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Highlights of the month

- Auto companies showed decent performance in the month of November 2014; 2W, 3W and cars recorded growth. However LCV continue to show poor performance while recovery was seen in M&HCV sales.
- In Passenger car segment, Tata Motors and Maruti Suzuki performed and recorded double digit growth.
- In two wheelers segment, TVS witnessed strong growth in volume while Hero Motocorp showed muted growth in volume. Though Bajaj Auto is still struggling to increase volume in domestic market due to slowdown in premium segment bike, sound growth (up 24% YoY) was witnessed in export sales.
- 3W sales continue to perform well on the back of issuance of new permits for auto-rickshaws in many states.
- In the commercial vehicle segment LCV sales continued to show weakness while M&HCV sales showed some sign of recovery led by better freight movement in agri, consumer durables and autos, housing construction material (in tier I-II cities).
- As festival season has ended, we do not expect any surprise volume growth from companies in near term. Further, the recent rally in the auto sector in festive season has led to most companies trading at above or near their fair valuations, based on one-year forward multiples. Considering these, we keep neutral stance on the sector.

TVS Motor Company Ltd.: Total sales increased by 36% YoY, maintain SELL with upgraded target price of Rs. 158

Segment	Nov-14	Oct-14	Change MoM	Nov-13	Change YoY	YTD FY15	YTD FY14	Change YoY
2 Wheeler	210,979	231,990	-9%	155,604	36%	1,674,598	1,307,531	28%
Scooter	62,223	70,571	-12%	38,331	62%	487,678	299,157	63%
Motorcycle	86,424	90,779	-5%	61,471	41%	669,237	539,535	24%
Mopeds	62,332	70,640	-12%	55,802	12%	517,683	468,839	10%
3 Wheeler	9,067	9,054	0	6,304	44%	71,054	53,393	33%
Total Sales	220,046	241,044	-9%	161,908	36%	1,745,652	1,360,924	28%
Domestic Sales	180,831	206,189	-12%	136,570	32%	1,478,302	1,165,182	27%
Export	39,215	34,855	13%	25,338	55%	267,350	195,742	37%

Source: Company Filings; IndiaNivesh Research

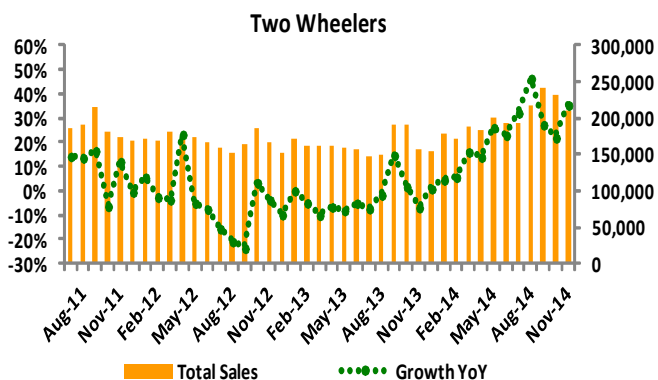
- TVS Motor's total volume jumped by 36% YoY (down 9% MoM) to 2, 20,046 units in November '14 led by impressive performance from all segment. Domestic volumes increased by 32% YoY and export volume jumped by 55% YoY.
- Company's three wheeler sales continued to surge witnessing a jump of 44% YoY to 9,067 units. The Company's motorcycle segment increased by 41% YoY to 86424 units while scooter volume zoomed by 62% YoY to 62223 units. Moped sales increased by 12% YoY to 62332 units.

Valuation: Considering the strong revival in domestic two wheeler demand, strong 3W and export sales, we tweak our assumption for total volume growth to 21% in FY15 (earlier estimate was 18%) and 15.8% in FY16 (earlier estimate was 15.5%). Accordingly we change our FY16e EPS estimates to Rs 10.5 vs our earlier estimates of Rs. 9.7, thus we increase our target price from Rs 146 to Rs. 158 (based on 15x FY16E). At CMP of Rs. 228, stock is trading at 22x FY16E, we maintain sell rating on the stock.

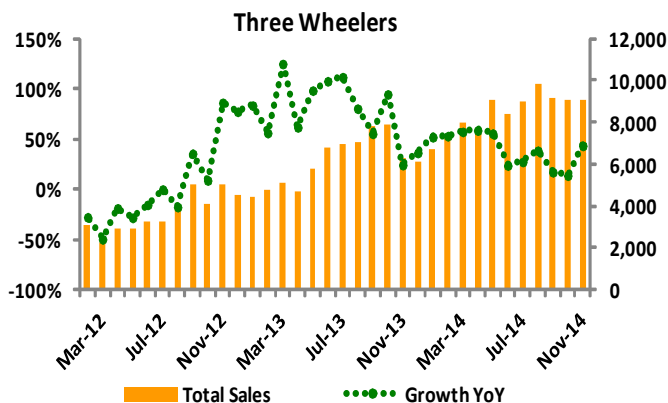
TVS Motor Company Ltd. (contd...)

Quick Fundamentals(Rs. mn)	FY15E			FY16E		
	New	Old	change(%)	New	Old	change(%)
Revenue	102,253	99124	3.2	123,334	119308	3.4
EBITDA	6,375	6015	6.0	8,608	8125	5.9
PAT	3,442	3179	8.3	4,979	10	47408.7
EPS (Rs)	7.2	6.7	8.3	10.5	9.7	7.6
Volume(no.)	2537097	2455520	3.3	2938250	2835345	3.6
% growth	21.9	18.0		15.9	15.5	

Source: Company Filings; IndiaNivesh Research



Source: Company Filings; IndiaNivesh Research



Source: Company Filings; IndiaNivesh Research

Bajaj Auto Ltd.: Total sales remain flat YoY; 24% growth in export volume offsetting lower domestic volume, Maintain BUY

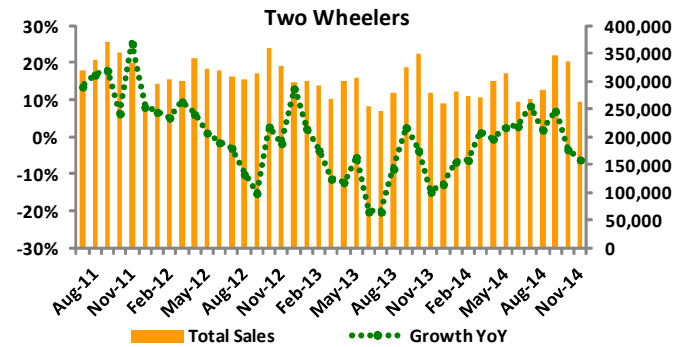
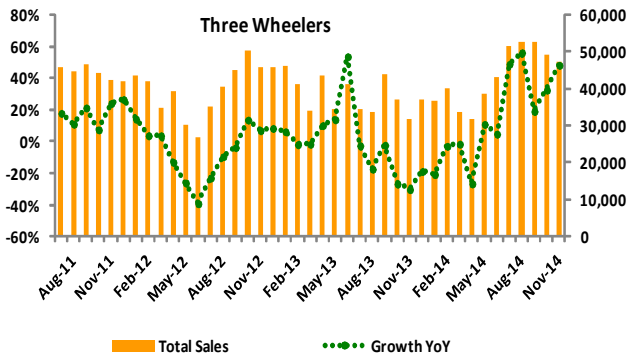
Segment	Nov-14	Oct-14	Change MoM	Nov-13	Change YoY	YTD FY15	YTD FY14	Change YoY
Motorcycle	261,948	336,923	-22%	278,703	-6%	2,372,882	2,336,467	2%
3 Wheeler	47,311	49,094	-4%	31,888	48%	366,406	300,052	22%
Total Sales	309,259	386,017	-20%	310,591	0%	2,739,288	2,636,519	4%
Domestic Sales	143,526	227,470	-37%	176,860	-19%	1,453,948	1,601,173	-9%
Export	165,733	158,547	5%	133,731	24%	1,285,340	1,035,346	24%

Source: Company Filings; IndiaNivesh Research

- Bajaj Auto’s sales remain flat YoY and (down 20% MoM) to 3, 09,259 units. Domestic volume decreased by 19% YoY to 1, 43,526 units, while export volumes jumped by 24% YoY to 1, 65,733 units.
- The company’s motorcycle sales down by 6% YoY and 22% MoM to 2,61,948 units while three-wheeler commercial vehicle sales jumped by 48% YoY to 47,311 units.

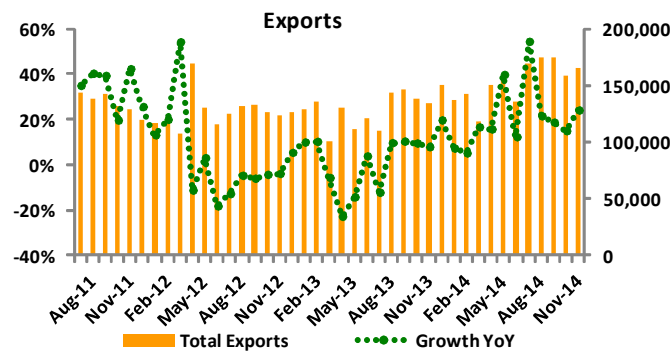
Valuation: With its specialization strategy and focused approach, Bajaj auto aims to garner a higher share of the global motorcycle market together with industry leading profitability. Bajaj Auto would benefit on (a) upgrading in the domestic motorcycle market, driven by economic recovery, and (b) revival in exports which could offset the negative of absence in scooters. Further Bajaj Auto will have the first mover advantage to launch quadricycle (expected in coming months) in India. At CMP of Rs 2590 the stock is trading at PE multiple of 18.2x FY16E EPS. We maintain BUY rating on the stock with target price of Rs. 2840(20x FY16E EPS).

Bajaj Auto Ltd. (contd...)



Source: Company Filings; IndiaNivesh Research

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Source: Company Filings; IndiaNivesh Research

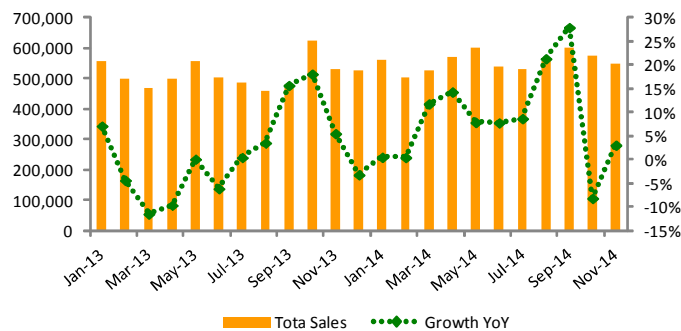
Hero MotoCorp Ltd.: Total Sales up by 3.2% YoY, target achieved, maintain HOLD

	Nov-14	Oct-14	Change MoM	Nov-13	Change YoY	YTD FY15	YTD FY14	Change YoY
2 Wheelers	547,413	575,056	-5%	530,530	3.2%	4,526,069	4,131,164	10%

Source: Company Filings; IndiaNivesh Research

- Hero Motocorp sales volume up by 3.2% YoY to 5, 47,413 units in the month of November 2014.

Valuation: Given the likely dominance of first time buyers in incremental demand going forward, we see Hero Motocorp would emerge as a leader as it commands all the relevant attributes that buyers will look for such as trusted brand (high recall), high mileage, economical, and large distribution reach. However, at CMP of Rs 3220 the stock is trading at PE multiple of 18.6x FY16E EPS which is above of its mean of 18x. Our target price Rs. 3157, has already been achieved, we maintain hold rating on the stock.



Source: Company Filings; IndiaNivesh Research

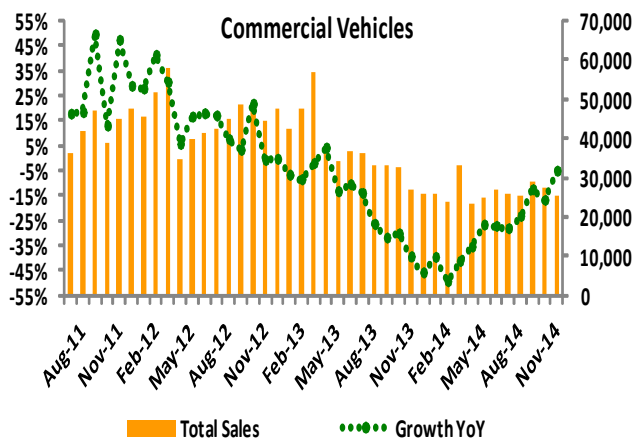
Tata Motors: Total sales up by 2% YoY, NOT RATED

Segment	Nov-14	Oct-14	Change MoM	Nov-13	Change YoY	YTD FY15	YTD FY14	Change YoY
M&HCVs	9,452	10,352	-9%	6,823	39%	76,232	72,839	5%
LCVs	15,954	16,897	-6%	19,993	-20%	132,048	196,642	-33%
PVs	12,021	11,511	4%	10,376	16%	80,187	94,284	-15%
Total Sales	41,720	42,819	-3%	40,863	2%	321,137	397,300	-19%
Domestic Sales	37,427	38,760	-3%	37,192	1%	288,467	363,882	-21%
Export	4,293	4,059	6%	3,671	17%	32,670	33,418	-2%

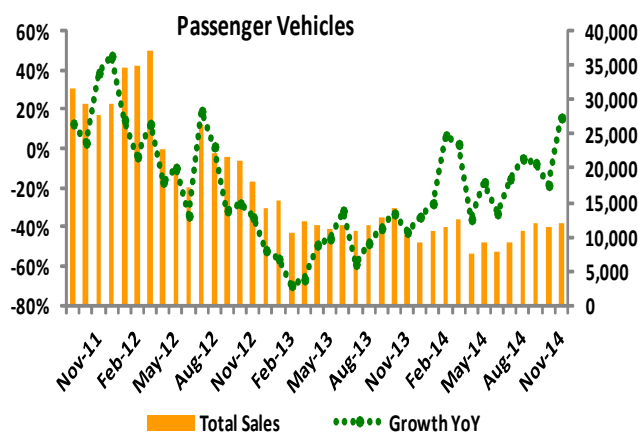
Source: Company Filings; IndiaNivesh Research

- Tata Motors’ total sales increased by 2% YoY (down 3% MoM) to 41720 units. Increase in sales of PV and M&HCV was offset by weak performance in LCV. Sales of LCV segment fell by 20% YoY to 15,954 units while M&HCV segment jumped by 39% YoY to 9452 units.
- Sales of passenger vehicles increased by 16% YoY to 12,021 units.
- Exports increased by 17 YoY and 6% MoM to 4293 units.

Valuation: Tata Motor performance is highly dependent on JLR’s numbers. JLR contributes 84% in total sales 100% in EBITDA of consolidated Q2FY15 number. However Indian business continues to be under pressure. Though MHCV’s are showing slight improvement but it is too early to take a call on that. The domestic passenger car business continues to struggle, with lower capacity utilization, higher discounts and ad spends. At CMP 529 stock is trading at 8.6X of its FY16E EPS. We don’t have any rating on the stock.



Source: Company Filings; IndiaNivesh Research



Source: Company Filings; IndiaNivesh Research

Maruti Suzuki India Ltd.: Total sales increased by 20% YoY, maintain SELL with upgraded target price of Rs. 2844

Segment	Nov-14	Oct-14	Change MoM	Nov-13	Change YoY	YTD FY15	YTD FY14	Change YoY
PVs	82,706	80,589	3%	71,649	15.4%	626,892	564,226	11%
Mini Segment	37,746	35,753	6%	38040	-1%	275,220	281,754	-2%
Compact Segment	39,728	38,491	3%	33,408	19%	337,918	279,543	21%
Midsize & Executive Segment	5,232	6,345	-18%	201	2503%	13,754	2,929	370%
Uvs + Vans	17,718	16,480	8%	13,861	28%	128,931	104,249	24%
Total Sales	110,147	103,973	6%	92,140	20%	835,912	739,247	13%
Domestic Sales	100,024	97,069	3%	85,510	17%	755,423	668,480	13%
Export	10,123	6,904	47%	6,630	53%	80,489	70,767	14%

Source: Company Filings; IndiaNivesh Research

- Maruti Suzuki's total sales increased by 20% YoY and 6% MoM to 1, 10,147 units in the month of November 2014 led by growth in compact and UV & Vans segment.
- Company's compact segment (Swift, Estilo, Ritz, Celerio) sales increased by 19% YoY to 39728 units while Mini (M800, Alto, A-Star, WagonR) segment sales decreased by 1% YoY to 37,746 units.
- Uvs + Vans sales increased by 28% YoY to 17,718 units.
- Exports volume jumped by 53% YoY and 47% MoM to 10,123 vehicles.

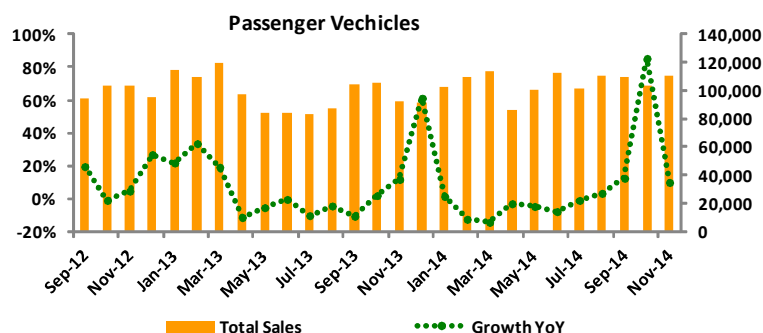
Revised Estimates: increased FY15E/16E EPS by 8%/12.8%

Considering the sharp fall of JPY against USD and INR we increase our EBITDA margin assumption for FY15e/FY16e to 13%/13.8% respectively. Accordingly we change our FY16e EPS estimates to Rs 158 vs our earlier estimates of Rs. 140, thus we increase our target price from Rs. 2522 to Rs. 2844 (based on 18x FY16E).

Quick Fundamentals(Rs. mn)	FY15E			FY16E		
	New	old	change(%)	New	old	change(%)
Revenue	503228	503228	0.0	584318	584318	0.0
INR/YEN	54	58		54	59	
EBITDA	65454	60920	7.4	80945	73513	10.1
EBITDA Margin	13.01	12.11	90 bps	13.85	12.58	127 bps
PAT	39404	36386	8.3	47749	42314	12.8
EPS (Rs)	130	120	8.3	158	140	12.8
Volume(no.)	1300988	1300988	0.0	1467078	1467078	0.0

Source: Company Filings; IndiaNivesh Research

Valuation: We remain impressed with company's business, given their key strengths such as proven product portfolio, strong network and rural presence. Company's strong presence in the rural markets comforts us about its near term growth prospects. Further cut in excise duty in small & mid segment car and UV's along with better festive season helped to revive the sales in H1FY15. From here on we believe sales growth to moderate in H2FY15 due to higher base. However, considering the sharp fall of JPY against USD and INR we increase our EBITDA margin assumption for FY15e/FY16e to 13%/13.8% respectively. Accordingly we change our FY16e EPS estimates to Rs 158 vs our earlier estimates of Rs. 140. At CMP of Rs. 3384, stock is trading at 21x FY16e EPS, we maintain Sell rating on the stock with target price of Rs. 2844 (based on 18x FY16E).



Source: Company Filings; IndiaNivesh Research

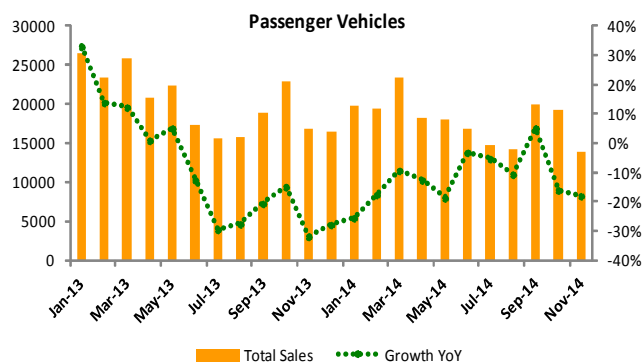
M&M Ltd: Total sales down by 20% YoY, maintain HOLD

Segment	Nov-14	Oct-14	Change MoM	Nov-13	Change YoY	YTD FY15	YTD FY14	Change YoY
Uvs & Verito	13765	19254	-29%	16771	-18%	134,773	150,186	-10%
LCVs	12748	14812	-14%	13186	-3%	107,637	115,637	-7%
MTBL	582	530	10%	443	31%	5,460	5,291	3%
3 wheeler	5,005	5,678	-12%	5861	-15%	39,162	41,269	-5%
Export	2192	2502	-12%	2994	-27%	18,312	18,595	-2%
Total	34,292	42,776	-20%	39,255	-13%	305,344	318,599	-4%
Tractors	15333	31907	-52%	23119	-34%	182,947	195,223	-6%
Total Sales	49,625	74,683	-34%	62,374	-20%	488,291	513,822	-5%

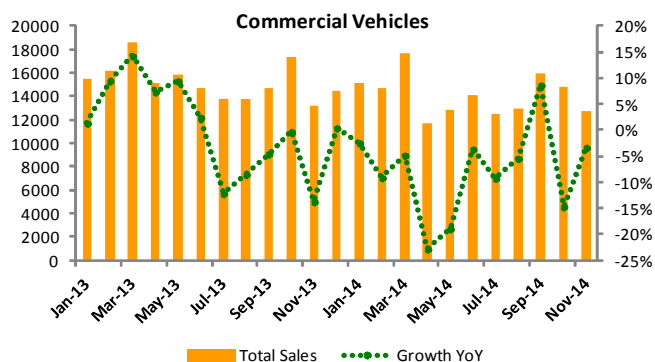
Source: Company Filings; IndiaNivesh Research

- Mahindra & Mahindra reported 13% YoY and 20% MoM de-growth in its automobile sales at 34,292 units.
- Total sales (Automotive +tractor) down by 20% YoY and 34% MoM to 49,625 vehicles dragged by both automotive and tractor segment.
- Passenger Vehicles (UVs and Verito) de-grew by 18% YoY and 29% MoM to 13765 vehicles and LCV segment decreased by 3% YoY and 14% MoM to 12,748 vehicles.
- Export volume decreased by 27% YoY and 12% MoM to 2192 vehicles.
- 3 wheelers segment decreased by 15% YoY and 12% MoM to 5,005 vehicles.
- Tractor sales slid by 34% YoY and 52% MoM to 15333 units.

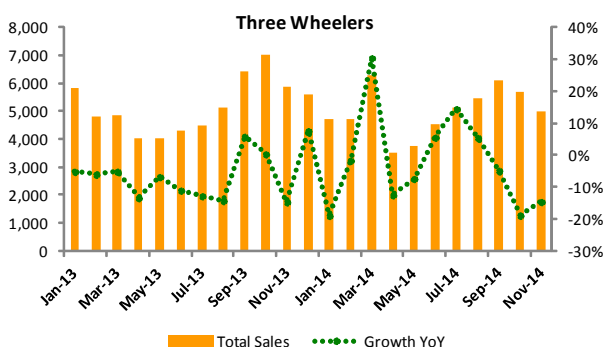
Valuation: We remain impressed with company’s business due to its strong product portfolio catering to both urban & rural section. However, M&M appears to be faced with a challenging near-term environment in both its key segments, UVs and tractors. At CMP of Rs 1296, M&M is trading at 13 x FY16e consolidated earnings, which is slightly ahead of its historical average of 12x. We maintain HOLD rating on the stock with target price of Rs. 1212 (12x FY16E earnings).



Source: Company Filings; IndiaNivesh Research



Source: Company Filings; IndiaNivesh Research



Source: Company Filings; IndiaNivesh Research

Eicher Motors Ltd: M&HCV sales increased by 24% YoY, 2W sales jumped 52% YoY, maintain NEUTRAL

M&HCVs	Nov-14	Oct-14	Change MoM	Nov-13	Change YoY	YTD CY14	YTD CY13	Change YoY
Total Sales	2,778	3,052	-9%	2,244	24%	36,494	37,743	-3%
Domestic	2,233	2,494	-10%	1,928	16%	31,055	34,878	-11%
Exports	545	558	-2%	316	72%	5,439	2,865	90%

Royal enfield(2W)	Nov-14	Oct-14	Change MoM	Nov-13	Change YoY	YTD CY14	YTD CY13	Change YoY
Total Sales	27,542	26,039	6%	18131	51.9%	273,957	158,808	73%

Source: Company Filings; IndiaNivesh Research

- Eicher Motors sales of branded trucks and buses volume increased by 24% YoY (down 9% MoM) in November 2014 to 2778 units.
- Company's 2W sales jumped by 52% YoY and 6% MoM to 27542 units in November 2014.

Valuation: At CMP of Rs 14513 the stock is trading at 24x of its consolidated CY16E EPS as per Bloomberg estimates, which is ahead of its historical average of 18x. We maintain our neutral rating on the stock.

Ashok Leyland Ltd.: Total sales jump by 44% YoY, Maintain NEUTRAL

Segment	Nov-14	Oct-14	Change MoM	Nov-13	Change YoY	YTD FY15	YTD FY14	Change YoY
Total sales	7,732	8,375	-8%	5,375	44%	61,418	57,019	8%
Sales Excl. Dost	5,204	5,838	-11%	2,715	92%	44,137	37,628	17%
LCV(Dost+Stile)	2,528	2,537	0%	2,660	-5%	17,281	19,391	-11%

Source: Company Filings; IndiaNivesh Research

- Total sales of the company increased by 44% YoY (down 8% MoM) to 7732 units. M&HCV segment sales grew by 92% YoY to 5204 units, while, sales of LCV (Dost+Stile) decreased by 5% YoY to 2,528 units.

Valuation: High financial leverage remains a concern for the stock. However, improvement in infrastructural and industrial activity in the recent time is turning positive for the company. At CMP of Rs 55, it trades at a PE of about 21 times FY16E EPS. We maintain our neutral view on the stock.

Escorts Ltd.: Total sales decreased by 24% YoY, NOT RATED

Segment	Oct-14	Oct-14	Change MoM	Nov-13	Change YoY	YTD FY15	YTD FY14	Change YoY
Total Sales	4,306	8,554	-50%	5,888	-27%	45,722	49,555	-8%
Domestic	4,181	8,403	-50%	5,806	-28%	43,990	48,882	-10%
Exports	125	151	-17%	82	52%	1,732	673	157%

Source: Company Filings; IndiaNivesh Research

- Total tractor sales of the company decreased by 24% YoY and 50% MoM to 4306 units. Domestic sales decreased by 28% YoY to 4181 units while export sales zoomed 52% YoY to 125 units.

Valuation: At CMP of Rs 138.4 Escorts trades at 8x FY16E EPS. We don't have any rating on the stock.

Outlook

- We believe good governance and faster reform would lead to higher employment/ disposable income that will improve consumer sentiment.
- As consumer sentiments are improving, post general elections passenger vehicle demand has improved considerably. Lead indicators of CV industry such as freight rates, fleet operators' utilization are turning positive over the last few months. Recovery in two-wheeler industry continues with double digit growth led by scooters.
- We expect the new government would have more focus on rural employment and development. Thus we expect rural market to be a key source of sustained automotive demand in coming years.
- Rural demand and new launches would act as a positive trigger for two wheeler and PV segment.
- In two wheeler Scooter segment is likely to outperform Motorcycle
- We believe long term volume outlook of auto companies remain positive driven by lower penetration rate, new product launches and exports potential.
- The recent rally in the auto sector in festive season has led to most companies trading at above or near their fair valuations, based on one-year forward multiples. Considering these, we maintain our neutral stance on the sector.

Top Picks: Bajaj Auto.



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