

# AUTO SALES UPDATE – MARCH 2007



## Key Highlights

### \* Two wheelers: Flat

Two-wheeler sales for March were flat Y-o-Y, lowering the annual growth to 11.9% for FY07. Motorcycle sales growth was negative for the first time in three years. Higher interest rates have increased cost of ownership, discouraging buyers. Dealers had indicated an inventory build up last month. However, we believe that the sharp fall is mainly due to the fact that buyers had advanced their purchases during the festive months in the third quarter. Bajaj Auto has scaled down industry growth estimates for the next year to 5-6%. We have scaled down our volume growth estimates as well, following the recent trend. Total motorcycle sales stood at 565,283 units and 7,099,551 units for March 2007 and FY07, respectively. Scooters and mopeds sales for March stood at 89,625 units and 37,393 units, up 4.8% and 7.6% Y-o-Y, respectively. Bajaj Auto remains our top pick in the sector given its strong export focus and robust product line up.

### \* Commercial vehicles: Weak

Commercial vehicle sales growth was weak at 14.6%, albeit on a higher base. Both Tata Motors and Ashok Leyland sales showed similar M&HCV sales growth M-o-M of around 8.2-8.4%. LCV's sales were stronger at 19.9%. CV sales have been hit by rising interest rates and growth is expected to moderate to about 10-15% as the base effect kicks in. We have a positive outlook on both Tata Motors and Ashok Leyland. Tata Motors is our top pick in the automobile space, following expected growth in commercial vehicle sales due to continued robust industrial activity.

### \* Passenger vehicles: Muted

Passenger vehicles recorded muted sales in March with passenger cars growing at an dismal 6.1% Y-o-Y to 1,31,845 units. A spike in interest rates and expected launch of several new models in April 2007 has taken its toll on volumes. The executive segment recorded a healthy growth of 70.8%, primarily driven by the *Honda Civic*. A slew of new launches including *Mahindra Logan*, *Chevrolet Spark*, *Fiat Palio* and the new *Hyundai Getz* are expected to drive industry sales growth by increasing consumer choice.

## Company wise

### \* Bajaj Auto: Muted growth

Bajaj Auto recorded a 10% Y-o-Y drop in motorcycle sales in March. The management has scaled down volume growth estimates for FY08 to around 10%. Bajaj Auto expects industry volume growth to be around 5-6%. The company commissioned its new plant at Pantnagar, Uttarkand, which has a capacity to produce 1 mn units a year and has shifted the production of *Platina* to the new plant. Bajaj Auto has cut the price of *Platina* by INR 3,000, passing on the excise benefit that it derives from the new plant. It is slated to launch a new motorcycle platform in a few months.

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\* **Hero Honda: Leader rises**

Hero Honda recorded a relatively strong 7.1% Y-o-Y growth in sales for March, beating the industry for the third month in succession. This growth rate has helped the company gain market share from Bajaj and TVS Motor. The company, however, faces severe margin pressures, mainly from increased selling and advertising costs. These costs are expected to remain high through the next quarter with Hero Honda co-sponsoring the cricket World Cup. Its weaker product lineup is also an area of concern for the company. We maintain 'ACCUMULATE' recommendation.

\* **TVS Motor Company: Still stuck in second gear**

TVS Motors recorded a 12.7% fall in motorcycle sales for March. Mopeds and scooters recorded 16.6% and 25.8% Y-o-Y growth, respectively. The company has launched a new variant of *Star* called *Star Sport* and is expected to launch a new model in the middle of next year. The company is clearly caught between the two-giants and high margin pressures due to increased selling and input costs continue to plague the company's performance. However, valuations look comfortable with the stock trading at 9.2x FY09E. The company's new capacity at Himachal Pradesh, with excise benefits, and the new Indonesian plant are expected to come on stream this quarter. We believe there is good scope for margin improvement and maintain 'BUY' recommendation with a long-term perspective.

\* **Maruti Udyog: Modest performance**

Maruti Udyog posted modest sales numbers for March. Domestic sales were up 5.6% to 64,556 units on a higher base, while exports stood at 7,216 units. The *Swift* diesel is performing extremely well in the market. The compact segment grew by 26.3% Y-o-Y in March. *OmniVersa* sales were up 3.2% Y-o-Y to 8,661 units. Given its wide product offering in the high growth compact segment, we believe Maruti is well placed in the market. However, it is likely to face stiff competition in the compact and mid-size segment from the new launches—*Spark*, *Logan*, *Palio*, and *Getz*. Margins are expected to remain under strain in the face of the intensifying competition. We maintain 'ACCUMULATE' recommendation.

\* **Mahindra and Mahindra: Logan launched**

Mahindra's domestic automotive sales grew by a strong 25.8% Y-o-Y during March. UV sales showed fantastic growth of 23.7% Y-o-Y, while the LCV segment grew by 70.5%. Three wheelers were at 3,648 units for March registering a strong 35.8% growth Y-o-Y. Domestic tractor sales were up 11.6%, while exports were down 25.2%. Mahindra-Renault launched the *Logan* car in India at an ex-showroom price starting at INR 4.3 lakhs. The *Logan* is believed to be a good value for money car worldwide and Mahindra intends to continue that image in India. Mahindra's automotive segment's portfolio will be strengthened by Logan's addition. We strongly reiterate a 'BUY' recommendation.

\* **Tata Motors: Top pick**

Tata Motors posted a modest domestic sales growth for March with M&HCV's growing at 8.3% Y-o-Y. The LCV segment grew by 15.1%. Domestic passenger vehicle sales grew by 11.3% Y-o-Y. UVs registered a strong domestic sales growth of 23.3%. The Uttaranchal plant for *ACE* should be commissioned this month and we will see a growth in LCV sales as *ACE* is currently facing supply constraints. We continue to maintain our positive outlook on Tata Motors and favour it as our top pick in the automobile space. We strongly reiterate our 'BUY' recommendation.

## \* Ashok Leyland: Consolidating growth

Ashok Leyland's domestic sales for March showed a modest decline of 1.9% over the previous year's numbers although on a higher base. These numbers are sharply below 35-40% growth seen during the year. A liquidity crunch faced by banks during the fiscal end and a sharp spurt in interest costs are thought to be the reason for poor numbers. The company's expansion programme is on track and capacity additions are expected to be matched by rising demand. On the back of improved industrial activity and consequently higher freight movement, we maintain a 'BUY' recommendation.

## Monthly sales numbers

## Two Wheelers

Total Industry Sales								
Volume (Units)	Mar-07	Mar-06	%Change	Feb-07	%Change	YTD FY07	YTD FY06	% Change
Motorcycles	565,283	573,702	(1.5)	557,213	1.4	7,099,551	6,201,616	14.5
Scooters	89,625	85,496	4.8	84,843	5.6	976,358	992,032	(1.6)
Mopeds	37,393	34,754	7.6	34,545	8.2	393,436	375,922	4.7
Electric Two-Wheelers	3,519	-	NA	-	NA	3,519	-	NA
<b>Total Two Wheelers</b>	<b>695,820</b>	<b>693,952</b>	<b>0.3</b>	<b>676,601</b>	<b>2.8</b>	<b>8,472,864</b>	<b>7,569,570</b>	<b>11.9</b>
<b>Three Wheelers</b>	<b>44,755</b>	<b>44,797</b>	<b>(0.1)</b>	<b>47,117</b>	<b>(5.0)</b>	<b>547,804</b>	<b>437,072</b>	<b>25.3</b>

## Four Wheelers

Total Industry Sales								
Volume (Units)	Mar-07	Mar-06	%Change	Feb-07	%Change	YTD FY07	YTD FY06	% Change
LCV's	24,254	20,225	19.9	20,221	19.9	223,210	169,614	31.6
M & HCV's	30,966	28,660	8.0	28,076	10.3	293,979	221,507	32.7
<b>Total CV's</b>	<b>55,220</b>	<b>48,885</b>	<b>13.0</b>	<b>48,297</b>	<b>14.3</b>	<b>517,189</b>	<b>391,121</b>	<b>32.2</b>
Passenger Cars	131,954	124,310	6.1	107,740	22.5	1,269,153	1,052,290	20.6
Utility Vehicles	27,547	23,945	15.0	16,202	70.0	224,602	199,061	12.8
MPV's	8,832	8,506	3.8	8,166	8.2	84,421	67,459	25.1
<b>Total PV's</b>	<b>168,333</b>	<b>156,761</b>	<b>7.4</b>	<b>132,108</b>	<b>27.4</b>	<b>1,578,176</b>	<b>1,318,810</b>	<b>19.7</b>

## Bajaj Auto

Bajaj Auto Sales								
Volume (units)	Mar-07	Mar-06	% Change	Feb-07	% Change	YTD FY07	YTD FY06	% Change
Motorcycles	165,524	183,927	-10.0	171,780	(3.6)	2,376,518	1,912,224	24.3
Scooters-gearred	0	744	(100.0)	0	NA	5,253	63,384	(91.7)
Scooters-ungeared	3,462	1,668	107.6	2,440	41.9	17,629	51,378	(65.7)
Stepthrus	0	0	NA	0	0.0	0	870	(100.0)
Total two wheelers	168,986	186,339	-9.3	174,220	(3.0)	2,399,400	2,027,856	18.3
Three wheelers	24,576	24,723	-0.6	27,992	-12.2	321,778	252,006	27.7
Exports (included above)	35,644	28,998	22.9	38,228	(6.8)	439,413	250,168	75.6
<b>Total</b>	<b>193,562</b>	<b>211,062</b>	<b>-8.3</b>	<b>202,212</b>	<b>(4.3)</b>	<b>2,721,178</b>	<b>2,279,862</b>	<b>19.4</b>
<b>Market Share (%)</b>	<b>29.3</b>	<b>32.1</b>		<b>30.8</b>		<b>33.5</b>	<b>30.8</b>	

## Hero Honda

Hero Honda Sales								
Volume (units)	Mar-07	Mar-06	% Change	Feb-07	% Change	YTD FY07	YTD FY06	% Change
Motorcycles	283,662	264,816	7.1	273,024	3.9	3,253,537	2,985,736	9.0
Scooters	4,519	7,496	-39.7	7,491	(39.7)	93,485	15,015	0.0
<b>Total</b>	<b>288,181</b>	<b>272,312</b>	<b>5.8</b>	<b>280,515</b>	<b>2.7</b>	<b>3,347,022</b>	<b>3,000,751</b>	<b>11.5</b>
<b>Market Share (%)</b>	<b>50.2</b>	<b>46.2</b>		<b>49.0</b>		<b>45.8</b>	<b>48.1</b>	

## TVS Motors

Volume (units)	Mar-07	Mar-06	% Change	Feb-07	% Change	YTD FY07	YTD FY06	% Change
Motorcycles	73,239	83,896	(12.7)	70,155	4.4	924,813	806,708	14.6
Scoters	20,297	17,410	16.6	19,937	1.6	258,888	245,276	5.5
Mopeds	34,671	27,551	25.8	30,018	15.5	344,513	290,220	18.7
<b>Total</b>	<b>128,207</b>	<b>128,857</b>	<b>(0.5)</b>	<b>120,110</b>	<b>6.7</b>	<b>1,528,214</b>	<b>1,342,204</b>	<b>13.9</b>
<b>Market Share (%)</b>	<b>13.0</b>	<b>14.6</b>		<b>12.6</b>		<b>13.0</b>	<b>13.0</b>	

## Maruti

Volume (units)	Mar-07	Mar-06	% Change	Feb-07	% Change	YTD FY07	YTD FY06	% Change
Domestic sales	64,556	61,141	5.6	59,095	9.2	635,629	527,038	20.6
Export sales	7,216	2,055	251.1	3,904	84.8	39,295	34,781	13.0
<b>Total sales</b>	<b>71,772</b>	<b>63,196</b>	<b>13.6</b>	<b>62,999</b>	<b>13.9</b>	<b>674,924</b>	<b>561,819</b>	<b>20.1</b>
M800	6,141	10,937	(43.9)	5,955	3.1	79,245	89,223	(11.2)
Omni/ Versa	8,661	8,390	3.2	8,069	7.3	83,091	66,366	25.2
Alto/Wagon R/ Zen/Swift	47,068	37,279	26.3	42,913	9.7	440,375	335,136	31.4
Baleno/ Esteem	2,414	3,735	(35.4)	1,798	34.3	29,697	31,939	(7.0)
<b>Total Cars</b>	<b>64,284</b>	<b>60,341</b>	<b>6.5</b>	<b>58,735</b>	<b>9.4</b>	<b>632,408</b>	<b>522,664</b>	<b>21.0</b>
MUV-Gypsy/Vitara	272	800	(66.0)	360	(24.4)	3,221	4,374	(26.4)
<b>Total Domestic sales</b>	<b>64,556</b>	<b>61,141</b>	<b>5.6</b>	<b>59,095</b>	<b>9.2</b>	<b>635,629</b>	<b>527,038</b>	<b>20.6</b>
Exports	7,216	2,055	251.1	3,904	84.8	39,295	34,781	13.0
<b>Total Sales</b>	<b>71,772</b>	<b>63,196</b>	<b>13.6</b>	<b>62,999</b>	<b>13.9</b>	<b>674,924</b>	<b>561,819</b>	<b>20.1</b>

## Mahindra &amp; Mahindra

Volume (units)	Mar-07	Mar-06	% Change	Feb-07	% Change	YTD FY07	YTD FY06	% Change
<b>Utility vehicles</b>	<b>15,210</b>	<b>12,299</b>	<b>23.7</b>	<b>9,486</b>	<b>60.3</b>	<b>127,856</b>	<b>114,694</b>	<b>11.5</b>
Scorpio	4,769	2,949	61.7	2,382	100.2	38,015	31,661	20.1
UVs w/o Scorpio	10,441	9,350	11.7	7,104	47.0	89,841	83,033	8.2
LCVs	1,011	593	70.5	739	36.8	8,652	6,777	27.7
3 Wheelers	3,648	2,686	35.8	3,041	20.0	33,700	22,419	50.3
<b>Total Automotive (Domestic)</b>	<b>19,869</b>	<b>15,578</b>	<b>27.5</b>	<b>13,266</b>	<b>49.8</b>	<b>170,208</b>	<b>143,890</b>	<b>18.3</b>
Exports	754	816	(7.6)	480	57.1	8,021	5,534	44.9
<b>Total Automotive (D+E)</b>	<b>20,623</b>	<b>16,394</b>	<b>25.8</b>	<b>13,746</b>	<b>50.0</b>	<b>178,229</b>	<b>149,424</b>	<b>19.3</b>
<b>Tractors</b>								
Tractors (Domestic)	7,053	6,320	11.6	6,450	9.3	95,004	78,048	21.7
Exports	752	1,006	(25.2)	553	36.0	7,525	6,980	7.8
<b>Total Tractors</b>	<b>7,805</b>	<b>7,326</b>	<b>6.5</b>	<b>7,003</b>	<b>11.5</b>	<b>102,529</b>	<b>85,028</b>	<b>20.6</b>
<b>Grand Total</b>	<b>28,428</b>	<b>23,720</b>	<b>19.8</b>	<b>20,749</b>	<b>37.0</b>	<b>280,758</b>	<b>234,452</b>	<b>19.8</b>

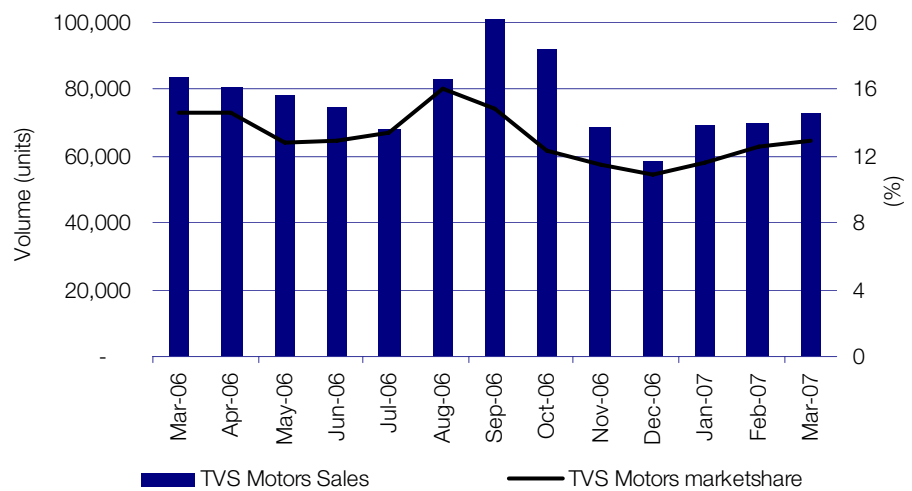
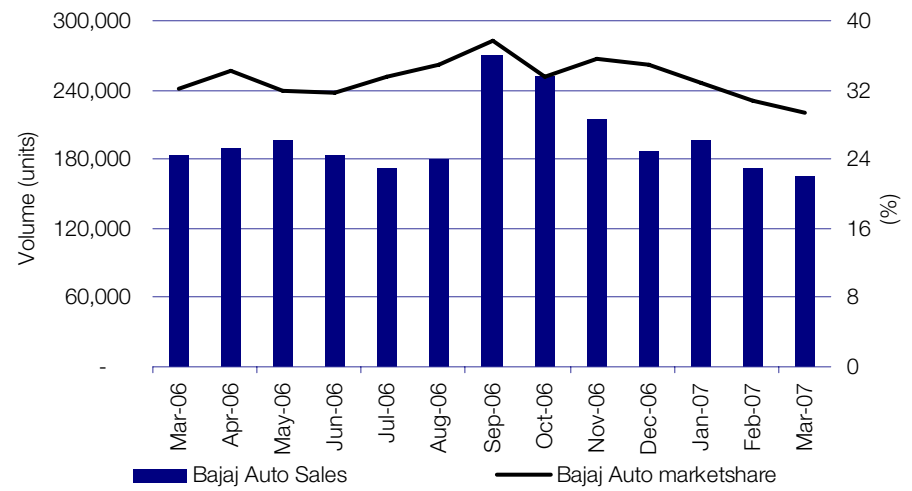
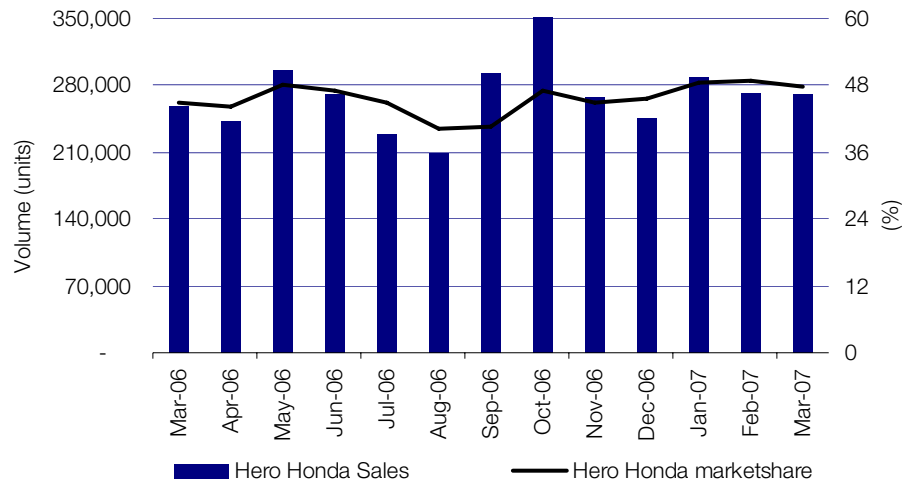
## Tata Motors

Volume (units)	Mar-07	Mar-06	% Change	Feb-07	% Change	YTD FY07	YTD FY06	% Change
<b>Domestic</b>								
M&HCV	17,673	16,312	8.3	16,306	8.4	173,381	128,714	34.7
LCV	13,047	10,977	18.9	11,553	12.9	125,792	86,236	45.9
UV	6,109	4,954	23.3	5,306	15.1	47,893	37,905	26.4
Cars	19,651	17,655	11.3	16,016	22.7	179,000	150,951	18.6
<b>Sub total</b>	<b>56,480</b>	<b>49,898</b>	<b>13.2</b>	<b>49,181</b>	<b>14.8</b>	<b>526,066</b>	<b>403,806</b>	<b>30.3</b>
<b>Export</b>								
M&HCV	1,410	1,036	36.1	1,393	1.2	12,024	8,249	45.8
LCV	2,948	2,915	1.1	1,289	128.7	23,466	21,848	7.4
UVs	118	367	(67.8)	58	103.4	1,414	1,881	(24.8)
Cars	1,823	2,190	(16.8)	1,786	2.1	16,408	18,561	(11.6)
<b>Sub total</b>	<b>6,299</b>	<b>6,508</b>	<b>(3.2)</b>	<b>4,526</b>	<b>39.2</b>	<b>53,312</b>	<b>50,539</b>	<b>5.5</b>
<b>Total</b>	<b>62,779</b>	<b>56,406</b>	<b>11.3</b>	<b>53,707</b>	<b>16.9</b>	<b>579,378</b>	<b>454,345</b>	<b>27.5</b>

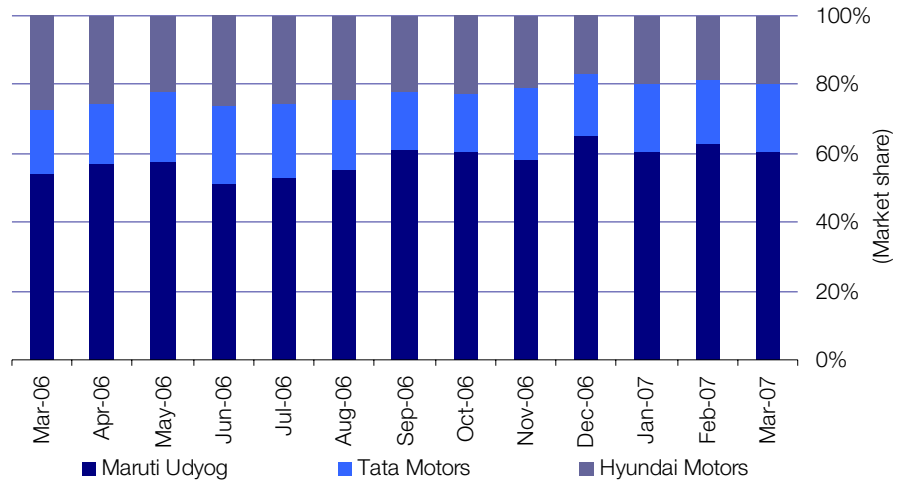
## Ashok Leyland

Volume (units)	Mar-07	Mar-06	% Change	Feb-07	% Change	YTD FY07	YTD FY06	% Change
<b>Domestic</b>								
M&HCV	7,936	8,008	(0.9)	7,336	8.2	76,787	56,023	37.1
Goods	6,550	6,689	(2.1)	6,041	8.4	65,068	42,613	52.7
Passenger	1,386	1,319	5.1	1,295	7.0	11,719	13,410	(12.6)
LCV	-	79	(100.0)	17	(100.0)	289	753	(61.6)
<b>Sub total</b>	<b>7,936</b>	<b>8,087</b>	<b>(1.9)</b>	<b>7,353</b>	<b>7.9</b>	<b>77,076</b>	<b>56,776</b>	<b>35.8</b>
<b>Exports</b>								
M&HCV	508	490	3.7	682	(25.5)	6,011	4,835	24.3
Goods	223	216	3.2	306	(27.1)	2,233	2,580	(13.4)
Passenger	285	274	4.0	376	(24.2)	3,778	2,255	67.5
LCV	-	-	NA	1	NA	14	44	(68.2)
<b>Sub total</b>	<b>508</b>	<b>490</b>	<b>3.7</b>	<b>683</b>	<b>(25.6)</b>	<b>6,025</b>	<b>4,879</b>	<b>23.5</b>
<b>Total</b>	<b>8,444</b>	<b>8,577</b>	<b>(1.6)</b>	<b>8,036</b>	<b>5.1</b>	<b>83,101</b>	<b>61,655</b>	<b>34.8</b>

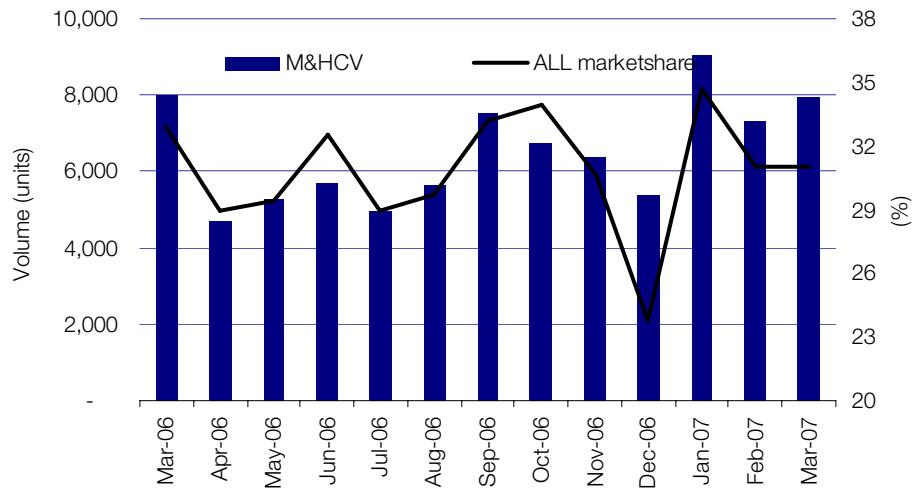
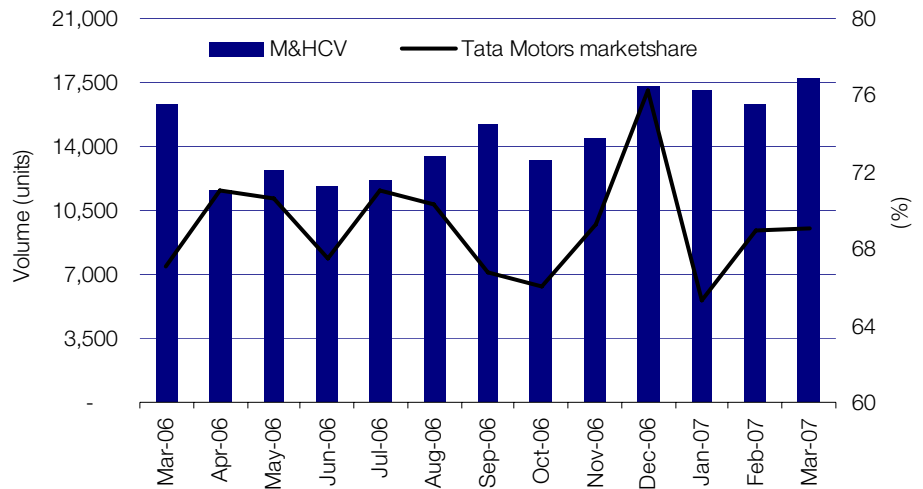
### Monthly sales and market share (motorcycles)



### Passenger car—Monthly market share (compact car segment)



### Monthly sales and market share (M&HCV Segment)



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Gautam Roy - 2286 4305	Airlines, Textile	Rajesh Makharia - 2286 4202
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Revathi Myneni - 2286 4413	Cement	Monil Bhala - 2286 4363
Sumeet Budhraj - 2286 4430	FMCG	Ashish Agrawal - 2286 4301
Harish Sharma - 2286 4307	Infrastructure, Auto Components, Mid Caps	Nikhil Garg - 2286 4282
Priyanko Panja - 2286 4300	Infrastructure, Engineering, Telecom	Swati Khemani - 2286 4266
Hitesh Zaveri - 2286 4424	Information Technology	Neha Shaha - 2286 4276
Parul Inamdar - 2286 4355	Information Technology	Priya Ramchandran - 2286 4389
Priyank Singhal - 2286 4302	Media, Retail	Anubhav Kanodia - 2286 4361
Prakash Kapadia - 4097 9843	Mid Caps	Tushar Mahajan - 2286 4439
Niraj Mansingka - 2286 4304	Oil & Gas, Petrochemicals	Harsh Biyani - 2286 4419
Nimish Mehta - 2286 4295	Pharmaceuticals, Agrochemicals	Nirmal Ajmera - 2286 4258
Manika Preamsingh - 4019 4847	Economist	Ankit Doshi - 2286 4671
Sunil Jain - 2286 4308	Alternative & Quantitative	Dipesh Shah - 2286 4434
Yogesh Radke - 2286 4328	Alternative & Quantitative	

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<b>Buy</b>	Expected to appreciate more than 20% over a 12-month period	<b>Reduce</b>	Expected to depreciate up to 10% over a 12-month period
<b>Accumulate</b>	Expected to appreciate up to 20% over a 12-month period	<b>Sell</b>	Expected to depreciate more than 10% over a 12-month period
<b>Trading Buy</b>	Expected to appreciate more than 10% over a 45-day period	<b>Trading Sell</b>	Expected to depreciate more than 10% over a 45-day period

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