

PVs, 2-Ws make the most of May!

Overall auto volumes continued their growth momentum, thereby reporting growth of 9.6% YoY for May 2017. Growth was driven by positive consumer sentiments like expectations of normal monsoons this year and the ongoing marriage season. Overall 2-W volumes reported double digit growth, up 11% YoY, for the second consecutive month, partly supported by higher stock filling by OEMs to normalise inventory level in the system after liquidation of BS III vehicles. The scooter volume continued with its growth momentum, up 21.9% YoY while motorcycle segment grew 7.7% YoY. HMSI, the second largest player, reported strong growth of 23.1% YoY, thereby driving the overall 2-W space. The overall PV segment grew 9.3% YoY, mainly driven by MSIL, the market leader, which grew 11.3% YoY. Utility vehicles (UV) continued their growth momentum, up 16.6% YoY, driving the overall PV space. Overall CV volumes declined 9.3% YoY, after M&HCV volumes declined 28.8% YoY. M&HCV players were unable to ramp up and produce higher BS IV vehicles in May 2017 as OEMs were planning to gradually increase their production thereby impacting volumes for May 2017. On the flip side, LCV registered moderate growth of 5.4% YoY, to some extent supporting CV volumes. The 3-W volumes fell 6.8% YoY, as domestic sales declined 22.4% YoY. However, the same was offset by a sharp recovery in export volume up 27.3% YoY. The announcement of record production estimates for major crops coupled with higher MSP is driving domestic tractor demand, which grew 11.7% YoY in May 2017.

HMSI & MSIL = Running in Top Gear

HMSI (in 2-W) & MSIL (in PV) continued to ride in top gear, reporting strong volume growth of 23.1% YoY & 11.3% YoY, respectively. HMSI's growth was supported by Activa (overall volumes up 18.5% YoY to 282,973 units) and remains a top most selling 2-W for May 2017. The volume of its *Dio* also grew 141.5% YoY to 41,303 units in May 2017, helping the brand to enter the top 10 selling 2-Ws in India. MSIL dominates & continues to outperform the PV industry. Of the top 10 selling PV models, seven continue to be of MSIL. Its Alto volumes recovered to 23,618 units. The other growth driving models for MSIL are - Baleno & Vitaro Brezza, which find their place in the list of top 10 selling PV in India, clocking volumes of 14,629 units and 12,375 units, respectively.

Near term hiccup fading away; long term story intact

After four years of subdued growth (FY12-16 volume CAGR of 4%), auto demand recovered. Volumes were up 11.1% YoY in 7MFY17. Demonetisation had a short-term (less than six months) negative impact mainly due to deferral of vehicle purchase, impacting FY17 volumes, which grew 5.1% YoY. However, we believe long term growth expectations of the sector remain intact, primarily supported by the positive impact of the Seventh Pay Commission, emission norms (BS VI by 2020) & vehicle scrappage policy. Further, the Indian Meteorological Department (IMD) predicts near normal monsoon at 98% of long period average (LPA) for upcoming monsoon season 2017, which is positive for the economy. Normal monsoon will be positive for rural area thereby boosting auto demand (especially 2-W & tractor segment). We expect industry volumes to grow >8%, with 2W, PV & CV segment likely to grow in the range of 8-9%, 10% & 8% YoY, respectively, in FY18E.

For May 2017, the BSE Auto Index was up 6.1% outperforming the benchmark index, which surged 4.1%. In our I-direct auto coverage, we remain bullish on frontline OEM stocks like Maruti Suzuki and Eicher Motors. However, with the favourable impact of operating leverage due to increased demand, the earnings growth trajectory for ancillary stocks is likely to remain on the uptrend.

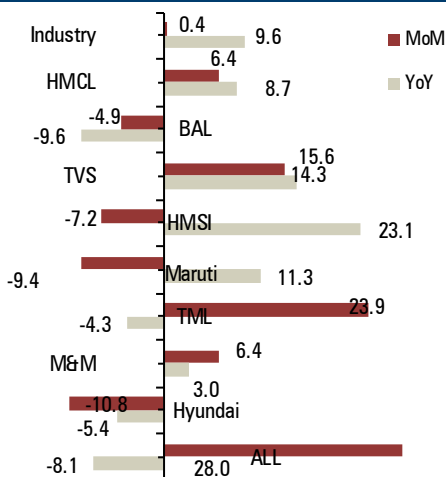
Sector View

Equal weight

Volume performance for May 2017

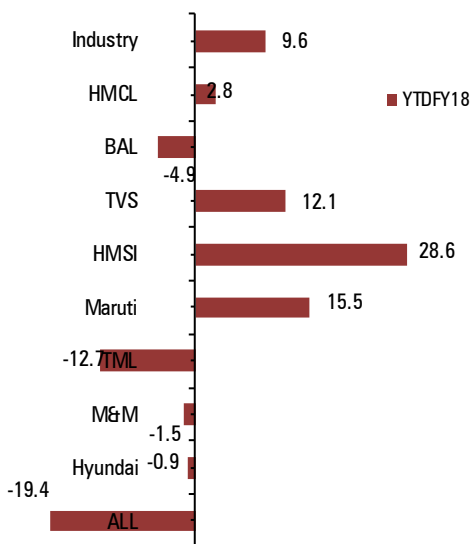
Company	Gr.	YoY(%)
Hero Motocorp	↑	8.7
Bajaj Auto	↓	-9.6
TVS Motors	↑	15.6
Maruti Suzuki	↑	11.3
Tata Motors	↓	-4.3
Ashok Leyland	↓	-8.1
Mahindra and Mahindra	↓	3.0

Key players & industry volume growth – May'17 (%)



Source: Siam

Key players & industry volume growth FY18 (%)



Source: Siam

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HMSI continues to drive overall two-wheeler volumes!

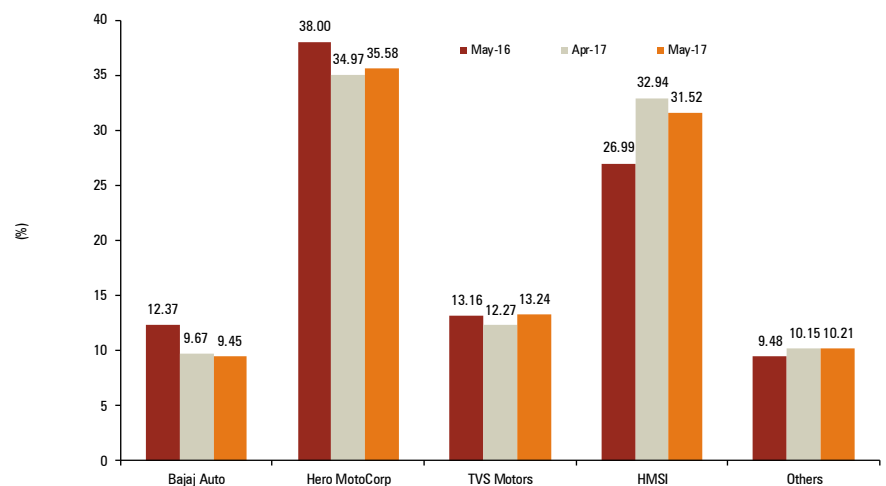
For May 2017, overall 2-W volumes for the second consecutive month registered double digit volume growth, 11% YoY. Growth was supported by scooters segment, which grew 21.9% YoY. The motorcycle segment reported growth of 7.7% YoY. The moped segment continued to remain subdued, volumes down 6.1% YoY mainly due to high base. Further, overall domestic 2-W volumes grew 11.9% YoY while exports volumes grew 4.9% YoY for May 2017. The 3-W volumes declined 6.8% YoY, as domestic volumes continued to remain weak (down 22.4% YoY). However, the same was offset by export (volume up 27.3% YoY). The announcement of record production estimates for major crops coupled with higher MSP is resulting in positive sentiments & boosting domestic tractor demand, which grew 11.7% YoY.

For FY17, the 2-W segment registered 5.2% YoY growth, driven by scooter segment (up 11.3% YoY) and mopeds (up 23.3% YoY). The motorcycle segment registered modest growth of 1.6% YoY for FY17.

Market share movement

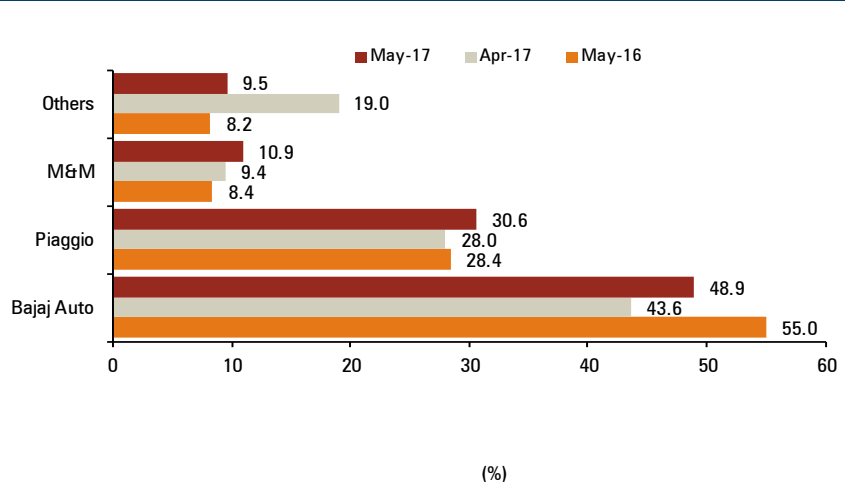
According to data released by the Society of Indian Automobile Manufacturers (Siam), the domestic market share of two and three-wheeler players as of May 2017 is mentioned below.

Exhibit 1: Domestic market share movement in two-wheelers



Source: Siam, Data used is YTD

Exhibit 2: Domestic market share movement in three-wheelers



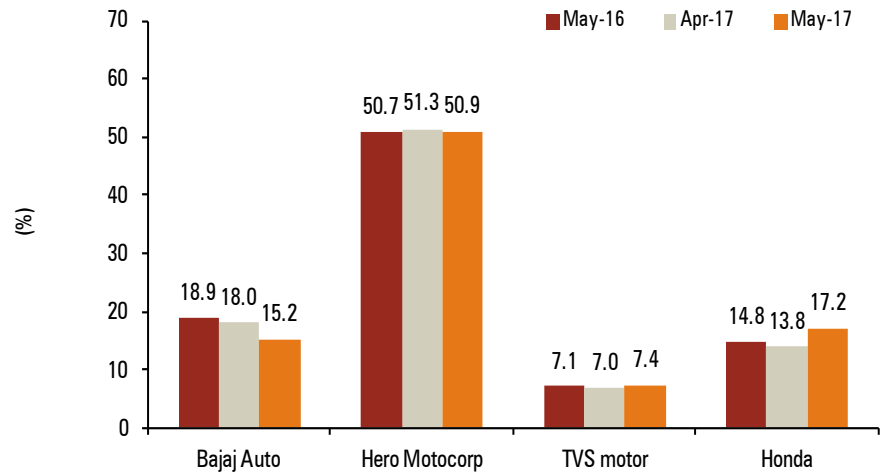
Source: Siam, Data used is YTD

The overall 2-W segment volumes grew 11% YoY in May 2017. HMSI reported robust volume growth of 23.1% YoY, thereby gaining market share (up 453 bps YoY) to 31.5%

In May 2017, domestic 3W volumes declined 22.4% YoY. This was mainly after the top two players viz. - Bajaj Auto & Piaggio reported volume de-growth of 28.2% YoY & 20.2% YoY, respectively. Atul Auto & M&M reported positive volume growth May 2017

Overall motorcycle volumes grew 7.7% YoY in May 2017. HMCL continues to be the market leader in the space with share of ~51%. BAL volumes declined in May 2017, resulted into loss of market share to 15.2%.

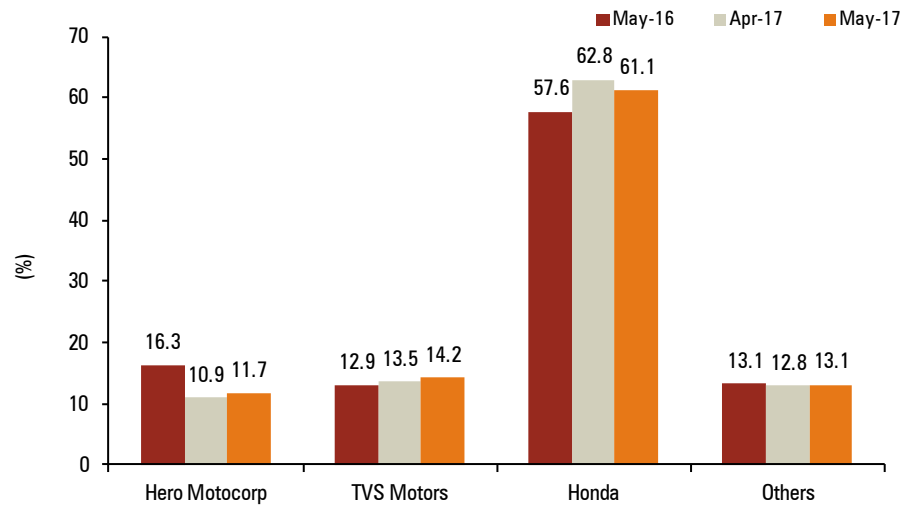
Exhibit 3: Domestic market share movement in motorcycles



Source: Company, ICICIdirect.com Research

Overall scooter volumes grew 21.9% YoY in May 2017. HMSI's scooter segment grew 23.5% YoY, thereby gaining market share of ~350 bps YoY to 61.1%

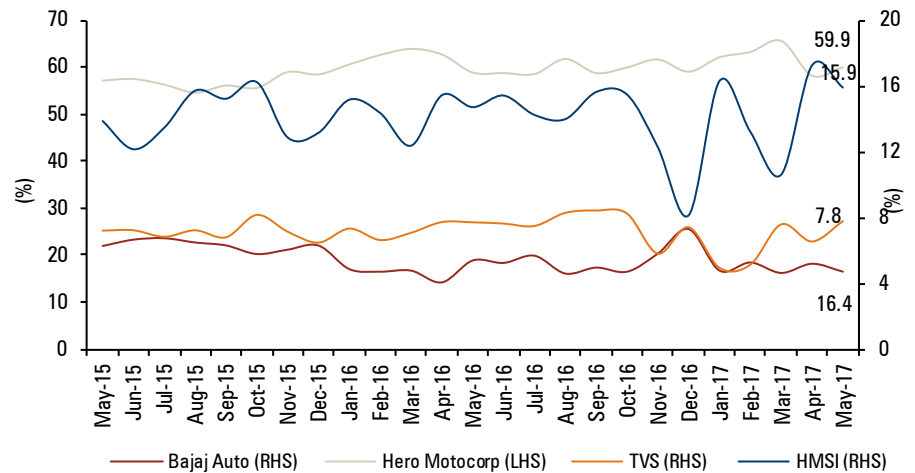
Exhibit 4: Domestic market share movement in scooters/scooters



Source: Siam, Data used is YTD

HMCL continues to dominate the executive motorcycle segment (≤ 125 cc) in India with a market share of $\sim 60\%$. HMSI's volumes have been more volatile thereby resulting in wide fluctuation in its market share in last eight or nine months

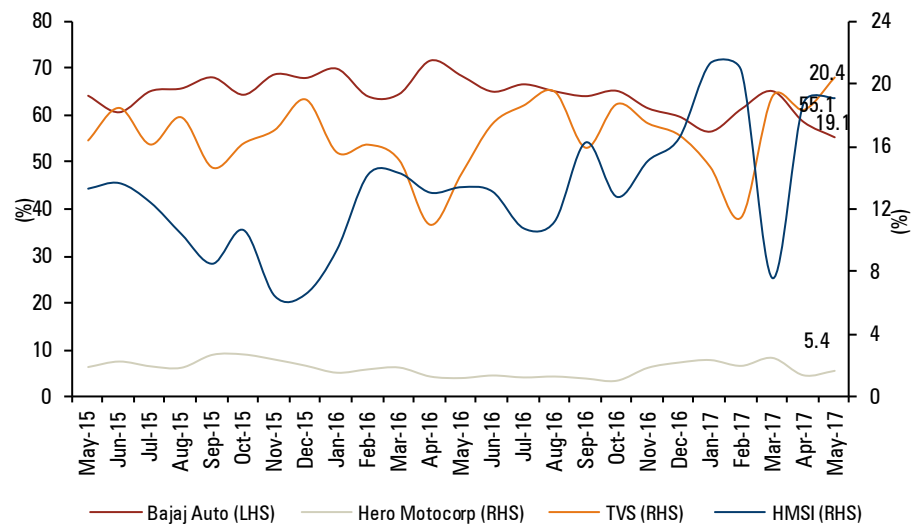
Exhibit 5: Market share movement in executive motorcycle (< 125 cc) segment*



Source: Siam * only top 4 two-wheeler OEMs

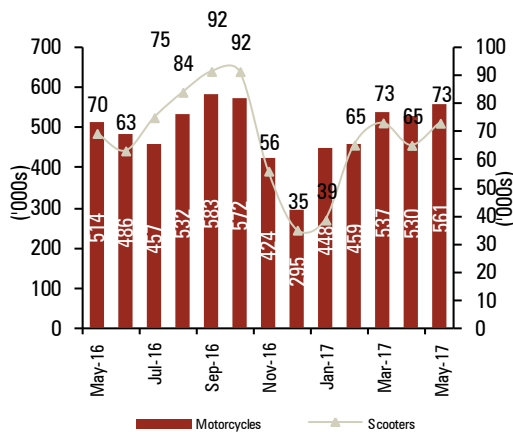
BAL continues to dominate the executive motorcycle segment (≤ 125 cc) in India with market share of 55%, but has witnessed some pressure in the last three or four months. HMSI's market share has recovered significantly to 19.1% post higher sales of its 'CB series'

Exhibit 6: Market share movement in motorcycle greater than 125 cc segment



Source: Siam * only top three vehicle two-wheeler OEMs

Hero MotoCorp: Sales volumes



Source: Siam, ICICIdirect.com Research

Hero MotoCorp (HERHON)

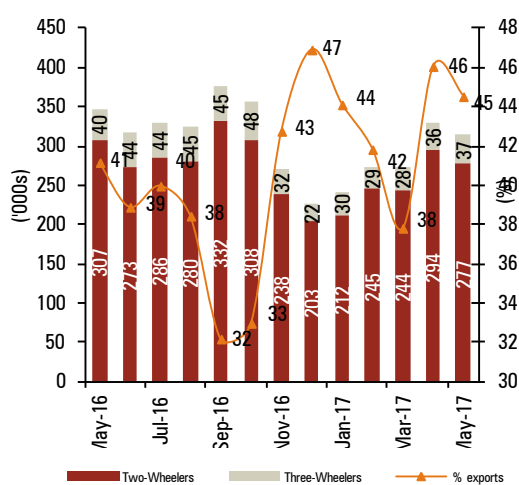
- The market leader in the 2-W space, Hero MotoCorp's (HMCL), volumes grew 8.7% YoY to 633,884 units. The management expects forecast of normal rains to boost demand, consumption in rural markets, thereby benefiting the overall industry
- Volumes of motorcycle segment grew 9.2% YoY. Volumes of Splendor & HF Deluxe grew 15% YoY & 25% YoY, respectively, but was partly offset by de-growth in volumes of Passion & Glamour by 8.9% YoY & 8.7% YoY, respectively. Scooter volumes grew 5.3% YoY; as volumes of Maestro & Pleasure grew 38.3% YoY & 87.3% YoY, respectively. On the other hand, volumes of Hero Duet declined 42.9% YoY to 19,206 units. Its overall export volumes grew 36.7% YoY to 20,864 units
- HMCL has lined up six launches/refreshes across its segments in FY18 and is expected to maintain the growth in coming months

Exhibit 7: Volume performance (in units)

Segment	May-17	May-16	%chg	Apr-17	%chg	YTFY18	YTFY17	%chg
Motorcycles	560,716	513,605	9.2	530,325	5.7	1,091,041	1,040,340	4.9
Scooters	73,168	69,512	5.3	65,293	12.1	138,461	155,516	-11.0
Total Sales	633,884	583,117	8.7	595,618	6.4	1,229,502	1,195,856	2.8
Export(inc. above)	20,864	15,262	36.7	9,963	109.4	30,827	27,476	12.2
Exports (% of sales)	3.3	2.6	67 bps	1.7	162 bps	2.5	2.3	21 bps

Source: Company, Siam

Bajaj Auto: Sales volumes



Source: Siam, ICICIdirect.com Research

Bajaj Auto (BAAUTO)

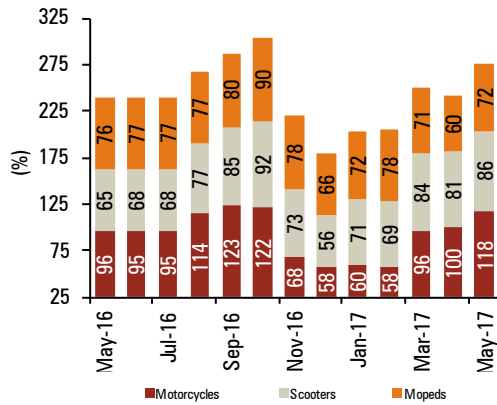
- Bajaj Auto's (BAL) 2-W volumes declined 9.8% YoY, as domestic & exports volumes declined 13% YoY & 5.4% YoY, respectively. The decline in domestic volume resulted in a loss of market share by 292 bps YoY to 9.5% in May 2017. Pulsar volumes grew 7.5% YoY to 76,889 units. The 'V15' launched in March 2016 had received a good response in the initial phase but has started to moderate (for May 2017 volumes declined 57.2% YoY to 12,831 units). The new Dominar clocked volumes of 2,076 units. Within its entry level segment, volumes of Boxer & CT declined 39% YoY & 14.8% YoY, respectively, while volumes of Platina grew 27.9% YoY
- Its 3-W volumes fell 7.9% YoY, as domestic volumes declined 28.2% YoY, which was partly offset by growth in export, up 24.3% YoY. BAL remains cautiously optimistic and expects exports to pan out much better than last year
- BAL is likely to benefit from the withdrawal of permit system in Maharashtra. It expects 30,000-40,000 3-W demand from the state. The Delhi government is also likely to issue new permits for 3-W in the medium term, which will be positive for BAL

Exhibit 8: Volume performance (in units)

Segment	May-17	May-16	%chg	Apr-17	%chg	YTFY18	YTFY17	%chg
Total 2-wheeler sales	277,115	307,344	-9.8	293,932	-5.7	571,047	599,242	-4.7
2W exports	120,592	127,522	-5.4	132,002	-8.6	252,594	218,987	15.3
2W domestic sales	156,523	179,822	-13.0	161,930	-3.3	318,453	380,255	-16.3
Total 3-wheeler sales	36,641	39,791	-7.9	35,868	2.2	72,509	77,790	-6.8
3W exports	19,117	15,379	24.3	19,911	-4.0	39,028	27,678	41.0
3w domestic sales	17,524	24,412	-28.2	15,957	9.8	33,481	50,112	-33.2
Total Sales	313,756	347,135	-9.6	329,800	-4.9	643,556	677,032	-4.9
Total Domestic Sales	174,047	204,234	-14.8	177,887	-2.2	351,934	430,367	-18.2
Total Exports	139,709	142,901	-2.2	151,913	-8.0	291,622	246,665	18.2
Exports as % of sales	44.5	41.2	336 bps	46.1	-153 bps	45.3	36.4	888 bps

Source: Company, Siam

TVS Motors: Sales volumes



Source: Siam, ICICIdirect.com Research

TVS Motors (TVSSUZ)

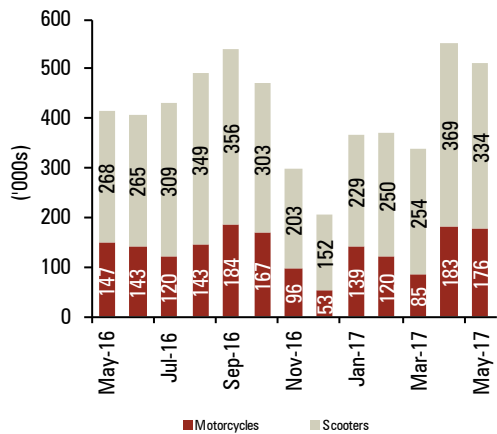
- TVS' volumes (2-W+3-W) for May 2017 came in at ~2.8 lakh units, up 15.7% YoY. The 2-W & 3-W volumes grew 15.6% YoY & 20.5% YoY in May 2017
- Motorcycle segment volumes grew 22.3% YoY to 118,014 units. Volumes of Apache grew 49.8% YoY to 45,344 units. Volumes of Starcity 125 & Sport grew 74.2% YoY to 9684 units & 61.4% YoY to 27,940 units, respectively. Its scooter volumes grew 30.9% YoY to 85,681 units. Volumes of Pep+ grew 46.5% YoY to 14,394 units, Jupiter (up 28.3% YoY to 57,116 units) & Zest (up 59.4% YoY to 8,213 units). Its moped (new TVS XL 100) volumes declined 6.1% YoY at 71,731 units mainly due to high base
- Export (15% of sales) volumes grew 14.3% YoY to 40,617 units, as 2-W & 3-W volumes grew 11% YoY & 39.1% YoY, respectively

Exhibit 9: Volume performance (in units)

Segment	May-17	May-16	%chg	Apr-17	%chg	YTDFY'18	YTDFY'17	%chg
Motorcycles	118,014	96,485	22.3	99,890	18.1	217,904	186,976	16.5
Scooters	85,681	65,434	30.9	81,443	5.2	167,124	128,775	29.8
Mopeds	71,731	76,401	-6.1	59,674	20.2	131,405	144,919	-9.3
Total 2-W Sales	275,426	238,320	15.6	241,007	14.3	516,433	460,670	12.1
3-Wheelers	6,581	5,463	20.5	5,303	24.1	11,884	10,209	16.4
Total Sales	282,007	243,783	15.7	246,310	14.5	528,317	470,879	12.2
Exports (incl. in above)	40,617	35,545	14.3	36,052	12.7	76,669	63,899	20.0
Exports as % of sales	14.7	14.9		15.0		14.8	13.9	
Domestic sales	241,390	208,238	15.9	210,258	14.8	451,648	406,980	11.0

Source: Company, Siam

HMSI: Motorcycles & scooter sales volumes



Source: Siam, ICICIdirect.com Research

Honda Motorcycles & Scooters India (HMSI)

- For May 2017, HMSI's volumes grew 23.1% YoY to 537,035 units. This was after domestic scooter & motorcycle volumes grew 24.5% YoY & 19.5% YoY, respectively
- The growth in domestic motorcycles can mainly be attributed to good volume growth of CB Shine up 22.2% YoY to 86,600 units. Apart from that, volume of CB Unicorn grew 96.9% YoY to 21,938 units. Domestic scooter volume grew 24.5% YoY, supported by growth across its models. Volumes of Activa & Dio grew 19% YoY & 141.6% YoY to 282,478 & 41,303 units, respectively. HMSI's Navi has received a lukewarm response as it just managed to clock volumes of ~65,000 since its launch in February 2016
- Export volumes grew 30.3% YoY to 26,654 units, led by strong growth in motorcycle. Strong growth in the export market increased its overall share by 28 bps YoY to 5% in May 2017. HMSI recently launched a 110-cc scooter named 'Honda CLIQ' priced at ₹ 42,499, which is likely to target the rural market

Exhibit 10: Volume performance (in units)

Segment	May-17	May-16	%chg	Apr-17	%chg	YTDFY'18	YTDFY'17	%chg
Motorcycles	176,213	147,479	19.5	183,182	-3.8	359,395	306,435	17.3
Scooters	334,168	268,423	24.5	368,550	-9.3	702,718	540,542	30.0
Total Sales	537,035	436,358	23.1	578,777	-7.2	1,115,812	867,433	28.6
Exports (incl. above)	26,654	20,456	30.3	27,045	-1.4	53,699	37,496	43.2
Exports as % of sales	5.0	4.7	28 bps	4.7	29 bps	4.8	4.3	49 bps
Domestic sales	510,381	415,902	22.7	551,732	-7.5	1,062,113	829,937	28.0

Source: Company, Siam

MSIL dominates PV segment

The overall passenger vehicles segment for May 2017 registered growth of 9.3% YoY to 309,375 units. Domestic PV volumes increased 8.6% YoY to 251,642 units while export volumes grew 12.05% YoY to 57,733 units. Within sub-segments of the PV space, utility vehicles (UVs) continued to report good volume growth of 16.6% YoY. Volumes of passenger cars and vans grew 6.7% and 8% YoY, respectively, in May 2017. Market leader MSIL continued to outperform the industry, with volumes up 11.3% YoY to 136,962 units.

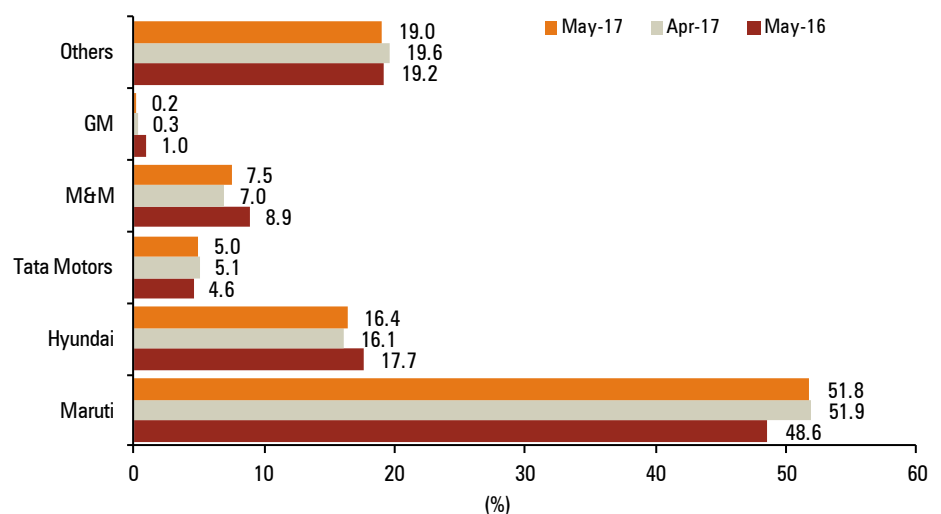
For May 2017, utility vehicle (UV) volumes were up 16.6% YoY at 81,785 units, supporting the overall PV market. The UV1 sub-segment grew 28.3% YoY to 62,161 units, driven by Maruti Suzuki's *Vitara Brezza*, which has done exceptionally well in a short period since its launch in March 2016, to climb to first position as the highest selling UV model in India. For May 2017, *Vitara Brezza* clocked overall volumes of 12,388 units while Hyundai's *Creta* clocked volumes of 11,416 units. M&M's TUV300, which was launched in September 2015, has not helped the company to capitalise on the UV1 space. However, surprisingly for May 2017, volumes of TUV300 registered growth of 25% YoY to 2,402 units. Volumes in the UV2 space declined 20.8% YoY to 16,032 units. This was after Toyota volumes de-grew (despite launch of refreshed Innova) 22.2% YoY to 5,647 units. Honda's BR-V, which is also classified in the UV2 space, received a modest consumer response since its launch in May 2016 as till date it has clocked volumes of ~24,000 units.

The commercial vehicles volume declined 9.3% YoY to 60,092 units and was mainly attributable to M&HCV volumes, which declined 28.8% YoY to 20,239 units. LCV volumes, however, reported modest growth of 5.4% YoY to 39,853 units. The MHCV/LCV volume ratio was at 34:66 in May 2017 vs. the average ratio 40:60 over the past 36 months, as LCV volume recovered (while M&HCV volume declined) thereby favouring the ratio.

Market share movement

According to Siam, the domestic market share for passenger vehicles (PV) and commercial vehicles (CV) in May 2017 was as follows:

Exhibit 11: Domestic market share movement in passenger vehicles

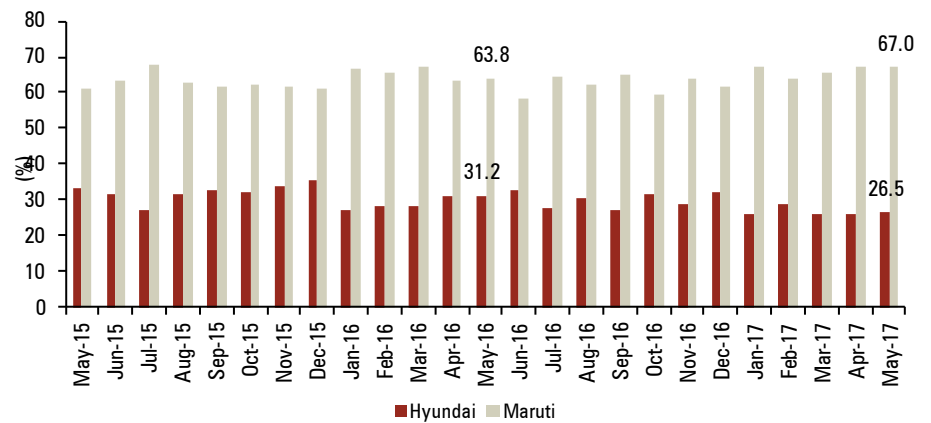


Source: Siam, Data used is YTD * passenger vehicles as per Siam include Vans like Gio, Maxximo, Ecco, Ace

MSIL continues to dominate the PV segment. With continued strong volume growth (outpacing the industry growth) its market share is now at 51.8% in May 2017

The A2 segment is the bread & butter category of the passenger car segment. The segment has witnessed some demand revival primarily supported by MSIL & TML

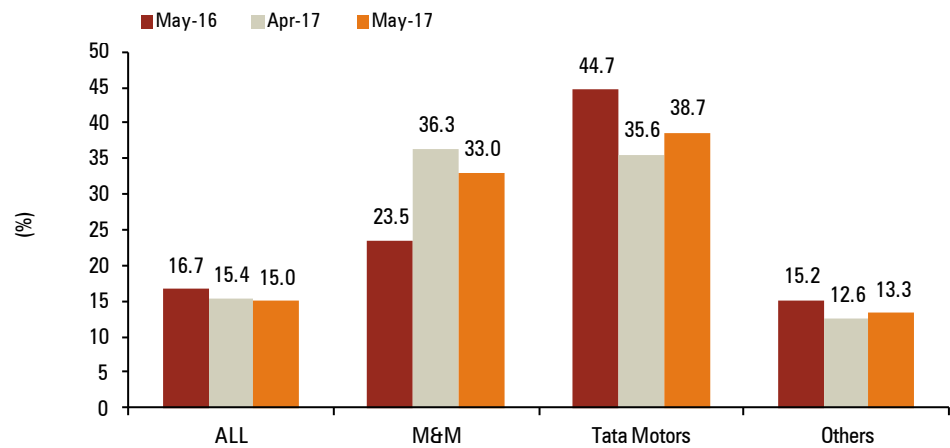
Exhibit 12: Market share movement in A2 segment



Source: Siam, Top two PV OEMs considered

The M&HCV volumes declined 28.8% YoY while LCV volumes increased 5.4% YoY in May 2017. Thus, overall CV volumes declined 9.3% YoY. With the M&M product portfolio more tilted towards LCV segment against Tata Motors (TML) & Ashok Leyland, its market share expanded on a YoY basis in May 2017

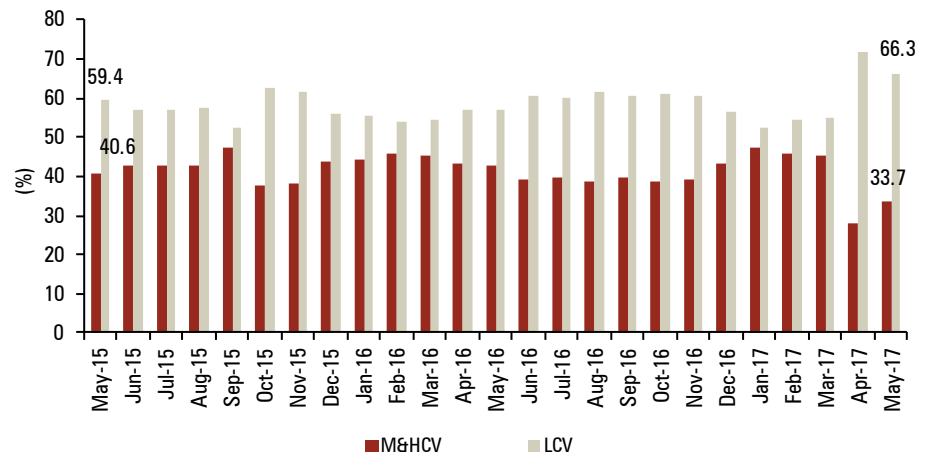
Exhibit 13: Domestic market share movement in commercial vehicles



Source: Siam Data used is YTD

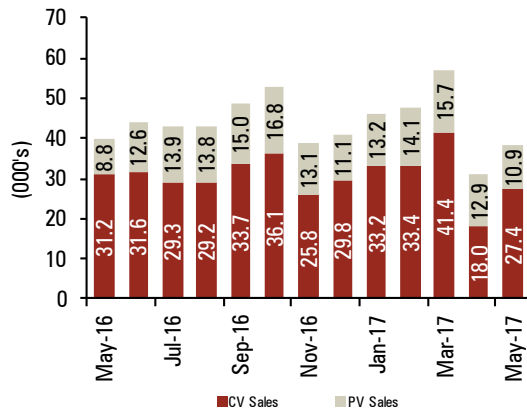
The MHCV/LCV ratio was at 34:67 in May 2017, mainly after M&HCV volumes declined 28.8% YoY. The average M&HCV volume (over the past 36 months) has been ~40% of total CV sales

Exhibit 14: Segmental share in CVs



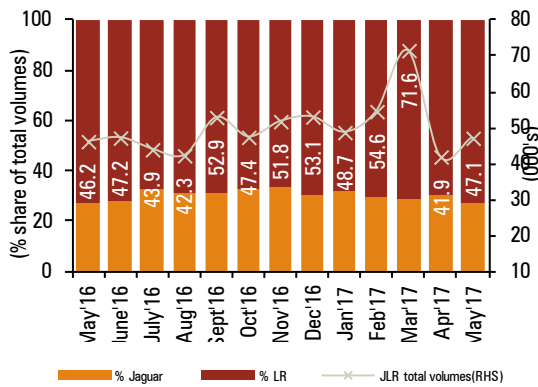
Source: Siam

Tata Motors: Domestic sales volume



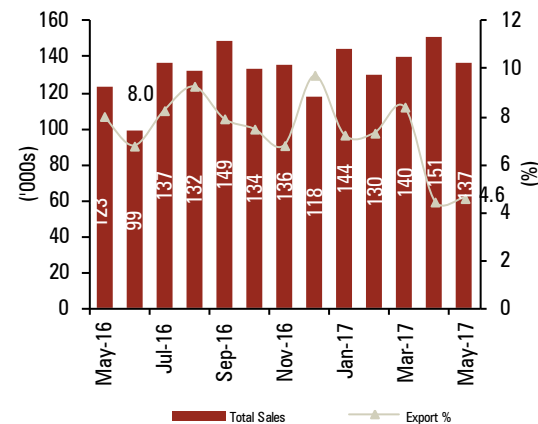
Source: Company, ICICIdirect.com Research

Jaguar Land Rover sales volume



Source: Company, ICICIdirect.com Research

Maruti Suzuki India: sales volumes



Source: Siam, ICICIdirect.com Research

Tata Motors (TELCO)

- Tata Motors' standalone volumes declined 4.3% YoY to 38,361 units after strong volume growth in its PV business was offset by sharp volume de-growth in its M&HCV business
- Domestic M&HCV volumes declined 37.2% YoY to 8,361 units while LCV volumes grew by 11.2% YoY to 15,245 units. The domestic car segment was up 25.8% YoY to 9,794 units, mainly driven by Tiago, (clocked volumes of 4,901 units) & new Tigor, which clocked volume of 2,344 units. Its domestic UV space grew 27.8% YoY to 1,061 units, driven by Hexa (volumes of 727 units)
- JLR's wholesale volumes grew 2% YoY at 47,131 units. Jaguar volumes were up 1.7% YoY to 12,652 units, mainly driven by F-Pace, clocked volumes of ~5,000 units. Land Rover volumes grew 2.1% YoY to 34,479 units. We believe the North America and China market must have witnessed good growth in May 2017

Exhibit 15: Volume performance (in units)

Segment	May-17	May-16	%chg	Apr-17	%chg	YTD FY18	YTD FY17	%chg
Domestic MHCV	8,361	13,312	-37.2	4,653	79.7	24,954	156,961	-84.1
Domestic LCV	15,245	13,714	11.2	11,364	34.2	27,174	170,264	-84.0
Domestic Pass. Car Sa	9,794	7,787	25.8	11,220	-12.7	16,893	107,808	-84.3
Domestic UV	1,061	830	27.8	1,607	-34.0	2,219	18,613	-88.1
Exports	3,900	4,428	-11.9	2,128	83.3	8,213	58,068	-85.9
Total Sales	38,361	40,071	-4.3	30,972	23.9	79,453	510,997	-84.5
Jaguar	12,652	12,442	1.7	12,608	0.3	21,630	102,106	-78.8
Landrover	34,479	33,762	2.1	29,315	17.6	65,507	441,979	-85.2
Total JLR Sales	47,131	46,204	2.0	41,923	12.4	87,137	544,085	-84.0

Source: Company, Siam

Maruti Suzuki India (MARUTI)

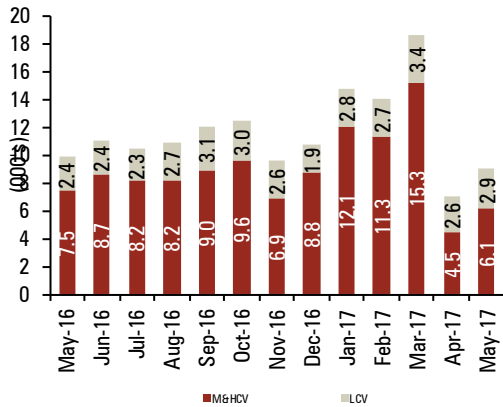
- Maruti Suzuki's (MSIL) volumes increased 11.3% YoY to 136,962 units. The LCV clocked volumes of 428 units in May 2017
- Its domestic mini car segment grew 18.1% YoY, after domestic volumes of Alto & Wagon R grew 18.8% YoY & 16.9% YoY to 23,618 units & 15,471 units, respectively. MSIL has discontinued production of Dzire Tour. Its Baleno & Vitara Brezza has been well accepted by customers registering domestic volumes of 14,629 units & 12,375 units, respectively. S-Cross has received a lukewarm response, since its launch, with domestic volume for May 2017 at 2,249 units
- Export volumes declined 36.3% YoY to 6,286 units, with its share at 4.6% of sales

Exhibit 16: Volume performance (in units)

Segment	May-17	May-16	%chg	Apr-17	%chg	YTD FY18	YTD FY17	%chg
Omni, Ecco, Versa	12,593	12,164	3.5	13,938	-9.6	26,531	26,684	-0.6
Alto, Wagon-R, Zen, Swift, Ritz,								
Celerio, Dzire, Baleno	90,323	79,659	13.4	102,481	-11.9	192,804	157,265	22.6
SX4, Swift Dzire Tour, Ciaz	4,724	7,743	-39.0	7,024	-32.7	11,748	16,618	-29.3
Total Passengers	107,640	99,566	8.1	123,443	-12.8	231,083	200,567	15.2
Gypsy, Vitara, Ertiga, Brezza	22,608	13,596	66.3	20,638	9.5	43,246	29,640	45.9
Total Domestic	130,248	113,162	15.1	144,081	-9.6	274,329	230,207	19.2
LCV (Super Carry)	428	0	NA	411	NA	839	0	NA
Exports	6,286	9,872	(36.3)	6,723	-6.5	13,009	19,396	-32.9
Total Sales	136,962	123,034	11.3	151,215	-9.4	288,177	249,603	15.5
Exports as % of sales	4.6	8.0		4.4		4.5	7.8	

Source: Company, Siam.

Ashok Leyland: Total sales



Source: Siam, ICICIdirect.com Research

Ashok Leyland (ASHLEY)

- Ashok Leyland's (ALL) volumes declined 8.1% YoY to 9,075 units, as M&HCV volumes declined 17.8% YoY to 6,143 units. LCV volumes grew 21.9% YoY to 2,932 units
- Volumes of M&HCV passenger declined 7% YoY to 1,639 units while M&HCV goods volumes declined 21.1% YoY to 4,504 units
- Exports grew 37.2% YoY, with overall share at 13.7% of sales. ALL is developing its own technology, which will be a combination of selective catalytic reduction (SCR) & exhaust gas reduction (EGR) technologies to comply with BS VI emission norms required by 2020. It is also ramping up production of its electric vehicle (EVs)

Exhibit 17: Volume performance (in units)

Segment	May-17	May-16	%chg	Apr-17	%chg	YTFY18	YTFY17	%chg
M&HCV Passenger	1,639	1,763	-7.0	1,286	27.4	2,925	3,451	-15.2
M&HCV Goods	4,504	5,706	-21.1	3,246	38.8	7,750	11,887	-34.8
LCV	2,932	2,406	21.9	2,558	14.6	5,490	4,719	16.3
Passenger Vehicles	-	0	NA	0	NA	-	-	NA
Total Sales	9,075	9,875	-8.1	7,090	28.0	16,165	20,057	-19.4
Exports	1,242	905	37.2	682	82.1	1,924	1,573	22.3
Exports as % of sales	13.7	9.2		9.6		11.9	7.8	

Source: Company, Siam

Mahindra and Mahindra (MAHMAH)

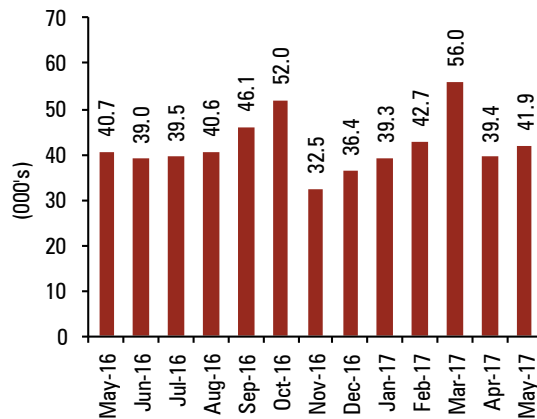
- M&M's overall automotive volumes grew 3% YoY to 41,895 units. Its core UV segment (including exports) grew 3.7% YoY to 19,331 units. This was after volume of TUV300 grew 24.6% YoY to 2,402 units, which partly offset a decline in volume of KUV100 by 56.5% YoY to 2,049 units. Volumes of XUV500 also declined 11.4% YoY to 2,167 units
- M&M's tractor volumes grew 11.2% YoY to 25,599 units. The announcement of record production estimates for major crops coupled with higher MSP post a good harvest season supported tractor volumes. The domestic tractor industry volumes grew 11.7% YoY 57,598 units in May 2017 & grew 15.3% YoY (112,515 units) for YTFY18

Exhibit 18: Volume performance (in units)

Segment	May-17	May-16	%chg	Apr-17	%chg	YTFY18	YTFY17	%chg
UV's	19,331	18,648	3.7	18,363	5.3	37,694	40,132	-6.1
4-Wheeler pickups	15,111	11,852	27.5	14,360	5.2	29,471	23,686	24.4
M & HCV	1,144	1,257	-9.0	706	62.0	1,850	2,370	-21.9
Total 4wheeler Sales	36,545	32,744	11.6	34,391	6.3	70,936	68,346	3.8
3-Wheeler	4,057	3,869	4.9	3,438	18.0	7,495	7,624	-1.7
Total Domestic Auto Sales	40,602	36,613	10.9	37,829	7.3	78,431	75,970	3.2
Exports	1,293	4,043	-68.0	1,528	-15.4	2,821	6,549	-56.9
Total Auto Sales	41,895	40,656	3.0	39,357	6.4	81,252	82,519	-1.5
Exports as % of sales	3.1	9.9		3.9		3.5	7.9	
Tractors - Domestic	24,575	22,148	11.0	25,081	-2.0	49,656	42,852	15.9
- Exports	1,024	870	17.7	920	11.3	1,944	1,552	25.3
Total Tractors	25,599	23,018	11.2	26,001	-1.5	51,600	44,404	16.2
Exports as % of sales	4.0	3.8		3.5		3.8	3.5	

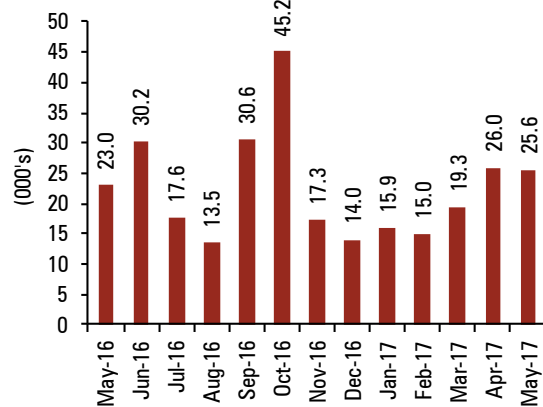
Source: Company, Siam

Mahindra and Mahindra: Sales volume



Source: SIAM, ICICIdirect.com Research

Mahindra and Mahindra: Tractor sales



Source: SIAM, ICICIdirect.com Research

Top domestic model wise volumes for May 2017

Exhibit 19: Top 10 passenger vehicle – Models sold in India (in units)

S.No.	Models	May-16	Models	May-17
1	Alto	19,874	Alto	23,618
2	DZIRE TOUR	16,968	Swift	16,532
3	Wagon R	13,231	Wagon R	15,471
4	Swift	12,355	Baleno	14,629
5	Grand i10	12,055	Grand i10	12,984
6	Elite i20	10,472	VITARA BREZZA	12,375
7	Baleno	10,004	Elite i20	10,667
8	Celerio	7,379	DZIRE	9,073
9	Innova	7,259	Creta	8,377
10	VITARA BREZZA	7,193	Ertiga	7,121

Source: Siam

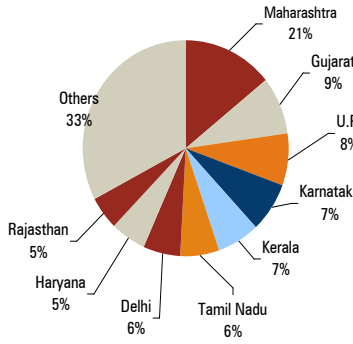
Exhibit 20: Top 10 two-wheelers – Models sold in India (in units)

S.No.	Models	May-16	Models	May-17
1	Activa	237,317	Activa	282,478
2	Splendor	207,010	Splendor	235,832
3	HF Deluxe	112,273	HF Deluxe	140,769
4	Passion	97,882	Passion	89,399
5	TVS XL Super	75,406	CB Shine	86,600
6	Glamour	74,590	TVS XL Super	70,253
7	CB Shine	70,858	Glamour	67,515
8	CT	51,893	Jupiter	57,068
9	Pulsar	46,307	Pulsar	50,009
10	Jupiter	43,867	Dio	41,303

Source: Siam

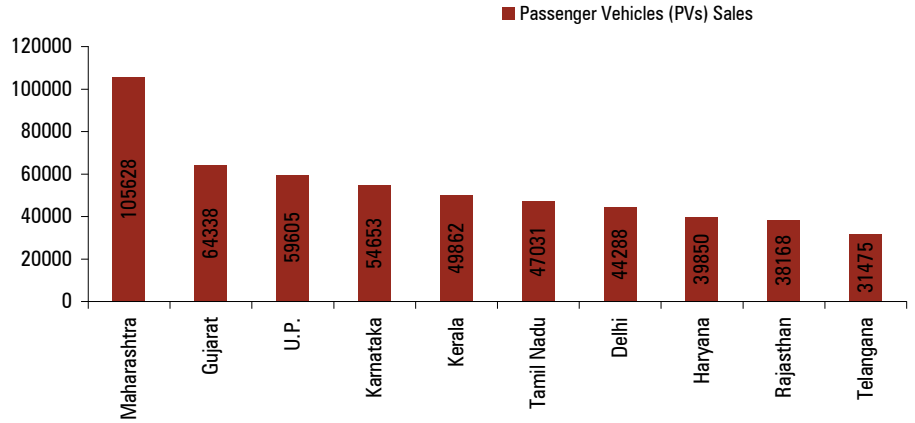
State wise sales mix for Q3FY17 (October – December 2016)

State wise market share of PV for Q3FY17



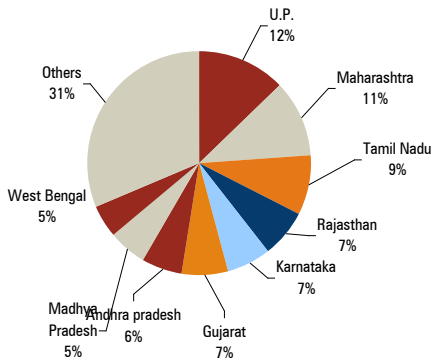
Source: Siam, ICICIdirect.com Research

Exhibit 21: Top 10 state wise PV volume for Q3FY17 (in units)



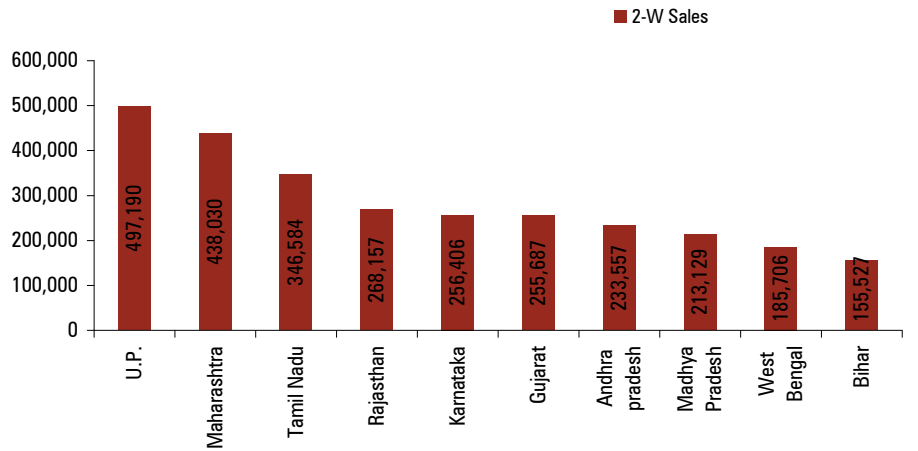
Source: Siam

State wise market share of 2-W for Q3FY17



Source: Siam, ICICIdirect.com Research

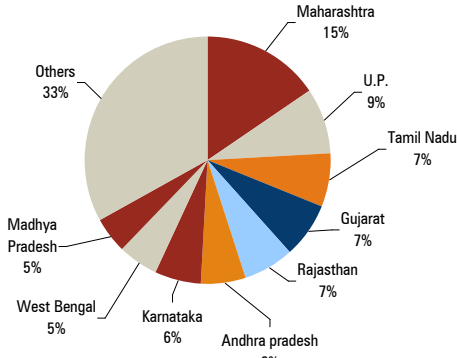
Exhibit 22: Top 10 state wise 2-W volume for Q3FY17 (in units)



Source: Siam

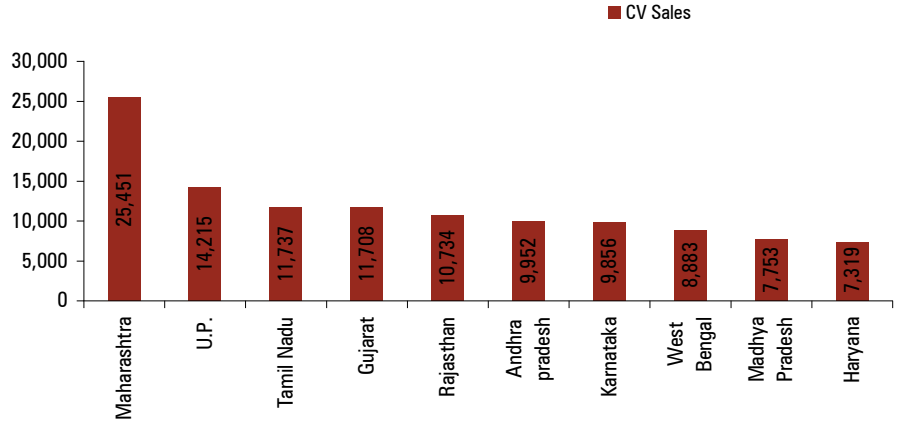
State wise sales mix for Q3FY17 (October – December 2016)

State wise market share of CV for Q3FY17



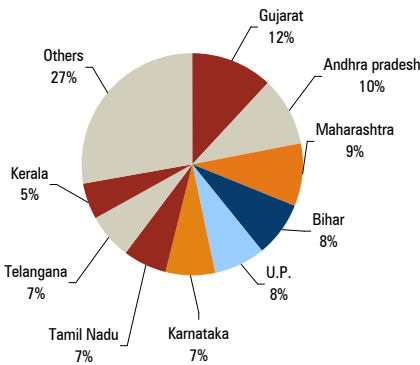
Source: Siam, ICICIdirect.com Research

Exhibit 23: Top 10 state wise CV volume for Q3FY17 (in units)



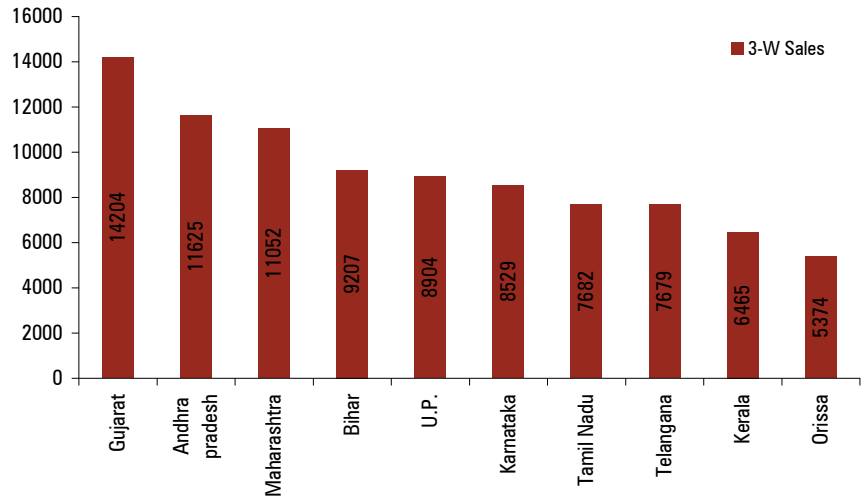
Source: Siam

State wise market share of 3-W for Q3FY17



Source: Siam, ICICIdirect.com Research

Exhibit 24: Top 10 state wise 3-W volume for Q3FY17 (in units)



Source: Siam

News & views

GST to have neutral to positive impact on auto industry!

We believe GST will have a neutral to positive impact on the overall auto and auto ancillary space. The effective higher tax rate will largely be passed on to consumers as OEMs are likely to hike vehicle prices (ASPs). The shift of the market from unorganised to organised will actually be positive for most auto ancillary players, which currently face stiff competition from unbranded/local players (which skip their tax liability) vs. organised ones. The transition (from current tax regime to GST) clarification is still awaited (by the industry) on part of the government, which will actually have an impact on the outstanding inventory at the dealer levels. The following table explains the segment wise current tax bracket. The expected tax rate after GST implementation and its impact on various segments is as follows:

Exhibit 25: Impact of GST on various Auto segments

Segment	Tax rate earlier	GST Rate	View	Impact
2-W	24.3	28.0	The price of 2-Ws < 350 cc will increase marginally by 0.5%. Given that there is a cess of 3% on motorcycles > 350cc, the price increase post GST will be 2.6%. However, motorcycle above 350 cc contributes only 0.4% of the domestic 2-W sales	Neutral
Small car/SUV (Length < 4 m; engine size < 1200 cc/1500 cc for petrol/diesel vehicles)	24.3	28.0	Although the gap between current tax incidence & GST appears optically high, prices of these vehicles will increase in the range of ~1-3% post GST implementation, because the base (ex-showroom price) will also change with GST implementation. This potential price increase will not have an impact on demand	Neutral
Sedan/SUV (length > 4 m; engine size < 1500 cc)	32.3	43.0	Prices of these vehicles will increase ~6%. Prices of cars like Ciaz & Ertiga fall in this segment, which form ~9% of Maruti's domestic sales	Negative
Sedan/SUV (length > 4 m with engine size > 1500 cc)	35.9	43.0	Prices of these vehicles will increase ~0.5%. There will not be a negative impact on demand due to the potential price rise	Neutral
CV	24.3	28.0	Prices of these vehicles will increase ~0.5%. Hence, the impact will be neutral	Neutral
Tractors	11.9	12.0	Prices of tractors will reduce ~1%	Neutral

Source: cbec.gov.in, Company, ICICIdirect.com Research;

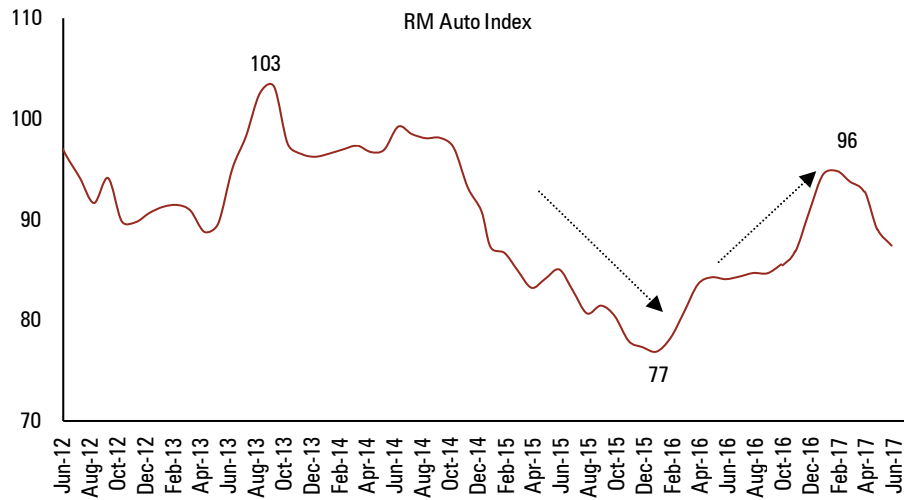
ICICIdirect.com Research Universe (Auto & Auto ancillary)

Sector / Company	CMP			M Cap (₹ Cr)	EPS (₹)			P/E (x)			EV/EBITDA (x)			RoCE (%)			RoE (%)		
	(₹)	TP(₹)	Rating		FY16	FY17E	FY18E	FY16	FY17E	FY18E	FY16	FY17E	FY18E	FY16	FY17E	FY18E	FY16	FY17E	FY18E
Amara Raja (AMARAJ)	841	930	Hold	14363	28.0	33.2	40.4	30.0	25.3	20.8	17.3	14.9	12.4	25.8	27.4	28.0	18.5	19.3	19.6
Apollo Tyre (APOTYR)	250	280	Buy	12582	21.7	21.8	19.7	11.5	11.4	12.7	6.5	7.9	8.6	19.9	13.6	11.0	17.1	15.0	12.2
Ashok Leyland (ASHLEY)	93	105	Buy	26230	2.5	4.3	4.7	36.6	21.6	19.6	12.3	11.6	10.8	22.8	21.2	21.6	17.4	21.2	16.5
Bajaj Auto (BAAUTO)	2830	3000	Hold	81892	126.8	132.3	155.4	23.4	22.5	19.1	17.5	18.0	15.0	42.2	30.5	33.5	29.9	22.4	24.0
Balkrishna Ind. (BALIND)	1702	1670	Buy	16450	58.7	74.0	81.4	25.1	19.9	18.1	13.9	12.8	10.6	20.4	23.0	24.0	20.3	23.0	24.0
Bharat Forge (BHAFOR)	1121	1300	Buy	26113	29.9	40.1	47.6	37.4	27.9	23.5	20.8	13.9	11.7	16.1	22.2	26.9	14.6	17.9	21.2
Bosch (MICO)	23767	26400	Buy	74627	410.2	570.5	564.0	57.7	41.5	42.0	37.7	35.8	30.1	15.1	16.9	16.4	22.5	24.8	24.1
Eicher Motors (EICMOT)	27351	30500	Buy	73876	655.9	833.2	1019.4	41.7	32.8	26.8	24.8	18.4	14.7	39.2	41.1	39.1	36.0	33.6	30.9
Exide Industries (EXIIND)	217	270	Buy	18466	7.3	8.2	9.4	29.7	26.6	23.0	19.0	17.7	14.4	19.4	18.7	20.4	14.0	14.1	14.8
Hero Mototcorp (HERHON)	3682	3975	Buy	73531	156.9	169.1	199.6	23.5	21.8	18.5	15.2	14.3	11.9	53.6	43.5	49.0	39.4	33.0	36.3
JK Tyre & Ind (JKIND)	167	215	Buy	3785	21.0	16.6	18.1	7.9	10.1	9.2	5.8	8.1	6.5	20.1	11.2	11.8	29.1	15.8	18.2
Mahindra CIE (MAHAUT)	232	280	Buy	7494	4.5	10.3	13.5	51.9	22.5	17.1	16.8	11.5	9.1	5.4	10.8	12.6	6.9	11.1	13.2
Maruti Suzuki (MARUTI)	7236	7200	Buy	218681	151.3	242.9	280.1	47.8	29.8	25.8	21.4	18.6	15.8	23.9	26.3	26.5	16.9	20.3	20.4
Motherson (MOTSUM)	463	450	Hold	64998	11.1	16.7	22.9	41.8	27.7	20.2	15.1	10.5	7.8	16.0	22.2	28.4	19.6	23.1	25.0
Tata Motors (TELCO)	444	560	Buy	134931	22.3	42.9	52.6	21.5	11.2	9.1	6.6	4.8	4.2	11.6	16.8	17.1	15.0	22.0	21.1
Wabco India (WABTVS)	5656	6610	Buy	10746	107.7	112.5	144.7	52.5	50.3	39.1	35.9	31.8	25.5	19.4	16.9	18.2	25.5	23.6	25.2

Source: ICICIdirect.com Research

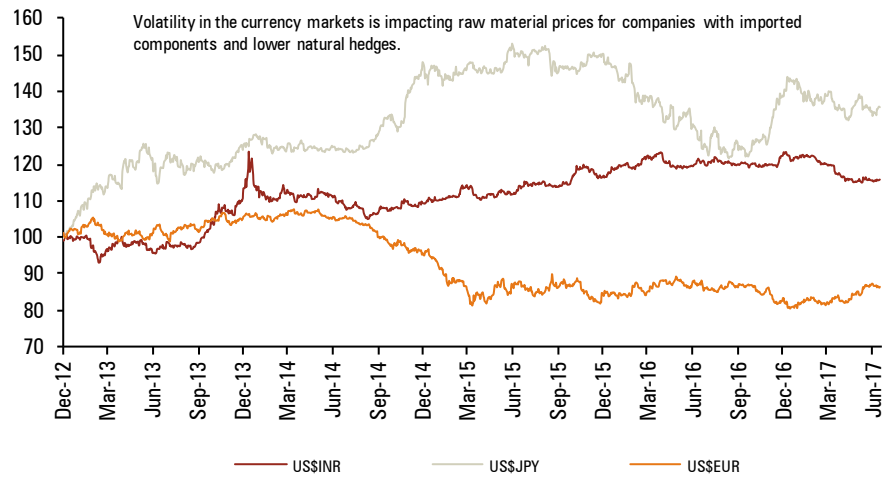
The in-house raw material index reflects the combination of various input materials (steel, rubber, aluminium, plastics) for OEMs, which have April 2012 as base year at 100. The chart had showed a declining trend in the past. However, prices have started moving northwards over the past one year, indicating that the benefit of lower input cost has peaked out

Exhibit 26: Auto raw material index



Source: Bloomberg, Reuters, Company, ICICIdirect.com Research

Exhibit 27: Currency movements



Source: Company, ICICIdirect.com Research

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Sector view:

Over weight compared to index

Equal weight compared to index

Under weight compared to index

Index here refers to BSE 500



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