

Automobiles

Refer to important disclosures at the end of this report

May'21 review: Lackluster performance due to lockdowns but swift recovery expected ahead

- **May'21 volumes have been negatively impacted by lockdowns across states. Although volumes were weak, they were above estimates due to better-than-expected exports and inventory build-up with dealers in Tractors, PV and CV segments. Going forward, we expect a recovery in volumes due to easing of lockdowns and pent-up demand. States such as Uttar Pradesh, Madhya Pradesh, Rajasthan and Delhi have started easing lockdowns, and more states are expected to do so over the next 1-2 weeks. 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).**
- In comparison with May'19 numbers, there was a decline across segments -- Tractors/PVs witnessed a lower decline vs. 2Ws/CVs.
- Tractor volumes were above estimates on a pick-up in retails toward the end of May and channel filling. Two-year CAGR for domestic volume was marginally negative at -1% CAGR of MM and -3% for ESC.
- Domestic PV industry volumes declined to around 103,000 units, implying -34% CAGR. Among listed companies, TTMT witnessed +18% CAGR, while MM saw -38% CAGR and MSIL -47%.
- Domestic 2W volumes were weak, but exports were robust due to healthy demand and stable forex rates in key geographies such as Latin America, Asia and Africa. Domestic volume CAGR stood at -42% for EIM-RE, -46% for BJAUT, -50% for HMCL and -53% for TVSL. In comparison, export volume CAGR was +33% for TVSL and +6% for BJAUT.
- CV industry volumes have been under pressure due to lower freight availability, resulting in the postponement of purchase orders by transporters. Domestic volumes CAGR stood at -36% for MM, -43% for TTMT, -54% for AL and -62% for EIM-VECV.

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

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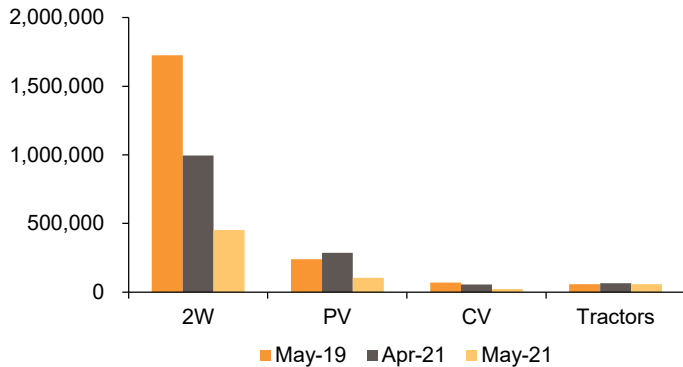
Company-wise volume snapshot

Companies	May21	May20	May19	CAGR % (May19-21)	Apr21	MoM (%)
Maruti Suzuki (MSIL)	46,555	18,539	134,641	(41)	159,691	(71)
M&M Auto (MM)	17,447	9,560	45,421	(38)	36,439	(52)
M&M Farm	24,184	24,341	24,704	(1)	27,523	(12)
Tata Motors Domestic CV (TTMT)	9,371	1,266	29,329	(43)	14,435	(35)
Tata Motors Domestic PV	15,181	3,152	10,900	18	25,095	(40)
Ashok Leyland MHCV (AL)	1,513	151	8,635	(58)	3,983	(62)
Ashok Leyland Total	3,199	1,420	13,172	(51)	8,340	(62)
Eicher Motors CV (EIM-VECV)	1,223	686	4,801	(50)	2,145	(43)
Bajaj Auto (BJAUT)	271,862	127,128	419,235	(19)	388,016	(30)
Hero MotoCorp (HMCL)	183,044	112,682	652,028	(47)	372,285	(51)
Royal Enfield (EIM-RE)	27,294	19,113	62,371	(34)	53,298	(49)
TVS Motors (TVSL)	166,889	58,906	307,106	(26)	238,983	(30)
Escorts (ESC)	6,423	6,594	6,827	(3)	6,979	(8)
Atul Auto (ATA)	100	410	3,464	(83)	915	(89)

Source: Company, Emkay Research

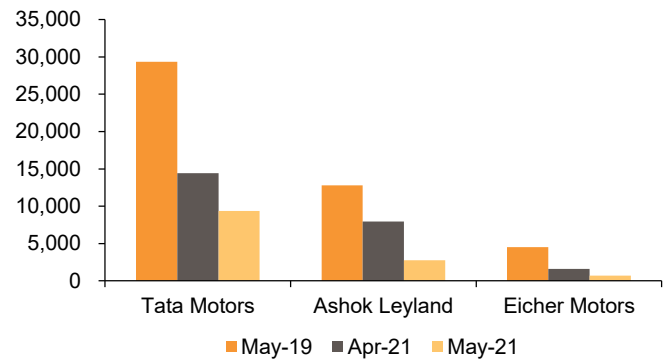
Story in Charts - Comparing performance with Apr'19 (2-year CAGR)

Exhibit 1: Tractors/PVs witness lower decline in comparison with 2Ws/CVs



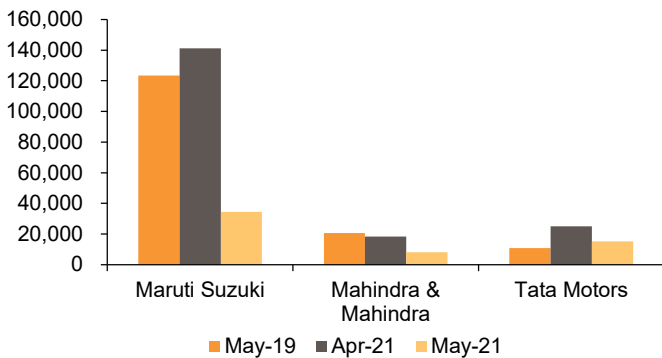
Source: Company, Emkay Research

Exhibit 2: CV industry volumes have been under pressure due to lower freight availability



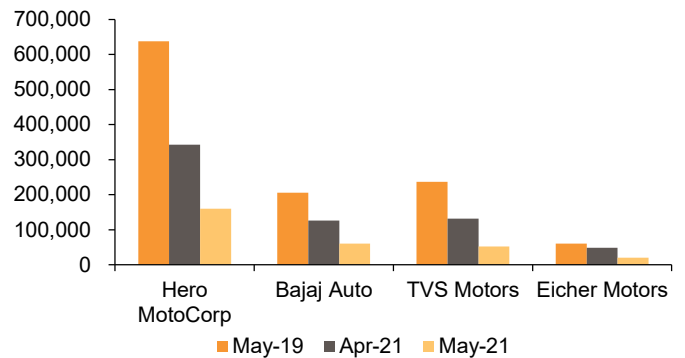
Source: Company, Emkay Research

Exhibit 3: Domestic PV industry volumes declined to around 103,000 units, implying -34% CAGR



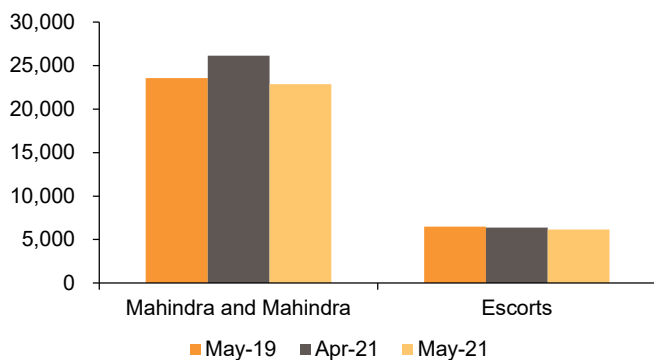
Source: Company, Emkay Research

Exhibit 4: Domestic 2Ws were weak



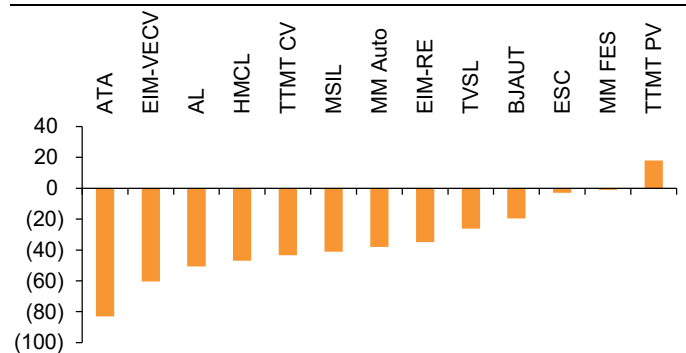
Source: Company, Emkay Research

Exhibit 5: Tractor volumes were above estimates on pick-up in retails toward end of May and channel filling



Source: Company, Emkay Research

Exhibit 6: Most OEMs registered a decline in volumes (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 12 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	5.21	5.21	0%	0	100.00
Amara Raja Batteries	0.07	0.05	-24%	-2	1.00
Apollo Tyres	0.00	0.00	NA	0	0.00
Ashok Leyland	0.20	0.24	24%	5	4.70
Atul Auto	0.00	0.00	NA	0	0.00
Bajaj Auto	0.62	0.62	0%	0	11.85
Bharat Forge	0.19	0.24	27%	5	4.70
Eicher Motors	0.42	0.47	11%	5	9.00
Escorts	0.00	0.00	NA	0	0.00
Exide Industries	0.10	0.08	-21%	-2	1.50
Hero Motocorp	0.44	0.44	0%	0	8.48
Mahindra & Mahindra	0.87	0.56	-36%	-31	10.81
Maruti Suzuki India	1.07	1.12	5%	5	21.50
Motherson Sumi	0.33	0.33	0%	0	6.26
Tata Motors	0.68	0.73	7%	5	14.00
Tata Motors DVR*	0.08	0.13	58%	5	2.50
TVS Motor	0.14	0.19	39%	5	3.70
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	1-Jun-20	1-Dec-20	1-Mar-21	3-May-21	31-May-21
EAP - Auto & Auto Ancillaries	100.0	72.5	103.7	124.0	114.9	124.9
BSE200 Neutral Weighted Portfolio (ETF)	100.0	75.0	106.2	124.7	115.4	124.9

*Performance measurement base date 1st April 2019

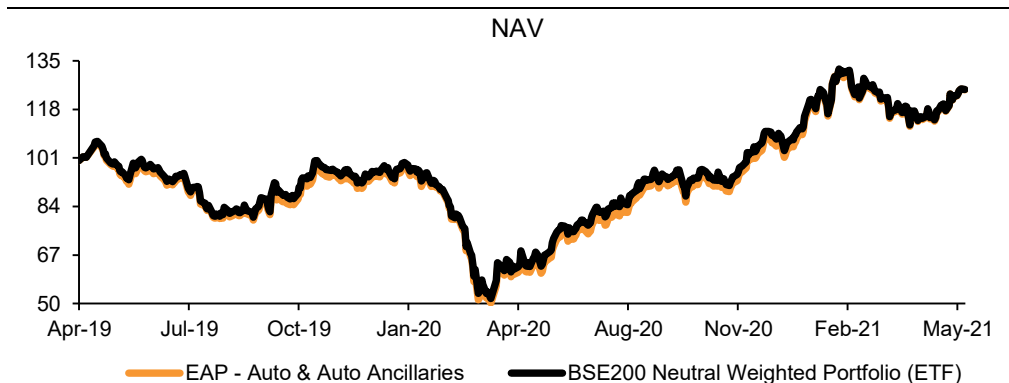
Source: Emkay Research

Price Performance (%)

	1m	3m	6m	12m
EAP - Auto & Auto Ancillaries	8.7%	0.6%	20.4%	72.2%
BSE200 Neutral Weighted Portfolio (ETF)	8.3%	0.2%	17.6%	66.6%

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 snapshot (Domestic)

Company	May21	May20	May19	CAGR % (May19-21)	Apr21	MoM (%)
2Ws (Domestic)						
Hero MotoCorp	159,561	108,848	637,319	(50.0)	342,614	(53.4)
Bajaj Auto	60,342	39,286	205,721	(45.8)	126,570	(52.3)
TVS Motor	52,084	41,067	236,807	(53.1)	131,386	(60.4)
Royal Enfield	20,073	18,429	60,211	(42.3)	48,789	(58.9)
PVs (Domestic)						
Maruti Suzuki	34,425	13,725	123,320	(47.2)	141,182	(75.6)
Mahindra & Mahindra	8,004	3,867	20,608	(37.7)	18,285	(56.2)
Tata Motors	15,181	3,152	10,900	18.0	25,095	(39.5)
CVs (Domestic)						
Tata Motors	9,371	1,266	29,329	(43.5)	14,435	(35.1)
Ashok Leyland	2,738	1,277	12,778	(53.7)	7,961	(65.6)
VECV	656	468	4,446	(61.6)	1,555	(57.8)
Mahindra & Mahindra	7,236	5,170	17,879	(36.4)	14,104	(48.7)
Tractors (Domestic)						
Mahindra & Mahindra	22,843	24,017	23,539	(1.5)	26,130	(12.6)
Escorts	6,158	6,454	6,488	(2.6)	6,386	(3.6)

Source: Company, Emkay Research

Company-wise highlights

Maruti Suzuki's volumes stood at 46,555 units (-41% CAGR over 2 years; -71% mom), slightly above estimate of 45,000 units. Domestic PV volume (including sales to Toyota) stood at 34,425 units (-47% CAGR; -76% mom). The fall in UVs is lower in comparison with Cars and Vans. Domestic LCVs stood at 868 units (-38% CAGR, -32% mom). Exports stood at 11,262 units (+11% CAGR, -35% mom). We expect a swift recovery, driven by healthy demand/waiting period in several models and low dealer inventory.

Exhibit 8: Maruti Suzuki

Volume (units)	May21	May20	May19	CAGR % (May19-21)	Apr21	MoM (%)
Domestic Cars	25,452	8,449	90,121	(46.9)	98,926	(74.3)
Domestic UVs	6,355	3,636	19,152	(42.4)	25,484	(75.1)
Domestic Vans	1,096	1,617	11,745	(69.5)	11,469	(90.4)
Sales to other OEM	1,522	23	2,302	(18.7)	5,303	(71.3)
Domestic PVs	34,425	13,725	123,320	(47.2)	141,182	(75.6)
Domestic LCVs	868	163	2,232	(37.6)	1,272	(31.8)
Exports	11,262	4,651	9,089	11.3	17,237	(34.7)
Total	46,555	18,539	134,641	(41.2)	159,691	(70.8)

Source: Company, Emkay Research

Mahindra & Mahindra's volumes stood at 41,631 units (-23% CAGR; -35% mom), above estimate of 31,300 units, mainly due to better-than-expected volumes in Tractors. Auto segment volume stood at 17,447 units (-38% CAGR, -52% mom), led by weakness in PVs, CVs and 3Ws. Farm segment volume stood at 24,184 units (-1% CAGR, -12% mom). FY22E Auto volume growth should be robust (30%+), supported by healthy demand/ waiting period in several models and low dealer inventory. In the Farm segment, we expect domestic volumes to be muted on a high base, lower government subsidies and high dealer stocks.

Exhibit 9: Mahindra & Mahindra

Volume (units)	May21	May20	May19	CAGR % (May19-21)	Apr21	MoM (%)
Domestic PVs	8,004	3,867	20,608	(37.7)	18,285	(56.2)
Domestic CVs	7,236	5,170	17,879	(36.4)	14,104	(48.7)
Domestic 3Ws	272	39	4,569	(75.6)	2,045	(86.7)
Exports Auto	1,935	484	2,365	(9.5)	2,005	(3.5)
Total Auto	17,447	9,560	45,421	(38.0)	36,439	(52.1)
Domestic Tractors	22,843	24,017	23,539	(1.5)	26,130	(12.6)
Exports Tractors	1,341	324	1,165	7.3	1,393	(3.7)
Total Tractors	24,184	24,341	24,704	(1.1)	27,523	(12.1)
Total	41,631	33,901	70,125	(23.0)	63,962	(34.9)

Source: Company, Emkay Research

Escorts' tractor volumes stood at 6,423 units (-3% CAGR; -8% mom), above estimate of 4,600 units. Numbers were above expectations as company has built some inventory with dealers in anticipation of improvement ahead. Domestic volume stood at 6,158 units (-3% CAGR; -4% mom). Meanwhile, exports stood at 265 units (-12% CAGR, -55% mom). *High base, lower government subsidies and high dealer stocks are expected to result in lower volumes in FY22.*

Exhibit 10: Escorts

Volume (units)	May21	May20	May19	CAGR % (May19-21)	Apr21	MoM (%)
Domestic Tractors	6,158	6,454	6,488	(2.6)	6,386	(3.6)
Exports Tractors	265	140	339	(11.6)	593	(55.3)
Total Tractors	6,423	6,594	6,827	(3.0)	6,979	(8.0)

Source: Company, Emkay Research

Ashok Leyland's volume stood at 3,199 units (-51% CAGR; -62% mom), above estimate of 2,800 units.

- Domestic MHCVs stood at 1,513 units (-58% CAGR; -62% mom). Channel checks indicate that transporters are holding back purchases till there is clarity on easing of lockdowns.
- Domestic LCVs stood at 1,225 units (-46% CAGR; -69% mom).
- Exports stood at 461 units (+8% CAGR; +22% mom).

FY22E CV volume growth should be robust (50%+), supported by recovery in replacement demand, government thrust on infra spending, new products in LCVs and favorable base.

Exhibit 11: Ashok Leyland

Volume (units)	May21	May20	May19	CAGR % (May19-21)	Apr21	MoM (%)
Domestic MHCVs	1,513	151	8,635	(58.1)	3,983	(62.0)
Domestic LCVs	1,225	1,126	4,143	(45.6)	3,978	(69.2)
Exports	461	143	394	8.2	379	21.6
Total CVs	3,199	1,420	13,172	(50.7)	8,340	(61.6)

Source: Company, Emkay Research

Tata Motors' volume stood at 26,661 units (-20% CAGR; -36% mom), above estimate of 16,800 units, owing to higher-than-expected volumes in domestic PVs and CVs.

- Domestic CVs stood at 9,371 units (-43% CAGR; -35% mom).
- Domestic PVs stood at 15,181 units (+18% CAGR; -40% mom). Waiting period remains across most models.
- Exports stood at 2,109 units (+16% CAGR; -9% mom).

FY22E volume growth should be robust (30%+), supported by an upcycle in both CVs and PVs.

Exhibit 12: Tata Motors

Volume (units)	May21	May20	May19	CAGR % (May19-21)	Apr21	MoM (%)
Domestic CVs	9,371	1,266	29,329	(43.5)	14,435	(35.1)
Domestic PVs	15,181	3,152	10,900	18.0	25,095	(39.5)
Exports	2,109	481	1,563	16.2	2,328	(9.4)
Total	26,661	4,899	41,792	(20.1)	41,858	(36.3)

Source: Company, Emkay Research

Eicher Motors – Royal Enfield volume stood at 27,294 units (-34% CAGR over 2-years; -49% mom) vs. estimate of 24,000 units.

- Domestic volume stood at 20,073 units (-42% CAGR, -59% mom).
- Exports stood at 7,221 units (+83% CAGR, +60% mom).
- On sequential basis, mix has improved with higher share of over 350cc motorcycles.

FY22E volume growth should be in double-digits (35%+), supported by pending order-book, new products and network expansion.

Eicher Motors – VECV volume stood at 1,223 units (-50% CAGR; -43% mom), in line with estimate of 1,220 units. Domestic volume stood at 656 units (-62% CAGR; -58% mom). Exports stood at 519 units (+31% CAGR over 2-years; -4% mom).

FY22E CV volume growth should be robust, supported by recovery in replacement demand, government thrust on infra spending and favorable base.

Exhibit 13: Eicher Motors

Volume (units)	May21	May20	May19	CAGR % (May19-21)	Apr21	MoM (%)
Domestic 2Ws	20,073	18,429	60,211	(42.3)	48,789	(58.9)
Exports 2Ws	7,221	684	2,160	82.8	4,509	60.1
Total 2Ws	27,294	19,113	62,371	(33.8)	53,298	(48.8)
Domestic CVs	656	430	4,446	(61.6)	1,555	(57.8)
Volvo (Traded)	48	25	51	(3.0)	49	(2.0)
Exports CVs	519	231	304	30.7	541	(4.1)
Total CVs	1,223	686	4,801	(49.5)	2,145	(43.0)

Source: Company, Emkay Research

Hero MotoCorp's volume stood at 183,044 units (-47% CAGR; -51% mom), above estimates. Domestic 2Ws stood at 159,561 units (-50% CAGR; -53% mom). Channel checks indicate that retail volumes were higher than wholesale volumes. In comparison, Exports stood at 23,483 units (+26% CAGR; -21% mom). *Domestic demand is likely to recover ahead. Despite a weak start, we expect a double-digit growth in FY22.*

Exhibit 14: Hero MotoCorp

Volume (units)	May21	May20	May19	CAGR % (May19-21)	Apr21	MoM (%)
Domestic	159,561	108,848	637,319	(50.0)	342,614	(53.4)
Exports	23,483	3,834	14,709	26.4	29,671	(20.9)
Total 2Ws	183,044	112,682	652,028	(47.0)	372,285	(50.8)
Scooters	4,338	6,644	45,812	(69.2)	32,956	(86.8)
Motorcycles	178,706	106,038	606,216	(45.7)	339,329	(47.3)

Source: Company, Emkay Research

Bajaj Auto's volume stood at 271,862 units (-19% CAGR; -30% mom), above estimate of 247,000 units, mainly due to better-than-expected exports (+7% CAGR). Although there are partial lockdowns in some export markets, demand is healthy and forex rates are stable. 2Ws stood at 240,554 units (-19% CAGR; -31% mom) and 3Ws stood at 31,308 units (-24% CAGR; -21% mom). *The company has a healthy order-book for exports and expects monthly volumes to be around 200,000 units or higher. Domestic demand is likely to recover ahead with easing of lockdowns.*

Exhibit 15: Bajaj Auto

Volume (units)	May21	May20	May19	CAGR % (May19-21)	Apr21	MoM (%)
Domestic 2Ws	60,342	39,286	205,721	(45.8)	126,570	(52.3)
Exports 2Ws	180,212	73,512	159,347	6.3	221,603	(18.7)
Total 2Ws	240,554	112,798	365,068	(18.8)	348,173	(30.9)
Domestic 3Ws	488	788	30,103	(87.3)	7,901	(93.8)
Exports 3Ws	30,820	13,542	24,064	13.2	31,942	(3.5)
Total 3Ws	31,308	14,330	54,167	(24.0)	39,843	(21.4)
Total	271,862	127,128	419,235	(19.5)	388,016	(29.9)

Source: Company, Emkay Research

TVS Motor's volume stood at 166,889 units (-26% CAGR; -30% mom), above estimate of 135,100 units on better-than-expected exports. Domestic volume stood at 52,215 units (-53% CAGR; -60% mom). In comparison, Exports have done well at 29% CAGR to 114,674 units. *Exports should continue its uptrend, with 20%+ growth in FY22E. Domestic demand is likely to recover ahead with easing of lockdowns.*

Exhibit 16: TVS Motors

Volume (units)	May21	May20	May19	CAGR % (May19-21)	Apr21	MoM (%)
Domestic 2Ws	52,084	41,067	236,807	(53.1)	131,386	(60.4)
Export 2Ws	102,332	15,151	57,519	33.4	94,807	7.9
Total 2Ws	154,416	56,218	294,326	(27.6)	226,193	(31.7)
Domestic 3Ws	131	132	980	(63.4)	412	(68.2)
Export 3Ws	12,342	2,556	11,800	2.3	12,378	(0.3)
Total 3Ws	12,473	2,688	12,780	(1.2)	12,790	(2.5)
Total	166,889	58,906	307,106	(26.3)	238,983	(30.2)

Source: Company, Emkay Research

Atul Auto's volume stood at 100 units (-83% CAGR; -89% mom), below estimates. Near-term demand is likely to be muted. *Expect a rebound in H2FY22 on improving utilization for 3W operators and a favorable base.*

Exhibit 17: Atul Auto

Volume (units)	May21	May20	May19	CAGR % (May19-21)	Apr21	MoM (%)
Total 3Ws	100	410	3,464	(83.0)	915	(89.1)

Source: Company, Emkay Research

Exhibit 18: 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	122	155	357	Buy	-0.9	3.8	6.7	-133.3	32.1	18.1	-3.8	15.3	24.1	-0.6	15.7	24.6
Atul Auto	191	275	4	Buy	0.0	16.3	27.5	7764.1	11.7	6.9	0.0	11.3	16.9	0.4	14.1	20.8
Bajaj Auto	4,239	4,340	1227	Buy	157.4	200.8	237.1	26.9	21.1	17.9	20.2	22.8	26.3	25.7	29.1	33.6
Eicher Motors	2,666	3,180	729	Buy	49.3	99.1	129.4	54.1	26.9	20.6	12.6	21.6	23.5	16.1	26.3	28.1
Escorts Ltd	1,163	1,240	157	Hold	86.4	87.2	88.6	13.5	13.3	13.1	19.8	15.3	13.7	26.3	20.5	18.3
Hero Motocorp	2,977	3,870	595	Buy	148.4	177.5	204.1	20.1	16.8	14.6	20.2	22.5	24.2	26.0	29.0	31.1
Mahindra & Mahindra	806	920	1002	Hold	33.0	39.9	42.1	24.5	20.2	19.1	11.7	13.3	12.7	13.9	15.5	15.1
Maruti Suzuki	7,091	8,500	2142	Buy	140.1	262.5	334.2	50.6	27.0	21.2	8.5	14.7	17.0	10.4	18.8	21.8
Tata Motors	318	410	1129	Buy	-3.7	25.1	42.0	-85.6	12.6	7.6	-2.4	16.7	23.7	5.2	10.9	14.8
TVS Motor	613	730	291	Buy	12.9	21.3	28.4	47.6	28.8	21.6	15.7	22.3	25.2	17.1	25.0	29.1
Amara Raja Batteries	739	850	126	Hold	37.9	46.2	56.7	19.5	16.0	13.0	16.4	17.6	19.0	22.1	23.3	25.2
Apollo Tyres	222	290	141	Buy	15.1	13.6	18.1	14.7	16.3	12.3	9.0	7.4	9.2	8.9	8.5	10.1
Exide Industries	190	200	162	Hold	8.9	10.1	11.7	21.3	18.8	16.2	11.5	12.0	12.9	15.6	16.2	17.3
Motherson Sumi	237	240	750	Buy	3.4	9.9	12.0	70.5	24.0	19.7	9.3	24.4	25.0	6.3	15.4	17.9
Bharat Forge	667	760	310	Buy	6.6	18.3	27.5	100.9	36.4	24.3	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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