

Automobile - Dealers Check – September 2022

Festival cheerfulness ahead, rural to join the momentum!

Two-wheelers – *strong green shoots are clearly visible*

- Though things are looking good for festivals, during September month almost all OEMs are witnessing MoM degrowth in retail sales from single digit to mid-teens double-digit, majorly hit due to ongoing inauspicious period, offset by good Ganesh & Onam festivals and expectation of better Navratri festival.
- Rural market considers inauspicious days very seriously, hence the market for new purchases is extremely soft. Hence, Hero MotoCorp is witnessing a major hit on its retail sales.
- However, dealers in rural continue to remain cheerful for Navratri and other major festivals ahead. Expect the ongoing festival season to be good driven by the near normal monsoon, and crop prices are holding well with people have reasonable cash flows.
- Royal Enfield is leading the pack once again due to the huge success of Hunter 350cc model. Maximum new bookings are happening for this model.
- 100% of dealers surveyed across OEMs are confident of good festival season, and October will definitely be much better due to festive buying.
- Bookings are happening during an inauspicious period as well for deliveries during festival period.
- Festivals begun after two years of Covid, hence the momentum is great in the market with people in celebrating mood. Expect festivals this time to witness double-digit YoY growth.
- The supply situation is back to normal except for few TVS models like Raider, Jupiter 125cc and Apache. Dealers have sufficient stocks and only few models have a waiting period.
- Hero MotoCorp started giving much better offers/discounts/schemes/financing as compared to any other 2W OEMs.
- Ronin 225cc response is lower than the expectation as people are getting Royal Enfield's Hunter 350cc motorcycle at an almost equal price with higher CC, retro-classy looks and aspirational RE brand.
- Bajaj Auto launched the CT125cc model with a little higher price than CT110cc model. The company is trying to shift customers towards 125cc segment.

Passenger vehicles – *healthy momentum, but softness continued in entry level/CNG, and discounts inched-up*

- Bookings momentum continues to remain healthy despite inauspicious period. This is largely owing to Ganesh, Onam and Navratri festivals. New models are leading the charge in bookings across OEMs.
- Dealers are confident of good 45 days of festivals and there will be definite growth on a YoY basis.

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- Supply is getting better with each passing month, however automatic & top end variants have higher than average waiting period. Witnessed atleast 5-7% higher product supply on the MoM basis in almost all OEMs. Waiting list across popular models dropped.
- Retail sales will be lower for all car manufacturers MoM as most of the customers preferred not to take deliveries during 10th to 25th September. M&M could witness higher retail sales as ScorpioN deliveries started from 26th September.
- On the negative side, there is continued softness witnessed in the entry-level models and CNG fitted ones. Discounts inched-up on a MoM basis, specially in slow moving & entry-level products.
- Banks started offering 100% on-road financing and a few is giving low interest rate offers.
- Grand Vitara prices are slightly higher than expectation, but so far, there is no slowdown in Vitara's booking momentum. Not heard any cancellations from dealers.
- Trend highlights: Craze for Thar model has come down, Scorpio Classic is considered as value for money & a refreshed XUV300 is required. Maruti's entry level & CNG models are seeing some softness and discounts increased. Nexa channel is doing much better than Arena. Nexon along with Punch continue to see 50% of new bookings. Despite an increase in the competition, there is no drop in Creta's booking.

Commercial vehicles – *robust season to start*

- Retail sales on a MoM basis will be higher in single digit despite weak month & heavy rains in many states. This is driven by I&LCV segment, while SCV will maintain its consistent monthly numbers.
- Expect very good traction from the Navratri festival onwards as customers have finalized deals during September month for deliveries in festivals. October will witness higher sales traction.
- Dealers are confident of reporting good growth for the Oct-Dec period as walk-ins, inquiries are strong and growth visibility is clear.
- Generally, post monsoon, infrastructure, construction, mining & other activities picks up and hence the demand for CVs increase. This, along with booming real estate demand and agriculture transportation will continue to lift sales higher.
- Those fleet operators are buying who have contracts/orders in-hand. Apart from this, sand, cement, ecommerce, textile, agriculture transportation are buying trucks during the current period.
- Dealers haven't witnessed any pause in sales due to rising interest rates and vehicle prices. Demand is good in the market, hence people will continue to buy.
- Financiers are disbursing loans, but they are strict with a select set of customers with poor credit record.
- Traction shifted back to diesel from CNG owing to increase in CNG fuel prices & less number of fuel stations.
- Dealers indicated a price increase across major OEMs in the range of 1-3% starting 1st October.
- Discounting situation on a MoM basis is near similar, Tata CV continue to give higher discounts as compared to other OEMs to gain market share. Dealers indicated lower discounts in the upcoming months as strong season would start.

Tractors – dealers body language is turning positive

- Due to delay in monsoon and heavy rainfall in the month of September, crop cutting might get delayed in some parts by few weeks (normally it starts from Navratri onwards).
- However, dealers are not concerned as the momentum in the market is good, hence sales for coming months are looking healthy. Tractor buying should happen and overall, the situation is looking reasonably pleased for the coming months.
- Ganesh festival sales were good, and then there was a pause due to the start of the inauspicious period for 16 days. The expectation is strong for Navratri sales.
- Overall, retails sales is expected to witness flat to single digit MoM growth, this is despite September being the weakest month and inauspicious days were also there.
- Inquiries for upcoming months continued and dealers are hopeful of better days ahead. This positivity is because the crop prices are holding up well and the water level is good.
- Tractor prices have been increasing every three months. Hence, to push more sales, dealers started giving discounts. Sonalika is giving higher discounts/offers as compared to other players.
- There is no downgrading happening owing to increase in the tractor prices. The industry's maximum sales happens for 35-50 HP tractors and that continues presently.
- There is no issue in getting stocks and dealers have sufficient inventory of 1.5-2 months.

		Retail sales - September 2022 estimates							
Units in '000	Sept-22 est.	Sep-21	YoY (%)	Aug-22	MoM (%)	Sep-19	YoY (%)	Sep-18	YoY (%)
2W	988	915	8%	1,074	-8%	1,164	-15%	1,249	-21%
3W	53	37	46%	56	-5%	58	-9%	55	-2%
CV	73	59	23%	67	8%	60	22%	78	-7%
PV	247	233	6%	274	-10%	178	39%	198	25%
Tractors	50	53	-5%	49	2%	38	32%	33	52%
Total	1,412	1,296	9%	1,521	-7%	1,498	-6%	1,612	-12%

Consolidated comments from dealers across zones

Hero MotoCorp

- Retail sales will be substantially lower MoM (in double-digit) as people avoid taking deliveries during 10th to 25th September due to inauspicious period.
- However, bookings are reasonably good as customers want product to get delivered during Navratri festival. Xtec range are selling more than base models. Youth prefers Xtec range.
- 100% of dealers surveyed are confident of good festival season and October will definitely be much better MoM due to the festive mood.
- Top selling models are Splendor+, Pleasure+, and Xpulse in premium. Walk-ins are more for Xpulse model from youngsters. Slow moving models are mostly scooters & premium.
- Offers and discounts started from 26th September onwards. Finance and low down payment schemes are ongoing. 10% walk-ins inquire about the electric scooter. Have sufficient stock of 2.5 months.

Honda Motorcycle & Scooter India

- Sales during Ganesh festival was good, however the momentum stopped due to the start of inauspicious period. Expect good sales from 26th September onwards due to festivals. Retail sales will be slightly lower MoM.
- Festivals started after two years of Covid period, hence this time people are celebrating, momentum is good and sales will shoot up by 20% during this festival period YoY.
- Some customers are booking for deliveries during festival season. Sales during 26th Sept till 31st Oct will be reasonably good.
- There is no supply issues, have more than one month of inventory & expect further stock to deliver soon.
- Not facing any competitive pressure in the 125cc segment, no major hit witnessed.
- Top selling models are CB Shine 125cc, Activa 110cc and Dio. To launch eScooter in CY23.
- Discount on accessories, finance and low down payment scheme is ongoing.

Bajaj Auto

- MoM retail sales are likely to be lower in single digit due to ongoing inauspicious period. Bookings are happening for festival deliveries. Top selling models are Pulsar 125cc, 150cc and NS200.
- Launched CT125cc model with little higher price than CT110cc model. The company is trying to shift customers towards 125cc segment.
- No supply issues and its back to normal. There is no delay in getting any model. Dealers have sufficient stock of 1.5-2 months. No major discount/offers/schemes.
- All dealers indicated October would be good due to festivals.
- On the negative side, few dealers observed that Dominar customers are shifting to other OEMs.
- No discount or any extraordinary financing schemes are running.

TVS Motor

- Demand & momentum is good, supply is getting better, but still there is a delay in getting Raider, Apache RTR 160 4V and Jupiter 125cc models.
- MoM retail sales is going to be lower in single digit owing to inauspicious days offset by Ganesh, Onam and Navratri festival buying.
- Customers will definitely start buying from Navratri onwards on hopes of discount and festive. Bookings too are happening for festival deliveries. Navratri will be good this time.
- There is still waiting period of one month for Raider (earlier it was two months). Ronin 1.5 months and some variants of Jupiter 125cc has a waiting period.
- Ronin 225cc response is lower than the expectation as people are getting Royal Enfield's Hunter 350cc motorcycle at a lower price with higher CC and aspirational brand. If competition is ignored, then as a motorcycle Ronin 225cc is good.
- iQube response is good and considered as a quality electric scooter in the market with better build quality and trustworthy range & brand. It has an average waiting of about 2.5 months.
- Dealers have stock of about two months with them. There is some discount ongoing in select motorcycles and XL100.
- Top selling model is Jupiter 110cc/125cc, Ntorq & Apache 160cc.

Royal Enfield

- Supply situation is getting better, and witnessing 5-7% higher MoM numbers. Hunter 350cc has one month of waiting, few variants of Classic has some waiting, and other models are available in 0-14 days.
- 50% to as high as 80% of new bookings is for Hunter 350cc model. It's a huge success for Royal Enfield. People like its pickup, lightweight, looks, tubeless tyres, and most important attractive pricing. Many new customers from other brands are opting Hunter motorcycle. Students and youngsters are mostly buying.
- August bookings were higher as Hunter was launched, hence September bookings are lower MoM.
- Sales for other models dropped due to Hunter 350cc, major impact is on Classic 350cc model as it's priced higher and customers are finding it bulky/heavy.
- Retail sales will be higher by about 8-10% MoM in September driven by Hunter 350cc & supply improvement. MoM October sales and supply will be higher.
- Low down payment scheme of Rs 5,000 for Hunter 350cc is ongoing.
- RE in rural: markets are very soft due to inauspicious period, expect to pick up from 26th September, and anticipate good October month. Monsoons are near normal this time, stocks are sufficient, but there is no craze for Hunter in rural. In rural, top selling models are Bullet and Classic.

Maruti Suzuki

- Total bookings and supplies are better by 5-7% on a MoM basis driven by Baleno, Brezza, Vitara, Ertiga, Swift and Dizre models. Entry level is soft, discounts inched-up MoM.
- Expect total retail sales to be lower by about 10% MoM as people prefer not to take deliveries during the inauspicious period (10th to 25th September), offset by good Navratri days.

- Nexa channel is witnessing MoM growth in bookings as well as supplies. Retail sales will be higher by 5% MoM in September driven by Baleno model. There is a delay in getting automatic variants across models.
- Grand Vitara prices are slightly higher than expectation, but so far, there is no slowdown in Vitara's booking momentum. Dealers started getting some stock from 26th.
- Arena channel retail sales could be substantially lower MoM due to inauspicious days and softness in small cars. However, bookings are good for deliveries in Navratri, and supplies improved. Expect 5-7% increase in bookings & supply situation.
- Swift, Dzire, Brezza and Ertiga bookings are good. Entry-level car demand is soft, as gradually people have shifted to better looking & bigger cars owing to easy financing and increase in the income levels.
- There is no indication of price increase in any model. Dealers do not expect prices to increase in the ongoing festivals and there could be a rise in prices in January 2023.
- Festival discount started in Ignis and Baleno models under Nexa channel. Discounts are high for entry-level cars in Arena channel and it inched up MoM due to higher inventory & soft demand.
- Entry-level models like Spresso, Celerio, Alto, WagonR and K10 has higher discounts. There is a shift in the trend observed from CNG to Petrol.
- The supplies are getting better with each passing month. There is a drop in the waiting period across popular models. Ertiga CNG waiting is six months, Brezza two months, Baleno one month. There is temporary supply issues witnessed in Swift and Dzire models, which now has waiting period from 45 days to two months.

Hyundai

- MoM bookings (+5-7%) as well as momentum is good despite inauspicious period. This is driven by Creta, Venue, i20 and Nios models. Supplies are similar as compared to previous month. Expect at least 15% lower retail sales MoM.
- Dealers are confident of good festivals ahead and there will be definite growth in 45 days festivals on a YoY basis due to lower base owing to supply issues last year. While, the CNG momentum is dull.
- Despite an increase in the competition, there is no drop in Creta's booking.
- Waiting period: Creta 3-4 months (more in automatic variant), Venue 1.5-2 months, Nios automatic three months, while manual variant is available. Top variant specially automatic version seeing high waiting period.
- No change in discounting. Nios turbo variant has the highest company discount. Banks are offering 100% on-road financing.

Tata Motors PV

- Bookings were good during Ganesh festival, but slowed down during inauspicious days. Still, expect 10% high number of bookings due to overall festival momentum. Supplies are 5-7% better MoM.
- Expect retail sales to remain slightly lower in September as compared to August. People generally avoid taking deliveries during inauspicious period, while prefer taking deliveries in Ganesh and Navratri festivals.

- 50% of new bookings are happening for Nexon and Punch models, followed by Tiago. CNG car demand is less due to rise in fuel prices, people are preferring petrol models.
- Waiting period: Nexon two months, Punch 1.5 months Altroz 1-2 months and Harrier one month. Automatic variants have a little higher waiting period.
- Tiago and Tigor models have Rs 10,000 discount plus some corporate discount is running. Dealers gives additional discount depends upon customer-to-customer.

M&M PV

- MoM bookings growth is good, driven by XUV700, Scorpio Classic and ScorpioN models. Bookings for XUV300 slowed down as customers expect refresher or new variant in this model.
- There is an increased amount of traction seen in the new Scorpio classic model, as the on-road price is just Rs 14.5 lakhs for the base model going to upto Rs 18.7 lakhs for the top variant. The customers are finding this as value for money model.
- The retail sales will be higher as ScorpioN deliveries started from 26th September onwards.
- Supplies are getting better every month and hence the waiting period across models have come down. Current average waiting for ScorpioN is 80 weeks, XUV700 60-70 weeks, XUV300 12-29 weeks. 10% is the average cancellation rate.
- In the recent past, dealers have observed that they are getting product deliveries ahead of the committed date by the company.
- The craze for Thar model has come down and waiting period dropped to two months. Supplies improved and bookings reduced for this model.
- As dealers wants to get rid-off with some inventory of old Scorpio model, hence discount is higher at Rs 1.5 lakhs.
- XUV300 top model and Bolero has a discount of Rs 22,500 plus discount on accessories, corporate/government discount. There is no other major discount in any other products.
- Mahindra Finance is giving loans at low interest rates of 6.99%, and 100% on-road financing scheme is ongoing from all banks.

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