

Automobiles & Components

India

Sector View: **Cautious**

NIFTY-50: **24,869**

September 09, 2025

Affordability boost to drive demand

We expect domestic PV segment volumes to accelerate from 2HFY26E onwards, growing by 4-5% in FY2026E and 7% CAGR over FY2026-28E, driven by GST cuts, income tax relief and 8th Pay Commission norms. These factors should improve affordability and revive first-time and replacement demand. In terms of segment, we expect premium hatches and the compact SUV segment to outperform. Additionally, we expect LCV and tractor segment growth to accelerate, driven by lower costs, e-commerce uptick and strong farm economics. However, the M&HCV truck segment will see limited benefits.

Pickup in demand momentum for domestic PV segment ahead

We expect domestic PV segment volumes to accelerate from 2HFY26E onwards, with growth rising to 4-5% in FY2026E (versus 3% earlier) and 7% CAGR over FY2026-28E (5.5% CAGR earlier). This will be driven by GST cuts (for small PVs from 29-31% to 18% and for larger PVs from 43-50% to 40%), income tax reductions and 8th Pay Commission norms. We believe a decline of 2-10% for vehicle prices will stimulate both first-time and replacement demand. We expect premium hatchbacks and compact SUVs to benefit the most, whereas larger SUVs/MPVs should maintain their momentum.

Market share to remain broadly stable, with select gains in PV segment

Overall, we expect market shares to remain stable across most OEMs. We expect MSIL and HMIL to gain marginally, whereas Tata Motors is expected to lose its market share over FY2025-28E. MSIL's market share improvement will be driven by new SUV launches and recovery in hatchback/sedan segments. TTMT will continue to lose on weaker product momentum and competitive pressure in the SUV segment. MM will maintain its market share, whereas we expect HMIL market share to recover from FY2027E, driven by newer launches.

LCV and tractor segments to shine; limited benefits for M&HCV segment

The GST reset will benefit the domestic tractor and LCV segments. We expect LCV segment growth to accelerate to 6-7% on lower acquisition cost and e-commerce expansion, whereas the tractor segment may sustain its momentum supported by strong farm economics, a favorable monsoon outlook and GST cuts in farm implements that will favor organized players. However, M&HCV truck demand may have a marginally negative impact from large fleet operators already availing ITC, as freight rates may come under pressure given the B2B nature of the business, impacting their profitability and cash flows. Small fleet operators will benefit with lower upfront and operating costs, assuming stable freight rates.

Increase our FY2026-28 EPS estimates by 1-9% for 4W OEMs

We have increased our FY2026-28 EPS estimates by 2-9% for 4W OEMs—MSIL (4-9%), MM (2-5%), HMIL (3-5%), TTMT (2%), AL (1-3%) and ESC (2-4%). We maintain ratings on MM (BUY), MSIL (ADD) and TTMT and ESC (SELL). Given the recent rally, we downgrade HMIL and AL to REDUCE (from BUY earlier).

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Expect domestic PV industry volume growth to accelerate from 2HFY26E onwards

The GST council has approved and reduced GST across all PV segments. Passenger vehicles (<1,200 cc petrol, <1,500 cc diesel and <4 m length) has seen GST reduction from 29-31% to 18%, whereas passenger vehicles (>1,200 cc petrol or >1,500 cc diesel) GST rates (including cess) have been cut from 43-50% to 40%. For EVs, GST rates remain unchanged at 5%. Assuming full pass-through, we expect on-road price reduction for PVs to the tune of 2-10% depending on models. We expect lower prices to stimulate demand recovery across segments, particularly in premium hatch/compact SUV segments, whereas large SUV/MPV segments will maintain their momentum. Along with GST cuts, income tax cuts and the upcoming 8th Pay Commission norms should drive recovery in the coming years for the domestic PV segment.

We expect domestic PV wholesale volume growth to accelerate to 4-5% yoy in FY2026E (earlier expectation of 2-3% yoy) and accelerate to 8% yoy in FY2027E. The recent GST cut is expected to act as a strong catalyst for demand acceleration in the passenger vehicle (PV) segment starting post-October. The timing coincides with the festive season tailwinds, creating a favorable environment for both new and replacement demand to surface. First-time buyers, who had pulled back in recent quarters due to elevated ownership costs, are likely to return as lower upfront prices improve affordability. Alongside, replacement buyers—many of whom were waiting on the sidelines for price stability—are expected to re-enter the market, providing an additional layer of demand support. Within the product segment, smaller SUVs and premium hatchbacks are set to benefit disproportionately, given their aspirational appeal and improved accessibility after price cuts. At the same time, larger SUVs and MPVs, which have already been enjoying a strong momentum, should continue to hold steady, driven by a relatively less price-sensitive customer base.

Over the longer term, we believe SUVs and MPVs will likely outperform as customer preferences remain toward higher ground clearance, stronger road presence and premium positioning, coupled with multiple product interventions by various OEMs. For hatchbacks and sedans to regain the sustained momentum, we believe OEMs will need to introduce more products with focus on differentiated styling and value-driven repositioning. Without the same, these body type segments may continue to underperform, albeit at a slower pace as compared to previous years.

Overall, we expect the SUV mix to reach 56% in FY2028E versus 54.6% in FY2025 and the hatchback segment mix to decline to 21.7% from 23.5% during the same period. We expect the sedan and MPV segments mix to remain steady during the same period.

All segments except for >350 cc two-wheeler segment have witnessed GST cuts

Exhibit 1: Old and new GST structures, March fiscal year-end, 2026

Current GST structure				
Segment	GST (%)	Cess (%)	Total tax rate (%)	
Electric vehicles	5.0	—	5.0	
Three wheeler motorized vehicles	28.0	—	28.0	
Two-wheelers with engine capacity of up to 350cc	28.0	—	28.0	
Two-wheelers with engine capacity greater than 350cc	28.0	3.0	31.0	
Petrol/CNG/LPG car less than 1,200cc and length less than 4 meters	28.0	1.0	29.0	
Diesel car less than 1,500cc and length less than 4 meters	28.0	3.0	31.0	
Passenger vehicles (upto 1,500cc engine)	28.0	17.0	45.0	
Passenger vehicles (above 1,500cc engine)	28.0	20.0	48.0	
Passenger vehicles popular known as SUV (above 1,500cc engine capacity, greater than 4 meters length and ground clearance of 170mm or more)	28.0	22.0	50.0	
Hybrid passenger vehicles (upto 4m and upto 1,200 cc engine petrol) or (upto 4 mn and upto 1,500 cc engine diesel)	28.0	—	28.0	
Hybrid passenger vehicles (above 4m, above 1,200 cc petrol or above 1,500cc diesel engine)	28.0	15.0	43.0	
Public Transport vehicles (10-13 seater)	28.0	15.0	43.0	
Public Transport vehicles (>13 seater) or Commercial good vehicles	28.0	—	28.0	
Tractors	12.0	—	12.0	
New GST structure				
Segment	GST (%)	Cess (%)	Total tax rate (%)	GST reduction (%)
Electric vehicles	5.0	—	5.0	—
Three wheeler motorized vehicles	18.0	—	18.0	10.0
Two-wheelers with engine capacity of up to 350cc	18.0	—	18.0	10.0
Two-wheelers with engine capacity greater than 350cc	40.0	—	40.0	(9.0)
Petrol/CNG/LPG car less than 1,200cc and length less than 4 meters	18.0	—	18.0	11.0
Diesel car less than 1,500cc and length less than 4 meters	18.0	—	18.0	13.0
Passenger vehicles (upto 1,500cc engine)	40.0	—	40.0	5.0
Passenger vehicles (above 1,500cc engine)	40.0	—	40.0	8.0
Passenger vehicles popular known as SUV (above 1,500cc engine capacity, greater than 4 meters length and ground clearance of 170mm or more)	40.0	—	40.0	10.0
Hybrid passenger vehicles (upto 4m and upto 1,200 cc engine petrol) or (upto 4 mn and upto 1,500 cc engine diesel)	18.0	—	18.0	10.0
Hybrid passenger vehicles (above 4m, above 1,200 cc petrol or above 1,500cc diesel engine)	40.0	—	40.0	3.0
Public Transport vehicles (10-13 seater)	18.0	—	18.0	25.0
Public Transport vehicles (>13 seater) or Commercial good vehicles	18.0	—	18.0	10.0
Tractors	5.0	—	5.0	7.0

Source: SIAM, Kotak Institutional Equities

We estimate a pricing benefit of 2-9% across all PV ICE segments

Exhibit 2: Change in prices for customers following GST revision, four-wheelers, March fiscal year-end, 2026

	Maruti Baleno	Maruti Ertiga	M&M Scorpio-N	Hyundai Venue
Old GST				
Ex-factory price (Rs)	502,385	604,442	896,922	591,905
Dealer margin @ 4% of ex-factory price	20,095	24,178	35,877	23,676
Pre-tax price (Rs)	522,481	628,620	932,799	615,581
GST plus cess rate (%)	29.0	45.0	50.0	29.0
GST plus cess (Rs)	151,519	282,879	466,400	178,519
Ex-showroom price	674,000	911,499	1,399,199	794,100
RTO @ 8% of ex-showroom price	53,920	72,920	111,936	63,528
Insurance @ 5% of ex-showroom price	33,700	45,575	69,960	39,705
Total	761,620	1,029,994	1,581,095	897,333
New GST				
Ex-factory price (Rs)	502,385	604,442	896,922	591,905
Dealer margin @ 4% of ex-factory price	20,095	24,178	35,877	23,676
GST rate (%)	18.0	40.0	40.0	18.0
Pre-tax price (Rs)	522,481	628,620	932,799	615,581
GST (Rs)	94,047	251,448	373,120	110,805
Ex-showroom price	616,527	880,068	1,305,919	726,386
RTO @ 8% of ex-showroom price	49,322	70,405	104,474	58,111
Insurance @ 5% of ex-showroom price	30,826	44,003	65,296	36,319
Total	696,676	994,477	1,475,689	820,816
% change in price for customers	(8.5)	(3.4)	(6.7)	(8.5)

Source: Companies, Kotak Institutional Equities estimates

We expect all four-wheeler OEMs to benefit due to GST cut

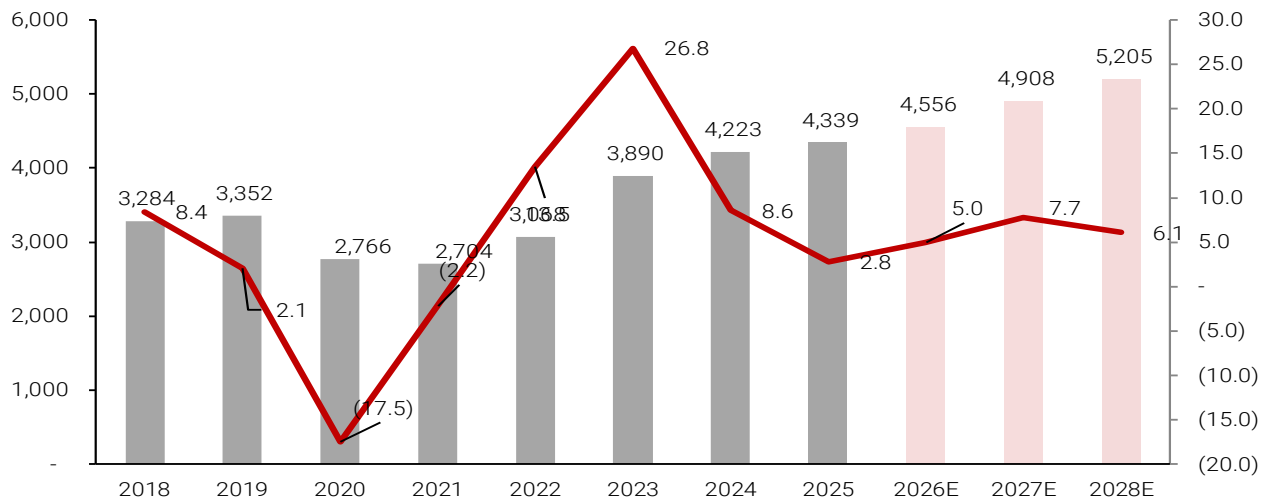
Exhibit 3: Percentage of portfolio impacted due to GST cut, four-wheelers OEMs, March fiscal year-end, 2025

	Maruti Suzuki	Tata Motors (Domestic)	M&M (standalone)	Hyundai Motors	Ashok Leyland	Escorts Kubota
Volume split (units)						
Domestic PV ICE	1,866,989	489,309	538,597	597,666	—	—
Domestic PV EV	—	64,276	12,890	1,000	—	—
Domestic LCVs	34,492	185,275	227,468	—	61,049	—
Domestic M&HCVs	—	173,295	8,125	—	104,793	—
Domestic tractors	—	—	407,094	—	—	110,563
Domestic Construction Equipment	—	—	—	—	—	6,484
Domestic LCV & MHCV EVs	—	—	—	—	14,000	—
Exports	332,585	21,011	63,191	163,386	15,255	4,991
Total	2,234,066	933,166	1,257,365	762,052	195,097	122,038
Volume split (%)						
Domestic PV ICE	83.6	52.4	42.8	78.4	—	—
Domestic PV EV	—	6.9	1.0	0.1	—	—
Domestic LCVs	1.5	19.9	18.1	—	31.3	—
Domestic M&HCVs	—	18.6	0.6	—	53.7	—
Domestic tractors	—	—	32.4	—	—	90.6
Domestic Construction Equipment	—	—	—	—	—	5.3
Domestic LCV & MHCV EVs	—	—	—	—	7.2	—
Exports	14.9	2.3	5.0	21.4	7.8	4.1
Total	100.0	100.0	100.0	100.0	100.0	100.0
Total % of portfolio positively impacted	85.1	90.9	93.9	78.4	85.0	90.6

Source: Companies, Kotak Institutional Equities estimates

We expect domestic passenger vehicle to grow at 6% CAGR over FY2025-28E versus earlier expectation of 4% CAGR

Exhibit 4: Domestic passenger vehicles volume trend and forecast, March fiscal year-ends, 2018-28E



Source: SIAM, Kotak Institutional Equities estimates

We expect SUV segment outperformance to moderate over FY2025-28E

Exhibit 5: Domestic segment-wise PV volumes, March fiscal-year-ends, 2019-28E

	2019	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E
Segment-wise domestic volumes (units)										
Entry Hatch	369,573	303,942	274,019	240,240	252,409	158,600	143,546	122,308	125,572	130,259
B Hatch segment	403,538	330,639	307,464	310,484	354,813	325,586	300,708	301,442	322,778	339,245
B+ Hatch segment	793,647	657,197	655,065	600,963	732,440	686,567	576,824	579,365	622,446	660,377
Hatchback segment	1,566,758	1,291,778	1,236,548	1,151,687	1,339,662	1,170,753	1,021,078	1,003,115	1,070,796	1,129,881
Entry Sedan	459,565	301,402	221,634	225,489	295,245	282,678	269,548	316,205	334,850	354,440
Executive Sedan	157,609	85,856	72,658	79,457	86,177	78,373	56,328	49,088	49,795	52,635
Premium Sedan	11,571	9,236	3,422	9,050	26,253	21,588	17,491	18,360	19,877	21,176
Sedan segment	628,745	396,494	297,714	313,996	407,675	382,639	343,367	383,653	407,677	428,250
Micro SUV (< 4m)	—	—	16,634	115,938	200,789	425,544	510,793	513,307	579,709	612,281
Compact SUV (< 4m)	353,805	358,407	412,545	521,778	634,281	613,600	697,013	710,802	736,301	776,307
Mid SUV (> 4m)	184,285	214,026	266,197	313,450	424,927	561,031	614,284	721,849	775,030	822,623
Large SUV	195,314	130,356	142,702	248,999	374,873	483,301	509,041	548,063	602,999	638,390
Premium SUV	32,281	22,791	19,775	26,406	35,970	42,313	39,891	40,005	41,952	43,998
SUV segment	765,685	725,580	857,853	1,226,571	1,670,840	2,125,789	2,371,022	2,534,026	2,754,820	2,893,599
MUVs	393,174	351,895	311,739	375,861	471,637	543,451	603,566	635,560	672,167	725,531
Total	3,354,362	2,765,747	2,703,854	3,068,115	3,889,814	4,222,632	4,339,033	4,556,354	4,908,038	5,177,262
yoy growth (%)										
Entry Hatch	(14.5)	(17.8)	(9.8)	(12.3)	5.1	(37.2)	(9.5)	(14.8)	2.7	3.7
B Hatch segment	12.4	(18.1)	(7.0)	1.0	14.3	(8.2)	(7.6)	0.2	7.1	5.1
B+ Hatch segment	1.7	(17.2)	(0.3)	(8.3)	21.9	(6.3)	(16.0)	0.4	7.4	6.1
Hatchback segment	(0.3)	(17.6)	(4.3)	(6.9)	16.3	(12.6)	(12.8)	(1.8)	6.7	5.5
Entry Sedan	11.2	(34.4)	(26.5)	1.7	30.9	(4.3)	(4.6)	17.3	5.9	5.9
Executive Sedan	(10.3)	(45.5)	(15.4)	9.4	8.5	(9.1)	(28.1)	(12.9)	1.4	5.7
Premium Sedan	(7.2)	(20.2)	(62.9)	164.5	190.1	(17.8)	(19.0)	5.0	8.3	6.5
Sedan segment	4.6	(36.9)	(24.9)	5.5	29.8	(6.1)	(10.3)	11.7	6.3	5.0
Micro SUV (< 4m)	—	—	15.1	597.0	73.2	111.9	20.0	0.5	12.9	5.6
Compact SUV (< 4m)	(0.1)	1.3	15.1	26.5	21.6	(3.3)	13.6	2.0	3.6	5.4
Mid SUV (> 4m)	10.6	16.1	24.4	17.8	35.6	32.0	9.5	17.5	7.4	6.1
Large SUV	(7.5)	(33.3)	9.5	74.5	50.6	28.9	5.3	7.7	10.0	5.9
Premium SUV	(12.4)	(29.4)	(13.2)	33.5	36.2	17.6	(5.7)	0.3	4.9	4.9
SUV segment	(0.4)	(5.2)	18.2	43.0	36.2	27.2	11.5	6.9	8.7	5.0
MUVs	13.8	(10.5)	(11.4)	20.6	25.5	15.2	11.1	5.3	5.8	7.9
Total	2.0	(17.5)	(2.2)	13.5	26.8	8.6	2.8	5.0	7.7	5.5

Source: SIAM, Kotak Institutional Equities estimates

We expect SUV segment mix to improve to ~56% in FY2028E from 54.6% in FY2025

Exhibit 6: Domestic segment-wise PV volumes mix, March fiscal-year-ends, 2019-28E

	2019	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E
PV segment-wise mix (%)										
Entry Hatch	11.0	11.0	10.1	7.8	6.5	3.8	3.3	2.7	2.6	2.5
B Hatch segment	12.0	12.0	11.4	10.1	9.1	7.7	6.9	6.6	6.6	6.6
B+ Hatch segment	23.7	23.8	24.2	19.6	18.8	16.3	13.3	12.7	12.7	12.8
Hatchback segment	46.7	46.7	45.7	37.5	34.4	27.7	23.5	22.0	21.9	21.8
Entry Sedan	13.7	10.9	8.2	7.3	7.6	6.7	6.2	6.9	6.9	6.8
Executive Sedan	4.7	3.1	2.7	2.6	2.2	1.9	1.3	1.1	1.0	1.0
Premium Sedan	0.3	0.3	0.1	0.3	0.7	0.5	0.4	0.4	0.4	0.4
Sedan segment	18.7	14.3	11.0	10.2	10.5	9.1	7.9	8.4	8.3	8.3
Micro SUV (< 4m)	—	—	0.6	3.8	5.2	10.1	11.8	11.3	11.9	11.8
Compact SUV (< 4m)	10.5	13.0	15.3	17.0	16.3	14.5	16.1	15.6	15.1	15.0
Mid SUV (> 4m)	5.5	7.7	9.8	10.2	10.9	13.3	14.2	15.8	15.9	15.9
Large SUV	5.8	4.7	5.3	8.1	9.6	11.4	11.7	12.0	12.3	12.3
Premium SUV	1.0	0.8	0.7	0.9	0.9	1.0	0.9	0.9	0.9	0.8
SUV segment	22.8	26.2	31.7	40.0	43.0	50.3	54.6	55.6	56.0	55.9
MUVs	11.7	12.7	11.5	12.3	12.1	12.9	13.9	13.9	13.8	14.0
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: SIAM, Kotak Institutional Equities estimates

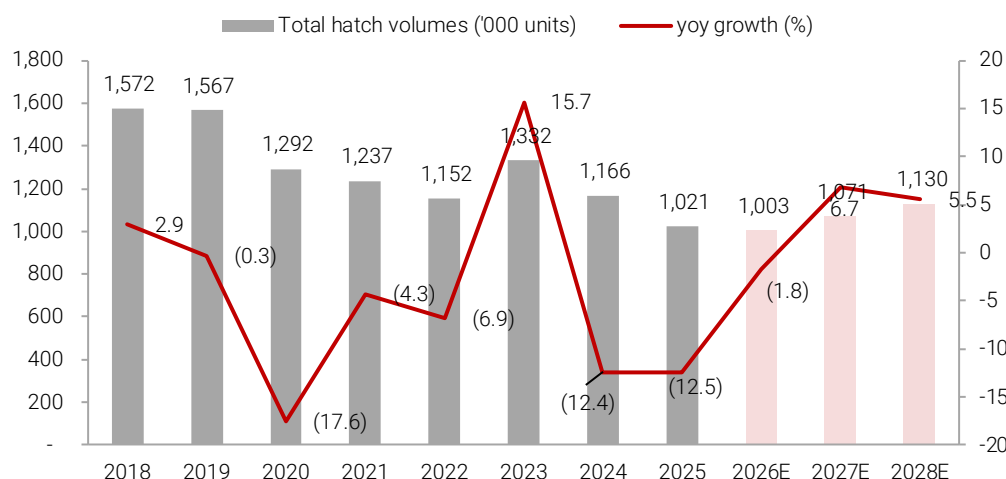
Hatchback segment—expect recovery in select segments; structural challenges remain

We expect domestic hatchback segment volumes to grow by 3% CAGR over FY2025-28E, led by (1) 3% CAGR decline in volumes in entry-level hatchback segment and (2) 4-5% CAGR in B/B+ hatch segments. Overall, we expect the B+ hatchback segment to benefit the most from the GST cut. This segment attracts aspirational urban buyers, who value performance, features, safety and technology, and will unlock pent-up demand. Also, these buyers are less constrained by financing challenges.

However, over the medium term, we expect new launches in the micro and compact SUV segments at a competitive pricing with attractive features in multiple powertrains vis-à-vis those given by the competitors in premium hatchbacks. We expect consumers to continue to shift toward the SUV segment. As a result, we expect the domestic hatchback segment mix to decline to ~22% in FY2028E from 23.5% in FY2025.

We expect hatchback volumes to increase by 3-4% CAGR over FY2025-28E; expect B+ hatch segment to recover from 2HFY26E onwards

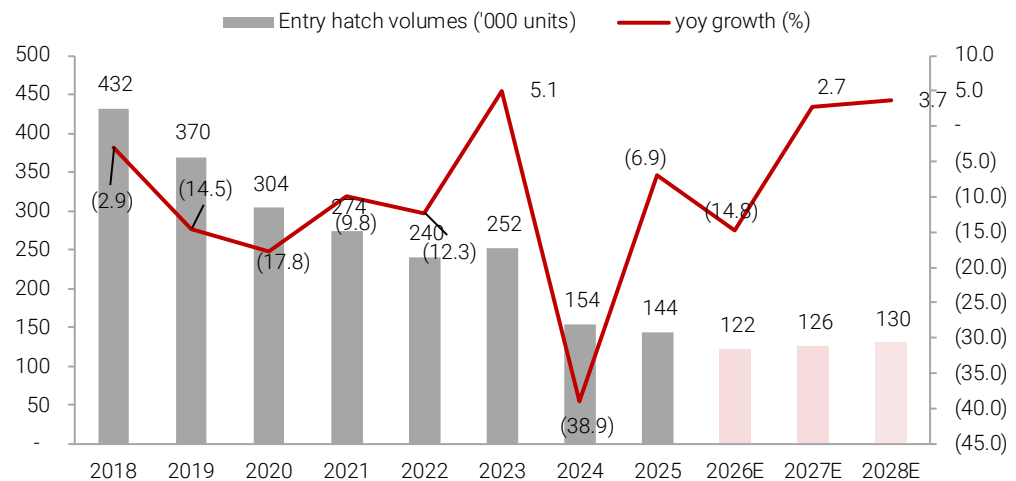
Exhibit 7: Total hatchback volumes trend, March fiscal-year-ends, 2018-28E



Source: SIAM, Kotak Institutional Equities estimates

We expect entry hatchback volumes to recover from FY2027E on a lower base

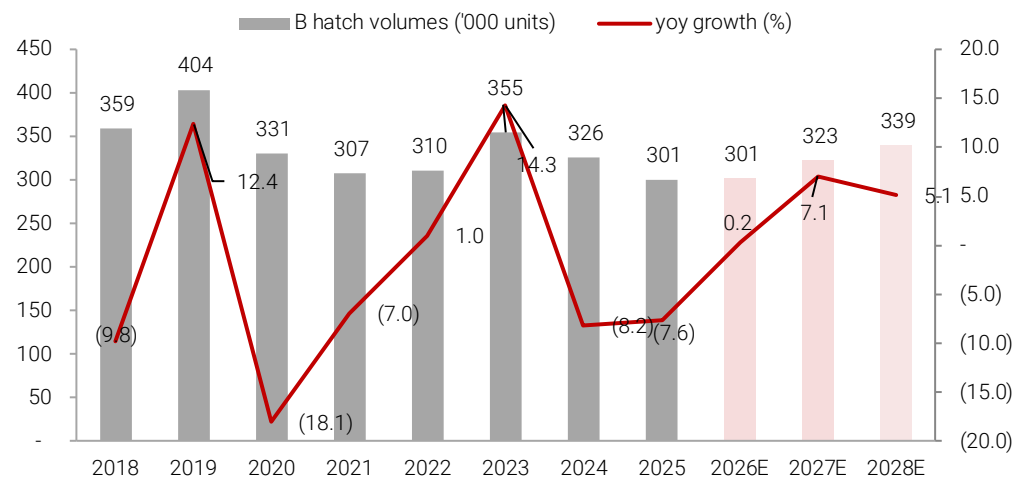
Exhibit 8: Entry hatchback volume trends, March fiscal-year-ends, 2018-28E



Source: SIAM, Kotak Institutional Equities estimates

We expect B Hatchback segment volumes to grow by 4% CAGR over FY2025-28E

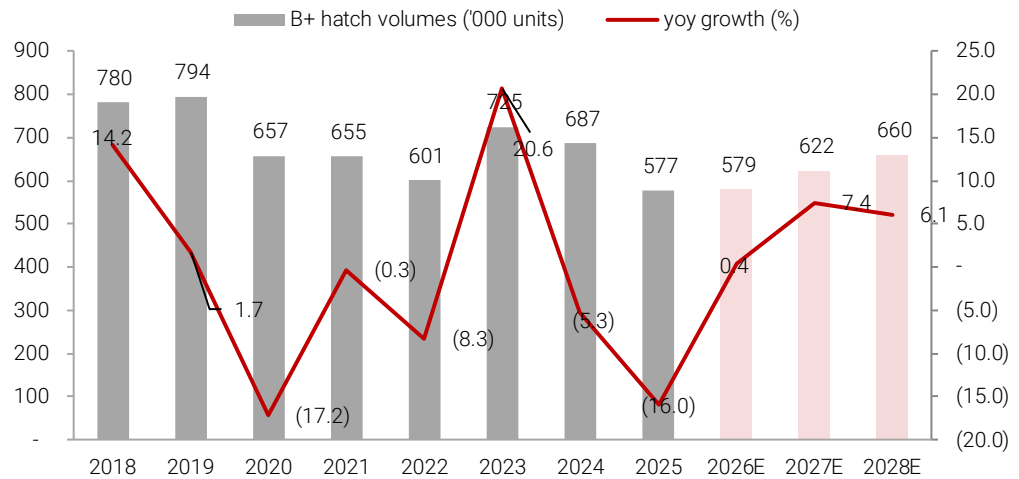
Exhibit 9: B Hatchback volumes trend, March fiscal-year-ends, 2018-28E



Source: SIAM, Kotak Institutional Equities estimates

We expect first-time buyer to prefer B+ hatchback segment after price cuts

Exhibit 10: B+ Hatchback volumes trend, March fiscal-year-ends, 2018-28E



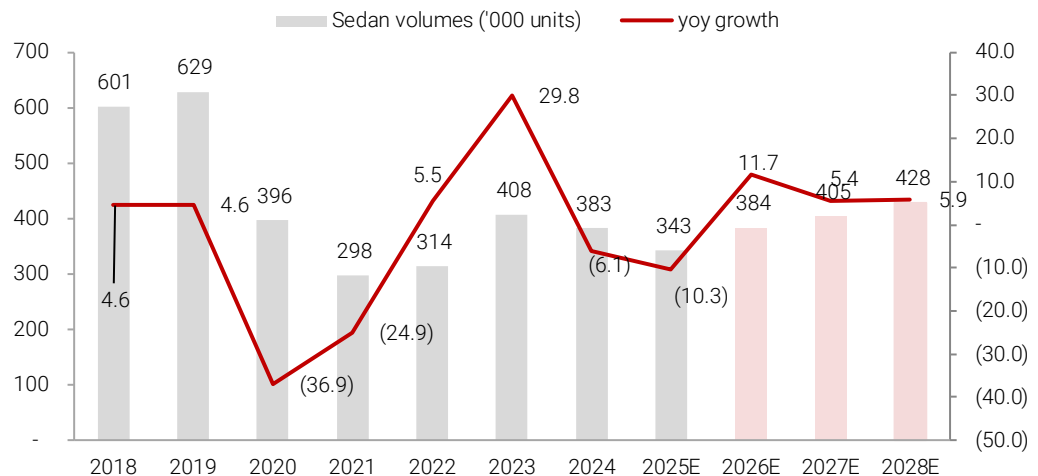
Source: SIAM, Kotak Institutional Equities estimates

Sedan segment—steady demand patterns expected to persist over FY2025-28E

We expect domestic sedan segment volumes to grow by 8% CAGR over FY2025-28E, mainly driven by newer launches (Maruti Suzuki Dzire and Volkswagen Virtus) by the OEMs. The sedan segment mix has seen consistent decline over the past few years (decline from 19% in FY2017 to 8% in FY2025) due to a change in consumer preference toward the SUV segment. We do not expect this trend to materially reverse over the coming years. Overall, we expect the sedan mix to remain steady at 8-8.5% over the coming years.

We expect sedan segment volumes to grow by 8% CAGR over FY2025-28E

Exhibit 11: Domestic sedan volumes trend, March fiscal-year-ends, 2018-28E



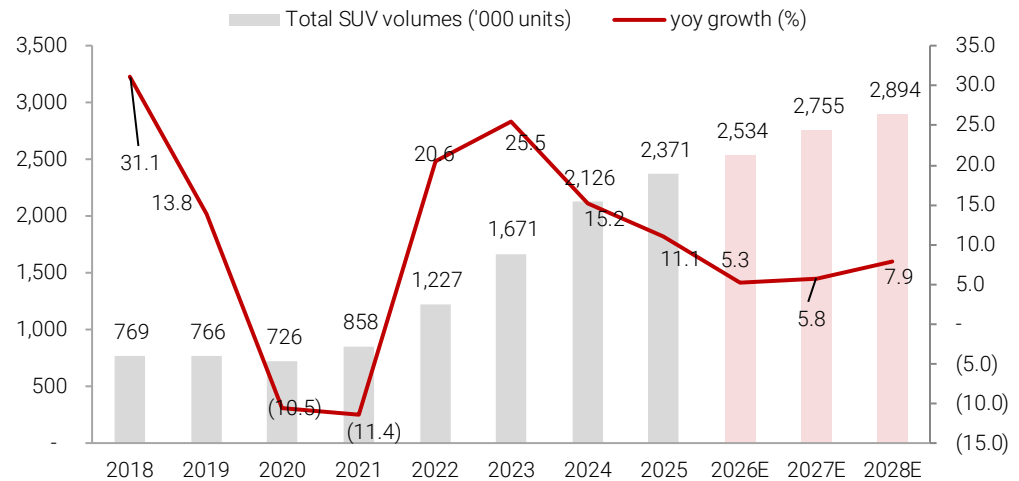
Source: SIAM, Kotak Institutional Equities estimates

SUV segment—demand to remain in the fast lane amid newer launches and consumer preference

We expect domestic SUV segment volumes to grow by 7% CAGR over FY2025-28E, mainly driven by (1) newer launches by OEMs in the SUV segment, especially in the mid-size SUV segment, (2) high popularity among consumers with more first-time buyers opting for SUVs, especially across micro and compact SUV segments, and (3) shift of consumer demand from hatchback/sedan segments to the micro-SUV segment given attractive pricing. Overall, we expect the SUV segment mix to improve by 56% in FY2028E from 54.6% in FY2025.

We expect SUV segment volumes to grow by 7% CAGR over FY2025-28E

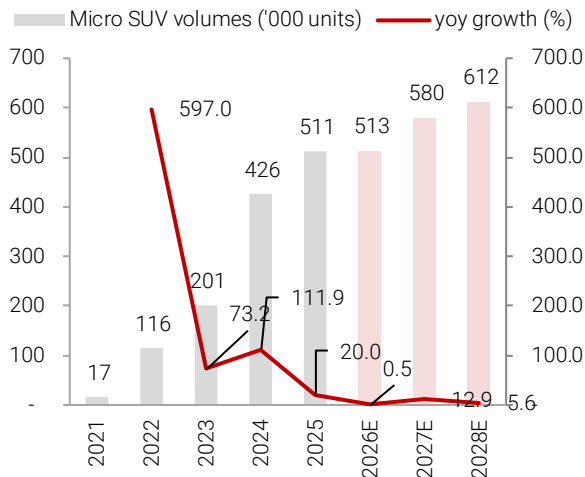
Exhibit 12: Domestic SUV volumes trend, March fiscal-year-ends, 2018-28E



Source: SIAM, Kotak Institutional Equities estimates

Expect outperformance to continue

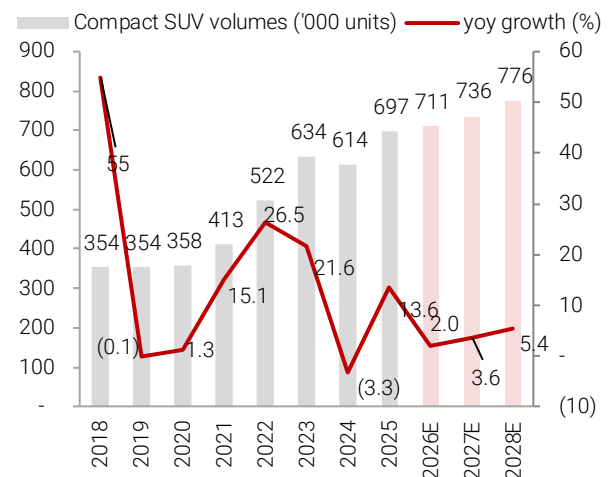
Exhibit 13: Micro SUV volumes trend, March fiscal-year-ends, 2021-28E



Source: SIAM, Kotak Institutional Equities estimates

Expect 5% CAGR over FY2025-28E

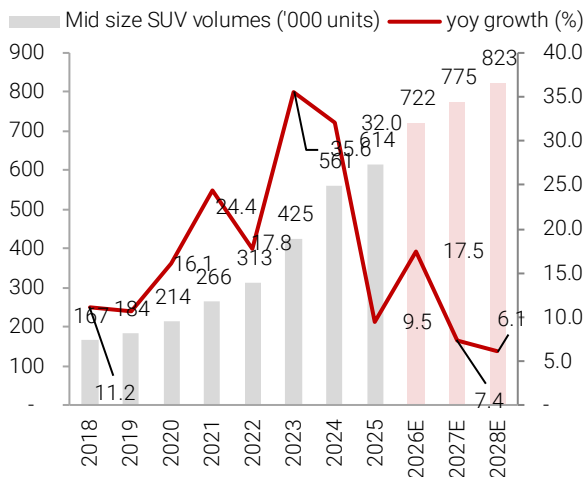
Exhibit 14: Compact SUV volumes trend, March fiscal-year-ends, 2018-28E



Source: SIAM, Kotak Institutional Equities estimates

Expect mid-size SUV segment to grow by 10% CAGR

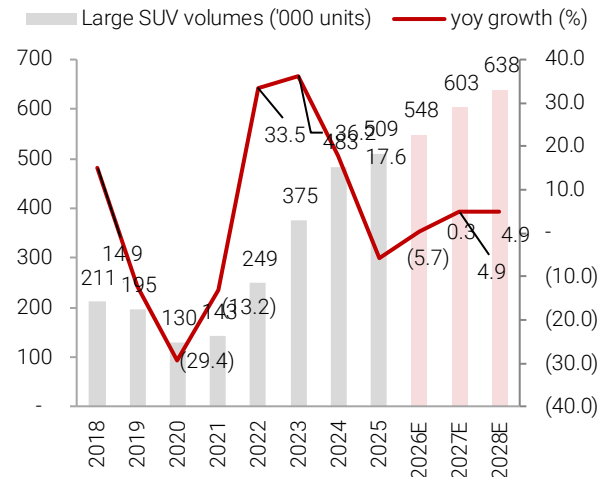
Exhibit 15: Mid-size SUV volumes trend, March fiscal-year-ends, 2018-28E



Source: SIAM, Kotak Institutional Equities estimates

Expect large SUV segment to grow by 8% CAGR

Exhibit 16: Large SUV volumes trend, March fiscal-year-ends, 2018-28E



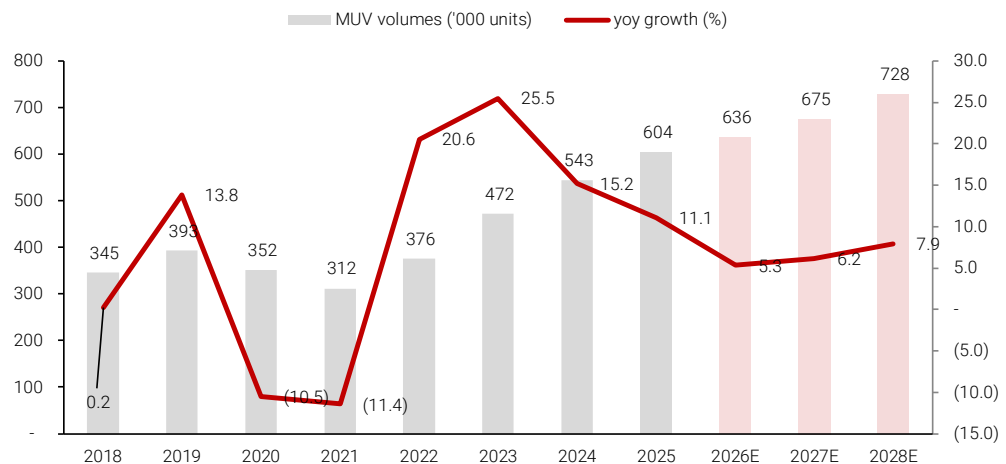
Source: SIAM, Kotak Institutional Equities estimates

MUV segment—expect volumes to grow by 6% CAGR over FY2025-28E

We expect domestic MUV segment volumes to grow by 6% CAGR over FY2025-28E, mainly driven by strong demand for Maruti Suzuki Ertiga, Toyota Innova Hycross and Kia Carens, including the CNG and strong hybrid variants. Overall, we expect the MUV segment mix to remain steady around 13-14% over the coming years.

We expect MUV segment to grow by 6% CAGR over FY2025-28E

Exhibit 17: Domestic MUV volumes trend, March fiscal-year-ends, 2018-28E



Source: SIAM, Kotak Institutional Equities estimates

Market share trends to remain steady across most OEMs; building in 41% market share for MSIL

Overall, we expect market shares of various key OEMs to remain steady, given newer launches by the players across key segments as well as powertrain technologies to defend their market share. Among key OEMs, we expect Tata Motors market share decline to continue given weakening brand perception and unsuccessful last few launches. We expect HMIL and MSIL market share improve, driven by newer launches and recovery in the hatchback segment demand.

- **Maruti Suzuki.** We expect Maruti Suzuki market share to improve to 41% over FY2027-28E, given newer launches (SUV segments) and recovery in hatchback segment demand (higher mix). We expect the company's market share to improve in hatchback/sedan segments, whereas building in marginal decline in the MUV segment over FY2025-28E. In the SUV segment, we expect the company's market share to remain steady at ~20-21% in FY2028E, led by market share gain in micro-SUV (Fronx) and mid-size SUV (Victoris), partly offset by market share decline in the compact SUV segment (price cuts for Maruti Brezza would be lesser as compared to Hyundai Venue, Tata Nexon, Mahindra XUV 3XO and Kia Sonet). Overall, we expect the company's market share to improve by 100-150 bps from current levels, mainly on account of (1) market share gain in sedan and hatchback segments, (2) pick-up in B+ hatchback segment demand and (3) market share gain in micro and mid-size SUV segments, partly offset by decline in the compact SUV segment share.
- **Tata Motors.** We expect Tata Motors market share to decline by 80-100 bps yoy over FY2025-28E, mainly on account of (1) a decline in market share in hatchback and sedan segments owing to a weakening brand franchise and (2) market share loss in the SUV segment due to lower-than-expected off-take of Curvv and increased competitive intensity in the micro-SUV segment, partly offset by market share gain in CNG and EV trims of existing models owing to product interventions.
- **Mahindra & Mahindra.** We expect M&M's market share to improve by 100 bps yoy to 13.6-13.7% in FY2026E, given successful newer launches and limited competition in the large SUV segment from which the company derived majority of its volumes.
- **Hyundai Motors.** We expect Hyundai Motors market share to improve from FY2027E onwards, driven by newer launches across SUV segments. The company is planning to launch eight products (including refreshes), which will drive market share gain for Hyundai Motors in the coming years.

We expect market share of Maruti Suzuki to improve to ~41% from <40% in FYTD26

Exhibit 18: OEM-wise market share in domestic passenger vehicles segment, March fiscal-year-ends, 2019-28E

	2019	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E
Market share of OEMs (%)										
Honda India	5.4	3.7	3.0	2.8	2.4	2.1	1.5	1.4	1.4	1.4
Hyundai Motors	16.1	17.5	17.4	15.7	14.6	14.6	13.8	13.4	14.2	14.6
Kia Motors	—	3.0	5.7	6.1	6.9	5.8	5.9	6.0	5.9	5.9
Mahindra & Mahindra	7.5	6.8	5.8	7.4	9.2	10.9	12.7	13.7	13.7	13.7
Maruti Suzuki	51.2	51.0	47.7	43.4	41.3	41.9	40.6	40.8	40.7	40.7
MG India	—	0.8	1.3	1.3	1.3	1.0	1.2	1.4	1.4	1.4
Nissan-Renault	3.4	3.9	4.1	4.1	2.9	1.8	1.5	1.4	1.3	1.3
Tata Motors Ltd	6.9	5.0	8.3	12.2	14.0	13.8	13.1	12.2	12.2	12.1
Toyota India	4.4	4.1	3.4	4.0	4.5	5.8	7.2	7.2	6.8	6.7
Others	4.9	4.3	3.2	3.1	3.0	2.4	2.5	2.6	2.4	2.3
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: SIAM, Kotak Institutional Equities estimates

MSIL's market share in domestic hatchback segment to improve to ~72-73% in the coming years

Exhibit 19: OEM-wise hatchback mix, March fiscal-year-ends, 2019-28E (%)

		2019	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E
Market share based on segment (%)											
Entry Hatch		Models									
General Motors India Ltd.	Spark	—	—	—	—	—	—	—	—	—	—
Hyundai Motors India Ltd.	Eon	7.2	—	—	—	—	—	—	—	—	—
Maruti Suzuki India Ltd.	800, Alto, Estillo, S-Presso	70.2	81.5	82.5	88.1	92.3	92.2	87.6	88.4	89.6	90.0
MG Motors	Comet	—	—	—	—	—	1.2	7.1	6.7	6.4	6.1
Nissan-Renault	Redi-Go, Kwid	22.5	18.5	17.5	11.9	7.7	6.6	5.3	4.9	4.0	3.8
Tata Motors	Nano	0.1	—	—	—	—	—	—	—	—	—
Total Entry Hatch		100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
B Hatch segment		Models									
Ford India Ltd.	Figgo	0.6	2.5	0.6	0.1	—	—	—	—	—	—
General Motors India Ltd.	Aveo UVA, Beat	—	—	—	—	—	—	—	—	—	—
Hyundai Motors India Ltd.	Santro	11.9	15.6	7.5	7.7	1.2	—	—	—	—	—
Maruti Suzuki India Ltd.	Celerio, A-Star, Ritz, WagonR	63.2	66.3	72.0	73.6	76.9	73.7	77.0	76.1	76.6	76.6
Nissan-Renault	Sunny, Fluence, Scala	1.4	0.6	—	—	—	—	—	—	—	—
Tata Motors	Indica, Tiago	22.9	14.9	19.7	18.7	21.8	26.3	23.0	23.9	23.4	23.4
Total B Hatch		100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
B+ Hatch segment		Models									
Fiat India Ltd.	Grande Punto	0.1	0.0	—	—	—	—	—	—	—	—
General Motors India Ltd.	Sail	—	—	—	—	—	—	—	—	—	—
Honda SIEL Cars India Ltd.	Jazz, Brio	2.1	0.9	0.9	1.0	0.4	—	—	—	—	—
Hyundai Motors India Ltd.	i20, i10	33.5	31.6	27.5	25.2	25.4	20.5	20.4	19.3	19.3	19.1
Mahindra & Mahindra Ltd.	E20, Vibe	0.0	0.0	0.0	—	—	—	—	—	—	—
Maruti Suzuki India Ltd.	Baleno, Ignis, Swift	59.5	59.2	56.5	57.9	60.7	61.7	64.9	66.5	67.0	67.3
Nissan-Renault	Micra	0.4	—	—	—	—	—	—	—	—	—
Tata Motors	Bolt, Altroz, Punch	0.2	1.3	9.2	10.4	8.0	10.2	6.2	5.6	5.3	5.2
Toyota Kirloskar Motor Ltd.	Liva, Glanza	1.9	4.6	3.4	3.7	5.5	7.6	8.5	8.6	8.4	8.3
Volkswagen	Beetle, Polo	2.3	2.3	2.5	2.0	0.1	—	—	—	—	—
Total B+ Hatch		100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Total Hatchback		Models									
Fiat India Ltd.		0.0	0.0	—	—	—	—	—	—	—	—
Ford India Ltd.		0.2	0.6	0.1	0.0	—	—	—	—	—	—
General Motors India Ltd.		—	—	—	—	—	—	—	—	—	—
Honda SIEL Cars India Ltd.		1.0	0.5	0.5	0.5	0.2	—	—	—	—	—
Hyundai Motors India Ltd.		21.7	20.1	16.5	15.2	14.1	12.1	11.5	11.2	11.2	11.2
Mahindra & Mahindra Ltd.		0.0	0.0	0.0	—	—	—	—	—	—	—
Maruti Suzuki India Ltd.		63.0	66.3	66.1	68.4	71.0	69.1	71.6	72.1	72.5	72.7
MG Motors		—	—	—	—	—	0.2	1.0	0.8	0.7	0.7
Nissan-Renault		5.9	4.6	3.9	2.5	1.5	0.9	0.7	0.6	0.5	0.4
Tata Motors		6.0	4.5	9.8	10.4	10.2	13.3	10.3	10.4	10.1	10.1
Toyota Kirloskar Motor Ltd.		1.0	2.3	1.8	1.9	3.0	4.5	4.8	5.0	4.9	4.9
Volkswagen		1.2	1.2	1.3	1.0	0.1	—	—	—	—	—
Total Hatchback		100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: SIAM, Kotak Institutional Equities estimates

We expect MSIL's market share in sedan segment to improve to 56% over FY2025-28E, driven by Dzire

Exhibit 20: OEM-wise market share in sedan segment, March fiscal-year-ends, 2019-28E (%)

		2019	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E
Market share based on segment (%)											
Sedan											
Fiat India Ltd.		0.0	0.0	—	—	—	—	—	—	—	—
Ford India Ltd.		2.5	1.7	1.2	0.2	—	—	—	—	—	—
General Motors India Ltd.		—	—	—	—	—	—	—	—	—	—
Hindustan Motors		—	—	—	—	—	—	—	—	—	—
Honda SIEL Cars India Ltd.		20.4	20.5	22.4	23.4	20.5	13.8	12.7	11.2	11.2	11.1
Hyundai Motors India Ltd.		12.5	12.4	18.1	17.9	17.2	22.3	20.5	18.8	18.9	18.9
Mahindra & Mahindra Ltd.		0.2	0.2	0.0	0.0	—	—	—	—	—	—
Maruti Suzuki India Ltd.		47.7	51.6	47.7	46.1	40.2	45.7	50.5	55.4	55.1	55.2
Nissan-Renault		0.2	0.2	—	—	—	—	—	—	—	—
Skoda Auto India Pvt. Ltd.		2.3	3.2	3.5	3.9	6.2	5.0	4.6	4.2	4.3	4.3
Tata Motors		5.9	3.5	4.9	7.6	11.3	7.0	4.9	3.9	3.9	3.9
Toyota Kirloskar Motor Ltd.		5.8	4.3	1.5	0.4	0.2	0.6	0.5	0.6	0.7	0.7
Volkswagen		2.5	2.4	0.8	0.6	4.3	5.5	6.2	5.9	6.0	6.0
Total Sedan		100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: SIAM, Kotak Institutional Equities estimates

Competitive intensity to remain elevated in SUV segment

Exhibit 21: OEM-wise market share in SUV segment, March fiscal-year-ends, 2019-28E (%)

		2019	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E
Market share based on segment (%)											
Micro SUV (< 4m)											
	Models										
Hyundai Motors India Ltd.	Exter, New launch	—	—	—	—	—	16.8	15.2	15.2	21.5	22.0
Maruti Suzuki India Ltd.	Fronx	—	—	—	—	—	31.7	32.5	35.3	33.2	33.0
PCA	C3	—	—	—	—	3.8	1.5	0.6	0.6	0.5	0.5
Nissan-Renault	Magnite, Kiger	—	—	100.0	54.5	29.5	10.1	7.5	6.8	6.0	6.0
Tata Motors	Punch	—	—	—	45	67	40.0	38.5	35.9	33.0	32.8
Toyota Kirloskar Motor Ltd.	Urban Cruiser Taisor	—	—	—	—	—	—	5.8	6.2	5.8	5.8
Total Micro SUV (< 4m)		—	—	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Compact SUV (< 4m)											
	Models										
Fiat India Ltd.	Avventura	4.5	2.4	1.6	2.3	2.0	0.9	0.6	0.5	0.5	0.5
Ford India Ltd.	Freestyle, EcoSport	13.1	10.6	6.9	1.9	—	—	—	—	—	—
Honda SIEL Cars India Ltd.	WR-V	9.3	3.3	2.3	1.2	0.8	—	—	—	—	—
Hyundai Motors India Ltd.	Venue	—	26.1	22.5	20.1	19.0	21.0	17.1	17.1	17.8	17.6
Kia Motors	Sonnet	—	—	15.4	14.2	14.8	13.3	16.6	17.4	18.2	18.6
Mahindra & Mahindra Ltd.	TUV, KUV, XUV300	11.4	14.2	8.8	9.6	9.6	8.8	14.5	14.8	15.4	15.6
Maruti Suzuki India Ltd.	Vitara Brezza	44.6	30.9	22.9	21.8	23.0	27.7	27.1	26.5	24.3	24.2
PCA	EC3	—	—	—	—	0.2	0.3	0.3	0.3	0.3	0.4
Nissan-Renault	Go+	1.4	0.5	0.1	0.0	—	—	—	—	—	—
Tata Motors	Nexon	15.5	12.1	15.5	23.8	27.1	28.0	23.4	23.4	23.5	23.2
Toyota Kirloskar Motor Ltd.	Urban Cruiser	—	—	4.0	5.1	3.5	—	—	—	—	—
Total Compact SUV (< 4m)		100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Mid SUV (> 4m)											
	Models										
Honda SIEL Cars India Ltd.	Elevate, WRV	2.8	0.9	—	—	—	6.0	3.6	3.0	3.0	2.9
Hyundai Motors India Ltd.	Kona, Creta	67.8	38.7	45.2	37.7	35.6	29.1	31.7	28.6	28.5	28.5
Kia Motors	Seltos	—	38.3	33.5	30.6	23.6	17.9	11.8	10.4	10.3	10.3
Mahindra & Mahindra Ltd.	XUV400	—	—	—	—	0.5	1.4	2.1	5.5	5.9	5.9
Maruti Suzuki India Ltd.	S-Cross, Grand Vitara, Victoris	20.6	5.5	6.5	6.6	13.3	21.6	20.2	22.1	24.6	25.3
MG India	Hector, Astor	—	10.2	11.9	11.2	9.7	6.8	7.0	7.5	7.5	7.5
Nissan-Renault	Terrano, Kicks, Duster, Captur	7.1	5.2	1.8	1.2	0.3	—	—	—	—	—
Skoda	Kushaq, Kodiaq, Kylaq	1.1	0.7	0.4	7.0	6.4	4.5	4.8	6.5	6.3	6.3
Tata Motors	Curvv	—	—	—	—	—	—	5.5	4.8	4.7	4.7
Toyota Kirloskar Motor Ltd.	Urban Cruiser HyRyder	—	—	—	—	5.4	8.7	9.8	9.4	7.2	6.8
Volkswagen	Taigun, Tiguan	0.6	0.5	0.7	5.8	5.4	3.9	3.4	2.1	1.9	1.8
Total Mid SUV (> 4m)		100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Large SUV											
	Models										
Hyundai Motors India Ltd.	Alcazar	—	—	—	10.4	7.1	4.3	3.4	3.1	3.0	3.0
General Motors India Ltd.	Tavera	—	—	—	—	—	—	—	—	—	—
Mahindra & Mahindra Ltd.	Thar, Scorpio, Bolero, XUV 700	84.0	86.4	81.1	68.8	77.7	82.1	85.9	87.5	84.7	84.6
Maruti Suzuki India Ltd.	Jimny	1.7	—	1.9	—	—	3.5	1.7	1.1	1.0	1.0
MG India	ZS EV	—	0.2	1.1	1.0	1.5	0.4	1.3	1.3	1.3	1.4
Nissan-Renault	Terrano, Captur	2.2	0.8	—	—	—	—	—	—	—	—
Tata Motors	Harrier, Safari, Sierra	12.2	12.4	15.9	19.8	13.7	9.7	7.7	6.9	9.9	10.1
Total Large SUV		100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Total SUV											
Fiat India Ltd.		2.1	1.2	0.8	1.0	0.7	0.3	0.2	0.1	0.1	0.1
Ford India Ltd.		6.8	6.1	4.1	1.1	—	—	—	—	—	—
General Motors India Ltd.		—	—	—	—	—	—	—	—	—	—
Isuzu Motors		0.3	0.2	0.0	0.1	0.1	0.0	0.0	0.0	0.0	0.0
Hindustan Motors		0.0	0.0	—	—	—	—	—	—	—	—
Honda SIEL Cars India Ltd.		5.1	2.0	1.1	0.5	0.3	1.6	0.9	0.9	0.8	0.8
Hyundai Motors India Ltd.		16.5	24.4	25.0	20.4	18.1	18.3	17.3	16.8	18.1	18.2
Kia Motors		—	11.3	17.8	13.8	11.7	8.6	8.0	7.9	7.8	7.9
Mahindra & Mahindra Ltd.		26.9	22.7	17.8	18.1	21.2	21.6	23.3	24.6	24.5	24.5
Maruti Suzuki India Ltd.		26.0	16.9	13.4	11.0	12.1	20.8	20.6	21.1	20.8	20.9
MG Motors		—	3.0	3.9	3.1	2.8	1.9	2.1	2.4	2.4	2.4
Nissan-Renault		2.9	1.9	2.6	5.5	3.6	2.0	1.6	1.4	1.3	1.3
PCA		—	—	—	—	0.5	—	—	—	—	—
Skoda		0.3	0.2	0.1	1.8	1.6	1.2	1.2	1.8	1.8	1.8
Tata Motors		10.3	8.2	10.1	18.4	21.4	18.3	18.2	16.7	16.9	16.7
Toyota Kirloskar Motor Ltd.		2.8	1.8	3.3	3.7	4.5	4.0	5.5	5.4	4.7	4.6
Volkswagen		—	—	—	1.5	1.4	1.0	0.9	0.6	0.5	0.5
Total SUV		100.1	100.1	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: SIAM, Kotak Institutional Equities estimates

We expect Maruti Suzuki market share to remain steady in MUV segment at 60-61%

Exhibit 22: OEM-wise market share in MUV segment, March fiscal-year-ends, 2019-28E (%)

		2019	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E
Market share based on segment (%)											
MUVs	Models										
Force Motors	Trax	0.6	0.4	0.2	—	—	—	—	—	—	—
General Motors India Ltd.	Tavera	—	—	—	—	—	—	—	—	—	—
Honda SIEL Cars India Ltd.	Mobilio	—	—	—	—	—	—	—	—	—	—
Hyundai Motors	New launch	—	—	—	—	—	—	—	—	—	2.8
Kia Motors	Carnival, Carens	—	0.8	0.9	4.5	15.8	11.6	10.9	11.5	11.3	10.3
Mahindra & Mahindra Ltd.	Marazzo, Xylo, Gio & Maximo	11.9	6.1	1.6	1.0	0.9	—	—	—	—	—
Maruti Suzuki India Ltd.	Eeco, Omni, Ertiga, XL6, Invicto	62.0	65.7	70.4	70.4	62.6	61.9	60.9	60.9	61.2	60.0
MG Motors	Gloster	—	—	0.8	0.8	0.4	0.5	0.3	0.2	0.2	0.2
Nissan-Renault	Evalia, Lodgy, Triber	0.2	9.7	13.1	7.9	6.9	4.1	3.3	3.5	3.6	3.5
Tata Motors	Sumo, Iris, Magic Ace, Venture, Winger, Xenon	5.4	2.0	0.7	0.7	1.2	2.2	2.6	1.9	1.5	1.4
Toyota Kirloskar Motor Ltd.	Innova, Rumion, Vellfire	19.8	15.3	12.3	14.5	12.0	19.2	21.6	21.6	21.9	21.5
Total MUVs		100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: SIAM, Kotak Institutional Equities estimates

Multiple launches in SUV segment planned over the coming years

Exhibit 23: OEM/model-wise launch pipeline in passenger vehicles segment, March fiscal-year-ends

Manufacturer	Model	Segment	Expected timeline
Kia	Clavis	MPV	Launched in May 2025
Tata Motors	Altroz Facelift	Hatchback	Launched in May 2025
Honda	City Sport	Sedan	Launched in June 2025
Tata Motors	Harrier EV	Large SUV	Launched in June 2025
Toyota	Fortuner Mild Hybrid	SUV	Launched in June 2025
Kia	Carens EV	MUV	Launched in July 2025
Mahindra	3XO REVX	Compact SUV	Launched in July 2025
Renault	Triber Facelift	MPV	Launched in July 2025
Renault	Kiger Facelift	Compact SUV	Launched in August 2025
Maruti Suzuki	Escudo	Compact SUV	To be launched in September 2025
Tata Motors	Safari EV	SUV	To be launched in FY2026
Renault	Kwid Facelift	Hatchback	To be launched in FY2026
Skoda	Enyaq	Compact SUV	To be launched in FY2026
Hyundai	Venue facelift	SUV	To be launched in FY2026
Toyota	Urban Cruiser Hyryder 7 seater	Mid-size SUV	To be launched in FY2026
Hyundai	Tucson facelift	D-SUV	To be launched in FY2026
Honda	New WR-V	Compact SUV	To be launched in FY2026
Hyundai	Palisade	Large SUV	To be launched in FY2026
Mahindra	XEV.7e	SUV	To be launched in FY2026
Maruti Suzuki	Baleno facelift	Hatchback	To be launched in FY2026
Maruti Suzuki	Grand Vitara 7-seater	SUV	To be launched in FY2026
Tata Motors	Sierra	SUV	To be launched in FY2026
Toyota	Urban Cruiser EV	Mid-size SUV	To be launched in FY2026
Nissan	Gravite	MPV	To be launched in FY2026
Nissan	New Compact SUV	Compact SUV	To be launched in FY2026
Skoda	Elroq	Compact SUV	To be launched in FY2026
Tata Motors	Altroz EV	Hatchback	To be launched in FY2026
Hyundai	Stargazer	MPV	To be launched in FY2027
Mahindra	BE.07	SUV	To be launched in FY2027
Maruti Suzuki	Wagon R Flex Fuel	Hatchback	To be launched in FY2027
Renault	Duster	Compact SUV	To be launched in FY2027
Tata Motors	Avinya EV	SUV	To be launched in FY2027
Mahindra	BE.09	SUV	To be launched in FY2028

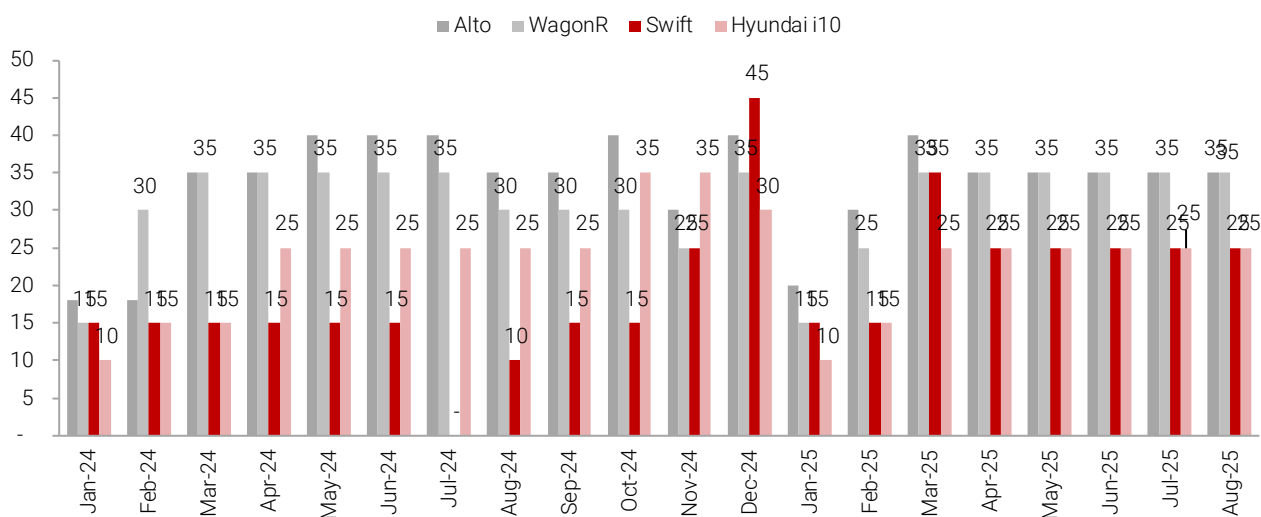
Source: Carwale, AutoCar, Economic Times, Kotak Institutional Equities

Multiple levers to support profitability over the coming years

The GST cut is not only a demand accelerator for the PV industry, but we expect it to aid profitability as well for the OEMs. With volumes set to rise, OEMs stand to benefit from operating leverage, as fixed costs get absorbed over a larger sales base. This should directly support margin expansion across the board. At the same time, lower price points are likely to ease the need for heavy discounting on select models, particularly in slower-moving hatchback categories. This reduction in incentive outflow will further protect gross margins. A secondary but important driver will be the increased contribution from spares and aftersales, as higher vehicle parc and a possible shift from the unorganized to the organized service market expand this high-margin revenue stream. Coupled with ongoing premiumization, where buyers opt for better-equipped trims or higher variants within the same model line-up, OEMs should see a favorable mix impact after the GST cut. In addition, INR depreciation will aid profitability and competitiveness in the export markets. A few headwinds for the sector include the recent uptick in base metal and precious metal prices, as well as INR depreciation that will increase the landed cost of imports.

Discounts can trend downwards in the coming quarters, driving profitability

Exhibit 24: Discounts trend on select passenger vehicles, March fiscal year-ends, 2025-26 (Rs per vehicle)



Source: Companies, Rushlane, Autocar, Kotak Institutional Equities

Domestic CV industry—LCV segment to benefit; mixed bag for M&HCV goods segment

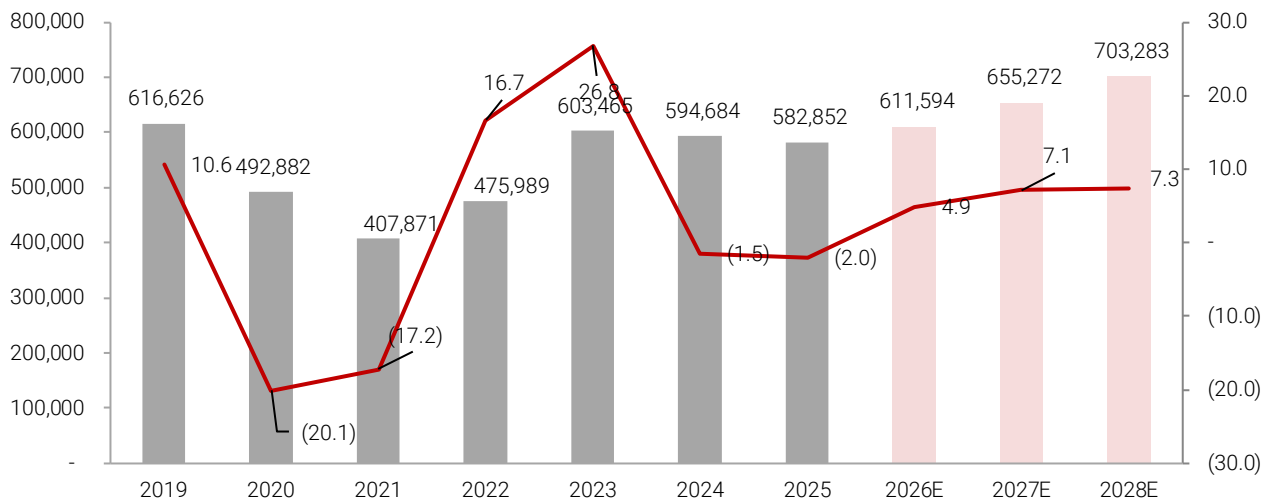
The GST cut introduces a new dynamic for the commercial vehicle (CV) industry, although the benefits are not uniform across sub-segments. The three largest categories—LCVs, MHCV buses, and MHCV trucks—are expected to show differentiated trajectories, depending on fleet structure, demand drivers and customer profile.

LCV segment—clear beneficiaries of GST cut

The LCV segment is likely to see the demand revival after the GST cut. Many operators here fall under the 5% no-ITC regime, where replacement demand had been deferred due to high acquisition costs and muted earnings. With prices now lower, this pent-up replacement cycle could be brought ahead, leading to improved volumes. Beyond tax effects, structural demand drivers such as the expansion of e-commerce, last-mile delivery needs and rural consumption recovery will further support growth. Together, these factors position LCVs as the most direct beneficiary of the GST reset. Overall, we expect the domestic LCV segment volumes to grow by 6-7% CAGR over FY2025-28E.

We expect domestic LCV segment to grow at 6-7% CAGR over FY2025-28E (from 4-5% earlier)

Exhibit 25: Domestic LCV volume trend and forecast, March fiscal year-ends, 2019-28E (units, %)



Source: SIAM, Kotak Institutional Equities estimates

M&HCV buses segment—near-term boost for ICE demand rebound

The bus segment should also benefit from lower acquisition costs, particularly in ICE buses, where state transport undertakings (STUs) continue to dominate purchases. While the long-term narrative remains tilted toward electrification, the GST cut improves the near-term affordability of conventional ICE fleets, allowing budget-constrained STUs to accelerate fleet additions.

M&HCV goods segment—muted impact, but with nuances

■ Marginal direct benefit for large fleet operators

For large fleet operators, the GST cut on vehicles offers limited incremental relief, as they were already availing of input tax credits (ITC) under the prior regime. Their acquisition economics were thus shielded from the higher GST structure, meaning the direct benefit from the cut is marginal. However, small fleet operators, who had opted for 5% GST with no ITC, will benefit owing to lower upfront cost of the truck, coupled with reduction in prices of tires and spares, among other cost items.

■ Impact of transport service GST hike from 12% to 18% with ITC

The increase in GST on freight services has a double-edged impact:

- **Revenue recognition impact:** Freight contracts are generally negotiated on an all-inclusive basis. When GST rises from 12% to 18%, operators may not be able to increase base freight rates in line, which lowers ex-GST revenue recognition and compresses reported profitability.
- **Cash flow pressure:** If contracts cannot be repriced, there can be further pressure on cash flow for the fleet operators versus earlier. Also, incrementally, there will be WC pressure as well for the operator.

■ Demand dynamics—capex spends and freight rates will be important drivers

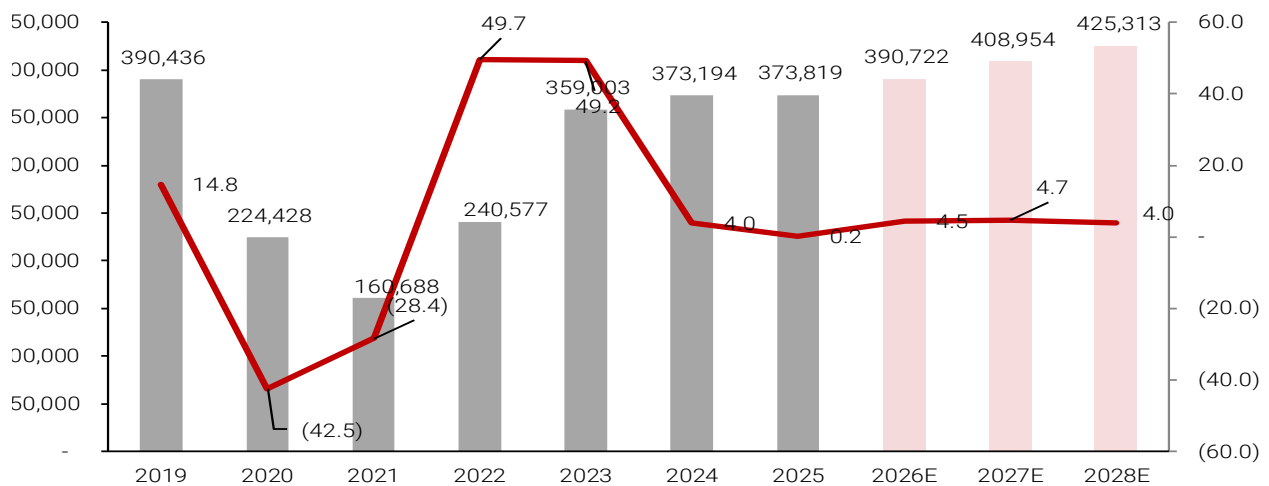
- **Large organized fleet:** Will most likely shift toward 5% GST with no ITC. However, this may create friction with their large customers (FMCG, auto, cement, white goods), which previously were offsetting GST via ITC; along with that ST revenue recognition and compresses reported profitability.
- **Small freight operators:** They will benefit from the GST cut and could bring forward replacement demand depending on the freight demand outlook.

Over the past two years, 60-65% of the incremental demand was driven by large fleet operators, which might face some pressure on freight rates in either scenarios. However, there can be offset from the small fleet operators, given our expectation of sharp improvement in profitability, assuming freight rates remain unchanged. Overall, we believe that the demand will be driven by domestic capex spends and export demand outlook (given tariff situation). Hence, we expect M&HCV goods demand to remain steady at 4-5% CAGR over FY2025-28E, which remains unchanged versus our earlier expectation. The near term may remain challenging, as fleet operators decide on which regime to shift to and may postpone their purchases.

We expect OEMs to broadly maintain their market shares across key sub-segments.

We expect domestic M&HCV goods to grow at 4-5% CAGR over FY2025-28E (unchanged)

Exhibit 26: Domestic M&HCV goods volume trend and forecast, March fiscal year-ends, 2019-28E



Source: SIAM, Kotak Institutional Equities estimates

At higher asset turnover, 5% GST with no ITC was favorable for fleet operators; however, larger customers prefer fleet operators with 12% GST with ITC

Exhibit 27: Fleet operators' P&L calculations under old regime, March fiscal year-end, 2026

	Old regime	Input GST credit			
Business assumptions					
Price of 35 T vehicle (including GST) (Rs)	4,096,000	896,000			
Freight rates (include GST) (Rs per ton per km)	2.0				
Freight rates (exclude GST) (Rs per ton per km) - 5% with no ITC	1.9				
Actual tonnage carried by 35 T vehicle (T)	27.0				
Freight rates realized paid by the customer (Rs per km)	54.0				
Annual distance (km)	120,960				
Operating cost assumptions					
Mileage of truck (km/l)	3.0				
Diesel price (Rs/l)	87.6				
Fuel charges (Rs)	3,532,838				
Driver cost (Rs)	720,000				
Tyre running (km)	100,000				
Tyre cost - 1 unit (Rs) - including GST	28,160				
Tyre cost (Rs per km)	0.28				
Total tyre cost - including GST (10 units) (Rs)	281,600	61,600			
Toll cost (Rs/km)	3.5				
Toll cost (Rs)	423,360				
Maintenance cost (including GST) (Rs)	241,664	36,864			
Other cost (including GST) (Rs)	250,823	54,867			
	Year 1	Year 2	Year 3	Year 4	Year 5
P&L calculations (5% GST with no ITC) (Rs)					
Annual revenues	6,531,840	6,531,840	6,531,840	6,531,840	6,531,840
Output tax liability	311,040	311,040	311,040	311,040	311,040
Net revenues	6,220,800	6,220,800	6,220,800	6,220,800	6,220,800
Total cost	5,450,285	5,450,285	5,450,285	5,450,285	5,450,285
EBITDA	770,515	770,515	770,515	770,515	770,515
Depreciation	614,400	614,400	614,400	614,400	614,400
EBIT	156,115	156,115	156,115	156,115	156,115
Interest cost	—	—	—	—	—
PBT	156,115	156,115	156,115	156,115	156,115
PAT	117,086	117,086	117,086	117,086	117,086
Cash flow (includes purchase cost of truck)	(3,364,514)	731,486	731,486	731,486	731,486
P&L calculations (12% GST with ITC) (Rs)					
Annual revenues	6,531,840	6,531,840	6,531,840	6,531,840	6,531,840
Output tax liability	699,840	699,840	699,840	699,840	699,840
Input tax credit (available)	1,049,331	502,823	153,331	153,331	153,331
Input tax credit availed	699,840	502,823	153,331	153,331	153,331
Net revenues	6,531,840	5,832,000	5,832,000	5,832,000	5,832,000
Total cost	5,450,285	5,450,285	5,450,285	5,450,285	5,450,285
EBITDA	1,081,555	381,715	381,715	381,715	381,715
Depreciation	614,400	614,400	614,400	614,400	614,400
EBIT	467,155	(232,685)	(232,685)	(232,685)	(232,685)
Interest cost	—	—	—	—	—
PBT	467,155	(232,685)	(232,685)	(232,685)	(232,685)
PAT	350,366	(174,514)	(174,514)	(174,514)	(174,514)
Cash flow (includes purchase cost of truck)	(2,235,234)	439,886	439,886	439,886	439,886

Note:

- (a) We have assumed P&L for a single truck purchase across different regimes.
- (b) We have assumed direct purchase by the fleet operators.
- (c) We have assumed stable freight across different regimes

Source: Kotak Institutional Equities estimates

In newer regime, fleet operators will have to shift toward 5% GST with no ITC, which might put pressure on profitability of large customers if freight rates are unchanged

Exhibit 28: Fleet operators' P&L calculations under newer regime, March fiscal year-end, 2026

	New regime	Input GST credit			
Business assumptions					
Price of 35 T vehicle (including GST) (Rs)	3,776,000	576,000			
Freight rates (include GST) (Rs per ton per km)	2.0				
Freight rates (exclude GST) (Rs per ton per km) - 5% with no ITC	1.9				
Actual tonnage carried by 35 T vehicle (T)	27.0				
Freight rates realized paid by the customer (Rs per km)	54.0				
Annual distance (km)	120,960				
Operating cost assumptions					
Mileage of truck (km/l)	3.0				
Diesel price (Rs/l)	87.6				
Fuel charges (Rs)	3,532,838				
Driver cost (Rs)	720,000				
Tyre running (km)	100,000				
Tyre cost - 1 unit (Rs) - including GST	25,960				
Tyre cost (Rs per km)	0.26				
Total tyre cost - including GST (10 units) (Rs)	259,600	56,788			
Toll cost (Rs/km)	3.5				
Toll cost (Rs)	423,360				
Maintenance cost (including GST) (Rs)	222,784	33,984			
Other cost (including GST) (Rs)	231,227	50,581			
	Year 1	Year 2	Year 3	Year 4	Year 5
P&L calculations (5% GST with no ITC) (Rs)					
Annual revenues	6,531,840	6,531,840	6,531,840	6,531,840	6,531,840
Output tax liability	311,040	311,040	311,040	311,040	311,040
Net revenues	6,220,800	6,220,800	6,220,800	6,220,800	6,220,800
Total cost	5,389,810	5,389,810	5,389,810	5,389,810	5,389,810
EBITDA	830,990	830,990	830,990	830,990	830,990
Depreciation	566,400	566,400	566,400	566,400	566,400
EBIT	264,590	264,590	264,590	264,590	264,590
Interest cost	—	—	—	—	—
PBT	264,590	264,590	264,590	264,590	264,590
PAT	198,443	198,443	198,443	198,443	198,443
Cash flow (includes purchase cost of truck)	(3,011,157)	764,843	764,843	764,843	764,843
P&L calculations (18% GST with ITC) (Rs)					
Annual revenues	6,531,840	6,531,840	6,531,840	6,531,840	6,531,840
Output tax liability	996,382	996,382	996,382	996,382	996,382
Input tax credit (available)	717,352	141,352	141,352	141,352	141,352
Input tax credit availed	717,352	141,352	141,352	141,352	141,352
Net revenues	6,252,810	5,535,458	5,535,458	5,535,458	5,535,458
Total cost	5,389,810	5,389,810	5,389,810	5,389,810	5,389,810
EBITDA	863,001	145,648	145,648	145,648	145,648
Depreciation	566,400	566,400	566,400	566,400	566,400
EBIT	296,601	(420,752)	(420,752)	(420,752)	(420,752)
Interest cost	—	—	—	—	—
PBT	296,601	(420,752)	(420,752)	(420,752)	(420,752)
PAT	222,450	(420,752)	(420,752)	(420,752)	(420,752)
Cash flow (includes purchase cost of truck)	(2,411,150)	145,648	145,648	145,648	145,648

Note:

- (a) We have assumed P&L for a single truck purchase across different regimes.
- (b) We have assumed direct purchase by the fleet operators.
- (c) We have assumed stable freight across different regimes

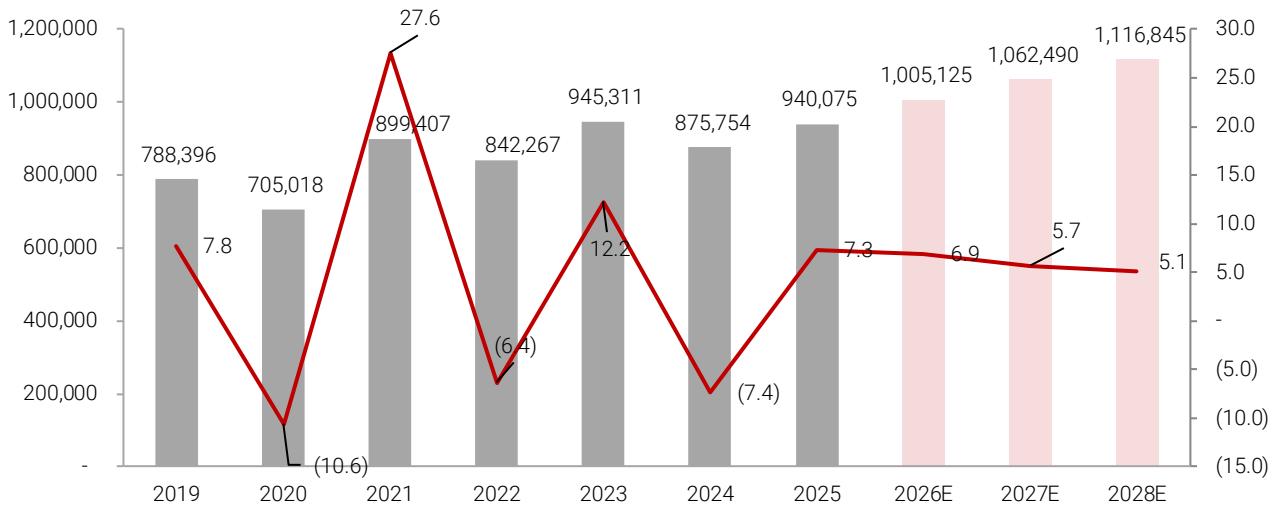
Source: Kotak Institutional Equities estimates

Domestic tractor industry—demand momentum to sustain

An above-normal monsoon, favorable terms of trade for farmers and positive progress in Kharif sowing activities were aiding the tractor industry growth. Price cuts in the tractor industry will further propel the demand momentum in the coming quarters. Overall, we expect the domestic industry volumes to grow by 6-7% CAGR over FY2025-28E versus our earlier expectation of 5% CAGR during the same period. Also, we believe that the GST reduction in farm implements augurs well for the organized sector, as they will become more price competitive and can result in uptick in demand as well as improvement in profitability over the coming years. Additionally, in terms of market share, we expect M&M to maintain its leadership at 43.5-44% market share, whereas Escorts Kubota is expected to remain flat at 11.7-11.8% over the coming years.

We expect domestic tractor to grow at 6-7% CAGR over FY2025-28E (earlier expectation of 5% CAGR)

Exhibit 29: Domestic tractor volume trend and forecast, March fiscal year-ends, 2019-28E



Source: SIAM, Kotak Institutional Equities estimates

Maruti Suzuki—retain ADD with revised FV of Rs16,000

We have increased our FY2026-28 EPS estimates by 4-9%, led by (1) higher volume assumptions and (2) 20-60 bps higher EBITDA margin assumptions. Overall, we expect the company to deliver 14% EPS CAGR over FY2025-28E. We revise our FV to Rs16,000 (Rs14,500 earlier) based on 25X December 2027E core EPS (from 26X September 2027E core EPS earlier).

- ▶ We expect demand trends to recover during 2HFY26E, driven by GST cuts along with benefits from income tax cuts. With GST cuts, we do expect hatchback segment (B and B+) volumes to arrest decline and witness a volume uptick aided by the first-time buyer segment.
- ▶ The recent launch of Victoris (mid-size SUV) will aid in market share gain in the segment. We believe Maruti Suzuki's market share will bottom out in FY2026E and will gradually improve over FY2026-28E, as we expect the company to gain market share in the hatchback and sedan segments and expect underperformance of these segments to come to an end, driven by price cuts. The vast distribution network and our expectations of demand recovery in tier-1 and tier-2 cities are likely to benefit Maruti Suzuki more than other OEMs. However, in the compact SUV segment, we expect the company to lose market share (Brezza), as price cuts for the competitors' products (Hyundai Venue, Kia Sonet, Tata Nexon and Mahindra XUV 3XO) would be higher than that for Maruti Brezza.
- ▶ Export segment volumes continue to witness strong growth for the company over the couple of quarters. Growth was driven by strong global demand for SUVs (Fronx and Jimny 5-door), diversified product models and foray/deep penetration into various geographies. The company expects the export segment to continue the momentum and grow by at least 20% yoy in FY2026E. We are baking in 20% yoy increase in export volumes, driven by a continued momentum for the existing products and commencement of e-Vitara exports (baking in 30k units in FY2026E).
- ▶ In terms of profitability, we are baking in EBITDA margin to improve by 70 bps over FY2025-27E, driven by (1) operating leverage benefit, (2) reduction in discounts on select models (on a blended basis, discounts are ~4.5% versus average of ~3.5% over the past 10 years), (3) improving penetration of spares (shift from unorganized to organized), which is a higher-margin segment, and (4) premiumization (shift toward higher trims).

We have increased our FY2026-28E EPS estimates by 5-10% on higher volume and EBITDA assumptions

Exhibit 30: Earnings revision table, March fiscal year-ends, 2026-28E

	New estimates			Old estimates			Change in estimates (%)		
	2026E	2027E	2028E	2026E	2027E	2028E	2026E	2027E	2028E
Volumes (units)	2,401,007	2,565,150	2,725,869	2,332,312	2,470,605	2,614,577	2.9	3.8	4.3
Net ASPs (Rs)	729,138	745,114	756,990	732,744	746,842	757,711	(0.5)	(0.2)	(0.1)
Net sales	1,750,665	1,911,330	2,063,456	1,708,987	1,845,151	1,981,094	2.4	3.6	4.2
EBITDA	203,568	236,863	259,281	195,339	217,991	237,807	4.2	8.7	9.0
Margin (%)	11.6	12.4	12.6	11.4	11.8	12.0			
EBITDA/vehicle (Rs)	84,784	92,339	95,118	83,753	88,234	90,954	1.2	4.7	4.6
Adjusted net profit	175,422	201,545	219,519	167,546	185,884	200,358	4.7	8.4	9.6
Adjusted EPS (Rs)	558.0	641.0	698.2	532.9	591.2	637.3	4.7	8.4	9.6

Source: Company, Kotak Institutional Equities estimates

We expect Maruti's volumes to grow by ~7% CAGR over FY2025-28E

Exhibit 31: Volume assumptions, March fiscal year-ends, 2019-28E

Models	2019	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E
Omni	89,818	1,401	—	—	—	—	—	—	—	—
Alto	259,491	190,814	158,992	145,167	179,698	111,955	102,032	89,278	93,742	98,429
WagonR	151,462	156,724	160,330	188,387	212,340	200,177	198,451	198,451	214,327	225,043
Ritz/Ignis petrol	31,144	18,773	33,940	31,667	59,852	32,463	27,438	24,694	25,929	27,225
Swift petrol	153,924	172,916	172,671	167,827	176,902	195,321	179,641	190,419	205,653	217,992
Dzire petrol	163,859	164,159	128,251	128,790	150,400	164,517	165,021	210,402	223,026	236,407
Eeco	88,788	117,003	105,081	108,345	131,191	137,139	135,672	128,888	135,333	142,099
Gypsy/Jimny	3,232	272	2,779	450	—	17,009	8,740	6,000	6,300	6,615
Ertiga petrol	37,263	88,543	88,571	117,150	127,679	156,122	217,258	236,139	255,030	270,332
Vitara Brezza	—	—	110,951	138,751	164,300	169,897	192,132	188,289	178,875	187,819
Fronx	—	—	—	—	—	134,735	194,875	213,000	225,780	237,069
Celerio	103,734	62,625	61,010	39,573	60,634	39,931	33,025	31,000	32,860	34,832
Ciaz	31,169	20,258	13,852	15,869	13,610	10,337	8,402	1,980	—	—
Baleno petrol	172,330	190,419	185,455	172,094	246,221	247,854	215,671	219,984	237,583	254,214
XL6	—	18,117	25,832	39,090	36,423	45,130	37,111	40,000	42,000	44,100
S Presso	—	56,962	67,167	66,595	53,213	30,139	23,538	18,830	18,830	18,830
S-Cross petrol/ Grand Vitara/Victoria	—	—	17,284	20,710	56,362	121,169	123,946	155,354	178,657	192,950
Invicto	—	—	—	—	—	4,598	4,036	3,000	3,300	3,630
EV	—	—	—	—	—	—	—	4,000	12,000	15,000
Exports	108,749	102,171	96,139	238,376	259,333	283,067	332,585	407,495	440,095	475,302
Light commercial vehicle	23,874	21,778	29,556	33,812	38,006	33,763	34,492	33,802	35,830	37,980
Petrol/CNG domestic volumes	1,310,088	1,280,764	1,361,722	1,414,277	1,706,831	1,852,256	1,901,481	1,993,512	2,125,055	2,250,567
Ritz/Ignis diesel	5,000	2,000	—	—	—	—	—	—	—	—
Swift diesel	70,000	15,000	—	—	—	—	—	—	—	—
Dzire diesel	90,000	15,000	—	—	—	—	—	—	—	—
SX4 diesel	—	—	—	—	—	—	—	—	—	—
Ertiga diesel	28,000	2,000	—	—	—	—	—	—	—	—
Ciaz diesel	15,000	5,000	—	—	—	—	—	—	—	—
Vitara Brezza diesel	157,880	110,641	—	—	—	—	—	—	—	—
S cross	37,822	11,721	—	—	—	—	—	—	—	—
Baleno diesel	40,000	15,000	—	—	—	—	—	—	—	—
XL6 diesel	—	4,000	—	—	—	—	—	—	—	—
Diesel domestic volumes	443,702	180,362	—	—	—	—	—	—	—	—
Total volumes	1,862,539	1,563,297	1,457,861	1,652,653	1,966,164	2,135,323	2,234,066	2,401,007	2,565,150	2,725,869
YoY chg (%)	4.7	(16.1)	(6.7)	13.4	19.0	8.6	4.6	7.5	6.8	6.3

Source: Company, Kotak Institutional Equities estimates

We expect Maruti's revenue to increase by ~11% CAGR over FY2025-28E, led by 9% CAGR growth in volumes

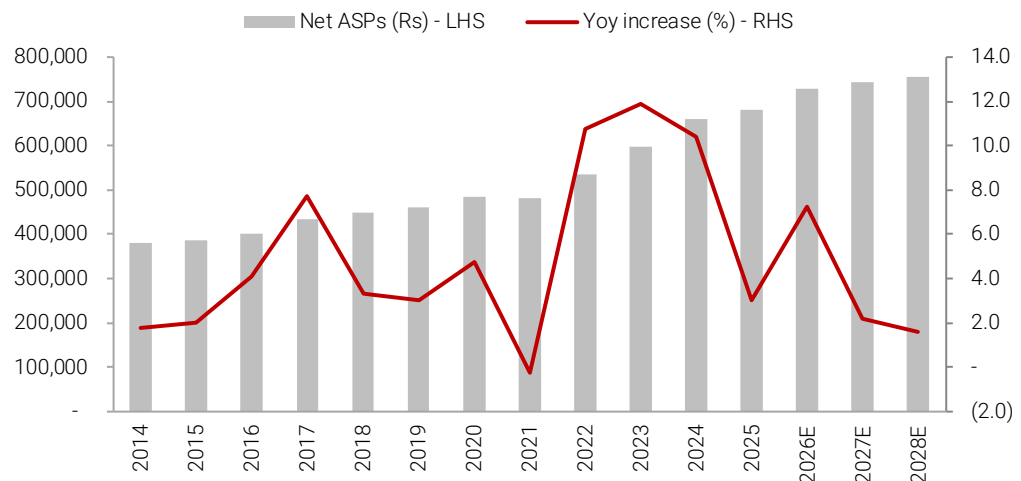
Exhibit 32: Revenue assumptions, March fiscal year-ends, 2019-28E

	2019	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E
Revenue mix (Rs mn)										
Omni	16,978	265	—	—	—	—	—	—	—	—
Alto	52,568	40,945	34,116	32,396	44,914	26,863	24,482	19,586	20,771	22,027
WagonR	45,351	49,278	50,412	61,603	77,768	69,648	67,666	60,290	63,938	67,806
Ritz/Ignis petrol	9,986	6,207	11,222	10,889	23,051	12,377	10,357	8,203	8,699	9,225
Swift petrol	59,545	67,238	67,814	68,549	80,926	89,352	81,357	83,765	89,679	96,010
Dzire petrol	73,681	73,816	57,987	60,560	79,208	83,177	81,763	104,248	111,607	119,487
Eeco	24,226	33,095	29,723	31,872	42,452	42,544	42,089	39,984	42,403	44,969
Gypsy/Jimny	1,348	136	1,390	243	—	14,266	6,964	4,733	5,019	5,323
Ertiga petrol	16,527	40,055	40,068	57,236	68,618	85,583	128,624	137,661	150,541	164,089
Vitara Brezza	—	—	66,571	88,246	114,944	123,614	142,588	150,495	161,180	172,623
Fronx	—	—	—	—	—	97,634	146,862	149,217	159,812	171,158
Celerio	35,017	21,140	19,863	14,430	24,320	15,696	12,722	11,335	12,256	13,251
Ciaz	16,606	10,489	7,172	9,038	8,527	6,282	5,004	4,169	4,465	4,782
Baleno petrol	84,235	93,077	90,650	89,352	140,623	137,309	114,700	107,876	115,492	123,645
XL6	—	14,494	21,079	33,652	33,864	40,701	33,469	36,074	36,435	36,799
S Presso	—	22,785	27,270	29,201	25,199	14,273	10,924	8,826	8,826	8,826
S-Cross petrol/ Grand Vitara	—	—	11,926	15,147	56,362	126,864	132,367	135,014	139,011	143,125
Invicto	—	—	—	—	—	7,416	6,510	4,790	5,323	5,855
EV	—	—	—	—	—	—	—	15,000	18,000	18,000
Exports	53,350	48,329	45,475	126,286	151,444	166,957	205,972	329,674	370,290	407,912
Light commercial vehicle	5,855	5,341	7,321	9,213	10,977	9,849	10,162	10,058	10,769	11,529
Petrol/CNG domestic revenues	495,274	526,689	590,059	737,911	983,197	1,170,402	1,264,580	1,420,999	1,534,515	1,646,442
Ritz/Ignis diesel	2,028	751	—	—	—	—	—	—	—	—
Swift diesel	29,528	5,952	—	—	—	—	—	—	—	—
Dzire diesel	43,578	6,888	—	—	—	—	—	—	—	—
SX4 diesel	—	—	—	—	—	—	—	—	—	—
Ertiga diesel	14,610	1,024	—	—	—	—	—	—	—	—
Ciaz diesel	9,533	3,078	—	—	—	—	—	—	—	—
Vitara Brezza diesel	99,641	67,062	—	—	—	—	—	—	—	—
S cross	30,335	9,167	—	—	—	—	—	—	—	—
Baleno diesel	23,188	8,395	—	—	—	—	—	—	—	—
XL6 diesel	—	3,260	—	—	—	—	—	—	—	—
Diesel revenues	252,441	105,576	—	—	—	—	—	—	—	—
Total revenues	747,715	632,266	590,059	737,911	983,197	1,170,402	1,264,580	1,420,999	1,534,515	1,646,442
YoY chg (%)	2.8	(15.4)	(6.7)	25.1	33.2	19.0	8.0	12.4	8.0	7.3
Diesel revenues										
Petrol/CNG/Strong Hybrid	66.2	83.3	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Diesel	33.8	16.7	—	—	—	—	—	—	—	—

Source: Company, Kotak Institutional Equities estimates

We expect ASPs to increase by ~4% CAGR over FY2025-28E

Exhibit 33: Net average selling prices per vehicle, March fiscal year-ends, 2014-28E



Source: Company, Kotak Institutional Equities estimates

We expect earnings to grow at ~14% CAGR over FY2025-28E

Exhibit 34: Maruti Suzuki profit and loss, balance sheet and cash flow statement, March fiscal year-ends, 2019-28E

	2019	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E
Profit model (Rs mn)										
Net sales	860,203	756,106	703,325	882,956	1,175,229	1,409,326	1,519,001	1,750,665	1,911,330	2,063,456
EBITDA	109,993	73,026	53,453	57,012	110,077	164,011	177,852	203,568	236,863	259,281
Other income	25,610	34,208	29,464	17,935	21,613	38,548	47,504	63,578	67,631	71,712
Interest	(758)	(1,329)	(1,008)	(1,259)	(1,866)	(1,932)	(1,931)	(1,200)	(1,000)	(800)
Depreciation	(30,189)	(35,257)	(30,315)	(27,865)	(28,233)	(30,223)	(31,593)	(38,125)	(41,747)	(45,103)
Profit before tax	104,656	70,648	51,594	45,823	101,591	170,404	191,832	227,821	261,747	285,090
Tax expense	29,650	14,142	9,297	8,160	21,099	38,310	52,280	52,399	60,202	65,571
Adj. net profit	75,006	56,506	42,297	37,663	80,492	132,094	139,552	175,422	201,545	219,519
Earnings per share (Rs)	248.3	187.1	140.0	124.7	266.5	420.1	470.5	558.0	641.0	698.2
Balance sheet (Rs mn)										
Equity	461,415	484,370	513,668	540,860	603,820	839,820	940,467	1,045,720	1,166,647	1,298,359
Deferred tax liability	5,640	5,984	3,847	—	—	—	12,911	12,911	12,911	12,911
Total Borrowings	1,496	1,063	4,888	3,819	12,158	331	—	—	—	—
Current liabilities	160,767	134,104	179,205	189,264	215,809	262,697	302,824	337,801	362,782	388,089
Total liabilities	629,318	625,521	701,608	733,943	831,787	1,102,848	1,256,202	1,396,433	1,542,341	1,699,359
Net fixed assets	170,079	171,186	164,469	166,467	207,019	250,292	304,661	346,536	384,789	419,686
Investments	365,150	364,676	417,867	407,633	477,564	685,137	745,063	790,063	835,063	880,063
Cash	1,789	211	30,364	30,362	377	4,600	4,464	26,814	68,607	125,688
Other current assets	92,300	89,448	88,908	129,481	146,827	162,819	202,014	233,019	253,881	273,922
Total assets	629,318	625,521	701,608	733,943	831,787	1,102,848	1,256,202	1,396,433	1,542,341	1,699,359
Free cash flow (Rs mn)										
Operating cash flow excl. working capital	79,128	59,710	45,036	46,010	88,493	128,893	141,176	151,169	176,661	193,710
Working capital changes	(13,196)	(25,659)	43,352	(28,098)	3,787	22,777	(1,052)	3,972	4,119	5,267
Net finance income	24,852	31,457	27,977	16,676	19,342	36,616	44,876	62,378	66,631	70,912
Cash flow from operations	90,784	65,508	116,365	34,588	111,622	188,286	185,000	217,519	247,411	269,889
Capital expenditure	(47,000)	(33,990)	(23,279)	(33,227)	(62,474)	(69,637)	(87,005)	(80,000)	(80,000)	(80,000)
Free cash flow	43,784	31,518	93,086	1,361	49,148	118,649	97,995	137,519	167,411	189,889
Ratios										
Gross margin (%)	30.8	29.7	27.7	25.2	26.6	28.6	28.6	27.3	27.5	27.4
EBITDA margin (%)	12.8	9.7	7.6	6.5	9.4	11.6	11.7	11.6	12.4	12.6
PAT margin (%)	12.2	9.3	7.3	5.2	8.6	12.1	12.6	13.0	13.7	13.8
ASPs per vehicle (Rs/vehicle)	445,771	458,585	456,574	507,052	572,184	631,932	649,556	699,148	715,081	726,857
Gross profit per vehicle (Rs/vehicle)	142,127	143,632	133,863	134,682	159,088	188,852	194,396	199,074	204,879	207,674
EBITDA per vehicle (Rs/vehicle)	59,055	46,713	36,665	34,497	55,986	76,809	79,609	84,784	92,339	95,118
Net debt/equity (X)	(0.8)	(0.7)	(0.9)	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)
Book value (Rs/share)	1,546	1,623	1,713	1,790	1,999	2,671	3,032	3,367	3,752	4,171
RoAE (%)	16.9	11.8	8.4	7.1	14.1	18.3	15.6	17.4	18.0	17.6
RoACE (%)	64.9	23.2	16.1	22.6	46.8	64.9	57.8	52.0	52.8	51.6
CRoCI (%)	46.2	25.2	21.3	18.8	27.9	40.4	34.3	33.3	33.4	32.2

Note:

(1) ASPs per vehicle excludes other operating income

Source: Company, Kotak Institutional Equities estimates

Mahindra & Mahindra—retain BUY rating with revised FV of Rs4,000

We have increased our FY2026-28 standalone EPS estimates by 2-5% on higher volume assumptions across segments and higher profitability assumptions for tractor and LCV segments. Overall, we expect the company to deliver 14% EPS CAGR over FY2025-28E. Retain BUY rating with a revised FV of Rs4,000 (Rs3,800 earlier) based on the SoTP methodology.

- ▶ We expect the tractor segment's volume growth momentum to continue hereon, led by (1) higher reservoir levels, (2) expectations of a normal monsoon and (3) favorable terms of trade for farmers coupled with price cuts. We expect domestic tractor volume growth to remain strong at high single digit yoy in FY2026E and we expect the company to marginally outperform the industry growth, driven by successful newer launches. Additionally, we expect farm implement business revenues to pick up as GST cuts will drive a faster shift toward the organized segment, which will benefit M&M.
- ▶ Overall, the company expects SUV segment volumes to grow by mid-high teens yoy in FY2026E, driven by (1) sustaining momentum in ICE portfolio and (2) new EV launches, where they have seen minimal cannibalization. In our view, the SUV segment demand is likely to remain steady, driven by successful new launches (XUV 3XO, Thar Roxx, BEV launches) and recent price cuts driving premiumization. Additionally, the recent unveiling of the NU.IQ platform and launches on the same from CY2027E onwards bode well for the company to further increase its product offerings in the domestic market as well as expand its global footprint.
- ▶ We also expect LCV segment demand momentum to pick up, as last two-year demand was constrained owing to affordability challenges, which may ease post the price cuts.
- ▶ In addition, we expect profitability to improve in LCV and tractor segments, driven by operating leverage benefits and reduction in discounts.

- Overall, we remain constructive on M&M, as it continues to execute well by maintaining a leadership position in all three segments, an improvement in its return ratio and cash flow generation, and its well-preparedness for the EV transition.

We have increased our FY2026-28E standalone EPS estimates by 3-5%

Exhibit 35: Earnings revision table of M&M standalone, March fiscal year-ends, 2026-28E

	New estimates			Old estimates			% change		
	2026E	2027E	2028E	2026E	2027E	2028E	2026E	2027E	2028E
M&M standalone									
Volumes (units)	1,393,510	1,487,776	1,575,607	1,377,843	1,449,138	1,532,863	1.1	2.7	2.8
ASPs	961,352	968,458	978,738	967,023	980,393	996,219	(0.6)	(1.2)	(1.8)
Net sales	1,339,654	1,440,849	1,542,107	1,332,406	1,420,726	1,527,068	0.5	1.4	1.0
EBITDA	200,710	222,320	240,977	200,082	216,469	237,166	0.3	2.7	1.6
EBITDA margin (%)	15.0	15.4	15.6	15.0	15.2	15.5			
Adjusted profit after tax	143,627	158,818	171,950	140,165	151,048	165,464	2.5	5.1	3.9
Adjusted EPS FD	123.9	137.0	148.4	120.9	130.3	142.8	2.5	5.1	3.9

Source: Company, Kotak Institutional Equities estimates

We value M&M at Rs4,000/share

Exhibit 36: SoTP, March fiscal year-ends

	Value per share (Rs)	Comment
Tractor business	1,470	Based on DCF methodology
UV business	1,233	Based on 18X EV/EBIT December 2027E
LCV business	455	Based on DCF methodology
Total automotive business	3,158	
Tech Mahindra	313	Based on KIE fair value
Mahindra Finance	125	Based on KIE fair value
Mahindra Holidays	33	Based on current market price
Mahindra Lifespace Developers Ltd	20	Based on current market price
Brainbees	15	Based on current market price
Mahindra Logistics	9	Based on current market price
Swaraj Engines	18	Based on current market price
LML	158	3X FY2028E EV/Sales
Unlisted subsidiaries	150	1X book value of subsidiaries on FY2026E
Subsidiaries	842	
SOTP-based fair value	4,000	

Note

(a) The listed subsidiaries have been valued at a holding company discount of 20%.

Source: Company, Kotak Institutional Equities estimates

We value tractor business at Rs1,470/share

Exhibit 37: DCF analysis of M&M tractor division, March fiscal year-ends, 2023-36E

	2023	2024	2025	2026E	2027E	2028E	2029E	2030E	2036E	CAGR (%) 2025-36E
Tractor population in India (mn units)	7.4	7.6	8.0	8.5	9.0	9.4	9.7	10.2	13.2	
Industry sales volumes (units)	945,311	875,724	940,075	996,480	1,046,303	1,098,619	1,153,550	1,211,227	1,623,160	5.1
Yoy growth (%)	12.2	(7.4)	7.3	6.0	5.0	5.0	5.0	5.0	5.0	
M&M market share (%)	41.2	41.6	43.3	44.1	44.5	44.5	43.5	43.5	43.5	
Domestic volumes of M&M (units)	389,531	364,526	407,094	439,662	466,041	489,343	501,794	526,884	706,075	5.1
Export volumes of M&M(units)	18,014	13,860	17,547	23,197	29,218	30,678	32,212	33,823	45,326	9.0
Total volumes of M&M (units)	407,545	378,386	424,641	462,859	495,259	520,022	534,006	560,707	751,401	5.3
Yoy growth (%)	14.9	(7.2)	12.2	9.0	7.0	5.0	2.7	5.0	5.0	
ASPs	615,833	646,710	664,389	667,267	680,282	694,156	708,039	722,200	813,314	1.9
Tractor revenues	250,980	244,706	282,127	308,850	336,916	360,976	378,097	404,942	611,125	7.3
Farm implements revenues	6,464	8,660	10,240	13,312	16,640	20,800	27,040	35,152	104,432	23.5
Overall revenues	257,443	253,366	292,367	322,162	353,556	381,776	405,137	440,094	715,557	8.5
Yoy growth (%)	30.2	(1.6)	15.4	10.2	9.7	8.0	6.1	8.6	8.2	
EBIT	41,709	41,159	53,710	61,877	71,418	77,469	83,053	90,219	146,689	
EBIT margin (%)	16.2	16.2	18.4	19.2	20.2	20.3	20.5	20.5	20.5	
EBIT (1-tax)	31,031	30,622	39,960	46,036	53,135	57,637	61,792	67,123	109,137	9.6
Depreciation	5,149	5,067	5,847	6,443	7,071	7,636	8,103	8,802	11,449	
Increase/(Decrease) in working capital	2,457	(168)	1,603	1,224	1,290	1,160	960	1,437	2,225	
Capex	(12,000)	(14,000)	(16,667)	(16,667)	(16,667)	(11,000)	(11,275)	(11,388)	(11,729)	
Free cash flow	26,636	21,522	30,744	37,037	44,829	55,432	59,579	65,974	111,081	12.4
Discounted free cash flow						54,005	52,293	52,167	46,960	
WACC (%)	11.0									
Terminal growth (%)	5.0									
Capitalization rate (%)	6.0									
Sum of free cash flows	455,653									
Cash flow of terminal value	111,081									
Terminal value	1,943,919									
Discounted terminal value	821,795									
Enterprise value	1,277,448									
Net debt/(cash) - March 2026	(426,500)									
Equity value	1,703,948									
Shares outstanding (mn)	1,159									
DCF-based fair value	1,470									

Source: Company, Kotak Institutional Equities estimates

We value LCV business at Rs455/share

Exhibit 38: DCF analysis of M&M LCV division, March fiscal year-ends, 2023-40E (Rs mn, %)

	2023	2024	2025	2026E	2027E	2028E	2029E	2030E	2040E	CAGR (%) 2025-40E
Total LCV volumes of M&M (units)	262,996	267,794	257,369	278,610	291,306	306,560	353,238	383,325	771,068	7.6
Total M&HCV volumes of M&M (units)	6,519	8,187	8,125	8,531	8,958	9,406	9,876	10,370	10,888	2.0
Total 3W volumes of M&M (units)	59,066	77,946								
Total volumes of M&M (units)	328,581	353,927	265,494	287,141	300,264	315,966	363,114	393,695	781,956	7.5
Yoy growth (%)	38.6	7.7	(25.0)	8.2	4.6	5.2	14.9	8.4	5.6	
ASPs	881,949	762,528	943,613	953,026	960,917	985,984	995,844	1,005,803	1,122,032	1.2
Overall revenues	289,792	269,879	250,524	273,652	288,529	311,537	361,605	395,980	877,380	8.7
Yoy growth (%)	41.1	(6.9)	(7.2)	9.2	5.4	8.0	16.1	9.5	7.8	
EBIT	14,545	26,190	23,501	25,649	26,648	31,154	36,160	39,598	83,351	
EBIT margin (%)	5.0	9.7	9.4	9.4	9.2	10.0	10.0	10.0	9.5	
EBIT (1-tax)	10,821	19,485	17,485	19,083	19,826	23,178	26,903	29,461	62,013	8.8
Depreciation	5,796	5,398	5,010	5,473	4,328	4,673	5,424	5,940	11,406	
Increase/(Decrease) in working capital	(1,812)	4,788	4,227	(634)	(408)	(630)	(1,372)	(942)	(1,731)	
Capex	(5,436)	(5,871)	(6,000)	(6,000)	(6,000)	(5,000)	(5,400)	(5,832)	(11,671)	
Free cash flow	9,368	23,799	20,723	17,922	17,747	22,221	25,556	28,627	60,017	7.3
Discounted free cash flow						21,625	22,305	22,408	15,818	
WACC (%)	11.5									
Terminal growth (%)	5.0									
Capitalization rate (%)	6.5									
Sum of free cash flows	258,991									
Cash flow of terminal value	60,017									
Terminal value	969,501									
Discounted terminal value	255,524									
Enterprise value	514,515									
Net debt/(cash) - March 2026	(12,000)									
Equity value	526,515									
Shares outstanding (mn)	1,159									
DCF-based fair value	455									

Source: Company, Kotak Institutional Equities estimates

We value UV business at Rs1,233/share

Exhibit 39: UV business valuation, March fiscal year-ends, 2022-28E

	2022	2023	2024	2025E	2026E	2027E	2028E
Total volumes of M&M (units)	236,304	366,008	471,012	567,230	643,510	692,253	734,748
Yoy growth (%)	44.1	54.9	28.7	20.4	13.4	7.6	6.1
ASPs	739,843	828,496	997,591	1,099,920	1,159,260	1,157,288	1,158,769
Overall revenues	174,828	303,236	469,877	623,907	745,996	801,136	851,403
Yoy growth (%)	73.0	73.4	55.0	32.8	19.6	7.4	6.3
EBIT	6,993	13,646	37,590	59,271	67,140	76,108	82,586
EBIT margin (%)	4.0	4.5	8.0	9.5	9.0	9.5	9.7
EBIT (1-tax)	5,203	10,152	27,967	44,098	49,952	56,624	61,444
Depreciation	13,842	20,600	24,415	31,410	32,981	38,565	41,655
Increase/(Decrease) in working capital	10,819	3,227	4,214	20,192	2,139	10,671	11,411
Capex	(17,149)	(16,876)	(28,585)	(23,882)	(40,667)	(40,667)	(34,000)
Free cash flow	12,715	17,103	28,012	71,818	44,405	65,194	80,510

Valuation	
EBIT as of September 2027E (Rs mn)	80,967
EV/EBIT multiple	19.0
Implied EV value (Rs mn)	1,538,365
Net debt as of March 2026E (Rs mn)	109,789
Implied market capitalization (Rs mn)	1,428,576
Shares outstanding (mn)	1,159
Equity value per share on December 2027E basis	1,233

Source: Company, Kotak Institutional Equities estimates

We expect overall volumes to grow at a CAGR of 8% over FY2025-28E

Exhibit 40: Volume assumptions, March fiscal year-ends, 2019-28E (units)

Volumes (units)	2019	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E
Bolero	84,144	59,044	60,864	65,473	100,577	110,841	94,750	104,225	114,648	123,819
Scorpio	47,837	38,826	34,325	38,696	77,060	141,462	164,842	178,029	186,931	196,277
Xylo	5,251	2,072	—	—	—	—	—	—	—	—
XUV500/XUV700	25,938	12,602	7,565	29,262	66,473	79,398	93,082	102,390	108,534	113,960
Quanto/Nuvo Sport	2	19	—	—	—	—	—	—	—	—
Rexton	—	—	—	—	—	—	—	—	—	—
Jeeps, Thar	6,095	2,151	12,979	37,844	47,108	65,246	84,834	95,014	100,715	105,751
TUV300	19,264	11,543	—	—	—	—	—	—	—	—
KUV100 Petrol	7,000	800	—	—	—	—	—	—	—	—
KUV100 Diesel	4,697	1,003	297	63	—	—	—	—	—	—
Verito/Alturas G4	3,010	1,934	280	451	663	—	—	—	—	—
Marazzo	24,130	12,693	3,265	1,692	1,619	718	166	—	—	—
XUV300	9,532	37,576	35,965	50,260	61,708	54,174	100,923	104,960	113,357	121,292
XUV400	—	—	—	—	2,092	8,025	4,844	4,000	4,000	4,000
BE 6/XE 9E	—	—	—	—	—	—	8,046	36,000	41,400	44,712
Vans	17,451	6,679	1,676	2,154	1,953	13	—	—	—	—
Exports	13,844	11,465	6,747	10,409	6,755	11,135	15,743	18,892	22,670	24,937
Passenger vehicles	268,195	198,407	163,963	236,304	366,008	471,012	567,230	643,510	692,253	734,748
Total trucks and buses	12,802	6,987	3,271	4,852	6,623	8,187	8,125	8,531	8,958	9,406
Total LCV (<3.5T) (including passenger carriers)	252,903	202,928	163,022	191,844	260,917	231,951	228,284	247,198	257,382	274,792
Total LCV (>3.5T)	5,256	3,123	1,145	2,086	2,079	15,843	29,085	31,412	33,925	36,639
Total three-wheelers	70,472	63,838	20,880	32,370	59,066	37,317	—	—	—	—
Tractors	330,436	301,915	354,498	354,698	407,545	378,386	424,641	462,859	495,259	520,022
Total volumes	940,064	777,198	706,779	822,154	1,102,238	1,142,696	1,257,365	1,393,510	1,487,776	1,575,607

Note:

(a) Total volume excludes volumes from Mahindra Last Mile Mobility from September 2023 onwards

Source: Company, Kotak Institutional Equities estimates

We expect M&M standalone's EPS to increase by 14% CAGR over FY2025-28E

Exhibit 41: M&M standalone profit model, balance sheet and cash flow, March fiscal year-ends, 2019-28E

	2019	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E
Profit model										
Net sales	528,482	448,655	446,299	577,869	849,603	990,977	1,164,837	1,339,654	1,440,849	1,542,107
EBITDA	75,301	63,506	69,575	70,275	104,424	131,454	171,226	200,710	222,320	240,977
Other income	16,303	15,391	11,995	20,538	25,452	39,409	30,048	35,671	38,114	40,736
Interest expense	1,467	1,245	3,963	2,262	2,728	1,405	2,505	2,500	1,500	1,500
Depreciation	20,030	23,631	23,699	24,984	31,545	34,880	42,268	44,897	49,964	53,964
Extraordinary income	(227)	(28,112)	(30,873)	(2,087)	(14,295)	—	—	—	—	—
Profit before tax	69,879	25,910	23,035	61,480	81,308	134,578	156,501	188,983	208,971	226,250
Tax expenses	15,867	18,513	13,193	12,781	15,821	28,155	37,952	45,356	50,153	54,300
Adj profit after tax	54,159	27,075	32,996	50,264	76,208	106,423	118,550	143,627	158,818	171,950
EPS FD	47.6	23.8	28.5	43.4	65.8	91.8	102.3	124.0	137.1	148.4
EPS FD ex subs dividends	39.7	15.5	24.8	34.6	55.4	70.5	89.8	110.3	122.3	132.6
Balance sheet (Rs mn)										
Equity	349,937	346,291	349,510	381,981	433,567	522,912	615,851	737,934	872,929	1,019,086
Deferred tax liability	7,896	15,068	14,497	17,622	14,703	15,631	16,629	16,629	16,629	16,629
Total Borrowings	43,399	51,355	76,623	64,978	46,437	15,849	11,351	11,351	11,351	11,351
Current liabilities	135,835	94,311	155,161	181,645	237,278	254,917	320,006	352,171	381,996	413,084
Other non current liabilities	12,103	11,154	19,854	19,840	25,812	27,777	32,652	32,652	32,652	32,652
Total liabilities	549,171	518,179	615,645	666,065	757,798	837,086	996,489	1,150,736	1,315,557	1,492,802
Net fixed assets	144,969	169,093	181,368	201,667	197,608	215,444	235,327	253,763	267,133	263,169
Investments	207,355	187,957	210,697	189,025	201,304	249,904	274,274	334,274	394,274	444,274
Other non current assets	2,422	2,794	15,447	13,114	12,450	16,539	10,249	10,249	10,249	10,249
Cash	70,747	64,262	108,860	115,526	140,298	141,434	238,800	285,177	358,356	470,418
Other current assets	123,678	94,074	99,273	146,733	206,139	213,765	237,839	267,273	285,545	304,692
Total assets	549,171	518,179	615,645	666,065	757,798	837,086	996,489	1,150,736	1,315,557	1,492,802
Free cash flow (Rs mn)										
Operating cash flow excl. working capital	60,642	54,411	60,070	65,855	87,422	105,902	140,150	155,354	172,167	186,678
Working capital changes	(6,722)	(14,954)	35,866	3,913	3,871	8,835	26,023	2,730	11,554	11,940
Net finance income	10,872	11,673	6,156	16,711	20,347	33,044	29,326	33,171	36,614	39,236
Cash flow from operations	53,920	39,458	95,936	69,767	91,293	114,736	166,172	158,084	183,721	198,618
Capital expenditure	(32,150)	(45,418)	(33,113)	(32,916)	(34,313)	(48,457)	(46,549)	(63,333)	(63,333)	(50,000)
Non-current investments	(28,898)	(23,490)	(46,566)	(7,529)	(31,074)	(39,155)	(27,915)	(60,000)	(60,000)	(50,000)
Free cash flow	3,744	(17,777)	22,413	46,034	46,252	60,168	121,034	67,921	97,002	137,854
Ratios										
Gross margin (%)	31.9	33.4	32.4	26.3	24.0	25.3	25.9	25.2	25.5	25.6
EBITDA margin (%)	14.2	14.2	15.6	12.2	12.3	13.3	14.7	15.0	15.4	15.6
Staff cost as % of sales	6.2	7.2	7.3	5.8	4.3	4.5	4.2	3.9	3.8	3.8
Other expenses as % of sales	11.4	12.1	9.5	8.4	7.4	7.6	7.0	6.3	6.2	6.2
PAT margin (%)	10.2	6.0	7.4	8.7	9.0	10.7	10.2	10.7	11.0	11.2
Net debt/equity (X)	0.0	0.0	0.0	0.1	0.0	(0.1)	(0.2)	(0.2)	(0.2)	(0.3)
Book value (Rs/share)	308	304	307	330	374	451	531	637	753	879
RoAE (%)	15.5	7.8	9.4	13.2	17.6	20.4	19.2	19.5	18.2	16.9
RoACE (%)	28.7	6.3	13.6	21.3	35.7	40.2	59.3	65.7	71.9	85.5

Source: Company, Kotak Institutional Equities estimates

Hyundai Motors—downgrade to REDUCE with revised FV of Rs2,600

We have increased our FY2026-28 standalone EPS estimates by 4-5% on higher volume assumptions and higher profitability assumptions, partly offset by lower ASP assumptions. Overall, we expect the company to deliver 15% EPS CAGR over FY2025-28E. Downgrade to REDUCE (from BUY earlier) with a revised FV of Rs2,600 (Rs2,550 earlier) based on the DCF methodology.

- ▶ We expect the company's domestic volumes to recover from 2HFY26E onwards. However, we expect volume growth to pick up in FY2027E, driven by newer launches after the commissioning of the new plant in Talegaon, Pune, which was inaugurated in June and is currently manufacturing engines, with plans for vehicle manufacturing going forward. The company will be launching eight new products (including refreshes), which will drive market share gains for the company, especially in the SUV segment.
- ▶ In addition, we expect the demand trends to continue to improve across key export markets. The company will be launching multiple products in order to drive demand recovery in these markets (Creta, Alcazar, Exter) in the coming quarters. The company remains optimistic about the growth prospects in exports markets over the medium term, with a target to reach 30% mix by FY2030, already reaching 27% in 1QFY26.
- ▶ Premiumization and operation leverage benefit will drive gradual margin expansion for the company.
- ▶ However, we downgrade the stock to REDUCE (from BUY earlier) mainly on account of a sharp rally over the past six months (53%). The stock is expensive at 30X one-year forward EPS.

We have increased our FY2026-28 EPS estimates by 4-5%

Exhibit 42: Earnings revision table, March fiscal year-ends, 2026-28E

	New estimates			Old estimates			Change in estimates (%)		
	2026E	2027E	2028E	2026E	2027E	2028E	2026E	2027E	2028E
Volumes (units)	797,373	896,358	972,521	773,004	883,170	953,235	3.2	1.5	2.0
Net ASPs (Rs)	929,351	943,298	978,104	937,234	985,010	1,018,779	(0.8)	(4.2)	(4.0)
Net sales	741,039	845,532	951,227	724,486	869,931	971,135	2.3	(2.8)	(2.1)
EBITDA	99,116	120,866	137,311	95,579	117,041	131,857	3.7	3.3	4.1
Margin (%)	13.4	14.3	14.4	13.2	13.5	13.6			
EBITDA/vehicle (Rs)	124,303	134,842	141,191	123,647	132,523	138,326	0.5	1.7	2.1
Adjusted net profit	63,135	75,752	85,086	60,504	72,905	81,028	4.3	3.9	5.0
Adjusted EPS (Rs)	77.7	93.2	104.7	74.5	89.7	99.7	4.3	3.9	5.0

Source: Company, Kotak Institutional Equities estimates

We value HMI at Rs2,600/share based on DCF methodology

Exhibit 43: HMI's DCF assumptions, March fiscal year-ends, 2024-50E

	2024	2025	2026	2027	2028	2029	2030	2035	2040	2050	CAGR (%) 2024-50E
Hyundai Motors volumes assumptions (units)											
Domestic volumes	614,717	605,353	629,483	684,952	722,919	780,938	833,650	1,188,091	1,675,663	3,232,413	6.6
Export volumes	163,155	163,386	187,894	202,925	219,159	232,309	246,248	326,426	416,611	678,616	5.6
Total volumes	777,872	768,739	817,377	887,877	942,079	1,013,247	1,079,897	1,514,517	2,092,274	3,911,030	6.4
Hyundai Motors (Rs mn)											
Sales of revenues from vehicles	600,395	587,771	626,389	719,898	814,223	902,005	990,178	1,548,256	2,361,502	5,380,993	8.8
Vehicle ASPs	771,843	764,591	766,341	810,808	864,284	890,212	916,919	1,022,277	1,128,677	1,375,851	2.2
Other revenues	97,895	104,157	114,650	125,634	137,004	150,704	165,774	243,577	354,580	634,999	7.5
Total revenues	698,291	691,929	741,039	845,532	951,227	1,052,709	1,155,952	1,791,833	2,716,082	6,015,992	8.6
EBIT	69,247	68,485	76,561	93,112	104,756	115,798	127,155	197,102	285,189	601,599	8.7
EBIT (1-tax)	50,928	50,953	56,962	69,275	77,939	86,848	95,366	147,826	213,891	451,199	8.8
EBIT margin (%)	9.9	9.9	10.3	11.0	11.0	11.0	11.0	11.0	10.5	10.0	
Depreciation	22,079	21,053	22,555	27,755	32,555	35,641	39,151	55,921	71,521	101,404	6.0
Change in working capital	23,496	(26,596)	6,236	2,702	2,733	3,058	3,111	4,008	5,939	12,927	(2.3)
Capex	(32,462)	(53,068)	(70,000)	(60,000)	(60,000)	(52,635)	(57,798)	(80,632)	(108,643)	(109,491)	4.8
Free cash flow	64,041	(7,659)	15,752	39,732	53,226	72,912	79,831	127,122	182,708	456,039	7.8
Discount factor					0	1	2	7	12	22	
Discounted cash flow					51,856	63,995	63,124	59,653	50,881	44,727	
WACC (%)	11.0										
Terminal growth rate (%)	4.5										
Sum of cash flows (Rs bn)	1,277										
Terminal value (Rs bn)	719										
NPV of cash flows (Rs bn)	1,996										
Net debt - As of FY2026E (Rs bn)	(117)										
Equity value (Rs bn)	2,112										
Fair value (Rs)	2,600										

Source: Company, Kotak Institutional Equities estimates

We expect HMI's volumes to grow by ~8.5% CAGR over FY2025-28E

Exhibit 44: HMI's volume assumptions, March fiscal year-ends, 2021-28E

	2021	2022	2023	2024	2025	2026E	2027E	2028E	CAGR (%) 2025-28E
Model wise volumes (units)									
Hatchback									
Grand i10	100,611	88,440	108,841	70,764	62,415	59,294	63,445	66,617	2.2
Santro	23,199	23,777	4,411	—	—	—	—	—	—
Elite i20	79,607	62,769	82,612	69,988	55,513	52,737	56,956	59,804	2.5
Total hatchback	203,417	174,986	195,864	140,752	117,928	112,032	120,401	126,421	2.3
Sedan									
Verna	19,063	20,052	19,769	30,017	15,594	14,035	14,736	15,473	(0.3)
Aura	33,812	33,646	49,832	55,223	54,945	58,242	61,736	65,440	6.0
Xcent	761	2,208	400	—	—	—	—	—	—
Total sedan	53,636	55,906	70,001	85,240	70,539	72,276	76,473	80,914	4.7
SUV									
Exter	—	—	—	71,299	77,412	78,186	124,441	134,396	20.2
Venue	92,972	105,091	120,653	128,897	119,113	121,495	131,215	136,463	4.6
Creta	120,035	118,092	150,372	162,773	194,871	206,563	221,023	234,284	6.3
Kona/new EV	180	131	921	720	—	—	—	—	—
Tucson	980	1,222	2,985	2,883	1,319	1,372	1,427	1,484	4.0
Alcazar	—	25,894	26,696	20,753	17,132	17,132	17,989	18,888	3.3
Ioniq 5	—	—	54	1,400	352	422	465	511	13.2
Total SUV	214,167	250,430	301,681	388,725	410,199	425,171	496,558	526,027	8.6
MUV									
New launch	—	—	—	—	—	—	—	20,000	—
Total MUV	—	—	—	—	—	—	—	20,000	—
Total domestic volumes	471,220	481,322	567,546	614,717	598,666	609,479	693,432	753,361	8.0
Export volumes	104,342	129,260	153,019	163,155	163,386	187,894	202,925	219,159	10.3
Total volumes	575,562	610,582	720,565	777,872	762,052	797,373	896,358	972,521	8.5
yoy growth (%)		6.1	18.0	8.0	(2.0)	4.6	12.4	8.5	

Source: Company, Kotak Institutional Equities estimates

We expect HMI's revenue to increase by ~11% CAGR over FY2025-28E, led by 8.5% CAGR growth in volumes

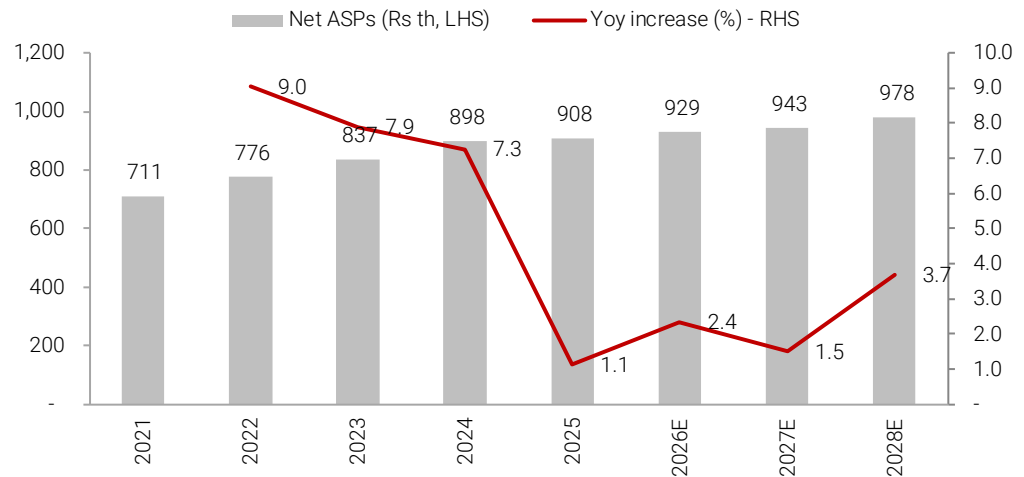
Exhibit 45: Revenue assumptions, March fiscal year-ends, 2021-28E

	2021	2022	2023	2024	2025	2026E	2027E	2028E
Revenue mix (Rs mn)								
Hatchback								
Grand i10	41,060	38,259	49,439	34,072	30,052	27,978	30,835	33,024
Santro	9,451	9,687	1,797	—	—	—	—	—
Elite i20	44,992	37,604	51,472	46,659	37,009	34,103	37,937	40,630
Total	95,504	85,550	102,707	80,730	67,060	62,082	68,771	73,654
Sedan								
Verna	15,263	17,018	17,449	27,249	14,014	12,361	13,368	14,247
Aura	15,840	16,707	25,487	29,657	28,917	30,039	32,797	35,460
Xcent	431	1,325	240	—	—	—	—	—
Total	31,533	35,050	43,176	56,905	42,932	42,400	46,165	49,707
SUV								
Exter	—	—	—	39,611	43,437	42,555	70,440	79,118
Venue	58,496	70,089	84,491	94,777	89,335	87,477	100,143	109,356
Creta	99,821	101,238	132,779	154,688	191,992	205,750	230,060	248,741
Kona/new EV	405	295	2,074	1,670	—	—	—	—
Tucson	1,729	2,286	5,919	6,123	2,801	2,971	3,152	3,344
Alcazar	—	26,808	29,618	24,551	20,268	20,673	22,141	23,713
Ioniq 5	—	—	215	5,924	1,490	1,823	2,046	2,295
Total	160,452	200,716	255,097	327,345	349,322	361,250	427,981	466,567
MUV								
New unnamed launch	—	—	—	—	—	—	—	29,333
Total	—	—	—	—	—	—	—	29,333
Total domestic revenues	287,489	321,316	400,981	464,980	459,314	465,731	542,917	619,261
Exports	69,710	87,347	121,729	135,416	128,457	160,658	176,981	194,962
Total vehicle revenues	357,199	408,663	522,710	600,396	587,771	626,389	719,898	814,223
Revenue from parts	28,866	33,735	36,487	43,130	43,056	47,362	51,151	55,243
Sale of services	17,199	21,997	31,832	42,373	48,596	53,451	59,417	65,353
Other operating income	6,080	9,176	12,048	12,393	12,505	13,836	15,066	16,407
Total revenues	409,344	473,571	603,076	698,291	691,928	741,039	845,532	951,227
YoY chg (%)		15.7	27.3	15.8	(0.9)	7.1	14.1	12.5

Source: Company, Kotak Institutional Equities estimates

We expect ASPs to increase by 2% CAGR over FY2025-28E

Exhibit 46: Net average selling prices per vehicle, March fiscal year-ends, 2021-28E



Source: Company, Kotak Institutional Equities estimates

We expect earnings to grow at 15% CAGR over FY2025-28E

Exhibit 47: Hyundai Motors profit and loss, balance sheet and cash flow statement, March fiscal year-ends, 2021-28E

	2021	2022	2023	2024	2025	2026E	2027E	2028E
Profit model (Rs mn)								
Net sales	409,723	473,784	603,076	698,291	691,929	741,039	845,532	951,227
EBITDA	42,457	54,861	75,488	91,326	89,537	99,116	120,866	137,311
Other income	4,324	5,876	11,291	14,733	8,700	9,298	9,655	10,509
Interest	(1,646)	(1,319)	(1,424)	(1,581)	(1,272)	(1,000)	(950)	(903)
Depreciation	(19,732)	(21,696)	(21,899)	(22,079)	(21,053)	(22,555)	(27,755)	(32,555)
Profit before tax	25,402	37,722	63,456	82,399	75,913	84,859	101,817	114,363
Tax expense	(6,591)	(8,706)	(16,363)	(21,798)	(19,511)	(21,724)	(26,065)	(29,277)
Adj. net profit	18,812	29,016	47,092	60,600	56,402	63,135	75,752	85,086
Earnings per share (Rs)	23.2	35.7	58.0	74.6	69.4	77.7	93.2	104.7
Balance sheet (Rs mn)								
Equity	153,113	168,563	200,548	106,657	162,965	200,846	246,297	297,348
Other non current liabilities	14,612	15,429	18,064	20,636	19,986	19,986	19,986	19,986
Total Borrowings	13,418	11,400	11,586	7,679	7,918	7,918	7,918	7,918
Current liabilities	86,163	88,189	115,535	128,521	110,105	120,453	131,904	143,487
Total liabilities	267,306	283,581	345,733	263,492	300,974	349,202	406,105	468,739
Net fixed assets	81,051	72,003	74,871	82,673	118,235	165,680	197,926	225,371
Deferred tax asset	9,611	8,238	14,413	16,364	16,786	16,786	16,786	16,786
Other non current assets	2,577	2,541	2,830	3,215	5,629	5,629	5,629	5,629
Cash	115,676	141,388	177,411	90,173	85,792	82,463	98,371	124,710
Other current assets	58,391	59,410	76,208	71,067	74,532	78,644	87,393	96,243
Total assets	267,306	283,581	345,733	263,492	300,974	349,202	406,105	468,739
Free cash flow (Rs mn)								
Operating cash flow excl. working capital	34,096	48,081	55,805	70,370	72,309	77,392	94,801	108,034
Working capital changes	20,129	3,303	9,838	22,149	(28,860)	6,236	2,702	2,733
Net finance income	1,448	2,615	7,424	10,382	4,425	8,298	8,705	9,606
Cash flow from operations	55,673	53,999	73,067	102,901	47,874	91,925	106,208	120,374
Capital expenditure	(25,829)	(12,650)	(22,610)	(32,462)	(53,068)	(70,000)	(60,000)	(60,000)
Free cash flow	29,844	41,349	50,457	70,439	(5,194)	21,925	46,208	60,374
Ratios								
Gross margin (%)	23.5	24.4	25.3	26.1	27.8	28.6	29.0	28.7
EBITDA margin (%)	10.4	11.6	12.5	13.1	12.9	13.4	14.3	14.4
PAT margin (%)	4.6	6.1	7.8	8.7	8.2	8.5	9.0	8.9
ASPs per vehicle (Rs/vehicle)	711,476	775,729	836,949	897,693	907,981	929,351	943,298	978,104
Gross profit per vehicle (Rs/vehicle)	167,440	189,163	212,023	234,436	252,246	265,794	273,556	280,716
EBITDA per vehicle (Rs/vehicle)	73,725	89,824	104,762	117,405	117,495	124,303	134,842	141,191
Net debt/equity (X)	(0.7)	(0.8)	(0.8)	(0.8)	(0.5)	(0.4)	(0.4)	(0.4)
Book value (Rs/share)	188	207	247	131	201	247	303	366
RoAE (%)	12.3	17.2	23.5	56.8	34.6	31.4	30.8	28.6
RoACE (%)	9.6	13.3	17.6	38.1	27.0	25.2	25.5	24.2
CRoCI (%)	27.4	31.7	40.3	42.0	34.5	29.2	29.4	28.5

Source: Company, Kotak Institutional Equities estimates

Tata Motors—retain SELL rating with a revised FV of Rs650

We have increased our FY2026-28 consolidated EPS estimates by 1-2% on higher volume assumptions and higher profitability assumptions for the domestic business. Overall, we expect the company to deliver 8% consolidated EPS CAGR over FY2025-28E. Maintain SELL rating with a revised FV of Rs650 (Rs645 earlier) based on the SoTP methodology.

- **JLR business.** While the situation remains volatile, which may lead to earning volatility, we believe there is a higher probability of demand deterioration going into FY2026E. While UK-USA and EU-USA trade deals are a relief for the company, it still will have to navigate the 10-15% tariff on UK and EU regions as well as weak demand trends in China. China adjusted its consumption tax policy for ultra-luxury cars by lowering the threshold for imposing the 10% levy on autos, with a retail price of CNY900k from CNY1.3 mn earlier, affecting almost 54% of the segment, which has witnessed a 49% yoy drop in sales in 1HCY25. This policy adjustment deals another blow to JLR, which had a 23% share in 1HCY25 (single-digit revenue contribution).
- **CV business.** Overall, we expect limited benefits to accrue to the M&HCV truck segment owing to GST cut as fleet operators may be required to pass on the benefit of lower GST to the end-consumers in terms of lower freight rates. However, we expect domestic LCV business to benefit due to the GST cut. The market share decline in CV segment still remains an area of concern.
- **PV business.** We expect limited benefits to accrue to the Tata Motors portfolio given a weakening brand franchise. Additionally, in the near term, EV segment demand may come under pressure as the price differential between ICE and EV will widen. Overall, market share loss will continue for the company, in our view.
- **Iveco.** The Iveco acquisition follows Tata's commercial vehicle business demerger and seeks to expand its global footprint across India and Europe; however, integration complexities, capital intensity and uncertain synergies, along with tightening regulations, add to the risk given the low-margin profile of Iveco.

We have increased our FY2026-28 consolidated EBITDA estimates by 1%

Exhibit 48: Earnings revision table, March fiscal year-ends, 2026-28E

	New estimates			Old estimates			change (%)		
	2026E	2027E	2028E	2026E	2027E	2028E	2026E	2027E	2028E
Domestic CVs + PVs (Rs mn)									
Volumes (units)	940,585	1,001,610	1,051,946	931,247	978,891	1,031,563	1.0	2.3	2.0
ASPs	1,296,441	1,304,251	1,321,602	1,294,826	1,307,822	1,323,847	0.1	(0.3)	(0.2)
Net sales	1,219,412	1,306,351	1,390,254	1,205,803	1,280,215	1,365,633	1.1	2.0	1.8
EBITDA	118,398	128,550	140,650	114,949	123,164	135,508	3.0	4.4	3.8
EBITDA margin (%)	9.7	9.8	10.1	9.5	9.6	9.9			
JLR UK P&L (GBP mn)									
Volumes (units)	365,781	380,900	398,839	365,781	380,900	398,839	—	—	—
Average realization	74,990	76,228	76,552	74,990	76,228	76,552	—	—	—
Net sales	27,430	29,035	30,532	27,430	29,035	30,532	—	—	—
Of which hedged forex losses	—	—	—	—	—	—			
EBITDA	3,196	3,829	4,294	3,196	3,829	4,294	—	—	—
EBITDA margin (%)	11.6	13.2	14.1	11.6	13.2	14.1			
Reported net profit	1,220	1,522	1,720	1,220	1,522	1,720	—	—	—
Consolidated (Rs mn)									
Net sales	4,404,305	4,677,885	4,936,016	4,390,696	4,651,749	4,911,394	0.3	0.6	0.5
EBITDA	481,886	584,875	650,421	478,437	579,490	645,279	0.7	0.9	0.8
EBITDA margin (%)	10.9	12.5	13.2	10.9	12.5	13.1			
Adjusted net profit	179,471	247,447	285,549	176,775	242,594	280,994	1.5	2.0	1.6
EPS	48.8	67.3	77.7	48.1	66.0	76.4	1.5	2.0	1.6

Source: Company, Kotak Institutional Equities estimates

SoTP-based FV of Rs650

Exhibit 49: SoTP of Tata Motors, March fiscal year-ends, 2027-28E

	Multiple (X)	Enterprise Value (Rs mn)	Value per share (Rs)	Comments
Standalone business (Rs mn)				
CV EBIT	75,507	13.0	981,589	267 based on 12.5X September 2027E EV/EBIT
PV EV			502,139	137 DCF methodology
India business EV			1,483,728	404
JLR				
JLR UK EBIT	267,660	2.5	669,149	182 based on 2.5X EV/EBIT September 2027E
JLR China JV EBITDA (50% stake)	13,356	1.0	13,356	4 based on 2X EV/EBITDA June 2027E
Total standalone + JLR (including China JV) EV			2,166,233	589
Net automotive debt			(7,659)	(2) As of March 2026E
Equity value of India business + JLR (including China JV)			2,173,892	591
Value of Tata Motors Finance			11	Based on Mcap
Value of Tata Technologies			21	Based on KIE FV
Value of Iveco			26	Based on 3.5X FY2027E EBIT for CV business and 0.5X P/B for financing arm
Fair value			650	

Source: Company, Kotak Institutional Equities estimates

We build in EBIT margin to improve to ~6-8% in JLR UK financials over FY2026-28E; downside risk persists given tariff uncertainty

Exhibit 50: Jaguar Land Rover (ex-China JV) income statement, March fiscal year-ends, 2019-28E

	2019	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E
Volumes (000s)	508	476	348	294	321	401	401	366	381	399
Sales	24,214	22,984	19,842	18,245	23,399	28,995	28,961	27,430	29,035	30,532
Of which realized forex losses/(gains)	(703)	(544)	(111)	75	(590)	(54)	192	—	—	—
Realizations per vehicle	47,677	48,291	57,078	62,019	72,812	72,252	72,240	74,990	76,228	76,552
Cost of sales	21,812	20,513	16,711	15,585	19,207	23,495	23,941	23,384	24,256	25,188
Materials	15,670	14,684	12,335	11,239	14,008	16,964	16,865	16,595	17,203	17,937
Labor	2,820	2,568	2,141	2,265	2,524	3,064	3,417	3,365	3,466	3,570
Manufacturing costs and SG&A	3,322	3,261	2,235	2,081	2,675	3,467	3,659	3,424	3,587	3,681
D&A	2,164	1,910	1,976	1,944	2,107	2,175	1,677	1,550	1,700	1,900
Product dev	421	421	489	839	966	880	869	850	950	1,050
China JV	7	(112)	(41)	(18)	15	23	(3)	7	3	5
EBIT	(177)	28	514	(66)	544	2,468	2,471	1,652	2,132	2,399
EBIT per vehicle	(348)	59	1,478	(224)	1,693	6,150	6,164	4,517	5,598	6,014
EBITDA (GBP mn)	1,981	2,050	2,531	1,896	2,636	4,620	4,151	3,196	3,829	4,294
EBITDA per vehicle	3,901	4,307	7,281	6,445	8,203	11,512	10,354	8,736	10,052	10,765
Other income	(102)	(262)	388	14	(168)	2	169	96	—	—
Interest	76	157	240	360	440	305	151	100	75	75
PBT	(355)	(391)	662	(412)	(64)	2,165	2,489	1,648	2,057	2,324
Tax	(308)	47	239	367	157	(413)	674	429	535	604
Forex gains/(losses)	(3,271)	(29)	(1,523)	(43)	161	—	(15)	—	—	—
PAT	(3,318)	(467)	(1,100)	(822)	(60)	2,578	1,800	1,220	1,522	1,720
EBITDA margin (%)	8.2	8.9	12.8	10.4	11.3	15.9	14.3	11.6	13.2	14.1
EBIT margin - including China JV profit (%)	(0.7)	(0.4)	2.4	(0.5)	2.4	8.6	8.6	6.0	7.4	7.9

Source: Company, Kotak Institutional Equities estimates

We expect profitability of domestic CV business to remain steady in FY2025-28E; expect PV business profitability to dip in FY2026E

Exhibit 51: Tata Motors domestic CV and PV business profitability assumptions, March fiscal year-ends, 2019-28E

	2019	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E
Tata Motors domestic PV segment										
Volumes (units)	212,164	132,677	222,591	372,176	541,087	573,495	556,263	549,808	590,779	619,986
ASPs (Rs per vehicle)	709,465	1,879,897	750,922	859,271	892,629	918,665	882,478	895,715	904,673	913,719
Revenue (Rs mn)	150,523	249,419	167,148	319,800	482,990	526,850	490,890	492,471	534,462	566,493
EBITDA (Rs mn)	151	(10,511)	(4,020)	16,680	31,620	33,610	33,630	28,949	36,988	41,672
EBITDA margin (%)	0.1	(4.2)	(2.4)	5.2	6.5	6.4	6.9	5.9	6.9	7.4
EBITDA per vehicle (Rs per vehicle)	709	(79,226)	(18,059)	44,818	58,438	58,606	60,457	52,654	62,608	67,215
EBIT (Rs mn)	(13,970)	(2,588)	(15,683)	(6,370)	5,780	10,110	4,640	(2,041)	3,998	6,682
EBIT margin (%)	(9.3)	(1.0)	(9.4)	(2.0)	1.2	1.9	0.9	(0.4)	0.7	1.2
EBIT per vehicle (Rs per vehicle)	(65,845)	(19,509)	(70,457)	(17,116)	10,682	17,629	8,341	(3,711)	6,767	10,778
Tata Motors domestic CV segment										
Volumes (units)	519,777	340,700	262,773	356,972	413,539	395,845	376,903	390,777	410,831	431,960
ASPs (Rs per vehicle)	1,039,610	966,624	1,148,331	1,324,016	1,590,112	1,851,813	1,841,827	1,860,245	1,878,847	1,907,030
Revenue (Rs mn)	540,365	329,329	301,750	472,637	657,573	733,031	694,190	726,941	771,889	823,761
EBITDA (Rs mn)	59,404	13,506	14,870	16,357	48,108	78,701	80,820	89,449	91,562	98,977
EBITDA margin (%)	11.0	4.1	4.9	3.5	7.3	10.7	11.6	12.3	11.9	12.0
EBITDA per vehicle (Rs per vehicle)	114,288	39,641	56,588	45,823	116,333	198,817	214,432	228,900	222,870	229,136
EBIT (Rs mn)	44,310	(1,131)	184	(1,248)	30,439	58,533	60,740	70,745	70,845	77,061
EBIT margin (%)	8.2	(0.3)	0.1	(0.3)	4.6	8.0	8.7	9.7	9.2	9.4
EBIT per vehicle (Rs per vehicle)	85,248	(3,320)	700	(3,497)	73,607	147,867	161,156	181,037	172,444	178,398

Source: Company, Kotak Institutional Equities estimates

We expect the company's FCF generation in FY2026E to be lower than FY2025 owing to weaker performance of JLR business

Exhibit 52: Tata Motors consolidated financial summary, March fiscal year-ends, 2019-28E

	2019	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E
Profit model (Rs mn)										
Net sales	3,019,384	2,610,680	2,497,948	2,784,536	3,459,670	4,340,160	4,396,950	4,404,305	4,677,885	4,936,016
EBITDA	255,702	197,258	305,553	248,132	318,296	578,720	551,320	481,886	584,875	650,421
Other income	29,653	29,732	26,432	30,536	46,332	56,920	62,440	63,607	68,205	71,452
Interest	(57,586)	(72,433)	(80,972)	(93,119)	(102,255)	(75,940)	(50,830)	(46,684)	(39,806)	(33,426)
Depreciation	(235,906)	(214,254)	(235,467)	(248,357)	(248,604)	(272,390)	(232,560)	(252,944)	(274,207)	(300,407)
Profit before tax	(8,137)	(59,698)	15,546	(62,807)	13,769	287,310	330,370	245,865	339,068	388,040
Extra ordinary income/(expenses)	(269,928)	(46,102)	(120,289)	(7,227)	16,807	(10,020)	4,560	—	—	—
Tax	(11,273)	(3,953)	(25,419)	(42,313)	(7,041)	40,240	(105,020)	(65,885)	(91,061)	(101,875)
Minority Interest + Associate income	1,075	(10,956)	(4,353)	(2,068)	608	2,920	(320)	(509)	(560)	(616)
Net profit	(288,262)	(120,708)	(134,514)	(114,415)	24,143	320,450	229,590	179,471	247,447	285,549
Adjusted net profit	(18,335)	(74,607)	(14,225)	(107,188)	7,336	205,580	225,030	179,471	247,447	285,549
Adjusted EPS (Rs)	(5.4)	(20.7)	(3.7)	(28.0)	1.9	56.6	61.2	48.8	67.3	77.7
Balance sheet (Rs mn)										
Equity	6,792	7,195	7,658	7,658	7,660	7,670	7,360	7,360	7,360	7,360
Reserves and Surplus	595,003	623,590	544,809	437,954	445,558	841,510	1,154,080	1,318,843	1,547,905	1,811,392
Deferred tax liability	14,910	19,419	15,559	15,584	14,070	11,430	16,690	16,690	16,690	16,690
Minority Interest	5,231	8,136	15,735	42,711	72,777	81,760	66,100	69,609	73,469	77,715
Total borrowings	1,212,095	1,188,105	1,359,045	1,396,770	1,256,605	985,010	624,990	424,990	224,990	224,990
Current liabilities	1,237,914	1,374,768	1,488,452	1,405,522	1,564,145	1,779,260	1,917,200	1,954,788	2,024,947	2,055,546
Total liabilities	3,071,945	3,221,213	3,431,258	3,306,199	3,360,814	3,706,640	3,786,420	3,792,280	3,895,361	4,193,693
Net fixed assets	1,423,705	1,556,770	1,523,772	1,416,114	1,455,137	1,561,236	1,806,080	1,907,636	2,015,180	2,042,023
Goodwill	7,479	7,771	8,037	8,072	8,406	8,603	8,950	8,950	8,950	8,950
Investments	62,409	54,469	55,691	66,703	75,409	87,180	84,570	84,570	84,570	84,570
Cash	421,787	445,885	658,437	633,784	558,539	600,599	680,330	497,094	428,468	679,745
Other current assets	1,156,567	1,156,317	1,185,322	1,181,527	1,263,324	1,449,022	1,206,490	1,294,029	1,358,194	1,378,406
Miscellaneous expenditure	—	—	—	—	—	—	—	—	—	—
Total assets	3,071,945	3,221,213	3,431,258	3,306,199	3,360,814	3,706,640	3,786,420	3,792,280	3,895,361	4,193,693
Free cash flow (Rs mn)										
Operating cash flow excl. working capital	261,114	215,675	290,921	247,565	385,151	605,902	549,460	419,001	497,114	552,176
Working capital changes	(72,207)	50,654	(916)	(104,737)	(31,271)	73,252	81,560	(49,951)	5,995	10,387
Net financial income	(27,933)	(42,702)	(54,540)	(62,582)	(55,923)	(19,020)	11,610	16,922	28,399	38,026
Cash flow from operations	160,975	223,628	235,465	80,246	297,957	660,134	642,630	385,972	531,508	600,589
Capital expenditure	(352,363)	(295,306)	(198,548)	(149,383)	(178,107)	(311,825)	(370,680)	(354,500)	(381,750)	(327,250)
Free cash flow	(191,388)	(71,678)	36,917	(69,137)	119,851	348,308	271,950	31,472	149,758	273,339
Ratios										
EBITDA margin (%)	8.5	7.6	12.2	8.9	9.2	13.3	12.5	10.9	12.5	13.2
Debt/equity (X)	2.0	1.9	2.5	3.1	2.8	1.2	0.5	0.3	0.1	0.1
Net debt/equity (X)	1.3	1.2	1.3	1.7	1.5	0.5	(0.0)	(0.1)	(0.1)	(0.3)
Book value (Rs per share)	175.0	173.2	142.2	114.3	116.2	219.5	313.4	358.2	420.5	492.2
ROAE (%)	(2.4)	(12.1)	(2.4)	(21.5)	1.6	50.7	22.4	14.4	17.2	16.9

Source: Company, Kotak Institutional Equities estimates

Ashok Leyland—downgrade to REDUCE with revised FV of Rs135

We have increased our FY2026-28 EPS estimates by 1-3% on higher volume and EBITDA margin for the LCV business. We expect the company to deliver 8% EPS CAGR over FY2025-28E. We downgrade the stock to REDUCE (from BUY earlier) with a revised FV of Rs135 (Rs145 earlier), based on 16X December 2027E EPS (from 18X September 2027E EPS earlier).

- ▶ We expect the demand trends in M&HCV segment to remain range-bound, led by (1) demand uptick from small fleet operators, (2) gradual recovery in replacement demand and (3) continued growth in the bus segment. However, if there are pricing pressures for the large fleet operators, we can see some deferment in demand for trucks, which can have some adverse impact for truck demand in the near term. Overall, truck demand will be a function of freight demand and uptick in capex. There can be downside risks to our estimates, if there is delay in execution on ground for the infrastructure projects.
- ▶ We expect LCV segment demand to recover, which should benefit Ashok Leyland. However, it is relatively a smaller revenue contributor to the company.
- ▶ We expect the company's margins to remain stable, driven by (1) pricing discipline in core business, (2) focus on improving export mix and (3) higher traction in the non-auto business (high-margin businesses).

We have increased our FY2026-28 EPS estimates by 1-3%

Exhibit 53: Ashok Leyland, changes in estimates, March fiscal year-ends, 2026-28E

	New Estimates			Old estimates			change (%)		
	2026E	2027E	2028E	2026E	2027E	2028E	2026E	2027E	2028E
LCV volumes	72,640	77,085	81,804	72,640	76,402	80,363	-	0.9	1.8
MHCV volumes	131,766	138,266	145,199	131,341	137,593	144,251	0.3	0.5	0.7
Volumes (units)	204,406	215,351	227,003	203,981	213,995	224,613	0.2	0.6	1.1
Net sales (Rs mn)	408,973	435,883	464,737	408,258	433,578	460,637	0.2	0.5	0.9
EBITDA (Rs mn)	52,223	56,662	60,880	51,986	55,914	59,549	0.5	1.3	2.2
EBITDA margin (%)	12.8	13.0	13.1	12.7	12.9	12.9			
Net profit (Rs mn)	34,142	37,394	40,397	33,965	36,836	39,404	0.5	1.5	2.5
EPS (Rs)	5.8	6.4	6.9	5.8	6.3	6.7	0.5	1.5	2.5

Source: Company, Kotak Institutional Equities estimates

SoTP-based FV of Rs135

Exhibit 54: SoTP, March fiscal year-ends, 2026-27E

	EPS (Rs)	Multiple (X)	Value per share (Rs)	Comment
Standalone EPS	6.8	16	108	Based on December 2027E standalone EPS
Hinduja Leyland Finance stake			21	2.5X FY2026E P/B
Switch Mobility + OHM			6	4X book value
Fair value			135	

Source: Company, Kotak Institutional Equities estimates

We estimate Ashok Leyland's volumes to rise by 5% CAGR over FY2024-27E

Exhibit 55: Ashok Leyland volume assumptions, March fiscal year-ends, 2019-28E

	2019	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E
Buses	16,323	18,141	2,797	3,789	10,819	17,956	21,253	22,741	24,105	25,551
Trucks	115,613	53,267	43,246	61,301	103,480	98,111	93,540	96,664	100,811	105,229
LCV	—	—	—	—	—	—	—	—	—	—
Dost	53,129	44,912	46,671	52,222	66,617	66,633	65,049	68,301	72,400	76,744
Domestic volumes	185,065	116,320	92,714	117,312	180,916	182,700	179,842	187,706	197,315	207,524
Buses	3,548	4,952	2,832	4,010	7,513	6,577	7,916	8,708	9,404	10,157
Trucks	7,374	2,234	2,932	4,785	2,297	2,109	3,322	3,654	3,947	4,262
LCV	1,379	1,734	2,237	2,219	1,479	3,167	4,017	4,338	4,685	5,060
Export volumes	12,301	8,920	8,001	11,014	11,289	11,853	15,255	16,700	18,036	19,479
Buses	19,871	23,093	5,629	7,799	18,332	24,533	29,169	31,448	33,509	35,708
Trucks	122,987	55,501	46,178	66,086	105,777	100,220	96,862	100,318	104,757	109,491
LCV	1,379	1,734	2,237	2,219	1,479	3,167	4,017	4,338	4,685	5,060
Dost	53,129	44,912	46,671	52,222	66,617	66,633	65,049	68,301	72,400	76,744
Total volumes	197,366	125,240	100,715	128,326	192,205	194,553	195,097	204,406	215,351	227,003
Growth (% yoy)										
Buses	19.1	11.1	(84.6)	35.5	185.5	66.0	18.4	7.0	6.0	6.0
Trucks	12.4	(53.9)	(18.8)	41.7	68.8	(5.2)	(4.7)	3.3	4.3	4.4
LCV	—	—	—	—	—	—	—	—	—	—
Dost	26.3	(15.5)	3.9	11.9	27.6	0.0	(2.4)	5.0	6.0	6.0
Domestic volumes	16.7	(37.1)	(20.3)	26.5	54.2	1.0	(1.6)	4.4	5.1	5.2
Buses	(45.5)	39.6	(42.8)	41.6	87.4	(12.5)	20.4	10.0	8.0	8.0
Trucks	(12.1)	(69.7)	31.2	63.2	(52.0)	(8.2)	57.5	10.0	8.0	8.0
LCV	7.3	25.7	29.0	(0.8)	(33.3)	114.1	26.8	8.0	8.0	8.0
Export volumes	(24.0)	(27.5)	(10.3)	37.7	2.5	5.0	28.7	9.5	8.0	8.0
Buses	(1.7)	16.2	(75.6)	38.6	135.1	33.8	18.9	7.8	6.6	6.6
Trucks	10.6	(54.9)	(16.8)	43.1	60.1	(5.3)	(3.4)	3.6	4.4	4.5
LCV	7.3	25.7	29.0	(0.8)	(33.3)	114.1	26.8	8.0	8.0	8.0
Dost	26.3	(15.5)	3.9	11.9	27.6	0.0	(2.4)	5.0	6.0	6.0
Total volumes	12.9	(36.5)	(19.6)	27.4	49.8	1.2	0.3	4.8	5.4	5.4

Source: Company, Kotak Institutional Equities estimates

We estimate Ashok Leyland's EPS to grow at 8% CAGR over FY2025-28E

Exhibit 56: Profit and loss, balance sheet and cash flow statement, March fiscal year-ends, 2019-28E

	2019	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E
Profit model										
Volumes	197,366	125,240	100,715	128,326	192,205	194,553	195,097	204,406	215,351	227,003
Net sales	290,550	174,675	153,015	216,883	361,441	383,670	387,527	408,973	435,883	464,737
EBITDA	31,357	11,737	5,351	9,945	29,307	46,066	49,306	52,223	56,662	60,880
Other income	1,099	1,233	1,195	761	1,161	2,466	2,503	2,667	2,817	2,996
Interest	(704)	(1,095)	(3,068)	(3,011)	(2,891)	(2,494)	(2,169)	(1,579)	(1,435)	(1,435)
Depreciation	(6,210)	(6,698)	(7,477)	(7,528)	(7,320)	(7,178)	(7,193)	(7,545)	(7,917)	(8,289)
Prior period items/ extraordinary items	(575)	(1,558)	(121)	5,108	846	(937)	1,037	—	—	—
Profit before tax	24,968	3,619	(4,119)	5,276	21,104	37,922	43,483	45,767	50,127	54,151
Current tax	(3,782)	(717)	—	(101)	(7,800)	(12,854)	(14,974)	(11,625)	(12,732)	(13,754)
Deferred tax	(1,354)	(507)	983	243	497	1,111	4,524	—	—	—
Net profit	19,832	2,395	(3,137)	5,418	13,801	26,179	33,033	34,142	37,394	40,397
Adjusted profit	20,407	3,564	(3,016)	1,587	12,955	27,116	31,996	34,142	37,394	40,397
Earnings per share (Rs)	3.5	0.6	(0.5)	0.3	2.2	4.6	5.4	5.8	6.4	6.9
Balance sheet										
Equity	83,324	72,640	69,772	76,305	87,194	91,040	118,124	138,610	157,307	177,505
Deferred tax liability	2,497	2,648	1,708	1,444	5,035	5,563	5,479	5,479	5,479	5,479
Total Borrowings	6,324	32,814	37,288	35,071	31,801	22,545	14,354	14,354	14,354	14,354
Current liabilities	90,099	55,794	75,732	90,519	101,886	116,969	117,301	107,260	114,805	122,355
Total liabilities	182,244	163,896	184,499	203,338	225,916	236,118	255,258	265,703	291,945	319,694
Net fixed assets	62,721	69,913	71,327	67,952	64,367	61,533	62,703	61,158	59,241	56,953
Investments	26,365	27,196	30,687	35,216	38,922	53,107	56,543	66,543	76,543	86,543
Cash	13,736	13,225	8,230	23,450	32,727	36,872	57,247	52,758	66,451	81,977
Other current assets	52,895	24,957	49,953	52,269	68,638	67,970	58,665	65,143	69,609	74,121
Miscellaneous expenditure	26,527	28,605	24,302	24,451	21,263	16,635	20,102	20,102	20,102	20,102
Total assets	182,244	163,896	184,499	203,338	225,916	236,118	255,258	265,703	291,945	319,694
Free cash flow										
Operating cash flow (excluding working capital)	26,014	11,167	6,270	10,773	25,626	40,260	40,787	40,598	43,930	47,125
Working capital	(29,638)	(1,756)	(6,058)	15,696	(4,265)	(15,229)	37,407	(16,518)	3,079	3,038
Net finance income	(291)	(338)	(2,123)	(2,791)	(2,487)	(1,132)	(1,281)	1,088	1,381	1,560
Cash flow from operations	(3,914)	9,072	(1,912)	23,678	18,873	23,899	76,913	25,169	48,390	51,724
Capital Expenditure	(10,837)	(18,184)	(13,136)	(7,852)	(6,467)	(19,199)	(12,449)	(16,000)	(16,000)	(16,000)
Free cash flow	(14,751)	(9,111)	(15,048)	15,826	12,407	4,700	64,464	9,169	32,390	35,724
Ratios										
Gross margin (%)	28.8	29.2	25.5	22.7	22.9	27.3	28.7	28.8	29.3	29.5
EBITDA margin (%)	10.8	6.7	3.5	4.6	8.1	12.0	12.7	12.8	13.0	13.1
PAT margin (%)	6.8	1.4	(2.1)	2.5	3.8	6.8	8.5	8.3	8.6	8.7
Average selling price per vehicle (Rs/vehicle)	1,472,136	1,394,720	1,519,282	1,690,093	1,880,499	1,972,061	1,986,332	2,000,787	2,024,057	2,047,274
Gross profit per vehicle (Rs/vehicle)	424,358	407,084	387,047	383,961	431,570	537,387	570,483	576,772	592,910	603,610
EBITDA per vehicle (Rs/vehicle)	158,879	93,712	53,134	77,499	152,478	236,778	252,724	255,488	263,113	268,189
Debt/equity (X)	0.1	0.7	0.8	0.7	0.4	0.3	0.1	0.1	0.1	0.1
Net debt/equity (X)	(0.1)	0.4	0.6	0.2	(0.0)	(0.2)	(0.4)	(0.3)	(0.4)	(0.4)
Book Value , excluding revaluation reserve (Rs/share)	14.6	12.8	12.2	13.2	15.7	16.5	21.1	24.5	27.7	31.2
RoAE (%)	24.6	3.0	(4.3)	7.3	16.2	27.7	30.0	25.5	24.4	23.4
RoACE (%)	32.0	4.5	(1.0)	12.7	16.4	27.3	31.4	27.6	26.0	24.8

Source: Company, Kotak Institutional Equities estimates

Escorts Kubota—retain SELL rating with revised FV of Rs3,125

We have increased our FY2026-28 standalone EPS estimates by 2-4% on higher volume assumptions across segments and higher profitability assumptions for the tractor segment. Overall, we expect the company to deliver 14% EPS CAGR over FY2025-28E. Retain SELL rating with a revised FV of Rs3,125 (Rs3,000 earlier) based on the SoTP methodology.

- ▶ We expect the tractor segment's volume growth momentum to continue hereon, led by (1) higher reservoir levels, (2) expectations of a normal monsoon and (3) favorable terms of trade for farmers coupled with price cuts. We expect domestic tractor volume growth to remain strong at high single digit yoy in FY2026E and we expect the company to underperform the industry growth, driven by increased competitive intensity and an adverse geographical mix. Additionally, we expect farm implement business revenues to pick up, as GST cuts will drive a faster shift toward the organized segment, which will benefit the company. The company highlighted that it will follow a 360-degree approach to regain its lost market share, which includes focus on expanding in the western region of the country, as well as in the eastern and southern regions, where the industry has been growing strongly and the company has been weak traditionally in those regions, coverage improvement, new product introduction, financing and improving dealers' profitability and expansion of network. The company has lost market share in FY2025 primarily on account of geographical mix (outperformance of eastern/southern regions, where Escorts Kubota has lower market share) and loss in market share in the 30-50 HP segment (the company has recently launched products in this segment under the Farmtrac brand).
- ▶ The company increased prices by 7-10% on account of changes in emission norms from CE Stage III and CE Stage IV to CE Stage V, which were applicable from January 1, 2025, which has weighed on overall volume growth of the construction equipment segment for the company in 1H CY25. The company expects recovery of price increases by 2QCY26-end, adversely impacted due to clearance of inventory of old emission norm products and transition to new emission norm-compliant products. The company recently launched the Hydra-12 pick and carry crane. Overall, we expect construction equipment headwinds to persist for FY2026E, and then improve gradually because of government infrastructure projects. We are building in EBIT margin of 8-8.5% over FY2025-28E.

We have increased our FY2026-28 EPS estimates by 2-4%

Exhibit 57: Escorts Kubota change in estimates, March fiscal year-ends, 2026-28E

	New estimates			Old estimates			Change (%)		
	2026E	2027E	2028E	2026E	2027E	2028E	2026E	2027E	2028E
Tractor volumes (units)	122,579	130,518	139,021	120,921	128,760	137,157	1.4	1.4	1.4
Net sales	107,481	117,573	128,666	106,282	116,264	127,237	1.1	1.1	1.1
EBITDA	13,374	15,561	17,599	13,017	14,816	16,784	2.7	5.0	4.9
EBITDA margin (%)	12.4	13.2	13.7	12.2	12.7	13.2			
Adjusted net profit	13,942	14,958	16,572	13,665	14,380	15,941	2.0	4.0	4.0
EPS (Rs)	124.6	133.7	148.1	122.1	128.5	142.5	2.0	4.0	4.0

Source: Company, Kotak Institutional Equities estimates

We expect Escort Kubota's tractor volumes to grow by 6% CAGR over FY2025-28E

Exhibit 58: Tractor volume and yoy growth assumptions, March fiscal year-ends, 2019-28E

	2019	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E
Tractor volumes										
Domestic	93,191	82,252	101,848	87,043	95,266	108,777	110,563	116,091	123,057	130,440
Exports	3,221	3,766	4,893	7,185	8,024	5,619	4,991	6,488	7,462	8,581
Total volumes	96,412	86,018	106,741	94,228	103,290	114,396	115,554	122,579	130,518	139,021
Yoy (%)										
Domestic	18.8	(11.7)	23.8	(14.5)	9.4	14.2	1.6	5.0	6.0	6.0
Exports	63.4	16.9	29.9	46.8	11.7	(30.0)	(11.2)	30.0	15.0	15.0
Total volumes	19.9	(10.8)	24.1	(11.7)	9.6	10.8	1.0	6.1	6.5	6.5

Notes:

(a) The National Company Law Tribunal, Chandigarh Bench (NCLT) has approved the Scheme of Amalgamation of Escorts Kubota India Private Limited and Kubota Agricultural Machinery India Private Limited (Amalgamating Companies) with Escorts Kubota Limited (Amalgamated Company). In order to reflect the Scheme's impact from the appointed date of April 1, 2023, the company has restated previously reported numbers. Accordingly, numbers reported here for the current as well as previous period(s) include numbers of the amalgamating companies also.

Source: Company, Kotak Institutional Equities estimates

We expect tractor segment EBIT margin to improve to ~13-13.3% over FY2027-28E from 10.7% in FY2025

Exhibit 59: Segmental revenue and EBIT assumptions, March fiscal year-ends, 2019-28E

	2019	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E
Segmental revenues (Rs mn)										
Tractors (includes traded revenues)	47,440	44,376	56,672	55,637	63,161	78,974	84,472	90,937	99,856	109,694
Railways	3,941	4,772	4,860	6,362	8,419	—	—	—	—	—
Construction	10,541	8,398	7,761	9,868	11,790	18,182	17,301	16,443	17,610	18,861
Auto component	—	—	—	—	—	—	—	—	—	—
Inter-segment eliminations	43	64	—	102	80	152	96	101	106	112
Gross revenues	61,964	57,610	69,293	71,969	83,450	97,307	101,870	107,481	117,573	128,666
Yoy growth in revenues (%)										
Tractors (includes traded revenues)	19.9	(6.5)	27.7	(1.8)	13.5	25.0	7.0	7.7	9.8	9.9
Railways	37.5	21.1	1.8	30.9	32.3	—	—	—	—	—
Construction	35.1	(20.3)	(7.6)	27.1	19.5	54.2	(4.8)	(5.0)	7.1	7.1
Auto component	—	—	—	—	—	—	—	—	—	—
Net revenues	23.5	(7.0)	20.3	3.9	16.0	16.6	4.7	5.5	9.4	9.4
Segmental EBIT (Rs mn)										
Tractors	6,665	5,764	10,312	8,560	5,874	8,837	9,034	11,367	12,981	14,534
Railways	783	858	768	943	1,159	—	—	—	—	—
Construction	378	302	278	239	341	1,672	1,721	1,233	1,409	1,603
Auto component	19	—	—	—	—	—	—	—	—	—
Others (including unallocable expenses and exceptional items)	(429)	(382)	323	604	780	2,501	3,182	4,963	5,361	5,789
Overall EBIT	7,416	6,543	11,681	10,346	8,154	13,009	13,936	17,564	19,751	21,927
Segmental EBIT margin (%)										
Tractors	14.0	13.0	18.2	15.4	9.3	11.2	10.7	12.5	13.0	13.3
Railways	19.9	18.0	15.8	14.8	13.8	—	—	—	—	—
Construction	3.6	3.6	3.6	2.4	2.9	9.2	9.9	7.5	8.0	8.5
Auto component	—	—	—	—	—	—	—	—	—	—
Overall EBIT margin	12.0	11.4	16.9	14.4	9.8	13.4	13.7	16.3	16.8	17.0

Notes:

(a) The National Company Law Tribunal, Chandigarh Bench (NCLT) has approved the Scheme of Amalgamation of Escorts Kubota India Private Limited and Kubota Agricultural Machinery India Private Limited (Amalgamating Companies) with Escorts Kubota Limited (Amalgamated Company). In order to reflect the Scheme's impact from the appointed date of April 1, 2023, the company has restated previously reported numbers. Accordingly, numbers reported here for the current as well as previous period(s) include numbers of the amalgamating companies also.

(b) The company has approved the sale/ transfer of railway equipment division (RED) on a slump sale basis for a consideration of Rs16 bn to Sona BLW Precision Forgings Limited (Sona Comstar). The sale/ transfer of RED business is subject to completion of conditions precedent and closing actions as specified in the business transfer agreement (BTA). During the quarter, the said business has been disclosed under discontinued operations and previous periods are also reclassified in terms of Ind AS 105 'Non-current assets held for sale and discontinued operations'. Hence, we have excluded railway business division financials from FY2024 onwards.

Source: Company, Kotak Institutional Equities estimates

We expect Escort Kubota's EPS to grow by 14% CAGR over FY2025-28E

Exhibit 60: Escorts Kubota financial summary, March fiscal year-ends, 2019-28E

	2019	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E
Profit model (Rs mn)										
Net sales	61,964	57,610	69,293	71,969	83,450	97,307	101,870	107,481	117,573	128,666
EBITDA	7,333	6,758	11,292	9,955	7,804	11,330	11,778	13,374	15,561	17,599
Other income	809	923	1,546	1,688	2,806	3,915	4,584	6,349	6,838	7,332
Interest	(185)	(155)	(110)	(127)	(103)	(388)	(270)	(250)	(250)	(250)
Depreciation	(854)	(1,046)	(1,157)	(1,298)	(1,484)	(2,236)	(2,426)	(2,465)	(2,849)	(3,297)
Profit before tax	7,103	6,481	11,571	10,219	9,023	12,621	13,666	17,009	19,301	21,384
Extraordinary income/(losses)	109	(92)	—	—	(972)	—	(271)	760	—	—
Tax	(2,375)	(1,533)	(2,831)	(2,563)	(1,982)	(3,141)	(2,295)	(3,827)	(4,343)	(4,811)
Reported net profit	4,837	4,855	8,741	7,656	6,070	9,480	11,100	13,942	14,958	16,572
Adjusted net profit	4,760	4,920	8,741	7,656	6,799	9,480	11,303	13,318	14,958	16,572
Earnings per share (Rs)	54.4	55.4	86.3	75.6	54.9	84.7	99.2	124.6	133.7	148.1
Balance sheet (Rs mn)										
Equity	30,229	34,801	53,916	78,782	84,348	94,165	103,802	113,561	123,284	133,227
Total borrowings	2,694	66	—	—	—	3,634	—	—	—	—
Other liabilities	17,047	18,254	18,116	14,936	18,733	26,303	27,165	28,945	31,529	34,369
Total liabilities	49,969	53,121	72,032	93,717	103,081	124,102	130,968	142,506	154,813	167,597
Net fixed assets	17,070	17,493	18,984	19,200	20,020	23,239	21,946	27,480	32,632	37,335
Investments	8,566	11,663	23,050	51,335	50,306	52,826	56,410	56,410	56,410	56,410
Cash	2,301	3,185	13,165	2,585	4,685	11,915	11,140	14,914	18,531	22,681
Other current assets	22,033	20,781	16,834	20,599	28,071	36,123	41,472	43,702	47,240	51,171
Total assets	49,969	53,121	72,032	93,717	103,081	124,102	130,968	142,506	154,813	167,597
Free cash flow (Rs mn)										
Operating cash flow excl. working capital	3,510	4,862	9,235	6,132	5,800	10,707	12,397	10,308	11,219	12,787
Working capital changes	(5,917)	3,304	1,955	(5,721)	(3,436)	(2,753)	(326)	(450)	(954)	(1,091)
Net finance income	230	297	692	790	1,540	1,861	1,836	6,099	6,588	7,082
Cash flow from operations	(2,177)	8,463	11,883	1,201	3,903	9,815	13,907	15,956	16,853	18,778
Capital expenditure	(1,499)	(1,946)	(1,316)	(1,763)	(2,188)	(3,029)	(2,869)	(8,000)	(8,000)	(8,000)
Free cash flow	(3,675)	6,518	10,567	(563)	1,716	6,786	11,038	7,956	8,853	10,778
Ratios										
EBITDA margin (%)	11.8	11.7	16.3	13.8	9.4	11.6	11.6	12.4	13.2	13.7
PAT margin (%)	7.8	8.4	12.6	10.6	7.3	9.7	10.9	13.0	12.7	12.9
Net debt/equity (X)	0.0	(0.1)	(0.2)	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)
Book value (Rs/share)	340	392	533	778	763	842	928	1,015	1,102	1,191
RoAE (%)	16.0	14.0	16.2	9.7	7.2	10.1	10.7	12.3	12.1	12.4
RoACE (%)	34.8	22.0	28.8	12.8	9.7	22.0	18.7	19.6	20.9	20.8

Notes:

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Source: Company, Kotak Institutional Equities estimates

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BUY. We expect this stock to deliver more than 15% returns over the next 12 months.

ADD. We expect this stock to deliver 5-15% returns over the next 12 months.

REDUCE. We expect this stock to deliver -5+5% returns over the next 12 months.

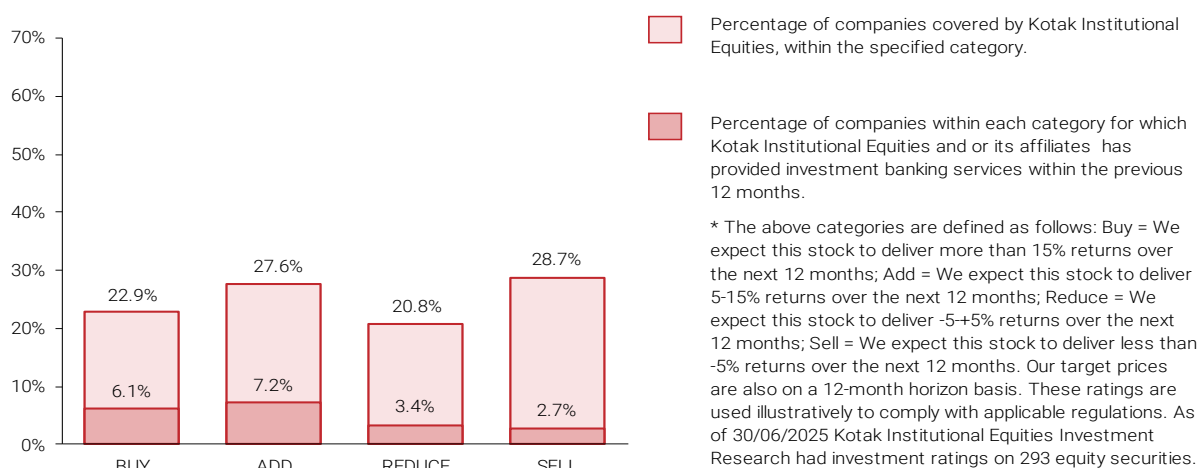
SELL. We expect this stock to deliver <-5% returns over the next 12 months.

Our Fair Value estimates are also on a 12-month horizon basis.

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