

Automobile Roadmap – November 07

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Mixed trend continues

The domestic automobile industry continued to show a mixed trend during October 2007. Segments such as passenger cars, UV, LCV, and M&HCV passenger carriers continued to register a good growth; sales of other segments like Motor cycles, and M&HCV goods carriers, however, continued to remain sluggish.

The domestic passenger cars segment recorded a healthy growth of 14.6% YoY during October 2007, mainly driven by increased off-take of compact and mid size cars that grew 20.6% and 8.8% YoY respectively. Recently launched models in the compact and mid size segment contributed significantly to the incremental sales of the industry during April-October 2007. From April-October 2007, the industry has grown 13.6% YoY.

The M&HCV goods carrier segment showed some signs of recovery due to a pick up in demand. The segment recorded flat sales as against a sharp decline during previous months. The LCV segment, aided by strong performance of Tata Motors and Mahindra & Mahindra (M&M), continued to do well.

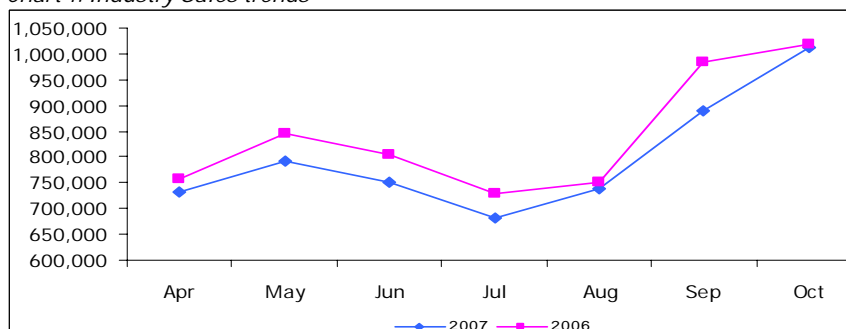
The domestic sales of M&HCV passenger carriers (buses) were encouraging at 36.4% YoY. This growth was driven by the continued demand from various state transportation units that are increasing their existing fleet size to enhance public transport facilities.

The three-wheeler goods carriers segment continued its disappointing performance with an 18.1% decline in sales. The drop in sales is due to the increasing preference of new four-wheeler goods carriers like *Tata ACE* and *MaXX* pick up truck over three-wheelers.

Two wheeler sales continued to drop during October 2007. Domestic sales were down 3.7% YoY. Decline in two-wheeler sales were mainly due to bad condition of the motorcycle segment where domestic sales declined by around 6.7% YoY during October 2007. Decline in total motor cycle sales, however, was restricted to 3.8% YoY due to robust 41.7% YoY increase in exports.

The Scooterette segment continued to do well with an increase of 16.7%. A slew of new products recently launched in this segment by all the manufacturers maintained the purchase momentum among working women and teenagers, the primary customers of this segment.

Chart 1. Industry Sales trends



Source: IISL research, company

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Table 1. Sales at a glance

(Number of vehicles)

Category Segment/Subsegment	Domestic Sales			Exports			Total Sales		
	Oct'06	Oct'07	(%change)	Oct'06	Oct'07	(%change)	Oct'06	Oct'07	(%change)
I Passenger Vehicles (PVs)									
Passenger Cars	92,389	105,878	14.6%	14,690	16,138	9.9%	107,079	122,016	13.9%
UVs	18,559	23,269	25.4%	304	323	6.3%	18,863	23,592	25.1%
MPVs	7,753	9,357	20.7%	83	119	43.4%	7,836	9,476	20.9%
Total Passenger Vehicles (PVs)	118,701	138,504	16.7%	15,077	16,580	10.0%	133,778	155,084	15.9%
II Commercial Vehicles (CVs)									
M&HCVs									
Passenger Carriers	2,253	3,074	36.4%	604	658	8.9%	2,857	3,732	30.6%
Goods Carriers	20,343	20,167	-0.9%	699	942	34.8%	21,042	21,109	0.3%
Total M&HCVs	22,596	23,241	2.9%	1,303	1,600	22.8%	23,899	24,841	3.9%
LCVs									
Passenger Carriers	1,652	2,024	22.5%	432	449	3.9%	2,084	2,473	18.7%
Goods Carriers	14,707	18,380	25.0%	2,380	3,003	26.2%	17,087	21,383	25.1%
Total LCVs	16,359	20,404	24.7%	2,812	3,452	22.8%	19,171	23,856	24.4%
Total II Commercial Vehicles (CVs)	38,955	43,645	12.0%	4,115	5,052	22.8%	43,070	48,697	13.1%
III Three Wheelers									
Passenger Carrier	19,711	22,285	13.1%	13,182	12,631	-4.2%	32,893	34,916	6.2%
Goods Carrier	16,062	13,109	-18.4%	23	63	173.9%	16,085	13,172	-18.1%
Total Three Wheelers	35,773	35,394	-1.1%	13,205	12,694	-3.9%	48,978	48,088	-1.8%
IV Two wheelers									
Scooter/Scooterette	84,680	98,752	16.6%	1,840	2,246	22.1%	86,520	100,998	16.7%
Motor cycles/Step Throughs	705,467	657,874	-6.7%	45,779	64,882	41.7%	751,246	722,756	-3.8%
Mopeds	28,390	34,697	22.2%	3,847	609	84.2%	32,237	35,306	9.5%
Electric Two Wheelers	5,645	2,097	-62.9%	0	0		5,645	2,097	-62.9%
Total Two wheelers	824,182	793,420	-3.7%	51,466	67,737	31.6%	875,648	861,157	-1.7%
Grand Total	1,017,611	1,010,963	-0.7%	83,863	102,063	21.7%	1,101,474	1,113,026	1.0%

Source: IISL research, SIAM

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Table 2. Company-wise sales

(Number of vehicles)

Name of the Manufacturers	Domestic Sales				Exports			
	For the month of October		Cumulative April-October		For the month of October		Cumulative April-October	
	2006	2007	06-07	07-08	2006	2007	06-07	07-08
Ashok Leyland Ltd	6,798	6,280	40,864	40,348	457	545	3,300	3,532
Atul Auto Limited	1,483	933	8,248	5,174	32	0	193	5
Bajaj Auto Ltd	239,430	222,604	1,384,539	1,100,266	40,148	55,572	250,258	363,594
BMW India Pvt Ltd	9	200	162	936	0	0	0	0
Daimler Chrysler India Pvt. Ltd	96	201	1,031	1,322	0	0	0	0
Eicher Motors Ltd	2,399	2,855	13,442	15,273	77	158	945	1,182
Electrotherm (India) Ltd	5,645	2,097	15,546	10,935	0	0	0	0
Fiat India Automobiles Pvt Ltd	319	239	1,585	2,017	0	1	5	1
Force Motors Ltd	2,469	2,493	17,117	13,497	199	101	520	611
Ford India Pvt Ltd	3,336	3,297	22,941	21,452	2,190	427	16,238	1,257
General Motors India Pvt Ltd	3,153	6,139	22,315	36,962	0	0	0	0
Hero Honda Motors Ltd	356,407	359,315	1,883,076	1,876,835	7,073	5,707	65,063	47,673
Hindustan Motors Ltd	1,167	1,013	8,597	7,627	0	0	11	0
Honda Motorcycle & Scooter India (Pvt) Ltd	54,416	76,416	352,864	509,930	1,511	2,856	18,825	20,914
Honda Sael Cars India Ltd	5,571	5,286	34,524	34,577	4	1	24	20
Hyundai Motor India Ltd	18,603	18,207	115,469	116,063	7,507	9,929	67,104	77,554
Kinetic Motor Company Ltd	9,334	4,688	47,556	27,225	2,141	170	6,606	4,733
Mahindra & Mahindra Ltd	16,173	21,364	90,227	109,771	936	1,101	5,026	6,297
Mahindra Renault Pvt Ltd	0	2,214	0	14,707	0	0	0	0
Majestic Auto Ltd	901	281	3,111	3,731	1,038	69	11,100	4,525
Maruti Suzuki India Ltd	55,894	64,258	342,516	401,016	4,269	5,157	20,278	29,402
Piaggio Vehicles Pvt Ltd	12,298	13,785	81,601	88,865	253	348	1,517	2,352
Royal Enfield (Unit of Eicher Ltd)	2,582	3,506	16,582	19,626	92	21	1,134	1,840
Scooters India Ltd	1,309	1,151	8,353	7,341	0	0	0	4
SkodaAuto India Pvt Ltd	1,062	1,006	7,418	6,469	0	0	0	0
Suzuki Motorcycle India Pvt Ltd	7,387	8,708	35,414	38,735	0	0	0	177
Swaraj Mazda Ltd	815	807	5,861	6,068	52	61	308	408
Tata Motors Ltd	40,493	45,124	279,183	280,472	3,653	4,230	30,531	31,832
Tatra Vectra Motors Ltd	5	0	36	36	0	0	0	0
Toyota Kirloskar Motor Pvt Ltd	4,186	4,856	29,494	31,738	0	0	0	0
TVS Motor Company Ltd	135,093	118,568	873,118	699,353	7,232	11,046	64,733	73,501
Volvo India Pvt Ltd	52	101	449	529	0	0	12	0
Yamaha Motor India Pvt Ltd	28,726	12,971	147,660	67,569	4,999	4,563	39,235	38,666
Total	1,017,611	1,010,963	5,890,899	5,596,465	83,863	102,063	602,966	710,080

Source: IISL research, SIAM

* Exports of Ford indicate CKDs

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Passenger cars

The domestic passenger cars segment recorded a healthy growth of 14.6% YoY during October 2007, mainly driven by compact and mid size segments that grew 20.6% and 8.8% YoY respectively. Recently launched models in the compact and mid size segment contributed significantly to the incremental sales of the industry during April-October 2007. From April-October 2007, the industry has grown 13.6% YoY.

The mini (A1) segment continued to decline with the sales falling 29.5% YoY during October 2007 and 16.6% YTD.

The compact car (A2) segment registered a robust growth of 20.6% YoY. Recently launched models like *Maruti Estilo*, *GM Spark*, and *Aveo UVA*, contributed 75% to the incremental sales. Maruti Suzuki India Limited (MSIL) led the pack with 22.7% growth YoY. The company's growth was driven by its model *Swift* that grew 61% YoY. During the current fiscal, Hyundai Motors lost market share of about 300 bps; however, during October 2007, it managed a 5.3% growth YoY driven by its newly launched *Hyundai i10*. For Tata Motors, *Indica* sales recovered during the festive season though the model's YTD performance remained disappointing; *Indica* sales grew 4.8% YoY during October 2007 but were down 1.1% during April-October 2007. This resulted into a 300bps loss in market share for Tata Motors compared to last year.

Mid size (A3) segment witnessed a growth of 8.8% YoY driven by MSIL's *SX4* and M&M's *Logan*. October turned out to be a good month for Tata Motors as *Indigo* sales, that had taken a major hit this year, recovered and recorded a growth of 33.9% YoY.

During the month, sales of the executive (A4) segment declined 5% YoY but were up 4.2% YoY for April-October 2007. The only company to do well in this segment was General Motors (GM) with sales of *Chevrolet Optra* going up 81.7% to 3,392 units.

The premium (A5) segment registered a strong 39.8% YoY growth, albeit on a small base. This growth was mainly driven by 12.6% YoY growth in sales of *Honda Accord*; *BMW* and *Daimler Chrysler* also recorded good sales during October 2007.

The exports of passenger cars grew 9.9% YoY. Hyundai and MSIL registered an export growth of 32.3% and 20.2% respectively. The growth in MSIL's exports was mainly driven by incremental sales to non-European countries.

We expect the passenger cars industry to grow at a 13-14% CAGR, going forward, supported by (a) the increasing disposable income of Indian middle class and, (b) new, attractive models launched by auto manufacturers.

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Chart 2. Growth in Compact car sales

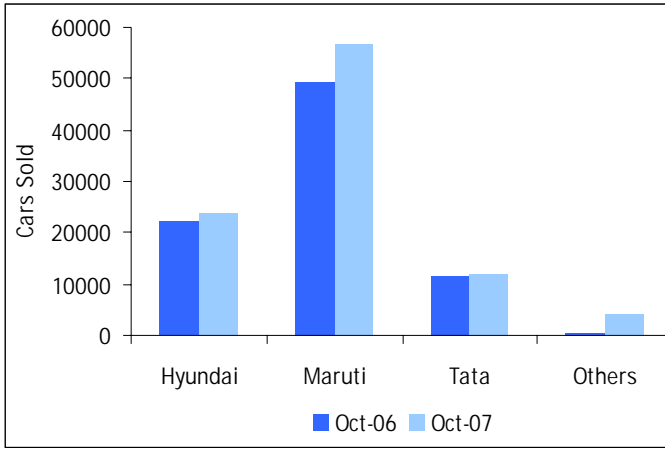


Chart 3. Compact car market share (Oct 07)

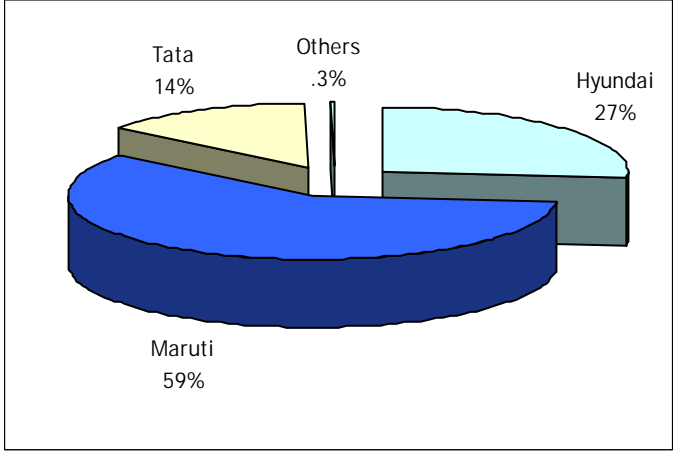


Chart 4. Growth in sales of passenger car

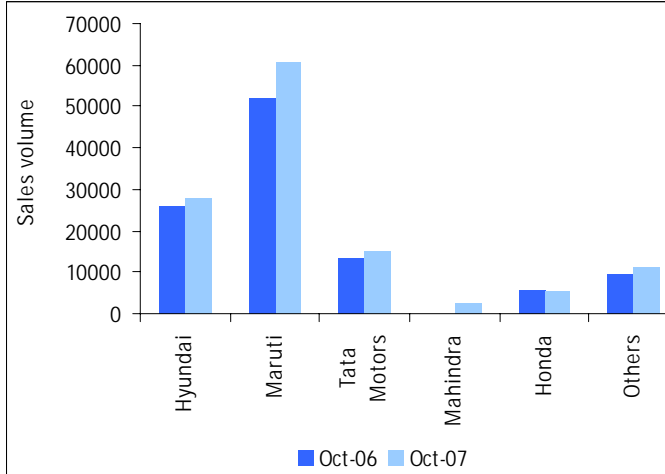


Chart 5. Passenger car market share (Oct 07)

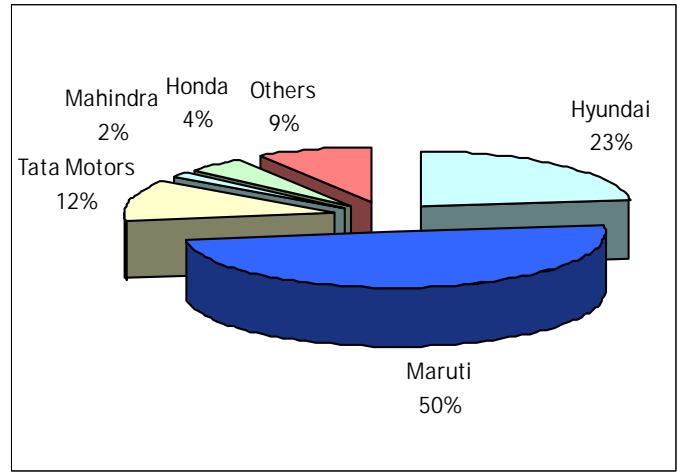
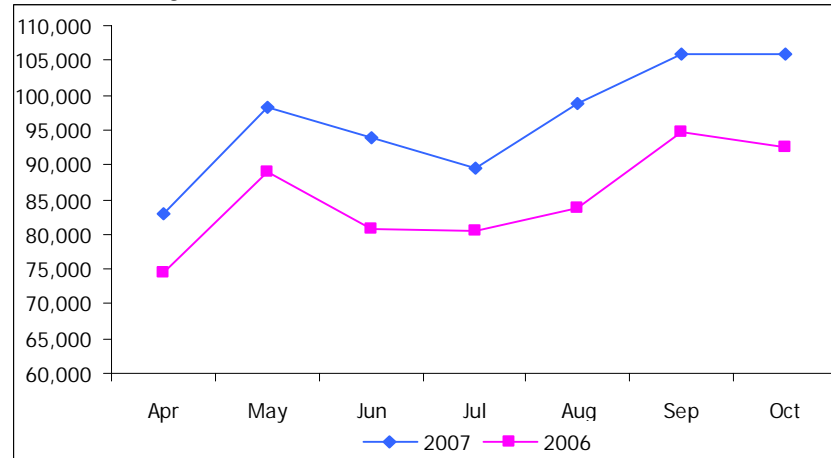


Chart 6. Passenger Cars Sales Trends



Source: IISL research, SIAM

Automobile Roadmap

Utility vehicles

The UV segment witnessed a robust 25.1% growth during October 2007 (see chart 7). M&M's gained almost 6% market share to touch 48%; this increase in market share was supported by a strong 40% YoY growth in the UV segment, primarily in sales of *Bolero* and *Scorpio*. Tata Motors recorded a growth of 7.5% YoY, driven by a 284% increase in the sales of *Safari*. Toyota registered a 25.1% growth due to higher sales of *Innova* and *Prado*.

Chart 7. Growth in sales of Utility vehicles

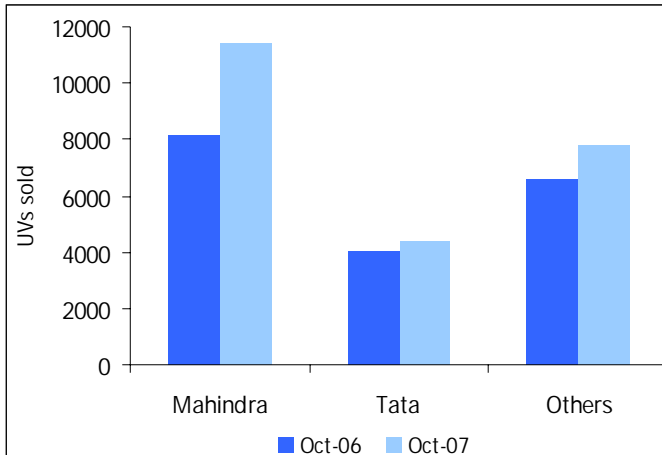
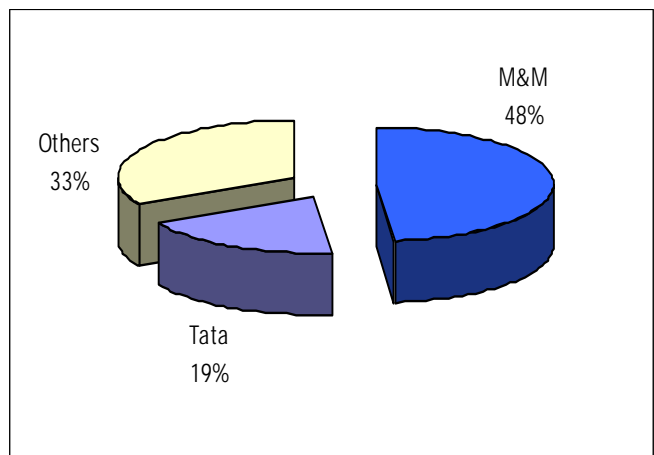


Chart 8. UV market share (Oct 07)



Source: IISL research, SIAM

Automobile Roadmap

Medium & heavy commercial vehicles

The M&HCV passenger carrier segment continued its growth momentum during October 2007 with 30.6% growth YoY. Domestic sales and exports grew 36.4% YoY and 8.9% YoY respectively. The domestic growth was driven by orders received from various state transport corporations; moreover, a lower base effect, arising from the capacity constraints faced by the players to fulfil strong goods carriers demand during the previous year, also contributed to the growth in domestic sales.

During the month, the M&HCV goods carriers segment managed to recover marginally. October sales remained flat at 21,109 vehicles and domestic sales witnessed a marginal 1% decline. Domestic sales were driven by robust performance from Eicher Motors and steady growth by Tata Motors. Segment-wise, the 7.5 to 12 tn segment recorded a healthy 26.6% growth; most other segments, however, registered a decline in sales.

The segment has witnessed a sharp 8.8% decline in sales during the current fiscal due to higher base effect of last year (see chart 13). Major capacity additions by fleet operators were made last year due to the overloading ban imposed by various state governments. This resulted in an unsustainable 33% increase in sales of M&HCV goods carriers, much above the 23% CAGR growth recorded during last 7 years. Higher interest rates during current fiscal further pulled down the segment's sales during the current fiscal, since 90-95% of M&HCV goods carriers are financed.

We expect a recovery in the sales of M&HCV goods carriers during the next fiscal; this growth is likely to be driven by a strong 8-9% expected GDP growth and lower base effect of the current year.

Chart 9. Growth in M&HCV passenger carriers

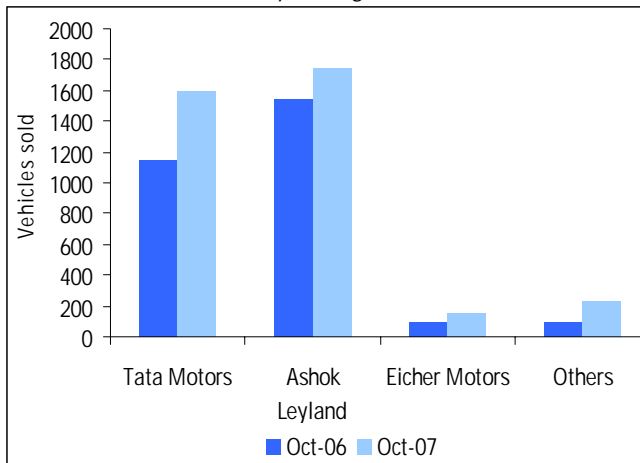
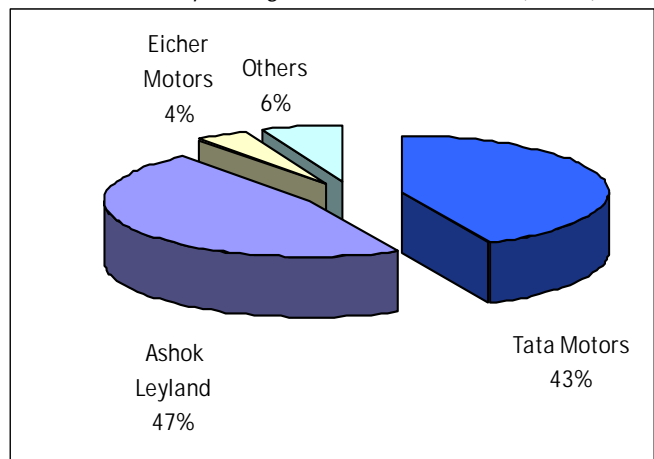


Chart 10. M&HCV passenger carrier market share (Oct 07)



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Chart 11. Performance of M&HCV goods carriers

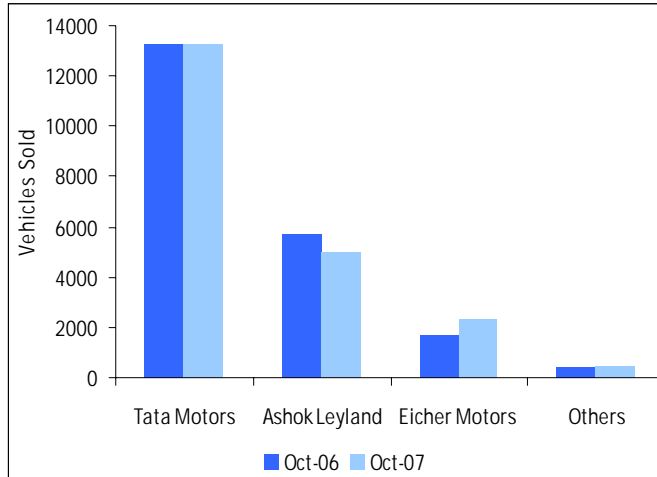


Chart 12. M&HCV goods carriers market share (Oct 07)

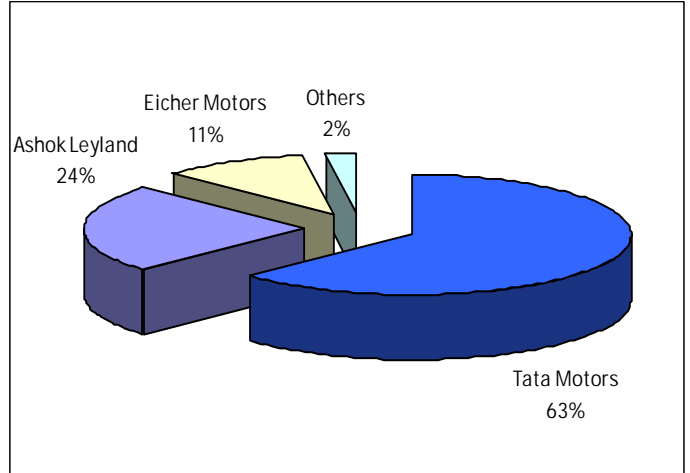
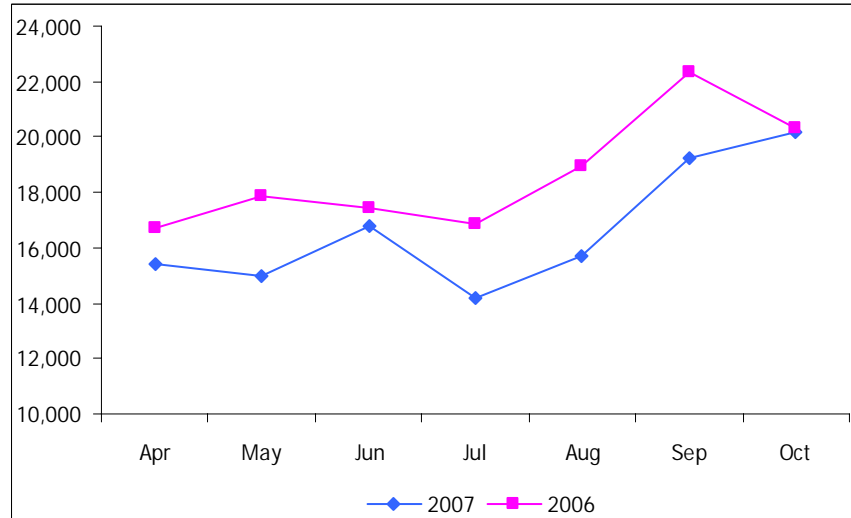


Chart 13. M&HCV Goods Carriers Sales trends



Source: IISL research, SIAM

Automobile Roadmap

Light commercial vehicles

In October 2007, LCVs grew by a healthy 24.4%, driven by the continued demand for the products of Tata Motors and M&M (see chart 14). The market share of M&M improved from 27% to 30%, supported by the successful performance of its pick-up truck, Maxx. Tata Motors, with its offering *ACE*, continued to lead the segment with 59% market share (see chart 15).

Chart 14. LCV growth (Aug 07)

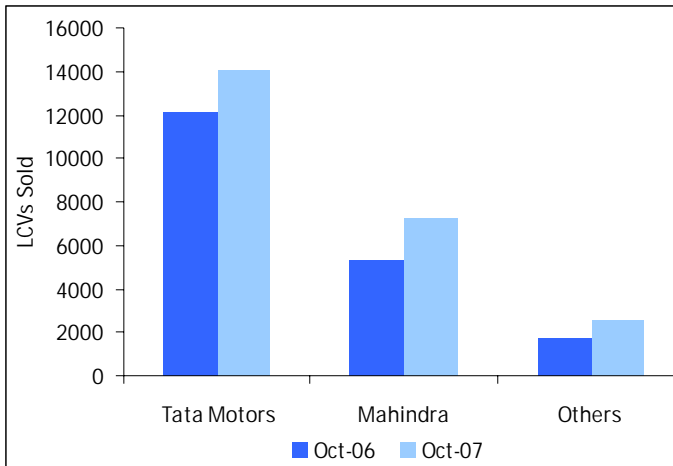
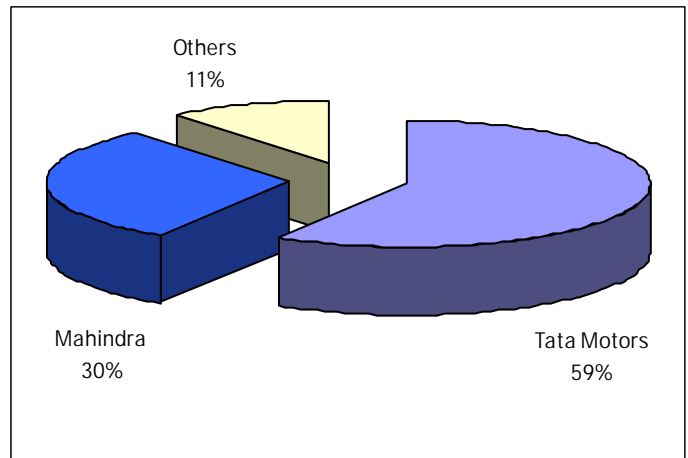


Chart 15. LCV market share (Oct 07)



Source: IISL research, SIAM

Automobile Roadmap

Three-wheelers

Sales of three-wheeler passenger carriers registered a moderate growth of around 6.2% in October 2007 (see chart 16). BAL continued to lead the pack with 72% market share, followed by Piaggio with a 25% share (see chart 17). The sales of goods carriers registered a sharp decline of 18.1%, primarily due to the increasing preference of four-wheeler LCVs (see chart 18). In the goods carrier category, Piaggio maintained its leadership status with a 41% market share (see chart 19). Overall, the three-wheeler segment declined by 1.8%.

Chart 16. Growth in Three-wheelers passenger carriers

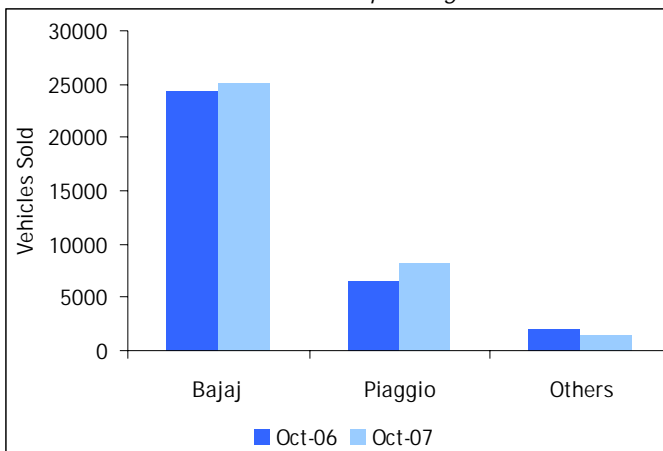


Chart 17. Three-wheeler PC market share (Oct 07)

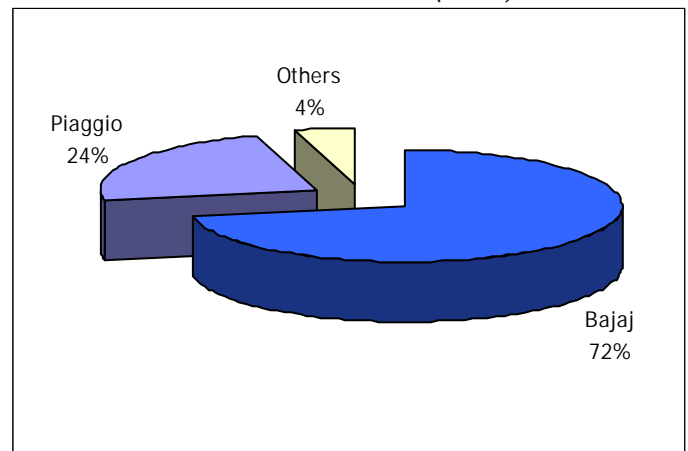


Chart 18. Growth in Three-Wheeler Goods Carriers

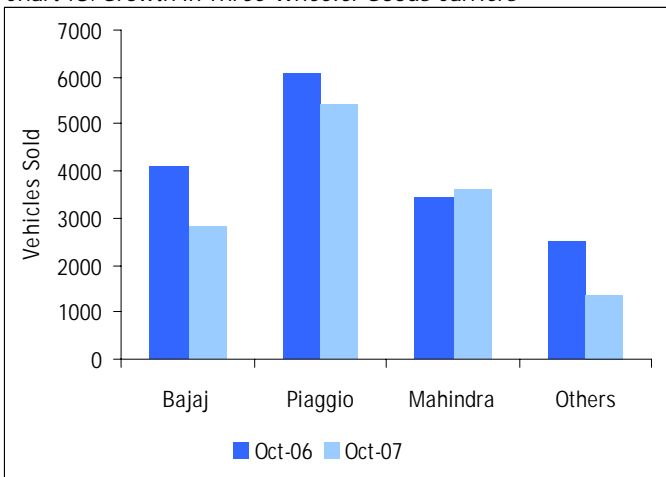
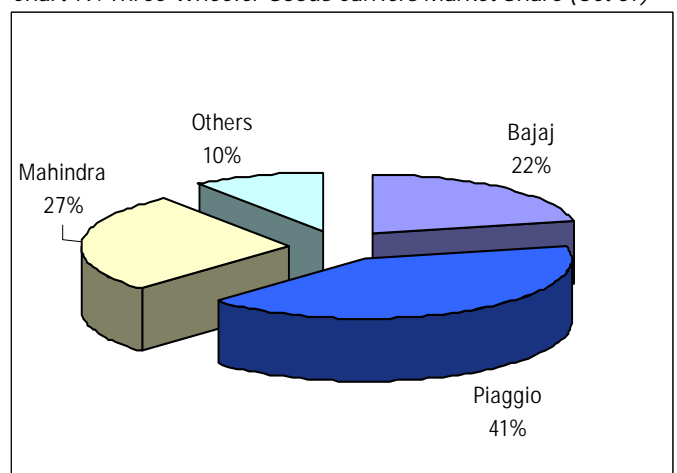


Chart 19. Three-Wheeler Goods Carriers Market Share (Oct 07)



Source: IISL research, SIAM

Automobile Roadmap

Two-wheelers

Two wheeler sales continued to drop during October 2007 (see chart 26). Domestic sales declined 3.7% YoY due to a 6.7% YoY drop in sales of motorcycles during the month. The decline in total sales, however, was restricted to 3.8% YoY due to a robust 41.7% YoY increase in exports.

The sales of motorcycles in the less than 125cc segment (constituting around 70% of the total motorcycle market), registered a sharp decline of 18.5% (see chart 24). This segment is mainly targeted at rural areas, Tier II, and Tier III cities. Moreover, most sales in this segment are financed, given the lower disposable income of this target segment; consequently, this segment is more sensitive to interest rates. Also, the segment is witnessing product weariness due to lack of innovative products in the existing range. In contrast, the sales of motorcycles in the more than 125cc segment jumped by 59.8% (see chart 25). This segment is mainly targeted at the urban youth, with higher aspirations and disposable incomes; consequently, this segment is less sensitive to interest rates.

The premium segment motorcycles constitute 30% of the domestic motorcycle sales; we expect this proportion to increase, going forward, due to rising income levels of urban youths.

Going forward, we expect the margins of the two-wheeler manufacturers to come under pressure, especially in the economy and executive segment, due to the following:

1. Stiff competition is compelling players to offer new variants with additional features at the same prices
2. Steel prices are expected to increase significantly due to the rising iron ore prices.

In such a scenario, players like Bajaj Auto Limited (BAL) that have their motorcycle portfolios skewed towards high-end bikes, are likely to record higher realisations and margins. In contrast, companies like Hero Honda Motors Limited (HHML) that is more focussed on the lower-end bikes, would find it difficult to increase its realisations and margins unless it introduces value-added, high-end bikes.

The Scooterette segment continued to do well recording an increase of 16.7% during October 2007. A slew of new products launched in this segment by all the manufacturers maintained the purchase momentum among working women and teenagers, the primary customers of this segment.

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Chart 20. Sales of Two-wheelers - scooter/scooterette

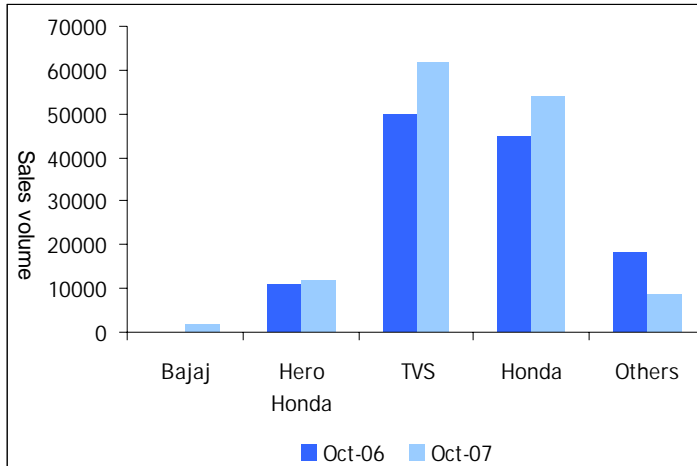


Chart 21. Sales of Two-wheelers - motorcycles

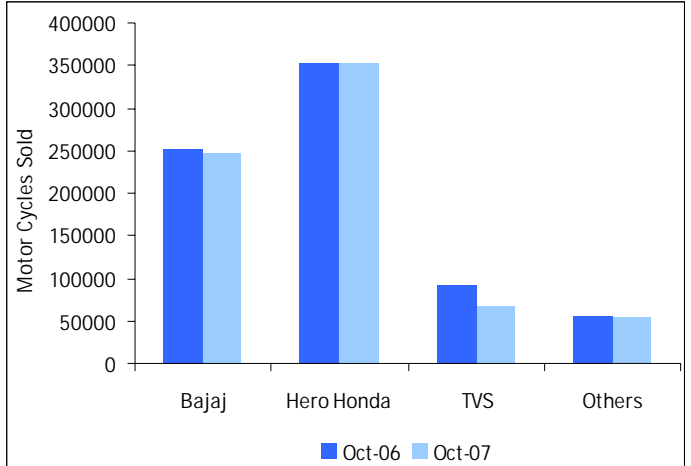


Chart 22. Scooter/scooterette market share in Oct 07

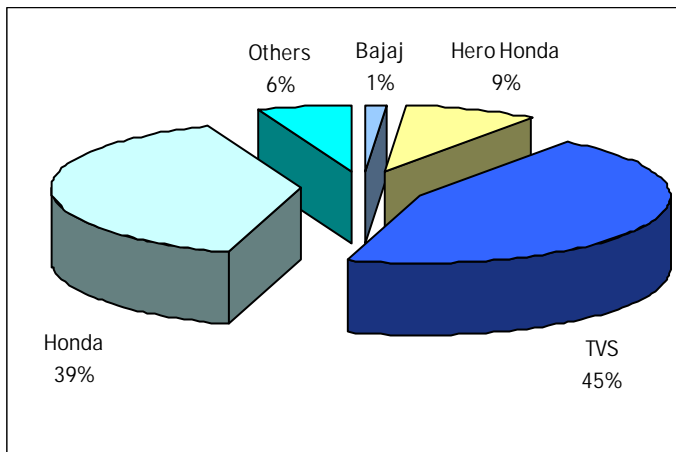
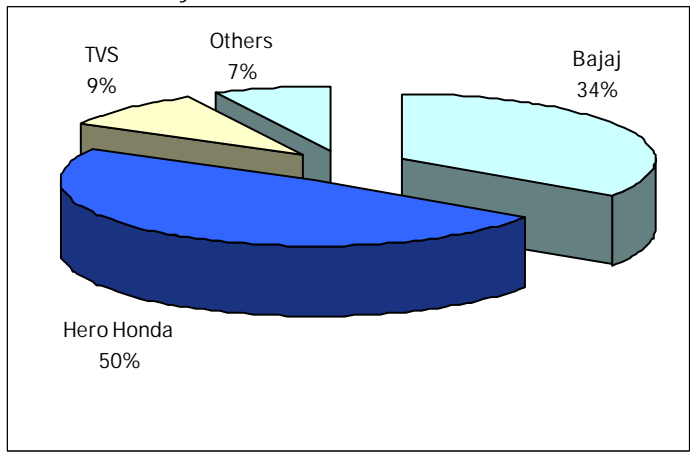


Chart 23. Motorcycle market share in Oct 07



Source: IISL research, SIAM

Chart 24. Performance of Less than 125cc motorcycles

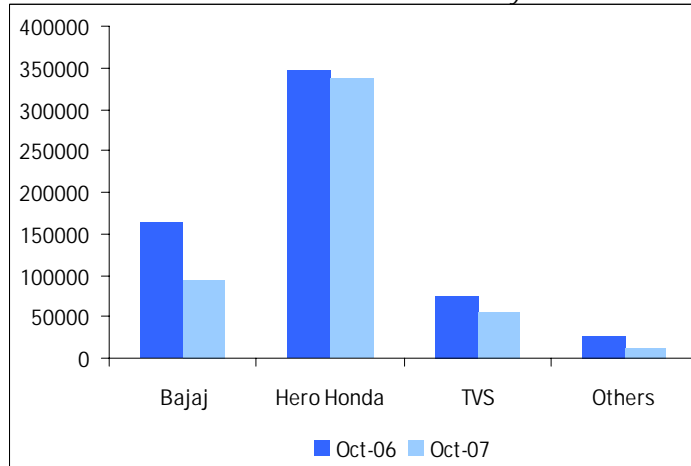
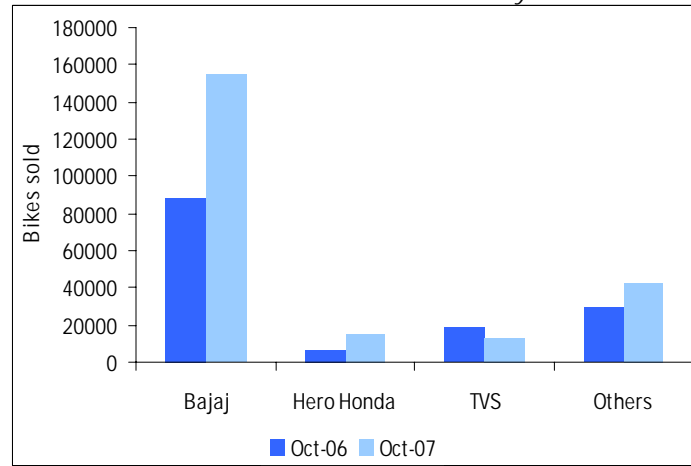


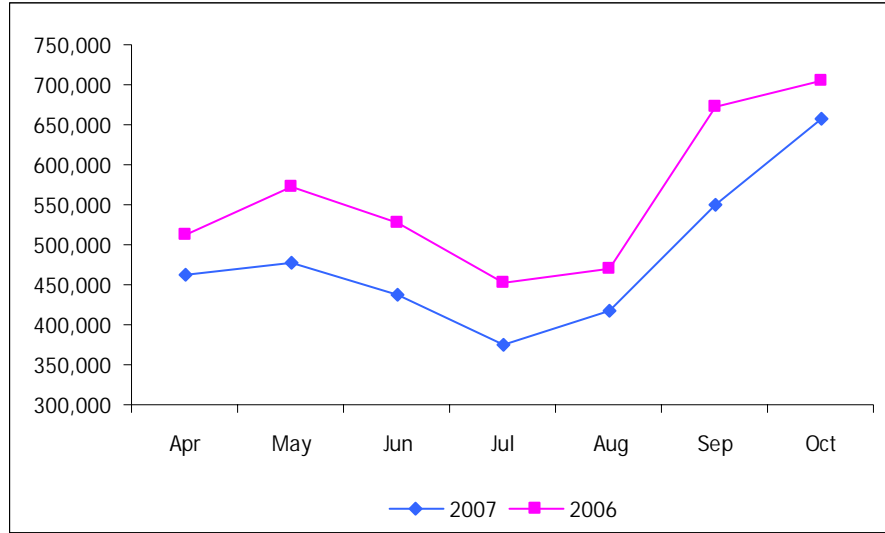
Chart 25. Performance of more than 125cc motorcycles



Source: IISL research, SIAM

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Chart 26. Motor Cycles Sales Trend



Source: IISL research, company

Automobile Roadmap

Demand continues to soften.....

Ashok Leyland Limited-Subdued Growth

- ▲ During October 2007, ALL's overall volumes de-grew by 6% YoY. The company sold 6,825 vehicles during the month against 7,255 vehicles during the same month last year.
- ▲ ALL continued to perform in the passenger carriers segment, registering a healthy 13% growth through the sale of 1740 vehicles in October 2007. A large part of this growth can be attributed to new vehicle purchases made by state transport corporations, especially in southern states of TN, Karnataka, and A.P. The company was able to sell 372 units in foreign markets.
- ▲ Sales of goods carriers, however, declined by 11.49% to 5034 vehicles.

Tata Motors- Growth starts picking up

- ▲ During October 2007, Tata Motors saw almost 12% growth in overall sales. The company sold 49,354 vehicles in during the month as against 44,146 vehicles during the same month the previous year.
- ▲ The company sold 13,980 units of M&HCVs in October 2007 in the domestic market, a growth of 6% YoY. Domestic sales continued to remain weak due to firm interest rates and higher base effect.
- ▲ The LCV segment continued with its strong performance, recording a 29% growth through the sales of 13,123 units; Tata *ACE* continued to be the leader in this segment. Tata Motors also launched the passenger version of *ACE* during June 2007; the version is likely to hit the market from November 2007 onwards. This launch would enable the company to gain market share in the passenger LCV segment.
- ▲ The current fiscal was a weak year for Tata Motors as the company was unable to come up with new value-added products to compete with the recently launched products of MSIL, Hyundai, M&M, and GM. However, the company showed some signs of recovery as domestic sales of passenger vehicles were up by 8% to 18,021 units in October 2007. Both *Indica* and *Indigo* registered growth in their respective categories: *Indica* sales up by 6% YoY at 11,658 cars and *Indigo* sales up by 37% YoY at 2,353 units in October 2007.
- ▲ In the UV segment, aggregate sales of *Sumo* and *Safari* were up 7.5% to 4,010 vehicles. The company launched the new *Safari Dicor 2.2vtt* model in October 2007. The model has secured encouraging market response with the sales of around 1,716 units.
- ▲ Exports were up 16% YoY, with 4,230 vehicles against 3,653 vehicles exported in the corresponding month of the previous year.

Automobile Roadmap

MSIL-In top gear

- ▲ MSIL's overall sales were up 15.4% YoY; the company sold 69,415 vehicles in October 2007 as against 60,163 vehicles sold in the same month last year. During the month, the company exported 5,157 vehicles against 4,269 vehicles during October 2006, a growth of 20.8% YoY.
- ▲ This growth was driven by 61.5% increase in the sales of its compact car *Swift* as well as success of its recently launched *SX4* and *Zen Estillo*.
- ▲ In the A1 segment, *M-800* sales declined 29.5% YoY, with sales of 4,477 units as against 6,354 units due to the increasing preference of higher-end versions like *Estillo* and Wagon R.
- ▲ Growth of the A2 compact car segment was impressive at around 20.9% YoY driven by *Swift* and the recently launched *Estillo*. Overall, 47,077 compact cars were sold in this segment in October 2007 as against 38,940 vehicles sold in October 2006.
- ▲ The C segment, comprising *Omni* and *Versa*, witnessed a moderate 4.6% growth. The company's recently launched LPG version of *Omni* is doing well in this segment.
- ▲ The A3 segment continued to be the top-performer for the sixth consecutive month, with a growth of 54.7% YoY. This growth is mainly attributed to the continued success of *SX4* that was launched in May 07. The company sold a total of 4,177 vehicles in this segment against 2,700 units during October 2006. During the month, *SX4* sales were at 3,241 units.
- ▲ The MUV segment grew by 183.6% to 417 units, supported by the launch of *Grand Vitara* in July 2007.

Mahindra & Mahindra-Good show continues

- ▲ M&M registered a robust 17.60% YoY growth in October 2007, clocking sales of 24,679 vehicles during the month. This growth was driven by the company's impressive performance across all segments.
- ▲ The company's UV segment led the pack for M&M, with 39.6% YoY growth. *Scorpio*'s sales were up 37% YoY at 4,039 units; *Bolero* sales increased by a robust 59.1% at 5,877 units.
- ▲ M&M's *Logan* clocked decent numbers in the sixth month of its debut. Its sales were around 2,214 units; YTD sales were around 14,706 units.
- ▲ M&M's performance in the LCV segment was impressive with a sales growth of 36.2% YoY, at 7,219 units in October 2007. The company's offering, *MaXX* pick-up vehicle, has been well-accepted in the market.
- ▲ Three-wheeler sales registered a normal growth of 6% YoY, at 3,836 vehicles.
- ▲ The performance of the farm equipment segment was poor, marked by a decline of 16% at 11,186 units.

Automobile Roadmap

Bajaj Auto –Strong performance in higher end bikes

- ▲ October 2007 was a flat month for BAL with the company registering a 1% decline in sales at 2,78,176 units. BAL is doing exceedingly well in the more than 125cc motor cycles category with a growth of 76.2% YoY; this growth is being driven by the success of new variants of *Pulsar* and the recently launched 125cc XCD. However, this growth (in volume terms) has been impacted due to a sharp 42.9% decline in its economy segment bike sales.
- ▲ In the economy segment, BAL is facing stiff competition from market leader, HHML. HHML enjoys a strong customer loyalty for its wide product range in this segment. BAL is also facing pricing pressure from HHML. Both players, however, are struggling to cut down production costs. As a result, BAL is hardly making any profit in this segment.
- ▲ BAL has commenced production of its new model *XCD*, and has already sold around 45,000 units during October 2007. BAL expects its production and sales to touch 75,000 vehicles by November 2007. This would take the company's 65% portfolio in the 125-250 cc premium segment.
- ▲ BAL's three-wheeler segment continued to remain under pressure and reported a marginal 2% decline during the month. This decline can be attributed to the increasing competition from other players like Piaggio and M&M.
- ▲ BAL continued its good export performance with a growth of 38% YoY at 55572 units for August 2007.

Hero Honda- Flat growth

- ▲ In October 2007, HHML witnessed flat sales with a marginal growth of 0.4%. In volume terms, the company's performance seems superior to its peers; this is because, HHML's product portfolio mainly consists of economy segment bikes that constitutes 70% of overall bike sales in India. However, on the margins front HHML lags behind BAL as economy segment is a high volume-low margins business. In the premium segment, where the margins are higher, HHML has a paltry 7% market share as against BAL's 68%.
- ▲ HHML sold 3,65,022 units in October 2007 against 3,63,480 units sold in the same month the previous year. The company's recent launches, like *Splendour NXG* and the new variants of *Pleasure*, *Super Splendour*, and *Passion Plus*, have done well in the market.

Automobile Roadmap

TVS Motor-Dismal performance

- ▲ The disappointment for TVS Motors continued, with around 9% decline in sales during October 2007.

The motorcycle sales were worst hit, reporting a 27% YoY decline at 67,752 units in October 2007 against 92,328 units last October. This decline can be attributed to company's high exposure to the price-sensitive and competitive economy segment that constitutes around 80% of its portfolio.

- ▲ The company's scooterette and moped segment saw a rise of 24% YoY in October 2007. *TVS Scooty* continued its leadership position in the scooterette category with monthly sales of around 28119 units, a rise of 24% YoY. However, going forward, the product is likely to face stiff competition from players like BAL, HHML, and Honda Scooters.
- ▲ In September 2007, the company announced the launch of seven new products. This includes (a) three-wheelers in three variants, (b) an all new platform of 125 cc motorcycles based on CC-VTi technology under the brand *Flame*, (c) the new 110 cc *Star-City* motorcycle, (d) the 160 cc motorcycle *Apache RTR*, and, (e) a scooterette, *Scooty Teenz Electric*. Though these new products, especially *Flame*, is likely to help TVS to make a recovery in bike sales, we do not see a bounce back happening immediately. This is because all these products are facing stiff competition from the recently launched products of BAL and HHML.

Automobile Roadmap

Recovery ahead

We maintain our positive view on the long-term prospects for passenger cars, with an expected growth of about 13-14% CAGR for the next two years. The rising disposable incomes of the Indian consumers would continue to eye the new products in this segment, translating into continued growth in this segment.

The UV segment is also likely to benefit from the rising income levels, both in urban and rural India. Strong growth in road infrastructure across the country is also likely to support the growth in this segment.

M&HCV goods carriers sales are expected to pick up after a sluggish first half performance (see chart 13). Our long-term view on the segment remains positive, with an expected growth of 7-8% CAGR during the next two years. Macro factors such as the strong GDP growth, the government's renewed thrust on infrastructure spending, and healthy growth in IIP would support the growth in this segment.

We expect the entry level motorcycle sales to remain subdued this fiscal. This segment, having a lion's share in the overall motorcycle sales has not shown any signs of recovery. We expect a shift towards high end bikes, going forward, in line with rising income levels of urban youth. This puts premium segment market leader BAL in a better position than its peers.

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