India

## Neutral *(no change)*

### Highlighted Companies

**Bajaj Auto**

**ADD, TP Rs10400,** Rs8564 close

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, leads to our ADD rating. KTM acquisition is small proportion of surplus cash.

**Balkrishna Industries Ltd**

**REDUCE, TP Rs2400,** Rs2471 close

Expansion into domestic car and truck tyre manufacturing will have a long gestation period as well as capital-intensive and margin-dilutive, which will structurally challenge the business model.

**Maruti Suzuki**

**ADD, TP Rs13621,** Rs12163 close

The product mix improving from CNG vehicles and exports will drive ASP and margin in the short term. EV launch in CY25F to ease concerns over technology.

### Summary Valuation Metrics

| P/E (x) | Mar25-F | Mar26-F | Mar27-F |
|---|---|---|---|
| Bajaj Auto | 30.1 | 24.8 | 21.7 |
| Balkrishna Industries Ltd | 29.3 | 28.6 | 25.3 |
| Maruti Suzuki | 27.4 | 22.5 | 20.3 |

| P/BV (x) | Mar25-F | Mar26-F | Mar27-F |
|---|---|---|---|
| Bajaj Auto | 7.4 | 6.8 | 6.2 |
| Balkrishna Industries Ltd | 4.6 | 4.1 | 3.6 |
| Maruti Suzuki | 4.1 | 3.6 | 3.3 |

| Dividend Yield | Mar25-F | Mar26-F | Mar27-F |
|---|---|---|---|
| Bajaj Auto | 2.5% | 2.8% | 3.3% |
| Balkrishna Industries Ltd | 0.6% | 0.7% | 0.8% |
| Maruti Suzuki | 1.1% | 1.6% | 1.7% |

# Auto & Parts - Overall

## 4Q results review

- 4QFY25 sector results were widely dispersed as just 35% of our companies recorded good EBITDA growth, while 30% saw double-digit decline yoy.
- Only 30% of our coverage companies and Bloomberg consensus estimates witnessed an upgrade in 4Q, while the majority saw marginal cuts.
- Quick macroeconomic factors playing out in the sector's outperformance in recent quarters limits an immediate upside. Maintain our Neutral sector rating.

### 4QFY25 performance

Gross margin expansion qoq for most OEMs (70% of our coverage universe) in 4QFY25 provides comfort while component makers face the heat (60%). The double-digit EBITDA growth yoy has been selective (35% of companies) in 4Q, led by Mahindra & Mahindra (M&M), TVS Motor Company, Bosch, Endurance Technologies, Eicher Motors, and Ashok Leyland. However, nearly 30% of companies recorded double-digit EBITDA dip. While long-term sector trends indicate gross margin easing from peak levels, the seasonal improvement in OEM EBITDA margin provides comfort (Figs. 4 & 5).

### Selective EBITDA upgrade post 4Q results

Company managements have been giving guidance of single-digit domestic industry volume growth and double-digit export volume growth for FY26F. Compliance cost upgrade for two-wheelers (2Ws) and commercial vehicles need to be passed on to sustain the EBITDA momentum. We have upgraded EBITDA selectively for OEMs (30% of companies), while the majority take a marginal (1-6%) cut. The sharp EBITDA cut (1-12%) is in the case of component makers. Bloomberg consensus EBITDA upgrade has also been selective (30%), with a major upgrade coming for M&M, TVS Motor Company, Ashok Leyland, and Endurance Technologies.

### Macroeconomic factors discounted quickly in auto index returns

The sharp rally in the Nifty Auto Index from its recent lows (14% in three months and 5% in one month) shows an outperformance of 200bp to the broader index. The improvement in macroeconomic factors seems to be driving improved allocation to the sector (better rainfall outlook and easing global crude oil prices), while individual company management commentary is still cautious. The double-digit rally in the Nifty Auto Index has lifted the forward P/E valuation to the 10-year mean level. We maintain our Neutral sector rating. Recently, we downgraded Balkrishna Industries for its high capex-led expansion into new tyre segments, structurally impacting its business model and profitability. Our preferred stocks are Maruti Suzuki, Bajaj Auto, Ashok Leyland, and Hero MotoCorp in the OEM space.

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**Figure 1: Sales and gross margin performance of our coverage universe**

| (Rs m) | Revenue | YoY % | QoQ % | Gross Margins | YoY | QoQ |
|---|---|---|---|---|---|---|
| Ashok Leyland | 1,19,067 | -2% | 19% | 29.4% | 124 | 166 |
| Bajaj Auto | 1,21,480 | 6% | -5% | 29.7% | 40 | 144 |
| Eicher Motors | 52,411 | 23% | 5% | 46.5% | (238) | (92) |
| Hero MotoCorp | 99,387 | 4% | -3% | 33.6% | 97 | 30 |
| Hyundai Motor India | 1,76,711 | 0% | 6% | 28.5% | - | 167 |
| Mahindra & Mahindra | 3,13,534 | 25% | 3% | 26.5% | (63) | 33 |
| Maruti Suzuki | 4,06,738 | 6% | 6% | 29.0% | (90) | (29) |
| Tata Motors | 11,95,030 | 0% | 5% | 38.5% | (61) | (83) |
| TVS Motor Company | 93,904 | 15% | 3% | 27.2% | 176 | 57 |
| Escorts Kubota | 24,303 | 6% | -17% | 31.9% | (51) | 368 |
| Apollo Tyres | 1,19,067 | -2% | 28% | 46.1% | (381) | 191 |
| Balkrishna Industries | 28,376 | 5% | 10% | 58.8% | (208) | (120) |
| Bharat Forge | 21,630 | -7% | 3% | 59.7% | 178 | 43 |
| Bosch Ltd | 49,106 | 16% | 10% | 34.5% | 53 | (333) |
| Exide Industries | 41,594 | 4% | 8% | 34.3% | (178) | (75) |
| SAMIL | 2,93,168 | 9% | 6% | 43.6% | (115) | (121) |
| Endurance Technologies | 29,635 | 11% | 4% | 42.7% | 138 | 100 |

SOURCE: INCRED RESEARCH, COMPANY REPORTS

# 4QFY25 results review

## Gross and EBITDA margin trends in 4QFY25 ›

Gross margin qoq expansion was seen in the case of most companies in our coverage universe (59%), which is a tad above the previous quarter's trend (53%). However, major expansion was in original equipment manufacturers or OEMs than in the component segment. The long-term trend for the auto universe indicates gross margin easing from its recent peak (Fig. 4).

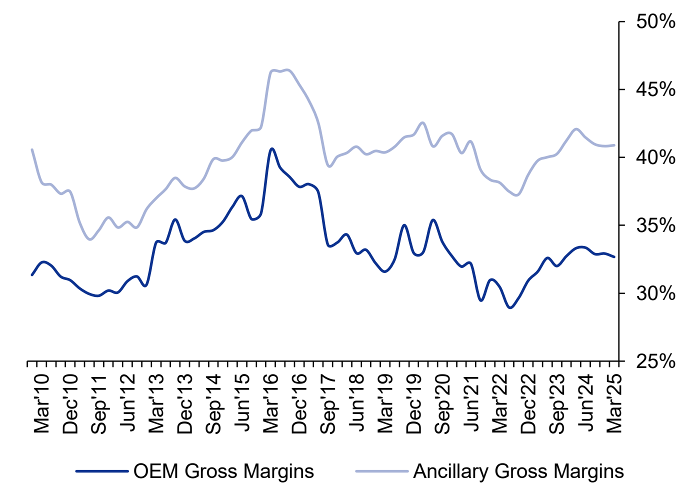
The double-digit EBITDA growth yoy has been selective (35% of the companies) in 4Q, led by M&M, TVS Motor Company, Bosch, Endurance Technologies, Eicher Motors, and Ashok Leyland. However, nearly 30% of the companies recorded double-digit EBITDA dip in 4Q, led by Apollo Tyres, Maruti Suzuki, and Exide industries. The larger universe's EBITDA margin trend shows an improvement for OEMs from recent lows (Fig. 5).

**Figure 2: 4QFY25 results analysis versus our expectations and future earnings revision**

| (Rs m) | Revenue | YoY% | QoQ% | EBITDA | YoY% | QoQ% | Adjusted PAT | YoY% | QoQ% | EBITDA miss/ beat | EPS miss/ beat | FY26F-27F EBITDA change | FY25-27F EPS change |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Ashok Leyland | 1,19,067 | -2% | 28% | 17,910 | 10% | 61% | 12,595 | 16% | 117% | 9.8% | 16.4% | -1% | +2% |
| Bajaj Auto | 1,21,480 | 6% | -5% | 24,506 | 6% | -5% | 20,493 | 6% | -3% | 2.1% | 0.4% | -1 to -4% | -2 to -5% |
| Eicher Motors | 52,411 | 23% | 5% | 12,577 | 11% | 5% | 13,622 | 27% | 16% | -7.5% | 10.4% | -2 to -3% | +1% |
| Escorts Kubota | 24,303 | 6% | -17% | 2,929 | 1% | -13% | 2,507 | 1% | -22% | 4.8% | -0.2% | +3 FY27F & -19% FY26F | +4 FY27F & -16% FY26F |
| Hero MotoCorp | 99,387 | 4% | -3% | 14,156 | 4% | -4% | 10,809 | 6% | -10% | -0.1% | -7.4% | NA | NA |
| Hyundai Motor India | 1,91,649 | -1% | 3% | 25,218 | 0% | 34% | 16,772 | 0% | 44% | 24.4% | 18.3% | -1% | -4 to -6% |
| Mahindra & Mahindra | 3,13,534 | 25% | 3% | 46,825 | 45% | 5% | 31,557 | 55% | 4% | 12.0% | 19.4% | +3 to +4% | +3 to +5% |
| Maruti Suzuki | 4,06,738 | 6% | 6% | 42,647 | -13% | -5% | 37,111 | -10% | 5% | -13.7% | -3.9% | -5 to -6% | +2% |
| Tata Motors | 11,95,030 | 0% | 5% | 1,88,640 | -7% | 21% | 87,890 | -7% | 70% | 11.2% | 28.8% | -5 to -6% | -3 to -4% |
| TVS Motor Company | 93,904 | 15% | 3% | 11,726 | 27% | 8% | 6,921 | 30% | 5% | 3.5% | 3.5% | +5% | +4 to +5% |
| Apollo Tyres | 64,236 | 3% | -7% | 8,374 | -24% | -12% | 3,032 | -28% | -11% | -14.9% | -9.8% | -2 to -7% | 0 to -7% |
| Balkrishna Industries | 28,376 | 5% | 10% | 6,927 | -1% | 10% | 3,621 | -25% | -18% | -7.0% | -7.6% | -9 to -11% | -12 to -14% |
| Bharat Forge | 21,630 | -7% | 3% | 6,167 | -6% | 1% | 3,659 | -9% | 5% | -11.0% | -20.7% | -9 to -10% | -11 to -13% |
| Bosch Ltd. | 49,106 | 16% | 10% | 6,469 | 16% | 11% | 5,537 | 24% | 10% | -9.0% | 21.7% | +/- 0.4% | 8.0% |
| Exide Industries | 41,594 | 4% | 8% | 4,667 | -10% | 4% | 2,546 | -10% | 4% | -20.0% | -20.8% | -5 to -7 | -6% to -8% |
| Endurance Technologies | 29,635 | 11% | 4% | 4,225 | 14% | 13% | 2,330 | 23% | 26% | 3.9% | -0.8% | -1 to -2% | -2 to -3% |
| SAMIL | 2,93,168 | 9% | 6% | 26,429 | -1% | -2% | 10,505 | 20% | 20% | -12.9% | -0.5% | -5 to -7% | -2 to -5% |

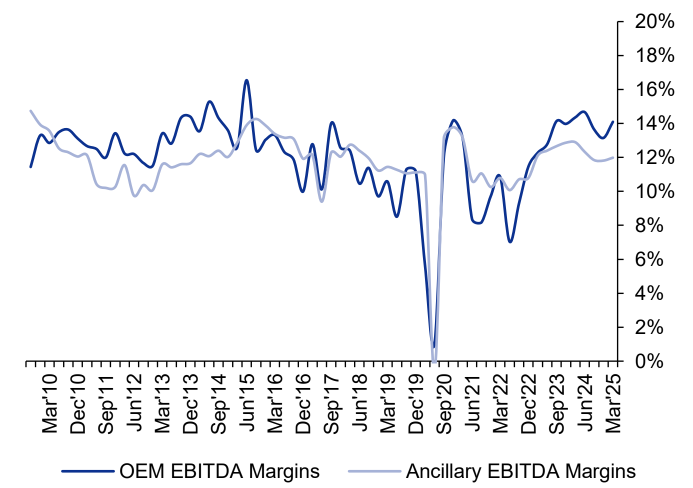
SOURCE: INCRED RESEARCH, COMPANY REPORTS

**Figure 3: Industry's gross margin eases from its peak**




SOURCE: ACE EQUITY, INCRED RESEARCH, COMPANY REPORTS

**Figure 4: Industry EBITDA margin marginally improves qoq**




SOURCE: ACE EQUITY, INCRED RESEARCH, COMPANY REPORTS

## Bloomberg consensus EBITDA/EPS upgrades/downgrades

Major FY25-26F EBITDA Bloomberg consensus upgrade was in M&M, TVS Motor Company, Ashok Leyland, and Endurance Technologies. However, consensus estimates have been cut for the rest of our coverage universe, with major cuts coming in for Tata Motors, Escorts Kubota, Balkrishna Industries, Maruti Suzuki, Exide Industries, and Bajaj Auto.

**Figure 5: Bloomberg consensus estimate changes for Apr-Jun 2025**

| Bloomberg Consensus Estimates | FY26F EPS (Rs) | | FY26F EPS change % | FY27F EPS (Rs) | | FY27F EPS change % | FY26F EBITDA (Rs m) | | FY26F EBITDA change % | FY27F EBITDA (Rs m) | | FY27F EBITDA change % |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 01-Apr-25 | 03-Jun-25 | | 01-Apr-25 | 03-Jun-25 | | 01-Apr-25 | 03-Jun-25 | | 01-Apr-25 | 03-Jun-25 | |
| Ashok Leyland | 11.6 | 11.9 | 2.9% | 13.0 | 13.4 | 2.7% | 52,994 | 53,703 | 1.3% | 58,519 | 59,208 | 1.2% |
| Bajaj Auto | 350.3 | 338.7 | -3.3% | 397.2 | 382.7 | -3.7% | 1,18,894 | 1,14,951 | -3.3% | 1,35,282 | 1,30,757 | -3.3% |
| Eicher Motors | 186.5 | 183.5 | -1.6% | 210.9 | 207.8 | -1.5% | 54,097 | 53,309 | -1.5% | 61,315 | 60,597 | -1.2% |
| Escorts Kubota | 113.8 | 109.2 | -4.0% | 133.8 | 128.7 | -3.8% | 14,892 | 13,723 | -7.9% | 17,184 | 15,908 | -7.4% |
| Hero MotoCorp | 247.5 | 247.3 | -0.1% | 264.7 | 264.6 | 0.0% | 65,419 | 64,496 | -1.4% | 71,504 | 70,515 | -1.4% |
| Hyundai Motor India | 74.2 | 71.6 | -3.5% | 86.0 | 84.8 | -1.4% | 96,953 | 95,152 | -1.9% | 1,11,189 | 1,11,778 | 0.5% |
| Mahindra & Mahindra | 116.0 | 116.2 | 0.2% | 130.2 | 129.6 | -0.5% | 1,86,632 | 1,95,585 | 4.8% | 2,14,270 | 2,19,702 | 2.5% |
| Maruti Suzuki | 525.8 | 500.7 | -4.8% | 584.9 | 562.0 | -3.9% | 2,07,520 | 1,97,103 | -5.0% | 2,33,452 | 2,23,629 | -4.2% |
| Tata Motors | 66.4 | 60.4 | -9.1% | 75.7 | 73.3 | -3.2% | 6,38,804 | 5,57,013 | -12.8% | 7,03,764 | 6,39,074 | -9.2% |
| TVS Motor Company | 68.5 | 69.6 | 1.7% | 81.6 | 83.2 | 2.0% | 51,664 | 52,871 | 2.3% | 60,128 | 61,620 | 2.5% |
| Apollo Tyres | 28.8 | 27.8 | -3.5% | 33.4 | 33.7 | 1.0% | 42,746 | 41,693 | -2.5% | 46,753 | 46,767 | 0.0% |
| Balkrishna Industries | 102.7 | 96.7 | -5.8% | 116.7 | 109.7 | -6.0% | 30,171 | 29,999 | -0.6% | 34,155 | 33,864 | -0.9% |
| Bharat Forge | 33.5 | 29.3 | -12.4% | 41.2 | 38.2 | -7.2% | 32,092 | 29,713 | -7.4% | 37,099 | 35,335 | -4.8% |
| Bosch | 774.2 | 785.8 | 1.5% | 876.5 | 882.5 | 0.7% | 26,560 | 26,604 | 0.2% | 30,089 | 30,037 | -0.2% |
| Endurance Tech. | 71.8 | 72.6 | 1.1% | 85.7 | 86.6 | 1.0% | 18,348 | 18,679 | 1.8% | 21,222 | 21,633 | 1.9% |
| Exide Industries | 15.5 | 14.7 | -5.7% | 17.0 | 16.3 | -4.2% | 22,745 | 21,861 | -3.9% | 24,688 | 24,111 | -2.3% |
| SAMIL | 6.8 | 6.5 | -4.9% | 8.2 | 7.9 | -4.2% | 1,20,929 | 1,19,434 | -1.2% | 1,36,022 | 1,34,734 | -0.9% |

SOURCE: BLOOMBERG, INCRED RESEARCH, COMPANY REPORTS

## Management conference-call highlights for the sector/various companies

### Demand outlook ›

- Management commentaries positive on the government's income-tax rate relief and interest rate cut are likely to drive the demand momentum, starting from the festive season. The marriage season seems to be picking up and the above-normal rainfall to help sustain rural demand momentum. Truck demand has shown an improvement since Jan 2025.
- The withdrawal of discounts has been slow post-festive season. The key things to watch out for are price hikes and demand. Rural demand growth was better than urban growth by 200-300bp for the quarter.
- The export outlook provided by OEMs is in strong double digits for FY26F. However, auto component makers are still evaluating the tariff war impact and adjustment of supply chain for this big event.

### Company-wise management commentary

- **Ashok Leyland**: Management gave guidance of single-digit growth for the domestic commercial vehicle or CV sector, driven by tipper and bus segments. Exports to continue their double-digit growth. Management gave guidance that the current capex of Rs10bn per annum will sustain in the coming years. Switch Mobility, the EV bus subsidiary, achieved 12% EBITDA margin in 4Q and plans PAT breakeven in the coming quarters. Lower vehicle inventory as of end-Mar 2025 helped in achieving net cash position of Rs42.4bn at the end of the quarter.
- **Apollo Tyres:** The Netherland plant contributes less than 10% to Europe car tyre sales volume and management expects the new capacity in Hungary to come on stream by the end of CY25F to be able to substitute for the Netherland plant's closure. Management acknowledges the business underperformance vs. its peers in India and Europe, which it plans to catch up in FY26F with new OEM order wins. Capex guidance cut to Rs15bn for FY26F to reflect gradual tonnage growth. Management expects lower crude oil benefits to come with a lag in 2HFY26F.
- **Bajaj Auto:** Management indicated that Bajaj Auto (BAL) has emerged as the largest 2& 3-wheeler electric vehicle or EV maker, posting Rs55bn in sales in

FY25. BAL's new E3W launched under the GoGo brand in Mar 2025 helped it to emerge as the leader in this segment, overtaking Mahindra & Mahindra. It has plans to expand into the E-rickshaw segment in Jul 2025F, having an addressable market size of 40,000 units per month. In E2W, BAL sustains its leadership position with the launch of new variants and expects cost reduction benefits to lead to EBITDA breakeven in the coming quarters.

- **Balkrishna Industries:** Management has unveiled an ambitious plan to raise sales by 2.2x the FY25 level in the next five years, driven by India truck and car tyre segment foray, 18% expansion in off-highway tyre capacity and an 80% rise in carbon black capacity. The Rs35bn expansion capex for the coming three years looks ambitious. India truck tyre business expansion in 1QCY26F seems adjacent to its mining tyre segment presence now, but the long gestation period to season the tyres and get customer acceptance is a challenge. The expansion into the highly competitive and voluminous car radial tyre segment by 4QCY26F looks to be an unrelated expansion compared to its current capabilities in the batch production process.
- **Bharat Forge:** Management indicated strong order wins worth Rs34bn in the defence sector during the quarter, leading to a total order book of Rs95bn, where supplies to the Indian Army will start in the Mar 2026F quarter. Management gave muted outlook on exports, as the delay in US emission rules to impact commercial vehicle or CV component exports and tariff challenges to hit car component exports. Considering the large emerging opportunity in electronics manufacturing, management announced the company's entry into the segment with the commencement of computer server assembly in India.
- **Bosch Ltd**: Management highlighted the strong two-wheeler or 2W parts supply growth of 21% in 4QFY25 and 19% in FY25, aided by new emission norms or OBD-II benefits. The quick installation of the NOx sensor plant, with a planned capacity ramp-up of 2.1m units by FY27F, should help sustain the strong growth in 2W parts business. However, the global economic slowdown to impact exports. As per management, the one-time emission calibration project in 4Q aided sales growth and led to higher other expenses. Purchased goods are expected to ease with the help of new localization benefits
- **Eicher Motors**: Management indicated that it has taken around 1.2% price hike to meet OBD-II emission costs and transitioned all its products to meet the new norms. While a few one-offs hit the EBITDA margin, management indicated that the company, being the leader in premium bikes, is trying to revive sales momentum through aggressive marketing programs and interventions, which impacted short-term profitability. With improving urban market sentiment and enquiry levels, management is confident of sales volume momentum sustenance in the domestic market. In the US warehouse, the company has sufficient stock to supply in the current driving season, while it keeps a watch on the evolving tariff situation.
- **Endurance Technologies**: Management indicated that the lithium-ion battery pack assembly plant commissioning by Jan 2026F will cater to 2W OEMs initially and later expand to other auto and non-auto applications. The company will be designing and manufacturing battery packs with end-to-end sourcing capability. The aluminium castings business has won Rs6.1bn of orders in FY25, from both local and global EV makers, which will be executed through the new plant in Sep 2025. The aluminium forgings business traction is good, for which a greenfield plant will be commissioned by Mar 2026F. The car suspension JV is helping to engage with three prospective clients.
- **Hero MotoCorp:** Management gave guidance of double-digit revenue growth for FY25F. The rural mix improved 3% for the quarter on the back of faster growth vs. urban markets. In 3Q, retail market share expanded by 520bp qoq to 32.8%. VIDA V2 and V2 LITE launched to expand EV offerings; the transition from V1 to V2 impacted 3Q sales but growth is expected going ahead. In the EV business, it made an investment of Rs1.37bn. Parts business revenue touched Rs15.55bn, up 9% yoy, driven by strong demand for tyres, batteries, and oils. Subsidiary Hero FinCorp's loan book stood at Rs555bn, up 13% yoy,

while credit costs at 6% were up 150bp due to higher delinquencies in the personal loan segment. Export business in 9MFY25 saw a growth of 40% yoy.

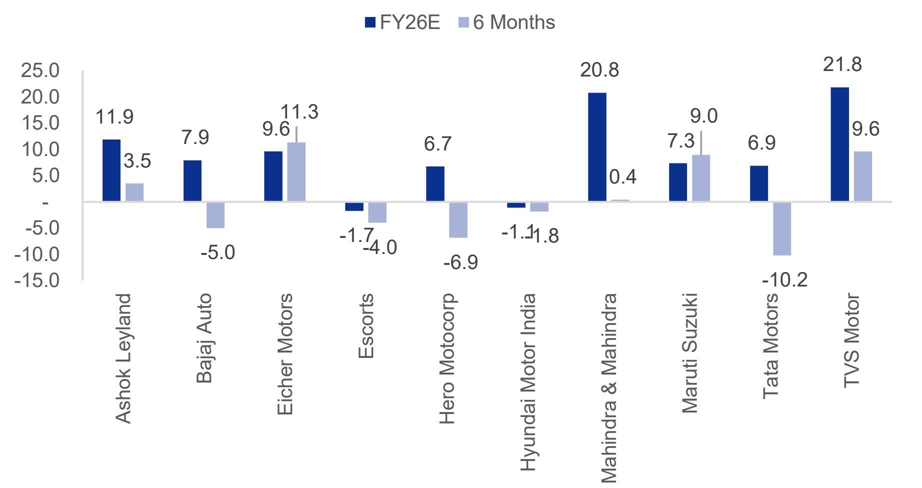
- **Mahindra and Mahindra:** Management has given guidance of mid- to high-teen volume growth in FY26F, driven by its new seven-seater ICE SUV launch, two model mid-cycle refresh, along with the export momentum in recently launched models. In the farm division (domestic), management expects high single-digit industry growth in FY26F. Gained 170bp market share, touching 43.3%, which is likely to sustain if the competitive intensity remains stable. FY26F plans include increasing the capacity for XUV3XO and Thar Roxx by 3,000 units each. M&M is creating new platform capacity of 1,20,000 units per annum at Chakan (it will be showcased on 15 Aug 2025). A new greenfield plant has been planned for FY28F and beyond.
- **Maruti Suzuki:** Management expects the car industry's growth to remain on the slow growth path at ~2% yoy, while the company is confident of outperforming the industry, driven by upcoming model launches in the electric vehicle or EV and sports utility vehicle or SUV space. Management indicated that retail sales were higher than dispatches in 4Q and FY25, leading to Vahan retail market share gain. The company gave export growth guidance of 20% for FY26F, driven by EV launch. The EV sales volume guidance stood at 70,0000 vehicles per annum, a major portion of which is meant for exports.
- **SAMIL (Samvardhana Motherson International):** Management gave guidance of SAMIL's sales quadrupling to US$108bn under the upcoming five-year plan ending FY30F. Capex guidance stands at Rs60bn for FY26F. The consumer electronics division has plans for new adjacent plants to cater to buoyant demand. The camera monitoring system won a large order from European truck makers, thereby registering lifetime sales of over US$400m. The total order book stood at US$88.1bn, of which electric vehicle or EV makers account for 24%. Global supply chain disruption led to Rs20bn additional working capital requirement in the Mar 2025 quarter, which it expects to ease gradually.
- **Tata Motors:** Management plans to refresh hatchback car models in FY26F and introduce top-end ESUV to revive volume momentum. However, considering the intense competition and entry of Maruti Suzuki in the electric vehicle or EV segment, we feel its volume recovery will be back-ended in FY26F. Higher reliance on the passenger vehicle or PV division profits on PLI incentive (26% of FY25 PBT) is an area of concern, as it may be passed on to customers to sustain EV momentum in the coming quarters, with more OEMs availing it. We have marginally cut the CV division's EBITDA for the new air-conditioned cabin norm.
- **TVS Motor Company**: Management expects moderate growth in 1QFY26F due to the high base effect, with positive momentum expected to resume from May-Jun 2025F. Capex for FY26F is planned to remain at a level similar to that in FY25. Electric two-wheeler (EV2W) volume grew by 44% yoy, and a few new product launches are expected in the coming quarters. Premium motorcycle models are scheduled for launch by the end of FY26F from Norton (based in the UK). The export business outpaced industry growth in FY25, driven by growth in LatAm markets.

## Stock performance and valuations

The sharp rally in the Nifty Auto Index from its recent lows (14% in three months and 5% in one month) is an outperformance of 200bp to the broader index like Nifty-50 and Nifty-100. The momentum has recently been broad-based across OEM and component segments. Improvement in the macroeconomic factors seems to be driving an improved allocation to the sector like above-average rainfall outlook and easing global crude oil prices, while individual company management commentary is still cautious on demand and margin outlook. The major underperformers on a three-month basis have been Balkrishna Industries, Maruti Suzuki, and Hyundai Motor India.

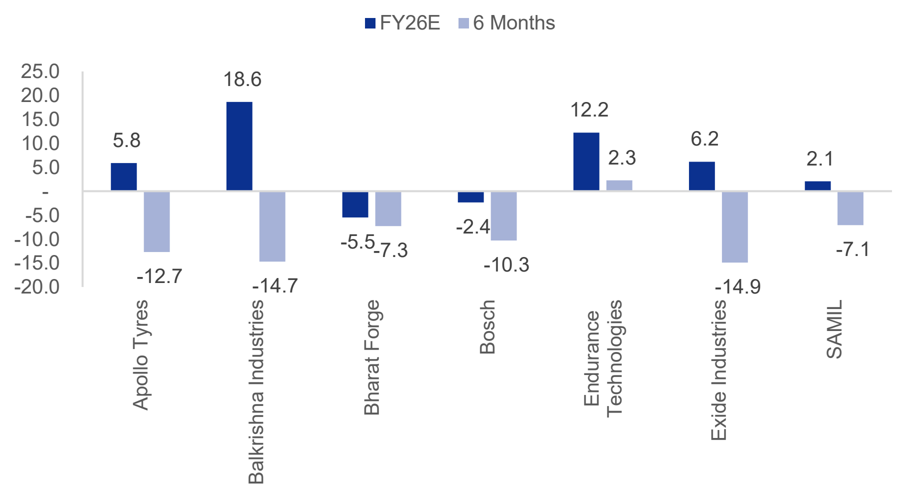
Based on recent consensus EBITDA changes vs. stock price movements (excluding corporate event impact), we feel M&M (HOLD) and Ashok Leyland (ADD) provide comfort. The double-digit rally in the Nifty Auto Index has lifted forward P/E valuation to the 10-year mean level. We maintain our Neutral sector rating.

**Figure 6: FY26F BB consensus EBITDA changes vs. six-month price performance of OEMs**




SOURCE: BLOOMBERG, INCRED RESEARCH, COMPANY REPORTS

**Figure 7: FY26F EBITDA changes vs. six-month price performance of auto component companies**



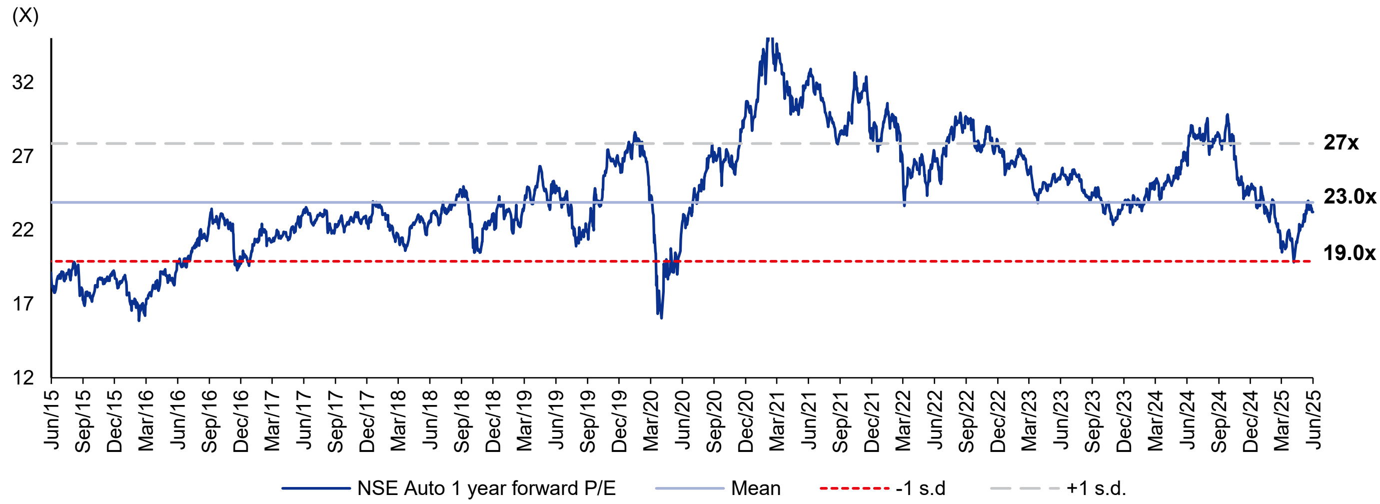

SOURCE: BLOOMBERG, INCRED RESEARCH, COMPANY REPORTS

**Figure 8: Valuation summary of our coverage universe**

| Company Name | Rating | CMP (Rs) | Target Price | 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) | FY26F | FY27F | FY25F | FY26F | FY25F | FY26F | FY25F | FY25F | | FY26F |
| Maruti Suzuki | ADD | 12,200 | 13,621 | 38,35,680 | 44,872 | 541 | 600 | 22.5 | 20.3 | 3.7 | 3.3 | 15.1 | 1.6% | 11.6% | 17.1% |
| Tata Motors | REDUCE | 712 | 642 | 27,29,890 | 31,936 | 69 | 83 | 10.3 | 8.6 | 1.9 | 1.6 | 3.8 | 1.1% | -9.9% | 20.0% |
| Hero MotoCorp | ADD | 4,242 | 5,525 | 8,47,592 | 9,916 | 270 | 295 | 15.7 | 14.4 | 3.9 | 3.6 | 9.9 | 4.2% | 30.2% | 26.1% |
| Mahindra & Mahindra | HOLD | 3,048 | 3,254 | 33,84,668 | 39,596 | 122 | 129 | 25.0 | 23.6 | 4.7 | 4.1 | 13.6 | 0.9% | 6.7% | 20.4% |
| Escorts Kubota | REDUCE | 3,346 | 3,098 | 3,69,711 | 4,325 | 106 | 122 | 31.6 | 27.5 | 3.0 | 2.8 | 26.3 | 1.0% | -7.4% | 11.9% |
| Bajaj Auto | ADD | 8,531 | 10,400 | 23,81,685 | 27,862 | 346 | 394 | 24.7 | 21.6 | 6.8 | 6.2 | 18.1 | 2.8% | 21.9% | 28.7% |
| Ashok Leyland | ADD | 237 | 275 | 6,94,833 | 8,129 | 13 | 15 | 18.8 | 15.5 | 5.3 | 4.6 | 12.5 | 3.0% | 16.2% | 30.0% |
| Eicher Motors | HOLD | 5,342 | 5,652 | 14,59,832 | 17,078 | 175 | 195 | 30.6 | 27.5 | 6.8 | 6.0 | 25.0 | 1.4% | 5.8% | 22.4% |
| TVS Motor | REDUCE | 2,771 | 2,154 | 13,16,550 | 15,402 | 58 | 64 | 48.0 | 43.5 | 10.8 | 9.0 | 28.3 | 0.4% | -22.3% | 24.8% |
| Endurance Technologies | ADD | 2,435 | 2,529 | 3,42,486 | 4,007 | 77 | 89 | 31.5 | 27.3 | 5.2 | 4.5 | 17.5 | 0.6% | 3.9% | 17.7% |
| Hyundai Motors India | REDUCE | 1,828 | 1,612 | 14,84,255 | 17,364 | 72 | 75 | 25.5 | 24.3 | 7.4 | 6.3 | 17.5 | 1.4% | -11.8% | 17.7% |
| Balkrishna Industries | ADD | 2,447 | 2,400 | 4,73,082 | 5,534 | 86 | 98 | 28.4 | 25.1 | 4.0 | 3.6 | 17.9 | 0.7% | -1.9% | 15.1% |
| Exide Industries | REDUCE | 390 | 349 | 3,31,585 | 3,879 | 14 | 17 | 27.1 | 23.5 | 2.2 | 2.1 | 15.2 | 2.3% | -10.5% | 8.4% |
| Bharat Forge | ADD | 1,259 | 1,363 | 5,86,393 | 6,860 | 28 | 34 | 45.5 | 36.6 | 4.7 | 4.1 | 20.8 | 0.9% | 8.2% | 12.0% |
| Apollo Tyres | REDUCE | 466 | 275 | 2,95,766 | 3,460 | 23 | 29 | 20.3 | 16.2 | 2.5 | 2.3 | 7.5 | 1.5% | -40.9% | 13.1% |
| Bosch Ltd | REDUCE | 31,315 | 27,910 | 9,23,479 | 10,803 | 777 | 833 | 40.3 | 37.6 | 6.3 | 6.0 | 30.1 | 1.7% | -10.9% | 16.1% |
| SAMIL | ADD | 152 | 172 | 10,32,452 | 12,078 | 6 | 8 | 24.9 | 19.1 | 2.7 | 2.5 | 9.3 | 0.7% | 12.9% | 11.8% |

NOTE: VALUATION MULTIPLE OF M&M IS ADJUSTED FOR SUBSIDIARY VALUE OF RS636/SHARE
SOURCE: INCRED RESEARCH, COMPANY REPORTS

**Figure 9: NSE Auto Index's one-year forward P/E is below the mean level**




SOURCE: BLOOMBERG, INCRED RESEARCH, COMPANY REPORTS

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| 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. |