

## India

March 02, 2024 - 9:40 AM

**Overweight** (no change)**Highlighted Companies****Bajaj Auto****ADD, TP Rs8090, Rs7909 close**

Recovery in 2W demand momentum and EV volume uptick to aid the company's strong profitability trend. Easing risk of 3W EV on its profitability to reduce investors' concerns.

**Maruti Suzuki****ADD, TP Rs12554, Rs11288 close**

Lower dealer inventory vs. peers and benign commodity costs to help sustain EBIT margin expansion. The new E-SUV launch in CY24F is eagerly awaited.

**TVS Motor Co Ltd****REDUCE, TP Rs1485, Rs2139 close**

Market share expansion in ICE vehicles and EVs impress, but poor capital allocation to global ventures is a cause of concern.

**Summary Valuation Metrics**

P/E (x)	Mar24-F	Mar25-F	Mar26-F
Bajaj Auto	31.33	26.27	23.47
Maruti Suzuki	27.21	23.25	21.85
TVS Motor Co Ltd	51.15	52.32	47.46

P/BV (x)	Mar24-F	Mar25-F	Mar26-F
Bajaj Auto	7.86	7.14	6.56
Maruti Suzuki	5.15	3.88	3.5
TVS Motor Co Ltd	13.32	11.17	9.5

Dividend Yield	Mar24-F	Mar25-F	Mar26-F
Bajaj Auto	2.15%	2.53%	3.03%
Maruti Suzuki	1.28%	1.55%	1.77%
TVS Motor Co Ltd	0.4%	0.47%	0.54%

**Research Analyst(s)****Pramod AMTHE**

T (91) 22 4161 1541

E pramod.amthe@incredresearch.com

**Ravi GUPTA**

T (91) 02241611552

E ravi.gupta@incredresearch.com

**Autos****2W volume recovery sustains in Feb 2024**

- The low base benefit provided good growth for two-wheeler or 2W OEMs in Feb 2024, while the weakness prevailed in commercial vehicles and tractors.
- Outperformance in Ashok Leyland & Maruti Suzuki volume aids our ADD rating while the miss in Escorts Kubota & Tata Motors support our REDUCE rating.
- We maintain our Overweight stance on the automotive sector with an ADD rating on 7 out of 16 stocks in our coverage universe.

**Feb 2024 sales volume highlights**

- The YoY growth leaders were TVS Motor Company (+33%), Bajaj Auto (+24%), Hero MotoCorp (+19%), Maruti Suzuki (+15%), Mahindra & Mahindra or M&M (+12%), Tata Motors (+8%) and Eicher Motors (+6%). The YoY laggards were Escorts Kubota (-17%) and Ashok Leyland (-6%).
- The MoM growth leaders were TVS Motor Company (+22%), Ashok Leyland (+10%), Hero MotoCorp (+8%) and Escorts Kubota (+5%). The MoM laggards were M&M (-3%), Bajaj Auto (-3%) and Maruti Suzuki (-1%).
- Beat vs. our expectations: Ashok Leyland (+17%), TVS Motor Company (+14%), Maruti Suzuki (+13%), Hero MotoCorp (+11%), M&M (+4%) and Eicher Motors (+3%).
- Miss vs. our expectations: Escorts Kubota (-33%), Bajaj Auto (-1%) and Tata Motors (-1%).
- Vahan retail sales, and the volume in two-wheelers or 2W and car volume grew in single digits on a yoy basis. The electric vehicle or EV retail sales witnessed a growth of 26% yoy. On a MoM basis, the volume in retail passenger vehicles or PVs declined by 17% while 2W and EV volume remained flat. TVS Motor Company, Tata Motors and Ashok Leyland's CV market share uptrend continues. Tata Motor's PV market share fell.

**Maintain overweight rating on the sector**

- We reiterate our Overweight stance on the automotive sector, as the NSE auto index trading just above the 10-year mean level is supported by volume and EBITDA surprises. We remain selective in stocks, as the run-up in the index and individual stocks in recent months has stretched the valuations. Relatively, we see value in Maruti Suzuki, where its stock price reaction is much lower than the volume/EBITDA beat while excessive stock price returns for a marginal volume/EBITDA upgrade was seen in the case of TVS Motor Company, Hero MotoCorp and Tata Motors on whom we have a REDUCE rating.
- Our order of preference is Maruti Suzuki, Bajaj Auto and Ashok Leyland, all having our ADD rating. We reiterate our REDUCE rating on Tata Motors, TVS Motor Company and Eicher Motors. Tractor demand challenges led to our HOLD rating on M&M and a REDUCE rating on Escorts Kubota.
- In the auto ancillary segment, we have an ADD rating on Bharat Forge, Samvardhana Motherson International or SAMIL, Endurance Technologies and Exide Industries while we have a REDUCE rating on Bosch, Apollo Tyres and Balkrishna Industries.

**Figure 1: Monthly automobile wholesale dispatches**

Company	Feb-24	YoY %	MoM %	Apr 23-Feb 24	YoY %	vs. forecast
Maruti Suzuki	1,97,471	14.6	(0.9)	19,48,127	8.5	12.8
Mahindra & Mahindra	94,595	11.8	(3.4)	11,08,889	10.3	4.1
Tata Motors	86,406	8.4	0.3	8,76,781	1.5	(0.7)
Bajaj Auto	3,46,662	23.7	(2.6)	39,85,029	9.6	(1.0)
Eicher Motors	83,537	6.0	0.3	9,21,408	11.0	2.5
Hero MotoCorp	4,68,410	18.7	8.0	51,31,040	6.7	11.0
TVS Motor	3,68,424	33.4	22.1	38,70,640	15.0	14.2
Ashok Leyland	17,464	(6.0)	9.6	1,71,819	2.1	16.8
Escorts Kubota	6,481	(17.0)	4.8	87,266	(6.2)	(32.5)

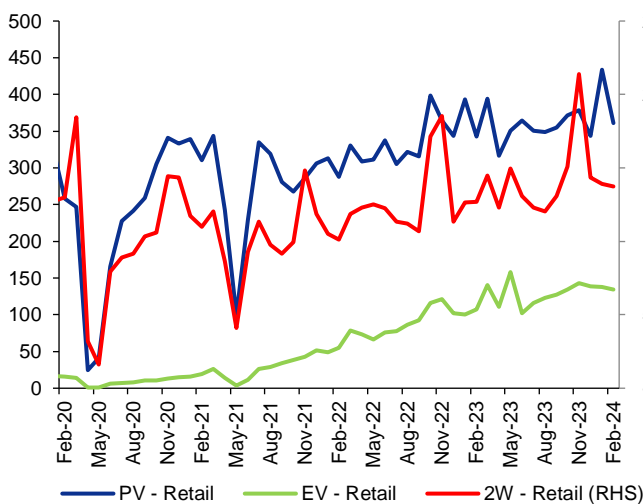
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 2: Company-wise monthly wholesale auto dispatches

Company	Feb-24	YoY %	MoM %	Apr 23-Feb 24	YoY %	vs. forecast
<b>Maruti Suzuki</b>						
Domestic	1,68,544	8.7	(3.9)	16,90,952	7.9	10.2
Exports	28,927	68.1	20.9	2,57,175	12.2	31.5
<b>Grand Total</b>	<b>1,97,471</b>	<b>14.6</b>	<b>(0.9)</b>	<b>19,48,127</b>	<b>8.5</b>	<b>12.8</b>
<b>Mahindra &amp; Mahindra</b>						
Utility Vehicles	42,401	39.7	(1.5)	4,19,247	29.7	6.0
Pick-up, Gio & Maxximo	19,925	0.9	(5.8)	2,26,005	3.8	(0.4)
3-Wheelers	6,158	15.1	9.0	72,310	36.9	2.6
Trucks & Buses	2,900	166.8	24.7	15,875	85.3	93.3
Tractors	21,672	(16.0)	(9.5)	3,52,362	(5.4)	(1.0)
Auto Exports	1,539	(31.6)	(11.9)	23,090	(23.0)	2.6
<b>Grand Total</b>	<b>94,595</b>	<b>11.8</b>	<b>(3.4)</b>	<b>11,08,889</b>	<b>10.3</b>	<b>4.1</b>
<b>Tata Motors</b>						
CVs	35,085	(4.0)	9.3	3,53,583	(3.6)	(5.2)
PVs	51,321	19.0	(5.0)	5,23,198	5.3	2.6
<b>Grand Total</b>	<b>86,406</b>	<b>8.4</b>	<b>0.3</b>	<b>8,76,781</b>	<b>1.5</b>	<b>(0.7)</b>
<b>Bajaj Auto</b>						
Motorcycles	2,94,684	25.2	(4.4)	34,14,038	6.8	(1.8)
3-Wheelers	51,978	15.8	8.8	5,70,991	29.6	4.0
<b>Grand Total</b>	<b>3,46,662</b>	<b>23.7</b>	<b>(2.6)</b>	<b>39,85,029</b>	<b>9.6</b>	<b>(1.0)</b>
<b>Eicher Motors</b>						
Royal Enfield	75,935	6.1	(0.3)	8,44,236	10.7	3.3
VECV	7,602	4.3	7.6	77,172	14.0	(4.9)
<b>Grand Total</b>	<b>83,537</b>	<b>6.0</b>	<b>0.3</b>	<b>9,21,408</b>	<b>11.0</b>	<b>2.5</b>
<b>Hero MotoCorp</b>						
<b>Grand Total</b>	<b>4,68,410</b>	<b>18.7</b>	<b>8.0</b>	<b>51,31,040</b>	<b>6.7</b>	<b>11.0</b>
<b>TVS Motor</b>						
Domestic 2W	2,67,502	20.8	24.4	29,08,685	23.4	19.4
Export 2W	90,308	97.9	20.3	8,26,430	(2.6)	7.4
3W	10,614	16.3	(8.5)	1,35,525	(15.0)	(27.3)
<b>Grand Total</b>	<b>3,68,424</b>	<b>33.4</b>	<b>22.1</b>	<b>38,70,640</b>	<b>15.0</b>	<b>14.2</b>
<b>Ashok Leyland</b>						
MHCVs	11,369	(10.3)	11.3	1,09,323	1.9	16.6
LCVs	6,095	3.3	6.5	62,496	2.5	17.2
<b>Grand Total</b>	<b>17,464</b>	<b>(6.0)</b>	<b>9.6</b>	<b>1,71,819</b>	<b>2.1</b>	<b>16.8</b>
<b>Escorts Kubota</b>						
Domestic	6,041	(16.6)	3.9	82,180	(4.1)	(30.6)
Exports	440	(22.3)	19.6	5,086	(30.5)	(51.1)
<b>Grand Total</b>	<b>6,481</b>	<b>(17.0)</b>	<b>4.8</b>	<b>87,266</b>	<b>(6.2)</b>	<b>(32.5)</b>

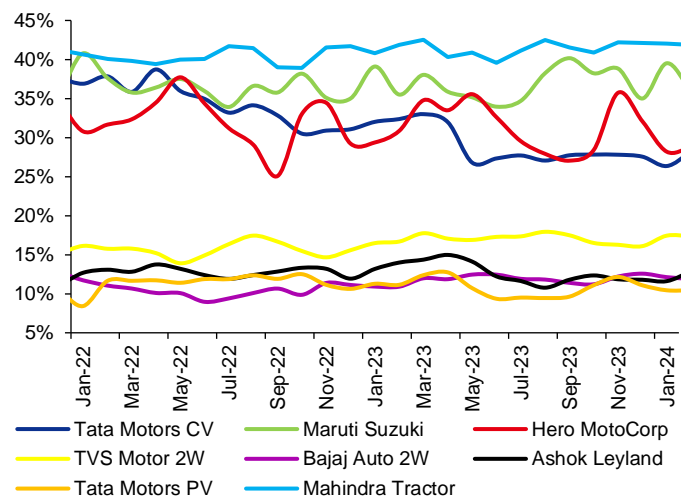
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 3: Domestic retail sales growth trend (in '000 units)



SOURCE: VAHAN, INCRED RESEARCH

Figure 4: Domestic retail segment market share of various players



SOURCE: VAHAN, INCRED RESEARCH

---

## DISCLAIMER

---

This report (including the views and opinions expressed therein, and the information comprised therein) has been prepared by Incred Research Services Private Ltd. (formerly known as Earnest Innovation Partners Private Limited) (hereinafter referred to as "IRSPL"). IRSPL is registered with SEBI as a Research Analyst vide Registration No. INH000011024. Pursuant to a trademark agreement, IRSPL has adopted "Incred Equities" as its trademark for use in this report.

The term "IRSPL" shall, unless the context otherwise requires, mean IRSPL and its affiliates, subsidiaries and related companies. This report is not directed or intended for distribution to or use by any person or entity resident in a state, country or any jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject IRSPL and its affiliates/group companies to registration or licensing requirements within such jurisdictions.

This report is being supplied to you strictly on the basis that it will remain confidential. No part of this report may be (i) copied, photocopied, duplicated, stored or reproduced in any form by any means; or (ii) redistributed or passed on, directly or indirectly, to any other person in whole or in part, for any purpose without the prior written consent of IRSPL.

The information contained in this report is prepared from data believed to be correct and reliable at the time of issue of this report.

IRSPL is not required to issue regular reports on the subject matter of this report at any frequency and it may cease to do so or change the periodicity of reports at any time. IRSPL is not under any obligation to update this report in the event of a material change to the information contained in this report. IRSPL has not any and will not accept any, obligation to (i) check or ensure that the contents of this report remain current, reliable or relevant; (ii) ensure that the content of this report constitutes all the information a prospective investor may require; (iii) ensure the adequacy, accuracy, completeness, reliability or fairness of any views, opinions and information, and accordingly, IRSPL and its affiliates/group companies (and their respective directors, associates, connected persons and/or employees) shall not be liable in any manner whatsoever for any consequences (including but not limited to any direct, indirect or consequential losses, loss of profits and damages) of any reliance thereon or usage thereof.

Unless otherwise specified, this report is based upon reasonable sources. Such sources will, unless otherwise specified, for market data, be market data and prices available from the main stock exchange or market where the relevant security is listed, or, where appropriate, any other market. Information on the accounts and business of company(ies) will generally be based on published statements of the company(ies), information disseminated by regulatory information services, other publicly available information and information resulting from our research. Whilst every effort is made to ensure that statements of facts made in this report are accurate, all estimates, projections, forecasts, expressions of opinion and other subjective judgments contained in this report are based on assumptions considered to be reasonable as of the date of the document in which they are contained and must not be construed as a representation that the matters referred to therein will occur. Past performance is not a reliable indicator of future performance. The value of investments may go down as well as up and those investing may, depending on the investments in question, lose more than the initial investment. No report shall constitute an offer or an invitation by or on behalf of IRSPL and its affiliates/group companies to any person to buy or sell any investments.

The opinions expressed are based on information which are believed to be accurate and complete and obtained through reliable public or other non-confidential sources at the time made. (Information barriers and other arrangements may be established where necessary to prevent conflicts of interests arising. However, the analyst(s) may receive compensation that is based on his/their coverage of company(ies) in the performance of his/their duties or the performance of his/their recommendations. In reviewing this report, an investor should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest. Additional information is, subject to the duties of confidentiality, available on request.

The report is not a "prospectus" as defined under Indian Law, including the Companies Act, 2013, and is not, and shall not be, approved by, or filed or registered with, any Indian regulator, including any Registrar of Companies in India, SEBI, any Indian stock exchange, or the Reserve Bank of India. No offer, or invitation to offer, or solicitation of subscription with respect to any such securities listed or proposed to be listed in India is being made, or intended to be made, to the public, or to any member or section of the public in India, through or pursuant to this report.

The research analysts, strategists or economists principally responsible for the preparation of this research report are segregated from the other activities of IRSPL. Information barriers and other arrangements have been established, as required, to prevent any conflicts of interests.

The research analysts, strategists or economists principally responsible for the preparation of this research report are segregated from the other activities of IRSPL. Information barriers and other arrangements have been established, as required, to prevent any conflicts of interests.

IRSPL may have issued other reports (based on technical analysis, event specific, short term views etc.) that are inconsistent with and reach different conclusion from the information presented in this report.

Holding of Analysts/Relatives of Analysts, IRSPL and Associates of IRSPL in the covered securities, as on the date of publishing of this report

	Analyst/ Relative	Entity/ Associates
any financial interests in the company covered in this report (subject company) and nature of such financial interest	NO	NO
actual/beneficial ownership of 1% or more in securities of the subject company at the end of the month immediately preceding the date of publication of the research report or date of the public appearance;	NO	NO
any other material conflict of interest at the time of publication of the research report or at the time of public appearance	NO	NO
received any compensation from the subject company in the past twelve months for investment banking or merchant banking or brokerage services or investment advisory or depository or distribution from the subject company in the last twelve months for products/services other than investment banking or merchant banking or broker- age services or investment advisory or depository or distribution from the subject company in the last twelve months	NO	NO
managed or co-managed public offering of securities for the subject company in the last twelve months	NO	NO
received any compensation or other benefits from the subject company or third party in connection with the research report	NO	NO
served as an officer, director or employee of the subject company	NO	NO
been engaged in market making activity for the subject company	NO	NO

#### Analyst declaration

- The analyst responsible for the production of this report hereby certifies that the views expressed herein accurately and exclusively reflect his or her personal views and opinions about any and all of the issuers or securities analysed in this report and were prepared independently and autonomously in an unbiased manner.
- No part of the compensation of the analyst(s) was, is, or will be directly or indirectly related to the inclusion of specific recommendations(s) or view(s) in this report or based any specific investment banking transaction.
- The analyst(s) has(have) not had any serious disciplinary action taken against him/her(them).
- The analyst, strategist, or economist does not have any material conflict of interest at the time of publication of this report.
- The analyst(s) has(have) received compensation based upon various factors, including quality, accuracy and value of research, overall firm performance, client feedback and competitive factors.

IRSPL and/or its affiliates and/or its Directors/employees may own or have positions in securities of the company(ies) covered in this report or any securities related thereto and may from time to time add to or dispose of, or may be materially interested in, any such securities.

IRSPL and/or its affiliates and/or its Directors/employees may do and seek to do business with the company(ies) covered in this research report and may from time to time (a) buy/sell the securities covered in this report, from time to time and/or (b) act as market maker or have assumed an underwriting commitment in securities of such company(ies), and/or (c) may sell them to or buy them from customers on a principal basis and/or (d) may also perform or seek to perform significant investment banking, advisory, underwriting or placement services for or relating to such company(ies) and/or (e) solicit such investment, advisory or other services from any entity mentioned in this report and/or (f) act as a lender/borrower to such company and may earn brokerage or other compensation. However, Analysts are forbidden to acquire, on their own account or hold securities (physical or uncertificated, including derivatives) of companies in respect of which they are compiling and producing financial recommendations or in the result of which they play a key part.