AUTOMOBILES

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Feb'21 Sales: Mixed bag

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PV sales continued their upward trajectory in February with healthy YoY growth (+21%). Domestic 2W sales were steady due to higher inventory in the system, whereas 2W exports gained momentum. MHCV volumes are improving from previous months and were up 6% YoY for AL while staying flat for TTMT. Tractor sales were healthy for both MM/ESC (+25%/+31% YoY). We remain negative on the sector given stretched valuations and anticipated pressure on operating margins led by higher raw material costs.

PV sales healthy: Maruti's (MSIL) dispatches were 10% above estimates, increasing 12% YoY to 164.5k units. The UV segment posted meaningful growth (+19% YoY), followed by compact cars (+15%) while the mini segment remained in negative territory. Given below-par inventory levels for MSIL, the next few months should see healthy dispatches. PV sales were up 41% YoY for M&M (MM) on a softer base, Hyundai Motors saw a 29% rise and Tata Motors (TTMT) posted strong 119% growth. MM's management indicated that a semiconductor supply shortage would hinder production.

Exports driving 2W sales: Hero's (HMCL) wholesale volumes came in at 505k in Feb'21 in line with our estimates, growing 1% YoY. Total sales for Bajaj Auto (BJAUT) rose 6% YoY with exports growing 13% while domestic sales posted a 6% decline. TVSL's export sales grew at a robust 23% YoY and total sales increased 18% to 298k units. 3W sales for BJAUT/TVSL continue to languish, posting negative growth (–5%/–24% YoY). Royal Enfield reported healthy 2W sales of 70k units (+10% YoY), beating our estimates.

MHCV volumes improving steadily: Ashok Leyland's (AL) CV sales increased 19% YoY to 13.7k units. Both MHCVs and LCVs posted growth, at 6% and 44% YoY respectively. For FY21 YTD, AL's sale volumes have plunged 32% YoY owing to a steep 47% drop in MHCVs. MHCV sales for TTMT were flat at 10k units in Feb'21 whereas LCVs grew 37% YoY to 21.2k units.

Strong momentum in tractor dispatches: MM sold 28.1k tractors (+25% YoY) in Feb'21, which was marginally lower than our expectations, while competitor Escorts (ESC) sold 11.2k units (+31% YoY). YTD tractor sales for MM/ESC are up 12%/17% YoY. We have factored in healthy growth as the macro environment remains conducive but believe both stocks are pricing in most optimism and carry unfavourable risk-reward.

Four-wheelers

FIG 1 – ASHOK LEYLAND

Segment	Feb-21	Feb-20	YoY (%)	Jan-21	MoM (%)	YTD FY21	YTD FY20	YoY (%)
M&HCV	7,802	7,368	5.9	7,374	5.8	40,719	76,778	(47.0)
LCV	5,901	4,107	43.7	5,752	2.6	42,778	46,298	(7.6)
Total domestic sales	**13,703**	**11,475**	**19.4**	**13,126**	**4.4**	**83,497**	**123,076**	**(32.2)**

Source: Company, BOBCAPS Research

FIG 2 – MARUTI SUZUKI

Segment	Feb-21	Feb-20	YoY (%)	Jan-21	MoM (%)	YTD FY21	YTD FY20	YoY (%)
Domestic sales	152,983	136,849	11.8	148,307	3.2	1,206,305	1,382,046	(12.7)
Exports	11,486	10,261	11.9	12,445	(7.7)	84,542	97,459	(13.3)
Total sales	**164,469**	**147,110**	**11.8**	**160,752**	**2.3**	**1,290,847**	**1,479,505**	**(12.8)**

Source: Company, BOBCAPS Research

FIG 3 – MAHINDRA & MAHINDRA

Segment	Feb-21	Feb-20	YoY (%)	Jan-21	MoM (%)	YTD FY21	YTD FY20	YoY (%)
Passenger vehicles	15,391	10,938	40.7	20,634	(25.4)	140,516	183,594	(23.5)
- Utility vehicles	15,380	10,675	44.1	20,498	(25.0)	138,887	176,294	(21.2)
- Cars + Vans	11	263	(95.8)	136	(91.9)	1,629	7,300	(77.7)
Commercial vehicles	9,202	15,856	(42.0)	13,388	(31.3)	139,043	196,810	(29.4)
3-wheelers	2,357	3,843	(38.7)	2,841	(17.0)	16,064	61,766	(74.0)
Total domestic sales	**26,950**	**30,637**	**(12.0)**	**36,863**	**(26.9)**	**295,623**	**442,170**	**(33.1)**
Exports	1,827	1,839	(0.7)	2,286	(20.1)	16,255	26,472	(38.6)
Total auto sales	**28,777**	**32,476**	**(11.4)**	**39,149**	**(26.5)**	**311,878**	**468,642**	**(33.5)**
Tractor domestic	27,170	21,877	24.2	33,562	(19.0)	314,016	278,483	12.8
Tractor exports	976	684	42.7	1,216	(19.7)	9,512	9,819	(3.1)
Total tractor sales	**28,146**	**22,561**	**24.8**	**34,778**	**(19.1)**	**323,528**	**288,302**	**12.2**

Source: Company, BOBCAPS Research

FIG 4 – ESCORTS

Segment	Feb-21	Feb-20	YoY (%)	Jan-21	MoM (%)	YTD FY21	YTD FY20	YoY (%)
Tractors	11,230	8,601	30.6	9,021	24.5	94,404	80,574	17.2
Total sales	**11,230**	**8,601**	**30.6**	**9,021**	**24.5**	**94,404**	**80,574**	**17.2**

Source: Company, BOBCAPS Research

Two-wheelers

FIG 5 – HERO MOTOCORP

Segment	Feb-21	Feb-20	YoY (%)	Jan-21	MoM (%)	YTD FY21	YTD FY20	YoY (%)
2-wheelers	505,467	498,242	1.5	485,889	4.0	5,214,779	6,075,072	(14.2)
Total sales	**505,467**	**498,242**	**1.5**	**485,889**	**4.0**	**5,214,779**	**6,075,072**	**(14.2)**

Source: Company, BOBCAPS Research

FIG 6 – ROYAL ENFIELD

Segment	Feb-21	Feb-20	YoY (%)	Jan-21	MoM (%)	YTD FY21	YTD FY20	YoY (%)
Up to 350cc	64,362	57,292	12.3	64,248	0.2	499,393	589,526	(15.3)
Exceeding 350cc	5,297	6,244	(15.2)	4,639	14.2	46,518	70,499	(34.0)
Exports	4,545	2,348	93.6	4,515	0.7	32,737	36,004	(9.1)
Total sales	**69,659**	**63,536**	**9.6**	**68,887**	**1.1**	**545,911**	**660,025**	**(17.3)**

Source: Company, BOBCAPS Research

FIG 7 – TVS MOTOR

Segment	Feb-21	Feb-20	YoY (%)	Jan-21	MoM (%)	YTD FY21	YTD FY20	YoY (%)
Total 2-wheeler sales	284,481	235,891	20.6	294,596	(3.4)	2,621,360	2,955,569	(11.3)
Total 3-wheeler sales	13,166	17,370	(24.2)	12,553	4.9	108,350	163,160	(33.6)
Total sales	**297,647**	**253,261**	**17.5**	**307,149**	**(3.1)**	**2,729,710**	**3,118,729**	**(12.5)**

Source: Company, BOBCAPS Research

FIG 8 – BAJAJ AUTO

Segment	Feb-21	Feb-20	YoY (%)	Jan-21	MoM (%)	YTD FY21	YTD FY20	YoY (%)
Motorcycles	332,563	310,222	7.2	384,936	(13.6)	3,275,760	3,736,592	(12.3)
3-wheelers	42,454	44,691	(5.0)	40,263	5.4	327,706	636,045	(48.5)
Total sales	**375,017**	**354,913**	**5.7**	**425,199**	**(11.8)**	**3,603,466**	**4,372,637**	**(17.6)**
Exports of above	210,206	186,166	12.9	254,442	(17.4)	1,883,350	2,045,071	(7.9)

Source: Company, BOBCAPS Research

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