

## ALL, Telco (Nov '02) sales trends up

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### Ashok Leyland November sales revs up 12.2%

Ashok Leyland reported a 12.2% YoY rise in November '02 sales which was mainly driven by a 55.6% jump in bus sales. Medium and heavy truck sales dipped 3.3%. LCVs grew 236% in the month.

#### CNG Buses

ALL delivered nearly 300 CNG buses in the month of November to Delhi -- including DTC and private operators. Our interactions with the company also indicate that ALL should complete delivery of DTC's order for 500 CNG buses by December.

In Tamil Nadu, with a move towards privatisation of 50% of bus routes, private operators' demand for new buses operating on these routes is also expected to pick up. On the back of ALL enjoying tremendous brand loyalty in Tamil Nadu, we believe that these orders would come ALL's way.

#### MAVs

ALL's mainstay, MAVs, continued to perform well in November. Poor performance by the 16T haulage segment where ALL continued to lose ground, was however, a dampener.

Category	Nov '02	Nov '01	% chg
MDV Passenger	750	482	55.6%
MDV Goods	1505	1556	-3.3%
<b>Total M&amp;HCVs</b>	<b>2255</b>	<b>2038</b>	<b>10.6%</b>
LCVs	47	14	235.7%
<b>Total</b>	<b>2302</b>	<b>2052</b>	<b>12.2%</b>

#### View and valuation

We continue to be positive on Ashok Leyland. Major upsides are expected from the shift towards MAVs once the 16T segment tops out. Additional upside could come from the bus segment with demand beginning to show early signs of picking up. At current levels, ALL trades at 9.6x FY03E EPS and 5x FY03E EV/EBITDA. We are upgrading the stock to a **Buy** from Out Performer. We will be coming out with an update shortly.

### Telco November sales up 15%

Telco recorded a 15% growth in CV sales in November '02. This was largely propelled by a 21% growth in M&HCV sales. Utility vehicles continued their degrowth during November; *Indica* sales grew 9% to 5819 units.

#### M&HCV, LCVs

Domestic M&HCV sales growth was even more impressive at 24% YoY but was muted following the 27% decline in export sales. Telco's domestic LCV sales grew 18% with the *Tata 207 DI* continuing its good performance. Growth in the 16T rigid axle segment continued unabated. We however expect growth rates in this segment to taper off in the remaining four months of FY03 from the high base of H2 FY02, as foodgrains movement (from Food Corporation of India warehouses in north India - the main driver of growth in this segment during H1 FY03) subsides.

**Cars**

*Indica* recorded a 9% YoY growth in sales (11% domestically) in November to 5819 units. Competitor Hyundai, on the other hand, grew *Santro* sales by nearly 38%. Though November and December are usually months when car sales are soft, we are slightly concerned by this disparity in the growth numbers between the two players.

**Utility vehicles**

Utility vehicles were relatively better showing signs of a slight turn around in November -- sales grew 7% MoM. *Safari* sales, which grew by 21% YoY in November, as well as new product launches including the *Safari EX* and the *Sumo EX*, helped arrest the sharp MoM decline witnessed in October.

Category	Domestic		Exports		Total		Total % chg	Domestic % chg	Export % chg
	Nov'02	Nov'01	Nov'02	Nov'01	Nov'02	Nov'01			
M& HCV	5,635	4,548	179	245	5,814	4,797	21.2%	23.9%	-26.9%
LCV	2,478	2,104	164	439	2,642	2,546	3.8%	17.8%	-62.6%
<b>Total CV</b>	<b>8,113</b>	<b>6,652</b>	<b>343</b>	<b>684</b>	<b>8,456</b>	<b>7,343</b>	<b>15.2%</b>	<b>22.0%</b>	<b>-49.9%</b>
Utility	1,828	1,817	32	238	1,860	2,054	-9.4%	0.6%	-86.6%
Cars	5,758	5,185	61	150	5,819	5,335	9.1%	11.1%	-59.3%
<b>Total</b>	<b>15,699</b>	<b>13,654</b>	<b>436</b>	<b>1,072</b>	<b>16,135</b>	<b>14,732</b>	<b>9.5%</b>	<b>15.0%</b>	<b>-59.3%</b>

**View and valuation**

Given Teclo's YTD performance, we are confident that it is well on track to meet its FY03 guidance of a 15-18% growth in CVs and 100,000 passenger cars. We remain bullish on the CV segment, though one could well see a decline in growth rates for the rest of the year as the effect of a high base sets in. At the current levels, the stock is trading at 8.7x FY03E EV/EBITDA. We reiterate our **Out Performer** rating on the stock.



12 December 2002  
Auto Update

**Stock Ratings Absolute Returns**

Buy : > 25%  
Out Performer : 16 - 25%  
Market Performer : 0 - 15%  
Under Performer : < 0%

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