

Automobiles - Dealers Check

Navratri special dealers check – lower than the expectations, festival hopes alive!

We spoke with select knowledgeable dealers across segments to compare Navratri 2021 sales vis-à-vis Navratri 2020. The reactions of dealers for start of the festival season are different across segments and yet not very conclusive. We will have to wait & see how the season shapes up by the end of October.

- *These days customers are more inclined towards EVs. Two-wheeler ICE counterparts are posing mixed picture with sales more tilted towards decline to flattish numbers.*
- *All passenger vehicle dealers are reporting flattish to positive YoY growth in the bookings, except Maruti Suzuki, which is witnessing degrowth.*
- *Commercial vehicles continue to remain the star segment reporting good YoY growth, while softness in tractors continued for the 2nd month in a row.*

Expectation for the balance festival period in 2021 looks a little soft across segments except commercial vehicles.

- *Two-wheelers will try to match last year's festival sales, but hopes are grim.*
- *PVs are facing the severe issue in getting vehicles; hence retails will surely be lower than last year's festivals. Bookings for some of the PV OEMs will be great due to new launches.*
- *CVs will continue to report good growth in the coming months on account of normalization of almost all economic activities.*
- *Hopes are alive for tractor dealers for the coming months, but difficult to match last year's numbers due to a high base.*

Hero MotoCorp

- Walk-ins, inquiries increased, YoY sales are marginally better than last Navratri. Festival momentum is good and expect Diwali to be better than the previous year.
- Rs 5k discount on premium motorcycles, Rs 2.1k discount on 125cc motorcycle & scooters, along with exchange & loyalty schemes are successful in pulling more customers towards showrooms.
- Some competition impact is visible in Hero's 125cc segment post success of Raider, Pulsars & other competitors' models.
- No sales from students' community. Dealers have sufficient stocks available on account of festivals.

Bajaj Auto

- The company could witness a slight YoY degrowth as customers expect good schemes/discounts in the upcoming festival days and are not spending much due to uncertainty w.r.t. the 3rd wave. Despite festival season, there is no special offers from the company.
- A few dealers majorly in South India are seeing high YoY degrowth.
- So far, sales are struggling during Navratri, which is a start of festivals. However, dealers will attempt to match last year's festival sales. No sales from students' community. Overall, festivals are not that good, but it's not too bad as well.
- The company along with dealers is giving only marginal discount of Rs 2,000 on CT, Platina. Apart from this, there is no attractive schemes/offers.
- No issues in getting vehicles, there is some delay in getting some variants of Dominar 250cc, but is not a cause of concern.

Amit Hiranandani

Sector Lead – Automobile

9619848422

amit.hiranandani@smifs.co.in
Awanish Chandra

Head – Institutional Equities

8693822293

awanish.chandra@smifs.com

TVS Motor

- YoY sales are almost similar led by 125cc Raider, which now has a waiting period. Raider has been receiving good inquiries and bookings since launch and can be a tough competitor for Pulsar 125cc and Hero's 125cc strength.
- Expect marginal growth in the festivals ahead. Discounts are at a similar level, no major schemes from the company.

HMSI

- Dealers across zones are witnessing high teens YoY degrowth specially in South and West India, and are unsure about the momentum ahead in festivals. EV pickup in scooters could be major reason for sales drop.
- Other reasons for softness in sales are lack of schemes/offers from the company, only dealers are giving some from their pocket and no major sales is happening from students' community.

Royal Enfield

- Reporting marginal YoY growth in bookings led by the success of New Classic 350cc, along with other models. Dealers expect the momentum to continue in the balance festival season.
- But supply issues continue to remain pain points, which is now leading to more cancellations due to high waiting period. High cancellations are happening in 650cc twins due to a lot of delays in getting vehicle from factories.
- So far, there is no month-on-month improvement in the supplies. Retail sales to remain badly affected.

Maruti Suzuki

- Witnessing flattish to negative YoY growth in bookings as there are no new models launched in the recent past. Competitors newly launched products and SUVs are doing good.
- There is no major improvement in supplies and expect it to remain a cause of concern for some more time. The issue is more in high end models.

Hyundai

- Hyundai too is reporting negative growth in YoY bookings in this Navratri. Over & above, supply issues continued in the month of October and is in fact worsened MoM.
- Creta, Venue, i20 & Verna diesel models have high supply crunch. No indication from the company about improvement in supplies in the coming months.
- There are hardly any discounts/offers due to unavailability of vehicles.

Tata Motors

- Reporting 10% YoY bookings growth in Navratri 2021 led by new Punch model, craze for this model continues to remain high among customers. The price is not yet revealed, but waiting period already touched 8-10 weeks. Expect YoY bookings to be good in Diwali.
- Supply constraints remain the cause of concern, supplies remain at same level MoM. However, the company is able to send the committed deliveries as per the schedule.

M&M

- YoY bookings are extremely good led by XUV700, which started taking bookings from 7th October 2021.
- Expect festival season to be good as its top selling models viz. Thar, XUV300, XUV700, Scorpio & Bolero continue to receive good traction in the market.
- XUV300 model bookings impacted post XUV700 launch due to the lower price difference between these vehicles and people are ready to pay Rs 4 lakhs more for XUV700 model. Customers are getting XUV700 7-seater vehicle in Rs 14-15 lakhs vs. Rs 10 lakhs for XUV300, which is a 5-seater model.

- No waiting is defined by M&M for XUV700, petrol deliveries will start from October last week and Diesel by November last week.
- Supply issues continue to remain same MoM. So far, there is no improvement in supply at all. That continues to hold a waiting period of more than 12 months now.

Commercial vehicles

- Sales momentum remains good in October, but so far, it's lower than the expectations. Retail sales expected to grow by 5-7% MoM vs. expectation of double-digit MoM growth. All dealers expect November to be much better.
- Tippers and Multi-axle vehicles continue to take the charge as construction segment is booming, followed by ILCVs, while SCVs are posting consistent monthly numbers.
- CNG demand in SCVs continues to rise in this month due to rising petrol/diesel rates. Demand for cargo trucks is low, while there is hardly any sales in buses.
- Financiers are gradually easing up every month in lending to fleet owners. Freight rates improving marginally, but this is getting offset by rising fuel/tyre/vehicle prices.
- Inquiries, walk-ins are better MoM, all macro indicators are flashing green, mining, construction activities picks-up post monsoon, hence demand as well as freight rates will only go up in the coming months.
- Discounting practice remains at elevated levels as large players are hungry on gaining market share. 20-22% discount running in HCVs and 10% in SCVs.

Tractors

- Navratri sales are lower than the expectation, there is a high double-digit YoY degrowth in the retail sales. This will be 2nd consecutive month of YoY degrowth. MoM October retails is always better, & this trend to continue.
- A few reasons for YoY softness are 1) high base, 2) crops damaged due to unseasonal rains, 3) farmers are deferring purchases possibly due to delay in crop pattern leads to some postponement and 4) negative impact of continues rise in tractor prices is now visible in purchases.
- As monsoon delayed in many parts of the country and heavy rainfall came in the last 15 days, hence a few dealers indicated that due to delay in crop pattern hopes are alive for a pickup in the month of November.
- It's not a completely a failed season, delay in purchase is happening due to late monsoon and the season could extend till late December.
- As per the on-ground sentiments check and, in our opinion, degrowth will continue for the balance part of the year, and FY22 could see flattish to slight degrowth for the tractor industry. MoM things are better and November will possibly be better than October 2021, but touching last year sales mark seems difficult looking at the low confidence in dealers this time.

We recommend to Buy TVS Motor in OEMs for a target price of 670 per share and Mayur Uniquoters in Ancillary play for a target price of Rs 604 per share.

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Contact us:

SMIFS Limited. (<https://www.smifs.com/>)

Compliance Officer:

Sudipto Datta,

5F Vaibhav, 4 Lee Road, Kolkata 700020, West Bengal, India.

Contact No.: +91 33 4011 5401 / +91 33 6634 5401

Email Id.: compliance@smifs.com

Mumbai Office:

5G Court Chambers, 35 New Marine Lines, Mumbai 400 021, India

Contact No.: (D) +91 22 4200 5508, (B) +91 22 4200 5500

Email Id: institutional.equities@smifs.com

Kolkata Office:

Vaibhav, 4 Lee Road, Kolkata 700020, West Bengal, India.

Contact No.: (D) +91 33 6634 5408, (B) +91 33 4011 5400

Email Id: smifs.institutional@smifs.com
