

# Sector Update

Industry Automobiles

Monthly Auto Volumes

**Industry continues to remain under stress; New launches coupled with marriage & festivals to drive growth ahead**

Company	YoY Growth
ASHOKLEY	9%
BAJAJ-AUTO	15%
EICHERMOT	-7%
ESCORTS	13%
HEROMOTOCO	-9%
M&M	5%
MARUTI	0%
TATAMOTORS	-17%
TVSMOTOR	4%

The automobile industry remained in the slow lane witnessing mixed demand momentum in January 2019. The OEMs have been offering heavy discounts since December 2018 in order to reduce the inventories at the dealer level. The sales in the first 15 days have also been soft due to inauspicious Kharmas period. However the sales have picked up after 15th January led by festivals & marriage season coupled with new launches and that has resulted in some relief for OEMs. The passenger vehicle industry continues to struggle due to the increase in ownership cost. However the inventory levels reduced to 2-3 weeks as the sales picked up in the later part of the month driven by festivals and marriage season. Commercial vehicle industry sales also declined due to high base effect and lower construction activities coupled with liquidity issues in the system. On two-wheeler side, the inventory level continues to remain high by 5-6 weeks but aggressive discounting by some OEMs led to growth. Three-wheeler sales were impacted due to base effect and increasing E-rickshaw penetration but strong exports markets maintained some growth. On the tractors side, growth was supported by loan waivers and subsidy support provided by different states along with good exports market. ASHOKLEY, BAJAJ-AUTO, ESCORTS, M&M and TVSMOTORS have posted 9%, 15%, 13%, 5% and 4%YoY growth respectively while EICHERMOT, HEROMOTOCO and TATAMOTORS recorded -7%,9% and -17%YoY growth respectively. MARUTI volumes remained flat YoY during the month.

### Commercial Vehicle Industry:

The commercial vehicle industry sales declined by 5% YoY in January 2019 due to high base effect and lower construction activities coupled with liquidity issues. The tipper segment on the other hand witnessed some growth on the back of road construction, irrigation and affordable housing projects. LCV segment demand improved because of increase in hub & spoke model and rural consumption supported by new products. TATAMOTORS and VECV saw a decline in sales by 16% and 13% YoY respectively due to adverse market conditions. However, M&M and ASHOKLEY sales increased by 8% and 9% YoY respectively due to increase in sales in southern regions.

### Passenger Vehicle Industry:

The passenger vehicle industry sales saw a decline of 1% YoY in January 2019. However the inventory levels reduced to 2-3 weeks as the sales picked up in the later part of the month driven by festivals and marriage season. MARUTI and M&M posted a marginal positive growth of 1% YoY led by new model launches whereas TATAMOTORS saw a decline of 12% YoY due to lower customer sentiments.

### 2Ws and 3Ws:

The two-wheeler OEMs continued to be in pressure in January 2019. The inventory level continues to remain high by 5-6 weeks. But aggressive discounting, sales promotional activities and the shift of consumer preference towards entry and sports segment maintained some growth. BAJAJ-AUTO posted a growth of 21% YoY led by higher discounting while TVSMOTOR posted a growth of 2% YoY on account of sales promotional activities and strong scooter demand. EICHERMOT and HEROMOTOCO sales declined by 7% and 9% YoY largely due to weaker market sentiments during the previous quarter. However the customer sentiment has begun to improve in the past two weeks which will lead to pick up in sales in coming months. On the 3W side, BAJAJ-AUTO sales declined by 12% YoY due to base effect and increasing E-rickshaw penetration. M&M posted a sales growth of 27% YoY while TVSMOTOR posted 52% YoY growth due to increasing penetration in the exports market.

### Tractors:

Tractor industry volumes grew by 4% YoY in January 2019. Farm loan waivers in Chhattisgarh, MP and Rajasthan helped to improve tractor sales. Furthermore, strong traction in exports market and subsidy support provided by several state governments led to growth in sales. M&M and ESCORTS posted a sales growth of 13% and 2% YoY.

### Top Picks :-

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

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<b>ASHOKLEY</b>	<i>Jan-19</i>	<i>Jan-18</i>	<i>YoY Gr</i>	<i>Dec-18</i>	<i>MoM</i>
MHCV	14694	13642	8%	11295	30%
LCV	5047	4458	13%	4198	20%

ASHOKLEY overall sales for the month of January 2019 grew by 9% YoY to 19741 units. The M&HCV sales grew by 8% YoY to 14694 units. The growth was mainly attributed to ongoing infrastructure development, road construction and logistics sector demand despite higher axle load norms. There was a growth of 20-25% in construction segment and 60-65% growth in tippers segment. Haulage space is facing liquidity issues and may remain under stress. The company also currently bagged orders for 2580 Buses from State Transports. Light commercial vehicles volume rose by 13% YoY to 5047 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. The company is planning to make new launches in the LCV segment in next 12-18 months. Going forward, the management expects Q4FY19 to be good quarter for the company as well as for the CV industry and expects the market to grow by 15-20%.

<b>BAJAJ-AUTO</b>	<i>Jan-19</i>	<i>Jan-18</i>	<i>YoY Gr</i>	<i>Dec-18</i>	<i>MoM</i>
Domestic	231461	202193	14%	180351	28%
Exports	175689	150954	16%	165848	6%

BAJAJ-AUTO recorded volume growth of 15% YoY in January 2019. The domestic 2Ws sales grew by 25% YoY on the back of heavy discounting practice and various sales promotional activities in the entry-level motorcycles. Platina and Pulsar model sales were higher this month. Avenger sales slowed down due to higher price and lower mileage. The management expects the domestic motorcycle market to grow by 8-10% in FY20. The 2Ws exports grew by 17%YoY on the back of healthy growth in various geographies. Domestic 3Ws sales de-grew by 28% YoY due to higher base effect. Domestic 3 wheeler volumes are expected to decline by 10-15% due to higher base and increasing E-rickshaw penetration. 3Ws exports grew by 14% YoY due to good growth in African markets. Going forward, the management expects 10-12% growth in exports markets in FY20.

<b>EICHERMOT</b>	<i>Jan-19</i>	<i>Jan-18</i>	<i>YoY Gr</i>	<i>Dec-18</i>	<i>MoM</i>
Royal Enfield	72701	77878	-7%	58278	25%
VECV	5906	6801	-13%	6236	-5%

EICHERMOT Royal Enfield posted 7% YoY decline in domestic volumes in January 2019. Models with capacity up to 350cc have de-grown by 7% YoY while models with capacity above 350cc have also degrown by 4% YoY due to various fluctuations in external environment. The management expects to see a good demand for 650 twins models in the domestic as well as global markets. Exports volumes have increased by 9% YoY. The company is seeing higher potential in developing markets like South East Asia, LatAm. Going forward, the management expects to see higher single digit growth in FY19. VECV volumes declined by 13% YoY. Domestic and Export volumes have declined by 14% and 10%YoY respectively. Consumer sentiment remained slightly subdued as customers were waiting to see a sustained level of improvement in the factors like fuel prices and profitability before making investments in new vehicles. Going forward, the company sees strong growth momentum in the industry and a growing demand for modernized CV fleet from the transporters.

<b>ESCORTS</b>	<i>Jan-19</i>	<i>Jan-18</i>	<i>YoY Gr</i>	<i>Dec-18</i>	<i>MoM</i>
Domestic	5762	5160	12%	4212	37%
Exports	229	156	47%	386	-41%

ESCORTS have reported a growth of 13% YoY in January 2019. The domestic tractor volume grew by 12% YoY to 5762 units. This growth was registered due to improving income level of farmers (higher MSP) and better monsoon in Northern and central region of the country. The exports volume also showed a robust growth of 47% YoY to 229 units on the back of growth in various geographies like Nepal and Bhutan. The management expects 10-12%YoY volume growth for the tractor industry in FY19 the company is expected to grow better than the industry. The company is further planning to make new launches in FY20. It has also started receiving orders from government (subsidy based sales) which will drive further growth. Going ahead, government's thrust towards doubling the farm income by 2022, focus on expanding exports market and strong brand positioning will drive the Escorts volumes in years to come.

<b>HEROMOTOCO</b>	<i>Jan-19</i>	<i>Jan-18</i>	<i>YoY Gr</i>	<i>Dec-18</i>	<i>MoM</i>
2W	582756	641501	-9%	453985	28%

HEROMOTOCO volume growth declined by 9% YoY to 582756 units in January 2019. The weak market sentiment from the previous quarter spilled over to January and continued to dampen sales. The sale was also impacted due to lesser sales in the northern region during the first 14 days of the month due to inauspicious Kharman period but sales started to pick up after 15<sup>th</sup> of January. Moreover, the inventory level has also been high by 5-6 weeks due to weak market sentiments. The cost of two-wheelers will further go up with the new set of safety norm regulations, followed by the transition to BS-VI emission norms which will further put severe stress on the extremely cost-sensitive commuters. Going ahead, with an improved liquidity in the market, and the upcoming festive season in many parts of the country, the industry is expecting a positive turnaround in the fourth quarter.

<b>M&amp;M</b>	<i>Jan-19</i>	<i>Jan-18</i>	<i>YoY Gr</i>	<i>Dec-18</i>	<i>MoM</i>
Automotive	55722	52048	7%	39755	40%
Farm Equipment	22212	21875	2%	17404	28%

M&M domestic volumes increased by 7% YoY in January 2019 to 52500 units. The passenger vehicle segment grew marginally by 1% YoY. The company has received positive customer response in its Marazzo and Alturas brands. Commercial vehicle segment also showed a growth of 8% YoY on the back of ongoing infrastructure development and road construction. The 3W segment grew by 27% YoY and the exports grew robustly by 22% YoY with 3222 units. The farm equipment segment posted overall growth of 1% YoY during the month due to better monsoon in Northern and Central regions of the country. The domestic tractor volumes de-grew by 1% YoY while the tractor exports de-grew by 45% YoY. Going forward, the company expects to grow by 5% in tractor segment in Q4FY19. In addition, the company expects to see good performance in Q4FY19, owing to the anticipated rural demand because of the harvesting season and the launch of new XUV300 in February 2019.

<b>MARUTI</b>	<i>Jan-19</i>	<i>Jan-18</i>	<i>YoY Gr</i>	<i>Dec-18</i>	<i>MoM</i>
Domestic	142150	140600	1%	121479	17%
Exports	9571	10751	-11%	6859	40%

MARUTI overall sales showed marginal positive growth of 0.2% YoY in January 2019. The sale was impacted due to lesser sales in the northern region during the first 14 days of the month due to inauspicious Kharman period but sales started to pick up after 15<sup>th</sup> of January. The mini segment remained flat due to the launch of new Santro by the competition, while compact segment de-grew by 4%YoY. The utility vehicle segment has shown some improvement in demand with Brezza model and sales have grown by 8%YoY. The mid size segment de-grew by 42% YoY. The LCV super carry volumes have touched over 2710 units with a robust growth of 92% YoY. Exports have de-grown by 11% YoY as there has been sales de-growth in Indonesian market. Going forward, with the new launches of Ertiga which has a waiting period of 28 weeks and Wagon R, the company expects the demand to revive in Q4FY19. In addition, the management expects 4-4.5% volume growth in FY19.

<b>TATAMOTORS</b>	<i>Jan-19</i>	<i>Jan-18</i>	<i>YoY Gr</i>	<i>Dec-18</i>	<i>MoM</i>
Domestic	54915	64624	-15%	50440	9%
Exports	3270	5183	-37%	3999	-18%

TATAMOTORS sales in January have declined by 17% YoY to 54915 units. Domestic PV segment witnessed a decline of 11% YoY. Low customer sentiments caused by liquidity crunch in the market have impacted the PV sales. The Harrier has received a good response in the market and the company is expecting to witness good volumes in the coming months. On the CV front, the M&HCV segment saw a decline of 9% YoY to 11694 units. This segment was largely impacted due to weak sentiments among transporters. The tipper segment continued to witness a strong growth on the back of road construction, irrigation and affordable housing projects. LCV segment also posted a growth of 10% YoY to 4999 units. SCV cargo and pick up segment also declined by 7% YoY to 16619 units due to base effect. The commercial passenger carrier segment sales growth has declined by 8% YoY with 3777 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 declined by 37% YoY with 3270 units due to current liquidity crisis in Nepal, formation of new government in Bangladesh and political uncertainty in Sri Lanka.

TVSMOTOR	Jan-19	Jan-18	YoY Gr	Dec-18	MoM
Domestic	229980	228999	0%	211133	9%
Exports	52650	42802	23%	60262	-13%

TVSMOTOR has posted 4% YoY volume growth in January 2019. Overall two-wheeler segment has posted a growth of 2% YoY. The scooter segment has shown muted growth while motorcycles segments have grown by 13%. Mopeds have de-grown by 8% YoY respectively. Domestic two wheeler volumes grew by 1% YoY. Jupiter Grande, Etorq and Radeon model are getting good response in the market. Export two wheeler volumes have shown a growth of 13% YoY due to expansion in geographical markets. Overall three wheelers segment have also shown a robust volume growth of 52% YoY. Domestic three-wheeler segment de-grew by 34% YoY while export three wheeler volumes grew robustly by 77% YoY. Going forward, the company will make new product launches going ahead in the financial year and the exports outlook for the company looks good due to stable foreign exchange situation and stable exports market conditions.

## OEMs January volume update:

Company	Jan-19	Jan-18	Dec-18	YoY %	MoM %	FY19YTD	FY18YTD	Change%
ASHOKLEY	19,741	18,100	15,493	9%	27%	157,589	134,196	17%
BAJAJ-AUTO	407,150	353,147	346,199	15%	18%	4,233,063	3,314,540	28%
EICHERMOT	72,701	77,878	58,278	-7%	25%	702,637	671,329	5%
ESCORTS	5,991	5,316	4,598	13%	30%	77,267	62,165	24%
HEROMOTOCO	582,756	641,501	453,985	-9%	28%	6,620,657	6,222,787	6%
M&M	77,934	74,128	57,159	5%	36%	776,684	704,324	10%
MARUTI	151,721	151,351	128,338	0%	18%	1,555,691	1,469,152	6%
TATAMOTORS	58,185	69,807	54,439	-17%	7%	598,881	499,144	20%
TVSMOTOR	282,630	271,801	271,395	4%	4%	3,289,065	2,848,778	15%

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