

October 31, 2018

Automotive Sales – The Lost Momentum, Hopes Alive

The festive season remained dull and most of the leaders in different segments started recording a de-growth. The Navratri season started very soft followed by no excitement in Dussehra.

Few reasons for dejected growth this season are:

1. Insurance policy changes
2. Higher fuel prices
3. Rising interest rates
4. Recent increase in the vehicle prices
5. Near deficit monsoon in 2018 and
6. Higher base of last year

Most of the dealers noticed that the customer footfalls have been lower this time and the conversion rate remains miserable. All the above things along with the recent rout in the markets have depressed the customer sentiments.

New launches and Increase in freebies to support growth

During dealers' check, we understand that the OEMs have started giving discounts and multiple offers to lure customers. The average discounting is higher than the last year's festive season. The company has launched and has plans to launch new variants/models viz. Hyundai's new Santro, Maruti's Ertiga, Ciaz's & WagonR Facelift, Honda's CRV, Mahindra's Marazzo, Tata's upgraded Tiago and Tigor models. Other refreshers also include new Xcent, Grand i10, etc

The commercial vehicle sustained its momentum

A lot of development in the infrastructure, no changes in the insurance policy and high level of discounting has kept the momentum sustained in the CV. The discounts remain higher due to intense competition and to gain the market share. On the other side, the dealers said that post IL&FS crisis and NBFCs liquidity issues, the financiers have decreased the level of financing and it happens to top rated customers. The NBFCs looks other lower rated customers via microscope and asks for granular details. Although, the growth would be there for this quarter, but, on a reduced scale. This we expect it to cover-up in the 4th quarter.

We have visited multiple dealers to check on-ground reality of the automotive demand. The below are the summarized comments.

Hero MotoCorp:

1. **The market leader in the motorcycle sees a drop of 10-15% YoY in this festive season.** The dealers are giving almost similar reason for the drop, 'Higher Insurance Prices'. Although, the dealers spent most of its time in explaining the benefits of taking a five years insurance policy, but, an increase of 8,000-10,000 per vehicle compelled the customers to postpone purchase of the vehicle. This hike in the insurance prices is very severe in the rural areas.
2. **The dealers were very optimistic and betting on the remaining festive season to boost its sales.** They expect to improve the volume sales led by higher discounting/offers, attractive new launches such as Destini, Xtreme 200R and a few upcoming launches in the premium motorcycles & scooters. Additionally, the Hero's entry level motorcycle and scooters have been doing well.
3. **The cash discounts** of Rs. 3,000 were offered during *Dussehra*. Other offers are going on and is comparatively higher compared to the last year. There is no waiting period for any models and the footfall to conversion rate remains at a similar level of 40%.
4. **Its top selling models** are Passion Pro, Splendor Plus and Mastero Edge.

Honda Motorcycle and Scooters India

1. **The dealers of Honda 2Ws are also not behind in concluding a slowdown in the growth during this festive season.** The *Navratri* was soft and compulsory insurance of five years restricted buyers to postponed its purchases. Additionally, Honda has increase its prices by Rs. 350 on 1st October. All this has dampened the customer sentiments. The dealers are neither positive nor negative for the remaining festive season.
2. **It offers an average discount** of close to Rs. 750 per unit and the discounting remains at a similar level. There is no waiting period for any model.
3. **The top selling models** are *Activa & Grazia* on the scooters side and *Unicorn, CB Hornet* and *Shine* on the motorcycle segment.
4. **The new launch is far away in FY20.** The conversion rate is high at 80% and is almost at a similar level.

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Maruti Suzuki India

- The demand for the leader was clearly remained very soft** specially during Navratri as it is clearly visible in the high levels of discounts. The discounts at present is Rs. 20-25K per vehicle, which is higher than the last year's festive season. During our visit, we have noted that the footfalls have decreased drastically and there were hardly any customers.
- The company has not been able to take any price increase** as the demand continues to remain soft. There is no waiting period on any of its models except Brezza.
- The dealers expect an upgraded version of Ertiga** by the end of November 2018. Although they said the festive season is going fine, but higher levels of discounts and clear reduction in the footfalls doesn't match with the statement.
- The softness in the demand was attributable to the higher fuel prices & increasing interest rates.** Overall, things look dull, but, the dealers remain optimistic for the upcoming festivals.

Discounts during Navratri

Maruti Model	Cash Discount	Exchange Bonus	Additional Benefits
Maruti Suzuki Alto 800	Rs 40,000	Rs 50,000	-
Maruti Suzuki Alto K10	Rs 50,000	Rs 65,000	-
Maruti Suzuki Wagon R	Rs 1,00,000	Rs 85,000	-
Maruti Suzuki Celerio	Rs 95,000	Rs 40,000	-
Maruti Suzuki Ertiga	Rs 40,000	Rs 60,000	-
Maruti Suzuki Ciaz	No offer	-	-
Maruti Suzuki Ignis Petrol	No offer	-	-
Maruti Suzuki Dzire	Rs 40,000	Rs 50,000	-
Maruti Suzuki Baleno	Rs 10000	Rs 20,000	Corporate discount: Rs 15,000
Maruti Suzuki Brezza	No discounts	-	-
Maruti Suzuki Swift	Rs 30,000	Rs 35,000	-

Discounts during Navratri

Hyundai Model	Cash Discount	Exchange Discounts	Additional Discount & Benefits
Hyundai Eon	Rs 40,000	Rs 10,000	-
Hyundai Grand i10	Rs 90,000	Rs 40,000	Rs 5,000
Hyundai Elite i20/Active i20	Rs 25,000	Rs 30,000	Rs 5,000
Hyundai Verna	Rs 20,000	Rs 20,000	Rs 20,000
Hyundai Elantra	-	Rs 25,000	Rs 35,000
Hyundai Tucson	-	Rs 30,000	Rs 50,000
Hyundai Xcent	Rs 40,000	Rs 45,000	Rs 5,000

Hyundai Motors

- During our complete dealers check, Hyundai Motors was an exception in the PV**, where the dealers look happy with the YoY growth during the festive season majorly led by its newly launched Santro, and it's Creta & Verna has been selling very well. When we visited, the showroom looks packed with customers and the outlook for the upcoming Diwali and Dhanteras has been very optimistic.
- The dealers reported that the waiting period for Creta is 6-8 weeks**, while for Santro it's 3-4 weeks. The Santro to remain a successful car as the bookings have been strong & expects the momentum to sustain. It's top selling model also includes Hyundai Grand i10.
- Although discounting has been going on in Hyundai too, however, it's at a similar level.** There seems to be no impact on demand due to the recent hike in the insurance prices.
- At present, no new launches are expected from Hyundai.**
- On the other side, while the demand remains strong, but the footfall to conversion rate declined a little as compared to the previous year.**

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Bajaj Auto:

- The dealers can see a volume growth of close to 7% during this festive season.** The growth has been good and the outlook is positive for upcoming festive season.
- We have noticed that for buying a 2W, the customers doesn't wait for any festival to come as the income levels are rising and due to easy financing options. Hence, the effect of festival season for 2W industry is fading slowly.
- However, the dealer offers a discount of Rs. 2,000-3,000 per unit** as compared to almost nil discount in the previous year's festivals. The hike in the insurance prices has a negative impact on the demand, however, the sales have not come in a de-growth zone yet.
- Bajaj Auto's top selling models are Avengers + Pulsar Family.** The company has taken a price increase of Rs. 1,000 to offset the rising RM costs.
- The footfall to conversion rate is maintained at 40%**, same as the previous year and the waiting period is zero for all the models. It has not faced any liquidity issues in financing from NBFCs.

Royal Enfield:

- The RE motorcycle dealers expect 5% de-growth in the volumes in this festive season** majorly impacted due to dull customer sentiments. The footfall to conversion rate has come down from 60% in last year to 45% this year.
- However, the outlook is very optimistic** as the company is going to launch its two most exciting motorcycles viz. a) Twins Interceptor 650 & b) Continental GT 650.
- RE doesn't give any discounts on the vehicle**, however, it started giving some discounts on the accessories. It's 80% of the sales comes from Classic 350cc.
- The price has increased by Rs. 10,000 per unit, due to additional features.** The ratio of financing remains at 60%.

TVS Motors

- The dealers of TVS Motors were sounding depressed** by seeing a double digit de-growth during this festive season. The outlook too remained flat for rest of the festivals.
- The top reasons for decline in sales:** a) insurance bouncer b) intense competition & c) price increase.
- TVS Motors has taken a price increase** of ~Rs. 1,000 in the last seven months of this fiscal.
- NTORQ, Apache and Jupiter are doing fine.**
- There is no waiting period** for any of the models and no new launch is expected.
- The dealers provide discounts** on accessories and Rs. 1,000 cash discount selectively.

Tata Motors

- Tata Motors in the past several quarters have reported higher than the industry growth. This festive, although there is a softness in the demand, but by interacting with the dealers, we understand it will report a single digit growth during this festive season.
- The outlook remains positive for rest of the festive season** led by its popular successful models viz. Tiago, Tigor, Nexon & Hexa. The company kept launching newer products and refreshers to excite the customers.

Tata Models	Cash Discounts	Exchange Bonus	For Corporates/Government Employees
Tata Tiago	Rs 60,000	Rs 10,000	Rs 2,000
Tata Tigor	Rs 60,000	Rs 20,000	Rs 2,500
Tata Zest	Rs 45,000	Rs 25,000	Rs 2,700
Tata Nexon	Rs 10,000	Rs 15,000	Rs 3,000
Tata Hexa	Rs 25,000	Rs 25,000	Rs 3,000

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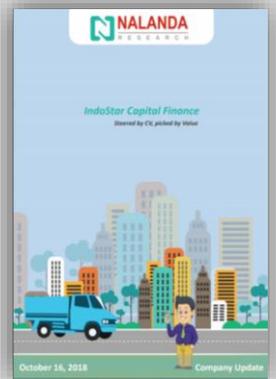
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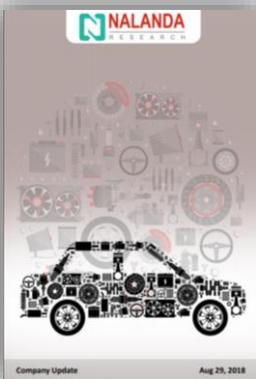
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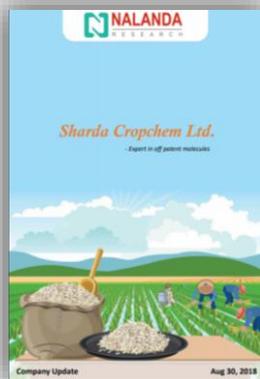
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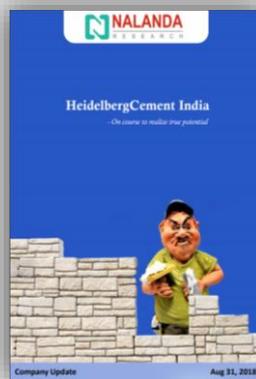
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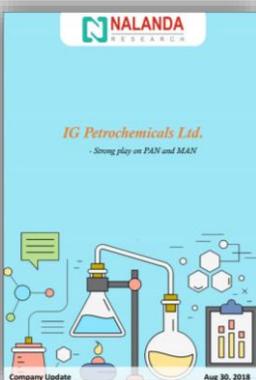
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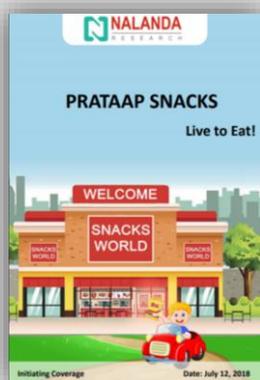
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