PL Capital
PRABHUDAS LILLADHER

Automobiles

Jul-Sep'25 Earnings Preview

October 8, 2025

Exhibit 1: PL Universe

Companies	Rating	CMP (Rs)	TP (Rs)
Bajaj Auto	HOLD	8,792	9,117
Eicher Motors	HOLD	6,903	6,729
Hero Motocorp	Acc	5,513	6,049
Mahindra & Mahindra	Acc	3,427	3,845
Maruti Suzuki	HOLD	16,012	15,764
TVS Motor Company	Acc	3,483	3,908

Source: PL

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GST 2.0 and early festivities adding fuel to the strong quarter

The industry dispatches in Q2FY26 saw strong growth with GST 2.0, early festivities, strong rural demand, good Kharif harvest due to widespread monsoons, income tax rate cuts, stable policy rates amongst others. This led to improved affordability making entry level vehicles more attractive. First 3 weeks of Sep'25 saw muted demand as consumers awaited the GST cuts to be implemented. The surge in volumes was seen for the pent-up demand from start of Navratri. Since consumers were aware that these rate cuts are here to stay unlike the short-term discounts of previous festivities, they spent more time exploring prices/ models across various OEMs and dealerships in initial few days this Navratri and actual purchases happened more so in the later days only.

The growth was driven by two-wheelers (2W) especially scooters and by tractors. On the other hand, MHCV and construction equipment growth was subdued due to project delays amidst heavy monsoons, although most OEMs expect demand revival and a better H2. PV volumes showed signs of recovery led by sustained growth in exports, Utility Vehicles (UVs), EVs. Healthy domestic sales growth esp. was seen starting Navratri. EV sales (2W/4W) showed momentum with new launches/ packs. Affordability and aspiration to upgrade to higher-end variants were the themes in PVs and 2Ws. While rural sentiments remained strong, revival in urban markets was gradually seen towards the end of the quarter.

- For Q2FY26, domestic PV wholesale volumes were flattish YoY. Excluding Maruti Suzuki, the segment saw a 3.5% growth, driven by Tata Motor's outstanding growth starting Navratri. However, aggregate volume was dragged down due to the sustained decline in Maruti Suzuki's UV sales.
- 2W domestic volumes for the quarter grew 8.8% while exports surged 27.4% YoY
- 3W domestic grew 13.2% and exports grew 50% YoY
- MHCV grew 3.3% whereas LCV growth was ~10%
- Domestic tractor volumes surged 32% whereas exports surged 20% YoY

FADA's "Cautiously optimistic" outlook from the start of FY26 changed to "Guarded optimism" for Aug'25, "Decisively Optimistic" for Sep'25 and now to "Highly Optimistic" for the near term marking a strong growth cycle expectations for Indian Auto OEMs. Near term challenges to watch out for would be higher RM costs, logistics and supply chain issues. Our top picks from the lot are M&M, TVS and HMCL.

Bajaj Auto: EV (2W+3W) EBITDA margin is nearing double-digit with some variants of e-Chetak scooters on the new platform being the only major e-2W brand having positive EBITDA margin. Entry level motorcycles (<125cc) which form ~57% of their overall domestic 2W portfolio by volume have been a pain point where they have been losing market share. They have been maintaining leadership in domestic 3W. International market exposure (~43% by volume for their overall portfolio for H1FY26), which is well diversified across geographies, and a weaker rupee is expected to drive revenue upwards. We estimate its Sales/EBITDA/PAT to grow at a CAGR of 13.5%/14.3%/14.5% over FY25-27E and assign 'HOLD' rating with a TP of Rs 9,117 valuing the stock at 22x P/E Sep'27E.

Hero Motocorp: Domestic motorcycle sales (~91% of their domestic portfolio by volume in H1 FY26) have seen strong growth this H1 (except April'25 where there was a planned production halt), whereas the industry growth has been subdued. Performances of upcoming launches in 125cc segment are to be looked out for. We estimate its Sales/EBITDA/PAT to grow at a CAGR of 9.0%/9.7%/8.7% over FY25-27E and assign 'ACCUMULATE' rating with a TP of Rs 6,049 valuing the stock at 20x P/E Sep'27E.

TVS Motor: Strong volume in domestic 2W has led to market share gains with iQube being the most sold e-2W this Quarter. In the domestic market, scooters' penetration in their portfolio has been rising moving up ~+40bps YoY in H1FY26 capitalizing on the "Scooter-ization" trend seen across the industry. 3W domestic sales have more than doubled in H1'26. We expect better margins going ahead driven by better scale, mix and PLI. Upcoming launches, esp. the 125cc model and Apache RTX 300 adventure tourer would be to look forward to. With a ~27% exports exposure by volume for H1FY26 for their overall portfolio, which continues surging at healthy rates and with a weaker rupee, we expect it to add to the revenue. Rare earth magnet availability in short-medium term remains a challenge. We estimate Sales/EBITDA/PAT to grow at a CAGR of 14.8%/18.2%/20.6% over FY25-27E and assign 'ACCUMULATE' rating with a TP of Rs 3,908 valuing the stock at 45x P/E Sep'27E.

Eicher Motors: Royal Enfield has shown strong volumes, but realization and margins are estimated to be lower going ahead due to weaker mix (penetration of <350cc models which are of lower margins increasing). Higher export penetration and niche market is expected to drive growth ahead. VECV volumes have also been growing modestly, and most other OEMs expect demand revival post the end of monsoon. We estimate its Sales/EBITDA/PAT to grow at a CAGR of 13.5%/14.6%/12.6% over FY25-27E and assign a 'HOLD' rating with a TP of Rs 6,729. We value the stock via SOTP valuing RE at 30x P/E Sep'27E and VECV at 10x EV/EBITDA Sep'27E.

Mahindra & Mahindra: Auto and tractor volumes have been strong with better Auto realizations. EV penetration as a share of their portfolio has been rising and seeing good demand, however due to this we expect margins to slightly contract. We estimate Sales/EBITDA/PAT to grow at a CAGR of 14.2%/12.5%/10.2% over FY25-27E and assign 'ACCUMULATE' rating with a TP of Rs 3,845. We value the stock via SOTP valuing core business at 26x P/E Sep'27E and its share of subsidiaries' value per share based on respective market prices.

Maruti Suzuki: Continued strong exports are expected to inch further up with the dispatch of the recently launched e-Vitara. Although Sep'25 domestic dispatches witnessed sluggish numbers esp. due to declining UVs, the FADA Sep'25 release shows MSIL retail sales grow 7% YoY. We expect the GST rate cuts for the entry level domestic cars to aid the sales where MSIL has been the market leader. We estimate Sales/EBITDA/PAT to grow at a CAGR of 14.2%/12.5%/10.2% over FY25-27E and assign 'HOLD' rating with a TP of Rs 15,764 valuing the stock at 25x P/E Sep'27E.

Exhibit 2: Q2FY26 Result Preview (Rs mn)

Company Name		Q2FY26E	Q2FY25	YoY gr. (%)	Q1FY26	QoQ gr. (%)	Remark
Bajaj Auto	Sales	1,48,021	1,31,275	12.8	1,25,845	17.6	Strong volume growth in the international market, along with an improved product mix (>125cc) in both international and domestic markets, is expected to drive 13% YoY increase in revenue. Margin expected to slightly improve YoY due to a lower RM basket partially offset by higher other expenses. PAT expected to increase by 23% YoY due to an exceptional tax item last year.
	EBITDA	30,020	26,522	13.2	24,818	21.0	
	Margin (%)	*20.3*	*20.2*	*8 bps*	*19.7*	*56 bps*	
	PBT	32,737	29,252	11.9	27,875	17.4	
	Adj. PAT	24,651	20,050	22.9	20,960	17.6	
Eicher Motors	Sales	56,631	42,631	32.8	50,418	12.3	Driven by strong volumes reported by RE in both domestic and international market we estimate sales to grow by 33% YoY. EBITDA Margins expected to contract by -60bps YoY due to higher <350cc penetration which are margin dilutive. VECV volume growth also has been modest which shall boost the profits from JV although lower other income should lead to PAT estimates increasing by 22% YoY
	EBITDA	14,128	10,877	29.9	12,028	17.5	
	Margin (%)	*24.9*	*25.5*	*-57 bps*	*23.9*	*109 bps*	
	PBT	15,624	12,483	25.2	14,359	8.8	
	Adj. PAT	13,429	11,003	22.0	12,052	11.4	
Hero Motocorp	Sales	1,20,481	1,04,632	15.1	95,789	25.8	Driven by volume growth and improved realization we estimate 15% YoY growth in revenue. Margin expected to slightly increase due to lower other expenses due to higher volume scale and capacity utilization. PAT is estimated to grow by 16% YoY.
	EBITDA	17,590	15,159	16.0	13,817	27.3	
	Margin (%)	*14.6*	*14.5*	*11 bps*	*14.4*	*18 bps*	
	PBT	18,585	16,003	16.1	14,870	25.0	
	Adj. PAT	13,939	12,035	15.8	11,257	23.8	
Mahindra & Mahindra	Sales	3,29,842	2,75,533	19.7	3,40,832	(3.2)	Strong Auto and Tractor volumes and improved Auto realizations are expected to increase its Sales by 20% YoY. Margins expected to be lower by -20bps YoY owing to higher penetration of EVs in their Auto portfolio. We estimate PAT to grow by 2% YoY driven down by lower non-operating income.
	EBITDA	46,508	39,497	17.7	48,840	(4.8)	
	Margin (%)	*14.1*	*14.3*	*-23 bps*	*14.3*	*-23 bps*	
	PBT	51,688	49,765	3.9	46,195	11.9	
	Adj. PAT	39,688	38,864	2.1	35,981	10.3	
Maruti Suzuki	Sales	4,08,901	3,72,028	9.9	3,84,136	6.4	Owing to volume growth in entry level cars, strong export volumes and better realization we expect sales growth of 10% YoY. EBITDA margin is expected to contract by -80bps due to higher other costs esp. from the new Kharkhoda plant. We expect PAT to rise by 21% YoY due to a higher deferred tax last year
	EBITDA	45,388	44,166	2.8	39,953	13.6	
	Margin (%)	*11.1*	*11.9*	*-77 bps*	*10.4*	*70 bps*	
	PBT	48,553	51,005	(4.8)	48,342	0.4	
	Adj. PAT	37,053	30,692	20.7	37,117	(0.2)	
TVS Motor Company	Sales	1,14,923	92,282	24.5	1,00,810	14.0	Driven by strong volume growth and stronger USD vs INR, we estimate Sales to increase by 25% YoY. Better mix, PLI and lower other expenses are expected to boost EBITDA margin by 80bps YoY. We expect PAT to grow by 38% YoY. REM availability in short-medium term remains a challenge
	EBITDA	14,480	10,798	34.1	12,630	14.6	
	Margin (%)	*12.6*	*11.7*	*90 bps*	*12.5*	*7 bps*	
	PBT	12,270	8,972	36.8	10,531	16.5	
	Adj. PAT	9,120	6,626	37.6	7,786	17.1	

Source: Company, PL

Exhibit 3: Valuation Summary

Company Names	S/C	Rating	CMP (Rs)	TP (Rs)	MCap (Rs bn)	Sales (Rs mn)				EBITDA (Rs mn)				PAT (Rs mn)				EPS (Rs)				RoE (%)				PE (x)			
						FY25	FY26E	FY27E	FY28E	FY25	FY26E	FY27E	FY28E	FY25	FY26E	FY27E	FY28E	FY25	FY26E	FY27E	FY28E	FY25	FY26E	FY27E	FY28E	FY25	FY26E	FY27E	FY28E
Bajaj Auto	S	HOLD	8,792	9,117	2,455.3	500.1	577.5	653.7	732.1	101.0	116.7	134.0	150.8	81.5	95.2	109.1	122.4	291.9	340.9	390.7	438.1	28.6	28.3	29.4	30.0	30.1	25.8	22.5	20.1
Eicher Motors	C	HOLD	6,903	6,729	1,893.4	188.7	225.9	248.8	275.8	47.1	56.6	64.1	70.8	47.3	54.8	61.3	67.6	172.6	199.7	223.6	246.6	24.1	23.7	22.9	21.8	40.0	34.6	30.9	28.0
Hero Motocorp	S	Acc	5,513	6,049	1,102.5	407.6	452.9	490.5	527.4	58.7	65.7	72.1	77.5	46.1	52.2	56.1	59.3	230.5	260.9	280.3	296.4	24.4	25.3	25.2	24.8	23.9	21.1	19.7	18.6
Mahindra & Mahindra	S	Acc	3,427	3,845	4,114.5	1,164.8	1,369.3	1,540.5	1,735.1	172.5	193.1	219.5	245.5	128.3	139.5	156.5	171.8	106.8	116.2	130.3	143.0	22.5	20.8	19.9	18.7	32.1	29.5	26.3	24.0
Maruti Suzuki	S	HOLD	16,012	15,764	5,034.2	1,519.0	1,744.4	1,995.5	2,244.2	177.9	197.1	229.5	258.1	139.6	161.1	186.8	209.7	443.9	512.5	594.2	666.9	15.7	16.2	16.7	16.7	36.1	31.2	26.9	24.0
TVS Motor Company	S	Acc	3,483	3,908	1,654.7	362.5	437.0	488.4	548.5	44.5	55.9	65.0	73.5	27.1	35.5	41.9	47.5	57.1	74.8	88.2	100.0	30.7	31.0	28.4	25.5	61.0	46.6	39.5	34.8

Source: Company, PL *Acc = Accumulate / S=Standalone / C=Consolidated*

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Buy	:	> 15%
Accumulate	:	5% to 15%
Hold	:	+5% to -5%
Reduce	:	-5% to -15%
Sell	:	< -15%
Not Rated (NR)	:	No specific call on the stock
Under Review (UR)	:	Rating likely to change shortly

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