



Industry Report **Automobiles**

5th Jan, 2022

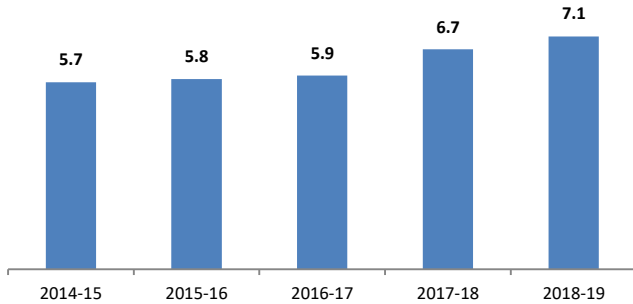




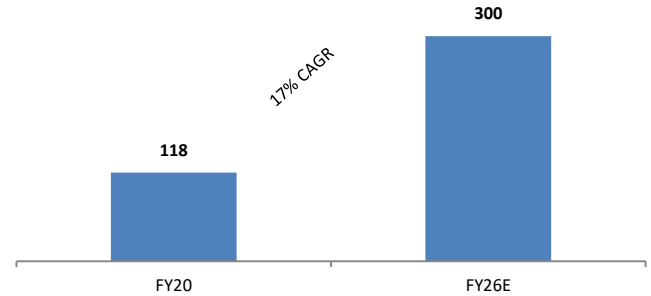
- Indian automobile industry is fifth largest in world. It is estimated that the entire Auto sector provides employment to ~37mn people, directly and indirectly. It accounts for 7.1% of the overall GDP of India and ~49% of the manufacturing GDP. Indian automobile industry witnessed a total FDI inflow of USD 25.85bn between April 2000 and March 2021, i.e. 5% of total FDI.
- In terms of volume, the industry is dominated by two-wheelers due to rising middle class income group coupled with younger population. Overall, the Indian market remains under penetrated with just 32 vehicles in use per one thousand people while developed markets have significantly higher penetration.
- The auto industry has been under stress since 2018 caused by the various headwinds such as macroeconomic slowdown, NBFC crisis, Introduction of BS6 norms and the Covid-19 pandemic. These factors impacted the demand and led to a decline in sales volume subsequently impacting the profitability of Indian automakers significantly.
- The government of India is actively taking initiatives to revive and support the underperforming auto industry of India, which is a major source of employment. The GOI aims to make India a global hub for auto manufacturing and R&D. It has set up National Automotive Testing and R&D Infrastructure Project (NATRiP) centers as well as National Automotive Board to act as facilitator between the Government and the industry.
- We believe the auto industry has turned a corner and is ready for another growth cycle with government support and revival in the economy, the auto industry is expected to bounce back in the coming years. Aided by a young population and growth in household income, it is expected vehicle penetration per thousand people will reach 72 by 2025.
- Further investments in R&D and a focus on domestic manufacturing are expected to drive automotive growth, the industry is poised to grow at a CAGR of 17% to reach USD 300bn from USD 118bn in 2020 and become the third largest in the world.
- Our top picks in the sector are Maruti Suzuki, Tata Motors and Eicher Motors



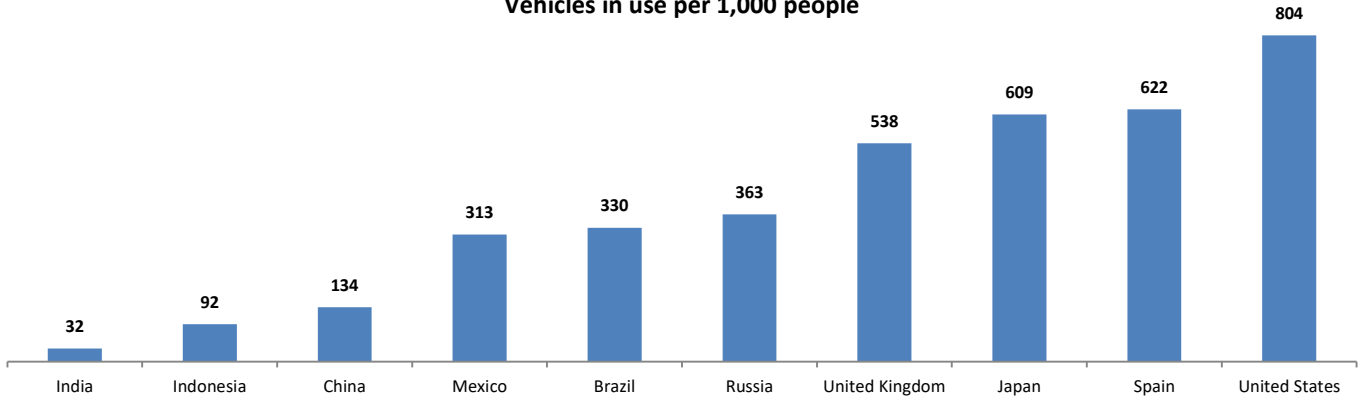
Automobile Contribution to Indian GDP (%)



Automotive industry size (USD Bn)



Vehicles in use per 1,000 people



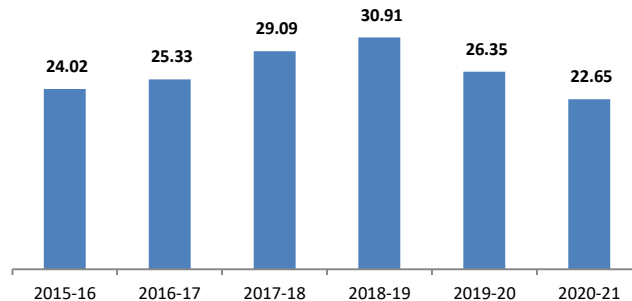
Source: Ministry of Road Transport and Highways, Ministry of Heavy Industries, Invest India, Choice broking research

Under stress since 2018

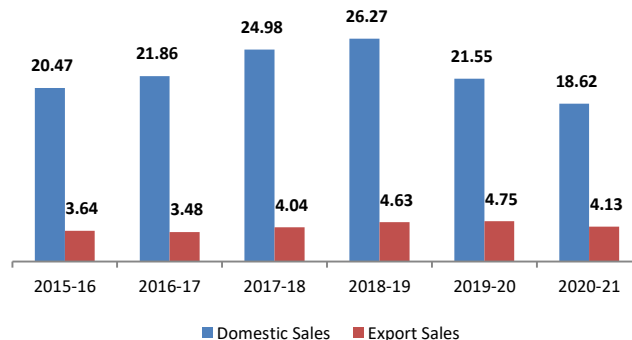


- In India, automotive market is mainly dominated by the volumes of two-wheelers and passenger vehicles. Small and mid-sized cars account for the majority of passenger car sales.
- Automobile exports increased at a CAGR of 6.8% from FY16 to FY20, reaching 4.74mn units in FY20. Two-wheelers accounted for 73.9% of all vehicles shipped, with passenger vehicles accounting for 14.2%, three-wheelers accounting for 10.5%, and commercial vehicles accounting for 1.3%.
- Domestic automobile production and sales grew at a CAGR of ~9% over FY16 and FY19. However sales and production began to decline 2018 onwards amid global economic slowdown caused by the US-China trade war, liquidity crisis in NBFC, implementation of BS6 norms and Covid-19 pandemic.

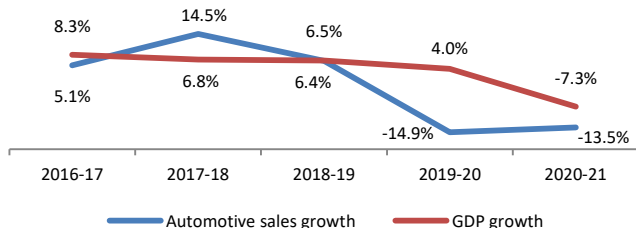
Automotive Production Trend (Mn Units)



Automotive Sales Trend (Mn Units)



Automotive sales and GDP growth Trend



Source: World bank, SIAM, Choice broking research



Implementation of BS6 norms

- The GOI announced transition to BS6 norms from BS4 in 2016, which came under effect in 2020.
- BS6 or Bharat Stage 6 refers to emission standards for automobile, it is comparable to Euro VI norms which are already in place in various European countries.
- The BS6 norms were implemented with a motive to control rising pollution levels in the country.
- The entire automotive industry was mandated to sell only BS-6 vehicles post April, 2020. This put OEM manufacturers in a bind as auto manufacturers were carrying large inventories due to weaker sales in that period.
- The BS6 norms required new engine technology to be developed to improve efficiency of vehicles and be more environmentally friendly, which further increased cost of new vehicles for end customers and dented the auto demand.

Insurance regulations

- In 2018, IRDA passed a regulation to make long term auto insurance mandatory for new vehicles, which led to higher upfront cost for new vehicle buyers. This higher price further impacted the demand for autos.
- This regulation was reversed in 2020 to lower the upfront cost and provide relief to auto buyers.

Production Trend	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
Passenger Vehicles	14.43%	15.01%	13.82%	13.03%	12.99%	13.52%
Commercial Vehicles	3.28%	3.20%	3.08%	3.60%	2.87%	2.76%
Three Wheelers	3.89%	3.09%	3.51%	4.10%	4.30%	2.70%
Two Wheelers	78.41%	78.69%	79.59%	79.25%	79.81%	81.01%
Quadricycle	0.00%	0.01%	0.01%	0.02%	0.02%	0.02%
Grand Total	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

Domestic Sales Trend	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
Passenger Vehicles	13.63%	13.94%	13.16%	12.86%	12.87%	14.57%
Commercial Vehicles	3.35%	3.27%	3.43%	3.84%	3.33%	3.05%
Three Wheelers	2.63%	2.34%	2.54%	2.67%	2.96%	1.16%
Two Wheelers	80.39%	80.45%	80.86%	80.64%	80.84%	81.22%
Quadricycle	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Grand Total	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

Exports Trend	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
Passenger Vehicles	17.92%	21.80%	18.51%	14.61%	13.94%	9.79%
Commercial Vehicles	2.83%	3.11%	2.40%	2.16%	1.27%	1.22%
Three Wheelers	11.10%	7.81%	9.42%	12.26%	10.56%	9.52%
Two Wheelers	68.14%	67.24%	69.63%	70.88%	74.11%	79.38%
Quadricycle	0.01%	0.04%	0.04%	0.10%	0.11%	0.09%
Grand Total	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

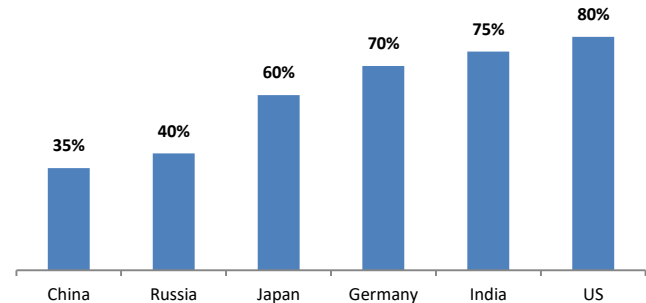
Source: SIAM, Choice broking research



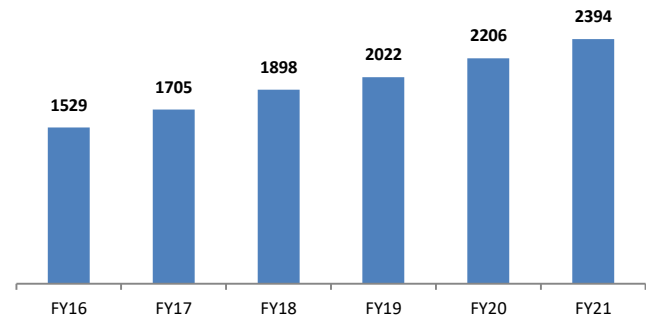
Liquidity crisis

- The finance industry is the backbone of automobile sector in India as around 75% of vehicles are sold on credit, the penetration of financing in automotive sales is among the highest globally.
- Major companies offering loans for the purchase of vehicles in India are categorized into banks, original equipment manufacturers (OEMs) and non-banking financial company (NBFC).
- Total outstanding vehicle loans increased at a CAGR of 9.4% over FY16 to FY21, hitting a new high of Rs.2,394bn outstanding vehicle loans in FY21 (Up to Feb 26, 2021).
- As we can ascertain from the given data, there exists a close symbiotic relationship between the finance and auto industries.
- In 2018, led by the NBFC crisis, there was a massive liquidity crunch in the auto sector. This adversely impacted both supply and demand as the entire supply chain from manufacturers to end customers rely on financing was affected.
- With record low interest rates and revival in the economy, we expect credit growth will return and the auto industry to benefit accordingly.

Financing Penetration in Auto industry



Outstanding Vehicle loan book (Rs. Bn)



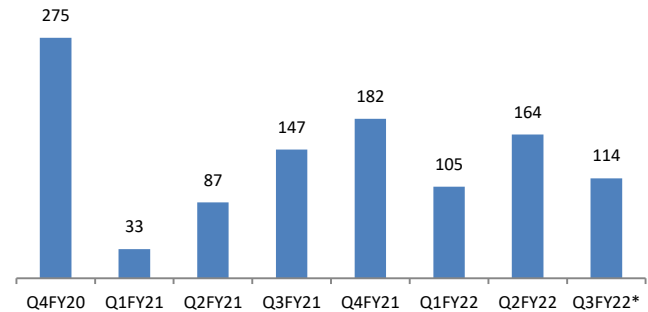
Source: ICRA Research, Reserve Bank of India, Choice broking research



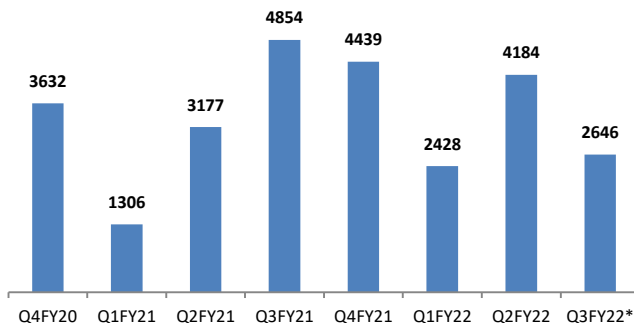
Covid – A bump in the road

- The advent of the Covid-19 pandemic came at a time when the auto industry was already struggling with economic slowdown. The entire industry faced disruption caused by the national lockdown. Production came to halt leading to supply chain issue which have not yet fully returned to pre-covid levels.
- The second wave of covid further damaged the industry as it was beginning to recover.
- As we can observe from the data, entire industry faced disruption. However, CV sales were the most hit and have significantly underperformed as compared to other segments.

CV Sales trend (000's)

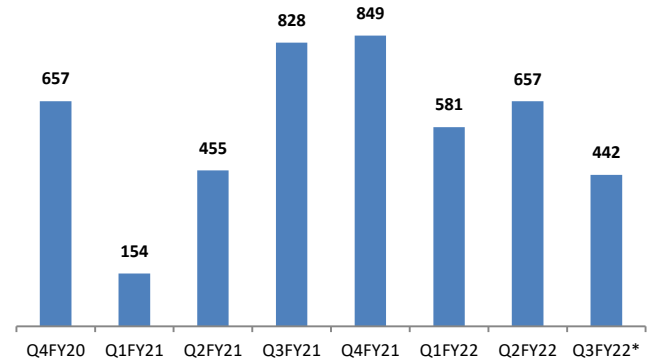


2W and 3W sales trend (000's)



Source: SIAM, Choice broking research

PV Sales trend (000's)



*Note: Q3FY22 is up-to Nov-21



Semi-conductor chip shortage

- Automobiles are now operated by software and electronic components. Semiconductors are key components used in car infotainment systems, touchscreens, power windows, music systems and even remote key modules. As demand was down due to the pandemic, manufacturers ramped production down as well. However, as the economy started to reopen new-vehicle sales improved in the second half of the year, automakers didn't scale up their semi-conductor orders to match the demand due to uncertain economic situation at that time.
- Simultaneously, as a result of the transition to remote work and the resulting increased requirement for connectivity, consumer demand for personal computers, servers, and wired communications equipment increased substantially, all of which rely largely on semiconductors. As a result, even as the auto industry cut back on chip orders, other industries saw an increase in demand which led to chip shortage in automobile industry
- The global semiconductor shortage isn't likely to resolve in the short term, because of factors such as the complexity of semiconductor manufacturing and the increasingly sophisticated chips needed in auto design. As automakers consider their next moves and semiconductor manufacturers struggle to meet demand, both industries must align their short- and long-term strategies in order to weather the supply-chain disruption as successfully as possible.

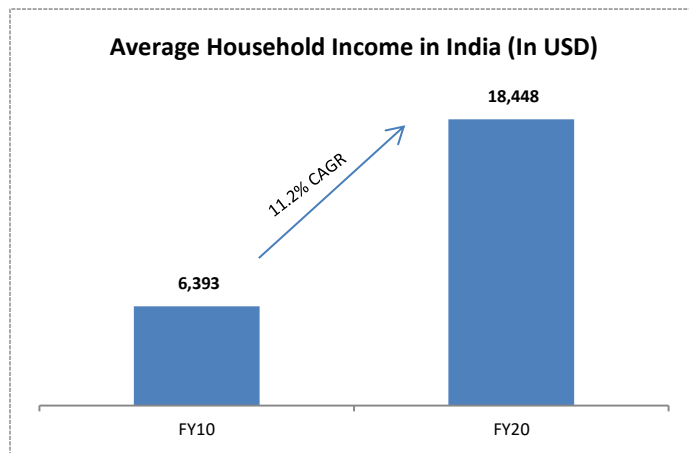
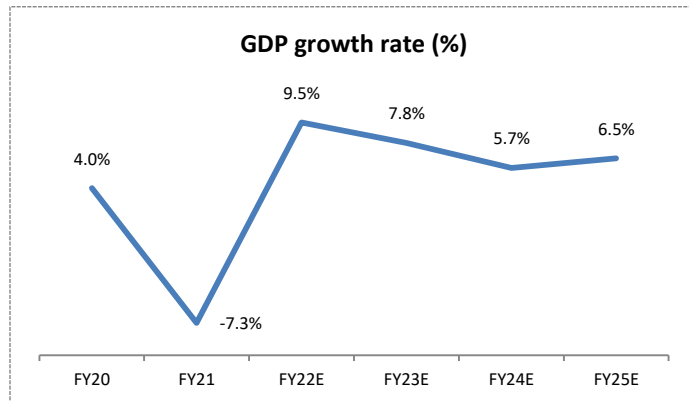
Multi year high commodity prices

- The automotive industry uses various materials in its production, majority of the modern automobiles uses metals like aluminum and steel, advanced plastics and other materials like glass. Steel is a one of the widely used metals in auto production and represents a substantial cost. Steel prices reached record high levels primarily due to mismatch between demand-supply and disturbance in the global supply chain which further adversely impacted auto manufacturers globally.
- High volatility in material prices have caused a major impact on production costs, as material pricing accounts for major part of manufacturing costs. If the high commodity prices continue, auto makers will be required to further increase prices to pass on the cost to the end user. This may cause further delay in demand recovery.



Macro-economic factors

- Increasing domestic customer base and favorable demographics: There has been a 3x increase in average household income from \$6,393 in 2010 to \$18,448 in 2020. By 2030, India is expected to move from being an economy led by the bottom of the pyramid, to one led by the middle class. Nearly 80% of households in 2030 are expected to be middle-income, up from about 50% today which will open up new doors of growth for auto industry.
- Rapid urbanization: Urbanization is a major driving force in India's automotive industry and the share of urbanization in India is estimated to be 33.2% and is expected to reach 36.2% by 2025, which will prompt the need for more vehicles. By 2050, 60% of Indians are expected to live in cities and the demand for automobiles will be fueled by this growing urbanization.
- Infrastructure support and rising investment by foreign companies: With multiple businesses joining the automotive production and development industry, India is emerging into a worldwide automotive R&D hub. 8% of the country's R&D expenditure is in the automotive sector. The availability of a low-cost workforce, government backing through effective labor laws and other schemes, a well-established IP rights policy, cost benefits in setting up manufacturing facilities, and access to a huge consumer base to provide finished products have been driving investment in India's automobile industry. Investment flows into Electronic Vehicles (EV) start-ups in 2019 (until the end of November) increased nearly 170% to reach USD 397 million



Source: IBEF, Crisil, National Statistics Office, Choice broking research



Vehicle Scrappage policy

In Union Budget 2021-22, the government introduced the voluntary vehicle scrappage policy. The policy aims to reduce India's environmental impact by isolating and recycling cars that don't meet pollution standards. Instead of imposing a limit on the age of the car, the new policy allows cars to be driven for as long as they can meet regulations.

Guidelines for Vehicle Scrappage Policy:

- April 1, 2022 - Fitness testing for government and public-sector undertaking (PSU) vehicles older than 15 years.
- April 1, 2023 - Fitness testing for heavy commercial vehicles older than 15 years. CVs to be de-registered after 15 years in case of failure to get fitness certificate. Increased fee for fitness certificate for CVs after 15 years
- June 1, 2024 - Fitness testing for passenger vehicles older than 20 years. PVs to be de-registered after 20 years in case of failure to get fitness certificate. Higher re-registration fee for PVs after 15 years.

In case a vehicle passes fitness test then a renewal certificate will be issued for five years and owners are mandated to undergo fitness test every five years after renewal. In case of failure in fitness test, such vehicles shall be mandatorily scrapped.

Incentives for scrapping old vehicle:

- Vehicle manufacturers can give up to 5% discount for buying new vehicles.
- Registration fee will be waived for purchase of a new vehicle against the scrapping certificate.
- State government can give up to 25% rebate on road tax for personal vehicles and up to 15% rebate on road tax for commercial vehicles.
- Scrap value equivalent of 4-6% of ex-showroom price of new vehicles.

Vehicles to be exempted:

- Strong hybrid and electric vehicles.
- Vehicles which are using alternative fuels such as CNG, LPG and ethanol.
- Tractors, tillers and harvesters.

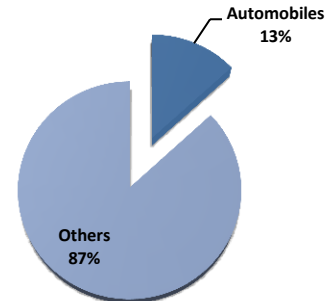
This policy is expected to boost demand for new vehicles after removing old unfit vehicles from roads. As a result of scrappage policy, metal industry particularly steel recycling is also expected to grow.



Production Linked Incentive Scheme

- The Union Cabinet outlaid Rs.25,938cr (US\$ 3.5bn) for automobiles & auto components sector in production-linked incentive (PLI) scheme under the Department of Heavy Industries.
- The PLI scheme will incentivize only makers of advanced automotive technologies or auto components. It is open to both the existing companies as well as new investors.
- An approved applicant shall be eligible for benefits for five consecutive financial years with FY 2020 being treated as the base year for calculation of eligible sales. The government has outlined the eligibility criteria to receive incentives from this scheme. (ref table)
- These incentives have the potential to spur significant investment in the future years and assist the industry in reaching globally competitive sizes in the segments targeted

Allocation to Auto industry from overall PLI Scheme



Eligibility Criteria	Auto OEM	Auto-component
Minimum Group Revenue	Rs. 10,000cr	Rs. 500cr
Minimum Investment	Rs. 3,000cr	Rs. 150cr

Source: Ministry of Heavy industries, Choice broking research



PLI Scheme for Semi-Conductors

- The government of India has approved a Rs. 76,000cr scheme to boost semiconductor and display manufacturing in the country. The scheme came at a time when the entire world was witnessing severe crunch of semiconductors.
- Government plans to set up at least 2 greenfield semiconductor, 2 display fabrication plants and 15 units of Compound Semiconductors and Semiconductor Packaging under this scheme.
- Under the plan, the government would extend fiscal support of up to 50% of a project's cost to eligible display & semiconductor fabricators.
- The scheme will include provision for 25% incentives on capital expenditure for establishing unit of Compound Semiconductor Wafer Fabrication (Fab), assembly, testing, and packaging facility.
- Under Design Linked Incentive (DLI) scheme, support will be provided to 100 domestic companies of semiconductor design for Integrated Circuits (ICs), Chipsets, System on Chips (SoCs), Systems & IP Cores and semiconductor linked design. The DLI scheme will offer incentive of up to 50 per cent of eligible expenditure and product deployment linked incentive of 6-4 per cent on net sales for five years.
- The scheme is unlikely to solve the problem of chip shortage in the industry in the short term but in the long run it is expected to position India as a global hub for hi-tech chip production and decrease its dependency on imports from other countries for chips.

Shift to Electric Vehicles

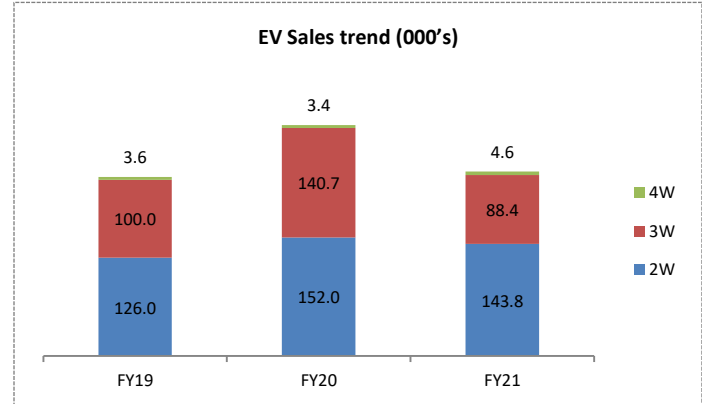


At the moment, the global automotive industry is undergoing a paradigm shift in order to transition to alternative/less energy-intensive choices. India, too, is investing in the transition to electric mobility.

The burden of oil imports, rising pollution, and as well as international commitments to combat global climate change are among key factors motivating India's recent policies to speed up the transition to e-mobility.

In India, light electric mobility is predicted to lead the EV growth story, with adoption of 2Ws and 3Ws expected to accelerate in the coming years. Given their economic feasibility, both in terms of price and fuel economy, 2Ws dominate EV sales in India.

A limited number of devices, hefty pricing, insufficient battery promise, low performance, and an inadequate charging infrastructure are some of the issues currently present in the 4W EV market. Due to these roadblocks, EV 4W sales are projected to lag behind other sectors, with sales ramping up after the existing gaps are filled.



Penetration	FY19	FY20	FY21
2W	0.59%	0.87%	0.95%
3W	14.3%	22.1%	40.9%*
4W	0.08%	0.10%	0.14%

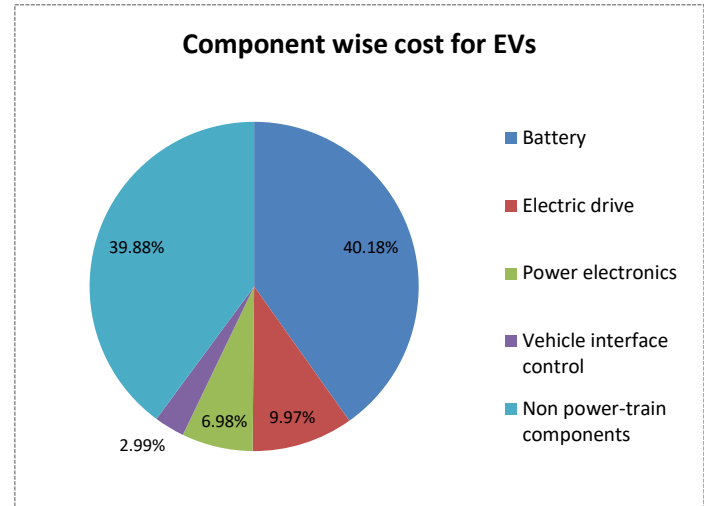
*Note: Higher penetration for 3W in FY21 is due to low overall vehicle sales during the period

Source: SMEV, SIAM, Choice broking research



Cost Structure of an Electric Vehicle

- When compared to a conventional car with equal attributes and performance, the cost of an electric vehicle is currently higher. The high cost of the battery, which accounts for roughly 40% of the total EV cost, is one of the key reasons for this.
- Although battery prices have decreased significantly over the previous decade, they still remain at a level that makes cost parity between EVs and conventional vehicles difficult to achieve.
- It is expected that battery share in total EV cost will come down as further innovations happen in this space which may increase the affordability of electric vehicles



Source: Niti Aayog, Choice broking research

Shift towards Lithium-Iron-Phosphate (LFP) batteries

- There has been continuous development happening in the battery technology for EV space, increasingly we can witness a shift to Lithium-Iron-Phosphate batteries from Lithium-ion batteries. The primary reason for this shift is that they're not dependent on ultra-scarce and price-volatile raw materials like cobalt and nickel which makes them relatively cheaper compared to Lithium-ion batteries. However, LFP battery cells are less energy dense which means they offer lower range for the same weight as other cells.
- China has complete dominance in LFP battery production due to series of key patents they hold. These are due to expire in 2022 which could give battery manufacturers outside China time to start shifting some of their production toward iron-based formulas.



Faster Adoption and Manufacturing of Hybrid and Electric vehicle (FAME) Scheme

- The subsidy program was launched in April 2019 to encourage the adoption of electric vehicles in India. The scheme provides demand incentives for electric 2Ws, 3Ws (including e-rickshaws), 4Ws, and buses, with a total outlay of Rs. 100bn distributed between FY20-22.
- The scheme was further extended by the government to March 21, 2024 and it also increased the demand incentive for electric two-wheelers to Rs. 15,000/KWh as compared to Rs. 10,000/KWH earlier, while capping incentives at 40% of the cost of the vehicle as against 20% earlier.
- While the incentives in the e-3W, e-4W, and e-bus segments will be limited to vehicles utilized for public transportation or those registered for commercial purposes but for e-2W segment the incentive will be available for privately owned vehicles as well.
- The incentive comes in the form of a reduced purchase price upfront to encourage more people to buy electric vehicles. The amount of the incentive is determined by the capacity of the vehicle's battery. The plan also calls for the creation of a charging station network across the country. The FAME scheme is expected to drive faster adoption of EV's in the country.

Investment Roll out plan	2 Wheelers	E-rickshaws	Electric 4W	Strong hybrid 4w	E-buses
Number of Vehicles	10,00,000	5,00,000	35,000	20,000	7,090
Size of battery in KWH	2	5	15	1.3	250
Incentive per vehicle (Rs)	30,000	50,000	1,50,000	13,000	50,00,000
Total incentives (Rs. Cr)	3,000	2,500	525	26	3,545
Max price for incentive (Rs)	1,50,000	5,00,000	15,00,000	15,00,000	2,00,00,000
Demand Incentives	15,000/KWh and cap at 40% of total cost of vehicle	10,000/KWh and cap at 20% of total cost of vehicle	10,000/KWh and cap at 20% of total cost of vehicle	10,000/KWh and cap at 20% of total cost of vehicle	20,000/KWh and cap at 40% of total cost of vehicle

Source: Ministry of Heavy Industries, Choice broking research

Initiatives in EV Space



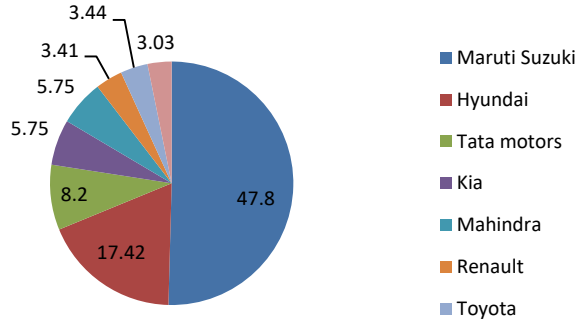
Company	Key EV models	Key initiatives
Mahindra Electric	eSupro e20 plus eVerito	<ul style="list-style-type: none"> •Has joined hands with Meru cabs to deploy electric vehicle •Signs MoU with government of Maharashtra for EV manufacture and deployment
Tata Motors	Nexon EV Tigor EV	<ul style="list-style-type: none"> •Announced to separate its passenger vehicle arm from the commercial vehicle wings and merges Electric and Passenger car entities •TPG group has invested \$1 billion in EV division of Tata Motors
Maruti Suzuki	WagonR EV	<ul style="list-style-type: none"> •Announced partnership with Denso and Toshiba for Li battery technology •Partnered with Toyota Motor to benefit from its electric car technology for Indian market
Bajaj Auto	Chetak	<ul style="list-style-type: none"> •Has setup a new subsidiary company to handle it's electric vehicle business •Launched it's first EV, Chetak, in January 2020
TVS	iQube	<ul style="list-style-type: none"> •Plans to setup a wholly owned subsidiary to undertake its electric mobility business •Plans to expand its electric vehicle portfolio in the coming years in a phased manner
Eicher Motors	E-buses	<ul style="list-style-type: none"> •VE Commercial Vehicles (VECV), a joint venture of Volvo and Eicher, is developing a new line of products, including a complete range of electric vehicles for public transportation •Plans on launching Royal Enfield electric bike
Ashok Leyland	-	<ul style="list-style-type: none"> •Plans on doing it's EV push through UK-based Switch Mobility-a combined entity of Ashok Leyland's electric CV operation and the erstwhile Optare of the UK •Switch Mobility will be launching its first electric light commercial vehicle (e-LCV) in India by the end of December
Atul Auto	Elite Cargo	<ul style="list-style-type: none"> •Plans to develop Lithium-ion Battery Packs from its wholly owned subsidiary

Source: Company, Choice broking research

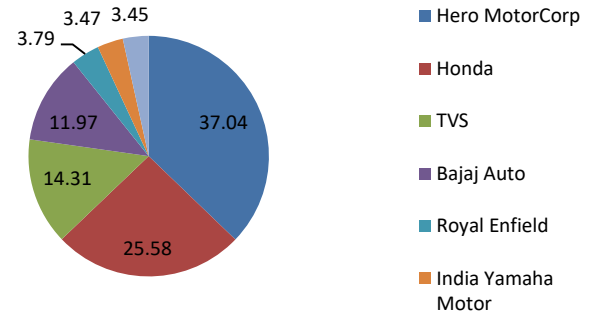
Market Share across segments



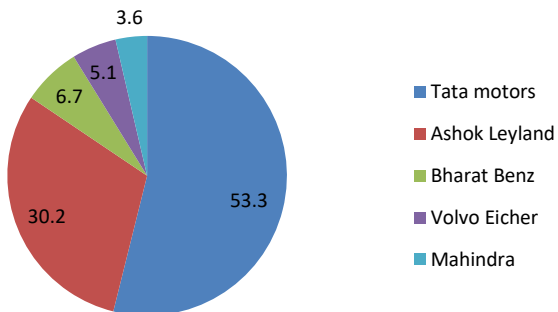
Market Share of PVs



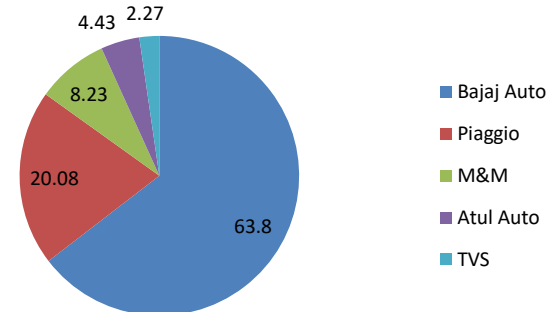
Market Share of 2 wheelers



Market Share of CVs



Market Share of 3 Wheelers



Source: SIAM, Choice broking research

TTM Peer comparison



2W and 3W companies

Companies	CMP	ROE	M. Cap (Rs. Cr)	EPS	BVPS	EBIDTA Margin (%)	NPM (%)			
Atul Auto Ltd.	192	-4.9%	421	-6.5	131.7	-4.1%	-4.7%			
Bajaj Auto Ltd.	3353	24.0%	97023	223.9	933.8	17.6%	19.8%			
Eicher Motors Ltd.	2766	14.5%	75633	61.0	422.0	21.6%	16.9%			
Hero MotoCorp Ltd.	2501	18.5%	49970	145.2	786.7	13.1%	8.9%			
TVS Motor Company Ltd.	636	20.6%	30237	17.4	84.5	11.5%	3.5%			
Average		14.5%				12.0%	8.9%			
Companies	P/E (x)	P/Bv (x)	P/Sales(x)	EV/Sales	EV/EBIDTA (x)	D/E	PAT(Rs. Cr)	EBIDTA(Rs. Cr)	Sales (Rs. Cr)	
Atul Auto Ltd.	-	1.5	1.4	1.9	-	0.6	-14	-12	304	
Bajaj Auto Ltd.	15.0	3.6	3.0	2.9	16.7	0.0	6478	5769	32745	
Eicher Motors Ltd.	45.3	6.6	7.6	7.3	33.8	0.0	1669	2139	9900	
Hero MotoCorp Ltd.	17.2	3.2	1.5	1.5	11.7	0.0	2902	4280	32558	
TVS Motor Company Ltd.	36.6	7.5	1.3	1.6	14.1	2.3	825	2686	23400	
Average	28.5	4.5	3.0	3.1	19.1	0.6				

PV & CV companies

Companies	CMP	ROE	M. Cap (Rs. Cr)	EPS	BVPS	EBIDTA Margin (%)	NPM (%)			
Ashok Leyland Ltd.	132	-0.1%	38705	0.0	25.5	11.3%	0.0%			
Escorts Ltd.	1885	17.0%	25416	67.0	394.3	15.1%	11.8%			
Force Motors Ltd.	1265	-4.3%	1667	-59.3	1389.4	2.7%	-2.9%			
Mahindra & Mahindra Ltd.	844	9.6%	104907	33.2	346.8	15.9%	4.9%			
Maruti Suzuki India Ltd.	7801	8.0%	235662	139.0	1730.2	7.3%	5.2%			
SML Isuzu Ltd.	668	-56.2%	966	-75.4	134.1	-6.1%	-14.1%			
Tata Motors Ltd.	491	-30.4%	162961	-40.9	134.6	11.6%	-4.7%			
V.S.T. Tillers Tractors Ltd.	2825	14.1%	2440	115.7	817.6	12.3%	12.1%			
Average		-5.3%				8.7%	1.5%			
Companies	P/E (x)	P/Bv (x)	P/Sales(x)	EV/Sales	EV/EBIDTA (x)	D/E	PAT(Rs. Cr)	EBIDTA(Rs. Cr)	Sales (Rs. Cr)	
Ashok Leyland Ltd.	-	5.2	1.6	2.6	23.1	3.3	-10	2674	23643	
Escorts Ltd.	28.1	4.8	3.3	3.3	21.8	0.0	903	1153	7647	
Force Motors Ltd.	-	0.9	0.6	0.9	34.6	0.5	-78	72	2685	
Mahindra & Mahindra Ltd.	25.4	2.4	1.3	2.0	12.8	1.8	4127	13284	83724	
Maruti Suzuki India Ltd.	56.1	4.5	2.9	2.9	39.5	0.0	4200	5898	81301	
SML Isuzu Ltd.	-	5.0	1.2	1.6	-	1.8	-109	-48	775	
Tata Motors Ltd.	-	3.6	0.6	0.9	8.1	3.2	-13591	33547	288623	
V.S.T. Tillers Tractors Ltd.	24.4	3.5	3.0	2.9	23.9	0.0	100	101	825	
Average	33.5	3.7	1.8	2.2	23.4	1.3				



MARUTI SUZUKI INDIA LTD (MSIL)

MSIL is the market leader in the domestic passenger vehicle segment. The company has two state-of-the-art manufacturing facilities located in Gurugram and Manesar in Haryana, capable of producing around 1.5mn units per annum.

- With key raw material prices sustaining at elevated levels, we feel that the company and sector will continue to experience the raw material prices headwinds. MSIL being the market leader in the passenger vehicle space, would be able to subsidize raw material costs by taking calibrated price hikes.
- Booking or sales enquires seems to be good, but supplies are getting hampered by chip shortage. We are cautiously optimistic that chip crisis may start subsidizing from Q4 FY22 and near normalcy attaining from FY23.
- The second phase of BS6 norms, which will come into effect from Apr. 2022. will force OEMs to further reduce emission levels. With inadequate EV infrastructure available, focus on CNG and hybrid vehicles would reduce the emission levels to the desired levels. MSIL is the leading CNG vehicle maker in the country, in FY21, it has achieved highest ever sales of CNG vehicles. Consumers shifting to CNG cars will be big positive for the company.

EICHER MOTORS LTD (EICHER)

Eicher is the owner of the iconic Royal Enfield (RE) brand. A global leader in the mid-sized motorcycle segment (250cc - 750cc). The company has three state-of-the-art manufacturing facilities around Chennai. The company also has a joint venture with Sweden's AB Volvo - for commercial vehicles.

- Eicher is the market leader with 96% share in the India's mid-size motorcycles segment. We expect the company to retain its leadership position in motorcycles, driven by product innovations and its attractive brand positioning.
- While domestic demand remains sluggish, exports sales are promising. The company is seeing increased traction in its commercial vehicle segment, which has yet to witness a broad based recovery in demand.
- Realizations are improving on the back of improving product mix. However, margins are constrained due to higher raw material costs and supply chain blockages. We expect margins to improve in the future as supply constraints and raw material pricing pressure subsides.

TATA MOTORS LTD (TML)

Tata Motors is a leading global automobile manufacturer. Part of the illustrious Tata group, it offers a wide and diverse portfolio of passenger and commercial vehicles. It has operations worldwide through a strong global network of subsidiaries, associate companies and Joint Ventures (JVs), including Jaguar Land Rover in the UK and Tata Daewoo in South Korea.

- TML is consistently gaining market share in the passenger vehicle segment, on the back of successful new launches (Harrier, Safari, Punch). In Dec 2021, Tata motors regained the number 2 spot in sales volumes . We expect the company to continue gaining market share through innovative launches.
- TML is focusing on the EV segment. With a host of new launches planned over the coming decade, we expect the company to be a market leader in the EV space. Private equity firm TPG Rise Climate has infused USD1bn in the passenger vehicle segment of TML to further drive EV innovation.
- In near term, company's performance is expected to remain under pressure amid ongoing global semiconductor shortage and higher commodity prices, though these factors are likely to be short lived. With receding impact of Covid-19, company is placed well to benefit in long term. Strong order book in both JLR and domestic business to drive growth.



- The Indian auto industry has been witnessing testing times over the past few years. Automobile sales have been declining from 2018 due to various issues the industry faced like NBFC crisis and economy down.
- Covid-19 further worsened the situation for automobile industry. The pandemic and consequent lockdowns cost the Indian automotive industry around USD 328 million in daily turnover and nearly 3.5 lakh people lost jobs in the industry
- Despite the ongoing COVID-19 challenge, the Indian automotive industry appears to be overcoming most of its challenges. New tailwinds, such as global supply-chain rebalancing, government incentives to boost exports and technology disruptions that creates opportunities are also helping the sector to grow. These improvements will assist in the creation of opportunities across the automotive value chain.
- In India, we expect the light electric mobility to lead the EV growth story, with adoption of 2Ws and 3Ws expected to accelerate in the coming years due to their economic feasibility. A limited number of devices, hefty pricing, insufficient battery promise, low performance, and an inadequate charging infrastructure are some of the issues currently present in the 4W EV market. Due to these roadblocks, EV 4W sales are expected to lag behind other sectors.
- We expect the Indian automotive industry to witness upswing in sales due to increasing focus on digital services offering and rapidly expanding EV market. Also post Covid-19 there has been a shift away from shared mobility to affordable personal mobility due to health and hygiene issues which will further boost the automotive sales.
- According to Crisil, India's GDP is forecasted to grow at 9.5% in FY22. Automobile sales is expected to increase based on positive outlook for the economy. Various initiatives taken by GOI like Vehicle Scrappage Policy, PLI scheme and FAME scheme to boost the demand for automobile industry in coming years.



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