

## Automobile Sales-July 2020

03 August 2020

### Rural demand, rise in personal mobility drive the recovery; CVs struggle

Automobile sales witnessed a further recovery in volume in July'20 on the back of ramp up in supply chain, strong rural sentiments and rise in preference for personal mobility (either due to lack of public transport or to follow social distancing norms). The Tractor segment reported strong YoY growth on the back of positive rural sentiments (primarily due to good cash flows to farmers, higher Kharif sowing, timely and normal monsoon cumulatively across June & July and continued higher rural spending by the Government). Most OEMs reported better-than-expected improvement in sales volume on a sequential basis but lower than pre-covid levels. Although supply chain continues to recover gradually, the situation continues to remain volatile due to local lockdowns across several parts of India. Barring tractor OEMs, retail sales were lower than wholesales for majority of the OEMs (source: Vahaan) as inventory with dealers was lower than normal. According to commentaries from Tractor 2W and PV OEMs, retail demand continues to see recovery, especially from rural and semi urban areas. Retail enquiries and bookings for PVs and Tractors were higher sequentially and faster ramp up of the supply chain will remain a key focus going ahead. 3W volume witnessed a steep decline due to lower demand for shared mobility and issues with availability of financing. CVs remain the worst affected segment due to weak economic environment and limited availability of drivers. Export markets continue to witness recovery, in-line with the domestic market for most segments.

**In the PV segment,** Maruti's domestic PV sales grew by ~90% sequentially (~0.8% on YoY basis), led by further ramp up of operations and strong demand for small cars (driven by rural and semi urban markets). Its exports declined by ~27% YoY. Hyundai reported ~2.1% YoY decline in domestic volume. M&M's domestic volume grew by 36.5% sequentially on continued revival in demand from rural and semi urban markets. It stated that enquiry and booking levels were significantly higher than June. Supply chain continues to remain challenging.

**In the 2W segment,** market leader Hero MotoCorp's volume grew by 14% sequentially (down ~4% YoY), higher than our expectations on the back of strong retail sales emanating from rural and semi-urban markets. TVS Motor's 2W volume grew by 27.6% sequentially (down ~8% YoY). It is witnessing positive uptake in domestic retail segment and exports and is working on ramp up of operations amid supply challenges. Royal Enfield's sales grew by 6% sequentially (down 25.6% YoY) on a gradual ramp up of operations amid supply constraints.

**Tractor sales:** M&M/Escorts/VST Tillers have reported growth in domestic tractor sales at 27.6%/9.9%/8.1% YoY, respectively on the back of positive rural sentiments (due to good cash flows to farmers, higher Kharif sowing, timely and normal monsoon cumulatively across June & July and continued higher rural spending by the Government).

**CV sales** declined YoY on account of economic slowdown, excess capacity and limited availability of drivers. Ashok Leyland, M&M, VECV and SML Isuzu have reported declines of 56.3%/17.9%/46.6%/64.2 YoY, respectively. M&M stated that enquiry and booking levels for its Pick-ups were significantly higher than in June on account of revival in demand from rural and semi urban markets.

**3W sales:** 3W sales of TVS, M&M and Atul Auto declined by 35%/98.2%/62.1% YoY, respectively.

### Exhibit 1: Automobile sales snapshot

Total Volume	Jul-20	Jul-19	YoY (%)	Jun-20	MoM (%)	FY21YTD	FY20YTD	(%) Chg
<b>Passenger Vehicles</b>								
Maruti Suzuki	108,064	109,264	(1.1)	57,428	88.2	184,663	511,858	(63.9)
M&M - PV	12,492	19,499	(35.9)	8,928	39.9	26,504	86,458	(69.3)
<b>Two Wheelers</b>								
Hero MotoCorp	514,509	535,810	(4.0)	450,586	14.2	1,077,777	2,378,730	(54.7)
TVS Motor	243,788	265,679	(8.2)	191,076	27.6	499,216	1,149,349	(56.6)
Royal Enfield	40,334	54,185	(25.6)	38,065	6.0	97,603	237,774	(59.0)
<b>Commercial Vehicles</b>								
M&M - CV	13,103	15,969	(17.9)	10,417	25.8	28,690	67,563	(57.5)
Ashok Leyland	4,775	10,926	(56.3)	2,394	99.5	8,589	50,534	(83.0)
VE Commercial Vehicles	2,135	4,001	(46.6)	1,321	61.6	4,196	17,135	(75.5)
SML Isuzu	307	857	(64.2)	186	65.1	509	5,139	(90.1)
<b>Three Wheelers</b>								
M&M - 3W	83	4,674	(98.2)	13	538.5	135	17,810	(99.2)
TVS Motor - 3W	8,956	13,786	(35.0)	7,311	22.5	20,461	53,311	(61.6)
Atul Auto	1,241	3,272	(62.1)	1,044	18.9	2,718	13,786	(80.3)
<b>Tractors</b>								
M&M - Tractors	25,402	19,992	27.1	36,544	(30.5)	91,059	106,342	(14.4)
Escorts	5,322	4,860	9.5	10,851	(51.0)	23,472	25,911	(9.4)
VST Tillers (Tillers+Tractors)	3,890	3,599	8.1	3,480	11.8	10,842	10,308	5.2

Source: Company, Nirmal Bang Institutional Equities Research

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**Exhibit 2: Maruti Suzuki India's sales**

	Jul-20	Jul-19	YoY (%)	Jun-20	MoM (%)	FY21YTD	FY20YTD	(%) Chg
Mini - Alto, Old WagonR, S-Presso	17,258	11,577	49.1	10,458	65.0	29,711	69,470	(57.2)
Compact - New WagonR, Celerio, Ignis, Swift, Baleno, Dzire	52,836	59,308	(10.9)	27,535	91.9	86,656	268,982	(67.8)
Mid-size - Ciaz	1,303	2,397	(45.6)	553	135.6	2,048	11,100	(81.5)
<b>Passenger cars</b>	<b>71,397</b>	<b>73,282</b>	<b>(2.6)</b>	<b>38,546</b>	<b>85.2</b>	<b>118,415</b>	<b>349,552</b>	<b>(66.1)</b>
UVs - Gypsy, Ertiga, Vitara Brezza, S-Cross, XL6	19,177	15,178	26.3	9,764	96.4	32,577	74,162	(56.1)
Vans - Omni, Eeco	8,501	9,814	(13.4)	3,803	123.5	13,921	42,473	(67.2)
<b>Total domestic PV sales</b>	<b>99,075</b>	<b>98,274</b>	<b>0.8</b>	<b>52,113</b>	<b>90.1</b>	<b>164,913</b>	<b>466,187</b>	<b>(64.6)</b>
LCV - Super Carry	2,232	1,732	28.9	1,026	117.5	3,421	8,300	(58.8)
Total exports	6,757	9,258	(27.0)	4,289	57.5	16,329	37,371	(56.3)
<b>Total sales</b>	<b>108,064</b>	<b>109,264</b>	<b>(1.1)</b>	<b>57,428</b>	<b>88.2</b>	<b>184,663</b>	<b>511,858</b>	<b>(63.9)</b>

Source: Company, Nirmal Bang Institutional Equities Research

**Exhibit 3: M&M**

	Jul-20	Jul-19	YoY (%)	Jun-20	MoM (%)	FY21YTD	FY20YTD	(%) Chg
<b>Automobile division</b>								
Passenger vehicles	11,025	16,831	(34.5)	8,075	36.5	22,967	76,231	(69.9)
Utility vehicles	10,898	16,003	(31.9)	7,958	36.9	22,601	72,098	(68.7)
Cars + vans	127	828	(84.7)	117	8.5	366	4,133	(91.1)
Commercial vehicles	13,103	15,969	(17.9)	10,417	25.8	28,690	67,563	(57.5)
LCV < 3.5T	12,978	14,874	(12.7)	10,332	25.6	28,431	62,342	(54.4)
Other CVs	125	1,095	(88.6)	85	47.1	259	5,221	(95.0)
Three-wheelers	83	4,674	(98.2)	13	538.5	135	17,810	(99.2)
<b>Domestic sales</b>	<b>24,211</b>	<b>37,474</b>	<b>(35.4)</b>	<b>18,505</b>	<b>30.8</b>	<b>51,792</b>	<b>161,604</b>	<b>(68.0)</b>
Total exports	1,467	2,668	(45.0)	853	72.0	3,537	10,227	(65.4)
<b>Total sales</b>	<b>25,678</b>	<b>40,142</b>	<b>(36.0)</b>	<b>19,358</b>	<b>32.6</b>	<b>55,329</b>	<b>171,831</b>	<b>(67.8)</b>
<b>Tractor division</b>								
Domestic	24,463	19,174	27.6	35,844	(31.8)	89,040	102,087	(12.8)
Exports	939	818	14.8	700	34.1	2,019	4,255	(52.5)
<b>Total tractor sales</b>	<b>25,402</b>	<b>19,992</b>	<b>27.1</b>	<b>36,544</b>	<b>(30.5)</b>	<b>91,059</b>	<b>106,342</b>	<b>(14.4)</b>

Source: Company, Nirmal Bang Institutional Equities Research

**Exhibit 4: Hero MotoCorp**

	Jul-20	Jul-19	YoY (%)	Jun-20	MoM (%)	FY21YTD	FY20YTD	(%) Chg
Motorcycles	478,666	490,058	(2.3)	416,745	14.9	1,001,449	2,217,792	(54.8)
Scooters	35,843	45,752	(21.7)	33,841	5.9	76,328	160,938	(52.6)
<b>Total sales</b>	<b>514,509</b>	<b>535,810</b>	<b>(4.0)</b>	<b>450,586</b>	<b>14.2</b>	<b>1,077,777</b>	<b>2,378,730</b>	<b>(54.7)</b>

Source: Company, Nirmal Bang Institutional Equities Research

Overall domestic PV sales grew by ~90% sequentially on ramp up of operations and strong demand for small cars. Sales grew by ~0.8% on YoY basis.

Mini+Compact car sales grew by 85.4% sequentially on strong demand for entry level cars from rural and semi urban markets.

UV sales grew by 96.4% sequentially and 26.3% on YoY basis on ramp up of operations. MSIL continues to see better acceptability of BS-VI Brezza (Petrol) and strong demand for Eritga.

LCV sales grew by ~28.9% YoY. Exports volume declined by ~27% YoY.

Overall, PV volume grew by over 36.5% sequentially (declined ~34.5% YoY) on continued revival in demand from rural and semi urban markets. Enquiry and booking levels were significantly higher than June. Supply chain continues to remain challenging.

Pick-ups sales grew by 25.6% sequentially (posted a decline of ~12.7% YoY). The company stated that enquiry and booking levels were significantly higher than June on revival in demand from rural and semi urban markets.

3Ws continue to struggle with ~98% YoY decline. Exports fell by ~45% YoY.

Domestic tractor sales grew by ~27.6% YoY on the back of positive rural sentiments (due to good cash flows to farmers, higher Kharif sowing, timely and normal monsoon cumulatively across June & July and continued higher rural spending by the Government). However, the company faced supply challenges due to local lockdowns.

Hero's volume grew by ~14% sequentially (down ~4% YoY), higher than our expectations on the back of strong retail demand emanating from rural and semi-urban markets.

**Exhibit 5: TVS Motor Company**

2W volume grew by ~27.6% sequentially but declined ~8.2% on YoY basis. Domestic 2W volume declined by ~9% YoY. TVS is witnessing positive uptake in demand and is working on further ramp up of operations amid supply challenges.

3W volume grew by ~2.7x (declined by ~46.4% on YoY basis) on the back of recovery in exports.

	Jul-20	Jul-19	YoY (%)	Jun-20	MoM (%)	FY21YTD	FY20YTD	(%) Chg
Motorcycles	106,062	108,210	(2.0)	84,401	25.7	224,997	525,391	(57.2)
Scooters	78,603	105,199	(25.3)	65,666	19.7	160,629	399,731	(59.8)
Mopeds	59,123	52,270	13.1	41,009	44.2	113,590	224,227	(49.3)
<b>Two-wheelers</b>	<b>243,788</b>	<b>265,679</b>	<b>(8.2)</b>	<b>191,076</b>	<b>27.6</b>	<b>499,216</b>	<b>1,149,349</b>	<b>(56.6)</b>
Three-wheelers	8,956	13,786	(35.0)	7,311	22.5	20,461	53,311	(61.6)
<b>Total</b>	<b>252,744</b>	<b>279,465</b>	<b>(9.6)</b>	<b>198,387</b>	<b>27.4</b>	<b>519,677</b>	<b>1,202,660</b>	<b>(56.8)</b>
Exports of above	62,389	69,994	(10.9)	53,123	17.4	142,859	278,778	(48.8)

Source: Company, Nirmal Bang Institutional Equities Research

**Exhibit 6: Ashok Leyland**

MHCV sales improved 125.8% sequentially but were lower 74.6% on YoY basis. LCVs grew by 87.3% sequentially (declined by 27% on YoY basis) mainly on account of weak demand further affected by Covid-19, excess capacity and slower ramp up of supply chain.

	Jul-20	Jul-19	YoY (%)	Jun-20	MoM (%)	FY21YTD	FY20YTD	(%) Chg
MHCV	1,705	6,721	(74.6)	755.00	125.8	2,726	33,440	(91.8)
LCV	3,070	4,205	(27.0)	1,639.00	87.3	5,863	17,094	(65.7)
<b>Total</b>	<b>4,775</b>	<b>10,926</b>	<b>(56.3)</b>	<b>2,394.00</b>	<b>99.5</b>	<b>8,589</b>	<b>50,534</b>	<b>(83.0)</b>

Source: Company, Nirmal Bang Institutional Equities Research

**Exhibit 7: Unlisted Players (Domestic sales)**

	Jul-20	Jul-19	YoY (%)	Jun-20	MoM (%)	FY21YTD	FY20YTD	(%) Chg
Hyundai Motors	38,200	39,010	(2.1)	21,320	79.2	66,403	165,524	(59.9)
Kia Motors	8,502	-	n.a.	7,275	16.9	17,438	-	n.a.
Renault	6,442	3,660	76.0	4,634	39.0	12,829	21,265	(39.7)
Honda Cars India	5,383	10,250	(47.5)	1,398	285.1	7,156	43,278	(83.5)
Toyota Kirloskar India	5,386	10,423	(48.3)	3,866	39.3	10,891	43,276	(74.8)
Ford India	3,937	6,284	(37.3)	2,639	49.2	7,147	24,493	(70.8)
MG Motors	2,105	1,508	39.6	2,012	4.6	4,827	1,508	220.1
Volkswagen India	1,887	2,521	(25.1)	1,510	25.0	4,801	9,664	(50.3)
HMSI	309,332	455,036	(32.0)	202,837	52.5	566,169	1,798,615	(68.5)
Suzuki Motorcycles	31,421	62,366	(49.6)	20,482	53.4	56,957	239,034	(76.2)

Source: Company, news articles, Nirmal Bang Institutional Equities Research

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