NALANDA RESEARCH

Automobile Monthly Sales Analysis

Auto Monthly | March 2019

April 03, 2019

FY19: A Roller Coaster Ride | Uncertainty is the Best Time | Reiterating Strategy: Cherry Picks

The Automobile sales grew slowest in the last few years in FY19 and this poor run continued since 2018's festive season on account of multiple sector headwinds starting with:

1. floods in few states of India
2. insurance bouncer
3. severe NBFC liquidity crunch
4. rise in the fuel prices & interest rates
5. increase in the vehicle prices
6. near deficit monsoon in 2018 and
7. uncertainty related to the national elections

The industry offered heavy discounts to push the sales, however, it failed to lift the weak consumer sentiments. The month of March was completely whitewashed as the focus was purely to clear-off the very high level of inventories in the system and hence, the wholesale off take impacted severely for most of the OEMs.

We expect continued soft sales, at least for the next two months and can see sentimentally positive impact if in case the current government remains in power. The near term concerns remained on the change in the regulations viz. mandatory ABS/CBS, Airbags, Reverse Parking Sensors and Seat Belt Reminders among others. All this would further increase the cost of ownership in the price sensitive Indian automobile market.

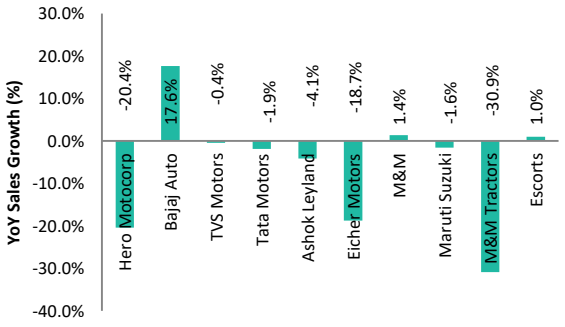
From the recent dealers' check, we conclude that the customers are finding reasons to postpone their discretionary purchases by giving some or the other reasons. In general, the consumers don't want to take money out from their pockets till the results of general elections. Secondly, the dealers' have sacrificed their margins to clear off the high level of inventories; this along with production cuts by many OEMs. The checks also concluded that the sales for the upcoming *Gudi Padwa* festival is dull. The customer walk-ins has drastically reduced to 1/4th and the footfall to conversion ratio remains a multi-year low.

We have also observed that the impact of the insurance price hike has softened now and the customers have understood the benefits of taking long term insurance. The NBFC liquidity concerns have eased. Also, the fuel prices as well as interest rates have reversed from the peak of Oct 2018 highs. The consumers are well aware of the safety required in a vehicle and hence, the majority of the customers are asking for ABS/CBS built-in vehicles. We think that there won't be any demand slowdown due to ABS/CBS.

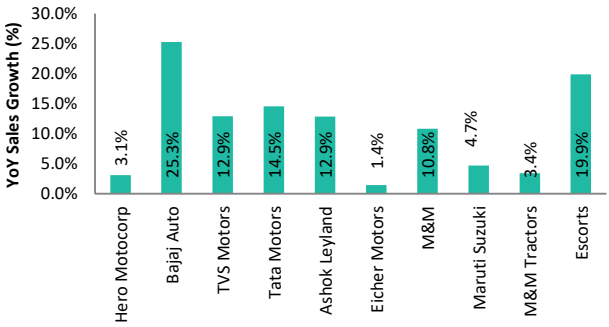
Hence, we believe the general slowdown is majorly due to two factors viz. 1) rising cost of ownership and 2) postponement of purchases due to uncertainty related to the general elections. We have observed in the past that the automobile sales jumped higher post the results of national elections; expect the same this time too. Overall, we expect the automobile industry would continue to witness soft demand till festivals. The sales should bounce back sharply during festive season and the growth rate to look much higher on account of 1) lower base and 2) pre-buying ahead of the implementation of BS6.

The CV industry is getting ready for the downturn post strong run-up of five years; tractors had also seen good growth in the past three years and every year can't expect normal monsoons; the two-wheeler industry remains intensely competitive from the foreign as well as domestic players. Hence, the only segment, where we see growth is the passenger vehicles and the pure play in it is Maruti Suzuki. The competitive scenario remains stable in the PV, the penetration level is low and hence, the opportunity size is enormous. ***Our cherry pick stocks remains Maruti Suzuki in the passenger vehicle, while Bajaj Auto in the two-wheeler space.*** Maruti's moat & competitive advantage have sustained; while Bajaj Auto is getting benefited as buyers' are moving towards 150-200cc segment *(where Bajaj has the highest market share)* as well as a change in the strategy of focusing on lower CC motorcycle to attract rural folks.

March 2019 YoY Sales Growth



FY19 YoY Sales Growth



Source: NSPL Research, Bloomberg, Company

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The commercial vehicle volumes impacted majorly led by poor performance from the MHCV sub-segment, the sales were squeezed on account of very stringent lending by NBFCs. The CV industry has cool-down from the past few months and the reasons ascribed are 1) new axle load norms – which has increased the vehicle carrying capacity by 20% 2) Post E-way bill and implementation of the GST, the vehicles turnaround time improved, which also led to additional capacities 3) post liquidity crunch in NBFCs, the interest rates moved higher and financers were selective in lending 4) purchase deferrals before elections 4) higher base 5) the growth in IIP and general economic activities takes a pause temporarily and 6) Higher base effect. As observed in the past, the LCV to follow MHCV volume sales and expect de-growth to start in LCV sooner or later. The down cycle in the CV industry has begun and expects some positive impact only in case the current government remain in the power and in Q4FY20E led by pre-buying before the implementation of BS6.

The passenger vehicles too were not left behind in reporting meager set of numbers as from the dealers' check, we have noticed that the footfall to conversion rate has been lower for the old models, but, the enquires for newer products were higher. To clear off the inventories, the OEMs offered discounts. We are optimistic on the PV as OEMs have speed-up the newer launches and almost all the new product launches *(WagonR, Ertiga, Harrier, Kicks, XUV300, etc.)* in the recent past have received good response. We are optimistic on the PVs driven by new product launches by almost all the OEMs, which would increase the footfalls. We expect pre-buying to gradually start from the festivals, i.e. October 2019 till March 2020.

The two-wheeler performance continues to remain mixed, as on one side Bajaj Auto *(remain our top pick)* surprises street by showing much higher growth than the industry; while on the other side, Hero & RE carrying on by posting a depressed set of numbers. We have observed that the competition in the two-wheeler segment continues to remain intensified as Hero started offering similar offers of Bajaj's 555 i.e. five year free insurance, warranty and service. In addition, the MNCs are launching eye-catching products at attractive pricing. We expect 2W industry to grow by 7.5% CAGR in the medium term driven by positive structural factors and serious focus of our Government on rural. The past 10 years volume growth has been at 11% CAGR (FY08-18).

We are a little negative on the tractor industry growth, as it had already seen a strong run-up for the last three years and there are possibilities of EI Nino in CY2019 *(as per 2-4-2019 newspaper article)*, which can affect the monsoons and in turn tractor industry growth. We have already seen near normal monsoons in the past three years and it's difficult to project one more consequently. ***On 3Ws,*** we have observed very high growth in the past several quarters in domestic due to discontinuation of permits by a few states, and hence, we expect other Indian states to follow this model. This, along with, growing opportunities in the evolving electric 3Ws could push the 3W volume sales higher. We have observed a demand fatigue in domestic, however, exports for all the 3W OEMs continue to remain robust.

Discounting Regime Continues

- Maruti Suzuki's Swift & Dzire offered discounts up to Rs. 50,000, while Brezza, Baleno & Ciaz are available lower by Rs. 45,000 in the month of March.
- M&M's Scorpio offered discounts of Rs. 70,000 and TUV300 & KUV100 prices were lower by Rs. 55,000.
- On Tata Motors, its top selling models Tiago and Tigor are available cheaper by Rs. 25,000-30,000, while Hexa and Nexon were available at a discount of Rs. 45,000 and 35,000 respectively.
- Hero MotoCorp was not left behind in offering discounts of Rs. 1,500 on scooters and bikes; this along with free warranty and other cash back offers.
- Few of the Apache brands of TVS Motors were available lower by Rs. 3,000-5,000.
- Bajaj Auto's very successful strategy of giving 555 scheme and easy down payment options along with its attractive models has managed to pull the customers.

Source: NSPL Research, Bloomberg, Company

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Bajaj Auto - *Continues to Post Industry Leading Growth..!*

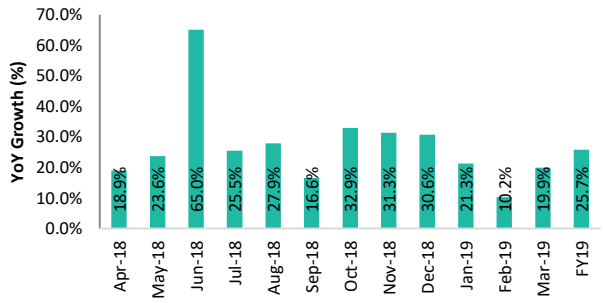
Bajaj Auto	Mar-19	Mar-18	YoY (%)	Feb-19	MoM (%)	FY19	FY18	YoY (%)
2Ws	3,23,538	2,69,939	19.9%	3,27,985	-1.4%	42,36,873	33,69,334	25.7%
3Ws	69,813	64,409	8.4%	65,104	7.2%	7,82,630	6,37,457	22.8%
Domestic	2,59,185	2,03,600	27.3%	2,21,706	16.9%	29,40,773	23,44,214	25.4%
Exports	1,36,563	1,32,626	3.0%	1,71,383	-20.3%	20,81,127	16,64,455	25.0%
Total Sales	**3,93,351**	**3,34,348**	**17.6%**	**3,93,089**	**0.1%**	**50,19,503**	**40,06,791**	**25.3%**

- **Bajaj continues to remain our top pick in the automotive space** as all its products as well as geographies are performing better than its peers. In all the months of FY19, the YoY growth in the motorcycle numbers was in double digit & much higher as compared to the competitors. Hence, it continues to gain the market share. Bajaj's new models/refreshers, attractive schemes and discounts managed to attract buyers.

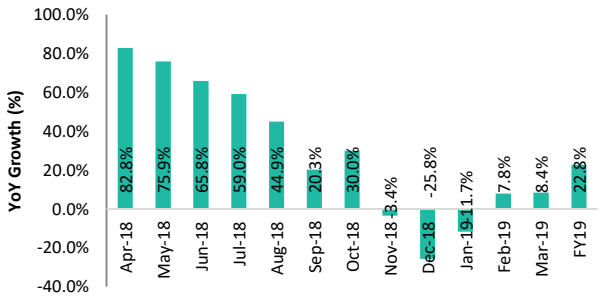
- **On 3Ws,** after posting a very high double digit growth in the past several quarters, we continue to see some fatigue on the YoY growth numbers. We expect it to maintain its average monthly run-rate in the coming months.

- **Optimistic going ahead:** The strategy to gain the market share by sacrificing margins is working well. The company's hunger of gaining market share has yielded positive results as it continues to gain market share in the domestic. We expect entry level and sports segment to outpace the industry growth going ahead. Bajaj Auto's demand should continue as consumers are moving gradually towards 150-200cc motorcycles, where Bajaj has the highest market share along with its best in class products. The change in the strategy to focus on rural markets by offering 100-110cc motorcycles at lower prices has yielded better results in gaining market share. The demand for the export markets too has been strong, led by stability in the oil & commodity prices and recovery in developing nations.

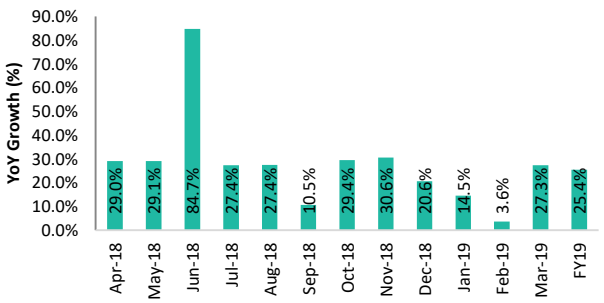
Bajaj Auto 2W Sales Trend



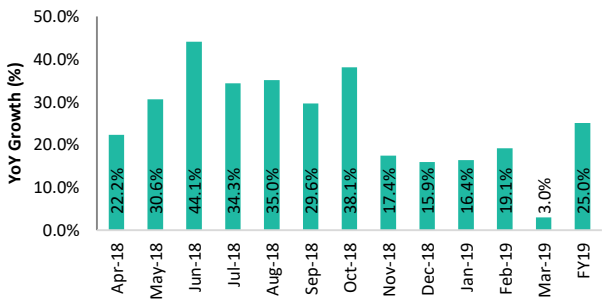
Bajaj Auto 3W Sales Trend



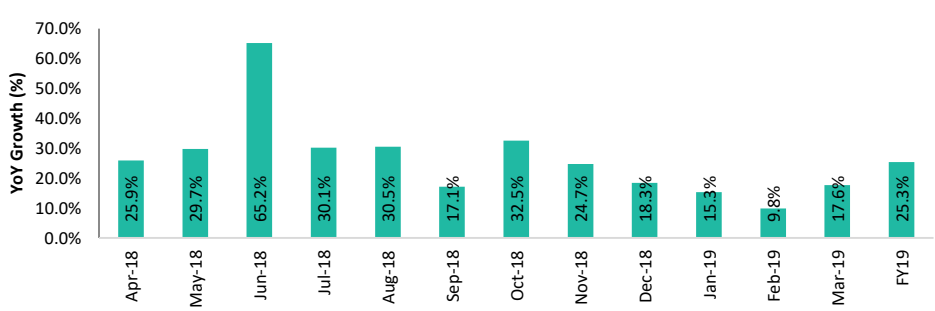
Bajaj Auto Domestic Sales Trend



Bajaj Auto Export Sales Trend



Bajaj Auto's Total Sales Trend



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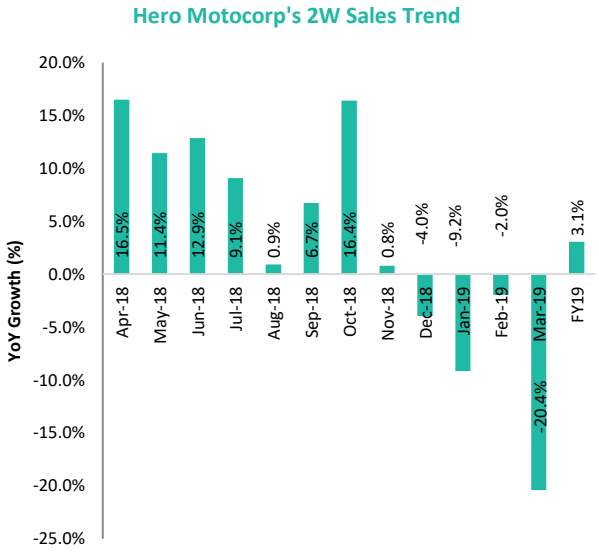
Hero MotoCorp - *Impacted by Weak Sentiments, Hopes Alive!*

Hero MotoCorp	Mar-19	Mar-18	YoY (%)	Feb-19	MoM (%)	FY19	FY18	YoY (%)
Total Sales	5,81,279	7,30,473	-20.4%	6,17,215	-5.8%	78,19,151	75,87,257	3.1%



- The company was the worst affected led by high inventory in the system & the retail sentiments were poor. The company needs to adjust its production due to rise in the inventories, which led to poor off take in wholesales in the month of March 2019. The dealers' are sacrificing margins to push the same by giving various incentives and schemes. The competitive intensity remains high. The response to its *Destini* 125cc scooter and Xtreme 200cc motorcycle remain lower than the expectation majorly due to attractive products from the competitors.

- We believe Hero would continue to grow in line with the industry and expects 7.5% growth in FY20E, followed by a low single digit growth in FY21E as the prices will rise post BS6 implementation. It is also expanding its footprint globally. For the next few months, we expect demand will remain soft led by high inventories and weak consumer sentiments for the upcoming marriage season.

- Hero has been able to identify the reasons for its falling market share from the last few years and is focused on launching premium scooters and motorcycles to revive the sales. This, along with dual focus on electric 2Ws would give first mover advantage to the leader. Overall, we are positive on the company's moat and strategy going ahead

Escorts – *gradually stealing market share*

Escorts	Mar-19	Mar-18	YoY (%)	Feb-19	MoM (%)	FY19	FY18	YoY (%)
Domestic	11,431	11,557	-1.1%	6,918	65.2%	93,323	78,446	19.0%
Exports	474	233	103.4%	322	47.2%	3,089	1,971	56.7%
Total Sales	11,905	11,790	1.0%	7,240	64.4%	96,412	80,417	19.9%

- Escorts has been doing a phenomenal job as compared to the leader, as its sales growth is much higher than the industry. It continued to gain market share in FY19 led by new launches, expansion of the dealership network in its core as well as weak markets and increasing tie-up with the financers. This, along with higher A&P spends & focus on local requirements help it in growing its volumes.

- **Its market share improved** by 130bps YoY to 11.4% in Q3FY19 and the management aspires to take it to 12.5-13% by FY20E end.

- **Escorts is playing a triple play** of New Technologies + Better Product Mix and Expanding its distribution channels for robust growth in domestic as well as exports.

- We expect, Escorts even on a higher base would continue to report better numbers in the coming months as the northern and eastern markets are growing higher, where Escorts has a good market share. The exports outlook too remain optimistic. Overall, we are very positive on the company's growth performance going ahead.

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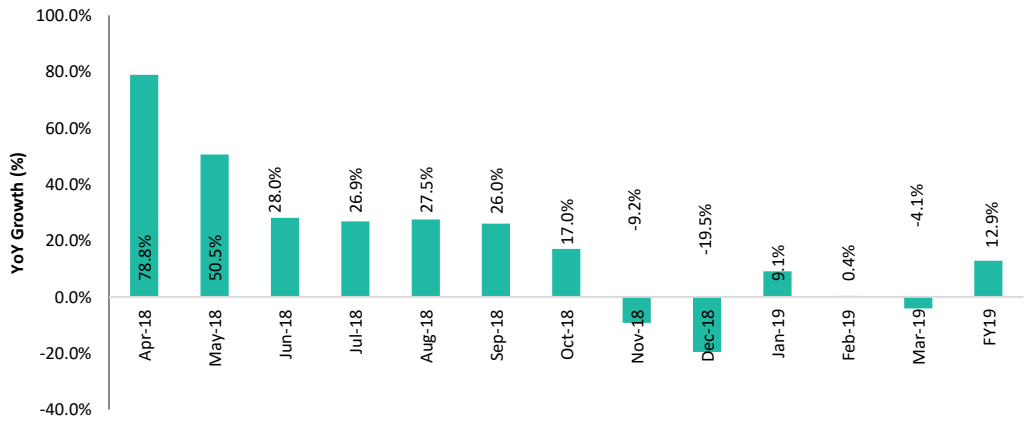
Ashok Leyland – *Uncertainty Continues..!*

Ashok Leyland	Mar-19	Mar-18	YoY (%)	Feb-19	MoM (%)	FY19	FY18	YoY (%)
MHCV Trucks	13,620	14,778	-8%	11,536	18%	1,22,987	1,11,212	11%
MHCV Bus	2,414	2,279	6%	1,755	38%	19,871	20,220	-2%
Total MHCV	**16,034**	**17,057**	**-6%**	**13,291**	**21%**	**1,42,858**	**1,31,432**	**9%**
LCV	5,501	5,396	2%	4,954	11%	54,508	43,441	25%
Total Vehicles	**21,535**	**22,453**	**-4%**	**18,245**	**18%**	**1,97,366**	**1,74,873**	**13%**
Domestic Sales								
MHCV Trucks	13,134	14,320	-8%	11,117	18%	1,15,613	1,02,826	12%
MHCV Bus	2,101	1,995	5%	1,504	40%	16,323	13,708	19%
Total MHCV	**15,235**	**16,315**	**-7%**	**12,621**	**21%**	**1,31,936**	**1,16,534**	**13%**
LCV	5,286	5,218	1%	4,731	12%	53,129	42,078	26%
Total Vehicles	**20,521**	**21,533**	**-5%**	**17,352**	**18%**	**1,85,065**	**1,58,612**	**17%**
Export Sales								
MHCV Trucks	486	458	6%	419	16%	7,374	8,386	-12%
MHCV Bus	313	284	10%	251	25%	3,548	6,512	-46%
Total MHCV	**799**	**742**	**8%**	**670**	**19%**	**10,922**	**14,898**	**-27%**
LCV	215	178	21%	223	-4%	1,379	1,363	1%
Total Vehicles	**1,014**	**920**	**10%**	**893**	**14%**	**12,301**	**16,261**	**-24%**

Ashok Leyland Sales Trend



- Ashok Leyland's MHCV growth continues to remain in negative. The LCV segment on a low base has shown a growth in the month of March 2019 (+2%) as well as in FY19 (+26%). This was on account of focused efforts of the management to grow its LCV business and new product launches.

- The company's approx. 74% of the sales comes from the MHCV *(heavily dependent)*, which was severely impacted on account of 1) stringent financing by NBFCs 2) higher interest rates 3) axle load norm changes and 4) slowdown in the general economic activities as clearly visible in lower IIP/GDP growth rate.

- The competition is intense and the discounting is very deep in the market. On the exports, the ME market is not doing well due to oil price volatility. While, the volumes in the SL market was lower due to political uncertainty. There were changes in the product mix towards lower tonnage commercial vehicles, which was due to changes in the axle load norms. There are uncertainties related to changes in the CEO and down cycle in the CV industry. Hence, we don't recommend a fresh buying in spite of a sharp fall in the price.

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TVS Motors – *Swiftly Moving Higher*

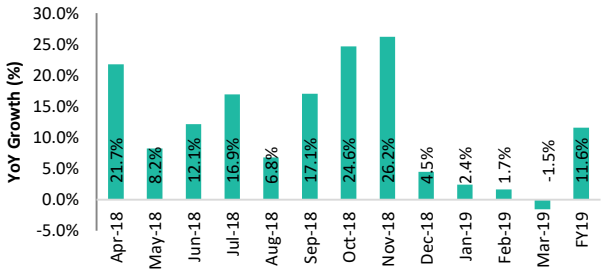
TVS Motors	Mar-19	Mar-18	YoY (%)	Feb-19	MoM (%)	FY19	FY18	YoY (%)
2Ws	3,10,901	3,15,773	-1.5%	2,85,611	8.9%	37,57,329	33,67,395	11.6%
3Ws	14,444	10,894	32.6%	13,742	5.1%	1,56,434	98,684	58.5%
Total Sales	**3,25,345**	**3,26,667**	**-0.4%**	**2,99,353**	**8.7%**	**39,13,763**	**34,66,079**	**12.9%**

- TVS Motors overall sales remained flat at ~3.25L units was uplifted only by exports, as domestic reported a de-growth of -7% YoY for the same period. The 3W exports jumped by 46% YoY, while 2W Exports increased by 25% YoY. TVS was not left behind by a temporary pause in the urban area as its scooters sales de-grew by 2.5% YoY in Mar 2019. While, motorcycle jumped higher by 5%.

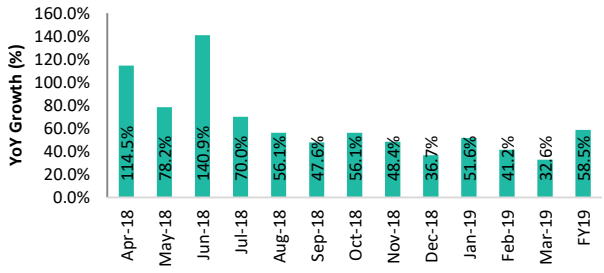
- The domestic 2W remained completely flat as the industry is yet to come out from the insurance bouncer and price hikes taken by the OEMs. The domestic 3W volumes were down by 34% YoY in Mar 2019 on account of no major release of new permits. The total 3W sales grew by 33% YoY to ~14K units majorly led by 46% YoY growth in exports, which contributes 91% of the total 3W sales. **On Exports,** the oil prices & currencies have stabilized, most of the markets are doing well and confident that the same will continue. Overall, exports outlook remains stable and the momentum should sustain going forward.

- **Optimistic Going Ahead:** The new product launches are important ingredients for the growth ahead and TVS has a strong product pipeline, which would aid the company in growing its volumes much faster than the other companies. Given the overall tough situation for the automobile industry, TVS with its strong products has been doing better than the industry. We expect this continued performance going ahead given its strong product pipeline and growing its distribution strength.

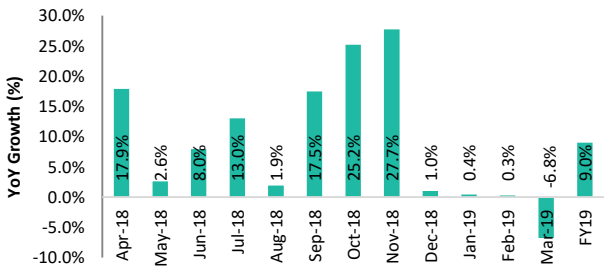
TVS Motors 2W Sales Trend



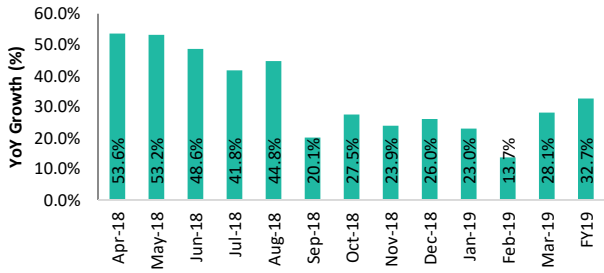
TVS Motors 3W Sales Trend



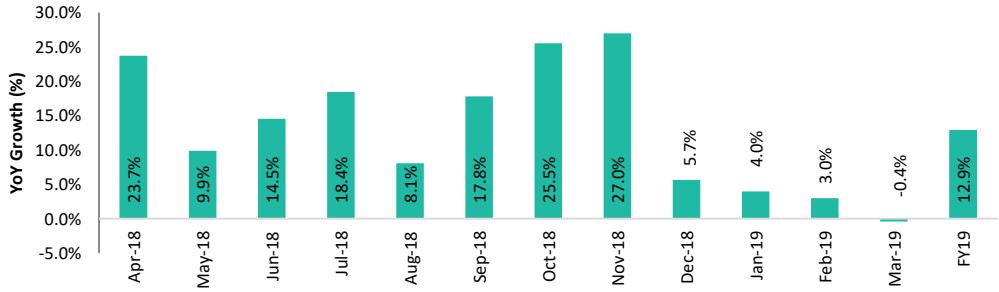
TVS Motors Domestic Sales Trend



TVS Motors Exports Sales Trend



TVS Motors Total Sales Trend



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Tata Motors - *a dark horse in the passenger as well as commercial vehicles*

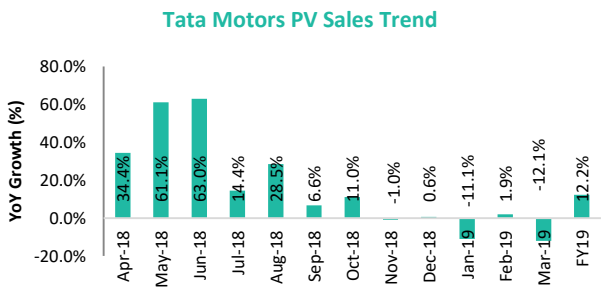
Tata Motors	Mar-19	Mar-18	YoY (%)	Feb-19	MoM (%)	FY19	FY18	YoY (%)
PVs - Domestic	17,810	20,266	-12.1%	18,110	-1.7%	2,10,143	1,87,321	12.2%
CVs - Domestic	50,899	49,143	3.6%	39,111	30.1%	4,68,343	3,99,186	17.3%
Domestic	**68,709**	**69,409**	**-1.0%**	**57,221**	**20.1%**	**6,78,486**	**5,86,507**	**15.7%**
Exports	5,952	6,688	-11.0%	2,930	103.1%	52,963	52,154	1.6%
Total Sales	**74,661**	**76,097**	**-1.9%**	**60,151**	**24.1%**	**7,31,449**	**6,38,661**	**14.5%**

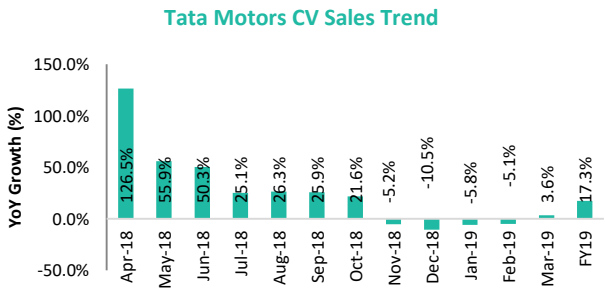
- **Passenger Vehicle Segment:** The PV industry itself is struggling from the past few months and Tata Motors was not left behind. The company reported ~12% YoY de-growth in March 2019 led by continued weak consumer sentiments. From the checks, we understand that the discounts continue to remain at high levels. However, Tata Motors reported ~12% YoY growth in FY19, has been growing higher than its peers and gaining market share. The company's new model *Harrier* has received overwhelming response from the customers, along with other new launches & a strong product pipeline, we expect the company to report good volumes and would support growth in the coming months.

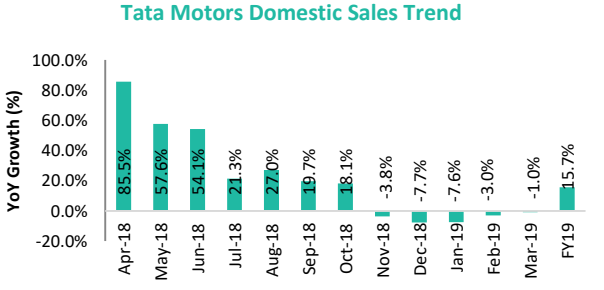
- **Commercial Vehicle Segment:** The CV industry itself is in a slow lane and Tata Motors is also reporting de-growth in its numbers from the last few months now. This was majorly on account of 1) revised axle load norms – which increased the carrying capacity by 20% 2) faster turnaround time led by E-way bills & GST 3) stringent lending by NBFCs with higher interest rates 4) in general weakness in the economic activities 5) postponement of purchases due to uncertainty of general elections and 6) a high base. The LCVs continue to grow, however, based on the experience, we think LCV follows the trend of MHCV with a lag. At present, LCVs are in a good run led by new product launches and good growth in e-commerce industry. On the buses sub-segment, the volumes continue to remain volatile and in March it grew by 2% led by increased demand from school buses and ambulances.

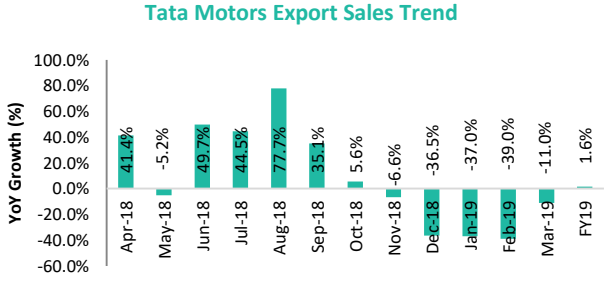
- **Tata Motors Exports** drastically impacted for the last five months on account of 1) political uncertainty in SL 2) slowdown in the ME region and temporary issues in Bangladesh.

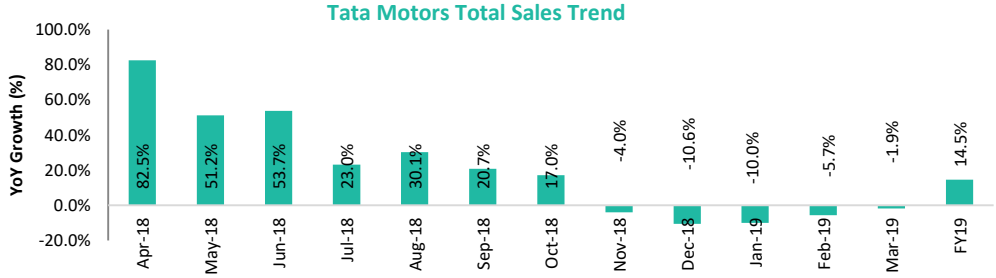
- ***Overall, the total volumes continued to be impacted by poor market sentiments across PV as well as CV divisions. We have observed, the company has been gaining market share in the PV and CV from the last several quarters, as all its last few launches have been successful and well accepted in the market. We expect continued momentum going ahead as half a dozen of new launches will keep the customers excited.***











**Source: Company, NSPL Research*

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Mahindra & Mahindra – *beneficiary in an election year & new launches to support further*

Mahindra & Mahindra	Mar-19	Mar-18	YoY (%)	Feb-19	MoM (%)	FY19	FY18	YoY (%)
PVs	27,646	26,555	4.1%	26,109	5.9%	2,54,701	2,49,505	2.1%
CVs	24,423	25,495	-4.2%	21,154	15.5%	2,48,601	2,16,802	14.7%
3Ws	6,943	6,602	5.2%	5,652	22.8%	66,699	54,625	22.1%
Domestic	59,012	58,652	0.6%	52,915	11.5%	5,70,001	5,20,932	9.4%
Exports	3,940	3,424	15.1%	3,090	27.5%	38,595	28,221	36.8%
Total Automotive Sales	**62,952**	**62,076**	**1.4%**	**56,005**	**12.4%**	**6,08,596**	**5,49,153**	**10.8%**
Tractors	**19,688**	**28,477**	**-30.9%**	**18,978**	**3.7%**	**3,30,436**	**3,19,623**	**3.4%**
Total Sales	**82,640**	**90,553**	**-8.7%**	**74,983**	**10.2%**	**9,39,032**	**8,68,776**	**8.1%**

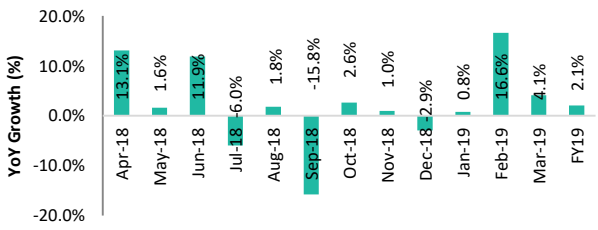
- **M&M has been doing well in PV and Exports sub-segment, however, it lagged much behind in tractors** as it peers are reporting handsome numbers every month. Mahindra's newly launched XUV300 received overwhelming response and aided in pushing its PV sales growth further. It reported 5% YoY growth in its UV sub-segment; while, Cars+Vans sub segment decelerated by 6% as the demand remained weak for other models. The tractor sales posted a very poor set of numbers, however, the recent revamped rural push would create energised momentum for tractor sales in the coming months. The management sounds positively on its new & upcoming launches going ahead and on the expectation of improvement in the consumer sentiments.

- **Commercial Vehicle Division:** M&M's ~96% of the CV sales comes from LCVs. In the past few months, the overall CV sales were driven by its LCV division, but, now the LCV division also reported a de-growth in March 2019. Mahindra's LCV as well as MHCV reported a de-growth of 2.5% and 33% respectively in the month of March 2019. The three wheeler segment has been doing good for the whole FY19 as in almost all the months it posted a double digit YoY growth.

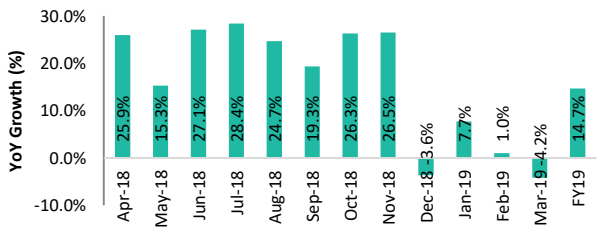
- **Tractors Division:** The domestic volumes decelerated by 32% YoY, while exports de-grew by 6% YoY in March 2019. The lower than expected sowing in the Rabi crop could be the possible reason for lower growth. The are high chances of EI Nino in CY19 and a down cycle in the industry is expected post strong run-up for three years.

- The domestic automotive as well exports reported a growth of 0.6% & 15%, respectively, however, the company has been doing a phenomenal job on the exports, as it continues to post high double digit YoY growth in every month. The exports segment remains the strongest for M&M so far.

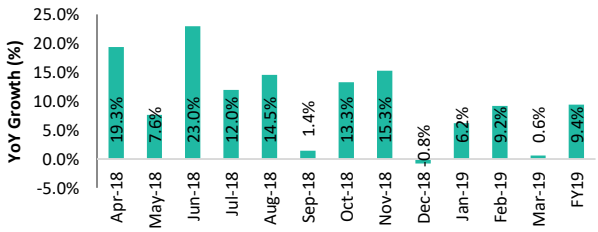
M&M PV Sales Trend



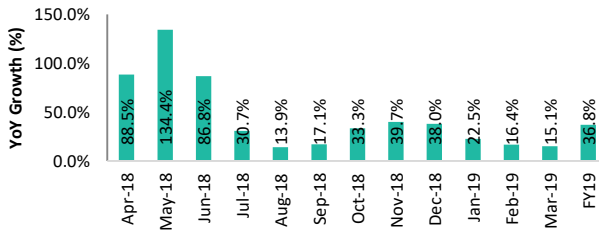
M&M CV Sales Trend



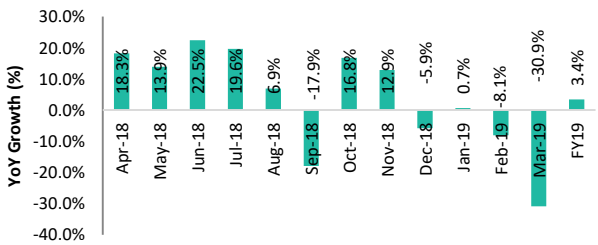
M&M Domestic Sales Trend



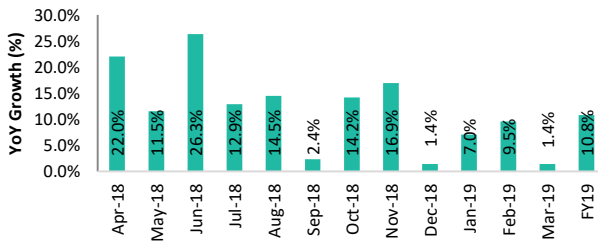
M&M Export Sales Trend



M&M Tractors Sales Trend



M&M Total Automotive Sales Trend



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Eicher Motors – *reported not so Royal numbers*

Eicher Motors	Mar-19	Mar-18	YoY (%)	Feb-19	MoM (%)	FY19	FY18	YoY (%)
Eicher upto 350 cc	54,870	69,407	-20.9%	57,029	-3.8%	7,67,678	7,64,804	0.4%
Eicher 350 cc+	5,961	6,680	-10.8%	5,601	6.4%	58,420	55,689	4.9%
Total Motorcycles	**60,831**	**76,087**	**-20.1%**	**62,630**	**-2.9%**	**8,26,098**	**8,20,493**	**0.7%**
Buses	1,814	1,571	15.5%	1,064	70.5%	12,012	12,090	-0.6%
CVs	6,862	7,840	-12.5%	5,364	27.9%	60,853	53,809	13.1%
Total Sales	**69,507**	**85,498**	**-18.7%**	**69,058**	**0.7%**	**8,98,963**	**8,86,392**	**1.4%**

- **Royal Enfield has slowly entered into a de-growth space.** The company continues to post poor set of numbers as the company has built-in safety standards before the deadline of 1st April 2019 and has increased the prices of motorcycles. All this along with insurance bouncer has increased the vehicle price by ~Rs. 22,000, which has led to sudden rise in the cost of ownership and postponement of purchases. The general weak sentiments along with the rise in the competition also impacted the sales.

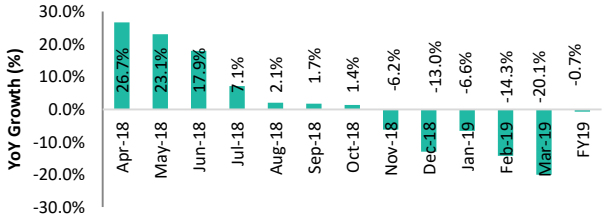
- The management reiterated that there are few new products in the pipeline, which will keep the consumers excited and would help in reviving growth. The brand recall remains very strong. Its new 650cc twins are the motorcycles with a global standards. RE has entered into 650cc segment, where no competition is present at the moment. We believe 650cc would do the same thing in the export market, what 350cc classic did for the Indian markets.

- The company has been working on many other fronts specially on expanding its distribution reach and has kept Maruti as its benchmark. It has been spending on advertisement to urban and semi-urban cities to uplift the demand.

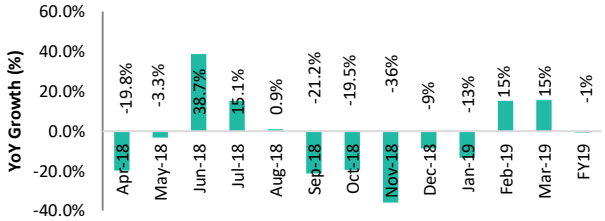
- **VECV has reported a second consequent de-growth** majorly impacted on account of lagged effect of axle load norms, liquidity crunch and general slowdown in the economic activities. The down cycle in the CV industry has begun and expect only a pre-buying in Q4FY20E before the implementation of BS6.

- We remain optimistic about the long term prospects of the company as it creates a market and peers follows, the new exciting product launches and eventual candidate to break the duopoly of Tata Motors and Ashok Leyland in the MHCV space. Mr. Dasari's appointment would be positive about the business prospects of Eicher Motors.

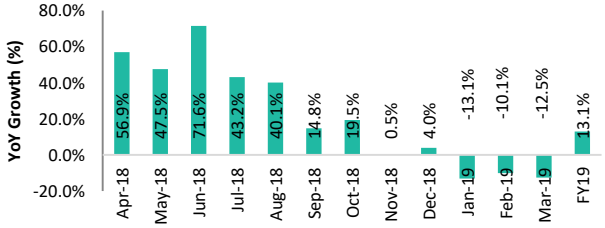
Royal Enfield Sales Trend



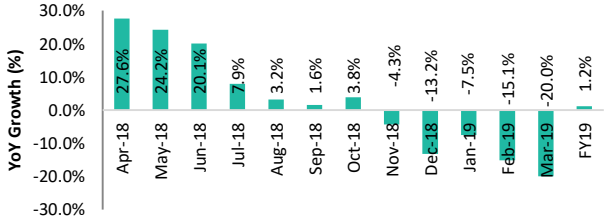
Eicher Motors PV Sales Trend



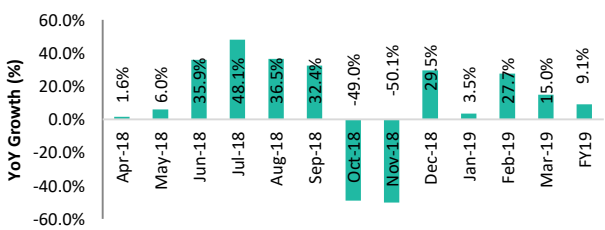
Eicher Motors CV Sales Trend



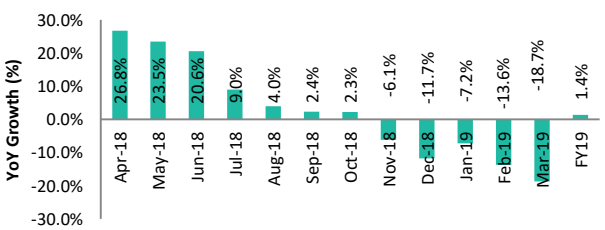
Eicher Motors Domestic Sales Trend



Eicher Motors Export Sales Trend



Eicher Motors Total Sales Trend



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Maruti Suzuki – *speed-bump continues; still growing higher than the industry*

Maruti Suzuki	Mar-19	Mar-18	YoY (%)	Feb-19	MoM (%)	FY19	FY18	YoY (%)
PVs	1,45,031	1,47,170	-1.5%	1,36,912	5.9%	17,29,826	16,43,467	5.3%
LCVs	2,582	1,412	82.9%	2,188	18.0%	23,874	10,033	138.0%
Domestic	1,47,613	1,48,582	-0.7%	1,39,100	6.1%	17,53,700	16,53,500	6.1%
Exports	10,463	12,016	-12.9%	9,582	9.2%	1,08,749	1,26,074	-13.7%
Total Sales	**1,58,076**	**1,60,598**	**-1.6%**	**1,48,682**	**6.3%**	**18,62,449**	**17,79,574**	**4.7%**

- ***The July-Sept 2018 was impacted by floods and heavy monsoons and Oct-Dec 2018 remained soft led by higher insurance prices and soft festive season. The weakness continued in the last quarter as well. We expect the pent-up demand & new launches can pull the demand higher post the elections.***

i. Maruti's ~67%of the sales comes from its Mini+Compact sub-segment, which consists of its popular variants like Alto, WagonR, Celerio, Ignis, Swift, Baleno and Dzire. This segment reported a de-growth of 6.6% YoY to ~99K units in March 2019. We believe the performance was impacted on account of 1) higher competition in the lower cost segment vehicles and 2) gradual shift observed towards UVs. We believe the demand is also being impacted due to structural challenges in this sub-segment.

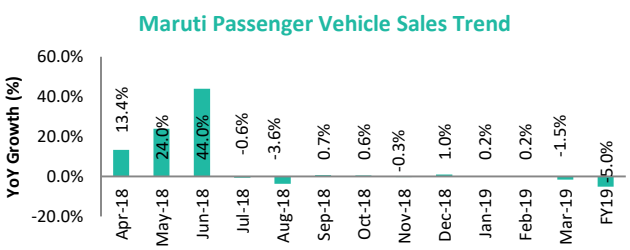
ii. Maruti's Mid-size segment, which has only one vehicle in it 'Ciaz' has posted a de-growth of 15% YoY on account of intense competition from Verna, City & Yaris. We think the refresher model of 'Ciaz' is also not contributing positively to the overall sales.

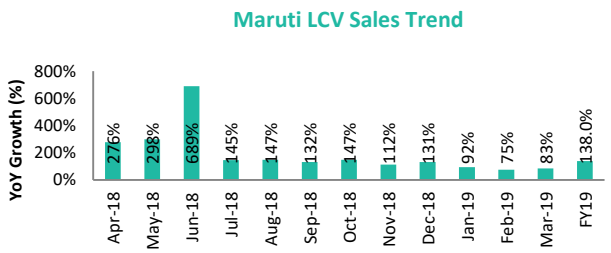
iii. The company's UVs as well as Vans contributes positively as it grew by 12% & 20% respectively. The company's bet on LCV has been yielding fruitful results, as it continues to grow in high double digit to triple digit YoY.

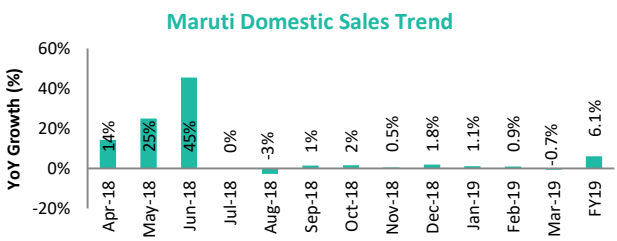
iv. The company's few of the models viz. New Ertiga, WagonR, Swift, Dzire, Baleno and Brezza continued to perform very well.

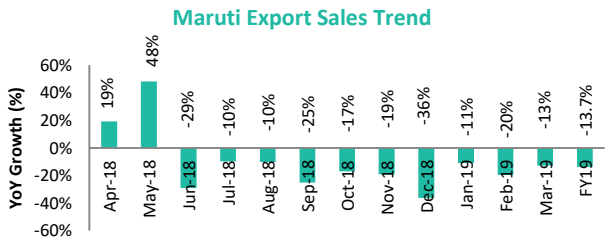
- **Exports:** The export markets are also facing challenges as the macro-economic situation doesn't look stable. Few of the market has imposed restriction on its imports and currencies sharply devalued for those countries. We feel, globally there are many headwinds on the exports as most of the markets are facing several issues and hence, on the expected lines, it has reported a double digit decline in exports in FY19. The focus remains on the domestic market.

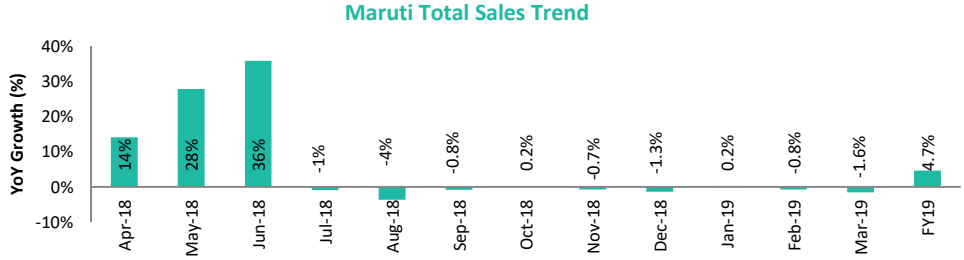
The long term potential for passenger vehicles remains healthy looking at the low penetration levels. The moat of Maruti remains intact w.r.t. low cost manufacturer, an unmatched distribution reach & over the years have created a loyalty among the consumers. The company has been gaining market share from the last few years as they keep innovating & introducing newer products/refreshers which kept the consumers excited. We recommend lapping-up the stock at these levels as the structural story remains intact and one should not be worried about the short-term blips in the industry.











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Auto Sector Segmental Breakup

Auto Sector Monthly Sales Analysis	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	YoY (%)	MoM (%)	FY18	FY19	YoY (%)
Two-Wheelers																													
Bajaj Auto	2,93,932	2,77,115	2,04,667	2,65,182	2,83,861	3,69,678	3,25,778	2,63,970	2,28,762	2,88,936	2,97,514	2,69,939	3,49,617	3,42,595	3,37,752	3,32,680	3,62,923	4,30,939	4,32,985	3,46,544	2,98,855	3,50,460	3,27,985	3,23,538	19.9%	-1.4%	42,36,873	33,69,334	25.7%
Hero Motocorp	5,95,706	6,33,884	6,24,185	6,23,269	6,78,797	7,20,739	6,31,105	6,05,270	4,72,731	6,41,501	6,29,597	7,30,473	6,94,022	7,06,365	7,04,562	6,79,862	6,85,047	7,69,138	7,34,668	6,10,252	4,53,985	5,82,756	6,17,215	5,81,279	-20.4%	-5.8%	78,19,151	75,87,257	3.1%
Royal Enfield upto 350 cc	56,349	55,823	58,741	60,544	63,637	66,104	65,209	65,751	63,269	72,889	67,081	69,407	70,111	68,813	68,769	63,713	65,712	67,582	67,484	61,890	53,790	67,915	57,029	54,870	-20.9%	-3.8%	7,67,678	7,64,804	0.4%
Royal Enfield 350 cc+	3,793	4,873	4,419	3,915	4,340	4,327	4,283	4,375	3,699	4,989	5,996	6,680	6,076	5,884	5,708	5,350	3,665	4,080	2,967	3,854	4,488	4,786	5,601	5,961	-10.8%	6.4%	58,420	55,689	4.9%
TVS Motors	2,41,007	2,75,426	2,68,638	2,63,336	3,09,146	3,50,854	3,08,364	2,43,323	2,47,591	2,62,995	2,80,942	3,15,773	2,93,418	2,98,135	3,01,201	3,07,856	3,30,076	4,10,696	3,84,307	3,07,142	2,58,709	2,69,277	2,85,611	3,10,901	-1.5%	8.9%	37,57,329	33,67,395	11.6%
Passenger Vehicles																													
M&M	19,391	20,392	16,212	21,034	19,406	25,414	23,453	16,030	15,543	23,686	22,389	26,555	21,927	20,715	18,137	19,781	19,758	21,411	24,066	16,188	15,091	23,872	26,109	27,646	4.1%	5.9%	2,54,701	2,49,505	2.1%
Eicher Motors	1,158	1,623	1,029	1,010	855	886	682	606	748	998	924	1,571	929	1,570	1,427	1,163	863	698	549	388	683	864	1,064	1,814	15.5%	70.5%	12,012	12,090	-0.6%
Tata Motors - Domestic	12,827	10,855	11,176	14,933	14,340	17,286	16,475	17,157	14,180	20,055	17,771	20,266	17,235	17,489	18,213	17,079	18,420	18,429	18,290	16,982	14,260	17,826	18,110	17,810	-12.1%	-1.7%	2,10,143	1,87,321	12.2%
Maruti - Passenger Cars	1,09,505	95,047	69,970	1,11,803	1,15,897	1,16,886	99,077	1,07,660	87,864	1,06,246	1,03,899	1,10,717	1,26,744	1,19,151	1,02,530	1,12,131	1,14,261	1,15,228	1,01,516	1,06,325	83,729	1,01,865	1,00,513	1,03,030	-6.9%	2.5%	12,87,023	12,34,571	4.2%
Maruti - Utility Vehicles	20,638	22,608	13,879	25,781	21,442	19,900	23,382	23,072	19,276	20,693	20,324	22,764	20,804	25,629	19,321	24,505	17,971	21,639	20,764	23,512	20,225	22,430	21,834	25,563	12.3%	17.1%	2,64,197	2,53,759	4.1%
Maruti - Vans	13,938	12,593	9,208	15,714	13,931	13,735	12,669	13,565	11,420	12,250	12,425	13,689	15,886	16,717	12,185	15,791	13,663	14,645	13,668	14,053	15,850	15,145	14,565	16,438	20.1%	12.9%	1,78,606	1,55,137	15.1%
Commercial Vehicles																													
Eicher Motors	1,931	2,917	2,892	3,353	3,716	5,197	4,546	4,310	5,339	5,803	5,965	7,840	3,030	4,304	4,963	4,801	5,206	5,965	5,431	4,332	5,553	5,042	5,364	6,862	-12.5%	27.9%	60,853	53,809	13.1%
Tata Motors - Domestic	16,017	23,606	25,660	27,842	31,566	36,678	32,411	35,307	40,447	39,386	41,222	49,143	36,276	36,806	38,560	34,817	39,859	46,169	39,420	33,488	36,180	37,089	39,111	50,899	3.6%	30.1%	4,68,343	3,99,186	17.3%
Maruti - LCV	411	428	206	703	730	879	872	1,003	726	1,411	1,252	1,412	1,544	1,703	1,626	1,723	1,805	2,038	2,152	2,128	1,675	2,710	2,188	2,582	82.9%	18.0%	23,874	10,033	138.0%
M&M - CV	15,060	16,261	15,132	15,023	16,303	19,203	19,281	15,554	17,542	21,002	20,946	25,495	18,963	18,748	19,229	19,284	20,326	22,917	24,353	19,673	16,906	22,625	21,154	24,423	-4.2%	15.5%	2,48,601	2,16,802	14.7%
M&M - 3Ws	3,438	4,057	2,560	3,777	3,906	5,928	6,126	4,455	3,894	4,744	5,138	6,602	4,327	4,355	4,323	5,540	5,289	6,940	6,931	5,703	4,693	6,003	5,652	6,943	5.2%	22.8%	66,699	54,625	22.1%
Bajaj Auto - 3Ws	35,868	36,641	40,211	42,545	51,170	59,074	56,686	62,488	63,785	64,211	60,369	64,409	65,551	64,449	66,677	67,663	74,169	71,070	73,714	60,386	47,344	56,690	65,104	69,813	8.4%	7.2%	7,82,630	6,37,457	22.8%
TVS Motors - 3Ws	5,303	6,581	5,153	7,835	8,417	8,996	9,047	8,642	9,279	8,806	9,731	10,894	11,377	11,730	12,413	13,323	13,141	13,282	14,120	12,823	12,686	13,353	13,742	14,444	32.6%	5.1%	1,56,434	98,684	58.5%
Ashok Leyland	7,090	9,075	12,333	11,981	13,637	15,371	12,944	14,457	19,251	18,100	18,181	22,453	12,677	13,659	15,791	15,199	17,386	19,373	15,149	13,121	15,493	19,741	18,245	21,535	-4.1%	18.0%	1,97,366	1,74,873	12.9%
Domestic Sales																													
Bajaj Auto	1,77,887	1,74,047	1,26,975	1,86,497	2,00,659	2,81,779	2,47,210	1,79,835	1,49,509	2,02,193	2,14,023	2,03,600	2,29,464	2,24,625	2,34,576	2,37,511	2,55,631	3,11,503	3,19,942	2,34,818	1,80,351	2,31,461	2,21,706	2,59,185	27.3%	16.9%	29,40,773	23,44,214	25.4%
TVS Motors	2,06,089	2,41,390	2,29,402	2,20,214	2,71,959	3,08,879	2,71,974	2,04,758	2,09,052	2,28,999	2,32,109	2,67,039	2,42,997	2,47,647	2,47,643	2,48,937	2,77,189	3,62,786	3,40,501	2,61,489	2,11,133	2,29,980	2,32,783	2,48,940	-6.8%	6.9%	31,52,025	28,91,864	9.0%
Tata Motors	28,844	34,461	36,836	42,775	45,906	53,964	48,886	52,464	54,627	59,441	58,993	69,409	53,511	54,295	56,773	51,896	58,279	64,598	57,710	50,470	50,440	54,915	57,221	68,709	-1.0%	20.1%	6,78,486	5,86,507	15.7%
Eicher Motors	61,154	62,601	65,089	66,918	70,740	74,626	72,539	72,027	70,544	82,304	77,230	82,355	78,036	77,778	78,159	72,207	72,978	75,825	75,319	68,961	61,261	76,148	65,563	65,894	-20.0%	0.5%	8,68,129	8,58,127	1.2%
M&M	37,889	40,710	33,904	39,834	39,615	50,545	48,860	36,039	36,979	49,432	48,473	58,652	45,217	43,818	41,689	44,605	45,373	51,268	55,350	41,564	36,690	52,500	52,915	59,012	0.6%	11.5%	5,70,001	5,20,932	9.4%
Maruti Suzuki	1,44,492	1,30,676	93,263	1,54,001	1,52,000	1,51,400	1,36,000	1,45,300	1,19,286	1,40,600	1,37,900	1,48,582	1,64,978	1,63,200	1,35,662	1,54,150	1,47,700	1,53,550	1,38,100	1,46,018	1,21,479	1,42,150	1,39,100	1,47,613	-0.7%	6.1%	17,53,700	16,53,500	6.1%
Export Sales																													
Bajaj Auto	1,51,913	1,39,709	1,17,903	1,21,230	1,34,372	1,46,973	1,35,254	1,46,623	1,43,038	1,50,954	1,43,860	1,32,626	1,85,704	1,82,419	1,69,853	1,62,832	1,81,461	1,90,506	1,86,757	1,72,112	1,65,848	1,75,689	1,71,383	1,36,563	3.0%	-20.3%	20,81,127	16,64,455	25.0%
TVS Motors	40,221	40,617	44,389	50,957	45,604	50,971	45,437	47,207	47,818	42,802	58,564	59,628	61,798	62,218	65,971	72,242	66,028	61,192	57,926	58,476	60,262	52,650	66,570	76,405	28.1%	14.8%	7,61,738	5,74,215	32.7%
Tata Motors	2,128	3,900	3,504	3,441	3,082	3,887	4,311	4,927	6,293	5,190	4,803	6,688	3,010	3,699	5,246	4,971	5,478	5,250	4,554	4,604	3,999	3,270	2,930	5,952	-11.0%	103.1%	52,963	52,154	1.6%
Eicher Motors	2,077	2,635	1,992	1,904	1,808	1,888	2,181	3,015	2,511	2,375	2,736	3,143	2,110	2,793	2,708	2,820	2,468	2,500	1,112	1,503	3,253	2,459	3,495	3,613	15.0%	3.4%	30,834	28,265	9.1%
M&M	1,528	1,293	1,855	1,985	2,592	3,207	2,300	2,531	2,221	2,631	2,654	3,424	2,880	3,031	3,466	2,594	2,951	3,754	3,066	3,537	3,065	3,222	3,090	3,940	15.1%	27.5%	38,595	28,221	36.8%
Maruti Suzuki	6,723	6,286	13,131	11,345	11,701	11,671	10,446	9,300	10,780	10,751	11,924	12,016	8,008	9,312	9,319	10,219	10,489	8,740	8,666	7,521	6,859	9,571	9,582	10,463	-12.9%	9.2%	1,08,749	1,26,074	-13.7%
Total Sales (Domestic + Exports)																													
Hero Motocorp	5,95,706	6,33,884	6,24,185	6,23,269	6,78,797	7,20,739	6,31,105	6,05,270	4,72,731	6,41,501	6,29,597	7,30,473	6,94,022	7,06,365	7,04,562	6,79,862	6,85,047	7,69,138	7,34,668	6,10,252	4,53,985	5,82,756	6,17,215	5,81,279	-20.4%	-5.8%	78,19,151	75,87,257	3.1%
Bajaj Auto	3,29,800	3,13,756	2,44,878	3,07,727	3,35,031	4,28,752	3,82,464	3,26,458	2,92,547	3,53,147	3,57,883	3,34,348	4,15,168	4,07,044	4,04,429	4,00,343	4,37,092	5,02,009	5,06,699	4,06,930	3,46,139	4,07,150	3,93,089	3,93,351	17.6%	0.1%	50,19,503	40,06,791	25.3%
TVS Motors	2,46,310	2,82,007	2,73,791	2,71,171	3,17,563	3,59,850	3,17,411	2,51,965	2,56,870	2,71,801	2,90,673	3,26,667	3,04,795	3,09,865	3,13,614	3,21,179	3,43,217	4,23,978	3,98,427	3,19,965	2,71,395	2,82,630	2,99,353	3,25,345	-0.4%	8.7%	39,13,763	34,66,079	12.9%
Tata Motors	30,972	38,361	40,340	46,216	48,988	57,851	53,197	57,391	60,920	64,631	63,796	76,097	56,521	57,994	62,019	56,867	63,757	69,848	62,264	55,074	54,439	58,185	60,151	74,661	-1.9%	24.1%	7,31,449	6,38,661	14.5%
Ashok Leyland	7,090	9,075	12,333	11,981	13,637	15,371	12,944	14,457	19,251	18,100	18,181	22,453	12,677	13,659	15,791	15,199	17,386	19,373	15,149	13,121	15,493	19,741	18,245	21,535	-4.1%	18.0%	1,97,366	1,74,873	12.9%
Eicher Motors	63,231	65,236	67,081	68,822	72,548	76,514	74,720	75,042	73,055	84,679	79,966	85,498	80,146	80,571	80,867	75,027	75,446	78,325	76,431	70,464	64,514	78,607	69,058	69,507	-18.7%	0.7%	8,98,963	8,86,392	1.4%
M&M	39,417	42,003	35,759	41,819	42,207	53,752	51,160	38,570	39,200	52,063	51,127	62,076	48,097	46,849	45,155	47,199	48,324	55,022	58,416	45,101	39,755	55,722	56,005	62,952	1.4%	12.4%	6,08,596	5,49,153	10.8%
Maruti Suzuki	1,51,215	1,36,962	1,06,394	1,65,346	1,63,701	1,63,071	1,46,446	1,54,600	1,30,066	1,51,351	1,49,824	1,60,598	1,72,486	1,75,012	1,44,481	1,63,869	1,57,689	1,61,790	1,46,766	1,53,539	1,28,338	1,51,721	1,48,682	1,58,076	-1.6%	6.3%	18,62,449	17,79,574	4.7%
Tractors																													
M&M Tractors	26,151	25,749	33,093	18,957	16,641	45,788	40,562	22,994	18,488	22,065	20,658	28,477	30,925	29,330	40,529	22,679	17,785	37,581	47,376	25,949	17,404	22,212	18,978	19,688	-30.9%	3.7%	3,30,436	3,19,623	3.4%
Escorts	4,899	6,886	5,776	5,418	4,587	10,353	10,205	5,119	3,606	5,316	6,462	11,790	6,186	8,325	9,983	5,610	4,812	10,617	13,140	8,005	4,598	5,991	7,240	11,905	1.0%	64.4%	96,412	80,417	19.9%

**Source: Company, NSPL Research*

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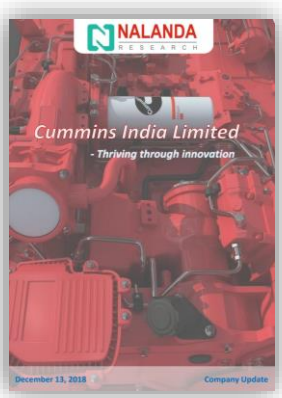

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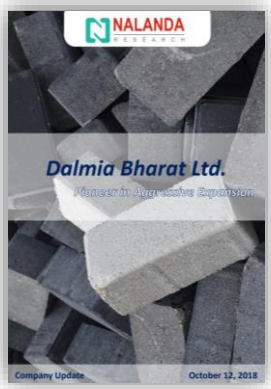

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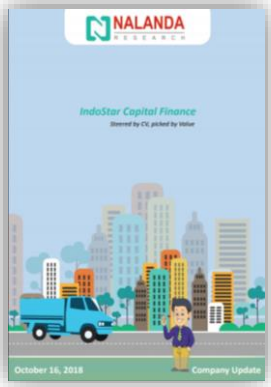

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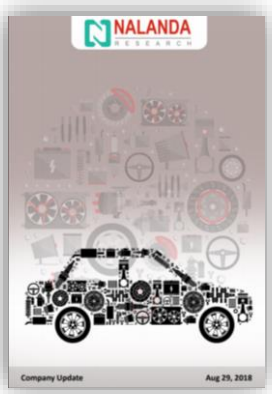

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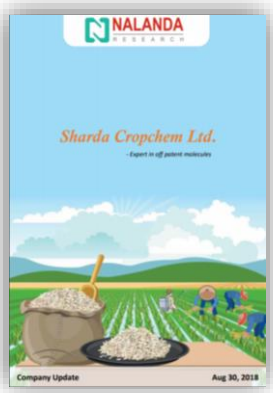

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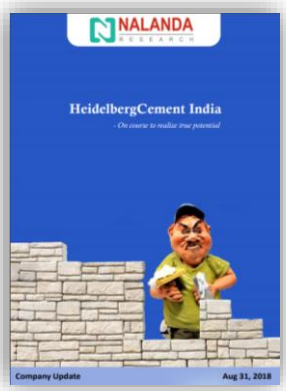

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