

**AUTO Q4FY24 PREVIEW: OEMS CONTINUE TO DELIVER ROBUST GROWTH PERFORMANCE**

**Auto OEMs:** We expect Revenue/EBITDA/PAT for our OEM coverage universe to grow by ~15%/35%/36% YoY along with ~218bps improvement in EBITDA margin. The growth will be driven by i) Double-digit volume growth in 2Ws and ii) high single-digit growth for PVs, partially offset by Single/Mid-teen YoY decline in the CV and tractor volumes respectively. The YoY EBITDA margin expansion will be led by a richer product mix, RM softening and price hikes taken over the last one year.

On a sequential basis, the Revenue/EBITDA/PAT growth for Q4FY24 is expected to moderate to ~7%/12%/11% with ~68bps EBITDA margin improvement. The sequential growth in margin is led by an uptick in PV (Maruti) and CV (Ashok Leyland) wholesale volumes being partly offset by 2W/tractors; richer product mix across all segments and continued benefits from RM tailwinds.

**Operating Performance of Auto OEMs:** In Q4FY24, OEMs under our coverage are likely to report a YoY/QoQ margin expansion of 218/68bps on an aggregate basis, mainly led by richer product mix, RM softening, and price hikes taken over the last year. In **2Ws**, we estimate EBITDA margins to expand 87/123/36/300bps for **TVS/Hero/Bajaj/RE** on a YoY basis.

EBITDA margins for **Maruti** are likely to improve by 300bps YoY (175bps QoQ) on price hikes, richer product mix, and RM tailwinds over the last year.

**For Escorts Kubota**, we foresee ~82bps YoY margin improvement, led by price increases in the Tractor segment and operating leverage in the ECE segment (however, ~200bps QoQ decline on lower tractor volumes and slower ramp-up in the railway division). EBITDA margins for **Ashok Leyland** are likely to improve by 254bps YoY (up 150bps QoQ) on higher ASP and RM tailwinds over the last year.

**For Auto ancillaries** under our coverage, we estimate Revenue/EBITDA in Q4FY24 to grow by approximately 13.6%/11.6% on a YoY basis for Auto Ancillaries under our coverage, driven by double-digit sales volume growth in 2Ws, high single-digit volume growth in PVs, partly offset by single/mid-teen digit volume decline in the CV/tractor industry. We expect revenue growth of 5% QoQ and EBITDA to grow by around 8% QoQ due to the premiumization trend in 2Ws and PVs, flat raw material prices, and cost control efforts across auto ancillaries, partly offset by negative operating leverage for some auto ancillaries. Adjusted PAT growth is approximately 5.8%/5.9% on a YoY/QoQ basis.

**Operating Performance of Auto Ancillaries:** Operational performance of the Auto Ancillaries will be aided by: a) Improved volumes for Auto Ancillaries specifically catering to the 2W industry and premium segment in the PV sector. b) Automation and cost control efforts undertaken by the segment companies. Revenue and profitability are expected to gradually improve in the European business on account of increased PV volumes. **Endurance Tech:** Revenue is expected to grow by approximately 17.6% YoY and 2.6% QoQ, driven by an improvement in overall Indian 2W production volumes and product premiumization. Additionally, there is anticipated growth in European subsidiary revenues (in INR terms) due to an increase in PV production volume after a seasonally weak quarter. **Automotive Axles Ltd:** Revenues are expected to increase by around 13% QoQ, attributed to the recovery in CV segment sales, particularly from Ashok Leyland.

**Minda Corp:** Revenue is expected to improve by approximately 4.7% QoQ, driven by growth in 2W, PV, and the premiumization trend. **Uno Minda:** Revenue is projected to increase by about 8% QoQ, primarily due to higher PV industry production volumes and the ramp-up of new order wins, partially offset by lower ASPs in the LMT division.

**Sansera Engineering:** Revenue is expected to improve by approximately 1.4% on a QoQ basis, driven by higher revenue from the Indian 2W and Aerospace division, partially offset by lower business from key OEMs in the EU.

**Input Cost:** In Q4FY24, average steel HRC prices (ex-Mumbai traders market), Zn, and Ni experienced a decline of 1-4% QoQ. Similarly, Platinum and Palladium prices decreased by 1% and 11% respectively on a QoQ basis, while AL and Cu prices saw a slight increase of 0-3% QoQ. Although these price movements may have some positive impact on margins, we do not anticipate additional tailwinds from the commodity complex in the near future.

**Outlook:** The growth drivers for the sector remain positive, particularly in the 2W segment, where expectations of favourable monsoons, the marriage season, revival in rural demand, and exports will play crucial roles in H1FY25 and beyond. PV sales are expected to moderate on a high base, while new product launches from certain OEMs in the SUV segment by mid-FY25 are anticipated to drive growth, although sluggish demand may persist for entry-level vehicles. For CVs, increased government spending on infrastructure post-elections is expected to be favourable in the long term; however, in the near term, we anticipate flat to low-single-digit growth due to the prevailing high base. Tractor volumes witnessed an early double-digit decline in FY24 and may continue to see similar trends in the near term leading up to elections.

Given these factors, we remain selective in our approach to OEMs under our coverage. We prefer TVS and Eicher Motors in the OEMs, and CIE Automotive and Sansera Engineering in the Auto Ancillary space.

**Q4FY24 Earnings Play:**

**Auto OEMs:** Maruti Suzuki; Ashok Leyland; Eicher Motors

**Auto Ancillary:** Minda Corp; Sansera Engineering

## AUTO OEMs

Year-end March(Rs Cr)	Q4FY24E	Q3FY24	QoQ(%)	Q4FY23	YoY(%)	Result expectations
<b>Ashok Leyland</b>						
Volumes (in units)	56,269	47,241	19.1%	59,697	-5.7%	
Revenues	11,232	9,273	21.1%	11,626	-3.4%	→ Revenues are expected to decline by 3.4% YoY led by 5.7% decline in volumes; partly offset by higher ASP due to higher defense mix.
EBITDA	1,518	1,114	36.3%	1,276	19.0%	
EBITDA margin (%)	13.5	12.0		11.0		→ EBITDA margins likely to improve 254 bps YoY (up 150 bps QoQ) on higher ASP and RM tailwinds over the last one year.
PAT	881	580	51.8%	751	17.2%	
EPS (Rs)	3.0	2.0	51.7%	2.4	23.7%	
<b>Escorts Kubota (Cons)</b>						
Revenues	2,070	2,342	-11.6%	2,214	-6.5%	→ Revenues to decline by 6.5% YoY led by (1)14% YoY decline in tractor volumes (2) Slower than expected ramp up in in railway segment revenues; partly offset by (3) by Increase in construction equipment segment revenues driven by 18% YoY higher volumes.
EBITDA	235	314	-25.3%	233	0.8%	
EBITDA margin (%)	11.4	13.4		10.5		→ EBITDA margins likely to improve 82 bps YoY (decline 200 bps QoQ) on account of (1) price increase in Tractor segment. (2) Operating leverage in ECE partly offset by lower tractor volumes on a YoY/QoQ basis. QoQ margin decline is due to negative operating leverage in tractor and railway division.
PAT	221	284	-22.3%	216	2.0%	
EPS (Rs)	20.4	26.2	-22.3%	20.0	1.9%	

## AUTO OEMs (Cont'd)

Year-end March (Rs Cr)	Q4FY24E	Q3FY24	QoQ(%)	Q4FY23	YoY(%)	Result expectations
<b>Maruti Suzuki</b>						
Volumes (in units)	5,84,031	5,01,207	16.5%	5,14,927	13.4%	→ Total units sold increased by 13.4% YoY. Growth was led by higher sales of SUV segment (up 71.5% YoY) and exports (up 21%YoY).
Revenues	38,585	33,309	15.8%	32,048	20.4%	→ We expect total revenue to increase by ~20.4% YoY due to higher overall unit sales, better product mix- Higher absolute nos of SUV and export sales.
EBITDA	5,204	3,908	33.2%	3,350	55.3%	→ EBITDA to outpace the topline growth YoY led by richer product mix (higher share of SUV), price hikes taken during the period and RM cost tailwinds.
EBITDA margin (%)	13.5	11.7		10.5		
PAT	4,064	3,130	29.8%	2,624	54.9%	→ EBITDA margins likely to improve 300 bps YoY ( up 175 bps QoQ) on price hikes, richer product mix, favorable forex and RM tailwind over the last year.
EPS (Rs)	132.3	101.9	29.8%	86.9	52.3%	
<b>TVS Motors</b>						
Volumes (in units)	10,62,529	11,00,843	-3.5%	8,68,417	22.4%	→ Revenues are expected to increase by ~21.7% YoY in Q4FY24 led by (1) 22.4% YoY increase in volumes partly offset by decline in ASPs due to higher mix of exports (mainly entry level mc).
Revenues	8,041	8,245	-2.5%	6,605	21.7%	→ EBITDA margins is expected to increase by ~87 bps YoY (flat QoQ) led by higher operating leverage, RM tailwinds partly offset by margin dilutive mix of EV scooters.
EBITDA	897	924	-2.9%	680	32.0%	
EBITDA margin (%)	11.2	11.2		10.3		
PAT	542	593	-8.7%	410	32.1%	
EPS (Rs)	11.4	12.5	-8.7%	8.6	32.1%	

## AUTO OEMs (Cont'd)

Year-end March (Rs Cr)	Q4FY24E	Q3FY24	QoQ(%)	Q4FY23	YoY(%)	Result expectations
<b>Hero MotoCorp Ltd</b>						
Volumes (in units)	13,92,422	14,59,932	-4.6%	12,70,492	9.6%	
Revenues	9,468	9,724	-2.6%	8,307	14.0%	→ Revenue is expected to increase by ~14% YoY led by ~10% increase in volumes, higher ASPs due to price hikes taken during the year, premiumization trend and recovery in entry level motorcycle.
EBITDA	1,351	1,362	-0.8%	1,083	24.7%	
EBITDA margin (%)	14.3	14.0		13.0		→ EBITDA margin is likely to improve 123 bps YoY (30 bps QoQ) ; mainly driven by (1) richer product mix (higher sale of premium motorcycles), (2) commodity tailwinds, price hikes and lower other expenses; partly offset by negative operating leverage.
PAT	1,052	1,073	-2.0%	859	22.5%	
EPS (Rs)	52.7	53.7	-2.0%	35.5	48.2%	
<b>Bajaj Auto Ltd</b>						
Volumes (in units)	10,68,576	12,00,997	-11.0%	8,60,271	24.2%	
Revenues	11,172	12,114	-7.8%	8,905	25.5%	→ We expect total revenues to increase by ~25.5% YoY, led by (1) 24.2% YoY increase in volumes and (2) increase in ASPs on account of higher mix of the premium 2W segments expansion and price increases; partly offset by lower 3W volumes in the mix.
EBITDA	2,194	2,430	-9.7%	1,717	27.8%	
EBITDA margin (%)	19.6	20.1		19.3		→ EBITDA margin is expected to improve by ~36 bps YoY (decline 40 bps QoQ) led by (1) Richer Product Mix (2) Commodity Tailwinds, partly offset by negative operating .leverage.
PAT	1,853	2,042	-9.3%	1,433	29.3%	
EPS (Rs)	65.5	72.2	-9.3%	50.7	29.2%	

## AUTO OEMs (Cont'd)

Year-end March (Rs Cr)	Q4FY24E	Q3FY24	QoQ(%)	Q4FY23	YoY(%)	Result expectations
<b>Eicher Motors Ltd (standalone)</b>						
Volumes (in units)	2,27,673	2,28,073	-0.2%	2,18,525	4.2%	→ Total RE revenue expected to increase by 8.4% YoY in Q4FY24, led by ~4% YoY increase in volumes and increase in ASPs due to price increases taken in the last one year.
Revenues	4,153	4,054	2.4%	3,831	8.4%	
EBITDA	1,150	1,115	3.2%	945	21.8%	→ EBITDA margins to improve ~300 bps YoY (up 20 bps QoQ) despite muted volumes led by commodity tailwind, lower mix of hunter and higher mix of exports being partly offset by higher advertisement and marketing expenses.
EBITDA margin (%)	27.7	27.5	0.20	24.7	3.04	
PAT	950	914	4.0%	747	27.2%	
EPS (Rs)	34.7	33.4	4.0%	27.3	27.1%	

## AUTO ANCILLARY

Year-end March (Rs Cr)	Q4FY24E	Q3FY24	QoQ(%)	Q4FY23	YoY(%)	Result expectations
<b>Automotive Axles</b>						
Revenues	610	541	12.7%	693	-12.0%	→ We expect revenues to increase by ~13% QoQ on account of recovery in CV segment sales (Ashok Leyland).
EBITDA	67	58	15.9%	78	-13.7%	
EBITDA margin (%)	11.0	10.7		11.2		→ EBITDA margins are expected to improve by ~30 bps QoQ on better operations and cost control efforts.
PAT	45	39	13.8%	51	-12.4%	
EPS (Rs)	29.5	25.9	13.8%	33.6	-12.4%	
<b>Endurance Tech</b>						
Revenues	2,627	2,561	2.6%	2,234	17.6%	→ Revenue is expected to grow ~17.6%/2.6% YoY/QoQ owing to improvement in overall India 2W production volumes and ramp up in ABS and alloy wheel division; and increase in European subsidiary revenues (in INR terms) after a seasonally weak quarter.
EBITDA	319	299	6.8%	285	11.9%	
EBITDA margin (%)	12.2	11.7		12.8		
PAT	159	152	4.7%	136	16.8%	→ We estimate EBITDA margin to improve by ~50 bps QoQ on account of operating leverage benefits.
EPS (Rs)	11.3	10.8	4.7%	9.7	16.8%	



## AUTO ANCILLARY (Cont'd)

Year-end March (Rs Cr)	Q4FY24E	Q3FY24	QoQ(%)	Q4FY23	YoY(%)	Result expectations
<b>Minda Corp</b>						
Revenues	1,220	1,166	4.7%	1,075	13.6%	→ Revenue is expected to improve by ~4.7% QoQ led by growth in 2W, PV and premiumization trend.
EBITDA	140	130	7.5%	117	19.4%	
EBITDA margin (%)	11.4	11.1		10.9		→ EBITDA to improve by ~7.5% QoQ and EBITDA margins to slightly improve by ~30 bps QoQ on the back of richer product mix and premiumization trend.
PAT	62	52	18.6%	50	25.4%	
EPS (Rs)	2.6	2.2	18.6%	2.1	25.4%	
<b>Steel Strip Wheels (SSWL)</b>						
Revenues	1,064	1,110	-4.2%	1,005	5.9%	→ Revenue to degrow 4% QoQ led by lower overall volumes and decline in ASP due to poor product mix (lower mix of alloy wheels,CV and tractors) .
EBITDA	107	117	-8.4%	108	-1.4%	
EBITDA margin (%)	10.0	10.5		10.8		→ EBITDA margin is expected to decline by 50 bps QoQ due to poor product mix and start up costs in AMW plant.
PAT	50	59	-15.3%	47	6.2%	
EPS (Rs)	3.2	3.8	-15.3%	3.0	6.3%	→ We expect effective tax rate to be at 23% in Q3 (16% in Q3FY24 )

## AUTO ANCILLARY (Cont'd)

Year-end March (Rs Cr)	Q4FY24E	Q3FY24	QoQ(%)	Q4FY23	YoY(%)	Result expectations
<b>UNO Minda Ltd</b>						
Revenues	3,806	3,523	8.0%	2,889	31.7%	→ We expect revenue to improve by ~8% QoQ basis due to higher PV industry production volumes and ramp up of new order wins being partly offset by lower ASPs in LMT division.
EBITDA	430	380	13.3%	319	34.7%	
EBITDA margin (%)	11.3	10.8		11.1		→ We expect EBITDA to improve by ~13% QoQ following the topline.
PAT	193	193	0.0%	183	5.9%	→ We expect EBITDA margin to improve by 50 bps qoq in Q4FY24 on account of operating leverage and ramp up of new facilities.
EPS (Rs)	3.4	3.4	0.0%	3.2	5.7%	
<b>Sansera Engineering Ltd</b>						
Revenues	723	713	1.4%	619	16.8%	→ We expect revenue to improve by ~1.4% on a QoQ basis on account of higher revenue from Indian 2W and Aerospace division partly offset by lower business from key OEMs in EU.
EBITDA	124	121	2.6%	96	28.8%	→ We expect EBITDA to increase by ~2.6% QoQ led by growth in 2W industry volumes(Bajaj and TVS) leading to operating leverage and richer product mix (aerospace division).
EBITDA margin (%)	17.1	16.9		15.5		
PAT	52	48	8.0%	35	47.5%	→ We expect EBITDA margin to improve by ~20 bps qoq in Q4FY24 on account of operating leverage and richer product mix partly offset by slower than expected EU production.ramp up .
EPS (Rs)	9.8	9.0	8.7%	6.6	47.2%	

## AUTO ANCILLARY (Cont'd)

Year-end Dec (Rs Cr)	Q1CY24Y	Q4CY23	QoQ(%)	Q1CY23	YoY(%)	Result expectations
<b>CIE Automotive Ltd</b>						
Revenues	2,393	2,240	6.8%	2,440	-1.9%	→ Revenue is expected to increase by 7% qoq in Q1CY24, led gradual ramp up in Metalcastello business; and an uptick in Indian 2W/PV industry PV production volumes.
EBITDA	359	327	9.6%	381	-5.7%	
EBITDA margin (%)	15.0	14.6		15.6		→ Consolidated EBITDA margins is expected to increase by 40 bps QoQ mainly due to operating leverage benefits in India operations.
PAT	202	177	14.3%	220	-8.1%	
EPS (Rs)	5.3	4.7	14.4%	5.8	-8.1%	

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- 5.

Sr. No	Name	Designation	E-mail
1	Neeraj Chadawar	Head of Research	<a href="mailto:neeraj.chadawar@axissecurities.in">neeraj.chadawar@axissecurities.in</a>
2	Preeyam Tolia	Research Analyst	<a href="mailto:preeyam.tolia@axissecurities.in">preeyam.tolia@axissecurities.in</a>
3	Omkar Tanksale	Research Analyst	<a href="mailto:omkar.tanksale@axissecurities.in">omkar.tanksale@axissecurities.in</a>
4	Uttamkumar Srimal	Research Analyst	<a href="mailto:uttamkumar.srimal@axissecurities.in">uttamkumar.srimal@axissecurities.in</a>
5	Ankush Mahajan	Research Analyst	<a href="mailto:ankush.mahajan@axissecurities.in">ankush.mahajan@axissecurities.in</a>
6	Dnyanada Vaidya	Research Analyst	<a href="mailto:dnyanada.vaidya@axissecurities.in">dnyanada.vaidya@axissecurities.in</a>
7	Aditya Welekar	Research Analyst	<a href="mailto:aditya.welekar@axissecurities.in">aditya.welekar@axissecurities.in</a>
8	Prathamesh Sawant	Research Analyst	<a href="mailto:prathamesh.sawant@axissecurities.in">prathamesh.sawant@axissecurities.in</a>
9	Akshay Mokashe	Research Analyst	<a href="mailto:akshay.mokashe@axissecurities.in">akshay.mokashe@axissecurities.in</a>
10	Shikha Doshi	Research Associate	<a href="mailto:shikha.doshi@axissecurities.in">shikha.doshi@axissecurities.in</a>
11	Shridhar Kallani	Research Associate	<a href="mailto:shridhar.kallani@axissecurities.in">shridhar.kallani@axissecurities.in</a>
12	Bhavya Shah	Research Associate	<a href="mailto:bhavya1.shah@axissecurities.in">bhavya1.shah@axissecurities.in</a>
13	Suhanee Shome	Research Associate	<a href="mailto:suhanee.shome@axissecurities.in">suhanee.shome@axissecurities.in</a>
14	Shivani More	Research Associate	<a href="mailto:shivani.more@axissecurities.in">shivani.more@axissecurities.in</a>

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