

Automobile - Dealers Check – February 2023

MoM degrowth is seasonal, OBD-2 to pass-away, Mixed outlook for Mar '23

Summary

- YoY retails are going to be in high double-digit for most OEMs due to low base owing to 3rd wave of Covid in India & supply challenges. Although, 3rd wave was not threatening, but uncertainty persisted between Mid-Jan to Mid-Mar & retails dropped mostly during Feb 2022. MoM degrowth is seasonal as observed in the past few years.
- Two wheelers ICE demand momentum is not very enthusiastic, however festivals & marriage season to push demand a bit higher in the month of March & April. OBD-2 norms is likely to see a marginal price increase of ~Rs 1,000, which should get absorbed. Supplies are getting better, inventory is full with dealers and only select models have waiting.
- Passenger vehicles demand momentum is healthy, SUVs are leading the charge, customers lapping-up new launches, while entry-level & CNG models are soft. Discounting level inched-up in the entry-level. Supplies are getting better, top models/variants are in waiting. M&M and Tata Motors products are in healthy demand.
- Commercial Vehicles: MHCVs are leading the pack, LCVs/SCVs posting stable MoM numbers, while CNG demand is soft. Some delay noticed in finalizing deals. Expect pre-buying in Mar '23 before the price increase from 1st April due to OBD-2 norms. Softer Apr-Jun period is possible for trucks, unless scrappage policy picks-up. Check reveals VECV & Ashok Leyland is giving higher discounts as compared to Tata Motors.
- Tractors: El Nino in 2023 after three years of La Nina could impact monsoon and increase heat levels. A drop in a few crop prices witnessed recently and delay in getting subsidies from the Government adding fuel to the flame. Drop in crops export due to problems in neighbouring countries, and uneven crop cycle increased domestic supplies & impacted a few crop prices in the private markets. On the positive side, peak season to start from Holi onwards can push tractor sales higher in March, but uncertainty persists.

Two-wheelers – not very encouraging, festivals/marriage season to push-up sales

- MoM retails in Feb '23 for most of the OEMs are likely to remain lower as usually is the case every year. Additionally, changing preference of customers towards electric also dampening sales.
- Hero is in a better position in Feb '23 compared to others. Dealers indicated Xoom scooter's response is very good. New Xtec range of models are supporting growth. More new launches on cards in FY24e.
- Daily travellers, Youngsters, Swiggy/Zomato, etc. are buyers in Feb '23, while students demand was little muted possibly due to exams.
- No sales are getting impacted due to rising interest rates.
- Dealers are optimistic for the month of Mar '23 due to a few festivals like Holi, Gudi Padwa, among others.
- In general, supplies improved substantially across OEMs, dealers have sufficient inventory ranging from 1.5-2 months for Hero/Bajaj/TVS, while RE & HMSI has about one month of inventory and no major discounts are ongoing.
- Waiting period is only in some models which are in high demand viz. Raider, Super Meteor, Hunter, and higher variants of Pulsars.
- OBD-2 norms are likely to increase prices marginally, and based on our checks, customers are likely to accept this & it won't impact demand momentum.

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Passenger vehicles – SUVs leading the charge, new launches well appreciated, entry level is soft

- Entry-level and CNG models remain in the slow lane, discounts inched-up. Most of the OEMs to report MoM decline, except Tata PV where demand momentum is healthy with an optimistic outlook.
- MoM decline in Feb is seasonal, as observed in the past few years. Dealers are cautiously optimistic for the month of March.
- Although the supply situation is getting better gradually, but highest selling models, top-end ones & automatic variants continue to have decent waiting period. Entry-level models are readily available.
- SUVs everywhere is leading the change specially among youngsters. Customers appreciate & lapping-up new model launches & variants.
- Expect marginal price increase post OBD-2 norms that customers are most likely going to accept it, as demand momentum is healthy and most of the cars are bought on loan, so the marginal increase in EMI would be fine.
- OEMs wise, Maruti's Nexa is better placed than Arena, discounts inched-up in the entry-level. Fronx & Jimny products are well appreciated & likely to pull customers from competitors' brand.
- M&M and Tata Motors products continue to hold healthy demand. Hyundai's select models are topping the charts.
- Most OEMs have 15 days of inventory, while Maruti has one month due to weakness in entry-level cars.

Commercial vehicles – Stable MoM demand, pre-buying on cards in March

- MHCV demand is good, while LCVs are stable. Inquiries are there, but conversion is getting delayed. Overall, MoM sales is more or less stable.
- Ashok Leyland's DOST range and M&M SCVs are doing well.
- Mostly fleet owners are adding new trucks. Active buyers are from eCommerce, construction, agriculture/food transportation, among others.
- Pre-buying expected in the month of Mar '23 due to OBD-2 norms from Apr '23, which is likely to increase prices up to Rs 1.5 lakhs (3-5% of vehicle price).
- Post that, Apr-Jun might be softer for trucks, however buses season will start in that period. Many customers might not accept price increases as freight rates are not increasing that fast.
- In general, CNG sales in ILCVs have come down due to an increase in fuel prices & concerns w.r.t. the CNG fuel stations in all states.
- Tata Ace EV is available however, customers are not ordering the same due to much higher price than the CNG variant.
- Discounts: MoM discounts are similar to little higher. Ashok Leyland continues to give higher discount, and VECV increased discounting practices. Tata Motors have been keeping discount at the same level, while price increase is happening. Hence, % discount is looking little lower on higher vehicle price.
- Have reasonable inventory of one month & there is hardly any supply delays.

Tractors – monsoon uncertainty & drop in crop prices to derail the recovery

- MoM retails are lower as it's a lean month. In a few parts of Maharashtra, there is a delay in getting subsidy from the government, hence there is some impact on tractor sales.
- Preponement of crop supplies due to uneven crop-cycle, exports impacted specially in neighboring countries are core reasons for higher supplies and a drop in critical crop prices like cotton, soybean, onion, grapes, among others.
- Lower crop prices indicate less money in farmers' hand, and expectation of poor tractor sales in the upcoming months. Moreover, if monsoon is going to be erratic that could disrupt the momentum further.

- While India has benefitted from three consecutive La Nina years, an El Nino (50% probability) in 2023 means a subdued monsoon and extreme heat. Uncertainty exists!
- This, along with back-to-back tractor price increase also dampening sentiments.
- On the positive side, the peak season is likely to start from Holi onwards till mid-June. There are small festivals in a few states that should support the demand. Inquiries are all right for the upcoming months.
- Dealers have above normal 1.5-2 months of inventory and not facing any issues in getting stock. Discounts continue to remain high.
- In February, ITL and Escorts are doing marginally better than M&M on MoM basis.
- Overall, uncertainty remains for the upcoming months, and FY24e is likely to see similar numbers.

OEMs (in '000)	Feb-23e	Feb-22	YoY (%)	Jan-23	MoM (%)
Hero MotoCorp	390.0	358.3	9%	356.7	9%
Bajaj Auto	275.0	316.0	-13%	286.0	-4%
TVS Motor	280.0	281.7	-1%	275.1	2%
Royal Enfield	75.0	59.2	27%	74.7	0%
VECV	7.1	5.9	20%	7.2	-1%
Ashok Leyland	17.5	14.7	19%	17.2	2%
Tata Motors	85.0	77.7	9%	81.1	5%
Maruti Suzuki	169.0	164.1	3%	172.5	-2%
M&M Auto	64.5	54.5	18%	64.3	0%
M&M Tractors	24.0	20.4	18%	28.9	-17%
Escorts	6.3	6.1	3%	6.6	-5%

Source: Company, SMIFS Research Estimates

Consolidated comments from dealers across zones

Hero MotoCorp

- MoM retail sales is likely to remain flat. Dealers are optimistic for the month of March due to a few festivals like Holi, Gudi Padwa, etc.
- Major buying in Feb is due to marriage season and for commute purpose, Swiggy/Zomato buys 100cc due to good mileage, but students demand is little pause possibly as exam times are near.
- There is no major impact due to rising interest rates & vehicle prices, customers understand. No cancellation happens due to this reason.
- Top selling model is Splendor Plus & HF Deluxe, while no major demand for scooters due to competitive reasons & rising EV sales.
- Xpulse 200cc is doing immensely well owing to less maintenance; price is much lower than competitors and free five services.
- Hero is lagging in 125cc segment due to competition, launched the new Xtec range to support growth.
- In Scooters, the company started gaining market share due to new variants. The new Xoom scooter is likely to be a success as customers walk-ins are on their own & asking for the product.
- Launched new scooter XOOM, which is yet to arrive at the showroom. Dealers are confident about its success due to good pricing, looks & features.
- Dealers expect 3-4 new launches mostly in 125cc segment in FY24e to gain back share in this segment & scooters.
- No waiting period for any model, no supply issues, and have 1.5-2 months of inventory.
- The new OBD-2 norms are likely to increase model prices in the range of Rs 1,000-1,500. Customers aware of changing regulations/emission norms, hence should accept this price rise.
- There is no company discounts, but dealers discount continues to be in the range of Rs 2-3K.

Bajaj Auto

- MoM sales are marginally lower due to seasonality, back-to-back price increase & customers shifting to EVs are reasons for the slowdown in ICE sales. Bajaj need good new models plus offers to attract customers.
- March is expected to be good due to festivals & relaunch of Pulsar 220F.
- Buyers in February remain the same viz. youngsters, Swiggy/Zomato, etc. buys 110-125cc, followed by 150cc motorcycles.
- Top selling models are Pulsar 125cc, Platina 110cc and Pulsar N160cc. The slow selling model is Pulsar 150cc, while there is some shortage in higher segment motorcycles.
- Launched new model P150cc in December 2022 & received good response. To relaunch Bajaj 220F, which stopped in Jan '21. Dealers consider this as a good move & will support sales in the coming months.
- No waiting period, but there is about 15 days waiting in higher segment motorcycles. Inventory 1.5 months is normal in February. No discounts.
- Price increase expected in OBD2 and OEMs to manufacture vehicles from 1st April onwards. Last price increased was in the month of Jan '23 of Rs 800-1,000.

TVS Motor

- MoM retails are lower in single digit. Moped sales are getting hammered due to rise in costs and people shifting towards scooters & low speed EVs.

- There is hardly any impact of rising interest rates & vehicle prices on sales. March is generally good due to festivals.
- Top selling models include Raider 125cc, Apache 160cc and Jupiter 125cc/110cc. Some Apache customers are prefer Raider due to its good looks & attractive pricing. Star Sports sales improved after black edition launch.
- Customers who are looking for 125cc is surely testing Raider 125cc before taking their final decision.
- Although there is no change in Ronin's model, but the response improved as TVS started giving this product to each & every dealer, sub-dealers.
- The negatives about Ronin is that its short in length and the pickup is not that great. RE's Hunter 350cc is eating Ronin's sales as customers gets higher CC model at lower than Ronin's price & aspirational RE brand.
- Spare sales increased as the company lowered some accessories pricing, added range of products like engine coating, sprays, etc. & given target to achieve for dealers.
- Broadly, there is no waiting period, but Raider has max 20 days of waiting due to high demand & iQube has 3-4 months of waiting.
- Inventory of 45 days is normal, expect OEM to dump more inventory in March.
- Last month price increased by Rs 500, expect some price increase due to OBD2.

Royal Enfield

- January is always good as people wait for New Year's model, hence February is usually slow MoM, expect high single-digit MoM drop.
- Earlier months bookings are served, broadly there is no major waiting except for a few models.
- Waiting period: Hunter 1-1.5 months, Super Meteor (good success) minimum two months. Upgraders are preferring Super Meteor, response is very good.
- Bookings are good for these models, but supply is slow. All other models are available either immediately or within few days.
- Customers of 650cc twins will prefer to buy Super Meteor 650cc.
- Youngsters, college goers & customers who are looking for good entry-point motorcycle in Royal Enfield prefers Hunter 350cc.
- Classic is not much cannibalized, as Hunter is able to pull customers from other brands. Due to success of Hunter, the price increased by 2-3 times of approx. Rs 4.5K.
- In rural, the top selling model is Bullet 350cc. In urban, top selling models include Hunter & Classic, followed by Meteor.
- The company started giving target to sell spares. New different styles of accessories started. RE motorcycle generally gets financed, so accessories only add ~Rs 200 more in the EMI.
- As usual, no discounts. Not received any bike with OBD2. Inventory is less than one month.

Honda Motorcycle and Scooter India (HMSI)

- MoM sales is likely to be lower in single digit. Rising interest rates is not affecting buying decisions. Buyers include students & daily travelers.
- Top selling models include Activa 110cc, Shine SP 125cc & Unicorn.
- Recently launched Activa H-Smart 110cc, some customers shifting to this model, but major sales still happening for normal Activa models.

- No Waiting period/Supply issues/Discounts, and has 1+ month of stock.
- Due to OBD2, HMSI lowered the production. A new Activa with OBD2 received with price higher by Rs 1,000.

Maruti Suzuki

- Supplies have been improving MoM, but demand in the entry-level segment remains weak. Nexa channel is better placed where retails are almost equal MoM. Overall, MoM retails are softer by ~18-20%.
- Customers specially young ones prefer to drive SUVs, observed a change in the preference. In addition, the rise in the CNG fuel prices impacting demand for CNG portfolio in WagonR/Celerio, among others. Hence, expect weakness to continue for the foreseeable future.
- Retail sales is likely to be lower MoM, but wholesales could be better as Maruti continues to dispatch vehicles. Generally, retail sales in March is better.
- Dealers are cautiously optimistic about the coming months.
- Received decent bookings for Fronx and Jimny, but so far these are not a volume driver. Products response from customers are good.
- Waiting period: Brezza 4-6 weeks, Ertiga 4-6 months, XL6 1.5-2 months. Entry-level models are readily available.
- In total have about one month of inventory, but shortages remain in top selling models and automatic variants.
- MoM discounts increased specially in the entry-level models.
- Expect price increase to the tune of 1-2% due to OBD2, which customers are likely to accept.
- In Nexa, Baleno and Grand Vitara (GV) models are selling well. CNG customers are less for these models. GV's offers/schemes are taken-off as bookings are good, no reduction in prices.
- Fronx & Jimny bookings started, but models not yet arrived in dealerships. Prices not yet revealed. Jimny's bookings are better than Fronx.
- Both these new models looks are good, and customers' response is positive. Models are success.
- There is a high possibility that these new models will pull customers from other brands and upgrade its own Swift/Baleno customers to Fronx.

Hyundai

- Usually February month is softer than January, expect a MoM decline in retails by about 15%. Dealers look optimistic about March & upcoming months.
- Rising interest rates and vehicle prices are not impacting sales.
- Buyers are majorly in the age group of 25-40 years. Government employees' ratio increased. Business as well as salaried class are buying.
- Launched facelift of Aura and i10, the response has been good.
- Waiting period for manual models are about one month, while top variants & automatic ones have higher waiting of 3-4 months.
- Creta is the top selling model with waiting of 3-4 months, while slow moving models are Nios & Aura. The waiting period is slightly improved MoM.
- Inventory is about 15 days. Supply issues in automatic models persist. MoM discounts are same.

- Started getting new models with OBD-2, the price increase is marginal (Rs 10-30K) and the customer will accept it.

Tata PV

- MoM retails are marginally better in Feb '23. Customers have money to buy, hence price increase due to OBD2 norms (Rs 30K) will get absorbed. March sales is likely to be better. Demand momentum is looking healthy for the coming months.
- There is no weakness in any segment, demand is across models and is likely to increase further in the coming months.
- 45% bookings continue to happen in Nexon + Punch models. Altroz, Nexon EV max, Tiago EV, Nexon Prime have waiting from 45 days to five months. All these are top selling ones. While, Tigor is slow moving, and demand for CNG models are less.
- Supply is also getting better. Nexon & Punch models waiting is 2-3 months. Automatic variants of all models have little higher waiting compared to lower variants.
- Have inventory of just 15 days. No increase in discounts.

M&M PV

- Bookings/Supply/Retail sales are almost similar MoM basis. Some increase in bookings for Scorpio Classic and Thar 2x2 drive.
- New vehicles with OBD-2 norms are likely to witness 2-3% price increase, and there won't be any issues for customers in accepting it.
- Waiting period: XUV700 40 weeks, ScorpioN 50 weeks, Thar 4x4 3-4 weeks, Thar 4x2 72 weeks, Scorpio Classic 24-26 weeks. Bolero sales are lower.
- Have an inventory of about 15 days. Majorly there is no discount, except on Alturas, which has Rs 70-80K discount.

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