



India

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Neutral (previously Overweight)**Highlighted Companies****Ashok Leyland****ADD, TP Rs208, Rs201 close**

Improving product mix from CNG vehicles and Ertiga capacity increase to drive ASP and margins in the short term. EV launch in CY25F to ease technology concerns.

Bharat Forge**ADD, TP Rs1366, Rs1274 close**

Domestic CV demand cycle recovery, along with the industrial division's growth in the domestic as well as export markets, to help superior sales and margin performance.

Maruti Suzuki**ADD, TP Rs14896, Rs12805 close**

CV demand cycle recovery, after the consolidation in FY24, to help Ashok Leyland's volume momentum aided by North India distribution expansion. New EV trucks aid better in the transition towards new technology.

Summary Valuation Metrics

P/E (x)	Mar24-F	Mar25-F	Mar26-F
Ashok Leyland	23.78	21.1	19.3
Bharat Forge	60.04	46.55	38.12
Maruti Suzuki	30.48	24.75	23.04

P/BV (x)	Mar24-F	Mar25-F	Mar26-F
Ashok Leyland	6.07	5.34	4.72
Bharat Forge	6.44	5.57	4.77
Maruti Suzuki	4.79	3.73	3.37

Dividend Yield	Mar24-F	Mar25-F	Mar26-F
Ashok Leyland	1.99%	2.48%	2.73%
Bharat Forge	0.78%	0.86%	0.86%
Maruti Suzuki	0.98%	1.25%	1.48%

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**Good volume momentum start for FY25**

- FY25 starts on a good note, with a yoy growth across sub-segment dispatches. CVs and tractors change the trend to growth vs. a decline in recent months.
- Retail sales were strong aided by the festive season in April, except for electric vehicles' subsidy cut impact.
- Downgrade sector rating to Neutral, downgrading Bajaj Auto to HOLD & Exide Ind. to REDUCE. Preferred OEMs with ADD rating - Maruti & Ashok Leyland.

April 2024 sales volume highlights

- The YoY growth leaders were Hero MotoCorp (+35%), TVS Motor Company (+25%), Bajaj Auto (+19%), Tata Motors (+11%) and Ashok Leyland (+10%). The YoY laggards was Escorts Kubota (-1%).
- The MoM growth leaders were M&M (+14%), Bajaj Auto (+11%), Hero MotoCorp (+9%), and TVS Motor Company (+8%). The MoM laggards were Ashok Leyland (-38%), Tata Motors (-16%) and Escorts Kubota (-12%).
- Beat vs. our expectations: Hero MotoCorp (+19%), M&M (+12%), Bajaj Auto (+12%), Ashok Leyland (+9%) and TVS Motor Company (+9%).
- Miss vs. our expectations: Maruti Suzuki (-1%).
- Sector trends – CV segment's growth recovered to the positive territory after the last five months' downtrend. Tractor volume weakness eased, but a mixed trend was witnessed in OEMs. Domestic 2W segment's growth zoomed, aided by entry-level bikes.
- Vahan retail sales showed a strong double-digit rise yoy for 2W and cars, aided by the festive season, which got deferred to April this year vs. March last year. EV volume dipped 44% mom due to the FAME subsidy withdrawal, effective 1 Apr 2024.

Downgrade sector rating to Neutral

- Favourable sales momentum and beat to aid our stock calls on Bajaj Auto (HOLD) and Ashok Leyland (ADD) in the short term.
- Our order of preference is Maruti Suzuki and Ashok Leyland on whom we have an ADD rating. We recently downgraded Bajaj Auto to HOLD, as the strong volume momentum is well captured in its rich +3SD P/E valuation while the CNG bike launch may not be a big volume driver. We retain our REDUCE rating on Tata Motors, Eicher Motors and TVS Motor. Tractor demand challenges lead 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, Endurance Technologies and Samvardhana Motherson International or SAMIL. We downgrade Exide Industries to a REDUCE rating as the Hyundai EV cell non-binding MoU may take a few years to benefit sales. Retain REDUCE on Bosch, Apollo Tyres & Balkrishna Industries.
- Considering the likely easing of volume growth across segments on a high base and prolonged high interest rates, we prefer select OEMs with new product wins. With rising raw material costs from their recent lows and INR depreciation, sector profit headwinds rise. With forward P/E valuation rising to near 10-year mean, we downgrade to a Neutral rating.

Figure 1: Monthly automobile wholesale dispatches

Company	Apr-2024	YoY %	MoM %	vs forecast
Maruti Suzuki	1,68,089	4.7	(10.2)	(1.1)
Mahindra & Mahindra	1,07,510	8.9	13.8	12.0
Tata Motors	77,521	11.4	(16.2)	0.7
Bajaj Auto	3,88,256	18.9	10.7	11.6
Eicher Motors	87,247	9.5	1.1	1.1
Hero MotoCorp	5,33,585	34.7	8.8	18.6
TVS Motor	3,83,615	25.3	8.2	9.3
Ashok Leyland	14,271	10.0	(37.6)	9.4
Escorts Kubota	7,515	(0.7)	(12.5)	4.4

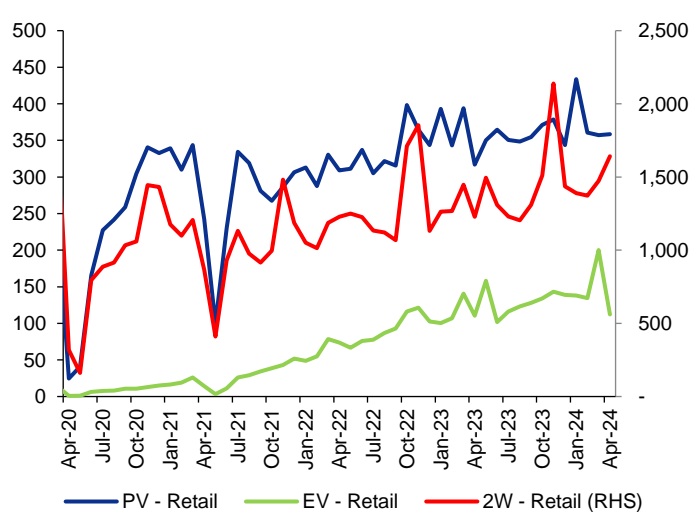
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 1: Company-wise monthly wholesale automobile dispatches

Company	Apr-2024	YoY %	MoM %	vs forecast
Maruti Suzuki				
Domestic	1,45,929	1.7	(9.5)	(2.7)
Exports	22,160	30.6	(14.4)	10.8
Grand Total	1,68,089	4.7	(10.2)	(1.1)
Mahindra & Mahindra				
Utility Vehicles	41,008	18.2	0.9	(4.6)
Pick-up, Gio & Maxximo	19,064	(0.1)	8.2	5.9
3-Wheelers	5,504	(0.9)	4.3	(8.3)
Trucks & Buses	3,038	164.2	(8.4)	21.5
Tractors	37,039	1.7	42.3	51.2
Auto Exports	1,857	2.4	18.1	(7.2)
Grand Total	1,07,510	8.9	13.8	12.0
Tata Motors				
CVs	29,538	31.3	(30.1)	9.4
PVs	47,983	1.9	(4.6)	(4.0)
Grand Total	77,521	11.4	(16.2)	0.7
Bajaj Auto				
Motorcycles	3,41,789	20.7	14.4	13.9
3-Wheelers	46,467	7.3	(10.7)	(3.2)
Grand Total	3,88,256	18.9	10.7	11.6
Eicher Motors				
Royal Enfield	81,870	11.9	8.4	3.6
VECV	5,377	(18.1)	(50.1)	(26.3)
Grand Total	87,247	9.5	1.1	1.1
Hero MotoCorp				
Grand Total	5,33,585	34.7	8.8	18.6
TVS Motor				
Domestic 2W	3,01,449	29.4	15.7	15.9
Export 2W	73,143	18.3	(12.8)	(6.5)
3W	9,023	(21.1)	(11.1)	(29.0)
Grand Total	3,83,615	25.3	8.2	9.3
Ashok Leyland				
MHCVs	9,123	15.0	(41.4)	15.5
LCVs	5,148	2.1	(29.5)	(0.0)
Grand Total	14,271	10.0	(37.6)	9.4
Escorts Kubota				
Domestic	7,168	(1.2)	(11.0)	5.4
Exports	347	10.9	(34.9)	(13.3)
Grand Total	7,515	(0.7)	(12.5)	4.4

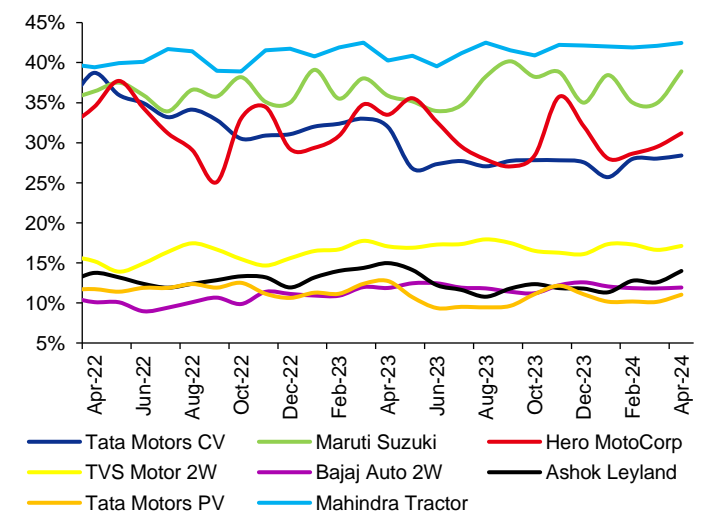
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 2: Domestic retail sales growth trend (in '000 units)



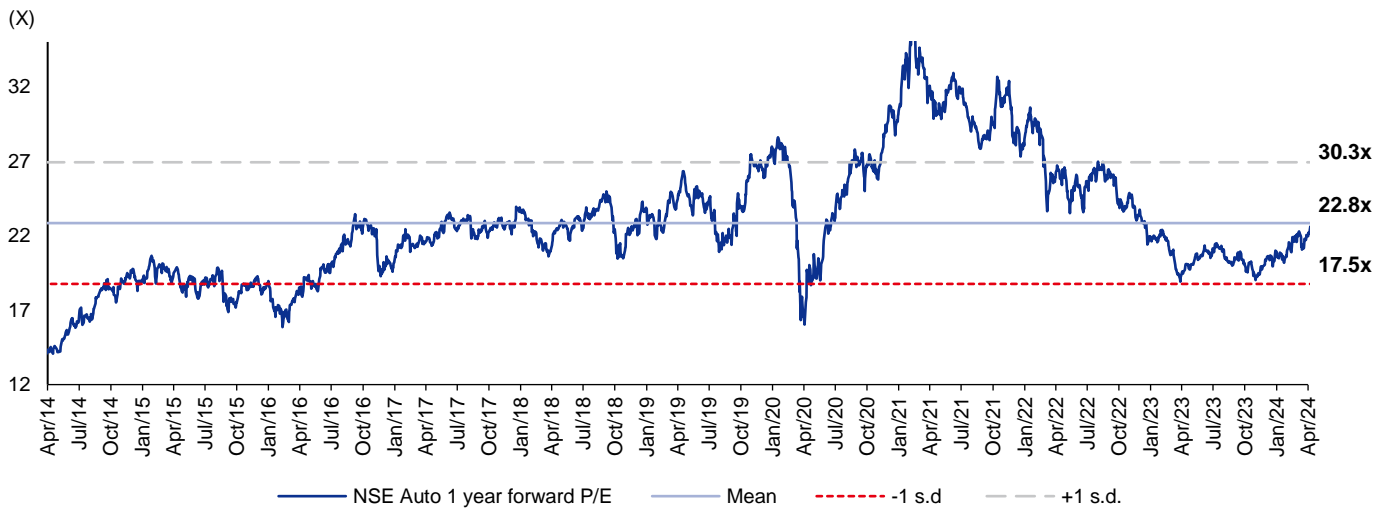
SOURCE: VAHAN, INCRED RESEARCH

Figure 3: Domestic retail segment OEM market share trend



SOURCE: VAHAN, INCRED RESEARCH

Figure 4: Nifty Auto one-year forward P/E inches near the 10-year mean level



SOURCE: INCRED RESEARCH, COMPANY REPORTS

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