

CNX Auto: 4215**BSE Auto: 10,154****Neutral****Pre-Budget rush boost Feb Auto sales, Up 12.07%YoY**

Auto industry witnessed some respite, as sales momentum continued to sustain after encouraging sales in January 2012. As per SIAM data, overall domestic sales grew 12.07%YoY in February, resulting in the April-Feb sales growing 12.46% YoY which is largely in-line with FY12 targeted levels of 11-13% YoY by industry body SIAM. Passenger (+16.1% YoY) and Commercial (+18.7% YoY) vehicles witnessed robust pick up however momentum in two wheeler sales has moderated. Three wheeler sales continued to slide, declining 13.6% YoY.

For period of April-Feb-12, overall domestic sales grew 12.46% largely on account of sharp pickup in demand in passenger vehicles in the last two months (Jan/Feb-12) while commercial vehicles has been a key driver of industry sales this year. Healthy sustenance of freight rates besides slew of new product launches especially in the LCV space has aided growth in the CV segment. Passenger Vehicle after witnessing measly growth of 0.5%YoY in 9M12 has improved to 2.95%YoY over the 11MFY12. Two wheeler sales momentum seems to be moderating nevertheless remain remains relatively healthy, growing 14.8% over Apr-Feb-12. Three wheeler sales have only worsened, contracting 1.78% on YoY basis.

Passenger vehicles sales grew 16.07% in Feb-12 on account of strong demand pull in the Utility vehicles as buyers rushed to take benefit ahead of any imposition of additional duties in the budget on diesel vehicles, as was widely expected. Passenger cars grew 13.12%YoY a marked improvement compared to 7-8% YoY growth seen in months (N-D-J) earlier. Diesel vehicles continue to drive demand in the segment as the widening fuel differential shrinks' payback period. Cumulatively, passenger car sales finally managed to return to positive growth, rising 0.31%YoY for 11MFY12, bringing it in-line with SIAM projection of 0-2% growth for the fiscal. Utility vehicles grew a robust 30%YoY in February while Vans grew 25.3%YoY. Rush ahead of the budget on concern of higher prices later and higher certainty of finance costs peaking out worked in favor of the segment.

Commercial Vehicles continued to witness steady demand, with sales growing 18.7% YoY in February. CVs growth in April-Feb period grew 18.6% largely driven by the Light commercial vehicle segment. LCVs have recorded growth of 26.85% while M&HCV sales growth is more moderate, at 9.2%YoY.

Two Wheeler sales recorded a healthy growth of 11.96%YoY which is much slower compared to 13.63%YoY seen in Jan. Motorcycle sales during Apr-Feb grew 13.12% YoY while Scooters continued to witness healthy traction, growing 23.28%YoY.

View:

The sales data has certainly improved over the last two months however most of it could be attributed to pre-budget rush rather than intrinsic demand buoyed by economic growth. Hence maintain **Neutral** on the sector.

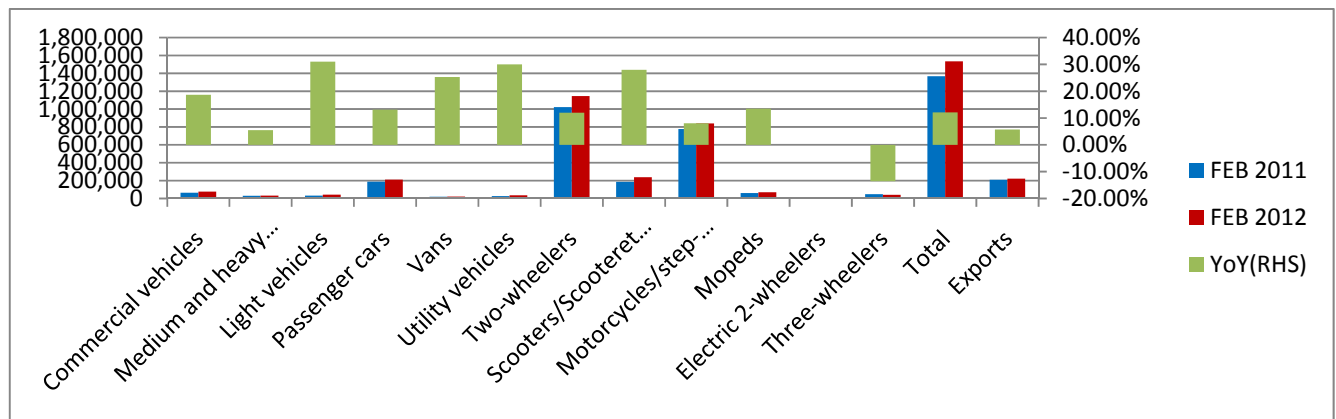
Budget Announcements:

- Basic excise duty on passenger cars raised to 12% from 10%
- Standard excise duty on large cars(engine <1500cc) hiked to 24% from 22%
- Cars (engine >1500cc) currently attracting duty of 22%+Rs.15000/vehicle would switch to ad valorem duty of 27%
- Ad valorem duty of 3% on CV chassis
- Custom duty on CBUs of large cars/SUVs/MUVs having engine capacity above a prescribed threshold and value above \$40,000, hiked to 75% from 60% on ad valorem basis

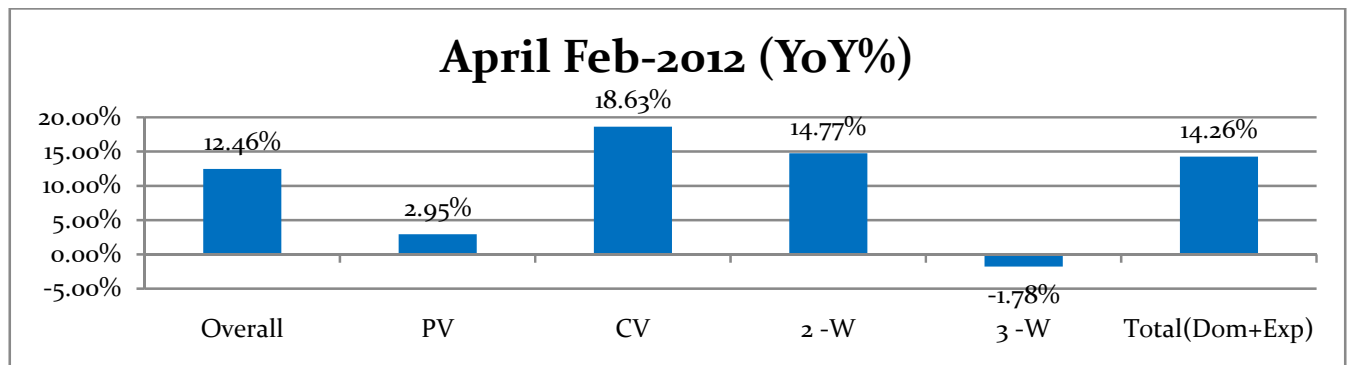
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The impact on the industry financials post the duty hikes are expected to be neutral as manufacturers are likely to pass on the costs to buyers. However this is only expected to hurt demand scenario further as all key deciding factors namely interest costs, fuel prices and vehicle costs remain stiff for the buyers. Thus we remain **Neutral** on the sector.

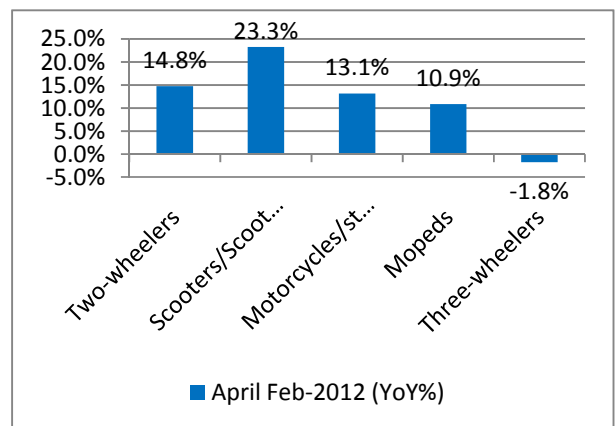
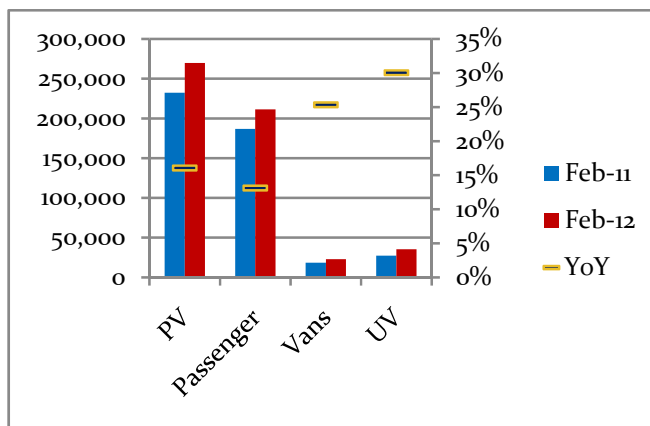
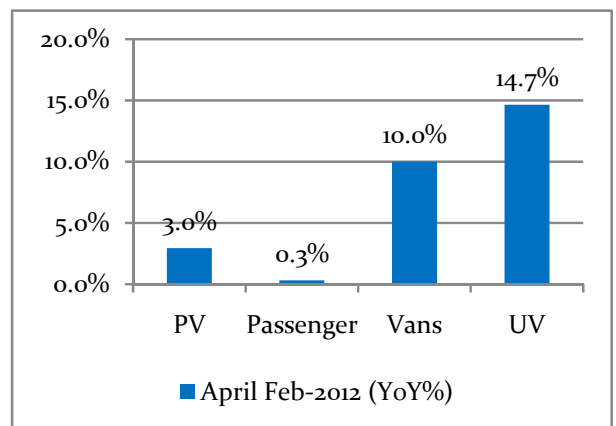
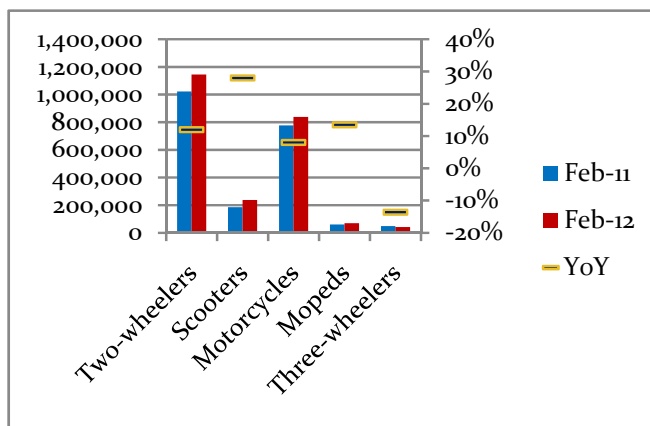
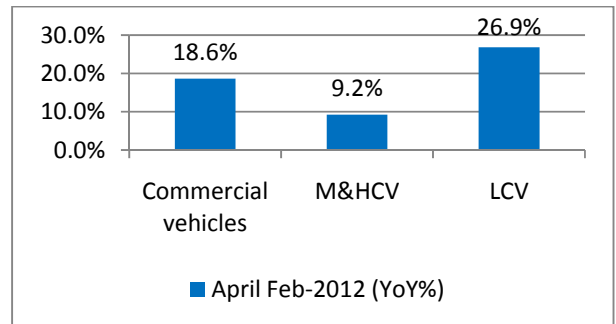
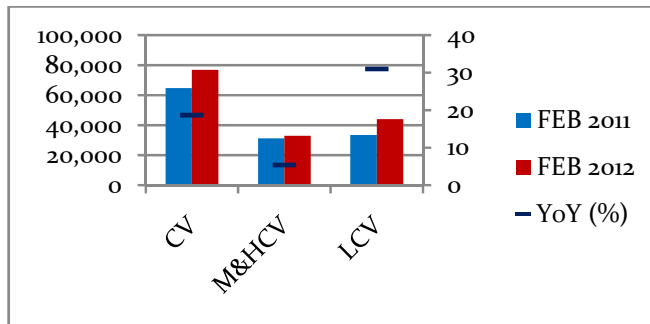
Feb12 – Performance snapshot



Source: SIAM, NW18, Banham Research



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Auto Sales –Feb 2012 [MONTHLY REVIEW]

March 16, 2012

Tata Motors	Feb-12	Feb-11	YoY	YTDFY12	YTDFY11	YoY
Domestic						
Passenger	34832	31909	9%	234372	237995	-2%
UV	6596	4637	42%	48950	37460	31%
M&HCV	19332	17632	10%	185042	168790	10%
LCVs	32540	23498	38%	286879	228179	26%
Total	93300	77676	20%	755243	672424	12%
Exports	5415	4504	20%	57711	52112	11%
Total Sales	98715	82180	20%	812954	724536	12%

Source: Company, Banhem Research

Maruti	Feb-12	Feb-11	YoY	YTDFY12	YTDFY11	YoY
Mini(M800,A-Star,Alto,Wagon R,)	49104	53515	-8%	438563	514439	-15%
Compact(Swift, Estilo, Ritz)	27899	21287	31%	207841	239223	-13%
Super Compact (Dzire)	15068	9490	59%	93681	97677	4%
Mid Size (SX4)	2033	3534	-42%	16477	19685	-16%
Executive (Kizashi)	14	25	-44%	410	35	1071%
Passenger Vehicles	94118	87851	7%	756972	871059	-13%
Utility Vehicles(Gypsy, Grand Vitara)	230	156	47%	4995	5046	-1%
Vans(Omni, Eeco)	13305	13536	-2%	131625	146210	-10%
Total Domestic	107653	101543	6%	893592	1022315	-13%
Exports	11296	10102	12%	114151	126738	-10%
Total(Dom+Exp)	118949	111645	7%	1007743	1149053	-12%

Source: Company, Banhem Research

Mahindra & Mahindra	Feb-12	Feb-11	YoY	YTDFY12	YTDFY11	YoY
Auto Sector						
PV(UVs & Verito)	20573	15439	33%	197095	161894	22%
4-W Commercial(Passenger + Load)*	13522	9903	37%	137977	94068	47%
3-wheelers	5111	5725	-11%	62351	56373	11%
MNAL (LCVs & M&HCVs)	1255	900	39%	12304	10198	21%
Total	40461	31967	27%	409727	322533	27%
*Includes Maxximo, Gio, Genio, Bolero Pick up						
Exports						
M&M	2626	1411	86%	26517	15104	76%
Verito	0	0		0	1904	-100%
MNAL	0	0		1	0	NA
Total	2626	1411	86%	26518	17008	56%
Total(Dom+Exp)	43087	33378	29%	436245	393157	28%
M&M FES(Incl. Swaraj)						
Domestic Sales	14341	18134	21%	205810	183056	12%
Exports	975	907	7%	12237	10749	14%
Total	15316	19041	-20%	218047	193805	13%
Total Sales	58403	52419	11%	654283	533346	23%

Source: Company, Banhem Research

Ashok Leyland	Feb-12	Feb-11	YoY	YTDFY12	YTDFY11	YoY
CVs-excl.SCV(Dost)	9521	9800	-3%	82342	81937	0%
SCV(Dost)	1582	-	NA	5382	0	NA
Total Sales	11103	9800	13%	87724	81937	7%

Source: Company, Banhem Research



Auto Sales –Feb 2012 [MONTHLY REVIEW]

March 16, 2012

Hero Honda	Feb-12	Feb-11	YoY	YTD FY12	YTD FY11	YoY
Motorcycles	523465	472055	11%	5030615	4308081	17%
Total Sales	523465	472055	11%	5030615	4308081	17%

Source: Company, Banhem Research

Bajaj Auto	Feb-12	Feb-11	YoY	YTD FY12	YTD FY11	YoY
Motorcycles	301961	286657	5%	3533557	3112678	14%
CVs(mainly 3Ws)	41816	40217	4%	480488	403535	19%
Total Sales	343777	326874	5%	4014045	3516212	14%
Exports	122727	102273	20%	1472133	1133674	30%
Total Dom Sales	221050	224601	-2%	2541912	2382539	7%

Source: Company, Banhem Research

TVS Motors	Feb-12	Feb-11	YoY	YTD FY12	YTD FY11	YoY
Motorcycles	63019	71462	-12%	777371	757189	3%
Scooters	36693	40335	-9%	489700	423609	16%
Mopeds	69284	61403	13%	711059	574088	24%
3 Wheelers	3065	4212	-27%	37485	35433	6%
Total Sales	172061	177412	-3%	2015615	1790319	13%
Exports	17960	24036	-25%	267752	219656	22%
2 – Wheelers	16200	21674	-25%	NA	NA	NA
3 – Wheelers	1760	2362	-25%	NA	NA	NA
Domestic Sales	154101	153376	0%	1747863	1570663	11%
2 – Wheelers	152796	151526	1%	NA	NA	NA
3 – Wheelers	1305	1850	-29%	NA	NA	NA

Source: Company, Banhem Research



SIAM Forecasts	FY12	FY13
Passenger Cars	0-2%	11-13%
Commercial Vehicles	18-20%	12-14%
Two Wheelers	13-15%	11-14%
Overall	11-13%	10-12%

SIAM Forecast	FY13
<i>Cars</i>	11-13%
<i>UVs</i>	13-15%
<i>Vans</i>	10-12%
PV Total	11-13%
<i>LCV Goods</i>	16-18%
<i>M&HCV</i>	5-7%
<i>Passenger Buses</i>	4-6%
Total CV	12-14%
2W	11-14%
<i>3W Goods</i>	3-5%
<i>3W Passenger</i>	7-9%
<i>3W Total</i>	6-9%
Overall Industry	10-12%

Source: SIAM, Banhem Research

Analyst:

Hedley Albuquerque
fundamentals@banhem.in
91 22 421 20 934

RATINGS

Buy	Accumulate	Neutral	Reduce	Sell
>15%	+5>15%	+5% / -5%	-5% < -15%	>-15%

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