Commercial Vehicle Sales update **Nov 2013**

"Over the last few months, the auto industry has been going through one of its worst phases of the last decade with planned shutdowns being taken by companies to correct demand supply mismatch"

Auto sector in India looks negative and it does not envisage upward revision in the forecast in the medium term even if there is modest sales revival.

After a slump during the economic crisis of 2008-09, medium and heavy commercial vehicles (MHCVs) had a dream run for the next two years (2009-10 and 2010-11).

But, stubborn inflation, rising finance and fuel costs and a slowdown in industrial activity have taken a toll on domestic MHCV sales since then.

Sales in the first half of 2013-14 have drastically declined over the first six months of last year. Though passenger carriers (buses) have seen reasonable off takes, goods carriers have witnessed a slump in volumes across all segments be it haulage trucks, tippers or other multi-axle vehicles.

The Government has recently taken some steps to put the economy back on track. Nevertheless, SIAM (Society of Indian Automobile Manufacturers) expects the trend of declining volumes to continue.

According to its latest projections, the industry as a whole is expected to grow only by 5-7 per cent in 2013-14.

Medium and heavy goods carriers are expected to be the worst performers, closing this year with 11-13 per cent lower volumes than last year.

“The current inventory levels are 45-60 days, which are very high," said Ashok Khanna, senior executive vice-president and business head, vehicle loans, HDFC Bank. Calculating an average car's price of around Rs 6 lakh, the value of total stocks waiting at factories or dealerships is more than Rs 20,000 crore, said a top industry source. For example, a well-known European brand has 28,000 cars in its factory and dealerships. Dealer sources said the festival season wasn't good enough to clear out all inventory and November has been a sluggish month.”

FALL IN TRUCK RENTALS

The trend in freight rates too is not encouraging. Sample data on freight rates in eleven trunk routes collected by IFTRT (Indian Foundation of Transport Research and Training) shows that truck rentals have dropped between 1 per cent and 4 per cent in April-September 2013, compared to a year ago.

Lower cargo offerings from manufacturing, agriculture and export import trade have been a prime reason.

This fall does not augur well for the industry as a strong rentals scenario reflects the demand for goods carriage.

LCVS DEFY THE TREND

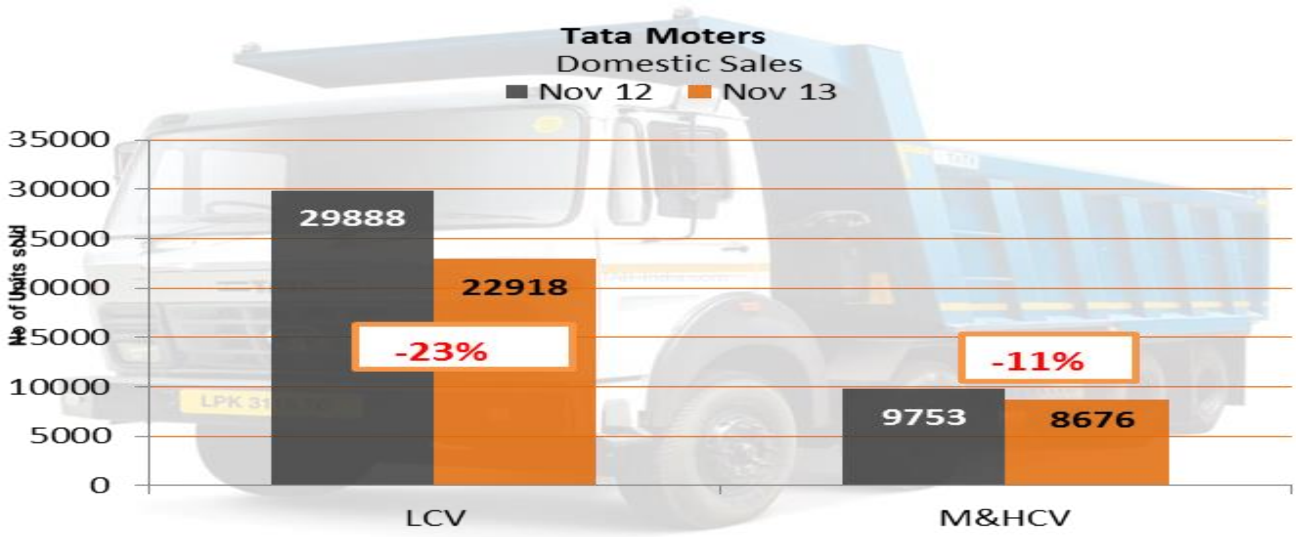
It also shows that fleet owners have been able to pass on cost increases (diesel prices, for example) to customers. Strong rentals could help sustain demand for new trucks too. Rentals however recovered a bit in end September 2013 after the diesel price hikes last month. But whether this recovery will sustain remains to be seen.

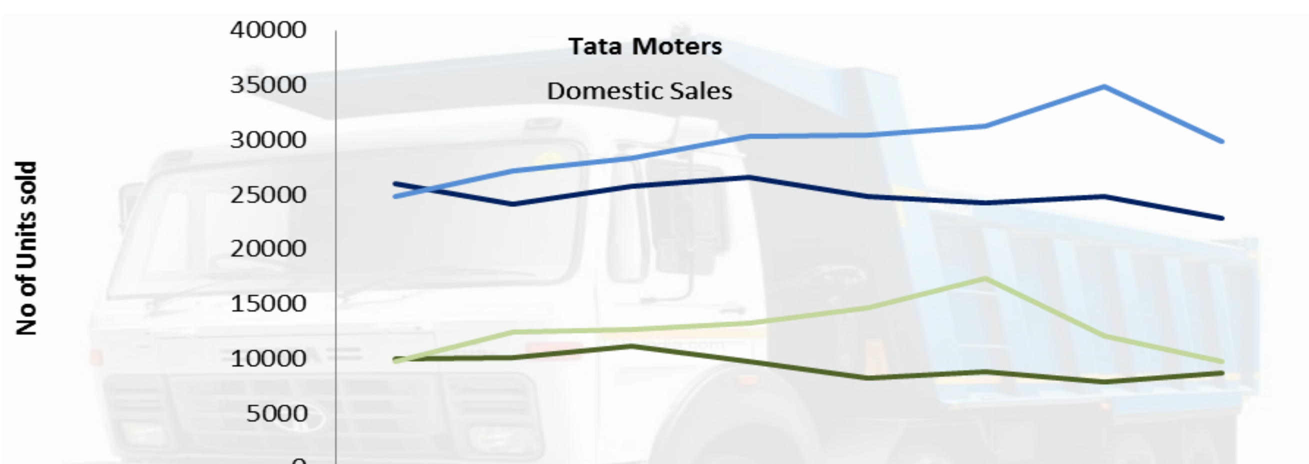
Much of the sales in this segment come from the mini-trucks such as Ace and its variants (Tata Motors), the Ape Truck variants (Piaggio), Gio, Maxximo (Mahindra) and pick-ups such as the newly-introduced Dost from Ashok Leyland.

A shifting preference for these vehicles from three-wheelers, considering their superior performance and comfort features is one reason for their strong growth in the last few years.

Besides, the proliferation of the hub-and-spoke model (where large, heavy trucks are used for inter-city movement of goods and such small CVs are used intra-city, for last mile connectivity) is another reason for the same.

Auto firm Tata Motors shows its vehicle sales in domestic markets fell 20% to 39,641 units in November, compared to the year-ago period.

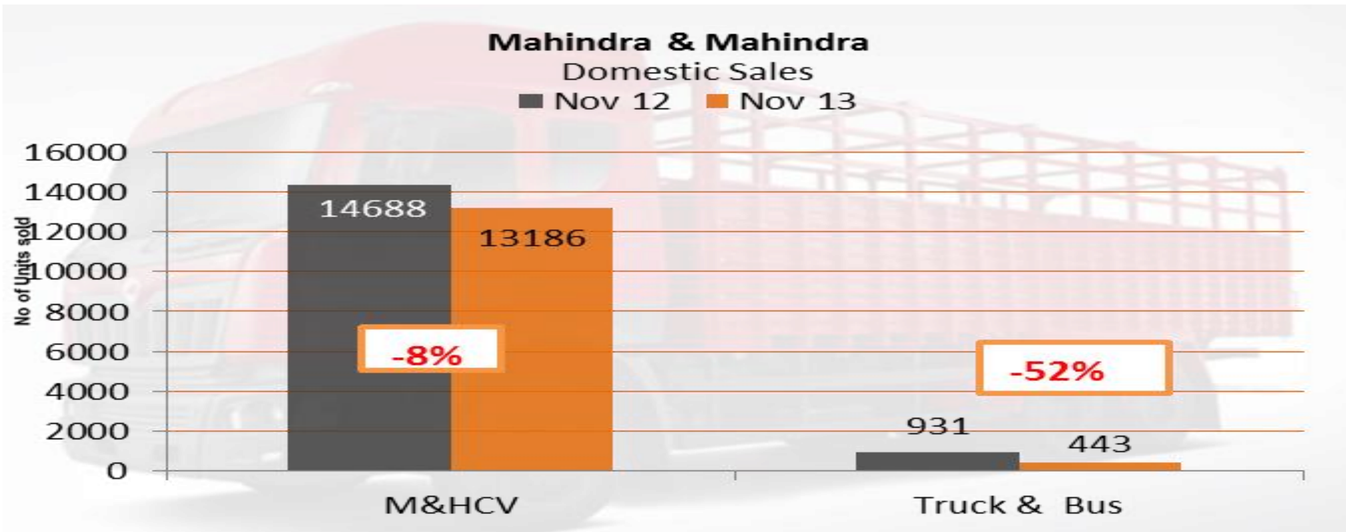




	April	May	June	July	Aug	Sep	Oct	Nov
FY 2013 LCV	26023	24173	25778	26609	24904	24304	24858	22918
FY 2013 M&HCV	10002	10123	11130	9758	8249	8815	7935	8676
FY 2012 M&HCV	9829	12451	12663	13242	14681	17359	12120	9753
FY 2012 LCV	24818	27174	28363	30361	30461	31350	34905	29888

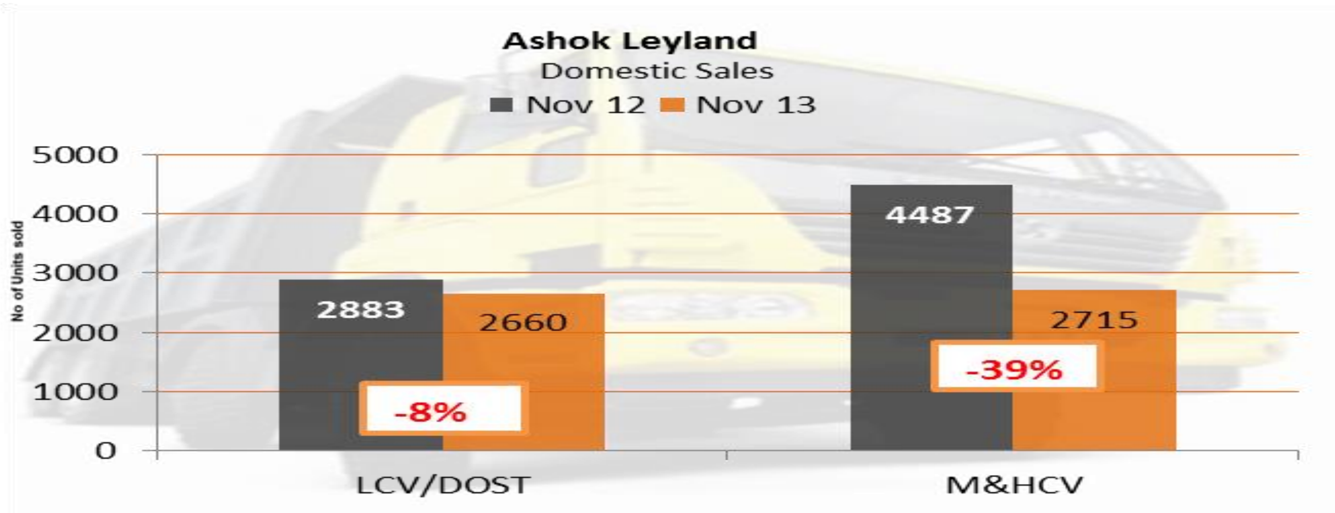
Mahindra and Mahindra recorded 11% drop in sales as on year-to-date 2013.

Auto-maker Mahindra & Mahindra reported 8% decline in M&HCV sales at 13,186 units, while 52% decline in truck and bus segment at 443 units in Nov 2013.



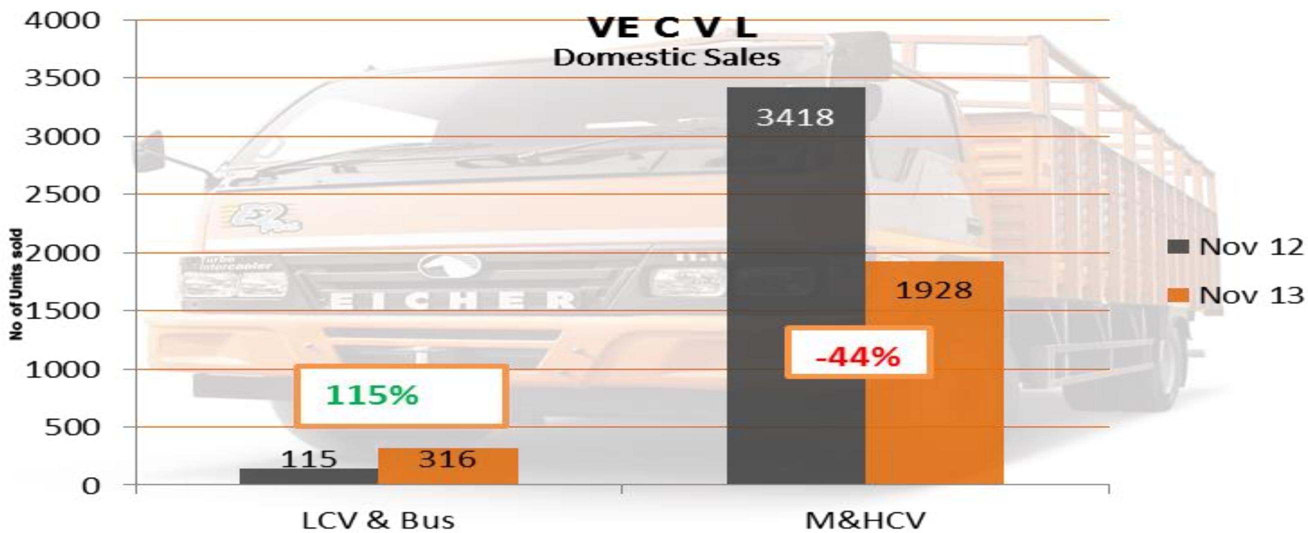
	April	May	June	July	August	Sep	Oct	Nov
FY 2013 M&HCV	14414	14848	13761	13740	13718	14709	17362	13186
FY 2012 M&HCV	13054	13254	13103	14688	14267	14417	16561	14353
FY 2013 Truck & Bus	704	984	911	730	471	546	502	443
FY 2012 Truck & Bus	1028	1210	1220	951	724	990	850	931

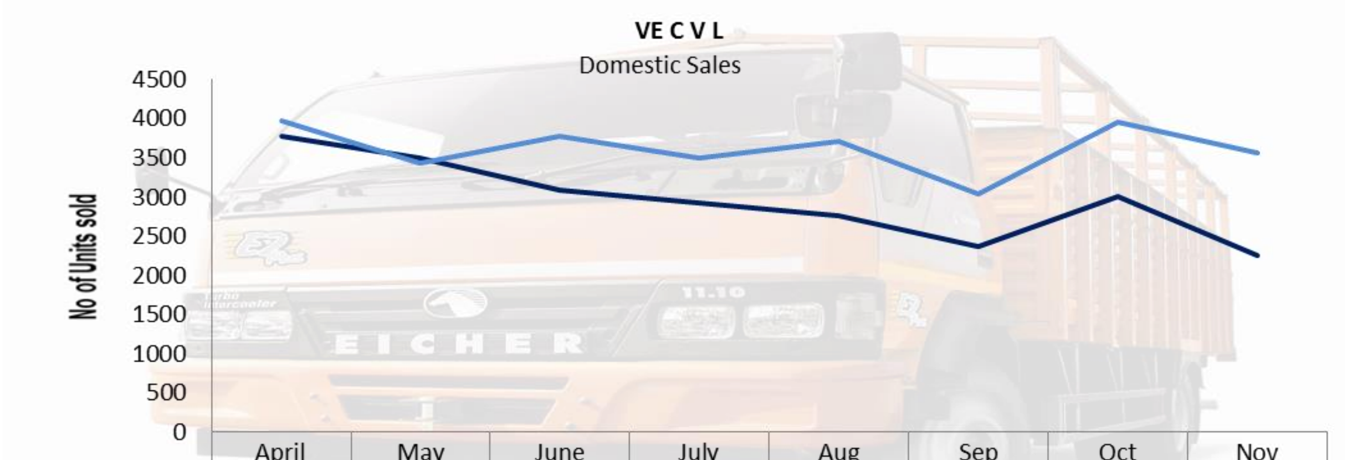
Ashok Leyland witness ⇩27% decline.



	April	May	June	July	Aug	Sep	Oct	Nov
FY 2012 LCV/DOST	2218	2305	2725	2803	2835	3027	3033	2883
FY 2013 LCV/DOST	2236	2335	2253	2480	2200	2517	2710	2660
FY 2012 M&HCV	6468	6350	7421	6982	6597	7593	4964	2715
FY 2013 M&HCV	5251	4932	4714	6259	4939	4715	4093	4487

VE Commercial Vehicles Ltd also moves toward deep;





	April	May	June	July	Aug	Sep	Oct	Nov
FY 2013	3766	3488	3090	2915	2757	2361	3001	2244
FY 2012	3963	3432	3767	3492	3712	3026	3945	3565

Prateek Patel
prateekpatel@outlook.com
in.linkedin.com/in/prateekpatel