

Slump intensifies...

The month of July saw auto industry crisis intensify. Segmentally speaking, CVs in July, particularly M&HCVs posted steep declines. The sector is plagued by various issues like 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. We even witnessed most of the auto makers taking temporary shutdowns at their plants to prudently align production with sales. In the 2W segment, higher ABS related costs, higher inventory levels at dealers' ends, negative consumer sentiments, production cuts, delayed monsoon and high base led to weak sales. Tractor demand was impacted by weak rural demand and uncertainty in rainfall. BS VI implementation, preparation of the OEMs for the same, transition and launches of BS VI variants are already raising the prices thus impacting demand further.

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 deadline coming closer, the industry may face challenges, while at the same time pre-buying will result in good demand, but not as expected earlier. With metro cities facing demand crunch and rural distress at the forefront, we believe first half of FY 20 to remain subdued. Among two wheelers, we prefer Hero Motocorp as it is a proxy to the economy and rural growth, and an expected good monsoon will drive sales in rural India (55% of volumes). While Bajaj Auto is facing issues in domestic 2W markets, exports 3W are plagued by issues in certain geographies. On the PVs, we still like MSIL considering its attractive valuations and it being the best option for the Indian PV revival story. On MHCVs we expect some recovery in the second half as BS VI pre buying may happen then, and as government focuses once again on infra spending. Within the CV space we like Ashok Leyland which is away from any global headwinds and has had a steep correction in its stock price.

	Jul 19	Jun 19	% mom	Jul 18	% yoy
Hero Motocorp	5,35,810	6,16,526	-13.1%	6,79,862	-21.2%
Bajaj Auto	3,81,530	4,04,624	-5.7%	4,00,343	-4.7%
TVS	2,79,465	2,97,102	-5.9%	3,21,179	-13.0%
Maruti	1,09,264	1,24,708	-12.4%	1,64,369	-33.5%
M&M	60,134	75,641	-20.5%	69,878	-13.9%
<i>Auto</i>	40,142	42,547	-5.7%	47,199	-15.0%
<i>Tractors</i>	19,992	33,094	-39.6%	22,679	-11.8%
Tata Motors	36,312	51,774	-29.9%	56,867	-36.1%
Ashok Leyland	10,927	12,085	-9.6%	15,199	-28.1%
Escorts	4,860	8,960	-45.8%	5,610	-13.4%

Hero MotoCorp: Pain increases

- Hero MotoCorp (Hero)'s sales in July went down by 21.2% yoy to 535,810 units on higher dealer level inventory stemming from NBFC issues, lower retail demand, weaker sentiments, increase in ABS related costs, rural distress and stifling competition.
- Sequentially too the sales were down by 13.1% as July saw weaker rural sentiments than June on delayed monsoon.

	Jul 19	Jun 19	% mom	Jul 18	% yoy	YTD FY20	YTD FY19	% yoy
Total sales	5,35,810	6,16,526	-13.1%	6,79,862	-21.2%	23,78,730	27,84,811	-14.6%

Bajaj Auto: Entered negative territory on domestic 2W and exports 3W weakness

- Bajaj Auto's total sales came down 4.7% yoy and 5.7% mom to 381,530 units. Domestic motorcycle sales have de-grown by 3.1% yoy and 8.3% 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 July we are seeing some slowdown in it on weakness in retail demand and rising dealer inventory.
- Exports 2W business was its strength in the month as it grew by 15.2% yoy as Africa and Asia seem to grow at a good pace.
- Total three wheeler sales went down by 12.3% yoy. In the domestic markets they decreased by 4.4% yoy in the absence of any permits opening. Exports markets sales de-grew by a 21.4% yoy as regulatory changes in its biggest market Egypt led to this fall. Even weakness in Sri Lanka offset decent performances in Bangladesh and Nepal. Sequentially, 3Ws sales grew by 11.2%. Total exports sales growth was at 8.1% yoy.

	Jul 19	Jun 19	% mom	Jul 18	% yoy	YTD FY20	YTD FY19	% yoy
Motorcycles								
Domestic	1,70,978	1,99,340	-14.2%	2,01,433	-15.1%	7,81,914	7,95,667	-1.7%
Exports	1,51,232	1,51,951	-0.5%	1,31,247	15.2%	6,22,923	5,66,977	9.9%
Total	3,22,210	3,51,291	-8.3%	3,32,680	-3.1%	14,04,837	13,62,644	3.1%
3W								
Domestic	34,492	29,885	15.4%	36,078	-4.4%	1,20,709	1,30,509	-7.5%
Exports	24,828	23,448	5.9%	31,585	-21.4%	1,03,158	1,33,831	-22.9%
Total	59,320	53,333	11.2%	67,663	-12.3%	223,867	264,340	-15.3%
Domestic	2,05,470	2,29,225	-10.4%	2,37,511	-13.5%	9,02,623	9,26,176	-2.5%
Exports	1,76,060	1,75,399	0.4%	1,62,832	8.1%	7,26,081	7,00,808	3.6%
Total	3,81,530	4,04,624	-5.7%	4,00,343	-4.7%	16,28,704	16,26,984	0.1%

TVS Motor: Slowdown hits massively

- TVS reported negative sales numbers in the month at 13% yoy. This was 5.9% drop mom on slowdown in all of its segments.
- Motorcycle sales grew fell by 10.9% yoy and 17.6% mom
- Scooters sales went down by 11.6% yoy and rose by 6.3% mom. Mopeds went down by 22.5% as demand in South India is weakened with deficient monsoons there.
- 3W sales increased by 3.5% yoy on strong exports performance from markets like some of the African markets other than Egypt. Domestic markets de-grew by 37% yoy as there is a slowdown in new permits opening, while 3W exports grew by 8.8% yoy.
- Exports sales in TVS witnessed a 3.1% fall as 2W exports fell by 5.4% despite positive growth in 3Ws

	Jul 19	Jun 19	% mom	Jul 18	% yoy	YTD FY20	YTD FY19	% yoy
Motorcycles	1,08,210	1,31,331	-17.6%	1,21,434	-10.9%	5,25,391	5,08,674	3.3%
Scooters	1,05,199	99,007	6.3%	1,18,996	-11.6%	3,99,731	4,06,883	-1.8%
Mopeds	52,270	53,123	-1.6%	67,426	-22.5%	2,24,227	2,85,053	-21.3%
Total 2W	2,65,679	2,83,461	-6.3%	3,07,856	-13.7%	11,49,349	12,00,610	-4.3%
3W	13,786	13,641	1.1%	13,323	3.5%	53,311	48,843	9.1%
Total sales	2,79,465	2,97,102	-5.9%	3,21,179	-13.0%	12,02,660	12,49,453	-3.7%
Exports out of the above	69,994	69,900	0.1%	72,242	-3.1%	2,78,778	2,62,229	6.3%
2W exports	57,190	57,182	0.0%	60,474	-5.4%	2,29,268	2,19,217	4.6%
3W exports	12,804	12,718	0.7%	11,768	8.8%	49,510	43,012	15.1%
Domestic 3W	982	923	6.4%	1,555	-36.8%	3,801	5,831	-34.8%

Maruti Suzuki: Biggest fall since 2012

- Maruti Suzuki India Ltd (MSIL)'s sales in the month of July came in at 109,264 units which was a deep cut of 33.5% yoy, while on mom basis the decline was negative 12.4% showing the continuity of a big slump. The company had to take some plant shutdowns to adjust production with sales.
- The petrol/small car segment this month saw a de-growth of 69.3% yoy and 38.2% 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 22.7% yoy and 8.6% mom. Rising inventory levels at the dealers' ends, weak demand and delayed monsoon led to PV segment fall.
- Ciaz segment sales were reported strong at 2,397 units.
- The UV segment de-grew by 38.1% yoy and plummeted by 14.7% mom.
- The LCV Super Carry sold 1,732 units in July as compared to 1,723 units yoy.
- Exports witnessed 9.4 % yoy drop and 6% fall mom respectively.

	Jul 19	Jun 19	% mom	Jul 18	% yoy	YTD FY20	YTD FY19	% yoy
Mini(Alto, Wagon R)	11,577	18,733	-38.2%	37,710	-69.3%	69,470	1,42,749	-51.3%
Compact(Swift, Ritz, Celerio, Baleno, Dzire, Ignis)	57,512	62,897	-8.6%	74,373	-22.7%	2,62,690	3,07,040	-14.4%
Mid size (SX4, Ciaz)	2,397	2,322	3.2%	48	4893.8%	11,100	10,767	3.1%
Total passenger cars	71,486	83,952	-14.8%	1,12,131	-36.2%	3,43,260	4,60,556	-25.5%
Utility Vehicles(Gypsy, Ertiga, Vitarra, S-Cross, Brezza)	15,178	17,797	-14.7%	24,505	-38.1%	74,162	90,259	-17.8%
Vans(Omni, Eeco)	9,814	9,265	5.9%	15,791	-37.9%	42,473	60,579	-29.9%
LCV (Super Carry)	1,732	2,017	-14.1%	1,723	0.5%	8,300	6,596	25.8%
Total domestic sales	98,210	1,13,031	-13.1%	1,54,150	-36.3%	4,68,195	6,17,990	-24.2%
Sales to other OEM :A:Compact	1,796	1,830	N/A	-		6,292	-	
Exports	9,258	9,847	-6.0%	10,219	-9.4%	37,371	36,858	1.4%
Total sales	1,09,264	1,24,708	-12.4%	1,64,369	-33.5%	5,11,858	6,54,848	-21.8%

Mahindra & Mahindra: All fall down

- Total domestic auto sales in the month slipped by 15% yoy to 40,142 units which was a 5.7% de-growth mom.
- UV segment was down by 10.5% yoy and down by 9.7% mom, despite the recent launch of XUV 300.
- CV sales in the month fell by 17.2% yoy, out of which LCV >3.5 T went up by 7.1% yoy, while the LCV <3.5 T de-grew by 16.4% yoy. MHCV segment dipped by 51.8% yoy and 40.9% mom as financial crunch is still prevalent and new axle norms is impacting the sector.
- 3W sales have de-grown by 15.6% yoy and 10% mom..
- Exports posted a growth of 2.9% yoy and a 13.3% fall
- FES segment de-grew by 11.8% yoy, out of which the domestic sales were down by 11.1% yoy on weak rural sentiments and delayed monsoon and unequal distribution of rainfall. Exports were down by 26% yoy and 32.7% mom respectively.

Auto segment	Jul 19	Jun 19	% mom	Jul 18	% yoy	YTD FY20	YTD FY19	% yoy
Utility Vehicles	16,003	17,723	-9.7%	17,879	-10.5%	72,098	73,953	-2.5%
Cars+Vans	828	1,103	-24.9%	1,902	-56.5%	4,133	6,607	-37.4%
Total PV	16,831	18,826	-10.6%	19,781	-14.9%	76,231	80,560	-5.4%
LCV(<3.5 T)	14,874	14,863	0.1%	17,785	-16.4%	62,342	69,168	-9.9%
LCV (>3.5T)	678	826	-17.9%	633	7.1%	2,988	3,026	-1.3%
MHCV	417	705	-40.9%	866	-51.8%	2,233	4,030	-44.6%
Total CV	15,969	16,394	-2.6%	19,284	-17.2%	67,563	76,224	-11.4%
3 wheelers	4674	4251	10.0%	5,540	-15.6%	17810	18,545	-4.0%
Total domestic sales	37,474	39,471	-5.1%	44,605	-16.0%	1,61,604	1,75,329	-7.8%
Total exports	2668	3076	-13.3%	2,594	2.9%	10227	11,970	-14.6%
Total sales	40,142	42,547	-5.7%	47,199	-15.0%	1,71,831	1,87,299	-8.3%

FES	Jul 19	Jun 19	% mom	Jul 18	% yoy	YTD FY20	YTD FY19	% yoy
Domestic	19,174	31,879	-39.9%	21,574	-11.1%	1,02,087	1,18,934	-14.2%
Exports	818	1,215	-32.7%	1,105	-26.0%	4,255	4,529	-6.0%
Total FES	19,992	33,094	-39.6%	22,679	-11.8%	1,06,342	1,23,463	-13.9%

Ashok Leyland :- MHCVs tumble, LCVs remain flat

- Ashok Leyland (ALL) posted a decline in the month to 10,927 units as the long prevailing sectoral negatives did have a continued impact on the company
- MHCV sales were down by 38.9% yoy to 6,722 units. Sequential de-growth has been 13.6%.
- LCV sales posted a flat growth at 4,205 units.

	Jul 19	Jun 19	% mom	Jul 18	% yoy	YTD FY20	YTD FY19	% yoy
MHCV	6,722	7,780	-13.6%	10,996	-38.9%	33,441	41,643	-19.7%
LCV	4,205	4,305	-2.3%	4,203	0.0%	17,094	15,684	9.0%
Total	10,927	12,085	-9.6%	15,199	-28.1%	50,535	57,327	-11.8%

Tata Motors: Volumes dip thick and fast

- Tata Motors (TAMO)'s total sales in the month were down at 36.1% yoy to 36,312 units. PV as well as CV sales were quite subdued in the month as overall sentiments remained weak.
- CV sales moved down by 35.5% yoy 37.1% mom on NBFC crisis and payload capacity expansion under Axle norms. Within the CVs, MHCVs de-grew by 46%, LCVS dropped by 21%, SCV and pick-ups fell by 30% and buses fell by 42% yoy.
- Considering the weakness in the industry, PV sales de-grew by 38.6% yoy.
- Exports growth was weak at 32.1% yoy.

Segment(models)	Jul 19	Jun 19	% mom	Jul 19	% yoy	YTD FY20	YTD FY19	% yoy
Total CVs	22,453	35,722	-37.1%	34,817	-35.5%	1,17,387	1,46,459	-19.8%
Total PVs	10,485	13,351	-21.5%	17,079	-38.6%	47,430	70,016	-32.3%
Exports	3,374	2,701	24.9%	4,971	-32.1%	9,040	16,926	-46.6%
Total sales	36,312	51,774	-29.9%	56,867	-36.1%	1,73,857	2,33,401	-25.5%

Escorts: Weak/delayed monsoon leads to fall in demand

- Domestic sales have de-grown by 17.8% yoy in July as rural sentiments were weak on delayed monsoon.
- Exports reported erratic growth yoy on low base.
- Total sales de-grew by 13.4% yoy to 4,860 units. Sequential de-growth was at 45.8%.

	Jul 19	Jun 19	% mom	Jul 18	% yoy	YTD FY20	YTD FY19	% yoy
Domestic	4,505.00	8,648.00	-47.9%	5,483	-17.8%	24,627	29,422	-16.3%
Exports	355.00	312.00	13.8%	127	179.5%	1,284	682	88.3%
Total	4,860.00	8,960.00	-45.8%	5,610	-13.4%	25,911	30,104	-13.9%

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