Autos

Indian market well-poised amid global softness

GST rate rationalization yet to play out meaningfully

While domestic focussed auto companies should get a fillip post the GST rate rationalization, leading to revival of growth rates, we will only see it play out meaningfully from Q3FY25. The shortage of truck trailers for vehicle transport has led to deferment of some wholesales from September to October, thus capping the wholesale volumes in Q2FY25. The key auto ancillary companies continue to face global headwinds on softer demand, partial tariff-related cost absorption.

EBITDA margin to improve QoQ on operating leverage

Operating leverage due to seasonally-higher volumes could aid margins QoQ, while higher RM costs, especially platinum group metals and aluminium, and a lag impact from higher steel prices could impact gross margins. Higher copper prices may have a greater impact on Motherson Sumi Wiring's gross margins. Additionally, favourable forex realizations could aid Bajaj Auto and TVS Motors, as well as most ancillary companies. Export focussed companies will also benefit from lower ocean freight costs, which declined ~12% QoQ. However, higher launch costs could weigh on margins for some OEMs, especially Maruti Suzuki.

Auto ancillary companies facing headwinds from global markets

Global demand continues to remain soft, while tariff uncertainty is still impacting medium to long-term business planning. Recent negative commentary on demand from large global OEMs does not augur well for key global facing ancillaries like Samvardhana Motherson, Suprajit Engineering and Sansera Engineering, followed by Endurance Technologies. While tyre companies could see more respite from lower RM costs, Endurance Technologies and Motherson Sumi Wiring could see RM pressure from higher aluminium prices and copper prices respectively. Ramp-up of plant operations QoQ should ease margin pressure for Samvardhana Motherson and Motherson Sumi Wiring.

Rare-earth magnet shortage remains

While rare-earth magnets form a small percentage of overall cost of a vehicle, it would be difficult to produce most vehicles without the same. The magnets are used in EV motors are well as components in ICE like ignition coils, sensors, speedometers, power steering, etc. Most of the magnets are processed in China, as the process is radioactive and expensive. While most OEMs have found a solution to the shortage, some of them temporary, some other OEMs continue to get impacted. Some EV-focussed OEMs (except for passenger vehicles) may see adverse impact on realization and margin from not claiming EV subsidies on breaching localization norms while implementing short-term solutions for the non-availability of rare earth magnets. Till now, Ather Energy has called out a delay in submitting claims for the demand incentives to the tune of INR 262.5mn.

Top pick is still Ather Energy, followed by Maruti Suzuki and Ashok Leyland

Our top pick remains Ather Energy, as the company continues to improve its cost structure and expand distribution to scale up. We believe that Ather Energy's superior R&D and focus on customer value proposition and satisfaction should enable it to continue differentiating itself from competition, justifying its premium positioning. Our top picks also include Maruti Suzuki and Ashok Leyland due to a strong structural growth story over the medium to long term that increases the re-rating potential. From the ancillary space, our top pick is Bharat Forge on the back of strong defence segment potential, especially after the India-Pakistan conflict, which would increase the potential requirement of ATAGs, as well as long-term structural shift in forging from a high-cost base like Europe to India.

Companies	CMP (INR)	TP (INR)	Rating
Auto			
Ashok Leyland	140	169	BUY
Ather Energy	639	748	BUY
Bajaj Auto	8,904	8,646	REDUCE
Eicher Motors	6,957	7,321	ADD
Hero MotoCorp	5,615	6,429	BUY
Hyundai Motor India	2,474	2,236	REDUCE
Mahindra & Mahindra	3,493	4,014	ADD
Maruti Suzuki	16,108	18,504	BUY
Tata Motors	698	706	REDUCE
TVS Motors	3,514	3,389	ADD
Ancillaries			
Apollo Tyres	487	454	SELL
Balkrishna Industries	2,294	2,176	SELL
Bharat Forge	1,191	1,402	BUY
Endurance Technologies	2,921	3,142	ADD
Motherson Sumi Wiring	46	48	ADD
Samvardhana Motherson	104	118	ADD
Sansera Engineering	1,439	1,604	ADD
Suprajit Engineering	449	488	ADD

CMP as on 8th October 2025

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Exhibit 1: Change in Estimates/Rating

Company	CMP (INR)	Rating		TP (INR)		Target P/E (x)		New EPS			Change %		
		New	Old	Old	New	Old	New	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Auto													
Ashok Leyland	140	BUY	BUY	169	169	18	18	6.4	7.4	8.6	-	-	-
Ather Energy	639	BUY	BUY	748	748	6	6	(24.3)	(19.4)	(8.8)	-	-	-
Bajaj Auto	8,904	REDUCE	REDUCE	8,650	8,646	21	21	334.5	382.2	431.2	(0.0)	(0.1)	(0.1)
Eicher Motors	6,957	ADD	ADD	6,491	7,321	27	29	187.4	215.5	249.4	4.6	5.3	6.9
Hero MotoCorp	5,615	BUY	BUY	6,287	6,429	18	18	263.6	301.2	343.3	0.2	0.3	0.3
Hyundai Motor India Ltd	2,474	REDUCE	REDUCE	2,236	2,236	25	25	72.1	83.0	95.8	-	-	-
Mahindra & Mahindra	3,493	ADD	ADD	3,858	4,014	20	21	122.7	136.8	156.1	-	-	-
Maruti Suzuki	16,108	BUY	BUY	17,807	18,504	26	27	547.8	641.8	728.8	-	(0.1)	0.2
Tata Motors	698	REDUCE	REDUCE	706	706	SOTP	SOTP	33.6	67.2	89.8	(19.5)	(0.0)	(0.0)
TVS Motors	3,514	ADD	ADD	3,387	3,389	33	33	72.1	89.7	103.4	(0.1)	0.0	0.1
Auto Ancillaries													
Apollo Tyres	487	SELL	SELL	452	454	12	12	25.2	34.7	41.0	-	0.7	0.3
Balkrishna Industries	2,294	SELL	SELL	2,191	2,176	20	20	81.2	100.4	117.2	(1.8)	(0.7)	(0.7)
Bharat Forge	1,191	BUY	BUY	1,400	1,402	30	30	27.0	40.6	52.9	0.2	0.2	0.1
Endurance Technologies	2,921	ADD	ADD	3,128	3,142	30	30	69.8	91.6	117.9	(0.0)	0.5	0.4
Motherson Sumi Wiring	46	ADD	ADD	48	48	29	29	1.1	1.5	1.8	1.0	0.2	0.3
Samvardhana Motherson	104	ADD	ADD	122	118	20	20	4.0	5.3	6.5	(4.5)	(3.8)	(3.5)
Sansera Engineering	1,439	ADD	ADD	1,593	1,604	22	22	48.9	64.7	81.2	0.9	0.8	0.7
Suprajit Engineering	449	ADD	ADD	491	488	21	21	15.2	20.7	25.7	(1.4)	(1.1)	-

Source: HSIE Research

Note: In the Target P/E section, we have shown multiples for the core business of the companies. Additionally, for the valuation of Ather Energy, we use EV/Sales multiple and not P/E.

Mahindra & Mahindra's P/E multiple is only on the core business (auto and tractors), while entire valuation is done on a SOTP basis.

Exhibit 2: Valuation Summary

Company	Mcap (INR bn)	CMP (INR)	TP (INR)	RECO	EPS (INR)				P/E (x)				RoE %				Rev CAGR FY25-28	EPS CAGR FY25-28
					FY25	FY26E	FY27E	FY28E	FY25	FY26E	FY27E	FY28E	FY25	FY26E	FY27E	FY28E		
Auto																		
Ashok Leyland	821	140	169	BUY	5.4	6.4	7.4	8.6	25.7	22.0	18.8	16.3	31.5	30.0	29.0	30.1	10.8	16.3
Ather Energy	243	639	748	BUY	(27.9)	(24.3)	(19.4)	(8.8)	(22.9)	(26.3)	(33.0)	(72.9)	(156.4)	(48.6)	(26.4)	(14.8)	32.7	32.0
Bajaj Auto	2,486	8,904	8,646	REDUCE	292.0	334.5	382.2	431.2	30.5	26.6	23.3	20.7	28.6	27.9	29.4	30.3	13.2	13.9
Eicher Motors	1,908	6,957	7,321	ADD	156.1	187.4	215.5	249.4	44.6	37.1	32.3	27.9	25.0	25.5	24.9	24.6	17.2	16.9
Hero MotoCorp	1,122	5,615	6,429	BUY	230.6	263.6	301.2	343.3	24.3	21.3	18.6	16.4	23.3	24.5	25.7	26.7	11.4	14.2
Hyundai Motor India	2,010	2,474	2,236	REDUCE	69.4	72.1	83.0	95.8	35.6	34.3	29.8	25.8	41.8	32.2	30.3	28.9	9.7	11.4
Mahindra & Mahindra	4,194	3,493	4,014	ADD	98.7	122.7	136.8	156.1	35.4	28.5	25.5	22.4	22.3	21.9	20.7	20.2	14.9	17.7
Maruti Suzuki	5,064	16,108	18,504	BUY	461.2	547.8	641.8	728.8	34.9	29.4	25.1	22.1	16.3	17.2	17.7	17.7	13.7	16.5
Tata Motors	2,569	698	706	REDUCE	61.4	33.6	67.2	89.8	11.4	20.8	10.4	7.8	22.5	10.2	18.2	20.5	9.7	13.5
TVS Motors	1,670	3,514	3,389	ADD	57.1	72.1	89.7	103.4	61.6	48.7	39.2	34.0	30.7	30.2	29.4	26.9	15.0	21.9
Auto Ancillaries																		
Apollo Tyres	309	487	454	SELL	17.6	25.2	34.7	41.0	27.6	19.3	14.0	11.9	9.0	10.5	13.4	14.5	8.5	32.4
Balkrishna Industries	443	2,294	2,176	SELL	84.2	81.2	100.4	117.2	27.2	28.3	22.9	19.6	16.9	14.3	15.6	16.1	10.7	11.7
Bharat Forge	569	1,191	1,402	BUY	21.5	27.0	40.6	52.9	55.5	44.1	29.3	22.5	12.5	13.4	18.2	20.5	16.3	56.9
Endurance Technologies	411	2,921	3,142	ADD	58.6	69.8	91.6	117.9	49.9	41.9	31.9	24.8	15.4	16.0	18.3	20.0	16.8	26.2
Motherson Sumi Wiring	305	46	48	ADD	0.9	1.1	1.5	1.8	50.3	41.5	31.1	25.1	31.7	36.0	41.6	43.7	15.8	26.2
Samvardhana Motherson	1,098	104	118	ADD	3.6	4.0	5.3	6.5	28.9	25.8	19.6	16.1	12.5	11.8	14.4	16.0	11.0	21.4
Sansera Engineering	89	1,439	1,604	ADD	35.3	48.9	64.7	81.2	40.8	29.4	22.3	17.7	10.7	10.5	12.5	13.9	17.5	32.0
Suprajit Engineering	62	449	488	ADD	7.2	15.2	20.7	25.7	62.0	29.6	21.6	17.4	7.5	15.3	18.5	19.8	13.2	52.6

Source: HSIE Research

Exhibit 3: Q2FY26 Auto OEM Estimates

Company	Revenue			EBITDA Margin (%)			PAT			Comment
	Q2 FY26E	YoY (%)	QoQ (%)	Q2 FY26E	YoY (bps)	QoQ (bps)	Q2 FY26E	YoY (%)	QoQ (%)	
Ather Energy	8.017	N/A	24.4	(19.2)	N/A	166 bps	(1997)	N/A	12.1	We expect realizations to decline 3.5% QoQ, as subsidies have not been claimed under the PM E-Drive scheme, amid the rare earth magnet supply disruption. The margins could still improve further by 166bps QoQ, on better operating leverage, and company's continued focus to bring down costs via R&D, though this could be partially negated by higher advertising and marketing expenses.
Ashok Leyland	97,348	11.0	11.6	11.5	-7 bps	42 bps	7.092	8.7	19.5	EBITDA margin to improve 40bps QoQ on better operating leverage and continued cost rationalization efforts, though to be partially negated by higher RM costs.
Bajaj Auto	1,47,385	12.3	17.1	20.1	-9 bps	39 bps	24,490	22.1	16.8	Realizations to improve 1.0% QoQ on better 2W mix within exports and 3W mix, as well as better forex realizations. EBITDA margin to improve 39bps QoQ on better product mix, including lower e-2W mix due to supply constraints.
Eicher Motors	58,727	39.6	19.6	25.9	-35 bps	83 bps	14,626	44.8	11.9	Realization to remain flattish QoQ as adverse mix (lower mix from international markets and >350cc vehicles) should be negated by price hike taken in July 2025. EBITDA margin to improve 83bps on better operating leverage.
Hero MotoCorp	1,19,293	14.0	24.5	14.8	31 bps	37 bps	14,196	18.0	26.1	Realizations to decline 1% QoQ due to higher discounting and possible subsidy claim holdback of e-2W. EBITDA margin to improve 37bps QoQ, mainly led by higher operating leverage though partially negated by higher launch-related expenses.
Hyundai Motor India	1,73,802	2.5	7.4	13.7	68 bps	18 bps	15,068	9.5	10.0	Realizations to go up by 1.5% QoQ on better product mix, though should get partially negated by higher discounts. EBITDA margin should improve marginally QoQ.
M&M	3,47,812	25.9	2.0	14.0	69 bps	-34 bps	40,160	25.0	16.4	On a QoQ basis, EBIT margin to decline to 19.4% for the farm segment on the back of an adverse mix and lower operating leverage. Auto EBIT margin to decline to 8.6% on adverse product mix.
Maruti Suzuki	3,73,375	2.4	-2.8	10.2	-182 bps	-23 bps	32,657	-7.5	-12.0	ASP to decline 0.5% QoQ, due to higher discounts during the festive season as well as adverse product mix. Margins to decline 30bps QoQ as adverse product mix, higher discounts, sharp spike in precious metal prices, and launch-related expenses of the Victoris, would be partially negated by better operating leverage.
Tata Motors	9,34,217	-7.9	-10.5	7.4	-412 bps	-193 bps	16,357	-45.1	-53.8	JLR EBIT margin to decline sharply QoQ to -2.2%, mainly due to negative operating leverage as the company had shut down production for almost a month due to a cyberattack. CV EBITDA margin to improve to 12.5% on operating leverage as volumes grew 11.0% QoQ. PV EBITDA margin to improve 150bps QoQ to 5.5% on operating leverage.
TVS Motor	1,19,542	29.5	18.6	12.8	111 bps	28 bps	9,692	46.3	24.5	Realizations to grow marginally QoQ on better forex realization. EBITDA margin to improve 28bps QoQ as better operating leverage to be negated by higher launch and advertising expenses.
Total (ex-Ather Energy and Tata Motors)	**14,37,283**	**13.3**	**6.8**	**13.9**	**-1 bps**	**21 bps**	**1,57,980**	**15.7**	**9.5**	

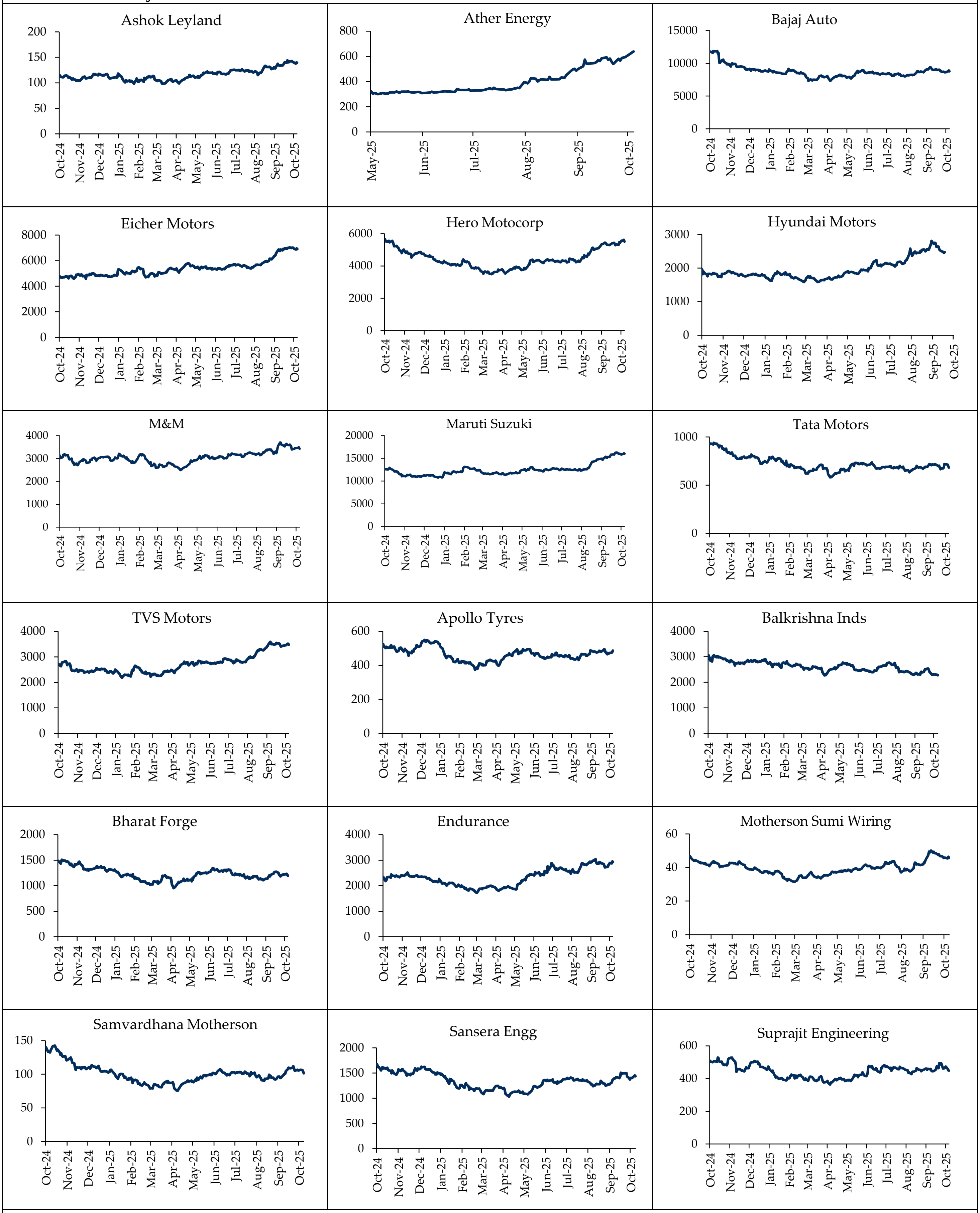
Source: HSIE Research

Exhibit 4: Q2FY26 Auto Ancillary Estimates

Company	Revenue			EBITDA Margin (%)			PAT			Comment
	Q2 FY26E	YoY (%)	QoQ (%)	Q2 FY26E	YoY (bps)	QoQ (bps)	Q2 FY26E	YoY (%)	QoQ (%)	
Apollo Tyres	67,158	4.3	2.4	14.2	56 bps	97 bps	3,407	13.2	25.3	Revenue growth to remain subdued amidst weaker demand environment in Q2 and management's focus on profitable growth. We expect EBITDA margin to improve QoQ on RM benefit and operating leverage.
Balkrishna Industries	26,084	5.8	-5.5	24.3	-85 bps	50 bps	3,625	3.7	26.2	Volumes to grow 4% YoY but decline 6% QoQ as key overseas markets continue to remain subdued. An outlier is the Indian market, which is doing well. EBITDA margin to improve 50bps QoQ on the back of easing RM costs and sharp correction in ocean freight costs, though to be partially negated by partial absorption of tariff-related cost increase.
Bharat Forge (Standalone)	21,390	-4.8	1.6	26.1	-170 bps	-103 bps	3,285	-6.4	-3.0	Standalone revenue to degrow 4% YoY, with the impact led by a subdued exports environment. EBITDA margin to remain impacted due to higher tariff-related cost absorption.
Endurance Technologies	32,717	15.8	-1.4	13.8	79 bps	47 bps	2,376	23.8	5.0	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 improve on consolidation with Stoferle.
Motherson Sumi Wiring	25,815	11.0	3.5	10.2	-57 bps	37 bps	1,566	3.0	9.4	Ramp-up of new facilities and operating leverage benefits should be negated by slightly higher RM costs, leading to a 40bps QoQ improvement in EBITDA margin.
Samvardhana Motherson	3,07,726	8.7	1.9	8.3	-105 bps	12 bps	6,903	-18.1	12.3	Revenue to grow QoQ on execution of a healthy order book. Better integration of recent acquisitions to improve EBITDA margins marginally on a QoQ basis.
Sansera Engineering	8,280	8.5	8.1	17.5	8 bps	27 bps	700	38.2	12.4	We expect margins to improve on minor operating leverage and improved product mix as the ADS business continues to ramp up. Though it should be partially negated by partial absorption of tariff-related cost increase.
Suprajit Engineering	8,820	5.8	2.2	10.2	-37 bps	71 bps	447	75.4	-7.1	EBITDA margin to improve QoQ on better operating leverage.
Total	**4,97,991**	**7.8**	**1.5**	**11.3**	**-79 bps**	**20 bps**	**22,309**	**-1.5**	**12.0**	

Source: HSIE Research

1 Yr Price history



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