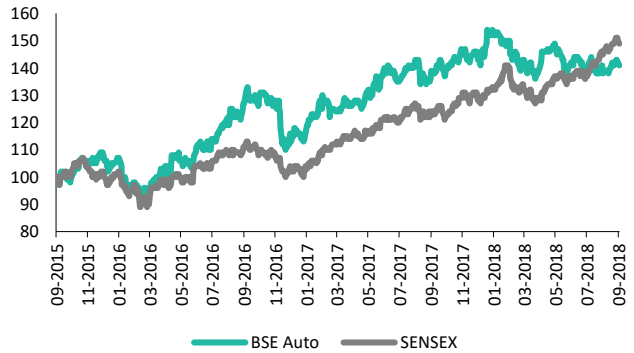




September 04, 2018

Industry	Automotive
BSE Auto	24,122
Sensex	38,185
Nifty	11,514
BSE Auto 52W H/L	27,031/23,494



The Automotive Industry for the month of August 2018 continued to paint a mixed set of picture on account of the external factors; however, we believe the core remains resilient. The passenger vehicle as well as two wheeler growth slowed down, while the commercial vehicle sales remains robust despite of the confusion on the new axle load norms. We understand that the buyers’ sentiments were impacted due to unforeseen floods in Southern India and heavy rains in other parts of the country. Apart from this, unfavourable high base effect along with increase in the fuel costs and rising interest rates added fuel to the flame.

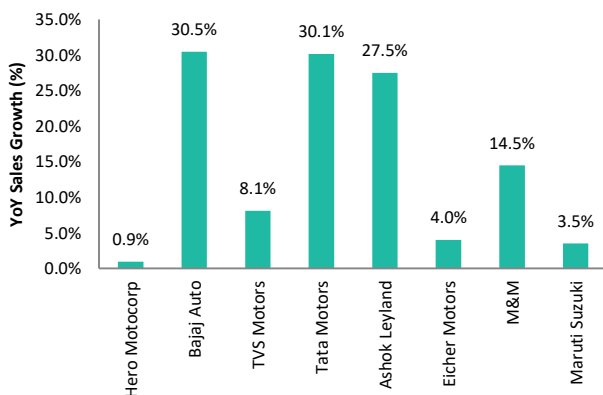
The Commercial Vehicles sales continued its growth momentum as all the CV manufacturer led by Eicher Motors reported a YoY high double digit growth on account of rise in the infrastructure projects across the country. The domestic economic activity remained strong, which was visible in the latest GDP data. This shows that the growth in the manufacturing, agriculture, construction and consumption expenditure remained buoyant. The MHCV growth across the players has shown good improvement led by increase in the government spending on infrastructure projects, affordable housing, rise in the road construction activities, etc. The LCVs has maintained its momentum led by growth in the e-commerce sector and uptick in the rural consumption. **We believe in the short term, the overall commercial vehicle segment looks blurry led by recent ban on the construction in Maharashtra, Madhya Pradesh, Uttarakhand & Chandigarh.**

The Passenger Vehicle sales too put up its brakes, as except Tata Motors the sales remained flat for most of the car makers. This was on account of rising fuel rates, hike in the car prices and heavy downpours in some parts of the country. The PV industry contributes close to 9% of sales from the state of Kerala, which remain impacted due to heavy floods. Maruti Suzuki increased the car prices by up to Rs. 6,100, M&M too was not behind in raising PVs prices by up to 2%. We believe the price revision was necessary due to steep rise in the commodity prices and some impact of forex and distribution costs.

Three Wheeler sales for all the manufacturers continued to remain healthy driven by the regulatory changes in the 3W industry. The volumes to remain strong as the Government’s decision to end the permit raj in a few states and a pick-up in exports on the back of a global revival led to a recovery in 3Ws. We believe other Indian states to follow the release of permits or end the permit raj and overall expects the domestic as well as export 3Ws momentum to continue in FY19E. **The Two Wheeler sales have seen some retardation** except-Bajaj Auto.

We think that these are some short term hiccups and the automotive industry is buoyant & should see rise in the sales in the coming months on account of festive seasons, which is well spread-out in the month of October to December. Additionally, we expect the improved rural sentiments to aid further growth.

August 2018 YoY Sales Growth



YTFDY19 YoY Sales Growth



Source: Company, NSPL Research



Bajaj Auto's High Growth Trajectory Continues

Bajaj Auto	Aug-18	Aug-17	YoY (%)	Jul-18	MoM (%)	YTD FY19	YTD FY18	YoY (%)
2Ws	3,62,923	2,83,861	27.9%	3,32,680	9.1%	17,25,567	13,24,757	30.3%
3Ws	74,169	51,170	44.9%	67,663	9.6%	3,38,509	2,06,435	64.0%
Domestic	2,55,631	2,00,659	27.4%	2,37,511	7.6%	11,81,807	8,66,065	36.5%
Exports	1,81,461	1,34,372	35.0%	1,62,832	11.4%	8,82,269	6,65,127	32.6%
Total Sales	4,37,092	3,35,031	30.5%	4,00,343	9.2%	20,64,076	15,31,192	34.8%

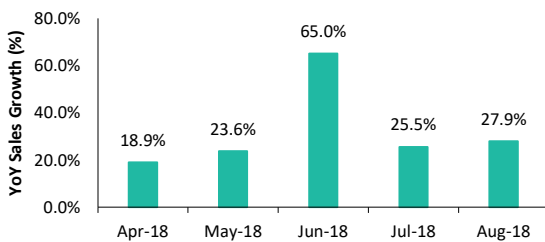
August 2018 & YTD FY19 Sales Highlights (YoY):

- Motorcycles reported a strong growth in the domestic as well as exports. The domestic motorcycle sales grew by 27% YoY to 2.18L units, while export motorcycle sales grew by 29% YoY to 1.44L units.
- Three-wheelers sales reported an increase of 28% YoY to 37K units in the domestic market and it reported highest ever monthly sales in the 3W exports sales, which grew by 67% YoY to ~37K units. The company also posted total 3Ws highest ever monthly sales for the month of August 2018.
- For YTD FY19, Bajaj Auto reported 33% YoY growth in the domestic motorcycles to 10.14L units, while the sales from exports were about 7.11L units, an increase of 27%.
- Three wheeler sales in domestic for YTD FY19 has shown a high double digit growth of about 63% to 1.67L units and the growth for the 3W exports too grew at a similar pace of 65% YoY to 1.71L units.
- Overall, we have observed that Bajaj Auto continued to report high double digit YoY growth in 2Ws as well as 3Ws.

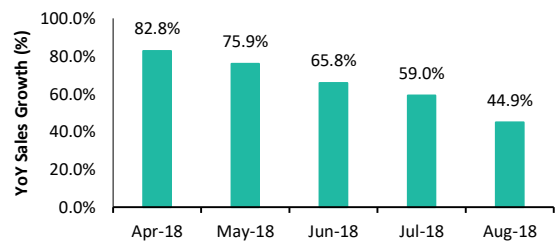
We believe Bajaj Auto should emerge as a star for FY19E as it continued to report a bumper growth in sales in each & every month of FY19. The company's Exports, Domestic 3Ws as well as 2Ws are firing very well. On 2Ws, the strategy of reducing prices in the lower CC bikes must have worked in favour of the company. Along with this, filling product gaps and successful new launches & refreshers in the past has supported the growth. We trust that 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 3Ws sales remained buoyant continued to remain healthy on account of release of permits in the states of Maharashtra, Delhi & Karnataka. In addition, the exports rebounded from the past several months led by sharp rise in the oil and commodity prices, good performance in the newer geographies and stability in the African markets. Overall, will see continued gains in the market share across its products and geographies.

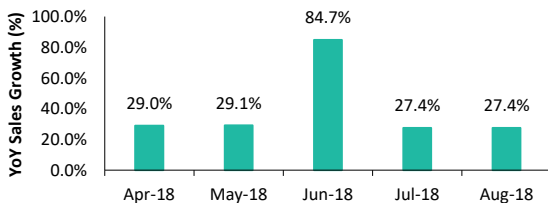
Bajaj Auto 2W Sales Trend



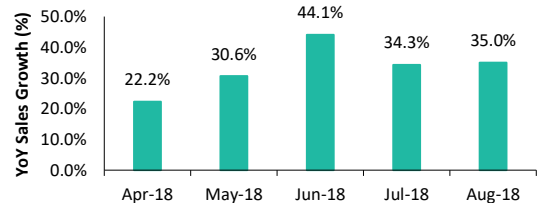
Bajaj Auto 3W Sales Trend



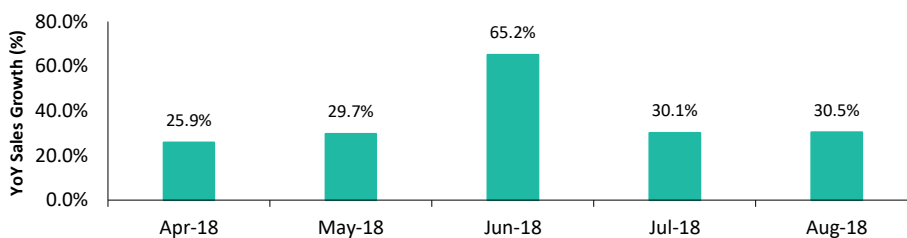
Bajaj Auto Domestic Sales Trend



Bajaj Auto Export Sales Trend



Bajaj Auto's Total Sales Trend



Source: Company, NSPL Research

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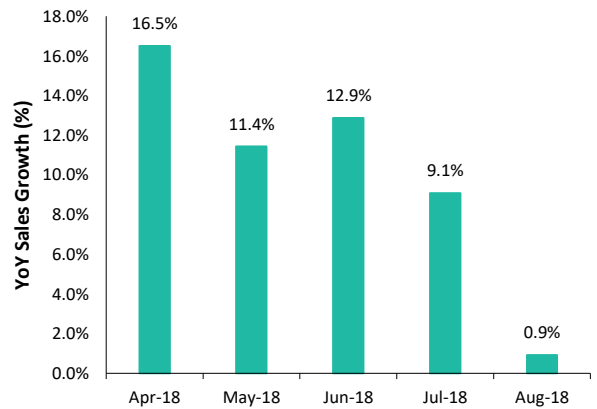


Hero Motocorp's Sales Remained Flat

Hero Motocorp	Aug-18	Aug-17	YoY (%)	Jul-18	MoM (%)	YTDFY19	YTDFY18	YoY (%)
Total Sales	6,85,047	6,78,797	0.9%	6,79,862	0.8%	34,69,661	31,41,551	10.4%

- Hero's sales were severely impacted on account of flash floods in the southern state & severe competition in the lower CC segment. However, it continued to report low double digit growth for YTDFY19.
- Overall, we have observed that Hero after posting double digit growth in the initial months FY19 has come down to high single digit in July 2018 and about 1% in August 2018.
- The company planned to launch two new 125cc scooters and the dispatch of its Xtreme 200CC motorcycle has begun, which should boost the sales in the upcoming festive seasons.
- We expect the company to maintain the lower double digit growth for the financial year FY19 on account of uptick in the rural led by normal monsoons, hike in the MSP, well spread-out upcoming festive seasons and introduction of the new models & refreshers. The risks of increasing competition, high base and unstable macros remains.

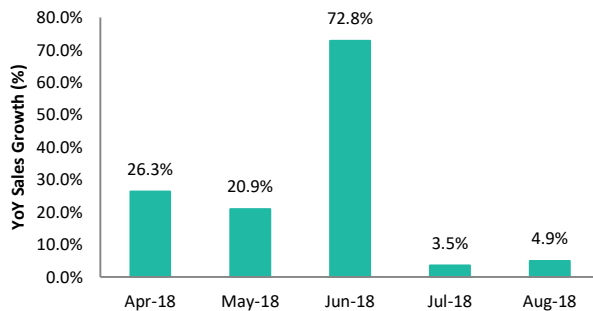
Hero Motocorp's 2W Sales



Escorts Sales Rise 5%

Escorts	Aug-18	Aug-17	YoY (%)	Jul-18	MoM (%)	YTDFY19	YTDFY18	YoY (%)
Domestic	4,674	4,398	6.3%	5,483	-14.8%	34,096	26,872	26.9%
Exports	138	189	-27.0%	127	8.7%	820	694	18.2%
Total Sales	4,812	4,587	4.9%	5,610	-14.2%	34,916	27,566	26.7%

Escorts Total Sales Trend



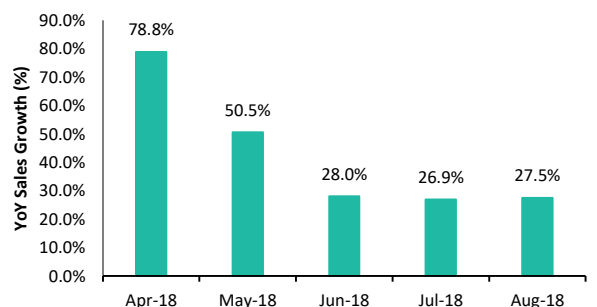
- Escorts reported healthy growth on a YTD basis, which is ahead of M&M Tractors (which reported 17% YoY growth in YTDFY19). The domestic as well as exports contributed well in the overall growth in YTDFY19.
- The company reported 4.9% YoY growth to 4,812 units in August 2018, while the growth in YTDFY19 increased by 27% YoY to 34,916 units.
- The domestic performance was good, while exports remain laggard in the month of August 2018. It reported a growth of 6.3% YoY to 4,674 units in domestic, while it de-grew by 27% YoY to 138 units in exports.

Ashok Leyland Sales Rise 27%

Ashok Leyland	Aug-18	Aug-17	YoY (%)	Jul-18	MoM (%)	YTDFY19	YTDFY18	YoY (%)
Total Sales	17,386	13,637	27.5%	15,199	14.4%	74,713	54,116	38.1%

Ashok Leyland's sales rose by 27.5% YoY to 17,386 units driven by MHCV as well as LCV segments. The MHCV segment sales grew by 24% to 13,158 units, while LCV rose by 38% YoY to 4,228 units for the month of August 2018. The company continues to post robust high double digit growth since the past five months of FY19. For YTDFY19, the MHCV and LCV sales grew by 39% & 36% to 54,801 units & 19,912 units respectively.

Ashok Leyland Sales Trend



Source: Company, NSPL Research

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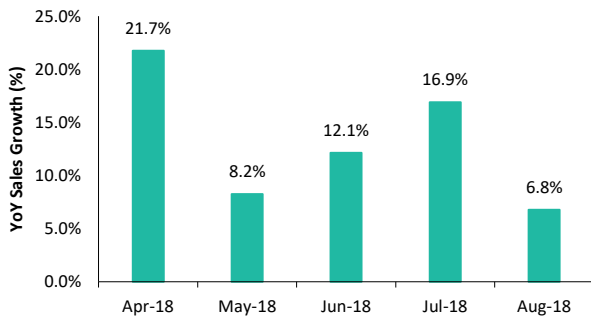


TVS Sales Rise 8%

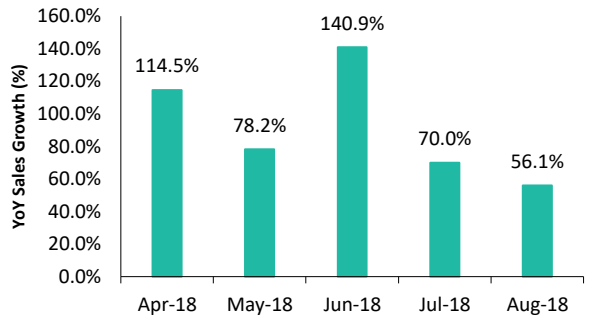
- TVS had a dull run in the month of August 2018, hit by lower domestic sales could be on account of rising competition in the 2W space and hit by heavy downpours in the southern region.
- Its 2W domestic sales grew by 1.9% YoY to 2.76L units, while exports contributed healthy, which grew by 41% YoY to 54K units. The total 2W sales increased by ~7% YoY to 3.30L units in August 2018.
- Within 2Ws, the Scooters sales increased by 11% to 1.27L units and Motorcycles grew by 18% YoY to 1.32L units.
- The company’s 3W domestic sales grew by 6% YoY to 1,501 units, while exports remained buoyant and reported a healthy 66% YoY growth to 11,640 units for the month of August 2018.
- The total domestic sales increased by 1.9% YoY to 2.77L units and exports grew well at ~45% YoY to 66K units. The overall sales increased by 8% YoY to 3.43L units.
- We have observed, although on the lower base, but the TVS 3Ws YoY growth has remained better than Bajaj’s in all the past five months of FY19.

TVS Motors	Aug-18	Aug-17	YoY (%)	Jul-18	MoM (%)	YTD FY19	YTD FY18	YoY (%)
2Ws	3,30,076	3,09,146	6.8%	3,07,856	7.2%	15,30,686	13,57,553	12.8%
3Ws	13,141	8,417	56.1%	13,323	-1.4%	61,984	33,289	86.2%
Total Sales	3,43,217	3,17,563	8.1%	3,21,179	6.9%	15,92,670	13,90,842	14.5%

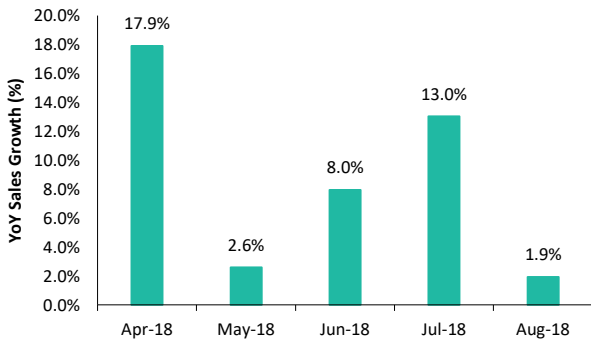
TVS Motors 2W Sales Trend



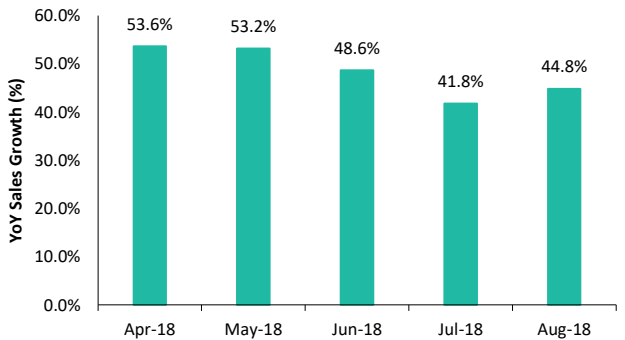
TVS Motors 3W Sales Trend



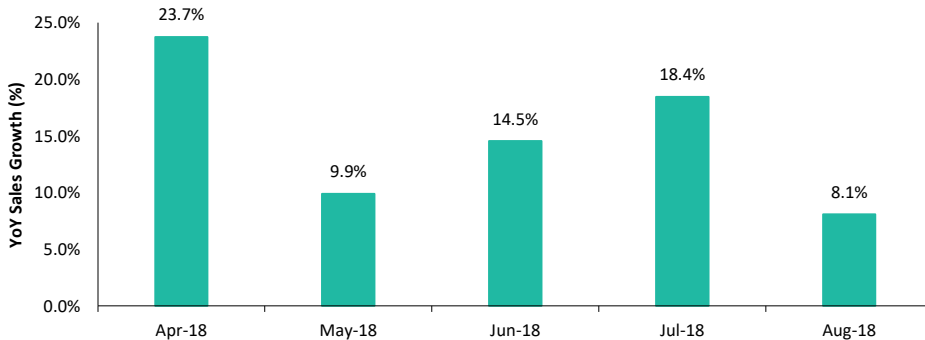
TVS Motors Domestic Sales Trend



TVS Motors Exports Sales Trend



TVS Motors Total Sales Trend



Source: Company, NSPL Research

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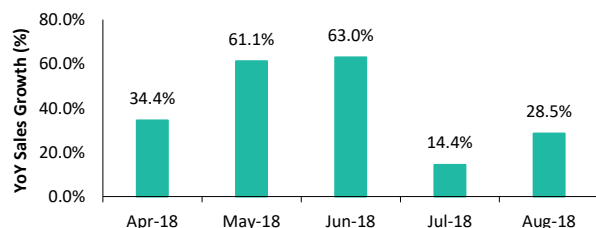


Tata Motors Continues to Gain Market Share across CVs and PVs

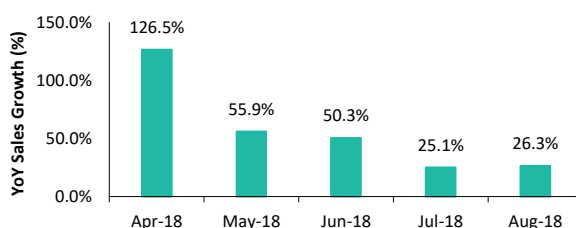
Tata Motors	Aug-18	Aug-17	YoY (%)	Jul-18	MoM (%)	YTD FY19	YTD FY18	YoY (%)
PVs – Domestic	18,420	14,340	28.5%	17,079	7.9%	88,436	64,131	37.9%
CVs – Domestic	39,859	31,566	26.3%	34,817	14.5%	1,86,318	1,24,691	49.4%
Domestic	58,279	45,906	27.0%	51,896	12.3%	2,74,754	1,88,822	45.5%
Exports	5,478	3,082	77.7%	4,971	10.2%	22,404	16,055	39.5%
Total Sales	63,757	48,988	30.1%	56,867	12.1%	2,97,158	2,04,877	45.0%

- Tata Motors continued to report a strong set of sales numbers. Its growth momentum continues with a rise in the domestic sales by 27% YoY to 58K units, led by both its passenger as well as commercial vehicles. The exports growth picked up sharply and remained healthy from the past several months (except May 2018).
- The sales for the company remained very healthy in the past five months of FY19 due to the healthy contribution from its commercial and passenger vehicles. It reported 45.5% YoY growth to 2.75L units in the domestic sales in YTD FY19.
- The domestic passenger vehicles sales reported a growth of 28.5% YoY to 18.4K units despite of a challenging month for the industry, which impacted due to heavy monsoons. All its past four launches viz. Tata Tiago, Tigor, Hexa and Nexon reported a healthy growth. The company's newly launched Nexon AMT has witnessed good response from the market. The PV sales growth was majorly led by its UV segment, which grew by 93% YoY, while the passenger car segment recorded a growth of 9% YoY.
- Tata's commercial vehicle performance remain robust on account of good performance of its widely accepted BS4 launches. The domestic CV has reported a very healthy performance in all its past five months of FY19, despite of high base and intense competition.
- The company's MHCV segment reported a 16% YoY growth to 12.7K units in August 2018 led by rise in the road construction, affordable housing, irrigation projects and the government spending on infrastructure projects. It also launched new range of trucks, which supported the growth further.
- Its I&LCV segment had seen a strong performance, which grew by 36% YoY to 5,260 units in August 2018. The growth was led by pickup in the e-commerce sector and increased rural consumption. In addition of new launches.
- The SCV and Pickup segment posted a growth of about 37% YoY aided by high private consumption-led growth and significant acceptance of its newly launched Tata Ace Gold vehicle.
- The commercial passenger carrier segment reported a growth of 9% YoY on account of good demand from school buses and vans, in addition of high demand of Ambulances.
- The International markets continue to show strong growth in FY19, with overall exports in August 2018 grown by 78% YoY to 5,478 units. Overall, PV+CV+Exports all contributed to the robust growth for the month as well as YTD FY19.

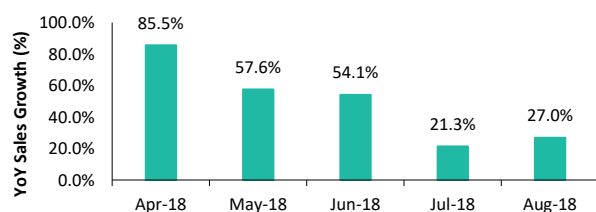
Tata Motors PV Sales Trend



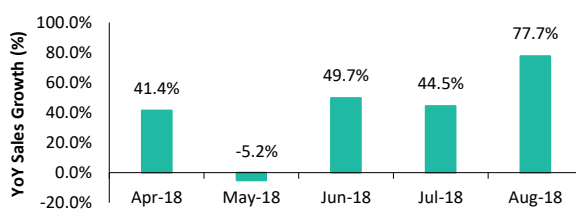
Tata Motors CV Sales Trend



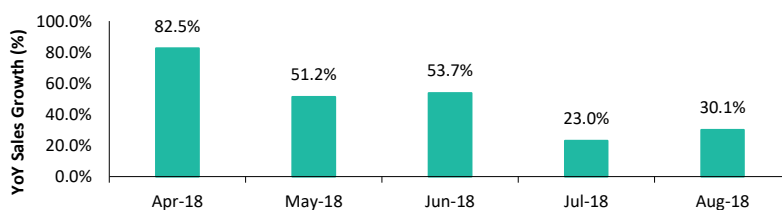
Tata Motors Domestic Sales Trend



Tata Motors Export Sales Trend



Tata Motors Total Sales Trend



Source: Company, NSPL Research

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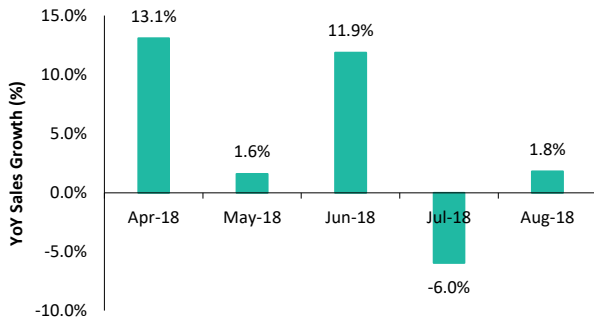
Mahindra & Mahindra – PVs remained silent, Sales uplifted by CVs

Mahindra & Mahindra	Aug-18	Aug-17	YoY (%)	Jul-18	MoM (%)	YTFY19	YTFY18	YoY (%)
PVs	19,758	19,406	1.8%	19,781	-0.1%	1,00,318	96,435	4.0%
CVs	20,326	16,303	24.7%	19,284	5.4%	96,550	77,779	24.1%
3Ws	5,289	3,906	35.4%	5,540	-4.5%	23,834	17,738	34.4%
Domestic	45,373	39,615	14.5%	44,605	1.7%	2,20,702	1,91,952	15.0%
Exports	2,951	2,592	13.9%	2,594	13.8%	14,922	9,253	61.3%
Total Automotive Sales	48,324	42,207	14.5%	47,199	2.4%	2,35,624	2,01,205	17.1%
Tractors	17,785	16,641	6.9%	22,679	-21.6%	1,41,248	1,20,591	17.1%
Total Sales	66,109	58,848	12.3%	69,878	-5.4%	3,76,872	3,21,796	17.1%

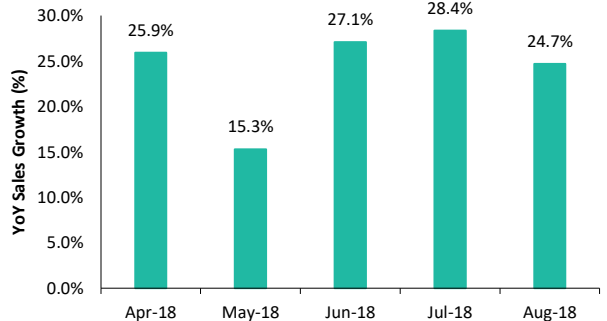
The performance of M&M’s passenger vehicles, commercial vehicles as well as three wheelers remains soft as compared to its listed peers. Even, the tractor sales growth on a YTD basis is lower than the Escorts growth. Mahindra’s exports remained very healthy in the past five months of FY19 and on a YTD basis, the YoY growth was the highest among all the listed peers. Overall, the total volumes grew in double digit in all the past five months and performance remained satisfactory.

In passenger vehicles, the sales from utility vehicles remained subdued, which de-grew by 2% YoY to 17,892 units, which we believe is due to intense competition. The overall sales of PV was supported by its cars & vans segment, which reported a healthy 62% YoY growth to 1,866 units in August 2018. In commercial vehicles, all its sub-segments viz. LCVs & MHCVs posted a good set of numbers. The 3Ws performance also remained reasonable.

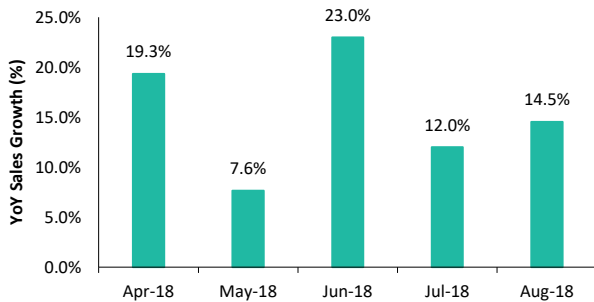
M&M PV Sales Trend



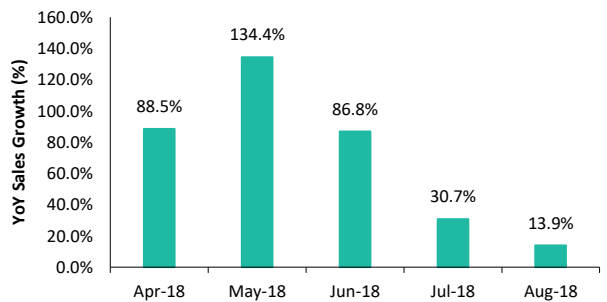
M&M CV Sales Trend



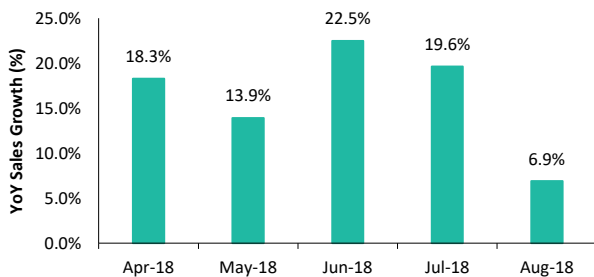
M&M Domestic Sales Trend



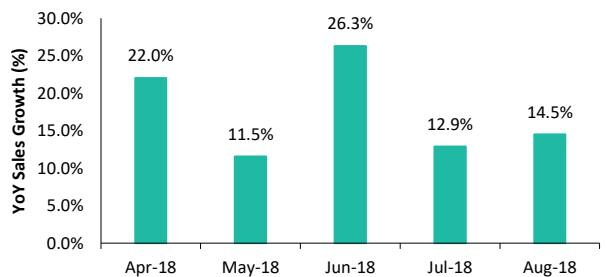
M&M Export Sales Trend



M&M Tractors Sales Trend



M&M Total Sales Trend



Source: Company, NSPL Research

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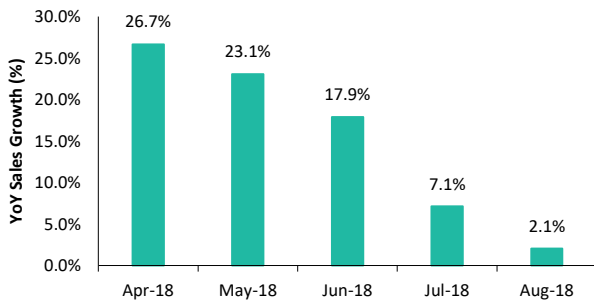
Eicher Motors Continued to report Soft RE Sales; While the CV Performance remained Robust

Eicher Motors	Aug-18	Aug-17	YoY (%)	Jul-18	MoM (%)	YTD FY19	YTD FY18	YoY (%)
Eicher upto 350 cc	65,712	63,637	3.3%	63,713	3.1%	3,37,118	2,95,094	14.2%
Eicher 350 cc+	3,665	4,340	-15.6%	5,350	-31.5%	26,683	21,338	25.0%
Total Motorcycles	69,377	67,977	2.1%	69,063	0.5%	3,63,801	3,16,432	15.0%
Buses	863	855	0.9%	1,163	-25.8%	5,952	5,675	4.9%
CVs	5,206	3,716	40.1%	4,801	8.4%	22,408	14,842	51.0%
Total Sales	75,446	72,548	4.0%	75,027	0.6%	3,92,161	3,36,949	16.4%

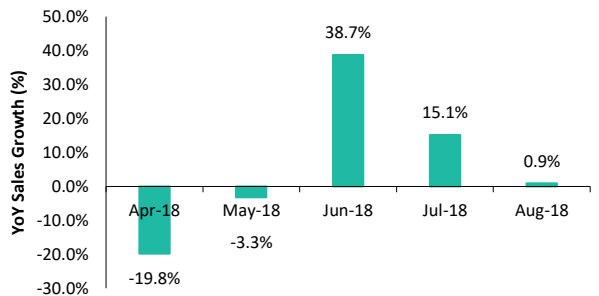
The RE sales reported a subdued number in August as it just grew by 2% YoY to 69K units. We understand that there were certain supply constraints with respect to the rear-disc brakes, which impacted the overall dispatches of the motorcycles. The supplies are expected to ramp-up in the coming months. In addition to this, the floods in Kerala has washed away its overall sales growth for this month and increasing competition has also played a role in it. The huge disappointment was from RE>350cc+ bikes, which de-grew by ~16% YoY to 3,665 units in August 2018, while the sales of RE up to 350cc bikes just grew by 3% YoY to 65.7K Units.

On the other side, the commercial vehicle sales continued to remain very healthy and its last three months YoY growth was much ahead of its listed peers. We continue to trust that the next leg of growth for Eicher would come from its commercial vehicles. In YTD FY19, the CV segment reported a robust 51% YoY growth to 22,408 units. The performance of Eicher’s buses remained mixed in the past months of FY19.

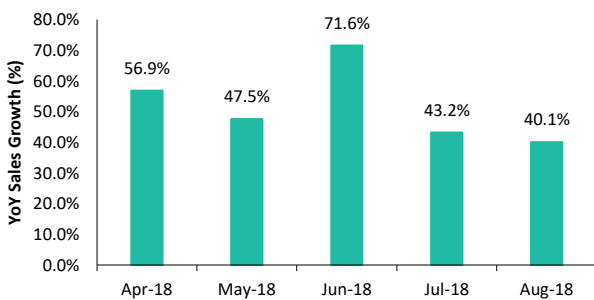
Royal Enfield Sales Trend



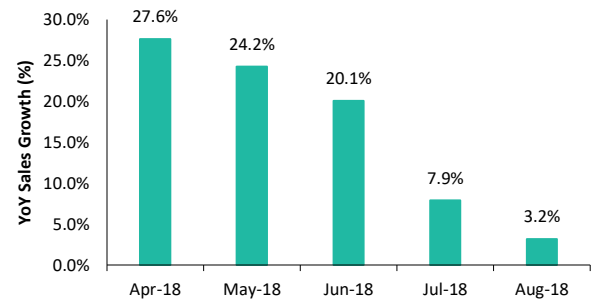
Eicher Motors PV Sales Trend



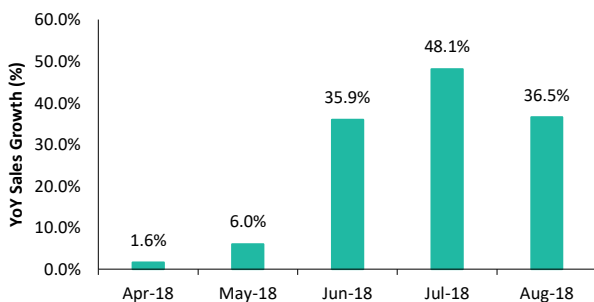
Eicher Motors CV Sales Trend



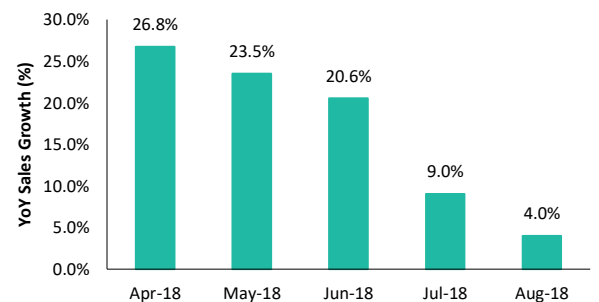
Eicher Motors Domestic Sales Trend



Eicher Motors Export Sales Trend



Eicher Motors Total Sales Trend



Source: Company, NSPL Research

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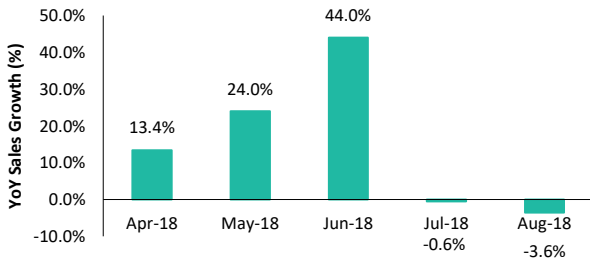
Maruti Suzuki Hits the Speed Bump in July & August 2018

Maruti Suzuki	Aug-18	Aug-17	YoY (%)	Jul-18	MoM (%)	YTFY19	YTFY18	YoY (%)
PVs	1,45,895	1,51,270	-3.6%	1,52,427	-4.3%	7,57,289	6,71,954	12.7%
LCVs	1,805	730	147.3%	1,723	4.8%	8,401	2,478	239.0%
Domestic	1,47,700	1,52,000	-2.8%	1,54,150	-4.2%	7,65,690	6,74,432	13.5%
Exports	10,489	11,701	-10.4%	10,219	2.6%	47,347	49,186	-3.7%
Total Sales	1,58,189	1,63,701	-3.4%	1,64,369	-3.8%	8,13,037	7,23,618	12.4%

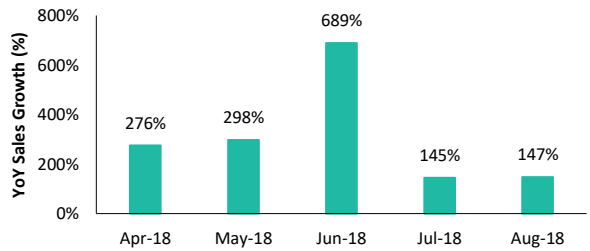
Maruti’s July 2018 sales declined by 1% YoY, while the sales were lower by 3% YoY in August 2018. The July 2018 sales were impacted led by higher base, planned inventory de-stocking and higher competition. The August sales were lower on account of deluge in Kerala and heavy rains in other parts of the country. Its nearest rival also reported a slowdown in the domestic sales. The buyer’s sentiments were impacted on account of rising fuel costs and higher interest rates. Apart from this, Maruti and other car makers raised the prices of vehicles to offset the increase in commodity prices, distribution costs and foreign exchange rates.

- All the sub-segments in passenger vehicles reported a negative growth on a YoY basis, except its ‘Mini’ segment, which consists of Alto & WagonR posted a near flattish performance.
- The company’s Mini segment reported a growth of 1.3% YoY to 35,895 units in August 2018, while YTFY19 sales remained depressed, which reported a de-growth of 1.4% YoY to 1,78,644 units. We believe the performance was impacted on account of higher competition in the lower cost segment vehicles, high base and buyers’ are turning more towards compact SUVs.
- The Compact segment, which consists of its popular cars like Swift, Celerio, Ignis, Baleno & Dzire de-grew by 3.6% YoY to 71,364 units in August 2018. While, the YTFY19 performance remained robust, which shown a growth of 29.4% YoY to 3,78,404 units.
- Maruti’s Mid-size segment, which has only one car in it ‘Ciaz’ has posted a 8.4% YoY growth to 7,002 units. In YTFY19, the sales decelerated by ~38% YoY to 17,769 units. The YTD sales declined due to intense competition from Verna, City & Yaris. We think the refresher model of Ciaz should work well for Maruti in the coming months.
- The sales of its Utility segment (S-Cross, Brezza, Ertiga & Gypsy) declined for the 2nd month in a row by 16.2% to 17,971 units in August 2018.
- The only segment which continues to show triple digit growth in all the past five months of FY19 was its LCV division. It reported a 147% YoY growth to 1,805 units in August 2018, while shown a growth of about 239% YoY to 8,401 units in YTFY19.

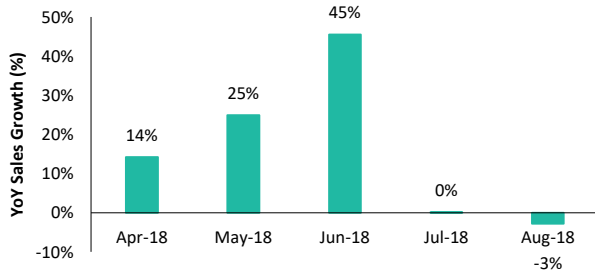
Maruti Passenger Vehicle Sales Trend



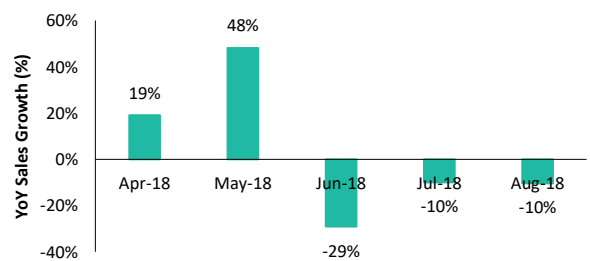
Maruti LCV Sales Trend



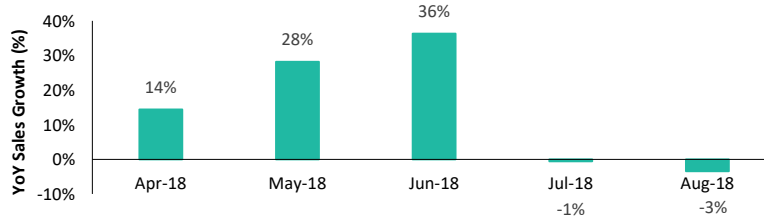
Maruti Domestic Sales Trend



Maruti Export Sales Trend



Maruti Total Sales Trend



Source: Company, NSPL Research

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Has research analyst or NSPL or its associates received any compensation for investment banking or merchant banking or brokerage services from the subject company in the past 12 months	NO
Has research analyst or NSPL or its associates received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past 12 months	NO
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Other disclosures	NO

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