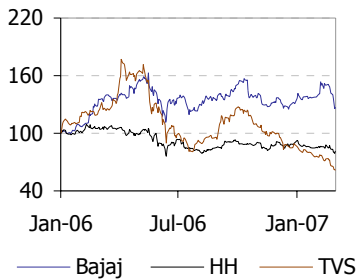


AutoMonitor

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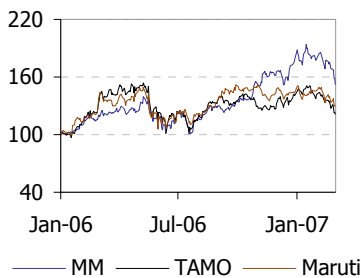
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Relative Performance



Source: Bloomberg, ENAM Research

Relative Performance



Source: Bloomberg, ENAM Research

FOUR WHEELERS INCH AHEAD

In Feb'07, Four-wheeler demand remained strong despite rising interest rates, while Two-wheeler demand abated YoY.

- Two wheelers: Volume growth of 6.8% YoY is below our expectations, indicating possible moderation in monthly sales.
- Commercial vehicles: Demand continues to remain strong indicating no signs of cyclical slowdown.
- Cars: Demand remains strong driven by the success of new models/ variants launched. Watch out for competition in CY07.

Q3FY07: Highlights

While revenue growth for our auto universe was in line with our expectations, margins across the board have been significantly lower than expected in Q3FY07, on account of stiff input costs.

Margin trend:

	Raw Material Costs		Employee Costs		Other Overheads		EBIDTA Margin	
	QoQ	YoY	QoQ	YoY	QoQ	YoY	QoQ	YoY
Hero Honda	↑	↑	↓	↓	↓	↑	↓	↓
Bajaj Auto	↑	↑	↓	↓	↑	↑	↓	↓
TVS	↑	↑	↑	↑	=	↓	↓	↓
Maruti	↑	↓	↓	↑	↓	↑	↓	↓
M&M	↑	↑	↑	↑	↓	↓	↓	↓
Tata Motors	↑	↑	=	↓	↓	↑	↑	↓
Ashok Leyland	↓	↑	↓	↓	↓	↓	↑	↓

Source: Company, ENAM Research, Please refer to later pages for details

Interest Rates on auto loans have increased by 200bps for cars and two-wheelers. We expect rising fuel costs and interest rates to start affecting industry demand at some point.

Budget 07 (Neutral Impact): The auto sector has marginally benefited due to extension of R&D benefits for 5 years and reduction in the peak customs duty to 10% from 12.5%. The latter to marginally ease cost pressures on imported components.

Outlook: We expect overall performance of companies to remain subdued on account of moderation in demand coupled with margin pressures. While interest rates haven't peaked yet, considering valuation parameters, our order of preference on stocks is as follows (most preferred to least): TAMO, BAJAJ, M&M, MUL, HH, TVS, ALL.

Volume Snapshot

(Nos)	Monthly			YTD			Y/E	
	Feb-07	Feb-06	YoY (%)	11MFY07	11MFY06	YoY (%)	FY07E	FY06
Bajaj Auto	202,212	204,771	(1.2)	2,525,233	2,069,924	22.0	2,768,600	2,280,041
TVS Motor	120,110	108,923	10.3	1,392,159	1,213,371	14.7	1,513,200	1,342,228
Hero Honda	280,515	250,695	11.9	3,058,841	2,728,438	12.1	3,321,600	3,000,750
Total	602,837	564,389	6.8	6,976,233	6,011,733	16.0	7,603,400	6,623,019
Tata Motors	53,707	45,113	19.0	516,588	397,412	30.0	564,099	453,818
Maruti Udyog	62,999	41,095	53.3	603,152	498,623	21.0	659,282	561,837
Mahindra & Mahindra	20,749	18,191	14.1	252,396	210,705	19.8	273,527	234,425

Source: Company; ENAM Research

MARUTI UDYOG

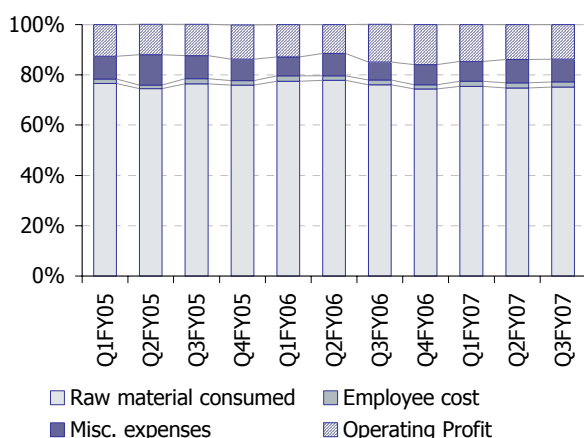
- Significant YoY growth in Feb 2007, for the compact segment (up 80%) was partially on account of low base effect in Feb 2006, as excise duty reduction for small cars led to postponement of purchases.
- MUL has launched the Swift-Diesel, in a bid to expand its product portfolio. Initial response to the product is encouraging.
- MUL inaugurated 3 plants in Jan 2007
 - ▶ A car assembly plant in Manesar
 - ▶ Suzuki Powertrain's diesel engine and transmission plant
 - ▶ Suzuki Motorcycle's two-wheeler facility
- MUL's Manesar car assembly plant has an initial capacity of 0.1mn units p.a. and can be scaled up to 0.3mn units at a later stage. MUL has outlined capex of Rs 25bn over the next 3-4 years for this project.
- The Manesar facility also has a diesel engine plant, which can produce 1.3 litre common rail diesel units. This plant is a 70:30 JV between Suzuki and MUL and has a capacity of 0.1mn units p.a. The total planned capex for this plant stands at Rs 25bn.
- Starting 2008-09, MUL will produce 50,000 units per year for Nissan under a production agreement. Nissan is expected to market the model outsourced from MUL in Europe.

Maruti: Volume break-up

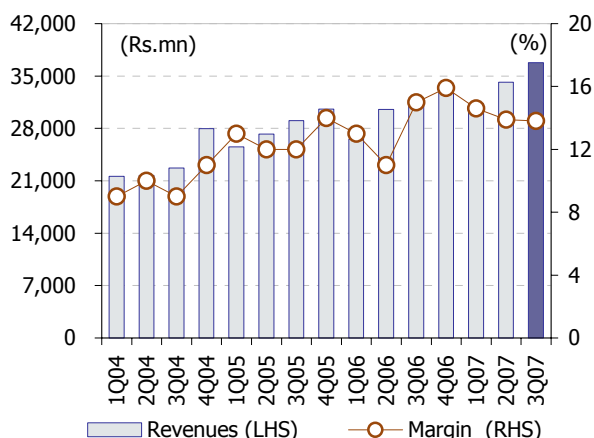
(Nos)	Monthly			YTD			Y/E	
	Feb-07	Feb-06	YoY (%)	11MFY07	11MFY06	YoY (%)	FY07E	FY06
A1	5,955	6,074	(2.0)	73,104	78,286	(6.6)	79,800	89,223
C	8,069	4,079	97.8	74,430	57,976	28.4	82,800	66,366
A2	42,913	23,897	79.6	393,307	297,857	32.0	427,200	335,154
A3	1,798	2,288	(21.4)	27,283	28,204	(3.3)	30,981	31,939
Tot PC	58,735	36,338	61.6	568,124	462,323	22.9	620,781	522,682
MUV	360	270	33.3	2,949	3,574	(17.5)	3,360	4,374
Domestic	59,095	36,608	61.4	571,073	465,897	22.6	624,141	527,056
Exports	3,904	4,487	(13.0)	32,079	32,726	(2.0)	35,141	34,781
Total Sales	62,999	41,095	53.3	603,152	498,623	21.0	659,282	561,837

Source: Company, ENAM Research

Cost break-up (% of total sales)



MUL: Revenue & margin trend



Source: Company, Industry, ENAM Research

MAHINDRA AND MAHINDRA

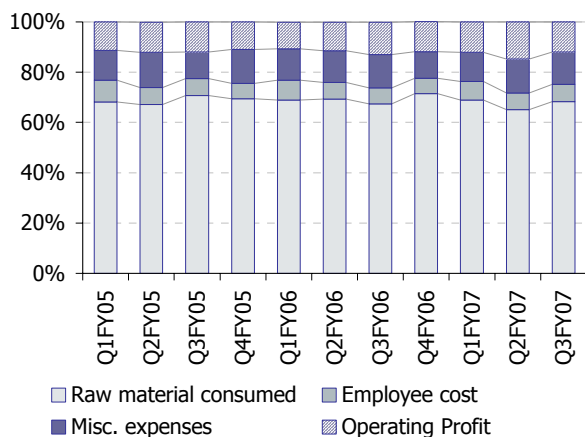
- M&M has signed an MOU with Nissan and Renault to set up a joint manufacturing facility near Chennai. The planned investment is estimated at Rs 40bn, spread over seven years, with an expected capacity of 0.4mn units p.a. The plant is expected to start commercial production by H2FY09.
- As highlighted in our previous note, moderation in FES and the auto segment continues for M&M. We are still concerned about increasing NPA's and rising inventory levels of the FES segment.

M&M: Volume break-up

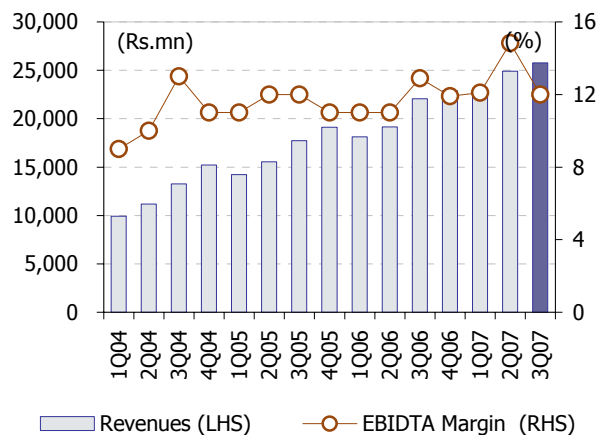
(Nos)	Monthly			YTD			Y/E	
	Feb-07	Feb-06	YoY (%)	11MFY07	11MFY06	YoY (%)	FY07E	FY06
UV	9,486	9,042	4.9	112,703	102,389	10.1	121,200	114,688
Out of which - Scorpio	2,382	2,297	3.7	33,260	29,542	12.6	0	32,491
LCV	739	416	77.6	7,641	6,184	23.6	8,340	6,777
Total 4-Wheelers	10,225	9,458	8.1	120,344	108,573	10.8	129,540	121,465
3-Wheelers	3,041	1,821	67.0	30,052	19,733	52.3	33,000	22,419
Exports	480	257	86.8	7,269	4,718	54.1	7,471	5,534
Total	13,746	11,536	19.2	157,665	133,024	18.5	170,011	149,418
Tractors (Domestic)	6,450	6,033	6.9	87,949	71,728	22.6	96,000	78,048
Tractors (Exports)	553	622	(11.1)	6,782	5,953	13.9	7,516	6,959
Tractors (Total)	7,003	6,655	5.2	94,731	77,681	21.9	103,516	85,007
Total vehicles	20,749	18,191	14.1	252,396	210,705	19.8	273,527	234,425

Source: Company, ENAM Research

Cost break-up (% of total sales)

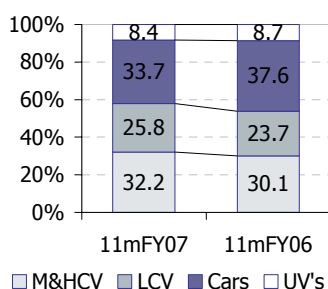


M&M: Revenue & margin trend



Source: Company, Industry, ENAM Research

Product breakup



TATA MOTORS

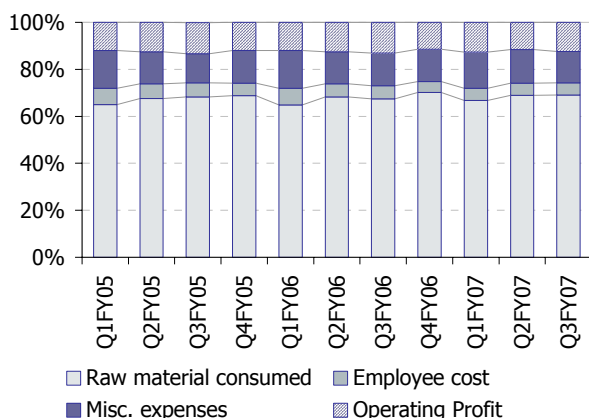
- TAMO has registered strong performance in its CV portfolio. It has taken a price increase of ~2% on trucks which became effective from Feb 2007.
- The M&H CV and LCV segments each grew by 40% on YTD basis. The LCV segment grew by 17% on YOY and 42% on YTD basis driven by continued traction in the Ace model. In the near term, TAMO is expected to launch a passenger variant of Ace.
- TAMO has recently launched a luxury version of Indigo called "Indigo XL" in a bid to widen the existing product portfolio.

TAMO: Volume break-up

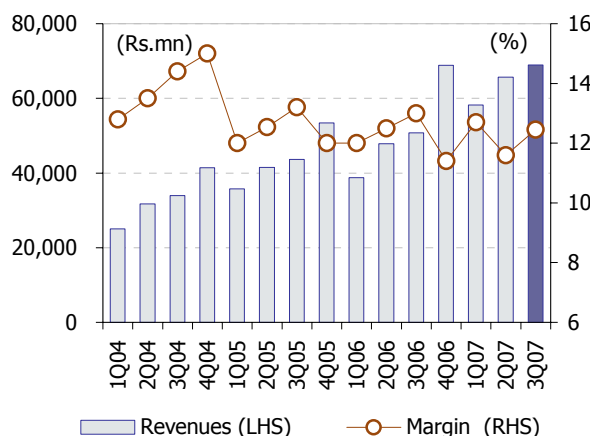
(Nos)	Monthly			YTD			Y/E	
	Feb-07	Feb-06	YoY (%)	11mFY07	11mFY06	YoY (%)	FY07E	FY06
HCV	17,699	14,426	22.7	166,092	119,503	39.0	181,054	136,851
- Domestic	16,306	13,662	19.4	155,708	112,403	38.5	0.32	-
- Exports	1,393	764	82.3	10,384	7,100	46.3	-	-
LCV	12,842	10,982	16.9	133,263	94,192	41.5	145,913	108,084
- Domestic	11,553	9,223	25.3	112,745	75,259	49.8	0.35	-
- Exports	1,289	1,759	(26.7)	20,518	18,933	8.4	-	-
CAR	17,802	15,659	13.7	173,934	149,257	16.5	189,394	169,102
- Domestic	16,016	14,200	12.8	159,349	133,297	19.5	0.12	-
- Exports	1,786	1,459	22.4	14,585	15,960	(8.6)	-	-
UV	5,364	4,046	32.6	43,299	34,460	25.7	47,737	39,781
- Domestic	5,306	3,771	40.7	41,784	32,949	26.8	0.20	-
- Exports	58	275	(78.9)	1,515	1,511	0.3	-	-
Total	53,707	45,113	19.0	516,588	397,412	30.0	564,099	453,818

Source: Company, ENAM Research

Cost break-up (% of total sales)



TAMO: Revenue & margin trend



Source: Company, Industry, ENAM Research

TWO-WHEELER INDUSTRY

Momentum Continues

(Nos)	Monthly			YTD			Y/E	
	Feb-07	Feb-06	YoY (%)	11MFY07	11MFY06	YoY (%)	FY07E	FY06
Bajaj Auto								
- Motorcycles	171,780	175,256	(2.0)	2,210,995	1,728,297	27.9	2,424,000	1,912,306
- Total 2-wheelers	174,220	178,875	(2.6)	2,228,013	1,842,641	20.9	2,444,000	2,027,987
- Three-wheelers	27,992	25,896	8.1	297,220	227,283	30.8	324,600	252,054
Total Sales	202,212	204,771	(1.2)	2,525,233	2,069,924	22.0	2,768,600	2,280,041
TVS Motors								
- Scooters	19,937	16,052	24.2	238,670	227,887	4.7	259,200	245,297
- Motorcycles	70,155	66,391	5.7	851,854	722,758	17.9	924,000	806,654
- Mopeds	30,018	26,480	13.4	301,635	262,726	14.8	330,000	290,277
Total Sales	120,110	108,923	10.3	1,392,159	1,213,371	14.7	1,513,200	1,342,228
Hero Honda								
- Motorcycles	280,515	250,695	11.9	3,058,841	2,728,438	12.1	3,321,600	3,000,750
Total Sales	280,515	250,695	11.9	3,058,841	2,728,438	12.1	3,321,600	3,000,750

Source: Company, ENAM Research

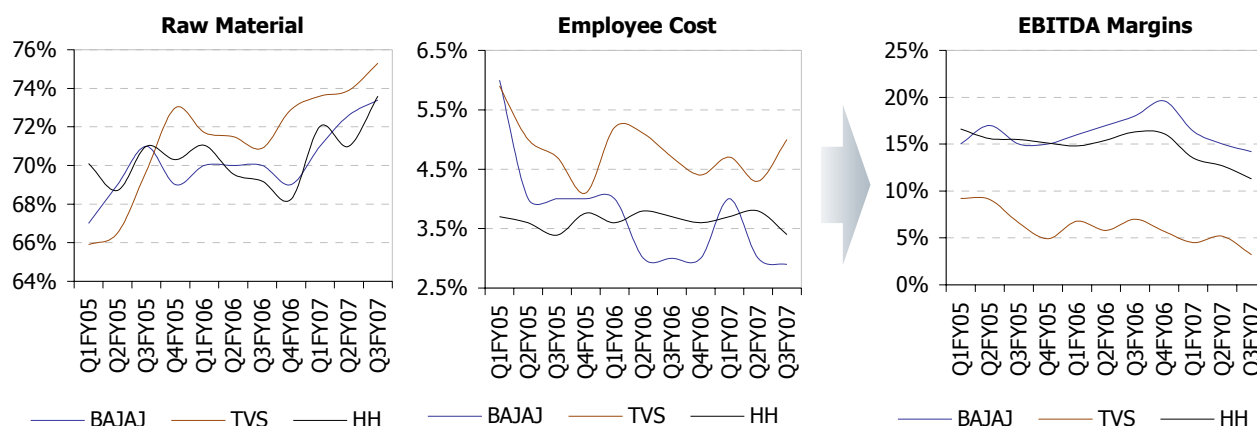
Bajaj Auto

- Bajaj Auto showed a decline in sales on a YoY basis for the first time in FY07 during Feb. Company has attributed this to production constraints.
- In the last couple of months the company has introduced new versions of the Pulsar in 180cc and 200cc. The aggressive launch of high-end models with competitive pricing is in line with the management's view to migrate customer preference away from the 100cc segment.
- Bajaj Auto's new plant at Pantnagar in Uttarakhand is expected to commence production in April 2007. Simultaneously, the company expects to launch its new platform for motorcycles in July-September 2007.

Hero Honda

- Hero Honda has performed ahead of expectation, partially due to the success of their newly launched CD Deluxe in the price segment.

Cost and Margin Trend



Source: Company, Industry, ENAM Research

Auto valuation sheet: RECOMMENDATIONS ARE RELATIVE TO SECTOR

Co. Name	Period	Net sales (Rs.mn)	EBITDA (Rs.mn)	Adj. PAT (Rs.mn)	FDEPS (Rs.)	Core EPS (Rs.)	Cash per Share (Rs.)	Value of Invst (Rs.)	RoCE (%)	RoE (%)	Core P/E (x)
Tata Motors (Conso.)	FY05	192,792	24,038	13,891	36	35.8	-	-	33	34	12
(CMP: 726)	FY06	231,523	29,236	17,306	43	42.9	-	-	32	32	22
(MCap: Rs.263bn)	FY07E	307,957	37,679	22,920	56	56.3	-	-	32	33	13
(RECO: OP)	FY08E	358,326	45,096	28,115	69	69.0	-	-	33	33	11
Tata Motors (Stand.)	FY05	174,191	21,040	12,508	32	32.2	-	99	32	33	10
(CMP: 726)	FY06	206,022	24,967	15,140	38	37.5	-	119	30	31	22
(MCap: Rs.263bn)	FY07E	270,680	32,078	19,334	47	47.5	-	138	32	31	12
(RECO: OP)	FY08E	314,051	36,620	21,606	53	53.1	-	138	32	28	11
Maruti Udyog	FY05	108,945	14,063	8,583	30	25.2	88	-	31	22	13
(CMP: 790)	FY06	120,034	16,266	11,890	41	35.3	120	-	35	24	21
(MCap: Rs.228bn)	FY07E	140,321	19,712	14,778	51	44.3	120	-	35	24	15
(RECO: N)	FY08E	165,988	22,538	17,046	59	51.6	120	-	32	22	13
M&M (Stand.)	FY05	65,307	7,904	4,994	22	16.7	-	136	26	27	7
(CMP: 726)	FY06	79,888	9,896	6,479	28	23.0	-	170	27	28	20
(MCap: Rs.168bn)	FY07E	97,826	13,190	9,064	37	29.8	-	397	32	31	11
(RECO: N)	FY08E	108,317	14,722	9,987	41	33.6	-	397	31	28	10
Ashok Leyland	FY05	41,819	4,240	2,407	2	1.8	-	-	14	22	12
(CMP: 38)	FY06	52,477	5,401	3,056	2	2.3	-	-	15	24	18
(MCap: Rs.51bn)	FY07E	67,633	5,922	3,474	3	2.6	-	-	16	23	15
(RECO: UP)	FY08E	77,457	6,896	4,097	3	3.1	-	-	17	23	12
Bajaj Auto	FY05	57,240	8,524	8,158	81	38.9	461	395	23	21	6
(CMP: 2474)	FY06	74,694	12,622	11,243	111	63.7	587	533	28	25	26
(MCap: Rs.250bn)	FY07E	96,208	14,932	12,861	127	78.0	711	704	28	24	14
(RECO: OP)	FY08E	116,364	18,127	15,243	151	97.6	711	704	28	24	11
Hero Honda	FY05	74,217	11,645	8,104	40.6	34.2	102	-	81	62	13
(CMP: 667)	FY06	87,140	13,645	9,678	48.5	41.6	111	-	72	55	19
(MCap: Rs.133bn)	FY07E	97,433	12,082	8,825	44.2	35.2	111	-	54	40	16
(RECO: N)	FY08E	110,980	13,762	10,066	50.4	40.1	111	-	53	40	14
TVS Motors	FY05	28,759	2,116	1,076	5	4.5	-	-	23	18	15
(CMP: 58)	FY06	32,350	2,045	1,170	5	4.9	-	-	20	18	28
(MCap: Rs.14bn)	FY07E	38,057	1,732	759	3	3.2	-	-	13	11	18
(RECO: UP)	FY08E	43,489	2,370	1,134	5	4.8	-	-	17	16	12

Source: ENAM Research, OP: Outperformer; N: Neutral; UP: Underperformer

Note: Core PAT and EPS pertains to auto biz. and is adjusted for non operating income. P/E reflects multiple for core business.

Note: Prices are as on March 6, 2007

Sum of the Parts (SOTP) Valuation for respective companies

Segment	Target Price (Rs.)	SOTP
TAMO	934	Core biz valued at 15x FY08 EPS of 53.1 + Rs 138/ share for value of subsidiaries & investments. We have calculated the value of TCS holding at Rs 60/ share and taken a 50% discount
M&M	834	Auto and Tractor biz. valued at 13x FY08E Core EPS of Rs 33.6 + Value of subsidiaries at Rs 397/ share, which is based on the proportionate share of mkt-cap of the entities
MUL	894	Valued at 15x FY08 Core EPS of Rs 51.6+ Cash/ Equivalents of Rs 120/ share
TVS Motor	58	Valued at 12x FY08 EPS of Rs 4.8
Bajaj Auto	2,879	15x FY08 Core EPS of Rs 97.6 + Cash/ Equivalents of Rs 711 (at 15% discount) + Insurance biz at Rs 704/ share
HH	672	Core biz. Valued at 14x Core EPS of Rs 40.1+ Cash/ Equivalents of Rs 111/ share

Source: ENAM Research

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Disclosure of interest statement (As of March 5, 2007)	Ashok Leyland	Bajaj Auto	Hero Honda	TVS Motors	Tata Motors	M & M	Maruti Udyog
1. Analyst ownership of the stock	No	No	No	No	No	No	No
2. Firm ownership of the stock	No	No	No	No	No	No	No
3. Directors ownership of the stock	No	No	No	No	No	No	Yes
4. Investment Banking mandate	No	No	No	No	No	No	No
5. Broking relationship	No	No	No	No	No	No	No

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