

Auto-Roundup

December 2018

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Weak month

December being naturally a weak month was expected to post declines. Earlier the festive season was lackluster as interest rates were high, fuel costs and liquidity crunch led to a very jittery performance from the auto makers. Segmentally speaking, CVs in December, particularly M&HCVs posted declines to the tune of 25-30%. December 2017 was a high base as operators who had postponed their buying in the previous months due to impact of DeMon and GST bough vehicles in December as market conditions eased up. Secondly, credit crunch scenario still existed this month which had started in October, but it was better than October levels. On the PV front, sentimental negativity, lack of new launches, high interest rates and postponement of vehicles to gain new year of registration led to subdued numbers. In the 2W segment, higher insurance costs, inventory clear up, weak monsoons and high base led to weak sales, particularly for Hero Motocorp. However, on the other hand, Bajaj Auto 2Ws sales improved as they are doling out higher discounts and top end segment of Pulsars is having good demand. Exports business is doing great on success in Africa, SE Asia and Latam. TVS too with its array of high demand models bucked the trend,

Going forward, we expect the broader segment to move up in Q4, as Q4 is seasonally strong quarter. PV demand is expected to move up on upcoming launches, while 2Ws are expected to witness an improvement over December particularly Bajaj and TVS. Hero will be driven by harvest output. In this scenario, we would like to stay with fundamentally strong names where demand is strong despite domestic headwinds. Within 2Ws, we like Bajaj Auto and Hero Motocorp as the former is posting strong growth in domestic as well as exports and the latter will benefit from rural strength. In short term, CVs may have reported big falls in December, however 2019 being an election year, GOI's emphasis on pushing the infra plans in the country may sustain CV demand. BS VI pre-buying shall initiate in Q1 of FY 20, which will further elongate the CV cycle. Possible implementation of scrappage policy may further escalate CV demand in long run. Within the CV space we like Ashok Leyland which is away from any global headwinds.

| | Dec-18 | Nov-18 | % mom | Dec-17 | % yoy |
|---------------|----------|----------|--------|----------|--------|
| Hero Motocorp | 4,53,985 | 6,10,252 | -25.6% | 4,72,731 | -4.0% |
| Bajaj Auto | 3,46,199 | 4,06,930 | -14.9% | 2,92,547 | 18.3% |
| TVS | 2,71,395 | 3,19,965 | -15.2% | 2,56,870 | 5.7% |
| Maruti | 1,28,338 | 1,53,539 | -16.4% | 1,30,066 | -1.3% |
| M&M | 58,243 | 68,095 | -14.5% | 56,604 | 2.9% |
| Auto | 39,755 | 45,101 | -11.9% | 39,200 | 1.4% |
| Tractors | 18,488 | 22,994 | -19.6% | 17,404 | 6.2% |
| Tata Motors | 54,439 | 55,074 | -1.2% | 60,920 | -10.6% |
| Ashok Leyland | 15,493 | 13,121 | 18.1% | 19,251 | -19.5% |
| Escorts | 4,598 | 8,005 | -42.6% | 3,606 | 27.5% |



Hero MotoCorp: Big fall

- Hero MotoCorp (Hero)'s sales in December went down by 4% yoy at 610,252 units as wholesale demand is now tracing retail demand which has weakened. Increased cost of 2W insurance before Diwali, subdued rural growth led by weak monsoon, high interest rates and inventory clearance led to such numbers. Competition from Bajaj Auto and pricing war in the entry level segment led to such numbers.
- Sequentially the sales were down by 25.6%. YTD the sales are up by 8.4%.

| | Dec-18 | Nov-18 | % mom | Dec-17 | % yoy | YTD FY18 | YTD FY17 | % yoy |
|-------------|----------|----------|--------|----------|-------|-----------|-----------|-------|
| Total sales | 4,53,985 | 6,10,252 | -25.6% | 4,72,731 | -4.0% | 60,50,244 | 55,81,286 | 8.4% |

Bajaj Auto: 2Ws shine, 3Ws not doing fine...

- Bajaj Auto's total sales came in 18.3% higher and 14.9% lower, yoy and mom respectively to 346,199 units. Domestic motorcycle sales have grown by 39.2% higher yoy and 23.4% lower mom respectively. Success of its bikes like the Pulsars at the higher end and Platina at the lower end are leading to this performance. Also the price cuts taken at the lower end of bikes has led to strong sales and market share rise.
- Exports 2W business grew by 22.2% yoy as we believe that along with the new geographies such as Phillipines, Vietnam, Cambodia, Turkey and Iran; Latam, SE Asia, Bangladesh, Nepal and Africa are panning out well for the company offsetting the woes in Sri Lanka. In a seasonally weak month in Africa and Latam Bajaj Auto still was able to manage a good growth.
- Total three wheeler sales went down by 25.8% yoy. In the domestic markets they decreased by 36.9% yoy as in December 2017, there were permits opened in Mumbai, while in this month there was absence of it.. Exports markets sales fell by 10.9% yoy. Sequentially, 3Ws sales fell by 21.6%.

| | Dec-18 | Nov-18 | % mom | Dec-17 | % yoy | YTD FY18 | YTD FY17 | % yoy |
|--------------|-----------------|-----------------|---------------|-----------------|---------------|------------------|------------------|--------------|
| Motorcycles | | | | | | | | |
| Domestic | 1,57,252 | 2,05,259 | -23.4% | 1,12,930 | 39.2% | 19,31,226 | 14,76,990 | 30.8% |
| Exports | 1,41,603 | 1,41,285 | 0.2% | 1,15,832 | 22.2% | 13,03,664 | 10,35,955 | 25.8% |
| Total | 2,98,855 | 3,46,544 | -13.8% | 2,28,762 | 30.6% | 32,34,890 | 25,12,945 | 28.7% |
| 3W | | | | | | | | |
| Domestic | 23,099 | 29,559 | -21.9% | 36,579 | -36.9% | 2,97,195 | 2,47,408 | 20.1% |
| Exports | 24,245 | 30,827 | -21.4% | 27,206 | -10.9% | 2,93,828 | 2,01,060 | 46.1% |
| Total | 47,344 | 60,386 | -21.6% | 63,785 | -25.8% | 5,91,023 | 4,48,468 | 31.8% |
| Domestic | 1,80,351 | 2,34,818 | -23.2% | 1,49,509 | 20.6% | 22,28,421 | 17,24,398 | 29.2% |
| Exports | 1,65,848 | 1,72,112 | -3.6% | 1,43,038 | 15.9% | 15,97,492 | 12,37,015 | 29.1% |
| Total | 3,46,199 | 4,06,930 | -14.9% | 2,92,547 | 18.3% | 38,25,913 | 29,61,413 | 29.2% |



TVS Motor: Below market expectations

- TVS reported below than expected sales numbers in the month at 5.7% yoy. This was 15.2% down mom.
- Motorcycle sales grew by 12.5% up yoy and 10.6% down mom. The yoy growth was triggered by the success of the newly launched Apache version, Star City and Victor.
- Scooters sales grew by 9.4% yoy on success of recent launch of Ntorq 125 cc, Scooty and Jupiter sales. Mopeds went down by 12.6% yoy.
- 3W sales increased by a robust 36.7% yoy. Domestic markets de-grew by 6.5% yoy as there is a slowdown in new permits opening, while 3W exports grew by 44% yoy on sharp recovery is seen in Nigeria, Egypt and other African countries.
- Exports sales in TVS witnessed a very positive growth. Exports grew by a robust 26% yoy and 3.1% mom to 60,262 units despite weakness in SL, driven by a 22.5% yoy growth in 2Ws and 44% yoy growth in 3W.

| | Dec-18 | Nov-18 | % mom | Dec-17 | % yoy | YTD FY18 | YTD FY17 | % yoy |
|--------------------------|-----------------|-----------------|---------------|-----------------|-------------|------------------|------------------|--------------|
| Motorcycles | 1,07,189 | 1,19,883 | -10.6% | 95,246 | 12.5% | 11,84,407 | 10,09,219 | 17.4% |
| Scooters | 91,480 | 1,11,763 | -18.1% | 83,638 | 9.4% | 10,30,404 | 8,54,852 | 20.5% |
| Mopeds | 60,040 | 75,496 | -20.5% | 68,707 | -12.6% | 6,76,729 | 6,43,923 | 5.1% |
| Total 2W | 2,58,709 | 3,07,142 | -15.8% | 2,47,591 | 4.5% | 28,91,540 | 25,07,994 | 15.3% |
| 3W | 12,686 | 12,823 | -1.1% | 9,279 | 36.7% | 1,14,895 | 69,253 | 65.9% |
| Total sales | 2,71,395 | 3,19,965 | -15.2% | 2,56,870 | 5.7% | 30,06,435 | 25,77,247 | 16.7% |
| Exports out of the above | 60,262 | 58,476 | 3.1% | 47,818 | 26.0% | 5,66,113 | 4,13,221 | 37.0% |
| 2W exports | 48,803 | 46,889 | 4.1% | 39,852 | 22.5% | 4,62,526 | 3,54,769 | 30.4% |
| 3W exports | 11,459 | 11,587 | -1.1% | 7,966 | 43.8% | 1,03,587 | 58,452 | 77.2% |
| Domestic 3W | 1,227 | 1,236 | -0.7% | 1,313 | -6.5% | 11,308 | 10,801 | 4.7% |



Maruti Suzuki: In a slow lane

- Maruti Suzuki India Ltd (MSIL)'s sales in the month of December came in at 128,338 units which was a 1.3% fall yoy on a high base post GST, weak consumer sentiments, increasing competition, lack of new products, rising fuel costs and increasing interest rates. Also higher inventory clearing before the new year starts has led to lower wholesale sales.
- MSIL also must have taken a biannual maintenance shutdown as it takes in June and December, thus leading to lower production.
- The petrol/small car segment this month saw a 14% dip
- The super compact segment comprising of Swift, Dzire, Celerio, Baleno, Ignis etc de-grew by 3.8% yoy.
- Ciaz segment sales grew by 98.7% and 23.3% yoy and mom growths respectively post its variant launch.
- The UV segment grew by 4.9% yoy and fell by 14% mom as we see softness in demand for high end SUVs.
- The LCV Super Carry sold 1,675 units in December as compared to 723 units yoy.
- Exports witnessed 36.4% yoy fall and a 8.8% mom fall.

| | Dec-18 | Nov-18 | % mom | Dec-17 | % yoy | YTD FY18 | YTD FY17 | % yoy |
|---|-----------------|-----------------|---------------|-----------------|--------------|------------------|------------------|-------------|
| Mini(Alto, Wagon R) | 27661 | 29954 | -7.7% | 32,146 | -14.0% | 3,04,065 | 3,22,567 | -5.7% |
| Compact(Swift, Ritz, Celerio, Baleno, Dzire, Ignis) | 51334 | 72533 | -29.2% | 53,336 | -3.8% | 6,41,071 | 5,46,509 | 17.3% |
| Mid size (SX4, Ciaz) | 4734 | 3838 | 23.3% | 2,382 | 98.7% | 36,479 | 44,633 | -18.3% |
| Total passenger cars | 83,729 | 1,06,325 | -21.3% | 87,864 | -4.7% | 9,81,615 | 9,13,709 | 7.4% |
| Utility Vehicles(Gypsy, Ertiga, Vitarra, S-Cross, Brezza) | 20225 | 23512 | -14.0% | 19,276 | 4.9% | 1,94,370 | 1,89,978 | 2.3% |
| Vans(Omni, Eeco) | 15850 | 14053 | 12.8% | 11,420 | 38.8% | 1,32,458 | 1,16,733 | 13.5% |
| LCV (Super Carry) | 1675 | 2128 | -21.3% | 726 | 130.7% | 16,394 | 5,958 | 175.2% |
| Total domestic sales | 1,21,479 | 1,46,018 | -16.8% | 1,19,286 | 1.8% | 13,24,837 | 12,26,378 | 8.0% |
| Exports | 6859 | 7521 | -8.8% | 10,780 | -36.4% | 79,133 | 91,383 | -13.4% |
| Total sales | 1,28,338 | 1,53,539 | -16.4% | 1,30,066 | -1.3% | 14,03,970 | 13,17,761 | 6.5% |



Mahindra & Mahindra: Softness across the board

- Total auto sales in the month grew by just 1.4% yoy to 39,755 units which was a fall of 11.9% mom.
- UV segment was down by 4.3% yoy and 7.7% mom. Despite Marazzo and the big ticket Alturas 4 launch the yoy sales growth failed to put up a good show.
- CV sales in the month grew by 3.6% yoy, out of which LCV >3.5 T went down by 9.2% yoy, while the LCV <3.5 T de-grew by 1.3% yoy. MHCV segment grew dipped by 30.9% yoy on high base and expected slowdown in CVs on the back of liquidity crunch and higher interest rates.
- 3W sales have grown by 20.5% yoy despite industry weakness.
- Exports posted growth of 38% yoy as well.
- FES segment grew by 6.2% yoy, out of which the domestic sales were up by 2.1% yoy on weak monsoons. Exports were up by 82.7% and lower by 5.2% yoy and mom respectively.

| Auto segment | Dec-18 | Nov-18 | % mom | Dec-17 | % yoy | YTD FY18 | YTD FY17 | % yoy |
|-----------------------------|---------------|---------------|---------------|---------------|--------------|-----------------|-----------------|--------------|
| Utility Vehicles | 13891 | 15049 | -7.7% | 14,514 | -4.3% | 1,62,949 | 1,66,110 | -1.9% |
| Cars+Vans | 1200 | 1139 | 5.4% | 1,029 | 16.6% | 14,125 | 10,765 | 31.2% |
| Total PV | 15091 | 16188 | -6.8% | 15,543 | -2.9% | 1,77,074 | 1,76,875 | 0.1% |
| LCV(<3.5 T) | 15537 | 18530 | -16.2% | 15,749 | -1.3% | 1,66,199 | 1,37,987 | 20.4% |
| LCV (>3.5T) | 545 | 506 | 7.7% | 600 | -9.2% | 5,814 | 5,142 | 13.1% |
| MHCV | 824 | 637 | 29.4% | 1,193 | -30.9% | 8,386 | 6,230 | 34.6% |
| Total CV | 16,906 | 19,673 | -14.1% | 17,542 | -3.6% | 1,80,399 | 1,49,359 | 20.8% |
| 3 wheelers | 4693 | 5703 | -17.7% | 3,894 | 20.5% | 48,101 | 38,141 | 26.1% |
| Total domestic sales | 36,690 | 41,564 | -11.7% | 36,979 | -0.8% | 4,05,574 | 3,64,375 | 11.3% |
| Total exports | 3065 | 3537 | -13.3% | 2,221 | 38.0% | 28,343 | 19,512 | 45.3% |
| Total sales | 39,755 | 45,101 | -11.9% | 39,200 | 1.4% | 4,33,917 | 3,83,887 | 13.0% |
| FES | Dec-18 | Nov-18 | % mom | Dec-17 | % yoy | YTD FY18 | YTD FY17 | % yoy |
| Domestic | 16855 | 21271 | -20.8% | 16,510 | 2.1% | 2,36,600 | 2,59,243 | -8.7% |
| Exports | 1633 | 1723 | -5.2% | 894 | 82.7% | 11,823 | 10,315 | 14.6% |
| Total FES | 18488 | 22994 | -19.6% | 17,404 | 6.2% | 2,48,423 | 2,69,558 | -7.8% |



Ashok Leyland: LCVs arrest a steep fall

- Ashok Leyland (ALL) posted a weak 19.5% yoy fall in the month to 15,493 units as CVs were impacted by liquidity crunch and higher interest rates in the month and a lackluster festive season earlier. YTD growth is at 18.7%.
- MHCV sales were down by 29.2% yoy to 11,295 units as MHCV sales were affected by liquidity issues and high base.
- LCV sales posted a growth of 27.1% yoy in the month as the newly launched Dost+ along with Boss and Guru are performing very well despite financing crunch. Sequentially, LCV growth was down by -4.7%.

| | Dec-18 | Nov-18 | % mom | Dec-17 | % yoy | YTD FY18 | YTD FY17 | % yoy |
|--------------|--------------|--------------|--------------|---------------|---------------|-----------------|-----------------|--------------|
| MHCV | 11295 | 8718 | 29.6% | 15,948 | -29.2% | 98,842 | 87,007 | 13.6% |
| LCV | 4198 | 4403 | -4.7% | 3,303 | 27.1% | 39,006 | 29,132 | 33.9% |
| Total | 15493 | 13121 | 18.1% | 19,251 | -19.5% | 1,37,848 | 1,16,139 | 18.7% |

Tata Motors: Weak CV number inline with expectations

- Tata Motors (TAMO)'s total sales in the month were down at 10.6% yoy to 54,439 units. PV as well as CV sales were a bit subdued.
- CV sales moved down by 10.5% yoy while rising 8% mom. Within the CVs, MHCVs de-grew by 27%, ILCVs grew by 5%, SCV Cargo & pick-ups went up by 8% and buses went down by 22% yoy.
- PV segment saw flattish growth of 0.6% yoy and 16% mom as slowdown was quite evident in the sector.
- Exports growth was weak at 36.5%.

| Segment(models) | Dec-18 | Nov-18 | % mom | Dec-17 | % yoy | YTD FY18 | YTD FY17 | % yoy |
|--------------------|---------------|---------------|--------------|---------------|---------------|-----------------|-----------------|--------------|
| Total CVs | 36180 | 33488 | 8.0% | 40,447 | -10.5% | 3,41,575 | 2,69,553 | 26.7% |
| Total PVs | 14260 | 16982 | -16.0% | 14,180 | 0.6% | 1,56,397 | 1,29,229 | 21.0% |
| Exports | 3999 | 4604 | -13.1% | 6,293 | -36.5% | 40,811 | 35,224 | 15.9% |
| Total sales | 54,439 | 55,074 | -1.2% | 60,920 | -10.6% | 5,38,783 | 4,34,006 | 24.1% |



Escorts: Strong show continues..

- Domestic sales have grown by 21.2% yoy in December despite a weakness in the industry. Sales declined by 44.9% mom.
- Exports reported 197% yoy growth.
- Total sales grew by 27.5% yoy to 4,598 units.

| | Dec-18 | Nov-18 | % mom | Dec-17 | % yoy | YTD FY18 | YTD FY17 | % yoy |
|--------------|-------------|-------------|---------------|--------------|--------------|---------------|---------------|--------------|
| Domestic | 4212 | 7641 | -44.9% | 3,476 | 21.2% | 69,212 | 55,434 | 24.9% |
| Exports | 386 | 364 | 6.0% | 130 | 196.9% | 2,064 | 1,415 | 45.9% |
| Total | 4598 | 8005 | -42.6% | 3,606 | 27.5% | 71,276 | 56,849 | 25.4% |

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