



Month of Highs

Current Scenario

- ✓ Pre-budget sales, unrelenting resilience in the economy and positive consumer sentiments, auto sales continued to put robust momentum. Feb month's sale was largely driven by CV, which grew by 88.7%, PV up by 34.8%, 2W up by 34.5% and 3W increased by 50.5%.

News From Budget

- ✓ In union budget industry saw partial roll back of excise duty to 10% from 8%; for MUVs and SUVs, it went up to 22% ad-valorem almost in line with industries expectation.
- ✓ Budgetary allocation to road transport increased by 13% to Rs 19,894 cr is particularly positive for the CV segment, as it will increase more freight movement through roadways.
- ✓ Allocation of Rs 66,100 cr for rural development, with Rs 48,000 cr focusing on rural infrastructure development, to be a catalyst for rural demand.
- ✓ The weighted deduction on expenditure incurred on in-house R&D increased from 150% to 200%.
- ✓ High custom and excise duty on petroleum and petroleum product have lead to high retail fuel prices.

Monthly Update

- ✗ Industry saw price hike across the segments in range Rs 700-Rs 2,000/units in 2W and Rs 8,000-Rs 15,000 in case of PV due to partial rollback of excise duty.
- ✓ During Feb'10 industry saw dramatic improvement in export volume with M&M and Tata Motors reporting growth of 219% and 145% respectively; Bajaj Auto clocked highest ever exports of 825,868 units YTD crossing last full year export volume
- ✓ Pre-budget sale along with general buoyancy in the economy and good freight market helped commercial vehicle segment post strong numbers. Tata Motors posted highest ever sales volume of 39,205 units, 67% YoY growth and Ashok Leyland doubled its CV sales at 7,869 units.

Outlook

- ✗ Advancing of purchases in view of expected excise hike in budget led high growth in auto volumes across vehicle segments. We foresee drop in growth momentum and lull demand might follow on rate hikes negatively impacting affordability.
- ✓ Change in income tax rates to leave higher level of disposable income in the hands of consumers, giving a sustainable push to auto demand
- ✓ Increased infrastructure spending particularly on road transport and rural infra will have a positive long-term impact on the sector.
- ✓ Budgetary benefits like weighted deduction on R&D expenditure give some breather on cost side, along with improving efficiency and productivity in long run.
- ✓ Imposition of service tax on railway freight will have positive cannibalization on commercial vehicle sales.
- ✗ Higher fuel cost is another negative which industry faces in the short term as it gives negative sentimental push to consumers.
- ✗ With banks raising auto loan rates by 25-50 bps and implementation of emission norms from April'10 will deal a twin blow on demand which is yet to absorb post-budget hike in levy.
- ✗ Sales promotion and advertisement cost to rise on launch of new models to remain in the competition; old models sales remain stagnant or show de-growth.
- ✗ Rise in key commodity prices to dent margins

Strategy

- ✗ The 2W and passenger vehicles volumes likely to average down short term on demand drying up due to advancing of purchases, prices and interest rate hikes, competition by multiple product launches. Stocks trading at all-time highs and historical high PEs. We downgrade our view on the sector to under weight.

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Mahindra and Mahindra (M&M)

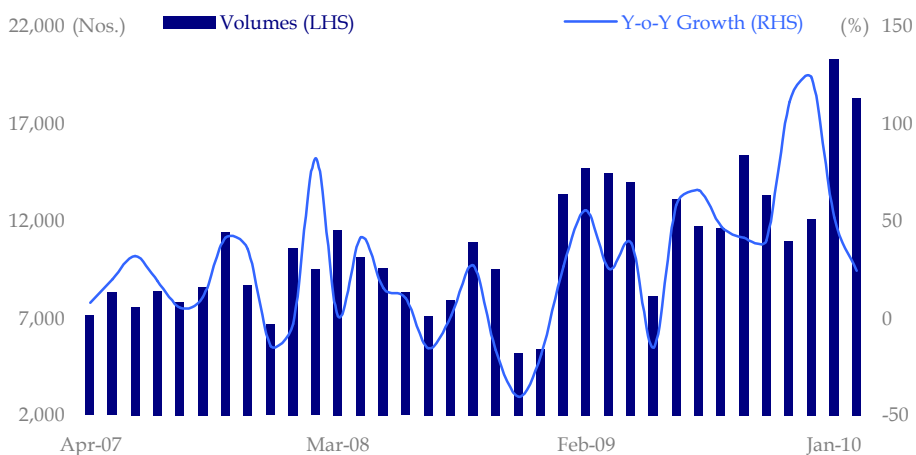
- ✓ M&M registered domestic sales of 26,580 units, as against 19,594 units in Feb 09, an increase of 35.7%.
- ✓ Total UV sales in Feb 10 stand at 18,280 units, as against sales of 14,720 units in Feb 09, which is a growth of 24.2%. Although MoM basis UV volumes have decreased by 10.0%
- ✓ Sold a total of 27,894 vehicles (including exports and domestic) in Feb 10 as against 19,946 in Feb 09 up by 39.8%
- ✓ In the Tractor segment total sales for the month of Feb 10 stood at 13,920 units against 9,123 in Feb 09, up by 52.6%. Export for the month increased by 219.7% standing at 780 units, in comparison to 244 units last year.

Segment	February			YTD		
	2010	2009	% Gwth	FY10	FY09	% Gwth
UV's	18,280	14,720	24.2	193,214	133,682	44.5
3/W, GIO & Maxximo	6,907	3,415	102.3	49,729	40,490	22.8
MNAL LCV	856	503	70.2	8,845	7,834	12.9
MRPL Logan	537	1,008	-46.7	4,982	12,461	-60.0
Domestic Total	26,580	19,646	35.3	256,770	194,467	32.0
M&M Exports	1,314	300	338.0	8,813	8,039	9.6
MRPL Exports	-	-	-	1,000	1,460	-31.5
Total Sectoral	27,894	19,946	39.8	266,583	203,966	30.7

Farm Equipment Sector

Domestic	13,140	8,879	48.0	150,593	102,478	47.0
Export	780	244	219.7	7,876	6,764	16.4
Total	13,920	9,123	52.6	158,469	109,242	45.1

Total Utility Vehicles



Source: Khandwala Research, Company, SIAM

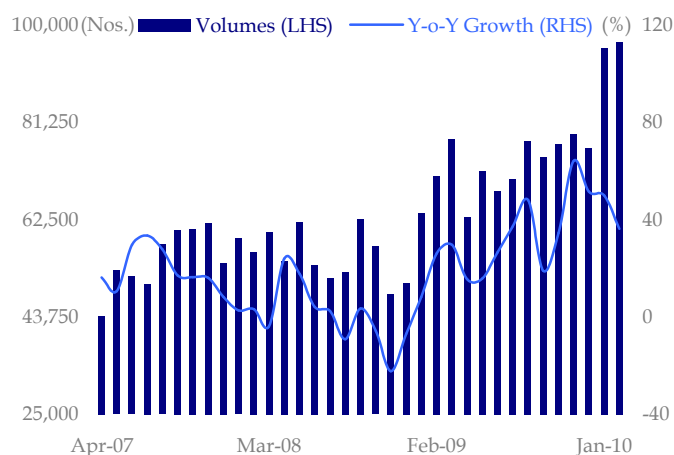


Maruti Suzuki India (MSIL)

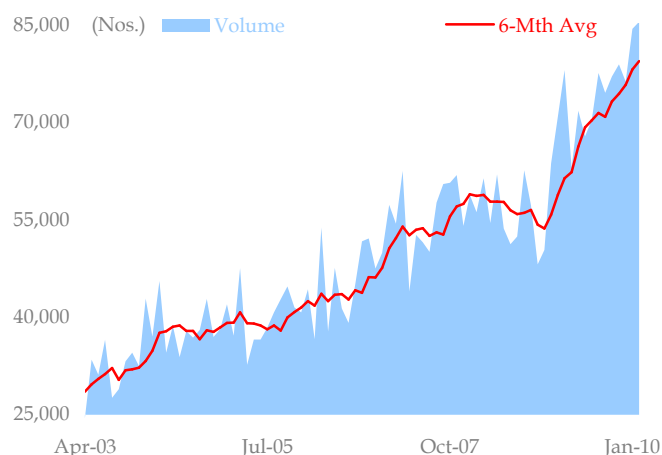
- ✓ Maruti Suzuki in month of February sold a total of 96,650 unit's growth of 22.0% YoY (79,190). The highest ever total monthly sales in the company's history (Previous high being Jan 10 with sale of 95,649 units) largely explained by pre budget sales.
- ✓ The A2 Segment grew by 20.0% YoY at 60,380 units; A3 grew by 27.5% at 10,254 units.
- ✓ A1 segment continue to show lethargic sale marking the de-growth of (22.0%) YoY at 3,178 units. Although on MoM basis it increased by 27.4%. C segment grew by 39.6% largely driven by newly launched Ecco in Jan 10.
- ✓ Export continues to be in growth trajectory with escalation of 38.8% YoY at 11,885 units versus 8,565 units in Feb 2009. YTD exports not totalled at 131,982 units (up by 121.7% YoY).

Segment/Models	February			YTD		
	2010	2009	% Gwth	FY10	FY09	% Gwth
A1						
M800	3,178	4,075	-22.0	30,266	46,953	-35.5
C						
Omini, Ecco	10,668	7,641	39.6	90,450	71,927	25.8
A2						
Alto, Wagon-R, Zen, Swift, A-Star, Ritz	60,380	50,331	20.0	578,427	455,981	26.9
A3						
SX4, D'Zire	10,254	8,043	27.5	88,862	67,333	32.0
Total Passenger Cars	84,480	70,090	20.5	788,005	642,194	22.7
MUV						
Gypsy, Grand Vitara	285	535	-46.7	3,255	6,095	-46.6
Domestic	84,765	70,625	20.0	791,260	648,289	22.1
Export	11,885	8,565	38.8	131,982	58,209	126.7
Total Sales	96,650	79,190	22.0	923,242	706,498	30.7

Total Passenger Vehicle



Volumes get fillip by Europe's "scrappage scheme"; exports share pushed overall volumes growth



Source: Khandwala Research, Company, SIAM

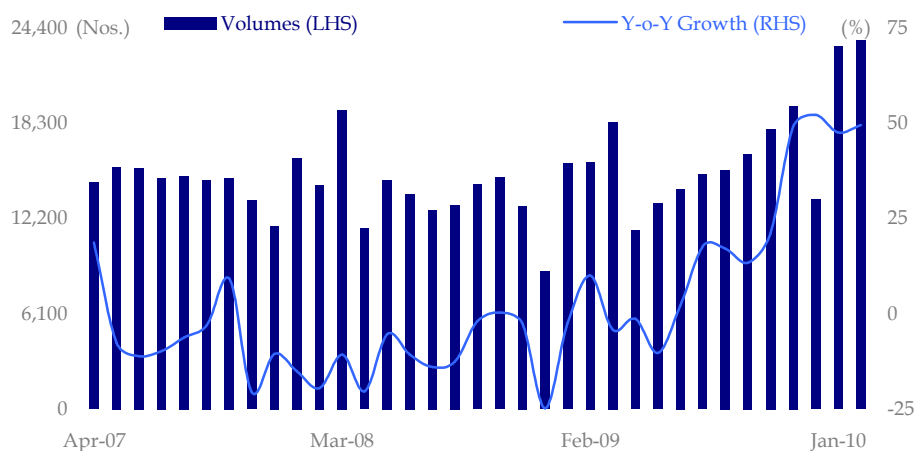


Tata Motors (TML)

- ✓ Tata Motors reported total units (including exports) sale for the month of Feb 10 69,427 units, a growth of 58.0% YoY over 43,811 units. Cumulative sales (including exports) increased by 28.0% at 498,108 units. Domestic sale of passenger and commercial vehicle in Feb 10 grew by 56.0%.
- ✓ Commercial Vehicle (domestic) marked highest ever volume of 39,205 units, a growth of 67.0% YoY on the back of highest ever sale of LCV at 21,764 units a growth of 49.0% and M&HCV segment striking a up move of 98.0% at 17,441 no.
- ✓ Passenger vehicle segment reported off take of 29,241 (including Fiat) units in the domestic market in Feb 10, the highest ever and 43.7% increase YoY. Company sold 4,105 Nano, the Indica range sales were at 11,502 units marking highest sales in this fiscal, the Indigo range recorded sale of 7,373 units highest ever since launch in 2002 clocking growth of 75.2% YoY and Sumo/Safari range accounted for sale of 4,005 units a growth of 21.0%.
- ✓ Export marked growth of 146% at 3,237 units versus 1,318 vehicles in Feb 09. Cumulative export sales are lower by 5.0% compared to 31,611 units last year.

Segment	February			YTD		
	2010	2009	% Gwth	FY10	FY09	% Gwth
LCV	21,764	14,607	49.0	196,040	134,274	46.0
M&HCV	17,441	8,809	98.0	134,290	100,970	33.0
Total Commercial	39,205	23,476	67.0	330,330	235,244	40.4
Passenger	29,241	20,348	43.7	229,814	183,403	25.3
Export	3,237	1,318	145.6	30,036	31,611	-5.0
Total Sales	69,427	43,811	58.5	567,535	444,095	27.8

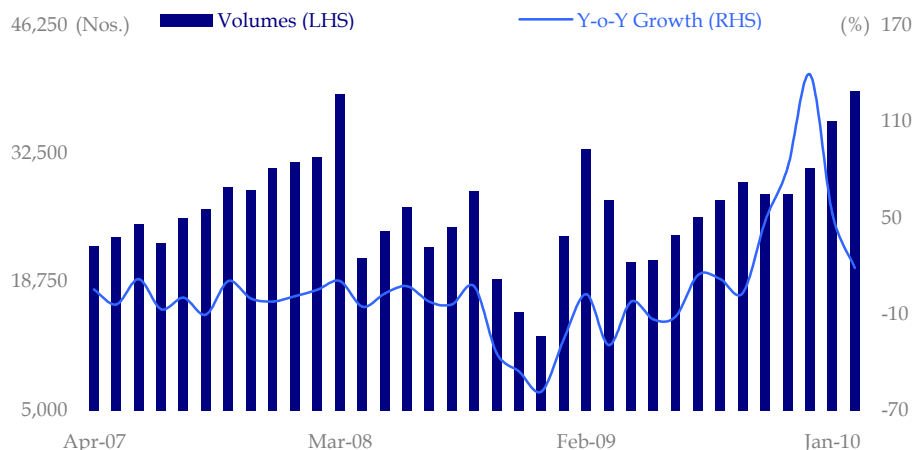
Total Passenger Cars



Source: Khandwala Research, Company, SIAM



Total Commercial Vehicles



Source: Khandwala Research, Company, SIAM

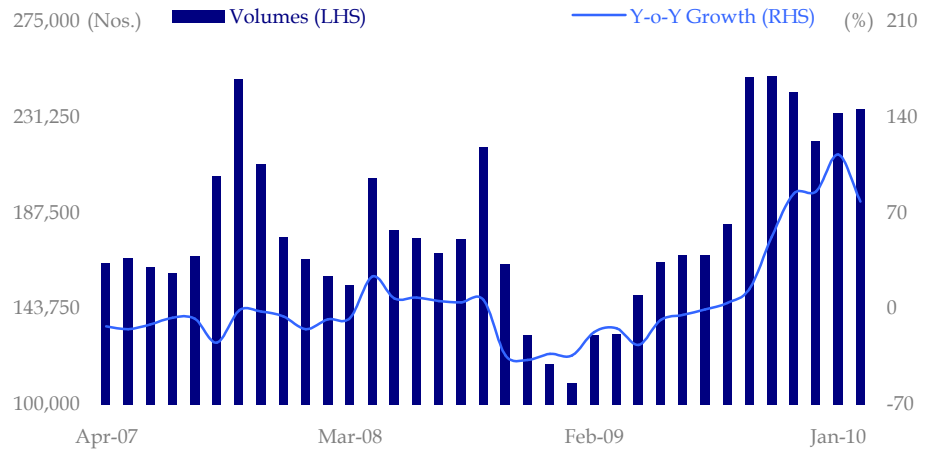
Bajaj Auto (BAL)

- ✓ BAL clocked overall sales growth of 74.7% to 268,678 units.
- ✓ Bajaj Auto's Feb 10 motorcycle sale increased by 78.0% YoY at 234,710 units versus 131,785 in Feb 09. Torque by its new initiative of "Bigger and Sportier" Discover and Pulsar brands, helping both brands to put a healthy no of around 155,000 units. Whereas Platina and Boxer are running at rate of 80,000 units per months sale.
- ✓ Scooter segment continues to show de growth sold around 87 units versus 608 in Feb 09 (85.7%).
- ✓ Three-wheeler too moved further northward registering growth of 58.8% YoY standing at 33,968 units. Export grew by 53.7% YoY at 77,642 units versus 50,738 units in Feb 09, export sale has already crossed its all time high exports achieved last year of 772,519 as YTD sale is around 825,868 units.
- ✓ BAL is expanding its motorcycle production capacity to 300,000 units per month.

Segment	February			YTD		
	2010	2009	% Gwth	FY10	FY09	% Gwth
Motorcycles	234,623	131,785	78.0	2,261,921	1,775,601	27.4
Total 2 Wheelers	234,710	132,393	77.3	2,266,711	1,786,941	26.8
3 Wheelers	33,968	21,389	58.8	311,592	253,073	23.1
Total 2&3 Wheeler	268,678	153,782	74.7	2,578,302	2,040,011	26.4
Exports (exl above)	77,642	50,738	53.0	825,868	725,645	13.8

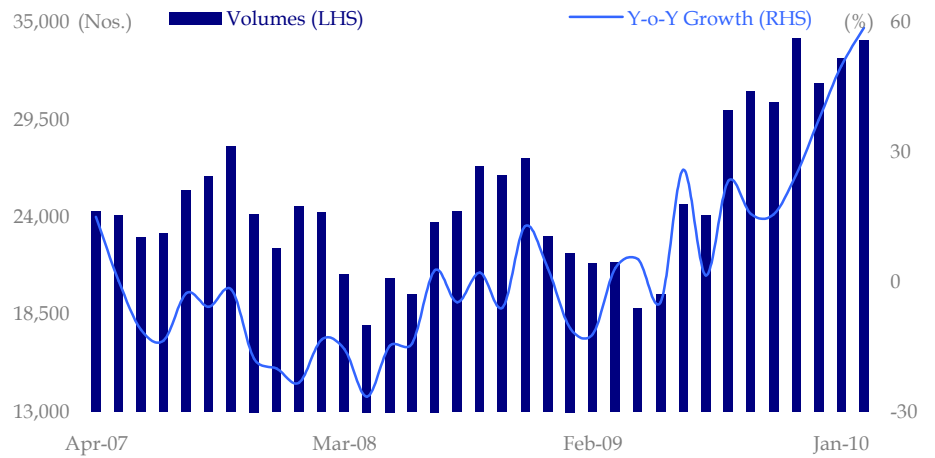


Total Two Wheelers



Source: Khandwala Research, Company, SIAM

Total Three Wheelers



Source: Khandwala Research, Company, SIAM



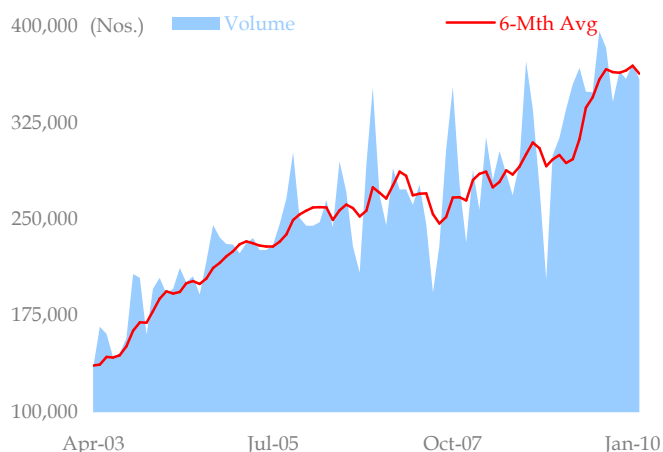
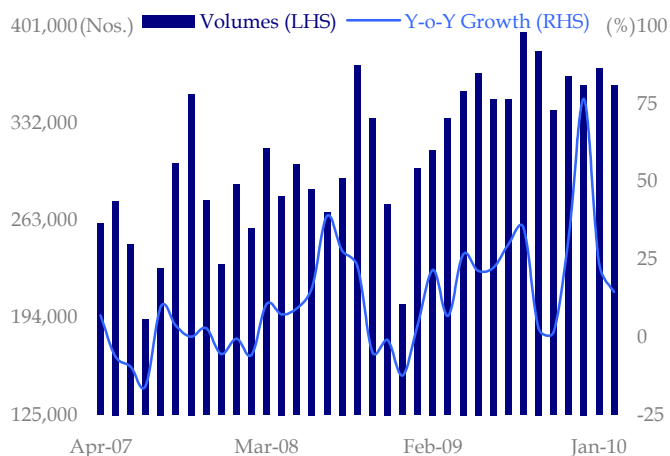
Hero Honda Motors (HHML)

- ✓ HHML sold 382,096 units in the Feb 10 marking growth of 16.1%, despite the high base of 329,005 units.
- ✓ Company saw growth in sales across the segment and region. Hero Honda's "Pleasure" is on continues up move; sold around 20,000 units in Feb 10. This is 14th consecutive month where HHML has crossed monthly sales volumes of .3 mn units.
- ✓ HHML so far have launched six new models during the financial year and look further to launch 2 new models in next two months to further augment its product portfolio.
- ✓ HHML has already crossed its FY10 sale target of 4 mn units with YTD sale volume already touching at 4,185,492 units.

Segment	February			YTD		
	2010	2009	% Gwth	FY10	FY09	% Gwth
Motorcycle	382,096	329,005	16.1	4,185,49	3,368,65	24.2

Total Motorcycles (Volumes)

Volumes trend indicate averaging down as stimulus effect and advancing of purchases before price and excise hike wane.



Source: Khandwala Research, Company, SIAM

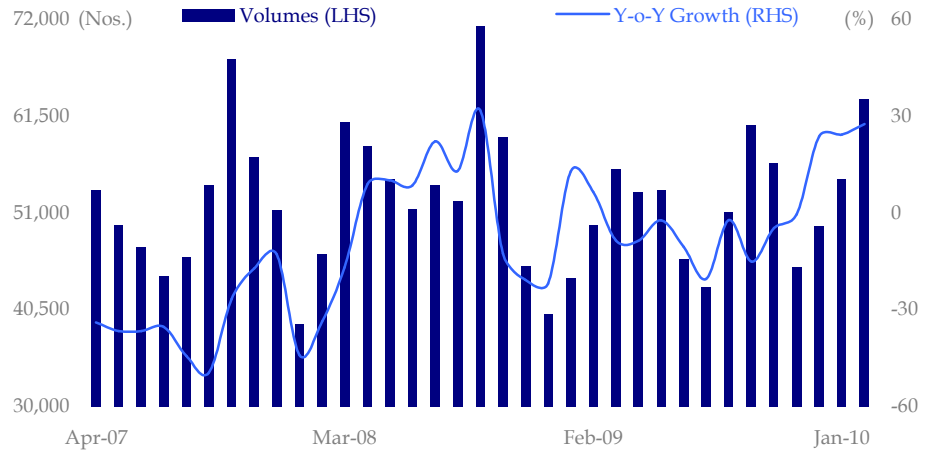
TVS Motors (TVS)

- ✓ TVS Motors two wheelers sales expanded by 31.0% YoY in Feb 10 standing at 140,544 units against 107,301 units in corresponding period last year, largely explained by good performance across all segments. Motorcycle volumes increased by 27.7% at 63,394 units (49,659 units in Feb 09), although YTD volumes has decreased by (.5%). Scooter and mopeds increased by 43.1% and 42.2% YoY respectively.
- ✓ Continuing its upward trend, exports recorded a growth of 15% registering sales of 19,141 units of two wheelers in Feb 10 as against 16,583 units in the corresponding period of the previous year.
- ✓ TVS's three wheelers have logged highest ever sales of 2,132 units versus 550 units in Feb 09. Cumulative sales for the period stand at 12,594 units.
- ✓ During the month, newly launched motorcycle TVS Jive was introduced across the Tamil Nadu and Andhra Pradesh. The company will launch TVS Wego in phased manner beginning March 10.



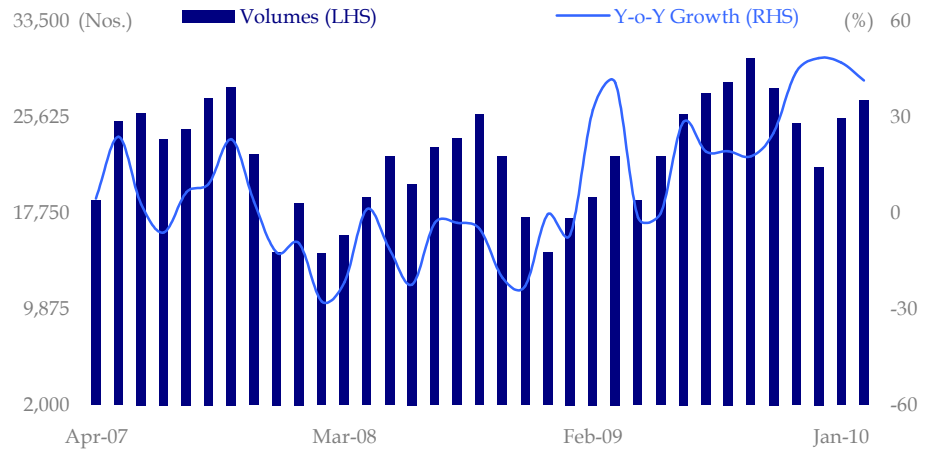
Segment	February			YTD		
	2010	2009	% Gwth	FY10	FY09	% Gwth
Motorcycle	63,394	49,659	27.7	577,088	580,151	-0.5
Scooter	27,017	19,532	38.3	280,997	233,181	20.5
Mopeds	50,133	38,110	31.5	517,181	394,387	31.1
Total 2 Wheelers	140,544	107,301	31.0	1,375,26	1,207,71	13.9

Total Motorcycles



Source: Khandwala Research, Company, SIAM

Total Scooters

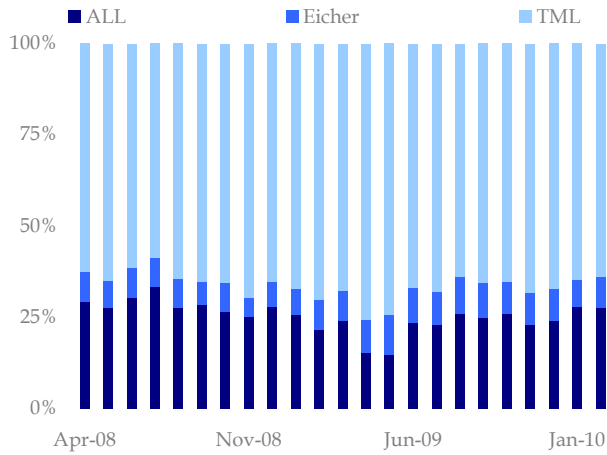


Source: Khandwala Research, Company, SIAM



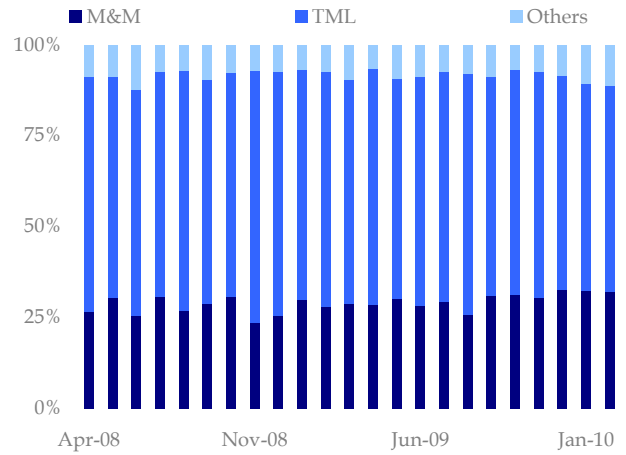
Market Share

Commercial Vehicle (M&HCV)



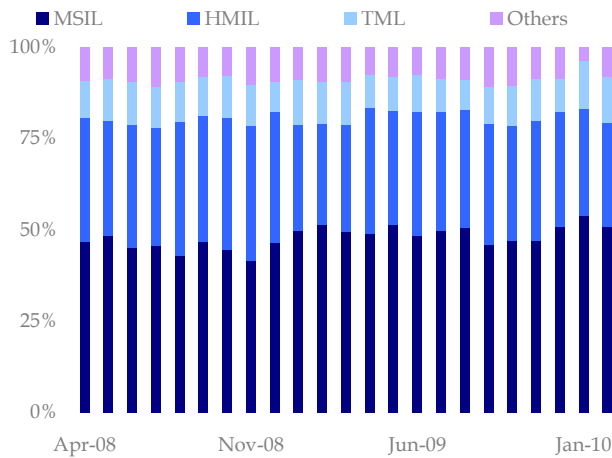
Source: Khandwala Research, Company, SIAM

Commercial Vehicle (LCV)



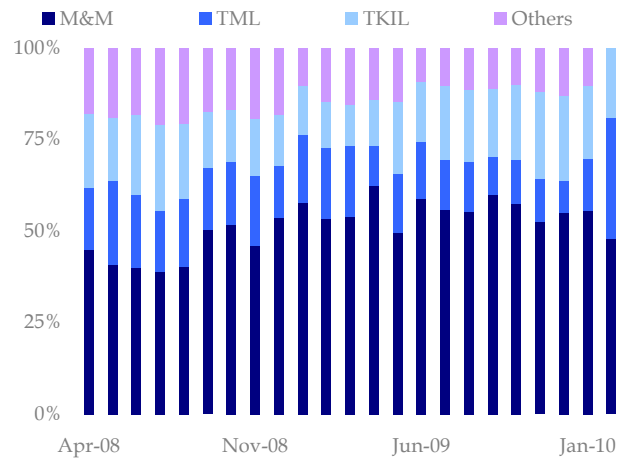
Source: Khandwala Research, Company, SIAM

Passenger Vehicles



Source: Khandwala Research, Company, SIAM

Utility Vehicles

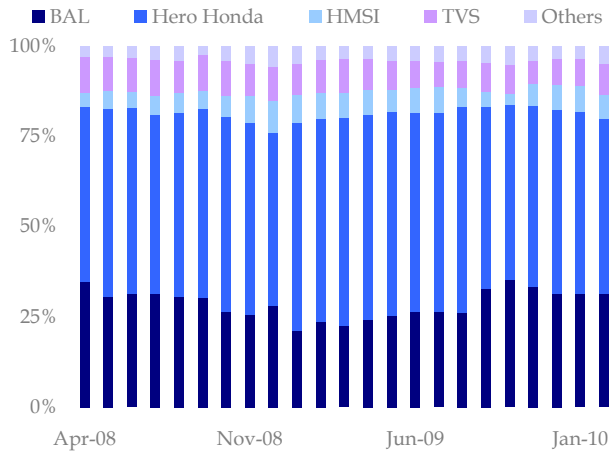


Source: Khandwala Research, Company, SIAM



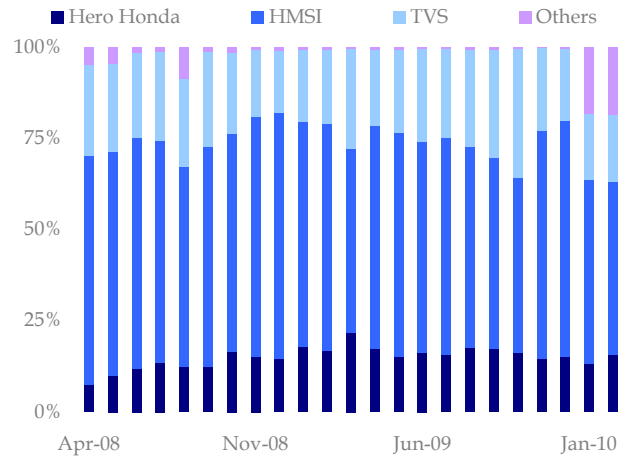
Market Share: Two Wheelers

Motorcycles



Source: Khandwala Research, Company, SIAM

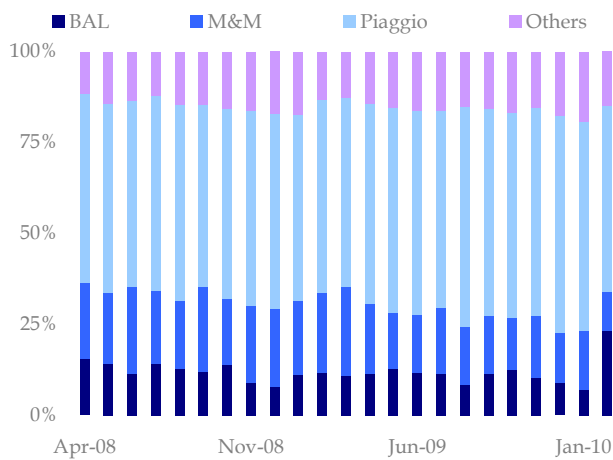
Scooters



Source: Khandwala Research, Company, SIAM

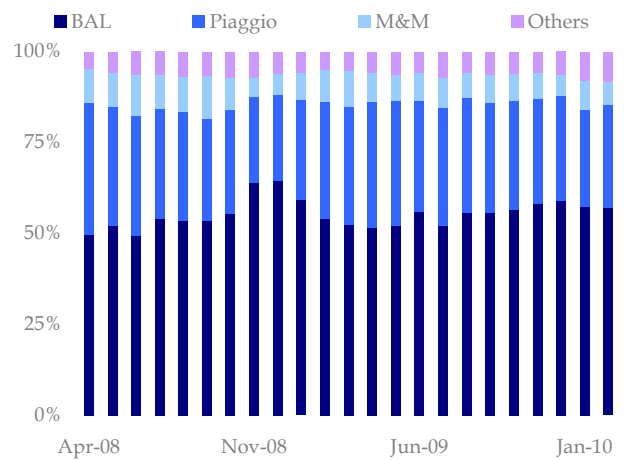
Market Share: Three Wheelers

Goods Carriers



Source: Khandwala Research, Company, SIAM

Passenger Carriers



Source: Khandwala Research, Company, SIAM



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