

Automobile Manufacture

India Two Wheeler: Apr'07 unit sales decline - ALERT

- Two-wheeler majors reported disappointing unit sales (-6% yoy) for April. Hero Honda (up 5% yoy) reported positive growth, while TVS Motors (down 16% yoy) and Bajaj (down 13% yoy) reported a decline in sales.
- Bajaj Auto's domestic sales decline (down 23% yoy) was partially mitigated by exports - which grew 64% yoy. Sales of high margin 3 wheelers were up 15% yoy.
- TVS Motors continues to struggle with bike sales (-16% yoy). Both Bajaj and TVS are witnessing falling sales over the past 3 months, with Hero Honda gaining at their expense. The market share for Hero Honda in motorbikes has climbed to c.50% in this month.
- Hero Honda has offered several schemes to push sales across products in April. It has reduced prices of the 100cc Splendor by Rs.1,200 across India due to reduction in the Central Sales Tax. The company is also offering Titan watches worth c. Rs.1,000 along with every CD Dawn and CD Deluxe sold in the northern states (to push sales in the traditional marriage season).
- Both Bajaj and TVS inaugurated their new plants in April. Bajaj inaugurated its plant in Uttaranchal with a capacity of 1 million vehicles annually at an investment of Rs. 1.5b. This plant is eligible for excise and fiscal benefits.
- TVS Motors also commenced operations at its new plant in Himachal Pradesh in April. The initial investment in this plant is estimated at Rs. 1.2b with a production capacity of 400,000 motorcycles. This plant is eligible for excise and fiscal benefits as well.
- Over April, the 2 wheeler sector underperformed the broad market. Hero Honda was up 7%, Bajaj Auto was up 6% and TVS was up 13%, while the BSE Sensex was up 11%. The underperformance follows concerns over rising competition and margin pressure. We remain underweight the sector. Bajaj remains our preferred pick within the sector given large cash / investment holdings and a defensive earnings stream from 3 wheelers.

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Table 1: Two Wheeler Majors Sales Performance (Unit No's)

	Apr 07	Apr 06	%YoY	Mar 07	%MoM	FY08YTD	FY07 YTD	% YTD
Hero Honda	262,544	250,366	5	277,915	(6)	262,544	250,366	5
Bajaj Auto	165,692	189,989	(13)	168,986	(2)	165,692	189,989	(13)
TVS Motor	104,893	124,917	(16)	128,207	(18)	104,893	124,917	(16)
Total	533,129	565,272	(6)	575,108	(7)	533,129	565,272	(6)

Source: Company

Table 2: Hero Honda Sales Performance (Unit No's)

	Apr 07	Apr 06	%YoY	Mar 07	%MoM	FY08YTD	FY07 YTD	% YTD
Total Sales	262,544	250,366	5	277,915	(6)	262,544	250,366	5

Source: Company

Table 3: Bajaj Auto Sales Performance (Unit No's)

	Apr 07	Apr 06	%YoY	Mar 07	%MoM	FY08YTD	FY07 YTD	% YTD
Motorcycles	164,304	188,518	(13)	165,524	(1)	164,304	188,518	(13)
Scooters Total	1,388	1,471	(6)	3,462	(60)	1,388	1,471	(6)
Total Two Wheelers	165,692	189,989	(13)	168,986	(2)	165,692	189,989	(13)
Three Wheelers	24,360	21,159	15	24,576	(1)	24,360	21,159	15
Grand Total	190,052	211,148	(10)	193,562	(2)	190,052	211,148	(10)
Export Sales	51,926	31,715	64	35,663	46	51,926	31,715	64
Domestic Sales	138,126	179,433	(23)	157,899	(13)	138,126	179,433	(23)

Source: Company, Money control

Table 4: TVS Motors Sales Performance (Unit No's)

	Apr 07	Apr 06	%YoY	Mar 07	%MoM	FY08YTD	FY07 YTD	% YTD
Motorcycles	53,499	80,862	(34)	73,239	(27)	53,499	80,862	(34)
Scooters	18,798	17,969	5	20,297	(7)	18,798	17,969	5
Mopeds	32,596	26,086	25.0	34,671	(6)	32,596	26,086	25
Grand Total	104,893	124,917	(16)	128,207	(18)	104,893	124,917	(16)
Export Sales	7,231	7,000	3	8,508	(15)	7,231	7,000	3
Domestic Sales	97,662	117,917	(17)	119,699	(18)	97,662	117,917	(17)

Source: Company

Companies Recommended in This Report (all prices in this report as of market close on 03 May 2007)

Bajaj Auto (BJAT.BO/Rs2,551.05/Overweight), Hero Honda (HROH.BO/Rs704.65/Overweight), TVS Motor Company Ltd (TVSM.BO/Rs64.25/Underweight)

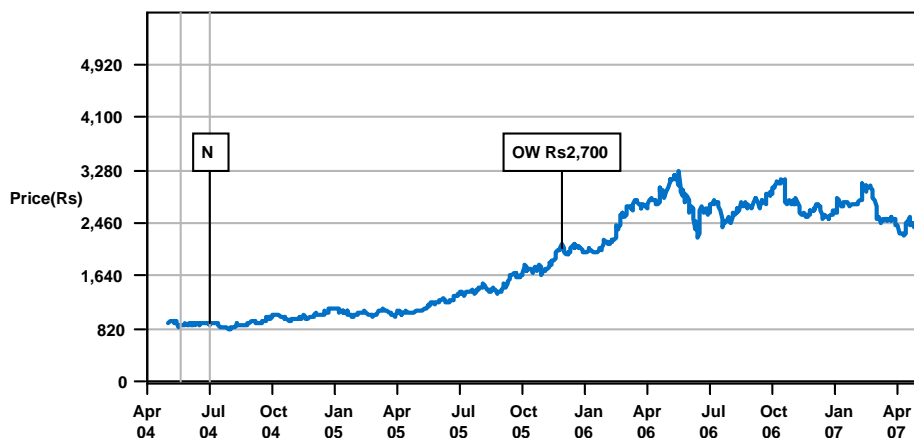
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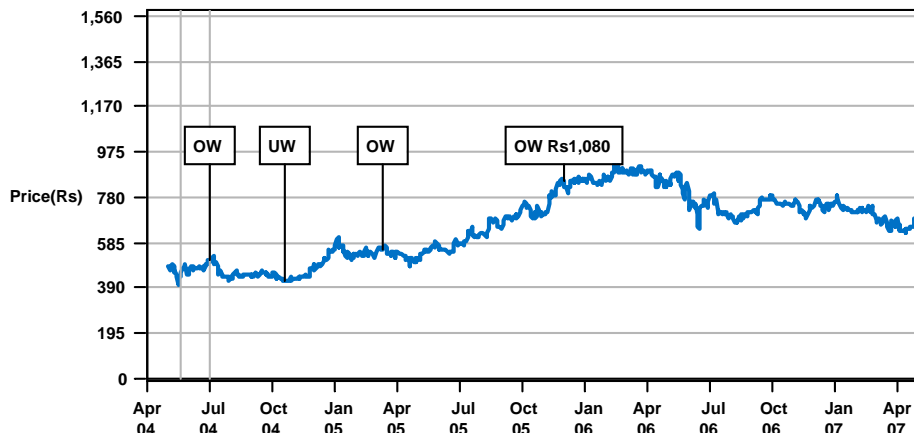
Bajaj Auto (BJAT.BO) Price Chart



Date	Rating	Share Price (Rs)	Price Target (Rs)
30-Jun-04	N	902.55	--
28-Nov-05	OW	2069.15	2700.00

Source: Reuters and JPMorgan; price data adjusted for stock splits and dividends.
 Break in coverage May 19, 2004 - Jun 30, 2004. This chart shows JPMorgan's continuing coverage of this stock; the current analyst may or may not have covered it over the entire period.
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Hero Honda (HROH.BO) Price Chart



Date	Rating	Share Price (Rs)	Price Target (Rs)
30-Jun-04	OW	508.10	--
19-Oct-04	UW	420.05	--
10-Mar-05	OW	554.30	--
30-Nov-05	OW	851.25	1080.00

Source: Reuters and JPMorgan; price data adjusted for stock splits and dividends.
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TVS Motor Company Ltd (TVSM.BO) Price Chart



Date	Rating	Share Price (Rs)	Price Target (Rs)
07-Dec-06	UW	94.65	95.00

Source: Reuters and JPMorgan; price data adjusted for stock splits and dividends.
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