Review of the Scooter Market In Sri Lanka

July 2018

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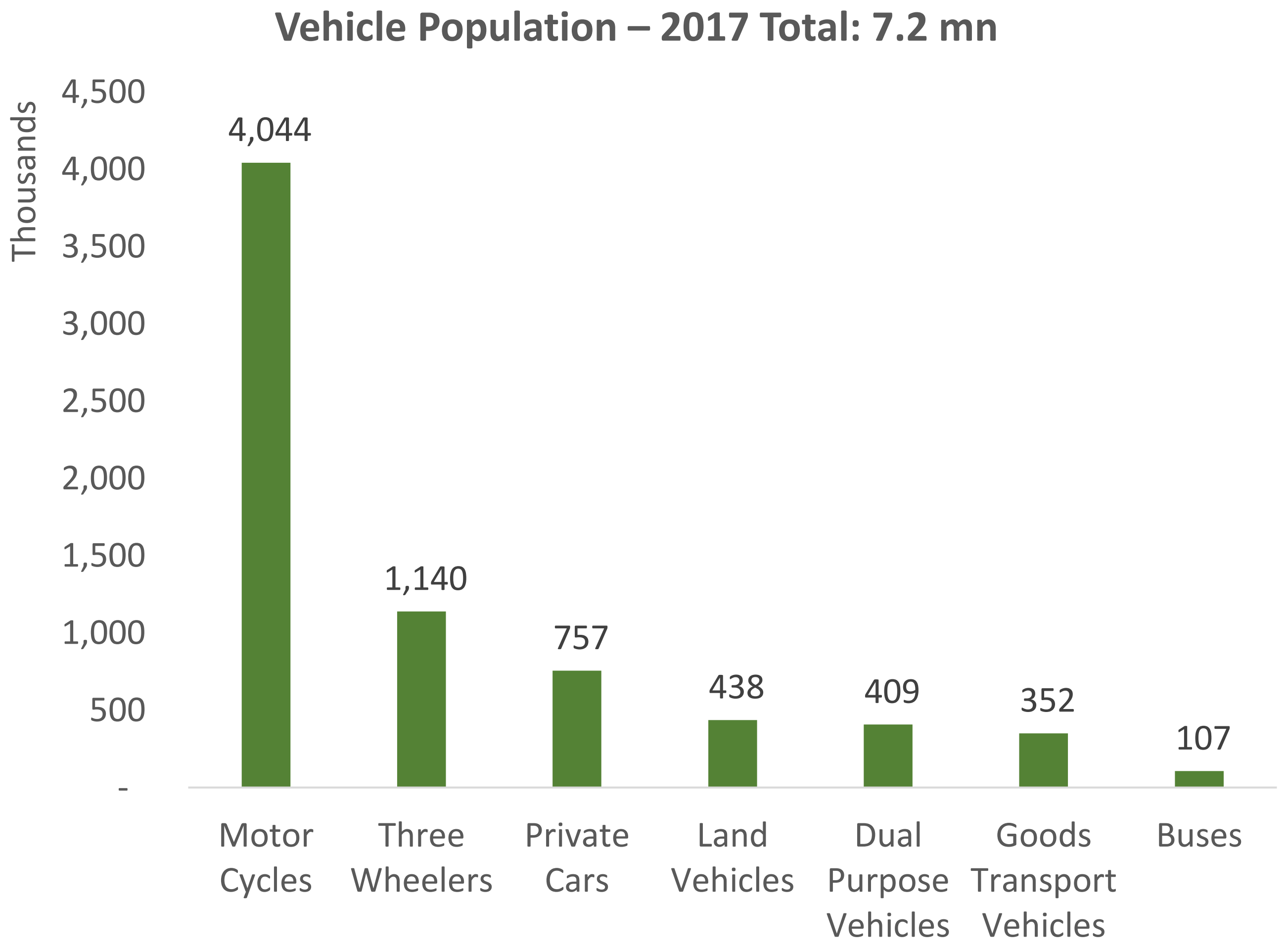
Key Trends in the motor Sector

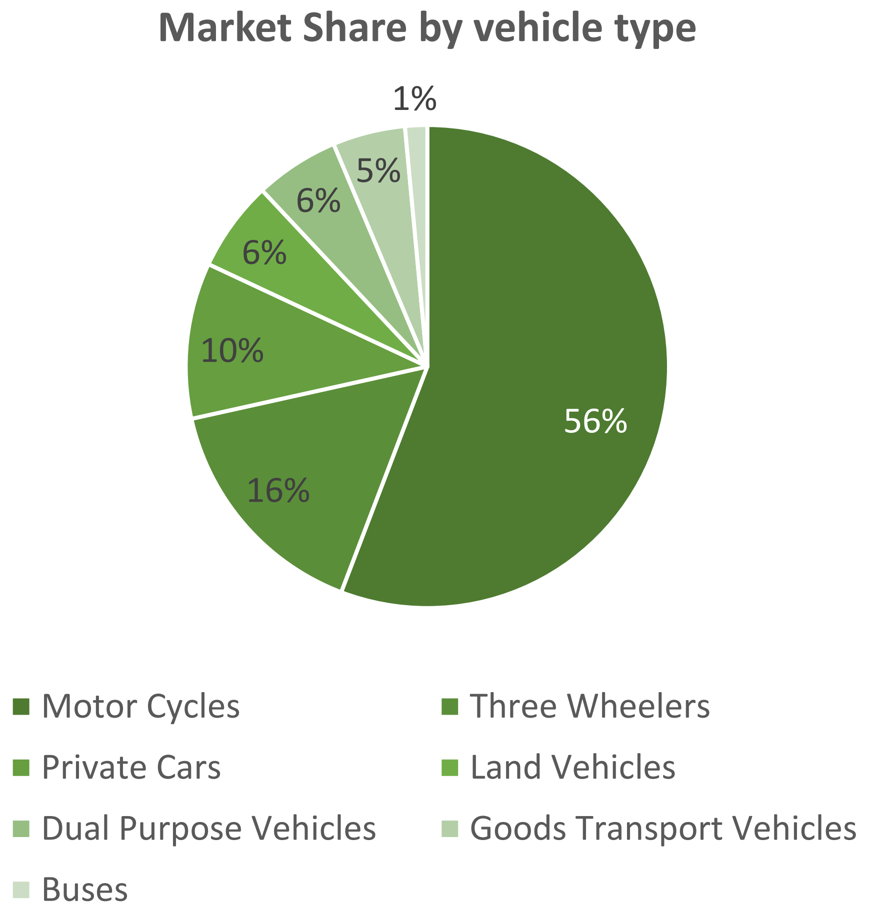
Trends in Overall Vehicle Markets

Overview of the Sri Lanka Vehicle Population

- Motor Cycles account for the lion share of Vehicles in Sri Lanka

***Note:** As per the Department of Motor Traffics classification, the 'Motor Cycles' segment includes both Motor Bikes and Scooters*

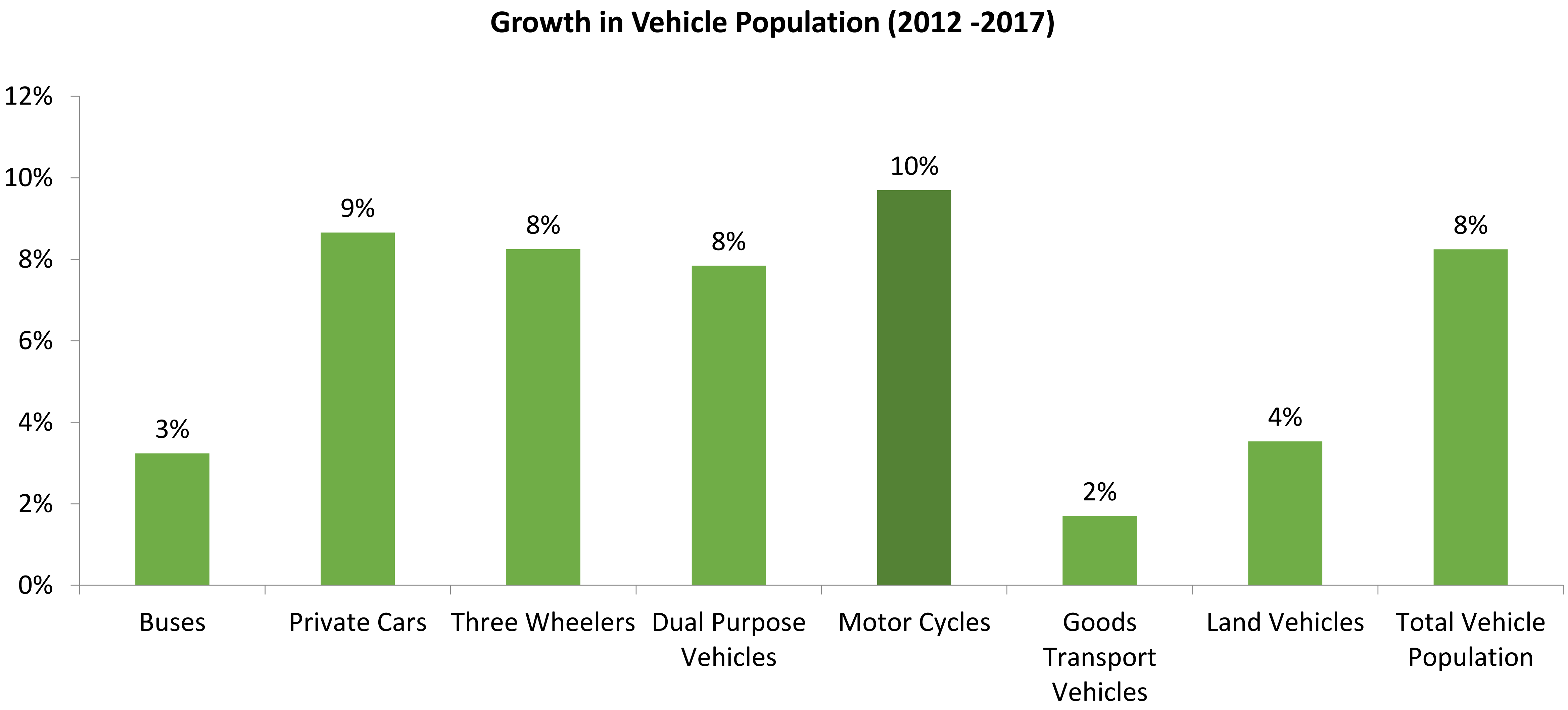




Source: CBSL

Vehicle population growth over time

- In recent years, the Motor Cycles segment recorded the fastest growth



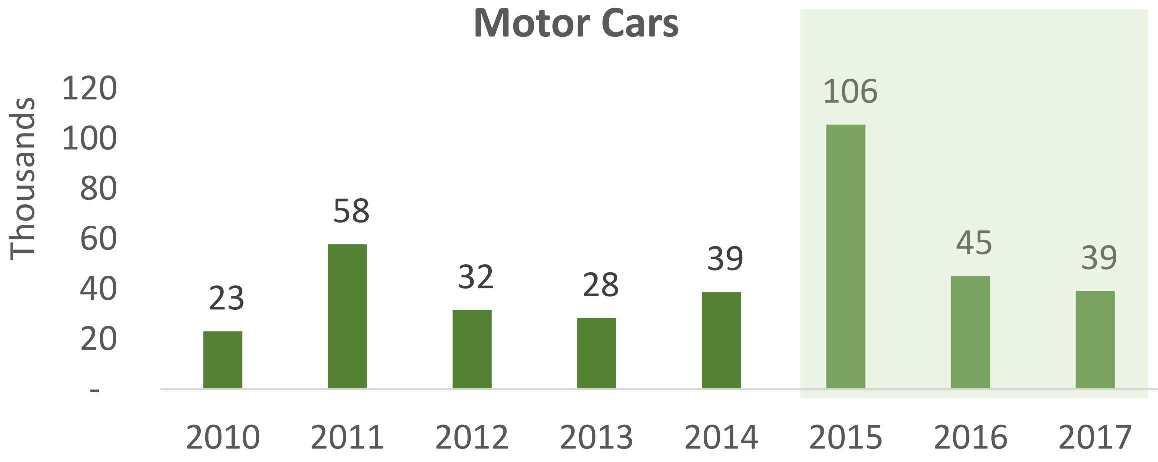
Source: CBSL

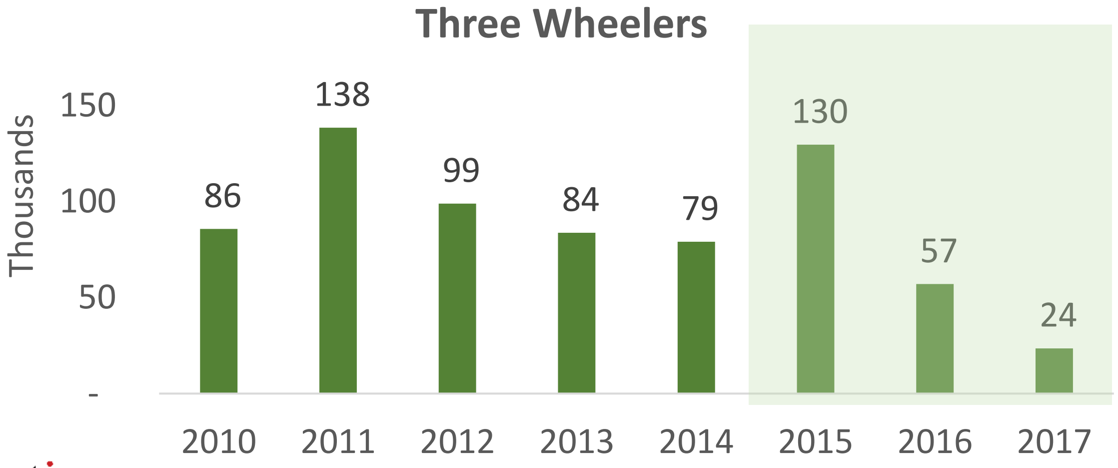
Macroeconomic policies may have contributed to this growth

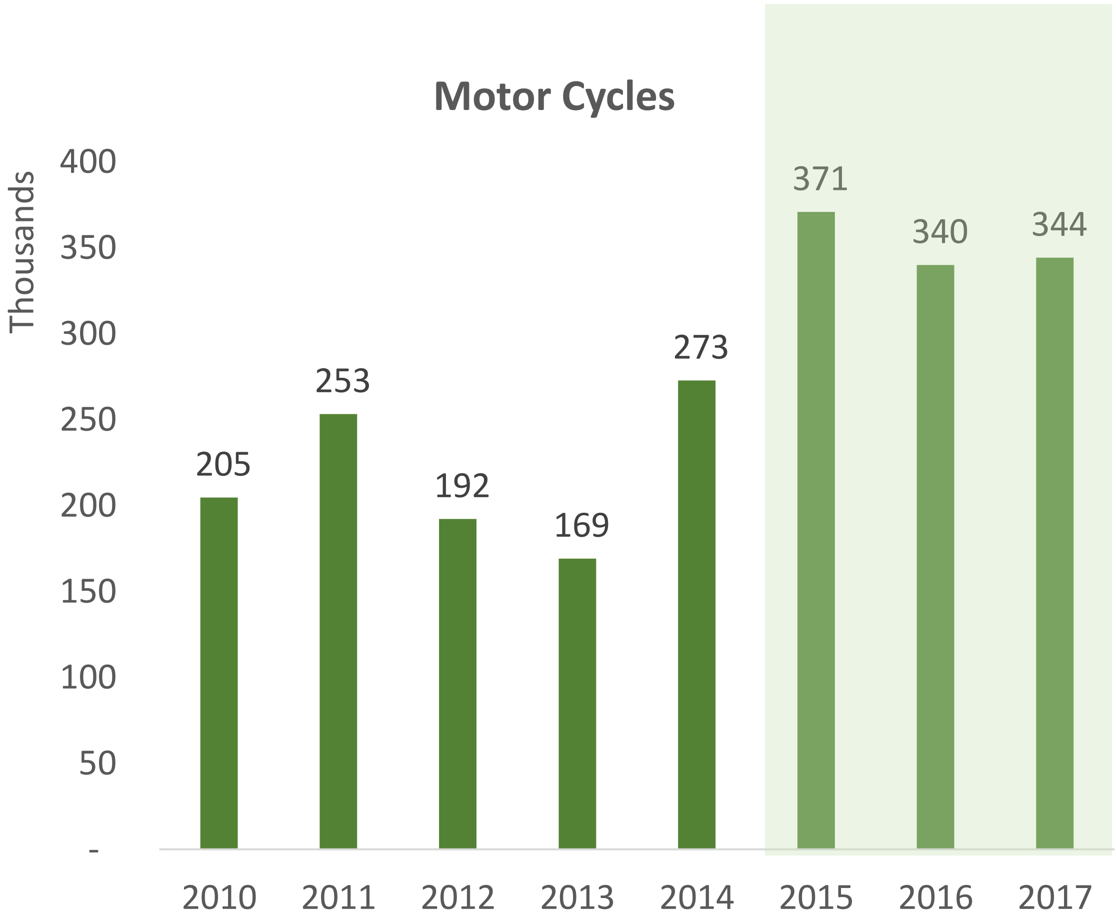
- The high import tariffs and low LTV ratios imposed on Motor Cars and Three Wheelers has led to a drop in new vehicle imports in those categories.

- However, this in turn may have fuelled demand for Motor cycles which remained strong in 2016 & 2017

New Vehicle Registrations



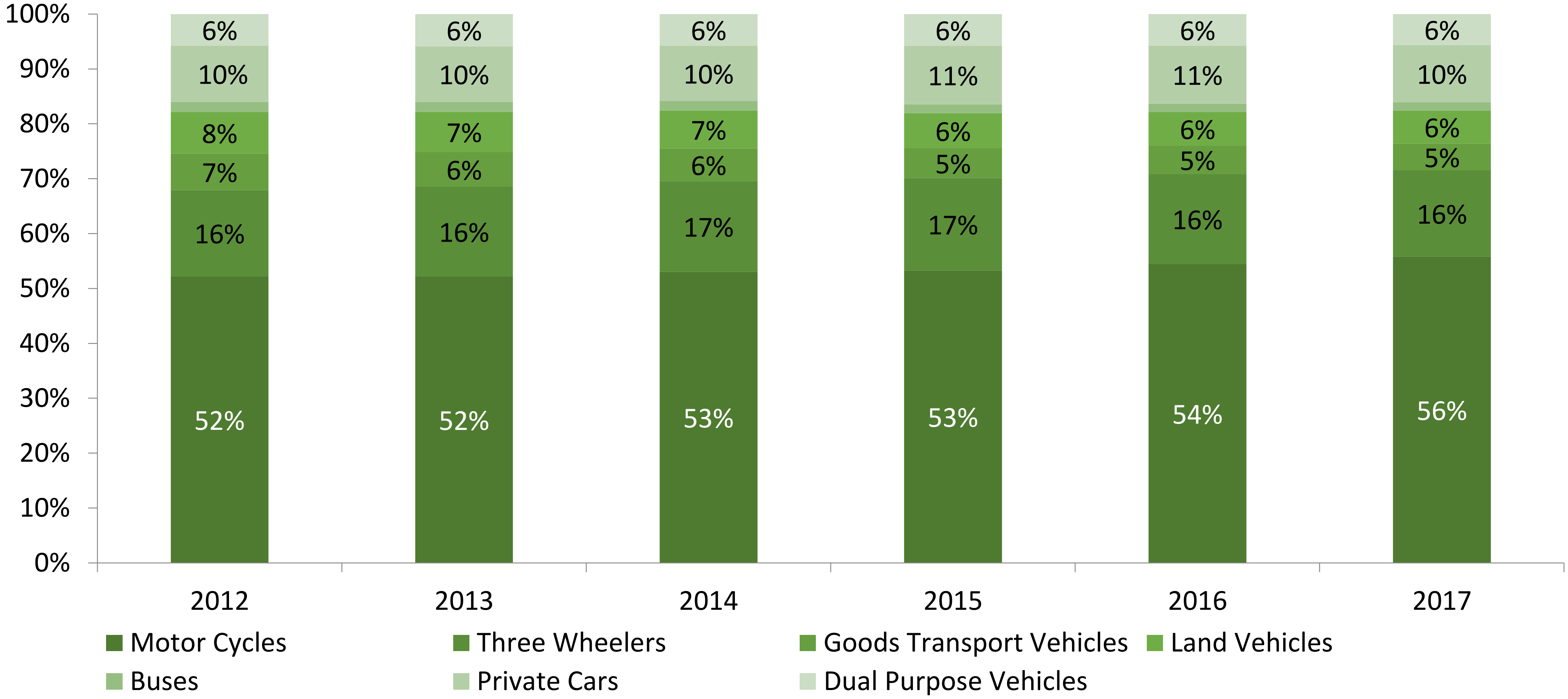




Source: CBSL

As a result the share of Motor Cycles has grown at a faster pace

- A surge in Motor cycles demand has been sustained over the past three years



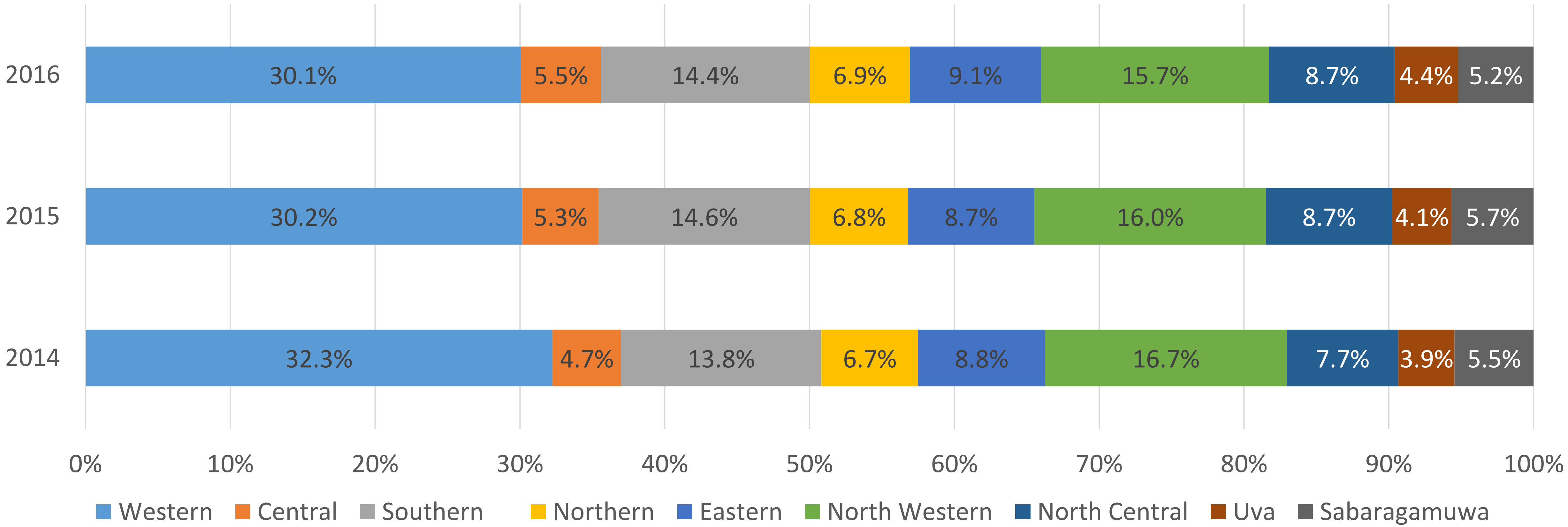
Source: CBSL

However higher household incomes maybe causing a shift in demand

- While the Western and North Western provinces accounts for nearly 50% of the Motor Cycle population, both provinces have recorded a sustained drop in the past three years.

- This may be a reflection of the higher household income growth in these provinces which has translated into a shift in demand away from motor cycles and towards three wheelers and motor cars

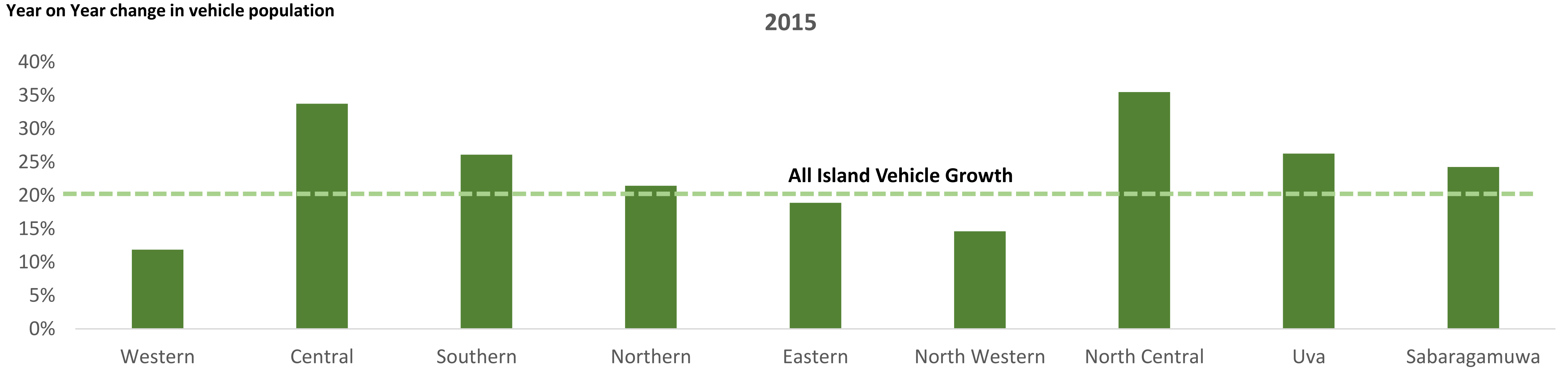
Motor Cycle distribution by Province

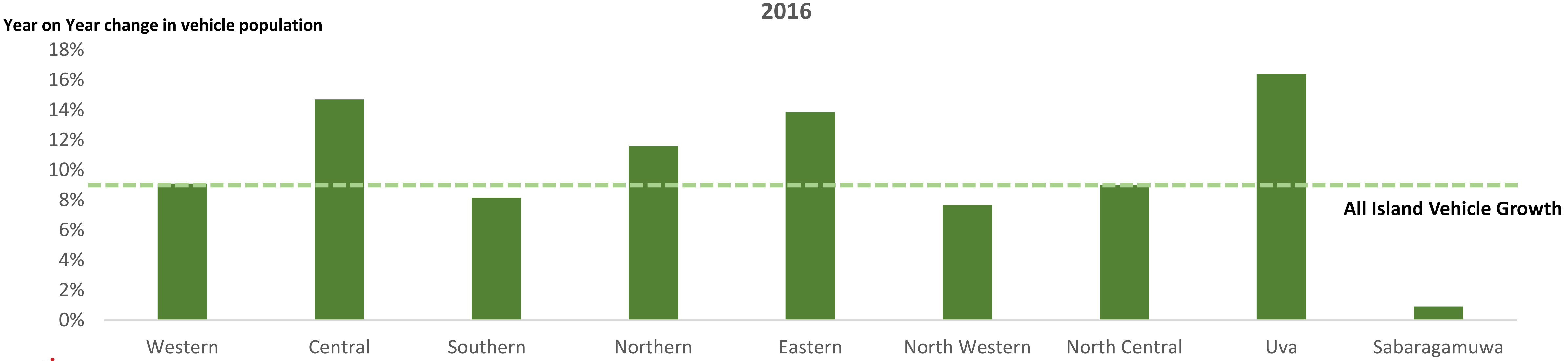


Source: CBSL

But demand for motor cycles in outstations remain strong

- In Contrast provinces outside of the Western and North Western provinces have recorded faster growth





Source: CBSL

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Vehicle Leasing & the Motor Sector

Institutions providing leasing & hire purchase facilities

- Licensed finance companies (LFC's) and Specialised leasing companies (SLC's) are the main institutions providing leasing and hire purchase facilities in Sri Lanka
- Banks generally have a lower exposure to leasing facilities in their total loan portfolios

Licensed finance companies

The below charts lists the key LFC's with an indication of the level of leasing and hire purchase exposure within their overall credit portfolios and whether they specifically cater to the two-wheeler market segment

Level of relative exposure to leasing/hire purchase	Specifically mentioned **two wheeler leasing** on website or annual report: No	Specifically mentioned **two wheeler leasing** on website or annual report: Yes
Low	Commercial Leasing & Finance Asia Asset Finance Multi Finance Plc	Lanka Orix Finance Softlogic Finance
High	Central Finance Allianz Finance Senkadagala Finance Merchant Bank of Sri Lanka Singer Finance AMW Capital Leasing	People's Leasing & Finance LB Finance Commerical Credit Mercantile Investments & Finance Valibel Finance Arpico Finance Abans Finance

Source: Company Websites & Reports

Institutions providing leasing & hire purchase facilities

Specialised Leasing Companies

SLC	Specifically mentioned two wheeler leasing on website or annual report
Assetline Leasing	Yes
LOLC Micro Credit	No
SMB Leasing	No
Unisons Capital Leasing*	Yes

** Subsidiary of CDB*

Licensed Commercial Banks

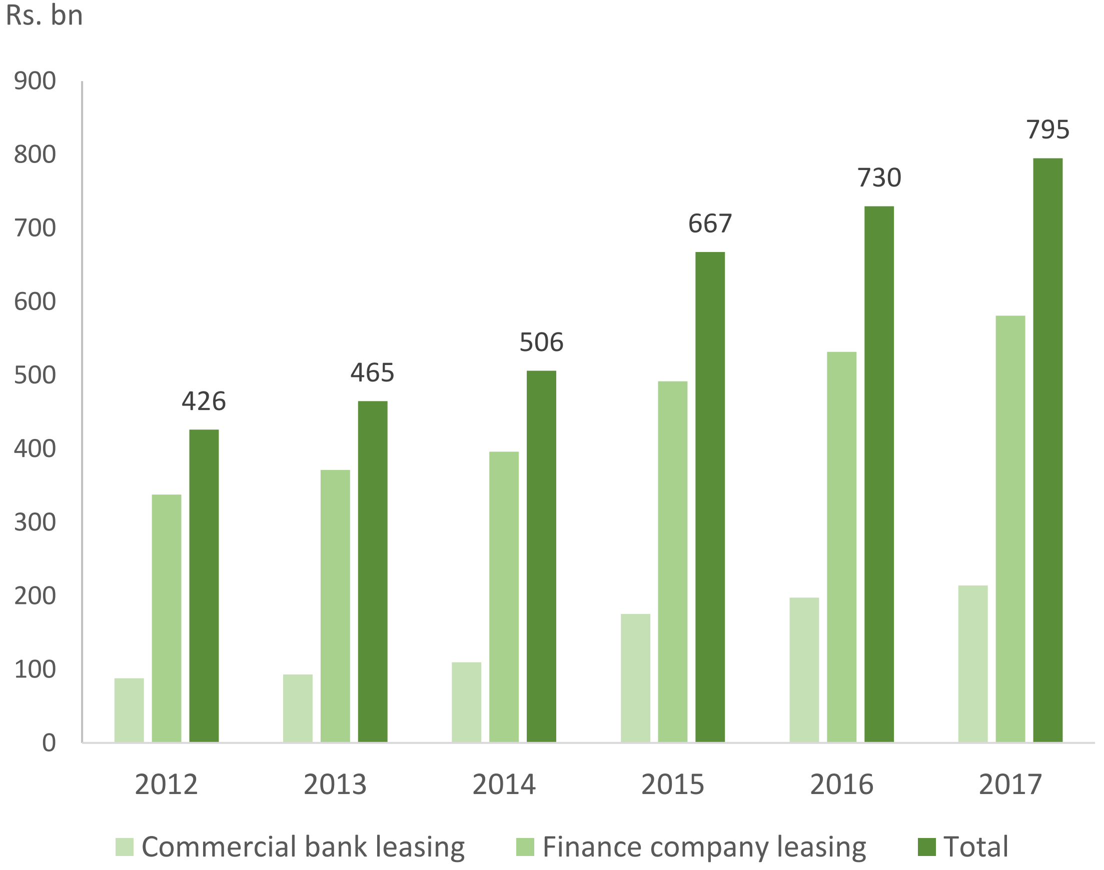
- Overall private bank exposure (key banks) to leasing was approximately 6% in 2017
- Most banks have allocated less than 10% of their lending portfolios to leasing. Exceptions to this in 2017 were NTB (20%), Amana (12%) and HNB (10%)

Source: Company Websites & Reports

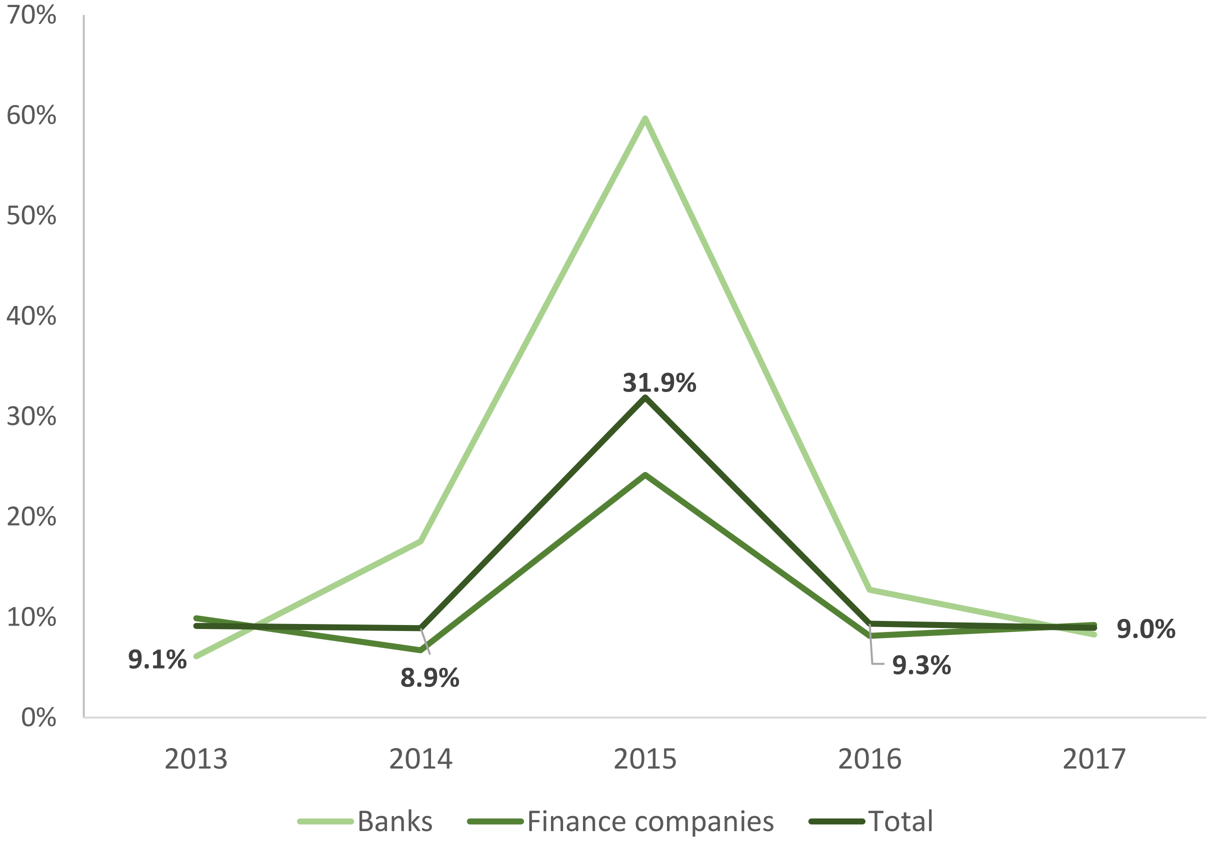
Leasing Growth surged in 2015..

- Over the last few years the leasing portfolio has been growing at a relatively stable rate of 9% except in 2015, where a significant growth of 32% was recorded. During this year, motor cycle imports increased by 11% YoY.

Leasing portfolio value



YoY growth rate

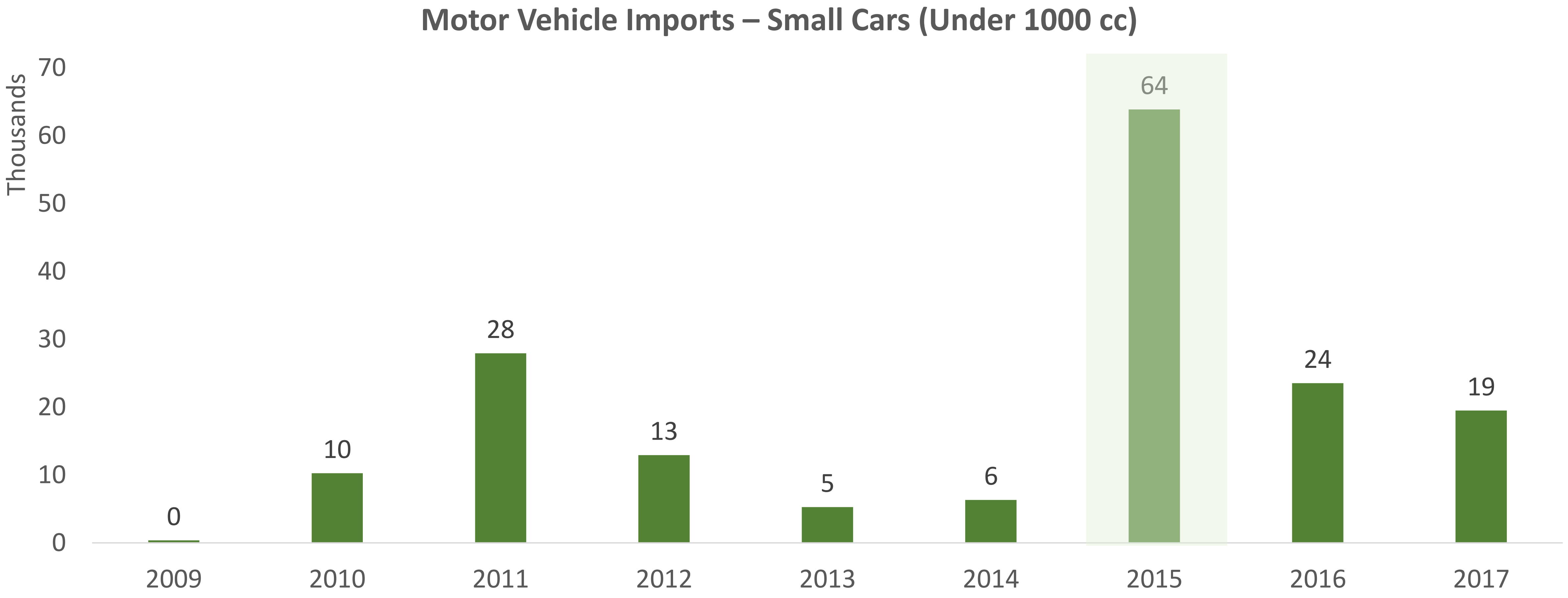


Source: CBSL, Chamber of Commerce

...Due to strong growth in Small car imports

- A reasons for this surge in leasing growth in 2015 include reduced import taxes on vehicles less with than 1000 cc engine and CBSL lowering interest rates, which would have encouraged more individuals to purchase motor vehicles.

- Subsequently, there was a significant drop in Small cars demand with the increase in Import tariffs.



Source: JB Securities, News Articles

An overview of the Loan to Value (LTV) ratios on vehicles

- Another factor that affects the demand for vehicle leasing and demand for vehicles is the LTV ratio imposed by the Central Bank
- The LTV ratio is the maximum % of the value of the vehicle which can be lent to an individual. Motor bikes and scooters would generally fall under the "Any other vehicle category" in the below table

Date	Description	Link
29th Oct 2015	All Vehicles -70% To come into effect from 1st December 2015	PDF
13th Jan 2017	Commercial Vehicles -90% Motor Cars, SUV's & Vans – 50% Three Wheelers – 25% Any other Vehicle -70%	PDF
17th Feb 2017	Commercial Vehicles -90% Motor Cars – 50% Three Wheelers – 25% Any other Vehicle -70%	PDF
2nd June 2017	Commercial Vehicles -90% Motor Cars – 50% - Other than Light cabs & Single trucks Three Wheelers – 25% Any other Vehicle -70% - Light cabs & Single Trucks classified here	PDF
8th Feb 2018	Electric vehicles -90% Commercial Vehicles -90% Motor Cars – 50% Three Wheelers -25% Any other vehicle – 70% Hybrid – 70%	PDF

Source: CBSL

Impact of Loan to Value (LTV) ratios on leasing

- A lower LTV ratio would mean that the individual would receive a lower proportion of the vehicle's value as a lease, which would make it harder for them to gather the amount of cash required to make the purchase.

- This may have factored into the lower growth of the leasing portfolio experienced in 2016 and 2017 which had dropped back to the 9% level after the hike in 2015.

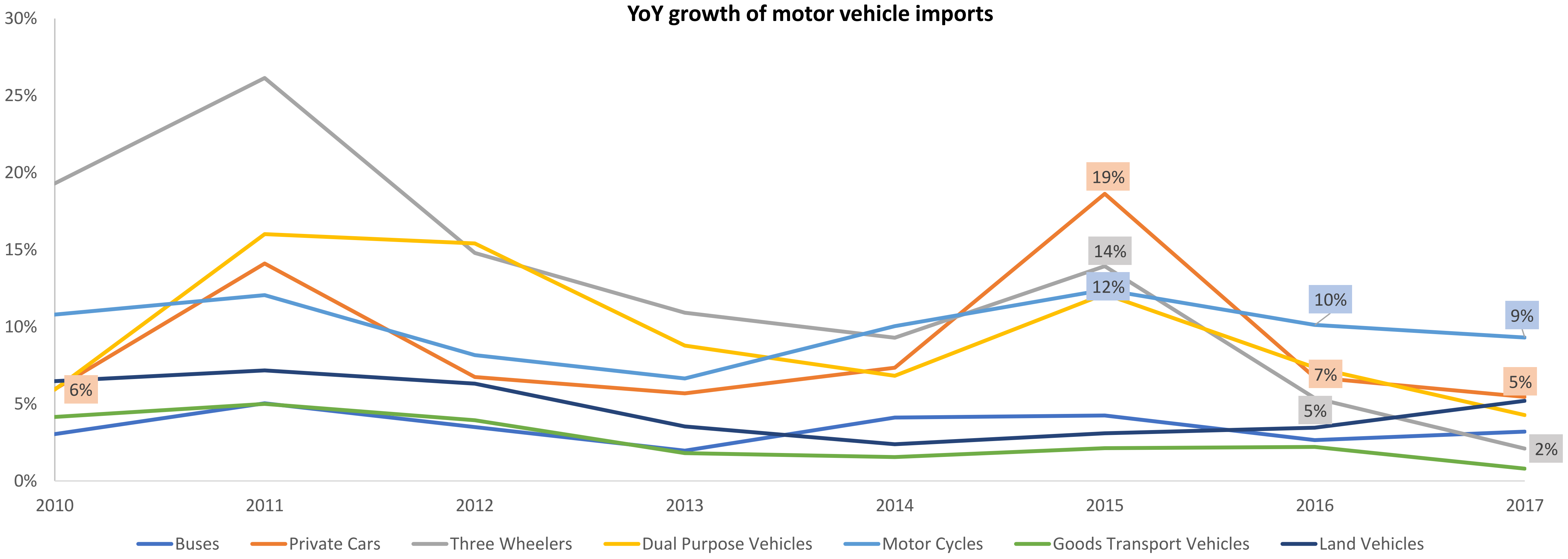
- The LTV ratio **for motor cycles and scooters** have however remained at 70% over the period. Any electric scooter like the new Vespa Elettrica will be eligible for an LTV of 90%

Source: Team opinions, Media

Motor Cycles less affected by macroeconomic policies to curb vehicle imports

- Reflecting the impact on leasing, the growth in annual vehicle imports has also slowed down in 2016 & 2017 due to reasons mentioned before.

- However, among the private vehicles, the slowdown in motor cycles is less significant compared to, for example, private cars and three wheelers. This could partly be due to the reduction in LTV for these vehicles while no change was made in the case of motor cycles.



Source: Team opinions, import data

Competitive Analysis of the Motor Cycles Market

A review of Key competitors in the Motor Cycle Market

Motor Cycle Market – Top Importers

Agent	Brand	No of Showrooms	No of Dealers
David Peiris Motor Company	**BAJAJ**	35	1500
Stafford Motors	**HONDA**	9	340
Abans Auto	**HERO**	1	
Associated Motors	**YAMAHA**	2	Approx. 200
Demak	**Demak**	1	180

- ***Note:*** *The above details on the no of showrooms and dealers is based on the information provided on Company Websites. Hence we are unable to verify if they are updated*

Scooter Market – Top Importers

Agent	Brand	No of Showrooms	No of Dealers
Stafford Motors	**HONDA**	9	340
Abans Auto	**HERO**	1	
Ideal 2 Wheelers	**Mahindra**	1	
TVS Lanka	**TVS**	8	N/A
Associated Motors	**YAMAHA**	3	10

- ***Note:** The above details on the no of showrooms and dealers is based on the information provided on Company Websites. Hence we are unable to verify if they are updated*

Motorcycle Market – Details on Dealers

- During our analysis we contacted a number of vehicle dealers both within and outside of Colombo to obtain perspectives on the dealers relationship with Vehicle dealers

Key Observations

- All Vehicle dealers for Motor Cycles are exclusive to a particular brand
- In general, most firms do not provide strict guidelines with regard to the size of the showroom and how bikes should be displayed with the exception of Honda where more strict guidelines are provided
- The primary thing that is provided by Vehicle agents is the name board which is uniform for all dealers

Motorcycle Market – Details on Dealers

Dealer Name	Location	Exclusivity of dealership	Contact no	Comments on store Specifications
Roadro Enterprise	Piliyandala	Exclusive. Only Bajaj	777997511	▪ Company has strict specifications when displaying products, they come and specify how it needs to be done. ▪ Name board is also fitted by the company. ▪ Nothing specific about the minimum showroom size.
Meewellawa Pvt Ltd	Anuradhapura	Exclusive. Only Bajaj	252276231	▪ Have to display according to the specifications. The structure and the name board has to be according to the company design.
CHARITH & RANJITH ENTERPRISE	Elpitiya	Exclusive. Only Honda	912291863	▪ Company says how to display the bike, where it should be positioned in the showroom etc. Name board done by the company.
Nethmi Motors	Piliyandala	Exclusive. Only Honda	112617220	▪ Nameboard has to be displayed according to the company specifications, products can be displayed in any way they want. No restrictions on that.
UN Enterprises	Ambalantota	Exclusive. Only Suzuki.	719273260	▪ They have been given instructions on general things such as showroom cleanliness. Apart from that only suzuki parts can be sold, including helmets and other accessories. No other products can be displayed in the showroom.
Weston Motors	Panadura	Exclusive. Only Suzuki	772556457	▪ Location is checked by the company and then approved. The name board is designed by the company, no specifications on how to display the products.

Source: Frontier Research

A review of Advertising & Market Positioning of Scooters

A Review of the Advertising positioning of Key Scooter Brands

	Vespa and Royal Enfield	Honda and Yamaha	TVS
Key message included in advertisements	Style and Classical Value	Safety and Energy Efficiency	Stylish, Sporty and speed
Positioning	Lifestyle brand	Family Scooter	Youth Scooter

Vespa – Stylish and historic product

- **Key features highlighted**

'Style', 'Colour', 'Design', 'Voguishness' and 'Classic Value'.

- **Market Positioning** => Lifestyle product.

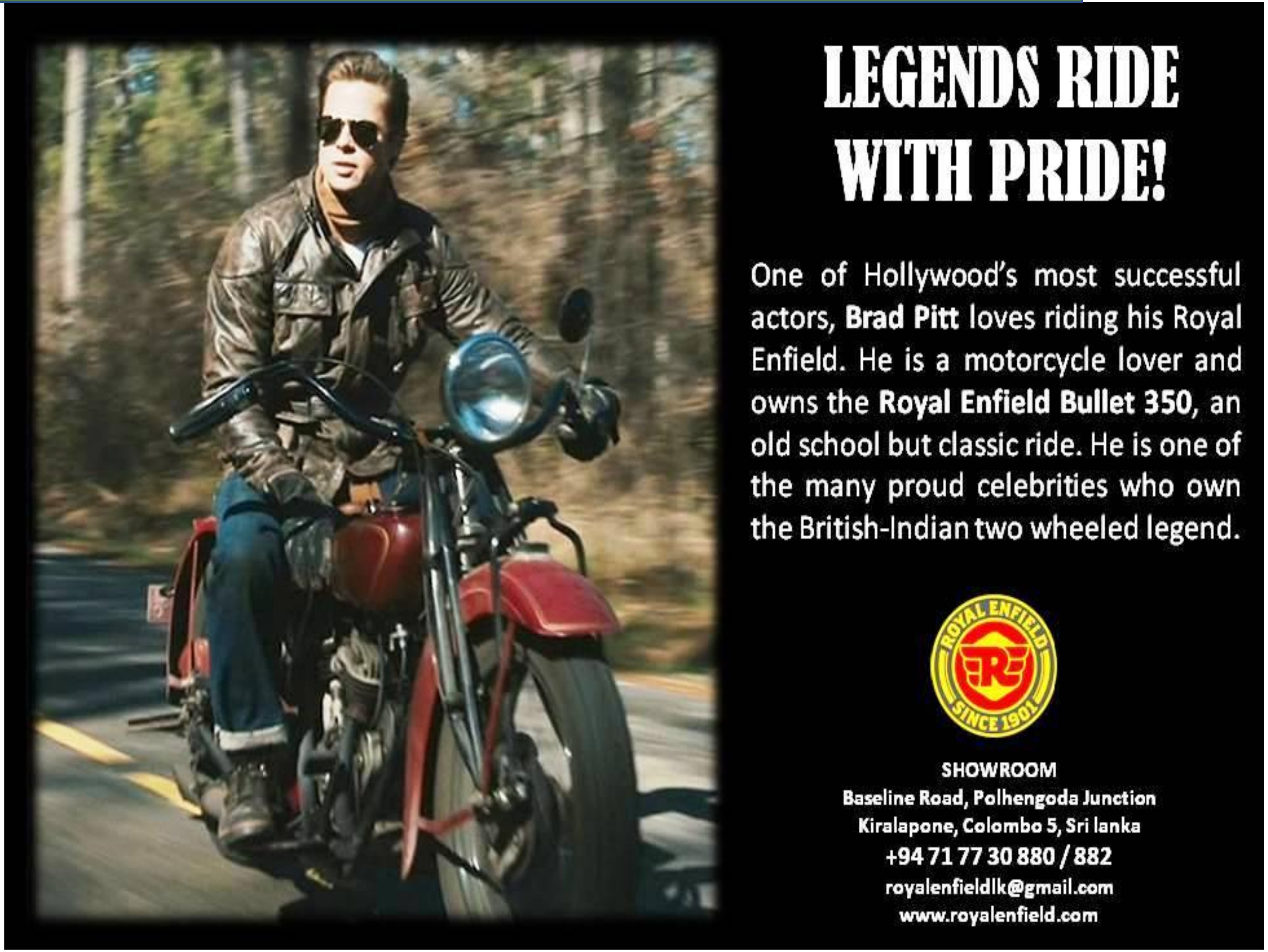
- **Performance features** are not highlighted in the advertisements

- **Key Taglines**
  - "Nothing beats modern style and tradition coming together with a Vespa"
  - "Who wants to ride a unicorn when you can ride a Vespa?"
  - "Iconic. Historic. Quintessentially Italian"
  - "It's not a scooter, it's a VESPA, iconic, timeless and ageless VESPA."
  - "Voguish. Iconic. Popular. Why not upgrade to a Vespa today? "

Source: Frontier Research

Royal Enfield – Prestige & Historic product

- **Key features highlighted**
  - 'Oldest Manufacturer' and 'Classical Value'
- **Market Positioning =>** Lifestyle/legendary product.
- **Performance features** are not highlighted in the advertisements
- **Key Taglines**
  - "It's a story. A story that still keeps running on two wheels, since 1901."
  - "The legend rides on"
  - "The legends live forever"
  - "Ride with pride"



Source: Frontier Research

Honda –Emphasizing on Features

- **Key features highlighted**
  - ‘Safety’, ‘Energy efficiency’ and ‘Overall performance’

- **Market Positioning** => Family scooter.

- **Performance features**
  - “Eco Technology”,
  - “Tubeless Tyers”,
  - “Viscous Air Filter”,
  - “Combi Brake system” and “Storage Space” are highlighted heavily.

- **Key Taglines**
  - “Tyre deflation is not a worry when you are on HondaScooters! Be steady & safe with”
  - “More Sense, More style”
  - “Feel the breeze & enjoy a time-out with your loved ones! HondaScooters! , Your Family Scooter”
  - “We've got some shiny brakes for you! More importantly it is reliable and safe!”

Source: Frontier Research

Yamaha – A family friendly Scooter

- **Key features highlighted**
  - 'Style' , 'Sportiness and power', 'Safety' , 'Energy Efficiency'.

- **Market Positioning** => Family scooter with most space.

- **Performance features** related to safety and convenience highlighted most compared to other brands.

- **Key Taglines**
  - "Great stopping power is now at your fingertips even in panic braking".
  - "The Stylish, Sporty and Fun ride"
  - "The biggest scooter"
  - "Ride like the wind"

TVS – Appealing to the Youth as a Trendy Scooter

- **Key features highlighted :**
  - ‘Stylish look’, ‘Energy Efficiency’ ‘Safety’ and ‘Comfort and Convenience’.

- **Market Positioning** => Youth.

- **Features Highlighted**

Body Balance technology, Forward Centre Gravity, Wheel stability, Dyanmic Stance, Puncture resistance Tires are highlighted heavily.

- **Key Taglines**
  - “Stylish look, comfortable ride, better performance”
  - “First love of the Lankan Youth”
  - “No patch, more fun”
  - “Scooter with superb handling”

Bajaj – Greater focus on bikes and high performance

- The scooter segment has very low advertisements/promotions

- **Key features highlighted for motorcycles :** 'Power', 'Speed' and 'Energy Efficiency'

- **Key taglines used,**
  - "Stand out from the crowd & Mark your territory #ReadytoRace"
  - "Pick up the pace that you wanted. #ReadytoRace"
  - "Ultimate performance and stunning looks combine to offer a riding experience of a lifetime."

Comparison of the Features of Motor Cycles

Top Motorcycle Models

- 3 out of the 5 most popular Motor Cycle models in terms of Sales are Scooters

Model	Brand	Type	CC Capacity	Price Range (USD)	Advertised Price (LKR)
DIO	**HONDA**	Scooters	110	660.00	235,500
PULSAR 150 UG4.5	**BAJAJ**	Bike	150	952.16	340,950
PLEASURE	**HERO**	Scooters	100	774 - 797.76	229,999
CT 100	**BAJAJ**	Bike	100	466.7 - 510.24	205,950
Discover 125	**BAJAJ**	Bike	125	647.17	268,500

Source: Company advertisements

Comparison of specifications of the Top Motorcycle/Scooter Models

Specifications	Honda SCV 110FH/110FF Dio	Bajaj PULSAR 150 UG4.5	Hero Pleasure	Bajaj CT100
Key Specs				
Displacement/Capacity	110CC	150CC	100CC	100CC
Maximum Power	8 bhp @ 7000 rpm	15.06 Ps @ 9000 rpm	6.9 BHP @ 7000rpm	8.2 ps @ 7500rpm
Maximum Torque	8.91 Nm @ 5500 rpm	12.05 nm @ 7500 rpm	8.1 Nm @ 5000rpm	8.05 Nm @ 4500rpm
Number of Cylinders	1	1	1	1
Number of Gears	Automatic	Manual - 5	Automatic	Manual - 4
Height	1133mm	1170mm	1115mm	1065mm
Ground Clearance	158mm	165mm	125mm	169mm
Kerb Weight	105kg	143kg	101kg	109kg
Fuel Tank Capacity	13ltrs	15L (3.2 reserve)	5ltrs	10.5 L (2.4 L reserve)
Top Speed	85kmph	NA	77kmph	90kmph
Electricals				
Battery	12V 3Ah	12V Full DC	12 V 4 Ah	12 V Full DC
Head Lamp	12V 35/35W	35W with 2 Pilot Lamps	12 V - 35W / 35W Halogen Bulb (Multi-Reflector Type)	N/A
Tyres and Brakes				
Tyre (Front)	90/100-10 53J Tubeless	2.75 x 17" Tube Type	90/100-10 53J	2.75 x 17 PR
Tyre (Rear)	90/100-10 53J Tubeless	100 / 90 x 17" Tube Type	90/100-10 53J	3.00 x 17 PR
Brake Type and Size (Front)	Drum 130mm	Disc 240mm	Drum 130 mm	Drum 110mm
Brake Type and Size (Rear)	Drum 130mm (CBS)	Drum 130mm	Drum 130 mm (IBS)	Drum 110mm

Source: Frontier Research

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Demographics Data

Mid year population by Province & District (000's)

Province / District	2008	2009	2010	2011	2012	2013	2014	2015	2016
Western	**5,782**	**5,841**	**5,891**	**5,946**	**5,865**	**5,896**	**5,936**	**5,979**	**6,028**
Colombo	2,507	2,543	2,573	2,606	2,330	2,339	2,357	2,375	2,395
Gampaha	2,149	2,163	2,176	2,189	2,310	2,324	2,338	2,354	2,372
Kalutara	1,126	1,135	1,142	1,151	1,225	1,233	1,241	1,250	1,261
Central	**2,637**	**2,668**	**2,696**	**2,727**	**2,582**	**2,606**	**2,631**	**2,658**	**2,690**
Kandy	1,404	1,422	1,437	1,455	1,381	1,391	1,402	1,416	1,434
Matale	482	489	496	503	486	491	496	502	508
Nuwara Eliya	751	757	763	769	715	724	733	740	748
Southern	**2,442**	**2,470**	**2,495**	**2,518**	**2,485**	**2,508**	**2,532**	**2,556**	**2,584**
Galle	1,062	1,074	1,084	1,094	1,066	1,074	1,082	1,091	1,102
Matara	821	830	839	847	817	824	831	837	845
Hambantota	559	566	572	577	602	610	619	628	637

Source: CBSL Social Statistics 2017

Mid year population by Province & District (000's)

Province / District	2008	2009	2010	2011	2012	2013	2014	2015	2016
Northern	**1,137**	**1,145**	**1,149**	**1,160**	**1,065**	**1,074**	**1,085**	**1,094**	**1,107**
Jaffna	528	532	536	542	585	589	593	597	602
Kilinochchi	147	149	150	154	114	116	118	120	122
Mannar	161	161	162	163	100	101	103	104	106
Vavuniya	166	167	172	176	173	175	177	179	182
Mullaitivu	135	136	129	125	93	93	94	94	95
Eastern	**1,515**	**1,540**	**1,561**	**1,584**	**1,561**	**1,574**	**1,593**	**1,615**	**1,645**
Batticaloa	529	537	543	549	528	531	535	541	550
Ampara	624	635	644	654	652	658	667	677	691
Trincomalee	362	368	374	381	381	385	391	397	404
North Western	**2,307**	**2,332**	**2,353**	**2,377**	**2,389**	**2,405**	**2,425**	**2,448**	**2,477**
Kurunegala	1,541	1,556	1,569	1,583	1,624	1,634	1,645	1,658	1,676
Puttalam	766	776	784	794	765	771	780	790	801

Source: CBSL Social Statistics 2017

Mid year population by Province & District (000's)

Province / District	2008	2009	2010	2011	2012	2013	2014	2015	2016
North Central	**1,209**	**1,224**	**1,238**	**1,254**	**1,272**	**1,285**	**1,298**	**1,312**	**1,330**
Anuradhapura	809	819	829	839	864	874	883	893	905
Polonnaruwa	400	405	409	415	408	411	415	419	425
Uva	**1,298**	**1,316**	**1,333**	**1,349**	**1,271**	**1,286**	**1,301**	**1,316**	**1,333**
Badulla	866	879	891	902	818	826	835	844	854
Moneragala	432	437	442	447	453	460	466	472	479
Sabaragamuwa	**1,919**	**1,940**	**1,959**	**1,977**	**1,935**	**1,951**	**1,970**	**1,988**	**2,009**
Ratnapura	1,107	1,122	1,136	1,149	1,092	1,102	1,115	1,127	1,140
Kegalle	812	818	823	828	843	849	855	861	869
Total	**20,246**	**20,476**	**20,675**	**20,892**	**20,425**	**20,585**	**20,771**	**20,966**	**21,203**

Source: CBSL Social Statistics 2017

Population by district – Age Group

District / Age Breakdown	Below 20 years	20 – 24 years	25 – 29 years	Above 29 years	All Ages
Sri Lanka	6,775,915	1,532,883	1,552,848	10,497,793	20,359,439
Colombo	679,751	194,024	186,683	1,263,891	2,324,349
Gampaha	704,138	181,212	183,337	1,236,146	2,304,833
Kalutara	387,829	85,476	89,650	658,993	1,221,948
Kandy	460,933	100,362	94,881	719,206	1,375,382
Matale	163,314	32,488	35,360	253,369	484,531
Nuwara Eliya	254,684	46,399	54,359	356,202	711,644
Galle	349,801	76,755	76,103	560,675	1063,334
Matara	268,203	59,368	57,673	428,804	814,048
Hambantota	203,601	44,544	47,044	304,714	599,903
Jaffna	197,782	52,204	45,284	288,612	583,882
Mannar	38,681	7,857	7,826	45,206	99,570
Vavuniya	65,103	15,449	13,810	77,753	172,115
Mullaitivu	37,195	7,472	7,559	40,012	92,238

Frontier Research

Source: Census of population & housing of Sri Lanka, 2012

Population by district – Age Group

District / Age Breakdown	Below 20 years	20 – 24 years	25 – 29 years	Above 29 years	All Ages
Kilinochchi	113,510	48,148	8,743	9,054	47,565
Batticaloa	526,567	216,550	44,869	41,119	224,029
Ampara	649,402	252,322	52,388	52,440	292,252
Trincomalee	379,541	157,614	30,688	29,909	161,330
Kurunegala	1,618,465	517,027	108,140	118,017	875,281
Puttalam	762,396	275,690	56,594	62,180	367,932
Anuradhapura	860,575	299,628	66,144	67,758	427,045
Polonnaruwa	406,088	138,118	29,959	32,538	205,473
Badulla	815,405	285,277	56,998	58,696	414,434
Moneragala	451,058	159,091	35,065	38,138	218,764
Ratnapura	1088,007	348,038	83,119	85,845	571,005
Kegalle	840,648	267,397	56,566	57,585	459,100

Source: Census of population & housing of Sri Lanka, 2012

Population By Age Group (000's)

Male

Age Group	2009	2010	2011	2012	2013	2014	2015	2016
Below 20 years	3744	3781	3820	3421	3448	3479	3514	3554
20-24 years	964	973	984	745	751	757	764	773
25-29 years	798	805	814	746	752	759	766	774
Above 29 years	4668	4714	4763	4976	5015	5061	5107	5164
Total	**10,174**	**10,273**	**10,381**	**9,888**	**9,966**	**10,056**	**10,151**	**10,265**

Female

Age Group	2009	2010	2011	2012	2013	2014	2015	2016
Below 20 years	3628	3664	3703	3377	3403	3433	3468	3507
20-24 years	960	970	980	793	799	807	814	823
25-29 years	824	831	840	812	818	825	833	843
Above 29 years	4890	4937	4988	5555	5599	5650	5700	5765
Total	10,302	10,402	10,511	10,537	10,619	10,715	10,815	10,938

Source: CBSL Social Statistics 2017

Labour Force participation rates

Age Group	2008	2009	2010	2011	2012	2013	2014	2015	2016
15 - 19	19.7	19.0	17.2	16.2	14.7	16.2	15.2	15.0	13.8
20 - 24	61.6	58.7	55.9	54.4	54.5	55.0	52.7	55.5	55.6
25 - 29	66.0	66.2	64.2	66.1	64.4	64.7	63.8	65.4	65.8
30 - 39	68.1	68.3	67.2	67.4	65.7	67.9	68.0	67.4	67.6
40 & above	54.8	53.7	53.8	53.1	52.7	54.1	53.4	54.0	54.4
All Ages (15 years & above)	**49.5**	**48.7**	**48.1**	**52.9**	**52.5**	**53.7**	**53.2**	**53.8**	**53.8**

By Gender	2008	2009	2010	2011	2012	2013	2014	2015	2016
Male	67.8	66.6	67.1	74.0	74.9	74.9	74.6	74.7	75.1
Female	33.2	32.8	31.2	34.3	32.9	35.4	34.6	35.9	35.9
Total	**49.5**	**48.7**	**48.1**	**52.9**	**52.5**	**53.7**	**53.2**	**53.8**	**53.8**

labour Force Participation rate : Percentage of the current "economically active population" or the "labour force" to the total working age population.

Source: CBSL Social Statistics 2017