

# [Two wheeler industry essay](https://assignbuster.com/two-wheeler-industry-essay/)

May 13, 2010 Pick up in exports Exports form around 11% of the overall sales of the two wheeler industry. During the global slowdown, two wheeler players witnessed a dip in export volumes.

Since then, exports have picked up on account of partial economic recovery in various export countries. Major export players like BAL and TVS Motor have witnessed positive movement in export volumes post global slow down. After a blip in early 2009, the volumes have regained positive momentum and are once again back on the growth track.

Despite poor 1HFY10, export volumes in FY10 grew by 14% and we expect 12% growth in FY11E. Margins to be impacted; but not significantly Raw material cost forms a major proportion of the overall cost for the two wheeler industry and thereby the margins for the industry are dependant on commodity prices movement to a large extent. Since April 2009 the raw material prices in the spot markets are on an upward trend that threatens the current margin sustainability during FY11E.

However, robust volume growth of 15% and benefit of plants in tax free zone would lessen the impact to a certain degree.

We believe that the impact will be in the range of 50 – 100 bps for the industry. Valuation On back of lower volume growth and pressure on margins, we expect the two wheeler sector to trade at a lower PE multiple as compared to its trading band in the past one year. In our view, HH’s growth rate will be lower and we see limited upside opportunity from current levels.

On the other hand both BAL and TVS are expected to report relatively higher growth in earnings and market shares in FY11E. We have valued BAL on par with HH given the company’s strong comeback in 100cc segment and higher growth rate.