BOBCAPS
TRUST | INNOVATION | EXCELLENCE

AUTOMOBILES

02 April 2020

Mar'20 Auto Sales – BS-VI shift + Covid-19 drive sharp slump

Mar'20 volume growth was weak for all automotive segments as the Covid-19 outbreak followed by plant shutdowns hit production and sales. BS-IV inventory liquidation efforts also led to calibrated dispatches in some segments. CV volumes were worst affected, plunging ~90% YoY. PV and 2W dispatches were also marred by plant shutdowns and BS-IV stock liquidation efforts. Tractors fell 31% YoY for MM. The outlook looks bleak for at least next couple of quarters until the outbreak is contained and demand normalises. MSIL and EIM are top picks.

Navin Matta | Nishant Chowhan, CFA
research@bobcaps.in

PVs – hopes of recovery stalled: Domestic PV sales fell an estimated 50-52% YoY in Mar'20. Maruti Suzuki's (MSIL) domestic PV volumes dropped 47% YoY while exports fell 55%. M&M's (MM) PV sales nosedived 88% YoY; management cited disruption in BS-VI ramp-up owing to discontinuation of supply from China. Tata Motors' (TTMT) PV volumes fell 68% YoY. Among other major PV OEMs, domestic sales for Hyundai/Toyota/Honda slid 41%/ 45%/79% YoY. Most major PV players have exhausted their BS-IV inventory within the deadline for changeover.

2Ws – steep decline and uphill climb: Domestic 2W volumes for Hero Moto (HMCL) fell 43% YoY. HMCL had ~150k units of unsold BS-IV inventory prior to the nationwide lockdown. TVS Motor's (TVSL) domestic 2W sales plummeted 62% YoY while its exports dropped 37% YoY. TVSL has liquidated most of its BS-IV inventory. Royal Enfield (RE) volumes fell sharply by 41% YoY; however, the company says it has cleared all BS-IV inventory. The steep cost rise due to BS-VI transition, especially in lower-priced 2W segments, is likely to act as a demand headwind even once the Covid-19 impact plays out.

CVs – the worst hit: MHCV volumes continued to falter with TTMT's domestic CV sales dropping 90% YoY, while exports were down 68%. However, the company mentioned that retail sales remained ahead of wholesale volumes by 3x and almost all BS-IV vehicles in the ecosystem had been retailed. Ashok Leyland's (AL) domestic sales also plunged 91%, while VECV reported an 83% YoY decline.

Tractors – tepid sales: Positive momentum in tractor demand on the back of a healthy rabi crop has been disrupted by the lockdown. Sales for MM fell 31% YoY with domestic volumes declining 27% in Mar'20 while Escorts (ESC) reported a 54% drop. Tractor sales for MM/ESC were down 9%/11% in FY20.

SALES SNAPSHOT

Ticker	Volume	YoY (%)	MoM (%)
AL IN	2.2	(90)	(81)
EIM IN*	37.3	(54)	(37)
HMCL IN	334.6	(42)	(33)
MM IN	21	(75)	(62)
MSIL IN	83.8	(47)	(43)
TVSL IN	144.8	(55)	(43)
TTMT IN	12.9	(83)	(68)

Source: Company | *RE & VECV combined
Volumes in '000

Four-wheelers

FIG 1 – ASHOK LEYLAND

Company Sales	Mar'20	Mar'19	Feb'20	YoY (%)	MoM (%)	FY20	FY19	YoY (%)
Ashok Leyland	**2,179**	**21,535**	**11,475**	**(89.9)**	**(81.0)**	**125,253**	**197,366**	**(37.1)**
Domestic sales	**1,787**	**20,521**	**10,612**	**(91.3)**	**(83.2)**	**116,333**	**185,065**	**(37.1)**
HCVs – Domestic	1,498	15,235	6,745	(90.2)	(77.8)	71,421	131,936	(45.9)
LCVs – Domestic	289	5,286	3,867	(94.5)	(92.5)	44,912	53,129	(15.5)
Exports	**392**	**1,014**	**863**	**(61.3)**	**(54.6)**	**8,920**	**12,301**	**(27.4)**

Source: Company, BOBCAPS Research

FIG 2 – VE COMMERCIAL VEHICLES

Company Sales	Mar'20	Mar'19	Feb'20	YoY (%)	MoM (%)	FY20	FY19	YoY (%)
VECV	**1,499**	**8,676**	**4,586**	**(82.7)**	**(67.3)**	**48,721**	**72,968**	**(33.2)**
VECV -Domestic	**1,432**	**7,460**	**4,022**	**(80.8)**	**(76.8)**	**44,975**	**62,958**	**(28.6)**
LMD	763	4,145	2,520	(81.6)	(69.1)	26707	37,706	(29.2)
Bus	402	1,651	1,140	(74.7)	(63.7)	9,060	10,746	(15.7)
HD	242	1,533	779	(84.2)	(63.7)	7,279	13,281	(45.2)
VTI	23	131	147	(82.4)	(84)	1,107	1,226	(10)
VECV – Exports	**67**	**1,216**	**564**	**(94.5)**	**(88)**	**4,568**	**10,010**	**(54)**

Source: Company, BOBCAPS Research

FIG 3 – MARUTI SUZUKI

Company Sales	Mar'20	Mar'19	Feb'20	YoY (%)	MoM (%)	FY20	FY19	YoY (%)
Maruti Suzuki	**83,792**	**158,076**	**147,110**	**(47.0)**	**(43.0)**	**1,563,497**	**1,862,437**	**(16.1)**
Mini	15,988	16,826	27,499	(5.0)	(41.9)	247,776	379,038	(34.6)
Compact	40,519	82,532	69,828	(50.9)	(42.0)	787,810	861,804	(8.6)
Sale to other OEMs	2,104	0	2,699	NA	(22.0)	25,002	0	NA
Mid-Size	1,863	3,672	2,544	(49.3)	(26.8)	25,258	46,169	(45.3)
LCVs	736	2,582	448	(71.5)	64.3	21,778	23,874	(8.8)
UVs	11,904	25,563	22,604	(53.4)	(47.3)	235,298	264,197	(10.9)
Vans	5,966	16,438	11,227	(63.7)	(46.9)	118,404	178,606	(33.7)
Exports	4,712	10,463	10,261	(55.0)	(54.1)	102,171	108,749	(6.0)

Source: Company, BOBCAPS Research

FIG 4 – MAHINDRA & MAHINDRA

Company Sales	Mar'20	Mar'19	Feb'20	YoY (%)	MoM (%)	FY20	FY19	YoY (%)
Mahindra & Mahindra	**21,014**	**82,640**	**55,037**	**(74.6)**	**(61.8)**	**767,944**	**925,339**	**(17.0)**
Total Automotive	**7,401**	**62,952**	**32,476**	**(88.2)**	**(77.2)**	**476,043**	**608,597**	**(21.8)**
Automotive – Domestic	6,130	59,012	30,637	(89.6)	(80.0)	448,300	570,001	(21.4)
Automotive – Exports	1,271	3,940	1,839	(67.7)	(30.9)	27,743	38,596	(28.1)
Total Tractors	**13,613**	**19,688**	**22,561**	**(30.9)**	**(39.7)**	**301,915**	**330,436**	**(8.6)**
Tractors - Domestic	13,418	18,446	21,877	(27.3)	(38.7)	291,901	316,742	(7.8)
Tractors - Exports	195	1,242	684	(84.3)	(71.5)	10,014	13,694	(26.9)

Source: Company, BOBCAPS Research

FIG 5 – TATA MOTORS

Company Sales	Mar'20	Mar'19	Feb'20	YoY (%)	MoM (%)	FY20	FY19	YoY (%)
Tata Motors	**12,942**	**74,679**	**40,634**	**(82.7)**	**(68.1)**	**473,537**	**731,941**	**(35.3)**
Domestic CVs	5,336	50,917	25,572	(89.5)	(79.1)	310,855	468,692	(33.7)
Domestic PVs	5,676	17,810	12,430	(68.1)	(54.3)	131,197	210,143	(37.6)
Exports	1,930	5,952	2,632	(67.6)	(26.7)	31,485	53,106	(40.7)

Source: Company, BOBCAPS Research

FIG 6 – ESCORTS

Company Sales	Mar'20	Mar'19	Feb'20	YoY (%)	MoM (%)	FY20	FY19	YoY (%)
Escorts	**5,444**	**11,905**	**8,601**	**(54.3)**	**(36.7)**	**86,018**	**96,412**	**(10.8)**
Domestic	5,228	11,431	8,049	(54.3)	(35.0)	82,252	93,323	(11.9)
Exports	216	474	552	(54.4)	(60.9)	3,766	3,089	21.9

Source: Company, BOBCAPS Research

Two-wheelers

FIG 7 – ROYAL ENFIELD

Company Sales	Mar'20	Mar'19	Feb'20	YoY (%)	MoM (%)	FY20	FY19	YoY (%)
Royal Enfield	**35,814**	**60,831**	**63,536**	**(41.1)**	**(43.6)**	**695,829**	**826,098**	**(15.8)**
upto 350cc	30,372	53,483	57,292	(43.2)	(47.0)	624,029	766,291	(18.6)
above 350cc	5,442	7,348	6,244	(25.9)	(12.8)	71,800	59,807	20.1

Source: Company, BOBCAPS Research

FIG 8 – TVS MOTORS

Company Sales	Mar'20	Mar'19	Feb'20	YoY (%)	MoM (%)	FY20	FY19	YoY (%)
TVS Motor	**144,739**	**325,339**	**253,261**	**(55.5)**	**(42.8)**	**3,263,468**	**3,913,757**	**(16.6)**
Motorcycles	66,673	141,086	118,514	(52.7)	(43.7)	1,363,579	1,559,297	(12.6)
Scooters	34,191	98,477	60,633	(65.3)	(43.6)	1,075,219	1,301,076	(17.4)
Mopeds	33,124	71,338	56,744	(53.6)	(41.6)	650,759	896,956	(27.4)
Three-wheelers	**10,751**	**14,438**	**17,370**	**(25.5)**	**(38.1)**	**173,911**	**156,428**	**11.2**

Source: Company, BOBCAPS Research

FIG 9 – HERO MOTOCORP

Company Sales	Mar'20	Mar'19	Feb'20	YoY (%)	MoM (%)	YTD FY20	YTD FY19	YTD (%)
Hero Motocorp	**334,647**	**581,279**	**498,242**	**(42.4)**	**(32.8)**	**6,409,719**	**7,820,831**	**(18.0)**

Source: Company, BOBCAPS Research

Disclaimer

Recommendations and Absolute returns (%) over 12 months

BUY – Expected return >+15%

ADD – Expected return from >+5% to +15%

REDUCE – Expected return from -5% to +5%

SELL – Expected return <-5%

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

Rating distribution

As of 31 March 2020, out of 91 rated stocks in the BOB Capital Markets Limited (BOBCAPS) coverage universe, 54 have BUY ratings, 20 have ADD ratings, 7 are rated REDUCE, 9 are rated SELL and 1 is UNDER REVIEW. None of these companies have been investment banking clients in the last 12 months.

Analyst certification

The research analyst(s) authoring this report hereby certifies that (1) all of the views expressed in this research report accurately reflect his/her personal views about the subject company or companies and its or their securities, and (2) no part of his/her compensation was, is, or will be, directly or indirectly, related to the specific recommendation(s) or view(s) in this report. Analysts are not registered as research analysts by FINRA and are not associated persons of BOBCAPS.

General disclaimers

BOBCAPS is engaged in the business of Institutional Stock Broking and Investment Banking. BOBCAPS is a member of the National Stock Exchange of India Limited and BSE Limited and is also a SEBI-registered Category I Merchant Banker. BOBCAPS is a wholly owned subsidiary of Bank of Baroda which has its various subsidiaries engaged in the businesses of stock broking, lending, asset management, life insurance, health insurance and wealth management, among others.

BOBCAPS's activities have neither been suspended nor has it defaulted with any stock exchange authority with whom it has been registered in the last five years. BOBCAPS has not been debarred from doing business by any stock exchange or SEBI or any other authority. No disciplinary action has been taken by any regulatory authority against BOBCAPS affecting its equity research analysis activities.

BOBCAPS has obtained registration as a Research Entity under SEBI (Research Analysts) Regulations, 2014, having registration No.: INH000000040 valid till 03 February 2020. BOBCAPS is also a SEBI-registered intermediary for the broking business having SEBI Single Registration Certificate No.: INZ000159332 dated 20 November 2017.

BOBCAPS prohibits its analysts, persons reporting to analysts, and members of their households from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover. Additionally, BOBCAPS prohibits its analysts and persons reporting to analysts from serving as an officer, director, or advisory board member of any companies that the analysts cover.

Our salespeople, traders, and other professionals may provide oral or written market commentary or trading strategies to our clients that reflect opinions contrary to the opinions expressed herein, and our proprietary trading and investing businesses may make investment decisions that are inconsistent with the recommendations expressed herein. In reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest. Additionally, other important information regarding our relationships with the company or companies that are the subject of this material is provided herein.

This material should not be construed as an offer to sell or the solicitation of an offer to buy any security in any jurisdiction where such an offer or solicitation would be illegal. We are not soliciting any action based on this material. It is for the general information of BOBCAPS's clients. It does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients. Before acting on any advice or recommendation in this material, clients should consider whether it is suitable for their particular circumstances and, if necessary, seek professional advice.

The price and value of the investments referred to in this material and the income from them may go down as well as up, and investors may realize losses on any investments. Past performance is not a guide for future performance, future returns are not guaranteed and a loss of original capital may occur. BOBCAPS does not provide tax advice to its clients, and all investors are strongly advised to consult with their tax advisers regarding any potential investment in certain transactions — including those involving futures, options, and other derivatives as well as non-investment-grade securities —that give rise to substantial risk and are not suitable for all investors. The material is based on information that we consider reliable, but we do not represent that it is accurate or complete, and it should not be relied on as such. Opinions expressed are our current opinions as of the date appearing on this material only. We endeavour to update on a reasonable basis the information discussed in this material, but regulatory, compliance, or other reasons may prevent us from doing so.

We and our affiliates, officers, directors, and employees, including persons involved in the preparation or issuance of this material, may from time to time have "long" or "short" positions in, act as principal in, and buy or sell the securities or derivatives thereof of companies mentioned herein and may from time to time add to or dispose of any such securities (or investment). We and our affiliates may act as market makers or assume an underwriting commitment in the securities of companies discussed in this document (or in related investments), may sell them to or buy them from customers on a principal basis, and may also perform or seek to perform investment banking or advisory services for or relating to these companies and may also be represented in the supervisory board or any other committee of these companies.

For the purpose of calculating whether BOBCAPS and its affiliates hold, beneficially own, or control, including the right to vote for directors, one per cent or more of the equity shares of the subject company, the holdings of the issuer of the research report is also included.

BOBCAPS and its non-US affiliates may, to the extent permissible under applicable laws, have acted on or used this research to the extent that it relates to non-US issuers, prior to or immediately following its publication. Foreign currency denominated securities are subject to fluctuations in exchange rates that could have an adverse effect on the value or price of or income derived from the investment. In addition, investors in securities such as ADRs, the value of which are influenced by foreign currencies, effectively assume currency risk. In addition, options involve risks and are not suitable for all investors. Please ensure that you have read and understood the Risk disclosure document before entering into any derivative transactions.

In the US, this material is only for Qualified Institutional Buyers as defined under rule 144(a) of the Securities Act, 1933. No part of this document may be distributed in Canada or used by private customers in the United Kingdom.

No part of this material may be (1) copied, photocopied, or duplicated in any form by any means or (2) redistributed without BOBCAPS's prior written consent.

Company-specific disclosures under SEBI (Research Analysts) Regulations, 2014

The research analyst(s) or his/her relatives do not have any material conflict of interest at the time of publication of this research report.

BOBCAPS or its research analyst(s) or his/her relatives do not have any financial interest in the subject company. BOBCAPS or its research analyst(s) or his/her relatives do not have actual/beneficial ownership of one per cent or more securities in the subject company at the end of the month immediately preceding the date of publication of this report.

The research analyst(s) has not received any compensation from the subject company in the past 12 months. Compensation of the research analyst(s) is not based on any specific merchant banking, investment banking or brokerage service transactions.

BOBCAPS or its research analyst(s) is not engaged in any market making activities for the subject company.

The research analyst(s) has not served as an officer, director or employee of the subject company.

BOBCAPS or its associates may have material conflict of interest at the time of publication of this research report.

BOBCAPS's associates may have financial interest in the subject company. BOBCAPS's associates may hold actual / beneficial ownership of one per cent or more securities in the subject company at the end of the month immediately preceding the date of publication of this report.

BOBCAPS or its associates may have managed or co-managed a public offering of securities for the subject company or may have been mandated by the subject company for any other assignment in the past 12 months.

BOBCAPS may have received compensation from the subject company in the past 12 months. BOBCAPS may from time to time solicit or perform investment banking services for the subject company. BOBCAPS or its associates may have received compensation from the subject company in the past 12 months for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory services in a merger or specific transaction. BOBCAPS or its associates may have received compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past 12 months.