

Industry Automobiles

Company	YoY Growth
ASHOKLEY	-40%
BAJAJ-AUTO	-3%
EICHERMOT	-13%
ESCORTS	1%
HEROMOTOCO	-14%
M&M	-3%
MARUTI	2%
TATAMOTORS	-18%
TVSMOTOR	-17%

Volumes continue to remain in slow lane

The automobile OEMs continued to report weak volumes in January 2020. The volumes declined YoY basis due to slowdown in demand and higher base in January 2019. However there was double digit growth in volumes on sequential basis. The growth came on the back of higher discounts offered for clearing the BS-IV stocks and strong recovery in the key export markets. The industry is poised to complete BS-VI transition by the end of February 2020. PV segment has declined by 4%YoY whereas CV segment witnessed severe degrowth of 18%YoY. The 2Ws segment has reported a decline of 12%YoY while 3Ws came as surprise and posted a growth of 11%YoY. The tractor segment posted a growth of 3%YoY.

Commercial Vehicle Industry:

The commercial vehicle industry remained under pressure on account of low demand sentiment and saw a decline in sales by 18% YoY in January 2020. However the growth was 13%MoM largely because of pre buying related to BS VI norms as the cost will increase significantly for commercial vehicles. The segment has witnessed sharp reduction in inventory levels to 35 days from 45 days in last few months. ASHOKLEY, TATAMOTORS and VECV reported 40%, 16% and 6% YoY decline while M&M volumes remained flat.

Passenger Vehicle Industry:

The passenger vehicle industry reported decline in sales volumes by 4% YoY in January 2020 on account of higher base. However, on MoM basis, there was strong pick up in volumes of 14% led by higher discounts on BS-IV products. The prices were raised of all passenger vehicles as a result of the replacement of older generation Bharat Stage IV (BS-IV) stocks with new BS-VI models to comply with the new emission norms. There has been an average of 5-15 percent in prices so far and more models will get upgraded to BS-VI progressively. MARUTI reported a growth of 2%YoY while TATAMOTORS and M&M reported a decline of 22% and 17%YoY respectively.

2Ws and 3Ws:

The 2W segment had declined by 12% YoY in January 2020 due to demand slowdown and deferred purchase till 15th Jan in North India due to inauspicious period. However, on MoM basis the segment reported growth of 15% led by demand pick up. BAJAJ-AUTO, EICHERMOT, HEROMOTOCO & TVSMOTOR reported decline of 3%, 13%, 14% and 17% respectively. 3W reported growth of 11% YoY led by strong growth in domestic 3W segment. BAJAJ-AUTO reported a decline of 5%YoY while TVSMOTOR reported a growth of 11%YoY.

Tractors:

Tractor segment reported a growth of 3%YoY in January 2020. While there has been sharp improvement of 32% MoM. M&M and Escorts reported sales growth of 3% and 1% respectively. Going ahead the growth will be driven by healthy monsoon spread across the country and improvement in construction activities.

Top Picks :

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

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ASHOKLEY	Jan-20	Jan-19	YoY Gr %	Dec-19	MoM Gr %
MHCV	7754	14694	-47%	7025	10%
LCV	4096	5047	-19%	4143	-1%
Total	11850	19741	-40%	11168	6%

ASHOKLEY overall sales in January 2020 de-grew by 40% YoY to 11850 units due to subdued demand conditions despite heavy discounts. The overall M&HCV sales de-grew by 47% YoY to 7754 units. MHCV trucks sales declined by 60% YoY to 5072 units due to slowdown in industrial activity and delaying infrastructure projects. However, MHCV buses grew by 42% YoY to 2682 units. LCV volumes degrew by 19% YoY to 4096 units. The company's management is expecting growth in agriculture, irrigation and rural development on back of favorable Union Budget for agriculture industry. Consequently, it helps the CV industry as it will lift up the rural economy. Overall economic activity and job creation will increase demand for goods and consumption and Increase freight movement on trucks.

BAJAJ-AUTO	Jan-20	Jan-19	YoY Gr %	Dec-19	MoM Gr %
Domestic	192872	231461	-17%	153163	26%
Exports	201601	175689	15%	182892	10%
Total	394473	407150	-3%	336055	17%

BAJAJ-AUTO overall sales reported de-growth of 3% to 394473 in January 2020. The domestic 2Ws sales de-grew by 22% YoY on account of low demand sentiment although, last week of January have seen some uptick in sales largely attributed to pre-buying. However, the 2Ws exports sales increased by 19% YoY led by strong growth in Africa & Latin America. 3Ws domestic sales grew by 25% YoY while 3Ws export declined by 5% YoY. The company has created 16 new markets for 3-wheelers which have never had a 3 wheeler. Also, it started exporting 3000-4000 3-wheelers to Egypt from January. The company has witnessed strong growth in 125cc segment as compared to 150cc segment. The company will move all its products to BS-VI by middle of the February 2020. The management expects demand will be impacted for couple of quarters after implementation of BS VI. The profitability of the BS-VI products will be same as BS-IV. The BS-VI variant of CT100 model is 15-18% higher priced as compared to BS-IV models.

EICHERMOT	Jan-20	Jan-19	YoY Gr %	Dec-19	MoM Gr %
Royal Enfield	63520	72701	-13%	50416	26%
VECV	5544	5906	-6%	5042	10%
Total	69064	78607	-12%	55458	25%

Royal Enfield reported a volume de-growth of 13% YoY in January 2020. Models with capacity up to 350cc have degrown by 13% YoY while models with capacity above 350cc have degrown by 10% YoY led by headwinds in demand sentiments across domestic market. Exports volumes also degrew by 12% YoY on account of seasonality impact. The company will come up with some products that will have fully changed & BS VI compliant mechanism. VECV volumes de-grew by 6% YoY during the month. The Eicher trucks and buses domestic volumes de-grew by 6% YoY while export volumes declined by 18% YoY. However, volvo truck sales have also increased by 59% YoY. Demand is expected to remain impacted for first few months of 2020 (April to September) because of BSVI in implementation across the automobiles sector.

ESCORTS	Jan-20	Jan-19	YoY Gr %	Dec-19	MoM Gr %
Domestic	5845	5762	1%	3806	54%
Exports	218	229	-5%	308	-29%
Total	6063	5991	1%	4114	47%

ESCORTS posted an increase in sales by 1% YoY in January 2020. The domestic tractor volumes grew by 1% YoY to 5845 units however, the exports volumes de-grew by 5% YoY to 218 units. In Tractor Industry, the agri sector will continue to drive growth whereas infrastructure sector may take some time to recover (35-40% of sales). The industry share of 41-50HP tractors has improved by 100bps to 48.5%. The management expects 4%YoY growth in 4QFY20 and positive growth momentum in FY21 while full recovery is expected in FY22.

HEROMOTOCO	Jan-20	Jan-19	YoY Gr %	Dec-19	MoM Gr %
2W	501622	582660	-14%	424845	18%
Total	501622	582660	-14%	424845	18%

HEROMOTOCO posted decline in volumes by 14% YoY to 501622 units in January 2020. Motorcycles declined by 6% to 494390 units, however sequentially it grew by 22%. Scooters posted decline of 87% YoY to 7232 units. The company's domestic volumes saw decline of 14% to 488069 units however, exports grew by 6% to 13553 units. It's entire scooter portfolio has migrated to BS-VI, and the Company has stopped producing any BS-IV scooter. The company has launched BS-VI compliant HF Deluxe motorcycle and Pleasure+ 110 scooter in India. The company has lined up a range of BS-VI products to be rolled-out in the market in the coming weeks.

M&M	Jan-20	Jan-19	YoY Gr %	Dec-19	MoM Gr %
Automotive	52546	55722	-6%	39230	34%
Farm Equipment	23116	22212	4%	17990	28%
Total	75662	77934	-3%	57220	32%

M&M overall volumes declined by 6% YoY in January 2020 to 75662 units. The domestic volumes de-grew by 3% YoY as part of its strategy to ramping down the BSIV manufactured vehicles and move to BSVI emission norms. The PV segment has declined by 17% YoY due to low demand sentiment in the industry. However, CV and 3W segment grew by 1% and 36% YoY respectively. Exports de-grew by 45% YoY due to lower demand sentiment across key international markets. The farm equipment segment posted sales growth of 4% YoY. The domestic tractor volumes grew by 7% YoY to 22329 units while the tractor exports de-grew by 38% YoY. The company has started rolling out its first batch of BSVI vehicles with the XUV300, which has been very well received in market.

MARUTI	Jan-20	Jan-19	YoY Gr %	Dec-19	MoM Gr %
Domestic	144499	142150	2%	125735	15%
Exports	9624	9571	1%	7561	27%
Total	154123	151721	2%	133296	16%

MARUTI posted overall sales growth of 2% YoY in January 2020 to 154123 units. The mini and compact segment grew by 11% & 12% YoY respectively. The mid-size segment declined by 72% YoY. The utility segment and vans declined by 27% and 19% YoY respectively. The LCV super carry volumes also declined by 11% and have touched over 2406 units. Sales to other OEM have (commenced in April 2019) grown by 65% on MoM basis to 2249 units. The company's total exports also, grew by 1% YoY to 9624 units. The management expects rural demand to pick up based on healthy monsoon and strong Rabi crop sowing. The company will produce only petrol vehicles from February onwards.

TATAMOTORS	Jan-20	Jan-19	YoY Gr %	Dec-19	MoM Gr %
Domestic	45242	54915	-18%	44254	2%
Exports	2620	3270	-20%	2649	-1%
Total	47862	58185	-18%	46903	2%

TATAMOTORS overall sales in January 2020 have declined by 18% YoY to 47,862 units. Domestic PV segment witnessed a sales de-growth of 22% YoY to 13894 units. Domestic CV segment also had a sales de-growth of 15% YoY to 31,348 units. Retail was ahead of wholesale for last seven months, helping further stock reduction, as the company move closer to BS VI transition. The overall exports have declined by 20% YoY led by decline in PV & CV exports by 41% & 19% YoY respectively. The M&HCV segment saw a decline of 41% YoY and L&ICV segment posted a decline of 23% YoY. The passenger carriers also declined by 3% YoY however, SCV & Pick up segment posted growth of 2% YoY on account of continued higher buying than other segments. The company launched Altroz and the new versions of other BS VI models in January. Management is confident of setting new industry standards with the new portfolio of the company. All products are now converted to BS VI and its stock of BS IV is low.

TVSMOTOR	Jan-20	Jan-19	YoY Gr %	Dec-19	MoM Gr %
Domestic	164136	229980	-29%	158059	4%
Exports	70784	52650	34%	73512	-4%
Total	234920	282630	-17%	231571	1%

TVSMOTOR has reported an overall decline in volume growth by 17% YoY to 234920 units in January 2020. Overall the three wheeler segment grew by 8% to 14481 units however; overall the two wheeler segment de-grew by 18% to 220439 units. The scooter and motorcycles segment both de-grew by 15% YoY and mopeds segment de-grew by 26%. Domestic two-wheeler volumes de-grew by 29% YoY led by subdued demand while export two wheeler volumes have grown by 41% YoY. Domestic three-wheeler segment de-grew by 15% YoY while export three-wheeler volumes grew by 11% YoY. Equipped with RTFi and ETFi technology, these BS-VI vehicles offer enhanced connectivity, along with first in segment GTT – Glide Through Traffic capability and LED headlamp among others.

OEMs January volume update:

Company	Jan-20	Jan-19	Dec-19	YoY %	MoM %	FY20YTD	FY19YTD	Change%
ASHOKLEY	11,850	19,741	11,168	-40%	6%	111,596	157,590	-29%
BAJAJ-AUTO	394,473	407,150	336,055	-3%	17%	4,017,724	4,233,063	-5%
EICHERMOT	63,520	72,701	50,416	-13%	26%	596,489	702,637	-15%
ESCORTS	6,063	5,991	4,114	1%	47%	71,973	77,267	-7%
HEROMOTOCO	501,622	582,660	424,845	-14%	18%	5,576,830	6,620,561	-16%
M&M	75,662	77,934	57,220	-3%	32%	701,907	781,458	-10%
MARUTI	154,123	151,721	133,296	2%	16%	1,332,395	1,555,691	-14%
TATAMOTORS	47,862	58,185	46,903	-18%	2%	419,819	597,385	-30%
TVSMOTOR	234,920	282,630	231,571	-17%	1%	2,865,418	3,289,065	-13%

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