MOTILAL OSWAL

Automobiles

Aug'21: Supply chain constraints restrict PV wholesales

CV improving MoM; 2W yet to see recovery; Tractor declines on high base

"India's demographic and innate requirement for independent mobility is strong. Therefore, as the economy recovers and pandemic recedes; the vaccination program brings confidence to the consumer, the retail finance comes back... All these things get mitigated and start to drive demand. So compared to last year, certainly, we would expect growth in the coming few months."
– **Rakesh Sharma, Executive Director, Bajaj Auto**

PV/CV wholesales were in-line, while 2W/3W/Tractor wholesales were below our estimates. Supply chain constraints are affecting PV wholesales, with some OEMs announcing a reduction in production for the upcoming months. In 2W, BJAUT and RE were in-line, whereas HMCL and TVS were below our estimates. PV/MHCV/LCV volumes grew ~8%/119%/35% YoY (in-line). 2W/3W/Tractor volumes declined 10%/18/15% YoY (below our expectation).

- **2Ws – below our estimate; down 10% YoY (+2% MoM):** Volumes declined 10% YoY (+2% MoM). Inventory stands at around 45–60 days, and dealers expect good retails during the upcoming festival season. Rising fuel costs and cost of ownership are acting as headwinds for domestic demand. Export demand remains strong (+36% YoY; +5% MoM). Volumes declined 22%/1%/8.5% YoY (flat/+4%/+4% MoM) for HMCL/TVS/RE and grew by 5% YoY (2% MoM) for BJAUT.
- **PVs – in-line; up 8% YoY (-20% MoM):** Sustained demand resulted in volume growth of 8% YoY (-20% MoM), but was restricted largely by the semiconductor shortage. With the decrease in production at major OEMs due to the semiconductor shortage, Sep'21 wholesales could see significant decline despite strong demand and new launches. MSIL volumes grew 5% YoY (-20% MoM). MM (UVs, including Pickups) volumes declined 8% YoY (32% MoM). TTMT PV volumes continued their strong show, with growth of 52% YoY (-7% MoM).
- **CVs – in-line; up 18% MoM (61% YoY):** M&HCV and LCV volumes were in-line. M&HCV/LCV volumes grew +119%/35% YoY (~26%/12% MoM). AL volumes grew 48% YoY (8% MoM). TTMT CV volumes grew 66.5% YoY (25% MoM). TTMT VECV volumes grew 93.5% YoY (12% MoM).
- **Tractors – below estimates; down 15% YoY (20% MoM):** Tractor volumes declined ~15% YoY (-20% MoM) due to seasonality and the high base of the last year. The upcoming festival season, coupled with kharif sowing, which is almost at a similar level as the previous year, may aid demand in the coming months. MM/ESC's Tractor volumes declined 13%/22% YoY (down 22%/13% MoM).

Positive surprise (Variance %)	In-line (Variance %)	Negative surprise (Variance %)
TTMT (+9%)	BJAUT (+0.8%)	TVS Motor (-6%)
	MSIL (+2.9%)	EIM – VECV (-8.3%)
	EIM – RE (-3.7%)	Escorts (-8.9%)
		Hero MotoCorp (-13.7%)
		AL (-14%)
		M&M (-21%)

- **Valuation and view:** Aug'21 felt the heat of semiconductor shortage, which is expected to worsen next month. Current valuations largely factor in sustained recovery (our base case), leaving a limited margin for safety from any negative developments. We prefer 4Ws over 2Ws, as PVs are the least impacted segment currently and offer a stable competitive environment. We expect the CV cycle to recover and gain momentum towards 2HFY22. We prefer companies with: a) higher visibility in terms of demand recovery, b) a strong competitive positioning, c) margin drivers, and d) balance sheet strength. **MSIL** and **MM** are our top OEM picks. Among the auto component stocks, we prefer **BHFC** and **APTY**. We prefer **TTMT** as a play on global PVs.

Exhibit 1: Snapshot of volumes for Aug'21 (including exports)*

	YoY			MoM					
Company Sales	**Aug-21**	**Aug-20**	**YoY (%) chg**	**Jul-21**	**MoM (%) chg**	**FY22 YTD**	**FY21 YTD**	**(%) chg**	**FY22E**
2W	**11,12,362**	**12,32,884**	**-9.8**	**10,91,733**	**1.9**	**48,70,230**	**35,47,362**	**37.3**	**1,52,28,393**
Cars	1,04,575	1,03,927	0.6	1,30,852	-20.1	5,31,321	2,58,479	105.6	15,56,455
UVs + MPVs	79,232	66,935	18.4	99,520	-20.4	3,79,970	1,78,157	113.3	10,70,334
PVs	**1,83,807**	**1,70,862**	**7.6**	**2,30,372**	**-20.2**	**9,11,291**	**4,36,636**	**108.7**	**26,26,789**
3Ws	53,932	45,620	18.2	56,822	-5.1	2,59,585	1,26,666	104.9	7,66,094
M&HCVs	19,987	9,130	118.9	15,906	25.7	69,466	21,780	218.9	2,86,602
LCVs	27,047	20,055	34.9	24,059	12.4	96,395	47,196	104.2	3,29,163
CVs	**47,034**	**29,185**	**61.2**	**39,965**	**17.7**	**1,65,861**	**68,976**	**140.5**	**6,15,765**
Tractors	27,053	31,726	-14.7	33,793	-19.9	1,86,710	1,46,257	27.7	4,79,689

2W*: BJAUT, HMCL, TVSL, and EIM; **PVs: MSIL, MM, and TTMT; **3Ws**: BJAUT, TVSL, and MM; **CVs**: TTMT, AL, MM, and EIM; **Tractors**: MM, and ESC;* Source: MOSL

MARUTI SUZUKI: In-line; wholesales at 130.7k; up 5% YoY (-20% MoM)

- MSIL's Aug'21 wholesales were in line with our estimates at 130.7k (+5% YoY / -20% MoM, v/s est 127k).
- Domestic volumes declined 6% YoY (22% MoM) to 110k units (v/s est. 117k units).
- Compact segment volumes declined 34.5% YoY (-25% MoM) to 47.8k units (v/s est 61.4k units).
- Mini segment volumes grew 4% YoY (4% MoM) to 20.5k units (v/s est. 17.9k units). Ciaz volumes grew 75.5% YoY (48% MoM) to 2.15k units.
- UV volumes grew 26% YoY (-23% MoM) to ~26.5k units (v/s est 25.2k units).
- LCV segment volumes grew 13% YoY (-6.5% MoM) to 2.6k units (v/s est. 2.1k units).
- Export volumes grew 160% YoY (-3% MoM) to 20.6k units (v/s est.10k units). This is the third consecutive month in which export volumes have trended higher.
- Our estimates factor in 29.5% growth in volumes for FY22E, implying residual growth of 8% or a run-rate of ~177.4k units. We see downside risk to our estimates due to the semiconductor shortage.

Snapshot of volumes for Aug'21

	YoY			MoM									
Company Sales	**Aug-21**	**Aug-20**	**YoY (%) chg**	**Jul-21**	**MoM (%) chg**	**FY22 YTD**	**FY21 YTD**	**(%) chg**	**FY22 estimate**	**Gr. (%)**	**Residual Growth (%)**	**Residual Monthly Run rate**	**FY22 YTD Monthly Run rate**
Maruti Suzuki	**1,30,699**	**1,24,624**	**4.9**	**1,62,462**	**-19.6**	**6,46,775**	**3,09,287**	**109.1**	**18,88,856**	**29.5**	**8.1**	**1,77,440**	**1,29,355**
LCVs	2,588	2,292	12.9	2,768	-6.5	9,412	5,713	64.7	39,309	33.0	25.4	4,271	1,882
Vans	10,666	9,115	17.0	10,057	6.1	42,506	23,036	84.5	1,35,554	29.0	13.4	13,293	8,501
Mini Segment	20,461	19,709	3.8	19,685	3.9	87,386	49,420	76.8	2,81,355	24.4	9.7	27,710	17,477
Compact (incl Dzire Tour)	47,782	63,335	-24.6	72,996	-34.5	2,88,193	1,49,991	92.1	9,28,724	25.1	8.2	91,504	57,639
Mid Size - CIAZ	2,146	1,223	75.5	1,450	48.0	6,114	3,271	86.9	16,207	17.0	-4.6	1,442	1,223
UVs	26,437	21,030	25.7	34,282	-22.9	1,25,802	53,607	134.7	3,31,461	35.1	7.2	29,380	25,160
Domestic	1,10,080	1,16,704	-5.7	1,41,238	-22.1	5,59,413	2,85,038	96.3	17,32,611	27.2	8.9	1,67,600	1,11,883
Export	20,619	7,920	160.3	21,224	-2.9	87,362	24,249	260.3	1,56,245	62.5	-4.2	9,840	17,472

M&M: Below estimate; wholesales at ~51.95k (v/s est 65.8k units); UV down 8% YoY; Tractor down 13% YoY

- M&M's overall volume declined 5% YoY (26% MoM) to 51.95k units (est 65.85k units).
- Tractor volumes declined 13% YoY (22% MoM) to 21.4k units (v/s est. 23.2k units). We have factored in 4% volume growth for FY22E, with residual decline of 8% or a monthly run-rate of 31.4k units.
- UV volumes declined 8% YoY (32% MoM) to 27.5k (est 38.9k units). Domestic Passenger UV sales grew 18% YoY (-25% MoM), whereas Pickup/SCV volumes declined ~45% YoY (52% MoM). We estimate UV volumes to grow 34% in FY22E, with a residual growth rate of 19% or monthly run-rate of ~41.2k units. We see downside risk to our estimates due to ongoing supply-side constraints.
- 3W volumes grew 21% MoM (744% YoY) to 2,591 units (v/s est. 3,222 units). We estimate 3W volumes to grow 53% in FY22E, with a residual growth rate of 17.5% or monthly run-rate of 3.4k units.

- As per Mr Veejay Ram Nakra, Chief Executive Officer, Automotive division, M&M, "*Demand across our product portfolio continues to remain strong with Thar, XUV 300 and our recently launched Bolero Neo and our Bolero Pik-up range clocking in impressive booking numbers. Growth momentum in exports continued with sale of 3,180 vehicles, registering an increase of 172%. August has been an exciting month with the reveal of the much-anticipated XUV 700 and the all-new visual identity crafted exclusively for our SUV portfolio. Supply of semiconductors continues to be a global issue for the auto industry and has been a major area of focus for us.*"
- Commenting on the performance, Mr Hemant Sikka, President – Farm Equipment Sector, Mahindra & Mahindra Ltd. stated, "*Industry saw a de-growth in August over last year due to high base effect. We saw smart recovery in overall acreage of Kharif crops with most of the key crops posting acreage levels closer to last year sown area, despite erratic monsoon in select markets. With the festive period on the anvil, which also coincides with the harvesting season, we are anticipating a robust demand in the coming months.*"

Snapshot of volumes for Aug'21

	YoY			MoM									
Company Sales	**Aug-21**	**Aug-20**	**YoY (%) chg**	**Jul-21**	**MoM (%) chg**	**FY22 YTD**	**FY21 YTD**	**(%) chg**	**FY22 estimate**	**Gr. (%)**	**Residual Growth (%)**	**Residual Monthly Run rate**	**FY22 YTD Monthly Run rate**
Mahindra & Mahindra	**51,945**	**54,884**	**-5.4**	**70,212**	**-26.0**	**3,08,934**	**2,01,272**	**53.5**	**8,45,281**	**19.6**	**6.1**	**76,621**	**61,787**
UV (incl. pick-ups)	27,482	29,917	-8.1	40,407	-32.0	1,50,804	84,852	77.7	4,38,831	34.0	18.7	41,147	30,161
LCV & M&HCV	512	202	153.5	428	19.6	1,808	461	292.2	6,369	49.1	19.7	652	362
Three-Wheelers	2,591	307	744.0	2,148	20.6	7,804	442	1665.6	31,403	53.0	17.5	3,371	1,561
Tractors	21,360	24,458	-12.7	27,229	-21.6	1,48,518	1,15,517	28.6	3,68,678	4.0	-7.9	31,451	29,704

ESCORTS: Wholesale volumes below est at 5.7k (v/s est 6.25k units)

- Escorts' dispatches declined 22% YoY (13% MoM) to 5.7k units (v/s est. 6.25k units).
- Domestic sales declined 27% YoY (19% MoM) to 4.9k (v/s est. 5.5k units), while exports grew 49% YoY (52% MoM) to 773 units.
- Construction Equipment posted sales of 307 units, up 57% YoY (-16% MoM).
- We estimate ~4% growth in Tractor volumes for FY22E, implying a monthly run-rate of ~10.4k units or 4.2% residual decline. We further estimate 15% growth in Construction Equipment for FY22E, implying a monthly run-rate of 460 units or 0.2% residual decline.
- **Management commentary**: **Tractor**: This year, August sales are not strictly comparable with last year's Aug sales due to pent-up demand observed last year post the COVID-19 nation-wide lockdowns. As we enter the festive season months, we see strong farmer sentiment and inquiry levels building up, driven by favorable macroeconomic factors, reasonably good water levels of reservoirs, a good pace of kharif sowing, and continued support from the government in the Agri sector. Some parts of the country have faced a rainfall deficit in July and August, and it remains to be seen how the monsoon behaves in September. Inflation continues at unprecedented levels. **Construction Equipment**: The Infrastructure sector has been the biggest focus area for the Government of India, with the "Build India" thrust to revive the economy and improved liquidity. We are hopeful that construction equipment demand may recover to normal levels from October 2021 – if there is no further impact of COVID-19. Continued inflationary trends in commodity prices remain an area of concern.

Snapshot of volumes for Aug'21

	YoY			MoM									
Company Sales	**Aug-21**	**Aug-20**	**YoY (%) chg**	**Jul-21**	**MoM (%) chg**	**FY22 YTD**	**FY21 YTD**	**(%) chg**	**FY22 estimate**	**Gr. (%)**	**Residual Growth (%)**	**Residual Monthly Run rate**	**FY22 YTD Monthly Run rate**
Escorts	**5,693**	**7,268**	**-21.7**	**6,564**	**-13.3**	**38,192**	**30,740**	**24.2**	**1,11,011**	**4.0**	**-4.2**	**10,403**	**7,638**
Domestic	4,920	6,750	-27.1	6,055	-18.7	35,475	29,393	20.7	1,07,930	6.0	0.0	10,351	7,095
Exports	773	518	49.2	509	51.9	2,717	1,347	102	3,081	-37	-89.7	52	543
Construction Equipment	307	196	56.6	367	-16.3	1,280	686	87	4,500	15	-0.2	460	256

TATA MOTORS: Above est.; volumes up 59% YoY (7% MoM) to 58k units (v/s est 53.2k units)

- TTMT's CV volumes grew 25% MoM (66.5% YoY), led by 35% MoM growth in M&HCV to 10.6k (est ~10.7k units) and 20% MoM (39% YoY) growth in LCVs to 19.2k (est 17.3k).
- UV volumes grew 113% YoY (flat MoM) to 14.65k (est 12.7k), and Car volumes grew 16% YoY (-12.5% MoM) to ~13.7k units (est 12.4k units).
- We estimate ~57% growth in M&HCV volumes for FY22E, implying 30% residual growth or a monthly run-rate of ~14.9k units. For LCV, we estimate 23% volume growth in FY22E, implying residual growth of 3% or a run-rate of 20.8k units.
- For UV, we estimate 90% growth for FY22E, implying a residual growth rate of 48% or monthly run-rate of 14.8k vehicles. For Cars, we estimate 28% growth for FY22E, implying a residual growth rate of 7% or a monthly run-rate of ~15.95k vehicles.
- Overall, we estimate 43% growth in total volumes for FY22E, implying 17.5% residual growth or a monthly run-rate of ~66.5k units.
- **Management commentary-**Semiconductor shortage continues to impact the auto industry globally. The recent lockdowns in East Asia have worsened the supply situation and hence Tata Motors is forced to moderate production and offtake volumes in the coming months. The situation is fluid and we will continue to work to mitigate the impact of this and aim to meet our customer orders through an agile, multi-pronged approach including close engagement with our extended supply chain partners, procuring chipsets from the open market, using alternate chips and managing our model and trim mix. Specifically, EV sales crossed a crucial threshold of 1000 units this month. The order book is strong and we aim to meet the robust demand to the best of our abilities despite the supply challenges.

Snapshot of volumes for Aug'21

	YoY			MoM									
Company Sales	**Aug-21**	**Aug-20**	**YoY (%) chg**	**Jul-21**	**MoM (%) chg**	**FY22 YTD**	**FY21 YTD**	**(%) chg**	**FY22 estimate**	**Gr. (%)**	**Residual Growth (%)**	**Residual Monthly Run rate**	**FY22 YTD Monthly Run rate**
Tata Motors	**57,995**	**36,502**	**58.9**	**54,119**	**7.2**	**2,26,898**	**89,263**	**154.2**	**6,92,478**	**42.7**	**17.5**	**66,511**	**45,380**
HCV's	10,562	4,064	159.9	7,813	35.2	37,092	9,630	285.2	1,41,497	56.9	29.7	14,915	7,418
LCV's	19,219	13,825	39.0	16,035	19.9	66,682	31,423	112.2	2,12,569	23.1	3.3	20,841	13,336
CV's	**29,781**	**17,889**	**66.5**	**23,848**	**24.9**	**1,03,774**	**41,053**	**152.8**	**3,54,066**	**34.7**	**12.9**	**35,756**	**20,755**
Cars	13,567	11,740	15.6	15,497	-12.5	62,266	31,548	97.4	1,73,924	28.0	7.0	15,951	12,453
UV's	14,647	6,873	113.1	14,774	-0.9	60,858	16,662	265.3	1,64,488	89.8	48.0	14,804	12,172

Ashok Leyland: Below est; volumes up 8% MoM (48% YoY) to 9,360 units (v/s est 10,897 units)

- Wholesale dispatches stood at 9,360 units (v/s est 10,897 units), up 8% MoM (48% YoY).
- M&HCV volumes grew 21% MoM (79% YoY) to 4,632 units (v/s est. 4,919 units).
- LCV volumes declined 2% MoM (+27% YoY) to 4,728 units (v/s est. 5,978 units).
- We estimate volumes to grow ~57% in FY22E, implying residual growth of ~43% or ~17.5k units. LCV volumes would benefit from the launch of the Bada Dost in more regions and other LCV launches.

Snapshot of volumes for Aug'21

	YoY			MoM									
Company Sales	**Aug-21**	**Aug-20**	**YoY (%) chg**	**Jul-21**	**MoM (%) chg**	**FY22 YTD**	**FY21 YTD**	**(%) chg**	**FY22 estimate**	**Gr. (%)**	**Residual Growth (%)**	**Residual Monthly Run rate**	**FY22 YTD Monthly Run rate**
Ashok Leyland	**9,360**	**6,325**	**48.0**	**8,650**	**8.2**	**35,997**	**14,915**	**141.3**	**1,58,306**	**57.2**	**42.6**	**17,473**	**7,199**
M&HCV	4,632	2,589	78.9	3,822	21.2	17,504	5,316	229.3	87,390	68.7	50.3	9,984	3,501
LCV	4,728	3,736	26.6	4,828	-2.1	18,493	9,599	93	70,917	45.0	33.4	7,489	3,699

EICHER MOTORS: RE sales in line with est. at 45.9k units (v/s est 47.6k units); VECV up 12% MoM (93.5% YoY)

- Royal Enfield (RE) dispatches declined 8.5% YoY (+4% MoM) to 45.9k units (in line with est).
- We estimate RE volumes to grow 27% in FY22E, implying residual growth of 21% or a monthly run-rate of ~80.5k units. We are hopeful of a step-up in volumes with the launch of the new Classic 350, subject to semiconductor availability.
- VECV volumes grew 12% MoM(93.5% YoY) to 4,793 units (v/s est. ~5,227 units). For VECV, we estimate 40% growth in volumes for FY22E, implying a monthly run-rate of 6,121 units. We see an upside risk to our estimates.

Snapshot of volumes for Aug'21

	YoY			MoM									
Company Sales	Aug-21	Aug-20	YoY (%) chg	Jul-21	MoM (%) chg	FY22 YTD	FY21 YTD	(%) chg	FY22 estimate	Gr. (%)	Residual Growth (%)	Residual Monthly Run rate	FY22 YTD Monthly Run rate
Royal Enfield	**45,860**	**50,144**	**-8.5**	**44,038**	**4.1**	**2,13,538**	**1,47,747**	**44.5**	**7,76,721**	**26.9**	**21.3**	**80,455**	**42,708**
VECV	**4,793**	**2,477**	**93.5**	**4,271**	**12.2**	**14,870**	**6,834**	**117.6**	**57,715**	**39.9**	**24.4**	**6,121**	**2,974**
Domestic LMD	2,919	1,673	74.5	2,579	13.2	7,997	3,857	107.3	25,116	-6.0	-25.1	2,446	1,599
Domestic HD	755	354	113.3	839	-10.0	2,824	1,024	175.8	7,714	6.0	-21.8	699	565
Domestic Buses	190	163	16.6	135	40.7	567	565	0.4	2,333	-74.2	-79.2	252	113
VTI	126	37	240.5	78	61.5	369	160	130.6	1,080	-2.4	-24.9	102	74
Domestic	**3,990**	**2,227**	**79.2**	**3,631**	**9.9**	**11,757**	**5,606**	**109.7**	**36,243**	**-17.9**	**-36.5**	3,498	**2,351**
Exports	803	250	221.2	640	25.5	3,113	1,228	153.5	5,025	10.0	-42.8	273	623

Bajaj Auto: In-line; volumes up 5% YoY (+1% MoM) to 373.3k (v/s est 370.4k)

- BJAUT's wholesales grew 5% YoY (1% MoM) to 373.3k units (v/s est.370.4k).
- Domestic volumes declined 7%YoY (3% MoM) to 172.6k units (v/s est 173k units), while exports grew 18% YoY (flat MoM) to 200.7k units (v/s est. 197.4k).
- Motorcycle volumes grew 5% YoY to 338.3k units. Domestic motorcycle dispatches declined 11% YoY (+1% MoM) to 158k units, while exports grew 26% YoY (3% MoM) to 180.3k units. We estimate motorcycle volumes to grow 19% in FY22E, implying a monthly run-rate of 390.2k units.
- 3W volumes were flat YoY (-9% MoM) at ~35k units (v/s est 41k units), with domestic volumes growing 91% YoY (+32.5% MoM) to ~14.6k units. Exports declined 26% YoY (26% MoM) to 20.3k units. We estimate 3W volumes to grow ~54% in FY22E, implying residual growth of 42% or a run-rate of ~55k.

Snapshot of volumes for Aug'21

	YoY			MoM									
Company Sales	Aug-21	Aug-20	YoY (%) chg	Jul-21	MoM (%) chg	FY22 YTD	FY21 YTD	(%) chg	FY22 estimate	Gr. (%)	Residual Growth (%)	Residual Monthly Run rate	FY22 YTD Monthly Run rate
Bajaj Auto	**3,73,270**	**3,56,199**	**4.8**	**3,69,116**	**1.1**	**17,48,400**	**10,55,134**	**65.7**	**48,65,865**	**22.5**	**6.8**	**4,45,352**	**3,49,680**
Motorcycles	3,38,310	3,21,058	5.4	3,30,569	2.3	15,68,184	9,59,543	63.4	42,99,738	19.2	3.2	3,90,222	3,13,637
Two-Wheelers	3,38,310	3,21,058	5.4	3,30,569	2.3	15,68,184	9,59,543	63.4	42,99,738	19.2	3.2	3,90,222	3,13,637
Three-Wheelers	34,960	35,141	-0.5	38,547	-9.3	1,80,216	95,591	88.5	5,66,127	54.2	42.2	55,130	36,043
Domestic	1,72,595	1,85,879	-7.1	1,67,273	3.2	6,97,005	5,36,118	30.0	23,37,739	21.8	18.7	2,34,391	1,39,401
Exports	2,00,675	1,70,320	17.8	2,01,843	-0.6	10,51,395	5,19,016	102.6	25,28,126	23.1	-3.8	2,10,962	2,10,279

HERO MOTOCORP: Below est; volumes down 22% YoY (flat MoM) to 453.9k units (v/s est 526k units)

- HMCL's volumes declined 22% YoY (flat MoM) to 453.9k units (v/s est 526k units). Wholesales reflect a cautious stance on demand sustainability.
- We estimate volumes to grow 14% in FY22E, implying a residual growth rate of 13% or monthly run-rate of 664.3k units/month.

Snapshot of volumes for Aug'21

	YoY			MoM									
Company Sales	Aug-21	Aug-20	YoY (%) chg	Jul-21	MoM (%) chg	FY22 YTD	FY21 YTD	(%) chg	FY22 estimate	Gr. (%)	Residual Growth (%)	Residual Monthly Run rate	FY22 YTD Monthly Run rate
Hero MotoCorp	**4,53,879**	**5,84,456**	**-22.3**	**4,54,398**	**-0.1**	**19,32,766**	**16,63,630**	**16.2**	**65,82,808**	**13.7**	**12.6**	**6,64,292**	**3,86,553**

TVS Motor: Below est; volumes up 1% YoY (4% MoM) to 290.7k units (v/s est 309.7k units)

- TVSL's wholesales grew 1% YoY (4% MoM) to 290.7k units (v/s est 309.7k units).
- 2W volumes declined 1% YoY (+4% MoM) to 274.3k units. Domestic 2W volumes declined 18% YoY (+3% MoM), whereas 2W export volumes grew 60% YoY (8% MoM). For 2W, we estimate FY22E 2W volumes to grow 22%, implying residual growth of ~12% or a run-rate of ~345k units.
- 3W volumes grew 61% YoY (2% MoM) to 16.4k units (v/s est 14.7k units est). We estimate total 3W volumes to grow 36% in FY22E, implying residual growth of 4% or a run-rate of 14k units.
- Overall volumes are estimated to grow ~22.5% in FY22E, implying a residual run-rate of 358.6k or ~12% growth.

Snapshot of volumes for Aug'21

	YoY			MoM									
Company Sales	Aug-21	Aug-20	YoY (%) chg	Jul-21	MoM (%) chg	FY22 YTD	FY21 YTD	(%) chg	FY22 estimate	Gr. (%)	Residual Growth (%)	Residual Monthly Run rate	FY22 YTD Monthly Run rate
TVS Motor	**2,90,694**	**2,87,398**	**1.1**	**2,78,855**	**4.2**	**12,27,307**	**8,07,075**	**52.1**	**37,37,691**	**22.5**	**11.8**	**3,58,626**	**2,45,461**
Motorcycles	1,33,789	1,19,878	11.6	1,38,772	-3.6	6,77,850	3,45,247	96.3	17,99,560	34.1	12.6	1,60,244	1,35,570
Scooters	87,059	87,044	0.0	74,351	17.1	3,00,845	2,47,413	21.6	11,05,045	15.0	12.7	1,14,886	60,169
Mopeds	53,465	70,304	-24.0	49,605	7.8	1,77,047	1,83,782	-3.7	6,64,522	6.2	10.3	69,639	35,409
Three-Wheelers	16,381	10,172	61.0	16,127	1.6	71,565	30,633	133.6	1,68,564	36.4	4.3	13,857	14,313
Domestic	1,80,767	2,19,051	-17.5	1,75,722	2.9	6,86,142	5,95,869	15.1	24,38,763	12.3	11.2	2,50,374	1,37,228
Exports	1,09,927	68,347	60.8	1,03,133	6.6	5,41,165	2,11,206	156.2	12,98,927	47.7	13.4	1,08,252	1,08,233

Exhibit 2: Comparative valuation

	Rating	Mcap	CMP	TP	P/E (x)		EV/EBITDA (x)		PB (x)		FY23 Yield (%)		EPS
Auto OEM's		(INR b)	(INR)	(INR)	FY22E	FY23E	FY22E	FY23E	FY22E	FY23E	Div	FCF	CAGR (%) FY20-23E
Bajaj Auto	Neutral	1,087	3,758	4,250	19.2	16.6	14.3	11.8	4.2	4.1	5.1	5.5	8.0
Hero MotoCorp	Buy	548	2,741	3,400	15.4	12.7	8.9	7.1	3.4	3.1	4.9	7.5	12.1
TVS Motor	Neutral	252	530	354	21.2	16.2	11.4	8.9	4.9	3.9	1.0	6.3	36.0
Eicher Motors	Buy	737	2,701	3,250	34.6	22.3	25.4	17.3	5.7	4.7	0.9	4.8	21.9
Maruti Suzuki	Buy	2,050	6,785	8,200	36.9	22.6	22.6	14.0	3.7	3.3	1.8	2.9	17.5
M&M	Buy	920	770	950	19.8	17.1	12.6	11.1	1.2	1.1	1.3	4.9	14.5
Tata Motors	Buy	1,130	295	400	93.1	8.5	4.8	2.9	2.0	1.6	0.3	20.9	LTP!
Ashok Leyland	Buy	360	123	167	53.9	16.9	20.4	9.5	4.9	4.0	1.6	10.1	84.0
Escorts	Neutral	165	1,347	1,270	16.1	16.1	13.8	13.8	2.3	2.1	0.5	3.5	24.4
Auto Ancillaries													
Bharat Forge	Buy	364	781	965	35.6	25.4	19.7	15.0	5.9	5.0	0.8	4.8	51.8
Exide Industries	Buy	145	170	213	16.6	12.6	8.8	7.0	1.9	1.7	1.9	6.8	10.8
Amara Raja	Neutral	122	713	820	19.7	15.6	10.2	8.1	2.6	2.4	2.1	3.6	5.8
BOSCH	Neutral	413	14,003	16,650	29.1	23.5	21.1	16.3	3.8	3.4	0.9	2.3	12.1
Endurance Tech	Buy	238	1,690	1,950	34.8	26.0	17.9	14.0	5.9	5.1	1.0	2.9	19.5
Motherson Sumi	Buy	686	217	285	28.0	18.5	8.2	5.9	4.8	4.0	1.5	7.8	46.8
Mahindra CIE	Buy	88	233	295	14.9	13.1	8.6	7.2	1.7	1.5	1.3	6.3	37.1
CEAT	Buy	51	1,271	1,775	17.2	10.5	7.4	5.4	1.4	1.3	0.9	7.1	45.7
BIL	Neutral	450	2,330	2,600	29.2	24.6	19.5	15.8	6.3	5.3	1.1	2.3	38.2
MRF	Neutral	339	79,967	83,732	27.2	20.7	10.3	8.3	2.3	2.1	0.3	2.1	7.3
APTY	Buy	125	219	290	12.1	9.5	5.6	4.5	1.0	0.9	2.1	11.3	66.7

Source: Company, MOFSL

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