

# Automobiles

## Jun'24 wholesales remain a mixed bag

### Tractor wholesales outshine despite weak retails

In 2Ws, while HMCL's numbers were ahead of our estimates, TVSL/BJAUT/RE's numbers remained in line. In PVs, while domestic dispatches of MSIL/MM were in line, exports of MSIL surprised. TTMT disappointed as the company focused on lean channel inventory against the backdrop of weak retail sales. In CVs, both TTMT and AL's wholesales remained in line and declined by a single digit YoY, while VECV surprised with double-digit YoY growth. The CV industry's demand held up well in 1QFY25, and we continue to expect the industry to post mid-single-digit growth for FY25. In tractors, both M&M and ESC's sales were ahead of estimates, with the progress of monsoon being the key monitorable. We expect PVs and CVs to post 6% volume CAGR each over FY24-26. We anticipate the 2W industry to clock a 9% volume CAGR during the same period. In Auto OEMs, MSIL and AL are our top picks.

- **2Ws (above est.):** Wholesale dispatches for HMCL (above est.) /BJAUT (in line)/TVSL (in line) grew 15%/3%/6% YoY to 503.45k/303.6k/322.2k units. Export dispatches for TVSL declined 3% YoY to 66.4k units but grew 7% YoY to 177.2k units for BJAUT albeit on a low base. TVSL indicated that export dispatches were hit by lower container availability on account of the Red Sea crisis. RE posted 5% YoY decline in wholesales at 73,141 units (in line).
- **PVs (in line with est.):** MSIL's volumes for Jun'24 came in at 179.2k units (grew 12% YoY) and were above our estimates largely due to strong exports. While domestic volumes for MSIL grew in line at 6% YoY to 148.2k units, exports surged 57% YoY to a record high of 31k units (1QFY25 export wholesales have grown 12% YoY). MM's UV volumes (including pick-ups) were up 11% YoY to 59.9k units due to the strong growth of UVs at 23% YoY. TTMT's PV volumes declined 8% YoY to 43.6k units and were below our estimates. TTMT indicated that it has proactively reduced wholesales to keep channel inventory under control amid a weak retail demand. Further, the EV fleet sales were affected majorly in 1QFY25 due to expiry of FAME-2 subsidy in Mar'24 (TTMT's EV sales declined 34% YoY to 4,657 units). The company remains optimistic of a pick-up in demand in the coming months as enquiry levels remain healthy and facilitated by the onset of festive season from August. Overall, both UV and Car segments grew 9.0%/7.5% YoY.
- **CVs (in line with est):** Overall MHCVs grew 2% YoY, while LCVs declined 5% YoY. CV sales for TTMT declined 7% YoY (MHCVs grew 3% YoY while LCVs declined 14% YoY) in Jun'24 (in line with estimates) to 32k units. The company indicated that while HCV demand held up, market sentiment for the MCV segment remained positive. Even Bus demand continued to remain positive. Going forward, CV demand is likely to be steady on the back of a healthy monsoon forecast, expectation of policy continuity, and continuous push for infra. AL's wholesales declined 2% YoY to 14.9k units (in line with est.). VECV's CV sales grew 11% YoY to 7.4k units (above est.).
- **Tractors (above est):** MM's tractor volumes grew 6% YoY to 47.3k units (above est.). As per M&M, the government's announcement of increased food grain production, an increase in MSP for major Kharif crops, and further advancement of the Southwest monsoon across the country have driven positive sentiments among farmers. With retail momentum having picked up, supported by land preparation and an increase in Kharif crop sowing, demand for tractors is likely

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to remain strong in the upcoming months. For Escorts, tractor sales declined 3% YoY at 9.6k units (above est.). As per ESC's management, retail sales in its key market saw a delayed pick up. With the monsoon progressing well and continuing government support, including an increase in MSP, ESC anticipates demand to improve in the coming months

Surprise (Variance %)	In line (Variance %)	Disappointment (Variance %)
MSIL (+9%)	MM UVs (-3%)	TTMT PVs (-10%)
EIM VECV (+5.5%)	TTMT CVs (-1%)	
MM Tractors (+11%)	AL (0%)	
ESC (+5%)	TVSL (-3.5%)	
HMCL (+13%)	EIM RE (-3%)	
	BJAUT (+4%)	

- Valuation and view:** It is now an established fact that the majority of easy gains in Auto OEM stocks are now behind us, as we have witnessed significant volume growth across segments over the last two years, and input costs also appear to have bottomed out. Hence, one will have to make selective micro strategies to outperform from hereon. Against this backdrop, MSIL remains our top pick in Auto OEMs along with AL. Among Auto Ancillaries, our top picks are CRAFTSMA, MOTHERSO, and HAPPYFORG.

#### Snapshot of volumes for Jun-24 (incl. Exports) \*

Company Sales	YoY			MoM		FY25YTD	FY24YTD	(% chg)	FY25E	Gr (%)
	Jun-24	Jun-23	YoY (%) chg	May-24	MoM (%) chg					
<b>2W</b>	<b>12,02,403</b>	<b>11,12,152</b>	<b>8.1</b>	<b>12,34,205</b>	<b>-2.6</b>	<b>37,68,444</b>	<b>33,88,092</b>	<b>11.2</b>	<b>1,56,80,175</b>	<b>12.1</b>
Cars	1,27,387	1,18,469	7.5	1,20,172	6.0	3,58,969	3,73,756	-4.0	15,75,524	21.9
Uvs + MPVs	1,52,646	1,39,514	9.4	1,61,588	-5.5	4,78,329	4,19,888	13.9	21,16,596	11.7
<b>PVs</b>	<b>2,80,033</b>	<b>2,57,983</b>	<b>8.5</b>	<b>2,81,760</b>	<b>-0.6</b>	<b>8,37,298</b>	<b>7,93,644</b>	<b>5.5</b>	<b>36,92,119</b>	<b>15.8</b>
<b>3Ws</b>	<b>72,493</b>	<b>65,719</b>	<b>10.3</b>	<b>66,132</b>	<b>9.6</b>	<b>1,99,619</b>	<b>1,90,619</b>	<b>4.7</b>	<b>9,54,104</b>	<b>12.7</b>
M&HCVs	32,167	31,447	2.3	29,676	8.4	89,561	82,313	8.8	4,17,727	6.7
LCVs	28,209	29,649	-4.9	27,179	3.8	82,390	77,576	6.2	3,59,442	6.5
<b>CVs</b>	<b>60,376</b>	<b>61,096</b>	<b>-1.2</b>	<b>56,855</b>	<b>6.2</b>	<b>1,71,951</b>	<b>1,59,889</b>	<b>7.5</b>	<b>7,77,169</b>	<b>6.6</b>
<b>Tractors</b>	<b>56,912</b>	<b>54,328</b>	<b>4.8</b>	<b>45,721</b>	<b>24.5</b>	<b>1,47,187</b>	<b>1,41,591</b>	<b>4.0</b>	<b>5,01,740</b>	<b>5.8</b>

\* 2W: HMCL, TVSL, EIM BJAUTO; PVs: MSIL, MM & TTMT; 3Ws: TVSL, MM & BJAUTO; CVs: TTMT, AL, MM, EIM; Tractors: MM, ESC

## Snapshot of volumes for Jun-24

Company Sales	YoY			MoM		FY25YTD	FY24YTD	(% chg)	FY25E	Gr. (%)	Residual Gr. (%)	Residual Monthly Run rate	FY25 YTD Monthly Run rate	Est. Jun-24
	Jun-24	Jun-23	YoY (%) chg	May-24	MoM (%) chg									
<b>Maruti Suzuki</b>	<b>1,79,228</b>	<b>1,59,418</b>	<b>12.4</b>	<b>1,74,551</b>	<b>2.7</b>	<b>5,21,868</b>	<b>4,98,030</b>	<b>4.8</b>	<b>22,84,810</b>	<b>7.0</b>	<b>7.7</b>	<b>1,95,882</b>	<b>1,73,956</b>	<b>1,64,741</b>
LCVs	2,758	2,992	-7.8	2,692	2.5	7,946	8,079	-1.6	35,789	6.0	8.4	3,094	2,649	2,543
Vans	10,771	9,354	15.1	10,960	-1.7	33,791	32,676	3.4	1,45,367	6.0	6.8	12,397	11,264	9,073
Mini Segment	9,395	14,054	-33.2	9,902	-5.1	30,816	40,400	-23.7	1,42,826	0.5	10.1	12,446	10,272	10,541
Compact (incl Dzire Tour)	72,326	68,100	6.2	78,696	-8.1	2,13,456	2,23,503	-4.5	9,26,227	4.5	7.5	79,197	71,152	72,186
Mid-Size - CIAZ	572	1,744	-67.2	730	-21.6	2,169	3,753	-42.2	9,820	-5.0	16.2	850	723	872
UVs	52,373	43,404	20.7	54,204	-3.4	1,63,130	1,26,401	29.1	7,16,539	11.6	7.3	61,490	54,377	50,349
Domestic	1,48,195	1,39,648	6.1	1,57,184	-5.7	4,51,308	4,34,812	3.8	19,76,569	20.7	26.8	1,69,473	1,50,436	1,45,564
Export	31,033	19,770	57.0	17,367	78.7	70,560	63,218	11.6	3,08,242	8.9	8.1	26,409	23,520	19,177
<b>Mahindra &amp; Mahindra</b>	<b>1,16,716</b>	<b>1,06,907</b>	<b>9.2</b>	<b>1,08,791</b>	<b>7.3</b>	<b>3,33,017</b>	<b>3,01,147</b>	<b>10.6</b>	<b>13,70,833</b>	<b>14.0</b>	<b>15.2</b>	<b>1,15,313</b>	<b>1,11,006</b>	<b>1,13,484</b>
UV (incl. pick-ups)	59,939	54,198	10.6	62,826	-4.6	1,84,694	1,63,243	13.1	8,57,930	18.0	19.4	74,804	61,565	62,027
LCV & M&HCV	3,274	1,854	76.6	2,889	13.3	9,201	5,115	79.9	23,363	21.7	0.6	1,574	3,067	2,700
Three-Wheelers	6,184	6,377	-3.0	5,967	3.6	17,655	17,780	-0.7	88,451	14.0	18.4	7,866	5,885	6,058
Tractors	47,319	44,478	6.4	37,109	27.5	1,21,467	1,15,009	5.6	4,01,089	6.0	6.2	31,069	40,489	42,699
<b>Tata Motors</b>	<b>75,604</b>	<b>81,673</b>	<b>-7.4</b>	<b>76,766</b>	<b>-1.5</b>	<b>2,29,891</b>	<b>2,26,245</b>	<b>1.6</b>	<b>10,02,925</b>	<b>3.5</b>	<b>4.0</b>	<b>85,893</b>	<b>76,630</b>	<b>80,562</b>
HCV's	15,224	14,770	3.1	13,532	12.5	41,974	36,577	14.8	1,91,741	5.9	3.6	16,641	13,991	14,323
LCV's	16,756	19,544	-14.3	16,159	3.7	49,235	49,218	0.0	2,26,017	5.3	6.8	19,642	16,412	17,992
CV's	<b>31,980</b>	<b>34,314</b>	<b>-6.8</b>	<b>29,691</b>	<b>7.7</b>	<b>91,209</b>	<b>85,795</b>	<b>6.3</b>	<b>4,17,757</b>	<b>5.5</b>	<b>5.3</b>	<b>36,283</b>	<b>30,403</b>	<b>32,315</b>
PVs	43,624	47,359	-7.9	47,075	-7.3	1,38,682	1,40,450	-1.3	5,85,168	6.0	8.5	49,610	46,227	48,247
<b>Hero MotoCorp</b>	<b>5,03,448</b>	<b>4,36,993</b>	<b>15.2</b>	<b>4,98,123</b>	<b>1.1</b>	<b>15,35,156</b>	<b>13,52,574</b>	<b>13.5</b>	<b>61,08,519</b>	<b>8.7</b>	<b>7.1</b>	<b>5,08,151</b>	<b>5,11,719</b>	<b>4,45,733</b>
<b>Bajaj Auto</b>	<b>3,58,477</b>	<b>3,40,981</b>	<b>5.1</b>	<b>3,55,323</b>	<b>0.9</b>	<b>11,02,056</b>	<b>10,27,407</b>	<b>7.3</b>	<b>47,47,048</b>	<b>12.4</b>	<b>14.1</b>	<b>4,04,999</b>	<b>3,67,352</b>	<b>3,45,210</b>
Motorcycles	3,03,646	2,93,649	3.4	3,05,482	-0.6	9,50,917	8,89,330	6.9	40,53,794	12.6	14.5	3,44,764	3,16,972	2,95,985
Two-Wheelers	3,03,646	2,93,649	3.4	3,05,482	-0.6	9,50,917	8,89,330	6.9	40,53,794	12.6	14.5	3,44,764	3,16,972	2,95,985
Three-Wheelers	54,831	47,332	15.8	49,841	10.0	1,51,139	1,38,077	9.5	6,93,255	11.3	11.8	60,235	50,380	49,225
Domestic	2,16,451	1,99,983	8.2	2,25,087	-3.8	6,90,621	6,41,556	7.6	28,65,407	10.8	11.9	2,41,643	2,30,207	2,11,308
Exports	1,42,026	1,40,998	0.7	1,30,236	9.1	4,11,435	3,85,851	6.6	18,81,642	15.0	17.6	1,63,356	1,37,145	1,33,902
<b>Ashok Leyland</b>	<b>14,940</b>	<b>15,221</b>	<b>-1.8</b>	<b>14,682</b>	<b>1.8</b>	<b>43,893</b>	<b>41,329</b>	<b>6.2</b>	<b>2,07,972</b>	<b>6.8</b>	<b>7.0</b>	<b>18,231</b>	<b>14,631</b>	<b>14,886</b>
M&HCV	9,519	9,962	-4.4	9,243	3.0	27,885	26,165	6.6	1,33,699	7.1	7.2	11,757	9,295	9,364
LCV	5,421	5,259	3.1	5,439	-0.3	16,008	15,164	6	74,273	6.4	6.6	6,474	5,336	5,522
<b>TVS Motor</b>	<b>3,33,646</b>	<b>3,16,411</b>	<b>5.4</b>	<b>3,69,914</b>	<b>-9.8</b>	<b>10,87,175</b>	<b>9,53,244</b>	<b>14.1</b>	<b>46,80,799</b>	<b>11.7</b>	<b>11.0</b>	<b>3,99,292</b>	<b>3,62,392</b>	<b>3,45,731</b>
Motorcycles	1,52,701	1,48,208	3.0	1,73,627	-12.1	5,14,438	4,62,821	11.2	22,10,725	10.9	10.9	1,88,476	1,71,479	1,55,618
Scooters	1,28,986	1,21,364	6.3	1,45,305	-11.2	4,18,417	3,50,016	19.5	17,87,555	14.1	12.5	1,52,126	1,39,472	1,42,991
Mopeds	40,481	34,829	16.2	40,658	-0.4	1,23,495	1,05,645	16.9	5,10,122	5.3	2.0	42,959	41,165	36,312
Three-Wheelers	11,478	12,010	-4.4	10,324	11.2	30,825	34,762	-11.3	1,72,397	17.9	27.1	15,730	10,275	10,809
Domestic	2,57,572	2,37,267	8.6	2,72,948	-5.6	8,33,627	7,25,830	14.9	35,13,983	10.6	9.3	2,97,817	2,77,876	2,53,132
Exports	76,074	79,144	-3.9	96,966	-21.5	2,53,548	2,27,414	11.5	11,66,816	15.2	16.2	1,01,474	84,516	92,598
<b>Eicher Motors</b>														
<b>Royal Enfield</b>	<b>73,141</b>	<b>77,109</b>	<b>-5.1</b>	<b>71,010</b>	<b>3.0</b>	<b>2,26,021</b>	<b>2,27,706</b>	<b>-0.7</b>	<b>10,09,461</b>	<b>10.6</b>	<b>14.4</b>	<b>87,049</b>	<b>75,340</b>	<b>75,567</b>
<b>VECV</b>	<b>7,424</b>	<b>6,715</b>	<b>10.6</b>	<b>6,901</b>	<b>7.6</b>	<b>19,702</b>	<b>19,571</b>	<b>0.7</b>	<b>92,288</b>	<b>7.9</b>	<b>10.0</b>	<b>8,065</b>	<b>6,567</b>	<b>7,040</b>
Domestic LMD	3,101	3,017	2.8	2,809	10.4	8,174	8,741	-6.5	42,993	6.0	9.4	3,869	2,725	3,077
Domestic HD	1,791	1,664	7.6	1,635	9.5	4,689	4,662	0.6	22,821	6.0	7.5	2,015	1,563	1,681
Domestic Buses	2,001	1,596	25.4	1,860	7.6	5,232	4,842	8.1	19,352	12.0	13.5	1,569	1,744	1,724
VTI	110	188	-41.5	182	-39.6	415	569	-27.1	2,843	15.0	27.6	270	138	179
<b>Domestic</b>	<b>7,003</b>	<b>6,465</b>	<b>8.3</b>	<b>6,486</b>	<b>8.0</b>	<b>18,510</b>	<b>18,814</b>	<b>-1.6</b>	<b>88,009</b>	<b>7.5</b>	<b>10.3</b>	<b>7,722</b>	<b>6,170</b>	<b>6,660</b>
<b>Exports</b>	<b>421</b>	<b>250</b>	<b>68.4</b>	<b>415</b>	<b>1.4</b>	<b>1,192</b>	<b>757</b>	<b>57.5</b>	<b>4,279</b>	<b>15.0</b>	<b>4.2</b>	<b>343</b>	<b>397</b>	<b>380</b>
<b>Escorts Kubota</b>	<b>9,593</b>	<b>9,850</b>	<b>-2.6</b>	<b>8,612</b>	<b>11.4</b>	<b>25,720</b>	<b>26,582</b>	<b>-3.2</b>	<b>1,00,651</b>	<b>5.0</b>	<b>8.2</b>	<b>8,326</b>	<b>8,573</b>	<b>9,164</b>
Domestic	9,359	9,270	1.0	8,232	13.7	24,759	25,226	-1.9	95,427	5.7	8.7	7,852	8,253	8,714
Exports	234	580	-59.7	380	-38.4	961	1,356	-29	5,224	-7	0.0	474	320	450
Const. Equipment	440	491	-10.4	439	0.2	1,325	1,373	-3	7,203	10	13.6	653	442	462

## Comparative valuations

	Rating	CMP (INR)	P/E (x)		EV/EBITDA (x)		PB (x)		FY25 Yield (%)		EPS CAGR (%)
			FY25E	FY26E	FY25E	FY26E	FY25E	FY26E	Div	FCF	FY24-26E
<b>Auto OEM's</b>											
Bajaj Auto	Neutral	9,529	28.9	24.8	22.7	19.2	9.4	8.2	2.1	2.5	16.5
Hero MotoCorp	Buy	5,619	22.7	18.9	15.5	12.7	5.6	4.9	2.7	3.5	16.9
TVS Motor	Neutral	2,357	42.8	36.4	26.1	22.6	11.3	8.9	0.3	1.5	21.9
Eicher Motors	Sell	4,640	27.5	25.2	25.2	22.7	6.0	5.2	1.2	4.4	11.6
Maruti Suzuki	Buy	12,111	24.4	21.6	15.6	13.2	4.0	3.5	1.2	1.9	15.3
M&M	Buy	2,874	26.5	22.3	20.5	16.7	2.8	2.3	0.8	3.2	19.8
Tata Motors	Neutral	999	17.3	14.9	6.0	5.0	3.5	2.9	0.4	5.3	7.2
Ashok Leyland	Buy	239	20.0	17.2	12.7	10.9	6.7	5.6	2.5	4.1	20.4
Escorts	Neutral	4,130	42.3	34.5	29.0	27.2	5.0	4.5	0.5	2.9	12.8
<b>Auto Ancillaries</b>											
Bharat Forge	Neutral	1,672	43.1	34.1	24.6	20.8	9.2	7.7	0.7	0.0	54.1
Exide Industries	Neutral	568	33.6	29.7	20.2	18.2	3.4	3.1	0.6	1.7	23.4
Amara Raja	Neutral	1,713	28.2	26.1	16.1	14.7	4.0	3.5	0.6	3.7	10.5
BOSCH	Neutral	34,000	48.8	41.0	43.5	36.2	7.7	7.1	1.1	1.1	23.8
Endurance Tech	Buy	2,696	40.9	31.7	23.2	19.0	6.6	5.6	0.4	1.5	30.9
SAMIL	Buy	197	28.3	23.9	11.8	10.3	4.4	3.9	1.1	1.3	45.2
CIE Automotive	Buy	589	23.6	19.6	14.0	11.8	3.2	2.9	0.8	2.2	18.5
CEAT	Buy	2,833	17.0	14.6	8.1	7.3	2.5	2.2	1.1	4.3	6.7
Balkrishna Ind	Neutral	3,194	43.9	31.5	26.0	19.9	6.5	5.7	1.1	2.0	23.9
MRF	Sell	1,29,320	30.0	26.2	13.3	11.9	3.0	2.7	0.4	2.0	-0.5
Apollo Tyres	Buy	544	18.6	15.1	8.1	6.8	1.8	1.6	1.2	14.1	11.2
Sona BLW	Neutral	666	58.9	47.3	34.1	27.4	11.7	10.0	0.6	0.9	23.1
Tube Investments	Buy	4,238	65.6	51.4	31.7	25.0	13.2	10.6	0.1	1.4	49.6
MSUMI	Buy	74	40.6	33.7	26.5	22.1	15.5	12.6	1.5	1.6	25.0
CRAFTSMAN	Buy	5,568	30.5	26.8	12.5	10.6	5.8	4.8	0.3	3.5	19.8
Happy Forgings	Buy	1,248	34.6	26.7	22.7	18.3	6.0	5.1	0.5	1.3	32.0

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	> - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

\*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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