

Two wheelers continue to be on a weak wicket, PVs post an improved performance

Sector performance - December 2021 reported a mixed bag performance wherein the two wheelers continued to perform weak, while the PVs are responding well to the strong demand despite chip shortage issue continuing. Last year by this time, in line with fast rural recovery, 2Ws and tractors had majorly recovered leading to a high base in December. Last year PV recovery was led by the pent up demand in both rural and urban markets, while this year managements of OEMs mentioned that the pent up demand has ended by September this year. In FY 22, post the much more intense Wave #2 of the pandemic in April and May, the rural markets are still badly impacted and are taking more time to recover than expected. Rising number of Omicron cases are imposing curbs in several states which are impacting demand and may impact further. On the PV front, most of the OEMs are facing scarcity of semiconductor chips, which is the case even in sports and premium segments of 2Ws. However, despite this chip crunch, some of the PVs have managed to post good numbers catering to the encouraging demand. M&HCVs which have all their underlying parameters in place are posting good numbers. Even on month on month basis the CVs have posted a strong performance.

Company wise performance - Among the PV OEMs, MSIL posted de-growth of 4.4% yoy which was driven by a steep fall of 35.4% in the entry level segment of Alto and Wagon-R. Production is getting slowly back on track as the company posted a 10% growth mom in December catering to the ongoing strong demand for PVs as the compact segment grew by 21.6% mom. In the exports markets the company posted a robust growth of 124% yoy as we are witnessing developing markets evolving. TAMO's PV segment saw a 50% yoy growth on continued success of its EV Nexon and new launch of SUV 'Punch' in October. M&M's SUV segment grew by 8.8% yoy on success of XUV 700 and Thar while reported 9.9% de-growth mom. M&M and TAMO are handling the chip issues better than MSIL hence their sales are seeing a good growth. CV division posted growth of 14.4% yoy as LCVs posted recovery after three months of dip in sales. M&M's tractor business in the domestic markets de-grew 21.2% yoy and 36% mom as the Khariff harvest has got delayed. Due to same reason, even Escorts witnessed a similar trend both yoy and mom. The M&HCV segment saw a 10% growth yoy for AL, while it fell slightly for TAMO this month. However, sequentially they grew by 29% for TAMO and 35% for AL. This is due to rapid growth in the macro indicators like construction, mining, real estate and farming sectors. Also freight availability has been increasing and infrastructure activities are on an up-move. In 2W segment, the weak performance continued. Bajaj reported a fall of 1% yoy for its domestic motorcycles while in exports it declined by 9% yoy. TVS 2W segment reported de-growth of 8.8% yoy as its scooters and mopeds segments dipped by 13% and 44.5% respectively. For Bajaj, its 3W segment expanded by 67.7% yoy domestically. This was the most heartening sign for a strong recovery. Exports 3Ws grew by 10% yoy. Hero's sales fell by 12% yoy but grew by 13% mom.

Our view - Despite a mixed December, we expect a decent FY 22 on a very low base of H1 FY21. Given a healthy double digit growth in YTD FY22, we believe the impact of Wave #2 is mitigated for CVs. 2Ws and tractors may post a mid single digit growth in FY 22, while PVs and CVs are expected to grow close to 10% and 20-25% respectively. Therefore FY 22 is expected to be better than FY 21 provided the impact of Omicron is not huge. Stocks specifically, we prefer Bajaj Auto (#1 in 2W exports markets) in the 2Ws as its growth is well driven by exports and 3Ws, while on the PV side, we believe MSIL is pricey as far as its valuations are concerned given its supply side conundrum and delay in EV plans. We like M&M because of its thrust on rural markets through its leadership in tractors business, prudent capital allocation and a robust growth strategy in UVs, EVs and CVs. 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 very healthy revival in MHCVs and improvement in JLR business. Every dip in these stocks in the short term (driven by pandemic, supply chain issues etc), shall provide good opportunities for investors to enter into them from medium to long term perspective.

	Dec-21	Nov-21	% mom	Dec-20	% yoy	YTD FY22	YTD FY21	% yoy
Hero Motocorp	3,94,773	3,49,393	13.0%	4,47,335	-11.8%	37,55,098	42,23,383	-11.1%
Bajaj Auto	3,62,470	3,79,276	-4.4%	3,72,532	-2.7%	33,31,782	28,03,250	18.9%
TVS	2,50,933	2,72,693	-8.0%	2,72,084	-7.8%	24,53,122	21,14,644	16.0%
Maruti	1,53,149	1,39,184	10.0%	1,60,226	-4.4%	11,63,823	9,65,626	20.5%
M&M	57,426	67,783	-15.3%	57,604	-0.3%	5,91,511	5,04,556	17.2%
Auto	39,157	40,102	-2.4%	35,187	11.3%	3,09,695	2,43,952	26.9%
Tractors	18,269	27,681	-34.0%	22,417	-18.5%	2,81,816	2,60,604	8.1%
Tata Motors	69,450	62,023	12.0%	56,414	23.1%	4,83,561	3,08,705	56.6%
Ashok Leyland	12,518	10,480	19.4%	12,760	-1.9%	79,607	56,655	40.5%
Escorts	4,695	7,116	-34.0%	7,733	-39.3%	72,333	74,153	-2.5%



Hero Motocorp

	Dec-21	Nov-21	% mom	Dec-20	% yoy	YTD FY22	YTD FY21	% yoy
Total sales	3,94,773	3,49,393	13.0%	4,47,335	-11.8%	37,55,098	42,23,383	-11.1%

Bajaj Auto

	Dec-21	Nov-21	% mom	Dec-20	% yoy	YTD FY22	YTD FY21	% yoy
Motorcycles								
Domestic	1,27,593	1,44,953	-12.0%	1,28,642	-0.8%	13,01,984	13,21,644	-1.5%
Exports	1,91,176	1,93,520	-1.2%	2,09,942	-8.9%	16,75,781	12,36,617	35.5%
Total	3,18,769	3,38,473	-5.8%	3,38,584	-5.9%	29,77,765	25,58,261	16.4%
3W								
Domestic	18,386	13,802	33.2%	10,964	67.7%	1,10,668	62,904	75.9%
Exports	25,315	27,001	-6.2%	22,984	10.1%	2,43,349	1,82,085	33.6%
Total	43,701	40,803	7.1%	33,948	28.7%	3,54,017	2,44,989	44.5%
Domestic	1,45,979	1,58,755	-8.0%	1,39,606	4.6%	14,12,652	13,84,548	2.0%
Exports	2,16,491	2,20,521	-1.8%	2,32,926	-7.1%	19,19,130	14,18,702	35.3%
Total	3,62,470	3,79,276	-4.4%	3,72,532	-2.7%	33,31,782	28,03,250	18.9%

TVS Motors

	Dec-21	Nov-21	% mom	Dec-20	% yoy	YTD FY22	YTD FY21	% yoy
Motorcycles	1,33,700	1,40,097	-4.6%	1,19,051	12.3%	12,90,054	9,02,656	42.9%
Scooters	67,553	75,022	-10.0%	77,705	-13.1%	6,60,635	6,62,349	-0.3%
Mopeds	34,139	42,744	-20.1%	61,483	-44.5%	3,72,332	4,68,514	-20.5%
Total 2W	2,35,392	2,57,863	-8.7%	2,58,239	-8.8%	23,23,021	20,33,519	14.2%
3W	15,541	14,830	4.8%	13,845	12.2%	1,30,101	81,125	60.4%
Total sales	2,50,933	2,72,693	-8.0%	2,72,084	-7.8%	24,53,122	21,14,644	16.0%
Exports out of the above	1,03,420	96,000	7.7%	94,269	9.7%	9,38,035	5,47,592	71.3%
2W exports	88,629	81,923	8.2%	81,327	9.0%	8,13,406	4,71,807	72.4%

Maruti Suzuki

	Dec-21	Nov-21	% mom	Dec-20	% yoy	YTD FY22	YTD FY21	% yoy
Mini(Alto, Old WagonR, S-Presso)	16,320	17,473	-6.6%	24,927	-34.5%	1,57,946	1,52,394	3.6%
Compact(New WagonR, Swift,Celerio, Baleno, Dzire, Ignis)	69,345	57,019	21.6%	77,641	-10.7%	4,73,300	4,79,994	-1.4%
Mid size (Ciaz)	1,204	1,089	10.6%	1,270	-5.2%	10,457	9,367	11.6%
Total passenger cars	86,869	75,581	14.9%	1,03,838	-16.3%	6,41,703	6,41,755	0.0%
Utility Vehicles(Gypsy, Ertiga, XL6, S-Cross, Vitarra Brezza)	26,982	24,574	9.8%	25,701	5.0%	2,13,716	1,52,156	40.5%
Vans(Omni, Eeco)	9,165	9,571	-4.2%	11,215	-18.3%	79,406	69,963	13.5%
LCV (Super Carry)	3,015	3,291	-8.4%	5,726	-47.3%	22,819	19,917	14.6%
Total domestic sales	1,26,031	1,13,017	11.5%	1,46,480	-14.0%	9,57,644	8,83,791	8.4%
Sales to other OEM :A:Compact	4,838	4,774	1.3%	3,808	27.0%	36,257	21,224	70.8%
Exports	22,280	21,393	4.1%	9,938	124.2%	1,69,922	60,611	180.3%
Total sales	1,53,149	1,39,184	10.0%	1,60,226	-4.4%	11,63,823	9,65,626	20.5%



Mahindra & Mahindra

Auto segment	Dec-21	Nov-21	% mom	Dec-20	% yoy	YTD FY22	YTD FY21	% yoy
Utility Vehicles	17,469	19,384	-9.9%	16,050	8.8%	1,48,903	1,03,009	44.6%
Cars+Vans	253	74	241.9%	132	91.7%	1,762	1,482	18.9%
Total PV	17,722	19,458	-8.9%	16,182	9.5%	1,50,665	1,04,491	44.2%
LCV(<3.5 T)	15,354	14,458	6.2%	13,389	14.7%	1,11,682	1,14,107	-2.1%
LCV (>3.5T)+ MHCV	584	521	12.1%	541	7.9%	4,321	2,346	84.2%
Total CV	15,938	14,979	6.4%	13,930	14.4%	1,16,003	1,16,453	-0.4%
3 wheelers	2,480	2,564	-3.3%	2,865	-13.4%	19,356	10,866	78.1%
Total domestic sales	36,140	37,001	-2.3%	32,977	9.6%	2,86,024	2,31,810	23.4%
Total exports	3,017	3,101	-2.7%	2,210	36.5%	23,671	12,142	95.0%
Total sales	39,157	40,102	-2.4%	35,187	11.3%	3,09,695	2,43,952	26.9%

FES	Dec-21	Nov-21	% mom	Dec-20	% yoy	YTD FY22	YTD FY21	% yoy
Domestic	16,687	26,094	-36.1%	21,173	-21.2%	2,68,868	2,53,284	6.2%
Exports	1,582	1,587	-0.3%	1,244	27.2%	12,948	7,320	76.9%
Total FES	18,269	27,681	-34.0%	22,417	-18.5%	2,81,816	2,60,604	8.1%

Ashok Leyland

	Dec-21	Nov-21	% mom	Dec-20	% yoy	YTD FY22	YTD FY21	% yoy
MHCV	7,619	5,608	35.9%	6,882	10.7%	41,869	25,530	64.0%
LCV	4,899	4,872	0.6%	5,878	-16.7%	37,738	31,125	21.2%
Total	12,518	10,480	19.4%	12,760	-1.9%	79,607	56,655	40.5%

Tata Motors

	Dec-21	Nov-21	% mom	Dec-20	% yoy	YTD FY22	YTD FY21	% yoy
M&HCV	8,106	6,266	29.4%	8377	-3%	54,649	32,237	70%
I & LCV	5,130	5,099	0.6%	4,619	11%	35,174	22,258	58%
Passenger Carriers	1,380	1,183	16.7%	751	84%	8,465	4,738	79%
SCV cargo and pick up	16,392	15,747	4.1%	16,138	2%	1,13,867	89,224	28%
Total CV	31,008	28,295	9.6%	29,885	4%	2,12,155	1,48,457	43%
Total PV	35,299	29,778	18.5%	23,545	50%	2,47,321	1,50,144	65%
Exports	3,143	3,950	-20.4%	2,984	5%	24,085	10,104	138%
Total sales	69,450	62,023	12.0%	56,414	23%	4,83,561	3,08,705	57%

Escorts

	Dec-21	Nov-21	% mom	Dec-20	% yoy	YTD FY22	YTD FY21	% yoy
Domestic	4,080	6,492	-37.2%	7,230	-43.6%	66,771	70,918	-5.8%
Exports	615	624	-1.4%	503	22.3%	5,562	3,235	71.9%
Total	4,695	7,116	-34.0%	7,733	-39.3%	72,333	74,153	-2.5%

**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