Q3FY25E Auto & Auto Ancillary Services result Preview

Result Preview

07th Jan 2025

Auto & Ancillaries Sector

Q3FY25 Volume growth led by strong Export and PV sales performance

COVERAGE STOCKS- Auto OEMs

Company	CMP* (INR)	Target* (INR)	Upside (%)	Recommendation
Maruti Suzuki (MSIL)	11,715	13,407	14.44%	BUY
Bajaj Auto (BJAUT)	8,807	11,446	29.96%	ACCUMULATE
Tata Motors (TTMT)	793	989	24.72%	ACCUMULATE
Ashok Leyland (AL)	224	252	12.50%	ACCUMULATE

MARKET DATA

	Close	1M (%)	YTD (%)
Nifty 50	23,708	-3.9%	-0.15%
Sensex	78,199	3.2%	-0.39%
Nifty Auto Index	23,482	2.0%	1.48%
USD/INR	85.71	1.23%	0.08%

**Note: Target price and recommendation will be reviewed post detailed Q3FY25E result analysis and conference call of the said companies.*
 # TA: Target Achieved
Source: NSE, Data as of 07th Jan 2025

SECTOR OVERVIEW

➢ PV excels, while domestic 2W falls short of expectations

- In Q3FY25, the auto OEM sector showed mixed performance across segments. PV OEMs saw strong growth during the festive season, fueled by higher demand for hatchbacks and increased discounts particularly in MSIL. In contrast, the 2W segment showed weakness, with flat domestic sales YoY, indicating a post-festive slowdown. CV demand remained subdued, as top OEMs posted flat YoY growth.
- In Q3FY25, sales volume varied across categories within our coverage. Bajaj Auto's 2-wheelers posted flat growth of 1.4% YoY, reflecting a slowdown in demand post-festive season. PV sales, however, rose by 4.7% YoY, driven by strong festive season demand, which helped recover from a weaker first half of the fiscal year. The CV segment continued to face challenges, with overall market weakness despite positive demand in the buses segment.
- In our coverage, export sales demonstrated robust growth of 24.4% YoY (17.8% QoQ). This recovery in export markets supported overall sales volume for Q3FY25, helping to offset the weaker domestic performance, which was declining by 2.3% YoY.
- The near-term outlook for automobile retail remains cautiously optimistic, supported by strong rural demand and new launches expected to drive sales in 2W, PV, and CV segments. However, weak urban growth and adverse macroeconomic factors may limit further sales growth in the upcoming quarters.
- For Q3FY25E, in our OEM coverage we expect, overall revenue to grow 9.6% YoY (12.7% QoQ), leading by MSIL which expected to grow 18.0% YoY, driven by strong demand in the PV-SUV segments, while TTMT is expected to grow 8.0% YoY, supported by a positive JLR outlook for H2FY25E.
- However, Ashok Leyland is likely to experience a 2.8% YoY decline due to weak M&HCV demand. After strong growth in Q2FY25, BJAUT's sales growth is expected to moderate, with a 9.7% YoY increase, driven by steady export demand in the 2W and 3W segments.

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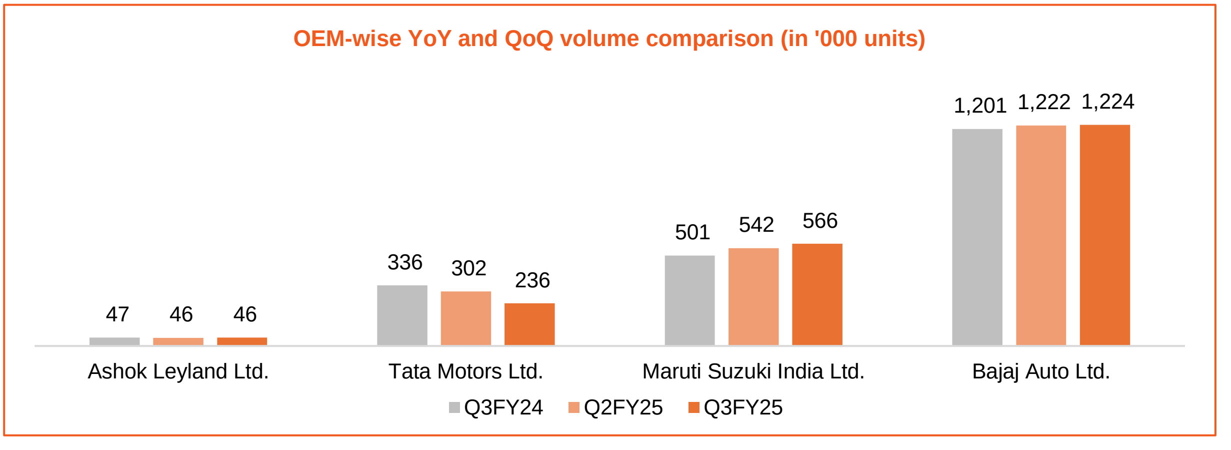
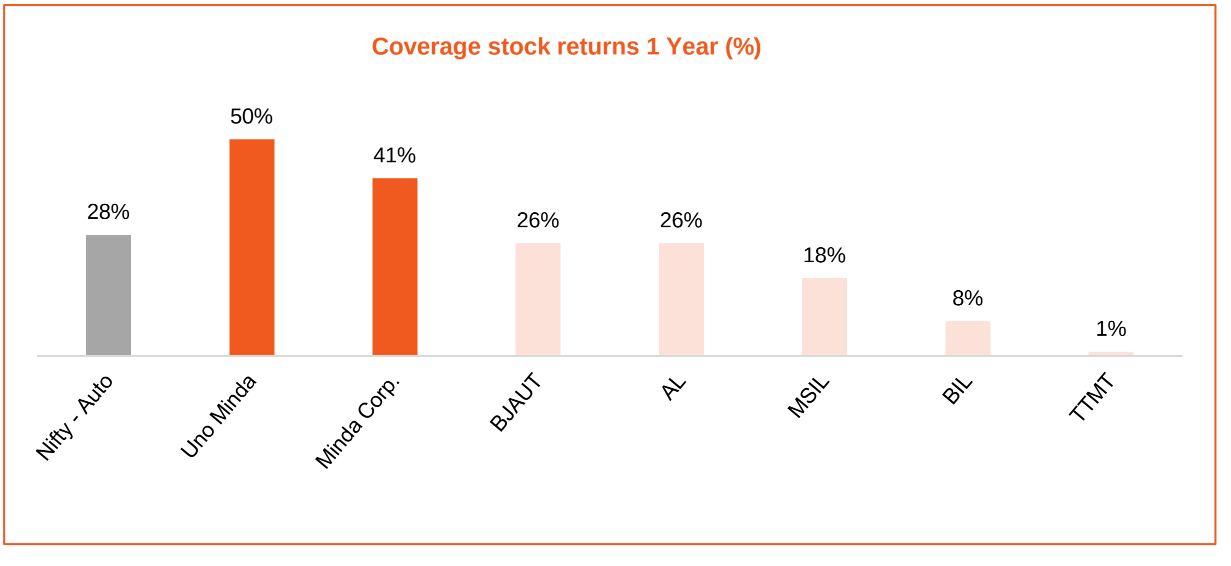
Auto & Ancillaries Sector

➢ Mixed operating performance

- Realization growth, except for Ashok Leyland, has continued across all segments, driven by price increases and improvements in product mix.
- For Q3FY25E, we expect EBITDA/Adj. PAT growth of 9.1%/6.9% YoY for our OEM coverage, driven by positive operating leverage, favorable commodities (steel), and a richer product mix. This will be partially offset by higher discounts in the PV and CV segments.
- The raw material costs for auto OEMs are expected to stay stable compared to last quarter. Therefore, we expect margins for our OEM coverage to remain mostly unchanged for YoY.
- In Q3FY25E, we expect strong YoY profitability for MSIL, driven by double-digit volume growth. For TTMT, profit growth is expected to decline by 4.5% due to a high base effect. BJAUT and AL are projected to see strong profitability growth, supported by positive operating leverage.
- **MSIL** is our top pick, benefiting from rural recovery and an attractive valuation, alongside expanding production capacity, a broader model range including EVs and CNGs, increased exports, and advancements in powertrain technologies.



Source: Company, DevenChoksey Research



Source: NSE, DevenChoksey Research

Auto & Ancillaries Sector

Exhibit.1: Quarterly result expectation for companies under coverage

INR Mn

Q3FY25E	Outperform	Base	Underperform	Remarks
Ashok Leyland (AL)				
Sales	92,817	90,113	87,410	• In Q3FY25E, we expect revenues to decline by 2.8% YoY, led by a 1.4% YoY decline in volume. • We expect average realization will be decline by 1.5% YoY but will increase in QoQ by 1.0% on account of the higher mix of buses and non-auto business, favorable pricing, and lower mix of higher tonnage trucks. • For 3Q25E, we expect a YoY EBITDA margin to increase by 39 bps (+80 bps QoQ) due to RM tailwinds and marginal operating leverage. • We expect AL to report net profit growth of 19.1% YoY on the back of a lower base in the previous quarter.
EBITDA	11,733	11,174	10,615	
Net Profit	7,262	6,916	6,571	
EBITDA (%)	12.6%	12.4%	12.1%	
NPM (%)	7.8%	7.7%	7.5%	
Volume (units)	46,404	46,404	46,404	
Average Realization (INR)	1,970,912	1,932,267	1,893,622	
Bajaj Auto (BJAUT)				
Sales	137,504	133,499	129,494	• For Q3FY25E, we expect BJAUT revenue to grow by 9.7% YoY/0.8% QoQ, mainly due to an increase in volume of 2.0% YoY and 0.2% QoQ along with higher price realisations. • The volume growth was driven by an increase in export sales, which grew by 22.4% YoY. • We expect average realization to increase by 6.5% YoY on the back of a higher mix of premium motorcycles. • We expect EBITDA margins to increase by 125 bps YoY (+107 bps QoQ), driven by operating leverage benefits and commodity tailwinds. • Net profit is likely to grow by 16.5% YoY (48.3% QoQ).
EBITDA	29,584	28,175	26,767	
Net Profit	24,866	23,682	22,498	
EBITDA (%)	21.5%	21.1%	20.7%	
NPM (%)	18.1%	17.7%	17.4%	
Volume (units)	1,224,472	1,224,472	1,224,472	
Average Realization (INR)	107,549	105,441	103,332	
Maruti Suzuki India (MSIL)				
Sales	407,194	395,334	383,474	• We expect MSIL's Q3FY25E revenue to grow 18.0% YoY (+5.6% QoQ), primarily due to an increase in volume of 13.0% YoY, driven by the PV segment due to higher discounting and recovery in the hatchback segment's demand. • Average realization for the quarter to grow by 3.1% YoY due to a richer product mix. • For Q3FY25E, we expect EBITDA margins to increase by 77 bps YoY / 67 bps QoQ due to tailwinds in RM prices and higher topline growth. • Net profit will likely be increased by 23.6% YoY and 27.8% QoQ.
EBITDA	58,176	55,405	52,635	
Net Profit	41,622	39,640	37,658	
EBITDA (%)	14.3%	14.0%	13.7%	
NPM (%)	10.2%	10.0%	9.8%	
Volume (unit)	566,213	566,213	566,213	
Average Realization (INR)	676,968	663,694	650,420	

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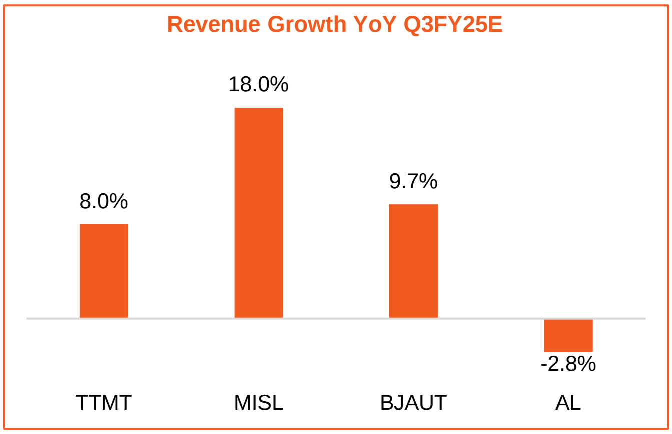
Auto & Ancillaries Sector

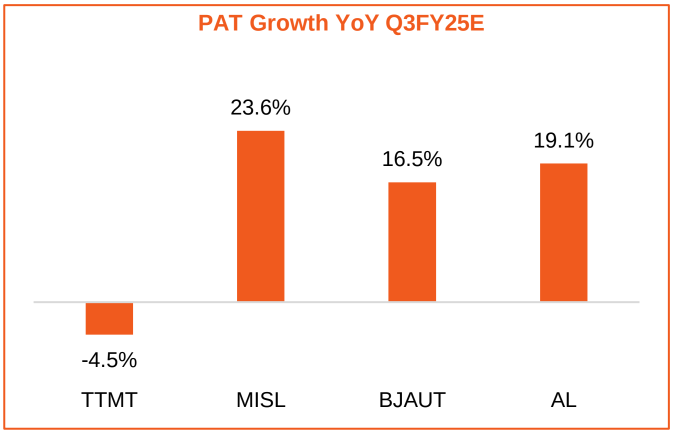
Exhibit.1: Quarterly result expectation for companies under coverage

INR Mn

Q3FY25E	Outperform	Base	Underperform	Remarks
Tata Motors (TTMT)				
Sales	1,230,391	1,194,555	1,158,718	• For Q3FY25E, Tata Motors (excl. JLR) total sales volumes for the quarter grew flat by 0.3% YoY due to low demand and inventory-related issues. However, we expect JLR ex. Chery volume sales will be increased by 2.0% YoY and 18.1% QoQ due to a positive outlook for H2FY25E. • We expect consolidated revenue to increase by 8.0% YoY, driven by JLR ex. Chery sales volume growth and an increase in average realization. • We expect the EBITDA margin to decrease by 52 bps YoY, driven by negative operating leverage and an unfavorable product mix. However, on a sequential basis, the margin is to go up by 178 bps due to positive operating leverage. • We expect net profit to decline by 4.5% YoY on the back of a higher base effect.
EBITDA	167,456	159,482	151,507	
Net Profit	70,497	67,140	63,783	
EBITDA (%)	13.6%	13.4%	13.1%	
NPM (%)	5.7%	5.6%	5.5%	
Volume (unit)	338,662	338,662	338,662	
Realization per unit (INR)	3,597,824	3,527,278	3,456,732	



Source: DevenChoksey Research



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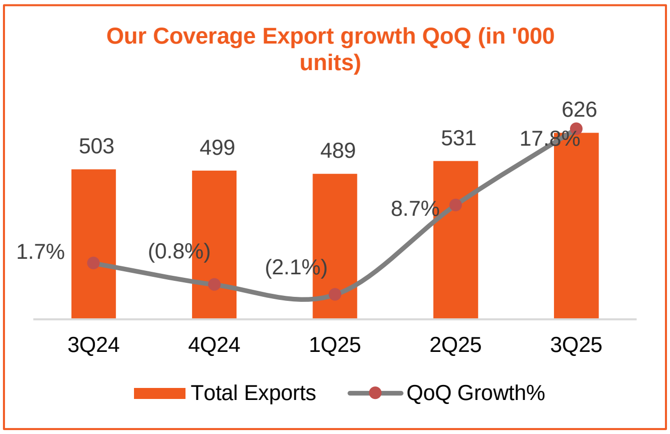

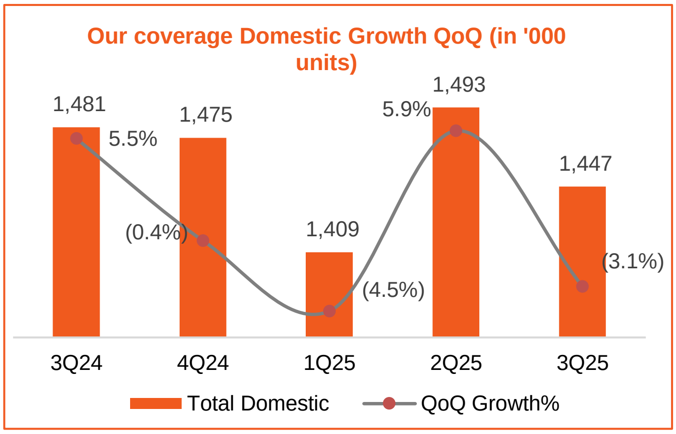

Source: FADA, Company fillings, DevenChoksey Research

Auto & Ancillaries Sector

Continue to show strong growth for Q3FY25E

COVERAGE STOCKS- Auto Ancillaries

Company	CMP*	Target* (INR)	Upside (%)	Recommendation*
UNO Minda (UNOMINDA)	1,060	1,232	16.2%	BUY
Minda Corporation (MDA	531	554	4.4%	BUY
Balkrishna Industries (BIL)	2,739	2,739	1.1%	REDUCE

**Note: Target price and recommendation will be reviewed post detailed Q3FY25E result analysis and conference call of the said companies.*

Source: NSE, Data as of 07th Jan 2024.

SECTOR OVERVIEW

- For Q3FY25E, we expect our auto ancillary coverage to achieve 15.1% YoY revenue growth, with flat QoQ performance. This growth is primarily driven by UNO Minda, which outperformed due to strong demand in the PV and 2W segments and a robust order book.
- We expects **UNO Minda** to maintain its growth trajectory, supported by increased capacity in the 2W segment and a focus on EV components, which should drive both topline growth and profitability. The company remains optimistic about long-term industry growth, actively expanding its product portfolio, integrating new technologies, and strategically building land banks to support future growth.
- **Minda Corp.** is also expected to continue its momentum in Q3FY25E, benefiting from new orders and an expanding product portfolio. The company stands to gain from trends like localization and premiumization in the auto-ancillary sector.
- On the other hand, **BIL** is projected to see a 7.9% YoY revenue increase, driven by a better product mix and improved volumes. However, its profitability may face pressure due to challenges in Europe and North America, given its higher exposure in international markets.
- As per our universe coverage, we expect EBITDA to grow by 18.8% YoY (+3.2% QoQ) led by a positive operating leverage and cascading effects of top-line growth.
- In our coverage, Q3FY25E net profits are expected to increase by 29.4% YoY, with UNO Minda leading the pack at 39.7% YoY growth, followed by Minda Corp. and BIL at 27.6% and 20.7% YoY, respectively.
- Strategic expansions, a focus on the EV segment, and strong order books demonstrate our auto ancillary coverage companies' commitment to seizing market opportunities and driving profitability.
- **Uno Minda** stands out as our top pick. We believe the company is poised to capitalize on the evolving technological landscape within the automotive sector.

Auto & Ancillaries Sector

Exhibit.1: Quarterly result expectation for companies under coverage

INR Mn

Q3FY25E	Outperform	Base	Underperform	Remarks
Balkrishna Industries (BIL)				
Sales	25,287	24,545	23,814	• For Q3FY25E we expect volumes to grow by (+2.0% YoY, +1.2% QoQ). • We expect BIL's revenue to grow by 7.9% YoY (+1.4% QoQ), driven by a 5.8% YoY (+0.2% QoQ) increase in average realisations from higher freight cost pass-through and favorable FX. • The company's EBITDA margin is projected to increase by 61 bps YoY and 62 bps QoQ. This improvement is primarily driven by higher ASP and a reduction in operational expenses. Management expects the EBITDA margin to remain within a range of 24% to 25%. • Net profit is likely to increase by 20.7% YoY/+6.3% QoQ.
EBITDA	6,284	5,985	5,685	
Net Profit	3,877	3,687	3,496	
EBITDA (%)	24.9%	24.4%	23.9%	
NPM (%)	15.3%	15.0%	14.7%	
Volume (MT)	74,946	74,204	73,462	
Average Realization (INR per MT)	337,400	330,784	324,168	
Minda Corporation (MDA)				
Sales	12,478	12,115	11,751	• For Q3FY25E, we expect MDA to report revenue growth of 4.0% YoY (-6.1% QoQ). The YoY growth was mainly driven by a robust order book. • We expect EBITDA margins to improve by 43 bps YoY and 21 bps QoQ, driven by strong performance in the 2-W exports and PV segments, partially offset by a decline in the CV segment. • Net profit is likely to grow by 27.6% YoY on the back of a lower base effect.
EBITDA	1,472	1,402	1,332	
Net Profit	703	670	636	
EBITDA (%)	11.8%	11.6%	11.3%	
NPM (%)	5.8%	5.5%	5.3%	
Uno Minda (UNOMINDA)				
Sales	44,154	42,868	41,582	• For Q3FY25E, UNOMINDA is projected to report revenue growth of 21.7% YoY (+1.0% QoQ), driven by strong growth in EV and PV volumes and new order wins across multiple segments. • We expect the EBITDA margin to up by 92 bps YoY (+34 bps QoQ), driven by positive operating leverage. • We expect Net profit to grow by 39.7% YoY/ +10.2% QoQ.
EBITDA	5,266	5,016	4,765	
Net Profit	2,838	2,702	2,567	
EBITDA (%)	11.9%	11.7%	11.5%	
NPM (%)	6.4%	6.3%	6.2%	

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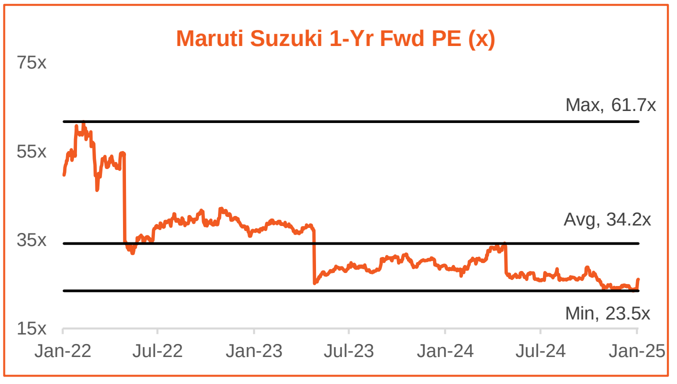

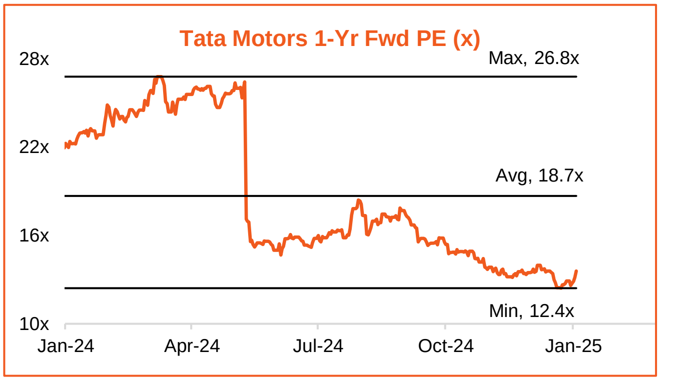

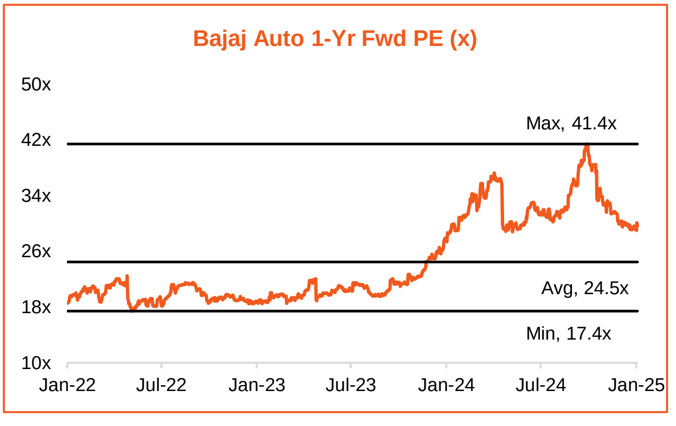

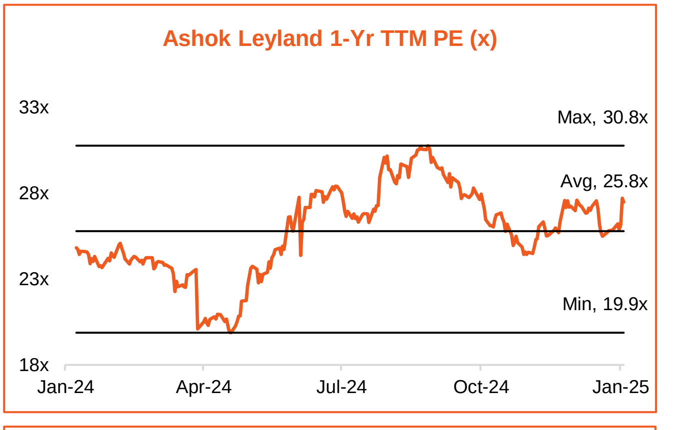

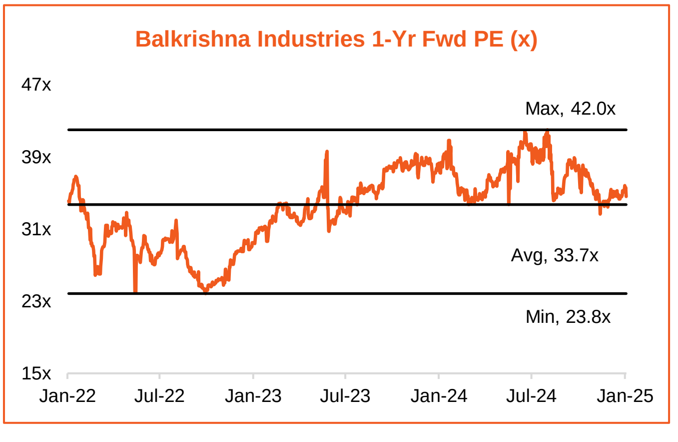

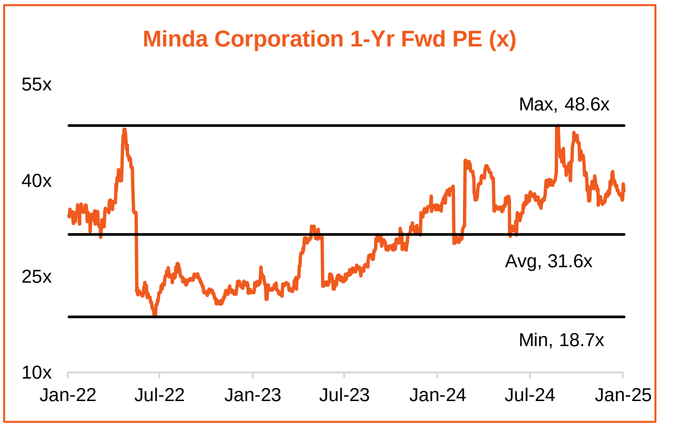

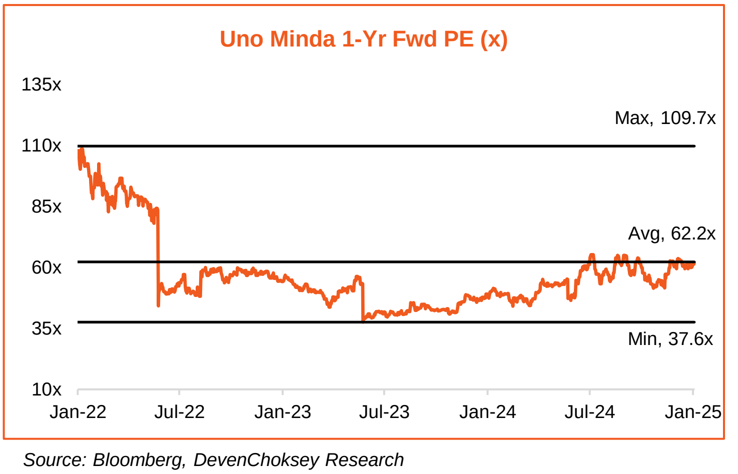

Source: Bloomberg, DevenChoksey Research

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Auto & Ancillaries Sector

Our coverage recent and upcoming launches

Model	Segment	Date
Maruti Suzuki		
PV		
Swift (4th Gen)	Hatchback	Launched in May-24
New Dzire	Sedan	To be launched in Nov-24
Wagon R EV	Hatchback	To be launched in Feb-25
e Vitara	SUV	To be launched in Mar-25
eVX	SUV	To be launched in Mar-25
Baleno facelift	hatchback	To be launched in Mar-25
Grand Vitara 7-seater	SUV	To be launched in Nov-25
XL5	hatchback	To be launched in Sep-25
Swift Hybrid	Hatchback	To be launched in Jan-27
Fronx EV	SUV	To be launched in Mar-27
Tata Motors		
PV		
Punch EV	Compact SUV	Launched in Jan-24
Curvv	SUV	Launched in Aug-24
Curvv ICE	SUV	Launched in Sep-24
Tata Nexon iCNG	SUV	Launched in Sep-24
Tata Nexon EV 45	SUV	Launched in Sep-24
Altroz EV	Hatchback	To be launched in 3QFY25
Harrier EV	Large SUV	To be launched in 4QFY25
Sierra	SUV	To be launched in FY-26
Avinya	SUV	To be launched in FY-26
Bajaj Auto		
Bikes		
Pulsar (400 cc)	Premium	Launched in May-24
Freedom 125	Executive	Launched in July-24
Pulsar N 125	Premium	Launched in Oct-24
Scooters		
Chetak Urbane	Electric	Launched in Dec-23
Chetak Premium	Electric	Launched in Jan-24
Chetak 2901	Electric	Launched in Jun-24
Chetak 3501	Electric	Launched in Dec-24
Ashok Leyland		
LCV		
Switch IeV 3	LCV	Launched in Jan-24
Bada Dost CNG (2.8T)	LCV	Launched in Jan-24
Bada Dost special anniversary edition (3.5T)	LCV	Launched in Jan-24
MHCV		
Boss electric ICV truck	Trucks	Launched in Jan-24
Ecomet Star 1915	Trucks	Launched in FY-24
2820 G45 FES	Trucks	Launched in FY-24
N2825 EDPTO Transit Mixer	Trucks	Launched in FY-24
Bus		
Lynx Smart AC	Bus	Launched in FY-24
Rear Air Suspension	Bus	Launched in FY-24
Oyster Lite Chassis	Bus	Launched in FY-24
Viking with H6 NA CNG	Bus	Launched in FY-24
Lynx Max	Bus	Launched in FY-24

Source: Company, Auto Car India, Bike dekho, DevenChoksey Research

Auto & Ancillaries Sector

Rating Legend (Expected over a 12-month period)	
Our Rating	**Upside**
Buy	More than 15%
Accumulate	5% – 15%
Hold	0 – 5%
Reduce	-5% – 0
Sell	Less than – 5%

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