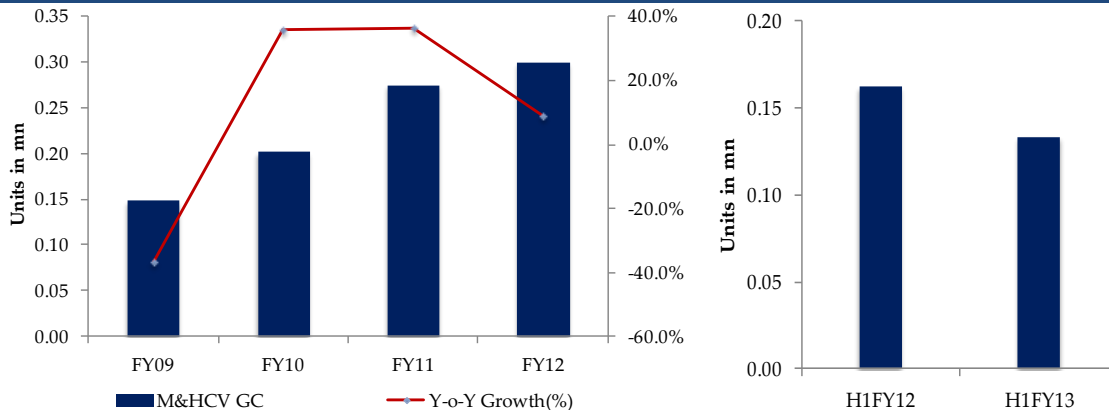


“LCVs to outweigh medium & heavy commercial vehicles in FY13”

Sluggish economic scenario posed strain on the CV demand in FY13

Slowing down economic growth and escalating inflationary pressure since the second half of the last fiscal has shrunk the average consumer spending significantly. The M&HCV goods carrier (GC) segment especially multi-axle vehicles and tractor trailer sub-segments has bore a significant brunt as the demand for this segment dropped by a considerable 18 per cent during first half of FY13. Further, regulatory bottlenecks hovering around mining industry across key states have also considerably affected the demand for tipper.

Chart: Trend in domestic M&HCVGC demand

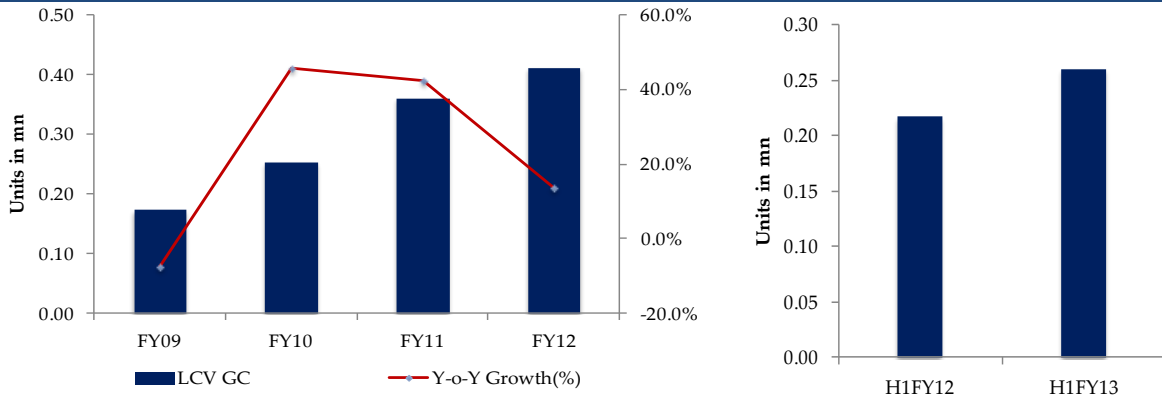


Source: CARE Research and Society of Indian Automobile Manufacturers (SIAM)

...LCV GC continues to remain the mainstay

The LCV GC segment which is dominated by small commercial vehicles (SCV) and pickup trucks segment continued to witness healthy growth scenario even in the challenging environment. During H1FY13 period, this segment has managed to post a growth of around 20 per cent that has been mainly driven by strong demand from SCV sub-segment. Healthy redistribution demand coupled with growth in non-discretionary expenditure (especially FMCG, pharmaceuticals, etc) has aided demand for this segment. The increase in the product offerings in small commercial vehicle (SCV) segment due to frequent model launches (For example M&M ‘Maxximo mini truck’, Tata Motors ‘Super Ace’ and Ashok Leyland ‘Dost’ are recent entrants) has led many small transport operators to replace their three wheelers with more efficient SCV. Further, CV manufacturers have also started focusing on expanding their reach in semi urban and rural areas to market their SCVs that has not only helped in enhancing the sales but also provided cushion from the uncertainties of softening in demand from urban markets.

Chart: Trend in domestic LCVGC demand

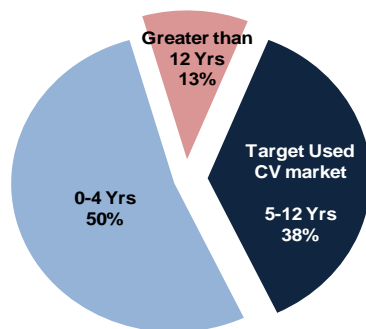


Source: CARE Research and Society of Indian Automobile Manufacturers (SIAM)

CV finance – Still remains an alluring prospect

In spite of tough market condition surrounding the CV industry, CV finance market still remains an attractive proposition for the financiers. CARE Research believes, even though the new CV finance market has impacted owing to the sharp slide observed in M&HCV segment in the current fiscal, strong demand from LCVs has provided some respite to the financiers. Further, healthy demand scenario that was observed in CV market during last one decade has resulted in a considerable pile up of CV stock. As per CARE Research estimates around 38 per cent of the overall CV stock lies between the age bracket of 5-12 years which is considered to be a target market for used CV finance. Off-late financiers have started tapping small transport operators from tier II and tier III cities and semi-urban areas, which has consolidated the growth prospect of the used CV finance industry significantly. CARE Research estimates used CV finance would manage to post a healthy rise of around 10-11 per cent in FY13.

Chart: Estimated age wise Commercial vehicle population breakup in FY13



Source: CARE Research

Domestic market to witness 5-6 per cent growth in FY13

CARE Research estimates the domestic CV industry to grow by 5-6 per cent in FY13. CARE Research believes, economic scenario will continue to remain gloomy atleast for the next 8-10 months & M&HCV GC sub-segment will bear a significant brunt. Nevertheless, healthy rise in demand from LCV GC would help in negating the slowdown by some extent as it expected to exhibit strong growth in FY13. On the other hand increased demand from STUs and corporate buying combined with government initiatives to improve public transport infrastructure will fuel the PC demand.

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