

Monthly Auto Volumes

Industry

Automobiles

Downward trend continues for the auto industry

Company	YoY Growth
ASHOKLEY	-4%
BAJAJ-AUTO	3%
EICHERMOT	-17%
ESCORTS	-18%
HEROMOTOCO	-8%
M&M	-9%
MARUTI	-22%
TATAMOTORS	-28%
TVSMOTOR	-1%

The demand across the automobile industry continued to remain tepid in the month of May 2019. Weak consumer sentiments, tighter liquidity situation, base effect and stagnation in pre-election government spending affected the overall sales. The passenger vehicle segment posted a decline of 23% YoY despite new product launches. However, the inventory level has come down as the OEMs have taken production cuts for correcting inventories at dealerships. The commercial vehicle segment witness a decline of 17% YoY due to depressed freight rates and stagnation in pre-election government spending. However, discounting continued to remain high in this segment. Two-wheeler segment also remained impacted by 3% YoY because of new ABS/CBS safety regulations which led to further increase in vehicle prices along with weak wedding season demand in the North. Three-wheeler sales contracted by 11% YoY, the domestic demand remained muted along with headwinds across key international markets. The tractor segment also declined by 16% YoY during the month due to high base and slowdown in Southern and Western region because of lower reservoir level and weakening subsidy based incentive in South. BAJAJ-AUTO posted 3% YoY growth in sales while ASHOKLEY, EICHERMOT, ESCORTS, HEROMOTOCO, M&M, MARUTI, TATAMOTORS and TVSMOTOR recorded 4%, 17%, 18%, 8%, 9%, 22% 28% and 1% YoY decline in sales respectively.

Commercial Vehicle Industry:

The commercial vehicle industry saw a decline in sales by 17% YoY in May 2019. The slowdown continued due to depressed freight rates and non-release of funds by the governments due to elections which impacted CV sales. The MHCV segment continues to be weak due to underutilization of trucks. Tippers segment sales also declined during the month led by drop in tipper utilization rates among fleet owners. MHCV cargo truck sales and LCV also remained impacted due to slowdown in rural consumption. ASHOKLEY, M&M, TATAMOTORS and VECV sales declined by 4%, 5%, 4% and 19% YoY, respectively.

Passenger Vehicle Industry:

The passenger vehicle industry saw a decline in sales of 23% YoY in May 2019. There have been weak demand sentiments across the markets despite new product launches. The wedding season demand in the North also remained weak during the month which impacted sales. However, the inventory level has come down as the OEMs have taken production cuts for correcting inventories at dealerships. MARUTI, M&M and TATAMOTORS sales declined by 24%, 1% and 38% YoY respectively.

2Ws and 3Ws:

The two-wheeler OEMs de-grew by 3% YoY in May 2019. Implementation of CBS/ABS norms from May remained one of the major reasons for slowdown in demand. However, weak wedding season demand in the North further impacted sales. BAJAJ-AUTO posted a growth of 7% YoY while EICHERMOT, HEROMOTOCO and TVSMOTOR posted a decline in sales by 17%, 8% and 1% YoY respectively. On the 3W side, the sales declined by 11% YoY in May 2019. M&M and TVSMOTOR sales increased by 5% and 9% YoY respectively led by increasing penetration in electric vehicle segment while BAJAJ-AUTO sales declined by 16% YoY headwinds across key international markets.

Tractors:

Tractor industry volumes de-grew by 16% YoY in May 2019 due to high base and slowdown in Southern and Western region because of lower reservoir level and weakening subsidy based incentive in South. Going forward, government's focus on rural development, good monsoon forecast will positively impact demand for tractors. ESCORTS and M&M have posted a decline in sales by 18% and 16% YoY respectively.

Top Picks :-

We continue to like ASHOKLEY and BAJAJ-AUTO from our coverage universe.

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ASHOKLEY	May-19	May-18	YoY Gr	Apr-19	MoM
MHCV	8946	10421	-14%	9346	-4%
LCV	4226	3238	31%	4280	-1%
Total	13172	13659	-4%	13626	-3%

ASHOKLEY overall sales in May 2019 de-grew by 4% YoY to 13172 units. The overall M&HCV sales de-grew by 14% YoY to 8946 units due to high base effect. The MHCV trucks sales declined by 12% YoY while MHCV buses de-grew by 21% due to drop in tipper utilization rates among fleet owners. The company expects the tippers segment to grow further led by increasing mining activities and infrastructure spending. Light commercial vehicles volume rose by 31% YoY to 4226 units. The LCV business is gaining momentum and the market share is expected to improve. Going forward, the company is focusing on expanding its exports market and is further planning to expand in African and Russian markets by making various product launches in different segments. The management is also expecting that the government may bring the mandatory scrappage policy in order to maintain the demand in FY21.

BAJAJ-AUTO	May-19	May-18	YoY Gr	Apr-19	MoM
Domestic	235824	224625	5%	232104	2%
Exports	183411	182419	1%	191211	-4%
Total	419235	407044	3%	423315	-1%

BAJAJ-AUTO recorded an overall volume growth of 3% YoY in May 2019. The domestic 2Ws sales grew by 7% YoY led by higher growth in sports segment. Pulsar continues to see high growth rate and it is expected to mark 1 lakh unit sales soon. The commuter segment is also growing due to good demand for Platina model. Going forward, sales are likely to improve from June month. The 2Ws exports sales increased by 6% YoY. The growth was mainly witnessed across Africa, ASEAN, South Asia and Middle East. Domestic 3Ws sales de-grew by 6% YoY due to muted domestic demand while 3Ws export also declined by 26% YoY due to headwinds across key markets like Egypt and Sri Lanka. Going forward, on the two wheelers side, the sports segment is expected to grow in double digits while 3-wheelers will continue to do well in 3-6 months.

EICHERMOT	May-19	May-18	YoY Gr	Apr-19	MoM
Royal Enfield	62371	74697	-17%	62879	-1%
VECV	4750	5874	-19%	3961	20%
Total	67121	80571	-17%	66840	0%

EICHERMOT Royal Enfield posted 17% YoY decline in volumes in May 2019. The demand has been impacted due to dependency in bigger markets. Models with capacity up to 350cc have de-grown by 19% YoY while models with capacity above 350cc have grown by 11% YoY primarily due to better 650 twins demand. Exports volumes have degrown by 1% YoY. The 650 Twins, Interceptor 650 and Continental GT 650 were launched in California and the demand is expected to improve in exports market going forward. The company is seeing higher potential in developing markets like South East Asia, LatAm. VECV volumes de-grew by 19% YoY during the month. Domestic volumes de-grew by 16% YoY while export volumes declined by 50% YoY. Sales in VECV declined due to intense competition, heavy discounting and higher base last year.

ESCORTS	May-19	May-18	YoY Gr	Apr-19	MoM
Domestic	6488	8087	-20%	4986	30%
Exports	339	238	42%	278	22%
Total	6827	8325	-18%	5264	30%

ESCORTS have reported a decline in sales by 18% YoY in May 2019. The domestic tractor volume de-grew by 20% YoY to 6488 units due to high base and slowdown in Southern and Western region because of lower reservoir level and weakening subsidy based incentive in South. The exports volume showed a growth of 42% YoY to 339 units. The company expects to grow further in South East Asia, Mexico, Brazil. The management further plans to make new launches in Farmtrac and Powertrac in FY20. The overall tractor industry is expected to post single digit growth in FY20. On the exports front, the company targets to achieve 4500-5000 units with a growth of 45-50% in FY20.

HEROMOTOCO	May-19	May-18	YoY Gr	Apr-19	MoM
2W	652,082	706365	-8%	574,366	14%

Total	652082	706365	-8%	574366	14%
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HEROMOTOCO volume growth declined by 8% YoY to 652082 units in May 2019. The sales was impacted due to new ABS/CBS safety regulations which led to further increase in vehicle prices along with weak wedding season demand in the North. Going ahead, the North, East and Central market have better demand outlook, markets in West like Maharashtra have shown some recovery while markets in South continue to remain low. The company has launched three new motorcycles ,XPulse ,the XPulse 200T and Xtreme 200S during the month. Apart from the three premium motorcycles, the company also launched two new scooters, Maestro Edge 125 and Pleasure+ 110 in May. Further, 1HFY20 will continue to remain challenging whereas recovery in rural demand from 2HFY20 on the back of good monsoon expectation will drive the growth ahead.

M&M	May-19	May-18	YoY Gr	Apr-19	MoM
Automotive	45421	46848	-3%	43721	4%
Farm Equipment	24704	29330	-16%	28552	-13%
Total	70125	76178	-8%	72273	-3%

M&M domestic volumes declined by 2% YoY in May 2019 to 43056 units. The PV segment de-grew by 1% YoY due to subdued demand scenario during the pre-election phase. CV segment also de-grew by 5% YoY on the back of weak demand sentiments across key markets. The 3W segment grew by 5% YoY while exports de-grew by 22% YoY. The company has been focusing on correcting the channel inventory and it further believes that with a stable government and the forecast of a near normal monsoon, there will be improvement in consumer sentiment over the next few months. The farm equipment segment posted decline in sales by 16% YoY. The domestic tractor volumes de-grew by 17% YoY due to higher base and slowdown of demand in southern and western markets. The tractor exports grew by 3% YoY. Going forward, a strong push by the Government on agri initiatives coupled with a near normal monsoon forecast would boost the tractor demand in the near future.

MARUTI	May-19	May-18	YoY Gr	Apr-19	MoM
Domestic	125552	163200	-23%	133704	-6%
Exports	9089	9312	-2%	9177	-1%
Total	134641	172512	-22%	142881	-6%

MARUTI overall sales declined by 22% YoY in May 2019. There was a decline in sales due to subdued market demand along with weak wedding season in Northern region. However, the inventory level has come down as the OEMs have taken production cuts for correcting inventories at dealerships. The mini, compact and utility segment declined by 57%, 9% and 25% YoY respectively. The mid-size segment and vans de-grew by 11% and 30% YoY respectively. The LCV super carry volumes have touched over 2232 units with a growth of 31% YoY. The company is further planning to phase out the diesel version of LCV as the cost will be too high due to BS VI implementation and it will only produce petrol and CNG version of LCV. Exports have also degrown by 2% YoY. However, the company is further planning to tap in African markets. The management further expects to see pickup in sales in the 2HFY20.

TATAMOTORS	May-19	May-18	YoY Gr	Apr-19	MoM
Domestic	40229	54295	-26%	42577	-6%
Exports	1563	3699	-58%	1402	11%
Total	41792	57994	-28%	43979	-5%

TATAMOTORS overall sales in May have declined by 28% YoY to 41792 units. Domestic PV segment witnessed a sales de-growth of 38% YoY due to weak consumer sentiments. Retail sales have recorded a growth of 11% YoY on the back of exciting product lineup and micro segmenting strategy. On the CV front, the M&HCV segment saw a decline of 38% YoY to 7683 units due to depressed freight rates and underutilization of trucks. Tipper segment sales also declined during the month led by drop in tipper utilization rates among fleet owners. LCV segment also posted a decline in sales by 2% YoY to 4043 units. The new products introduced in the fast growing 15-16 Ton segment and CNG products have been well accepted by the customers. The exports declined robustly by 58% YoY with 1563 units. Several factors like drop in retails in Bangladesh and Nepal, high stocks in SAARC region and slump in Middle East have affected the overall industry volumes in these markets.

TVSMOTOR	May-19	May-18	YoY Gr	Apr-19	MoM
Domestic	237787	247647	-4%	249372	-5%
Exports	69319	62218	11%	69565	0%
Total	307106	309865	-1%	318937	-4%

TVSMOTOR has posted the overall decline in volume growth by 1% YoY in May 2019. Overall two-wheeler segment has registered a decline in sales by 4% YoY. The scooter segment and motorcycles segment both grew by 2% and 13% YoY respectively. Domestic two-wheeler volumes de-grew by 4% YoY while export two wheeler volumes have shown a growth of 11% YoY due to expansion in geographical markets. Overall three wheelers segment have also shown a volume growth of 9% YoY. Domestic three-wheeler segment de-grew by 31% YoY while export three-wheeler volumes grew by 14% YoY. 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. However, 1QFY20 is expected to remain challenging due to correction of inventories.

OEMs May volume update:

Company	May-19	May-18	Apr-19	YoY %	MoM %	FY19	FY18	Change%
ASHOKLEY	13,172	13,659	13,626	-4%	-3%	197,369	174,830	13%
BAJAJ-AUTO	419,235	407,044	423,315	3%	-1%	5,019,503	4,006,771	25%
EICHERMOT	62,371	74,697	62,879	-17%	-1%	826,098	820,493	1%
ESCORTS	6,827	8,325	5,264	-18%	30%	96,412	80,417	20%
HEROMOTOCO	652,028	706,365	574,366	-8%	14%	7,819,151	7,582,857	3%
M&M	70,125	76,179	72,273	-8%	-3%	939,081	866,288	8%
MARUTI	134,641	172,512	143,245	-22%	-6%	1,862,449	1,779,574	5%
TATAMOTORS	41,792	57,994	43,979	-28%	-5%	733,711	639,058	15%
TVSMOTOR	307106	309865	318937	-1%	-4%	3,913,763	3,466,110	13%

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