Automobile

Volume Update – December 2020

Summary

In December20, OEMs like Maruti Suzuki (MSIL), Royal Enfield (RE), Ashok Leyland (AL), Tata Motors (TAMO), Escorts(ESC), M&M (FES) has reported better than expected numbers and Hero Moto Corp (HMCL), TVS Motors (TVSL), Bajaj Auto (BJAUT) has reported below estimated numbers. Tractor OEM's like M&M (FES) and Escorts sales improved as demand is driven fundamentally because restoration of channel inventory, govt. support in better procurement of Kharif crop and anticipation of better Rabi crop harvesting, rural development scheme and easy availability of finance.

Outlook: In December20, wholesale continue to improve in PV segment and Farm Equipment segment (FES). This demand is driven by pent-up demand in retail market ,preference for personal mobility during the pandemic, attractive vehicle financing schemes and new launches. Whereas 2W wholesale was down due to higher inventory at dealer's level. We believe demand for 4W continues to remain robust whereas 2W demand expected to be subdued. CV demand expected to grow on the back of increase in road/construction activity.

Exhibit 1: Auto monthly volume

Company	Dec-20	Dec-19	*YoY (%)*	Nov-20	*MoM (%)*	FY21YTD	FY20YTD	*YTD (%)*
2W (D)								
Bajaj Auto	1,28,642	1,24,125	*3.6*	1,88,196	*(31.6)*	13,21,644	16,75,264	*(21.1)*
HMCL	4,25,033	4,12,009	*3.2*	5,75,957	*(26.2)*	41,03,381	49,46,508	*(17.0)*
TVS	1,77,815	1,58,059	*12.5*	2,48,635	*(28.5)*	15,12,423	19,93,472	*(24.1)*
RE	65,492	48,489	*35.1*	59,084	*10.8*	3,83,779	5,01,541	*(23.5)*
PV (D)								
MSIL	1,50,288	1,25,735	*19.5*	1,44,219	*4.2*	9,04,852	11,22,759	*(19.4)*
Hyundai	47,400	37,953	*24.9*	48,800	*(2.9)*	3,15,330	3,76,997	*(16.4)*
Renault	9,800	11,964	*(18.1)*	10,181	*(3.7)*	60,638	68,756	*(11.8)*
MM (PV)	16,182	15,691	*3.1*	18,212	*(11.1)*	1,04,491	1,52,859	*(31.6)*
Toyota	7,487	6,544	*14.4*	8,503	*(11.9)*	52,927	90,902	*(41.8)*
CV (D)								
AL	12,762	11,168	*14.3*	10,659	*19.7*	56,668	99,746	*(43.2)*
VECV	4,892	5,042	*(3.0)*	3,710	*31.9*	23,098	37,092	*(37.7)*
Tractors (D)								
MM	21,173	17,213	*23.0*	31,619	*(33.0)*	2,52,584	2,34,277	*7.8*
Escorts	7,230	3,806	*90.0*	9,662	*(25.2)*	70,918	63,130	*12.3*

Source: Company

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Maruti Suzuki

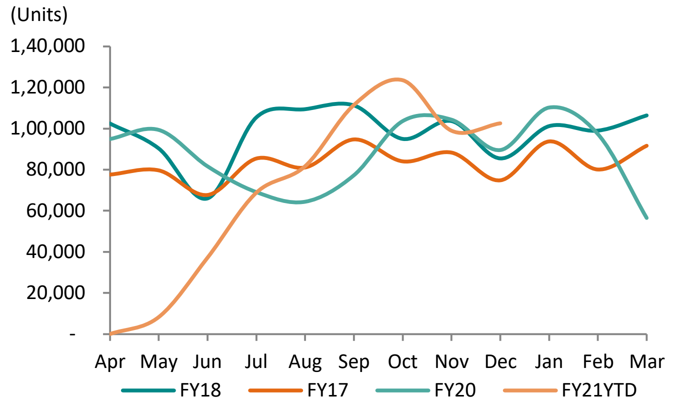
- MSIL mini segment increased 4% YoY/12% MoM to 24.9k. Compact sales increased 18% YoY/ 1% MoM to 77.6k units. Mid-Size sales degrew 29% YoY/ 32% MoM to 1.3k units. Post festive season, the dealer level inventory is in lower end. The wholesale volume has seen growth across segment other than Ciaz. Domestic sales increased 18% YoY/5% MoM to 146k units. Total domestic YTD sales declined 20% to 883k units.
- Pent up demand, preference for personal mobility and replenishment of inventory at dealer level are key reasons for higher sales.

Exhibit 1: MSIL sales volume

Segment	Dec-20	Dec-19	*YoY (%)*	Nov-20	*MoM (%)*	FY21YTD	FY20YTD	*YTD (%)*
A2: Mini (Alto, WagonR)	24,927	23,883	*4.4*	22,339	*11.6*	1,52,394	1,78,836	*(14.8)*
A2: Compact (Swift, Ritz, Celerio, Dzire, Baleno, Ignis)	77,641	65,673	*18.2*	76,630	*1.3*	4,79,994	6,05,320	*(20.7)*
A3: Mid-Size (Ciaz)	1,270	1,786	*(28.9)*	1,870	*(32.1)*	9,367	20,096	*(53.4)*
Total PC	**1,03,838**	**91,342**	***13.7***	**1,00,839**	***3.0***	**6,41,755**	**8,04,252**	***(20.2)***
B: Uvs (Gypsy, Ertiga, S-Cross, Vitara Brezza)	25,701	23,808	*8.0*	23,753	*8.2*	1,52,156	1,90,741	*(20.2)*
C: Vans (Omni, Eeco)	11,215	7,634	*46.9*	11,183	*0.3*	69,963	93,580	*(25.2)*
LCV: Super Larry	5,726	1,591	*259.9*	3,181	*80.0*	19,754	18,538	*6.6*
Total domestic sales	**1,46,480**	**1,24,375**	***17.8***	**1,38,956**	***5.4***	**8,83,628**	**11,07,111**	***(20.2)***
Exports	9,938	7,561	*31.4*	9,004	*10.4*	60,611	78,948	*(23.2)*
Sales to other OEM	3,808	1,360	*180.0*	5,263	*(27.6)*	21,224	15,648	*35.6*
Total sales	**1,60,226**	**1,33,296**	***20.2***	**1,53,223**	***4.6***	**9,65,463**	**12,01,707**	***(19.7)***

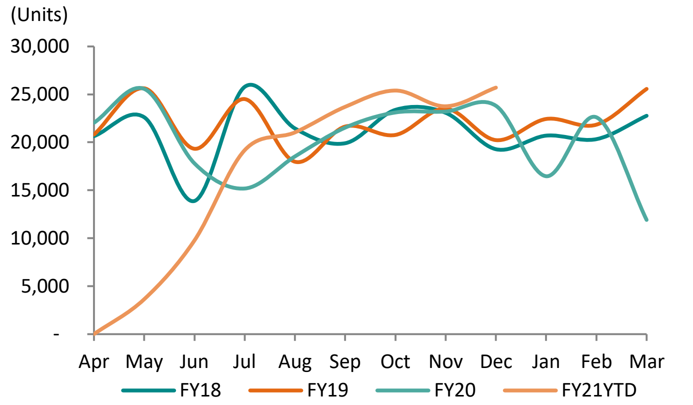
Source: Company

Exhibit 2: Mini + Compact sales trend



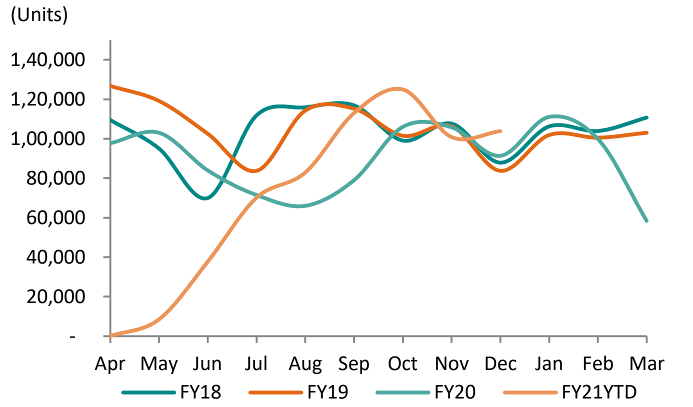
Source: Company

Exhibit 3: Domestic UVs sales trend



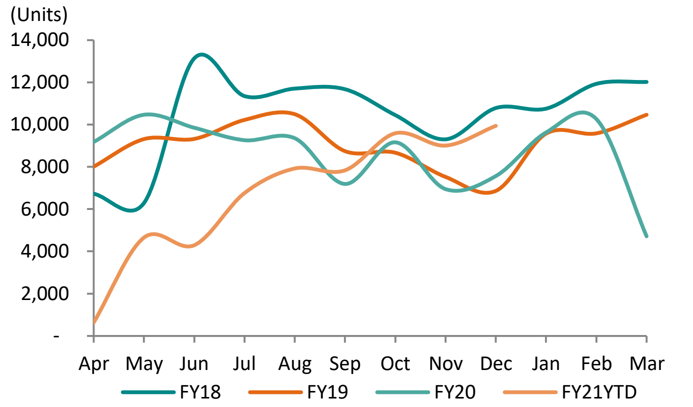
Source: Company

Exhibit 4: Domestic PC sales trend



Source: Company

Exhibit 5: Export sales trend



Source: Company

Mahindra & Mahindra (M&M)

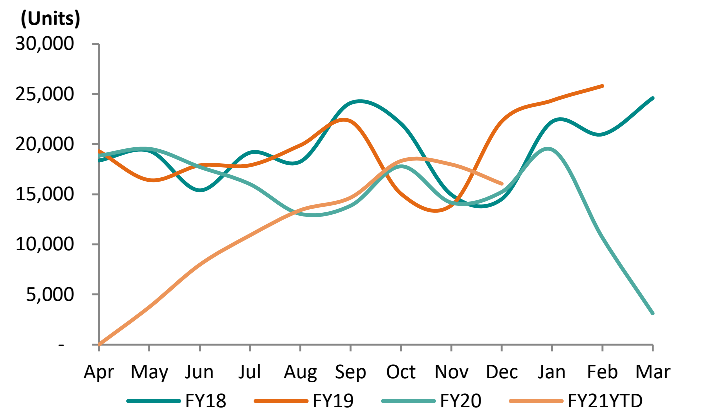
- M&M UV sales increased 5% YoY/-11% MoM to 16,050 units. YTD sales declined 30% to 103k units. CV sales decreased 16% YoY/ 27% MoM to 13.9k units. YTD sales declined 28% to 117k units. Overall auto division domestic sales decreased 12% YoY/20% MoM to 33k units. YTD sales declined 36% to 232k units. The supply constrain of semi-conductors is key pain point for the company which is impacting it sales. The company is seeing good traction for its new 'Thar' with more than ~6,000 bookings in Dec.
- Domestic FES sales increased 23% YoY/-33% MoM to 21.2K units. YTD sales up 8% to 253k units. As per management; the restoration of channel inventory post the festive season has fueled the wholesale volumes. Announcement of hike in tractor prices by OEMs, sustained demand of higher Rabi acreage, Rural development schemes and Govt. support in Kharif procurement are key demand drivers.

Exhibit 6: M&M sales volume

Segment	Dec-20	Dec-19	*YoY (%)*	Nov-20	*MoM (%)*	FY21YTD	FY20YTD	*YTD (%)*
Passenger Vehicles	**16,182**	**15,691**	***3.1***	**18,212**	***(11.1)***	**1,04,491**	**1,52,859**	***(31.6)***
Utility Vehicles	16,050	15,225	*5.4*	17,971	*(10.7)*	1,03,009	1,46,164	*(29.5)*
Cars + Vans	132	466	*(71.7)*	241	*(45.2)*	1,482	6,695	*(77.9)*
Commercial Vehicles	**13,930**	**16,496**	***(15.6)***	**19,029**	***(26.8)***	**1,16,870**	**1,62,289**	***(28.0)***
LCV < 3.5T	13,389	15,179	*(11.8)*	18,554	*(27.8)*	1,14,107	1,48,799	*(23.3)*
LCV > 3.5T+M&HCV	541	839	*(35.5)*	475	*13.9*	2,346	9,304	*(74.8)*
3W	2,865	5,372	*(46.7)*	3,854	*(25.7)*	10,866	49,786	*(78.2)*
Total Domestic	**32,977**	**37,559**	***(12.2)***	**41,095**	***(19.8)***	**2,32,227**	**3,64,934**	***(36.4)***
Export	2,210	2,149	*2.8*	1,636	*35.1*	12,142	22,872	*(46.9)*
Total Sales	**35,187**	**39,708**	***(11.4)***	**42,731**	***(17.7)***	**2,44,369**	**3,87,806**	***(37.0)***
Farm Equipment Segment (FES)								
Domestic	21,173	17,213	*23.0*	31,619	*(33.0)*	2,52,584	2,34,277	*7.8*
Exports	1,244	778	*59.9*	1,107	*12.4*	7,311	8,348	*(12.4)*
Total FES	**22,417**	**17,991**	***24.6***	**32,726**	***(31.5)***	**2,59,895**	**2,42,625**	***7.1***

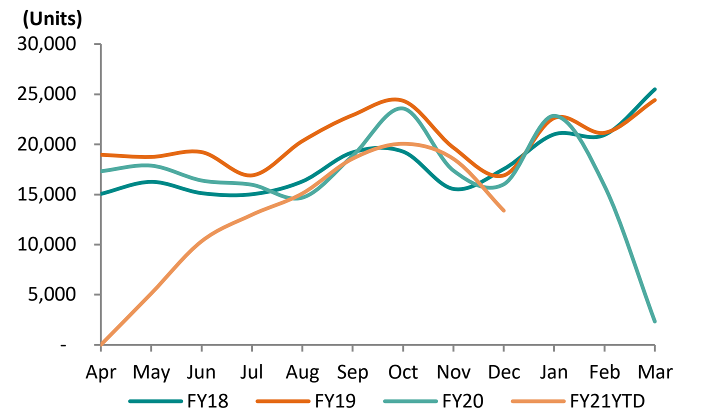
Source: Company

Exhibit 7: Domestic UV sales trend



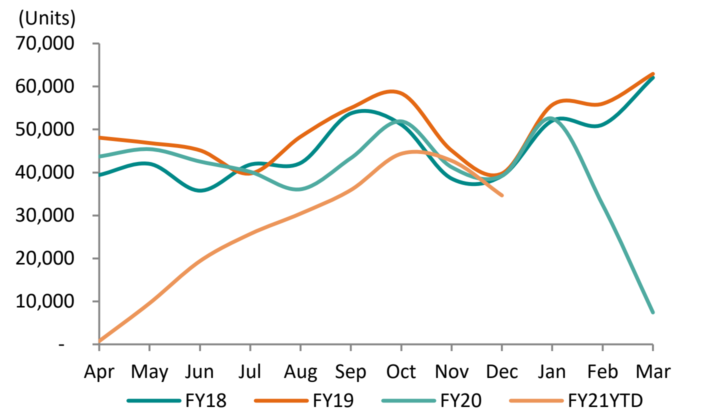
Source: Company

Exhibit 8: Domestic CV sales trend



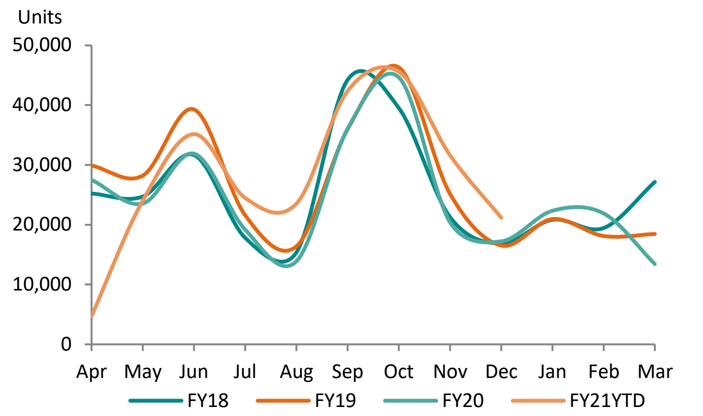
Source: Company

Exhibit 9: Total auto sales trend



Source: Company

Exhibit 10: Domestic tractor sales trend



Source: Company

Escorts Ltd.

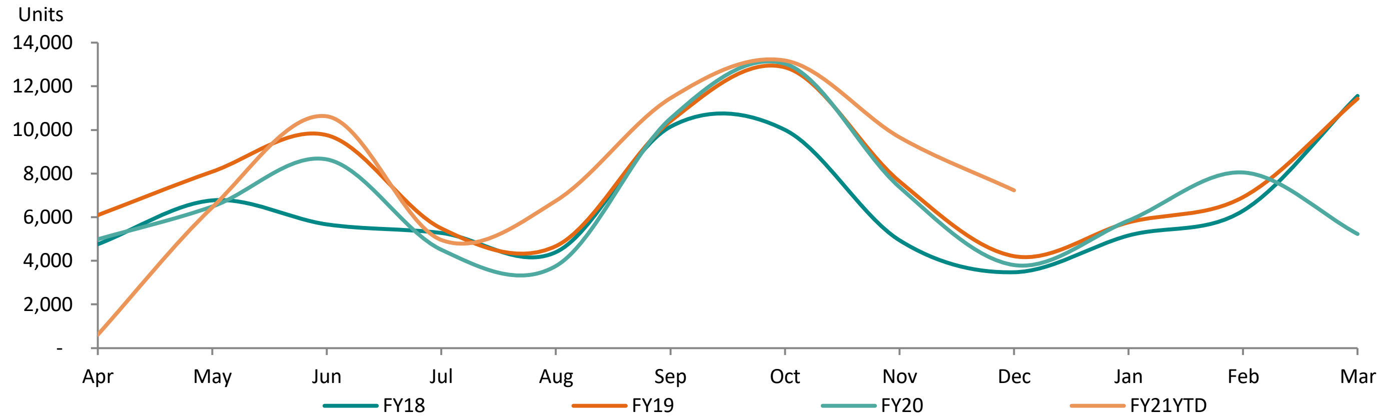
- Escorts domestic sales increased 88% YoY/-24% MoM to 7,230 units. The company sales improved on the back of narrowing the supply and demand gaps, as post lockdown the company was first time able to supply as per the demand of customers. Export sales increased 63% YoY/ flat MoM to 503 units. Total YTD sales increased 13% to 65,910 units. Overall we expect a lower double digit growth of 12% for the tractor industry for FY21.

Exhibit 11: Escorts sales volume

Segment	Dec-20	Dec-19	*YoY (%)*	Nov-20	*MoM (%)*	FY21YTD	FY20YTD	*YTD (%)*
Domestic	7,230	3,806	*90.0*	9,662	*(25.2)*	70,918	63,130	*12.3*
Export	503	308	*63.3*	503	-	3,235	2,780	*16.4*
Total	**7,733**	**4,114**	***88.0***	**10,165**	***(23.9)***	**74,153**	**65,910**	***12.5***

Source: Company

Exhibit 12: Domestic tractor sales trend



Source: Company

Hero MotoCorp

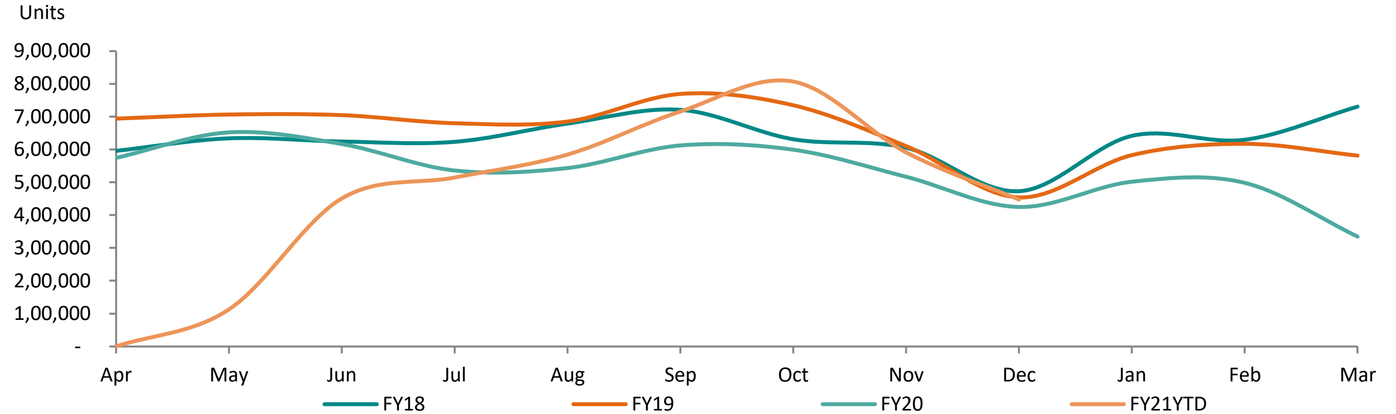
- HMCL domestic sales increased 3% YoY/-26% MoM to 425k units. Exports sales increased 73% YoY/47% MoM to 22.3k units. Total sales increased 5% YoY/-24% QoQ to 447K units. Total YTD sales declined 25% to ~4.2mn units.
- We believe the personal mobility preference, better consumer sentiments and anticipation of better Rabi crop harvest in rural India is key driver of demand. Though Inventory at dealer level is on higher side and we expect a gradual decline in volumes.

Exhibit 13: HMCL sales volume

Segment	Dec-20	Dec-19	*YoY (%)*	Nov-20	*MoM (%)*	FY21YTD	FY20YTD	*YTD (%)*
Motorcycles	4,15,099	4,03,625	*2.8*	5,41,437	*(23.3)*	38,96,089	47,10,766	*(17.3)*
Scooters	32,236	21,220	*51.9*	49,654	*(35.1)*	3,27,136	3,64,442	*(10.2)*
Total	**4,47,335**	**4,24,845**	***5.3***	**5,91,091**	***(24.3)***	**42,23,225**	**55,91,983**	***(24.5)***
Domestic	4,25,033	4,12,009	*3.2*	5,75,957	*(26.2)*	41,03,381	49,46,508	*(17.0)*
Exports	22,302	12,836	*73.7*	15,134	*47.4*	1,19,844	1,28,700	*(6.9)*

Source: Company

Exhibit 14: Total 2w sales trend



Source: Company

Bajaj Auto

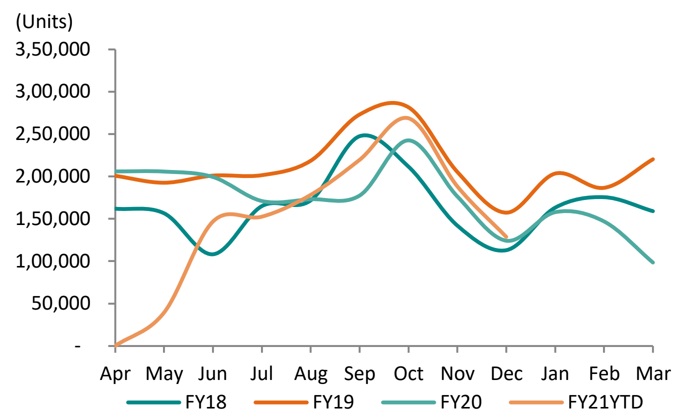
- BJAUT domestic motorcycle sales increased 4% YoY/-32% MoM to 129k units whereas export motorcycle sales increased 31% YoY/7% MoM to 209k units. Domestic 3W continue to struggle and declined 62% YoY/+2% MoM to 11k units. Total sales increased 11% YoY/-12% MoM to 373K units. Total YTD sales declined 23% to 2.8mn units.
- BJAUT is getting very good traction in Pulsar 125cc and its premium products like KTM. Current inventory level at dealer level is higher post festive sales. On export side, the company has clocked its highest ever export.

Exhibit 15: BJAUT sales volume

Segment	Dec-20	Dec-19	*YoY (%)*	Nov-20	*MoM (%)*	FY21YTD	FY20YTD	*YTD (%)*
Domestic	1,28,642	1,24,125	*3.6*	1,88,196	*(31.6)*	13,21,644	16,75,264	*(21.1)*
Exports	2,09,942	1,60,677	*30.7*	1,96,797	*6.7*	12,36,617	14,18,764	*(12.8)*
Total 2w	**3,38,584**	**2,84,802**	***18.9***	**3,84,993**	***(12.1)***	**25,58,261**	**30,94,028**	***(17.3)***
Domestic	10,964	29,038	*(62.2)*	10,737	*2.1*	62,904	2,90,683	*(78.4)*
Exports	22,984	22,215	*3.5*	26,510	*(13.3)*	1,82,085	2,38,540	*(23.7)*
Total 3w	**33,948**	**51,253**	***(33.8)***	**37,247**	***(8.9)***	**2,44,989**	**5,29,223**	***(53.7)***
Domestic	1,39,606	1,53,163	*(8.9)*	1,98,933	*(29.8)*	13,84,548	19,65,947	*(29.6)*
Exports	2,32,926	1,82,892	*27.4*	2,23,307	*4.3*	14,18,702	16,57,304	*(14.4)*
Total Sales	**3,72,532**	**3,36,055**	***10.9***	**4,22,240**	***(11.8)***	**28,03,250**	**36,23,251**	***(22.6)***

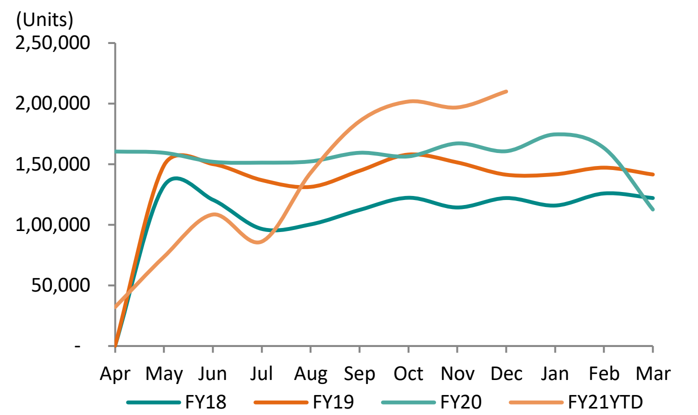
Source: Company

Exhibit 16: Domestic motorcycle sales trend



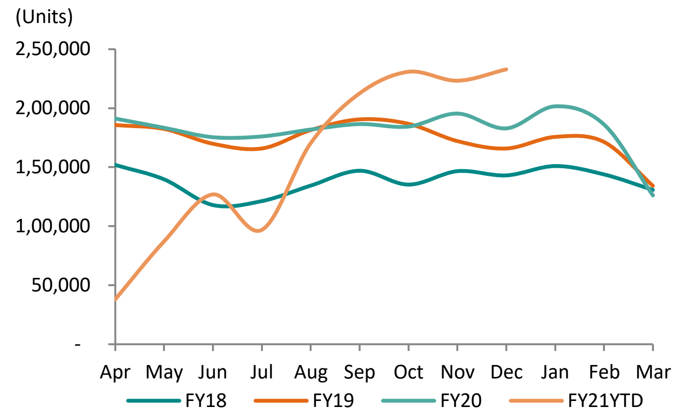
Source: Company

Exhibit 17: Export motorcycle sales trend



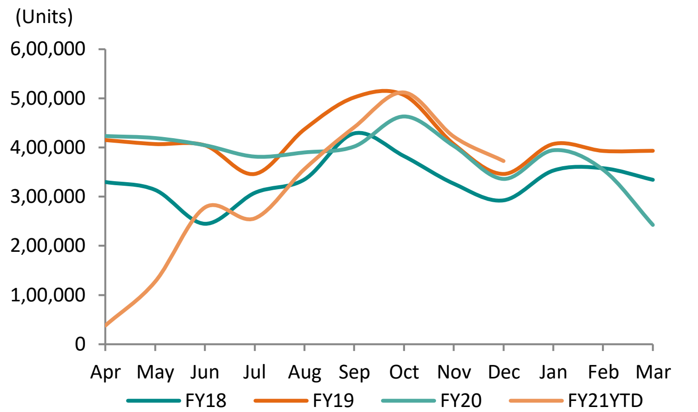
Source: Company

Exhibit 18: Total exports sales trend



Source: Company

Exhibit 19: Total sales trend



Source: Company

TVS Motors

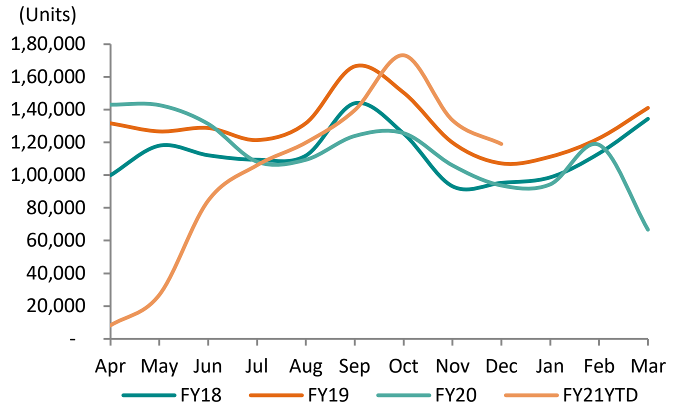
- Overall motorcycle sales increased 27% YoY/-11% MoM to 119k units. Scooter sales increased 4% YoY/-27% MoM to 77.7k units as urban market started picking up due to better contribution of Ntorq, and Jupiter. 3W domestic sales declined 13% YoY/+24% MoM to 13,845 units. Total sales increased 18% YoY/-16% MoM to 272K units. Overall YTD sales declined 19% to 2.12mn units.

Exhibit 20: TVSL sales volume

Segment	Dec-20	Dec-19	*YoY (%)*	Nov-20	*MoM (%)*	FY21YTD	FY20YTD	*YTD (%)*
Motorcycle	1,19,051	93,697	*27.1*	1,33,531	*(10.8)*	9,10,790	10,84,022	*(16.0)*
Scooters	77,705	74,716	*4.0*	1,06,196	*(26.8)*	6,63,835	9,07,937	*(26.9)*
Mopeds	61,483	47,206	*30.2*	71,792	*(14.4)*	4,66,581	5,07,164	*(8.0)*
2w (Total)	**2,58,239**	**2,15,619**	***19.8***	**3,11,519**	***(17.1)***	**20,41,206**	**24,99,123**	***(18.3)***
3w	13,845	15,952	*(13.2)*	11,190	*23.7*	80,637	1,31,309	*(38.6)*
Sales volume (2w+3w)	**2,72,084**	**2,31,571**	***17.5***	**3,22,709**	***(15.7)***	**21,21,843**	**26,30,432**	***(19.3)***

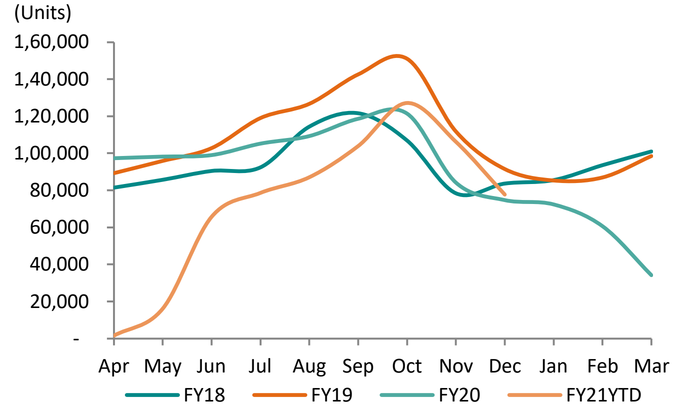
Source: Company

Exhibit 21: Motorcycle sales trend



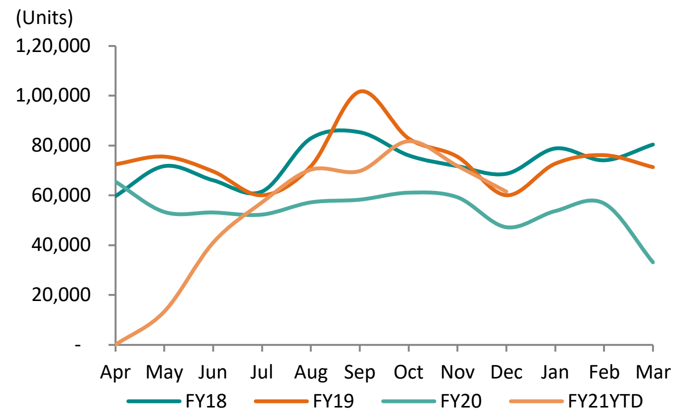
Source: Company

Exhibit 22: Scooter sales trend



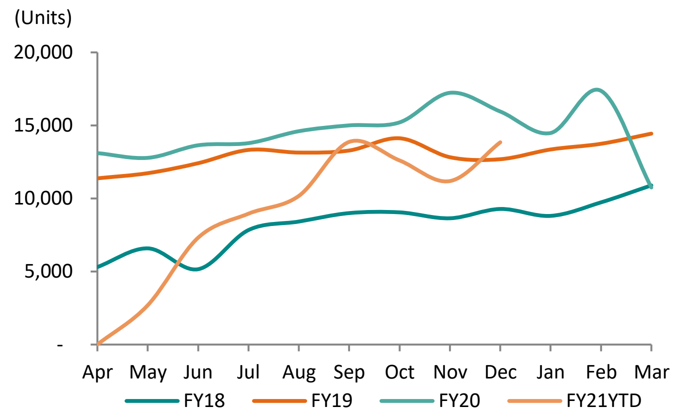
Source: Company

Exhibit 23: Moped sales trend



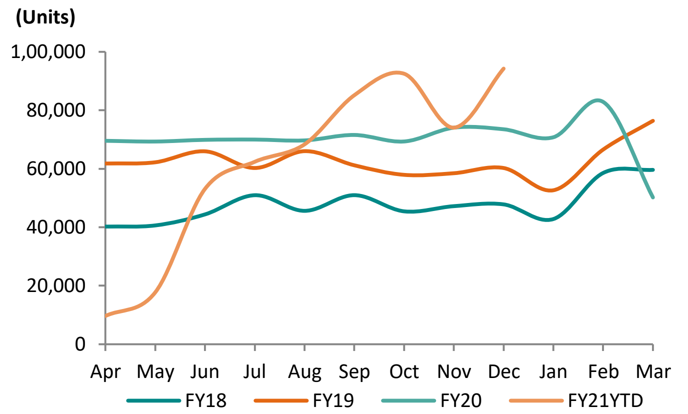
Source: Company

Exhibit 24: 3W sales trend



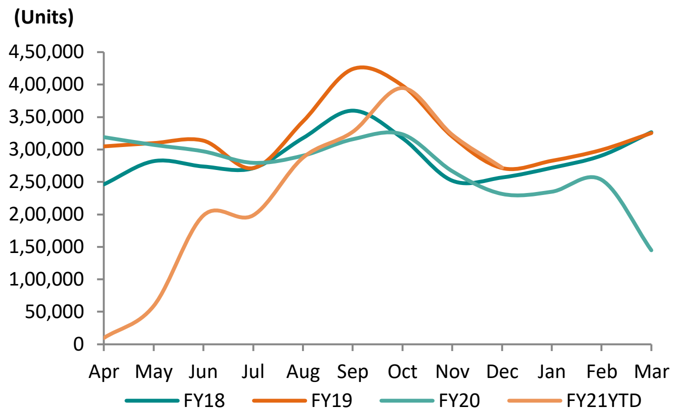
Source: Company

Exhibit 25: Export sales trend



Source: Company

Exhibit 26: Total sales trend



Source: Company

Eicher Motors

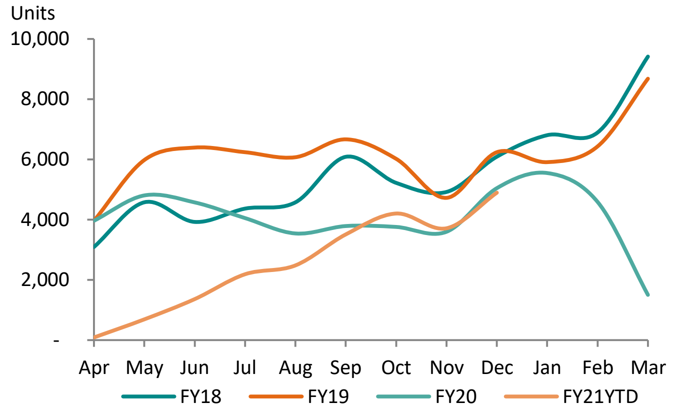
- Royal Enfield domestic sales increased 37% YoY/8% MoM to 68.9K units whereas export sales increased 10% YoY/-55% MoM to 2.1k units. Overall YTD sales declined 24% to 407K units.
- RE's Meteor 350 is getting good traction with more than ~7k unit sold in Nov20.

Exhibit 27: EIM sales volume

Segment	Dec-20	Dec-19	*YoY (%)*	Nov-20	*MoM (%)*	FY21YTD	FY20YTD	*YTD (%)*
RE	68,995	50,416	*36.9*	63,782	*8.2*	4,07,456	5,32,969	*(23.5)*
Exports out of the above	2,119	1,927	*10.0*	4,698	*(54.9)*	23,677	31,428	*(24.7)*
VECV	4,892	5,042	*(3.0)*	3,710	*31.9*	23,098	37,092	*(37.7)*

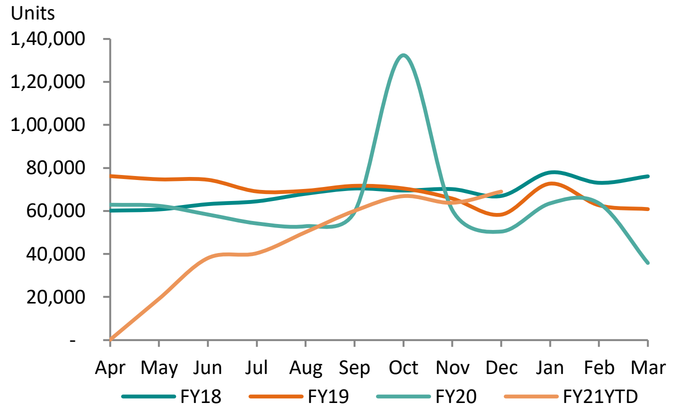
Source: Company

Exhibit 28: VECV sales trend



Source: Company

Exhibit 29: Royal Enfield domestic sales trend



Source: Company

Ashok Leyland

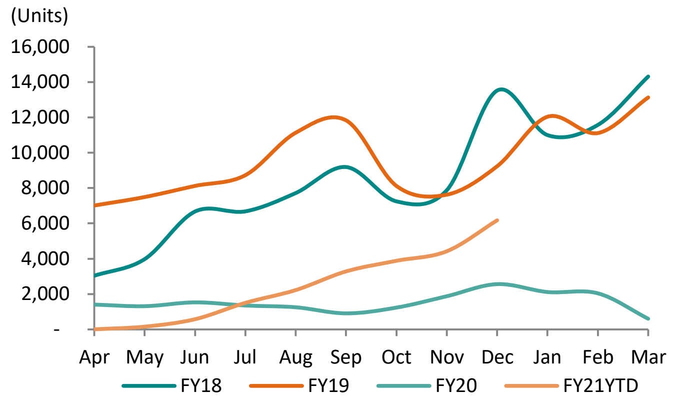
- Domestic sales increased 14% YoY/22% MoM to 11,857 units whereas M&HCV Goods segment increased 56% YoY/+40% MoM to 5,930 units. Domestic LCV segment increased 42% YoY/7% MoM to 5,682 units. Total sales increased 14% YoY/20% MoM to 12,762 units. YTD sales declined 43% to 56.7k units.
- M&HCV demand expected to grow on the back of increase in construction activity. We expect tipper sales to grow as momentum built up in Infrastructure/Construction sector. In LCV, AL's Bada Dost is getting good traction as demand from ecommerce activity has soared up during and post lockdown.

Exhibit 30: AL Sales Volumes

Segment	Dec-20	Dec-19	YoY (%)	Nov-20	MoM (%)	FY21YTD	FY20YTD	YTD (%)
M&HCV Goods	5,930	3,809	*55.7*	4,238	*39.9*	21,359	42,824	*(50.1)*
MH&CV Passenger	245	2,560	*(90.4)*	184	*33.2*	843	13,405	*(93.7)*
LCV	5,682	4,009	*41.7*	5,305	*7.1*	29,629	36,855	*(19.6)*
Domestic	**11,857**	**10,378**	***14.3***	**9,727**	***21.9***	**51,831**	**93,084**	***(44.3)***
Exports	905	790	*14.6*	932	*(2.9)*	4,837	6,665	*(27.4)*
Total Sales	**12,762**	**11,168**	***14.3***	**10,659**	***19.7***	**56,668**	**99,749**	***(43.2)***

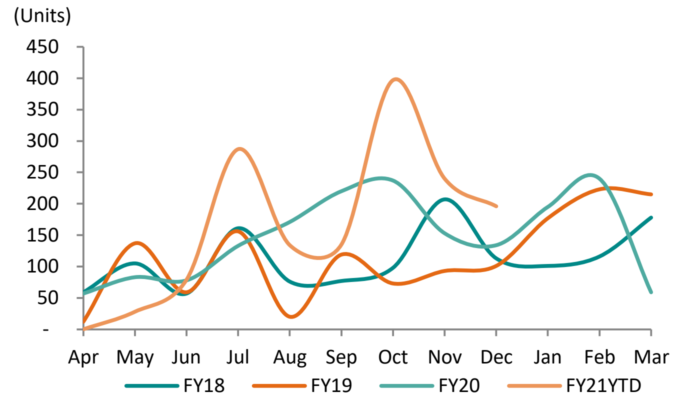
Source: Company

Exhibit 31: M&HCV goods sales trend



Source: Company

Exhibit 32: LCV sales trend



Source: Company

Exhibit 33: Stock Performance in the sector (in %)

OEM's	1M	3M	6M	1YR	3YR	5YR
Ashok Leyland Ltd	6.1	30.0	101.8	18.0	-21.9	6.4
Bajaj Auto Ltd	4.3	16.6	20.9	11.5	6.6	39.1
Eicher Motors Ltd	0.4	15.7	38.5	17.7	-11.0	48.2
Hero MotoCorp Ltd	-0.8	-1.5	16.1	27.7	-17.0	18.6
Maruti Suzuki India Ltd	6.7	13.2	29.3	4.9	-18.1	68.4
TVS Motor Co Ltd	0.5	2.3	27.3	6.8	-36.0	70.9
S&P BSE AUTO	-0.2	16.5	32.7	14.6	-20.5	15.1
GNA Axles Ltd	5.9	18.8	41.2	-3.7	-37.6	29.3
Jamna Auto Industries Ltd	7.6	36.3	90.0	28.1	-25.3	111.0
Lumax Auto Technologies Ltd	4.8	3.3	18.6	6.5	-35.4	197.3
Minda Industries Ltd	1.6	20.2	48.3	10.7	-4.1	538.9
MM Forgings Ltd	6.7	29.4	128.1	11.8	-26.6	58.8
Subros Ltd	15.8	35.4	93.5	21.0	9.4	221.3

Source: Bloomberg

Exhibit 34: Valuation Snapshot

Companies	CMP (Rs)	TP (Rs)	Reco	Mkt Cap (Rs mn)	Revenue (Rs mn) FY22E	Revenue (Rs mn) FY23E	Ebitda (Rs mn) FY22E	Ebitda (Rs mn) FY23E	EPS (Rs) FY22E	EPS (Rs) FY23E	BVPS (Rs) FY22E	BVPS (Rs) FY23E	PER (x) FY22E	PER (x) FY23E	P/B (x) FY22E	P/B (x) FY23E	EV/EBITDA (x) FY22E	EV/EBITDA (x) FY23E	RoE(%) FY23E	RoCE(%) FY23E
OEM's																				
ASHOK LEYLAND	95	86	**HOLD**	2,80,196	1,78,948	2,22,595	17,000	26,868	2.0	4.3	25	29	47.5	22.2	3.7	3.3	17.1	10.3	15.7	17.4
BAJAJ AUTO	3,447	2,890	**HOLD**	9,97,506	2,95,539	3,39,574	49,314	58,951	163.4	192.5	839	941	21.1	17.9	4.1	3.7	20.1	16.6	21.6	21.6
EICHER MOTORS	2,530	2,460	**HOLD**	6,91,358	91,515	1,14,371	18,762	23,420	72.0	92.8	461	538	35.1	27.3	5.5	4.7	35.8	28.6	18.6	13.2
HERO MOTOCORP	3,109	2,540	**REDUCE**	6,21,147	2,97,695	3,46,561	39,131	46,825	139.5	169.1	842	927	22.3	18.4	3.7	3.4	15.4	12.7	19.1	21.5
MARUTI SUZUKI INDIA	7,650	7,525	**ACCUMULATE**	23,10,822	7,36,366	9,01,998	81,648	1,01,009	212.4	250.9	1840	2003	36.0	30.5	4.2	3.8	27.0	21.1	13.1	10.1
TVS Motor Co	486	420	**REDUCE**	2,30,679	1,71,605	2,03,646	14,876	19,580	13.9	20.9	92	109	35.0	23.2	5.3	4.4	15.2	10.9	20.8	21.4
Auto Anc.																				
GNA Axles	273	295	**BUY**	5,855	8,583	9,313	1,330	1,444	28.5	32.7	256	285	9.6	8.3	1.1	1.0	4.6	3.9	12.1	15.8
Jamna Auto Industries	61	58	**BUY**	24,466	10,330	12,912	1,229	1,666	1.8	2.5	15	17	34.4	24.3	4.1	3.7	19.8	14.3	15.9	18.7
Lumax Auto Tech.	125	78	**SELL**	8,537	11,065	12,396	830	930	5.5	6.5	74	80	22.7	19.3	1.7	1.6	10.0	8.7	8.4	6.9
Minda Industries	399	350	**HOLD**	1,08,404	66,414	77,927	7,173	9,975	7.8	14.6	85	97	51.3	27.4	4.7	4.1	16.1	11.3	15.9	13.9
MM Forgings	417	390	**ACCUMULATE**	10,072	7,464	8,450	1,493	1,732	29.2	39.1	226	259	14.3	10.7	1.8	1.6	7.5	6.0	16.1	13.3
Subros	343	233	**REDUCE**	22,360	17,453	20,943	1,798	2,241	9.4	13.7	126	139	36.5	25.0	2.7	2.5	11.6	8.8	10.3	11.9

Source: Company; IDBI Capital Research

Notes

Dealing	(91-22) 6836 1111	dealing@idbicapital.com

Key to Ratings Stocks:

BUY: Absolute return of 15% and above; **ACCUMULATE:** 5% to 15%; **HOLD:** Upto ±5%; **REDUCE:** -5% to -15%; **SELL:** -15% and below.

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