

## AUTOMOBILES

02 March 2020

### Feb'20 Auto Sales – Weak for most segments; PVs, tractors ahead

Feb'20 volume growth remained negative for most key segments, barring tractors. In addition to wholesale volume pressures from soft demand and destocking ahead of BS-VI, a few players witnessed production constraints due to supply disruptions in China-sourced components. PV growth stayed negative but MSIL's performance was resilient. Stress on 2W and MHCV wholesale volumes continued led by BS-IV inventory correction efforts. We continue to prefer PVs over 2Ws and CVs; MSIL and EIM are top picks and AL is a SELL.

Navin Matta | Nishant Chowhan, CFA  
 research@bobcaps.in

**MSIL resilient in PV segment:** Domestic PV sales declined by an estimated 5-7% YoY in Feb'20. Maruti Suzuki's (MSIL) domestic PV sales dipped 2% YoY (vs. double-digit declines for several peers), while exports rose 7%. Its compact segment volumes (-4% YoY) were likely hit by the discontinuation of diesel wholesale volumes. UV sales (+4% YoY) saw a healthy 37% MoM rise led by 'Vitara Brezza' (petrol) stocking. M&M's (MM) PV sales dropped 58% YoY with management citing challenges in parts supply from China due to Covid-19. Tata Motors' (TTMT) PV volumes fell 31% YoY. Among other major PV OEMs, domestic sales for Hyundai/Toyota/Honda slid 7%/12%/47% YoY.

**Domestic 2W sales remain tepid:** Domestic 2W sales continue to flounder due to (1) weak underlying demand, (2) ongoing BS-IV destocking effect, and (3) production constraints for BS-VI vehicles given supply disruptions from China. Domestic 2W volumes for Bajaj Auto (BJUAT) and TVS Motor (TVSL) declined 21% and 27% YoY respectively, partly offset by healthy export volume growth. Royal Enfield (RE) volumes rose 1% YoY led by a good response to its BS-VI motorcycles.

**CV volumes still under pressure:** MHCV volumes continue to falter with a lack of notable pre-buying. TTMT's domestic CV sales dropped 35% YoY as MHCV sales plunged 46% due to the weak macro climate. Ashok Leyland's (AL) domestic sales also fell 39% YoY led by a 47% fall in MHCVs. VECV volumes dropped 29% YoY.

**Tractor sales strong:** MM's tractors sales rose 19% YoY with domestic volume growth of 21% while sales for Escorts (ESC) also grew 19%. YTD tractor sales for MM/ESC are down 7%/5% YoY. Healthy monsoons and the rabi sowing trend should support volume growth in FY21.

#### RECOMMENDATION SNAPSHOT

Ticker	Price	Target	Rating
AL IN	75	64	SELL
BJAUT IN	2,792	3,560	ADD
EIM IN	17,013	25,000	BUY
HMCL IN	1,975	2,360	REDUCE
MM IN	462	600	ADD
MSIL IN	6,300	8,825	BUY
TTMT IN	125	212	ADD
TVSL IN	419	475	REDUCE

Price & Target in Rupees

#### SALES SNAPSHOT

Ticker	Volume	YoY (%)	MoM (%)
AL IN	11,475	(37)	(3)
BJAUT IN	354,913	(10)	(10)
EIM IN*	68,122	(1)	(1)
MM IN	55,037	(27)	(27)
MSIL IN	147,110	(1)	(5)
TVSL IN	253,261	(15)	8
TTMT IN	40,516	(33)	(15)

Source: Company | \*RE & VECV combined



## Four-wheelers

### FIG 1 – ASHOK LEYLAND

Company Sales	Feb'20	Feb'19	Jan'20	YoY (%)	MoM (%)	YTD FY20	YTD FY19	YTD (%)
<b>Ashok Leyland</b>	<b>11,475</b>	<b>18,245</b>	<b>11,850</b>	<b>(37.1)</b>	<b>(3.2)</b>	<b>123,074</b>	<b>175,831</b>	<b>(30.0)</b>
<b>Domestic sales</b>	<b>10,612</b>	<b>17,352</b>	<b>10,850</b>	<b>(38.8)</b>	<b>(2.2)</b>	<b>114,543</b>	<b>164,544</b>	<b>(30.4)</b>
HCVs – Domestic	6,745	12,621	6,949	(46.6)	(2.9)	69,923	116,701	(40.1)
LCVs – Domestic	3,867	4,731	3,901	(18.3)	(0.9)	44,623	47,843	(6.7)
<b>Exports</b>	<b>863</b>	<b>893</b>	<b>1,000</b>	<b>(3.4)</b>	<b>(13.7)</b>	<b>15,319</b>	<b>10,971</b>	<b>39.6</b>

Source: Company, BOBCAPS Research

### FIG 2 – VE COMMERCIAL VEHICLES

Company Sales	Feb'20	Feb'19	Jan'20	YoY (%)	MoM (%)	YTD FY20	YTD FY19	YTD (%)
<b>VECV</b>	<b>4,586</b>	<b>6,428</b>	<b>5,544</b>	<b>(28.7)</b>	<b>(17.3)</b>	<b>48,044</b>	<b>64,292</b>	<b>(25.3)</b>
<b>VECV – Domestic</b>	<b>4,022</b>	<b>5,497</b>	<b>5,027</b>	<b>(26.8)</b>	<b>(19.1)</b>	<b>43,543</b>	<b>55,498</b>	<b>(21.5)</b>
LMD	2,520	3,717	3,230	(32.2)	(22.0)	28,870	38,404	(24.8)
Bus	1,140	1,064	1,219	7.1	(6.5)	10,408	10,196	2.1
HD	779	1,487	939	(47.6)	(17.0)	7,682	14,597	(47.4)
VTI	147	160	156	(8)	(6)	1,084	1,095	(1)
<b>VECV – Exports</b>	<b>564</b>	<b>931</b>	<b>517</b>	<b>(39)</b>	<b>9</b>	<b>4,501</b>	<b>8,794</b>	<b>(49)</b>

Source: Company, BOBCAPS Research

### FIG 3 – MARUTI SUZUKI

Company Sales	Feb'20	Feb'19	Jan'20	YoY (%)	MoM (%)	YTD FY20	YTD FY19	YTD (%)
<b>Maruti Suzuki</b>	<b>147,110</b>	<b>148,682</b>	<b>154,123</b>	<b>(1.1)</b>	<b>(4.6)</b>	<b>1,479,505</b>	<b>1,704,373</b>	<b>(13.2)</b>
Mini	27,499	24,751	25,885	11.1	6.2	231,788	362,212	(36.0)
Compact	69,828	72,678	84,340	(3.9)	(17.2)	747,291	779,272	(4.1)
Sale to other OEMs	2,699	0	2,249	NA	20.0	22,898	0	NA
Mid-Size	2,544	3,084	835	(17.5)	204.7	23,395	42,497	(44.9)
LCVs	448	2,188	2,406	(79.5)	(81.4)	21,042	21,292	(1.2)
UVs	22,604	21,834	16,460	3.5	37.3	223,394	238,634	(6.4)
Vans	11,227	14,565	12,324	(22.9)	(8.9)	112,438	162,168	(30.7)
Exports	10,261	9,582	9,624	7.1	6.6	97,459	98,286	(0.8)

Source: Company, BOBCAPS Research

### FIG 4 – MAHINDRA & MAHINDRA

Company Sales	Feb'20	Feb'19	Jan'20	YoY (%)	MoM (%)	YTD FY20	YTD FY19	YTD (%)
<b>Mahindra &amp; Mahindra</b>	<b>55,037</b>	<b>74,983</b>	<b>75,662</b>	<b>(26.6)</b>	<b>(27.3)</b>	<b>747,125</b>	<b>843,941</b>	<b>(11.5)</b>
<b>Total Automotive</b>	<b>32,476</b>	<b>56,005</b>	<b>52,546</b>	<b>(42.0)</b>	<b>(38.2)</b>	<b>468,642</b>	<b>545,645</b>	<b>(14.1)</b>
Automotive – Domestic	30,637	52,915	50,785	(42.1)	(39.7)	442,170	510,989	(13.5)
Automotive – Exports	1,839	3,090	1,761	(40.5)	4.4	26,472	34,656	(23.6)
<b>Total Tractors</b>	<b>22,561</b>	<b>18,978</b>	<b>23,116</b>	<b>18.9</b>	<b>(2.4)</b>	<b>278,483</b>	<b>298,296</b>	<b>(6.6)</b>
Tractors - Domestic	21,877	18,105	22,329	20.8	(2.0)	278,483	298,296	(6.6)
Tractors - Exports	684	873	787	(21.6)	(13.1)	9,819	12,452	(21.1)

Source: Company, BOBCAPS Research

**FIG 5 – TATA MOTORS**

Company Sales	Feb'20	Feb'19	Jan'20	YoY (%)	MoM (%)	YTD FY20	YTD FY19	YTD (%)
<b>Tata Motors</b>	<b>40,516</b>	<b>60,151</b>	<b>47,862</b>	<b>(32.6)</b>	<b>(15.3)</b>	<b>460,477</b>	<b>657,262</b>	<b>(29.9)</b>
Domestic CVs	25,572	39,111	31,348	(34.6)	(18.4)	305,519	417,775	(26.9)
Domestic PVs	12,430	18,110	13,894	(31.4)	(10.5)	125,521	192,333	(34.7)
Exports	2,514	2,930	2,620	(14.2)	(4.0)	29,437	47,154	(37.6)

Source: Company, BOBCAPS Research

**FIG 6 – ESCORTS**

Company Sales	Feb'20	Feb'19	Jan'20	YoY (%)	MoM (%)	YTD FY20	YTD FY19	YTD (%)
<b>Escorts</b>	<b>8,601</b>	<b>7,240</b>	<b>6,063</b>	<b>18.8</b>	<b>41.9</b>	<b>80,574</b>	<b>84,507</b>	<b>(4.7)</b>
Domestic	8,049	6,918	5,845	16.3	37.7	77,024	81,892	(5.9)
Exports	552	322	218	71.4	153.2	3,550	2,615	35.8

Source: Company, BOBCAPS Research

## Two-wheelers

**FIG 7 – ROYAL ENFIELD**

Company Sales	Feb'20	Feb'19	Jan'20	YoY (%)	MoM (%)	YTD FY20	YTD FY19	YTD (%)
<b>Royal Enfield</b>	<b>63,536</b>	<b>62,630</b>	<b>63,520</b>	<b>1.4</b>	<b>0.0</b>	<b>660,015</b>	<b>765,267</b>	<b>(13.8)</b>
upto 350cc	57,292	57,029	59,200	0.5	(3.2)	593,657	712,808	(16.7)
above 350cc	6,244	5,601	4,320	11.5	44.5	70,459	52,459	34.5

Source: Company, BOBCAPS Research

**FIG 8 – TVS MOTORS**

Company Sales	Feb'20	Feb'19	Jan'20	YoY (%)	MoM (%)	YTD FY20	YTD FY19	YTD (%)
<b>TVS Motor</b>	<b>253,261</b>	<b>299,353</b>	<b>234,920</b>	<b>(15.4)</b>	<b>7.8</b>	<b>3,118,729</b>	<b>3,588,418</b>	<b>(13.1)</b>
Motorcycles	118,514	122,551	94,367	(3.3)	25.6	1,296,906	1,418,211	(8.6)
Scooters	60,633	86,935	72,383	(30.3)	(16.2)	1,041,028	1,202,599	(13.4)
Mopeds	56,744	76,125	53,689	(25.5)	5.7	617,635	825,618	(25.2)
<b>Three-wheelers</b>	<b>17,370</b>	<b>13,742</b>	<b>14,481</b>	<b>26.4</b>	<b>20.0</b>	<b>163,160</b>	<b>141,990</b>	<b>14.9</b>

Source: Company, BOBCAPS Research

**FIG 9 – BAJAJ AUTO**

Company Sales	Feb'20	Feb'19	Jan'20	YoY (%)	MoM (%)	YTD FY20	YTD FY19	YTD (%)
<b>Bajaj Auto</b>	<b>354,913</b>	<b>393,089</b>	<b>394,473</b>	<b>(9.7)</b>	<b>(10.0)</b>	<b>4,372,637</b>	<b>4,626,152</b>	<b>(5.5)</b>
Domestic Motorcycles	146,876	186,523	157,796	(21.3)	(6.9)	1,979,936	2,321,107	(14.7)
Motorcycles Exports	163,346	141,462	174,546	15.5	(6.4)	1,756,656	1,592,228	10.3
<b>Total Two-Wheelers</b>	<b>310,222</b>	<b>327,985</b>	<b>332,342</b>	<b>(5.4)</b>	<b>(6.7)</b>	<b>3,736,592</b>	<b>3,913,335</b>	<b>(4.5)</b>
Domestic Three-Wheelers	21,871	35,183	35,076	(37.8)	(37.6)	347,630	360,480	(3.6)
Three-Wheelers Exports	22,820	29,921	27,055	(23.7)	(15.7)	288,415	352,337	(18.1)
<b>Total Three-Wheelers</b>	<b>44,691</b>	<b>65,104</b>	<b>62,131</b>	<b>(31.4)</b>	<b>(28.1)</b>	<b>636,045</b>	<b>712,817</b>	<b>(10.8)</b>

Source: Company, BOBCAPS Research

## Disclaimer

### Recommendations and Absolute returns (%) over 12 months

**BUY** – Expected return >+15%

**ADD** – Expected return from >+5% to +15%

**REDUCE** – Expected return from -5% to +5%

**SELL** – Expected return <-5%

**Note:** Recommendation structure changed with effect from 1 January 2018 (Hold rating discontinued and replaced by Add / Reduce)

### Rating distribution

As of 29 February 2020, out of 85 rated stocks in the BOB Capital Markets Limited (BOBCAPS) coverage universe, 50 have BUY ratings, 17 are rated ADD, 9 are rated REDUCE and 9 are rated SELL. None of these companies have been investment banking clients in the last 12 months.

### Analyst certification

The research analyst(s) authoring this report hereby certifies that (1) all of the views expressed in this research report accurately reflect his/her personal views about the subject company or companies and its or their securities, and (2) no part of his/her compensation was, is, or will be, directly or indirectly, related to the specific recommendation(s) or view(s) in this report. Analysts are not registered as research analysts by FINRA and are not associated persons of BOBCAPS.

### General disclaimers

BOBCAPS is engaged in the business of Institutional Stock Broking and Investment Banking. BOBCAPS is a member of the National Stock Exchange of India Limited and BSE Limited and is also a SEBI-registered Category I Merchant Banker. BOBCAPS is a wholly owned subsidiary of Bank of Baroda which has its various subsidiaries engaged in the businesses of stock broking, lending, asset management, life insurance, health insurance and wealth management, among others.

BOBCAPS's activities have neither been suspended nor has it defaulted with any stock exchange authority with whom it has been registered in the last five years. BOBCAPS has not been debarred from doing business by any stock exchange or SEBI or any other authority. No disciplinary action has been taken by any regulatory authority against BOBCAPS affecting its equity research analysis activities.

BOBCAPS has obtained registration as a Research Entity under SEBI (Research Analysts) Regulations, 2014, having registration No.: INH000000040 valid till 03 February 2020. BOBCAPS is also a SEBI-registered intermediary for the broking business having SEBI Single Registration Certificate No.: INZ000159332 dated 20 November 2017.

BOBCAPS prohibits its analysts, persons reporting to analysts, and members of their households from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover. Additionally, BOBCAPS prohibits its analysts and persons reporting to analysts from serving as an officer, director, or advisory board member of any companies that the analysts cover.

Our salespeople, traders, and other professionals may provide oral or written market commentary or trading strategies to our clients that reflect opinions contrary to the opinions expressed herein, and our proprietary trading and investing businesses may make investment decisions that are inconsistent with the recommendations expressed herein. In reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest. Additionally, other important information regarding our relationships with the company or companies that are the subject of this material is provided herein.

This material should not be construed as an offer to sell or the solicitation of an offer to buy any security in any jurisdiction where such an offer or solicitation would be illegal. We are not soliciting any action based on this material. It is for the general information of BOBCAPS's clients. It does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients. Before acting on any advice or recommendation in this material, clients should consider whether it is suitable for their particular circumstances and, if necessary, seek professional advice.

The price and value of the investments referred to in this material and the income from them may go down as well as up, and investors may realize losses on any investments. Past performance is not a guide for future performance, future returns are not guaranteed and a loss of original capital may occur. BOBCAPS does not provide tax advice to its clients, and all investors are strongly advised to consult with their tax advisers regarding any potential investment in certain transactions — including those involving futures, options, and other derivatives as well as non-investment-grade securities — that give rise to substantial risk and are not suitable for all investors. The material is based on information that we consider reliable, but we do not represent that it is accurate or complete, and it should not be relied on as such. Opinions expressed are our current opinions as of the date appearing on this material only. We endeavour to update on a reasonable basis the information discussed in this material, but regulatory, compliance, or other reasons may prevent us from doing so.

We and our affiliates, officers, directors, and employees, including persons involved in the preparation or issuance of this material, may from time to time have “long” or “short” positions in, act as principal in, and buy or sell the securities or derivatives thereof of companies mentioned herein and may from time to time add to or dispose of any such securities (or investment). We and our affiliates may act as market makers or assume an underwriting commitment in the securities of companies discussed in this document (or in related investments), may sell them to or buy them from customers on a principal basis, and may also perform or seek to perform investment banking or advisory services for or relating to these companies and may also be represented in the supervisory board or any other committee of these companies.

For the purpose of calculating whether BOBCAPS and its affiliates hold, beneficially own, or control, including the right to vote for directors, one per cent or more of the equity shares of the subject company, the holdings of the issuer of the research report is also included.

BOBCAPS and its non-US affiliates may, to the extent permissible under applicable laws, have acted on or used this research to the extent that it relates to non-US issuers, prior to or immediately following its publication. Foreign currency denominated securities are subject to fluctuations in exchange rates that could have an adverse effect on the value or price of or income derived from the investment. In addition, investors in securities such as ADRs, the value of which are influenced by foreign currencies, effectively assume currency risk. In addition, options involve risks and are not suitable for all investors. Please ensure that you have read and understood the Risk disclosure document before entering into any derivative transactions.

In the US, this material is only for Qualified Institutional Buyers as defined under rule 144(a) of the Securities Act, 1933. No part of this document may be distributed in Canada or used by private customers in the United Kingdom.

No part of this material may be (1) copied, photocopied, or duplicated in any form by any means or (2) redistributed without BOBCAPS's prior written consent.

#### **Company-specific disclosures under SEBI (Research Analysts) Regulations, 2014**

The research analyst(s) or his/her relatives do not have any material conflict of interest at the time of publication of this research report.

BOBCAPS or its research analyst(s) or his/her relatives do not have any financial interest in the subject company. BOBCAPS or its research analyst(s) or his/her relatives do not have actual/beneficial ownership of one per cent or more securities in the subject company at the end of the month immediately preceding the date of publication of this report.

The research analyst(s) has not received any compensation from the subject company in the past 12 months. Compensation of the research analyst(s) is not based on any specific merchant banking, investment banking or brokerage service transactions.

BOBCAPS or its research analyst(s) is not engaged in any market making activities for the subject company.

The research analyst(s) has not served as an officer, director or employee of the subject company.

BOBCAPS or its associates may have material conflict of interest at the time of publication of this research report.

BOBCAPS's associates may have financial interest in the subject company. BOBCAPS's associates may hold actual / beneficial ownership of one per cent or more securities in the subject company at the end of the month immediately preceding the date of publication of this report.

BOBCAPS or its associates may have managed or co-managed a public offering of securities for the subject company or may have been mandated by the subject company for any other assignment in the past 12 months.

BOBCAPS may have received compensation from the subject company in the past 12 months. BOBCAPS may from time to time solicit or perform investment banking services for the subject company. BOBCAPS or its associates may have received compensation from the subject company in the past 12 months for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory services in a merger or specific transaction. BOBCAPS or its associates may have received compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past 12 months.