



No Festive Cheers; Muted Journey Continues for Auto Makers

On the expected lines, the Automotive Industry reported a faint set of numbers in November 2018. The month of October 2018 was a little better due to heavy wholesales on the expectation of a better festive season, but, based on our dealers check, we understand that the 42 days long season started on a very weak note, however, it picked up gradually towards the end, but still closed in a negative zone. The dealers clearly indicated poor retail sales on a YoY basis, which resulted in higher inventories and lower dispatches in the month gone-by. The automotive retail sales in 2018 festive season was at 20,49,391 units vis-à-vis 23,01,986 units in 2017 festivals, a decline of 11% YoY. The ultimate hit was on the passenger vehicles, while the picture for two wheeler makers remained mix and commercial vehicles, especially MHCVs posted a negative growth for the first time in YTD FY19.

The Passenger Vehicle industry posted a negative growth in November 2018 majorly due to subdued buyers' sentiments on account of a) Higher insurance costs; b) Hike in the vehicle prices; c) NBFCs liquidity crunch; d) Higher fuel prices; e) Increase in the interest rates; and f) No new major launches. This has led to a higher inventory build up and hence a decline in the November 2018 wholesales. The last few months were challenging for the PV makers. Due to adverse macroeconomic conditions, which led to poor buying sentiments and a volatility in the fuel prices, we believe one-two more soft months is in the making going ahead.

The Two Wheelers performance remains mixed for the month as on one side Bajaj Auto and TVS Motors surged ahead, while on the other side, Hero reported a near flattish number and Royal Enfield continued its dismal performance. Already an increase in the ownership costs has led to a deferral in the purchase, we expect a further price rise in the quarters ahead on account of the CBS/ABS implementation and majorly due to the implementation of BS6. These are the short-lived headwinds, as the demand drivers remain intact and will see huge pre-buying in H2 FY20 before BS6.

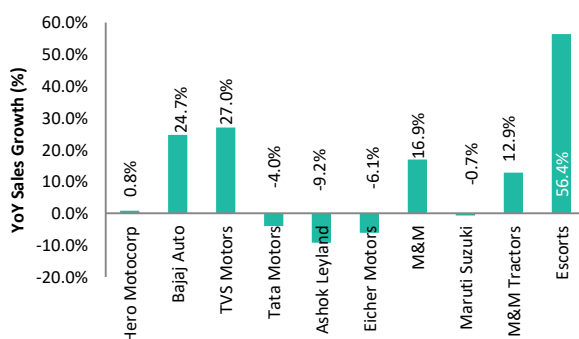
The Commercial Vehicle industry for the first time posted a negative growth majorly on account of a squeeze in the liquidity as the financiers are micro analysing the transporters before disposing off the loans. In addition to it, the higher interest rates and fuel prices have played a role in suppressing the demand. The reduction in the freight costs also added fuel to the flame. The MHCV sub-segment was majorly impacted this month due to deferral in purchases. The LCVs & SCVs has driven the whole demand for the commercial vehicles in November due to strong demand for the last mile connectivity, farm loan waivers, MSP hikes has led to improved demand in the rural areas. In addition, the new launches are supporting the demand. The bus segment remained lower for the industry due to slowdown in the procurement by STUs and lower permits for private hiring.

Three wheelers after posting a very high double digit growth in the past several quarters, continue to see some fatigue on the YoY growth numbers. However, the average monthly numbers increased substantially from ~20,000 per month in YTD FY18 to ~29,000 per month in YTD FY19. We believe the current run-rate for the industry to sustain in FY19 and might positively surprise in FY20 as the release of new permits and hopes of scrapping of permit raj in several states.

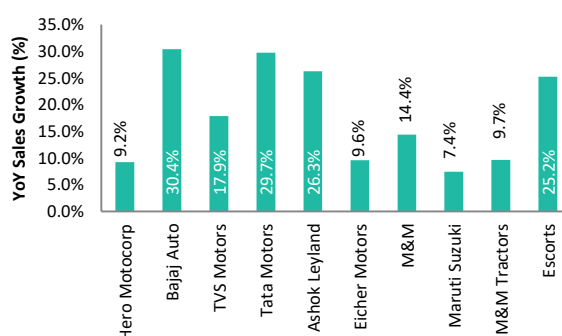
Tractors: The availability of finance, MSP hike, Loan waivers and a Healthy demand have led to continued good performance in the tractors sales. We have noticed that in most of the months in YTD FY19, Escorts performance has been much better than M&M Tractors. Escorts continue to outperform the industry growth and thus gaining market share.

The Stars of the Month in 2W space: Bajaj Auto remained the top performer (which is also our top pick) as all its products as well as geographies are firing well. **On the passenger vehicle side,** although the industry has reported negative growth, however M&M has posted a minor growth and hence remained positive for the month. **On the commercial vehicles,** M&M is clearly a star majorly due to its high dependence on its LCV division, which posted a good set of numbers. **On the three wheeler space,** TVS Motors posted a high double digit growth mainly due to higher growth in its export segment; offset by a decline in domestic. **Overall for the month,** TVS Motors, followed by Bajaj Auto and M&M has led the pack in November 2018.

November 2018 YoY Sales Growth



YTD FY19 YoY Sales Growth



Source: NSPL Research, Company, FADA

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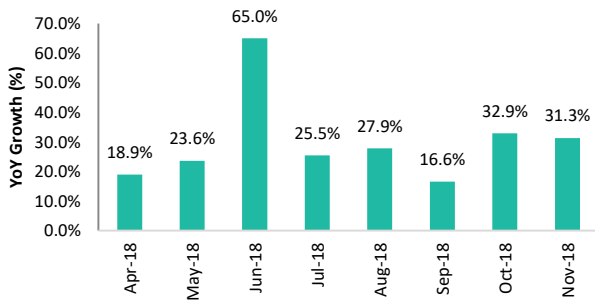


Bajaj Auto's High Growth Trajectory Continues

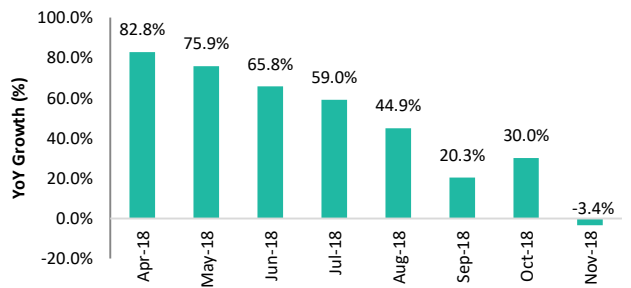
Bajaj Auto	Nov-18	Nov-17	YoY (%)	Oct-18	MoM (%)	YTFY19	YTFY18	YoY (%)
2Ws	3,46,544	2,63,970	31.3%	4,32,985	-20.0%	29,36,035	22,84,183	28.5%
3Ws	60,386	62,488	-3.4%	73,714	-18.1%	5,43,679	3,84,683	41.3%
Domestic	2,34,818	1,79,835	30.6%	3,19,942	-26.6%	20,48,070	15,74,889	30.0%
Exports	1,72,112	1,46,623	17.4%	1,86,757	-7.8%	14,31,644	10,93,977	30.9%
Total Sales	4,06,930	3,26,458	24.7%	5,06,699	-19.7%	34,79,714	26,68,866	30.4%

- Bajaj remains our top pick in the automotive space** as all its products as well as geographies are performing very well. In all the months of FY19, the YoY growth in the motorcycle numbers were in double digit & much higher as compared to all its peers. Hence, it continues to gain the market share. Bajaj's new models/refreshers, attractive schemes and discounts managed to attract buyers.
- On the 3Ws side**, after posting very high double digit growth in the past several quarters, we continue to see some fatigue on the YoY growth numbers. However, this was on the expected lines and believe the monthly run-rate to sustain at this level in FY19E.

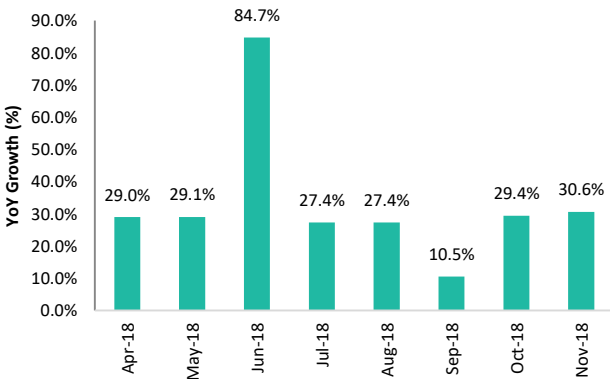
Bajaj Auto 2W Sales Trend



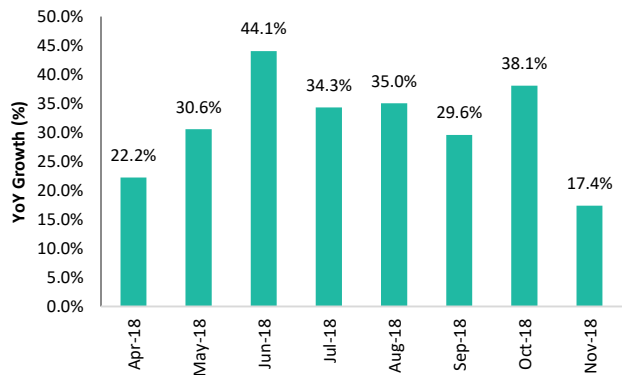
Bajaj Auto 3W Sales Trend



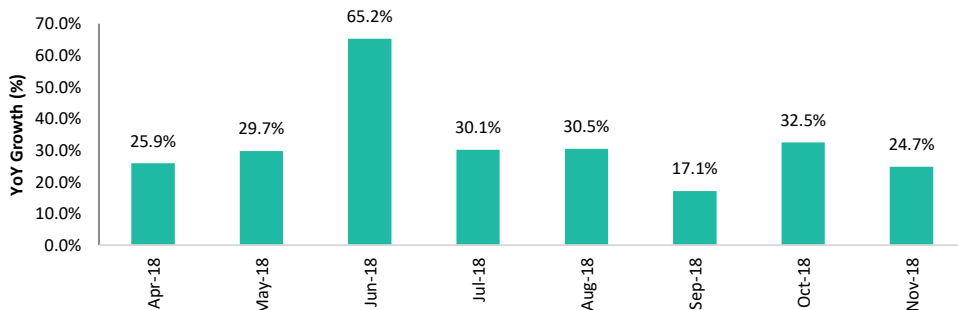
Bajaj Auto Domestic Sales Trend



Bajaj Auto Export Sales Trend



Bajaj Auto's Total Sales Trend



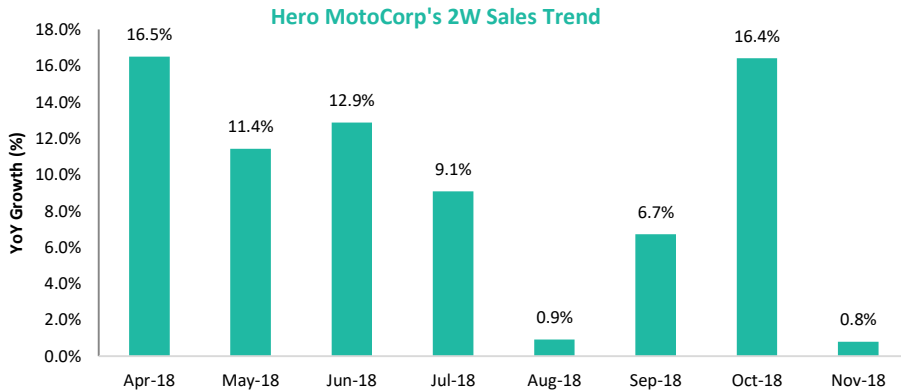
*Source: Company, NSPL Research



Hero MotoCorp Skids in a Slow Lane

Hero MotoCorp	Nov-18	Nov-17	YoY (%)	Oct-18	MoM (%)	YTFY19	YTFY18	YoY (%)
Total Sales	6,10,252	6,05,270	0.8%	7,34,668	-16.9%	55,83,916	51,12,955	9.2%

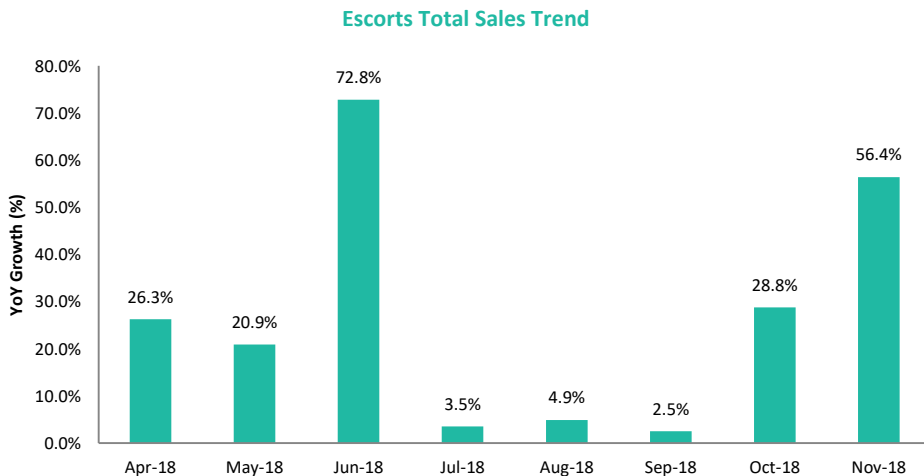
- Hero MotoCorp started the year with a high double digit growth, however, the growth has halted in the recent month on account of changes in the insurance costs, which led to subdued sentiments and a poor festive season.
- We believe the company will be able to sustain the average monthly run-rate and end the year in a high single digit (in-line with the industry). The growth will be supported by uptick in the rural sentiments, new launches/refreshers and attractive schemes.



Escorts Continue to Report Better Numbers than its Peers

Escorts	Nov-18	Nov-17	YoY (%)	Oct-18	MoM (%)	YTFY19	YTFY18	YoY (%)
Domestic	7,641	4,941	54.6%	12,867	-40.6%	65,000	51,958	25.1%
Exports	364	178	104.5%	273	33.3%	1,678	1,285	30.6%
Total Sales	8,005	5,119	56.4%	13,140	-39.1%	66,678	53,243	25.2%

- The company has been reporting better numbers than its peers and eventually gaining market share. This is on account of strong growth in its *Powertrac* series, higher A&P activities and improving its penetration levels.
- The discounts are higher, although the inventory levels are at normal levels. The financiers are able to provide timely loans.



*Source: Company, NSPL Research

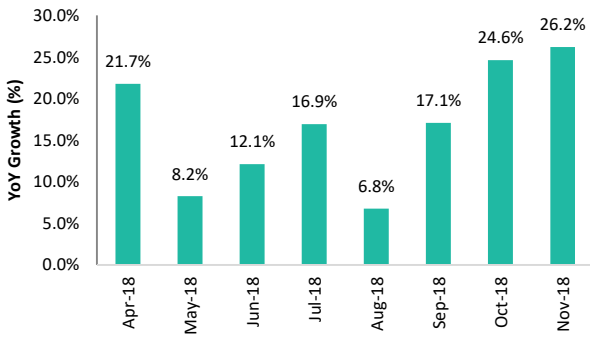


TVS Motors – Swiftly Moving Higher

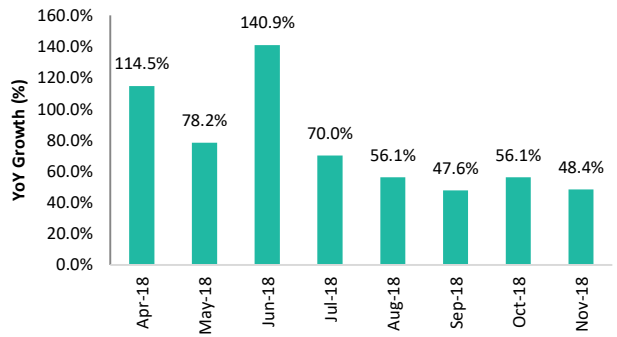
TVS Motors	Nov-18	Nov-17	YoY (%)	Oct-18	MoM (%)	YTFDY19	YTFDY18	YoY (%)
2Ws	3,07,142	2,43,323	26.2%	3,84,307	-20.1%	26,32,831	22,60,094	16.5%
3Ws	12,823	8,642	48.4%	14,120	-9.2%	1,02,209	59,974	70.4%
Total Sales	3,19,965	2,51,965	27.0%	3,98,427	-19.7%	27,35,040	23,20,068	17.9%

- **All the cylinders are firing well for TVS Motors** as it continues to post a robust set of number every month. TVS Motors is back in its Mojo as the 2Ws domestic as well as exports reported double digit growth in these challenging times too, while 3W exports is in high double digit.
- **On the other side, the 3W domestic industry is showing signs of a fatigue** after posting high double digit growth for the several quarters. The average monthly numbers are much higher in YTFDY19 vs. YTFDY18 and believe this run-rate should sustain going ahead. We expect the release of new permits and gradually moving into no-permit zone in the coming years will boost the 3W demand.

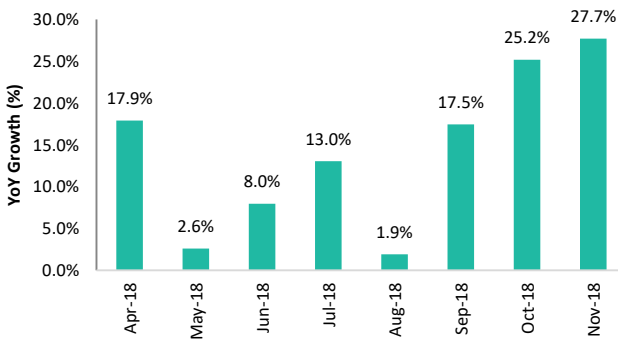
TVS Motors 2W Sales Trend



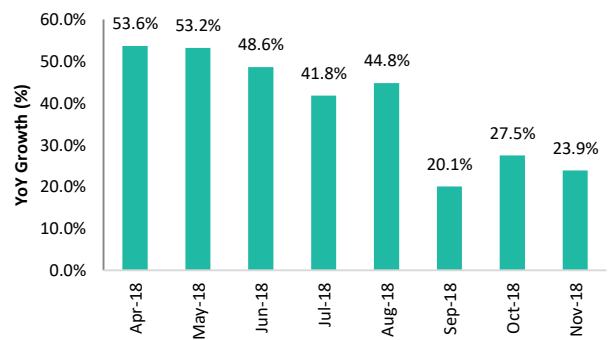
TVS Motors 3W Sales Trend



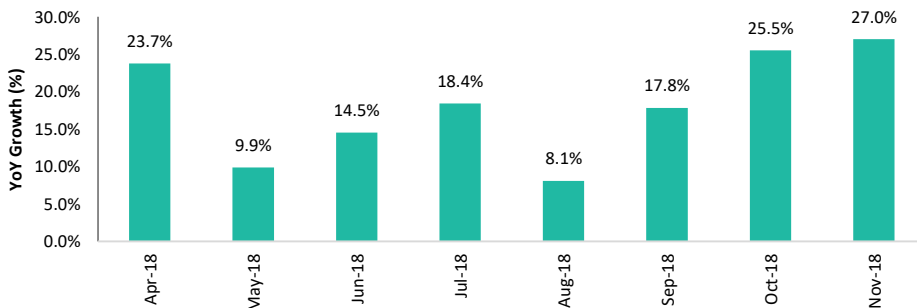
TVS Motors Domestic Sales Trend



TVS Motors Exports Sales Trend



TVS Motors Total Sales Trend



*Source: Company, NSPL Research



Tata Motors Slips into Red Zone for the First Time

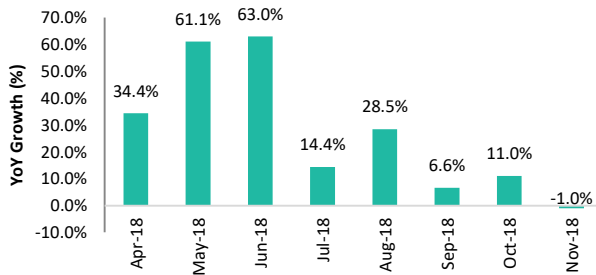
Tata Motors	Nov-18	Nov-17	YoY (%)	Oct-18	MoM (%)	YTD FY19	YTD FY18	YoY (%)
PVs - Domestic	16,982	17,157	-1.0%	18,290	-7.2%	1,42,137	1,15,049	23.5%
CVs - Domestic	33,488	35,307	-5.2%	39,420	-15.0%	3,05,395	2,29,088	33.3%
Domestic	50,470	52,464	-3.8%	57,710	-12.5%	4,47,532	3,44,137	30.0%
Exports	4,604	4,927	-6.6%	4,554	1.1%	36,812	29,180	26.2%
Total Sales	55,074	57,391	-4.0%	62,264	-11.5%	4,84,344	3,73,317	29.7%

The passenger vehicle segment has reported double digit growth in the past seven months of FY19, however, it skids to a negative zone in the month of November on account of adverse macro-economic conditions, which led to deferral in purchases. The month of December generally is weaker as it comes post festive season. However, we trust, these are short-lived headwinds as the company's recently launched vehicles viz Tiago NRG, Nexon KRAZ, Tigor, etc will continue to showcase superior performance and the company too is receiving an overwhelming response for its upcoming Harrier model. Attractive schemes and better service is the only way in these challenging times.

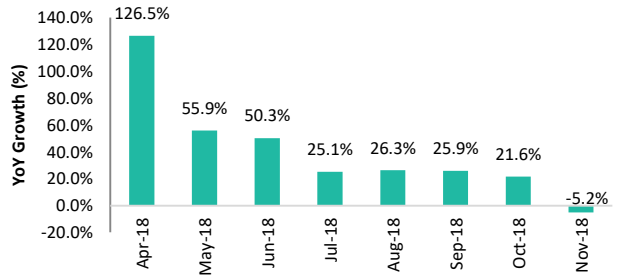
The commercial vehicle segment always posted a high double digit growth in the past several months, however, in November, it reported a decline of 5% YoY on account of subdued consumer sentiments, which led to postponement of purchases. The MHCV was the only big segment, which declined by 24% YoY in November. The increase in the axle load norms also resulted in a decline in the volumes for the company. The commercial passenger carrier (Buses) reported 3% de-growth, impacted due to the slowdown in the procurement of buses by state transport units and the permits for private hiring. On the other side, tipper segment, I&LCVs, SCVs continues to report positive growth number for the month, on account of robust infrastructural activities, new launches and high demand for the last mile connectivity.

The exports remain volatile and is declined by 7% YoY in November 2018 on account of a decrease in the demand in Bangladesh and political uncertainty in Sri Lanka.

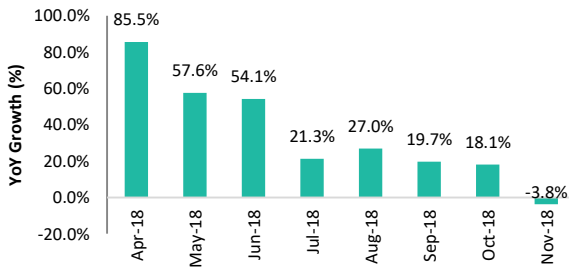
Tata Motors PV Sales Trend



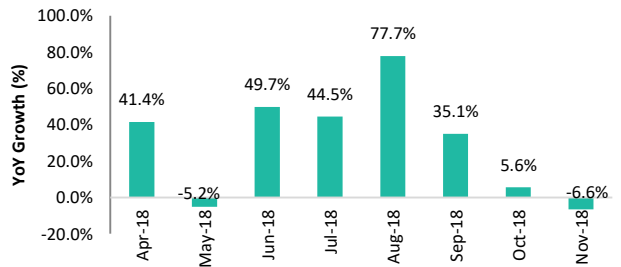
Tata Motors CV Sales Trend



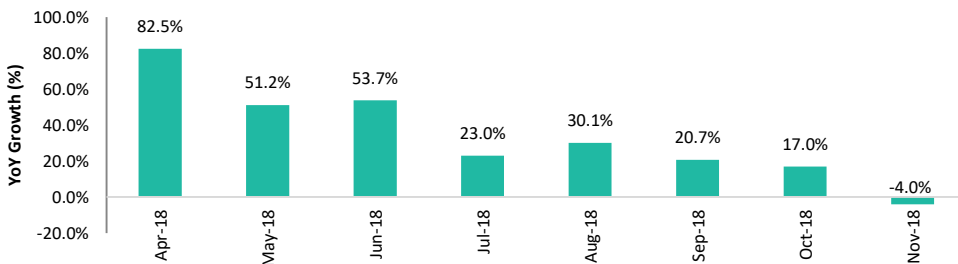
Tata Motors Domestic Sales Trend



Tata Motors Export Sales Trend



Tata Motors Total Sales Trend



*Source: Company, NSPL Research

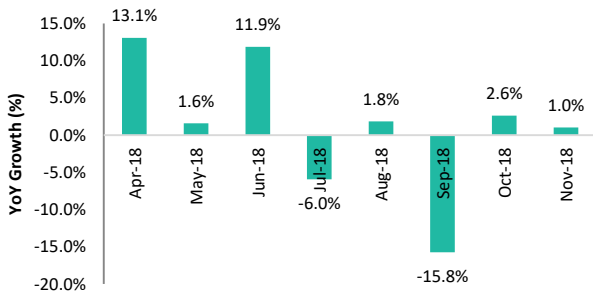


Mahindra & Mahindra – PVs remained silent, LCVs & Exports remain the Backbone

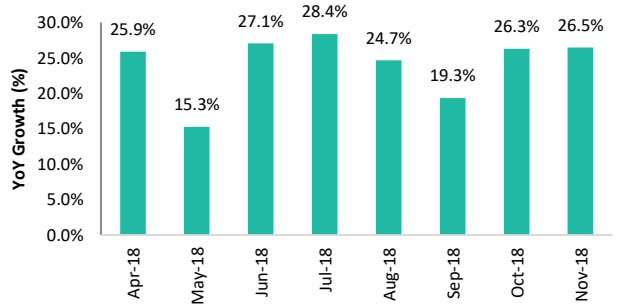
Mahindra & Mahindra	Nov-18	Nov-17	YoY (%)	Oct-18	MoM (%)	YTD FY19	YTD FY18	YoY (%)
PVs	16,188	16,030	1.0%	24,066	-32.7%	1,61,983	1,61,332	0.4%
CVs	19,673	15,554	26.5%	24,353	-19.2%	1,63,493	1,31,817	24.0%
3Ws	5,703	4,455	28.0%	6,931	-17.7%	43,408	34,247	26.7%
Domestic	41,564	36,039	15.3%	55,350	-24.9%	3,68,884	3,27,396	12.7%
Exports	3,537	2,531	39.7%	3,066	15.4%	25,279	17,291	46.2%
Total Automotive Sales	45,101	38,570	16.9%	58,416	-22.8%	3,94,163	3,44,687	14.4%
Tractors	25,949	22,994	12.9%	47,376	-45.2%	2,52,154	2,29,935	9.7%
Total Sales	71,050	61,564	15.4%	1,05,792	-32.8%	6,46,317	5,74,622	12.5%

- **M&M’s passenger vehicles** growth remained flattish in November and YTD FY19 on account of increase in the competition in the UV space. The YoY sales growth remained very volatile in each month.
- On the other side, **the company’s commercial vehicle segment** is majorly dependent on its LCVs, as 97% of the CV sales comes from it. The LCVs growth remains robust, which grew by 29% YoY in November 2018, while it reported a subpar performance in MHCV, which de-grew by 20% YoY for the same period.
- The **3Ws** trend in each month remains robust as it continues to post high double digit growth in it. Similarly, all other OEMs are reporting very volatile number on its export side, however, **M&M’s export** came in as a surprise as it always posts high double digit growth numbers every month and the outlook too remains positive.

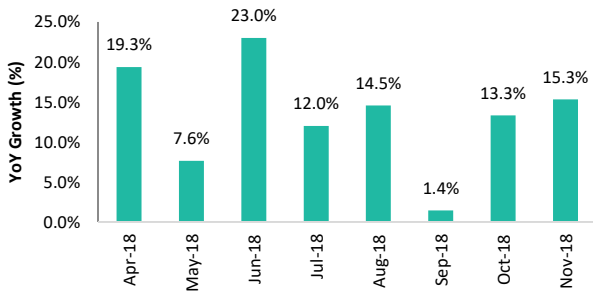
M&M PV Sales Trend



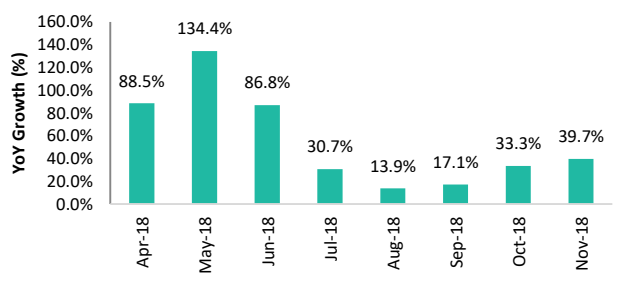
M&M CV Sales Trend



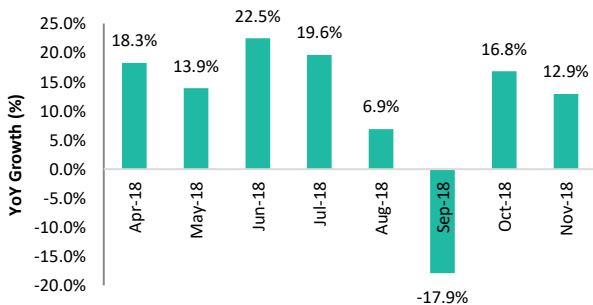
M&M Domestic Sales Trend



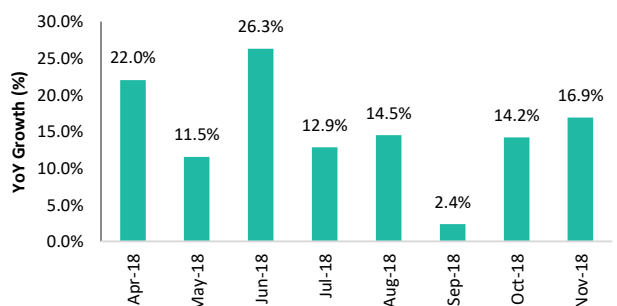
M&M Export Sales Trend



M&M Tractors Sales Trend



M&M Total Sales Trend



*Source: Company, NSPL Research

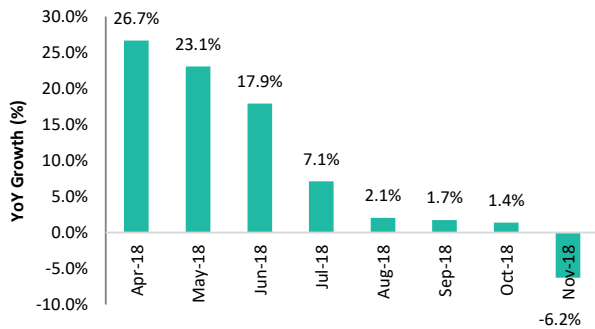


Cheerless Performance Continues from Eicher Motors

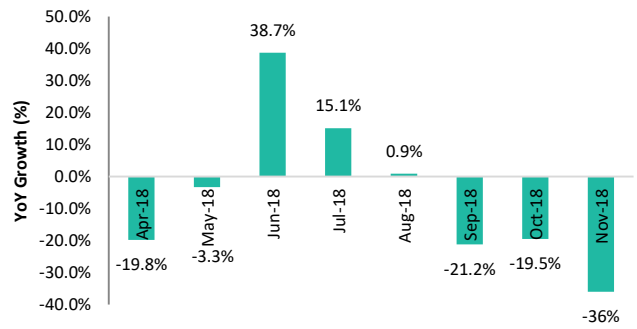
Eicher Motors	Nov-18	Nov-17	YoY (%)	Oct-18	MoM (%)	YTD FY19	YTD FY18	YoY (%)
Eicher up to 350 cc	61,890	65,751	-5.9%	67,484	-8.3%	5,34,074	4,92,158	8.5%
Eicher 350 cc+	3,854	4,375	-11.9%	2,967	29.9%	37,584	34,325	9.5%
Total Motorcycles	65,744	70,126	-6.2%	70,451	-6.7%	5,71,658	5,26,483	8.6%
Buses	388	606	-36.0%	549	-29.3%	7,587	7,849	-3.3%
CVs	4,332	4,310	0.5%	5,431	-20.2%	38,032	28,862	31.8%
Total Sales	70,464	75,042	-6.1%	76,431	-7.8%	6,17,277	5,63,194	9.6%

- **Royal Enfield’s up to 350cc, exceeding 350cc as well as exports declined on a YoY basis for the month of November 2018.** This was majorly hit by the strike in its Chennai plant, demand fatigue and rising competition in the premium segment motorcycle.
- The company said **the total loss of production was 28,000 units during the strike**, which lasted for 50 days starting 24th of Sept 2018. Since 13th November, the plant is operational at its full capacity.
- **We are very optimistic on the company in the medium term** as Eicher Motors creates market and peers follow it, the new exciting product launches and eventual candidate to break the duopoly of Tata Motors and Ashok Leyland in the MHCV space.

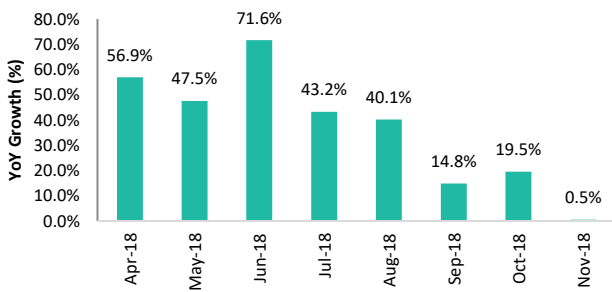
Royal Enfield Sales Trend



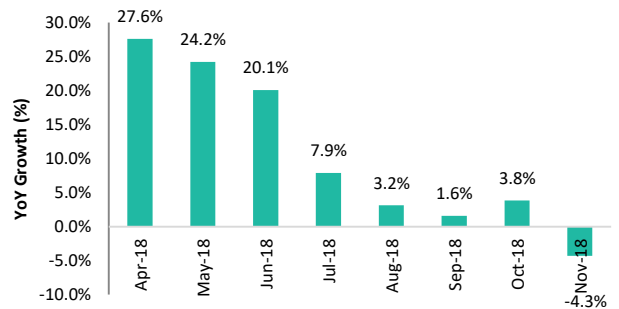
Eicher Motors PV Sales Trend



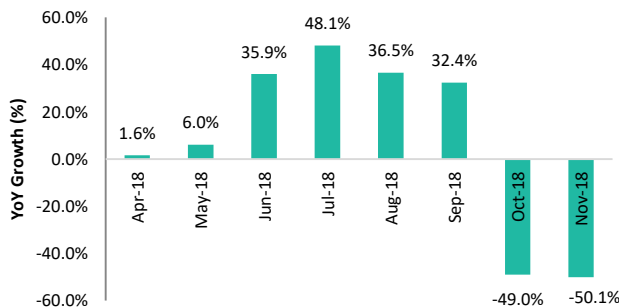
Eicher Motors CV Sales Trend



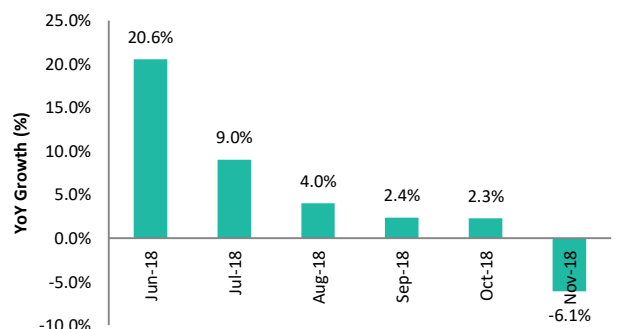
Eicher Motors Domestic Sales Trend



Eicher Motors Export Sales Trend



Eicher Motors Total Sales Trend



*Source: Company, NSPL Research

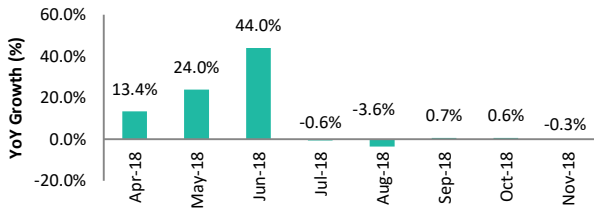


Maruti Suzuki – Leader Clearly in a Pain

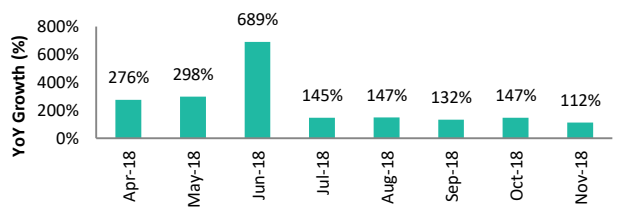
Maruti Suzuki	Nov-18	Nov-17	YoY (%)	Oct-18	MoM (%)	YTD FY19	YTD FY18	YoY (%)
PVs	1,43,890	1,44,297	-0.3%	1,35,948	5.8%	11,88,639	11,01,900	7.9%
LCVs	2,128	1,003	112.2%	2,152	-1.1%	14,719	5,232	181.3%
Domestic	1,46,018	1,45,300	0.5%	1,38,100	5.7%	12,03,358	11,07,132	8.7%
Exports	7,521	9,300	-19.1%	8,666	-13.2%	72,274	80,603	-10.3%
Total Sales	1,53,539	1,54,600	-0.7%	1,46,766	4.6%	12,75,632	11,87,735	7.4%

- The PV leader continued to post dull performance since the past five months led by various reasons, starting from Kerala floods to subdued consumer sentiments in the recent festive season. Its major segment ‘Mini’, which consists of its popular cars like *Alto* and *WagonR* reported 21.6% YoY drop in November, while on the other side ‘Compact’ segment reported 10.8% YoY growth for the same period and the UV segment posted 1.9% YoY growth. This we believe is the shift from the low cost cars to compact & mid-sized segments. The newly launched ‘*Ciaz*’ continue to disappoint in taking up its sales, while LCVs reporting robust triple digit growth for several months now.

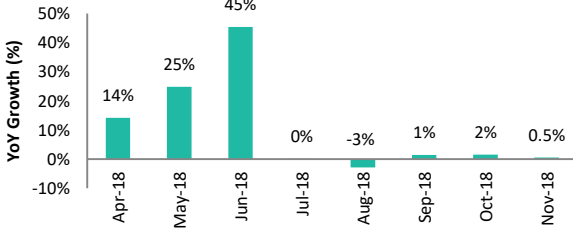
Maruti Passenger Vehicle Sales Trend



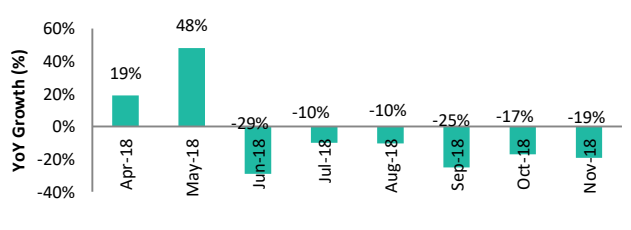
Maruti LCV Sales Trend



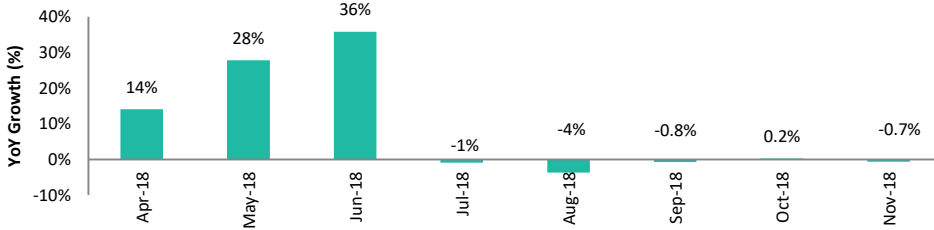
Maruti Domestic Sales Trend



Maruti Export Sales Trend



Maruti Total Sales Trend

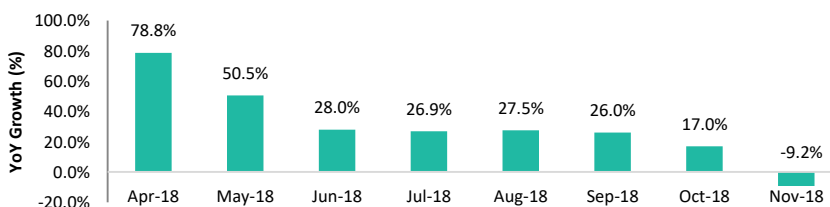


Ashok Leyland – MHCVs dragged the overall performance

Ashok Leyland	Nov-18	Nov-17	YoY (%)	Oct-18	MoM (%)	YTD FY19	YTD FY18	YoY (%)
Total Sales	13,121	14,457	-9.2%	15,149	-13.4%	1,22,355	96,888	26.3%

The MHCV sales declined by 18% YoY to 8,718, While LCV sales increased by 15% YoY to 4,403 units in Nov 2018. This is the first decline observed on a YoY basis in YTD FY19.

Ashok Leyland Sales Trend



*Source: Company, NSPL Research

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