


AUTOMOBILES

Q1FY25 Preview

16 July 2024

Starting FY25 with a healthy drive, awaiting top gear

- **Aggregate PV revenue growth likely to remain strong at 14% YoY for our coverage in Q1 with healthy margin recovery of 130bps**
- **Weak exports still a drag on the 2W segment; volume data shows rural economy displays strong signs of revival**
- **CV segment awaits policy clarity as country in election mode; tractor gains traction**

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Passenger vehicles (PV) paving healthy gains: We expect healthy 14%+ YoY aggregate revenue growth for PV other equipment manufacturers under our coverage (MSIL and MM) in Q1FY25. Their focus remains on high-end products, typically in the SUV segment. MM launched the XUV 3XO in 4QFY24 with very encouraging bookings in the initial phase. MM continues to shift focus from earnings to volume growth given new capacities that can help address long wait periods. Gross margin growth is likely to average close to 130bps for our coverage due to softening raw material costs. EBITDA margins are a mixed bag with MM losing marginally while MSIL picked up ~250bps.

Two-wheelers (2W) growth packed with rural and high-end variants: Volume data shows healthy growth across the 2W pack to start the year on a positive note supported by pick up in rural demand with 8% YoY growth, despite exports continuing their poor run. Even so, we expect gross margins for our coverage to show strong gains averaging 125bps and driven by new premium launches. Launches in the high-end segment and better volumes in the 100-110cc category point to rural recovery.

Commercial vehicles (CV) on a steady mode: CVs are seeing a healthy revival, with AL's volumes advancing 6% YoY (aided by the bus segment). The quarter was marked by climatic challenges, policy guidelines in the wings due to elections and flooding in June in eastern India. We expect higher volumes to fuel healthy revenue growth both YoY and sequentially. Management forecasts AL's gross margin to remain flat QoQ but recover 177bps YoY due to the absence of supply chain impediments. EIM's CV segment has fared well, with volumes rising 11%/8% YoY/QoQ. TTMT's (Not Rated) volumes have decreased in mid-single digits YoY while staying flat QoQ in Q1.

Tractors: Volumes in the tractor segment jumped QoQ and YoY, gaining on monsoon predictions. MM's tractor volumes increased 7% QoQ and 28% YoY. ESCORTS' volumes rose 11% QoQ (-3% YoY) and, hence, we estimate only single digit revenue increase to Rs 25bn. VSTT's tractor sales fell 6% YoY and the tipper segment accentuated the fall, which should translate to lower YoY revenue.



Fig 1 – BOBCAPS auto universe: Q1FY25 preview

Y/E March	Net Sales (Rs mn)			EBITDA (Rs mn)			EBITDA Margin (%)			Adj. PAT (Rs mn)		
	Q1FY25E	YoY (%)	QoQ (%)	Q1FY25E	YoY (%)	QoQ (%)	Q1FY25E	YoY (bps)	QoQ (bps)	Q1FY25E	YoY (%)	QoQ (%)
AL	87,887	7.3	(22.0)	10,911	31.5	(31.5)	12.4	228.2	(171.7)	5,927	43.1	(38.9)
BJAUT	1,19,630	16.0	4.2	24,204	23.9	4.9	20.2	128.0	15.1	20,112	20.8	3.9
EIM	42,657	9.3	1.8	11,953	18.0	3.5	28.0	206.2	46.2	10,301	12.7	4.8
ESCORTS	25,227	8.4	21.1	3,347	2.4	25.9	13.3	(77.6)	50.0	2,729	(3.5)	12.7
HMCL	1,06,000	20.9	11.4	14,826	22.9	9.1	14.0	22.8	(29.1)	11,391	15.7	12.1
MM	2,91,184	21.0	16.0	37,854	17.0	16.8	13.0	(44.8)	9.6	26,670	(3.8)	23.5
MSIL	3,45,069	6.7	(9.8)	40,457	35.6	(13.6)	11.7	249.7	(52.9)	32,817	32.1	(15.4)
TVSL	83,792	16.1	2.6	9,733	27.4	5.1	11.6	103.4	27.7	5,870	25.5	20.9
VSTT	1,612	(34.5)	(41.1)	210	(33.8)	(47.3)	13.0	15.2	(153.1)	215	(34.7)	(38.7)
Total	11,03,057	13.3	(0.0)	1,53,494	24.4	(1.4)	13.9	123.5	(19.7)	1,16,033	15.8	(0.9)

Y/E March	Sales Volume (units)			Realisation (Rs mn/vehicle)			Gross profit margin (%)		
	Q1FY25E	YoY (%)	QoQ (%)	Q1FY25E	YoY (%)	QoQ (%)	Q1FY25E	YoY (bps)	QoQ (bps)
AL	43,893	6.2	(22.0)	2.0	1.0	-	28.2	177bps	(3bps)
BJAUT	11,02,056	7.3	3.1	0.1	8.1	1.0	29.1	105bps	(58bps)
EIM	2,26,021	(0.7)	(0.7)	0.2	10.2	2.5	46.4	312bps	18bps
ESCORTS	25,720	(3.2)	21.0	1.0	12.0	0.1	30.8	59bps	(113bps)
HMCL	15,35,156	13.5	10.3	0.1	6.5	1.0	32.2	160bps	(132bps)
MM	3,34,251	11.0	14.8	0.9	9.1	1.0	26.0	130bps	(54bps)
MSIL	5,21,868	4.8	(10.6)	0.7	1.9	1.0	28.5	132bps	(11bps)
TVSL	10,87,175	14.1	2.3	0.1	1.8	0.3	27.6	220bps	40bps
VSTT	7,375	(30.4)	(43.9)	0.2	(5.9)	5.0	35.6	396bps	297bps
Total	48,83,515	10.0	3.5	0.2	3.0	(3.4)	28.9	142bps	(35bps)

Source: Company, BOBCAPS Research

Fig 2 – Maruti Suzuki India (MSIL)

Particulars	Q1FY25E	Q1FY24	YoY (%)	Q4FY24	QoQ (%)	Comment
Sales volume	5,21,868	4,98,030	4.8	5,84,031	(10.6)	
Realisations/Vehicle (Rs mn)	0.66	0.65	1.9	0.65	1.0	
Sales (Rs mn)	3,45,069	3,23,269	6.7	3,82,349	(9.8)	
EBITDA (Rs mn)	40,457	29,830	35.6	46,850	(13.6)	
EBITDA margin (%)	11.7	9.2	250bps	12.3	(53bps)	
Gross profit (Rs mn)	98,428	87,952	11.9	1,09,465	(10.1)	
Gross margin (%)	28.5	27.2	132bps	28.6	(11bps)	
Adj PAT (Rs mn)	32,817	24,851	32.1	38,778	(15.4)	

Source: Company, BOBCAPS Research

- MSIL's domestic volumes grew 4% YoY and exports 11% in Q1. The focus on the SUV segment continues (now forming ~39% of volumes compared to ~31% in Q1FY23), which would aid margins. We expect the impact of Q1 price hikes to be fully reflected this quarter while easing commodity prices will further boost margins.
- Mass products' recovery in the compact segment will only further boost the company's volume.

Fig 3 – Mahindra & Mahindra (MM)

Particulars	Q1FY25E	Q1FY24	YoY (%)	Q4FY24	QoQ (%)	Comment
Sales volume	3,34,251	3,01,147	11.0	2,91,109	14.8	
Realisations/Vehicle (Rs mn)	0.87	0.80	9.1	0.86	1.0	
Sales (Rs mn)	2,91,184	2,40,561	21.0	2,51,090	16.0	
EBITDA (Rs mn)	37,854	32,351	17.0	32,401	16.8	
EBITDA margin (%)	13.0	13.4	(45bps)	12.9	10bps	
Gross profit (Rs mn)	75,708	59,412	27.4	66,627	13.6	
Gross margin (%)	26.0	24.7	130bps	26.5	(54bps)	
Adj PAT (Rs mn)	26,670	27,737	(3.8)	21,595	23.5	

Source: Company, BOBCAPS Research

- MM's domestic automotive segment volumes are likely to grow 14% YoY in Q1 with PVs leading the way. Given the company's focus on high-end product sales, the margins will remain healthy. The addition of new capacities will ease the waiting period for PVs.
- MM's tractor volumes gained traction by 7% YoY due to strong exports supported well by domestic growth of 6%.

Fig 4 – Bajaj Auto (BJAUT)

Particulars	Q1FY25E	Q1FY24	YoY (%)	Q4FY24	QoQ (%)	Comment
Sales volume	11,02,056	10,27,091	7.3	10,68,576	3.1	<ul style="list-style-type: none"> BJAUT's volumes continued to improve (-5% YoY) in Q1 as healthy domestic 2W sales (3%) offered support to the strong revival in domestic 3W sales (+16%). Exports contracted in 2W segments. The revival in 3Ws indicates steady recovery in rural demand. In 2Ws, BJAUT remains focused on the >125cc segment. The launch of the CNG motorcycle is a radical shift in the segment. With the recovery in 3W demand and the company's high-end focus in 2Ws, we expect strong gross and EBITDA margin improvement.
Realisations/Vehicle (Rs mn)	0.11	0.10	8.1	0.11	1.0	
Sales (Rs mn)	1,19,630	1,03,098	16.0	1,14,847	4.2	
EBITDA (Rs mn)	24,204	19,539	23.9	23,063	4.9	
EBITDA margin (%)	20.2	19.0	128bps	20.1	15bps	
Gross profit (Rs mn)	34,868	28,971	20.4	34,145	2.1	
Gross margin (%)	29.1	28.1	105bps	29.7	(58bps)	
Adj PAT (Rs mn)	20,112	16,648	20.8	19,360	3.9	

Source: Company, BOBCAPS Research

Fig 5 – Hero Motors (HMCL)

Particulars	Q1FY25E	Q1FY24	YoY (%)	Q4FY24	QoQ (%)	Comment
Sales volume	15,35,156	13,52,574	13.5	13,92,423	10.3	<ul style="list-style-type: none"> HMCL recorded healthy volume growth in motorcycles (+17% YoY) but scooters sales stayed tepid (-7%) in Q1. The slow but steady recovery in rural markets will aid growth. Exports continue to dishearten as performance stays weak. HMCL launched X440 (in collaboration with Harley Davidson) and Karizma XMR (210cc) in FY24, the full impact of which is now visible. We expect 160bps+ YoY expansion in gross margin to 32% from a combination of price hikes and softening raw material costs. The focus on premium products will help HMCL safeguard margins.
Realisations/Vehicle (Rs mn)	0.07	0.06	6.5	0.07	1.0	
Sales (Rs mn)	1,06,000	87,673	20.9	95,193	11.4	
EBITDA (Rs mn)	14,826	12,063	22.9	13,592	9.1	
EBITDA margin (%)	14.0	13.8	23bps	14.3	(29bps)	
Gross profit (Rs mn)	34,171	26,864	27.2	31,945	7.0	
Gross margin (%)	32.2	30.6	160bps	33.6	(132bps)	
Adj PAT (Rs mn)	11,391	9,847	15.7	10,161	12.1	

Source: Company, BOBCAPS Research

Fig 6 – TVS Motor (TVSL)

Particulars	Q1FY25E	Q1FY24	YoY (%)	Q4FY24	QoQ (%)	Comment
Sales volume	10,87,175	9,53,244	14.1	10,62,529	2.3	<ul style="list-style-type: none"> TVSL's domestic 2W segment registered steady volume growth of 6% YoY in Q1 but the 3W segment softened 4%. Exports stayed weak for both segments. A prudent mix tilting towards high-end models and smoother raw material supply should support margins, but we expect this to be partly offset by other expenditure. The launch of Apache RTR 160 racing edition in the last leg of Q2FY25 will be reflected in H2 sales and onwards.
Realisations/Vehicle (Rs mn)	0.08	0.08	1.8	0.08	0.3	
Sales (Rs mn)	83,792	72,179	16.1	81,688	2.6	
EBITDA (Rs mn)	9,733	7,638	27.4	9,262	5.1	
EBITDA margin (%)	11.6	10.6	103bps	11.3	28bps	
Gross profit (Rs mn)	23,159	18,361	26.1	22,249	4.1	
Gross margin (%)	27.6	25.4	220bps	27.2	40bps	
Adj PAT (Rs mn)	5,870	4,677	25.5	4,854	20.9	

Source: Company, BOBCAPS Research

Fig 7 – Eicher Motors (EIM)

Particulars	Q1FY25E	Q1FY24	YoY (%)	Q4FY24	QoQ (%)	Comment
Sales volume	2,26,021	2,27,706	(0.7)	2,27,673	(0.7)	<ul style="list-style-type: none"> We expect EIM's volumes to fall 5% YoY in Q1FY25 with domestic sales down 2%. We estimate that models up to 350cc may show sales decline of 11% YoY, whereas those over 350cc are likely to grow very healthy. For VECV, total sales are forecast to grow 11% YoY with a higher contribution from Volvo on a weak base. Margins are projected to show healthy traction YoY on cost benefits.
Realisations/Vehicle (Rs mn)	0.19	0.17	10.2	0.18	2.5	
Sales (Rs mn)	42,657	39,012	9.3	41,921	1.8	
EBITDA (Rs mn)	11,953	10,127	18.0	11,553	3.5	
EBITDA margin (%)	28.0	26.0	206bps	27.6	46bps	
Gross profit (Rs mn)	19,810	16,901	17.2	19,392	2.2	
Gross margin (%)	46.4	43.3	312bps	46.3	18bps	
Adj PAT (Rs mn)	10,301	9,139	12.7	9,833	4.8	

Source: Company, BOBCAPS Research, VECV volume snapshot | VECV: VE Commercial Vehicles Limited

Fig 8 – Ashok Leyland (AL)

Particulars	Q1FY25E	Q1FY24	YoY (%)	Q4FY24	QoQ (%)	Comment
Sales volume	43,893	41,329	6.2	56,269	(22.0)	<ul style="list-style-type: none"> AL's volumes grew 6% YoY in Q1FY25, driven largely by the MHCV bus segment (which grew in high single digits) while the LCV segment revival in domestic markets helped. MHCVs, however, have shown marginal disappointment. The bus segment is a clear winner for AL, with volumes nearly doubling YoY. We believe the government's initiative to resolve financial troubles at state transport corporations through defence orders will lend a boost to sales.
Realisations/Vehicle (Rs mn)	2.00	1.98	1.0	2.00	0.0	
Sales (Rs mn)	87,887	81,893	7.3	1,12,667	(22.0)	
EBITDA (Rs mn)	10,911	8,298	31.5	15,921	(31.5)	
EBITDA margin (%)	12.4	10.1	228bps	14.1	(172bps)	
Gross profit (Rs mn)	24,753	21,611	14.5	31,761	(22.1)	
Gross margin (%)	28.2	26.4	177bps	28.2	(3bps)	
Adj PAT (Rs mn)	5,927	4,140	43.1	9,701	(38.9)	

Source: Company, BOBCAPS Research | LCV: Light Commercial Vehicle, MHCV: Medium & Heavy Commercial Vehicles

Fig 9 – Escorts Kubota (ESCORTS)

Particulars	Q1FY25E	Q1FY24	YoY (%)	Q4FY24	QoQ (%)	Comment
Sales volume	25,720	26,582	(3.2)	21,253	21.0	<ul style="list-style-type: none"> ESCORTS's flat volume QoQ despite better monsoon predictions indicate overall challenges in the domestic market from the leader. The company increased prices in May, which will be reflected in Q2. Its margins profile continues to remain weak as exports also continue to lag.
Realisations/Vehicle (Rs mn)	0.98	0.88	12.0	0.98	0.1	
Sales (Rs mn)	25,227	23,277	8.4	20,825	21.1	
EBITDA (Rs mn)	3,347	3,269	2.4	2,659	25.9	
EBITDA margin (%)	13.3	14.0	-78bps	12.8	50bps	
Gross profit (Rs mn)	7,762	7,026	10.5	6,643	16.8	
Gross margin (%)	30.8	30.2	59bps	31.9	-113bps	
Adj PAT (Rs mn)	2,729	2,828	(3.5)	2,421	12.7	

Source: Company, BOBCAPS Research

Fig 10 – VST Tillers Tractors (VSTT)

Particulars	Q1FY25E	Q1FY24	YoY (%)	Q4FY24	QoQ (%)	Comment
Sales volume	7,375	10,596	(30.4)	13,139	(43.9)	<ul style="list-style-type: none"> VSTT continues to disappoint on volumes of tippers and tractors. Overall performance is a big drag due to volume and prices remaining a challenge.
Realisations/Vehicle (Rs mn)	0.22	0.23	(5.9)	0.21	5.0	
Sales (Rs mn)	1,612	2,461	(34.5)	2,734	(41.1)	
EBITDA (Rs mn)	210	317	(33.8)	398	(47.3)	
EBITDA margin (%)	13.0	12.9	15bps	14.6	(153bps)	
Gross profit (Rs mn)	573	778	(26.3)	892	(35.7)	
Gross margin (%)	35.6	31.6	396bps	32.6	297bps	
Adj PAT (Rs mn)	215	330	(34.7)	351	(38.7)	

Source: Company, BOBCAPS Research

Fig 11 – Commodity and currency trends

Particulars	Q1FY25	Q4FY24	Q3FY24	Q2FY24	Q1FY24	Q4FY23	Q3FY23	Q2FY23	Q1FY23	Q4FY22	Q3FY22	Q2FY22
Key Commodities												
Aluminium (USD/t)	2,525	2,200	2,194	2159	2264	2,400	2,336	2,356	2,882	3,255	2,756	2,646
QoQ (%)	14.8	0.3	1.6	(4.6)	(5.7)	2.7	(0.8)	(18.3)	(11.5)	18.1	4.2	10.4
Lead (USD/t)	2,167	2,076	2,120	2171	2117	2,140	2,110	1,967	2,200	2,326	2,325	2,334
QoQ (%)	4.4	(2.1)	(2.4)	2.6	(1.1)	1.4	7.3	(10.6)	(5.4)	0.0	(0.4)	9.8
Brent oil (USD/bbl)	84	79	80	85	76	82	84	88	96	83	71	65
QoQ (%)	5.4	(0.4)	(6.1)	11.5	(7.1)	(3.3)	(3.7)	(8.3)	15.8	15.9	9.5	5.3
Rubber (RS4) (INR/100kg)	18,883	16,660	15,159	14,909.62	15458	14,277	14,681	16,268	17,338	16,703	17,651	17,338
QoQ (%)	13.3	9.9	1.7	(3.6)	8.3	(2.8)	(9.8)	(6.2)	3.8	(5.4)	1.8	2.8
Hot rolled steel (INR/t)	54,952	54,595	57,308	56155	58446	58,823	56,100	57,008	69,054	66,867	67,538	66,223
QoQ (%)	0.7	(4.7)	2.1	(3.9)	(0.6)	4.9	(1.6)	(17.4)	3.3	(1.0)	2.0	3.0
Cold rolled steel (INR/t)	60,976	60,198	62,308	59448	61531	63,915	61,515	64,205	77,008	73,719	74,227	77,379
QoQ (%)	1.3	(3.4)	4.8	(3.4)	(3.7)	3.9	(4.2)	(16.6)	4.5	(0.7)	(4.1)	2.9
Key Currencies												
USD/INR	83.4	83.0	83.3	82.7	82.2	82.3	82.2	79.8	77.2	75.2	74.9	74.1
QoQ (%)	0.5	(0.3)	0.7	0.6	(0.1)	0.1	3.0	3.4	2.7	0.4	1.1	0.5
EUR/INR	89.8	90.2	89.6	90.0	89.5	88.3	83.9	80.4	82.3	84.4	85.7	87.4
QoQ (%)	(0.4)	0.7	(0.5)	0.6	1.3	5.2	4.4	(2.3)	(2.5)	(1.5)	(1.9)	(1.7)
GBP/INR	105.2	105.3	103.3	104.6	102.8	99.9	96.5	93.9	97.0	100.9	101.0	102.1
QoQ (%)	0.0	1.9	(1.2)	1.7	3.0	3.5	2.7	(3.2)	(3.9)	(0.1)	(1.0)	(1.0)
JPY/INR	0.54	0.56	0.56	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.7	0.7
QoQ (%)	(4.4)	(0.6)	(1.6)	(4.4)	(0.2)	6.8	0.9	(3.1)	(8.0)	(1.8)	(2.1)	(0.1)
EUR/USD	1.1	1.1	1.1	1.1	1.1	1.1	1.0	1.0	1.1	1.1	1.1	1.2
QoQ (%)	(0.8)	0.9	(1.1)	(0.2)	(0.9)	5.0	1.5	(5.4)	(5.1)	(1.9)	(3.0)	(2.2)
GBP/USD	1.3	1.3	1.2	1.3	1.3	1.2	1.2	1.2	1.3	1.3	1.3	1.4
QoQ (%)	(0.5)	2.1	(1.9)	1.1	4.3	3.4	(0.1)	(6.3)	(6.3)	(0.5)	(2.2)	(1.5)

Source: Company, BOBCAPS Research

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