

AUTOMOBILE MONTHLY SALES UPDATE

Sector View: Neutral

HOPE FOR A BETTER 2012

The passenger vehicle industry put in a sedate performance in the month of December with a single digit growth. 2011 started on a promising note with 20% plus growth in the first three months, however, mid way through the year all momentum was lost as rising interest rates and fuel price increases marred sentiment. With an improved performance in Nov and Dec'11, the industry can now look forward to 2012 with anticipation. The new year kicks off with the highly awaited Auto Expo'12 accompanied by a slew of launches. We expect the industry to return to growth from April'12 onwards aided by a softening in interest rates and a depleted base. During the month, Maruti Suzuki (MSIL) dispatches outperformed estimates with a boost from exports. Mahindra & Mahindra (M&M) had a mixed month as disappointment in the tractor volumes was compensated by a 25% growth in the automotive division. Commercial vehicle dispatches led by market leader Tata Motors posted a healthy growth on back of sustained demand for small commercial vehicles (SCVs). In the two wheeler space, market leader Hero MotoCorp (HMCL) belied concerns on growth after Bajaj Auto (BJAUT) and TVS Motor posted disappointing volumes. HMCL posted its second highest ever monthly volume, thus beating our estimates by 6%.

- **Two-wheelers:** HMCL dispatches defied gravity with a 0.7% MoM growth. Although BJAUT posted a YoY growth the management outlook on volumes was cautious. HMSI with increased capacity continued to pile pressure on TVS Motor in its bid to secure the number three spot.

- **Passenger Vehicles:** MSIL beat our estimates with an aid from exports. The company undertook a planned maintenance shutdown which limited volumes. M&M continues to ride the wave of XUV500 while Tata Motors posted strong volumes both on Indica and Indigo.

- **Commercial Vehicles:** MHCV makers posted mid single digit growth. LCV volumes continue to post strong growth on demand for the smaller variants.

Our Viewpoint

We expect the passenger car industry to end FY12 with flattish to mildly negative growth in the last quarter. Double digit growth is expected to make a come back in FY13 as monetary policy eases and low base effect kicks in. Although we are positive on the two wheeler industry, the industry could move out of the limelight as focus shifts back to the larger vehicles. Post the sharp correction in stock prices we have upgraded BJAUT and HMCL a notch higher to 'BUY' and 'ACCUMULATE' respectively.

03 January 2012

2-Wheeler Sales

	Dec-11	Dec-10	YoY (%)
Hero MotoCorp	540,276	501,111	7.8
Bajaj Auto	263,699	243,675	8.2
TVS Motor	167,905	168,359	(0.3)
HMSI	191,584	140,786	36.1
Yamaha	44,976	34,839	29.1
M&M	6,231	15,103	(58.7)

3-Wheeler Sales

	Dec-11	Dec-10	YoY (%)
Bajaj Auto	41,991	33,128	26.8
M&M	5,744	5,928	(3.1)
TVS Motor	2,523	3,431	(26.5)

Passenger Vehicle Sales

	Dec-11	Dec-10	YoY (%)
Maruti	92,161	99,225	(7.1)
Hyundai	48,949	47,228	3.6
Tata Motors	29,584	20,502	44.3
M&M	19,341	15,601	24.0
GM	9,039	8,468	6.7
Ford	6,979	6,664	4.7
Honda	1,072	5,148	(79.2)
Toyota	15,534	6,362	144.2
Fiat India	501	382	31.2
Nissan	11,596	6,650	74.4
Volkswagen	5,109	5,772	(11.5)

Commercial Vehicle Sales

	Dec-11	Dec-10	YoY (%)
Tata Motors	52,695	46,939	12.3
Ashok Leyland	9,088	7,568	20.1
Volvo Eicher	5,051	4,038	25.1
M&M	14,806	11,137	32.9

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Sector Summary

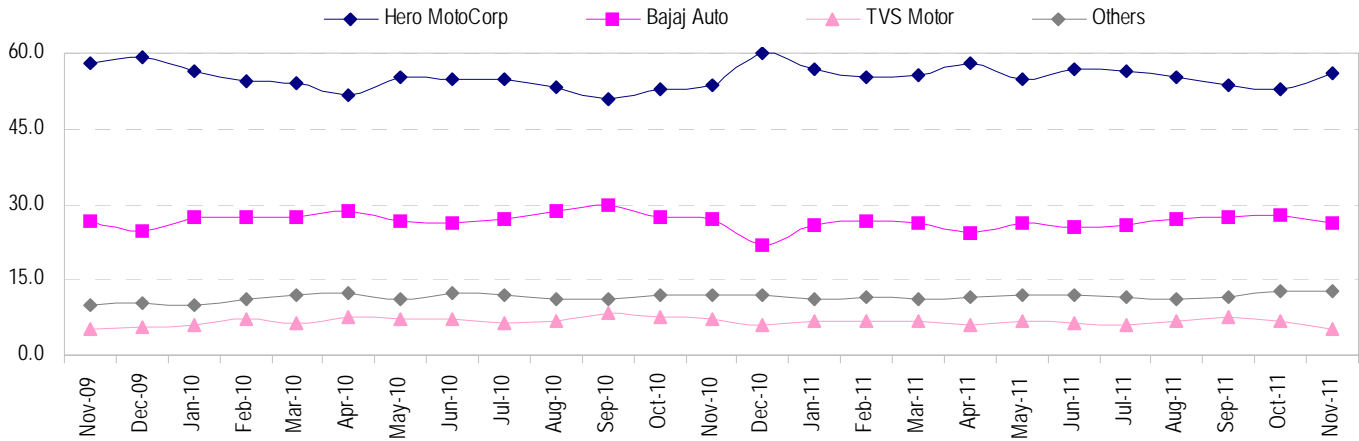
KEY FINANCIALS

Company	CMP (Rs)	Mkt Cap (USD mn)	Net sales (Rs mn)		EPS (Rs)		P/E (x)		TP (Rs)	Rating
			FY12E	FY13E	FY12E	FY13E	FY12E	FY13E		
Ashok Leyland	23	1,240	129,095	145,380	2.5	3.1	9.3	7.6	38	BUY
Bajaj Auto	1,497	8,662	192,131	218,257	107.5	123.3	13.9	12.1	1,850	BUY
Hero MotoCorp	1,838	7,339	227,072	259,374	114.1	132.6	16.1	13.9	2,055	ACCUMULATE
M&M	667	8,734	286,533	329,116	45.7	52.9	14.6	12.6	877	BUY
Maruti Suzuki	953	5,505	333,343	412,978	57.3	79.8	16.6	11.9	1,077	ACCUMULATE
TVS Motor	49	462	73,450	83,488	5.2	6.0	9.4	8.1	78	BUY

For rating objective and disclaimer, please refer to last page of the report

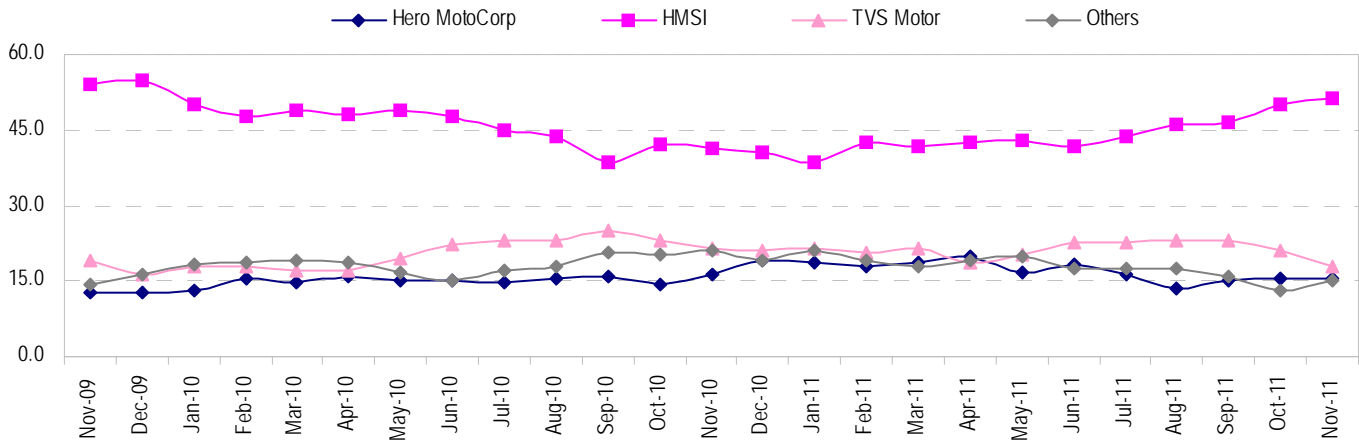
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Marketshare (%) - Motorcycle



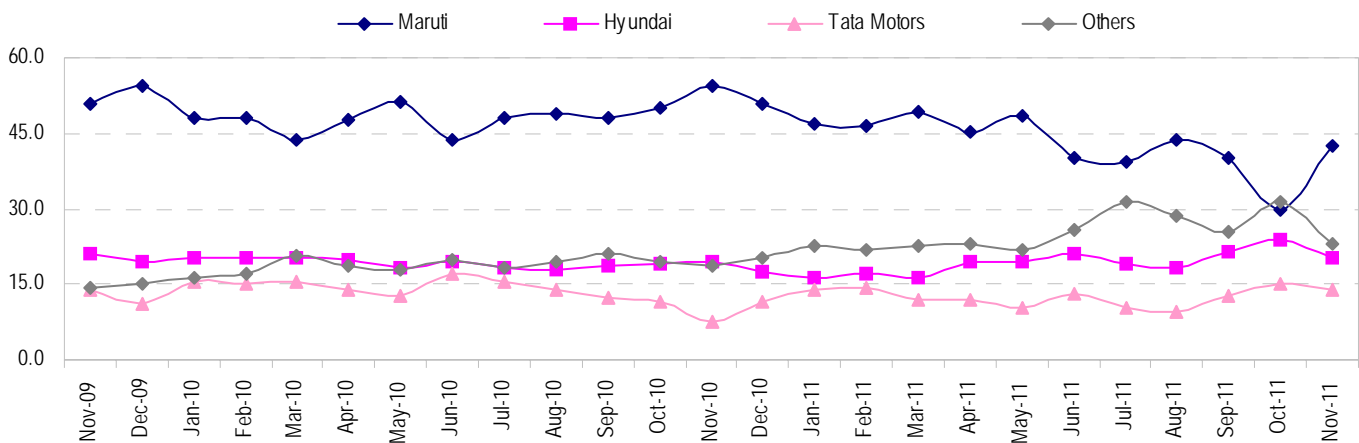
Source: SIAM

Marketshare (%) - Scooter



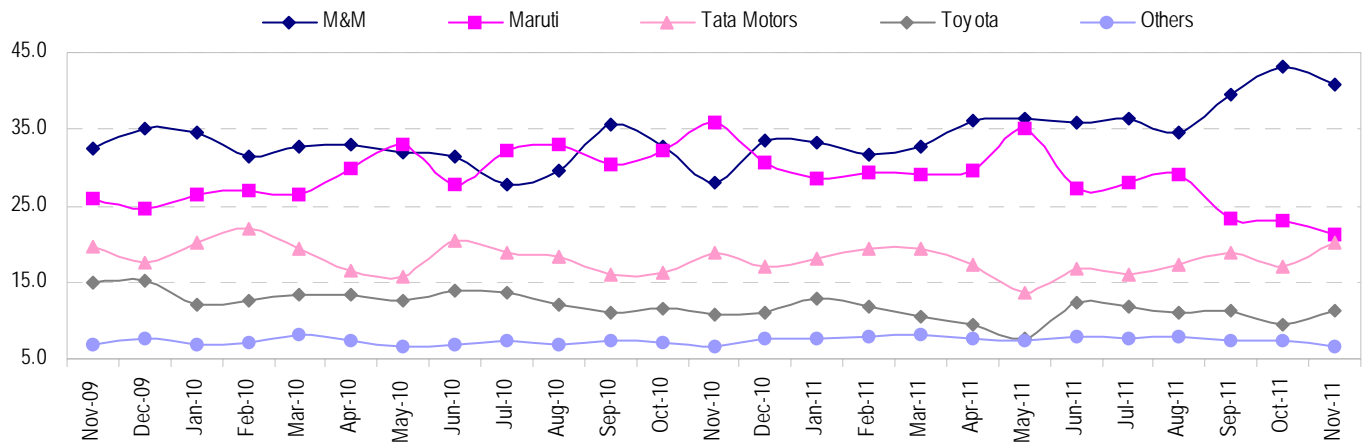
Source: SIAM

Marketshare (%) - Passenger Cars



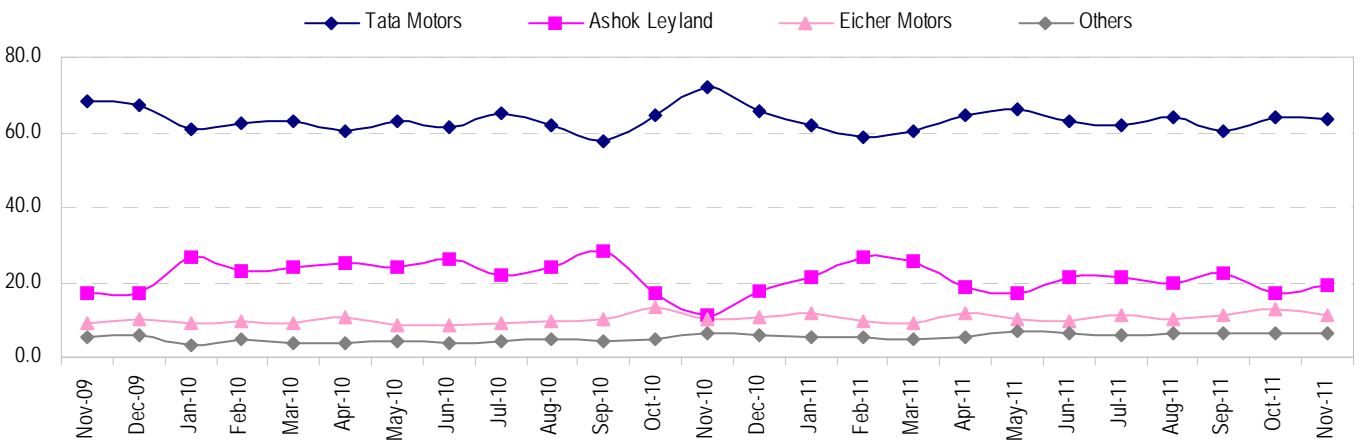
Source: SIAM

Marketshare (%) - Utility Vehicles (UVs)



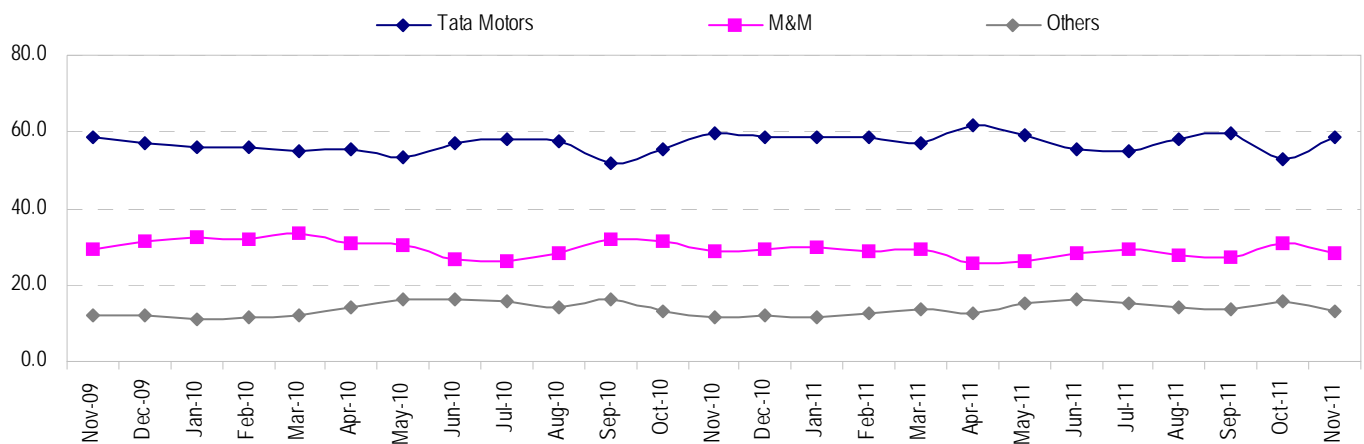
Source: SIAM

Marketshare (%) - MHCV Goods



Source: SIAM

Marketshare (%) - LCVs



Source: SIAM

Hero MotoCorp (HMCL)

Hero MotoCorp (HMCL) dispatches for the month of Dec'11 were significantly ahead of our expectations. The overall dispatches for the month were up 7.8% to 540k units as against our estimate of 507k units. Even on a MoM basis the company managed to post a marginal growth of 0.7% thus outperforming peers Bajaj Auto and TVS Motor.

HMCL's current capacity stands at 6.4mn units and the company plans to increase it to 7mn units by the end of this fiscal year.

The stock of the company is trading at 13.9x our FY13 earnings estimate. Subsequent to the recent price correction in the stock, we upgrade our recommendation to 'ACCUMULATE' with a target price of Rs2,055 discounting FY13E earnings 15.5x.

Bajaj Auto (BJAUT)

Bajaj Auto (BJAUT) dispatches for the month of Dec'11 were below our estimates as both domestic and export markets underperformed. The total dispatches for the month were up 10.4% to 305k units as against our expectation of 348k units. Domestic volumes reported a single digit volume growth of 2.5% to 186k units while exports grew by 25.5% to 119k units. Two wheelers dispatches grew by moderate 8.2% to 263k units while three wheelers volumes continued to grow at a robust 26.8% to 42k units.

The dispatches during the month were also affected due to maintenance shutdown of 4-5 days. However, management indicated that demand in domestic market remains sluggish post the festive season as slowdown is witnessed across all segments.

The company will be showcasing its new four-wheeler at the upcoming Auto Expo. This is touted to be an upgrade for a three-wheeler rather than a Tata Nano competitor.

Post the sharp correction, the stock is currently trading at 12.1x our FY13 earnings estimate. We upgrade our recommendation on the stock to a 'BUY' with a target price of Rs1,850 discounting FY13 earnings 15x.

TVS Motor (TVSL)

TVS Motor (TVSL) dispatches for the month of December'11 were below estimate as overall volumes declined 0.8% YoY to 170k units as against our expectation of 186k units. However, the product mix was superior as motorcycle volumes beat our estimate while low cost moped dispatches declined.

Domestic motorcycle volumes were up 27% to 57k units partially aided by a low base. Scooter dispatches were higher by 12.1% to 45k units. Moped volumes were disappointing declining 30.1% YoY as well as MoM to 45k units, lowest since Jan'10. Domestic two wheeler volumes declined 1.7% to 147k units largely due to the fall in moped dispatches. Two wheeler exports were up 11.3% to 21k units.

Three wheeler volumes declined 26.5% to 2.5k units.

The stock is currently trading at 8.1x our FY13 earnings estimate. We maintain a 'BUY' recommendation on the stock with a target price of Rs78, discounting FY13 earnings 13x.

Maruti Suzuki India (MSIL)

Maruti Suzuki (MSIL) domestic dispatches for the month of December'11 were inline with estimates. However, overall volumes at 92k units were 8% higher than estimate as the company exported 14.7k units as against our expectation of 8k units. As has been the practice, the company undertook a maintenance shutdown in the last week of December (26th to 31st).

COMPANY-WISE PERFORMANCE

On the domestic front, mini segment (Alto, WagonR, AStar) declined 15.6% to 38.6k units. With the sharp increase in cost of ownership, this segment has been most affected, declining 17.2% in 9MFY12. Compact segment (Swift, Ritz) dispatches were flat at 21k units while Dzire volumes rose 6.8% to 9k units. The company is expected to launch a less than 4 metre version of the Dzire later in the year to avail the lower excise duty benefit on small cars. The MPV (Omni, Eeco) segment volumes declined 41.6% to 7.9k units. MSIL is expected to launch the Multi Utility Vehicle 'Ertiga' at the upcoming Auto Expo. MSIL's domestic dispatches were down 13.4% to 77.5k units. This being the seventh consecutive month of decline in domestic volumes.

The stock is currently trading at 11.9x FY13E earnings. We maintain an 'ACCUMULATE' recommendation on the stock with a target price of Rs1,077 discounting FY13E earnings 13.5x.

Mahindra & Mahindra (M&M)

Mahindra and Mahindra (M&M) dispatches for the month of December'11 were a mixed bag as the automotive segment volumes beat our expectations while the tractor segment disappointed. The overall dispatches for the month were up 17% to 59k units, tad above our estimate of 57.5k units.

The out-performance in automotive segment was led by Utility Vehicles (UVs) which maintained a high double digit growth of 23% to 18k units. Growth in UV segment was aided by incremental volumes from its recently launched XUV500. Company continues to receive positive response for XUV500 as it plans to increase the capacity from current 2k units/month to 3k units/ month. The company is expected to resume booking on XUV500 in January'12.

Pickup and SCV segment continued its uptrend with a growth of 35% to 13.7k units. Three wheelers volumes declined by 3.1% to 5.7k units.

Tractor segment continued to disappoint second month in a row as the dispatches remained flat at 16.3k units as against our expectation of 19k units.

We maintain a 'BUY' recommendation on the stock with a SOTP based target price of Rs877.

Tata Motors (TTMT)

Tata Motors (TTMT) dispatches for the month of December'11 were significantly ahead of our estimates both in commercial and passenger vehicle segments. Overall volumes were up 22% to 82k units as against our expectation of 71k units. MHCV domestic volumes grew 4.7% YoY to 18.2k units. In 9MFY12, the MHCV segment has grown at a healthy 9.4%. The LCV segment volumes were inline with estimates at 29.5k units i.e. a growth of 20.4%. The passenger segment outperformed our estimates with a wide margin. As against our expectation of a MoM decline in dispatches during the month of December, the segment volumes were up 4.3% MoM (46.7% YoY). Indica volumes jumped 57.1% YoY to 9.3k units while Indigo volumes grew 31.6% to 6.8k units. Nano volumes continue to expand growing 16.6% MoM to 7.5k units. Utility segment volumes were up an impressive 90% to 5.3k units. The company is expected to display the new generation Safari at the upcoming Auto Expo.

Export declined marginally by 3.3% to 5.6k units.

Currently, we do not have a rating on the stock.

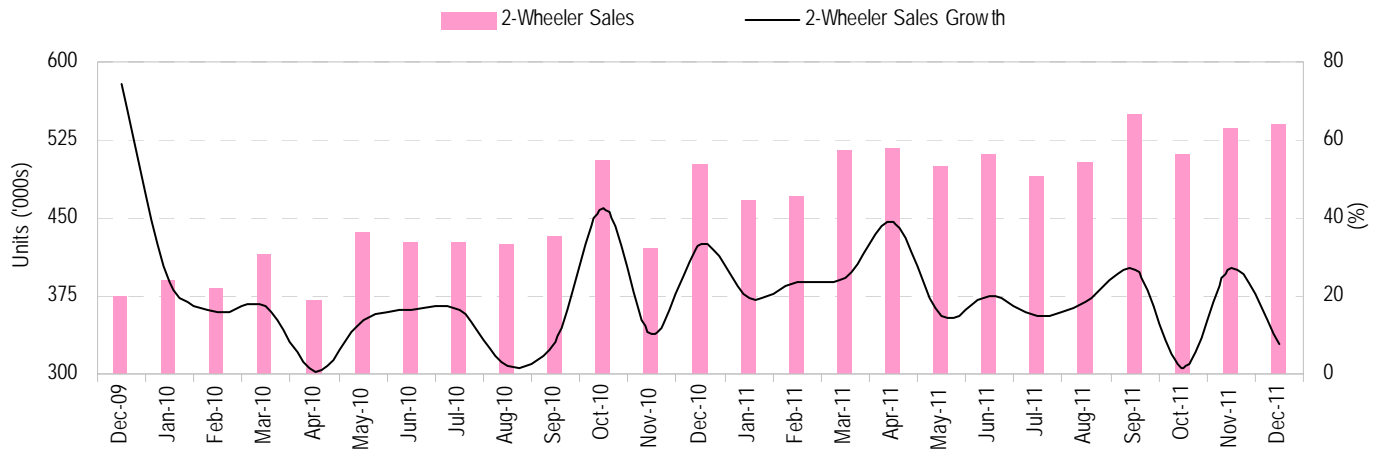
Ashok Leyland (AL)

Ashok Leyland (AL) dispatches for the month of Dec'11 were up 20.1% to 9.08k units as against our estimate of 8.2k units. Domestic segment reported growth of 25% to 8.04k units led by its recently launched LCV 'Dost' which recorded volume of 1,099 units. Excluding dispatches of Dost, domestic volumes were up 8% YoY. Exports volumes disappointed, declining 9.6% to 1,046 units as against our expectation of 1,300 units.

The stock is currently trading at 7.6x its FY13E earnings. We maintain a 'BUY' recommendation on the stock with a target price of Rs38, discounting FY13E earnings 12.5x.

Hero MotoCorp

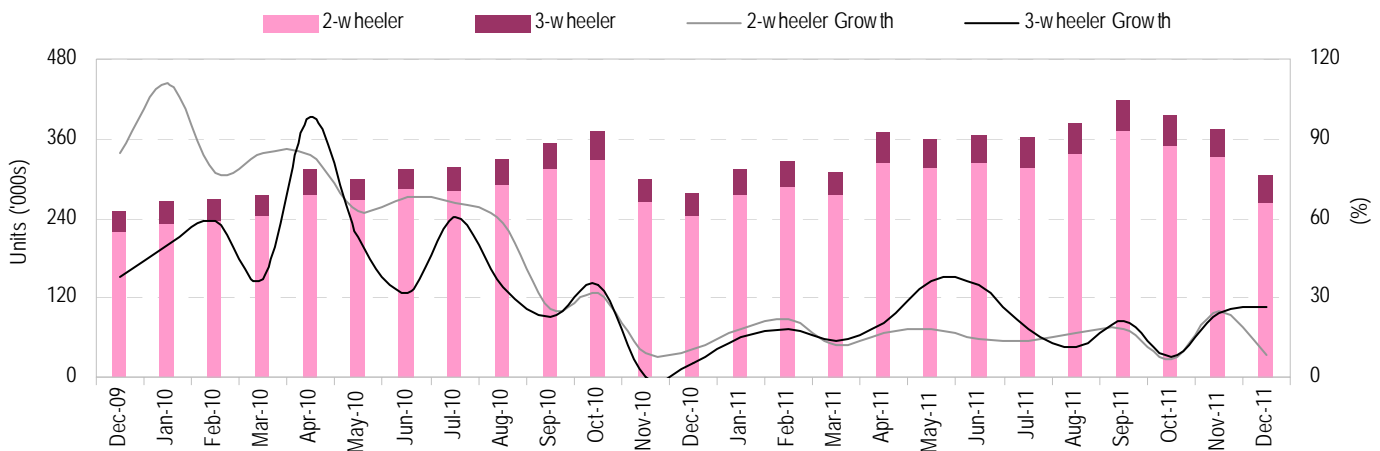
(In Units)	Dec-11	Dec-10	YoY (%)	Nov-11	MoM (%)	YTFDY12	YTFDY11	YoY (%)
2-w heeler	540,276	501,111	7.8	536,762	0.7	4,663,168	3,948,013	18.1



Source: Company

Bajaj Auto

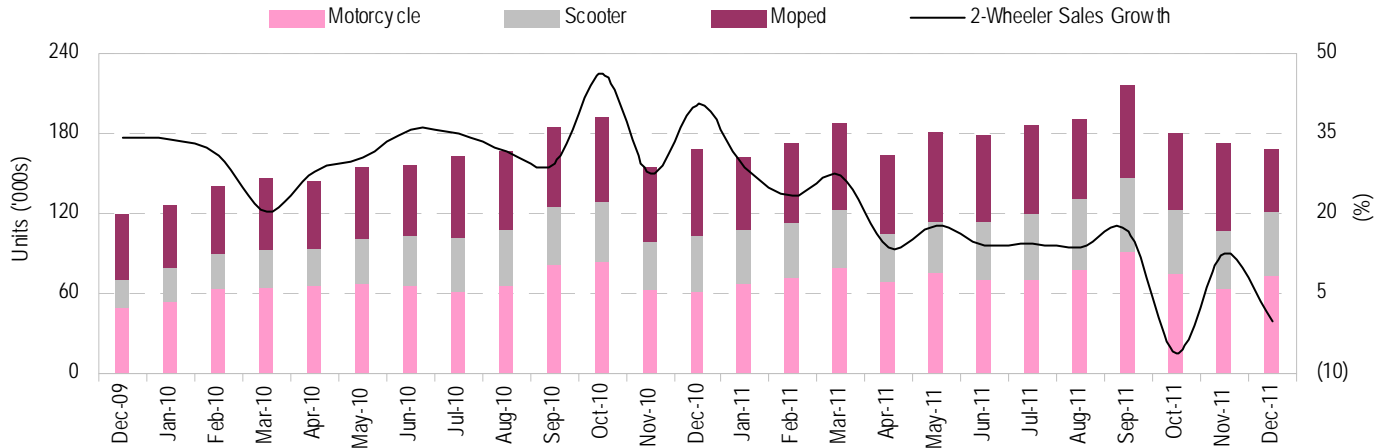
(In Units)	Dec-11	Dec-10	YoY (%)	Nov-11	MoM (%)	YTFDY12	YTFDY11	YoY (%)
2-wheeler	263,699	243,675	8.2	331,967	(20.6)	2,937,157	2,550,377	15.2
3-w heeler	41,991	33,128	26.8	42,510	(1.2)	395,236	325,357	21.5
Total Vehicles	305,690	276,803	10.4	374,477	(18.4)	3,332,393	2,875,734	15.9
Total Exports Sales	119,708	95,388	25.5	129,256	(7.4)	1,232,410	927,875	32.8
Total Domestic Sales	185,982	181,415	2.5	245,221	(24.2)	2,099,983	1,947,859	7.8



Source: Company

TVS Motor

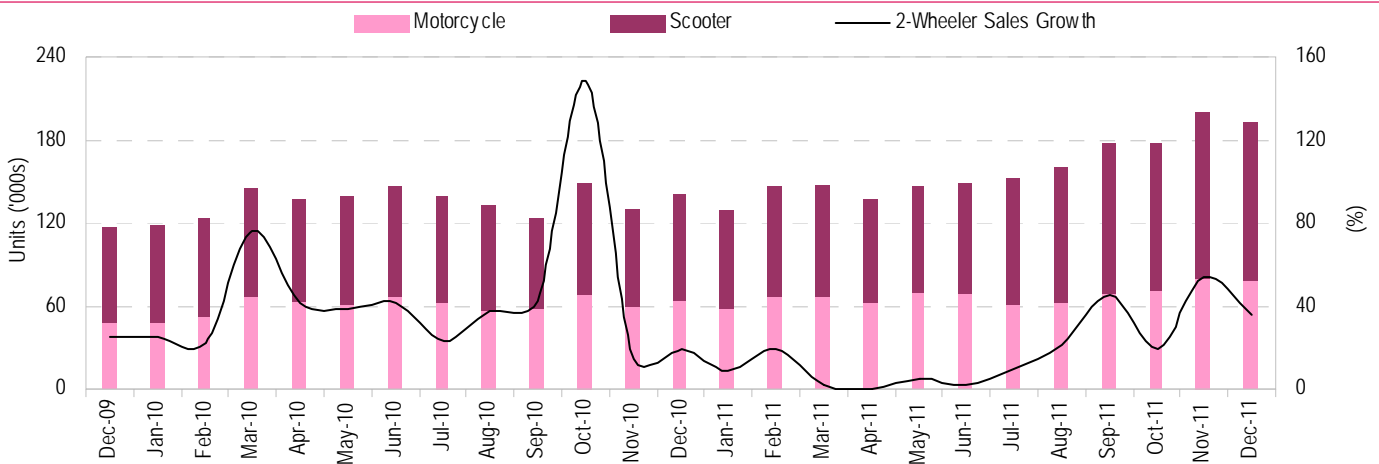
(in Units)	Dec-11	Dec-10	YoY (%)	Nov-11	MoM (%)	YTDFY12	YTDFY11	YoY (%)
Motorcycle	73,820	61,414	20.2	62,608	17.9	665,875	618,006	7.7
Scooter	47,804	41,804	14.4	44,301	7.9	414,538	342,538	21.0
Moped	46,281	65,141	(29.0)	65,920	(29.8)	557,580	524,558	6.3
2-wheeler	167,905	168,359	(0.3)	172,829	(2.8)	1,637,993	1,485,102	10.3
Three Wheeler	2,523	3,431	(26.5)	2,706	(6.8)	32,027	27,794	15.2
Total Sales	170,428	171,790	(0.8)	175,535	(2.9)	1,670,020	1,512,896	10.4



Source: Company

Honda Motorcycle & Scooter

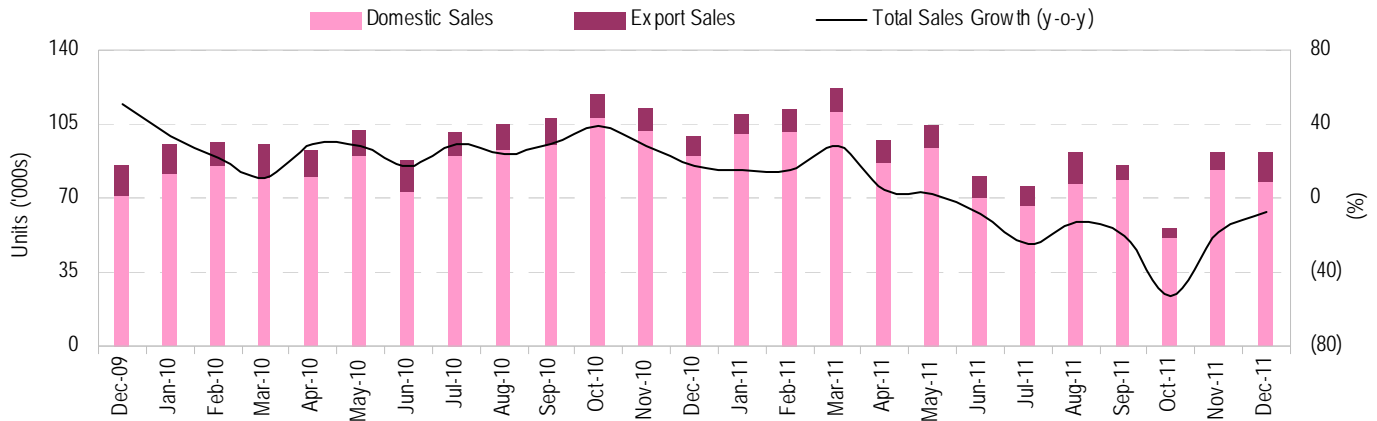
(In Units)	Dec-11	Dec-10	YoY (%)	Nov-11	MoM (%)	YTD FY12	YTD FY11	YoY (%)
Motorcycle	78,721	62,993	25.0	79,738	(1.3)	543,435	495,268	9.7
Scooter	112,863	77,793	45.1	119,560	(5.6)	756,735	597,632	26.6
2-wheeler	191,584	140,786	36.1	199,298	(3.9)	1,300,170	1,092,900	19.0



Source: Company

Maruti Suzuki India

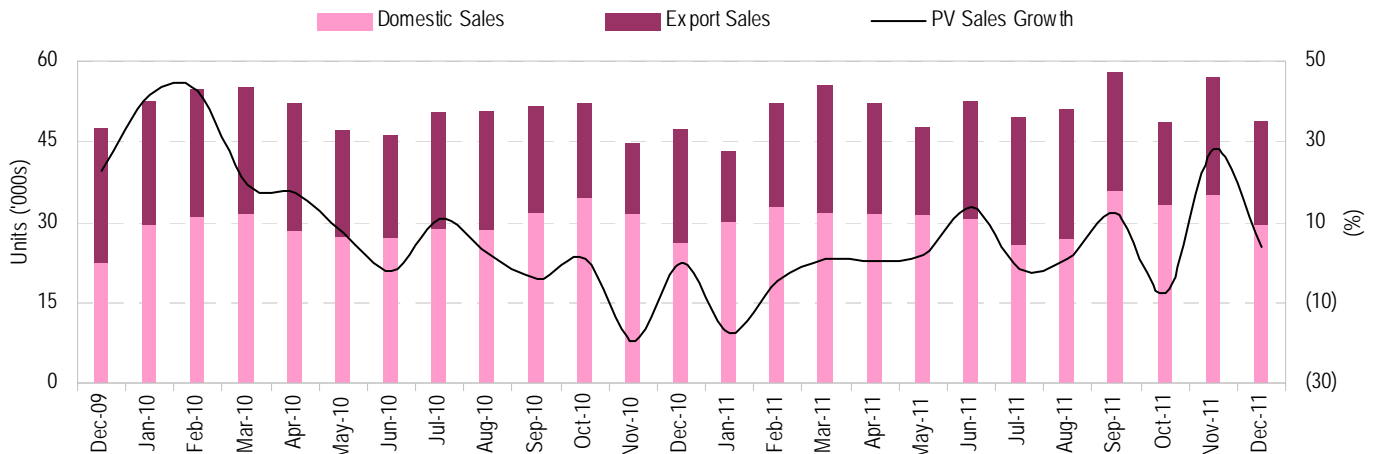
(In Units)	Dec-11	Dec-10	YoY (%)	Nov-11	MoM (%)	YTD FY12	YTD FY11	YoY (%)
Mini (M800,Alto,WagonR,ASStar)	38,593	45,733	(15.6)	38,921	(0.8)	337,423	407,620	(17.2)
Compact (Ritz,Swift,Estilo)	20,653	20,557	0.5	22,159	(6.8)	154,186	196,885	(21.7)
C1 (Dzire)	9,189	8,601	6.8	10,403	(11.7)	69,976	78,416	(10.8)
C2 (SX4)	843	761	10.8	1,433	(41.2)	12,505	14,002	(10.7)
D (Kizashi)	51	-	-	162	(68.5)	387	-	-
Passenger Cars	69,329	75,652	(8.4)	73,078	(5.1)	574,477	696,923	(17.6)
Omni, Eeco	7,908	13,547	(41.6)	9,612	(17.7)	105,881	118,729	(10.8)
Gypsy, Grand Vitara	238	270	(11.9)	180	32.2	4,534	4,698	(3.5)
Total Domestic	77,475	89,469	(13.4)	82,870	(6.5)	684,892	820,350	(16.5)
Exports	14,686	9,756	50.5	8,902	65.0	88,462	107,315	(17.6)
Total Sales	92,161	99,225	(7.1)	91,772	0.4	773,354	927,665	(16.6)



Source: Company

Hyundai Motor India

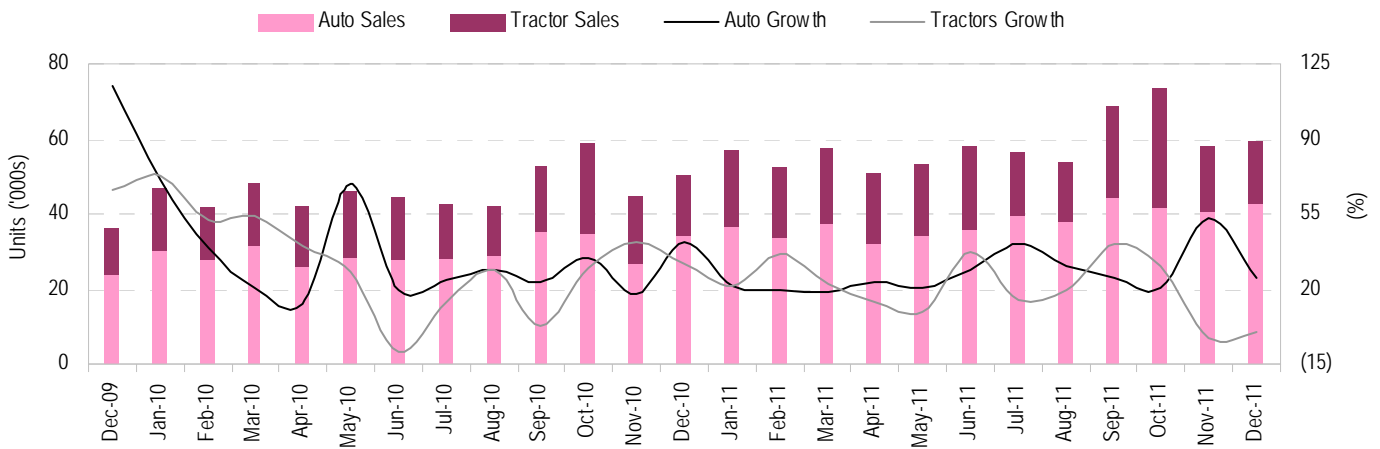
(In Units)	Dec-11	Dec-10	YoY (%)	Nov-11	MoM (%)	YTD FY12	YTD FY11	YoY (%)
Domestic Sales	29,516	26,168	12.8	35,000	(15.7)	278,952	264,614	5.4
Export Sales	19,433	21,060	(7.7)	22,080	(12.0)	186,276	176,951	5.3
Total PVs	48,949	47,228	3.6	57,080	(14.2)	465,228	441,565	5.4



Source: Company

Mahindra & Mahindra

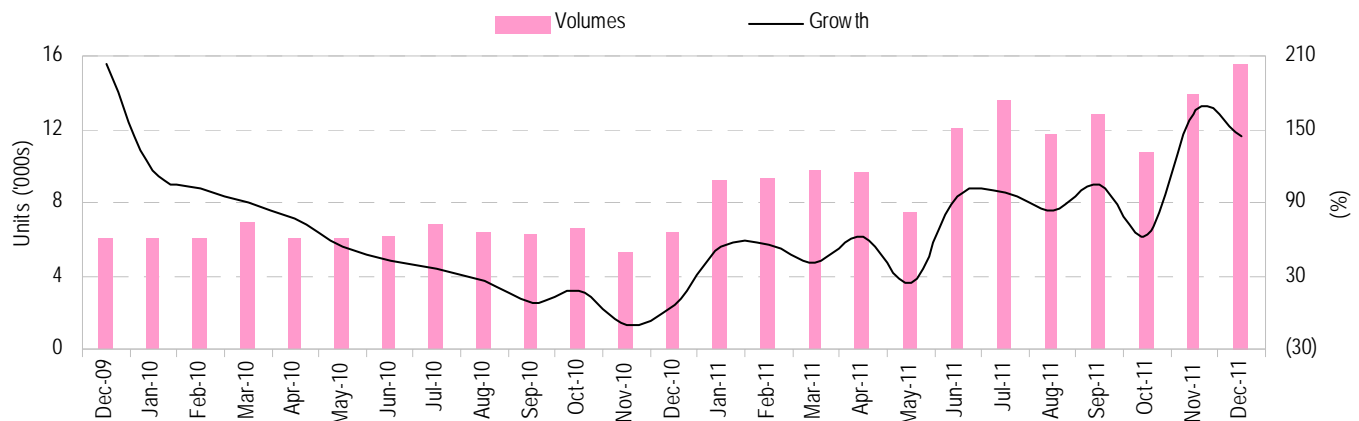
(In Units)	Dec-11	Dec-10	YoY (%)	Nov-11	MoM (%)	YTD FY12	YTD FY11	YoY (%)
Passenger UV's	18,078	14,705	22.9	16,686	8.3	143,632	122,488	17.3
Pick-up & SCVs	13,757	10,161	35.4	13,362	3.0	110,730	74,010	49.6
LCV & MHCV	1,049	976	7.5	1,045	0.4	9,506	8,266	15.0
Verito (earlier Logan)	1,263	896	41.0	1,127	12.1	12,915	6,720	92.2
Three Wheeler	5,744	5,928	(3.1)	5,889	(2.5)	51,114	44,471	14.9
Domestic Auto Total	39,891	32,536	22.6	38,159	4.5	327,897	255,955	28.1
Auto Exports	2,870	1,516	89.3	2,563	12.0	20,543	13,480	52.4
Total Automobile Sales	42,761	34,052	25.6	40,722	5.0	348,440	269,435	29.3
Tractors Domestic	15,315	15,135	1.2	16,175	(5.3)	173,519	145,493	19.3
Tractors Exports	1,074	1,199	(10.4)	1,352	(20.6)	9,781	8,773	11.5
Tractors Total	16,389	16,334	0.3	17,527	(6.5)	183,300	154,266	18.8



Source: Company

Toyota Kirloskar Motor India

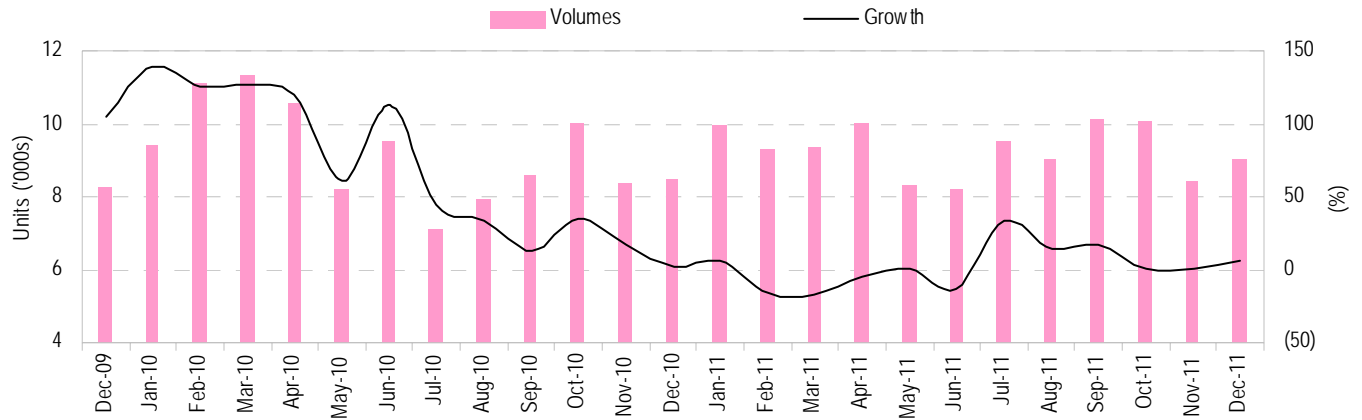
(In Units)	Dec-11	Dec-10	YoY (%)	Nov-11	MoM (%)	YTD FY12	YTD FY11	YoY (%)
Total Passenger Vehicles	15,534	6,362	144.2	13,956	11.3	107,515	49,507	117.2



Source: Company

General Motors India

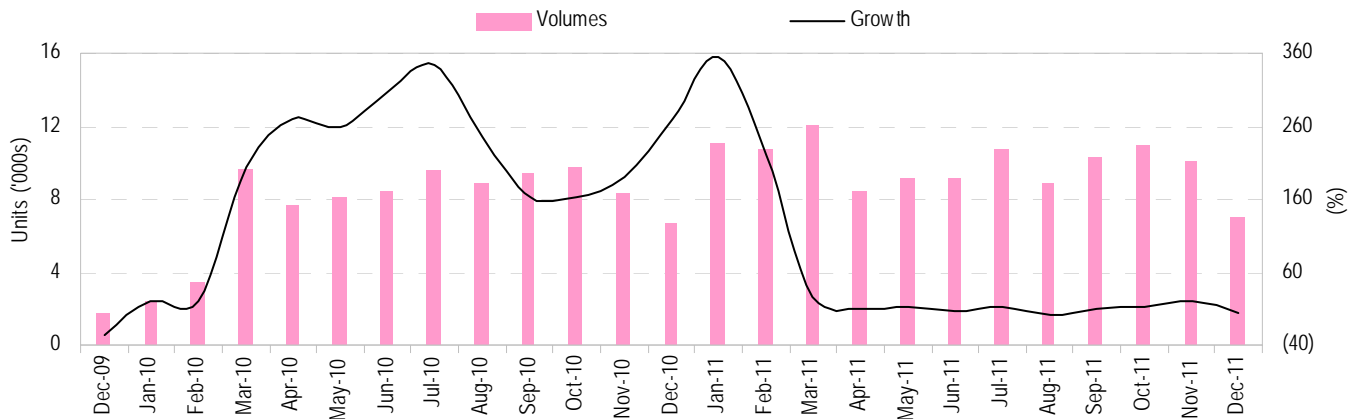
(In Units)	Dec-11	Dec-10	YoY (%)	Nov-11	MoM (%)	YTD FY12	YTD FY11	YoY (%)
Total Passenger Vehicles	9,039	8,468	6.7	8,440	7.1	82,832	78,942	4.9



Source: Company

Ford India

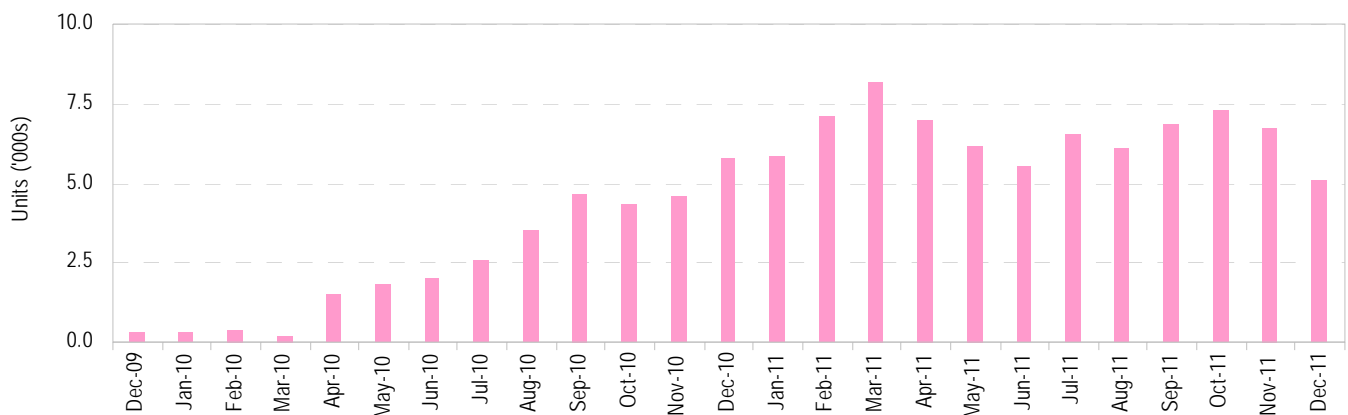
(In Units)	Dec-11	Dec-10	YoY (%)	Nov-11	MoM (%)	YTD FY12	YTD FY11	YoY (%)
Total Passenger Vehicles	6,979	6,664	4.7	10,091	(30.8)	84,555	76,782	10.1



Source: Company

Volkswagen India

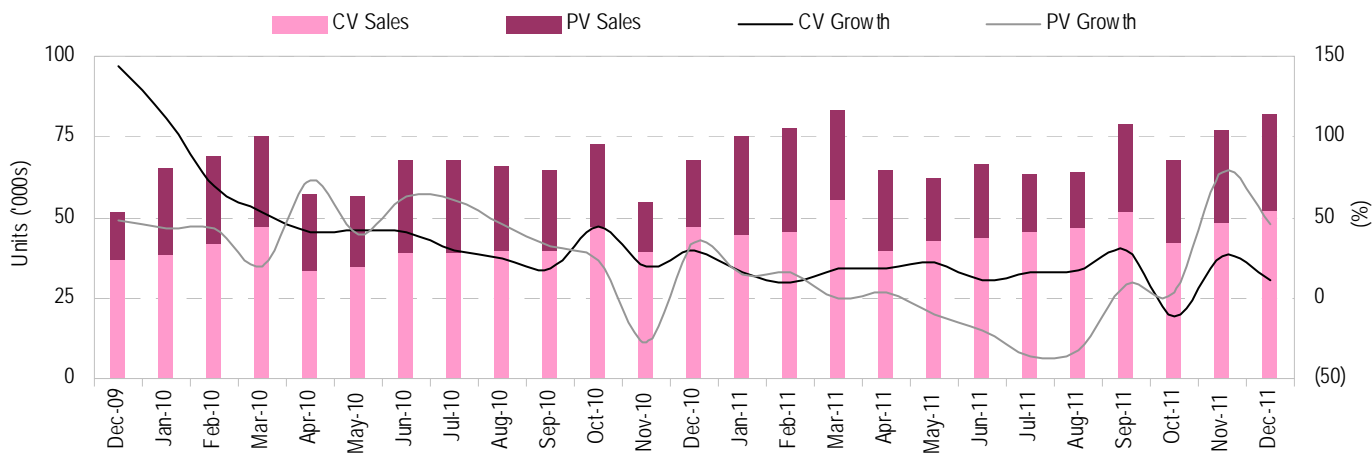
(In Units)	Dec-11	Dec-10	YoY (%)	Nov-11	MoM (%)	YTD FY12	YTD FY11	YoY (%)
Total Passenger Vehicles	5,109	5,772	(11.5)	6,722	(24.0)	57,312	25,063	128.7



Source: Company

Tata Motors

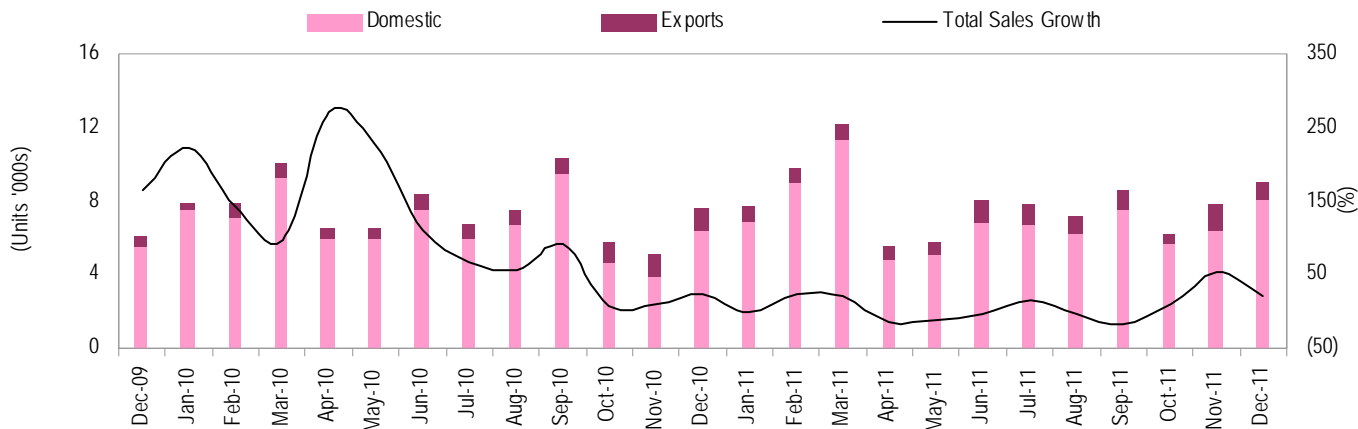
(In Units)	Dec-11	Dec-10	YoY (%)	Nov-11	MoM (%)	YTDFY12	YTDFY11	YoY (%)
MHCV	18,247	17,428	4.7	16,064	13.6	147,369	134,670	9.4
LCV	29,500	24,498	20.4	28,673	2.9	227,289	188,675	20.5
Commercial Vehicle	47,747	41,926	13.9	44,737	6.7	374,658	323,345	15.9
Cars	23,661	16,941	39.7	23,540	0.5	171,010	180,339	(5.2)
Utility Vehicles	5,255	2,765	90.1	4,197	25.2	35,888	28,361	26.5
Passenger Vehicles	28,916	19,706	46.7	27,737	4.3	206,898	208,700	(0.9)
Total Domestic Sales	76,663	61,632	24.4	72,474	5.8	581,556	532,045	9.3
Exports	5,615	5,809	(3.3)	4,349	29.1	45,025	42,660	5.5
Total Sales	82,278	67,441	22.0	76,823	7.1	626,581	574,705	9.0



Source: Company

Ashok Leyland

(In Units)	Dec-11	Dec-10	YoY (%)	Nov-11	MoM (%)	YTDFY12	YTDFY11	YoY (%)
Total Sales	9,088	7,568	20.1	7,875	15.4	66,120	64,429	2.6
Domestic	8,042	6,411	25.4	6,474	24.2	57,334	56,626	1.3
Exports	1,046	1,157	(9.6)	1,401	(25.3)	8,786	7,803	12.6



T E A M

EQUITY DESK

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Rating Objective		
Rating	Large Caps	Mid Caps
	M.Cap > USD1bn	M.Cap <= USD1bn
Return %		
BUY	More than 15	More than 20
Accumulate	5 to 15	10 to 20
Reduce	(-)5 to +5	0 to 10
Sell	Below (-)5	Less than 0



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