

Automobile - Dealers Check

Green shoots across segments except Tractors

Two-wheelers – dealers slowly turning optimistic after a long time

- After three consecutive MoM degrowth, 2Ws is set to report ~7-10% MoM growth in March 2022. This is on the back of normalization in the economic activities, demand revived post elections in a few states and some contribution from students.
- After many months of our checks, dealers are indicating positivity ahead and a gradual MoM improvement should continue. Hopes alive for the revival in students' demand from June/July 2022.
- YoY degrowth to continue on account of 1) a high base, 2) affordability challenges, 3) the impact of rising eSales, 4) postponement of ICE purchase on the expectation of better eScooter from quality players, and 5) soft rural demand.
- A lot of walk-ins ask or inquire about EV launch plans and better models. OEMs continue to sell more of those models where they have a strong foothold.
- Hero MotoCorp's entry level is performing well; Bajaj's range of Pulsars is working well for them. Pulsar 125cc is eating away share of competitors. TVS blockbuster launches Raider/Jupiter 125cc are in high demand, but supply is a little concern. HMSI is also showing reasonable MoM growth despite EV impact on scooters.
- Royal Enfield's booking momentum is almost same MoM, however good point to note is that things all dealers indicated improvement in the supplies. Received positive response for Scram 411 & is technically superior than competitors, but it needs better branding & advertisement.
- Other highlights: 1) discounts are nominal and more where products are weak & requires some sales push, 2) inventory with dealers are about 1.5-2.0 months, 3) price increase on cards from April 2022 along with an increase in the 3rd party insurance premium.

Passenger vehicles – similar supplies, New Baleno & CNG products in high demand keeping Maruti dealers happy

- The supply situation on a MoM basis is almost similar across OEMs. Vehicle availability is tight in high-end models and automatic ones. The market trend continues to remain towards CNG + SUV.
- New Baleno's bookings are 30% higher than old Baleno plus all CNG products of Maruti are in high demand. Both these things are keeping Maruti dealers happy among all.
- Hyundai is negatively hit due to 360-degree intense competition across its product portfolio. The models from Kia India, Tata Motors, Maruti's CNG and M&M's new launches are drilling hole in Hyundai's portfolio.
- Tata Motors PV to show its consistent performance, no major surprises. Major bookings are happening for Punch 30% and Nexon 25%. All its products are competing well in the market.
- M&M PV dealers are busy in handling walk-ins as everything is working well for them. Bookings trend is upwards; supplies are improving & all its new launches are highly successful. Major bookings are happening for new launches viz. XUV700, XUV300, Thar and Scorpio.
- Overall, bookings momentum remains consistent despite price increases driven by craze towards new models and CNG products. Expect this trend to continue.

Commercial vehicles – maintained reasonable growth momentum driven by MHCVs and CNG

- Situation is only getting better with each passing month. MoM growth in mid-to-high single digit is possible driven by good demand of HCVs and CNG products. Tippers, Cargo trucks and CNG ICVs are selling well.
- Going forward, the demand is going to remain consistent with a MoM marginal uptick led by opening up of almost all sectors in the economy & a further pickup in the recent times.
- Getting inquiries for HCV led by demand increase from the construction segment. Marginal monthly sales growth will be there for the next six months.
- LCV sales are mostly happening for CNG models. All OEMs are working on launching more CNG products in 6-14 tons' segment. VECV is better placed due to its wide range of CNG models.

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- CNG demand is extremely strong in those states where there are CNG fuel stations available.
- Demand for the pickup segment is good as customers are upgrading from below one-ton segment and good demand from the e-commerce segment.
- Scrappage policy is considered as a major trigger to revive sales, if effectively implemented then will see new vehicle purchase. Buying decision from customers will be faster.
- New fleet owners are not coming forward; retail customers are less while large transport players continue to buy CVs.
- Freight rates increased by about 2% in March. One side freight rates are good, but return fare is a problem.
- Prices have been increasing in each quarter by almost ~2% every time. Major OEMs already announced a price increase to the tune of 2-3% from April. The 3rd party insurance premium is also going to increase from April 2022.
- MoM discounts are similar. Dealers gives discount in the range of 15-22% on MHCVs, depending upon the competition scenario and 10% on LCVs/SCVs. Sales don't happen without discounts.
- Financiers are giving normal LTV & disbursing loans easily these days. Only small fleet owners are finding it difficult to get loans, but eventually they also get the disbursement with higher interest rates.
- Overall, due to consistent improvement in the economy, demand will gradually improve in the coming months driven by HCV and CNG in LCV models.

Tractors – on the expected lines, in de-growth mode!

- Dealers continue to witness YoY degrowth in the month of March 2022 due to the impact of unseasonal rains on crops and drop in crop prices.
- Walking for about 15 days in March slowed down as farmers' sentiments were negative due to rising Covid cases in China/globally, along with ongoing war. Farmers payment got delayed from exports to Russia.
- In addition, many weddings after a long time have diverted farmers cash flows. Back-to-back tractor price increase also withholds the decision of buying tractors.
- Generally, before Gudi Padwa festival, farmers' walk-ins increased, but this is not the case in this year.
- OEMs are increasing tractor prices almost every quarter. Dealers provide discounts to push sales.
- Overall, the combination of the increase in tractor prices, uncertainty w.r.t. the crop prices, negative sentiments due to Covid & war, unseasonal rains and higher discretionary spends towards wedding & other things has resulted in lower cash flows in the hands of farmers, thus affecting the overall demand of tractors.
- Dealers are unsure about the growth prospects. Expect similar YoY degrowth to continue in the coming two months as inquiries are lower.
- Other highlights: 1) no issues in getting tractors, 2) inventory ranging from 1-1.5 months, 3) agriculture demand is less, but there is a pickup witnessed in parts of North East due to rise in the construction activities.

Top five recommendations across segments

1. **Eicher Motors** is our top pick in two-wheelers. In our opinion, the demand has been never a concern for Royal Enfield, but supply issue was one of the biggest hurdles. This long pending biggest hurdle is expected to get resolved with each passing month. Reasonable bookings momentum as per our checks, multiple new launches/refreshers, exports growing remarkably well should provide the required operating leverage to improve margins ahead. No EV threat in the near term.
2. We are positive on **Maruti Suzuki** for the mid-term as market trend is moving towards CNG, where Maruti is better placed. While new products intervention specially in SUVs will bring back its lost share.
3. Suggest to play the CV upcycle and recommend to buy **Jamna Auto**. We believe Jamna Auto will benefit from CV upcycle in the coming years, additional revenues from new products, aftermarket expansion and export opportunities.
4. **Steel Strips Wheels Ltd** is a turnaround play & trading attractively - The combination of increasing alloy wheels' sales, higher exports, the uptick in the CV cycle, no major capex will boost its financials with increased margin, better return ratios, higher FCF generation and reduction in debt levels. Approved in the PLI scheme, hence EV play could be a surprise in the box!
5. Value play is a **Suprajit Engineering Ltd** – Kongsberg acquisition and new products are going to be growth drivers. It will get global EV customers. This, along with growth in exports, pickup in the domestic demand should yield in positive results.

Consolidated comments from dealers across zones

Hero MotoCorp – rural zone, scooters and premium motorcycle remains impacted

- March is 6-7% better vis-à-vis Jan/Feb driven by motorcycles, while scooters continue to remain in the de-growth mode. In urban, some pickup observed in premium motorcycles.
- The softness in two-wheeler ICE industry is basically due to rising eScooter sales of other companies, back-to-back price increase since last 2.5-3 years now, muted demand from students and rising petrol prices.
- These days' people also postponed ICE purchases on the expectation of better eScooter launch from quality players viz. Hero/Bajaj/TVS.
- Almost half of the walk-ins ask or enquire about electric launch from the company. Expect Hero to launch eScooter on 1st July 2022 with a new identity VIDA.
- Hero dealers have two plus months of inventory.
- Discounts are there on premium motorcycles (Xtreme & Xpulse) & there was some discount on scooters on the Women's day. Dealers give an additional discount of Rs 2,000-2,500 per unit.
- Splendor Plus and HF Deluxe motorcycles remain top selling, while scooters are not much in the demand due to competition from ICE as well as eVehicle OEMs.
- There is some impact on Hero's 125cc motorcycle sales due to rising competition from other models like Pulsar/Raider 125cc, among others.
- 2W prices to rise further from April 2022, this is officially announced by the company.

Bajaj Auto – 125cc eating share of competitors, pulsar range & new models working well

- Fast selling Pulsar 125cc & CT110x, supported by good response from newly launched variants of Pulsar 250cc driving 5% MoM growth in March 2022.
- In some markets, premium models viz. NS200, Avenger, Dominar are top selling & pushing sales higher.
- Repose of 250cc pulsar variants are good and customers are liking its looks, power, pickup, among other things.
- Things are looking little positive for the upcoming two months and reopening of colleges/schools from June 2022 will support demand ahead.
- All OEMs are increasing prices; hence customers don't have any choice but to accept.
- Other highlights: 1) there is no major delay in getting premium motorcycles, 2) eChetak is likely to distribute through the mix of KTM network along with separate network, 3) no discount from the company, 4) Dealers expect a price increase from April 2022.

TVS Motor – blockbuster Raider/Jupiter 125cc, supply is a problem

- March is much better than Jan/Feb as now things are normal in the economy. TVS could report MoM growth between 5-10%. Fast selling 2Ws are Jupiter 110cc & Apache 160cc.
- Newly launched Jupiter 125cc and Raider 125cc are in good demand and has better features than competitor's products, but supply is a major constraint & these models now have some waiting period as well.
- There is some delay in getting Apache models as well, possibly due to semiconductor shortages.
- Average waiting time in Jupiter/Raider 125cc & Apache range is about 20-60 days depending upon variants. It's the result of high demand + less supply.
- In urban cities, the trend is moving upwards from 110cc scooter to 125cc scooter.
- April/May 2022 could see a repeat of March 2022 sales numbers as back-to-back increase in product prices since last 2.5 years are keeping customers away from showrooms.
- Over & above, further increase in the 3rd party insurance and no pickup in the students' demand is hammering sales.
- Cost for iQube is high, range is less. Competitors are providing better options. Over & above, poor charging infrastructure continues to remain the problem.
- At present for EVs, there are many players, but those are just assemblers with poor build quality. People are waiting for better eScooter from quality established OEMs.
- Customers are waiting for better electric models from tried & trusted OEMs.
- No discount from the company. In some showrooms, there is a lucky draw kind of schemes where customers will get either free helmet, full petrol tank, & similar kind of offers. Dealers generally give some cash discount as well.
- TVS will possibly increase prices from April 2022.

Royal Enfield – similar bookings momentum, supplies are getting better, Scram 411 needs branding exercise

- The response for the new brand Scram 411 is reasonable & bookings are not huge. There is no issue in the motorcycle, but the company is lacking much behind in branding & advertising this model.
- The engine of Himalayan and Scram is the same. People are liking the dual color option and mostly students will purchase this due to lower height as compared to Himalayan, lightweight, young look, seating comfort, headlights, suspension & its overall attractiveness.
- Scram 411 will mostly use for daily travelling in urban with off-road features & looks. Himalayan comes under adventure/touring category.
- But, we still feel that 15-20% cannibalization in Himalayan brand is highly possible due to the Scram 411.
- People are not coming specially to see Scram 411 despite its being technically superior than Yezdi's scrambler. Main stand is not provided in Scram 411 & is given optional.

- On overall bookings of all models, it's almost similar MoM. 50% bookings happen for the new Classic 350cc, followed by Meteor.
- Scram 411 has one of the lowest bookings as the company is lacking in advertising this motorcycle, people has less awareness about the same.
- For the Scram 411 to get success, it requires good advertisement/branding and revival in students' demand. Scram's monthly sales number will not touch Meteor's numbers.
- Almost all dealers are claiming that there is a MoM improvement in getting motorcycles and the situation is likely to improve further in the coming months.
- Waiting period across models has come down due to improvement in supplies. Classic 350cc, 650cc twins & Scram 411 is available within one month, while Meteor takes two months for the delivery.
- Honda's CB350, Yezdi's scrambler and Jawa are some of the competitors for Royal Enfield (RE).
- Among them, CB350 is one of the toughest competitors as quality of Honda is considered the top most and due to waiting period in RE, customers easily convert to CB350 or other brands.

HMSI – high dependence on Activa models

- March sales are little better than previous months as the economy is back on track offset by some impact of rising EV sales and less demand from students.
- Student demand could rise by June 2022 due to reopening of education institutions.
- A few dealers indicated that customers are not satisfied with current EV scooters in the market as it's a China made product (just assembled in India). People are waiting for the best products from incumbents like Hero/HMSI/Bajaj/TVS.
- Expect a gradual sales improvement MoM. There is no delay in getting vehicles.
- Top selling models are Activa 125cc (witnessed some supply issues) and Activa 110cc. Rest all models selling less.
- HMSI will increase vehicle prices in April. Also, 3rd party insurance premium to rise.
- 10% walk-ins ask for EV launch plans, but there is no concrete plan from HMSI. The company follows zero discount policy & is maintained.

Maruti Suzuki – Sales picked up, supplies remain the same, New Baleno - the hot selling product

- The ongoing month's bookings are better due to festivals in March & April. Sales picked up during & after Holi festival.
- New Baleno's response is encouraging with 30% more bookings as compared to old Baleno. The average waiting period for Baleno is four weeks.
- In Nexa, Baleno is the highest selling model with 70% bookings happen for this single product. This is followed by Ignis and XL6. S-cross sales are lower due to high competition.

- No discounts in Nexa channel and on CNG models in Arena channel. Petrol models have some discount. Overall discount level almost remains the same MoM.
- In the Arena channel, the demand for CNG models are very high. Top selling models are Ertiga CNG, WagonR CNG, Dzire CNG & Celerio CNG sales picked up now. Tours/travelling work is back to normal, hence is also one of the reasons of rise in the CNG model sales.
- 50% of the new bookings happens for CNG models in the Arena. Waiting period of CNG models ranging from two months to as high as nine months for Ertiga CNG. The demand for petrol models has been declining.
- On the supply situation, almost getting the same number of vehicles.
- In urban, slow selling models in Arena channel are Alto and S-presso due to rise in the competition and these days' more customers demand WagonR & higher category models like Swift, Dzire, Brezza, among others.
- Maruti should do well in the future as their focus is not only fuel efficient cars, but also safety & overall looks. New SUV launches should help them to increase their share.
- Other highlights: 1) on EVs, 10% customers ask or inquires for it, 2) there is no indication of price increase.

Hyundai - negatively hit due to 360-degree intense competition

- MoM bookings are little lower, while the supply situation remains the same. Supplies are tight in high-end models & automatic ones.
- Competition increased across all segments. In seven seater models like Hector+, Safari, Carens, among others is competing with Alcazar.
- Alcazar has a space issue in the 3rd row seat, hence people are preferring Kia's Carens model, which is spacious, has better features & pricing is also low.
- Kia Sonet is doing well, hence Venue's sales impacted. After Dzire CNG launch, sales of Aura CNG declined. Tata's Punch has negative impact on sales of i20 & Nios due to near similar pricing.
- Tata's Nexon EV is the only in demand as the model is priced at its best. People have left Hyundai's Kona due to its high pricing. Either Nexon or ZS is the choice for customers. EV inquiries are less in Hyundai.
- Stocks available only for slow selling models like Santro. No discounts in top selling models, while slow moving have some discount.
- So far, there is no impact of price increases as every OEM is rising vehicle prices. People have accepted this thing.

Tata Motors PV – Consistency continues, no major surprises

- Post Holi, seen some pickup in sales. Before that, bookings were little slow. Dealers indicated possibly higher booking numbers in April & May months.
- 30% of new bookings happens for the Punch model, followed by 25% for Nexon.
- Nexon EV is selling very well, however the trend is towards the CNG + SUV.

- On the supply situation, getting similar number of vehicles on a MoM basis. However, getting CNG models (Tiago & Tigor) easily.
- The waiting period remains the same & is ranging from 3-4.5 months for top selling models like Punch, Nexon & Altroz.
- Other highlights: 1) no change in discounts, 2) Safari and Harrier are giving consistent monthly numbers, and 3) no indication of a further price increase.

M&M PV – new product launches are selling well, improvement in the supplies

- Bookings trend is upwards since last six months, however in March its almost similar MoM and expect bookings run-rate will remain the same in the coming months as well.
- Max bookings are happening for XUV700, XUV300, Scorpio and Thar. Supplies have improved MoM and expect the improvement trend to continue in the coming months.
- The waiting period for XUV700 is one year for the diesel variant, 7-8 months for petrol variant. XUV300's waiting is about 2-6 months depends on variants. Thar diesel (max booking happens for the diesel variant) waiting is about six months plus.
- No discounts in top selling models, while there is some discount in slow selling models. Dealers also provide basic accessories kit of ~Rs 2,000 to customers.
- Other highlights: 1) Bolero Neo is slow moving, 2) customers are unhappy with dealers/automobile OEMs due to high waiting period & increasing prices.

Commercial vehicles – marginal MoM growth to continue; HCVs & CNG is driving demand

- Industry could report MoM growth in mid-to-high single digit in overall CV sales driven by HCV and LCV. Tippers, cargo trucks & CNG ICVs are selling well.
- Going forward, the demand is going to remain consistent with a MoM marginal uptick as people who have a requirement, they are only buying considering rising inflation & gradually improving demand.
- No pre-buying is happening before the April price increase; a few customers want diesel prices to stabilize first before buying vehicles.
- New fleet owners are not coming forward; retail customers are less while large transport players continue to buy CVs.
- Getting inquiries for HCV led by demand increase from the construction segment. Marginal monthly sales growth will be there for the next six months.
- LCV sales are mostly happening for CNG models. All OEMs are working on launching more CNG products in 6-14 tons' segment. VECV is better placed due to its wide range of CNG models.
- Demand for the pickup segment is good as customers are upgrading from below one-ton segment and good demand from the eCommerce segment.
- Freight rates increased by about 2% in March. One side freight rates are good, but return fare is a problem.
- Scrappage policy is considered as a major trigger to revive sales, if effectively implemented then will see new vehicle purchase. Buying decision from customers will be faster.

- Prices have been increasing in each quarter by almost ~2% every time. Major OEMs already announced a price increase to the tune of 2-3% from April.
- All OEMs have been increasing vehicle prices, so not much impact on customers buying decision. The 3rd party insurance premium is also going to increase from April 2022.
- MoM discounts are similar. Dealers give discount in the range of 15-22% on MHCVs, depending upon the competition scenario and 10% on LCVs/SCVs. Sales don't happen without discounts.
- Financiers are giving normal LTV & disbursing loans easily. Only small fleet owners are finding it difficult to get loans, but eventually they also get a disbursement with higher interest rates.
- Small fleet owners are having hard times due to rise in truck & diesel prices, while demand remains constant. EMIs are high for them.
- Overall, due to consistent improvement in the economy, demand will gradually improve in the coming months driven by HCV and CNG in LCV models.

Tractors – on the expected lines, in continued de-growth mode

- Dealers continue to witness YoY degrowth in the month of March 2022 due to the impact of unseasonal rains on crops and drop in crop prices.
- Walking for about 15 days in March slowed down as farmers' sentiments were negative due to rising Covid cases in China/globally, along with ongoing war. Farmers' payment got delayed from exports to Russia.
- In addition, many weddings after a long time have diverted farmers' cash flows. Back-to-back tractor price increase also withholds the decision of buying tractors.
- Generally, before Gudi Padwa festival, farmers' walk-ins increased, but this is not the case in this year.
- OEMs are increasing tractor prices almost every quarter. Dealers provide discounts to push sales.
- Overall, the combination of the increase in tractor prices, uncertainty w.r.t. the crop prices, negative sentiments due to Covid & war, unseasonal rains and higher discretionary spends towards wedding & other things has resulted in lower cash flows in the hands of farmers, thus affecting the overall demand of tractors.
- Dealers are unsure about the growth prospects. Expect similar YoY degrowth to continue in the coming two months as inquiries are lower.
- Other highlights: 1) no issues in getting tractors, 2) inventory ranging from 1-1.5 months, 3) agriculture demand is less, but there is a pickup witnessed in parts of North East due to rise in the construction activities.

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Analyst holding in stock: **NO**

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