

India

October 02, 2024 - 1:55 PM

**Neutral** (no change)

**Highlighted Companies**

**Hero MotoCorp**

**ADD, TP Rs5812, Rs5750 close**

Rural demand recovery from good monsoons and government policies, aided by new vehicle launches, to drive market share recovery going ahead.

**Maruti Suzuki**

**ADD, TP Rs15541, Rs13166 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, Rs965 close**

Supply challenges at JLR and demand weakness/ inventory challenge in Indian market to impact the performance. Recent consensus EPS cut overlooked by rich P/BV valuation.

**Summary Valuation Metrics**

P/E (x)	Mar24-F	Mar25-F	Mar26-F
Hero MotoCorp	29.46	23.88	21.85
Maruti Suzuki	31.34	25.44	23.28
Tata Motors	11.6	15.99	13.14

P/BV (x)	Mar24-F	Mar25-F	Mar26-F
Hero MotoCorp	6.39	5.86	5.41
Maruti Suzuki	4.93	3.83	3.45
Tata Motors	4.36	3.5	2.83

Dividend Yield	Mar24-F	Mar25-F	Mar26-F
Hero MotoCorp	2.43%	2.78%	3.13%
Maruti Suzuki	0.95%	1.22%	1.44%
Tata Motors	0.41%	0.62%	0.83%

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# Autos

## Sep 2024 auto sales volume performance

- The yoy growth in dispatches was strong in 2Ws while there was a double-digit dip in CVs. Mixed trend in cars. The inauspicious period led to low retail sales.
- Bunching of festivals in October month led to inventory build-up. Volume growth will be selective after that, leading to a further expansion in discounts.
- Retain our Neutral rating on the sector, as forward P/E valuation is above the mean level and volume growth is selective while commodity costs start to rise.

### Sep 2024 sales volume highlights

- **The YoY growth leaders** were TVS Motor Company (+20%), Bajaj Auto (+19%), Hero MotoCorp (+19%), Mahindra & Mahindra or M&M (+11%), Eicher Motors (+10%), Escorts Kubota (3%) and Maruti Suzuki (+2%). The YoY laggards were Tata Motors (-16%), Hyundai Motors (-10%) and Ashok Leyland (-10%).
- **The MoM growth leaders** were Escorts Kubota (+121%), M&M (+34%), TVS Motor Company (+29%), Hero MotoCorp (+24%), Ashok Leyland (+19%), Bajaj Auto (+18%), Eicher Motors (+18%), Maruti Suzuki (+2%) and Hyundai Motors (+2%). The MoM laggard was Tata Motors (-2%).
- **Beat vs. our expectations:** Escorts Kubota (+19%), TVS Motor Company (+17%), M&M (+10%), Bajaj Auto (+9%) and Hyundai Motors (1%).
- **Miss vs. expectations:** Tata Motors (-28%), Ashok Leyland (-13%), Maruti Suzuki (-9%), Hero MotoCorp (-4%) and Eicher Motors (-2%).
- **Vahan retail sales:** Sep 2024 retail sales indicate a yoy decline in volume in both cars (-15%) and 2Ws (-13%) while tractors (+14%) and electric vehicles or EVs (+16%) saw growth. However, on MoM basis the retail sales were down seasonally across the board - cars and 2Ws down in double digits, tractors down 7% while EVs remained flat.

### Retain Neutral sector rating due to selective volume growth

- We maintain our Neutral rating on the sector, as a run-up in the NSE Auto Index raises forward P/E valuation to above the 10-year mean level while volume growth turns highly selective. The recent 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 their 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 is at a seasonal low and we expect it to recover in the festive season aided by rural recovery.

**Figure 1: Monthly automobile wholesale dispatches**

Company	Sep 2024	YoY %	MoM %	vs. forecast
Maruti Suzuki	1,84,727	1.9	1.6	(9.0)
Hyundai Motors	64,201	(10.4)	1.6	1.1
Mahindra & Mahindra	1,32,095	11.2	33.9	9.5
Tata Motors	76,025	(15.9)	(2.1)	(27.6)
Bajaj Auto	4,52,531	18.7	17.9	8.5
Eicher Motors	94,587	10.3	18.0	(2.1)
Hero MotoCorp	6,37,050	18.7	24.3	(3.5)
TVS Motor Company	4,82,495	19.9	29.4	17.0
Ashok Leyland	17,233	(10.3)	19.2	(12.5)
Escorts Kubota	12,380	2.5	120.5	18.5

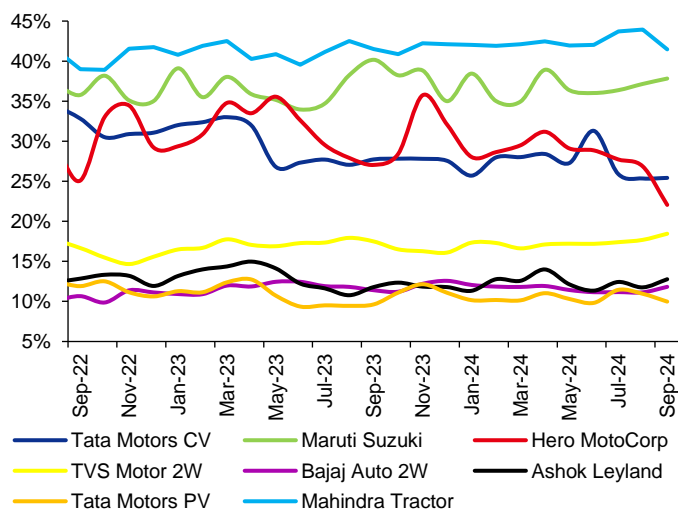
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 1: Company-wise monthly wholesale automobile dispatches

Company	Sep 2024	YoY %	MoM %	Apr-Sep 2024	YoY %	vs. forecast
<b>Maruti Suzuki</b>						
Domestic	1,56,999	(1.2)	0.8	9,15,142	(0.3)	(12.8)
Exports	27,728	23.2	6.6	1,48,276	11.9	20.6
<b>Grand Total</b>	<b>1,84,727</b>	<b>1.9</b>	<b>1.6</b>	<b>10,63,418</b>	<b>1.3</b>	<b>(9.0)</b>
<b>Hyundai Motors</b>						
Domestic	51,101	(5.8)	3.2	2,99,094	(2.6)	2.2
Exports	13,100	(24.7)	(4.0)	84,900	(1.4)	(3.0)
<b>Grand Total</b>	<b>64,201</b>	<b>(10.4)</b>	<b>1.6</b>	<b>3,83,994</b>	<b>(2.3)</b>	<b>1.1</b>
<b>Mahindra &amp; Mahindra</b>						
Utility Vehicles	51,062	23.7	18.0	2,60,210	21.1	11.0
Pick-up, Gio & Maxximo	20,432	(4.4)	16.0	1,07,948	(9.8)	(21.4)
3-Wheelers	10,044	26.8	7.7	40,618	3.5	11.6
Trucks & Buses	3,274	25.1	(5.8)	19,085	90.7	9.1
Tractors	44,256	2.4	101.9	2,14,849	4.8	30.2
Auto Exports	3,027	25.1	(1.1)	14,727	2.9	16.4
<b>Grand Total</b>	<b>1,32,095</b>	<b>11.2</b>	<b>33.9</b>	<b>6,57,437</b>	<b>9.0</b>	<b>9.5</b>
<b>Tata Motors</b>						
CVs	30,032	(23.1)	10.4	1,75,490	(7.6)	(33.3)
PVs	45,993	(10.5)	(8.8)	3,01,656	(4.9)	(23.3)
<b>Grand Total</b>	<b>76,025</b>	<b>(15.9)</b>	<b>(2.1)</b>	<b>4,77,146</b>	<b>(5.9)</b>	<b>(27.6)</b>
<b>Bajaj Auto</b>						
Motorcycles	3,83,489	21.2	19.4	19,31,125	11.9	9.6
3-Wheelers	69,042	6.5	10.2	3,39,435	9.3	3.0
<b>Grand Total</b>	<b>4,52,531</b>	<b>18.7</b>	<b>17.9</b>	<b>22,70,560</b>	<b>11.5</b>	<b>8.5</b>
<b>Eicher Motors</b>						
Royal Enfield	86,978	10.7	18.1	4,53,893	(2.2)	(1.7)
VECV	7,609	5.7	16.3	40,476	3.5	(6.1)
<b>Grand Total</b>	<b>94,587</b>	<b>10.3</b>	<b>18.0</b>	<b>4,94,369</b>	<b>(1.7)</b>	<b>(2.1)</b>
<b>Hero MotoCorp</b>						
<b>Grand Total</b>	<b>6,37,050</b>	<b>18.7</b>	<b>24.3</b>	<b>30,54,840</b>	<b>10.3</b>	<b>(3.5)</b>
<b>TVS Motor Company</b>						
Domestic 2W	3,69,138	22.8	30.9	17,13,810	12.3	15.4
Export 2W	1,02,654	18.7	31.2	5,06,173	10.4	31.2
3W	10,703	(31.4)	(16.0)	70,861	(8.9)	(23.6)
<b>Grand Total</b>	<b>4,82,495</b>	<b>19.9</b>	<b>29.4</b>	<b>22,90,844</b>	<b>11.1</b>	<b>17.0</b>
<b>Ashok Leyland</b>						
MHCVs	11,077	(13.1)	27.9	56,065	(3.8)	(12.8)
LCVs	6,156	(4.6)	6.1	33,452	1.6	(12.1)
<b>Grand Total</b>	<b>17,233</b>	<b>(10.3)</b>	<b>19.2</b>	<b>89,517</b>	<b>(1.8)</b>	<b>(12.5)</b>
<b>Escorts Kubota</b>						
Domestic	11,985	5.7	130.3	47,295	0.8	19.9
Exports	395	(47.1)	(3.4)	2,188	(24.7)	(12.2)
<b>Grand Total</b>	<b>12,380</b>	<b>2.5</b>	<b>120.5</b>	<b>49,483</b>	<b>(0.7)</b>	<b>18.5</b>

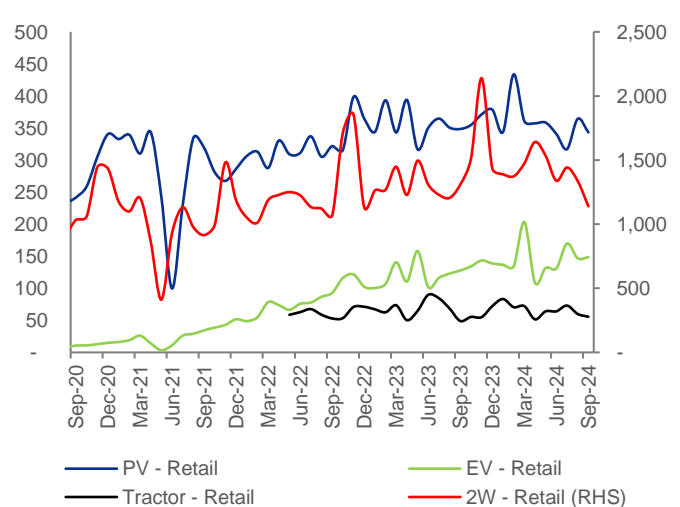
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 2: Domestic retail segment OEM market share trend



SOURCE: VAHAN, INCRED RESEARCH, COMPANY REPORTS

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



SOURCE: VAHAN, INCRED RESEARCH, COMPANY REPORTS

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