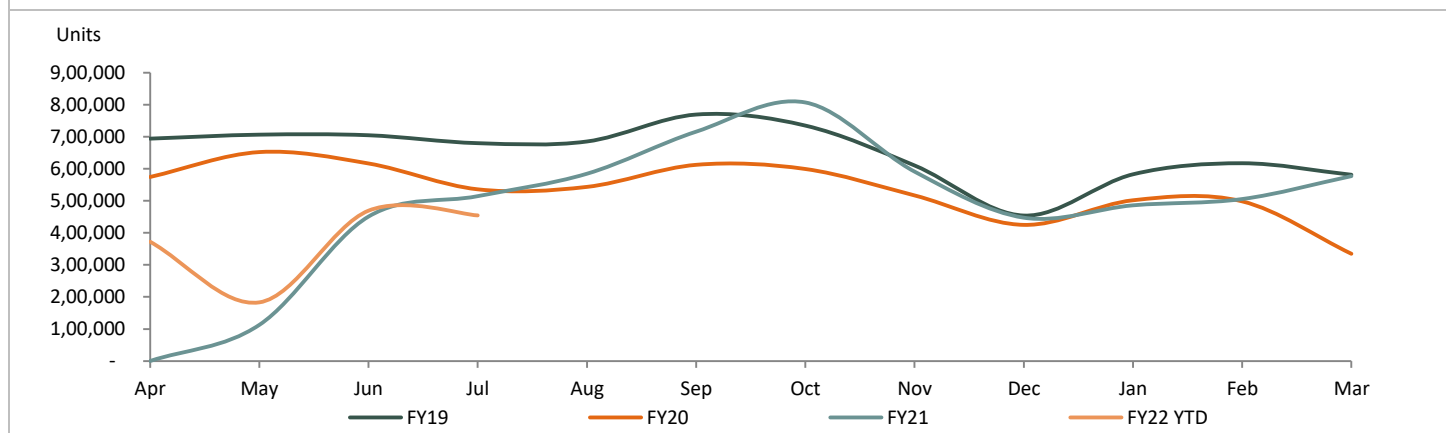
- HMCL domestic sales declined by 16% YoY/-2% MoM to 429k units. Exports sales increased by 233% YoY/-18% MoM to 25.2k units. Total sales declined by 16% YoY/2% MoM to 454.4K units. Total YTD sales increased by 36% YoY to ~1.48mn units.
- Most of the retails touch points are operational but lockdown in a few states impacting the footfall. The management is optimistic about continuous improving consumer sentiments.

Exhibit 13: HMCL sales volume

Segment	Jul-21	Jul-20	YoY (%)	Jun-21	MoM (%)	FY22YTD	FY21YTD	YTD (%)
Motorcycles	4,24,126	4,84,260	(12.4)	4,41,536	(3.9)	13,83,067	10,08,439	37.1
Scooters	30,272	35,844	(15.5)	27,624	9.6	95,190	76,330	24.7
Total	4,54,398	5,20,104	(12.6)	4,69,160	(3.1)	14,78,257	10,84,769	36.3
Domestic	4,29,208	5,12,541	(16.3)	4,38,514	(2.1)	13,69,897	10,52,278	30.2
Exports	25,190	7,563	233.1	30,646	(17.8)	1,08,990	32,491	235.4

Source: Company

Exhibit 14: Total 2w sales trend



Source: Company

Bajaj Auto: Exports holding the turf

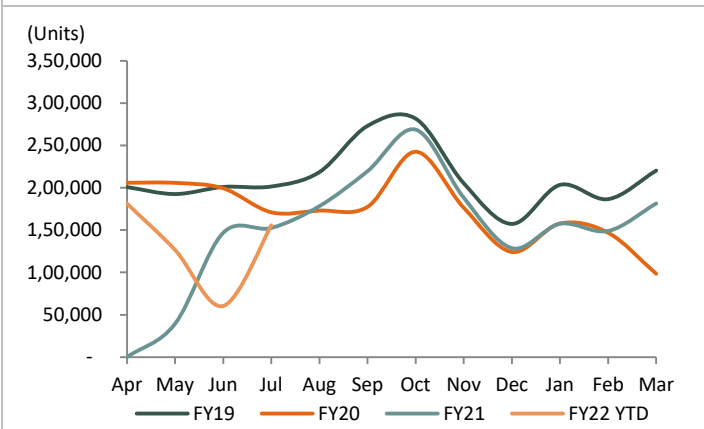
- BJAUT domestic motorcycle sales grew by 3% YoY to 156k units whereas export motorcycle sales increased by 103% YoY/13% MoM to 174k units. Domestic 3W increased by 70% YoY/ 78% MoM to 11k units. Total sales increased by 44% YoY/7% MoM to 369.1K units. Total YTD sales increased by 97% to 1.4mn units.
- BJAUT is getting very good traction for its Pulsar 125cc and continue to do well in commuter segment. 3W sales improved due to higher economic activity in domestic market. Bajaj Auto urban market centric portfolio with brands like Pulsar and KTM helped it to hold turf against weak rural centric commuter segment.

Exhibit 15: BJAUT sales volume

Segment	Jul-21	Jul-20	YoY (%)	Jun-21	MoM (%)	FY22YTD	FY21YTD	YTD (%)
Domestic	1,56,232	1,52,474	2.5	1,55,640	0.4	4,98,784	3,38,455	47.4
Exports	1,74,337	86,082	102.5	1,54,938	12.5	7,31,090	3,00,030	143.7
Total 2w	3,30,569	2,38,556	38.6	3,10,578	6.4	12,29,874	6,38,485	92.6
Domestic	11,041	6,502	69.8	6,196	78.2	25,626	11,784	117.5
Exports	27,506	10,774	155.3	29,362	(6.3)	1,19,630	48,666	145.8
Total 3w	38,547	17,276	123.1	35,558	8.4	1,45,256	60,450	140.3
Domestic	1,67,273	1,58,976	5.2	1,61,836	3.4	5,24,410	3,50,239	49.7
Exports	2,01,843	96,856	108.4	1,84,300	9.5	8,50,720	3,48,696	144.0
Total Sales	3,69,116	2,55,832	44.3	3,46,136	6.6	13,75,130	6,98,935	96.7

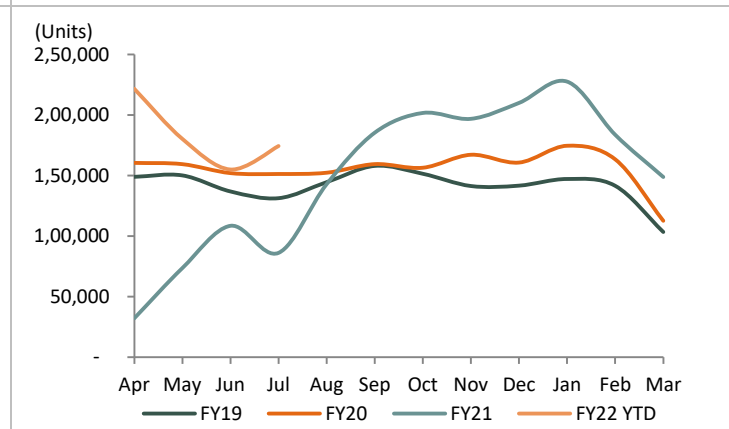
Source: Company

Exhibit 16: Domestic motorcycle sales trend



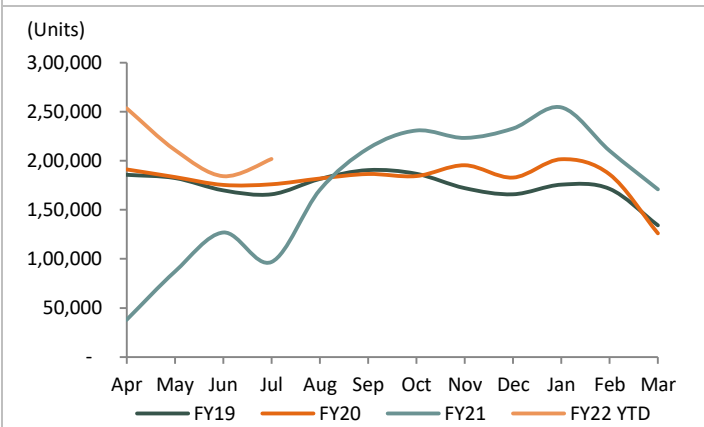
Source: Company

Exhibit 17: Export motorcycle sales trend



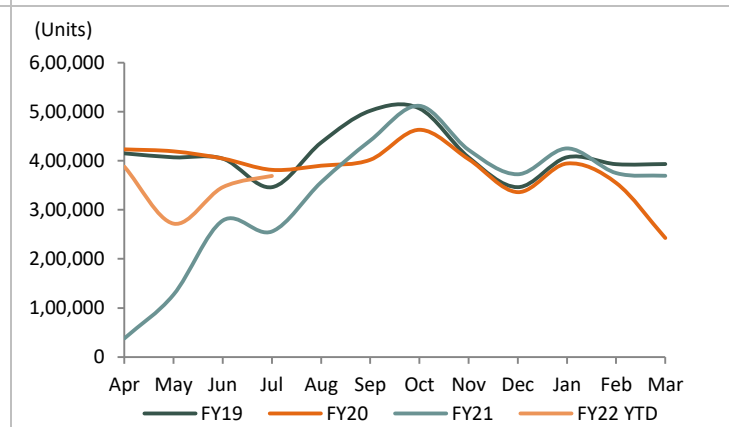
Source: Company

Exhibit 18: Total exports sales trend



Source: Company

Exhibit 19: Total sales trend



Source: Company

TVS Motors: Scooters demand still weak

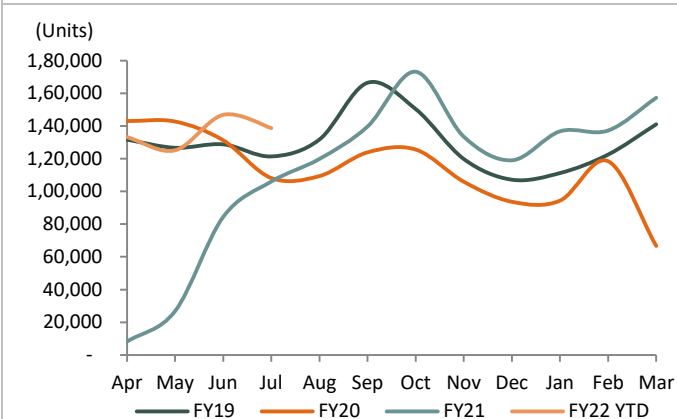
- Overall motorcycle sales increased by 31% YoY/ -6% MoM to 138.8k units. Scooter sales declined by 5% YoY/+36% MoM to 74.4k units as Southern Indian states i.e. Tamil Nadu and Kerala extended lockdown. 3W domestic sales increased by 80% YoY/ +17% MoM to 16.1K units. Total sales increased 11% YoY/11% MoM to 278.8K units. Overall YTD sales increased by 83% to 949K units.

Exhibit 20: TVSL sales volume

Segment	Jul-21	Jul-20	YoY (%)	Jun-21	MoM (%)	FY22YTD	FY21YTD	YTD (%)
Motorcycle	1,38,772	1,06,062	30.8	1,46,874	(5.5)	5,44,061	2,25,369	141.4
Scooters	74,351	78,603	(5.4)	54,595	36.2	2,13,786	1,60,389	33.3
Mopeds	49,605	57,190	(13.3)	36,623	35.4	1,36,372	1,11,525	22.3
2w (Total)	2,62,728	2,41,855	8.6	2,38,092	10.3	8,94,219	4,97,283	79.8
3w	16,127	8,956	80.1	13,794	16.9	55,184	20,461	169.7
Sales volume (2w+3w)	2,78,855	2,50,811	11.2	2,51,886	10.7	9,49,403	5,17,744	83.4

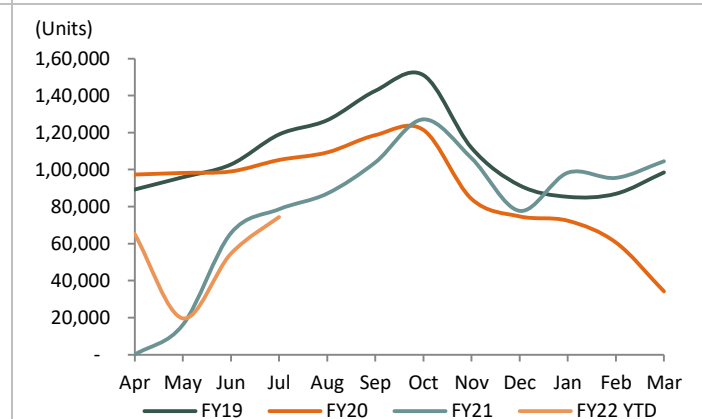
Source: Company

Exhibit 21: Motorcycle sales trend



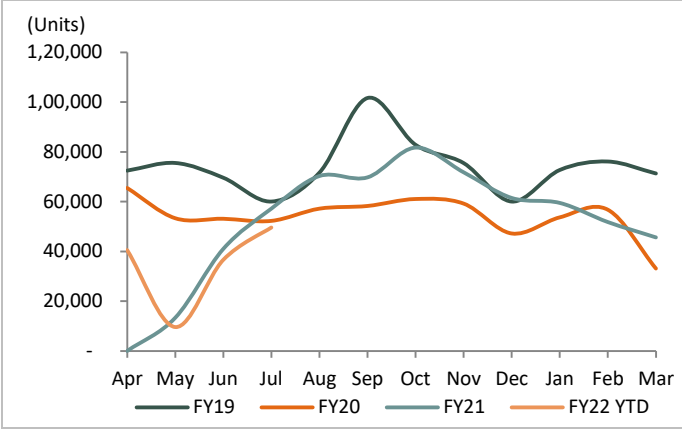
Source: Company

Exhibit 22: Scooter sales trend



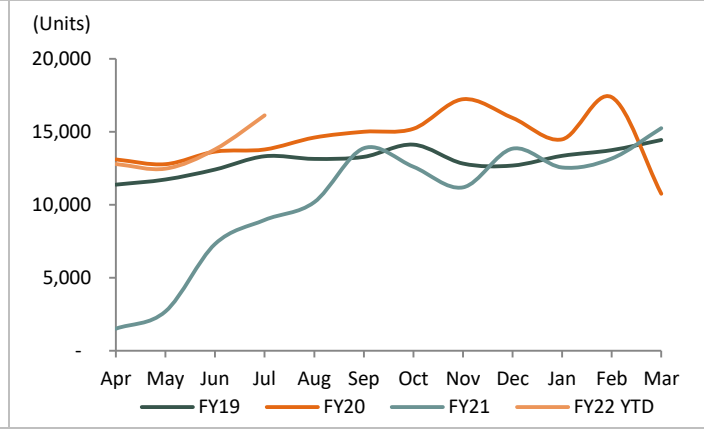
Source: Company

Exhibit 23: Moped sales trend



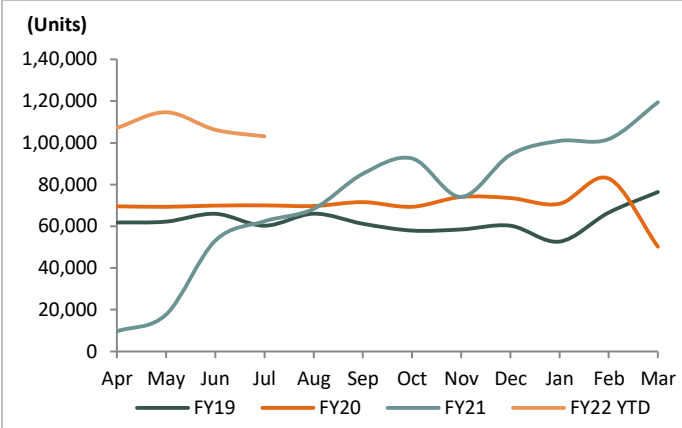
Source: Company

Exhibit 24: 3W sales trend



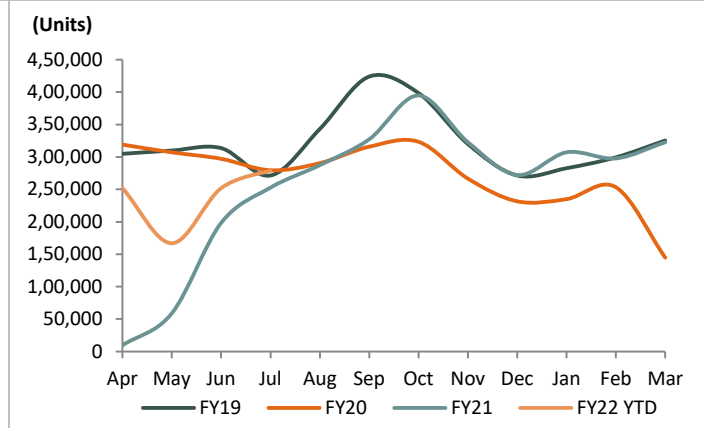
Source: Company

Exhibit 25: Export sales trend



Source: Company

Exhibit 26: Total sales trend



Source: Company

Eicher Motors: Rebound in Domestic Demand

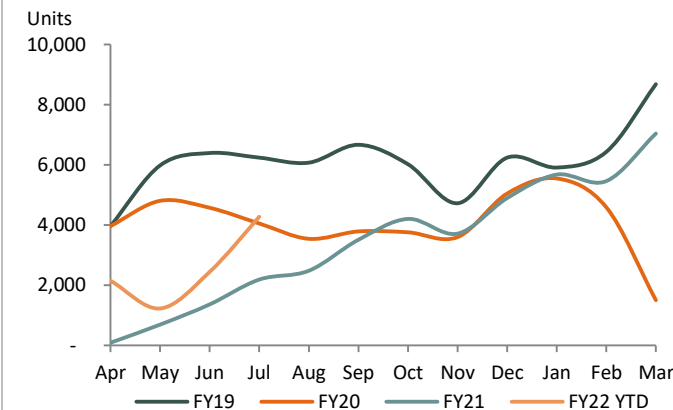
- Royal Enfield domestic sales increased by 4% YoY/ 10% MoM to 39.3K units. Total sales increased by 9% YoY/ 2% MoM to 44K units whereas export sales increased by 97% YoY/ -34% MoM to 4.7k units. Overall YTD sales increased by 72% to 167K units.

Exhibit 27: EIM sales volume

Segment	Jul-21	Jul-20	YoY (%)	Jun-21	MoM (%)	FY22YTD	FY21YTD	YTD (%)
Domestic	39,290	37,925	3.6	35,815	9.7	1,43,967	92,864	55.0
Export	4,748	2,409	97.1	7,233	(34.4)	23,711	4,739	400.3
Total RE	44,038	40,334	9.2	43,048	2.3	1,67,678	97,603	71.8
VECV	4,271	2,184	95.6	2,438	75.2	10,077	4,313	133.6

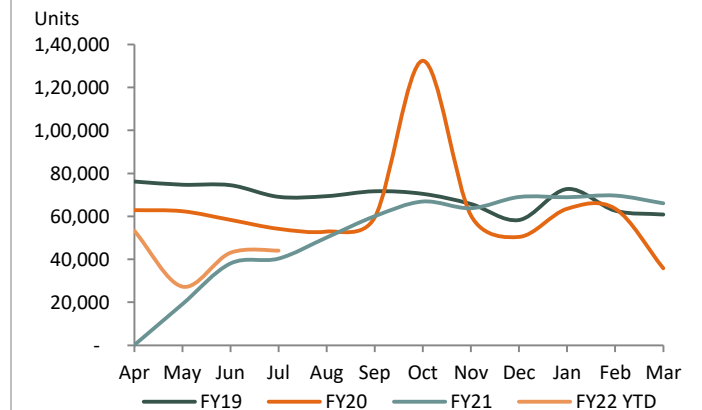
Source: Company

Exhibit 28: VECV sales trend



Source: Company

Exhibit 29: Royal Enfield domestic sales trend



Source: Company

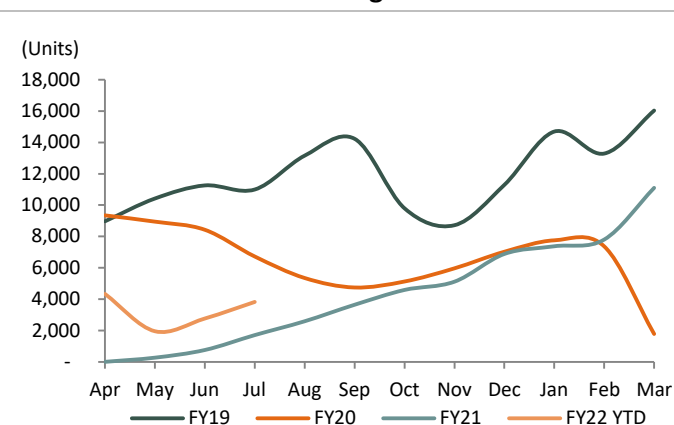
Ashok Leyland: Volume rebound as Economy opens

- Domestic sales increased by 90% YoY/39% MoM to 8.1K units whereas M&HCV Goods segment increased by 142% YoY/ 46% MoM to 3.3K units. Domestic LCV segment increased by 67% YoY/34% MoM to 4.7K units. Total sales increased by 81% YoY/34% MoM to 8.7K units. YTD sales increased by 210% to 26.6k units.
- Ashok Leyland focus on LCV and Export market will help in driving growth. The company's strategy to enter overseas market with its LCV offering and then moving up with ICV and M&HCV can help in bring growth across segments. The MHCV demand is expected to grow on the back of increase in construction activity. Strong Infra push by the government especially in road construction activity would help in sustainable sales growth in tippers.

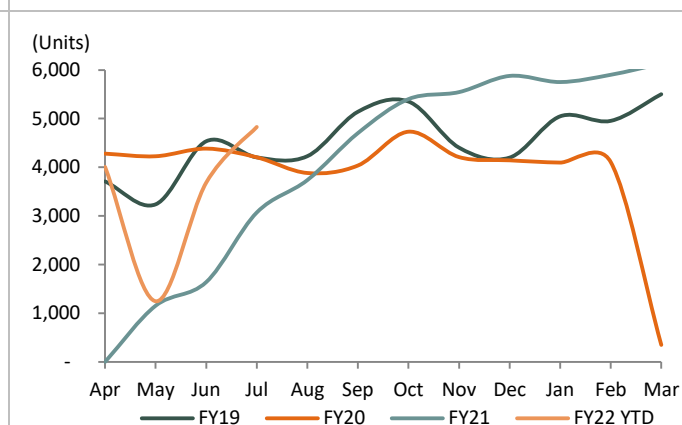
Exhibit 30: AL Sales Volumes

Segment	Jul-21	Jul-20	YoY (%)	Jun-21	MoM (%)	FY22YTD	FY21YTD	YTD (%)
M&HCV Goods	3,347	1,385	141.7	2,289	46.2	10,867	2,095	418.7
MH&CV Passenger	126	115	9.6	75	68.0	466	128	264.1
LCV	4,656	2,783	67.3	3,487	33.5	13,346	5,469	144.0
Domestic	8,129	4,283	89.8	5,851	38.9	24,679	7,692	220.8
Exports	521	493	5.7	597	(12.7)	1,958	898	118.0
Total Sales	8,650	4,776	81.1	6,448	34.2	26,637	8,590	210.1

Source: Company

Exhibit 31: M&HCV domestic goods sales trend


Source: Company

Exhibit 32: LCV domestic sales trend


Source: Company

Exhibit 33: Stock Performance in the sector (in %)

	Performance (%)						Relative to Index (%)					
	1M	3M	6M	1YR	3YR	5YR	1M	3M	6M	1YR	3YR	5YR
Ashok Leyland Ltd	-1%	4%	24%	149%	-7%	23%	-2%	-2%	11%	100%	-53%	-66%
Bajaj Auto Ltd	-3%	12%	20%	45%	38%	56%	-4%	6%	8%	-4%	-8%	-32%
Eicher Motors Ltd	-1%	1%	5%	45%	-4%	39%	-2%	-5%	-8%	-4%	-50%	-50%
Hero MotoCorp Ltd	-2%	-1%	-6%	9%	-20%	-8%	-3%	-7%	-18%	-40%	-66%	-97%
Maruti Suzuki India Ltd	5%	9%	-2%	27%	-19%	82%	4%	4%	-14%	-22%	-65%	-7%
TVS Motor Co Ltd	-1%	4%	25%	59%	6%	96%	-2%	-2%	13%	10%	-40%	8%
GNA Axles Ltd	3%	26%	72%	143%	4%	NA	2%	20%	60%	94%	-42%	NA
Jamna Auto Industries Ltd	5%	22%	39%	164%	-2%	142%	5%	17%	27%	115%	-48%	54%
Lumax Auto Technologies Ltd	6%	-6%	24%	71%	15%	135%	6%	-11%	12%	22%	-31%	46%
Minda Industries Ltd	49%	47%	70%	288%	9%	219%	48%	41%	58%	239%	-37%	130%
MM Forgings Ltd	-5%	-4%	-9%	76%	12%	234%	-6%	-9%	-21%	27%	-34%	145%
Subros Ltd	11%	19%	61%	138%	54%	732%	10%	13%	49%	89%	8%	643%
BSE Auto Index	0%	6%	14%	53%	-3%	21%	-1%	0%	2%	4%	-49%	-68%
NIFTY 50	1%	6%	12%	49%	46%	89%	0%	0%	0%	0%	0%	0%

Source: Bloomberg

Exhibit 34: Valuation Snapshot

Companies	CMP	TP	Reco	Mkt Cap (Rs mn)	Revenue (Rs mn)		Ebitda (Rs mn)		EPS (Rs)		BVPS (Rs)		PER (x)		P/B (x)		EV/EBITDA (x)		RoE(%)	RoCE(%)	
	(Rs)	(Rs)			FY22E	FY23E	FY22E	FY23E	FY22E	FY23E	FY22E	FY23E	FY22E	FY23E	FY22E	FY23E	FY22E	FY23E	FY23E	FY23E	
OEM's																					
ASHOK LEYLAND	124	126	HOLD	3,64,886	2,05,272	2,47,567	17,623	26,257	1.8	3.8	25	27	69.8	32.5	5.0	4.6	22.7	14.7	14.6	13.8	
BAJAJ AUTO	3,844	4,071	HOLD	11,12,385	3,58,178	3,99,971	63,650	72,066	200.0	226.1	931	999	19.2	17.0	4.1	3.8	17.0	14.8	23.4	24.9	
EICHER MOTORS	2,549	2,630	HOLD	6,96,730	1,11,141	1,36,917	26,452	34,092	79.3	106.7	485	575	32.1	23.9	5.3	4.4	24.2	18.6	20.1	19.5	
HERO MOTOCORP	2,836	3,060	ACCUMULATE	5,66,664	3,51,599	3,91,874	48,977	54,698	181.6	203.9	823	891	15.6	13.9	3.4	3.2	11.4	10.1	23.8	27.0	
MARUTI SUZUKI INDIA	7,290	8,585	BUY	22,02,224	9,21,691	10,24,861	75,466	1,14,751	199.9	286.2	1837	2031	36.5	25.5	4.0	3.6	28.4	18.1	14.8	13.3	
TVS Motor Co	582	659	BUY	2,76,667	2,07,140	2,34,686	18,668	24,878	19.1	28.0	102	123	30.4	20.8	5.7	4.7	15.4	11.0	24.9	28.7	
Auto Anc.																					
GNA Axles	521	570	HOLD	11,182	10,199	10,607	1,571	1,687	36.8	40.4	272	308	14.2	12.9	1.9	1.7	7.7	6.7	13.9	15.5	
Jamna Auto Industries	86	85	ACCUMULATE	34,128	14,018	16,121	1,906	2,354	2.7	3.4	16	18	31.7	25.1	5.2	4.6	18.0	14.3	19.6	26.5	
Lumax Auto Tech.	169	178	BUY	11,488	13,333	14,769	1,280	1,595	11.4	14.8	88	102	14.8	11.4	1.9	1.7	8.8	6.6	15.6	15.1	
Minda Industries	735	658	HOLD	1,99,745	83,030	99,325	10,379	13,111	12.1	21.9	96	116	60.8	33.5	7.7	6.3	20.0	15.4	20.7	18.2	
MM Forgings	716	606	HOLD	17,287	9,625	11,322	1,704	2,151	25.1	43.3	226	259	28.5	16.5	3.2	2.8	10.7	8.1	17.8	18.3	
Sona BLW Precisions Forging Ltd	422	460	BUY	2,58,310	22,995	32,310	6,401	9,022	6.3	9.1	34	43	67.1	46.3	12.5	9.8	0.4	0.3	23.8	28.1	
Subros	319	307	HOLD	20,817	21,401	24,763	2,076	2,476	11.7	15.4	132	146	27.2	20.8	2.4	2.2	9.3	7.2	11.0	14.7	

Source: Company; IDBI Capital Research



Notes

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Key to Ratings Stocks:

BUY: Absolute return of 15% and above; **ACCUMULATE:** 5% to 15%; **HOLD:** Upto ±5%; **REDUCE:** -5% to -15%; **SELL:** -15% and below.

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