

Sector Update

Industry Automobiles

Monthly Auto Volumes

Elevated dealer inventory shows demand concern

Company	YoY Growth
ASHOKLEY	-4%
BAJAJ-AUTO	18%
EICHERMOT	-20%
ESCORTS	1%
HEROMOTOCO	-20%
M&M	-9%
MARUTI	-2%
TATAMOTORS	-2%
TVSMOTOR	0%

The automobile industry continued its downtrend in the month of March 2019. Weak retail demand, delayed purchases due to elections, postponement of festive season to April, selective financing and lower crop sowing than expected led to lower demand. The passenger vehicle segment posted stable growth on the back of new launches by the OEMs despite negative sentiments in the market. Commercial vehicle industry continued to decline due to high base effect, lag effect of implementation of revised axle load norms and muted demand across key northern, western and southern markets. On two-wheeler side, the demand has been majorly impacted due to regulatory norms changes and the inventory level continues to remain high by around 55-60 days. Three-wheeler sales remained healthy due to good exports market and higher base effect. The tractor industry remained slow during the month due to postponement of festive season to April and lower Rabi sowing than expected. However, good exports market maintained some growth momentum to some OEMs. BAJAJ-AUTO, ESCORTS, TVSMOTORS have posted 18%, 1% and marginal positive YoY growth respectively while ASHOKLEY, EICHERMOT, HEROMOTOCO, M&M, MARUTI and TATAMOTORS recorded -4%, -20%, -20%, -20%, -9%, -2% and -2% 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 saw a decline in sales by 1% YoY in March 2019. The MHCV segment continues to be sluggish due to higher base effect. The demands for tippers have tapered due to slowdown in construction activities due to which the OEMs have been providing higher discounts for sales growth. The demand for LCV segment improved led by lower diesel rates resulting in improved sentiments in this segment. The inventory levels in CV industry are as high as 35-40 days. TATAMOTORS saw 4% YoY growth in domestic sales while ASHOKLEY, M&M, and VECV sales declined by -4%, -4%, -8% YoY respectively.

Passenger Vehicle Industry:

The passenger vehicle industry saw a decline in sales of 2% YoY in March 2019. There has been weak demand in key markets like Maharashtra, Gujarat, Delhi and Madhya Pradesh leading to higher inventory level. The inventory level in this segment stood at 45-50 days. M&M posted a growth in sales by 4% YoY supported by our three new product launches while MARUTI and TATAMOTORS sales declined by -12% and -1% YoY respectively due to slow down in entry segment cars and increase in demand for compact segment.

2Ws and 3Ws:

The two-wheeler OEMs de-grew by 8% YoY in March 2019. There has been weak retail demand across the key markets which resulted in the increased inventory level of around 55-60 days. BAJAJ-AUTO posted a growth of 20% YoY led by increasing sales in premium motorcycles segment while EICHERMOT, HEROMOTOCO and TVSMOTOR posted a decline in sales by -20%, -20% and -2% respectively due to higher inventory level and subdued demand. On the 3W side, BAJAJ-AUTO, M&M and TVSMOTOR sales increased by 8%, 5% and 33% 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 21% YoY in March 2019 led by lower crop sowing and slowdown in agricultural demand. Dealer inventory days also stood at 30-40 days. However, government's focus on rural development, good forecast for horticulture production and an increase in the MSP will positively impact demand for tractors. ESCORTS posted a sales growth of 1% YoY while M&M posted a decline in sales by 30% YoY.

Top Picks :-

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

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ASHOKLEY	Mar-19	Mar-18	YoY Gr	Feb-19	MoM
MHCV	16034	17057	-6%	13291	21%
LCV	5501	5396	2%	4954	11%

ASHOKLEY overall sales for the month of March 2019 declined by 4% YoY to 21535 units. The overall M&HCV sales declined by 6% YoY to 13620 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 8% YoY while MHCV buses grew by 6% due to various orders received from the state governments. The company currently bagged orders for 1290 Buses from Gujarat State Roadways Transport Corporation. Light commercial vehicles volume rose by 2% YoY to 5501 units during the month. 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, FY20 is expected to be stronger due to pre-buying ahead of BS-VI norms.

BAJAJ-AUTO	Mar-19	Mar-18	YoY Gr	Feb-19	MoM
Domestic	259185	203600	27%	221706	17%
Exports	134166	130784	3%	171383	-22%

BAJAJ-AUTO recorded a volume growth of 18% YoY in March 2019. The domestic 2Ws sales grew by 39% YoY due to increase in sales in premium motorcycles and entry commuter motorcycles segment. Retails in March have been above 20% and it is expected to continue till Q1FY20. The 2Ws exports declined by 7% YoY due to uncertainties in some of the key exports market. On the CV side, the domestic 3Ws sales de-grew by 11% 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 56% YoY due to good growth in African markets. Going forward, the management expects 10-12% growth in exports markets in FY20.

EICHERMOT	Mar-19	Mar-18	YoY Gr	Feb-19	MoM
Royal Enfield	63228	77965	-19%	65194	-3%
VECV	8676	9411	-8%	6428	35%

EICHERMOT Royal Enfield posted 20% YoY decline in domestic volumes in March 2019. Models with capacity up to 350cc have de-grown by 21% YoY while models with capacity above 350cc have also degrown by 11% YoY. Exports volumes have grown by 28% YoY. The company is seeing higher potential in developing markets like South East Asia, LatAm VECV volumes declined by 8% YoY due to selective NBFCs financing. Domestic and Export volumes have declined by 8% and 4%YoY respectively. The company also expects to the CV industry to do better after the elections. Apart from strong markets in South Asia, Bangladesh, Nepal and Sri Lanka, the company has added new markets in exports like Indonesia, South Africa, and Middle East and expects the exports to gain further going ahead.

ESCORTS	Mar-19	Mar-18	YoY Gr	Feb-19	MoM
Domestic	11431	11557	-1%	6918	65%
Exports	474	233	103%	322	47%

ESCORTS have reported a growth of 1% YoY in March 2019. The domestic tractor volume de-grew by 1% YoY to 11431 units due to low crop sowing and decrease in agricultural demand. The exports volume showed a robust growth of 103% YoY to 332 units. Europe has been good exports market and the company expects to grow further in South East Asia, Mexico, Brazil in exports market. 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	Mar-19	Mar-18	YoY Gr	Feb-19	MoM
2W	581279	730473	-20%	617215	-6%

HEROMOTOCO volume growth declined by 20% YoY to 581279 units in March 2019. The weak market sentiment continued in March which dampened sales. The company tried to make conscious efforts to bring down the inventory levels. Moreover, the inventory level continues to remain high by around 55-60 days. 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	Mar-19	Mar-18	YoY Gr	Feb-19	MoM
Automotive	62952	62076	1%	56005	12%
Farm Equipment	19688	28477	-31%	18978	4%

M&M domestic volumes increased by 1% YoY in March 2019 to 59012 units. The passenger vehicle segment grew by 4% YoY due to 3 new product launches made by the company which has been received well by the customers. Commercial vehicle segment de-grew by 4% YoY on the back of weak demand sentiments across key markets. The 3W segment grew by 5% YoY and the exports grew by 15% YoY with 3940 units. The farm equipment segment posted decline in growth by 9% YoY. The domestic tractor volumes de-grew by 32% YoY due to postponement of festive season to April and lower Rabi sowing than expected. The Southern markets Telangana, AP, Karnataka and western markets Maharashtra, Gujarat, and Rajasthan have seen a big slowdown. The tractor exports de-grew by 6% YoY. Going forward, with the government's focus on rural development, a good forecast for horticulture production and an increase in the MSP will positively impact demand for tractors.

MARUTI	Mar-19	Mar-18	YoY Gr	Feb-19	MoM
Domestic	147613	148582	-1%	139100	6%
Exports	10463	12016	-13%	9582	9%

MARUTI overall sales declined by 2% YoY in March 2019. There has been weak demand in key markets like Maharashtra, Gujarat, Delhi and Madhya Pradesh leading to higher inventory level. The mini segment declined by 55% YoY while the compact segment grew by 20%YoY.The new Wagon R launched increased the sales in compact segment. The utility vehicle segment grew by 12% YoY with Ertiga model having 55000 bookings. The mid-size segment de-grew by 15% YoY. The LCV super carry volumes have touched over 2582 units with a robust growth of 83% YoY. Exports have de-grown by 13% YoY as there has been sales de-growth across key geographies. Going forward, there has been uncertainty regarding demand due to safety regulations. However, the management expects to see pickup in sales soon in the second half of FY20.

TATAMOTORS	Mar-19	Mar-18	YoY Gr	Feb-19	MoM
Domestic	68727	69440	-1%	57221	20%
Exports	5952	6713	-11%	2930	103%

TATAMOTORS overall sales in March have declined by 2% YoY to 74679 units. Domestic PV segment witnessed a degrowth in sales by 12% YoY due to continued weak consumer sentiments. On the CV front, the M&HCV segment saw a decline of 9% YoY to 15327 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 12% YoY on the back of road construction, irrigation and affordable housing projects. LCV segment also posted a growth of 17% YoY to 6730 units. The exports declined by 11% YoY with 5952 units due to new regulations and political uncertainty in Sri Lanka and slump in Middle East affecting the overall Industry volumes in these markets.

TVSMOTOR	Mar-19	Mar-18	YoY Gr	Feb-19	MoM
Domestic	248940	267039	-7%	232783	7%
Exports	76405	59628	28%	66570	15%

TVSMOTOR has posted marginal positive growth in March 2019. Overall two-wheeler segment has posted a decline in sales by 2% YoY. The scooter segment sales declined by 2% YoY while motorcycles segment grew by 5% YoY. Domestic two-wheeler volumes de-grew by 7% 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 25% YoY due to expansion in geographical markets. Overall three wheelers segment have also shown a robust volume growth of 33% YoY. Domestic three-wheeler segment de-grew by 7% YoY while export three-wheeler volumes grew by 25% 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 and the exports outlook for the company looks good due to stable foreign exchange situation and stable exports market conditions.

OEMs March volume update:

Company	Mar-19	Mar-18	Feb-19	YoY %	MoM %	FY19YTD	FY18YTD	Change%
ASHOKLEY	21,535	22,453	18,245	-4%	18%	197,369	174,830	13%
BAJAJ-AUTO	393,351	334,348	393,089	18%	0%	5,019,503	4,006,771	25%
EICHERMOT	63,288	77,965	65,194	-19%	-3%	826,098	820,493	1%
ESCORTS	11,905	11,790	7,240	1%	64%	96,412	80,417	20%
HEROMOTOCO	581,279	730,473	617,215	-20%	-6%	7,819,151	7,582,857	3%
M&M	82,640	90,553	74,983	-9%	10%	871,355	866,288	1%
MARUTI	158,076	160,598	148,682	-2%	6%	1,862,449	1,779,574	5%
TATAMOTORS	74,679	76,153	60,151	-2%	24%	796,486	639,058	25%
TVSMOTOR	325,345	326,667	299,353	0%	9%	3,913,763	3,466,110	13%

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