

Superlative performance!

The month of September was a very strong month on expected lines. On lower base of last year, a comparatively weak August 2020, and inventory pile up at the dealers' ends (in anticipation of a robust festive season) led to a superlative performance by all the auto majors and in all pockets except MHCVs and 3Ws. Production hit the 100% mark as there was further unlocking of the economy. This led to improvement in sentiments thus further leading to a healthy broad based mom as well as yoy growth. Also pent up demand initiated in May somewhat continued through September as well. Rural markets contributed to this growth handsomely, as the pandemic had a lesser impact on those markets as compared to urban markets. Additionally, due to above normal monsoons (+9%), the farm income has seen a meaningful growth. According to various managements of OEMs, the retail demand has surpassed pre-COVID levels and is expected to move up further positively hereon. We expect the trend of mom growth to continue as time progresses and dust over the pandemic settles down. Unless the COVID cases flare up and there is another round of nationalized/localized lockdowns, the Unlock process will move ahead and we should witness a steady traction in auto sales.

Speaking segment wise, the PV sales, backed by the personal mobility theme and low base, posted strong sales performance as the market leader MSIL posted a very strong 31% yoy growth, out of which the small car and hatchback segments posted 36% and 47% growths respectively. This is due to down-trading as a result of reduction in affordability of consumers led by job losses and salary reduction in the lockdown. Also this can be attributed to the resilience in rural markets. Similar story is for 2W, wherein the market leader Hero posted 17% yoy growth led by the launch of Xtreme 160R last month in addition to the points mentioned above for MSIL. Bajaj Auto's 9.8% yoy growth was driven by motorcycles business in domestic as well as exports business. 3Ws are facing the heat due to being one of the victims of social distancing theme surfaced during the pandemic. M&M's auto business is more of diesel and high end SUVs, where demand is seeing a fall due to its high ticket size considering job losses and salary cuts of the clientele. A surprise package was Tata Motors whose PV business zoomed up by 162% in the domestic markets led by demand for its products like Nexon, Tiago and Tigor which led it to overtake M&M to grab the #3 spot and also due to inventory piling.

Tractor sales have been buoyant ever since the lockdown was lifted up as dealerships opened up in May. Surplus monsoons, support from the government, shorter lockdown period for tractor dealerships, consideration of tractors as essential services and slightly lesser impact of Covid-19 on the rural markets led to this performance. After tractors witnessed a second consecutive month of sequential drop in August, September sales zoomed up on both mom and you basis as expected. Due to start of festive season and Rabi crop sowing, we witnessed a good sequential rise. On yoy basis, both M&M and Escorts posted healthy growth of 17% and 9% respectively.

Based on the factors mentioned above, we expect a better H2 FY21 and a stronger FY 22. On stocks, Hero Motocorp (market leader and king in the rural markets), Bajaj Auto (#1 in 2W exports markets) and Maruti Suzuki(PV market leader) will be the winners, as we believe that they being market leaders with widespread distribution network, will be best placed to increase their market shares and gain from the current situation. We also believe that M&M with its thrust on rural markets through its leadership in tractors business is one of the best investment stories. On the CVs business, we believe this sector (particularly the M&HCVs) to be the last to revive as it is plagued by several issues such as weak macros, driver unavailability, tepid industry output, lack of clarity on scrappage norms and price hikes due to BS 6. However, within CVs, only LCVs are bucking the trend, with demand for essential goods and e-com businesses gaining traction during lockdown. We saw Ashok Leyland too witnessing a similar trend, as in August their M&HCV sales plummeted by 23%, while contrastingly the LCVs grew by 17%. Similarly for Tata Motors, overall CVs just fell by 4% as more of the MHCV fall was well arrested by LCV growth. 3Ws passenger segment will show a delayed recovery due to preference for personal mobility over shared, while cargo segment will show a faster revival.

	Sep-20	Aug-20	% mom	Sep-19	% yoy
Hero Motocorp	715,718	584,456	22.5%	612,204	16.9%
Bajaj Auto	441,306	356,199	23.9%	402,035	9.8%
TVS	327,692	287,398	14.0%	315,796	3.8%
Maruti	160,442	124,624	28.7%	122,640	30.8%
M&M	79,306	54,884	44.5%	80,354	-1.3%
<i>Auto</i>	35,920	30,426	18.1%	43,343	-17.1%
<i>Tractors</i>	43,386	24,458	77.4%	37,011	17.2%
Tata Motors	46,109	36,472	26.4%	36,176	27.5%
Ashok Leyland	8,344	6,325	31.9%	8,780	-5.0%
Escorts	11,851	7,268	63.1%	10,855	9.2%



Hero Motocorp

	Sep-20	Aug-20	% mom	Sep-19	% yoy	YTD FY 21	YTD FY 20	% yoy
Total sales	715,718	584,456	22.5%	612,204	16.9%	2,378,109	3,534,340	-32.7%

Bajaj Auto

	Sep-20	Aug-20	% mom	Sep-19	% yoy	YTD FY 21	YTD FY 20	% yoy
Motorcycles								
Domestic	219,500	178,220	23.2%	177,348	23.8%	736,175	1,132,286	-35.0%
Exports	185,351	142,838	29.8%	159,382	16.3%	628,219	934,581	-32.8%
Total	404,851	321,058	26.1%	336,730	20.2%	1,364,394	2,066,867	-34.0%
3W								
Domestic	9,231	7,659	20.5%	38,153	-75.8%	28,674	193,947	-85.2%
Exports	27,224	27,482	-0.9%	27,152	0.3%	103,372	159,951	-35.4%
Total	36,455	35,141	3.7%	65,305	-44.2%	132,046	353,898	-62.7%
Domestic	228,731	185,879	23.1%	215,501	6.1%	764,849	1,326,233	-42.3%
Exports	212,575	170,320	24.8%	186,534	14.0%	731,591	1,094,532	-33.2%
Total	441,306	356,199	23.9%	402,035	9.8%	1,496,440	2,420,765	-38.2%

TVS Motors

	Sep-20	Aug-20	% mom	Sep-19	% yoy	YTD FY 21	YTD FY 20	% yoy
Motorcycles	139,698	119,878	16.5%	123,918	12.7%	344,940	634,784	-45.7%
Scooters	103,877	87,044	19.3%	118,612	-12.4%	247,647	509,003	-51.3%
Mopeds	69,757	70,304	-0.8%	58,263	19.7%	175,721	281,413	-37.6%
Total 2W	313,332	277,226	13.0%	300,793	4.2%	768,308	1,425,200	-46.1%
3W	14,360	10,172	41.2%	15,003	-4.3%	29,127	66,452	-56.2%
Total sales	327,692	287,398	14.0%	315,796	3.8%	797,435	1,491,652	-46.5%
Exports out of the above	85,163	68,347	24.6%	71,569	19.0%	211,736	348,480	-39.2%
2W exports	71,570	58,888	21.5%	57,746	23.9%	174,439	285,591	-38.9%
3W exports	13,593	9,459	43.7%	13,823	-1.7%	37,297	62,889	-40.7%

Maruti Suzuki

	Sep-20	Aug-20	% mom	Sep-19	% yoy	YTD FY 21	YTD FY 20	% yoy
Mini(Alto, Old WagonR, S-Presso)	27,246	19,709	38.2%	20,085	35.7%	76,666	99,678	-23.1%
Compact(New WagonR, Swift,Celerio, Baleno, Dzire, Ignis)	84,213	61,956	35.9%	57,179	47.3%	230,656	374,143	-38.4%
Mid size (SX4, Ciaz)	1,534	1,223	25.4%	1,715	-10.6%	4,805	14,411	-66.7%
Total passenger cars	112,993	82,888	36.3%	78,979	43.1%	312,127	488,232	-36.1%
Utility Vehicles(Gypsy, Ertiga, XL6, S-Cross, Vitarra Brezza)	23,699	21,030	12.7%	21,526	10.1%	77,306	114,210	-32.3%
Vans(Omni, Eeco)	11,220	9,115	23.1%	9,949	12.8%	34,256	61,080	-43.9%
LCV (Super Carry)	2,128	2,292	-7.2%	2,046	4.0%	7,841	11,901	-34.1%
Total domestic sales	150,040	115,325	30.1%	112,500	33.4%	431,530	675,423	-36.1%
Sales to other OEM :A:Compact	2,568	1,379	86.2%	2,952	-13.0%	6,116	11,577	-47.2%
Exports	7,834	7,920	-1.1%	7,188	9.0%	32,083	53,911	-40.5%
Total sales	160,442	124,624	28.7%	122,640	30.8%	469,729	740,911	-36.6%



Mahindra & Mahindra

Auto segment	Sep-20	Aug-20	% mom	Sep-19	% yoy	YTD FY 21	YTD FY 20	% yoy
Utility Vehicles	14,663	13,407	9.4%	13,858	5.8%	50,671	98,993	-48.8%
Cars+Vans	194	244	-20.5%	475	-59.2%	804	5,078	-84.2%
Total PV	14,857	13,651	8.8%	14,333	3.7%	51,475	104,071	-50.5%
LCV(<3.5 T)	18,576	15,097	23.0%	17,998	3.2%	62,104	94,195	-34.1%
LCV (>3.5T)	178	98	81.6%	466	-61.8%	375	3,929	-90.5%
MHCV	153	104	47.1%	408	-62.5%	417	2,995	-86.1%
Total CV	18,907	15,299	23.6%	18,872	0.2%	62,896	101,119	-37.8%
3 wheelers	587	307	91.2%	7,487	-92.2%	1,029	30,670	-96.6%
Total domestic sales	34,351	29,257	17.4%	40,692	-15.6%	115,400	235,860	-51.1%
Total exports	1,569	1,169	34.2%	2,651	-40.8%	6,275	15,399	-59.3%
Total sales	35,920	30,426	18.1%	43,343	-17.1%	121,675	251,259	-51.6%

FES	Sep-20	Aug-20	% mom	Sep-19	% yoy	YTD FY 21	YTD FY 20	% yoy
Domestic	42,361	23,503	80.2%	36,046	17.5%	154,904	152,004	1.9%
Exports	1,025	955	7.3%	965	6.2%	3,999	6,166	-35.1%
Total FES	43,386	24,458	77.4%	37,011	17.2%	158,903	158,170	0.5%

Ashok Leyland

	Sep-20	Aug-20	% mom	Sep-19	% yoy	YTD FY21	YTD FY 20	% yoy
MHCV	3,642	2,589	40.7%	4,744	-23.2%	8,958	43,532	-79.4%
LCV	4,702	3,736	25.9%	4,036	16.5%	14,301	25,012	-42.8%
Total	8,344	6,325	31.9%	8,780	-5.0%	23,259	68,544	-66.1%

Tata Motors

Segment(models)	Sep-20	Aug-20	% mom	Sep-19	% yoy	YTD FY 21	YTD FY 20	% yoy
Total CVs	23,245	16,837	38.1%	24,279	-4.3%	61,368	163,490	-62.5%
Total PVs	21,199	18,583	14.1%	8,097	161.8%	69,365	62,843	10.4%
Exports	1,665	1,052	58.3%	3,800	-56.2%	4,595	15,469	-70.3%
Total sales	46,109	36,472	26.4%	36,176	27.5%	135,328	241,802	-44.0%

Escorts

	Sep-20	Aug-20	% mom	Sep-19	% yoy	YTD FY 21	YTD FY 20	% yoy
Domestic	11,453	6,750	69.7%	10,521	8.9%	40,846	38,911	5.0%
Exports	398	518	-23.2%	334	19.2%	1,745	1,890	-7.7%
Total	11,851	7,268	63.1%	10,855	9.2%	42,591	40,801	4.4%



DISCLAIMERS AND DISCLOSURES

LKP Sec. Ltd. (CIN-L67120MH1994PLC080039, www.lkpsec.com) and its affiliates are a full-fledged, brokerage and financing group. LKP was established in 1992 and is one of India's leading brokerage and distribution house. LKP is a corporate trading member of Bombay Stock Exchange Limited (BSE), National Stock Exchange of India Limited (NSE), MCX Stock Exchange Limited (MCX-SX). LKP along with its subsidiaries offers the most comprehensive avenues for investments and is engaged in the businesses including stock broking (Institutional and retail), merchant banking, commodity broking, depository participant, insurance broking and services rendered in connection with distribution of primary market issues and financial products like mutual funds etc.

LKP hereby declares that it has not defaulted with any stock exchange nor its activities were suspended by any stock exchange with whom it is registered in last five years. However, SEBI and Stock Exchanges have conducted the routine inspection and based on their observations have issued advice letters or levied minor penalty on LKP for certain operational deviations in ordinary/routine course of business. LKP has not been debarred from doing business by any Stock Exchange / SEBI or any other authorities; nor has its certificate of registration been cancelled by SEBI at any point of time.

LKP offers research services to clients. The analyst for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject company or companies and its or their securities, and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report.

Other disclosures by LKP and its Research Analyst under SEBI (Research Analyst) Regulations, 2014 with reference to the subject company(s) covered in this report:-

Research Analyst or his/her relative's financial interest in the subject company. (NO)

LKP or its associates may have financial interest in the subject company.

LKP or its associates and Research Analyst or his/her relative's does not have any material conflict of interest in the subject company. The research Analyst or research entity (LKP) has not been engaged in market making activity for the subject company.

LKP or its associates may have actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of Research Report.

Research Analyst or his/her relatives have actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of Research Report: (NO)

LKP or its associates may have received any compensation including for investment banking or merchant banking or brokerage services from the subject company in the past 12 months.

LKP 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.

LKP or its associates may have received any compensation or other benefits from the Subject Company or third party in connection with the research report.

Subject Company may have been client of LKP or its associates during twelve months preceding the date of distribution of the research report and LKP may have co-managed public offering of securities for the subject company in the past twelve months.

Research Analyst has served as officer, director or employee of the subject company: (NO)

LKP and/or its affiliates may seek investment banking or other business from the company or companies that are the subject of this material. Our salespeople, traders, and other professionals may provide oral or written market commentary or trading strategies to our clients that reflect opinions that are contrary to the opinions expressed herein, and our proprietary trading and investing businesses may make investment decisions that may be 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 including but not limited to those stated herein. Additionally, other important information regarding our relationships with the company or companies that are the subject of this material is provided herein. This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or which would subject LKP or its group companies to any registration or licensing requirement within such jurisdiction. Specifically, this document does not constitute an offer to or solicitation to any U.S. person for the purchase or sale of any financial instrument or as an official confirmation of any transaction to any U.S. person.

Unless otherwise stated, this message should not be construed as official confirmation of any transaction. No part of this document may be distributed in Canada or used by private customers in United Kingdom.

All trademarks, service marks and logos used in this report are trademarks or registered trademarks of LKP or its Group Companies. The information contained herein is not intended for publication or distribution or circulation in any manner whatsoever and any unauthorized reading, dissemination, distribution or copying of this communication is prohibited unless otherwise expressly authorized. Please ensure that you have read "Risk Disclosure Document for Capital Market and Derivatives Segments" as prescribed by Securities and Exchange Board of India before investing in Indian Securities Market. In so far as this report includes current or historic information, it is believed to be reliable, although its accuracy and completeness cannot be guaranteed.

All material presented in this report, unless specifically indicated otherwise, is under copyright to LKP. None of the material, nor its content, nor any copy of it, may be altered in any way, transmitted to, copied or distributed to any other party, without the prior express written permission of LKP