

India

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Neutral (no change)

Highlighted Companies

Hero MotoCorp

ADD, TP Rs5812, Rs5578 close

Rural demand recovery from good monsoons and government policies, aided by new vehicle launches, to drive market share recovery going ahead. We upgrade the stock's rating to ADD.

Maruti Suzuki

ADD, TP Rs15541, Rs12427 close

The product mix improving in case of CNG vehicles and Ertiga's capacity increase to drive ASP and margins in the short term. EV launch in CY25F to ease technology concerns.

Tata Motors

REDUCE, TP Rs831, Rs1093 close

Supply challenges at JLR and demand weakness in India's car market to impact the car division's performance. Recent consensus EPS cut overlooked by rich P/BV valuation and stock price rally.

Summary Valuation Metrics

P/E (x)	Mar24-A	Mar25-F	Mar26-F
Hero MotoCorp	28.58	23.17	21.2
Maruti Suzuki	29.58	24.01	21.97
Tata Motors	13.13	18.1	14.88

P/BV (x)	Mar24-A	Mar25-F	Mar26-F
Hero MotoCorp	6.2	5.69	5.24
Maruti Suzuki	4.65	3.62	3.26
Tata Motors	4.93	3.96	3.2

Dividend Yield	Mar24-A	Mar25-F	Mar26-F
Hero MotoCorp	2.51%	2.87%	3.23%
Maruti Suzuki	1.01%	1.29%	1.53%
Tata Motors	0.37%	0.55%	0.73%

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Autos

Aug 2024 auto sales volume performance

- Aug 2024 sales volume performance was impressive, especially in case of two-wheeler OEMs such as Hero MotoCorp & Bajaj Auto, and Escorts Kubota.
- Weak demand for trucks and cars disappointed but we believe it will recover quickly after the cut in interest rates expected in 2HFY25F.
- Retain Neutral sector rating as valuations rise sharply but volume growth turns selective. Festive demand-led recovery & interest rate cut will be monitored.

Aug 2024 sales volume highlights

- **The YoY growth leaders** were Bajaj Auto (+15%), Hero MotoCorp (+5%) and Mahindra & Mahindra or M&M (+2%). The YoY laggards were Hyundai Motors (-12%), Tata Motors (-8%), Ashok Leyland (-7%), Eicher Motors (-5%), Maruti Suzuki (-4%) & TVS Motor Company (-1%).
- **The MoM growth leaders** were Hero MotoCorp (+38%), Bajaj Auto (+12%), Eicher Motors (+9%), Ashok Leyland (+4%) and Maruti Suzuki (+4%). The MoM laggards were M&M (-20%), TVS Motor Company (-9%), Escorts Kubota (-3%) and Hyundai Motors (-2%).
- **Beat vs. our expectations:** Escorts Kubota (+4%), Hero MotoCorp (+3%) and Bajaj Auto (+2%).
- **Miss vs. expectations:** Tata Motors (-17%), Ashok Leyland (-15%), M&M (-14%), TVS Motor Company (-10%), Eicher Motors (-10%) and Maruti Suzuki (-10%).
- **Vahan retail sales:** Aug 2024 retail sales indicate yoy growth in only the two-wheeler segment (+11%) while rest of the segments witnessed a yoy decline. Weakness in premium bikes and sports utility vehicles or SUVs was a disappointment.

Retain Neutral sector rating due to selective volume growth

- We maintain our Neutral rating on the sector, as a sharp run-up in the NSE Auto Index raises forward P/E valuation to above the 10-year mean level while volume growth turns selective. The recent monthly underperformance of the Nifty Auto Index vs. the broader index is in line with our expectation.
- Our order of preference is Maruti Suzuki, Hero MotoCorp and Ashok Leyland, with an ADD rating. We reiterate our REDUCE rating on Tata Motors and TVS Motor Company as the weakness in their sales volume is not captured by the rich valuations currently. We have a HOLD rating on Mahindra & Mahindra (M&M) and a REDUCE rating on Escorts Kubota in the tractor segment, as the recovery in tractor demand is gradual.
- In two-wheelers, we prefer Hero MotoCorp and Bajaj Auto over Eicher Motors and TVS Motor Company. Hero's market share loss is at a seasonal low and we expect it to recover in the festive season vs. Honda.
- In the auto ancillary segment, we have an ADD rating on Bharat Forge, Endurance, Technologies and Balkrishna Industries and a REDUCE rating on Bosch, Apollo Tyres and Exide Industries. We have a HOLD rating on Samvardhana Motherson International or SAMIL.

Figure 1: Monthly automobile wholesale dispatches

Company	Aug-24	YoY %	MoM %	vs forecast
Maruti Suzuki	1,81,782	(3.9)	3.9	(9.6)
Hyundai Motors	63,175	(11.6)	(2.1)	na
Mahindra & Mahindra	93,653	2.4	(19.8)	(14.0)
Tata Motors	77,628	(7.9)	0.8	(17.4)
Bajaj Auto	3,83,804	15.1	11.5	1.5
Eicher Motors	80,172	(4.6)	8.5	(10.2)
Hero MotoCorp	5,12,360	4.8	38.4	2.5
TVS Motor Company	3,35,723	(1.0)	(9.2)	(10.2)
Ashok Leyland	14,463	(7.1)	3.8	(14.9)
Escorts Kubota	5,614	0.5	(2.7)	4.0

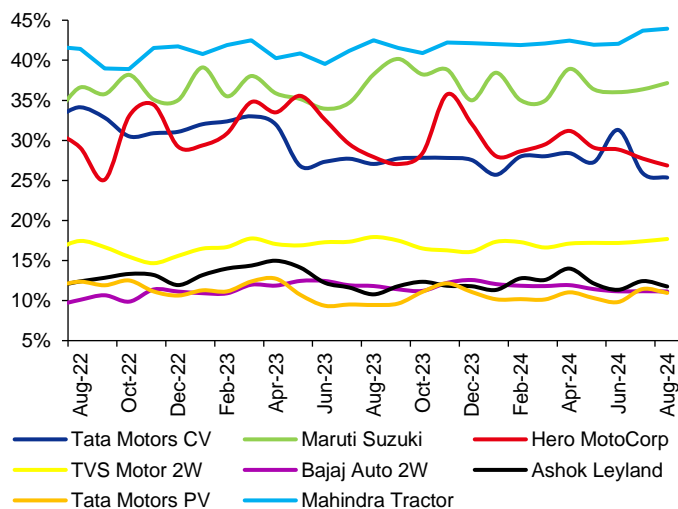
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 2: Company-wise monthly wholesale automobile dispatches

Company	Aug-24	YoY %	MoM %	Apr 24-Aug 24	YoY %	vs. forecast
Maruti Suzuki						
Domestic	1,55,779	(5.3)	3.1	7,58,143	(0.1)	(11.0)
Exports	26,003	5.6	8.4	1,20,548	9.6	0.0
Grand Total	1,81,782	(3.9)	3.9	8,78,691	1.1	(9.6)
Hyundai Motors						
Domestic	49,525	(8.0)	1.0	2,47,993	(1.9)	na
Exports	13,650	(22.5)	(12.2)	71,800	4.5	na
Grand Total	63,175	(11.6)	(2.1)	3,19,793	(0.5)	na
Mahindra & Mahindra						
Utility Vehicles	41,623	15.0	4.0	1,65,871	21.6	(2.1)
Pick-up, Gio & Maxximo	16,577	(13.3)	(4.3)	69,898	(8.7)	(30.9)
3-Wheelers	3,593	(44.6)	(41.9)	21,248	(12.4)	(55.1)
Trucks & Buses	3,136	63.6	(4.2)	12,337	91.6	16.1
Tractors	27,209	8.1	(42.5)	1,48,676	6.1	(6.8)
Auto Exports	1,515	(40.4)	(41.7)	8,640	(8.8)	(39.4)
Grand Total	93,653	2.4	(19.8)	4,26,670	8.5	(14.0)
Tata Motors						
CVs	27,207	(15.2)	0.6	1,45,458	(3.6)	(32.0)
PVs	50,421	(3.4)	0.9	2,55,663	(3.9)	(6.6)
Grand Total	77,628	(7.9)	0.8	4,01,121	(3.8)	(17.4)
Bajaj Auto						
Motorcycles	3,21,178	16.0	11.7	15,47,636	9.9	0.4
3-Wheelers	62,626	10.6	10.6	2,70,393	10.1	8.0
Grand Total	3,83,804	15.1	11.5	18,18,029	9.9	1.5
Eicher Motors						
Royal Enfield	73,629	(5.1)	9.5	3,66,915	(4.8)	(10.2)
VECV	6,543	1.0	(1.2)	32,867	3.0	(10.4)
Grand Total	80,172	(4.6)	8.5	3,99,782	(4.2)	(10.2)
Hero MotoCorp						
Grand Total	5,12,360	4.8	38.4	24,17,790	8.3	2.5
TVS Motor						
Domestic 2W	2,35,833	(4.9)	(13.0)	8,08,422	10.2	(16.4)
Export 2W	85,426	8.0	(3.4)	2,47,019	19.0	9.2
3W	14,464	20.4	40.1	33,811	(2.7)	4.8
Grand Total	3,35,723	(1.0)	(9.2)	10,89,252	11.6	(10.2)
Ashok Leyland						
MHCVs	8,663	(11.3)	2.6	44,988	(1.1)	(19.0)
LCVs	5,800	(0.2)	5.7	27,296	3.1	(7.9)
Grand Total	14,463	(7.1)	3.8	72,284	0.4	(14.9)
Escorts Kubota						
Domestic	5,205	0.2	(2.6)	35,310	(0.8)	4.1
Exports	409	3.5	(3.3)	1,793	(17.0)	2.3
Grand Total	5,614	0.5	(2.7)	37,103	(1.7)	4.0

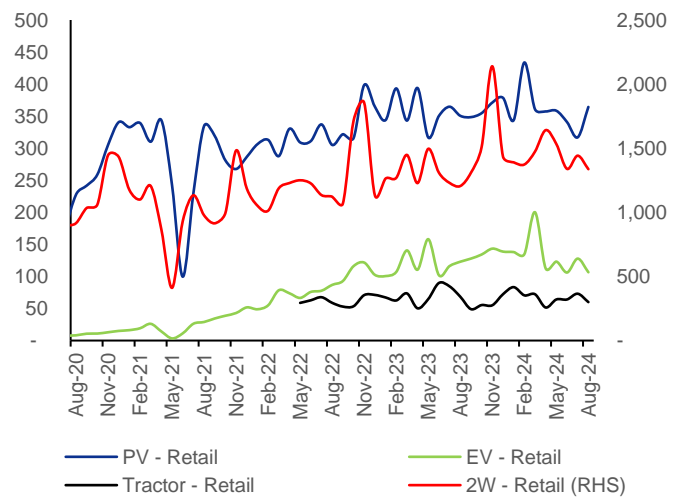
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 3: Domestic retail segment OEM market share trend



SOURCE: VAHAN, INCRED RESEARCH

Figure 4: Domestic retail sales growth trend (in '000 units)



SOURCE: VAHAN, INCRED RESEARCH

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- Add** The stock's total return is expected to exceed 10% over the next 12 months.
- Hold** The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
- Reduce** The stock's total return is expected to fall below 0% or more over the next 12 months.

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- Neutral** A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
- Underweight** An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

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- Underweight** An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.