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Aug'20 Auto Sales: Recovery led by pre-festive inventory filling

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Auto sales clocked an expectedly healthy recovery across segments in Aug'20, barring MHCVs and 3Ws. We believe filling up of low dealer inventory prior to the festive season and pent-up demand have been key drivers for this recovery. Domestic PV industry sales increased ~20% YoY and 2Ws grew ~8% YoY for HMCL in the month. MHCV volumes continued to be the worst affected, declining 52% YoY for AL. Tractor sales beat our expectations, outperforming other segments and growing at 65%/80% YoY for MM/ESC.

PV sales up 20%: Domestic sales for Maruti (MSIL) increased 20% YoY to 116.7k units in August while exports fell 15% YoY. The company's Mini segment showed strong growth of 95% YoY. PV sales for M&M (MM) and Hyundai Motors were up 1% and 20% YoY respectively while Tata Motors (TTMT) reported a 153% surge for the month. New entrants KIA/MG Motors reported 74%/41% YoY growth. We believe inventory filling, pent-up demand and gradual recuperation of the supply chain have been key growth drivers.

2Ws post decent show; 3Ws still weak: Hero's (HMCL) volumes increased 8% YoY to 584k in Aug'20, with motorcycle sales growth ahead of scooters. In a press release, HMCL mentioned that it is witnessing strong demand from rural and semi-urban markets and is currently operating at full capacity.

2W sales for Bajaj Auto (BJAUT) dipped 1% YoY to 321k while TVS Motor (TVSL) posted flat sales at 277k units, with mopeds (+23% YoY) outperforming other segments. 3W sales for TVSL (–30%) and BJAUT stayed weak (–46%). Royal Enfield reported 2W volumes of 50k units (–5% YoY), with the exports and >350cc segment posting sharper declines of 38% and 54% respectively.

MHCV sales still soft: Total CV sales for AL plunged 31% YoY to 6.3k units. MHCVs were the worst hit, clocking a 52% YoY drop, while LCVs fell 4% YoY. Total sales for VECV dropped 30% to 2.5k units in August.

Tractor segment outperforms: MM sold 24.5k tractors (+65% YoY) in Aug'20. Competitor Escorts (ESC) sold 7.3k units (+80% YoY). Positive rural sentiment led by timely and widespread monsoons, higher sowing of Kharif crop and adequate availability of retail finance are a few factors that bode well for the agriculture sector. Also, improvement in the supply side compared to previous months and build-up of inventory are supporting sales, according to OEMs.

Four-wheelers

FIG 1 – ASHOK LEYLAND

Segment	Aug-20	Aug-19	YoY (%)	Jul-20	MoM (%)	YTD FY21	YTD FY20	YoY (%)
M&HCV	2,589	5,349	(51.6)	1,705	51.8	5,315	38,790	(86.3)
LCV	3,736	3,882	(3.8)	3,070	21.7	9,599	20,976	(54.2)
Total domestic sales	**6,325**	**9,231**	**(31.5)**	**4,775**	**32.5**	**14,914**	**59,766**	**(75.0)**

Source: Company, BOBCAPS Research

FIG 2 – MARUTI SUZUKI

Segment	Aug-20	Aug-19	YoY (%)	Jul-20	MoM (%)	YTD FY21	YTD FY20	YoY (%)
Domestic sales	116,704	97,061	20.2	101,307	15.2	285,038	571,548	(50.1)
Exports	7,920	9,352	(15.3)	6,757	17.2	24,249	46,723	(48.1)
Total sales	**124,624**	**106,413**	**17.1**	**108,064**	**15.3**	**309,287**	**618,271**	**(50.0)**

Source: Company, BOBCAPS Research

FIG 3 – MAHINDRA & MAHINDRA

Segment	Aug-20	Aug-19	YoY (%)	Jul-20	MoM (%)	YTD FY21	YTD FY20	YoY (%)
Passenger vehicles	13,651	13,507	1.1	11,025	23.8	36,618	89,738	(59.2)
- Utility vehicles	13,407	13,037	2.8	10,898	23.0	36,008	85,135	(57.7)
- Cars + Vans	244	470	(48.1)	127	92.1	610	4,603	(86.7)
Commercial vehicles	15,299	14,684	4.2	13,103	16.8	43,989	82,247	(46.5)
3-wheelers	307	5,373	(94.3)	83	269.9	442	23,183	(98.1)
Total domestic sales	**29,257**	**33,564**	**(12.8)**	**24,211**	**20.8**	**81,049**	**195,168**	**(58.5)**
Exports	1,169	2,521	(53.6)	1,467	(20.3)	4,706	12,748	(63.1)
Total auto sales	**30,426**	**36,085**	**(15.7)**	**25,678**	**18.5**	**85,755**	**207,916**	**(58.8)**
Tractor domestic	23,503	13,871	69.4	24,463	(3.9)	112,543	115,958	(2.9)
Tractor exports	955	946	1.0	939	1.7	2,974	5,201	(42.8)
Total tractor sales	**24,458**	**14,817**	**65.1**	**25,402**	**(3.7)**	**115,517**	**121,159**	**(4.7)**

Source: Company, BOBCAPS Research

FIG 4 – ESCORTS

Segment	Aug-20	Aug-19	YoY (%)	Jul-20	MoM (%)	YTD FY21	YTD FY20	YoY (%)
Tractors	7,268	4,035	80.1	5,322	36.6	30,740	29,946	2.7
Total sales	**7,268**	**4,035**	**80.1**	**5,322**	**36.6**	**30,740**	**29,946**	**2.7**

Source: Company, BOBCAPS Research

Two-wheelers

FIG 5 – HERO MOTOCORP

Segment	Aug-20	Aug-19	YoY (%)	Jul-20	MoM (%)	YTD FY21	YTD FY20	YoY (%)
2-wheelers	584,456	543,406	7.6	514,509	13.6	1,662,391	2,922,136	(43.1)
Total sales	**584,456**	**543,406**	**7.6**	**514,509**	**13.6**	**1,662,391**	**2,922,136**	**(43.1)**

Source: Company, BOBCAPS Research

FIG 6 – ROYAL ENFIELD

Segment	Aug-20	Aug-19	YoY (%)	Jul-20	MoM (%)	YTD FY21	YTD FY20	YoY (%)
Up to 350cc	46,357	44,694	3.7	36,384	27.4	135,174	252,768	(46.5)
Exceeding 350cc	3,787	8,210	(53.9)	3,950	(4.1)	12,482	37,910	(67.1)
Exports	2,573	4,152	(38.0)	2,409	6.8	7,312	18,314	(60.1)
Total sales	**50,144**	**52,904**	**(5.2)**	**40,334**	**24.3**	**147,656**	**290,678**	**(49.2)**

Source: Company, BOBCAPS Research

FIG 7 – TVS MOTOR

Segment	Aug-20	Aug-19	YoY (%)	Jul-20	MoM (%)	YTD FY21	YTD FY20	YoY (%)
Total 2-wheeler sales	277,226	275,851	0.5	243,788	13.7	777,072	1,425,200	(45.5)
Total 3-wheeler sales	10,172	14,604	(30.3)	8,956	13.6	30,633	67,915	(54.9)
Total sales	**287,398**	**290,455**	**(1.1)**	**252,744**	**13.7**	**807,705**	**1,493,115**	**(45.9)**

Source: Company, BOBCAPS Research

FIG 8 – BAJAJ AUTO

Segment	Aug-20	Aug-19	YoY (%)	Jul-20	MoM (%)	YTD FY21	YTD FY20	YoY (%)
Motorcycles	321,058	325,300	(1.3)	238,556	34.6	959,543	1,730,137	(44.5)
3-wheelers	35,141	64,726	(45.7)	17,276	103.4	95,591	288,593	(66.9)
Total sales	**356,199**	**390,026**	**(8.7)**	**255,832**	**39.2**	**1,055,134**	**2,018,730**	**(47.7)**
Exports of above	170,320	181,917	(6.4)	96,856	75.8	519,016	907,998	(42.8)

Source: Company, BOBCAPS Research

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