

India

May 02, 2025 - 1:40 PM

Neutral (no change)

Highlighted Companies

Bajaj Auto**ADD, TP Rs10590, Rs8030 close**

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

Maruti Suzuki**ADD, TP Rs13621, Rs12257 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, Rs644 close**

Tariffs 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 | 26.4 | 22.1 | 19.9 |
| Maruti Suzuki | 27.6 | 22.7 | 20.4 |
| Tata Motors | 11.6 | 8.8 | 7.4 |

| P/BV (x) | Mar25-F | Mar26-F | Mar27-F |
|---------------|---------|---------|---------|
| Bajaj Auto | 8.1 | 7.2 | 6.3 |
| Maruti Suzuki | 4.1 | 3.7 | 3.3 |
| Tata Motors | 2.3 | 1.9 | 1.5 |

| Dividend Yield | Mar25-F | Mar26-F | Mar27-F |
|----------------|---------|---------|---------|
| Bajaj Auto | 2.5% | 3.0% | 3.0% |
| Maruti Suzuki | 1.1% | 1.6% | 1.7% |
| Tata Motors | 1.0% | 1.3% | 0.0% |

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Autos

Apr 2025 auto sales volume performance

- Diverse sub-segment volume trend continues as growth is still tepid. TVS, M&M, Eicher, and Maruti started the year with a yoy growth trend in Apr 2025.
- Exports continue to be strong yoy across segments and companies. Vahan retail sales indicate a yoy growth in tractor, car and two-wheeler segments.
- Retain Neutral sector rating, as the forward P/E valuation is below the 10-year mean and a slight improvement in macro data points towards benefits in 2H.

Apr 2025 sales volume highlights

- **YoY growth leaders/laggards:** TVS Motor Company (+16%), Mahindra & Mahindra or M&M (+16%), Eicher Motors (+7%), Maruti Suzuki (+7%). The YoY laggards were Hero MotoCorp (-43%), Tata Motors (-7%), Bajaj Auto (-6%), and Ashok Leyland (-6%).
- **MoM growth leaders/laggards:** TVS Motor Company (+7%) and M&M (+5%). The MoM laggards were Hero MotoCorp (-44%), Ashok Leyland (-44%), Escorts Kubota (-23%), Tata Motors (-21%), Eicher Motors (-17%), Hyundai Motor India (-10%), Maruti Suzuki (-7%), and Bajaj Auto (-1%).
- **Vahan retail sales:** Apr 2025 retail sales indicate mid-single digit growth across the board on yoy basis for tractors (+7%), cars (+5%) and two-wheelers or 2Ws (+3%). However, electric vehicles or EVs saw the fastest growth (+54%). As regards the MoM trend, tractor volume dipped (-15%), followed by EVs (-11%), while 2Ws saw robust growth (+17%) and marginal growth in cars (+3%). Consistent retail market share gain (as per Vahan database) in recent months was witnessed in the case of Hero MotoCorp, Ashok Leyland & Tata Motors' CV division, while Maruti Suzuki improved marginally.

Retain Neutral sector rating as returns starts capturing in index

- The last one month's recovery in Nifty Auto Index (+4.5%) marginally outperformed the broader Nifty-50 and Nifty-100 indices, driven by OEMs like Ashok Leyland, TVS Motor, Company, M&M, and Maruti Suzuki.
- Forward P/E valuation remained 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 income via the recent cut in income-tax rates.
- We maintain our Neutral sector rating and look forward for management commentary on FY26F demand outlook and various companies' plans to gain market share. Our order of preference is Bajaj Auto, Maruti Suzuki, Ashok Leyland, and Hero MotoCorp with an ADD rating. We maintain our REDUCE rating on Tata Motors, Hyundai Motor India, and 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 | Apr-2025 | YoY % | MoM % |
|---------------------|----------|--------|--------|
| Maruti Suzuki | 1,79,791 | 7.0 | (6.8) |
| Hyundai Motors | 60,774 | (4.6) | (9.7) |
| Mahindra & Mahindra | 1,24,224 | 15.5 | 4.5 |
| Tata Motors | 78,071 | (6.9) | (20.6) |
| Bajaj Auto | 3,65,810 | (5.8) | (1.1) |
| Eicher Motors | 93,405 | 7.1 | (16.9) |
| Hero MotoCorp | 3,05,406 | (42.8) | (44.4) |
| TVS Motor Company | 4,43,896 | 15.7 | 7.0 |
| Ashok Leyland | 13,421 | (6.0) | (44.2) |
| Escorts Kubota | 8,729 | (1.2) | (23.3) |

SOURCE: INCRED RESEARCH, COMPANY REPORTS

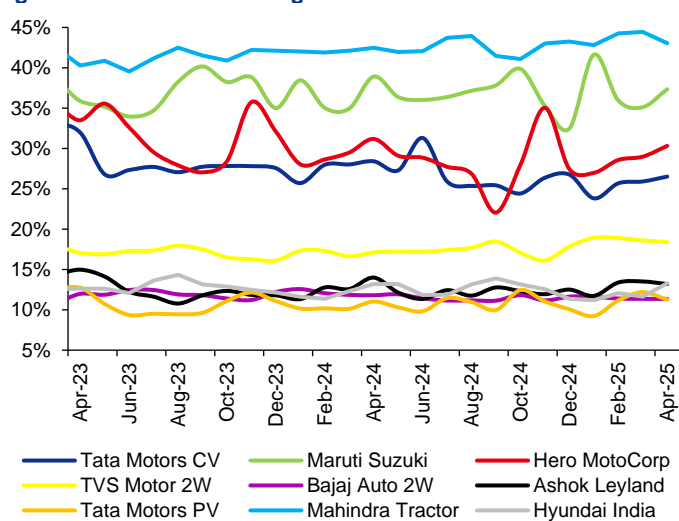
Apr 2025 auto sales volume performance

Figure 2: Company-wise monthly wholesale automobile dispatches

| | Apr-2025 | YoY % | MoM % |
|--------------------------------|-----------------|---------------|---------------|
| Maruti Suzuki | | | |
| Domestic | 1,51,880 | 4.1 | (5.1) |
| Exports | 27,911 | 26.0 | (15.3) |
| Grand Total | 1,79,791 | 7.0 | (6.8) |
| Hyundai Motors | | | |
| Domestic | 44,374 | (11.6) | (14.4) |
| Exports | 16,400 | 21.5 | 5.8 |
| Grand Total | 60,774 | (4.6) | (9.7) |
| Mahindra & Mahindra | | | |
| Utility Vehicles | 52,330 | 27.6 | 8.9 |
| Pick-up, Gio & Maxximo | 21,793 | 3.7 | (3.1) |
| 3-Wheelers | 5,470 | (0.6) | (29.4) |
| Trucks & Buses | 1,196 | 9.5 | (18.3) |
| Tractors | 40,054 | 8.1 | 14.7 |
| Auto Exports | 3,381 | 82.1 | (18.4) |
| Grand Total | 1,24,224 | 15.5 | 4.5 |
| Tata Motors | | | |
| CVs | 27,221 | (7.8) | (33.8) |
| PVs | 50,850 | (6.4) | (11.1) |
| Grand Total | 78,071 | (6.9) | (20.6) |
| Bajaj Auto | | | |
| Motorcycles | 3,17,937 | (7.0) | 0.7 |
| 3-Wheelers | 47,873 | 3.0 | (11.5) |
| Grand Total | 3,65,810 | (5.8) | (1.1) |
| Eicher Motors | | | |
| Royal Enfield | 86,559 | 5.7 | (14.3) |
| VECV | 6,846 | 27.3 | (40.1) |
| Grand Total | 93,405 | 7.1 | (16.9) |
| Hero MotoCorp | | | |
| Grand Total | 3,05,406 | (42.8) | (44.4) |
| TVS Motor | | | |
| Domestic 2W | 3,23,647 | 7.4 | 8.7 |
| Export 2W | 1,06,683 | 45.9 | 4.1 |
| 3W | 13,566 | 50.3 | (6.9) |
| Grand Total | 4,43,896 | 15.7 | 7.0 |
| Ashok Leyland | | | |
| MHCVs | 7,960 | (12.7) | (53.3) |
| LCVs | 5,461 | 6.1 | (22.2) |
| Grand Total | 13,421 | (6.0) | (44.2) |
| Escorts Kubota | | | |
| Domestic | 8,148 | (4.1) | (24.4) |
| Exports | 581 | 67.4 | (3.0) |
| Grand Total | 8,729 | (1.2) | (23.3) |

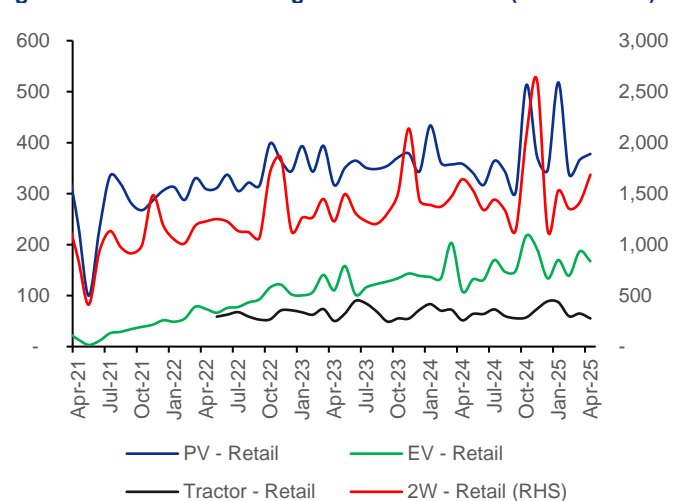
SOURCE: INCRED RESEARCH, COMPANY REPORTS

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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Recommendation Framework

Stock Ratings

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.

Sector Ratings

Definition:

- Overweight** An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
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.

Country Ratings

Definition:

- Overweight** An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
Neutral A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
Underweight An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.