

Sector Update

Industry Automobiles

Monthly Auto Volumes

Recovery seen ahead of festive season

Company YoY Growth

ASHOKLEY	17%
BAJAJ-AUTO	32%
EICHERMOT	0%
ESCORTS	29%
HEROMOTOCO	16%
M&M	15%
MARUTI	0%
TATAMOTORS	17%
TVSMOTOR	26%

The demand scenario in the passenger car space seemed sluggish due to increase in fuel prices & insurance cost, softness in new model launches and delay in festivals (Diwali, which includes large part of festive demand) in November. Maruti and M&M registered flat growth while Tata Motors posted a growth of 11%YoY largely on the back of lower base and higher sales of Tiago and Nexon models. On the two wheelers, the demand for 100-125cc vehicles remained healthy on the back of Navaratra and sales push through higher discounting. Bajaj Auto, Hero Motocorp and TVS Motors volumes grew by 16% and 25%YoY while Eicher Motors sales remained flat because of production loss of 15000 units (strike at Oragadam plant). Commercial vehicles segment continued to be strong but there has been some slowdown in M&HCV sales due to delay in execution of infra projects and liquidity issue in the NBFCs. Ashok Leyland, Tata Motors, M&M and VECV reported 17%, 22%, 26% and 14% respectively. On the 3 wheeler side, Bajaj-Auto, TVS Motors and M&M reported 30%, 56% and 13%YoY growth respectively. M&M and Escorts have registered 17% and 29%YoY growth owing to increased rural income (higher MSP and increased Kharif crop output).

Commercial Vehicle Industry:

The commercial vehicle industry continued its strong performance and posted 15% YoY growth in October 2018. The MHCv segment has reported strong growth but there has been some slowdown in M&HCV sales due to delay in execution of infra projects and liquidity issue in the NBFCs. LCV segment demand improved because of increase in hub & spoke model, rural consumption and new product launches. Strong freight availability has also continued to support the demand from fleet operators. Ashok Leyland, Tata Motors, M&M and VECV reported 17%, 22%, 26% and 14% respectively.

Passenger Vehicle Industry:

The passenger vehicle industry sales have continued to remain muted with growth of 5%YoY in October 2018. Sales were down during the 10 days of Navaratra festival due to lack of new launches, increase in insurance cover and rising fuel cost. The OEMs offered heavy discounts in order to push the sales. The demand scenario after Dussehra seems better as there has been inventory pile up seen at the dealer level. Maruti and M&M posted flat growth while Tata Motors comes as a winner in this tepid demand situation and reported 11%YoY growth largely on the back of Tiago and Nexon models. However, the monthly run-rate continues to be healthy.

2Ws and 3Ws:

The two wheeler OEMs posted an overall growth of 22% YoY growth in October. The demand for 100cc vehicles continues to be strong due to aggressive pricing, various schemes offered by OEMs and better fuel efficiencies in comparison to higher engine displacement vehicles. Overall, growth in the 2 wheeler industry was impacted because of increase in insurance cost and rising fuel prices. The ban of sale of motorcycles in West Bengal to those without a driving license and strike at some of the plants of OEMs in Chennai also affected sales growth. 3 wheelers sales continued to outpace overall automobile space with a growth of 33% YoY. The sales were driven by government push towards alternative fuel vehicles for which the permits has been discontinued.

Tractors:

Tractor industry volumes grew by 19% YoY in October. Increase in MSP, subsidy support for tractor purchase by several States, successive normal monsoon in large part of the country, ease in availability of retail finance and increased output from Kharif crop output were the primary reasons behind the growth in tractor industry.

Top Picks :-

We have overall positive view on the sector and our top picks include; ASHOKLEY, BAJAJ-AUTO, M&M, ESCORTS, MARUTI

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ASHOKLEY	Oct-18	Oct-17	YoY Gr	Sep-18	MoM
MHCV	9797	9140	7%	14232	-31%
LCV	5352	3804	41%	5141	4%

Ashok Leyland reported a growth of 17% YoY to 15149 units in October 2018. Sales of Medium & Heavy commercial vehicles grew by 7% YoY to 9797 units. The growth was mainly attributed to ongoing infrastructure development, road construction and logistics sector demand but there has been some softness in M&HCV sales due to delay in execution of infra projects and liquidity issue in the NBFCs. Light commercial vehicles volume rose by 41% YoY to 5352 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 company is all set to deliver a healthy growth on account of ongoing infra & mining segment demand scenario, BS-VI implementation, international operations, defense mobility and implementation of mandatory scrappage policy.

BAJAJ-AUTO	Oct-18	Oct-17	YoY Gr	Sep-18	MoM
Domestic	319942	247210	29%	311503	3%
Exports	186757	135254	38%	190506	-2%

Bajaj-Auto recorded volume growth of 32% YoY in October 2018. The domestic 2Ws sales grew by 33% YoY on the back of heavy discounting practice 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 2Ws exports also grew by 33%YoY on the back of healthy volume growth in various geographies, primarily from Africa. Domestic 3Ws sales grew by 8% YoY on the back of discontinuation of permits in alternative fuel, shift towards 2 strokes to 4 strokes vehicles in Karnataka and entry into other permit free zones. 3Ws exports grew robustly by 68% YoY owing to healthy recovery in existing markets and strong traction from new geographies.

EICHERMOT	Oct-18	Oct-17	YoY Gr	Sep-18	MoM
Royal Enfield	70858	70970	0%	73259	-3%
VECV	5980	5228	14%	6663	-10%

Royal Enfield posted overall 1% YoY domestic volume growth in October 2018. Models with capacity up to 350cc posted 3% YoY growth and models with capacity above 350cc have de-grown by 31% YoY. Its manufacturing facility at Oragadam, near Chennai, remained operational through the month of October 2018, even though a part of the workforce continued to stay away from work since September 24, 2018. Due to the strike, the loss of production for the month of October 2018 was 15,000 motorcycles. Exports volumes also declined by 72%YoY. VECV registered a healthy growth of 14% YoY. Domestic volumes grew by 17% YoY while export remained muted in October 2018. The demand for commercial vehicles continues to remain strong on account of new product launches and increasing last mile connectivity.

ESCORTS	Oct-18	Oct-17	YoY Gr	Sep-18	MoM
Domestic	12867	10001	29%	10396	24%
Exports	273	204	34%	221	24%

Escorts Limited, the fourth largest tractor manufacturer in India has reported 29% YoY growth in October 2018. The domestic tractor volume grew robustly by 29% YoY to 12867 units. The exports volume also showed a robust growth of 34% YoY to 273 units. This growth was registered due to improving income level of farmers (higher MSP and increased Kharif crop output). 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 festive season. The management reiterated its volume growth guidance of 12-15% for FY19.

HEROMOTOCO	Oct-18	Oct-17	YoY Gr	Sep-18	MoM
2W	734668	631105	16%	769138	-4%

Hero Motocorp posted a growth of 16% YoY to 734668 units in October 2018. It entered into the 125 cc scooter segment with the launch of Destini 125. The demand for 100-125cc vehicles remained healthy on the back of Navaratra and sales push through higher discounting. Retail off-take 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. Going forward, the growth will be supported by monsoon, MSP, under penetration of 2 wheelers and rural infra spending. The company hopes to see a positive turnaround in the sentiments and retail sales to pick up in the days leading up to Diwali as there is huge inventory pile up at the dealer level.

M&M	Oct-18	Oct-17	YoY Gr	Sep-18	MoM
Automotive	58416	51160	14%	55022	6%
Farm Equipment	47376	40562	17%	37581	26%

M&M volumes grew by 14% YoY in October 2018 to 58416 units. The passenger vehicle segment grew by 3% YoY. The month of October has not been good for passenger vehicles due to factors such as low consumer buying sentiment, high fuel prices and the effects of monsoon in many parts of the country. However, recently launched Marazzo has been receiving good response from customers. Commercial vehicle segment showed robust growth of 26 %YoY on the back of improving infrastructure, new product launch and rising demand from logistics sector. The 3W segment also grew by 13% YoY. The domestic tractor volumes grew by 17% YoY while the tractor exports grew by 2% YoY. The demand gained momentum with the onset of the festival season.

MARUTI	Oct-18	Oct-17	YoY Gr	Sep-18	MoM
Domestic	138100	136000	2%	153550	-10%
Exports	8666	10446	-17%	8740	-1%

Maruti Suzuki sales showed muted growth in October 2018. The mini segment grew by only 1% YoY while compact segment grew by 4%YoY. Mini segment sales have also been impacted due to the launch of new Santro. The utility vehicle segment has seen moderation in demand and sales de-grew by 11%YoY. The mid size segment also de-grew by 5% YoY. The Shraadh period which continued till the start of the month also alluded to the decrease in demand for vehicles. The LCV super carry volumes have touched over 2152 units with a robust growth of 147% YoY. Exports have de-grown by 17% YoY as the company has reduced exports volumes in order to cater higher demand in the domestic markets and there has been some softness in key export markets also.

TATAMOTORS	Oct-18	Oct-17	YoY Gr	Sep-18	MoM
Domestic	57710	48886	18%	64598	-11%
Exports	4554	4311	6%	5250	-13%

Tata Motors overall sales for the month of October grew by 17% YoY to 62264 units. Domestic PV segment posted a growth of 2% YoY. Tiago model led to increase in volumes while the recent launch of Tiago NRG, the Nexon AMT and Nexon KRAZ limited edition are witnessing good traction in the market. The company expects the fervor to continue with the introduction of Tata Harrier in early 2019. On the CV front, the M&HCV segment saw a growth of 16% YoY to 13185 units led by new launches. LCV segment also posted 29% YoY growth to 4841 units led by increased hub & spoke models and last mile connectivity. SCV cargo and pick up segment grew by 30% YoY to 18209 units. The commercial passenger carrier segment showed lower growth of 2% YoY with 3815 units. The exports saw a growth by 6% YoY with 4554 units. The CV Exports have shown a growth of 6% YoY.

TVSMOTOR	Oct-18	Oct-17	YoY Gr	Sep-18	MoM
Domestic	340501	271974	25%	362786	-6%
Exports	57926	45437	27%	61192	-5%

TVS Motor has posted 26% YoY volume growth in October 2018. Overall two wheeler segment posted a growth of 25% YoY. The scooter, motorcycles and moped segments has grown by 41%, 20% and 9% YoY respectively. Domestic two wheeler volumes grew by 25% YoY while export two wheeler volumes have shown a growth of 19% YoY. The demand for 100-125cc vehicles remained healthy on the back of Navaratra and sales was pushed up by higher discounting. Overall three wheelers segment have also shown a volume growth of 56% YoY. Domestic three wheeler segment de-grew by 6% YoY and export three wheeler volumes grew robustly by 69% YoY. Going ahead the company has strong pipeline of new product launches in fast growing scooter and premium motorcycle segments.

OEMs October volume update:

Company	Oct-18	Oct-17	Sep-18	YoY %	MoM %	FY19YTD	FY18YTD	Change%
ASHOKLEY	15,149	12,944	19,373	17%	-22%	109,234	82,383	33%
BAJAJ-AUTO	506,699	382,464	502,009	32%	1%	3,072,784	2,342,388	31%
EICHERMOT	70,858	70,970	73,259	0%	-3%	516,979	456,357	13%
ESCORTS	13,140	10,205	10,617	29%	24%	58,673	48,124	22%
HEROMOTOCO	734,668	631,105	769,138	16%	-4%	4,973,664	4,503,285	10%
M&M	105,792	91,722	92,603	15%	14%	570,541	511,349	12%
MARUTI	146,766	146,446	162,290	0%	-10%	1,122,093	1,033,135	9%
TATAMOTORS	62,264	53,197	69,848	17%	-11%	429,544	316,209	36%
TVSMOTOR	398,427	317,411	423,978	26%	-6%	2,415,075	2,068,103	17%

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