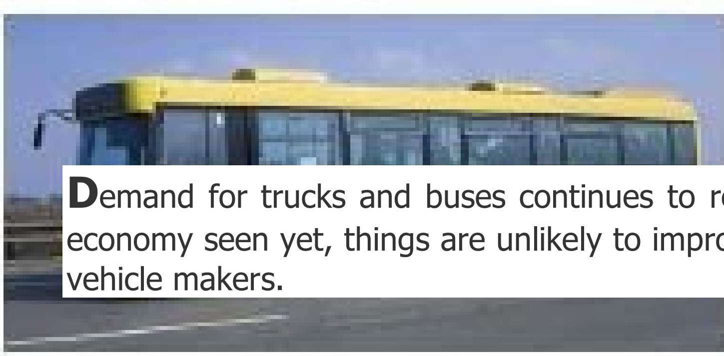
Indian Commercial Vehicle Sales analysis: June 13, Q1, 2013-14.

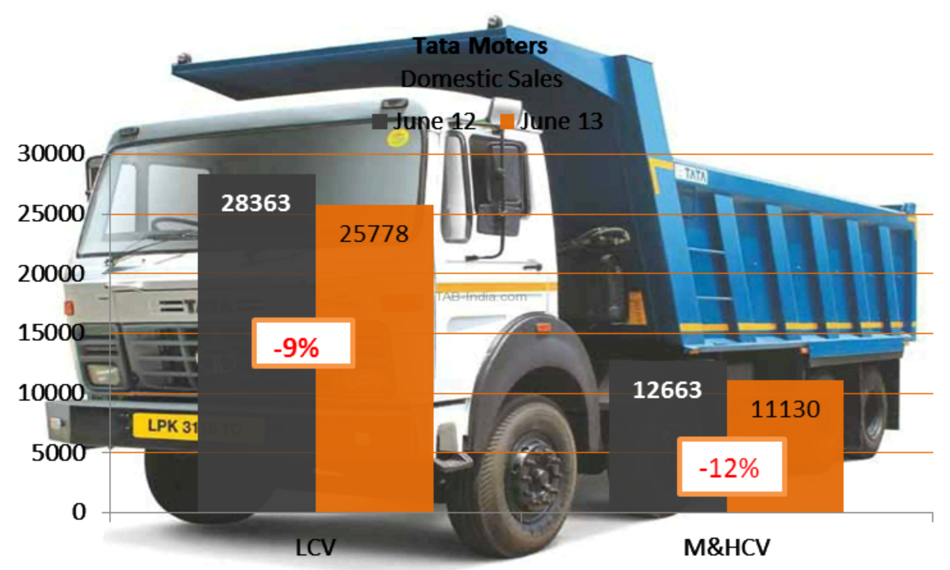


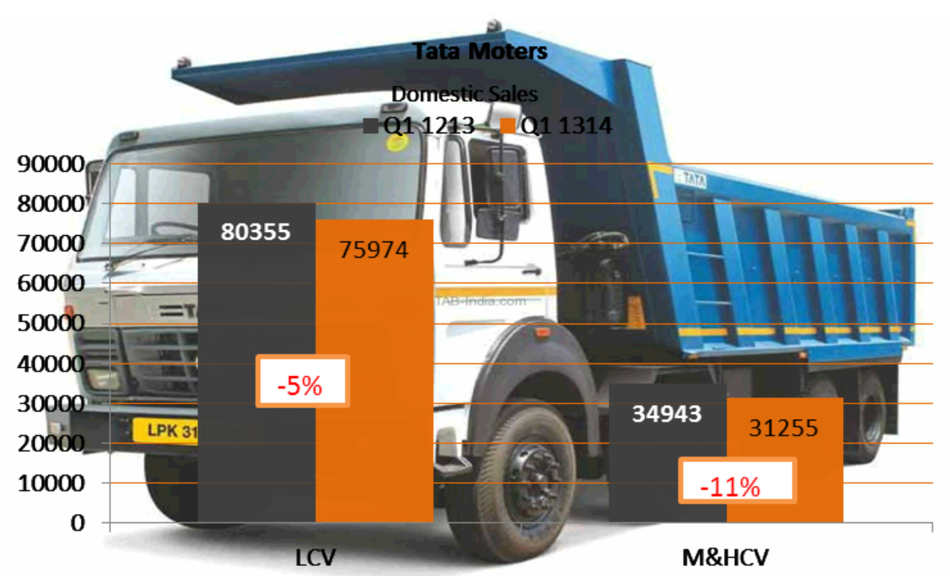
Demand for trucks and buses continues to remain slow and with no recovery in the overall economy seen yet, things are unlikely to improve anytime soon for India's top two commercial vehicle makers.

Medium & Heavy CV sales took a knock over the last one year as truck operators and logistics companies shelved expansion as the overall economy and industrial activity slowed, thus leaving their existing capacity underutilized.

Tata Motors' domestic sales of commercial vehicles declined 10% to 36,908 units in June 2013 over June 2012.

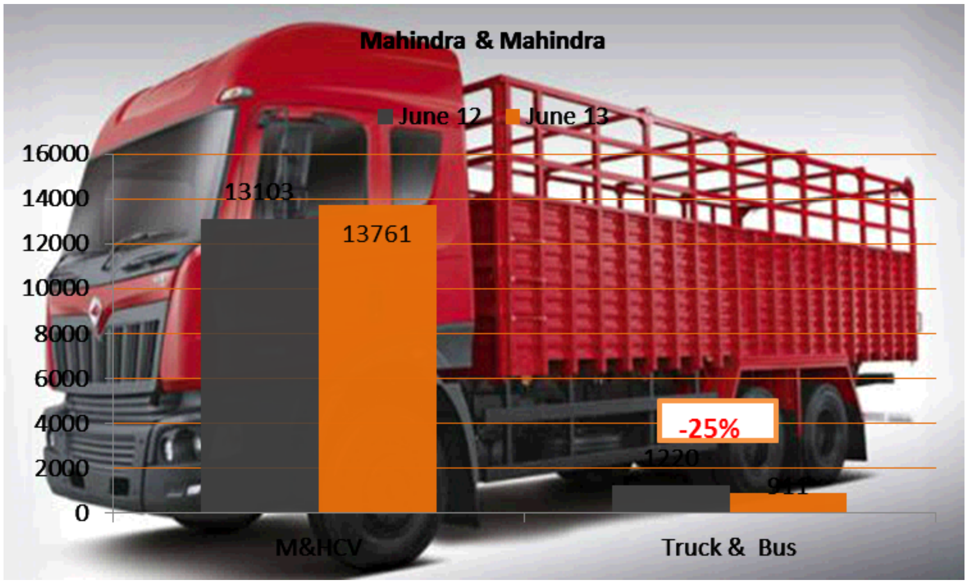
Tata Motors is India's largest automobile company, with consolidated revenues of Rs 1,88,818 crore ($34.7 billion) in 2012-13. Through subsidiaries and associate companies, Tata Motors has operations in the UK, South Korea, Thailand, Spain, South Africa and Indonesia. Among them is Jaguar Land Rover, the business comprising the two iconic British brands. It also has an industrial joint venture with Fiat in India. With over 7.5 million Tata vehicles plying in India, Tata Motors is the country's market leader in commercial vehicles and among the top in passenger vehicles. It is also the world's fourth largest truck and bus manufacturer. Tata cars, buses and trucks are being marketed in several countries in Europe, Africa, the Middle East, South Asia, South East Asia, South America, CIS and Russia.



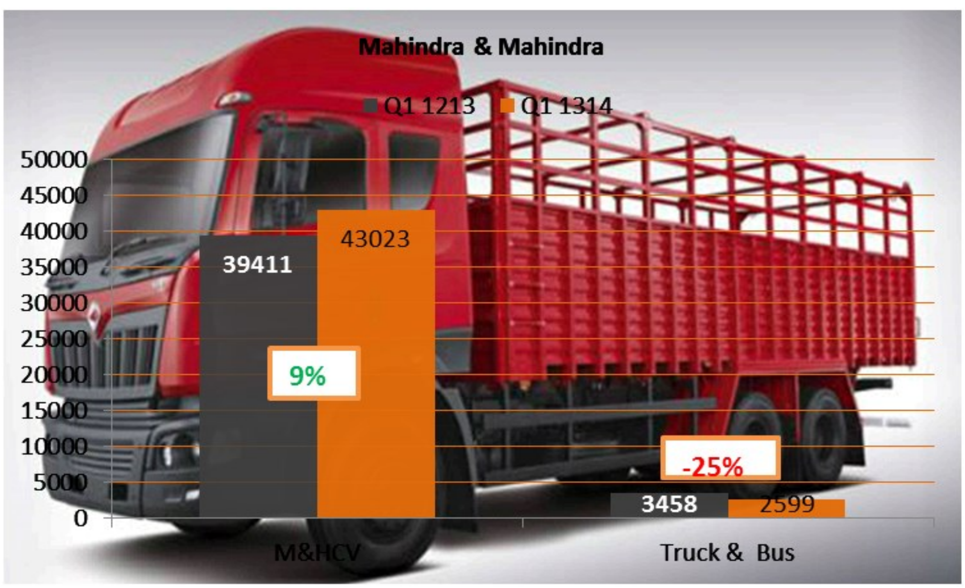


Mahindra and Mahindra recorded a positive trend in sales as on year-to-date 2013.

Auto-maker Mahindra & Mahindra reported 5% increase in M&HCV sales at 13,761 units, while 25% decline in truck and bus segment at 911 units in June 2013.



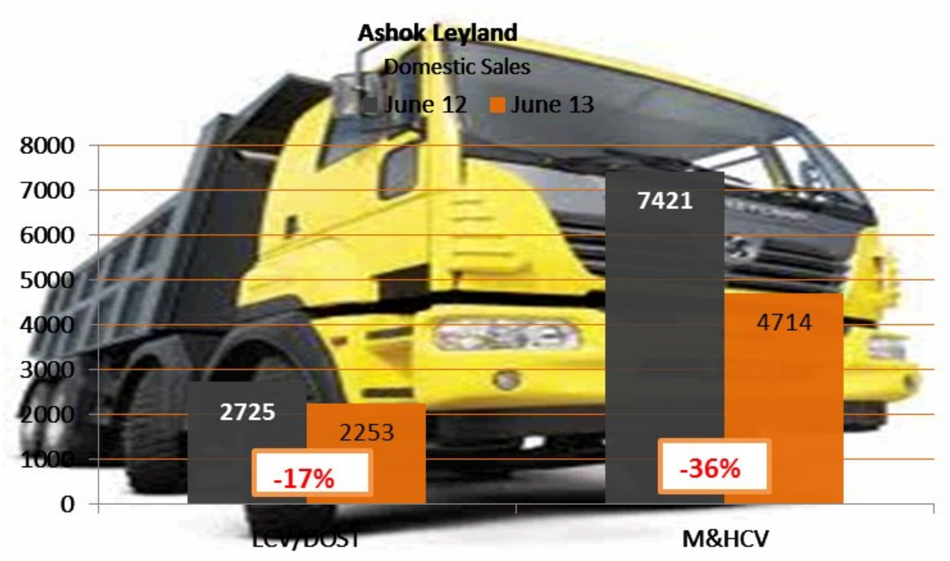
The company had sold 43,023 units of M&HCV in Q1 this year, which is 9% more than the same in Q1 of 1213, while in truck & bus segment number come down by 25% at 2599 units.

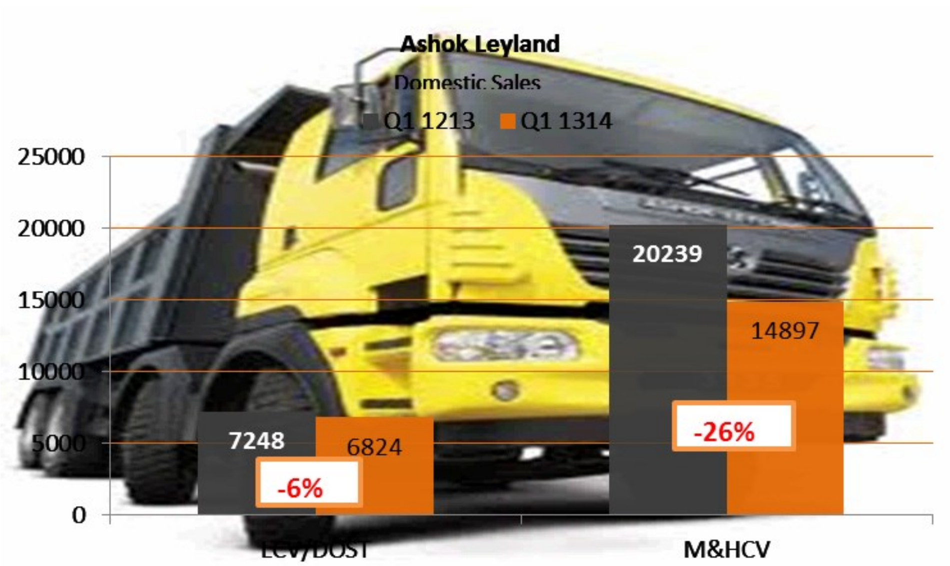


Ashok Leyland witness 21% decline in sales in Q1 13-14, 31% decline in M2M basis in June 13.

The cumulative sales of Ashok Leyland for the first quarter of financial year 2013-14 is 21,721 units as against 27,487 units for the same period last financial year thereby registering a decline of 20.98%. Sales of commercial vehicles except Dost fall by 26.39% while dost declines at 5.85%

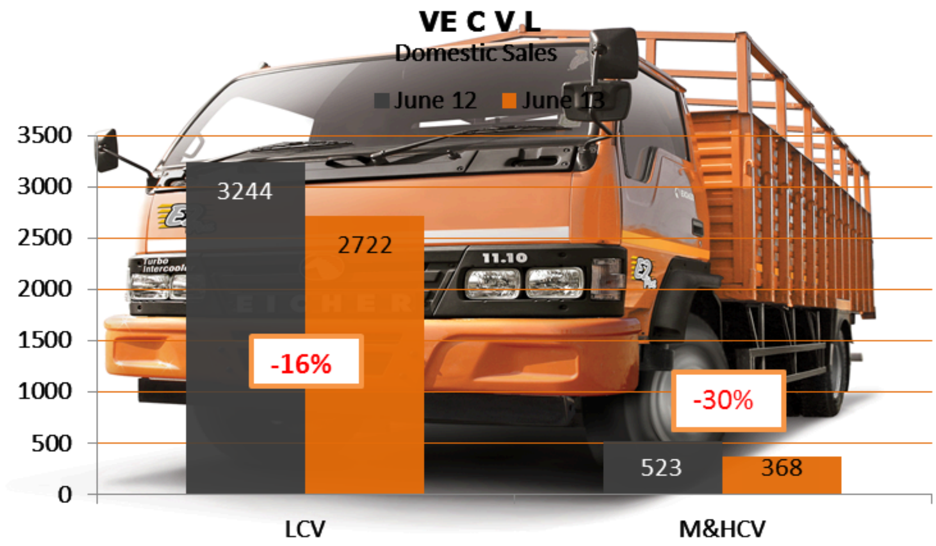
The sales of Ashok Leyland commercial vehicles in India for the month of June 2013 face a huge decline of 31%. In June 2013 6967 units were sold as against 10146 units in June 2012. The sales of commercial vehicles excluding Dost declined at 36.47% while sales of Dost had fallen by 17.32% in June 2013 as against same month last year.



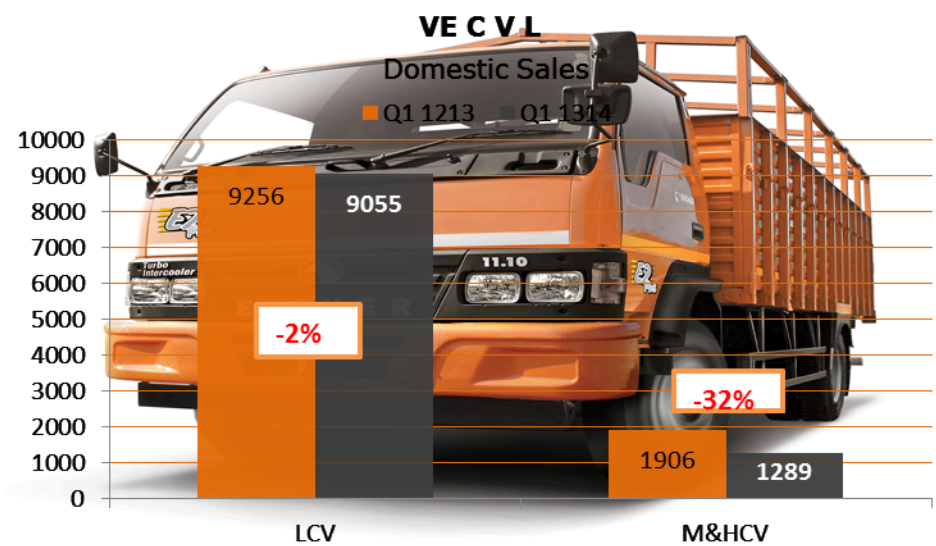


VE Commercial Vehicles Ltd shows 7% decline in Q1 13-14 and 18% decline in M2M basis for June 13.

VE group comes with 16% declines in LCV segment and 30% reduction in M&HCV segment in June 2013 in comparison of same month in FY 1213.



Q1 in LCV segment shows marginal decline of 2% while M&HCV segment displays decline of 32% in comparison of Q1 of 1213.



Market Impact; Auto shares fall on sluggish sales numbers

Shares of automobiles companies are trading lower by up to 2% after reporting lower sales numbers in June due to slowdown in demand.

The Bombay Stock Exchange (BSE), **auto index**, the largest loser among the sectorial indices, is down 54 points compared to 11 points fall in benchmark Sensex at 10:09 hours**.**

Opportunities;

To remain competitive, the automakers will need to design vehicles that will cater to consumers in both mature and emerging markets while manufacturing them at low-cost using the most advanced technology.

Further, the automakers are concentrating on offering more optional features (which will save money on fuel) even on the small and less fuel-guzzler vehicles in order to attract buyers. The sale of optional features is helping them offset lower profit margins for small cars relative to large trucks.

Weakness;

Although automakers continue to focus on shifting their production facilities to new regions driven by cost and demand factors, developing the supplier networks remains one of the greatest challenges faced by them. Existing suppliers to automakers often lack the financial strength to expand capacity in new markets. On the other hand, auto parts suppliers are sensitive to technology transfers to local third parties, which can give rise to low-cost competitors.

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