

India

April 03, 2025 - 2:40 PM

Neutral (no change)

Highlighted Companies

Bajaj Auto

ADD, TP Rs10590, Rs8073 close

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

Maruti Suzuki

ADD, TP Rs14261, Rs11716 close

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

Tata Motors

REDUCE, TP Rs661, Rs672 close

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

Summary Valuation Metrics

P/E (x)	Mar25-F	Mar26-F	Mar27-F
Bajaj Auto	26.6	22.2	20.0
Maruti Suzuki	25.7	21.6	19.9
Tata Motors	12.1	9.2	7.7

P/BV (x)	Mar25-F	Mar26-F	Mar27-F
Bajaj Auto	8.1	7.2	6.3
Maruti Suzuki	3.5	3.1	2.8
Tata Motors	2.4	2.0	1.6

Dividend Yield	Mar25-F	Mar26-F	Mar27-F
Bajaj Auto	2.5%	3.0%	3.0%
Maruti Suzuki	1.4%	1.6%	1.7%
Tata Motors	0.9%	1.2%	0.0%

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Autos

Mar 2025 auto sales volume performance

- Mar 2025 automobile shipments showed an improvement in tractor and two-wheeler or 2W segments, while Vahan retail sales still reported a yoy decline.
- Price hike fears in Apr 2025F seemed to have helped in passenger vehicle or PV retail sales growth yoy, while shipments are still weak.
- We maintain our Neutral sector rating, as domestic demand recovery hopes vs. US tariff impact are eagerly monitored.

Mar 2025 sales volume highlights

- **YoY growth leaders:** Eicher Motors (+30%), Mahindra & Mahindra or M&M (+28%), TVS Motor Company (+17%), Escorts Kubota (+15%), Hero MotoCorp (+12%). Ashok Leyland (+5%), Maruti Suzuki (+3), and Hyundai Motor India (+3). The YoY laggard was Tata Motors (-1%).
- **MoM growth leaders:** Hero MotoCorp (+42%), Ashok Leyland (+34%), Escorts Kubota (+32%), Tata Motors (+16%), Hyundai Motor India (+15%), Eicher Motors (+14%), M&M (+9%), Bajaj Auto (+5%), and TVS Motor Company (+3%). The MoM laggard was Maruti Suzuki (-3%).
- **Beat vs. our expectations:** Escorts Kubota (+24%), Hero MotoCorp (+10%), Tata Motors (+9%), TVS Motor Company (+9%), Ashok Leyland (+5%), and Hyundai Motor India (+4%).
- **Miss vs. expectations:** M&M (-14%), Bajaj Auto (-6%) & Eicher Motors (-4%).
- **Vahan retail sales:** Mar 2025 retail sales indicate a yoy fall in two-wheelers or 2Ws (-4%), electric vehicles or EVs (-8%) & tractors (-10%), while yoy car sales were up (+3%). In FY25, EVs saw double-digit yoy (+15%) growth in 2Ws (+8%) and in the car segment (+3%) it was in single digit; however, tractor sales fell (-2%). Consistent retail market share gain (as per Vahan database) in recent months was witnessed in the case of M&M tractors, Hero MotoCorp, Ashok Leyland & Tata Motors' PV division, while Maruti Suzuki lost marginally.

Retain Neutral sector rating as stock prices correct

- The last one-month recovery in Nifty Auto Index (+4.5%) is still an underperformance to broader Nifty-50 and Nifty-100 indices. A major bounce-back was seen in the case of auto component makers and high-beat OEMs.
- Forward P/E valuation remained below the 10-year mean level, while the ingredients for demand recovery are being sowed in the form of easing interest rates and improved disposable income via the recent cut in income-tax rates.
- We maintain our Neutral sector rating and look forward for management commentary on FY26F demand outlook and various companies' plans to gain market share. Our order of preference is Bajaj Auto, Maruti Suzuki, Ashok Leyland and Hero MotoCorp with an ADD rating. We maintain our REDUCE rating on Tata Motors, Hyundai Motor India & TVS Motor Company as the weakness in their sales volume is not fully captured by their valuations. We have a HOLD rating on Eicher Motors and M&M.

Figure 1: Monthly automobile wholesale dispatches

Company	Mar-2025	YoY %	MoM %	vs. forecast
Maruti Suzuki	1,92,984	3.1	(3.2)	(1.0)
Hyundai Motor India	67,320	2.6	14.6	3.6
Mahindra & Mahindra	1,18,828	28.3	8.8	(13.8)
Tata Motors	98,347	(1.0)	16.1	9.3
Bajaj Auto	3,69,823	1.1	5.0	(5.9)
Eicher Motors	1,12,450	30.3	13.9	(4.1)
Hero MotoCorp	5,49,604	12.1	41.6	9.9
TVS Motor	4,14,687	16.9	2.9	8.7
Ashok Leyland	24,060	5.2	34.4	5.2
Escorts Kubota	11,374	15.0	32.4	23.6

SOURCE: INCRED RESEARCH, COMPANY REPORTS

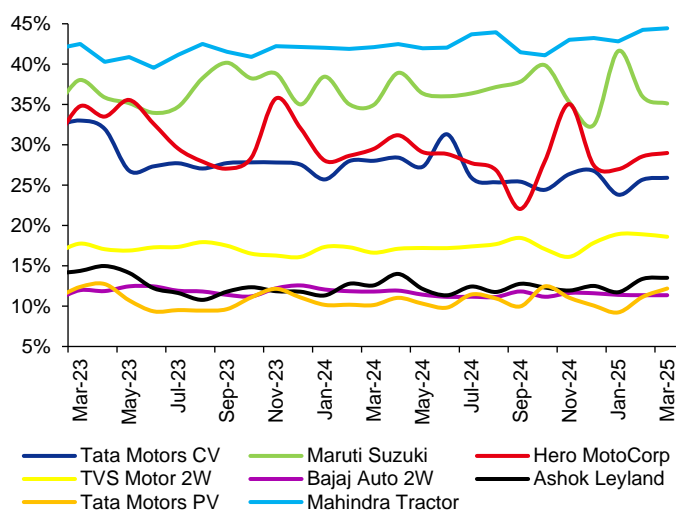
Mar 2025 auto sales volume performance

Figure 2: Company-wise monthly wholesale automobile dispatches

	Mar-2025	YoY %	MoM %	FY25	YoY %	vs. forecast
Maruti Suzuki						
Domestic	1,60,016	(0.8)	(8.2)	19,01,681	2.7	0.0
Exports	32,968	27.3	31.8	3,32,585	17.5	(5.8)
Grand Total	1,92,984	3.1	(3.2)	22,34,266	4.6	(1.0)
Hyundai Motors						
Domestic	51,820	(2.2)	8.6	5,98,666	(2.6)	(0.3)
Exports	15,500	23.0	40.9	1,63,386	0.1	19.2
Grand Total	67,320	2.6	14.6	7,62,052	(2.0)	3.6
Mahindra & Mahindra						
Utility Vehicles	48,048	18.3	(4.7)	5,51,487	19.9	2.2
Pick-up, Gio & Maxximo	22,488	27.7	0.2	2,43,168	0.1	(16.7)
3-Wheelers	7,752	46.8	21.2	85,836	10.6	(3.1)
Trucks & Buses	1,463	(4.4)	5.9	25,915	43.6	(58.2)
Tractors	34,934	34.2	36.9	4,25,565	12.5	(29.2)
Auto Exports	4,143	163.4	35.3	34,709	40.7	38.1
Grand Total	1,18,828	28.3	8.8	13,66,680	13.8	(13.8)
Tata Motors						
CVs	41,122	(2.7)	26.4	3,76,903	(4.8)	(2.1)
PVs	57,225	0.3	9.7	5,56,263	(3.0)	19.2
Grand Total	98,347	(1.0)	16.1	9,33,166	(3.7)	9.3
Bajaj Auto						
Motorcycles	3,15,732	0.6	5.4	39,82,309	6.8	(7.1)
3-Wheelers	54,091	4.0	2.7	6,68,657	7.3	2.1
Grand Total	3,69,823	1.1	5.0	46,50,966	6.9	(5.9)
Eicher Motors						
Royal Enfield	1,01,021	33.7	11.4	10,09,013	9.7	(6.9)
VECV	11,429	6.0	41.2	89,496	4.9	29.9
Grand Total	1,12,450	30.3	13.9	10,98,509	9.3	(4.1)
Hero MotoCorp						
Grand Total	5,49,604	12.1	41.6	58,99,187	4.9	9.9
TVS Motor						
Domestic 2W	2,97,622	14.2	7.8	34,92,251	10.2	3.0
Export 2W	1,02,498	22.1	(11.5)	10,90,046	19.7	31.0
3W	14,567	43.6	31.5	1,39,125	(4.5)	2.6
Grand Total	4,14,687	16.9	2.9	47,21,422	11.7	8.7
Ashok Leyland						
MHCVs	17,038	9.5	48.3	1,26,031	0.8	9.5
LCVs	7,022	(3.9)	9.4	69,066	(1.1)	(3.9)
Grand Total	24,060	5.2	34.4	1,95,097	0.1	5.2
Escorts Kubota						
Domestic	10,775	15.2	35.2	1,10,563	1.6	26.8
Exports	599	12.4	(3.7)	4,991	(11.2)	(14.4)
Grand Total	11,374	15.0	32.4	1,15,554	1.0	23.6

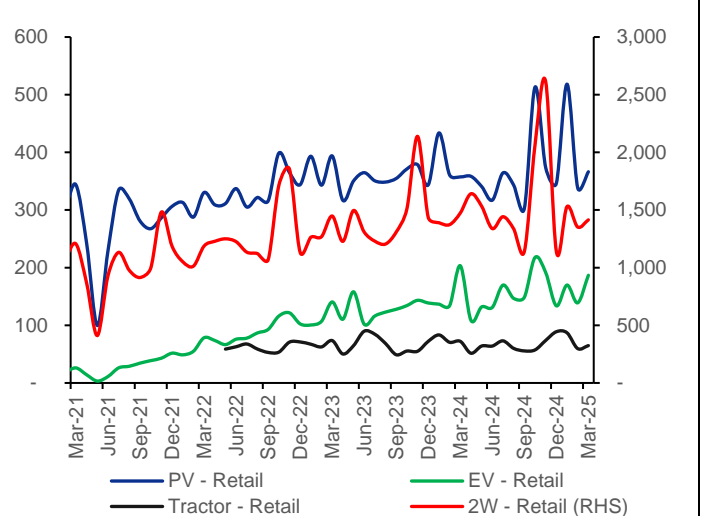
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 3: Domestic retail segment OEMs' market share trend



SOURCE: VAHAN, INCRED RESEARCH, COMPANY REPORTS

Figure 4: Domestic retail segment's sales trend (in '000 units)



SOURCE: VAHAN, INCRED RESEARCH, COMPANY REPORTS

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Recommendation Framework

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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.