

MAY 02, 2012

UPDATE

BSE-30: 17,319

**April volumes signal slowdown ahead.** Auto volume growth in April was sluggish: It was below expectations for Maruti Suzuki and Tata Motors and slightly better than expectations for M&M and Hero Motocorp. A sharp increase in cost of ownership of vehicles has started to reflect in low single digit growth in the two-wheeler and passenger car segments. A sharp decline in truck volumes (-29% yoy) in April indicate a sharp slowdown in freight demand.

#### Hero Motocorp volumes up 6.7% yoy in April 2012

Hero Motocorp's April 2012 volumes grew by only 6.7% yoy, which was 5% more than our expectations. TVS Motors' domestic motorcycle volume declined 2% yoy in April, in our view. We expect weak numbers from Bajaj Auto as well (it is likely to report its numbers tomorrow). Two wheeler volumes are likely to remain weak in 1HFY13, in our view, due to a rise in vehicle prices after the Union Budget and a likely rise in fuel prices. Rural growth also slowed due to a decline in crop prices, which also impacted two-wheeler volume growth.

#### Maruti disappoints due to a sharp fall in petrol volumes

Maruti Suzuki reported 3% yoy growth in volumes (10% below expectations) on a low base in April 2012, driven by 26% yoy decline in the Alto and WagonR segment (primarily petrol). Eeco volumes declined 10% yoy. Swift, Dzire volumes supported growth due to an increase in diesel engine capacity. Export volumes grew by a muted 2% yoy in April 2012. We believe revival of petrol volume growth is unlikely in the near term as we expect petrol prices to rise in May.

#### M&M continued its strong performance in utility vehicles

M&M continued its strong performance in passenger utility vehicles (+32% yoy) and the light commercial vehicle segment (37% yoy) in April 2012. Auto exports declined by 18% yoy. We expect strong growth in utility vehicle volumes to continue in FY2013 due to the popularity of diesel models, success of XUV500 and new model launches (refreshed Xylo and mini Xylo). Tractor volumes have not been reported as yet but we expect the weak trend to continue in April and estimate a 3% yoy decline in tractor volumes.

#### MHCV volumes decline by 29% yoy for Tata Motors

Tata Motors reported a 7% yoy decline in standalone volumes driven by MHCV (-29% yoy) and passenger car volumes (-7% yoy). Domestic MHCV declined by 29% yoy in April 2012 indicating slowdown in freight demand and correction of dealer inventory and LCV volume growth grew at a muted 9% yoy. Tata Nano volumes declined by 20% yoy and Indica volumes grew by 63% yoy. Our channel checks suggests that truck manufacturers have been pushing sales to dealers since Dec and are offering 3-4% discounts on vehicles, indicating a weakening commercial vehicle cycle. We await numbers from Eicher and Ashok Leyland to assess the slowdown in the truck segment. Both these players are offering significant discounts to increase their market shares in the truck segment.

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### Hero Motocorp volumes grew by 7% yoy in April 2012

Two-wheeler April 2012 wholesale volumes (units)

	Apr-12	Apr-11	Mar-12	YoY chg (%)	MoM chg (%)	YTD FY13	YTD FY12	YoY chg (%)
<b>Hero Motocorp</b>								
Total Volumes	551,557	517,099	528,290	6.7	4.4	551,557	517,099	6.7
<b>TVS Motors</b>								
<b>Motorcycles</b>								
Domestic	48,966	49,804	49,094	(1.7)	(0.3)	48,966	49,804	(1.7)
Exports	19,000	19,769	16,900	(3.9)	12.4	19,000	19,769	(3.9)
<b>Total Motorcycles</b>	<b>67,966</b>	<b>69,573</b>	<b>65,994</b>	<b>(2.3)</b>	<b>3.0</b>	<b>67,966</b>	<b>69,573</b>	<b>(2.3)</b>
Scooters	35,833	35,074	39,395	2.2	(9.0)	35,833	35,074	2.2
Mopeds	76,475	59,536	74,885	28.5	2.1	76,475	59,536	28.5
<b>Total 2 wheeler volumes</b>	<b>180,274</b>	<b>164,183</b>	<b>180,274</b>	<b>9.8</b>	<b>-</b>	<b>180,274</b>	<b>164,183</b>	<b>9.8</b>
3 wheeler	3,561	3,561	2,253	-	58.1	3,561	3,561	-
<b>Total Volumes</b>	<b>174,455</b>	<b>167,744</b>	<b>182,527</b>	<b>4.0</b>	<b>(4.4)</b>	<b>174,455</b>	<b>167,744</b>	<b>4.0</b>

Source: Company

### Maruti Suzuki April volumes grew at a modest pace due to sluggish petrol volumes

Maruti Suzuki wholesale April 2012 volumes (units)

	Apr-12	yoy chg (%)	mom chg (%)	YTD FY13	yoy chg (%)
M800, Alto, A-Star, Wagonr	30,720	(26.4)	(41.8)	30,720	(26.4)
Swift, Estilo, Ritz	26,072	43.0	(6.6)	26,072	43.0
Dzire	15,510	31.5	(5.7)	15,510	31.5
SX4	634	(69.8)	(58.3)	634	(69.8)
Kizashi	3			3	
Gypsy and Vitara	5,593			5,593	
Omni and Eeco	11,723	(10.0)	(5.7)	11,723	(10.0)
<b>Total Domestic</b>	<b>90,255</b>	<b>3.6</b>	<b>(19.9)</b>	<b>90,255</b>	<b>3.6</b>
Exports	10,160	1.5	(23.2)	10,160	1.5
<b>Total Volumes</b>	<b>100,415</b>	<b>3.4</b>	<b>(20.3)</b>	<b>100,415</b>	<b>3.4</b>

Source: Company

### M&M auto volumes continue to surprise positively

Mahindra and Mahindra wholesale April 2012 volumes (units)

	Apr-12	yoy chg (%)	mom chg (%)	YTD FY13	yoy chg (%)
Passenger Uvs	19,057	31.9	(10.6)	19,057	31.9
Maxximo + Gio + pick ups	13,054	36.9	(11.3)	13,054	36.9
MNAL	1,028	9.2	(32.3)	1,028	9.2
3-wheelers	4,659	5.6	(8.4)	4,659	5.6
Exports (Auto sector)	1,420	(18.4)	(46.6)	1,420	(18.4)
Verito	1,501	49.2	(11.7)	1,501	49.2
<b>Auto division</b>	<b>40,719</b>	<b>26.9</b>	<b>(13.4)</b>	<b>40,719</b>	<b>26.9</b>

Source: Company

**Tata Motors truck volumes collapse**

Tata Motors wholesale April 2012 volumes (units)

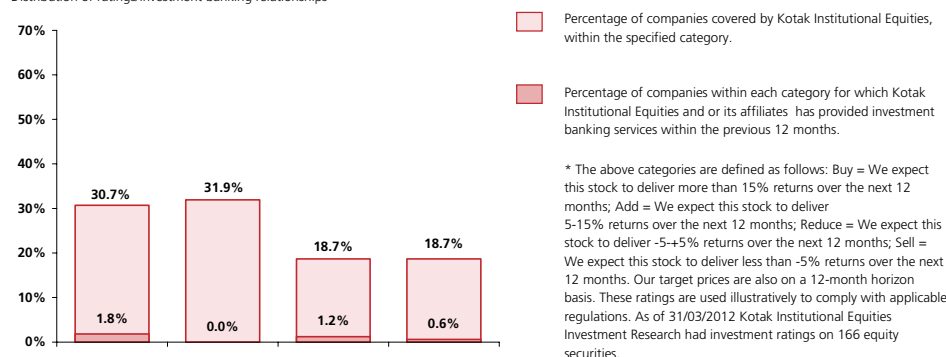
	<b>Apr-12</b>	<b>yoy chg (%)</b>	<b>mom chg (%)</b>	<b>YTD FY13</b>	<b>yoy chg (%)</b>
MHCVs	10,379	(29.0)	(55.0)	10,379	(29.0)
LCVs	26,488	4.7	(32.7)	26,488	4.7
<b>Total CVs</b>	<b>36,867</b>	<b>(7.7)</b>	<b>(41.0)</b>	<b>36,867</b>	<b>(7.7)</b>
UVs	4,048	4.6	(41.5)	4,048	4.6
Cars	19,171	(6.9)	(38.3)	19,171	(6.9)
<b>Total PV</b>	<b>23,219</b>	<b>(5.1)</b>	<b>(38.9)</b>	<b>23,219</b>	<b>(5.1)</b>
<b>Total Sales</b>	<b>60,086</b>	<b>(6.7)</b>	<b>(40.2)</b>	<b>60,086</b>	<b>(6.7)</b>

Source: Company

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As of March 31, 2012

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