

# Auto-Roundup

June 2019

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Since 1948

## Pain continues...

The month of June saw a very weak performance in the overall auto industry. Segmentally speaking, CVs in June, particularly M&HCVs posted steep declines. The sector is plagued by increase in payload capacities under the implementation of new axle, lingering issues of financial crunch and high base. On the PV front, sentimental negativity, lack of new launches, high dealer inventory, and credit crunch resulted into weak yoy growth. In the 2W segment, higher insurance costs, higher inventory levels at dealers' ends, negative consumer sentiments, production cuts, delayed monsoon and high base led to weak sales, particularly for Hero Motocorp. However, on the other hand, Bajaj Auto 2Ws sales were better as they improved on doling out higher discounts on entry level bikes and top end segment of Pulsars is having good demand. Tractor demand was impacted by weak rural demand and uncertainty in rainfall.

Going forward, in the coming months, we expect monsoon to be one of the major drivers for 2Ws and tractors. Implementation of ABS and CBS on 2Ws has increased the prices of vehicles and is also one of the main reasons why the 2W demand has softened. We believe this to settle down soon. A good monsoon, encouraging festive season, softening fuel prices may lift up the sector. With BS VI implementation coming closer, the industry may face challenges, while at the same time pre-buying will result in good demand. With metro cities facing demand crunch and rural distress at the forefront, we believe first half of FY 20 to remain subdued. However, with a stable government, a normalization of demand is expected with onset of monsoon. Among two wheelers, we prefer both Bajaj Auto and Hero Motocorp. The latter is a proxy to the economy and rural growth, and an expected good monsoon will drive sales in rural India (55% of volumes). Bajaj Auto though doling out higher discounts in the mass segment, has been posting positive volumes every month. Any change in product mix tilting towards Platina from CT 100 may support margins. On MHCVs we expect a good recovery in the second half as BS VI pre buying gathers steam and the new/stable government focuses once again on infra spending. 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. We like Hero Motocorp and Bajaj Auto within 2Ws, while in PVs, we like MSIL.

	Jun-19	May-19	% mom	Jun-18	% yoy
Hero Motocorp	616,526	652,028	-5.4%	704,562	-12.5%
Bajaj Auto	404,624	419,235	-3.5%	404,429	0.0%
TVS	297,102	307,106	-3.3%	313,614	-5.3%
Maruti	124,708	134,641	-7.4%	144,981	-14.0%
M&M	75,641	70,125	7.9%	85,684	-11.7%
<i>Auto</i>	42,547	45,421	-6.3%	45,155	-5.8%
<i>Tractors</i>	33,094	24,704	34.0%	40,529	-18.3%
Tata Motors	51,774	41,792	23.9%	62,019	-16.5%
Ashok Leyland	12,085	13,190	-8.4%	14,091	-14.2%
Escorts	8,960	6,827	31.2%	9,983	-10.2%



## Hero Motocorp: Weak sales growth continues

- Hero MotoCorp (Hero)'s sales in June went down by 12.5% yoy at 616,526 units on higher dealer level inventory stemming from lower retail demand, weaker sentiments, increase in insurance prices few months back, rural distress due to delayed monsoon, low scooter demand and stifling competition.
- Sequentially too the sales were down by 5.4% on marriage season in May and delayed monsoon.

	Jun-19	May-19	% mom	Jun-18	% yoy	YTD FY20	YTD FY19	% yoy
Total sales	616,526	652,028	-5.4%	704,562	-12.5%	1,842,920	2,104,949	-12.4%

## Bajaj Auto: Flat growth on lower 3W exports and domestic motorcycle weakness

- Bajaj Auto's total sales came in flat yoy and down 3.5% mom to 404,624 units. Domestic motorcycle sales have de-grown by 0.8% yoy and declined by 3.1% mom. The company through its focus on the mass segment had been aiding it to win market share in that segment till now, but in June we are seeing some slowdown in it on weakness in retail demand and rising dealer inventory.
- Exports 2W business grew by 11.1% yoy as Africa and Asia seem to grow at a good pace. This was the only bright spot in Bajaj Auto's sales this month.
- Total three wheeler sales went down by 20% yoy. In the domestic markets they decreased by 11.1% yoy in the absence of any permits opening. Exports markets sales de-grew by a 29.1% yoy. Sequentially, 3Ws sales fell by 1.5%. Total exports sales growth also tapered at 3.3% yoy on 3W underperformance.

	Jun-19	May-19	% mom	Jun-18	% yoy	YTD FY20	YTD FY19	% yoy
<b>Motorcycles</b>								
Domestic	199,340	205,721	-3.1%	200,949	-0.8%	610,936	594,234	2.8%
Exports	151,951	159,347	-4.6%	136,803	11.1%	471,691	435,730	8.3%
<b>Total</b>	<b>351,291</b>	<b>365,068</b>	<b>-3.8%</b>	<b>337,752</b>	<b>4.0%</b>	<b>1,082,627</b>	<b>1,029,964</b>	<b>5.1%</b>
<b>3W</b>								
Domestic	29,885	30,103	-0.7%	33,627	-11.1%	86,217	94,431	-8.7%
Exports	23,448	24,064	-2.6%	33,050	-29.1%	78,330	102,246	-23.4%
<b>Total</b>	<b>53,333</b>	<b>54,167</b>	<b>-1.5%</b>	<b>66,677</b>	<b>-20.0%</b>	<b>164,547</b>	<b>196,677</b>	<b>-16.3%</b>
Domestic	229,225	235,824	-2.8%	234,576	-2.3%	697,153	688,665	1.2%
Exports	175,399	183,411	-4.4%	169,853	3.3%	550,021	537,976	2.2%
<b>Total</b>	<b>404,624</b>	<b>419,235</b>	<b>-3.5%</b>	<b>404,429</b>	<b>0.0%</b>	<b>1,247,174</b>	<b>1,226,641</b>	<b>1.7%</b>
% of exports	43.3%	43.7%		42.0%		44.1%	43.9%	



## TVS Motor: Sales growth enters negative territory

- TVS reported negative sales numbers in the month at 5.3% yoy. This was 3.3% drop mom.
- Motorcycle sales grew by 1.9% yoy and de-grew by 8% mom.
- Scooters sales went down by 3.7% yoy and rose by 0.8% mom. Mopeds went down by 23.7% as demand in South India is weakened with delayed monsoon.
- 3W sales increased by 9.9% yoy strong exports performance from markets like Egypt and other African markets. Domestic markets de-grew by 37% yoy as there is a slowdown in new permits opening, while 3W exports grew by 16.2% yoy on sharp recovery is seen in Nigeria, Egypt and other African countries.
- Exports sales in TVS witnessed a positive growth. Total exports grew by 6% yoy and 0.8% mom to 69,900 units.

	Jun-19	May-19	% mom	Jun-18	% yoy	YTD FY20	YTD FY19	% yoy
Motorcycles	131,331	142787	-8.0%	128,825	1.9%	417,181	387,240	7.7%
Scooters	99,007	98202	0.8%	102,763	-3.7%	294,532	287,887	2.3%
Mopeds	53,123	53,337	-0.4%	69,613	-23.7%	171,957	217,627	-21.0%
<b>Total 2W</b>	<b>283,461</b>	<b>294326</b>	<b>-3.7%</b>	<b>301,201</b>	<b>-5.9%</b>	<b>883,670</b>	<b>892,754</b>	<b>-1.0%</b>
3W	13,641	12780	6.7%	12,413	9.9%	39,525	35,520	11.3%
<b>Total sales</b>	<b>297,102</b>	<b>307,106</b>	<b>-3.3%</b>	<b>313,614</b>	<b>-5.3%</b>	<b>923,195</b>	<b>928,274</b>	<b>-0.5%</b>
Exports out of the above	69,900	69319	0.8%	65,971	6.0%	208,784	189,987	9.9%
2W exports	57,182	57519	-0.6%	55,025	3.9%	172,078	158,743	8.4%
3W exports	12,718	11,800	7.8%	10,946	16.2%	36,706	31,244	17.5%
Domestic 3W	923	980	-5.8%	1,467	-37.1%	2,819	4,276	-34.1%



## Maruti Suzuki: Growth rate slips further on weak demand and bi-annual production shutdown

- Maruti Suzuki India Ltd (MSIL)'s sales in the month of June came in at 124,708 units which was a de-growth of 14% yoy, while on mom basis the growth was negative 7.4% showing the continuity of weak sales. A biannual one week shutdown at its plants for maintenance purpose also led to this fall.
- The petrol/small car segment this month saw a de-growth of 36.2% yoy and a growth of 14.3% mom, as company is now focusing on transition from diesel to petrol variants.
- The super compact segment comprising of Swift, Dzire, Celerio, Baleno, Ignis etc de-grew by 12.1% yoy and 10.3% mom. Rising inventory levels at the dealers' ends, weak demand and delayed monsoon led to PV segment fall.
- Ciaz segment sales grew by 47% and reported a 35% drop, yoy and mom respectively.
- The UV segment de-grew by 7.9% yoy and plummeted by 7.1% mom.
- The LCV Super Carry sold 2,017 units in June as compared to 1,626 units yoy.
- Exports witnessed 5.7% yoy and 8.3% growth mom respectively.

	Jun-19	May-19	% mom	Jun-18	% yoy	YTD FY20	YTD FY19	% yoy
Mini(Alto, Wagon R)	18733	16394	14.3%	29,381	-36.2%	57,893	105,039	-44.9%
Compact(Swift, Ritz, Celerio, Baleno, Dzire, Ignis)	62897	70135	-10.3%	71,570	-12.1%	205,178	232,667	-11.8%
Mid size (SX4, Ciaz)	2322	3592	-35.4%	1,579	47.1%	8,703	10,719	-18.8%
<b>Total passenger cars</b>	<b>83,952</b>	<b>90,121</b>	<b>-6.8%</b>	<b>102,530</b>	<b>-18.1%</b>	<b>271,774</b>	<b>348,425</b>	<b>-22.0%</b>
Utility Vehicles(Gypsy, Ertiga, Viterra, S-Cross, Brezza)	17797	19152	-7.1%	19,321	-7.9%	58,984	65,754	-10.3%
Vans(Omni, Eeco)	9265	11745	-21.1%	12,185	-24.0%	32,659	44,788	-27.1%
LCV (Super Carry)	2017	2232	-9.6%	1,626	24.0%	6,568	4,873	34.8%
<b>Total domestic sales</b>	<b>113,031</b>	<b>123,250</b>	<b>-8.3%</b>	<b>135,662</b>	<b>-16.7%</b>	<b>369,985</b>	<b>463,840</b>	<b>-20.2%</b>
Sales to other OEM :A:Compact	1,830	2,302	N/A	-		4,496	-	
Exports	9847	9089	8.3%	9,319	5.7%	28,113	26,639	5.5%
<b>Total sales</b>	<b>124,708</b>	<b>134,641</b>	<b>-7.4%</b>	<b>144,981</b>	<b>-14.0%</b>	<b>402,594</b>	<b>490,479</b>	<b>-17.9%</b>



## Mahindra & Mahindra: UVs up on new launch, CVs struggle, FES down on weak monsoon so far..

- Total domestic auto sales in the month slipped by 5.8% yoy to 42,547 units which was a 6.3% de-growth mom.
- UV segment was up by 8% yoy and down by 9.2% mom. The new launch of XUV 300 led to yoy growth.
- CV sales in the month fell by 14.7% yoy, out of which LCV >3.5 T went down by 17.1% yoy, while the LCV <3.5 T de-grew by 13.2% yoy. MHCV segment dipped by 36.4% yoy and rose by 10.7% mom as financial crunch is still prevalent and new axle norms is impacting the sector.
- 3W sales have de-grown by 1.7% yoy and 7% mom..
- Exports posted fall of 11.3% yoy as well.
- FES segment de-grew by 18.3% yoy, out of which the domestic sales were down by 18.8% yoy on weak rural sentiments. Exports were down by 11.3% yoy and grew by 30.1%, mom respectively. Tractors volumes fell on weak/delayed monsoon and weakness in Central, West and South India.

Auto segment	Jun-19	May-19	% mom	Jun-18	% yoy	YTD FY20	YTD FY19	% yoy
Utility Vehicles	17723	19524	-9.2%	16,408	8.0%	56095	56,074	0.0%
Cars+Vans	1103	1084	1.8%	1,729	-36.2%	3305	4,705	-29.8%
<b>Total PV</b>	<b>18826</b>	<b>20608</b>	<b>-8.6%</b>	<b>18137</b>	<b>3.8%</b>	<b>59400</b>	<b>60779</b>	<b>-2.3%</b>
LCV(<3.5 T)	14863	16321	-8.9%	17,125	-13.2%	47468	51,383	-7.6%
LCV (>3.5T)	826	921	-10.3%	996	-17.1%	2310	2,393	-3.5%
MHCV	705	637	10.7%	1,108	-36.4%	1816	3,164	-42.6%
<b>Total CV</b>	<b>16,394</b>	<b>17,879</b>	<b>-8.3%</b>	<b>19,229</b>	<b>-14.7%</b>	<b>51,594</b>	<b>56,940</b>	<b>-9.4%</b>
3 wheelers	4251	4569	-7.0%	4,323	-1.7%	13136	13,005	1.0%
<b>Total domestic sales</b>	<b>39,471</b>	<b>43,056</b>	<b>-8.3%</b>	<b>41,689</b>	<b>-5.3%</b>	<b>124,130</b>	<b>130,724</b>	<b>-5.0%</b>
Total exports	3076	2365	30.1%	3,466	-11.3%	7559	9,376	-19.4%
FES	Jun-19	May-19	% mom	Jun-18	% yoy	YTD FY20	YTD FY19	% yoy
Domestic	31879	23539	35.4%	39,277	-18.8%	82,913	97,360	-14.8%
Exports	1215	1165	4.3%	1,252	-3.0%	3,437	3,424	0.4%
<b>Total FES</b>	<b>33094</b>	<b>24704</b>	<b>34.0%</b>	<b>40,529</b>	<b>-18.3%</b>	<b>86,350</b>	<b>100,784</b>	<b>-14.3%</b>



## Ashok Leyland: MHCV worries continue to taint volumes

- Ashok Leyland (ALL) posted a 14.2% yoy decline in the month to 12,085 units as the sector is hit by NBFC financing issues and Axle load implementation.
- MHCV sales were down by 19.1% yoy to 7,780 units. Sequential de-growth has been 13.27%.
- LCV sales posted a fall of 3.8% yoy in the month.

	Jun-19	May-19	% mom	Jun-18	% yoy	YTD FY20	YTD FY19	% yoy
MHCV	7780	8964	-13.2%	9,616	-19.1%	25,333	26,846	-5.6%
LCV	4305	4226	1.9%	4,475	-3.8%	12,671	11,273	12.4%
<b>Total</b>	<b>12085</b>	<b>13190</b>	<b>-8.4%</b>	<b>14,091</b>	<b>-14.2%</b>	<b>38,004</b>	<b>38,119</b>	<b>-0.3%</b>

## Tata Motors: Volumes decline dipper yoy, sequential growth heartening..

- Tata Motors (TAMO)'s total sales in the month were down at 16.5% yoy to 51,774 units. PV as well as CV sales were quite subdued in the month as overall sentiments remained weak.
- CV sales moved down by 7.4% yoy while growing at 21.8% mom showing signs of revival despite NBFC crisis and payload capacity expansion under Axle norms . Within the CVs, MHCVs de-grew by 13%, which was a much lesser fall as compared to previous months. LCVS dropped by 4.3% which was a fall lesser than expected.
- Considering the weakness in the industry, PV sales de-grew by 27% yoy.
- Exports growth was weak at 48.5% yoy.

	Jun-19	May-19	% mom	Jun-18	% yoy	YTD FY20	YTD FY19	% yoy
Domestic	8,648	6,488	33.3%	9,758	-11.4%	20,122	23,939	-15.9%
Exports	312	339	-8.0%	225	38.7%	929	555	67.4%
Total	8,960	6,827	31.2%	9,983	-10.2%	21,051	24,494	-14.1%
<b>Total sales</b>	<b>51,774</b>	<b>41,792</b>	<b>23.9%</b>	<b>62,019</b>	<b>-16.5%</b>	<b>137,545</b>	<b>176,534</b>	<b>-22.1%</b>



## Escorts: Weak/delayed monsoon leads to fall in demand

- Domestic sales have de-grown by 11.4% yoy in June as rural sentiments were weak on delayed monsoon.
- Exports reported erratic growth at 39% yoy on low base.
- Total sales de-grew by 10.2% yoy to 8,960 units. Sequential growth was at 31.2%.

	Jun-19	May-19	% mom	Jun-18	% yoy	YTD FY20	YTD FY19	% yoy
Domestic	8,648	6,488	33.3%	9,758	-11.4%	20,122	23,939	-15.9%
Exports	312	339	-8.0%	225	38.7%	929	555	67.4%
<b>Total</b>	<b>8,960</b>	<b>6,827</b>	<b>31.2%</b>	<b>9,983</b>	<b>-10.2%</b>	<b>21,051</b>	<b>24,494</b>	<b>-14.1%</b>

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