

SECTOR

WATCH

Auto Round-up

Sales Update – September 2007

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Price Performance Matrix

	52-week high/low
Bajaj Auto	Rs3,175/2,063
Hero Honda	Rs809/565
Mahindra & Mahindra	Rs1,002/608
Maruti Udyog	Rs1,005/713
Tata Motors	Rs975/616
TVS Motors	Rs127/53

Summary

Slump in 2-wheeler continues

The 2-wheeler segment continued to languish as manufacturers enter the festive season, when durables sales typically attain new highs. The spike in interest costs has been adversely impacting the domestic demand for automobiles in general and two wheelers in particular. The 2-wheeler industry largely driven by motorcycle segment continued to take a beating in September 2007. However, other segments like scooters / scooterettes, mopeds and electric two wheelers have all registered decent growth.

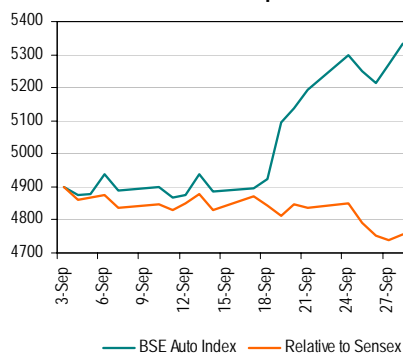
With the festival season approaching, players are busy lining up new launches for the forthcoming month that's likely to boost their sales numbers in the coming months. Hence, the overall short-term outlook remains positive.

Festive cheers for passenger cars

Car manufacturers like Maruti Suzuki India Ltd. (MSIL), Hyundai Motors and Mahindra & Mahindra could beat high interest rates problem even in the month of September and reported increase in their sales ahead of festive season.

The sales in passenger vehicle industry has pepped up largely due to the domestic sales. Efforts by players and dealers by providing offers coupled with forthcoming festive season have bolstered players to hope for further improvement in demand. Also, with rupee hardening further and inflation easing, possibly interest rates have peaked and its time to move away from tight monetary policy. This should further boost domestic demand for automobiles in general and passenger vehicles in particular, as significant policy of the domestic demand are through finance schemes. Also, with slew of new products launches, the players are hopeful of further improvement in demand in the rest of the current fiscal. Thus the short to medium term outlook is positive.

Figure 1: BSE Auto Index vs. Relative to Sensex – Sept. '07



Source: Capitaline; ICRA

Table 1: Financial snapshot

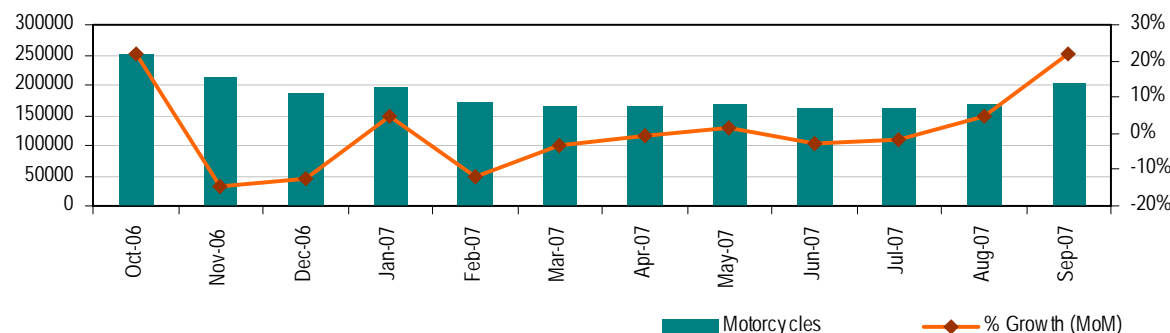
Company	CMP (Rs.) (As on 05 Sept. '07)	Sales (Units)			EPS (Rs.)		PE (x)	
		Sept. '07	Sept. '06	YoY (%)	FY07	FY08E	FY07	FY08E
Bajaj Auto	2,612	232,496	300,141	(23)	125.2	145.0	20.9	18.0
Hero Honda	722	314,567	301,577	4	45.2	48.9	16.0	14.8
M&M (Auto)	752	19,871	15,920	25	37.0	43.0	20.3	17.5
Maruti Suzuki India	1,035	67,448	59,420	14	48.0	53.2	21.6	19.4
Tata Motors	780	48,347	48,963	(1)	43.2	49.7	18.0	15.7
TVS Motors	65	115,091	162,200	(29)	5.0	8.0	13.0	8.1

Source: Company reports; IDBI Capital Market Services

Bajaj Auto Ltd.

- India's second largest 2-wheeler maker, Bajaj Auto Ltd. (BAL) has registered a decline in sales for the month of September 2007.
- The total sales (including exports) reported a sharp fall of 23% YoY to 232,496 units when compared to 300,141 units sold a year back.
- The motorcycle segment sales declined 25% YoY to 204,152 units as against 271,377 units sold in September 2006.

Figure 2: BAL – Motor cycles sales



Source: Company reports; IDBI Capital Market Services

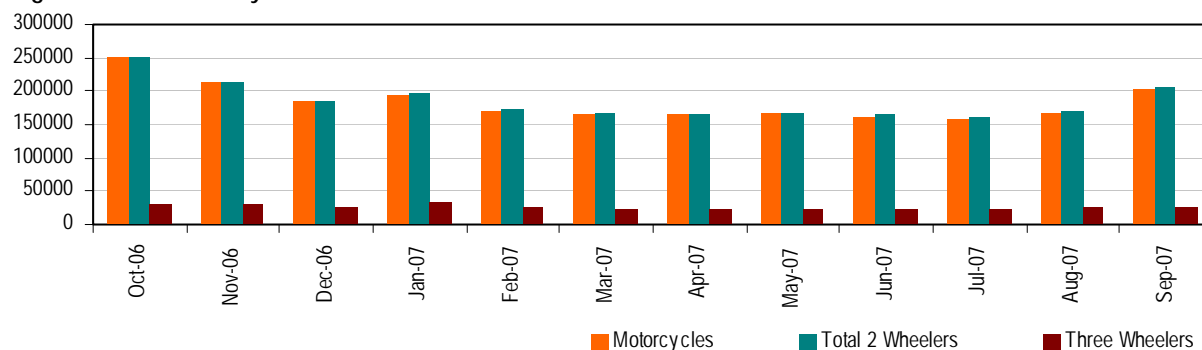
- Significant de-growth of 100cc motorcycles, owing primarily to product fatigue, continued to weigh down the entire industry.
- The recently launched Bajaj *XCD DTS-Si*, met its first month's target with sales of 18,131 units. About 55% of these customers were from competition, whereas about 10% were first time buyers.
- The company expect *XCS DTS-Si* to catalyze the increasing shift away from 100cc motorcycles, and believes that such motorcycles could come to represent less than 50% of the market as early as December 2007. This bodes well for Bajaj, which continues to be the leader in the more profitable 125-250cc segment.
- With production and sales of this motorcycle expected to reach 50,000 units in November 2007 – 2 month ahead of schedule – BAL expects its motorcycle volumes from there onwards to be ahead of the corresponding period last year.
- The 3-wheeler business reported a 6% YoY decline to 26,288 units when compared to 27,870 units sold a year back.
- 3-wheeler sales reflect the general weakness in the commercial vehicle demand.
- On the exports front, the company with 48,048 shipments during the month registered a sharp growth of 30% YoY (37,088 units).

Table 2: BAL – September sales nos.

Bajaj Auto	Sep-07	Sep-06	YoY (%)	YTD FY08	YTD FY07	YoY (%)
Motor Cycles	204,152	271,377	(25)	1,025,558	1,191,249	(14)
Other 2 wheelers	2,056	894	130	13,909	12,412	12
Total 2 Wheelers	206,208	272,271	(24)	1,039,467	1,203,661	(14)
3 Wheelers	26,288	27,870	(6)	146,217	151,558	(4)
Total Sales	232,496	300,141	(23)	1,185,684	1,355,219	(13)
Exports (out of the above)	48,048	37,088	30	308,022	210,110	47

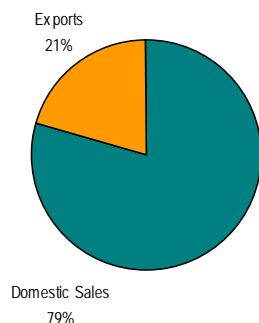
Source: Company reports

Figure 3: BAL – Monthly sales



Source: Company reports; IDBI Capital Market Services

Fig. 4: Sales Composition



Source: Industry; ICMS

Hero Honda Motors Ltd.

- Hero Honda Motors Ltd. (HHML), the world's largest 2-wheeler manufacturer, crossed the 2m sales mark in January-September 2007. The cumulative sales for the period stands at 24,22,239 units
- The motorcycle sales during the month stood at 314,567 units; a 4% YoY growth as against 301,577 units sold a year back.
- The higher than expected volumes growth during the month is mainly on account of impressive performance of the recent launches - refreshed *Pleasure*, *Splendor NXG* and new *Passion Plus*.
- Going forward, we expect the ensuing festive season would aid further volumes growth for the company.

Table 3: HHML – September sales nos.

HHML	Sep-07	Sep-06	YoY(%)
Total Sales	314,567	301,577	4

Source: Company reports

Mahindra & Mahindra Ltd.

Automotive segment

- Mahindra & Mahindra (M&M) has registered an impressive volume growth across all the segments of the auto business during the month of September 2007.
- The Utility Vehicles segment (including Scorpio) clocked sales of 12,246 units; posting a growth of 12% YoY when compared to 10961 units sold a year back.
- M&M's flagship model *Scorpio* sales reported a 6% YoY growth to 3,519 units (3,333 units).
- The recently launched Mahindra Renault *Logan* continued to drive volumes growth in the passenger vehicles space. However, the sales have declined on MoM basis on account of capacity constraints. The *Logan* sold 2,185 units during the month.
- The 3-wheeler segment locked sales of 3,208 units v/s 3,162 units registered a year back, a growth of 1% YoY.
- The LCV segment grew a strong 25% YoY to 930 units (742 units).
- On the exports front, the company reported a growth of 23% YoY to 1,302 units as against 1,055 units sold a year back.

Farm equipment segment

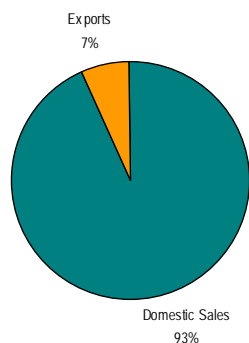
- The total tractor sales (including exports) declined 11% YoY to 8,668 units when compared to 9,729 units sold a year back.
- The domestic tractor sales declined 10% YoY to 8,101 units.
- On the exports front, the company with 567 shipments during the month registered a sharp decline of 22% YoY (729 units).

Table 4: M&M – September sales nos.

M&M	Sep-07	Sep-06	YoY (%)	YTD FY08	YTDFY07	YoY (%)
UV's (including Scorpio)	12,246	10,961	12	66,478	54,665	22
Scorpio	3,519	3,333	6	20,078	17,975	12
Uvs - w/o Scorpio	8,727	7,628	14	46,400	36,690	26
LCV's	930	742	25	5,473	3,920	40
Logan	2,185	-	-	12,494	-	0
Three Wheelers (Champion)	3,208	3,162	1	16,453	15,469	6
Total (Dom.) Vehicles	18,569	14,865	25	100,898	74,054	36
Exports	1,302	1,055	23	5,196	4,090	27
Total Vehicles (Dom + Exp)	19,871	15,920	25	106,094	78,144	36

Source: Company reports

Fig. 5: Sales Composition



Source: Industry; ICMS

Table 5: M&M: September sales nos. – Farm equipment sector

M&M	Sep-07	Sep-06	YoY (%)	YTD FY08	YTDFY07	YoY (%)
Tractor (Domestic)	8,101	9,000	(10)	45,712	46,843	(2)
Exports	567	729	(22)	3,806	4,080	(7)
Total Tractor (Dom + Exp)	8,668	9,729	(11)	49,518	50,923	(3)

Source: Company reports

Maruti Suzuki India Ltd.

- India's largest passenger carmaker Maruti Suzuki India Ltd. has reported impressive sales growth for the month of September 2007.
- The total sales (including exports) for the month grew a strong 14% YoY to 67,448 units as against 59,420 units sold a year back.
- The A1 segment (Maruti 800) sales fell sharply during the month. The company sold 5,221 units reporting a decline of 32% YoY.
- The A2 segment (Alto / Wagon R / Swift / Zen Estilo) grew a strong 22% YoY to 46,216 units.
- The recently launched Swift Diesel has been driving the volumes growth in the A2 segment.
- The C segment (Omni / Versa) sales declined 13% YoY to 6,350 units (7,289 units).
- The A3 segment (Esteem / SX4) sales grew a strong 43% YoY to 4,885 units when compared to 3,410 units sold a year back. The recently launched SX4 has surprised with higher than expected volumes.
- The MUV segment (Gypsy / Grand Vitara) sales grew a strong 52% YoY to 414 units on back of impressive performance of the new Grand Vitara.
- On the exports front, the company with 4,362 shipments during the month registered a robust growth of 55% YoY (2,814 units).

Table 6: MUL – September sales nos.

MUL	Sep-07	Sep-06	YoY (%)
Passenger Cars	62,672	56,334	11
MUV's	414	272	52
Total Domestic Sales	63,086	56,606	11
Exports	4,362	2,814	55
Total Sales	67,448	59,420	14

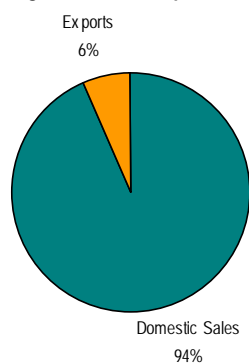
Source: Company reports

Table 7: MUL – September sales nos.

Segments	Sep-07	Sep-06	Change %
A1	5,221	7,680	(32)
C	6,350	7,289	(13)
A2	46,216	37,955	22
A3	4,885	3,410	43
Total PV	62,672	56,334	11
MUV	414	272	52
Domestic	63,086	56,606	11
Export	4,362	2,814	55
Total Sales	67,448	59,420	14

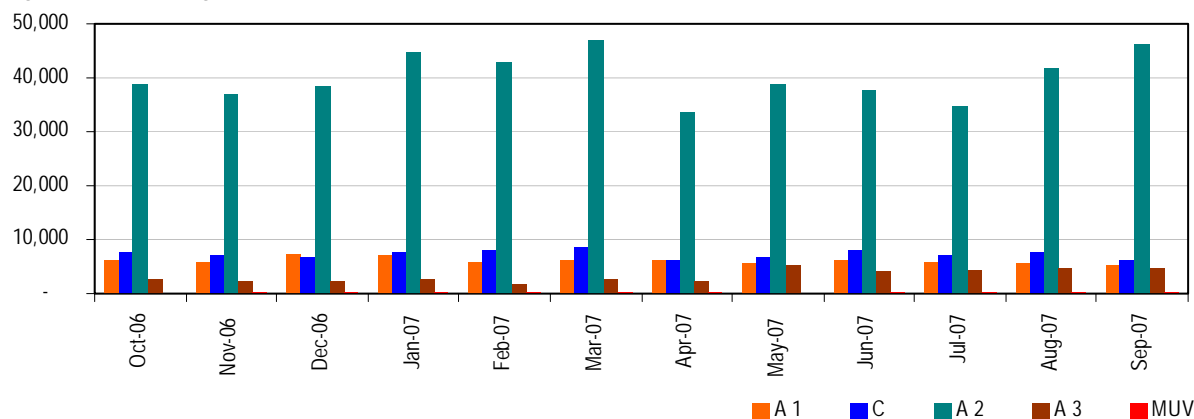
Source: Company reports

Fig. 7: Sales Composition



Source: Industry; ICMS

Figure 6: MUL – Segmentwise sales



A1 - Maruti 800; A2 - Alto/Wagon R/Zen/Swift; A3 - Baleno/Esteem; C - Omni/Versa; MUV - Gypsy/Vitara

Source: Company reports

Tata Motors Ltd.

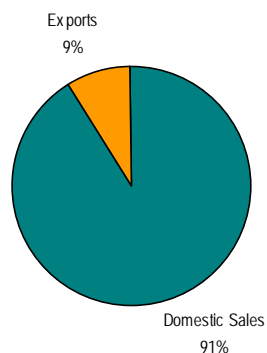
- Tata Motors reported a total sale of 48,347 vehicles (including exports) for the month of September 2007, nearly flat compared to 48,963 vehicles sold in September last year.
- Cumulative sales for the company at 262,950 units was also flat.
- The passenger vehicles business achieved total sales of 17,006 vehicles in the domestic market in September 2007, a decline of 9% YoY over September 2006,
- The *Indica* reported sales of 11,376 units; a growth of 6% YoY.
- The *Indigo* family registered sales of 2,328 units; a decline of 35% YoY.
- The *Sumo* and *Safari* accounted for sales of 3302 units; a decline of 24% YoY.
- The company's sales of commercial vehicles in September 2007 in the domestic market were 27,036 units, flat compared to 26,627 units sold a year back.
- M&HCV sales during the month stood at 14,129 units; a decline of 7% YoY, while the LCV sales were 12,907 units, a growth of 13% YoY.
- On the exports front, the company with 4,305 shipments during the month registered a growth of 16% YoY when compared to 3,727 units sold a year back.

Table 8: Tata Motors – September sales nos.

Tata Motors	Sep-07	Sep-06	YoY (%)	YTD FY08	YTD FY07	YoY (%)
Cars	13,704	14,262	(4)	82,780	84,371	(2)
UV's	3,302	4,347	(24)	19,697	19,923	(1)
M & HCV	14,129	15,193	(7)	68,776	77,394	(11)
LCV	12,907	11,434	13	64,095	56,978	12
CV	27,036	26,627	2	132,871	134,372	(1)
Total Domestic Sales	44,042	45,236	(3)	235,348	238,666	(1)
Exports	4,305	3,727	16	27,602	26,709	3
Total	48,347	48,963	(1)	262,950	265,375	(1)

Source: Company reports

Fig. 8: Sales Composition



Source: Industry; ICMS

TVS Motor Co. Ltd.

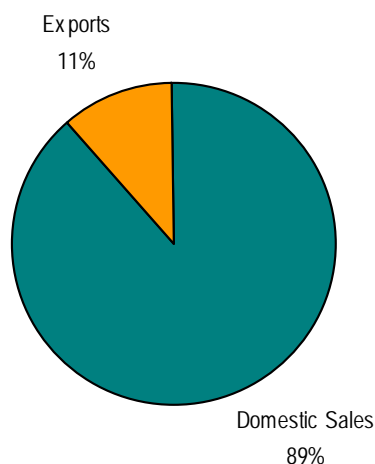
- TVS Motor Co., India's third largest motorcycle maker has reported a decline in sales for September 2007.
- The total 2-wheeler sales reported a negative growth of 29% YoY to 115,091 units when compared to 162,200 units sold in the corresponding month of the previous year.
- The motorcycle segment performance during the month was hugely disappointing with the sales declining a sharp 50% YoY to 53,991 units when compared to 106,972 units sold a year back.
- TVS *Scooty* sales grew 9% YoY to 27,199 units as against 24,890 units sold in the previous year.
- The company has recently rolled out seven vehicles, including three variants of its new three-wheeler, marking its foray into the segment. The products are expected to be launched in a phased manner between October and November this year
- Alongside the petrol, CNG and LPG versions of the new three-wheeler, the company rolled out a new 125cc bike Flame, a 110cc variant of the Star City, and electric variant of Scooty Teenz and Apache RTR 160 FI in the performance bikes category with electronic fuel injection.
- The company's portfolio is skewed towards the retail finance dependant entry level and is practically absent from the executive segment, which accounts for over 40% of the motorcycles sales. The new product launches are expected to fill this gap and help the company to leverage the entire product portfolio going forward.

Table 9: TVS – September sales nos.

TVS	Sep-07	Sep-06	YoY (%)
Motor Cycles	53,991	106,972	(50)
TVS Scooty	27,199	24,890	9
Exports	13,036	10,339	26
Total Sales	115,091	162,200	(29)

Source: Company reports

Fig. 9: Sales Composition



Source: Industry: ICMS

News Snippets

GM to make close to a Million Engines

General Motors is putting in place an aggressive engine manufacturing plan for its small car in India. This could see nearly a million engines (both petrol and diesel) being produced in a new facility.

The small car in question, tipped to be based on the Chevrolet Beat, is the successor to the Chevrolet Spark, which made its debut in India recently.

Skoda to launch Fabia in January 2008 for Rs.5-6 lakh.

Skoda India will finally launch its much awaited hatchback, *Fabia*, in January next year. The *Fabia* will be Skoda's first mass volume model in the Indian market. Skoda Auto, maker of premium cars like *Octavia*, *Laura* and *Superb*, all of which sell in the Rs.11 to Rs.23 lac price band, is a niche player in India.

Hyundai India unveils Getz Diesel

Hyundai Motor India Ltd., India's second largest car manufacturer and largest passenger car exporter, launched the much-awaited diesel variant of the *Getz Prime* recently. HML in April 2007 had launched the new *Getz Prime* in 2-engine variants. The economical 1.1 litre and the more powerful 1.3 litre petrol engines. The *Getz Prime* Diesel is the new addition to the line-up.

Suzuki to launch 150cc Bike in February 2008

2-wheeler maker Suzuki Motorcycles India plans to launch a new 150cc motorbike variant in February next year.

The new model would be an indigenous product, but certain parts of it would be imported from Japan.

Electric bike makers to set up own plants

With battery operated two wheelers beginning to find favour with consumers and even competing with petrol scooterettes in Tier-II and Tier-III cities, manufacturers of these electric vehicles, also called e-bikes, are now planning to make the vehicles more localized by establishing or acquiring battery manufacturing plants and sourcing parts from India itself.

Taking the lead is Ahmedabad-based Electrotherm, the first e-bike manufacturer in the country to have acquired the Automotive Research Association of India (ARAI)'s approval to manufacture an electric two-wheeler in the

750 watts category. The company has just acquired a battery manufacturing firm in China which has a capacity to manufacture 8,000 units of batteries per month, which would cater to close to one lakh vehicles to be rolled from its manufacturing plant at Kutch in Gujarat.

Honda plans Powertrain facility in Rajasthan

Honda Siel Cars India (HSCI) is planning to set up a powertrain facility in India.

The second largest Japanese car manufacturer (in sales) in India after Suzuki, may accommodate the new facility inside its manufacturing plant in Rajasthan, which would be operational by the first quarter of 2009 to produce 200,000 units annually, the Japanese company has allotted 600 acres for this plant.

Piaggio to roll out Ape Truk Plus

Piaggio Vehicles Private (PVPL), the local unit of the Italian auto firm, will add another product to its basket next year. The company is betting on Ape Truk, which it launched in the beginning of this year.

The new Ape Truk will take on Tata's *Ace* and Mahindra's *Champion*, market leaders in the category, and will cater to the upper-end of the sub-1 tonne category. This will strengthen their presence in the fast growing LCV segment.

Honda launches New City variant

Facing stiff competition in the mid-size car segment, Japanese car maker Honda Siel Cars India has recently launched a new variant of its flagship sedan *Honda City Zx* at a starting price of Rs.6.80 lakh with new features.

The new variant was launched to commemorate 10-years of its presence in India.

Fiat ready with Tata Tech support on Jaguar

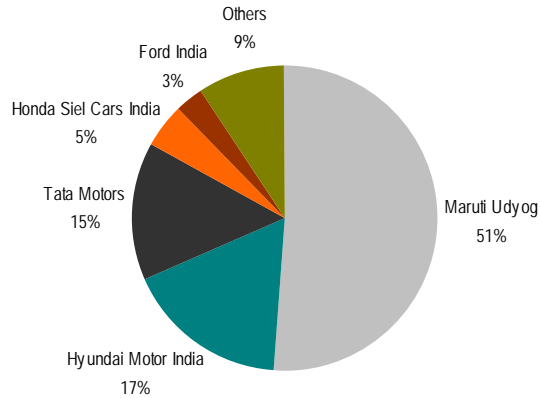
Italian carmaker Fiat is ready to lend technical support to Indian partner Tata in an eventual bid for Land Rover and Jaguar, the premium brands which Ford Motor is putting up for sale.

Tata, a major partner for Fiat in India where they both make cars and engines, would be one of several potential bidders for the two brands.

Market Share Analysis (April '07 – August '07)

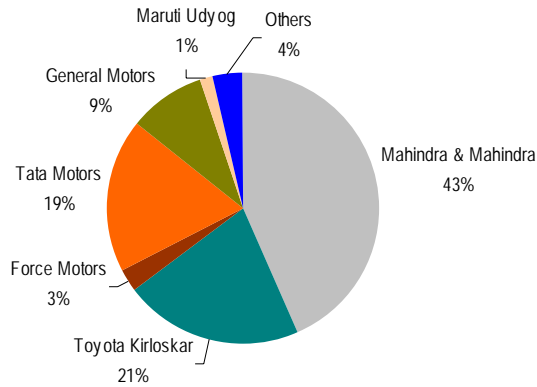
Passenger Vehicles

Figure 10: Passenger Cars



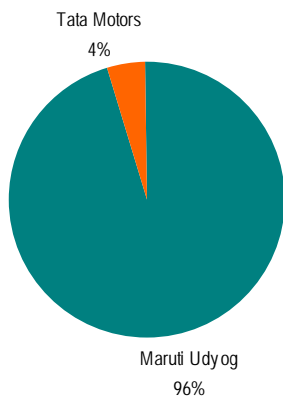
Source: SIAM; IDBI Capital Market Services

Figure 11: Utility Vehicles



Source: SIAM; IDBI Capital Market Services

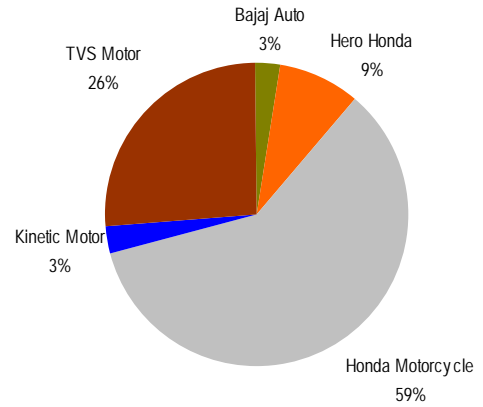
Figure 12: Multi Purpose Vehicles



Source: SIAM; IDBI Capital Market Services

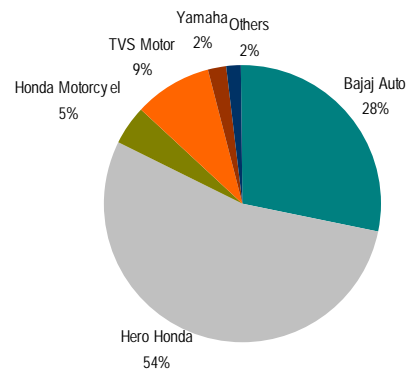
2-wheelers

Figure 13: Scooters



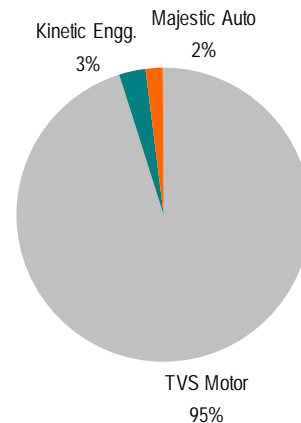
Source: SIAM; IDBI Capital Market Services

Figure 14: Motorcycles/Step Throughs



Source: SIAM; IDBI Capital Market Services

Figure 15: Mopeds

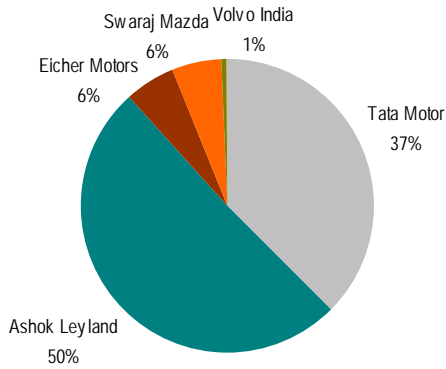


Source: SIAM; IDBI Capital Market Services

Market Share Analysis (April '07 – August '07)

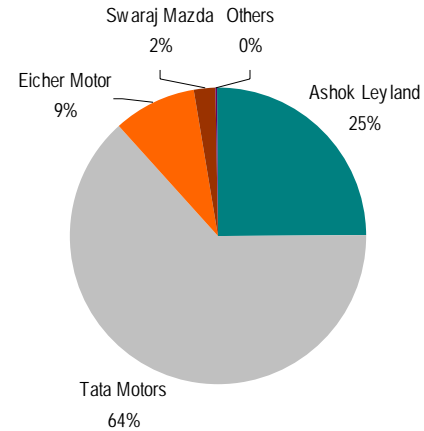
M&HCVs

Figure 16: Passenger Carrier



Source: SIAM; IDBI Capital Market Services

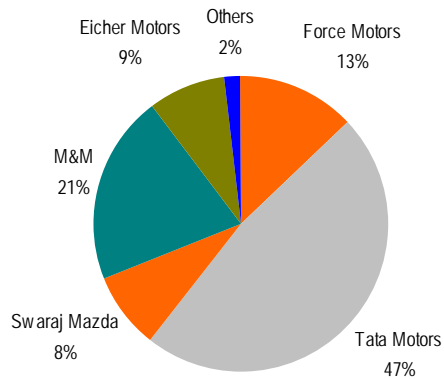
Figure 17: Goods Carrier



Source: SIAM; IDBI Capital Market Services

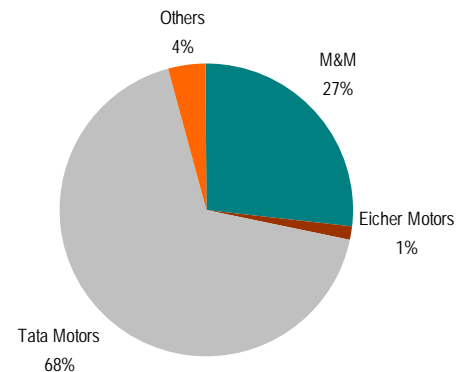
LCVs

Figure 18: Passenger Carrier



Source: SIAM; IDBI Capital Market Services

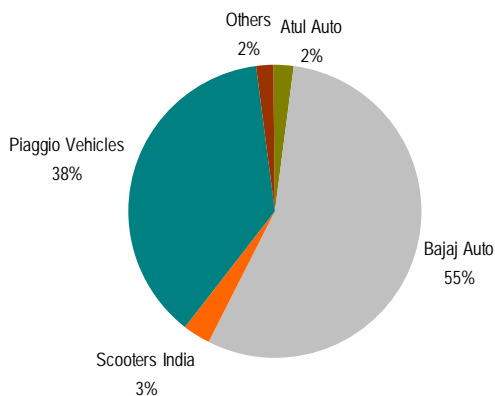
Figure 19: Goods Carrier



Source: SIAM; IDBI Capital Market Services

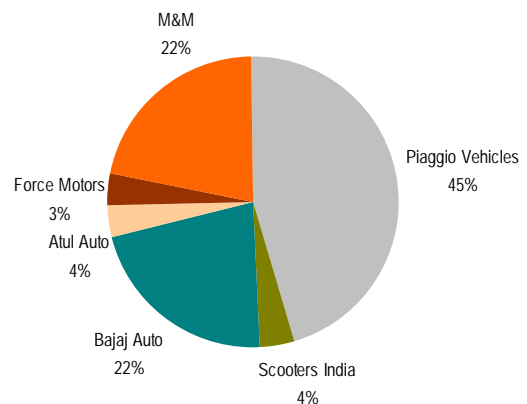
3-wheelers

Figure 20: Passenger Carrier



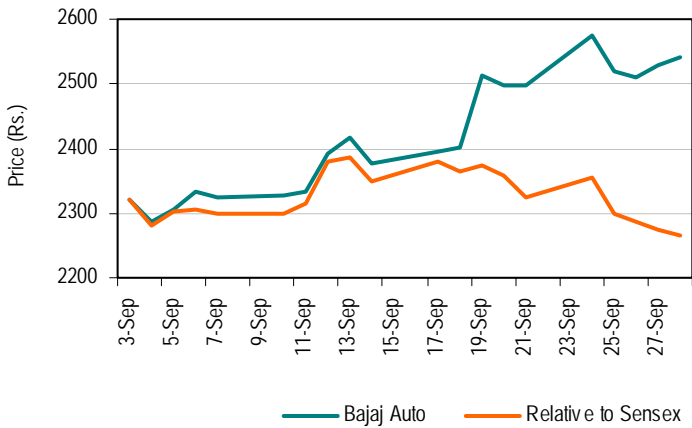
Source: SIAM; IDBI Capital Market Services

Figure 21: Goods Carrier



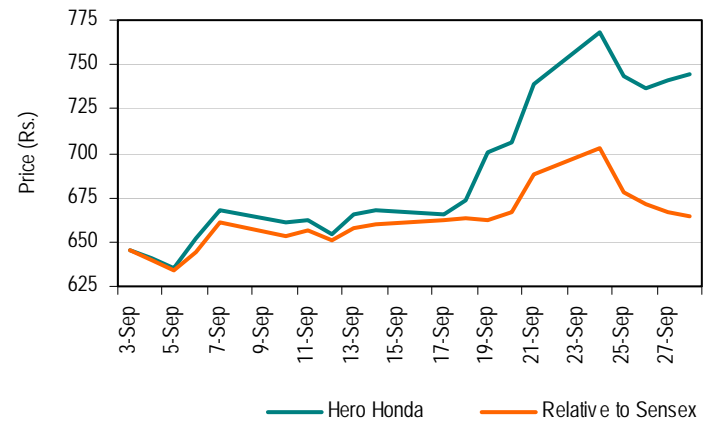
Source: SIAM; IDBI Capital Market Services

Figure 22: Bajaj Auto vs. Relative to Sensex



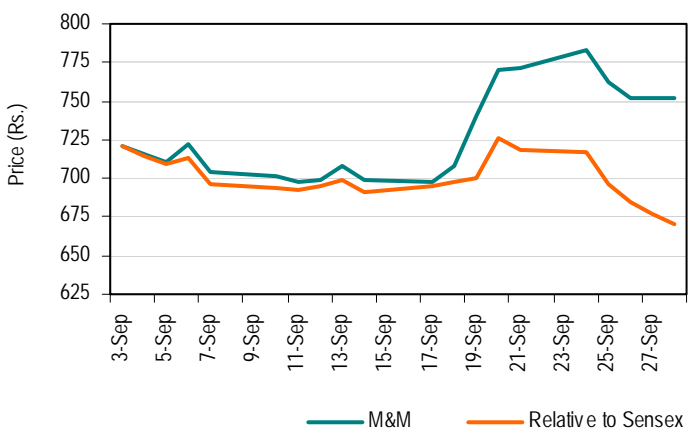
Source: Capitaline

Figure 23: Hero Honda vs. Relative to Sensex



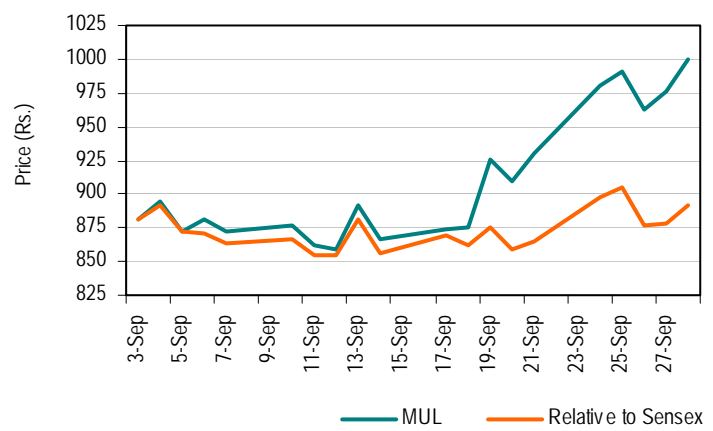
Source: Capitaline

Figure 24: Mahindra & Mahindra vs. Relative to Sensex



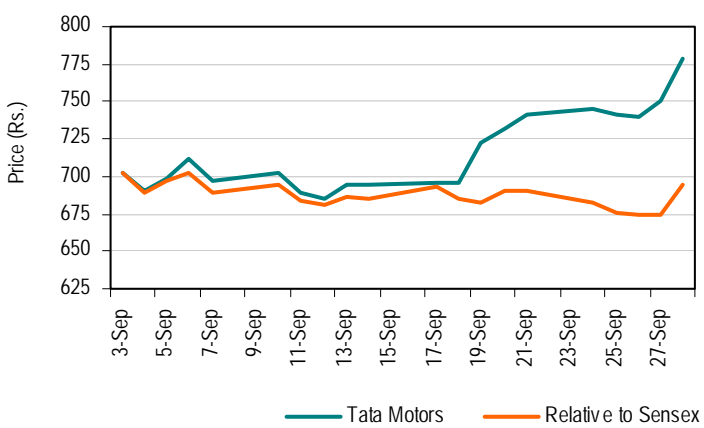
Source: Capitaline

Figure 25: Maruti Suzuki India vs. Relative to Sensex



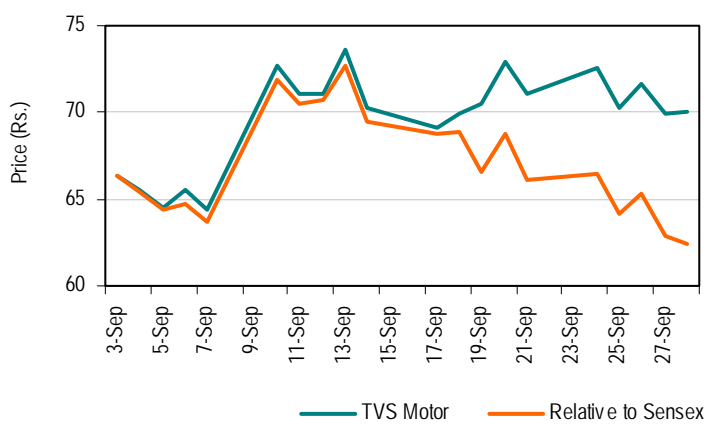
Source: Capitaline

Figure 26: Tata Motors vs. Relative to Sensex



Source: Capitaline

Figure 27: TVS Motor vs. Relative to Sensex



Source: Capitaline

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