

India

February 03, 2025 - 03:00 PM

**Neutral** (no change)

**Highlighted Companies**

**Hero MotoCorp**

**ADD, TP Rs5810, Rs4402 close**

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

**Maruti Suzuki**

**ADD, TP Rs14261, Rs12917 close**

The product mix improving from CNG vehicles and exports will 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 Rs661, Rs707 close**

Supply challenges at JLR and demand weakness/ inventory challenges 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	18.2	16.5	15.1
Maruti Suzuki	28.3	23.8	21.9
Tata Motors	12.7	9.7	8.1

P/BV (x)	Mar25-F	Mar26-F	Mar27-F
Hero MotoCorp	4.5	4.1	3.8
Maruti Suzuki	3.8	3.5	3.1
Tata Motors	2.5	2.1	1.6

Dividend Yield	Mar25-F	Mar26-F	Mar27-F
Hero MotoCorp	3.6%	4.1%	4.5%
Maruti Suzuki	1.2%	1.5%	1.6%
Tata Motors	0.9%	1.2%	0.0%

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# Autos

## Jan 2025 auto sales volume performance

- The growth in dispatches in Jan 2025 was healthy for two-wheelers (2Ws) and tractors, while a mixed trend was observed in other segments.
- The big income-tax relief in the budget can aid the revival in personal vehicle demand, especially discretionary items like entry-level cars & premium 2Ws.
- We maintain our Neutral sector rating, with an ADD rating on Hero MotoCorp and Maruti Suzuki due to their valuation comfort & new product action benefits.

### Jan 2025 sales volume highlights

- **The YoY growth leaders** were Eicher Motors (+20%), TVS Motor (+17%), Mahindra & Mahindra or M&M (+15%), Ashok Leyland (+8%), Escorts Kubota (+8%), Maruti Suzuki (+7%), Bajaj Auto (+6%) and Hero MotoCorp (+2%). The YoY laggards were Tata Motors (-8%) and Hyundai Motor India (-3%).
- **The MoM growth leaders** were Hero MotoCorp (+36%), TVS Motor (+24%), Escorts Kubota (+22%), M&M (+21%), Bajaj Auto (+20%), Maruti Suzuki (+19%), Hyundai Motor India (+19%), Eicher Motors (+14%), Tata Motors (+2%), and Ashok Leyland (+2%).
- **Beat vs. our expectations:** TVS Motor (+5%), Maruti Suzuki (+5%), Bajaj Auto (+5%) and Hyundai Motor India (+4%).
- **Miss vs. expectations:** Escorts Kubota (-16%), Ashok Leyland (-14%), Hero MotoCorp (-12%) and Eicher Motors (-10%).
- **Vahan retail sales:** Jan 2025 retail sales indicate a yoy double-digit growth across the board due to the year change phenomenon of vehicle registration, while the tractor segment saw only a 4% yoy growth. On a YTD basis, 2Ws continued to maintain double-digit growth and cars also picked up at 5%, while tractors remained flat. The income-tax rate cuts in the Union budget 2025-26 may improve the demand for 2Ws & entry-level cars in the coming months.

### Retain Neutral sector rating as stock prices correct

- Tough demand environment prevails post festive season, thereby demanding higher ASP discounts to clock volume growth. The recovery in the Nifty Auto Index, of late, has been driven by 2W stocks, which, as a segment, we feel, is the most constructive as it has a relatively better volume growth and is transitioning to electric vehicles or EVs with a least impact on profitability.
- We retain our Neutral sector rating as the forward P/E valuation is near 10-year mean. The income-tax cut in the budget helping to improve disposable income should provide comfort about double-digit volume growth. Commercial vehicle demand recovery hinges on govt spending growth in the coming quarters.
- We remain selective on stocks as the volume growth is selective. 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 India & 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	Jan-25	YoY %	MoM %	vs forecast
Maruti Suzuki	2,12,251	6.5	19.1	4.6
Hyundai Motors	65,603	(3.0)	19.1	3.9
Mahindra & Mahindra	1,12,989	15.4	20.7	(1.1)
Tata Motors	85,544	(8.1)	2.2	0.6
Bajaj Auto	3,61,040	6.0	19.5	4.6
Eicher Motors	99,621	19.7	13.5	(9.5)
Hero MotoCorp	4,42,873	2.1	36.3	(11.4)
TVS Motor	3,97,623	17.1	23.6	4.8
Ashok Leyland	17,213	8.0	1.5	(13.5)
Escorts Kubota	6,669	7.8	21.9	(15.6)

SOURCE: INCRED RESEARCH, COMPANY REPORTS

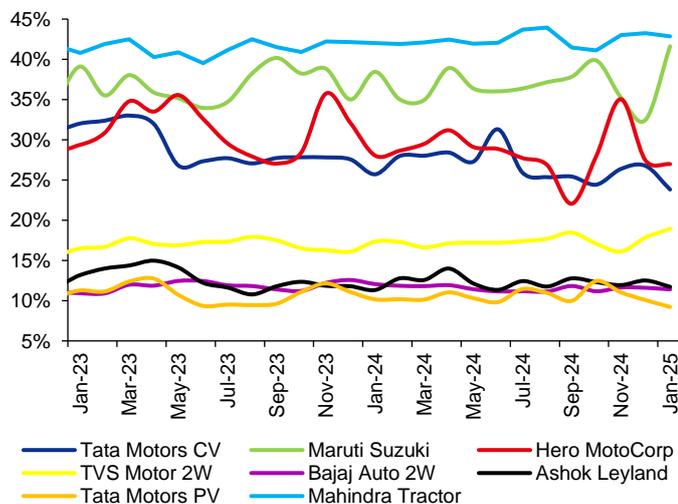
## Jan 2025 auto sales volume performance

Figure 2: Company-wise monthly wholesale automobile dispatches

	Jan 2025	YoY %	MoM %	Apr-Jan 2025	YoY %	vs. forecast
<b>Maruti Suzuki</b>						
Domestic	1,85,151	5.5	31.5	15,67,286	2.9	10.2
Exports	27,100	13.3	(27.6)	2,74,596	20.3	(22.6)
<b>Grand Total</b>	<b>2,12,251</b>	<b>6.5</b>	<b>19.1</b>	<b>18,41,882</b>	<b>5.2</b>	<b>4.6</b>
<b>Hyundai Motors</b>						
Domestic	54,003	(5.4)	27.9	4,99,119	(2.4)	7.8
Exports	11,600	10.5	(9.9)	1,36,886	(2.4)	(10.8)
<b>Grand Total</b>	<b>65,603</b>	<b>(3.0)</b>	<b>19.1</b>	<b>6,36,005</b>	<b>(2.4)</b>	<b>3.9</b>
<b>Mahindra &amp; Mahindra</b>						
Utility Vehicles	50,659	17.6	22.3	4,53,019	20.2	12.6
Pick-up, Gio & Maxximo	22,750	1.8	22.7	1,98,235	(2.6)	(12.5)
3-Wheelers	7,452	31.9	29.6	71,689	8.4	(0.6)
Trucks & Buses	1,167	2.4	22.3	23,071	49.9	(64.6)
Tractors	27,557	15.1	15.5	3,65,104	10.4	(6.3)
Auto Exports	3,404	95.0	10.1	27,505	27.6	13.5
<b>Grand Total</b>	<b>1,12,989</b>	<b>15.4</b>	<b>20.7</b>	<b>11,38,623</b>	<b>12.3</b>	<b>(1.1)</b>
<b>Tata Motors</b>						
CVs	31,988	(0.3)	(5.6)	3,03,248	(4.8)	(15.8)
PVs	53,556	(12.2)	7.4	4,57,580	(3.0)	13.9
<b>Grand Total</b>	<b>85,544</b>	<b>(8.1)</b>	<b>2.2</b>	<b>7,60,828</b>	<b>(3.7)</b>	<b>0.6</b>
<b>Bajaj Auto</b>						
Motorcycles	3,08,413	5.3	22.8	31,41,644	4.0	6.3
3-Wheelers	52,627	10.2	3.3	5,61,913	8.3	(4.3)
<b>Grand Total</b>	<b>3,61,040</b>	<b>6.0</b>	<b>19.5</b>	<b>37,03,557</b>	<b>4.6</b>	<b>4.6</b>
<b>Eicher Motors</b>						
Royal Enfield	91,132	19.6	14.7	8,17,322	6.4	(10.7)
VECV	8,489	20.1	2.0	69,975	4.6	4.8
<b>Grand Total</b>	<b>99,621</b>	<b>19.7</b>	<b>13.5</b>	<b>8,87,297</b>	<b>6.2</b>	<b>(9.5)</b>
<b>Hero MotoCorp</b>						
<b>Grand Total</b>	<b>4,42,873</b>	<b>2.1</b>	<b>36.3</b>	<b>49,61,515</b>	<b>6.4</b>	<b>(11.4)</b>
<b>TVS Motor</b>						
Domestic 2W	2,93,860	9.6	36.6	29,18,557	10.5	2.4
Export 2W	93,811	52.0	(3.2)	8,71,731	18.4	19.9
3W	9,952	3.9	2.8	1,13,482	(9.1)	(28.9)
<b>Grand Total</b>	<b>3,97,623</b>	<b>17.1</b>	<b>23.6</b>	<b>39,03,770</b>	<b>11.5</b>	<b>4.8</b>
<b>Ashok Leyland</b>						
MHCVs	11,384	11.4	(0.8)	97,507	(0.5)	(11.8)
LCVs	5,829	1.9	6.3	55,627	(1.4)	(16.7)
<b>Grand Total</b>	<b>17,213</b>	<b>8.0</b>	<b>1.5</b>	<b>1,53,134</b>	<b>(0.8)</b>	<b>(13.5)</b>
<b>Escorts Kubota</b>						
Domestic	6,058	4.1	20.8	94,008	1.6	(19.2)
Exports	611	66.0	34.0	3,770	(18.9)	52.8
<b>Grand Total</b>	<b>6,669</b>	<b>7.8</b>	<b>21.9</b>	<b>97,778</b>	<b>0.7</b>	<b>(15.6)</b>

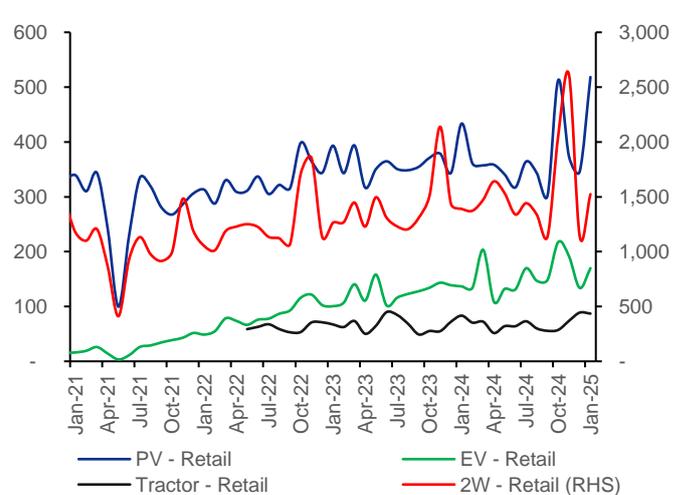
SOURCE: INCRED RESEARCH, COMPANY REPORTS

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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Definition:

- 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.

*The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.*

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Definition:

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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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- Neutral** A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
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