April 2, 2008

Auto Sector Update

March 2008

Changing trends….

The Four-wheeler growth story witnessed a halt in the first quarter of 2008 while the Two-wheelers continued their subdued performance during the period. Passenger cars also failed to impress clocking low volumes. Passenger vehicle major, Maruti Suzuki, clocked lower sales growth in March 2008 due to the high base effect. In March 2008, Maruti reported 2.1% yoy decline in volume. Overall, prospective buyers had deferred their purchases on Budget expectations of favourable changes in the Excise Duty structure. Besides, new launch of *i10* from Hyundai seems to have wrested marketshare in the dominant A2 segment, where Maruti is a leader.

The Two-wheeler Segment continued to bleed on the back of the rise in interest rates, stricter financing norms and financier's reluctance to extend credit to Two-wheelers. Going ahead, the reduction in Excise Duty to perk up volumes in the Car as well as the Two-wheeler Segments. However, near term volume growth of the sector would have to be tracked closely over the next couple of quarters due to the high inflation and interest rates uncertainties.

Tata Motors: The company reported 5.9% yoy growth in Sales for March 2008 to 66,495 vehicles (including exports). The company sold 40,706 commercial vehicles (CVs) in March 2008, a growth of 16% over 35,078 vehicles sold in March 2007. M&HCV sales stood at 22,276 units compared to 19,083 units sold in March 2007 and registered a yoy growth of 16.7 and mom growth of 22.2%. LCV sales stood at 18,430 units, a good yoy growth of 15.2%. The company's Passenger Vehicles segment achieved total sales of 25,789 units in March 2008, a yoy decline of 6.9%. The *Indica* sold 13,042 units, a decline of 14.7% over March 2007. The *Indigo* family registered sales of 5,135 vehicles, a yoy increase of 18% and its highest ever monthly sales. Utility Vehicles sales at 6,560 units registered a growth of 7.4%.

Tata Motors announced price reductions in the range of Rs8,500-15,300 on the *Indica* and *Indigo CS* after the Budget. This is expected to help it arrest its declining sales growth in Passenger Vehicle segment. Moreover, CV sales which have been increasing in the past two months, is an indication of the revival of the industry.

Maruti Suzuki: Maruti Suzuki posted 2.1% yoy decline in total volumes to 70,296 vehicles in March 2008. Exports were down by more than 18.6% to 5,875 vehicles. On the domestic front, Maruti reported flat yoy growth to 64,421 vehicles on the back of 11% decline in volume in the A2 segment while on the other hand company registered sharp 212% growth in the A3 segment. This was on account of sustained demand for *SX4* and new launch in the segment during the month – *Dezire*. Its closest competitor in the domestic market, Hyundai Motor, also reported a strong 52% yoy growth in March 2008 on the back of its new launce *i10* in the dominant A2 segment. GM and Honda Siel reported 50% and 4.8% yoy growth respectively, in March 2008.

For FY2008, Maruti recorded growth of 13.3% mainly led by the continued success of its recent new launches viz., *Zen Estilo, Swift* and *SX4*. Meanwhile, reduction of Excise duty on the small cars is likely to be a big positive for Maruti as around 80% of its volumes come from cars on which Excise Duty has been reduced. However, rising input costs could

Exhibit 1: Tata Motors

Segment	March					
	2008	2007	%chg	FY2008	FY2007	%chg
Tata Motors	**66,495**	**62,779**	***5.9***	**582,428**	**579,137**	***0.6***
M&HCV	22,276	19,083	*16.7*	179,427	184,948	*(3.0)*
LCV	18,430	15,995	*15.2*	173,308	149,255	*16.1*
Total Commercial Vehicles	**40,706**	**35,078**	***16.0***	**352,735**	**334,203**	***5.5***
Utility Vehicles	6,617	6,227	*6.3*	50,425	49,526	*1.8*
Cars	19,172	21,474	*(10.7)*	179,268	195,408	*(8.3)*
Total Passenger Vehicles	**25,789**	**27,701**	***(6.9)***	**229,693**	**244,934**	***(6.2)***
Exports (Inc Above)	**5,765**	**4,526**	***27.4***	**54,272**	**53,302**	***1.8***

Source: Company; Angel Research

Exhibit 2: Maruti Suzuki

Segment/Model	March					
	2008	2007	%chg	FY2008	FY2007	%chg
Maruti Udyog	**70,296**	**71,772**	***(2.1)***	**7,64,846**	**6,74,924**	***13.3***
A1 M800	6,353	6,141	*3.5*	69,543	79,245	*(12.2)*
C Omni, Versa	8,041	8,661	*(7.2)*	89,737	83,091	*8.0*
A2 Alto, Wagon R, Zen, Swift	41,869	47,068	*(11.0)*	4,99,280	4,40,375	*13.4*
A3 SX4, Esteem, Dezire	7,536	2,414	*212.2*	49,335	29,697	*66.1*
Total Passenger Cars	**63,799**	**64,284**	***(0.8)***	**7,07,895**	**6,32,408**	***11.9***
MUV Gypsy, Vitara	622	272	*128.7*	3,927	3,221	*21.9*
Domestic	**64,421**	**64,556**	***(0.2)***	**7,11,822**	**6,35,629**	***12.0***
Exports	**5,875**	**7,216**	***(18.6)***	**53,024**	**39,295**	***34.9***

Source: Company; Angel Research

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exert pressure on the company's Margins and the company may have to pass on the pressure to customers by way of price hike.

Mahindra & Mahindra (M&M): The company reported an overall yoy volume growth of 16.4% to 33,085 units for March 2008 on the back of 106% growth in export volumes. M&M recorded an almost flat 1% yoy growth in Utility Vehicles (UVs) whereas LCVs registered yoy growth of 7.9% in volumes for the month. M&M posted 17% yoy decline in *Scorpio* sales whereas the *ex-Scorpio* UV range posted 9% yoy growth in March 2008. *Logan* sales grew 11.5% mom tapping on the benefit of discounts offered in the last two months. M&M's three-wheeler sales however, posted a 1.2% yoy decline to 3,603 units. The Tractor segment posted growth of 7.7% to 8,403 tractors mainly on account of exports sales showing a growth of 84.4% yoy where as domestic tractor sales reported a decline of 0.5% yoy in March 2008. The Tractor industry is currently facing a slow down on account of the high interest rates and lack of availability of easy finance.

Bajaj Auto (BAL): The company continued its negative performance reporting a 8.5% yoy decline in March 2008 to 1,76,101 Total Sales on the back of a 6.8% yoy decline in Motorcycle volumes to 1,54,297 and 15.5% decline in Three-wheeler volumes to 20,765. On a mom basis, the company clocked a 4.3% drop in volumes. Scooter sales stood at 1,039 units as against 2,462 units last year in March 2008. BAL announced price cuts on all its models by around Rs3,000 per vehicle post the Excise Duty cut announced in the Budget. However, this failed to lend a boost to the company's volumes in March 2008.

Hero Honda (HHML): For March 2008, HHML sold 3,20,594 two-wheelers clocking a yoy growth of 15.4%. The numbers are better in view of the current slowdown in the Two-wheeler industry, which has continued due to the prevailing interest rate situation. HHML managed this performance on the back of its recent new products launches such as the refurbished *Pleasure*, *Splendor NXG* and new *Passion Plus,* which have been doing well. The recently launched *Hunk* has met with encouraging response and will help HHML consolidate and garner marketshare gains in the Premium segment.

TVS Motor (TVS): The company continued its lacklustre performance registering an 8.7% yoy decline in volumes in March 2008 to 1,17,045 vehicles due to a 16.8% yoy decline in Motorcycle sales to 60,908. TVS has been the worst hit by the slowdown in the Two-wheeler industry as compared to Hero Honda and Bajaj Auto. The company attributed non-availability of the recently launched 125cc *Flame* to the company's sluggish Motorcycle sales volume. TVS was restrained from manufacturing its 125cc *Flame* based on the controlled combustion variable timing intelligent engine technology after Bajaj Auto filed a patent infringement case against it. The company however, resumed to sell the *Flame* with a new engine from March 2008 which resulted in 30.8% mom growth in its motorcycle sales. TVS also has plans to launch a number of new models in the coming months to perk up demand for its motorcycles. As for Exports, the company exported 13,070 units as against 8,508 a year ago.

Exhibit 3: Mahindra & Mahindra

Segment/Model	March 2008	March 2007	%chg	FY2008	FY2007	%chg
Mahindra & Mahindra	**33,085**	**28,428**	***16.4***	**330,744**	**280,758**	***17.8***
Utility Vehicles	15,366	15,210	*1.0*	148,759	127,856	*16.3*
Exports	1,554	754	*106.1*	12,359	8,021	*54.1*
LCV	1,091	1011	*7.9*	10,402	8,652	*20.2*
Logan	3,068	-		25,901	-	
Three wheelers	3,603	3,648	*(1.2)*	33,927	33,700	*0.7*
Total Automotive Sales	**24,682**	**20,623**	***19.7***	**231,348**	**178,229**	***29.8***
Domestic Tractor Sales	7,016	7,053	*(0.5)*	90,723	95,004	*(4.5)*
Exports Tractor Sales	1,387	752	*84.4*	8,673	7,525	*15.3*
Total Tractor Sales	**8,403**	**7,805**	***7.7***	**99,396**	**102,529**	***(3.1)***

Source: Company; Angel Research

Exhibit 4: Bajaj Auto, Hero Honda and TVS Motor

Company/ Segment	March 2008	March 2007	%chg	FY2008	FY2007	%chg
Bajaj Auto	**1,76,101**	**1,92,562**	***(8.5)***	**24,50,758**	**27,17,795**	***(9.8)***
Motorcycles	1,54,297	1,65,524	*(6.8)*	21,39,156	23,76,519	*(10.0)*
Scooters	1,039	2,462	*(57.8)*	21,293	19,480	*9.3*
Total 2 Wheelers	**1,55,336**	**1,67,986**	***(7.5)***	**21,60,449**	**23,95,999**	***(9.8)***
Three Wheelers	20,765	24,576	*(15.5)*	2,90,309	3,21,796	*(9.8)*
Hero Honda	**3,20,594**	**2,77,915**	***15.4***	**33,37,142**	**33,36,534**	***0.0***
TVS Motor	**1,17,045**	**1,28,207**	***(8.7)***	**12,88,668**	**14,00,396**	***(8.0)***
Motorcycles	60,908	73,239	*(16.8)*	6,17,801	8,51,884	*(27.5)*
Scooters and Mopeds	56,137	54,968	*2.1*	6,70,867	5,48,512	*22.3*

Source: Company; Angel Research

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