

Industry Automobiles

Company	YoY Growth
ASHOKLEY	-28%
BAJAJ-AUTO	-3%
EICHERMOT	-14%
ESCORTS	-11%
HEROMOTOCO	-6%
M&M	0%
MARUTI	4%
TATAMOTORS	-14%
TVSMOTOR	-15%

Industry witnessed marginal growth on account of lower base

The automobile industry saw some improvement in sales on account of lower base in December 2019. Demand sentiment improved based on higher discounts provided by the OEMs and ongoing marriage season. However, the sales were impacted due to delay in buying decision led by BS-VI onset. The OEMs had also taken annual production shutdown which avoided inventory built up. The PV segment posted a growth of 4% YoY. The CV segment had declined by 16% YoY due to slowdown in construction activities. The 2W segment had declined by 9% YoY due to weaker urban demand. The 3W segment grew by 6% YoY primarily led by improvement in export markets. The tractors segment showed marginal growth after the harvesting season. ASHOKLEY, BAJAJ-AUTO, EICHERMOT, ESCORTS, HEROMOTOCO, TATAMOTORS and TVSMOTOR sales declined by 28%, 3%, 14%, 11%, 6%, 14% and 15% YoY respectively. M&M posted a flat growth and MARUTI posted 4% YoY growth.

Commercial Vehicle Industry:

The commercial vehicle industry saw a decline in sales by 16% YoY in December 2019. The MHCV segment remained impacted due to weaker freight rates, slowdown in construction activity and delayed infrastructure projects due to extended rainfalls. However, the OEMs have won various bus orders from state transport unions which will provide some respite going forward. LCVs continue to do better than the MHCVs. Annual production shutdowns along with heavy discounts provided by the OEMs have helped maintain the inventory levels. ASHOKLEY, M&M, TATAMOTORS and VECV sales declined by 28%, 5%, 15% and 19% YoY respectively.

Passenger Vehicle Industry:

The passenger vehicle industry sales grew by 3% YoY in December 2019. The demand sentiment improved led by higher year end discounts, lower base, new launches and ongoing marriage season. The inventory levels have also normalized which would further aid in the transition from BSIV to BS-VI. Going forward, there would be pickup in sales ahead from January when OEMs takes hike prices of popular models. MARUTI and M&M both grew by 4% YoY while TATAMOTORS sales have declined by 11% YoY due to higher base.

2Ws and 3Ws:

The 2W segment had declined by 9% YoY in December 2019. The demand sentiment remained negative in the urban areas. Despite good monsoon and good harvesting season, rural sentiment also remained flat. However, there was some respite in sales led by ongoing wedding season. BAJAJ-AUTO, EICHERMOT, HEROMOTOCO and TVSMOTOR posted a decline in sales by 5%, 13%, 6% and 17% YoY respectively. On the 3W side, the sales increased by 6% YoY led by improvement in domestic demand along with improving economic and political situation in key export markets. BAJAJ-AUTO, M&M and TVSMOTOR sales has increased by 1%, 14% and 26% YoY respectively.

Tractors:

Tractor segment volumes showed marginal growth during the month of December 2019. The demand picked up after the harvesting season but remained impacted due to uncertainty in demand from the construction sector. Going forward, better Rabi output supported by crop prices and government thrust on irrigation, rural infra and agricultural sector will lead to improvement in demand. ESCORTS posted a decline in sales by 11% YoY while M&M sales grew by 3% YoY.

Top Picks :

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

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ASHOKLEY	Dec-19	Dec-18	YoY Gr %	Nov-19	MoM Gr %
MHCV	7025	11292	-38%	5966	18%
LCV	4143	4198	-1%	4209	-2%
Total	11168	15490	-28%	10175	10%

ASHOKLEY overall sales in December 2019 de-grew by 28% YoY to 11168 units. The overall M&HCV sales de-grew by 38% YoY to 7025 units. MHCV trucks sales declined by 59% YoY to 3958 units due to slowdown in construction activities and delay in infrastructure project due to extended rainfall. However, MHCV buses grew robustly by 87%YoY to 3067 units due to improved demand for bus orders from various state transport unions. LCV volumes de-grew by 1% YoY to 4143 units due to weak rural demand sentiment. Going forward, the management expects to see traction in the exports market in H2FY20 led by various buses orders received by the company.

BAJAJ-AUTO	Dec-19	Dec-18	YoY Gr %	Nov-19	MoM Gr %
Domestic	153163	180351	-15%	207775	-26%
Exports	182892	165848	10%	195448	-6%
Total	336055	346199	-3%	403223	-17%

BAJAJ-AUTO overall sales de-grew by 3% YoY in December 2019. The domestic 2Ws sales de-grew by 21% YoY due to weak demand sentiments. However, Platina 110 and Pulsar 125 led to some respite in sales. The 2Ws exports sales increased by 13% YoY led by good growth across key international markets of Africa, Latam and South East Asia. Domestic 3Ws sales grew by 26% YoY while 3Ws export declined by 8% YoY due to seasonality effect. There has been increase in footfalls in the outlets and it is expected to increase more by the end of January and beginning of February. Going forward, the management expects some buoyancy to come back in 4QFY20 due to pre-buy.

EICHERMOT	Dec-19	Dec-18	YoY Gr %	Nov-19	MoM Gr %
Royal Enfield	50416	58578	-14%	60411	-17%
VECV	5042	6236	-19%	3594	40%
Total	55458	64814	-14%	64005	-13%

EICHERMOT Royal Enfield posted a decline in volumes by 13% YoY in December 2019. Models with capacity up to 350cc have degrown by 11% YoY while models with capacity above 350cc have also declined by 41% YoY due to weaker urban demand. Exports volumes also declined by 14% YoY led by seasonality impact. The management is further planning to diversify the portfolio with 650cc engines. VECV volumes de-grew by 19% YoY during the month. The Eicher trucks and buses domestic volumes de-grew by 14% YoY while export volumes declined by 50%YoY. However, volvo truck sales have also increased by 7% YoY led by new product launches. The industry is expected to perform well from 4QFY20 led by thrust on infrastructure investments and pre-buying of BS IV vehicles.

ESCORTS	Dec-19	Dec-18	YoY Gr %	Nov-19	MoM Gr %
Domestic	3806	4212	-10%	7379	-48%
Exports	308	386	-20%	263	17%
Total	4114	4598	-11%	7642	-46%

ESCORTS have reported a decline in sales by 11% YoY in December 2019. The domestic tractor volumes de-grew by 10% YoY to 3806 units while the exports volumes also de-grew by 20% YoY to 308 units. H2FY20 is expected to grow led by improved Rabi output, higher subsidy sales from Telangana, Assam, Maharashtra and Gujarat going ahead. The industry is expected to see single digit growth in FY20. 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	Dec-19	Dec-18	YoY Gr %	Nov-19	MoM Gr %
2W	424845	453985	-6%	516775	-18%
Total	424845	453985	-6%	516775	-18%

HEROMOTOCO volume growth declined by 6% YoY 424845 units in December 2019. The demand sentiment remained negative in the urban areas. Despite good monsoon and good harvesting season, rural sentiment also remained flat. The customers are also deferring purchases due to BS-VI onset. However, the demand sentiment somewhat improved led by ongoing marriage season. 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 December. The management also planning to launch more premium products in the pipeline to be introduced going ahead. It has planned to focus on 50 big exports markets like Africa, Latin America and Central America markets to increase its market share.

M&M	Dec-19	Dec-18	YoY Gr %	Nov-19	MoM Gr %
Automotive	39230	39755	-1%	41235	-5%
Farm Equipment	17990	17404	3%	21032	-14%
Total	57220	57159	0%	62267	-8%

M&M overall volumes grew marginally in December 2019 to 57220 units. The domestic volumes grew by 1% YoY. The PV segment grew by 4% YoY due led by 10% YoY growth in utility vehicle segment. CV segment de-grew by 5% YoY led by slowdown in construction activities. The 3W segment grew by 14% YoY. Exports de-grew by 30% YoY due to lower demand sentiment across key international markets. The farm equipment segment posted growth in sales by 3% YoY. The domestic tractor volumes grew by 4% YoY after the harvesting season. The tractor exports de-grew by 13% YoY. Going ahead, the demand scenario looks positive in the near term led by the expectation of a better Rabi output, supported by crop prices and government thrust on irrigation, rural infra & agri sector.

MARUTI	Dec-19	Dec-18	YoY Gr %	Nov-19	MoM Gr %
Domestic	125735	121479	4%	143686	-12%
Exports	7561	6859	10%	6944	9%
Total	133296	128338	4%	150630	-12%

MARUTI overall sales have increased by 4% YoY in December 2019. Higher discounts along with lower base and ongoing wedding season led to improved sales. The mini and mid-size segment declined by 14% and 62% YoY respectively. The compact and utility segment sales increased by 28% and 18% YoY led by new product launches. The vans segment had declined by 52% YoY. The LCV super carry volumes also de-grew by 5% YoY and have touched over 1591 units led by weak rural sentiments. Exports sales improved by 10% YoY led by improved international markets situation. The management expects the demand momentum to continue going forward in the coming months.

TATAMOTORS	Dec-19	Dec-18	YoY Gr %	Nov-19	MoM Gr %
Domestic	44254	50440	-12%	38057	16%
Exports	2649	3999	-34%	3067	-14%
Total	46903	54439	-14%	41124	14%

TATAMOTORS overall sales in December have declined by 14% YoY to 46903 units. Domestic PV segment witnessed a sales degrowth of 10% YoY. The retails sales were 83% higher than the off-take and the dealer network stock has been reduced to the lowest level. The company unveiled its first premium hatchback Altroz and Nexon EV which has been received well in the market. The overall CV segment has declined by 15% YoY. The M&HCV segment saw a decline of 40% YoY while LCV segment posted a decline of 11% YoY. The SCV and pick up segment grew by 3% YoY while the passenger carriers declined by 5% YoY. The CV exports have also declined by 32% YoY. The retail sale in December was higher than offtake by -13%, with further stock reduction ahead of BS-VI transition. The company retails were 24% ahead of wholesale. Enquiries continued to increase gradually with fleet owners realizing the economic benefits of replacement of their older vehicles now.

TVSMOTOR	Dec-19	Dec-18	YoY Gr %	Nov-19	MoM Gr %
Domestic	158059	211133	-25%	192522	-18%
Exports	73512	60262	22%	74060	-1%
Total	231571	271395	-15%	266582	-13%

TVSMOTOR has posted the overall decline in volume growth by 15% YoY in December 2019. Overall two-wheeler segment has registered a decline in sales by 17% YoY. The scooter and motorcycles segment degrew by 18% and 13% YoY respectively. Domestic two-wheeler volumes de-grew by 25% YoY led by subdued demand sentiment while export two wheeler volumes have grown by 20% YoY. Overall three wheelers segment have also shown a volume growth of 26% YoY. Domestic three-wheeler segment de-grew by 34% YoY while export three-wheeler volumes grew by 32% 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.

OEMs December volume update:

Company	Dec-19	Dec-18	Nov-19	YoY %	MoM %	FY20YTD	FY19YTD	Change%
ASHOKLEY	11,168	15,490	10,175	-28%	10%	99,746	137,849	-28%
BAJAJ-AUTO	336,055	346,199	403,223	-3%	-17%	3,623,251	3,825,913	-5%
EICHERMOT	50,416	58,278	60,411	-13%	-17%	532,969	629,936	-15%
ESCORTS	4,114	4,598	7,642	-11%	-46%	65,910	71,276	-8%
HEROMOTOCO	424,845	453,985	516,775	-6%	-18%	5,075,208	6,037,901	-16%
M&M	57,220	57,159	62,267	0%	-8%	626,245	703,524	-11%
MARUTI	133,296	128,338	150,630	4%	-12%	1,178,272	1,403,970	-16%
TATAMOTORS	46,903	54,439	41,124	-14%	14%	371,957	539,200	-31%
TVSMOTOR	231,571	271,395	266,582	-15%	-13%	2,630,498	3,006,435	-13%

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