

## Riding higher and higher!!

May is seasonally a strong month for auto sales as marriage season is at its peak. May 2018 was no exception. On a yoy basis, May of 2017 was impacted by BS IV norms up to some extent, which also made the yoy growth starker primarily on the CV side. Passenger vehicles reported good sales on recent new launches and sentiments remaining favorable for its positive movement. Coming to the 2Ws, Hero MotoCorp reported healthy set of numbers (~7 lakh units) for the second consecutive month; on the success of its existing portfolio which has great prospects ahead on rural story building up once again. Bajaj reported sales >4 lakh units yet again after April. Several new launches by the company in Q4 have led the motorcycle growth in the domestic markets. CT 100, Platina, Discover have been its strongholds are now coupled with the Avengers. New geographies like Iran and Turkey have also provided the necessary impetus for Bajaj Auto along with the recovery in the existing regions of Latam and Africa. Serious recovery in Nigeria, in both 2W and 3W businesses is the main reason for its exports recovery. TVS reported decent domestic numbers on the back of new Apache, while exports grew in unison with the overall market performance mainly in Africa. On the domestic 3W business segment, new permits in Maharashtra and other states like Delhi and Karnataka have led to a surge. M&M reported soft set of numbers in the UV business, while the CV business reported robust numbers. FES segment grew well but on a slightly higher base of last year, its growth was a bit below than expectations. ALL and TaMo both reported solid CV growth on low base post BS IV implementation last year and macro level recovery.

Among the 2W pack, we like Hero (~52% of rural volumes) which is a proxy to the rural story and is expected to pan out well on upcoming good monsoons, new launches and ongoing 7th Pay Commission implementation. Bajaj Auto stock looks better on valuations as well as robust volume demand coming up with recent launch of Discovers, Avenger refreshes and Cruise coupled with exports recovery. For Bajaj Auto, both the domestic and exports businesses have flared up making us like it more than Hero. TVS has been posting good sales performance but the double digit operating margins still look illusive on poor product mix (higher contribution from the low margins moped business - ~30%) and higher marketing costs as a % of sales, which are our major concerns. There are still some white pockets in its product portfolio wherein the company doesn't have a presence. 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 the new Swift, Dzire, Baleno, Vitarra Brezza, Super Carry LCV and Ignis hatchback, we remain sanguine on MSIL. Its upcoming plant at Gujarat will cater to the burgeoning demand and capacity issues if any. 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. Upcoming three new launches from M&M's UV stable are poised to regain the lost market share up to some extent. FES segment and strong subsidiary valuation will assist M&M to grow well from these levels. Viewing strong domestic sales and expected recovery in JLR, we like Tata Motors. Possible implementation of the scrapping policy may act as a serious driver for MHCVs.

	May-18	Apr-18	% mom	May-17	% yoy
<b>Hero Motocorp</b>	7,06,365	6,94,022	1.8%	6,33,884	11.4%
<b>Bajaj Auto</b>	4,07,044	4,15,168	-2.0%	3,13,756	29.7%
<b>TVS</b>	3,09,865	3,04,795	1.7%	2,82,007	9.9%
<b>Maruti</b>	1,72,522	1,72,986	-0.3%	1,36,962	26.0%
<b>M&amp;M</b>	76,179	79,022	-3.6%	67,752	12.4%
Auto	46,849	48,097	-2.6%	42,003	11.5%
Tractors	29,330	30,925	-5.2%	25,749	13.9%
<b>Tata Motors</b>	57,994	56,521	2.6%	38,361	51.2%
<b>Ashok Leyland</b>	13,659	12,677	7.7%	9,075	50.5%
<b>Escorts</b>	8,325	6,186	34.6%	6,886	20.9%

**Hero MotoCorp:** As per expectations

- Hero MotoCorp (Hero)'s sales in May went up by 11.4% yoy at robust 706,365 units. This was on low base of last year and continued success of its existing model portfolio, primarily Splendor, Passion, Deluxe & Glamour and new launches like Passion PRO, Passion XPRO and Super Splendor. Also this growth was supported by the ongoing marriage season mainly in Northern and Western parts of the country.
- Sequentially the sales were up by 1.8% as expected, maintaining market share close to 52%.
- Going forward, we expect rural income to maintain its ongoing momentum and upcoming slurry of launches like the Xtreme 200R, XPulse. Duet 125 and Maestro Edge 125 to drive volumes. FY 19 is again expected to be strong on improving rural story and expected normal monsoons.

	May-18	Apr-18	% mom	May-17	% yoy	YTD FY18	YTD FY17	% yoy
<b>Total sales</b>	7,06,365	6,94,022	1.8%	6,33,884	11.4%	14,00,387	12,25,190	14.3%

**Bajaj Auto:** Domestic and exports running hand in hand..

- Bajaj Auto's total sales came in 29.7% higher yoy to 407,044 units. It shows consistency since last month when they sold slightly more than May. Domestic motorcycle sales have grown by 23% yoy and de-grew 4.1% mom. Success of its recently launched bikes like the Discover twins, Cruise 220 and Avenger refreshes are leading to this performance.
- Exports 2W business grew by a healthy 24.4% yoy as we believe that along with the new geographies such as Turkey and Iran, Latam and Africa 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 a great pressure on the company.
- Total three wheeler sales went up by a humungous 75.9% yoy. In the domestic markets they increased by a whopping 83% yoy on opening of permits in Maharashtra, Delhi and some other states, while in the exports markets sales grew by a robust 69.3% yoy on recovery in African markets. Sequentially, 3Ws sales decreased by 12.1% yoy.

	May-18	Apr-18	% mom	May-17	% yoy	YTD FY18	YTD FY17	% yoy
<b>Motorcycles</b>								
Domestic	1,92,543	2,00,742	-4.1%	1,56,523	23.0%	3,93,285	3,18,453	23.5%
Exports	1,50,052	1,48,875	0.8%	1,20,592	24.4%	2,98,927	2,52,594	18.3%
<b>Total</b>	<b>3,42,595</b>	<b>3,49,617</b>	<b>-2.0%</b>	<b>2,77,115</b>	<b>23.6%</b>	<b>6,92,212</b>	<b>5,71,047</b>	<b>21.2%</b>
<b>3W</b>								
Domestic	32,082	28,722	11.7%	17,524	83.1%	60,804	33,481	81.6%
Exports	32,367	36,829	-12.1%	19,117	69.3%	69,196	39,028	77.3%
<b>Total</b>	<b>64,449</b>	<b>65,551</b>	<b>-1.7%</b>	<b>36,641</b>	<b>75.9%</b>	<b>1,30,000</b>	<b>72,509</b>	<b>79.3%</b>
Domestic	2,24,625	2,29,464	-2.1%	1,74,047	29.1%	4,54,089	3,51,934	29.0%
Exports	1,82,419	1,85,704	-1.8%	1,39,709	30.6%	3,68,123	2,91,622	26.2%
<b>Total</b>	<b>4,07,044</b>	<b>4,15,168</b>	<b>-2.0%</b>	<b>3,13,756</b>	<b>29.7%</b>	<b>8,22,212</b>	<b>6,43,556</b>	<b>27.8%</b>

**TVS Motor: 3Ws and exports grow at a solid pace..**

- TVS reported healthy sales numbers in the month at 10% yoy. This was 1.7% up mom. We can see somewhat slowdown in growth in May for TVS.
- Motorcycle sales grew by 7.4% yoy and fell by 3.8% mom as the newly launched Apache version in the higher premium segment is gaining success.
- Scooters sales grew by 11.9% yoy on good Scooty and Jupiter sales, while mopeds went up by just 5.3% yoy.
- 3W sales increased by a robust 78.2% yoy. Domestic markets grew by 64.1% yoy on permits opening in three states, while 3W exports grew by 80.4% yoy as sharp recovery is seen in Nigeria and other African countries are outperforming..
- Exports sales in TVS witnessed a very positive growth. Exports grew by a robust 53.2% yoy and 1% mom to 62,218 units despite weakness in SL and Bangladesh, driven by a 49% yoy growth in 2Ws and 80% yoy growth in 3W. Recovery in Nigeria and strength in other African countries are the key monitorables hereon.

	May-18	Apr-18	% mom	May-17	% yoy	YTD FY18	YTD FY17	% yoy
Motorcycles	1,26,711	1,31,704	-3.8%	1,18,014	7.4%	2,58,415	2,17,904	18.6%
Scooters	95,879	89,245	7.4%	85,681	11.9%	1,85,124	1,67,124	10.8%
Mopeds	75,545	72,469	4.2%	71,731	5.3%	1,48,014	1,31,405	12.6%
Total 2W	2,98,135	2,93,418	1.6%	2,75,426	8.2%	5,91,553	5,16,433	14.5%
3W	11,730	11,377	3.1%	6,581	78.2%	23,107	11,884	94.4%
<b>Total sales</b>	<b>3,09,865</b>	<b>3,04,795</b>	<b>1.7%</b>	<b>2,82,007</b>	<b>9.9%</b>	<b>6,14,660</b>	<b>5,28,317</b>	<b>16.3%</b>
Exports out of the above	62,218	61,798	0.7%	40,617	53.2%	1,24,016	80,838	53.4%
2W exports	51,904	51,814	0.2%	34,899	48.7%	1,03,718	70,384	47.4%
3W exports	10,314	9,984	3.3%	5,718	80.4%	20,298	10,454	94.2%
Domestic 3W	1,416	1,393	1.7%	863	64.1%	2,809	1,430	96.4%

**Maruti Suzuki:** Strong volume momentum continues

- Maruti Suzuki India Ltd (MSIL)'s sales in the month of May came in at 172,522 units which at 26% yoy were above our expectations. The main contributor for this was the marriage season.
- The petrol/small car segment this month saw a 3.1% yoy decline and 0.2% mom growths.
- The super compact segment comprising of Swift, Celerio, Baleno, Ignis etc grew 50.8% yoy on overall success of existing model portfolio. The newly launched Dzire and Swift contributed heavily to this growth. The Swift with an order backlog of about 1 lakh units signifies superior demand for the new model.
- Ciaz segment sales de-grew by 14.6 % yoy and grew by 21.1% mom. Ciaz has conceded its top position in mid-size sedans segment to Honda City.
- The UV segment which increased by 13.4% yoy, grew by 23.2% mom. It also remained one of the main drivers of growth. Long waiting orders for Vitarra Brezza was the main contributor along with Ertiga to this kind of growth.
- The LCV Super Carry sold 1,703 units in as compared to 428 units yoy.
- Exports witnessed 48.1% yoy and 16.3% mom growth.

	May-18	Apr-18	% mom	May-17	% yoy	YTD FY18	YTD FY17	% yoy
Mini(Alto, Wagon R)	37,864	37,794	0.2%	39,089	-3.1%	75,658	77,986	-3.0%
Compact(Swift, Ritz, Celerio, Baleno, Dzire, Ignis)	77,263	83,834	-7.8%	51,234	50.8%	1,61,097	1,14,818	40.3%
Mid size (SX4, Ciaz)	4,034	5,116	-21.1%	4,724	-14.6%	9,140	11,748	-22.2%
<b>Total passenger cars</b>	<b>1,19,161</b>	<b>1,26,744</b>	<b>-6.0%</b>	<b>95,047</b>	<b>25.4%</b>	<b>2,45,895</b>	<b>2,04,552</b>	<b>20.2%</b>
Utility Vehicles(Gypsy, Ertiga, Vitarra, S-Cross, Brezza)	25,629	20,804	23.2%	22,608	13.4%	46,433	43,246	7.4%
Vans(Omni, Eeco)	16,717	15,886	5.2%	12,593	32.7%	32,603	26,531	22.9%
LCV (Super Carry)	1,703	1,544	10.3%	428	297.9%	3,247	839	287.0%
<b>Total domestic sales</b>	<b>1,63,210</b>	<b>1,64,978</b>	<b>-1.1%</b>	<b>1,30,676</b>	<b>24.9%</b>	<b>3,28,178</b>	<b>2,75,168</b>	<b>19.3%</b>
Exports	9,312	8,008	16.3%	6,286	48.1%	17,320	13,009	33.1%
<b>Total sales</b>	<b>1,72,522</b>	<b>1,72,986</b>	<b>-0.3%</b>	<b>1,36,962</b>	<b>26.0%</b>	<b>3,45,498</b>	<b>2,88,177</b>	<b>19.9%</b>

**Mahindra & Mahindra: Moderate growth**

- Total auto sales in the month grew by 11.5% yoy to 46,849 units which was a drop of 2.6% mom.
- SUV segment went down by 0.2% yoy and 5.3% mom on weak product portfolio as of now.
- CV sales in the month grew by 15.3% yoy, out of which LCV >3.5 T went up by 17% yoy, while the LCV <3.5 T grew by 11% yoy. MHCV segment grew by 163% yoy.
- 3W sales have grown by 7.3% yoy as permits in three major states have opened up.
- Exports posted growth of 134.4% yoy.
- FES segment grew by 13.9% yoy, out of which the domestic sales zoomed by 14.1% yoy on strong khariff and rabi crop production and new launches. Exports went up by 8.9% and 8.6% yoy and qoq respectively.

Auto segment	May-18	Apr-18	% mom	May-17	% yoy	YTD FY18	YTD FY17	% yoy
Utility Vehicles	19,295	20,371	-5.3%	19,331	-0.2%	39,666	37,694	5.2%
Cars+Vans	1,420	1,556	-8.7%	1,061	33.8%	2,976	2,089	42.5%
<b>Total PV</b>	<b>20,715</b>	<b>21,927</b>	<b>-5.5%</b>	<b>20,392</b>	<b>1.6%</b>	<b>42,642</b>	<b>39,783</b>	<b>7.2%</b>
LCV(<3.5 T)	16,763	17,495	-4.2%	15,111	10.9%	34,258	29,471	16.2%
LCV (>3.5T)	833	564	47.7%	712	17.0%	1,397	1,134	23.2%
MHCV	1,152	904	27.4%	438	163.0%	2,056	716	187.2%
<b>Total CV</b>	<b>18,748</b>	<b>18,963</b>	<b>-1.1%</b>	<b>16,261</b>	<b>15.3%</b>	<b>37,711</b>	<b>31,321</b>	<b>20.4%</b>
3 wheelers	4,355	4,327	0.6%	4,057	7.3%	8,682	7,495	15.8%
<b>Total domestic sales</b>	<b>43,818</b>	<b>45,217</b>	<b>-3.1%</b>	<b>40,710</b>	<b>7.6%</b>	<b>89,035</b>	<b>78,599</b>	<b>13.3%</b>
Total exports	3,031	2,880	5.2%	1,293	134.4%	5,911	2,821	109.5%
<b>Total sales</b>	<b>46,849</b>	<b>48,097</b>	<b>-2.6%</b>	<b>42,003</b>	<b>11.5%</b>	<b>94,946</b>	<b>81,420</b>	<b>16.6%</b>

FES	May-18	Apr-18	% mom	May-17	% yoy	YTD FY18	YTD FY17	% yoy
Domestic	28,199	29,884	-5.6%	24,710	14.1%	58,083	49,918	16.4%
Exports	1,131	1,041	8.6%	1,039	8.9%	2,172	1,982	9.6%
<b>Total FES</b>	<b>29,330</b>	<b>30,925</b>	<b>-5.2%</b>	<b>25,749</b>	<b>13.9%</b>	<b>60,255</b>	<b>51,900</b>	<b>16.1%</b>

**Ashok Leyland: CV cycle drives healthy growth**

- Ashok Leyland (ALL) posted a splendid 50.5% yoy growth in the month to 13,659 units as CV cycle is moving up and overloading ban in certain states is impacting the sales positively.
- MHCV sales were up by 69.6% yoy to 10,421 units on growing demand for trucks considering various initiatives taken by the GOI and increasing demand. On mom basis the demand moved up by 16.2%.
- LCV sales posted a growth of 10.4% yoy in the month as the newly launched Dost + along with Boss and Guru are performing very well. Sequentially, LCV dipped by 12.7%.

	May-18	Apr-18	% mom	May-17	% yoy	YTD FY18	YTD FY17	% yoy
MHCV	10,421	8,968	16.2%	6,143	69.6%	19,389	10,675	81.6%
LCV	3,238	3,709	-12.7%	2,932	10.4%	6,947	5,490	26.5%
<b>Total</b>	<b>13,659</b>	<b>12,677</b>	<b>7.7%</b>	<b>9,075</b>	<b>50.5%</b>	<b>26,336</b>	<b>16,165</b>	<b>62.9%</b>

**Tata Motors: CVs and PVs both driven by respective levers..**

- Tata Motors (TAMO)'s total sales in the month were buoyant at 51.2% yoy to 57,994 units. PV as well as CV sales both excelled.
- CV sales moved up by 55.9% yoy while growing by 1.5% mom. The recent indicators for it are the strong numbers coming from the core sector growth numbers and mining revival. The company is seeing solid demand in the >37T segment, MAVs and tippers. Overloading ban in Rajasthan, UP, MP and Haryana are adding to the volumes considerably.
- PV segment saw growth of 61.1% yoy as Tigor, Tiago and Hexa are performing well. Nexon launch is also getting a mammoth response assisting the company to gain the lost UV market share.

Segment(models)	May-18	Apr-18	% mom	May-17	% yoy	YTD FY18	YTD FY17	% yoy
Total CVs	36,806	36,276	1.5%	23,606	55.9%	73,082	39,623	84.4%
Total PVs	17,489	17,235	1.5%	10,855	61.1%	34,724	23,682	46.6%
Exports	3,699	3,010	22.9%	3,900	-5.2%	6,709	6,028	11.3%
<b>Total sales</b>	<b>57,994</b>	<b>56,521</b>	<b>2.6%</b>	<b>38,361</b>	<b>51.2%</b>	<b>85,682</b>	<b>69,333</b>	<b>23.6%</b>

**Escorts:** Superior performance!

- Domestic sales have grown by 19.5% yoy in May on good monsoon last year, healthy rabi crop and improvement in the rural economy.
- Exports reported an erratic 105% yoy growth.
- Total sales grew by 20.9% yoy to 8,325 units.

	May-18	Apr-18	% mom	May-17	% yoy	YTD FY18	YTD FY17	% yoy
Domestic	8,087	6,094	32.7%	6,770	19.5%	14,181	11,530	23.0%
Exports	238	92	158.7%	116	105.2%	330	255	29.4%
<b>Total</b>	<b>8,325</b>	<b>6,186</b>	<b>34.6%</b>	<b>6,886</b>	<b>20.9%</b>	<b>14,511</b>	<b>11,785</b>	<b>23.1%</b>

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