Sector Update

Industry Automobiles

Monthly Auto Volumes

Increased cost of ownership led to slowdown in demand

Company	YoY Growth
ASHOKLEY	-9%
BAJAJ-AUTO	25%
EICHERMOT	-6%
ESCORTS	56%
HEROMOTOCO	1%
M&M	15%
MARUTI	-1%
TATAMOTORS	-4%
TVSMOTOR	27%

The automobile industry has witnessed slowdown in November sales due to various reasons like; increased insurance cost, fuel prices, rise in vehicle prices and the NBFC liquidity issues. The passenger vehicle segment growth remained muted due to sharp increase in ownership cost led by rise in insurance cost, higher fuel prices and increase in vehicle prices. MARUTI, TATAMOTORS and M&M sales were flat YoY. CV sales also declined due to higher borrowing cost, NBFC liquidity issue and drop in cargo sales. ASHOKLEY, TATAMOTORS and VECV sales declined by 9%, 5% and 4%YoY respectively while M&M posted a growth of 26%YoY. HEROMOTOCO sales remained flat YoY due to price hikes and increased insurance cost while EICHERMOT declined by 6%YoY largely due to strike. BAJAJ-AUTO and TVSMOTOR posted strong growth of 25% and 27%YoY respectively on account of higher discounting, sales promotional activities and strong scooter demand. On the 3 wheeler side TVSMOTOR and M&M posted a growth of 48% and 28% respectively while BAJAJ-AUTO sales declined by 3%YoY due to higher base. On the Tractor sales, ESCORTS and M&M posted a growth of 13% and 56%YoY largely led by strong Rabi sowing, improved growth prospects in rural areas on account of MSP hikes and normal monsoon.

Commercial Vehicle Industry:

The commercial vehicle industry sales declined by 5% YoY in November 2018. The MHCV segment was impacted due to increased interest cost, delay in execution of infra projects and liquidity issue in the NBFCs. Also, there was a drop in cargo sales as operators postponed their purchase due to low consumer sentiments. The addition of capacity with the existing vehicles being registered for higher axle load also impacted sales. LCV segment demand improved because of increase in e-commerce sectors demand, hub & spoke model and rural consumption. ASHOKLEY, TATAMOTORS and VECV reported a de-growth of 9%, 16%, 26% and 4% YoY respectively while M&M posted 26% YoY growth in sales.

Passenger Vehicle Industry:

The passenger vehicle industry sales remained muted in November 2018. Increase in insurance cover, rising fuel cost and muted consumer sentiment caused by liquidity issues affected the sales. Apart from this, lack of new models launches during this festive season and increase in vehicle prices discouraged customers to purchase new vehicles. Also, the inventory level was higher at 40 days during the festive season as compared to 30-35 days in previous year. M&M have shown flattish growth during the month while TATAMOTORS and MARUTI sales declined by 2% and 1%YoY respectively.

2Ws and 3Ws:

The two-wheeler OEMs posted an overall growth of 12% YoY growth in November. Overall, growth in the 2-wheeler industry was impacted because of increase in insurance cost and rising fuel prices. However aggressive discounting, sales promotional activities and 125cc scooters demand maintained growth momentum. BAJAJ-AUTO and TVSMOTOR posted a growth of 31% and 26% respectively while HEROMOTOCO remained flattish. EICHERMOT sales was down by 6% due to strike at its Chennai facility. Overall three wheeler industry posted a growth of 5%YoY. BAJAJ-AUTO three wheelers sales declined by 3% YoY due to higher base while M&M and TVSMOTOR posted a robust growth of 28% and 48% YoY respectively.

Tractors:

Tractor industry volumes grew by 22% YoY in November. The normal monsoon for the past three consecutive years in larger part of the country, farm loan waivers, MSP hikes, increased reservoir level, ease in availability of retail finance and strong Rabi sowing are driving the growth in this segment.

Top Picks :-

We continue to like; ASHOKLEY, BAJAJ-AUTO, M&M, ESCORTS and MARUTI from our coverage universe.

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ASHOKLEY	Nov-18	Nov-17	YoY Gr	Oct-18	MoM
MHCV	8718	10641	-18%	9797	-11%
LCV	4403	3819	15%	5352	-18%

ASHOKLEY overall sales for the month of November 2018 de-grew by 9% YoY to 13121 units. The M&HCV sales declined by 18% YoY to 8718 units due to increase in borrowing cost, delay in execution of infra projects and NBFCs liquidity crunch. Light commercial vehicles volume rose by 15% YoY to 4403 units during the month. The growth has been led by increase in hub & spoke model and pick up in rural demand due to increasing FMCG penetration. Going forward the growth will be driven by ongoing infra & mining segment demand scenario, BS-VI implementation, international operations, defense mobility and implementation of mandatory scrappage policy.

BAJAJ-AUTO	Nov-18	Nov-17	YoY Gr	Oct-18	MoM
Domestic	234818	179835	31%	319942	-27%
Exports	172112	146623	17%	186757	-8%

BAJAJ-AUTO recorded volume growth of 25% YoY in November 2018. The domestic 2Ws sales grew by 45% YoY on the back of heavy discounting practice and various sales promotional activities in the entry-level motorcycles. Platina and CT100 models are showing good traction in the market. Pulsar along with Avenger model has also maintained dominance in the volume growth. The current domestic motorcycle market share has improved to 20% from 16% over 6-7 months.The management expects the domestic motorcycle segment to grow by 15-17% in FY19. The 2Ws exports also grew by 16%YoY on the back of healthy growth in various geographies. Domestic 3Ws sales de-grew by 22% YoY due to higher base, on the other hand 3Ws exports grew by 25% YoY owing to healthy recovery in existing markets and strong traction from new geographies. Going forward, the company expects 8%-10% industry growth in Q4FY19.

EICHERMOT	Nov-18	Nov-17	YoY Gr	Oct-18	MoM
Royal Enfield	65744	70451	-7%	70044	-6%
VECV	4720	4916	-4%	5980	-21%

EICHERMOT royal enfield posted 6% YoY decline in domestic volumes in November 2018. Models with capacity up to 350cc have de-grown by 6% YoY and models with capacity above 350cc have de-grown by 12% YoY. Its manufacturing facility at Oragadam, near Chennai, was operational at its full capacity from 13th November. Due to the strike, the loss of production for the month of November 2018 was 3,000 motorcycles. Also, the total number of working days in November was 24 after considering the holidays on account of the festival of Diwali which led to less production. Exports volumes also declined by 69%YoY. VECV volumes also declined by 4% YoY due to due to increase in borrowing cost, rising fuel prices and liquidity issues in the NBFCs. Domestic volumes de-grew by 7% YoY while exports grew by 18% YoY during the month.

ESCORTS	Nov-18	Nov-17	YoY Gr	Oct-18	MoM
Domestic	7641	4941	55%	12867	-41%
Exports	364	178	104%	273	33%

ESCORTS, the fourth largest tractor manufacturer in India has reported a robust growth of 56% YoY in November 2018. The domestic tractor volume grew robustly by 55% YoY to 7641 units. This growth was registered due to improving income level of farmers (higher MSP). The exports volume also showed a robust growth of 104% YoY to 364 units on the back of growth in various geographies like Nepal and Bhutan. Going ahead, we expect that new product launches, lower tractor penetration, government's thrust towards doubling the farm income by 2022 and strong brand positioning will drive the Escorts volumes in years to come. The management expects domestic tractor industry to post healthy growth in 3QFY19 on account of low base effect. The management reiterated its volume growth guidance of 12-14% for FY19.

HEROMOTOCO	Nov-18	Nov-17	YoY Gr	Oct-18	MoM
2W	610252	605270	1%	734668	-17%

HEROMOTOCO volume growth remained flat YoY to 610252 units in November 2018. Retail sales across the country during the initial few weeks of the festive season have been moderate, primarily on account of the significant increase in insurance cost, followed by the associated confusion over the coverage amount and period in the matter of two-wheeler insurance. However, sales picked up in the last few days of the festive season. During the month, it commenced nationwide retail sales of its new 125cc scooter, the Destini 125. Going forward, the growth will be supported by monsoon, MSP, under penetration of two wheelers and rural infra spending.

M&M	Nov-18	Nov-17	YoY Gr	Oct-18	MoM
Automotive	45101	38570	17%	58416	-23%
Farm Equipment	25949	22994	13%	47376	-45%

M&M volumes grew by 17% YoY in November 2018 to 45101 units. The passenger vehicle segment grew by 1% YoY. The month of November has not been good for passenger vehicles due to factors such as low consumer buying sentiment, high fuel prices and insurance cost. However, recently launched Marazzo has been receiving good response from customers with a waiting period of over 6 weeks. Commercial vehicle segment showed a growth of 26%YoY on the back of new product launch and rising demand from logistics sector. The 3W segment also grew by 28% YoY. The farm equipment segment posted overall growth of 13% YoY during the month. The domestic tractor volumes grew by 18% YoY while the tractor exports de-grew by 54% YoY. Going forward, the company expects declining fuel prices, new launches and improved liquidity conditions will drive demand for passenger vehicles. In addition, the government's continued focus on rural and agri spends and increase in MSP of key crops will ensure the demand uptick for tractors to continue in Q4FY19.

MARUTI	Nov-18	Nov-17	YoY Gr	Oct-18	MoM
Domestic	146018	145300	0%	138100	6%
Exports	7521	9300	-19%	8666	-13%

MARUTI sales declined by 1% YoY in November 2018. Rise in insurance cost, higher fuel prices and increase in vehicle prices affected the sales. The mini segment de-grew by 22% YoY due to the launch of new Santro, while compact segment grew by 11%YoY on the back of increasing demand for Swift, Baleno and Dzire models. The utility vehicle segment has shown some improvement in demand and sales grew by 2%YoY. The mid size segment de-grew by 4% YoY. The LCV super carry volumes have touched over 2128 units with a robust growth of 112% YoY. Exports have de-grown by 19% YoY as there has been some softness in key export markets.

TATAMOTORS	Nov-18	Nov-17	YoY Gr	Oct-18	MoM
Domestic	50470	52464	-4%	57710	-13%
Exports	4604	4927	-7%	4554	1%

TATAMOTORS overall sales for the month of November declined by 4% YoY to 55074 units. Domestic PV segment posted a marginal drop in sales by 1% YoY led by higher fuel prices, increase in vehicle price and increase in insurance cost. On the CV front, the M&HCV segment saw a decline of 24% YoY to 9793 units. This segment was largely impacted due to drop in cargo sales as operators postponed their purchase due to low consumer sentiments. LCV segment also posted 2% YoY growth to 4071 units. SCV cargo and pick up segment grew by 8% YoY to 16205 units. The commercial passenger carrier segment showed lower growth of 3% YoY with 3522 units. This segment has been impacted due to the slowdown in the procurement of buses by STUs and the permits for private hiring. The exports also declined by 7% YoY with 4604 units due to sharp total industry volume contraction in Bangladesh due to elections and political uncertainty in Sri Lanka.

TVSMOTOR	Nov-18	Nov-17	YoY Gr	Oct-18	MoM
Domestic	261489	204758	28%	340501	-23%
Exports	58476	47207	24%	57926	1%

TVSMOTOR has posted 27% YoY volume growth in November 2018. Overall two-wheeler segment posted a growth of 26% YoY. The scooter, motorcycles and moped segments has grown by 43%, 29% and 5% YoY respectively. Domestic two wheeler volumes grew by 28% YoY while export two wheeler volumes have shown a growth of 17% YoY. Overall three wheelers segment have also shown a volume growth of 48% YoY. Domestic three-wheeler segment de-grew by 24% YoY while export three wheeler volumes grew robustly by 65% YoY.

OEMs November volume update:

Company	Nov-18	Nov-17	Oct-18	YoY %	MoM %	FY19YTD	FY18YTD	Change%
ASHOKLEY	13,121	14,457	15,149	-9%	-13%	122,355	96,843	26%
BAJAJ-AUTO	406,930	326,458	506,699	25%	-20%	3,479,714	2,668,846	30%
EICHERMOT	65,744	70,126	70,451	-6%	-7%	571,658	526,483	9%
ESCORTS	8,005	5,119	13,140	56%	-39%	66,678	53,243	25%
HEROMOTOCO	610,252	605,270	734,668	1%	-17%	5,583,916	5,108,555	9%
M&M	71,050	61,564	105,792	15%	-33%	641,591	572,673	12%
MARUTI	153,539	154,600	146,766	-1%	5%	1,275,632	1,187,735	7%
TATAMOTORS	55,074	57,391	62,264	-4%	-12%	481,653	373,600	29%
TVSMOTOR	319,965	251,965	398,427	27%	-20%	2,686,197	2,320,068	16%

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