

*Two wheelers continue to outperform!!!!*



## **AUTO MONTHLY SALES**

### **JUNE 2011**



**Silky Jain**

Research Analyst

Tel: 022 3926 8178

Email: [silky.jain@nirmalbang.com](mailto:silky.jain@nirmalbang.com)

**Amrita Burde**

Research Associate

Tel: 022 3926 8229

Email: [amrita.burde@nirmalbang.com](mailto:amrita.burde@nirmalbang.com)

## Auto Monthly Sales Updates for June 2011

### Maruti Suzuki

Product	Jun-11	Jun-10	YoY	May-11	MoM	Apr-Jun 11	Apr-Jun 10	Change %
<b>Domestic Sales (a)</b>								
A1 (Maruti 800)	1,823	2,090	-12.8%	2,262	-19.4%	6613	6906	-4.2%
A2(Alto,wagonR,Zen,Swift,Ritz)	52,599	51,418	2.3%	61,048	-13.8%	171090	170513	0.3%
A3 (SX4, Swift Dzire)	3,199	8,081	-60.4%	13,514	-76.3%	30612	28958	5.7%
A4 (Kizashi)	32	NA	NA	50	-36%	117	NA	NA
C (Omni,Versa,Eeco)	12,182	9,914	22.9%	15,545	-21.6%	40749	33521	21.6%
MUV (Gypsy, Vitara)	217	1,309	-83.4%	1,100	-80.3%	1502	2989	-49.7%
	<b>70,020</b>	<b>72,812</b>	<b>-3.8%</b>	<b>93,519</b>	<b>-25.1%</b>	<b>250683</b>	<b>242887</b>	<b>3.2%</b>
<b>Export Sales (b)</b>	10,278	15,279	-32.7%	10,554	-2.6%	30843	40437	-23.7%
<b>Total Sales (a+b)</b>	<b>80,298</b>	<b>88,091</b>	<b>-8.8%</b>	<b>104,073</b>	<b>-22.8%</b>	<b>281526</b>	<b>283324</b>	<b>-0.6%</b>

- Maruti sold 80,298 vehicles in the month of June 11 as against 88,091 units in June 10, a decline of 8.8% on YoY basis. On a MoM basis sales fell drastically by 22.8%. This was due to the workers strike at its plant in Manesar, which hurt production of its SX4 and Swift D'zire Sedan for almost 13 days. The company also planned a maintenance shutdown at its Gurgaon plant for six days during the month.
- The A2 Segment comprising of Alto, Wagon R, and Swift & Ritz grew by 2.3% on a YoY Basis; while on a MoM Basis it declined by 13.8% to 52,599 units.
- The A3 category, comprising of SX4 and Swift Dzire's sales showed a drastic decline of 60.4% YoY and on MoM basis it declined 76.3% at 3199 units resulting from the workers strike at Manesar.
- The A4 segment comprising of the newly launched Kizashi saw a sale of 32 units in June 2011 which was lower than 50 units sold in May 2011.
- The C segment comprising Omni and Eeco and Versa grew by 22.9% on a YoY basis and slid by 21.6% on a MoM basis.
- The MUV segment fell by more than 80% on MoM as well as YoY basis.
- Maruti's exports declined by 32.7% on YoY basis and 2.6% on MoM basis to 10,278 units. The exports have shown a declining trend for several quarters after European countries ended the scrappage incentive scheme.

## Auto Monthly Sales Updates for June 2011

### Tata Motors

Product	Jun-11	Jun-10	YoY	May-11	MoM	Apr-Jun 11	Apr-Jun 10	Change %
<b>Domestic Sales</b>								
M&HCV	23,197	15,139	53.2%	15,532	49.3%	52467	42156	24%
LCV	16,074	19,652	-18.2%	21,829	-26.4%	60705	55073	10%
<b>Cars</b>								
Indica	8,188	9,003	-9.1%	5,497	49.0%	17935	26507	-32%
Indigo	4,882	7,502	-34.9%	4,268	14.4%	14432	21303	-32%
Nano	5,451	7,704	-29.2%	6,515	-16.3%	21978	14779	49%
Total Cars	18,521	24,209	-23.5%	16,280	13.8%	54345	62589	-13.2%
Utility(Safari , Sumo)	3,472	3,602	-3.6%	3,121	11.2%	10436	9650	8%
<b>Domestic Sales</b>	<b>61,264</b>	<b>62,602</b>	<b>-2.1%</b>	<b>56,762</b>	<b>7.9%</b>	<b>177953</b>	<b>169468</b>	<b>5%</b>
Export Sales	5,094	4,222	20.7%	5,534	-8.0%	14886	11337	31%
<b>Total Sales</b>	<b>66,358</b>	<b>66,824</b>	<b>-0.7%</b>	<b>62,296</b>	<b>6.5%</b>	<b>192,839</b>	<b>180,805</b>	<b>6.7%</b>
<i>Fiat</i>	<i>1,506</i>	<i>2,137</i>	<i>-29.5%</i>	<i>2,148</i>	<i>-29.9%</i>	<i>5703</i>	<i>6100</i>	<i>-7%</i>

- Tata Motors reported sales of 66,358 vehicles (including exports) for the month of June 11, showing a marginal decline of 0.7% YoY but grew by 6.5% on a MoM basis.
- The M&HCV segment witnessed a robust growth of 53.2% on a YoY basis, and 49.3% on a MoM basis at 23,197 units for June 2011. The LCV segment witnessed a decline of 18.2% YoY and 26.4% MoM to 16,074 units.
- The sale of Tata Indica and Indigo cars continued to lose pace. The Cars segment showed a decline of 23.5% YoY to 18,521 units which was mainly due to 34.9% decline in sales of Tata Indigo and Tata Nano which now has begun to slide. Nano sales fell 29% YoY in June to settle at 5,451 units.
- Exports grew by 20.7% to 5,094 units for June 11 on a YoY basis but slid 8.0% MoM basis.
- Increasing competition from the recent launches in small car segment, Toyota (Etios Sedan and Liva Hatchback), Ford (Figo) and Nissan (Micra) can have an impact on the sales of small cars segment of Tata Motors consisting of Indica and Indigo and Nano.

## Auto Monthly Sales Updates for June 2011

### Mahindra & Mahindra

Product	Jun-11	Jun-10	YoY	May-11	MoM	Apr-Jun 11	Apr-Jun 10	Change %
Passenger Uv's	16,053	13,316	20.6%	15,411	4.2%	45917	39425	16%
Verito	1,510	563	168.2%	1,291	17.0%	3807	1316	189%
4 Wheel pick ups (Includes Maxximo, Gio, Genio & Bolero Pick up)	11,560	7,005	65.0%	9,958	16.1%	31056	22994	35%
3 Wheelers	3,639	4,248	-14.3%	4,498	-19.1%	12548	11605	8%
MNAL (Mahindra Navistar Automotives Ltd)	1,010	1,111	-9.1%	1,001	0.9%	2952	2978	-1%
<b>Total Domestic</b>	<b>33,772</b>	<b>26,243</b>	<b>28.7%</b>	<b>32,159</b>	<b>5.0%</b>	<b>96280</b>	<b>78318</b>	<b>23%</b>
Exports	1,812	1,319	37.4%	2,164	-16.3%	5717	3625	58%
<b>Total</b>	<b>35,584</b>	<b>27,562</b>	<b>29.1%</b>	<b>34,323</b>	<b>3.7%</b>	<b>101997</b>	<b>81943</b>	<b>24%</b>
Total Farm Equipment	22,730	16,590	37.0%	18,892	20.3%	60152	50148	20%
<b>Total Sales</b>	<b>58,314</b>	<b>44,152</b>	<b>32.1%</b>	<b>53,215</b>	<b>9.6%</b>	<b>162149</b>	<b>132091</b>	<b>22.8%</b>

- All its segments, the Passenger UV's, 4 wheeler pick up's and 3 wheelers have shown a good performance.
- Mahindra & Mahindra reported total sales of 58,314 units in June 11 as against 44,152 units in the corresponding month last year, a growth of 32.1% on YoY basis and 9.6% on a MoM basis. Robust sales of utility vehicles, in which Mahindra has the largest market share, could be because its vehicles are mainly diesel-driven.
- Mahindra & Mahindra's Farm Equipment Sector (FES) maintained its leadership position in the tractor industry in June 2011. Total tractor sales (domestic + exports) in June 2011 stood at 22,730 units, as against 16,590 units in June 2010, reflecting an increase of 37% on YoY basis and 9.6% on MoM basis.
- M&M's recently acquired Korean subsidiary, Ssangyong Motor Co. Ltd, is doing well and the domestic sales volumes doubled as compared to last year. The strategy of the company is to focus on ramping up the tractor exports from Ssangyong to African and Chinese markets in the next two years. We believe that this will lead to an increase in sales of tractors as well as boost the company's exports.
- However, the withdrawal of octroi concession by Nashik Municipal Corporation and the Maharashtra government rolling back tax sops that were given to M&M is likely to impact all new investments that have been made in Maharashtra.

## Auto Monthly Sales Updates for June 2011

### Ashok Leyland

Product	Jun-11	Jun-10	YoY	May-11	MoM	Apr-Jun 11	Apr-Jun 10	Change %
<b>Domestic Sales (a)</b>								
MDV Passenger	1,823	1,795	1.6%	1,427	27.8%	4,355	4,184	4%
MDV Goods	4,960	5,607	-11.5%	3,616	37.2%	12,277	15,058	-18%
LCV	41	95	-56.8%	39	5.1%	106	218	-51%
<b>Total</b>	<b>6,824</b>	<b>7,497</b>	<b>-9.0%</b>	<b>5,082</b>	<b>34.3%</b>	<b>16,738</b>	<b>19,460</b>	<b>-14%</b>
<b>Export Sales (b)</b>								
MDV Passenger	421	409	2.9%	297	41.8%	973	904	8%
MDV Goods	738	472	56.4%	336	119.6%	<b>1,478</b>	<b>980</b>	51%
LCV	26	20	NA	10	160.0%	88	56	57%
<b>Total</b>	<b>1,185</b>	<b>901</b>	<b>31.5%</b>	<b>643</b>	<b>84.3%</b>	<b>2,539</b>	<b>1,940</b>	<b>31%</b>
<b>Total Sales (a+b)</b>	<b>8,009</b>	<b>8,398</b>	<b>-4.6%</b>	<b>5725</b>	<b>39.9%</b>	<b>19,277</b>	<b>21,400</b>	<b>-9.9%</b>

- Ashok Leyland reported total sales of 8,009 units in June 11 as against 8,398 units in June 10, a decrease of 4.6% on a YoY basis. On a MoM basis sales were higher by 39.9%.
- Ashok Leyland Domestic sales were lower by 9% YoY but higher by 34.3% on MoM basis. Exports were higher by 31.5% YoY and by 84.3% MoM and stood at 1,185.

## Auto Monthly Sales Updates for June 2011

### 2-Wheelers

Company Name	Jun-11	Jun-10	YoY	May-11	MoM	Apr-Jun 11	Apr-Jun 10	Change %
<b>BAJAJ AUTO</b>								
Two Wheeler (a)	322,827	282,808	14.2%	317,989	1.5%	963051	828418	16.3%
Three Wheeler (b)	43,830	32,614	34.4%	40,860	7.3%	129764	99918	29.9%
<b>Total Sales (a+b)</b>	<b>366,657</b>	<b>315,422</b>	<b>16.2%</b>	<b>358,849</b>	<b>2.2%</b>	<b>1092815</b>	<b>928336</b>	<b>17.7%</b>
<b>TVS</b>								
Domestic Sales								
- Motor Cycle	69,859	66,452	5.1%	75,619	-7.6%	215051	200358	7.3%
Scooters/Mopeds	108,774	90,233	20.5%	106,272	2.4%	309656	258166	19.9%
<b>Total Two Wheeler Sales</b>	<b>178,633</b>	<b>156,685</b>	<b>14.0%</b>	<b>181,891</b>	<b>-1.8%</b>	<b>524707</b>	<b>458524</b>	<b>14.4%</b>
<b>3 Wheeler Sales</b>	<b>3,822</b>	<b>3,003</b>	<b>27.3%</b>	<b>4,039</b>	<b>-5.4%</b>	<b>11422</b>	<b>7799</b>	<b>46.5%</b>
<b>Total Sales</b>	<b>182,455</b>	<b>159,688</b>	<b>14.3%</b>	<b>185,930</b>	<b>-1.9%</b>	<b>536129</b>	<b>466323</b>	<b>15.0%</b>
<b>HERO HONDA</b>								
Motorcycles	512,244	435,933	17.5%	517,099	-0.9%	1529577	1234039	23.9%

- **Bajaj Auto**

- Bajaj Auto's total sales grew by 16.2% on a YoY basis and stood at 366,657 in June 11 as compared to 315,422 in June 10 and touched the record level for the quarter amid strong demand for its commercial vehicles and robust exports. On a MoM basis sales increased by 2.2%. Pulsar and Discover brands contributed approximately 66% of motorcycle sales.
- Its three wheeler segment grew by 34.4% YoY to 43,830. However it declined by 7.3% MoM.
- While the two wheeler segment grew by 14.2% YoY and increased by 1.5% MoM to 322,827.

- **TVS**

- An increase in exports supported by steady domestic sales from all segments enabled TVS to increase its total sales by 14.3% in June 2011.
- TVS reported two wheeler sales of 182,455 units in June 11 as against 159,688 units in the corresponding month last year growing by 14.3%. On a MoM basis sales declined by 1.9%.
- Its 3 Wheeler sales grew by 27.3% YoY whereas on a MoM basis it declined by 5.4%.
- It is clearly visible that increasing competition from Hero Honda and Bajaj Auto has resulted in reduction in markets share of the company.
- The company has plans to ramp up its production at its Hosur and Himachal facilities and plans to achieve 16% growth in FY12.

## Auto Monthly Sales Updates for June 2011

- **Hero Honda**

- Hero Honda's motorcycle sales were up by 17.5% on a YoY basis at 512,244 units in June 11. On a MoM basis sales were lower by 0.9%.
- Management has indicated that they are looking for prospective land for starting their fourth plant and have shortlisted Gujarat and Karnataka for the same. The company had announced a capex of Rs 800 crs for FY12 which will be utilised for setting up the fourth plant. We believe that this will help the company to increase its production and thereby increase the sales in the future.
- Last December, Hero Group and Honda agreed to end their 26-year-old relationship, with the Indian partner agreeing to buy out Honda's 26% stake in Hero Honda for Rs 3,842 Crs. Following the exit of Hero Honda's erstwhile Japanese promoter Honda, Hero Investments Pvt Ltd (HIPL's) stake increased to 43.33% earlier this month from 17.33% as on December 31, 2010. The shareholders of the Hero Honda approved the changing of the name of the company to Hero MotoCorp Ltd, post the exit of Japan's Honda from the firm. The two partners had, however, signed a new licensing agreement under which Hero Honda will pay Honda 45 billion yen (about Rs 2,450 crore) till 2014.

### Overall outlook

We believe the outlook for the overall sector remains challenging in the near term, as we expect raw material costs to increase further in Q1 FY12 and domestic volume growth to slow. Q1 and Q2 FY12 is likely to remain a little subdued for car companies. The commercial vehicle is facing pressures on account of higher interest rates, diesel hike, increase in vehicle prices and slower industrial growth. However, the recent trend of decline in steel prices has showed some encouraging signs that there can be potential margin improvement from Q2 FY12 onwards. Moreover, we believe that two wheelers and tractors (farm equipments) are better placed in the current scenario to offset commodity price pressure. Given the strong growth outlook and lesser competitive environment for two wheelers, we believe they will continue to command premium valuation.

Moreover, the factors like DEPB withdrawal and excise duty hike on diesel cars, finance availability resulting from higher interest rates will decide the outlook for the demand in near term. Overall, we believe that the auto sector is likely to get impacted on account of lower volume growth and increasing cost of production.

## Auto Monthly Sales Updates for June 2011

### NOTE

#### Disclaimer

This Document has been prepared by Nirmal Bang Research (Nirmal Bang Securities PVT LTD). The information, analysis and estimates contained herein are based on Nirmal Bang Research assessment and have been obtained from sources believed to be reliable. *This document is meant for the use of the intended recipient only. This document, at best, represents Nirmal Bang Research opinion and is meant for general information only. Nirmal Bang Research, its directors, officers or employees shall not in anyway be responsible for the contents stated herein. Nirmal Bang Research expressly disclaims any and all liabilities that may arise from information, errors or omissions in this connection. This document is not to be considered as an offer to sell or a solicitation to buy any securities. Nirmal Bang Research, its affiliates and their employees may from time to time hold positions in securities referred to herein. Nirmal Bang Research or its affiliates may from time to time solicit from or perform investment banking or other services for any company mentioned in this document.*