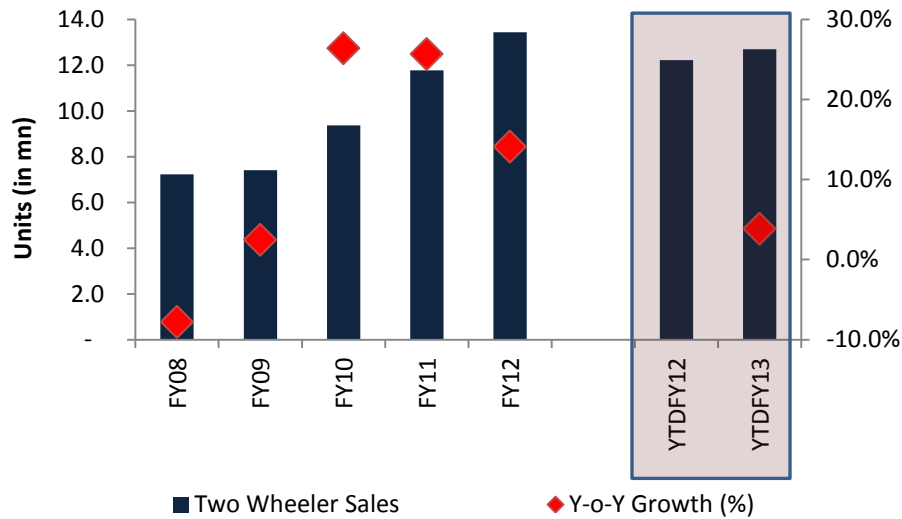


## “Growth levels likely to moderate, scooters to act as a growth engine”

### ***Slowdown in economy deflated consumer sentiments in FY13***

The demand environment for the two wheeler industry remained subdued in the current fiscal. CARE Research believes tough economic scenario owing to high inflation, depleting growth in all economic activities, coupled with challenges like firm interest rates and spiralling fuel prices have moderated the growth in near term. Income levels in urban areas have been affected by the slowdown in the industrial activities, while rural income is impacted due to below normal monsoons in most regions that has significantly affected agriculture output. CARE Research observed inspite of some sort of momentary spurt owing to festive demand during third quarter of FY13, the two wheeler sales growth remained around 4 per cent during the April-February period of FY13.

**Trend in domestic sales of two wheeler industry**



Source: SIAM & CARE Research

Note:

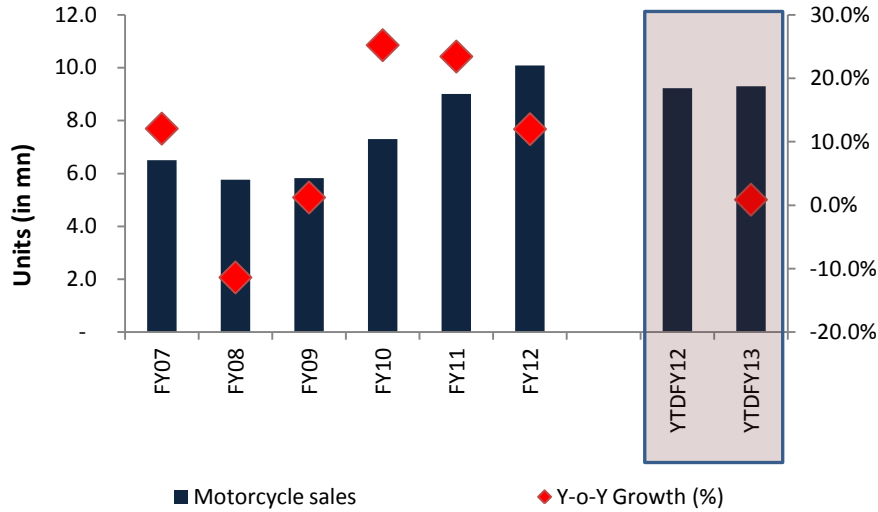
YTD: April-February

### ***Motorcycles expected to take back seat in near to medium term...***

The motorcycle segment that has been mainstay for the industry since last two decades, has been witnessing slowdown in growth levels during past 4-5 years. For FY13 motorcycle demand growth remained around 1 per cent for first eleven months. Impact on income levels in urban areas owing to slowdown in industrial and service activities has strained the demand for motorcycles in FY13. Furthermore, growing popularity of ungeared scooters has also added to the woes of the motorcycle

manufacturers. CARE Research foresees it would be difficult for the segment to retain the strong growth levels it has witnessed in past one decade owing to rising pressure due to substitution by scooters.

**Trend in domestic motorcycle sales**



Source: SIAM & CARE Research

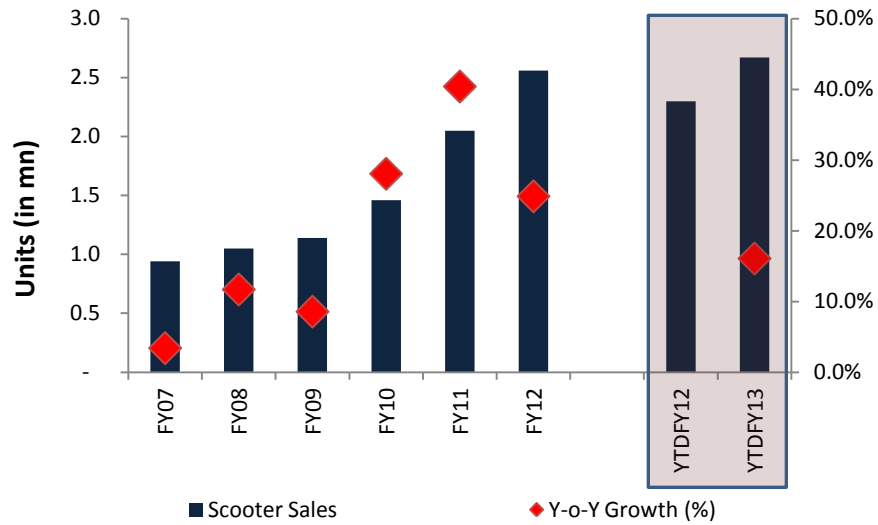
Note:

YTD: April-February

**...Un geared scooter likely to remain growth engine in near term**

The ungeared scooter segment has been witnessing robust growth trend since last 4-5 years. The scooter manufacturers which initially targeted working women population have off-late expanded their customer base by launching products catering to male buyers. For example, new models like HMSI Aviator, TVS Wego, Suzuki Access, Mahindra Rodeo, etc has been able to lure considerable proportion of middle and upper middle class male buyers (*primarily in age bracket greater than 35 years*) for second vehicle. Hence, inspite of the current challenging scenario, ungeared scooter segment has been able to grow by 16 per cent during April-February period of FY13. CARE Research foresees, scooter segment to remain the growth engine for two wheeler industry in near to medium term period.

Trend in domestic scooter sales

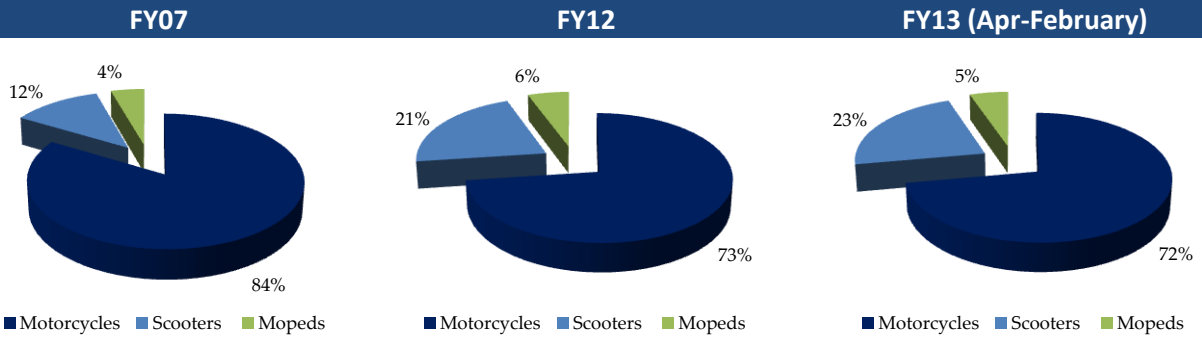


Source: SIAM & CARE Research

Note:

YTD: April-February

Two wheeler: Segment wise share



Source: SIAM & CARE Research

**Two wheeler industry likely to register a growth of 8-9 per cent in FY14**

CARE Research estimates marginal improvement in the economic scenario and expects the industry to grow by around 8-9 per cent in FY14. The growth would be aided by moderation in inflation post first half along with the assumption of normal monsoon season. The motorcycle segment is likely to grow in a range of 6-7 per cent in FY14. The scooter segment is expected to remain the growth driver and is estimated to observe a growth of around 13-14 per cent for FY14. CARE Research foresees, demand from rural and semi-urban areas would drive the two wheeler demand growth in near to medium term period.

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