

Automobiles

Refer to important disclosures at the end of this report

May'21 preview: Temporary sales hit expected due to lockdowns

- **May'21 volumes are likely to be hit by the second Covid-19 wave and lockdowns across states. As volumes are not comparable yoy due to the low base last year, we have weighed them against May'19 numbers – double-digit decline is expected across segments. Tractors/PVs should see a lower decline in comparison with 2Ws/CVs. Nonetheless, we expect a swift recovery in volumes from Q2FY22 due to easing of lockdowns and pent-up demand. 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: Rs410), AL (TP: Rs155), MSIL (TP: Rs8,500) and EIM (TP: Rs3,180). In Ancillaries, we like BHFC (TP: Rs760) and APTY (TP: Rs290).**
- States with complete lockdowns represent 50-60% of volumes across segments. In addition, there are partial lockdowns in the remaining states.
- Agricultural field activities have not witnessed any obstruction/ problems due to the second wave. However, despite being considered as an essential category, Tractor volumes should be subdued on account of the severe impact of the pandemic in rural areas. Two-year CAGR for domestic volume is likely to be -21% for ESC and -23% for MM.
- PV industry volumes are expected to be in the slow lane, despite healthy order-book across most OEMs. Two-year CAGR for domestic volume is estimated to be -4% for TTMT, -31% for MM and -49% for MSIL.
- 2W industry volumes should be weak. Two-year CAGR for domestic volume is expected to be -43% for EIM-RE, -51% for BJAUT, -54% for TVSL and -58% for HMCL.
- CV industry volumes should be under pressure due to lower freight availability, resulting in the postponement of purchase orders by transporters. Two-year CAGR for domestic volumes is likely to be -55% for MM, -59% for AL, -60% for EIM-VECV and -61% for TTMT.

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

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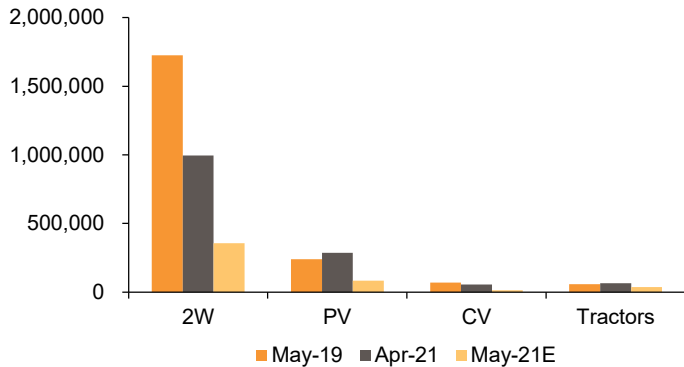
Company-wise volume snapshot

Companies	May-21E	May-20	May-19	CAGR % (May19-21)	Apr-21	MoM (%)
Maruti Suzuki (MSIL)	45,000	18,539	134,641	(42)	159,691	(72)
M&M Auto (MM)	16,000	9,560	45,421	(41)	36,439	(56)
M&M Farm	15,300	24,341	24,704	(21)	27,523	(44)
Tata Motors Domestic CV (TTMT)	4,500	3,194	29,329	(61)	14,435	(69)
Tata Motors Domestic PV	10,000	3,152	10,900	(4)	25,095	(60)
Ashok Leyland MHCV (AL)	900	151	8,635	(68)	3,983	(77)
Ashok Leyland Total	2,800	1,420	13,172	(54)	8,340	(66)
Eicher Motors CV (EIM-VECV)	1,220	686	4,801	(50)	2,145	(43)
Bajaj Auto (BJAUT)	247,000	127,128	419,235	(23)	388,016	(36)
Hero MotoCorp (HMCL)	135,000	112,682	652,028	(54)	372,285	(64)
Royal Enfield (EIM-RE)	24,000	19,113	62,371	(38)	53,298	(55)
TVS Motors (TVSL)	135,100	58,906	307,106	(34)	238,983	(43)
Escorts (ESC)	4,600	6,594	6,827	(18)	6,979	(34)
Atul Auto (ATA)	200	410	3,464	(76)	915	(78)

Source: Company, Emkay Research

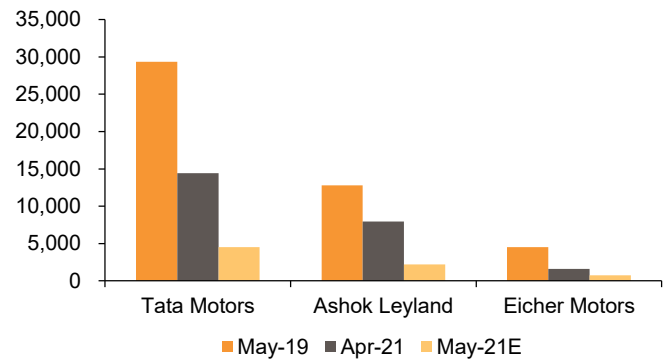
Story in Charts: Comparing performance with May'19 (2-year CAGR)

Exhibit 1: Double-digit decline expected across segments. Tractors/PVs to see lower decline in comparison to 2Ws/CVs



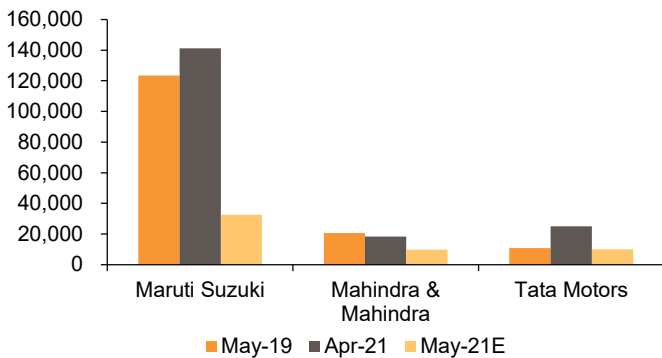
Source: Company, Emkay Research

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



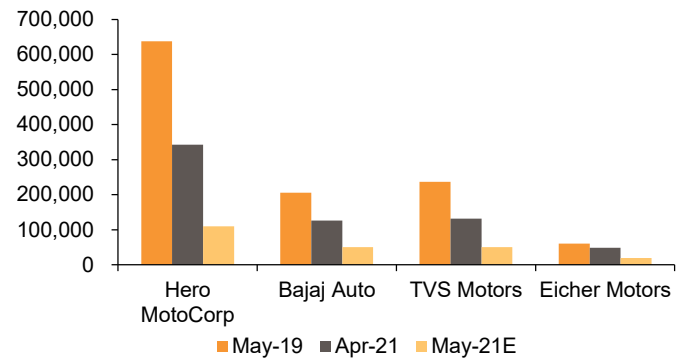
Source: Company, Emkay Research

Exhibit 3: PV industry volumes are expected to be in the slow lane, despite healthy order-book across most OEMs



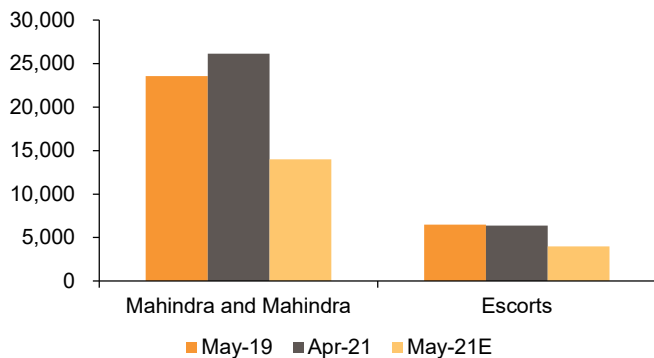
Source: Company, Emkay Research

Exhibit 4: 2W industry volumes should be weak



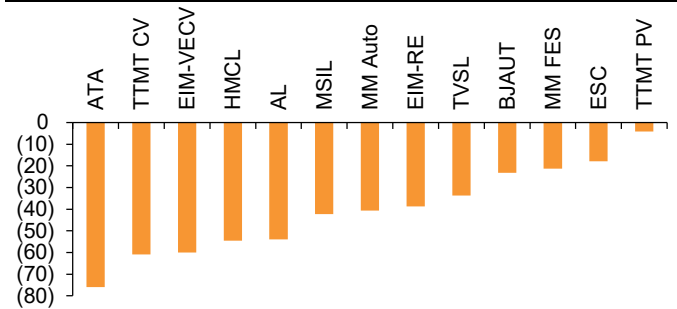
Source: Company, Emkay Research

Exhibit 5: Tractor industry volumes should be subdued due to severe impact of pandemic in rural areas



Source: Company, Emkay Research

Exhibit 6: Sharp decline expected across companies (CAGR over May 2019-21)



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)
Auto & Auto Ancillaries	5.16	5.16	0%	0	100.00
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	0.28	45%	9	5.51
Atul Auto	0.00	0.00	NA	0	0.00
Bajaj Auto	0.59	0.62	4%	2	11.95
Bharat Forge	0.18	0.19	6%	1	3.71
Eicher Motors	0.40	0.41	0%	0	7.85
Escorts	0.00	0.00	NA	0	0.00
Exide Industries	0.10	0.00	-100%	-10	0.00
Hero Motocorp	0.45	0.43	-5%	-2	8.40
Mahindra & Mahindra	0.90	0.89	-1%	-1	17.14
Maruti Suzuki India	1.05	1.03	-2%	-2	20.01
Motherson Sumi	0.31	0.31	0%	0	6.05
Tata Motors	0.69	0.72	5%	3	13.96
Tata Motors DVR*	0.08	0.14	78%	6	2.62
TVS Motor	0.14	0.14	6%	1	2.80
Cash	0.00	0.00	NA	0	0.00

Source: Emkay Research

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

Sector portfolio NAV

	Base					Latest
	1-Apr-19	27-May-20	26-Nov-20	25-Feb-21	27-Apr-21	27-May-21
EAP - Auto & Auto Ancillaries	100.0	66.3	101.4	125.3	115.9	125.0
BSE200 Neutral Weighted Portfolio (ETF)	100.0	68.8	103.7	125.9	116.2	125.0

*Performance measurement base date 1st April 2019

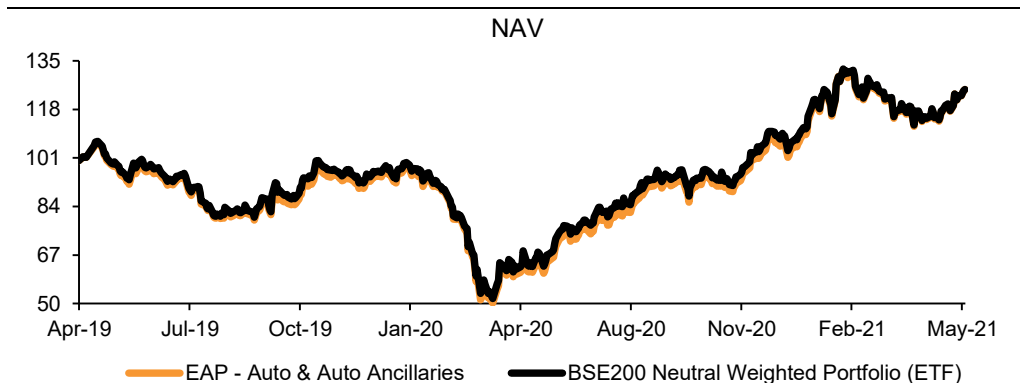
Source: Emkay Research

Price Performance (%)

	1m	3m	6m	12m
EAP - Auto & Auto Ancillaries	7.8%	-0.2%	23.3%	88.7%
BSE200 Neutral Weighted Portfolio (ETF)	7.5%	-0.7%	20.5%	81.7%

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	May-21E	May-20	May-19	CAGR % (May19-21)	Apr-21	MoM (%)
2Ws (Domestic)						
Hero MotoCorp	110,000	108,848	637,319	(58.5)	342,614	(67.9)
Bajaj Auto	50,000	39,286	205,721	(50.7)	126,570	(60.5)
TVS Motor	50,000	41,067	236,807	(54.0)	131,386	(61.9)
Royal Enfield	19,500	18,429	60,211	(43.1)	48,789	(60.0)
PVs (Domestic)						
Maruti Suzuki	32,500	13,725	123,320	(48.7)	141,182	(77.0)
Mahindra & Mahindra	9,800	3,867	20,608	(31.0)	18,285	(46.4)
Tata Motors	10,000	3,152	10,900	(4.2)	25,095	(60.2)
CVs (Domestic)						
Tata Motors	4,500	3,194	29,329	(60.8)	14,435	(68.8)
Ashok Leyland	2,200	1,277	12,778	(58.5)	7,961	(72.4)
VECV	700	468	4,446	(60.3)	1,555	(55.0)
Mahindra & Mahindra	3,700	5,170	17,879	(54.5)	14,104	(73.8)
Tractors (Domestic)						
Mahindra & Mahindra	14,000	24,017	23,539	(22.9)	26,130	(46.4)
Escorts	4,000	6,454	6,488	(21.5)	6,386	(37.4)

Source: Company, Emkay Research

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

Volume (units)	May-21E	May-20	May-19	CAGR % (May19-21)	Apr-21	MoM (%)
Domestic Cars	23,000	8,449	90,121	(49.5)	98,926	(76.8)
Domestic UVs	7,000	3,636	19,152	(39.5)	25,484	(72.5)
Domestic Vans	1,000	1,617	11,745	(70.8)	11,469	(91.3)
Sales to other OEM	1,500	23	2,302	(19.3)	5,303	(71.7)
Domestic PVs	32,500	13,725	123,320	(48.7)	141,182	(77.0)
Domestic LCVs	500	163	2,232	(52.7)	1,272	(60.7)
Exports	12,000	4,651	9,089	14.9	17,237	(30.4)
Total	45,000	18,539	134,641	(42.2)	159,691	(71.8)

Source: Company, Emkay Research

Exhibit 9: Mahindra & Mahindra

Volume (units)	May-21E	May-20	May-19	CAGR % (May19-21)	Apr-21	MoM (%)
Domestic PVs	9,800	3,867	20,608	(31.0)	18,285	(46.4)
Domestic CVs	3,700	5,170	17,879	(54.5)	14,104	(73.8)
Domestic 3Ws	500	39	4,569	(66.9)	2,045	(75.6)
Exports Auto	2,000	484	2,365	(8.0)	2,005	(0.2)
Total Auto	16,000	9,560	45,421	(40.6)	36,439	(56.1)
Domestic Tractors	14,000	24,017	23,539	(22.9)	26,130	(46.4)
Exports Tractors	1,300	324	1,165	5.6	1,393	(6.7)
Total Tractors	15,300	24,341	24,704	(21.3)	27,523	(44.4)
Total	31,300	33,901	70,125	(33.2)	63,962	(51.1)

Source: Company, Emkay Research

Exhibit 10: Tata Motors

Volume (units)	May-21E	May-20	May-19	CAGR % (May19-21)	Apr-21	MoM (%)
Domestic CVs	4,500	3,194	29,329	(60.8)	14,435	(68.8)
Domestic PVs	10,000	3,152	10,900	(4.2)	25,095	(60.2)
Exports	2,300	481	1,563	21.3	2,328	(1.2)
Total	16,800	6,826	41,792	(36.6)	41,858	(59.9)

Source: Company, Emkay Research

Exhibit 11: Ashok Leyland

Volume (units)	May-21E	May-20	May-19	CAGR % (May19-21)	Apr-21	MoM (%)
Domestic MHCVs	900	151	8,635	(67.7)	3,983	(77.4)
Domestic LCVs	1,300	1,126	4,143	(44.0)	3,978	(67.3)
Exports	600	143	394	23.4	379	58.3
Total CVs	2,800	1,420	13,172	(53.9)	8,340	(66.4)

Source: Company, Emkay Research

Exhibit 12: Eicher Motors

Volume (units)	May-21E	May-20	May-19	CAGR % (May19-21)	Apr-21	MoM (%)
Domestic 2Ws	19,500	18,429	60,211	(43.1)	48,789	(60.0)
Exports 2Ws	4,500	684	2,160	44.3	4,509	(0.2)
Total 2Ws	24,000	19,113	62,371	(38.0)	53,298	(55.0)
Domestic CVs	700	468	4,446	(60.3)	1,555	(55.0)
Volvo (Traded)	20	31	51	(37.4)	49	(59.2)
Exports CVs	500	187	304	28.2	541	(7.6)
Total CVs	1,220	686	4,801	(49.6)	2,145	(43.1)

Source: Company, Emkay Research

Exhibit 13: Bajaj Auto

Volume (units)	May-21E	May-20	May-19	CAGR % (May19-21)	Apr-21	MoM (%)
Domestic 2Ws	50,000	39,286	205,721	(50.7)	126,570	(60.5)
Exports 2Ws	170,000	73,512	159,347	3.3	221,603	(23.3)
Total 2Ws	220,000	112,798	365,068	(22.4)	348,173	(36.8)
Domestic 3Ws	2,000	788	30,103	(74.2)	7,901	(74.7)
Exports 3Ws	25,000	13,542	24,064	1.9	31,942	(21.7)
Total 3Ws	27,000	14,330	54,167	(29.4)	39,843	(32.2)
Total	247,000	127,128	419,235	(23.2)	388,016	(36.3)

Source: Company, Emkay Research

Exhibit 14: Hero MotoCorp

Volume (units)	May-21E	May-20	May-19	CAGR % (May19-21)	Apr-21	MoM (%)
Domestic	110,000	108,848	637,319	(58.5)	342,614	(67.9)
Exports	25,000	3,834	14,709	30.4	29,671	(15.7)
Total 2Ws	135,000	112,682	652,028	(54.5)	372,285	(63.7)
Scooters	12,000	6,644	45,812	(48.8)	32,956	(63.6)
Motorcycles	123,000	106,038	606,216	(55.0)	339,329	(63.8)

Source: Company, Emkay Research

Exhibit 15: TVS Motor

Volume (units)	May-21E	May-20	May-19	CAGR % (May19-21)	Apr-21	MoM (%)
Domestic 2Ws	50,000	41,067	236,807	(54.0)	131,386	(61.9)
Export 2Ws	75,000	15,151	57,519	14.2	94,807	(20.9)
Total 2Ws	125,000	56,218	294,326	(34.8)	226,193	(44.7)
Domestic 3Ws	100	132	980	(68.1)	412	(75.7)
Export 3Ws	10,000	2,556	11,800	(7.9)	12,378	(19.2)
Total 3Ws	10,100	2,688	12,780	(11.1)	12,790	(21.0)
Total	135,100	58,906	307,106	(33.7)	238,983	(43.5)

Source: Company, Emkay Research

Exhibit 16: Escorts

Volume (units)	May-21E	May-20	May-19	CAGR % (May19-21)	Apr-21	MoM (%)
Domestic Tractors	4,000	6,454	6,488	(21.5)	6,386	(37.4)
Exports Tractors	600	140	339	33.0	593	1.2
Total Tractors	4,600	6,594	6,827	(17.9)	6,979	(34.1)

Source: Company, Emkay Research

Exhibit 17: Atul Auto

Volume (units)	May-21E	May-20	May-19	CAGR % (May19-21)	Apr-21	MoM (%)
Total 3Ws	200	410	3,464	(76.0)	915	(78.1)

Source: Company, Emkay Research

Exhibit 18: Discounts remain similar mom for most models (in Rs)

Company	Models	May-20			Apr-21			May-21			chg y-y (%)	chg m-m (%)	% of base price (ex-Delhi)
		Cash or other incentives	Exchange	Total cash discount*	Cash or other incentives	Exchange	Total cash discount*	Cash or other incentives	Exchange	Total cash discount*			
Maruti	Alto 800	20,000	15,000	26,000	17,000	15,000	23,000	17,000	15,000	23,000	(12)	0	8
Maruti	S-Presso	10,000	20,000	18,000	14,000	15,000	20,000	14,000	15,000	20,000	11	0	5
Maruti	WagonR	10,000	20,000	18,000	8,000	15,000	14,000	8,000	15,000	14,000	(22)	0	3
Maruti	Celerio Petrol	25,000	20,000	33,000	15,000	15,000	21,000		15,000	6,000	(82)	(71)	1
Maruti	Celerio AMT	25,000	20,000	33,000	15,000	15,000	21,000		15,000	6,000	(82)	(71)	1
Maruti	Ignis	10,000	15,000	16,000	25,000	15,000	31,000	12,500	15,000	18,500	16	(40)	4
Maruti	Swift Petrol	20,000	25,000	30,000	30,000	20,000	38,000	30,000	20,000	38,000	27	0	7
Maruti	Dzire Petrol	20,000	25,000	30,000	8,000	20,000	16,000	8,000	20,000	16,000	(47)	0	3
Maruti	Baleno	15,000	15,000	21,000	20,000	10,000	24,000	12,500	10,000	16,500	(21)	(31)	3
Maruti	Ertiga Petrol												
Maruti	XL6		10,000	4,000							(100)		
Maruti	Ciaz Petrol	10,000	20,000	18,000	10,000	15,000	16,000	10,000	15,000	16,000	(11)	0	2
Maruti	Vitara Brezza				10,000	20,000	18,000	10,000	20,000	18,000		0	2
Maruti	Scross				18,500	15,000	24,500	15,000	15,000	21,000		(14)	2
Mahindra	XUV300	35,000	30,000	47,000	7,500	25,000	17,500	7,500	25,000	17,500	(63)	0	2
Mahindra	Marazzo				20,000	15,000	26,000	20,000	15,000	26,000		0	3
Mahindra	Scorpio	30,000	30,000	42,000	7,500	15,000	13,500	7,500	15,000	13,500	(68)	0	1
Mahindra	XUV500		40,000	16,000	44,300	20,000	52,300	44,300	20,000	52,300	227	0	4
Tata	Tiago	15,000	10,000	19,000	15,000	10,000	19,000	15,000	15,000	21,000	11	11	5
Tata	Tigor	20,000	20,000	28,000	15,000	15,000	21,000	15,000	15,000	21,000	(25)	0	4
Tata	Harrier		30,000	12,000	25,000	40,000	41,000	25,000	40,000	41,000	242	0	3
Tata	Nexon								15,000	6,000			1

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

Exhibit 19: Peer valuation

	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	125	155	366	Buy	-0.9	3.8	6.7	-136.5	32.9	18.5	-3.8	15.3	24.1	-0.6	15.7	24.6
Atul Auto	193	275	4	Buy	0.0	16.3	27.5	7853.8	11.8	7.0	0.0	11.3	16.9	0.4	14.1	20.8
Bajaj Auto	4,200	4,340	1215	Buy	157.4	200.8	237.1	26.7	20.9	17.7	20.2	22.8	26.3	25.7	29.1	33.6
Eicher Motors	2,638	3,180	721	Buy	49.3	99.1	129.4	53.5	26.6	20.4	12.6	21.6	23.5	16.1	26.3	28.1
Escorts Ltd	1,162	1,240	157	Hold	86.4	87.2	88.6	13.4	13.3	13.1	19.8	15.3	13.7	26.3	20.5	18.3
Hero Motocorp	2,991	3,870	598	Buy	148.4	177.5	204.1	20.2	16.8	14.7	20.2	22.5	24.2	26.0	29.0	31.1
Mahindra & Mahindra	846	920	1052	Hold	33.0	39.9	42.1	25.7	21.2	20.1	11.7	13.3	12.7	13.9	15.5	15.1
Maruti Suzuki	6,970	8,500	2105	Buy	140.1	262.5	334.2	49.8	26.6	20.9	8.5	14.7	17.0	10.4	18.8	21.8
Tata Motors	319	410	1135	Buy	-3.7	25.1	42.0	-85.8	12.7	7.6	-2.4	16.7	23.7	5.2	10.9	14.8
TVS Motor	620	730	294	Buy	12.9	21.3	28.4	48.1	29.1	21.8	15.7	22.3	25.2	17.1	25.0	29.1
Amara Raja Batteries	744	850	127	Hold	37.9	46.2	56.7	19.6	16.1	13.1	16.4	17.6	19.0	22.1	23.3	25.2
Apollo Tyres	223	290	142	Buy	15.1	13.6	18.1	14.8	16.4	12.3	9.0	7.4	9.2	8.9	8.5	10.1
Exide Industries	192	200	163	Hold	8.9	10.1	11.7	21.5	19.0	16.3	11.5	12.0	12.9	15.6	16.2	17.3
Motherson Sumi	235	240	743	Buy	3.4	9.9	12.0	69.8	23.8	19.6	9.3	24.4	25.0	6.3	15.4	17.9
Bharat Forge	678	760	315	Buy	6.6	18.3	27.5	102.5	37.0	24.7	5.7	14.6	19.4	5.5	13.7	18.7

Source: Company, Emkay Research

Emkay Rating Distribution

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

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