

# Auto Sector

## Decent YoY Growth Continues

### Key Findings:

- ☞ **YoY growth continued across segments (except for 3Ws), while few segments grew on MoM basis as well**
- ☞ **PVs and Tractor volume witnessed double-digit growth, while 3W volume declined**
- ☞ **Overall wholesale volume were higher than the retail volume for most segments led by inventory restocking**

### Research Analyst:

**Mitul Shah**

Contact: (022) 41681371 / 9869253554

Email: mitul.shah@relianceada.com

### Research Associate:

**Sheryl Fernandes**

Contact: (022) 41681371 / 8879415031

Email: sheryl.fernandes@relianceada.com

### Key Highlights:

- Indian automobile companies reported decent YoY sales volume growth across segments in Feb'21 (barring 3W segment) due to gradual improvement in urban markets and continued positive traction in rural markets, channel refilling and higher dealer incentives.
- In most segments, wholesale volume was higher than the retail volume. Inventory level at the end of Feb'21 across segments (except PVs and M&HCVs) rose by ~1 week due to channel refilling by few players.
- PV segment is estimated to have grown by >20% YoY, while Tractor segment reported a strong >30% YoY volume growth in Feb'21 led by positive sentiment following a healthy agri output and favourable monsoon.
- Within the CV segment, LCV sales volume witnessed a muted YoY performance with lower volume growth in Feb'21. On the other hand, M&HCV segment witnessed improvement due to volume traction in M&HCV cargoes, while bus segment continued to fall by 70-90% YoY in Feb'21. 3W segment was the worst performer with high double-digit YoY fall in sales volume.

### Our View

Looking ahead, we expect positive volume traction to continue in Mar'21 as well due to improved economic activities across the country. We believe increasing positive sentiment, improved footfalls and higher enquiry levels coupled with steadily opening of the urban markets would help the automobile volume, going forward. Moreover, recent corona vaccination drive would lead to healthy volume across segments. However, supply constraint for semiconductors and container availability issue would remain as key challenge for the industry over the near-term. We expect the industry volume to record double-digit volume decline in FY21E barring tractor segment. In addition to ongoing positive momentum in tractor and PV segments, we expect strong rebound in M&HCV segment in coming months. **We remain positive on automobile sector, while Ashok Leyland and Bharat Forge continue to remain our top picks.**

- ▶ **2W:** BAL's sales grew by 6% YoY (down 12% MoM) to 3,75,017 units, while HMCL's sales grew by 2% YoY (up 4% MoM) to 5,05,467 units. TVSL's sales grew by 18% YoY (down 3% MoM) to 2,97,747 units.
- ▶ **PV & CV:** M&M's auto volume declined by 11% YoY (down 27% MoM) to 28,777 units and MSIL's volume grew by 12% YoY (up 2% MoM) to 1,64,469 units. AL's volume grew by 19% YoY (up 4% MoM) to 13,703 units, while TTMT reported sales of 61,365 units (up 51% YoY and 2% MoM).
- ▶ **Tractor:** M&M's tractor volume grew by 25% YoY (down 19% MoM) to 28,146 units and Escorts' sales volume grew by 31% YoY (up 25% MoM) to 11,230 units.

### Our Top Picks: Ashok Leyland and Bharat Forge

#### Automobile Volume

Total Units Sales	Feb-21	Feb-20	YoY (%)	Jan-21	MoM (%)	YTD FY21	YTD FY20	YoY (%)
Bajaj Auto	3,75,017	3,54,913	5.7	4,25,199	(11.8)	36,03,466	43,72,637	(17.6)
Hero MotoCorp	5,05,467	4,98,242	1.5	4,85,889	4.0	52,14,581	60,75,072	(14.2)
TVS Motors	2,97,747	2,53,261	17.6	3,07,149	(3.1)	27,29,180	31,18,563	(12.5)
Maruti Suzuki	1,64,469	1,47,110	11.8	1,60,752	2.3	12,90,847	14,79,505	(12.8)
M&M Auto Volume	28,777	32,476	(11.4)	39,149	(26.5)	3,11,878	4,68,642	(33.5)
M&M Tractors	28,146	22,561	24.8	34,778	(19.1)	3,23,528	2,88,302	12.2
Tata Motor	61,365	40,619	51.1	59,959	2.3	4,14,778	4,60,019	(9.8)
Ashok Leyland	13,703	11,475	19.4	13,126	4.4	83,484	1,23,074	(32.2)
Eicher Motors (CV)	5,457	4,586	19.0	5,673	(3.8)	34,231	47,216	(27.5)
Escorts	11,230	8,601	30.6	9,021	24.5	94,404	80,574	17.2
<b>Domestic Vol for Following Cos</b>								
Hyundai	51,600	40,010	29.0	52,005	(0.8)	4,18,935	4,59,009	(8.7)
Toyota	14,075	10,352	36.0	11,126	26.5	78,133	1,07,058	(27.0)
Honda	9,324	7,269	28.3	11,320	(17.6)	74,972	98,319	(23.7)

Source: Company

We have made changes to our Recommendation and Target Price. Please refer to Page no. 6 at the end of the report.

## Two-wheeler Segment

**Bajaj Auto:** Bajaj Auto (BJAUT.IN) sold 3,75,017 units in Feb'21 (up 6% YoY and down 12% MoM) due to healthy exports and flat 2W volume in domestic markets. Its domestic sales declined by 2% YoY (down 4% MoM) to 1,64,811 units, as 2W sales grew by 1% YoY, while 3W sales declined by 27% YoY. Its exports increased by 13% YoY (down 17% MoM) to 2,10,206 units, as 2W exports grew by 12% YoY while 3W exports grew by 17% YoY. Though higher exports can be attributed to strong demand revival in African markets, export performance was impacted by low container availability. As per the management, exports could have been higher by 10-15% in case of enough container availability. The company aims to cross 400K mark in Mar'21 with better export volume.

### Exhibit 1: Bajaj Auto

Units	Feb-21	Feb-20	YoY (%)	Jan-21	MoM (%)	YTD FY21	YTD FY20	YoY (%)
<b>Motorcycles</b>	<b>3,32,563</b>	<b>3,10,222</b>	<b>7.2</b>	<b>3,84,936</b>	<b>(13.6)</b>	<b>32,75,760</b>	<b>37,36,592</b>	<b>(12.3)</b>
Domestic	1,48,934	1,46,876	1.4	1,57,404	(5.4)	16,27,982	19,79,936	(17.8)
Exports	1,83,629	1,63,346	12.4	2,27,532	(19.3)	16,47,778	17,56,656	(6.2)
<b>Three Wheelers</b>	<b>42,454</b>	<b>44,691</b>	<b>(5.0)</b>	<b>40,263</b>	<b>5.4</b>	<b>3,27,706</b>	<b>6,36,045</b>	<b>(48.5)</b>
Domestic	15,877	21,871	(27.4)	13,353	18.9	92,134	3,47,630	(73.5)
Exports	26,577	22,820	16.5	26,910	(1.2)	2,35,572	2,88,415	(18.3)
<b>Domestic Volume</b>	<b>1,64,811</b>	<b>1,68,747</b>	<b>(2.3)</b>	<b>1,70,757</b>	<b>(3.5)</b>	<b>17,20,116</b>	<b>23,27,566</b>	<b>(26.1)</b>
<b>Exports</b>	<b>2,10,206</b>	<b>1,86,166</b>	<b>12.9</b>	<b>2,54,442</b>	<b>(17.4)</b>	<b>18,83,350</b>	<b>20,45,071</b>	<b>(7.9)</b>
<b>Total Volume</b>	<b>3,75,017</b>	<b>3,54,913</b>	<b>5.7</b>	<b>4,25,199</b>	<b>(11.8)</b>	<b>36,03,466</b>	<b>43,72,637</b>	<b>(17.6)</b>

Source: Company

**Hero MotoCorp:** Hero MotoCorp (HMCL.IN) sold 5,05,467 units in Feb'21 (up 2% YoY and up 4% MoM). While motorcycle segment was subdued (down 3% YoY), scooter segment witnessed strong rebound with 121% YoY growth. Slowdown in entry level bike segment and shifting preference for higher end bikes started impacting the company's bike portfolio despite lower YoY base.

### Exhibit 2: Hero Motorcorp

Units	Feb-21	Feb-20	YoY (%)	Jan-21	MoM (%)	YTD FY21	YTD FY20	YoY (%)
Motorcycles	4,63,723	4,79,310	(3.3)	4,49,037	3.3	48,08,849	56,84,508	(15.4)
Scooters	41,744	18,932	120.5	36,852	13.3	4,05,732	3,90,564	3.9
<b>Two Wheelers</b>	<b>5,05,467</b>	<b>4,98,242</b>	<b>1.5</b>	<b>4,85,889</b>	<b>4.0</b>	<b>52,14,581</b>	<b>60,75,072</b>	<b>(14.2)</b>

Source: Company

**TVS Motor:** TVS Motor (TVSL.IN) sold 2,97,747 units in Feb'21 (up 18% YoY and down 3% MoM). Its 3W sales fell by 24% YoY (up 5% MoM) to 13,166 units, while 2W sales grew by 21% YoY to 2,84,581 units, with 16% YoY growth in motorcycle volume to 137,259 units. Its moped sales fell by 9% YoY to 51,797 units. Two-wheeler exports grew by 35% YoY to 89,436 units, while the company's total exports volume grew by 23% YoY in Feb'21.

### Exhibit 3: TVS Motor

Units	Feb-21	Feb-20	YoY (%)	Jan-21	MoM (%)	YTD FY21	YTD FY20	YoY (%)
Motorcycles	1,37,259	1,18,514	15.8	1,36,790	0.3	11,84,487	12,96,903	(8.7)
Scooters	95,525	60,633	57.5	98,319	(2.8)	8,56,413	10,40,873	(17.7)
Mopeds	51,797	56,744	(8.7)	59,487	(12.9)	5,79,930	6,17,627	(6.1)
Scooters/Mopeds	1,47,322	1,17,377	25.5	1,57,806	(6.6)	14,36,343	16,58,500	(13.4)
Three Wheeler	13,166	17,370	(24.2)	12,553	4.9	1,08,350	1,63,160	(33.6)
<b>Total Sales</b>	<b>2,97,747</b>	<b>2,53,261</b>	<b>17.6</b>	<b>3,07,149</b>	<b>(3.1)</b>	<b>27,29,180</b>	<b>31,18,563</b>	<b>(12.5)</b>

Source: Company

## Four-wheeler Segment

**Maruti Suzuki:** Maruti Suzuki's (MSIL.IN) volume increased by 12% YoY (up 2% MoM) to 1,64,469 units due to inventory re-stocking. In domestic PV segment, its sales increased by 8% YoY and 4% MoM to 1,44,761 units. Its total exports grew by 12% YoY (down 8% MoM) to 11,486 units, while UV volume grew by 19% YoY (up 13% MoM) to 26,884 units. Van volume grew by 6% YoY (up 2% MoM). Mini segment (Alto and S-Presso) sales volume decreased by 13% YoY (down 5% MoM) to 23,959 units. Its volume in compact segment (Swift, Celerio, Ignis, D'zire, Baleno and WagonR) increased by 15% YoY (up 5% MoM) to 80,517 units. Better traction in compact segment indicates re-shift of consumers' preference to high-end cars from entry level vehicles, which was witnessed during the initial period of the pandemic.

### Exhibit 4: Maruti Suzuki

Units	Feb-21	Feb-20	YoY (%)	Jan-21	MoM (%)	YTD FY21	YTD FY20	YoY (%)
A: Mini (Alto,S-presso)	23,959	27,499	(12.9)	25,153	(4.7)	2,01,506	2,31,788	(13.1)
A: Compact (Swift, Celerio, Ignis, Baleno, Dzire, Tour S)	80,517	69,828	15.3	76,935	4.7	6,37,446	7,47,091	(14.7)
A: Mid-Size (CIAZ)	1,510	2,544	(40.6)	1,347	12.1	12,224	23,395	(47.7)
<b>Total A: Passenger Cars</b>	<b>1,05,986</b>	<b>99,871</b>	<b>6.1</b>	<b>1,03,435</b>	<b>2.5</b>	<b>8,51,176</b>	<b>10,02,274</b>	<b>(15.1)</b>
B: Utility Vehicles (Gypsy, Ertiga, S-Cross, Vitara Brezza)	26,884	22,604	18.9	23,887	12.5	2,02,927	2,23,394	(9.2)
C: Vans (Omni, Eeco)	11,891	11,227	5.9	11,680	1.8	93,534	1,12,438	(16.8)
<b>Domestic Passenger Vehicles</b>	<b>1,44,761</b>	<b>1,33,702</b>	<b>8.3</b>	<b>1,39,002</b>	<b>4.1</b>	<b>11,47,637</b>	<b>13,38,106</b>	<b>(14.2)</b>
LCV (Super Carry)	2,722	448	507.6	3,602	(24.4)	26,241	21,042	24.7
<b>Total Domestic Sales</b>	<b>1,47,483</b>	<b>1,34,150</b>	<b>9.9</b>	<b>1,42,604</b>	<b>3.4</b>	<b>11,73,878</b>	<b>13,59,148</b>	<b>(13.6)</b>
<b>Export</b>	<b>11,486</b>	<b>10,261</b>	<b>11.9</b>	<b>12,445</b>	<b>(7.7)</b>	<b>84,542</b>	<b>97,459</b>	<b>(13.3)</b>
Sales to other OEM: A: Compact	5,500	2,699	103.8	5,703	(3.6)	32,427	22,898	41.6
<b>Total Sales</b>	<b>1,64,469</b>	<b>1,47,110</b>	<b>11.8</b>	<b>1,60,752</b>	<b>2.3</b>	<b>12,90,847</b>	<b>14,79,505</b>	<b>(12.8)</b>

Source: Company

**Mahindra & Mahindra (M&M):** M&M's (MM.IN) combined volume (Auto + Tractor) came in at 56,923 units (up 3% YoY and down 23% MoM). Its auto volume (domestic + exports) declined by 11% YoY (down 27% MoM) to 28,777 units. It sold 26,950 units in domestic automotive segment (down 12% YoY and down 27% MoM), while exports declined by 1% YoY to 1,827 units. Its key volume contributor i.e. PV segment – comprising of UV, MPV and PCs – grew by 41% YoY (down 25% MoM). Its LCV sales fell by 43% YoY (down 33% MoM) to 8,621 units, while tractor sales grew by 25% YoY (down 19% MoM) to 28,146 units. Domestic tractor volume grew by 24% YoY, while export volume increased by 43% YoY.

### Exhibit 5: M&M Auto

Units	Feb-21	Feb-20	YoY (%)	Jan-21	MoM (%)	YTD FY21	YTD FY20	YoY (%)
PCs	11	263	(95.8)	136	(91.9)	1,629	7,300	(77.7)
Passenger UVs	15,380	10,675	44.1	20,498	(25.0)	1,38,887	1,76,294	(21.2)
LCV < 2T - 3.5T	8,621	14,991	(42.5)	12,837	(32.8)	1,35,565	1,85,625	(27.0)
LCV > 3.5T + M&HCV	581	865	(32.8)	551	5.4	3,478	11,185	(68.9)
Three Wheelers	2,357	3,843	(38.7)	2,841	(17.0)	16,064	61,766	(74.0)
<b>Total Domestic Sales</b>	<b>26,950</b>	<b>30,637</b>	<b>(12.0)</b>	<b>36,863</b>	<b>(26.9)</b>	<b>2,95,623</b>	<b>4,42,170</b>	<b>(33.1)</b>
<b>Export</b>	<b>1,827</b>	<b>1,839</b>	<b>(0.7)</b>	<b>2,286</b>	<b>(20.1)</b>	<b>16,255</b>	<b>26,472</b>	<b>(38.6)</b>
<b>Total Sales</b>	<b>28,777</b>	<b>32,476</b>	<b>(11.4)</b>	<b>39,149</b>	<b>(26.5)</b>	<b>3,11,878</b>	<b>4,68,642</b>	<b>(33.5)</b>

Source: Company

### Exhibit 6: M&M Tractors

Units	Feb-21	Feb-20	YoY (%)	Jan-21	MoM (%)	YTD FY21	YTD FY20	YoY (%)
Domestic	27,170	21,877	24.2	33,562	(19.0)	3,14,016	2,78,483	12.8
Exports	976	684	42.7	1,216	(19.7)	9,512	9,819	(3.1)
<b>Total Tractors</b>	<b>28,146</b>	<b>22,561</b>	<b>24.8</b>	<b>34,778</b>	<b>(19.1)</b>	<b>3,23,528</b>	<b>2,88,302</b>	<b>12.2</b>

Source: Company

**Tata Motors:** Tata Motors (TTMT.IN) sold total 61,365 units (up 51% YoY and up 2% MoM) in Feb'21. In domestic CV segment, it sold 31,248 units (up 22% YoY and up 2% MoM). Its PV volume stood at 27,225 units (up 119% YoY and up 1% MoM) on the back of success of new launches and improved brand equity. Its total domestic volume grew by 54% YoY (up 1% MoM) to 58,473 units in Feb'21.

**Exhibit 7: Tata Motors**

Units	Feb-21	Feb-20	YoY (%)	Jan-21	MoM (%)	YTD FY21	YTD FY20	YoY (%)
PV	27,225	12,430	119.0	26,978	0.9	1,92,371	1,25,521	53.3
CV	31,248	25,572	22.2	30,764	1.6	1,99,306	3,05,519	(34.8)
<b>Domestic Sales</b>	<b>58,473</b>	<b>38,002</b>	<b>53.9</b>	<b>57,742</b>	<b>1.3</b>	<b>3,91,677</b>	<b>4,31,040</b>	<b>(9.1)</b>
<b>Export Sales</b>	<b>2,892</b>	<b>2,617</b>	<b>10.5</b>	<b>2,217</b>	<b>30.4</b>	<b>23,101</b>	<b>28,979</b>	<b>(20.3)</b>
<b>Total</b>	<b>61,365</b>	<b>40,619</b>	<b>51.1</b>	<b>59,959</b>	<b>2.3</b>	<b>4,14,778</b>	<b>4,60,019</b>	<b>(9.8)</b>

Source: Company

**Ashok Leyland:** Ashok Leyland (AL.IN) sold 13,703 units in Feb'21 (up 19% YoY and up 4% MoM). Its LCV sales stood at 5,662 (up 46% YoY and up 3% MoM), while M&HCV volume grew by 6% YoY (up 4% MoM) to 7,114 units mainly due to 84% YoY decline in Bus volume. However, its cargo M&HCV segment grew by 44% YoY. We believe that retail sales in CV segment would be in line with wholesale. We believe the worst phase of CV cycle is over now and the industry is heading towards the next up-cycle. Pick-up in construction activities and infra projects have started helping the CV segment gradually. We expect the M&HCV industry to witness remarkable improvement in 4QFY21E.

**Exhibit 8: Ashok Leyland**

Units	Feb-21	Feb-20	YoY (%)	Jan-21	MoM (%)	YTD FY21	YTD FY20	YoY (%)
M&HCV Trucks	6,790	4,706	44.3	6,399	6.1	34,536	52,367	(34.1)
M&HCV Buses	324	2,039	(84.1)	440	(26.4)	1,606	17,556	(90.9)
<b>Total M&amp;HCV</b>	<b>7,114</b>	<b>6,745</b>	<b>5.5</b>	<b>6,839</b>	<b>4.0</b>	<b>36,142</b>	<b>69,923</b>	<b>(48.3)</b>
LCV	5,662	3,867	46.4	5,520	2.6	40,811	44,623	(8.5)
<b>Total Domestic CV</b>	<b>12,776</b>	<b>10,612</b>	<b>20.4</b>	<b>12,359</b>	<b>3.4</b>	<b>76,953</b>	<b>1,14,546</b>	<b>(32.8)</b>
<b>Total Exports</b>	<b>927</b>	<b>863</b>	<b>7.4</b>	<b>767</b>	<b>20.9</b>	<b>6,531</b>	<b>8,528</b>	<b>(23.4)</b>
<b>Total Sales</b>	<b>13,703</b>	<b>11,475</b>	<b>19.4</b>	<b>13,126</b>	<b>4.4</b>	<b>83,484</b>	<b>1,23,074</b>	<b>(32.2)</b>

Source: Company

**Eicher Motor:** Eicher (EIM.IN) sold 5,457 units in Feb'21 (up 19% YoY and down 4% MoM). While the company sold 4,825 trucks and buses (up 25% YoY) in the domestic markets, it exported 510 vehicles (down 10% YoY) during the month. Volvo truck volume fell by 17% YoY to 122 units.

**Exhibit 9: Eicher Motors**

Units	Feb-21	Feb-20	YoY (%)	Jan-21	MoM (%)	YTD FY21	YTD FY20	YoY (%)
Domestic	4,825	3,875	24.5	4,964	(2.8)	29,109	41,631	(30.1)
Export	510	564	(9.6)	555	(8.1)	4,209	4,501	(6.5)
<b>Total of Truck &amp; Buses</b>	<b>5,335</b>	<b>4,439</b>	<b>20.2</b>	<b>5,519</b>	<b>(3.3)</b>	<b>33,318</b>	<b>46,132</b>	<b>(27.8)</b>
Volvo Trucks	122	147	(17.0)	154	(20.8)	913	1,084	(15.8)
<b>Total Volume</b>	<b>5,457</b>	<b>4,586</b>	<b>19.0</b>	<b>5,673</b>	<b>(3.8)</b>	<b>34,231</b>	<b>47,216</b>	<b>(27.5)</b>

Source: Company

**Royal Enfield:** RE sold 69,659 units in Feb'21 (up 10% YoY and 1% MoM). In domestic markets, it sold 65,114 units (up 6% YoY and up 1% MoM) and exported 4,545 units (up 94% YoY).

**Exhibit 10: Royal Enfield**

Units	Feb-21	Feb-20	YoY (%)	Jan-21	MoM (%)	YTD FY21	YTD FY20	YoY (%)
Upto 350CC	64,362	57,292	12.3	64,248	0.2	4,99,683	5,89,526	(15.2)
> 350 CC	5,297	6,244	(15.2)	4,639	14.2	46,609	70,619	(34.0)
<b>Domestic</b>	<b>65,114</b>	<b>61,188</b>	<b>6.4</b>	<b>64,372</b>	<b>1.2</b>	<b>5,13,555</b>	<b>6,24,021</b>	<b>(17.7)</b>
<b>Exports</b>	<b>4,545</b>	<b>2,348</b>	<b>93.6</b>	<b>4,515</b>	<b>0.7</b>	<b>32,737</b>	<b>36,124</b>	<b>(9.4)</b>
<b>Total Volume</b>	<b>69,659</b>	<b>63,536</b>	<b>9.6</b>	<b>68,887</b>	<b>1.1</b>	<b>5,46,292</b>	<b>6,60,145</b>	<b>(17.2)</b>

Source: Company

## Tractor Segment

**Escorts:** Escorts (ESC.IN) sold 11,230 units (up 31% YoY and up 25% MoM). Its domestic volume grew by 33% YoY (up 26% MoM) to 10,690 units, while exports declined by 2% YoY to 540 units.

### Exhibit 11: Escorts

Units	Feb-21	Feb-20	YoY (%)	Jan-21	MoM (%)	YTD FY21	YTD FY20	YoY (%)
Domestic	10,690	8,049	32.8	8,510	25.6	90,118	77,024	17.0
Exports	540	552	(2.2)	511	5.7	4,286	3,550	20.7
<b>Total Tractors</b>	<b>11,230</b>	<b>8,601</b>	<b>30.6</b>	<b>9,021</b>	<b>24.5</b>	<b>94,404</b>	<b>80,574</b>	<b>17.2</b>

Source: Company

## Other Auto Companies

### Exhibit 12: Other Auto Companies

Domestic Sales Units	Feb-21	Feb-20	YoY (%)	Jan-21	MoM (%)	YTD FY21	YTD FY20	YoY (%)
Hyundai	51,600	40,010	29.0	52,005	(0.8)	4,18,935	4,59,009	(8.7)
Toyota	14,075	10,352	36.0	11,126	26.5	78,133	1,07,058	(27.0)
Honda	9,324	7,269	28.3	11,320	(17.6)	74,972	98,319	(23.7)

Source: Company

## Change in Ratings

We have now only **BUY** and **SELL** Recommendation and have discontinued HOLD Recommendation.

We now have **2 Year Target Price** and have discontinued with 1 year Target Price.

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