

## BRICS ON WHEELS

Despite slowdown in economy, high interest rates, fuel prices and weak IIP numbers, auto sales reported robust growth in November 2011 (up 21% yoy, 3% mom). Growth in sales was led by commercial vehicle (up 29% yoy), two wheelers (24% yoy), three wheelers (22% yoy) and passenger cars (3% yoy) but seasonality effect dragged tractor sales down 3% yoy. Key highlights: (1) two wheeler sales of Bajaj Auto, Hero MotoCorp and TVS Motors were up 25% yoy, 27% and 12% respectively, (2) labour unrest at Maruti's Manesar plant ended but passenger car industry slowdown, dragged Maruti's domestic sales down 19% yoy, (3) Bajaj Auto and M&M's three wheeler sales grew 24% and 32% respectively, while TVS Motor's was down 14% yoy, (4) Ashok Leyland and Tata Motors CV sales were up 53% yoy and 25% yoy respectively, and (5) M&M tractor sales were down 3% yoy. For 8MFY12 BRICS auto universe reported 14% yoy growth, which is impressive given slowdown in overall economy.

- **Two wheelers:** In November 2011 industry reported 24% yoy growth (flat mom). Hero MotoCorp's sales grew 24% yoy (5% mom) to 536,772 units. TVS' scooter sales grew 22% yoy, moped sales grew 21% yoy, motorcycle sales declined 1% yoy. Bajaj Auto's motorcycle sales were at 331,967 units up 25% yoy (down 5% mom).
- **Passenger cars:** Volume declined 3% yoy, due to rising interest and fuel cost. Maruti's domestic sales were down 19% yoy (up 61% mom), while exports were down 11% yoy (up 115% mom) at 8,902 units. Maruti's labour unrest at Manesar plant ended and the company ramped up sales as a result of which the sales jumped on mom basis but the sales were down on yoy basis due to slow down in the demand due to high interest rates and fuel prices. Tata Motors' car sales were up 79% yoy (9% mom) at 28,084 units. M&M's UV sales grew 46% yoy (down 7% mom) to 16,686 units. M&M's Verito (previously Logan) sales grew 29% yoy (down 28% mom) to 1,127 units due to aggressive sales push and diesel variant.
- **Commercial vehicles:** Volume was up 29% yoy (up 17% mom). Ashok Leyland's CV sales were up 53% yoy, while Tata Motors' sales up 25% yoy. Tata Motors' M&HCV volume grew 7% yoy (down 5% mom) and LCV sales grew 38% yoy (up 31% mom).

### Tata Motors and Ashok Leyland our preferred bets

We believe JLR's performance will continue to drive Tata Motors' stock price as it contributes 59% of revenue and 76% of profit. We value standalone business at Rs107 per share, 13x FY13E core earnings and JLR at 6x FY13E earnings (after adjusting for capitalisation for product development) at Rs104/share. We assign 20% discount to investments and subsidiaries (Rs100/share) to arrive at SOTP-based target price of Rs207/share. Maintain Buy.

Ashok Leyland stock trades at 10x FY12E and 8x FY13E, which is attractive, given 16% earnings CAGR over FY11-13E. We assign 12x to core business (10% discount to industry average multiple of 13x) to arrive at core business value of Rs31/share. We value other businesses (LCV JV with Nissan, construction equipment JV with John Deere and Optare JV) at Re1/share, to arrive at our SOTP-based target price of Rs32per share. Maintain Buy.

#### Exhibit 1: BRICS auto universe

Company	CMP (Rs)	Net sales (Rs mn)		EPS (Rs)		RoE (%)		P/E (x)		EV/EBITDA (x)		Rating
		FY12E	FY13E	FY12E	FY13E	FY12E	FY13E	FY12E	FY13E	FY12E	FY13E	
Ashok Leyland	26	122,661	142,091	2.6	3.2	16.8	19.4	10.3	8.3	7.8	6.7	BUY
Bajaj Auto	1,700	196,999	237,164	105.1	126.2	51.4	43.3	16.2	13.5	11.2	9.3	ADD
Escorts#	84	45,710	50,025	10.9	14.6	6.1	7.7	7.7	5.7	2.4	2.0	BUY
Hero MotoCorp	2,062	222,379	254,497	113.7	125.2	58.8	43.2	18.1	16.5	11.8	10.6	REDUCE
Mahindra & Mahindra*	749	266,048	306,226	44.9	50.2	24.5	22.9	16.7	14.9	13.0	11.1	ADD
Maruti Suzuki India	1,000	365,748	413,902	69.0	81.0	13.3	13.7	14.5	12.3	9.8	8.1	REDUCE
Tata Motors	192	1,477,959	1,632,260	25.0	32.7	34.8	33.3	7.7	5.9	4.7	3.8	BUY
TVS Motor	59	70,739	83,105	6.2	7.7	23.9	23.3	9.5	7.6	6.4	5.2	BUY

Source: BRICS Research

\*Standalone

#September-ending fiscal

## Ashok Leyland: Domestic sales up 67% yoy

**Exhibit 2: Ashok Leyland November volume up 53% yoy, 26% mom**

Particulars	Nov 10	Nov 11	yoy (%)	Oct 11	mom (%)	YTDFY11	YTDFY12	yoy (%)
Total sales	5,137	7,878	53.4	6,252	26.0	56,856	57,035	0.3
Domestic	3,885	6,477	66.7	5,682	14.0	50,210	49,295	(1.8)
Exports	1,252	1,401	11.9	570	145.8	6,646	7,740	16.5

Source: Company, BRICS Research

- Despite lean period total volume in November was up 53% yoy (up 26% mom) at 7,878 units. "Dost" its new LCV (launched in September under Nissan JV) reported sales of 814 units in November 2011.
- Exports were up 12% yoy and 146% mom at 1,401 units. Domestic sales were up 67% yoy (up 14% mom) at 6,477 units.
- YTDFY12 sales volume was flat yoy at 57,035 units

## Mahindra & Mahindra: Automotive sales up 53% yoy; down 8% mom

**Exhibit 3: M&M November sales up 30% yoy but down 15% mom**

Particulars	Nov 10	Nov 11	yoy (%)	Oct 11	mom (%)	YTDFY11	YTDFY12	yoy (%)
Passenger UVs	11,447	16,686	45.8	17,887	(6.7)	107,822	125,554	16.4
4 wheel pick ups#	7,699	13,362	73.6	13,419	(0.4)	63,811	96,973	52.0
3-wheelers	4,468	5,889	31.8	7,302	(19.4)	38,543	45,370	17.7
Total vehicles	23,614	35,937	52.2	38,608	(6.9)	210,176	267,897	27.5
Verito*	876	1,127	28.7	1,560	(27.8)	5,824	11,652	100.1
LCVs & MHCvs ^	676	1,095	62.0	968	13.1	7,419	8,457	14.0
Domestic	25,166	38,159	51.6	41,136	(7.2)	223,419	288,006	28.9
Exports	1,500	2,563	70.9	3,001	(14.6)	10,464	17,673	68.9
Exports MRPL	-	-	-	-	-	1,500	-	-
Auto total vehicles	26,666	40,722	52.7	44,137	(7.7)	235,383	305,679	29.9
Domestic tractor	16,975	16,175	(4.7)	23,508	(31.2)	130,357	158,204	21.4
Exports tractor	1,018	1,352	32.8	1,165	16.1	7,574	8,681	14.6
Total tractor	17,993	17,527	(2.6)	24,673	(29.0)	137,931	166,885	21.0
Total sales	44,659	58,249	30.4	68,810	(15.3)	373,314	472,564	26.6

Source: Company, BRICS Research

#including GIO and Maximmo

\*earlier known as Logan

^MNAL

- Total sales volume in November 2011 was up 30% yoy (down 15% mom) at 58,249 units. Passenger UV sales were at 16,686 units, up 46% yoy (down 7% mom). Four wheel pickup sales stood at 13,362 units up 74% yoy (flat mom). Total automotive segment sales were up 53% yoy at 40,722 units.
- Verito (earlier known as Logan) sales were up 29% yoy (down 28% mom) at 1,127 units.
- Three wheeler sales were up 32% yoy (down 19% mom) at 5,889 units. Auto export sales were up 71% yoy (down 15% mom) at 2,563 units.
- Tractor sales declined 3% yoy to 17,527 units (down 29% mom). Domestic sales were down 5% yoy (down 31% mom) at 16,175 units, while exports were up 33% yoy (up 16% mom) at 1,352 units.

## Tata Motors: CV sales grew 25% yoy, 16% mom

**Exhibit 4: Tata Motors November sales up 41% yoy, 13% mom**

Particulars	Nov 10	Nov 11	yoy (%)	Oct 11	mom (%)	YTDFY11	YTDFY12	yoy (%)
M &HCV	15,873	16,999	7.1	17,890	(5.0)	128,102	138,443	8.1
LCV	23,016	31,740	37.9	24,294	30.6	176,361	222,785	26.3
Utility	3,175	4,222	33.0	4,208	0.3	26,130	31,386	20.1
Cars	12,558	23,862	90.0	21,617	10.4	168,899	151,879	(10.1)
Total	54,622	76,823	40.6	68,009	13.0	499,492	544,493	9.0
Domestic	50,419	72,474	43.7	63,838	13.5	462,641	504,895	9.1
Exports	4,203	4,349	3.5	4,171	4.3	36,851	39,598	7.5
Total sales	54,622	76,823	40.6	68,009	13.0	499,492	544,493	9.0
CV	38,889	48,739	25.3	42,184	15.5	304,463	361,228	18.6
Cars	15,733	28,084	78.5	25,825	8.7	195,029	183,265	(6.0)

Source: Company, BRICS Research

- November total sales were up 41% yoy (up 13% mom) at 76,823 units. Overall CV sales were up 25% yoy and car sales were up 79% yoy.
- Car sales were up 79% yoy (up 9% mom) at 28,084 units. Utility sales were up 33% yoy at 4,222 units. Tata Nano sales were at 6,401 units v/s 3,868 units last month (up 1,158% yoy, 66% mom). Indica sales were at 10,926 units, up 91% yoy. Indigo range sales were at 6,213 units, up 3% yoy. Sumo/Safari/Aria/Venture sales were at 4,197 units, up 35% yoy.
- M&HCV sales were at 16,999 units up 7% yoy (down 5% mom), while LCVs grew 38% yoy (up 31% mom) to 31,740 units.
- Exports were up 4% yoy (4% mom) to 4,222 units.

## Bajaj Auto: Best November sales; two wheeler sales up 25% yoy

**Exhibit 5: Bajaj Auto November motorcycle sales volume up 25% yoy but down 5% mom**

Particulars	Nov 10	Nov 11	yoy (%)	Oct 11	mom (%)	YTDFY11	YTDFY12	yoy (%)
Motorcycles	265,036	331,967	25.3	351,083	(5.4)	2,306,697	2,673,458	15.9
Two wheeler	265,036	331,967	25.3	351,083	(5.4)	2,306,724	2,673,458	15.9
Three wheelers	34,195	42,510	24.3	44,191	(3.8)	292,229	353,245	20.9
Total sales	299,231	374,477	25.1	395,274	(5.3)	2,598,953	3,026,703	16.5
Exports	90,869	129,256	42.2	131,948	(2.0)	832,487	1,112,702	33.7

Source: Company, BRICS Research

- For November, company reported sales of 374,477 units, up 25% yoy but down 5% mom. This was the best November sales for the company.
- The company recorded highest ever motorcycle sales in November at 331,967 units, up 25% yoy (down 5% mom).
- Three wheelers sales were up 24% yoy (down 4% mom) at 42,510 units - the highest ever in November.
- Exports were up 42% yoy (down 2% mom) at 129,256 units - the highest ever for November.
- YTDFY12 the company sold 3,026,703 units (up 17% yoy) with two wheeler sales at 2,673,458 units (up 16% yoy) and three wheeler sales at 353,245 units (up 21% yoy). Exports were at 1,112,702 units (up 34% yoy).

## Hero MotoCorp: November sales up 27% yoy, up 5% mom

Exhibit 6: Hero MotoCorp YTD sales up 20% yoy

Particulars	Nov 10	Nov 11	yoy (%)	Oct 11	mom (%)	YTDFY11	YTDFY12	yoy (%)
Total sales	421,366	536,772	27.4	512,238	4.8	3,446,902	4,122,902	19.6

Source: Company, BRICS Research

- In November 2011, Hero MotoCorp's sales grew 27% yoy (7% mom) to 536,772 units.
- YTD FY12 sales for the company grew 20% yoy at 4,122,902 units.

## Maruti Suzuki: Volume up 65% mom post strike

Exhibit 7: Maruti Suzuki November sales down 19% yoy but up 65% mom

Particulars	Nov 10	Nov 11	yoy (%)	Oct 11	mom (%)	YTDFY11	YTDFY12	yoy (%)
A: Mini *	53,489	38,921	(27.2)	25,009	55.6	361,887	298,830	(17.4)
A: Compact (Swift, Estilo, Ritz)	23,014	22,159	(3.7)	10,859	104.1	176,328	133,533	(24.3)
A: Super Compact (Dzire)	9,810	10,403	6.0	5,001	108.0	69,815	60,787	(12.9)
A: Mid-size (SX4)	1,305	1,433	9.8	320	347.8	13,241	11,662	(11.9)
A: Executive (Kizashi)	-	162	-	3	5,300.0	-	336	-
C (Omni, Eeco)	14,686	9,612	(34.5)	9,996	(3.8)	105,182	97,973	(6.9)
Total cars	102,304	82,690	(19.2)	51,188	61.5	726,453	603,121	(17.0)
MUV (Gypsy, Grand Vitara)	199	180	(9.5)	270	(33.3)	4,428	4,296	(3.0)
Domestic	102,503	82,870	(19.2)	51,458	61.0	730,881	607,417	(16.9)
Exports	10,051	8,902	(11.4)	4,137	115.2	97,559	73,783	(24.4)
Total Sales	112,554	91,772	(18.5)	55,595	65.1	828,440	681,200	(17.8)

Source: Company, BRICS Research

\*M800, A-Star, Alto, WagonR

- Maruti's total sales for November 2011 was up 65% mom at 91,772 units (down 19% yoy), mainly due to end of strike at Manesar plant and production normalising to earlier levels. The company lost production of over 40,000 units (Gurgaon and Manesar) in October.
- A: Mini segment (M800, A-Star, Alto, WagonR) was down 27% yoy at 38,921 units.
- A: Compact – Swift, Estilo, Ritz – sales were down 4% yoy at 22,159 units.
- A: Super Compact – Dzire – sales were up 6% yoy.
- A: Mid-size – SX4 – sales were up 10% yoy at 1,433 units.
- A: Executive – Kizashi (launched in February 2011) – sales were at 162 units.
- C segment – Omni, Eeco – was down 35% yoy at 9,612 units.
- Export sales volume was down 11% yoy (up 115% mom) at 8,902 units.
- Domestic sales were down 19% yoy (up 61% mom) at 82,870 units.

## TVS Motor: Moped sales up 21% yoy, 16% mom

Exhibit 8: TVS Motor November sales up 12% yoy; down 5% mom

Particulars	Nov 10	Nov 11	yoy (%)	Oct 11	mom (%)	YTD FY11	YTD FY12	yoy (%)
Motorcycles	62,995	62,608	(0.6)	75,652	(17.2)	556,590	592,055	6.4
Scooters	36,233	44,301	22.3	47,445	(6.6)	300,734	366,734	21.9
Mopeds	54,654	65,920	20.6	56,909	15.8	459,419	511,299	11.3
Two wheeler	153,882	172,829	12.3	180,006	(4.0)	1,316,743	1,470,088	11.6
Domestic	139,451	150,406	7.9	159,887	(5.9)	1,171,757	1,282,117	9.4
Exports	15,850	24,271	53.1	20,119	20.6	151,829	206,691	36.1
Three wheelers	3,159	2,706	(14.3)	3,712	(27.1)	24,363	29,524	21.2
Total sales	157,041	175,535	11.8	183,718	(4.5)	1,341,106	1,499,612	11.8

Source: Company, BRICS Research

- Total sales at 175,535 units, was up 12% yoy (down 5% mom). Domestic sales were up 8% yoy (down 6% mom) at 150,406 units, while exports grew 53% yoy (21% mom) to 24,271 units. Company mentioned that they are worried about near term of high inflation, fuel prices, interest rates and slowdown in over all economic growth and hence did not want to increase trade stocks. Consequently, billing for the month is lower in order to have lower inventory at dealer levels. The company maintains their annual volume growth target of 15% for FY12.
- Scooter sales were up 22% yoy (down 7% mom) at 44,301 units. Mopeds grew 21% yoy (16% mom) to 65,920 units.
- Motorcycle volume was down 1% yoy and 17% mom at 62,608 units.
- Three wheeler sales volume was down 14% yoy and 27% mom at 2,706 units.

#### BRICS RECOMMENDATION SCALE

<b>BUY:</b>	More than 15% upside
<b>ADD:</b>	Upside up to 15% (between 0% and 15%)
<b>REDUCE:</b>	Downside up to 15% (between 0% and –15%)
<b>SELL:</b>	More than 15% downside

**Head Office:** Sadhana House, 1st Floor, 570, P. B. Marg, Behind Mahindra Tower,  
Worli, Mumbai - 400 018. Tel: (91-22) 6636 0000

**Disclaimer:** This Report/Document has been prepared solely for your information. All reasonable care has been taken to ensure that the information contained herein is not misleading or untrue at the time of publication, but we make no representation as to its accuracy or completeness. All information is for private use of the person to whom it is provided and is not for public distribution and without any liability whatsoever on the part of BRICS Securities Limited, any associated company, or employee thereof (hereinafter collectively referred to as BRICS). This Report/Document shall not be copied, printed, distributed or re-distributed to any person. If you are not the intended recipient of this Report/Document, you should immediately send it to the sender. Nothing contained herein should be construed as an offer to buy or sell or a solicitation of an offer to buy or sell. The value of any investment may fall as well as rise. Past performance is no guide to the future. The rate of exchange between currencies may cause value of investment to increase or diminish; consequently investors may not get back full value of their original investment.

BRICS shall not be liable for any direct or indirect losses arising from action initiated by you on the basis of information provided in this Report/Document and BRICS accepts no responsibility for statements made or any other source of information received by you and you would be doing so at your own risk.

This Report/Document is not directed or intended for distribution to or use by any person or entity who is a US citizen or person resident in US or who is a citizen/resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject BRICS to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to a certain category of investors. Persons in whose possession this presentation may come are required to inform themselves of and to observe such restrictions.

BRICS and our affiliates, officers, directors, and employees, including persons involved in the preparation or issuance of this material, may from time to time have "long" or "short" positions in, act as principal in, and buy or sell the securities or derivatives thereof of companies mentioned herein.