

India

January 02, 2025 - 11:40 PM

**Neutral** (no change)

**Highlighted Companies**

**Hero MotoCorp**

**ADD, TP Rs5810, Rs4312 close**

Rural demand recovery due to good monsoons and government policies, aided by new vehicle launches, to drive market share recovery that was witnessed during the Diwali festive season.

**Maruti Suzuki**

**ADD, TP Rs14593, Rs11841 close**

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

**Tata Motors**

**REDUCE, TP Rs746, Rs765 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)	Mar25-F	Mar26-F	Mar27-F
Hero MotoCorp	17.78	16.14	14.81
Maruti Suzuki	24.68	21.33	19.73
Tata Motors	12.48	10.17	9.15

P/BV (x)	Mar25-F	Mar26-F	Mar27-F
Hero MotoCorp	4.39	4.03	3.71
Maruti Suzuki	3.48	3.15	2.84
Tata Motors	2.68	2.17	1.75

Dividend Yield	Mar25-F	Mar26-F	Mar27-F
Hero MotoCorp	3.71%	4.17%	4.64%
Maruti Suzuki	1.35%	1.6%	1.7%
Tata Motors	0.82%	1.09%	0%

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# Autos

## Dec 2024 volume performance

- Dec 2024 dispatches in car and CV segments were impressive while the decline in the two-wheeler or 2W segment disappointed.
- The volume surprise in Maruti Suzuki and Ashok Leyland support our ADD rating while the disappointment in Escorts Kubota aids our REDUCE rating.
- Nifty Auto Index's forward P/E easing below the 10-year mean level leads to Neutral sector weight, despite challenges on the volume front.

### Dec 2024 sales volume highlights

- **The YoY growth leaders** were Maruti Suzuki (+30%), Eicher Motors (+23%), Escorts Kubota (+21%), Mahindra & Mahindra or M&M (+18%), TVS Motor (+7%) and Ashok Leyland (+4%). The YoY laggards were Hero MotoCorp (-18%), Bajaj Auto (-4%) and Hyundai Motor India (-2%).
- **The MoM growth leaders** were Ashok Leyland (+20%) & Tata Motors (+5%).
- **Beat vs. our expectations:** Tata Motors (+15%), Maruti Suzuki (+13%), Ashok Leyland (+10%) and Eicher Motors (+7%).
- **Miss vs. expectations:** Escorts Kubota (-20%), Hero MotoCorp (-19%), Bajaj Auto (-16%), M&M (-7%) and TVS Motor (-2%).
- **Vahan retail sales:** Dec 2024 retail sales indicate a mixed yoy growth trend as tractors recorded sharp double-digit growth, cars showed a flattish trend while 2Ws declined by a sharp 21% yoy. Higher year-end discounts helped the car segment to continue dealers' stock liquidation. The segment leaders' market share eased from festive peaks for Maruti Suzuki & Hero MotoCorp.

### Retain Neutral sector rating as stock prices correct

- Tough demand environment prevails, as efforts to convert customer enquiry into sales are on the rise. Nifty Auto Index's 15% correction from its Sep 2024 peak has been steep & worse than our conservative neutral sector weight call since May 2024. While the volume growth outlook is challenged, valuation comfort has improved, especially for 2W OEMs, where incumbents have addressed the electric vehicle or EV risk without much impact on profitability.
- We retain our sector rating as the forward P/E valuation has slipped below the 10-year mean. Demand revival is expected after the likely interest rate cut by the Reserve Bank of India in early CY25F and possible income-tax cut in the Union budget helping in improving disposable income. Commercial vehicle demand recovery hinges on government spending growth in 4Q and the outlook for FY26F.
- We remain selective on stocks as volume growth is choosy. Our order of preference is Hero MotoCorp, Maruti Suzuki, & Ashok Leyland, with an ADD rating. We retain our REDUCE rating on Tata Motors, Hyundai Motor & TVS Motor as the weakness in their sales volume is not fully captured by their valuations. We have a HOLD rating on Eicher Motors, Bajaj Auto and M&M.

**Figure 1: Monthly automobile wholesale dispatches**

Company	Dec-2024	YoY %	MoM %	vs. forecast
Maruti Suzuki	1,78,248	29.6	(1.8)	12.8
Hyundai Motor India	55,078	(2.4)	(10.1)	(1.2)
Mahindra & Mahindra	93,635	18.0	(16.7)	(6.8)
Tata Motors	83,726	1.0	4.7	14.7
Bajaj Auto	3,01,125	(3.9)	(25.0)	(15.7)
Eicher Motors	87,790	22.9	(0.0)	7.3
Hero MotoCorp	3,24,906	(17.5)	(29.3)	(18.8)
TVS Motor	3,21,687	6.6	(20.5)	(1.6)
Ashok Leyland	16,957	3.9	19.9	10.1
Escorts Kubota	5,472	20.6	(39.0)	(20.1)

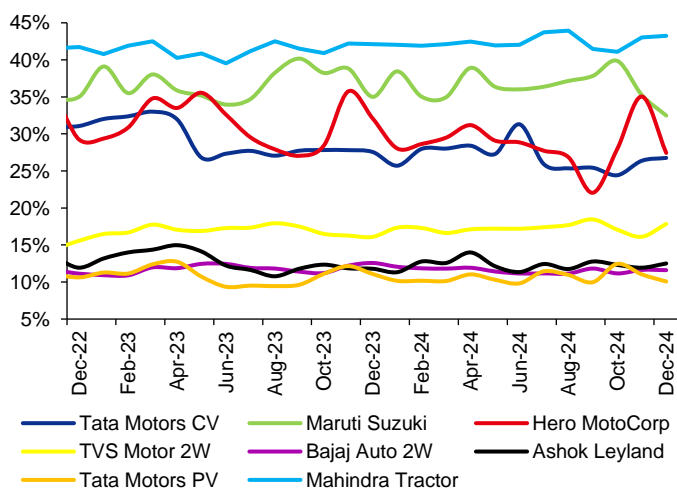
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 2: Company-wise monthly wholesale automobile dispatches

	Dec-2024	YoY %	MoM %	Apr-Dec 2024	YoY %	vs. forecast
<b>Maruti Suzuki</b>						
Domestic	1,40,829	27.3	(7.9)	13,82,135	2.6	8.3
Exports	37,419	39.2	30.7	2,47,496	21.1	33.6
<b>Grand Total</b>	<b>1,78,248</b>	<b>29.6</b>	<b>(1.8)</b>	<b>16,29,631</b>	<b>5.0</b>	<b>12.8</b>
<b>Hyundai Motors</b>						
Domestic	42,208	(1.3)	(12.5)	4,45,116	(2.0)	(1.3)
Exports	12,870	(6.1)	(1.0)	1,25,286	(3.4)	(1.0)
<b>Grand Total</b>	<b>55,078</b>	<b>(2.4)</b>	<b>(10.1)</b>	<b>5,70,402</b>	<b>(2.4)</b>	<b>(1.2)</b>
<b>Mahindra &amp; Mahindra</b>						
Utility Vehicles	41,424	17.8	(10.4)	4,02,360	20.5	(5.9)
Pick-up, Gio & Maxximo	18,548	19.5	(12.3)	1,75,485	(3.1)	(15.7)
3-Wheelers	5,750	8.3	(28.5)	64,237	6.2	(11.5)
Trucks & Buses	954	(59.8)	8.3	21,904	53.7	(65.9)
Tractors	23,867	24.7	(28.5)	3,37,547	10.0	2.9
Auto Exports	3,092	70.0	11.4	24,101	21.7	54.6
<b>Grand Total</b>	<b>93,635</b>	<b>18.0</b>	<b>(16.7)</b>	<b>10,25,634</b>	<b>11.9</b>	<b>(6.8)</b>
<b>Tata Motors</b>						
CVs	33,875	(0.9)	22.6	2,71,260	(5.3)	12.9
PVs	49,851	2.4	(4.7)	4,09,264	(2.1)	15.9
<b>Grand Total</b>	<b>83,726</b>	<b>1.0</b>	<b>4.7</b>	<b>6,80,524</b>	<b>(3.4)</b>	<b>14.7</b>
<b>Bajaj Auto</b>						
Motorcycles	2,50,173	(7.2)	(28.1)	29,03,746	6.5	(18.0)
3-Wheelers	50,952	16.3	(4.9)	5,09,286	8.1	(2.0)
<b>Grand Total</b>	<b>3,01,125</b>	<b>(3.9)</b>	<b>(25.0)</b>	<b>34,13,032</b>	<b>6.7</b>	<b>(15.7)</b>
<b>Eicher Motors</b>						
Royal Enfield	79,466	25.4	(3.4)	7,26,190	4.9	6.0
VECV	8,324	3.7	49.3	61,486	2.8	22.4
<b>Grand Total</b>	<b>87,790</b>	<b>22.9</b>	<b>(0.0)</b>	<b>7,87,676</b>	<b>4.8</b>	<b>7.3</b>
<b>Hero MotoCorp</b>						
<b>Grand Total</b>	<b>3,24,906</b>	<b>(17.5)</b>	<b>(29.3)</b>	<b>45,18,642</b>	<b>6.8</b>	<b>(18.8)</b>
<b>TVS Motor</b>						
Domestic 2W	2,15,075	0.0	(29.6)	26,24,697	10.6	(8.5)
Export 2W	96,927	29.1	11.2	7,77,920	15.3	23.9
3W	9,685	(16.6)	(20.1)	1,03,530	(10.2)	(29.3)
<b>Grand Total</b>	<b>3,21,687</b>	<b>6.6</b>	<b>(20.5)</b>	<b>35,06,147</b>	<b>10.9</b>	<b>(1.6)</b>
<b>Ashok Leyland</b>						
MHCVs	11,474	6.2	25.0	86,123	(1.8)	13.6
LCVs	5,483	(0.7)	10.5	49,798	(1.7)	3.5
<b>Grand Total</b>	<b>16,957</b>	<b>3.9</b>	<b>19.9</b>	<b>1,35,921</b>	<b>(1.8)</b>	<b>10.1</b>
<b>Escorts Kubota</b>						
Domestic	5,016	21.4	(42.5)	87,950	1.5	(22.8)
Exports	456	12.6	86.9	3,159	(26.2)	30.3
<b>Grand Total</b>	<b>5,472</b>	<b>20.6</b>	<b>(39.0)</b>	<b>91,109</b>	<b>0.2</b>	<b>(20.1)</b>

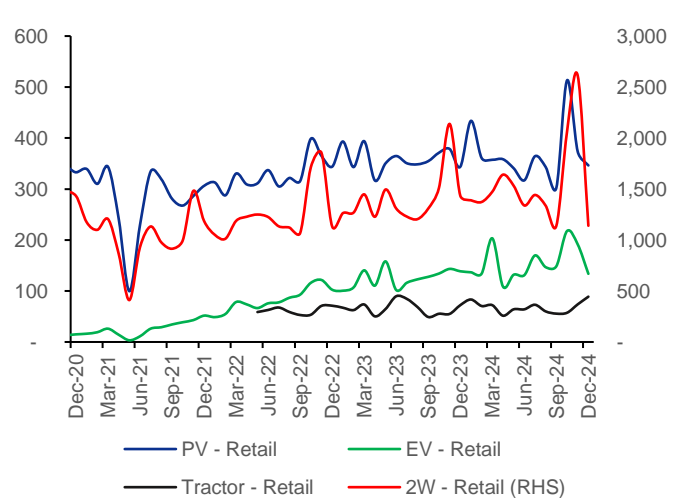
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 3: Domestic retail segment OEMs' market share trend



SOURCE: VAHAN, INCRED RESEARCH

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



SOURCE: VAHAN, INCRED RESEARCH

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