

Favorable base leads to stellar growth in November

November as expected saw a yoy surge in numbers on low base of last year's November post DeMon. If we consider two wheeler sales, Hero, Bajaj and TVS all three reported strong 20-40% growth this month, while exports businesses have shown strong signs of revival this month. 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 within its run rate of 10-15% growth based on strong order book for the new Dzire, Vitarra Brezza and Baleno. M&M, on the back of low base reported solid UV numbers. FES segment too outperformed this month with a 30%+ growth. ALL and TaMo both reported solid MHCV growth on low base. Even sequentially they reported good growth which signals intrinsic growth within the sector on infrastructural development and freight rates moving up. Escorts reported moderate growth.

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 2W 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. 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 now getting bullish on M&M as the growth in FES segment will be supported by the expected growth in SUV business on upcoming launches in CY 18 and strong subsidiary valuation. 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 upcoming launches of the Electric Vehicles and the race for gaining market share in that segment. It can be anybody's game...

	Nov-17	Oct-17	% mom	Nov-16	% yoy
Hero Motocorp	605,270	631,105	-4.1%	479,856	26.1%
Bajaj Auto	326,458	382,464	-14.6%	269,948	20.9%
TVS	251,965	317,681	-20.7%	224,971	12.0%
Maruti	154,600	146,446	5.6%	135,550	14.1%
M&M	61,324	91,411	-32.9%	49,826	23.1%
Auto	38,570	51,149	-24.6%	32,564	18.4%
Tractors	22,754	40,262	-43.5%	17,262	31.8%
Tata Motors	57,291	53,197	7.7%	38,900	47.3%
Ashok Leyland	14,460	12,914	12.0%	9,574	51.0%
Escorts	5,119	10,205	-49.8%	4,806	6.5%

Hero MotoCorp: Run rate maintained

- Hero MotoCorp (Hero)'s sales in November went up by 26.1% yoy at 605,270 units. This was on low base of last November and continued success of its existing model portfolio, primarily Splendor, Passion, Deluxe and Glamour.
- Sequentially the sales were down by just 4.1% on festive October.
- 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 will further help the cause.

	Nov-17	Oct-17	% mom	Nov-16	% yoy	YTD FY18	YTD FY17	% yoy
Total sales	605,270	631,105	-4.1%	479,856	26.1%	5,108,555	4,711,896	8.4%

Bajaj Auto: 3W and exports lift up the overall performance

- Bajaj Auto's total sales came in 20.9% higher yoy and 14.6% lower mom at 326,458 units.
- Domestic motorcycle sales have grown by just 1.6% yoy. However, on a mom basis, the de-growth was much higher at 32.9% since October
- Exports 2W business grew by a healthy 24.5% yoy as we believe that new geographies are panning out well for the company offsetting the woes in Sri Lanka and Bangladesh. Recent reports suggest that Nigeria has recovered from the loss which has released somewhat pressure on the company.
- Total three wheeler sales went up by 94.1% yoy. In the domestic markets they increased by a whopping 157% yoy on opening of permits in Maharashtra, Delhi and some other states, while in the exports markets sales grew by just 41% yoy.

	Nov-17	Oct-17	% mom	Nov-16	% yoy	YTD FY18	YTD FY17	% yoy
Motorcycles								
Domestic	141,948	211,553	-32.9%	139,765	1.6%	1,364,060	1,481,187	-7.9%
Exports	122,022	114,225	6.8%	97,992	24.5%	920,123	834,416	10.3%
Total	263,970	325,778	-19.0%	237,757	11.0%	2,284,183	2,315,603	-1.4%
3W								
Domestic	37,887	35,657	6.3%	14,758	156.7%	210,829	190,129	10.9%
Exports	24,601	21,029	17.0%	17,433	41.1%	173,854	147,062	18.2%
Total	62,488	56,686	10.2%	32,191	94.1%	384,683	337,191	14.1%
Domestic	179,835	247,210	-27.3%	154,523	16.4%	1,574,889	1,671,316	-5.8%
Exports	146,623	135,254	8.4%	115,425	27.0%	1,093,977	981,478	11.5%
Total	326,458	382,464	-14.6%	269,948	20.9%	2,668,866	2,652,794	0.6%

TVS Motor: Strong performance

- TVS reported healthy sales numbers in the month at 12% yoy. This was 20.7% down mom on a seasonally inflated month of festivities.
- Motorcycle sales grew by 37.3% yoy and dipped by 25.7% mom.
- Scooters sales grew by good 7.2% yoy on good Scooty and Jupiter sales, while mopeds were down by 8.1% yoy.
- 3W sales increased by 46.9% yoy. Domestic markets grew by 152% yoy on permits opening in three states, while 3W exports grew by 34% yoy.
- Exports sales in TVS witnessed a very positive growth. Exports grew by a robust 43.8% yoy and 3.9% mom to 47,207 units despite weakness in SL and Bangladesh, driven by a 46% growth in 2Ws and 34% yoy growth in 3W. Recovery in Nigeria and strength in other African countries were the strong points.

	Nov-17	Oct-17	% mom	Nov-16	% yoy	YTD FY18	YTD FY17	% yoy
Motorcycles	93,202	125,409	-25.7%	67,896	37.3%	913,938	803,957	13.7%
Scooters	78,397	106,910	-26.7%	73,135	7.2%	771,212	591,321	30.4%
Mopeds	71,724	76,315	-6.0%	78,057	-8.1%	575,214	623,483	-7.7%
Total 2W	243,323	308,634	-21.2%	219,088	11.1%	2,260,364	2,018,761	12.0%
3W	8,642	9,047	-4.5%	5,883	46.9%	59,974	48,426	23.8%
Total sales	251,965	317,681	-20.7%	224,971	12.0%	2,320,338	2,067,187	12.2%
Exports out of the above	47,207	45,437	3.9%	32,829	43.8%	365,403	283,427	28.9%
2W exports	40,185	37,992	5.8%	27,589	45.7%	314,917	244,108	29.0%
3W exports	7,022	7,445	-5.7%	5,240	34.0%	50,486	39,319	28.4%
Domestic 3W	1,620	1,602	1.1%	643	151.9%	9,488	9,107	4.2%

Maruti Suzuki : Continued robust sales...

- Maruti Suzuki India Ltd (MSIL)'s sales in the month of November came in at 154,600 units which were a bit higher than expected. This was on low base and continued waiting period for its Baleno and Brezza brands.
- The petrol/small car segment this month saw a fall of just 1.8% yoy, while growing by 17.6% mom.
- The super compact segment comprising of Swift, Celerio, Baleno, Ignis etc grew 32.4% yoy on overall success of existing model portfolio. The newly launched Dzire contributed heavily to this growth.
- Ciaz segment sales de-grew by 26.2 % yoy and 2.4% mom.
- The UV segment which increased by 34% yoy and fell 2.4% 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 1,003 units in as compared to 105 units yoy.
- Exports witnessed a 1% yoy hike and 11% mom fall.

	Nov-17	Oct-17	% mom	Nov-16	% yoy	YTD FY18	YTD FY17	% yoy
Mini(Alto, Wagon R)	38,204	32,490	17.6%	38,886	-1.8%	290,421	280,474	3.5%
Compact(Swift, Ritz, Celerio, Baleno, Dzire, Ignis)	65,447	62,480	4.7%	49,431	32.4%	493,173	378,037	30.5%
Super compact(Dzire Tour)			N/A	3,017	N/A	-	23,312	-100.0%
Mid size (SX4, Ciaz)	4,009	4,107	-2.4%	5,433	-26.2%	42,251	43,403	-2.7%
Total passenger cars	107,660	99,077	8.7%	96,767	11.3%	825,845	725,226	13.9%
Utility Vehicles(Gypsy, Ertiga, Vitarra, S-Cross, Brezza)	23,072	23,382	-1.3%	17,215	34.0%	170,702	127,182	34.2%
Vans(Omni, Eeco)	13,565	12,669	7.1%	12,238	10.8%	105,353	102,783	2.5%
LCV (Super Carry)	1,003	872	15.0%	105	855.2%	5,232	268	1852.2%
Total domestic sales	145,300	136,000	6.8%	126,325	15.0%	1,107,132	955,459	15.9%
Exports	9,300	10,446	-11.0%	9,225	0.8%	80,603	80,797	-0.2%
Total sales	154,600	146,446	5.6%	135,550	14.1%	1,187,735	1,036,256	14.6%

Mahindra & Mahindra: Good going..

- Total auto sales in the month grew by 18.4% yoy to 38,570 which was a 24.6% dip sequentially.
- SUV segment increased by 20.5% yoy and fell by 32.1% mom.
- CV sales in the month grew by 22.3% yoy, out of which LCV >3.5 T went up by 10.9% yoy, while the LCV <3.5 T expanded by 19.7% yoy. MHCV segment grew by 122.5% yoy albeit on a low base. M&M now controls more than 50% of the LCV market.
- 3W sales have grew by 12.7% yoy as permits are opening up.
- Exports posted de-growth of 6.1% yoy.
- FES segment grew by 31.8% yoy, out of which the domestic sales zoomed by 32.2% yoy. Exports grew by 27.1% yoy.

Auto segment	Nov-17	Oct-17	% mom	Nov-16	% yoy	YTD FY18	YTD FY17	% yoy
Utility Vehicles	14,958	22,040	-32.1%	12,416	20.5%	151,596	144,011	5.3%
Cars+Vans	1,072	1,373	-21.9%	782	37.1%	9,736	9,757	-0.2%
Total PV	16,030	23,413	-31.5%	13,198	21.5%	161,332	153,768	4.9%
LCV(<3.5 T)	14,262	18,057	-21.0%	11,911	19.7%	122,238	105,295	16.1%
LCV (>3.5T)	500	474	5.5%	451	10.9%	4,539	4,884	-7.1%
MHCV	792	748	5.9%	356	122.5%	5,035	3,434	46.6%
Total CV	15,554	19,279	-19.3%	12,718	22.3%	131,812	113,613	16.0%
3 wheelers	4,455	6,126	-27.3%	3,953	12.7%	34,247	37,304	-8.2%
Total domestic sales	36,039	48,818	-26.2%	29,869	20.7%	327,391	304,685	7.5%
Total exports	2,531	2,331	8.6%	2,695	-6.1%	17,340	28,041	-38.2%
Total sales	38,570	51,149	-24.6%	32,564	18.4%	344,731	332,726	3.6%

FES	Nov-17	Oct-17	% mom	Nov-16	% yoy	YTD FY18	YTD FY17	% yoy
Domestic	21,046	39,226	-46.3%	15,918	32.2%	219,378	189,207	15.9%
Exports	1,708	1,036	64.9%	1,344	27.1%	10,082	9,485	6.3%
Total FES	22,754	40,262	-43.5%	17,262	31.8%	229,460	198,692	15.5%

Ashok Leyland: CV growth strong both yoy and mom

- Ashok Leyland (ALL) posted a splendid 51% yoy growth in the month to 14,460 units on low base and rise in freight rates.
- MHCV sales were up by 53.6% yoy to 10,641 units on favorable base. This growth was higher than expected. On mom basis, they were up by 16.8%.
- LCV sales posted a growth of 44.3% yoy in the month.

	Nov-17	Oct-17	% mom	Nov-16	% yoy	YTD FY18	YTD FY17	% yoy
MHCV	10,641	9,110	16.8%	6,928	53.6%	71,062	65,871	7.9%
LCV	3,819	3,804	0.4%	2,646	44.3%	25,829	20,843	23.9%
Total	14,460	12,914	12.0%	9,574	51.0%	96,891	86,714	11.7%

Tata Motors: Nexon launch drives PV growth

- Tata Motors (TAMO)'s total sales in the month were bountiful at 47.5% yoy to 57,391 units. PV as well as CV sales both excelled.
- CV sales moved up by 71.9% yoy and 8.9% mom on low base. Freight rates have also moved up and infrastructure activities are gathering steam.
- PV segment saw growth of 34.7% yoy as Tigor, Tiago and Hexa are performing well. Nexon launch is also getting a good response assisting the company to gain the lost UV market share.

Segment(models)	Nov-17	Oct-17	% mom	Nov-16	% yoy	YTD FY18	YTD FY17	% yoy
Total CVs	35,307	32,411	8.9%	20,538	71.9%	229,106	205,101	11.7%
Total PVs	17,157	16,475	4.1%	12,736	34.7%	115,049	102,163	12.6%
Exports	4,927	4,311	14.3%	5,626	-12.4%	29,180	43,428	-32.8%
Total sales	57,391	53,197	7.9%	38,900	47.5%	373,335	350,692	6.5%

Escorts: Moderate domestic sales

- Domestic sales have grown by just 5.2% yoy in November on good monsoon, while the sequential dip is seasonal.
- Exports grew by a whopping 64.8% yoy and went down by 12.7% mom on a small base.
- Total sales grew by 6.5% yoy to 5,119 units.

	Nov-17	Oct-17	% mom	Nov-16	% yoy	YTD FY18	YTD FY17	% yoy
Domestic	4,941	10,001	-50.6%	4,698	5.2%	51,958	45,031	15.4%
Exports	178	204	-12.7%	108	64.8%	1,285	590	117.8%
Total	5,119	10,205	-49.8%	4,806	6.5%	53,243	45,621	16.7%

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