

Industry

Automobiles

Festive led demand pick-up

Company	YoY Growth
ASHOKLEY	-35%
BAJAJ-AUTO	-9%
EICHERMOT	2%
ESCORTS	2%
HEROMOTOCO	-18%
M&M	-8%
MARUTI	5%
TATAMOTORS	-34%
TVSMOTOR	-19%

The auto sales have shown positive growth momentum sequentially in October 2019. The ongoing festival season, aggressive discounts, liquidity easing measures along with favorable monsoon led to pick up in sales. The PV and 2W segment has declined by 2% and 15% YoY. However, the demand sentiment improved in Northern and Eastern regions led by new product launches, huge discounts provided by the OEMs in the festive season. The CV segment has declined sharply by 27% YoY despite aggressive discounts. On the other hand, the three-wheeler segment improved by 2% YoY primarily led by exports. The tractor segment had declined by 3% YoY. ESCORTS, EICHERMOT and MARUTI sales increased by 2%, 2% and 5% YoY respectively while ASHOKLEY, BAJAJ-AUTO, HEROMOTOCO, M&M, TATAMOTORS and TVSMOTOR sales declined by 35%, 9%, 18%, 8%, 34% and 19% YoY respectively.

Commercial Vehicle Industry:

The commercial vehicle industry continues to struggle and saw a decline in sales by 27% YoY in October 2019. Despite aggressive discounting provided by the OEMs, there has been no uptick in retail sales. The OEMs continue to take production cuts in order to maintain the inventory level. The MHCV segment has been impacted the worst due to lower rural demand and weak freight rates. The urban market may take longer time to revive. However, the LCV demand somewhat improved backed by e-commerce sales. The demand sentiment is yet to pick up led by increased freight availability after monsoon, spending of funds in infrastructure projects and replacement demand for old vehicles. ASHOKLEY, M&M, TATAMOTORS and VECV sales declined by 35%, 3%, 36% and 37% YoY respectively.

Passenger Vehicle Industry:

The passenger vehicle industry saw a decline in sales of 2% YoY in October 2019. However, the demand sentiment improved sequentially led by huge discounts and aggressive promotions offered by the OEMs in the festive season, new product launches and improved demand in Northern and Eastern parts of the country. The inventory levels have also reduced which would further aid in the transition from BS-IV to BS-VI. MARUTI sales have increased by 4% YoY while M&M and TATAMOTORS sales have declined by 23% and 28% YoY respectively.

2Ws and 3Ws:

The 2W segment had declined by 15% YoY in October 2019. However, the demand sentiments improved from the Navratra in September and the momentum continued till Dhanteras and Diwali. Aggressive discounts and promotions schemes provided by the OEMs and higher sales in Northern and Eastern regions led to sequential increase in sales. EICHERMOT (Royal Enfield) sales increased by 2% YoY led by better performance of 650 twins in export markets while BAJAJ-AUTO, HEROMOTOCO and TVSMOTOR posted a decline in sales by 8%, 18% and 20% YoY respectively. On the 3W side, the sales increased by 2% YoY led by improving demand scenario in key export markets. BAJAJ-AUTO, M&M and TVSMOTOR sales has increased by 1%, 3% and 8% YoY respectively.

Tractors:

Tractor segment volumes de-grew by 3% YoY in October 2019 due to lower Rabi sowing. Going ahead, higher reservoir levels, adequate soil moisture condition and improved MSP of Rabi crop will augur well for tractor demand in the next few months. ESCORTS sales increased by 2% YoY while M&M have posted a decline in sales by 4% YoY.

Top Picks :

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

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ASHOKLEY	Oct-19	Oct-18	YoY Gr %	Sep-19	MoM Gr %
MHCV	5126	9797	-48%	4744	8%
LCV	4731	5352	-12%	4036	17%
Total	9857	15149	-35%	8780	12%

ASHOKLEY overall sales in October 2019 de-grew by 35% YoY to 9857 units. The overall M&HCV sales de-grew robustly by 48% YoY to 4744 units despite aggressive discountings. MHCV trucks sales declined by 59% YoY to 3526 units due to lower freight rates. MHCV buses increased by 31%YoY to 1600 units led by new buses orders received. Light commercial vehicles volumes de-grew by 12% YoY to 4036 units due to slowdown in rural as well as urban demand sentiment. However, the demand is expected to improve from 4QFY20 due to pre-buy going ahead. The demand sentiment is yet to pick up led by increased freight availability after monsoon, infrastructure development and replacement demand for old vehicles.

BAJAJ-AUTO	Oct-19	Oct-18	YoY Gr %	Sep-19	MoM Gr %
Domestic	278776	319942	-13%	215501	29%
Exports	184432	186757	-1%	186534	-1%
Total	463208	506699	-9%	402035	15%

BAJAJ-AUTO overall sales de-grew by 9% YoY in October 2019. The domestic 2Ws sales de-grew by 14% YoY. The 150cc segment has been impacted due to ABS cost increase which has impacted the sales. However, the 2Ws exports sales increased by 3% YoY led by good growth across key international markets. The exports for Pulsar brand have improved significantly in new markets of Bangladesh, Nepal and Malaysia. Domestic 3Ws sales de-grew by 5% YoY while 3Ws export also declined by 21% YoY. The 3W retails sales in Egypt have settled down from 8000 units to 3000 units. The company will resume sales in Egypt going forward. Going forward, the management expects to see improvement in 3W segment from April onwards. The management also indicated that it has a robust pipeline of products for the next 18 months.

EICHERMOT	Oct-19	Oct-18	YoY Gr %	Sep-19	MoM Gr %
Royal Enfield	71964	70451	2%	59500	21%
VECV	3755	5980	-37%	3784	-1%
Total	75719	76431	-1%	63284	20%

EICHERMOT Royal Enfield posted a volume growth of 2% YoY in October 2019. Models with capacity up to 350cc have degrown by 5% YoY while models with capacity above 350cc have grown robustly by 160% YoY led by good demand for the Inceptor and Continental GT across India and in international markets. Exports volumes also grew robustly by 987% YoY. VECV volumes de-grew by 37% YoY during the month. The Eicher trucks and buses domestic volumes de-grew by 35% YoY due to lower demand sentiment in rural as well as urban markets while export volumes declined by 47%YoY led by poor exports market. Volvo truck sales have also declined by 52% YoY. The demand sentiment is expected to improve up led by increased spending on infrastructure development and pre buy going ahead.

ESCORTS	Oct-19	Oct-18	YoY Gr %	Sep-19	MoM Gr %
Domestic	13034	12867	1%	10521	24%
Exports	319	273	17%	334	-4%
Total	13353	13140	2%	10855	23%

ESCORTS have reported an increase in sales by 2% YoY in October 2019. The domestic tractor volumes grew by 1% YoY to 13034 units due to favorable monsoon. The exports volumes also grew by 17% YoY to 319 units led by increasing penetration in the international markets. Tractor exports guidance for FY20 is expected to be minimum 20%YoY. The management expects to improve its market share with the help of new product launches. Going forward, with the help of favorable monsoon, higher reservoir levels and favorable crop prices will help to improve the demand sentiment from the mid of November.

HEROMOTOCO	Oct-19	Oct-18	YoY Gr %	Sep-19	MoM Gr %
2W	599248	734668	-18%	612204	-2%
Total	599248	734668	-18%	612204	-2%

HEROMOTOCO volume growth declined by 18% YoY 599248 units in October 2019. Specific markets such as Uttar Pradesh and Chhattisgarh, where the retail growth has been more than 15%, have also bolstered the overall retail growth during this festive season. Motorcycle sales grew in double digits with a strong performance from the new range of premium motorcycles. The Pleasure+ scooter also generated substantial volumes during this festive season. The inventory level also came down to 30 days. The management is optimistic that the growth momentum in retail sales will continue going forward.

M&M	Oct-19	Oct-18	YoY Gr %	Sep-19	MoM Gr %
Automotive	51896	58416	-11%	43343	20%
Farm Equipment	45433	47376	-4%	37011	23%
Total	97329	105792	-8%	80354	21%

M&M overall volumes declined by 8% YoY in October 2019 to 97329 units. The domestic volumes de-grew by 11% YoY. The PV segment has declined by 23% YoY due to high base last year. The retail volume exceeded wholesale by approximately 40%. CV segment de-grew by 3% YoY. However, the 3W segment grew by 3% YoY. Exports de-grew by 12% YoY due to lower demand sentiment across key international markets. The farm equipment segment posted decline in sales by 4% YoY. The domestic tractor volumes declined by 4% YoY. However, the retail momentum has been good with a healthy double digit growth. The tractor exports also de-grew by 26% YoY. The recent disruption caused by heavy rains has had an impact on short term demand. Going ahead, higher reservoir levels, adequate soil moisture condition and an improved MSP of Rabi crop will augur well for tractor demand in the next few months.

MARUTI	Oct-19	Oct-18	YoY Gr %	Sep-19	MoM Gr %
Domestic	144277	138100	4%	115452	25%
Exports	9158	8666	6%	7188	27%
Total	153435	146766	5%	122640	25%

MARUTI overall sales have improved by 5% YoY in October 2019. The demand sentiment has improved led by huge discounts and aggressive promotions in the festive season, new product launches and improved demand in Northern and Eastern parts of the country. The mini and mid-size segment declined by 13% and 39%YoY respectively. The compact and utility segment improved by 16% and 11% YoY respectively led by new product launches. The vans segment also de-grew by 27% YoY respectively. The LCV super carry volumes grew by 13% YoY and have touched over 2429 units. Exports have also grown by 6% YoY led by headwinds across key international markets. The company has launched 2 new models XL-6 and S-Presso and both have received good response from the customers and going ahead the management expects the demand momentum to continue.

TATAMOTORS	Oct-19	Oct-18	YoY Gr %	Sep-19	MoM Gr %
Domestic	39152	57710	-32%	32376	21%
Exports	2202	4554	-52%	4000	-45%
Total	41354	62264	-34%	36376	14%

TATAMOTORS overall sales in October have declined by 34% YoY to 41354 units. Domestic PV segment witnessed a sales degrowth of 28% YoY. The retails were 36% more than the wholesales. Customer response was positive to festive offers and our new product launches like Harrier Dark edition and Nexon Kraz+. Network stock has also reduced by 38%. The overall CV segment has declined by 36% YoY. The M&HCV segment saw a decline of 63% YoY to 4893 units while LCV segment posted a decline of 21% YoY to 3832 units. The SCV and pick up and passenger carriers also declined by 15% and 46% respectively. Retail sales were ahead of wholesale by over 16% in October reducing the overall stock level. The company retails were 24% ahead of wholesale. The enquiries have increased compared to last month in M&HCV and I&LCV with fleet owners initiating discussions for replacement of older vehicles. The positive sentiment and government's thrust on infrastructure investments will help to firm-up the volumes in the coming months.

TVSMOTOR	Oct-19	Oct-18	YoY Gr %	Sep-19	MoM Gr %
Domestic	254029	340501	-25%	244343	4%
Exports	69339	57926	20%	71569	-3%
Total	323368	398427	-19%	315912	2%

TVSMOTOR has posted the overall decline in volume growth by 19% YoY in October 2019. Overall two-wheeler segment has registered a decline in sales by 20% YoY. The scooter and motorcycles segment degrew by 20% and 16% YoY respectively. Domestic two-wheeler volumes de-grew by 25% YoY led by subdued demand especially in the scooters segment while export two-wheeler volumes have grown by 22% YoY led by various product launches made across various geographies. Overall three-wheelers segment have also shown a volume growth of 8% YoY. Domestic three-wheeler segment de-grew by 11% YoY while export three-wheeler volumes grew by 10% YoY. The management expects Q3FY20 to remain challenging while Q4FY20 is expected to show better growth led by improved demand sentiments. The rural demand sentiment is also expected to revive steadily in 3-6 months led by good monsoon and improvement in infrastructure development.

OEMs October volume update:

Company	Oct-19	Oct-18	Sep-19	YoY %	MoM %	FY20YTD	FY19YTD	Change%
ASHOKLEY	9,857	15,149	8,780	-35%	12%	78,403	109,235	-28%
BAJAJ-AUTO	463,208	506,699	402,035	-9%	15%	2,465,780	2,589,491	-5%
EICHERMOT	71,964	70,451	59,500	2%	21%	422,142	505,914	-17%
ESCORTS	13,353	13,140	10,855	2%	23%	54,154	58,673	-8%
HEROMOTOCO	599,248	734,668	612,204	-18%	-2%	4,133,588	4,973,664	-17%
M&M	97,329	105,792	80,354	-8%	21%	506,758	575,315	-12%
MARUTI	153,435	146,766	122,640	5%	25%	894,346	1,122,093	-20%
TATAMOTORS	41,354	62,264	36,376	-34%	14%	283,930	429,687	-34%
TVSMOTOR	323,368	398,427	315,912	-19%	2%	98,125	89,386	10%

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