

Strong set of numbers

December is seasonally a weak month for auto sales wherein customers postpone their buying in order to get a new year of registration for their vehicles. Also some companies undertake maintenance shutdown in this month which impacts production, thus sales. However, December 2017 has been an exceptional month wherein most of the auto companies have bucked the trend and reported robust set of numbers. This has been on the back of weak base post DeMon last year and overall pick up in the auto sector with economic 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. Even in the exports markets revival in African markets is leading to good 3W numbers. 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 other hand has reported weak set of numbers in the UV business as there has been no new launch off late to tackle competition. FES segment 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 core sector reporting good set of numbers.

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, Super Carry LCV and Ignis hatchback, we remain sanguine on MSIL. However, on valuation front it looks quite expensive to buy at these levels. 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. FES segment and strong subsidiary valuation will assist M&M to grow well from these levels, though UVs will disappoint on and off till new launches arrive.. Viewing the recovery in JLR numbers and strong domestic 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 in the coming years....

	Dec-17	Nov-17	% mom	Dec-16	% yoy
Hero Motocorp	472,731	605,270	-21.9%	330,202	43.2%
Bajaj Auto	292,547	326,458	-10.4%	225,529	29.7%
TVS	256,909	251,965	2.0%	184,944	38.9%
Maruti	130,066	154,600	-15.9%	117,908	10.3%
M&M	57,488	61,324	-6.3%	50,511	13.8%
Auto	39,200	38,570	1.6%	36,464	7.5%
Tractors	18,288	22,754	-19.6%	14,047	30.2%
Tata Motors	60,671	57,291	5.9%	40,944	48.2%
Ashok Leyland	19,253	14,460	33.1%	10,731	79.4%
Escorts	3,606	5,119	-29.6%	3,187	13.1%

Hero MotoCorp: Low base leads to strong yoy growth

- Hero MotoCorp (Hero)'s sales in December went up by 43.2% yoy at 472,731 units. This was on low base of last December and continued success of its existing model portfolio, primarily Splendor, Passion, Deluxe and Glamour.
- Sequentially the sales were down by 21.9%.
- 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.

	Dec-17	Nov-17	% mom	Dec-16	% yoy	YTD FY18	YTD FY17	% yoy
Total sales	472,731	605,270	-21.9%	330,202	43.2%	5,581,286	5,042,098	10.7%

Bajaj Auto: Exports and 3Ws zoom

- Bajaj Auto's total sales came in 29.7% higher yoy and 10.4% lower mom at 292,547 units.
- Domestic motorcycle sales have grown by 5.9% yoy. However, on a mom basis, the de-growth was much higher at 20.4% on a festive November and seasonally weak December.
- Exports 2W business grew by a healthy 19.9% yoy as we believe that new geographies such as Turkey and Iran 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 a humungous 187% yoy. In the domestic markets they increased by a whopping 180% yoy on opening of permits in Maharashtra, Delhi and some other states and low base of December 2016 on DeMon woes, while in the exports markets sales grew by just 197% yoy on recovery in African markets. Sequentially, 3Ws grew by 2.1%.

	Dec-17	Nov-17	% mom	Dec-16	% yoy	YTD FY18	YTD FY17	% yoy
Motorcycles								
Domestic	112,930	141,948	-20.4%	106,665	5.9%	1,476,990	1,587,852	-7.0%
Exports	115,832	122,022	-5.1%	96,647	19.9%	1,035,955	931,063	11.3%
Total	228,762	263,970	-13.3%	203,312	12.5%	2,512,945	2,518,915	-0.2%
3W								
Domestic	36,579	37,887	-3.5%	13,060	180.1%	247,408	203,189	21.8%
Exports	27,206	24,601	10.6%	9,157	197.1%	201,060	156,219	28.7%
Total	63,785	62,488	2.1%	22,217	187.1%	448,468	359,408	24.8%
Domestic	149,509	179,835	-16.9%	119,725	24.9%	1,724,398	1,791,041	-3.7%
Exports	143,038	146,623	-2.4%	105,804	35.2%	1,237,015	1,087,282	13.8%
Total	292,547	326,458	-10.4%	225,529	29.7%	2,961,413	2,878,323	2.9%

TVS Motor: Robust show continues

- TVS reported healthy sales numbers in the month at 39% yoy. This was 2% up mom despite December being a seasonally weak month.
- Motorcycle sales grew by 63.7% yoy and 2.2% mom.
- Scooters sales grew by good 50.5% yoy on good Scooty and Jupiter sales, while mopeds were up by 4.4% yoy.
- 3W sales increased by 72.1% yoy. Domestic markets grew by 65.4% yoy on permits opening in three states, while 3W exports grew by 73.2% yoy s sharp recovery is coming in Nigeria.
- Exports sales in TVS witnessed a very positive growth. Exports grew by a robust 55.8% yoy and 1.3% mom to 47,818 units despite weakness in SL and Bangladesh, driven by a 53% growth in 2Ws and 73% yoy growth in 3W. Recovery in Nigeria and strength in other African countries are the key monitorables hereon.

	Dec-17	Nov-17	% mom	Dec-16	% yoy	YTD FY18	YTD FY17	% yoy
Motorcycles	95,281	93,202	2.2%	58,211	63.7%	1,009,219	862,146	17.1%
Scooters	83,640	78,397	6.7%	55,557	50.5%	854,852	646,857	32.2%
Mopeds	68,709	71,724	-4.2%	65,783	4.4%	643,923	689,266	-6.6%
Total 2W	247,630	243,323	1.8%	179,551	37.9%	2,507,994	2,198,269	14.1%
3W	9,279	8,642	7.4%	5,393	72.1%	69,253	53,819	28.7%
Total sales	256,909	251,965	2.0%	184,944	38.9%	2,577,247	2,252,088	14.4%
Exports out of the above	47,818	47,207	1.3%	30,694	55.8%	413,221	314,121	31.5%
2W exports	39,852	40,185	-0.8%	26,095	52.7%	354,769	270,203	31.3%
3W exports	7,966	7,022	13.4%	4,599	73.2%	58,452	43,918	33.1%
Domestic 3W	1,313	1,620	-19.0%	794	65.4%	10,801	9,901	9.1%

Maruti Suzuki : Decent growth..

- Maruti Suzuki India Ltd (MSIL)'s sales in the month of December came in at 130,066 units which at 10.3% was on low base and continued waiting period for its Baleno and Brezza brands.
- The petrol/small car segment this month saw a 2% yoy growth, while de-growing by 15.9% mom.
- The super compact segment comprising of Swift, Celerio, Baleno, Ignis etc grew 23.2% yoy on overall success of existing model portfolio. The newly launched Dzire contributed heavily to this growth.
- Ciaz segment sales de-grew by 35.8 % yoy and 40.6% mom. Ciaz has conceded its top position in mid-size sedans segment to Honda City.
- The UV segment which increased by 20% yoy and fell 16.5% 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 726 units in as compared to 26 units yoy.
- Exports witnessed a 6.2% yoy dip and 15.9% mom rise.

	Dec-17	Nov-17	% mom	Dec-16	% yoy	YTD FY18	YTD FY17	% yoy
Mini(Alto, Wagon R)	32,146	38,204	-15.9%	31,527	2.0%	322,567	312,001	3.4%
Compact(Swift, Ritz, Celerio, Baleno, Dzire, Ignis)	53,336	65,447	-18.5%	43,295	23.2%	546,509	421,332	29.7%
Super compact(Dzire Tour)	-		N/A	2,559	N/A	-	25,871	N/A
Mid size (SX4, Ciaz)	2,382	4,009	-40.6%	3,711	-35.8%	44,633	47,114	-5.3%
Total passenger cars	87,864	107,660	-18.4%	81,092	8.4%	913,709	806,318	13.3%
Utility Vehicles(Gypsy, Ertiga, Vitarra, S-Cross, Brezza)	19,276	23,072	-16.5%	16,072	19.9%	189,978	143,254	32.6%
Vans(Omni, Eeco)	11,420	13,565	-15.8%	9,224	23.8%	116,773	112,007	4.3%
LCV (Super Carry)	726	1,003	-27.6%	26	2692.3%	5,958	294	1926.5%
Total domestic sales	119,286	145,300	-17.9%	106,414	12.1%	1,226,418	1,061,873	15.5%
Exports	10,780	9,300	15.9%	11,494	-6.2%	91,383	92,291	-1.0%
Total sales	130,066	154,600	-15.9%	117,908	10.3%	1,317,801	1,154,164	14.2%

Mahindra & Mahindra: Weak auto numbers, FES rocks....

- Total auto sales in the month grew by 7.5% yoy to 39,200 which was a just a growth of 7.5% yoy.
- SUV segment led this soft growth as its sales decreased by 9% yoy and 3% mom.
- CV sales in the month grew by 24% yoy, out of which LCV >3.5 T went up by 13% yoy, while the LCV <3.5 T expanded by 19.8% yoy. MHCV segment grew by 150.6% yoy albeit on a low base. M&M now controls more than 50% of the LCV market.
- 3W sales have grew by 12.6% yoy as permits are opening up.
- Exports posted growth of 8.21% yoy.
- FES segment grew by 30.2% yoy, out of which the domestic sales zoomed by 32.1% yoy. Exports grew by 13.1% yoy.

Auto segment	Dec-17	Nov-17	% mom	Dec-16	% yoy	YTD FY18	YTD FY17	% yoy
Utility Vehicles	14,514	14,958	-3.0%	15,957	-9.0%	166,110	159,968	3.8%
Cars+Vans	1,029	1,072	-4.0%	842	22.2%	10,765	10,599	1.6%
Total PV	15,543	16,030	-3.0%	16,799	-7.5%	176,875	170,567	3.7%
LCV(<3.5 T)	15,749	14,262	10.4%	13,147	19.8%	137,987	118,442	16.5%
LCV (>3.5T)	600	500	20.0%	531	13.0%	5,142	5,415	-5.0%
MHCV	1,193	792	50.6%	476	150.6%	6,230	3,910	59.3%
Total CV	17,542	15,554	12.8%	14,154	23.9%	149,359	127,767	16.9%
3 wheelers	3,894	4,455	-12.6%	3,458	12.6%	38,141	40,762	-6.4%
Total domestic sales	36,979	36,039	2.6%	34,411	7.5%	364,375	339,096	7.5%
Total exports	2,221	2,531	-12.2%	2,053	8.2%	19,543	30,084	-35.0%
Total sales	39,200	38,570	1.6%	36,464	7.5%	383,918	369,180	4.0%

FES	Dec-17	Nov-17	% mom	Dec-16	% yoy	YTD FY18	YTD FY17	% yoy
Domestic	16,671	21,046	-20.8%	12,619	32.1%	235,049	201,826	16.5%
Exports	1,617	1,708	-5.3%	1,428	13.2%	11,699	10,913	7.2%
Total FES	18,288	22,754	-19.6%	14,047	30.2%	246,748	212,739	16.0%

Ashok Leyland: CV growth strong both yoy and mom

- Ashok Leyland (ALL) posted a splendid 79.4% yoy growth in the month to 19,253 units on low base and rise in economic activity and agri produce.
- MHCV sales were up by 81.6% yoy to 15,950 units on favorable base. This growth was higher than expected. On mom basis, they were up by 50%.
- LCV sales posted a growth of 69.5% yoy in the month.

	Dec-17	Nov-17	% mom	Dec-16	% yoy	YTD FY18	YTD FY17	% yoy
MHCV	15,950	10,641	49.9%	8,782	81.6%	87,009	74,653	16.6%
LCV	3,303	3,819	-13.5%	1,949	69.5%	29,132	22,792	27.8%
Total	19,253	14,460	33.1%	10,731	79.4%	116,141	97,445	19.2%

Tata Motors: CVs grow higher than expected

- Tata Motors (TAMO)'s total sales in the month were buoyant at 48.2% yoy to 60,671n units. PV as well as CV sales both excelled.
- CV sales moved up by 62% yoy and 14.6% mom as infrastructure activities are gathering steam. The recent indicators for it are the strong numbers coming from the core sector growth numbers.
- PV segment saw growth of 31% 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)	Dec-17	Nov-17	% mom	Dec-16	% yoy	YTD FY18	YTD FY17	% yoy
Total CVs	40447	35307	14.6%	24998	61.8%	269553	230099	17.1%
Total PVs	14180	17157	-17.4%	10827	31.0%	129229	112990	14.4%
Exports	6,044	4,927	22.7%	5,119	18.1%	35224	48547	-27.4%
Total sales	60,671	57,391	5.7%	40,944	48.2%	434006	391636	10.8%

Escorts: Good agri produce leads to strong tractor sales

- Domestic sales have grown by 14.2% yoy in December on good monsoon, healthy rabi sowing and improvement in the rural economy.
- Exports reported a decline of 9.7% yoy
- Total sales grew by 13.1% yoy to 3,606 units.

	Dec-18	Nov-17	% mom	Dec-17	% yoy	YTD FY18	YTD FY17	% yoy
Domestic	3,476	4,941	-29.6%	3,043	14.2%	18,418	16,600	11.0%
Exports	130	178	-27.0%	144	-9.7%	512	363	41.0%
Total	3,606	5,119	-29.6%	3,187	13.1%	18,930	16,963	11.6%

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