

India

**Neutral** (no change)**Highlighted Companies****Bajaj Auto****ADD, TP Rs10400, Rs8311 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.

**Tata Motors****REDUCE, TP Rs642, Rs684 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.

**Maruti Suzuki****ADD, TP Rs13621, Rs12536 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.

**Summary Valuation Metrics**

P/E (x)	Mar26-F	Mar27-F	Mar28-F
Bajaj Auto	24.1	21.1	18.8
Tata Motors	9.7	8.1	6.7
Maruti Suzuki	23.2	20.9	19.0

P/BV (x)	Mar26-F	Mar27-F	Mar28-F
Bajaj Auto	6.6	6.1	5.5
Tata Motors	1.8	1.5	1.3
Maruti Suzuki	3.8	3.4	3.0

Dividend Yield	Mar26-F	Mar27-F	Mar28-F
Bajaj Auto	2.9%	3.4%	3.7%
Tata Motors	1.2%	0.0%	0.0%
Maruti Suzuki	1.5%	1.7%	1.9%

# Auto & Parts - Overall

## 1QFY26 results preview

- The single-digit dip in 1Q domestic automobile volume dispatches disappoints. Motorcycles & cars were the worst-hit. Growth limited to only tractors & SUVs.
- Lower commodity costs & better product mix to drive 1Q EBITDA yoy growth for 70% of our coverage universe led by TVS Motor, M&M and Ashok Leyland.
- With a broad-based volume recovery still awaited from improving macro factors, we have ADD ratings on select stocks and retain sector Neutral rating.

### Volume weakness prevailed except in tractors and exports in 1Q

The industry's domestic dispatch volume growth in the Jun 2025 quarter remained weak (-5% yoy) across segments, barring tractors which recorded a 10% growth yoy. The higher growth in exports (22% yoy) across segments provides comfort. The yoy volume growth was led by Eicher Motors, TVS Motor Company, and Mahindra & Mahindra (M&M) for the quarter while the laggards were Hero MotoCorp, Tata Motors, and Escorts Kubota. Vahan retail market improvement was seen in the case of TV Motor Company (two-wheelers or 2Ws) and Escorts Kubota (tractors).

### The saving grace is some commodities easing & favourable USD-INR

Raw material prices showed a mixed trend in 1Q. Precious metals and rubber saw an increase of 3-11% qoq while steel and aluminium prices declined in mid-single digits. Sequentially, the Japanese yen and the euro strengthened, while the US dollar weakened against the Indian rupee or INR. Currency movement to aid the USD-denominated importers marginally. We expect a yoy growth in EBITDA for ~70% of our coverage universe, aided by lower commodity cost, product mix & volume growth. The high yoy growth achievers will be TVS Motor Company, M&M and Ashok Leyland among OEMs; Bosch India and Endurance Technologies in the auto component segment. The laggards will be Tata Motors, Escorts Kubota and Hyundai Motor India. In our coverage universe's EBITDA estimates, we are above Bloomberg consensus in the case of Hyundai Motor India, Tata Motors, and Maruti Suzuki. We are below consensus estimates in the case of M&M, TVS Motor Company, and Escorts Kubota.

### Favourable macros yet to yield volume growth; retain Neutral rating

The Nifty Auto Index has underperformed sharply against the broader Nifty-100 index during the 12/6/1-month periods. As favourable macroeconomic variables like the income-tax rate cut, easing lending rates, and above-normal rainfall are yet to revive volume growth, we remain cautious at the 10-year mean forward P/E valuation of the Nifty Auto Index. Short-term regulatory challenges in commercial vehicles (CVs) and 2Ws are a cause of concern. We prefer Bajaj Auto and Hero MotoCorp in the 2W space. We maintain our ADD rating on Maruti Suzuki as its bulging exports and EV launches to benefit. We prefer Ashok Leyland due to cyclical demand revival in the CV segment.

**Research Analyst(s)****Pramod AMTHE**

T (91) 22 4161 1541

E pramod.amthe@incredresearch.com

**Figure 1: 1QFY26 earnings estimates of our coverage universe**

(Rs m)	Revenue	YoY%	QoQ%	EBITDA	YoY%	QoQ%	Adjusted PAT	YoY%	QoQ%
Ashok Leyland	88,394	2.8%	-25.8%	9,900	8.7%	-44.7%	6,413	22.0%	-49.1%
Bajaj Auto	1,26,788	6.3%	4.4%	25,594	6.0%	4.4%	21,091	6.1%	2.9%
Eicher Motors	50,861	15.8%	-3.0%	12,365	6.1%	-1.7%	12,112	18.6%	-11.1%
Escorts Kubota	25,903	-7.5%	6.6%	3,057	-17.3%	4.4%	2,634	-13.2%	5.0%
Hero MotoCorp	95,751	-5.6%	-3.7%	13,405	-8.2%	-5.3%	10,691	-4.8%	-1.1%
Hyundai India	1,80,399	-6.1%	-5.9%	20,874	-10.8%	-17.6%	13,186	-11.5%	-18.3%
Mahindra & Mahindra	3,29,840	22.0%	5.2%	46,514	15.6%	-0.7%	29,887	14.4%	-5.3%
Maruti Suzuki	3,77,364	6.2%	-7.2%	44,820	-0.5%	5.1%	36,051	-1.2%	-2.9%
Tata Motors	10,41,818	-3.6%	-12.8%	1,28,637	-29.6%	-31.8%	35,964	-31.5%	-59.1%
TVS Motor Company	1,00,853	20.4%	7.4%	11,699	21.8%	-0.2%	6,911	25.9%	-0.1%
Apollo Tyres	64,911	2.5%	1.1%	8,954	-1.5%	6.9%	3,381	-1.2%	11.5%
Balkrishna Industries	30,601	11.6%	7.8%	7,344	2.9%	6.0%	4,533	-5.0%	25.2%
Bharat Forge	22,912	-2.0%	5.9%	6,072	-6.8%	-1.5%	3,759	-9.4%	2.7%
Bosch Ltd.	47,000	8.9%	-4.3%	6,120	17.8%	-5.4%	5,209	11.9%	-5.9%
Endurance Technologies	30,330	7.3%	2.3%	4,263	14.0%	0.9%	2,383	16.9%	2.3%
Exide Industries	47,000	9.0%	13.0%	5,499	11.2%	17.8%	3,206	14.7%	25.9%
SAMIL	3,17,443	10.0%	8.3%	28,570	2.9%	8.1%	10,302	4%	-1.9%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

## 1QFY26 results preview

**Figure 2: 1QFY26 sales volume performance of companies in our coverage universe**

	1QFY26 sales volume	YoY%	QoQ%
Ashok Leyland	44,238	0.8%	-25.2%
Bajaj Auto	11,62,753	5.5%	5.4%
Eicher Motors	2,87,139	16.9%	-7.6%
Escorts Kubota	30,581	-7.5%	14.8%
Hero MotoCorp	13,67,070	-10.9%	-1.0%
Hyundai India	1,80,399	-6.1%	-5.9%
Mahindra & Mahindra	3,81,338	14.5%	14.8%
Maruti Suzuki	5,27,861	1.1%	-12.7%
Tata Motors (ex-JLR)	2,12,415	-8.5%	-21.5%
TVS Motor Company	12,77,172	17.5%	5.0%

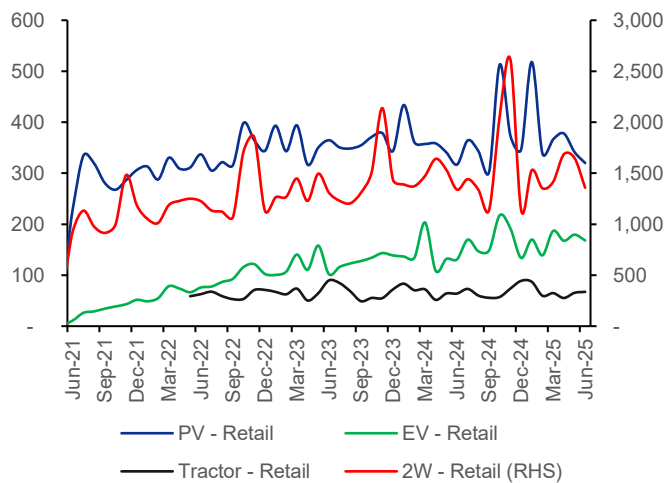
SOURCE: INCRED RESEARCH, COMPANY REPORTS

**Figure 3: 1QFY26 domestic sales volume performance (segment-wise)**

Sub-Segment	1QFY26	1QFY25	yoy %
Medium & Heavy Commercial Vehicle (M&HCV)	83,639	85,590	-2.3%
Light Commercial Vehicle (LCV)	1,39,576	1,38,985	0.4%
<b>Total Commercial Vehicle (CV)</b>	<b>2,23,215</b>	<b>2,24,575</b>	<b>-0.6%</b>
Car + MPV	3,41,626	3,80,212	-10.1%
Sports Utility Vehicle (SUV)	6,70,256	6,45,794	3.8%
<b>Total Passenger Vehicles (PV)</b>	<b>10,11,882</b>	<b>10,26,006</b>	<b>-1.4%</b>
<b>3-wheelers</b>	<b>1,65,211</b>	<b>1,65,081</b>	<b>0.1%</b>
<b>2-wheelers</b>	<b>46,74,562</b>	<b>49,85,631</b>	<b>-6.2%</b>
Motorcycles	29,03,449	31,97,922	-9.2%
<b>Total - Automobile</b>	<b>60,74,870</b>	<b>64,01,293</b>	<b>-5.1%</b>
Tractors	2,89,300	2,64,200	9.5%

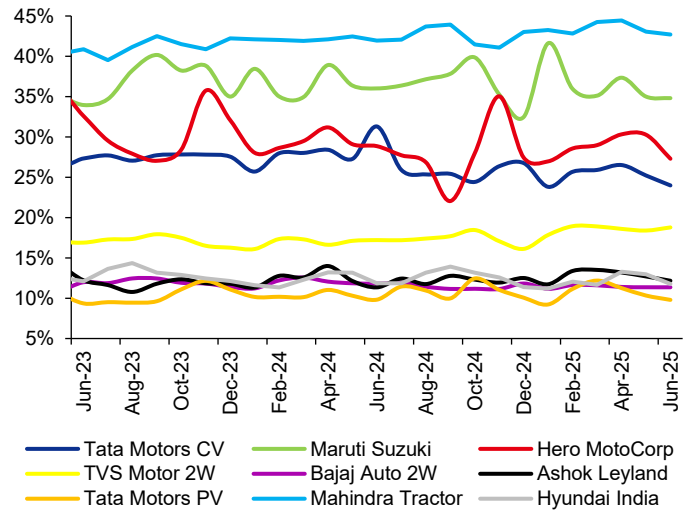
SOURCE: SIAM (SOCIETY OF INDIAN AUTOMOBILE MANUFACTURERS), INCRED RESEARCH

**Figure 4: Retail sales of various vehicle segments**



SOURCE: VAHAN, INCRED RESEARCH

**Figure 5: Retail market share trend**



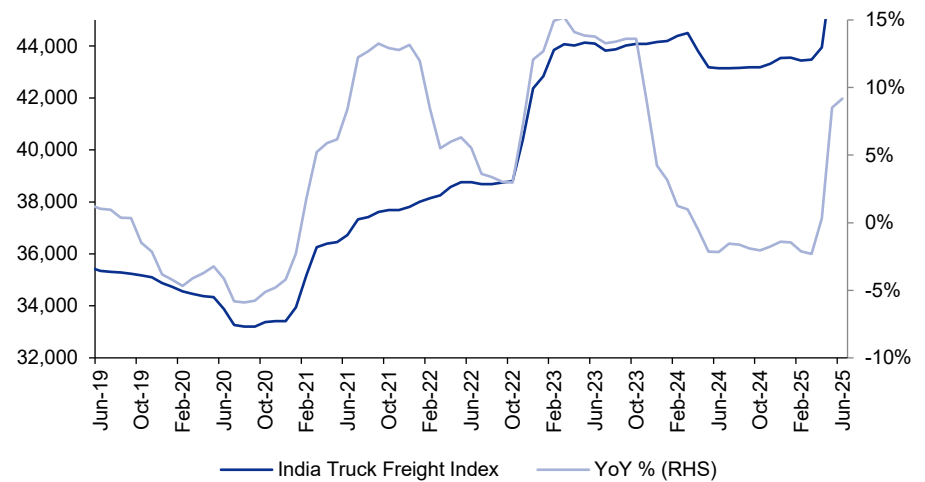
SOURCE: VAHAN, INCRED RESEARCH

**Figure 6: Sales volume growth outlook segment-wise for FY26F**

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

SOURCE: INCRED RESEARCH, COMPANY REPORTS

**Figure 7: Truck Freight Index shows a sharp improvement in recent months**



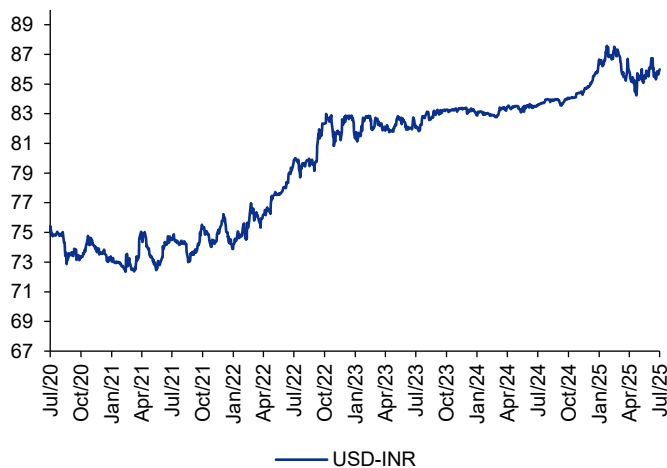
SOURCE: BLOOMBERG, INCRED RESEARCH

**Figure 8: Currency movement trend in the Jun 2025 quarter**

Average Rates	1QFY26	1QFY25	yoy (%)	4QFY25	qoq (%)
USD - INR	85.58	83.42	2.6%	86.61	-1.2%
JPY - INR	0.59	0.54	10.8%	0.57	4.6%
EUR - INR	97.23	89.83	8.2%	91.05	6.8%
USD - JPY	144.44	156.03	-7.4%	152.71	-5.4%
GBP - USD	1.29	1.26	2.4%	1.26	2.5%
GBP - EUR	1.20	1.17	2.3%	1.20	0.2%

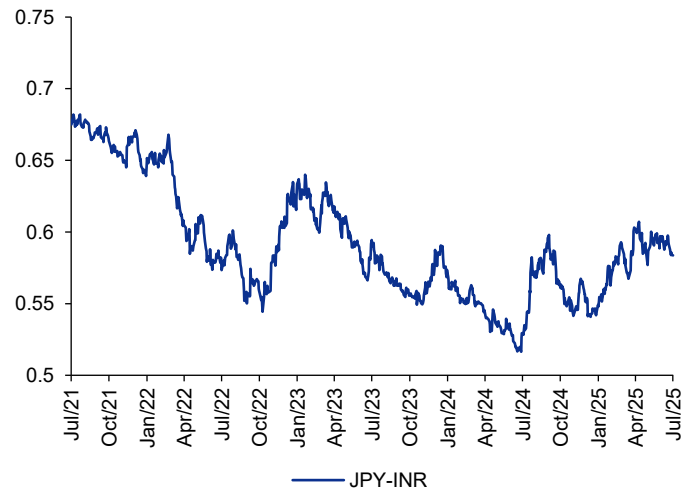
SOURCE: BLOOMBERG, INCRED RESEARCH

**Figure 9: The USD-INR currency movement marginally helps importers**



SOURCE: BLOOMBERG, INCRED RESEARCH, COMPANY REPORTS

**Figure 10: The JPY-INR currency movement is adverse for importers**



SOURCE: BLOOMBERG, INCRED RESEARCH, COMPANY REPORTS

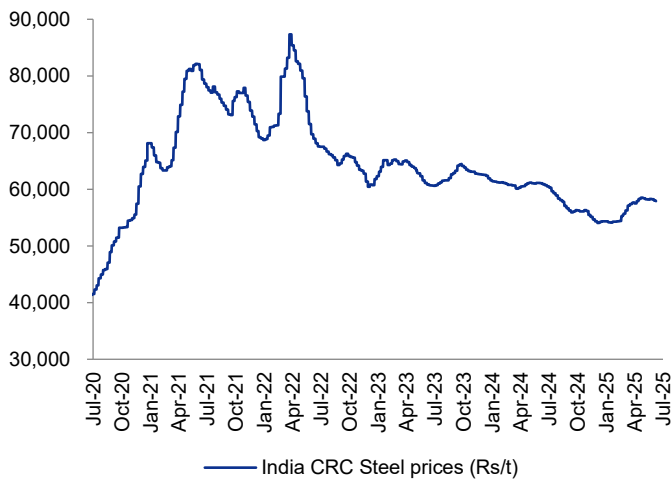
**Figure 11: Commodity price trend**

	1QFY26	1QFY25	YoY (%)	4QFY25	QoQ (%)	30-06-25
CRC Steel (Rs/t)	55,453	63,210	-12	58,401	-5	54,356
Lead (US\$/t)	1,946	2,167	-10	1,969	-1	2,017
Rubber (Rs/kg)	198	189	5	193	3	202
Aluminium (US\$/t)	2,463	2,565	-4	2,625	-6	2,598
Copper (US\$/t)	9,472	9,873	-4	9,419	1	9,869
Palladium (US\$/ounce)	991	973	2	961	3	1,134
Rhodium (US\$/ounce)	5,506	4,718	17	4,978	11	5,500

NOTE: PLATINUM GROUP METALS (PGM)

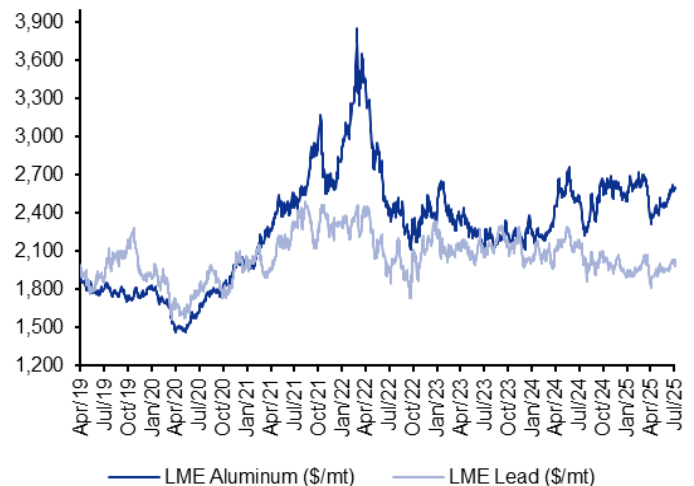
SOURCE: BLOOMBERG, STEEL MINT, INCRED RESEARCH

**Figure 12: Steel prices rise from their recent lows**



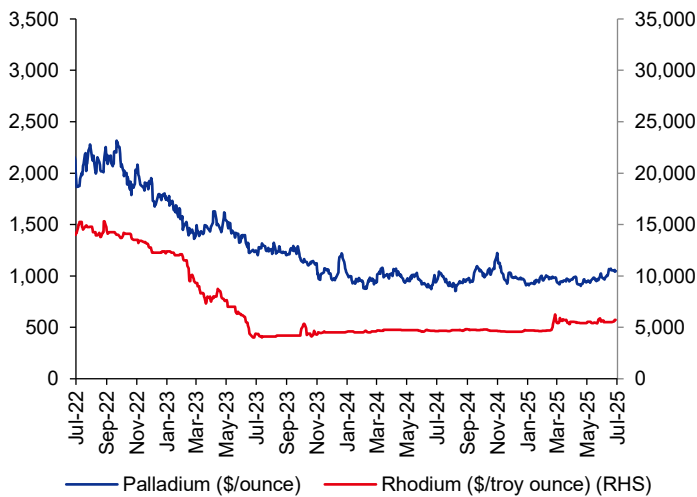
SOURCE: STEEL MINT, INCRED RESEARCH

**Figure 13: Aluminium and lead price trends**



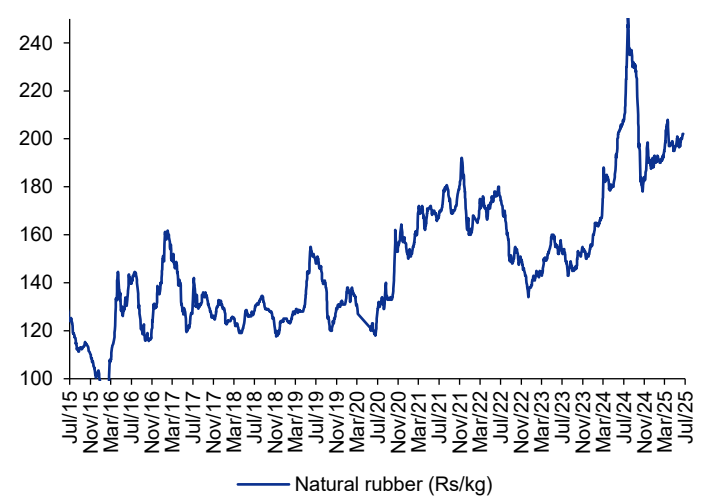
SOURCE: BLOOMBERG, LONDON METAL EXCHANGE, INCRED RESEARCH

**Figure 14: Palladium and rhodium prices are stable**



SOURCE: BLOOMBERG, INCRED RESEARCH

**Figure 15: Natural rubber prices climb from their recent lows**



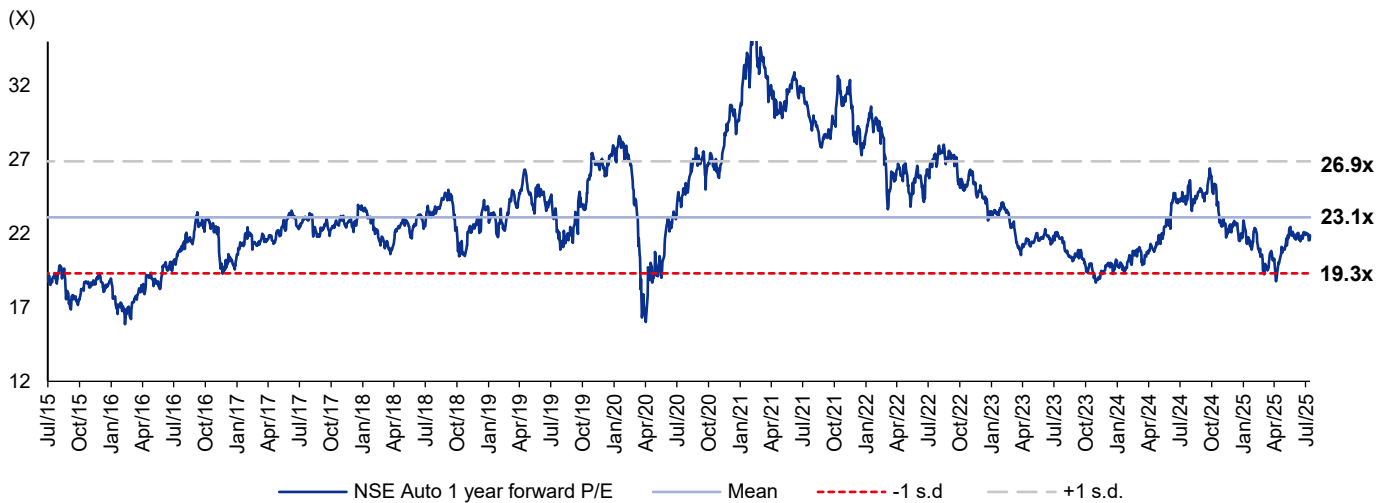
SOURCE: BLOOMBERG, INCRED RESEARCH

**Figure 16: 4QFY25F earnings and their comparison with Bloomberg consensus estimates**

1QFY26F (Rs m)	Bloomberg Estimates				InCred Research Estimates				% Variation		
	Revenue	EBITDA	PAT	EBITDA Margin	Revenue	EBITDA	PAT	EBITDA Margins	Revenue	EBITDA	PAT
Ashok Leyland	87,779	9,846	6,051	11.2%	88,394	9,900	6,413	11.2%	0.7	0.5	5.6
Bajaj Auto	1,23,080	24,530	20,343	19.9%	1,26,788	25,594	21,091	20.2%	2.9	4.2	3.5
Eicher Motors	49,557	11,980	11,488	24.2%	50,861	12,365	12,112	24.3%	2.6	3.1	5.1
Escorts Kubota	25,922	3,196	2,941	12.3%	25,903	3,057	2,634	11.8%	-0.1	-4.6	-11.7
Hero MotoCorp	98,506	13,804	10,739	14.0%	95,751	13,405	10,691	14.0%	-2.9	-3.0	-0.5
Hyundai India	1,66,989	13,804	11,836	8.3%	1,80,399	20,874	13,186	11.6%	7.4	33.9	10.2
Mahindra & Mahindra	3,40,051	49,281	30,006	14.5%	3,29,840	46,514	29,887	14.1%	-3.1	-5.9	-0.4
Maruti Suzuki	3,64,566	38,163	31,520	10.5%	3,77,364	44,820	36,051	11.9%	3.4	14.9	12.6
Tata Motors	10,10,757	1,05,225	39,721	10.4%	10,41,818	1,28,637	35,964	12.3%	3.0	18.2	-10.4
TVS Motor Company	99,598	12,350	7,578	12.4%	1,00,853	11,699	6,911	11.6%	1.2	-5.6	-9.7
Apollo Tyres	66,538	8,661	3,000	13.0%	64,911	8,954	3,381	13.8%	-2.5	3.3	11.3
Balkrishna Industries	28,084	7,138	4,286	25.4%	30,601	7,344	4,533	24.0%	8.2	2.8	5.4
Bharat Forge	22,788	6,096	3,508	26.8%	22,912	6,072	3,759	26.5%	0.5	-0.4	6.7
Bosch Ltd.	47,747	6,058	5,042	12.7%	47,000	6,120	5,209	13.0%	-1.6	1.0	3.2
Endurance Technologies	31,303	4,338	2,323	13.9%	30,330	4,263	2,383	14.1%	-3.2	-1.7	2.5
Exide Industries	45,280	5,336	3,027	11.8%	47,000	5,499	3,206	11.7%	3.7	3.0	5.6
SAMIL	3,02,503	26,953	9,181	8.9%	3,17,443	28,570	10,302	9.0%	4.7	5.7	10.9

SOURCE: BLOOMBERG CONSENSUS ESTIMATES, INCRED RESEARCH, COMPANY REPORTS

**Figure 17: Forward P/E valuation close to the 10-year mean level**



SOURCE: BLOOMBERG, INCRED RESEARCH

**Figure 18: Auto sector coverage valuation table**

Company Name	CMP	Target Price	Rating	Market Capital	Market Capital	EPS (Rs)			P/E (x)		P/BV (x)		EV/ EBITDA (x)	Dividend Yield (%)	Upside/ Downside %	ROE
	Rs	Rs		(Rs m)	(US\$ m)	FY26F	FY27F	FY25F	FY26F	FY25F	FY26F	FY25F	FY25F			FY26F
Maruti Suzuki	12,499	13,621	ADD	39,29,686	45,972	541	600	23.1	20.8	3.7	3.3	15.6	1.5%	9.0%	17.1%	
Tata Motors	679	642	REDUCE	26,01,884	30,439	69	83	9.8	8.2	1.8	1.5	3.7	1.2%	-5.4%	20.0%	
Hero MotoCorp	4,397	5,525	ADD	8,78,461	10,277	270	295	16.3	14.9	4.1	3.7	10.4	4.1%	25.7%	26.1%	
Mahindra & Mahindra	3,116	3,254	HOLD	34,59,836	40,475	122	129	25.5	24.1	4.8	4.2	14.0	0.9%	4.4%	20.4%	
Escorts Kubota	3,359	3,098	REDUCE	3,71,125	4,342	106	122	31.7	27.6	3.0	2.8	26.4	1.0%	-7.8%	11.9%	
Bajaj Auto	8,281	10,400	ADD	23,11,750	27,044	346	394	24.0	21.0	6.6	6.0	17.5	2.9%	25.6%	28.7%	
Ashok Leyland	249	275	ADD	3,65,617	4,277	13	15	19.8	16.3	5.6	4.8	6.5	2.8%	10.4%	30.0%	
Eicher Motors	5,585	5,652	HOLD	15,26,381	17,857	175	195	32.0	28.7	7.1	6.3	26.3	1.3%	1.2%	22.4%	
TVS Motor	2,885	2,154	REDUCE	13,70,806	16,037	58	64	50.0	45.3	11.2	9.4	29.5	0.3%	-25.3%	24.8%	
Endurance Tech	2,697	2,529	ADD	3,79,368	4,438	77	89	34.9	30.2	5.8	5.0	19.4	0.5%	-6.2%	17.7%	
Hyundai Motors India	2,115	1,612	REDUCE	17,17,380	20,091	72	75	29.5	28.1	8.6	7.2	19.4	1.2%	-23.8%	17.7%	
Balkrishna Industries	2,643	2,400	REDUCE	5,10,892	5,977	86	98	30.6	27.1	4.4	3.9	19.3	0.7%	-9.2%	15.1%	
Exide Industries	385	349	REDUCE	3,27,208	3,828	14	17	26.7	23.2	2.2	2.1	15.0	2.3%	-9.3%	8.4%	
Bharat Forge	1,234	1,363	ADD	5,74,798	6,724	28	34	44.6	35.9	4.6	4.1	20.4	0.9%	10.4%	12.0%	
Apollo Tyres	455	378	REDUCE	2,88,748	3,378	23	29	19.8	15.8	2.5	2.2	7.3	1.5%	-16.9%	13.1%	
Bosch Ltd	38,280	27,910	REDUCE	11,28,877	13,206	777	833	49.3	45.9	7.7	7.3	37.7	1.4%	-27.1%	16.1%	
SAMIL	155	172	ADD	10,51,020	12,296	6	8	25.3	19.5	2.8	2.5	9.5	0.6%	10.9%	11.8%	

NOTE: VALUATION MULTIPLE OF M&M IS ADJUSTED FOR SUBSIDIARIES' VALUATION OF RS636/SHARE  
SOURCE: BLOOMBERG, INCRED RESEARCH ESTIMATES, COMPANY REPORTS, PRICES AS ON 15<sup>TH</sup> JUL 2025

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#### **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: 05<sup>th</sup> 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.