

Industry

Automobiles

## Double digit decline witnessed across industry

Company	YoY Growth
ASHOKLEY	-28%
BAJAJ-AUTO	-5%
EICHERMOT	-22%
ESCORTS	-13%
HEROMOTOCO	-21%
M&M	-14%
MARUTI	-34%
TATAMOTORS	-36%
TVSMOTOR	-13%

The demand slowdown across the automobile industry continued in the month of July 2019. The PV segment has declined by 34% YoY. Due to weak consumer sentiments there has been a sharp decline in walk-ins across stores as well. The CV segment has also declined by 29% YoY. Weak financing availability, falling freight rates and higher working capital requirements have forced dealers to offer heavy discounting in order to correct inventory. The 2-wheeler segment remained impacted by 15% YoY decline in sales. The 3-wheeler segment contracted by 10% YoY as the domestic demand remained muted along with headwinds across key international markets. The tractor segment continued to decline by 12% YoY due to delayed monsoon, lower sowing, lower reservoir level and no subsidy based sales in Southern and Western regions. ASHOKLEY, BAJAJ-AUTO, EICHERMOT, ESCORTS, HEROMOTOCO, M&M, MARUTI, TATAMOTORS and TVSMOTOR declined by 28%, 5%, 22%, 13%, 21%, 14%, 34%, 36% and 13% YoY respectively

### Commercial Vehicle Industry:

The commercial vehicle industry saw a decline in sales by 29% YoY in July 2019. The demand remained subdued due to weak financing activities, falling freight rates and higher cost of fuel. The OEMs focused on reducing the dealer's inventory due to contraction in demand and impending transition to BS-VI towards the end of the year, necessitating consumption of entire BS-IV stock by year-end. The MHCV segment continues to be weak especially in the western parts of the country due to slowdown in execution of infrastructure projects and delayed payments to contractors. LCV demand also remained subdued for the month due to slowdown in FMCG and e-commerce businesses. ASHOKLEY, M&M, TATAMOTORS and VECV sales declined by 28%, 17%, 35% and 32% YoY, respectively.

### Passenger Vehicle Industry:

The passenger vehicle industry saw a decline in sales of 34% YoY in July 2019. Delayed monsoon and economic uncertainties have affected the consumer sentiments. Most of the OEMs have taken production cuts for correcting inventory pile up at the dealer's level. Due to postponement of purchases, there was a sharp decline in walk-ins across stores which led to less registration of vehicles. M&M, MARUTI and TATAMOTORS sales declined by 15%, 36% and 39% YoY respectively.

### 2Ws and 3Ws:

The two-wheeler OEMs de-grew by 15% YoY in July 2019. There was a decline in retail sales due to delayed monsoon which have considerably affected the rural and well as urban sentiments. However with the upcoming festive season, demand is expected to revive soon going forward. BAJAJ-AUTO, EICHERMOT, HEROMOTOCO and TVSMOTOR posted a decline in sales by 3%, 22%, 21% and 14% YoY respectively. On the 3W side, the sales declined by 10% YoY in July 2019 as the domestic demand remained muted along with headwinds across key international markets. BAJAJ-AUTO and M&M sales declined by 12% and 16% while TVSMOTOR sales increased by 3% YoY due to increasing penetration of electric vehicles.

### Tractors:

Tractor industry volumes de-grew by 12% YoY in July 2019 due to due to deficient rainfall, lower sowing, declining construction activities, lower reservoir level and subsidy based sales in Southern and Western regions. ESCORTS and M&M have posted a decline in sales by 13% and 12% YoY respectively.

### Top Picks :-

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

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ASHOKLEY	Jul-19	Jul-18	YoY Gr %	Jun-19	MoM Gr %
MHCV	6722	10996	-39%	8427	-20%
LCV	4205	4203	0%	4383	-4%
<b>Total</b>	<b>10927</b>	<b>15199</b>	<b>-28%</b>	<b>12810</b>	<b>-15%</b>

ASHOKLEY overall sales in July 2019 de-grew by 28% YoY to 10927 units. The overall M&HCV sales de-grew by 39% YoY to 6722 units due to falling freight rates and higher cost of fuel. MHCV trucks sales declined by 48% YoY. The tractor trailer segment and tippers segment, especially in western parts of the country remained impacted. MHCV buses grew by 14% due to various order received by the company in domestic as well as exports markets. Light commercial vehicles volume grew marginally to 4205 units due to sluggish demand across regions. The company undertook plant shutdown in order to correct inventory and going forward there will be rationalization of inventory level according to the demand. Going ahead, the market share in LCV business is expected to improve. There may be demand revival from the end of September and it is expected to last till January due to pre-buy going ahead. With the infrastructure development, the CV industry is expected to revive going forward.

BAJAJ-AUTO	Jul-19	Jul-18	YoY Gr %	Jun-19	MoM Gr %
Domestic	205470	237511	-13%	229225	-10%
Exports	176060	162832	8%	175399	0%
<b>Total</b>	<b>381530</b>	<b>400343</b>	<b>-5%</b>	<b>404624</b>	<b>-6%</b>

BAJAJ-AUTO overall sales de-grew by 3% YoY in July 2019. The domestic 2Ws sales de-grew by 15% YoY led by sluggish retail demand. Delayed monsoon have affected the rural as well as urban sentiments. However, there could be some improvement seen during the festive season. The 2Ws exports sales increased by 15% YoY led by growth across various international key markets. International business outlook is steady as Africa and Asian markets growing faster while LatAm seems muted going forward. Domestic 3Ws sales de-grew by 4% YoY due to muted domestic retail demand while 3Ws export also declined by 21% YoY. Going forward, the management expects 3 wheeler cargo segment demands to improve as introduction of BS-VI will increase the prices of small 4 wheeler cargo vehicles. Going forward, the management is perplexed by the increase in registration fees along with the increase in road tax that will further lead to demand slowdown going ahead.

EICHERMOT	Jul-19	Jul-18	YoY Gr %	Jun-19	MoM Gr %
Royal Enfield	54185	69063	-22%	58339	-7%
VECV	4048	5964	-32%	4569	-11%
<b>Total</b>	<b>58233</b>	<b>75027</b>	<b>-22%</b>	<b>62908</b>	<b>-7%</b>

EICHERMOT Royal Enfield posted 22% YoY decline in volumes in July 2019. Models with capacity up to 350cc have de-grown by 29% YoY while models with capacity above 350cc have grown robustly by 71% YoY. The 650 Twins model continue to do extremely well in India as well as across international markets and has a waiting period of 3-4 months. Exports volumes grew robustly by 143% YoY. The Interceptor and the Continental GT 650 were launched in Indonesia, Vietnam and Malaysia and have been received extremely well. The company entered South Korea by launching its first exclusive store in Seoul. VECV volumes de-grew by 32% YoY during the month. The Eicher trucks and buses domestic volumes de-grew by % 28 YoY while export volumes declined by 60%YoY while Volvo truck sales declined by 2% YoY. sales have been low due to the weak demand on account of economic slowdown, increase in fuel prices, lower availability of loads and consequently low replacement demand and it is also witnessing heavy discounting.

ESCORTS	Jul-19	Jul-18	YoY Gr %	Jun-19	MoM Gr %
Domestic	4505	5483	-18%	8648	-48%
Exports	355	127	180%	312	14%
<b>Total</b>	<b>4860</b>	<b>5610</b>	<b>-13%</b>	<b>8960</b>	<b>-46%</b>

ESCORTS have reported a decline in sales by 13% YoY in July 2019. The domestic tractor volume de-grew by 18% YoY to 4505 units due to delayed monsoon, lower sowing, lower construction activities, lower reservoir level and lower subsidy based sales in Southern and Western regions. The company has also taken production cuts in order to maintain channel inventory. The exports volume showed a robust growth of 180% YoY to 355 units. Tractor exports guidance for FY20 is expected to be minimum 20%YoY. The management expects 2QFY20 to improve from September led by festive season which may improve the demand. In July and August, no revival is expected; only marginal improvement in demand is expected to be seen in some parts of the country.

HEROMOTOCO	Jul-19	Jul-18	YoY Gr %	Jun-19	MoM Gr %
2W	535810	679862	-21%	616526	-13%
<b>Total</b>	<b>535810</b>	<b>679862</b>	<b>-21%</b>	<b>616526</b>	<b>-13%</b>

HEROMOTOCO volume growth declined by 21% YoY to 535810 units in July 2019. The sluggish market environment prevalent in the first quarter has continued in the beginning of the second quarter as well and its impact is visible in the dispatch volumes. Going forward, 2HFY20 is expected to grow led by improving liquidity issues, good monsoon, Kharif output and festive seasons by the end of September month and pre-buying ahead of BS-VI implementation. Inventory correction and launching of BS-VI products are the larger plans of the company going ahead. The outlook for FY20 will be dependent on multiple factors, including the progress of monsoon and festive season offtake, as well as improvement in the liquidity situation.

M&M	Jul-19	Jul-18	YoY Gr %	Jun-19	MoM Gr %
Automotive	40142	47199	-15%	42547	-6%
Farm Equipment	19992	22727	-12%	33094	-40%
<b>Total</b>	<b>60134</b>	<b>69926</b>	<b>-14%</b>	<b>75641</b>	<b>-21%</b>

M&M overall volumes declined by 15% YoY in July 2019 to 40142 units. The domestic volumes de-grew by 16% YoY. The PV segment has declined by 15% YoY. The headwinds faced in this segment continue as a result of subdued consumer sentiment. CV segment de-grew by 17% YoY on the back of falling freight rates and higher cost of fuel. The 3W segment de-grew by 16% while exports grew by 3% YoY respectively. The management expects the overall buying sentiment to improve in the festive season and with the monsoon turning out to be better than initially anticipated. The farm equipment segment posted decline in sales by 12% YoY. The domestic tractor volumes de-grew by 11% YoY due to sluggish demand in southern and western markets. The tractor exports de-grew by 26% YoY. Going ahead, with the spread of monsoon, government initiatives to increase rural incomes through farm & non-farm sources and an overall improvement in liquidity will spur improvement in tractor demand during 2HFY20.

MARUTI	Jul-19	Jul-18	YoY Gr %	Jun-19	MoM Gr %
Domestic	100006	154150	-35%	114861	-13%
Exports	9258	10219	-9%	9847	-6%
<b>Total</b>	<b>109264</b>	<b>164369</b>	<b>-34%</b>	<b>124708</b>	<b>-12%</b>

MARUTI overall sales declined by 34% YoY in July 2019. Due to postponement of purchases, there was a sharp decline in walk-ins across stores which led to less registration of vehicles. Rural has declined by 17%YoY (contributes 39% of total volumes) a similar decline has been seen in urban regions as well. The mini, compact and utility segment declined by 69%, 23% and 38% YoY respectively due to slowdown in retail demand. The mid-size segment grew robustly with higher sales of Ciaz model. Vans de-grew by 38% YoY respectively. The LCV super carry volumes have touched over 1732units with a growth of 1% YoY. Exports have degrown by 9% YoY. The management further expects to see pickup in sales in the 2HFY20.

TATAMOTORS	Jul-19	Jul-18	YoY Gr %	Jun-19	MoM Gr %
Domestic	32938	51896	-37%	49073	-33%
Exports	3374	4971	-32%	2702	25%
<b>Total</b>	<b>36312</b>	<b>56867</b>	<b>-36%</b>	<b>51775</b>	<b>-30%</b>

TATAMOTORS overall sales in July have declined by 36% YoY to 36312 units. Domestic PV segment witnessed a sales de-growth of 39% YoY. Despite the challenging market condition, the PV retail sales were marginally better than whole sales, resulting in a slight reduction in the dealer stock. Industry continued to remain stressed. On the CV front, the M&HCV segment saw a decline of 46% YoY to 5465 units while LCV segment posted a decline of 21% YoY to 3167 units. The market continues to exhibit subdued demand sentiment as customers are postponing purchases given the poor freight availability, the falling freight rates impacting their viability. The company is focusing on reducing the system stock, including dealer stock in interest of their profitability and working capital reduction. The exports declined by 32% YoY with 3374 units. The focus has been to correct the stocks in SAARC, Middle East and key markets in Africa.

TVSMOTOR	Jul-19	Jul-18	YoY Gr %	Jun-19	MoM Gr %
Domestic	209471	248937	-16%	227202	-8%
Exports	69994	72242	-3%	69900	0%
<b>Total</b>	<b>279465</b>	<b>321179</b>	<b>-13%</b>	<b>297102</b>	<b>-6%</b>

TVSMOTOR has posted the overall decline in volume growth by 13% YoY in July 2019. Overall two-wheeler segment has registered a decline in sales by 14% YoY. The scooter segment degrew by 12% YoY while the motorcycles segment grew by 11% YoY. Domestic two-wheeler volumes de-grew by 16% YoY while export two wheeler volumes have degrowth of 5% YoY due to subdued demand across key geographical markets. Overall three wheelers segment have also shown a volume growth of 3% YoY. Domestic three-wheeler segment de-grew by 37% YoY while export three-wheeler volumes grew by 9% YoY. The management expects the industry growth in the H2FY20 to be better than H1FY20, although the YoY growth is expected to remain subdued due to delayed monsoon and lower sentiments. The exports outlook both on 2W and 3W side is expected to improve due to stable foreign exchange situation and stable exports market conditions in various geographies.

### OEMs July volume update:

Company	Jul-19	Jul-18	Jun-19	YoY %	MoM %	FY20YTD	FY19YTD	Change%
ASHOKLEY	10,927	15,199	12,810	-28%	-15%	50,535	57,327	-12%
BAJAJ-AUTO	381,530	400,343	404,624	-5%	-6%	1,628,704	1,626,984	0%
EICHERMOT	58,233	75,027	62,908	-22%	-7%	237,774	294,424	-19%
ESCORTS	4,860	5,610	8,960	-13%	-46%	25,911	30,104	-14%
HEROMOTOCO	535,810	679,862	616,526	-21%	-13%	2,378,730	2,784,811	-15%
M&M	60,134	69,926	75,641	-14%	-21%	278,173	310,811	-11%
MARUTI	109,264	164,369	124,708	-34%	-12%	511,858	654,848	-22%
TATAMOTORS	36,312	56,867	51,775	-36%	-30%	173,857	233,401	-26%
TVSMOTOR	279,465	321,179	297,102	-13%	-6%	1,202,610	1,249,453	-4%

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