

Auto Sector

Subdued Performance across Segments Continues...

Key Findings:

- ☞ Demand weakness continued across segments, though PVs improved sequentially, while CVs performed better within peer group. Much slower recovery in rural led to highly subdued sales performance for most companies. Slower rural recovery is also visible in muted performance of rural-centric vehicles like tractors and 2Ws in Feb'22. Volume performance was mixed on YoY and MoM basis.
- ☞ 2W segment witnessed a highly subdued performance, while PV segment saw a better performance with ease in semiconductor availability though supply shortage continued. CV delivered better YoY as well as MoM performance. Tractor volume witnessed a sharp double-digit YoY decline. However, 3W segments delivered decent YoY growth albeit on a lower base.
- ☞ Overall wholesale volume was more or less in line with weaker retail volume for most segments except PVs.
- ☞ Channel check suggests that overall sales performance was weak across segments in Feb'22. We expect volume pressure to continue over the next 1-2 months and then volume to improve in FY23 with a healthy rabi crop, which may change the rural sentiment.

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Key Highlights:

1. Indian automobile companies reported a subdued sales performance. It witnessed mixed performance on YoY as well as MoM basis due to weak retail demand in Feb'22. Sector also got impacted by higher fuel prices, sharp increase in vehicle prices and lower business sentiment.
2. Retail volume was higher than the wholesale volume in PVs due to production constraints. In case of 2W, CV and 3W segments, no major change in inventory is observed.

Our View

Though a higher vaccination coverage and likely rural recovery is expected to support retail demand in FY23, we expect the industry to record a subdued volume over the next 1-2 months, as recovery of rural economy is impacted by an uneven monsoon, slow revival and higher inflation. Moreover, recent global geopolitical issues amid Russia-Ukraine war has negative impact on business environment, which creates negative demand sentiment for consumption. Though we believe an increasing vaccination coverage coupled with likely strong agri output in the rabi season would support auto sales in 1QFY23, the key monitorable is how the war situation pans out in the coming days. We expect only M&HCV and 3W segments to witness a double-digit volume growth in FY22E.

Nonetheless, long-term fundamentals continue to remain intact for automobile sector, in our view.

- ▶ **2W:** BAL's sales de-grew by 16% YoY (down 13% MoM) to 3,16,020 units, while HMCL's sales de-grew by 29% YoY and 6% MoM to 3,58,254 units. TVSL's sales de-grew by 5% YoY (up 6% MoM) to 2,81,714 units.
- ▶ **PV & CV:** M&M's auto volume grew by 89% YoY and 16% MoM to 54,455 units, while MSIL's volume de-grew marginally by 0.3% YoY (up 6% MoM) to 1,64,056 units. AL's volume grew by 7% YoY and 5% MoM to 14,657 units and TTMT reported sales of 77,733 units (up 27% YoY and up 2% MoM).
- ▶ **Tractor:** M&M's tractor volume de-grew by 27% YoY (down 10% MoM) to 20,437 units and Escorts' sales volume de-grew by 46% YoY (up 7% MoM) to 6,114 units.

Our Top Picks: Bajaj Auto and TVS Motor

Automobile Volume

Companies (Units)	Feb-22	Feb-21	YoY (%)	Jan-22	MoM (%)	YTD FY22	YTD FY21	YoY (%)
Bajaj Auto	3,16,020	3,75,017	(15.7)	3,63,443	(13.0)	40,11,245	36,03,466	11.3
Hero MotoCorp	3,58,254	5,05,467	(29.1)	3,80,476	(5.8)	44,93,996	52,14,581	(13.8)
TVS Motors	2,81,714	2,97,747	(5.4)	2,66,788	5.6	30,01,624	27,29,180	10.0
Maruti Suzuki	1,64,056	1,64,469	(0.3)	1,54,379	6.3	14,82,258	12,90,847	14.8
M&M Auto Volume	54,455	28,777	89.2	46,804	16.3	4,10,954	3,11,878	31.8
M&M Tractors	20,437	28,146	(27.4)	22,682	(9.9)	3,24,935	3,23,528	0.4
Tata Motor	77,733	61,258	26.9	76,210	2.0	6,39,630	4,14,611	54.3
Ashok Leyland	14,657	13,703	7.0	13,939	5.2	1,08,203	83,484	29.6
Eicher Motors (CV)	5,856	5,457	7.3	5,434	7.8	48,274	34,228	41.0
Escorts	6,114	11,230	(45.6)	5,707	7.1	84,154	94,404	(10.9)

Domestic Volume of Other 4W Companies

Hyundai	44,050	51,600	(14.6)	44,022	0.1	4,36,900	4,18,935	4.3
Toyota	8,745	14,075	(37.9)	7,328	19.3	1,06,638	78,133	36.5
Honda	7,187	9,324	(22.9)	10,427	(31.1)	79,020	74,971	5.4

Source: Company

Two-wheeler Segment

Bajaj Auto: Bajaj Auto (BJAUT.IN) sold 3,16,020 units in Feb'22 (down 16% YoY and down 13% MoM), impacted by subdued export sales, which was impacted by container availability. Its domestic sales de-grew by 32% YoY (down 25% MoM) to 1,12,747 units, as 2W sales de-grew by 35% YoY (down 29% MoM). However, domestic 3W sales grew by 2% YoY (up 15% MoM). Its exports de-grew by 3% YoY (down 5% MoM) to 2,03,273 units. Its 2W exports remained flat on YoY basis while 3W exports de-grew 23% YoY, respectively. Lower exports can be attributed to container availability, while demand remains strong across major geographies.

Exhibit 1: Bajaj Auto

Segment (Units)	Feb-22	Feb-21	YoY (%)	Jan-22	MoM (%)	YTD FY22	YTD FY21	YoY (%)
Motorcycles	2,79,337	3,32,563	(16.0)	3,23,430	(13.6)	35,80,532	32,75,760	9.3
Domestic	96,523	1,48,934	(35.2)	1,35,496	(28.8)	15,34,003	16,27,982	(5.8)
Exports	1,82,814	1,83,629	(0.4)	1,87,934	(2.7)	20,46,529	16,47,778	24.2
Three Wheelers	36,683	42,454	(13.6)	40,013	(8.3)	4,30,713	3,27,706	31.4
Domestic	16,224	15,877	2.2	14,160	14.6	1,41,052	92,134	53.1
Exports	20,459	26,577	(23.0)	25,853	(20.9)	2,89,661	2,35,572	23.0
Domestic Volume	1,12,747	1,64,811	(31.6)	1,49,656	(24.7)	16,75,055	17,20,116	(2.6)
Exports	2,03,273	2,10,206	(3.3)	2,13,787	(4.9)	23,36,190	18,83,350	24.0
Total Volume	3,16,020	3,75,017	(15.7)	3,63,443	(13.0)	40,11,245	36,03,466	11.3

Source: Company

Hero MotoCorp: Hero MotoCorp (HMCL.IN) sold 3,58,254 units in Feb'22 (down 29% YoY and down 6% MoM). Motorcycle volume declined by 27% YoY (down 5% MoM), while scooter sales declined by 53% YoY (down 13% MoM). Slowdown in entry-level bike segment and shifting preference for higher-end bikes impacted the sales of its overall bike portfolio. Higher fuel prices and sharp price increase impacted the 2W demand in the rural markets, the impact was more pronounced for HMCL, as it is a key rural player.

Exhibit 2: Hero Motorcorp

Segment (Units)	Feb-22	Feb-21	YoY (%)	Jan-22	MoM (%)	YTD FY22	YTD FY21	YoY (%)
Motorcycles	3,38,454	4,63,723	(27.0)	3,57,845	(5.4)	42,02,044	48,08,849	(12.6)
Scooters	19,800	41,744	(52.6)	22,631	(12.5)	2,91,952	4,05,732	(28.0)
Two Wheelers	3,58,254	5,05,467	(29.1)	3,80,476	(5.8)	44,93,996	52,14,581	(13.8)

Source: Company

TVS Motor: TVS Motor (TVSL.IN) sold 2,81,714 units in Feb'22 (down 5% YoY and up 6% MoM). Its 3W sales increased by 7% YoY (up 11% MoM) to 14,089 units, while 2W sales de-grew by 6% YoY (up 5% MoM) to 2,67,625 units. Its motorcycle volume grew by 5% YoY (up 5% MoM) to 1,43,523 units, while moped sales declined by 28% YoY (up 4% MoM) to 37,486 units. Two-wheeler exports grew by 6% YoY (up 9% MoM) to 94,427 units, while the company's total exports volume grew by 6% YoY (up 10% MoM) to 1,07,574 units in Feb'22.

Exhibit 3: TVS Motor

Segment (Units)	Feb-22	Feb-21	YoY (%)	Jan-22	MoM (%)	YTD FY22	YTD FY21	YoY (%)
Motorcycles	1,43,523	1,37,259	4.6	1,37,360	4.5	15,70,937	11,84,467	32.6
Scooters	86,616	95,525	(9.3)	80,580	7.5	8,27,831	8,56,433	(3.3)
Mopeds	37,486	51,797	(27.6)	36,199	3.6	4,46,016	5,79,930	(23.1)
Scooters/ Mopeds	1,24,102	1,47,322	(15.8)	1,16,779	6.3	12,73,847	14,36,363	(11.3)
Three Wheelers	14,089	13,166	7.0	12,649	11.4	1,56,840	1,08,350	44.8
Total Sales	2,81,714	2,97,747	(5.4)	2,66,788	5.6	30,01,624	27,29,180	10.0

Source: Company

Four-wheeler Segment

Maruti Suzuki: Maruti Suzuki's (MSIL.IN) volume decreased marginally by 0.3% YoY (up 6% MoM) to 1,64,056 units, lower sales performance was on account of production constraints amid semiconductors supply issue, despite healthy order book. In domestic PV segment, its sales decreased by 8% YoY (up 4% MoM) to 1,33,948 units. Its total exports grew by 109% YoY (up 34% MoM) to 24,021 units. While the UV volume de-grew by 6% YoY (down 5% MoM) to 25,360 units, van volume de-grew by 23% YoY (down 13% MoM) to 9,190 units. Mini segment (Alto and S-Presso) sales volume decreased by 18% YoY (up 6% MoM) to 19,691 units. Its volume in compact segment (WagonR, Swift, Celerio, Ignis, Baleno, D'zire and Tour S) decreased by 3% YoY (up 9% MoM) to 77,795 units, as this segment needs relatively higher chips. Though semiconductor shortage seems to be eased out to larger extent and 4QFY22 volumes would be much better, supply constraints still continued impacting production to the tune of 5-10%.

Exhibit 4: Maruti Suzuki

Segment (Units)	Feb-22	Feb-21	YoY (%)	Jan-22	MoM (%)	YTD FY22	YTD FY21	YoY (%)
Mini (Alto,S-presso)	19,691	23,959	(17.8)	18,634	5.7	1,96,271	2,01,506	(2.6)
Compact (Swift, Celerio, Ignis, Baleno, Dzire, Tour S)	77,795	80,517	(3.4)	71,472	8.8	6,22,567	6,37,446	(2.3)
Mid-Size (CIAZ)	1,912	1,510	26.6	1,666	14.8	14,035	12,224	14.8
Total A: Passenger Cars	99,398	1,05,986	(6.2)	91,772	8.3	8,32,873	8,51,176	(2.2)
B: Utility Vehicles (Gypsy, Ertiga, S-Cross, Vitara Brezza)	25,360	26,884	(5.7)	26,624	(4.7)	2,65,700	2,02,927	30.9
C: Vans (Omni, Eeco)	9,190	11,891	(22.7)	10,528	(12.7)	99,124	93,534	6.0
Domestic Passenger Vehicles	1,33,948	1,44,761	(7.5)	1,28,924	3.9	11,97,697	11,47,637	4.4
LCV (Super Carry)	3,659	2,722	34.4	3,537	3.4	30,015	26,241	14.4
Total Domestic Sales	1,37,607	1,47,483	(6.7)	1,32,461	3.9	12,27,712	11,73,878	4.6
Export	24,021	11,486	109.1	17,937	33.9	2,11,880	84,542	150.6
Sales to other OEM Compact	2,428	5,500	(55.9)	3,981	(39.0)	42,666	32,427	31.6
Total Sales	1,64,056	1,64,469	(0.3)	1,54,379	6.3	14,82,258	12,90,847	14.8

Source: Company

Mahindra & Mahindra (M&M): M&M's (MM.IN) combined volume (Auto + Tractor) came in at 74,892 units (up 32% YoY and up 8% MoM). Its auto volume (domestic + exports) grew by 89% YoY (up 16% MoM) to 54,455 units. It sold 51,641 units in domestic markets (up 92% YoY and up 18% MoM), while exports grew by 54% YoY (down 2% MoM) to 2,814 units. Its key volume contributor i.e. PV segment – comprising of UV, MPV and PCs –grew 80% YoY (up 39% MoM). Its LCV sales grew by 126% YoY (down 5% MoM) to 19,479 units, while tractor sales de-grew by 27% YoY (down 10% MoM) to 20,437 units. Domestic tractor volume stood at 18,910 units (down 30% YoY and down 11% MoM), while export volume grew by 57% YoY (up 1% MoM) to 1,527 units.

Exhibit 5: M&M Auto

Segment (Units)	Feb-22	Feb-21	YoY (%)	Jan-22	MoM (%)	YTD FY22	YTD FY21	YoY (%)
PCs	112	11	918.2	116	(3.4)	1,990	1,629	22.2
Passenger UVs	27,551	15,380	79.1	19,848	38.8	1,96,302	1,38,887	41.3
LCV < 2T - 3.5T	19,479	8,621	125.9	20,513	(5.0)	1,51,674	1,35,565	11.9
LCV > 3.5T + M&HCV	687	581	18.2	598	14.9	5,606	3,478	61.2
Three Wheelers	3,812	2,357	61.7	2,868	32.9	26,036	16,064	62.1
Total Domestic Sales	51,641	26,950	91.6	43,943	17.5	3,81,608	2,95,623	29.1
Export	2,814	1,827	54.0	2,861	(1.6)	29,346	16,255	80.5
Total Sales	54,455	28,777	89.2	46,804	16.3	4,10,954	3,11,878	31.8

Source: Company

Exhibit 6: M&M Tractors

Segment (Units)	Feb-22	Feb-21	YoY (%)	Jan-22	MoM (%)	YTD FY22	YTD FY21	YoY (%)
Domestic	18,910	27,170	(30.4)	21,162	(10.6)	3,08,940	3,14,016	(1.6)
Exports	1,527	976	56.5	1,520	0.5	15,995	9,512	68.2
Total	20,437	28,146	(27.4)	22,682	(9.9)	3,24,935	3,23,528	0.4

Source: Company

Tata Motors: Tata Motors (TTMT.IN) sold total 77,733 units (up 27% YoY and up 2% MoM) in Feb'22. Its domestic CV volume stood at 33,894 units (up 9% YoY and up 7% MoM). Its domestic PV volume stood at 39,981 units (up 47% YoY and down 2% MoM) on the back of success of new launches and improved brand equity. Its recently launched Punch has received strong customer response in addition to success of Nexon. Its total domestic volume grew by 27% YoY (up 2% MoM) to 73,875 units in Feb'22.

Exhibit 7: Tata Motors

Segment (Units)	Feb-22	Feb-21	YoY (%)	Jan-22	MoM (%)	YTD FY22	YTD FY21	YoY (%)
PV	39,981	27,225	46.9	40,777	(2.0)	3,28,079	1,92,371	70.5
CV	33,894	31,141	8.8	31,708	6.9	2,77,757	2,05,229	35.3
Domestic Sales	73,875	58,366	26.6	72,485	1.9	6,05,836	3,97,600	52.4
Export Sales	3,858	2,892	33.4	3,725	3.6	33,794	17,011	98.7
Total	77,733	61,258	26.9	76,210	2.0	6,39,630	4,14,611	54.3

Source: Company

Ashok Leyland: Ashok Leyland (AL.IN) sold 14,657 units in Feb'22 (up 7% YoY and up 5% MoM). Its LCV sales stood at 5,001 units (down 12% YoY and down 3% MoM), while M&HCV volume grew by 16% YoY (up 10% MoM) to 8,280 units, mainly due to 17% YoY (up 10% MoM) growth in Truck segment, while Bus volume grew by 12% YoY (down 1% MoM), respectively. Despite the near-term hiccups, we believe the CV industry is heading towards the next up-cycle. Pick-up in construction activities and infra projects have started helping the CV segment gradually. Moreover, bus segment has started witnessing recovery and it would see further improvement with likely commencement of schools and colleges in 2022. We expect the M&HCV industry to witness 20%+ YoY growth in FY22E.

Exhibit 8: Ashok Leyland

Segment (Units)	Feb-22	Feb-21	YoY (%)	Jan-22	MoM (%)	YTD FY22	YTD FY21	YoY (%)
M&HCV Trucks	7,861	6,740	16.6	7,136	10.2	49,140	34,472	42.6
M&HCV Buses	419	374	12.0	425	(1.4)	3,216	1,670	92.6
Total M&HCV	8,280	7,114	16.4	7,561	9.5	52,356	36,142	44.9
LCV	5,001	5,662	(11.7)	5,148	(2.9)	46,400	40,811	13.7
Total Domestic CV	13,281	12,776	4.0	12,709	4.5	98,756	76,953	28.3
Total Exports	1,376	927	48.4	1,230	11.9	9,447	6,531	44.6
Total Sales	14,657	13,703	7.0	13,939	5.2	1,08,203	83,484	29.6

Source: Company

Eicher Motor: Eicher (EIM.IN) sold 5,856 units in Feb'22 (up 7% YoY and up 8% MoM). While the company sold 5,093 trucks and buses (up 6% YoY and up 13% MoM) in the domestic markets, it exported 652 vehicles (up 28% YoY and down 19% MoM) during the month. Volvo truck volume decreased by 9% YoY (up 2% MoM) to 111 units.

Exhibit 9: Eicher Motors

Segment (Units)	Feb-22	Feb-21	YoY (%)	Jan-22	MoM (%)	YTD FY22	YTD FY21	YoY (%)
Domestic sales	5,093	4,825	5.6	4,523	12.6	39,469	29,109	35.6
Exports	652	510	27.8	802	(18.7)	7,774	4,209	84.7
Total of Truck & Buses	5,745	5,335	7.7	5,325	7.9	47,243	33,318	41.8
Volvo Trucks	111	122	(9.0)	109	1.8	1,031	910	13.3
Total Volume	5,856	5,457	7.3	5,434	7.8	48,274	34,228	41.0

Source: Company

Royal Enfield (RE): RE sold 59,160 units in Feb'22 (down 15% YoY and up 1% MoM), primarily due to supply constraints despite healthy demand. While it sold 52,135 units (down 20% YoY and up 5% MoM) in the domestic markets, it exported 7,025 units (up 55% YoY and down 23% MoM) in Feb'22.

Exhibit 10: Royal Enfield

Segment (Units)	Feb-22	Feb-21	YoY (%)	Jan-22	MoM (%)	YTD FY22	YTD FY21	YoY (%)
Up to 350CC	49,484	64,362	(23.1)	49,586	(0.2)	4,50,569	4,99,683	(9.8)
> 350 CC	9,676	5,297	82.7	9,252	4.6	84,022	46,609	80.3
Domestic	52,135	65,114	(19.9)	49,726	4.8	4,62,759	5,13,555	(9.9)
Exports	7,025	4,545	54.6	9,112	(22.9)	71,832	32,737	119.4
Total Volume	59,160	69,659	(15.1)	58,838	0.5	5,34,591	5,46,292	(2.1)

Source: Company

Tractor Segment

Escorts: Escorts (ESC.IN) sold 6,114 units (down 46% YoY and up 7% MoM). Its domestic volume de-grew by 47% YoY (up 11% MoM) to 5,686 units due to adverse geographical-mix and weak demand, while exports de-grew by 21% YoY (down 29% MoM) to 428 units.

Exhibit 11: Escorts

Segment (Units)	Feb-22	Feb-21	YoY (%)	Jan-22	MoM (%)	YTD FY22	YTD FY21	YoY (%)
Domestic	5,686	10,690	(46.8)	5,103	11.4	77,560	90,118	(13.9)
Exports	428	540	(20.7)	604	(29.1)	6,594	4,286	53.8
Total Tractors	6,114	11,230	(45.6)	5,707	7.1	84,154	94,404	(10.9)

Source: Company

Other Auto Companies

Exhibit 12: Other 4W Companies

Companies (Units)	Feb-22	Feb-21	YoY (%)	Jan-22	MoM (%)	YTD FY22	YTD FY21	YoY (%)
Hyundai	44,050	51,600	(14.6)	44,022	0.1	4,36,900	4,18,935	4.3
Toyota	8,745	14,075	(37.9)	7,328	19.3	1,06,638	78,133	36.5
Honda	7,187	9,324	(22.9)	10,427	(31.1)	79,020	74,971	5.4

Source: Company

Change in Ratings

We have changed our rating system and included **HOLD** recommendation. We have **BUY, HOLD** and **SELL** recommendation now.

We have also shifted to **1-Year Target Price** from **2-Year Target Price**.

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