

Industry

Automobiles

Company	YoY Growth
ASHOKLEY	-55%
BAJAJ-AUTO	-20%
EICHERMOT	-19%
ESCORTS	2%
HEROMOTOCO	-20%
M&M	-13%
MARUTI	-24%
TATAMOTORS	-48%
TVSMOTOR	-25%

Heavy discounts ahead of festive season improved some demand sentiments

The auto sales have shown sequential improvement in September 2019. The month started with Onam and Ganesh Chaturthi festivals which improved the demand sentiment. On the contrary, sales remained impacted during the month led by inauspicious Shraddh period and floods in Northern regions of the country. However, by the end of September, inquiries and footfalls increased after heavy discounting and promotions offered by the OEMs. The PV and the 2W segment had declined by 28% and 22%YoY respectively. Inventory levels remained high at 4-6 weeks and 5-7 weeks for PV and 2W segments respectively. The commercial vehicle segment continued to decline sharply by 41% YoY despite all time high discounts provided by the OEMs. The 3W segment also contracted by 3% YoY. The tractors segment declined by 1% YoY led by disruptions caused by heavy rains across various parts of the country. ESCORTS sales increased by 2% YoY while ASHOKLEY, BAJAJ-AUTO, EICHERMOT, HEROMOTOCO, M&M, MARUTI, TATAMOTORS and TVSMOTOR sales declined by 55%, 20%, 19%, 20%, 13%, 24%, 48% and 25% YoY respectively.

Commercial Vehicle Industry:

The commercial vehicle industry saw a decline in sales by 41% YoY in September 2019. The consumer sentiments continued to remain weak under this segment. Despite all time high discounts provided by the OEMs and higher depreciation benefit, there has been no uptick in retail sales. The OEMs have been focusing on aligning the production and de-stocking inventory through retails. With several measures including reduction in corporate tax rate taken by the government and heavy discounts with attractive promotional offers, the growth is expected to be seen in the festival. ASHOKLEY, M&M, TATAMOTORS and VECV sales declined by 55%, 18%, 45% and 43% YoY respectively.

Passenger Vehicle Industry:

The passenger vehicle industry saw a decline in sales of 28% YoY in September 2019. The inauspicious Shraddh period and floods situation in several parts of the country impacted the sales. Inventory levels also remained high at 4-6 weeks. However, inquiries and footfalls increased by the end of September after heavy discounting and promotions offered in the festival season by the OEMs. With recently announced positive government initiatives the industry is expected to revive in short term. M&M, MARUTI and TATAMOTORS sales have declined by 33%, 25% and 55% YoY respectively.

2Ws and 3Ws:

The 2W segment has declined by 22% YoY in September 2019. The demand sentiment somewhat improved in the first half of the month led by Onam and Ganpati festivals. However sales were impacted in the later half of the month due to inauspicious Shraddh period and floods across several regions. The inventory levels also remained high by 5-7 weeks. However due to Navratri festival, inquiries and footfalls in the showrooms have increased by the end of the month. The OEMs have also been providing heavy discounts and promotional schemes in order to improve demand sentiment in the festival season. BAJAJ-AUTO, EICHERMOT, HEROMOTOCO and TVSMOTOR posted a decline in sales by 22%, 17%, 20% and 27% YoY respectively. On the 3W side, the sales contracted by 3% YoY due to subdued domestic demand. However, some of the key international markets led to some growth in this segment. BAJAJAUTO sales declined by 8% YoY while M&M and TVSMOTOR sales increased by 8% and 13% YoY respectively.

Tractors:

Tractor industry volumes de-grew by 1% YoY in September 2019 due to floods across various parts of the country. Going ahead, good monsoons, reservoir levels and crop prices will help to improve the demand sentiment in the festive season. ESCORTS sales increased by 2% YoY while M&M have posted a decline in sales by 2% YoY.

Top Picks:

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

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ASHOKLEY	Sep-19	Sep-18	YoY Gr %	Aug-19	MoM Gr %
MHCV	4744	14233	-67%	5349	-11%
LCV	4036	5141	-21%	3882	4%
Total	8780	19374	-55%	9231	-5%

ASHOKLEY overall sales in September 2019 de-grew by 55% YoY to 8780 units. The overall M&HCV sales de-grew robustly by 67% YoY to 4744 units despite all time high discounts and higher depreciation benefit. MHCV trucks sales declined by 73% YoY to 3343 units while MHCV buses also declined by 17%YoY to 1401 units. Light commercial vehicles volumes de-grew by 21% YoY to 4036 units due to slowdown in rural as well as urban demand sentiment. There may be demand revival by the end of September led by festive season and it is expected to last till January due to pre-buy going ahead. With the infrastructure development and various initiatives taken by the government, the CV industry is expected to revive going forward.

BAJAJ-AUTO	Sep-19	Sep-18	YoY Gr %	Aug-19	MoM Gr %
Domestic	215501	311503	-31%	208109	4%
Exports	186534	190506	-2%	181917	3%
Total	402035	502009	-20%	390026	3%

BAJAJ-AUTO overall sales de-grew by 20% YoY in September 2019. The domestic 2Ws sales de-grew by 35% YoY. The first half of the month continued to decline while retail sales moved up from the 2nd half of the month. Pulsar 125cc saw 2 months of outstanding sales and it grabbed 10-12% market share. The 2Ws exports sales increased by 1% YoY led by good growth in Africa, South Asia and Bangladesh market. Latin America continues to remain muted led by decline in sales in Argentina and government change in Mexico. The management expects Asian markets like Philippines to do better in 2QFY20. Domestic 3Ws sales de-grew by 1% YoY while 3Ws export also declined by 17% YoY. However, there has been marginal improvement seen in the CV business. Going forward, the management expects to add further market share at retail level in October-November in the festive season.

EICHERMOT	Sep-19	Sep-18	YoY Gr %	Aug-19	MoM Gr %
Royal Enfield	59500	71662	-17%	52904	12%
VECV	3784	6663	-43%	3538	7%
Total	63284	78325	-19%	56442	12%

EICHERMOT Royal Enfield posted 17% YoY decline in volumes in September 2019. Models with capacity up to 350cc have degrown by 23% YoY while models with capacity above 350cc have grown robustly by 83% YoY. The 650 Twins model continue to do extremely well in India as well as across international markets. Exports volumes also grew robustly by 191% YoY. The Interceptor and the Continental GT 650 have been launched across various international markets. VECV volumes de-grew by 43% YoY during the month. The Eicher trucks and buses domestic volumes de-grew by 45% YoY while export volumes declined by 41%YoY led by poor demand sentiments across rural and urban markets. However, volvo truck sales have improved by 48% YoY. The management expects to see growth momentum from going ahead during the festive season.

ESCORTS	Sep-19	Sep-18	YoY Gr %	Aug-19	MoM Gr %
Domestic	10521	10396	1%	3763	180%
Exports	334	221	51%	272	23%
Total	10855	10617	2%	4035	169%

ESCORTS have reported a increase in sales by 2% YoY in September 2019. The domestic tractor volumes grew by 1% YoY to 10251 units due to good monsoon spread across various parts of the country. The exports volume showed a robust growth of 51% YoY to 334 units. The company has also launched 5 new hybrid technology products during the month which will help to improve the demand going ahead. 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. Going forward, good monsoons, good reservoir levels and favorable crop prices will help to improve the demand sentiment in the festive season.

HEROMOTOCO	Sep-19	Sep-18	YoY Gr %	Aug-19	MoM Gr %
2W	612204	769138	-20%	543406	13%
Total	612204	769138	-20%	543406	13%

HEROMOTOCO volume growth declined by 20% YoY 612204 units in September 2019. The demand sentiment somewhat improved in the first half of the month led by Onam and Ganpati festivals. However sales were impacted in the later half of the month due to inauspicious Shraddh period and floods across several regions. However due to Navratri festival, inquiries and footfalls in the showrooms have increased by the end of the month. Going forward, with the help of heavy discounts and promotional schemes demand sentiment is expected to improve in the festive season in October and November.

M&M	Sep-19	Sep-18	YoY Gr %	Aug-19	MoM Gr %
Automotive	43343	55022	-21%	36085	20%
Farm Equipment	37011	37581	-2%	14817	150%
Total	80354	92603	-13%	50902	58%

M&M overall volumes declined by 13% YoY in September 2019 to 36085 units. The domestic volumes de-grew by 21% YoY. The PV segment has declined by 33% YoY due to flood situation across various parts of the country. CV segment de-grew by 18% YoY despite heavy discountings. The 3W segment grew by 8% while exports de-grew by 29% YoY respectively. However, with the onset of Navratri, the festive season is expected to improve in coming months. The farm equipment segment posted decline in sales by 13% YoY. The domestic tractor volumes grew marginally during the month led by good monsoon in some parts of the country. The tractor exports de-grew by 41% YoY. The recent disruption caused by heavy rains has had an impact on short term demand. Going ahead, with good monsoons, reservoir levels, crop prices and recent announcements made by the government will help to improve the demand sentiment in the festive season.

MARUTI	Sep-19	Sep-18	YoY Gr %	Aug-19	MoM Gr %
Domestic	115452	153550	-25%	97061	19%
Exports	7188	8740	-18%	9352	-23%
Total	122640	162290	-24%	106413	15%

MARUTI overall sales declined by 24% YoY in September 2019. The inauspicious Shraddh period and floods situation in several parts of the country impacted the sales. The mini and compact segment declined by 43% and 23% YoY respectively. The utility segment also de-grew by 1% YoY due to subdued demand. The mid-size and vans segment de-grew by 73% and 32% YoY respectively. The LCV super carry volumes grew marginally during the month and have touched over 2046 units. Exports have degrown by 18% YoY led by tailwinds across key international markets. There are heavy discountings and promotions offered in order to improve demand. With the onset of Navratri, inquiries and footfalls increased and the management further expects to see pickup in sales in the festive season.

TATAMOTORS	Sep-19	Sep-18	YoY Gr %	Aug-19	MoM Gr %
Domestic	32376	64598	-50%	29140	11%
Exports	4000	5393	-26%	3203	25%
Total	36376	69991	-48%	32343	12%

TATAMOTORS overall sales in September have declined by 48% YoY to 32343 units. Domestic PV segment witnessed a sales degrowth of 56% YoY. The retails was 31% more than offtake as a result dealer stock came down by around 10% during the month. Towards the end of the month, there was an encouraging response in terms of customer foot falls. The customers have responded well to our festive offers as reflected in 11% more retail in September 2019 compared with August. The overall CV segment declined by 45% YoY. The M&HCV segment saw a decline of 69% YoY to 5082 units while LCV segment posted a decline of 35% YoY to 3528 units. The SCV and pick up and passenger carriers posted a decline in sales by 32% and 53% respectively. Retail sales were ahead of wholesale by over 16% in September reducing the overall stock level. The company is monitoring the impact of the relief package announced by the Government and looks forward to improved demand from revival in consumption and spend in infrastructure projects.

TVSMOTOR	Sep-19	Sep-18	YoY Gr %	Aug-19	MoM Gr %
Domestic	244343	362747	-33%	220753	11%
Exports	71569	61192	17%	69702	3%
Total	315912	423939	-25%	290455	9%

TVSMOTOR has posted the overall decline in volume growth by 25% YoY in September 2019. Overall two-wheeler segment has registered a decline in sales by 27% YoY. The scooter and motorcycles segment degrew by 17% and 26%YoY respectively. Domestic two-wheeler volumes de-grew by 33% YoY led by subdued demand especially in the scooters segment while export two wheeler volumes have grown by 17% YoY led by various product launches made across various geographies. Overall three wheelers segment have also shown a volume growth of 13% YoY. Domestic three-wheeler segment de-grew by 28% YoY while export three-wheeler volumes grew by 19% YoY. The management expects the industry to grow in the festive season going forward. 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 September volume update:

Company	Sep-19	Sep-18	Aug-19	YoY %	MoM %	FY20YTD	FY19YTD	Change%
ASHOKLEY	8,780	19,374	9,231	-55%	-5%	68,546	94,086	-27%
BAJAJ-AUTO	402,035	502,009	390,026	-20%	3%	2,066,867	2,156,506	-4%
EICHERMOT	59,500	71,662	52,904	-17%	12%	350,178	435,463	-20%
ESCORTS	10,855	10,617	4,035	2%	169%	40,801	45,533	-10%
HEROMOTOCO	612,204	769,138	543,406	-20%	13%	3,534,340	4,238,996	-17%
M&M	80,354	92,603	50,902	-13%	58%	409,429	469,523	-13%
MARUTI	122,640	162,290	106,413	-24%	15%	740,911	975,327	-24%
TATAMOTORS	36,376	69,991	32,343	-48%	12%	242,576	367,423	-34%
TVSMOTOR	315,912	423,939	290,455	-25%	9%	82,918	75,266	10%

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