

Commercial vehicles

Summary

CRISIL Research forecasts domestic sales volume in the commercial vehicles goods (truck) industry to grow at a CAGR of 8-10 per cent in the next 5 years. Strong consumption demand, penetration of organised retail and proliferation of hub and spoke distribution model will drive higher growth of 10-12 per cent in the LCV segment. MHCV growth, estimated at around 6-8 per cent, would be driven by growth in industrial activity and infrastructure development. Operating margins of the industry are expected to improve in 2009-10 on account of lower raw material costs and other cost reduction initiatives.

Annual Review

August 2009



Contents

Part A: Strong LCV demand to drive growth in commercial vehicles

Executive summary	A-1
Goods vehicles	A-3
Bus demand	A-21
Financial profile	A-27

Part B: State of the industry

Industry characteristics	B-1
Structure of CV industry	B-5
Cost and margins	B-7
Commercial vehicle exports	B-11
Key international markets	B-15
CV finance industry	B-19
Product profile	B-21
Regulations	B-35
Domestic player profiles	B-41
International player profiles	B-49

Part C: Industry statistics

Industry statistics	C-1
---------------------	-----

Opinion

Sections

Executive summary	A-1
1.0 Goods vehicles	A-3
- Domestic sales growth contracts due to economic slowdown	A-3
- 2009-10 to see slight recovery but expected to remain sluggish	A-8
- Segment-wise 5-year outlook	A-9
- Regional break-up of LCV market	A-16
2.0 Bus demand	A-21
- Segment-based classification of buses and demand drivers	A-21
- Demand review and outlook	A-23
3.0 Financial profile	A-27
- Industry performance	A-27

Boxes

<u>1.0 Goods vehicles</u>	
01 Demand forecasting methodology for MHCV goods segment	A-10
02 Framework for determination of LCV demand	A-11
03 Outlook for three-wheeler market	A-15
<u>2.0 Bus demand</u>	
01 Framework for determining demand for MHCV buses	A-24

Charts

<u>1.0 Goods vehicles</u>	
01 Demand analysis framework	A-5
<u>2.0 Bus demand</u>	
01 Classification of buses	A-21

Figures

<u>1.0 Goods vehicles</u>	
01 Domestic truck sales volume growth	A-4
02 Tonnage share of population (installed capacity)	A-5
03 Tonnage share on incremental basis (payload sales)	A-5
04 IIP growth	A-6
05 MHCV capacity utilisation levels	A-6
06 Drop in capacity utilisation led to significant fall in transporters' profitability	A-7

Continued...

07	Trend in freight rates and diesel prices	A-7
08	LCV sales volumes	A-12
09	SCVs payload sales trend	A-13
10	SCVs tonnage capacity trend	A-14
11	Sales trend of domestic three-wheeler market	A-15
12	Market share in domestic three-wheeler goods market as of March 2009	A-15
13	Estimated regional break-up of LCV sales	A-16
14	LCV population across regions	A-17
15	Estimated break-up of LCV population across regions	A-20
<u>2.0</u>	<u>Bus demand</u>	
01	Sales trend of domestic MHCV buses	A-23
02	Sales trend of domestic LCV buses	A-25
03	Bus penetration	A-26
<u>3.0</u>	<u>Financial profile</u>	
01	Sales volumes and operating income	A-28
02	Trends in operating margins	A-29
03	Trends in asset turnover ratio	A-30
04	Trends in gross working capital cycle	A-30
05	Trends in debtor days	A-30
06	Trends in RoCE	A-31
07	Trends in gearing	A-31
08	Trends in interest coverage ratio	A-32
09	Trends in net cash accruals-to-debt ratio	A-32

Tables

<u>1.0</u>	<u>Goods vehicles</u>	
01	Domestic sales volume outlook	A-3
02	Risk spectrum in CV finance	A-8
03	MHCV volume growth outlook	A-9
04	LCV volume growth outlook	A-11
05	Key markets for LCVs in southern India	A-18
06	Key markets for LCVs in western India	A-18
07	Key markets for LCVs in northern and eastern India	A-19
08	Regional outlook for LCV density	A-19
<u>2.0</u>	<u>Bus demand</u>	
01	Demand drivers for route-based classification of buses	A-22
02	Demand drivers for user-based classification of buses	A-22
03	Demand drivers for ownership-based classification of buses	A-22
04	Demand drivers for vehicle-based classification of buses	A-22
<u>3.0</u>	<u>Financial profile</u>	
01	Break-up of cost as a percentage of operating income	A-28

State of the industry

Sections

1.0	Industry characteristics	B-1
-	Demand closely linked to health of economy	B-1
-	High volatility in demand	B-1
-	Key success factors	B-3
2.0	Structure of CV industry	B-5
3.0	Cost and margins	B-7
-	Trends in average realisations of commercial vehicles	B-7
-	Higher average realisations for MHCVs	B-7
-	Costs	B-8
4.0	Commercial vehicle exports	B-1
5.0	Key international markets	B-15
-	Markets	B-15
6.0	CV finance industry	B-19
7.0	Product profile	B-21
-	Introduction	B-21
-	Category-wise application	B-21
-	Technical parameters	B-23
-	Classification of good vehicles as per weight (GVW)	B-24
-	Classification of passenger vehicles as per weight (GVW)	B-32
8.0	Regulations	B-35
-	Emission norms	B-35
-	Catalytic converters	B-36
-	Auto fuel policy	B-36
-	Age norms	B-37
-	Weight norms	B-37
-	Road safety	B-37
-	Fiscal regulations	B-38
-	Purchase of vehicles	B-38
9.0	Domestic player profiles	B-41
-	Ashok Leyland Ltd	B-41
-	Force Motors Ltd	B-42
-	Eicher Motors Ltd	B-43
-	Mahindra & Mahindra Ltd	B-44
-	Swaraj Mazda Ltd	B-45
-	Tata Motors Ltd	B-46
-	Volvo India Ltd	B-47

Continued...

...continued

Sections

10.0 International player profiles	B-49
- Daimler AG	B-49
- Hino Motors	B-52
- Iveco	B-54
- PACCAR	B-56
- Scania	B-58
- MAN AG	B-60
- Volvo AB	B-62

Figures

<u>1.0 Industry characteristics</u>	
01 Volatile CV sales growth	B-2
<u>3.0 Cost and margins</u>	
01 Operating margins across players	B-7
02 Raw material cost as percentage of operating income – Industry aggregates	B-8
03 Movement in raw material, creditor days - Industry aggregates	B-9
04 Employee cost as per cent of operating income	B-10
05 Selling expenses	B-10
<u>4.0 Commercial vehicle exports</u>	
01 Export volumes (Goods vehicles)	B-11
02 Export volumes (Passenger vehicles)	B-11
<u>6.0 CV finance industry</u>	
01 Portfolio mix - 2007-08E	B-19
02 Portfolio mix - 2008-09E	B-19
<u>10.0 International player profiles</u>	
01 Regional distribution of revenue: Daimler Trucks, 2008	B-50
02 Revenue growth: Daimler Trucks	B-50
03 Regional distribution of volume: Daimler Trucks, 2008	B-51
04 Volume growth: Daimler Trucks	B-51
05 Revenue distribution (Consolidated FY2008)	B-53
06 Segmental break-up – Japanese sales (Units)	B-53
07 Regional distribution (Units): 2008	B-55
08 Segment-wise distribution of sales (Units): 2008	B-55
09 Volume growth	B-56
10 Revenue distribution: 2008	B-57

continued...

...continued

Figures

10.0 International player profiles

11	Revenue growth across regions	B-57
12	Revenue distribution: 2008	B-58
13	Revenue growth across regions	B-59
14	Revenue distribution: 2008	B-61
15	Revenue growth across regions	B-61
16	Segmental distribution in 2008	B-63
17	Regional distribution (Units) in 2008	B-63
18	Volume growth across regions (Units)	B-64

Tables

1.0 Industry characteristics

01	Commercial vehicles - Penetration (2007)	B-1
----	--	-----

2.0 Structure of CV industry

01	Light commercial vehicles (Goods) - Market share	B-5
02	Medium and heavy commercial vehicles (Goods) - Market share	B-5
03	Light commercial vehicles (Passenger) - Market share	B-6
04	Medium and heavy commercial vehicles (Passenger) - Market share	B-6

4.0 Commercial vehicle exports

01	Player-wise export volumes	B-12
02	Commercial vehicles - Gross vehicle weight-wise export market segmentation	B-13

5.0 Key international markets

01	Comparison of commercial vehicles across countries for 2007	B-15
----	---	------

6.0 CV finance industry

01	New CV finance industry	B-20
----	-------------------------	------

7.0 Product profile

01	Goods vehicles – Category-wise vehicle usage	B-22
02	LCV (Goods vehicles) - <=3.5 tonnes GVW (0.7-2 tonnes pay load)	B-25
03	Market share of LCV (Goods vehicles): <=3.5 tonnes GVW category	B-25
04	LCV (Goods vehicles): >3.5 tonnes and <=5 tonnes GVW (2.5 - 3 tonnes pay load)	B-25
05	LCV (Goods vehicles): >5 tonnes and <=7.5 tonnes GVW (3 - 4 tonnes pay load)	B-26
06	ICV (Goods vehicles): >7.5 tonnes and <=12 tonnes GVW (5 - 10 tonnes pay load)	B-27
07	Market share of ICV (Goods vehicles): 7.5 to 12 tonnes GVW category	B-27

continued...

Tables

7.0 Product profile

08	MHCV (Goods vehicles): >12 tonnes and <=16.2 tonnes GVW (11 - 13 tonnes pay load)	B-28
09	Market share of MCV (Goods vehicles): 12 to 16.2 tonnes GVW category	B-28
10	MHCV (Goods vehicles): >=16.2 tonnes and <=25 tonnes GVW (17 - 20 tonnes pay load)	B-29
11	Market share of MAV (Goods vehicles): 16.2 to 25 tonnes GVW category	B-29
12	MHCV (Goods vehicles): >25 tonnes and <=35.2 tonnes GVW (20-30 tonnes pay load)	B-30
13	MHCV (Goods vehicles): >35.2 tonnes GVW (28-40 tonnes pay load)	B-30
14	Market share of MAV (Goods vehicles): 25 tonnes and above GVW category	B-30
15	Tipppers (Goods vehicles)	B-31
16	Market share of tractor trailers (Goods vehicles): 25 tonnes and above GVW category	B-32
17	LCV (Passenger vehicles): <=5 tonnes GVW	B-32
18	LCV (Passenger vehicles): >5 tonnes and <=7.5 tonnes GVW	B-33
19	MHCV (Passenger vehicles):>7.5 tonnes and <=12 tonnes GVW	B-33
20	MHCV (Passenger vehicles):>=12 tonnes GVW	B-34

8.0 Regulations

01	Emission regulations in India: Chronology	B-35
02	Emission norms for heavy vehicles	B-36
03	Road map for new vehicles	B-37
04	Maximum allowable load limits	B-37
05	Commercial vehicles - Tariffs	B-38

9.0 Domestic player profiles

01	Ashok Leyland Ltd	B-41
02	Force Motors Ltd	B-42
03	Eicher Motors Ltd	B-43
04	Mahindra & Mahindra Ltd	B-44
05	Swaraj Mazda Ltd	B-45
06	Tata Motors Ltd	B-46
07	Volvo India Ltd	B-48

10.0 International player profiles

01	Daimler AG	B-52
02	Hino Motors	B-54
03	IVECO	B-56
04	PACCAR	B-58
05	Scania AB	B-60
06	MAN AG	B-62
07	VOLVO	B-65

Industry statistics

Tables

01	Commercial vehicles: Physical aggregates	C-1
02	Commercial vehicle total sales (including exports)	C-1
03	Commercial vehicle domestic sales	C-2
04	Goods vehicles domestic sales	C-2
05	Goods vehicles exports	C-4
06	Passenger vehicle domestic sales	C-6
07	Passenger vehicle exports	C-7
08	LCV goods vehicles market share	C-8
09	MHCV goods vehicles market share	C-9
10	LCV passenger vehicles market share	C-10
11	MHCV passenger vehicle market share	C-11
12	Commercial vehicles sales: Global comparison	C-12