

# **AUTOMOBILES**

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## Auto channel check: steady demand outlook

 Passenger vehicle demand healthy across segments (UVs and compact cars) and is expected to continue Milind Raginwar | Shree Kirloskar research@bobcaps.in

- Easy financing a key demand driver for CVs, while below-normal monsoons a concern for tractor
- Electric vehicle penetration faster in 2W category followed by passenger vehicles, CV and tractor will take much longer

We recently interacted with auto dealers & stockiest in west Maharashtra. Key takeaways are:

Commercial Vehicle (CV) segment marginally positive: The festive season CV/LCV sales were marginally lower Y-o-Y despite clocking ~1.5x of the average monthly sales. This was marginally better than anticipated though. OEMs are now tapering discounts. Bolero pickup (1.7T 9ft) of MM and Tata Multi axle tipper remains the highest selling model. Electrical CVs will require much wider education of relevant target segments for a meaningful pickup in volume.

Passenger Vehicle sales were healthy: Dealers indicated festive season sales were healthy. Consumer preferences are mixed with inter-city movers (with bigger family size) preferring sports utility vehicles (SUVs) while office goers preferring smaller cars. Wait period for the most-highest selling models was ~4 weeks while waiting period for Breeza/Ertiga is about 24-28 weeks.

**2-wheeler (2W) segment on expected lines:** HMCL remains the market leader in the 75-110cc segment riding on HF Deluxe and Splendor. BJAUT's Chetak E2W has overtaken Ather Energy's E2W in October 2023 to occupy 3rd position as per Vahan E2W registration data. Dealer attributed the repositioning of Chetak to sounder branding and body composition compared to Ather's E2W.

**Tractor Segment**: Tractor demand is lower in Nasik region due to uneven and below normal rains. Demand during the festive season was a mixed bag with healthy demand during Dussehra but tapering towards Diwali. The Gen-Next farmer community prefers 40-50HP tractors while old timers stick to the lower end. The E-tractor pilot has been launched but demand remains tepid.

**Mixed outlook from tyre stockiest:** Demand is weak despite start of the busy season, primarily due to liquidity crunch. State elections were dampeners too. Demand was a tad better for PVs. MRF continues to be market leader. Apollo & JK Tyre are price takers. Demand for imported tyres is now much weaker.





# Details of the discussion with dealers in various segments:

## LCV/CV dealers:

**Mahindra & Mahindra**: Sales in the past 3 months (September-November 2023) including the 42 days festive season was ~600-700 units tad lower than the average monthly sales for CV is usually ~250 units. Majority of these sales (90%) were finance backed. Bolero pickup 1.7T 9ft was the highest selling model for MM in the CV segment and has no waiting period currently. Lack of liquidity has impacted the sales.

**Tata Motors**: Sales in the festive season (approx. 42 days) was ~1k units compared to ~1.5k units in festive season of 2022. Average monthly sales for the dealer were ~600-700 units with a financing mix of ~98%. Tata Multi axle tipper remains the highest selling model with an average monthly sale of ~300 units.

**Ashok Leyland:** Demand currently is very healthy from LCV and MHCV segment followed by a good festive demand season. Discounts extended by AL is being slashed and the wait period is lowered.

All the dealers indicated that nearly 90% of the transactions for the segment are financed backed. Customers preferences are distinctly different from the PV segment customers with zero tolerance for lower mileage or spare unavailability (due to paucity of time and tight budgets). As per dealers, the schemes extended by the government in current year have not fully reached the end-users.

EV in commercial vehicles segment has been a difficult proposition. This is in part due to lack of operator education, who otherwise prefer diesel and CNG.

# Passenger Vehicle dealers:

**Mahindra & Mahindra:** Sales in the last 3 months (September-November 2023) including the 42 days festive season (from Navratri to Diwali) have been ~1k units whereas the average monthly sales are ~250 units. XUV300 (W8 variant) and XUV700 (AX5 variant) are the highest selling models and have a waiting period of ~1 and ~3 months respectively. Most of the sales (~90%) are bank/NBFC financed.

**Maruti Suzuki:** Average monthly sales were ~200-250 units and sales during the 42 days festive season were ~275-300 units. Breeza & Ertiga remain the highest selling models with average waiting period of ~4-5 months. Average monthly financing mix in dealer's total sales is ~70-80%. December sales are picking up faster than expected following the price hikes announced by MSIL from January 2024 for most variants,

**Maruti Suzuki Nexa:** Total sales in the 42-day festive period in 2023 is ~120-130 units compared with average monthly sales of ~100 units and sales mix through financing option is ~80-90%. Grand Vitara (Alpha & Zeta variant), Fronx (Delta, Zeta & Alpha variant) & Jimny 5-door are the highest selling models with average waiting period of ~4-6 weeks.



**Tata Motors:** Tata Nexon and Punch are the highest selling models with a waiting period of ~8-10 weeks and 4 weeks respectively. Sales during the 42 days festive period were ~300 units and average monthly sales are ~100 units with a financing deal mix of ~70%, which is one of the reasons for the higher demand.

Dealers indicated that diesel models are still in demand for PV segment. Other preferences include CNG and hybrid.

Punch is steadily capturing Tiago's sales since the pricing structure of the two models are similar. Harrier is generally preferred by customers having bigger family and frequent long drives.

General waiting time for Harrier is 2-3 months and that for the Nexon diesel variant is ~2 months but could be reduced to 1 month for the 2023 models.

## 2-wheeler (2W) dealers:

**Hero MotoCorp:** Destini, Splendor, HF Deluxe & Harley X440 were the highest selling models in the recent period. While there is no waiting period of Destini, Splendor and HF Deluxe, waiting period for X440 is ~8 weeks with ~200 bookings yet to be delivered. Average sales during the festive period in 2023 is ~200-250 units, nearly 2-3x of the average monthly sale. In the 90-125cc segment, Hero Destini 125cc is now preferred over Hero Maestro, since Destini comprises a full metal body composition whereas Maestro has a fiber body composition.

**Chetak Premium:** Chetak units sale was ~250 in the festive period in 2023, nearly 3x of average monthly sale. Average financing mix in total sales is lower at ~20%. Chetak's battery has a range of ~90kms in a single 4 hours charge. Battery capacity is 2.9kw and battery life, as claimed by the company is ~7 years. Chetak has overtaken Ather Energy (as per Vahan registrations) in October 2023 as a result of better promotion and metal body composition. Moreover, Ather's E2W are belt driven models while Chetak is a direct drive model which has lesser friction and wear and tear as compared to belt driven models.

## **Tractor dealers:**

The Escorts Tractor dealers indicated 95% of the demand is financed with the down payment of about 10% for a Rs0.8mn tractor. A mid-size dealer holds 10 tractor inventory/month compared to nearly 100 tractors for large dealer size.

Tractor demand is lower in the Nasik and adjacent area due to uneven rainfall. With the new generation taking up agriculture activity, high-end tractors (40+ HP) are in demand. The old-time farmers still prefer ~30HP tractors. EV in the tractor segment will take time to be launched as power supply is still not consistent in the rural sector.

The dealers added, schemes announced by the union government in the budget have not fully reached the farmers. As per dealers, though clearances are received from the central government, the disbursement of funds from the local administration is often not quick enough, which adversely impacts demand for tractors.



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