

# INDIA TWO-WHEELER INDUSTRY ANALYSIS

*31st October 20xx*

## Table of Contents

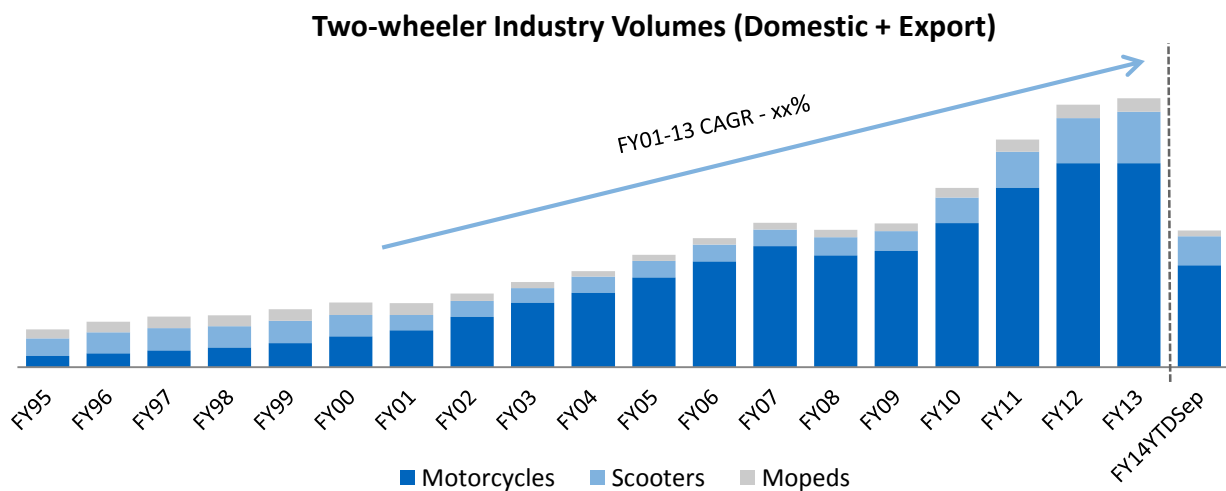
<b>INDUSTRY OVERVIEW</b> .....	<b>2</b>
PENETRATION AND THE RURAL FACTOR .....	2
FUTURE OUTLOOK .....	3
<b>MOTORCYCLE</b> .....	<b>5</b>
SEGMENTATION .....	6
<b>SCOOTERS</b> .....	<b>17</b>
SEGMENTATION .....	18
<b>TWO-WHEELER EXPORTS</b> .....	<b>22</b>
MARKET SHARE TUSSLE WITH CHINA .....	23
IMMENSE POTENTIAL IN LATIN AMERICA AND AFRICA.....	24
<b>COMPETITIVE LANDSCAPE</b> .....	<b>29</b>
MOTORCYCLE.....	31
SCOOTERS.....	32

## Industry Overview

Two-wheelers occupy a dominant part of the Indian automobile industry with a market share of xx%<sup>1</sup> and is the largest producer of two-wheelers globally. Historically the two-wheeler industry has grown at a healthy CAGR of xx%<sup>1</sup> from FYxx-xx, offering a prime example of the remarkable growth experienced by India's consumer discretionary segment over the past decade. However, the volume for 20xx (xx million units) did not continue on the high growth trajectory and increased by only xx% vs. xx% in FYxx.<sup>1</sup> This slowdown can be attributed to lower GDP growth, negative real wage inflation and limited employment opportunities, all impairing consumer confidence and limiting disposable income. Rural growth has been the only growth driver for the sector in the past few quarters and a major reason for the sluggish performance of the industry has been the weakening rural demand. Rural demand which accounts for xx-xx%<sup>2</sup> of volumes could recover due to better monsoons witnessed in 20xx.

The performance of the two-wheeler industry is also seasonal in nature. The sales volumes shoot up in the post monsoon period (September-October) and usually tend to be more than the yearly average. The plausible reason for this could be the bolstered demand from the rural sector after monsoon. This trend is more prominent for the motorcycle sector.

The two-wheeler industry mainly comprises of Motorcycles, Scooters and Mopeds, of which Motorcycles command a market share of xx%.



Source: ABC

## Penetration and the Rural Factor

While the penetration of two-wheelers is at xx%\* of the population, the two-wheeler industry has reached xx% of the addressable households\*\* in urban regions.<sup>3</sup> Hence the demand from urban sector is likely to stagnate and incremental growth is expected to come from the rural sector where penetration was at c. xx% of addressable households.

<sup>1</sup> ABC

<sup>2</sup> ABC

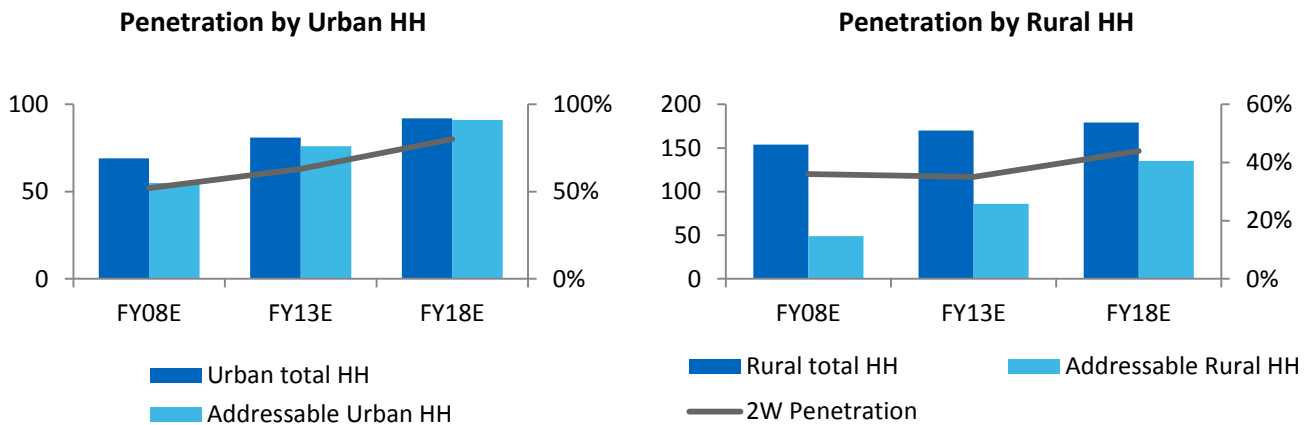
<sup>3</sup> ABC

\* Calculated by dividing sum of last 10 years' domestic total sales by current population (average life of a two-wheeler considered 10 years)

\*\* Households with income >100,000 pa considered as addressable households. Data sourced from NACER and every household assumes 4.8 individuals

Rural cash flows were quite resilient in FYxx-xx as a result of various government schemes coupled with underlying growth in crop production. However, government spending in rural areas has fallen short of plans over the last 12 months. That said, one segment of the Indian two-wheeler market holding up relatively well is still the rural economy, making it an area of focus for most two-wheeler players.

There are significant positive structural changes happening in rural areas, including:



Source: ABC

- Over the past decade, although liquidity in India’s rural economy has not increased significantly, immovable wealth (as a proportion of the rural economy) has increased substantially given the multifold increase in land prices, which has also led to a vast divide in wealth amongst people in rural areas
- The employment trends for rural areas show that in the last decade there has been a sharp increase in trade, infrastructure and construction (workforce proportion increased from xx% in 20xx to xx% in 20xx), particularly of hotels and restaurants – all driving rapid growth in the rural non-farm sector
- Moreover, within agriculture a trend of people moving towards remunerative self-employment in the non-farm sector is also evident, highlighting a shift to a productive and modern model of part-time farming

Rural wages rose during 20xx-xx, driven by the factors like sharp increase in agricultural prices due to frequent increases in minimum support prices set by the government, implementation of the government flagship MNRGA program (Mahatma Gandhi National Rural Employment Guarantee Act), significant rural non-farm sector growth and growth in public expenditure in rural areas further increasing rural purchasing power. Rural volume growth is expected to be in the double digits (motorcycles at xx-xx% CAGR FYxx-xx<sup>1</sup> vs. xx-xx% for urban areas) as penetration of two-wheeler remains low and income growth is strong.

These structural changes augment well for growing two-wheeler demand in rural areas where penetration is still low.

## Future Outlook

While the domestic sales are expected to remain dim in FYxx with growth of approx. xx%<sup>2</sup>, it is expected to bounce back in FYxx and register growth of c. xx%<sup>2</sup>. With the expectation of an increase in rural incomes due to favorable monsoon coupled with election spending-led improvement in macro-economic factors, immediate future is expected to be better for the sector. Over the long term, easing macro headwinds such as lower interest rates and higher economic growth would be the key driver for volume growth, profitability and in turn for re-rating. The long-

<sup>1</sup> ABC

<sup>2</sup> ABC

term growth rate for the domestic market is expected to grow at a CAGR of xx%<sup>1</sup> until 20xx. The urban demand will likely remain under pressure due to sluggish income growth and inflation, coupled with high penetration. Growth in the overall industry is anticipated to come from demand in the rural sector and export market, particularly Latin America and Africa, where the Indian manufacturers have huge potential. Two-wheeler industry exports are expected to grow at a CAGR of xx-xx% from FYxx to FYxx<sup>2</sup>.

## Overall Historical and Forecasted Volume Sales for 3 Major Players

Total Two-wheelers														
(Volumes in million)	FYxx	FYxx	FYxx	FYxx	FYxx	FYxx	FYxx	FYxx	FYxx	FYxx	FYxx	FYxx	CAGR	CAGR
										F	F	F	FYxx-xx	FYxx-xx
Company 1	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx%	xx%
<i>Growth</i>		xx%	xx%	xx%	xx%	xx%	xx%	xx%	xx%	xx%	xx%	xx%		
Company 2	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx%	xx%
<i>Growth</i>		xx%	xx%	xx%	xx%	xx%	xx%	xx%	xx%	xx%	xx%	xx%		
Company 3	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx%	xx%
<i>Growth</i>		xx%	xx%	xx%	xx%	xx%	xx%	xx%	xx%	xx%	xx%	xx%		

Source: ABC

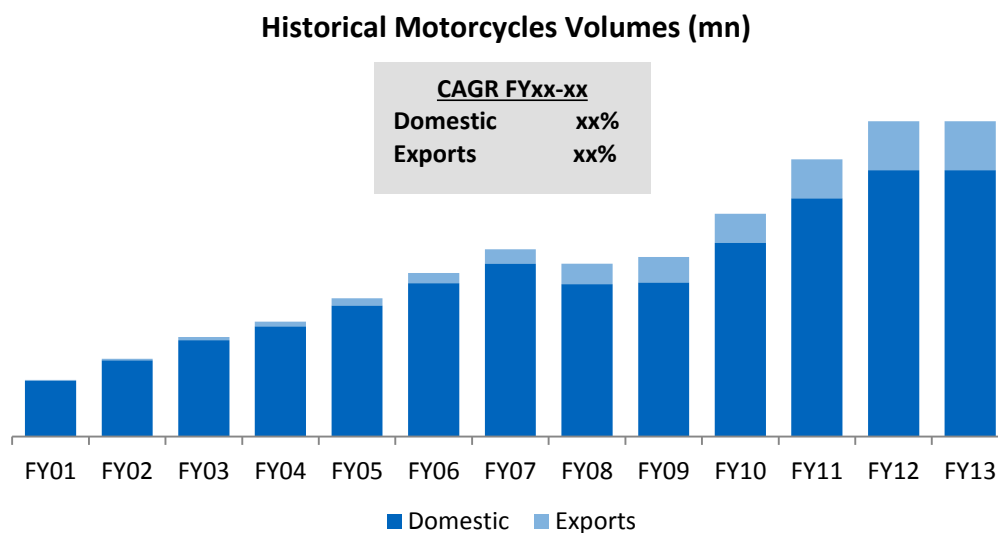
<sup>1</sup> ABC

<sup>2</sup> ABC

## Motorcycle

Motorcycles which commands a market share of xx%<sup>1</sup> of the overall two-wheeler industry, is dominated by four companies – Company 1, Company 2, Company 3 and Company 4, with a domestic combined market share of xx% for YTD Sep FYxx. It recorded a sales volume of xx million units (xx% domestic and xx% export) in FYxx having grown at a CAGR of xx% between FY xx-xx.

Domestic motorcycles should see low growth in FYxx at xx% (grew by xx% in FYxx) followed by a modest growth of xx%<sup>2</sup> in FYxx as urban consumers cut back discretionary spending.



Source: ABC

The sales volume of motorcycles increased consistently from 20xx to 20xx from xx to xx million units (2-year CAGR of xx% vs. GDP CAGR of xx%<sup>3</sup>). While this was predominantly led by increasing urbanization and rising incomes in both rural and urban areas, the two-wheeler manufacturers also launched a variety of products during this period to provide the customers with a slew of options never seen before. These options included:

- Company 1 launched the Product 1 and the Product 2 and Product 3 in 20xx followed by Product 4 in 20xx. The success of Product 1 forced Company 1 to launch upgraded versions of Product 1, namely Product 1.1, Product 1.2 along with the new Product 1.3. In 20xx, Company 1 started revamping the organizational structure and also inaugurated the Plant 1
- Company 2 also aggressively launched products between 20xx and 20xx. The new launches included new Product 1, Product 2, Product 3, Product 4, Product 5, Product 6 and Product 7
- Company 3 launched Product 1, the first two-wheeler in India that had racing inspired engine and features in 20xx. It also launched Product 2, the first bike to win xx awards in a row

However the growth curve was cut short in FYxx-FYxx as the two-wheeler industry witnessed a drop in sales volume, registering negative growth of xx% in FYxx and marginal growth of xx% in FYxx vs. GDP growth of xx% and xx% in FYxx and FYxx respectively. Two-wheeler sales came under intense pressure during this period due to the sudden slowdown in lending to this segment by big private finance companies, coupled with weak consumer sentiment.

<sup>1</sup> ABC

<sup>2</sup> ABC

<sup>3</sup> ABC

The tight retail financing conditions and weak demand saw domestic two-wheeler sales registering a modest growth in FYxx.

After the slowdown in FYxx and FYxx, the motorcycles sales picked up from FYxx onwards, from xx million units in FYxx the sales volumes have increased to xx million in FYxx (CAGR of xx% vs. GDP CAGR of xx%<sup>1</sup>). A steady revival in economic activity, low excise duties, low interest rates and relatively higher disposable incomes (per capita income at current prices during 20xx-xx is estimated to be INR xx as compared to INR xx during 20xx-xx, showing a rise of xx%)<sup>2</sup> enabled the demand pull. On the other hand, launch of new products/ variants by manufacturers, targeted marketing spends (Advertising and publicity expense increased by xx% in FYxx)<sup>3</sup> and expansion of customer touch points (notwithstanding sharp decline in organized financing) provided the complementary supply push. A few of the new launches were as follows:

- In 20xx, Company 1 launched its first bike in association with Company 2, named the Product 1. It launched upgraded models of the popular Product 2 and Product 3
- For Company 2, the most significant development of this period was separating from Company 3. Following which, it launched refreshed versions of Product 1 and Product 2
- Company 4 launched the motorcycle Product 1 in 2010 and an upgraded model of Product 2 in 2011

### Historical and Forecasted Motorcycles Volume Sales for 3 Major Players

Motorcycles (Volumes in million)	FYxx	FYxx	FYxx	FYxx	FYxx	FYxx	FYxx	FYxx	FYxx	FYxx F	FYxx F	FYxx F	CAGR FYxx- xx	CAGR FYxx- xx
Company 1	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx%	xx%
Growth		xx%	xx%	xx%	xx%	xx%	xx%	xx%	xx%	xx%	xx%	xx%		
Company 1	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx%	xx%
Growth		xx%	xx%	xx%	xx%	xx%	xx%	xx%	xx%	xx%	xx%	xx%		
Company 1	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx%	xx%
Growth		xx%	xx%	xx%	xx%	xx%	xx%	xx%	xx%	xx%	xx%	xx%		

Source: ABC

## Segmentation

### I. Based on price

Motorcycles can be categorized into three segments in India (based on research analyst segmentations from Company 1 and Company 2):

1. Economy/entry segment (worth INR xx k-xx k)
2. Executive segment (worth INR xx k-xx k)
3. Premium segment (above INR xx k)

Executive segment is the preferred choice of customers and currently accounts for xx%<sup>4</sup> of industry volumes. Over the years, rising income has led consumers to trade up from economy segment to executive & premier segments. This has increased the share of executive segment from xx% in FYxx to xx% in FYxx and the premier segment from xx% to xx% in the same period.

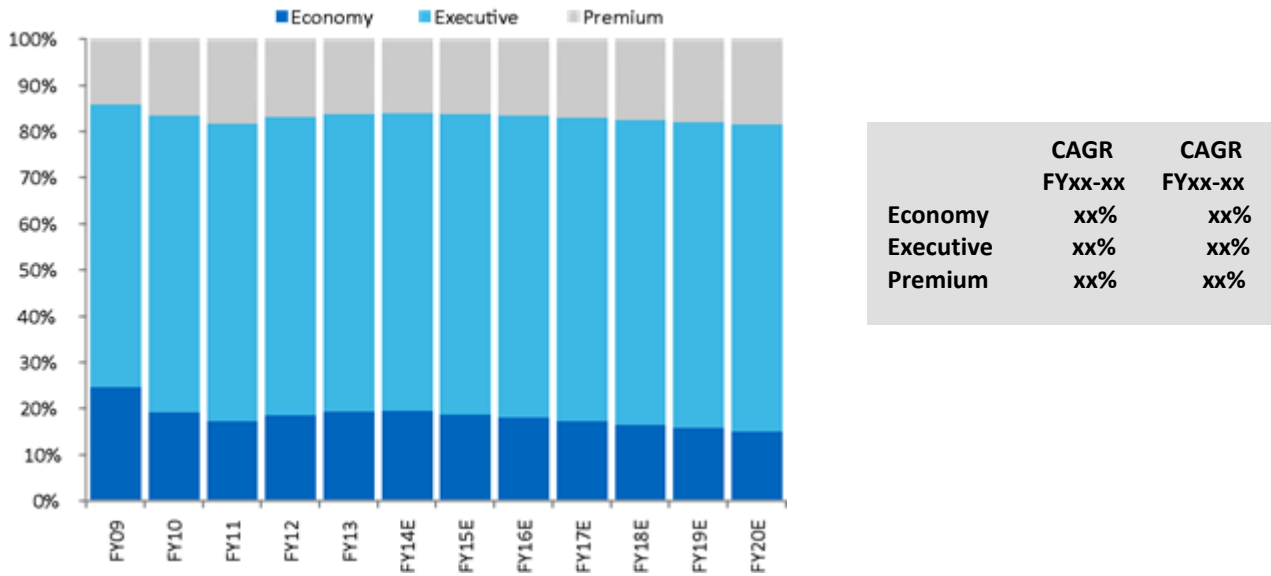
<sup>1</sup> ABC

<sup>2</sup> ABC

<sup>3</sup> ABC

<sup>4</sup> ABC

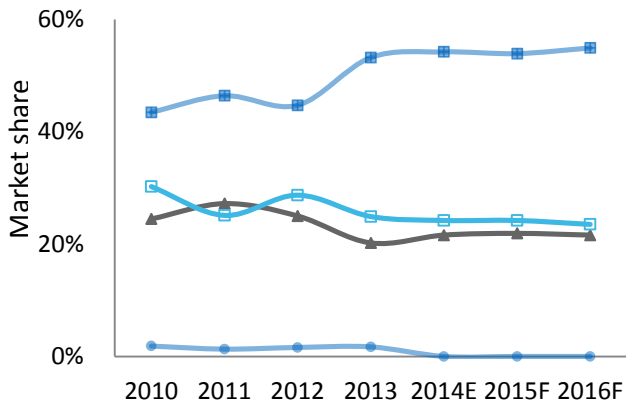
## Forecasted Domestic Market Share of the Segments



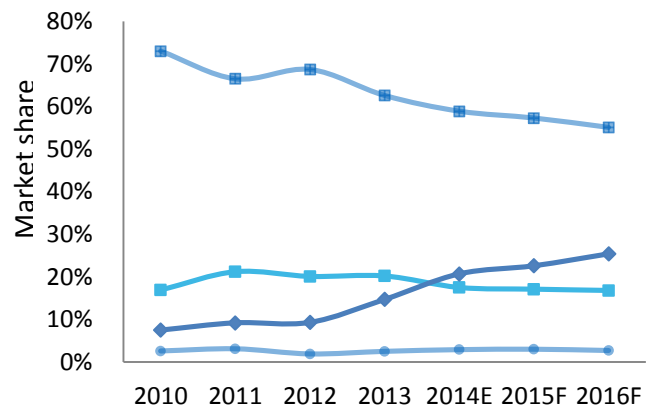
Source: ABC

Lately, consumers have started trading down due to the bleak economic environment and hence the preference for economy motorcycles has increased again. This could be more of a short-term phenomenon and consumers will begin trading up again starting from FYxxE as inflationary pressure eases and income growth resumes. The premium segment is forecasted to increase from current levels of xx% to xx% by FYxxE.<sup>1</sup>

### Player Wise Economy Segment (FY)

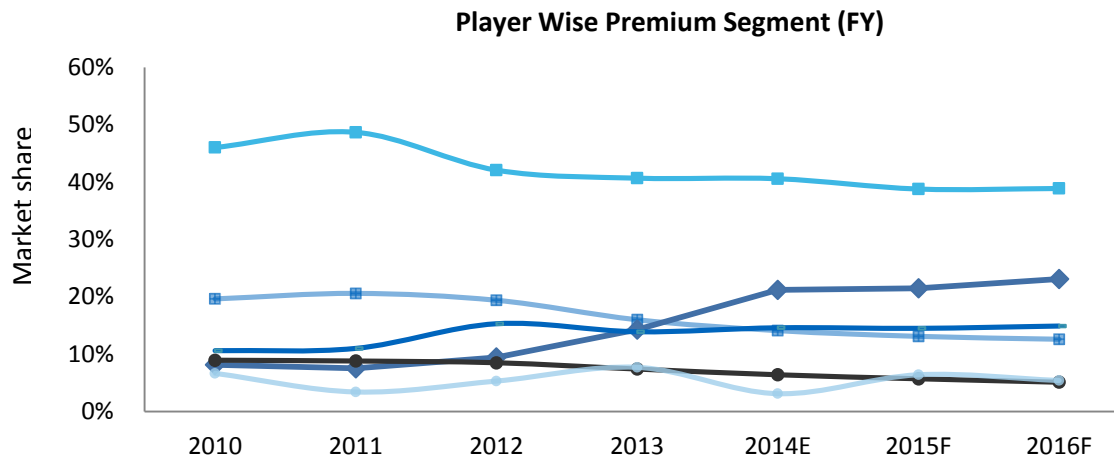


### Player Wise Executive Segment (FY)



<sup>1</sup> ABC





Source: ABC

Company 1 dominates the economy and executive segments with c.xx% and c.xx% market share respectively (FY xx). On the other end, Company 2 still has a low presence in these segments which forms the bulk of the market, and is expected to launch a series of products in this segment soon. Its distribution reach is still half of Company 1's, but Company 2 is growing it aggressively. Both Company 3 & Company 1 might lose market to Company 2 in the future. This can be noted in the forecasted rise in Company 2's market share and decline in that of other major players in executive and premium segment.

Company 3 and Company 4 both lost market share in the year 20xx as compared to the previous year in the executive segment. Company 4 did not have any new launches for 20xx whereas Company 3 also had no new models in this segment. Hence, why both players lost market share to Company 1 who had come out with refreshed models of the previous years.

Company 3 dominates the premium segment with c.xx% share in FYxx. A huge chunk of the market share in the premium segment is led by Company 3 owing to the success of Product 1 in last decade. However, Company 2's share in premium segment could rise to xx% in 20xx. Company 2 already has strong global portfolio of products which could easily be replicated for the Indian market, a major market which it does not dominate yet.

Model-wise segmentation of Motorcycles based on Price				
<b>Company 1</b>				
<b>Economy (2)</b>	Product 1 – xx cc, xx	Product 2 – xx cc, xx		
<b>Executive (3)</b>	Product 1 – xx cc, xx	Product 2 – xx cc, xx	Product 3 – xx cc, xx	
<b>Premium (4)</b>	Product 1 – xx cc, xx	Product 2 – xx cc, xx	Product 3 – xx cc, xx	Product 4 – xx cc, xx
<b>Company 2</b>				
<b>Economy (2)</b>	Product 1 – xx cc, xx	Product 2 – xx cc, xx		
<b>Executive (3)</b>	Product 1 – xx cc, xx	Product 2 – xx cc, xx	Product 3 – xx cc, xx	
<b>Premium (4)</b>	Product 1 – xx cc, xx	Product 2 – xx cc, xx	Product 3 – xx cc, xx	Product 4 – xx cc, xx

Company 3				
<b>Economy (2)</b>	Product 1 – xx cc, <b>xx</b>	Product 2 – xx cc, <b>xx</b>		
<b>Executive (3)</b>	Product 1 – xx cc, <b>xx</b>	Product 2 – xx cc, <b>xx</b>	Product 3 – xx cc, <b>xx</b>	
<b>Premium (4)</b>	Product 1 – xx cc, <b>xx</b>	Product 2 – xx cc, <b>xx</b>	Product 3 – xx cc, <b>xx</b>	Product 4 – xx cc, <b>xx</b>
Company 4				
<b>Economy (2)</b>	Product 1 – xx cc, <b>xx</b>	Product 2 – xx cc, <b>xx</b>		
<b>Executive (3)</b>	Product 1 – xx cc, <b>xx</b>	Product 2 – xx cc, <b>xx</b>	Product 3 – xx cc, <b>xx</b>	
<b>Premium (4)</b>	Product 1 – xx cc, <b>xx</b>	Product 2 – xx cc, <b>xx</b>	Product 3 – xx cc, <b>xx</b>	Product 4 – xx cc, <b>xx</b>
Company 5				
<b>Economy (2)</b>	Product 1 – xx cc, <b>xx</b>	Product 2 – xx cc, <b>xx</b>		
<b>Executive (3)</b>	Product 1 – xx cc, <b>xx</b>	Product 2 – xx cc, <b>xx</b>	Product 3 – xx cc, <b>xx</b>	
<b>Premium (4)</b>	Product 1 – xx cc, <b>xx</b>	Product 2 – xx cc, <b>xx</b>	Product 3 – xx cc, <b>xx</b>	Product 4 – xx cc, <b>xx</b>
Company 6				
<b>Economy (2)</b>	Product 1 – xx cc, <b>xx</b>	Product 2 – xx cc, <b>xx</b>		
<b>Executive (3)</b>	Product 1 – xx cc, <b>xx</b>	Product 2 – xx cc, <b>xx</b>	Product 3 – xx cc, <b>xx</b>	
<b>Premium (4)</b>	Product 1 – xx cc, <b>xx</b>	Product 2 – xx cc, <b>xx</b>	Product 3 – xx cc, <b>xx</b>	Product 4 – xx cc, <b>xx</b>

Source: ABC

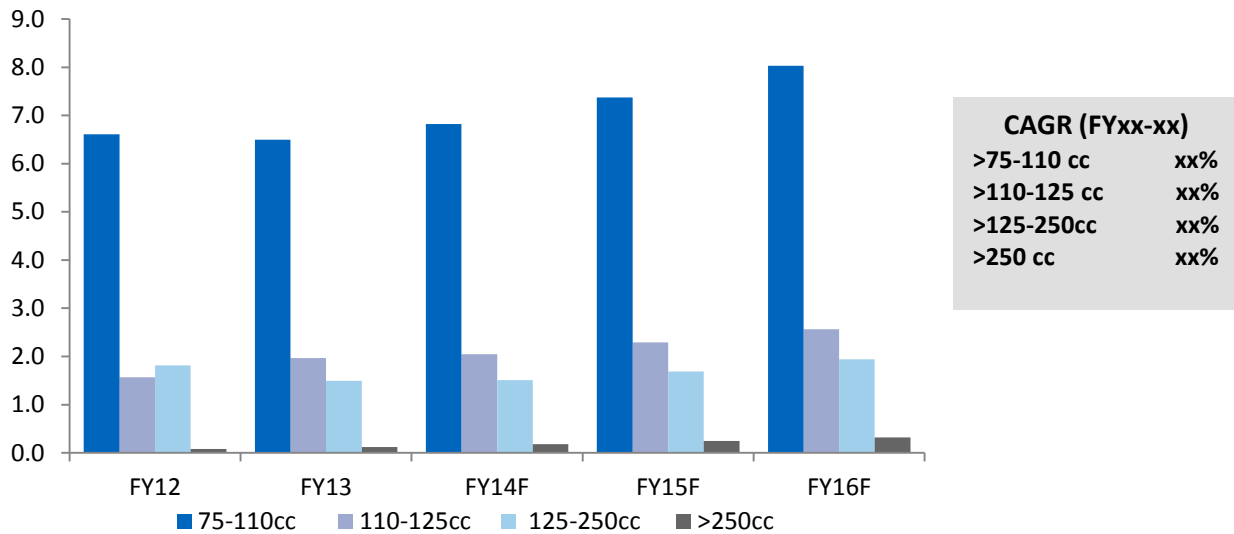
Note: Figures in **red**: Average price range in '000; Economy (INR xx-xx k), Executive (INR xx-xx k), Premium (above INR xx K)

## II. Based on engine volume (cc)

Motorcycles can be categorized into five segments:

1. >75-110cc (FY13 domestic and export market share at xx% and xx% respectively)
2. >110-125cc (FY13 domestic and export market share at xx% and xx% respectively)
3. >125-150cc (FY13 domestic and export market share at xx% and xx% respectively)
4. >150-250cc (FY13 domestic and export market share at xx% and xx% respectively)
5. >250cc (FY13 domestic and export market share at xx% and xx% respectively)

## Domestic Segment based on Engine Volumes (mn units)



Source: ABC

## Domestic Market Share

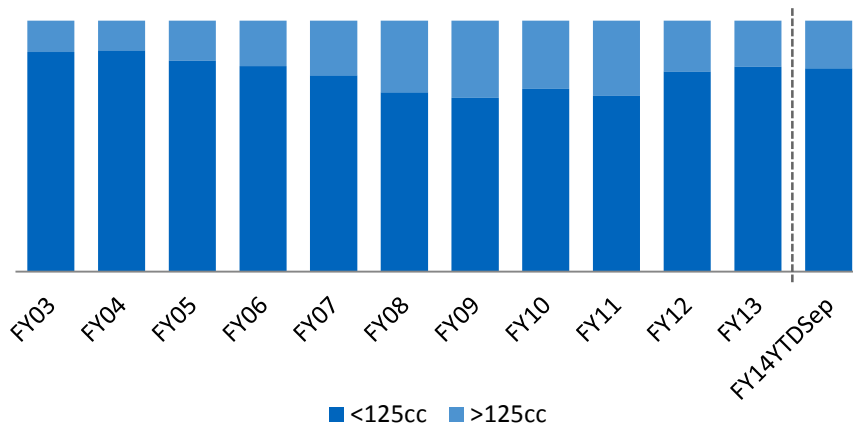
	FYxx	FYxx	FYxx YTD Sep
>75-110cc	xx%	xx%	xx%
>110-125cc	xx%	xx%	xx%
>125-250cc	xx%	xx%	xx%
>250cc	xx%	xx%	xx%

Source: ABC

The market share of the >75-110cc bikes is greater than the market share of the higher segments combined together. This is primarily because most of the >75-110cc bikes fall into the economy segment when differentiated on the basis of price. This segment is expected to grow at a modest rate because the people are now shifting to the upper segment with increasing incomes and widening of the rural customer base leading to expected increase in rural demand, also seen from expected CAGR for the >110-125cc segment at xx%.

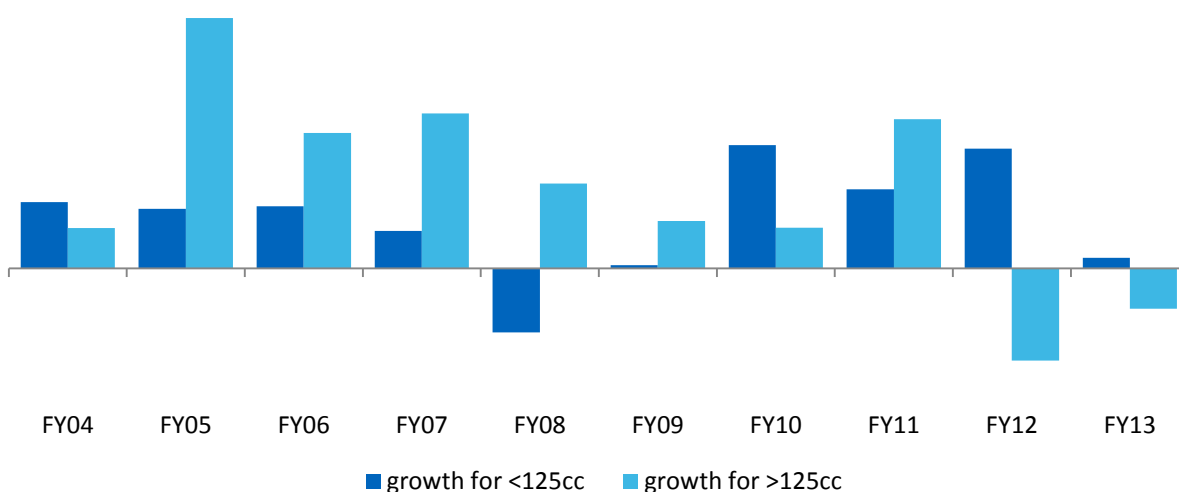
The market for bikes >250cc (premium bikes) is still at a nascent stage and is expected to grow at a high CAGR (albeit of a smaller base) of xx% because of the growing trend and demand of heavy, more powerful bikes (sports bikes), especially from the youth.

### Historical Market Share for Motorcycles by cc



Source: ABC

### Historical Growth Rate for Motorcycles by cc



Source: ABC

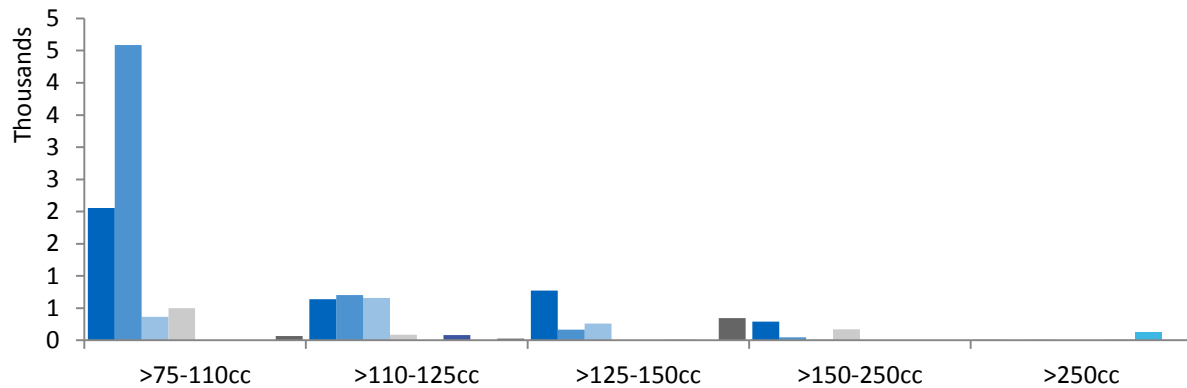
### Segment-wise (cc) Market Share for Motorcycles

>75-110cc	FYxx	FYxx	FYxx YTD Sep
Company 1	xx%	xx%	xx%
Company 2	xx%	xx%	xx%
Company 3	xx%	xx%	xx%
Company 4	xx%	xx%	xx%
Company 5	xx%	xx%	xx%
Company 6	xx%	xx%	xx%
Company 7	xx%	xx%	xx%
Company 8	xx%	xx%	xx%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
>110-125cc			
Company 1	xx%	xx%	xx%

Company 2	xx%	xx%	xx%
Company 3	xx%	xx%	xx%
Company 4	xx%	xx%	xx%
Company 5	xx%	xx%	xx%
Company 6	xx%	xx%	xx%
Company 7	xx%	xx%	xx%
Company 8	xx%	xx%	xx%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
<b>&gt;125-150cc</b>			
Company 1	xx%	xx%	xx%
Company 2	xx%	xx%	xx%
Company 3	xx%	xx%	xx%
Company 4	xx%	xx%	xx%
Company 5	xx%	xx%	xx%
Company 6	xx%	xx%	xx%
Company 7	xx%	xx%	xx%
Company 8	xx%	xx%	xx%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
<b>&gt;150-250cc</b>			
Company 1	xx%	xx%	xx%
Company 2	xx%	xx%	xx%
Company 3	xx%	xx%	xx%
Company 4	xx%	xx%	xx%
Company 5	xx%	xx%	xx%
Company 6	xx%	xx%	xx%
Company 7	xx%	xx%	xx%
Company 8	xx%	xx%	xx%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>99.9%</b>
<b>&gt;250cc</b>			
Company 1	xx%	xx%	xx%
Company 2	xx%	xx%	xx%
Company 3	xx%	xx%	xx%
Company 4	xx%	xx%	xx%
Company 5	xx%	xx%	xx%
Company 6	xx%	xx%	xx%
Company 7	xx%	xx%	xx%
Company 8	xx%	xx%	xx%
<b>Total</b>	<b>99.4%</b>	<b>98.9%</b>	<b>99.1%</b>

Source: ABC

### Segmented Motorcycle Volumes Sales per Player for FY13



### Motorcycle Volumes Sales - thousands (Market Share %) per Player by cc for FYxx

Classification	Company 1	Company 2	Company 3	Company 4	Company 5	Company 6	Company 7	Company 8
>75-110cc	xx	xx	xx	xx	xx	xx	xx	xx
>110-125cc	xx	xx	xx	xx	xx	xx	xx	xx
>125-150cc	xx	xx	xx	xx	xx	xx	xx	xx
>150-250cc	xx	xx	xx	xx	xx	xx	xx	xx
>250cc	xx	xx	xx	xx	xx	xx	xx	xx

Source: ABC

Model-wise segmentation of Motorcycles based on cc				
<b>Company 1</b>				
>75-110cc (4)	Product 1 -100cc, xx	Product 2- 100cc, xx	Product 3 - 100cc, xx	Product 4- 100cc
>110-125cc (3)	Product 1 - 125cc, xx	Product 2-125cc, xx	Product 3 - 125cc, xx	
>125-150cc (2)	Product 1-135cc, xx	Product 2-150cc, xx		
>150-250cc (4)	Product 1- 220cc, xx	Product 2 - 180cc, xx	Product 3- 200cc, xx	Product 4-220cc, xx
250cc and above (2)	Product 1- 300cc xx	Product 1- 300cc xx		
<b>Company 2</b>				
>75-110cc (7)	Product 1 - 100cc, xx	Product 2- 100cc, xx	Product 3-100cc, xx	Product 4 - 110cc, xx
	Product 5-100cc, xx	Product 6-100cc, xx	Product 7-100cc, xx	
>110-125cc (4)	Product 1-125cc, xx	Product 2- 125cc, xx	Product 3- 125cc, xx	Product 4-125cc, xx
>125-150cc (4)	Product 1-150cc, xx	Product 2- 150cc, xx	Product 3- 150cc, xx	Product 4- 150cc, xx
>150-250cc (2)	Product 5- 225cc, xx	Product 6- 225cc, xx		
<b>Company 3</b>				

<75cc (1)	Product 1- 70cc, xx			
>75-110cc (3)	Product 1- 100cc xx	Product 2-110cc, xx	Product 3- 110cc, xx	
>110-125cc (3)	Product 1- 125cc, xx	Product 2- 125cc, xx	Product 3- 125cc, xx	
>150-250cc (2)	Product 1- 160cc, xx	Product 2- 180cc, xx		
<b>Company 4</b>				
>75-110cc (4)	Product 1- 109cc, xx	Product 2- 109cc, xx	Product 3- 109cc, xx	Product 4- 109cc, xx
>110-125cc (1)	Product 1- 125cc, xx			
>125-150cc (3)	Product 1- 149cc, xx	Product 2- 149cc, xx	Product 3- 150cc, xx	
>150-250cc (1)	Product 1- 250cc, xx			
>250cc (4)	Product 1- 1000cc, xx	Product 2- 1000cc, xx	Product 3- 1200cc, xx	Product 4- 1300cc, xx
<b>Company 5</b>				
>75-110cc (2)	Product 1- 106cc, xx	Product 2- 106cc, xx		
<b>Company 6</b>				
>110-125cc (2)	Product 1 - 112.8cc, xx	Product 2- 124cc, xx		
>125-150cc (1)	Product 1- 150cc, xx			
>250cc (5)	Product 1- 1000cc, xx	Product 2- 1340cc, xx	Product 3 - 1800cc, xx	Product 4- 800cc, xx
	Product 5- 1250cc, xx			
<b>Company 7</b>				
>250cc (5)	Product 1- 350cc, xx	Product 2- 500cc, xx	Product 3- 500cc, xx	Product 4- 350cc, xx
	Product 5- 500cc, xx			
<b>Company 8</b>				
>75-110cc (2)	Product 1- 106cc, xx	Product 2- 110cc, xx		
>110-125cc (1)	Product 1- 125cc, xx			
>150-250cc (3)	Product 1- 153cc, xx	Product 2- 153cc, xx	Product 3- 153cc, xx	
>250cc (3)	Product 1- 1680cc, xx	Product 2- 1000cc, xx	Product 3- 1000cc, xx	

Source: ABC

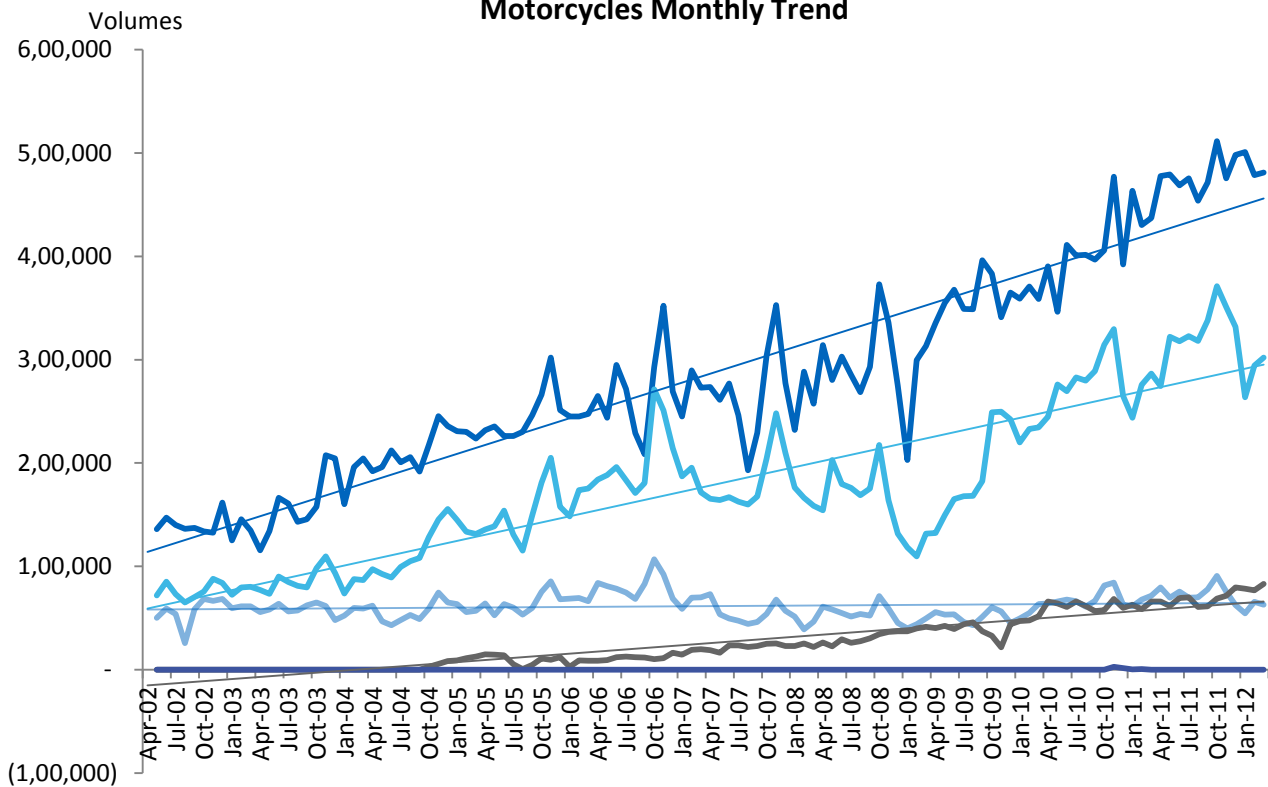
Note: Figures in red: Average price range in xx

**Motorcycle Market Share - % (no. of models) per Player by cc for FYxx YTD Sep**

Classification	Company 1	Company 2	Company 3	Company 4	Company 5	Company 6	Company 7	Company 8
>75-110cc	xx% (4)	xx% (7)	xx% (4)	xx% (3)	xx% (2)	xx% (0)	xx% (0)	xx% (2)
>110-125cc	xx% (3)	xx% (4)	xx% (1)	xx% (3)	xx% (0)	xx% (2)	xx% (0)	xx% (1)
>125-150cc	xx% (2)	xx% (4)	xx% (3)	xx% (0)	xx% (0)	xx% (1)	xx% (0)	xx% (3)
>150-250cc	xx% (4)	xx% (2)	xx% (1)	xx% (2)	xx% (0)	xx% (0)	xx% (0)	xx% (0)
>250cc	xx% (2)	xx% (0)	xx% (4)	xx% (0)	xx% (0)	xx% (5)	xx% (5)	xx% (3)

Source: ABC

**Motorcycles Monthly Trend**



Source: ABC

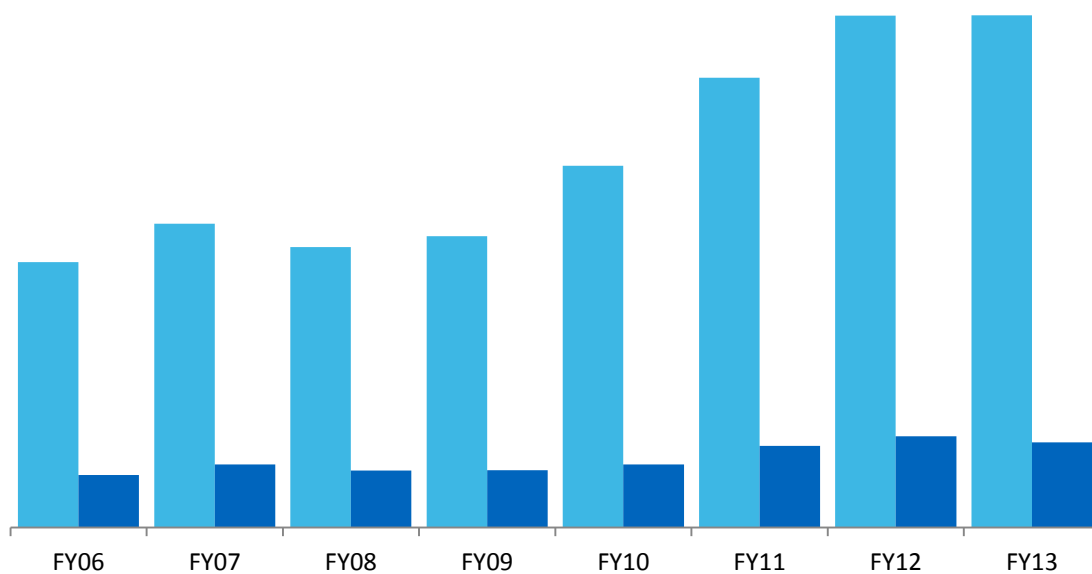
Monthly sales volume analysis of the major players in the motorcycle industry shows that the hikes are in tandem with the industry performance. It can be noted that the increases in demand are uniform for most of the players.

- All the companies, Company 1, Company 2 and the others have seen their sales increase sharply during the July-October 20xx period. This is the same period when the Indian economy was booming and registered a GDP growth of xx%
- Company 1's sales increased in the August-September 20xx when it had launched the model Product 1 in the same year, which recently overtook Company 1's Product 1 as the world's largest selling motorcycle
- The motorcycles sales slumped towards the end of 20xx and took some time to pick up due to the weak global atmosphere post the financial crisis
- Company 1's exports fell in FYxx and hence there was a dip in sales volume. Also, Company 1 launched only one new model in the year 20xx (Product 1)



- Company 3's sales have been consistently growing and it hasn't dipped significantly except in Nov 20xx due to the fall in Company 3's exports
- Interesting observation is that the sales tend to rise during the months September and October. The primary rationale could be the strengthened rural demand post monsoon

### Motorcycles Seasonal Analysis ('000 units)



Source: ABC

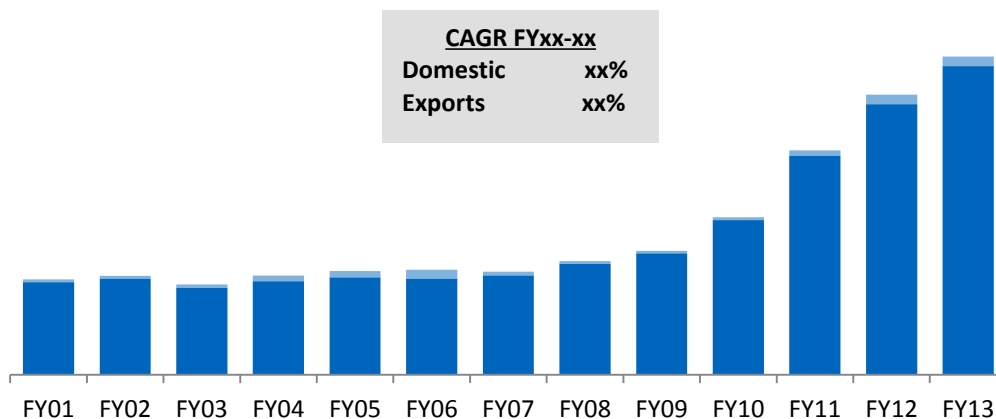
Note: Numbers in grey show combined Sep-Oct sales as a % of Yearly total

## Scooters

While historically the two-wheeler market in India has been dominated by motorcycles, over the past five years a shift in consumer preference towards gearless scooters has been clearly evident. This is primarily on account of new launches with more powerful/higher-quality scooter engines and improved mileage, design and ride quality. The scooter industry now accounts for xx%<sup>1</sup> of the two-wheeler market in India.

Consumers, especially in urban areas, seem to increasingly prefer scooters as a second vehicle to move around in traffic congested cities. Easy drivability (no gears) also means that women, who in India have historically shied away from motorcycles, are now major buyers of scooters. Scooters are also available in a wider range (cc, design, color, physical attributes), giving the consumers many options to choose from. This trend has helped scooters outgrow motorcycles at an xx% CAGR over FYxx-xx vs. xx% CAGR growth registered by motorcycles in the same period (GDP growth of xx% over the same period). Scooters, which accounted for just an xx% share of domestic two-wheeler sales in FYxx, control xx% of the industry in FYxx. This trend is expected to continue and scooter sales are expected to grow at a faster xx<sup>2</sup>% CAGR vs. xx% CAGR for motorcycles until 20xx.

Historical Scooter Volumes (mn)



Source: ABC

The scooter industry is dominated by Company 1, Company 2 and Company 3 (domestic combined market share of xx%<sup>1</sup>). Company 4 exited the scooter market and is focusing solely on motorcycles. The company wanted to cater to the motorcycle demand of country and there was still a lot of opportunity in the motorcycle segment only, according to the company. The company acknowledges the fact that recently the growth of scooters has been substantially greater than the growth of motorcycles, however understands that the absolute demand for motorcycles is massive in comparison to that of scooter. It believes the gap between motorcycle and scooter market will continue to remain for a long time because when the rural markets grow again, it is the motorcycle market that is going to grow, as they are preferred in the rural markets. Finally, Company 4 does not scrap the possibility of returning to the scooter market. <sup>3</sup>

<sup>1</sup> ABC

<sup>2</sup> ABC

<sup>3</sup> ABC

## Historical and Forecasted Scooters Volume Sales for 3 Major Players

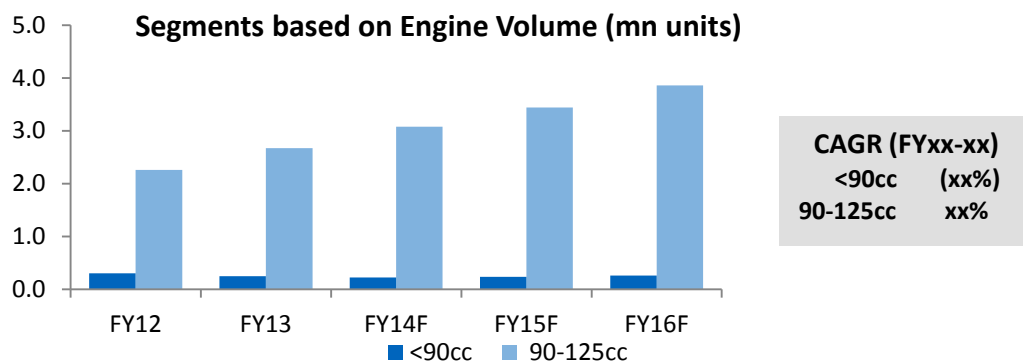
Scooters (Volumes in million)	FYxx	FYxx	FYxx	FYxx	FYxx	FYxx	FYxx	FYxx	FYxx	FYxxF	FYxxF	FYxxF	CAGR FYxx- xx	CAGR FYxx- xx
Company 1	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
Growth		xx%	xx%	xx%	xx%	xx%	xx%	xx%	xx%	xx%	xx%	xx%		
Company 2	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx%	xx%
Growth		xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx		
Company 3	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx%	xx%
Growth		xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx		

Source: ABC

Note: CAGR FYxx-xx number for Company 1 corresponds to CAGR FYxx-xx

## Segmentation

Scooters can be segmented on the basis of engine power.



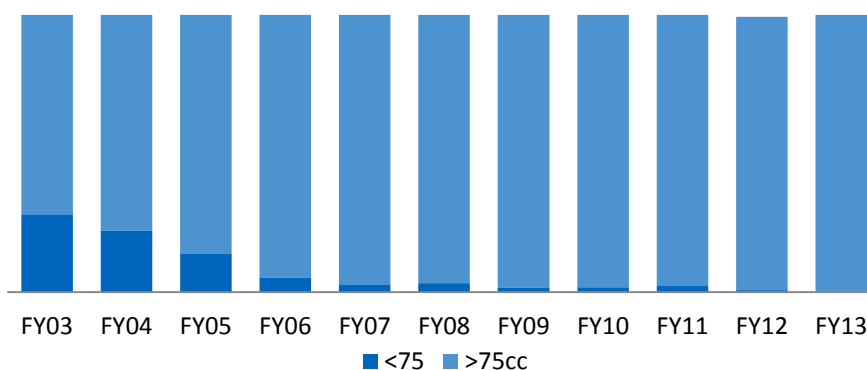
Source: ABC, xx August 20xx

Within scooters, higher engine capacity segment (>90 – 125cc) is the dominant segment having a market share of xx%, followed by the <90cc segment which controls a market share of xx% for FYxx. The growth of <90cc scooters is expected to be negative as compared to the expected CAGR of xx% of >90-125cc in the coming years. Major reasons for this are:

- 90-125cc scooters are giving mileage equivalent to that of motorcycles along with the ease of handling and comfort. They are trying to match the engine powers of the bikes and providing the consumer with the option to choose a scooter over a motorcycle. New model launches resulted in xx%<sup>1</sup> of incremental scooter sales between April-March FY 20xx, and this trend is expected to continue with higher demand for new models and expansion of dealer network
- <90cc sectors are expected to become less popular with more efficient scooters available and the volume sales are expected to stagnate. Also, <90cc scooters have a limited target audience as it mostly appeals to people looking to buy lightweight scooters

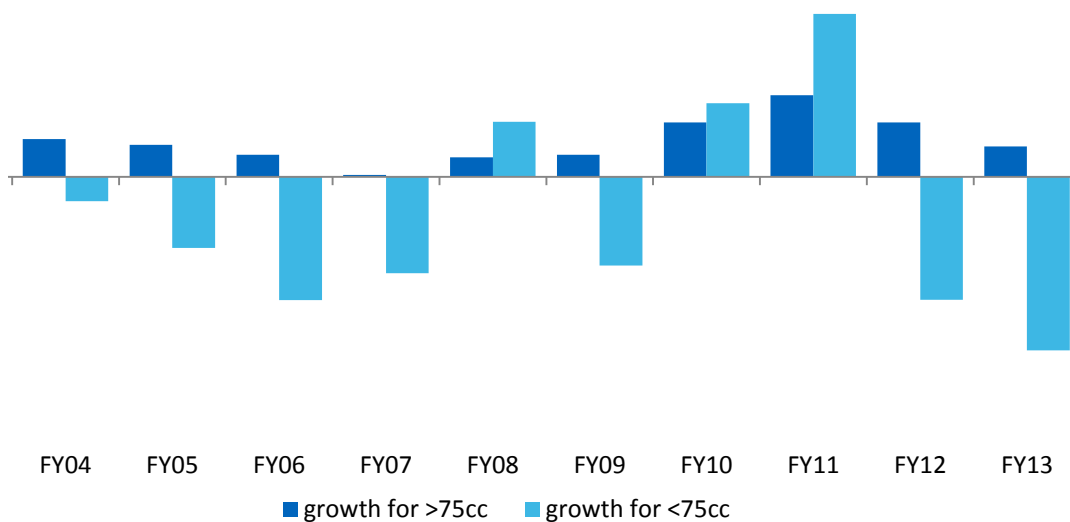
<sup>1</sup>ABC

### Historical Market Share for Scooters by cc



Source: ABC

### Historical Growth Rate for Scooters by cc

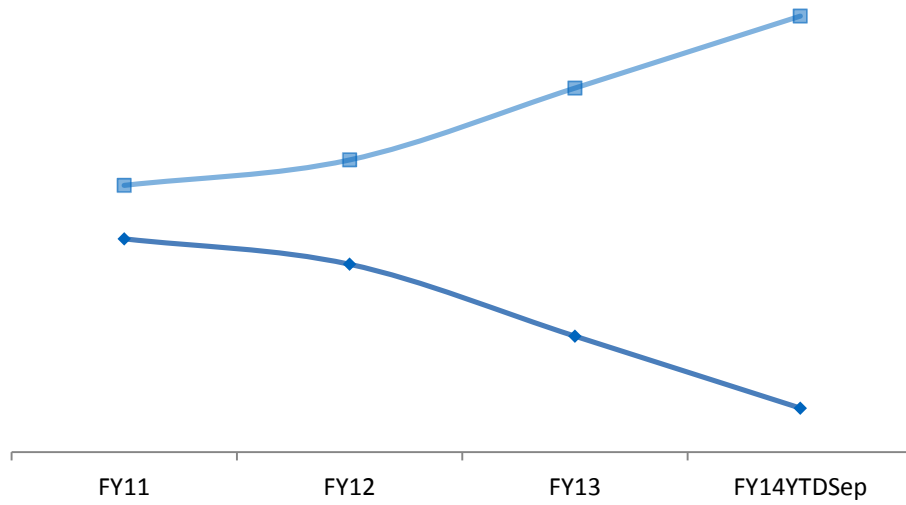


Source: ABC

Segment-wise Market Share for Scooters				
<75	FYxx	FYxx	FYxx	FYxxYTD Sep
Company 1	xx%	xx%	xx%	xx%
Company 2	xx%	xx%	xx%	xx%
75cc-125cc				
Company 1	xx%	xx%	xx%	xx%
Company 2	xx%	xx%	xx%	xx%
Company 3	xx%	xx%	xx%	xx%
Company 4	xx%	xx%	xx%	xx%
Company 5	xx%	xx%	xx%	xx%

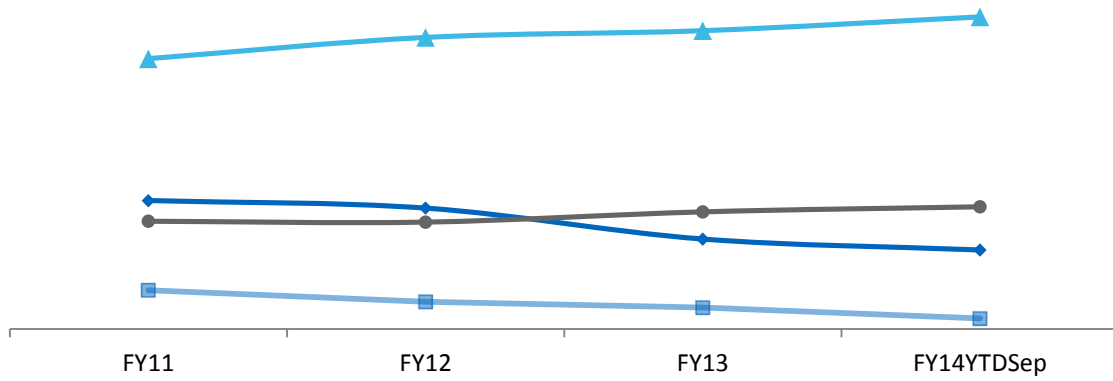
Source: ABC

### Market Share for Scooters <75cc

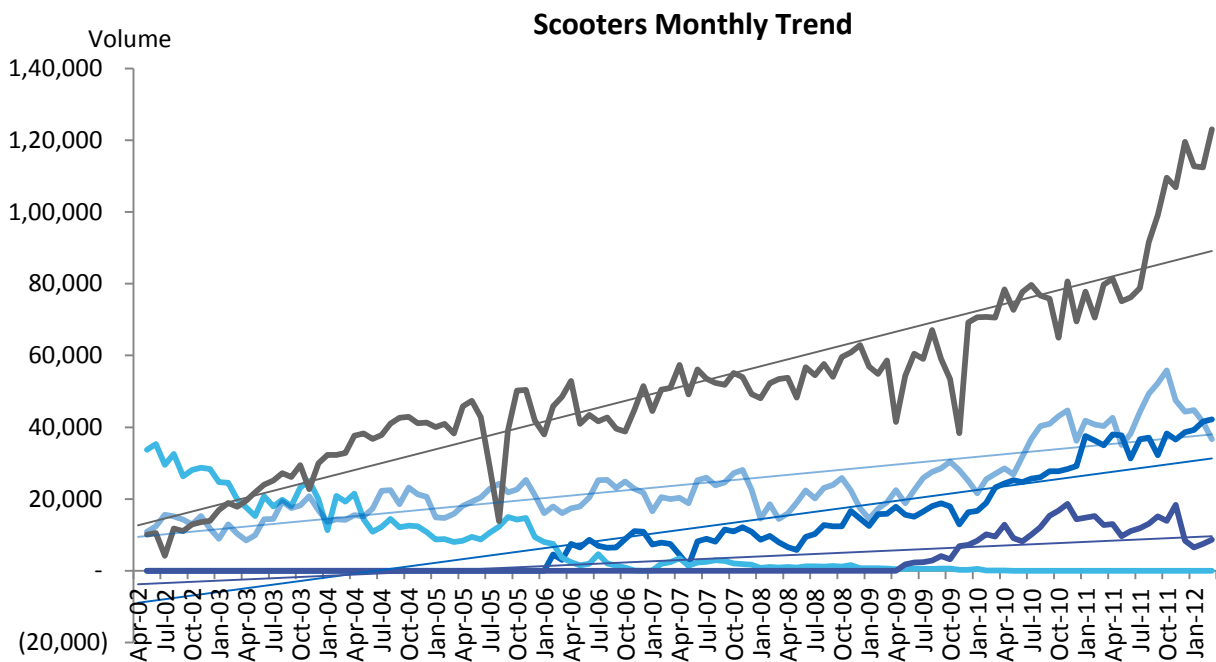


Source: ABC

### Market Share for Scooters >75cc



Source: ABC



Source: ABC

Unlike the motorcycle industry the monthly sales of scooter manufacturers did not follow the same pattern. The sales for the individual manufactures differed across most of the period.

- Company 1 remained market leader throughout with occasional crashes in sales. Company 1’s sales crashed in the year 20xx and then in the year 20xx
- Company 2 entered the scooter market for the first time in 20xx with the launch of “Product 1” and immediately gained market share. They only launched their second scooter in 20xx, called “Product 2”, which is noteworthy because it implies that they gained the market share by only selling one model and concentrating all their resources towards the marketing and selling of it
- Company 3 had seen its market share rise until recently where towards the end of 20xx, it started losing market share to its competitors

## Two-Wheeler Exports

The total two-wheeler global trade is estimated to be worth US\$ xx billion, with China dominating almost a third of the trade market (with exports worth US\$ xx billion in 20xx). India is currently the third-largest exporter at US\$ xx billion in 20xx, and is expected to overtake China and Japan by gaining market share in the Latin American and African markets. India's two-wheeler exports (in value) grew at an impressive xx% CAGR over FYxx-xx, primarily led by outstanding growth in exports to African countries, robust growth in Latin American countries and steady growth in Bangladesh and Sri Lanka.

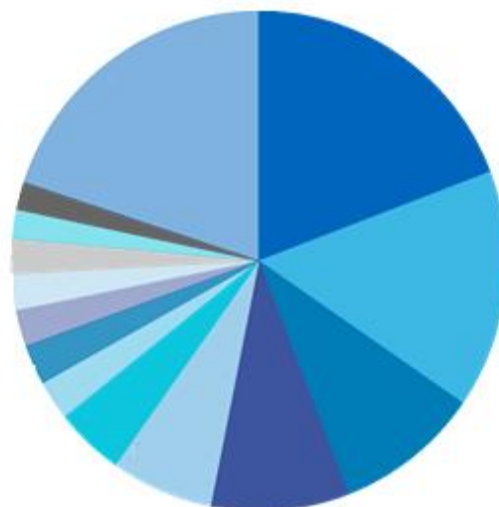
**India's Exports (in US\$ million)**

Countries	FYxx	FYxx	CAGR FYxx-xx
Colombia	xx	xx	xx
Nigeria	xx	xx	xx
Bangladesh	xx	xx	xx
Srilanka	xx	xx	xx
Philippines	xx	xx	xx
Angola	xx	xx	xx
Nepal	xx	xx	xx
Peru	xx	xx	xx
Uganda	xx	xx	xx
Mexico	xx	xx	xx
Others	xx	xx	xx
<b>Total</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>

Source: ABC

Africa and Latin America are the most important markets for India's two-wheeler exports. Colombia dominates India's exports with xx% while Nigeria has the second biggest share of xx%.

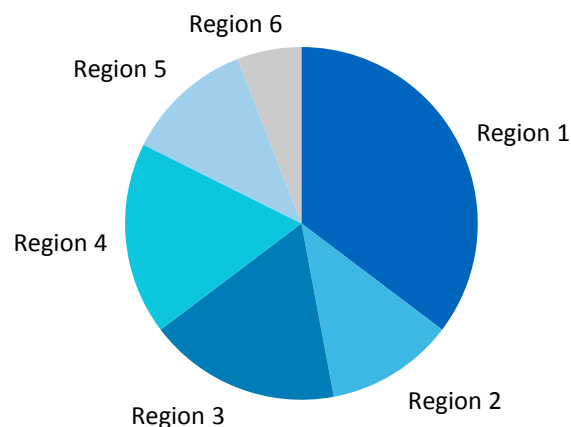
**India two-wheeler Exports Split by Country (20xx)**



Source: ABC

The African and Latin American markets offer huge growth potential for Indian two-wheeler companies, primarily because:

1. These markets are still in warm-up mode, with very low penetration (two-wheeler penetration in Africa is xx% and in Latin America is xx%, which means that even limited incremental growth in income has a magnifying effect on motorcycle sales)
2. Very poor infrastructure and non-existent public transport (more so in some African countries than Latin America) makes motorcycles a good alternative for commuters
3. Opportunity for market share gains from lower quality Chinese motorcycle manufacturers, who still hold a majority share in these markets, as they provide motorcycles at cheaper price points using old technology



Source: ABC, xx September 20xx

Company 1 dominates India's two-wheeler exports with a share of xx% in FYxx, followed by Company 2 (xx%), Company 3 (xx%) and Company 4 (xx%). Company 1's dominance in Indian exports can be attributed to the superior quality of the motorcycles and the need for lower maintenance, compared to Chinese manufacturers. Company 1 gives more importance on exports, compared to other Indian players. While Company 1's management targets to achieve xx% of their sales through exports by 20xx, competitor Company 2's target is to achieve xx% of their sales through exports by 20xx. Since Company 1 has already established a strong brand in both African and Latin American markets, it has the first mover advantage and will be in a better position than Company 2 to capture growth.

## Market Share Tussle with China

Indian players are expected to pose a big challenge to Chinese players and gain market share primarily in African and Latin American markets, as:

1. **Unsustainable low price:** Though Chinese motorcycles are cheaper than their Indian competitors currently, the average export price of a Chinese motorcycle has increased at a CAGR of xx%, but the average realization for Indian players increased at a CAGR of only xx% from 20xx to 20xx. Also, the CNY appreciating and the INR depreciating against the US\$ has affected Chinese players more, relative to Indian players
2. **Rising labour cost:** Labour costs are rising in China at double digit rates and the cost of manufacturing is expected to be similar to that in the US by 20xx, according to surveys by ABC
3. **Quality still an issue:** The Chinese motorcycles lack the quality offered by the Indian competitors. Talks with dealers in Africa highlight that almost xx-xx% Chinese motorcycles have some defect and this leads to repair expenses. Also, to make profits out of the low cost bikes, Chinese manufacturers use old technology.
4. **Poor after sales services:** The poor after sales service of Chinese motorcycles has led to their popularity being diminished in the Colombian, Nigerian and Kenyan markets, where Indian players like Company 1 are admired for good quality and low maintenance



5. **Fragmented industry:** China's domestic motorcycle market is fragmented with the top 10 players holding only xx% market share whereas India's top 4 players control more than xx% of the market share. Thus, India has the power to come up with high quality products, but at the same time cut costs due to immense volumes and aggressive expansion whereas it is difficult for Chinese players to maintain profits and quality at the same time

## Immense Potential in Latin America and Africa

There exists a strong growth opportunity in Latin America (ex-Brazil) and Africa. Chinese players hold over xx% market share in these markets, whereas Indian players hold only xx% market share in the Latin America (ex-Brazil) and xx% share in the African two-wheeler markets. As consumers in these markets trade up to higher quality automobiles, Indian players are expected to be the primary beneficiaries. Furthermore, **penetration levels are estimated to very low** in these markets with average penetration of two-wheeler in Africa at xx% (xx% Africa-ex Nigeria) and xx% in Latin America (ex-Brazil), with much lower penetration in some countries. Brazil is an xx million unit market with almost xx% market share held by Company 1 and hence is not a focus for any Indian player.

Indian companies have several **decades of experience** in developing the two-wheeler market in India, arguably the most diverse market in the world, and hence they have the experience needed to woo a diverse range of customers. African and Latin American countries display similar diversities. Company 1, Company 2 & Company 3 are working hard directly and through partnerships to develop the market by launching products which are customized for these markets, combined with market-relevant ad campaigns. Furthermore, the Indian players understand the importance of **pre-sales experience, quality service and brand building**. On the other hand, Chinese players often are at a disadvantage in this respect, with a limited focus on brand building and often low-quality service. Often their only focus seems to be on manufacturing and pushing motorcycles in these markets at lower prices, an edge which they are slowly losing.

Given the lack of data on two-wheeler sales in Latin American and African markets, trade flow data of two-wheeler can be used to understand the current opportunity presented by these markets. There are very few two-wheeler manufacturing units in these countries and thus they tend to **rely on imports** from China, India and Japan for supply.

### Latin America

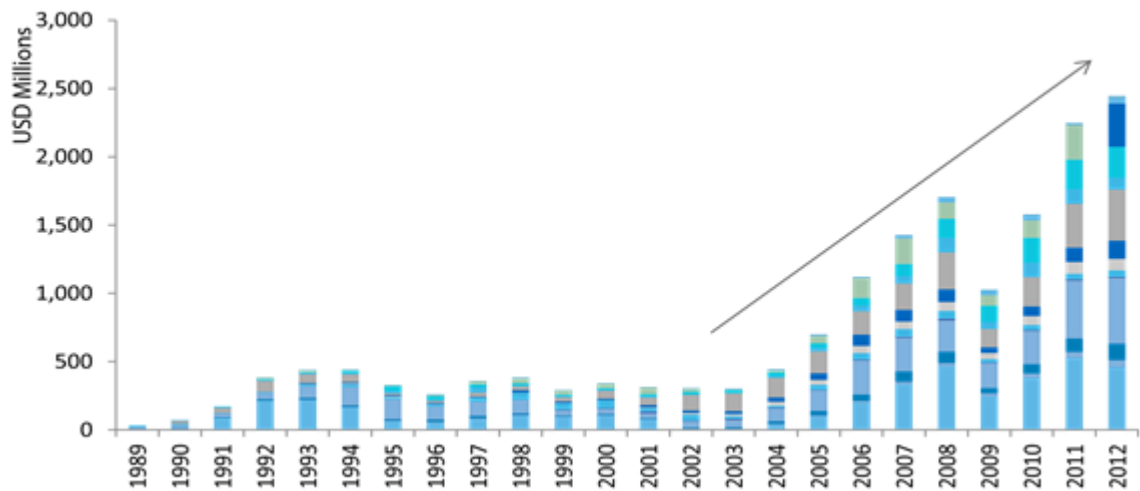
#### Potential

Potential for growth in this region is high

- a) US\$ xx trillion economy and US\$ xx trillion consumption market
- b) A growing economy and has a burgeoning middle class and growing population
- c) Two thirds will be in the key consumption age bracket of xx-xx and offer a huge opportunity
- d) Over and above this, the **weakening competitive position of Chinese players and**
- e) Low penetration of two-wheelers in most Latin American countries and an **increasing preference for motorcycles** for commuting and leisure.

Latin America (ex-Brazil) is an xx million unit two-wheeler market worth US\$ xx billion per annum and has grown at a strong **xx% CAGR** over 20xx-xx.

## Latin American (ex-Brazil) two-wheeler market



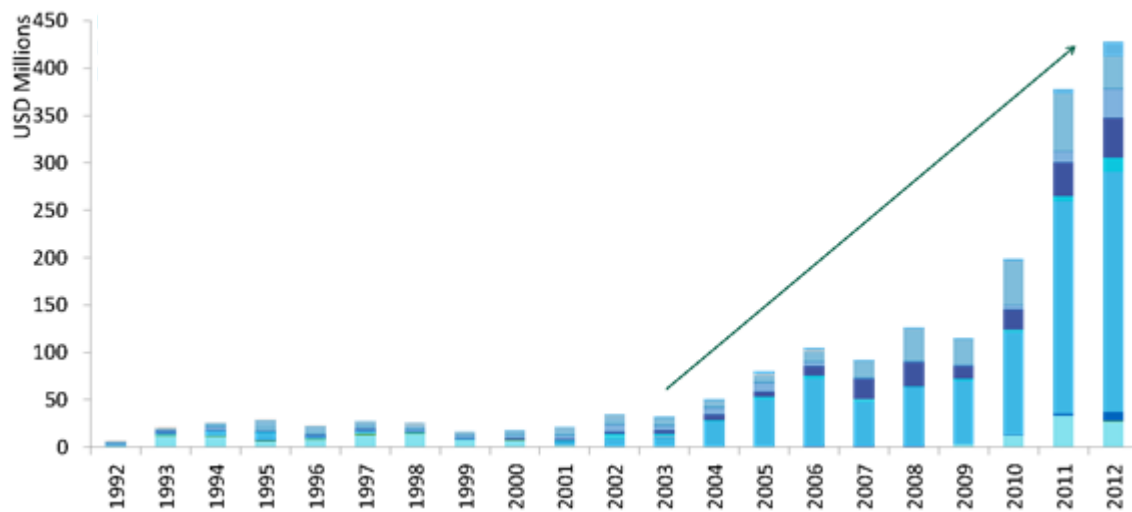
Source: ABC, xx September 20xx

Argentina and Colombia are the most important countries, dominating xx% of the region's demand with annual sales of xx million units and xx million units respectively. However, realization is xx% higher in Colombia, making both markets worth a similar US\$ xx million in 20xx. Brazil is an xx million unit pa market with Company 1 dominating c.xx% of the market.

### Indian Presence

India's exports to Latin American countries have **grown xx times** from xx units in 20xx to xx units in 20xx with exports worth over US\$ xx million, registering an xx% CAGR in 20xx-xx. Colombia has been a major contributor to this growth, representing xx% of India's two-wheeler export revenues from the Latin American region in 20xx. Furthermore, the impressive growth experienced by Indian companies has come primarily at the cost of Japanese and even Chinese players in selected markets. Indian companies have been able to increase market share from xx% in Latin America in 20xx to xx% in 20xx as compared to flattish share by Chinese players in the region and xx% market share loss by Japanese and other players.

Indian exports to Latin American countries



Source: ABC, xx September 20xx

India's exports to Latin America (in US\$ xx)

Countries	CYxx	CYxx	CYxx	CAGR (CYxx-xx)
Argentina	xx	xx	xx	xx
Brazil	xx	xx	xx	xx
Chile	xx	xx	xx	xx
Colombia	xx	xx	xx	xx
Cuba	xx	xx	xx	xx
Dominican Rep.	xx	xx	xx	xx
Ecuador	xx	xx	xx	xx
El Salvador	xx	xx	xx	xx
Guatemala	xx	xx	xx	xx
Honduras	xx	xx	xx	xx
Mexico	xx	xx	xx	xx
Paraguay	xx	xx	xx	xx
Peru	xx	xx	xx	xx
Venezuela	xx	xx	xx	xx

Source: ABC

Though Colombia offers a great example of how quickly Company 1, Company 2 and Company 3 can translate an export opportunity into exponential growth, similar growth opportunities are seen in other Latin American countries due to three factors:

1. **Further market share gains** in the well-entrenched markets of Colombia (xx% market share for Indian firms as of FYxx), Guatemala (xx%) and Peru (xx%), primarily from Chinese players who are struggling
2. **Increased focus** on countries where Indian firms have tiny or nonexistent market shares such as Venezuela (xx% share), Argentina (xx%), Mexico (xx%)

- Furthermore, given the strong market dynamics and rising middle class in the region, demand should grow at double digits. Indian companies are expected to increase their footprint in Brazil, which is presently dominated by Japanese manufacturers garnering a xx% market share

## Africa

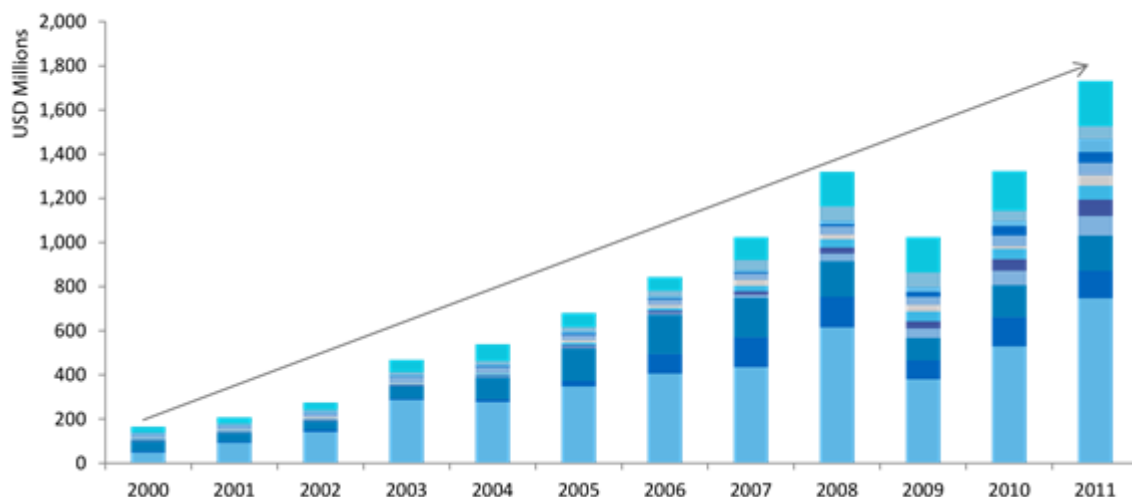
### Potential

Africa is another region where Indian two-wheeler exports have grown substantially in the recent past and there is immense potential for further growth as the continent is in the midst of a structural shift that is reducing poverty and seeing large swathes of the population move to the middle income strata.

- Population growth** in the region is amongst the **fastest** in the world at xx% per annum.
- McKinsey estimates that African countries will have some of the **youngest population** in the world (ahead of China and India) by 20xx. By 20xx, over xx million households and over xx million people on the continent should be added to the consuming class.
- Urbanization is happening at a very rapid pace, productivity levels** are **higher** in cities and income is xx-xx% higher in urban regions, which means faster income growth and more buying power.

The two-wheeler market in Africa was worth US\$ xx billion with xx million unit sales in 20xx, growing at a CAGR of xx% between 20xx and 20xx.

### African two-wheeler Market



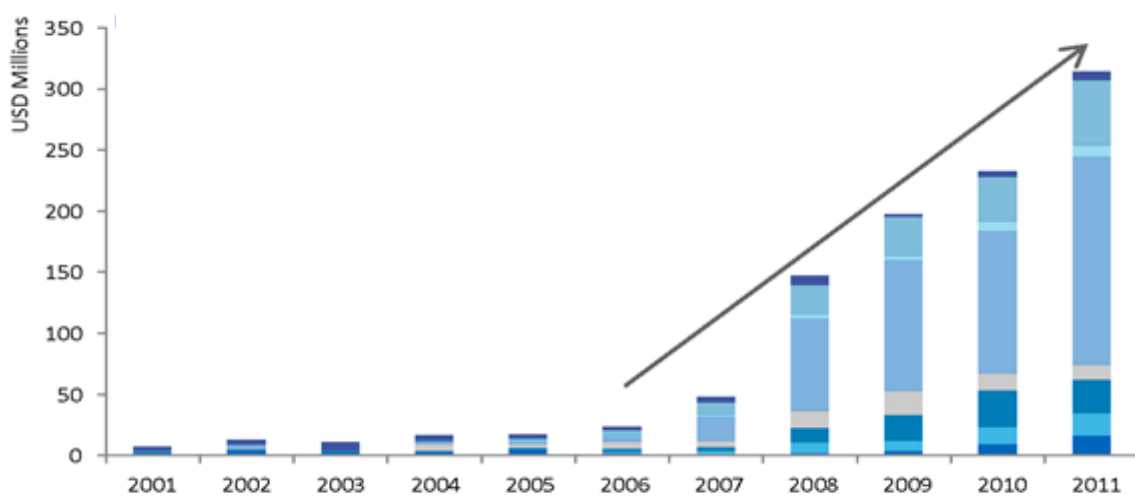
Source: ABC, xx September 20xx

**Nigeria is the biggest African market**, representing xx% of the region's two-wheeler demand, with xx million unit sales worth over US\$ xx million in 20xx. Despite this strong growth in the region, penetration in most African countries (except for Nigeria) is still very low compared with where India was in 19xx. **Average penetration of two-wheeler in Africa is estimated to be xx%**, with Nigeria having the highest penetration at xx%. Ex Nigeria, the region has a two-wheeler penetration of just xx%. Most African countries have infrastructure problems similar to those faced by India in the 19xx-xx, with almost **non-existent public transport** and good-quality paved roads restricted only to one or two major cities. Hence two-wheeler could play a major role as a mode of transport.

## Indian Presence

India's two-wheeler exports to African countries **grew xx** from 20xx to 20xx while the African two-wheeler market has grown just xx. The exponential growth by Indian players, which sold c. xx units in 20xx compared with xx units in 20xx, is credited mainly to an aggressive competitive stance taken by Indian players post 20xx leading to material **market share gains from Chinese players**. The market share of Indian players in Africa has increased from just xx% in 20xx to xx% in 20xx. Indian players have been able to gain market share from Japanese and Chinese players primarily due to their value for money and quality product offering. Japanese players have lost almost xx% market share as their products are costly and Chinese players have faced push back due to concerns relating to quality.

### Indian Exports to African countries



Source: ABC, xx September 20xx

### India's exports to Africa (in US\$ xx)

	CYxx	CYxx	CYxx	CYxx	CAGR (CYxx-xx)
Egypt	xx	xx	xx	xx	xx
Ethiopia	xx	xx	xx	xx	xx
Kenya	xx	xx	xx	xx	xx
Namibia	xx	xx	xx	xx	xx
Nigeria	xx	xx	xx	xx	xx
Uganda	xx	xx	xx	xx	xx

Source: ABC

Company 1 is better placed than Company 2 to capture growth in exports as the company has already established a strong brand in Africa and Latin America, which are difficult markets to build brands. Company 1 has become known for superior quality and need for lower maintenance. In contrast, it will take some time for Company 2 to establish its brand and launch customized products for these markets.

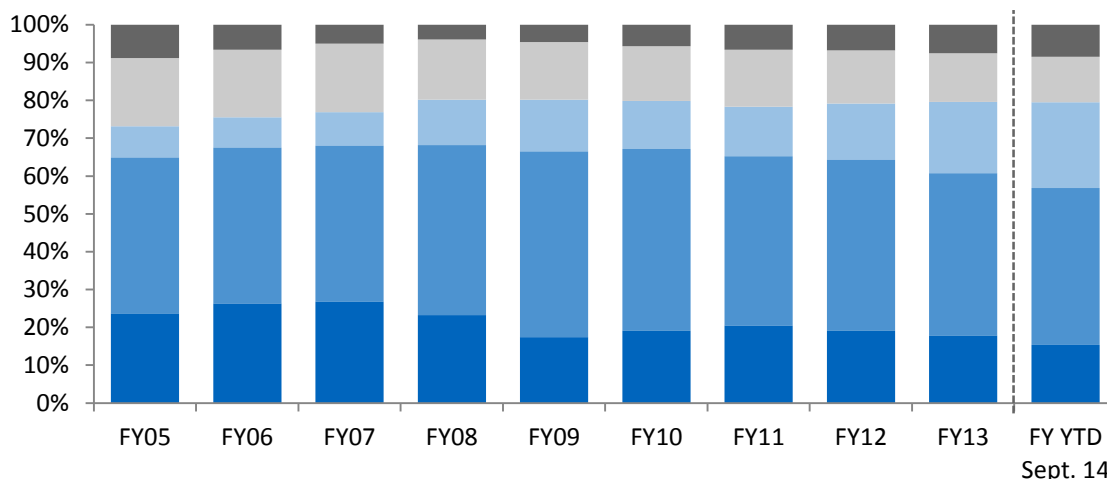
## Competitive Landscape

The two-wheeler automobile industry growth has been primarily led by a handful of players; Company 1, Company 2, Company 3 and Company 4.

The two major players, Company 1 and Company 2 are facing tough competition from Company 3 as it continues to outpace the domestic market (xx% FYxx Sep YTD share), driven by its dominance in scooters (xx% share) and mid-end motorcycles (xx% share). Intensity of competition has increased substantially post the end of Company 1 and Company 2 partnership, wherein Company 3's aggressive competitive stance has enabled it to double its market share in the total domestic motorcycles market from xx% in FYxx to xx% in FYxx; primarily at the expense of Company 1, which has lost market share in the critical executive segment from xx% in FYxx to xx% now. Furthermore, even Company 3 was affected as it lost xx% share in the premium segment from xx% share in FYxx to xx% currently.

The general opinion is that Company 3 will dominate the growth in the coming years. It has enough experience to disrupt the Indian two-wheeler industry and even gain leadership position by knocking the current leader Company 1 off its perch. Company 3 has already captured most of the large two-wheeler markets globally and India is the only major country where it doesn't dominate, so it won't be surprising if it uses everything at its disposal (ranging from aggressive strategies to employing resources) to garner market share in the lucrative Indian market.

**Historical Domestic Market Share for Total two-wheeler Industry<sup>1</sup>**

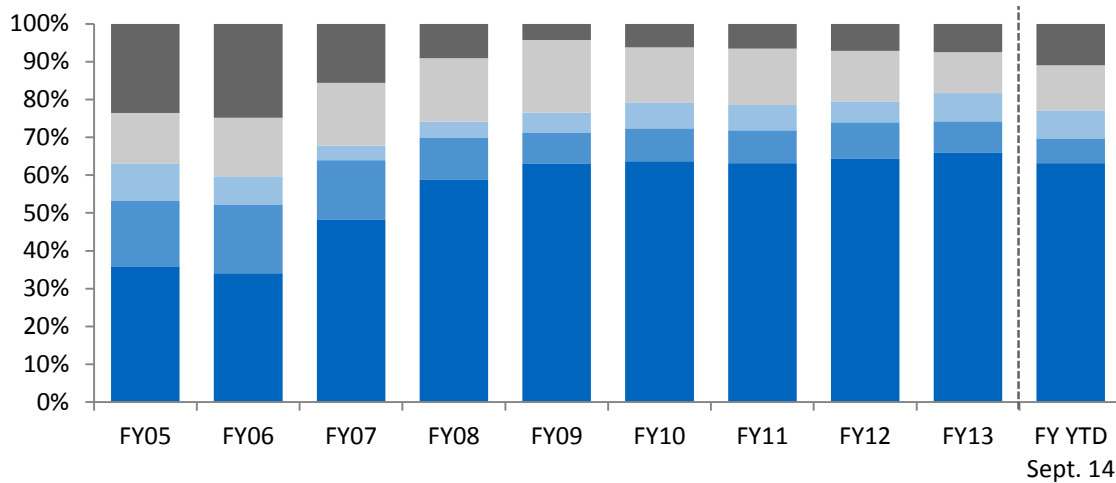


Source: ABC

The market share distribution has gradually changed. We see a fall in Company 1's market share in the year FYxx as a result of its decision to terminate the production of Scooters and focus only on the motorcycle industry. Company 1's total two-wheeler industry share has also risen over the years because of its continuing expansion in the domestic market. We will discuss the strategy adopted by Company 1 in the following section.

<sup>1</sup> Note: ABC

**Historical Exports Market Share for Total two-wheeler Industry**



Source: ABC

The biggest shift in market share was in the year FYxx, when Company 1's export market share increased to xx%, up by xx% from the previous year. Exports jump from FYxx to FYxx can be attributed to the steps taken by the company to strengthen its position in foreign market.

- Company 1 entered into a JV in Indonesia with a local partner and formed PT Company 1 Indonesia where the company has xx% equity ownership. Soon the upgraded Product 1 was launched in the Jakarta Motor Show in November 20xx.
- The Company's operations in Nigeria started assembling the Product 2 from June 20xx. In 20xx-xx, over xx vehicles were assembled and sold in Nigeria.
- The third new market that was opened up during 20xx-xx was Iran, where Company 1 started selling to its partner Company 2 towards the end of the year.
- The most impressive growth during this period came from Latin America, where Company 1 has exported over xx vehicles within a single financial year, a first in history of the Indian automobile industry. The biggest driver of this growth was the Product 1. The Company sold over xx vehicles, achieving xx% growth over the previous year.

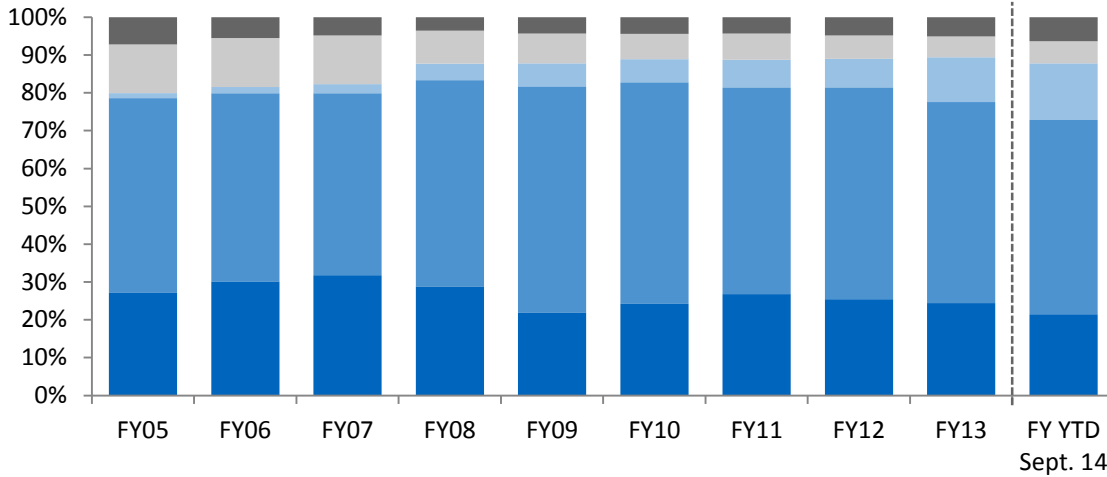
Another major shift was seen in FYxx, an increase from xx% to xx% for Company 3 Auto.

- The Indonesian operations were expanded; the entry strategy focused on the high performance segments, and both the Product 1 and the Product 2 were launched
- An exclusive network was put in place that gave the company reach into the key markets of Jakarta, Java, Sumatra, Bali and Sulawesi.
- In Colombia, the Product 3 was established as the second pillar of the company's business which, along with the Product 3, gave Company 1 a powerful leadership position.
- Bangladesh showed growth of both two-and three-wheelers, and Company 1 consolidated its no. 1 position in the country.
- In Philippines, too, the company enjoyed leadership in the 100cc motorcycle segment.

Company 2's share has gone down because of the missed opportunity in potential export market during FYxx-xx. It started its exports to West and East Africa and Latin America in 20xx.

**Motorcycle**

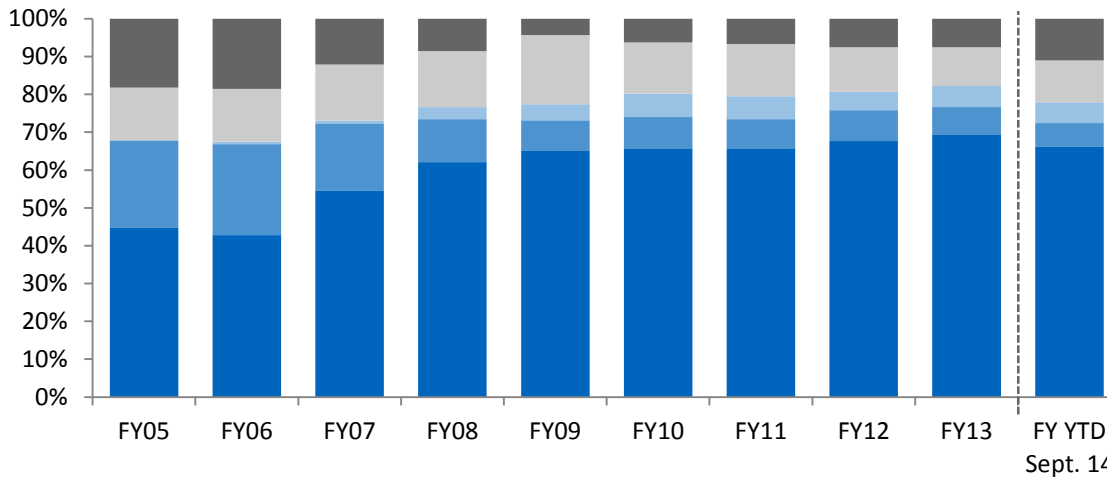
**Historical Market Share for Domestic Motorcycles**



Source: ABC

Company 2 has stayed the domestic market leader throughout the ten year period. However, Company 3 has significantly increased its market share from xx% in FYxx to xx% at present. It can be said that Company 3 has gained market share at the expense of Company 1 and Company 4. Company 2's market share increased by xx% in the year FYxx due to the launch of seven new models including variants during that period.

**Historical Market Share for Motorcycle Exports**



Source: ABC

Exports clocked a CAGR of xx% over FYxx-xx, primarily led by outstanding growth in exports to African countries, robust growth in Latin America countries and steady growth in Bangladesh and Sri Lanka. Company 1 leads the export market and faces insignificant competition from others. It constituted xx% of the total export volume in FYxx. The company looks at external markets primarily with three strategies, which are as follows:

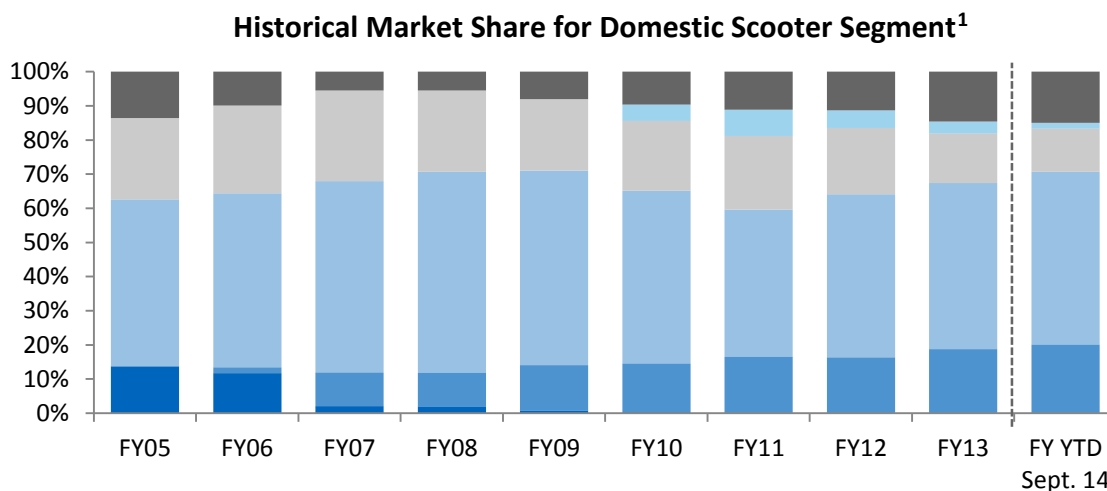


1. A market where all the company needs to do is distribute through CKD (Completely Knocked Down) or CBU (Completely Built Unit) routes
2. Markets where the company needs to create new products and
3. A market where the company needs to enter with existing products and probably with a good distributor or a production facility or a joint venture. It has been constantly tapping new markets with these strategies and dominating this position in India

There have been few variations observed in the export market, in terms of market share changes, with a major one in FYxx when Company 3's exports share increased by xx% at the expense of Company 2. The reasons for this were:

- The Indonesian operations were expanded; the entry strategy focused on the high performance segments, and both the Product 1 and the Product 2 were launched
- An exclusive network was put in place that gave the company reach into the key markets of Jakarta, Java, Sumatra, Bali and Sulawesi
- In Colombia, the Product 3 was established as the second pillar of the company's business which, along with the Product 1, gave Company 3 Auto a powerful leadership position
- Bangladesh showed growth of both two-and three-wheelers, and Company 3 consolidated its no. 1 position in the country
- In Philippines, too, the company enjoyed leadership in the 100cc motorcycle segment

## Scooters



Source: ABC

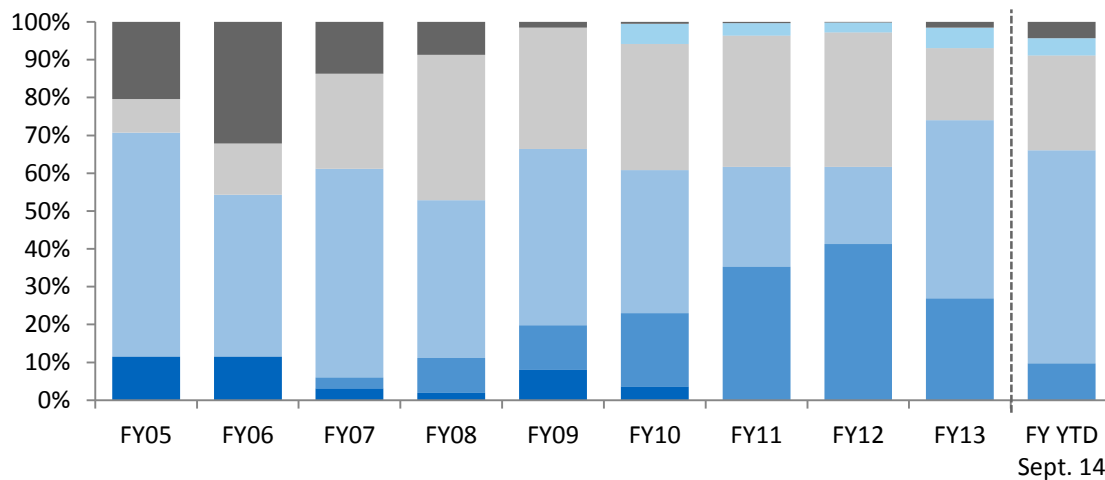
Over the years, domestic scooter market has observed quite a few changes in the players' composition. For example:

- Company 1, who had xx% market share in FYxx, no more makes scooters
- Market share for Company 4 has come down from xx% in FYxx to xx% in YTD FYxx, as it remained the most susceptible to rising competition given its weak product portfolio, lack of winning brands and uninspiring record with new launches
- Company 1 has retained consistent dominance in scooter segment

<sup>1</sup> Note: ABC

20xx was the entry point for Company 5 in the scooter market. The two-wheeler arm of the Company 5, announced the sale of a record xx units in January 20xx. The figure included the Product 1, Product 2 and the Product 3, along with the Product 4.<sup>1</sup> Hence one finds that Company 5 suddenly captured xx% market share in 20xx. Ever since then Company 5 has been trying to maintain the market share but faces strong competition.

**Historical Market Share for Scooter Exports**



Source: ABC

One can observe a lot of fluctuations in the composition of the export market share. Initially, Company 3 was the market leader. However towards FYxx-xx it started to lose its market share to Company 4 and Company 2 as both the companies started focusing on exports. Also, Company 2 was now allowed to export to regions where Company 3 had its presence. Eventually, it regained the market share and continues to hold xx% of the market share as of September. In FYxx, export business of Company 4 saw a steep growth of xx% vs. xx% in the previous year. During this period, 5 more countries were included, taking the total export countries to xx.

Company 2 gained significant market share FYxx onwards as Company 2 was now (after separating from Company 3) free to export its products to regions where Company 3 was already present. This gave Company 3 access to huge foreign market which it was previously denied. It successfully launched new models in Sri Lanka, Bangladesh & Columbia.

Company 3 has dominated both, the domestic market and the export market for scooters over the years. It is well placed to take advantage of the fact that the growth rate of scooters will exceed that of motorcycles. Company 5 is relatively small in terms of market size but shows promising export growth.

<sup>1</sup> ABC

Parameters (FY14 YTD Sept)					
	Company 1	Company 2	Company 3	Company 4	Company 5
<b>Overall Market Share</b>	xx%	xx%	xx%	xx%	xx%
<b>Market Share:</b>					
Motorcycles	xx%	xx%	xx%	xx%	xx%
Scooters	xx%	xx%	xx%	xx%	xx%
<b>Volumes FYxx-xx CAGR</b>	xx%	xx%	xx%	xx%	xx%
<b>No. of Motorcycle Models by cc:</b>					
Upto 75cc	xx	xx	xx	xx	xx
75cc to 124cc	xx	xx	xx	xx	xx
125cc to 249cc	xx	xx	xx	xx	xx
250cc above	xx	xx	xx	xx	xx
<b>No. of Motorcycle Models by Price:</b>					
Economy	xx	xx	xx	xx	xx
Executive	xx	xx	xx	xx	xx
Premium	xx	xx	xx	xx	xx
<b>Scooters</b>	xx	xx	xx	xx	xx
<b>Current Capacity and Expansion Plans</b>	Company 1 has three manufacturing locations at Location 1, Location 2 and Location 3	Company 2 has manufacturing plants at three locations at Location 1, Location 2 and Location 3	Company 3 has three manufacturing plants located at Location 1, Location 2 and Location 3	Company 4 has four state of the art manufacturing plants locations at Location 1, Location 2 and Location 3, Location 4	Company 5 has one manufacturing plant located at Location 1
	Total annual installed capacity of xx mn units	Total annual installed capacity of xx mn units	Total annual installed capacity is xx mn units	Plants in Location 1 & Location 2 and one at Location 3 cumulatively have an installed annual capacity of xx mn units	Total annual installed capacity is of xx mn units
	Company is planning to increase its Location 1 plant capacity from xx mn units to xx mn Units	Company is setting up a 4th manufacturing plant at Location 4 with installed capacity of xx mn units	Company has plans to increase its installed capacity to xx mn Units by March 20xx		
	Company is also planning to set up its fourth manufacturing location for which it is in process of short listing locations	Company is also planning to set up 5th manufacturing plant at Location 5 with annual capacity of xx mn units			
<b>Utilization % (calculated on sales volume)</b>	xx%	xx%	xx%	xx%	xx%

<b>Technology Upgradation and Partnership</b>	Company 1 recently inaugurated Technical center in Location 1, which it plans to make a Global innovation hub for its two wheeler products	Currently Company 2 is using technology from Company 3, but it is planning to launch its first two wheeler without Company 3 technology in 20xx	Company 3 has in-house technology development center	Company 4 and Company 6 signed a “joint technical co-operation and manufacturing agreement” only to produce below 500 cc bikes	Company 5 has technology tie-ups with Taiwan’s Company 10 and Italy’s Company 11
	Company 1 has indigenous technology development center	Company 2 has agreement with Italian design firm Company 7 to develop capabilities in design and engines	Company 3 Auto holds an Indian patent for the ABC technology which is used in Product 1	Company 4 had filed patent in India and abroad for the in-house developed technology	Company has filed xx patents in two wheeler space on various engine and vehicle development platforms
	Company 1 recently launched new variant of Product 1, Product 2 and Product 3 with new engine incorporating the Company 1 ABC Technology	Company 2 also has acquired xx% stake in US based super bike and engine maker Company 8 and Company 9	Company 3 holds xx% stake in Product 3 of Location 1, both companies are currently developing 375cc engine at its Location 3 R&D center		
	Globally Company 1 has developed small 125cc engine for scooters, which it will plan to bring to India depending on cost economics	Company 2 has developed new engines of 100 cc, 110 cc and 250cc capacity with technical partners			
<b>R&amp;D Expenditure</b>	Proposed R&D outlay for FYxx is INR xx million	After separating from Company 1, company is spending heavily on R&D	R&D spend in FYxx was INR xx million (xx% of sales)	For Company 4, its R&D expenses increased xx% from INR xx million in FYxx to INR xx million in FYxx	Company 5 has recently invested INR xx million in R&D facility in Location 3
		In FYxx, R&D spend was INR xx million (xx% of turnover)			Company is planning to spend additional INR xx million on R&D in next five years (20xx to 20xx)
		Proposed R&D spend for FYxx is INR xx-xx million (xx-xx% of total revenue)			
		Company is also setting up a R&D facility in Location 1			

<b>Advertisement &amp; Marketing Spend</b>	Company 1 is expected to spend INR xx million on its advertising campaign	In FYxx, Company 2 spend INR xx million on advertisement and publicity out of which INR xx million were spend on its Brand make over after separating from Company 1. In FY xx, advertisement and marketing spend was INR xx million	Company 3 FY xx spend on advertisement was INR xx million	Company 4 spent INR xx million on marketing in FYxx as compared to INR xx million in FYxx	
<b>Advertising Expense Margin (FY13)</b>	xx%	xx%	xx%	xx%	xx%
<b>Distribution Reach</b>	Company 1 has xx sales and service network (xx dealers, xx branches/ sub dealers and xx service set-ups)	Company 2 has over xx sales and service outlets pan India	Company 3 has around xx dealers and authorized service centers	Company 4 has a robust two tier distribution network with xx exclusive dealers supplemented by more than xx sales & service points (as of xx company presentation)	Company 5 has over xx dealers across India currently
	Company 1 is planning to add another xx outlets and expanding its network to xx sales & service touch points			PT Company 4 (Indonesia subsidiary) has around xx dealers and has plans to expand the network to xx dealers by the end of March 20xx.	
<b>Model Launches</b>	Company 1 recently launched 110 cc motorcycle Product 1, Product 2 and Product 3	In FYxx, Company 2 launched 125 cc Product 1 and Product 2	Company 3 is planning to launch xx new Product 1 and xx new variants in Product 2 this year	Company 4 Motor plans to launch a new Product 1 and an executive motorcycle in FYxx	Company 5 recently launched xx bikes in 110 cc category Product 1 and Product 2
	Company is planning to launch improved variant of 110 cc motorcycle Product 1	In October 20xx, company announces xx new models, including model upgrades and new variants	Company 3 launched Product 3 in xxQ FYxx		
	Company 1 planning to launch 100-125cc Product 4 in xxQ FYxx	Product 1, Product 2 and Product 3 are some of the brands in which company is planning to launch new variants.	Company 3 expects to launch more Product 3 models in 20xx/xx		

Source: ABC