

## Automobile Sales Update – July 2011

2 August 2011

### Sales in line with expectations

Automobile sales in July 2011 were broadly in line with our expectations, as the growth rate in the passenger car segment slowed down on weak sentiment following higher interest rates as well as fuel prices. Two-wheelers continued their growth momentum, with volumes of Hero Motor Corp, Bajaj Auto and TVS Motors growing steadily, at around 14-15%. Maruti Suzuki surprised us with a 26% YoY drop in volumes on account of lower mini and compact car segment sales. The company stopped the production of Swift model and shifted production of Dzire cars from Manesar plant to Gurgaon, leading to reduction of volumes by around 17,000 units in July 2011. The impact of higher interest rates and fuel prices reflected across the passenger car segment, barring recent new launches. Tata Motors reported a drop of 39% YoY in the passenger car sales for the month, while Maruti Suzuki's A2 segment comprising Alto, Wagon R, and A Star cars, reported a drop of 15.6% YoY.

### Key highlights:

- Domestic car sales of key players like Maruti Suzuki, Hyundai Motors and Tata Motors witnessed a steep decline as new launches by their competitors impacted volumes.
- Toyota managed to sell only 2,551 Etios Liva cars during July 2011.
- Chevrolet launched Beat diesel towards the end of July 2011. We expect the new car to increase total monthly sales by 4,000 units from August 2011 onwards.
- Discounts in July 2011 were similar to what we witnessed in June 2011. We expect strong discounts in the coming months as OEMs would try to make the best out of the festive season.
- Mahindra & Mahindra's car segment sales grew 35% YoY to 12,825 units on the back of strong rural demand. Four-wheeler and commercial vehicles sales increased by 91% last month to 13,472 units from 7,053 units in the year-ago period.
- Maruti Suzuki will launch its new Swift car in August 2011. Till date, the company has received bookings for around 38,000 vehicles.
- Expect Maruti Suzuki to report a strong improvement in sales from August 2011 on the back of new Swift car launch and higher sales of Dzire cars.
- Two-wheelers continued their growth momentum, with sales growing in double digits.
- Bajaj Auto will launch its Boxer150 bike in August 2011, while TVS Motor is likely to re-launch its Max 4 – 100cc in the coming months.
- Expect strong exports in the next two months, as the DEPB (Duty Entitlement Passbook Scheme) is expected to end by September 2011 and would be replaced by a duty drawback scheme.
- Expect commercial vehicle sales to remain muted in next two months due to increase in interest rates.

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Monthly sales	Jul-10	Jun-11	Jul-11	YoY(%)	MoM (%)	Comments
<b>Two-wheelers</b>						
Hero Honda	427,686	512,244	491,036	14.8	(4.1)	Sales below expectations on lower production due to maintenance activity
TVS Motor	166,214	182,455	189,962	14.3	4.1	Sales in line with our estimates
Bajaj Auto	318,415	366,657	363,712	14.2	(0.8)	In line with our estimates, expecting strong volumes in the next 2-3 months.
Honda Motorcycles	138,445	148,937	152,382	10.1	2.3	Expect volumes to improve as capacity is being added
Yamaha	29,728	36,595	38,197	28.5	4.4	Strong growth in the premium segment's sales
<b>Passenger cars</b>						
Maruti Suzuki	100,857	80,298	75,300	(25.3)	(6.2)	Much below our estimate. Shifting of production hurts sales
Tata Motors	67,800	66,358	63,761	(6.0)	(3.9)	CVs - up 14%;, LCVs - up 22%;, PCs - (down 39%); Nano – 3,260 (down 64%)
Hyundai Motors	50,441	52,531	49,667	(1.5)	(5.5)	Slowing sales on rising competition
M&M - Auto	28,049	35,584	39,633	41.3	11.4	Better-than-expected UV segment's sales a strong surprise
M&M- Tractors	14,592	22,730	16,718	14.6	(26.4)	Disappointing set of numbers for July 2011 due to seasonality
Volkswagen	2,597	5,397	6,529	151.4	21.0	New financing scheme contributes towards sales growth
Ford India	9,666	9,145	10,706	10.8	17.1	Launch of new Fiesta car in July 2011, coupled with Figo sales,, contribute towards sales growth
Nissan	1,005	1,632	1,593	58.5	(2.4)	Attractive interest rate of 9.99% for Micra car during July 2011 resulted in sequential growth
Toyota	6,834	12,034	13,592	98.9	12.9	Liva sales at 2,551 units and Etios sedan sales at 4,095 units in July 2011
Honda	4,685	3,455	4,725	0.9	36.8	Discounts of up to Rs 175,000 on Jazz car results in stronger volumes
Skoda	1,222	2,611	2,412	97.4	(7.6)	Strong growth from premium segment's sales

Source: Companies

## Disclaimer

### Stock Ratings Absolute Returns

BUY > 15%

HOLD 0-15%

SELL < 0%

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