



India

Overweight (previously Neutral)**Highlighted Companies****Mahindra & Mahindra****ADD, TP Rs4157, Rs3590 close**

Mahindra & Mahindra will benefit from both automotive demand growth and the tractor division's profitability improvement. We upgrade our rating on it from HOLD to ADD.

Maruti Suzuki**ADD, TP Rs17677, Rs15325 close**

High demand elasticity and car demand recovery from GST rate cut will be best captured by Maruti Suzuki, leading to market share gains and pricing power.

Tata Motors**HOLD, TP Rs744, Rs715 close**

Tata Motors to benefit big on a fresh truck demand upcycle, while the car division's participation in demand recovery to be gradual. Upgrade to HOLD rating (from REDUCE) for its attractive -1SD P/BV valuation.

Summary Valuation Metrics

P/E (x)	Mar26-F	Mar27-F	Mar28-F
Mahindra & Mahindra	28.3	25.7	23.4
Maruti Suzuki	30.1	24.3	22.0
Tata Motors	9.9	8.1	6.8
P/BV (x)	Mar26-F	Mar27-F	Mar28-F
Mahindra & Mahindra	5.6	4.8	4.2
Maruti Suzuki	4.6	4.1	3.6
Tata Motors	1.9	1.6	1.3
Dividend Yield	Mar26-F	Mar27-F	Mar28-F
Mahindra & Mahindra	0.9%	1.0%	1.1%
Maruti Suzuki	1.0%	1.3%	1.5%
Tata Motors	1.2%	0.0%	0.0%

Auto & Parts - Overall

GST cut to trigger cyclical demand recovery

- Sharp GST rate cut & cess withdrawal is the biggest stimulus in recent history of the auto sector, which may trigger a cyclical recovery for the next 2-3 years.
- We raise domestic auto industry volume by a sharp 300bp on an annualized basis for FY26F to 11% and by 500bp to 15% for FY27F, driven by PVs.
- With Nifty Auto 10-year forward P/E near the mean level, we upgrade to OW. Upgrade Apollo Tyres, Escorts Kubota & M&M to ADD, & Tata Motors to HOLD.

Largest stimulus for auto sector to drive a cyclical demand recovery

India's automobile sector, which contributes 16% to Goods and Services Tax (GST) collections, has got the sharpest rate rationalization across product categories. Finance Minister Nirmala Sitharaman has rightfully tapped auto sector stimulus to drive the multiplier effect on gross domestic product (GDP), as it contributes 49% to manufacturing GDP. This seems like a once-in-a-quarter century phenomenon and we feel it will trigger cyclical demand revival in the auto sector, which was stagnating in recent quarters (Fig. 3).

Passenger vehicle segment has the highest demand elasticity

Our analysis of last two decades' sales volume trend vs. excise duty reduction indicates that domestic Passenger Vehicle (PV) volume growth revives by a 20+% CAGR for a two-year period (Fig. 5) in three out of four times, while the two-wheeler volume CAGR lags by a few ppts. Considering, the macroeconomic favourable events like income-tax rate cut, interest rate reduction in FY26F, and the expected Pay Commission benefit in FY27F, we have increased PV sales volume by a sharp 275bp for FY26F to 8.4% and by 670bp for FY27F to 16.7% (Fig. 17). We have increased volume growth across segments by 100-600bp for FY26F and by 400-1,200bp for FY27F. We expect volume growth recovery to be led by cars and 2Ws in the festive season, followed by Commercial Vehicles (CVs), in 2HFY26F.

BSE Auto Index still provides cyclical upside; upgrade to Overweight

Historical automobile cycles indicates that BSE Auto Index leads volume recovery by a few months (Fig. 25). While the index's recent-month rally ahead of GST rate cut rumours pushed forward P/E valuation to just above the mean level, but considering the two-to-three year upcycle benefit, we have upgraded the auto sector's rating from Neutral to Overweight. In the 2W segment, we feel the EV momentum will ease in the short term because of the increased price gap vs. petrol scooters, and thus the shift from born EV makers to incumbents. Key risks are global policies' impact on jobs and automobile exports.

Upgrade M&M, Escorts, Apollo Tyres to ADD & Tata Motors to HOLD

Volume momentum-driven upgrade in ratings (Figs. 25 & 27) are for Escorts Kubota and Mahindra & Mahindra (M&M) to ADD, while the valuation-driven comfort drives our rating upgrade of Tata Motors to HOLD and Apollo Tyres to ADD. We have increased our target price for Maruti Suzuki, Hero MotoCorp, Ashok Leyland and Bajaj Auto. Our preference is Maruti Suzuki and M&M in the PV segment, Bajaj Auto and Hero MotoCorp in the 2W segment, and Ashok Leyland in the CV segment.

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Figure 1: Highlights of segment-wise volume growth changes

Growth outlook	FY26F			FY27F		
March Y/E	New	Old	chg bp	New	Old	chg bp
Passenger cars and MPV	9.1%	3.1%	600	17.9%	6.1%	1180
Sports utility vehicles	8.0%	7.0%	100	16.0%	12.0%	400
Total Passenger Vehicles	8.4%	5.6%	275	16.7%	10.0%	668
M&HCV	10.0%	8.0%	200	15.0%	11.0%	400
LCV	9.0%	6.0%	300	17.0%	13.0%	400
Total Commercial Vehicles	9.4%	6.8%	260	16.2%	12.2%	400
Two wheelers	11.6%	10.5%	111	14.9%	10.1%	484
Three wheelers	10.0%	9.0%	100	11.0%	6.0%	500
Total Domestic Automobile Sector	10.9%	9.5%	143	15.1%	10.0%	511
Tractors	12.0%	9.0%	300	10.0%	7.0%	300

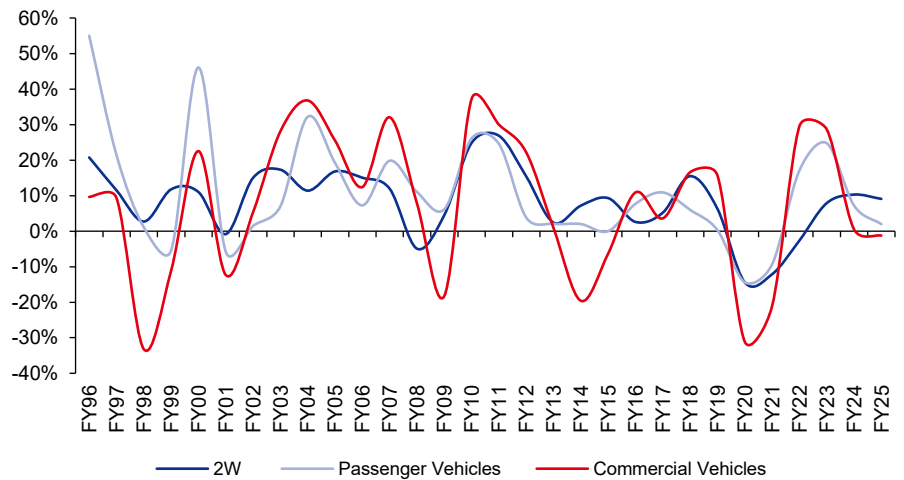
SOURCE: INCRED RESEARCH, COMPANY REPORTS

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GST cut to trigger cyclical demand recovery

Figure 2: Historical long-term automobile sector cyclicality (including exports)



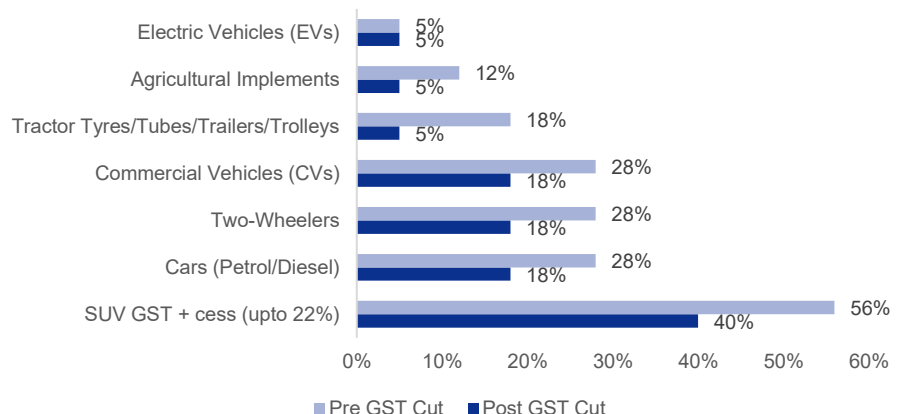
SOURCE: SOCIETY OF INDIAN AUTOMOBILE MANUFACTURES (SIAM), INCRED RESEARCH, COMPANY REPORTS

GST rate cuts across auto segments are impressive

- For cars less than 4m in length and less than 1.2L in petrol and 1.5L in diesel versions, the rate cut is from 28% to 18%. No cess for sports utility vehicles (SUVs).
- For 2Ws below 350cc, the rate cut is to 18%. For 2Ws above this engine level, the rate has been increased from 31% to 40%.
- For 3Ws, the rate has been cut from 28% to 18%.
- For CVs, the rate has been cut from 28% to 18%.
- For tractors, the rate has been cut from 12% to 5%, with the rate for many of its parts also pushed down to 5%.
- For most auto parts, the rate has been cut to 18% barring for tractor parts, which stands at 5%.

Historical excise duty cuts have typically driven double-digit growth for two-to-three years, particularly in the passenger car segment, as this category is largely discretionary in the Indian market.

Figure 3: GST rate changes at a glance for the auto segment



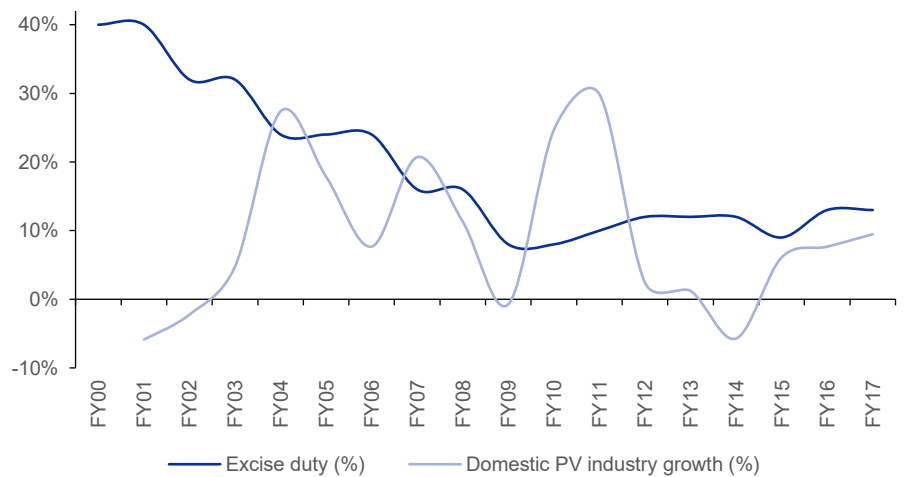
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 4: Historical tax cut vs. two-year CAGR trend

Year	Tax (%)	Tax cut (bp)	PV sales CAGR	2W sales CAGR
FY03-05	32%	-800	22%	14%
FY06-08	24%	-800	17%	1%
FY09-11	16%	-800	28%	26%
FY14-16	12%	-300*	7%	5%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 5: Tax cut vs. domestic PV industry volume growth recovery

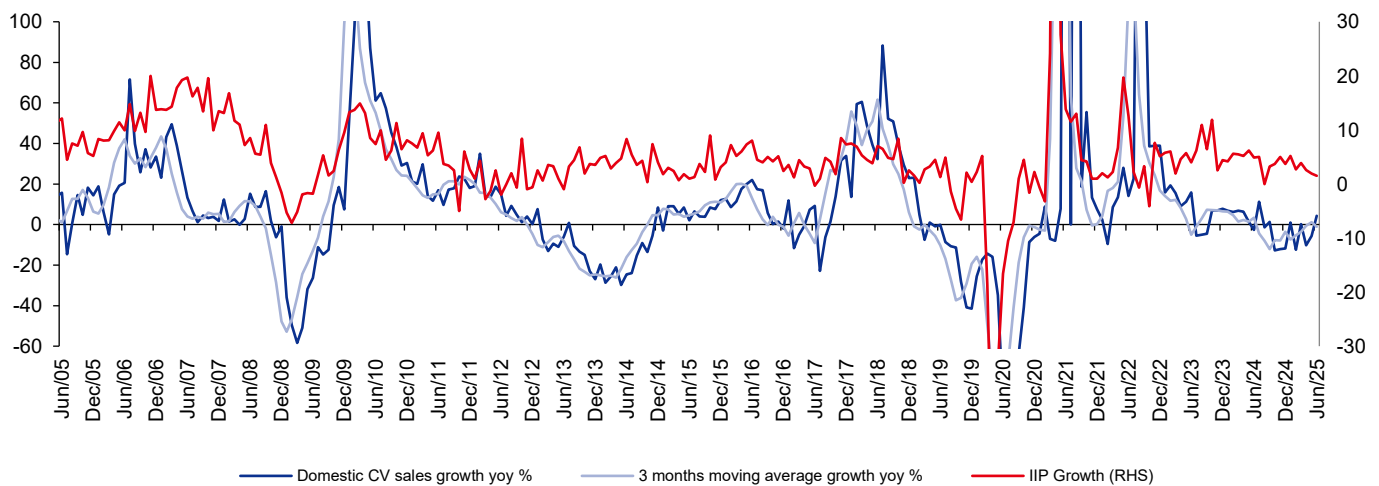


SOURCE: SIAM, INCRED RESEARCH, COMPANY REPORTS

Historical India car industry demand sensitivity analysis to tax cuts

- We analyzed last two decades' domestic car demand sensitivity to large tax rates cut since FY03.
- Clearly, car demand recovered by a sharp 20+% CAGR for two years in response to a rate cut of 800bp.
- FY14-16 revival seems to be low at a 7% CAGR, but in the context of just a 300bp cut for a six-month period and volume decline witnessed in FY12-14, the swing in growth is still 20+%.
- While a large base is a challenge now, still achieving high-teen demand growth looks possible in FY25-27F. We feel that demand growth will start from replacement customers and then move towards first-time customers.

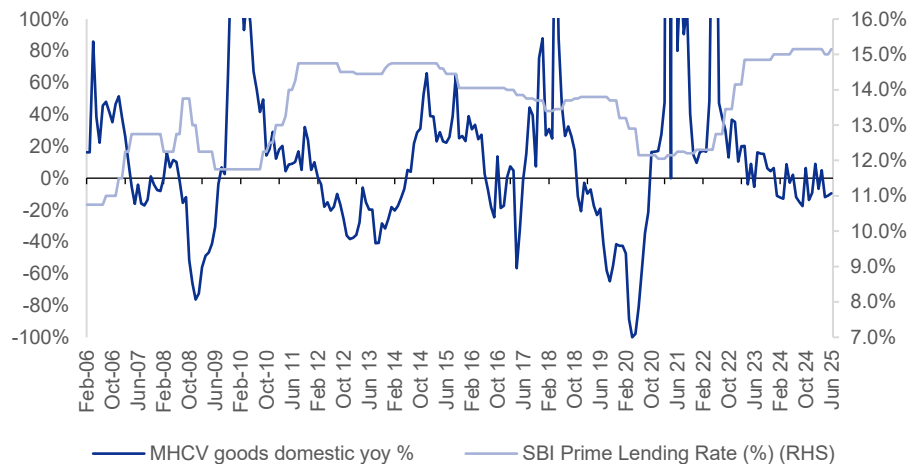
Figure 6: CV sales volume recovery tracks the Index of Industrial Production (IIP) growth



SOURCE: BLOOMBERG, SIAM, INCRED RESEARCH

The prolonged high-interest rate period hit CV demand in FY25. Easing interest rate trend to also influence strong CV cyclical demand recovery in 2HFY26F.

Figure 7: Big truck sales volume growth's inverse correlation to the lending rate is about to play out for growth revival in FY26F

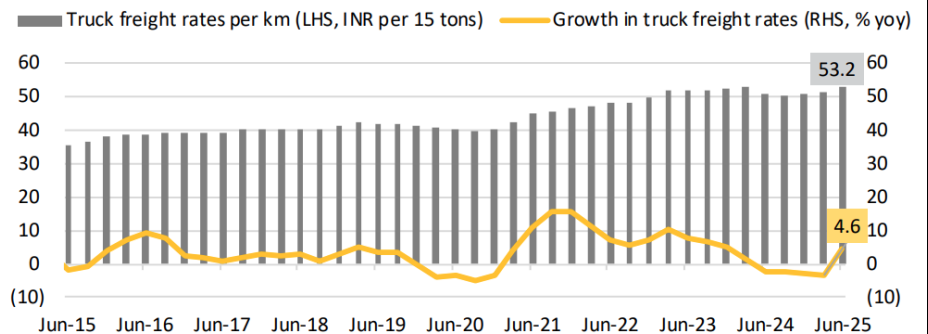


SOURCE: SIAM, STATE BANK OF INDIA, INCRED RESEARCH

With infrastructure and mining activity picking up in India, early signs of an uptick in freight rates are visible, and growth is likely to strengthen as activity accelerates.

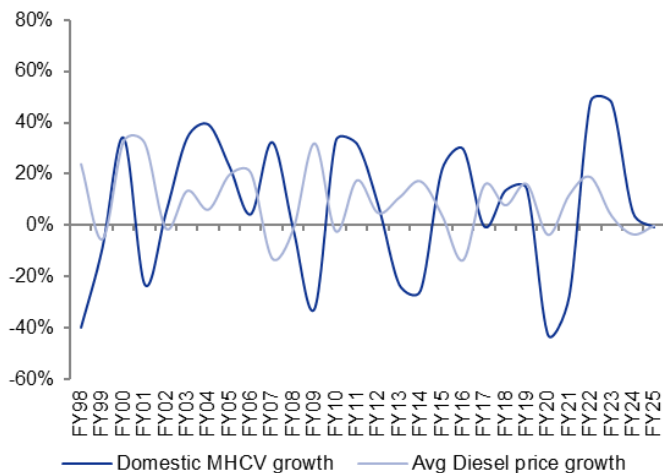
Figure 8: Truck freight rate bounce-back in recent months will aid the profitability of transporters

Quarterly average all-India truck freight rates, FY2016-FY2026 (Jun '25)



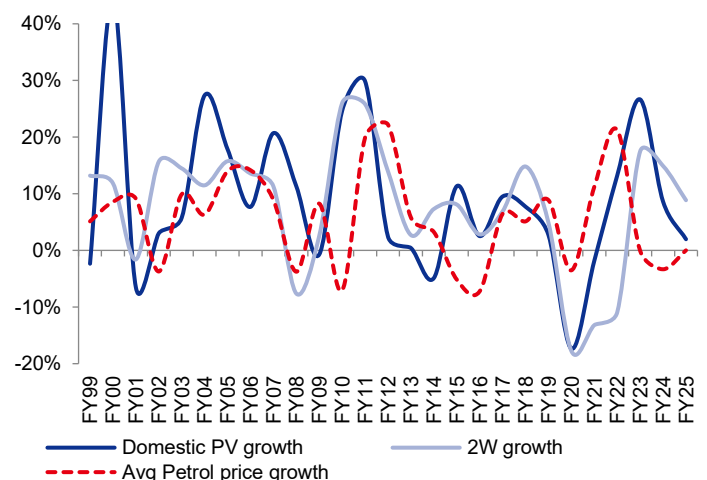
SOURCE: BLOOMBERG, NATIONAL INVESTMENT & INFRASTRUCTURE FUND, INCRED RESEARCH

Figure 9: The inverse correlation of MHCV volume growth and diesel price growth to aid in FY26F



SOURCE: CENTRE FOR MONITORING INDIAN ECONOMY, SIAM, INCRED RESEARCH, COMPANY REPORTS

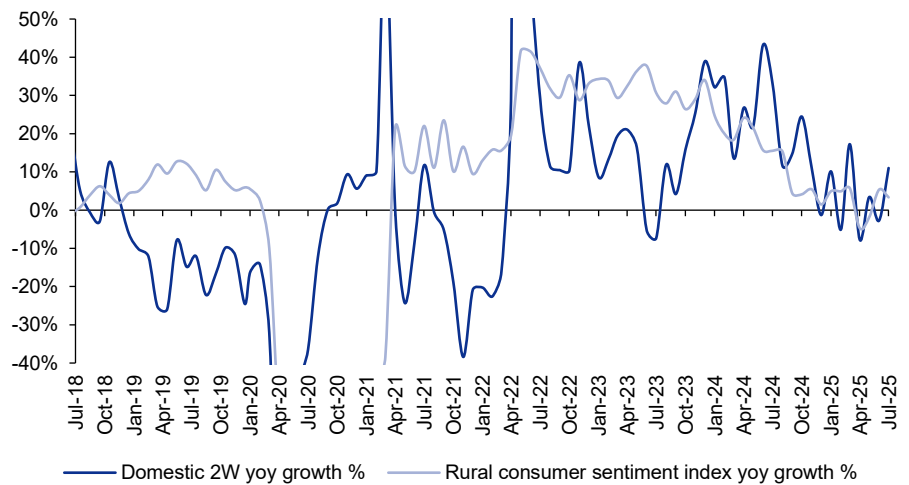
Figure 10: Petrol price trend vs. car and 2W sales growth correlation



SOURCE: CENTRE FOR MONITORING INDIAN ECONOMY, SIAM, INCRED RESEARCH, COMPANY REPORTS

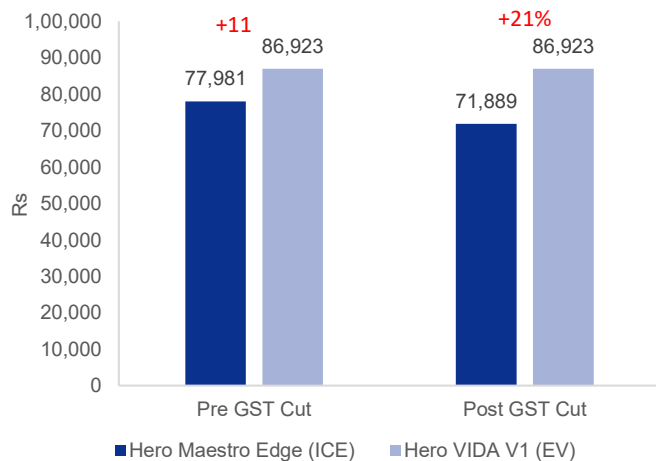
A ~10% GST cut on two-wheelers (below 350cc) would help offset the recent price hikes from regulatory changes and support growth revival in the segment.

Figure 11: Improvement in the rural consumer sentiment aided by good rainfall to drive 2W sales volume growth in 2HFY26F



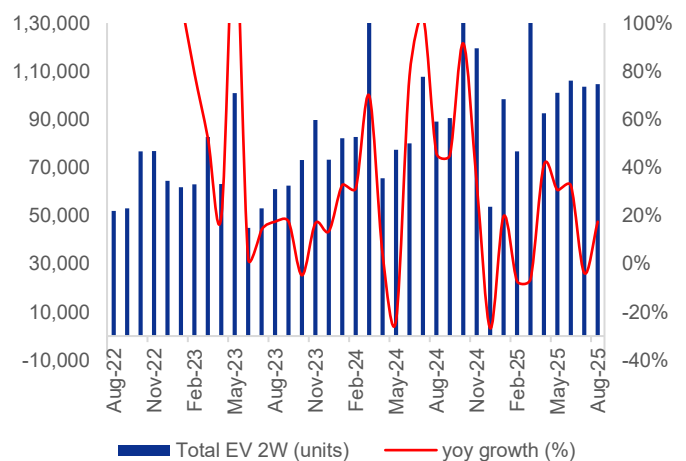
SOURCE: SIAM, CENTRE FOR MONITORING INDIAN ECONOMY (CMIE), INCRED RESEARCH

Figure 12: ICE vehicle–EV price gap projected to widen by ~10ppt



SOURCE: INCRED RESEARCH, COMPANY REPORTS

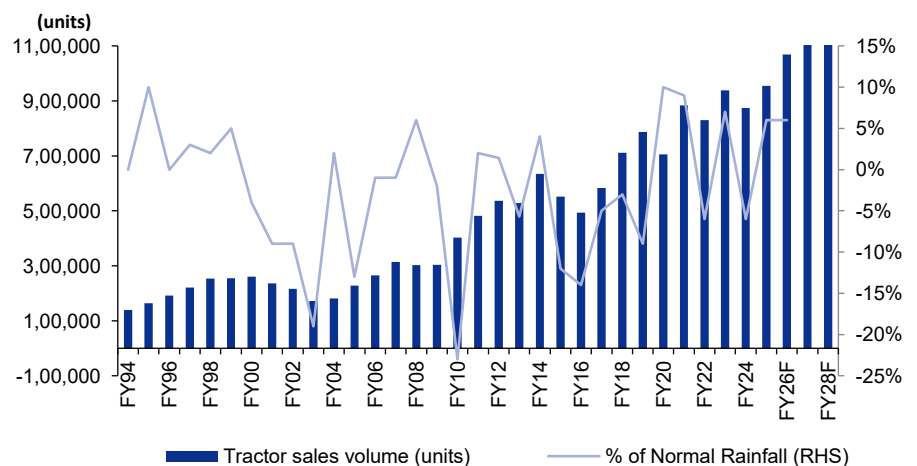
Figure 13: Electric 2W industry volume flattens at 0.1m units in recent months



SOURCE: VAHAN, INCRED RESEARCH, COMPANY REPORTS

Tractor industry's sales growth dependence on rainfall is high. As the India Meteorological Department (IMD) predicts above - average monsoon rainfall, the tractor demand recovery to prolong with GST rate cut.

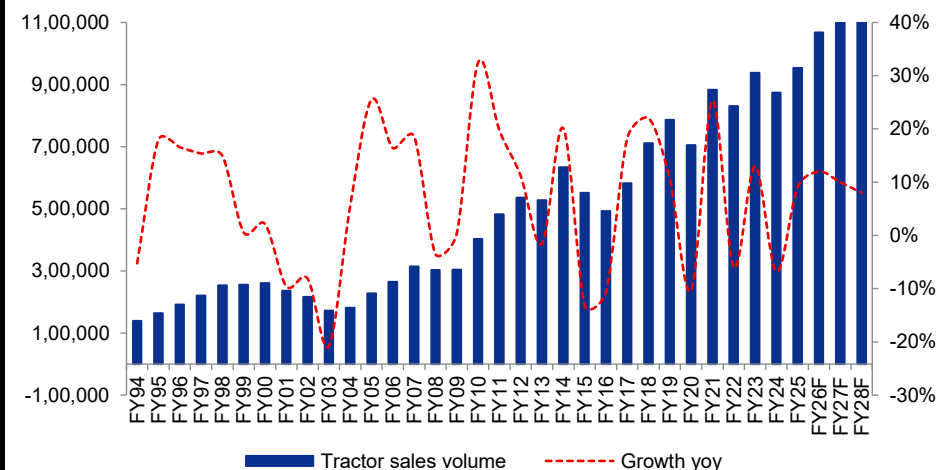
Figure 14: Successive good monsoons provide hope for sustained tractor industry volume growth



SOURCE: IMD, TRACTOR AND MECHANIZATION ASSOCIATION (TMA), INCRED RESEARCH

Domestic tractor sales volume poised to scale new peak, as farm mechanization accelerates with a 5% GST rate.

Figure 15: Long-term tractor sales volume growth trend and outlook



SOURCE: TMA, INCRED RESEARCH

Figure 16: Industry growth outlook

Y/E Mar	FY23	FY24	FY25	FY26F	FY27F	FY28F
Passenger cars and MPV	19.2%	-9.7%	-11.4%	9.1%	17.9%	11.8%
Sports utility vehicles	34.5%	25.8%	11.0%	8.0%	16.0%	12.0%
Total Passenger Vehicles	26.7%	8.6%	2.0%	8.4%	16.7%	11.9%
M&HCV	48.0%	5.2%	-0.5%	10.0%	15.0%	6.0%
LCV	26.8%	2.0%	-5.3%	9.0%	17.0%	7.0%
Total Commercial Vehicles	34.2%	3.3%	-3.4%	9.4%	16.2%	6.6%
Two-wheelers	17.3%	14.9%	8.9%	11.6%	14.9%	10.3%
Three-wheelers	83.8%	43.8%	9.0%	10.0%	11.0%	8.0%
Total Domestic Automobile Sector	20.6%	13.8%	7.1%	10.9%	15.1%	10.4%
Tractors	13.0%	-5.4%	7.4%	12.0%	10.0%	8.0%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 17: Upgrade in growth rate outlook

Growth outlook March Y/E	FY26F			FY27F		
	New	Old	chg bp	New	Old	chg bp
Passenger cars and MPV	9.1%	3.1%	600	17.9%	6.1%	1180
Sports utility vehicles	8.0%	7.0%	100	16.0%	12.0%	400
Total Passenger Vehicles	8.4%	5.6%	275	16.7%	10.0%	668
M&HCV	10.0%	8.0%	200	15.0%	11.0%	400
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Total Commercial Vehicles	9.4%	6.8%	260	16.2%	12.2%	400
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Three wheelers	10.0%	9.0%	100	11.0%	6.0%	500
Total Domestic Automobile Sector	10.9%	9.5%	143	15.1%	10.0%	511
Tractors	12.0%	9.0%	300	10.0%	7.0%	300

SOURCE: INCRED RESEARCH, COMPANY REPORTS

We have revised our FY26F industry growth outlook to 11% (vs. 9.5% earlier), led by passenger cars and MPVs (+600bp) as affordability improves, alongside strong recovery in CVs (+260bp) and two-wheelers (+111bp). By FY27F, we expect the momentum to accelerate further, with the domestic auto sector's growth projected at 15.1% (vs. 10.0% earlier). The sharpest upgrade is in passenger cars (+1,180bp), reflecting pent-up demand and affordability constraints easing.

Figure 18: Growth outlook scenario for FY26F

Domestic volume growth (%)	Base case	Bull case	Bear case
Passenger cars and MPV	9.1%	13.9%	7.1%
Utility Vehicles	8.0%	12.0%	5.0%
Total Passenger Vehicles	8.4%	12.7%	5.7%
M&HCV	10.0%	12.0%	6.0%
LCV	9.0%	12.0%	5.0%
Total Commercial Vehicles	9.4%	12.0%	5.4%
Two wheelers	11.6%	14.2%	7.9%
Three wheelers	10.0%	14.0%	3.0%
Total Domestic Automobile Sector	10.9%	13.9%	7.3%
Tractors	12.0%	15.0%	7.0%

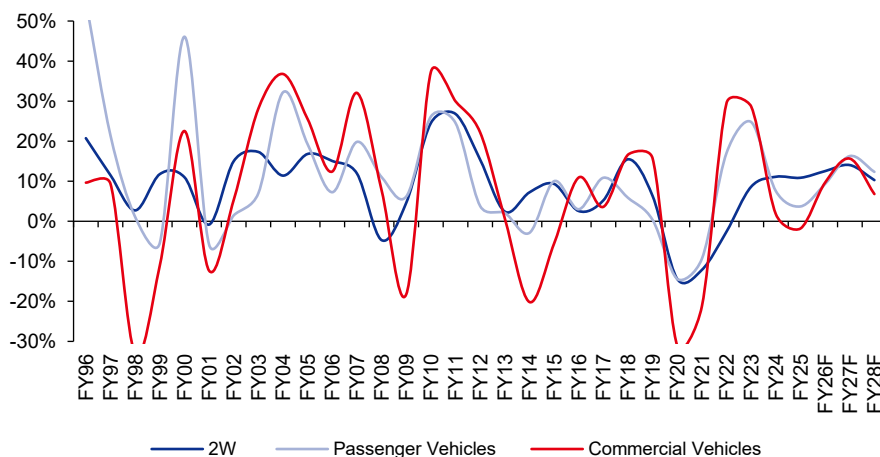
SOURCES: INCRED RESEARCH, COMPANY REPORTS

Figure 19: Key variable assumptions for scenario analysis

	FY26F		
	Bear Case	Base case	Bull Case
GDP growth (%)	6.2%	6.7%	7.2%
Interest rate change (bp)	-50	-75	-100
Monsoon	Normal	Above normal	Above normal
Diesel price hike (%)	6%	0%	2%
Petrol price hike (%)	8%	0%	2%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

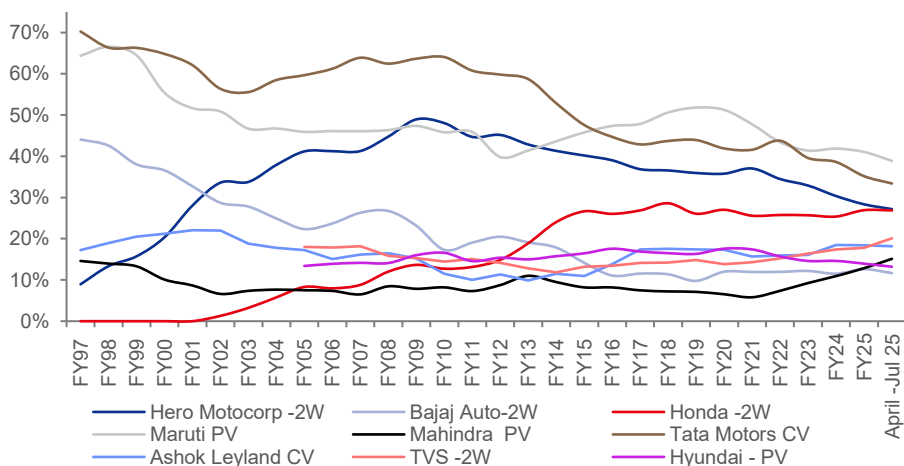
Figure 20: GST cut to trigger automobile sector cyclical volume recovery for the next three years (including exports)



SOURCE: SIAM, INCRED RESEARCH, COMPANY REPORTS

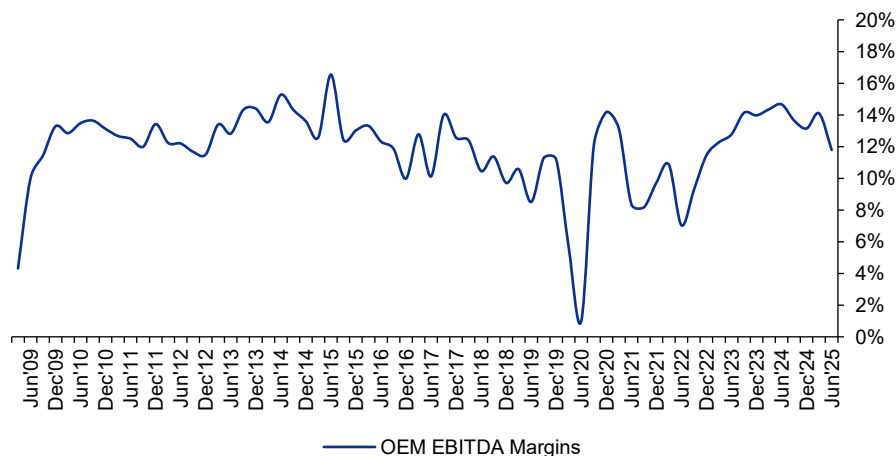
Cyclically weak market has led to leaders losing market share in recent quarters, excluding Maruti Suzuki's PVs, Tata Motors' CVs, and Hero MotoCorp's 2Ws, at cost front to challengers. With industry's cyclical recovery, we expect the leaders to bounce back.

Figure 21: Yearly market share movement of key listed players in their dominant segments



SOURCE: SIAM, INCRED RESEARCH, COMPANY REPORTS

Figure 22: Industry's EBITDA margin likely to improve in FY27F-28F



SOURCE: ACE EQUITY, INCRED RESEARCH, COMPANY REPORTS

Figure 23: Volume upgrade in our coverage universe

Sales volume (no.)- Domestic	Ashok Leyland	Bajaj Auto	Hero MotoCorp	Maruti	M&M	Escorts Kubota	Tata Motors	Eicher Motors
-FY26F	2,01,703	27,36,689	60,45,248	20,04,702	14,61,946	1,19,408	10,10,721	10,02,060
- growth (%)	2%	3%	2%	4%	2%	1%	2%	0%
-FY27F	2,36,903	30,39,076	66,25,474	22,92,205	16,19,088	1,31,349	11,51,369	11,02,266
- growth (%)	6%	4%	4%	9%	4%	5%	5%	0%
Sales volume (no.)- Exports								
-FY26F	18,394	22,41,927	3,58,023	4,32,473	49,050	6,987	35,800	1,25,000
- growth (%)	0%	1%	8%	0%	0%	17%	0%	0%
-FY27F	21,398	25,37,873	4,28,927	5,20,000	55,857	9,084	43,000	1,40,000
- growth (%)	0%	1%	13%	0%	0%	21%	0%	0%
Sales volume (no.) - Total								
-FY26F	2,20,097	49,78,616	64,03,270	24,37,175	15,10,995	1,26,395	10,46,521	11,27,060
- growth (%)	2%	2%	2%	2%	2%	2%	2%	0%
-FY27F	2,58,301	55,76,949	70,54,401	28,12,205	16,74,945	1,40,432	11,94,369	12,42,266
- growth (%)	5%	3%	4%	8%	4%	6%	5%	0%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

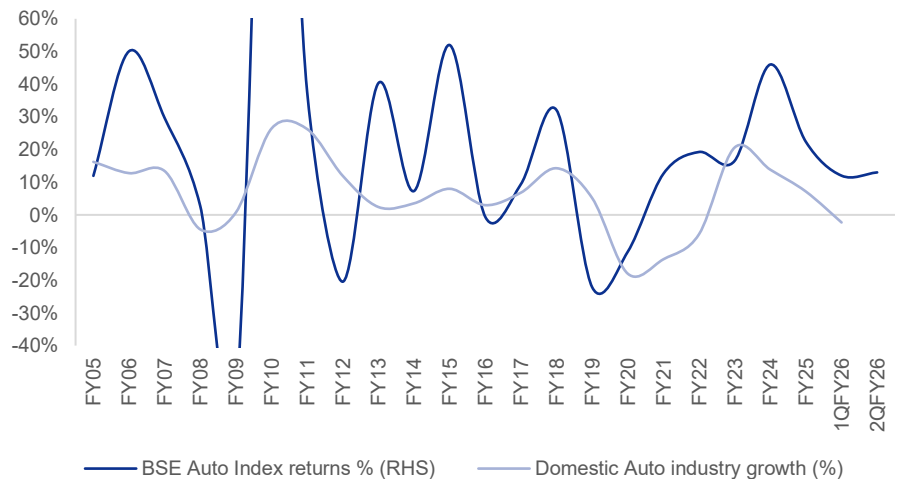
Figure 24: Financial upgrade in our coverage universe

Company	Ashok Leyland	Bajaj Auto	Hero MotoCorp	Maruti Suzuki	M&M	Escorts Kubota	Tata Motors	Apollo Tyres
Revenue (Rs.m)								
-FY26F	4,42,082	5,55,056	4,50,357	17,04,576	13,13,231	1,12,478	49,94,120	2,86,380
- growth (%)	2%	2%	2%	2%	2%	1%	1%	1%
-FY27F	5,05,758	6,32,764	5,00,407	20,05,978	14,69,802	1,25,643	57,53,126	3,13,140
- growth (%)	5%	3%	4%	7%	4%	6%	1%	1%
EBITDA (Rs.m)								
-FY26F	55,096	1,10,668	64,982	1,96,442	1,88,493	13,692	7,45,527	40,776
- growth (%)	2%	3%	2%	2%	2%	6%	-2%	2%
-FY27F	65,606	1,26,599	71,178	2,25,645	2,04,559	15,729	8,68,576	48,105
- growth (%)	6%	5%	5%	9%	6%	6%	2%	2%
Normalized PAT (Rs.m)								
-FY26F	36,973	91,947	51,021	1,61,424	1,36,220	11,854	2,54,288	14,590
- growth (%)	2%	3%	2%	2%	4%	8%	5%	3%
-FY27F	44,742	1,04,897	55,964	1,82,998	1,44,415	13,607	3,06,118	18,269
- growth (%)	7%	4%	5%	8%	8%	9%	6%	5%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Nifty Auto index returns have moderated recently, driven by flat industry growth; however, the index is expected to see growth as cyclical demand recovery unfolds.

Figure 25: BSE Auto Index returns lead the auto sector's cyclical demand recovery



SOURCE: BLOOMBERG, SIAM, INCRED RESEARCH, COMPANY REPORTS

Figure 26: Key stock rating and target price changes

Company Name	Rating	Old Rating	Price	Target Price (Rs)	Market Capital	Old Target Price (Rs)	Upside/Downside%
Maruti Suzuki	ADD	ADD	15,307	17,677	48,18,180	14,509	15.5%
Tata Motors	HOLD	REDUCE	715	744	27,41,196	642	4.0%
Hero MotoCorp	ADD	ADD	5,302	6,081	10,59,240	5,231	14.7%
Mahindra & Mahindra	ADD	HOLD	3,590	4,157	39,85,900	3,254	15.8%
Escorts Kubota	ADD	REDUCE	3,689	4,194	4,07,646	3,098	13.7%
Bajaj Auto	ADD	ADD	9,000	10,758	25,12,480	9,944	19.5%
Ashok Leyland	ADD	ADD	134	157	3,93,621	139	17.1%
Eicher Motors	HOLD	HOLD	6,875	5,949	18,78,938	5,652	-13.5%
TVS Motor Company	REDUCE	REDUCE	3,492	2,328	16,59,239	2,328	-33.3%
Endurance Technologies	ADD	ADD	2,867	3,041	4,03,281	3,041	6.1%
Hyundai Motors India	REDUCE	REDUCE	2,561	1,612	20,79,288	1,612	-37.0%
Balkrishna Industries	REDUCE	REDUCE	2,389	2,400	4,61,736	2,400	0.5%
Exide Industries	REDUCE	REDUCE	419	349	3,55,768	349	-16.6%
Bharat Forge	HOLD	HOLD	1,223	1,209	5,69,490	1,209	-1.1%
Apollo Tyres	ADD	REDUCE	475	586	3,01,958	378	23.1%
Bosch Ltd	REDUCE	REDUCE	39,885	27,910	11,76,209	27,910	-30.0%
SAMIL	ADD	ADD	105	118	7,09,421	115	12.7%

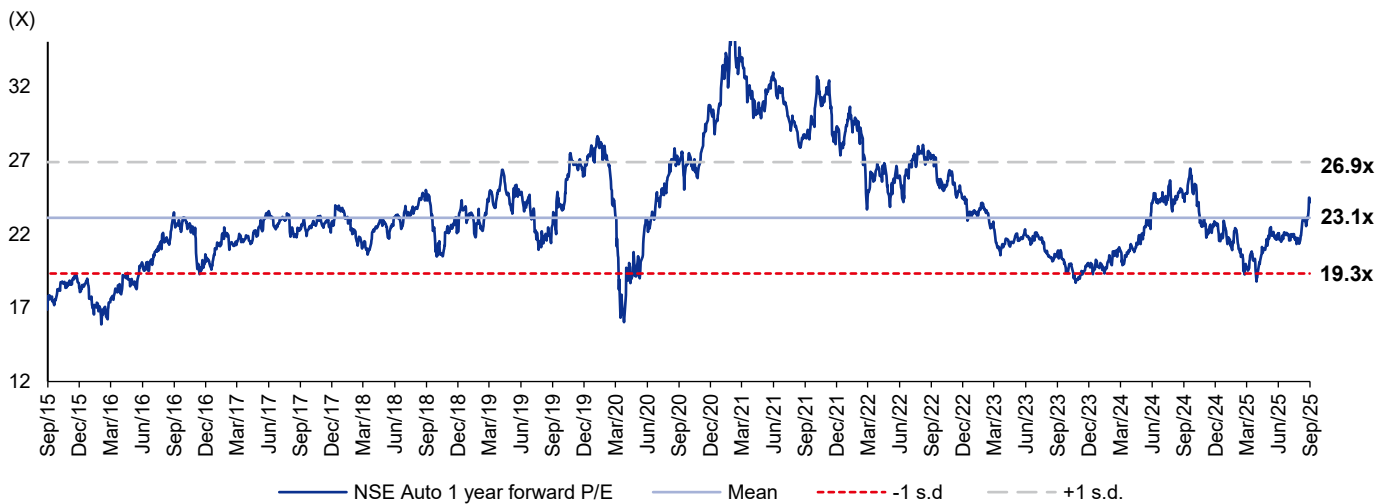
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 27: Valuation of our coverage universe

Company Name	Rating	Price	Target Price	Market Capital	Market Capital	EPS (Rs)		P/E (x)		P/BV (x)		EV/EBITDA	Dividend Yield (%)	Upside/Downside%	RoE
		Rs	Rs	(Rs m)	(US\$ m)	FY26F	FY27F	FY26F	FY27F	FY26F	FY27F	FY26F	FY26F		FY26F
Maruti Suzuki	ADD	15,307	17,677	48,18,180	56,366	525	630	29.1	24.3	4.6	4.1	20.4	1.0%	15.5%	16.6%
Tata Motors	HOLD	715	744	27,41,196	32,068	72	88	9.9	8.1	1.9	1.6	4.0	1.1%	4.0%	20.8%
Hero MotoCorp	ADD	5,302	6,081	10,59,240	12,392	260	294	20.4	18.0	5.0	4.7	13.5	3.5%	14.7%	25.3%
Mahindra & Mahindra	ADD	3,590	4,157	39,85,900	46,630	127	140	28.3	25.7	5.6	4.8	16.0	0.8%	15.8%	21.3%
Escorts Kubota	ADD	3,689	4,194	4,07,646	4,769	114	133	32.2	27.8	3.3	3.0	27.5	0.9%	13.7%	12.8%
Bajaj Auto	ADD	9,000	10,758	25,12,480	29,393	339	392	26.5	23.0	7.2	6.6	19.7	2.7%	19.5%	28.2%
Ashok Leyland	ADD	134	157	3,93,621	4,605	6	8	20.9	16.4	6.0	5.1	6.9	2.7%	17.1%	30.6%
Eicher Motors	HOLD	6,875	5,949	18,78,938	21,981	175	195	39.4	35.3	8.8	7.8	33.1	1.1%	-13.5%	22.4%
TVS Motor Company	REDUCE	3,492	2,328	16,59,239	19,411	63	67	55.6	52.5	13.3	11.0	33.2	0.3%	-33.3%	26.7%
Endurance Technologies	ADD	2,867	3,041	4,03,281	4,718	77	89	37.1	32.1	6.1	5.3	19.6	0.4%	6.1%	17.6%
Hyundai Motor India	REDUCE	2,561	1,612	20,79,288	24,325	72	75	35.8	34.1	10.4	8.8	19.6	1.0%	-37.0%	17.6%
Balkrishna Industries	REDUCE	2,389	2,400	4,61,736	5,402	86	98	27.7	24.5	3.9	3.5	17.5	0.8%	0.5%	15.1%
Exide Industries	REDUCE	419	349	3,55,768	4,162	14	17	29.0	25.2	2.4	2.3	16.3	2.2%	-16.6%	8.4%
Bharat Forge	HOLD	1,223	1,209	5,69,490	6,662	25	31	48.1	39.1	4.6	4.2	21.3	0.8%	-1.1%	11.1%
Apollo Tyres	ADD	475	586	3,01,958	3,533	24	30	20.2	15.7	2.6	2.3	7.5	1.5%	23.1%	13.4%
Bosch Ltd	REDUCE	39,885	27,910	11,76,209	13,760	777	833	51.4	47.9	8.1	7.6	39.4	1.3%	-30.0%	16.1%
SAMIL	ADD	105	118	7,09,421	8,299	4	5	26.8	20.5	2.8	2.6	6.5	1.0%	12.7%	11.2%

SOURCE: BLOOMBERG, INCRED RESEARCH, COMPANY REPORTS

Figure 28: Nifty auto sector's forward P/E valuation improving to above the 10-year mean level provides comfort; upgrade our rating to Overweight



SOURCE: BLOOMBERG, INCRED RESEARCH, COMPANY REPORTS



India

ADD (previously HOLD)

Consensus ratings*: Buy 41 Hold 2 Sell 0

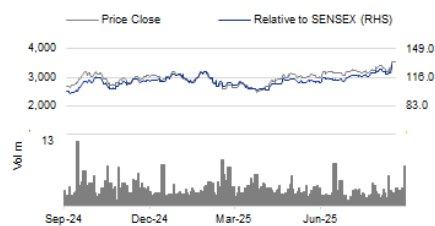
Current price: Rs3,590
 Target price: ▲ Rs4,157
 Previous target: Rs3,254
 Up/downside: 15.8%
 InCred Research / Consensus: 9.2%

Reuters: MAHM.NS
 Bloomberg: MM IN
 Market cap: US\$50,569m
 Rs4,464,144m
 Average daily turnover: US\$101.3m
 Rs8938.7m
 Current shares o/s: 1,116.3m
 Free float: 81.4%

*Source: Bloomberg

Key changes in this note

- FY26F-28F sales increased by 2-4%.
- FY26F-28F EBITDA increased by 2-6%.
- FY26F-28F EPS increased by 4-8%.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	10.9	18.9	31.0
Relative (%)	9.1	17.8	32.6

Major shareholders	% held
Mahindra Family	18.6
LIC	6.7
SBI Mutual Fund	3.8

Research Analyst(s)**Pramod AMTHE**

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Mahindra & Mahindra**Peak valuation to sustain; upgrade to ADD**

- Cess removal on SUVs and tractors being shifted to the 5% GST slab, we feel, will benefit customer upgrade to higher variants and volumes, respectively.
- We raise M&M's FY26-28F EPS by 4-8%, while volume upgrade is just 2-4%.
- Upgrade to ADD rating as the valuation seems to sustain at peak levels.

Cess removal relief for SUVs

The 3-15% cess removal on Sports Utility Vehicles (SUVs) and bringing them all under the 40% Goods and Services Tax (GST) rate was a surprise to us, considering budget constraints faced by the central government. While cess removal is a short-term challenge on system inventory, with the dealers' association indicating a Rs25bn loss to stakeholders, where Mahindra & Mahindra (M&M) is the leader. We expect a provision for the same in 2QFY26F, if central government doesn't pay heed to dealers' request. However, in the coming months, the reduction in SUV prices will drive demand growth and customers upgrading to higher versions, thereby boosting blended ASP. The pick-up segment, forming 25% of the domestic automotive division, will also benefit from GST rate cut to 18%, but growth momentum improvement will be gradual as buyers predominantly use the vehicle for captive purposes.

Tractor division to scale new highs in volume and profitability

The GST rate cut for tractors and across the supply chain, from 12% to 5%, and keeping them at the lowest level possible for manufactured goods comes as a surprise. With favourable rainfall and rural market sentiment, we expect the tractor industry's volume to scale a new high and drive the profit margin.

EPS upgrade by 4-8% for FY26F-27F

We raise sales volume by 2-4% for FY26F-28F, driven by SUVs. Higher sales of SUV variants and the tractor division's superior profitability led to our EBITDA increase of 2-6% for FY26F-28F. We increase our EPS by 4-8% for FY26F-28F.

Upgrade to ADD rating with a higher target price of Rs4,157

Considering industry volume tailwind benefit, we expect the profit margin benefit to improve for M&M, while its superior volume performance is well captured in the +1SD above the mean P/E valuation (adjusted for subsidiaries' value per share). We upgrade our rating on M&M to ADD (from HOLD) with a SOTP-based higher target price of Rs4,157 (Rs3,254 earlier), where the standalone entity is valued at 24x one-year forward P/E. Key downside risk is competitors' vehicle launches impacting its EV and SUV portfolios.

Financial Summary	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Revenue (Rsm)	996,025	1,165,680	1,333,950	1,532,831	1,703,358
Operating EBITDA (Rsm)	137,585	172,069	191,360	216,346	239,051
Net Profit (Rsm)	106,017	127,872	141,490	155,758	171,513
Core EPS (Rs)	95.0	114.5	126.7	139.5	153.6
Core EPS Growth	32.9%	20.6%	10.6%	10.1%	10.1%
FD Core P/E (x)	37.80	31.34	28.32	25.73	23.37
DPS (Rs)	23.8	25.0	29.0	34.0	37.5
Dividend Yield	0.71%	0.75%	0.87%	1.02%	1.12%
EV/EBITDA (x)	26.66	20.67	18.62	16.10	14.34
P/FCFE (x)	115.40	51.30	190.77	50.95	56.76
Net Gearing	(23.7%)	(36.9%)	(27.0%)	(29.3%)	(28.1%)
P/BV (x)	7.67	6.51	5.61	4.83	4.19
ROE	22.2%	22.5%	21.3%	20.2%	19.2%
% Change In Core EPS Estimates			3.87%	7.85%	6.37%
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Peak valuation to sustain; upgrade to ADD

Figure 29: Key assumptions

Nos	FY23	FY24	FY25	FY26F	FY27F	FY28F
Total Domestic UV's & LCVs	5,95,501	6,95,560	7,80,396	8,73,980	9,85,771	10,80,808
Growth (%)	51.0%	16.8%	12.2%	12.0%	12.8%	9.6%
Export UV's & LCVs	32,107	24,663	27,869	32,050	36,857	42,386
Growth (%)	-1.2%	-23.2%	13.0%	15.0%	15.0%	15.0%
CVs	10,036	27,114	40,178	43,392	47,731	52,027
Growth (%)	56.0%	170.2%	48.2%	8.0%	10.0%	9.0%
3-wheelers	58,520	77,589	85,832	94,415	1,01,968	1,09,106
Growth (%)	94.6%	32.6%	10.6%	10.0%	8.0%	7.0%
Tractors domestic	2,30,731	2,07,326	2,32,205	2,55,426	2,73,305	2,84,238
Growth (%)	20.0%	-10.1%	12.0%	10.0%	7.0%	4.0%
Swaraj Tractors	1,58,800	1,57,200	1,75,435	1,94,733	2,10,312	2,18,724
Growth (%)	9.7%	-1.0%	11.6%	11.0%	8.0%	4.0%
Tractors exports	18,014	13,860	15,939	17,000	19,000	21,000
Growth (%)	2.1%	-23.1%	15.0%	6.7%	11.8%	10.5%
Tractors total	4,07,545	3,78,386	4,23,579	4,67,159	5,02,617	5,23,962
Growth (%)	14.9%	-7.2%	11.9%	10.3%	7.6%	4.2%
Total Sales volume	11,03,709	12,03,312	13,57,855	15,10,995	16,74,945	18,08,289
Growth (%)	34.9%	9.0%	12.8%	11.3%	10.9%	8.0%
Rs per unit metrics						
Net sales realization	7,69,770	8,27,736	8,58,472	8,82,828	9,15,153	9,41,972
Growth (%)	9.7%	7.5%	3.7%	2.8%	3.7%	2.9%
Contribution	1,84,850	2,12,714	2,22,615	2,23,356	2,27,873	2,33,609
Growth (%)	0.2%	15.1%	4.7%	0.3%	2.0%	2.5%
EBITDA	94,612	1,14,339	1,26,721	1,26,645	1,29,166	1,32,197
EBITDA (%)	12.3%	13.8%	14.8%	14.3%	14.1%	14.0%
PAT	72,285	88,104	94,172	93,640	92,993	94,848
Growth (%)	15.0%	21.9%	6.9%	-0.6%	-0.7%	2.0%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 30: Our EPS revision summary

	FY26F		FY27F		FY28F	
(Rs m)	Old	New	Old	New	Old	New
Sales Volume (nos.)	14,81,702	15,10,995	16,07,119	16,74,945	17,43,485	18,08,289
% change		2.0%		4.2%		3.7%
Net Sales	13,13,231	13,33,950	14,69,802	15,32,830	16,33,467	17,03,358
% change		1.6%		4.3%		4.3%
EBITDA	1,88,493	1,91,360	2,04,559	2,16,346	2,27,620	2,39,051
% change		1.5%		5.8%		5.0%
Normalized PAT	1,36,220	1,41,490	1,44,415	1,55,758	1,61,249	1,71,513
% change		3.9%		7.9%		6.4%
EPS (Rs)	122.5	127.2	129.9	140.1	145.0	154.2
% change		3.9%		7.9%		6.4%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 31: Valuation of subsidiaries

Subsidiary Company	Tech Mahindra	Mahindra Holidays	Mahindra Financial Services	Mahindra Lifespaces	Last Mile Mobility EV	E4W subsidiary	Mahindra Logistics	Swaraj Engines
Value Per share of M&M (Rs)	268.2	34.6	124.5	21.2	14.6	134.4	9.8	19.8
Eq Capital of Company (m)	974.2	201.2	1,235.4	154.6	na	na	72.0	12.1
M&M Holding	25%	67%	52%	51%	86.4%	95%	58.1%	52.1%
Valuation method	CMP	CMP	CMP	CMP	PE deal lower range	PE deal lower range	CMP	CMP
Current/ derived Price (Rs)	1,509.0	358.3	269.7	373.6	18.3	168.0	328.5	4,356.6
Subsidiary Company	Mahindra China Tractors	Mahindra Heavy Engines	EPC Industry	Mahindra First Choice	PORTER	Mahindra Susten	Mahindra Agri solution	Total
Value Per share of M&M (Rs)	(5.3)	4.6	1.7	10.3	8.1	3.4	4.3	654
Eq Capital of Company (m)	705.1	634.4	27.8	330.0	-	195.5	81.3	
M&M Holding	100%	100%	54%	51%	30%	20%	98%	
Valuation method	8x FY22 F P/E	10x FY22 F P/E	CMP	P/E valuation	P/E valuation	Deal value	2x FY22 F MCAP/Sales	
Current/ derived Price (Rs)	(10.6)	10.2	158.5	85.0	33.6	121.3	88.7	

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 32: Sum-Of-The-Parts (SOTP) valuation (Rs)

SOTP valuation (Rs)	
Standalone business valuation	3,503
One-year forward EPS	145.9
P/E (x)	24.0
Total subsidiaries' value per share	654
Target price	4,157

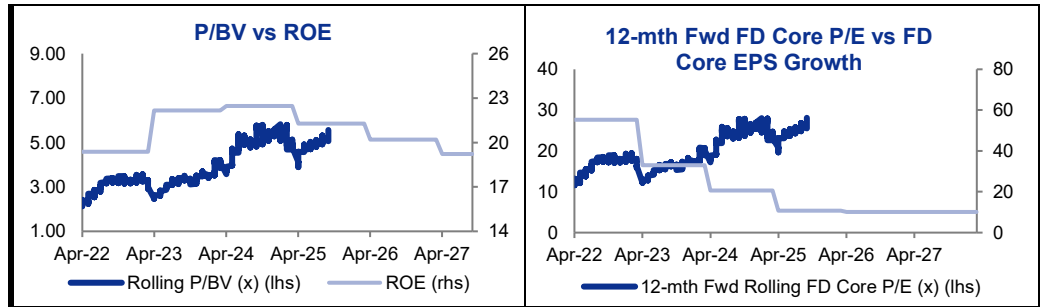
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 33: Forward P/E valuation, adjusted for subsidiaries' valuation, is rich at the +2SD level



SOURCE: BLOOMBERG, INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS



Profit & Loss

(Rs mn)	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Total Net Revenues	996,025	1,165,680	1,333,950	1,532,831	1,703,358
Gross Profit	255,961	302,279	337,489	381,675	422,433
Operating EBITDA	137,585	172,069	191,360	216,346	239,051
Depreciation And Amortisation	(34,389)	(42,268)	(48,057)	(58,029)	(65,469)
Operating EBIT	103,197	129,801	143,303	158,318	173,582
Financial Income/(Expense)	(1,388)	(2,505)	(2,700)	(3,500)	(4,000)
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)	32,955	38,527	43,150	47,466	53,161
Profit Before Tax (pre-EI)	134,763	165,824	183,753	202,283	222,744
Exceptional Items					
Pre-tax Profit	134,763	165,824	183,753	202,283	222,744
Taxation	(28,747)	(37,952)	(42,263)	(46,525)	(51,231)
Exceptional Income - post-tax					
Profit After Tax	106,017	127,872	141,490	155,758	171,513
Minority Interests					
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	106,017	127,872	141,490	155,758	171,513
Recurring Net Profit	106,017	127,872	141,490	155,758	171,513
Fully Diluted Recurring Net Profit	106,017	127,872	141,490	155,758	171,513

Cash Flow

(Rs mn)	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
EBITDA	137,585	172,069	191,360	216,346	239,051
Cash Flow from Invt. & Assoc.					
Change In Working Capital	3,151	28,092	(32,427)	(8,138)	14,585
(Incr)/Decr in Total Provisions	(12,929)	6,471	(5,000)	(5,000)	(5,000)
Other Non-Cash (Income)/Expense					
Other Operating Cashflow	8,313	(2,610)	(8,500)		
Net Interest (Paid)/Received	31,567	36,023	40,450	43,966	49,161
Tax Paid	(28,747)	(37,952)	(42,263)	(46,525)	(51,231)
Cashflow From Operations	138,941	202,092	143,620	200,648	246,567
Capex	(44,544)	(64,757)	(116,508)	(80,000)	(145,469)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments					
Other Investing Cashflow	(29,083)	(54,727)	(1,106)	(37,000)	(30,000)
Cash Flow From Investing	(73,627)	(119,483)	(117,614)	(117,000)	(175,469)
Debt Raised/(repaid)	(30,588)	(4,498)	(5,000)	(5,000)	(500)
Proceeds From Issue Of Shares	6	8			
Shares Repurchased					
Dividends Paid	(28,482)	(30,020)	(34,823)	(40,827)	(45,029)
Preferred Dividends					
Other Financing Cashflow	6,837	4,555			
Cash Flow From Financing	(52,228)	(29,955)	(39,823)	(45,827)	(45,529)
Total Cash Generated	13,085	52,654	(13,816)	37,822	25,569
Free Cashflow To Equity	34,725	78,111	21,006	78,648	70,598
Free Cashflow To Firm	66,701	85,114	28,706	87,148	75,098

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS...cont'd

Balance Sheet

(Rs mn)	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Total Cash And Equivalents	139,726	238,800	199,089	243,911	269,480
Total Debtors	45,495	57,256	76,748	96,589	107,335
Inventories	95,048	103,333	127,913	138,585	154,002
Total Other Current Assets	50,204	47,709	54,209	60,709	67,209
Total Current Assets	330,473	447,098	457,958	539,793	598,025
Fixed Assets	212,615	251,835	303,778	325,750	405,750
Total Investments	215,487	223,786	250,786	280,786	310,786
Intangible Assets					
Total Other Non-Current Assets					
Total Non-current Assets	428,103	475,621	554,564	606,536	716,536
Short-term Debt					
Current Portion of Long-Term Debt					
Total Creditors	185,920	234,058	245,703	268,077	308,826
Other Current Liabilities					
Total Current Liabilities	185,920	234,058	245,703	268,077	308,826
Total Long-term Debt	15,849	11,351	6,351	1,351	851
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities					
Total Non-current Liabilities	15,849	11,351	6,351	1,351	851
Total Provisions	34,265	44,951	46,451	47,951	49,451
Total Liabilities	236,033	290,360	298,505	317,379	359,128
Shareholders Equity	522,766	615,851	714,018	828,950	955,433
Minority Interests					
Total Equity	522,766	615,851	714,018	828,950	955,433

Key Ratios

	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Revenue Growth	17.2%	17.0%	14.4%	14.9%	11.1%
Operating EBITDA Growth	31.8%	25.1%	11.2%	13.1%	10.5%
Operating EBITDA Margin	13.8%	14.8%	14.3%	14.1%	14.0%
Net Cash Per Share (Rs)	110.97	203.75	172.66	217.29	240.64
BVPS (Rs)	468.30	551.68	639.62	742.58	855.89
Gross Interest Cover	74.37	51.82	53.08	45.23	43.40
Effective Tax Rate	21.3%	22.9%	23.0%	23.0%	23.0%
Net Dividend Payout Ratio	26.9%	23.5%	24.6%	26.2%	26.3%
Accounts Receivables Days	15.74	16.09	18.33	20.64	21.85
Inventory Days	45.34	41.93	42.35	42.25	41.69
Accounts Payables Days	88.13	88.77	87.87	81.45	82.19
ROIC (%)	42.6%	44.8%	47.5%	37.5%	36.8%
ROCE (%)	19.7%	21.6%	20.6%	19.8%	19.0%
Return On Average Assets	15.0%	15.4%	14.8%	14.7%	14.2%

Key Drivers

	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
ASP (% chg, main prod./serv.)	7.5%	3.7%	2.8%	3.7%	2.9%
Unit sales grth (% , main prod./serv.)	9.0%	12.8%	11.3%	10.9%	8.0%

SOURCE: INCRED RESEARCH, COMPANY REPORTS



India

ADD (previously **REDUCE**)

Consensus ratings*: Buy 6 Hold 4 Sell 9

Current price:	Rs3,689
Target price: ▲	Rs4,194
Previous target:	Rs3,098
Up/downside:	13.7%
InCred Research / Consensus:	23.1%
Reuters:	ESCO.NS
Bloomberg:	ESCORTS IN
Market cap:	US\$4,675m
	Rs412,728m
Average daily turnover:	US\$7.0m
	Rs616.9m
Current shares o/s:	111.9m
Free float:	33.7%

*Source: Bloomberg

Key changes in this note

- FY26-28F sales increased by 1-6%.
- FY26-28F EBITDA increased by 1-6%.
- FY26-28F EPS increased by 5-9%.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	9.2	16.5	(2.7)
Relative (%)	7.4	15.4	(1.5)

Major shareholders	% held
Kubota Corporation	53.5
Nanda Family	12.8
HDFC Mutual Fund	1.6

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Escorts Kubota Ltd

Market share recovery from industry revival

- GST rate cut for the tractor industry to improve demand across states and ease regional imbalances, thereby helping Escorts Kubota to recover market share.
- We have increased sales volume by 2-6% for FY26F-28F, leading to EPS upgrade of 5-9% for the same period.
- Forward P/E & P/BV valuations easing to +1SD above the 5-year mean in recent quarters led us to upgrade to ADD rating, because of a pure tractor play.

Tractor industry volume to scale a new peak

The continued favourable Goods and Services Tax (GST) rate for tractors, which is at the lowest level in the automobile sector, comes as a surprise. The cut in GST rate to 5%, from 12% earlier, will drive a nearly 6% price dip, which should augur well to scale industry volume to a new peak along with the help of strong rural sentiment and ample rainfall. Escorts Kubota, which has been underperforming when compared with the tractor industry's growth due to regional imbalance, we feel, is now well-positioned to recover its market share (Fig. 35), as industry volume recovery from GST rate cut will be broad-based this time.

EPS raised by 5-9% for FY26F-28F

On the back of likely domestic market share gain and sustained high double-digit growth in exports, we have increased Escorts Kubota's tractor volume by 2-6% for FY26F-28F. With new product launches and improved operating leverage (70% capacity utilization now), we have increased EBITDA by 1-6% for FY26F-28F. With a cash-rich balance sheet supporting strong other income, we have increased EPS by 5-9% for FY26F-28F.

Upgrade to ADD rating with a higher target price of Rs4,194

With Escorts Kubota's valuation easing from its peak of +2SD above the five-year mean seen in CY24 and the worst EBITDA margin fears of Kubota India's merger behind us, we have upgraded stock's rating to ADD (from REDUCE). We have assigned a 30x one-year forward P/E, which is just below the +1SD level, to reflect tractor industry demand scaling a new peak, leading to a higher target price of 4,194 (Rs3,098 earlier). Key downside risk is pending emission regulation changes impacting tractor demand.

Financial Summary	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Revenue (Rsm)	97,307	101,870	114,062	132,609	156,757
Operating EBITDA (Rsm)	11,330	11,778	14,498	16,679	18,697
Net Profit (Rsm)	9,480	11,100	25,602	14,829	16,611
Core EPS (Rs)	84.7	101.2	130.8	132.5	148.5
Core EPS Growth	39.4%	19.5%	29.2%	1.4%	12.0%
FD Core P/E (x)	43.54	37.18	16.12	27.83	24.85
DPS (Rs)	13.0	28.0	35.0	40.0	50.0
Dividend Yield	0.35%	0.76%	0.95%	1.08%	1.36%
EV/EBITDA (x)	35.70	34.10	27.84	24.29	21.81
P/FCFE (x)	56.27	220.83	153.03	113.44	104.64
Net Gearing	(8.8%)	(10.7%)	(7.3%)	(5.5%)	(3.3%)
P/BV (x)	4.38	3.98	3.29	3.04	2.81
ROE	10.6%	11.4%	12.8%	11.3%	11.8%
% Change In Core EPS Estimates			7.40%	8.98%	4.83%
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

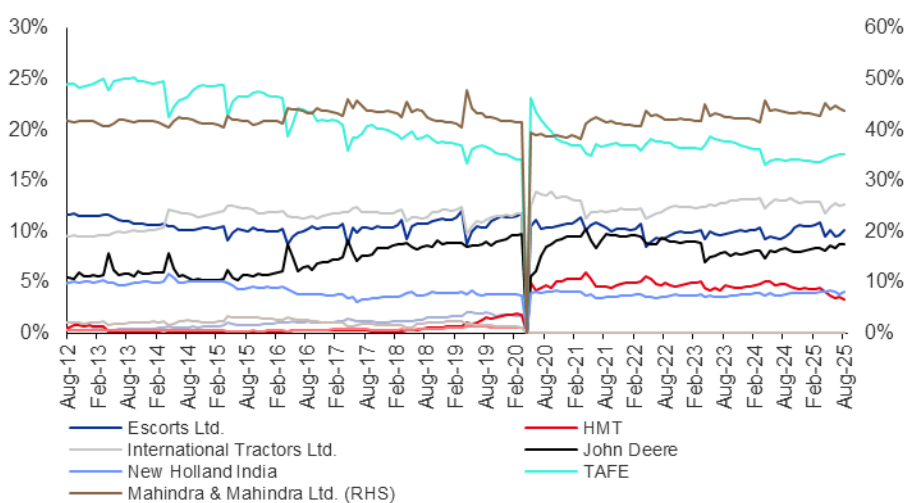
Market share recovery from industry revival

Figure 34: Our revised earnings estimates

Rs m	FY26F		FY27F		FY28F	
	Old	New	Old	New	Old	New
Tractor Volume (nos)	1,24,292	1,26,395	1,32,887	1,40,432	1,54,692	1,59,828
% change		1.7%		5.7%		3.3%
Net Sales	1,12,478	1,14,062	1,25,643	1,32,609	1,52,534	1,56,757
% change		1.4%		5.5%		2.8%
EBITDA	13,692	14,498	15,729	16,679	18,549	18,697
% change		5.9%		6.0%		0.8%
EBITDA Margin	12.2%	12.7%	12.5%	12.6%	12.2%	11.9%
bp change		44		5		(19)
PAT	11,854	12,802	13,607	14,829	15,845	16,611
% change		8.0%		9.0%		4.8%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 35: Market share trend of various players in the tractor industry



SOURCE: TMA, INCRED RESEARCH, COMPANY REPORTS

Figure 36: Key assumptions

Rs m	FY26F		FY27F		FY28F	
	Old	New	Old	New	Old	New
Tractor Volume (nos.)	1,24,292	1,26,395	1,32,887	1,40,432	1,54,692	1,59,828
% change		1.7%		5.7%		3.3%
Net Sales	1,12,478	1,14,062	1,25,643	1,32,609	1,52,534	1,56,757
% change		1.4%		5.5%		2.8%
EBITDA	13,692	14,498	15,729	16,679	18,549	18,697
% change		5.9%		6.0%		0.8%
EBITDA Margin	12.2%	12.7%	12.5%	12.6%	12.2%	11.9%
bp change		44		5		(19)
PAT	11,854	12,802	13,607	14,829	15,845	16,611
% change		8.0%		9.0%		4.8%

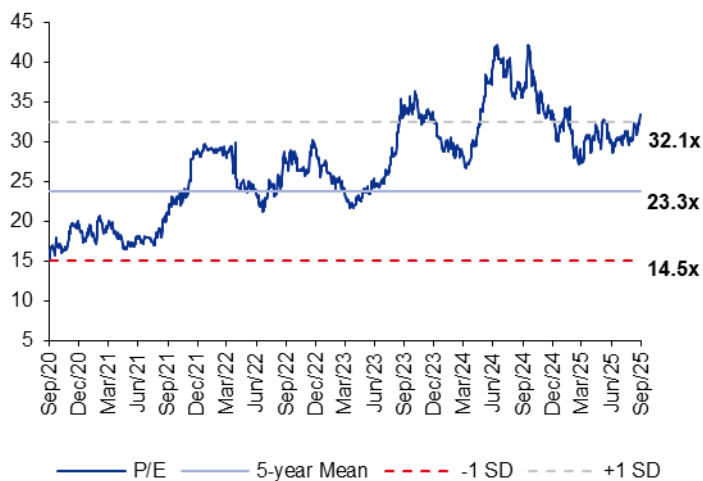
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 37: Our valuation methodology

One-year forward EPS (Rs.)	139.8
P/E(x)	30.0
Target price (Rs.)	4,194

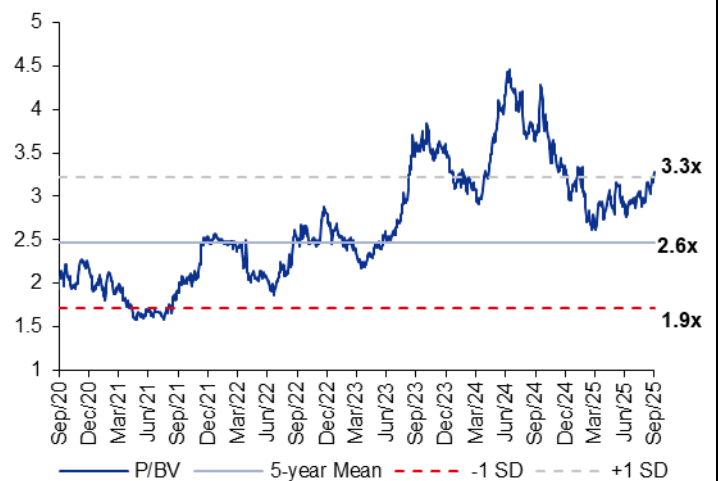
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 38: Forward P/E valuation above the +1SD level



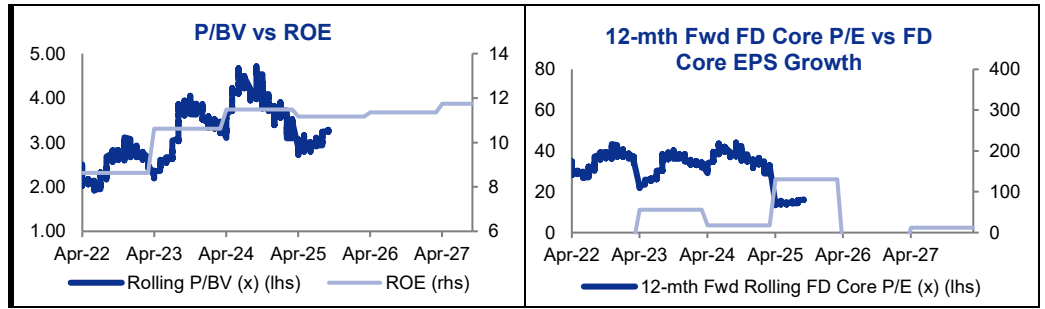
SOURCE: BLOOMBERG, INCRED RESEARCH, COMPANY REPORTS

Figure 39: Forward P/BV valuation above the +1SD level



SOURCE: BLOOMBERG, INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS



Profit & Loss

(Rs mn)	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Total Net Revenues	97,307	101,870	114,062	132,609	156,757
Gross Profit	28,188	29,707	34,219	39,252	45,459
Operating EBITDA	11,330	11,778	14,498	16,679	18,697
Depreciation And Amortisation	(2,236)	(2,426)	(2,729)	(3,073)	(3,509)
Operating EBIT	9,094	9,352	11,769	13,606	15,188
Financial Income/(Expense)	(388)	(270)	(200)	(160)	(125)
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)	3,915	4,584	5,501	6,326	7,085
Profit Before Tax (pre-EI)	12,621	13,666	17,069	19,771	22,148
Exceptional Items		(271)	12,800		
Pre-tax Profit	12,621	13,395	29,869	19,771	22,148
Taxation	(3,141)	(2,295)	(4,267)	(4,943)	(5,537)
Exceptional Income - post-tax					
Profit After Tax	9,480	11,100	25,602	14,829	16,611
Minority Interests					
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	9,480	11,100	25,602	14,829	16,611
Recurring Net Profit	9,480	11,325	14,631	14,829	16,611
Fully Diluted Recurring Net Profit	9,480	11,325	14,631	14,829	16,611

Cash Flow

(Rs mn)	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
EBITDA	11,330	11,778	14,498	16,679	18,697
Cash Flow from Invt. & Assoc.					
Change In Working Capital	(3,538)	3,901	(588)	(63)	(2,976)
(Incr)/Decr in Total Provisions	3,182	(3,923)	337	300	300
Other Non-Cash (Income)/Expense					
Other Operating Cashflow		(271)	12,800		
Net Interest (Paid)/Received	3,527	4,314	5,301	6,166	6,960
Tax Paid	(2,616)	(2,710)	(4,267)	(4,943)	(5,537)
Cashflow From Operations	11,885	13,089	28,080	18,138	17,444
Capex	(5,455)	(1,133)	(12,162)	(5,000)	(6,000)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments					
Other Investing Cashflow	(2,729)	(6,453)	(13,221)	(9,500)	(7,500)
Cash Flow From Investing	(8,184)	(7,586)	(25,383)	(14,500)	(13,500)
Debt Raised/(repaid)	3,634	(3,634)			
Proceeds From Issue Of Shares	1,991	1,670			
Shares Repurchased					
Dividends Paid	(1,454)	(3,133)	(3,916)	(4,475)	(5,594)
Preferred Dividends					
Other Financing Cashflow	(642)	(1,181)			
Cash Flow From Financing	3,529	(6,277)	(3,916)	(4,475)	(5,594)
Total Cash Generated	7,230	(775)	(1,219)	(837)	(1,650)
Free Cashflow To Equity	7,335	1,869	2,697	3,638	3,944
Free Cashflow To Firm	4,089	5,773	2,897	3,798	4,069

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS...cont'd

Balance Sheet

(Rs mn)	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Total Cash And Equivalents	11,915	11,140	9,134	7,526	4,893
Total Debtors	14,633	13,798	14,062	12,716	15,031
Inventories	16,562	13,439	14,062	17,076	20,185
Total Other Current Assets	7,028	13,164	13,685	14,485	15,285
Total Current Assets	50,137	51,541	50,944	51,802	55,394
Fixed Assets	25,456	24,108	31,378	33,305	35,796
Total Investments	50,726	56,410	69,410	78,410	85,410
Intangible Assets					
Total Other Non-Current Assets					
Total Non-current Assets	76,182	80,517	100,788	111,715	121,205
Short-term Debt					
Current Portion of Long-Term Debt					
Total Creditors	16,319	16,263	16,562	18,166	20,615
Other Current Liabilities	6,952	7,189	7,689	8,189	8,689
Total Current Liabilities	23,272	23,451	24,251	26,354	29,303
Total Long-term Debt	3,634				
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities					
Total Non-current Liabilities	3,634				
Total Provisions	3,032	2,643	2,780	2,880	2,980
Total Liabilities	29,937	26,094	27,031	29,234	32,283
Shareholders Equity	94,165	103,802	125,488	135,842	146,859
Minority Interests					
Total Equity	94,165	103,802	125,488	135,842	146,859

Key Ratios

	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Revenue Growth	16.6%	4.7%	12.0%	16.3%	18.2%
Operating EBITDA Growth	45.2%	4.0%	23.1%	15.0%	12.1%
Operating EBITDA Margin	11.6%	11.6%	12.7%	12.6%	11.9%
Net Cash Per Share (Rs)	74.02	99.57	81.64	67.27	43.73
BVPS (Rs)	841.66	927.80	1,121.63	1,214.17	1,312.65
Gross Interest Cover	23.45	34.60	58.84	85.04	121.51
Effective Tax Rate	24.9%	17.1%	14.3%	25.0%	25.0%
Net Dividend Payout Ratio	15.3%	27.5%	30.6%	30.2%	33.7%
Accounts Receivables Days	50.09	50.93	44.58	36.85	32.30
Inventory Days	74.33	75.87	62.86	60.87	61.10
Accounts Payables Days	75.64	82.40	75.03	67.89	63.59
ROIC (%)	21.2%	19.3%	21.5%	20.9%	22.2%
ROCE (%)	9.9%	9.2%	10.2%	10.4%	10.7%
Return On Average Assets	8.5%	9.0%	9.1%	9.5%	9.8%

Key Drivers

	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
ASP (% chg, main prod./serv.)	12.9%	5.9%	3.0%	5.0%	4.0%
Unit sales grth (% , main prod./serv.)	10.8%	1.0%	9.4%	11.1%	13.8%
ASP (% chg, 2ndary prod./serv.)	(0.2%)	4.8%	4.0%	2.0%	3.0%
Unit sales grth (% ,2ndary prod/serv)	54.6%	(9.2%)	5.0%	12.0%	14.0%

SOURCE: INCRED RESEARCH, COMPANY REPORTS



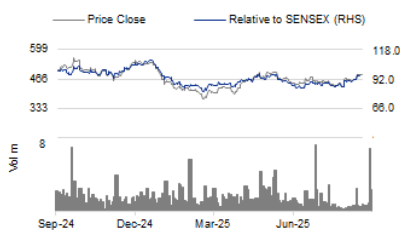
India

ADD (previously **REDUCE**)

Consensus ratings*: Buy 19 Hold 4 Sell 5	
Current price:	Rs475
Target price: ▲	Rs586
Previous target:	Rs353
Up/downside:	23.4%
InCred Research / Consensus:	16.4%
Reuters:	APLO.NS
Bloomberg:	APTY IN
Market cap:	US\$3,421m Rs301,959m
Average daily turnover:	US\$7.0m Rs617.6m
Current shares o/s:	635.1m
Free float:	63.1%
*Source: Bloomberg	

Key changes in this note

- FY26F-28F sales increased by 1-2%.
- FY26F-28F EBITDA increased by 2-4%.
- FY26F-28F EPS increased by 3-6%.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	6.4	4.0	(8.2)
Relative (%)	4.7	3.0	(7.1)

Major shareholders	% held
Kanwar Family	36.9
Emerald Sage Investment Ltd.	9.9
HDFC Mutual Fund	9.5

Research Analyst(s)**Pramod AMTHE**

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Apollo Tyres Ltd

Upgrade for structural change benefits

- GST-led tyre price cuts, we feel, will benefit the car & truck replacement segment's volume growth the most, where ATL is the second-largest player.
- Improved volume, followed by pricing power, to aid our FY26F-28F EPS increase of 3-6%.
- Raise the forward P/E to near the mean level & upgrade to ADD rating, as structural changes in India tyre market tax & Europe cost structure to benefit.

GST cut to improve competitiveness of organized truck tyre makers

India business forms 65% of Apollo Tyre's consolidated EBIT, wherein the replacement market accounts for 65% of India net sales. The sharp Goods and Services Tax (GST) rate cut from 28% to 18% across tyres, and on tractor tyres from 12% to 5% is a good move. We feel this will help shorten the replacement cycle in car tyres, while help the prices to be competitive vs. the unorganized market in the case of truck tyres. Apollo Tyres (ATL), being the second-largest in both these segments, is well-positioned to benefit. Considering that the price drop is a sharp 6-8% from GST rate cut, we feel the initial volume improvement will ease competition and reduce discounts in the replacement market in CY26F. However, for the OEM segment, the GST rate cut will be passed on to customers.

Restructuring of international operations to benefit in FY27F

With the closure of high-cost Netherland operations being executed and provided for in recent quarters, we feel the short-term challenges on the volume and provisioning fronts will be through in CY25F, while the benefits to accrue from FY27F. With the European economy showing initial signs of improvement, we feel this restructuring will help ATL to participate better in CY26F. We have increased the consolidated entity's FY26F-28F EBITDA by 2-4%, while better debt management and tax benefit led to a 3-6% EPS upgrade for the same period.

Upgrade to ADD rating as valuation eases from its peak

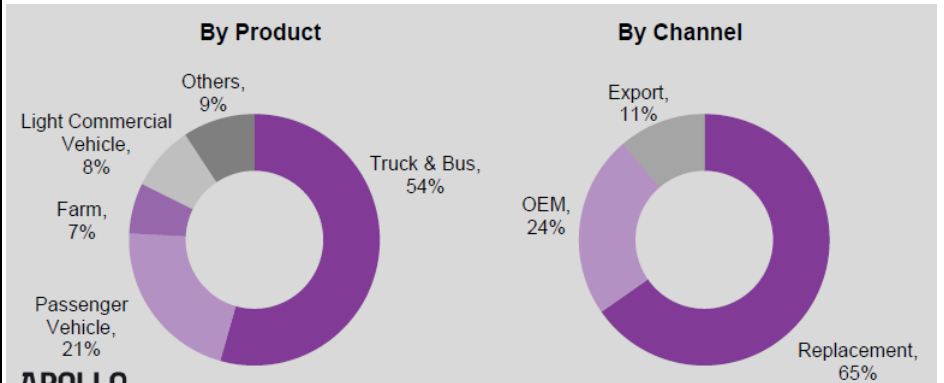
With forward P/E valuation easing to below the seven-year mean level and improving industry volume growth visibility, we upgrade our rating on ATL to ADD (from REDUCE) with a higher target price of Rs586 (Rs353 earlier), or 18x one-year forward P/E. Key downside risks are higher provisioning for the Netherland plant and sustained high-intensity competition in the domestic market.

Financial Summary	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Revenue (Rsm)	253,777	261,234	288,384	316,439	346,040
Operating EBITDA (Rsm)	44,473	35,715	41,424	49,289	55,176
Net Profit (Rsm)	17,219	11,213	14,985	19,222	22,693
Core EPS (Rs)	27.7	20.3	23.6	30.3	35.7
Core EPS Growth	62.6%	(26.7%)	16.2%	28.3%	18.1%
FD Core P/E (x)	17.54	26.93	20.15	15.71	13.31
DPS (Rs)	6.0	5.0	7.0	9.0	11.0
Dividend Yield	1.26%	1.05%	1.47%	1.89%	2.31%
EV/EBITDA (x)	7.36	9.15	7.50	6.16	5.32
P/FCFE (x)	55.03	(150.58)	15.51	25.73	18.91
Net Gearing	18.2%	23.2%	7.5%	1.3%	(5.6%)
P/BV (x)	2.17	2.83	2.58	2.31	2.06
ROE	13.1%	10.5%	13.4%	15.5%	16.4%
% Change In Core EPS Estimates			2.71%	5.21%	6.07%
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Upgrade for structural change benefits

Figure 40: The standalone entity's sales mix in 1QFY26



SOURCES: INCRED RESEARCH, COMPANY REPORTS

Figure 41: Our EPS change summary

	FY23A	FY24A	FY25A	FY26F	FY27F	FY28F
India sales (mt)	9,19,382	9,28,576	9,47,147	9,94,505	10,54,175	11,17,426
Growth (%)	6.0%	1.0%	2.0%	5.0%	6.0%	6.0%
ASP (Rs/kg)	188.2	188.9	191.9	197.4	208.5	216.4
Growth (%)	10.4%	0.4%	1.6%	2.9%	5.7%	3.8%
India Sales (Rsm)	1,73,010	1,75,393	1,81,736	1,96,275	2,19,828	2,41,811
India EBIT margin (%)	7.1%	13.4%	7.7%	9.4%	10.5%	10.6%
Europe sales (Rsm)	72,974	76,399	79,068	84,603	88,833	97,716
Europe EBIT margin (%)	7.0%	8.0%	6.6%	6.0%	7.0%	8.3%
Consolidate EBIT margin (%)	7.7%	11.7%	7.9%	8.8%	10.0%	10.5%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 42: Key assumptions

Consolidated (Rs m)	FY26F		FY27F		FY28F	
	Old	New	Old	New	Old	New
Net Sales	2,86,380	2,88,384	3,13,140	3,16,439	3,38,883	3,46,040
Change (%)		0.7%		1.1%		2.1%
EBITDA	40,776	41,424	48,105	49,289	53,315	55,176
Change (%)		1.6%		2.5%		3.5%
EBITDA Margin	14.2%	14.4%	15.4%	15.6%	15.7%	15.9%
bp Change		13		21		21
Interest Expenses	4,112	4,179	4,710	4,493	4,088	4,038
Change (%)		1.6%		-4.6%		-1.2%
Normalized PAT	14,590	14,985	18,269	19,222	21,394	22,693
Change (%)		2.7%		5.2%		6.1%

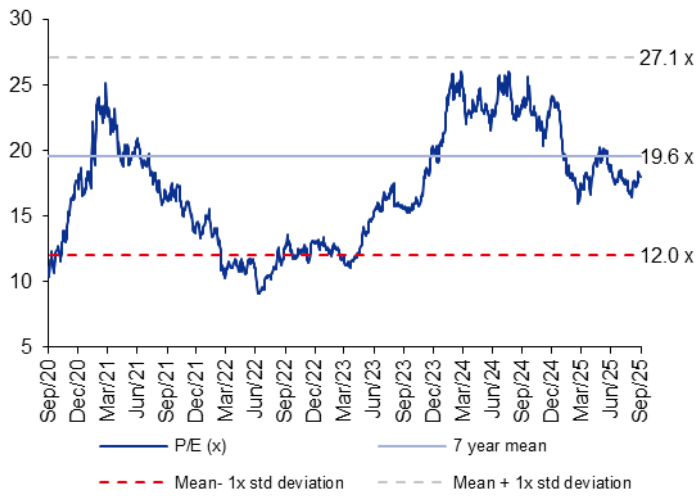
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 43: Target price calculation methodology

One-year forward EPS (Rs.)	32.8
P/E(x)	18.0
Target price (Rs.)	586

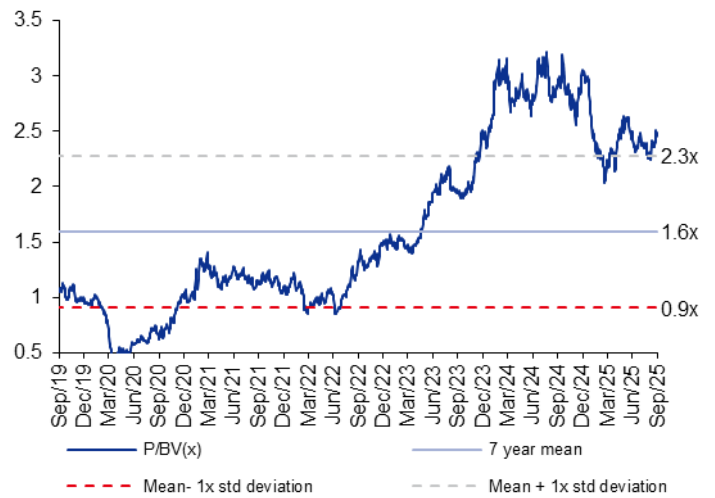
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 44: Forward P/E valuation near the seven-year mean level



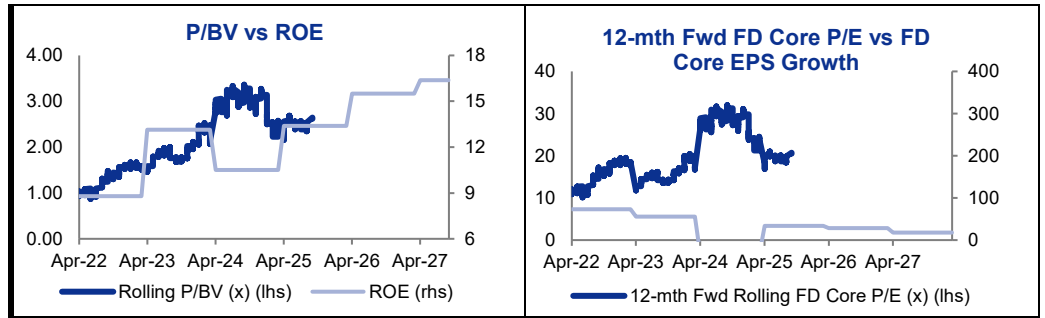
SOURCE: BLOOMBERG, INCRED RESEARCH, COMPANY REPORTS

Figure 45: Rich forward P/BV valuation near the +1SD level



SOURCE: BLOOMBERG, INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS



Profit & Loss

(Rs mn)	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Total Net Revenues	253,777	261,234	288,384	316,439	346,040
Gross Profit	117,146	114,289	126,889	140,815	152,257
Operating EBITDA	44,473	35,715	41,424	49,289	55,176
Depreciation And Amortisation	(14,778)	(14,984)	(16,178)	(17,546)	(18,835)
Operating EBIT	29,695	20,732	25,246	31,743	36,341
Financial Income/(Expense)	(3,924)	(3,585)	(3,210)	(3,475)	(2,969)
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)					
Profit Before Tax (pre-EI)	25,771	17,147	22,037	28,268	33,372
Exceptional Items					
Pre-tax Profit	25,771	17,147	22,037	28,268	33,372
Taxation	(8,183)	(4,253)	(7,052)	(9,046)	(10,679)
Exceptional Income - post-tax	(373)	(1,687)			
Profit After Tax	17,215	11,207	14,985	19,222	22,693
Minority Interests	4	7			
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	17,219	11,213	14,985	19,222	22,693
Recurring Net Profit	17,592	12,900	14,985	19,222	22,693
Fully Diluted Recurring Net Profit	17,592	12,900	14,985	19,222	22,693

Cash Flow

(Rs mn)	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
EBITDA	44,473	35,715	41,424	49,289	55,176
Cash Flow from Invt. & Assoc.	4	7			
Change In Working Capital	(3,688)	(13,869)	(6,069)	(9,232)	(9,251)
(Incr)/Decr in Total Provisions	691	39,010	329	250	750
Other Non-Cash (Income)/Expense					
Other Operating Cashflow	1,136	881	969	1,018	1,068
Net Interest (Paid)/Received	(5,059)	(4,466)	(4,179)	(4,493)	(4,038)
Tax Paid	(4,209)	(2,717)	(5,509)	(7,067)	(8,343)
Cashflow From Operations	33,348	54,560	26,965	29,764	35,363
Capex	(9,242)	(9,844)	(3,566)	(14,000)	(15,000)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments					
Other Investing Cashflow	(2,161)	(41,075)	(2,929)	(3,030)	(3,393)
Cash Flow From Investing	(11,403)	(50,918)	(6,495)	(17,030)	(18,393)
Debt Raised/(repaid)	(16,458)	(5,648)	(1,000)	(1,000)	(1,000)
Proceeds From Issue Of Shares					
Shares Repurchased					
Dividends Paid	(3,811)	(3,176)	(4,446)	(5,716)	(6,986)
Preferred Dividends					
Other Financing Cashflow					
Cash Flow From Financing	(20,268)	(8,823)	(5,446)	(6,716)	(7,986)
Total Cash Generated	1,677	(5,181)	15,024	6,018	8,983
Free Cashflow To Equity	5,487	(2,005)	19,470	11,734	15,969
Free Cashflow To Firm	27,005	8,109	24,649	17,227	21,007

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS...cont'd

Balance Sheet

(Rs mn)	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Total Cash And Equivalents	14,156	8,975	23,999	30,017	39,000
Total Debtors	26,648	30,621	33,184	37,279	42,662
Inventories	42,457	51,312	56,887	64,155	71,104
Total Other Current Assets	12,389	13,236	15,500	17,500	19,000
Total Current Assets	95,650	104,144	129,570	148,951	171,767
Fixed Assets	165,763	158,656	153,478	149,933	146,098
Total Investments	382	452	497	546	601
Intangible Assets	2,311	2,374	2,374	2,374	2,374
Total Other Non-Current Assets					
Total Non-current Assets	168,455	161,482	156,349	152,853	149,073
Short-term Debt	12,691	15,479	15,479	15,479	15,479
Current Portion of Long-Term Debt					
Total Creditors	29,786	28,744	30,814	32,944	36,026
Other Current Liabilities	42,500	81,997	82,997	83,797	84,597
Total Current Liabilities	84,978	126,220	129,289	132,220	136,102
Total Long-term Debt	26,727	18,292	17,292	16,292	15,292
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities					
Total Non-current Liabilities	26,727	18,292	17,292	16,292	15,292
Total Provisions	18,846	21,828	22,078	22,527	22,974
Total Liabilities	130,552	166,340	168,660	171,038	174,368
Shareholders Equity	139,022	106,721	117,260	130,766	146,473
Minority Interests					
Total Equity	139,022	106,721	117,260	130,766	146,473

Key Ratios

	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Revenue Growth	3.3%	2.9%	10.4%	9.7%	9.4%
Operating EBITDA Growth	34.2%	(19.7%)	16.0%	19.0%	11.9%
Operating EBITDA Margin	17.5%	13.7%	14.4%	15.6%	15.9%
Net Cash Per Share (Rs)	(39.78)	(39.04)	(13.81)	(2.76)	12.96
BVPS (Rs)	218.90	168.04	184.63	205.90	230.63
Gross Interest Cover	5.87	4.64	6.04	7.07	9.00
Effective Tax Rate	31.8%	24.8%	32.0%	32.0%	32.0%
Net Dividend Payout Ratio	21.7%	24.6%	29.7%	29.7%	30.8%
Accounts Receivables Days	37.06	40.01	40.38	40.64	42.16
Inventory Days	115.86	116.46	122.27	125.78	127.38
Accounts Payables Days	84.58	72.69	67.30	66.25	64.95
ROIC (%)	10.9%	7.7%	11.5%	14.2%	15.5%
ROCE (%)	15.3%	11.8%	15.5%	18.3%	19.4%
Return On Average Assets	7.6%	5.8%	6.2%	7.3%	7.9%

Key Drivers

	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
ASP (% chg, main prod./serv.)	0.4%	1.6%	2.9%	5.7%	3.8%
Unit sales grth (% , main prod./serv.)	1.0%	2.0%	5.0%	6.0%	6.0%

SOURCE: INCRED RESEARCH, COMPANY REPORTS



India

HOLD (previously REDUCE)

Consensus ratings*: Buy 18 Hold 10 Sell 6	
Current price:	Rs715
Target price: ▲	Rs744
Previous target:	Rs642
Up/downside:	4.1%
InCred Research / Consensus:	3.3%
Reuters:	TAMO.NS
Bloomberg:	TTMT IN
Market cap:	US\$29,832m
	Rs2,633,562m
Average daily turnover:	US\$106.7m
	Rs9420.3m
Current shares o/s:	3,680.0m
Free float:	53.6%
*Source: Bloomberg	

Key changes in this note

- FY26F-28F net sales raised by just 1%.
- FY27F-28F EBITDA raised by 3%.
- FY26F-28F EPS raised by 5-6%.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	9.3	0.0	(27.5)
Relative (%)	7.6	(1.0)	(26.6)

Major shareholders	% held
Tata Group	46.4
LIC	3.0
SBI Mutual Fund	2.4

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Tata Motors

Benefit limited to CV division's profitability

- Tata Motors' CV division will benefit the most from a GST rate cut-led volume recovery. However, its management's short-term focus will be IVECO buyout.
- Car division's participation in the industry demand surge, we feel, will be limited to ICE vehicles while EVs may face headwinds from a wider price gap vs. ICE.
- We raise JLR's valuation to 1.3x EV/EBITDA to reflect Europe-led recovery. Upgrade to HOLD, as forward P/BV below the 10-year mean level is attractive.

Truck business to witness major benefit from GST rate cut

Tata Motors, being a leader in large trucks, will benefit from a turnaround in the demand cycle aided by lower vehicle prices from Goods and Services Tax (GST) rate cut, easing interest rates, & improving profitability of truck transport business owners. The prolonged downcycle in small trucks seems to be reaching its bottom. Being a highly price-sensitive segment, small truck demand recovery from price cuts due to GST reduction will aid Tata Motors. We have increased the Commercial Vehicle (CV) division's EBITDA by 3-8% for FY26F-28F, driven by volume upgrade of 2-4% for the same period. With regulatory clearances awaited for its IVECO acquisition, we haven't included this company's financials in our estimates.

Domestic car industry demand recovery to have limited benefit

We feel the domestic car industry demand has the highest price elasticity, leading to our strong 600bp per annum growth rate upgrade for FY26F-27F, in response to car prices falling from GST rate cut. However, Tata Motors' gains in ICE cars may be at the cost of Electric Vehicle (EV) volume (12% of its sales), where the price gap for EVs vs ICE vehicles will remain high now. Hence, we have increased the Passenger Vehicle (PV) division's EBITDA by just 2% for FY27F-28F. New launches will be a key thing to monitor.

JLR to benefit from strong margin but weak volume causes concern

With the US tariff impact on JLR's financials being already built in the 1QFY26 performance, we feel the worst is behind us. With the new RR electric vehicle launch likely in the coming months and an improving economic environment in Europe, we feel volume growth visibility has improved for FY27F-28F. With a change in the company's CEO, we feel the cost-cutting drive will accelerate, leading to our 3% EBITDA upgrade for FY27F-28F.

P/BV valuation below mean level provides comfort; upgrade to HOLD

Tata Motors stock seems to be taking support at -1SD below the mean P/BV level of late (Fig. 49). With industry volume recovery drivers for its India operations, we have increased our SOTP-based target price Rs744 (Rs642 earlier) to reflect the EBITDA upgrade for CV and car divisions and upgraded the rating to HOLD (from REDUCE earlier). We have cut target EV/EBITDA for the CV division to 10x one-year forward, from 11x earlier, to reflect the IVECO acquisition risk. Key downside risk is global premium car demand volatility from the tariff war. Key upside risk is the company's new models generating good customer response.

Financial Summary	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Revenue (Rsm)	4,379,278	4,422,980	5,019,098	5,829,015	6,586,700
Operating EBITDA (Rsm)	688,893	701,110	730,805	890,107	1,026,916
Net Profit (Rsm)	318,865	261,822	266,311	323,678	388,747
Core EPS (Rs)	63.6	67.7	72.4	88.0	105.6
Core EPS Growth	(759.3%)	6.4%	6.9%	21.5%	20.1%
FD Core P/E (x)	8.25	10.05	9.88	8.13	6.77
DPS (Rs)	4.0	6.0	8.0	8.0	0.0
Dividend Yield	0.58%	0.87%	1.16%	0.00%	0.00%
EV/EBITDA (x)	4.70	4.16	3.90	2.98	2.51
P/FCFE (x)	25.50	(96.27)	30.51	11.61	22.00
Net Gearing	56.6%	17.6%	10.6%	(2.1%)	(5.3%)
P/BV (x)	3.10	2.27	1.88	1.57	1.30
ROE	36.0%	24.8%	20.8%	21.0%	21.0%
% Change In Core EPS Estimates			2.90%	4.07%	3.88%
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Benefit limited to CV division's profitability

Figure 46: Key assumptions

	FY23	FY24	FY25	FY26F	FY27F	FY28F
Domestic Sales Volume (units)						
Medium & Heavy Commercial Vehicles	1,77,137	1,81,115	1,81,841	2,02,428	2,28,703	2,43,321
Growth yoy (%)	22.6	2.2	0.4	11.3	13.0	6.4
Light Commercial Vehicles	2,33,965	2,14,618	1,95,224	2,24,493	2,58,114	2,84,130
Growth yoy (%)	10.2	-8.3	-9.0	15.0	15.0	10.1
Utility Vehicles	3,58,749	3,92,475	4,34,267	4,82,926	5,57,907	6,10,648
Growth yoy (%)	57.7	9.4	10.6	11.2	15.5	9.5
Cars	1,81,749	1,84,556	1,23,918	1,36,675	1,49,645	1,63,441
Growth yoy (%)	25.6	1.5	-32.9	10.3	9.5	9.2
Total Volume	9,51,600	9,72,764	9,35,250	10,46,521	11,94,369	13,01,539
Growth yoy (%)	30.5	2.2	-3.9	11.9	14.1	9.0
Exports From Above	19,616	21,017	22,764	35,800	43,000	43,000
Growth yoy (%)	-46.1	7.1	8.3	57.3	20.1	0.0
Domestic Volume	9,31,984	9,51,747	9,12,486	10,10,721	11,51,369	12,58,539
Growth yoy (%)	34.6	2.1	-4.1	10.8	13.9	9.3
Per Vehicle Assumptions (Rs)						
Net ASP	12,48,262	12,90,136	13,35,711	13,67,221	13,96,711	14,22,226
Growth yoy (%)	15.1	3.4	3.5	2.4	2.2	1.8
Gross Profit Per Vehicle	2,99,583	3,22,534	3,36,599	3,34,969	3,42,194	3,48,445
Growth yoy (%)	21.6	7.7	4.4	(0.5)	2.2	1.8
EBITDA Per Vehicle	87,418	94,526	87,738	73,986	78,401	76,375
Growth yoy (%)	87.8	8.1	(7.2)	(15.7)	6.0	(2.6)
Profit Per Vehicle	18,414	23,838	16,745	12,336	29,010	29,650
Growth yoy (%)	(14.6)	29.5	(29.8)	(26.3)	135.2	2.2
For JLR						
In Units	FY23	FY24	FY25	FY26F	FY27F	FY28F
Jaguar	42,726	49,561	26,862	10,000	12,000	15,000
Growth yoy (%)	(13.7)	16.0	(45.8)	(62.8)	20.0	25.0
Land Rover	2,78,642	3,51,742	3,74,036	4,07,699	4,56,623	4,93,153
Growth yoy (%)	13.9	26.2	6.3	9.0	12.0	8.0
Total JLR	3,21,368	4,01,303	4,00,898	4,17,699	4,68,623	5,08,153
Growth yoy (%)	9.2	24.9	(0.1)	4.2	12.2	8.4
EBITDA Margin (IND-AS)	11.4%	19.1%	16.3%	13.3%	14.5%	14.9%
ASP Per Vehicle (£)	71,054.6	72,153.2	72,240.3	75,852.3	76,360.8	77,818.5
Rs/£	100.5	100.0	97.5	97.2	97.8	97.8

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 47: Our EPS revision summary

	FY26F		FY27F		FY28F	
	Old	New	Old	New	Old	New
Tata Passenger Vehicle						
Volume	6,09,601	6,19,601	6,72,552	7,07,552	7,44,089	7,74,089
Change (%)		1.6%		5.2%		4.0%
Net Sales	5,56,390	5,65,386	6,32,671	6,65,101	7,21,139	7,49,770
Change (%)		1.6%		5.1%		4.0%
EBITDA	39,415	39,319	46,504	47,638	56,817	58,003
Change (%)		-0.2%		2.4%		2.1%
PBT	14,715	14,619	21,004	21,838	27,617	28,503
Change (%)		-0.7%		4.0%		3.2%
Tata Commercial Vehicle						
Volume	4,27,219	4,35,178	4,75,811	4,95,240	5,16,181	5,36,042
Change (%)		1.9%		4.1%		3.8%
Net Sales	8,61,806	8,77,788	9,83,759	10,30,705	10,93,902	11,49,075
Change (%)		1.9%		4.8%		5.0%
EBITDA	1,01,151	1,03,948	1,17,039	1,26,239	1,30,791	1,41,540
Change (%)		2.8%		7.9%		8.2%
PBT	78,797	81,594	93,730	1,01,866	1,05,750	1,14,322
Change (%)		3.5%		8.7%		8.1%
JLR (Rs m)						
Net Sales	31,683	31,683	35,815	35,784	39,566	39,544
Change (%)		0.0%		-0.1%		-0.1%
EBITDA	4,384	4,226	5,072	5,171	5,742	5,895
Change (%)		-3.6%		2.0%		2.7%
Consolidated (Rs m)						
Net Sales	49,94,120	50,19,098	57,53,126	58,29,015	65,05,525	65,86,700
Change (%)		0.5%		1.3%		1.2%
EBITDA	7,45,527	7,30,805	8,68,576	8,90,107	9,97,347	10,26,916
Change (%)		-2.0%		2.5%		3.0%
Normalized PAT	2,54,288	2,66,311	3,06,118	3,23,678	3,68,735	3,88,747
Change (%)		5%		6%		5%
EPS (Rs)	69.1	72.4	83.2	88.0	100.2	105.6
Change (%)		5%		6%		5%

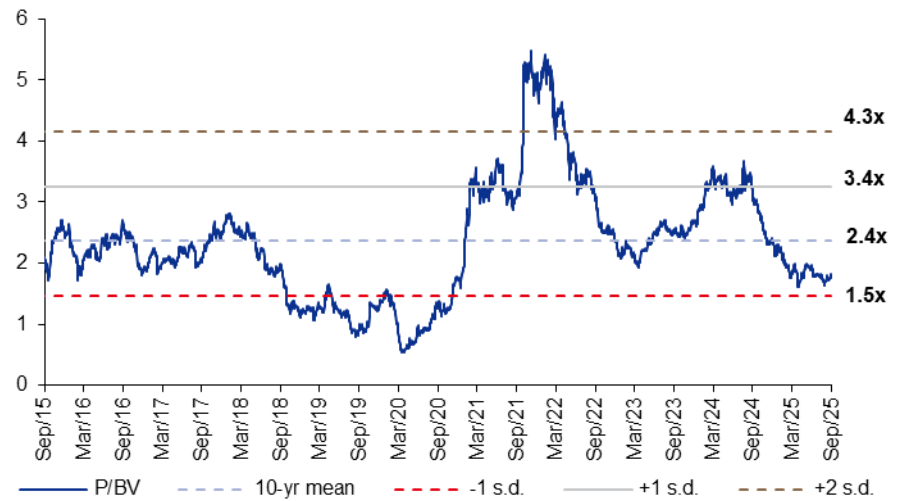
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 48: SOTP-based target price

	Peer set	Peer set valuation	Valuation Multiple	Value/share (Rs)	Comment
India CV business	Ashok Leyland	FY27F EV/EBITDA multiple	10.0	346	Discount to Ashok Leyland valuation for IVECO acquisition and India market share challenges
India Car business	Maruti Suzuki	FY27F PE multiple	13.0	66	Discount to Maruti valuation for volatile profitability
					15% discount rate to FY27 valuation of USD7bn and 20% holding
India EV division	PV of TPG valuation	PV of FY27F EV valuation		65	discount
Jaguar Land Rover	NA	1-year forward EV/EBITDA multiple	1.3	237	Lower band of historical trend for peak profitability from product cycle
China JV	NA	1-year forward P/E	3.0	4.8	In line with Global premium car maker valuation
Subsidiaries					
Tata Daewoo	Ashok Leyland	18.1x FY27F P/E	8.0	1.8	Discount Valuation for its international operations
Telco Construction				5.9	10% discount to stake exchange valuation with Hitachi
Tata Technologies		Mark to market to listed price		41.3	Listed market price
TACO	Bharat Forge	32.3x FY27F P/E consolidate	15.0	0.2	Discount valuations for dependence on Tata Motors
Tata Cummins	Cummins India	37.9x FY27F P/E	20.0	3.1	Discount valuations for dependence on Tata Motors
TML Financial Services	Shriram Transport Finance	10.5x FY27F P/E	6.0	5.7	Discount valuations for dependence on Tata Motors
Sub Total				58	
Subsidiaries value post 20% holding company discount				46	
Less TML Holding company net debt				21	Rs.78bn holding company net debt
Target Price based on SOTP				744	

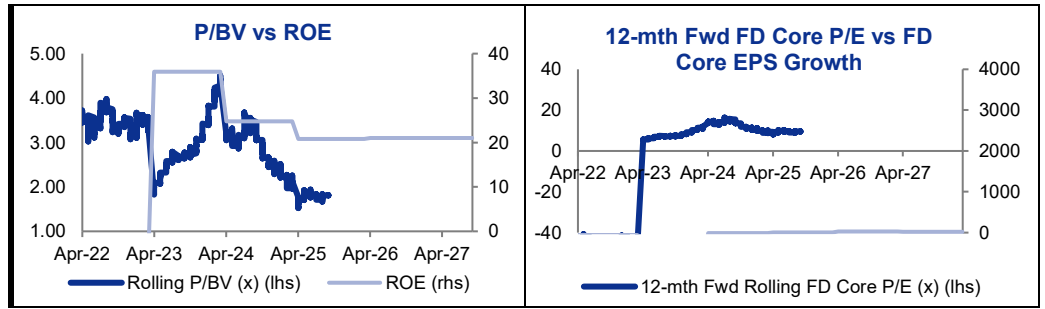
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 49: Forward P/BV valuation close to -1SD of the 10-year mean level is attractive



SOURCE: BLOOMBERG, INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS



Profit & Loss

(Rs mn)	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Total Net Revenues	4,379,278	4,422,980	5,019,098	5,829,015	6,586,700
Gross Profit	1,636,065	1,733,470	1,888,644	2,223,612	2,528,058
Operating EBITDA	688,893	701,110	730,805	890,107	1,026,916
Depreciation And Amortisation	(382,289)	(339,980)	(360,174)	(425,604)	(471,039)
Operating EBIT	306,605	361,130	370,631	464,503	555,877
Financial Income/(Expense)	(99,858)	(69,230)	(40,679)	(37,437)	(34,125)
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)	59,499	64,400	64,197	63,130	64,323
Profit Before Tax (pre-EI)	266,246	356,300	394,149	490,196	586,075
Exceptional Items					
Pre-tax Profit	266,246	356,300	394,149	490,196	586,075
Taxation	(40,351)	(105,390)	(126,128)	(166,667)	(199,266)
Exceptional Income - post-tax	84,647	12,700			
Profit After Tax	310,542	263,610	268,021	323,529	386,810
Minority Interests	1,326	(5,000)	(5,500)	(4,400)	(3,520)
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax	6,998	3,212	3,790	4,548	5,458
Net Profit	318,865	261,822	266,311	323,678	388,747
Recurring Net Profit	234,219	249,122	266,311	323,678	388,747
Fully Diluted Recurring Net Profit	234,219	249,122	266,311	323,678	388,747

Cash Flow

(Rs mn)	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
EBITDA	688,893	701,110	730,805	890,107	1,026,916
Cash Flow from Invt. & Assoc.					
Change In Working Capital	64,800	76,126	(148,495)	3,563	11,016
(Incr)/Decr in Total Provisions	169,568	218,263	(131,192)		(195,000)
Other Non-Cash (Income)/Expense	(81,780)	64,487	3,760	2,000	2,000
Other Operating Cashflow	84,647	12,700			
Net Interest (Paid)/Received	(40,358)	(4,830)	23,517	25,693	30,198
Tax Paid	(40,351)	(105,390)	(126,128)	(166,667)	(199,266)
Cashflow From Operations	845,419	962,465	352,268	754,696	675,865
Capex	(480,110)	(584,824)	(154,294)	(419,308)	(450,115)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments					
Other Investing Cashflow	9,428	(45,062)	(106,799)	(103,841)	(101,172)
Cash Flow From Investing	(470,682)	(629,886)	(261,093)	(523,149)	(551,286)
Debt Raised/(repaid)	(271,514)	(359,922)	(4,911)	(4,911)	(4,911)
Proceeds From Issue Of Shares	5	(305)			
Shares Repurchased					
Dividends Paid	(15,316)	(22,080)	(29,440)	(40,480)	(51,520)
Preferred Dividends					
Other Financing Cashflow					
Cash Flow From Financing	(286,826)	(382,307)	(34,351)	(45,391)	(56,431)
Total Cash Generated	87,911	(49,727)	56,825	186,157	68,148
Free Cashflow To Equity	103,222	(27,342)	86,265	226,637	119,668
Free Cashflow To Firm	474,594	401,810	131,855	268,985	158,704

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS...cont'd

Balance Sheet

(Rs mn)	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Total Cash And Equivalents	458,067	408,340	465,165	651,322	719,469
Total Debtors	169,518	132,480	165,011	207,609	270,686
Inventories	477,883	472,690	577,540	606,856	721,830
Total Other Current Assets	625,331	596,180	630,000	685,000	720,000
Total Current Assets	1,730,799	1,609,690	1,837,716	2,150,787	2,431,986
Fixed Assets	1,201,592	1,553,760	1,600,200	1,593,904	1,572,980
Total Investments	363,792	463,792	563,792	663,792	763,792
Intangible Assets	8,603	8,950	8,450	7,950	7,450
Total Other Non-Current Assets					
Total Non-current Assets	1,573,986	2,026,502	2,172,442	2,265,646	2,344,222
Short-term Debt					
Current Portion of Long-Term Debt					
Total Creditors	939,785	973,680	962,567	1,038,044	1,227,111
Other Current Liabilities	508,989	677,952	600,000	630,000	570,000
Total Current Liabilities	1,448,774	1,651,632	1,562,567	1,668,044	1,797,111
Total Long-term Debt	985,001	624,990	619,990	614,990	609,990
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities					
Total Non-current Liabilities	985,001	624,990	619,990	614,990	609,990
Total Provisions	299,715	384,350	368,690	395,690	297,690
Total Liabilities	2,733,490	2,660,972	2,551,247	2,678,724	2,704,791
Shareholders Equity	849,180	1,161,440	1,398,311	1,681,509	2,018,736
Minority Interests	81,759	66,100	60,600	56,200	52,680
Total Equity	930,939	1,227,540	1,458,911	1,737,709	2,071,416

Key Ratios

	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Revenue Growth	26.6%	1.0%	13.5%	16.1%	13.0%
Operating EBITDA Growth	82.7%	1.8%	4.2%	21.8%	15.4%
Operating EBITDA Margin	15.7%	15.9%	14.6%	15.3%	15.6%
Net Cash Per Share (Rs)	(143.19)	(58.87)	(42.07)	9.87	29.75
BVPS (Rs)	230.76	315.61	379.98	456.93	548.57
Gross Interest Cover	3.07	5.22	9.11	12.41	16.29
Effective Tax Rate	15.2%	29.6%	32.0%	34.0%	34.0%
Net Dividend Payout Ratio	6.5%	9.2%	11.5%		
Accounts Receivables Days	13.62	12.46	10.82	11.67	13.25
Inventory Days	58.91	64.50	61.23	59.95	59.75
Accounts Payables Days	115.25	129.84	112.88	101.27	101.85
ROIC (%)	20.5%	23.4%	22.3%	21.9%	26.0%
ROCE (%)	16.5%	19.0%	18.7%	20.8%	21.9%
Return On Average Assets	9.6%	8.7%	7.8%	8.4%	9.0%

Key Drivers

	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
ASP (% chg, main prod./serv.)	3.4%	3.5%	2.4%	N/A	N/A
Unit sales grth (% , main prod./serv.)	2.2%	(3.9%)	11.9%	5.9%	N/A

SOURCE: INCRED RESEARCH, COMPANY REPORTS

India

ADD (no change)

Consensus ratings*: Buy 38 Hold 7 Sell 2

Current price:	Rs15,325
Target price:	Rs17,677
Previous target:	Rs14,509
Up/downside:	15.3%
InCred Research / Consensus:	15.9%
Reuters:	MRTI.NS
Bloomberg:	MSIL IN
Market cap:	US\$54,580m
	Rs4,818,220m
Average daily turnover:	US\$59.8m
	Rs5276.2m
Current shares o/s:	314.4m
Free float:	41.8%

*Source: Bloomberg

Key changes in this note

- FY26F-28F net sales increased by 2-7%.
- FY26F-28F EBITDA increased by 3-9%.
- FY26F-28F EPS increased by 2-8%.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	19.4	23.7	23.6
Relative (%)	17.4	22.5	25.1

Major shareholders

	% held
Suzuki Motor	58.2
ICICI Prudential	4.4
SBI Mutual Fund	2.3

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Maruti Suzuki

Volume growth can surprise to mid-teens

- Fortified SUV portfolio better equipped to tackle the surge in buyers in the replacement segment due to GST cut. First-time buyer revival likely in CY26F.
- We increase FY26F-28F EPS by 2-8% for a 4-8% volume upgrade. Pricing power benefit can play out in FY27F-28F.
- Forward P/BV valuation near the 10-year mean level provides comfort. Maintain ADD rating on the stock with a DCF-based higher TP of Rs17,677.

Industry volume CAGR can surprise to reach teen-level

Car seems to be the highest form of a consumer discretionary product in the auto sector and has high demand elasticity, as seen from the historical two-decade tax rate cut benefits. We feel the replacement car buyer (Fig. 50) will be the first to get attracted by a price cut of 3-8% in the Passenger Vehicle (PV) segment, followed by first-time buyers in the coming quarters, considering their elongated buying process cycle. Maruti Suzuki's portfolio, we believe, will witness a 3-8% price drop, which, coupled with improved disposable income (lower income-tax rates), easing interest rates, and Pay Commission benefit in FY27F, can provide mid-teen volume growth. We have increased our volume by a sharp 4-8% for FY26F-28F, leading to a total volume CAGR of 11% over FY26F-28F.

EPS increase of 2-8% for FY26F-28F

Considering that many small cars' volume had collapsed due to first-time buyers going slow, we feel Maruti Suzuki may bleed in the case of a few models. With hopes of first-time buyers making a comeback, attracted by price cut and income-tax rate reduction, we feel the operating leverage will yield better EPS benefit, leading to a 2-8% increase in FY26F-28F.

Valuation rerating is still due; maintain high-conviction ADD rating

The Goods and Services Tax (GST) rate cut has improved Maruti Suzuki's forward P/BV valuation to top the 10-year mean level. With the wide participation of Maruti Suzuki in industry volume growth for the next three years, aided by new SUVs like Victorious and EVitara, we feel the market share concerns will ease. Its ambitious EV export plan has the potential to rerate the stock to its historic glory (Figs. 54-55). We maintain our high-conviction ADD rating on the stock with a higher DCF-based target price of Rs17,677 (Rs14,509 earlier). Key downside risks are pricing disparity for the Brezza model at 40% GST vs. peers at 28% impacting short-term volume, while the lower size engine fix comes through soon. Also, job losses from an unfavourable external environment can create short-term challenges.

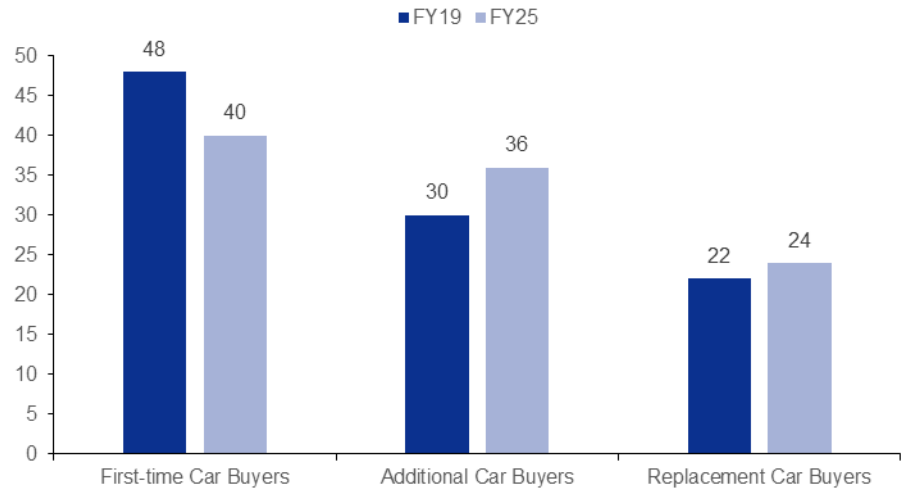
Financial Summary

	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Revenue (Rsm)	1,409,326	1,519,002	1,742,550	2,140,526	2,411,439
Operating EBITDA (Rsm)	164,011	176,538	201,270	246,686	277,419
Net Profit (Rsm)	127,400	139,551	160,151	197,945	218,710
Core EPS (Rs)	420.1	470.5	525.3	629.6	695.6
Core EPS Growth	64.1%	12.0%	11.6%	19.9%	10.5%
FD Core P/E (x)	37.82	34.53	30.09	24.34	22.03
DPS (Rs)	125.0	135.0	155.0	200.0	225.0
Dividend Yield	0.82%	0.88%	1.01%	1.31%	1.47%
EV/EBITDA (x)	25.52	23.48	20.38	16.10	14.00
P/FCFE (x)	67.28	23.18	53.37	24.72	30.77
Net Gearing	(75.3%)	(71.5%)	(68.0%)	(71.4%)	(69.9%)
P/BV (x)	5.74	5.12	4.58	4.06	3.61
ROE	18.3%	16.6%	16.6%	17.7%	17.3%
% Change In Core EPS Estimates			(3.32%)	6.83%	
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Volume growth can surprise to mid-teens

Figure 50: Car replacement segment buyers can quickly respond to price cuts



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 51: Key assumptions

	FY23	FY24	FY25	FY26F	FY27F	FY28F
Domestic Sales Volume	17,06,831	18,52,256	19,01,681	20,04,702	22,92,205	24,69,613
Growth (%)	20.7%	8.5%	2.7%	5.4%	14.3%	7.7%
Export Sales Volume	2,59,333	2,83,067	3,32,585	4,32,473	5,20,000	5,75,000
Growth (%)	8.8%	9.2%	17.5%	30.0%	20.2%	10.6%
Total Sales Volume	19,66,164	21,35,323	22,34,266	24,37,175	28,12,205	30,44,613
Growth (%)	19.0%	8.6%	4.6%	9.1%	15.4%	8.3%
Gross ASP per Vehicle (Rs)	5,97,727	6,60,006	6,79,866	7,14,988	7,61,156	7,92,035
Growth (%)	11.9%	10.4%	3.0%	5.2%	6.5%	4.1%
Net ASP per Vehicle (Rs)	5,97,727	6,60,006	6,79,866	7,14,988	7,61,156	7,92,035
Growth (%)	11.9%	10.4%	3.0%	5.2%	6.5%	4.1%
Contribution per Vehicle (Rs)	1,59,089	1,88,291	1,94,378	1,98,524	2,08,229	2,15,076
Growth (%)	18.1%	18.4%	3.2%	2.1%	4.9%	3.3%
EBITDA per Vehicle (Rs)	55,986	76,808	79,014	82,583	87,720	91,118
Growth (%)	60.5%	37.2%	2.9%	4.5%	6.2%	3.9%
EBITDA Margin (%)	9.4%	11.6%	11.6%	11.6%	11.5%	11.5%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 52: Our earnings revision summary

	FY26F		FY27F		FY28F	
Rs m	Old	New	Old	New	Old	New
Sales Volume (nos)	23,54,490	24,37,175	26,15,581	28,12,205	28,43,670	30,44,613
Change (%)		3.5%		7.5%		7.1%
Net Sales (Rs.m)	17,04,576	17,42,550	20,05,978	21,40,526	22,67,531	24,11,439
Change (%)		2.2%		6.7%		6.3%
EBITDA (Rs.m)	1,96,442	2,01,270	2,25,645	2,46,686	2,57,976	2,77,419
Change (%)		2.5%		9.3%		7.5%
EBITDA Margin	11.5%	11.6%	11.2%	11.5%	11.4%	11.5%
Bps		3		28		13
PAT (Rs.m)	1,61,424	1,65,151	1,82,998	1,97,945	2,04,440	2,18,710
Change (%)		2.3%		8.2%		7.0%
EPS (Rs.)	534.4	546.7	605.8	655.3	676.8	724.0
Change (%)		2.3%		8.2%		7.0%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 53: Discounted cash flow (DCF)-based target price

Economic Profit Valuation			Discounted Cash Flow Valuation		
	Rs m	%		Rs m	%
Adjusted Opening Invested Capital	313834.5	6	Value of Phase 1 Explicit (2026 to 2028)	365672.4	7
NPV of Economic Profit During Explicit Period	374966.3	8	Value of Phase 2: Value Driver (2029 to 2039)	245116.4	50
NPV of Econ Profit of Remaining Business (1,2)	997298.9	20	Value of Phase 3: Fade (2040 to 2050)	1745380.5	36
NPV of Econ Profit of Net Inv (Grth Business) (1,3)	3199139.5	65	Terminal Value	322707.1	7
Enterprise Value	4885239.1	100	Enterprise Value	4885176.5	100
Plus: Other Assets	0.0	0	FCF Grth Rate at end of Phs 1 implied by DCF Valuation		8
Less: Minorities	0.0	0	FCF Grth Rate at end of Phs 1 implied by Current Price		7
Less: Net Debt (as at 13 Sep 2025)	-672317.0	-14			
Equity Value	5557556.1	114			
No. Shares (millions)	314.4				
Per Share Equity Value	17677				

Sensitivity Table

		No of Years in Fade Period				
		5	8	11	14	17
WACC	9.2%	16,961	19,175	21,504	23,945	26,494
	10.2%	15,653	17,522	19,454	21,442	23,483
	11.2%	14,492	16,072	17,677	19,301	20,939
	12.2%	13,459	14,797	16,132	17,461	18,781
	13.2%	12,538	13,672	14,786	15,876	16,942

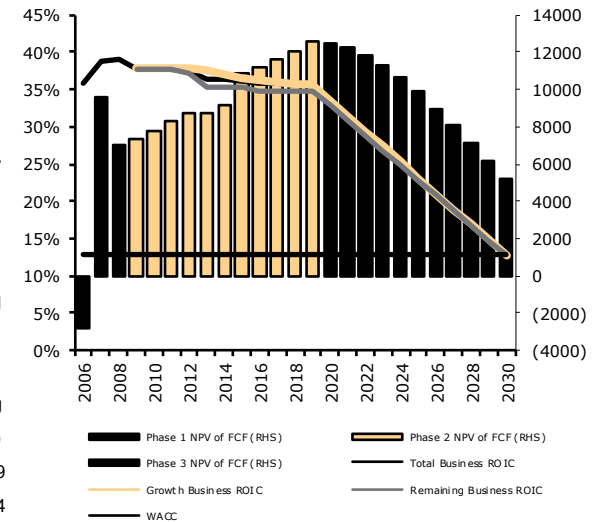
Performance Summary

	2026 F	2027 F	2028 F	Phase 2 Avg (2029 - 2039)
Invested Capital Growth (%)	26.2	0.9	18.3	13.9
Operating Margin (%)	12.4	12.1	11.9	11.4
Capital Turnover (x)	6.5	6.4	7.1	6.0

Source: InCred Research

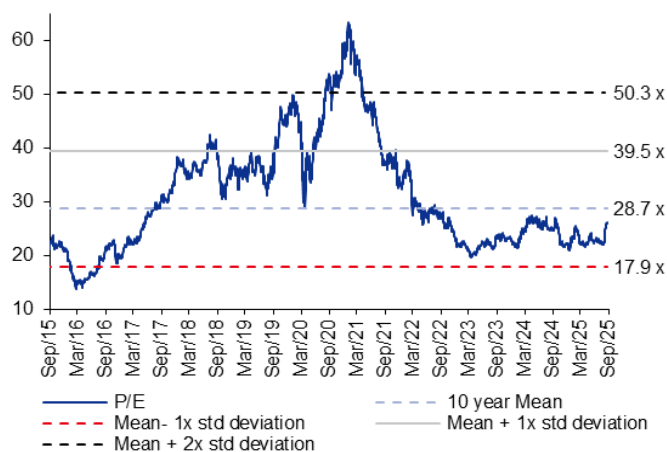
1. In periods following the Explicit Period i.e. Phase 2 and Phase 3
2. Remaining Business is defined as Capital as at the end of Phase 1 and capex = depreciation thereafter
3. Net Investment is defined as capex over and above depreciation after Phase 1

Returns, WACC and NPV of Free Cash Flow



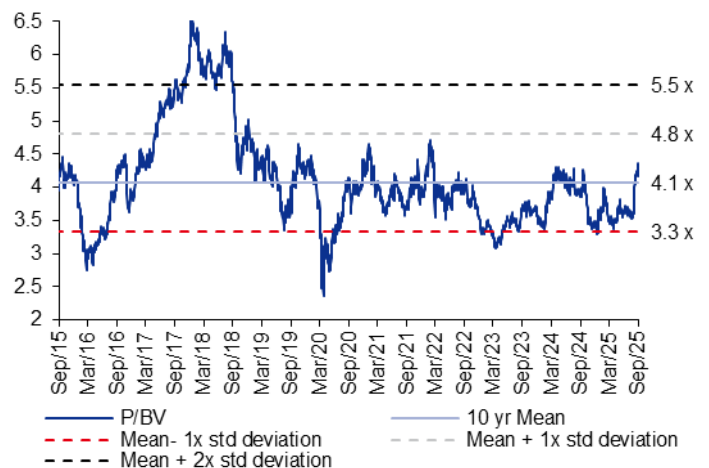
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 54: Forward P/E still below the one-year mean level



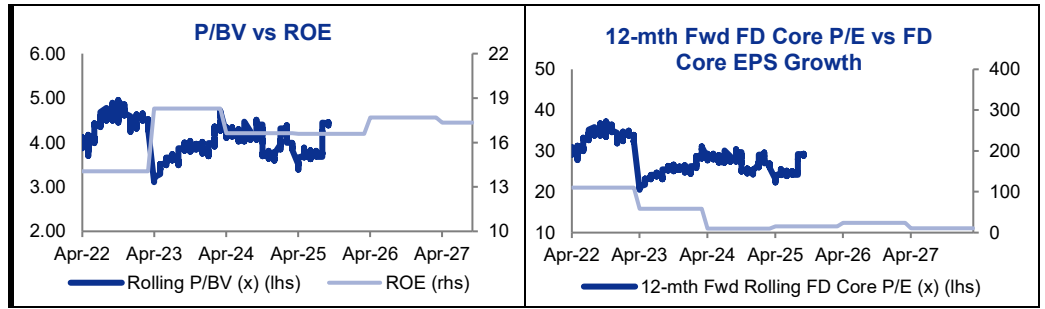
SOURCE: BLOOMBERG, INCRED RESEARCH, COMPANY REPORTS

Figure 55: Forward P/BV just topped the 10-year mean level



SOURCE: BLOOMBERG, INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS



Profit & Loss

(Rs mn)	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Total Net Revenues	1,409,326	1,519,002	1,742,550	2,140,526	2,411,439
Gross Profit	402,063	434,292	483,839	585,581	654,823
Operating EBITDA	164,011	176,538	201,270	246,686	277,419
Depreciation And Amortisation	(30,223)	(31,593)	(39,192)	(43,998)	(49,155)
Operating EBIT	133,788	144,945	162,078	202,688	228,264
Financial Income/(Expense)	36,616	46,886	51,849	54,384	55,775
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)					
Profit Before Tax (pre-EI)	170,404	191,831	213,927	257,071	284,039
Exceptional Items					
Pre-tax Profit	170,404	191,831	213,927	257,071	284,039
Taxation	(38,310)	(43,904)	(48,775)	(59,126)	(65,329)
Exceptional Income - post-tax	(4,694)	(8,376)	(5,000)		
Profit After Tax	127,400	139,551	160,151	197,945	218,710
Minority Interests					
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	127,400	139,551	160,151	197,945	218,710
Recurring Net Profit	132,094	147,927	165,151	197,945	218,710
Fully Diluted Recurring Net Profit	132,094	147,927	165,151	197,945	218,710

Cash Flow

(Rs mn)	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
EBITDA	164,011	176,538	201,270	246,686	277,419
Cash Flow from Invt. & Assoc.					
Change In Working Capital	16,607	(1,011)	(9,863)	10,903	(19,004)
(Incr)/Decr in Total Provisions	(27,381)	(3,343)	(5,372)	32,893	13,422
Other Non-Cash (Income)/Expense					
Other Operating Cashflow	(4,433)	(7,785)	(6,824)	(800)	(700)
Net Interest (Paid)/Received	36,616	46,886	51,849	54,384	55,775
Tax Paid	(38,310)	(43,904)	(48,775)	(59,126)	(65,329)
Cashflow From Operations	147,110	167,381	182,285	284,940	261,583
Capex	(73,496)	(85,962)	(90,000)	(88,000)	(103,000)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments		128,411			
Other Investing Cashflow	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)
Cash Flow From Investing	(75,496)	40,449	(92,000)	(90,000)	(105,000)
Debt Raised/(repaid)					
Proceeds From Issue Of Shares					
Shares Repurchased					
Dividends Paid	(39,300)	(42,444)	(48,732)	(62,880)	(70,740)
Preferred Dividends					
Other Financing Cashflow	138,360	(125,522)	1,444		
Cash Flow From Financing	99,060	(167,966)	(47,288)	(62,880)	(70,740)
Total Cash Generated	170,674	39,864	42,997	132,060	85,843
Free Cashflow To Equity	71,614	207,830	90,285	194,940	156,583
Free Cashflow To Firm	73,546	209,761	92,135	196,940	158,883

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS...cont'd

Balance Sheet

(Rs mn)	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Total Cash And Equivalents	632,453	672,317	715,314	847,374	933,218
Total Debtors	46,013	65,377	66,838	76,238	99,100
Inventories	41,196	51,230	66,838	87,967	99,100
Total Other Current Assets	113,572	141,011	152,835	163,635	174,335
Total Current Assets	833,234	929,935	1,001,824	1,175,214	1,305,753
Fixed Assets	322,388	304,661	355,469	399,470	453,315
Total Investments	18,162	20,162	22,162	24,162	26,162
Intangible Assets					
Total Other Non-Current Assets	1,124				
Total Non-current Assets	341,674	324,823	377,631	423,632	479,477
Short-term Debt					
Current Portion of Long-Term Debt					
Total Creditors	145,824	174,211	181,416	222,849	237,841
Other Current Liabilities	103,359	125,841	128,901	170,069	191,594
Total Current Liabilities	249,183	300,052	310,317	392,918	429,434
Total Long-term Debt	331				
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities					
Total Non-current Liabilities	331				
Total Provisions	13,478	15,683	17,251	18,976	20,874
Total Liabilities	262,992	315,735	327,568	411,895	450,308
Shareholders Equity	839,820	940,467	1,051,886	1,186,951	1,334,922
Minority Interests					
Total Equity	839,820	940,467	1,051,886	1,186,951	1,334,922

Key Ratios

	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Revenue Growth	19.9%	7.8%	14.7%	22.8%	12.7%
Operating EBITDA Growth	49.0%	7.6%	14.0%	22.6%	12.5%
Operating EBITDA Margin	11.6%	11.6%	11.6%	11.5%	11.5%
Net Cash Per Share (Rs)	2,010.57	2,138.41	2,275.17	2,695.21	2,968.25
BVPS (Rs)	2,671.18	2,991.31	3,345.69	3,775.29	4,245.93
Gross Interest Cover	69.25	75.06	87.61	101.34	99.25
Effective Tax Rate	22.5%	22.9%	22.8%	23.0%	23.0%
Net Dividend Payout Ratio	29.8%	28.7%	29.5%	31.8%	32.3%
Accounts Receivables Days	10.23	13.38	13.85	12.20	13.27
Inventory Days	15.23	15.55	17.12	18.17	19.43
Accounts Payables Days	47.77	53.85	51.56	47.45	47.86
ROIC (%)	50.0%	34.8%	40.9%	40.4%	45.1%
ROCE (%)	23.7%	21.8%	21.7%	23.1%	22.7%
Return On Average Assets	10.6%	9.6%	9.9%	10.9%	10.7%

Key Drivers

	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
ASP (% chg, main prod./serv.)	10.4%	3.0%	5.2%	6.5%	4.1%
Unit sales grth (% , main prod./serv.)	8.6%	4.6%	9.1%	15.4%	8.3%

SOURCE: INCRED RESEARCH, COMPANY REPORTS-

India

ADD (no change)

Consensus ratings*: Buy 23 Hold 14 Sell 9

Current price:	Rs9,000
Target price: ▲	Rs10,758
Previous target:	Rs9,944
Up/downside:	19.5%
InCred Research / Consensus:	17.5%
Reuters:	BAJA.NS
Bloomberg:	BJAUT IN
Market cap:	US\$28,469m
	Rs2,513,179m
Average daily turnover:	US\$39.5m
	Rs3489.5m
Current shares o/s:	279.3m
Free float:	45.0%

*Source: Bloomberg

Key changes in this note

- FY26F-28F sales increased by 2-3%.
- FY26F-28F EBITDA increased by 3-5%.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	9.8	5.0	(23.2)
Relative (%)	8.0	4.0	(22.3)

Major shareholders	% held
Bajaj Family	55.0
LIC	5.0
SBI Mutual Fund	1.2

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Bajaj Auto**Beneficiary of 3W demand recovery**

- BAL, being a monopoly, is well-positioned to benefit from demand revival in the price-sensitive 3W segment. 2W segment revival benefit to be limited.
- Accelerating export growth, coupled with INR depreciation benefit, to help profitability in the short term, leading to our 3-5% FY26F-28F EBITDA upgrade.
- Maintain ADD rating as the stock trades at +1SD above the mean level, with EV risk well-managed on the profitability front and an attractive dividend yield.

GST benefit on domestic 2&3W portfolio

Bajaj Auto's nearly 55% of total volume comes from domestic Internal Combustion Engine (ICE) vehicles spread over both 2&3-wheelers. The price cut of nearly 8% in ICE vehicles, driven by Goods and Services Tax (GST) rate cut, will be most beneficial in reviving the 3W industry's growth momentum, where customers are price-sensitive. Its 150cc and above engine size customer profile will be relatively less price-sensitive, limiting our volume upgrade to just ~2% for FY26F-28F. Easing momentum likely in the E2W segment in the coming months due to the increased price gap with ICE vehicles will be temporary for Bajaj Auto (BAL), which plans to launch new products like a low-speed scooter and E-rickshaw.

Export volume growth and INR depreciation beneficiary

With exports forming nearly 40% of BAL's volume, this led to continuous growth acceleration in recent months (YTD 21% yoy). With KTM acquisition, we believe, KTM bike exports will revive soon. The Indian Rupee (INR) depreciation seen in recent weeks, we believe, will further aid profitability. Hence, we have increased EBITDA by 3-5% for FY26F-28F.

Maintain ADD rating with a higher SOTP-based TP of Rs10,758

With the supply chain problem being fixed for EV rare earth components, Bajaj Auto (BAL) is well-positioned to participate in the festive season-led EV demand. We have increased our Sum-of-The-Parts (SOTP)-based target price to Rs10,758 (Rs9,944 earlier) to reflect the improving profitability despite EV penetration. Maintain ADD rating on BAL as it drives EV portfolio expansion into low-speed segments. Key downside risk is low profitability in new segments.

Financial Summary	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Revenue (Rsm)	445,922	500,103	568,670	651,732	726,511
Operating EBITDA (Rsm)	87,300	100,988	114,317	132,499	147,193
Net Profit (Rsm)	73,859	79,402	94,713	109,369	121,583
Core EPS (Rs)	264.5	291.9	339.2	391.6	435.4
Core EPS Growth	31.2%	10.4%	16.2%	15.5%	11.2%
FD Core P/E (x)	34.03	31.65	26.53	22.98	20.67
DPS (Rs)	160.0	210.0	240.0	220.0	230.0
Dividend Yield	1.78%	2.33%	2.67%	3.06%	3.44%
EV/EBITDA (x)	25.94	21.94	19.05	16.17	14.37
P/FCFE (x)	26.04	37.76	40.48	29.23	29.54
Net Gearing	(91.8%)	(79.5%)	(73.0%)	(73.1%)	(71.4%)
P/BV (x)	10.11	7.82	7.20	6.58	6.03
ROE	29.4%	28.6%	28.2%	29.9%	30.5%
% Change In Core EPS Estimates			(1.85%)	(0.72%)	(1.32%)
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Beneficiary of 3W demand recovery

Figure 56: Key assumptions

Volume Break-Up (Number of vehicles)	FY23A	FY24A	FY25A	FY26F	FY27F	FY28F
Domestic Motorcycles	17,69,570	21,21,417	20,30,941	19,56,313	21,32,885	23,27,066
Growth (%)	8.4%	19.9%	-4.3%	-3.7%	9.0%	9.1%
Chetak.EV	31,440	1,15,776	2,60,158	3,48,000	4,56,000	5,16,000
Growth (%)	284%	268%	125%	34%	31%	13%
Export Motorcycles	16,36,956	14,77,338	16,74,060	19,08,428	21,56,524	23,93,742
Growth (%)	-25.4%	-9.8%	13.3%	14.0%	13.0%	11.0%
Total 2-wheelers	34,37,966	37,14,531	39,65,159	42,12,741	47,45,410	52,36,807
Growth (%)	-10.4%	8.0%	6.7%	6.2%	12.6%	10.4%
3-wheelers	4,85,018	6,23,010	6,68,657	7,65,875	8,31,540	8,71,430
Growth (%)	2.9%	28.5%	7.3%	14.5%	8.6%	4.8%
Total Vehicles	39,22,984	43,37,541	46,33,816	49,78,616	55,76,949	61,08,238
Growth (%)	-8.9%	10.6%	6.8%	7.4%	12.0%	9.5%

In Rs.	FY23A	FY24A	FY25A	FY26F	FY27F	FY28F
Net ASP/vehicle	92,857	1,02,805	1,07,925	1,14,223	1,16,862	1,18,940
Growth (%)	21.2%	10.7%	5.0%	5.8%	2.3%	1.8%
Contribution/vehicle	26,441	29,622	31,665	33,125	33,890	34,136
Growth (%)	31.3%	12.0%	6.9%	4.6%	2.3%	0.7%
EBITDA/vehicle	16,694	20,127	21,794	22,962	23,758	24,097
Growth (%)	40.6%	20.6%	8.3%	5.4%	3.5%	1.4%
EBITDA Margin (%)	18.0%	19.6%	20.2%	20.1%	20.3%	20.3%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 57: Our EPS revision summary

Rs m	FY26F		FY27F		FY28F	
	Old	New	Old	New	Old	New
Sales Volume	48,74,857	49,78,616	54,38,668	55,76,949	59,51,315	61,08,238
Change		2.1%		2.5%		2.6%
Net Sales	5,55,056	5,68,670	6,32,764	6,51,732	7,02,002	7,26,511
Change		2.5%		3.0%		3.5%
EBITDA	1,10,668	1,14,317	1,26,599	1,32,499	1,41,590	1,47,193
Change		3.3%		4.7%		4.0%
PBT	1,21,303	1,24,951	1,38,387	1,44,287	1,54,796	1,60,399
Change		3.0%		4.3%		3.6%
EPS (Rs)	329.3	339.2	375.6	391.6	420.2	435.4
Change		3.0%		4.3%		3.6%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 58: Sum-of-The-Parts methodology-based target price

	1-year forward
EPS (Rs.) (1-year forward)	404
P/E (x)	26
Value (Rs.)	10,516
Value of stake in PMAG post 20% holding discount (Rs)	126
Value of stake in BACL post 20% holding discount (Rs)	116
Target price (Rs)	10,758

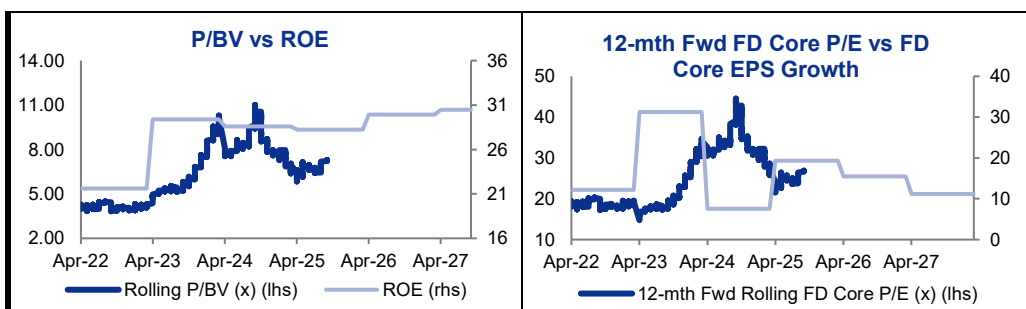
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 59: Forward P/E valuation is above the 10-year mean level



SOURCE: BLOOMBERG, INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS



Profit & Loss

(Rs mn)	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Total Net Revenues	445,922	500,103	568,670	651,732	726,511
Gross Profit	113,588	131,431	147,883	170,042	187,408
Operating EBITDA	87,300	100,988	114,317	132,499	147,193
Depreciation And Amortisation	(3,498)	(4,001)	(4,700)	(5,000)	(5,400)
Operating EBIT	83,801	96,987	109,617	127,499	141,793
Financial Income/(Expense)	(535)	(677)	(580)	(400)	(300)
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)	14,025	14,209	15,915	17,188	18,906
Profit Before Tax (pre-EI)	97,291	110,519	124,951	144,287	160,399
Exceptional Items					
Pre-tax Profit	97,291	110,519	124,951	144,287	160,399
Taxation	(23,432)	(29,005)	(30,238)	(34,917)	(38,817)
Exceptional Income - post-tax		(2,113)			
Profit After Tax	73,859	79,402	94,713	109,369	121,583
Minority Interests					
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	73,859	79,402	94,713	109,369	121,583
Recurring Net Profit	73,859	81,514	94,713	109,369	121,583
Fully Diluted Recurring Net Profit	73,859	81,514	94,713	109,369	121,583

Cash Flow

(Rs mn)	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
EBITDA	87,300	100,988	114,317	132,499	147,193
Cash Flow from Invt. & Assoc.					
Change In Working Capital	8,923	2,349	(1,575)	6,302	(1,113)
(Incr)/Decr in Total Provisions	17,579	(29,167)	11,969	(1,700)	(2,800)
Other Non-Cash (Income)/Expense	1,618	6,161			
Other Operating Cashflow		(2,113)			
Net Interest (Paid)/Received	13,490	13,532	15,335	16,788	18,606
Tax Paid	(22,836)	(25,590)	(30,238)	(34,917)	(38,817)
Cashflow From Operations	106,073	66,160	109,807	118,971	123,070
Capex	(7,781)	(7,530)	(4,487)	(8,000)	(8,000)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments					
Other Investing Cashflow	(1,811)	7,915	(43,160)	(25,000)	(30,000)
Cash Flow From Investing	(9,592)	385	(47,647)	(33,000)	(38,000)
Debt Raised/(repaid)	16	18	(76)		
Proceeds From Issue Of Shares	(38)	1			
Shares Repurchased	(49,282)				
Dividends Paid	(44,669)	(58,645)	(67,022)	(76,797)	(86,571)
Preferred Dividends					
Other Financing Cashflow					
Cash Flow From Financing	(93,973)	(58,626)	(67,099)	(76,797)	(86,571)
Total Cash Generated	2,509	7,919	(4,938)	9,175	(1,501)
Free Cashflow To Equity	96,498	66,563	62,084	85,971	85,070
Free Cashflow To Firm	97,016	67,222	62,741	86,371	85,370

SOURCES: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS...cont'd

Balance Sheet

(Rs mn)	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Total Cash And Equivalents	229,407	256,968	256,030	280,205	298,704
Total Debtors	21,224	22,826	28,044	30,355	35,828
Inventories	16,956	19,579	21,812	26,784	29,857
Total Other Current Assets	21,774	47,106	27,000	30,000	34,000
Total Current Assets	289,361	346,479	332,886	367,343	398,389
Fixed Assets	26,760	31,277	35,577	38,577	41,177
Total Investments	20,884	42,020	81,180	91,180	101,180
Intangible Assets					
Total Other Non-Current Assets					
Total Non-current Assets	47,645	73,296	116,756	129,756	142,356
Short-term Debt					
Current Portion of Long-Term Debt					
Total Creditors	56,102	62,676	68,552	82,136	89,570
Other Current Liabilities	29,581	25,122	17,000	18,000	19,000
Total Current Liabilities	85,683	87,798	85,552	100,136	108,570
Total Long-term Debt	1,258	1,276	1,200	1,200	1,200
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities					
Total Non-current Liabilities	1,258	1,276	1,200	1,200	1,200
Total Provisions	6,960	13,745	13,730	14,030	14,230
Total Liabilities	93,902	102,820	100,482	115,366	124,000
Shareholders Equity	248,605	321,469	349,160	381,733	416,745
Minority Interests					
Total Equity	248,605	321,469	349,160	381,733	416,745

Key Ratios

	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Revenue Growth	22.4%	12.2%	13.7%	14.6%	11.5%
Operating EBITDA Growth	33.3%	15.7%	13.2%	15.9%	11.1%
Operating EBITDA Margin	19.6%	20.2%	20.1%	20.3%	20.3%
Net Cash Per Share (Rs)	816.98	915.61	912.52	999.09	1,065.33
BVPS (Rs)	890.23	1,151.15	1,250.30	1,366.94	1,492.32
Gross Interest Cover	156.64	143.22	188.99	318.75	472.64
Effective Tax Rate	24.1%	26.2%	24.2%	24.2%	24.2%
Net Dividend Payout Ratio	60.5%	71.9%	70.8%	70.2%	71.2%
Accounts Receivables Days	15.96	16.08	16.33	16.35	16.63
Inventory Days	16.99	18.09	17.95	18.41	19.17
Accounts Payables Days	53.18	58.80	56.92	57.09	58.13
ROIC (%)	264.6%	7,244.1%	255.9%	365.2%	426.8%
ROCE (%)	38.1%	37.8%	36.1%	38.3%	39.0%
Return On Average Assets	23.1%	21.7%	21.9%	23.2%	23.5%

Key Drivers

	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
ASP (% chg, main prod./serv.)	10.7%	5.0%	5.8%	(100.0%)	(100.0%)
Unit sales grth (% , main prod./serv.)	10.6%	6.8%	7.4%	(84.6%)	(85.1%)

SOURCES: INCRED RESEARCH, COMPANY REPORTS

India

ADD (no change)

Consensus ratings*: Buy 34 Hold 6 Sell 4

Current price:	Rs134
Target price: ▲	Rs157
Previous target:	Rs139
Up/downside:	17.2%
InCred Research / Consensus:	11.9%
Reuters:	ASOK.NS
Bloomberg:	AL IN
Market cap:	US\$8,921m Rs787,518m
Average daily turnover:	US\$19.1m Rs1685.5m
Current shares o/s:	5,873.0m
Free float:	48.5%

*Source: Bloomberg

Key changes in this note

- FY26F-28F net sales increase of 2-5%.
- FY26F-28F EBITDA increase of 2-6%.
- FY26F-28F EPS increase of 2-7%.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	12.3	14.0	8.9
Relative (%)	10.5	12.9	10.3

Major shareholders

	% held
Hinduja Family	51.5
SBI Mutual Fund	2.0
HDFC Life Insurance Company	1.4

Ashok Leyland

CV upcycle beneficiary

- Post consolidation phase of last six quarters, CV demand is ready for a spike with the help of lower operational costs (tyre, interest costs) & freight rate rise.
- We increase EPS by 2-7% for FY25-28F, driven by a 2-5% volume upgrade.
- Favourable demand cycle & easing competition to help Ashok Leyland achieve its ambitious EBITDA margin profitability. Retain ADD with a higher Rs157 TP.

Macroeconomic ingredients for a sharp CV cyclical volume upgrade

The macroeconomic factors seem to be falling in place for a sharp Commercial Vehicle (CV) demand recovery like improving Index of Industrial Production growth, spike in freight rates in the Jun 2025 quarter, & a sharp cut in lending rates. The cut in Goods and Services Tax (GST) for tyres (28% to 18%) should boost transporters' profitability (second-largest cost of operation for truck transport operators, after diesel) as most of them are in RCM (Reverse Charge Mechanism) mode and may not pass on the benefit to end-users. This, coupled with improved visibility on freight rate hike coming from GST cut-led demand recovery in consumer durables and automotive sector, we feel, will drive new truck purchases. Taking a cue from historical CV cycles, we feel strong demand uptrend in the next 18 months (Oct 2025F- Mar 2027F) leads to our industry growth rate upgrade of 260bp for FY26F and 400bp for FY27F.

EV battery investment to keep Ashok Leyland ahead in the race

Considering the high battery cost in Electric Vehicles (EVs), Ashok Leyland will do strategic investment to manufacture batteries with CALB technology support. The company plans to invest Rs5bn in 4GW assembly capacity in India for captive use and energy storage applications. Plans to start production in 1H CY27F. The early breakeven of the EV subsidiary, Switch, and new product launches to keep it ahead in EV technology adoption.

EBITDA increase of 2-6% for FY26F-28F; maintain ADD rating

With the expected CV industry cyclical demand turnaround, we have upgraded Ashok Leyland's CV volume by 2-5% for FY26-28F. With better pricing power in the upcycle, we expect the EBITDA margin to scale a new high of 13.2% in FY27F, leading to EBITDA increase of 2-6% for FY26-28F. With forward P/BV valuation just around +1SD above the mean level, we maintain ADD rating on Ashok Leyland as it is better placed to drive market share gains. Rolling forward the Discounted Cash Flow (DCF) valuation for the standalone entity, we have increased the target price to Rs157 (Rs139 earlier). Key downside risk is the impact of US tariff on India's goods exports weakening the tractor-trailer volume.

Research Analyst(s)**Pramod AMTHE**

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Financial Summary

	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Revenue (Rsm)	383,670	387,527	449,125	530,453	583,193
Operating EBITDA (Rsm)	46,065	49,306	56,114	69,788	76,930
Net Profit (Rsm)	26,178	33,033	37,736	47,879	53,146
Core EPS (Rs)	4.6	5.4	6.4	8.2	9.0
Core EPS Growth	109.3%	18.0%	17.9%	26.9%	11.0%
FD Core P/E (x)	29.04	24.61	20.87	16.45	14.82
DPS (Rs)	4.9	6.3	3.6	4.5	5.0
Dividend Yield	1.85%	2.33%	2.70%	3.36%	3.73%
EV/EBITDA (x)	15.91	13.96	12.24	9.64	8.60
P/FCFE (x)	17.94	71.39	80.23	24.45	24.42
Net Gearing	1.0%	(11.0%)	(3.9%)	(8.5%)	(10.1%)
P/BV (x)	8.94	6.84	5.98	5.14	4.45
ROE	31.5%	31.5%	30.6%	33.6%	32.2%
% Change In Core EPS Estimates			2.06%	7.01%	4.61%
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

CV upcycle beneficiary

Figure 60: Key assumptions

Sales Volume (nos)	FY23A	FY24A	FY25A	FY26F	FY27F	FY28F
Domestic M&HCV Trucks	1,03,480	98,111	93,540	1,02,894	1,18,328	1,23,061
Growth (%)	68.8	(5.2)	(4.7)	10.0	15.0	4.0
Domestic M&HCV Buses	10,767	17,956	21,253	24,653	28,105	30,915
Growth (%)	184.2	66.8	18.4	16.0	14.0	10.0
Light Commercial Vehicle	65,654	66,633	65,049	74,156	90,470	1,03,136
Growth (%)	25.7	1.5	(2.4)	14.0	22.0	14.0
Total Domestic Sales Volume	1,79,901	1,82,700	1,79,842	2,01,703	2,36,903	2,57,113
Growth (%)	53.3	1.6	(1.6)	12.2	17.5	8.5
Total Export Sales	10,991	11,853	15,255	18,394	21,398	23,871
Growth (%)	(0.3)	7.8	28.7	20.6	16.3	11.6
Grand Total Sales Volume	1,90,892	1,94,553	1,95,097	2,20,097	2,58,301	2,80,983
Growth (%)	48.7	1.9	0.3	12.8	17.4	8.8
Per Vehicle Assumptions (Rs.)						
ASP	18,93,435	19,72,058	19,86,331	20,40,574	20,53,621	20,75,543
Growth (%)	12.0	4.2	0.7	2.7	0.6	1.1
Contribution	4,34,539	5,37,384	5,70,483	5,72,744	5,90,457	5,98,747
Growth (%)	13.2	23.7	6.2	0.4	3.1	1.4
EBITDA/ vehicle	1,53,527	2,36,775	2,52,725	2,54,951	2,70,180	2,73,789
Growth (%)	88.5	54.2	6.7	0.9	6.0	1.3
Net profit /vehicle	67,866	1,39,372	1,63,999	1,71,452	1,85,359	1,89,143
Growth (%)	966.9	105.4	17.7	4.5	8.1	2.0

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 61: Key changes in financials

	FY26F		FY27F		FY28F	
	Old	New	Old	New	Old	New
Sales Volume (nos)	2,15,778	2,20,097	2,45,838	2,58,301	2,68,951	2,80,983
Change (%)		2.0%		5.1%		4.5%
Net Sales (Rsm)	4,42,082	4,49,125	5,05,758	5,30,453	5,58,584	5,83,193
Change (%)		1.6%		4.9%		4.4%
EBITDA (Rsm)	55,096	56,114	65,606	69,788	73,807	76,930
Change (%)		1.8%		6.4%		4.2%
EBITDA margin %	12.5%	12.5%	13.0%	13.2%	13.2%	13.2%
bp change		3.1		18.5		(2.2)
Normalized PAT (Rsm)	36,973	37,736	44,742	47,879	50,804	53,146
Change (%)		2.1%		7.0%		4.6%
Normalized EPS (Rs.)	6.30	6.43	7.62	8.15	8.65	9.05
Change (%)		2.1%		7.0%		4.6%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 62: Sum-Of-The-Parts (SOTP) methodology-based target price

	Methodology	Value per share (Rs)
CV business	DCF-based valuation	142.8
Hinduja Leyland Finance	1.8x FY25 book value	14.2
SOTP value of Ashok Leyland		157.0

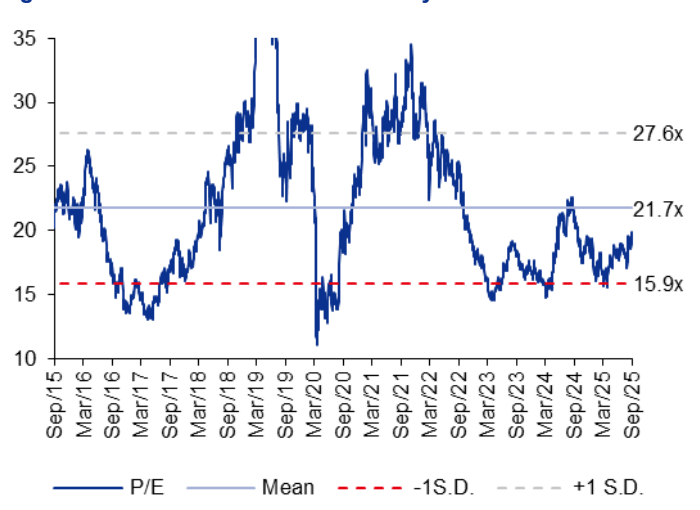
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 63: Forward P/BV valuation is just above the +1SD level



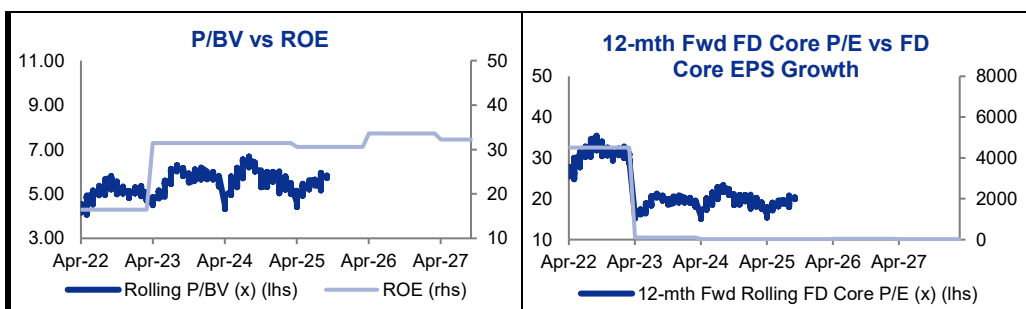
SOURCE: BLOOMBERG, INCRED RESEARCH, COMPANY REPORTS

Figure 64: Forward P/E is below the 10-year mean level



SOURCE: BLOOMBERG, INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS



Profit & Loss

(Rs mn)	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Total Net Revenues	383,670	387,527	449,125	530,453	583,193
Gross Profit	104,550	111,300	126,060	152,516	168,238
Operating EBITDA	46,065	49,306	56,114	69,788	76,930
Depreciation And Amortisation	(7,178)	(7,193)	(7,366)	(8,023)	(8,653)
Operating EBIT	38,887	42,112	48,748	61,765	68,277
Financial Income/(Expense)	(2,494)	(2,169)	(1,136)	(927)	(746)
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)	2,466	2,503	2,703	3,000	3,330
Profit Before Tax (pre-EI)	38,858	42,446	50,315	63,838	70,861
Exceptional Items					
Pre-tax Profit	38,858	42,446	50,315	63,838	70,861
Taxation	(11,743)	(10,450)	(12,579)	(15,960)	(17,715)
Exceptional Income - post-tax	(937)	1,037			
Profit After Tax	26,178	33,033	37,736	47,879	53,146
Minority Interests					
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	26,178	33,033	37,736	47,879	53,146
Recurring Net Profit	27,115	31,996	37,736	47,879	53,146
Fully Diluted Recurring Net Profit	27,115	31,996	37,736	47,879	53,146

Cash Flow

(Rs mn)	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
EBITDA	46,065	49,306	56,114	69,788	76,930
Cash Flow from Invt. & Assoc.					
Change In Working Capital	(7,933)	19,355	(2,496)	775	(1,895)
(Incr)/Decr in Total Provisions	15,636	(884)	(3,488)	1,550	(1,000)
Other Non-Cash (Income)/Expense	528	(84)			(4)
Other Operating Cashflow	(937)	1,037			
Net Interest (Paid)/Received	(29)	333	1,567	2,073	2,584
Tax Paid	(12,854)	(14,974)	(16,101)	(20,428)	(22,676)
Cashflow From Operations	40,476	54,089	35,596	53,758	53,940
Capex	(4,394)	(7,937)	(16,366)	(18,023)	(18,653)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments					
Other Investing Cashflow	4,352	(14,204)	(8,414)	(1,531)	(1,040)
Cash Flow From Investing	(43)	(22,141)	(24,780)	(19,555)	(19,693)
Debt Raised/(repaid)	3,470	(20,917)	(1,000)	(2,000)	(2,000)
Proceeds From Issue Of Shares			2,937		
Shares Repurchased					
Dividends Paid	(14,535)	(18,353)	(21,290)	(26,429)	(29,365)
Preferred Dividends					
Other Financing Cashflow					
Cash Flow From Financing	(11,064)	(39,270)	(19,353)	(28,429)	(31,365)
Total Cash Generated	29,369	(7,322)	(8,537)	5,775	2,881
Free Cashflow To Equity	43,903	11,031	9,816	32,203	32,247
Free Cashflow To Firm	42,927	34,117	11,952	35,130	34,992

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS...cont'd

Balance Sheet

(Rs mn)	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Total Cash And Equivalents	34,382	27,060	18,522	24,297	27,178
Total Debtors	35,699	28,673	36,914	46,506	55,923
Inventories	31,907	29,573	36,914	46,506	52,727
Total Other Current Assets	16,339	20,084	21,084	22,084	23,084
Total Current Assets	118,326	105,389	113,434	139,391	158,911
Fixed Assets	62,194	62,937	71,937	81,937	91,937
Total Investments	55,598	86,730	95,730	101,730	107,730
Intangible Assets					
Total Other Non-Current Assets					
Total Non-current Assets	117,791	149,667	167,667	183,667	199,667
Short-term Debt					
Current Portion of Long-Term Debt					
Total Creditors	63,052	73,047	86,134	106,091	119,834
Other Current Liabilities	30,380	31,647	30,000	31,500	31,500
Total Current Liabilities	93,432	104,694	116,134	137,591	151,334
Total Long-term Debt	35,271	14,354	13,354	11,354	9,354
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities					
Total Non-current Liabilities	35,271	14,354	13,354	11,354	9,354
Total Provisions	19,311	20,820	19,979	21,028	21,024
Total Liabilities	148,014	139,868	149,467	169,974	181,713
Shareholders Equity	88,104	115,188	131,634	153,084	176,865
Minority Interests					
Total Equity	88,104	115,188	131,634	153,084	176,865

Key Ratios

	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Revenue Growth	6.1%	1.0%	15.9%	18.1%	9.9%
Operating EBITDA Growth	57.2%	7.0%	13.8%	24.4%	10.2%
Operating EBITDA Margin	12.0%	12.7%	12.5%	13.2%	13.2%
Net Cash Per Share (Rs)	(0.15)	2.16	0.88	2.20	3.03
BVPS (Rs)	15.00	19.61	22.41	26.07	30.11
Gross Interest Cover	15.59	19.41	42.91	66.66	91.58
Effective Tax Rate	30.2%	24.6%	25.0%	25.0%	25.0%
Net Dividend Payout Ratio	53.6%	57.4%	56.4%	55.2%	55.3%
Accounts Receivables Days	36.31	30.32	26.65	28.70	32.05
Inventory Days	39.00	40.62	37.56	40.28	43.64
Accounts Payables Days	88.14	89.92	89.92	92.82	99.36
ROIC (%)	43.5%	53.5%	89.3%	81.6%	77.0%
ROCE (%)	31.1%	31.9%	34.2%	38.6%	37.8%
Return On Average Assets	12.5%	13.6%	14.4%	16.1%	15.7%

Key Drivers

	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
ASP (% chg, main prod./serv.)	4.2%	0.7%	2.7%	0.6%	1.1%
Unit sales grth (% , main prod./serv.)	1.9%	0.3%	12.8%	17.4%	8.8%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

India

ADD (no change)

Consensus ratings*: Buy 24 Hold 13 Sell 5

Current price: Rs5,302
 Target price: ▲ Rs6,080
 Previous target: Rs5,231
 Up/downside: 14.7%
 InCred Research / Consensus: 17.9%

Reuters: HROM.NS
 Bloomberg: HMCL IN
 Market cap: US\$12,015m
 Rs1,060,660m
 Average daily turnover: US\$37.6m
 Rs3314.9m
 Current shares o/s: 200.0m
 Free float: 65.2%

*Source: Bloomberg

Key changes in this note

- FY26F-28F sales volume increased by 2-4%.
- FY26F-28F EBITDA increased by 2-5%.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	14.1	21.5	(8.6)
Relative (%)	12.3	20.3	(7.5)

Major shareholders	% held
Hero Group	34.8
LIC of India	8.5
ICICI Prudential Fund	3.6

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Hero MotoCorp

Distribution reach to garner price cut benefit

- The sharpest-ever GST rate cut for 2Ws to drive their volume to a new peak, where HMCL, with its wide distribution network, can garner good market share.
- We increase FY26F-28F EPS by 2-5% for Hero MotoCorp (HMCL), driven by volume growth recovery and stable peak EBITDA margin.
- Forward P/BV and P/E valuations below the 10-year mean level provide comfort. We increase our SOTP-based TP to Rs6,080 & maintain ADD rating.

Prime beneficiary of 2W demand recovery from price cuts

Hero MotoCorp (HMCL), being a leader in the Indian 2W sector and dependent largely on domestic Internal Combustion Engine-powered bikes, is better positioned to benefit from demand recovery in the price-sensitive entry level bike category (60+% market share). With its 8,000 touch points across India, HMCL is well-positioned to capture the volume recovery, when it goes for price cuts of Rs6,500 to 15,000 per vehicle across its portfolio. HMCL's nascent presence in Electric Vehicles (EVs) through recent launches will limit the impact of any slowdown in the EV segment's sales in the short term.

EPS increase of 2-5% for FY26F-28F

With improved affordability of 2Ws from price cuts, easing interest rates, and better rural market sentiment from ample rainfall, we feel HMCL can play out its strengths in distribution, leading to our 2-4% sales volume increase for FY26F-28F. With the EBITDA margin nearing its peak, we have increased EBITDA by 2-5% for FY26F-28F.

Leadership change to aid valuation rerating

With the appointment of a new CEO (with consumer product and MNC background), who will be joining in Jan 2026, we feel the attractive P/BV and P/E valuations, which are below the 10-year mean levels, can improve gradually. We maintain our ADD rating on the stock with a higher SOTP-based target price of Rs.6,080 (Rs5,231 earlier). Key downside risk is a dip in market share.

Financial Summary	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Revenue (Rsm)	374,557	407,564	458,418	518,784	576,963
Operating EBITDA (Rsm)	52,557	58,677	66,382	74,989	83,048
Net Profit (Rsm)	41,280	46,099	52,071	58,823	65,099
Core EPS (Rs)	206.5	230.6	260.4	294.1	325.5
Core EPS Growth	41.6%	11.6%	12.9%	13.0%	10.7%
FD Core P/E (x)	25.67	22.99	20.36	18.03	16.29
DPS (Rs)	140.1	165.1	185.2	220.3	240.4
Dividend Yield	2.64%	3.11%	3.49%	4.15%	4.53%
EV/EBITDA (x)	17.56	15.46	13.56	11.81	10.53
P/FCFE (x)	35.92	41.84	29.17	21.84	21.38
Net Gearing	(76.1%)	(77.1%)	(75.1%)	(76.6%)	(75.9%)
P/BV (x)	5.89	5.35	4.97	4.65	4.33
ROE	23.8%	24.4%	25.3%	26.7%	27.5%
% Change In Core EPS Estimates			2.06%	5.11%	4.64%
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Distribution reach to garner price cut benefit

Figure 65: Key assumptions

	FY23	FY24	FY25	FY26F	FY27F	FY28F
Vehicle Sales Volume (units)						
Motorcycle	49,59,707	51,90,504	54,76,819	59,06,396	64,86,564	69,30,736
Growth (%)	7.2%	4.7%	5.5%	7.8%	9.8%	6.8%
Scooter	3,69,297	4,30,782	4,22,669	4,96,874	5,67,837	6,25,447
Growth (%)	16.7%	16.6%	-1.9%	17.6%	14.3%	10.1%
Total	53,29,004	56,21,286	58,99,488	64,03,270	70,54,401	75,56,182
Growth (%)	7.8%	5.5%	4.9%	8.5%	10.2%	7.1%
Net Realization Per Vehicle (Rs.)						
Motorcycle	52,680	55,947	58,129	60,454	62,267	64,758
Growth (%)	7.5%	6.2%	3.9%	4.0%	3.0%	4.0%
Scooter	53,920	56,077	58,937	61,884	63,740	66,927
Growth (%)	6.9%	4.0%	5.1%	5.0%	3.0%	5.0%
Total	52,766	55,957	58,187	60,565	62,386	64,938
Growth (%)	7.5%	6.0%	4.0%	4.1%	3.0%	4.1%
Operating Matrix Per Vehicle (Rs)						
Net Realization	52,680	55,947	58,129	60,454	62,267	64,758
Growth (%)	7.5%	6.2%	3.9%	4.0%	3.0%	4.0%
Contribution	18,672	21,392	23,201	23,554	24,048	24,816
Growth (%)	9.7%	14.6%	8.5%	1.5%	2.1%	3.2%
EBITDA	39,892	52,557	58,677	66,382	74,989	83,048
Growth (%)	18.5%	31.7%	11.6%	13.1%	13.0%	10.7%
EBITDA Margin (%)	11.8%	14.0%	14.4%	14.5%	14.5%	14.4%
Change (bp)	29	223	37	8	(3)	(6)
Net Profit	29,136	39,681	46,099	52,071	58,823	65,099
Growth (%)	17.9%	36.2%	16.2%	13.0%	13.0%	10.7%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 66: Our revised earnings summary

Rs m	FY26F		FY27F		FY28F	
	Old	New	Old	New	Old	New
Sales Volume (nos.)	62,70,674	64,03,270	67,60,340	70,54,401	72,63,574	75,56,182
% change		2.1%		4.3%		4.0%
Net Sales	4,50,357	4,58,418	5,00,407	5,18,784	5,57,917	5,76,963
% change		1.8%		3.7%		3.4%
EBITDA	64,982	66,382	71,178	74,989	79,202	83,048
% change		2.2%		5.4%		4.9%
EBITDA Margin	14.4%	14.5%	14.2%	14.5%	14.2%	14.4%
bp change		5		23		20
PAT	51,021	52,071	55,964	58,823	62,214	65,099
% change		2.1%		5.1%		4.6%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 67: Sum-Of-The-Parts (SOTP) methodology-based target price

Methodology	Multiple	Hero MotoCorp's stake	Value per share (Rs)
Core Business	DCF		5,681
Ather Energy	CMP	31%	256
Hero FinCorp	P/B	1.8 x FY25 Book value 41%	143
SOTP-based valuation			6,080

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 68: We have used discounted cash flow (DCF) methodology to value the company's core business

Economic Profit Valuation			Discounted Cash Flow Valuation		
	Rs m	%		Rs m	%
Adjusted Opening Invested Capital	55067.3	6	Value of Phase 1: Explicit (2026 to 2028)	97296.2	10
NPV of Economic Profit During Explicit Period	96329.8	10	Value of Phase 2: Value Driver (2029 to 2039)	535431.5	55
NPV of Econ Profit of Remaining Business (1, 2)	243479.1	25	Value of Phase 3: Fade (2040 to 2050)	314670.4	32
NPV of Econ Profit of Net Inv (Grth Business) (1, 3)	585850.1	60	Terminal Value	33320.1	3
Enterprise Value	980726.3	100	Enterprise Value	980718.2	100
Plus: Other Assets	0.0	0	FCF Grth Rate at end of Phs 1 implied by DCF Valuation		7.2
Less: Minorities	0.0	0	FCF Grth Rate at end of Phs 1 implied by Current Price		32.0
Less: Net Debt (as at 12 Sep 2025)	-152627.2	-16			
Equity Value	1133353.5	116			
No. Shares (millions)	199.5				
Per Share Equity Value	Rs 5681				

Sensitivity Table

		No of Years in Fade Period				
		5	8	11	14	17
WACC	9.8%	5547	6158	6778	7406	8039
	10.8%	5157	5675	6192	6707	7217
	11.8%	4809	5249	5681	6104	6517
	12.8%	4498	4872	5234	5582	5916
	13.8%	4219	4538	4841	5128	5400

Performance Summary

	2026	2027	2028	Phase 2 Avg (2029 - 2039)
Invested Capital Growth (%)	14.5	8.6	11.7	12.0
Operating Margin (%)	12.6	12.7	12.8	12.1
Capital Turnover (x)	9.4	9.3	9.5	8.4

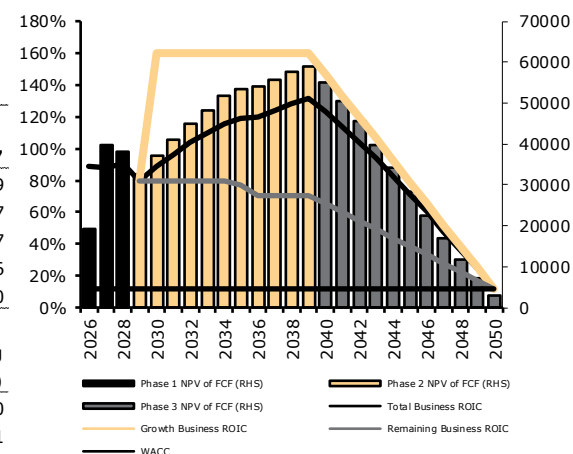
Source: InCred Research

1. In periods following the Explicit Period i.e. Phase 2 and Phase 3

2. Remaining Business is defined as Capital as at the end of Phase 1 and capex = depreciation thereafter

3. Net Investment is defined as capex over and above depreciation after Phase 1

Returns, WACC and NPV of Free Cash Flow



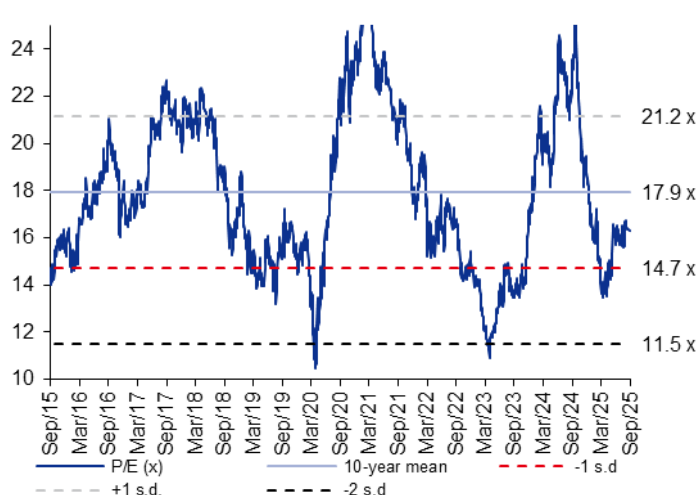
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 69: One-year forward P/BV is just above the 10-year mean level



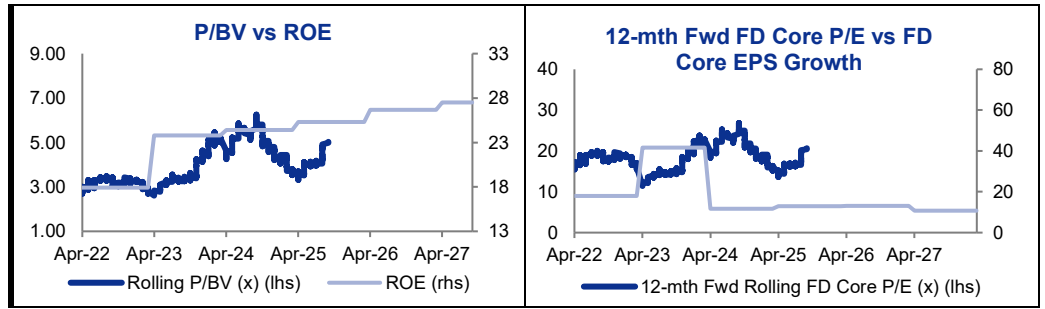
SOURCE: BLOOMBERG, INCRED RESEARCH, COMPANY REPORTS

Figure 70: One-year forward P/E valuation is below the mean level



SOURCE: BLOOMBERG, INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS



Profit & Loss

(Rs mn)	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Total Net Revenues	374,557	407,564	458,418	518,784	576,963
Gross Profit	96,226	110,924	122,791	138,811	153,599
Operating EBITDA	52,557	58,677	66,382	74,989	83,048
Depreciation And Amortisation	(7,114)	(7,759)	(8,581)	(8,993)	(9,443)
Operating EBIT	45,443	50,918	57,802	65,996	73,605
Financial Income/(Expense)					
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)	8,741	10,360	11,626	12,434	13,193
Profit Before Tax (pre-EI)	54,184	61,278	69,428	78,430	86,798
Exceptional Items					
Pre-tax Profit	54,184	61,278	69,428	78,430	86,798
Taxation	(12,904)	(15,179)	(17,357)	(19,608)	(21,700)
Exceptional Income - post-tax					
Profit After Tax	41,280	46,099	52,071	58,823	65,099
Minority Interests					
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	41,280	46,099	52,071	58,823	65,099
Recurring Net Profit	41,280	46,099	52,071	58,823	65,099
Fully Diluted Recurring Net Profit	41,280	46,099	52,071	58,823	65,099

Cash Flow

(Rs mn)	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
EBITDA	52,557	58,677	66,382	74,989	83,048
Cash Flow from Invt. & Assoc.					
Change In Working Capital	9,088	(9,469)	(2,693)	(70)	(5,450)
(Incr)/Decr in Total Provisions	2,092	8,965	(4,542)	(200)	(500)
Other Non-Cash (Income)/Expense					
Other Operating Cashflow					
Net Interest (Paid)/Received	8,741	10,360	11,626	12,434	13,193
Tax Paid	(12,610)	(14,431)	(17,357)	(19,608)	(21,700)
Cashflow From Operations	59,868	54,102	53,417	67,546	68,591
Capex	(8,007)	(10,533)	(9,068)	(9,000)	(9,000)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments					
Other Investing Cashflow	(22,357)	(18,235)	(8,000)	(10,000)	(10,000)
Cash Flow From Investing	(30,365)	(28,768)	(17,068)	(19,000)	(19,000)
Debt Raised/(repaid)					
Proceeds From Issue Of Shares					
Shares Repurchased					
Dividends Paid	(27,972)	(32,975)	(36,982)	(44,000)	(48,000)
Preferred Dividends					
Other Financing Cashflow	1,101	2			
Cash Flow From Financing	(26,871)	(32,974)	(36,982)	(44,000)	(48,000)
Total Cash Generated	2,633	(7,639)	(633)	4,546	1,591
Free Cashflow To Equity	29,504	25,334	36,349	48,546	49,591
Free Cashflow To Firm	29,504	25,334	36,349	48,546	49,591

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS...cont'd

Balance Sheet

(Rs mn)	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Total Cash And Equivalents	136,951	152,627	159,995	174,540	186,132
Total Debtors	27,034	36,744	40,190	44,061	50,583
Inventories	14,438	14,576	18,839	21,320	23,711
Total Other Current Assets	14,147	9,333	12,000	13,500	15,000
Total Current Assets	192,570	213,281	231,024	253,421	275,425
Fixed Assets	63,145	65,507	64,426	64,433	63,990
Total Investments					
Intangible Assets					
Total Other Non-Current Assets					
Total Non-current Assets	63,145	65,507	64,426	64,433	63,990
Short-term Debt					
Current Portion of Long-Term Debt					
Total Creditors	55,282	55,661	60,677	66,959	70,421
Other Current Liabilities	16,224	20,375	18,500	19,800	20,800
Total Current Liabilities	71,506	76,037	79,177	86,759	91,221
Total Long-term Debt					
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities					
Total Non-current Liabilities					
Total Provisions	4,348	3,115	3,115	3,115	3,115
Total Liabilities	75,854	79,151	82,292	89,873	94,336
Shareholders Equity	179,862	198,069	213,158	227,981	245,079
Minority Interests					
Total Equity	179,862	198,069	213,158	227,981	245,079

Key Ratios

	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Revenue Growth	10.8%	8.8%	12.5%	13.2%	11.2%
Operating EBITDA Growth	31.7%	11.6%	13.1%	13.0%	10.7%
Operating EBITDA Margin	14.0%	14.4%	14.5%	14.5%	14.4%
Net Cash Per Share (Rs)	685.10	763.14	799.97	872.70	930.66
BVPS (Rs)	899.76	990.34	1,065.79	1,139.90	1,225.40
Gross Interest Cover					
Effective Tax Rate	23.8%	24.8%	25.0%	25.0%	25.0%
Net Dividend Payout Ratio	67.8%	71.5%	71.0%	74.8%	73.7%
Accounts Receivables Days	26.81	28.56	30.63	29.64	29.94
Inventory Days	18.87	17.85	18.17	19.29	19.41
Accounts Payables Days	67.09	68.25	63.26	61.30	59.22
ROIC (%)	60.2%	81.1%	86.5%	88.0%	97.6%
ROCE (%)	30.5%	31.8%	33.3%	35.1%	36.2%
Return On Average Assets	16.9%	17.2%	18.1%	19.2%	19.8%

Key Drivers

	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
ASP (% chg, main prod./serv.)	5.0%	3.7%	3.6%	2.7%	3.8%
Unit sales grth (% , main prod./serv.)	5.5%	4.9%	8.5%	10.2%	7.1%

SOURCE: 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.