



Automobiles - Monthly update

BSE Sensex: 17,600

S&P CNX: 5,228

2 May 2008

COMPANY NAME	RECOs
Maruti Suzuki	(Buy, Rs788)
M&M	(Buy, Rs691)
Tata Motors	(Buy, Rs692)
Bajaj Auto	(Buy, Rs2,080)
Hero Honda	(Buy, Rs846)
TVS Motor	(Neutral, Rs46)

Snapshot of monthly sales for April 2008

Most auto companies reported robust volume growth in April 2008 - festivals like Baisakhi, Gudi Padwa and the marriage season contributed to the higher volumes. We believe that the combined growth rate for April and May 2008 will provide a more comprehensive outlook on the volume growth that may be registered in FY09.

- ✦ Maruti Suzuki reported robust volume growth 23.8% YoY in April 2008; domestic volumes increased 22.4%, while exports increased 64.5% YoY.
- ✦ M&M reported volume growth of 30.7%, UVs and three-wheelers posted robust volume growth.
- ✦ Tata Motors reported total volumes of 38,149 vehicles for the month of April (-5.8% YoY). Volume decline was mainly on account of lower passenger car sales, while LCV volumes also disappointed.
- ✦ Bajaj Auto reported volume growth of 16.7% YoY in April 2008 to 221,843 units, with strong growth of 24% in motorcycles.
- ✦ Hero Honda has reported a 9% YoY increase in April 2008 sales to 286,252 units.
- ✦ TVS Motor reported 4.8% YoY increase in April 2008 volumes to 109,937 units, after 13 consecutive months of volume decline.

SNAPSHOT OF APRIL VOLUMES

Company Sales	YOY			MOM		YTD			FY09 estimate	YoY (%) chg	Residual Growth (%)
	Apr-08	Apr-07	YoY (%) chg	Mar-08	MoM (%) chg	2009	2008	YTD (%) chg			
Maruti Suzuki	62,336	50,352	23.8	70,296	-11.3	62,336	50,352	23.8	867,838	13.5	12.7
A1	4,458	6,324	-29.5	6,353	-29.8	4,458	6,324	-29.5			
C	7,705	6,118	25.9	8,041	-4.2	7,705	6,118	25.9			
A2	43,121	33,878	27.3	41,869	3.0	43,121	33,878	27.3			
A3	4,187	2,124	97.1	7,536	-44.4	4,187	2,124	97.1			
MUV	68	208	-67.3	622	-89.1	68	208	-67.3			
Export	2,797	1,700	64.5	5,875	-52.4	2,797	1,700	64.5			
Mahindra&Mahindra	28,658	21,927	30.7	33,085	-13.4	28,658	21,927	30.7	365,930	11.0	9.5
UV's	14,198	10,220	38.9	16,920	-16.1	14,198	10,220	38.9	178,843	11.0	9.1
LCV	776	642	20.9	1,091	-28.9	776	642	20.9	11,651	20.3	11.4
PV - Logan	1,713	0	NA	3,068	-44.2	1,713	0	NA	32,000	0.0	17.0
Three-Wheelers	3,343	2,005	66.7	3,603	-7.2	3,343	2,005	66.7	37,318	0.8	6.4
Tractors	8,628	9,060	-4.8	8,403	2.7	8,628	9,060	-4.8	106,118	7.5	8.7
Tata Motors	38,149	40,486	-5.8	66,495	-42.6	38,149	40,486	-5.8	712,633	22.4	24.5
HCV's	12,039	11,271	6.8	22,276	-46.0	12,039	11,271	6.8	197,340	10.0	10.2
LCV's	10,873	11,304	-3.8	18,430	-41.0	10,873	11,304	-3.8	196,763	13.5	14.7
Cars	11,564	14,514	-20.3	19,172	-39.7	11,564	14,514	-20.3	265,239	48.0	54.0
UV's	3,673	3,397	8.1	6,617	-44.5	3,673	3,397	8.1	50,299	2.0	5.8
of which exports	2,305	4,037	-42.9	5,765	-60.0	2,305	4,037	-42.9	62,356	14.9	19.5
Bajaj Auto	221,843	190,052	16.7	176,102	26.0	221,843	190,052	16.7	2,691,223	9.8	9.2
Motorcycles	203,081	164,304	23.6	154,297	31.6	203,081	164,304	23.6	2,353,596	10.0	8.9
Total Two-Wheelers	203,930	165,692	23.1	155,337	31.3	203,930	165,692	23.1	2,379,149	10.1	9.0
Three-Wheelers	17,913	24,360	-26.5	20,765	-13.7	17,913	24,360	-26.5	312,074	7.5	10.6
Hero Honda	286,252	262,544	9.0	320,594	-10.7	286,252	262,544	9.0	3,608,205	8.1	8.0
TVS Motor	109,937	104,893	4.8	117,045	-6.1	109,937	104,893	4.8	1,419,789	10.2	10.6
Motorcycles	58,202	53,499	8.8	60,908	-4.4	58,202	53,499	8.8	679,299	10.0	10.1

Source: Company/Motilal Oswal Securities

Maruti Suzuki: Buy

CMP: RS788		MKT CAP: USD5.7B		BLOOMBERG: MSIL IN			REUTERS CODE: MRTI.BO			
YEAR	TOTAL INC.	PAT	ADJ. EPS	EPS	P/E	P/BV	ROE	ROCE	EV/	EV/
END	(RS M)	(RS M)	(RS)	GROWTH (%)	(X)	(X)	(%)	(%)	SALES	EBITDA
3/07A	149,663	15,574	53.9	28.5	14.6	3.3	22.8	30.2	1.2	8.1
3/08A	184,785	19,472	67.4	25.0	11.7	2.7	20.5	31.2	1.0	6.3
3/09E	219,695	20,288	70.2	4.2	11.2	2.2	19.7	27.0	0.8	5.5
3/10E	260,890	23,672	81.9	16.7	9.6	1.8	18.9	26.2	0.6	4.5

Maruti Suzuki reported increase of 23.8% in April 2008 volumes to 62,336 units, driven by volume growth from the A2, A3, MPV and exports segments. Domestic volume growth was 22.4% to 59,539 units, while exports increased 64.5% YoY to 2,797 units.

Volume growth was driven by the A3 segment (+97.1% YoY) due to new launch DZire and low base of last year following discontinuance of Baleno. The DZire has seen a very good initial response, with the waiting period for the car stretching upto 3 months in certain cases. The A2 segment (+27.3% YoY) and the MPV segment (+25.9% YoY) also registered robust volume growth. However, sales of M-800 and UVs were lower 29.5% and 67.3% YoY respectively.

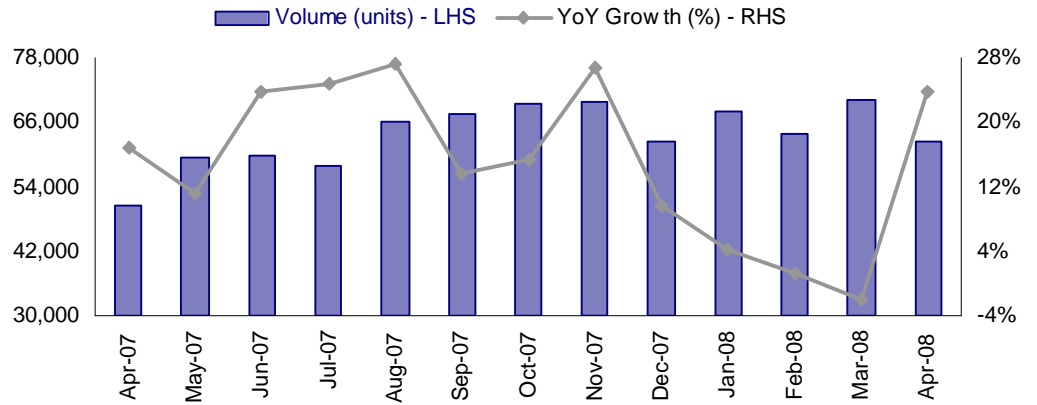
We expect MSIL to register volume growth of 13.5% in FY09 (10% domestic volume growth and 60% export volume growth). At our existing estimates, we expect residual growth of 12.7% in FY09. The stock trades at 11.2x FY09E EPS of Rs70.2 and 9.6x FY10E EPS of Rs81.9. Maintain **Buy**.

SNAPSHOT OF APRIL VOLUMES

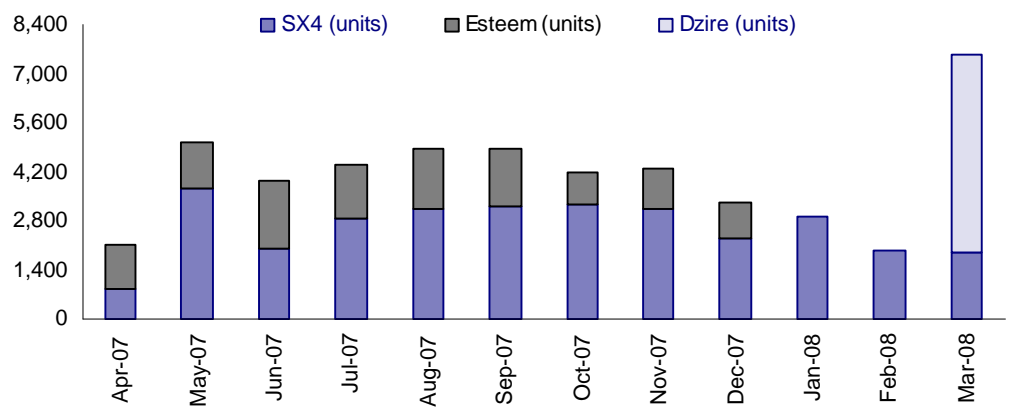
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Source: Company/Motilal Oswal Securities

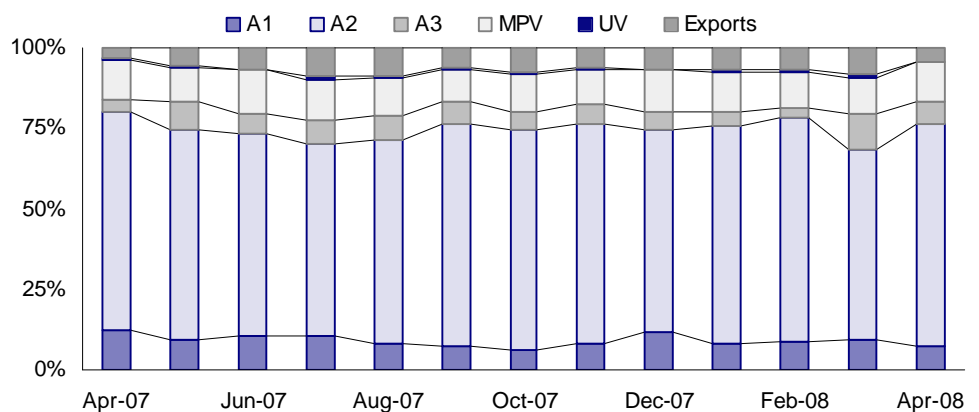
VOLUME GROWTH TREND



DISTRIBUTION OF A3 SEGMENT SALES



TREND IN PRODUCT MIX (%)



Source: Company/Motilal Oswal Securities

Mahindra & Mahindra: Buy

CMP: Rs691		MKT CAP: USD4.4B		BLOOMBERG: MM IN			REUTERS CODE: MAHM.BO			
YEAR	NET SALES	S/A PAT	ADJ.EPS	CONS.	P/E	CONS.	ROE	ROCE	EV/	EV/
END	(RS M)	(RS M)	(RS)	EPS (Rs)	(X)	P/E (X)	(%)	(%)	SALES	EBITDA
3/07A	99,874	9,198	35.9	55.1	19.2	12.5	25.9	22.3	1.5	12.1
3/08E	112,934	9,123	35.6	62.9	19.4	11.0	20.8	19.7	1.2	10.7
3/09E	125,790	9,479	37.0	73.0	18.7	9.5	19.0	19.4	1.0	9.4
3/10E	138,860	10,556	41.2	85.1	16.8	8.1	18.6	19.4	0.9	7.9

M&M reported sales increase of 22.9% YoY in April 2008 to 26,945 units (excluding Logan). Inclusive of Logan sales, volumes have increased 30.7% YoY.

Domestic UV demand has been robust, resulting in domestic UV sales increasing 41%, YoY. Scorpio volumes were 3,639 units (+22.5% YoY), while sales of non-Scorpio UVs increased 45.6% YoY. UV exports increased marginally by 1%, leading to overall UV volume growth of 38.9% YoY. At our existing estimates, we expect residual growth of 9.1% in UVs during FY09.

Tractor sales disappointed, as volumes declined 4.8% YoY, with 2% decline in domestic sales and 36% decline in exports. Among other segments, three-wheelers registered robust 66.7% increase, Logan sales were 1,713 units (average of 2,354 units in FY08), while LCV sales increased 20.9% YoY.

Three-wheeler volumes were boosted by the success of Alpha - volumes are expected to be sustained as its phased roll out continues. Alpha has been currently launched in South, West and in Chandigarh, its is yet to be launched in the Central and North Eastern states (including West Bengal).

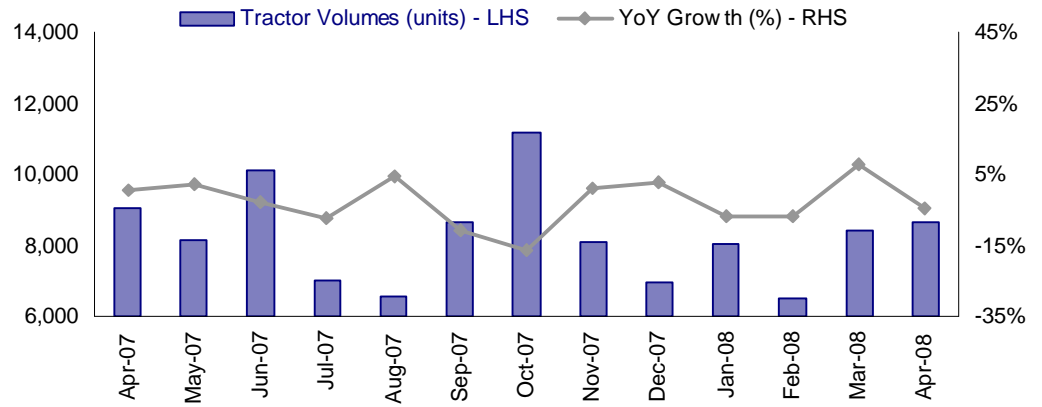
We expect volume growth of 7.5% and 6% in FY09 and FY10 for tractors, and 11% and 10% in FY09 and FY10 in UVs. With several growth drivers for the company over the next few years coupled with attractive valuations, we remain positive on M&M. The stock trades at 9.5x FY09E EPS of Rs73 and 8.1x FY10E EPS of Rs85.1. Maintain **Buy**.

SNAPSHOT OF APRIL VOLUMES

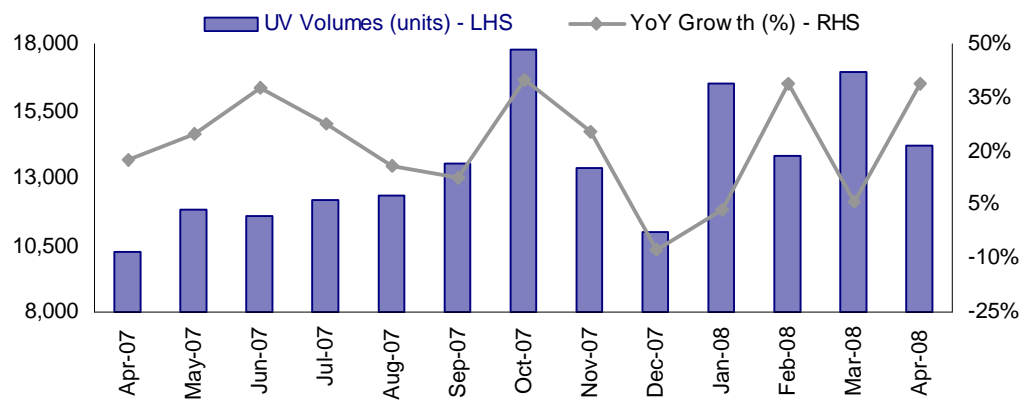
Company Sales	YOY			MOM		YTD			FY09 estimate	YoY (%) chg	Residual Growth (%)
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Mahindra&Mahindra	28,658	21,927	30.7	33,085	-13.4	28,658	21,927	30.7	365,930	11.0	9.5
UV's	14,198	10,220	38.9	16,920	-16.1	14,198	10,220	38.9	178,843	11.0	9.1
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Three-Wheelers	3,343	2,005	66.7	3,603	-7.2	3,343	2,005	66.7	37,318	0.8	6.4
Tractors	8,628	9,060	-4.8	8,403	2.7	8,628	9,060	-4.8	106,118	7.5	8.7

Source: Company/Motilal Oswal Securities

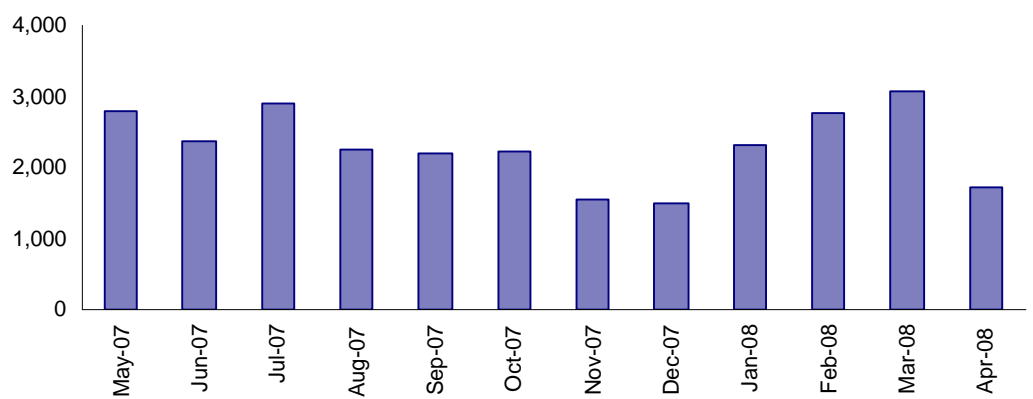
TREND IN TRACTOR SALES



TREND IN UV SALES



TREND IN LOGAN SALES (VOLUME UNITS)



Source: Company/Motilal Oswal Securities

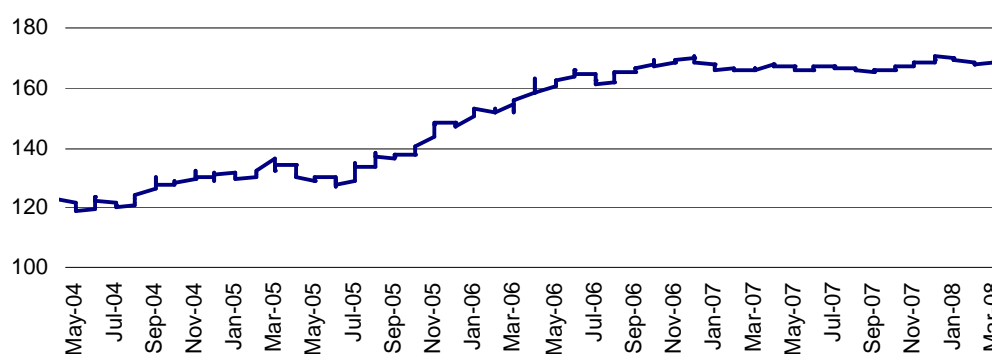
Tata Motors: Buy

CMP: Rs692		MKT CAP: USD7.1B		BLOOMBERG: TTMT IN				REUTERS CODE: TAM O.BO			
YEAR	SALES	S/A PAT	ADJ EPS	CONS,	P/E	CONS.	ROE	ROCE	EV/	EV/	
END	(RS M)	(RS M)	(RS)	EPS (Rs)	RATIO	P/E (X)	(%)	(%)	SALES	EBITDA	
3/07A	274,048	18,963	46.6	52.9	14.9	13.1	27.6	27.1	1.0	8.3	
3/08E	284,791	16,219	39.8	52.2	17.4	13.2	20.7	21.2	1.0	9.5	
3/09E	325,651	17,007	41.8	56.8	16.6	12.2	19.4	20.4	0.9	9.0	
3/10E	379,866	18,960	46.6	63.9	14.9	10.8	19.3	20.8	0.8	8.2	

Tata Motors reported total volumes of 38,149 vehicles for the month of April (-5.8% YoY). The volume decline was led mainly by exports, which fell 42.9% YoY in April, while domestic volumes were lower merely 1.7% YoY, with only passenger cars registering a volume decline. M&HCV volumes were robust at 12,039 units (+6.8% YoY), led by higher domestic volumes (+8.2% YoY), while exports declined 10% YoY. LCVs were also negatively impacted by lower exports, as volumes dropped 46.4% YoY to 1,120 units, while domestic LCV volumes registered 5.8% YoY growth.

Domestic passenger cars declined 17% YoY, while domestic UV sales were higher by 9.3% YoY. Indica volumes were 7,430 units - a decline of 31.6% YoY; however the retails were higher at 10,000 units. The Indigo family sales increased 43% YoY to 3,763 units, boosted by the launch of the Indigo CS. Overall passenger car volumes declined 20.3% YoY, while UV volumes increased 8.1% YoY. At our existing estimates, the stock trades at 13.2x FY08E EPS of Rs52.2, 12.2x FY09E EPS of Rs56.8 and 10.8x FY10E EPS of Rs63.9. Maintain **Buy**.

WEEKLY FREIGHT INDEX HAS BEEN STABLE



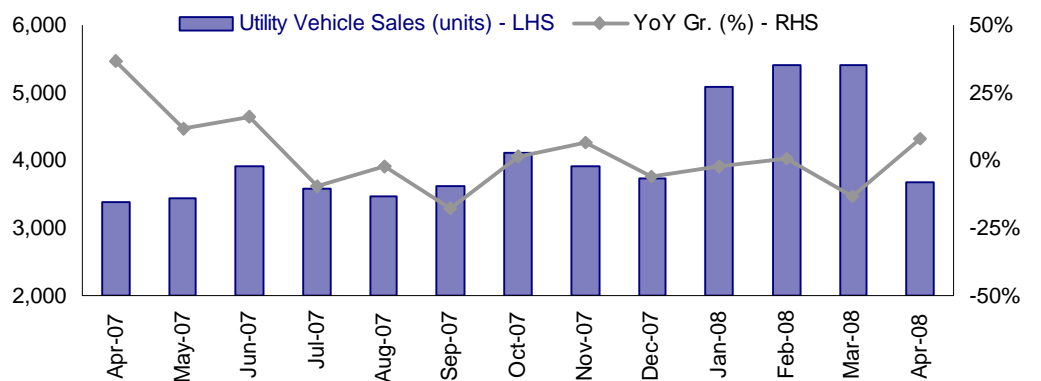
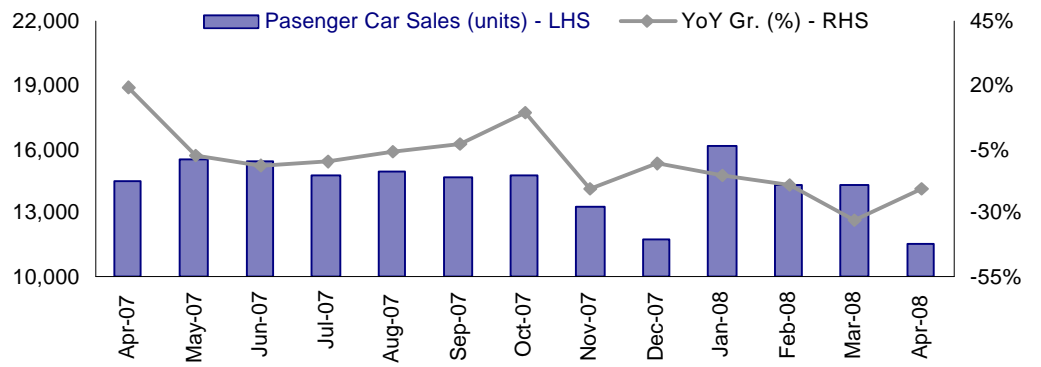
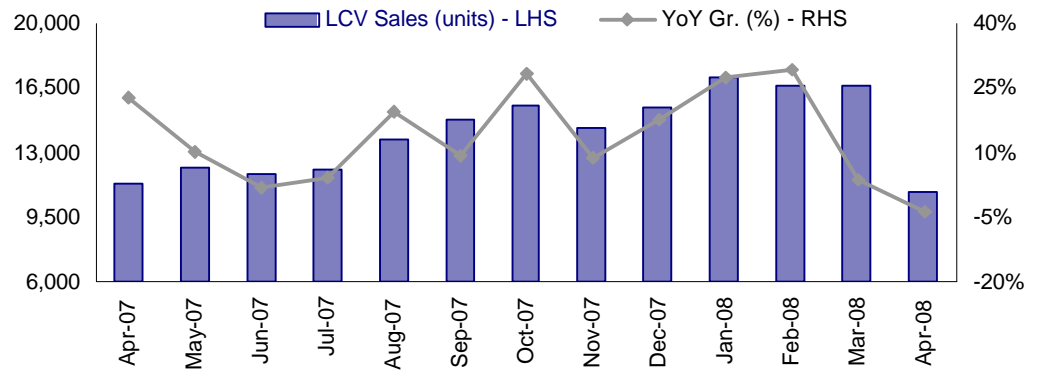
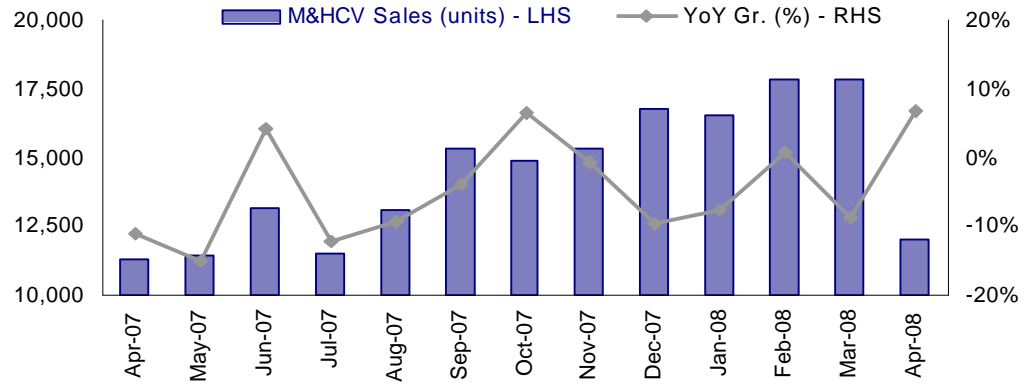
Source: TCIL/Motilal Oswal Securities

SNAPSHOT OF APRIL VOLUMES

Company Sales	YOY			MOM		YTD			FY09 estimate	YoY (%) chg	Residual Growth (%)
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Tata Motors	38,149	40,486	-5.8	66,495	-42.6	38,149	40,486	-5.8	712,633	22.4	24.5
HCV's	12,039	11,271	6.8	22,276	-46.0	12,039	11,271	6.8	197,340	10.0	10.2
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UV's	3,673	3,397	8.1	6,617	-44.5	3,673	3,397	8.1	50,299	2.0	5.8
of which exports	2,305	4,037	-42.9	5,765	-60.0	2,305	4,037	-42.9	62,356	14.9	19.5

Source: Company/Motilal Oswal Securities

VOLUME GROWTH TREND



Source: Company

Bajaj Auto: Buy

CMP: Rs2,080		MKT CAP: USD5.3B		BLOOMBERG: BJA IN			REUTERS CODE: BJAT.BO			
YEAR	NET SALES	PAT	EPS	EPS	P/E	P/BV	ROE	ROCE	EV/	EV/
END	(RS M)	(RS M)	(RS)	GROWTH (%)	(X)	(X)	(%)	(%)	SALES	EBITDA
3/07A	95,204	12,869	127.2	14.6	16.4	3.8	23.3	24.6	1.7	11.4
3/08E	91,765	12,749	126.0	-0.9	16.5	3.3	20.1	22.0	1.8	11.8
3/09E	105,533	14,409	142.4	13.0	14.6	2.9	19.7	21.4	1.4	9.9
3/10E	117,823	16,184	159.9	12.3	13.0	2.5	19.1	21.3	1.2	7.9

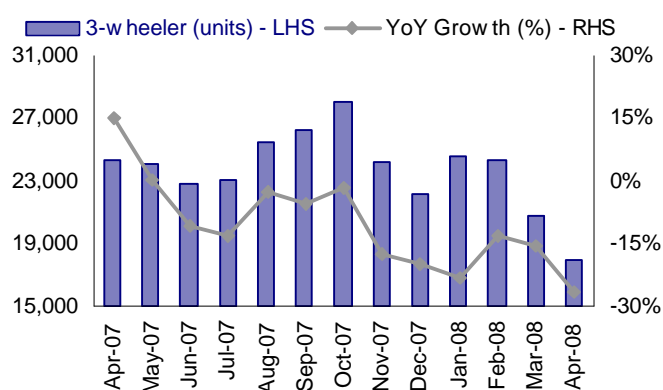
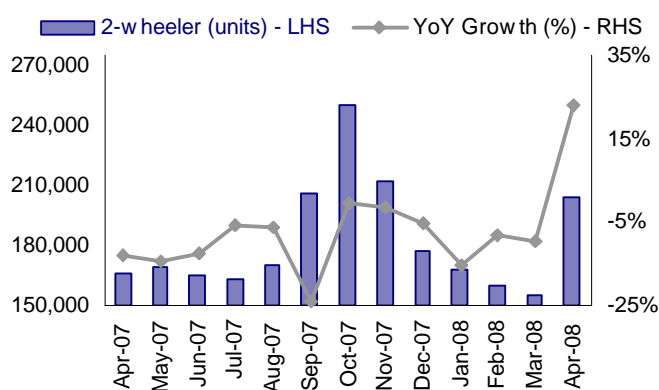
Stock price mentioned above is the last closing price before demerger

Bajaj Auto reported volume growth of 16.7% YoY in Apr' 08 to 221,843 units, with strong growth of 24% in motorcycles (after 14 consecutive months of volume decline). The company has stated that the motorcycle sales growth was due to the strong performance of its 125cc+ portfolio comprising of Pulsar, Avenger, Discover and XCD, which grew 34%. Bajaj Auto plans to increase its dominance in the 125cc+ segment by introducing 4 new models therein.

Three-wheelers continue to disappoint, with 26.5% YoY decline in sales to 17,913 units. Exports were also robust at 73,624 units, an increase of 41.8% YoY. The company is targeting exports of 800,000 units in FY09 (30% increase over FY08).

We expect volume growth of 10% in FY09 and 8% in FY10 in motorcycles; at these estimates, it would mean a 8.9% residual growth in motorcycles in FY09. **Maintain Buy.**

VOLUME GROWTH TREND



Source: Company/Motilal Oswal Securities

SNAPSHOT OF APRIL VOLUMES

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Motorcycles	203,081	164,304	23.6	154,297	31.6	203,081	164,304	23.6	2,353,596	10.0	8.9
Total Two-Wheelers	203,930	165,692	23.1	155,337	31.3	203,930	165,692	23.1	2,379,149	10.1	9.0
Three-Wheelers	17,913	24,360	-26.5	20,765	-13.7	17,913	24,360	-26.5	312,074	7.5	10.6

Source: Company/Motilal Oswal Securities

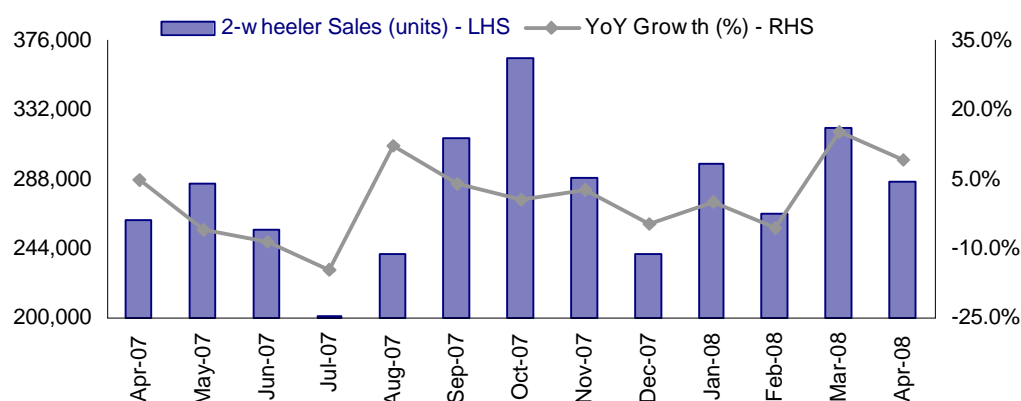
Hero Honda: Buy

CMP: Rs846		MKT CAP: USD4.2B		BLOOMBERG: HH IN			REUTERS CODE: HROH.BO			
YEAR	NET SALES	PAT	EPS	EPS	P/E	P/BV	ROE	ROCE	EV/	EV/
END	(RS M)	(RS M)	(RS)	GROWTH (%)	(X)	(X)	(%)	(%)	SALES	EBITDA
3/07A	99,000	8,659	43.4	-10.9	19.5	6.8	38.3	48.5	1.5	12.7
3/08A	103,318	9,679	48.5	11.8	17.5	5.5	35.0	44.9	1.5	11.1
3/09E	117,228	11,265	56.4	16.4	15.0	4.5	33.2	42.3	1.2	9.0
3/10E	129,421	12,504	62.6	11.0	13.5	3.8	28.3	36.8	1.0	7.7

Hero Honda has reported a 9% YoY increase in its sales for April 2008 to 286,252 units. The company has stated that its recent launches for the urban youth like the CBZ Xtreme and Hunk have helped almost double its share in the premium segment (Hunk volumes average ~18,000-20,000 units per month, CBZ Xtreme averages ~7,000 units per month). 125cc+ segment contributed 5.6% of HH's motorcycle sales in FY08 v/s 3.3% in FY07. Hero Honda plans to increase the number of its touch points to 3,500 in FY09 (3,000 in FY08).

We expect volume growth of 8.1% in FY09 and 7.6% in FY10. At our existing estimates, we expect residual growth of 8% in FY09E. Hero Honda trades at 15x FY09E EPS of Rs56.4 and 13.5x FY10E EPS of Rs62.6. Maintain **Buy**.

TREND IN SALES



Source: Company/Motilal Oswal Securities

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TVS Motor: Neutral

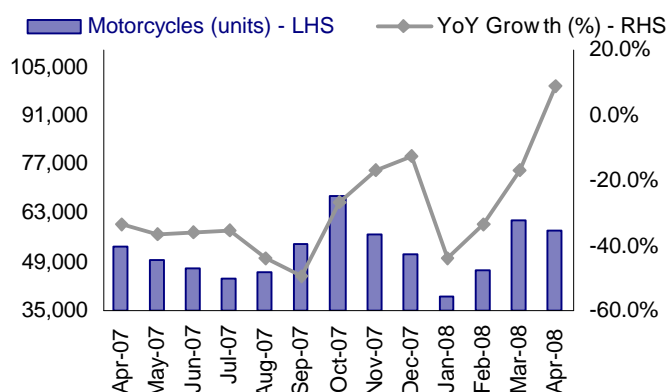
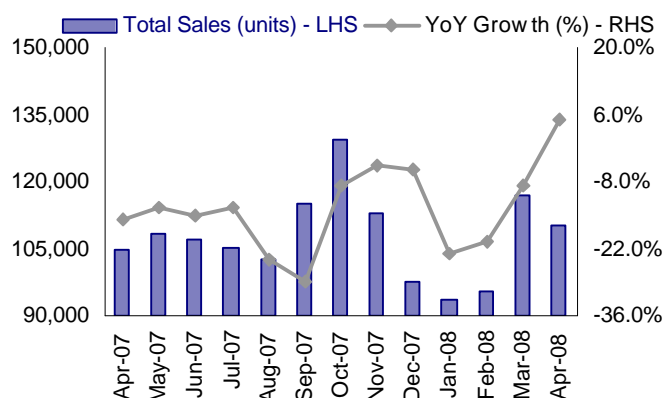
CMP: Rs46		MKT CAP: USD0.3B		BLOOMBERG: TVSL IN			REUTERS CODE: TVSM.BO			
YEAR	NET SALES	PAT	EPS	EPS	P/E	P/BV	ROE	ROCE	EV/	EV/
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3/07A	38,550	666	2.8	-37.9	16.3	1.3	8.2	7.7	0.3	9.4
3/08E	32,291	140	0.6	-79.0	77.9	1.3	1.7	3.4	0.4	18.7
3/09E	36,947	530	2.2	279.9	20.5	1.3	6.3	6.5	0.4	9.9
3/10E	40,046	619	2.6	16.8	17.6	1.3	7.2	7.1	0.3	8.7

TVS Motor reported 4.8% YoY increase in April 2008 volumes to 109,937 units, after 13 consecutive months of volume decline. Volume growth was led by motorcycle sales, which increased 8.8% YoY to 58,202 units.

Motorcycle volumes of TVS are coming off the low base in FY08, wherein its volumes declined 33.2%; the much delayed launch of the Flame is also a positive for TVS. The *Flame* has been re-launched with a three-valve, dual induction system, CCTVi engine. Additionally, TVS plans to launch a fuel injection upgrade of the *Apache RTR* across the country. Scooter and moped sales increased marginally by 1.3% and 0.3% YoY respectively.

At our existing estimates, we expect residual growth of 10.6% for TVS Motor. The stock trades at 20.5x FY09E EPS of Rs2.2 and 17.6x FY10E EPS of Rs2.6. Maintain **Neutral**.

VOLUME GROWTH TREND



Source: Company/Motilal Oswal Securities

SNAPSHOT OF APRIL VOLUMES

Company Sales	YOY			MOM		YTD			FY09 estimate	YoY (%) chg	Residual Growth (%)
	Apr-08	Apr-07	YoY (%) chg	Mar-08	MoM (%) chg	2009	2008	YTD (%) chg			
TVS Motor	109,937	104,893	4.8	117,045	-6.1	109,937	104,893	4.8	1,419,789	10.2	10.6
Motorcycles	58,202	53,499	8.8	60,908	-4.4	58,202	53,499	8.8	679,299	10.0	10.1

Source: Company/Motilal Oswal Securities

N O T E S



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