

# Monthly Auto Volumes

Industry Automobiles

## Auto industry woes continues; No signs of recovery

Company	YoY Growth
ASHOKLEY	-19%
BAJAJ-AUTO	0%
EICHERMOT	-22%
ESCORTS	-10%
HEROMOTOCO	-12%
M&M	-12%
MARUTI	-14%
TATAMOTORS	-17%
TVSMOTOR	-5%

The demand across the automobile industry continued to remain under pressure in June 2019 and witnessed a double-digit decline for 3rd consecutive month. Most of the OEMs are forced to take production cuts in order to correct channel inventory. However, sales usually soften in June with the beginning of monsoon as customers hold their purchases till the auspicious festival season. The passenger vehicle segment posted a decline of 15% YoY during the month. OEMs which have launched new models recently have received well by the customers. However, consumer sentiments have suffered due to cost increases led by safety regulations which are weighing down vehicle sales. The commercial vehicle segment also witnessed a decline of 15%YoY due to new norms, falling freight rates, higher cost of fuel and weak retail demand across regions. Two-wheeler segment remained impacted by 8% YoY decline in sales because of sluggish demand across various regions particularly in the second half of the month. Three-wheeler sales contracted by 14% YoY as the domestic demand remained muted along with headwinds across key international markets. The tractor segment also declined by 17% YoY during the month due to deficient rainfall, severe drought condition along with lower reservoir level in Southern and Western region. BAJAJ-AUTO posted flat growth in sales while ASHOKLEY, EICHERMOT, ESCORTS, HEROMOTOCO, M&M, MARUTI, TATAMOTORS and TVSMOTOR recorded 19%, 22%, 10%, 12%, 12%, 14%, 17% and 5% YoY decline in sales respectively.

### Commercial Vehicle Industry:

The commercial vehicle industry saw a decline in sales by 15% YoY in June 2019. The demand remained subdued due to new norms, falling freight rates, higher cost of fuel and weak retail demand across regions which impacted CV sales. The MHCV segment continues to be weak due to changing norms of excess carrying capacity. Tippers segment sales also declined due to slowdown in execution of infrastructure projects, delayed payments to contractors and lack of new projects. MHCV cargo truck sales and LCV demand also remained subdued. The progress of monsoon will be a key factor for the revival of demand in this segment over the next quarter. ASHOKLEY, M&M, TATAMOTORS and VECV sales declined by 19%, 15%, 12% and 28% YoY, respectively.

### Passenger Vehicle Industry:

The passenger vehicle industry saw a decline in sales of 15% YoY in June 2019. OEMs which have launched new models recently are getting some response from customers. The industry is expected to bounce back going forward. However, consumer sentiments have suffered due to cost increase led by strict safety regulations and liquidity crunch. Most of the OEMS also took production cuts for correcting inventory pile up at the dealer's level. M&M sales grew by 4% YoY led by new product launches while MARUTI and TATAMOTORS sales declined by 16% and 28% YoY respectively.

### 2Ws and 3Ws:

The two-wheeler OEMs de-grew by 8% YoY in June 2019. There was a temporary spike in demand due to Eid festival during the first half of the month but again during the 2nd half of the month, sluggish demand across various regions, especially in North impacted the sales. BAJAJ-AUTO posted a growth of 4% YoY led by new product launches in various segments while EICHERMOT, HEROMOTOCO and TVSMOTOR posted a decline in sales by 22%, 12% and 6% YoY respectively. On the 3W side, the sales declined by 14% YoY in June 2019. TVSMOTOR sales increased by 5% YoY respectively led by increasing penetration in electric vehicle segment while BAJAJ-AUTO and M&M sales declined by 20% and 2% YoY respectively led by headwinds across key international markets.

### Tractors:

Tractor industry volumes de-grew by 17% YoY in June 2019 due to due to deficient rainfall, severe drought condition along with lower reservoir level in Southern and Western region. With the below normal level monsoon this year, the industry is looking at contraction in demand even if demand picks up with kharif sowing. Slowdown in non-farm activities such as infrastructure and construction have also impacted the tractor sales. ESCORTS and M&M have posted a decline in sales by 10% and 18% YoY respectively.

### Top Picks :-

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

### Research Analyst

**NAVEEN KUMAR DUBEY**

Naveen.dubey@narnolia.com

+91-22-62701235

Swati Singh

Swati.singh@narnolia.com

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<b>ASHOKLEY</b>	<b>Jun-19</b>	<b>Jun-18</b>	<b>YoY Gr</b>	<b>May-19</b>	<b>MoM</b>
MHCV	8427	11258	-25%	8946	-6%
LCV	4383	4534	-3%	4226	4%
<b>Total</b>	<b>12810</b>	<b>15792</b>	<b>-19%</b>	<b>13172</b>	<b>-3%</b>

ASHOKLEY overall sales in June 2019 de-grew by 19% YoY to 12810 units. The overall M&HCV sales de-grew by 25 % YoY to 8427 units due to high base effect. The MHCV trucks sales declined by 30% YoY while MHCV buses de-grew by 2% due to falling freight rates and higher cost of fuel. The company expects the tippers segment to grow further led by increasing mining activities and infrastructure spending. Light commercial vehicles volume also declined by 3% YoY to 4383 units due to sluggish demand across regions. Going ahead, the market share in LCV business is expected to improve. 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 going forward. The management is also expecting that the government June bring the mandatory scrappage policy in order to maintain the demand in FY21.

<b>BAJAJ-AUTO</b>	<b>Jun-19</b>	<b>Jun-18</b>	<b>YoY Gr</b>	<b>May-19</b>	<b>MoM</b>
Domestic	229225	234576	-2%	235824	-3%
Exports	175399	169853	3%	183411	-4%
<b>Total</b>	<b>404624</b>	<b>404429</b>	<b>0%</b>	<b>419235</b>	<b>-3%</b>

BAJAJ-AUTO recorded an overall flat volume growth of in June 2019. The domestic 2Ws sales de-grew by 1% YoY led by sluggish retail demand in the 2nd half of the month, especially in the North region. However, the company launched 2 new models in the entry commuter segment and upgraded Dominar model in the premium segment during the month. The 2Ws exports sales increased by 11% YoY led by growth across various international key markets. Domestic 3Ws sales de-grew by 11% YoY due to muted domestic retail demand while 3Ws export also declined by 29% YoY due to headwinds across key markets like Egypt and Sri Lanka. Going forward, the company will launch new product in the mid segment in the month of July which may further improve demand.

<b>EICHERMOT</b>	<b>Jun-19</b>	<b>Jun-18</b>	<b>YoY Gr</b>	<b>May-19</b>	<b>MoM</b>
Royal Enfield	58339	74477	-22%	62371	-6%
VECV	4569	6390	-28%	4750	-4%
<b>Total</b>	<b>62908</b>	<b>80867</b>	<b>-22%</b>	<b>67121</b>	<b>-6%</b>

EICHERMOT Royal Enfield posted 22% YoY decline in volumes in June 2019. Models with capacity up to 350cc have de-grown by 25% YoY while models with capacity above 350cc have grown by 17% YoY due to increasing demand for new model launches. Exports volumes grew robustly by 72% YoY. The 650 Twins, Interceptor 650 and Continental GT 650 were launched in new international markets like California, USA, UK, Europe, Latin America and South East Asia. The company is seeing higher potential in developing markets like South East Asia, LatAm. VECV volumes de-grew by 28% YoY during the month. The Eicher trucks and buses domestic volumes de-grew by 25% YoY while export volumes declined by 55% YoY while Volvo truck sales declined by 11% YoY. Sales in VECV segment declined due to intense competition and higher base last year.

<b>ESCORTS</b>	<b>Jun-19</b>	<b>Jun-18</b>	<b>YoY Gr</b>	<b>May-19</b>	<b>MoM</b>
Domestic	8648	9758	-11%	6488	33%
Exports	312	225	39%	339	-8%
<b>Total</b>	<b>8960</b>	<b>9983</b>	<b>-10%</b>	<b>6827</b>	<b>31%</b>

ESCORTS have reported a decline in sales by 10% YoY in June 2019. The domestic tractor volume de-grew by 11% YoY to 6488 units due to deficient rainfall, delay in harvesting, severe drought condition and lower reservoir level in Southern and Western region along with slowdown in non-farm activities such as infrastructure and construction. The company has also taken production cuts in order to maintain channel inventory. The exports volume showed a growth of 39% YoY to 312 units led by good exports market in Europe. 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 5-8% growth in FY20. On the exports front, the company targets to achieve 8000-9000 units in FY22.

<b>HEROMOTOCO</b>	<b>Jun-19</b>	<b>Jun-18</b>	<b>YoY Gr</b>	<b>May-19</b>	<b>MoM</b>
2W	616526	704562	-12%	652082	-5%
<b>Total</b>	<b>616526</b>	<b>704562</b>	<b>-12%</b>	<b>652082</b>	<b>-5%</b>

HEROMOTOCO volume growth declined by 12% YoY to 6616526 units in June 2019. There was a temporary spike in demand due to Eid festival during the first half of the month but again during the 2<sup>nd</sup> half of the month, sluggish demand across various regions, especially in North impacted the sales. The company launched 2 new scooters Maestro Edge in 125 cc segment and Pleasure+ in 110 cc segment during the month and the management wants to reinforce its presence in 110 cc segment with pleasure+ brand. The company further wants to strengthen its presence in 125 cc segment and is also focusing on making its strong presence in premium motorcycle segment. Inventory correction and launching of BS-VI products are the larger plans of the company going ahead.

<b>M&amp;M</b>	<b>Jun-19</b>	<b>Jun-18</b>	<b>YoY Gr</b>	<b>May-19</b>	<b>MoM</b>
Automotive	42547	45155	-6%	45421	-6%
Farm Equipment	33094	40529	-18%	24704	34%
<b>Total</b>	<b>75641</b>	<b>85684</b>	<b>-12%</b>	<b>70125</b>	<b>8%</b>

M&M overall volumes declined by 12% YoY in June 2019 to 75641 units. The domestic volumes degrew by 5% YoY. The PV segment grew by 4% YoY led by new product launches made by the company. CV segment de-grew by 15% YoY on the back of falling freight rates and higher cost of fuel. The 3W segment and exports de-grew by 2% and 11% YoY respectively. The company has taken 5-13 no-production days across its various automobile and farm equipment sector plants in order to reduce its channel inventory. The farm equipment segment posted decline in sales by 18% YoY. The domestic tractor volumes de-grew by 19% YoY due to sluggish demand in southern and western markets. The tractor exports de-grew by 3% YoY. Going ahead, the onset of monsoon and the upcoming Union Budget allocations to the rural and agri sectors will drive positive sentiment in the coming months.

<b>MARUTI</b>	<b>Jun-19</b>	<b>Jun-18</b>	<b>YoY Gr</b>	<b>May-19</b>	<b>MoM</b>
Domestic	114861	135662	-15%	125552	-9%
Exports	9847	9319	6%	9089	8%
<b>Total</b>	<b>124708</b>	<b>144981</b>	<b>-14%</b>	<b>134641</b>	<b>-7%</b>

MARUTI overall sales declined by 14% YoY in June 2019. There was a temporary spike in demand due to Eid festival during the first half of the month but again during the 2<sup>nd</sup> half of the month, sluggish demand across various regions. The company did 7 days production shutdown in its plant as a part of annual maintenance. The mini, compact and utility segment declined by 36%, 12% and 8% YoY respectively due to slowdown in retail demand. The mid-size segment grew robustly by 47% YoY. The company expects healthy movement towards petrol, hybrids and CNG options. Vans de-grew by 24% YoY respectively. The LCV super carry volumes have touched over 2017 units with a growth of 24% YoY. Exports have grown by 6% YoY. The company is further planning to tap in African markets. The management further expects to see pickup in sales in the 2HFY20.

<b>TATAMOTORS</b>	<b>Jun-19</b>	<b>Jun-18</b>	<b>YoY Gr</b>	<b>May-19</b>	<b>MoM</b>
Domestic	49073	56773	-14%	40229	22%
Exports	2702	5246	-48%	1563	73%
<b>Total</b>	<b>51775</b>	<b>62019</b>	<b>-17%</b>	<b>41792</b>	<b>24%</b>

TATAMOTORS overall sales in June have declined by 17% YoY to 51775 units. Domestic PV segment witnessed a sales de-growth of 27% YoY due to weak consumer sentiments led liquidity crunch. Industry continued to remain stressed. However, the market is expected to bounce back soon going forward. On the CV front, the M&HCV segment saw a decline of 19% YoY to 9358 units to due to depressed freight rates and rise in cost of fuels. Tippers segment sales also declined during the month led by slowdown in the execution of existing infrastructure projects, delayed payments to contractors and lack of new projects. LCV segment grew by 3% YoY to 4564 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 by 48% YoY with 2702 units due to drop in retails in Bangladesh, Nepal & Middle East markets.

<b>TVSMOTOR</b>	<b>Jun-19</b>	<b>Jun-18</b>	<b>YoY Gr</b>	<b>May-19</b>	<b>MoM</b>
Domestic	227202	247643	-8%	237787	-4%
Exports	69900	65971	6%	69319	1%
<b>Total</b>	<b>297102</b>	<b>313614</b>	<b>-5%</b>	<b>307106</b>	<b>-3%</b>

TVSMOTOR has posted the overall decline in volume growth by 5% YoY in June 2019. Overall two-wheeler segment has registered a decline in sales by 6% YoY. The scooter segment degrew by 4% YoY while the motorcycles segment grew by 2% YoY. Domestic two-wheeler volumes de-grew by 8% YoY while export two wheeler volumes have shown a growth of 4% YoY due to expansion in geographical markets. Overall three wheelers segment have also shown a volume growth of 10% YoY. Domestic three-wheeler segment de-grew by 37% YoY while export three-wheeler volumes grew by 16% 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 June volume update:

Company	Jun-19	Jun-18	May-19	YoY %	MoM %	FY20YTD	FY19YTD	Change%
ASHOKLEY	12,810	15,792	13,172	-19%	-3%	39,608	42,128	-6%
BAJAJ-AUTO	404,624	404,429	419,235	0%	-3%	1,247,174	1,226,641	2%
EICHERMOT	58,339	74,477	62,371	-22%	-6%	183,589	225,361	-19%
ESCORTS	8,960	9,983	6,827	-10%	31%	21,051	24,494	-14%
HEROMOTOCO	616,526	704,562	652,028	-12%	-5%	1,842,920	2,104,949	-12%
M&M	75,641	85,684	70,125	-12%	8%	218,039	240,885	-9%
MARUTI	124,708	144,981	134,641	-14%	-7%	402,594	490,479	-18%
TATAMOTORS	51,775	62,019	41,792	-17%	24%	137,546	176,534	-22%
TVSMOTOR	297,102	313,614	307106	-5%	-3%	923,145	928,274	-1%

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Correspondence Office Address: Arch Waterfront, 5<sup>th</sup> Floor, Block GP, Saltlake, Sector 5, Kolkata 700 091; Tel No.: 033-40541700; [www.narnolia.com](http://www.narnolia.com).

Registered Office Address: Marble Arch, Office 201, 2<sup>nd</sup> Floor, 236B, AIC Bose Road, Kolkata 700 020; Tel No.: 033-4050 1500; [www.narnolia.com](http://www.narnolia.com)

Compliance Officer: Manish Kr Agarwal, Email Id: [mkagarwal@narnolia.com](mailto:mkagarwal@narnolia.com), Contact No.:033-40541700.

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