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AUTOMOBILES

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Jul'21 PV and CV dispatches rise MoM, 2Ws flat

- **Most auto segments saw modest MoM dispatches in July, barring tractors (-45% MoM); PV and 2W exports healthy**
- **Domestic 2W inventory remains high at 45+ days; PVs steady at 28-30 days**
- **CV and 3W demand revived MoM led by opening up of the economy but still remain below normal (FY20) levels**

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Opening up of economy and lower inventory bolster PV dispatches: Maruti's (MSIL) total dispatches rose to 162k in July (+10% MoM) as its plants produced more in order to recoup sales lost in May'21 (due to Covid-19 lockdowns) and exports improved. Domestic sales grew 8% MoM while exports were up 25%. M&M's (MM) PV sales increased 24% MoM, Tata Motors (TTMT) posted 25% MoM growth and Hyundai saw a 19% rise. Semiconductor availability remains a challenge for most OEMs. Given lower inventory levels, we expect PV volumes to remain healthy in the coming months as OEMs build up channel inventory ahead of the festive season.

Domestic 2W inventory remains high; exports outperform: Domestic 2W dispatches were in line with our estimates, rising ~2% MoM in July. The flattish growth despite opening up of the economy after the second Covid wave is indicative of higher channel inventory in the system. Bajaj Auto's (BJAUT) total volumes grew 7% MoM with exports up 10% and domestic sales up 3%. TVS Motor's (TVSL) sales increased 11% MoM to 279k units, with domestic 2Ws growing ahead of peers at 20% MoM and 3Ws up 17%. Royal Enfield (RE) reported 2W sales of 44k units (+2% MoM). Hero's (HMCL) wholesale volumes fell 3% MoM to 454k, unperforming peer growth rates.

CV dispatches revive as economy starts opening up: With the economy gradually opening up, TTMT's CV dispatches grew 11% MoM as MHCV/LCV volumes increased 1%/16%. For Ashok Leyland (AL), total CV dispatches grew 34% MoM as MHCV/LCV sales increased 38%/31% aided by good traction for 'Dost' and 'Bada Dost'.

Erratic monsoon dampens tractor demand: Tractor sales declined ~45% MoM in July due to weaker monsoon activity in the initial parts of the month which impeded sowing. MM sold 27k tractors (-44% MoM) during the month and expects the tractor industry to record mid-single-digit growth for FY22. Escorts (ESC) sold 6.6k tractors, clocking a 48% MoM decline. Per the company, the monsoon has normalised and ground activities have picked up in recent days, implying demand 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.

Four-wheelers

Fig 1 – Ashok Leyland

Segment	Jul-21	Jul-20	YoY (%)	Jun-21	MoM (%)	YTD FY22	YTD FY21	YoY (%)
M&HCV	3,822	1,705	124.2	2,764	38.3	12,872	2,726	372.2
LCV	4,828	3,070	57.3	3,684	31.1	13,765	5,863	134.8
Total domestic sales	**8,650**	**4,775**	**81.2**	**6,448**	**34.2**	**26,637**	**8,589**	**210.1**

Source: Company, BOBCAPS Research

Fig 2 – Maruti Suzuki

Segment	Jul-21	Jul-20	YoY (%)	Jun-21	MoM (%)	YTD FY22	YTD FY21	YoY (%)
Domestic sales	141,238	101,307	39.4	130,348	8.4	449,333	168,334	166.9
Exports	21,224	6,757	214.1	17,020	24.7	66,743	16,329	308.7
Total sales	**162,462**	**108,064**	**50.3**	**147,368**	**10.2**	**516,076**	**184,663**	**179.5**

Source: Company, BOBCAPS Research

Fig 3 – Mahindra & Mahindra

Segment	Jul-21	Jul-20	YoY (%)	Jun-21	MoM (%)	YTD FY22	YTD FY21	YoY (%)
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	13,103	34.8	12,694	39.2	51,700	28,690	80.2
3-wheelers	2,148	83	2488.0	750	186.4	5,213	135	3761.5
Total domestic sales	**40,860**	**24,211**	**68.8**	**30,357**	**34.6**	**121,161**	**51,792**	**133.9**
Exports	2,123	1,467	44.7	2,607	(18.6)	8,670	3,537	145.1
Total auto sales	**42,983**	**25,678**	**67.4**	**32,964**	**30.4**	**129,831**	**55,329**	**134.7**
Tractor domestic	25,769	24,463	5.3	46,875	(45.0)	121,617	89,040	36.6
Tractor exports	1,460	939	55.5	1,347	8.4	5,541	2,019	174.4
Total tractor sales	**27,229**	**25,402**	**7.2**	**48,222**	**(43.5)**	**127,158**	**91,059**	**39.6**

Source: Company, BOBCAPS Research

Fig 4 – Escorts

Segment	Jul-21	Jul-20	YoY (%)	Jun-21	MoM (%)	YTD FY22	YTD FY21	YoY (%)
Tractors	6,564	5,322	23.3	12,533	(47.6)	31,641	23,472	34.8
Total sales	**6,564**	**5,322**	**23.3**	**12,533**	**(47.6)**	**31,641**	**23,472**	**34.8**

Source: Company, BOBCAPS Research

Two-wheelers

Fig 5 – Hero MotoCorp

Segment	Jul-21	Jul-20	YoY (%)	Jun-21	MoM (%)	YTD FY22	YTD FY21	YoY (%)
2-wheelers	454,398	514,509	(11.7)	469,160	(3.1)	1,478,887	1,077,935	37.2
Total sales	**454,398**	**514,509**	**(11.7)**	**469,160**	**(3.1)**	**1,478,887**	**1,077,935**	**37.2**

Source: Company, BOBCAPS Research

Fig 6 – Royal Enfield

Segment	Jul-21	Jul-20	YoY (%)	Jun-21	MoM (%)	YTD FY22	YTD FY21	YoY (%)
Up to 350cc	37,556	36,384	3.2	37,258	0.8	144,109	88,817	62.3
Exceeding 350cc	6,482	3,950	64.1	5,790	12.0	23,569	8,695	171.1
Exports	4,748	2,409	97.1	7,233	(34.4)	23,711	4,739	400.3
Total sales	**44,038**	**40,334**	**9.2**	**43,048**	**2.3**	**167,678**	**97,512**	**72.0**

Source: Company, BOBCAPS Research

Fig 7 – TVS Motor

Segment	Jul-21	Jul-20	YoY (%)	Jun-21	MoM (%)	YTD FY22	YTD FY21	YoY (%)
Total 2-wheeler sales	262,728	243,788	7.8	238,092	10.3	881,429	499,846	76.3
Total 3-wheeler sales	16,127	8,956	80.1	13,794	16.9	55,184	20,461	169.7
Total sales	**278,855**	**252,744**	**10.3**	**251,886**	**10.7**	**936,613**	**520,307**	**80.0**

Source: Company, BOBCAPS Research

Fig 8 – Bajaj Auto

Segment	Jul-21	Jul-20	YoY (%)	Jun-21	MoM (%)	YTD FY22	YTD FY21	YoY (%)
Motorcycles	330,569	238,556	38.6	310,578	6.4	1,229,874	638,485	92.6
3-wheelers	38,547	17,276	123.1	35,558	8.4	145,256	60,450	140.3
Total sales	**369,116**	**255,832**	**44.3**	**346,136**	**6.6**	**1,375,130**	**698,935**	**96.7**
Exports of above	201,843	96,856	108.4	184,300	9.5	850,720	348,696	144.0

Source: Company, BOBCAPS Research

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