

India

March 03, 2025 - 8:40 PM

**Neutral** (no change)

**Highlighted Companies**

**Bajaj Auto**

**ADD, TP Rs10590, Rs7715 close**

With the structural EV shift turning in favour of incumbents like Bajaj Auto to address white spaces in scooters & E-rickshaw with a minimal impact on EBITDA, we upgrade to ADD rating (from HOLD earlier).

**Hyundai Motor India**

**REDUCE, TP Rs1414, Rs1695 close**

We feel the volume underperformance & market share pressure will prolong. The INR depreciation to impact the EBITDA margin as the company is a net importer.

**Tata Motors**

**REDUCE, TP Rs661, Rs621 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
Bajaj Auto	25.4	21.3	19.1
Hyundai Motor India	25.3	22.8	21.3
Tata Motors	11.2	8.5	7.1

P/BV (x)	Mar25-F	Mar26-F	Mar27-F
Bajaj Auto	7.8	6.9	6.0
Hyundai Motor India	10.1	8.1	6.8
Tata Motors	2.2	1.8	1.4

Dividend Yield	Mar25-F	Mar26-F	Mar27-F
Bajaj Auto	2.6%	3.1%	3.1%
Hyundai Motor India	1.8%	2.0%	2.3%
Tata Motors	1.0%	1.3%	0.0%

**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

## Feb 2025 auto sales volume performance

- The growth in dispatches in Feb 2025 was healthy for two-wheelers (2Ws) and tractors, while a mixed trend was observed in other segments.
- M&M beat Hyundai Motor India to be the second-highest selling car company in India in Feb 2025. It supports our REDUCE rating on Hyundai Motor India.
- 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.

### Feb 2025 sales volume highlights

- **The YoY growth leaders** were Eicher Motors (+18%), Mahindra & Mahindra or M&M (+16%), Escorts Kubota (+11%), TVS Motor Company (+9%), Ashok Leyland (+2%), Bajaj Auto (+2%) & Maruti Suzuki (+1%). The YoY laggards were Hero MotoCorp (-17%), Tata Motors (-9%) & Hyundai Motor India (-3%).
- **The MoM growth leaders** were Escorts Kubota (+29%), Ashok Leyland (+4%) and TVS Motor Company (+1%). The MoM laggards were Hero MotoCorp (-12%), Hyundai Motor India (-11%), Bajaj Auto (-8%), Maruti Suzuki (-6%), M&M (-3%), Eicher Motors and Tata Motors (-1%).
- **Beat vs. our expectations:** Escorts Kubota (+26%), TVS Motor Company (+10%), M&M (+5%), Maruti Suzuki (+4%), Tata Motors (+3%).
- **Miss vs. expectations:** Hero MotoCorp (-17%) Ashok Leyland, Eicher Motors and Hyundai Motor India (-6% each) and Bajaj Auto (-4%).
- **Vahan retail sales:** Feb 2025 retail sales indicate a yoy single-digit fall in two-wheelers or 2Ws (-2%) & cars (-6%), while tractor yoy sales were down (-15%) & electric vehicles or EVs up (+4%). The major mom fall was in cars (-35%) & tractors (-31%) while 2Ws & EVs declined (-12%) & (-18%), respectively. On a YTD basis, 2Ws continued to maintain double-digit growth and cars at 4%, while tractors remained flat. The income-tax rate cuts in 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

- The sharp sell-off in the Nifty Auto Index in recent months (11% in 1M and 13% in 3M) disappoints. The underperformance of Nifty Auto Index vs. Nifty-50 Index was sharper than our expectation (from our downgrade of the sector's rating to Neutral in May 2024).
- Forward P/E valuation eased below the 10-year mean level, while the ingredients for demand recovery are being sowed in the form of easing interest rates and improved disposable incomes via the recent cut in income-tax rates.
- We have upgraded Bajaj Auto in the OEM space. Our order of preference is Bajaj Auto, Hero MotoCorp, Maruti Suzuki, & Ashok Leyland, with an ADD rating. We retain REDUCE rating on Tata Motors, Hyundai Motor India & TVS Motor Company as the weakness in their sales volume is not fully captured by their valuations. We have a HOLD rating on Eicher Motors and M&M.

**Figure 1: Monthly automobile wholesale dispatches**

Company	Feb-2025	YoY %	MoM %	vs forecast
Maruti Suzuki	1,99,400	1.0	(6.1)	3.9
Hyundai Motor India	58,727	(2.9)	(10.5)	(5.6)
Mahindra & Mahindra	1,09,229	15.5	(3.3)	4.5
Tata Motors	84,687	(9.3)	(1.0)	3.3
Bajaj Auto	3,52,071	1.5	(7.6)	(4.1)
Eicher Motors	98,762	18.2	(0.9)	(5.8)
Hero MotoCorp	3,88,068	(17.2)	(12.4)	(17.4)
TVS Motor Company	4,02,965	9.4	1.3	9.8
Ashok Leyland	17,903	1.5	4.0	(5.8)
Escorts Kubota	8,590	11.4	28.8	26.3

SOURCES: INCRED RESEARCH, COMPANY REPORTS

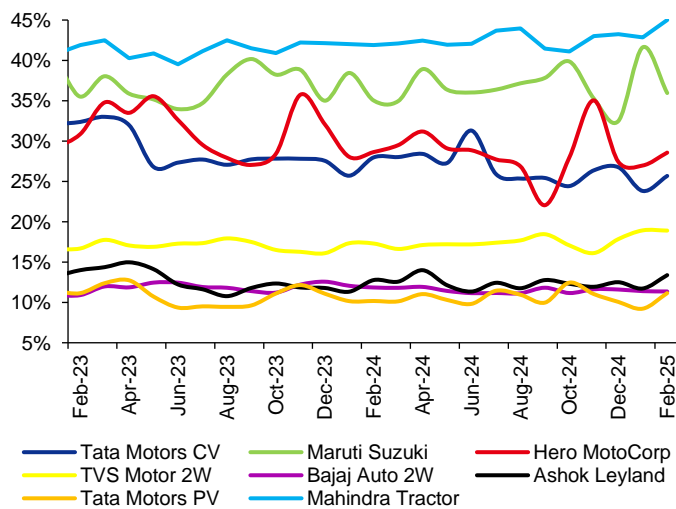
## Feb 2025 auto sales volume performance

Figure 2: Company-wise monthly wholesale automobile dispatches

	Feb-2025	YoY %	MoM %	Apr-Feb 2025	YoY %	vs forecast
<b>Maruti Suzuki</b>						
Domestic	1,74,379	3.5	(5.8)	17,41,665	3.0	9.0
Exports	25,021	(13.5)	(7.7)	2,99,617	16.5	(21.8)
<b>Grand Total</b>	<b>1,99,400</b>	<b>1.0</b>	<b>(6.1)</b>	<b>20,41,282</b>	<b>4.8</b>	<b>3.9</b>
<b>Hyundai Motor India</b>						
Domestic	47,727	(4.9)	(11.6)	5,46,846	(2.6)	(3.0)
Exports	11,000	6.8	(5.2)	1,47,886	(1.8)	(15.4)
<b>Grand Total</b>	<b>58,727</b>	<b>(2.9)</b>	<b>(10.5)</b>	<b>6,94,732</b>	<b>(2.5)</b>	<b>(5.6)</b>
<b>Mahindra &amp; Mahindra</b>						
Utility Vehicles	50,420	18.9	(0.5)	5,03,439	20.1	14.6
Pick-up, Gio & Maxximo	22,445	3.4	(1.3)	2,20,680	(2.0)	(6.5)
3-Wheelers	6,395	3.8	(14.2)	78,084	8.0	(6.0)
Trucks & Buses	1,381	22.8	18.3	24,452	48.0	(54.0)
Tractors	25,527	17.8	(7.4)	3,90,631	10.9	5.5
Auto Exports	3,061	98.9	(10.1)	30,566	32.4	22.4
<b>Grand Total</b>	<b>1,09,229</b>	<b>15.5</b>	<b>(3.3)</b>	<b>12,47,852</b>	<b>12.5</b>	<b>4.5</b>
<b>Tata Motors</b>						
CVs	32,533	(7.3)	1.7	3,35,781	(5.0)	(12.1)
PVs	52,154	(10.5)	(2.6)	5,04,391	(3.6)	15.9
<b>Grand Total</b>	<b>84,687</b>	<b>(9.3)</b>	<b>(1.0)</b>	<b>8,40,172</b>	<b>(4.2)</b>	<b>3.3</b>
<b>Bajaj Auto</b>						
Motorcycles	2,99,418	1.6	(8.8)	36,66,577	7.4	(5.5)
3-Wheelers	52,653	1.3	0.0	6,14,566	7.6	5.3
<b>Grand Total</b>	<b>3,52,071</b>	<b>1.5</b>	<b>(7.6)</b>	<b>42,81,143</b>	<b>7.4</b>	<b>(4.1)</b>
<b>Eicher Motors</b>						
Royal Enfield	90,670	19.4	(0.5)	9,07,992	7.6	(6.5)
VECV	8,092	6.4	(4.7)	78,067	4.8	3.7
<b>Grand Total</b>	<b>98,762</b>	<b>18.2</b>	<b>(0.9)</b>	<b>9,86,059</b>	<b>7.3</b>	<b>(5.8)</b>
<b>Hero MotoCorp</b>						
<b>Grand Total</b>	<b>3,88,068</b>	<b>(17.2)</b>	<b>(12.4)</b>	<b>53,49,583</b>	<b>4.3</b>	<b>(17.4)</b>
<b>TVS Motor Company</b>						
Domestic 2W	2,76,072	3.2	(6.1)	31,94,629	9.8	0.4
Export 2W	1,15,817	28.2	23.5	9,87,548	19.5	48.0
3W	11,076	4.4	11.3	1,24,558	(8.1)	(20.3)
<b>Grand Total</b>	<b>4,02,965</b>	<b>9.4</b>	<b>1.3</b>	<b>43,06,735</b>	<b>11.3</b>	<b>9.8</b>
<b>Ashok Leyland</b>						
MHCVs	11,486	(0.4)	0.9	1,08,993	(0.5)	(7.4)
LCVs	6,417	5.3	10.1	62,044	(0.7)	(2.8)
<b>Grand Total</b>	<b>17,903</b>	<b>1.5</b>	<b>4.0</b>	<b>1,71,037</b>	<b>(0.6)</b>	<b>(5.8)</b>
<b>Escorts Kubota</b>						
Domestic	7,968	9.6	31.5	99,788	0.4	26.5
Exports	622	41.4	1.8	4,392	(13.6)	24.4
<b>Grand Total</b>	<b>8,590</b>	<b>11.4</b>	<b>28.8</b>	<b>1,04,180</b>	<b>(0.3)</b>	<b>26.3</b>

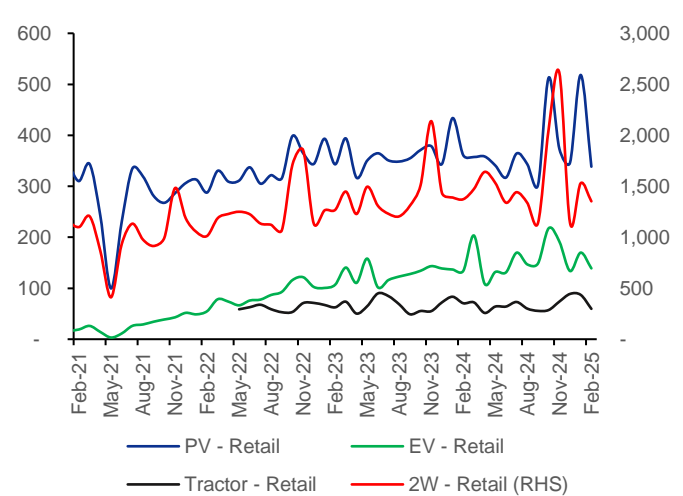
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 3: Domestic retail segment OEMs' market share trend



SOURCE: VAHAN, INCRED RESEARCH, COMPANY REPORTS

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



SOURCE: VAHAN, INCRED RESEARCH, COMPANY REPORTS

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#### **InCred Research Services Private Limited**

##### **Research Analyst SEBI Registration Number: INH000011024**

Registered Office: Unit No 1203, 12th Floor, B Wing, The Capital, C-70, G Block, BKC, Bandra (E), Mumbai – 400051

Phone: +91-22-6844-6100

Corporate Office: 05<sup>th</sup> floor, Laxmi Towers, Plot No. C-25, G Block, Bandra – Kurla Complex, Bandra (East), Mumbai – 400051

Phone: +91-22-4161-1500

Name of the Compliance Officer: Mr. Yogesh Kadam

Email ID: compliance@incredresearch.com, Phone No: +91-22-41611539

For any queries or grievances, you may contact the Grievance Officer.

Name of the Grievance Officer: Mr. Rajarshi Maitra

Phone no. +91-022-41611546

Email ID: rajarshi.maitra@incredresearch.com

CIN: U74999MH2016PTC287535

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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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- 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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