

## Automobile - Dealers Check – December 2022

### Mixed reactions: Healthy CVs, PVs lifted-up by discounts, Soft tractors, and Stable 2Ws

#### Summary

**Two-wheeler retails are stable MoM, but we don't see anything exciting in the ICE space. PVs are in a better shape due to higher discount & pre-buying before the price increase in Jan '23. CV numbers are healthy MoM and outlook is also positive. While Tractors sales will be very soft MoM due to seasonality and likely to report subdued MoM retail sales.**

#### Two-wheelers

MoM sales numbers are likely to be more or less similar in Dec '22. The market looks neutral to soft. Some wedding demand supported initial 15 days of Dec '22, but inauspicious period in some states & year-end issue impacted demand in the 2<sup>nd</sup> half of Dec. Higher vehicle prices and people preferring EVs over ICE has been affecting the demand for two-wheeler ICE players. Royal Enfield is better placed with its wider portfolio and new launches. From our checks, export sales are more or less stable MoM. December '22 wholesale estimates: Hero 400K, Bajaj 325K, TVS 280K, RE 70K.

#### Passenger vehicles

MoM volumes will be lower due to some supply challenges, OEMs want to reduce the year-end inventory especially in the small car segment and Maruti's 6-7 days of maintenance shutdown. We expect the situation to be better in the month of Jan '23, however the geopolitical situation remains as the risk on the supply. Entry level & sedan cars are readily available, only some popular models have waiting period. Brezza and Ertiga are selling very well with a few months of waiting (varies state to state). Dec '22 month's discounts inched up majorly in slow moving and entry-level models like Alto, S-Presso, WagonR, Ignis, Tiago, etc. MoM discount is stable for most of the models for Tata Motors and M&M. Maruti should report lower wholesale numbers as guided by the management in the month of Nov '22, while we expect retails sales to be much better lifted up by good discounts. Maruti should report about 148K units, M&M PV 30K units and Tata Motors PV 43K units in Dec '22.

#### Commercial vehicles

Good momentum MoM with demand across segments is healthy. Auto component players are also optimistic for next year's CV growth owing to higher infrastructure spends and major macro parameters are moving in the right lane. AL and VECV doing better than other players. M&M CV is likely to post stable numbers. AL discounting push and wide range of MHCV products are able to lift volumes higher for the company. On the other side, Tata Motors change in the strategy from 'demand push' to 'demand pull' is impacting its volumes. Dec '22 wholesale estimates: AL 16K, VECV 6K, Tata CV 28.5K and M&M CV 20K units.

#### Tractors

Seasonality along with back-to-back model price increase is affecting tractor volumes on a MoM basis. About 35-40% MoM degrowth is likely for listed tractor players. Crop prices (deciding factor) holding well, discounts slightly inched-up. We expect stable monthly numbers to continue in Jan '23 with demand expected to see some uptick in Feb/Mar '23. Dec '22 estimates: M&M Tractors 20K and Escorts 5K units.

**Top picks: Maruti Suzuki, Ashok Leyland and Eicher Motors in large cap OEMs, while Suprajit Engineering, Jamna Auto, SJS and Steel Strips Wheels should perform better in the ancillary space.**

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