MOTILAL OSWAL

Sector Update | 29 September 2014

Automobiles

Sep-14 Sales Estimates

Festive led inventory build-up to drive volumes

Top picks: MSIL, TTMT among large-caps; TVSL and AL in mid-caps

We interacted with the industry participants to get an update on expected sales trend for the month of Sep-14 for our auto coverage universe. Key highlights:

- **Post general elections, sentiments have improved driving higher inquiries and step-up in conversions, particularly in PVs and MHCVs. Concerns on monsoon have also receded with narrowing of deficit in major regions.**
- **MSIL expected to report 21.5% YoY growth in wholesales at 127k units for Sep-14. *Ciaz* sedan launch is expected on 10th Oct-14 (already over 3k bookings received).**
- **Within two-wheelers, HMCL and TVSL to continue to report robust volume growth of 25% and 24% respectively. BJAUT sales also expected to improve 7% YoY. Initial response for new range of Discover motorcycles has been encouraging.**
- **Fleet operators' utilization levels are improving together with increase in freight rates. MHCV demand is showing signs of pick-up, particularly in tippers (construction trucks) category. AL is expected to be key beneficiary.**
- **We like MSIL and TTMT in large caps. In mid-caps we like TVSL and AL.**

Snapshot of volumes for September 2014

	YOY			MOM		YTD			FY15	YoY	Residual Growth (%)	Residual Monthly Run rate	FY14 YTD Monthly Run rate
Company Sales	**Sep-14**	**Sep-13**	**(%) chg**	**Aug-14**	**(%) chg**	**FY15**	**FY14**	**(%) chg**	**estimate**	**(%) chg**			
Maruti Suzuki	**127,500**	**104,964**	**21.5**	**110,776**	**15.1**	**639,550**	**542,020**	**18.0**	**1,362,009**	**17.9**	**17.9**	**120,410**	**106,592**
C (Vans)	12,000	8,767	36.9	9,990	20.1	62,501	46,967	33.1					
A2 (Compacts)	72,500	60,295	20.2	64,845	11.8	366,335	306,712	19.4					
A3 (Sedan)	23,000	17,086	34.6	17,978	27.9	111,315	97,405	14.3					
UV (Ertiga)	6,500	2,657	144.6	5,491	18.4	32,889	26,404	24.6					
Total Domestic	116,500	90,399	28.9	98,304	18.5	575,540	486,908	18.2	1,244,540	18.1	18.0	111,500	95,923
Export	11,000	14,565	-24.5	12,472	-11.8	64,010	55,112	16.1	117,469	15.9	15.6	8,910	10,668
M & M	**73,754**	**69,926**	**5.5**	**50,181**	**47.0**	**364,078**	**375,107**	**-2.9**	**796,903**	**2.8**	**8.1**	**72,137**	**60,680**
UV (incl. pick-ups)	38,101	35,443	7.5	28,945	31.6	194,356	202,377	-4.0	438,004	2.3	7.9	40,608	32,393
LCV	601	546	10.0	597	0.6	4,514	4,346	3.9	8,855	8.5	13.8	724	752
Verito (Logan)	200	897	-77.7	200	0.0	1,005	6,134	-83.6	2,280	-72.0	-36.6	213	168
Three-Wheelers	6,883	6,403	7.5	5,433	26.7	29,266	28,409	3.0	66,748	5.5	7.6	6,247	4,878
Tractors	27,969	26,637	5.0	15,006	86.4	134,937	133,841	0.8	281,016	5.0	9.2	24,346	22,489

	YOY			MOM		YTD			CY14	YoY	Residual Growth (%)	Residual Monthly Run rate	CY14 YTD Monthly Run rate
Eicher Motors	**Sep-14**	**Sep-13**	**(%) chg**	**Aug-14**	**(%) chg**	**CY14**	**CY13**	**(%) chg**	**estimate**	**(%) chg**			
Royal Enfield	**27,143**	**17,005**	**59.6**	**26,643**	**1.9**	**219,509**	**123,015**	**78.4**	**307,088**	**57.0**	**20.7**	**29,193**	**24,390**

Source: Company, SIAM, MOSL

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Snapshot of volumes for September 2014

	YOY			MOM		YTD					Residual Growth (%)	Residual Monthly Run rate	FY15 YTD Monthly Run rate
Company Sales	**Sep-14**	**Sep-13**	**(%) chg**	**Aug-14**	**(%) chg**	**FY15**	**FY14**	**(%) chg**	**FY15 estimate**	**YoY (%) chg**			
Tata Motors	**46,166**	**50,387**	**-8.4**	**40,883**	**12.9**	**236,642**	**304,638**	**-22.3**	**524,406**	**-7.3**	**10.2**	**47,961**	**39,440**
HCV's	11,569	10,060	15.0	10,517	10.0	63,968	63,379	0.9	135,013	10.0	19.7	11,841	10,661
LCV's	20,231	26,974	-25.0	19,028	6.3	111,967	167,130	-33.0	248,253	-16.6	4.4	22,714	18,661
CV's	**31,800**	**37,034**	**-14.1**	**29,545**	**7.6**	**175,935**	**230,509**	**-23.7**	**383,266**	**-8.8**	**9.1**	**34,555**	**29,322**
Cars	11,144	10,131	10.0	8,466	31.6	45,715	58,321	-21.6	107,730	-4.9	12.9	10,336	7,619
UV's	3,222	3,222	0.0	2,872	12.2	14,992	15,808	-5.2	33,410	3.9	12.7	3,070	2,499
Ashok Leyland	**8,427**	**7,232**	**16.5**	**8,331**	**1.1**	**44,586**	**44,831**	**-0.5**	**98,393**	**10.1**	**20.9**	**8,968**	**7,431**
CV (ex LCV)	5,658	4,715	20.0	5,830	-3.0	32,173	30,810	4.4	69,143	13.3	22.5	6,162	5,362
LCV (Nissan JV)	2,769	2,517	10	2,501	10.7	12,413	14,021	-11	29,250	3.2	17.6	2,806	2,069

	YOY			MoM		YTD			CY14 estimate	YoY (%) chg	Residual Growth (%)	Residual Monthly Run rate	CY14 YTD Monthly Run rate
Eicher Motors	**Sep-14**	**Sep-13**	**YoY (%) chg**	**Aug-14**	**(%) chg**	**CY14**	**CY13**	**(%) chg**					
VECV	**3,027**	**2,847**	**6.3**	**2,659**	**13.8**	**29,480**	**32,498**	**-9.3**	**40,580**	**-15.4**	**-28.3**	**3,700**	**3,276**

Snapshot of volumes for September 2014

	YOY			MOM		YTD					Residual Growth (%)	Residual Monthly Run rate	FY15 YTD Monthly Run rate
Company Sales	**Sep-14**	**Sep-13**	**(%) chg**	**Aug-14**	**(%) chg**	**FY15**	**FY14**	**(%) chg**	**FY15 estimate**	**YoY (%) chg**			
Hero MotoCorp	**585,838**	**468,670**	**25.0**	**558,609**	**4.9**	**3,389,438**	**2,975,493**	**13.9**	**6,993,682**	**12.0**	**10.2**	**600,707**	**564,906**
Bajaj Auto	**394,347**	**367,815**	**7.2**	**336,840**	**17.1**	**2,038,909**	**1,940,605**	**5.1**	**4,278,890**	**10.6**	**16.1**	**373,330**	**339,818**
Motorcycles	341,955	323,879	5.6	284,302	20.3	1,768,956	1,709,441	3.5	3,753,196	9.7	15.8	330,707	294,826
Three-Wheelers	52,392	43,936	19.2	52,538	-0.3	269,953	231,164	16.8	525,693	17.4	18.1	42,623	44,992
Domestic	218,323	220,968	-1.2	161,713	35.0	1,076,036	1,177,012	-8.6	2,332,870	2.0	13.3	209,472	179,339
Exports	176,025	146,847	19.9	175,127	0.5	962,874	763,593	26.1	1,946,020	22.9	19.8	163,858	160,479
TVS Motor	**245,000**	**197,409**	**24.1**	**227,482**	**7.7**	**1,278,727**	**1,001,111**	**27.7**	**2,791,666**	**34.1**	**40.1**	**252,156**	**213,121**
Motorcycles	95,000	83,043	14.4	83,332	14.0	488,982	395,712	23.6	1,075,322	35.5	47.4	97,723	81,497
Scooters	70,000	43,201	62.0	67,240	4.1	354,376	218,702	62.0	792,000	66.5	70.3	72,937	59,063
Mopeds	70,000	63,365	10.5	67,090	4.3	381,603	347,534	9.8	812,700	11.3	12.7	71,850	63,601
Three-Wheelers	10,000	7,800	28.2	9,820	1.8	53,766	39,163	37.3	111,644	36.8	36.3	9,646	8,961
Domestic	209,426	169,832	23.3	192,408	8.8	1,073,530	847,810	26.6	2,368,966	34.1	41.1	215,906	178,922
Exports	35,574	27,577	29.0	35,074	1.4	205,197	153,301	33.9	422,700	34.2	34.5	36,251	34,200

Financials and Valuations (Consolidated)

	EPS (INR)			EPS Gr. (%)			P/E (x)			EV/EBITDA(x)			RoE (%)		
	FY14	FY15E	FY16E	FY14	FY15E	FY16E	FY14	FY15E	FY16E	FY14	FY15E	FY16E	FY14	FY15E	FY16E
Bajaj Auto	112.0	124.8	147.3	6.5	11.4	18.0	20.6	18.5	15.6	14.0	12.2	9.9	37.0	34.4	34.3
Hero Moto	105.6	144.5	185.6	-0.4	36.9	28.4	27.1	19.8	15.4	15.6	13.4	10.7	39.8	46.5	48.0
TVS Motor	5.5	9.3	15.7	44.0	70.4	68.2	41.7	24.5	14.5	23.5	14.6	9.1	19.7	28.0	36.1
Maruti Suzuki	94.4	130.3	186.9	127.6	37.9	43.5	31.9	23.1	16.1	15.9	11.9	8.8	22.4	22.1	18.6
Mahindra	72.7	77.1	99.4	7.4	6.1	29.0	19.1	18.0	13.9	17.2	15.4	12.7	45.6	39.8	45.4
Tata Motors	45.8	63.0	84.3	42.6	37.8	33.7	11.2	8.1	6.1	4.8	3.7	2.6	12.9	12.7	15.9
Ashok Leyland	-1.8	0.4	2.6	NA	-124.8	484.2	-23.0	93.0	15.9	77.2	13.2	7.0	29.4	28.5	26.8
Eicher Motors*#	145.9	234.0	364.6	234.0	60.4	55.8	77.3	48.2	30.9	44.4	29.1	18.6	20.7	28.2	34.6

*Consolidated, #Nos. are on CY basis

Source: MOSL

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