

Tata Motors leads, as 4 Wheelers zoom ahead

December 2, 2006

Our Top Picks....

Tata Motors	Rs.843
M&M	Rs.840

Absolute Returns %

	30D	3M	6M	12M
Ashok Ley	(0.7)	4.1	11	37.1
Bajaj	(1.2)	(1.5)	1.1	38.6
Hero	0.7	6.2	1.2	(6.2)
Maruti	(3.0)	8.8	23.8	54.2
M&M	8.3	27.3	40.5	79.9
Tata Motors	1.7	(2.4)	6.8	48.8
TVS	(7.0)	2.9	(21.8)	(0.1)
BSE Sensex	5.8	17.6	32.5	54.5
BSE Auto	1.5	8.4	14.6	36.1

Bajaj Auto

Bajaj Auto continued to post impressive growth in sales for the month of November. Total sales grew 32.9% yoy to 243,713 units. The motorcycle sales grew 35.8% yoy to 214,321 units helped by good contributions from the 8 month old Platina and the Discover which crossed 1mn unit sales since its launch. The new 2007 series Pulsar also received a warm welcome and contributed in overall sales. 3 wheeler volumes continued its buoyancy during the month and grew to 29,384 units a yoy surge of 71.3% (sales are 877 units higher than the units sold in the festive month of October 2006).

Company	Motorcycle	Scooters	Mopeds	3 wheel	Exports	Total
Bajaj Auto	214,321	8	-	29,384	36,086	243,713
% Chg yoy	35.8	-100	-	71.3	56.1	32.9

The company continues to add market share with robust growth compared to its competitors. Going ahead the company plans to launch 3 new models barring the 100CC segment of motorcycles as it strategically wants to exit the low yielding 'price' segment. The stock continues to be our preferred play in 2 wheeler segment. Valuing the stock on a sum of parts basis we arrive at a fair value for the stock at Rs 3,110 and recommend a Hold at current levels.

Hero Honda

Company	Motorcycle	Scooters	Mopeds	3 wheel	Exports	Total
Hero Honda	269267	10904	-	-	7124	280171
% Chg yoy	7.2	-	-	-	-2.5	11.5

Bike leader Hero Honda reported a tad lower than expected motorcycle sales at 269,267 units which is a modest growth of 7.2% yoy. Scooter sales remained satisfactory at 10,904 units. Exports for the month also reported a decline of 2.5% yoy. Overall total sales of the company stood 11.5% higher yoy.

The launch of CBZ extreme marks the re entry of Hero Honda in the margin accretive premium segment, but competitive pricing and a lukewarm initial response would not fully solve problems for the bike major. We would closely look at the performance of the company in the next couple of months and check market feedback on the new launches. Meanwhile we maintain a reduce on the stock.

Valuations:

Rs Bn	Net Sales		Ebitda%		Net Profits		EPS			PE			CMP	Reco
Company	FY07E	FY08E	FY07E	FY08E	FY07E	FY08E	FY06	FY07E	FY08E	FY06	FY07E	FY08E		
Bajaj Auto Ltd	104.0	125.2	16.4	15.7	13.4	15.9	111.0	132.8	156.7	24.8	20.7	17.5	2748	Hold
Hero Honda	100.1	110.5	13.5	13.6	10.1	11.3	48.6	50.7	56.6	15.9	15.2	13.6	772	Reduce
TVS Motors	38.5	43.2	5.7	6.2	1.1	1.4	4.9	4.8	6.0	20.2	20.5	16.5	99	Hold
Maruti Udyog	139.3	154.7	14.1	14.4	15.4	18.1	41.2	53.3	62.6	23.1	17.9	15.2	952	Accumulate
Mahindra*	156.3	187.6	13.1	12.9	13.9	16.2	42.5	56.9	66.6	19.8	14.8	12.6	840	BUY
Ashok Ley	65.7	75.7	8.6	9.4	3.6	4.46	2.3	2.7	3.4	18.8	15.9	12.6	43	Accumulate
Tata Motors*	347.4	388.0	12.7	13.2	23.4	27.7	42.8	58.0	68.7	19.7	14.5	12.3	843	BUY

* Consolidated

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Maruti Udyog

Models	For November		
	2006	2005	% Change
M800	6040	7397	-18.3
Omni, Versa	7150	5250	36.2
Alto, Wagon-R, Swift	37060	28019	32.3
Baleno, Esteem	2083	2437	-14.5
Total Passenger Cars	52333	43103	21.4
Gypsy, Vitara	241	465	-48.2
Total Domestic Sales	52574	43568	20.7
Exports	2459	3823	-35.7
Total Sales	55033	47391	16.1

Maruti positively surprised posting better than expected numbers for the month as total domestic sales grew 20.7% yoy to 52,574 units as compared to 43,568 units. While sales of M800, Esteem, Baleno and Vitara continued to decline, the Omni, Versa and the entire Group of B segment posted strong growth.

The Alto was offered at a special discount at the latter part of the month to compete with the new 1.2 Indica Zeta. We expect the company to launch the new 1.1 Zen Estilo in a week and expect the introductory price to be at a premium to the WagonR. The company is also geared up to launch the much awaited Swift diesel in Q4FY07. We maintain our EPS estimate of Rs53.3 for the current fiscal and reiterate an Accumulate on the stock.

M&M

A robust 31.5% growth in sales of Scorpio helped M&M post a 14.8% yoy growth in UVs at 10,250 units. However, excluding Scorpio the total UV sales grew 10% yoy. The total sales from the automobile segment grew 11.5% yoy to 13,600 units (12,199 units) as 3 wheelers contribution stood a tad lower in the absence of the 0.75ton vehicles. Tractor sales for the month stood at 7987 units (7103 units) a growth of 12.4% yoy, wherein the exports contribution stood at 464 units.

Models	November 06	November 05	% Chg
Automotive			
UV's Total	10250	8929	14.8
Scorpio	2603	1980	31.5
LCVs	684	502	36.3
Total 4 Wheelers	10934	9431	15.9
3 Wheelers	2223	2369	-6.2
Total Sales	13600	12199	11.5
Tractor Domestic	7523	6507	15.6
Tractor Exports	464	596	-22.1
Total Tractors	7987	7103	12.4

Riding on the success of UV s the company would benefit from the launch of Logan in the PC segment. The growing international presence as well as the future plans with Renault would benefit the long term business sustainability of M&M. We reiterate a Buy on the stock.

Tata Motors

Tata Motors reported robust set of sales numbers for the month of November as the total sales grew 43.1% yoy to 49,061 units. The CV sales grew 43.7% yoy to 28,627 units mainly led by the LCV segment which grew 64% yoy on the back of continued success of ACE as well as higher contributions from the pick ups, which saw a steep price cut during the month. The demand for higher tonnage vehicles continued and helped the M&HCV segment post a 29.9% yoy growth in sales at 15,448 vehicles.

The launch of the new 1.2 Indica Zeta helped the company post highest ever sales for Indica at 13,047 cars a yoy growth of 58.1%. The Indigo twins also posted a decent 17.4% yoy growth. The Sumo and Safari together registered a 38.2% yoy rise in sales. We re-iterate a BUY on the stock.

Models	Total CVs	Indica	Indigo	Uvs	Exports	Total Vehicles
November 06	28627	13047	2857	3656	3793	49,061
% Chg	43.7	58.1	17.4	38.2	9.6	43.1

TVS Motors

TVS Motors continued to lag posting a mere 4.3% yoy rise in total vehicle sales at 118,157 units. Declining volumes of 125cc bikes negated the growth posted by its 100cc Star and 150cc Apache. The total motorcycle sales for the month grew 1.1% to 68,874 units. Sales of Mopeds grew 14.2% yoy helping the total sales cumulatively. TVS Scooty continues to gain in the 100 cc segment selling 21,791 units, the company has complemented the Scooty brand with a new 2 stroke variant, 'Scooty Teenz'.

The sales momentum of TVS appears to have slowed down in past few months. We see business positives in the form of 1) 3 Wheeler foray; 2) Indonesia Plant and 3) Tax benefits from Himachal Plant. Our full year estimated earnings for FY07 and FY08 stand at Rs 4.8 and Rs 6 respectively. We reiterate a Hold at current levels.

Company	Motorcycle	Scooters	Mopeds	3 wheel	Exports	Total
TVS Motors	68874	21791	27,492	-	7500	118157
% Chg yoy	1.1	3.5	14.2	-	23	4.3

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