India

Neutral *(no change)*

Auto & Parts - Overall

3QFY25 results review

- Nearly 88% of our coverage stocks missed on 3QFY25 EBITDA estimates, with the only outliers being Ashok Leyland and Hero MotoCorp.
- Bloomberg consensus EBITDA upgrade was only in M&M. We maintain our estimates for Maruti Suzuki, Ashok Leyland, and Balkrishna Industries.
- Sharp underperformance of Nifty Auto Index witnessed in recent months. With valuations easing selectively, we upgraded Bajaj Auto & SAMIL to ADD rating.

3QFY25 results summary

The EBITDA miss trend accelerated, as nearly 88% of our coverage stocks missed our estimates vs. 80% in the previous quarter (Sep 2024). The miss was across auto component companies. The beat was only in Ashok Leyland and Hero MotoCorp. Gross margin & EBITDA margin continued to ease from their recent peaks (Figs.3 & 4). Sales momentum eased sharply yoy, as 40% of our coverage universe recorded low single-digit growth/ decline in sales. Management commentaries for 4QFY25F are encouraging and rural demand seems to be improving better compared to urban. Concerns over dealer inventory have eased from their peak.

Earnings upgrade is scarce

We have cut volume estimates across our coverage universe and the only upgrade is in the case of TVS Motor Company. The major volume cut is for Tata Motors. The major EBITDA cut in our estimates is for Tata Motors, Bharat Forge, Maruti Suzuki, Eicher Motors, and Hyundai Motor India. Our FY25F-26F EBITDA upgrade is only in the case of Mahindra & Mahindra or M&M and TVS Motor Company. M&M also witnessed an upgrade from Bloomberg or BB consensus. Auto component companies witnessed major cut vs. OEMs.

Retain our Neutral stance with select stocks' rating upgrade

The sharp sell-off in the Nifty Auto Index in recent months (4% in 1M and 14% in 3M) disappoints. The underperformance of Nifty Auto Index vs. Nifty-50 Index was sharper than our expectation (from our downgrade of the sector's rating to Neutral in May 2024). Forward P/E valuation eased below the 10-year mean level, while the ingredients for demand recovery are being sowed in the form of easing interest rates and improved disposable incomes via the recent cut in income-tax rates. We have upgraded Bajaj Auto in the OEM space and Samvardhana Motherson International or SAMIL in the auto component segment to an ADD rating. Hero MotoCorp is our preferred OEM because of valuation comfort, followed by Maruti Suzuki and Ashok Leyland for volume growth recovery. Key REDUCE-rated stocks are Tata Motors, TVS Motor Company, and Escorts Kubota due to their rich valuations. In the auto ancillary segment, we have an ADD rating on Bharat Forge, Endurance Technologies, and Balkrishna Industries, and a REDUCE rating on Bosch, Apollo Tyres, and Exide Industries.

Highlighted Companies

Bajaj Auto

ADD, TP Rs10590, Rs8447 close

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

Hyundai Motor India

REDUCE, TP Rs1414, Rs1811 close

We feel the volume underperformance & market share pressure will prolong. The INR depreciation to impact the EBITDA margin as the company is a net importer.

Samvardhana Motherson International

ADD, TP Rs152, Rs128 close

With the US easing its tariff stance, we feel that SAMIL, having a global presence, is better positioned to hand-hold its customers for local-local manufacturing with limited supply chain disruption. We upgrade our rating on SAMIL to ADD (from HOLD earlier).

Summary Valuation Metrics

P/E (x)	Mar25-F	Mar26-F	Mar27-F
Bajaj Auto	27.8	23.3	20.9
Hyundai Motor India	27.0	24.4	22.8
Samvardhana Motherson International	26.2	19.8	15.9

P/BV (x)	Mar25-F	Mar26-F	Mar27-F
Bajaj Auto	8.5	7.6	6.6
Hyundai Motor India	10.8	8.7	7.3
Samvardhana Motherson International	2.7	2.4	2.1

Dividend Yield	Mar25-F	Mar26-F	Mar27-F
Bajaj Auto	2.4%	2.8%	2.8%
Hyundai Motor India	1.7%	1.8%	2.2%
Samvardhana Motherson International	0.9%	1.2%	1.6%

Research Analyst(s)

Pramod AMTHE
T (91) 22 4161 1541
E pramod.amthe@incredresearch.com
Ravi GUPTA
T (91) 02241611552
E ravi.gupta@incredresearch.com

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

(Rs m)	Revenue	YoY %	QoQ %	Gross Margin	YoY	QoQ
Ashok Leyland	94,787	2%	2%	28.5%	*76*	*(30)*
Bajaj Auto	1,28,069	6%	-2%	29.7%	*(24)*	*2*
Eicher Motors	49,731	19%	17%	46.5%	*(90)*	*(139)*
Hero MotoCorp	1,02,108	5%	-2%	33.6%	*156*	*94*
Hyundai India	1,66,480	-1%	-4%	26.8%	*18*	*(63)*
Mahindra & Mahindra	3,05,382	21%	11%	26.5%	*96*	*(22)*
Maruti Suzuki	3,84,921	16%	3%	29.0%	*(69)*	*30*
Tata Motors	11,32,970	2%	12%	38.5%	*47*	*7*
TVS Motor Company	90,971	10%	-1%	27.2%	*211*	*(4)*
Escorts Kubota	29,354	8%	30%	31.9%	*(57)*	*(344)*
Apollo Tyres	94,787	2%	8%	46.1%	*(513)*	*(324)*
Balkrishna Industries	25,716	11%	4%	58.8%	*41*	*(13)*
Bharat Forge	20,959	-7%	-7%	59.7%	*185*	*72*
Bosch Ltd	44,657	6%	2%	34.5%	*(259)*	*20*
Exide Industries	38,486	0%	-10%	34.3%	*49*	*44*
SAMIL	2,76,659	8%	-1%	43.6%	*217*	*133*
Endurance Technologies	28,592	12%	-2%	42.7%	*301*	*71*

SOURCE: INCRED RESEARCH, COMPANY REPORTS

3QFY25 results review

Gross and EBITDA margin trend in 3QFY25

Gross margin qoq expansion was seen in the case of most companies in our coverage universe (53%) and yoy expansion (65%). Most companies stated easing commodity costs as the key reason for this. The long-term gross margin trend indicates marginal weakness since the Mar 2024 peak level.

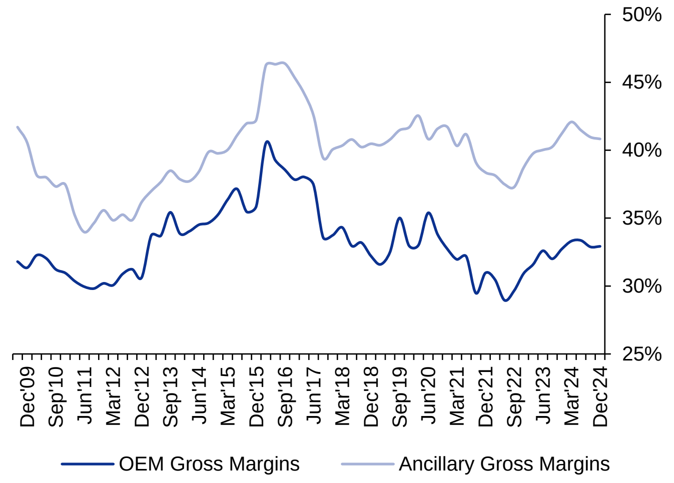
High year-end dealer discounts helped clear dealer-level inventory. Managements have been slow to take price hikes in the new calendar year and the hikes undertaken were marginal in nature. The price hike needed in tyres to compensate for the rubber cost spike was steep in the case of auto component makers. The EBITDA margin for OEMs saw a steep decline as compared to our auto component universe (Fig. 4).

Figure 2: 3QFY25 results analysis versus our expectations and future earnings revision

(Rs m)	Revenue	YoY%	QoQ%	EBITDA	YoY%	QoQ%	Adjusted PAT	YoY%	QoQ%	EBITDA miss/ beat	EPS miss/ beat	FY25F-27F EBITDA change	FY25F-27F EPS change
Ashok Leyland	94,787	2%	8%	12,114	9%	19%	7,617	31%	17%	19.4%	23.0%	-2 to -6%	-2 to -5%
Bajaj Auto	1,28,069	6%	-2%	25,807	6%	-3%	21,087	3%	-5%	-4.8%	-7.3%	-2 to -7%	-4 to -8%
Eicher Motors	49,731	19%	17%	12,012	10%	10%	11,705	18%	6%	-6.4%	-0.6%	-5 to -6%	-1%
Escorts Kubota	29,354	8%	30%	3,353	4%	44%	2,904	8%	37%	-8.1%	-2.1%	NA	NA
Hero MotoCorp	1,02,108	5%	-2%	14,765	8%	-3%	12,028	19%	0%	1.2%	8.7%	+1 to -6%	+1 to -2%
Hyundai India	1,86,408	-2%	-3%	18,755	-14%	-15%	11,607	-19%	-16%	-13.7%	-20.4%	-4 to -8%	-2 to -7%
Mahindra	3,05,382	21%	11%	44,681	38%	13%	30,481	24%	-19%	-2.1%	-0.8%	+2%	+2%
Maruti Suzuki	3,84,921	16%	3%	44,703	14%	1%	35,250	13%	-10%	-1.5%	-2.8%	-5 to -7%	-2 to -5%
Tata Motors	11,32,970	2%	12%	1,55,270	-14%	6%	51,842	-28%	82%	-10.8%	-9.1%	-5 to -17%	+5 to -8%
TVS Motor Company	90,971	10%	-1%	10,815	17%	0%	6,596	27%	0%	-0.4%	5.7%	+1 to +4%	+8 to +12%
Apollo Tyres	69,280	5%	8%	9,470	-22%	8%	3,413	-33%	13%	-14.2%	-21.0%	-2 to -7%	0 to -7%
Balkrishna Industries	25,716	11%	4%	6,301	7%	2%	4,394	42%	26%	-3.9%	13.7%	Retained	Retained
Bharat Forge	20,959	-7%	-7%	6,098	-8%	-2%	3,470	-12%	0%	-2.2%	-7.0%	-5 to -7%	-5 to -12%
Bosch Ltd.	44,657	6%	2%	5,826	1%	4%	5,053	10%	4%	-7.2%	-0.6%	Retained	Retained
Exide Industries	38,486	0%	-10%	4,486	2%	-7%	2,450	2%	-18%	-5.3%	-7.0%	NA	NA
Endurance Technologies	28,592	12%	-2%	3,725	25%	-2%	1,844	21%	-9%	-5.7%	-13.2%	-2 to -5%	-5 to -9%
SAMIL	2,76,659	8%	-1%	26,858	13%	10%	8,786	20%	18%	-1.5%	-4.8%	-2%	-4 to -6%

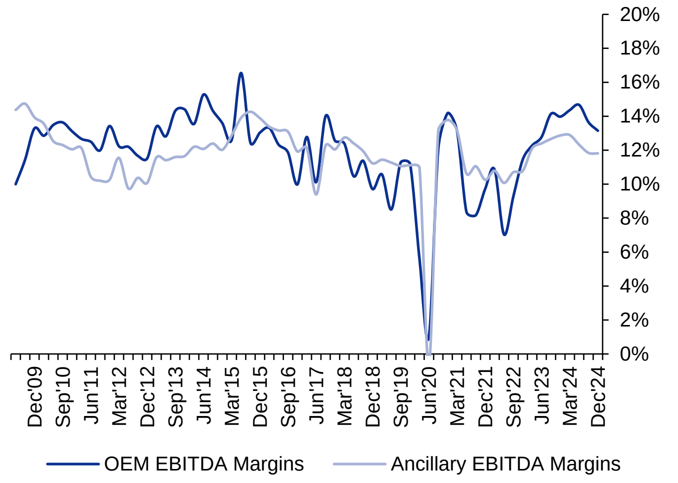
SOURCE: INCRED RESEARCH, COMPANY REPORTS

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



SOURCE: ACE EQUITY, INCRED RESEARCH, COMPANY REPORTS

Figure 4: Industry EBITDA margin moderates



SOURCE: ACE EQUITY, INCRED RESEARCH, COMPANY REPORTS

Bloomberg consensus EBITDA/EPS upgrades/downgrades

Major FY25F-26F EBITDA Bloomberg consensus upgrade was in M&M, while the estimates have been maintained for Maruti Suzuki, Ashok Leyland and Balkrishna Industries. The rest of the pack witnessed consensus EBITDA cut, with a major cut happening for Escorts Kubota, Bharat Forge, Tata Motors, Bosch, and SAMIL. Auto component companies witnessed major cut vs. OEMs for the quarter.

Figure 5: Bloomberg consensus estimate changes for Jan-Feb 2025

Bloomberg Consensus Estimates	FY25F EPS (Rs)		FY25F EPS change %	FY26F EPS (Rs)		FY26F EPS change %	FY25F EBITDA (Rs m)		FY25F EBITDA change %	FY26F EBITDA (Rs m)		FY26F EBITDA change %
	01-Jan-25	18-Feb-25		01-Jan-25	18-Feb-25		01-Jan-25	18-Feb-25		01-Jan-25	18-Feb-25	
Ashok Leyland	10.2	10.3	0.8%	11.6	11.6	0.3%	47,940	47,755	-0.4%	53,157	52,981	-0.3%
Bajaj Auto	315.2	302.1	-4.1%	370.3	350.8	-5.3%	1,06,395	1,02,718	-3.5%	1,25,063	1,18,834	-5.0%
Eicher Motors	167.2	164.3	-1.7%	187.1	185.0	-1.1%	48,673	47,437	-2.5%	55,302	54,276	-1.9%
Escorts Kubota	108.5	99.4	-8.4%	121.5	110.0	-9.5%	14,100	12,835	-9.0%	15,796	14,944	-5.4%
Hero MotoCorp	239.7	239.7	0.0%	262.0	262.0	0.0%	60,163	59,342	-1.4%	66,734	65,626	-1.7%
Mahindra & Mahindra	102.1	101.9	-0.2%	116.5	117.7	1.0%	1,61,992	1,66,934	3.1%	1,85,183	1,91,090	3.2%
Maruti Suzuki	458.4	462.7	1.0%	520.2	523.1	0.6%	1,83,933	1,84,186	0.1%	2,07,339	2,08,023	0.3%
Tata Motors	59.5	59.0	-0.8%	70.6	67.4	-4.6%	6,31,540	5,97,888	-5.3%	7,09,727	6,51,267	-8.2%
TVS Motor Company	56.1	54.7	-2.4%	69.4	68.6	-1.1%	43,313	42,761	-1.3%	52,172	51,599	-1.1%
Apollo Tyres	24.9	22.0	-11.7%	31.8	29.4	-7.5%	37,422	36,212	-3.2%	42,849	41,684	-2.7%
Balkrishna Industries	85.1	87.7	3.0%	104.3	103.4	-0.9%	25,282	25,520	0.9%	30,767	30,059	-2.3%
Bharat Forge	29.8	25.8	-13.3%	38.8	33.2	-14.5%	30,454	28,059	-7.9%	35,729	32,035	-10.3%
Bosch Ltd	693.5	677.5	-2.3%	809.7	774.2	-4.4%	24,347	23,334	-4.2%	28,674	26,560	-7.4%
Endurance Technologies	60.8	59.1	-2.8%	77.5	74.5	-3.9%	15,963	15,593	-2.3%	19,422	18,849	-3.0%
Exide Industries	14.1	13.4	-4.8%	16.6	15.5	-6.7%	20,619	19,878	-3.6%	23,812	22,729	-4.5%
SAMIL	5.8	5.5	-6.4%	7.5	7.0	-7.4%	1,13,309	1,08,627	-4.1%	1,28,563	1,21,195	-5.7%

SOURCES: BLOOMBERG, INCRED RESEARCH, COMPANY REPORTS

Management conference-call highlights for the sector/various companies

Demand outlook ➤

- Management commentaries were positive as the government's income-tax rate relief and interest rate cut are likely to drive demand on a like-to-like period basis. ASP was flat across the universal product line. Truck demand showed an improvement in Jan 2025. Tractor demand recovered sharply.
- The withdrawal of discounts has been slow post-festive season. The key things to watch out for are price hikes and demand. Rural demand growth was better than urban growth by 200-300bp for the quarter. All hopes are on the marriage season demand and a revival in government infrastructure projects.
- International demand was stronger than expected in the case of OEMs while it was soft for auto component companies in 3QFY25. The trend is likely to sustain in the near future.

Company-wise management commentary

- **Ashok Leyland**: The medium and heavy commercial vehicle or MHCV market share in 9MFY25 stood at 30.4%, and management has set a goal of 35% for the medium term. Ashok Leyland's market share in the 2-4t segment was 18.5% in 9MFY25 with the launch of SAATHI, its first offering in the entry-level mini-truck segment. The company plans to raise it to 20% in the short term and 25% in the medium term. 3Q also proved to be a milestone quarter as it topped 1,000 MHCV touchpoints and 800 light commercial vehicle or LCV touchpoints. At the end of 3QFY25, Switch Mobility had orders for more than 1,800 buses, including an export order for 100 buses from Mauritius. To support the capital adequacy needs of Hinduja Leyland Finance and capex of Switch Mobility, further investments of Rs2bn and Rs5bn, respectively, have been approved by the company's board.
- **Apollo Tyres:** Management stated that is seeing early signs of green shoots in the European market, primarily in passenger vehicle and bus/truck radial segments. Apollo Tyres aims to drive growth in the export business led by geographic expansion, primarily in the US and the Middle East. India business witnessed flat performance led by a 5% yoy growth in the replacement market volume, which was offset by a 10% yoy decline in OEM volume. Management expects the replacement market volume to continue its growth while the OEM volume is likely to remain flat. On a consolidated basis, the company incurred a capex of Rs5bn YTD, and, for the full year, it is expected to moderate below the planned capex of Rs10bn. The raw material basket, which saw a 2% sequential growth, is likely to remain rangebound in 4QFY25F.
- **Bajaj Auto:** Management's efforts to expand product offerings, and the new assembly plant in Latin America have helped this region to emerge as the leading export region in recent times. While the African market holds promise

to bounce back due to crude oil prices improving and currency stability, the diversification of export mix, we feel, will reduce volatility in export volume. With INR depreciation in recent quarters, Bajaj Auto, being a large exporter of 2- & 3-wheelers, is well positioned to get profit benefit, as seen in the past trend.

- **Balkrishna Industries:** Management gave guidance of a minimal revenue growth in FY25F, as the European demand faces challenges while America and India markets continue to witness growth. Revenue contribution from the carbon black business is currently below 10% of the total income. Advanced carbon black production commenced in Sep 2024, and the product is undergoing testing at end-customers. Capex incurred was Rs9.7bn in 9MFY25, and FY26F capex guidance stands at Rs10-12bn. In India, Balkrishna Industries holds a 6-7% overall market share in the off-highway tyre market, including a 10% share in the agricultural segment and a 3-4% share in industrial and mining segments.
- **Bharat Forge:** Management indicated sustained weakness in the European market while it is hopeful of demand revival in the US market. In India, passenger vehicles or (PVs) and commercial vehicles (CVs) continue to remain on the growth path led by new customer acquisition and the government's push to the infrastructure sector. The industrial division is witnessing growth in aerospace and oil and gas segments, which was largely offset by high horsepower engine and railway segments. Management said the company has won a prestigious order for manufacturing landing gear for a European defence aircraft company, and the plant to start operations in FY27F.
- **Bosch Ltd**: 3Q sales growth was driven by superior growth in the aftermarket segment (8.8%), two-wheeler segment (24%) and consumer goods segment (8.8%). However, slow growth in OEM sales dragged corporate sales growth to a mere 5%. Seasonality led to easing raw material costs and a rise in other expenses qoq. The consumer goods division's EBIT collapsed 60% qoq due to weak demand situation at the end of the calendar year. The sale of building technologies business, having Rs4bn sales per annum and a 6% profit margin, for a consideration of Rs5.95bn has been approved.
- **Eicher Motors**: Management indicated that middleweight motorcycles (250cc-750cc) continue to outperform the broader market. The company's market share in India's two-wheeler segment touched 10.5% in 3QFY25. Out of its revenue, 0.9% was spent the on-the-ground marketing activation, which impacted its EBITDA margin. Exports surged 71% yoy in 3Q led by strong demand in the UK, Italy, North America and Brazil. Brazil & Thailand CKD operations to drive future growth. EV production is set to commence in 1QFY26F, with an annual capacity of 1,50,000 units.
- **Endurance Technologies**: Management highlighted weak demand scenario in Europe as automobile sales in 3Q remained flat yoy, while the acquisition of Stoferle will improve the company's position with German OEMs and enhance automation expertise. Endurance Technologies plans to commence a four-wheeler (4W) die-casting plant in Jun 2025F and has already secured Rs2.2bn worth of orders from two large global OEMs. It has partnered with the BWI group for manufacturing four-wheeler brakes by the end of FY26F. So far in FY25F, the company won Rs7.8bn worth of new orders, with 50% from the electric vehicle or EV space & 40% from four-wheelers.
- **Hero MotoCorp:** Management gave guidance of double-digit revenue growth in FY25F. The rural mix improved by 3% for the quarter on the back of faster growth vs. urban markets. In 3Q, retail market share expanded by 520bp qoq to 32.8%. VIDA V2 and V2 LITE launched to expand EV offerings; transition from V1 to V2 impacted 3Q sales, but growth expected going ahead. In the EV business, it made an investment of Rs.1.37bn. Parts business revenue touched Rs15.55bn, up 9% yoy, driven by strong demand for tyres, batteries, and oils. Subsidiary Hero FinCorp's loan book stood at Rs555bn, up 13% yoy, while credit costs at 6% were up 150bp due to higher delinquencies in the personal loan segment. Export business in 9MFY25 saw a growth of 40% yoy.

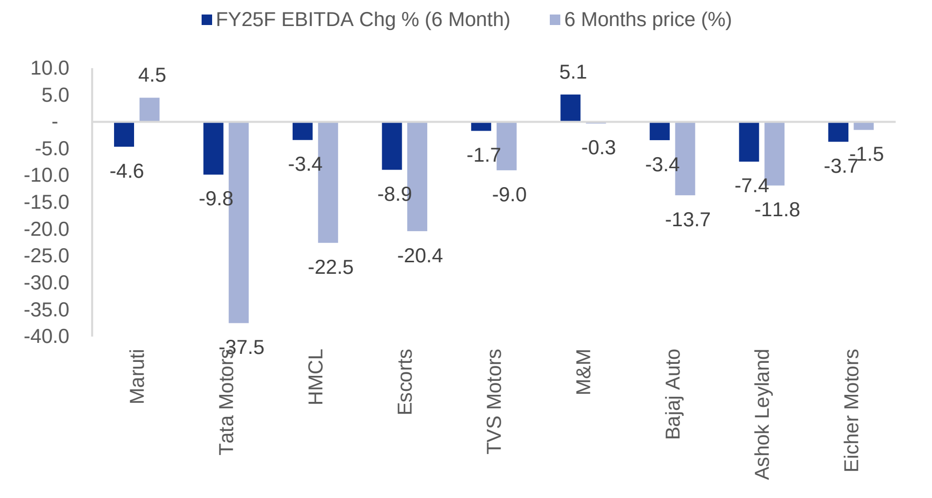
- **Mahindra and Mahindra (M&M):** Management remains positive on the domestic sports utility vehicle or SUV segment while exports are likely to remain under pressure. M&M has gained market share in the tractor segment driven by new product launches and demand recovery, South and North India regions are likely to drive future growth. M&M plans to improve the production capacity (by Jul 2025F) of its Mahindra 3XO and Thar Roxx models by 1,500 units per month each due to strong demand. Management's endeavour is to sell 5,000 units per month of newly launched electric vehicles BE6 and XEV 9e. In 9MFY25, the company implemented a 0.7% price hike. In Jan 2025 alone, the prices were raised by 0.8%.
- **Maruti Suzuki:** The sustained rise in export volume throughout CY24 helped in the exit of December month at a high level of 20% export mix. India, being the Suzuki and Toyota electric vehicle or EV production centre for their first EV, E-Vitara, management plans to further improve the export volume and value growth. The company plans to emerge as the top producer of EVs in India in FY26F. The rural segment provided a 15% yoy growth in 3Q, which accounts for nearly 50% of Maruti Suzuki's sales. With a 0.3% blended price hike, management is hopeful of sustaining the current EBITDA margin.
- **Samvardhana Motherson International (SAMIL):** Management cut its capex guidance by 10% for FY25F to Rs45bn due to slowdown in the global premium car segment and also in developed nations. The company made two acquisitions and formed two new joint ventures during the quarter. The first plant (consumer electronics) started operations during the quarter, and two more plants are likely to commence operations in 1QFY26F and FY27F, respectively. In the aerospace division, revenue is likely to flow in from 1QFY26F. With global tensions easing, management expects lower supply chain disruption to result in lower working capital requirement.
- **Tata Motors:** The company cut JLR's FY25F guidance slightly by 3% in respect of sales & by 200bp on the RoCE front to 20% to factor in China challenges. Adjusted for production-linked incentive, the car division's EBITDA margin rose by 30bp qoq to 6.5% and that of the truck division by 90bp to 11.7%. Management is hopeful of single-digit industry growth in India truck & car segments. The Range Rover EV launch to drive FY26F volume, for which warranty & emission compliance costs to remain high in the short term.
- **TVS Motor Company**: In 9MFY25, two-wheeler or 2W retail sales grew by 9% yoy, with rural markets expanding by 10% yoy, while urban market growth lagged slightly. Management expects the growth momentum to sustain in 4QFY25F. The e-bike business faces challenges due to economic conditions in Europe. Norton's first product is expected to be launched by the end of FY25F, with additional products planned for early FY26F. The company's planned capex for FY25F stands at Rs13bn, with Rs3.4bn incurred in 3QFY25. Total investments in 9MFY25 amounted to Rs14bn and are projected to touch Rs17bn by the year-end.

Stock performance and valuations

The sharp 4% correction in Nifty Auto Index of late, and 14% in the last six months, displays a sharp underperformance when compared to Nifty-50 index. The stocks that provided absolute returns in recent months were just Ashok Leyland, Maruti Suzuki, and TVS Motor Company. Big underperformers in the last one-to-three-month period were Escorts Kubota, SAMIL, Tata Motors, Bharat Forge, Endurance Technologies and Bosch.

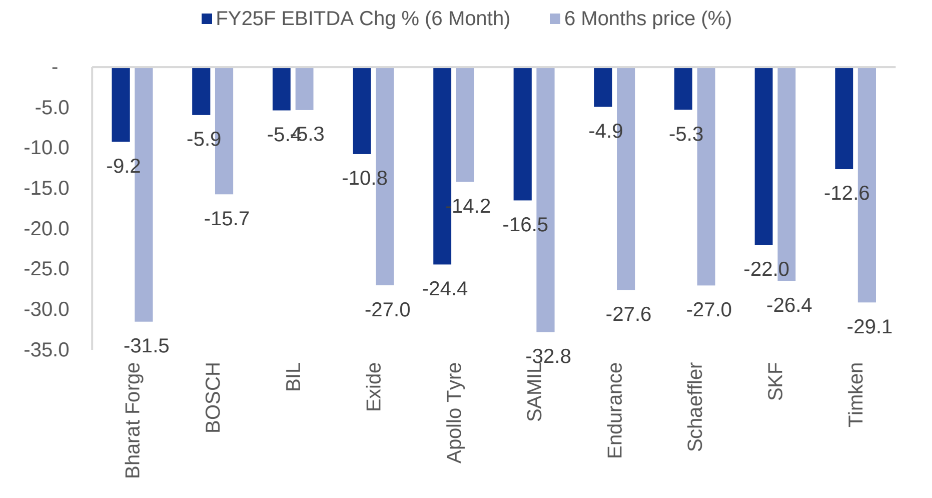
The sustained correction in Nifty Auto index from its Sep 2024 peak has eased the one-year forward P/E valuation to below the mean level, resulting in sharp EBITDA cuts ranging from 2-25% in the last six months. With valuation comfort improving, we have started upgrading individual stocks where the valuation comfort has improved and structural drivers are emerging, like Bajaj Auto and SAMIL.

Figure 6: FY25F BB consensus EBITDA changes vs. six-month price performance of OEMs



SOURCE: BLOOMBERG, INCRED RESEARCH, COMPANY REPORTS

Figure 7: FY25F EBITDA changes vs. six-month price performance of auto component companies



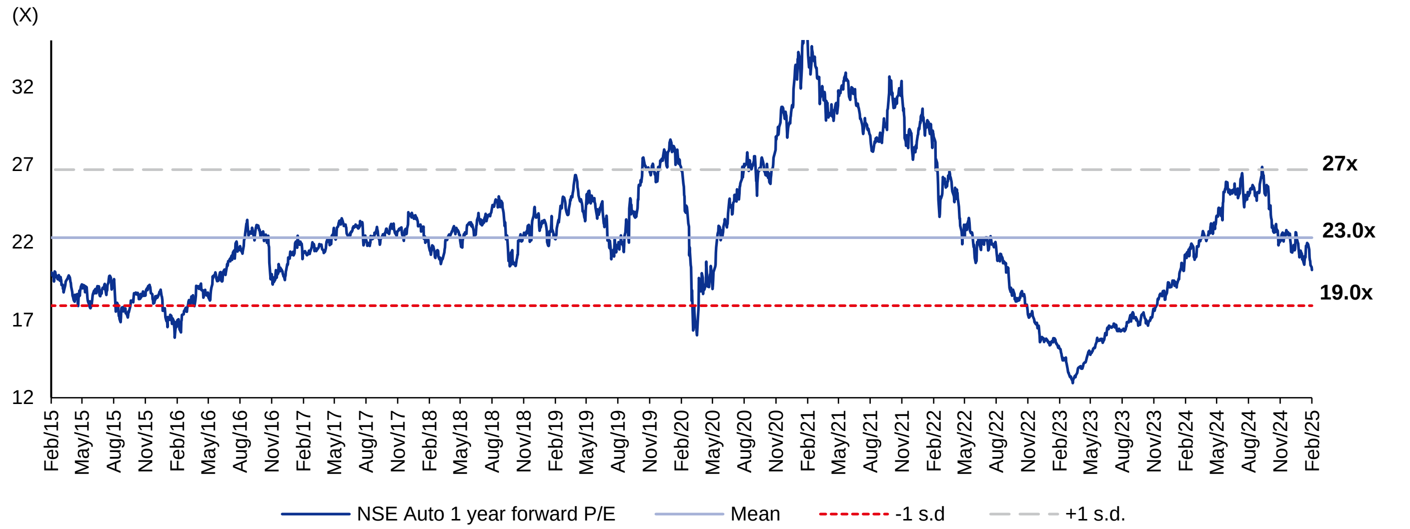
SOURCE: BLOOMBERG, INCRED RESEARCH, COMPANY REPORTS

Figure 8: Valuation summary of our coverage universe

Company Name	Reco	CMP	Target Price	Market Capital	Market Capital	EPS (Rs)		P/E (x)		P/BV (x)		EV/EBITDA (x)	Dividend Yield (%)	Upside/ Downside%	ROE
		Rs	Rs	(Rs m)	(US$ m)	FY25F	FY26F	FY25F	FY26F	FY25F	FY26F	FY25F	FY25F		FY25F
Maruti Suzuki	ADD	12,785	14,261	40,19,698	46,465	482	543	26.5	23.5	3.8	3.4	17.7	1.3%	11.5%	16.0%
Tata Motors	REDUCE	678	661	25,98,243	30,034	55	73	12.2	9.3	2.4	2.0	4.6	0.9%	-2.5%	21.7%
Hero MotoCorp	ADD	3,844	5,525	7,67,951	8,877	237	270	16.2	14.2	3.9	3.6	10.6	4.2%	43.7%	25.2%
Mahindra & Mahindra	HOLD	2,778	3,205	30,84,607	35,656	110	117	25.3	23.8	5.0	4.3	13.9	0.9%	15.4%	21.5%
Escorts Kubota	REDUCE	2,971	3,010	3,28,251	3,794	102	126	29.1	23.6	3.2	2.6	23.6	0.5%	1.3%	11.7%
Bajaj Auto	ADD	8,453	10,590	23,59,895	27,279	304	363	27.8	23.3	8.5	7.6	20.9	2.4%	25.3%	32.2%
Ashok Leyland	ADD	219	265	6,41,700	7,418	10	12	21.5	17.8	6.2	5.3	13.5	2.5%	21.2%	31.3%
Eicher Motors	HOLD	4,725	5,197	12,91,315	14,927	158	174	29.8	27.2	6.8	5.9	24.5	1.2%	10.0%	23.5%
TVS Motor Company	REDUCE	2,365	1,901	11,23,421	12,986	52	55	45.3	42.9	14.2	11.2	27.0	0.4%	-19.6%	31.8%
Endurance Technologies	ADD	1,825	2,498	2,56,752	2,968	59	80	31.1	22.8	4.6	3.9	16.3	0.7%	36.9%	15.6%
Hyundai Motors India	REDUCE	1,825	1,414	13,04,100	15,000	67	74	27.2	24.6	10.9	8.7	12.8	0.0%	-22.5%	18.5%
Balkrishna Industries	ADD	2,636	3,517	5,09,568	5,890	86	100	30.7	26.3	5.0	4.4	19.7	0.7%	33.4%	17.4%
Exide Industries	REDUCE	355	395	3,02,005	3,491	13	16	26.4	22.6	2.2	2.1	14.9	2.1%	11.2%	8.5%
Bharat Forge	ADD	1,059	1,407	4,93,310	5,702	26	32	41.0	33.2	4.2	3.7	18.3	1.0%	32.8%	12.2%
Apollo Tyres	REDUCE	412	353	2,61,947	3,028	22	24	19.0	17.0	1.8	1.6	7.3	1.5%	-14.4%	9.6%
Bosch Ltd	REDUCE	26,897	26,379	7,93,188	9,169	649	722	41.5	37.2	6.2	6.0	30.0	1.7%	-1.9%	15.5%
SAMIL	ADD	126	152	8,54,369	9,876	5	6	25.7	19.5	2.7	2.3	8.8	1.0%	20.6%	11.6%

NOTE: VALUATION MULTIPLE OF M&M IS ADJUSTED FOR SUBSIDIARY VALUE OF RS693/SHARE
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 9: NSE auto one-year forward P/E is below the mean level



SOURCE: BLOOMBERG, INCRED RESEARCH, COMPANY REPORTS

InCred Equities

DISCLAIMER

This report (including the views and opinions expressed therein, and the information comprised therein) has been prepared by Incred Research Services Private Ltd. (formerly known as Earnest Innovation Partners Private Limited) (hereinafter referred to as "IRSPL"). IRSPL is registered with SEBI as a Research Analyst vide Registration No. INH000011024. Pursuant to a trademark agreement, IRSPL has adopted "Incred Equities" as its trademark for use in this report.

The term "IRSPL" shall, unless the context otherwise requires, mean IRSPL and its affiliates, subsidiaries and related companies. This report is not directed or intended for distribution to or use by any person or entity resident in a state, country or any jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject IRSPL and its affiliates/group companies to registration or licensing requirements within such jurisdictions.

This report is being supplied to you strictly on the basis that it will remain confidential. No part of this report may be (i) copied, photocopied, duplicated, stored or reproduced in any form by any means; or (ii) redistributed or passed on, directly or indirectly, to any other person in whole or in part, for any purpose without the prior written consent of IRSPL.

The information contained in this report is prepared from data believed to be correct and reliable at the time of issue of this report.

IRSPL is not required to issue regular reports on the subject matter of this report at any frequency and it may cease to do so or change the periodicity of reports at any time. IRSPL is not under any obligation to update this report in the event of a material change to the information contained in this report. IRSPL has not any and will not accept any, obligation to (i) check or ensure that the contents of this report remain current, reliable or relevant; (ii) ensure that the content of this report constitutes all the information a prospective investor may require; (iii) ensure the adequacy, accuracy, completeness, reliability or fairness of any views, opinions and information, and accordingly, IRSPL and its affiliates/group companies (and their respective directors, associates, connected persons and/or employees) shall not be liable in any manner whatsoever for any consequences (including but not limited to any direct, indirect or consequential losses, loss of profits and damages) of any reliance thereon or usage thereof.

Unless otherwise specified, this report is based upon reasonable sources. Such sources will, unless otherwise specified, for market data, be market data and prices available from the main stock exchange or market where the relevant security is listed, or, where appropriate, any other market. Information on the accounts and business of company(ies) will generally be based on published statements of the company(ies), information disseminated by regulatory information services, other publicly available information and information resulting from our research. While every effort is made to ensure that statements of facts made in this report are accurate, all estimates, projections, forecasts, expressions of opinion and other subjective judgments contained in this report are based on assumptions considered to be reasonable as of the date of the document in which they are contained and must not be construed as a representation that the matters referred to therein will occur. Past performance is not a reliable indicator of future performance. The value of investments may go down as well as up and those investing may, depending on the investments in question, lose more than the initial investment. No report shall constitute an offer or an invitation by or on behalf of IRSPL and its affiliates/group companies to any person to buy or sell any investments.

The opinions expressed are based on information which is believed to be accurate and complete and obtained through reliable public or other non-confidential sources at the time made (information barriers and other arrangements may be established, where necessary, to prevent conflicts of interests arising. However, the analyst(s) may receive compensation that is based on his/their coverage of company(ies) in the performance of his/their duties or the performance of his/their recommendations. In reviewing this report, an investor should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest. Additional information is, subject to the duties of confidentiality, available on request.

The report is not a "prospectus" as defined under Indian Law, including the Companies Act, 2013, and is not, and shall not be, approved by, or filed or registered with, any Indian regulator, including any Registrar of Companies in India, SEBI, any Indian stock exchange, or the Reserve Bank of India. No offer, or invitation to offer, or solicitation of subscription with respect to any such securities listed or proposed to be listed in India is being made, or intended to be made, to the public, or to any member or section of the public in India, through or pursuant to this report.

The research analysts, strategists or economists principally responsible for the preparation of this research report are segregated from the other activities of IRSPL. Information barriers and other arrangements have been established, as required, to prevent any conflicts of interests.

The research analysts, strategists or economists principally responsible for the preparation of this research report are segregated from the other activities of IRSPL. Information barriers and other arrangements have been established, as required, to prevent any conflicts of interests.

IRSPL may have issued other reports (based on technical analysis, event specific, short-term views, etc.) that are inconsistent with and reach a different conclusion from the information presented in this report.

Holding of Analysts/Relatives of Analysts, IRSPL and Associates of IRSPL in the covered securities, as on the date of publishing of this report

Research Analyst or his/her relative(s) or InCred Research Services Private Limited or our associate may have any financial interest in the subject company.

Research Analyst or his/her relatives or InCred Research Services Limited or our associates may have actual or beneficial ownership of 1% or more securities of the subject company(ies) at the end of the month immediately preceding the date of publication of the Research Report.

Research Analyst or his/her relative or InCred Research Services Private Limited or our associate entities may have any other material conflict of interest at the time of publication of the Research Report.

In the past 12 months, IRSPL or any of its associates may have:

a) Received any compensation/other benefits from the subject company,
b) Managed or co-managed public offering of securities for the subject company,
c) Received compensation for investment banking or merchant banking or brokerage services from the subject company,
d) Received compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company

We or our associates may have received compensation or other benefits from the subject company(ies) or third party in connection with the research report.

Research Analyst may have served as director, officer, or employee in the subject company.

We or our research analyst may engage in market-making activity of the subject company.

Analyst declaration

- The analyst responsible for the production of this report hereby certifies that the views expressed herein accurately and exclusively reflect his or her personal views and opinions about any and all of the issuers or securities analysed in this report and were prepared independently and autonomously in an unbiased manner.
- No part of the compensation of the analyst(s) was, is, or will be directly or indirectly related to the inclusion of specific recommendations(s) or view(s) in this report or based on any specific investment banking transaction.
- The analyst(s) has(have) not had any serious disciplinary action taken against him/her(them).
- The analyst, strategist, or economist does not have any material conflict of interest at the time of publication of this report.
- The analyst(s) has(have) received compensation based upon various factors, including quality, accuracy and value of research, overall firm performance, client feedback and competitive factors.

IRSPL and/or its affiliates and/or its Directors/employees may own or have positions in securities of the company(ies) covered in this report or any securities related thereto and may from time to time add to or dispose of, or may be materially interested in, any such securities.

IRSPL and/or its affiliates and/or its Directors/employees may do and seek to do business with the company(ies) covered in this research report and may from time to time (a) buy/sell the securities covered in this report, from time to time and/or (b) act as market maker or have assumed an underwriting commitment in securities of such company(ies), and/or (c) may sell them to or buy them from customers on a principal basis and/or (d) may also perform or seek to perform significant investment banking, advisory, underwriting or placement services for or relating to such company(ies) and/or (e) solicit such investment, advisory or other services from any entity mentioned in this report and/or (f) act as a lender/borrower to such company and may earn brokerage or other compensation. However, Analysts are forbidden to acquire, on their own account or hold securities (physical or uncertificated, including derivatives) of companies in respect of which they are compiling and producing financial recommendations or in the result of which they play a key part.
Registration granted by SEBI, membership of a SEBI recognized supervisory body (if any) and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors.

InCred Research Services Private Limited
Research Analyst SEBI Registration Number: INH000011024
Registered Office: Unit No 1203, 12th Floor, B Wing, The Capital, C-70, G Block, BKC, Bandra (E), Mumbai – 400051
Phone: +91-22-6844-6100
Corporate Office: 05th floor, Laxmi Towers, Plot No. C-25, G Block, Bandra – Kurla Complex, Bandra (East), Mumbai – 400051
Phone: +91-22-4161-1500
Name of the Compliance Officer: Mr. Yogesh Kadam
Email ID: compliance@incredresearch.com, Phone No: +91-22-41611539
For any queries or grievances, you may contact the Grievance Officer.
Name of the Grievance Officer: Mr. Rajarshi Maitra
Phone no. +91-022-41611546
Email ID: rajarshi.maitra@incredresearch.com
CIN: U74999MH2016PTC287535

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.