

India

April 02, 2024 - 1:40 PM

**Overweight** (no change)

**Highlighted Companies**

**Bajaj Auto**

**ADD, TP Rs8090, Rs9042 close**

Recovery in domestic 2W demand and exports to aid the company's strong profitability trend. Easing risk of 3W EVs on its profitability to reduce investors' concerns.

**Maruti Suzuki**

**ADD, TP Rs12554, Rs12570 close**

Lower dealer inventory vs. peers, benign commodity costs and favourable currency movement to help sustain EBIT margin expansion. The new E-SUV launch in FY25F is eagerly awaited.

**Tata Motors**

**REDUCE, TP Rs639, Rs992 close**

Market share challenges in the car segment and rising capex are the areas of concern. The best of JLR's product mix and industry tailwinds may be behind us.

**Summary Valuation Metrics**

P/E (x)	Mar24-F	Mar25-F	Mar26-F
Bajaj Auto	35.82	30.03	26.84
Maruti Suzuki	30.29	25.89	24.33
Tata Motors	19.6	15.8	13.26

P/BV (x)	Mar24-F	Mar25-F	Mar26-F
Bajaj Auto	8.98	8.16	7.51
Maruti Suzuki	5.73	4.32	3.89
Tata Motors	5.85	4.39	3.39

Dividend Yield	Mar24-F	Mar25-F	Mar26-F
Bajaj Auto	1.88%	2.21%	2.65%
Maruti Suzuki	1.15%	1.39%	1.59%
Tata Motors	0.42%	0.63%	0.84%

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# Autos

## Mar 2024 sales volume highlights

- Dispatches in Mar 2024 saw a double-digit growth in the case of cars while tractors and trucks continued to decline yoy. 2&3W dispatch trend was mixed.
- Retail sales were weak due to a delay in the festive season. EV retail sales volume rose to a new high due to pre-purchases ahead of April subsidy cut.
- Retain Overweight rating, prefer car OEMs & new launch-led market share gainers. Second round of EV consolidation to benefit 2W incumbent OEMs.

### Mar 2024 sales volume highlights

- The YoY growth leaders were Bajaj Auto (+26%), TVS Motor Company (+12%) and Maruti Suzuki (+10%). The YoY laggards were Escorts Kubota (-17%), Mahindra & Mahindra or M&M (-7%) and Hero MotoCorp (-6%).
- The MoM growth leaders were Escorts Kubota (+33%), Ashok Leyland (+31%), Tata Motors (+7%) Bajaj Auto (+6%) and Hero MotoCorp (+5%). The MoM laggards were Maruti Suzuki (-5%) and TVS Motor Company (-4%).
- All the OEMs in our coverage universe missed our estimates for the month, except Ashok Leyland, whose volume beat our estimate by 19%. Major miss was witnessed in the case of Tata Motors, M&M and Escorts Kubota volumes (-2 to -13%).
- Vahan retail sales data shows a strong 42% yoy and 49% mom growth in EV sales due to pre-purchases ahead of the subsidy cut effective from Apr 2024. The halving of the subsidy will be a big challenge for E2W and E3W sales in the coming months. 2W retail sales were flat yoy while car sales dipped 9% yoy, as the third-biggest festival season (Gudi Padwa, Chaitra Navratri, Ugadi) was delayed to April this year vs. March last year.

### Maintain Overweight rating

- 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 surprises and benign raw material costs. 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 and Ashok Leyland, where their stock price reaction was much lower than the volume/EBITDA changes.
- Policy changes impact in Apr 2024 (halving of the subsidy on E2W and E3W) to severely dent volumes and the survival of a few born-EV makers (second round of consolidation within a year), but is good for incumbent 2W OEMs with deep pockets.
- Our order of preference is Maruti Suzuki, Bajaj Auto and Ashok Leyland on whom we have an ADD rating. We retain our REDUCE rating on Tata Motors, Eicher Motors and TVS Motor. 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	Mar-24	YoY %	MoM %	Apr 23-Mar 24	YoY %	vs. forecast
Maruti Suzuki	1,87,196	10.1	(5.2)	21,35,323	8.6	(6.4)
Mahindra & Mahindra	94,437	(6.6)	(0.2)	11,08,889	0.3	(12.3)
Tata Motors	92,559	1.7	7.1	9,69,340	1.5	(12.7)
Bajaj Auto	3,65,904	25.5	5.6	43,50,933	10.8	(7.8)
Eicher Motors	86,332	2.6	3.3	10,16,696	11.2	(8.9)
Hero MotoCorp	4,90,415	(5.6)	4.7	56,21,455	5.5	(1.9)
TVS Motor	3,54,592	11.8	(3.8)	42,25,232	14.8	(4.9)
Ashok Leyland	22,866	(4.4)	30.9	1,94,685	1.3	19.4
Escorts Kubota	8,587	(16.7)	32.5	95,853	(7.2)	(11.5)

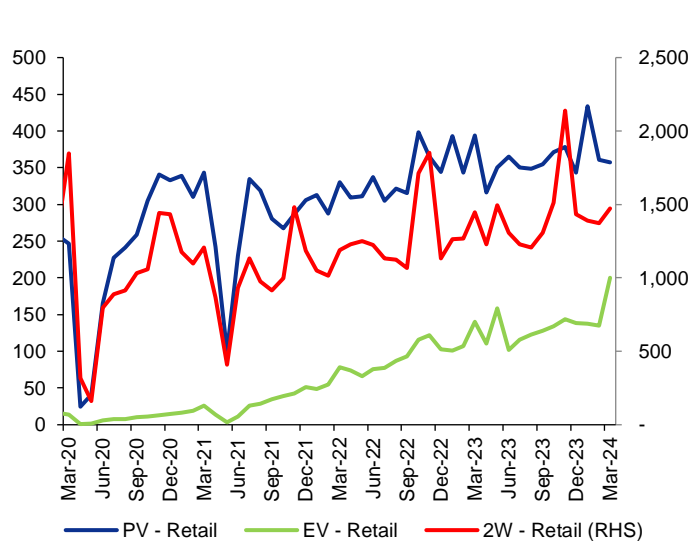
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 2: Company-wise monthly wholesale auto dispatches

Company	Mar-24	YoY %	MoM %	Apr 23-Mar 24	YoY %	vs. forecast
<b>Maruti Suzuki</b>						
Domestic	1,61,304	15.3	(4.3)	18,52,256	8.5	(5.1)
Exports	25,892	(14.0)	(10.5)	2,83,067	9.2	(13.7)
<b>Grand Total</b>	<b>1,87,196</b>	<b>10.1</b>	<b>(5.2)</b>	<b>21,35,323</b>	<b>8.6</b>	<b>(6.4)</b>
<b>Mahindra &amp; Mahindra</b>						
Utility Vehicles	40,631	12.9	(4.2)	4,19,247	16.7	(0.9)
Pick-up, Gio & Maxximo	17,613	(15.4)	(11.6)	2,26,005	(5.3)	(32.3)
3-Wheelers	5,279	(7.3)	(14.3)	72,310	23.6	(34.0)
Trucks & Buses	3,317	125.8	14.4	15,875	58.2	65.9
Tractors	26,024	(25.7)	20.1	3,52,362	(13.5)	(10.3)
Auto Exports	1,573	(25.6)	2.2	23,090	(28.1)	(7.5)
<b>Grand Total</b>	<b>94,437</b>	<b>(6.6)</b>	<b>(0.2)</b>	<b>11,08,889</b>	<b>0.3</b>	<b>(12.3)</b>
<b>Tata Motors</b>						
CVs	42,262	(9.7)	20.5	3,95,845	(4.3)	(15.5)
PVs	50,297	13.7	(2.0)	5,73,495	6.0	(10.2)
<b>Grand Total</b>	<b>92,559</b>	<b>1.7</b>	<b>7.1</b>	<b>9,69,340</b>	<b>1.5</b>	<b>(12.7)</b>
<b>Bajaj Auto</b>						
Motorcycles	3,13,885	27.1	6.5	37,27,923	8.3	(7.7)
3-Wheelers	52,019	16.7	0.1	6,23,010	28.5	(8.7)
<b>Grand Total</b>	<b>3,65,904</b>	<b>25.5</b>	<b>5.6</b>	<b>43,50,933</b>	<b>10.8</b>	<b>(7.8)</b>
<b>Eicher Motors</b>						
Royal Enfield	75,551	4.6	(0.5)	9,28,743	11.2	(8.4)
VECV	10,781	(9.4)	41.8	87,953	10.5	(12.0)
<b>Grand Total</b>	<b>86,332</b>	<b>2.6</b>	<b>3.3</b>	<b>10,16,696</b>	<b>11.2</b>	<b>(8.9)</b>
<b>Hero MotoCorp</b>						
<b>Grand Total</b>	<b>4,90,415</b>	<b>(5.6)</b>	<b>4.7</b>	<b>56,21,455</b>	<b>5.5</b>	<b>(1.9)</b>
<b>TVS Motor</b>						
Domestic 2W	2,60,532	8.2	(2.6)	31,69,217	22.0	(1.7)
Export 2W	83,914	25.7	(7.1)	9,10,344	(0.5)	(7.6)
3W	10,146	5.8	(4.4)	1,45,671	(13.9)	(40.3)
<b>Grand Total</b>	<b>3,54,592</b>	<b>11.8</b>	<b>(3.8)</b>	<b>42,25,232</b>	<b>14.8</b>	<b>(4.9)</b>
<b>Ashok Leyland</b>						
MHCVs	15,562	(7.2)	36.9	1,24,885	0.6	25.5
LCVs	7,304	2.1	19.8	69,800	2.5	8.2
<b>Grand Total</b>	<b>22,866</b>	<b>(4.4)</b>	<b>30.9</b>	<b>1,94,685</b>	<b>1.3</b>	<b>19.4</b>
<b>Escorts Kubota</b>						
Domestic	8,054	(16.1)	33.3	90,234	(5.3)	(8.5)
Exports	533	(24.3)	21.1	5,619	(30.0)	(40.8)
<b>Grand Total</b>	<b>8,587</b>	<b>(16.7)</b>	<b>32.5</b>	<b>95,853</b>	<b>(7.2)</b>	<b>(11.5)</b>

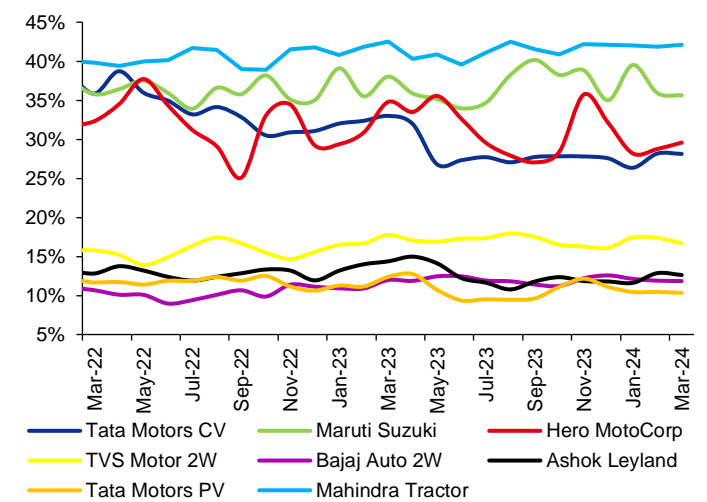
SOURCE: INCRED RESEARCH, COMPANY REPORTS

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



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 4: Domestic retail segment market share of various players



SOURCE: INCRED RESEARCH, COMPANY REPORTS

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