

High base and division of festive season in different months leads to subdued growth in MoTown.

October witnessed a slowdown in the entire auto pack across all the sectors. This was due to the festive season getting divided into two different months of September and October, as in, Dashera lied in the month of September, while Diwali came in October unlike last year when both the festivals lied in October. This had naturally raised the base of last year. Also most of the festive season sales were front ended, which means most of the sales had happened in the month of September. If we consider two wheeler sales, Hero, Bajaj and TVS all three reported lower single digit or negative growth this month, while exports businesses have started revival. Bajaj and TVS both reported splendid exports numbers as we learned that Nigeria, one of the biggest exports markets for Indian two wheeler makers is back on track of revival. New geographies like Iran and Turkey have also provided the necessary impetus for Bajaj Auto. On the 3W business segment, new permits opening in Maharashtra and other states like Delhi and Karnataka have led to a surge in domestic 3W sales. On the PV side, MSIL still reported ~10% growth based on strong order book for the new Dzire, Vitarra Brezza and Baleno.M&M, on the back of no new launches and weakness in the SUV portfolio reported negative numbers along with. FES segment too underperformed this month. ALL and TaMo both reported weak MHCV growth on high base. Escorts however reported strong numbers however, as it is getting prepared for North East monsoon in South India possibly and new launches.

Among the 2W pack, we like Hero (55% of rural volumes) which is a proxy to the rural story and is expected to pan out well on good monsoons, new launches, 7th Pay Commission and slurry of new launches as announced by the management though the valuations are a bit stretched. Bajaj Auto stock looks better on valuations but has been witnessing pressure in the domestic markets on competition. However, since Q1, we are seeing the exports pressure reducing as the company enters newer markets, due to which we are optimistic on it too. Off late we have seen the domestic business to performing well. TVS has been posting excellent sales performance but the double digit operating margins still look illusive, which is our major concern. We like MSIL on its sheer market leadership strength, new launches in the UV and the premium car segment, its image of a car made for India, solid distribution network and lesser impacted due to DeMon and BS III ban. With its recent new launches like Baleno, Vitarra Brezza, Supper Carry LCV and Ignis hatchback, we remain sanguine on MSIL. The upcoming launches of Baleno RS and new Swift coupled with new capacity at Gujarat coming up, we believe the volumes will touch higher orbit. We like Ashok Leyland as it's a prime beneficiary of the CV cycle up move, which has already started to look up on expected good monsoons and infra cycle pick up. We are skeptical on M&M as the growth in FES segment is getting offset by the listless SUVs business. Viewing the recovery in JLR numbers and strong domestic PV sales and recovering CV sales, we like Tata Motors. The most interesting driver for the industry will be the launch of the Electric Vehicles and the race for gaining market share in that segment.

	Oct-17	Sep-17	% mom	Oct-16	% yoy
Hero Motocorp	631,105	720,739	-12.4%	663,153	-4.8%
Bajaj Auto	382,464	428,752	-10.8%	356,168	7.4%
TVS	317,681	359,850	-11.7%	308,690	2.9%
Maruti	146,446	163,071	-10.2%	133,793	9.5%
M&M	91,411	99,226	-7.9%	97,185	-5.9%
<i>Auto</i>	51,149	53,663	-4.7%	52,008	-1.7%
<i>Tractors</i>	40,262	45,563	-11.6%	45,177	-10.9%
Tata Motors	53,197	57,852	-8.0%	52,813	0.7%
Ashok Leyland	12,914	15,370	-16.0%	12,534	3.0%
Escorts	10,205	10,353	-1.4%	8,970	13.8%

Hero MotoCorp: Weak sales

- Hero MotoCorp (Hero)'s sales in October went down by 4.8% yoy at 631,105 units. This was on high base of last October and division of festivals in two months this year.
- Sequentially the sales were down 12.4%.
- Going forward, we expect rural income to improve and upcoming slurry of launches mainly in the scooters business to drive volumes. Low base of H2 FY17 and upbeat festive October will enable higher growth in the ensuing months.

	Oct-17	Sep-17	% mom	Oct-16	% yoy	YTD FY18	YTD FY17	% yoy
Total sales	631,105	720,739	-12.4%	663,153	-4.8%	4,503,285	4,232,040	6.4%

Bajaj Auto: Domestic motorcycle sales falter

- Bajaj Auto's total sales came in 3.5% higher yoy and 12.3% lower mom at 382,464 units. This was despite the festive season.
- Domestic motorcycle sales have shown de-growth of 0.7% yoy. However, on a mom basis, the de-growth was much higher at 14.5% since September
- Exports 2W business grew by a healthy 20.4% yoy as we believe that new geographies are panning out well for the company offsetting the woes in Nigeria and Sri Lanka. Recent reports suggest that Nigeria has recovered from the losses which has released somewhat pressure on the company.
- Total three wheeler sales went up by 17.4% yoy. In the domestic markets they increased by 38.6% yoy on opening of permits in Maharashtra and some other states, while in the exports markets sales de-grew by just 6.5% yoy.

	Oct-17	Sep-17	% mom	Oct-16	% yoy	YTD FY18	YTD FY17	% yoy
Motorcycles								
Domestic	211,553	247,418	-14.5%	212,997	-0.7%	1,222,112	1,341,422	-8.9%
Exports	114,225	122,260	-6.6%	94,895	20.4%	798,101	736,424	8.4%
Total	325,778	369,678	-11.9%	307,892	5.8%	2,020,213	2,077,846	-2.8%
3W								
Domestic	35,657	34,361	3.8%	25,784	38.3%	172,942	175,371	-1.4%
Exports	21,029	24,713	-14.9%	22,492	-6.5%	149,253	129,629	15.1%
Total	56,686	59,074	-4.0%	48,276	17.4%	322,195	305,000	5.6%
Domestic	247,210	281,779	-12.3%	238,781	3.5%	1,395,054	1,516,793	-8.0%
Exports	135,254	146,973	-8.0%	117,387	15.2%	947,354	866,053	9.4%
Total	382,464	428,752	-10.8%	356,168	7.4%	2,342,408	2,382,846	-1.7%

TVS Motor: Subdued numbers

- TVS reported soft sales numbers in October at just 2.9% yoy growth. This was 11.7% down mom as more of the sales were front ended which means September witnessed higher sales than October.
- Motorcycle sales grew by 3.2% yoy and dipped by 12.9% mom.
- Scooters sales grew by good 15.7% yoy on very strong Jupiter sales, while mopeds were up down by 15.1% yoy.
- 3W sales increased by 88.3% yoy. Domestic markets grew by 20.7% yoy, while 3W exports grew by 114% yoy.
- Exports sales in TVS witnessed a very positive growth. Exports grew by a robust 29.3% yoy and fell by 10.9% mom to 45,437 units despite weakness in Africa and Latin America, driven by a 20% growth in 2Ws and 114% yoy growth in 3W. The South and South East Asian countries Nepal, Bangladesh and Philippines were the bright spots in this month.

	Oct-17	Sep-17	% mom	Oct-16	% yoy	YTD FY18	YTD FY17	% yoy
Motorcycles	125,409	143,923	-12.9%	121,550	3.2%	820,736	736,061	11.5%
Scooters	106,910	121,601	-12.1%	92,417	15.7%	692,815	518,186	33.7%
Mopeds	76,315	85,330	-10.6%	89,918	-15.1%	503,490	545,426	-7.7%
Total 2W	308,634	350,854	-12.0%	303,885	1.6%	2,017,041	1,799,673	12.1%
3W	9,047	8,996	0.6%	4,805	88.3%	51,332	42,543	20.7%
Total sales	317,681	359,850	-11.7%	308,690	2.9%	2,068,373	1,842,216	12.3%
Exports out of the above	45,437	50,971	-10.9%	35,134	29.3%	318,196	250,598	27.0%
2W exports	37,992	43,694	-13.0%	31,656	20.0%	274,732	216,519	26.9%
3W exports	7,445	7,277	2.3%	3,478	114.1%	43,464	34,079	27.5%
Domestic 3W	1,602	1,719	-6.8%	1,327	20.7%	7,868	8,464	-7.0%

Maruti Suzuki: Moderate growth

- Maruti Suzuki India Ltd (MSIL)'s sales in the month of October came in at 146,446 units which was a tad lower than expected. This was again due to division of festive season into September and October this year as compared to last year when both Dasher and Diwali both fell in October thus raising the base.
- The petrol/small car segment this month saw a fall of 4.2% yoy growth.
- The super compact segment comprising of Swift, Celerio, Baleno, Ignis etc grew 24.7% yoy on overall success of existing model portfolio. The newly launched Dzire contributed heavily to this growth.
- Ciaz segment sales de-grew by 35.4 % yoy and 26.7% mom.
- The UV segment which increased by 29.8% yoy and grew 17.5% mom also remained one of the main drivers of growth. Long waiting orders for Vitarra Brezza was the main contributor to this kind of growth.
- The new launch of LCV Super Carry sold 872 units in as compared to 80 units yoy.
- Exports witnessed a 4.2% yoy hike and 10.5% mom fall.

	Oct-17	Sep-17	% mom	Oct-16	% yoy	YTD FY18	YTD FY17	% yoy
Mini(Alto, Wagon R)	32,490	38,479	-15.6%	33,929	-4.2%	252,217	241,588	4.4%
Compact(Swift, Ritz, Celerio, Baleno, Dzire, Ignis)	62,480	72,804	-14.2%	50,116	24.7%	427,726	328,606	30.2%
Super compact(Dzire Tour)			N/A	2,481	N/A		20,295	-100.0%
Mid size (SX4, Ciaz)	4,107	5,603	-26.7%	6,360	-35.4%	38,242	37,970	0.7%
Total passenger cars	99,077	116,886	-15.2%	92,886	6.7%	718,185	628,459	14.3%
Utility Vehicles(Gypsy, Ertiga, Vitarra, S-Cross, Brezza)	23,382	19,900	17.5%	18,008	29.8%	147,630	109,967	34.2%
Vans(Omni, Eeco)	12,669	13,735	-7.8%	12,790	-0.9%	91,788	90,545	1.4%
LCV (Super Carry)	872	879	-0.8%	80	990.0%	4,229	163	2494.5%
Total domestic sales	136,000	151,400	-10.2%	123,764	9.9%	961,832	829,134	16.0%
Exports	10,446	11,671	-10.5%	10,029	4.2%	71,303	71,572	-0.4%
Total sales	146,446	163,071	-10.2%	133,793	9.5%	1,033,135	900,706	14.7%

Mahindra & Mahindra: Nothing special

- Total auto sales in the month grew by just 0.2% yoy to 48,818 which was a 3.2% dip sequentially.
- SUV segment decreased by 5.8% yoy and 8.6% mom.
- CV sales in the month grew by 6.8% yoy, out of which LCV >3.5 T went up by 16.7% yoy, while the LCV <3.5 T expanded by 5.1% yoy. MHCV segment grew by 58.8% yoy albeit on a low base. M&M now controls more than 50% of the LCV market.
- 3W sales have grew by 3.3% yoy despite permits opening up..
- Exports posted de-growth of 28.9% yoy.
- FES segment de-grew at 10.9% yoy, out of which the domestic sales fell by 10.5% yoy. High base of last year led to such a performance. Exports de-grew by 28.9% yoy.

Auto segment	Oct-17	Sep-17	% mom	Oct-16	% yoy	YTD FY18	YTD FY17	% yoy
Utility Vehicles	22,040	24,109	-8.6%	23,399	-5.8%	136,638	131,595	3.8%
Cars+Vans	1,373	1,218	12.7%	1,338	2.6%	8,174	8,641	-5.4%
Total PV	23,413	25,327	-7.6%	24,737	-5.4%	144,812	140,236	3.3%
LCV(<3.5 T)	18,057	17,803	1.4%	17,182	5.1%	107,976	93,384	15.6%
LCV (>3.5T)	474	514	-7.8%	406	16.7%	4,039	4,433	-8.9%
MHCV	748	884	-15.4%	471	58.8%	4,343	3,078	41.1%
Total CV	19,279	19,201	0.4%	18,059	6.8%	116,358	100,895	15.3%
3 wheelers	6,126	5,928	3.3%	5,933	3.3%	29,792	33,351	-10.7%
Total domestic sales	48,818	50,456	-3.2%	48,729	0.2%	290,962	274,482	6.0%
Total exports	2,331	3,207	-27.3%	3,279	-28.9%	14,779	25,233	-41.4%
Total sales	51,149	53,663	-4.7%	52,008	-1.7%	305,741	299,715	2.0%

FES	Oct-17	Sep-17	% mom	Oct-16	% yoy	YTD FY18	YTD FY17	% yoy
Domestic	39,226	44,000	-10.9%	43,826	-10.5%	197,332	173,289	13.9%
Exports	1,036	1,563	-33.7%	1,351	-23.3%	8,374	8,141	2.9%
Total FES	40,262	45,563	-11.6%	45,177	-10.9%	205,706	181,430	13.4%

Ashok Leyland: Moderation witnessed

- Ashok Leyland (ALL) posted a dull 3% yoy growth in the month to 12,914 units
- MHCV sales went a bit down by 4.9% yoy to 9,110 units. This growth was lower than expected, however on high base the growth got stifled more than expected.
- LCV sales posted a growth of 28.6% yoy in the month.

	Oct-17	Sep-17	% mom	Oct-16	% yoy	YTD FY18	YTD FY17	% yoy
MHCV	9,110	11,804	-22.8%	9,575	-4.9%	60,391	58,943	2.5%
LCV	3,804	3,566	6.7%	2,959	28.6%	22,010	18,197	21.0%
Total	12,914	15,370	-16.0%	12,534	3.0%	82,401	77,140	6.8%

Tata Motors: CV, PV both report listless growth, exports break down

- Tata Motors (TAMO)'s total sales in the month remained flattish at 0.7% yoy to 53,197 units. PV as well as CV sales both faltered.
- CV sales moved up just by 7.4% yoy and fell 11.6% mom on high base.
- PV segment saw growth of 1% yoy as Tigor, Tiago and Hexa are performing well but much of the growth had happened in September itself. Nexon launch is also getting a good response going forward.

Segment (models)	Oct-17	Sep-17	% mom	Oct-16	% yoy	YTD FY18	YTD FY17	% yoy
Total CVs	32,411	36,679	-11.6%	30,169	7.4%	193,799	184,563	5.0%
Total PVs	16,475	17,286	-4.7%	16,311	1.0%	97,892	89,427	9.5%
Exports	4,311	3,887	10.9%	6,333	-31.9%	24,253	37,802	-35.8%
Total sales	53,197	57,852	-8.0%	52,813	0.7%	315,944	311,792	1.3%

Escorts: Monsoon plus inventory pile up may have resulted in good set of numbers

- Domestic sales have expanded by 12.9% yoy in October on good monsoon possible inventory push at the month end as North East monsoon has set in in South India.
- Exports grew by a whopping 83.8% yoy and went down by 2.4% mom on a small base.
- Total sales grew by 13.85 yoy to 10,205 units.

	Oct-17	Sep-17	% mom	Oct-16	% yoy	YTD FY18	YTD FY17	% yoy
Domestic	10,001	10,144	-1.4%	8,859	12.9%	47,017	40,333	16.6%
Exports	204	209	-2.4%	111	83.8%	1,107	482	129.7%
Total	10,205	10,353	-1.4%	8,970	13.8%	48,124	40,815	17.9%

DISCLAIMERS AND DISCLOSURES

LKP Sec. Ltd. (CIN-U67120MH1994PLC080039, www.lkpsec.com) and its affiliates are a full-fledged, brokerage and financing group. LKP was established in 1992 and is one of India's leading brokerage and distribution house. LKP is a corporate trading member of Bombay Stock Exchange Limited (BSE), National Stock Exchange of India Limited (NSE), MCX Stock Exchange Limited (MCX-SX). LKP along with its subsidiaries offers the most comprehensive avenues for investments and is engaged in the businesses including stock broking (Institutional and retail), merchant banking, commodity broking, depository participant, insurance broking and services rendered in connection with distribution of primary market issues and financial products like mutual funds etc.

LKP hereby declares that it has not defaulted with any stock exchange nor its activities were suspended by any stock exchange with whom it is registered in last five years. However, SEBI and Stock Exchanges have conducted the routine inspection and based on their observations have issued advice letters or levied minor penalty on LKP for certain operational deviations in ordinary/routine course of business. LKP has not been debarred from doing business by any Stock Exchange / SEBI or any other authorities; nor has its certificate of registration been cancelled by SEBI at any point of time.

LKP offers research services to clients. The analyst for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject company or companies and its or their securities, and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report.

Other disclosures by LKP and its Research Analyst under SEBI (Research Analyst) Regulations, 2014 with reference to the subject company(s) covered in this report:-

Research Analyst or his/her relative's financial interest in the subject company. (NO)

LKP or its associates may have financial interest in the subject company.

LKP or its associates and Research Analyst or his/her relative's does not have any material conflict of interest in the subject company. The research Analyst or research entity (LKP) has not been engaged in market making activity for the subject company.

LKP or its associates may have actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of Research Report.

Research Analyst or his/her relatives have actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of Research Report: (NO)

LKP or its associates may have received any compensation including for investment banking or merchant banking or brokerage services from the subject company in the past 12 months.

LKP or its associates may have received compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past 12 months.

LKP or its associates may have received any compensation or other benefits from the Subject Company or third party in connection with the research report.

Subject Company may have been client of LKP or its associates during twelve months preceding the date of distribution of the research report and LKP may have co-managed public offering of securities for the subject company in the past twelve months.

Research Analyst has served as officer, director or employee of the subject company: (NO)

LKP and/or its affiliates may seek investment banking or other business from the company or companies that are the subject of this material. Our salespeople, traders, and other professionals may provide oral or written market commentary or trading strategies to our clients that reflect opinions that are contrary to the opinions expressed herein, and our proprietary trading and investing businesses may make investment decisions that may be inconsistent with the recommendations expressed herein.

In reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest including but not limited to those stated herein. Additionally, other important information regarding our relationships with the company or companies that are the subject of this material is provided herein. This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or which would subject LKP or its group companies to any registration or licensing requirement within such jurisdiction. Specifically, this document does not constitute an offer to or solicitation to any U.S. person for the purchase or sale of any financial instrument or as an official confirmation of any transaction to any U.S. person.

Unless otherwise stated, this message should not be construed as official confirmation of any transaction. No part of this document may be distributed in Canada or used by private customers in United Kingdom.

All trademarks, service marks and logos used in this report are trademarks or registered trademarks of LKP or its Group Companies. The information contained herein is not intended for publication or distribution or circulation in any manner whatsoever and any unauthorized reading, dissemination, distribution or copying of this communication is prohibited unless otherwise expressly authorized. Please ensure that you have read "Risk Disclosure Document for Capital Market and Derivatives Segments" as prescribed by Securities and Exchange Board of India before investing in Indian Securities Market. In so far as this report includes current or historic information, it is believed to be reliable, although its accuracy and completeness cannot be guaranteed.

All material presented in this report, unless specifically indicated otherwise, is under copyright to LKP. None of the material, nor its content, nor any copy of it, may be altered in any way, transmitted to, copied or distributed to any other party, without the prior express written permission of LKP