

Festive season cheers, can it sustain?

Wholesale volumes for the second consecutive month have been positive MoM while the YoY decline has been arrested by festive season sales. PVs and 2Ws have witnessed substantial improvement in retail volumes with inventory falling down to 18-24 months low. M&HCVs are yet to see a pick-up in momentum. Barring MHCVs, inventory correction has taken the inventory to 30 or lesser days post the festive season. 3W volumes declined by ~5% while tractors were a mixed bag. Sustainability of demand post the festive season is to be watched given the high discounts/incentives offered during the period. We expect earliest recovery will be by H2FY21E with 2Ws first witnessing a bounce back. We maintain BUY on Bajaj Auto with a TP of Rs 3,733.

PV performance

- The festive season was very positive for the PV sector with 0.9% decline in volume for the top six players. This growth was led by Hyundai and Maruti (up by 17.4% and 4.5% YoY respectively).
- Retails were much ahead of the wholesales led by festive discounts and aggressive financing. However, given the possibility of moderation in discounts by OEMs post the festive season, dealers are not yet clear about sustainability of this recovery.

2W performance

- The 2W wholesale volumes witnessed 14% YoY decline in volume with retails witnessing highest-ever volumes for OEMs like Bajaj and Hero. HMSI ended the month in positive (up 7%) led by strong growth in Activa and motorcycles. Royal Enfield saw good spurt in demand, however, low inventory (~3 weeks) has resulted in stock-out situation in many key markets of West and North India.
- Inventory have been the lowest in 18-24 months for 2W OEMs. For Hero, it stands at 30 days at the end of the Oct'19.
- Bajaj has indicated a decline in coming few months with festive season coming to an end and to BSVI. As per the management, the company has outpaced the industry by 15% and market share in domestic motorcycles has also inched up.

3W performance

- The 3W domestic landscape was majorly in the negative with M&M being an exception (up 3.2% YoY).
- terms of exports, Bajaj expects Egypt to start contributing from end of CY19 as the government has formally started giving registrations and things should fall into place soon.

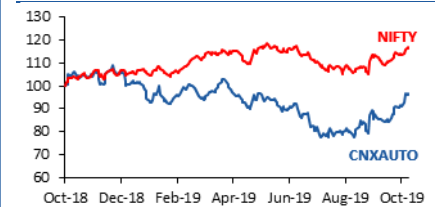
CV performance

- Fall in CV volumes was arrested at 26% YoY with Tata Motors (TTMT), Ashok Leyland (AL), Eicher's VECV and SML witnessing 34-38% YoY decline.
- AL's inventory has corrected to 20-25 days vs earlier 30-35 days while enquiries in case of TTMT have increased with fleet operators initiating discussions for replacement of old vehicles.
- Lull in economy activity, increase in axle load (30% additional capacity), high fuel prices and weak freight rate, have softened the overall interest from large fleet operators. There have been no signs of recovery while OEMs continued production cuts which has led to inventory correction.

Tractor performance

- Better than expected monsoon, higher reservoir levels and expectation of increase in crop prices have given some relief to tractor volumes, which ended on a flat note in Sept'19.
- Domestic volumes for Escorts was up 1.3% YoY while that for M&M was down 3.6% YoY.
- As per our channel checks H2 is expected to 8-10% growth as the full impact of extended monsoon is yet to seep in. the weak demand in construction doesn't bode well for the Tractor segment. However, there is expectation of demand recovery ahead of the Rabi crop sowing (mid-Nov'19).

CNX Auto relative to Nifty 50



Source: Bloomberg



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Passenger vehicle segment

The **Passenger Vehicles** industry (top 6 players) reported flat volumes led by growth from the contours of Hyundai and Maruti (up 17% and 4.5% respectively).

Substantial discounts in the festive season and aggressive financing boosted Diwali sales.

Inventory post festive season stands at 30 days or lesser.

MSIL is better positioned than its peers as 70% of the portfolio has been transitioned to BS-VI. Brezza, one of its top-selling models will be transitioned to BS-VI by end of CY19.

In the festive month, retails have grown in low single digit while inventory stands at 30-35 days. However, given the possibility of moderation in discounts by OEMs post the festive season, dealers are not yet clear about sustainability of this recovery.

Currently XL6 and the new Ertiga have waiting period of 6 weeks while for S-Presso stands at 6-7 weeks.

Domestic PV sales for **M&M** declined 23.3% YoY led by 20% drop in UVs.

As per the management, retail volumes exceeded the wholesales by 40% contributed by both passenger and commercial vehicles.

Tata Motors wholesale volumes have been lower by 28% while retails have witnessed 36% growth over wholesales.

As network stock has been reduced by 38%, October end network stock is the lowest in last two years.

Management remains optimistic that the positive sentiments of the festive season will lead to a structural recovery in the market.

Fig 1: Domestic Passenger Vehicles Landscape

Company	Oct-19	Oct-18	% YoY	Sep-19	% MoM	YTD FY20	YTD FY19	% YoY
Maruti Suzuki	1,44,277	1,38,100	4.5	1,15,452	25.0	8,31,277	10,57,340	-21.4
Hyundai	50,010	42,605	17.4	40,705	22.9	2,73,234	2,98,751	-8.5
M&M	18,460	24,066	-23.3	14,333	28.8	1,22,531	1,45,795	-16.0
Honda	10,010	15,034	-33.4	9,301	7.6	60,630	88,636	-31.6
Tata Motors	13,169	18,290	-28.0	8,097	62.6	76,012	1,25,155	-39.3
Toyota	11,866	12,067	-1.7	10,203	16.3	77,347	92,133	-16.0
Total	2,47,792	2,50,162	-0.9	1,98,091	25.1	14,41,031	18,07,810	-20.3

Source: Company, Centrum Research

Fig 2: Maruti Suzuki India

Sub-segment	Oct-19	Oct-18	% YoY	Sep-19	% MoM	YTD FY20	YTD FY19	% YoY
-Mini: Alto, WagonR	31,264	32,835	-4.8	20,085	55.7	1,42,519	2,46,450	-42.2
-Compact: Swift, Celerio, Ignis, Baleno, Dzire	75,094	64,789	15.9	60,131	24.9	4,49,237	5,17,204	-13.1
-Mid-Size: Ciaz	2,371	3,892	-39.1	1,715	38.3	16,782	27,907	-39.9
Total Passenger Cars	1,08,729	1,01,516	7.1	81,931	32.7	6,08,538	7,91,561	-23.1
-UV: S-Cross, Vitara Brezza, Ertiga, Gypsy	23,108	20,764	11.3	21,526	7.3	1,37,318	1,50,633	-8.8
-Vans: Omni, Eeco	10,011	13,668	-26.8	9,949	0.6	71,091	1,02,555	-30.7
-LCV	2,429	2,152	12.9	2,046	18.7	14,330	12,591	13.8
Total Domestic Sales	1,44,277	1,38,100	4.5	1,15,452	25.0	8,31,277	10,57,340	-21.4
Export Sales	9,158	8,666	5.7	7,188	27.4	63,069	64,753	-2.6
Total Sales	1,53,435	1,46,766	4.5	1,22,640	25.1	8,94,346	11,22,093	-20.3

Source: Company, Centrum Research

Fig 3: M&M

Sub-segment	Oct-19	Oct-18	% YoY	Sep-19	% MoM	YTD FY20	YTD FY19	% YoY
- Utility vehicles	17,785	22,279	-20.2	13,037	36.4	1,16,778	1,34,009	-12.9
- Cars + Vans	675	1,787	-62.2	470	43.6	5,753	11,786	-51.2
Domestic PV Sales	18,460	24,066	-23.3	13,507	36.7	1,22,531	1,45,795	-16.0

Source: Company, Centrum Research

Fig 4: Tata Motors

Sub-segment	Oct-19	Oct-18	% YoY	Sep-19	% MoM	YTD FY20	YTD FY19	% YoY
Domestic PV Sales	13,169	18,290	-28.0	8,097	62.6	76,012	1,25,155	-39.3

Source: Company, Centrum Research

Two-wheeler segment

Domestic two-wheelers (top 5 players) posted a decline of 14% YoY with TVS being the major loser with a decline of 26% followed by Hero at 22%.

HMSI was the only OEM to witness a growth.

Fig 5: Domestic Two-wheelers Landscape

Company	Oct-19	Oct-18	% YoY	Sep-19	% MoM	YTD FY20	YTD FY19	% YoY
Hero Moto*	5,99,248	7,69,138	-22.1	5,43,406	10.3	29,22,136	34,06,522	-14.2
HMSI	4,87,782	4,55,871	7.0	4,25,664	14.6	27,12,061	37,52,532	-27.7
TVS Motor	2,52,684	3,38,988	-25.5	2,19,528	15.1	16,35,456	19,57,166	-16.4
Bajaj Auto	2,42,516	2,81,582	-13.9	1,77,348	36.7	11,32,286	12,87,133	-12.0
Royal Enfield	67,538	70,044	-3.6	54,858	23.1	3,94,760	4,94,849	-20.2
Total	16,49,768	19,15,623	-13.9	14,20,804	16.1	87,96,699	1,08,98,202	-19.3

Source: Company, Centrum Research *Hero's volumes includes exports

Fig 6: Hero MotoCorp

Sub-segment	Oct-19	Oct-18	% YoY	Sep-19	% MoM	YTD FY20	YTD FY19	% YoY
Total 2W Sales	5,99,248	7,34,668	-18.4	5,43,406	10.3	41,33,588	49,10,328	-15.8

Source: Company, Centrum Research, volumes includes exports

Bajaj Auto's 3W retails are have been the highest ever in Oct'19.

Domestic motorcycles have witnessed the highest ever retails in Oct'19 and 28% YoY growth in the festive season over last year. This has been driven by the new launches of CT110, Platina 110 and Pulsar 125.

Fig 7: Bajaj Auto

Sub-segment	Oct-19	Oct-18	% YoY	Sep-19	% MoM	YTD FY20	YTD FY19	% YoY
Domestic	2,42,516	2,81,582	-13.9	1,77,348	36.7	11,32,286	12,87,133	-12.0
Export	1,56,397	1,51,403	3.3	1,59,382	-1.9	9,34,581	8,69,373	7.5
Total 2W Sales	3,98,913	4,32,985	-7.9	3,36,730	18.5	20,66,867	21,56,506	-4.2

Source: Company, Centrum Research

Fig 8: TVS Motor

Sub-segment	Oct-19	Oct-18	% YoY	Sep-19	% MoM	YTD FY20	YTD FY19	% YoY
-Domestic	2,52,684	3,38,988	-25.5	2,19,528	15.1	16,35,456	19,57,166	-16.4
-Export	55,477	45,319	22.4	56,323	-1.5	3,98,814	3,68,434	8.2
Total Sales	3,08,161	3,84,307	-19.8	2,75,851	11.7	20,34,270	23,25,650	-12.5

Source: Company, Centrum Research

Fig 9: Eicher Motors (Royal Enfield)

Sub-segment	Oct-19	Oct-18	% YoY	Sep-19	% MoM	YTD FY20	YTD FY19	% YoY
-Domestic	67,538	70,044	-3.6	54,858	23.1	3,94,760	4,94,849	-20.2
-Export	4,426	407	987.5	4,642	-4.7	27,502	11,065	148.5
Total Sales	71,964	70,451	2.1	59,500	20.9	4,22,262	5,05,914	-16.5
Models with engine capacity upto 350cc	64,257	67,484	-4.8	52,017	23.5	3,69,042	4,72,184	-21.8
Models with engine capacity exceeding 350cc	7,707	2,967	159.8	7,483	3.0	53,220	33,730	57.8

Source: Company, Centrum Research

Eicher Motors' RE domestic volumes decline was arrested at 3.6% YoY led by higher growth witnessed in the above 350cc segment.

Dealer checks suggest inventory stock out in key market of West and North India

Commercial vehicle segment

Domestic CV volumes witnessed 25.7% decline YoY led by 35-38% decline in AL, TTMT, Eicher and SML's volumes.

No signs of recovery in the near term. However, continued production cuts by OEMs has led to average inventory correction (~30-35 days).

Tata Motor's CV volumes have come in lower led by 63% drop in MHCV, I&LCV down 21%, SCV & Pick-ups down 14.6% and Buses down by 46.4%.

The enquiries have increased compared to last month in M&HCV and I&LCV.

Ashok Leyland's domestic CV sales came in ~37% lower YoY.

There have been no signs of recovery while OEMs continued production cuts which has led to inventory correction. AL's inventory has corrected to 20-25 days vs earlier 30-35 days.

With the advent of BS-6 norms starting Apr'20, it is expected that all the BS-4 inventory will be cleared off by Mar'20.

Eicher's total CV volumes came in at 3,681 units, down 37% YoY on account of 31% drop in domestic LMD trucks to 2,456 units and 63% drop in HD truck volumes to 438 units.

Excess fleet capacity on account of change in axle load norms and weak demand is affecting growth.

We expect some momentum CV volumes to kick in from H2FY21E before the transition to BS-VI from Apr'20.

M&M's CV volumes fell the least among the CV pack

SML posted a 38% YoY decline in CV sales led by weak demand, fall in freight rates and low economic activity and the management has indicated this to continue for H2FY20E.

Fig 10: Domestic Commercial Vehicles Landscape

Company	Oct-19	Oct-18	% YoY	Sep-19	% MoM	YTD FY20	YTD FY19	% YoY
Tata Motors	25,983	39,420	-34.1	24,279	7.0	1,89,473	2,71,907	-30.3
Ashok Leyland	9,074	14,341	-36.7	7,851	15.6	73,324	1,01,371	-27.7
Eicher Motors	3,309	5,121	-35.4	3,140	5.4	25,533	34,961	-27.0
M&M	23,582	24,353	-3.2	18,872	5.0	1,24,701	1,43,820	-13.3
SML*	515	829	-37.9	614	-6.1	6,945	7,871	-11.8
Total	62,463	84,064	-25.7	54,756	14.1	4,19,976	5,59,930	-25.0

Source: Company, Centrum Research

Fig 11: Tata Motors

Company	Oct-19	Oct-18	% YoY	Sep-19	% MoM	YTD FY20	YTD FY19	% YoY
MHCV	4,893	13,185	-62.9	5,082	-3.7	47,224	90,348	-47.7
I&LCV	3,832	4,841	-20.8	3,528	8.6	25,832	31,333	-17.6
SCV & Pick-up	15,552	18,209	-14.6	13,510	15.1	92,866	1,18,155	-21.4
Passenger Carriers	1,706	3,185	-46.4	2,159	-21.0	23,551	32,071	-26.6
Total Domestic CV Sales	25,983	39,420	-34.1	24,279	7.0	1,89,473	2,71,907	-30.3
Exports	2,019	4,393	-54.0	3,800	-46.9	17,488	31,305	-44.1
Total CV Sales	28,002	43,813	-36.1	28,079	-0.3	2,06,961	3,03,212	-31.7

Source: Company, Centrum Research

Fig 12: Ashok Leyland

Company	Oct-19	Oct-18	% YoY	Sep-19	% MoM	YTD FY20	YTD FY19	% YoY
MHCV Trucks	3,335	8,124	-58.9	3,131	6.5	35,563	62,456	-43.1
MHCV Buses	1,230	938	31.1	904	36.1	8,971	9,080	-1.2
Total MHCV	4,565	9,062	-49.6	4,035	13.1	44,534	71,536	-37.7
LCV (Dost)	4,509	5,279	-14.6	3,816	18.2	28,790	29,835	-3.5
Total Domestic Sales	9,074	14,341	-36.7	7,851	15.6	73,324	1,01,371	-27.7
Export	783	808	-3.1	929	-15.7	5,077	7,865	-35.4
Total	9,857	15,149	-34.9	8,780	12.3	78,401	1,09,236	-28.2

Source: Company, Centrum Research

Fig 13: Eicher Motors (VECV)

Company	Oct-19	Oct-18	% YoY	Sep-19	% MoM	YTD FY20	YTD FY19	% YoY
Eicher LMD Truck	2,456	3,537	-30.6	2,215	10.9	16,048	21,208	-24.3
Eicher HD Truck	438	1,196	-63.4	525	-16.6	4,340	7,396	-41.3
Eicher LMD Buses	349	313	11.5	322	8.4	4,689	5,814	-19.3
Eicher HD Buses	66	75	-12.0	78	-15.4	456	543	-16.0
Domestic CV Sales	3,309	5,121	-35.4	3,140	5.4	25,533	34,961	-27.0
Export	372	705	-47.2	533	-30.2	2,418	5,446	-55.6
Total ETB Sales	3,681	5,826	-36.8	3,673	0.2	25,077	34,418	-27.1

Source: Company, Centrum Research

Fig 14: M&M

Company	Oct-19	Oct-18	% YoY	Sep-19	% MoM	YTD FY20	YTD FY19	% YoY
- LCV < 3.5T	22,725	23,157	-1.9	13,855	64.0	1,16,920	1,32,132	-11.5
- LCV > 3.5T	455	513	-11.3	475	-4.2	4,384	4,763	-8.0
- MHCV/MTB	402	683	-41.1	354	13.6	3,397	6,925	-50.9
Total Domestic CV Sales	23,582	24,353	-3.2	14,684	60.6	1,24,701	1,43,820	-13.3

Source: Company, Centrum Research

Fig 15: SML Isuzu

Company	Oct-19	Oct-18	% YoY	Sep-19	% MoM	YTD FY20	YTD FY19	% YoY
Total CV Sales	515	829	-37.9%	614	-16.1	6,945	7,871	-11.8

Source: Company, Centrum Research

Three-wheeler segment

The **3W domestic landscape** ended 4.5% lower YoY with M&M being an exception with 3.2% growth.

Bajaj continues to witness growth and reported highest ever retail sales.

Bajaj's 3W volumes witnessed highest ever retails.

Exports declined 20.7% led by Sri Lanka and Egypt. In terms of exports, the management expects Egypt to start contributing from end of this year as the government has formally started giving registrations and things should fall into place soon.

TVS Motor's 3W domestic volumes declined by 11% YoY

M&M's domestic 3W volumes showed strength in a tough market with growth of 3.2% YoY

Atul Auto's 3W volumes declined by 5.5%

Tractor segment were a mixed bag in Oct'19. Considering the extended monsoons in many key markets, growth is yet to kick in a big way.

Additionally, the weak demand in construction doesn't bode well for the Tractor segment.

M&M's domestic tractor volumes, were down 3.6% YoY while retails were better

Higher reservoir levels, adequate soil moisture condition and an improved MSP of Rabi crop should favour growth going ahead.

Escorts' domestic tractor sales inched up 1.3% YoY led by improvement in rural demand (good monsoon)

Fig 16: Domestic Three-Wheelers Landscape

Company	Oct-19	Oct-18	% YoY	Sep-19	% MoM	YTD FY20	YTD FY19	% YoY
Atul Auto#	5,171	5,473	-5.5	5,306	-2.5	27,944	29,432	-5.1
Bajaj Auto	36,260	38,360	-5.5	38,153	-5.0	1,93,947	2,06,177	-5.9
M&M	7,151	6,931	3.2	7,487	-4.5	37,821	37,705	0.3
TVS Motor	1,345	1,513	-11.1	1,225	9.8	65,414	57,865	13.0
Total	49,927	52,277	-4.5	52,171	-4.3	3,25,126	3,31,179	-1.8

Source: Company, Centrum Research, #Atul Auto's volumes include exports

Fig 17: Bajaj Auto

Company	Oct-19	Oct-18	% YoY	Sep-19	% MoM	YTD FY20	YTD FY19	% YoY
-Domestic	36,260	38,360	-5.5	38,153	-5.0	1,93,947	2,06,177	-5.9
-Export	28,035	35,354	-20.7	27,152	3.3	1,59,951	2,03,402	-21.4
Total 3W Sales	64,295	73,714	-12.8	65,305	-1.5	3,53,898	4,09,579	-13.6

Source: Company, Centrum Research

Fig 18: TVS Motor

Company	Oct-19	Oct-18	% YoY	Sep-19	% MoM	YTD FY20	YTD FY19	% YoY
-Domestic	1,345	1,513	-11.1	1,225	9.8	65,414	57,865	13.0
-Export	13,862	12,607	10.0	13,379	3.6	32,711	31,521	3.8
Total 3W Sales	15,207	14,120	7.7	14,604	4.1	98,125	89,386	9.8

Source: Company, Centrum Research

Fig 19: M&M

Company	Oct-19	Oct-18	% YoY	Sep-19	% MoM	YTD FY20	YTD FY19	% YoY
Total 3W Domestic Sales	7,151	6,931	3.2	5,373	33.1	37,821	37,705	0.3

Source: Company, Centrum Research

Fig 20: Atul Auto

Company	Oct-19	Oct-18	% YoY	Sep-19	% MoM	YTD FY20	YTD FY19	% YoY
Total 3W Sales	5,171	5,473	-5.5	3,681	40.5	27,944	29,432	-5.1

Source: Company, Centrum Research

Tractor segment

Fig 21: Domestic Tractors Landscape

Company	Oct-19	Oct-18	% YoY	Sep-19	% MoM	YTD FY20	YTD FY19	% YoY
Escorts	13,034	12,867	1.3	10,521	23.9	51,945	57,359	-9.4
M&M	44,646	46,312	-3.6	36,046	23.9	1,96,650	2,17,574	-9.6
Total	57,680	59,179	-2.5	46,567	23.9	2,48,595	2,74,933	-9.6

Source: Company, Centrum Research

Fig 22: M&M

Company	Oct-19	Oct-18	% YoY	Sep-19	% MoM	YTD FY20	YTD FY19	% YoY
-Domestic	44,646	46,312	-3.6	13,871	221.9	1,96,650	2,17,574	-9.6
-Export	787	1,064	-26.0	946	-16.8	6,953	8,631	-19.4
Total Tractor Sales	45,433	47,376	-4.1	14,817	206.6	2,03,603	2,26,205	-10.0

Source: Company, Centrum Research

Escorts

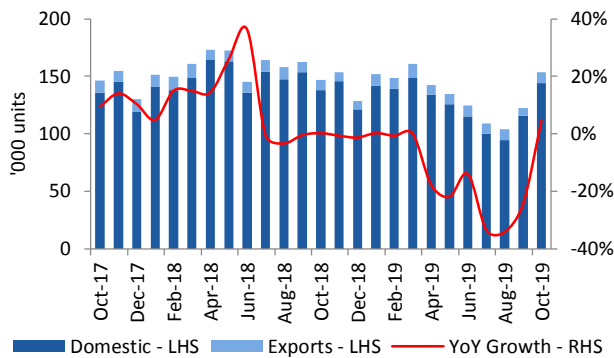
Company	Oct-19	Oct-18	% YoY	Sep-19	% MoM	YTD FY20	YTD FY19	% YoY
-Domestic	13,034	12,867	1.3	3,763	-100.0	51,945	57,359	-9.4
-Export	319	273	16.8	272	-100.0	2,209	1,314	68.1
Total Tractor Sales	13,353	13,140	1.6	4,035	-100.0	54,154	58,673	-7.7

Source: Company, Centrum Research

Performance over last 24 months

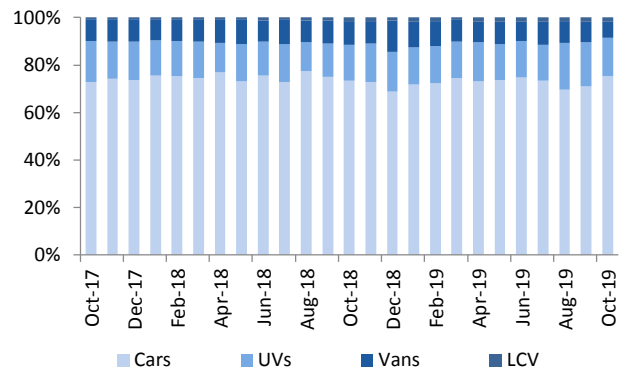
Maruti Suzuki

Positive momentum witnessed after 8 months



Source: Company, Centrum Research

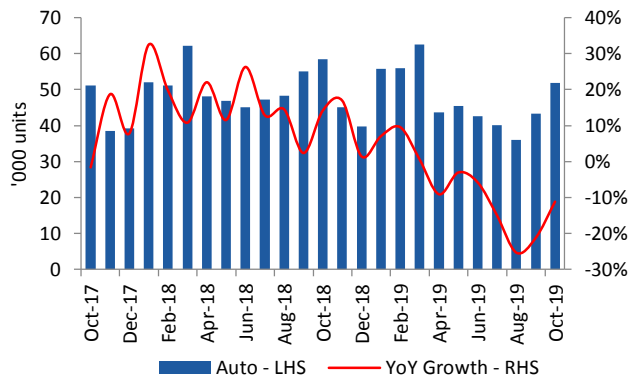
Share of Cars and UVs witnessed marginal growth YoY



Source: Company, Centrum Research

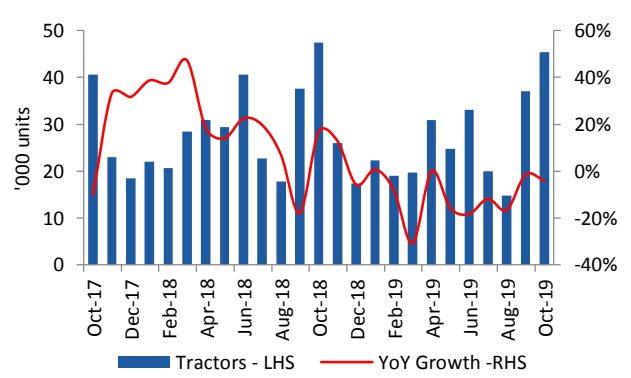
M&M

Quantum of fall in Auto volumes is lower in Oct'19



Source: Company, Centrum Research

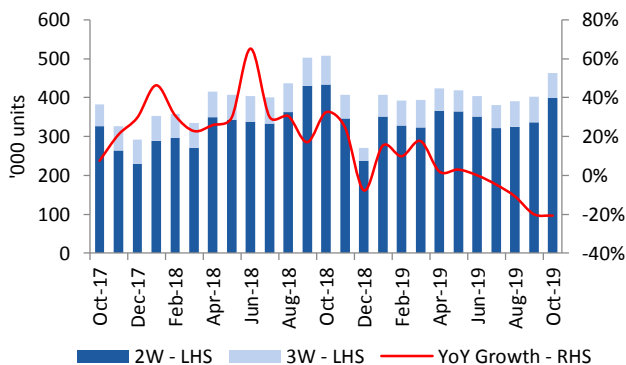
Tractor volumes posted a decline



Source: Company, Centrum Research

Bajaj Auto

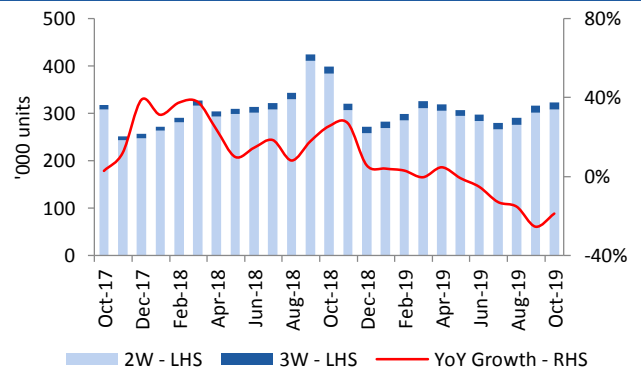
Decline in 3Ws was lower compared to 2Ws



Source: Company, Centrum Research

TVS Motor

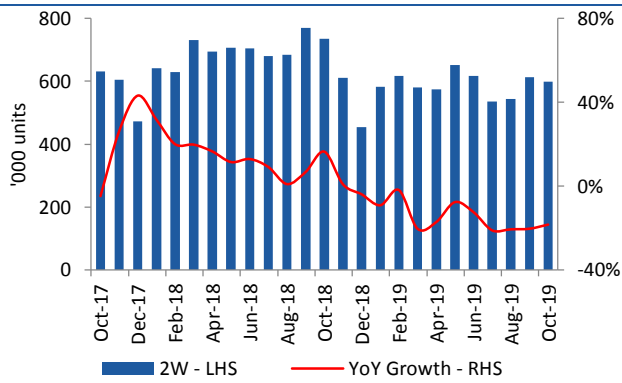
3Ws fared better than 2Ws



Source: Company, Centrum Research

Hero MotoCorp

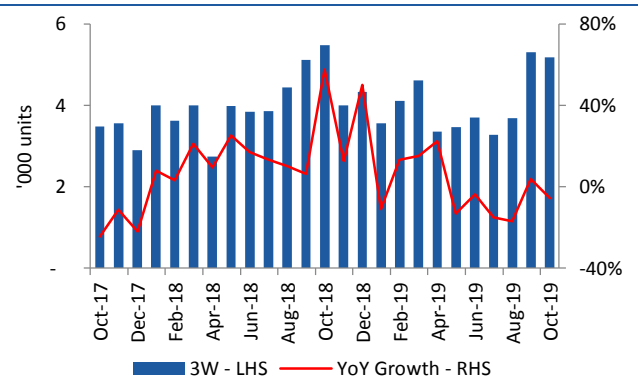
Hero's inventory comes down to 30 days



Source: Company, Centrum Research

Atul Auto

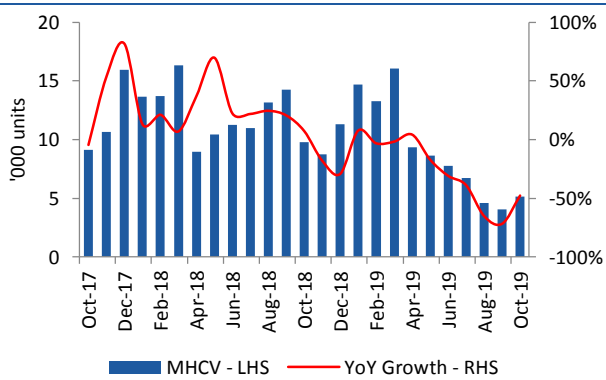
3W volumes showed growth after 4 months



Source: Company, Centrum Research

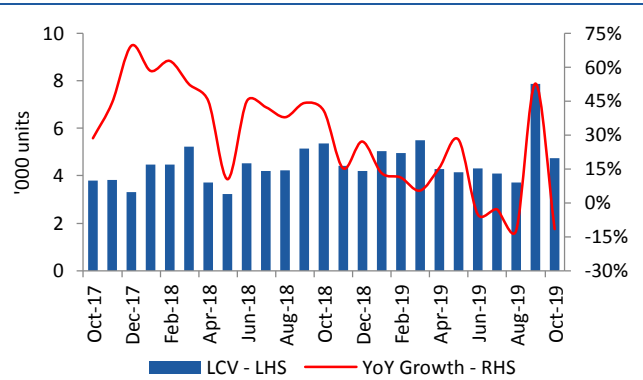
Ashok Leyland

MHCVs declined 48% YoY



Source: Company, Centrum Research

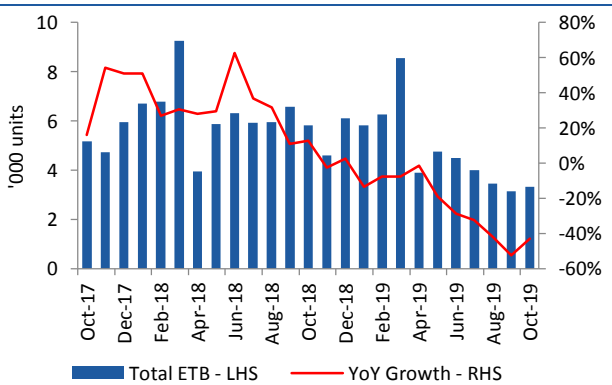
LCVs followed the trend of MHCVs



Source: Company, Centrum Research

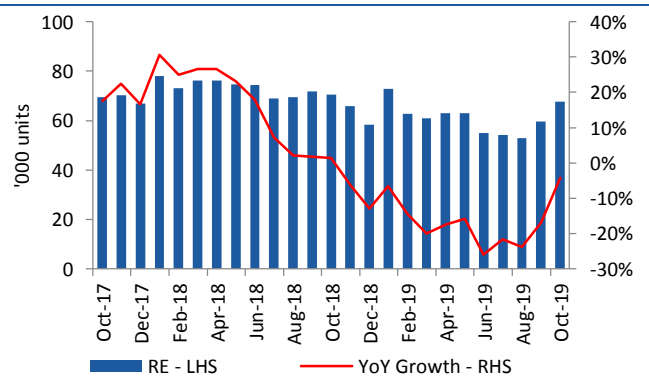
Eicher Motors

CV volumes were dismal yet again



Source: Company, Centrum Research

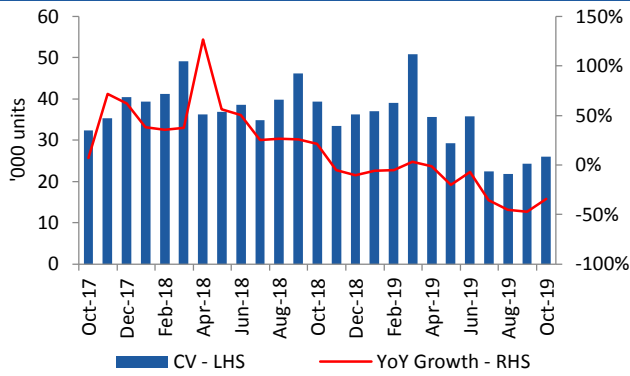
RE volumes witnessed positive momentum



Source: Company, Centrum Research

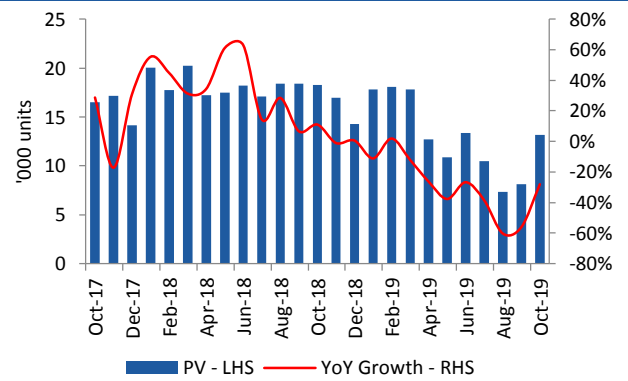
Tata Motors

CV wholesale volumes continue to be weak



Source: Company, Centrum Research

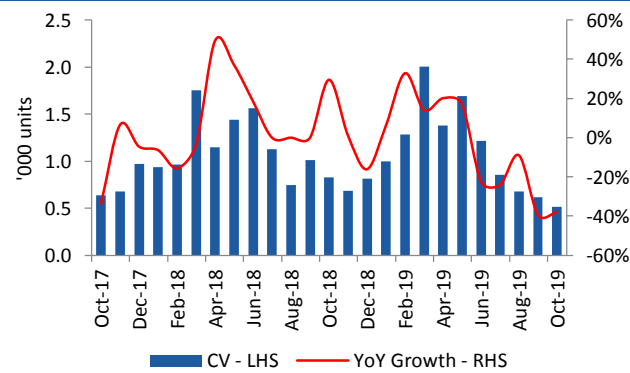
PV volumes decline was lower in Oct'19



Source: Company, Centrum Research

SML Isuzu

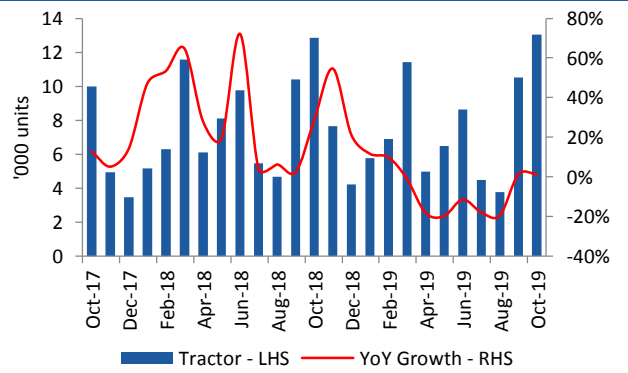
Weak volumes persist



Source: Company, Centrum Research

Escorts

Good monsoon and rural uptick helped volumes



Source: Company, Centrum Research

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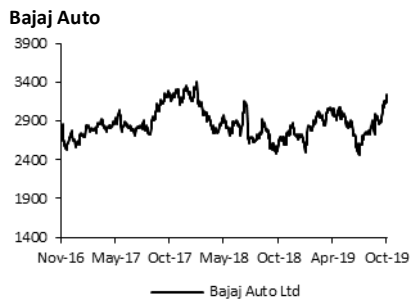
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Source: Bloomberg

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