

# Automobiles

Refer to important disclosures at the end of this report

## Apr'21 preview: Lockdown dampener to Auto sales

- Apr'21 demand is likely to be impacted by Covid-19-related restrictions/lockdowns across several states. On a sequential basis, we expect volumes to be lower across segments. As volume numbers are not comparable yoy due to the complete lockdown last year, we have weighed them against Apr'19 numbers – Tractors and PVs are likely to be higher, while 2Ws and CVs are expected to see a double-digit decline.
- PV industry volumes should improve compared to Apr'19 levels. Although retails are affected, healthy order book and inventory build-up with dealers have been supporting wholesales. Two-year CAGR for domestic volumes is expected at 43% for TTMT and 4% for MSIL, while MM could see a 13% decline.
- Tractor industry volumes should also improve from Apr'19 levels. Despite pressure on retails, channel filling would support wholesales. Two-year CAGR for domestic volumes is expected at 27% for ESC, while it is negative for MM at -11% due to a high base.
- CV industry volumes are likely to be under pressure, owing to lower freight availability. Our checks indicate that transporters are holding back orders till there is clarity on easing of lockdowns. Two-year CAGR for domestic volumes is expected to decline at -10% for EIM-VECV, -14% for TTMT, -15% for AL and -15% for MM.
- 2W industry volumes are expected to be weak, as lockdowns resulted in loss of student demand and subdued festive season. Premium segment demand remains better than that of the entry level segment. Two-year CAGR for domestic volumes is expected at -11% for HMCL, -13% for EIM-RE, -15% for BJAUT and -17% for TVSL.
- **Near-term demand may remain subdued due to pandemic-related restrictions. However, we expect a recovery from Q2FY22 onward. Our positive view on the Automobile sector is underpinned by expectations of a strong cyclical upturn, which is expected to last at least three years. Our top picks among OEMs are TTMT (TP: Rs375), AL (TP: Rs155), MSIL (TP: Rs8,500) and EIM (TP: Rs3,300). In Ancillaries, we like BHFC (TP: Rs760) and APTY (TP: Rs306). Key downside risks to our calls and estimates: Delay in economic recovery, rising competitive intensity and adverse movement in currency/commodity prices.**

Please see our sector model portfolio (Emkay Alpha Portfolio): [Automobiles & Auto Ancillaries \(Page 3\)](#)

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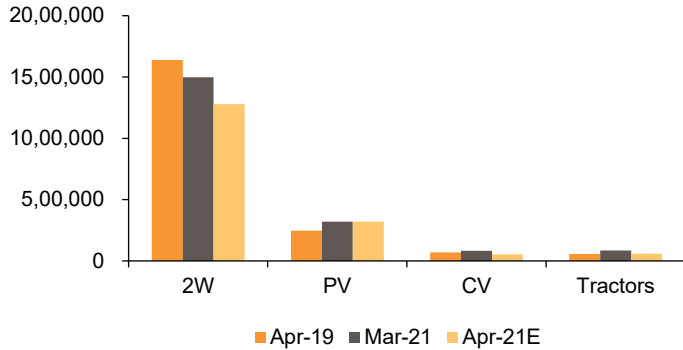
### Company-wise volume snapshot

Companies	Apr-21E	Apr20	Apr19	CAGR % (Apr19-21)	Mar21	MoM (%)
Maruti Suzuki (MSIL)	155,000	632	143,245	(1)	167,014	(7)
M&M Auto (MM)	32,000	733	43,721	(29)	40,403	(21)
M&M Farm	23,000	4,772	28,552	8	30,970	(26)
Tata Motors Domestic CV (TTMT)	22,000	0	29,883	(34)	36,955	(40)
Tata Motors Domestic PV	26,000	0	12,694	21	29,654	(12)
Ashok Leyland MHCV (AL)	4,500	0	8,918	(46)	9,901	(55)
Ashok Leyland Total	10,600	0	13,626	(30)	17,231	(38)
Eicher Motors CV (EIM-VECV)	3,600	85	3,961	(36)	7,037	(49)
Bajaj Auto (BJAUT)	375,000	37,878	423,315	(2)	369,448	2
Hero MotoCorp (HMCL)	470,000	0	574,366	(10)	576,957	(19)
Royal Enfield (EIM-RE)	50,000	91	62,879	(9)	66,058	(24)
TVS Motors (TVSL)	285,000	9,640	318,937	(6)	322,683	(12)
Escorts (ESC)	8,550	705	5,264	(15)	12,337	(31)
Atul Auto (ATA)	1,100	23	3,346	(51)	1,751	(37)

Source: Company, Emkay Research

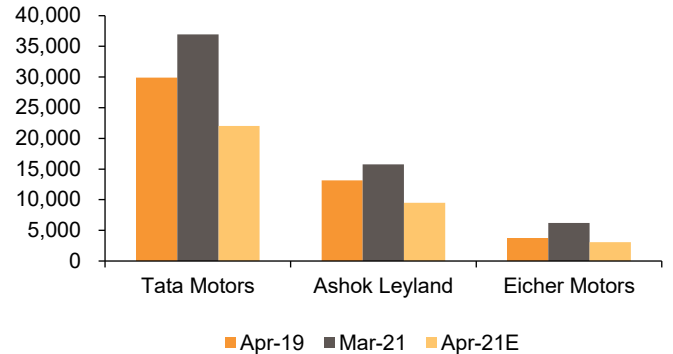
## Story in Charts - Comparing performance with Apr'19 (2-year CAGR)

**Exhibit 1: In comparison to Apr'19, Tractors and PVs are likely to be higher, while 2Ws and CVs are expected to see a decline**



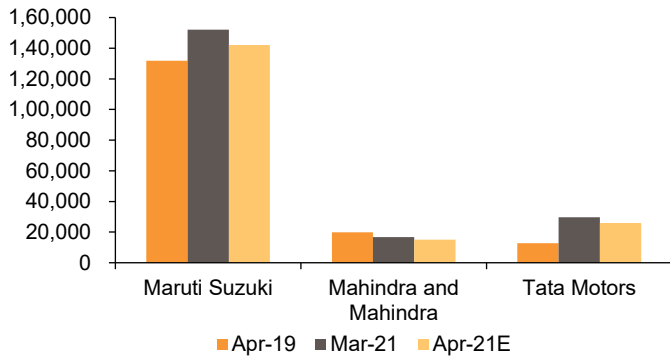
Source: Company, Emkay Research

**Exhibit 2: Domestic CV industry volumes are likely to be under pressure owing to lower freight availability**



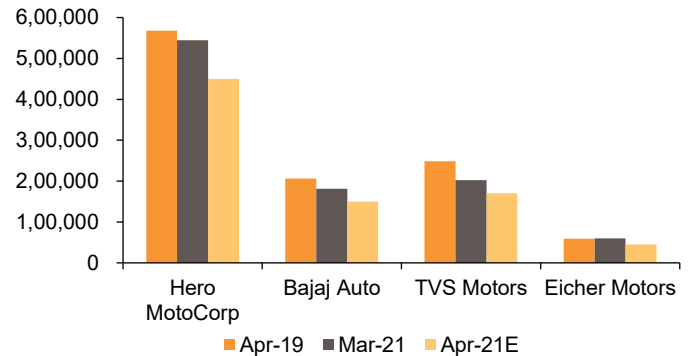
Source: Company, Emkay Research

**Exhibit 3: PVs: Expect higher volumes due to healthy order-book and channel filling**



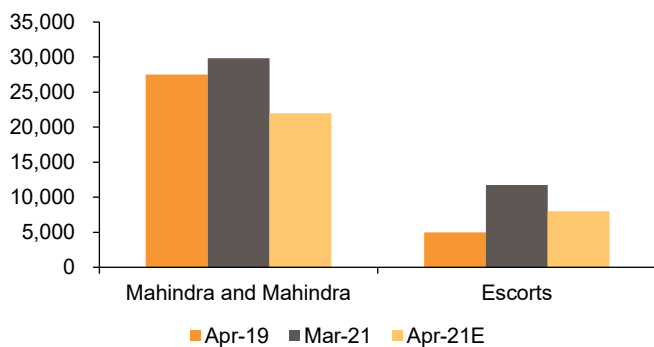
Source: Company, Emkay Research

**Exhibit 4: 2Ws: Expect lower volumes as lockdowns resulted in loss of student demand and subdued festive season**



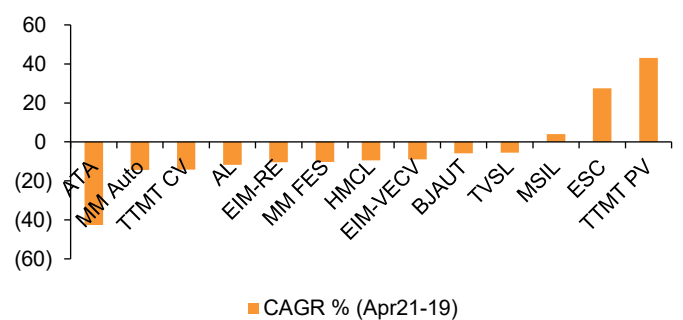
Source: Company, Emkay Research

**Exhibit 5: Mixed numbers in Tractors: MM to see a fall on high base, while ESC to witness growth**



Source: Company, Emkay Research

**Exhibit 6: OEMs: Most OEMs to register a decline in volumes**



Source: Company, Emkay Research

## Emkay Alpha Portfolio – Automobiles & Auto Ancillaries



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#### Sector

Automobiles and Ancillaries

#### Analyst bio

Raghu holds an MBA and comes with total 11 years of research experience. His team currently covers 14 stocks in the Indian Automobiles and Ancillaries space.

### EAP sector portfolio

Company Name	BSE200 Weight	EAP Weight	OW/UW (%)	OW/UW (bps)	EAP Weight (Normalised)
<b>Auto &amp; Auto Ancillaries</b>	<b>5.16</b>	<b>5.16</b>	<b>0%</b>	<b>0</b>	<b>100.00</b>
Amara Raja Batteries	0.08	0.00	-100%	-8	0.00
Apollo Tyres	0.00	0.00	NA	0	0.00
Ashok Leyland	0.20	0.29	45%	9	5.53
Atul Auto	0.00	0.00	NA	0	0.00
Bajaj Auto	0.59	0.59	0%	0	11.48
Bharat Forge	0.18	0.18	0%	0	3.50
Eicher Motors	0.40	0.40	0%	0	7.80
Escorts	0.00	0.00	NA	0	0.00
Exide Industries	0.10	0.00	-100%	-10	0.00
Hero Motocorp	0.45	0.45	0%	0	8.79
Mahindra & Mahindra	0.90	0.90	0%	0	17.36
Maruti Suzuki India	1.05	1.05	0%	0	20.31
Motherson Sumi	0.31	0.31	0%	0	6.03
Tata Motors	0.69	0.74	7%	5	14.24
Tata Motors DVR*	0.08	0.12	60%	5	2.35
TVS Motor	0.14	0.14	0%	0	2.63
<b>Cash</b>	<b>0.00</b>	<b>0.00</b>	<b>NA</b>	<b>0</b>	<b>0.00</b>

Source: Emkay Research

■ High Conviction/Strong Over Weight ■ High Conviction/Strong Under Weight

### Sector portfolio NAV

	Base					Latest
	01-Apr-19	28-Apr-20	27-Oct-20	25-Jan-21	26-Mar-21	27-Apr-21
EAP - Auto & Auto Ancillaries	100.0	61.1	91.6	123.2	116.4	115.9
BSE200 Neutral Weighted Portfolio (ETF)	100.0	63.0	93.8	123.9	117.0	116.2

\*Performance measurement base date 1<sup>st</sup> April 2019

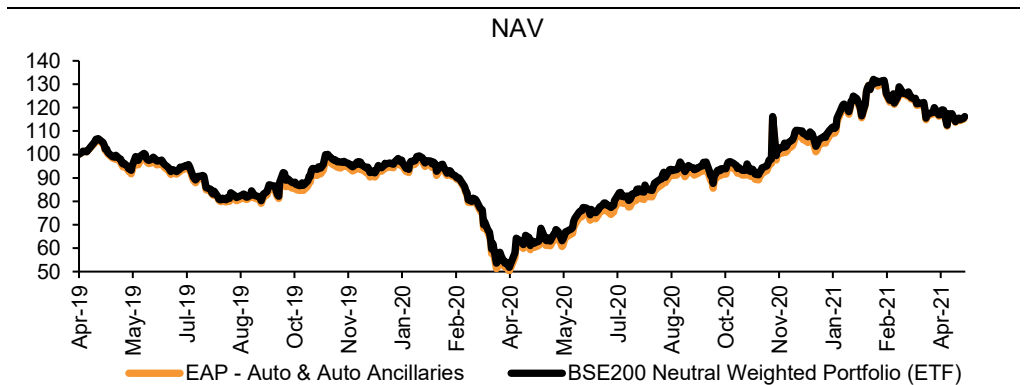
Source: Emkay Research

### Price Performance (%)

	1m	3m	6m	12m
EAP - Auto & Auto Ancillaries	-0.4%	-5.9%	26.5%	89.8%
BSE200 Neutral Weighted Portfolio (ETF)	-0.7%	-6.2%	23.9%	84.6%

Source: Emkay Research

### NAV chart



Source: Emkay Research

Please see our model portfolio (Emkay Alpha Portfolio): [Nifty](#)

Please see our model portfolio (Emkay Alpha Portfolio): [SMID](#)

“Emkay Alpha Portfolio – SMID and Nifty are a supporting document to the Emkay Alpha Portfolios Report and is updated on regular intervals”

**Exhibit 7: Segment-wise volume expectations**

Company	Apr-21E	Apr20	Apr19	CAGR % (Apr19-21)	Mar21	MoM (%)
<b>2Ws (Domestic)</b>						
Hero MotoCorp	450,000	0	567,932	(11.0)	544,340	(17.3)
Bajaj Auto	150,000	0	205,875	(14.6)	181,393	(17.3)
TVS Motor	170,000	0	248,456	(17.3)	202,155	(15.9)
Royal Enfield	45,000	0	59,137	(12.8)	60,173	(25.2)
<b>PVs (Domestic)</b>						
Maruti Suzuki	142,000	0	131,749	3.8	152,102	(6.6)
Mahindra & Mahindra	15,050	0	19,966	(13.2)	16,700	(9.9)
Tata Motors	26,000	0	12,694	43.1	29,654	(12.3)
<b>CVs (Domestic)</b>						
Tata Motors	22,000	0	29,883	(14.2)	36,955	(40.5)
Ashok Leyland	9,500	0	13,141	(15.0)	15,761	(39.7)
VECV	3,000	0	3,663	(9.5)	6,054	(50.4)
Mahindra & Mahindra	12,500	0	17,321	(15.0)	17,116	(27.0)
<b>Tractors (Domestic)</b>						
Mahindra & Mahindra	22,000	4,716	27,495	(10.5)	29,817	(26.2)
Escorts	8,000	613	4,986	26.7	11,730	(31.8)

Source: Company, Emkay Research

**Company-wise expectations****Exhibit 8: Maruti Suzuki**

Volume (units)	Apr-21E	Apr20	Apr19	CAGR % (Apr19-21)	Mar21	MoM (%)
Domestic Cars	102,000	0	97,701	2.2	108,482	(6.0)
Domestic UVs	25,000	0	22,035	6.5	26,174	(4.5)
Domestic Vans	10,000	0	11,649	(7.3)	11,547	(13.4)
Sales to other OEM	5,000	0	364	270.6	5,899	(15.2)
<b>Domestic PVs</b>	<b>142,000</b>	<b>0</b>	<b>131,749</b>	<b>3.8</b>	<b>152,102</b>	<b>(6.6)</b>
Domestic LCVs	2,500	0	2,319	3.8	3,315	(24.6)
Exports	10,500	632	9,177	7.0	11,597	(9.5)
<b>Total</b>	<b>155,000</b>	<b>632</b>	<b>143,245</b>	<b>4.0</b>	<b>167,014</b>	<b>(7.2)</b>

Source: Company, Emkay Research

**Exhibit 9: Mahindra & Mahindra**

Volume (units)	Apr-21E	Apr20	Apr19	CAGR % (Apr19-21)	Mar21	MoM (%)
Domestic PVs	15,050	0	19,966	(13.2)	16,700	(9.9)
Domestic CVs	12,500	0	17,321	(15.0)	17,116	(27.0)
Domestic 3Ws	2,800	0	4,316	(19.5)	4,461	(37.2)
Exports Auto	1,650	733	2,118	(11.7)	2,126	(22.4)
<b>Total Auto</b>	<b>32,000</b>	<b>733</b>	<b>43,721</b>	<b>(14.4)</b>	<b>40,403</b>	<b>(20.8)</b>
Domestic Tractors	22,000	4,716	27,495	(10.5)	29,817	(26.2)
Exports Tractors	1,000	56	1,057	(2.7)	1,153	(13.3)
<b>Total Tractors</b>	<b>23,000</b>	<b>4,772</b>	<b>28,552</b>	<b>(10.2)</b>	<b>30,970</b>	<b>(25.7)</b>
<b>Total</b>	<b>55,000</b>	<b>5,505</b>	<b>72,273</b>	<b>(12.8)</b>	<b>71,373</b>	<b>(22.9)</b>

Source: Company, Emkay Research

**Exhibit 10: Tata Motors**

Volume (units)	Apr-21E	Apr20	Apr19	CAGR % (Apr19-21)	Mar21	MoM (%)
Domestic CVs	22,000	0	29,883	(14.2)	36,955	(40.5)
Domestic PVs	26,000	0	12,694	43.1	29,654	(12.3)
Exports	2,000	0	1,402	19.4	3,787	(47.2)
<b>Total</b>	<b>50,000</b>	<b>0</b>	<b>43,979</b>	<b>6.6</b>	<b>70,396</b>	<b>(29.0)</b>

Source: Company, Emkay Research

**Exhibit 11: Ashok Leyland**

Volume (units)	Apr-21E	Apr20	Apr19	CAGR % (Apr19-21)	Mar21	MoM (%)
Domestic MHCVs	4,500	0	8,918	(29.0)	9,901	(54.6)
Domestic LCVs	5,000	0	4,223	8.8	5,860	(14.7)
Exports	1,100	0	485	50.6	1,470	(25.2)
<b>Total CVs</b>	<b>10,600</b>	<b>0</b>	<b>13,626</b>	<b>(11.8)</b>	<b>17,231</b>	<b>(38.5)</b>

Source: Company, Emkay Research

**Exhibit 12: Eicher Motors**

Volume (units)	Apr-21E	Apr20	Apr19	CAGR % (Apr19-21)	Mar21	MoM (%)
Domestic 2Ws	45,000	0	59,137	(12.8)	60,173	(25.2)
Exports 2Ws	5,000	91	3,742	15.6	5,885	(15.0)
<b>Total 2Ws</b>	<b>50,000</b>	<b>91</b>	<b>62,879</b>	<b>(10.8)</b>	<b>66,058</b>	<b>(24.3)</b>
Domestic CVs	3,000	0	3,663	(9.5)	6,054	(50.4)
Volvo (Traded)	100	0	79	12.5	167	(40.1)
Exports CVs	500	85	219	51.1	816	(38.7)
<b>Total CVs</b>	<b>3,600</b>	<b>85</b>	<b>3,961</b>	<b>(4.7)</b>	<b>7,037</b>	<b>(48.8)</b>

Source: Company, Emkay Research

**Exhibit 13: Bajaj Auto**

Volume (units)	Apr-21E	Apr20	Apr19	CAGR % (Apr19-21)	Mar21	MoM (%)
Domestic 2Ws	150,000	0	205,875	(14.6)	181,393	(17.3)
Exports 2Ws	185,000	32,009	160,393	7.4	148,740	24.4
<b>Total 2Ws</b>	<b>335,000</b>	<b>32,009</b>	<b>366,268</b>	<b>(4.4)</b>	<b>330,133</b>	<b>1.5</b>
Domestic 3Ws	12,000	0	26,229	(32.4)	17,158	(30.1)
Exports 3Ws	28,000	5,869	30,818	(4.7)	22,157	26.4
<b>Total 3Ws</b>	<b>40,000</b>	<b>5,869</b>	<b>57,047</b>	<b>(16.3)</b>	<b>39,315</b>	<b>1.7</b>
<b>Total</b>	<b>375,000</b>	<b>37,878</b>	<b>423,315</b>	<b>(5.9)</b>	<b>369,448</b>	<b>1.5</b>

Source: Company, Emkay Research

**Exhibit 14: Hero MotoCorp**

Volume (units)	Apr-21E	Apr20	Apr19	CAGR % (Apr19-21)	Mar21	MoM (%)
Domestic	450,000	0	567,932	(11.0)	544,340	(17.3)
Exports	20,000	-	6,434	76.3	32,617	(38.7)
<b>Total 2Ws</b>	<b>470,000</b>	<b>0</b>	<b>574,366</b>	<b>(9.5)</b>	<b>576,957</b>	<b>(18.5)</b>
Scooters	40,000	0	34,461	7.7	52,349	(23.6)
Motorcycles	430,000	0	539,905	(10.8)	524,608	(18.0)

Source: Company, Emkay Research

**Exhibit 15: TVS Motor**

Volume (units)	Apr-21E	Apr20	Apr19	CAGR % (Apr19-21)	Mar21	MoM (%)
Domestic 2Ws	170,000	0	248,456	(17.3)	202,155	(15.9)
Export 2Ws	101,200	8,134	57,427	32.7	105,282	(3.9)
<b>Total 2Ws</b>	<b>271,200</b>	<b>8,134</b>	<b>305,883</b>	<b>(5.8)</b>	<b>307,437</b>	<b>(11.8)</b>
Domestic 3Ws	800	0	916	(6.5)	1,106	(27.7)
Export 3Ws	13,000	1,506	12,138	3.5	14,140	(8.1)
<b>Total 3Ws</b>	<b>13,800</b>	<b>1,506</b>	<b>13,054</b>	<b>2.8</b>	<b>15,246</b>	<b>(9.5)</b>
<b>Total</b>	<b>285,000</b>	<b>9,640</b>	<b>318,937</b>	<b>(5.5)</b>	<b>322,683</b>	<b>(11.7)</b>

Source: Company, Emkay Research

**Exhibit 16: Escorts**

Volume (units)	Apr-21E	Apr20	Apr19	CAGR % (Apr19-21)	Mar21	MoM (%)
Domestic Tractors	8,000	613	4,986	26.7	11,730	(31.8)
Exports Tractors	550	92	278	40.7	607	(9.4)
<b>Total Tractors</b>	<b>8,550</b>	<b>705</b>	<b>5,264</b>	<b>27.4</b>	<b>12,337</b>	<b>(30.7)</b>

Source: Company, Emkay Research

**Exhibit 17: Atul Auto**

Volume (units)	Apr-21E	Apr20	Apr19	CAGR % (Apr19-21)	Mar21	MoM (%)
Total 3Ws	1,100	23	3,346	(42.7)	1,751	(37.2)

Source: Company, Emkay Research

## Exhibit 18: Discounts have reduced for most models

Company	Models	Apr-19			Mar-21			Apr-21			CAGR % (Apr'19-21)	chg m-m (%)	% of base price (ex-Delhi)
		Cash or other incentives	Exchange	Total cash discount <sup>†</sup>	Cash or other incentives	Exchange	Total cash discount <sup>†</sup>	Cash or other incentives	Exchange	Total cash discount <sup>†</sup>			
Maruti	Alto 800	20,000	20,000	28,000	20,000	15,000	26,000	17,000	15,000	23,000	(9)	(12)	8
Maruti	S-Presso				20,000	20,000	28,000	14,000	15,000	20,000		(29)	5
Maruti	WagonR		15,000	6,000	15,000	15,000	21,000	8,000	15,000	14,000	53	(33)	3
Maruti	Celerio Petrol	20,000	20,000	28,000	20,000	20,000	28,000	15,000	15,000	21,000	(13)	(25)	5
Maruti	Celerio AMT	25,000	20,000	33,000	20,000	20,000	28,000	15,000	15,000	21,000	(20)	(25)	4
Maruti	Ignis	15,000	15,000	21,000	20,000	15,000	26,000	25,000	15,000	31,000	21	19	6
Maruti	Swift Petrol	20,000	20,000	28,000	10,000	20,000	18,000	30,000	20,000	38,000	16	111	7
Maruti	Dzire Petrol	20,000	20,000	28,000	8,000	20,000	16,000	8,000	20,000	16,000	(24)	0	3
Maruti	Baleno				20,000	10,000	24,000	20,000	10,000	24,000		0	4
Maruti	Ertiga Petrol												
Maruti	XL6					10,000	4,000					(100)	
Maruti	Ciaz Petrol	15,000	25,000	25,000	10,000	20,000	18,000	10,000	15,000	16,000	(20)	(11)	2
Maruti	Vitara Brezza	15,000	15,000	21,000	10,000	20,000	18,000	10,000	20,000	18,000	(7)	0	2
Maruti	Scross	20,000	25,000	30,000	18,500	20,000	26,500	18,500	15,000	24,500	(10)	(8)	3
Mahindra	XUV300				12,500	25,000	22,500	7,500	25,000	17,500		(22)	2
Mahindra	Marazzo		15,000	6,000	20,000	15,000	26,000	20,000	15,000	26,000	108	0	3
Mahindra	Scorpio	25,000	25,000	35,000	12,042	15,000	18,042	7,500	15,000	13,500	(38)	(25)	1
Mahindra	XUV500	25,000	25,000	35,000	44,300	20,000	52,300	44,300	20,000	52,300	22	0	4
Tata	Tiago	15,000	10,000	19,000	15,000	10,000	19,000	15,000	10,000	19,000	0	0	4
Tata	Tigor	25,000	25,000	35,000	15,000	15,000	21,000	15,000	15,000	21,000	(23)	0	4
Tata	Harrier				25,000	40,000	41,000	25,000	40,000	41,000		0	3
Tata	Nexon	15,000	20,000	23,000		15,000	6,000				(100)	(100)	

Source: Dealer interactions. \*Note: exchange discount converted to cash discount at 40% of amount; Discounts pertain to Delhi

## Exhibit 19: Peer comparison

	CMP (Rs)	Target (Rs)	Mcap (Rs.bn)	Reco	EPS (Rs)			PE (x)			ROE (%)			ROCE (%)		
					FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E
Ashok Leyland	117	155	343	Buy	-0.9	3.8	6.7	-128.1	30.9	17.4	-3.8	15.3	24.1	-0.6	15.7	24.6
Atul Auto	175	275	4	Buy	0.0	16.3	27.5	7112.0	10.7	6.4	0.0	11.3	16.9	0.4	14.1	20.8
Bajaj Auto	3,890	4,370	1126	Buy	158.2	203.5	240.4	24.6	19.1	16.2	22.0	25.7	27.3	28.1	33.0	35.2
Eicher Motors	2,520	3,300	689	Buy	54.9	107.6	135.5	45.9	23.4	18.6	14.2	23.8	24.5	17.9	28.5	28.6
Escorts Ltd	1,147	1,500	155	Buy	77.6	88.5	94.9	14.8	13.0	12.1	18.1	15.9	14.9	24.0	21.2	19.8
Hero Motocorp	2,926	4,000	585	Buy	143.4	190.2	213.8	20.4	15.4	13.7	19.7	24.0	24.2	25.3	30.8	31.1
Mahindra & Mahindra	782	1,020	972	Buy	34.1	45.8	50.7	23.0	17.1	15.4	12.2	15.3	15.1	14.9	18.6	18.5
Maruti Suzuki India	6,574	8,500	1986	Buy	140.1	262.5	334.2	46.9	25.0	19.7	8.5	14.7	17.0	10.4	18.8	21.8
Tata Motors	306	375	1083	Buy	-8.9	23.6	39.8	-34.3	13.0	7.7	-5.9	16.4	23.5	4.9	10.5	14.6
TVS Motor	646	730	307	Buy	12.9	21.3	28.4	50.1	30.4	22.8	15.7	22.3	25.2	17.1	25.0	29.1
Amara Raja Batteries	813	860	139	Hold	36.9	47.4	57.4	22.1	17.1	14.2	16.2	18.5	19.6	21.5	24.4	25.9
Apollo Tyres	213	306	135	Buy	13.6	14.9	19.1	15.6	14.3	11.1	8.1	8.0	9.6	8.1	9.0	10.7
Exide Industries	177	204	150	Hold	8.2	10.3	12.0	21.7	17.2	14.8	10.6	12.4	13.4	14.3	16.7	17.9
Motherson Sumi	222	240	700	Buy	3.4	9.9	12.0	65.8	22.5	18.4	9.3	24.4	25.0	6.3	15.4	17.9
Bharat Forge	592	760	276	Buy	6.6	18.3	27.5	89.7	32.4	21.6	5.7	14.6	19.4	5.5	13.7	18.7

Source: Company, Emkay Research

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Ratings	Expected Return within the next 12-18 months.
BUY	Over 15%
HOLD	Between -5% to 15%
SELL	Below -5%

Completed Date: 29 Apr 2021 08:19:58 (SGT)

Dissemination Date: 29 Apr 2021 08:20:58 (SGT)

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