

India

Neutral (no change)**Highlighted Companies****Bajaj Auto****ADD, TP Rs10400, Rs8496 close**

Leadership in the fast-growing E2W and E3W segments, with the least impact on corporate margin, provides comfort in respect of healthy dividend yield. KTM's medium-term revival provides optional value. We maintain our ADD rating on the stock.

Maruti Suzuki**ADD, TP Rs13621, Rs12806 close**

Better positioned to benefit from demand revival because of easing interest rates and Pay Commission benefits to government employees. Launch of EVs and exports to drive a valuation rerating, in our view. We maintain our ADD rating on the stock.

Tata Motors**REDUCE, TP Rs642, Rs672 close**

Domestic market share challenges in car and CV segments to prolong as the company's management focuses on profitability. JLR's recovery is delayed to CY26F. We maintain our REDUCE rating on the stock.

Summary Valuation Metrics

P/E (x)	Mar25-A	Mar26-F	Mar27-F
Bajaj Auto	29.9	24.6	21.5
Maruti Suzuki	28.9	23.7	21.4
Tata Motors	9.4	9.6	8.0

P/BV (x)	Mar25-A	Mar26-F	Mar27-F
Bajaj Auto	7.4	6.8	6.2
Maruti Suzuki	4.3	3.8	3.4
Tata Motors	2.1	1.8	1.5

Dividend Yield	Mar25-A	Mar26-F	Mar27-F
Bajaj Auto	2.5%	2.8%	3.3%
Maruti Suzuki	1.1%	1.5%	1.6%
Tata Motors	0.9%	1.2%	0.0%

Auto & Parts - Overall

Ingredients in place for growth recovery

- Volume growth was patchy in the third year of cyclical demand recovery for the auto sector, but still total volume scaled a historic peak in FY25. EV risk eases.
- With demand drivers being back into action, we expect demand recovery to kick off from the festive season quarter and last till FY27F.
- We are selective in stock preference, as demand recovery is yet to commence while the valuations are healthy. We maintain our Neutral rating on the sector.

Growth challenges undermine volumes scaling new peak in FY25

While the easing volume growth and rising price discounts made a mark in FY25, the third straight year of cyclical demand uptrend, the industry volume scaling a new peak was impressive. However, the peak volume mix tells a different story, as the new peak was reached in domestic sports utility vehicle or SUV and scooter volume while exports were marginally below their FY22 peak. The electric vehicle (EV) segment recorded a healthy 17% yoy growth driven by 2&3Ws, but the influence of EVs on total growth was less than 100bp for consecutive years in the case of two-wheelers or 2Ws and cars.

Macro ingredients in place for a festive season-led demand recovery

Government initiatives to address the consumption slowdown by improving disposable income through a reduction in income-tax rates, aggressive interest rate cuts and favourable monsoon outlook augur well for demand recovery around the festive season quarter of 2QFY26F. We expect sales volume growth to improve by 240bp yoy to 9.5% for the overall automobile sector aided by cars & commercial vehicles (CVs), as their demand is most sensitive to interest rate cuts. The Pay Commission benefits to government employees in FY27F to aid in building up this momentum. The 2W demand momentum can sustain, if not hindered by unfavourable policy moves. Easing EV demand incentive, supply chain disturbance and loss-funding challenges leads to a cut in our FY30F EV penetration outlook.

Market share trend and outlook

In FY25, leaders gained market share in tractor and SUV segments while losing to the challengers in rest of the segments. A major market share drop was witnessed in Tata Motors for its CVs and in the case of Hero MotoCorp for its 2Ws. In terms of gains across sub-segments of operations, Mahindra and Mahindra (M&M) and TVS Motor Company did well. Leadership loss was seen in for Ola Electric in E2Ws.

Maintain Neutral sector rating as volume recovery is awaited

The Nifty Auto Index has underperformed sharply against the broader Nifty-100 index in 12/6/1-month periods. A valuation comfort-driven rally and outperformance was seen in the last three months. However, considering the fact that volume recovery is still awaited and government policy risk on CVs and 2Ws, we remain cautious as the forward P/E valuation is close to the 10-year mean level, leading us to maintain our Neutral rating. Our preferred ADD-rated stocks are Bajaj Auto, Maruti Suzuki, Ashok Leyland, Bharat Forge, Endurance Technologies, and Samvardhana Motherson International or SAMIL.

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Figure 1: Domestic sector's volume growth outlook

March Y/E	FY22	FY23	FY24	FY25	FY26F	FY27F
Passenger cars and MPVs	-4.0%	19.2%	-9.7%	-11.4%	3.1%	6.1%
Sports utility vehicles	39.8%	34.5%	25.8%	11.0%	7.0%	12.0%
Total passenger vehicles	13.2%	26.7%	8.6%	2.0%	5.6%	10.0%
M&HCVs	48.4%	48.0%	5.2%	-0.5%	8.0%	11.0%
LCVs	15.6%	26.8%	2.0%	-5.3%	6.0%	13.0%
Total commercial vehicles	25.2%	34.2%	3.3%	-3.4%	6.8%	12.2%
Two-wheelers	-10.8%	17.3%	14.9%	8.9%	10.5%	10.1%
Three-wheelers	14.1%	83.8%	43.8%	9.0%	9.0%	6.0%
Total domestic automobile sector	-5.9%	20.6%	13.8%	7.1%	9.5%	10.0%
Tractors	-6.0%	13.0%	-5.4%	7.4%	9.0%	7.0%

SOURCE: SOCIETY OF INDIAN AUTOMOBILE MANUFACTURERS (SIAM), TRACTOR AND MECHANIZATION ASSOCIATION (TMA), INCRED RESEARCH ESTIMATES

Figure 2: Auto sector coverage valuation table

Company Name	Rating	CMP	Target Price	Market Capital	Market Cap.	EPS (Rs)		P/E (x)		P/BV (x)		EV/EBITDA	Dividend	Upside/Downside%	RoE
		Rs	Rs	(Rs m)	(US\$ m)	FY26F	FY27F	FY25	FY26F	FY25	FY26F	FY25	FY25		
Maruti Suzuki	ADD	12,615	13,621	38,35,680	44,872	541	600	23.3	21.0	3.8	3.4	15.1	1.5%	8.0%	17.1%
Tata Motors	REDUCE	689	642	27,29,890	31,936	69	83	10.0	8.3	1.8	1.5	3.8	1.2%	-6.8%	20.0%
Hero MotoCorp	ADD	4,238	5,525	8,47,592	9,916	270	295	15.7	14.4	3.9	3.6	9.9	4.3%	30.4%	26.1%
Mahindra & Mahindra	HOLD	3,165	3,254	33,84,668	39,596	122	129	25.9	24.5	4.9	4.3	13.6	0.9%	2.8%	20.4%
Escorts Kubota	REDUCE	3,346	3,098	3,69,711	4,325	106	122	31.6	27.5	3.0	2.8	26.3	1.0%	-7.4%	11.9%
Bajaj Auto	ADD	8,350	10,400	23,81,685	27,862	346	394	24.2	21.2	6.6	6.1	18.1	2.9%	24.6%	28.7%
Ashok Leyland	ADD	251	275	6,94,833	8,129	13	15	19.9	16.5	5.6	4.9	12.5	2.8%	9.5%	30.0%
Eicher Motors	HOLD	5,722	5,652	14,59,832	17,078	175	195	32.7	29.4	7.3	6.5	25.0	1.3%	-1.2%	22.4%
TVS Motor Company	REDUCE	2,902	2,154	13,16,550	15,402	58	64	50.2	45.6	11.3	9.4	28.3	0.3%	-25.8%	24.8%
Endurance Technologies	ADD	2,865	2,529	3,42,486	4,007	77	89	37.1	32.1	6.1	5.3	17.5	0.5%	-11.7%	17.7%
Hyundai Motor India	REDUCE	2,109	1,612	14,84,255	17,364	72	75	29.5	28.0	8.5	7.2	17.5	1.2%	-23.6%	17.7%
Balkrishna Industries	REDUCE	2,565	2,400	4,73,082	5,534	86	98	29.7	26.3	4.2	3.8	17.9	0.7%	-6.4%	15.1%
Exide Industries	REDUCE	390	349	3,31,585	3,879	14	17	27.1	23.5	2.2	2.1	15.2	2.3%	-10.5%	8.4%
Bharat Forge	ADD	1,313	1,363	5,86,393	6,860	28	34	47.5	38.1	4.9	4.3	20.8	0.8%	3.8%	12.0%
Apollo Tyres	REDUCE	468	275	2,95,766	3,460	23	29	20.4	16.3	2.5	2.3	7.5	1.5%	-41.2%	13.1%
Bosch Ltd	REDUCE	32,475	27,910	9,23,479	10,803	777	833	41.8	39.0	6.6	6.2	30.1	1.6%	-14.1%	16.1%
SAMIL	ADD	153	172	10,32,452	12,078	6	8	25.0	19.2	2.8	2.5	9.3	0.7%	12.6%	11.8%

NOTE: VALUATION MULTIPLE OF M&M IS ADJUSTED FOR SUBSIDIARY VALUE OF RS545/SHARE
SOURCE: BLOOMBERG, INCRED RESEARCH, COMPANY DATA

Figure 3: Nifty Auto Index is close to the 10-year mean level



SOURCE: BLOOMBERG, INCRED RESEARCH, COMPANY DATA

Key Charts

Figure 4: India's automobile industry volume is at a historic high **Figure 5: Domestic sales volume split by segments**

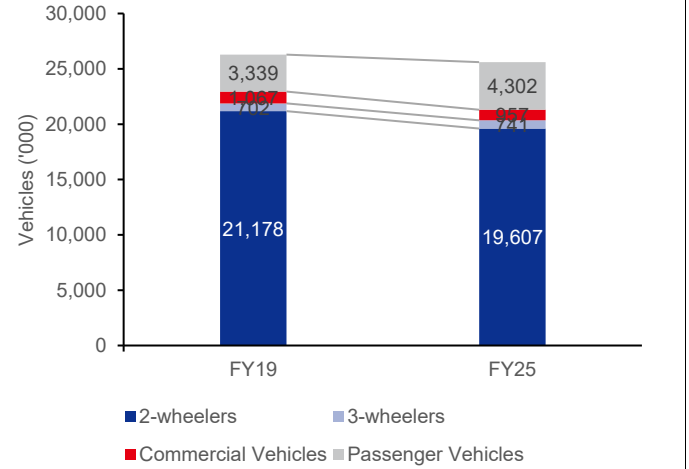
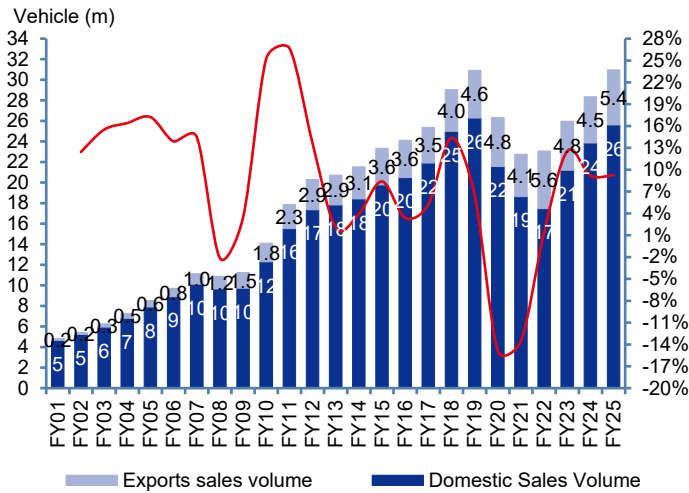


Figure 6: EV growth benefit on sub-segments' growth

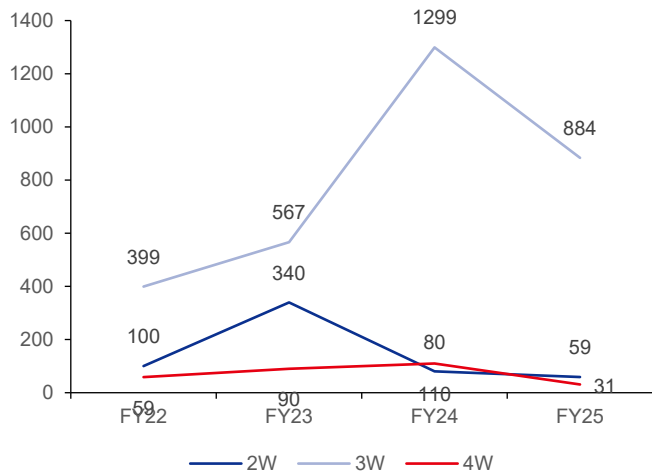


Figure 7: EV penetration outlook

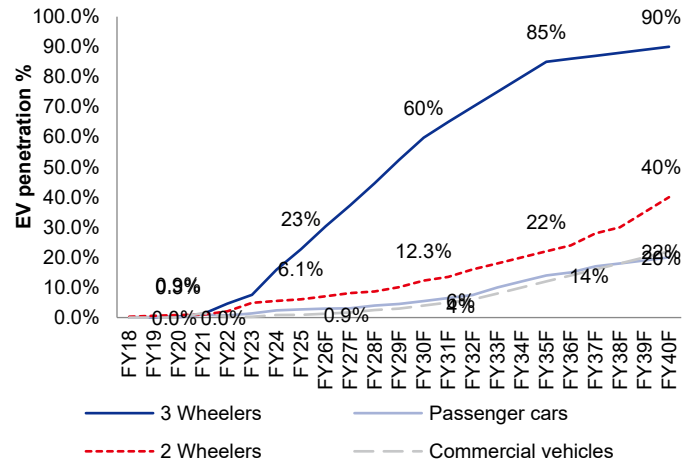
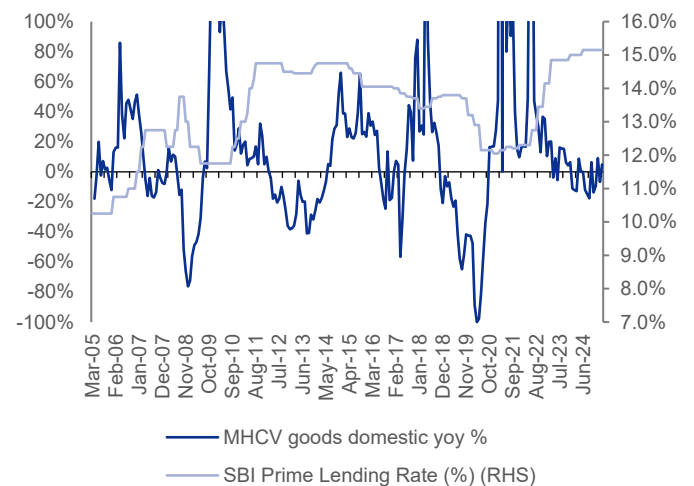


Figure 8: Bull-case and Bear-case growth scenarios

Domestic volume growth (%)	Base case	Bull case	Bear case
Passenger cars and MPV	3.1%	7.1%	-4.5%
Utility vehicles	7.0%	12.0%	3.0%
Total passenger vehicles	5.6%	10.3%	0.4%
M&HCVs	8.0%	11.0%	2.0%
LCVs	6.0%	12.0%	2.0%
Total commercial vehicles	6.8%	11.6%	2.0%
Two-wheelers	10.5%	14.8%	4.8%
Three-wheelers	9.0%	14.0%	3.0%
Total domestic automobile sector	9.5%	13.9%	3.9%
Tractors	9.0%	12.0%	2.0%

Figure 9: Big truck sales volume growth's inverse correlation



Ingredients in place for growth recovery

Industry volume scales a new peak despite growth slowdown ➤

The domestic automobile sector, in the third consecutive year of a cyclical uptrend, witnessed a growth of just 7.3% in FY25. The growth was selective - in 2&3W and tractor segments - while others struggled to maintain volumes. Exports posted a strong double-digit growth, driven by scooter and car segments. Despite growth challenges, the industry volume scaled a historic peak by surpassing the FY19 level. This was driven by the car segment reaching a new peak domestically and total exports close to their FY22 peak. The influence of EVs on segmental growth rates eased to less than 100bp, except for 3Ws, as customers got used to lower government incentives.

For FY26F, macro ingredients seem to be in place (income-tax rate cut, easing interest rates, better-than-expected monsoon rains) to drive volume growth recovery around the festive season. We expect the domestic industry's growth rate to improve marginally to 9.5%, driven by CVs and passenger vehicles.

Figure 10: Domestic industry sales volume snapshot

Sub-Segment	FY25	FY25 yoy growth (%)	3-year CAGR (%)	5-year CAGR (%)	10-year CAGR (%)	FY25 exports as a % of total sales
Medium & Heavy Commercial Vehicles (M&HCV)	3,73,819	-0.1%	13.8%	9.7%	4.4%	5.9%
Light Commercial Vehicles (LCV)	5,82,852	-2.0%	7.0%	2.9%	3.2%	9.0%
Total Commercial Vehicles (CV)	9,56,671	-1.2%	9.5%	5.2%	3.6%	7.8%
Cars + MPV	15,04,619	-11.4%	-1.6%	-3.7%	-3.4%	21.3%
Sports Utility Vehicle (SUV)	27,97,229	11.0%	23.4%	24.3%	17.6%	11.5%
Total Passenger Vehicles (PV)	43,01,848	2.0%	11.9%	9.3%	4.8%	15.2%
3-Wheelers	7,41,420	6.7%	43.8%	3.1%	3.4%	29.3%
2-Wheelers	1,96,07,332	9.1%	13.3%	2.4%	2.1%	17.6%
Motorcycles	1,22,52,305	5.1%	10.9%	1.8%	1.3%	19.4%
Total Automobiles	2,56,07,391	7.3%	13.5%	3.5%	2.6%	17.3%
Tractors	9,54,000	9.1%	4.7%	6.2%	5.6%	10.4%

SOURCE: SIAM (SOCIETY OF INDIAN AUTOMOBILE MANUFACTURERS), TMA (TRACTOR AND MECHANIZATION ASSOCIATION), INCRED RESEARCH

The medium and heavy commercial vehicle or MHCV segment had a wobbly year, with 1HFY25 witnessing demand weakness arising from the general elections-led infrastructure spending slowdown and the rising non-performing assets or NPA trend. But with the confidence on policy continuity, volume growth returned to the sector. With an inverse correlation of CV demand and interest rates about to play out, we expect the volume growth to revive in the segment soon and last for nearly two years. However, the consistent erosion in the leader Tata Motors' market share is a cause of concern, especially in the voluminous small truck segment, with M&M emerging as the leader in recent months.

Total automobile sales volume scaled a new historic peak, aided by domestic volume scaling close to FY19 peak level, while exports were marginally short of their FY22 peak.

Figure 11: India's automobile industry volume at a historic high

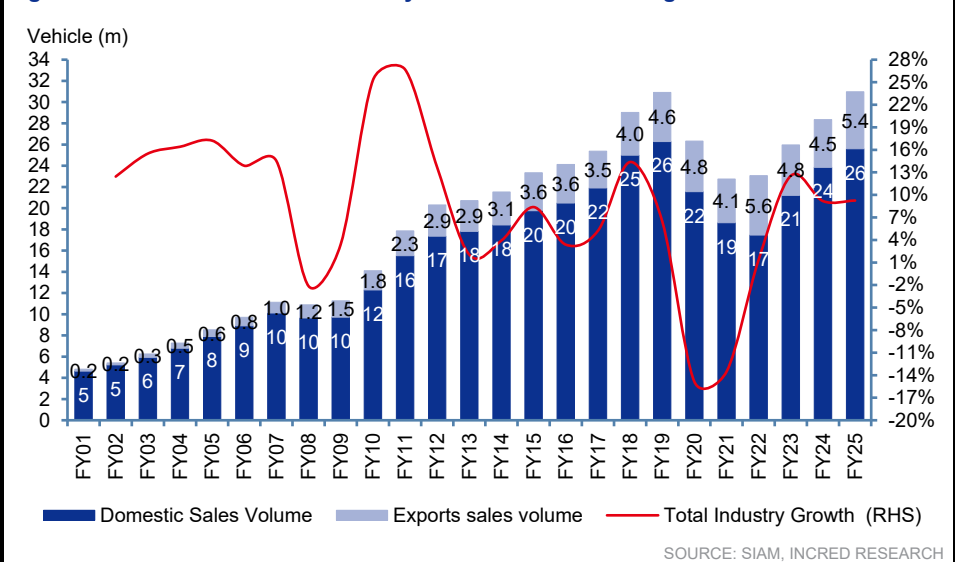
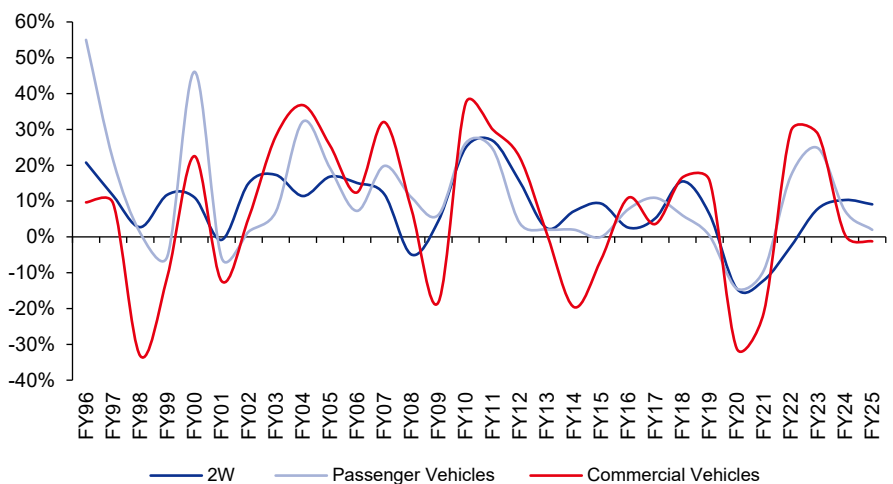


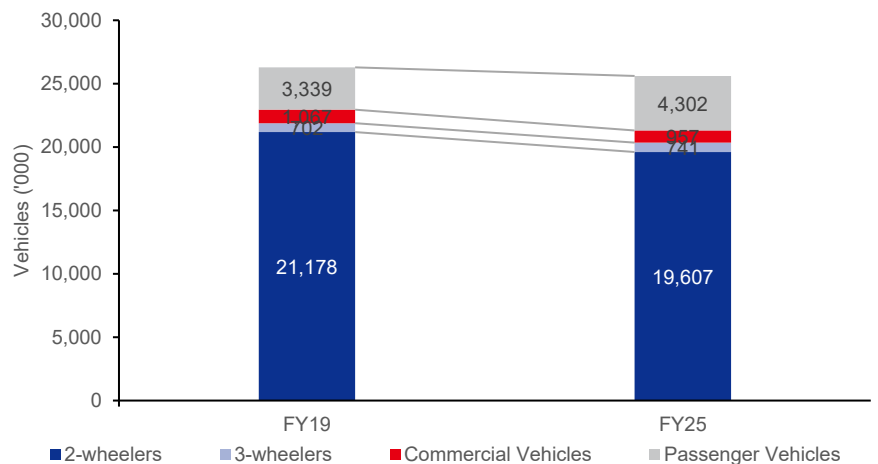
Figure 12: Long-term automobile sector cyclicality (including exports)



SOURCE: SIAM, INCRED RESEARCH

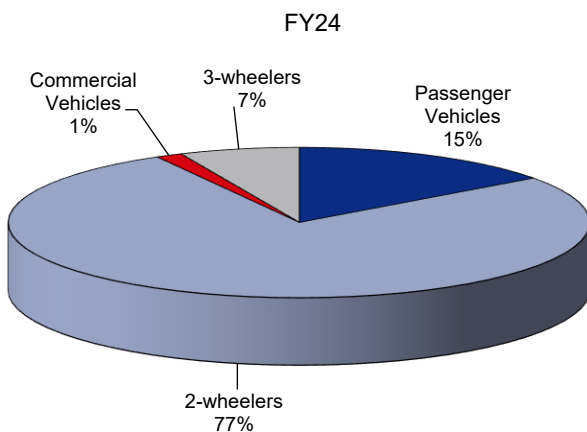
In the post-Covid scenario, 2W domestic sales volume is still below the pre-Covid peak seen in FY19. Domestic passenger vehicle volume saw a major rise in the post-Covid era, aided by personal mobility preference, lower penetration and SUV momentum.

Figure 13: Domestic sales volume split by segments



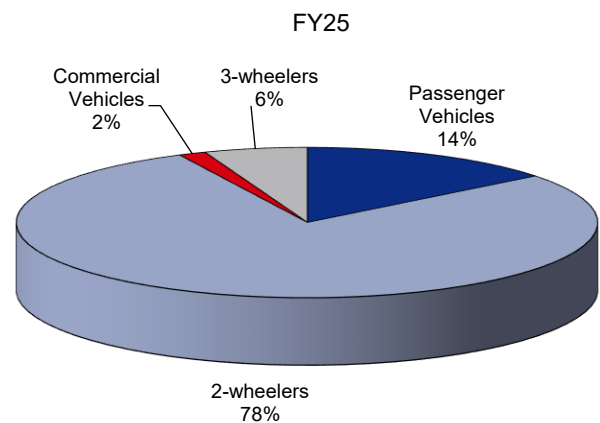
SOURCE: SIAM, INCRED RESEARCH

Figure 14: FY24 vehicle exports bifurcation



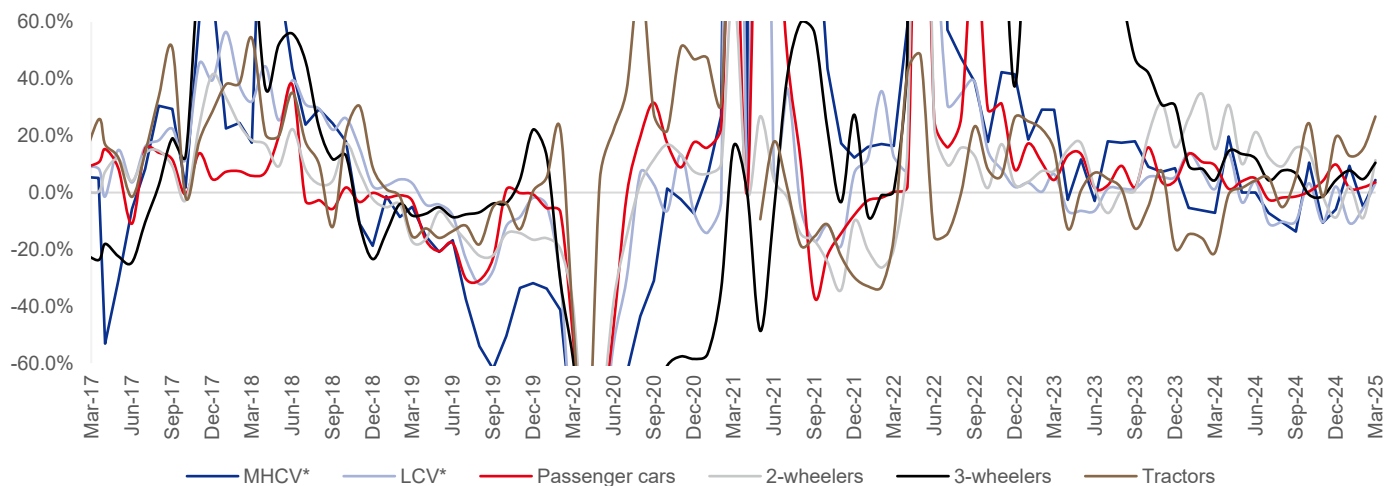
SOURCE: SIAM, INCRED RESEARCH

Figure 15: FY25 vehicle exports bifurcation



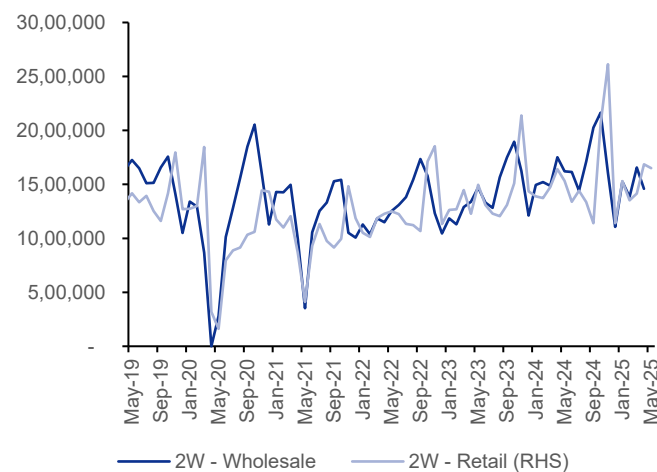
SOURCE: SIAM, INCRED RESEARCH

Figure 16: Monthly sales momentum of different segments



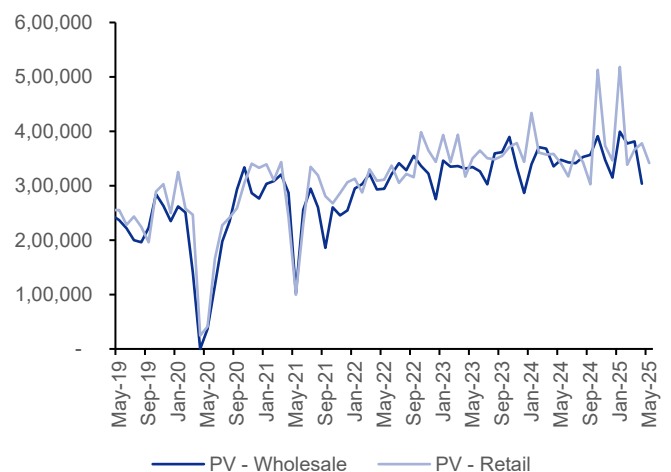
* INDUSTRY DATA FROM SIAM FOR MHCV AND LCV WAS AVAILABLE ON A QUARTERLY BASIS. THE MONTHLY SPLIT-UP IS AS PER OUR ESTIMATE
SOURCE: SIAM, INCRED RESEARCH ESTIMATES

Figure 17: 2W retail sales ahead of dispatches post festive season



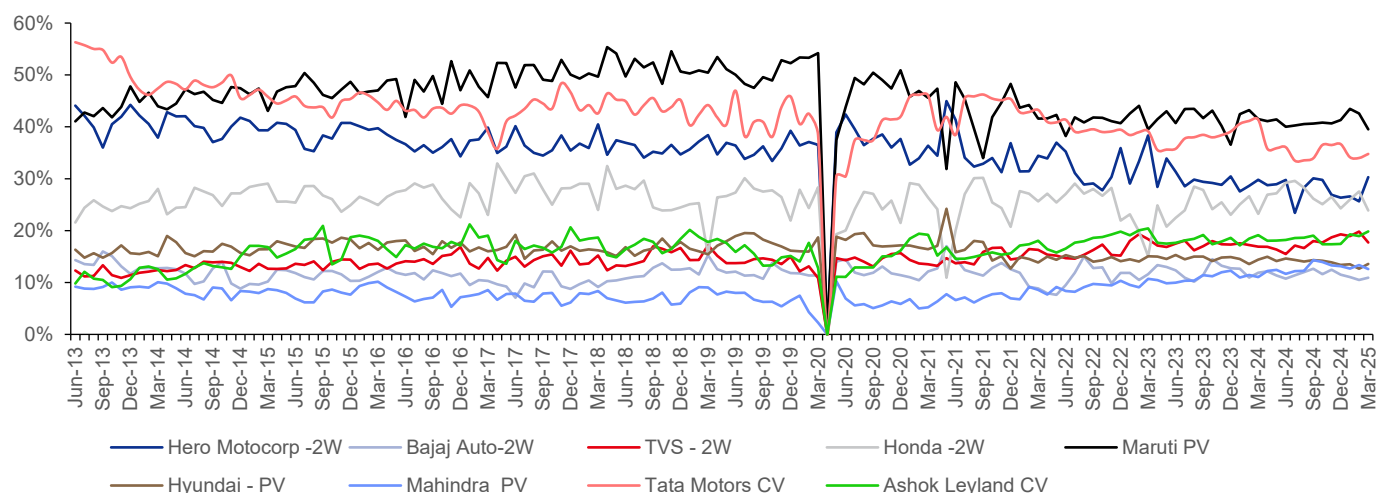
SOURCE: SIAM, VAHAN, INCRED RESEARCH

Figure 18: PV retail sales have been widely fluctuating



SOURCE: SIAM, VAHAN, INCRED RESEARCH

Figure 19: Monthly market share trend of segment leaders



SOURCE: SIAM, INCRED RESEARCH

Key market share trends ➤

Big leadership changes were seen in E2W in FY25. Ola Electric lost its leadership position in E2Ws to Bajaj Auto and TVS Motor company's aggression, which came as a surprise. In the case of 2Ws, Honda Motorcycle and Scooter India (HMSI) continues to close the gap with the leader, Hero MotoCorp, while sustainability of HMSI's leadership in the fast EV penetration scenario looks tough.

Only M&M and TVS Motor Company gained market share across their sub-segments of operations in FY25.

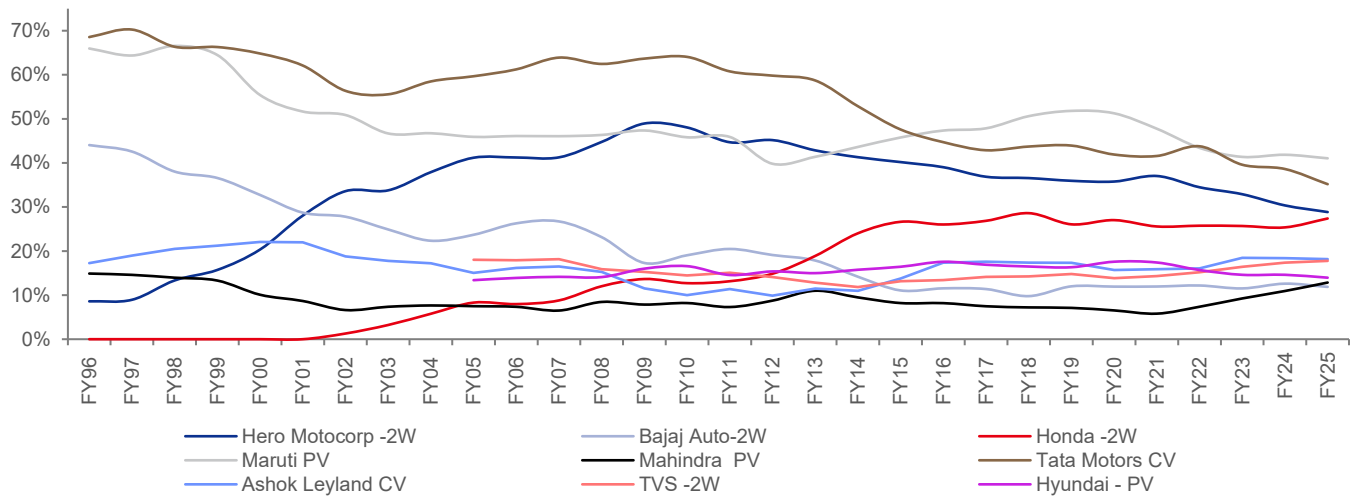
New product launches have been key drivers of market share movement in the EV segment. On-the-ground execution is influencing incumbents' market share movement in the internal combustion engine (ICE) segment.

Figure 20: Key market share movement of various players in FY25

Company	Segment	FY24	FY25	change bp	Gainers/ (losers)
Maruti Suzuki	Passenger Vehicles	41.9%	41.1%	-80	Mahindra, Toyota
Hyundai Motor India	Passenger Vehicles	14.6%	14.0%	-66	Mahindra, Toyota
Mahindra & Mahindra	Passenger Vehicles	10.9%	12.9%	192	(Maruti), (Hyundai), (Tata Motors)
Tata Motors	Passenger Vehicles	13.6%	12.9%	-66	Mahindra, Toyota
Kia Motors	Passenger Vehicles	5.8%	5.9%	11	(Maruti), (Hyundai), (Tata Motors)
Ashok Leyland	MHCV	29.5%	29.3%	-22	Eicher
Tata Motors	MHCV	44.3%	44.1%	-22	Eicher
Eicher Motors	MHCV	16.8%	17.5%	71	(Tata), (Ashok)
Mahindra & Mahindra	LCV	41.3%	45.0%	369	(Tata)
Tata Motors	LCV	34.8%	29.1%	-569	Maruti, Ashok, Mahindra, Force Motors
Ashok Leyland	LCV	10.8%	11.2%	33	(Tata)
Maruti Suzuki	LCV	5.5%	5.9%	43	(Tata)
Bajaj Auto	Two Wheelers	12.6%	11.9%	-74	HMSI, TVS Motor
Hero MotoCorp	Two Wheelers	30.4%	28.8%	-151	TVS Motor, HMSI, Suzuki
HMSI (Honda)	Two Wheelers	25.4%	27.4%	202	TVS Motor, HMSI
TVS Motor Company	Two Wheelers	17.7%	18.1%	41	(Hero), (Bajaj)
Bajaj Auto	Three Wheelers	70.5%	66.8%	-375	Mahindra, TVS Motor
Piaggio	Three Wheelers	15.2%	14.1%	-109	Mahindra, TVS Motor
Mahindra & Mahindra	Three Wheelers	8.3%	10.4%	208	(Bajaj), (Piaggio)
Mahindra & Mahindra	Tractor	41.5%	42.6%	111	(TAFE)
Escorts Kubota	Tractor	10.3%	10.9%	53	(TAFE), (New Holland)

SOURCE: SIAM, TMA, INCRED RESEARCH

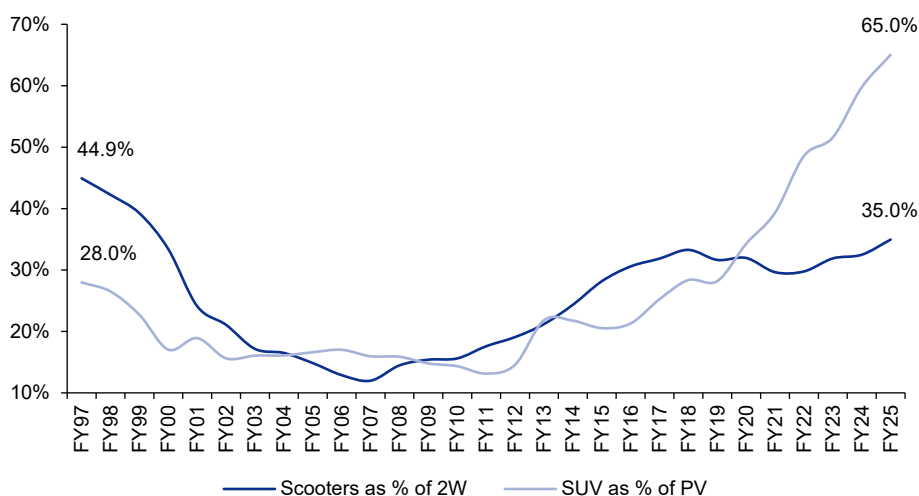
Figure 21: Yearly market share movement of key listed players in their dominant segments



SOURCE: SIAM, INCRED RESEARCH ESTIMATES

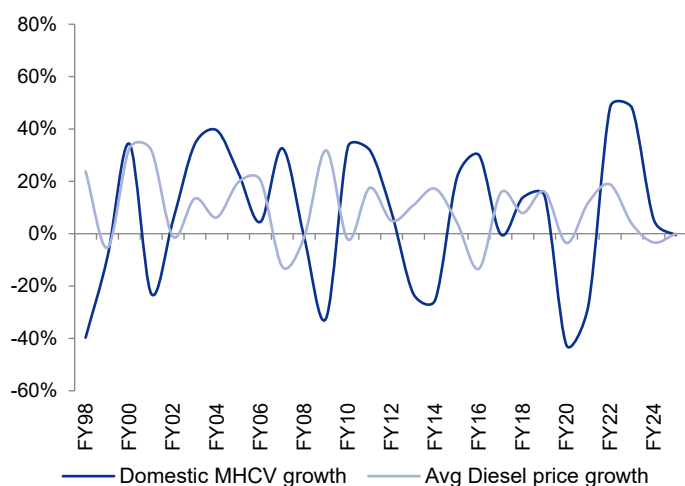
SUVs continue to gain market share on the back of new launches and GST arbitrage benefit for EVs. The scooter segment gained market share aided by EV penetration of 17% within the segment.

Figure 22: SUVs continue to witness aggressive market share gains in the passenger vehicle segment while scooters' share in the recovery is gradual in the 2W segment



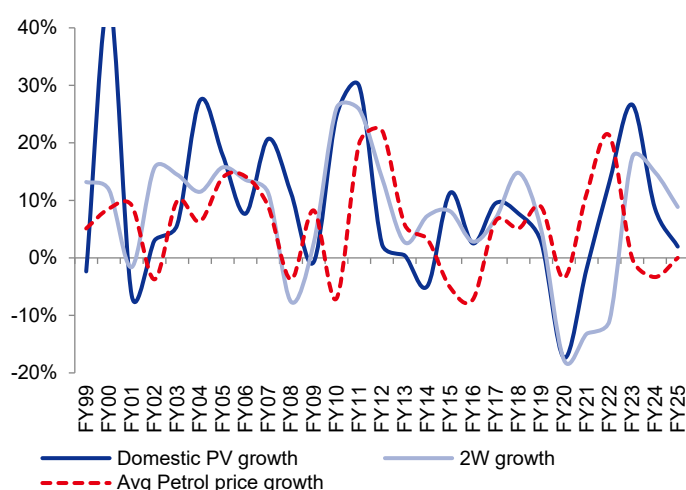
SOURCE: SIAM, INCRED RESEARCH

Figure 23: The inverse correlation of MHCV volume growth and diesel price growth to aid in FY26F



SOURCE: IOC, SIAM, INCRED RESEARCH

Figure 24: Petrol price trend vs. car and 2W sales growth correlation



SOURCE: IOC, SIAM, INCRED RESEARCH

Figure 25: Domestic segment-wise growth trend and outlook

March Y/E	FY22	FY23	FY24	FY25	FY26F	FY27F
Passenger cars and MPVs	-4.0%	19.2%	-9.7%	-11.4%	3.1%	6.1%
Sports utility vehicles	39.8%	34.5%	25.8%	11.0%	7.0%	12.0%
Total passenger vehicles	13.2%	26.7%	8.6%	2.0%	5.6%	10.0%
M&HCVs	48.4%	48.0%	5.2%	-0.5%	8.0%	11.0%
LCVs	15.6%	26.8%	2.0%	-5.3%	6.0%	13.0%
Total commercial vehicles	25.2%	34.2%	3.3%	-3.4%	6.8%	12.2%
Two-wheelers	-10.8%	17.3%	14.9%	8.9%	10.5%	10.1%
Three-wheelers	14.1%	83.8%	43.8%	9.0%	9.0%	6.0%
Total domestic automobile sector	-5.9%	20.6%	13.8%	7.1%	9.5%	10.0%
Tractors	-6.0%	13.0%	-5.4%	7.4%	9.0%	7.0%

SOURCE: SIAM, INCRED RESEARCH ESTIMATES

Figure 26: Bull-case and Bear-case growth scenarios for various segments

Domestic volume growth (%)	Base case	Bull case	Bear case
Passenger cars and MPV	3.1%	7.1%	-4.5%
Utility vehicles	7.0%	12.0%	3.0%
Total passenger vehicles	5.6%	10.3%	0.4%
M&HCVs	8.0%	11.0%	2.0%
LCVs	6.0%	12.0%	2.0%
Total commercial vehicles	6.8%	11.6%	2.0%
Two-wheelers	10.5%	14.8%	4.8%
Three-wheelers	9.0%	14.0%	3.0%
Total domestic automobile sector	9.5%	13.9%	3.9%
Tractors	9.0%	12.0%	2.0%

SOURCE: INCRED RESEARCH ESTIMATES

Figure 27: Macro-variable assumptions for Bull-case & Bear-case scenarios

	FY26F		
	Bear Case	Base case	Bull Case
GDP Growth (%)	6.0%	6.5%	7.0%
Interest rate change (bp)	-25	-50	-75
Monsoon	Below normal	Normal	Above normal
Diesel price hike (%)	6%	0%	2%
Petrol price hike (%)	8%	0%	2%

SOURCE: SIAM, INCRED RESEARCH ESTIMATES

EV segment trend and outlook

EV sector evolves out of demand-incentive challenges, especially the promising segments of E2W and E3W; higher sourcing concentration challenges and easing incentive outlook leads to our EV penetration cut to a realistic level.

Industry overcomes demand-incentive challenges ➤

India's EV sales volume rose by 17% yoy to 20.4m units in FY25, with E3Ws recording the fastest growth of 56% followed by 19% for E2Ws. E-ricks and ECVs were flattish. The full-fledged participation of incumbent OEMs helped E3W and E2W segments to overcome the demand-incentive reduction challenges and still post a growth. The production-linked incentive or PLI scheme has encouraged incumbents to scale volumes, with the least impact on their corporate average profitability (Figs. 42 & 43), as seen in the case of Bajaj Auto and TVS Motor Company .

Considering the global supply chain challenges for rare earth magnet materials and easing priority of the Government of India or Gol to push EVs, we have cut our EV penetration outlook to a realistic level. We now expect EV penetration of 60% for 3Ws (excluding E-ricks), 12.3% for 2Ws and 5.5% for cars.

Figure 28: Monthly EV volume momentum prevails despite easing incentives

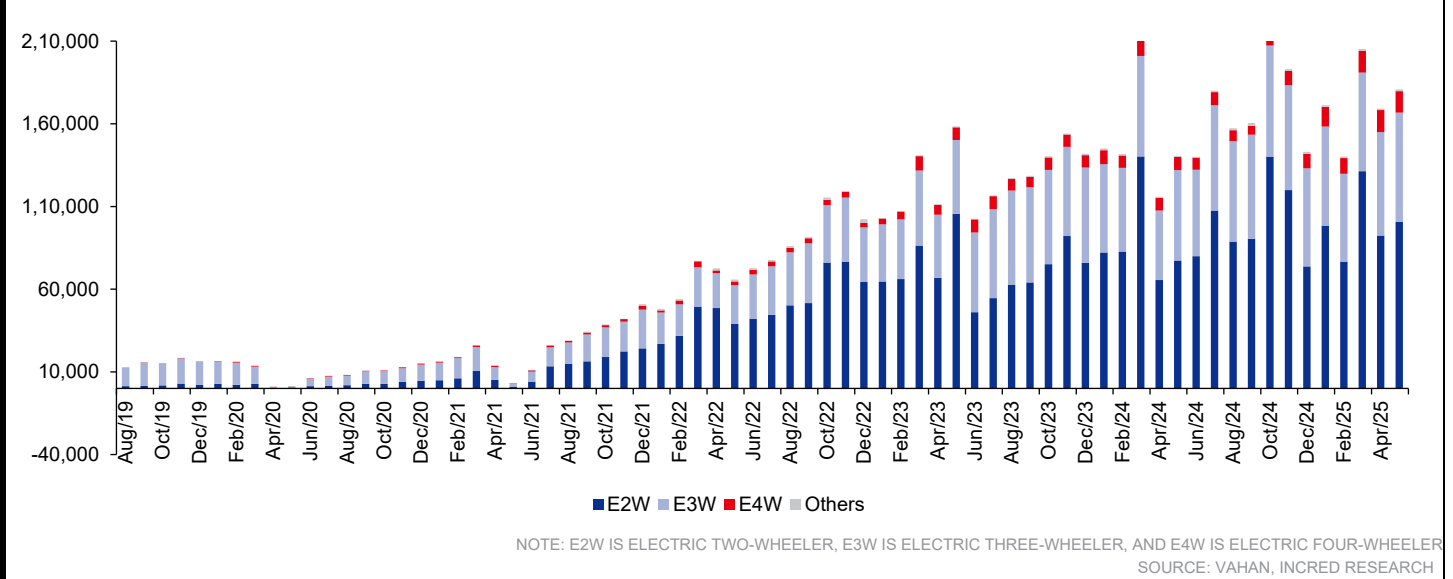


Figure 29: EV retail sales crossed the 2m milestone

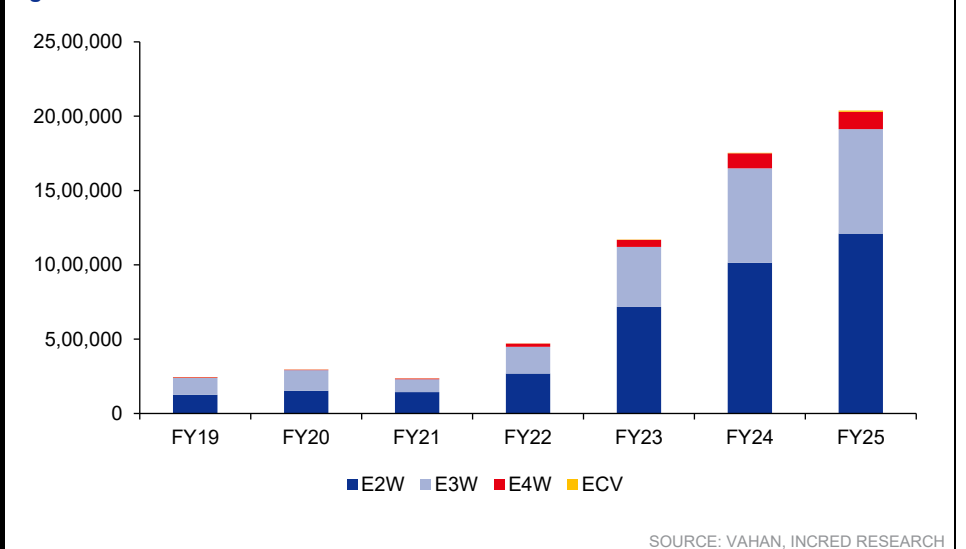


Figure 30: Peak exit quarterly volume raises hope in FY26F

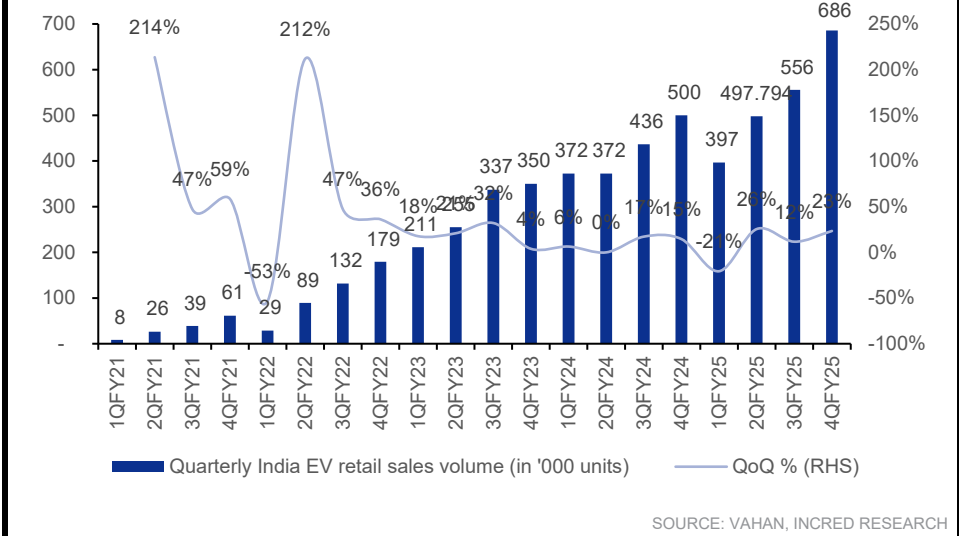


Figure 31: Global consumer and government spending trend in respect of electric cars; India consumer spending is in line with the global trend now, but PLI benefits will remain elevated till FY28F

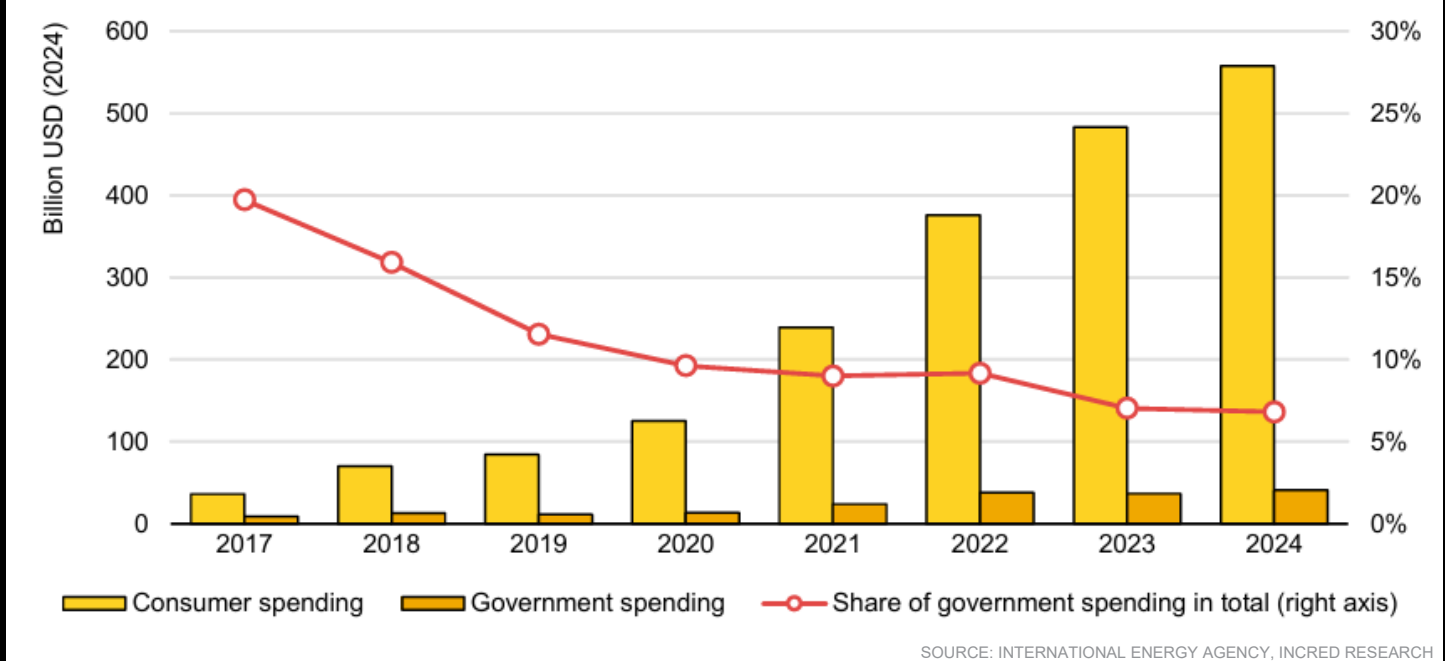
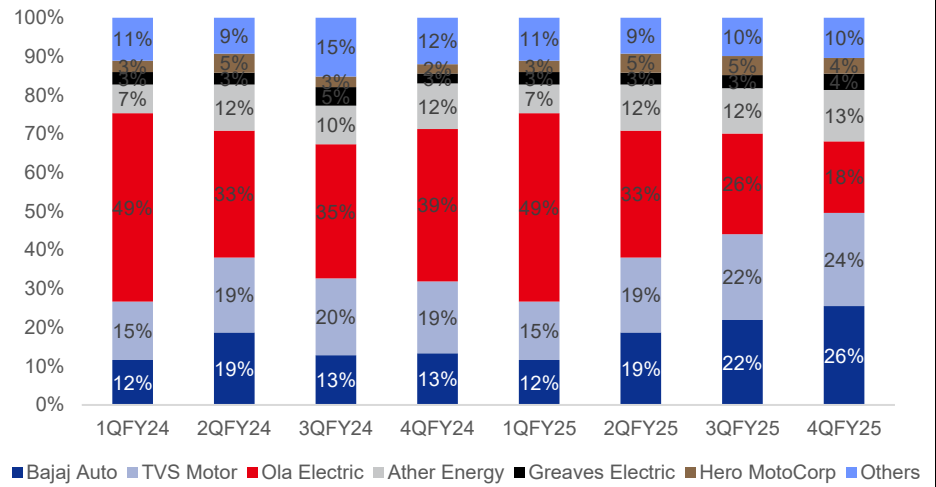
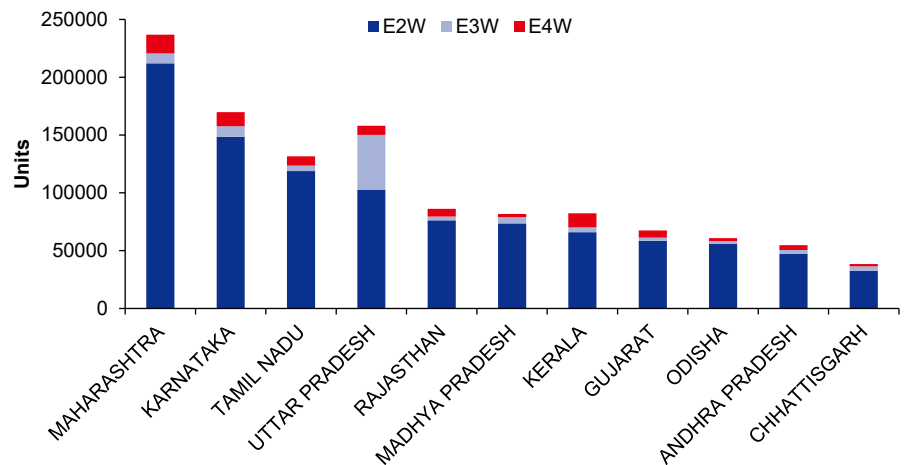


Figure 32: Incumbent OEMs corner more than 50% of E2W sales volume at the cost of born EV makers



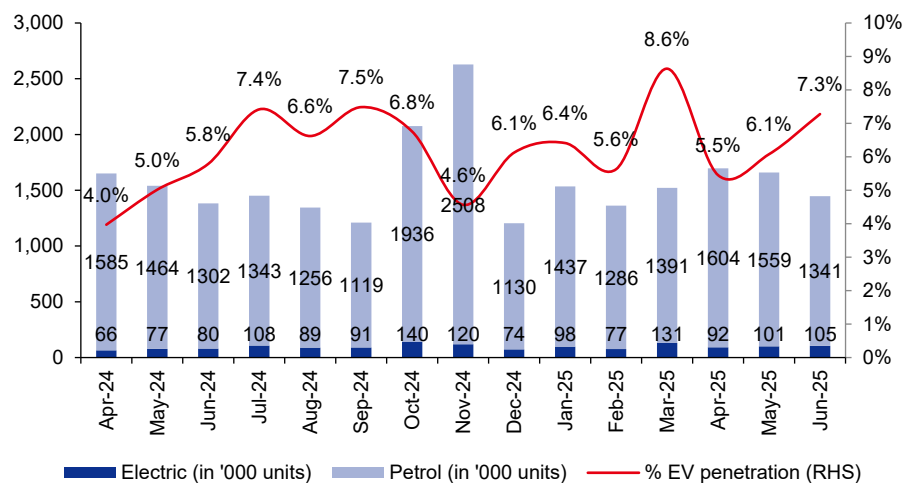
SOURCE: VAHAN, INCRED RESEARCH

Figure 33: Sales volume of E2Ws, E3Ws and E4Ws across key Indian states in FY25



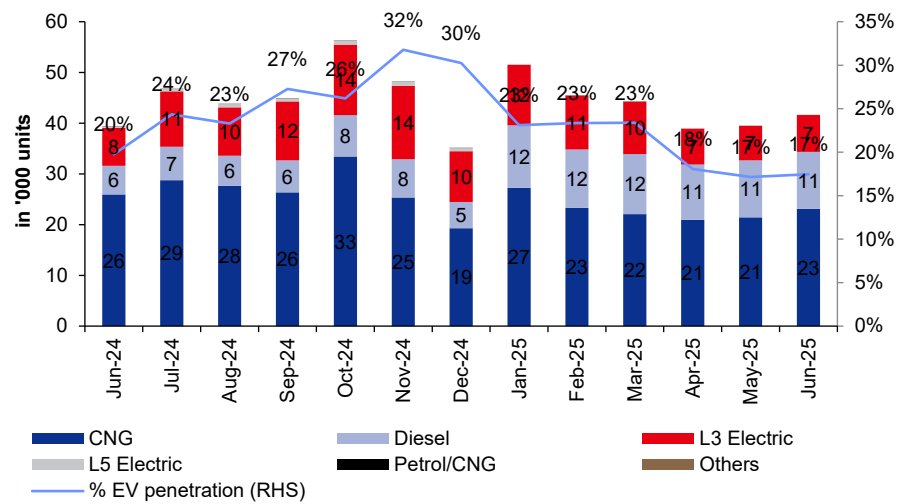
SOURCE: VAHAN, INCRED RESEARCH

Figure 34: EV penetration tops 7% again in the 2W segment



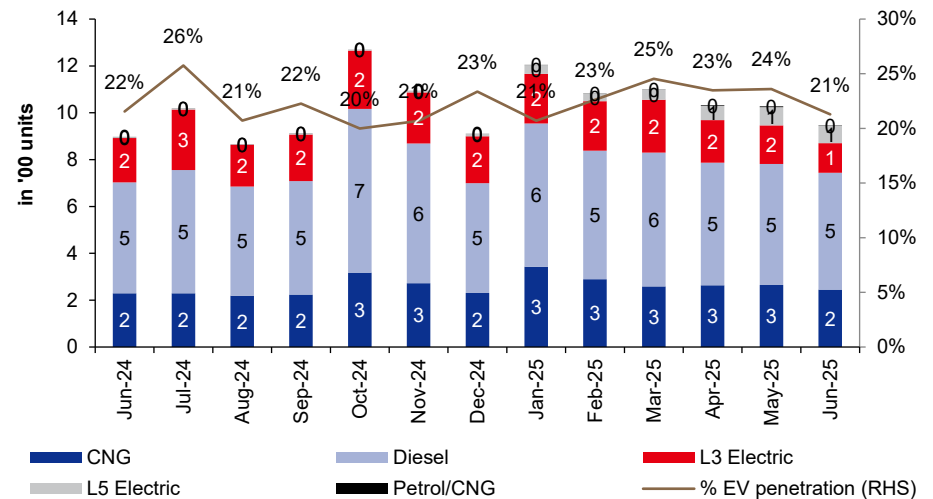
SOURCE: EV REPORTER, VAHAN, INCRED RESEARCH

Figure 35: Fuel-wise 3W passenger vehicle sales trend



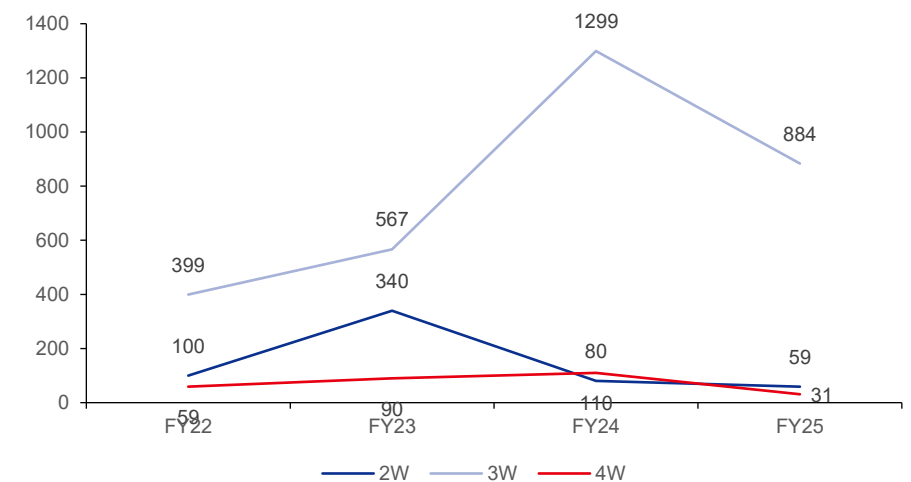
SOURCE: EV REPORTER, VAHAN, INCRED RESEARCH

Figure 36: Fuel-wise 3W cargo vehicle sales trend



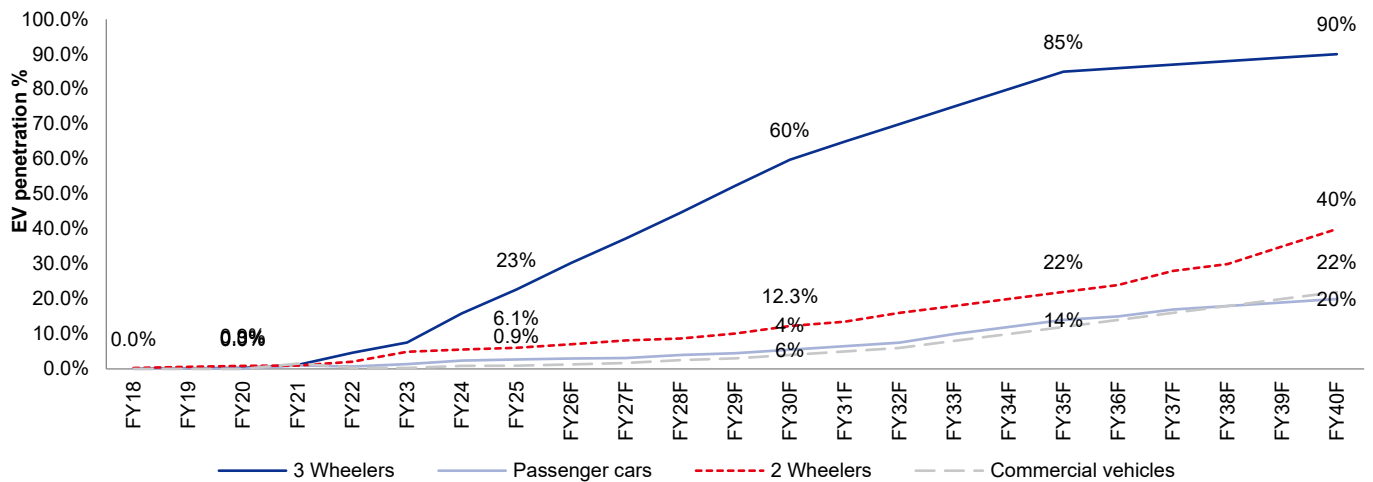
SOURCE: EV REPORTER, VAHAN, INCRED RESEARCH

Figure 37: Sector-wise incremental growth Influence by EVs (in bp)



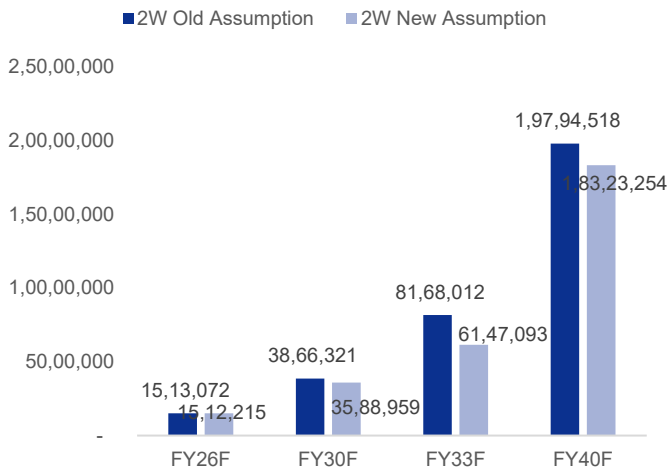
SOURCE: SIAM, INCRED RESEARCH

Figure 38: Our EV penetration outlook trend by segments



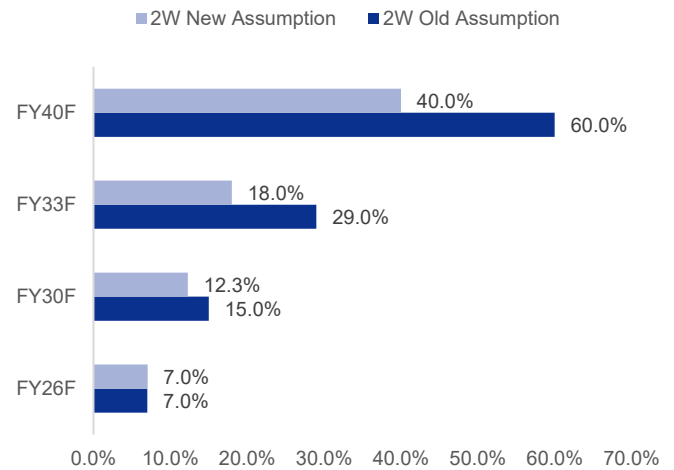
SOURCE: SIAM, VAHAN, INCRED RESEARCH ESTIMATES

Figure 39: Change to our E-two-wheeler (E2W) volume estimates



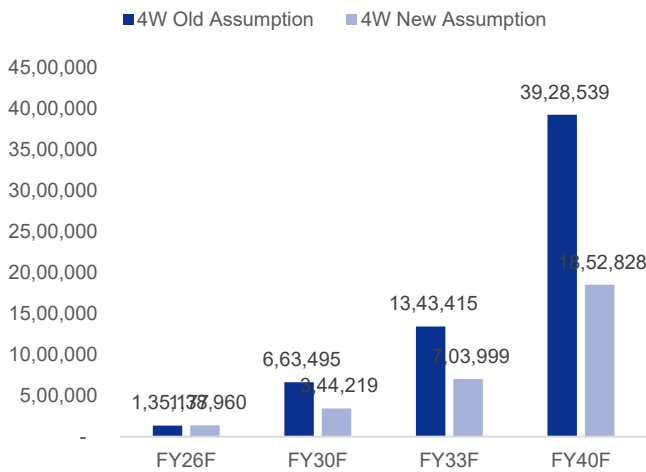
SOURCE: SIAM, INCRED RESEARCH ESTIMATES

Figure 40: E2W penetration estimates cut sharply beyond FY30F



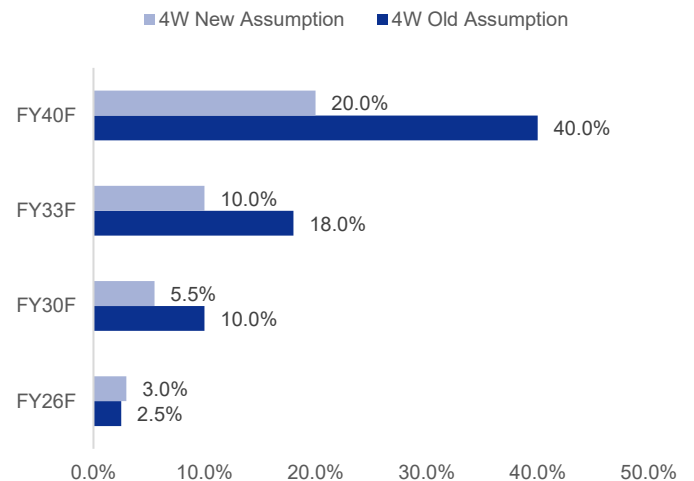
SOURCE: SIAM, INCRED RESEARCH ESTIMATES

Figure 41: Changes in E-passenger vehicle (EPV) volume estimates



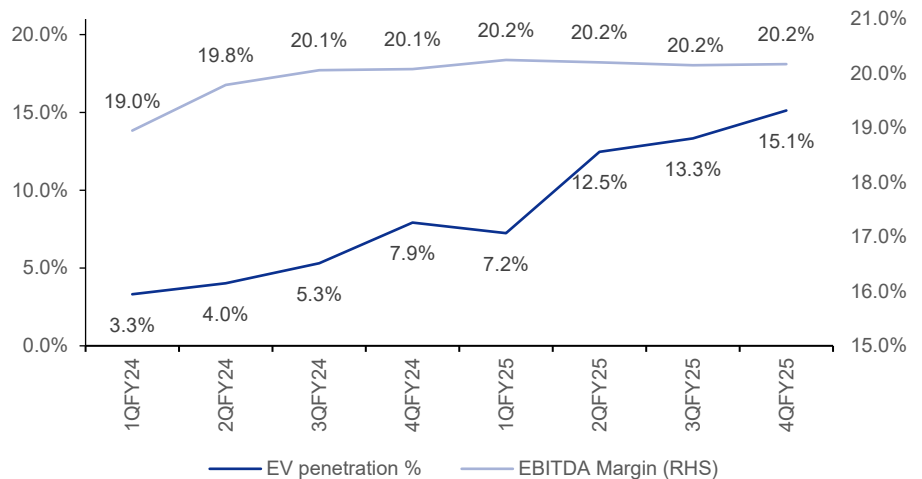
SOURCE: SIAM, INCRED RESEARCH ESTIMATES

Figure 42: EPV penetration estimates cut by 5-20ppt



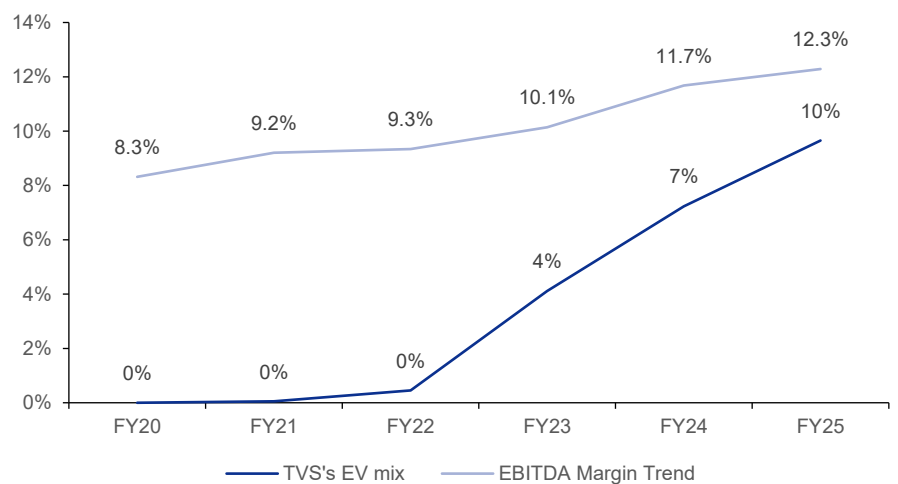
SOURCE: SIAM, INCRED RESEARCH ESTIMATES

Figure 43: Bajaj Auto's EV penetration trend accelerates without compromising on margin



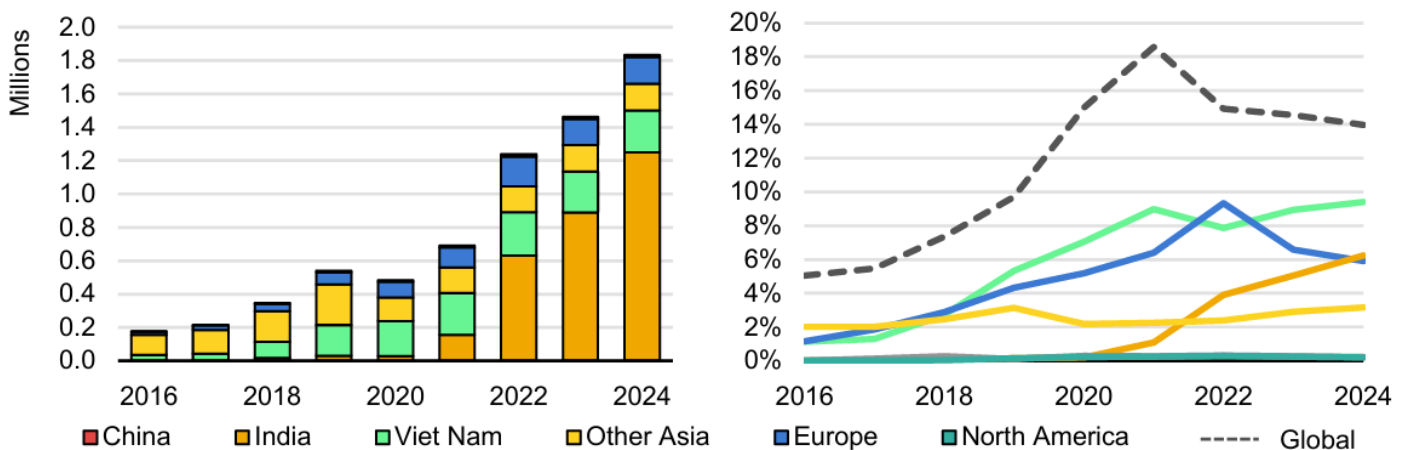
SOURCE: SIAM, INCRED RESEARCH

Figure 44: TVS Motor Company gains EBITDA margin despite EV penetration acceleration



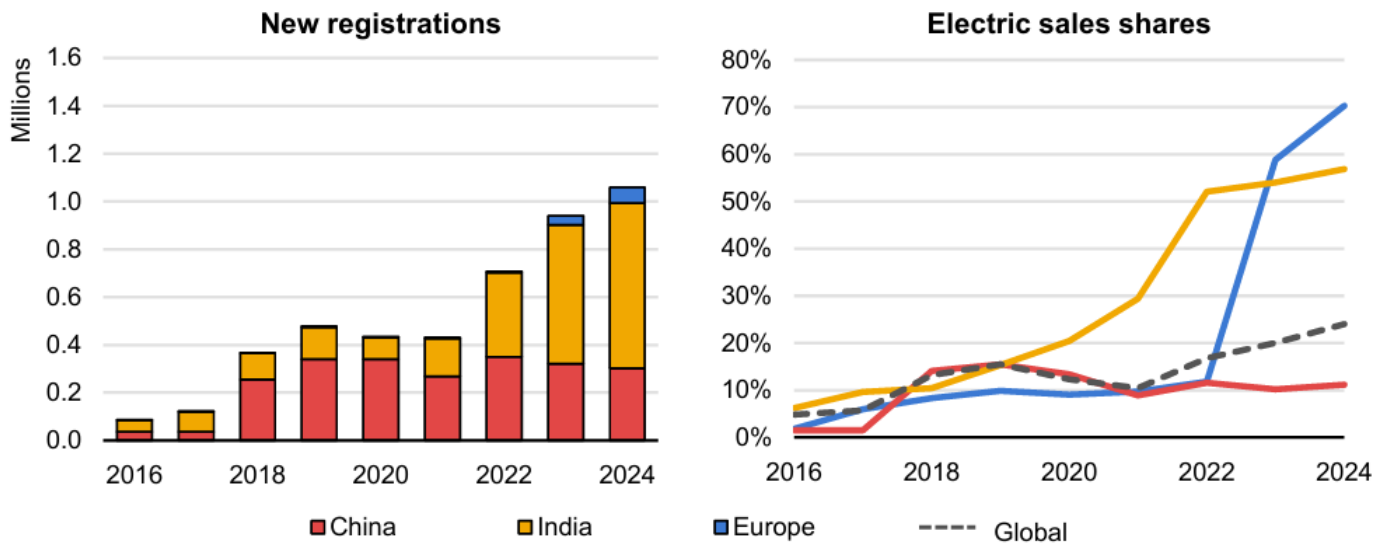
SOURCE: SIAM, INCRED RESEARCH

Figure 45: E2W sales volume and penetration by region – India is next only to China and Vietnam



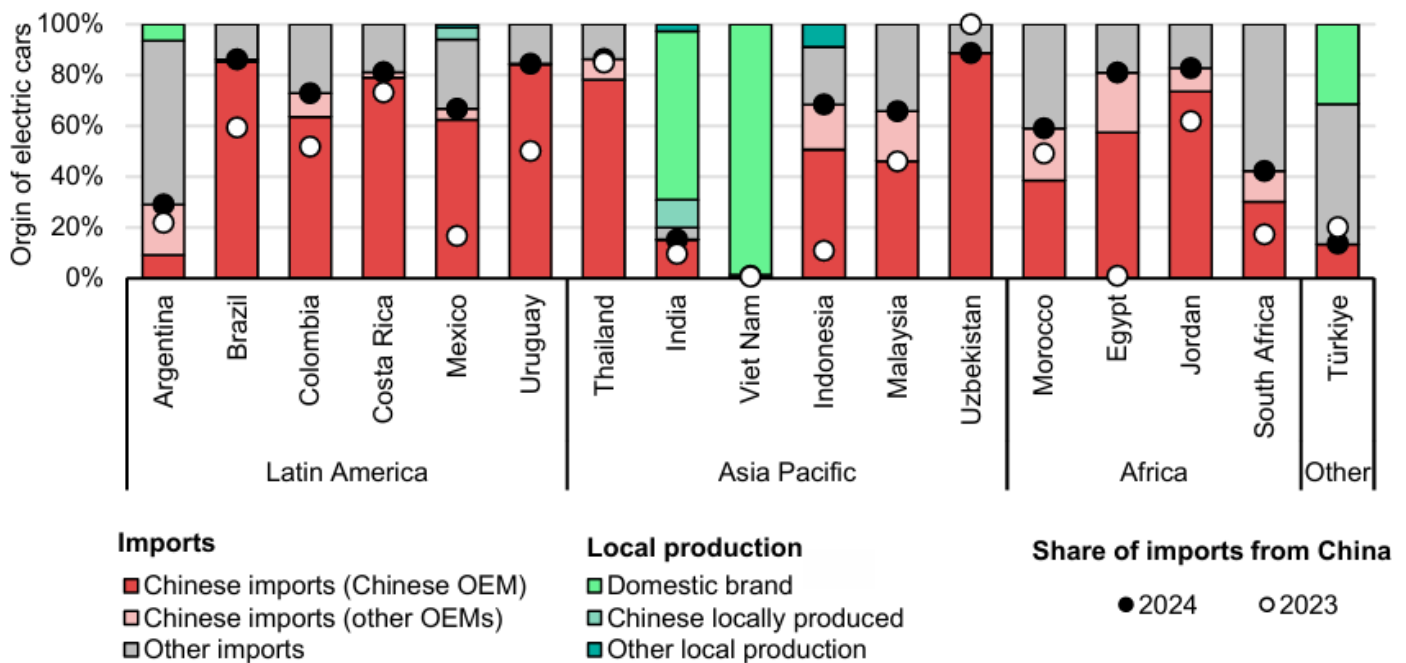
SOURCE: INTERNATIONAL ENERGY AGENCY, INCRED RESEARCH

Figure 46: E3W and E-rick sales volume and penetration trend by region



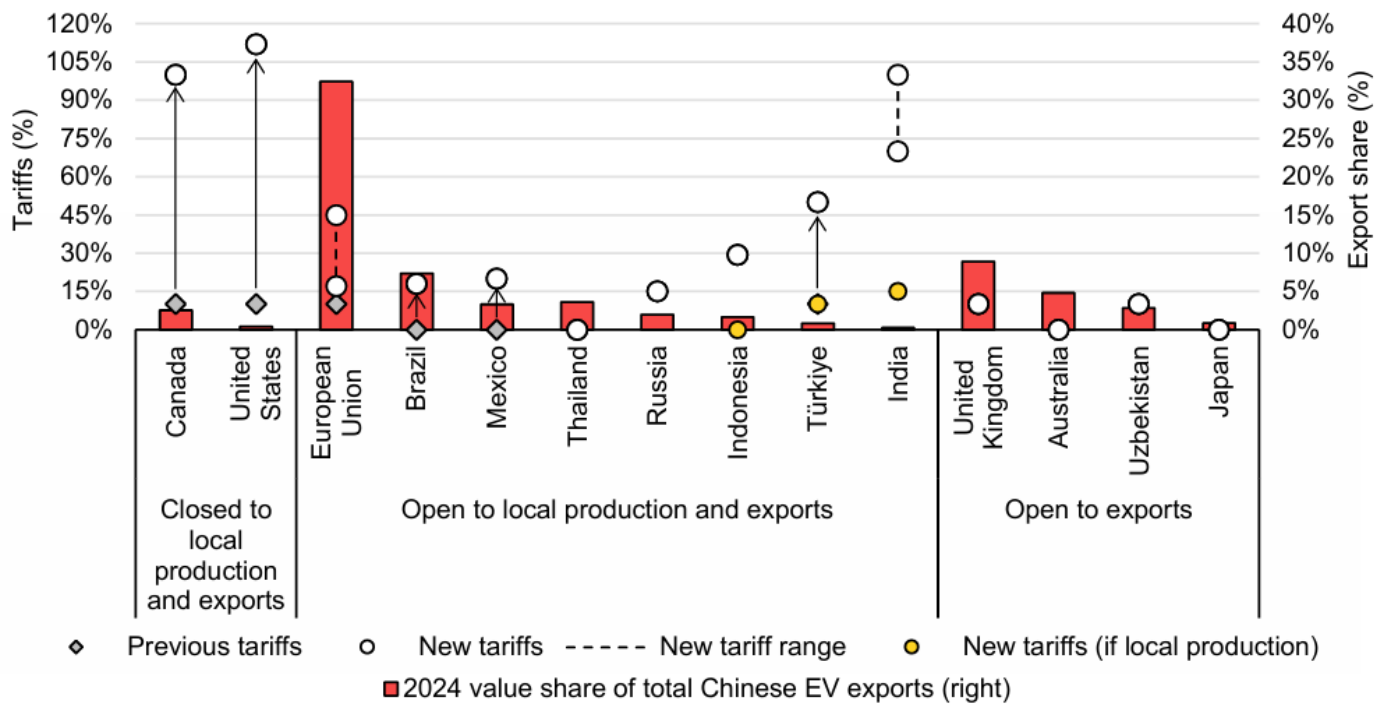
SOURCE: INTERNATIONAL ENERGY AGENCY, INCRED RESEARCH

Figure 47: Origin of electric cars sold in select markets in 2024 and the share of total imports from China; India has low China EVs



SOURCE: INTERNATIONAL ENERGY AGENCY, INCRED RESEARCH

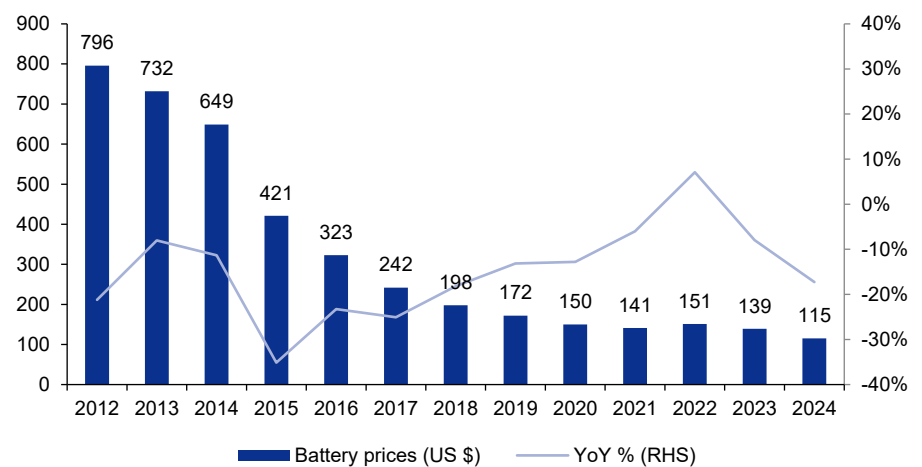
Figure 48: Tariff cuts for Chinese imports by different countries in recent years can improve their penetration



SOURCE: INTERNATIONAL ENERGY AGENCY, INCRED RESEARCH

The downtrend in battery prices prevails, aided by excess cell supply situation in China.

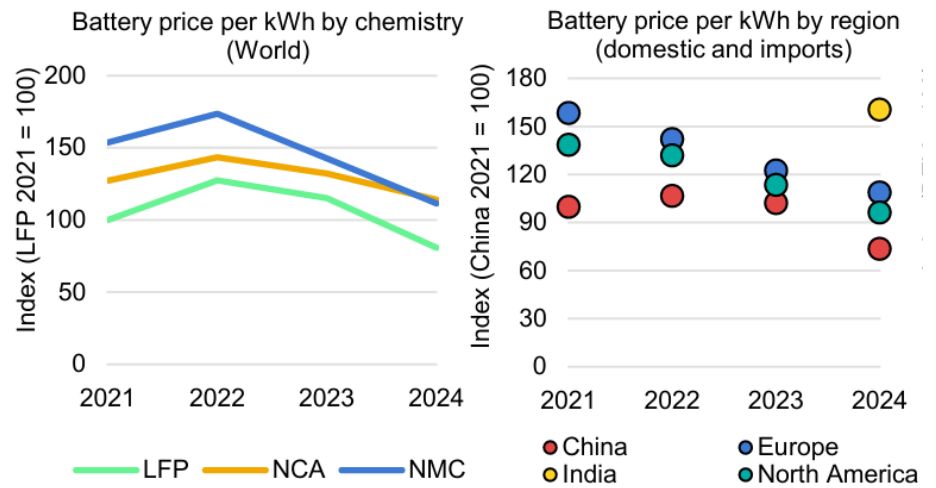
Figure 49: Battery prices: Volume-weighted average in US dollar terms



NOTE: VALUES ARE AVERAGES ACROSS PASSENGER EVS, COMMERCIAL VEHICLES, BUSES AND STATIONARY STORAGE. INCLUDES CELL AND PACK.

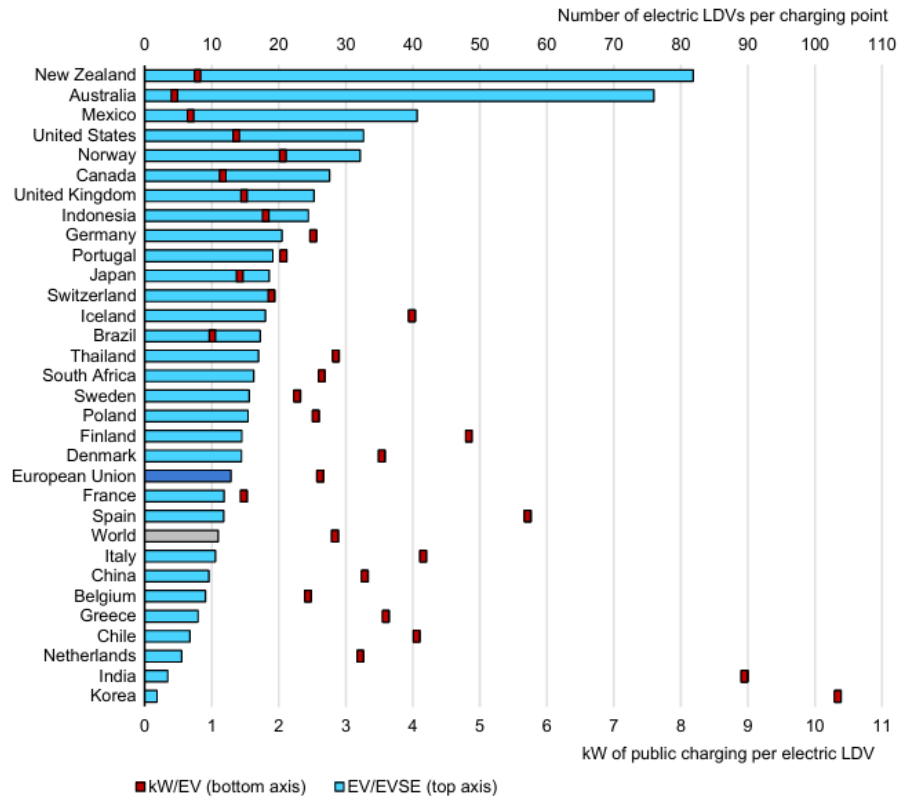
SOURCE: BLOOMBERGNEF 2022 LITHIUM-ION BATTERY PRICE SURVEY, INCRED RESEARCH

Figure 50: Average battery pack price per watt-hour index by select battery chemistry, region and mode in 2021-2024



SOURCE: INTERNATIONAL ENERGY AGENCY, INCRED RESEARCH

Figure 51: Country-wise public charging infrastructure



NOTE: LDV = LIGHT DUTY VEHICLE

SOURCE: IEA (INTERNATIONAL ENERGY AGENCY), INCRED RESEARCH

Commercial Vehicles

Demand ready to scale a new high in the coming two years as interest rates ease and also the railway Dedicated Freight Corridor or DFC threat gets delayed further

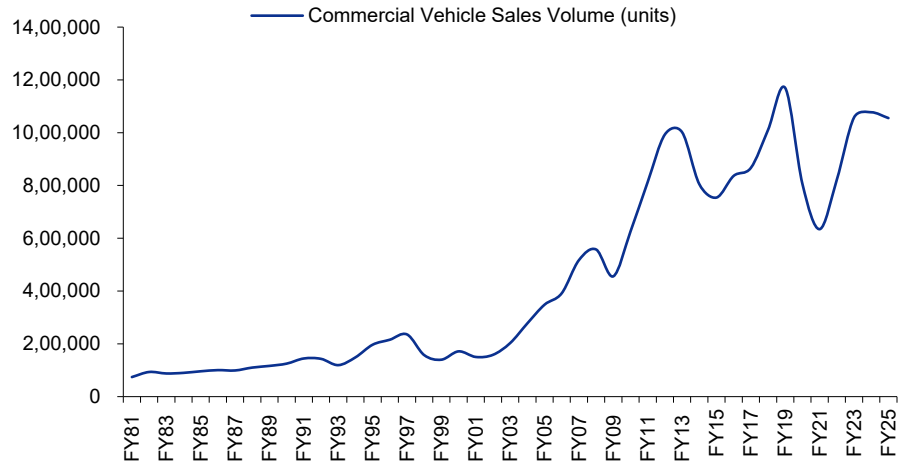
Improving demand and profitability trends➤

With the new Bharatiya Janata Party-led government at the Centre giving comfort of continued policy support and infrastructure spending, large truck demand returned to the growth path in 2HFY25. However, the tight credit scenario continued to hit the LCV segment's sales. The change in leadership in the LCV segment, in favour of M&M, is impressive.

With transporters' financials stress-tested for higher interest costs, DFC delay and liquidity challenges, we feel that demand growth will accelerate in the next two years. Vehicle financiers' books, which witnessed a NPA spike in the Sep 2024 quarter, are easing and they will provide loans at attractive rates in the coming quarters.

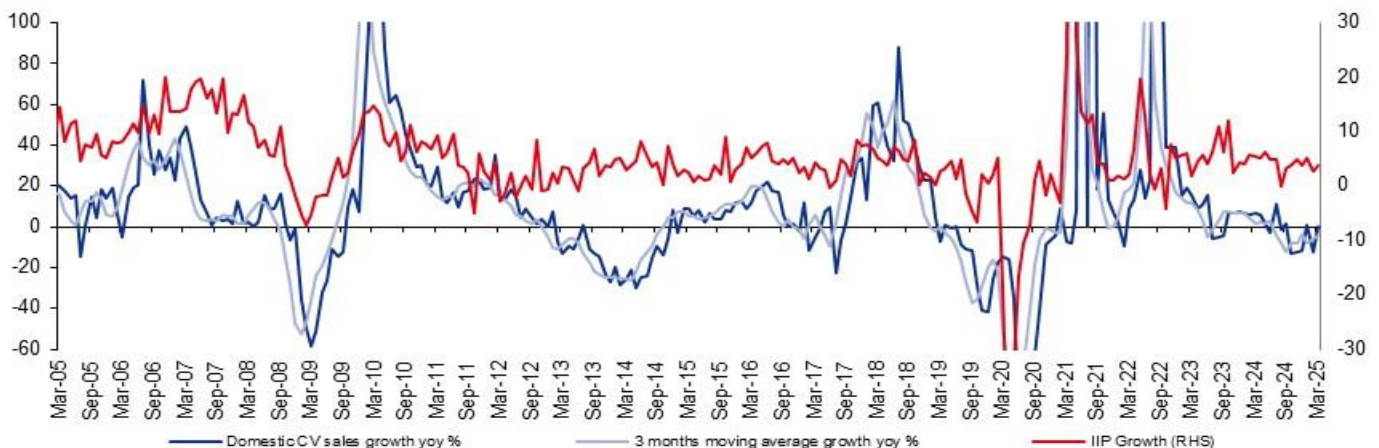
The CV industry holds on to its peak volume in the fourth year of upcycle.

Figure 52: Cyclical CV industry sustains its volume near the peak level



SOURCE: SIAM, INCRED RESEARCH

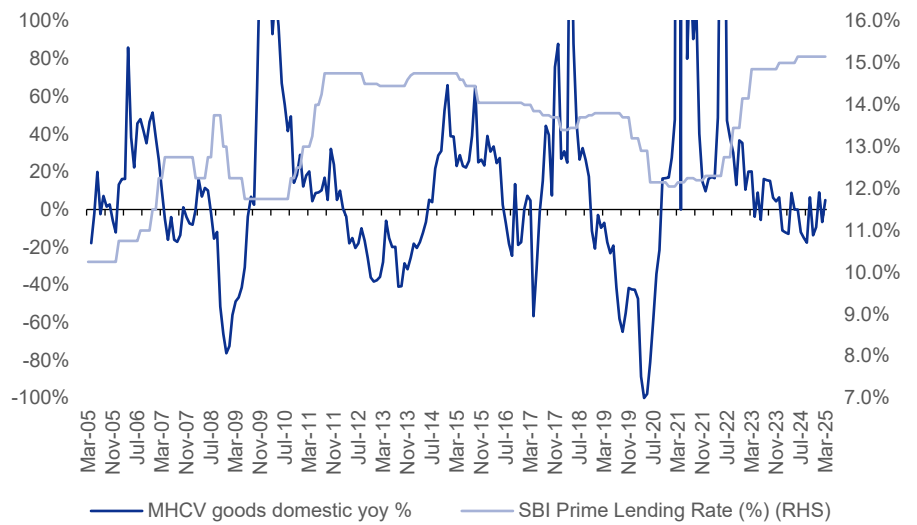
Figure 53: CV sales volume recovery tracks the Index of Industrial Production (IIP) growth



SOURCE: BLOOMBERG, SIAM, INCRED RESEARCH

The prolonged high interest rate period hit CV demand in FY25. Post-general election demand momentum improves.

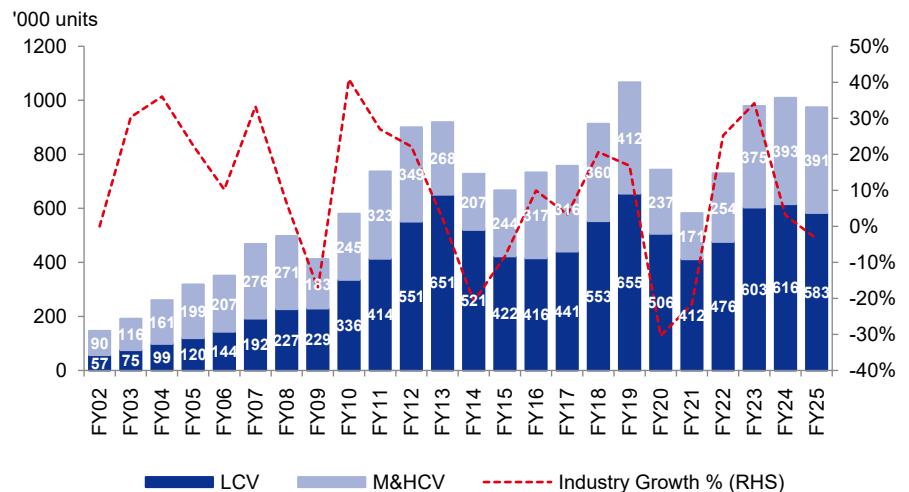
Figure 54: Big truck sales volume growth's inverse correlation to the lending rate is about to play out for growth revival in FY26F



SOURCE: SIAM, SBI, INCRED RESEARCH

LCV goods volume weakness disappoints, while large truck volume recovery post festive season provides comfort.

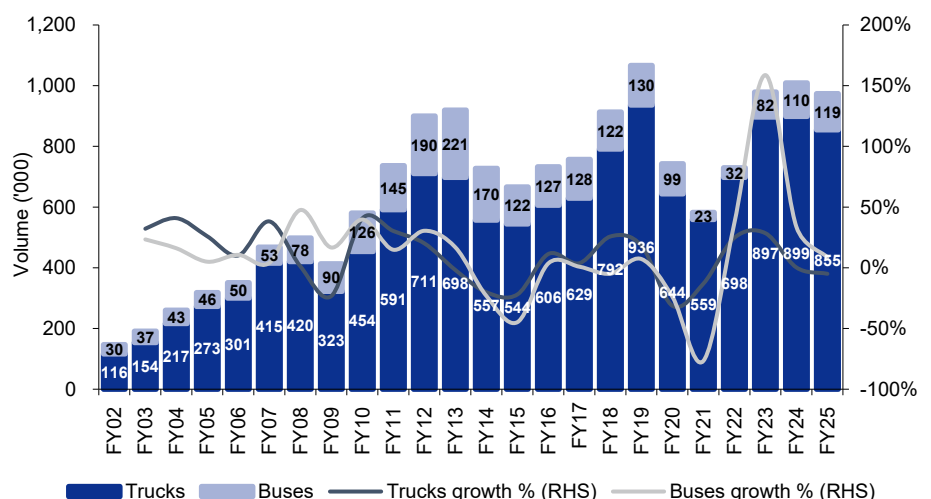
Figure 55: MHCV and LCV domestic truck sales volume trend



SOURCE: SIAM, INCRED RESEARCH

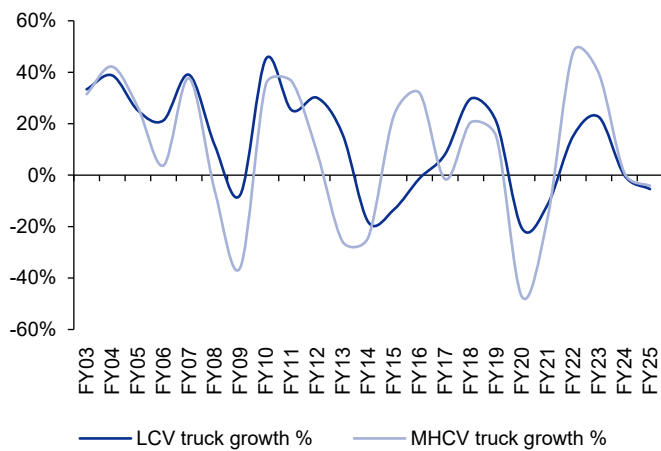
The bus sub-segment's growth momentum remains ahead of trucks in the CV segment for the last three years.

Figure 56: Domestic sales volume trend for trucks and buses in the CV segment



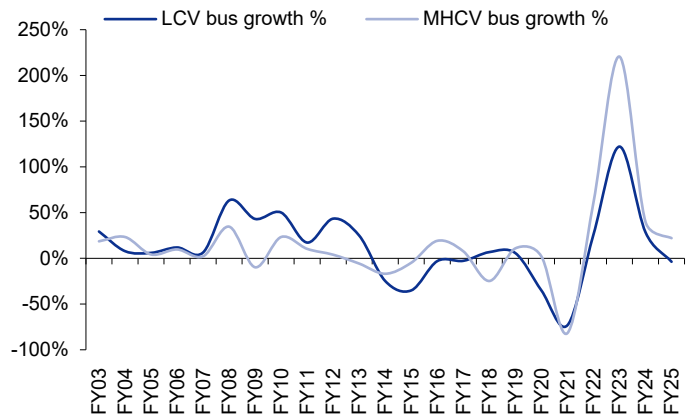
SOURCE: SIAM, INCRED RESEARCH

Figure 57: LCV truck segment's sales growth continues to lag the MHCV truck segment's growth



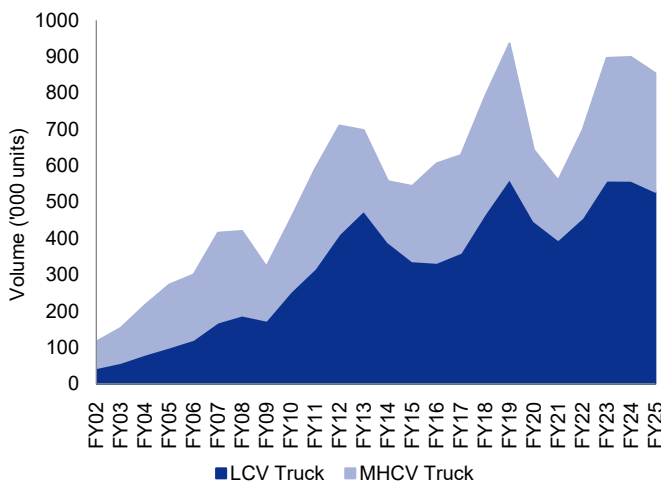
SOURCE: SIAM, INCRED RESEARCH

Figure 58: LCV bus segment posts negative growth in FY25



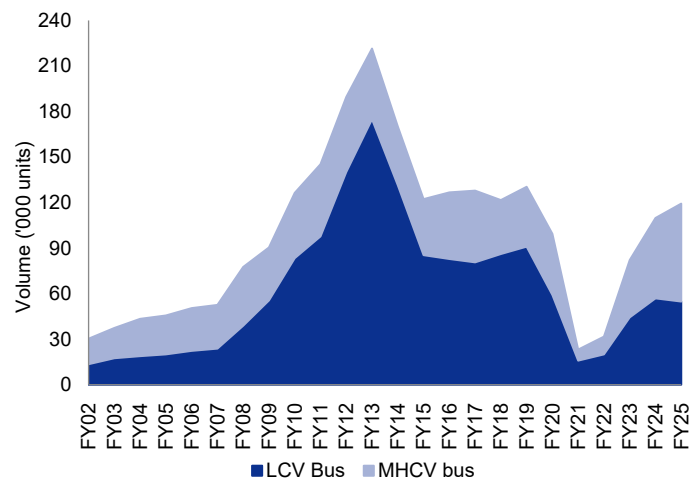
SOURCE: SIAM, INCRED RESEARCH

Figure 59: LCV truck segment's recovery accelerates



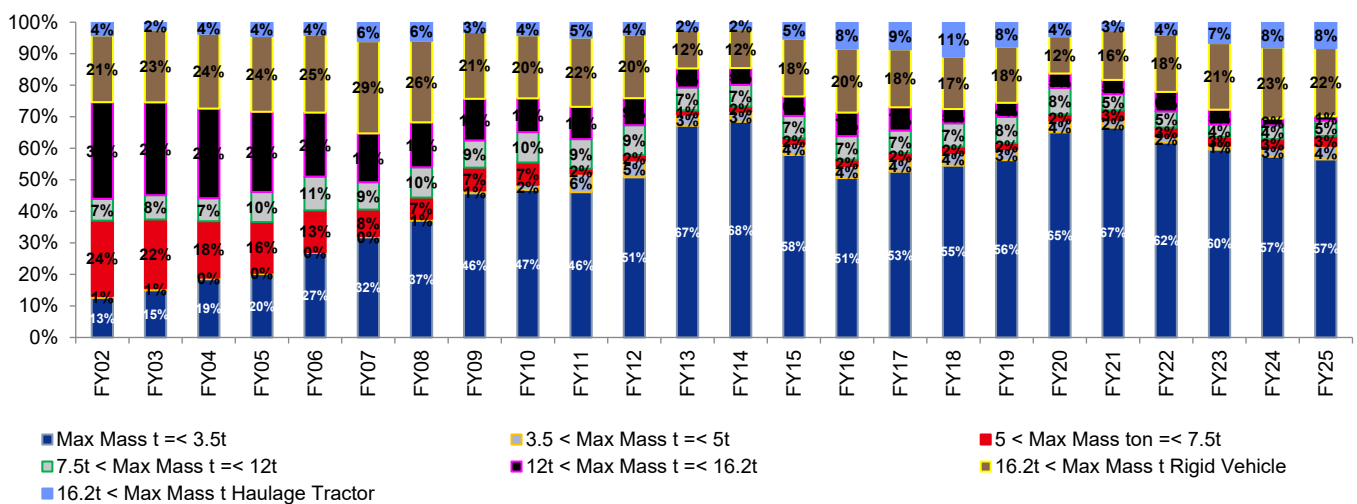
SOURCE: SIAM, INCRED RESEARCH

Figure 60: Steep recovery seen in the MHCV bus segment



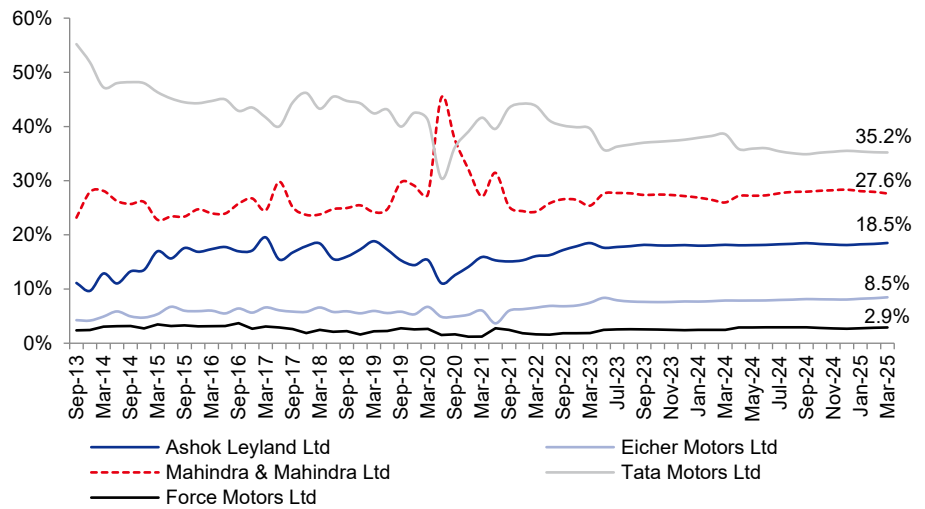
SOURCE: SIAM, INCRED RESEARCH

Figure 61: Domestic CV truck tonnage volume profile – MHCV tonnage scales a new high in the mix



SOURCE: SIAM, INCRED RESEARCH

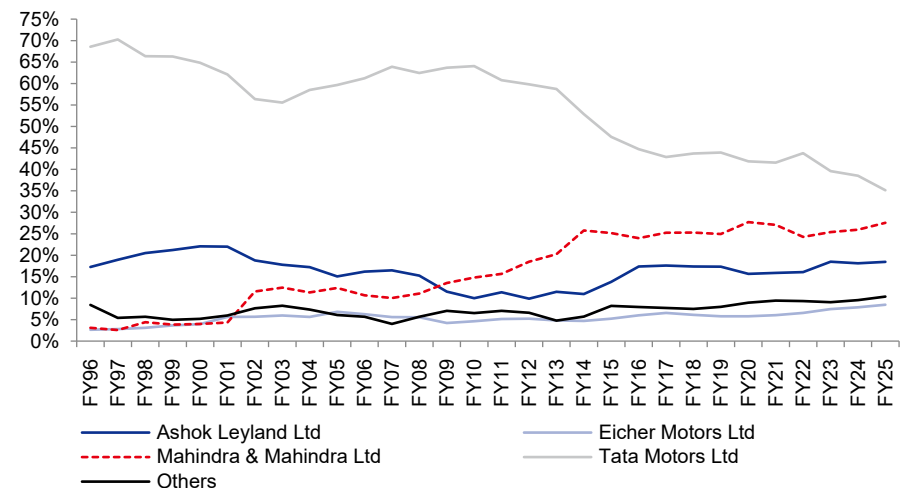
Figure 62: Monthly domestic CV segment market share – sustained uptrend for Ashok Leyland and Eicher Motors at the cost of Tata Motors



SOURCE: SIAM, INCRED RESEARCH

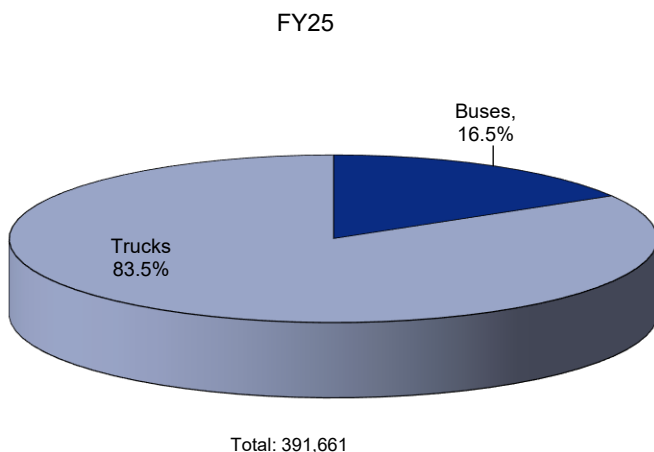
Tata Motors' CV market share erosion accelerates, as it loses leadership in the voluminous LCV segment. Mahindra & Mahindra gains through pick-up truck dominance.

Figure 63: Long-term domestic commercial vehicle market share trend – Tata Motors continues to slide



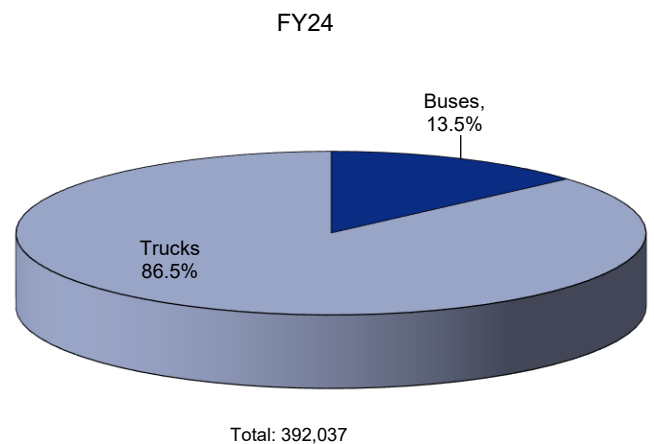
SOURCE: SIAM, INCRED RESEARCH

Figure 64: Domestic M&HCV sales mix in FY25



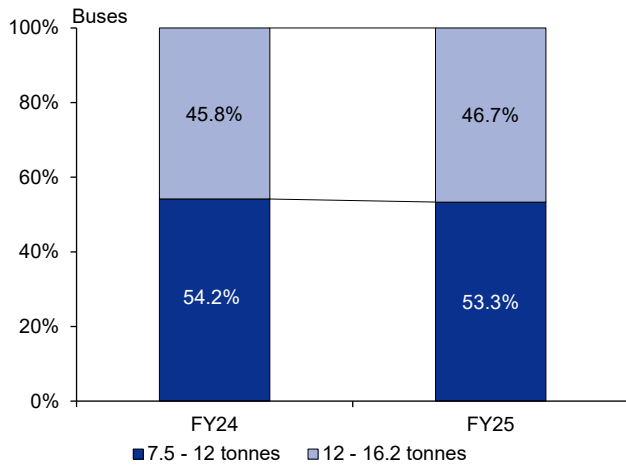
SOURCE: SIAM, INCRED RESEARCH

Figure 65: Domestic M&HCV sales mix in FY24



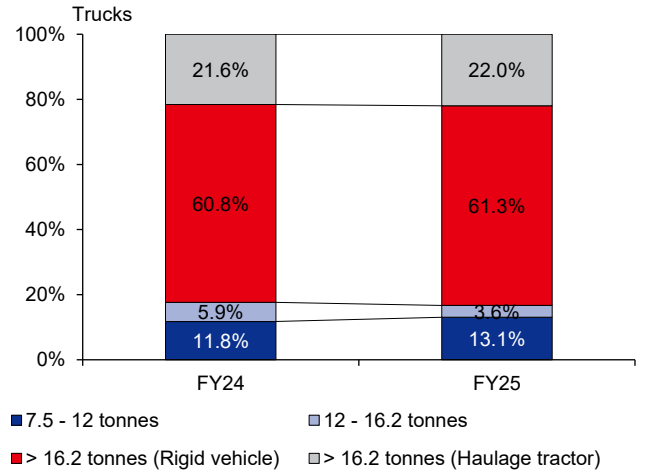
SOURCE: SIAM, INCRED RESEARCH

Figure 66: Domestic tonnage sales profile for MHCV passenger carriers



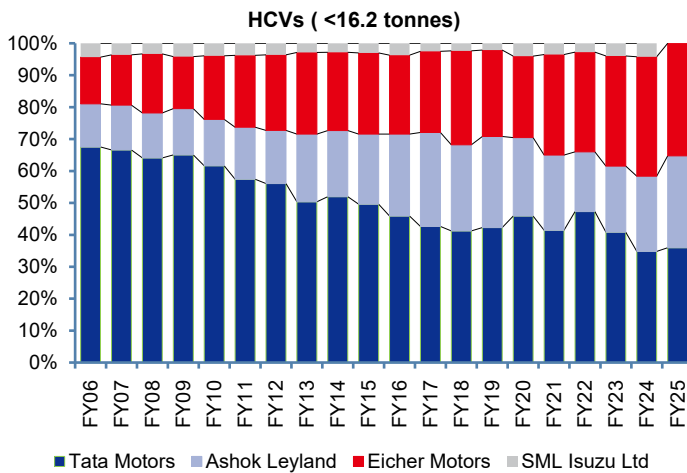
SOURCE: SIAM, INCRED RESEARCH

Figure 67: Domestic tonnage sales profile for MHCV goods carrier; the 12-16t segment gets squeezed



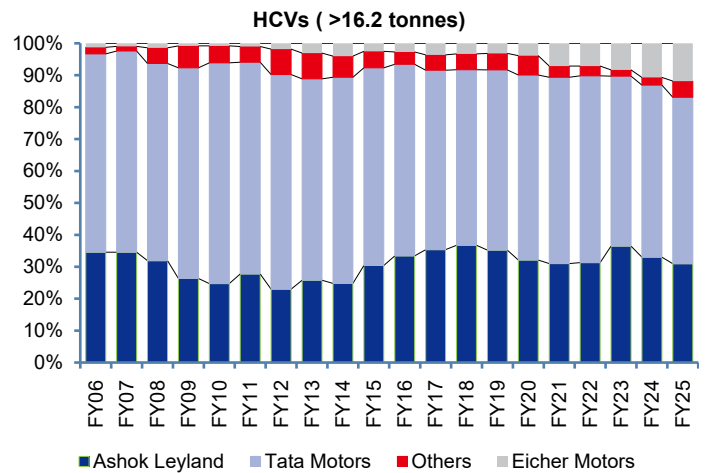
SOURCE: SIAM, INCRED RESEARCH

Figure 68: Market share trend in MCV trucks – Ashok Leyland at a new high in HCVs



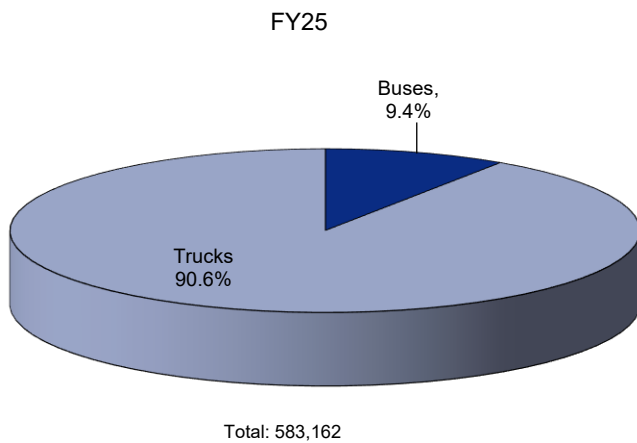
SOURCE: SIAM, INCRED RESEARCH

Figure 69: Market share trend in HCV trucks – Eicher Motors gains consistently



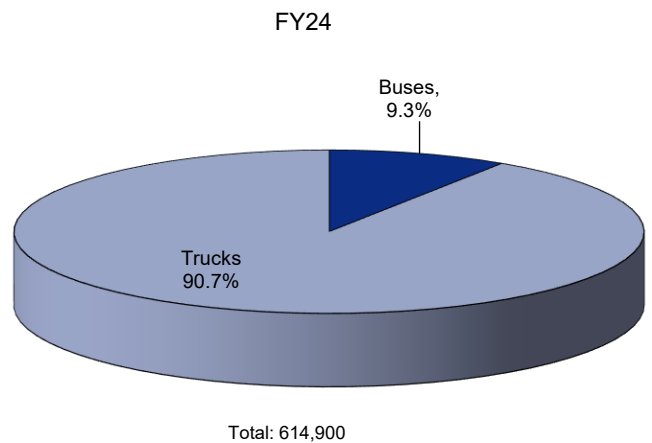
SOURCE: SIAM, INCRED RESEARCH

Figure 70: Domestic LCV sales mix in FY25



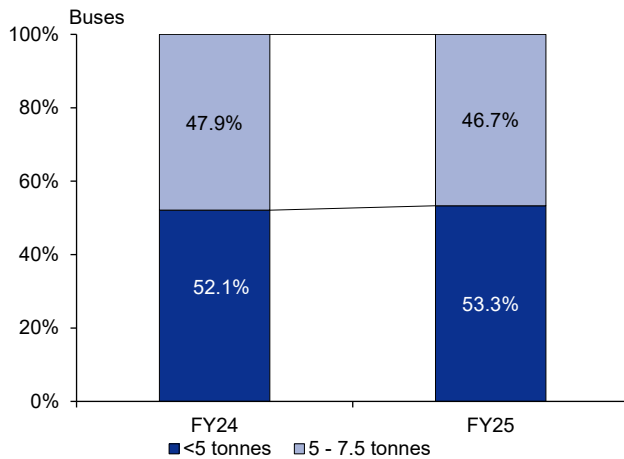
SOURCE: SIAM, INCRED RESEARCH

Figure 71: Domestic LCV sales mix in FY24



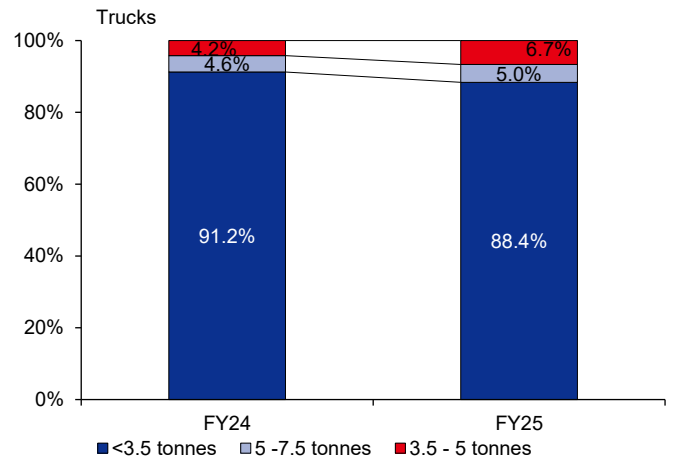
SOURCE: SIAM, INCRED RESEARCH

Figure 72: Domestic tonnage sales profile for LCV passenger carriers



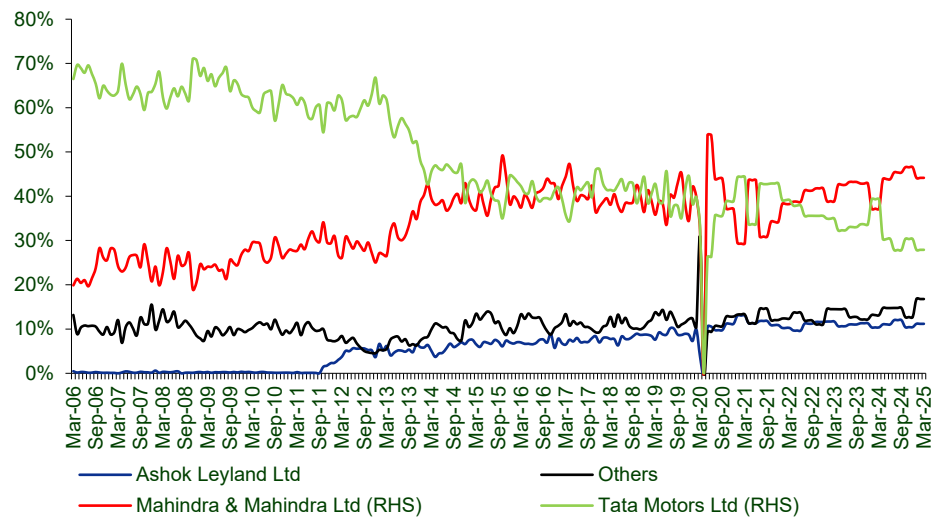
SOURCE: SIAM, INCRED RESEARCH

Figure 73: Domestic tonnage sales profile for LCV goods carriers—small continues to gain



SOURCE: SIAM, INCRED RESEARCH

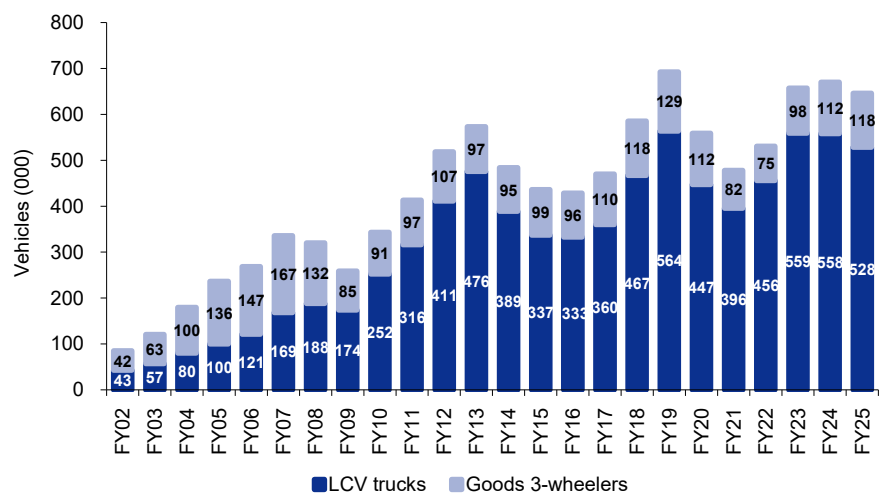
Figure 74: Domestic LCV market share trend – M&M builds on leadership position



SOURCE: SIAM, INCRED RESEARCH

Last-mile connectivity continues to drive both small truck and 3W goods carrier segments.

Figure 75: LCV truck and three-wheeler goods carrier segments' sales volume – trucks persist dominance while the 3W threat eases



SOURCE: SIAM, INCRED RESEARCH

Passenger Vehicles

Export volume continues to scale a new peak

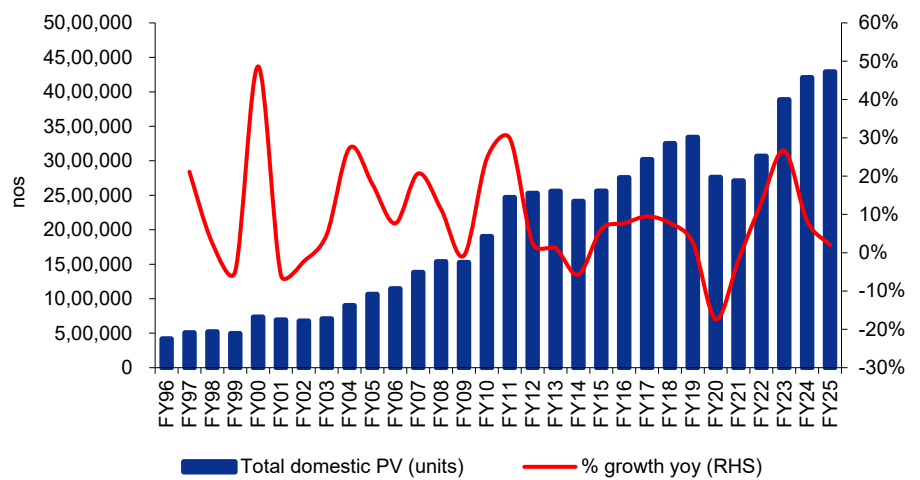
Low single-digit growth is an area of concern ➤

The passenger vehicle or PV industry, for successive years, has recorded single-digit growth, with the car segment continuing its low double-digit dip while the SUV volume growth has eased to low double digits. However, the SUV mix continues to improve to the global standard of 65%. The growth in the MPV segment is impressive, overtaking the sedan segment's volume.

Aggressive new E-SUV launches in 2HFY25 drove attention as the Goods and Service Tax or GST arbitrage is at the highest in this segment, thereby allowing EV prices to be lower than the ICE variants. However, total EV sales were weak, as the GoI withdrew its incentive for the fleet segment.

Prolonged high interest rates and the continued downtrend in car sales impacted the PV industry's growth in FY25.

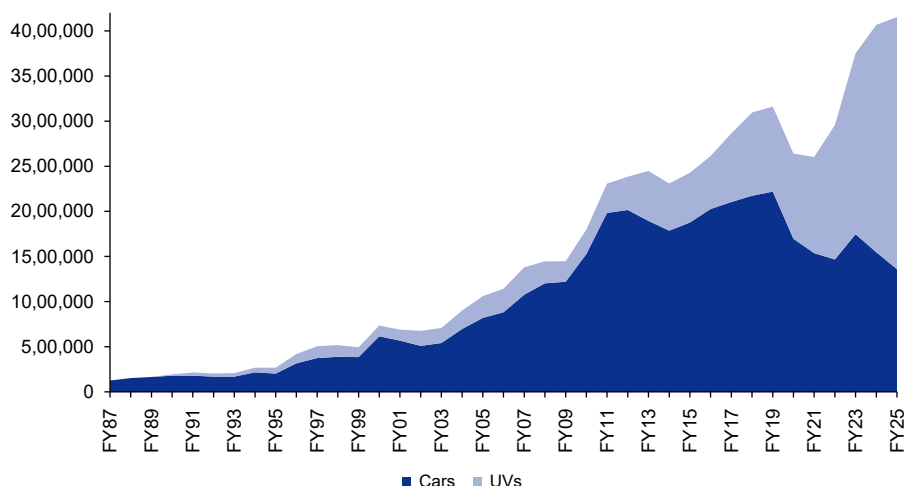
Figure 76: Domestic PV sales volume growth slowdown prevails



SOURCE: SIAM, INCRED RESEARCH

Sustained double-digit growth in SUVs in FY25 led to these vehicles accounting for 65% of the domestic PV mix. However, the slowdown witnessed since Jan 2025 is a cause of concern.

Figure 77: SUV sales volume continues to scale a new peak



SOURCE: SIAM, INCRED RESEARCH

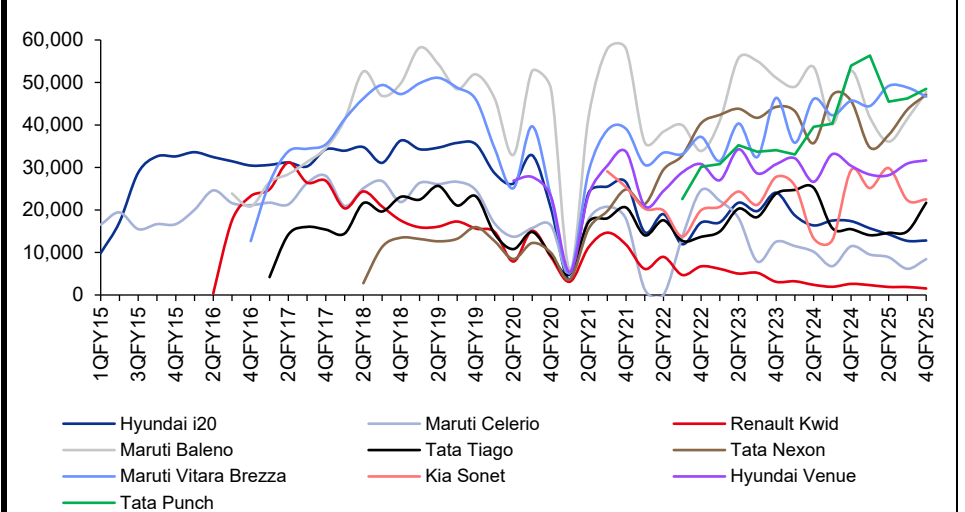
Maruti Suzuki's Wagon R retains its leadership position with a slight margin uptick over Tata Punch.

Figure 78: Top-selling models in the domestic market

Model Name	Company	FY25 sales (no)	yoy growth (%)
WagonR	Maruti Suzuki	1,98,451	-0.9%
Punch	Tata Motors	1,96,567	15.6%
Creta	Hyundai Motor India	1,94,871	19.7%
Ertiga	Maruti Suzuki	1,90,974	27.5%
Brezza	Maruti Suzuki	1,89,163	11.3%
Swift	Maruti Suzuki	1,79,641	-8.0%
Baleno	Maruti Suzuki	1,67,161	-14.5%
Fronx	Maruti Suzuki	1,66,216	23.4%
Dzire	Maruti Suzuki	1,65,021	0.3%
Scorpio	Mahindra & Mahindra	1,64,842	16.5%

SOURCE: SIAM, INCRED RESEARCH

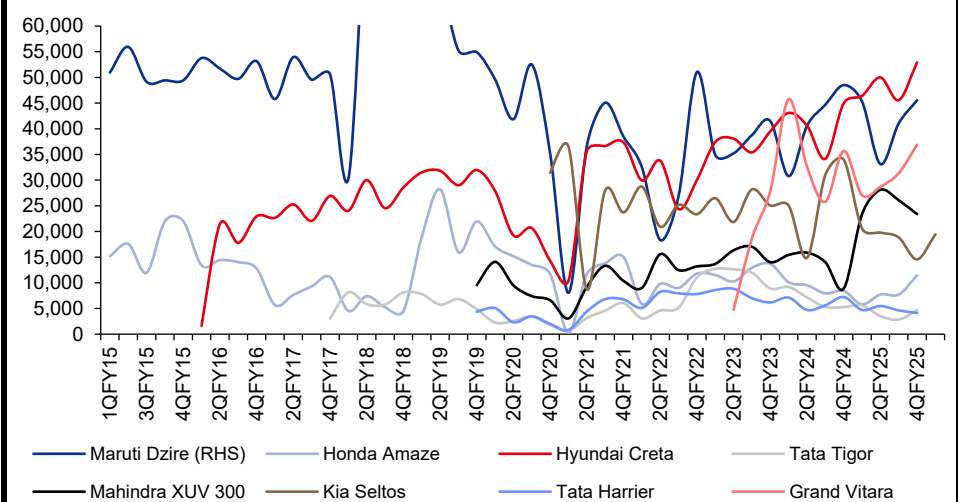
Figure 79: New compact car/SUV model sales - quarterly trend



SOURCE: SIAM, INCRED RESEARCH

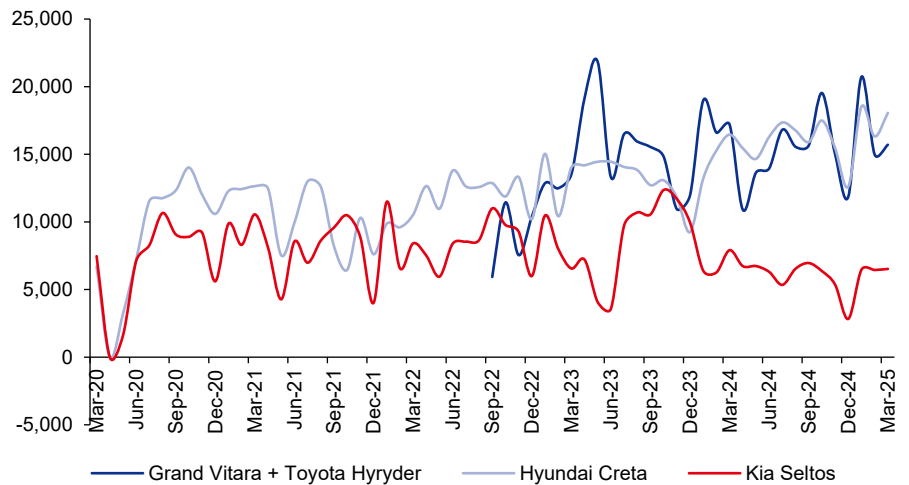
Hyundai Creta's dominance in mid-SUVs continues, with the refreshed and EV versions.

Figure 80: Quarterly performance of sedan and SUV models



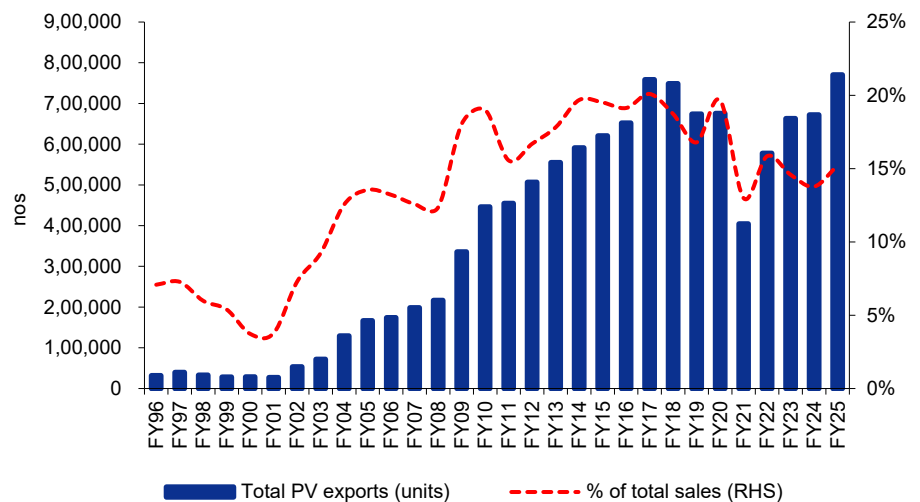
SOURCE: SIAM, INCRED RESEARCH

Figure 81: Maruti Suzuki's Grand Vitara and Toyota's Hyryder cumulatively closing in on Hyundai Creta's volume, while Kia slips



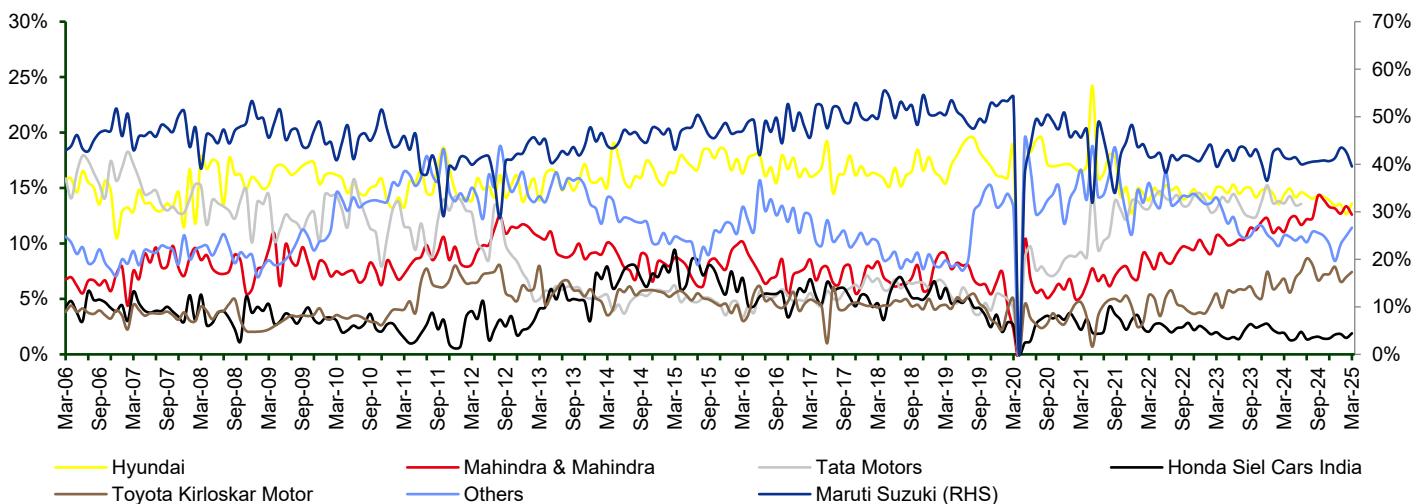
SOURCE: SIAM, INCRED RESEARCH

Figure 82: Passenger vehicle export sales volume scales a historic high



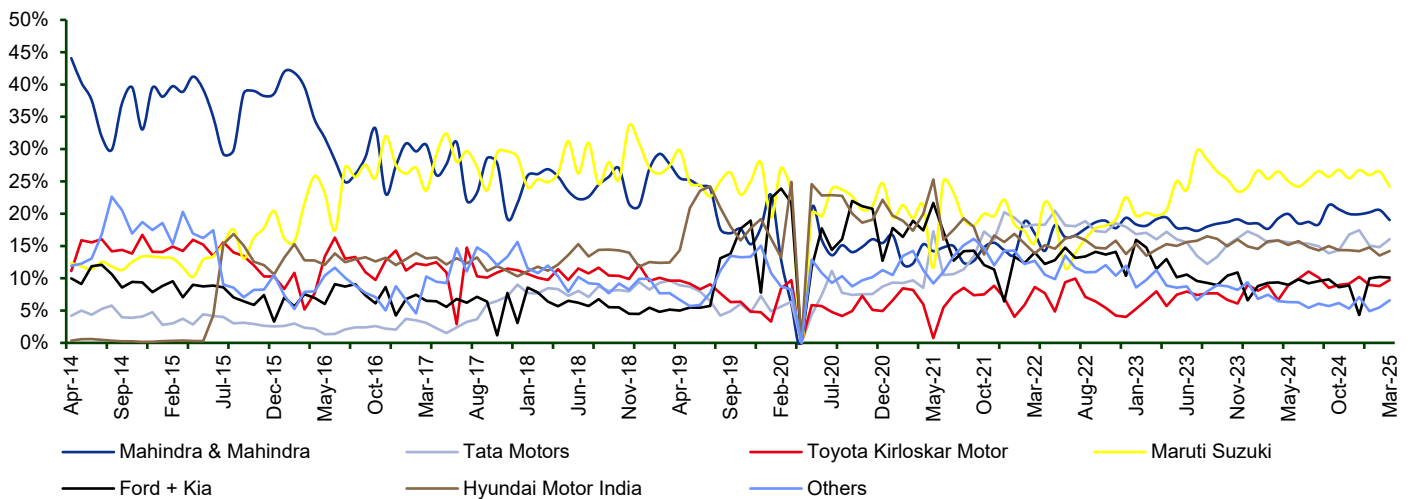
SOURCE: SIAM, INCRED RESEARCH

Figure 83: Total domestic PV segment monthly market share trend



SOURCE: SIAM, INCRED RESEARCH

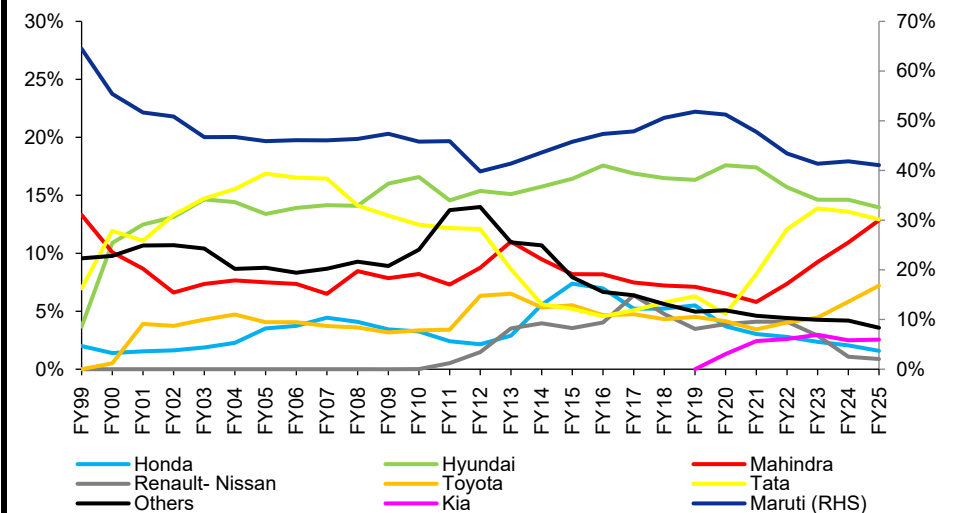
Figure 84: Domestic SUV segment's monthly market share trend – M&M and Toyota witness major market share improvement



SOURCE: SIAM, INCRED RESEARCH

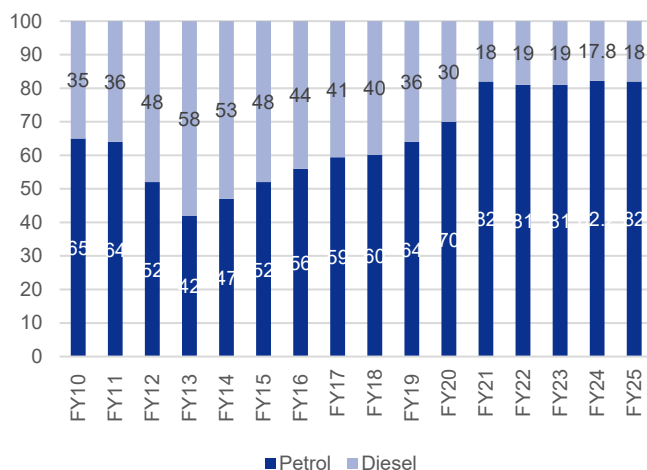
M&M and Toyota witness a vertical uplift in their market share, aided by SUV mix improvement.

Figure 85: Long-term passenger vehicle segment's domestic market share trend



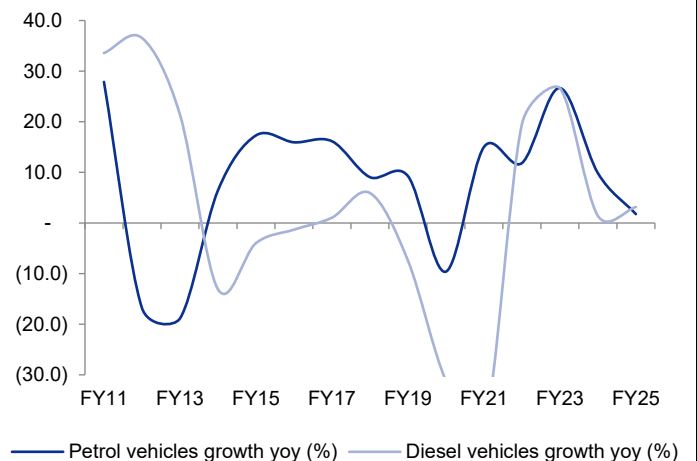
SOURCE: SIAM, INCRED RESEARCH

Figure 86: PV segment's petrol-diesel mix



SOURCE: INDUSTRY REPORTS, INCRED RESEARCH

Figure 87: Passenger petrol vehicle vs. diesel vehicle growth



SOURCE: INDUSTRY REPORTS, INCRED RESEARCH

In the car segment, Tata Motors' loss of market share was helpful to Maruti Suzuki. Hyundai Motor India continues to lose market share in cars as well as SUVs. The SUV market share gain of Toyota and M&M was impressive in FY25. However, on a five-year basis, M&M regained its market share.

Figure 88: Market share trend in car and UV segments

Car and MPV	FY21	FY22	FY23	FY24	FY25	1-year change bp	5-year change bp
Honda	4.4%	5.0%	4.6%	3.1%	3.1%	-8	-175
Hyundai Motor India	15.7%	14.6%	14.1%	13.4%	12.6%	-80	-439
Maruti Suzuki	64.8%	66.0%	66.0%	66.4%	69.7%	331	466
Renault	2.5%	1.7%	1.0%	0.6%	0.5%	-9	-207
Tata Motors	8.0%	9.1%	9.6%	10.8%	8.3%	-257	431
Toyota	1.6%	1.5%	2.2%	3.2%	3.4%	15	79
Volkswagen	1.1%	0.9%	1.0%	1.3%	1.4%	18	8
Others	1.2%	1.0%	1.5%	1.1%	1.0%	-10	-42
Utility Vehicle	FY21	FY22	FY23	FY24	FY25	1-year change bp	5-year change bp
Hyundai Motor India	20.1%	16.8%	15.1%	15.4%	14.7%	-75	-402
Honda	0.9%	0.4%	0.2%	1.3%	0.8%	-54	-76
Mahindra	14.6%	15.0%	17.8%	18.2%	19.7%	148	75
Maruti Suzuki	21.5%	19.5%	18.3%	25.5%	25.8%	28	87
Nissan Motor	1.1%	2.4%	1.7%	1.2%	1.0%	-21	44
Renault	4.8%	4.1%	3.0%	1.4%	1.1%	-32	-344
Tata Motors	8.6%	15.2%	17.8%	15.4%	15.4%	0	914
Toyota	6.2%	6.7%	6.6%	7.6%	9.2%	169	217
Kia Motors	14.6%	12.5%	13.4%	9.7%	9.1%	-62	20
Others	4.2%	4.9%	4.7%	2.3%	1.4%	-94	-228

SOURCE: SIAM, INCRED RESEARCH

Two-wheelers

The 2W segment witnessed the best growth among its peers, nearing almost double-digit; exports scaled a new peak, aided by scooters. HMSI (Honda) is eager to emerge as the leader at the cost of Hero MotoCorp but without a proper EV strategy, it is difficult to sustain. In the medium term, we expect listed OEMs to witness a mid-teen revenue CAGR.

EVs' influence on 2W growth eases to less than 100bp ➤

The domestic 2W industry continued its high single-digit volume growth, driven by scooters sustaining their double-digit growth. While EVs recorded a 19% growth to form 6.1% of domestic 2W sales, their influence on the overall 2W industry growth rate eased to just 60bp. EV penetration in the scooter segment was flattish at 17%, as easing government incentives and funding challenges at born EV makers impacted the momentum.

The disparity in the motorcycle segment's growth rate is a challenge, as despite a strong rural recovery, entry-level bike sales were flattish while growth was witnessed in mid-engine size bikes.

Exports scaled a new peak, driven by scooters, especially in the case of Honda. Scooter exports sustained their double-digit growth for the fourth successive year. Easing concentration of Africa in the export volume is a good sign.

Domestic 2W volume on a sustained growth path, aided by the momentum in scooters. Exports spiked to reach close to their historic peak witnessed in FY22.

Figure 89: Two-wheeler industry volume sustains double-digit growth

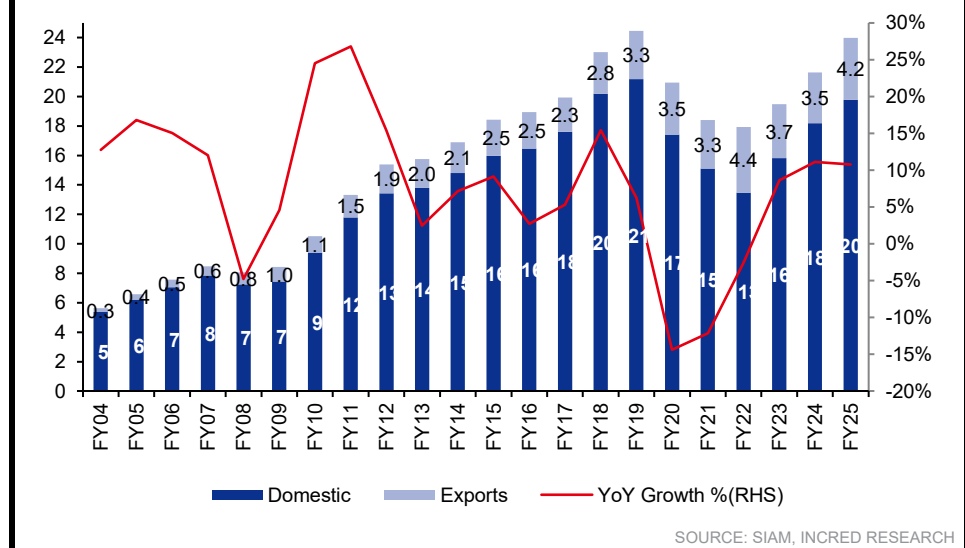
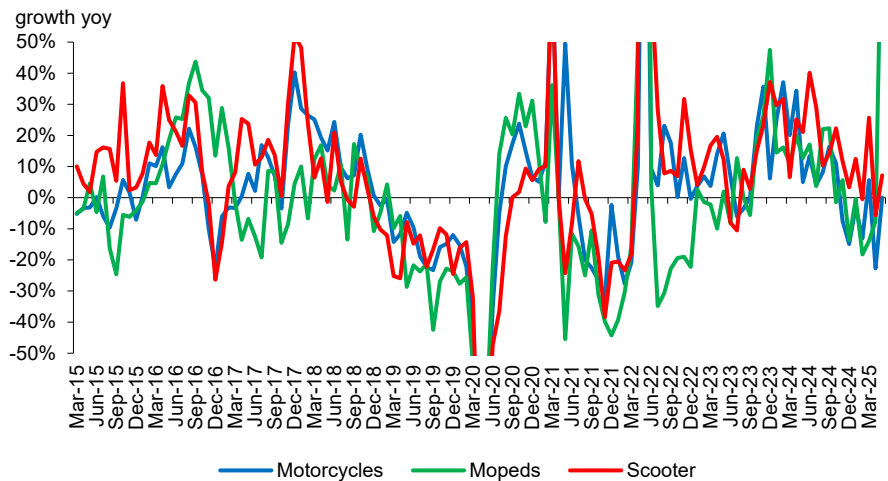
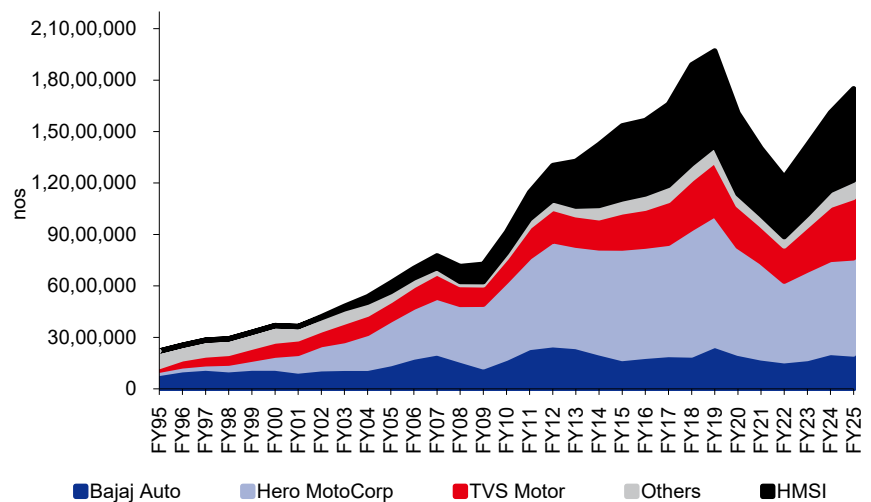


Figure 90: Domestic 2W volume growth driven by EV scooters, while motorcycle growth is tepid



SOURCE: SIAM, INCRED RESEARCH

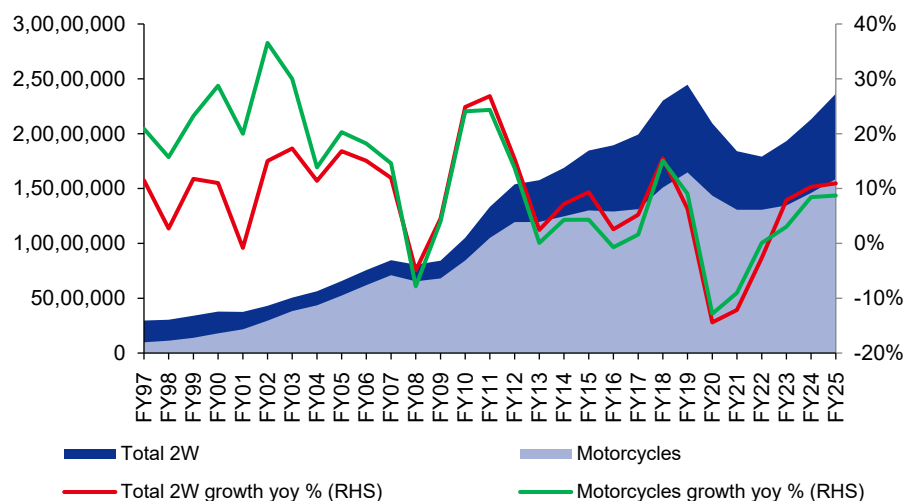
Figure 91: Domestic 2W sales volume share trend for key manufacturers – scooter growth aids HMSI and TVS Motor Company



SOURCE: SIAM, INCRED RESEARCH

Domestic motorcycle sales volume growth moderates due to entry-level motorcycle sales being flat despite rural demand recovery. The growth was driven by EV scooters and 110-150cc bikes.

Figure 92: Two-wheeler and motorcycle sales trend (including exports)



SOURCE: SIAM, INCRED RESEARCH

TVS Motor Company gains market share on the back of successful product launches and EV momentum, while Hero MotoCorp loses market share due to lower demand for entry-level bikes. Bajaj Auto loses market share in the 125cc bike segment.

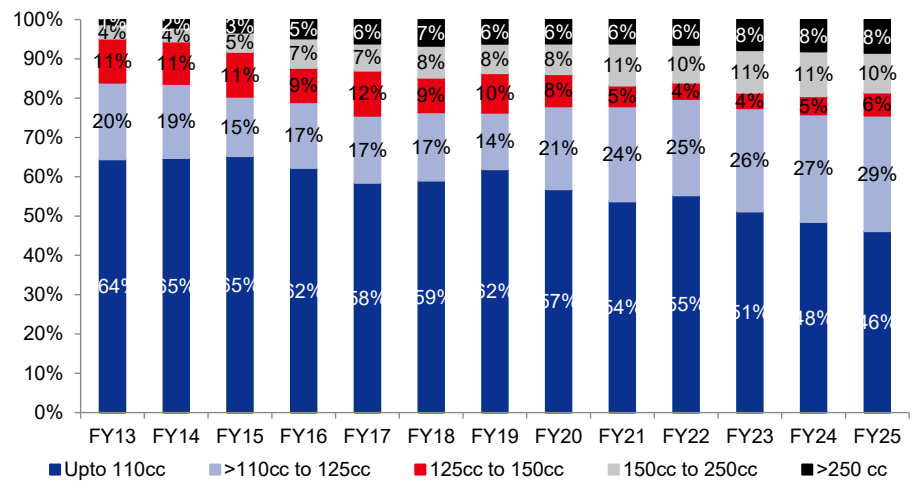
Market share of the 110-150cc motorcycle segment is on a sustained rise to form 35% of the domestic motorcycle segment. This comes at the cost of 100cc bikes' sustained market share loss.

Figure 93: Two-wheeler makers' market share changes in the domestic market

2-Wheelers	FY20	FY21	FY22	FY23	FY24	FY25	1 yr change (bp)	5 yr change (bp)
Bajaj Auto	11.9%	12.0%	12.2%	11.5%	12.6%	11.9%	-74	-6
Hero MotoCorp	35.8%	37.0%	34.5%	32.9%	30.4%	28.8%	-151	-693
Honda	27.0%	25.6%	25.8%	25.7%	25.4%	27.4%	202	37
TVS	13.8%	14.3%	15.2%	16.6%	17.7%	18.1%	41	426
Others	11.4%	11.1%	12.4%	13.3%	14.0%	13.8%	-18	236

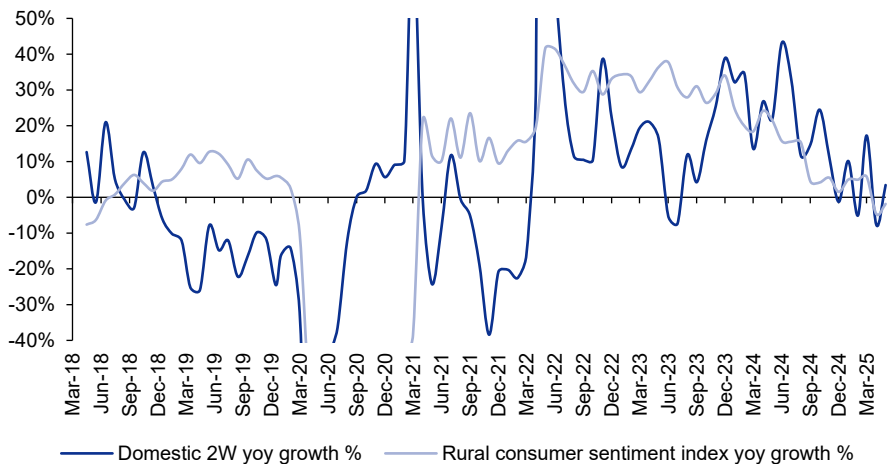
SOURCE: SIAM, INCRED RESEARCH

Figure 94: Motorcycle segmentation in the domestic market – mid engine size (110-150cc) growth post-Covid still prevails



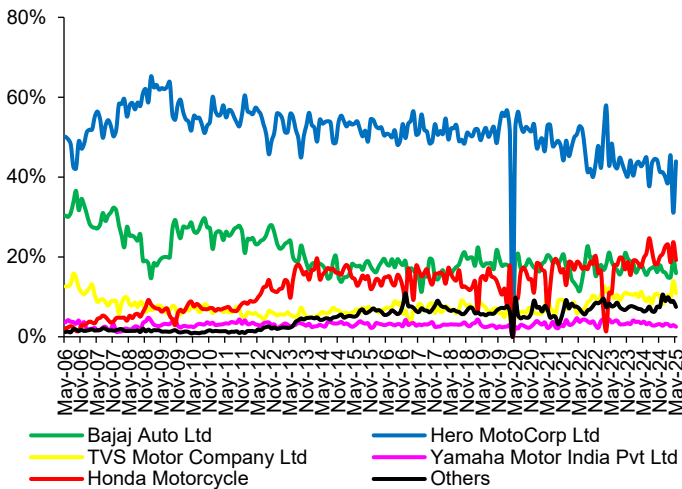
SOURCE: SIAM, INCRED RESEARCH

Figure 95: Though the rural consumer sentiment remained buoyant of late, it has not resulted in higher 2W sales



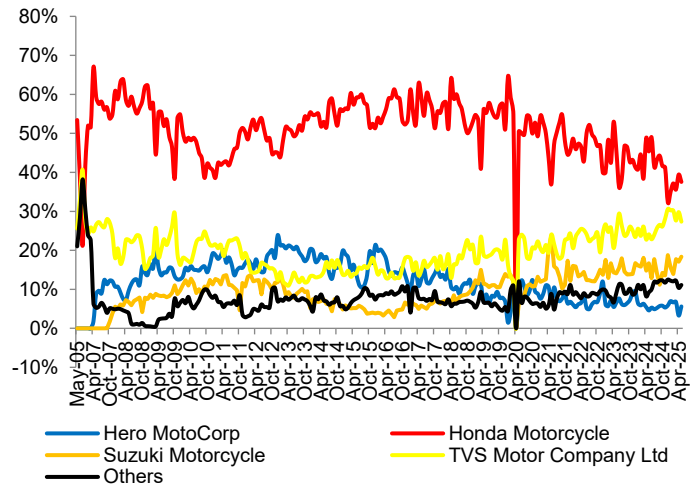
SOURCE: SIAM, CMIE, INCRED RESEARCH

Figure 96: Domestic motorcycle market share trend improves for HMSI to emerge as the runner-up.



SOURCE: SIAM, INCRED RESEARCH

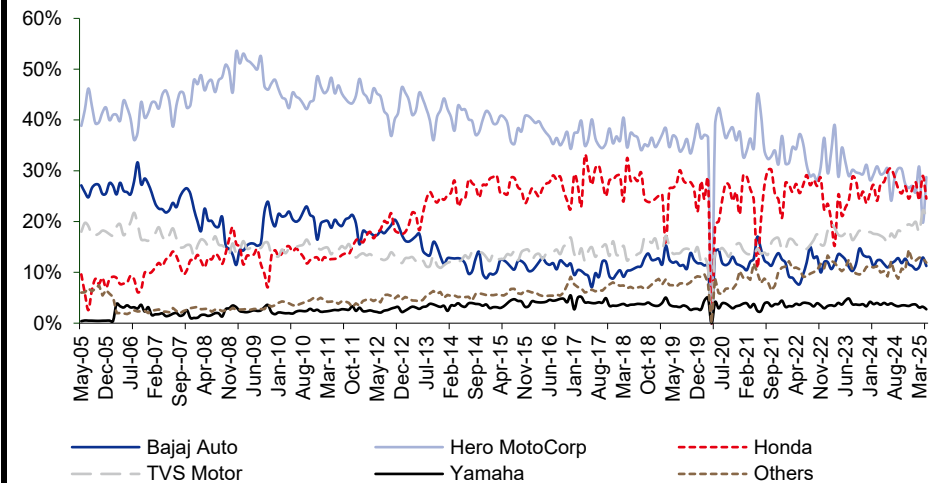
Figure 97: Domestic scooter market share trend – TVS Motor Company with EVs is closing the gap with the leader, HMSI



SOURCE: SIAM, INCRED RESEARCH

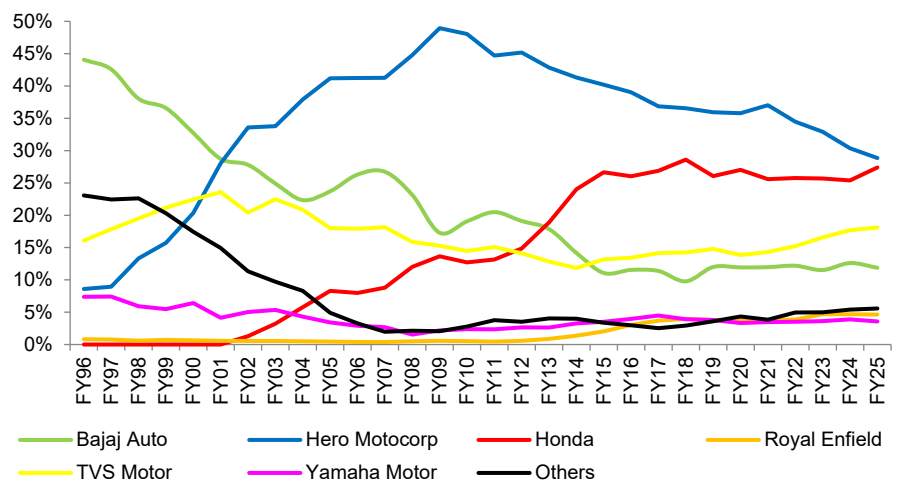
Hero MotoCorp's sustained market share erosion and a marginal gain by HMSI (Honda) to reach FY18 peak market share, will make it a contender for the No.1 position in the domestic 2W market soon.

Figure 98: Domestic two-wheeler market share trend – Hero MotoCorp's leadership threatened in recent months by HMSI



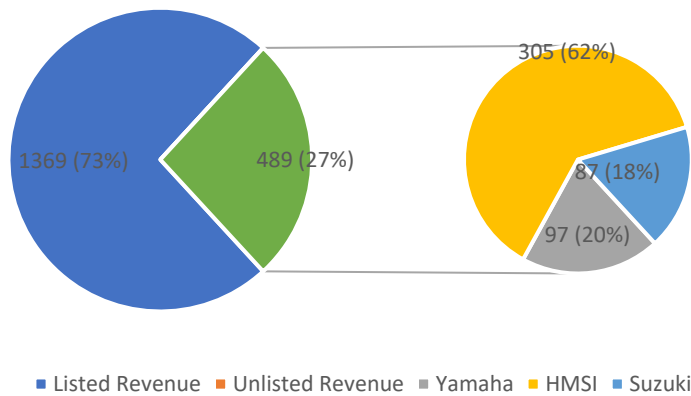
SOURCE: SIAM, INCRED RESEARCH

Figure 99: Long-term domestic two-wheeler industry market share trend; the sharp decline in Hero MotoCorp's market share vs. HMSI's consistently improving trend



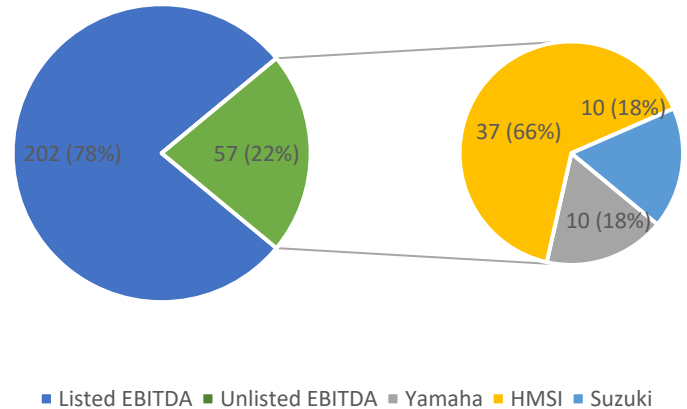
SOURCE: SIAM, INCRED RESEARCH

Figure 100: Unlisted OEMs' revenue pool (27%) to shift in favour of listed EV makers by FY30F(Rs bn)



SOURCE: ACE EQUITY, INCRED RESEARCH, COMPANY REPORTS

Figure 101: The EBITDA pool (22% for unlisted entities in FY24) shift to happen post FY30F



SOURCE: ACE EQUITY, INCRED RESEARCH, COMPANY REPORTS

Superior EV product portfolio and customer experience for listed OEMs to drive a better revenue CAGR of 14% over FY25-30F, thereby helping them gain revenue share in 2Ws.

Figure 102: Listed and unlisted 2W players' growth trend and outlook

Volume	1-year	3-year	5-year	F 3 years	F 5 years
Unlisted	13.2%	8.9%	-2.0%	6.0%	5.1%
Listed	10.4%	5.0%	-2.0%	10.6%	9.9%
Total	11.3%	6.2%	-2.0%	9.1%	8.4%
Revenue	1-year	3-years	5-years	F 3 years	F 5 years
Unlisted	15.7%	18.1%	7.7%	9.8%	8.3%
Listed	19.1%	17.1%	8.0%	14.7%	14.2%
Total	18.2%	17.4%	7.9%	13.3%	12.6%
EBITDA	1-year	3-year	5-year		
Unlisted	50.0%	47.8%	10.8%		
Listed	34.8%	18.9%	7.7%		
Total	37.7%	23.1%	8.3%		

SOURCE: ACE EQUITY, SIAM, INCRED RESEARCH

Three-Wheelers

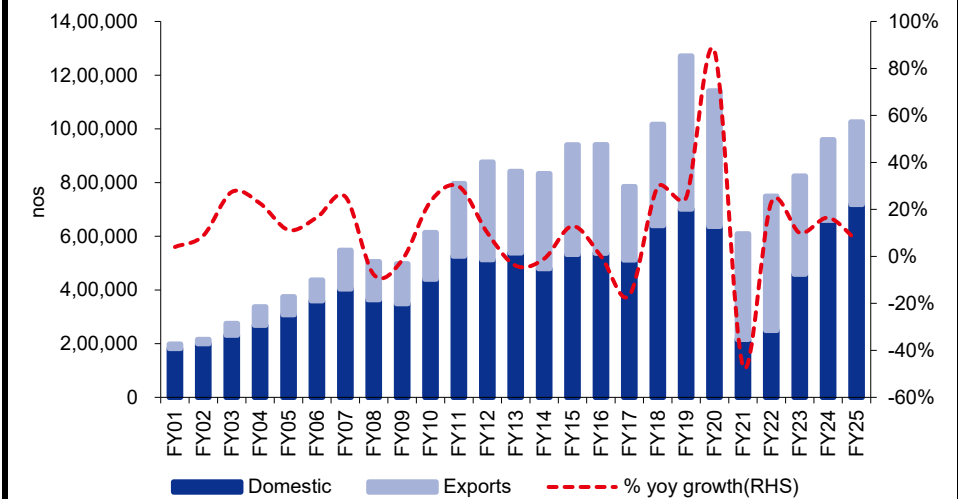
The successful transition of leaders to EVs has helped the passenger segment to scale historic peak volume, while exports returned to the growth path; M&M ready to capture the overall No.2 position at the cost of Piaggio

Domestic passenger segment scales historic peak volume by tapping the EV opportunity ➤

Three-wheeler (3W) domestic sales volume growth sustained in FY25 to scale a historic high volume ever, which was 2% higher than the FY19 peak. The passenger segment did heavy lifting, while exports and goods segments are on a gradual growth trend. M&M seems to be gaining good traction in EVs, thereby ready to push Piaggio down from No.2 position. Bajaj Auto's successfully transitioned to EVs and is ready to emerge as the leader in the EV segment at the cost of M&M.

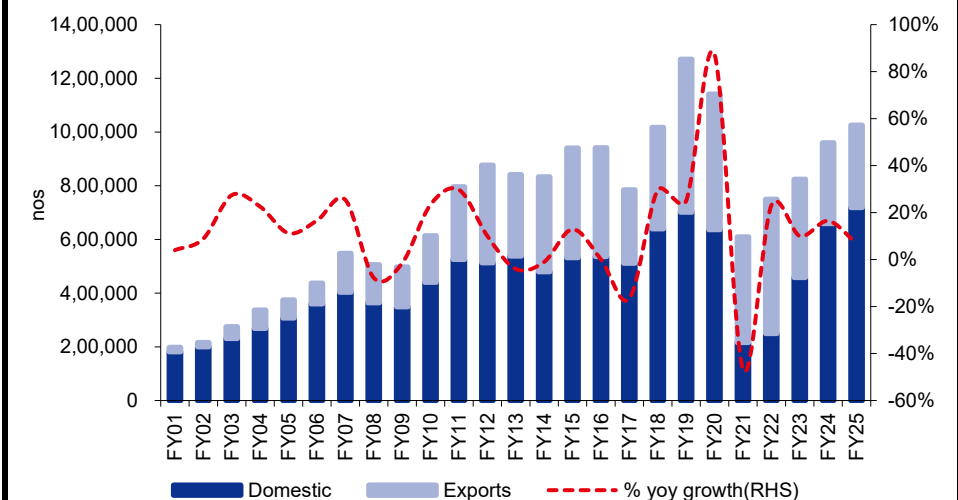
Domestic 3W volume scaled a historic high, as it continued to grow despite the large base effect from the bounce-back in volume from FY21 Covid-related low point. Exports returned to the growth path after successive years of decline.

Figure 103: Three-wheeler (3W) sales volume on a sustained growth path



SOURCE: SIAM, INCRED RESEARCH

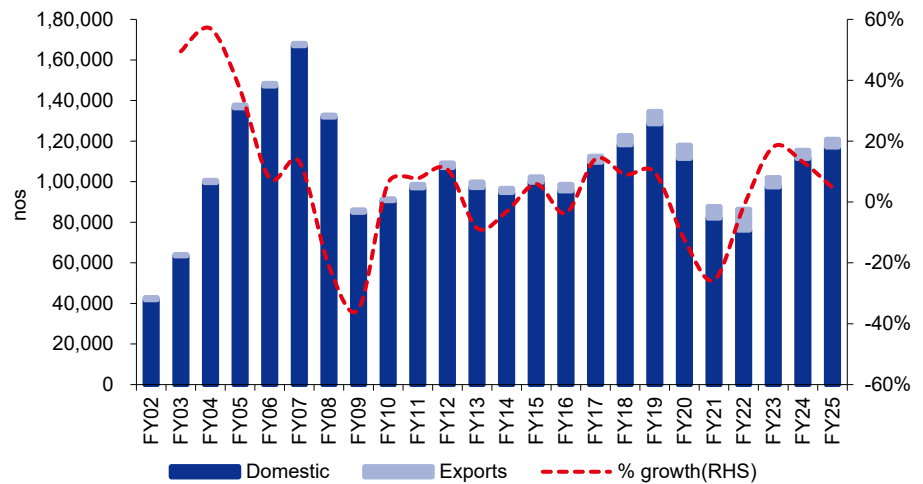
Figure 104: Passenger 3W domestic sales volume scales a historic high



SOURCE: SIAM, INCRED RESEARCH

The domestic 3W goods vehicle volume growth continues to ease from its high point reached in FY23.

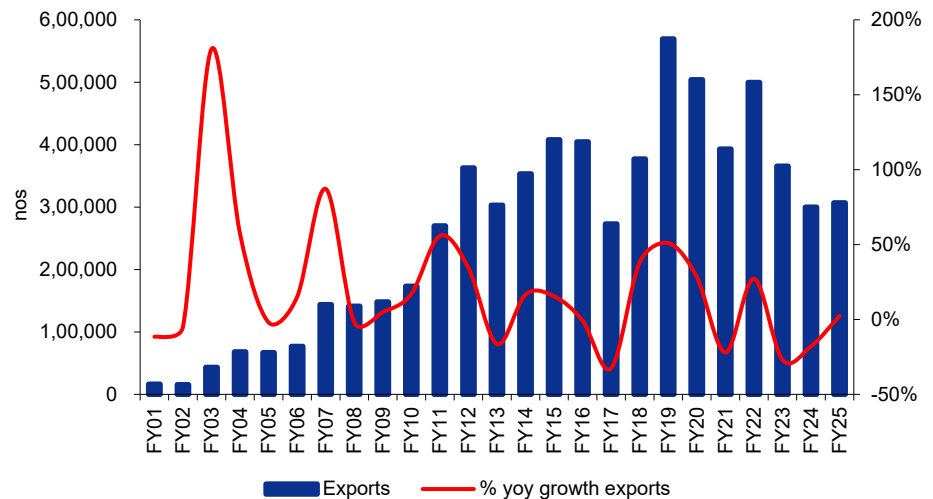
Figure 105: Three-wheeler goods carrier sales volume growth tapers off



SOURCES: SIAM, INCRED RESEARCH

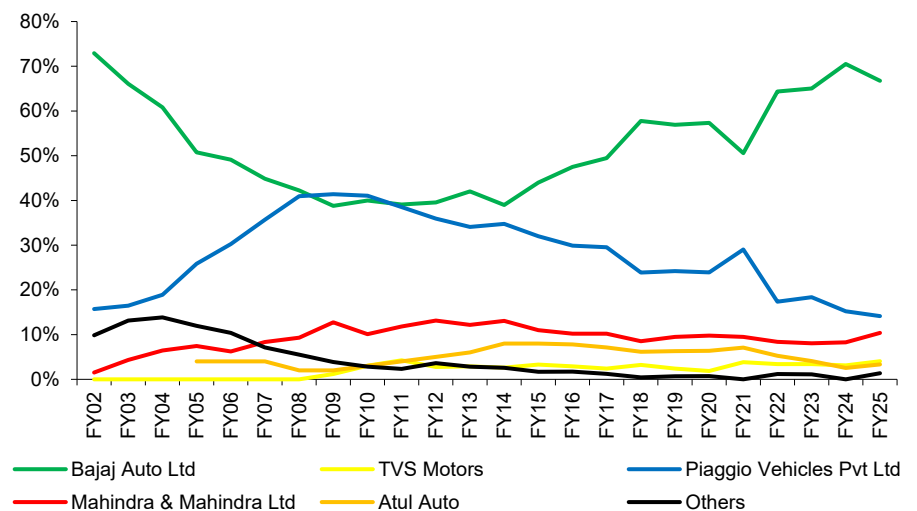
Export volume, after shrinking by 40% over FY23-24, seems to have bottomed out and is on a gradual growth path.

Figure 106: Three-wheeler export volume on the recovery path



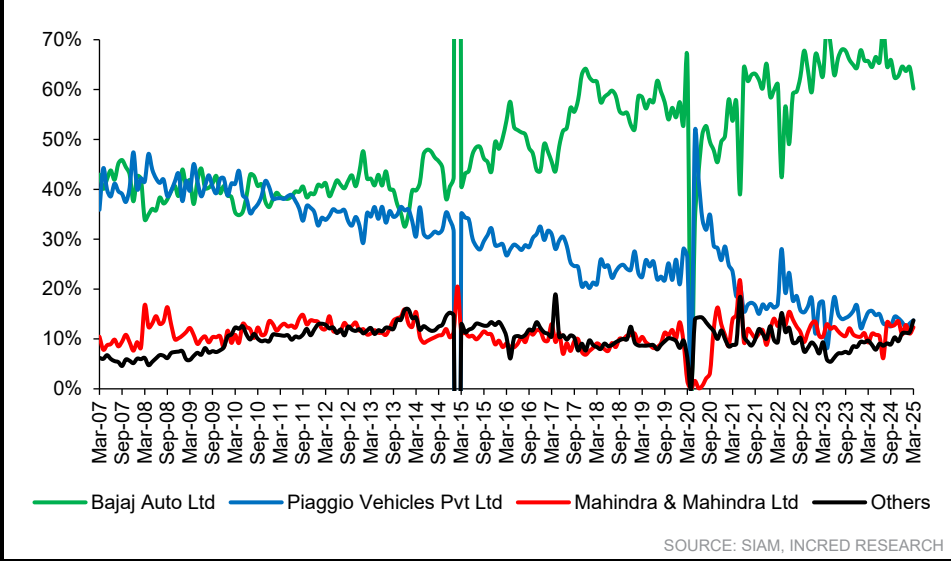
SOURCE: SIAM, INCRED RESEARCH

Figure 107: Bajaj Auto continues to scale a new high in market share in the domestic 3W segment at the cost of Piaggio; M&M scaling to topple Piaggio



SOURCE: SIAM, INCRED RESEARCH

Figure 108: Domestic monthly three-wheeler market share



Tractor sales continue to scale a new peak

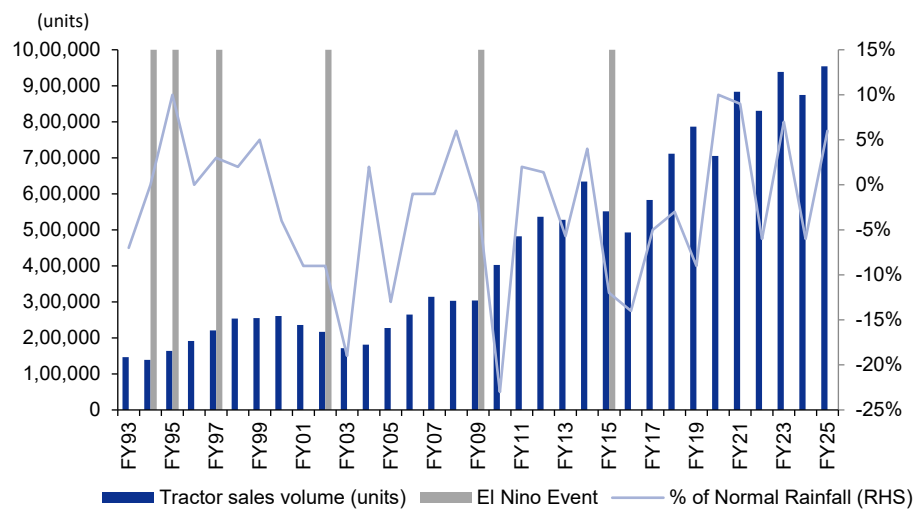
Sales volume recovery in 2HFY25 helps in scaling a historic-high volume in FY25; regional growth variations and rainfall outlook remain key to drive future volume growth, while emission upgrade concerns ease

A large base is a challenge to the growth outlook ➤

Domestic tractor industry's volume returned to the growth path post festive season of 2024 (Sep 2024) to extend growth in 2HFY25. Sustained GoI policy support to the agriculture sector, healthy food inflation and favourable monsoons helped the volume growth recovery to 17% in 2HFY25, after being on a declining trend since Apr 2023. The postponement of TREM stage-V norms beyond Apr 2026 eases the short-term concerns.

Tractor industry's sales growth dependence on rainfall is high. As the India Meteorological Department or IMD predicts above-average monsoon rainfall, the tractor demand recovery witnessed in 2HFY25 will sustain.

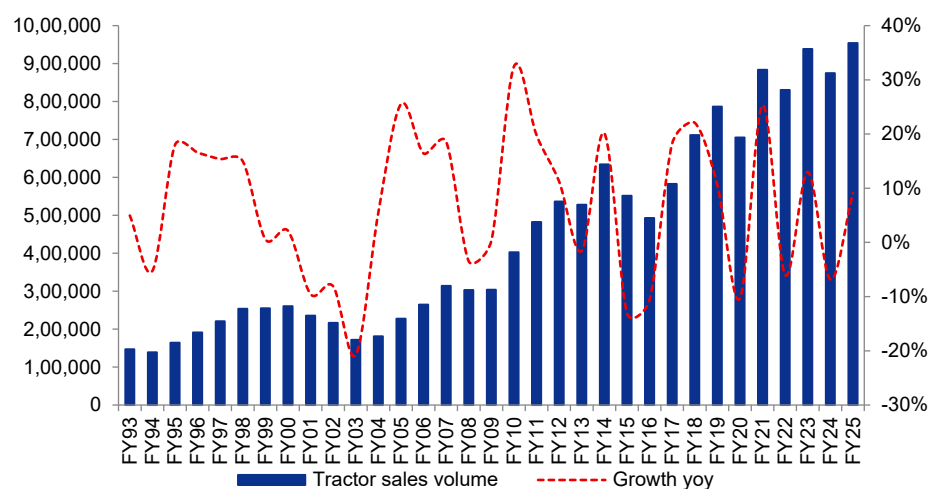
Figure 109: Successive good monsoons provide hope of sustained growth



SOURCE: IMD, TMA, INCRED RESEARCH

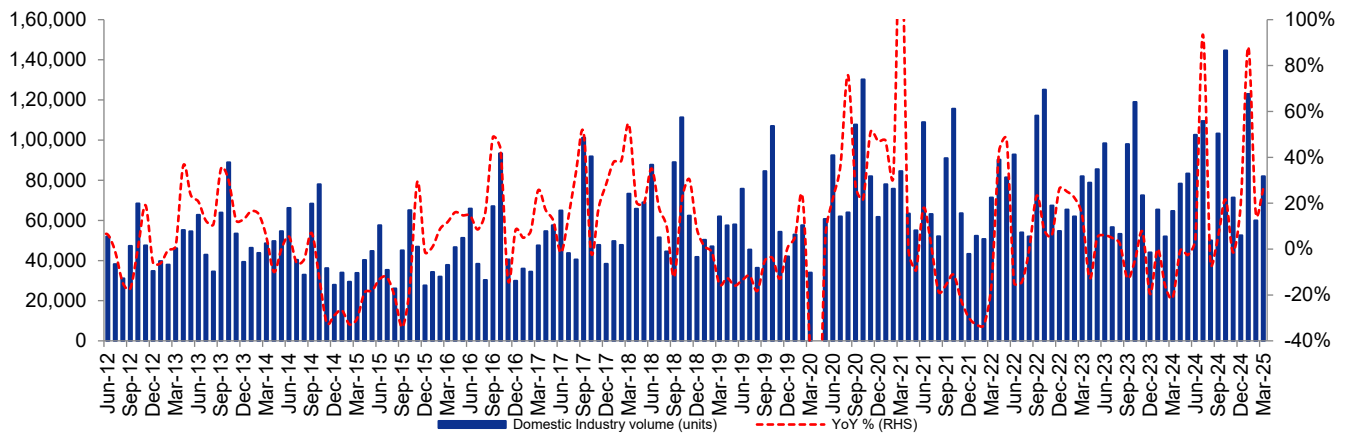
Domestic tractor sales volume scales a new peak in FY25 aided by good rains and favourable government policies.

Figure 110: Tractor sales volume growth trend



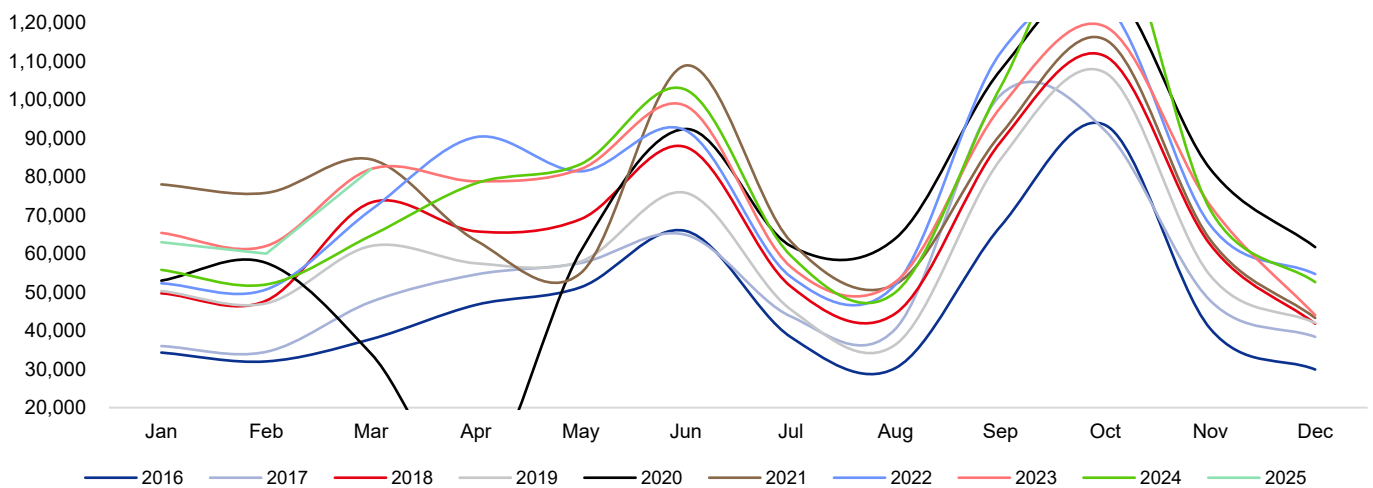
SOURCE: TMA, INCRED RESEARCH

Figure 111: Monthly domestic tractor sales volume and growth trends



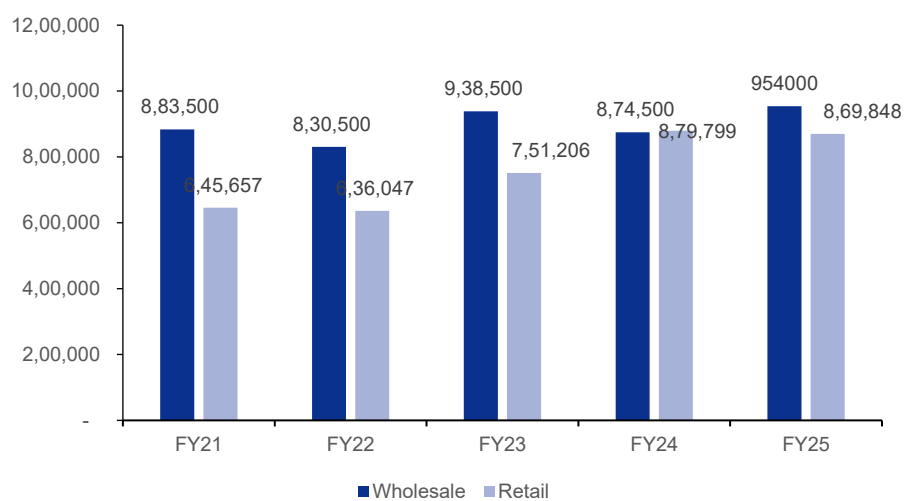
SOURCE: TMA, INCRED RESEARCH

Figure 112: Long-term volume seasonality trend prevails, with the peak season during festivals and pre-monsoon



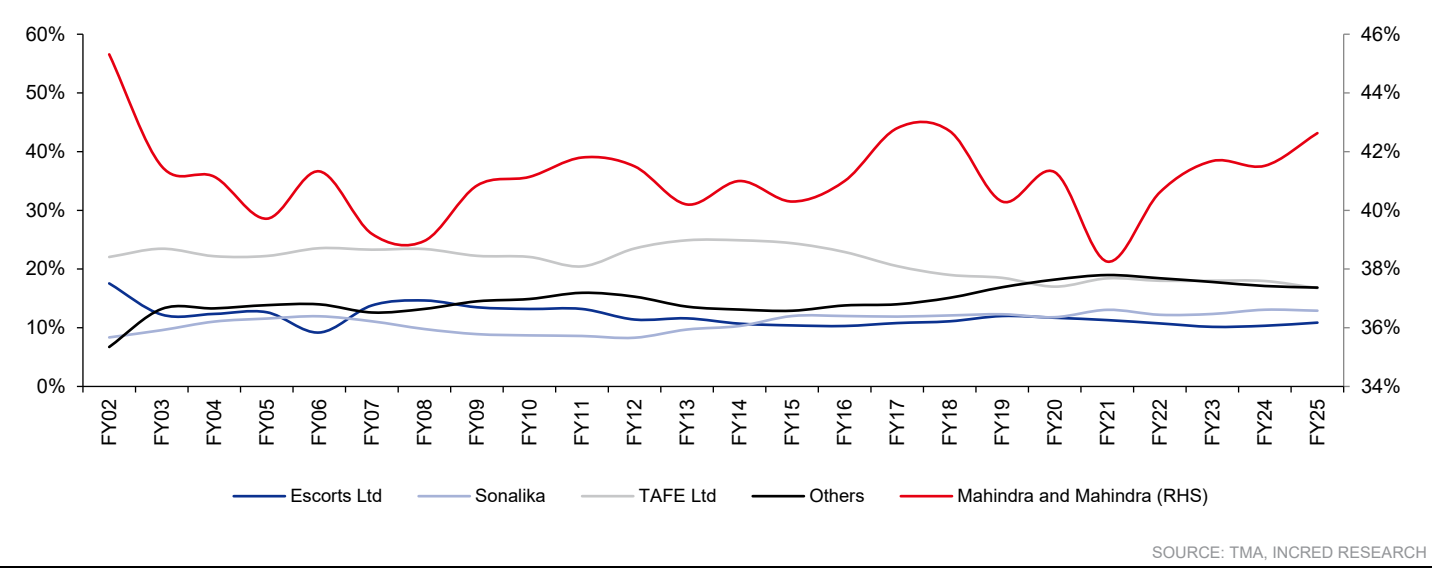
SOURCE: TMA, INCRED RESEARCH

Figure 113: Tractor wholesale vs. retail trend- Inventory correction in FY25 augurs well



SOURCE: TMA, VAHAN, INCRED RESEARCH

Figure 114: M&M's market share consistently on the rise to reach pre-Covid peak



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