

Auto OEM Monthly Preview – April'21

Losing momentum. 2Ws worst hit

- Given the unprecedented surge in number of Covid-19 cases and lockdown in many cities, we expect April 2021 dispatches to decline steeply MoM (2W-12% 4W-10%, CV-40% YoY, tractor-18%) as festive (Gudi Padwa and Navratri) and marriage season demand were severely hit. Next month volumes are also likely to decline significantly as Covid cases are skyrocketed and also impacting rural income and demand.
- Footfalls and enquiries were down 40-50% MoM. Moreover, supply chain issue is also disrupting production of Many OEMs.
- In PVs, Retail sales is losing its momentum as showrooms are closed in many cities, and expect May would be weaker than April as lockdown extends in many key markets. Inventory is at a comfortable level, as the waiting period was high. Most deliveries are being done for past bookings only. We expect MSIL to dispatch ~152k units (-9% MoM) in April-21 and M&M (Automotive) to dispatch 34.2k units de-grow by 15.4% MoM.
- The second Covid wave impacted the 2W markets harder and retail sales declined by 30-40% MoM. Scooter sales are underperforming bikes due to hits in urban sales. Inventory has piled up; Hero has inventory level 8 weeks while other 2Ws OEMs near 6 weeks. Only solace would be strong momentum of export sales. Most 2W OEMs have taken price hikes, however discounts are still available.
- We expect Bajaj Auto to witness 1.2% MoM decline to 365k units; Eicher (RE) to report 16.7% MoM decline to 55k units; Hero MotoCorp dispatches to de-grow by 17.7% YoY to 475k units and TVS Motors to dispatch 278k units (-13.8% MoM).
- In CV dispatches are expected to be weak as trucks movements are badly hit across the countries due to fresh pandemic waves and unavailability of drivers. The second wave poses a threat to the seamless economic recovery observed over the past couple of quarters. We expect Ashok Leyland and Tata Motors CVs numbers to see 30-40% MoM decline.
- The tractor segment also impacted this time due to increasing COVID cases in rural areas where household saving hits badly due to medical expenses, However Monsoon prediction is so far good which is the only respite for rural economy. OEMs resorting to inventory buildup while retail sales are falling due to seasonal and lockdown factor. Expect dispatches of Escorts and M&M to decline by 23%/16% MoM to 9.5k and 26k units respectively.
- As the domestic economy is under stress due to surging covid cases, we reiterate our preference for stock which have higher global exposure like Bharat forge and Tata Motors.

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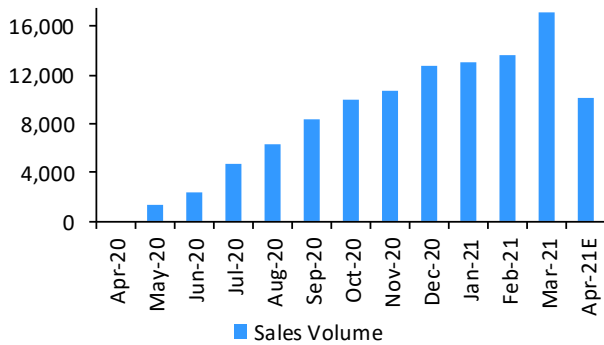
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Exhibit 1: Volume Snapshot for April-21E

Company	April-21E	April -20	YoY (%)	Mar-21	MoM (%)
Two/Three Wheeler					
Bajaj Auto	3,65,000	37,878	NA	3,69,448	(1.2)
Motorcycle	3,40,000	32,009	NA	3,30,133	3.0
3 Wheeler	25,000	5,869	NA	39,315	(36.4)
Eicher - RE	55,000	91	NA	66,058	(16.7)
Hero MotoCorp	4,75,000	-	NA	5,76,957	(17.7)
TVS Motors	2,78,000	9,640	NA	3,22,683	(13.8)
Total	11,73,000	47,609	NA	13,35,146	(12.1)
Four Wheeler					
Maruti Suzuki	1,52,000	632	NA	1,67,014	(9.0)
M&M (Automotive)	34,200	733	NA	40,403	(15.4)
Total	1,86,200	1,365	NA	2,07,417	(10.2)
Commercial Vehicles					
Ashok Leyland	10,200	-	NA	17,231	(40.8)
Eicher - VECV	4,650	85	NA	7,037	(33.9)
SML Isuzu	420	-	NA	952	(55.9)
Total	15,270	85	NA	25,220	(39.5)
Tractors					
Escorts	9,500	705	NA	12,337	(23.0)
M&M Tractors	26,000	4,772	NA	30,970	(16.0)
Total	35,500	5,477	NA	43,307	(18.0)

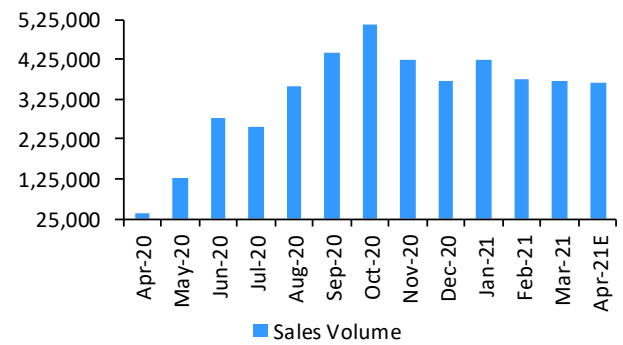
Source: Company, DART

Exhibit 2: Ashok Leyland



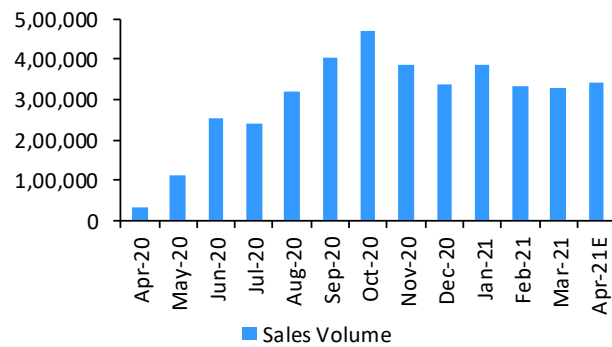
Source: Company, DART

Exhibit 3: Bajaj - Overall



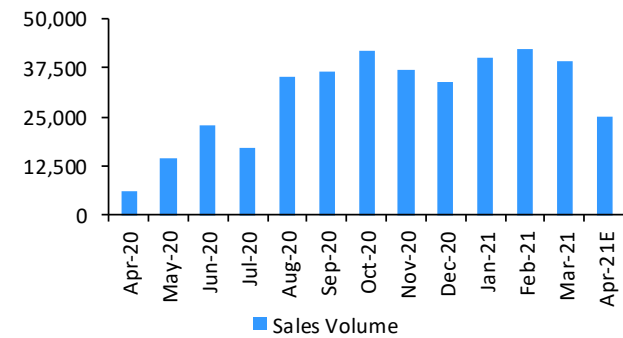
Source: Company, DART

Exhibit 4: Bajaj- Motorcycle



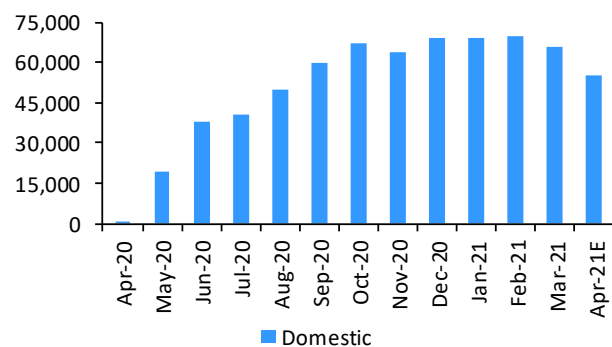
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Exhibit 5: Bajaj - CV



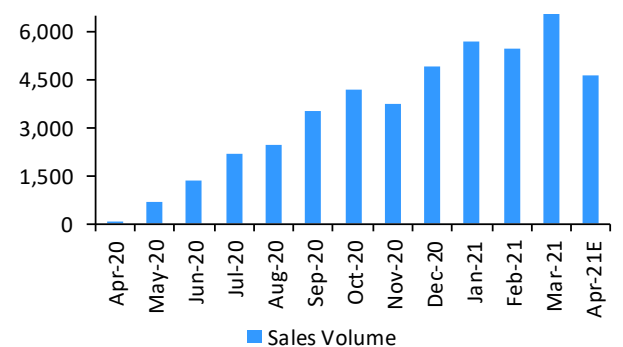
Source: Company, DART

Exhibit 6: Eicher – RE



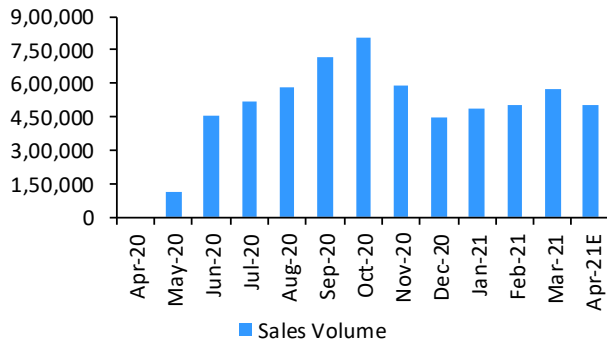
Source: Company, DART

Exhibit 7: Eicher – VECV



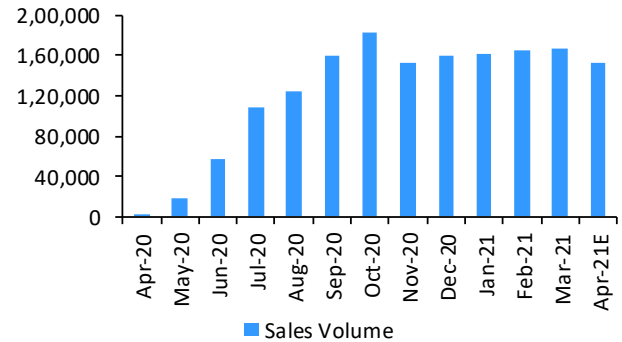
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Exhibit 8: Hero MotoCorp



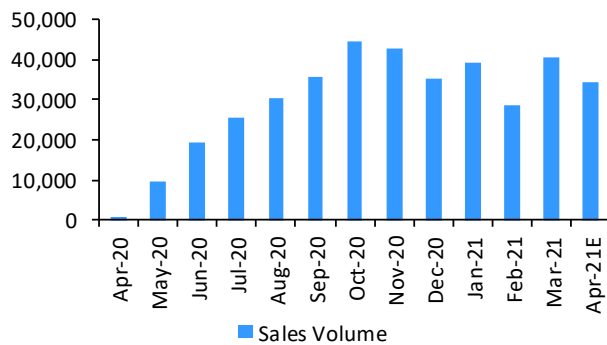
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Exhibit 9: Maruti Suzuki



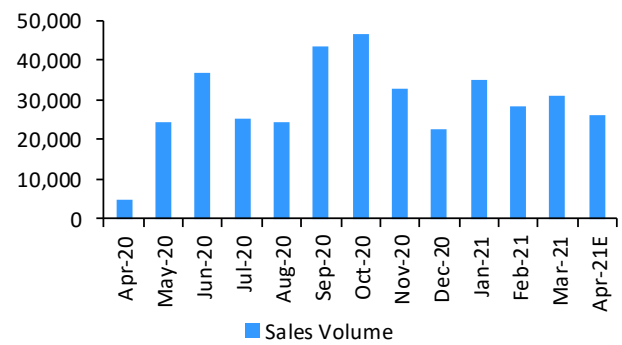
Source: Company, DART

Exhibit 10: M&M Auto



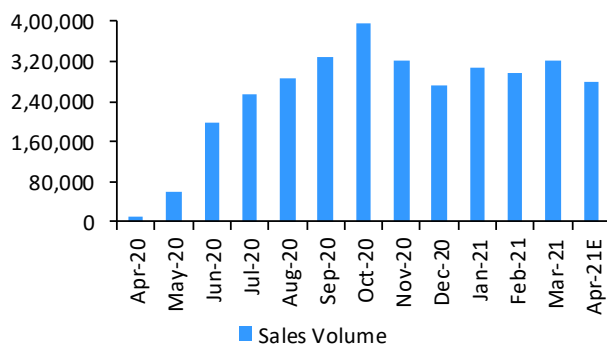
Source: Company, DART

Exhibit 11: M&M Tractors



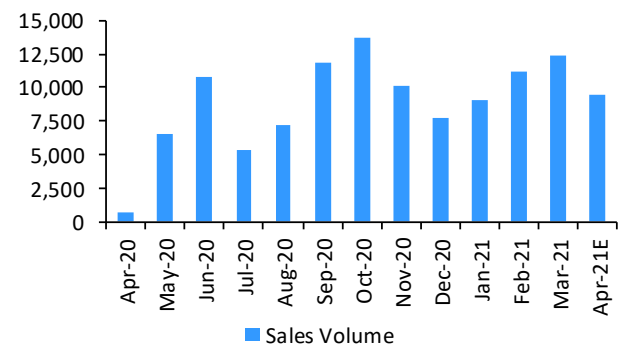
Source: Company, DART

Exhibit 12: TVS Motors



Source: Company, DART

Exhibit 13: Escorts



Source: Company, DART

Valuation Matrix

	Mcap	CMP	TP	Upside	Rating	Adj EPS (Rs/sh)				P/E (X)				EV/EBITDA (X)				ROE (%)			
Auto OEMs	(Rs Bn)	(Rs)	(Rs)	(%)		FY20	FY21E	FY22E	FY23E	FY20	FY21E	FY22E	FY23E	FY20	FY21E	FY22E	FY23E	FY20	FY21E	FY22E	FY23E
Ashok Leyland	333	114	143	26	Accumulate	0.8	(1.4)	2.3	5.7	139.2	NA	49.5	20.0	29.7	NA	20.4	11.6	3.1	(5.7)	8.7	21.4
Bajaj Auto	1083	3,742	3,852	3	Reduce	176.2	156.5	187.7	206.6	21.2	23.9	19.9	18.1	17.0	17.1	13.3	11.5	24.5	19.7	19.8	19.6
Eicher Motors	647	2,372	2,727	15	Sell	66.9	53.3	91.6	109.1	35.4	44.5	25.9	21.7	25.6	28.8	17.0	14.2	19.3	13.8	20.8	21.0
Escorts	139	1,131	1,368	21	Reduce	53.6	77.6	77.2	85.5	21.1	14.6	14.6	13.2	21.5	12.7	12.5	11.1	15.2	17.8	13.5	13.0
Hero Motocorp	572	2,863	3,545	24	Reduce	148.0	144.6	190.9	208.5	19.3	19.8	15.0	13.7	13.0	12.8	9.4	8.3	21.9	18.9	22.0	21.6
M&M	926	780	962	23	Accumulate	20.6	31.6	39.8	47.6	37.8	24.7	19.6	16.4	15.0	13.4	11.9	10.2	7.4	11.0	12.6	13.5
Maruti Suzuki	2006	6,640	8,425	27	Accumulate	187.1	168.5	267.0	312.0	35.5	39.4	24.9	21.3	22.6	26.6	15.1	12.3	11.9	10.1	14.7	15.5
SML ISUZU	7	453	472	4	Sell	(14.5)	(78.3)	(7.6)	26.2	NA	NA	NA	17.3	64.3	NA	16.9	8.4	(5.3)	(34.5)	(4.2)	13.8
TVS Motor	263	555	506	-9	Sell	13.1	10.5	17.7	21.8	42.2	52.8	31.4	25.4	20.2	21.0	15.4	13.0	17.9	13.2	19.6	21.1
Auto Ancillary																					
Amara Raja	137	802	1,024	28	Accumulate	38.7	39.1	45.5	51.2	20.7	20.5	17.6	15.7	14.2	13.3	11.6	10.3	18.9	17.1	17.4	17.2
Apollo Tyres	115	200	300	50	Buy	8.3	14.3	14.7	17.6	24.0	14.0	13.6	11.4	9.4	5.7	5.6	5.0	4.8	8.5	7.9	8.9
Asahi India	73	300	350	17	Buy	6.3	5.2	10.1	14.0	47.4	58.1	29.7	21.4	21.1	21.0	15.9	12.9	12.0	9.1	16.1	19.2
Balkrishna Ind	330	1,708	1,548	-9	Reduce	48.9	56.7	62.8	69.2	34.9	30.1	27.2	24.7	26.5	19.3	17.3	15.3	19.5	20.3	19.5	18.7
Bharat Forge	269	579	725	25	Accumulate	9.2	3.9	15.7	24.2	62.8	148.7	37.0	24.0	13.0	18.4	9.2	6.6	8.0	3.4	13.2	18.0
CEAT	56	1,395	1,444	4	Accumulate	64.0	91.9	76.5	96.2	21.8	15.2	18.2	14.5	10.6	8.0	8.7	7.6	8.1	12.2	9.3	10.8
Exide Ind	146	172	222	29	Accumulate	9.7	8.6	10.6	11.9	17.7	19.9	16.2	14.4	10.7	10.8	8.8	7.5	13.6	11.5	13.1	13.5
Jamna Auto	26	66	99	50	Accumulate	1.2	1.3	2.4	3.6	54.8	48.9	26.9	18.1	24.6	25.8	15.8	11.3	9.3	10.0	16.5	21.4
JBM Auto	16	344	466	36	Accumulate	14.6	10.3	21.1	29.1	23.5	33.5	16.3	11.8	9.6	12.0	8.7	7.1	10.2	6.7	12.8	15.6
Lumax Auto	10	148	194	31	Buy	7.3	6.6	9.9	12.1	20.3	22.6	14.9	12.2	9.8	10.2	7.2	5.8	10.7	9.7	13.5	14.8
Lumax Ind	14	1,535	1,675	9	Accumulate	76.9	14.9	72.2	93.1	20.0	103.3	21.3	16.5	11.1	19.7	10.7	9.0	17.8	5.6	15.2	16.3
Minda Corp	22	97	125	29	Buy	4.1	3.2	5.8	6.9	23.5	30.5	16.8	14.0	8.8	11.6	7.8	6.7	9.6	6.7	10.8	11.5
RK Forging	17	525	650	24	Accumulate	2.9	(1.0)	23.6	43.3	177.9	NA	22.2	12.1	17.6	18.1	11.3	8.9	0.9	(0.3)	4.7	6.9
Sandhar tech	11	182	396	118	Buy	9.5	9.0	17.1	22.0	19.2	20.1	10.6	8.3	7.3	7.3	5.1	3.9	9.0	8.0	12.2	13.5
Sterling Tools	7	181	274	51	Buy	8.1	6.6	10.8	13.7	22.4	27.5	16.8	13.2	11.5	11.3	8.2	6.5	9.8	7.5	11.4	13.2
Subros	19	293	370	26	Accumulate	8.5	7.1	14.0	16.8	34.3	41.4	20.9	17.5	10.1	12.3	7.9	6.5	7.8	6.0	11.0	11.9
Suprajit Eng	35	253	284	12	Buy	9.4	9.4	11.8	14.2	26.9	27.0	21.3	17.8	17.1	16.4	13.2	11.3	16.1	14.9	17.4	18.5
Varroc Eng.	57	376	429	14	Accumulate	0.0	(24.5)	9.1	23.0	NA	NA	41.4	16.4	10.3	14.8	7.7	6.0	0.0	(11.6)	4.5	10.9
NRB Bearings	10	103	175	70	Buy	3.3	3.8	8.0	10.3	31.0	27.4	12.8	10.0	14.1	12.6	7.8	6.3	6.9	7.8	15.3	17.4
GNA Axles	8	390	534	37	Buy	24.6	25.7	32.3	38.2	15.9	15.2	12.1	10.2	7.9	7.3	6.1	5.1	12.4	11.7	13.2	13.8
Craftsman Auto	27	1,300	1,975	52	FV	21.7	35.8	59.1	89.8	60.0	36.3	22.0	14.5	9.3	8.8	7.3	5.6	6.5	10.0	14.7	19.0

DART RATING MATRIX

Total Return Expectation (12 Months)

Buy	> 20%
Accumulate	10 to 20%
Reduce	0 to 10%
Sell	< 0%

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