

# Autos

## Operating leverage, softer RM to aid margins

### Growth to remain under pressure, barring few outliers

Growth pressure is expected to continue for most OEMs as demand remains soft both domestically and globally. Key exceptions to this are TVS Motor, Eicher Motor, and Mahindra & Mahindra. TVS Motor continues to ramp up scooter sales domestically while it also continues to expand its geographical footprint. Eicher Motor has taken a deliberate stance to drive Royal Enfield volumes at the cost of margins, while its international business is also forming a good base. Mahindra & Mahindra continues to see increasing traction for its UVs and tractors and continues to outperform the market. While key auto ancillary companies continue to face global headwinds.

### Margin to improve QoQ for OEMs on operating leverage, lower RM costs

Overall, we expect EBITDA margin to improve QoQ for OEMs on better operating leverage and softer RM costs. Additionally, we expect Mahindra & Mahindra, Maruti Suzuki, TVS Motor and Hero MotoCorp to also be hit by auto expo costs. Price hikes taken by OEMs QoQ should get partially negated by discounts, though discounts will be lower QoQ due to seasonal factors. Ashok Leyland and Tata Motors CV margins to improve QoQ on better operating leverage. Key mix change is being seen in Maruti Suzuki with a higher mix of the passenger car segment.

### Auto ancillary companies facing headwinds from global markets

Global demand environment remains subdued, and it could impact key ancillary companies like SAMIL, Bharat Forge, Balkrishna Industries, Apollo Tyres and Endurance Technologies, among others. Tyre companies could see some respite on RM costs QoQ, considering there should not be much of the higher cost inventory left in the system. We expect Endurance Technologies to see RM cost impact due to higher aluminum prices. Bharat Forge could continue to see a decline in YoY revenues on sluggish domestic CV demand, global auto and industrial demand, as well as slower ramp up of defense revenues. A key surprise impact on margins could come on key export companies, especially Balkrishna Industries, if higher ocean freight costs from November and December 2024 hit the Q4 financials due to the lag effect.

### Tariffs and global uncertainty

Auto companies could face business headwinds for a longer period on higher US tariffs and complex global supply chains that may witness a structural impact. Even domestic companies could remain under pressure if India were to give favourable trade terms for import of cars, especially EVs, which could then impact the domestic PV players as well. Global facing auto components companies to remain under pressure as even non-US exports could see an impact considering that some of the non-US exports would still have the US as the end consumer market. Though we do not expect the 25% tariffs by the US on cars and auto components to sustain, we do expect some of the 25% tariff to be retained and for it to also be country and product specific. Hence, we have cut our FY26 and FY27 estimates meaningfully for key global companies like Tata Motors, Bharat Forge, Samvardhana Motherson and Suprajit Engineering, to factor in the same.

### Top picks

In light of the global uncertainty, we continue to maintain our top picks in domestic facing stocks like Maruti Suzuki and Ashok Leyland, where we see positive structural stories playing out over the medium term.

Companies	CMP (INR)	TP (INR)	Rating
<b>Autos</b>			
Ashok Leyland	205	286	BUY
Bajaj Auto	7,574	7,711	REDUCE
Eicher Motor	5,255	5,818	ADD
Hero MotoCorp	3,609	4,424	BUY
M&M	2,581	2,943	ADD
Maruti Suzuki	11,462	14,858	BUY
Tata Motors	583	612	REDUCE
TVS Motor	2,475	2,599	ADD
<b>Ancillaries</b>			
Apollo Tyres	408	367	SELL
Balkrishna Ind	2,280	2,042	SELL
Bharat Forge	971	1,118	BUY
Endurance Technologies	1,852	2,032	ADD
Motherson Sumi Wiring	51	56	ADD
Samvardhana Motherson	113	126	ADD
International Sansera Engineering	1,027	1,171	ADD
Suprajit Engineering	374	427	ADD

CMP as on 9 April 2025

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## Exhibit 1: Change in Estimates/Rating

Company	CMP (INR)	Rating		TP (INR)		Target P/E (x)		Old EPS		New EPS		Change %	
		New	Old	Old	New	Old	New	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
Auto													
Ashok Leyland	205	BUY	BUY	281	286	18	17	12.2	15.1	12.3	14.8	0.1	(1.6)
Bajaj Auto	7,574	REDUCE	REDUCE	8,108	7,711	21	20	346.0	394.3	337.1	381.6	(2.6)	(3.2)
Eicher Motors	5,255	ADD	ADD	5,587	5,818	SOTP	SOTP	174.3	207.5	178.4	205.7	2.4	(0.9)
Hero MotoCorp	3,609	BUY	BUY	5,038	4,424	SOTP	SOTP	267.0	299.4	257.0	289.0	(3.8)	(3.4)
Mahindra & Mahindra	2,581	ADD	ADD	3,466	2,943	SOTP	SOTP	115.0	135.1	111.2	127.9	(3.3)	(5.3)
Maruti Suzuki	11,462	BUY	BUY	14,839	14,858	24	24	543.6	618.3	542.3	619.1	(0.2)	0.1
Tata Motors	583	REDUCE	REDUCE	718	612	SOTP	SOTP	76.3	94.7	66.5	85.1	(12.8)	(10.2)
TVS Motors	2,475	ADD	ADD	2,620	2,599	29	28	71.2	88.5	69.3	86.4	(2.7)	(2.3)
Auto Ancillaries													
Apollo Tyres	408	SELL	SELL	376	367	11.5	11	27.6	34.4	26.3	33.3	(5.0)	(3.2)
Balkrishna Industries	2,280	SELL	SELL	2,092	2,042	19	19	97.4	114.4	94.2	107.5	(3.3)	(6.0)
Bharat Forge	971	BUY	BUY	1,273	1,118	27	25	37.9	50.2	31.9	44.7	(15.9)	(11.0)
Endurance Technologies	1,852	ADD	ADD	2,179	2,032	24	23	74.8	96.1	69.1	88.3	(7.6)	(8.1)
Motherson Sumi Wiring	51	ADD	ADD	59	56	28	27	1.8	2.2	1.7	2.1	(3.3)	(6.1)
Samvardhana Motherson	113	ADD	ADD	144	126	16	15	7.6	9.5	6.6	8.4	(12.3)	(11.6)
Sansera Engineering	1,027	ADD	ADD	1,335	1,171	18	16	59.6	79.0	55.6	73.2	(6.7)	(7.4)
Suprajit Engineering	374	ADD	ADD	439	427	21	21	17.9	21.9	16.4	20.3	(8.7)	(7.3)

Source: HSIE Research

## Exhibit 2: Valuation Summary

Company	Mcap (INR bn)	CMP (INR)	TP (INR)	RECO	EPS (INR)				P/E (x)				RoE %				Rev CAGR	EPS CAGR
					FY24	FY25E	FY26E	FY27E	FY24	FY25E	FY26E	FY27E	FY24	FY25E	FY26E	FY27E		
Auto																		
Ashok Leyland	601	205	286	BUY	9.2	10.6	12.3	14.8	22.2	19.4	16.7	13.8	31.5	32.5	31.9	31.4	8.5	17.1
Bajaj Auto	2,114	7,574	7,711	REDUCE	267.9	300.1	337.1	381.6	28.3	25.2	22.5	19.8	29.7	32.2	33.1	33.8	12.5	12.5
Eicher Motors	1,439	5,255	5,818	ADD	136.9	154.1	178.4	205.7	38.4	34.1	29.5	25.6	26.2	24.8	24.6	24.3	14.6	14.5
Hero MotoCorp	721	3,609	4,424	BUY	206.5	232.3	257.0	289.0	17.5	15.5	14.0	12.5	23.8	24.7	25.1	26.1	10.5	11.9
Mahindra & Mahindra	3,092	2,581	2,943	ADD	89.5	99.0	111.2	127.9	28.8	26.1	23.2	20.2	22.9	21.3	20.1	19.9	14.6	12.7
Maruti Suzuki	3,604	11,462	14,858	BUY	420.1	472.8	542.3	619.1	27.3	24.2	21.1	18.5	18.3	16.6	16.9	17.1	10.4	13.8
Tata Motors	2,234	583	612	REDUCE	56.2	58.7	66.5	85.1	10.4	9.9	8.8	6.9	33.1	23.7	21.9	23.0	6.9	14.8
TVS Motors	1,176	2,475	2,599	ADD	43.8	52.6	69.3	86.4	56.5	47.0	35.7	28.6	30.2	28.6	29.7	29.1	16.1	25.4
Auto Ancillaries																		
Apollo Tyres	259	408	367	SELL	27.1	19.4	26.3	33.3	15.0	21.0	15.5	12.2	13.4	9.0	11.0	13.0	6.8	7.1
Balkrishna Industries	441	2,280	2,042	SELL	74.4	87.1	94.2	107.5	30.7	26.2	24.2	21.2	17.5	17.6	16.6	16.6	9.4	13.1
Bharat Forge	452	971	1,118	BUY	19.8	23.0	31.9	44.7	49.1	42.3	30.5	21.7	13.3	14.2	17.6	21.5	7.5	31.3
Endurance Technologies	261	1,852	2,032	ADD	48.4	54.6	69.1	88.3	38.3	33.9	26.8	21.0	14.5	14.5	16.2	18.0	14.3	22.2
Motherson Sumi Wiring	226	51	56	ADD	1.4	1.3	1.7	2.1	35.5	38.2	29.5	24.7	42.4	33.2	37.8	39.2	11.8	12.8
Samvardhana Motherson	766	113	126	ADD	4.3	5.5	6.6	8.4	26.5	20.4	17.0	13.5	11.9	13.6	14.7	16.5	12.3	25.3
Sansera Engineering	55	1,027	1,171	ADD	34.6	39.5	55.6	73.2	29.6	26.0	18.5	14.0	14.8	14.7	18.0	20.0	15.3	28.3
Suprajit Engineering	52	374	427	ADD	12.1	10.4	16.4	20.3	31.0	35.8	22.9	18.4	12.9	10.3	14.8	16.4	13.3	18.9

Source: HSIE Research

## Exhibit 3: Q4FY25 Auto OEM Estimates

Company	Revenue			EBITDA Margin (%)			PAT			Comment
	Q4 FY25E	YoY (%)	QoQ (%)	Q4 FY25E	YoY (bps)	QoQ (bps)	Q4 FY25E	YoY (%)	QoQ (%)	
Ashok Leyland	1,22,688	8.9	29.4	14.2	3 bps	138 bps	11,618	19.8	52.5	Realizations to improve 1.5% QoQ led by price hike, lower mix of LCV and higher mix of exports. EBITDA margin to improve to 138bps QoQ, mainly led by operating leverage and continued cost cutting initiatives.
Bajaj Auto	1,18,969	3.6	-7.1	20.0	-89 bps	-68 bps	19,644	1.5	-6.8	Realizations to improve 3% QoQ led by price hikes, better forex realizations and mix. Lower operating leverage to lower EBITDA margin QoQ
Eicher Motor	51,717	23.4	5.4	25.4	-219 bps	43 bps	11,362	15.5	7.6	Revenue to improve 5% QoQ, led by both higher volumes and better realizations on improved mix of exports and >350cc bikes. Additionally, operating leverage to further aid margin QoQ.
Hero MotoCorp	97,745	2.7	-4.3	14.4	12 bps	-6 bps	11,145	9.7	-7.3	Realizations to improve 1.5% QoQ on better exports mix, higher EV mix and slightly lower discounts QoQ. RM benefit should be partially offset by ramp up of EV sales and that too led by the affordable EV scooters. Other expenses should have seasonally lower marketing costs QoQ, though would be partially negated by lower operating leverage, higher auto expo costs.
M&M	2,95,407	17.6	-3.3	14.1	117 bps	-56 bps	24,464	13.3	-17.5	EBIT margin to decline QoQ to 17.0% for the farm segment on lower operating leverage, and to decline to 9.1% for the auto segment due to impact from contract manufacturing margin for the e-PV segment
Maruti Suzuki	4,12,028	7.8	7.0	11.7	-59 bps	5 bps	37,816	-2.5	7.3	ASP to increase 0.5% QoQ as price hikes would be partially negated by discounts, adverse mix and lower operating leverage as additional capacity (Kharkhoda plant) got commissioned. Auto expo costs to hit other expenses.
Tata Motors	12,19,962	1.7	7.4	12.7	-151 bps	118 bps	72,109	11.4	32.7	JLR EBIT margin to be 10.3% on better operating leverage and continuing lower depreciation as the company extends its current platforms on delay of EV plans. CV EBITDA margin to be 12.4% on better operating leverage as volumes grew 10% QoQ. CV realizations to grow 3% QoQ led by price hike and lower mix of SCV sales. PV EBITDA margin to improve marginally QoQ to 7.9% on better operating leverage, lower EV mix.
TVS Motor	92,665	13.4	1.9	11.9	57 bps	2 bps	6,428	32.4	3.9	Revenue to improve 2% QoQ, led by better dollar realizations. Margins to be stable QoQ as better mix and cost reduction to be negated by auto expo costs. We have not yet factored in any PLI benefit for Q4, as we await clarity from the management on the accounting of the same.
<b>Total</b>	<b>24,11,181</b>	<b>5.8</b>	<b>5.2</b>	<b>13.4</b>	<b>-74 bps</b>	<b>52 bps</b>	<b>194,586</b>	<b>8.7</b>	<b>10.1</b>	

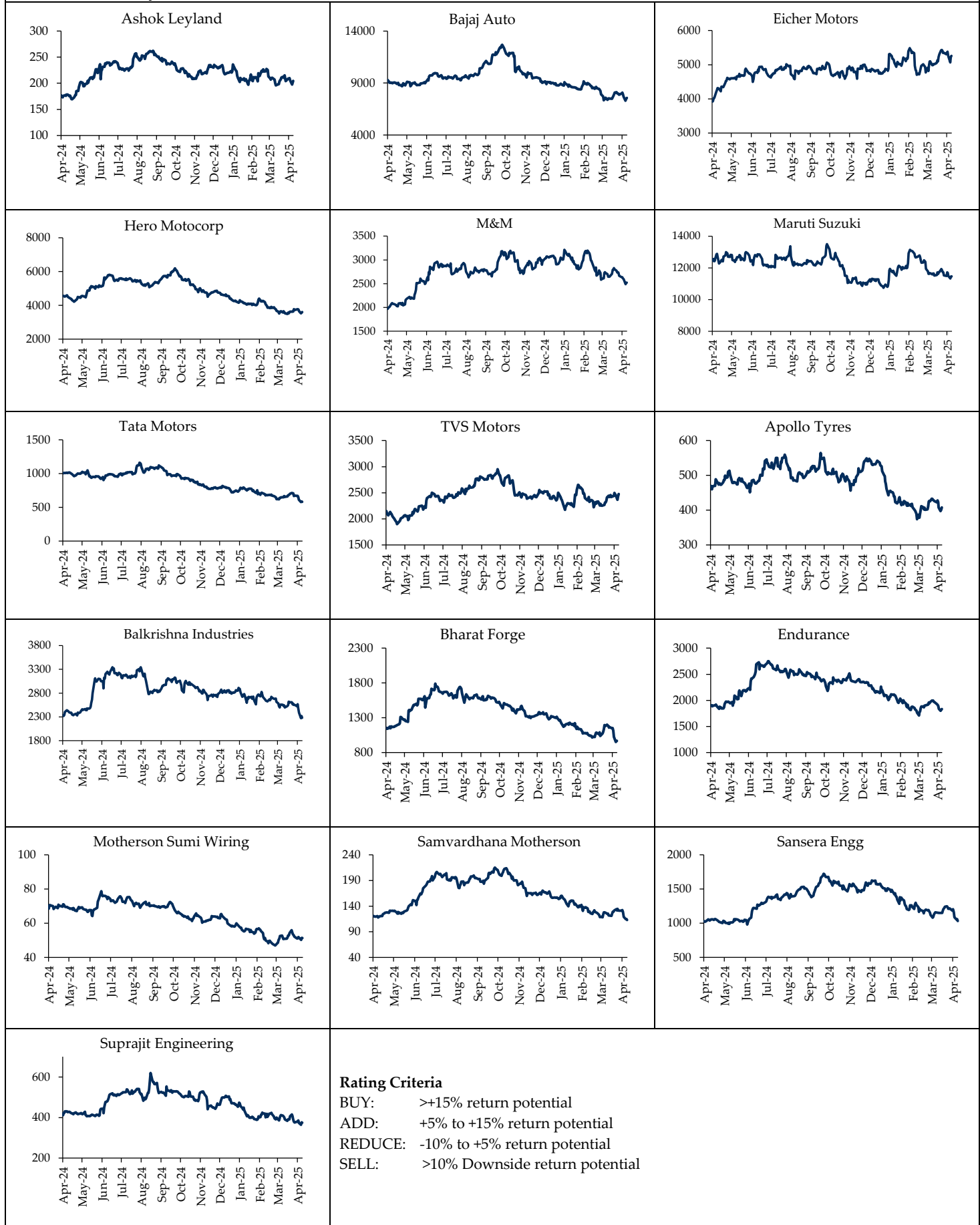
Source: HSIE Research

## Exhibit 4: Q4FY25 Auto Ancillary Estimates

Company	Revenue			EBITDA Margin (%)			PAT			Comment
	Q4 FY25E	YoY (%)	QoQ (%)	Q4 FY25E	YoY (bps)	QoQ (bps)	Q4 FY25E	YoY (%)	QoQ (%)	
Apollo Tyres	66,795	6.7	-3.6	13.0	-342 bps	-67 bps	3,083	-18.8	-9.4	We expect EBITDA margin to be under pressure QoQ as minor RM benefit should be more than negated by lower operating leverage in the European operations.
Balkrishna Industries	26,590	-1.4	3.4	24.4	-150 bps	-42 bps	4,165	-13.4	-5.2	Revenue to increase 3.4% QoQ led by seasonal growth in volumes. EBITDA margin to decline 42bps QoQ to 24.4% led by higher raw material costs that are hitting the financials with a lag
Bharat Forge	21,841	-6.2	4.2	29.0	71 bps	-8 bps	3,590	-10.2	3.5	Standalone revenue to degrow YoY on subdued global environment and slowing defence revenues. EBITDA margin to remain stable QoQ.
Endurance Technologies	29,248	8.9	2.3	12.5	-199 bps	-52 bps	1,765	-16.0	-4.3	QoQ revenue growth to be led by the fast growing alloy wheel and disc brake business as well as the aftermarket segment. EBITDA margin to be impacted by higher RM, employee costs.
Motherson Sumi Wiring	24,113	8.0	4.8	10.6	-243 bps	29 bps	1,521	-20.6	8.6	Ramp up of new facilities, and operating leverage to drive revenues and margin expansion QoQ
Samvardhana Motherson	2,87,505	6.3	3.9	10.0	-87 bps	27 bps	9,985	-27.2	13.6	Revenue to grow QoQ on execution of healthy orderbook and better integration of recent acquisitions.
Sansera Engineering	7,604	1.9	4.5	17.4	41 bps	-1 bps	566	22.8	1.6	
Suprajit Engineering	8,944	14.2	7.6	11.8	-25 bps	14 bps	477	-19.4	42.7	
<b>Total</b>	<b>4,72,640</b>	<b>5.5</b>	<b>2.8</b>	<b>12.4</b>	<b>-145 bps</b>	<b>-1 bps</b>	<b>25,150</b>	<b>-19.9</b>	<b>4.0</b>	

Source: HSIE Research

## 1 Yr Price history



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