

MONTHLY VOLUME UPDATE

AUTOMOBILES

04-Sep-18

Company	YoY Growth
ASHOKLEY	28%
BAJAJ-AUTO	30%
EICHERMOT	2%
ESCORTS	5%
HEROMOTOCO	1%
M&M	15%
MARUTI	-3%
TATAMOTORS	30%
TVSMOTOR	8%

Higher base effect and heavy rainfall impacted PV & 2Ws growth; CV & 3Ws growth momentum continued

The automobile industry reported mixed set of volume growth in August 2018. Higher base effect, Kerala flood and heavy rain in Northern part of the country (MP, Rajasthan, UP and Delhi) restricted the volume growth. Though, the monthly volume run-rate remained strong. The passenger vehicle industry posted mere growth of ~2%YoY due to decline in sales of market leader Maruti Suzuki. However the commercial vehicle industry maintained its robust growth momentum and posted 27%YoY growth on account of low rain fall in Maharashtra & Gujarat, clarity on new axle norms and continued infra activities. On the two wheeler side Bajaj- Auto recorded 28%YoY volume growth on the back of heavy discounting practice in the entry level motorcycles where as other players were not able to achieve double digit growth. Three wheelers industry continues to outperform overall automobile space with a growth of 44%YoY. Tractor volumes grew by only 7%YoY as august generally remains a low month for industry. Overall monthly volume run-rate will continue to be strong but the growth may seem in mid to high single digit due to higher base going ahead.

☑ **Commercial Vehicle Industry:** The commercial vehicle industry has once again posted a strong growth of 27%YoY in August 2018. The MHCV segment has started to gain back its momentum in the market after the clarity on the increased axle load norms. However it reported growth on the back of the government's focus on infrastructure development, road construction, overloading norms, logistics sector demand and improved industrial activity across the country. LCV segment demand increased because of increase in hub & spoke model and new product launches and increased rural consumption. Ashok Leyland, M&M, Tata Motors and VECV posted growth of 28%, 25%, 26% and 33%YoY respectively.

☑ **Passenger Vehicle Industry:** The passenger vehicle industry reported growth of only 2%YoY due to 3%YoY decline in Maruti's volume. Higher base effect, heavy rain fall in Northern part of the country and impact of Kerala flood led to muted growth for the industry. Tata Motors recoded a growth of 28%YoY on the back of low base and strong demand for new products. M&M posted 2%YoY growth due to heavy rainfall in key markets and slowdown in production activity related to preparation for festive season.

☑ **2Ws and 3Ws:** The two wheeler industry posted 8%YoY growth due to high base effect. However, Bajaj-Auto emerged as a winner and recorded robust 28%YoY growth by adopting higher discounting in entry level motorcycle segment in domestic market and strong traction in exports. The industry somewhat impacted due to floods in Kerala, which is a market for scooters and premium segment motorcycles. Hero Motocorp, Eicher Motor and TVS Motor posted growth 1%, 2% and 7%YoY respectively.

The 3 wheeler segment continues to outperform the overall automobile industry with a growth of 44%YoY. The domestic market hold the pole position and the growth was driven by discontinuation of permits in Maharashtra and shift towards 2 stroke to 4 stroke vehicles in Karnataka. Strong traction in existing and new geographies also made good exports during the month. Bajaj-Auto, TVS Motors and M&M posted growth of 45%, 56% and 35%YoY respectively.

☑ **Tractors:** Tractor volume growth was lowest in last 9 months. Though, August generally remains a low volume month for the industry due to sowing season. M&M and Escorts recorded growth of 8% and 5% respectively

Top Picks

We have overall positive view on the sector and our top picks include; ASHOKLEY, BAJAJ-AUTO, M&M, ESCORTS, MARUTI

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ASHOKLEY	Aug-18	Aug-17	YoY Gr %	Jul-18	MoM Gr %
Volume (in units)	17386	13634	28%	15199	14%

Ashok Leyland reported a growth of 28% YoY to 17386 units in August 2018. Sales of Medium & Heavy commercial vehicles grew by 25 % YoY to 13158 units. The growth was mainly attributed to government's focus on infrastructure development, road construction, overloading norms and logistics sector demand. Light commercial vehicles volume rose by 38% YoY to 4228 units during the month. The growth has been led by increase in hub & spoke model and pick up in rural demand due to increasing FMCG penetration. Going forward the company is all set to deliver a healthy growth on account of strong order book from various state transport corporations, ongoing infra & mining segment demand scenario, international operations, defense mobility and implementation of mandatory scrappage policy.

BAJAJ-AUTO	Aug-18	Aug-17	YoY Gr %	Jul-18	MoM Gr %
Volume (in units)	437092	335031	30%	400343	9%

Bajaj-Auto recorded robust volume growth of 30% YoY in August 2018. The domestic 2Ws sales grew by 27% YoY on the back of heavy discounting practice in the entry level motorcycles. CT-100 was priced 15% lower than its closest competitor in the category. 2Ws exports grew by 29%YoY on the back of healthy volumes from Nigeria and other geographies. Domestic 3Ws sales grew by 28% YoY on the back of discontinuation of permits in Maharashtra, shift towards 2 strokes to 4 strokes vehicles in Karnataka and entry into other permit free zones. 3Ws exports grew robustly by 67% YoY owing to healthy recovery in existing markets and strong traction from new geographies.

EICHERMOT	Aug-18	Aug-17	YoY Gr %	Jul-18	MoM Gr %
RE Volume (in units)	70740	69082	2%	71125	-1%
VECV Volumes (in	6069	4571	33%	5962	2%

Royal Enfield posted overall 2% YoY volume growth in August 2018. Models with capacity up to 350cc posted 3% YoY growth and models with capacity above 350cc have de-grown by 16% YoY. Sales in Kerala, which is a premium segment market, was affected due to Kerala floods. However, demand continues to be strong in Delhi, Punjab, Tamil Nadu, UP, Bihar and Orissa. Exports volumes grew by 23%YoY as new product interceptor twin 650 bikes have been received well. VECV registered a healthy growth of 33% YoY. Domestic volumes grew by 28% YoY while export recorded a sales growth of 57% YoY in August 2018. The demand for commercial vehicles continues to remain strong on account of new product launches and increasing last mile connectivity.

ESCORTS	Aug-18	Aug-17	YoY Gr %	Jul-18	MoM Gr %
Volume (in units)	4812	4587	5%	5610	-14%

Escorts Limited the fourth largest tractor manufacturer in India has reported 5% YoY growth in August 2018. The domestic tractor volume grew by 6% YoY to 4674 units. August generally remains a low volume month due to start of sowing season which leads to comparatively higher sales in previous months. The exports volume de-grew by 27%YoY to 138 units in August 2018. Going ahead we expect that new product launches, lower tractor penetration, government's thrust towards doubling the farm income and strong brand positioning will drive the Escorts volumes in years to come. The management expects domestic tractor industry to post muted growth in 2QFY19 due to higher base and shift of festivals in 3QFY19. The management has also increased the domestic volume guidance from 9-11% to 12-15% for full year FY19.

HEROMOTOCO	<i>Aug-18</i>	<i>Aug-17</i>	<i>YoY Gr %</i>	<i>Jul-18</i>	<i>MoM Gr %</i>
Volume (in units)	685047	678797	1%	679862	0.8%

Hero Motocorp posted a growth of 1% YoY to 685047 units in August 2018. Due to higher discounting strategy adopted by its closest competitor has not gone well for the company. The company has lost market share also in the entry level motorcycles. Although, the monthly run rate remained strong during the month. In August, the company commenced dispatch of its new premium motorcycle, the Xtreme 200R, to dealerships across the country. The new product will help company to expand its premium segment motorcycles portfolio. Going forward, the growth will be supported by monsoon, MSP, under penetration of 2 wheelers and rural infra spending. With the peak festive season coming in the months of October and November this year, the Company expects to maintain the trajectory with healthy double-digit growth in the coming months.

M&M	<i>Aug-18</i>	<i>Aug-17</i>	<i>YoY Gr %</i>	<i>Jul-18</i>	<i>MoM Gr %</i>
Volume (in units)	66109	58838	12%	69926	-5%

M&M volumes grew by 13% YoY in August 2018 to 66109 units. The passenger vehicle segment merely grew by 2%YoY due to 2%YoY decline in higher volume utility vehicle segment. However, the car segment registered over 62% YoY growth. Commercial vehicle segment posted 25%YoY growth on the back of improving infrastructure, stricter overloading norms and rising demand from logistics sector. The 3W segment also grew by 35% YoY. The domestic tractor volumes grew by 7%YoY and were the lowest in last 9 months. Due to start of sowing season the demand for tractors generally remains low in August. However the volumes will catch up in the coming months on account of festive season starting from September onwards.

MARUTI	<i>Aug-18</i>	<i>Aug-17</i>	<i>YoY Gr %</i>	<i>Jul-18</i>	<i>MoM Gr %</i>
Volume (in units)	158189	163701	-3%	164369	-4%

Maruti Suzuki sales have declined by 4% YoY in August 2018. The growth was adversely affected due to Kerala floods and heavy rainfall in Northern part of the country (MP, Rajasthan, UP and Delhi). The mini segment grew by 1% YoY while compact segment de-grew by 4%YoY. The utility vehicle segment also de-grew by 16% YoY. The launch of new Ciaz facelift led to 8%YoY increase in mid-size segment volumes. The LCV super carry volumes have touched over 1805 units with a growth of 147%YoY. Exports have de-grown by 10% YoY as the company has reduced exports volumes in order to cater higher demand in the domestic markets and some softness in key export markets.

TATAMOTORS	<i>Aug-18</i>	<i>Aug-17</i>	<i>YoY Gr %</i>	<i>Jul-18</i>	<i>MoM Gr %</i>
Volume (in units)	63757	48988	30%	56867	12.1%

Tata Motors overall sales for the month of August grew by 30% YoY to 63757 units. Despite heavy monsoons and flood impact in Kerala, the growth momentum in the market was maintained. Domestic passenger vehicle segment posted a growth of 28% YoY which was driven by low base effect and strong demand for new products. On the commercial vehicle front, the M&HCV segments saw a growth of 16% YoY to 12715 units. The M&HCV segment has started to gain back its momentum in the market after the clarity on the increased axle load norms. LCV segment also saw an upward trajectory by growth strengthening in new Tata ultra range of trucks and posted 36% YoY growth to 5260 units. SCV cargo and pick up segment grew by 37% YoY to 17426 units in August 2018. The commercial passenger carrier segment recorded a steady growth of 9% with 4,458 units, which was supported by demand for school buses and vans and ambulances. The exports saw a growth by 78% YoY with 5478 units.

AUTOMOBILES

TVSMOTOR	<i>Aug-18</i>	<i>Aug-17</i>	<i>YoY Gr %</i>	<i>Jul-18</i>	<i>MoM Gr %</i>
Volume (in units)	343217	317563	8%	321179	7%

TVS Motor has posted 8% YoY volume growth in August 2018. Overall two wheeler segment posted a growth of 7% YoY. The scooter segment has grown by 11% YoY and motorcycles grew by 18% YoY while mopeds de-grew by 14%. Domestic two wheeler volumes grew by mere 2% YoY while export two wheeler volumes have shown a spurt growth of 41% YoY. Overall three wheelers segment have also shown robust volume growth of 70% YoY. Domestic three wheeler segment grew by 56% YoY and export three wheeler volumes also grew by 66% YoY. Going ahead the company has strong pipeline of new product launches in fast growing scooter and premium motorcycle segments.

OEMs August volume update:

Company	Aug-18	Aug-17	Jul-18	YoY %	MoM %	FY19YTD	FY18YTD	YoY%
ASHOKLEY	17,386	13,634	15,199	28%	14%	74,712	54,099	38%
BAJAJ-AUTO	437,092	335,031	400,343	30%	9%	2,064,076	1,531,192	35%
EICHERMOT	70,740	69,082	71,125	2%	-1%	363,801	316,434	15%
ESCORTS	4,812	4,587	5,610	5%	-14%	34,916	27,566	27%
HEROMOTOCO	685,047	678,797	679,862	1%	1%	3,469,858	3,151,441	10%
M&M	66,109	58,838	69,926	12%	-5%	376,920	321,068	17%
MARUTI	158,189	163,701	164,369	-3%	-4%	813,037	723,618	12%
TATAMOTOTS	63,757	48,988	56,867	30%	12%	297,158	204,895	45%
TVSMOTOR	343,217	317,563	321,179	8%	7%	1,592,670	1,390,842	15%

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