

India

June 02, 2025 - 9:40 PM

Neutral (no change)

Highlighted Companies

Bajaj Auto

ADD, TP Rs10400, Rs8514 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, Rs12290 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 Rs642, Rs712 close

Tariff challenges at JLR and demand weakness/inventory challenges in the Indian market to impact the performance. Recent consensus EPS cut overlooked by rich P/BV valuation.

Summary Valuation Metrics

P/E (x)	Mar25-A	Mar26-F	Mar27-F
Bajaj Auto	29.9	24.6	21.6
Maruti Suzuki	27.7	22.7	20.5
Tata Motors	10.0	10.1	8.4

P/BV (x)	Mar25-A	Mar26-F	Mar27-F
Bajaj Auto	7.4	6.8	6.2
Maruti Suzuki	4.1	3.7	3.3
Tata Motors	2.3	1.9	1.6

Dividend Yield	Mar25-A	Mar26-F	Mar27-F
Bajaj Auto	2.5%	2.8%	3.3%
Maruti Suzuki	1.1%	1.5%	1.7%
Tata Motors	0.9%	1.2%	0.0%

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Autos

May 2025 auto sales volume performance

- Volume growth improves in two-wheelers and tractors while it's a mixed trend for OEMs in car and truck segments.
- While improving macroeconomic trends (oil price, interest rate & monsoon) & gross margin growth comforts, companies' FY26F guidance is cautious.
- With the recent Nifty auto index's rise outperforming Nifty index, leading to forward P/E valuation close to its mean, we maintain our Neutral sector rating.

May 2025 sales volume highlights

- **YoY growth leaders/laggards:** Eicher Motors (+24%), TVS Motor Company (+17%), Mahindra & Mahindra or M&M (+15%), Bajaj Auto (+8%), Ashok Leyland (+6%), Maruti Suzuki (+3%) & Hero MotoCorp (+2%). The YoY laggards were Hyundai Motor India (-8%) & (Tata Motors (-8%).
- **MoM growth leaders/laggards:** Hero MotoCorp (+66%), Escorts Kubota (+19%), Ashok Leyland (+15%), Eicher Motors (+4%) and Bajaj Auto (+4%). The MoM laggards were TVS Motor Company (-3%), Tata Motors (-3%), and Hyundai Motor India (-3%).
- **Beat vs. our expectations:** Eicher Motors (+10%), M&M (+5%), Escorts Kubota (+3%), Ashok Leyland (+3%), Maruti Suzuki (+2%), and Hero MotoCorp (+2%).
- **Miss vs. expectations:** Hyundai India (-5%) and Tata Motors (-2%).
- **Vahan retail sales:** In May 2025, two-wheelers or 2Ws continued to witness high double-digit yoy growth (+8%) aided by electric vehicles or EVs (+36%), followed by tractors (+2%) while passenger vehicles or PVs saw flat growth. As regards the MoM trend, PVs saw a double-digit dip (-10%) followed by 2Ws (-2%); however, tractors saw the highest growth of (+18%) and EVs (+7%). Consistent retail market share gain (as per Vahan database) in recent months was witnessed in the case of Hero MotoCorp, Ashok Leyland, but Tata Motors' CV division and Maruti Suzuki shed slight market share.

Retain Neutral rating as returns start getting captured in the index

- The last one month's sustained recovery led the Nifty Auto Index (+4.6%) to outperform the broader Nifty-50 and Nifty-100 indices, driven by both OEMs and component makers.
- As a result, the forward P/E valuation improved to come near the 10-year mean level, while the macroeconomic ingredients continue to turn favourable like easing crude oil prices, the central bank cutting interest rates, and improved monsoon outlook.
- We maintain our Neutral sector rating as management commentary on FY26F demand outlook remains cautious, while commodity prices are gradually rising. Our order of preference is Maruti Suzuki, Bajaj Auto, 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 weakness in their sales volume prevails. We have a HOLD rating on Eicher Motors and M&M.

Figure 1: Monthly automobile wholesale dispatches

Company	May-2025	YoY %	MoM %	vs forecast
Maruti Suzuki	1,80,077	3.2	0.2	2.3
Hyundai Motors	58,701	(7.6)	(3.4)	(5.3)
Mahindra & Mahindra	1,24,753	14.7	0.4	5.0
Tata Motors	75,872	(7.8)	(2.8)	(1.5)
Bajaj Auto	3,84,621	8.2	4.0	(0.6)
Eicher Motors	96,831	24.3	3.7	10.4
Hero MotoCorp	5,07,701	1.9	66.2	1.5
TVS Motor	4,31,275	16.6	(2.8)	0.3
Ashok Leyland	15,484	5.5	15.4	3.4
Escorts Kubota	10,354	0.7	18.6	2.5

SOURCE: INCRED RESEARCH, COMPANY REPORTS

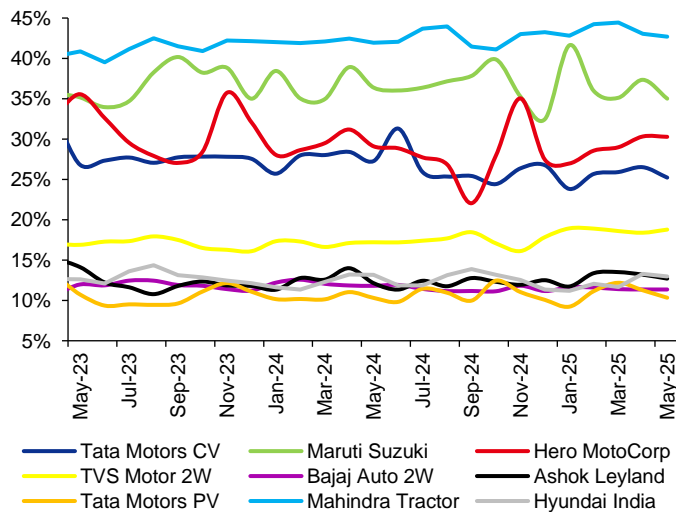
May 2025 auto sales volume performance

Figure 2: Company-wise monthly wholesale automobile dispatches

	May-25	YoY %	MoM %	Apr-May 25	YoY %	vs forecast
Maruti Suzuki						
Domestic	1,48,858	(5.3)	(2.0)	3,00,738	(0.8)	(0.8)
Exports	31,219	79.8	11.9	59,130	49.6	20.1
Grand Total	1,80,077	3.2	0.2	3,59,868	5.0	2.3
Hyundai Motors						
Domestic	43,861	(10.8)	(1.2)	88,235	(11.2)	(6.7)
Exports	14,840	3.1	(9.5)	31,240	12.0	(1.1)
Grand Total	58,701	(7.6)	(3.4)	1,19,475	(6.1)	(5.3)
Mahindra & Mahindra						
Utility Vehicles	52,431	21.3	0.2	1,04,761	24.4	4.9
Pick-up, Gio & Maxximo	20,298	8.3	(6.9)	42,091	5.9	1.5
3-Wheelers	6,635	11.2	21.3	12,105	5.5	10.6
Trucks & Buses	1,094	1.0	(8.5)	2,290	5.3	(45.3)
Tractors	40,643	9.5	1.5	80,697	8.8	7.5
Auto Exports	3,652	36.7	8.0	7,033	55.3	21.7
Grand Total	1,24,753	14.7	0.4	2,48,977	15.1	5.0
Tata Motors						
CVs	28,147	(5.2)	3.4	55,368	(6.5)	(12.0)
PVs	47,725	(9.3)	(6.1)	87,572	(7.9)	6.1
Grand Total	75,872	(7.8)	(2.8)	1,42,940	(7.4)	(1.5)
Bajaj Auto						
Motorcycles	3,32,370	8.8	5.3	6,52,937	0.9	(0.8)
3-Wheelers	52,251	4.8	(3.4)	1,00,124	4.0	0.5
Grand Total	3,84,621	8.2	4.0	7,53,061	1.3	(0.6)
Eicher Motors						
Royal Enfield	89,429	25.9	3.3	1,75,988	15.1	11.5
VECV	7,402	7.3	8.1	14,248	16.0	(1.3)
Grand Total	96,831	24.3	3.7	1,90,236	15.2	10.4
Hero MotoCorp						
Grand Total	5,07,701	1.9	66.2	8,13,107	(21.2)	1.5
TVS Motor						
Domestic 2W	3,09,287	14.1	(4.4)	6,32,934	10.5	(0.2)
Export 2W	1,06,879	20.8	0.2	2,13,562	32.2	0.9
3W	15,109	46.3	11.4	28,675	48.2	7.9
Grand Total	4,31,275	16.6	(2.8)	8,75,171	16.1	0.3
Ashok Leyland						
MHCVs	10,282	11.2	29.2	18,242	(0.7)	16.8
LCVs	5,202	(4.4)	(4.7)	10,951	3.4	(15.7)
Grand Total	15,484	5.5	15.4	29,193	0.8	3.4
Escorts Kubota						
Domestic	9,703	(2.0)	19.1	17,851	(3.0)	2.1
Exports	651	71.3	12.0	1,232	69.5	8.5
Grand Total	10,354	0.7	18.6	19,083	(0.2)	2.5

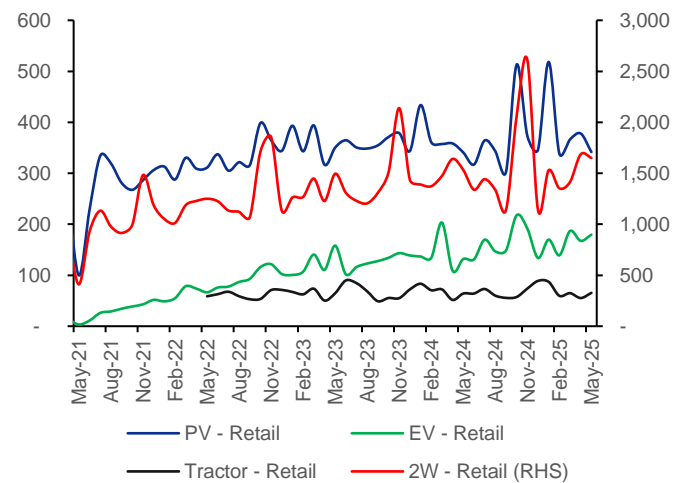
SOURCE: INCRED RESEARCH, COMPANY REPORTS

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.