

CNX Auto: 3847**BSE Auto: 9141****Neutral**

Auto sales remain lackluster across the board

Auto sales continued to remain subdued with overall domestic sales in May growing 10.52% which is a marginal uptick from the 10.01% seen in April. Passenger vehicle sales pace further deteriorated, growing 7.5% in May compared to the 20.6% and 9.3% seen in March and April respectively. Commercial vehicles witnessed relatively healthier traction, growing 9.1%YoY as LCV sales surged. Two wheeler sales continued to witness double digit growth, growing 11.4% driven by the scooters segment. Three wheeler sales finally managed to return to positive territory, growing 3.3%, highest since November 2011. Exports grew 4.6% an improvement from the 1.3% seen in April.

Passenger Vehicle sales grew 7.54% to 2.21lk units as utility vehicles continued to drive growth. Passenger car sales continued to struggle, growing merely 2.8%YoY to 1.63lk units. Utility vehicles powered sales in the PV segment, registering a growth of 54.8%. Vans de-grew 16%. On YTD basis, Passenger car sales have recorded a growth of 3.1% which is a weak start for the year considering industry body SIAM's estimate of 10-12% for FY13. Cumulatively, PV sales have grown 8%YoY.

Commercial vehicle sales recorded 9.1%YoY to 62,025 units as LCVs continued to witness robust demand. LCVs which account for 64% of segment sales, grew 24.4%YoY. The healthy demand in the retail and consumer durable industry seems to be driving growth for LCVs. However M&HCV sales continue to slide, declining 10.6%YoY. LCV and M&HCV sales have grown 20.2% and (-) 11.07% respectively on YTD basis, thus resulting in overall CV sales growing 6.8% cumulatively.

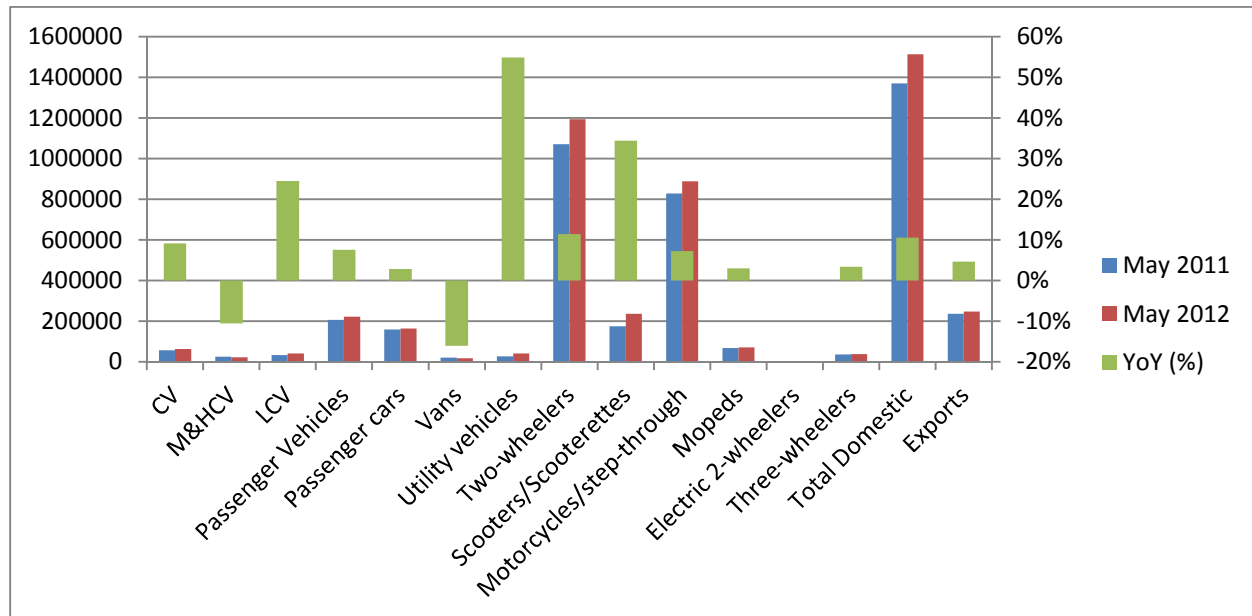
Two wheeler sales grew 11.4% to 11.92lk units on account of the sustained traction seen in the scooters segment. Scooters which account for around 1/5th of overall 2-wheeler sales grew 34.4% during the month. Motorcycles however grew subdued 7.2%YoY to 8.88lk units, which is a marginal improvement from the 6.5% seen last month. There seems to be initial signs of a shift in consumer preference moving from the passenger car segment towards two wheelers on account of rise in ownership costs and operating expenses of a 4-wheel drive. Motorcycle sales grew 3% MoM compared to a 3% fall in the passenger car sales during the same period. Mopeds grew 2.9%YoY while grew 8% cumulatively. On YTD basis, two wheeler sales have grown 11% YoY driven by the strong scooter demand (+32.9%) while pegged back by the subdued motorcycle sales (+6.9%).

Exports grew 4.62%YoY to 2.46lk units. On YTD basis, exports have grown merely 2.87% driven by Passenger vehicles (+9.54%) and two wheeler (+8.65%) sales so far. Commercial vehicles and three wheeler exports have de-grown 10.6% and 30.4% respectively.

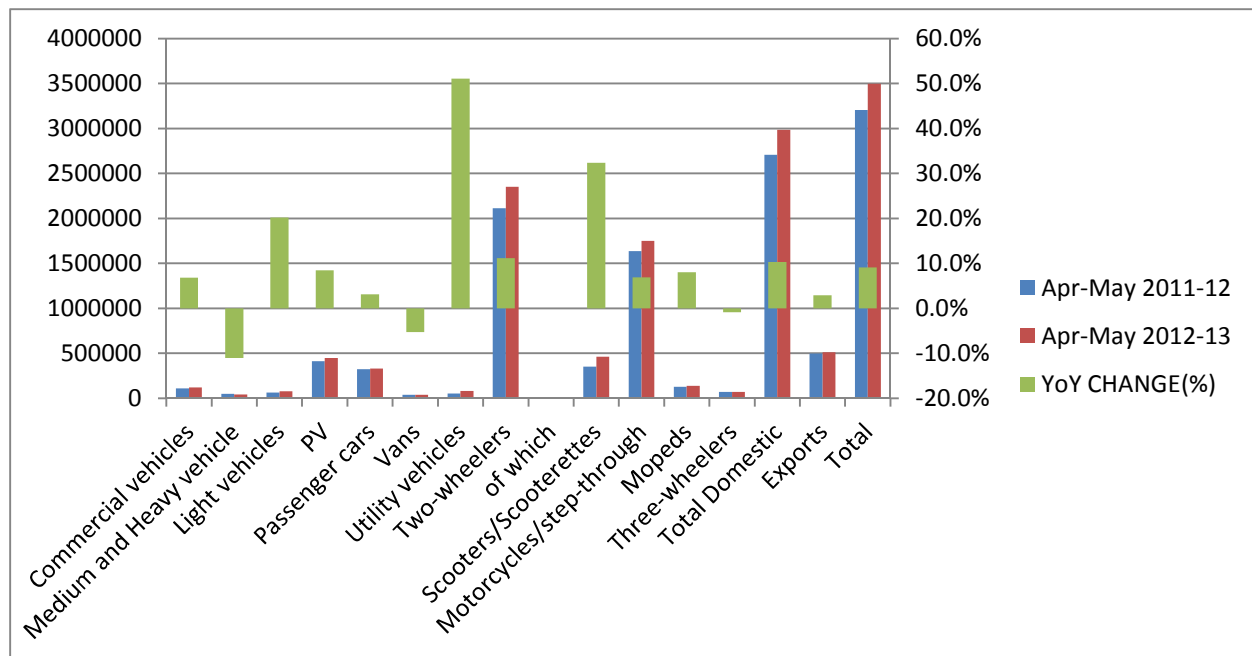
View:

Auto sales continue to remain in the slow lane on account of several impediments such elevated vehicle financing costs, rising fuel expense and overall slowdown in economic activity. We expect the sluggishness to continue going forward driven by the PV and CV segments. A roll back in petrol prices could be seen given the fall in global crude prices but extent of cuts could be hindered by the rupee depreciation. Secondly, reduction in interest rates could alleviate the pressure on sales to some extent. We maintain **Neutral** on the sector.

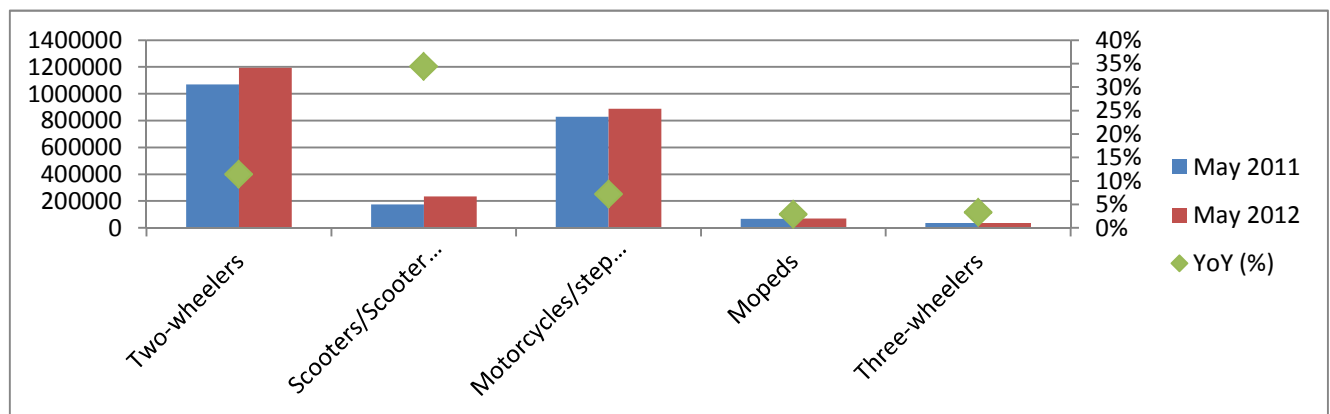
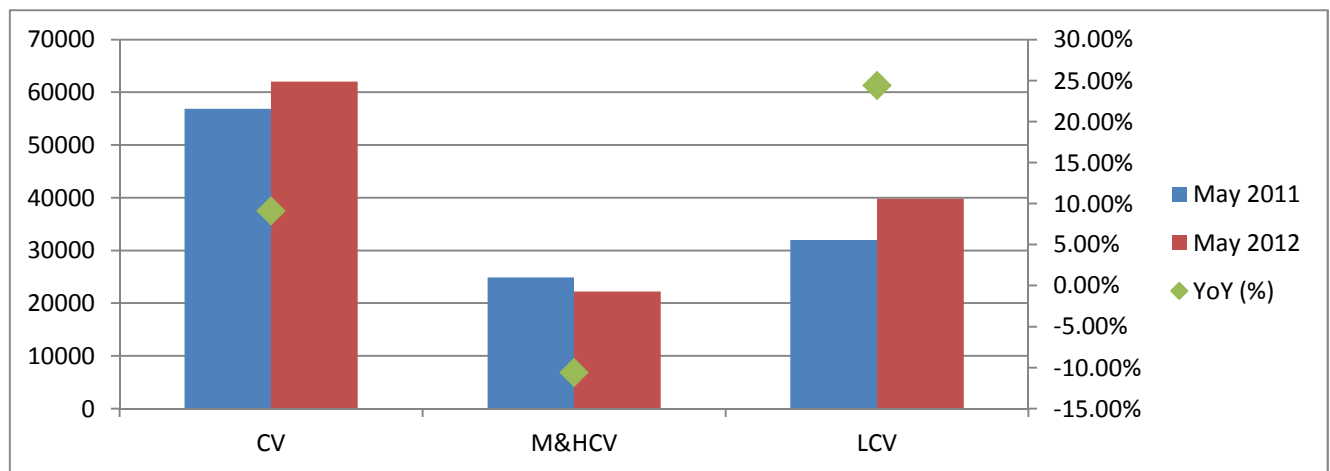
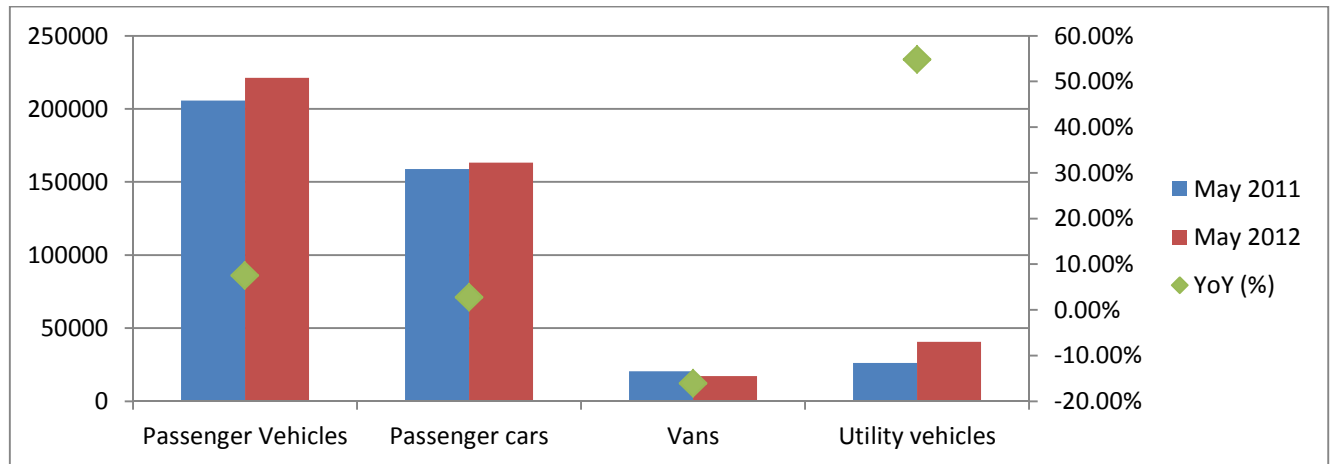
May 12 – Performance snapshot



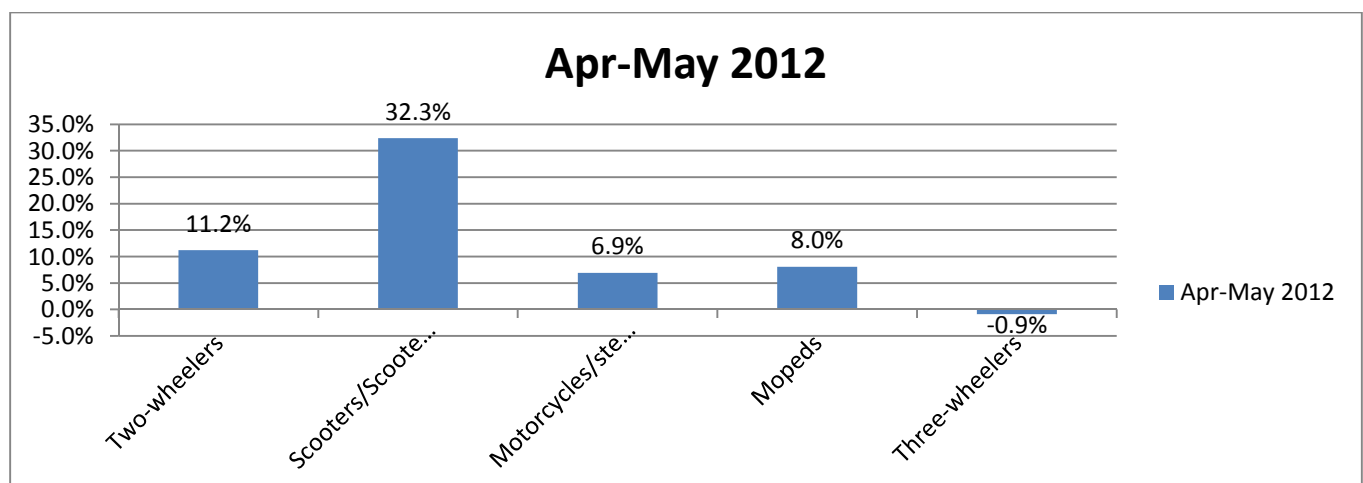
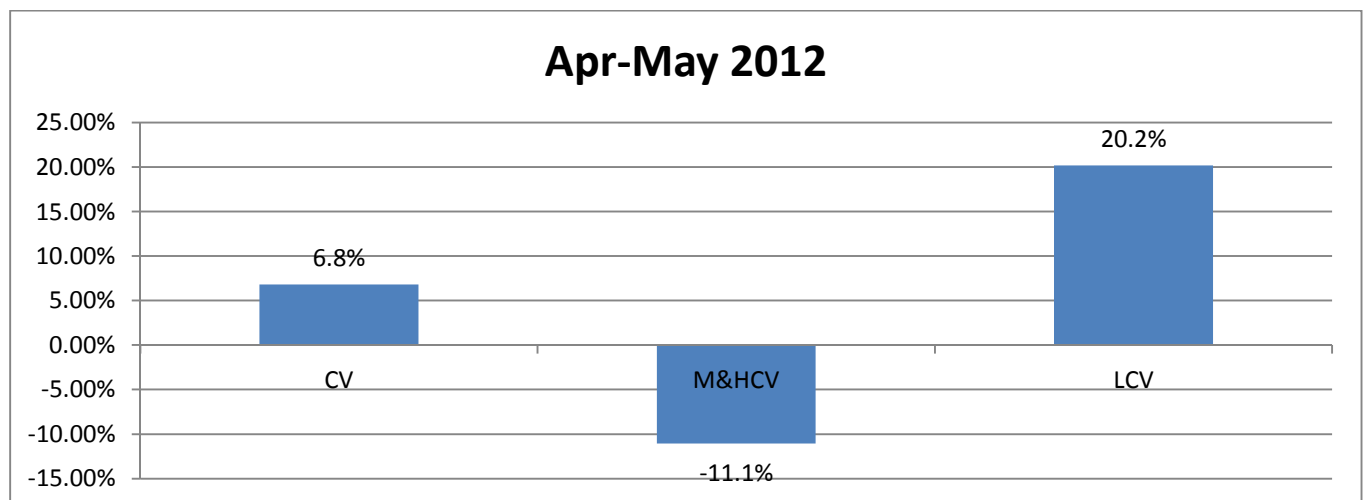
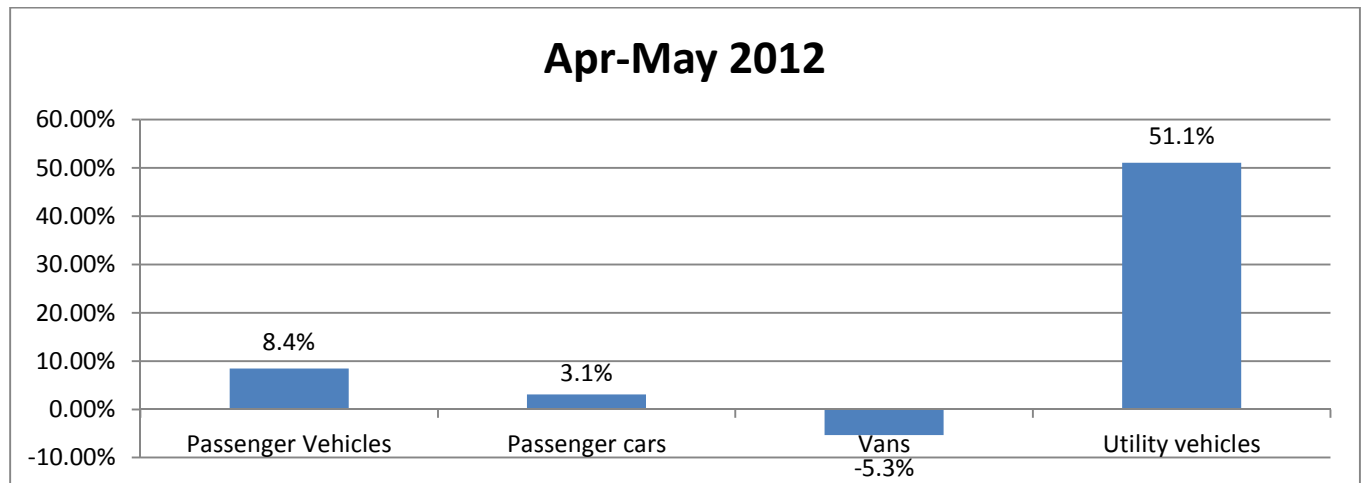
Source: SIAM, NW18, Banham Research



Source: SIAM, NW18, Banham Research



Source: SIAM, NW18, Banham Research



Source: SIAM, NW18, Banham Research

Auto Sales –May 2012 [MONTHLY REVIEW]

June 11, 2012

Tata Motors	May-12	May-11	YoY	YTDFY13	YTDFY12	YoY
Domestic						
Passenger	17371	16280	7%	35981	35824	0%
UV	3132	3121	0%	7180	6964	3%
M&HCV	12451	15532	-20%	22280	29468	-24%
LCVs	27174	21829	24%	51992	44631	16%
Total	60128	56762	6%	117433	116887	0%
Exports	4219	5534	-24%	7000	9792	-29%
Total Sales	64347	62296	3%	124433	126679	-2%

Source: Company, Banham Research

Maruti	May-12	May-11	YoY	YTDFY13	YTDFY12	YoY
Mini(M800,A-Star,Alto,Wagon R,)	29895	42125	-29%	60615	83869	-28%
Compact(Swift, Estilo, Ritz)	24290	21185	15%	50362	39412	28%
Super Compact (Dzire)	17707	10812	64%	33217	22609	47%
Mid Size (SX4)	405	2702	-85%	1039	4804	-78%
Executive (Kizashi)	12	50	-76%	15	85	-82%
Passenger Vehicles	72309	76874	-6%	145248	150779	-4%
Utility Vehicles(Gypsy, Grand Vitara)Ertiga*	7734	1100	603%	13327	1317	912%
Vans(Omni, Eeco)	9435	15545	-39%	21158	28567	-26%
Total Domestic	89478	93519	-4%	179733	180663	-1%
Exports	9406	10554	-11%	19566	20565	-5%
Total(Dom+Exp)	98884	104073	-5%	199299	201228	-1%

*Ertiga launched in April 2012; Source: Company, Banham Research

Mahindra & Mahindra	May-12	May-11	YoY	YTDFY13	YTDFY12	YoY
Auto Sector						
PV(UVs & Verito)	21154	16702	27%	41712	32161	30%
4-W Commercial(Passenger + Load)*	13254	9958	33%	26308	19496	35%
3-wheelers	4320	4498	-4%	8979	8909	1%
MNAL (LCVs & M&HCVs)	1210	1001	21%	2238	1942	15%
Total	39938	32159	24%	79237	62508	27%
*Includes Maxximo, Gio, Genio, Bolero Pick up						
Exports						
M&M	4050	2164	87%	5470	3905	40%
Verito	0	0	NA	0	0	NA
MNAL	0	0	NA	0	0	NA
Total	4050	2164	87%	5470	3905	40%
Total(Dom+Exp)	43988	34323	28%	84707	66413	28%
M&M FES(Incl. Swaraj)						
Domestic Sales	18019	17952	0%	34068	35692	-5%
Exports	997	940	6%	1745	1730	1%
Total	19016	18892	1%	35813	37422	-4%
Total Sales	63004	53215	18%	120520	103835	16%

Source: Company, Banham Research

Ashok Leyland	May-12	May-11	YoY	YTDFY13	YTDFY12	YoY
CVs-excl.SCV(Dost)	6343	5725	11%	12811	11268	14%
SCV(Dost)	2305	-	NA	4523	-	NA
Total Sales	8648	5725	51%	17334	11268	54%

Source: Company, Banham Research

Hero Honda	May-12	May-11	YoY	YTDFY13	YTDFY12	YoY
Motorcycles	556644	500234	11%	1108201	1017333	9%
Total Sales	556644	500234	11%	1108201	1017333	9%

Source: Company, Banhem Research

Bajaj Auto	May-12	May-11	YoY	YTDFY13	YTDFY12	YoY
Motorcycles	321922	317989	1%	664246	640224	4%
CVs(mainly 3Ws)	30297	40860	-26%	69563	85934	-19%
Total Sales	352219	358849	-2%	733809	726158	1%
Exports	130573	126818	3%	299583	285240	5%
Total Dom Sales	221646	232031	-4%	434226	440918	-2%

Source: Company, Banhem Research

TVS Motors	May-12	May-11	YoY	YTDFY13	YTDFY12	YoY
Motorcycles	64134	75619	-15%	132100	145192	-9%
Scooters	38833	38168	2%	74666	73242	2%
Mopeds	70125	68104	3%	137877	124079	11%
3 Wheelers	2920	4039	-28%	5824	7600	-23%
Total Sales	176012	185930	-5%	350467	350113	0%
Exports	22817	26168	-13%	45089	51443	-12%
2 – Wheelers	21112	23062	-8%	41482	45626	-9%
3 – Wheelers	1705	3106	-45%	3607	5817	-38%
Domestic Sales	153195	159762	-4%	305378	302231	1%
2 – Wheelers	151980	158829	-4%	303161	300448	1%
3 – Wheelers	1215	933	30%	2217	1783	24%

Source: Company, 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%

DISCLAIMER:

Information contained in this Report is proprietary to Banhem Securities Private Limited and is intended solely for the addressee/s, and may contain information that is privileged, confidential or exempt from disclosure under applicable law. Access to this Report by anyone else is unauthorized. If you are not the intended recipient, an agent of the intended recipient or a person responsible for delivering the information to the named recipient, you are notified that any use, distribution, transmission, printing, copying or dissemination of this information in any way or in any manner is strictly prohibited. If you are not the intended recipient of this Report then kindly return the same to the sender.

The information herein is on the basis of publicly available information and sources believed to be reliable however we make no representation that it is accurate or complete. However we are under no obligation to update the information and do not accept any responsibility / liability for any actions undertaken as per the contents of the information provided in the report. All opinions expressed are personal and analysts hereby declare that no part of their compensation present or future is dependent on the recommendation mentioned in the report. The information herein is not intended as an offer or solicitation for the purchase or sell of any financial instrument. We may have or intend to have business from the companies mentioned in the report as on the date of this report or in the past. Banhem securities its affiliates, directors, its proprietary trading and investment businesses may, from time to time, make investment decisions that are inconsistent with or contradictory to the recommendations expressed herein. Views as per technical analysis may contradict with views expressed through fundamentals analysis due to different methodologies of study. Past performance is not a guarantee of future returns. Neither Banhem Securities Private Ltd. nor its directors, employees or affiliates shall be liable for any loss or damage that may arise from or in connection with the use of this information.