

India

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**Neutral** (no change)**Highlighted Companies****Maruti Suzuki****ADD, TP Rs14896, Rs12109 close**

Improving product mix 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.

**Mahindra & Mahindra****HOLD, TP Rs2455, Rs2876 close**

Its automotive division has started making XUV electric vehicle, which will be launched in early CY25F. A 26% spike in the stock price in a month led the P/E valuation to rise to +3SD above the 10-year mean level. Retain our HOLD rating.

**Tata Motors****REDUCE, TP Rs769, Rs1002 close**

The demerger may take a year to complete all formalities, after which we prefer the CV business. A gradual recovery in India PV business & at JLR leads to our REDUCE rating.

**Summary Valuation Metrics**

P/E (x)	Mar24-F	Mar25-F	Mar26-F
Maruti Suzuki	28.82	23.4	21.79
Mahindra & Mahindra	31.2	28.37	26.28
Tata Motors	12.04	16.83	13.78

P/BV (x)	Mar24-F	Mar25-F	Mar26-F
Maruti Suzuki	4.53	3.52	3.18
Mahindra & Mahindra	6.11	5.23	4.55
Tata Motors	4.52	3.64	2.95

Dividend Yield	Mar24-F	Mar25-F	Mar26-F
Maruti Suzuki	1.03%	1.32%	1.57%
Mahindra & Mahindra	0.89%	0.79%	0.94%
Tata Motors	0.4%	0.6%	0.8%

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# Autos

## Jun 2024 auto sales volume performance

- Volume growth was selective in Jun 2024. Within the same segment, OEMs' trend was mixed barring CV & tractors. Retail trend was contrary to dispatches.
- Jun 2024 trend favours our ADD rating on Maruti Suzuki and a REDUCE rating on Tata Motors, Eicher Motors and TVS Motor Company.
- With Nifty Auto index's valuation rising above the 10-year mean overlooking volume growth & profit margin challenges, we retain our Neutral rating.

**Jun 2024 sales volume highlights**

- The YoY growth leaders** were Hero MotoCorp (+15%), Maruti Suzuki (+12%), Mahindra & Mahindra or M&M (+9%) and Bajaj Auto (+4%). The YoY laggards were TVS Motor Company (-7%), Tata Motors (-7%), Eicher Motors (-4%), Escorts Kubota (-3%) and Ashok Leyland (-2%).
- The MoM growth leaders** were Escorts Kubota (+11%), M&M (+7%), Maruti Suzuki (+3%), Eicher Motors (+3%), Ashok Leyland (+2%) and Hero MotoCorp (+1%). MoM laggards were TVS Motor Company (-15%), Bajaj Auto (-3%) and Tata Motors (-2%).
- Beat vs. our expectations:** Maruti Suzuki (+16%), Hero MotoCorp (+5%), Escorts Kubota (+5%) and M&M (+4%).
- Miss vs. expectations:** Tata Motors (-14%), Eicher Motors (-14%), TVS Motor Company (-11%), Bajaj Auto (-8%) and Ashok Leyland (-5%).
- Vahan retail sales:** Jun 2024 witnessed weakness across the board, as cars and tractors sales dipped by 13% and 29%, respectively, while 2W and EV sales were up in low single digit. On MoM basis, a major dip was in EVs and 2Ws by ~14% while car sales were down by 7% and tractor sales remained flat.

**Neutral sector rating for 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.
- Our order of preference is Maruti Suzuki and Ashok Leyland, with an ADD rating. We reiterate REDUCE rating on Tata Motors and TVS Motor Company as the weakness in volume is not captured at current rich valuations. We have a HOLD rating on Mahindra & Mahindra (M&M) and a REDUCE rating on Escorts Kubota in the tractor segment, as any delay in monsoon rains can hurt demand recovery hopes. In 2W, we prefer Hero MotoCorp and Bajaj Auto over Eicher Motors and TVS Motor Company.
- In the auto ancillary segment, we have an ADD rating on Bharat Forge, Endurance, Technologies, SAMIL and Balkrishna Industries and a REDUCE rating on Bosch, Apollo Tyres and Exide Industries.

**Figure 1: Monthly automobile wholesale dispatches**

Company	Jun-24	YoY %	MoM %	vs. forecast
Maruti Suzuki	1,79,228	12.4	2.7	15.6
Mahindra & Mahindra	1,16,716	8.5	7.3	4.3
Tata Motors	75,604	(7.4)	(1.5)	(14.1)
Bajaj Auto	3,46,477	3.8	(2.5)	(7.6)
Eicher Motors	80,565	(3.9)	3.4	(14.3)
Hero MotoCorp	5,03,448	15.2	1.1	4.9
TVS Motor Company	3,13,745	(7.5)	(15.2)	(11.4)
Ashok Leyland	14,940	(1.8)	1.8	(5.1)
Escorts Kubota	9,593	(2.6)	11.4	5.4

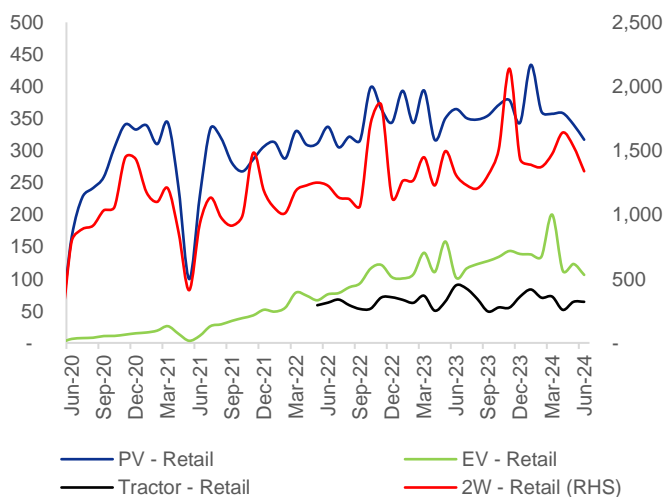
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 2: Company-wise monthly wholesale automobile dispatches

Company	Jun-24	YoY %	MoM %	Apr 24-Jun 24	YoY %	vs forecast
<b>Maruti Suzuki</b>						
Domestic	1,48,195	6.1	(5.7)	4,51,308	3.8	9.8
Exports	31,033	57.0	78.7	70,560	11.6	55.2
<b>Grand Total</b>	<b>1,79,228</b>	<b>12.4</b>	<b>2.7</b>	<b>5,21,868</b>	<b>4.8</b>	<b>15.6</b>
<b>Mahindra &amp; Mahindra</b>						
Utility Vehicles	40,022	22.8	(7.4)	1,24,248	24.0	(9.0)
Pick-up, Gio & Maxximo	17,320	(12.5)	2.3	53,321	(7.1)	(27.8)
3-Wheelers	6,184	(3.0)	3.6	17,655	(0.7)	(17.5)
Trucks & Buses	3,274	76.6	13.3	9,201	103.5	9.1
Tractors	47,319	6.4	27.5	1,21,467	5.6	52.6
Auto Exports	2,597	3.7	(2.8)	7,125	2.8	8.2
<b>Grand Total</b>	<b>1,16,716</b>	<b>8.5</b>	<b>7.3</b>	<b>3,33,017</b>	<b>10.3</b>	<b>4.3</b>
<b>Tata Motors</b>						
CVs	31,980	(6.8)	7.7	91,209	6.3	(11.2)
PVs	43,624	(7.9)	(7.3)	1,38,682	(1.3)	(16.1)
<b>Grand Total</b>	<b>75,604</b>	<b>(7.4)</b>	<b>(1.5)</b>	<b>2,29,891</b>	<b>1.6</b>	<b>(14.1)</b>
<b>Bajaj Auto</b>						
Motorcycles	2,91,646	1.8	(4.5)	9,38,917	8.2	(10.3)
3-Wheelers	54,831	15.8	10.0	1,51,139	9.5	9.7
<b>Grand Total</b>	<b>3,46,477</b>	<b>3.8</b>	<b>(2.5)</b>	<b>10,90,056</b>	<b>8.3</b>	<b>(7.6)</b>
<b>Eicher Motors</b>						
Royal Enfield	73,141	(5.1)	3.0	2,37,011	4.1	(15.0)
VECV	7,424	10.6	7.6	19,702	0.7	(7.2)
<b>Grand Total</b>	<b>80,565</b>	<b>(3.9)</b>	<b>3.4</b>	<b>2,56,713</b>	<b>3.8</b>	<b>(14.3)</b>
<b>Hero MotoCorp</b>						
<b>Grand Total</b>	<b>5,03,448</b>	<b>15.2</b>	<b>1.1</b>	<b>15,35,156</b>	<b>13.5</b>	<b>4.9</b>
<b>TVS Motor</b>						
Domestic 2W	2,35,833	(4.9)	(13.0)	8,08,422	10.2	(10.0)
Export 2W	66,434	(16.0)	(24.9)	2,28,027	9.9	(15.1)
3W	11,478	(4.4)	11.2	30,825	(11.3)	(16.8)
<b>Grand Total</b>	<b>3,13,745</b>	<b>(7.5)</b>	<b>(15.2)</b>	<b>10,67,274</b>	<b>9.4</b>	<b>(11.4)</b>
<b>Ashok Leyland</b>						
MHCVs	9,519	(4.4)	3.0	27,885	6.6	(8.5)
LCVs	5,421	3.1	(0.3)	16,008	5.6	1.3
<b>Grand Total</b>	<b>14,940</b>	<b>(1.8)</b>	<b>1.8</b>	<b>43,893</b>	<b>6.2</b>	<b>(5.1)</b>
<b>Escorts Kubota</b>						
Domestic	9,359	1.0	13.7	24,759	(1.9)	10.1
Exports	234	(59.7)	(38.4)	961	(29.1)	(61.0)
<b>Grand Total</b>	<b>9,593</b>	<b>(2.6)</b>	<b>11.4</b>	<b>25,720</b>	<b>(3.2)</b>	<b>5.4</b>

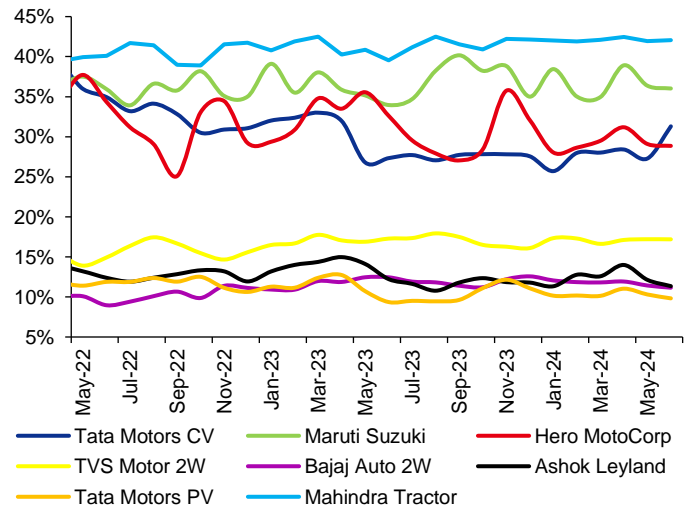
SOURCE: INCRED RESEARCH, COMPANY REPORTS

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



SOURCE: VAHAN, INCRED RESEARCH

Figure 4: Domestic retail segment OEM market share trend



SOURCE: VAHAN, INCRED RESEARCH

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