

## Come What May

### Current Scenario

- ✓ Total auto volumes grew 30.0% powered by rise in domestic PV sales of 35.0% and CV 57.7% YoY on robust demand in May, cyclically a low volume month ahead of lean monsoon season.
- ✓ Higher volumes show pent-up demand of last couple of months as waiting period across models runs over 2-5 months
- ✗ OEM's across the board are facing production constraint due to component shortage and capacity limitation
- ✓ 2W segment depicted exceptional growth with HHML clocking highest ever sale, BAL depicted moderate de growth on MoM basis largely because of component shortage and TVS saw stupendous volumes in scooter and moped segment.
- ✓ PV segment grew by 35.0% YoY with Maruti clocking highest ever monthly sales as it inched up market share to 49.5%. Hyundai saw sequential decline in volumes due to annual maintenance
- ✓ MSIL's competition in the PV segment appears to fading away as volumes of foreign OEM's getting range bound
- ✓ Firm demand and up tick in freight rate, helped CV segment to continue its growth trajectory, although on MoM basis it showed sign of sluggishness
- ✓ Export segment grew by 67.5%, on back of low base of last year, with BAL posting strong growth of 63.5% YoY and MSIL clocking growth of 33.0% YoY, albeit on MoM basis export indicated slowness

### Outlook

- ✓ In the month auto companies sustained high volume, negating seasonality of May indicating underlying demand to be strong. We foresee growth momentum to continue, albeit capacity constraint and component shortage remains a risk. Also pace of growth will drop as advantage of low base fade away
- ✗ Implementation of BS III norms by Oct' 10 to further drive up prices by 5-6%, increasing cost of ownership
- ✗ Supply of auto components still remains a concern for the industry as in month of April-May, due to component shortage production of vehicles was hampered
- ✗ Easing in commodity prices on the back of Euro zone worries and china tightening would be a breather for the industry. However our in house view suggests that commodity prices are likely to firm up post monsoon.
- ✗ Availability of finance can be a concern going forward, after expected huge outflow for telecom auctions. However pressure would be temporary as govt will start spending bringing back liquidity in the system
- ✓ Inventory level are at there lowest level of 2-3 weeks for 2W's and waiting period for the major models is between 3-5 months, signaling strong underlying demand

### View

Strong volumes even when May being a cyclical slower month makes it apparent that underlying demand for the Auto companies is very strong. Inventory levels are at there lowest levels and all the major models have waiting period of 3-5 months. However the pace of growth will subside as advantage of low base fading away. We retain our positive outlook on the sector as expectation of normal monsoon, up tick in commercial activity, up beat consumer sentiments and availability of finance will further drive volumes.

For private circulation only. Please read the Important Disclosure at the end of the report.

KSL Intelligent Research Reports can be accessed on: [www.bloomberg.net](http://www.bloomberg.net) (KHDS<GO>), [www.thomsonreuters.com](http://www.thomsonreuters.com), [www.capitaliq.com](http://www.capitaliq.com), [www.themarkets.com](http://www.themarkets.com), [www.kslindia.com](http://www.kslindia.com), [www.moneycontrol.com](http://www.moneycontrol.com), [www.securities.com](http://www.securities.com), [www.valuenotes.com](http://www.valuenotes.com)

This report is intellectual property of Khandwala Securities Ltd; queries on this report may be directed to Head of Research at [research@kslindia.com](mailto:research@kslindia.com)



### Mahindra and Mahindra (M&M)

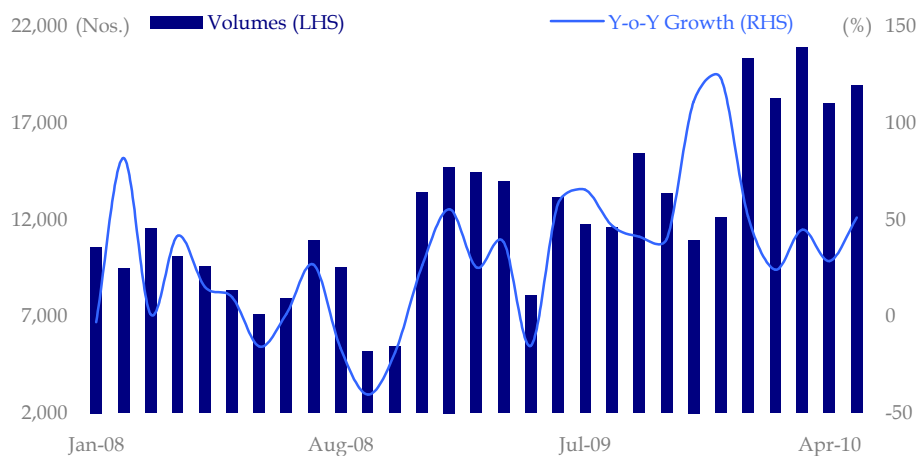
- ✓ M&M registered healthy monthly auto sales of 27,036 units, as against 16,581 units in May 09, an increase of 68.9%
- ✓ Total UV sales in May 10 stand at 18,940 units, as against sales of 12,620 units in May 09, a growth of 50.0%. On MoM basis UV volumes marked growth of 5.0%
- ✓ Company registered robust volumes growth in 3Ws (Including Maximmo and Gio) and exports marking growth of 145.7% and 274.2% respectively
- ✓ In the Tractor segment total sales for the month of May 10 stood at 17,256 units against 13,500 in May 09, up by 27.8%, expecting this vertical to continue post strong volumes as monsoon is expected be normal this year

Segment	May			April-March		
	2010	2009	% Gwth	FY2010	FY2009	% Gwth
UV's	18,940	12,620	50.1	214,128	153,655	39.4
3/W, GIO & Maxximo	6,641	2,703	145.7	57,424	44,533	28.9
MNAL LCV	1,005	831	20.9	9,829	8,604	14.2
MRPL Logan	450	427	5.4	5,332	13,423	-60.3
<b>Domestic Total</b>	<b>27,036</b>	<b>16,581</b>	<b>63.1</b>	<b>286,713</b>	<b>220,215</b>	<b>30.2</b>
M&M Exports	1,068	285	274.7	10,567	8,500	24.3
MRPL Exports	382	-	-	1,000	1,611	-37.9
<b>Total Sectoral</b>	<b>28,486</b>	<b>16,866</b>	<b>68.9</b>	<b>298,280</b>	<b>230,326</b>	<b>29.5</b>

### Farm Equip Sector

Domestic	16,608	12,870	29.0	165,633	112,695	47.0
Export	648	630	2.9	9,001	7,013	28.3
<b>Total</b>	<b>17,256</b>	<b>13,500</b>	<b>27.8</b>	<b>174,634</b>	<b>119,708</b>	<b>45.9</b>

### Total Utility Vehicles



Source: Khandwala Research, Company, SIAM

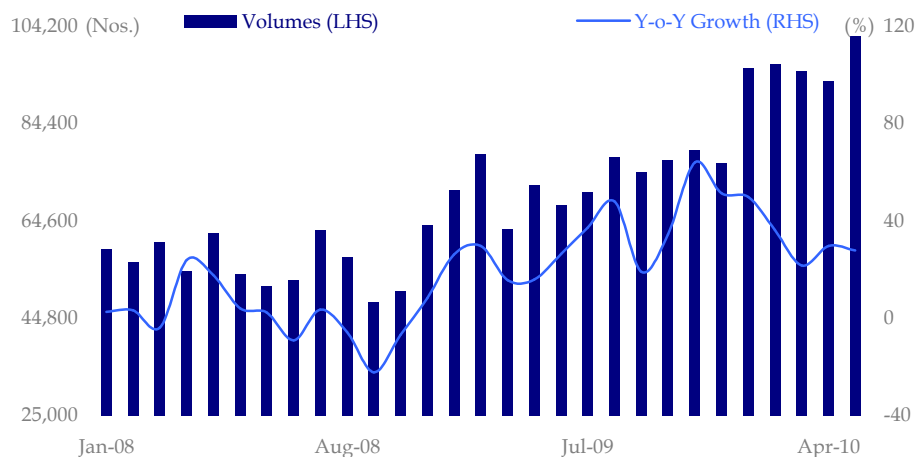


## Maruti Suzuki India (MSIL)

- ✓ Maruti sold more than one lakh units for the first time in company's history, as top ten cities showed an up tick of 25% and also result of some productivity improvement.
- ✓ In A2 Domestic sales in the month increase by 16.6% YoY standing strong at 62,679 units, while A3 segment sales grew by 60.5% YoY.
- ✓ C segment saw growth of 70.0% YoY and 21.6% MoM, as demand for newly launched Eco continued to be on growth route, largely on demand from taxi Operators.
- ✓ On MoM basis Domestic volume portrayed growth of 12.5% largely explained by newly launched Wagon R and productivity improvement measures.
- ✓ Export marked growth of 33.5% YoY at 12,134 units versus 9,087 units in May 09, although on MoM basis showed sign of sluggishness de grew by 6.8%

Segment/Models	May			April-March		
	2010	2009	% Gwth	FY2010	FY2009	% Gwth
<b>A1</b>						
M800	2,558	2,336	9.5	33,028	49,383	-33.1
<b>C</b>						
Omni, Eco	12,953	7,619	70.0	101,325	77,948	30.0
<b>A2</b>						
Alto, Wagon-R, Zen, Swift, A-Star, Ritz	62,679	53,760	16.6	633,190	511,396	23.8
<b>A3</b>						
SX4, D'Zire	10,883	6,782	60.5	99,315	75,928	30.8
<b>Total Passenger Cars</b>	<b>89,073</b>	<b>70,497</b>	<b>26.4</b>	<b>866,858</b>	<b>714,655</b>	<b>21.3</b>
<b>MUV</b>						
Gypsy, Grand Vitara	968	288	236.1	3,932	7,489	-47.5
Domestic	90,041	70,785	27.2	870,790	722,144	20.6
Export	12,134	9,087	33.5	147,575	70,023	110.8
<b>Total Sales</b>	<b>102,175</b>	<b>79,872</b>	<b>27.9</b>	<b>1,018,36</b>	<b>792,167</b>	<b>28.6</b>

## Total Passenger Vehicle



Source: Khandwala Research, Company, SIAM

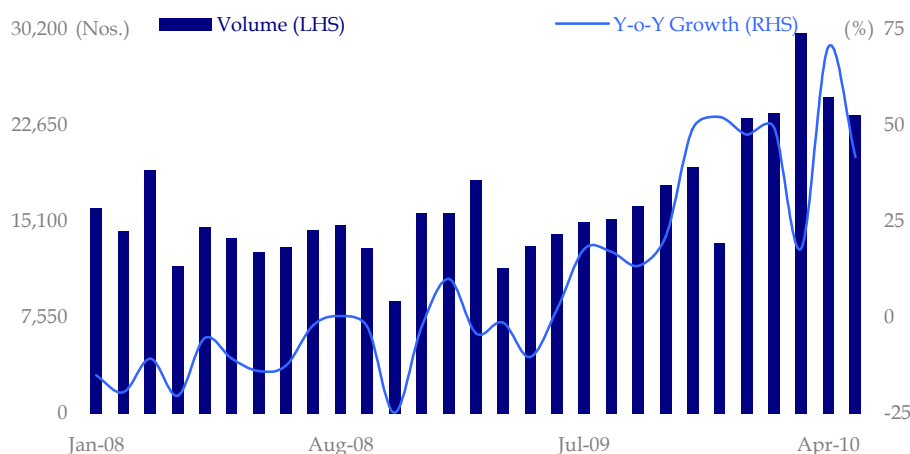


## Tata Motors (TML)

- ✓ Tata motors grew by 41.3% in the month of May 10 with total sales of 56,779 versus 40,196 last year.
- ✓ The company's sales of commercial vehicles in May 10 in the domestic market were 31,475 units, a 37.0% growth. LCV sales were 17,615 units, a growth of 22.0% over May last year. M&HCV sales stood at 13,860 units, a growth of 61.0% YoY
- ✓ In the month passenger Vehicle reported total sales of 23,489 units in domestic markets, 41.8% increase compared to 16,563 units in May 09. Company sold 3,550 Nano and Indica range sales were 8,468 units lower by 15%. Indigo range recorded sales of 6,600 units, largely explained by newly launched Indigo Manza. The Sumo/Safari range accounted for sales of 2,708 nos, higher by 6.0% (down 19.0% MoM) over April last year
- ✓ The company's sales from exports at 3,978 vehicles in May 10 registered a growth of 121% compared to 1,804 vehicles in April last year
- ✓ Cumulative sales (including exports) for the company for the fiscal are 113,978 units, a growth of 47% over 77,714 units sold last year.

Segment	May			April-March		
	2010	2009	% Gwth	FY2010	FY2009	% Gwth
LCV	17,615	14,439	22.0	218,478	151,721	44.0
M&HCV	13,860	8,609	61.0	155,137	114,071	36.0
<b>Total Commercial</b>	<b>31,475</b>	<b>23,047</b>	<b>37.0</b>	<b>373,615</b>	<b>265,792</b>	<b>40.6</b>
Passenger	23,489	16,563	41.8	259,682	208,203	24.7
Export	3,978	1,804	120.5	34,141	33,410	2.2
<b>Total Sales</b>	<b>56,779</b>	<b>40,196</b>	<b>41.3</b>	<b>642,686</b>	<b>498,547</b>	<b>28.9</b>

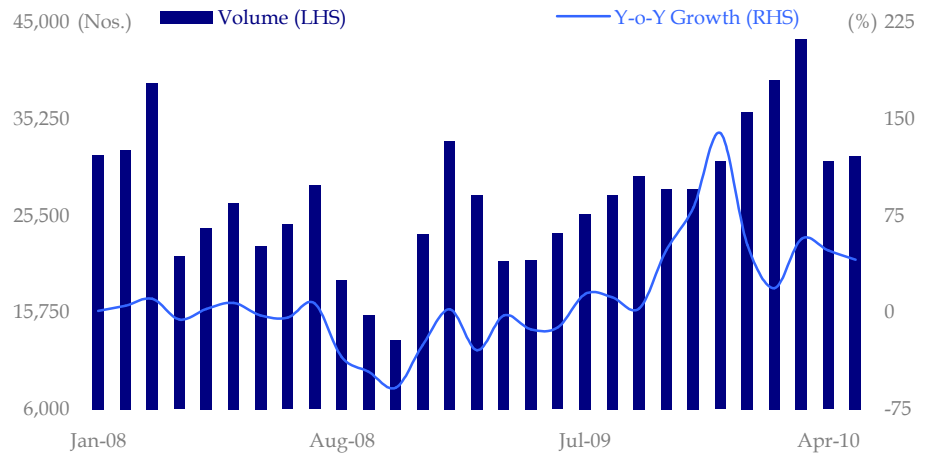
## Total Passenger Cars



Source: Khandwala Research, Company, SIAM



Total Commercial Vehicles



Source: Khandwala Research, Company, SIAM

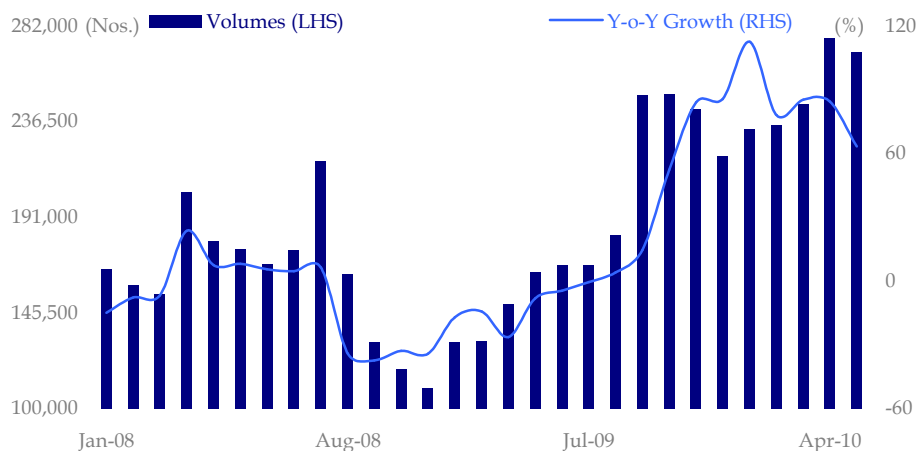


**Bajaj Auto (BAL)**

- ✓ BAL reported overall sales growth of 63.3% YoY to 299,442 units, down 4.5% sequentially result of production constraint
- ✓ Bajaj Auto's May 10 Motorcycle sale increased by 61.6% YoY at 269,488 units versus 165,049 in May 09. Pulsar sales were all time highest at (75,974 units) and Discover (107,076) represented 68.0% of total motorcycle sales. Newly launched Discover 150 sold 12,377 units.
- ✓ 3Ws continued to be strong, marking a full-bodied growth of 52.5% YoY, although on MoM basis it decreased by 19.0%
- ✓ Export clocked volume growth of 63.5% at 96,964 units, On sequential basis export decreased by 15.7%

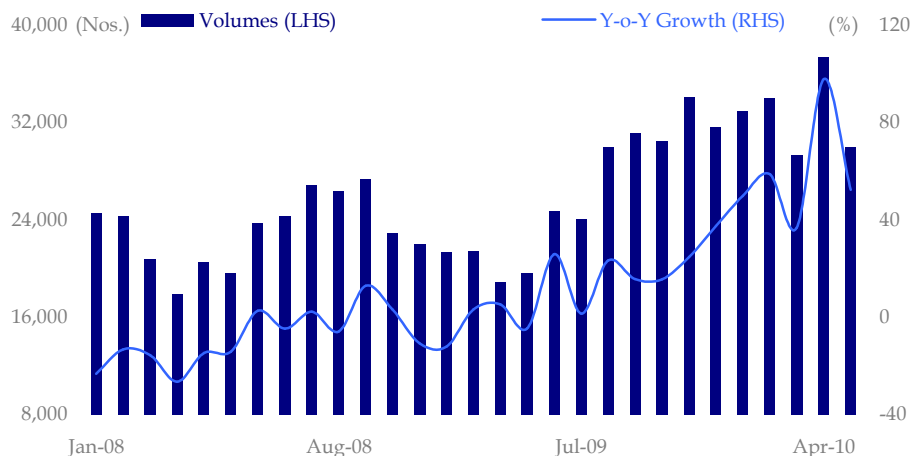
Segment	May			April-March		
	2010	2009	% Gwth	FY2010	FY2009	% Gwth
Motorcycles	269,488	165,049	63.3	2,506,749	1,907,853	31.4
3 Wheelers	29,954	19,644	52.5	340,936	274,529	24.2
Total 2&3 Wheelers	299,442	185,341	61.6	2,852,536	2,194,154	30.0
<b>Export out of above</b>	<b>95,964</b>	<b>58,682</b>	<b>63.5</b>	<b>891,002</b>	<b>772,519</b>	<b>15.3</b>

**Total Two Wheelers**



Source: Khandwala Research, Company, SIAM

**Total Three Wheelers**



Source: Khandwala Research, Company, SIAM

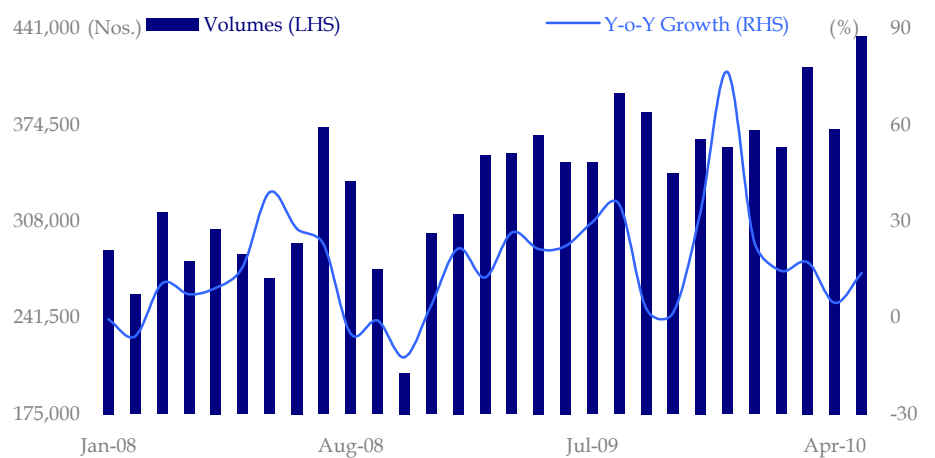


**Hero Honda Motors (HHML)**

- ✓ Hero Honda reported highest monthly sales ever at 435,933 units a growth of 13.9% compared to the same period last year. On MoM volumes grew by 17.3%
- ✓ Higher volumes were however also because of pending order which company had due to component shortage HHML had last month.
- ✓ Surge in volume was despite the high base of last year on the back of significant contribution from all the segments
- ✓ The company's scooter 'Pleasure' recorded sales of over 24,000 units last month.

Segment	May			April-March		
	2010	2009	% Gwth	FY2010	FY2009	% Gwth
Motorcycle	435,933	382,678	13.9	4,600,130	3,722,000	23.6

**Total Motorcycles**



Source: Khandwala Research, Company, SIAM

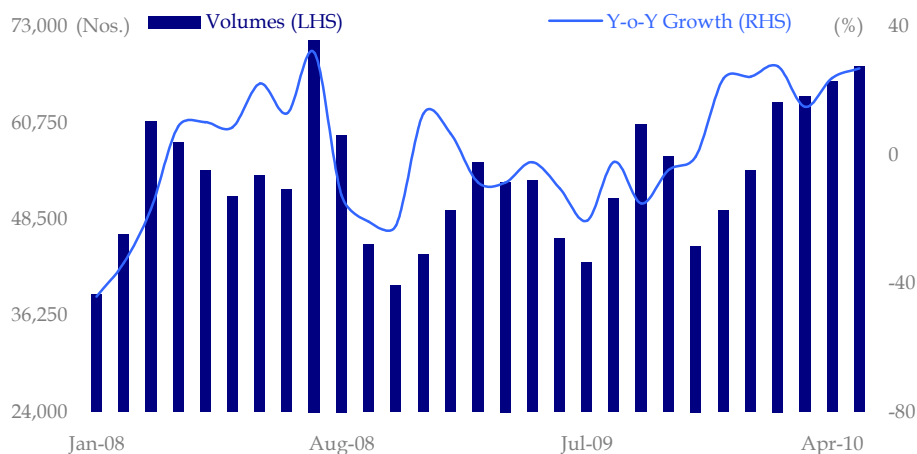


**TVS Motors (TVS)**

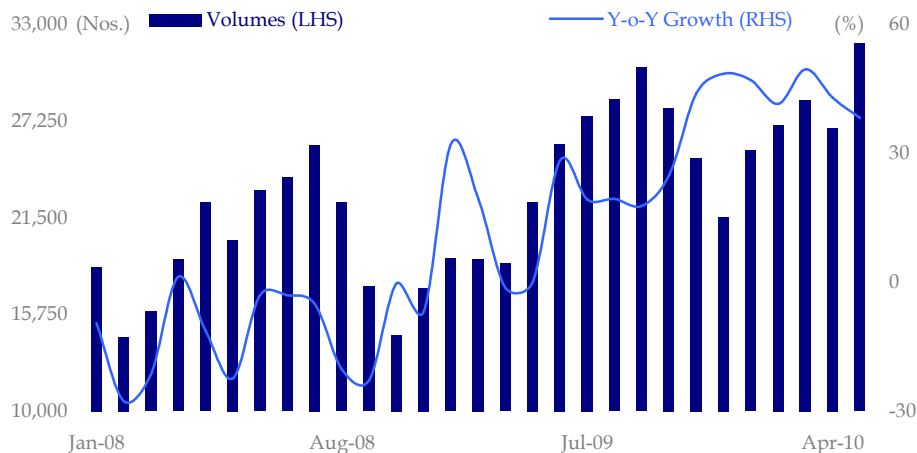
- ✓ TVS Motors two wheelers sales expanded by 30.4% YoY in May 10 standing at 154,667 units against 118,574 units in corresponding period last year, largely explained by sustainable performance across all segments
- ✓ Propelling the spurt in the sales scooter segment contributed growth of 42.0%, Motorcycle volumes increased by 27.0% at 67,906 units (53,495 units in May 09)
- ✓ Continuing its upward trend, exports recorded a remarkable growth of 62% registering sales of 18,046 units of two wheelers in May 10 as against 11,135 units in the corresponding period of the previous year
- ✓ Three wheeler sales too continued its voluminous growth posting sales of 2,313 units in May 10 against 707 units in Apr 09
- ✓ Good volume growth in motorcycle and scooter segment is largely explained by growing acceptance of newly launched TVS Jive and Wego

Segment	May			April-March		
	2010	2009	% Gwth	FY2010	FY2009	% Gwth
Motorcycle	67,906	53,495	26.9	641,208	580,151	10.5
Scooter	31,884	22,486	41.8	605,592	233,181	159.7
Mopeds	64,275	65,079	-1.2	275,112	512,422	-46.3
<b>Total 2 Wheelers</b>	<b>154,667</b>	<b>118,574</b>	<b>30.4</b>	<b>1,521,912</b>	<b>1,325,754</b>	<b>14.8</b>

**Total Motorcycles**



**Total Scooters**

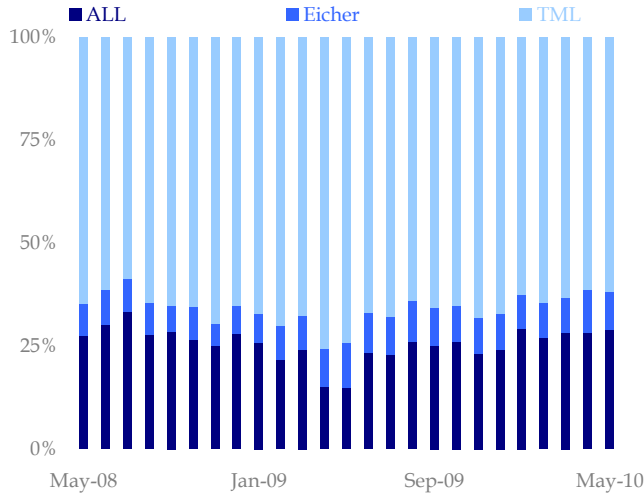


Source: Khandwala Research, Company, SIAM



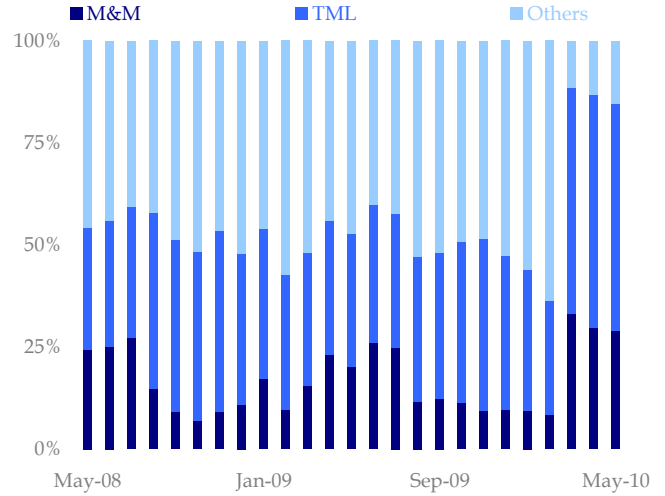
**Market Share**

**Commercial Vehicle (M&HCV)**



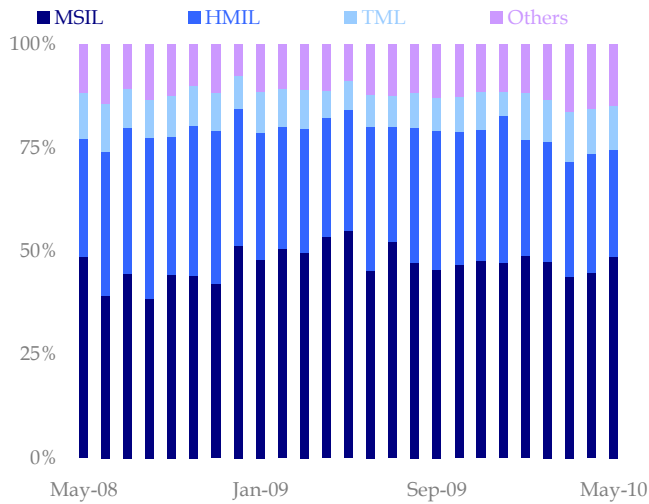
Source: Khandwala Research, Company, SIAM

**Commercial Vehicle (LCV)**



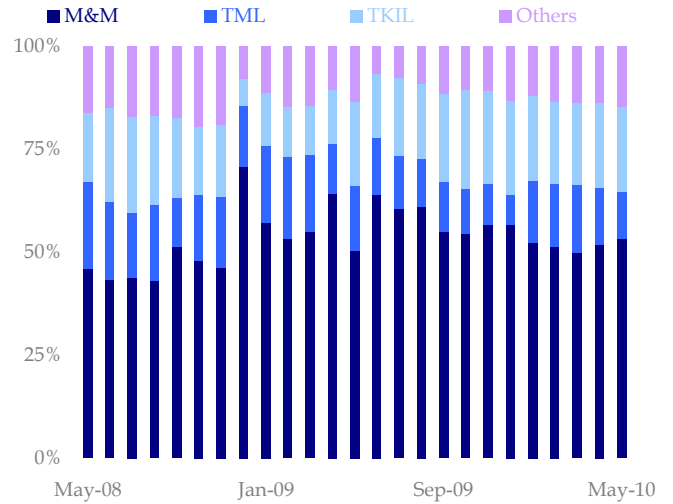
Source: Khandwala Research, Company, SIAM

**Passenger Cars**



Source: Khandwala Research, Company, SIAM

**Utility Vehicles**

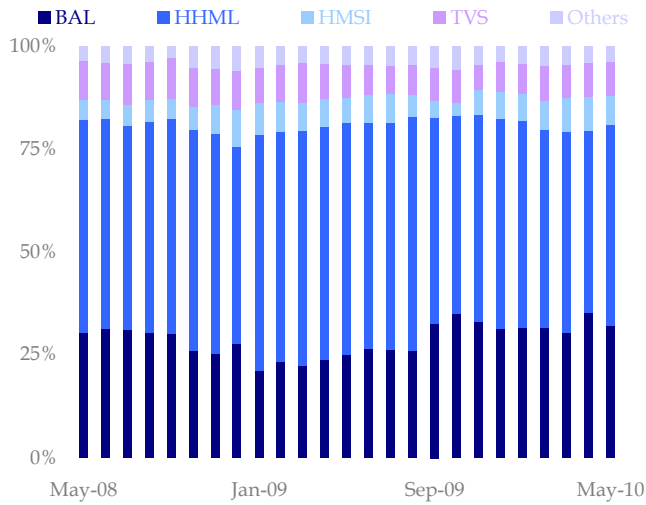


Source: Khandwala Research, Company, SIAM



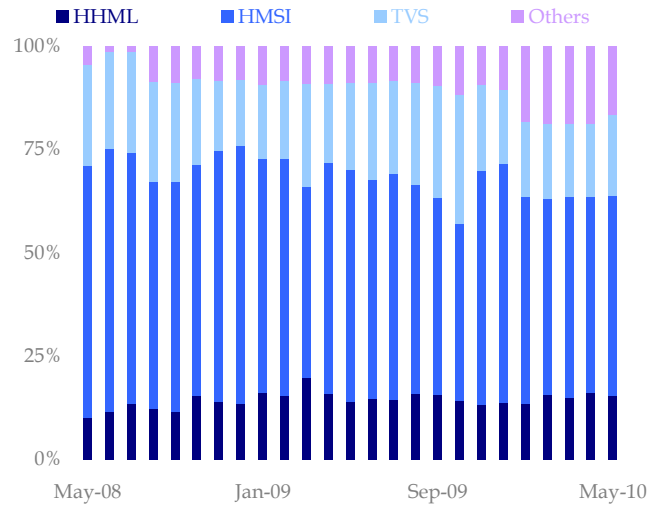
**Market Share: Two Wheelers**

**Motorcycles**



Source: Khandwala Research, Company, SIAM

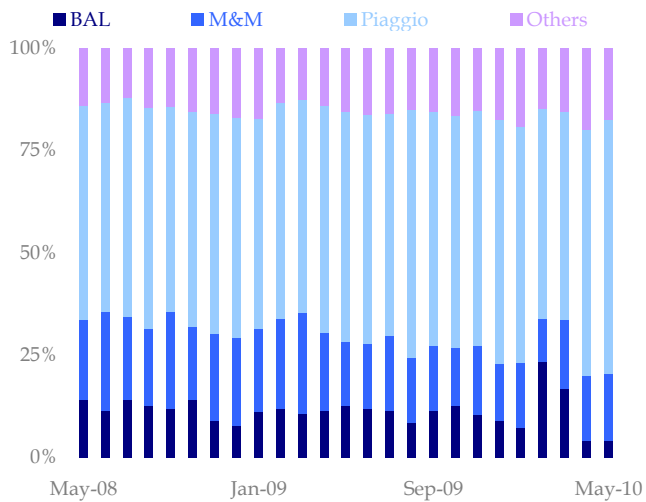
**Scooters**



Source: Khandwala Research, Company, SIAM

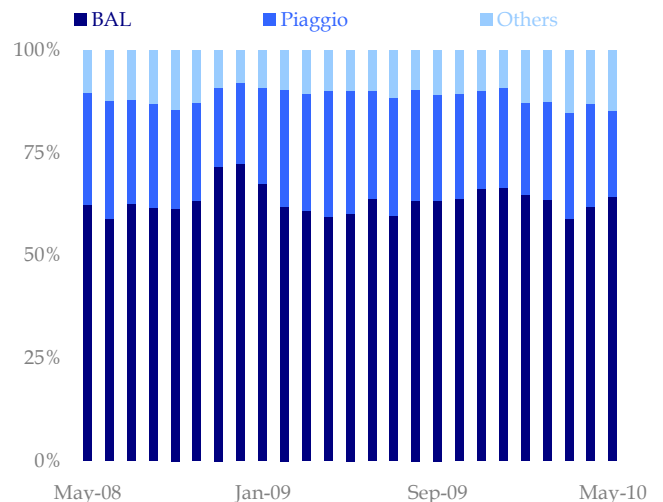
**Market Share: Three Wheelers**

**Goods Carriers**



Source: Khandwala Research, Company, SIAM

**Passenger Carriers**



Source: Khandwala Research, Company, SIAM



## Analyst Certification

Each of the analyst(s) named certify, with respect to the companies or securities they analyse that: (1) all the views expressed in this report accurately reflect his/her/their personal views about any and all of the subject companies and securities; and (2) no part of his/her/their compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this report.

## KSL Ratings

**Target Price refers to one year unless specified; LTP: Last Traded 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

Name	Designation	Sectors	E-mail
<b>EQUITY RESEARCH</b>		<b>TEL. NO. +91 22 4076 7373</b>	<b>FAX NO. +91 22 4076 7378</b>
Ashok Jainani	VP, Head Research	Market Strategy	ashokjainani@kslindia.com
Dipesh Mehta	Sr. Research Analyst	IT, Telecom	dipesh@kslindia.com
Hatim K Broachwala	Research Analyst	BFSI	hatim@kslindia.com
Vinay Nair	Research Analyst	Energy	vinay.nair@kslindia.com
Giriraj Daga	Research Analyst	Metals & Mining, Cement	giriraj@kslindia.com
Kruti Shah	Research Associate	Economics	kruti.shah@kslindia.com
Aditya Shekhawat	Research Associate	Autos	aditya.shekhawat@kslindia.com
Dinesh Bhatia	Research Associate	Technical Analysis	dinesh.bhatia@kslindia.com
Sandeep Bhatkhande	Research Associate	Publishing	sandeep@kslindia.com
Lydia Rodrigues	Research Executive	Data Mining	lydia@kslindia.com



## INDIA

Name	Designation	Sectors	E-mail
<b>INSTITUTIONAL DEALING</b>			
TEL NO. +91 22 4076 7342-47/56		FAX NO. +91 22 4076 73 77-78	
Biranchi Sahu	Head	Institutional Equity	bsahu@kslindia.com
Gopi Doshi	Senior Dealer	Institutional Equity	gopi.doshi@kslindia.com
Mayank Patwardhan	Dealer	Institutional Equity	mayank.patwardhan@kslindia.com
Bhadresh Shah	Dealer	Institutional Equity	bhadresh.shah@kslindia.com
<b>PRIVATE CLIENT GROUP</b>			
TEL NO. +91 22 4200 7300		FAX NO. +91 22 4200 7399	
Subroto Duttaroy	General Manager	Equity & PMS	subroto@kslindia.com
<b>BRANCH OFFICE (PUNE)</b>			
TEL NO. +91 20 2567 1404/06		FAX NO. +91 20 2567 1405	
Ajay G Laddha	Vice President		ajay@kslindia.com

Head Office	Corporate Office	Branch Office
<b>Khandwala Securities Limited</b> Vikas Building, Ground Floor, Green Street, Fort, MUMBAI 400 023. Tel. No. +91 22 4076 7373 Fax No. +91 22 4076 7377/78 E-mail: research@kslindia.com	<b>TruMonee Financial Limited</b> 1st Floor, White House Annexe, White House, 91, Walkeshwar Road, Walkeshwar, MUMBAI – 400 006 Tel No.: +91 22 4200 7300 Fax No.: +91 22 4200 7399 Email: advice@trumonee.com	<b>Khandwala Securities Limited</b> C8/9, Dr. Herekar Park, Off. Bhandarkar Road, PUNE 411 004 Tel. No. +91 20 2567 1404/06 Fax. No. +91 20 2567 1405 Email: pune@kslindia.com
<b>Logon to <a href="http://www.kslindia.com">www.kslindia.com</a></b>	<b><a href="http://www.trumonee.com">www.trumonee.com</a></b>	

Short-term trading based on technical indicators is a risky and skill oriented practice, which may result into huge losses or profits. It is not advisable to trade a stock if it reaches the target price first and then comes within recommended range. Target prices are just indicative based on the various technical parameters. Actual stock prices may come nearer or breach those levels. Always follow stop losses to avoid larger losses.

### Important Disclosure

The Research team of Khandwala Securities Limited (KSL) on behalf of itself has prepared the information given and opinions expressed in this report. The information contained has been obtained from sources believed to be reliable and in good faith, but which may not be verified independently. While utmost care has been taken in preparing the above report, KSL or its group companies make no guarantee, representation or warranty, whether express or implied and accepts no responsibility or liability as to its accuracy or completeness of the data being provided. All investment information and opinion are subject to change without notice. Also, not all customers may receive the material at the same time.

This document is for private circulation and information purposes only. It does not and should not be construed as an offer to buy or sell securities mentioned herein. KSL shall not be liable for any direct or indirect losses arising from the use thereof and the investors are expected to use the information contained herein at their own risk. KSL and its affiliates and / or their officers, directors and employees may own or have positions in any investment mentioned herein or any investment related thereto and from time to time add to or dispose of any such investment. KSL and its affiliates may act as market maker or have assumed an underwriting position in the securities of companies discussed herein (or investments related thereto) and may sell them to or buy them from customers on a principal basis and may also perform or seek to perform investment banking or underwriting services for or relating to those companies.

The investments discussed or recommended in this report may not be suitable for all investors. Investors must make their own investment decisions based on their specific investment objectives and financial position and using such independent advisors, as they believe necessary. Income from investments may fluctuate. The price or value of the investments, to which this report relates, either directly or indirectly, may fall or rise against the interest of investors. The value of or income from any investment may be adversely affected by changes in the rates of currency exchange.

This document is strictly meant for use by the recipient only. None of the material in this report shall be reproduced, resold or re-distributed in any manner whatsoever without the prior explicit written permission from KSL.