AUTOMOBILES

04 January 2021

Dec'20 Auto Sales: 2Ws struggling, CVs reviving, PVs steady

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Passenger vehicles continued their upward trajectory in December with healthy YoY and MoM growth. 2W sales (barring Royal Enfield) came under significant pressure MoM as inventories in the system are now on the higher side. MHCV volumes continued to improve from previous months but still slipped 2% YoY for AL. Tractor sales declined MoM for both MM and ESC despite efforts to restore channel inventory. Reported volumes were broadly in line with our estimates (except MSIL and EIM). We remain negative on the sector.

PV sales beat expectations: Maruti's (MSIL) dispatches were above our estimates, increasing 20% YoY to 160.2k units in Dec'20 with exports rising sharply by 31%. Growth was led by the compact segment (+18%), vans (+47%) and UVs (+8%). PV sales for M&M (MM) were up 3% YoY while Hyundai Motors saw a 25% rise. New entrant KIA continued to outperform, growing 154% YoY. Tata Motors also posted strong 84% growth.

2W sales struggling: Hero's (HMCL) wholesale volumes came in at 447.4k in Dec'20 against our estimate of 490k, a drop of 24% MoM. TVS Motor's (TVSL) total sales saw a 16% MoM decline to 272.1k units. Bajaj Auto (BJAUT) posted a 12% MoM fall in total volumes. These declines clearly indicate that system inventory is now back to normal and growth will depend directly on retail sales, which remain under pressure. In contrast to peers, Royal Enfield, reported strong 2W sales of 69k units (+37% YoY), exceeding our estimates.

MHCV sales improving on monthly basis: Ashok Leyland's (AL) CV sales increased 14% YoY to 12.8k units, in line with our estimates. Its MHCVs continued to improve and posted a decline of only 2% YoY, whereas LCVs were up 42% YoY. In FY21 YTD, AL's sale volumes have plunged 43% YoY, led by a steep 59% drop in MHCVs and an 18% decline in LCVs. CV sales for Tata Motors (TTMT) were down 4% to 32.9k units in December.

Tractor dispatches weak despite low inventory levels: MM sold 22.4k tractors (–32% MoM) in Dec'20 and competitor Escorts (ESC) sold 7.7k units (–24% MoM). We have already factored in healthy growth as the macro environment remains conducive, but believe both stocks are pricing in most optimism and the risk-reward of staying invested is unfavourable.

Four-wheelers

FIG 1 – ASHOK LEYLAND

Segment	Dec-20	Dec-19	YoY (%)	Nov-20	MoM (%)	YTD FY21	YTD FY20	YoY (%)
M&HCV	6,884	7,025	(2.0)	5,114	34.6	25,543	61,656	(58.6)
LCV	5,878	4,143	41.9	5,545	6.0	31,125	38,095	(18.3)
Total domestic sales	**12,762**	**11,168**	**14.3**	**10,659**	**19.7**	**56,668**	**99,751**	**(43.2)**

Source: Company, BOBCAPS Research

FIG 2 – MARUTI SUZUKI

Segment	Dec-20	Dec-19	YoY (%)	Nov-20	MoM (%)	YTD FY21	YTD FY20	YoY (%)
Domestic sales	150,288	125,735	19.5	144,219	4.2	905,015	1,100,698	(17.8)
Exports	9,938	7,561	31.4	9,004	10.4	60,611	77,574	(21.9)
Total sales	**160,226**	**133,296**	**20.2**	**153,223**	**4.6**	**965,626**	**1,178,272**	**(18.0)**

Source: Company, BOBCAPS Research

FIG 3 – MAHINDRA & MAHINDRA

Segment	Dec-20	Dec-19	YoY (%)	Nov-20	MoM (%)	YTD FY21	YTD FY20	YoY (%)
Passenger vehicles	16,182	15,691	3.1	18,212	(11.1)	104,491	152,859	(31.6)
- Utility vehicles	16,050	15,225	5.4	17,971	(10.7)	103,009	146,164	(29.5)
- Cars + Vans	132	466	(71.7)	241	(45.2)	1,482	6,695	(77.9)
Commercial vehicles	13,930	16,018	(13.0)	19,029	(26.8)	116,453	158,103	(26.3)
3-wheelers	2,865	5,372	(46.7)	3,854	(25.7)	10,866	49,786	(78.2)
Total domestic sales	**32,977**	**37,081**	**(11.1)**	**41,095**	**(19.8)**	**231,810**	**360,748**	**(35.7)**
Exports	2,210	2,149	2.8	1,636	35.1	12,142	22,872	(46.9)
Total auto sales	**35,187**	**39,230**	**(10.3)**	**42,731**	**(17.7)**	**243,952**	**383,620**	**(36.4)**
Tractor domestic	21,173	17,213	23.0	31,619	(33.0)	253,284	234,277	8.1
Tractor exports	1,244	777	60.1	1,107	12.4	7,320	8,348	(12.3)
Total tractor sales	**22,417**	**17,990**	**24.6**	**32,726**	**(31.5)**	**260,604**	**242,625**	**7.4**

Source: Company, BOBCAPS Research

FIG 4 – ESCORTS

Segment	Dec-20	Dec-19	YoY (%)	Nov-20	MoM (%)	YTD FY21	YTD FY20	YoY (%)
Tractors	7,733	4,114	88.0	10,165	(23.9)	74,153	65,910	12.5
Total sales	**7,733**	**4,114**	**88.0**	**10,165**	**(23.9)**	**74,153**	**65,910**	**12.5**

Source: Company, BOBCAPS Research

Two-wheelers

FIG 5 – HERO MOTOCORP

Segment	Dec-20	Dec-19	YoY (%)	Nov-20	MoM (%)	YTD FY21	YTD FY20	YoY (%)
2-wheelers	447,375	424,845	5.3	591,091	(24.3)	4,223,423	5,075,208	(16.8)
Total sales	**447,375**	**424,845**	**5.3**	**591,091**	**(24.3)**	**4,223,423**	**5,075,208**	**(16.8)**

Source: Company, BOBCAPS Research

FIG 6 – ROYAL ENFIELD

Segment	Dec-20	Dec-19	YoY (%)	Nov-20	MoM (%)	YTD FY21	YTD FY20	YoY (%)
Up to 350cc	63,580	47,788	33.0	57,418	10.7	370,783	473,034	(21.6)
Exceeding 350cc	5,415	2,628	106.1	6,364	(14.9)	36,582	59,935	(39.0)
Exports	3,503	1,927	81.8	4,698	(25.4)	23,677	31,428	(24.7)
Total sales	**68,995**	**50,416**	**36.9**	**63,782**	**8.2**	**407,365**	**532,969**	**(23.6)**

Source: Company, BOBCAPS Research

FIG 7 – TVS MOTOR

Segment	Dec-20	Dec-19	YoY (%)	Nov-20	MoM (%)	YTD FY21	YTD FY20	YoY (%)
Total 2-wheeler sales	258,239	215,619	19.8	311,519	(17.1)	2,042,283	2,499,239	(18.3)
Total 3-wheeler sales	13,845	15,952	(13.2)	11,190	23.7	82,631	131,309	(37.1)
Total sales	**272,084**	**231,571**	**17.5**	**322,709**	**(15.7)**	**2,124,914**	**2,630,548**	**(19.2)**

Source: Company, BOBCAPS Research

FIG 8 – BAJAJ AUTO

Segment	Dec-20	Dec-19	YoY (%)	Nov-20	MoM (%)	YTD FY21	YTD FY20	YoY (%)
Motorcycles	338,584	284,802	18.9	384,993	(12.1)	2,558,261	3,094,028	(17.3)
3-wheelers	33,948	51,253	(33.8)	37,247	(8.9)	244,989	529,223	(53.7)
Total sales	**372,532**	**336,055**	**10.9**	**422,240**	**(11.8)**	**2,803,250**	**3,623,251**	**(22.6)**
Exports of above	232,926	182,892	27.4	223,307	4.3	1,418,702	1,657,304	(14.4)

Source: Company, BOBCAPS Research

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