

Industry

Automobiles

No revival in August; Inventory correction continues

Company	YoY Growth
ASHOKLEY	-47%
BAJAJ-AUTO	-11%
EICHERMOT	-25%
ESCORTS	-16%
HEROMOTOCO	-21%
M&M	-23%
MARUTI	-33%
TATAMOTORS	-48%
TVSMOTOR	-15%

The auto sales have seen no signs of improvement during the month of August 2019. Monsoon combined with flood across several parts of the country along with customers deferring the purchase of vehicle due to upcoming festival season have dampened the sales. However, there has been some pick-up in demand in the last few days, especially in southern and western region on account of the upcoming Onam and Ganpati festivals. The passenger vehicle segment had declined by 36% YoY. OEMs continued with inventory correction through production cuts during the month. The commercial vehicle segment declined by 41% YoY due to poor freight availability and lower freight rates which continued to hamper the demand. The two wheeler segment has declined by 17% YoY. Enquiries and walk-ins have seen a substantial jump in the last few days of the month. The 3W segment has also contracted by 9% YoY due to headwinds across key international markets and subdued domestic demand. The tractor segment has also declined by 17% YoY. ASHOKLEY, BAJAJ-AUTO, EICHERMOT, ESCORTS, HEROMOTOCO, M&M, MARUTI, TATAMOTORS and TVSMOTOR sales declined by 47%, 11%, 25%, 16%, 21%, 23%, 33%, 48% and 15% YoY respectively.

Commercial Vehicle Industry:

The commercial vehicle industry saw a decline in sales by 41% YoY in August 2019. The demand remained subdued due to lower freight rates, poor freight availability and slowdown in the economy. The OEMs are focusing on stock reduction by focusing on retail and aligning the production before impending transition to BS-VI towards the end of the year. However, the government has announced several measures to boost sales including clarity on vehicles to be sold before stricter emission standard comes in, a new scrappage policy and deferral of revision of one-time registration fee till June 2020. ASHOKLEY, M&M, TATAMOTORS and VECV sales declined by 47%, 28%, 44% and 42% YoY respectively.

Passenger Vehicle Industry:

The passenger vehicle industry saw a decline in sales of 36% YoY in August 2019. Heavy rains caused floods in several parts of the country which impacted the sales along with liquidity constraint kept the customers away ahead of the festival season. In order to improve demand, the dealers have been providing higher cash discounts and exchange offers. However, the falling sales volumes have forced OEMs to lay off contract workers. Most of the OEMs continued to do inventory correction through production cuts during the month. M&M, MARUTI and TATAMOTORS sales have declined by 32%, 35% and 61% YoY respectively.

2Ws and 3Ws:

The two wheeler segment has declined by 17% YoY due to weak rural as well as urban demand sentiments and impact of flood across various parts of the country. While enquiries and walk-ins have seen a substantial jump in the last days of the month, the retail sales are still not happening. The dealers are also forced to shut the showroom due to lower sales. 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 10%, 24%, 21% and 16% YoY respectively. On the 3W side, the sales contracted by 9% YoY due to headwinds across key international markets and subdued domestic demand. BAJAJAUTO sales declined by 13% YoY while M&M and TVSMOTOR sales increased by 2% and 11% YoY respectively due to good exports market and government focus on electric vehicles.

Tractors:

Tractor industry volumes de-grew by 17% YoY in August 2019 due to uneven monsoon across the country. However improved monsoons and sowing of Kharif crop will boost rural sentiment going ahead in the festive season. ESCORTS and M&M have posted a decline in sales by 16% and 17% YoY respectively.

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We continue to like BAJAJ-AUTO from our coverage universe

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ASHOKLEY	Aug-19	Aug-18	YoY Gr %	Jul-19	MoM Gr %
MHCV	5349	13158	-59%	6722	-20%
LCV	3882	4228	-8%	4205	-8%
Total	9231	17386	-47%	10927	-16%

ASHOKLEY overall sales in August 2019 de-grew by 47% YoY to 9231 units. The overall M&HCV sales de-grew robustly by 59% YoY to 5349 units due to falling freight rates and poor freight availability. MHCV trucks sales declined by 70% YoY to 3550 units MHCV buses grew by 25%YoY to 1799 units due to various order received by the company in domestic as well as exports markets. Light commercial vehicles volume grew by 5% YoY to 3882 units due to demand upliftment across various e-commerce and FMCG sector. 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	Aug-19	Aug-18	YoY Gr %	Jul-19	MoM Gr %
Domestic	208109	255631	-19%	205470	1%
Exports	181917	181461	0%	176060	3%
Total	390026	437092	-11%	381530	2%

BAJAJ-AUTO overall sales de-grew by 11% YoY in August 2019. The domestic 2Ws sales de-grew by 21% YoY led by sluggish retail demand due to heavy rains and flood situation across various parts of the country. In the last 10 days of August, there has been improvement in walk-ins and enquiries. But overall, the retail sales are declining. The 2Ws exports sales increased by 5% YoY. The markets in Africa are outperforming despite oil prices being low and the company expects the African market to do well and does not see any headwinds going forward. There has been decline in sales in Latin America market led by decline in sales in Argentina and government change in Mexico. Markets in South Asia have also been impacted led by decline in sales in Sri Lanka, Bangladesh and flat growth in Asean. Domestic 3Ws sales de-grew by 6% YoY due to muted domestic retail demand while 3Ws export also declined by 20% YoY due to lower sales in major key market of Egypt. The management expects the overall exports to remain in low single digit growth going forward.

EICHERMOT	Aug-19	Aug-18	YoY Gr %	Jul-19	MoM Gr %
Royal Enfield	52904	69377	-24%	54185	-2%
VECV	3538	6069	-42%	4048	-13%
Total	56442	75446	-25%	58233	-3%

EICHERMOT Royal Enfield posted 24% YoY decline in volumes in August 2019. Models with capacity up to 350cc have de-grown by 32% YoY while models with capacity above 350cc have grown robustly by 124% 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 also grew robustly by 205% YoY. The Interceptor and the Continental GT 650 have been launched across various international markets. VECV volumes de-grew by 42% YoY during the month. The Eicher trucks and buses domestic volumes de-grew by 35 YoY while export volumes declined by 71%YoY. Volvo truck sales have declined by 37% YoY. Sales have been low due to the weak demand on account of economic slowdown and poor freight availability. The management expects to see growth momentum from September onwards during the festive season.

ESCORTS	Aug-19	Aug-18	YoY Gr %	Jul-19	MoM Gr %
Domestic	3763	4674	-19%	4505	-16%
Exports	272	138	97%	355	-23%
Total	4035	4812	-16%	4860	-17%

ESCORTS have reported a decline in sales by 16% YoY in August 2019. The domestic tractor volume de-grew by 19% YoY to 3763 units due to uneven spread of monsoon across the country, lower sowing and lower construction activities. The company has also taken production cuts in order to maintain channel inventory. The exports volume showed a robust growth of 97% YoY to 272 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. Tractor industry is facing issues such as delay in harvesting and lower water reservoir level and the management expects the traction to return from September onwards.

HEROMOTOCO	Aug-19	Aug-18	YoY Gr %	Jul-19	MoM Gr %
2W	543406	685047	-21%	535810	1%
Total	543406	685047	-21%	535810	1%

HEROMOTOCO volume growth declined by 21% YoY 543406 units in August 2019. Monsoons combined with flooding across several parts of the country along with customers deferring the purchase of vehicle due to upcoming festival season have dampened the sales. However, there has been some positive demand in the last few days, especially in southern and western region on account of the upcoming Onam and Ganpati festivals. While enquiries and walk-ins have seen a substantial jump in the last days of the month, the retail sales are still not happening. 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.

M&M	Aug-19	Aug-18	YoY Gr %	Jul-19	MoM Gr %
Automotive	36085	48324	-25%	40142	-10%
Farm Equipment	14817	17785	-17%	19992	-26%
Total	50902	66109	-23%	60134	-15%

M&M overall volumes declined by 25% YoY in August 2019 to 36085 units. The domestic volumes de-grew by 26% YoY. The PV segment has declined by 32% YoY. Uneven monsoon across the country and subdued demand impacted the sales. CV segment de-grew by 28% YoY on the back of falling freight rates. The 3W segment grew by 2% while exports de-grew by 15% YoY respectively. The management is optimistic and hopeful of a good festive season going ahead. The farm equipment segment posted decline in sales by 17% YoY. The domestic tractor volumes de-grew by 15% YoY due to heavy rains and flood situation across various parts of the country. The tractor exports de-grew by 33% YoY. Going ahead, improved monsoon spread and sowing pattern for the Kharif crop is likely to help boost rural sentiment going into the festive season. The recently announced fiscal measures by the Government may also provide the necessary stimulus for tractor demand uptick.

MARUTI	Aug-19	Aug-18	YoY Gr %	Jul-19	MoM Gr %
Domestic	97061	147700	-34%	100006	-3%
Exports	9352	10489	-11%	9258	1%
Total	106413	158189	-33%	109264	-3%

MARUTI overall sales declined by 33% YoY in August 2019. Heavy rains caused floods in several parts of the country which impacted the sales along with liquidity constraint kept the customers away ahead of the festival season. The dealers have been providing higher cash discounts and exchange offers to improve demand. However, the falling sales volumes have forced the company to lay off contract workers. The mini and compact segment declined by 72% and 24% YoY respectively while the utility segment grew by 3% YoY due to demand for Ertiga models. The mid-size and vans segment de-grew by 77% and 37% YoY respectively. The LCV super carry volumes have touched over 1555 units with a degrowth of 14% YoY. Exports have degrown by 11% YoY. The management further expects to see pickup in sales in the 2HFY20 in the upcoming festive season.

TATAMOTORS	Aug-19	Aug-18	YoY Gr %	Jul-19	MoM Gr %
Domestic	29140	57210	-49%	32938	-12%
Exports	3203	5478	-42%	3374	-5%
Total	32343	62688	-48%	36312	-11%

TATAMOTORS overall sales in August have declined by 48% YoY to 32343 units. Domestic PV segment witnessed a sales degrowth of 58% YoY. The company continued to focus on improving retail sales which was more than 42% and as a result the network stock came down by over 3000 vehicles. The dealers are well prepared for the festival season going ahead. On the CV front, the M&HCV segment saw a decline of 58% YoY to 5340 units while LCV segment posted a decline of 40% YoY to 3152 units. The SCV and pick up and passenger carriers posted a decline in sales by 36% and 50% respectively. Subdued demand sentiment due to poor freight availability, lower freight rates and general slowdown in economy continued to hamper the commercial vehicle demand. The exports declined by 42% YoY with 3203 units. The company is focusing on system stock reduction through retail focus and aligning production. As a result, retail sales are estimated to be ahead of wholesale by over 25% in August. The company is looking forward to a positive impact of the recently announced stimulus package by the Government.

TVSMOTOR	Aug-19	Aug-18	YoY Gr %	Jul-19	MoM Gr %
Domestic	220753	277189	-20%	209471	5%
Exports	69702	66028	6%	69994	0%
Total	290455	343217	-15%	279465	4%

TVSMOTOR has posted the overall decline in volume growth by 15% YoY in August 2019. Overall two-wheeler segment has registered a decline in sales by 16% YoY. The scooter and motorcycles segment degrew by 14% and 11%YoY respectively. Domestic two-wheeler volumes de-grew by 20% YoY while export two wheeler volumes have grown by 4% YoY due to demand improvement across key geographical markets. Overall three wheelers segment have also shown a volume growth of 11% YoY. Domestic three-wheeler segment de-grew by 18% YoY while export three-wheeler volumes grew by 15% YoY. The management expects the industry growth in the H2FY20 to be better ahead of festive season. 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 August volume update:

Company	Aug-19	Aug-18	Jul-19	YoY %	MoM %	FY20YTD	FY19YTD	Change%
ASHOKLEY	9,231	17,386	10,927	-47%	-16%	59,766	74,713	-20%
BAJAJ-AUTO	390,026	437,092	381,530	-11%	2%	2,018,730	2,064,076	-2%
EICHERMOT	52,904	69,377	54,185	-24%	-2%	290,678	363,801	-20%
ESCORTS	4,035	4,812	4,860	-16%	-17%	29,946	34,916	-14%
HEROMOTOCO	543,406	685,047	535,810	-21%	1%	2,922,136	3,469,858	-16%
M&M	50,902	66,109	60,134	-23%	-15%	329,075	376,920	-13%
MARUTI	106,413	158,189	109,264	-33%	-3%	618,271	813,037	-24%
TATAMOTORS	32,343	62,688	36,312	-48%	-11%	206,200	297,432	-31%
TVSMOTOR	290,455	343,217	279,465	-15%	4%	1,493,065	1,592,670	-6%

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