

## Autos slide in May sequentially on sharp surge in Wave #2 of Covid-19

The base month of May 20 was impacted by the pandemic as it was the third month of the pandemic and most of the dealerships were completely shut in the first half of the month except tractors. Tractor dealerships opened in the first few days of the month as it was included under the ambit of essential goods. Other segments of the industry however faced the heat. Even the production facilities of most of the OEMs were completely shut down in the first half of May-20. Hence, in May-21 all segments of the auto industry reported exponential growth on a yoy basis, except tractors. Tractors had a strong bounce back in May-20 while in May-21 sales weakened on both yoy and qoq basis as the second wave of the pandemic penetrated deeper in the rural markets than last wave and April 21 respectively. On sequential basis, all the segments posted a subdued performance as the pandemic strengthened in May. Exports on the other hand, posted a robust performance across the board as the Covid wave was not that intense in international markets.

We witnessed a steep and unexpected surge in the Covid cases in the country from March end. This intensified in May over April, due to which there were restrictions and lockdowns in various parts of the country. This impacted the auto sales and production in May as overall sentiments turned negative. CVs and PVs were heavily hurt in this month than tractors and 2Ws. Fear factor played very strongly in the month, thus resulting customers to stay at home thus impacting retail sales. We witnessed mom fall of 71% for MSIL, as its small and compact car segment combined fell by 74% mom, while SUVs and vans segment fell even at a higher rate than the cars. TAMO's PV segment fell by 39.5% sequentially. M&M's SUV segment grew by 57% despite Thar deliveries booked earlier. While its CVs and 3Ws fell by 49% and 18% respectively. M&M's tractor business in the domestic markets also dropped by 12.6% mom. Even Escorts tractors fell by 10% domestically during the same period. The tractor segment wholesale sales drop was lesser than expected though. We expect a recovery in tractor sales from June onwards as all other parameters like good monsoon, strong crop output, crop prices, rural income etc are intact. The CV segment saw a decline of 35% for both TAMO and 62% for AL on mom basis. 2Ws sector in the domestic markets reported lesser declines for eg- 21% for Bajaj Auto and 30% for TVS. Hero however reported 50% decline mom as its production facilities were shut for more than 50% of the month.

Based on the factors mentioned above, we expect a stronger FY 22 on a very low base of H1 FY21. However, the growth will be lower than our earlier expectations as second wave of pandemic has hit the country badly. Therefore retail as well as wholesale numbers will be impacted at least in Q1 of FY 22. We are however expecting a strong bounce back in Q2 FY22 across the segments as Wave #2 is expected to subside. In no occurrence of Wave #3 or a benign impact of it, auto sales shall be on a strong wicket in FY 22. Stocks specifically, Hero Motocorp (2W 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 the 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 and prudent capital allocation and a robust growth strategy is one of the best investment stories. We like Ashok Leyland within CVs as it has a diversified revenue base deriving from LCVs, defense, MHCVs and spares. Also the recovery and growth in its monthly numbers is thick and fast. Tata Motors is seeing a strong PV business, along with a revival in MHCVs. However, given the current pandemic, we may see some correction in these stocks in the short term, thus providing good opportunities for investors to enter into them from medium to long term perspective.

	May-21	Apr-21	% mom	May-20	% yoy	YTD FY22	YTD FY21	% yoy
Hero Motocorp	1,83,044	3,72,285	-50.8%	1,12,682	62.4%	5,55,329	1,12,682	392.8%
Bajaj Auto	2,71,862	3,87,566	-29.9%	1,27,128	113.8%	6,59,878	1,65,006	299.9%
TVS	1,66,889	2,38,983	-30.2%	58,906	183.3%	4,05,872	58,906	589.0%
Maruti	46,565	1,59,691	-70.8%	18,539	151.2%	2,06,246	19,171	975.8%
M&M	41,631	62,250	-33.1%	33,901	22.8%	1,05,591	39,406	168.0%
Auto	17,447	34,727	-49.8%	9,560	82.5%	53,884	10,293	423.5%
Tractors	24,184	27,523	-12.1%	24,341	-0.6%	51,707	29,113	77.6%
Tata Motors	26,582	41,739	-36.3%	4,640	472.9%	68,321	4,640	1372.4%
Ashok Leyland	3,199	8,340	-61.6%	1,420	125.3%	11,539	1,420	712.6%
Escorts	6,423	7,168	-10.4%	6,594	-2.6%	13,402	7,299	83.6%



**Hero Motocorp**

	May-21	Apr-21	% mom	May-20	% yoy	YTD FY22	YTD FY21	% yoy
Total sales	1,83,044	3,72,285	-50.8%	1,12,682	62.4%	5,55,329	1,12,682	392.8%

**Bajaj Auto**

	May-21	Apr-21	% mom	May-20	% yoy	YTD FY22	YTD FY21	% yoy
<b>Motorcycles</b>								
Domestic	60,342	1,26,570	-52.3%	39,286	53.6%	1,86,912	39,286	375.8%
Exports	1,80,212	2,21,603	-18.7%	73,512	145.1%	4,01,815	1,05,521	280.8%
Total	2,40,554	3,48,173	-30.9%	1,12,798	113.3%	5,88,727	1,44,807	306.6%
<b>3W</b>								
Domestic	488	7,901	-93.8%	788	-38.1%	8,389	788	964.6%
Exports	30,820	31,492	-2.1%	13,542	127.6%	62,762	19,411	223.3%
Total	31,308	39,393	-20.5%	14,330	118.5%	71,151	20,199	252.3%
Domestic	60,830	1,34,471	-54.8%	40,074	51.8%	1,95,301	40,074	387.4%
Exports	2,11,032	2,53,095	-16.6%	87,054	142.4%	4,64,577	1,24,932	271.9%
Total	2,71,862	3,87,566	-29.9%	1,27,128	113.8%	6,59,878	1,65,006	299.9%

**TVS Motors**

	May-21	Apr-21	% mom	May-20	% yoy	YTD FY22	YTD FY21	% yoy
Motorcycles	1,25,188	1,33,227	-6.0%	26,772	367.6%	2,58,415	26,772	865.2%
Scooters	19,627	65,213	-69.9%	16,120	21.8%	84,840	16,120	426.3%
Mopeds	9,601	27,753	-65.4%	13,326	-28.0%	37,354	13,326	180.3%
Total 2W	1,54,416	2,26,193	-31.7%	56,218	174.7%	3,80,609	56,218	577.0%
3W	12,473	12,790	-2.5%	2,688	364.0%	25,263	2,688	839.8%
Total sales	1,66,889	2,38,983	-30.2%	58,906	183.3%	4,05,872	58,906	589.0%
Exports out of the above	1,14,674	1,07,185	7.0%	17,707	547.6%	2,21,859	17,707	1152.9%
2W Exports	1,02,332	94,807	7.9%	15,151	575.4%	1,97,139	15,151	1201.2%
3W Exports	12,342	12,378	-0.3%	2,556	382.9%	24,720	2,556	867.1%
3W Domestic	131	412	-68.2%	132	-0.8%	543	132	311.4%

**Maruti Suzuki**

	May-21	Apr-21	% mom	May-20	% yoy	YTD FY22	YTD FY21	% yoy
Mini(Alto, Old WagonR, S-Presso)	4,760	25,041	-81.0%	1,995	138.6%	29,801	1,995	1393.8%
Compact(New WagonR, Swift,Celerio, Baleno, Dzire, Ignis)	20,343	72,318	-71.9%	6,262	224.9%	92,661	6,262	1379.7%
Mid size (Ciaz)	349	1,567	-77.7%	192	81.8%	1,916	192	897.9%
Total passenger cars	25,452	98,926	-74.3%	8,449	201.2%	1,24,378	8,449	1372.1%
Utility Vehicles(Gypsy, Ertiga, XL6, S-Cross, Vitarra Brezza)	6,365	25,484	-75.0%	3,636	75.1%	31,839	3,636	775.7%
Vans(Omni, Eeco)	1,096	11,469	-90.4%	1,617	-32.2%	12,565	1,617	677.1%
LCV (Super Carry)	868	1,272	-31.8%	163	432.5%	2,140	163	1212.9%
Total domestic sales	33,781	1,37,151	-75.4%	13,865	143.6%	1,70,922	13,865	1132.8%
Sales to other OEM :A:Compact	1,522	5,303	-71.3%	23	6517.4%	6,825	23	29573.9%
Exports	11,262	17,237	-34.7%	4,651	142.1%	28,499	5,283	439.4%
Total sales	46,565	1,59,691	-70.8%	18,539	151.2%	2,06,246	19,171	975.8%



**Mahindra & Mahindra**

Auto segment	May-21	Apr-21	% mom	May-20	% yoy	YTD FY22	YTD FY21	% yoy
Utility Vehicles	7,748	18,186	-57.4%	3,745	106.9%	25,934	3,745	592.5%
Cars+Vans	256	99	158.6%	122	109.8%	355	122	191.0%
<b>Total PV</b>	<b>8,004</b>	<b>18,285</b>	<b>-56.2%</b>	<b>3,867</b>	<b>107.0%</b>	<b>26,289</b>	<b>3,867</b>	<b>579.8%</b>
LCV(<3.5 T)	7,048	13,771	-48.8%	5,121	37.6%	20,819	5,121	306.5%
LCV (>3.5T)+ MHCV	188	333	-43.5%	49	283.7%	521	49	963.3%
<b>Total CV</b>	<b>7,236</b>	<b>14,104</b>	<b>-48.7%</b>	<b>5,170</b>	<b>40.0%</b>	<b>21,340</b>	<b>5,170</b>	<b>312.8%</b>
3 wheelers	272	333	-18.3%	39	597.4%	2,315	39	5835.9%
<b>Total domestic sales</b>	<b>15,512</b>	<b>32,722</b>	<b>-52.6%</b>	<b>9,076</b>	<b>70.9%</b>	<b>49,944</b>	<b>9,076</b>	<b>450.3%</b>
Total exports	1,935	2,005	-3.5%	484	299.8%	3,940	1,217	223.7%
<b>Total sales</b>	<b>17,447</b>	<b>34,727</b>	<b>-49.8%</b>	<b>9,560</b>	<b>82.5%</b>	<b>53,884</b>	<b>10,293</b>	<b>423.5%</b>

  

FES	May-21	Apr-21	% mom	May-20	% yoy	YTD FY22	YTD FY21	% yoy
Domestic	22,843	26,130	-12.6%	24,017	-4.9%	48,973	28,733	70.4%
Exports	1,341	1,393	-3.7%	324	313.9%	2,734	380	619.5%
<b>Total FES</b>	<b>24,184</b>	<b>27,523</b>	<b>-12.1%</b>	<b>24,341</b>	<b>-0.6%</b>	<b>51,707</b>	<b>29,113</b>	<b>77.6%</b>

**Ashok Leyland**

	May-21	Apr-21	% mom	May-20	% yoy	YTD FY22	YTD FY21	% yoy
MHCV	1,953	4,333	-54.9%	266	634.2%	6,286	266	2263.2%
LCV	1,246	4,007	-68.9%	1,154	8.0%	5,253	1,154	355.2%
<b>Total</b>	<b>3,199</b>	<b>8,340</b>	<b>-61.6%</b>	<b>1,420</b>	<b>125.3%</b>	<b>11,539</b>	<b>1,420</b>	<b>712.6%</b>

**Tata Motors**

	May-21	Apr-21	% mom	May-20	% yoy	YTD FY22	YTD FY21	% yoy
M&HCV	2583	4942	-47.7%	387	567%	7525	387	1844%
I & LCV	964	2,013	-52.1%	55	1653%	2977	55	5313%
Passenger Carriers	691	550	25.6%	26	2558%	1241	26	4673%
SCV cargo and pick up	5133	6,930	-25.9%	798	543%	12063	798	1412%
<b>Total CV</b>	<b>9,371</b>	<b>14,435</b>	<b>-35.1%</b>	<b>1,266</b>	<b>640%</b>	<b>23806</b>	<b>1266</b>	<b>1780%</b>
<b>Total PV</b>	<b>15181</b>	<b>25,095</b>	<b>-39.5%</b>	<b>3,152</b>	<b>382%</b>	<b>40276</b>	<b>3152</b>	<b>1178%</b>
Exports	2030	2,209	-8.1%	222	814%	4239	222	1809%
<b>Total sales</b>	<b>26,582</b>	<b>41,739</b>	<b>-36.3%</b>	<b>4,640</b>	<b>473%</b>	<b>68321</b>	<b>4640</b>	<b>1372%</b>

**Escorts**

	May-21	Apr-21	% mom	May-20	% yoy	YTD FY22	YTD FY21	% yoy
Domestic	6,158	6,575	-6.3%	6,454	-4.6%	12,544	7,067	77.5%
Exports	265	593	-55.3%	140	89.3%	858	232	269.8%
<b>Total</b>	<b>6,423</b>	<b>7,168</b>	<b>-10.4%</b>	<b>6,594</b>	<b>-2.6%</b>	<b>13,402</b>	<b>7,299</b>	<b>83.6%</b>



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