

AUTO EXPO 2014: Focus on small sedan, scooters; no major small car/SUV launch

Maruti Celerio is show stopper with automatic priced at INR429,000

Auto Expo 2014 held in Greater Noida, a biennial event, the largest in Asia and second largest globally, was the biggest-ever expo in India, with ~69 new launches (47 in 2012), of which 26 were global launches (including concepts). While the show moved to a new venue to Noida, auto lovers' enthusiasm was palpable, as we stood in an almost 0.5km long queue to enter the venue, indicating strong latent interest. Key takeaways:

- Within PVs, the focus shifted to small/compact sedans (less than four meters), with three key launches.
- However, contrary to expectations, there were no major launches in UVs (of the showcased, only two MPV of *Honda Mobilio* and *Datsun Go+* to be launched in CY14). Also, small cars saw limited actions with *Datsun Go* and *Tata Bolt*.
- In compact sedan (sub four meter), there were three launches — *Hyundai Xcent*, *Tata Zest* and *Ford Figo* concept.
- Within 2Ws, scooters were in focus, with over 9 products showcased (including four concepts). Of the 9 products, four were in 110cc category, with launches planned/announced over the next few months.
- Maruti Suzuki (MSIL) launched *Celerio* automatic-manual transmission (clutch-less) car at an attractive price point of INR429,000 (ex-showroom Delhi). MSIL expects share of automatic cars to double, from current 5%, for the industry.
- We prefer TTMT and HMCL among large caps, and TVSL and EIM among midcaps.

Implications on our coverage universe: Positive for MSIL, TTMT, HMCL, TVSL

Company	Positive fallouts	Negative fallouts
MSIL	<i>Celerio</i> , with new technology, affordable pricing and similar mileage as manual could boost market share & volumes	However, it would be partially offset by higher competitive pressures in the compact sedan segment (<i>Dzire</i>)
MM	Contrary to expectations, there were no major competitive launches in the UV space, barring couple of MPV launches viz <i>Honda Mobilio</i> & <i>Datsun Go+</i>	No new launches/showcase of upcoming products
TTMT	Positively surprised by the quality of new launches (<i>Zest</i> & <i>Bolt</i>). While both new products are on existing platform, they would have new petrol engines	
HMCL	Made a statement of intent with 9 new products (including three concepts viz diesel, hydrogen powered two-wheeler and a 650cc sports bike)	Yet to showcase mass market indigenously developed motorcycle product
BJAUT	New <i>Pulsar</i> launches (400cc) looked stunning and should help in further strengthening its market share in premium motorcycle space	Contrary to expectations, BJAUT did not showcase any step-through model. Moreover, multiple scooter launches by competition would continue to impact its domestic franchise
TVSL	Showcased new <i>Scooty Zest</i> , upgraded <i>Wego</i> and <i>Star City</i> (all-new platform)	

Auto: Financials and Valuations

	EPS (INR)			EPS Gr. (%)			P/E (x)			EV/EBITDA(x)			RoE (%)			
	FY14E	FY15E	FY16E	FY14E	FY15E	FY16E	FY14E	FY15E	FY16E	FY14E	FY15E	FY16E	FY14E	FY15E	FY16E	
Bajaj Auto	112.9	133.7	158.5	7.3	18.4	18.6	16.3	13.7	11.6	10.5	8.5	6.7	37.6	37.2	36.6	
Hero Moto	105.1	143.6	176.6	(0.9)	36.7	22.9	18.7	13.7	11.1	10.5	9.1	7.4	39.2	45.0	44.3	
TVS Motor	5.5	7.9	10.0	45.5	42.9	25.9	14.3	10.0	8.0	8.8	6.3	4.8	19.9	24.1	25.5	
Maruti Suzuki*	96.0	116.9	148.8	19.5	21.8	27.3	17.6	14.4	11.3	8.3	6.3	4.7	13.6	14.7	16.1	
Mahindra*	76.5	84.7	101.2	3.4	10.6	19.6	11.7	10.6	8.8	10.2	9.1	7.9	20.9	18.7	17.8	
Tata Motors*	47.4	50.4	62.5	47.6	6.5	24.0	7.7	7.2	5.8	3.5	3.1	2.5	34.1	27.3	26.1	
Ashok Leyland	(2.1)	(0.2)	0.5	-	-	-	-	-	-	31.8	186.6	8.7	5.5	(12.4)	(1.4)	2.8
Eicher Motors*#	132.5	195.7	271.1	10.3	47.8	38.5	33.5	22.6	16.4	20.4	15.8	11.6	20.2	25.1	28.2	

*Consolidated, # Nos. are on CY basis

Jinesh Gandhi (Jinesh@MotilalOswal.com) + 91 22 3982 5416

Chirag Jain (Chirag.Jain@MotilalOswal.com) + 91 22 3982 5418

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Compact sedans in focus; MSIL has 64% share in segment

- Compact sedans (less than four meters) were in the limelight, with three products being showcased, including one concept from Ford.
- In small sedan (sub four meter), there were three launches — *Hyundai Xcent* (in market by March), *Tata Zest* (by 2HCY12) and *Ford Figo* concept.
- Compact sedan segment has grown in double digit v/s passenger vehicle industry decline of 6% during the same period. MSIL has 64% market share of this segment.
- We were positively surprised by the quality of interiors and finishing of Tata cars. Though it is a step in the right direction, there are multiple challenges to overcome before we adopt a optimistic view on TTMT's PV business.

Ford Figo compact sedan concept



Hyundai Xcent compact sedan (launch in Mar-14)



Tata Zest



Tata Zest's interiors



'' The compact sedan segment has current volumes of 31,000 units a month and is growing in strong double digits. We are the segment leaders in the bigger sedan segment and would like to have a sizeable presence in the entry level category as well. ''

Rakesh Srivastava, Sr Vice President, Marketing & Sales, Hyundai Motor India

Several SUV concept showcased, however no major launch announced

- Contrary to expectations, there were no major launches in SUVs, though several compact SUV concepts were showcased in the expo.
- During FY15, we expect MSIL, Hyundai and Honda to introduce compact SUV in the Indian market.

Honda Vision compact SUV concept**Renault compact SUV concept****Volkswagen Taigun compact SUV concept****Tata Nexon compact SUV concept****FIAT Adventura compact SUV concept****Chevrolet Adra compact SUV concept**

Two MPVs were showcased, launch expected in FY15

Honda Mobilio MPV (based on Brio platform)



Datsun Go+ MPV (based on Go platform)



Small cars saw limited action, with only two launches expected in FY15 – Datsun Go and Tata Bolt

Tata Bolt hatchback



Tata Bolt interiors



Datsun Go hatchback



Datsun Go interiors



'' Having outperformed the scooter industry, we are rapidly expanding our portfolio with the objective of attaining leadership in this segment as well. ''

Pawan Munjal, CEO, Hero MotoCorp quoted in media

Scooters were the key attraction in two-wheelers, with over 9 products showcased

- Within 2Ws, scooters were in focus with over 9 products showcased (including four concepts).
- Of the 9 products, four were in the 110cc category, with launches planned/announced over the next few months.

Honda Activa 125 (125cc scooter)



Yamaha Alpha (110cc scooter)



Suzuki Let's (110cc scooter)



Hero Dash (110cc scooter)



TVS Scooty Zest (110cc variant)



TVS Graphite (concept scooter)



Hero Zir (157cc scooter)



Hero Dare (125cc scooter)



Vespa 946 (125cc scooter)



Piaggio Liberty



Within motorcycles, focus was largely on the premium segment

- Both Hero and Bajaj showcased multiple premium offerings in the motorcycle space.
- TVS showcased all-new Star City upgrade (expected launch in 1QFY15). TVS also showcased its 200cc premium motorcycle concept, TVS Dranken.

Bajaj Pulsar 400 SS



Bajaj Pulsar 400 CS



TVS Dranken (200cc concept motorcycle)



TVS Star City (all-new) launch likely in 1QFY15



Hero – 620cc Hastur motorcycle concept



Hero 250cc HX250R sports bike



'' Our research shows that a quarter of small car consumers enquire about an automatic variant. We've had the options in some of our cars like A-Star but sales have been low because the cars are at least INR100,000 more expensive than a geared car and offers lower fuel economy. ''

Mayank Pareek, Chief Operating Officer, MSIL quoted in media

MSIL launched Celerio with automatic-manual variant starting at INR429,000

- MSIL's *Celerio* had been a talking point pre-launch and the pricing for automatic at INR429,000 ensured it remained a talking point. Though clearly the selling point of *Celerio* would be automatic-manual transmission with similar fuel efficiency as manual, the design was lukewarm. Management expects the share of automatic to double from 5% in the industry, with the launch of *Celerio*.
- While *Celerio* was a big launch, other launches like *SX4 Cross* and *Diaz* (concept) are an attempt to straddle up their portfolio and improve brand perception.
- However, launches in small sedan and entry hatchbacks can pose challenges to *MSIL Dzire/Alto*, in turn diluting the potential benefits of *Celerio*.

Celerio pricing outshines present automatic variants (INR)

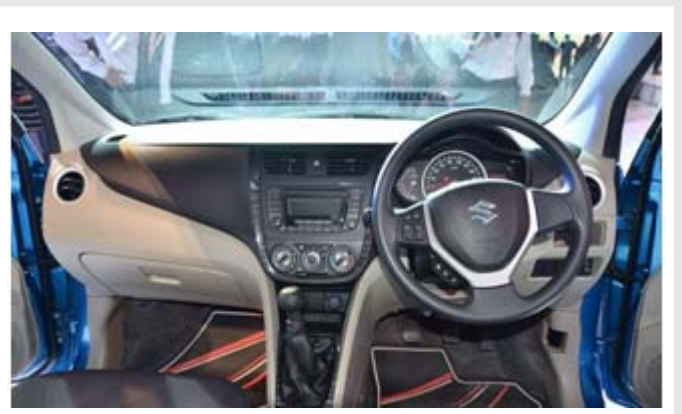
Models	Variant	Delhi (Ex-Showroom)
A-Star (Lxi)	Manual	388,911
A-Star (Lxi)	Automatic	477,959
Celerio (LXi)	Manual	390,000
Celerio (LXi)	AMT	429,500
Grand i10 (Era)	Manual	441,000
Grand i10 (Sportz)	Automatic	574,000
Wagon R (Lxi)	Manual	396,730

Source: Company, MOSL

Maruti Celerio



Celerio interiors



Maruti Sx4 S-cross



Maruti Ciaz concept premium car



Other head-turners at expo

Bajaj U-Car concept



'' We are staying true to our strategy of being an anti-car company. As I have always said very fundamentally, there are intra-city vehicles and inter-city vehicles. The products we believe are suitable for the intra-city model are two-wheelers and three-wheelers. Now, this is one more example of creating a new category, because honestly, while it has four wheels, I don't know whether it will be categorised as a three-wheeler, a four-wheeler or a car. So, once again, we are saying it's not a car, it's a U Car. ''

Rajiv Bajaj, MD, Bajaj Auto quoted in media.

Mahindra Reva two-seater concept electric sports car



Ssangyong Liv-1 full-size SUV concept



Nissan Friend-Me Concept



Renault Zoe



Tata Motors Connect Next



Piaggio NT3 concept – three-seater



Hero *iON* electric motorcycle concept



Hero *RNT* diesel motorcycle concept



Hero *Passion TR* (off-roader)



Hero *Splendor Café Racer*



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In respect of any matter arising from or in connection with the research you could contact the following representatives of Motilal Oswal Capital Markets Singapore Pte Limited:

Anosh Koppikar

Email : anosh.koppikar@motilaloswal.com
Contact: (+65) 68189232

Kadambari Balachandran

Email : kadambari.balachandran@motilaloswal.com
Contact: (+65) 68189233 / 65249115

Office address: 21 (Suite 31), 16 Collyer Quay, Singapore 049318



Motilal Oswal Securities Ltd

Motilal Oswal Tower, Level 9, Sayani Road, Prabhadevi, Mumbai 400 025

Phone: +91 22 3982 5500 E-mail: reports@motilaloswal.com