

Consistently good show on MoTown!

June is seasonally a decent month for auto sales as marriage season is still on. June 2018 was no exception. On a yoy basis, June 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 third 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 and May. 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 moderate domestic growth 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 moderate sales performance on high base while 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 from a long term perspective as the company has short-midterm worries surrounding various macro headwinds at JLR. Possible implementation of the scrapping policy may act as a serious driver for MHCVs.

	Jun-18	May-18	% mom	Jun-17	% yoy
Hero Motocorp	7,04,562	7,06,365	-0.3%	6,24,185	12.9%
Bajaj Auto	4,04,429	4,07,044	-0.6%	2,44,878	65.2%
TVS	3,13,614	3,09,865	1.2%	2,73,791	14.5%
Maruti	1,44,981	1,72,522	-16.0%	1,06,394	36.3%
M&M	85,684	76,179	12.5%	68,852	24.4%
Auto	45,155	46,849	-3.6%	35,759	26.3%
Tractors	40,529	29,330	38.2%	33,093	22.5%
Tata Motors	62,019	57,994	6.9%	40,340	53.7%
Ashok Leyland	15,791	13,659	15.6%	12,333	28.0%
Escorts	9,983	8,325	19.9%	5,776	72.8%

Hero MotoCorp: Once again crossed 7 lakh mark!!

- Hero MotoCorp (Hero)'s sales in June went up by 12.9% yoy at robust 704,562 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 flattish 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.

	Jun-18	May-18	% mom	Jun-17	% yoy	YTD FY18	YTD FY17	% yoy
Total sales	7,04,562	7,06,365	-0.3%	6,24,185	12.9%	21,17,292	18,49,375	14.5%

Bajaj Auto: Above expectations!

- Bajaj Auto's total sales came in 65.2% higher yoy to 404,429 units. It shows consistency since last couple of months when they sold slightly more than June. Domestic motorcycle sales have grown by 85.9% yoy and 4.4% 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 41.7% 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. Nigeria has recovered from the losses which has released a great pressure on the company.
- Total three wheeler sales went up by a humungous 66% yoy. In the domestic markets they increased by a whopping 78% yoy on opening of permits in Maharashtra, Delhi and some other states, while in the exports markets sales grew by a robust 55% yoy on recovery in African markets. Sequentially, 3Ws sales increased by 3.5% yoy.

	Jun-18	May-18	% mom	Jun-17	% yoy	YTD FY18	YTD FY17	% yoy
Motorcycles								
Domestic	2,00,949	1,92,543	4.4%	1,08,109	85.9%	5,94,234	4,26,562	39.3%
Exports	1,36,803	1,50,052	-8.8%	96,558	41.7%	4,35,730	3,49,152	24.8%
Total	3,37,752	3,42,595	-1.4%	2,04,667	65.0%	10,29,964	7,75,714	32.8%
3W								
Domestic	33,627	32,082	4.8%	18,866	78.2%	94,431	52,347	80.4%
Exports	33,050	32,367	2.1%	21,345	54.8%	1,02,246	60,373	69.4%
Total	66,677	64,449	3.5%	40,211	65.8%	1,96,677	1,12,720	74.5%
Domestic	2,34,576	2,24,625	4.4%	1,26,975	84.7%	6,88,665	4,78,909	43.8%
Exports	1,69,853	1,82,419	-6.9%	1,17,903	44.1%	5,37,976	4,09,525	31.4%
Total	4,04,429	4,07,044	-0.6%	2,44,878	65.2%	12,26,641	8,88,434	38.1%

TVS Motor: Decent sales growth

- TVS reported healthy sales numbers in the month at 14.5% yoy. This was 1.2% up mom. We can see somewhat moderation in growth from May for TVS.
- Motorcycle sales grew by 14.9% yoy and 1.7% mom as the newly launched Apache version in the higher premium segment is gaining success.
- Scooters sales grew by 13.6% yoy on good Scooty and Jupiter sales, while mopeds went up by just 5.4% yoy.
- 3W sales increased by a robust 141% yoy. Domestic markets grew by 66% yoy on permits opening in three states, while 3W exports grew by 156% 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 48.6% yoy and 6% mom to 65,971 units despite weakness in SL and Bangladesh, driven by a 37% yoy growth in 2Ws and 156% yoy growth in 3W. Recovery in Nigeria and strength in other African countries are the key monitorables hereon.

	Jun-18	May-18	% mom	Jun-17	% yoy	YTD FY18	YTD FY17	% yoy
Motorcycles	1,28,825	1,26,711	1.7%	1,12,146	14.9%	3,87,240	3,30,050	17.3%
Scooters	1,02,763	95,879	7.2%	90,448	13.6%	2,87,887	2,57,572	11.8%
Mopeds	69,613	75,545	-7.9%	66,044	5.4%	2,17,627	1,97,449	10.2%
Total 2W	3,01,201	2,98,135	1.0%	2,68,638	12.1%	8,92,754	7,85,071	13.7%
3W	12,413	11,730	5.8%	5,153	140.9%	35,520	17,037	108.5%
Total sales	3,13,614	3,09,865	1.2%	2,73,791	14.5%	9,28,274	8,02,108	15.7%
Exports out of the above	65,971	62,218	6.0%	44,389	48.6%	1,89,987	1,25,227	51.7%
2W exports	55,025	51,904	6.0%	40,120	37.2%	1,58,743	1,10,504	43.7%
3W exports	10,946	10,314	6.1%	4,269	156.4%	31,244	14,723	112.2%
Domestic 3W	1,467	1,416	3.6%	884	66.0%	4,276	2,314	84.8%

Maruti Suzuki: Strong volume momentum continues

- Maruti Suzuki India Ltd (MSIL)'s sales in the month of June came in at 144,981 units which at 36% yoy were above our expectations. This has been a mom decline as May was the peak month for marriage sale.
- The petrol/small car segment this month saw a 15.1% yoy growth and fell by 22% mom.
- The super compact segment comprising of Swift, Celerio, Baleno, Ignis etc grew 77% yoy on overall success of existing model portfolio. The new 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 60 % yoy and mom. Ciaz has conceded its top position in mid-size sedans segment to Honda City.
- The UV segment which increased by 39.2% yoy, de-grew by 27.1% 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 1,626 units in as compared to 206 units yoy.
- Exports witnessed 29% yoy and a flattish mom growth.

	Jun-18	May-18	% mom	Jun-17	% yoy	YTD FY18	YTD FY17	% yoy
Mini(Alto, Wagon R)	29,381	37,864	-22.4%	25,524	15.1%	1,05,039	1,03,510	1.5%
Compact(Swift, Ritz, Celerio, Baleno, Dzire, Ignis)	71,570	77,263	-7.4%	40,496	76.7%	2,32,667	1,55,314	49.8%
Mid size (SX4, Ciaz)	1,579	4,034	-60.9%	3,950	-60.0%	10,719	15,698	-31.7%
Total passenger cars	1,02,530	1,19,161	-14.0%	69,970	46.5%	3,48,425	2,74,522	26.9%
Utility Vehicles(Gypsy, Ertiga, Vitarra, S-Cross, Brezza)	19,321	25,629	-24.6%	13,879	39.2%	65,754	57,125	15.1%
Vans(Omni, Eeco)	12,185	16,717	-27.1%	9,208	32.3%	44,788	35,739	25.3%
LCV (Super Carry)	1,626	1,703	-4.5%	206	689.3%	4,873	1,045	366.3%
Total domestic sales	1,35,662	1,63,210	-16.9%	93,263	45.5%	4,63,840	3,68,431	25.9%
Exports	9,319	9,312	0.1%	13,131	-29.0%	26,639	26,140	1.9%
Total sales	1,44,981	1,72,522	-16.0%	1,06,394	36.3%	4,90,479	3,94,571	24.3%

Mahindra & Mahindra: CVs, 3Ws and tractors lift up performance

- Total auto sales in the month grew by 26.3% yoy to 45,155 units which was a drop of 3.6% mom.
- SUV segment went up by 6.6% yoy and down by 15.5% mom on weak product portfolio as of now.
- CV sales in the month grew by 27.1% yoy, out of which LCV >3.5 T went up by 11.4% yoy, while the LCV <3.5 T grew by 26.5% yoy. MHCV segment grew by 58.3% yoy.
- 3W sales have grown by 68.9% yoy as permits in three major states have opened up.
- Exports posted growth of 86.8% yoy.
- FES segment grew by 22.5% yoy, out of which the domestic sales zoomed by 24.1% yoy on strong khariff and rabi crop production and new launches. Exports went down by 12.6% and 10.2% yoy and qoq respectively.

Auto segment	Jun-18	May-18	% mom	Jul-17	% yoy	YTD FY18	YTD FY17	% yoy
Utility Vehicles	16,408	19,295	-15.0%	15,388	6.6%	56,074	53,082	5.6%
Cars+Vans	1,729	1,420	21.8%	824	109.8%	4,705	2,913	61.5%
Total PV	18,137	20,715	-12.4%	16,212	11.9%	60,779	55,995	8.5%
LCV(<3.5 T)	17,125	16,763	2.2%	13,538	26.5%	51,383	43,009	19.5%
LCV (>3.5T)	996	833	19.6%	894	11.4%	2,393	2,028	18.0%
MHCV	1,108	1,152	-3.8%	700	58.3%	3,164	1,416	123.4%
Total CV	19,229	18,748	2.6%	15,132	27.1%	56,940	46,453	22.6%
3 wheelers	4,323	4,355	-0.7%	2,560	68.9%	13,005	10,055	29.3%
Total domestic sales	41,689	43,818	-4.9%	33,904	23.0%	1,30,724	1,12,503	16.2%
Total exports	3,466	3,031	14.4%	1,855	86.8%	9,377	4,676	100.5%
Total sales	45,155	46,849	-3.6%	35,759	26.3%	1,40,101	1,17,179	19.6%

FES	Jun-18	May-18	% mom	Jun-17	% yoy	YTD FY18	YTD FY17	% yoy
Domestic	39,277	28,199	39.3%	31,660	24.1%	97,360	81,578	19.3%
Exports	1,252	1,131	10.7%	1,433	-12.6%	3,424	3,415	0.3%
Total FES	40,529	29,330	38.2%	33,093	22.5%	1,00,784	84,993	18.6%

Ashok Leyland: CV cycle drives healthy growth, LCVs shine more..

- Ashok Leyland (ALL) posted a splendid 28% yoy growth in the month to 15,791 units as CV cycle is moving up and overloading ban in certain states is impacting the sales positively.
- MHCV sales were up by 22.3% yoy to 11,257 units on growing demand for trucks considering various initiatives taken by the GOI and increasing demand. On mom basis the demand moved up by 8%.
- LCV sales posted a growth of 45% yoy in the month as the newly launched Dost+ along with Boss and Guru are performing very well. Sequentially, LCV soared by 40%.

	Jun-18	May-18	% mom	Jun-17	% yoy	YTD FY18	YTD FY17	% yoy
MHCV	11,257	10,421	8.0%	9,205	22.3%	30,646	19,880	54.2%
LCV	4,534	3,238	40.0%	3,128	44.9%	11,481	8,618	33.2%
Total	15,791	13,659	15.6%	12,333	28.0%	42,127	28,498	47.8%

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

- Tata Motors (TAMO)'s total sales in the month were buoyant at 53.7% yoy to 62,019 units. PV as well as CV sales both excelled simultaneously.
- CV sales moved up by 50.3% yoy while growing by 4.8% 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 63% 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)	Jun-18	May-18	% mom	Jun-17	% yoy	YTD FY18	YTD FY17	% yoy
Total CVs	38,560	36,806	4.8%	25,660	50.3%	1,11,642	65,301	71.0%
Total PVs	18,213	17,489	4.1%	11,176	63.0%	1,76,534	34,858	406.4%
Exports	5,246	3,699	41.8%	3,504	49.7%	11,955	9,532	25.4%
Total sales	62,019	57,994	6.9%	40,340	53.7%	1,28,569	1,09,691	17.2%

Escorts: Superior performance!

- Domestic sales have grown by 72.1% yoy in June on good monsoon last year, healthy rabi crop and improvement in the rural economy.
- Exports reported an erratic 110% yoy growth.
- Total sales grew by 72.8% yoy to 9,983 units.

	Jun-18	May-18	% mom	Jun-17	% yoy	YTD FY18	YTD FY17	% yoy
Domestic	9,758	8,087	20.7%	5,669	72.1%	23,939	17,199	39.2%
Exports	225	238	-5.5%	107	110.3%	555	362	53.3%
Total	9,983	8,325	19.9%	5,776	72.8%	24,494	17,561	39.5%

DISCLAIMERS AND DISCLOSURES

LKP Sec. Ltd. (CIN-L67120MH1994PLC080039, 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