



## Auto earnings preview

*Ashok Leyland, Bajaj Auto and Maruti Udyog to be among the leaders for this quarter*

Q1FY2007 has been a strong quarter for the automobile sector. Bajaj Auto's motorcycle sales grew by 34.5%, Maruti's car sales grew by 19% and Tata Motors' commercial vehicle sales grew by 64% (on a low base of Q1FY2006 due to the implementation of the new emission norms).

The volume growth in the quarter should lead to margin expansion, thereby mitigating the impact of the rising costs to some extent. Most of the vehicle companies are planning to raise the prices by 2-3% from Q2FY2007 onwards to offset the impact of the cost increases.

We expect Ashok Leyland, Bajaj Auto and Maruti Udyog to be among the leaders in the sector for this quarter.

### Quarterly estimates

(Rs crore)	Net sales			Profit after tax		
	Q1 FY07E	Q1 FY06	% yoy chg	Q1 FY07E	Q1 FY06	% yoy chg
Bajaj Auto	2135.4	1634.2	30.7	314.5	209.0	50.5
TVS Motor	903.1	735.1	22.9	29.0	24.9	16.7
Maruti Udyog	3116.4	2612.9	19.3	315.7	226.5	39.4
M&M	2200.3	1811.9	21.4	157.7	131.5#	20.0
Tata Motors	5725.1	3878.1	47.6	327.8	272.7	20.2
Ashok Leyland	1450.7	1063.2	36.4	77.6	36.7*	112.0
Omax Auto	162.0	144.0	12.5	5.9	5.4	9.5
Sundaram Clayton	172.6	143.8	20.0	20.8	17.1	21.7
Subros	140.0	132.3	5.8	5.5	4.6	20.2

#-excluding deferred tax write back for previous year.

\*-excluding extra-ordinary income.

### Bajaj Auto

The company has reported a strong growth in its sales for Q1FY2007. The motorcycle sales were up 34.5% and the three-wheeler sales have reported a strong growth of 32.9%. During the quarter, a new 100cc bike *Platina* was launched, which was well received by the market. The sales for the quarter are projected to grow by 30.7%, the earnings before interest, tax, depreciation and amortisation (EBITDA) margins are likely to increase by 370 basis points and the profit after tax (PAT) is projected to grow by 50%.

### Sales performance

Volumes	Q1FY2007E	Q1FY2006	% yoy chg
Motorcycles	568,187	422,543	34.5
Geared scooters	4,557	20,018	-77.2
Ungeared scooters	3,475	8,258	-57.9
Step thrus	-	870	
<b>Total two-wheelers</b>	<b>576,219</b>	<b>451,689</b>	<b>27.6</b>
Three-wheelers	70,875	53,311	32.9
<b>Total sales</b>	<b>647,094</b>	<b>505,000</b>	<b>28.1</b>

### TVS Motors

TVS Motors has started the year on a spirited note with an overall volume growth of 22.4% in Q1FY2007 with the motorcycles growth pegged at 32.4%. During the quarter, the company launched feature-packed new versions of *TVS StaR City* and *Victor GLX* with alloy wheels. *Apache*, the premium segment bike has become a hit, with the company ramping up its production to make it available in more towns in the coming months. The company's exports reached the highest ever level with volumes of 25,772 vehicles.

### Sales performance

Volumes	Q1FY2007E	Q1FY2006	% yoy chg
Motorcycles	233,816	176,580	32.4
Scooters	63,592	62,562	1.6
Mopeds	78,866	68,283	15.5
<b>Total</b>	<b>376,274</b>	<b>307,425</b>	<b>22.4</b>

### Mahindra & Mahindra (M&M)

The year started for M&M with strong *Scorpio* sales post the launch of its new version. However, the utility vehicle (UV) sales slowed down during the quarter. On the other hand the three-wheeler segment performed extremely well recording a volume growth of 75.3%, due to the successful launch of 0.5 tonne *Champion Alfa*. The tractor sales remained buoyant with a sales growth of 29%.

**Sales performance**

Volumes	Q1FY2007E	Q1FY2006	% yoy chg
Utility vehicles	25,216	24,845	1.5
Scorpio	8,093	6,906	17.2
UVs w/o Scorpio	17,123	17,939	-4.5
LCVs	1,930	1,808	6.7
Three-wheelers	6,582	3,754	75.3
<b>Total automotive</b>	<b>33,728</b>	<b>30,407</b>	<b>10.9</b>
Exports	1,693	1,080	56.8
Tractors	27366	21200	29.0
<b>Total</b>	<b>61,894</b>	<b>52,190</b>	<b>18.6</b>

**Maruti Udyog**

Maruti Udyog delivered a strong performance, riding on the benefits accrued after the cut in the excise duty in the Union Budget. Consequently, the A1 segment comprising of *Maruti 800* marked a growth of 4.6% in the quarter as compared to the consistent decline it was facing last year. The A2 segment continued on its high growth path marking a growth of 25.3% year on year (yoy).

**Sales performance**

Volumes	Q1FY2007E	Q1FY2006	% yoy chg
M-800	20300	19413	4.6
Omni, Versa	16809	14765	13.8
Alto, Zen, Wagon-R, Swift	91450	73013	25.3
Baleno, Esteem	7571	6758	12.0
<b>Total passenger cars</b>	<b>136130</b>	<b>113949</b>	<b>19.5</b>
MUV	974	1024	-4.9
Domestic	137104	114973	19.2
Export	7844	6893	13.8
<b>Total sales</b>	<b>144948</b>	<b>121866</b>	<b>18.9</b>

**Tata Motors**

Tata Motors delivered a stellar performance in Q1 with an overall growth of 44%. The light commercial vehicle (LCV) segment continued on its high growth path recording a growth of 86.4% as *Ace* continued to do well. In the car segment, *Indica* sales received a boost post the launch of its aggressively priced version in the petrol segment *Indica Xeta*. The commercial vehicle (CV) segment witnessed a growth albeit on a low base of Q1FY2006, as the sales were low due to the change in the emission norms.

**Sales performance**

Volumes	Q1FY2007E	Q1FY2006	% yoy chg
M&HCV	36,607	22,999	59.2
LCV	26,535	14,237	86.4
Total CV	63,142	37,236	69.6
Utility vehicles	8,417	7,343	14.6
Cars	41,489	33,847	22.6
Total domestic	113,048	78,426	44.1
Exports	13,106	9,073	44.5
<b>Total</b>	<b>126,154</b>	<b>87,499</b>	<b>44.2</b>

**Ashok Leyland**

Ashok Leyland marked a strong growth of 28.1% in Q1FY2007. The goods carrier segment, contributing about 87% of the total sales, led the growth with a 40% increase. The passenger carrier segment sales declined by 16% to 2,184 units. We expect Ashok Leyland to post a strong sales growth of 37% and the net profits are projected to grow by 112% to Rs 77.6 cr (excluding for one-time other income in Q1FY2006).

**Sales performance**

Volumes	Q1FY2007E	Q1FY2006	% yoy chg
Passenger	2,184	2,608	-16.0
MDV goods	14,785	10,595	40.0
LCV goods	98	117	-16.0
<b>Total vehicle sales</b>	<b>17,067</b>	<b>13,320</b>	<b>28.0</b>

**Omax Auto**

The commencement of the new plant and the growth in the exports business should trigger a 12.5% revenue growth for Omax Auto in Q1FY2007. With the rising raw material cost we expect that the margins would continue to be under pressure and therefore expect the net profits to rise by 9.5%.

**Sundaram Clayton**

We expect the results for Q1 to be quite strong in both the brakes and the die cast divisions on the back of the strong performance of the commercial vehicle segment. We expect the sales for the quarter to rise by 15% in Q1.

**Subros**

We expect the results for Q1 to be strong on the back of good growth in the passenger vehicle segment. The sales are projected to grow by 5.8%. The EBITDA margins are expected to expand to 11.9% from 9.4% in the corresponding quarter last year. The PAT is projected to rise by 20% to Rs5.5 crore.

**Valuation table: Sharekhan Auto universe**

Company	CMP (Rs)	EPS		PER		EV/EBIDTA	
		FY07E	FY08E	FY07E	FY08E	FY07E	FY08E
Bajaj Auto	2741	138.0	162.8	19.9	16.8	13.4	11.1
TVS Motor	95	8.2	13.8	11.6	6.9	6.2	3.5
Maruti Udyog	776	50.2	61.7	15.5	12.6	10.3	7.5
M&M	598	30.6	34.6	19.6	17.3	11.5	10.1
Tata Motors	767	47.0	54.6	16.3	14.0	9.9	8.6
Ashok Leyland	38	3.1	3.8	12.4	10.1	7.0	5.6
Omax Auto	71.7	14.9	20.8	4.8	3.4	3.8	2.9
Sundaram Clayton	870	54.5	74.7	16.0	11.6	13.5	9.5
Subros	196	24.1	35.9	8.1	5.5	3.6	2.7

The author doesn't hold any investment in any of the companies mentioned in the article.

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