



- In an attempt to test the pulse of 2 Wheelers, Passenger Vehicles and Tractors just before the bimonthly festive season, we interacted with several dealers in the country.
- We know that the auto sector was the worst affected during the pandemic, but bounced back also too quickly as the economy started to open up.
- The consumer oriented sectors (2W, PVs and tractors) within the auto industry are the biggest beneficiaries of this bounce back.
- Our interactions covered dealers of the following OEMs

Two Wheelers	Passenger Vehicles	Farm Equipments
Bajaj Auto	Maruti Suzuki	Escorts
Hero Moto	Hyundai Motors	Mahindra & Mahindra
TVS Motors	Tata Motors	Sonalika
	KIA Motors	ACE



Aditya Motors

SHIVANGH  
AUTOMOBILES



- Retail demand for 2Ws is good. In September, the inauspicious period of 15 days of 'shradh paksh' was however more than offset by the auspicious fortnight of 'adhik maas'.
- 2Ws benefit from pent-up demand, personal mobility driven by social distancing norms and good monsoons driving rural demand.
- Demand in small cities and rural India is much better than urban or Tier-1 cities.
- OEMs have started pushing inventory to dealers as production for most of the OEMs has reached more than pre-Covid levels. Hence, the inventory situation has improved to 3-4 weeks.
- Labour issues faced in pandemic are almost resolved as labour returned from their native places. This led to higher production thus in turn leading to increased level of dispatches.
- Supply side issues from auto ancillaries have eased up to a great extent as compared to the lockdown times, however some 2W companies like TVS are facing shortage of certain components more than other OEMs.
- Hero is temporarily facing issues like shortage of batteries, which the dealers mentioned as temporary and will be sorted out soon.
- Scooters demand is still low due to continued closure of schools and colleges and slower growth in urban markets as compared to rural markets.
- As far as financing is concerned, banks and NBFCs have become very aggressive and are offering loans at attractive rates especially for Hero. Majority customers are not facing any issues in getting loans.



- For the upcoming festive season, urban dealers believe that on subdued base of last year, the retail sales of 2W, especially Hero sales should grow somewhere in between 5-10%. However, other dealers are slightly tentative in their view and expect flat to 5% growth.
- Rural dealers are however more upbeat than urban dealers and are expecting the festive sales to grow at 10-15% especially for Hero in the Northern, Central and Western markets where Diwali is a big festival. Eastern markets are expecting higher October sales due to Durga Pooja.
- Some dealers expect urban sales to match the rural sales in the festive season.
- Footfall conversion ratio is now up at 35-40% across dealerships.
- There has been a conspicuous down-trading happening in the 2W industry as entry level bikes are finding higher demand. Passion, CD Dawn, HF Deluxe and Splendor from Hero's stable are high on demand. Jupiter, Ntorq 125 scooters belonging to TVS are performing good. Their Star City 125 and Apache 160cc bikes are also performing well. For Bajaj, CT 100 and lower versions of Pulsar are finding good demand. Hero's Xtreme 160R is also an instant success.
- Among the total buyers, first time buyers are the biggest contributors since public transport is not considered to be safe and some offices have restarted.
- There is hardly any discounting going on right now, however dealers are expecting new discount schemes by 15th of October, just before the start of Navratri. However, no big discounts are expected.
- Post lockdown, Bajaj took an average price increase of Rs2000, while TVS took it 2-3 times, which accounted to a total of about 2%.



- PV demand has been quite robust currently. September also did not witness any slowdown despite 'shraddh paksh'. Adhik maas on the other hand has triggered the sales in September and initial part of October.
- There is a strong demand for PVs of Maruti and Tata Motors. Even Hyundai is performing well, but is facing some vendor issues. The worst hit due to vendor issues is M&M (both on autos side as well as Tractors side).
- Personal mobility, lack of public transport facility, festive purchases, some pent-up demand and rural momentum is leading to surge in PV demand.
- Hyundai retail sales are expected to witness single digit growth, while M&M dealers are expecting supply issues to settle down by festival.
- Maruti and Tata Motors dealers are sounding quite upbeat with no supply side constraints and festive demand expectations as good as last year or a double digit growth.
- Tata Motors dealers remain the most confident with strong enquiries and footfall conversion rates happening. Even online buying is finding a good momentum.
- Within Maruti, its Arena part of the dealerships is performing better than Nexa. Within Arena, Alto and Wagon R are doing well, while Celerio is showing subdued sales. Within Nexa, except S-Cross all other models are performing well. Nexa sales are expected to pick up well by festive season.
- Increased demand for Alto, Wagon R indicates down-trading owing to lower affordability stemming from job losses and salary cuts of customers during lockdown. Maximum competition is in UV segment mainly from Hyundai and KIA.



- Currently for Maruti, regular discounting is happening, which may get heightened a bit during festive season.
- There are currently no supply side issues for Maruti, Hyundai and Tata; even financing is also not a problem.
- For all the PVs too, first time buyer category is the highest.
- For Hyundai, Creta, Venue, Verna and Nios are the best sellers. Verna segment is facing competition, while Elite i20 customers are now turning to Nios.
- Tata Motors has surprised one and all in its growth rate, with very high demand for Nexon, Tiago and Altroz. Discounts are quite low with no issues on inventory or financing side. Dealers expecting a superb festive season.
- All the models and variants of M&M are facing supply side issues. However, dealers anticipate this issue to get sorted out by festivals. After a sharp de-growth in September retails, the dealers expect small growth in festive season.
- XUV500, XUV 300 and Scorpio are the best performers for M&M, while the new Thar launch is a big success. It has a long waiting period. The discount levels are at the lowest for all the models. M&M has taken price increase twice ; upto 2.5%.
- KIA dealers mentioned that Seltos is the biggest selling model of the company as of now and is giving tough competition to its rivals in that segment. Secondly, the upcoming Sonnet launch has got an overwhelming response. It has waiting period of ~2 months.





Jattari  
Automobiles



- Retail demand has been robust for tractors, thanks to positive rural sentiments, improvement in MSPs, superior farm income, surplus rainfall and government's increased outlay for agriculture.
- Retailers expect that the robust first half sales post opening up of their dealerships in May is expected to heighten in second half, particularly in the festive season.
- Demand is very strong as compared to supply. Retailers expect 25-30% growth in yoy sales in festive season especially Sonalika, ACE, TAFE and International Tractor manufacturers.
- M&M and Escorts dealers are facing supply issues than the smaller players. Hence we expect the big guys to lose market share in the upcoming festive season.
- However most companies are working at close to 90-100% capacity utilisation rates and may shortly need to increase their capacities or shift timings.
- The demand is for higher HP tractors – 40-60 HP. Even first time buyers form a bigger chunk as far as the customer profile is concerned.
- Dealers expect demand to continue to be robust till Nov end, then face a little bit slowdown till mid Jan and then rise again till March end.
- Finance availability is not at all a concern for tractor buyers. Banks and NBFCs are quite aggressive in lending.
- Northern and western markets are performing stronger than southern and eastern markets. Demand in East is expected to rise during Durga Pooja in October.
- Inventory level is too low at just around 10-12 days. This is expected to improve by festive season.
- There is zero discounting going on currently, which may move up slightly during festivities.



SHIVANGH  
AUTOMOBILES

Yogesh Tractors

- FADA mentioned that since production ramp up is happening at many OEMs, dealers are getting flooded with inventories, mainly on the 2W and PV side, except the dealers of the manufacturers which are facing supply side issues. This may rise further by festive season.
- Retail demand according to them is yet to reach a meaningful level for 2W and PVs.
- They expect the festive season to be moderate, which if turns out to be subdued then the sector will be in a soup.
- Retailers according to FADA are a bit too optimistic about the festive demand and may face profitability issues if the demand does not pan out as per expectations.
- They mentioned that the pent-up demand is fading out and now the demand should rise only when the fear of pandemic fades and positive sentiments increase.
- Hence, we would say that FADA is cautiously optimistic about the overall consumer demand.
- However, they are seeing a meaningful rise in rural sentiments and demand.
- As far as CV demand is concerned, they mentioned that it is still in doldrums though there is a sequential growth. They are unsure about the pick-up. Only LCVs are expected to be the ray of hope for this sector.
- On tractors they sounded quite upbeat and expect a solid growth hereon as well.

## DISCLAIMERS AND DISCLOSURES

LKP Sec. Ltd. (CIN-L67120MH1994PLC080039, www. Lkpsec.com) and its affiliates are a full-fledged, brokerage and financing group. LKP was established in 1992 and is one of India's leading brokerage and distribution house. LKP is a corporate trading member of Bombay Stock Exchange Limited (BSE), National Stock Exchange of India Limited (NSE), MCX Stock Exchange Limited (MCX-SX). LKP along with its subsidiaries offers the most comprehensive avenues for investments and is engaged in the businesses including stock broking (Institutional and retail), merchant banking, commodity broking, depository participant, insurance broking and services rendered in connection with distribution of primary market issues and financial products like mutual funds etc.

LKP hereby declares that it has not defaulted with any stock exchange nor its activities were suspended by any stock exchange with whom it is registered in last five years. However, SEBI and Stock Exchanges have conducted the routine inspection and based on their observations have issued advice letters or levied minor penalty on LKP for certain operational deviations in ordinary/routine course of business. LKP has not been debarred from doing business by any Stock Exchange / SEBI or any other authorities; nor has its certificate of registration been cancelled by SEBI at any point of time.

LKP offers research services to clients. The analyst for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject company or companies and its or their securities, and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report.

Other disclosures by LKP and its Research Analyst under SEBI (Research Analyst) Regulations, 2014 with reference to the subject company(s) covered in this report:-

Research Analyst or his/her relative's financial interest in the subject company. (NO)

LKP or its associates may have financial interest in the subject company.

LKP or its associates and Research Analyst or his/her relative's does not have any material conflict of interest in the subject company. The research Analyst or research entity (LKP) has not been engaged in market making activity for the subject company.

LKP or its associates may have actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of Research Report.

Research Analyst or his/her relatives have actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of Research Report: (NO)

LKP or its associates may have received any compensation including for investment banking or merchant banking or brokerage services from the subject company in the past 12 months.

LKP or its associates may have received compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past 12 months.

LKP or its associates may have received any compensation or other benefits from the Subject Company or third party in connection with the research report.

Subject Company may have been client of LKP or its associates during twelve months preceding the date of distribution of the research report and LKP may have co-managed public offering of securities for the subject company in the past twelve months.

Research Analyst has served as officer, director or employee of the subject company: (NO)

LKP and/or its affiliates may seek investment banking or other business from the company or companies that are the subject of this material. Our salespeople, traders, and other professionals may provide oral or written market commentary or trading strategies to our clients that reflect opinions that are contrary to the opinions expressed herein, and our proprietary trading and investing businesses may make investment decisions that may be inconsistent with the recommendations expressed herein.

In reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest including but not limited to those stated herein. Additionally, other important information regarding our relationships with the company or companies that are the subject of this material is provided herein. This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or which would subject LKP or its group companies to any registration or licensing requirement within such jurisdiction. Specifically, this document does not constitute an offer to or solicitation to any U.S. person for the purchase or sale of any financial instrument or as an official confirmation of any transaction to any U.S. person.

Unless otherwise stated, this message should not be construed as official confirmation of any transaction. No part of this document may be distributed in Canada or used by private customers in United Kingdom.

All trademarks, service marks and logos used in this report are trademarks or registered trademarks of LKP or its Group Companies. The information contained herein is not intended for publication or distribution or circulation in any manner whatsoever and any unauthorized reading, dissemination, distribution or copying of this communication is prohibited unless otherwise expressly authorized. Please ensure that you have read "Risk Disclosure Document for Capital Market and Derivatives Segments" as prescribed by Securities and Exchange Board of India before investing in Indian Securities Market. In so far as this report includes current or historic information, it is believed to be reliable, although its accuracy and completeness cannot be guaranteed.

All material presented in this report, unless specifically indicated otherwise, is under copyright to LKP. None of the material, nor its content, nor any copy of it, may be altered in any way, transmitted to, copied or distributed to any other party, without the prior express written permission of LKP.