

Strong momentum in Tractors & PVs; other segments will show better traction every month

Retail registration numbers - June 2021

Units in number	Jun-21	Jun-20	Jun-19	June '21 vs. June '19 YoY (%)	May-21	MoM (%)	YTDFY22	YTDFY21	YoY (%)
2W	9,30,324	7,95,819	13,38,005	-30.5%	4,10,757	126.5%	22,06,215	9,54,858	131.1%
3W	14,732	12,077	48,815	-69.8%	5,215	182.5%	41,583	13,958	197.9%
CV	35,700	10,619	65,035	-45.1%	17,534	103.6%	1,04,670	13,330	685.2%
PV	1,84,134	1,28,360	2,05,213	-10.3%	85,733	114.8%	4,78,750	1,59,109	200.9%
Tractors	52,261	45,735	40,937	27.7%	16,616	214.5%	1,07,162	54,052	98.3%
Total	12,17,151	9,92,610	16,98,005	-28.3%	5,35,855	127.1%	29,38,380	11,95,307	145.8%

Our view on retail sales and momentum going ahead!

The retail numbers came in more or less in-line with our on-ground checks, but PVs registrations were slightly lower than our est. As compared with March 2021 peak numbers, June 2021 registrations for 2Ws touched 78%, tractors at 74%, PVs reached at 66%, CVs at 53% and 3Ws at 39%.

The retail registration numbers are still lower than normal monthly run-rate of 17.5L units, however, as per our checks as we move towards the festive season, things will only improve from here-on across all segments. The momentum in PVs and tractors is at its best.

- **Two wheelers:** The social distancing norms are going to be there for a long time; hence people will only prefer to have their own personal mobility. In addition, as the markets are gradually opening up, people will start getting their regular business income & salaries and that could lift the sales of two-wheelers. Rural will further support 2W sales in this fiscal year.
- **Passenger vehicles:** While traction for passenger vehicle remain very strong with good waiting period and all-time low discounting. Maruti could benefit in FY22 as there is a sudden surge in demand for CNG models & has a good waiting period. Almost all the models of Tata Motors are in high demand.
- **Commercial vehicles:** At present the demand is improving in select pockets like construction, mining, infrastructure, steel, cement, agri-goods transportation, FMCG & eCommerce. Few dealers started witnessing an improvement in inquiries and things should continue to improve MoM as markets are almost fully opened-up now.
- **Tractors:** So far, tractors is at its best with June 2021 sales numbers much higher than June 2019 levels. Post opening up of markets and reduction in cases, there was a rush for buying tractors. We will need to keep it under observation whether it was a pent-up demand of April/May or a real surge in demand.
- **Three-wheelers:** It will take a few more years to touch its peak numbers of FY19 as people will continue to travel in their own transportation and negative effect of closed educational institutions. But on a low base of last year, it can witness substantial YoY growth.

Retail market share trend of major players:

Two-wheelers	Jun-21	May-21	Apr-21	Mar-21	Feb-21	Jan-21	Dec-20	Nov-20	Oct-20	Sep-20	Aug-20	Jul-20	Jun-20	Mar-20	Feb-20	Jan-20
Hero MotoCorp	45%	47%	35%	33%	32%	34%	39%	37%	32%	34%	37%	41%	40%	43%	38%	37%
HMSI	21%	19%	25%	26%	27%	26%	25%	27%	28%	26%	25%	23%	25%	21%	24%	24%
TVS Motor	13%	14%	15%	15%	15%	15%	14%	14%	15%	15%	16%	14%	14%	14%	14%	14%
Bajaj Auto	12%	11%	11%	11%	11%	11%	11%	11%	11%	12%	11%	11%	9%	12%	12%	12%
RE	4%	4%	5%	5%	5%	5%	4%	3%	4%	4%	4%	4%	5%	3%	4%	4%
Yamaha	2%	2%	4%	4%	4%	4%	3%	3%	4%	4%	4%	4%	4%	3%	3%	3%
Suzuki Motorcycle	3%	2%	4%	4%	4%	4%	3%	4%	4%	4%	3%	3%	3%	3%	4%	4%
Piaggio Vehicles	0.2%	0.2%	0.4%	0.4%	0.4%	0.4%	0.3%	0.3%	0.4%	0.3%	0.3%	0.2%	0.2%	0.4%	0.4%	0.4%
Classic Legends	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.1%	0.0%	0.2%	0.3%	0.3%

PVs	Jun-21	May-21	Apr-21	Mar-21	Feb-21	Jan-21	Dec-20	Nov-20	Oct-20	Sep-20	Aug-20	Jul-20	Jun-20	Mar-20	Feb-20	Jan-20
Maruti Suzuki	41%	43%	46%	46%	47%	49%	48%	49%	50%	50%	50%	50%	52%	43%	50%	51%
Hyundai	19%	19%	16%	16%	17%	17%	17%	16%	17%	18%	19%	19%	19%	15%	15%	16%
Tata Motors	11%	11%	9%	9%	8%	8%	7%	8%	7%	8%	8%	8%	7%	8%	6%	6%
M&M	7%	6%	6%	5%	6%	5%	6%	5%	5%	6%	5%	5%	4%	9%	8%	7%
Kia	8%	6%	6%	5%	6%	5%	7%	6%	6%	4%	4%	4%	5%	4%	4%	3%
Toyota	3%	3%	4%	4%	4%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%
Renault	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%	4%	4%	4%
Honda cars	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%	2%	2%	3%	3%	3%
Ford	2%	2%	2%	2%	1%	1%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%
MG Motor	1%	1%	1%	2%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%
Nissan	1.2%	1.2%	1.2%	1.1%	1.0%	0.6%	0.3%	0.3%	0.3%	0.4%	0.2%	0.2%	0.1%	1.7%	0.9%	0.7%
Skoda	1.0%	0.6%	1.1%	1.1%	1.0%	1.0%	0.8%	1.0%	1.0%	0.9%	0.1%	1.1%	0.8%	0.0%	0.0%	0.0%

CVs	Jun-21	May-21	Apr-21	Mar-21	Feb-21	Jan-21	Dec-20	Nov-20	Oct-20	Sep-20	Aug-20	Jul-20	Jun-20	Mar-20	Feb-20	Jan-20
Tata Motors	39%	42%	42%	43%	42%	39%	37%	35%	34%	31%	27%	21%	8%	46%	43%	42%
M&M	26%	19%	19%	18%	20%	24%	29%	34%	34%	35%	41%	46%	52%	22%	25%	27%
Ashok Leyland	13%	16%	16%	16%	15%	15%	13%	12%	12%	11%	11%	8%	11%	14%	14%	14%
VECV	5%	5%	7%	6%	6%	6%	5%	5%	5%	5%	4%	4%	2%	6%	5%	5%
Maruti Suzuki	5%	5%	5%	6%	5%	5%	5%	4%	5%	6%	7%	7%	8%	2%	3%	4%
Daimler	2%	3%	2%	2%	2%	2%	2%	2%	2%	1%	1%	1%	1%	2%	2%	2%
Force Motors	2%	4%	1%	1%	1%	1%	1%	1%	1%	2%	1%	1%	0%	2%	1%	1%
SML Isuzu	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	0%	0%	1%	1%	1%
Others	7%	6%	7%	9%	7%	7%	8%	6%	6%	8%	8%	11%	17%	5%	5%	5%

Tractors	Jun-21	May-21	Apr-21	Mar-21	Feb-21	Jan-21	Dec-20	Nov-20	Oct-20	Sep-20	Aug-20	Jul-20	Jun-20	Mar-20	Feb-20	Jan-20
M&M (Tractor)	22%	23%	21%	22%	22%	22%	24%	24%	23%	23%	24%	24%	24%	23%	24%	24%
M&M (Swaraj)	16%	18%	16%	17%	17%	17%	17%	17%	17%	17%	16%	16%	16%	18%	18%	17%
ITL	13%	13%	12%	13%	14%	14%	14%	12%	12%	13%	13%	12%	11%	12%	12%	12%
Escorts	12%	11%	12%	12%	12%	11%	10%	10%	10%	11%	10%	12%	12%	12%	11%	11%
TAFE	12%	11%	12%	10%	10%	10%	12%	11%	13%	11%	11%	13%	15%	9%	10%	11%
John Deere	7%	8%	8%	9%	8%	8%	8%	9%	8%	7%	7%	7%	8%	9%	8%	8%
Eicher Tractors	6%	5%	6%	6%	6%	6%	6%	6%	6%	6%	7%	7%	6%	6%	7%	7%
CNH Industrial	4%	4%	5%	4%	4%	4%	4%	4%	4%	4%	4%	3%	3%	3%	4%	4%
Kubota	2%	1%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	1%	2%	1%
VST	0.6%	0.5%	0.7%	0.7%	0.6%	0.9%	0.7%	0.8%	0.8%	1.2%	1.5%	1.2%	0.8%	0.9%	0.7%	0.9%

- Over the period, Hero MotoCorp gained market share backed by strong rural momentum, while TVS & HMSI has lost due to muted buying from cities & students' community, where scooter sales are generally higher. Bajaj Auto and RE more or less has maintained its share.
- In PVs, Maruti's market share has been gradually coming down, possibly due to less presence in fast growing SUVs. Tata Motors and Kia India remain the fastest market share gainers. Hyundai too is eating up some of the market share of other players, while M&M's share is almost reached at all-time low.
- CVs when compared to March 2021, Tata Motors, Ashok Leyland and VECV being present majorly in MHCVs lost some of its market share due to the slowdown in the economy. On the other side, M&M's LCV portfolio done better and resulted in market share gains. As we are heading for an upcycle, hence MHCVs will gain momentum in the coming months.
- M&M including Swaraj Tractor market share has seen some softness over the period, while Escorts more or less maintained its share. Sonalika (ITL) has been playing the pricing game and resulted in gaining market share. TAFE being a quality player has gained some share. Broadly, there are no major ups/downs in market share of tractor players.

Recommendations:

- Overall, we see continued strong traction across all segments as we move more closer to the festive season. MoM will only see better numbers from here on. The only major risk is the 3rd wave, which can again bring back the industry momentum at square one.
- We recommend to increase allocation more towards premium motorcycle players as momentum & enquiries are good and they are less likely to get disrupted due to emerging EV scooter segment. Accumulate **Eicher Motors for a near term target price of Rs 2,965 apiece**. The company has taken strategic steps for its domestic & international markets, also CV business is heading into an upcycle.
- Our 2nd recommendation is to add cyclicals, where Ashok Leyland is a pure play in the CVs. As we move from down-to-upcycle, its volumes, revenue, margin as well as profitability to boost substantially. Every new peak year's market cap is always higher than previous cycle's peak year market cap, as per our study of past 30+ years of CV cycle analysis. Hence, good upside left in **Ashok Leyland. Buy for a near term target price of Rs 143 apiece**.

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