

Industry Automobiles

Company	YoY Growth
ASHOKLEY	-22%
BAJAJ-AUTO	-1%
EICHERMOT	-8%
ESCORTS	-5%
HEROMOTOCO	-15%
M&M	-12%
MARUTI	-2%
TATAMOTORS	-25%
TVSMOTOR	-17%

Moderate demand sentiment across various segments

The automobile industry saw a moderate demand sentiment in the month of November 2019. Normally, the trend suggests that demand sentiment softens after the strong sales in festive season. However, extended festive season, ongoing wedding season and adjustment of BS IV stocks led to some pickup in sales. The PV segment posted a decline of 6% YoY. The CV segment has declined by 18% YoY due to slowdown in industrial activities. The 2W segment has also declined by 12% YoY. The 3W segment grew by 9% YoY primarily led by improvement in export markets. The tractors segment declined by 16% YoY led by extended monsoons which adversely impacted the crops. ASHOKLEY, BAJAJ-AUTO, EICHERMOT, ESCORTS, HEROMOTOCO, M&M, MARUTI, TATAMOTORS and TVSMOTOR sales declined by 22%, 1%, 8%, 5%, 15%, 12%, 2%, 25% and 17% YoY respectively.

Commercial Vehicle Industry:

The commercial vehicle industry continued to remain under pressure and saw a decline in sales by 18% YoY in November 2019. The OEMs continue to take production cuts in order to maintain the inventory level. The MHCV segment has been impacted the worst due to slowdown in industrial activity and extended rain delaying infrastructure projects. The tractor trailer segment and tippers segment remained impacted especially in western parts of the country. However, the LCV demand somewhat improved backed by ecommerce sales and last mile connectivity. Going forward, increasing enquiries for replacement demand may boost up the demand. ASHOKLEY, M&M, TATAMOTORS and VECV sales declined by 22%, 12%, 19% and 24% YoY respectively.

Passenger Vehicle Industry:

The passenger vehicle industry saw a decline in sales of 6% YoY in November 2019. There has been moderation in demand led by ongoing marriage season, positive sentiment due to monsoons, and higher discount across diesel models and new product launches. The inventory levels have also normalised which would further aid in the transition from BSIV to BS-VI. New product launches by the OEMs may further boost up the demand in coming months. MARUTI, M&M and TATAMOTORS sales have declined by 2%, 10% and 38% YoY respectively.

2Ws and 3Ws:

The 2W segment had declined by 12% YoY in November 2019. The customers are deferring purchases in the hope of heavy discounting before BS-VI implementation. However, the demand sentiment somewhat improved led by ongoing marriage season and favorable monsoon. The retails in urban market continued to decline while retails in rural market remained flattish. BAJAJ-AUTO, EICHERMOT, HEROMOTOCO and TVSMOTOR posted a decline in sales by 1%, 8%, 15% and 19% YoY respectively. On the 3W side, the sales increased by 9% YoY led by improving demand scenario in key export markets. BAJAJ-AUTO, M&M and TVSMOTOR sales has increased by 1%, 16% and 34% YoY respectively.

Tractors:

Tractor segment volumes de-grew by 16% YoY in November 2019 led by lower Rabi sowing and extended monsoons which adversely impacted the crops. Going ahead, healthy reservoir levels due to the above normal monsoon and good Rabi output will improve the tractor demand in the next few months. ESCORTS and M&M have posted a decline in sales by 4% and 19% YoY respectively.

Top Picks :

We continue to like BAJAJ-AUTO, ESCORTS and M&M 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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ASHOKLEY	Nov-19	Nov-18	YoY Gr %	Oct-19	MoM Gr %
MHCV	5966	8716	-32%	5126	16%
LCV	4209	4403	-4%	4731	-11%
Total	10175	13119	-22%	9857	3%

ASHOKLEY overall sales in November 2019 de-grew by 22% YoY to 10175 units. The overall M&HCV sales de-grew by 32% YoY to 5966 units. MHCV trucks sales declined by 54% YoY to 3676 units due to slowdown in industrial activity and extended rain delaying infrastructure projects. The tractor trailer segment and tippers segment remained impacted especially in western parts of the country. However, MHCV buses grew robustly by 211%YoY to 2290 units led by new 1750 bus orders received from Tamil Nadu State Transport Undertakings. LCV volumes grew by 4% YoY to 4209 units due to improved e-commerce business and last mile connectivity. The management expects to improve market share in LCVs going forward. The company also expects to see traction in the exports market in H2FY20 led by various buses orders received by the company.

BAJAJ-AUTO	Nov-19	Nov-18	YoY Gr %	Oct-19	MoM Gr %
Domestic	207775	234818	-12%	278776	-25%
Exports	195448	172112	14%	184432	6%
Total	403223	406930	-1%	463208	-13%

BAJAJ-AUTO overall sales de-grew by 1% YoY in November 2019. The domestic 2Ws sales de-grew by 14% YoY. Domestic market was down due to differences in festive calendar from last year. However, the 2Ws exports sales increased by 18% YoY led by good growth across key international markets of Africa, Bangladesh and Philippines. Domestic 3Ws sales grew by 6% YoY while 3Ws export declined by 8% YoY. December is seasonally a weak month and the management does not expect to hit 4 lakh unit sales in December both from 2W and 3W. However sales are expected to bounce back from 4QFY20 both in domestic as well as international market. Exports might be slow marginally in December due to seasonality. The management also indicated that it has a robust pipeline of products for the next 18 months.

EICHERMOT	Nov-19	Nov-18	YoY Gr %	Oct-19	MoM Gr %
Royal Enfield	60411	65744	-8%	71964	-16%
VECV	3594	4720	-24%	3755	-4%
Total	64005	70464	-9%	75719	-15%

EICHERMOT Royal Enfield posted a volume growth of 8% YoY in November 2019. Models with capacity up to 350cc have degrown by 9% YoY while models with capacity above 350cc have grown by 9% YoY led by good demand for the Inceptor and Continental GT across domestic market. Exports volumes also grew robustly by 195% YoY. Exports market may be affected going ahead in 3QFY20 and 4QFY20 led by seasonality impact. The management is further planning to diversify the portfolio with 650cc engines. The company has grown in exports market and it expects to expand fast in ASEAN and Latin America countries. VECV volumes de-grew by 24% YoY during the month. The Eicher trucks and buses domestic volumes de-grew by 23% YoY while export volumes declined by 36%YoY. However, volvo truck sales have also increased by 22% YoY led by new product launches. The industry is expected to perform well from 3QFY20 led by thrust on infrastructure investments and pre-buying of BS IV vehicles.

ESCORTS	Nov-19	Nov-18	YoY Gr %	Oct-19	MoM Gr %
Domestic	7379	7641	-3%	13034	-43%
Exports	263	364	-28%	319	-18%
Total	7642	8005	-5%	13353	-43%

ESCORTS have reported a decline in sales by 5% YoY in November 2019. The domestic tractor volumes de-grew by 3% YoY to 7379 units while the exports volumes also de-grew by 28% YoY to 263 units. H2FY20 is expected to grow led by festive season demand, Rabi sowing, higher subsidy sales from Telangana, Assam, Maharashtra and Gujarat going ahead. The industry is expected to see single digit growth in FY20 while FY21 is expected to have a better growth momentum. Tractor exports growth guidance is expected to be at 35-40% for FY21. Going forward, the management expects the growth momentum to continue going ahead based on good rainfall, improved reservoir level and better subsidy sales for next 2 years.

HEROMOTOCO	Nov-19	Nov-18	YoY Gr %	Oct-19	MoM Gr %
2W	516775	610252	-15%	599248	-14%
Total	516775	610252	-15%	599248	-14%

HEROMOTOCO volume growth declined by 15% YoY 516775 units in November 2019. The retails in urban market continued to decline while retails in rural market remained flattish. The customers are deferring purchases in the hope of heavy discounting before BS-VI implementation. However, the demand sentiment somewhat improved led by ongoing marriage season and favorable monsoon. The company has commenced retail sales of BS-VI compliant motorcycle the Splendor iSmart during the month. Going forward, the monsoon will lead to increase in reservoir level and improve Rabi crop sowing which will further lead to improvement in rural sentiment going forward post November.

M&M	Nov-19	Nov-18	YoY Gr %	Oct-19	MoM Gr %
Automotive	41235	45101	-9%	51896	-21%
Farm Equipment	21032	25949	-19%	45433	-54%
Total	62267	71050	-12%	97329	-36%

M&M overall volumes declined by 9% YoY in November 2019 to 41235 units. The domestic volumes de-grew by 7% YoY. The PV segment has declined by 10% YoY due to Shifting of Diwali season to the earlier month from last year. CV segment de-grew by 12% YoY led by slowdown in infrastructure projects. However, the 3W segment grew by 16% YoY. Exports de-grew by 26% YoY due to lower demand sentiment across key international markets. The farm equipment segment posted decline in sales by 19% YoY led by extended monsoons which adversely impacted the crops. The domestic tractor volumes declined by 4% YoY while the tractor exports also de-grew by 26% YoY. Going ahead, the demand scenario is expected to improve going forward led by good monsoon, higher reservoir level which is likely to have a positive impact on Rabi output in coming months.

MARUTI	Nov-19	Nov-18	YoY Gr %	Oct-19	MoM Gr %
Domestic	143686	146018	-2%	144277	0%
Exports	6944	7521	-8%	9158	-24%
Total	150630	153539	-2%	153435	-2%

MARUTI overall sales have declined by 2% YoY in November 2019. However, there has been moderation in demand led by ongoing marriage season and positive sentiment due to monsoons. The mini and mid-size segment declined by 12% and 62% YoY respectively. The compact segment increased by 8% YoY led by good demand for the new launches. The utility segment and vans declined by 1% and 28% YoY respectively. The LCV super carry volumes grew by 7% YoY and have touched over 2267 units. Exports have declined by 8% 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	Nov-19	Nov-18	YoY Gr %	Oct-19	MoM Gr %
Domestic	38057	50470	-25%	39152	-3%
Exports	3067	4604	-33%	2202	39%
Total	41124	55074	-25%	41354	-1%

TATAMOTORS overall sales in November have declined by 25% YoY to 41124 units. Domestic PV segment witnessed a sales degrowth of 39% YoY. The retail sales were more than wholesales by 15%, which has helped to reduce the network stock by 35%. Going ahead, the company will make new product launches in coming months like Nexon EV, Altroz and Gravitas. The overall CV segment has declined by 19% YoY. The M&HCV segment saw a decline of 38% YoY while LCV segment posted a decline of 11% YoY. The SCV and pick up and passenger carriers also declined by 3% and 35% respectively. The CV exports have also declined by 34% YoY. The retail sale in November was higher than whole sale by over 10%. The company retails were 24% ahead of wholesale. MHCV sales grew by 23.6% MoM as enquiries continue to increase gradually from the fleet owners with increasing replacement demand from older vehicles.

TVSMOTOR	Nov-19	Nov-18	YoY Gr %	Sep-19	MoM Gr %
Domestic	192522	261489	-26%	254029	-24%
Exports	74060	58476	27%	69339	7%
Total	266582	319965	-17%	323368	-18%

TVSMOTOR has posted the overall decline in volume growth by 17% YoY in November 2019. Overall two-wheeler segment has registered a decline in sales by 19% YoY. The scooter and motorcycles segment degrew by 25% and 12% YoY respectively. Domestic two-wheeler volumes de-grew by 27% YoY led by subdued demand while export two-wheeler volumes have grown by 24% YoY. Overall three-wheelers segment have also shown a volume growth of 34% YoY. Domestic three-wheeler segment grew by 5% YoY while export three-wheeler volumes grew by 37% YoY. Going forward, the rural demand sentiment is also expected to revive steadily in 3-6 months led by good monsoon and improvement in infrastructure development. The exports outlook for the company also looks good both on 2W and 3W side due to stable foreign exchange situation and stable exports market conditions across various geographies.

OEMs November volume update:

Company	Nov-19	Nov-18	Oct-19	YoY %	MoM %	FY20YTD	FY19YTD	Change%
ASHOKLEY	10,175	13,119	9,857	-22%	3%	88,578	122,356	-28%
BAJAJ-AUTO	403,223	406,930	463,208	-1%	-13%	3,287,196	3,479,714	-6%
EICHERMOT	60,411	65,744	71,964	-8%	-16%	482,553	571,658	-16%
ESCORTS	7,642	8,005	13,353	-5%	-43%	61,796	66,678	-7%
HEROMOTOCO	516,775	610,252	599,248	-15%	-14%	4,650,363	5,583,916	-17%
M&M	62,267	71,050	97,329	-12%	-36%	569,025	646,365	-12%
MARUTI	150,630	153,539	153,435	-2%	-2%	1,044,976	1,275,632	-18%
TATAMOTORS	41,124	55,074	41,354	-25%	-1%	325,054	484,761	-33%
TVSMOTOR	266,582	319,965	323,368	-17%	-18%	2,398,927	2,735,040	-12%

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Correspondence Office Address: Arch Waterfront, 5th Floor, Block GP, Saltlake, Sector 5, Kolkata 700 091; Tel No.: 033-40541700; www.narnolia.com.

Registered Office Address: Marble Arch, Office 201, 2nd Floor, 236B, AJC Bose Road, Kolkata 700 020; Tel No.: 033-4050 1500; www.narnolia.com

Compliance Officer: Manish Kr Agarwal, Email Id: mkagarwal@narnolia.com, Contact No.:033-40541700.

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