

INDIAN AUTOMOBILE INDUSTRY

Automobile Industry ends FY 2015 with a growth 7.2% in unit sales driven by recovery in PVs & M&HCVs
Within two wheelers, scooters continued to grow at strong pace

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Domestic Volume Growth Trends in March 2015 and FY 2015

- Passenger vehicle volumes grew by 2.7% YoY in March and 3.9% in FY 2015
- Commercial Vehicles grew by 2.1% YoY in March and -2.8% in FY 2015
- Two-Wheeler volumes de-grow by 0.8% YoY in March and grew by 8.1% in FY 2015
- Three-Wheeler volumes grew by 2.7% YoY in March and 10.8% in FY 2015
- Tractor volumes de-grow by 30.4% YoY and 13.0% in FY 2015

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Summary

Passenger Vehicles: Sales continue to recover gradually as operating cost eases

Domestic Passenger Vehicle (PV) industry sales grew by 3.9% YoY during FY15, though momentum has slowed down in Mar-15 with 2.7% YoY growth during the month. Both, Passenger Car (PC) as well as Utility Vehicle (UV) segment witnessed moderation in growth during Mar-15 from Feb-15 level, though all three segments including Van segment have registered sequential (month on month) growth in volume. During FY14, PC sales grew by 4.8% YoY shrugging two years of declining volume trend whereas UV segment witnessed relatively better 5.5% YoY growth. Van segment volume declined by 10.2% YoY during FY14 but on monthly basis, volume has stabilized ~14,000 units. Correction in fuel prices and easing financing cost has resulted in lower operating cost, which should further aid domestic PV growth in near to medium term. Van segment, which largely mirrors trend in small commercial vehicle (passenger carrier) segment has witnessed marginal decline in volume, thanks to uptick in demand for MSIL's MPVs (Omni, Eeco) post decline in petrol prices. In terms of market share, MSIL continue to maintain its leadership position with 45.0% market share (+292bps) during FY15 followed by Hyundai (16.3%, +114bps), M&M (8.6%, -155bps), Honda (7.6%, +219bps) and TML (6.3%, -159bps) during FY15.

Two Wheelers: Growth remains constrained by weak motorcycle sales; motorcycle volumes decline by 5% (YoY); scooter sales grew by 11%(YoY) in Mar'15

The domestic two wheeler industry growth continued to remain in negative territory for the second consecutive month registering a volume decline of 1% (YoY) in Mar'15 owing to continued weakness in motorcycle sales which declined by 5% (YoY) and moderation in the scooter segment growth to about 11% (YoY) during Mar'15 compared to strong double digit growth in earlier months. Within the motorcycle segment, the volumes in 100cc sub-segment remained largely flat registering a modest volume growth of 2% (YoY) in Mar'15 while the 125cc sub-segment witnessed sharp decline of 42% (YoY) mainly owing to weak rural demand. While the 100cc sub-segment saw Hero, TVS and Honda registering volume growth, even as all other OEMs that have a presence in the 100cc sub-segment posting a YoY de-growth in Mar'15, the 125cc bike sub-segment saw volumes contract across all OEMs (YoY). In contrast, the >150cc sub-segment of bikes posted 63.6% YoY growth in Mar'15 maintaining its streak of double-digit monthly growth (YoY) all through the current fiscal. With this, the share of >150cc bikes in total domestic motorcycle sales volumes increased to 10.0% in Mar'15 (6% in Mar'14). In terms of 2W industry market share, both Hero Moto Corp as well as Bajaj Auto saw their share shrink in FY 2015 (compared to FY2014) by 110 bps and 310 bps respectively; while Honda improved its share by 260 bps to 26.6%

Commercial Vehicles: Industry started recovering during FY 2015; M&HCV segment grew by 16.0% while LCV sales contracted by 11.6%

The domestic CV industry gradually came out of the down cycle during FY 2015 after two years of demand contraction. During the year, the M&HCV segment recorded a growth of 16.0% in unit sales primarily led by sharp uptick in replacement demand for Heavy Commercial Vehicles (HCVs) and improvement in bus sales on back of STU orders. The pick-up in M&HCV sales albeit on a low base was driven by gradual improvement in operating environment for fleet operators (as reflected by firm freight rates despite correction in diesel prices), expectations of pick-up in investments in infrastructure as well as manufacturing space along with renewal of mining activities. While the M&HCV segment seems to have bottomed out, the LCV Truck segment is still experiencing sluggish trends (down 11.6% YoY) as significant capacity addition over the past few years and constrained financing environment amidst rising delinquencies remains a challenge for the segment. In terms of market share, Tata Motors has maintained its market share in the M&HCV segment, while ALL has gained market share on back of expansion in non-South markets. However, in the LCVs (Goods) segment, Tata Motors' market share has dropped since FY 2014 as slowdown has caught up with the sub 2t category where it commands a strong market share. In contrast, the 2-3.5t segment has witnessed lower de-growth where M&M has relatively stronger market position with its wide portfolio of pick-up trucks. In the bus segment, new orders have resulted in market share gains for Tata Motors and ALL from Q2 FY 2015 onwards.

Three-Wheelers: Domestic three-wheeler segment grew by 10.8% in FY 2015 compared to a decline of 10.9% in FY 2014

The domestic three-wheeler industry has also been in a sweet spot during the current financial year, registering a growth of 10.8% in FY 2015 in contrast to de-growth of 10.9% witnessed during FY 2014. The demand improvement during the current fiscal has primarily been led by pick-up in the passenger carrier segment, which has benefited by fresh permit issuances across various cities. During the year, three-wheeler exports, which contribute almost 43% to industry sales, have also grown by a healthy 15.4% over the previous year primarily on account of higher demand from South-East Asian and African markets.

Tractors: Farm sentiments remain somber; domestic tractor volumes decline by 30.4% in Mar'15; exports maintain the growth trajectory

While the domestic tractor sales remained flat during H1FY2015, industry witnessed sharp decline in H2FY2015 of 25.3% (YoY) leading to a decline of 13.0% for full year FY2015. Decline in crop output, lower yields and weakening crop prices during the current year have negatively impacted farm sentiments with likely dip in farm incomes. Further, non-agri demand pull has also remained subdued with slow pick-up in pace of infrastructure activity. However, export demand remains robust on back of growing demand from U.S, near-by markets- especially Sri Lanka, Bangladesh and parts of Africa; albeit on a small base. Among listed players, M&M witnessed a sharp decline of 31.0% YoY and Escorts saw volumes contract by 31.7% in domestic segment during Mar'15, while exports continued to perform well for M&M registering 68.9% YoY growth in Mar'15; Escorts saw export volumes contract to 60 in Mar'15 as against 100 during the same period last year.



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