

**FOUR WHEELER SPACE**

**Maruti Udyog (MUL): Growth consistency maintained**

Segments	Nov'06	Nov'05	% ch yoy	YTD FY07	YTD FY06	% ch yoy
A1	6,040	7,397	(18.3)	52,839	56,698	(6.8)
C	7,150	5,250	36.2	52,235	43,858	19.1
A2	37,060	28,019	32.3	267,197	214,054	24.8
A3	2,083	2,437	(14.5)	20,743	20,430	1.5
<b>Total Passenger Cars</b>	<b>52,333</b>	<b>43,103</b>	<b>21.4</b>	<b>393,014</b>	<b>335,040</b>	<b>17.3</b>
MUV	241	465	(48.2)	2,076	2,472	(16.0)
<b>Domestic Sales</b>	<b>52,574</b>	<b>43,568</b>	<b>20.7</b>	<b>395,090</b>	<b>337,512</b>	<b>17.1</b>
Export	2,459	3,823	(35.7)	22,737	23,831	(4.6)
<b>Total Sales</b>	<b>55,033</b>	<b>47,391</b>	<b>16.1</b>	<b>417,827</b>	<b>361,343</b>	<b>15.6</b>

Market leader Maruti Udyog has kept the growth momentum going during November 2006 by reporting a strong 16.1% yoy growth in sales volume at 55,033 units. The growth was led by A2 segment, which comprises of 'Wagon-R', 'Swift', 'Zen' and India's largest selling compact car 'Alto'. While A2 segment recorded a robust 32.3% yoy growth, A1 and A3 segment reported a de-growth of 18.3% and 14.5% respectively. Apart from the super success of Swift, the growth in A2 segment can also be attributed to the recent facelift given to Wagon-R in terms of design and fuel variant. Company sold 20.7% more vehicles at 52,574 units during November 2006 in the domestic market, even as the exports continued to remain lackluster and declined by 35.7% to 2,459 units. YTD FY2007 sales are now up by 15.6% at 417,827 units, comprising of 395,090 units (growth of 17.1%) sold in domestic market and 22,737 units (de-growth of 4.6%) sold in exports.

In view of the launch of 'Zen Estilo' and diesel variant of 'Swift', we believe that the growth of the company would remain encouraging in coming months as well. Further, exports are expected to pick up from FY2008 onwards on the back of dispatches to 'Nissan' and its parent 'Suzuki Motors'. On production constraint front, operationalisation of MUL's Manesar plant has taken care of the much-needed capacity requirements.

**Even if the stock has witnessed a fairly strong run up in its price during last fortnight, we maintain positive view on the stock at current levels from medium to long-term perspective.**

**Tata Motors (TAMO): Beats the street expectations**

Particulars	Nov'06	Nov'05	% ch yoy	YTD FY2007	YTD FY2006	% ch yoy
M & HCV	15,448	11,888	29.9	112,131	79,352	41.3
LCV	13,179	8,036	64.0	93,879	63,758	47.2
<b>Total CV</b>	<b>28,627</b>	<b>19,924</b>	<b>43.7</b>	<b>206,010</b>	<b>143,110</b>	<b>44.0</b>
Utility	3,656	2,646	38.2	28,789	22,516	27.9
Cars	16,778	11,712	43.3	124,080	104,968	18.2
<b>Total PV</b>	<b>20,434</b>	<b>14,358</b>	<b>42.3</b>	<b>152,869</b>	<b>127,484</b>	<b>19.9</b>
<b>Grand Total</b>	<b>49,061</b>	<b>34,282</b>	<b>43.1</b>	<b>358,879</b>	<b>270,594</b>	<b>32.6</b>

After a disappointing October 2006, Tata Motors came back strongly in November 2006 and reported a robust 43.1% yoy growth in sales volume. The numbers for this month appeared more interesting as the growth was equally driven by the CV and the PV segments both, unlike in earlier months of current fiscal when the growth was largely driven by higher CV sales growth. During the month, TAMO's CV volumes grew by 43.7% yoy to 28,627 units, driven by healthy LCV sales that grew by 64% yoy to 13,179 units. LCV segment constituted 46% of total CV volume in November 2006 vis-à-vis 40% in the same month of last fiscal. The MHCV segment reported a growth of 29.9% yoy to stand at 15,448 units. The PV segment grew by 42.3% yoy to 20,434 units for the month, backed by a strong 43.3% yoy jump in passenger car volumes at 16,778 units. We believe that the recent addition of new 1.2 litre engine option to its Indica V2 Xeta range (combined with the introductory price-off offer of Rs 25,000) helped the numbers to flow in during the month. Exports during November 2006 remained subdued as the same grew by just 9.6% yoy to 3,793 units. As a result, contribution of exports to total volume dipped from 10.1% in November 2005 to 7.7% in November 2006.

For YTD FY2007, total sales of TAMO grew by 32.6% to 358,879 units; driven by 44% jump in CV volumes to 206,010 units and 19.9% increase in PV volumes to 152,869 units. Passenger Car sales of the company are up by 18.2% to 124,080 units during the same period.

**We believe the stock holds healthy revenue as well as earnings growth potential and thus have positive bias towards it, though from a long-term perspective. Value unlocking from the subsidiaries would add value to its shareholders.**

#### **Mahindra and Mahindra (M&M): Performance in-line with expectations**

Particulars	Nov'06	Nov'05	% ch yoy	YTD FY2007	YTD FY2006	% ch yoy
UVs	10,250	8,929	14.8	76,704	72,626	5.6
LCV	684	502	36.3	5,362	4,769	12.4
3-Wheelers	2,223	2,369	(6.2)	21,318	13,724	55.3
<b>Total Domestic</b>	<b>13,157</b>	<b>11,800</b>	<b>11.5</b>	<b>103,384</b>	<b>91,119</b>	<b>13.5</b>
Exports	443	399	11.0	5,469	3,593	52.2
<b>Total Automotive</b>	<b>13,600</b>	<b>12,199</b>	<b>11.5</b>	<b>108,853</b>	<b>94,712</b>	<b>14.9</b>

Particulars	Nov'06	Nov'05	% ch yoy	YTD FY2007	YTD FY2006	% ch yoy
Domestic	7,523	6,507	15.6	67,383	53,667	25.6
Tractors	464	596	(22.1)	4,911	4,125	19.1
<b>Total Tractors</b>	<b>7,987</b>	<b>7,103</b>	<b>12.4</b>	<b>72,294</b>	<b>57,792</b>	<b>25.1</b>

The volumes reported by tractor major M&M for November 2006 were in line with the market expectations. The company reported a healthy 11.5% yoy growth in the automotive segment at 13,600 units in November 2006, driven by 14.8% yoy increase in UV sales. 3-wheeler sales for the month declined by 6.2% yoy to 2,223 units. In the tractor space, M&M sold 7,987 units, clocking a growth of 12.4% yoy. For the YTD FY2007, M&M's automotive segment sales stood 14.9% higher at 108,853 units; largely driven by a robust 55.3% jump in 3-wheeler sales. Tractor sales during the same period were up by 25.1% to 72,294 units.

**We keep strong positive bias on the stock in medium to long term.**

## TWO WHEELER SPACE

### Hero Honda: Below expectations

Particulars	Nov'06	Nov'05	% ch YoY	YTD FY2007	YTD FY2006	% ch YoY
<b>Total Sales</b>	<b>280,171</b>	<b>251,186</b>	<b>11.5</b>	<b>22,28,310</b>	<b>19,83,187</b>	<b>12.4</b>
Exports (incl. in above)	7,124	7,301	(2.4)	71,883	66,530	8.0

Hero Honda Motors Ltd., the world's largest two-wheeler manufacturer continued its dominance in the Indian two-wheeler industry with sales of 2,80,171 units during the month of November 2006. The company recently launched an upgraded version of its economy bike, 'CD Dawn' and a high end variant, 'CD Deluxe'. Hero Honda is looking to increase its market share in the economy segment where it has lost some share to the competition. These launches were in addition to the launch of 'CBZ X-treme', its premium segment offering. However, we believe that the company will face competitive pressures in the 150cc segment from Bajaj Pulsar and TVS Apache. Market share of Hero Honda currently stands at ~45-46%.

**With focus shifting from profitability to market share retention, we opine that the earnings growth in HHML would remain subdued during FY2007E and FY2008E. We maintain neutral view on the stock due to expected earnings pressure in coming years.**

### Bajaj Auto: Steals the show

Particulars	Nov'06	Nov'05	% ch YoY	YTD FY2007	YTD FY2006	% ch YoY
Motorcycles	214,321	157,831	35.8	16,56,591	12,30,943	34.6
3 Wheelers	29,384	17,157	71.3	209,449	160,834	30.2
<b>Total Sales</b>	<b>243,713</b>	<b>183,411</b>	<b>32.9</b>	<b>18,80,911</b>	<b>14,84,411</b>	<b>26.7</b>
Exports (incl. in above)	36,086	23,112	77.9	286,343	158,231	80.9

Bajaj Auto has displayed a spectacular growth of 30% YoY in the overall two-wheeler sales led by the motorcycle segment which grew by 36% YoY. The volumes were mainly driven by 'Platina' and 'Discover' models. In fact the cumulative sales of Bajaj Platina crossed 5,00,000 units since its launch in April 06. The company is looking to launch three new products over the next few months in 100cc+ segment in line with its strategy to move majority customers away from 100cc motorcycles. The management expects a 25% growth in motorcycle segment in FY2008 on the back of sustained buoyancy in the economy, for which the company has already undertaken capacity expansion program. Market share of Bajaj Auto currently stands at ~34-35%.

**We continue to believe that BAL would maintain its lead within the two-wheeler space in terms of volume and earnings growth. At the same time, its venture into international markets would help the company to exploit the export potential in the two and three wheeler space both. The insurance business further adds to the shareholder value. We maintain positive outlook on the stock from a long-term perspective.**

**TVS Motor: Disappointing volumes**

Particulars	Nov'06	Nov'05	% ch YoY	YTD FY2007	YTD FY2006	% ch YoY
Motorcycles	68,874	68,122	1.1	653,029	518,365	25.9
<b>Total Sales</b>	<b>118,157</b>	<b>113,261</b>	<b>4.3</b>	<b>10,55,562</b>	<b>884,102</b>	<b>19.4</b>
Exports (incl. in above)	7,500	6,120	22.5	65,233	55,251	18.1

TVS Motor Company reported disappointing numbers compared to other players in the industry. The company reported motorcycle sales of 68,874 units driven by its 'Star' as well as 'Apache' models. TVS Scooty reported sales 21,791 units, mainly led by its 'Scooty Pep+' model. The company lost market share during November, which currently stands at ~11-12%. We believe there would be margin pressure in the near future due to intense competition in the two-wheeler sector.

**Though the company has been delivering healthy volume growth in recent past, our concern on earnings growth remains intact, as the scope for margin improvement appears difficult given the competition within the industry. We therefore maintain neutral view on the stock.**

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