

PV and tractor segment volume drivers, 2W takes a breather

- PV segment volume growth healthy ~10% YoY for the industry driven by festivities; MM and MSIL beat industry growth
- Aggregate 2W volume growth likely to remain at mid-single digits YoY for our coverage in Q3FY25 with healthy margin recovery of 120bps
- Tractor segment key driver with ~ 20% growth in Q3 backed by healthy monsoon, although MHCV segment stays on the sidelines

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Passenger vehicle growth strong in festive season, SUVs continue to be preferred: We expect healthy double digit aggregate revenue growth for PV OEMs (original equipment manufacturers) in our coverage (MSIL and MM) in Q3FY25. OEMs focus continues on SUV segment (premium products). Gross margin growth is likely to average ~100bps driven by MM and stay in the 27% trajectory despite discounts driven by better product mix, while EBITDA margins are a mixed bag with MM gaining (300bps) and MSIL dropping marginally. Focused stayed on electric vehicles with MM introducing XUV-400 All Electric and MSIL to launch the E-Vitara in Q4FY25 unveiling its entry in the EV segment (passenger vehicles).

Two-wheeler (2W) growth healthy in the festive season tapers towards the end: The festive season stayed healthy however volumes were weak in the traditionally lean December month leading to only 5% YoY in 3QFY25. It was a mixed bag with BJAUT and HMCL staying below industry growth, while EIM and TVSL driving double digit growth indicating strong demand for high-end variants. This is reflected in the EBITDA margin driven by these companies while BJAUT and HMCL stayed listless.

Commercial vehicles (CV) stay side-stepped: CVs continue to await revival, with AL's volumes lower by 2% YoY (driven by the bus segment) as MHCV and LCV segment lagged behind. AL's margins are likely to be a mixed bag with gross margin gaining however EBITDA margins weakening YoY. EIM's CV segment fared steady, with flat volumes YoY while TTMT's (unrated) volumes were flat (fell marginally).

Tractors: Volumes in the tractor segment grew by a strong 20% driven by the market leader MM gaining on the back of above-normal monsoons and healthy reservoir levels. MM's tractor volumes rose ~20%YoY/YTD while ESCORTS' volumes gained 16% YoY in 3QFY25 (fell 10% YTD). The gains in the tractor segment will lead to upward revision of FY25 industry estimates of 5% growth YoY.

Top picks: We prefer MM and MSIL in the passenger vehicles segment and continue to prefer AL in the commercial vehicles segment.



Fig 1 – BOBCAPS auto universe: Q3FY25 preview

Y/E March	Net sales (Rs mn)			EBITDA (Rs mn)			EBITDA margin (%)			Adj. PAT (Rs mn)		
	Q3FY25E	YoY (%)	QoQ (%)	Q3FY25E	YoY (%)	QoQ (%)	Q3FY25E	YoY (bps)	QoQ (bps)	Q2FY25E	YoY (%)	QoQ (%)
AL	89,187	(3.8)	1.7	10,440	(6.3)	2.6	11.7	(30.6)	10.5	6,482	11.6	(0.7)
BJAUT	1,30,936	8.1	(0.3)	26,266	8.1	(1.0)	20.1	0.1	(14.3)	21,814	6.8	(1.6)
EIM	49,751	22.7	18.3	13,825	24.0	25.1	27.8	29.2	151.7	11,600	27.0	14.9
ESCORTS	30,542	31.6	22.7	3,916	25.3	47.9	12.8	(65.1)	218.4	3,113	12.3	(4.0)
HMCL	1,00,281	3.1	(4.2)	14,000	2.8	(7.6)	14.0	(4.7)	(52.7)	11,183	4.2	(7.1)
MM	3,00,033	18.6	4.5	46,580	43.9	(8.9)	15.5	272.7	(228.5)	29,456	20.0	(20.1)
MSIL	3,81,191	14.4	2.5	43,994	12.6	(0.4)	11.5	(19.1)	(33.1)	35,884	14.6	16.9
TVSL	90,605	9.9	(1.8)	10,642	15.1	(1.4)	11.7	53.3	4.5	6,469	9.0	(2.4)
VSTT	1,809	6.4	(36.2)	175	83.0	(53.8)	9.6	403.5	(368.5)	222	31.1	(50.5)
Total	11,74,335	12.4	2.6	1,69,837	17.8	(1.3)	14.5	67.1	(56.5)	1,26,222	13.9	(1.9)

Source: Companies, BOBCAPS Research

Y/E March	Sales volume (units)			Realisation (Rs mn/vehicle)			Gross profit margin (%)		
	Q3FY25E	YoY (%)	QoQ (%)	Q3FY25E	YoY (%)	QoQ (%)	Q3FY25E	YoY (%)	QoQ (%)
AL	46,404	(1.8)	1.7	1.9	(2.1)	0.0	28.7	93bps	(12bps)
BJAUT	12,24,472	2.0	0.2	0.1	6.0	(0.5)	29.2	31bps	57bps
EIM	2,72,297	19.4	19.5	0.2	2.8	(1.0)	45.5	(59bps)	(17bps)
ESCORTS	32,556	25.2	25.2	0.9	5.1	(2.0)	30.1	(57bps)	(73bps)
HMCL	14,63,802	0.3	(3.7)	0.1	2.9	(0.5)	33.2	54bps	(8bps)
MM	3,67,273	17.3	13.6	0.8	1.1	(8.0)	26.8	214bps	(206bps)
MSIL	5,66,213	13.0	4.6	0.7	1.3	(2.0)	27.9	(120bps)	(74bps)
TVSL	12,11,952	10.1	(1.3)	0.1	(0.2)	(0.5)	28.7	242bps	27bps
VSTT	8,086	33.9	(35.5)	0.2	(20.5)	(1.0)	32.5	160bps	55bps
Total	51,93,055	6.3	0.9	0.2	5.2	1.2	29.1	45bps	(48bps)

Source: Companies, BOBCAPS Research

Fig 2 – Maruti Suzuki India (MSIL)

Particulars	Q3Y25E	Q3FY24	YoY (%)	Q2FY25	QoQ (%)	Comment
Sales volume	5,66,213	5,01,207	13.0	5,41,550	4.6	MSIL's domestic volumes grew 9% YoY and exports 38% in Q3FY25. The focus on the SUV segment continues (now forming ~33% of volumes compared to ~31% in Q3FY24 and flat Q2FY25). Margins may soften due to higher discount but to reverse in the medium term, in our view. The new launches/variants continued with Baleno Regal and Grand Vitara Dominion in Q3FY25.
Realisations/Vehicle (Rs mn)	0.67	0.66	1.3	0.69	(2.0)	
Sales (Rs mn)	3,81,191	3,33,087	14.4	3,72,028	2.5	The mass products (mini-compact segment) have seen early offshoots in Q3FY25 (QoQ recovery) and will only further boost the company's volume, in our view.
EBITDA (Rs mn)	43,994	39,079	12.6	44,166	(0.4)	
EBITDA margin (%)	11.5	11.7	(19bps)	11.9	(33bps)	
Gross profit (Rs mn)	1,06,318	96,911	9.7	1,04,569	1.7	
Gross margin (%)	27.9	29.1	(120bps)	28.6	(74bps)	
Adj PAT (Rs mn)	35,884	31,300	14.6	30,692	16.9	

Source: Company, BOBCAPS Research

Fig 3 – Mahindra & Mahindra (MM)

Particulars	Q3Y25E	Q3FY24	YoY (%)	Q2FY25	QoQ (%)	Comment
Sales volume	3,67,273	3,13,115	17.3	3,23,420	13.6	<ul style="list-style-type: none"> MM's domestic automotive segment volumes are likely to grow 15% YoY in Q3FY25 with PV's leading the way. MM launched the XEV 9e and BE 6 in e-SUV segment in 3QFY25. Healthy launch pipeline will only ensure unabated growth.
Realisations/Vehicle (Rs mn)	0.82	0.81	1.1	0.89	(8.0)	
Sales (Rs mn)	3,00,033	2,52,885	18.6	2,87,183	4.5	<ul style="list-style-type: none"> MM's tractor volumes gained traction by ~20% YoY driven by healthy growth in the domestic segment and backed by even stronger exports. The YTD growth also remained healthy at 20%.
EBITDA (Rs mn)	46,580	32,364	43.9	51,148	(8.9)	
EBITDA margin (%)	15.5	12.8	273bps	17.8	(229bps)	
Gross profit (Rs mn)	80,259	62,225	29.0	82,743	(3.0)	
Gross margin (%)	26.8	24.6	214bps	28.8	(206bps)	
Adj PAT (Rs mn)	29,456	24,540	20.0	36,853	(20.1)	

Source: Company, BOBCAPS Research

Fig 4 – Bajaj Auto (BJAUT)

Particulars	Q3Y25E	Q3FY24	YoY (%)	Q2FY25	QoQ (%)	Comment
Sales volume	12,24,472	12,00,997	2.0	12,21,504	0.2	<ul style="list-style-type: none"> BJAUT's volumes were a clear disappointment with the 2-W segment growth tapering at 1% YoY in Q3FY25 while the 3-W segment contributing 6% YoY growth.
Realisations/Vehicle (Rs mn)	0.11	0.10	6.0	0.11	(0.5)	
Sales (Rs mn)	1,30,936	1,21,135	8.1	1,31,275	(0.3)	<ul style="list-style-type: none"> The revival in 3W's indicates steady recovery in rural demand. In 2W's, BJAUT remains focused on the >125cc segment.
EBITDA (Rs mn)	26,266	24,299	8.1	26,522	(1.0)	
EBITDA margin (%)	20.1	20.1	0bps	20.2	(14bps)	
Gross profit (Rs mn)	38,282	35,040	9.3	37,636	1.7	<ul style="list-style-type: none"> BJAUT launched the Pulsar N-125 and continued its focus on the EV scooter segment with leading the EV volume in December 2024.
Gross margin (%)	29.2	28.9	31bps	28.7	57bps	
Adj PAT (Rs mn)	21,814	20,419	6.8	22,163	(1.6)	

Source: Company, BOBCAPS Research

Fig 5 – Hero Motors (HMCL)

Particulars	Q3Y25E	Q3FY24	YoY (%)	Q2FY25	QoQ (%)	Comment
Sales volume	14,63,802	14,59,934	0.3	15,19,684	(3.7)	<ul style="list-style-type: none"> HMCL recorded below par volume growth in motorcycles (flat YoY) and scooter sales continued to stay tepid in Q3FY25.
Realisations/Vehicle (Rs mn)	0.07	0.07	2.9	0.07	(0.5)	
Sales (Rs mn)	1,00,281	97,237	3.1	1,04,632	(4.2)	<ul style="list-style-type: none"> The volume growth was a mixed bag with strong volumes in the festive season reversed by the dull December. The scooter segment was a clear disappointment with 24% fall in volume.
EBITDA (Rs mn)	14,000	13,620	2.8	15,159	(7.6)	
EBITDA margin (%)	14.0	14.0	(5bps)	14.5	(53bps)	
Gross profit (Rs mn)	33,304	31,767	4.8	34,837	(4.4)	<ul style="list-style-type: none"> We expect 54bps+ YoY expansion in gross margin to 33% from a combination of price hikes and softening raw material costs. The focus on premium products will help HMCL safeguard margins.
Gross margin (%)	33.2	32.7	54bps	33.3	(8bps)	
Adj PAT (Rs mn)	11,183	10,734	4.2	12,035	(7.1)	

Source: Company, BOBCAPS Research

Fig 6 – TVS Motor (TVSL)

Particulars	Q3Y25E	Q3FY24	YoY (%)	Q2FY25	QoQ (%)	Comment
Sales volume	12,11,952	11,00,843	10.1	12,28,223	(1.3)	<ul style="list-style-type: none"> TVSL's domestic 2W segment registered steady volume growth of 8% YoY in Q3FY25, but the 3W segment growth was ~35% YoY. Exports stayed weak for both segments. The focus stayed on EV's in the scooter segment with growth of 57% YoY and 11% QoQ
Realisations/Vehicle (Rs mn)	0.07	0.07	(0.2)	0.08	(0.5)	
Sales (Rs mn)	90,605	82,450	9.9	92,282	(1.8)	<ul style="list-style-type: none"> A prudent mix leaning towards high-end models and smoother raw material supply should support margins, but we expect this to be partly offset by higher other expenditure.
EBITDA (Rs mn)	10,642	9,244	15.1	10,798	(1.4)	
EBITDA margin (%)	11.7	11.2	53bps	11.7	4bps	
Gross profit (Rs mn)	26,034	21,694	20.0	26,264	(0.9)	<ul style="list-style-type: none"> TVS launches continued, with 5-gears HLX lauched in Kenya and Raider 125cc with I Go in the domestic markets. Further, it launched the Apache RTR 310 in the Singapore market.
Gross margin (%)	28.7	26.3	242bps	28.5	27bps	
Adj PAT (Rs mn)	6,469	5,934	9.0	6,626	(2.4)	

Source: Company, BOBCAPS Research

Fig 7 – Eicher Motors (EIM)

Particulars	Q3Y25E	Q3FY24	YoY (%)	Q2FY25	QoQ (%)	Comment
Sales volume	2,72,297	2,28,073	19.4	2,27,872	19.5	<ul style="list-style-type: none"> We expect EIM's volumes to regain strength with 19% growth YoY/QoQ in Q3FY25 with 14% domestic sales growth. We estimate models up to 350cc may show sales growth of 16% YoY, whereas those over 350cc are likely to grow very healthy at 52%.
Realisations/Vehicle (Rs mn)	0.18	0.18	2.8	0.18	(1.0)	
Sales (Rs mn)	49,751	40,542	22.7	42,054	18.3	<ul style="list-style-type: none"> For VECV, total sales are forecast to grow flat with a higher contribution from Volvo on a weak base.
EBITDA (Rs mn)	13,825	11,148	24.0	11,049	25.1	
EBITDA margin (%)	27.8	27.5	29bps	26.3	152bps	<ul style="list-style-type: none"> Transition to higher end segment from < 300cc segment implies some pressure on margins YoY/QoQ.
Gross profit (Rs mn)	22,656	18,701	21.2	19,223	17.9	
Gross margin (%)	45.5	46.1	(59bps)	45.7	(17bps)	
Adj PAT (Rs mn)	11,600	9,137	27.0	10,099	14.9	

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

Fig 8 – Ashok Leyland (AL)

Particulars	Q3Y25E	Q3FY24	YoY (%)	Q2FY25	QoQ (%)	Comment
Sales volume	46,404.0	47,241.0	(1.8)	45,624.0	1.7	<ul style="list-style-type: none"> AL's volumes fell by 2% YoY in Q3FY25, driven largely by the drag from the LCV segment that fell 14% and MHCV truck segment staying flat.
Realisations/Vehicle (Rs mn)	1.92	1.96	(2.1)	1.92	0.0	
Sales (Rs mn)	89,187	92,730	(3.8)	87,688	1.7	<ul style="list-style-type: none"> The bus segment is a clear winner for AL, with volumes nearly doubling 11% YoY. We believe the government's initiative to resolve financial troubles at state transport corporations and defense orders will continue to lend a boost to sales.
EBITDA (Rs mn)	10,440	11,139	(6.3)	10,173	2.6	
EBITDA margin (%)	11.7	12.0	(31bps)	11.6	10bps	<ul style="list-style-type: none"> However, the real boost will only come from the LCV and MHCV truck segment that clearly have stayed lackluster.
Gross profit (Rs mn)	25,602	25,753	(0.6)	25,278	1.3	
Gross margin (%)	28.7	27.8	93bps	28.8	(12bps)	
Adj PAT (Rs mn)	6,482	5,806	11.6	6,527	(0.7)	

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

Fig 9 – Escorts Kubota (ESCORTS)

Particulars	Q3Y25E	Q3FY24	YoY (%)	Q2FY25	QoQ (%)	Comment
Sales volume	32,556	25,999	25.2	25,995	25.2	<ul style="list-style-type: none"> ESCORTS's volume grew by a healthy 25% YoY backed by above-normal monsoon and higher reservoir levels. However, the YTD growth lags with a fall of nearly 10%.
Realisations/Vehicle (Rs mn)	0.94	0.89	5.1	0.96	(2.0)	
Sales (Rs mn)	30,542	23,203	31.6	24,885	22.7	<ul style="list-style-type: none"> The company had increased prices in Q1 and hence YoY realisations have been delivering healthy growth.
EBITDA (Rs mn)	3,916	3,126	25.3	2,647	47.9	
EBITDA margin (%)	12.8	13.5	(65bps)	10.6	218bps	<ul style="list-style-type: none"> Despite price hikes the margin profile continues to be weak with gross and EBITDA margins likely to stay weak.
Gross profit (Rs mn)	9,184	7,110	29.2	7,664	19.8	
Gross margin (%)	30.1	30.6	(57bps)	30.8	(73bps)	
Adj PAT (Rs mn)	3,113	2,772	12.3	3,242	(4.0)	

Source: Company, BOBCAPS Research

Fig 10 – VST Tillers Tractors (VSTT)

Particulars	Q3Y25E	Q3FY24	YoY (%)	Q2FY25	QoQ (%)	Comment
Sales volume	8,086	6,039	33.9	12,542	(35.5)	<ul style="list-style-type: none"> VSTT performance have come as a surprise with strong volume growth. However, severe competition in the segment has kept the sales growth tepid as pressure on realisations mounted.
Realisations/Vehicle (Rs mn)	0.22	0.28	(20.5)	0.23	(1.0)	
Sales (Rs mn)	1,809	1,700	6.4	2,834	(36.2)	<ul style="list-style-type: none"> Overall performance is largely driven by better volume, however on a very weak base.
EBITDA (Rs mn)	175	95	83.0	378	(53.8)	
EBITDA margin (%)	9.6	5.6	403bps	13.3	(369bps)	
Gross profit (Rs mn)	587	525	11.9	905	(35.1)	
Gross margin (%)	32.5	30.9	160bps	31.9	55bps	
Adj PAT (Rs mn)	222	170	31.1	449	(50.5)	

Source: Company, BOBCAPS Research

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