

Auto May Hit Rough Patch on Bourses

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ET Intelligence Group: After earning a robust 52% returns in the calendar year 2014, the S&P BSE Auto index has failed to gain in 2015 so far on worries over delayed recovery in auto volume pick-up. Weakening rural income coupled with the latest forecast of poor monsoon have prompted analysts to cut volume estimates for FY16. This means, the sector index may continue to fare poorly.

Analysts have cut auto sales growth estimates for FY16 significantly. The cut has been more pronounced in the segments having more rural exposure, such as tractors and two-wheelers. To make matters worse, heavy commercial vehicles, which grew at a fast clip last fiscal, may report lower growth due to higher base and lack of fresh triggers for demand pick-up. "Heavy trucks volume will not grow as fast as 40% growth seen in the last fiscal. It is likely to be moderate," said AK Birla, executive vice-president, Volvo-Eicher Commercial Vehicles.

Two-wheeler sales growth fell from 16% YoY in the first half of FY15 to a mere 1% in the second half. Similarly, tractor sales dropped to 25% in the second half as against a nearly flat growth seen in the first half.

The passenger car segment, too, has witnessed growth moderation in the March 2015 quarter.

Analysts have revised down their projected volume estimates for two-wheeler companies to 5-7% for FY16 as compared with the earlier estimates of 9-10%. Most of the two-wheeler manufacturers believe that the growth has taken a hit due to the compressing rural income and urban consumers postponing their purchase decisions.

Yadvinder S Guleria, vice-president, sales & marketing of India's second largest two-wheeler maker, Honda Motorcycle & Scooter, said, "We are expecting low, single-digit growth for two-wheelers during FY16, and motorcycle growth is expected to be between 3% and 4%. The buyers, both in the rural and urban regions, have been deferring their decision to purchase vehicles."

Eric Vas, president of motorcycle business at Bajaj Auto said, "Industry motorcycle growth is expected to grow between 0% and 3% in FY16, but later the demand is expected to come up with a vengeance." For the passenger car segment, volume growth estimates are reduced to 7-8% from the earlier 10-11%, while tractor volumes are likely to decline by 3-5% as compared with the earlier flat growth estimates. In the heavy CV segment, growth projection has been slashed to 15-18% from 23-25%.



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