Auto, ancillary sectors to see strong earnings momentum

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The automobile and auto-ancillary sector is expected to show strong Q3FY26 results, aided by festival-led demand, rationalisation in goods and services tax (GST) rates for select categories of vehicles, easing interest rates, and improving rural sentiment.

Brokerages estimate revenue growth in the range 18-32 per cent year-on-year (Y-o-Y) while the increase in profit after tax is seen to be 15-35 per cent, supported by recovery in volumes, and a favourable mix and operating leverage, albeit partially offset by higher input costs, and discounting.

Sales of passenger vehicles (PVs) in the quarter delivered a record-breaking performance, clocking 1.27 million units, up 20.6 per cent Y-o-Y, according to the data from Society of Indian Automobile Manufacturers.

Exports scaled new heights, with shipments of passenger vehicles rising 11.7 per cent Y-o-Y to 225,000 units, supported by demand in West Asia, Africa, and Latin America.

Two-wheelers mirrored this strength, recording their highest ever third-quarter volumes of 5.70 million units, up 16.9 per cent Y-o-Y and crossing five million for the first time.

Kotak Institutional Equities expects revenues of original equipment manufacturers to increase 5 per cent Y-o-Y, but if Tata Motors is excluded revenue growth could be 25 per cent.

The brokerage says there is low single-digit improvement in the average selling price due to a favourable mix in the PV and two-wheeler segments and favourable forex. This has been partly offset by a decline in Jaguar Land Rover's production volumes.

Performance check

(In ₹ crore)	Net sales Q3FY26E	Chg in % Y-o-Y	PAT Q3FY26E	Chg in % Y-o-Y
Maruti Suzuki India	48,413	31.5	4,094	9.8
Bajaj Auto	15,272	19.3	2,523	19.7
Tata Motors PV	85,487	-24.7	1,847	-66.1
Hero MotoCorp	12,199	19.5	1,402	16.5
Ashok Leyland	11,172	18.4	965	26.7

Compiled by BS Research Bureau

Source: Bloomberg

"We expect the Ebitda (earnings before tax, interest, depreciation, and amortisation) margin (excluding Tata Motors) to increase 90 bps Y-o-Y, led by an operating leverage benefit and a richer product mix, partly offset by higher discounts and commodity headwinds. As a result, we expect Ebitda to increase 33 per cent Y-o-Y in 3QFY26E (excluding Tata Motors)," the analysts said.

Q3 RESULTS PREVIEW

JLR will report a weak print, with a 41 per cent Y-o-Y revenue decline due to tariffs imposed by the United States and production challenges from a cyberattack.

There may be a one-time impact on employee costs due to revisions in labour laws, which "we have not factored in", they added.

Maruti Suzuki's Ebitda likely to increase 38 per cent Y-o-Y, said Kotak Institutional Equities.

Input costs, however, are likely to marginally rise quarter-on-quarter (Q-o-Q), say analysts at Motilal Oswal. Precious metals are up but likely to be partially offset by cooling steel prices.

DevenChoksey Research estimates a 9 per cent decline in Tata Motors' PV revenues owing to JLR challenges, while Ebitda is estimated to be down 5.4 per cent Y-o-Y with a PAT at ₹445 crore reflecting a 17.6 per cent Y-o-Y drop.

Nuvama analysts said that improved affordability, a healthy pipeline for products, adequate financing, and the implementation of the Pay Commission award for government employees would create strong domestic volume growth over FY25-28.

As for two-wheelers, Kotak analysts expect Bajaj Auto's Ebitda to increase 24 per cent Y-o-Y mainly due to favourable forex and a richer product mix.

Hero MotoCorp's Ebitda margin to increase 60 basis point Y-o-Y.

In commercial vehicles, Eicher Motors' Ebitda (consolidated business) is expected to improve 22 per cent Y-o-Y. Kotak analysts forecast Ashok Leyland to report a 24 per cent Q-o-Q Ebitda rise whereas the same metric for Tata Motors' domestic CV business is likely to rise 44 per cent Q-o-Q.

Kotak analysts forecast that Ashok Leyland will report a 24 per cent rise in Ebitda Q-o-Q), whereas the Ebitda of Tata Motors' domestic commercial vehicle business is likely to rise 44 per cent. As for ancillaries, Nuvama estimates revenue growth at 13 per cent Y-o-Y.

Tyre maker Ceat's revenues are likely to grow riding on domestic demand, while the Ebitda margin is expected to expand on lower input costs and better scale.