

RESEARCH
Automobiles

TTMT shines in PV/CVs again, headwinds continue for 2Ws

SUMMARY
Automobiles

- MSIL's domestic sales still hampered by chip crisis (-18% YoY in Nov); TTMT (+38%) and MM (+7%) continue to buck trend aided by launches
- 2W domestic volumes down by double digits whereas recovery continues in 3Ws and CVs. Tractor sales down YoY off high base
- EV sales continue to hit new highs (+249% in Jan-Nov'21) led by Hero Electric for 2W and TTMT for 4W

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Daily macro indicators

Indicator	Current	2D (%)	1M (%)	12M (%)
US 10Y yield (%)	1.44	(5bps)	(11bps)	52bps
India 10Y yield (%)	6.33	(1bps)	(6bps)	48bps
USD/INR	75.17	(0.1)	(0.4)	(2.0)
Brent Crude (US\$/bbl)	70.57	(3.9)	(16.4)	48.8
Dow	34,484	(1.9)	(3.7)	15.6
Shanghai	3,564	0.0	0.5	3.2
Sensex	57,065	(0.3)	(3.8)	27.8
India FII (US\$ mn)	29-Nov	MTD	CYTD	FYTD
FII-D	69.6	103.2	32.8	2,060.1
FII-E	(485.2)	(58.1)	6,200.5	(1,125.8)

Source: Bloomberg

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AUTOMOBILES

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4W: Due to the chip shortage, MSIL's November domestic sale volumes fell (-18% YoY), but MM (+7%) and TTMT (+38%) managed to grow. MSIL's relatively low export sales did increase (+138% YoY/+191% YTD). Apr-Nov'21 sales for MSIL/MM/TTMT grew 14%/51%/85% YoY. Demand remains strong as reflected in rising retail volumes. Upcoming launches include MSIL's next-gen SUV models (S-Cross, Brezza) which together with the recent Celerio rollout should help it regain market share.

2W: 2W domestic sales for BJAUT/EIM/TVSL fell 23%/24%/29% in November. TVSL's exports were the only positive, increasing by 29%. Total volumes over Apr-Nov'21 for BJAUT/EIM/TVSL are still up 20%/1%/17% YoY, but this is due to exports as their domestic sales have fallen 2%/7%/2%. Strong EV sales will receive a further fillip with the Ather and Hero Electric launches.

CV: Domestic CV sale volumes for TTMT rebounded +17% YoY and EIM clocked a +3% rise, whereas AL saw a -4% decline. Jan-Nov'21 domestic sales increased +53-+73% for these companies over a low base, though sales are still below Jan-Nov'19. Exports dipped -1% for TTMT in November but grew +20%/+65% for AL/EIM and increased +48-+127% for the three players in Jan-Nov'21. TTMT and AL saw growth in both LCVs and MHCVs in Jan-Nov'21.

3W: TVSL/MM's domestic 3W sales slipped -11%/-33% YoY in Nov'21, but BJAUT grew +28% amid a lower base. TVSL's exports were up +36% vs. +2% for BJAUT. BJAUT/TVSL posted total volume growth of +10%/+33% YoY and +47%/+67% YTD.

Tractor: Domestic tractor volumes for MM/ESC/VSTT declined by -18%/-33%/-34% YoY due to a higher base, but Jan-Nov'21 sales growth remains strong at +26%/+7%/+1%, indicating that MM has gained market share.

EV: Sales across 2W/3W/4Ws grew above 42k units for the first time. According to the Vahan database, Hero Electric, Okinawa and Ather are the top 3 EV players in 2Ws while TTMT leads in electric PVs with ~88% market share.

Recommendation snapshot

Ticker	Price	Target	Rating
AL IN	122	80	SELL
BJAUT IN	3,250	3,200	SELL
HMCL IN	2,448	2,900	HOLD
MM IN	835	630	SELL
MSIL IN	7,273	8,000	HOLD
TVSL IN	678	480	SELL
VSTT IN	2,866	2,300	HOLD

Price & Target in Rupees | Price as of 1 Dec 2021



Disclaimer

Recommendation scale: Recommendations and Absolute returns (%) over 12 months

BUY – Expected return >+15%

HOLD – Expected return from -6% to +15%

SELL – Expected return <-6%

Note: Recommendation structure changed with effect from 21 June 2021

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