

FIRST LIGHT

05 January 2022

RESEARCH

Automobiles

TTMT gains 2nd position in PVs; CV recovery promising

SUMMARY

Automobiles

- MSIL's domestic sales still hampered by chip crisis (-13% YoY in Dec); TTMT (+50%) and MM (+10%) continue to buck trend aided by launches
- 2W domestic volumes remain weak whereas recovery continues in 3Ws and CVs. Tractor sales down YoY off high base
- EV sales cross 50K for the first time led by Hero Electric in 2Ws and TTMT in 4Ws. Launches from Ola & Bounce to further enhance EV sales

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Daily macro indicators

Indicator	Current	2D (%)	1M (%)	12M (%)
US 10Y yield (%)	1.51	0bps	7bps	60bps
India 10Y yield (%)	6.45	(2bps)	13bps	58bps
USD/INR	74.34	0.1	1.1	(1.6)
Brent Crude (US\$/bbl)	77.78	(1.9)	10.2	50.2
Dow	36,338	(0.2)	5.4	18.7
Shanghai	3,640	0.6	2.1	4.8
Sensex	58,254	0.8	2.1	21.7
India FI (US\$ mn)	30-Dec	MTD	CYTD	FYTD
FII-D	99.6	(1,612.3)	(1,528.9)	498.3
FII-E	(151.8)	(1,826.8)	3,675.7	(3,650.6)

Source: Bloomberg

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4W: Due to the chip shortage, MSIL's December domestic sale volumes declined (-13% YoY), though MM (+10%) and TTMT (+50%) continued to grow. TTMT reached the #2 market share position in PVs, crossing Hyundai India for the first time. MSIL's relatively low export sales increased (+125% YoY/+180% YTD). Apr-Dec'21 domestic sales for MSIL/MM/TTMT grew 10%/44%/79% YoY. Demand remains strong as reflected by rising retail volumes. Upcoming launches include MSIL's next-gen SUV models (S-Cross, Brezza) which should help it recoup some of its lost market share.

2W: Domestic 2W sales for BJAUT/EIM were flattish (-1%) whereas TVSL/HMCL fell 17%/12% in December. Exports for EIM/TVSL grew 144%/9%. Total Q3FY22 volumes for BJAUT/EIM/TVSL/HMCL declined 12%/15%/12%/30% YoY despite growth in exports, as domestic sales have fallen 20%/20%/20%/31%. Launches from Ola and Bounce will help strength EV sales.

CV: Domestic CV volumes for EIM rebounded 28% YoY and TTMT clocked a 4% rise in December, whereas AL saw a 3% decline. Q3FY22 domestic sales increased 21%/27%/1% for EIM/TTMT/AL and are also above the Q3FY20 level. Exports grew 31%/5%/13% YoY in December and increased 72%/2%/8% for the three players in Q3FY22. TTMT and AL saw growth in both LCVs and MHCVs during Jan-Dec'21.

3W: TVSL/MM's domestic 3W sales slipped 17%/13% YoY in Dec'21 but BJAUT grew 68% off a lower base. BJAUT/TVSL's exports were up 10%/14% and total volumes grew 29%/12% YoY for the month (18%/17% YoY in Q3FY22).

Tractor: Domestic tractor volumes for MM/ESC declined by 21%/44%YoY due to a higher base, whereas VSTT posted 1.7% growth. On a two-year CAGR basis, ESC/VSTT's sales growth remains strong at 4%/23%, indicating that VSTT has gained market share.

EV: Sales across 2W/3W/4Ws grew above 50k 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 ~90% market share.

Recommendation snapshot

Ticker	Price	Target	Rating
AL IN	122	121	HOLD
BJAUT IN	3,249	3,200	SELL
HMCL IN	2,462	2,900	HOLD
MM IN	837	1,011	BUY
MSIL IN	7,426	7,771	HOLD
TVSL IN	627	480	SELL
VSTT IN	2,764	2,300	HOLD

Price & Target in Rupees | Price as of 31 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

Our recommendation scale does not factor in short-term stock price volatility related to market fluctuations. Thus, our recommendations may not always be strictly in line with the recommendation scale as shown above.

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