

Auto Sales Number Update - March, 2010

Growing against the odds

Industry

The start of the March saw a hike in interest rates by ICICI, HDFC, KOTAK to the tune of 25-50 bps. Ceat n Birla tyres increased tyre prices while other tyre makers announced a probable hike in prices by 3-5% due to increase in natural rubber prices and growing demand. And the Auto industry had concerned about the fuel availability once the new emission norm are applied. Amidst all these concerns, auto sector has reported strong sales volumes in March 2010. The strong demand across urban, rural and industrial segments remains the key driver for the growth.

Two Wheeler Segment: The demand in the two wheeler segment remains robust. With the two largest two wheeler manufacturing players, Hero Honda & Bajaj Auto, reporting a growth of 9% & 4% respectively, the sales volumes in the two wheeler segment continue to go towards north. While the strong demand from the rural segment drives the figures for Hero Honda, it's the urban demand for premium bikes that pushes up the numbers for Bajaj Auto. Both the players are gearing up to meet this growing demand by ramping up their respective capacities.

Four Wheeler Segment: The fourth quarter of the financial year 2010 has been historic for the Indian auto sector. While in the first two month the passenger segment reported robust growth, the month of march has brought in sweet surprises for CV manufacturers. The sales numbers have grown even after the subsequent price hike by all auto OEMs highlighting the strong demand in the economy. The competition in the passenger car segment, specially A2 & A3 segment gets fierce with the launch of Ford Figo, which should affect Maruti the most in short run. Although in long run as the market pie expands, Maruti is well poised to perform well on the back of its strong reach and network.

Company	Mar-10	Mar-09	y-o-y	Feb-10	M-o-M	YTD FY10	YTD FY09	Y-o-Y
Ashok Leyland	10067	5099	97%	7869	28%	63928	54431	17%
Bajaj Auto	274233	154093	78%	268678	2%	2852667	2194108	30%
Hero Honda	414638	353342	17%	382096	9%	4600130	3720601	24%
Maruti Suzuki	95123	85669	11%	96650	-2%	1018365	792167	29%
Tata Motors	75151	54076	39%	69427	8%	642685	498147	29%

Source: SIAM, Company, KRC Research

View :

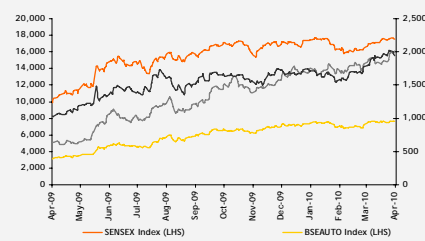
Although the long term fundamental for the auto sector remain strong, there are some serious concerns in the short run. The growing commodity prices, increase in petroleum products prices due to new emission norms, increase in interest rates and increasing competition are a few factors which are likely to shape the direction of the auto sector going forward. With the increase in industrial activity, the CV segment is expected to perform better and drive the growth.

Market Info: 05ndMarch 2010

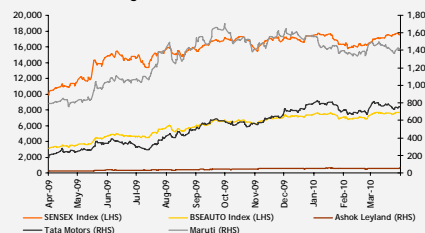
SENSEX	17,935
NIFTY	5,368

Relative Performance

Two Wheeler Segment



Four Wheeler Segment



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Two Wheeler Segment

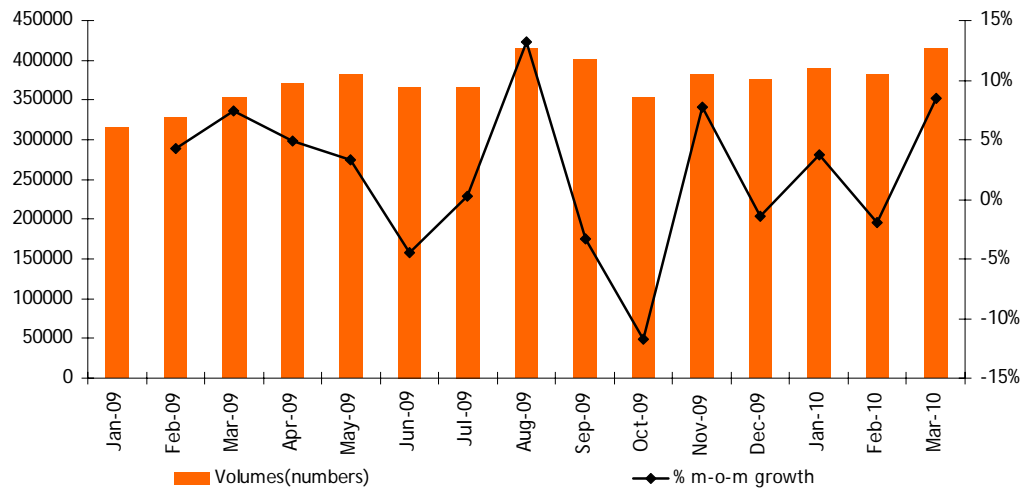
Hero Honda

Analysis

- Hero Honda continued its growth momentum in March and posted a growth of 9% m-o-m, notably on a high base. The total volume number for the months stood at 414638 units.
- On a cumulative basis, Hero Honda posted 24% growth y-o-y for FY10, which can be attributed to strong recovery in the domestic economy, favorable government policies, ease of financing and low base in FY09.
- On the back of the strong volume growth and positive demand outlook going forward, the company has planned to set up its 4th plant in Karnataka with an annual capacity of 1L units and a total investment of Rs 2000 Cr.

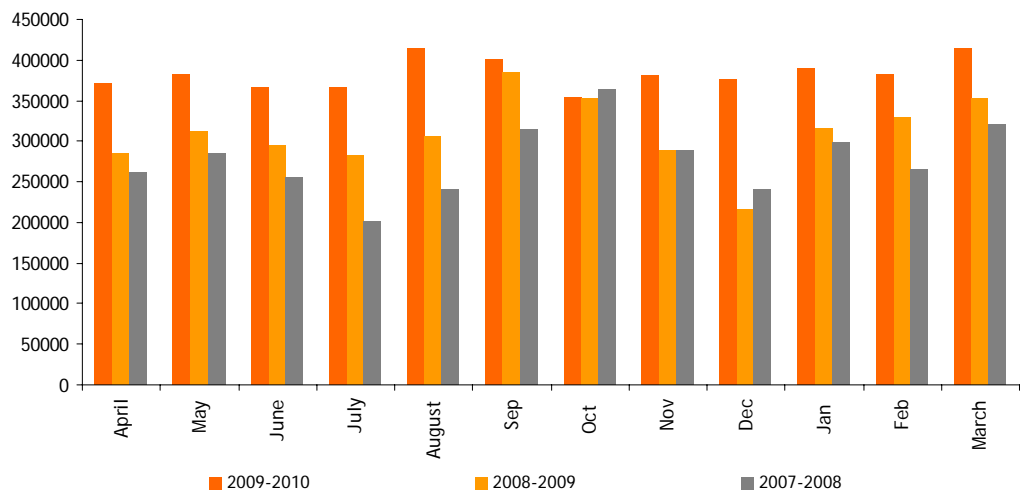
Segment	Mar-10	Mar-09	y-o-y	Feb-10	M-o-M	YTD FY10	YTD FY09	Y-o-Y
Total	414638	353342	17%	382096	9%	4600130	3720601	24%

Volume Trend



Hero Honda's sales are up 9% m-o-m to 4,14,638 units compared to 4% growth in BAJAJ Auto.

Seasonality Trend (Numbers)



Seasonally, HH has performed much better in comparison with previous years

Source: SIAM, Company, KRC Research

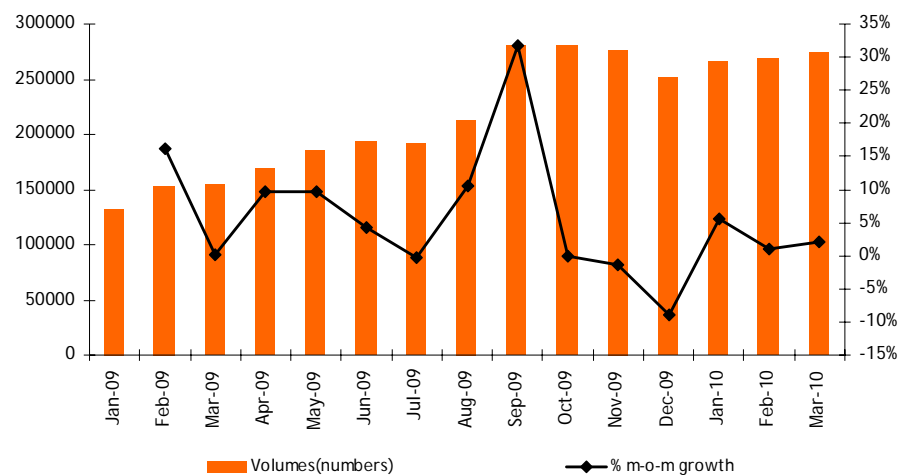
Bajaj Auto

Analysis

- Bajaj Auto reported its highest ever motor cycle sales number at 2,44,828 units up 31% y-o-y from 1,32,210 units in March'09 and 4% m-o-m from 2,34,623 units in Feb'10. The momentum in the sales of the two central Brands "Discover" & "Pulsar" continues with the demand for both brands being more than the production.
- The Three Wheeler segment grew by 37% y-o-y & but de-grew 14% m-o-m to 29,344 units. The consolidated figures for three wheeler segment for FY10 stand at 3,40,936 units up 24% from 2,7,526 units in FY09.
- On exports front, BAL has witnessed a sharp downfall of 16% m-o-m, while the same has been compensated by the 4% growth in the domestic numbers and the company has posted an overall increase of 2%, as against Feb'10 .
- Overwhelmed by the strong growth in FY10 and with a strong outlook for future demand, the company has an ambitious target for selling 4 Mn units in FY11 up 40% from the current years volumes of 2.85 Mn. The company is also ramping up its capacity at Chakan plant to achieve the same target.
- After launching two new products in premium band of motorcycles, Bajaj Auto has once again switched its focus onto the highly lucrative entry-level motorcycle market with the new Platina 125 motorcycle. The price-tag of Rs. 36,000 makes the new Platina the cheapest motorcycle in the country with an electric start as a standard fitment.

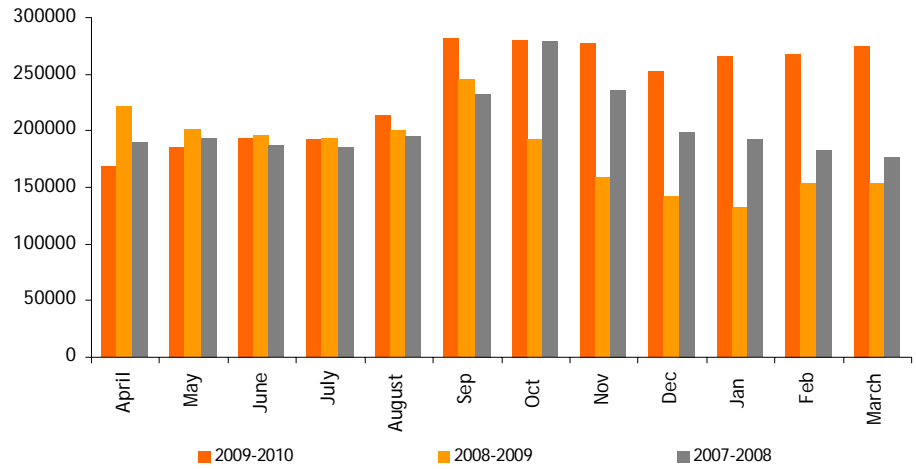
Segment	Mar-10	Mar-09	y-o-y	Feb-10	M-o-M	YTD FY10	YTD FY09	Y-o-Y
Motor Cycles	244,828	132210	85%	234,623	4%	2,507,045	1907810	31%
Other 2 wheelers	61	430	-86%	87	-30%	4,686	11772	-60%
Total 2 Wheelers	244,889	132640	85%	234,710	4%	2,511,731	1919582	31%
3 Wheelers	29,344	21453	37%	33,968	-14%	340,936	274526	24%
Total 2&3 Wheelers	274,233	154093	78%	268,678	2%	2,852,667	2194108	30%
Exports out of the above	65,134	46874	39%	77,642	-16%	891,098	772519	15%

Volume Trend

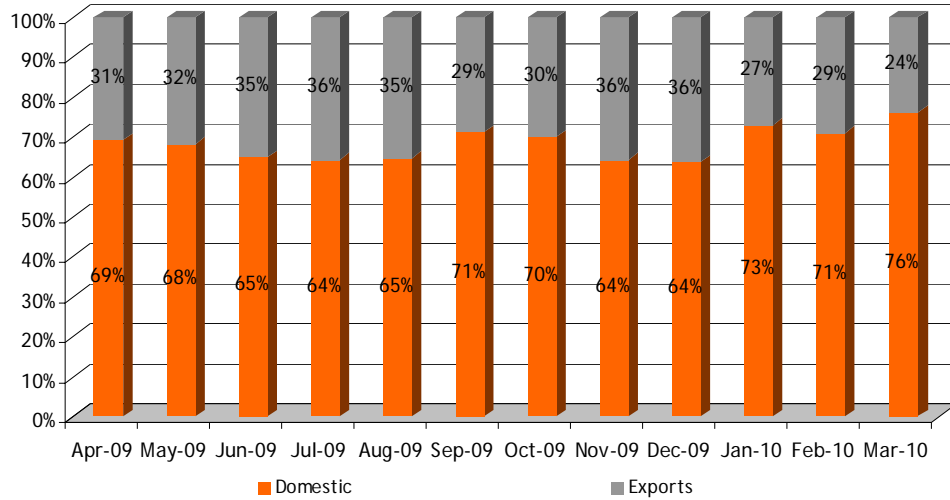


On m-o-m basis, Bajaj Auto sales were up 4% to 266,018 units on a high base.

Seasonality Trend (Numbers)



Export Trend



Exports account for 24% of the total sales

Source: SIAM, Company, KRC Research

Four Wheeler Segment

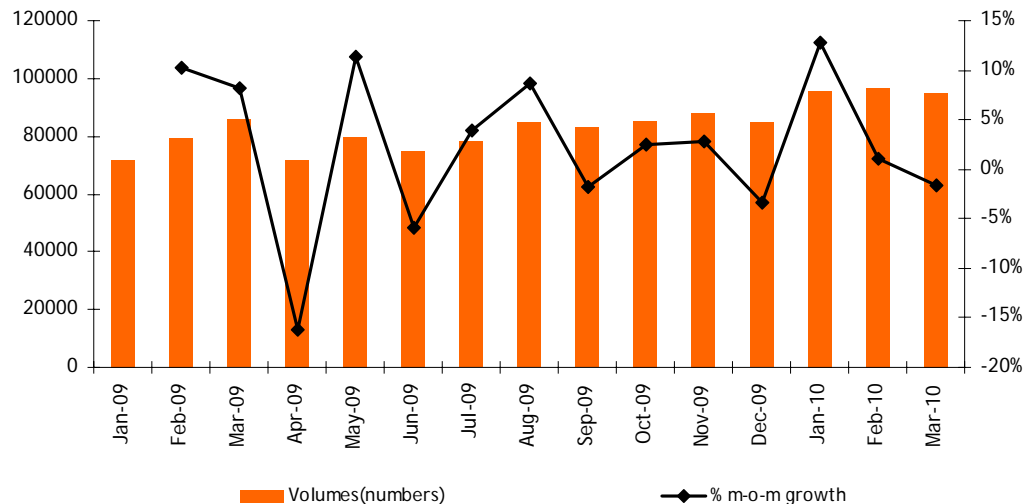
Maruti Suzuki

Analysis

- Maruti Suzuki, having reached '1 Million' milestone in this fiscal, has reported a moderate growth of 11% y-o-y with total units sold at 95,123 as against 85,669 units in March'09.
- The A2 segment which drives the major volumes for the company is down 1% y-o-y and 9% m-o-m due to increase in competition. A total of 5 models are competing in A2 & A3 segment with the entry of global auto majors in small car segment. While the loss of market share in the urban segment is evident, Maruti's reach in the rural markets shall drive the incremental growth, compensating for the loss of market share in urban markets.
- The sales in the C segment has an upside of 81% y-o-y and 2% m-o-m at 10,875 with the growing demand for newly launched Eeco.
- The exports numbers for March have seen a significant growth of 31% m-o-m and 32% y-o-y. On a cumulative basis Maruti has reported a growth of 111% y-o-y in its exports, the growth momentum in exports is likely to be continued with company focusing on Non-European markets.
- Maruti also announced a price hike in the month of March owing to the new emission norms and increasing commodity prices. This hike is not likely to hit the volumes much as the prices are being increased by OEMs across the board. Although Maruti increased prices of only a select models due to increasing competition.

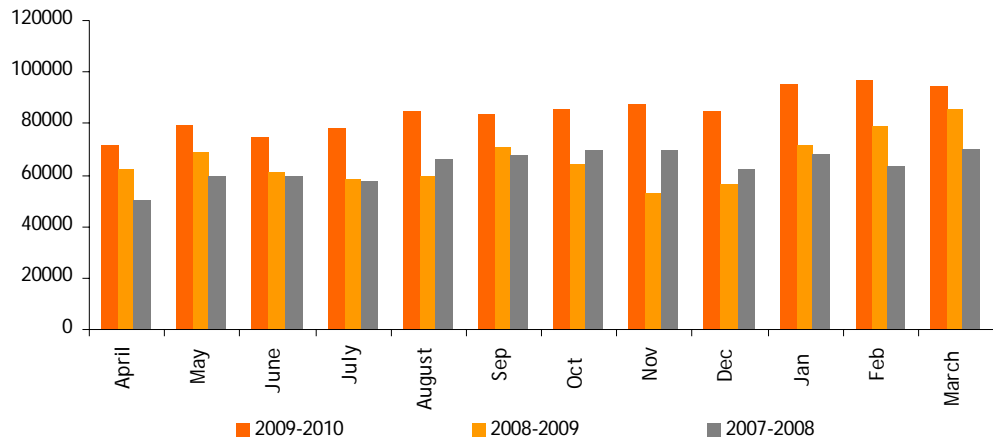
Segment	Mar-10	Mar-09	y-o-y	Feb-10	M-o-M	YTD FY10	YTD FY09	Y-o-Y
A1: Maruti 800	2762	2430	14%	3178	-13%	33028	49383	-33%
C: Omni, Eeco	10875	6021	81%	10668	2%	101325	77948	30%
A2: Alto, WagonR, Zen, Swift, A Star	54763	55415	-1%	60380	-9%	633190	511396	24%
A3: SX4, Swift Dzire	10453	8595	22%	10254	2%	99315	75868	31%
Total Passenger Cars	78853	72461	9%	84480	-7%	866858	714595	21%
MUV: Gypsy, Vitara	677	1394	-51%	285	138%	3932	7489	-47%
Total Domestic	79530	73855	8%	84765	-6%	870790	722144	21%
Exports	15593	11814	32%	11885	31%	147575	70023	111%
TOTAL	95123	85669	11%	96650	-2%	1018365	792167	29%

Volume Trend

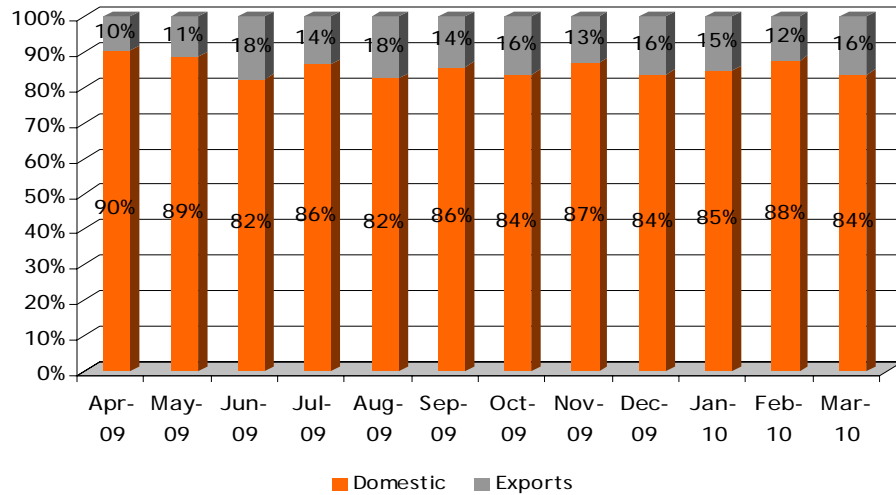


On m-o-m basis, Maruti Suzuki sales are down by 2% to 95,123 units.

Seasonality Trend (Numbers)



Export Trend



Exports account for 16% of the total sales as against 12% in the last month.

Source: Company, KRC Research

Commercial Vehicle Segment

Tata Motors

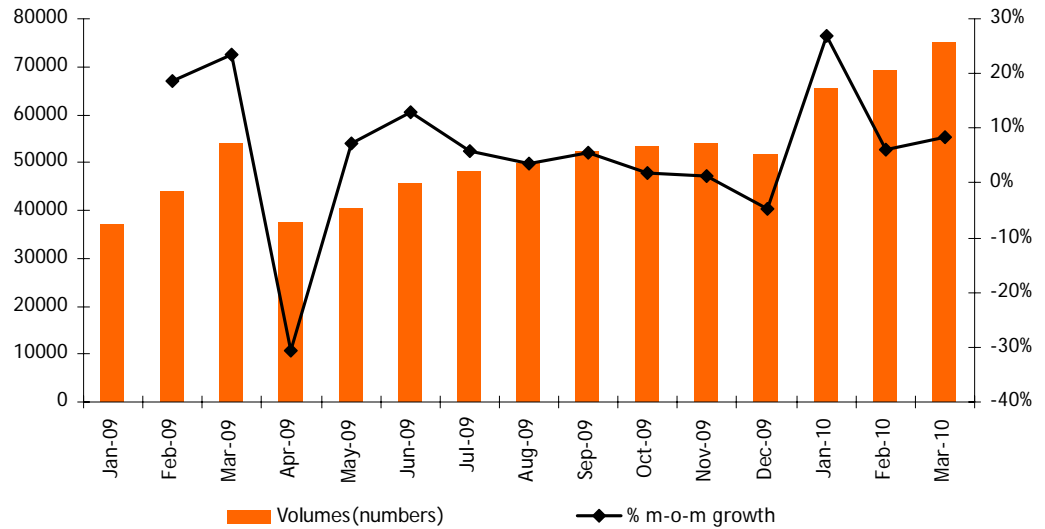
Analysis

- Tata motors has reported a strong growth of 20% m-o-m & 69% y-o-y in the M&HCV segment, this is despite the increase in excise duty and postponement of emission norms. It clearly shows the strong recovery in the domestic CV market which is likely to grow with further improvement in economic outlook.
- The passenger car segment achieved a moderate growth of 4% m-o-m driven primarily by the increasing volumes of Indigo Manza.
- Owing to the shortage in the components supply the UV sales declined by 23% Y-o-y and 3% m-o-m and stood at 3896 units for the month of March.
- The company reduced debt on its balance sheet by converting FCCBs into 2.66 Cr. Shares to bond holders. This resulted in equity dilution of the company by 4.6%
- The company also sold its 20% stake in Telcon to its JV partner Hitachi Construction Machinery for Rs. 1160 Cr. This should further improve the company's liquidity position.

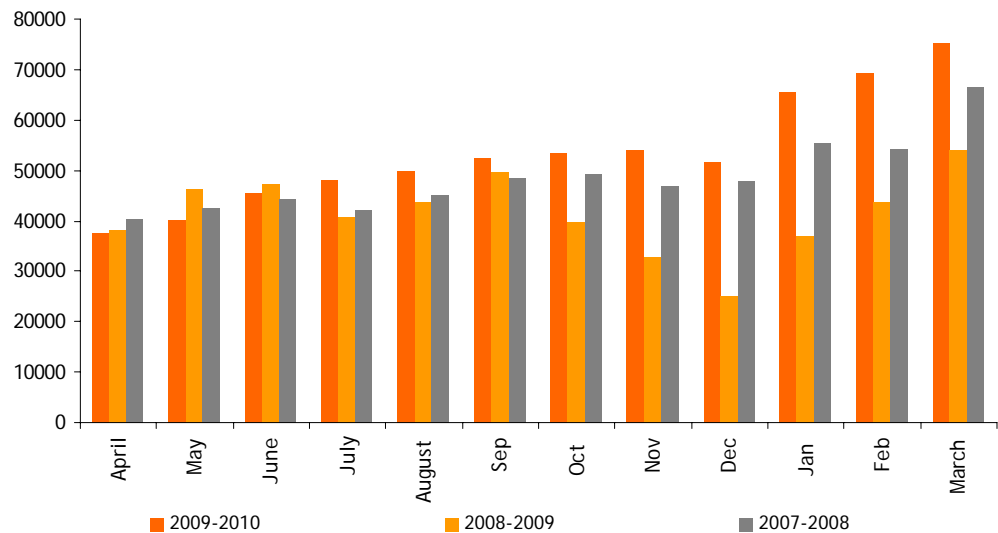
Segment	Mar-10	Mar-09	y-o-y	Feb-10	M-o-M	YTD FY10	YTD FY09	Y-o-Y
M&HCV	20847	12333	69%	17441	20%	155137	113674	36%
LCV	22438	16673	35%	21764	3%	218478	151338	44%
UTILITY	3896	5038	-23%	4005	-3%	33531	39303	-15%
CARS	23865	18233	31%	22980	4%	201399	160422	26%
Total Domestic	71046	52277	36%	66190	7%	608545	464737	31%
Total Exports	4105	1799	128%	3237	27%	34140	33410	2%
TOTAL	75151	54076	39%	69427	8%	642685	498147	29%

Volume Trend

On m-o-m basis, Tata Motors sales were up by 8% to 75,151 units.

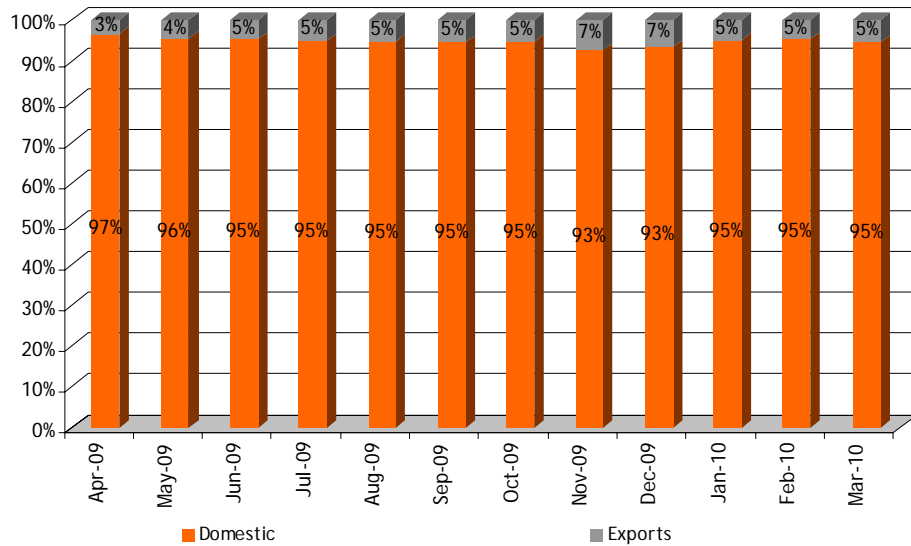


Seasonality Trend (Numbers)



Exports account for 5% of the total sales

Export Trend



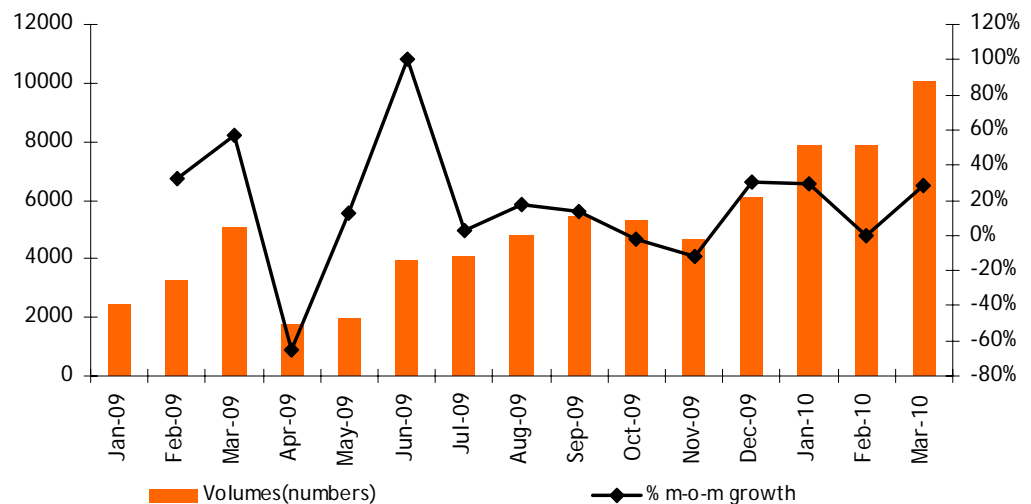
Ashok Leyland

Analysis

- Ashok Leyland Sales improved 40% m-o-m to 2,263 units in MDV Passenger segment and 30% m-o-m in MDV Goods segment, driven by the strong demand in M&HCV segment.
- The domestic sales increased by 31% m-o-m on the back of robust growth in M&HCV segment.

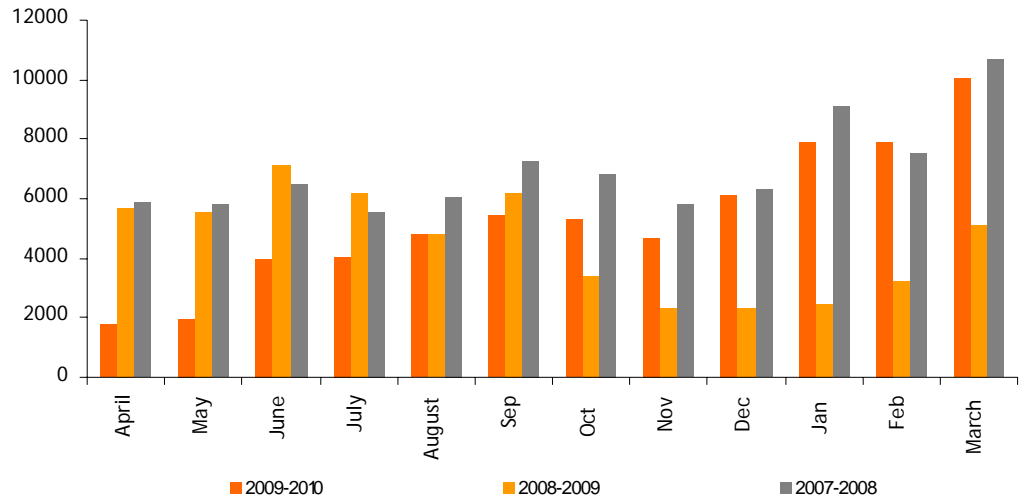
Segment	Mar-10	Mar-09	y-o-y	Feb-10	M-o-M	YTD FY10	YTD FY09	Y-o-Y
MDV Passenger	2263	2009	13%	1621	40%	16405	16038	2%
MDV Goods	6959	2344	197%	5364	30%	40713	31067	31%
LCV	77	75	3%	107	-28%	836	514	63%
Total Domestic	9299	4428	110%	7092	31%	57954	47619	22%
Total Exports	768	671	14%	777	-1%	5974	6812	-12%
TOTAL	10067	5099	97%	7869	28%	63928	54431	17%

Volume Trend

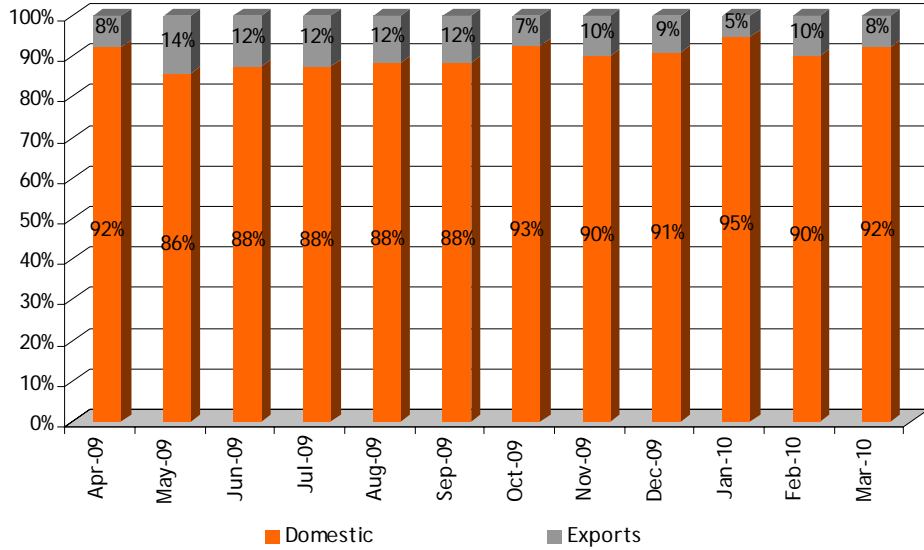


On m-o-m basis, Ashok Leyland sales were up 28% to 10,067 units

Seasonality Trend (Numbers)



Export Trend



Exports account for 8% of the total sales

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