

AUTO SALES UPDATE – AUGUST 2009



Strong trend continues; festival season begins

■ Hero Honda: Growth continues unabated

Hero Honda (HH) continued its robust performance with volumes crossing the 0.4 mn unit mark – a remarkable 13% M-o-M and 36% Y-o-Y growth. The strong growth is all the more creditable, given the company's relatively high base. HH continues to benefit from lack of competition in the core executive segment and its strong rural presence.

■ Maruti Suzuki: Exports surprise positively

Maruti Suzuki's (MSIL) domestic volumes, at ~70,000 (up 29% Y-o-Y), were slightly ahead of the YTD run rate. However, Y-o-Y volumes were strong on a low base. The core A2 and A3 segments performed robustly, partly on account of the newly launched *Ritz*. The surprise, though, came on export volumes that grew a robust 40% M-o-M, as the company benefited from the scrappage incentive in European nations. In August, the company operated at its full capacity, a trend likely to continue until the festive season this year.

■ Tata Motors: M&HCV segment grows again

Tata Motors' (TTMT) M&HCV volumes posted growth for the second consecutive month. The growth came on a low base; sequentially, volumes improved marginally. The LCV space continued to grow strongly (+42% Y-o-Y; 5% M-o-M), driven by *Ace* and its passenger version. Car volumes, excluding *Nano*, were flat; *Nano* clocked volumes of 2.5K units.

■ Mahindra & Mahindra: Pick-ups grow strongly; tractors struggle

UV grew strongly (up 42%), partly on account of the newly launched Xylo that registered volumes of ~2,000 units. The pick-up segment continued its stellar performance, growing 28% Y-o-Y, reflecting demand from the semi urban/rural segments. On a sequential basis though, volumes remained stable. Tractor volumes while positive on a yearly basis, declined 17% M-o-M, *possibly* due to the impact from a weak monsoon.

■ Outlook: Festival season begins; strong trend maintained

The underlying demand for automobiles across segments—two wheelers, cars and commercial vehicles—seems to be robust, auguring well for the upcoming festive season. A low base in H2FY09 makes Y-o-Y comparisons favourable, even as M-o-M volumes show moderate improvement. Monsoon will remain a key concern, though the extent of its impact is likely to be felt only after the festive season.

September 1, 2009

Sales performance

Units	Aug-09	Aug-08	% Change	YTD FY10	YTD FY09	% Change
Hero Honda	415,137	305,516	35.9	1,900,932	1,481,077	28.3
Mahinda & Mahindra	32,657	29,638	10.2	173,949	145,680	19.4
Maruti Suzuki	84,808	59,908	41.6	389,611	311,035	25.3
Tata Motors	49,810	43,576	14.3	220,977	216,038	2.3

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■ Hero Honda: Continues to dominate

- HH's volumes, at 416K, rose 36% Y-o-Y, a substantial 13% increase over the YTD run rate. The company seems to be consolidating and increasing its market share in the executive segment where it faces little competition. It continues to leverage its dominant position in the rural segment and seems on course to overreach its target of 4 mn units in the current fiscal.
- Inventory levels remain low. A few of HH's products, including *Passion Pro Plus*, continue to face supply shortages, while dealer inventory for other products remains at minimum levels.
- The company plans to launch nine new products/ variants (including one in the premium space) in the current fiscal, with a few launches scheduled in the festive season.

Hero Honda sales

Volume (units)	Aug-09	Aug-08	% Change	Jul-09	% Change	YTD FY10	YTD FY09	% Change
Total	415,137	305,516	35.9	366,808	13.2	1,900,932	1,481,077	28.3

Source: Company

■ Maruti Suzuki: Strong numbers yet again

- MSIL reported a strong set of numbers for August 2009. The domestic market volumes grew 29% Y-o-Y, to ~70,000 units, mainly on account of the lower base effect. M-o-M, domestic volumes grew 3.6%.
- A2 and A3 segments continued to drive growth for MSIL in the domestic market. The A2 segment grew over 39% Y-o-Y, with volumes of 52,473 units partially on account of the newly launched *Ritz*. The A3 segment was up 44% Y-o-Y as the company increased production of the *Dzire*.
- Exports were up (156% Y-o-Y; 40% M-o-M) as *A star* volumes benefitted from scrappage incentives. Media reports, however, indicated that incentives could be withdrawn in a number of European countries; thereby impacting on Maruti.
- During this month, the company launched the new *Estilo* with the 1-litre, BS-IV compliant, K-series engine that has been used in *A Star*. The company is currently operating at close to full capacity and may require capacity expansion which could be at its Manesar plant (capacity to increase from 300K units to 400K units).

Maruti Suzuki

Volume (units)	Aug-09	Aug-08	% Change	Jul-09	% Change	YTD FY10	YTD FY09	% Change
Domestic sales	69,961	54,113	29.3	67,528	3.6	334,904	287,117	16.6
Export sales	14,847	5,795	156.2	10,546	40.8	54,707	23,918	128.7
Total sales	84,808	59,908	41.6	78,074	8.6	389,611	311,035	25.3
M800	2,734	3,717	(26.4)	2,796	(2.2)	12,649	25,319	(50.0)
Omni/ Versa	6,601	6,540	0.9	7,302	(9.6)	36,136	33,554	7.7
Alto/ Wagon R/ Zen/ Swift/ A Star	52,473	37,667	39.3	48,115	9.1	247,321	197,889	25.0
SX4/ Dzire	7,821	5,427	44.1	9,101	(14.1)	36,869	27,376	34.7
Total cars	69,629	53,351	30.5	67,314	3.4	332,975	284,138	17.2
MUV-Gypsy/Vitara	332	762	(56.4)	214	55.1	1,929	2,979	(35.2)
Total domestic sales	69,961	54,113	29.3	67,528	3.6	334,904	287,117	16.6
Exports	14,847	5,795	156.2	10,546	40.8	54,707	23,918	128.7
Total sales	84,808	59,908	41.6	78,074	8.6	389,611	311,035	25.3

Source: Company

■ **Tata Motors: M&HCV growth turns positive**

- M&HCV volumes (+10% Y-o-Y) grew positively for the second consecutive month, albeit on a low base. TTMT is likely to have gained market share as its key competitor appears to struggle. LCVs continued to grow strongly at 34% Y-o-Y, reflecting strong demand for *Ace* and passenger vehicles - *Winger* and *Magic*.
- Similar to the last month, the company produced 2,500 units of *Nano*. The production is to continue at the Uttaranchal plant till the Sanand plant in Gujarat is operational in Q4FY10. Media reports, however, seem to indicate cancellations of *Nano* bookings; excluding *Nano*, passenger vehicle volumes declined 5% Y-o-Y.
- The company recently announced that it would introduce another sub ton LCV in the market. This would be the second LCV after the highly successful *Ace*.

Tata Motors

Volume (units)	Aug-09	Aug-08	% Change	Jul-09	% Change	YTD FY10	YTD FY09	% Change
Domestic								
M&HCV	11,118	10,143	9.6	10,658	4.3	48,402	56,075	(13.7)
LCV	18,644	13,088	42.5	17,750	5.0	81,824	61,017	34.1
UV	2,609	3,357	(22.3)	2,638	(1.1)	13,312	18,363	(27.5)
Cars	12,254	12,216	0.3	12,078	1.5	62,104	62,956	(1.4)
Nano	2,501	0	NA			4,976	0	NA
Total domestic	47,126	38,804	21.4	45,599	3.3	210,618	198,411	6.2
Export								
Cars	2,684	4,772	(43.8)	2,455	9.3	901	2,015	(55.3)
Export	2,684	4,772	(43.8)	2,455	9.3	10,359	17,627	(41.2)
Total	49,810	43,576	14.3	48,054	3.7	220,977	216,038	2.3

Source: Company

■ Mahindra & Mahindra: UVs strong, Tractors struggle

- Domestic UV sales grew Y-o-Y, but were flat Q-o-Q. Apart from *Xylo* (volumes: 2,000 units), *Bolero* and *Pickups* performed well with 28% Y-o-Y growth. This demand emanates primarily from the semi-urban and rural segments.
- M&M's domestic tractor sales were up 3.4% Y-o-Y, to 10,110 units. M-o-M, volumes were down, which may be attributed to lower volumes.
- The company plans to launch its range of M&HCVs, through its joint venture with Navistar, in January 2010. The plant will have an initial capacity of 25,000 units scalable to 40,000 units.

Mahindra & Mahindra

Volume (units)	Aug-09	Aug-08	% Change	Jul-09	% Change	YTD FY10	YTD FY09	% Change
Utility vehicles	16,631	11,731	41.8	16,688	(0.3)	82,039	60,322	36.0
LCVs	658	811	(18.9)	1,019	(35.4)	4,170	4,912	(15.1)
Logan	469	1,464	(68.0)	444	5.6	2,391	7,465	(68.0)
3 Wheelers	3,652	4,315	(15.4)	3,806	(4.0)	16,490	19,791	(16.7)
Total automotive (domestic)	21,410	18,321	16.9	21,957	(2.5)	105,090	92,490	13.6
Exports	653	890	(26.6)	506	29.1	2,304	5,182	(55.5)
Total automotive (D+E)	22,063	19,211	14.8	22,463	(1.8)	107,394	97,672	10.0

Tractors

Tractors (domestic)	10,110	9,781	3.4	12,128	(16.6)	64,201	44,236	45.1
Exports	484	646	(25.1)	722	(33.0)	2,354	3,772	(37.6)
Total tractors	10,594	10,427	1.6	12,850	(17.6)	66,555	48,008	38.6
Grand total	32,657	29,638	10.2	35,313	(7.5)	173,949	145,680	19.4

Source: Company

Note: *PTL sales included from August 2008

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Coverage group(s) of stocks by primary analyst(s): Auto & Auto Components

Auto: Ashok Leyland, Tata Motors, Bajaj Auto Ltd, Maruti Udyog, Mahindra & Mahindra, Hero Honda Motors, TVS Motor

Recent Research

Date	Company	Title	Price (INR)	Recos
31-Aug-09	Tata Motors	Q1FY10 consolidated results – losses continue <i>Result Update</i>	489	Hold
03-Aug-09	Auto	Sales Update		
29-Jul-09	Hero Honda	Splendorous performance; <i>Result Update</i>	1,640	Buy
28-Jul-09	Ashok Leyland	margins nosedive; <i>Result Update</i>	36	Reduce

Distribution of Ratings / Market Cap

Edelweiss Research Coverage Universe

	Buy	Hold	Reduce	Total
Rating Distribution*	53	43	29	128
* 3 stocks under review				
	> 50bn	Between 10bn and 50 bn	< 10bn	
Market Cap (INR)	72	41	15	

Rating Interpretation

Rating	Expected to
Buy	appreciate more than 15% over a 12-month period
Hold	appreciate up to 15% over a 12-month period
Reduce	depreciate more than 5% over a 12-month period

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