

## Automobile Sales Estimate – June 2019

28 June 2019

### Auto sales – slowdown likely to get deeper

We expect subdued auto numbers for June 2019 owing to weak consumer sentiments across all segments. Consumer sentiment has suffered due to cost increase amid strict safety regulations, delay in monsoon, rural stress, slowing economy and liquidity constraints. Hence, both rural and urban demand remained subdued. Soaring inventory levels owing to dearth of demand has forced OEMs to schedule plant shutdowns and production cuts in May and June. Our channel checks suggest that footfalls have dried up and only those OEMs who have launched new models recently are getting some response from customers. Retail sales continue to decelerate and barring few OEMs, dispatches have not been curtailed.

In Passenger vehicles (PV), we expect Maruti Suzuki to report yet another decline in sales at 11.6% YoY owing to demand slowdown, bi-annual maintenance shutdown for a week and additional shutdown on 7<sup>th</sup> June. For Mahindra and Mahindra, we expect tractor sales to decline by 20% YoY on the back of low water reservoir levels in key markets and rural stress. We expect similar trend for Escorts. M&M's automotive segment is also likely to face the heat but the newly launched XUV300 is expected to provide some support. Tata Motors is correcting its PV channel inventory and along with the slowdown it's likely to report high double digit YoY decline in PV sales. We expect its Commercial Vehicle (CV) sales to be affected by increased fleet capacity post the Axle load norm revision and slowdown in the economy. For the same reason, we expect Ashok Leyland and Eicher Motors' CV sales to also decline in double digits YoY. In Two Wheelers (2W), we expect Bajaj Auto to maintain its growth momentum, driven by its aggressive approach in the economy segment. Its Three Wheeler sales, though, are likely to decline YoY. Hero MotoCorp is likely to be a victim of rural slowdown and hence we expect its sales to decline by 5% YoY in June. TVS Motor's 2W sales are expected to decline YoY in low single digits, supported to some extent by newer models like Radeon and Jupiter variants. TVS moped sales are expected to decline YoY. Royal Enfield sales are expected to follow the declining trend and fall by 15% YoY in June.

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### Exhibit 1: Automobile sales estimate

	Jun-19E	Jun-18	YoY (%)	May-19	MoM (%)	Comments
<b>Maruti Suzuki India</b>						
Domestic sales	1,19,005	1,35,662	(12.3)	1,25,552	(5.2)	• Expect YoY and MoM sales decline on account of weak demand and plant shutdowns.
Exports	9,226	9,319	(1.0)	9,089	1.5	
<b>Total sales</b>	<b>1,28,231</b>	<b>1,44,981</b>	<b>(11.6)</b>	<b>1,34,641</b>	<b>(4.8)</b>	
<b>Mahindra &amp; Mahindra</b>						
Automotive	44,195	45,155	(2.1)	45,421	(2.7)	• In Automotive, sharp decline in UV and Pick-up sales is expected to be arrested by XUV300 demand. Tractor sales are likely to decline due to delay in monsoon, low water reservoir levels and drought in Maharashtra.
M&M - Tractor	32,423	40,529	(20.0)	24,704	31.2	
<b>Total Sales</b>	<b>76,618</b>	<b>85,684</b>	<b>(10.6)</b>	<b>70,125</b>	<b>9.3</b>	
<b>Tata Motors</b>						
MHCV	12,219	17,456	(30.0)	11,878	2.9	• Expect PV sales to decline sharply as company is deliberately reducing channel inventory. CV sales are expected to be affected by existing fleet capacity increase due to revised axle load norms and financing constraints.
LCV	19,610	26,147	(25.0)	18,925	3.6	
Passenger vehicles	12,834	18,416	(30.3)	10,989	16.8	
<b>Total</b>	<b>44,664</b>	<b>62,019</b>	<b>(28.0)</b>	<b>41,792</b>	<b>6.9</b>	
<b>Bajaj Auto</b>						
Motorcycle	3,54,640	3,37,752	5.0	3,65,068	(2.9)	• Expect single-digit YoY growth in 2W due to lower priced variants. Three-wheeler and export segments to remain weak as key markets like Egypt and Sri Lanka are not expected to recover.
Three-wheeler	55,052	66,677	(17.4)	54,167	1.6	
<b>Total</b>	<b>4,09,691</b>	<b>4,04,429</b>	<b>1.3</b>	<b>4,19,235</b>	<b>(2.3)</b>	
Exports out of the above	1,68,431	1,69,853	(0.8)	1,83,411	(8.2)	
<b>Hero MotoCorp</b>						
Motorcycle/scooter	6,70,930	7,06,242	(5.0)	6,52,028	2.9	• Expect YoY decline in sales due to rural stress.
<b>TVS Motor Company</b>						
Two-wheeler	2,97,078	3,01,201	(1.4)	2,94,326	0.9	• Expect low single digit YoY volume decline led by slowdown in 2Ws.
Three-wheeler	13,158	12,413	6.0	12,780	3.0	
<b>Total</b>	<b>3,10,236</b>	<b>3,13,614</b>	<b>(1.1)</b>	<b>3,07,106</b>	<b>1.0</b>	
<b>Ashok Leyland</b>						
MHCV	9,428	11,257	(16.3)	8,946	5.4	• Expect sales to be affected by existing fleet capacity increase post axle load norms revision and financing constraints.
LCV	4,268	4,534	(5.9)	4,226	1.0	
<b>Total sales</b>	<b>13,696</b>	<b>15,791</b>	<b>(13.3)</b>	<b>13,172</b>	<b>4.0</b>	
<b>Eicher Motors</b>						
VECV	4,916	6,315	(22.2)	4,750	3.5	• Expect RE's double digit decline to continue due to lack of demand. CV sales to be affected by axle load norm revision.
Royal Enfield (RE)	63,305	74,477	(15.0)	62,371	1.5	

Source: Respective companies, Nirmal Bang Institutional Equities Research

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