CHAPTER - IV

ORIGIN AND GROWTH OF TWO - WHEELER INDUSTRY AND TVS MOTORBIKES
CHAPTER-IV

ORIGIN AND GROWTH OF TWO-WHEELER INDUSTRY AND TVS MOTORBIKES

Every possession is a statement. So are the two wheelers. In fact, two wheelers are more than that. A good-looking two-wheeler or motorbike not only impress others, but can go a long way in making life convenient. Two wheelers like bikes and scooters are the symbol of mass transporters. Motorized two wheelers make life a hassle free journey.

Once you possess a two-wheeler, unknowingly, it would become a part of your life. From helping you to reach the market or the work place to making a sojourn at weekends to a neighboring place with like-minded friends, your two-wheeler is always multi-tasking for you.

Two wheeler manufacturers are well aware of their rising demand and hence, are teeming-up the market with new products everyday. Manufacturers are targeting low income sections also with some cheap motorbikes as they are increasingly becoming the potential consumers. Seeing the great demand of the two wheelers, International automobile giants are heading towards India and collaborating with the auto markets. In order to meet the skyrocketing demands of the two wheelers, day-to-day swankiest bikes with high-powered features are launched in the market to attract the maximum buyers.

In India, two wheelers have captured the imagination of young generation everywhere. They are as much popular in the rural areas as they are in cities and towns.
The easy maintenance, affordable price and ability to adjust in any kinds of road have made them dear to one and all.

The two-wheeler segment is the fastest growing segment in the Indian automobile industry. India is the second largest user and third largest manufacturer of two-wheelers in the world.

An automobile was the reply to the 19th-century dream of self-propelling the horse-drawn carriage. Similarly, the invention of the motorcycle created the self-propelled bicycle. The first commercial design was a three-wheeler built by Edward Butler in Great Britain in 1884. This employed a horizontal single-cylinder gasoline engine mounted wheel.

The 1900s saw the conversion of many bicycles, or pedal cycles by adding small, centrally mounted spark ignition engines. There was then felt the need for reliable constructions. This led to road trial tests and competition between manufacturers. Tourist Trophy (TT) races were held on the Isle of Man in 1907 as reliability or endurance races. Such were the proving ground for many new ideas from early two-stroke-cycle designs to supercharged, multi-valve engines mounted on aerodynamic, carbon-fibre reinforced bodywork.

4.1 Invention of Two Wheelers

The invention of the first two-wheeler is a much-debated issue. "Who invented the first motorcycle?" may seem like a simple question, but the answer is quite complicated.

Two-wheelers owe their descent to the "safety" bicycle, i.e., bicycles with front and rear wheels of the same size, with a pedal crank mechanism to drive the rear wheel.
Those bicycles, in turn descended from high-wheel bicycles. The high-wheelers descended from an early type of pushbike, without pedals, propelled by the rider's feet pushing against the ground. These appeared around 1800, used iron-banded wagon wheels, and were called "bone-crushers," both for their jarring ride, and their tendency to toss their riders.

Gottlieb Daimler (who later teamed up with Karl Benz to form the Daimler-Benz Corporation) is credited with building the first motorcycle in 1885, one wheel in the front and one in the back, although it had a smaller spring-loaded outrigger wheel on each side. It was constructed mostly of wood, the wheels were of the iron-banded wooden-spoke wagon-type, it definitely had a "bone-crusher" chassis!

This two-wheeler was powered by a single-cylinder Otto-cycle engine, and may have had a spray-type carburetor. (Wilhelm Maybach, Daimler's assistant, was working on the invention of the spray carburetor at the time). If two wheels with steam propulsion can be called a motorcycle, then the first one may have been American.

One such machine was demonstrated at fairs and circuses in the eastern US in 1867. This was built by one Sylvester Howard Roper of Roxbury, Massachusetts. There is an existing example of a Roper machine, dated 1869.

A charcoal-fired two-cylinder engine, whose connecting rods directly drive a crank on the rear wheel, powers it. This machine predates the invention of the safety bicycle by many years, so its chassis is also based on the "bone-crusher" bike.
4.2 Initial Hits

Most of the development during the earliest eras concentrated on three and four-wheeled designs, since it was complex enough to get the machines running without having to worry about them falling over. The next really notable two-wheeler was the Millet of 1892. It used a 5-cylinder engine built as the hub of its rear wheel. The cylinders rotated with the wheel, and its crankshaft constituted the rear axle.

The first really successful production two-wheeler though, was the Hildebrand & Wolf Mueller, patented in Munich in 1894. It had a step-through frame, with its fuel tank mounted on the down-tube. The engine was a parallel twin, mounted low on the frame, with its cylinders going fore-and-aft. The connecting rods connected directly to a crank on the rear axle, and instead of using heavy flywheels for energy storage between cylinder-firing, it used a pair of stout elastic bands, one on each side outboard of the cylinders, to help out on the compression strokes. It was water-cooled, and had a water tank/radiator built into the top of the rear fender.

In 1895, the French firm of DeDion-Bution built an engine that was to make the mass production and common use of motorcycles possible. It was a small, light, high revving four-stroke single, and used battery-and-coil ignition, doing away with the troublesome hot-tube. Bore and stroke figures of 50mm by 70mm gave a displacement of 138cc. A total loss lubrication system was employed to drip oil into the crankcase through a metering valve, which then sloshed around to lubricate and cool components before dumping it on the ground via a breather.

DeDion-Bution used this 1/2 horsepower power plant in road going strikes, but the engine was copied and used by everybody, including Indian and Harley-Davidson in the
U.S. Although a gentleman named Pennington built some machines around 1895 (it's uncertain whether any of them actually ran), the first US production motorcycle was the Orient-Aster, built by the Metz Company in Waltham, Massachusetts in 1898. It used an Aster engine that was a French-built copy of the DeDion-Bouton, and predated Indian (1901) by three years, and Harley-Davidson (1902) by four.

Two-wheelers include motorcycles, scooters and mopeds. Before the advent of scooters and mopeds, motorized bicycles were the fancy of cycle rider world over in the 1930s and 1940s.

4.2.1 Phase One

The evolution of the industry has passed through some distinct milestones and phases. Phase I (1951-1980) witnessed a steady stream of entrepreneurs entering the two-wheeler scene. The industry got crowded in the last quinquennial of the three decades.

The first span of 1951-55 of Phase I was marked by the dominance of two players, namely, Enfield India in motorcycles and Automobile Products of India (API) in scooters and mopeds. The brands, Bullet (motorcycles), Lamby (scooters) and Lambretta (mopeds), caught the fascination of the two-wheeler consumer class.

In the second quinquennial (1956-1960), while Enfield continued its lone march in motorcycles, API was challenged in a big way by the entry of Bajaj Auto with its Vespa and Bajaj range of scooters. API, however, remained the sole supplier of mopeds.

From 1961 onwards, a steady stream of entrepreneurs moved into the two-wheeler industry. In the case of motorcycles, the number rose from three at the end of 1961-1965 periods to 4 at the end of 1976-1980.
Apart from Enfield India, others like Escorts, Ideal Jawa moved into the line. From single brand Bullet, the number of brands at the end of 1979-1980 had grown to six: Bullet, Enfield (197 and 173cc), Rajdoot and GTS (Escorts); Yezdi (250 and 60cc) from Ideal Jawa. The last had, however, disappeared by end 1979-1980.

The activity in scooters and mopeds became more feverish. In the case of scooters, from a single manufacturer, API with its Lamby, the number rose steadily to ten by the end of 1979-1980, with twelve models; Lamby and MAC (API); Allwyn Pushpaka (AP Scooters); Aravali (Aravali Svachalit Vahan); Vespa /Bajaj (Bajaj Auto- BAL); Rajdoot (Escorts- EL); Gimar (Gujarat- Small Industries Corp-GSIC subsequently Gimar Scooters); Falcon (Karnataka Scooters- KSL); Priya (Maharashtra Scooters- MSL); Vijai and Kesri (Punjab Scooters-PSL); and Vijay motorcycles giant, Enfield India, had also ventured into the scooter segment with its push-button start, Fantabulus. However, it did not meet with much success and was eventually withdrawn.

The evolution of mopeds was as dramatic as that of scooters. In the decade of the 1950s, the market remained in the hands of API with its Lambretta. The period 1961-1965 witnessed the entry of three more players: Mopeds India-MIL (Suvega), Pearl Scooters- PESL (pearl Yamaha) and Saund Zweirad Union- SZUL (Vicky).

These four continued to dominate the market till the end 1969-1970). From 1970-1971, the activity in the mopeds segment became intensified with new entrants in the field. While on the one hand, Lambretta and Pearl Yamaha disappeared, others entered with a great deal of fervor for the manufacturers with their brands at the end of 1979-1980.
The three main features of the period were: first, emergence of Bajaj Auto as a major producer of scooters; second, driving upon pent-up demand for two-wheelers, especially scooters, long waiting lists; and third mopeds coming up as alternative demand quencher.

4.2.ii Phase Two

Phase II (1981-1990) could be characterized as a period of the emergence of Bajaj Auto with its M-50 as a major player in the motorcycles segment followed by Ind Suzuki (with its AX 100).

As a result of market restructuring, Enfield India (later Royal Enfield) exited its Bullet 197 in 1986-1987 along with its Explorer brand. Rajdoot 350, GTS and Rajdoot Yamaha were also out of the market. Likewise, Ideal Jawa dropped its Yezdi 350 in 1988-1989.

Bajaj Auto, which had started with Bajaj M-50 (dropped it in 1986-1987) came up with KB-100 and Bajaj M-80. The period, 1986-1990 also saw the entry of two major players in Hero Honda Motors with its CD 100 and TVS-Suzuki with AX-100.

The next quinquennial, 1981-1985, witnessed two major developments: one was a sudden spurt in the production of 100cc motorbikes; and the other was the grip of Japanese technology on the motorcycle industry in India mainly through technical collaborations with Kawasaki, Honda and Suzuki. While Bajaj tied-up with Kawasaki, TVS Mopeds was linked with Suzuki (earlier through Ind-Suzuki) and Hero Majestic with Honda.
<table>
<thead>
<tr>
<th>Manufacturer</th>
<th>Brand</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indian Automobiles (IAL)</td>
<td>Hitodi</td>
</tr>
<tr>
<td>Kinetic Engineering (KEL)</td>
<td>Luna</td>
</tr>
<tr>
<td>Kirloskar Ghatge Patil (KGPL)</td>
<td>Laxmi</td>
</tr>
<tr>
<td>Majestic Auto (MAK)</td>
<td>Hero Majestic</td>
</tr>
<tr>
<td>Mopeds India (MIL)</td>
<td>Suvega</td>
</tr>
<tr>
<td>Ramon Engineering (REL)</td>
<td>Ramona</td>
</tr>
<tr>
<td>Saund Zweirad Union (SZUL)</td>
<td>Vicky</td>
</tr>
<tr>
<td>S &amp; P Engineering Products (SPEP)</td>
<td>Dart</td>
</tr>
<tr>
<td>Sundaram Clayton (SCL)</td>
<td>TVS-50</td>
</tr>
<tr>
<td>Tamilnadu Mopeds (TML)</td>
<td>Mayuram</td>
</tr>
</tbody>
</table>

In the scooter segment, a lot of pruning had taken place during the decade of the 1980s. It took place in respect of both manufacturers and models. API had withdrawn from the field by 1988-1989. The public sector's Scooters India was also out of scooters segment in 1989-1990, having become a sick company. Bajaj Auto, although having grown in stature, withdrew its Bajaj CKD in 1988-1989. With these changes, the survivors in the field were Gujarat Narmada Automobiles (Narmada Prince), Kinetic Honda Motors (KH 100), Maharashtra Scooters (Priya), LML (Vespa XE and Vespa NV) and the leader Bajaj Auto with its Bajaj CUB and Bajaj 100.

The mopeds sector, it appears, moved synchronously in sentiment with the scooter segment. The survivors at the end of 1989-1990 were Enfield India (later Royal Enfield) with its Silver Plus / Explorer, Kinetic Engineering's Luna (Laxmi having
disappeared), Majestic Auto with its Hero Majestic, Pacer, Panther and Puch and TVS Suzuki (successor to Sundaram Clayton) with its TVS-50 which was really making waves in the market. At the start of 1985-1986, Kelvinator of India made a fray in mopeds with a range of Avanti (VIP, Sports, Nova, Gear). The period also witnessed the exit of API, SZUL (with its Saund), MIL (Suvega), SPEP (Dart), KGPL (Pizzas and Laxmi) and TML (Mayuram).

The highlights of the period were the increased share of mopeds in the two-wheeler segment over the years to a near fourth of the two-wheeler market. This was achieved mainly with the entry of LML in 1984 and its emergence as a volume player by 1990. The most important development of the sector was the disappearance of the waiting lists which transformed the supply driven market to a customer driven one by 1989-1990.

The era of ‘License Raj’ saw three main brands of motorcycles- Bullet, Jawa and Rajdoot- and two main brands of scooters- Lambretta and Bajaj. Developments in pre-liberalization era led to easing of the restrictions and eventual entry into a period of open liberalism, which induced a paradigm shift both in the thinking of the two-wheeler manufacturers and of the consumers as resulting from a wide range of models and power capacities.

**4.2.iii Phase Three**

Phase III (1990 onwards) coincided with the ushering in of the era of economic liberalism. Because of the economic crisis, the first two years were marked by a demand recession, highlighted by stagnancy in incomes and high inflation. The two-wheeler segment entered into a boom period from 1993 onwards with Japanese technology based
motorcycles leading the way with a 26% average annual growth, touching a high of 37% in 1997-1998.

Royal Enfield with its Bullet and Escorts in its new avatar of Escorts Yamaha with its brands Rajdoot 175 and Yamaha RX100 easily graduated into the third phase. By 1996-1997, however, Ideal Jawa, the third of the old timers, faded out completely. Bajaj maintained its hold on the segment with its M-80 and KB-100 and so did Hero Honda Motors (CD 100) and TVS-Suzuki (AX 100). The preponderance of 100cc bikes was well maintained and so was the hold of the Japanese technology.


Those that really made good, apart from Bajaj and LML, were Kinetic Honda Motors with its KH 100 and TVS Suzuki which ventured into scooters with its Scooty in 1995-1996. Majestic Auto also tried the scooter segment and produced its Hero Winner during 1995-1997, but subsequently stopped its production in 1997-1998. In the area of mopeds, the survivors left in the field were BAL (Sunny), Escorts Yamaha (Toro from 1994-1995), KEL (Luna), Majestic Auto (Pacer/Panther/Puch) and the revolutionary TVS-Suzuki (TVS-50). Royal Enfield and KIL both withdrew their respective brands, Silver Plus and Avanti in 1994-1995.
The automobile sector was hit by recession in 1997 and 1998 but only the two-wheeler segment managed a modest 3% growth. This has been attributed to the robust growth the segment managed in the rural market. The rural market with some half-a-million villages claims a 35% share in the two-wheeler sales.

By the end of the decade, the domination by scooters in the two-wheeler segment came to an end. Its share at slightly over 33% was considerably down from 50% in 1990-1991. Motorcycles staged the most impressive rally in 1990s having touched a share of 47.5% in 1999-2000 (against only 26% in 1990-1991). The gain by the motorcycles segment has been at the cost of depletion of the share of mopeds down from 24% to 19% in the period and of scooters.

After facing its worst recession during the early 1990s, the industry bounced back with a 25% increase in volume sales in FY1995. However, the momentum could not be sustained and sales growth dipped to 20% in FY1996 and further down to 12% in FY1997. The economic slowdown in FY1998 took a heavy toll of two-wheeler sales, with the year-on-year sales (volume) growth rate declining to 3% that year. However, sales picked up thereafter mainly on the strength of an increase in the disposable income of middle-income salaried people (following the implementation of the Fifth Pay Commission's recommendations), higher access to relatively inexpensive financing, and increasing availability of fuel efficient two-wheeler models. Nevertheless, this phenomenon proved short-lived and the two-wheeler sales declined marginally in FY2001. This was followed by a revival in sales growth for the industry in FY2002. Although, the overall two-wheeler sales increased in FY2002, the scooter and moped segments faced de-growth. FY2003 also witnessed a healthy growth in overall two-
wheeler sales led by higher growth in motorcycles even as the sales of scooters and mopeds continued to decline. Healthy growth in two-wheeler sales during FY2004 was led by growth in motorcycles even as the scooters segment posted healthy growth while the mopeds continued to decline.

The industry had expected that the production of two-wheelers would expand from near 3.0 million in 1996-1997 to 4.0 million by the year 1999-2000, 4.5 million by 2001-2002 and 7.5 million by 2006-2007. Owing to a slack, the total production remained below the 4.0 million mark. However, with a sudden push in the motorcycle segment in the recent years, coupled with the new moves from scooter manufacturers- the established and the new forays by MNCs- the two-wheeler segment is anticipated to remain highly buoyant with CAGR between 12% to 15%. The overall production by the two-wheelers could cross the 10million mark by 2006-2007.

The basic leading brands in the two-wheelers presently are : Motorcycles- Calibre, Boxer (Bajaj), RX-135, YD-125, YBX (Escorts Yamaha); CD-100, Splendor, CBZ (Hero Honda); Bullet, Bullet-500, Taurus (Royal Enfield); Max, Samurai, Fiero (TVS-Suzuki); Energy, Adreno (LML); and Challenger (Kinetic Engineering); Ste-through- M-80 (Bajaj); Street Smart (hero Honda); K-4-100ZX (Kinetic Engineering); Scooters-Saffire, Chetak, Classic Super, Legend, Bravo (Bajaj); AX-100, DX-100, ZX-100, Marvel (Kinetic Motors); NV, Star, Select, Supremo, Sensation (LML); Spectra (TVS-Suzuki). Mopeds-Sunny, Spirit (Bajaj Auto); Hero Winner (Hero Motors); Style Y2J (Kinetic Engineering); Trendy (LML); Scooty (TVS-Suzuki).

Strategic alliances with foreign manufacturers, both past and existing, in the two-wheeler segment have been mainly from three countries: Italy, Germany and Japan.
<table>
<thead>
<tr>
<th>Company</th>
<th>Collaboration</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hero Motors</td>
<td>BMW, Germany</td>
</tr>
<tr>
<td>Bajaj Auto</td>
<td>Kawasaki Heavy Industries, Japan</td>
</tr>
<tr>
<td>Escorts</td>
<td>Yamaha Motor, Japan</td>
</tr>
<tr>
<td>Kinetic Honda</td>
<td>Honda Motor, Spa, Japan</td>
</tr>
<tr>
<td>LML</td>
<td>Piaggio VE, Italy</td>
</tr>
<tr>
<td>Majestic Auto</td>
<td>Steyr/Daimler Puch AG, Germany</td>
</tr>
<tr>
<td>Royal Enfield</td>
<td>Enfield Cycle Co., UK;</td>
</tr>
<tr>
<td>Scooters India</td>
<td>Zundapp Werke, Germany</td>
</tr>
<tr>
<td>TVS-Suzuki</td>
<td>Honda Motor, Japan;</td>
</tr>
<tr>
<td></td>
<td>Innocenti, Italy</td>
</tr>
<tr>
<td></td>
<td>Suzuki Motor Corporation, Japan</td>
</tr>
</tbody>
</table>

4.3 Motorcycles:

There has been a growth in the demand for motorcycles in India. Earlier, this two-wheeler was seen more in rural areas for its ease in maneuverability and wider wheel base leading to greater stability. Later, it became popular among all sections of the society, particularly the urban youth who liked the speed and style it imparted (to their personality).

The demand for motorcycles surpassed that of scooters in 1998-1999 with sales rising to 1.40 million, as against the scooter sales of 1.33 million. The year following (1990-2000) witnessed a further jump in its sales to 1.80 million, while the scooter sales receded to 1.25 million. The emerging scenario for 2000-2001 is conforming to the performance in the recent past.
4.4 The Industry Growth

Until mid-1950s, India did not have any manufacturing facility for motorcycles. Courtesy World War II, India had some exposure to the machine through the Royal Forces parading Indian streets mostly on Royal Enfields.

Motorcycles succeeded into the Indian defense services after India’s Independence. It was therefore, logical that the British motorcycles major, Royal Enfield, set up the country’s first venture in the then state of Madras in mid-1950s. The company’s name has since changed from Enfield India Ltd. (EIL) to Royal Enfield Motors has become a subsidiary of the tractor major, Eicher Tractors.

In the 1960s, two Indian enterprises, Escorts Ltd (EL) and Ideal Jawa Pvt Ltd (IJPL) emerged as the two-wheelers majors. Their plants were located, respectively, in Faridabad near Delhi and near Mysore in the state of Karnataka. In 1973-1974, a fourth manufacturer, Saund Zweirad Union Ltd (SZUL), set up a plant in Madhya Pradesh.

It was not until 1979-1980 that the fifth and the most prolific name in two-wheelers, namely, Bajaj Auto made its entry into the segment. Bajaj Auto did not make any significant contribution until 1982-1983 when it recorded its first substantial production of motorcycles. The same year, Karnataka Scooters Ltd (KSL), strayed into the segment only to exit the very next year. Another change witnessed in the segment was the exit of SZUL unceremoniously, not having made big at all during its existence.

Ind-Suzuki marked the entry of the Japanese major Suzuki into India in 1984-1985. The name of the company was subsequently changed to TVS Suzuki.

At the end of 1984-1985, the motorcycle segment was dominated by Escorts, Enfield India, Bajaj Auto, Ideal Jawa and TVS Suzuki, in that order. In 1984-1985,
another Japanese induction witnessed the coming up of Hero Honda, which immediately displaced Ideal Jawa to a lower position. The latter, I fact, went down the slide and, by 1990-1991, had come to hold only a token presence in the segment. While Enfield remained more or less static, Bajaj, Escorts, Hero Honda were racing with some sporadic thrusts by TVS in between.

While Bajaj Auto, Escorts and Hero Honda were going from strength to strength, the majors of yesteryears, like Enfield and Ideal Jawa, had lost much of the steam with a steep erosion of their share in the overall production of motorcycles in the country.

4.4.1 Technology Alliances

The Indian motorcycle industry is a technology driven segment with major technology inputs coming from Japan and Germany. In the initial years, UK and Czechoslovakia remained major technology drivers through Enfield (Bullet) and Ideal Jawa (Yezdi).

The technology based, prominent tie-ups, are as follows:

- Ideal Jawa
  Polytechna, Czechoslovakia.
- Bajaj Auto
  Kawasaki Heavy Industries, Japan
- Enfield India
  Enfield Cycle Co, UK, AVL, Austria,
  Zundapp Werke GmbH, Germany
- Escorts
  Yamaha Motor Co, Japan
- Hero Honda Motors
  BMW Motorrad, GmbH, Germany
- TVS-Suzuki
  Honda Motor Co, Japan
  Suzuki Motor Corp, Japan
Initially, all these collaborations were of technical nature. Lately, with the taking up of Equity positions, Escort’s motorcycles division has become Escorts Yamaha Motors Ltd. Likewise Suzuki has picked up a stake in TVS Suzuki and is now operating as a joint venture. Honda Motors had also developed a financial stake in its joint venture with the Hero group. However, with the cooling off of the collaboration between Hero group and Honda, the former has reportedly tied up with BMW of Germany to launch Hero Motors Ltd to manufacture power bikes from BMW.

4.4.ii Brand Life-cycles

Over the years, this industry segment as well, like others, witnessed rise and fall of several brands. While Bullet 350 (EIL) and Rajdoot 175cc (EL) stood the test of time, brands like Yezdi from IJPL maintained a steady decline with the advent of the joint ventures; although it had maintained a significant standing in the market for long. Eventually, it faded out from the market. Bajaj maintained a steady market presence with its M80 and KB100; however its M50 and BR 100 did not show the survival instinct for long.

Rajdoot 350 of Escorts could not challenge Bullet from EIL, but its Yamaha RX 100cc has found an increasing acceptability by the market. EIL’s Bullet 197cc and an earlier model Ensign 150 were very short-lived. Alongside KB 100, RK 100 in the 100cc bikes, TVS Suzuki’s AX 100cc has carved a niche for itself in the market and remains one of the largest selling 100cc bikes in the market.

There are six main producers of motorcycles in India. Hero Honda has emerged as the undisputed leader in this segment and has been increasing its share at the cost of Bajaj Auto, Escorts Yamaha and TVS Suzuki, the other leading players. Although TVS claims
less than the market size of Hero Honda, its sales have grown phenomenally at nearly 27% in the period ending 1990-2000 and its market share expanded by over 9% during this period.

While Hero Honda is on the prawl, Bajaj Auto has increased its market share by 2%. The share of TVS Suzuki has suffered, but the worst drop is by Escorts Yamaha (14% to 7.3%). LML, making its first foray in the motorcycles segment, has managed to make its presence felt in the market.

The leading motorcycle producers such as TVS Suzuki, Hero Honda and Bajaj Auto are strengthening their presence by introducing a range of new products catering to the needs of different customer segments. Reliability, modern styling and economy are demanded by most of the users. Younger sections look for power and pleasure of riding a two-wheeler. The market is also gearing up to the introduction of 150 cc to 175 cc range compared to the predominantly 100 cc motorcycle sold now.

4.4.iii Demand Drivers

The demand for two-wheelers has been influenced by a number of factors over the past five years. The key demand drivers for the growth of the two-wheeler industry are as follows:

- Increased availability of cheap consumer financing in the past 3-4 years;
- Inadequate public transportation system, especially in the semi-urban and rural areas;
- Increasing availability of fuel-efficient and low-maintenance models;
• Increasing urbanization, which creates a need for personal transportation;

• Changes in the demographic profile;

• Difference between two-wheeler and passenger car prices, which makes two-wheeler the entry level vehicle;

• Steady increase in per capita income over the past five years; and

• Increasing number of models with different features to satisfy diverse consumer needs.

4.4.iv Segmental Classification and Characteristics

The three main product segments in the two-wheeler category are scooters, motorcycles and mopeds. However, in response to evolving demographic and various other factors, other sub-segments emerged, viz. scooterettes, gearless scooters, and 4-stroke scooters. While the first two emerged as a response to demographic changes, the introduction of 4-stroke scooters has followed the imposition of stringent pollution control norms in the early 2000. Besides, these prominent sub-segments, product groups within these sub-segments have gained importance in the recent years. Examples include 125cc motorcycles, 100-125 cc gearless scooters, etc.

4.4.v Segmental Market Share

The Indian two-wheeler industry has undergone a significant change over the past 10 years with the preference changing from scooters and mopeds to motorcycles. The scooters segment was the largest till FY1998, accounting for around 42% of the two-
wheeler sales (motorcycles and mopeds accounted for 37% and 21% of the market respectively, that year). However, the motorcycles segment that had witnessed high growth (since FY1994) became larger than the scooter segment in terms of market share for the first time in FY1999. Between FY1996 and 9MFY2005, the motorcycles segment more than doubled its share of the two-wheeler industry to 79% even as the market shares of scooters and mopeds stood lower at 16% and 5%, respectively.

In terms of volume, 4,613,436 units of two-wheelers were sold in the country in 9MFY2005 with 256,765 units exported. The total two-wheeler sales of the Indian industry accounted for around 77.5% of the total vehicles sold in the period mentioned.

Scooter sales declined sharply by 28% in FY2001 while, motorcycle sales reported a healthy growth of 20%, indicating a clear shift in consumer preference. This shift, which continues, has been prompted by two major factors: change in the country's demographic profile, and technological advancements.

Over the past 10-15 years the demographic profile of the typical two-wheeler customer has changed. The customer is likely to be salaried in the first job. With a younger audience, the attributes that are sought of a two-wheeler have also changed. Following the opening up of the economy and the increasing exposure levels of this new target audience, power and styling are now as important as comfort and utility.

The marketing pitch of scooters has typically emphasized reliability, price, comfort and utility across various applications. Motorcycles, on the other hand, have been traditionally positioned as vehicles of power and style, which are rugged and more durable. These features have now been complemented by the availability of new designs and technological innovations. Moreover, higher mileage offered by the executive and
entry-level models has also attracted interest of two-wheeler customer. Given this market positioning of scooters and motorcycles, it is not surprising that the new set of customers has preferred motorcycles to scooters. With better ground clearance, larger wheels and better suspension offered by motorcycles, they are well positioned to capture the rising demand in rural areas where these characteristics matter most.

Motorcycles offer higher fuel efficiency, greater acceleration and more environment-friendliness. Given the declining difference in prices of scooters and motorcycles in the past few years, the preference has shifted towards motorcycles. Besides a change in demographic profile, technology and reduction in the price difference between motorcycles and scooters, another factor that has weighed in favor of motorcycles is the high re-sale value they offer. Thus, the customer is willing to pay an up-front premium while purchasing a motorcycle in exchange for lower maintenance and a relatively higher resale value.

4.5 Technology

Hitherto, technology transfer to the Indian two-wheeler industry took place mainly through: licensing and technical collaboration (as in the case of Bajaj Auto and LML); and joint ventures (HHML).

A third form - that is, the 100% owned subsidiary route - found favor in the early 2000s. A case in point is HMSI, a 100% subsidiary of Honda, Japan.

With the two-wheeler market, especially the motorcycle market, becoming extremely competitive and the life cycle of products getting shorter, the ability to offer new models to meet fast changing customer preferences has become imperative. In this
context, the ability to deliver newer products calls for sound technological backing and
this has become one of the critical differentiating factors among companies in the
domestic market.

Thus, the players have increased their focus on research and development with
some having indigenously developed new models as well as improved technologies to
cater to the domestic market. Further, with exports being one of the thrust areas for some
Indian two-wheeler companies, the Indian original equipment manufacturers (OEMs)
have realized the need to upgrade their technical capabilities. These relate to three main
areas: fuel economy, environmental compliance, and performance. In India, because of
the cost-sensitive nature of the market, fuel efficiency had been an interest area for
manufacturers.

It is not only that the OEMs are increasing their focus on in-house R&D they also
provide support to the vendors to upgrade the technology and also assist them striking
technological alliances.

4.6 Trends in the Two-wheeler Industry

4.6.i Companies raising capacity to meet the growing demand

All the major two-wheeler manufacturers, viz. Bajaj Auto, HHML, TYS, HMSI
and others, have increased their manufacturing capacities in the recent past. The total
capacity of these players stood at 7.8 million units per annum (FY2003) as against total
market sales of 3.8 million units in FY2002. Most of the players have either expanded
capacity, or converted their existing capacities for scooters and mopeds into those for
manufacturing motorcycles. The move has been prompted by the rapid growth reported
by the motorcycles segment since FY1995.
HHML increased the capacity of its plants from 1.8 million units in FY2003 to 2.25 million in FY2004 and has been able to achieve 92% capacity utilization. In light of the increase in demand for motorcycles, the company plans to set up a new plant. Since its entry in the Indian market during FY2002, HMSI has aggressively expanded its capacity.

4.6.ii Increasing focus on export

For the first nine months of FY2005, two-wheeler exports increased by 37% over the corresponding previous, led mainly by motorcycles even as exports of other two-wheelers were healthy. While motorcycle exports increased by 40%, scooter and moped exports increased by 29% and 27% respectively. Motorcycle exports by Bajaj Auto, HHML and TVS have reported to a burst growth in FY2005 and are expected to increase further in the medium term.

Although the Indian two-wheeler manufacturers have forayed on their own in their target export markets, there have been instances of tie-ups with the technology partners. Bajaj Auto's tie-up with Kawasaki to jointly market Bajaj products in Philippines is a case in point. Under the tie-up, M/s Kawasaki Motors Philippines Corporation has been appointed as exclusive distributors to market select Bajaj two-wheelers that include Byk, Caliber 115 and Wind 125. These vehicles are being sent to Philippines in the completely built unit (CBU) form.

Other strategy of expanding international presence considered by few players is that of setting up assembly lines in select South East Asian countries either on their own or in partnership with local players. Besides, plans of select overseas technology partners to source from their Indian partners and plans of global majors to develop their Indian
manufacturing unit as a sourcing hub may also lead to increase in two-wheeler exports from India.

4.7 Indian Two-wheeler Industry: Back on Growth Path

The two-wheeler industry had reported double-digit growth rates for six consecutive years till 2006-07 on the back of rising disposable incomes and the easy availability of consumer finance. However, 2007-08 saw a volume decline following an increase in interest rates and a sudden reduction in the availability of finance.

Within the two-wheeler industry, the entry-segment of motorcycles was hit the hardest as financial institutions tightened their credit norms due to relatively weaker credit profiles and the higher proportion of financed purchases in this segment. Although the insufficiency of two-wheeler finance remains a concern, the impact of the same has been mitigated by the availability of finance from the unorganized sector and the growing share of rural sales, which happen largely on cash basis.

After the volume decline in 2007-08, two-wheeler sales did show a revival in the first half (H1) of 2008-09, reporting a volume growth of 13.2% (y-o-y). However, the economic meltdown that snowballed post-September 2008 dented consumer sentiment, causing a 7.4% decline in volumes in H2, 2008-09 versus H1, 2008-09 (historically, the second half of a fiscal year accounts for 52% of full-year sales).

Motorcycle models with a sticker price of up to Rs. 40,000 comprise the "entry-price segment", which largely consists of 100cc bikes. The entry segment has suffered volume declines during the last two to three years, being hit the worst by the tightening of credit; being a relatively small ticket item, its customers usually belong to the most
vulnerable section economically within the universe of motorcycle buyers. The segment’s profitability for two-wheeler manufacturers has also declined over this period, with volumes falling and price competition getting more intense.

The Rs. 40-50,000 “mid-price segment” is largely concentrated around 100-135cc models of various players and account for bulk of the volumes (~63%) in motorcycles. The “premium price segment” (Rs. 55,000 and above) is currently dominated by BAL with its Pulsar range of motorcycles.

While entry-segment motorcycles typically offer higher fuel economy and lower operating costs, performance bikes are characterized by features such as higher speed, quicker acceleration, and superior ride, handling and braking.

With increasing disposable incomes in the hands of customers in a growing economy, executive segment motorcycles appear to have caught the fancy of customers and seem to hold a strong growth potential in India over the long term.

Total two-wheeler industry sales volumes are expected to grow at 9-11% over the medium term, supported by the following factors: (a) large number of product options that would become available to customers as new product launches/refurbishments are made by various original equipment manufacturers (OEMs); (b) anticipated increase in brand promotions; (c) likely trend of discounts being offered, particularly in the entry segment; (d) increased segmentation in the two-wheeler industry, converting latent demand into higher sales; and (d) favorable outlook for economic growth.
Growth is also likely to be supported by an increase in exports, which accounted for 12% of total two-wheeler sales volumes in 2008-09. Indian manufacturers may be considered well-positioned to expand into global developing markets.

4.8 TVS Motors

TV Sundaram Iyengar and Sons Limited (TVS) is the holding company for the TVS Group of companies engaged in the manufacturing of almost all kinds of automotive components, two wheelers and a few other industrial products. They are also into the financial services sector. The turnover of the entire group was close to $2 billion in 2003.

TVS was founded by T. V. Sundaram Iyengar in 1911. It is the only automotive manufacturer in India to get the prestigious Deming Prize. One of its subsidiaries Sundaram Clayton was the first company in India to receive the Deming allowed by Sundaram Brake Linings also getting the Deming Prize. This prize is "given to organizations or divisions of organizations that have achieved distinctive performance improvement through the application of TQM in a designated year." Sundaram Clayton went on to be awarded the Japan Quality Medal. The TVS group of companies is mainly situated in Padi, Tamil Nadu, in the outskirts of Chennai (formerly Madras).

TVS is a $1.3 Billion group of company engaged in the manufacture of automobile components distribution of vehicles and parts finance of vehicles and manufacturers of two-wheelers. Their export is 16% of the turnover to North America, Europe, Asia and South Africa. That enables innovative solutions in both high volume and niche application segment.
4.8.i TVS Group Companies

- Sundaram Brake Linings
- Sundaram Fasteners
- Southern Roadways
- Sundaram Finance
- Sundaram Private Limited

4.8.ii Organization Profile:

TVS Group – 100 years young. It has always been inspired by a century long mission and vision of its own destiny. It is not just a business but a way of doing business, which sets TVS apart from others.

Back in 1911, to the founder of the company, the ordinary ambitions of a bus fleet operator or a vehicle servicing business would not suffice. Rather, he wanted to create an enduring business led by a family of likeminded workers and managers united by a set of shared high principles.

Driven by this inspiration, the TVS group has today emerged as India’s leading supplier of automotive components. Today the TVS group is the largest automotive component manufacturer in India, with annual turnover of more than USD 4 billion.

The group has over 30 companies employing a work-force of 40,000 people.

- Sundaram Clayton Mopeds Division was established in Hosur, Tamilnadu as a part of the Sundaram Group of Companies in 1979 to manufacture TVS Mopeds.
- In 1982, Sundaram Clayton entered into a Joint Venture with Suzuki Motor Corporation, Japan to form Motorcycles (P) Ltd. This enterprise was converted
into a public company in 1984 and the name was changed to Ind-Susuki Motorcycles Limited. It started producing motorcycles in 1984.

- In 1986, the Moped and the Motorcycle divisions merged to form TVS Suzuki Limited.
- In 2001 Sundaram Clayton and Suzuki Motor Corporation disengaged in an amicable manner and the company is now known as TVS Motor Company.

Underlying the success of the group is its philosophy of commitment to the cherished values of promoting trust, value and customer service. This was the personal philosophy of the Group’s Founder Shri T.V. Sundaram Iyengar, and it remains the overarching code by which the Group functions.

Market leadership and rewards of business have followed naturally. Although the letters TVS represent the initials of the founder, T.V. Sundaram Iyengar, to us within TVS they have always stood for Trust, Value and Service. The founder of the company embodied these values and set an example for all employees to emulate.

TVS believes that the success of any enterprise is built on the solid foundation of customer satisfaction. Continuous innovation and close customer interaction have enabled TVS companies to stay ahead of competition. Quality at TVS determines not only the end product but the systems, processes and operations at all levels. The first four companies in India, which have won the coveted Deming Prize, are from the TVS group.

The business ranges across automobile component manufacturing, components distribution, manufacturing of powered two-wheelers, computer peripherals, financial services, contract manufacturing services and software development.
TVS Motor Company Ltd (TVS Motor) – member of the TVS group is the largest company of the group in terms of size and turnover. Mr. Venu Srinivasan was conferred with the prestigious JRD Tata Corporate Leadership Award for the year 2004.

4.8.iii Many firsts to the Automotive Industry in India

TVS has been at the forefront in bringing a revolution in the way personal commutation was happening, way back in the 1980s. Beginning with launching a simple, Easy-to-use moped for the middle class in India in the 1980s to launching 7 new bikes in a single day (first time in the history of the automotive industry in the world), TVS has often taken the unbeaten path to innovation.

4.8.iv Ushering in the personal transportation revolution:

- 1980  Launched TVS 50, India’s first 2 seater 50cc moped.
- 1984  First Indian company to introduce 100cc Indo-Japanese motorcycles.
- 1994  Launched India’s First indigenous scooterte (sub-100cc variomatic)
  - TVS Scooty.
- 1996  Introduced India’s first catalytic converter enabled motorcycle, the 110cc Shogun.
- 1997  Introduced India’s first 5 speed motorcycle, Shaolin.
- 2000  Launched India’s first 150cc, 4 stroke motorcycle- The Fiero
- 2001  Launched India’s first fully indigenously designed and manufactured motorcycle.
- 2004  Launched the revolutionary VT-I engine for the best in class mileage in TVS Centra.
2006 - Launched TVS Apache - first bike to win 6 awards in a row.

2007 - Apache RTR - first two-wheeler in India to have racing inspired engine and features.

2008 - TVS Flame, TVS Scooty Electric Vehicle and Three-wheeler

2009 - TVS Scooty Streak and Apache RTR 160 RD

- TVS is the first Indian automobile company bike launched in Indonesia Bike called Neo is one kind of scooter.

- TVS is having branch in all over the world like Indonesia, Burma, Sri Lanka & Malaysia.

- All the products are manufactured here and it has been exported.

What makes TVS stand out from all other two wheeler companies in the country is that it is without any foreign collaboration. The company was established by T.V Sundaram Iyengar in the year 1911 and was primarily into the production of mopeds. TVS Motor Company Limited, the flagship company of the USD 2.2 billion TVS Group, is the third largest two-wheeler manufacturer in India and among the top ten in the world, with an annual turnover of over USD 650 million. The company has many first to its credit like the introduction of the first indigenous moped and a 100 cc motorcycle in collaboration with Japanese auto giant Suzuki.

TVS Suzuki was formed as a joint venture between the TVS group and Suzuki Motor Company in 1983. It launched its first motorcycle, the AX 100 in 1984. A number of two stroke motorcycle launches by the company in the last decade such as the Shaolin,
Shogun and Samurai met with limited success. The absence of a four-stroke motorcycle in its portfolio during the motorcycle boom has ensured that TVS lagged at number three in the motorcycle sweepstakes. In September 2001, TVS bought out its partner Suzuki’s 26% stake and the company are renamed as TVS Motor Company.

When the collaboration ended in 2001, many thought that the company would die a natural death due to the exit of the foreign collaborator. However the company proved its detractors wrong by introducing the TVS Victor and rest as they say is history. Subsequent to the break up, the company introduced its indigenously developed four stroke motorcycle called the Victor in 2001. This motorcycle was a stylish, fuel efficient 110 cc motorcycles priced at the same price range as the popular 100 cc Hero Honda Offerings, Splendor and Passion

The company also launched an aggressive campaign based on the motorcycle’s strong product features and value for money positioning. The company roped in master blaster Sachin Tendulkar for the promotions and the sales went northwards after that. TVS motor company is aiming to capture a quarter of the total two- wheeler market in the country. The executive motorcycle segment dominates the motorcycle category with a share of 60%. TVS Victor, one of the leading brands in this segment has sold 9 lakh units since its launch in the third quarter of 2001-02. The recently launched TVS Centra, which is positioned in this segment, crossed 30,000 vehicles in sales within the first 70 days of launch.

In the 4-stroke motorcycles, the range comprising of Centra, Victor and Fiero posted a higher growth of 28% compared to the industry growth of 22% in the 4-stroke motorcycle segment during 2003-04.
In the economy motorcycle segment, the company is currently represented by only 2-stroke motorcycle (Max). During the year the demand for 2-stroke motorcycles declined by 46% which resulted in a 43% decline in 2-stroke volume for the company. Due to this, overall motorcycle market share for the company dropped from 19% to 16.4%.

During the year 2003-04, the company successfully launched multiple products:

- TVS Centra – 4-stroke 100cc motorcycle in the executive segment with VT-i technology to give excellent mileage
- New Victor GL – an upgrade of TVS Victor incorporating 21 improvements with new look
- Fiero F2 & Fx – upgrades of 4-stroke 150cc Fiero in the premium motor-cycle segment.

With rise in per capita income, lowering of interest rates, changes in consumer preference towards trendier two-wheelers, there was a conscious shift in the composition of two-wheeler industry led by increase in the demand of motorcycle as against scooters and moped. In FY04, out of the total two-wheeler industry of 5.6 m units, the share of motorcycles was 77%, as against 42% in FY99. During the period FY97 to FY04, while two-wheeler industry grew CAGR of 10%, the demand for motorcycle grew at 27% CAGR. However, TVS managed to achieve a CAGR of 11%. Thus while competitors were cashing on this boom, TVS’ market share was declining due to lack of a 4 stroke model in its stable. This fall has been somewhat restricted with the introduction of 'Victor' in 2003.
The company achieved a CAGR of 16.3% in sales and 12.6% in earnings (see table below). Though the results appear to be decent, when compared with the performance of peers, the company's performance is somewhat disappointing. During the same period, Hero Honda (HROH.BO, news) achieved a CAGR of 27% in revenues and 39% in profits.

In the year 2004-05 under review, TVS Motor Company Limited reached the landmark of cumulative sales of 10 million two-wheelers and also one million marks for three consecutive years. During the year, the company recorded total revenue of Rs.2955 crores and PBT of Rs.200 crores. In the economy segment, the recently launched TVS Star has already crossed 100,000 sales.

In the 4-stroke motorcycles, the range consisting of Victor, Centra and Fiero posted a growth of 13% for the company as compared to the industry growth of 25% during 2004-05. In the executive segment, the company is represented by the brands Victor and Centra. The Victor brand has already crossed one million marks and is being strengthened further. During the year 2004-05, the company successfully launched multiple products:

- **TVS Star** – 4-stroke 100cc motorcycle in the economy segment with rugged performance and good mileage.
- **New Victor GLX** – 4-stroke 125cc motorcycle in the executive segment with superior style and power.
- **New Victor GX** – 4-stroke 110cc refresh of Victor with 'Duralife' engine and new looks.
In the economy segment, the recently launched TVS Star has already crossed 100,000 sales. During the year, the demand for 2-stroke motorcycles declined by 57%, resulting in the fall of 4% in the motorcycle volumes of the company. In the 4-stroke motorcycles, the range consisting of Victor, Centra and Fiero posted a growth of 13% for the company as compared to the industry growth of 25% during 2004-05. Exports grew by 78% to Rs.123 crores in 2004-05 from Rs.69 crores during the previous year and this would continue to be a focus area for growth. In the year 2004-05, five new countries were added to the company’s global presence.

With increasing per capita GDP, the two-wheeler penetration is expected to grow further, leading to good demand in future. New products launched in 2004-05 have found encouraging market response and they are expected to contribute significantly to growth during 2005-06. In the economy segment of motorcycles, the company’s presence has been strengthened with the launch of TVS Star. The market response to Star has been excellent and it is expected to help in regaining the lost volumes of Max (two stroke) in the economy segment in 2005-06. The executive and premium motorcycle segments are expected to see new model launches from competition.

During the year 2005-06 the company successfully launched Apache, a well crafted 150 cc bike in the premium segment went on to win major auto-awards:

- Bike of the year from CNN Autocar, Overdrive and Business Standard Motoring
- Best design award from BBC- Top Gear
- Best two wheeler design award from over drive
In the motorcycle category, the company grew in line with the industry growth of 19%. The TVS StaR range including the popular TVS StaR City variant enabled the company to significantly improve its market share in the economy segment from 9% in 2004-05 to 21% in 2005-06. The exit (March 2006) market share for the TVS StaR brand was an impressive 30% in the economy segment.

The Victor and Centra brands had to meet challenges arising on account of new products from competition. Consequently, sales in this segment fell by 50% over the previous year. In the last quarter of the year, the company launched a re-styled version of Victor GLX, which found good acceptance in the market place. The Company plans to improve its position in the executive segment by launching variants of this model.

The year 2005-06 was a landmark year for TVS Motor Company (TVS-M). It is the year in which TVS-M broke the shackles of a flat sales trend in the previous two years to post a 15% growth. Overall, the company recorded 1.34 million two-wheeler sales with gross revenue of Rs.3306 crores and Profit before Tax (PBT) of Rs.168 crores during 2005-06. The company grew by 19% in the motorcycle category during 2005-06.

In the premium segment, TVS Apache, launched during the end of the year was a born winner. This bike rode away with most of the auto awards and stood tall for its ultra-modern style and performance. The company focuses on consolidating its presence in the premium segment with TVS Apache and its variants during 2006-07.

During the year 2006-07, the company successfully launched multiple new products and variants.
a. Star City ES

This is the first and only 100cc motorcycle with the convenience of an electric start. The new product has been widely accepted and well received. This helped the StaR family of motorcycles to grow significantly.

b. Star Sport

This is a new product under the StaR family targeted at the style conscious customers who prefer a slimmer vehicle with the same assurance of TVS StaR performance.

c. Five Year extended Warranty

As a sign of its customers’ growing confidence in the StaR Brand, the Company launched an industry first – a unique 5 year extended warranty on the complete StaR range of products.

Indian two wheeler industry suffered on account of restricted availability of retail finance, high interest rates and stringent norms exercised by the financiers. This coupled with higher inflation dampened the spirit of the two wheeler buyers, leading to a sharp decline in sales during 2007-08.

The two wheeler industry had been on a strong growth trajectory in the past years. Easy availability of retail finance with low down payment schemes, increasing household incomes and launch of more stylish and fuel efficient motorcycles had enabled the industry to grow.
However, the year 2007-08 saw a decline of 5% in two-wheeler sales compared to the previous year. Motorcycles declined by 8% while un-g geared scooters and mopeds which are less dependent on retail finance registered a robust growth of 16% and 10% respectively.

During the year 2007-08, the Company launched various new products and variants.

d. TVS Flame

This is the hottest riding experience sporting many first time features (in the executive segment) like the embedded Trafficators, Instant Mileage Indicator, Deltaedge exhaust and glove box. Flame sports a revolutionary 3 Valve CCVTi engine which delivers best in class mileage without compromise on power. With this launch, the Company will actively compete in the executive segment.

e. Apache RTR

This 160cc Apache launched in the growing premium segment was declared Performance Bike of the year 2008 by Auto Business Standard Motoring, NDTV and Overdrive. It also bagged the NDTV Car & Bike Award for Best Design of the year.

f. Star Sport

The new StaR Sport with superior style, refreshing graphics, pleasing colors and contemporary design became an instant hit. More importantly, this bike delivers the best mileage in its class.

g. Star City 110 cc

An upgrade of the existing and highly successful StaR City, this new motorcycle packs a more powerful punch with increased power and higher fuel efficiency with VTi
technology. The year 2008-09 also continued to be a challenging year. Continued restricted availability of retail finance, high inflation and high fuel prices are likely to affect growth of two wheelers. In addition, steep increase in cost of raw materials and inability to fully pass on the cost increase will impact margins.

Motorcycles sales for the quarter ended December 2008 stood at 145 lakh units when compared to 176 lakh units in the same period of the previous year, while scooters registered sales of 57 lakh in comparison to 65 lakh units during the corresponding quarter of the previous year. The company, however, has recorded a 4% cumulative growth in sales for the period April to December 2008.

During the quarter, the company added an upgrade of the Apache RTR 160, equipped with 200mm rear petal disc brakes, to its premium segment. This new feature further enhances the braking distance, the bike already enjoying best in class, shortest braking distance. In an effort to boost sales, TVS Motor Company, during the third quarter, entered into an agreement with IndusInd Bank, similar to an arrangement with ICICI Bank to provide inventory funding to its dealers, thus strengthening the distribution channel and enhancing the working capital for its dealers.

In this category, the Company witnessed a growth of 6% during 2008-09. Sales of TVS Apache grew by 17%, while sales of TVS StaR remained at the same level, despite a steep decline of 15% in the Economy segment. TVS Flame, launched during April 2008, did not generate expected excitement in the market. The product is being re-launched in 2009-10 with additional features and better performance.

TVS Motor Company was conferred the ‘Good Advertising’ award in the two wheeler segment at the Apollo Tyres Auto India Best Brands Survey Awards 2008. The
uniqueness of these awards is that the winners were chosen based on responses of readers of Auto India and Business India as well as leading opinion makers of the automobile industry. The survey was conducted by MARS on behalf of the Business India Group.

The company now develops all types of two-wheelers through its own in house R&D facility and manufactures in three locations in India, Hosur in Tamilnadu, Mysore in Karnataka and Batti in Himachal Pradesh. It has recently started a new manufacturing plant in Indonesia to cater to the South East Asian market. The Chairman and Managing Director of the Company is Mr. Venu Srinivasan who is the grandson of TV Sundaram Iyengar.

Going forward, the road for TVS appears to be bumpy. Automobile industry is the most competitive industry with competition on all fronts viz. pricing, innovations, supply chain, efficiency etc. The situation is further aggravated by rise in raw materials like steel, rubber, plastics etc, as the company is not able to increase the selling price in proportion, thereby affecting the net profit growth.

Riding on significant growth in the two-wheeler segment over the years, coupled with strong cash position and expectation of buoyant economy, two wheeler companies have been planning capacity expansions. These developments are likely to create a significant increase in supply of two wheelers, changing the demand supply scenario and thus putting pressure on margins. As compared to TVS, its competitors are sitting with on huge pile of cash.

However, in line with its overall business plan for the financial year, the company expects to maintain cumulative growth in sales over the previous year in the next quarter.

123
as well. The company remains committed to continuously implement its focused and improved value engineering program to reduce costs and further enhance quality.

4.8.v Focus on Motorbikes

TVS group was a pioneer in mopeds but slowly they have shifted focus to the motorcycle segment since the entire market seems to be moving in that direction as consumer preferences and choices have changed with the changing times. The company has been able to outdo itself and spring a surprise, as many analysts felt that the company would be pushed to the periphery of the two wheeler market. With the exit of Suzuki, many felt TVS would have to limit itself to the moped market in the country.

The company did not have a good track record of in-house product development as most of its' earlier ventures like the Shaolin, Shogun and the Supras failed to take off.

This further heightens the importance of the success of the TVS Victor, the company aims to become the number 2 two wheeler manufacturers in India and also want to crack the top five in Asia. The company has products across all categories from premium motorcycles to entry level mopeds and has recently launched Apache in the premium segment.

4.8.vi TVS Motor’s Indigenization drive

In the case of TVS Motor, the Chennai based two-wheeler manufacturer, dipping into its own talent pool and reapplication of engineering skills acquired during the years of its relationship with Suzuki Motor Corporation of Japan, became inevitable after the latter decided to break away from the collaboration. While Suzuki did allow TVS Motor to continue manufacturing a couple of models from the older line-up for which it had
provided the technology, the break up left TVS bereft of a partner who could have helped it leapfrog the difficult process of developing two-wheelers from scratch.

Despite the controversial divorce, however, TVS Motor has managed to bounce back with the success of its TVS Victor, a commuter segment bike that addressed the needs of riders in that price and fuel-efficiency sensitive segment and at the same time also set new benchmarks for parts and overall finish quality.

With the Victor GL, the company has further refined the finish quality of the bike. The TVS Fiero F2, the new version of the Suzuki Fiero, a legacy from its erstwhile joint venture, has also seen considerable indigenous redesigning. Within a span of just over two years, the TVS Victor has sold over five lakh units. Its spectacular success has inspired the company to look at widening its product portfolio in the bikes segment. A repetition of the success of the Victor will be very difficult for TVS, especially given the competition that is yet to come.

Amidst the cut-throat competition existing in the market, TVS has also come up with various sales promotion schemes in recent past like price off, free insurance, good finance, free gifts, exchange offer etc. The company would like to have the most effective scheme offered on its models which gives it enhanced sales conversion.

The schemes that were launched by TVS were on regional level keeping in mind the demographic profile and preferences of the customers from the region. Keeping in mind the diversity of the Indian market the company must give the most effective channel for getting the desired benefits. The company would also like to know about the most
effective timing of scheme to be offered in a region based on preferences of the customers from the region.

4.8.vii Team TVS Racing

In the highly competitive automobile industry in India, team TVS Racing has emerged as the undisputed two-wheeler leader. TVS Motor Company is strongly committed to Motor Racing, in India and has been responsible for growing interest and enthusiasm for the sport in this country.

4.8.viii The beginning of racing at TVS

It all began way back in 1984 when Sundaram Clayton Limited (A TVS Group Company) introduced its 50 CC mopeds in the arena of road racing, matching up unbelievable speed of 105 km/ph. Since then, there has been no looking back for TVS Motor Company.

TVS Racing was established in 1987 with the objective of improving the performance of its bikes. Over the years it has provided valuable data, design inputs, development of reliable motorcycle models, excellent vehicle dynamics & handling etc. The true evidence of it is seen in today’s TVS Apache and Star.

Team TVS Racing is firmly committed to the sport to build on the benefits in the long run. Present success in India is a stepping - stone in achieving that goal. More investments will be undertaken in order to procure the best machines and also train riders. Perhaps, this is the only route to make TVS's presence felt internationally before it embarks on setting up operations there. The launch of these 3 new motocross bikes represents its first step as it seeks to dominate the sport. The Research & Development
teams are constantly on the path of developing new technology for racing and adapt it for the consumer market in terms of stability, technology, performance etc. TVS Motor Company will continue to support two-wheeler Motor sports in India by bringing in fair competition and demonstrate its own superiority by introducing revolutionary machines developed by its strong R&D team.

TVS believes that the success of any enterprise is built on the solid foundation of customer satisfaction. Continuous innovation and close customer interaction have enabled TVS companies to stay ahead of competition. Quality at TVS determines not only the end product but the systems, processes and operations at all levels. The first four companies in India, which have won the coveted Deming Prize, are from the TVS group.

4.9 Consumers and Consumerism

The market that we experience today is not only a changed market but also a fast changing market. Everybody in this world is a consumer. Consumer is the king. In fact, to ensure that the consumer is not exploited, cheated and subjected to hardships, his rights are identified and well recognized. John F. Kennedy very rightly and clearly identified the right to safety, the right to be informed, the right to choose and the right to be heard as the basic consumer rights.

‘Consumerism’ is a very popular shibboleth in the realm of marketing. Just as the most talked and written about economic systems, ‘capitalism’ and ‘socialism’, the “consumerism” is fast gaining currency with a difference that it is perceived as a “people’s movement” rather than a system. Consumerism is well defined as ‘a social movement seeking to augment the rights and power of buyers in relation to sellers”. Consumerism is interpreted as a ‘movement’ to protect the consumers against the
exploitations they are subjected to in the market. Quite often consumers complain that ‘product is of poor quality’, ‘product is not worth the price’, ‘packing’, labeling and claims are deceptive’, ‘advertisements are misrepresenting and misleading’ and so forth.

It is baffling that, more often than not a consumer’s complaint succeeds and precedes consumption. Consumers complain; but who listens? When the king complains, then there is something fundamentally wrong with the functioning of the kingdom. It seems that the ructions of consumers get diffused in the din and the bedlam of the market. The talk of the (market) kingdom and ‘consumer rights’, ‘consumer protection’, ‘consumerism’ etc. the substance of all these voices and noises is that the consumers are being taken for a ride and they are to be saved from the exploitations they are subjected to. Despite problems, consumers are seen as still able to make sensible buying decisions.

Many consumers feel that marketers sometimes manipulate consumers into unwanted purchases, but companies strongly contend that consumers still hold the ultimate weapon of not buying products. Executives support propositions to make advertising more factual and informative. They seek consumerism as leading to major modifications in advertising’s content that will make it more truthful.

4.9.i Approaches to Consumerism:

Consumerism may be possible through the following approaches:

a. Self Regulation:

Business community itself can ensure consumer protection and satisfaction through self-discipline. Businessmen can regulate their behavior and actions by adopting a code of ethics. They should formulate and apply consumer-oriented marketing strategies. Self-control will help to avoid stringent Government control thereby allowing
reasonable freedom to business. Trade associations and chamber of commerce should strive to check the malpractices adopted by some businessmen.

b. Consumer Associations:

The associations of consumers can play a vital role in ensuring consumer protection and satisfaction. They can educate and awaken consumers about their rights. Consumer associations can force businessmen to avoid malpractices and victimization of consumers. These associations have been given a locus stand in many laws.

c. Alert Consumer:

The consumer himself must be alert and active. He should not tolerate cheating and victimization. “Self help is the best help”. Therefore, the consumer should take the cheaters to task.

d. State Support:

All the wings of the Government- legislature, judiciary and executive-each assist consumer movement. The legislature enacts laws for consumer protection. The judiciary interprets laws and suggests modifications therein. The executive strictly enforces the laws.

Business is considered primarily responsible for both causing consumer problems and resolving them. Business self-regulation is still the most favored route. Improving product quality and performance is viewed as the most constructive consumer oriented program that companies can undertake. There has to be increased sensitivity to consumer complains. Thus, consumerism can be a positive competitive marketing tool. Executives also generally think that consumerism is both good for business and good for companies.
4.10 What do the stars foretell?

Although India is the second largest two-wheeler market, penetration levels are low at 38 per thousand people, compared to Indonesia (75), Thailand (150) and Malaysia (220). This presents ample scope for the industry to grow. From a semi luxury product for the urban middle class, the two-wheeler has now become not only the favorite form of personal transport but also the most coveted personal (household durable) possession amongst all consumer classes.

Better quality and product features at attractive prices are the selling propositions of the motorcycle category. Apart from stylistic features such as alloy wheel, disc brakes and tachometer, motorcycles have also been equipped with self-start mechanism, hitherto a feature seen only in scooters.

Increased numbers of new models at attractive price points have shortened the product life cycle and triggered market expansion. Now, prices are as low as Rs.30, 000 to Rs.35, 000 for entry-level. Very few product categories, besides computers, have seen this kind of a change in affordability with performance. Increased availability of consumer financing will continue to spur sales. Consumer financing could in turn lead to reduction in the lifecycle of a two-wheeler, hence increased replacement demand.

As per NCAER estimates, the number of households that can afford two-wheelers will rise by 10.4 percent annually to 80.7 million by 2007-2008. Even if penetration levels remained the same, the two-wheeler population could grow by 10.4 percent annually. Additional momentum will come from the wide spread preference for 4-stroke vehicles, as current 2-stroke and moped owners upgrade them.
Given long term factors such as the absence of good public transportation, affordability, (price cuts, rising incomes, easy financing) and replacement demand (two-stroke with four stroke) the two-wheeler industry seems poised for robust growth in the coming years, with motorcycles leading the way.

This is good news for the manufacturers. As the market becomes more and more competitive, it will be a case of larger tank but more fish. Companies will be forced to come up with new products and resort to innovative pricing and product positioning to sustain and enhance market share. The market shares change in tune with the success of the new models. The heavy burden of sales promotion expenses will bring profit margins under pressure. The days of one player running away with the market share may well be behind us.

With more players such as global auto and component companies like Continental AG of Germany venturing into the two-wheeler market, the consumer will be the eventual beneficiary. With better quality and more products to choose from, at highly competitive prices, and the new entrants and established heavy weights reviving up to meet challenges head-on, it looks like exciting times are ahead for the Indian two-wheeler business. Growth in two wheeler demand would come mainly from rising population in relevant age and income groups and increasing use of personal transport.

However, in the long term, growing population and economic activity will increase the overall need for mobility. In addition, the contributors to the mobility requirement include increasing women workforce, rising trend in self employment, emergence of satellite towns and growth in rural economy.