

In September 2008 (October 2007 last year) dealer inventories rose significantly on account of higher primary sales ahead of the festive season. Following which, auto manufacturers dropped sales to level off the inventories. However, sales at the retail level, especially so of two-wheelers have been substantially higher. Amongst two-wheelers, Hero Honda continues to outperform. For Maruti, A3 segment registered robust growth in volumes driven by higher sales of DZire. Although total volumes for Mahindra & Mahindra declined by 11.3% yoy, tractor sales surged by 3.2%. Also Mahindra & Mahindra continues to gain market share in the three-wheeler segment with 11.6% yoy growth. Tata Motors posted yet another disappointing volume numbers with declines across segments except for passenger cars, where volume growth was flat.

Two-wheelers: de-stocking of inventory pile-up leads to decline in primary sales

Two-wheeler companies have posted a decline in October 2008 in primary sales. However, volumes at the retail level were substantially higher driven by the festive season. Hero Honda continues to outperform with only a 3.4% yoy decline as compared to 31% yoy and 9.7% yoy for Bajaj Auto and TVS Motors. In fact, Hero Honda reported its highest ever monthly retail volumes of more than 600,000 units.

Maruti: A3 and MUV segment post robust growth

Maruti reported a 7.1% yoy fall in October 2008 driven by declines across all segments except for A3 and MUVs. Astounding success of DZire model has propelled the sales in the A3 segment by 29.6% yoy, whereas sales of MUVs jumped 46.8% yoy. Sales of Maruti – 800 continue to plunge with a 26.1% yoy fall in the month. Total passenger car volumes declined by 8.3% yoy. Exports were higher by 4% yoy. YTD FY09, total sales increased by 3.7% yoy driven by 37% yoy growth in the A3 category and more than doubling of MUV sales.

Mahindra & Mahindra: strong growth in three-wheelers and tractors

Mahindra & Mahindra reported 11.3% yoy fall in total sales in October 2008. The decline was on account of lower volumes across all segments except three-wheelers and tractors. Mahindra & Mahindra continues to gain market share in the three-wheeler space with 11.6% yoy growth in comparison to 5.8% yoy fall for Bajaj Auto. Exports were down 65.2% yoy. With the inauspicious period of 'Shrada Paksha' affecting tractor volumes in October 2007, tractor sales in October 2008 were higher by 3.2% yoy. YTD FY09, Mahindra & Mahindra reported 8.7% yoy growth in total sales. During the same period, tractor volumes rose by 6.7% yoy.

Tata Motors: declines across segments, passenger car volumes remain flat

Tata Motors reported total volume decline of 19.5% yoy in October 2008. All segments posted decline in volumes except for passenger cars which reported flat volumes. M&HCV volumes nearly halved whereas LCV volumes were down 9.8% yoy. YTD FY09, total volumes for the company was lower by 2.2% yoy. During the same period, LCV volumes were higher 15% yoy and Utility vehicles sales increased 3.8% yoy.

Outlook: Rural demand to remain strong

Bumper Rabi crop along with farm loan waiver are expected to boost the rural demand. Additional fillip to demand (albeit with a lag) can be expected with RBI aggressively cutting rates over the last one month. We believe that two-wheeler manufacturers, especially Hero Honda (50% volumes from rural segment) will post robust growth. Mahindra & Mahindra is also expected to deliver relatively better performance with its tractors and utility vehicles (Bolero) achieving higher penetration in rural areas.

Company valuations

	CMP (Rs)	EPS (Rs)		P/E (x)	
		FY09E	FY10E	FY09E	FY10E
Hero Honda	725	62.6	70.2	11.6	10.3
Bajaj Auto	501	53.2	59.8	9.4	8.4
Maruti	600	58.5	66.8	10.3	9.0
M&M	388	36.6	40.3	10.6	9.6
Tata Motors	190	35.0	43.2	5.4	4.4

Source: India Infoline Research

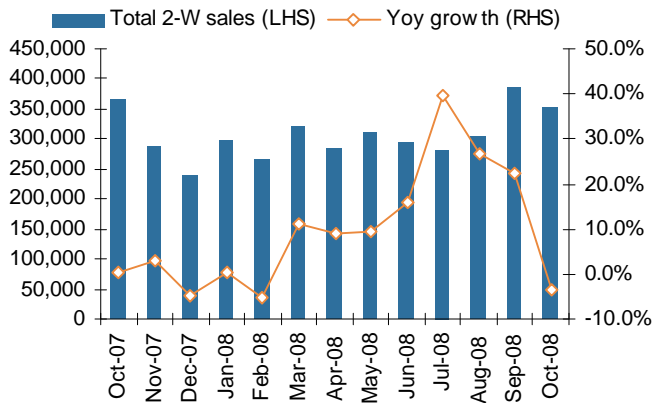
October sales performance

	Oct-08	Oct-07	yoy (%)	Sep-08	mom (%)	YTD FY09	YTD FY08	yoy (%)
Hero Honda								
Total	352,449	365,022	(3.4)	385,262	(8.5)	2,218,788	1,924,508	15.3
Bajaj Auto								
Motorcycles	163,850	248,307	(34.0)	217,365	(24.6)	1,283,958	1,273,865	0.8
Scooter	1,627	1,868	(12.9)	1,129	44.1	8,592	15,777	(45.5)
3-wheeler	26,363	28,001	(5.8)	26,887	(1.9)	159,425	174,218	(8.5)
Total	191,840	278,176	(31.0)	245,381	(21.8)	1,451,975	1,463,860	(0.8)
of which exports	75,092	55,572	35.1	68,572	9.5	459,041	385,292	19.1
TVS Motors								
Motorcycles	59,217	67,752	(12.6)	71,278	(16.9)	401,204	362,766	10.6
Scooters	23,487	28,119	(16.5)	27,108	(13.4)	158,026	173,844	(9.1)
Mopeds	34,397	33,743	1.9	38,860	(11.5)	259,772	236,356	9.9
Total	117,101	129,614	(9.7)	137,246	(14.7)	819,002	772,966	6.0
Maruti								
A1	3,307	4,477	(26.1)	3,467	(4.6)	32,093	39,142	(18.0)
C	6,362	8,110	(21.6)	7,416	(14.2)	47,332	50,194	(5.7)
A2	43,434	47,077	(7.7)	45,621	(4.8)	286,944	280,179	2.4
A3	5,412	4,177	29.6	7,413	(27.0)	40,201	29,351	37.0
Total Passenger cars	58,515	63,841	(8.3)	63,917	(8.5)	406,570	398,866	1.9
MUV	612	417	46.8	765	(20.0)	4,356	2,150	102.6
Domestic	59,127	64,258	(8.0)	64,682	(8.6)	410,926	401,016	2.5
Export	5,363	5,157	4.0	6,318	(15.1)	35,599	29,393	21.1
Total	64,490	69,415	(7.1)	71,000	(9.2)	446,525	430,409	3.7
M&M								
Utility Vehicles	13,935	16,711	(16.6)	16,049	(13.2)	90,306	83,189	8.6
LCV's	615	817	(24.7)	730	(15.8)	6,257	6,290	(0.5)
Logan	1,067	2,214	(51.8)	1,752	(39.1)	10,284	14,716	(30.1)
Total 4-wheelers	15,617	19,742	(20.9)	18,531	(15.7)	106,847	104,195	2.5
3- Wheelers	4,282	3,836	11.6	5,940	(27.9)	30,013	20,289	47.9
Domestic	19,899	23,578	(15.6)	24,471	(18.7)	136,860	124,484	9.9
Exports	383	1,101	(65.2)	946	(59.5)	6,511	6,297	3.4
Total (A)	20,282	24,679	(17.8)	25,417	(20.2)	143,371	130,781	9.6
Tractors								
Domestic	11,001	10,500	4.8	7,601	44.7	60,057	56,212	6.8
Exports	538	686	(21.6)	481	11.9	4,742	4,492	5.6
Total (B)	11,539	11,186	3.2	8,082	42.8	64,799	60,704	6.7
Total (A+B)	31,821	35,865	(11.3)	33,499	(5.0)	208,170	191,485	8.7
Tata Motors								
M&HCV	7,321	13,980	(47.6)	12,721	(42.4)	76,117	82,756	(8.0)
LCV	11,833	13,123	(9.8)	15,927	(25.7)	88,777	77,218	15.0
Utility	2,914	4,010	(27.3)	3,321	(12.3)	24,598	23,707	3.8
Cars	14,100	14,011	0.6	13,265	6.3	90,321	96,791	(6.7)
Total domestic	36,168	45,124	(19.8)	45,234	(20.0)	279,813	280,472	(0.2)
Total exports	3,561	4,230	(15.8)	4,413	(19.3)	25,601	31,832	(19.6)
Total	39,729	49,354	(19.5)	49,647	(20.0)	305,414	312,304	(2.2)

Source: Companies, Bloomberg

Hero Honda

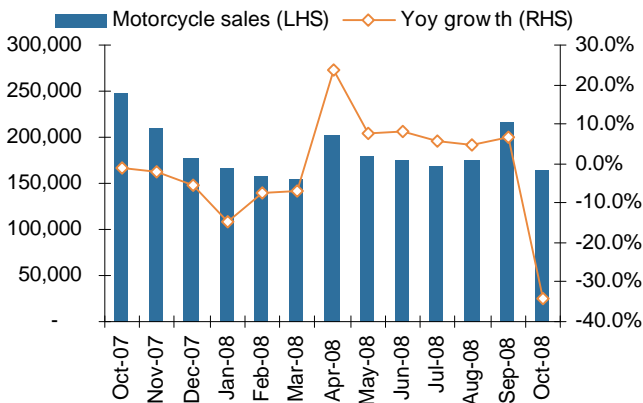
Total 2-wheeler sales trend



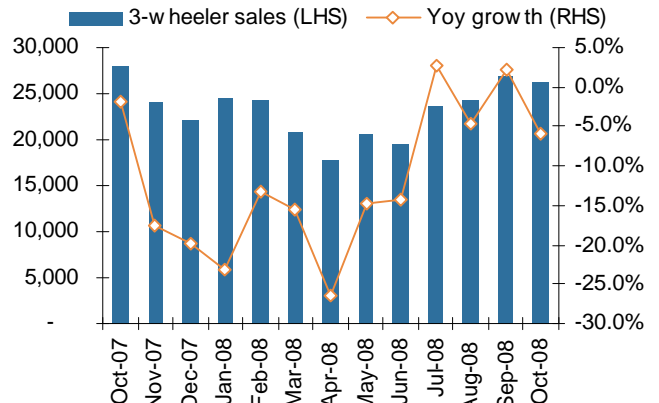
Source: Company

Bajaj Auto

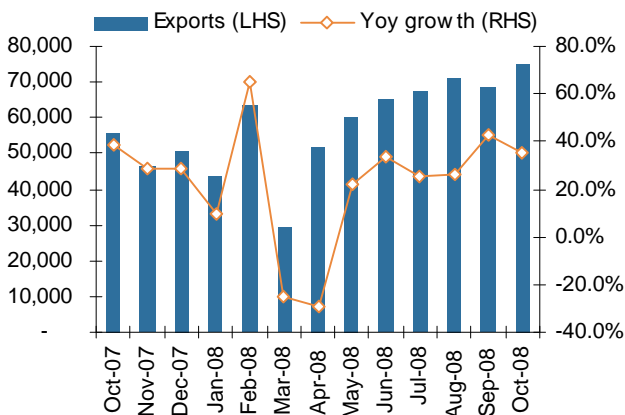
Motorcycle sales trend



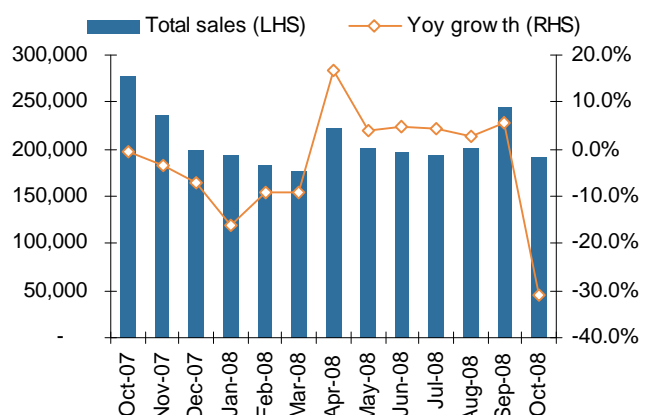
Total 3-wheeler sales trend



Export trend



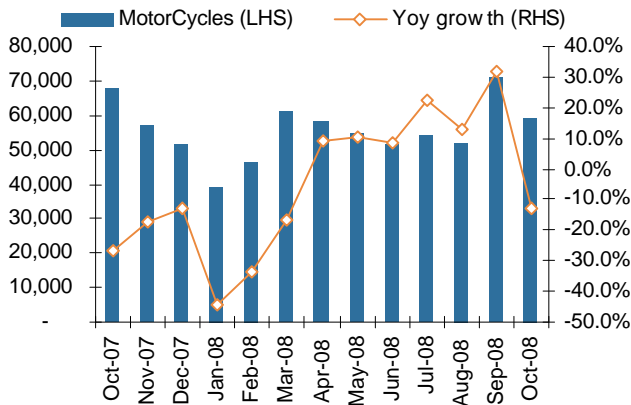
Total sales trend



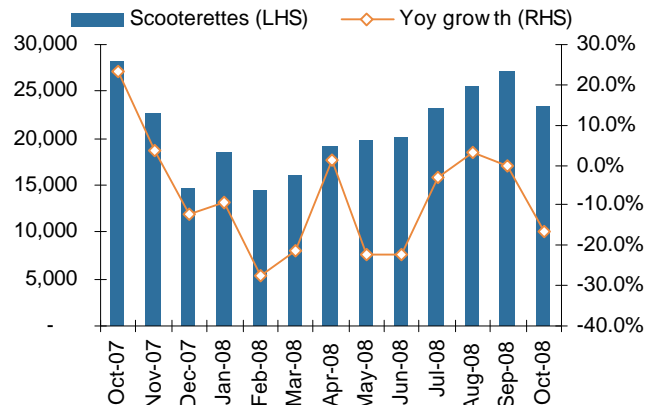
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TVS Motors

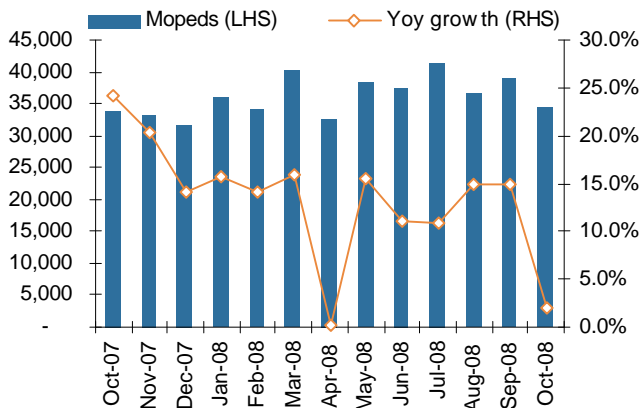
Motorcycle sales trend



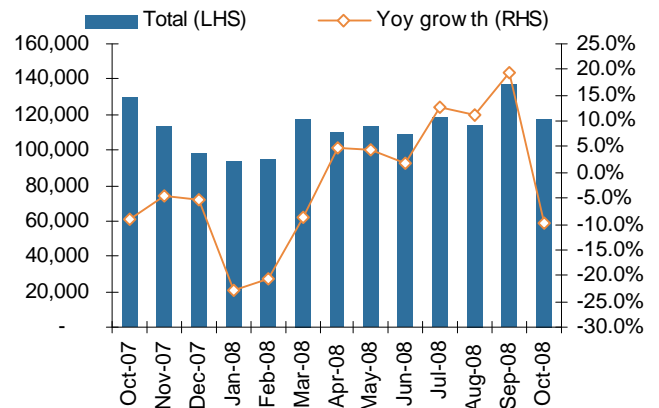
Total scooters sales trend



Mopeds sales trend



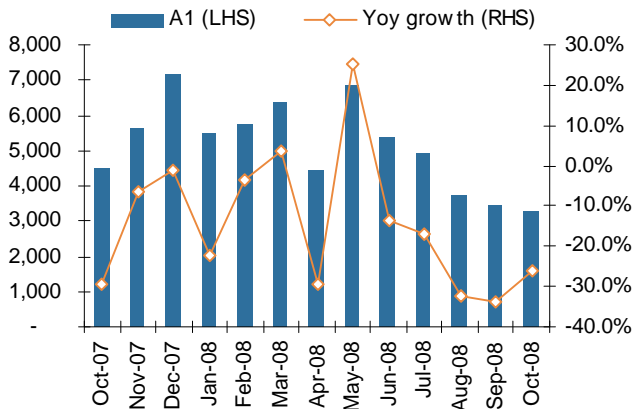
Total sales trend



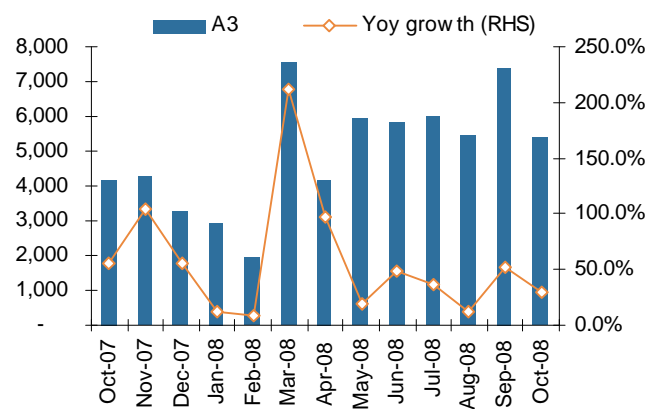
Source: Company

Maruti

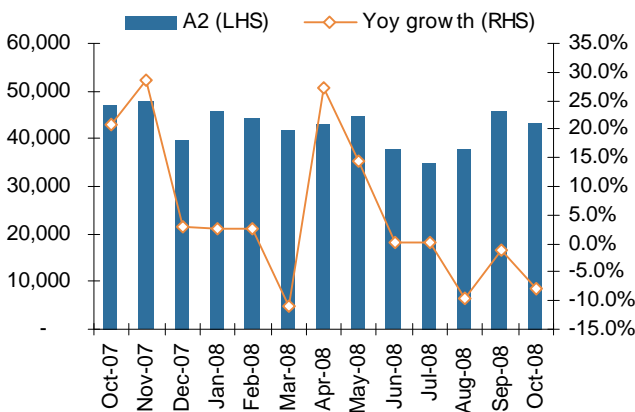
A1 (800) sales trend



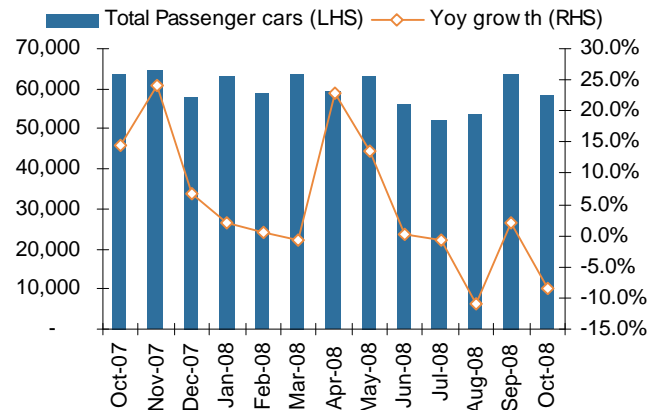
A3 (SX4, DZire, Esteem) sales trend



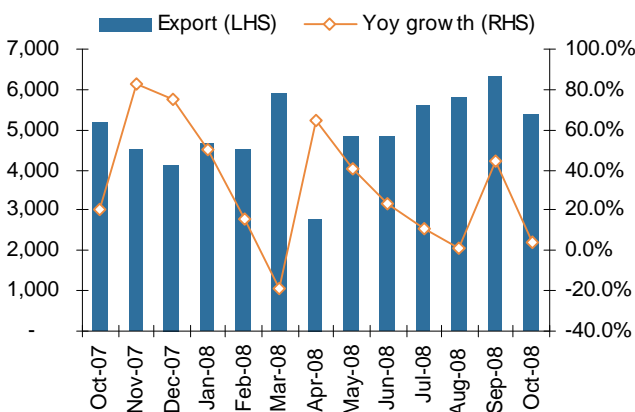
A2 (Alto, Wagon R, Zen, Swift) sales trend



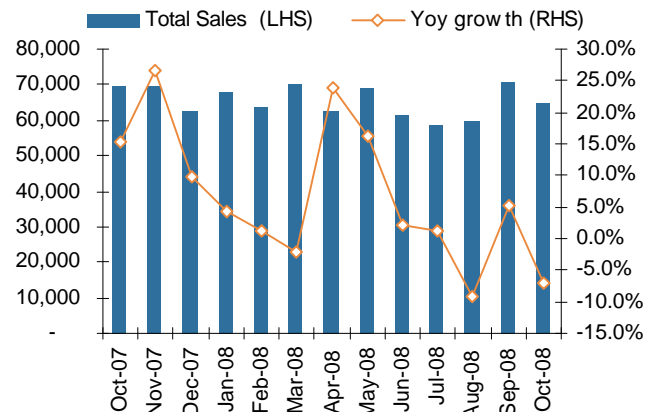
Total passenger car sales trend



Export trend



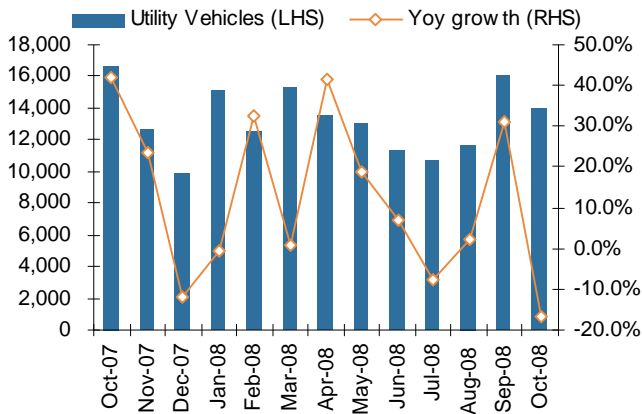
Total sales trend



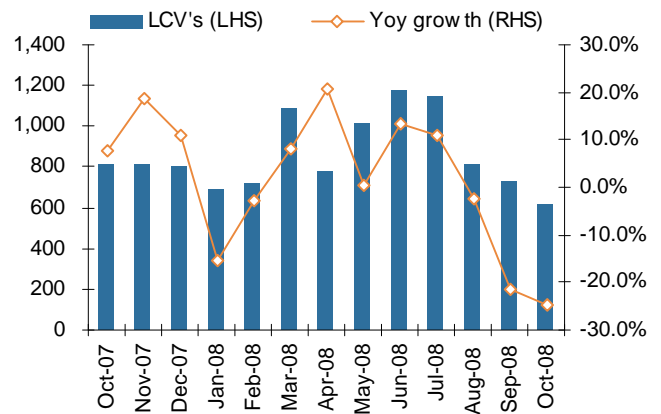
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Mahindra & Mahindra

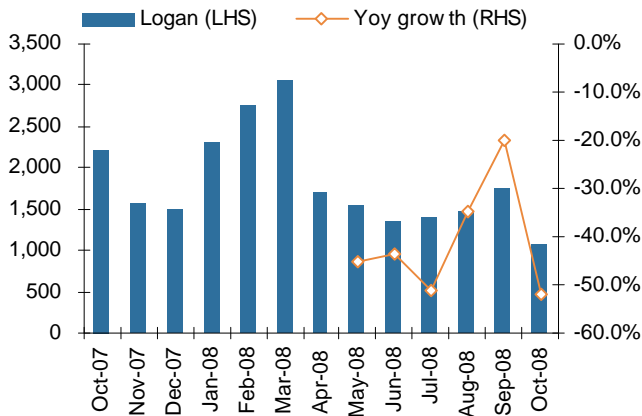
Utility vehicles sales trend



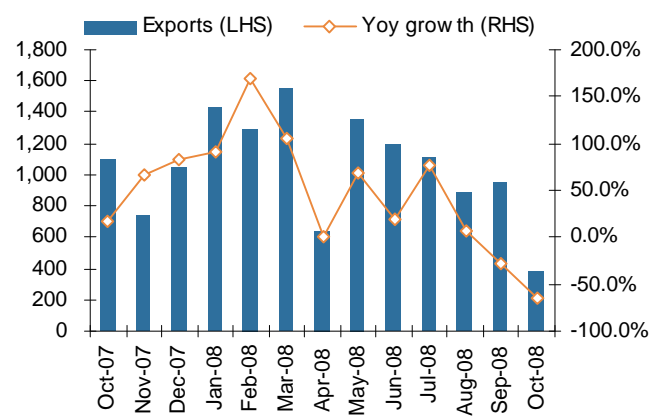
LCVs sales trend



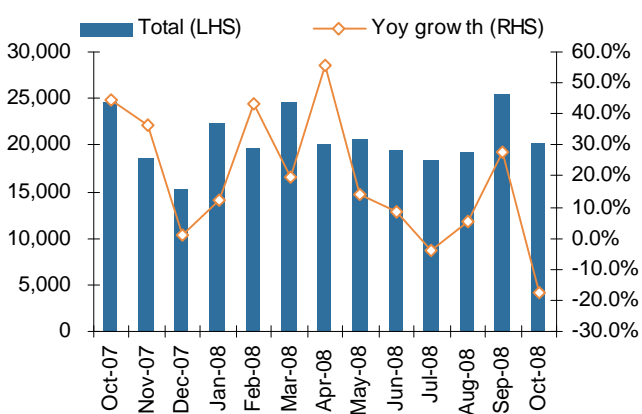
Logan sales trend



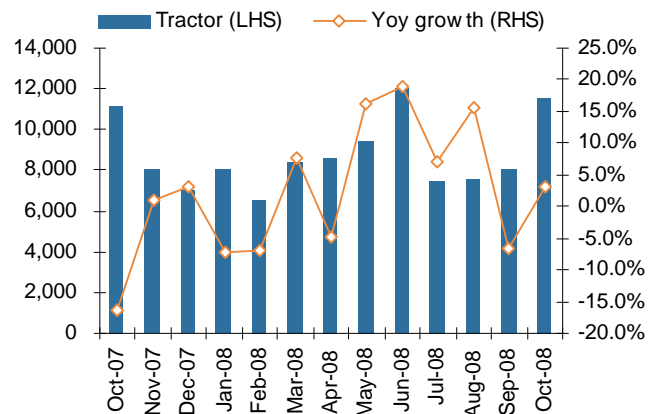
Exports trend



Total sales trend



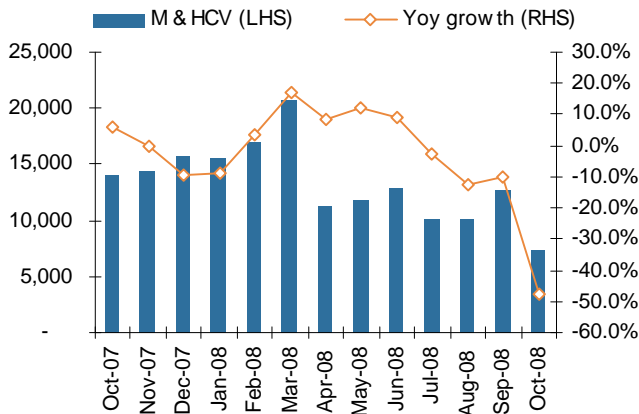
Tractor sales trend



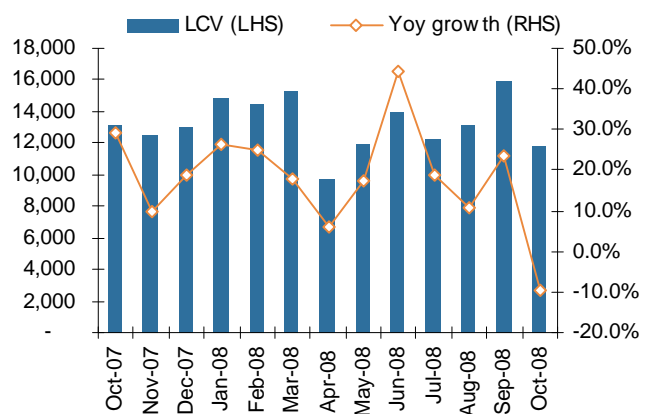
Source: Company

Tata Motors

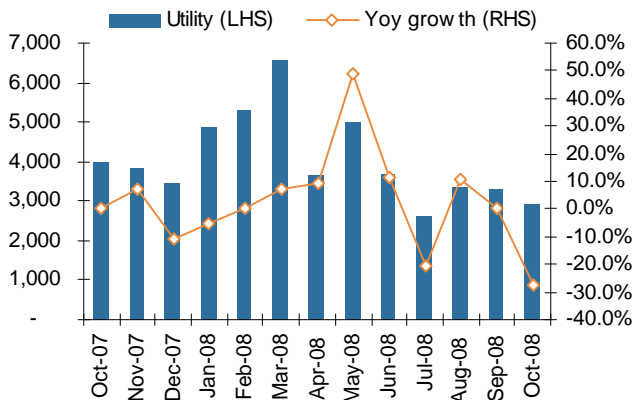
M&HCV domestic sales trend



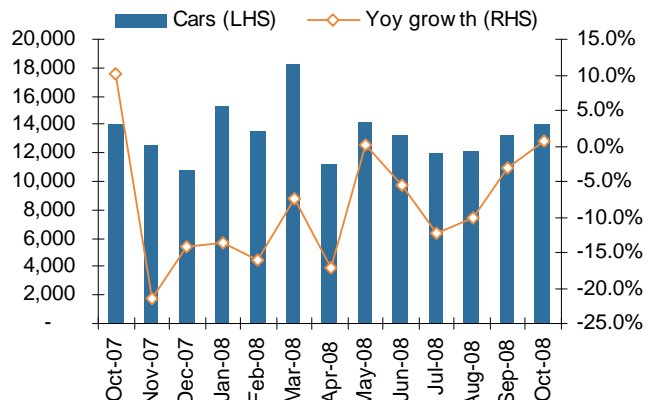
LCV domestic sales trend



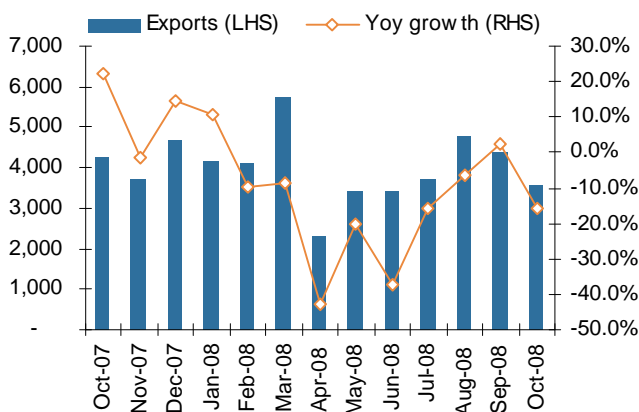
Utility vehicles domestic sales trend



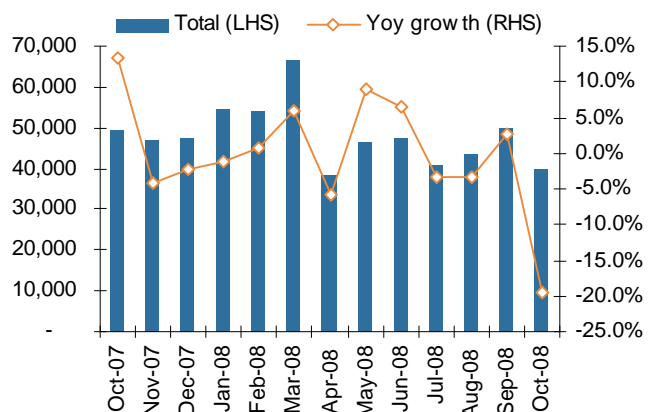
Cars domestic sales trend



Export trend



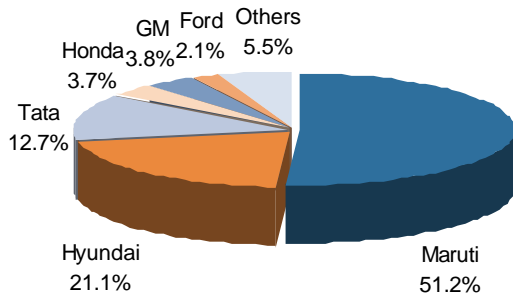
Total sales trend



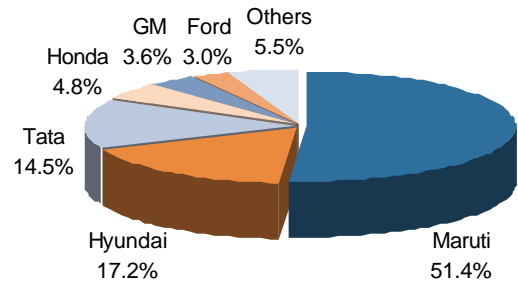
Source: Company

Market share based on cumulative domestic sales April-September

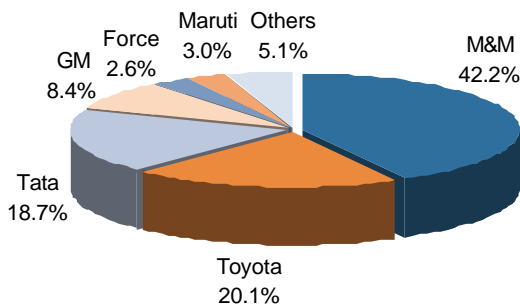
Passenger cars April – Sep 2008



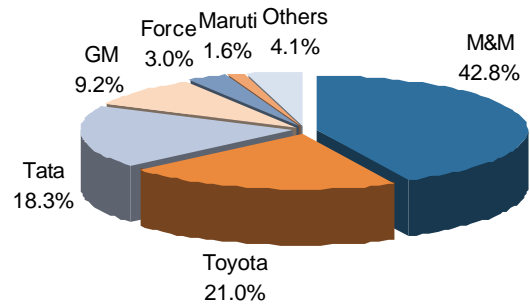
Passenger cars April – Sep 2007



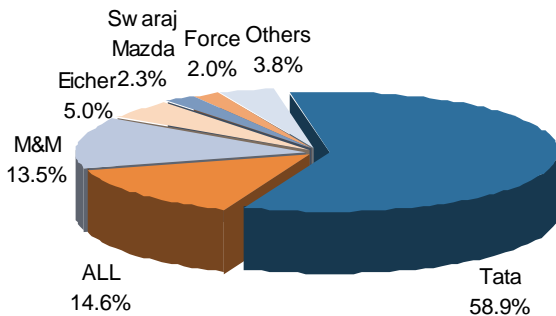
Utility vehicles April – Sep 2008



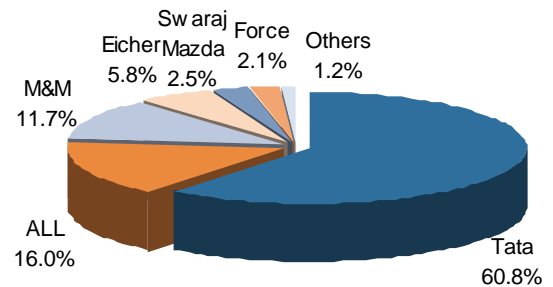
Utility vehicles April – Sep 2007



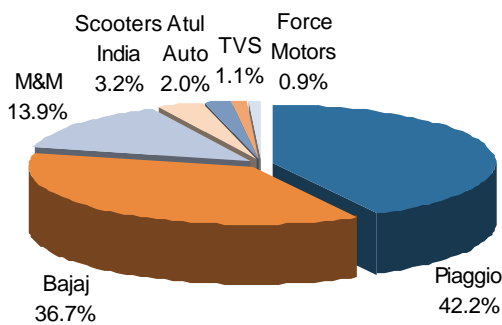
Commercial vehicles April – Sep 2008



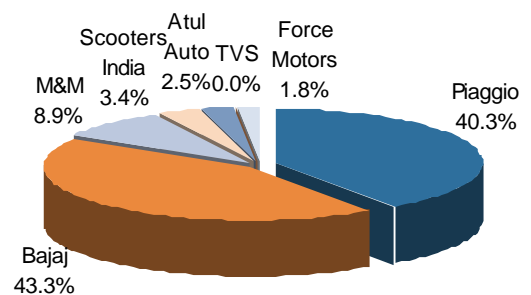
Commercial vehicles April – Sep 2007



Three wheelers April – Sep 2008

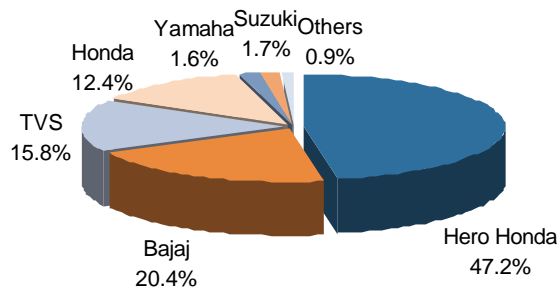


Three wheelers April – Sep 2007

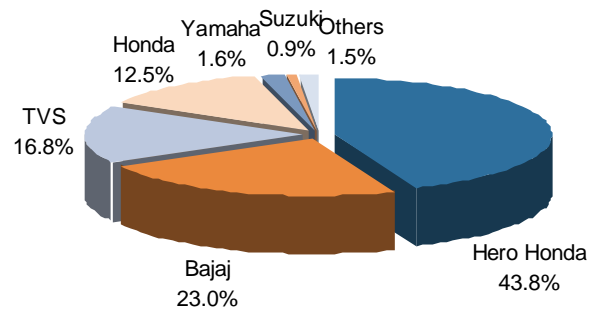


Source: SIAM

Two-wheelers April – Sep 2008



Two-wheelers April – Sep 2007



Source: SIAM

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