

Sector Update

Industry Automobiles

Monthly Auto Volumes

Weaker consumer sentiments continue to hamper demand

Company	YoY Growth
ASHOKLEY	0%
BAJAJ-AUTO	10%
EICHERMOT	-14%
ESCORTS	12%
HEROMOTOCO	-2%
M&M	4%
MARUTI	-1%
TATAMOTORS	-6%
TVSMOTOR	3%

The automobile industry witnessed mixed demand momentum across segments in February 2019. The retail demand has been weak during the wedding season along with higher inventory level with the dealers. The markets like Delhi, Madhya Pradesh, Maharashtra and Gujarat continued to see softness in retail demand. The passenger vehicle industry has seen some recovery on the back of new product launches by the OEMS. The inventory levels have also been reduced to around 15-25 days. Commercial vehicle industry continued to decline due to high base effect and lag effect of implementation of revised axle load norms. On two-wheeler side, the inventory level continues to remain high by around 40-45 days but aggressive discounting by some OEMs led to overall marginal growth. Three-wheeler sales remained healthy but growth declined due to higher base effect. The tractor industry remained subdued during the month. However, good exports market maintained some growth momentum. ASHOKLEY, BAJAJ-AUTO, ESCORTS, M&M and TVSMOTORS have posted 0%, 10%, 12%, 4% and 3%YoY growth respectively while EICHERMOT, HEROMOTOCO, MARUTI and TATAMOTORS recorded -14%, -2%, -1% and -6%YoY decline in sales respectively. We continue to like ASHOKLEY, BAJAJ-AUTO, ESCORTS and M&M from our coverage universe.

Commercial Vehicle Industry:

The commercial vehicle industry sales declined by 7% YoY in February 2019. Key markets of Maharashtra, Delhi and Gujarat saw a decline in retail as demand. The MHCV segment continued to show subdued demand due to higher base effect, lag effect of implementation of revised axle load norms and selective NBFCs financing. The tipper segment on the other hand witnessed some growth on the back of construction activities. The demand for LCV segment improved led by increase in hub & spoke model and rural consumption supported by new products. The SCV cargo and pickup segment increased due to last mile connectivity and Swachh Bharat Initiatives. TATAMOTORS and VECV saw a decline in sales by 14% and 7% YoY respectively due to adverse market conditions. However, M&M and ASHOKLEY sales marginally improved by 1% YoY due to better sales in southern regions than northern and western regions.

Passenger Vehicle Industry:

The passenger vehicle industry sales improved by 2% YoY in February 2019. New model launches by the OEMs led to increased footfalls in the dealerships which aided volume growth. The inventory levels have also been reduced around 15-25 days. M&M posted a growth in sales by 17% YoY led by new model launches and TATAMOTORS posted a marginal positive growth. MARUTI volumes have declined by 1%YoY due to slow down in entry segment cars.

2Ws and 3Ws:

The two-wheeler OEMs grew marginally by 1% YoY in February 2019. There has been weak retail demand during the wedding season in key markets of Northern, Central and Western regions. The inventory level also continued to remain high by around 40-45 days. However, shift of consumer preference towards entry and sports segment maintained the growth. BAJAJ-AUTO posted a growth of 10% YoY led by increasing sales in premium motorcycles segment while TVSMOTOR posted a growth of 2% YoY on account of strong scooter demand. EICHERMOT and HEROMOTOCO sales declined by 14% and 2% YoY largely due to strike at various plants of the OEMs and weaker market sentiments during the previous months. On the 3W side, BAJAJ-AUTO, M&M and TVSMOTOR sales increased by 8%, 10% and 41% YoY due to increasing penetration in the exports market and government push towards alternative fuel vehicles.

Tractors:

Tractor industry remained subdued and volumes declined by 3% YoY in February 2019. However, farm loan waivers, strong traction in exports market and subsidy support provided by several state governments led to growth in sales. ESCORTS posted a sales growth of 12% YoY while M&M posted a decline in sales by 7% YoY.

Top Picks :-

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ASHOKLEY	Feb-19	Feb-18	YoY Gr	Jan-18	MoM
MHCV	13291	13726	-3%	14694	-10%
LCV	4954	4455	11%	5047	-2%

ASHOKLEY overall sales for the month of February 2019 marginally improved to 18245 units. The overall M&HCV sales declined by 3% YoY to 13291 units due to higher base effect, lag effect of implementation of revised axle load norms and selective NBFCs financing. The MHCV trucks sales declined by 4% YoY while MHCV buses showed marginal growth. The company currently bagged orders for 2580 Buses from State Transports. Light commercial vehicles volume rose by 11% YoY to 4954 units during the month. The LCV business is gaining momentum with market share in Dost segment with the market share at 19%. The company is planning to make new launches in the LCV segment in next 12-18 months. It has also received orders from Bangladesh for exports. Going forward, the management expects the industry to grow by 10-15% in FY19.

BAJAJ-AUTO	Feb-19	Feb-18	YoY Gr	Jan-18	MoM
Domestic	221706	214023	4%	231461	-4%
Exports	171383	143860	19%	175689	-2%

BAJAJ-AUTO recorded a volume growth of 10% YoY in February 2019. The domestic 2Ws sales grew by 6% YoY due to increase in sales in premium motorcycles segment. January and February month saw 45% revenue contribution from the premium motorcycle segment. The management expects the domestic motorcycle market to grow by 8-10% in FY20 and is also focusing on expanding the premium motorcycles segment. The 2Ws exports grew by 16%YoY on the back of healthy growth in various geographies. On the CV side, the domestic 3Ws sales de-grew by 9% 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 robustly by 37% YoY due to good growth in African markets. Going forward, the management expects 10-12% growth in exports markets in FY20.

EICHERMOT	Feb-19	Feb-18	YoY Gr	Jan-18	MoM
Royal Enfield	62630	73077	-14%	72701	-14%
VECV	6428	6889	-7%	5906	9%

EICHERMOT Royal Enfield posted 14% YoY decline in domestic volumes in February 2019. Models with capacity up to 350cc have de-grown by 15% YoY while models with capacity above 350cc have also degrown by 7% YoY. During the period of the strike at the Oragadam facility from 13th February 2019 to 22nd February 2019, the total impact on production was approximately 3,200 motorcycles. Effective from 23rd February 2019, the entire workforce at the Oragadam facility reported back to work, leading to resumption of normal manufacturing operations. Exports volumes have robustly grown by 49% YoY. The company is seeing higher potential in developing markets like South East Asia, LatAm. VECV volumes declined by 7% YoY due to selective NBFCs financing. Domestic and Export volumes have declined by 6% and 8%YoY respectively. Going forward, the company sees strong growth momentum in the industry and a growing demand for modernized CV fleet from the transporters.

ESCORTS	Feb-19	Feb-18	YoY Gr	Jan-18	MoM
Domestic	6918	6295	10%	5762	20%
Exports	322	167	93%	229	41%

ESCORTS have reported a growth of 12% YoY in February 2019. The domestic tractor volume grew by 10% YoY to 6918 units. This growth was registered due to improving income level of farmers (higher MSP and increasing subsidy support on tractor purchases). The exports volume showed a robust growth of 93% YoY to 322 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 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.

HEROMOTOCO	Feb-19	Feb-18	YoY Gr	Jan-18	MoM
2W	617215	629597	-2%	582756	6%

HEROMOTOCO volume growth declined by 2% YoY to 617215 units in February 2019. The weak market sentiment from the previous quarter spilled over to February and continued to dampen sales. There was less retail demand across key markets like Northern, Central and Western region during the wedding season. Moreover, the inventory level continues to remain high by around 40-45 days due to weak market sentiments. Going ahead, in order to provide impetus to the market, the company is set to launch new products including scooters and premium motorcycles in the coming months. The company expects the demand scenario to improve also on account of increased liquidity in the market through government schemes of direct benefit to farmers and various measures taken by manufacturers to boost retail sales.

M&M	Feb-19	Feb-18	YoY Gr	Jan-18	MoM
Automotive	56005	51127	10%	55722	1%
Farm Equipment	18978	20658	-8%	22212	-15%

M&M domestic volumes increased by 9% YoY in February 2019 to 52915 units. The passenger vehicle segment grew by 17% YoY due to new product launches Marazzo and Alturas G4. The company has received positive customer response for its new launch XUV300 which was launched on 14th February this month. Commercial vehicle segment grew by marginal 1% YoY on the back of ongoing infrastructure development and road construction. The 3W segment grew by 10% YoY and the exports grew by 16% YoY with 3090 units. The farm equipment segment posted decline in growth by 8% YoY during the month due to subdued demand during the month. The domestic tractor volumes de-grew by 7% YoY while the tractor exports de-grew by 28% YoY. Going forward, based on healthy monsoon, loan waivers, good Kharif outputs, subsidy support and rural development, rural growth is expected to remain robust and the company expects the tractor segment to grow by 10% in FY19.

MARUTI	Feb-19	Feb-18	YoY Gr	Jan-18	MoM
Domestic	139100	137900	1%	142150	-2%
Exports	9582	11924	-20%	9571	0%

MARUTI overall sales declined by 1% YoY in February 2019. Key markets like Maharashtra, Gujarat, MP and Delhi had weak retail sales. The mini segment declined by 27% YoY while the compact segment grew by 11% YoY. The new Wagon R launched increased footfalls in the dealerships which may further increase sales in compact segment. The utility vehicle segment has shown some improvement in demand with Ertiga model which is having 6 months waiting period and sales have grown by 7% YoY. The mid-size segment de-grew by 42% YoY. The LCV super carry volumes have touched over 2188 units with a robust growth of 75% YoY. Exports have de-grown by 20% YoY as there has been sales de-growth across key geographies. Going forward, the company expects the demand to revive in Q4FY19. In addition, the management expects 4-4.5% volume growth in FY19.

TATAMOTORS	Feb-19	Feb-18	YoY Gr	Jan-18	MoM
Domestic	57221	58993	-3%	54915	4%
Exports	2930	4768	-39%	3270	-10%

TATAMOTORS overall sales in February have declined by 6% YoY to 60151 units. Domestic PV segment witnessed a growth in sales by 2% YoY on the back of good demand for its new generation vehicles. The Harrier has received a good response in the market and the company is expecting increase in volumes in the coming months as the production ramps up. On the CV front, the M&HCV segment saw a decline of 18% YoY to 12437 units due to weak demand as a result of revised axle load norms despite improved freight activity. The tipper segment continued to witness a strong growth of 22% YoY on the back of road construction, irrigation and affordable housing projects. LCV segment also posted a growth of 4% YoY to 5017 units. New products launch in the 15T-16T segment improved the demand. SCV cargo and pick up segment bounced backed during the month with a growth of 9% YoY due to last mile connectivity and Swachh Bharat initiatives. The exports declined by 39% YoY with 2930 units due to congestion at Bangladesh border, new regulations and political uncertainty in Sri Lanka and slump in Middle East automotive market.

TVSMOTOR	Feb-19	Feb-18	YoY Gr	Jan-18	MoM
Domestic	232783	232109	0%	229980	1%
Exports	66570	58564	14%	52650	26%

TVSMOTOR has posted 3% YoY volume growth in February 2019. Overall two-wheeler segment has posted a growth of 2% YoY. The scooter segment sales declined by 7% YoY while motorcycles segment grew by 8% YoY. Domestic two-wheeler volumes grew by 1% YoY. The commuter segment is witnessing heavy discounting practices by the competition. Jupiter Grande, Ntorq and Radeon model has been well accepted by the customers. Export two-wheeler volumes have shown a growth of 14% YoY due to expansion in geographical markets. Overall three wheelers segment have also shown a robust volume growth of 41% YoY. Domestic three-wheeler segment de-grew by 32% YoY while export three-wheeler volumes grew robustly by 57% YoY. Going forward, the company will make new product launches going ahead in the financial year. With the improvement in liquidity conditions and retail finance, the company expects better growth in Q4FY19 and the exports outlook for the company looks good due to stable foreign exchange situation and stable exports market conditions.

OEMs February volume update:

Company	Feb-19	Feb-18	Jan-18	YoY %	MoM %	FY19YTD	FY18YTD	Change%
ASHOKLEY	18,245	18,181	19,741	0%	-8%	175,834	152,377	15%
BAJAJ-AUTO	393,089	357,883	407,150	10%	-3%	4,626,152	3,672,423	26%
EICHERMOT	62,630	73,077	72,701	-14%	-14%	765,267	744,406	3%
ESCORTS	7,240	6,462	5,991	12%	21%	84,507	68,627	23%
HEROMOTOCO	617,215	629,597	582,756	-2%	6%	7,237,872	6,852,384	6%
M&M	74,983	71,785	77,934	4%	-4%	851,667	775,934	10%
MARUTI	148,682	149,824	151,721	-1%	-2%	1,704,373	1,618,976	5%
TATAMOTORS	60,151	63,761	58,185	-6%	3%	655,762	562,905	16%
TVSMOTOR	299,353	290,673	282,630	3%	6%	3,588,418	3,139,451	14%

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