



On a Downhill

Total Auto volumes increased 8.9% YoY in July 11. While the top three 2W players registered healthy YoY growth 12.6% in June, the passenger car segment continued to disappoint with both TML and MSIL volumes registering a YoY drop (TML's down 38.3% and MSIL down 25.3%). Within the CV space, the LCV segment saw robust growth (TML's LCV sales grew 22.1% YoY), while the M&HCV segment remained in lines (TML's M&HCV sales rose 3.8% YoY).

- ✓ **Two Wheelers:** Two Wheelers registered a healthy growth of 12.6% during July 11. Mopeds, Motorcycles and Scooters grew by 8.9%, 13.2% and 24.3% respectively. Hero MotoCorp sold over .49 mn units registering a growth of 14.9% .FYTD Company sold 2.0 mn units grew by 21.6%. BAL reported growth of 14.2% at .36 mn units for the month of July 11 and grew by 14.2%. TVS Motors grew by 15.6% with sales of .18 mn units during the month.
- ✓ **Three Wheelers:** Three wheelers sales recorded a growth rate of 13.0% July 11. While Passenger Carriers grew by 12.8% during the month, Goods Carriers registered growth of 14.3%. BAL reported growth of 18.1%
- ✓ **Passenger Vehicles:** Passenger Vehicles started to show sluggishness as volumes de grew by 1.6% during July 11 over same period last year. Passenger Cars de grew by 5.7%, Utility Vehicles grew by 17.6% and Multi-Purpose Vehicles grew by 15.4% in this period. In July 11 figures for domestic sales of Passenger Cars showed sign sluggishness as volume were flat at 1.6% over the same month last. Market leader Maruti, reported drop in volume at 75,300 units a de growth of 25.3% and for the year company volumes decreased by 7.1% at .35 mn units. Tata Motors volume decreased by 38.3% at 17,192 units.
- ✓ **Commercial Vehicles:** Commercial Vehicle segment registered growth of 24.4% during July 11 as compared to the same period last year. While Medium & Heavy Commercial Vehicles (M&HCVs) registered growth of 10.3% and Light Commercial Vehicles (LCVs) grew strong by 36.5% at 42,281 units. The commercial vehicle majors like Tata Motors reported growth of 14.3% and Ashok Leyland de grew by 16.1%.

Outlook

Volume growth has started to show initial signs of slowdown. Inventory levels have increased mainly in passenger vehicles as macro picture look bleak. While volume outlook in the short-term to be impacted by macro headwinds, we maintain our positive outlook on Indian auto sector, aided by low penetration levels, and healthy economic environment, favourable demographics and higher per-capita income levels are likely to help auto players in maintain their top-line growth.

Volume Snapshot

Company	Jul-11	Jul-10	YoY Chg %	FY2012	FY2011	YoY Chg %
Maruti Suzuki	75,300	100,857	-25.3	356,826	384,181	-7.1
Tata Motors	63,573	67,799	-6.2	256,611	249,510	2.8
M&M	56,351	42,191	33.6	218,500	173,784	25.7
Hero MotoCorp	491,306	427,686	14.9	2,020,883	1,661,725	21.6
Bajaj Auto	363,712	318,615	14.2	1,456,527	1,246,724	16.8
TVS Motors	188,500	163,106	15.6	716,768	621,630	15.3

Source: Khandwala Research, Company, SIAM

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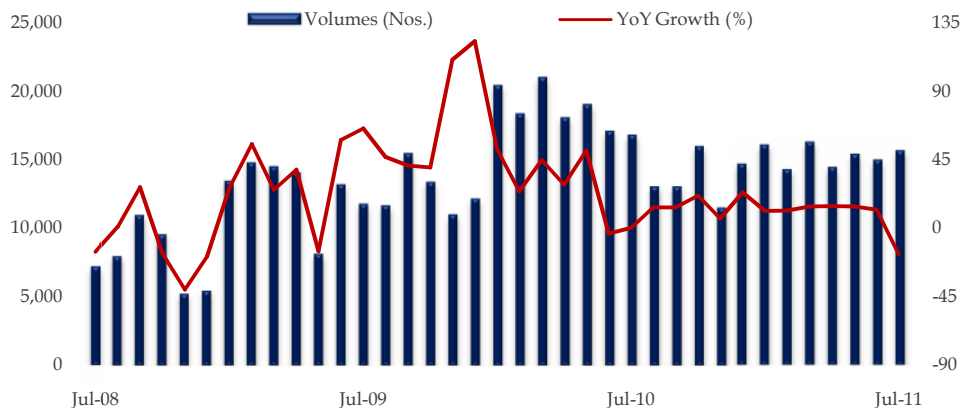


Mahindra & Mahindra

- ✓ M&M registered strong monthly auto sales of 56,351 units, as against 42,191 units in Jul 10, an increase of 33.6%
- ✓ Total PV sales were healthy up at 35.0% at 17,312 units as Verito portrayed strong growth of 116.8% by selling 1,630 units in Jul. UV sales in Jul 11 stand at 15,682 units as against sales of 12,073 units in Jul 10, a growth of 29.9%.
- ✓ Company registered robust volumes growth of 91.0% in 4Ws (Including Maximmo and Gio) and 3Ws grew flat
- ✓ In the Tractor segment total sales for the month of Jul stood at 16,718 units against 14,592 in Jul 10 up by 14.6%, we expect this vertical to continue to grow as monsoon is expected be normal this year

Segment	July			YTD		
	2011	2010	% Gwth	FY2012	FY2011	% Gwth
Passenger UVs	15,682	12,073	29.9	60,089	50,935	18.0
Verito	1,630	752	116.8	5,437	2,068	162.9
Total Passenger	17,312	12,825	35.0	65,526	53,003	23.6
MNAL	1,144	1,007	13.6	4,096	3,985	2.8
4Ws pickups inc. Maxximo, Gio etc.	13,472	7,053	91.0	44,528	30,047	48.2
3Ws	5,395	5,418	-0.4	19,453	17,586	10.6
Total Domestic Sales	37,323	26,303	41.9	133,603	104,621	27.7
Exports	2,310	1,296	78.2	8,027	4,421	81.6
Total Automotive Sales	39,633	27,599	43.6	141,630	109,042	29.9
Tractors	16,718	14,592	14.6	76,870	64,742	18.7

Total Utility Vehicles



Source: Khandwala Research, Company, SIAM

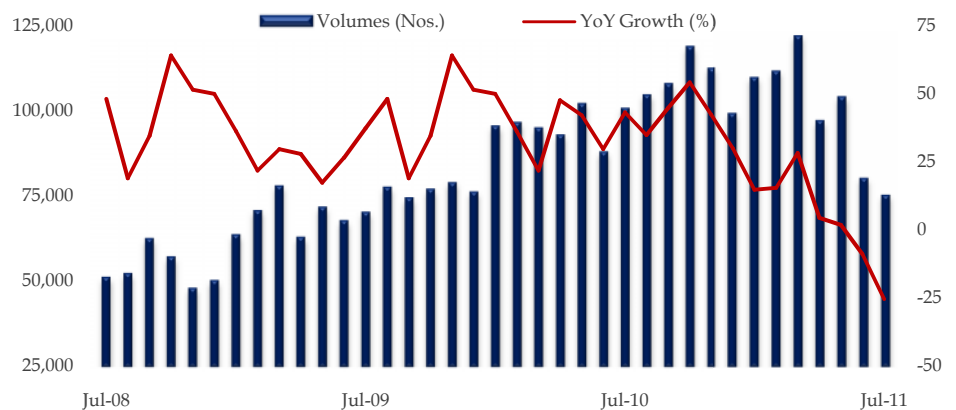


Maruti Suzuki India (MSIL)

- ✓ MSIL volumes declined by 25.3% largely on the back of volume hit of 17,000 because of change in production shift of Swift Dezire and discontinuation of old Swift. In addition to above there was over all sluggishness in PV market.
- ✓ In PV segment domestic sales in the month decreased by 31.0% YoY standing at 52,483 units, as Mini and Compact segment both de grew by 15.6% and 56.0% respectively. Super Compact segment decreased by 64.4% YoY at 3,021 units.
- ✓ Export marked de growth of 18.1% YoY (14.4% MoM) at 8,796 units versus 10,743 units in Jul 10.

Segment/Models	July			YTD		
	2011	2010	% Gwth	FY2012	FY2011	% Gwth
A: Mini						
M800,A Star, Alto, Wagon R	38,028	45,068	-15.6	160,080	158,297	1.1
A: Compact						
Swift, Estillo, Ritz	9,099	20,691	-56.0	64,750	84,881	-23.7
A: Super Compact						
Dzire	3,021	8,492	-64.4	28,116	33,364	-15.7
A: Mid Size						
SX4	2,303	1,860	23.8	7,820	5,946	31.5
A: Executive						
Kizakshi	32	0		149	0	
Total PVs.	52,483	76,111	-31.0	260,915	282,488	-7.6
B: Utilities Vehicles						
Gypsy, Grand Vitara	642	386	66.3	2,144	3,375	-36.5
C: Vans						
Omini, Eco	13,379	13,617	-1.7	54,128	47,138	14.8
Total Domestic Sales	66,504	90,114	-26.2	317,187	333,001	-4.7
Total Exports	8,796	10,743	-18.1	39,639	51,180	-22.5
Total Sales	75,300	100,857	-25.3	356,826	384,181	-7.1

Total Passenger Vehicle



Source: Khandwala Research, Company, SIAM

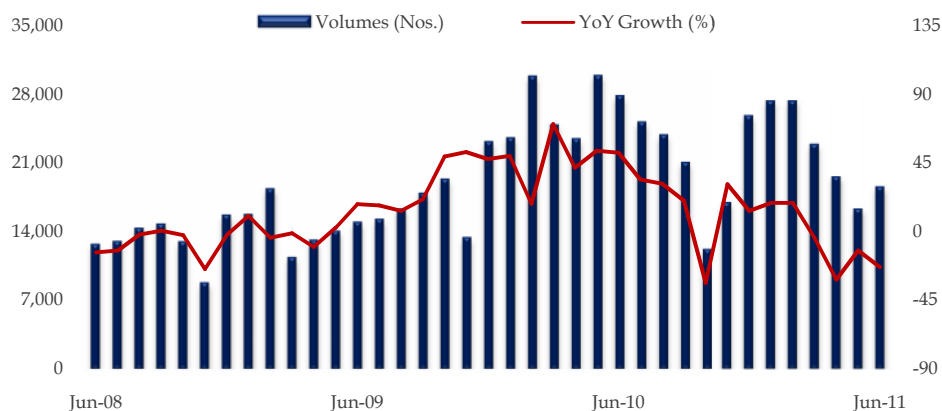


Tata Motors (TML)

- ✓ Tata motors de grew by 6.2% in the month of Jul 11 with total sales of 63,573 versus 67,799 last year
- ✓ The company's sales of commercial vehicles in Jul 11 in the domestic market were 40,798 units, a 14.3% growth. LCV sales were 24,960 units, a growth of 22.1% over Jul last year. M&HCV sales stood at 15,838 units, a growth of 3.8% YoY
- ✓ Passenger Vehicle de grew by 38.3% at 17,192 units in domestic markets. Company sold 3,261 Nano and Indica range sales were 5,860 units lower by 32%. Indigo range recorded sales of 4,877 units. The Sumo/Safari range accounted for sales of 3,195 no, lower by 2%YoY
- ✓ The company's sales from exports at 5,771 vehicles in Jul 11 registered a growth of 36% compared to 4,241 vehicles in June last year
- ✓ Cumulative sales (including exports) for the company for the fiscal are 256,799 units, a growth of 4% over 247,381 units sold last year.

Segments	July			YTD		
	2011	2010	% Gwth	FY2012	FY2011	% Gwth
LCV	24,960	20,439	22.1	92,789	75,512	22.9
M&HCV	15,838	15,255	3.8	61,379	57,411	6.9
Total Commercial	40,798	35,694	14.3	154,168	132,923	16.0
Cars	13,997	24,613	-43.1	68,343	87,202	-21.6
UVs	3,195	3,251	-1.7	13,631	12,901	5.7
Exports	5,583	4,241	31.6	20,469	16,484	24.2
Total Sales	63,573	67,799	-6.2	256,611	249,510	2.8

Total Passenger Cars



Source: Khandwala Research, Company, SIAM



Total Commercial Vehicles



Source: Khandwala Research, Company, SIAM



Bajaj Auto (BAL)

- ✓ BAL reported overall sales growth of 14% YoY to 363,712 units, flat sequentially
- ✓ Bajaj Auto’s Jul 11 Motorcycle sale increased by 14% YoY at 318,095 units versus 279,781 in Jul 10. Pulsar Discover represented 64.0% of total motorcycle sales.
- ✓ 3Ws continued to be strong, marking growth of 18% YoY at 45,617 units.
- ✓ Export clocked volume growth of 35% at 143,996 units. Cumulative sales for the year grew by 16.8% at 1,456,527 units.

Segment	July			YTD		
	2011	2010	% Gwth	FY2012	FY2011	% Gwth
Motorcycles	318,095	279,981	13.6	1,281,146	1,108,172	15.6
3 Wheelers	45,617	38,634	18.1	175,381	138,552	26.6
Total 2&3 Wheelers	363,712	318,615	14.2	1,456,527	1,246,724	16.8
Export out of above	143,996	106,794	34.8	571,360	430,693	32.7

Total Two Wheelers



Source: Khandwala Research, Company, SIAM

Total Three Wheelers



Source: Khandwala Research, Company, SIAM

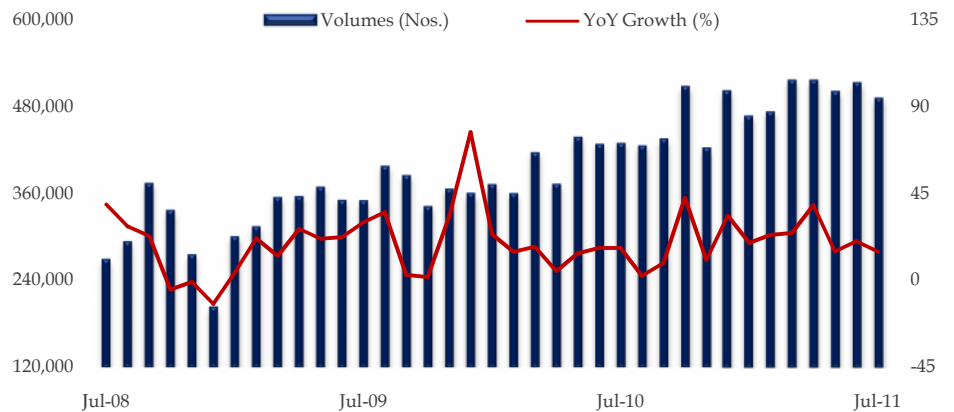


Hero MotoCorp

- ✓ In the month of Jul 11 Hero MotoCorp reported volume of 491,306 units a growth of 14.9% YoY compared to the same period last year, though on sequential basis volume de grew by 4.1%.
- ✓ Surge in volume was despite the high base of last year on the back of significant contribution from all the segments, new launches, refreshed models and advertising initiative taken by the company. Also there was a production cut at Haridwar plant
- ✓ The company's scooter 'Pleasure' recorded sales of over 30,000 units last month.

Segment	July			YTD		
	2011	2010	% Gwth	FY2012	FY2011	% Gwth
Motorcycle	491,306	427,686	14.9	2,020,883	1,661,725	21.6

Total Motorcycles



Source: Khandwala Research, Company, SIAM



TVS Motors (TVS)

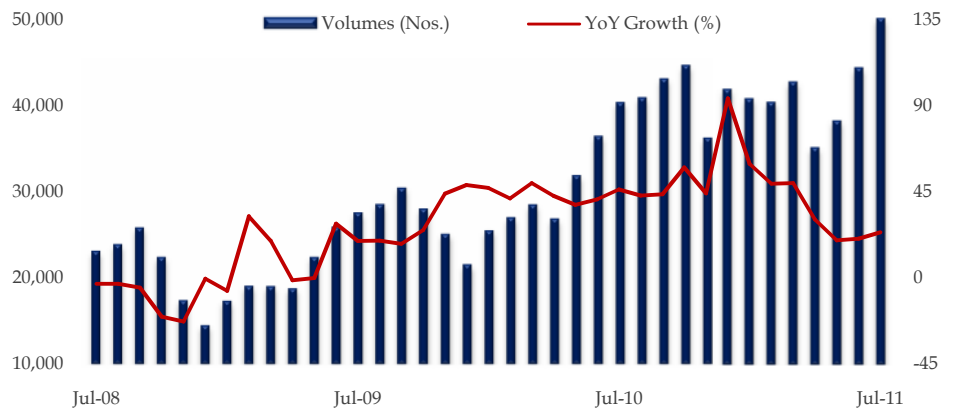
- ✓ TVS Motors two wheelers sales expanded by 16% YoY in Jul 11 standing at 192,000 units against 166,214 units in corresponding period last year, largely explained by sustainable performance across all segments
- ✓ Scooter segment contributed growth of 24% with sales of 50,000 units, Motorcycle volumes increased by 19% at 72,500 units (61,051 units in Jul 10)
- ✓ Exports contributed handsomely to sales growth in Jul 11 posting an increase of 29% with sales of 27,500 units against 21,273 units in Jul 10
- ✓ Three wheeler sales too continued its voluminous growth posting sales of 3,500 units in Jul 11 against 3,108 units in Jul 10.
- ✓ The company's cumulative sales grew 16% with sales of 728,130 units for the fiscal against 630,054 units registered in the last year.

Segment	July			YTD		
	2011	2010	% Gwth	FY2012	FY2011	% Gwth
Motorcycle	72,500	61,051	18.8	287,551	261,409	10.0
Scooter	50,000	40,357	23.9	167,523	135,843	23.3
Mopeds	66,000	61,698	7.0	261,694	224,378	16.6
Total 2 Wheelers	188,500	163,106	15.6	716,768	621,630	15.3

Total Motorcycles



Total Scooters

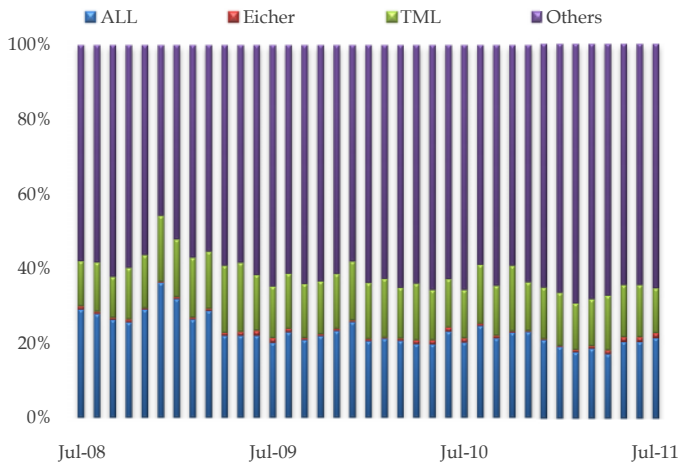


Source: Khandwala Research, Company, SIAM



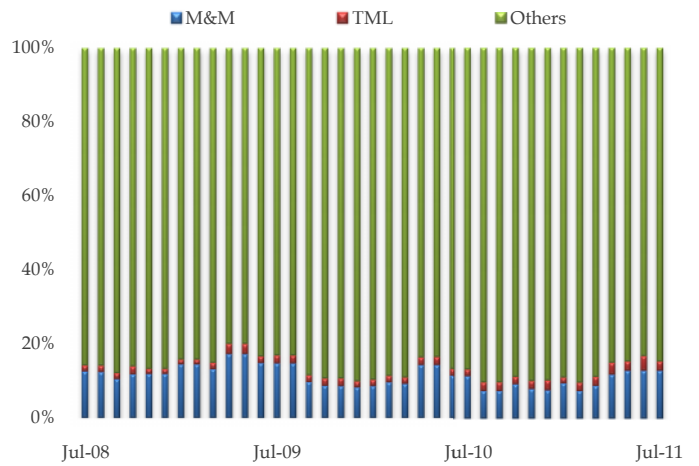
Market Share

Commercial Vehicle (M&HCV)



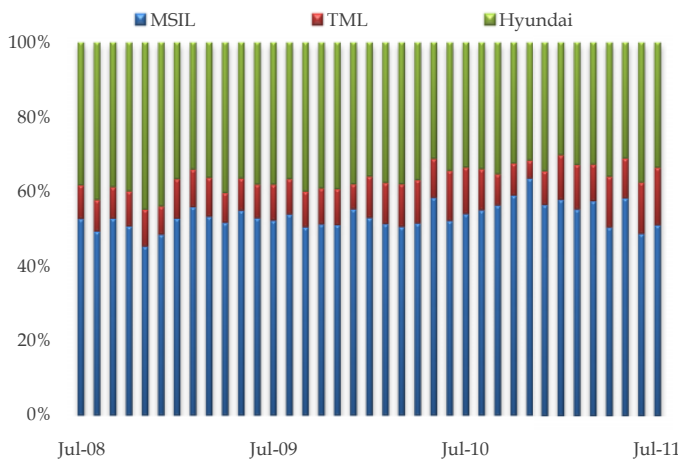
Source: Khandwala Research, Company, SIAM

Commercial Vehicle (LCV)



Source: Khandwala Research, Company, SIAM

Passenger Cars

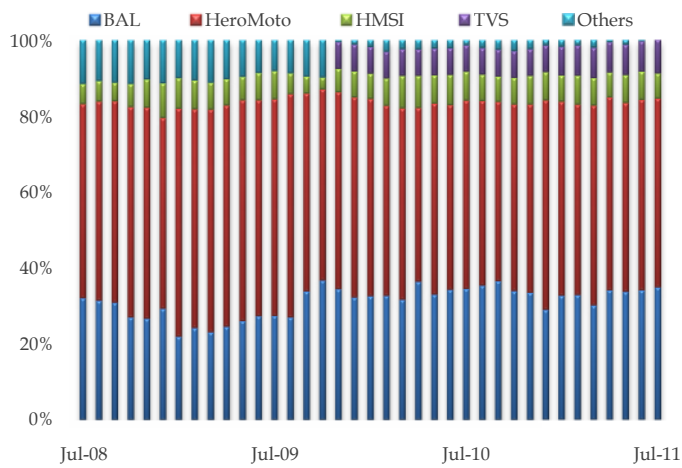


Source: Khandwala Research, Company, SIAM



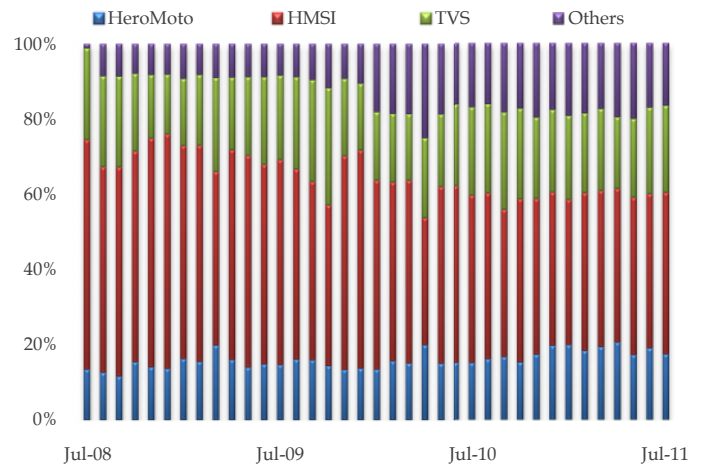
Market Share: Two Wheelers

Motorcycles



Source: Khandwala Research, Company, SIAM

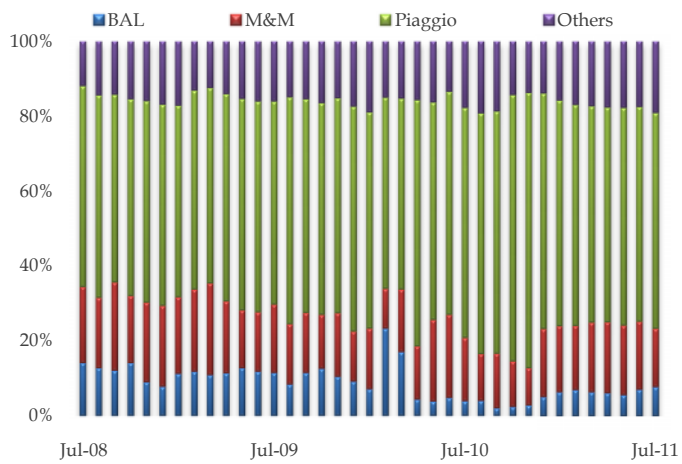
Scooters



Source: Khandwala Research, Company, SIAM

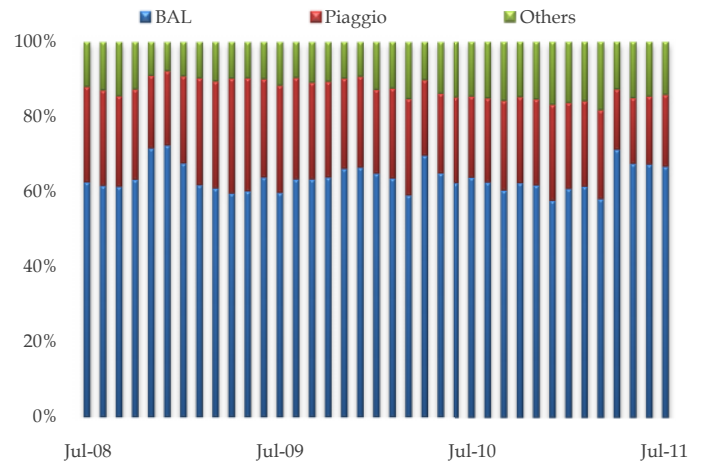
Market Share: Three Wheelers

Goods Carriers



Source: Khandwala Research, Company, SIAM

Passenger Carriers



Source: Khandwala Research, Company, SIAM



KSL Ratings

Target Price refers to one year unless specified;

LTP: Last Trading Price

BUY: Expected return >15%

ADD: Expected return 0-15%

REDUCE: Expected decline 0-15%

SELL: Expected decline >15%

Company Risk is based on the systematic risk of the stock. (1-year Beta)

HIGH: >1.2

MEDIUM: 0.8-1.2

LOW: < 0.8

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