

Automobile Sales Estimate – December 2020

30 December 2020

Double-digit growth on continued retail momentum, favorable base; MHCVs/3Ws continue to lag

Automobile sales in Dec'20 are likely to witness continued growth momentum owing to a favorable base (due to BS-IV inventory de-stocking last year) amid rise in preference for personal mobility. We expect wholesales to witness healthy YoY growth for most segments, barring MHCVs & 3Ws, on a soft base, low/stable inventory levels and continued retail momentum.

Passenger Vehicles: PV wholesales are expected to grow YoY on sustained demand, low channel inventory and favorable base effect. Our interactions with the PV dealers suggest that retail momentum remained healthy in December owing to pending bookings and the wedding season. Footfalls and new enquiries witnessed a sequential decline but were at normal levels. Discounts were substantially lower than normal level due to tight demand-supply situation and low inventory levels, which stood ~1-3 weeks.

Two Wheelers: Domestic 2W dispatches are expected to grow in double digits on a low base (due to BS-IV inventory correction last year). We have received a mix response on retail demand from 2W dealers with retails doing better in states like UP, Bihar, MP and Gujarat while the farmer agitation has affected demand in the northern states. While demand continues to be inclined towards the lower end of the segments, Scooter sales have seen a pick-up in demand. Overall 2W wholesales are expected to be lower than retails owing to some de-stocking and supply constraints for RE and HMSI. Discounts were higher for entry level models and Hero MotoCorp ran schemes for Scooters and Premium models. Overall channel inventory stood at normal level of ~4-6 weeks. 2W exports are expected to continue their growth momentum, but they will be partially hit by logistic issues at ports.

Tractors: We expect Tractor dispatches to continue to outperform other segments as demand continues to remain healthy on account of good Rabi sowing. Inventory continues to remain lower than normal level.

Commercial Vehicles: We expect MHCV dispatches to continue their sequential recovery on a gradual pick-up in the economy and freight rates besides improvement in fleet utilization levels. 3W and MHCV remain the worst affected segments due to economic slowdown. LCVs and SCVs are likely to continue to lead the recovery.

Anish Rankawat

Research Analyst

anish.rankawat@nirmalbang.com

+91-22-6273 8172

Ronak Mehta

Research Associate

ronak.mehta@nirmalbang.com

+91 22 6273 8176

Monthly Sales Estimate

Exhibit 1: Automobile sales estimate

| | Dec-20E | Dec-19 | YoY (%) | Nov-20 | MoM (%) | Comments |
|--------------------------------|----------------|----------------|--------------|----------------|---------------|---|
| Maruti Suzuki India | | | | | | |
| Domestic sales | 141,267 | 125,735 | 12.4 | 144,219 | (2.0) | Expect Maruti to witness ~12% YoY increase in sales volume with retails likely to be higher than wholesales amid higher demand from the entry segment. |
| Exports | 8,015 | 7,561 | 6.0 | 9,004 | (11.0) | |
| Total sales | 149,282 | 133,296 | 12.0 | 153,223 | (2.6) | |
| Mahindra & Mahindra | | | | | | |
| Automotive | 39,997 | 39,230 | 2.0 | 42,731 | (6.4) | Expect tractor sales to remain strong as demand continues to remain healthy on good Rabi sowing. Channel inventory continues to remain low. Automotive sales are likely to witness continued recovery in the rural portfolio amid supply constraints. |
| Farm Equipment | 22,488 | 17,990 | 25.0 | 32,726 | (31.3) | |
| Total Sales | 62,484 | 57,220 | 9.2 | 75,457 | (17.2) | |
| Bajaj Auto | | | | | | |
| Motorcycle | 321,316 | 284,802 | 12.8 | 384,993 | (16.5) | Expect motorcycle sales to grow by ~12.8% YoY, led by strong export volume (~15% YoY growth). 3W sales are expected to decline by ~39% YoY, with the fall contained by recovery in export volume as domestic volume continues to remain weak. |
| Three-wheeler | 31,104 | 51,253 | (39.3) | 37,247 | (16.5) | |
| Total | 352,420 | 336,055 | 4.9 | 422,240 | (16.5) | |
| Exports of the above | 205,883 | 182,892 | 12.6 | 223,307 | (7.8) | |
| Hero MotoCorp | | | | | | |
| Motorcycle/scooter | 478,745 | 424,845 | 12.7 | 591,091 | (19.0) | Higher dispatches on low base. Retails likely to be higher on account of de-stocking. |
| TVS Motor Company | | | | | | |
| Two-wheeler | 264,353 | 215,619 | 22.6 | 311,519 | (15.1) | 2W sales are expected to grow by over 22% YoY on a low base. 3Ws are likely to remain stable sequentially, led by sustained demand from export markets. |
| Three-wheeler | 11,248 | 15,952 | (29.5) | 11,190 | 0.5 | |
| Total | 275,600 | 231,571 | 19.0 | 322,709 | (14.6) | |
| Ashok Leyland | | | | | | |
| MHCV | 5,670 | 7,025 | (19.3) | 5,114 | 10.9 | Dispatches are likely to witness some increase sequentially on a gradual pick-up in demand. YoY MHCV sales continue to remain weak on account of economic slowdown, excess capacity and limited driver availability. |
| LCV | 5,386 | 4,143 | 30.0 | 5,545 | (2.9) | |
| Total sales | 11,056 | 11,168 | (1.0) | 10,659 | 3.7 | |
| Eicher Motors | | | | | | |
| VECV | 4,640 | 4,910 | (5.5) | 3,561 | 30.3 | Expect RE's dispatches to increase on a gradual ramp-up of operations. Order backlog continues to remain healthy. |
| Royal Enfield (RE) | 64,532 | 50,416 | 28.0 | 63,782 | 1.2 | |

Source: Nirmal Bang Institutional Equities Research

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Exhibit 2: OEM-wise vehicle registrations

| Particulars | Dec-20* | Dec-19 | YoY (%) | Nov-20 | MoM (%) |
|-----------------|---------|---------|---------|---------|---------|
| Maruti Suzuki | 130,087 | 103,128 | 26.1% | 148,704 | -12.5% |
| M&M Auto | 31,914 | 34,250 | -6.8% | 34,468 | -7.4% |
| Hero MotoCorp | 547,043 | 493,346 | 10.9% | 534,252 | 2.4% |
| Bajaj Auto | 167,094 | 176,800 | -5.5% | 164,260 | 1.7% |
| TVS Motor | 203,303 | 180,456 | 12.7% | 199,183 | 2.1% |
| Royal Enfield | 49,991 | 48,063 | 4.0% | 49,867 | 0.2% |
| M&M Tractors | 26,403 | 20,958 | 26.0% | 20,839 | 26.7% |
| Escorts | 7,069 | 6,327 | 11.7% | 5,076 | 39.3% |
| Eicher Tractors | 4,269 | 3,726 | 14.6% | 3,118 | 36.9% |
| Tata Motors | 38,087 | 36,221 | 5.2% | 39,986 | -4.7% |
| Ashok Leyland | 6,531 | 8,094 | -19.3% | 6,123 | 6.7% |
| VECV | 2,568 | 2,747 | -6.5% | 2,595 | -1.1% |

Source: MoRTH, Nirmal Bang Institutional Equities Research

* Expected vehicle registrations for the full month based on vehicles registered up to 29th December.

Note: Registration data is for 1268 RTOs out of total 1475 RTOs

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| Team Details: | | | |
|----------------|------------------|--|---|
| Name | | Email Id | Direct Line |
| Rahul Arora | CEO | rahul.arora@nirmalbang.com | - |
| Girish Pai | Head of Research | girish.pai@nirmalbang.com | +91 22 6273 8017 / 18 |
| Dealing | | | |
| Ravi Jagtiani | Dealing Desk | ravi.jagtiani@nirmalbang.com | +91 22 6273 8230, +91 22 6636 8833 |
| Michael Pillai | Dealing Desk | michael.pillai@nirmalbang.com | +91 22 6273 8102/8103, +91 22 6636 8830 |

Nirmal Bang Equities Pvt. Ltd.

Correspondence Address

B-2, 301/302, Marathon Innova,
 Nr. Peninsula Corporate Park,
 Lower Parel (W), Mumbai-400013.
 Board No. : 91 22 6273 8000/1; Fax. : 022 6273 8010