

AUTOMOBILES

01 June 2021

Lockdowns and plant shutdowns dent May'21 dispatches

- With most OEMs opting to partly shut down plants due to Covid-19, dispatches posted a steep sequential decline in May
- 2W inventory remains high at over 45 days and hence we expect production to be curtailed; PV inventory is stable
- CVs/3Ws continue to be the worst hit while we believe tractors will rebound led by steady rural macro conditions

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Lockdowns exact toll on domestic PV sales: Maruti's total (MSIL) dispatches at 46k (-71% MoM) in May were affected as plants remained non-operational due to Covid-19 lockdowns and diversion of oxygen from industrial use for medical purposes from 1-16 May. Domestic sales fell 75% MoM while exports declined 35% MoM. M&M's (MM) PV sales shrank 56% MoM though management is confident of a demand rebound as the booking run-rate remains healthy despite extended waiting periods across models. Sales for TTMT fell 40% MoM while Hyundai posted a 50% decline.

2W exports cushion sales: Hero's (HMCL) wholesale volumes dropped by a sharp 51% MoM to 183k units, affected by temporary plant shutdowns. Bajaj Auto's (BJAUT) total volumes fell 30% MoM as domestic sales halved sequentially and exports declined 17% MoM. TVS Motor's (TVSL) overall sales reduced 30% MoM to 167k units, with domestic sales falling by a sharper 60% MoM but cushioned by a 7% rise in exports. Royal Enfield (RE) reported 2W sales of 27k units (-49% MoM).

CV sales slip: With production plants running for only 7-15 days for AL, its CV sales slumped 62% MoM as MHCV/LCV volumes plunged 55%/69%. AL announced that its plants would be operational only for 5-10 days in June as well. For TTMT, domestic CV sales fell 35% MoM with MHCVs/LCVs down 40%/32% and the fall in exports restricted to 8% MoM.

Tractor sales to rebound: With Covid-19 more widespread in rural areas, purchase deferrals and limited dealer operations, tractor sales languished in May. MM sold 24k tractors (-12% MoM) during the month and expects the tractor industry to record mid-single-digit growth for FY22. Escorts (ESC) sold 6.4k tractors, clocking 5% MoM growth. Per the company, ground activities have picked up in recent days as peak buying season begins, and the demand situation is likely to normalise soon. We have factored in a 6% CAGR in tractor industry sales over FY21-FY23 as the macro environment remains conducive.

Recommendation snapshot

Ticker	Price	Target	Rating
AL IN	122	60	SELL
BJAUT IN	4,238	3,200	SELL
ESC IN	1,162	1,350	BUY
HMCL IN	2,976	2,900	REDUCE
MM IN	806	630	SELL
MSIL IN	7,091	8,000	BUY
TVSL IN	613	480	SELL
VSTT IN	1,926	2,300	BUY

Price & Target in Rupees | Price as of 1 Jun 2021



Four-wheelers

Fig 1 – Ashok Leyland

Segment	May-21	May-20	YoY (%)	Apr-21	MoM (%)	YTD FY22	YTD FY21	YoY (%)
M&HCV	1,953	266	634.2	4,333	(54.9)	6,286	266	2263.2
LCV	1,246	1,154	8.0	4,007	(68.9)	5,253	1,154	355.2
Total domestic sales	3,199	1,420	125.3	8,340	(61.6)	11,539	1,420	712.6

Source: Company, BOBCAPS Research

Fig 2 – Maruti Suzuki

Segment	May-21	May-20	YoY (%)	Apr-21	MoM (%)	YTD FY22	YTD FY21	YoY (%)
Domestic sales	35,293	13,888	154.1	142,454	(75.2)	177,747	13,888	1179.9
Exports	11,262	4,651	142.1	17,237	(34.7)	28,499	5,283	439.4
Total sales	46,555	18,539	151.1	159,691	(70.8)	206,246	19,171	975.8

Source: Company, BOBCAPS Research

Fig 3 – Mahindra & Mahindra

Segment	May-21	May-20	YoY (%)	Apr-21	MoM (%)	YTD FY22	YTD FY21	YoY (%)
Passenger vehicles	8,004	3,867	107.0	18,285	(56.2)	26,289	3,867	579.8
- Utility vehicles	7,748	3,745	106.9	18,186	(57.4)	25,934	3,745	592.5
- Cars + Vans	256	122	109.8	99	158.6	355	122	191.0
Commercial vehicles	7,236	5,170	40.0	14,104	(48.7)	21,340	5,170	312.8
3-wheelers	272	39	597.4	2,043	(86.7)	2,315	39	5835.9
Total domestic sales	15,512	9,076	70.9	34,432	(54.9)	49,944	9,076	450.3
Exports	1,935	484	299.8	2,005	(3.5)	3,940	1,217	223.7
Total auto sales	17,447	9,560	82.5	36,437	(52.1)	53,884	10,293	423.5
Tractor domestic	22,843	24,017	(4.9)	26,130	(12.6)	48,973	28,733	70.4
Tractor exports	1,341	324	313.9	1,393	(3.7)	2,734	380	619.5
Total tractor sales	24,184	24,341	(0.6)	27,523	(12.1)	51,707	29,113	77.6

Source: Company, BOBCAPS Research

Fig 4 – Escorts

Segment	May-21	May-20	YoY (%)	Apr-21	MoM (%)	YTD FY22	YTD FY21	YoY (%)
Tractors	6,423	6,594	(2.6)	6,121	4.9	12,544	7,299	71.9
Total sales	6,423	6,594	(2.6)	6,121	4.9	12,544	7,299	71.9

Source: Company, BOBCAPS Research

Two-wheelers

Fig 5 – Hero MotoCorp

Segment	May-21	May-20	YoY (%)	Apr-21	MoM (%)	YTD FY22	YTD FY21	YoY (%)
2-wheelers	183,044	112,682	62.4	372,285	(50.8)	555,329	112,682	392.8
Total sales	183,044	112,682	62.4	372,285	(50.8)	555,329	112,682	392.8

Source: Company, BOBCAPS Research

Fig 6 – Royal Enfield

Segment	May-21	May-20	YoY (%)	Apr-21	MoM (%)	YTD FY22	YTD FY21	YoY (%)
Up to 350cc	22,734	17,543	29.6	46,561	(51.2)	69,295	17,543	295.0
Exceeding 350cc	4,560	1,570	190.4	6,737	(32.3)	11,297	1,570	619.6
Exports	7,221	684	955.7	4,509	60.1	11,730	775	1413.5
Total sales	27,294	19,113	42.8	53,298	(48.8)	80,592	19,113	321.7

Source: Company, BOBCAPS Research

Fig 7 – TVS Motor

Segment	May-21	May-20	YoY (%)	Apr-21	MoM (%)	YTD FY22	YTD FY21	YoY (%)
Total 2-wheeler sales	154,416	56,218	174.7	226,193	(31.7)	154,416	56,218	174.7
Total 3-wheeler sales	12,473	2,688	364.0	12,790	(2.5)	12,473	2,688	364.0
Total sales	166,889	58,906	183.3	238,983	(30.2)	166,889	58,906	183.3

Source: Company, BOBCAPS Research

Fig 8 – Bajaj Auto

Segment	May-21	May-20	YoY (%)	Apr-21	MoM (%)	YTD FY22	YTD FY21	YoY (%)
Motorcycles	240,554	112,798	113.3	348,173	(30.9)	588,727	144,807	306.6
3-wheelers	31,308	14,330	118.5	39,843	(21.4)	71,151	20,199	252.3
Total sales	271,862	127,128	113.8	388,016	(29.9)	659,878	165,006	299.9
Exports of above	211,032	87,054	142.4	253,545	(16.8)	464,577	124,932	271.9

Source: Company, BOBCAPS Research

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BUY – Expected return >+15%

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Note: Recommendation structure changed with effect from 1 January 2018 (Hold rating discontinued and replaced by Add / Reduce)

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