

Auto & Auto Ancillary Sector

1QFY26 Result Preview

July 09, 2025

Select pockets of strength

Key Points

- 1QFY26 is expected to be a mixed bag for our coverage universe; we forecast a consolidated topline uptick of ~8%. Domestic deceleration persisted amid an export surge for the automobile industry in terms of volumes.
- Margins are expected to taper for OEMs as prices of steel and other precious metals have seen an increase; however, scale should offset the increase in RM. Supply chain-related issues with regard to rare earths would be something to watch out for as multiple OEMs have guided for production cuts unless restrictions are lifted by China.
- Apollo Tyres and CEAT are expected to have strong volume and margin improvement with OEM and replacement demand for their core segments returning, along with NR prices falling 20% from its peak, which is expected to reflect in this quarter. While we are structurally positive on both, we downgrade CEAT to HOLD primarily due to the recent run up (15%) from [our last update](#).
- Tariff-related delays in decision making and impact of Iran/Israel conflict resulted in lower export volumes with expectation of a -3% YoY volume for BKT (Balkrishna Industries). Capex intensity through FY26 and FY27 putting pressure on return ratios made us revisit our target multiple; downgrading the stock to SELL.
- Component companies under our coverage are better placed due to their diversification strategy, in terms of product with VA/VE and geographic locations for production, to cater to various global customers in a de-globalised world. We remain positive on ASK Automotive, as highlighted in our [initiation](#), as the company continues to aggressively enter into collaborations with global leaders diversifying into higher CPV and margin products. We have upgraded Suprajit to BUY, as we believe it would benefit in a world with trade barriers, due to its on-shore/far-shore blended manufacturing strategy.
- Bearing this in mind, our **TOP BUYS** are **M&M** in **4Ws** and **EIM** in **2Ws** as the **middleweight segment** continues to grow. **ASK Automotive** continues to be our favoured choice in components followed by **Suprajit Engineering**.

What to look for in 1QFY26: Could the rare-earth disruption result in slower-than-anticipated penetration of EVs, potentially benefitting OEMs who have a multi-drive train strategy? Demand outlook for rural, fiscal, and monetary expansionary policy resulting in improvement in vehicle financing penetration among the mass commuter segment and draft ABS regulation impact for 2W OEMs.

Coverage Universe

Company	Target Price	Rating
Maruti Suzuki	14,510	Buy
Mahindra & Mahindra	3,721	Buy
Ashok Leyland	287	Buy
Bajaj Auto	9,097	Hold
Eicher Motors	6,635	Buy
Hero MotoCorp	4,821	Hold
TVS Motors	2,972	Hold
Sansera Engineering	1,434	Hold
Suprajit Engineering	563	Buy
Apollo Tyres	552	Buy
CEAT	4,152	Hold
Balkrishna Industries	2,436	Sell
Hyundai Motor India	2,133	Hold
ASK Automotive	598	Buy

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Exhibit 1: 1QFY26 estimates for our coverage universe

Company	Net Sales			EBITDA			EBITDA Margin (%)			PAT		
	1QFY26E	YoY (%)	QoQ (%)	1QFY26E	YoY (%)	QoQ (%)	1QFY26E	YoY (%)	QoQ (%)	1QFY26E	YoY (%)	QoQ (%)
Maruti Suzuki	3,66,582	3.2	-9.9	40,324	-10.4	-5.4	11.0	-167 bps	51 bps	31,415	-13.9	-15.3
Mahindra & Mahindra	3,40,689	26.0	8.7	51,103	27.1	9.1	15.0	12 bps	7 bps	34,242	36.0	18.1
Ashok Leyland	84,495	-1.7	-29.0	10,139	11.3	-43.4	12.0	141 bps	-304 bps	5,930	12.8	-52.9
Bajaj Auto	1,23,068	3.2	1.3	24,983	3.4	1.9	20.3	5 bps	13 bps	19,804	-0.4	-3.4
Eicher Motors	49,514	12.7	-5.5	12,329	5.8	-2.0	24.9	-163 bps	90 bps	10,502	-4.7	-22.9
Hero MotoCorp	95,299	-6.1	-4.1	13,580	-7.0	-4.1	14.3	-14 bps	1 bps	10,632	-5.3	-1.6
TVS Motors	1,00,853	20.4	5.6	12,102	26.0	-9.2	12.0	54 bps	-195 bps	7,268	25.9	-14.7
Sansera Engineering	7,811	5.0	-0.1	1,406	10.3	10.7	18.0	86 bps	175 bps	694	38.5	17.4
Suprajit Engineering	8,844	20.4	0.9	1,007	16.6	15.7	11.4	-36 bps	146 bps	519	36.1	90.5
Apollo Tyres	70,317	11.0	9.5	9,985	9.8	19.2	14.2	-15 bps	116 bps	3,981	16.3	31.2
CEAT	35,589	12.3	4.3	4,306	12.9	9.1	12.1	6 bps	54 bps	1,691	19.0	23.0
Balkrishna Industries	26,845	-2.1	-5.4	6,443	-9.9	-8.4	24.0	-209 bps	-79 bps	3,851	-18.3	-8.3
Hyundai Motor India	1,69,293	-2.4	-5.6	21,449	-8.3	-15.3	12.7	-82 bps	-145 bps	12,314	-17.3	-23.7
ASK Automotive	9,915	15.0	16.7	1,249	24.2	20.4	12.6	93 bps	38 bps	727	27.9	26.2

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 2: Quarterly Volumes

Volume (units)	1QFY26	1QFY25	4QFY25	YoY (%)	QoQ (%)
Ashok Leyland	44,238	43,893	59,176	0.8	(25.2)
TVS Motor	12,77,172	10,87,175	12,16,286	17.5	5.0
Bajaj Auto	11,11,237	11,02,056	11,02,934	0.8	0.8
M&M	3,78,699	3,33,017	3,41,046	13.7	11.0
Maruti Suzuki	5,27,861	5,21,868	6,04,635	1.1	(12.7)
Hero MotoCorp	13,67,070	15,35,154	13,80,545	(10.9)	(1.0)
Royal Enfield	2,65,528	2,26,907	2,82,823	17.0	(6.1)
Hyundai Motor India	1,80,399	1,92,055	1,91,650	(6.1)	(5.9)

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 3: Change in target prices

Company	Old Multiple (x)	New Multiple (x)	Old TP (Rs)	New TP (Rs)	Old Rating	New Rating	CMP (Rs)	Upside/Downside (%)
Maruti Suzuki	22	23	13,572	14,510	Buy	Buy	12,435	17
Mahindra & Mahindra	22	22	3,566	3,721	Buy	Buy	3,163	18
Ashok Leyland	13	13	278	287	Buy	Buy	250	15
Bajaj Auto	24	23	9,615	9,097	Hold	Hold	8,342	9
Eicher Motors	26	26	6,336	6,635	Buy	Buy	5,671	17
Hero MotoCorp	15	15	4,723	4,821	Buy	Hold	4,297	12
TVS Motors	32	32	2,855	2,972	Hold	Hold	2,835	5
Sansera Engineering	22	24	1,409	1,434	Hold	Hold	1,400	2
Suprajit Engineering	18	18	468	563	Hold	Buy	463	22
Apollo Tyres	16	16	552	552	Buy	Buy	471	17
CEAT	16	16	3,908	4,152	Buy	Hold	3,788	10
Balkrishna Industries	23	22	2,645	2,436	Hold	Sell	2,616	-7
Hyundai Motor India	22	22	1,997	2,133	Hold	Hold	2,051	4
ASK Automotive	26	27	552	598	Buy	Buy	515	16

Source: Company, Nirmal Bang Institutional Equities Research

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BUY > 15%

HOLD -5% to 14%

SELL < -5%

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