

Automobile Sales Estimate – November 2020

26 November 2020

Festive demand–strong for PVs, Tractors; falls short of expectations for 2Ws

Automobile sales in November 2020 are likely to witness continued growth momentum on the back good festival demand, normalization of supply chain, strong sentiments from rural & semi urban markets and rise in preference for personal mobility. OEM commentaries suggest that festival demand remained strong for Passenger Vehicle (PVs) and Tractors while it fell short of expectations in case of Two Wheelers (2Ws). Dispatches from majority of the OEMs for Nov'20 are likely to improve YoY on a soft base as the festive season fell in October last year while it was in November this year. Our interactions with the PV dealers suggest that there was shortage of wholesales during Diwali period even while retail enquiries and bookings remained strong. For 2Ws, our interactions with dealers indicate that while the recovery was surprising, festive demand lagged vis-à-vis last year. Wholesales are expected to be higher than retail sales across the segments, in line with OEMs' earlier expectation of festive demand and owing to relatively lower channel inventory (lower than normal level). Demand continues to be inclined towards the lower end of the segments. Overall financing has improved as financiers returned during the festivals. However, loan processing is taking slightly longer and scrutiny remains on the higher side. We expect PV dispatches to improve YoY due to good festive demand, upcoming wedding season and soft base owing to overlapping of Diwali in November this year. Dealers witnessed supply shortage during the festive season and post festive channel inventory is low. Our channel checks suggest that demand has been higher in the entry-level segment and enquiries & bookings have been higher than last year's levels. Festive discounts were lower than normal due to tight demand-supply situation. 2W dispatches are expected to see YoY growth on the back of channel filling (owing to OEMs' earlier expectation of festive demand) and continued momentum in exports. Our interactions with the 2W dealers indicate that retail sales during festivals fell short of expectations and were lower YoY. Limited festive schemes also affected demand. We expect Tractor dispatches to continue to outperform other segments given the strong rural sentiments on the back of a good monsoon, leading to better kharif sowing. The government's stimulus package and increase in MSPs for Kharif crops have further boosted rural sentiments. We expect MHCV dispatches to continue its sequential recovery on improvement in fleet utilization levels. CV remains the worst affected segment due to economic slowdown. LCVs and SCVs to lead the recovery.

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Exhibit 1: Automobile sales estimate

	Nov-20E	Nov-19	YoY (%)	Oct-20	MoM (%)	Comments
Maruti Suzuki India						
Domestic sales	160,978	143,686	12.0	172,862	(6.9)	Expect Maruti to witness ~12% YoY increase in sales volume on good festive season with higher demand from the entry segment. Dealers witnessed supply shortage during the festive season.
Exports	8,333	6,944	20.0	9,586	(13.1)	
Total sales	169,311	150,630	12.4	182,448	(7.2)	
Mahindra & Mahindra						
Automotive	44,991	41,235	9.1	44,359	1.4	Expect tractor sales to see a 45% YoY growth, as demand continues to remain strong on healthy rural sentiments. Automotive sales are likely to witness gradual recovery, especially in the rural portfolio amid supply constraints.
Farm Equipment	30,496	21,032	45.0	46,558	(34.5)	
Total Sales	75,488	62,267	21.2	90,917	(17.0)	
Bajaj Auto						
Motorcycle	394,040	343,446	14.7	470,290	(16.2)	Expect motorcycle sales to grow by ~14.7% YoY with strong growth in export volume (~25% YoY growth). 3W sales are expected to decline by ~21.5% YoY, supported by recovery in export volume as domestic volume continues to remain weak.
Three-wheeler	46,892	59,777	(21.6)	41,748	12.3	
Total	440,932	403,223	9.4	512,038	(13.9)	
Exports out of the above	240,059	195,448	22.8	230,878	4.0	
Hero MotoCorp						
Motorcycle/scooter	700,230	516,775	35.5	806,848	(13.2)	Expect ~36% YoY growth on expectation of good festive season and low inventory.
TVS Motor Company						
Two-wheeler	297,972	249,350	19.5	382,121	(22.0)	2W sales are expected to grow by ~20% YoY. 3W sales are likely to improve MoM on further recovery in export volume with stable crude oil prices and steady forex rates in export markets.
Three-wheeler	17,639	17,232	2.4	12,603	40.0	
Total	315,611	266,582	18.4	394,724	(20.0)	
Ashok Leyland						
MHCV	5,924	5,966	(0.7)	4,588	29.1	MHCV dispatches are likely to witness some increase sequentially. YoY MHCV sales continue to remain weak on account of economic slowdown.
LCV	5,893	4,209	40.0	5,401	9.1	
Total sales	11,816	10,175	16.1	9,989	18.3	
Eicher Motors						
VECV	3,989	3,450	15.6	4,130	(3.4)	Expect RE's dispatches to increase YoY on strong order book and gradual ramp-up of operations.
Royal Enfield (RE)	70,000	60,411	15.9	66,891	4.6	

Source: Nirmal Bang Institutional Equities Research

Please refer to the disclaimer towards the end of the document.

Exhibit 2: OEM-wise vehicle registrations

Particulars	Nov-20*	Nov-19	YoY (%)	Oct-20	MoM (%)
Maruti Suzuki	149,004	137,943	8.0%	129,237	15.3%
M&M Auto	34,817	44,965	-22.6%	28,548	22.0%
Hero MotoCorp	504,881	683,681	-26.2%	337,910	49.4%
Bajaj Auto	158,792	251,902	-37.0%	128,115	23.9%
TVS Motor	190,663	244,243	-21.9%	158,260	20.5%
Royal Enfield	49,908	64,370	-22.5%	47,194	5.8%
M&M Tractors	20,226	18,745	7.9%	22,161	-8.7%
Escorts	5,027	5,305	-5.2%	5,784	-13.1%
Eicher Tractors	2,992	3,316	-9.8%	3,603	-17.0%
Tata Motors	40,645	43,420	-6.4%	34,039	19.4%
Ashok Leyland	6,030	9,954	-39.4%	5,298	13.8%
VECV	2,726	3,286	-17.0%	2,197	24.1%

Source: MoRTH, Nirmal Bang Institutional Equities Research

* Expected vehicle registrations for the full month based on vehicles registered up to 25th November.

Note: Registration data is for 1251 RTOs out of total 1459 RTOs

Exhibit 3: Segment-wise vehicle registrations during Navratri-Diwali festive period

Particulars	Festive period 2020*	Festive period 2019*	YoY (%)
2W	1,537,696	1,728,825	-11.1%
3W	28,529	75,438	-62.2%
PV	367,896	333,322	10.4%
Tractors	61,054	42,776	42.7%

Source: MoRTH, Nirmal Bang Institutional Equities Research

* Considered data for festive period + 7 days to consider lag effect in registration. Festive Period 2020: 17th October 2020 - 23rd November 2020; Festive Period 2019: 29th September 2019 - 5th November 2019

Note: Registration data is for 1251 RTOs out of total 1459 RTOs

Channel Checks Summary
Two-Wheelers

- Demand improved towards the Diwali period and the fast moving models at most of the OEMs were in short supply.
- In terms of geography, states like UP, MP, Bihar, Jharkhand and Odisha saw positive demand whereas Delhi, Haryana, Punjab and Rajasthan witnessed lower YoY sales.
- Strong rural demand and personal mobility continue to drive demand in the commuter segment, but weak economy, high sensitivity towards BS6 price increase and stringent financing (low LTV, higher cost of finance) are neutralizing the drive. Hero Moto continues to benefit from strong rural consumption and personal mobility is playing a bigger role in states which implemented 30% bus capacity strictly or where no buses were allowed to ply. Royal Enfield dealers didn't get enough stock to serve demand.
- Most dealers are carrying lower than normal inventory post festivals.

Passenger Vehicles

- Retail demand was strong. Enquiries & bookings witnessed continued momentum and were higher YoY. But, retail deliveries were affected due to lower dispatches during the festive season. This trend was seen across OEMs like Maruti Arena & Nexa channel, Hyundai, M&M, Tata Motors and Kia Motors. Many dealers witnessed order cancellations as they could not deliver the vehicles during festive days. The start of wedding season also aided demand in the Hindi belt.
- Top selling models were – Swift, WagonR, Alto, Ertiga and Brezza for Maruti; Creta, Venue, i20 for Hyundai; XUV300, Bolero and Scorpio for M&M; Altroz, Nexon and Tiago for Tata Motors.
- Waiting period for top selling models for Tata Motors, Hyundai and Kia Motors stood between 8-12 weeks.
- Discounts were lower sequentially due to demand-supply mismatch. Best-selling/new models like Venue, Creta, Brezza, Ertiga and Bolero did not have any discounts.
- Overall inventory remained significantly lower than normal (available for only slow moving variants).

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