

AUTOMOBILES

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Jan'20 Auto Sales – PVs ahead of 2W and CVs

Jan'20 volume trends were mixed across segments and players based on stock levels and differing timelines for BS-VI production ramp-up. PV growth stayed negative but MSIL and MM posted above-expected volumes. 2W wholesale volumes were weak as system inventory continued to trend higher. MHCVs saw another month of sharp wholesale volume cuts on BS-IV inventory correction. Restocking is likely to pick up towards the tail end of Q4FY20. We continue to prefer PVs over 2W and CVs; MSIL and EIM are top picks and AL is a SELL.

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Passenger vehicles slightly ahead of estimates: We estimate aggregate PV sales declined 5-7% YoY in Jan'20. Maruti Suzuki's (MSIL) domestic PV sales grew 2% YoY, while exports were up 1%. Its SUV volumes declined a sharp 27% YoY given destocking ahead of the 'Brezza' petrol launch in Feb'20. M&M's (MM) PV sales declined by 17% YoY, whereas Tata Motors (TTMT) saw a 35% YoY drop to 13,894 units. Per the company, 'Altroz' has garnered a good response and has a strong order backlog. Among other major PV OEMs, domestic volumes for Hyundai/Toyota/Honda were down 8%/48%/71% YoY.

Two-wheelers remain in slow lane: 2W wholesale volumes remained under pressure given continued BS-IV inventory rationalisation. Hero MotoCorp's (HMCL) sales fell 14% YoY led by a sharp drop in scooter volumes (-87% YoY), while the decline in motorcycle volumes was moderate at 6% YoY. Royal Enfield sales slipped 13% YoY. TVS Motors' (TVSL) total sales fell 17% YoY led by a domestic decline of 9% while exports grew 34% on a low base. Weak domestic volumes were partially on account of early transition to BS-VI.

Commercial vehicles see continued weakness: MHCV volumes are still to reflect any volume uptick from pre-buying. TTMT's domestic CV sales dropped 16% YoY as MHCV sales plunged 41% due to the weak macro climate. Ashok Leyland's (AL) domestic sales nosedived 41% YoY due to a 49% fall in MHCVs. VECV domestic volumes slipped 6% YoY with a 15% drop in domestic heavy truck sales.

Tractor sales recover: MM's tractors sales rose 4% YoY while sales for competitor Escorts (ESC) grew 1%. Good 'rabi' output and government's increased focus on the rural sector would drive positive momentum for tractors.

KEY RECOMMENDATIONS

Ticker	Price	Target	Rating
AL IN	78	68	SELL
BJAUT IN	3,282	3,560	ADD
EIM IN	20,000	25,000	BUY
HMCL IN	2,392	2,575	REDUCE
MM IN	560	625	ADD
MSIL IN	7,010	8,825	BUY
TTMT IN	164	212	ADD
TVSL IN	470	465	REDUCE

Price & Target in Rupees

SALES SNAPSHOT

Ticker	Volume	YoY (%)	MoM (%)
AL IN	11,850	(40.0)	6.1
EIM IN*	69,064	(12.1)	24.6
HMCL IN	501,622	(13.9)	18.1
MM IN	75,662	(2.9)	32.2
MSIL IN	154,123	1.6	15.6
TVSL IN	234,920	(16.9)	1.4
TTMT IN	47,932	(17.6)	2.1

Source: Company | *RE & VECV combined

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 'Mixed signals – prefer PVs, 2Ws'



Four-wheelers

FIG 1 – ASHOK LEYLAND

Company sales	Jan'20	Jan'19	Dec'19	YoY (%)	MoM (%)	YTD FY20	YTD FY19	YTD (%)
Ashok Leyland	11,850	19,741	11,168	(40.0)	6.1	111,596	157,588	(29.2)
Ashok Leyland – Domestic	10,850	18,533	10,378	(41.5)	4.5	103,934	147,192	(29.4)
Ashok Leyland - Exports	1,000	893	790	12.0	26.6	7,665	10,078	(23.9)

Source: Company, BOBCAPS Research

FIG 2 – VE COMMERCIAL VEHICLES

Company sales	Jan'20	Jan'19	Dec'19	YoY (%)	MoM (%)	YTD FY20	YTD FY19	YTD (%)
VECV	5,544	5,906	5,042	(6.1)	10.0	42,636	57,864	(26.3)
VECV – Domestic	5,027	5,275	4,542	(4.7)	13.9	37,762	49,067	(23.0)
VECV – Exports	517	631	500	(18.1)	3.4	3,937	7,863	(49.9)

Source: Company, BOBCAPS Research

FIG 3 – MARUTI SUZUKI

Company sales	Jan'20	Jan'19	Dec'19	YoY (%)	MoM (%)	YTD FY20	YTD FY19	YTD (%)
Maruti Suzuki	154,123	151,721	133,296	1.6	15.6	1,332,395	1,555,691	(14.3)
Mini	25,885	33,408	23,883	(22.5)	8.4	204,289	337,461	(39.5)
Compact	84,340	65,523	65,673	28.7	28.4	677,463	706,594	(4.1)
Sale to other OEMs	2,249	0	1,360	NA	65.4	20,199	0	NA
Mid-Size	835	2,934	1,786	(71.5)	(53.2)	20,851	39,413	(47.1)
LCVs	2,406	2,710	1,591	(11.2)	51.2	20,594	19,104	7.8
UVs	16,460	22,430	23,808	(26.6)	(30.9)	200,790	216,800	(7.4)
Vans	12,324	15,145	7,634	(18.6)	61.4	101,211	147,603	(31.4)
Exports	9,624	9,571	7,561	0.6	27.3	87,198	88,704	(1.7)

Source: Company, BOBCAPS Research

FIG 4 – MAHINDRA & MAHINDRA

Company sales	Jan'20	Jan'19	Dec'19	YoY (%)	MoM (%)	YTD FY20	YTD FY19	YTD (%)
Mahindra & Mahindra	75,662	77,934	57,220	(2.9)	32.2	701,907	781,410	(10.2)
Total Automotive	52,546	55,722	39,230	(5.7)	33.9	436,166	489,639	(10.9)
Automotive – Domestic	50,785	52,500	37,081	(3.3)	37.0	411,533	458,074	(10.2)
Automotive – Exports	1,761	3,222	2,149	(45.3)	(18.1)	24,633	31,565	(22.0)
Total Tractors	23,116	22,212	17,990	4.1	28.5	265,741	291,770	(8.9)
Tractors - Domestic	22,329	20,948	17,213	6.6	29.7	256,606	280,191	(8.4)
Tractors - Exports	787	1,264	777	(37.7)	1.3	9,135	11,579	(21.1)

Source: Company, BOBCAPS Research

FIG 5 – TATA MOTORS

Company sales	Jan'20	Jan'19	Dec'19	YoY (%)	MoM (%)	YTD FY20	YTD FY19	YTD (%)
Tata Motors	47,932	58,185	46,933	(17.6)	2.1	419,997	597,111	(29.7)
Domestic CVs	31,348	37,089	31,469	(15.5)	(0.4)	279,947	378,664	(26.1)
Domestic PVs	13,894	17,826	12,785	(22.1)	8.7	113,091	174,223	(35.1)
Exports	2,690	3,270	2,679	(17.7)	0.4	26,959	44,224	(39.0)

Source: Company, BOBCAPS Research

FIG 6 – ESCORTS

Company sales	Jan'20	Jan'19	Dec'19	YoY (%)	MoM (%)	YTD FY20	YTD FY19	YTD (%)
Escorts	6,063	5,991	4,114	1.2	47.4	71,973	77,267	(6.9)
Domestic	5,845	5,762	3,806	1.4	53.6	68,975	74,974	(8.0)
Exports	218	229	308	(4.8)	(29.2)	2,998	2,293	30.7

Source: Company, BOBCAPS Research

Two-wheelers

FIG 7 – ROYAL ENFIELD

Company sales	Jan'20	Jan'19	Dec'19	YoY (%)	MoM (%)	YTD FY20	YTD FY19	YTD (%)
Royal Enfield	63,520	72,701	50,406	(12.6)	26.0	596,609	702,637	(15.1)
upto 350cc	59,200	67,915	47,778	(12.8)	23.9	532,234	655,779	(18.8)
above 350cc	4,320	4,786	2,628	(9.7)	64.4	64,375	46,858	37.4

Source: Company, BOBCAPS Research

FIG 8 – HERO MOTOCORP

Company sales	Jan'20	Jan'19	Dec'19	YoY (%)	MoM (%)	YTD FY20	YTD FY19	YTD (%)
Hero MotoCorp	501,622	582,756	424,845	(13.9)	18.1	5,576,830	6,622,245	(15.8)

Source: Company, BOBCAPS Research

FIG 9 – TVS MOTORS

Company sales	Jan'20	Jan'19	Dec'19	YoY (%)	MoM (%)	YTD FY20	YTD FY19	YTD (%)
TVS Motor	234,920	282,630	231,571	(16.9)	1.4	2,865,468	3,289,065	(12.9)
Total Two-wheelers	220,439	269,277	215,619	(18.1)	2.2	2,719,678	3,160,817	(14.0)
Motorcycles	94,367	111,253	93,697	(15.2)	0.7	1,178,392	1,295,660	(9.1)
Scooters	72,383	85,299	74,716	(15.1)	(3.1)	980,395	1,115,664	(12.1)
Mopeds	53,689	72,725	47,206	(26.2)	13.7	560,891	749,493	(25.2)
Three-wheelers	14,481	13,353	15,952	8.4	(9.2)	145,790	128,248	13.7

Source: Company, BOBCAPS Research

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BUY – Expected return >+15%

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