

India

Neutral (no change)

Highlighted Companies

Ashok Leyland

ADD, TP Rs260, Rs227 close

The CV demand cycle is recovering from a mid-cycle consolidation. Market share expansion, pricing discipline in the segment and low new tech challenges provide comfort.

Eicher Motors Ltd

REDUCE, TP Rs4015, Rs4829 close

Eicher Motors' volume growth is disappointing and may not support its rich EBITDA margin. Stretched valuation is a cause of concern.

Maruti Suzuki

ADD, TP Rs14896, Rs12715 close

Improving product mix in the case of CNG vehicles and Ertiga's capacity increase to drive ASP and margins in the short term. The EV launch in CY25F to ease technology concerns for the company.

Summary Valuation Metrics

P/E (x)	Mar24-A	Mar25-F	Mar26-F
Ashok Leyland	25.45	21.63	18.85
Eicher Motors Ltd	33.03	31.33	28.96
Maruti Suzuki	30.26	24.58	22.88
P/BV (x)	Mar24-A	Mar25-F	Mar26-F
Ashok Leyland	7.56	6.54	5.64
Eicher Motors Ltd	7.33	7.08	6.15
Maruti Suzuki	4.76	3.7	3.34
Dividend Yield	Mar24-A	Mar25-F	Mar26-F
Ashok Leyland	2.18%	2.56%	2.86%
Eicher Motors Ltd	1.06%	1.14%	1.24%
Maruti Suzuki	0.98%	1.26%	1.49%

Auto & Parts - Overall

1QFY25 results preview

- 1QFY25 industry volume growth remained strong for 2Ws, improved for CVs, but it eased for cars & tractors. EV policy changes continue to impact volume.
- We are above Bloomberg PAT estimates in the case of Maruti, Hero MotoCorp & Apollo Tyres but below estimates for Ashok Leyland, Eicher & Bosch.
- We maintain our Neutral sector rating as valuations rise close to +1SD while the volume growth turns selective, discounts rise and commodity costs spike.

Volume growth selective; premium segment slowdown disappoints

Industry dispatch volume growth in the Jun 2024 quarter remained selective, with two-wheelers or 2Ws leading the pack with a double-digit yoy growth. Low single-digit growth was seen in cars and commercial vehicles or CVs while in the case of tractors it was flat. The yoy volume growth was led by TVS Motor, Hero MotoCorp and Mahindra & Mahindra for the Jun 2024 quarter while the laggards were Escorts Kubota and Eicher Motors. The premium segment's slowdown in 2Ws and sports utility vehicles or SUVs is an area of concern. Union Budget proposals and EV incentive policy outlook will be keenly watched.

Increase in commodity costs gains momentum

The rise in commodity costs, as seen in rubber prices in the Mar 2024 quarter, expanded to new horizons like aluminium (13%), copper (17%) and lead in the Jun 2024 quarter. There was some relief in steel and precious metals prices. Currency fluctuations to favour importers, especially Maruti Suzuki's Japanese yen-based imports.

Double-digit EBITDA yoy growth to continue

We expect a double-digit yoy growth in EBITDA for original equipment manufacturers or OEMs aided by volume growth (10%), product mix improvement and a 100bp EBITDA margin expansion. The yoy high achievers are expected to be Maruti Suzuki, Hero MotoCorp and TVS Motor. In our coverage universe's EBITDA estimates, we are above Bloomberg consensus in the case of Maruti Suzuki, Mahindra & Mahindra or M&M and Apollo Tyres but below consensus estimates for Eicher Motors, Balkrishna Industries and Escorts Kubota.

Maintain Neutral rating due to easing volume growth and rising costs

The sharp rise in the Nifty Auto Index (15.54%) in the last three months, outperforming the Nifty-50 index, pushed forward P/E valuation to close to +1SD above the 10-year mean level (Fig. 18). The outperformers were Bajaj Auto, Tata Motors and Maruti Suzuki. The swift uptick in commodity costs and easing volume growth, but rising valuation, leads to the discomfort, resulting in our Neutral rating for the sector. The key downside risks are prolonged high interest rates and poor rainfall distribution delaying rural market recovery. The pecking order of our ADD-rated stocks is Maruti Suzuki, Ashok Leyland or ALL, Balkrishna Industries, Endurance Technologies, and Bharat Forge. We retain our REDUCE rating on Tata Motors, Eicher Motors, Escorts Kubota and TVS Motor, and a HOLD rating on M&M.

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Figure 1: 1QFY25F estimates of our coverage universe

(Rs m)	Revenue	YoY%	QoQ%	EBITDA	YoY%	QoQ%	Adjusted PAT	YoY%	QoQ%
Ashok Leyland	91,322	11.5%	4.4%	9,300	13.3%	19.8%	4,950	22.2%	14.8%
Bajaj Auto	1,17,276	13.8%	47.4%	23,136	18.4%	72.1%	19,787	18.9%	74.7%
Eicher Motors	41,272	3.5%	-3.0%	10,292	0.8%	-8.8%	9,723	5.9%	-9.2%
Escorts Kubota	22,591	-2.9%	8.5%	2,959	-9.5%	11.3%	2,662	-5.9%	10.0%
Hero MotoCorp	1,06,971	22.0%	12.4%	15,511	28.6%	14.1%	12,106	28.1%	19.1%
Mahindra & Mahindra	2,79,038	14.5%	11.1%	42,119	18.7%	30.0%	26,677	12.6%	30.9%
Maruti Suzuki	3,65,842	13.2%	-4.3%	47,299	46.8%	-3.8%	39,104	43.5%	-4.8%
Tata Motors	10,99,968	7.6%	-8.3%	1,74,360	9.9%	-13.9%	56,223	30.4%	-40.6%
TVS Motor Company	88,083	22.0%	7.8%	9,513	24.6%	2.7%	5,356	30.0%	0.8%
Apollo Tyres	64,208	2.8%	2.6%	11,301	7.5%	3.1%	4,984	21.5%	18.9%
Balkrishna Industries	24,568	16.2%	-8.9%	6,093	25.3%	-12.9%	3,838	22.9%	-20.2%
Bharat Forge	24,418	14.8%	4.9%	6,715	22.4%	1.9%	4,184	34.3%	3.8%
Bosch	46,000	10.6%	8.7%	6,057	29.4%	8.7%	5,124	25.3%	14.3%
Endurance Technologies	28,435	16.1%	6.7%	3,579	11.4%	-3.1%	1,970	20.5%	3.6%
Exide Industries	45,000	10.5%	12.2%	5,450	26.1%	5.6%	3,225	33.3%	13.7%
SAMIL	2,81,269	25.2%	4.7%	25,302	31.5%	-5.2%	8,570	32%	-9.5%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

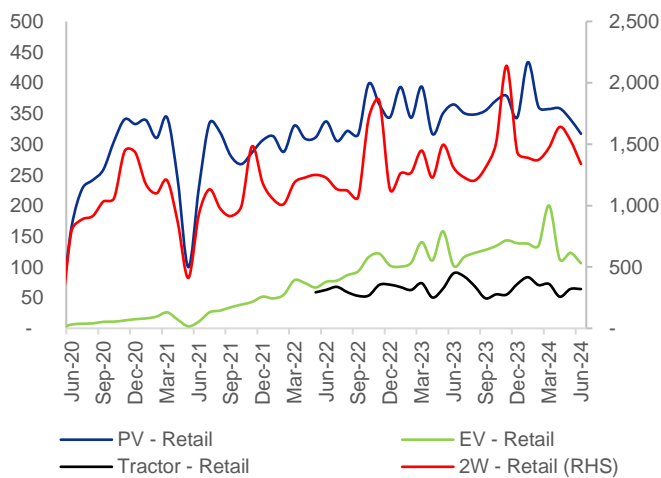
1QFY25 results preview

Figure 2: 1QFY25 sales volume performance of OEMs

Company	1QFY25 sales volume	YoY%	QoQ%
Ashok Leyland	43,893	6.2%	-22.0%
Bajaj Auto	10,90,056	8.3%	6.6%
Eicher Motors	2,45,723	-0.6%	-0.1%
Escorts Kubota	25,720	-3.2%	21.0%
Hero MotoCorp	15,35,156	13.5%	10.3%
Mahindra & Mahindra	3,33,017	10.3%	16.1%
Maruti Suzuki	5,21,868	4.8%	-10.6%
Tata Motors (ex-JLR)	2,29,891	1.6%	-11.6%
TVS Motor Company	10,87,175	14.1%	2.3%

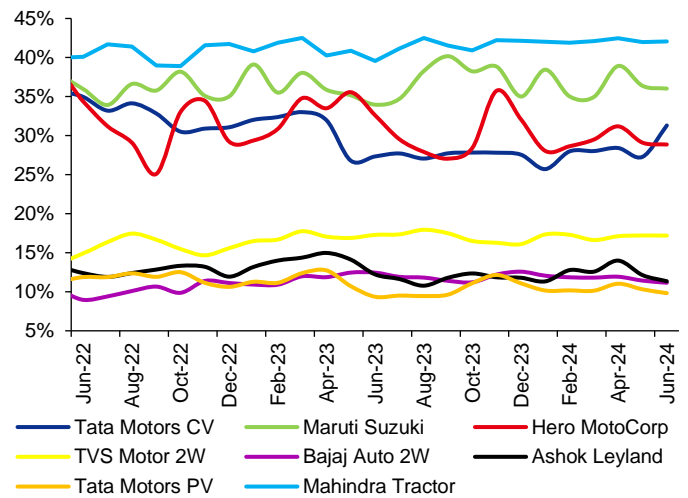
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 3: Retail sales of various vehicle segments



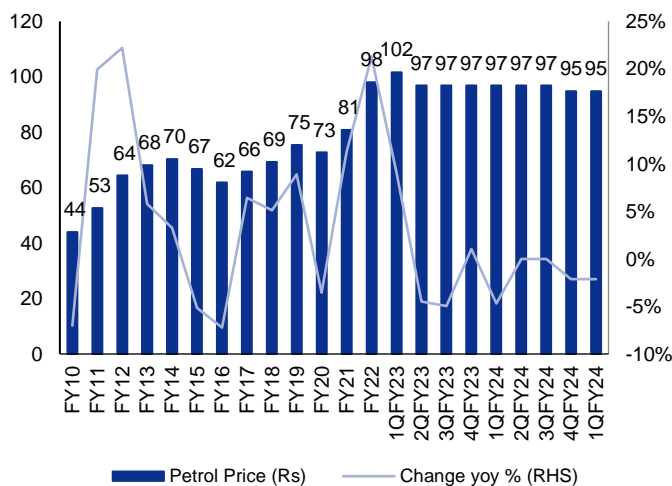
SOURCE: VAHAN, INCRED RESEARCH

Figure 4: Retail market share trend



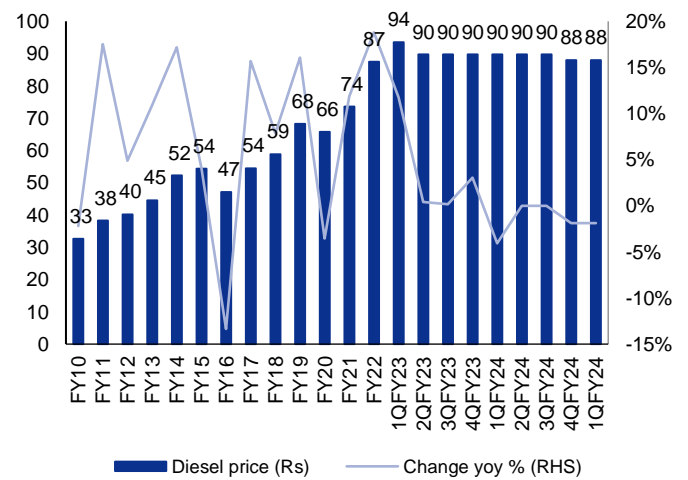
SOURCE: VAHAN, INCRED RESEARCH

Figure 5: Petrol prices stable since last quarter



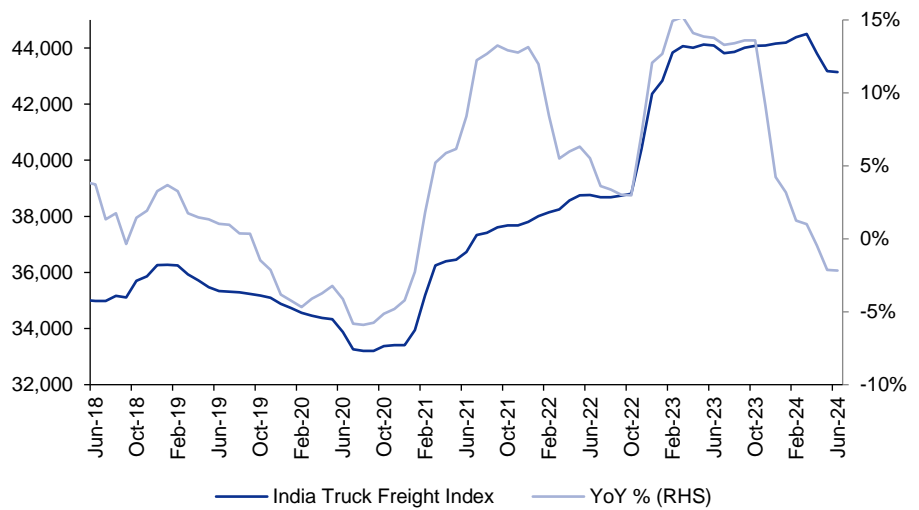
SOURCE: INDIAN OIL CORPORATION (IOC), INCRED RESEARCH

Figure 6: Diesel prices stable since last quarter



SOURCE: INDIAN OIL CORPORATION (IOC), INCRED RESEARCH

Figure 7: Truck Freight Index holds on, but the growth rate eases sharply



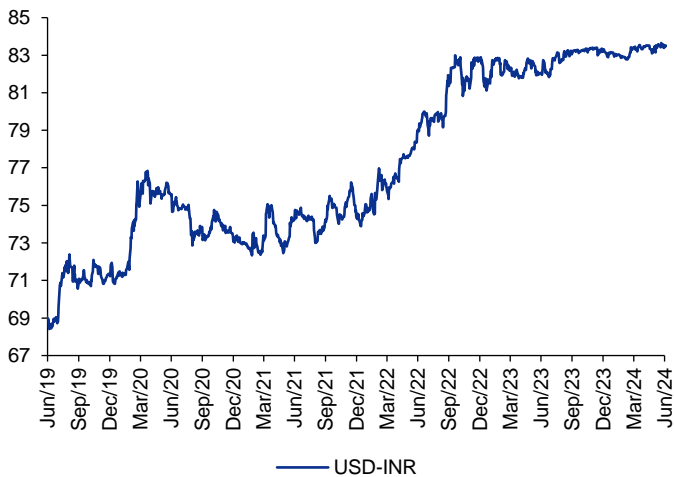
SOURCE: BLOOMBERG, INCRED RESEARCH

Figure 8: Currency trend for the Jun 2025 quarter to favour importers

Average Rates	1QFY25	1QFY24	yoy (%)	4QFY24	qoq (%)
USD – INR	83.42	82.21	1.5%	83.04	0.5%
JPY – INR	0.54	0.60	-10.5%	0.56	-4.4%
EUR – INR	89.83	89.44	0.4%	90.19	-0.4%
USD - JPY	156.03	137.68	13.3%	148.33	5.2%
GBP - USD	1.26	1.25	0.8%	1.27	-0.5%
GBP - EUR	1.17	1.15	1.9%	1.17	0.4%

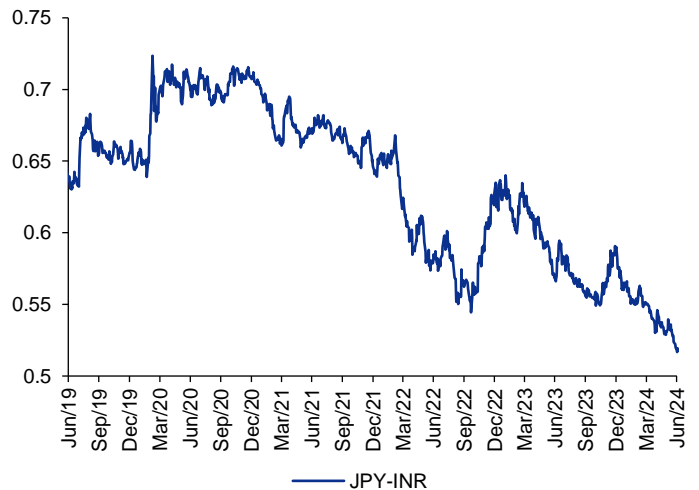
SOURCE: BLOOMBERG, INCRED RESEARCH

Figure 9: USD-INR currency trend is flattish



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 10: JPY-INR currency movement is in a downtrend



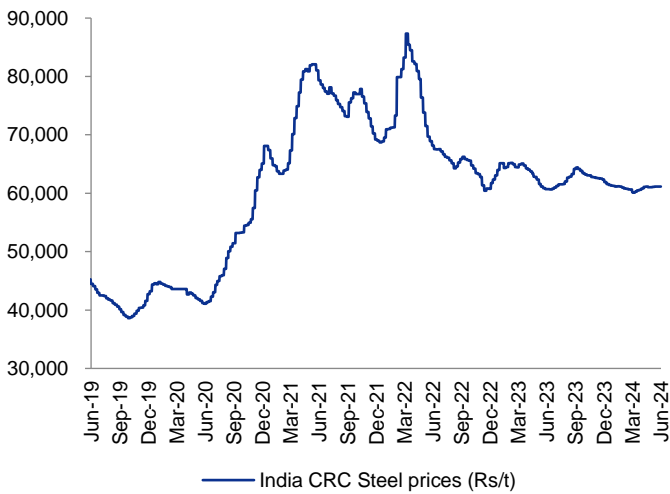
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 11: Currency trend for the Jun 2025 quarter to favour importers

Average Rates	1QFY25	1QFY24	yoy (%)	4QFY24	qoq (%)
USD – INR	83.42	82.21	1.5%	83.04	0.5%
JPY – INR	0.54	0.60	-10.5%	0.56	-4.4%
EUR – INR	89.83	89.44	0.4%	90.19	-0.4%
USD - JPY	156.03	137.68	13.3%	148.33	5.2%
GBP - USD	1.26	1.25	0.8%	1.27	-0.5%
GBP - EUR	1.17	1.15	1.9%	1.17	0.4%

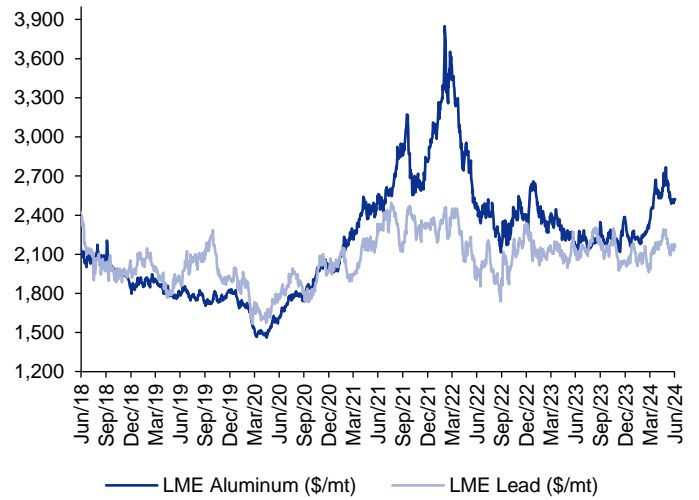
SOURCE: BLOOMBERG, INCRED RESEARCH

Figure 12: Steel prices remain flattish



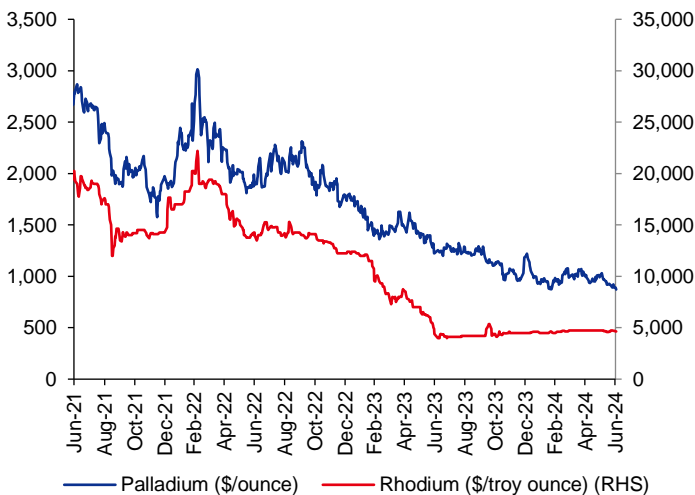
SOURCE: BLOOMBERG, INCRED RESEARCH

Figure 13: Aluminium and lead prices witnessed a sequential uptick



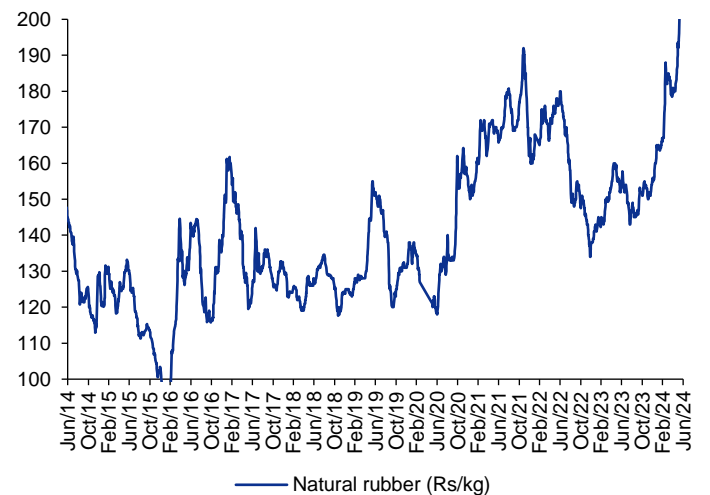
SOURCE: BLOOMBERG, INCRED RESEARCH

Figure 14: Palladium and rhodium prices stabilize



SOURCE: BLOOMBERG, INCRED RESEARCH

Figure 15: Natural rubber prices scale a new high



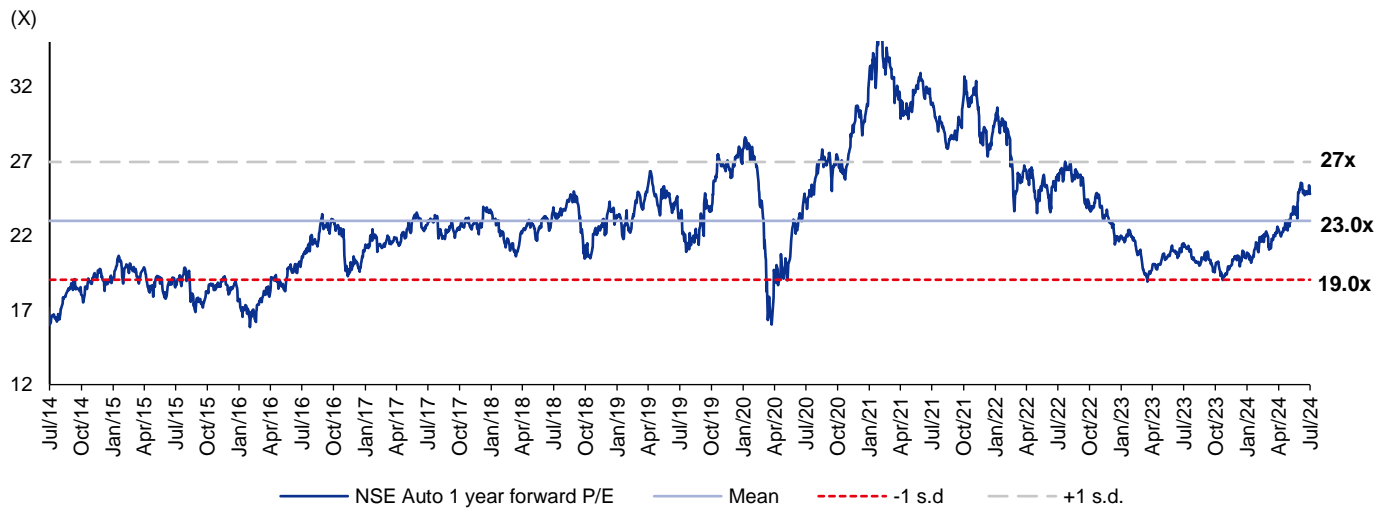
SOURCE: BLOOMBERG, INCRED RESEARCH

Figure 16: 1QFY25F earnings of our coverage universe and their comparison with Bloomberg consensus estimates

1QFY25F (Rs m)	Bloomberg Estimates			Bloomberg EBITDA Margin	InCred Research Estimates			InCred EBITDA Margins	% Variation		
	Revenue	EBITDA	PAT		Revenue	EBITDA	PAT		Revenue	EBITDA	PAT
Ashok Leyland	87,569	9,561	5,478	10.9%	91,322	9,300	4,950	10.2%	4.1	-2.8	-10.7
Bajaj Auto	1,18,289	23,610	19,801	20.0%	1,17,276	23,136	19,787	19.7%	-0.9	-2.0	-0.1
Eicher Motors	43,043	11,323	10,196	26.3%	41,272	10,292	9,723	24.9%	-4.3	-10.0	-4.9
Escorts Kubota	23,303	3,191	2,745	13.7%	22,591	2,959	2,662	13.1%	-3.2	-7.8	-3.1
Hero MotoCorp	1,02,747	14,527	11,440	14.1%	1,06,971	15,511	12,106	14.5%	3.9	6.3	5.5
Mahindra & Mahindra	2,74,051	38,382	27,858	14.0%	2,79,038	42,119	26,677	15.1%	1.8	8.9	-4.4
Maruti Suzuki	3,47,951	39,844	32,545	11.5%	3,65,842	45,104	36,027	12.3%	4.9	11.7	9.7
Tata Motors	10,97,286	1,61,979	53,346	14.8%	10,99,968	1,74,360	56,223	15.9%	0.2	7.1	5.1
Escorts Kubota	23,303	3,191	2,745	13.7%	22,591	2,959	2,662	13.1%	-3.2	-7.8	-3.1
TVS Motor	84,154	9,566	5,597	11.4%	88,083	9,513	5,356	10.8%	4.5	-0.6	-4.5
Apollo Tyres	62,498	10,063	3,755	16.1%	64,208	11,493	5,129	17.9%	2.7	12.4	26.8
Balkrishna Industries	25,601	6,667	3,915	26.0%	24,568	6,093	3,838	24.8%	-4.2	-9.4	-2.0
Bharat Forge	23,415	6,495	3,928	27.7%	24,418	6,715	4,184	27.5%	4.1	3.3	6.1
Bosch	44,079	5,985	5,416	13.6%	46,000	6,057	5,124	13.2%	4.2	1.2	-5.7
Endurance Technologies	28,183	3,857	2,069	13.7%	28,435	3,579	1,970	12.6%	0.9	-7.8	-5.0
Exide Industries	43,883	5,877	3,545	13.4%	45,000	5,450	3,225	12.1%	2.5	-7.8	-9.9
SAMIL	2,79,952	26,551	8,005	9.5%	2,81,269	25,302	8,570	9.0%	0.5	-4.9	6.6

SOURCE: BLOOMBERG, INCRED RESEARCH, COMPANY REPORTS

Figure 17: Forward P/E valuation inches close to +1SD above the 10-year mean level



SOURCE: BLOOMBERG, INCRED RESEARCH

Figure 18: Valuations of companies in our automobile sector coverage universe

Company Name	Price	Target Price	Recommendation	Market Capital	Market Capital	EPS (Rs)		P/E (x)		P/BV (x)		EV/EBITDA (x)	Dividend Yield (%)	Upside/Downside %	ROE
	Rs	Rs		(Rs m)	(US\$ m)	FY25F	FY26F	FY25F	FY26F	FY25F	FY26F	FY25F	FY25F		FY25F
Maruti Suzuki	12,715	14,896	ADD	39,97,659	48,150	435.1	517.4	29.2	24.6	4.8	3.7	20.0	1.0%	17.2%	19.0%
Tata Motors	1,021	769	REDUCE	39,12,216	47,121	61.1	59.5	16.7	17.1	4.6	3.7	6.2	0.4%	-24.7%	36.0%
Hero MotoCorp	5,526	4,766	HOLD	11,04,145	13,299	206.5	240.9	26.8	22.9	6.1	5.6	18.4	2.5%	-13.8%	23.8%
Mahindra & Mahindra	2,698	2,455	HOLD	29,95,671	36,082	92.2	101.4	29.3	26.6	5.7	4.9	16.9	0.9%	-9.0%	21.4%
Escorts Kubota	3,988	2,385	REDUCE	4,40,713	5,308	93.9	96.1	42.5	41.5	4.8	4.4	36.7	0.3%	-40.2%	11.8%
Bajaj Auto	9,467	9,205	HOLD	26,42,941	31,833	267.9	320.5	35.3	29.5	10.6	9.4	27.4	1.7%	-2.8%	29.7%
Ashok Leyland	227	260	ADD	6,66,182	8,024	9.2	10.5	24.6	21.6	7.6	6.5	14.5	2.2%	14.6%	31.5%
Eicher Motors	4,829	4,015	REDUCE	13,19,670	15,895	146.2	154.1	33.0	31.3	7.3	7.1	27.2	1.1%	-16.9%	24.2%
TVS Motor	2,476	1,627	REDUCE	11,76,205	14,167	41.3	42.7	59.9	57.9	15.2	15.8	33.8	0.3%	-34.3%	28.9%
Endurance Technologies	2,614	2,549	ADD	3,67,630	4,428	44.8	65.3	58.3	40.0	7.4	6.4	29.1	0.3%	-2.5%	13.4%
Balkrishna Industries	3,150	3,087	ADD	6,08,876	7,334	74.4	89.4	42.4	35.2	6.9	6.0	27.5	0.5%	-2.0%	17.5%
Exide Industries	563	412	REDUCE	4,78,933	5,769	12.4	14.5	45.5	39.0	3.6	3.5	25.5	1.2%	-26.9%	8.6%
Bharat Forge	1,641	1,595	ADD	7,63,992	9,202	19.8	29.3	82.8	55.9	10.7	7.2	32.1	0.6%	-2.8%	13.2%
Apollo Tyres	526	414	REDUCE	3,34,317	4,027	27.7	29.0	19.0	18.1	2.4	2.2	8.1	1.1%	-21.4%	13.1%
Bosch Ltd	35,611	22,600	REDUCE	10,50,176	12,649	529.8	596.2	67.2	59.7	8.6	8.2	47.8	1.0%	-36.5%	13.4%
SAMIL	199	177	ADD	13,45,183	16,202	3.9	5.8	50.6	34.2	5.1	4.6	16.4	0.4%	-10.8%	10.9%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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