

# Automobiles

## Event Update

January 27, 2026

### Exhibit 1: PL Universe

Companies	Rating	CMP (Rs)	TP (Rs)
Bajaj Auto	HOLD	9,414	9,400
Eicher Motors	HOLD	6,973	7,350
Hero Motocorp	Acc	5,384	6,620
Mahindra & Mahindra	Acc	3,543	4,100
Maruti Suzuki	HOLD	15,469	16,700
TVS Motor Company	Acc	3,550	4,360

Source: PL    Acc=Accumulate

### Reduction in import tariff for EU-made cars

#### Quick Pointers:

- Luxury and premium plus segments to see some impact
- Battery electric vehicle (BEV) tariff reduction to be postponed for 5 years

*India is likely to reduce tariff on EU-made fully built cars (CBUs) from 70%-110% to 40% under the soon-to-be-signed India-EU FTA; the tariff is expected to be decreased to ~10% over the next decade. This will provide EU carmakers greater access to Indian PV market (3<sup>rd</sup> largest globally by volume, just behind the US & China). Luxury vehicles form ~1% of Indian market. Therefore, the tariff reduction should not impact the mass market players like Maruti Suzuki and entry/mid-level vehicles from TMPV and M&M, but it will impact to a small extent premium plus cars from these players. Tariff reduction on BEVs from 100% is expected to be applicable after 5 years in a phased manner, giving the likes of TMPV and M&M some relief. This India-EU FTA, which has been under negotiation for long, is expected to be finalized this week, as per media reports.*

**Win-win for EU car makers:** Major EU OEMs like Volkswagen (VW), Renault (RNO), Stellantis (STLA), BMW and Mercedes (MBG), witnessed muted sales globally in CY25, with most of them reporting a dip in their home markets. RNO has been seeking growth beyond Europe, and VW is planning for higher investment via its Skoda brand in India. In this scenario, Indian PV market, which is underpenetrated (<3% penetration) compared to major global markets, offers a good opportunity for these OEMs to revive their dwindling sales. The expectations of the FTA closure comes around a time of a long-awaited India-US trade deal and rising geopolitical tensions globally. These OEMs are already manufacturing locally, but the tariff reduction can help them scale up and launch more models at competitive prices.

**Applicable for ICE cars priced above €15,000/~Rs16,30,000 (ex-showroom):** This is capped at 2,00,00 ICE cars annually, to control a sudden flood of imports and protect domestic players. Post implementation, base variants of EU-made 5-seater sedans/luxury SUVs like Audi A4, Audi Q3, and BMW 3-series, could be priced at Rs30,00,000-40,00,000 (ex-showroom), which are still much more expensive than the premium trims of Indian 7-seater XUV 7XO or 5-seater Tata Harrier priced at ~Rs25,00,000. The tariff reduction might result in some migration to the European brands renowned for superior engineering, safety, performance and luxury. However, these proposals still need to be ratified and legally scrubbed by the Indian Union Cabinet and the EU Parliament and should come into effect from next year. Further, the deal should bring benefits to domestic OEMs in terms of technology transfers/ R&D collaborations, for domestic auto part manufacturers phased duty reduction for export, opportunities for localization and after-sales, and benefit premium retailers like Landmark Cars that sell leading premium cars of VW, RNO, MBG, Jeep (STLA) amongst others.

**BEVs to get 5 years to scale up:** Postponing of tariff reduction for BEVs comes at a time when the country is pushing for localization and higher EV adoption, giving Indian OEMs some more time to capture the market and improve their R&D investments to be able to compete with giants like VW and STLA, which have been in this space for a longer time. This increases the chances of a significant overhaul

Aditya Jakhotia

adityajakhotia@plindia.com | 91-22-66322532

in the upcoming budget to further strengthen India's EV transition, especially after GST 2.0 reforms that led to price drops for their ICE counterparts, reducing EVs' price attractiveness.

**ACEA looking for deeper, meaningful access for the long term:** The European Automobile Manufacturers' Association (ACEA) welcomes this significant and ambitious deal and believes it should be a win-win for both parties. However, it also acknowledges that quotas, segmentation rules, residual tariffs and other mechanisms will make the deal less attractive with important details being overlooked, and hence, believes the EU shouldn't close the deal in a rush at just any price due to a political imperative. It is likely the GoI will take measures to safeguard Indian OEMs, especially when it has been putting efforts to lift market sentiments by pushing for localization, GST rationalization, amongst others.

**Exhibit 2: Valuation Summary**

Company Names	S/ C	Rating	CMP (Rs)	TP (Rs)	MCap (Rs bn)	Sales (Rs mn)			EBITDA (Rs mn)			PAT (Rs mn)			EPS (Rs)			RoE (%)			PE (x)				
						FY25	FY26E	FY27E	FY28E	FY25	FY26E	FY27E	FY28E	FY25	FY26E	FY27E	FY28E	FY25	FY26E	FY27E	FY28E	FY25	FY26E	FY27E	FY28E
Bajaj Auto	S	HOLD	9,414	9,400	2,628.8	500.1	577.0	648.6	724.7	101.0	116.6	131.7	148.6	81.5	95.7	107.8	120.5	291.9	342.8	385.9	431.5	28.6	28.4	29.1	29.6
Eicher Motors	C	HOLD	6,973	7,350	1,912.7	188.7	231.7	262.0	293.4	47.1	56.3	64.2	72.5	47.3	54.5	62.5	71.0	172.6	198.8	227.7	259.0	24.1	23.6	23.3	22.7
Hero Motocorp	S	Acc	5,384	6,620	1,076.8	407.6	457.5	500.3	542.9	58.7	66.8	73.5	80.9	46.1	52.2	57.2	62.4	230.5	261.2	286.0	312.0	24.4	25.3	25.7	25.8
Mahindra & Mahindra	S	Acc	3,543	4,100	4,254.8	1,164.8	1,433.5	1,612.6	1,809.6	171.2	208.6	234.6	263.3	127.0	157.0	175.5	195.8	105.8	130.7	146.1	163.1	22.3	23.2	21.7	20.4
Maruti Suzuki	S	HOLD	15,469	16,700	4,863.5	1,519.0	1,824.4	2,117.0	2,428.9	177.9	204.3	241.3	284.2	139.6	163.4	193.3	226.7	443.9	519.6	614.9	721.1	15.7	16.4	17.2	17.8
TVS Motor Company	S	Acc	3,550	4,360	1,686.5	362.5	459.6	526.3	589.3	44.5	58.8	68.9	79.6	27.1	37.1	44.5	52.3	57.1	78.2	93.6	110.2	30.7	32.2	29.5	27.0

Source: Company, PL

Acc = Accumulate / S=Standalone / C=Consolidated

**Analyst Coverage Universe**

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Bajaj Auto	Hold	9,400	9,790
2	Eicher Motors	Hold	7,350	7,583
3	Hero Motocorp	Accumulate	6,620	5,981
4	Mahindra & Mahindra	Accumulate	4,100	3,749
5	Maruti Suzuki	Hold	16,700	16,809
6	TVS Motor Company	Accumulate	4,360	3,840

**PL's Recommendation Nomenclature**

<b>Buy</b>	: > 15%
<b>Accumulate</b>	: 5% to 15%
<b>Hold</b>	: +5% to -5%
<b>Reduce</b>	: -5% to -15%
<b>Sell</b>	: < -15%
<b>Not Rated (NR)</b>	: No specific call on the stock
<b>Under Review (UR)</b>	: Rating likely to change shortly

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3rd Floor, Sadhana House, 570, P. B. Marg, Worli, Mumbai-400 018, India | Tel: (91 22) 6632 2222 Fax: (91 22) 6632 2209

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