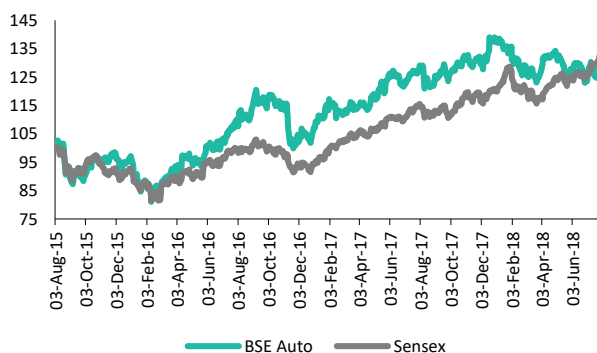




August 03, 2018

Automotive: Mixed Bag Performance

Industry	Automotive
BSE Auto	24,001
Sensex	37,165
Nifty	11,313
BSE Auto 52W H/L	24,751/23,827



Bajaj Auto Continues to Report High Double Digit Growth

Bajaj Auto	Jul-17	Jun-18	Jul-18	YoY (%)	MoM (%)	YTDFY19	YTDFY18	YoY (%)
2Ws	2,65,182	3,37,752	3,32,680	25.5%	-1.5%	13,62,644	10,40,896	30.9%
3Ws	42,545	66,677	67,663	59.0%	1.5%	2,64,340	1,55,265	70.3%
Total Sales	3,07,727	4,04,429	4,00,343	30.1%	-1.0%	16,26,984	11,96,161	36.0%

July 2018 & YTDFY19 Sales Highlights (YoY):

- Motorcycles sales for the month of July rose by 25.5% to 3,32,680 units, while YTDFY19 sales grew by 30.9% to 13,62,644 units.
- 3-wheelers sales for July grew by 59% to 67,663 units and YTDFY19 sales grew by 70.3% to 2,64,340 units.
- The domestic sales in July grew by 27.4% to 2,37,511 units, while YTDFY19 sales rose by 39.2% to 9,26,176 units.
- The exports sales for the month of July increased by 34.3% to 1,62,832 units and for YTDFY19 its higher by 32% to 7,00,808 units.
- The overall sales for the month of July amplified by 30.1% to 4,00,343 units, while the sales for YTDFY19 grew by 36% to 16,26,984 units.

Bajaj Auto is going from strength to strength when it comes to sales. It had a bumper growth in sales in all the past four months of FY19. Bajaj is firing on all its cylinders viz. Exports, Domestic 3Ws and 2Ws. On 2Ws, Bajaj has filled up the product gaps along with the new model introduction and price cuts in the lower cc segments driving the sales growth. We believe the sales growth to continue for Bajaj and the triple combination of Triumph+Husqvarna+KTM along with Bajaj's premium products should see a tsunami of premium 2W sales in the coming years.

The release of permits in Maharashtra, Delhi and Karnataka has boosted its 3W sales and we expect other states to follow suit. The exports too rebounded sharply post oil and commodity price run-up and stability in the African currencies along with good performance in the newer geographies. Overall, will see continued gains in the market share across its products and geographies.

Hero Motocorp Reported 9% Sales Growth

Hero Motocorp	Jul-17	Jun-18	Jul-18	YoY (%)	MoM (%)	YTDFY19	YTDFY18	YoY (%)
Total Sales	6,23,269	7,04,562	6,79,862	9.1%	-3.5%	27,84,811	24,77,044	12.4%

- Hero continues to ride on its popular motorcycles and scooters range of models. It reported 9% YoY growth in its July 2018 sales to 6,79,862 units, while its YTDFY19 continues to remain in double digit reporting 12.4% YoY growth to 27,84,811 units.
- Going ahead, the company has lined up multiple new product launches, ahead of the festive season, such as the Xtreme 200R motorcycle and the 125cc scooters.
- We believe that the demand to continue and Hero to report lower double digit volume growth led by near normal monsoon; increase in the MSP to support growth and upcoming new launches in the premium motorcycle and scooters. This is offset by huge base and intense competition, which is restricting Hero to report high double digit growth.

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TVS Motors Sales Rise by 18%

TVS Motors	Jul-17	Jun-18	Jul-18	YoY (%)	MoM (%)	YTDFY19	YTDFY18	YoY (%)
2Ws	2,63,336	3,01,201	3,07,856	16.9%	2.2%	12,00,610	10,48,407	14.5%
3Ws	7,835	12,413	13,323	70.0%	7.3%	48,843	24,872	96.4%
Total Sales	2,71,171	3,13,614	3,21,179	18.4%	2.4%	12,49,453	10,73,279	16.4%

- TVS reported a growth of 18.4% YoY to 3,21,179 units in July 2018, driven by all its products and geographies. The growth in the past four months continues to remain in the mid-teens;
- 2Ws continues to report double digit growth, which grew by 16.9% YoY to 3,07,856 units. In 2Ws, the scooters reported 29% growth and Motorcycles grew by 11%;
- 3Ws sales rose by 70% YoY to 13,323 units, led by domestic as well as exports sales. TVS 3Ws has grown much ahead of its peers in the past four months of FY19, hence gaining market share.
- In domestic, it reported a growth of 13% to 2,48,937 units, while in exports, the sales grew by 41.8% YoY to 72,242 units. We continue to see its exports has been growing much higher than the domestic growth and the contribution to the overall sales is also increased over the period. The exports in April 2017 contributed 16.3% of the overall sales; while in July 2018, it contributed 22.5%.

Eicher Motors Reported Subdued Royal Enfield (RE) Sales, While the CV Performance Continues to remain Healthy

Eicher Motors	Jul-17	Jun-18	Jul-18	YoY (%)	MoM (%)	YTDFY19	YTDFY18	YoY (%)
Eicher up to 350 cc	60,544	68,769	63,713	5.2%	-7.4%	2,71,406	2,31,457	17.3%
Eicher 350 cc+	3,915	5,708	5,350	36.7%	-6.3%	23,018	17,000	35.4%
Total Motorcycles	64,459	74,477	69,063	7.1%	-7.3%	2,94,424	2,48,457	18.5%
Buses	1,010	1,427	1,163	15.1%	-18.5%	5,089	4,820	5.6%
CVs	3,353	4,963	4,801	43.2%	-3.3%	17,098	11,093	54.1%
Total Sales	68,822	80,867	75,027	9.0%	-7.2%	3,16,611	2,64,370	19.8%

- Royal Enfield < 350 cc segment reported 5.2% YoY growth to 63,713 units in July 2018, while in YTDFY19 it grew by 17.3% YoY to 2,71,406 units;
- Royal Enfield > 350 cc segment reported 36.7% YoY growth to 5,350 units and in YTDFY19, the sales grew by 35.4% YoY to 23,018 units;
- The overall RE sales grew by 7.1% YoY to 69,063 units, which is the lowest ever growth reported by the company in the past available history. This we believe was majorly impacted due to eight days long transporters strike. The YTDFY19 sales grew by 18.5% YoY to 2,94,424 units.
- The domestic sales reported 6.1% YoY growth to 67,001 units and the exports grew by 58.4% YoY to 2,062 units.

We believe Royal Enfield remains one of the fastest growing motorcycle brands in the country and the bike maker continues to be one of the most consistent motorcycle sellers. Additionally, in the next few months Royal Enfield to introduce the much awaited Continental GT 650 and Interceptor 650 globally. This we believe can be a game changer for the company in the overseas markets.

On the commercial vehicles, the company continued to report higher growth than the industry and we believe that the next leg of growth should come from the CV. It clocked sales growth of 43% YoY to 4,801 units in July 2018 despite of challenges with the new axle load limits regulation followed by transporters strike, which continued for eight days. The Eicher buses have also reported double digit growth in the last two months and this we believe was led by higher demand from school buses.

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Maruti Suzuki Sales Declined for the First Time in 19 Months

Maruti Suzuki	Jul-17	Jun-18	Jul-18	YoY (%)	MoM (%)	YTFY19	YTFY18	YoY (%)
PVs	1,53,298	1,34,036	1,52,427	-0.6%	13.7%	6,11,394	5,20,684	17.4%
LCVs	703	1,626	1,723	145.1%	6.0%	6,596	1,748	277.3%
Domestic	1,54,001	1,35,662	1,54,150	0.1%	13.6%	6,17,990	5,22,432	18.3%
Exports	11,345	9,319	10,219	-9.9%	9.7%	36,858	37,485	-1.7%
Total Sales	1,65,346	1,44,981	1,64,369	-0.6%	13.4%	6,54,848	5,59,917	17.0%

Maruti reported -0.6% sales de-growth for the month of July 2018 to 1,64,369 units. This we believe was due to a planned reduction in volumes of its mid-sized sedan 'Ciaz' and a high base in the last year's same month. The company sold just 48 units of 'Ciaz' vis-à-vis 6,377 units in July 2017 as Maruti plans to launch the facelift version of 'Ciaz' on 20th August 2018. The mid-sized sedan's sales in the past months has been impacted due to intense competition from ICOTY winner 'Verna', best in class 'City', newly launched 'Yaris' & higher GST rates. We trust that the company is going right by launching a revamped model/refresher and that should accelerate its sales in the coming months.

Another reason for the overall decline in the volumes was that during July last year, inventory stocking was unusually high as consumers had deferred purchases in the preceding months expecting a lower tax outgo post the implementation of the goods and service tax (GST) on 1st July.

The company's 'Mini' segment, which consists of Alto and WagonR declined by 10.9% YoY to 37,710 units, which we believe was due to intense competition in the lower cost segment & high base. The sales of Utility Vehicles segment saw a decline of 4.9% YoY to 24,505 units for the first time after the launch of Vitara Brezza. The only segments which reported good set of numbers is its 'Compact' and 'LCVs'. The 'Compact' segment consists of its popular cars like Swift, Baleno, Dzire, etc. Overall, for YTFY19, Maruti has reported a strong high double digit growth of 17% YoY to 6,54,848 units. It's much higher than the guidance and continued to gain the market share.

Tata Motors Continues to Gain Market Share across CVs and PVs

Tata Motors	Jul-17	Jun-18	Jul-18	YoY (%)	MoM (%)	YTFY19	YTFY18	YoY (%)
PVs - Domestic	14,933	18,213	17,079	14.4%	-6.2%	70,016	49,791	40.6%
CVs - Domestic	27,842	38,560	34,817	25.1%	-9.7%	1,46,459	93,125	57.3%
Domestic	42,775	56,773	51,896	21.3%	-8.6%	2,16,475	1,42,916	51.5%
Exports	3,441	5,246	4,971	44.5%	-5.2%	16,926	12,973	30.5%
Total Sales	46,216	62,019	56,867	23.0%	-8.3%	2,33,401	1,55,889	49.7%

The passenger vehicle growth of 14% YoY in July 2018 was much higher than its listed peers, was driven by continuing strong demand for Tiago, Tigor, Hexa and Nexon. The recently launched Nexon AMT has received a good response and is witnessing pull in the market. Also, the reported YTFY19 numbers were higher than the industry.

In July 2018, the auto industry faced challenges with the new axle load limits regulation, followed by transporters strike which continued for eight days. Despite these issues, Tata Motors continued to report double digit growth in its CVs, which grew by 25.1% YoY to 34,817 units. Although the demand for the CVs continued to remain in demand as the economy continues to grow on account of higher infrastructure growth, robust private consumption and improved industrial activities. However, we still believe that in the near-term, the CV industry sales to grow little lower as compared to its previous months majorly to get impacted by the new axle load regulations. Overall, we are cautiously optimistic on the CV industry sales.

The International markets continue to show strong growth in FY19, with overall exports in July 2018 grown by 44.5% YoY to 4,971 units. Overall, PV+CV+Exports all contributed to the robust growth for the month as well as YTFY19.

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Ashok Leyland Sales Rise 27%

Ashok Leyland	Jul-17	Jun-18	Jul-18	YoY (%)	MoM (%)	YTDFY19	YTDFY18	YoY (%)
Total Sales	11,981	15,791	15,199	26.9%	-3.7%	57,326	40,479	41.6%

Ashok Leyland's sales rose by 27% YoY to 15,199 units driven by MHCV as well as LCV segments. The MHCV segment sales grew by 22% to 10,996 units, while LCV rose by 42% YoY to 4,203 units for the month of July 2018. The company continues to post robust high double digit growth since the past four months of FY19.

Mahindra & Mahindra – A Decent Set of Performance

Mahindra & Mahindra	Jul-17	Jun-18	Jul-18	YoY (%)	MoM (%)	YTDFY19	YTDFY18	YoY (%)
PVs	21,034	18,137	19,781	-6.0%	9.1%	80,560	77,029	4.6%
CVs	15,023	19,229	19,284	28.4%	0.3%	76,224	61,476	24.0%
3Ws	3,777	4,323	5,540	46.7%	28.2%	18,545	13,832	34.1%
Domestic	39,834	41,689	44,605	12.0%	7.0%	1,75,329	1,52,337	15.1%
Exports	1,985	3,466	2,594	30.7%	-25.2%	11,971	6,661	79.7%
Total Automotive Sales	41,819	45,155	47,199	12.9%	4.5%	1,87,300	1,58,998	17.8%
Tractors	18,957	40,529	22,679	19.6%	-44.0%	1,23,463	1,03,950	18.8%
Total Sales	60,776	85,684	69,878	15.0%	-18.4%	3,10,763	2,62,948	18.2%

On a YTD basis, the sales of commercial vehicles, 3Ws as well as passenger vehicle has grown lower than its peers. On the tractor side too, although the sales rose by 18.8% YoY to 1,23,463 units, but it is far lower than the Escorts growth of 31% YoY for the same period. The only good thing we have observed is that its exports from the past four months has grown in a high double digit. Except PVs, the overall sales for the month of July 2018 remain pleasing.

Escorts July Sales Rises 3.5%

Escorts	Jul-17	Jun-18	Jul-18	YoY (%)	MoM (%)	YTDFY19	YTDFY18	YoY (%)
Domestic	5,275	9,758	5,483	3.9%	-43.8%	29,422	22,474	30.9%
Exports	143	225	127	-11.2%	-43.6%	682	505	35.0%
Total Sales	5,418	9,983	5,610	3.5%	-43.8%	30,104	22,979	31.0%

Escorts Ltd. Sold 5,610 tractors in July 2018, an increase of 3.5% YoY, while its YTDFY19 sales rose by 31% to 30,104 units, which is much higher than M&M tractor sales. The domestic sales rose by 3.9% YoY to 5,483 units, while Exports fell by 11.2% YoY to 127 units. Except July 2018, the past three months growth for Escorts has been encouraging.

The Automotive sales growth for the month of July 2018 remained healthy for all the companies with an exception for Maruti Suzuki and Eicher Motors, which have reported the numbers lower than expectations. The rural economy has contributed well to the overall sales and the sales were broad based across the segments, except passenger vehicle segment. The PV sales were impacted due to high base of last year's same month. The outlook for the commercial vehicle industry looks grim on account of new axle load norms. The sales of MHCVs might get impacted due to the new norms in the near term. On 3Ws, the volumes remain robust led by release of permits in the state of Maharashtra, Delhi and Karnataka. We expect other states to follow soon.

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Auto Sector Segmental Breakup

Auto Sector Monthly Sales Analysis	Apr-17	May-17	Jun-17	Jul-17	Apr-18	May-18	Jun-18	Jul-18	YoY (%)	MoM (%)	YTD FY19	YTD FY18	YoY (%)
Two-Wheelers													
Bajaj Auto	2,93,932	2,77,115	2,04,667	2,65,182	3,49,617	3,42,595	3,37,752	3,32,680	25.5%	-1.5%	13,62,644	10,40,896	30.9%
Hero Motocorp	5,95,706	6,33,884	6,24,185	6,23,269	6,94,022	7,06,365	7,04,562	6,79,862	9.1%	-3.5%	27,84,811	24,77,044	12.4%
Eicher upto 350 cc	56,349	55,823	58,741	60,544	70,111	68,813	68,769	63,713	5.2%	-7.4%	2,71,406	2,31,457	17.3%
Eicher 350 cc+	3,793	4,873	4,419	3,915	6,076	5,884	5,708	5,350	36.7%	-6.3%	23,018	17,000	35.4%
TVS Motors	2,41,007	2,75,426	2,68,638	2,63,336	2,93,418	2,98,135	3,01,201	3,07,856	16.9%	2.2%	12,00,610	10,48,407	14.5%
Passenger Vehicles													
M&M	19,391	20,392	16,212	21,034	21,927	20,715	18,137	19,781	-6.0%	9.1%	80,560	77,029	4.6%
Eicher Motors	1,158	1,623	1,029	1,010	929	1,570	1,427	1,163	15.1%	-18.5%	5,089	4,820	5.6%
Tata Motors - Domestic	12,827	10,855	11,176	14,933	17,235	17,489	18,213	17,079	14.4%	-6.2%	70,016	49,791	40.6%
Maruti - Passenger Cars	1,09,505	95,047	69,970	1,11,803	1,26,744	1,19,151	1,02,530	1,12,131	0.3%	9.4%	4,60,556	3,86,325	19.2%
Maruti - Utility Vehicles	20,638	22,608	13,879	25,781	20,804	25,629	19,321	24,505	-4.9%	26.8%	90,259	82,906	8.9%
Maruti - Vans	13,938	12,593	9,208	15,714	15,886	16,717	12,185	15,791	0.5%	29.6%	60,579	51,453	17.7%
Commercial Vehicles													
Eicher Motors	1,931	2,917	2,892	3,353	3,030	4,304	4,963	4,801	43.2%	-3.3%	17,098	11,093	54.1%
Tata Motors - Domestic	16,017	23,606	25,660	27,842	36,276	36,806	38,560	34,817	25.1%	-9.7%	1,46,459	93,125	57.3%
Maruti - LCV	411	428	206	703	1,544	1,703	1,626	1,723	145.1%	6.0%	6,596	1,748	277.3%
M&M - CV	15,060	16,261	15,132	15,023	18,963	18,748	19,229	19,284	28.4%	0.3%	76,224	61,476	24.0%
M&M - 3Ws	3,438	4,057	2,560	3,777	4,327	4,355	4,323	5,540	46.7%	28.2%	18,545	13,832	34.1%
Bajaj Auto	35,868	36,641	40,211	42,545	65,551	64,449	66,677	67,663	59.0%	1.5%	2,64,340	1,55,265	70.3%
TVS Motors	5,303	6,581	5,153	7,835	11,377	11,730	12,413	13,323	70.0%	7.3%	48,843	24,872	96.4%
Ashok Leyland	7,090	9,075	12,333	11,981	12,677	13,659	15,791	15,199	26.9%	-3.7%	57,326	40,479	41.6%
Domestic Sales													
Bajaj Auto	1,77,887	1,74,047	1,26,975	1,86,497	2,29,464	2,24,625	2,34,576	2,37,511	27.4%	1.3%	9,26,176	6,65,406	39.2%
TVS Motors	2,06,089	2,41,390	2,29,402	2,20,214	2,42,997	2,47,647	2,47,643	2,48,937	13.0%	0.5%	9,87,224	8,97,095	10.0%
Tata Motors	28,844	34,461	36,836	42,775	53,511	54,295	56,773	51,896	21.3%	-8.6%	2,16,475	1,42,916	51.5%
Eicher Motors	61,154	62,601	65,089	66,918	78,036	77,778	78,159	72,207	7.9%	-7.6%	3,06,180	2,55,762	19.7%
M&M	37,889	40,710	33,904	39,834	45,217	43,818	41,689	44,605	12.0%	7.0%	1,75,329	1,52,337	15.1%
Maruti Suzuki	1,44,492	1,30,676	93,263	1,54,001	1,64,978	1,63,200	1,35,662	1,54,150	0.1%	13.6%	6,17,990	5,22,432	18.3%
Export Sales													
Bajaj Auto	1,51,913	1,39,709	1,17,903	1,21,230	1,85,704	1,82,419	1,69,853	1,62,832	34.3%	-4.1%	7,00,808	5,30,755	32.0%
TVS Motors	40,221	40,617	44,389	50,957	61,798	62,218	65,971	72,242	41.8%	9.5%	2,62,229	1,76,184	48.8%
Tata Motors	2,128	3,900	3,504	3,441	3,010	3,699	5,246	4,971	44.5%	-5.2%	16,926	12,973	30.5%
Eicher Motors	2,077	2,635	1,992	1,904	2,110	2,793	2,708	2,820	48.1%	4.1%	10,431	8,608	21.2%
M&M	1,528	1,293	1,855	1,985	2,880	3,031	3,466	2,594	30.7%	-25.2%	11,971	6,661	79.7%
Maruti Suzuki	6,723	6,286	13,131	11,345	8,008	9,312	9,319	10,219	-9.9%	9.7%	36,858	37,485	-1.7%
Total Sales (Domestic+Exports)													
Hero Motocorp	5,95,706	6,33,884	6,24,185	6,23,269	6,94,022	7,06,365	7,04,562	6,79,862	9.1%	-3.5%	27,84,811	24,77,044	12.4%
Bajaj Auto	3,29,800	3,13,756	2,44,878	3,07,727	4,15,168	4,07,044	4,04,429	4,00,343	30.1%	-1.0%	16,26,984	11,96,161	36.0%
TVS Motors	2,46,310	2,82,007	2,73,791	2,71,171	3,04,795	3,09,865	3,13,614	3,21,179	18.4%	2.4%	12,49,453	10,73,279	16.4%
Tata Motors	30,972	38,361	40,340	46,216	56,521	57,994	62,019	56,867	23.0%	-8.3%	2,33,401	1,55,889	49.7%
Ashok Leyland	7,090	9,075	12,333	11,981	12,677	13,659	15,791	15,199	26.9%	-3.7%	57,326	40,479	41.6%
Eicher Motors	63,231	65,236	67,081	68,822	80,146	80,571	80,867	75,027	9.0%	-7.2%	3,16,611	2,64,370	19.8%
M&M	39,417	42,003	35,759	41,819	48,097	46,849	45,155	47,199	12.9%	4.5%	1,87,300	1,58,998	17.8%
Maruti Suzuki	1,51,215	1,36,962	1,06,394	1,65,346	1,72,986	1,75,512	1,44,981	1,64,369	-0.6%	13.4%	6,54,848	5,59,917	17.0%
Tractors													
M&M	26,151	25,749	33,093	18,957	30,925	29,330	40,529	22,679	19.6%	-44.0%	1,23,463	1,03,950	18.8%
Escorts	4,899	6,886	5,776	5,418	6,186	8,325	9,983	5,610	3.5%	-43.8%	30,104	22,979	31.0%

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