

Reason for report: Monthly update

'Speedometer', a monthly product on the automobile sector, comprises relevant themes, industry statistics and analysis of trends.

The auto sector ended CY08 on a subdued note, impacted by the severe credit crunch and deteriorating macro-economic variables. All segments in the sector posted decline in December '08. Passenger vehicle (PV) segment registered volume decline of 3.6% YoY – domestic volumes dipped 13.9% YoY, exports increased 64.6% YoY; three-wheeler segment followed, with 9.8% YoY decline; two-wheeler segment volumes dropped 10.1% YoY – domestic down 15.4% YoY, even as exports grew a strong 32.8% YoY; commercial vehicle (CV) segment was the worst performer, contracting a substantial 58.2% YoY – M/HCVs were down 67.8% YoY, LCVs were down 47.1% YoY. Hero Honda Motors (HHML) and Mahindra & Mahindra (M&M) are our top picks in the sector.

- ▶ **PVs – Muted demand scenario.** PV volumes for December '08 declined 3.6% YoY to 127,670 units, despite strong 64.6% YoY growth in exports to 28,558 units as domestic volumes dropped 13.9% YoY to 99,352 units. Volumes of the compact (B) category rose 12.4% YoY to 87,828 units and those of the mid-size (C) category increased 12.5% YoY to 16,104 units. Among various sub-segments, volumes of UVs & MPVs declined a sharp 46.1% YoY & 20.1% YoY respectively and passenger cars grew 5.2% YoY. YTD FY09, total volume growth for PVs was 4.8%. Maruti Suzuki India (MSIL) posted market share of 52.4% (up 180bps YoY) in December '08, followed by Hyundai Motor India (HMI) at 15.7% (up 440bps YoY) and Tata Motors (TAMO) at 11.8% (down 170bps YoY).
- ▶ **Two-wheelers – Still down.** Two-wheeler volumes dipped 10.1% YoY in December '08 – while domestic volumes were down 15.4% YoY, exports were up a strong 32.8% YoY. In the domestic market, motorcycles were down 23% YoY to 335,820 units, scooters grew a strong 16.5% YoY (ex electric scooters, which grew 28.5% YoY to 1,516 units) and mopeds were up 9.2% YoY; exports volumes of motorcycles grew a robust 36.7% YoY. In motorcycles, HHML's market share rose 690bps YoY to 58.8%; market shares of Bajaj Auto (BAL) and TVS Motor (TVSM) stood at 18.3% (down 13.4pps YoY) and 7.1% (down 180bps YoY) respectively.
- ▶ **CVs – Slipping further.** CV volumes dipped 58.2% YoY to 20,282 units in December '08, led by sharp 67.8% YoY decline in M/HCVs to 8,379 units and LCVs posting 47.1% YoY decline to 11,903 units. TAMO maintained leadership in CVs (M/HCVs: up 420bps YoY to 69.6%; LCVs: up 420bps to 65.8%), followed by Ashok Leyland (ALL) in M/HCVs (down 270bps YoY to 20.1%) and M&M in LCVs (up 210bps YoY to 24%).

December '08 volumes – Decline persists

Segment	% change		Sub-segment	% change		Market share	
	(YoY)	(MoM)		(YoY)	(MoM)	Gainers	Losers
PVs	(3.6)	(5.1)	Cars	5.2	(6.1)	MSIL, HMI	TAMO
			UVs	(45.3)	(10.0)	M&M	TAMO, Toyota
			MPVs	(20.1)	23.4	TAMO	MSIL
Two-wheelers	(10.1)	(15.9)	Motorcycles	(15.2)	(17.8)	HHML, HMSI	BAL, TVSM
			Scooters*	15.2	(11.6)	HMSI, HHML	TVSM
			Mopeds	6.7	(1.7)	TVSM	-
CVs	(58.2)	(13.2)	M/HCVs	(67.8)	(11.1)	TAMO	ALL, Eicher
			LCVs	(47.1)	(14.7)	TAMO, M&M	Eicher
Three-wheelers	(9.8)	(16.5)	Passenger	3.7	(16.8)	M&M	BAL, Piaggio
			Goods	(53.3)	(14.6)	Piaggio, M&M	BAL

* Including electric-scooter volumes

Automobiles

Ashok Leyland
SELL (Rs15)

Bajaj Auto
HOLD (Rs435)

Bharat Forge
HOLD (Rs79)

Hero Honda Motors
BUY (Rs809)

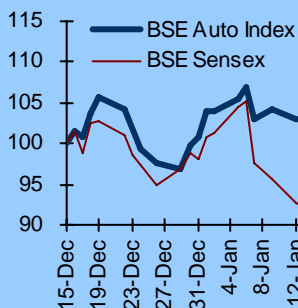
Mahindra & Mahindra
BUY (Rs306)

Maruti Suzuki
HOLD (Rs588)

Punjab Tractors
HOLD (Rs95)

TVS Motor Company
SELL (Rs17)

Auto Index vs Sensex



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December '08 volumes – Decline persists

PVs – Muted demand scenario

PVs continued to be impacted by the credit crunch, resulting in volume decline in the domestic sector. Total volumes for December '08 declined 3.6% YoY to 127,670 units, despite strong 64.6% YoY growth in exports to 28,558 units even as domestic volumes declined a sharp 13.9% YoY to 99,352 units. Among various players, volumes of: i) MSIL declined 10% YoY to 56,293 units, ii) HMI rose 56.1% YoY on the back of strong 2x YoY growth in exports to 22,900 units and 19.3% YoY growth in domestic volume due to launch of *i-20* in domestic markets, and iii) TAMO registered 27.7% YoY decline to 12,123 units with sharp 63.8% YoY degrowth in UV sub-segment volumes, further dragging down volumes. Overall volumes of the compact (B) category improved 12.4% YoY to 87,828 units and those for the mid-size (C) category increased 12.5% YoY to 16,104 units. Among various sub-segments, volumes of UVs declined a sharp 46.1% YoY, MPVs declined 20.1% YoY and passenger cars improved 5.2% YoY. YTD FY09, PVs posted total volume growth of 7.7%.

Segment-wise car sales

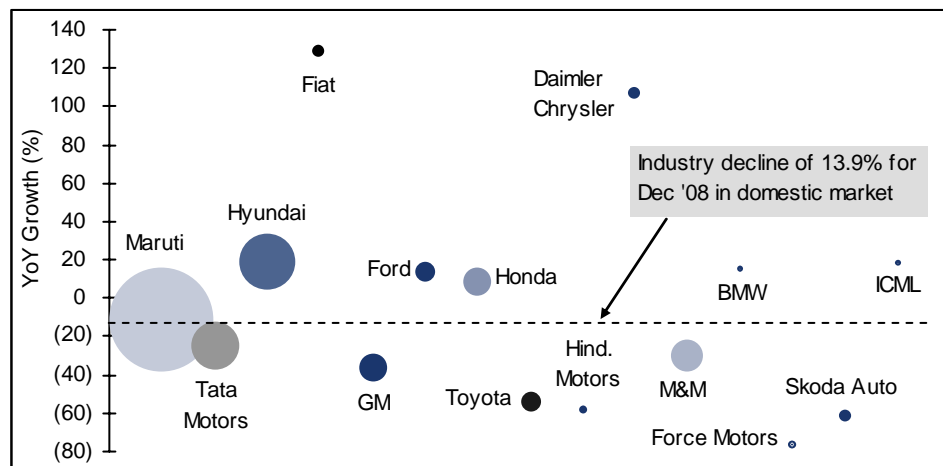
(No of units)

Model	December volumes	% chg (YoY)
A – Mini	4,101	(53.5)
B – Compact	87,828	12.4
C – Mid size	16,104	12.5
D – Executive	1,943	(40.7)
E – Premium	483	(1.0)
F – Luxury	45	(23.7)

Source: SIAM, I-Sec Research

- Winners and losers.** MSIL maintained market share leadership with 52.4% (up 180bps YoY), followed by HMI at 15.7% (up 440bps YoY) and TAMO at 11.8%. Among other players, Honda Motors gained market share of 80bps YoY to 3.7% with successful launch of *City* clocking-in volumes of 4,359 units in the month.

Chart 1: PVs – HMI gains



Source: Society of Indian Automobile Manufacturers (SIAM), I-Sec Research

- MSIL's** volumes remained under pressure in December '08, with total volumes declining 10% YoY to 56,293 units on account of 10.9% YoY dip in domestic volumes to 52,029 units; exports rose 3.6% YoY to 4,264 units. Weak macroeconomic environment, tight financing conditions and higher interest rates continue to affect passenger car sales, although performance has improved MoM. As regards domestic volumes: i) A1 segment (*M800*) volumes sharply declined 59.6% YoY to 2,907 units. YTD FY09, A1 segment volumes declined 28.2% YoY to 37,307 units ii) A2 segment (*Alto, Wagon-R, Zen Estilo, Swift, A-Star*) declined 6.9% YoY to 36,831 units iii) A3 segment (*SX4, Swift Dzire*) posted strong growth of 98.2% YoY to 6,524 units on account of strong demand pull for both *SX4* and *Swift Dzire* (diesel variant still running waitlist) iv) MUV segment (*Gypsy, Grand*

Vitara) volumes improved 34.1% YoY to 417 units v) C Segment (Omni, Versa) volumes declined 33.4% YoY to 5,350 units. MSIL gained 180bps YoY market share in PVs to 52.4% while maintaining market share in the passenger car sub-segment at 56.3% (marginally down 40bps YoY). YTDFY09; exports surged 18.1% YoY to 44,870 units.

- **HMI** posted a strong 56.1% YoY rise in volumes to 38,502 units, led by 2x YoY increase in exports to 22,900 units and 19.3% YoY improvement in domestic volumes to 15,602 units due to launch-volumes of *i-20* kicking in. The company saw market share gain of 420bps YoY to 19% in the passenger car segment.
- **TAMO** posted a sharp 27.7% YoY decline in total volumes to 12,123 units, led by 25.1% YoY degrowth in the domestic market and exports declining 62.1% YoY to 434 units. Among various sub-segments, UV volumes crashed 63.8% YoY to 1,442 units on account of the credit financing issue; passenger car volumes declined 24.7% YoY, while MPV volumes were buoyant, increasing 75.2% YoY to 1,857 units. TAMO lost overall market share of 170bps YoY to 11.8%.

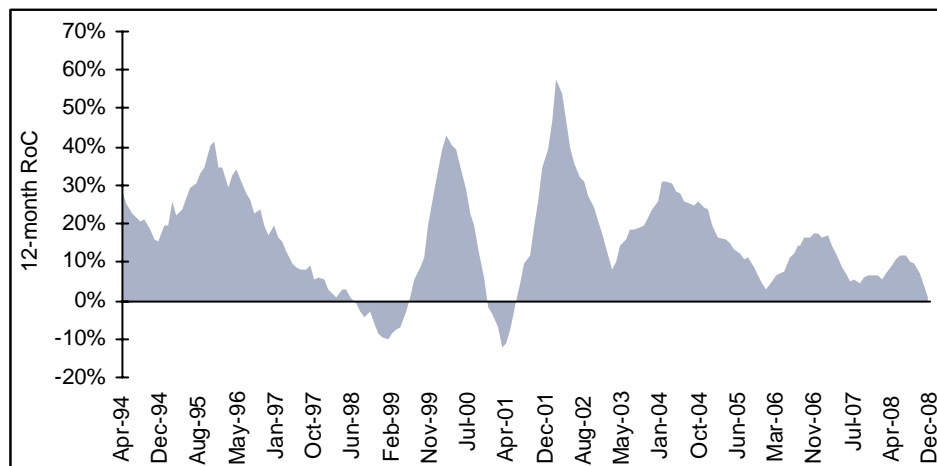
Table 1: PVs – December '08 volumes

(No of units)

Company	Domestic sales				Mkt share (%)		Exports				Total			
	Dec-08	Gr.%	YTDFY09	Gr.%	Dec-08	Dec-07	Dec-08	Gr.%	YTDFY09	Gr.%	Dec-08	Gr.%	YTDFY09	Gr.%
Maruti	52,029	(10.9)	510,659	(2.7)	52.4	50.6	4,264	3.6	44,869	18.1	56,293	(10.0)	555,528	(1.3)
Tata Motors	11,689	(25.1)	161,104	2.3	11.8	13.5	434	(62.1)	6,183	(47.2)	12,123	(27.7)	167,287	(1.1)
Hyundai	15,602	19.3	177,095	19.5	15.7	11.3	22,900	97.7	198,700	100.6	38,502	56.1	375,795	52.0
Fiat	350	128.8	3,408	37.9	0.4	0.1	180	N.A	358	N.A	530	246.4	3,766	52.3
GM	4,041	(35.9)	47,786	(1.7)	4.1	5.5	0	N.A	0	N.A	4,041	(35.9)	47,786	(1.7)
Ford	2,232	13.9	20,257	(20.8)	2.2	1.7	250	(30.7)	380	(78.3)	2,482	7.0	20,637	(24.5)
Honda	3,668	9.1	33,700	(20.5)	3.7	2.9	9	125.0	46	91.7	3,677	9.2	33,746	(20.4)
Toyota	1,989	(54.0)	37,522	(6.5)	2.0	3.7	0	(100.0)	0	(100.0)	1,989	(54.1)	37,522	(6.5)
Hind. Motors	370	(58.4)	7,041	(24.3)	0.4	0.8	0	N.A	0	N.A	370	(58.4)	7,041	(24.3)
Daimler Chrysler	339	106.7	2,395	45.8	0.3	0.1	0	N.A	0	N.A	339	106.7	2,395	45.8
M&M	5,678	(29.6)	82,877	(9.1)	5.7	7.0	515	308.7	3,339	60.0	6,193	(24.4)	86,216	(7.6)
BMW	203	14.7	2,046	57.0	0.2	0.2	0	N.A	0	N.A	203	14.7	2,046	57.0
Force Motors	160	(77.3)	3,877	(30.2)	0.2	0.6	6	N.A	38	(2.6)	166	(76.4)	3,915	(30.0)
Skoda Auto	732	(61.5)	11,309	21.5	0.7	1.6	0	N.A	0	N.A	732	(61.5)	11,309	21.5
ICML	270	17.9	2,888	216.7	0.3	0.2	0	N.A	24	N.A	30	(45.5)	214	146.0
Total	99,352	(13.9)	1,103,964	(0.4)	100.0	100.0	28,558	64.6	253,937	66.3	127,670	(3.6)	1,355,203	7.5

Source: SIAM, I-Sec Research

Chart 2: PVs – 12-month RoC



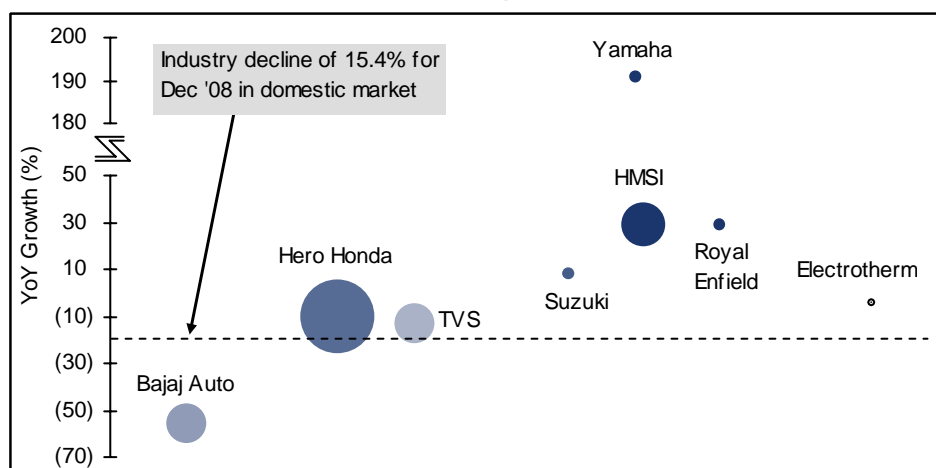
Source: SIAM, I-Sec Research

Two-wheelers – Still down

Two-wheeler volumes continued to be impacted in December '08 on account of liquidity crunch affecting credit financing and lower dispatches on account of subdued interest at year end. This led to two-wheeler volumes declining 10.1% YoY to 552,058 units in December '08; the volume decline was mainly on account of 15.4% fall in domestic volumes, even as exports grew 32.8% YoY to 90,756 units. Amongst various sub-segments in the domestic market, motorcycles were down 23% YoY to 335,820 units; while scooters bucked the trend with 16.5% YoY growth to 90,247 units (ex electric scooters, which increased 28.5% YoY to 1,516 units) and mopeds improved 9.2% YoY to 33,719 units. Exports volumes of motorcycles grew a robust 36.7% YoY to 88,998 units.

- Winners and losers.** In the motorcycles sub-segment, HHML gained market share of 690bps YoY to 58.8%, BAL lost 13.4 percentage points (pps) YoY to 18.3% and TVSM lost 180bps YoY to 7.1%. In the scooters sub-segment, HMSI maintained leadership, with 62.3% market share (up 140bps YoY), followed by TVSM at 16% (down 200bps YoY) and HHML at 13.7% (up 300bps YoY).

Chart 3: Two-wheelers –HHML, HMSI gain



Source: SIAM, I-Sec Research

- HHML – Volume decline; pick up expected in Q4FY09.** HHML's volumes declined 10.2% YoY to 215,931 units in December '08, after continued volume growth. The company has benefited from product launches, strong brand pull and less dependence on financing. Motorcycle segment posted 12.3% YoY volume decline, whereas scooters' volumes increased sharply 44.9% YoY to 12,475 units. The company further extended market share in both motorcycles (up 670bps YoY to 58.8%) and scooters (up 300bps YoY to 13.7%) sub-segments. YTD FY09, the company posted 11.1% growth in two-wheeler volumes, outperforming industry growth of 4.8%.
- BAL – Volume slide continues.** BAL's two-wheeler volumes fell a substantial 32.7% YoY to 119,215 units in December '08 owing to 32.8% YoY dip in motorcycle volumes and 12.7% YoY decline in scooter volumes to 705 units. On account of ongoing liquidity tightening and inventory correction, domestic growth was significantly affected, although overall exports growth remained strong at 48.5% YoY to 57,172 units. The company lost market share in both sub segments – 13.4pps YoY drop to 18.3% in motorcycles (domestic volumes down 55.4% YoY) and 30bps fall to 0.6% in scooters (down 29.3% YoY). YTD FY09, total two-wheeler volumes were down 8%.

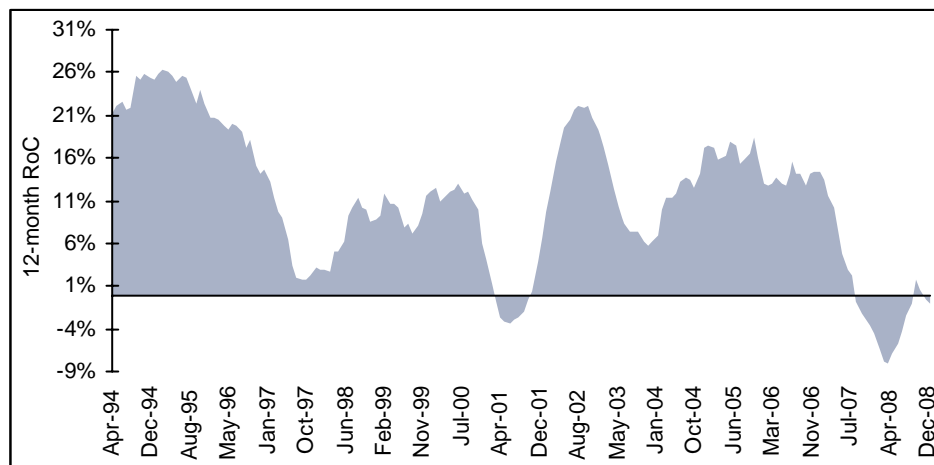
- **TVSM – Restricting the decline.** TVSM's volumes declined 8.5% YoY to 89,285 units due to 21.9% YoY dip in motorcycle volumes, flat scooter volumes (down 0.3% YoY), even as moped volumes grew 8.2% YoY. Exports continued to be robust, increasing 17.6% YoY to 16,930 units – exports growth was led by 29.5% YoY growth in motorcycles volumes. The company lost market share of 180bps YoY to 7.1% in motorcycles and 200bps YoY to 16% in scooters.
- **HMSI** posted a strong 32.3% YoY increase in volumes to 93,933 units in December '08 on account of 29.1% YoY growth in domestic volumes and 95.1% YoY surge in exports to 6,739 units. Among various sub-segments, motorcycles grew a robust 61.4% YoY to 37,054 units and scooter volumes grew 18.4% YoY to 56,879 units. The company posted healthy market share gain in motorcycles (up 450bps YoY to 9.2%) and scooters (up 140bps YoY to 62.3%).

Table 2: Two-wheelers – December '08 volumes

Company (No of units)	Domestic sales				Mkt share (%)		Exports				Total			
	Dec-08	Gr.%	YTDFY09	Gr.%	Dec-08	Dec-07	Dec-08	Gr.%	YTDFY09	Gr.%	Dec-08	Gr.%	YTDFY09	Gr.%
Scooters														
Bajaj Auto	497	(29.3)	8,373	(53.7)	0.6	0.9	208	98	1,664	667	705	(12.7)	10,037	(45.2)
Kinetic Motor	0	N.A	5,552	(77.2)	0.0	4.0	0	N.A	334	(84.2)	0	N.A	5,886	(77.8)
TVS Motor	14,413	3.2	181,433	(10.7)	16.0	18.0	108	(82.1)	7,971	3.3	14,521	(0.3)	189,404	(10.2)
HMSI	56,186	19.1	503,363	9.1	62.3	60.9	693	(22.1)	8,125	(1.2)	56,879	18.4	511,488	9.0
Hero Honda	12,363	49.4	104,320	31.5	13.7	10.7	112	(66.7)	2,401	78.6	12,475	44.9	106,721	32.3
Suzuki Motor	6,788	57.7	59,227	524.4	7.5	5.6	0	N.A	89	N.A	6,788	57.7	59,316	525.4
Total	90,247	16.5	862,268	8.4	100.0	100.0	1,121	(43.5)	20,584	4.9	91,368	15.0	882,852	8.3
Motorcycles														
Bajaj Auto	61,546	(55.4)	1,026,800	(21.1)	18.3	31.7	56,964	48.1	507,349	41.6	118,510	(32.8)	1,534,149	(7.6)
Kinetic Motor	0	N.A	238	(88.2)	0.0	0.0	0	N.A	866	(52.5)	0	N.A	1,104	(71.2)
Hero Honda	197,364	(12.7)	2,555,903	10.5	58.8	51.9	6,092	4.7	61,521	5.1	203,456	(12.3)	2,617,424	10.3
TVS Motor	23,832	(38.5)	353,784	(9.3)	7.1	8.9	16,225	29.5	132,753	63.9	40,057	(21.9)	486,537	3.3
Yamaha	16,041	190.7	114,433	27.1	4.8	1.3	3,603	(33.4)	31,981	(34.6)	19,644	79.7	146,414	5.4
HMSI	30,978	52.1	251,329	35.2	9.2	4.7	6,076	135.5	30,057	61.7	37,054	61.4	281,386	37.6
Suzuki	2,021	(47.6)	35,248	(23.5)	0.6	0.9	0	N.A	90	(33.3)	2,021	(47.6)	35,338	(23.5)
Royal Enfield	4,038	28.6	31,148	21.5	1.2	0.7	38	(59.1)	1,418	(35.0)	4,076	26.1	32,566	17.1
Total	335,820	(23.0)	4,368,883	0.3	100.0	100.0	88,998	36.7	766,035	34.5	424,818	(15.2)	5,134,918	4.3
Mopeds														
Kinetic Motor	0	N.A	1,487	(82.6)	0.0	1.3	0	N.A	260	(76.3)	0	N.A	1,747	(81.9)
Majestic Auto	0	N.A	0	N.A	0.0	0.1	0	N.A	0	N.A	0	N.A	0	N.A
TVS Motor	33,719	10.8	317,740	9.0	100.0	98.6	597	(53.1)	5,751	(40.1)	34,316	8.2	323,491	7.4
Total	33,719	9.2	319,227	5.0	100.0	100.0	597	(53.1)	6,011	(60.5)	34,316	6.7	325,238	1.9
Electric 2-Ws														
Electrotherm	1,125	(4.7)	13,434	(4.8)	74.2	100.0	40	N.A	40	N.A	1,165	(1.3)	13,474	(4.5)
TVS Motor	391	N.A	7,292	N.A	25.8	0.0	0	N.A	0	N.A	391	N.A	7,292	N.A
Total	1,516	28.5	20,726	46.9	100.0	100.0	40	N.A	40	N.A	1,556	31.9	20,766	47.2
Total 2-Ws	461,302	(15.4)	5,571,104	1.9			90,756	32.8	792,670	31.2	552,058	(10.1)	6,363,774	4.8

Source: SIAM, I-Sec Research

Chart 4: Two-wheelers – 12-month RoC



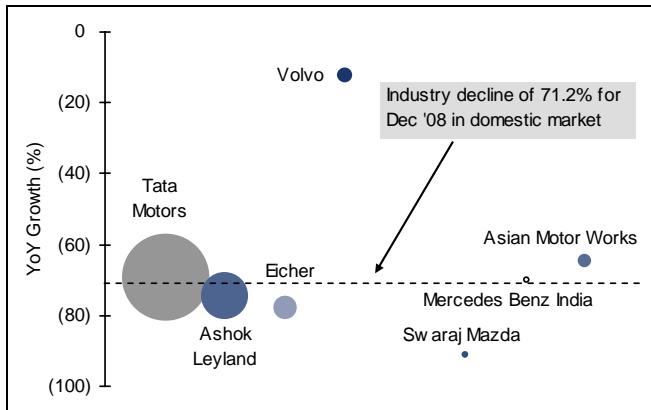
Source: SIAM, I-Sec Research

CVs – Slipping further

CV volumes for December '08 posted a strong decline of 58.2% YoY to 20,282 units, led by a steep 67.8% YoY dip in M/HCVs to 8,379 units and 47.1% YoY drop in LCVs to 11,903 units. The steep decline in volume was owing to the liquidity crunch (affecting the heavily finance-dependent CV market) and slowdown in demand due to overall deceleration of economic activity. M/HCVs' domestic volumes corrected a sharp 71.2% YoY to 6,914 units (passenger and goods categories dipped 32.8% YoY and 76.7% YoY respectively) and exports declined 27.1% YoY to 1,465 units and posting decline in both goods and passenger categories. Among LCVs, domestic volumes declined 42% YoY and exports sharply dipped 74.6% to 897 units.

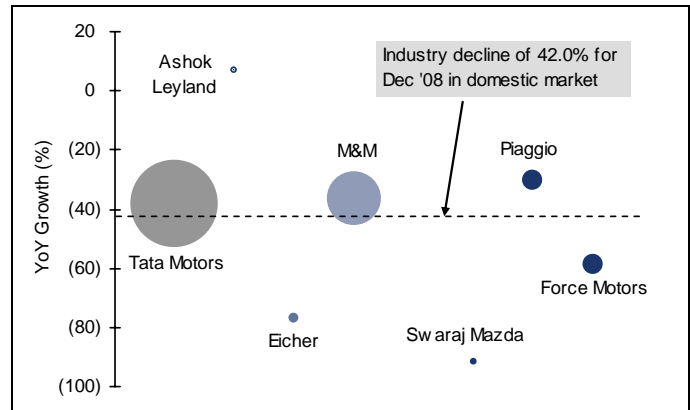
- **Winners and losers.** TAMO maintained leadership in CVs, gaining market share of 420bps YoY to 69.6% in M/HCVs and of 420bps YoY in LCVs to 65.8%. ALL maintained the #2 position in M/HCVs, albeit losing 270bps YoY market share to 20.1%. Within the LCV segment, M&M gained 210bps YoY market share to 24% and the new entrant, Piaggio, gained 70bps YoY market share to 4.1%.

Chart 5: M/HCVs – TAMO, Volvo gains



Source: SIAM, I-Sec Research

Chart 6: LCVs – TAMO, M&M stay ahead



Source: SIAM, I-Sec Research

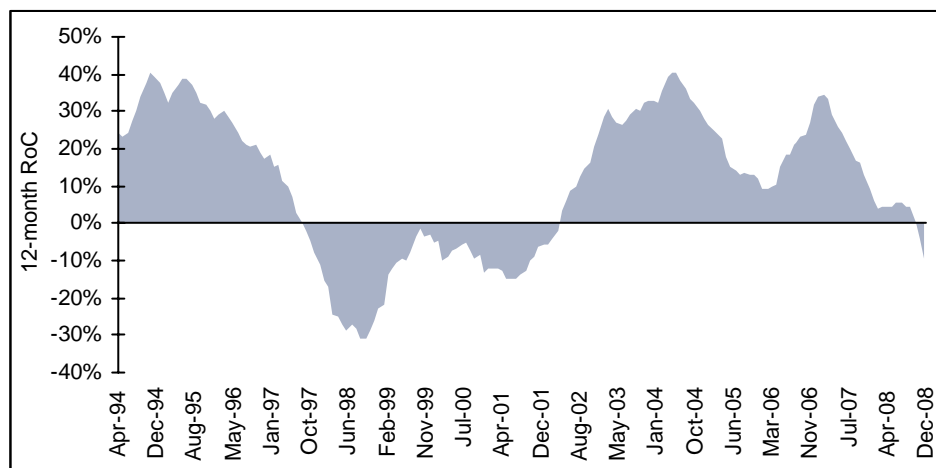
- **TAMO** posted 58.1% YoY decline in total CV volumes in December '08 to 12,944 units, led by 55.9% YoY drop in domestic volumes to 12,053 units and 74.9% YoY dip in exports to 891 units. M/HCV volumes declined 68.7% YoY to 5,249 units – the goods category saw dip of 74.5% YoY and the passenger category declined 16.5% YoY. However, the company gained 420bps YoY market share to 69.6%. While TAMO saw 45.6% YoY decline to 7,695 units in LCV volumes, it gained 420bps YoY market share to 65.8% in the sub-segment.
- **ALL's** total CV volumes declined 63.4% YoY to 2,321 units on account of sharp 74.1% YoY dip in domestic volumes, while exports increased 5.8% YoY to 901 units. ALL posted 37.7% YoY decline in volume to 1,211 units in the M/HCV passenger category and a strong 75.6% YoY drop in goods volumes to 1,061 units. The company lost 270bps YoY market share to 20.1% in M/HCVs. YTD FY09, ALL posted 22% decline in volumes, led by 27.2% drop in the M/HCV goods category and 11.8% decline in the M/HCV passenger category.
- **M&M's** LCV volumes declined 42.6% YoY to 2,915 units, led by 36.4% YoY dip in domestic volumes and a strong 70.3% YoY fall in exports to 274 units. The company, however, gained 210bps YoY market share to 24% in LCVs. YTD FY09, M&M posted 1.2% YoY decline to 45,669 units in the LCV sub-segment.

Table 3: CVs – December '08 volumes

(No of units)

Company	Domestic sales				Mkt. share (%)		Exports				Total			
	Dec-08	Gr.%	YTD FY09	Gr.%	Dec-08	Dec-07	Dec-08	Gr.%	YTD FY09	Gr.%	Dec-08	Gr.%	YTD FY09	Gr.%
M/HCVs														
Tata Motors	4,811	(69.3)	86,720	(23.2)	69.6	65.4	438	(59.9)	7,226	(27.2)	5,249	(68.7)	93,946	(23.5)
Ashok Leyland	1,390	(74.5)	38,158	(24.9)	20.1	22.8	882	6.0	4,899	3.4	2,272	(63.9)	43,057	(22.5)
Eicher	396	(77.7)	10,354	(35.1)	5.7	7.4	145	339.4	722	4.0	541	(70.1)	11,076	(33.4)
Volvo	116	(12.1)	1,076	48.4	1.7	0.6	0	N.A.	356	N.A.	116	(12.1)	1,432	97.5
Tatra	0	N.A.	3	(90.6)	0.0	0.0	0	N.A.	0	N.A.	0	N.A.	3	(90.6)
Swaraj Mazda	45	(90.8)	2,941	(34.2)	0.7	2.0	0	(100.0)	173	(58.6)	45	(91.7)	3,114	(36.3)
Mercedes Benz India	20	(70.1)	176	23.9	0.3	0.3	0	N.A.	0	N.A.	20	(70.1)	176	23.9
Asia Motor Works	136	(64.7)	2,691	27.3	2.0	1.6	0	N.A.	0	N.A.	136	(64.7)	2,691	27.3
Total	6,914	(71.2)	142,119	(24.0)	100.0	100.0	1,465	(27.1)	13,376	(15.2)	8,379	(67.8)	155,495	(23.4)
LCVs														
Tata Motors	7,242	(38.0)	86,047	(10.0)	65.8	61.6	453	(81.6)	15,590	(16.3)	7,695	(45.6)	101,637	(11.0)
Ashok Leyland	30	7.1	352	(6.6)	0.3	0.1	19	(5.0)	248	217.9	49	2.1	600	31.9
Eicher	106	(76.9)	2,893	(22.7)	1.0	2.4	101	6.3	930	34.6	207	(62.6)	3,823	(13.7)
M&M	2,641	(36.4)	40,424	0.4	24.0	21.9	274	(70.3)	5,245	(12.2)	2,915	(42.6)	45,669	(1.2)
Hind Motors	0	N.A.	4	(90.2)	0.0	0.0	0	N.A.	0	N.A.	0	N.A.	4	(90.2)
Swaraj Mazda	76	(91.6)	2,674	(25.8)	0.7	4.7	29	625.0	323	188.4	105	(88.4)	2,997	(19.3)
Piaggio	454	(30.3)	7,230	180.8	4.1	3.4	1	N.A.	49	2,350	455	(30.1)	7,279	182.5
Force Motors	457	(58.4)	6,060	(21.9)	4.2	5.8	20	(28.6)	179	(56.6)	477	(57.7)	6,239	(23.6)
Total	11,006	(42.0)	145,684	(5.4)	100.0	100.0	897	(74.6)	22,564	(12.8)	11,903	(47.1)	168,248	(6.5)
Total CVs	17,920	(58.3)	287,803	(15.6)			2,362	(57.4)	35,940	(13.7)	20,282	(58.2)	323,743	(15.4)

Source: SIAM, I-Sec Research

Chart 7: CVs – 12-month RoC

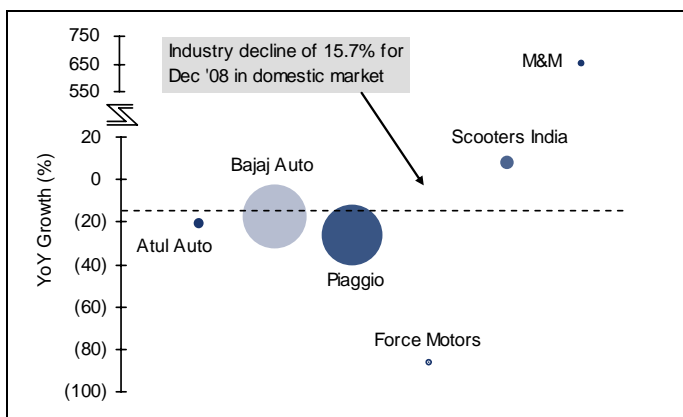
Source: SIAM, I-Sec Research

Three wheelers – Exports shine

Three-wheeler volumes declined 9.8% YoY in December '08 to 35,630 units led by 30.6% YoY growth in exports, even as domestic volumes declined 29% YoY. The passenger sub-segment posted volume growth of 3.7% YoY, boosted by 30.6% YoY growth in exports volumes; volumes of the goods sub-segment declined a sharp 53.3% YoY to 4,395 units. YTD FY09, total three-wheeler volumes declined 1.2% to 377,582 units, with the passenger sub-segment growing 12.1% and the goods sub-segment declining 34.2%.

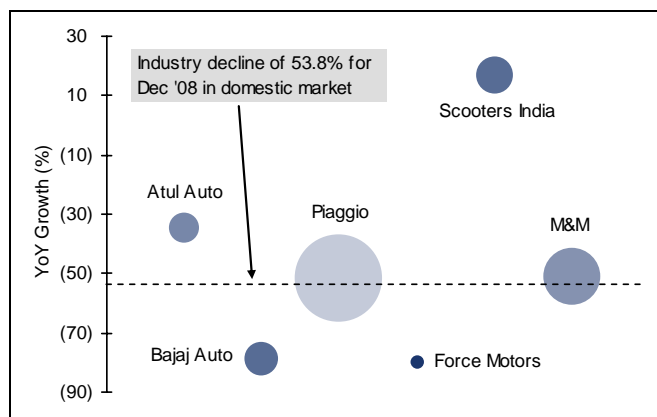
- Winners and losers.** Piaggio led the segment with overall market share of 43.1% (down 430bps YoY) followed by BAL at 38.7% (up 110bps YoY) and M&M at 10.2% (up 250bps YoY). In the goods sub-segment, Piaggio maintained leadership with market share gain of 260bps YoY to 53.2% and M&M posted market share gain of 120bps YoY to 21.7%. Scooters India posted a smart 570bps YoY market share gain to 9.5%. In the passenger sub-segment, BAL lost 80bps YoY market share to 47.8% and Piaggio lost 550bps YoY market share to 40.2%; M&M gained market share of 600bps YoY to 6.8%.

Chart 8: Three-wheeler passenger – M&M gains, Piaggio slips



Source: SIAM, I-Sec Research

Chart 9: Three-wheeler goods – Piaggio gains



Source: SIAM, I-Sec Research

- BAL's** total three-wheeler volumes improved 3.3% YoY to 22,948 units in December '08 – domestic volumes dropped 26.9% YoY to 7,376 units, while exports improved 28.3% YoY to 15,572 units. Total volumes of the goods sub-segment declined 78.5% YoY to 343 units, while passenger sub-segment volumes increased 9.6% YoY to 22,605 units. BAL's market share saw 80bps YoY dip to 47.8% in the passenger sub-segment and a sharp 920bps YoY drop to 7.9% in the goods sub-segment. YTD FY09, BAL's total three-wheeler volumes declined 5% YoY to 209,699 units led by 63% YoY decline in goods sub-segment and 1.5% growth in passenger sub-segment volumes.
- M&M's** three-wheeler volumes were flat at 2,064 units in December '08. M&M's overall market share in three-wheelers rose 250bps YoY to 10.2%. YTD FY09, M&M posted overall 36.9% YoY growth in three-wheeler volumes to 34,476 units.

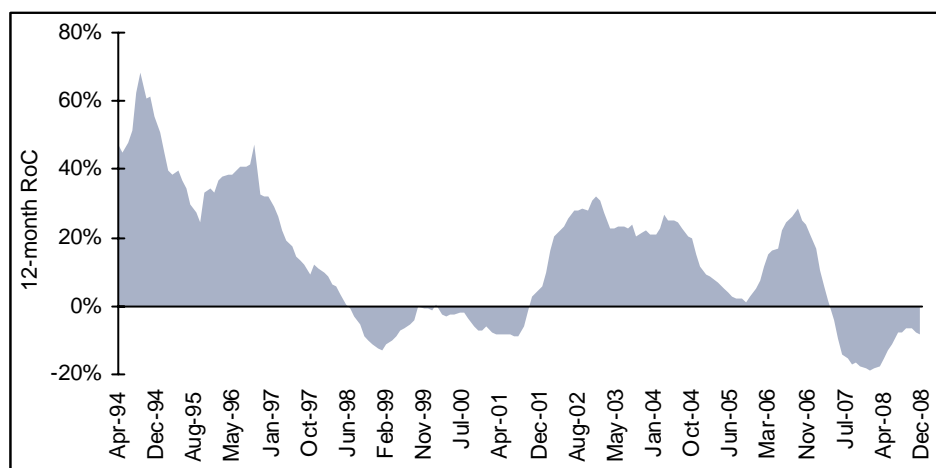
- **Piaggio** posted 35.5% YoY decline in total volumes to 8,526 units in December '08 on account of 50.8% YoY dip in the goods sub-segment (market share: up 260bps YoY to 53.2%) and 26.9% YoY drop in the passenger sub-segment (market share: down 550bps YoY to 40.2%). The company registered overall market share loss of 430bps YoY to 43.1%. YTD FY09, Piaggio posted 2.6% YoY decline in total three-wheeler volumes.

Table 4: Three-wheelers – December '08 volumes

(No of units)

Company	Domestic sales				Mkt share (%)		Exports				Total			
	Dec-08	Gr.%	YTDFY09	Gr.%	Dec-08	Dec-07	Dec-08	Gr.%	YTDFY09	Gr.%	Dec-08	Gr.%	YTDFY09	Gr.%
Passenger 3-Ws														
Atul Auto	200	(20.6)	2,083	(24.2)	1.4	1.4	564	N.A	4,528	452,700	764	203.2	6,611	140.4
Bajaj Auto	7,033	(17.1)	89,684	(7.1)	47.8	48.6	15,572	28.3	111,867	9.6	22,605	9.6	201,551	1.5
Piaggio	5,918	(25.9)	76,233	15.1	40.2	45.7	252	(44.5)	2,449	(7.6)	6,170	(26.9)	78,682	14.2
Force Motors	31	(86.4)	485	(72.3)	0.2	1.3	2	(96.4)	334	(7.2)	33	(88.4)	819	(61.2)
Scooters India	411	8.4	4,632	(7.6)	2.8	2.2	0	N.A	14	250.0	411	8.4	4,646	(7.4)
M&M	996	654.5	17,285	1,067.1	6.8	0.8	121	N.A	127	N.A	1,117	746.2	17,412	1,075.7
TVS Motor	135	N.A	2,947	N.A	0.9	0.0	0	N.A	0	N.A	135	N.A	2,947	N.A
Total	14,724	(15.7)	193,349	11.3	100.0	100.0	16,511	30.6	119,319	13.6	31,235	3.7	312,668	12.1
Goods 3-Ws														
Atul Auto	261	(34.6)	3,131	(17.5)	6.0	4.3	0	N.A	9	125.0	261	(34.6)	3,140	(17.4)
Bajaj Auto	343	(78.5)	8,148	(62.8)	7.9	17.1	0	N.A	0	N.A	343	(78.5)	8,148	(63.0)
Piaggio	2,300	(51.5)	32,754	(28.9)	53.2	50.6	56	16.7	915	127.0	2,356	(50.8)	33,669	(27.5)
Force Motors	71	(79.8)	1,623	(47.8)	1.6	3.8	6	N.A	18	28.6	77	(78.1)	1,641	(47.5)
Scooters India	411	16.8	4,199	4.0	9.5	3.8	0	N.A	0	N.A	411	16.8	4,199	4.0
M&M	938	(51.1)	16,967	(28.3)	21.7	20.5	9	N.A	97	259.3	947	(50.7)	17,064	(28.0)
Total	4,324	(53.8)	66,822	(34.9)	100.0	100.0	71	47.9	1,039	89.6	4,395	(53.3)	67,861	(34.2)
Three-wheelers (Total)														
Atul Auto	461	(29.2)	5,214	(20.3)	2.4	2.4	564	N.A	4,537	90,640	1,025	57.5	9,751	48.8
Bajaj Auto	7,376	(26.9)	97,832	(17.4)	38.7	37.6	15,572	28.3	111,867	9.5	22,948	3.3	209,699	(5.0)
Piaggio	8,218	(35.4)	108,987	(2.9)	43.1	47.4	308	(38.6)	3,364	10.2	8,526	(35.5)	112,351	(2.6)
Force Motors	102	(82.4)	2,108	(56.7)	0.5	2.2	8	(85.7)	352	(5.9)	110	(82.7)	2,460	(53.0)
Scooters India	822	12.4	8,831	(2.4)	4.3	2.7	0	N.A	14	250.0	822	12.4	8,845	(2.3)
M&M	1,934	(5.8)	34,252	36.2	10.2	7.7	130	N.A	224	729.6	2,064	0.6	34,476	36.9
TVS Motor	135	N.A	2,947	N.A	0.7	0.0	0	N.A	0	N.A	135	N.A	2,947	N.A
Total 3-Ws	19,048	(29.0)	260,171	(5.9)	100.0	100.0	16,582	30.6	120,358	14.0	35,630	(9.8)	377,582	(1.2)

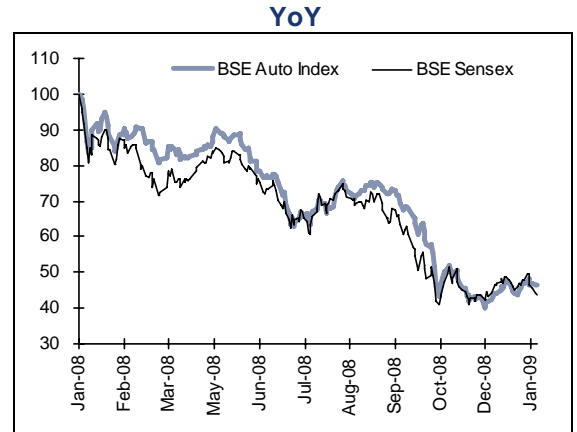
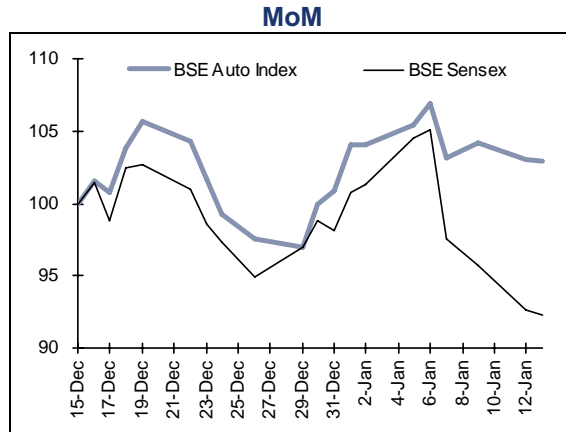
Source: SIAM, I-Sec Research

Chart 10: Three-wheelers – 12 month RoC

Source: SIAM, I-Sec Research

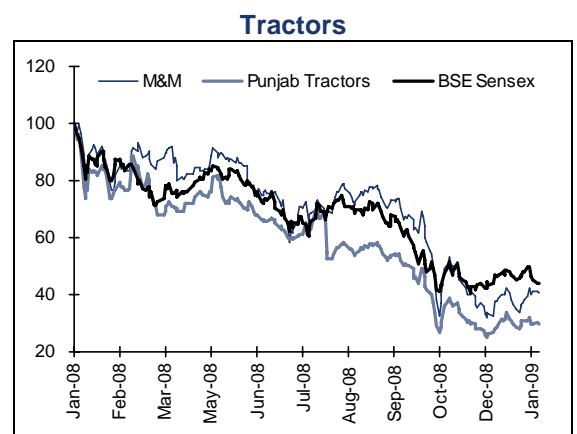
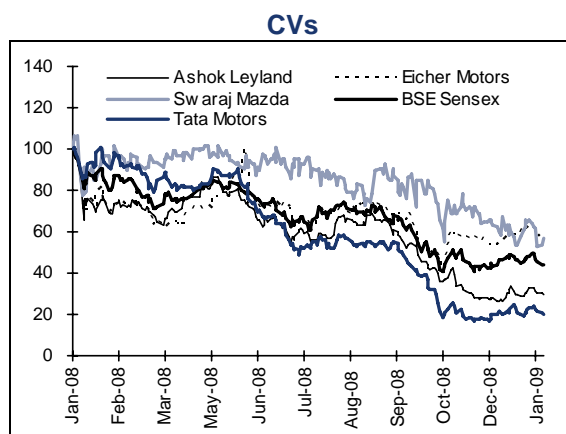
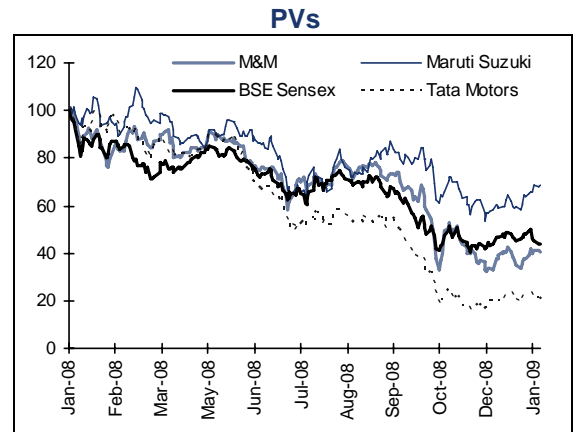
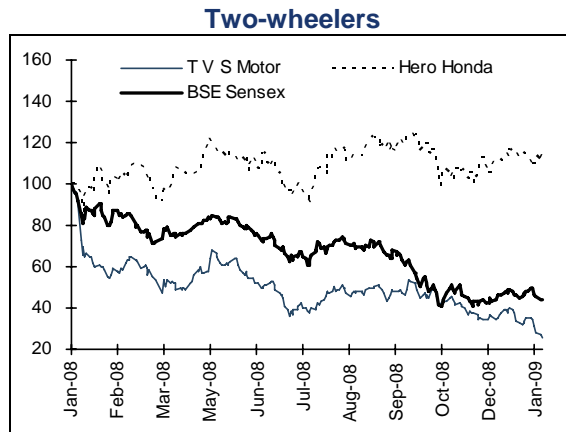
Price performance of automobile sector

Chart 11: BSE Auto versus Sensex



Source: CMIE

Chart 12: Share price performance in various categories of auto companies



Source: BSE, NSE, I-Sec Research

Annexure 1: Earnings watch

	Key Data	Year	Valuation				Growth Rates (% YoY)				Forecasts (Rs mn)					Ratios						
			P/E	P/CEPS	*EV/E	Div. Yield	Rec. EPS	Rep. EPS	EBITDA	Rev.	Rev.	EBITDA	Rec. PAT	Rep. PAT	Op. FCF (post-capex)	Rec. EPS	EBITDA Margin (%)	RoE (%)	RoCE (%)	Net D/E (%)		
			(x)	(x)	(x)	(%)								(Rs)								
AUTOMOBILE																						
Ashok Leyland																						
	SELL																					
Price (Rs)	15	MCap (Rs mn)	19,594	FY07	4.7	3.3	3.4	11.6	35.9	34.8	27.0	36.8	73,390	6,859	4,137	4,413	(3,683)	3.1	9.3	25.3	17.5	21.5
52 week Hi/Lo (Rs)	51/12	MCap (US\$ mn)	402	FY08	4.3	3.0	2.8	11.9	9.0	6.3	17.2	8.0	79,237	8,039	4,509	4,692	2,614	3.4	10.1	22.6	17.0	15.3
Free float (%)	61.39	*BVPS (Rs)	18.3	FY09E	6.0	3.8	5.1	9.5	(27.6)	(30.4)	(21.2)	0.0	79,241	6,332	3,265	3,265	(7,981)	2.5	8.0	14.8	10.4	55.1
Shares out (mn)	1323.9	*Returns (%): 1 mo	7.6	FY10E	5.5	3.1	5.3	10.5	9.8	9.8	20.4	10.3	87,387	7,625	3,584	3,584	(6,296)	2.7	8.7	15.2	9.9	84.0
Year ending	March	12 mo	(70.1)	FY11E	5.0	2.7	4.9	11.0	9.2	9.2	14.6	9.1	95,367	8,738	3,915	3,915	(1,322)	3.0	9.2	15.5	10.0	89.9
Bajaj Auto																						
	HOLD																					
Price (Rs)	435	MCap (Rs mn)	62,988	FY08	7.7	6.8	5.5	4.9	(55.4)	(36.3)	(15.4)	(5.4)	89,494	11,619	8,128	7,497	(15,091)	56.2	13.0	50.1	27.5	2.5
52 week Hi/Lo (Rs)	945/262	MCap (US\$ mn)	1,291	FY09E	7.1	6.1	4.8	4.9	8.8	8.8	1.9	9.6	98,054	11,835	8,843	8,843	5,981	61.1	12.1	46.6	27.5	cash
Free float (%)	49.7	*BVPS (Rs)	149.9	FY10E	6.4	5.5	3.9	5.1	10.7	10.7	10.1	8.3	106,159	13,034	9,791	9,791	6,339	67.7	12.3	39.5	26.2	cash
Shares out (mn)	144.7	*Returns (%): 1 mo	NA	FY11E	5.9	5.1	3.2	5.6	8.6	8.6	7.6	7.0	113,593	14,020	10,633	10,633	7,385	73.5	12.3	34.0	24.8	cash
Year ending	March	12 mo	NA																			
Bharat Forge																						
	HOLD																					
Price (Rs)	79	MCap (Rs mn)	17,640	FY07	5.9	3.9	3.9	4.8	9.5	19.1	23.5	38.4	41,812	6,492	2,985	2,906	(3,780)	13.5	15.5	21.8	12.4	53.8
52 week Hi/Lo (Rs)	371/76	MCap (US\$ mn)	361	FY08E	5.9	3.6	4.2	4.8	(1.0)	1.0	8.9	11.3	46,551	7,073	3,015	3,015	(3,917)	13.5	15.2	19.2	11.1	74.1
Free float (%)	64.2	*BVPS (Rs)	82.9	FY09E	5.4	3.2	3.8	5.2	8.7	8.4	6.9	17.9	54,903	7,564	3,267	3,267	979	14.7	13.8	18.5	11.6	60.9
Shares out (mn)	222.3	*Returns (%): 1 mo	(3.0)	FY10E	4.4	2.7	2.9	5.8	21.8	21.8	17.3	13.5	62,322	8,875	3,981	3,981	3,810	17.9	14.2	19.7	13.4	36.0
Year ending	March	12 mo	(77.7)	FY11E	3.6	2.4	2.1	6.3	23.3	23.3	14.4	14.6	71,397	10,156	4,908	4,908	4,079	22.0	14.2	21.0	15.1	15.1
Hero Honda																						
	BUY																					
Price (Rs)	809	MCap (Rs mn)	161,457	FY07	18.8	16.2	12.3	2.5	(11.7)	(11.7)	(14.0)	13.6	98,998	11,731	8,580	8,580	(76)	43.0	11.8	38.3	33.8	cash
52 week Hi/Lo (Rs)	898/550	MCap (US\$ mn)	3,309	FY08	16.7	14.3	10.2	2.7	12.8	12.8	15.0	4.4	103,318	13,494	9,679	9,679	9,499	48.5	13.1	35.5	32.3	cash
Free float (%)	45.1	*BVPS (Rs)	188.7	FY09E	13.5	11.7	8.4	3.6	23.3	23.3	19.0	14.3	118,124	16,053	11,935	11,935	5,777	59.8	13.6	36.2	33.3	cash
Shares out (mn)	199.7	*Returns (%): 1 mo	2.0	FY10E	12.2	10.4	7.3	3.2	10.6	10.6	8.9	7.6	127,085	17,477	13,199	13,199	10,603	66.1	13.8	33.0	30.4	cash
Year ending	March	12 mo	14.8	FY11E	10.7	9.2	5.9	3.5	14.2	14.2	13.2	9.8	139,573	19,781	15,067	15,067	13,720	75.4	14.2	30.9	28.7	cash
Mahindra & Mahindra																						
	BUY																					
Price (Rs)	306	MCap (Rs mn)	70,997	FY07	5.0	4.2	5.0	3.7	53.7	17.9	57.3	42.9	176,133	27,080	15,685	14,971	(24,433)	60.9	15.4	36.8	15.4	132.8
52 week Hi/Lo (Rs)	805/235	MCap (US\$ mn)	1,455	FY08	4.8	3.7	5.0	3.7	5.1	4.9	22.1	35.0	237,748	33,074	16,479	15,703	(36,739)	63.9	13.9	30.0	13.2	154.7
Free float (%)	76.4	*BVPS (Rs)	307.3	FY09E	6.9	4.5	6.1	3.7	(30.5)	(20.8)	(11.8)	9.4	259,996	29,167	12,441	12,441	(8,644)	44.4	11.2	19.0	9.6	152.6
Shares out (mn)	232.0	*Returns (%): 1 mo	0.7	FY10E	6.3	4.1	5.6	4.1	9.0	9.0	12.5	5.5	274,343	32,807	13,555	13,555	(9,022)	48.4	12.0	18.5	9.6	146.4
Year ending	March	12 mo	(59.5)	FY11E	5.3	3.5	4.8	4.5	19.0	19.0	20.7	10.3	302,474	39,584	16,133	16,133	(6,811)	57.6	13.1	19.5	10.2	136.3
Maruti Suzuki																						
	HOLD																					
Price (Rs)	588	MCap (Rs mn)	169,788	FY07	10.7	9.1	5.7	0.9	30.3	30.3	19.8	21.3	151,403	22,831	15,883	15,883	6,158	55.0	15.1	25.3	22.8	cash
52 week Hi/Lo (Rs)	946/433	MCap (US\$ mn)	3,479	FY08	9.8	7.2	4.8	1.0	9.2	9.2	16.0	22.6	185,559	26,474	17,336	17,899	(976)	60.0	14.3	22.2	20.2	cash
Free float (%)	35.5	*BVPS (Rs)	357.9	FY09E	12.5	8.5	6.3	1.0	(21.4)	(21.4)	(23.8)	5.5	195,678	20,171	13,635	13,635	(2,204)	47.2	10.3	14.8	13.7	cash
Shares out (mn)	289.0	*Returns (%): 1 mo	15.5	FY10E	11.0	7.4	5.4	1.1	13.7	13.7	16.0	12.2	219,487	23,398	15,499	15,499	(3,121)	53.6	10.7	14.8	14.0	cash
Year ending	March	12 mo	(31.3)	FY11E	8.7	6.1	4.0	1.2	26.6	26.6	24.9	12.2	246,215	29,231	19,623	19,623	6,860	67.9	11.9	16.3	15.6	cash
Punjab Tractors																						
	HOLD																					
Price (Rs)	95	MCap (Rs mn)	5,741	FY07	7.4	6.1	5.0	-	7.5	(39.8)	(12.4)	0.0	9,589	1,106	780	780	991	12.8	11.5	12.8	12.0	cash
52 week Hi/Lo (Rs)	335/78	MCap (US\$ mn)	118	FY08	8.8	7.0	2.5	5.6	(16.4)	(16.4)	(12.2)	1.1	9,696	971	652	652	3,271	10.7	10.0	9.9	9.7	cash
Free float (%)	76.5	*BVPS (Rs)	114.9	FY09E	6.1	5.1	1.5	6.2	44.6	44.6	30.0	26.3	12,242	1,262	943	943	626	15.5	10.3	13.6	13.4	cash
Shares out (mn)	60.8	*Returns (%): 1 mo	(5.5)	FY10E	5.7	4.8	0.9	6.8	7.1	7.1	5.0	6.3	13,008	1,325	1,009	1,009	762	16.6	10.2	13.5	13.3	cash
Year ending	March	12 mo	(70.4)	FY11E	5.3	4.6	0.4	7.5	6.6	6.6	5.4	5.7	13,744	1,397	1,076	1,076	654	17.7	10.2	13.3	13.2	cash
TVS Motor																						
	SELL																					
Price (Rs)	17	MCap (Rs mn)	4,133	FY07	5.6	2.5	7.3	5.7	(32.8)	(32.8)	(28.4)	19.9	39,181	1,486	742	742	(3,449)	3.1	3.8	10.6	7.9	90.6
52 week Hi/Lo (Rs)	69/17	MCap (US\$ mn)	85	FY08	(14.6)	5.1	(321.4)	-	(138.1)	(138.1)	(102.8)	(16.5)	32,706	(41)	(283)	(283)	(3,867)	(1.2)	(0.1)	(4.0)	(1.6)	134.3
Free float (%)	43.1	*BVPS (Rs)	31	FY09E	14.1	2.8	13.2	-	(203.6)	(203.6)	(2,372.1)	11.7	36,538	939	293	293	(450)	1.2	2.6	4.2	2.4	113.9
Shares out (mn)	237.5	*Returns (%): 1 mo	(33.6)	FY10E	9.3	2.5	10.4	-	52.4	52.4	18.9	5.7	38,615	1,116	447	447	(37)	1.9	2.9	6.0	3.2	96.9
Year ending	March	12 mo	(74.2)	FY11E	6.5	2.1	8.0	-	42.9	42.9	21.2	6.2	41,003	1,352	639	639	35	2.7	3.3	8.0	4.3	80.2

Pricing as on January 13, '09

BVPS-Book value per share; Returns-Absolute Returns; Rec.-Recurring; Rep.-Reported; Rev.-Revenue

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Key/recent auto sector reports

Company / Product	Title	Date
Auto Results Preview	In the negative zone	January 7, 2009
Maruti Suzuki	Strong headwinds	December 24, 2008
Hero Honda Motors	Traits of a champion	December 18, 2008
Speedometer – December '08	Caught in crossfire	December 16, 2008
Punjab Tractors	Fairly valued	December 16, 2008
Mahindra & Mahindra	Showing strength	November 20, 2008
Speedometer – November '08	Credit crunch bites	November 18, 2008
Ashok Leyland	Hitting speed breaker	November 10, 2008
Commercial vehicles	Spiralling down	November 10, 2008
TVS Motor	Going gets tougher	October 31, 2008
Bharat Forge	Turbulence to continue	October 27, 2008
Maruti Suzuki	Subdued performance	October 24, 2008
Bajaj Auto	Muted show	October 24, 2008
Ashok Leyland	Slackening speed	October 23, 2008
Hero Honda Motors	Superlative performance	October 21, 2008
Speedometer – October '08	Two-wheelers race ahead	October 15, 2008
Auto Results Preview	Margin pressure subsists	October 10, 2008
Bharat Forge	Calm before the storm	October 7, 2008
Maruti Suzuki	Better times ahead	October 1, 2008
Speedometer – September '08	Marked resilience	September 19, 2008
Two wheeler sector	Improved prospects; festive cheer	August 25, 2008
Speedometer – August '08	Two-wheelers steal show	August 19, 2008
Maruti Suzuki	At the vanguard	July 21, 2008
Speedometer – July '08	Beating the blues	July 15, 2008
Bajaj Auto	Still slow	July 11, 2008
Speedometer – June '08	Resilient in rough weather	June 13, 2008
Bajaj Auto	New products to drive growth	May 23, 2008
Hero Honda Motors	Fairly valued	May 16, 2008
Speedometer – May '08	Riding high	May 14, 2008
Speedometer – April '08	Cautious uptick	April 15, 2008
Speedometer – March '08	Lethargic tempo	March 12, 2008
Mahindra & Mahindra	Striding to the fore	March 11, 2008
Bajaj Auto	Awaiting potential triggers	February 26, 2008
Speedometer – February '08	Listless gait	February 14, 2008
Tata Motors	Tepid growth	February 4, 2008
Mahindra & Mahindra	Geared for success	January 31, 2008
Hero Honda Motors	Riding on margin gain	January 31, 2008
Bajaj Auto	In line	January 30, 2008
Maruti Suzuki	Strong operational performance	January 29, 2008
Ashok Leyland	Poised for growth	January 28, 2008
TVS Motor Company	Abysmal show	January 28, 2008
Bharat Forge	Resilience in tough milieu	January 21, 2008
Speedometer – January '08	Traditional sluggishness	January 21, 2008
Auto Expo 2008	Extensive galleria	January 17, 2008
Auto Expo 2008	Key takeaways	January 11, 2008

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