

FIRST LIGHT

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RESEARCH

Automobiles

4Ws hit by chip shortage; good pickup in CVs

SUMMARY

Automobiles

- 4W sales weak in September due to chip crisis though TTMT did well. BJAUT's 2W volumes fell 11% YoY while 3Ws recovered
- CV sales reviving from a low base with LCVs close to pre-Covid levels but MHCVs yet to catch up. Tractor volumes fell on a high base
- SUV launches expected across price points. EV sales hit new high of 36k+ units

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Daily macro indicators

Indicator	Current	2D (%)	1M (%)	12M (%)
US 10Y yield (%)	1.49	(3bps)	21bps	81bps
India 10Y yield (%)	6.22	2bps	0bps	23bps
USD/INR	74.24	(0.1)	(1.3)	(1.5)
Brent Crude (US\$/bbl)	78.52	(0.2)	7.0	91.8
Dow	33,844	(1.6)	(4.4)	21.7
Shanghai	3,568	0.9	1.1	10.9
Sensex	59,126	(0.5)	3.9	52.8
India FII (US\$ mn)	29-Sep	MTD	CYTD	FYTD
FII-D	(35.0)	1,522.0	108.1	2,135.4
FII-E	181.2	1,407.7	8,798.2	1,471.9

Source: Bloomberg



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- **CV sales reviving from a low base with LCVs close to pre-Covid levels but MHCVs yet to catch up. Tractor volumes fell on a high base**
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4W: Due to the chip shortage, September domestic sales fell YoY for MSIL (-55%) and MM (-12%) but TTMT (+21%) saw higher volumes. MSIL's relatively smaller export pie surged 124% off a low base. Q2FY22 sales for MSIL fell 4%; MM/TTMT grew 53%/ 27% YoY. Demand trends are hard to gauge as the chip crisis has constrained production.

2W: Domestic sales for the month were down 21% for BJAUT (exports up 1%), with total sales declining 11% YoY. Conversely, TVSL posted a 1% increase in domestic sales and a 24% rise in exports, taking total volumes up 6% YoY. Overall Q2 sales for BJAUT and TVSL grew 7% and 4% YoY respectively.

3W: Domestic 3W sales for September rose YoY for BJAUT (+99%) and MM (+408%) against a low base. TVSL too saw a 2% YoY rise. Exports fell 17% for BJAUT and increased 2% for TVSL, with total sales up 12% and 2% respectively. Q2 sales for BJAUT/TVSL/MM increased 29%/42%/690%.

CV: TTMT's domestic CV sales increased 30% YoY with MHCVs and LCVs up 60% and 21% respectively. Total sales including exports grew 34% in September with quarterly sales up 57% YoY. AL saw 12% growth in domestic CVs for the month which includes a 39% uptick in MHCVs but a 7% dip in LCVs. The company's total sales including exports grew 14% for the month and 42% for the quarter. LCV volumes for both players have reached pre-Covid levels but MHCVs continue to lag.

Tractors: Domestic tractor sales fell YoY by 8% for MM, 30% for ESC and 23% for VSTT on a high base. Total sales for these three players declined 7%, 26% and 23% respectively for the month and 5%, 14% and 16% for Q2.

EV: Electric vehicle registration hit a record 36k+ units. TTMT sold 1k EVs.

Launches: The Rs 1mn+ SUV category is heating up again with MG planning to launch Astor. This follows the launch of MM XUV700 and VW Taigun. The segment is dominated by Hyundai Creta, Kia Seltos and Toyota Innova at the upper end. TTMT is rolling out its SUV Punch in the sub-Rs 1mn range and MSIL has a new-gen Celerio.

Recommendation snapshot

Ticker	Price	Target	Rating
AL IN	131	80	SELL
BJAUT IN	3,853	3,200	SELL
HMCL IN	2,848	2,900	HOLD
MM IN	828	630	SELL
MSIL IN	7,162	8,000	HOLD
TVSL IN	564	480	SELL

Price & Target in Rupees | Price as of 1 Oct 2021



Disclaimer

Recommendation scale: Recommendations and Absolute returns (%) over 12 months

BUY – Expected return >+15%

HOLD – Expected return from -6% to +15%

SELL – Expected return <-6%

Note: Recommendation structure changed with effect from 21 June 2021

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