

Industry Automobiles

Company	YoY Growth
ASHOKLEY	-37%
BAJAJ-AUTO	-10%
EICHERMOT	1%
ESCORTS	19%
HEROMOTOCO	-19%
M&M	-27%
MARUTI	-1%
TATAMOTORS	-32%
TVSMOTOR	-15%

Higher inventory levels and BS-VI supply chain disruption leads to subdued volumes

The automobile OEMs continued to report weak volumes in February 2020. The volumes declined YoY basis due to economic backdrop, disrupted supply chain and BS VI vehicles price hikes. The inventories maintained at 3-4 weeks at dealer levels. On sequential basis also volumes declined on account of outbreak of COVID-19 in China impacting production volumes due to sourcing of BS-VI components. Most of the OEMs have shifted to BS VI vehicles. However the demand scenario has not improved and we expect situation to remain sluggish going ahead. PV and CV segment has declined by 11% & 35% YoY respectively. Moreover, 2W and 3W segment has also declined by 14% & 22% YoY respectively. However, the tractor segment saw robust growth of 19%YoY.

Commercial Vehicle Industry:

The commercial vehicle industry saw a decline in sales volumes by 35% YoY in February 2020 impacted by the outbreak of COVID-19 in China, obstructed the supply chain and continued slowdown in demand sentiment. Commercial vehicle volumes declined by 21% MoM. ASHOKLEY, M&M, TATAMOTORS and VECV volumes declined by 37%, 25%, 35% and 29% respectively.

Passenger Vehicle Industry:

The passenger vehicle industry reported decline in sales volumes by 11% YoY in February 2020. On MoM basis, volumes declined by 7%. The prices were raised of all passenger vehicles as a result of the replacement of BS-IV stocks with new BS-VI models to comply with the new emission norms. MARUTI, M&M and TATAMOTORS reported a decline of 1%, 58% and 31% YoY respectively.

2Ws and 3Ws:

The 2W segment had declined by 14% YoY in February 2020. On MoM basis the segment reported de-growth of 1% led by demand pick up. BAJAJ-AUTO, HEROMOTOCO & TVSMOTOR reported decline of 5%, 19% and 17% YoY respectively yet, EICHERMOT grew 1% YoY. 3W reported de-growth of 22% YoY. BAJAJ-AUTO reported a decline of 31% YoY however, TVSMOTOR reported robust growth of 26% YoY.

Tractors:

Tractor segment reported strong growth of 19% YoY in February 2020 on account of low base and healthy monsoon. On MoM, the segment grew by 7%. M&M and ESCORTS both reported sales growth of 19% YoY. Going forward, the increase in rural and agri spending on core schemes by the Government should augur well for the industry.

Top Picks:

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

RESEARCH ANALYST

NAVEEN KUMAR DUBEY

Naveen.dubey@narnolia.com
+91-22-62701235

The views expressed above accurately reflect the personal views of the authors about the subject companies and its(their) securities. The authors have not and will not receive any compensation for providing a specific recommendation or view. Narnolia Financial Advisors Ltd. does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision.

ASHOKLEY	Feb-20	Feb-19	YoY Gr %	Jan-20	MoM Gr %
MHCV	7368	13291	-45%	7754	-5%
LCV	4107	4954	-17%	4096	0%
Total	11475	18245	-37%	11850	-3%

ASHOKLEY overall sales in February 2020 de-grew by 37% YoY to 11475 units. The overall M&HCV sales de-grew by 45% YoY to 7368 units. The company will continue to produce BS-IV vehicles till March 2020 and will introduce BS-VI vehicles in April 2020. The demand condition will remain muted in 1HFY21 due to BS-VI transition while 2HFY21 may see sharp uptick in growth. However introduction of new scrappage policy may trigger some growth in 1HFY21. The overall dispatch activity will be lower in March as well. MHCV trucks sales declined by 58% YoY to 4894 units due to slowdown in automobile industry. However, MHCV buses grew robustly by 41%YoY to 2474 units led by falling off of London manufacturers. LCV volumes de-grew by 17% YoY to 4107 units. The management expects to improve market share in LCVs going forward. The company also expects to see more traction in the exports market led by various buses orders received by the company.

BAJAJ-AUTO	Feb-20	Feb-19	YoY Gr %	Jan-20	MoM Gr %
Domestic	168747	221706	-24%	192872	-13%
Exports	186166	171383	9%	201601	-8%
Total	354913	393089	-10%	394473	-10%

BAJAJ-AUTO overall sales de-grew by 10% YoY to 354913 units in February 2020 led by continued slowdown in the automobile industry. The domestic 2Ws sales de-grew by 21% YoY. However, the 2Ws exports sales increased by 15% YoY led by good growth across key international markets of Africa, Bangladesh and Philippines. Domestic 3Ws sales de-grew by 38% YoY while 3Ws export declined by 24% YoY. The company has started exporting 3000-4000 3-wheelers to Egypt from January. 1QFY21 is expected to remain weak for domestic business on account of economic backdrop and BS-VI vehicles price increase. Coronavirus supply disruption impact is less than 5% on the company's supply chain. The company took price increase in range of 6-10% across various BS-VI products. The company will move all its products to BS-VI by middle of the February 2020. The company has started exporting 3000-4000 3-wheelers to Egypt from January.

EICHERMOT	Feb-20	Feb-19	YoY Gr %	Jan-20	MoM Gr %
Royal Enfield	63536	62630	1%	63520	0%
VECV	4586	6428	-29%	5544	-17%
Total	68122	69058	-1%	69064	-1%

EICHERMOT Royal Enfield posted a volume growth of 1% YoY to 63536 units in February 2020. Models with capacity up to 350cc remained flat YoY while models with capacity above 350cc have grown by 11% YoY led by good demand for the Inceptor and Continental GT across domestic market. Exports volumes also de-grew by 8% YoY led by seasonality impact and there is no volatility in Europe, America & other export market. The Coronavirus outbreak had minimal impact on the production of motorcycles during the month of February. Some of the company's supply partners have dependencies on the manufacturers in China for sourcing of certain specific components. VECV volumes de-grew by 29% YoY during the month. The Eicher trucks and buses domestic volumes de-grew by 27% YoY while export volumes declined by 39% YoY. Volvo truck sales have also declined by 8% YoY. The company has moved a large part of its product portfolio to BS VI and is seeing a good response to the BS VI motorcycles. The production of BS VI motorcycles is ramping up as BS VI supply chain is gradually stabilizing.

ESCORTS	Feb-20	Feb-19	YoY Gr %	Jan-20	MoM Gr %
Domestic	8049	6918	16%	5845	38%
Exports	552	322	71%	218	153%
Total	8601	7240	19%	6063	42%

ESCORTS have reported an increase in volumes by 19% YoY to 8601 in February 2020 on account of good monsoon, improved exports and low base. The domestic tractor volumes grew by 16% YoY to 8049 units while the exports volumes grew robustly by 71.4% YoY to 552 units. The agri sector will continue to drive growth whereas infrastructure sector may take some time to recover. The management expects 4% YoY growth in 4QFY20 and positive growth momentum in FY21 while full recovery is expected in FY22.

HEROMOTOCO	Feb-20	Feb-19	YoY Gr %	Jan-20	MoM Gr %
Domestic	480196	600616	-20%	488069	-2%
Exports	18046	16599	9%	13553	33%
Total	498242	617215	-19%	501622	-1%

HEROMOTOCO overall volumes declined by 19% YoY in February 2020 to 498242 units. The scooter and motorcycles segment de-grew by 68% and 14% YoY respectively. Overall domestic volumes de-grew by 20% YoY to 480196 units however; overall exports reported growth of 9% YoY to 18046 units. The company is now manufacturing only BS-VI vehicles and stopped the production of all BS-IV two-wheelers in the month of February. The ongoing COVID-19 issue had adversely impacted production at the company's manufacturing facilities in the month. Though, the component makers in China have restarted production and are also expected to resume normal supplies soon. The company commenced the dispatches of five new BS-VI products including some of its key products like the Splendor+, Super Splendor, Glamour & Passion Pro motorcycles and Maestro Edge 125 & Destini 125 scooters. It also showcased the new Xtreme 160R under its premium segment.

M&M	Feb-20	Feb-19	YoY Gr %	Jan-20	MoM Gr %
Automotive	32476	56005	-42%	52546	-38%
Farm Equipment	22561	18979	19%	23116	-2%
Total	55037	74984	-27%	75662	-27%

M&M overall volumes declined by 42% YoY in February 2020 to 32476 units impacted by current challenges faced in supply of auto parts from China. Going into March, management anticipate the challenge on parts-supply to continue for another few weeks, before it get back to normalcy. The domestic volumes de-grew by 42% YoY to 30637 units. The company's dealer inventory is under 10 days only. The PV segment has declined by 58% to 10938 units. CV segment de-grew by 25% YoY to 15856 units. 3W segment also de-grew by 32% YoY. Exports de-grew by 40%. However, the farm equipment segment posted increase in sales by 19% YoY led by increase in the domestic tractor volumes by 21% YoY. The tractor demand trend is expected to strengthen on the back of a robust Rabi output and the prevailing crop prices. Going forward, the increase in rural and agri spending on core schemes by the Government should augur well for the industry.

MARUTI	Feb-20	Feb-19	YoY Gr %	Jan-20	MoM Gr %
Domestic	136849	139100	-2%	144499	-5%
Exports	10261	9582	7%	9624	7%
Total	147110	148682	-1%	154123	-5%

MARUTI overall sales have declined by 1.1% YoY to 147110 units in February 2020. The mini segment grew by 11% YoY however, mid-size and compact segment de-grew by 18% and 4% respectively. The utility segment grew by 4% YoY however, vans de-grew by 23%. The LCV super carry volumes declined drastically by 80% YoY to 448 units. Exports grew by 7.1% to 10261 units. According to management, it hasn't seen impact on supplies & production due to COVID-19 till now. The company expects SUV industry's sales growth to be better at 4-6% and overall industry growth of 3-5%, going ahead. The company sales from rural area increased to 38% in current year from 36% last year. In Feb 2020, the company launched the S-CNG variant of the BS6 compliant New Wagon R.

TATAMOTORS	Feb-20	Feb-19	YoY Gr %	Jan-20	MoM Gr %
Domestic	38002	57221	-34%	45242	-16%
Exports	2632	2930	-10%	2620	0%
Total	40634	60151	-32%	47862	-15%

TATAMOTORS overall sales in February 2020 have declined by 32% YoY to 40634 units. Domestic PV and CV segment witnessed a sales de-growth of 31% and 35% YoY respectively. The M&HCV segment saw a decline of 46% YoY while I&LCV segment posted a decline of 33% YoY. The SCV & pick up and passenger carriers also declined by 30% and 21% respectively. Retail in February was ahead of wholesale by 37%, helping bring down stocks even further to an all-time low. Retail in M&HCV grew by 23% over last month with fleet buyers stepping up purchases. Total exports have also declined by 10% YoY. In Domestic - Commercial Vehicles, the company is on track for the BS VI migration, with BSIV stocks being consumed as per plan and BSVI production initiated. The supply disruptions from the COVID-19 outbreak in China may have some impact on the BS VI transition. However, in domestic – passenger vehicles, the outbreak of COVID-19 in China and a recent fire incident at one of its strategic vendors affected the vehicle production and wholesale volume. BS IV vehicle stock is well below the targeted level, it is well placed for the BS IV - BS VI transition.

TVSMOTOR	Feb-20	Feb-19	YoY Gr %	Jan-20	MoM Gr %
Domestic	170384	232783	-27%	164136	4%
Exports	82877	66570	24%	70784	17%
Total	253261	299353	-15%	234920	8%

TVSMOTOR has posted the overall decline in volume growth by 15% YoY to 253261 units in February 2020. Overall two-wheeler segment has registered a decline in sales by 17% YoY. The scooter and motorcycles segment de-grew by 30% and 3% YoY respectively. Domestic two-wheeler volumes de-grew by 27% YoY led by subdued demand while export two wheeler volumes have grown by 23% YoY. Overall three wheelers segment have also shown a volume growth of 26% YoY. Domestic three-wheeler segment de-grew by 42% YoY while export three-wheeler volumes grew by 33% YoY. Monsoon though delayed has been normal, and reservoirs are having good water level this should lead to better rabi and kharif crop during 2020 and relief measures announced through budget should stimulate growth. The company have changed to BS VI in January and stopped BS IV production. Customer's feedbacks are very positive for its BS VI vehicles. The management expects exports market to be strong based on stability in oil prices and currency exchange rates.

OEMs February 2020 volume update:

Company	Feb-20	Feb-19	Jan-20	YoY %	MoM %	FY20YTD	FY19YTD	Change%
ASHOKLEY	11,475	18,245	11,850	-37%	-3%	123,071	175,835	-30%
BAJAJ-AUTO	354,913	393,089	394,473	-10%	-10%	4,372,637	4,626,152	-5%
EICHERMOT	63,536	62,630	63,520	1%	0%	660,025	765,267	-14%
ESCORTS	8,601	7,240	6,063	19%	42%	80,574	84,507	-5%
HEROMOTOCO	498,242	617,215	501,622	-19%	-1%	6,075,072	7,237,776	-16%
M&M	55,037	74,983	75,662	-27%	-27%	756,944	856,441	-12%
MARUTI	147,110	148,682	154,123	-1%	-5%	1,479,505	1,704,373	-13%
TATAMOTORS	40,634	60,151	47,862	-32%	-15%	460,453	657,536	-30%
TVSMOTOR	253,261	299,353	234,920	-15%	8%	3,118,679	3,588,418	-13%

Narnolia Financial Advisors Ltd. is a SEBI registered Research Analyst having SEBI Registration No. INH300006500. The Company/Analyst (s) does/do not have any holding in the stocks discussed but these stocks may have been recommended to clients in the past. Clients of Narnolia Financial Advisors Ltd. may be holding aforesaid stocks.

The stocks recommended are based on our analysis which is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed.

Disclosures: Narnolia Financial Advisors Ltd. (NFAL) (Formerly Microsec Capital Ltd.) is a SEBI Registered Research Analyst having registration no. INH300006500. NFAL is engaged in the business of providing Stock Broking, Depository Participant, Merchant Banking, Portfolio Management & distribution of various financial products. Details of associate entities of NFAL is available on the website at www.narnolia.com

No penalties have been levied on NFAL by any Regulatory/Statutory authority. NFAL, its associates, Research Analyst or their relative may have financial interest in the subject company. NFAL and/or its associates and/or Research Analyst may have beneficial ownership of 1% or more securities in the subject company at the end of the month immediately preceding the date of publication of the Research Report. NFAL and its associate company(ies), their directors and Research Analyst and their relatives may; (a) from time to time, have a long or short position in, act as principal in, and buy or sell the securities or derivatives thereof of companies mentioned herein. (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies) or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions; however the same shall have no bearing whatsoever on the specific recommendations made by the analyst(s), as the recommendations made by the analyst(s) are completely independent of the views of the associates of NFAL even though there might exist an inherent conflict of interest in some of the stocks mentioned in the research report. Research Analyst may have served as director/officer, etc. in the subject company in the last 12 month period. NFAL and/or its associates may have received compensation from the subject company in the past 12 months. In the last 12 months period ending on the last day of the month immediately preceding the date of publication of this research report, NFAL or any of its associates may have: a) managed or co-managed public offering of securities from subject company of this research report, b) received compensation for investment banking or merchant banking or brokerage services from subject company of this research report, c) received compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company of this research report. d) Subject Company may have been a client of NFAL or its associates during 12 months preceding the date of distribution of the research report. NFAL and its associates have not received any compensation or other benefits from the Subject Company or third party in connection with the research report. NFAL and / or its affiliates may do and seek to do business including Investment Banking with companies covered in the research reports. As a result, the recipients of this report should be aware that NFAL may have a potential conflict of interest that may affect the objectivity of this report. Compensation of Research Analysts is not based on any specific Merchant Banking, Investment Banking or Brokerage service transactions. Research Analyst's views on Subject Company may vary based on Fundamental research and Technical Research. Proprietary trading desk of NFAL or its associates maintains arm's length distance with Research Team as all the activities are segregated from NFAL research activity and therefore it can have an independent view with regards to subject company for which Research Team have expressed their views.

Analyst Certification The views expressed in this research report accurately reflect the personal views of the analyst(s) about the subject securities or issues, and no part of the compensation of the research analyst(s) was, is, or will be directly or indirectly related to the specific recommendations and views expressed by research analyst(s) in this report.

Disclosure of Interest Statement-

Analyst's ownership of the stocks mentioned in the Report	NIL
---	-----

A graph of daily closing prices of securities is available at www.nseindia.com, www.bseindia.com.

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.

Registration details of Company: Narnolia Financial Advisors Ltd. (NFAL): SEBI Stock Broker Registration: INZ000166737 (NSE/BSE/MSEI); NSDL/CDSL: IN-DP-380-2018; Research Analyst: INH300006500, Merchant Banking: (Registration No.: INM000010791), PMS: (Registration No.: INP000002304), AMFI Registered Mutual Fund distributor: ARN 3087

Registration Details of Group entities: G. Raj & Company Consultants Ltd (G RAJ)-BSE Broker INZ260010731; NSDL DP: IN-DP-NSDL-371-2014 || Narnolia Commerze Limited (Formerly Microsec Commerze Ltd.)-MCX/NCDEX Commodities Broker: INZ000051636 || NarnoliaVelox Advisory Ltd.- SEBI Registered PMS: INP000005109 || Eastwind Capital Advisors Pvt Ltd. (EASTWIND)-SEBI Registered Investment Adviser: INA300005439 || Narnolia Insurance Brokers Limited (Formerly Microsec Insurance Brokers Ltd.)-IRDA Licensed Direct Insurance Broker (Life & Non-Life) Certificate No. 134, License No. DB046/02 || Narnolia Securities Ltd. (NSL)-AMFI Registered Mutual Fund distributor: ARN 20558, PFRDA NPS POP: 27092018 || Narnolia Capital Advisors Pvt. Ltd. - RBI Registered NBFC:B.05.02568.

Disclaimer:

This report has been prepared by Narnolia Financial Advisors Ltd. (NFAL) and is meant for sole use by the recipient and not for public circulation. The report and information contained herein is strictly confidential and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of NFAL. The report is based on the facts, figures and information that are considered true, correct, reliable and accurate. The intent of this report is not recommendatory in nature. The information is obtained from publicly available media or other sources believed to be reliable. Such information has not been independently verified and no guaranty, representation of warranty, express or implied, is made as to its accuracy, completeness or correctness. All such information and opinions are subject to change without notice. The report is prepared solely for informational purpose and does not constitute an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments for the clients. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. Certain transactions -including those involving futures, options, another derivative products as well as non-investment grade securities - involve substantial risk and are not suitable for all investors. Each recipient of this document should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved), and should consult his/her/its own advisors to determine the merits and risks of such an investment. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. NFAL will not treat recipients as customers by virtue of their receiving this report. Neither the Company, nor its directors, employees, agents or representatives shall be liable for any damages whether direct or indirect, incidental, special or consequential including lost revenue or lost profits or lost opportunities that may arise from or in connection with the use of the information/report. The person accessing this information specifically agrees to exempt NFAL or any of its affiliates or employees from, any and all responsibility/liability arising from such misuse and agrees not to hold NFAL or any of its affiliates or employees responsible for any such misuse and further agrees to hold NFAL or any of its affiliates or employees free and harmless from all losses, costs, damages, expenses that may be suffered by the person accessing this information due to any errors and delays.

This report is not directed or intended for distribution to or use by any person or entity resident in a state, country or any jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject NFAL & its group companies to registration or licensing requirements within such jurisdictions.