Auto Inc may ride on strong revenue growth in Dec qtr

Analysts say margins would also be helped by benign commodity prices

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Mumbai, 23 January

Automotive companies are expected to report strong revenue growth of 17-18 per cent, resulting in earnings before interest, taxes, depreciation and amortisation (Ebitda) improvement of 36 per cent during the third quarter of 2023-24 (FY24).

This would be led by double-digit volume growth by two-wheeler original equipment manufacturers (OEMs), and continued surge in the passenger vehicle (PV) segment. The margins would also be helped by benign commodity prices, analysts feel.

RESULT PREVIEW

Prabhudas Lilladher analysts said that during the third quarter, the auto industry witnessed overall strong double-digit growth in volumes of 17 per cent. It is on the back of strong growth in domestic two-wheelers and three-wheelers. During the quarter under review, two-wheeler export demand grew by 2.5 per cent.

Prabhudas Lilladher expects companies under its coverage to report an aggregate revenue growth of 20 per cent year-on-year (YoY) (including Jaguar-Land Rover) and 16 per cent (excluding JLR).

"Commodity costs will remain benign and continue to aid margins in the coming quarters. For our coverage universe, we roll forward our estimates by one quarter and change our FY24-26 expected Ebitda estimates in the minus 3 per cent to 9 per cent range," Prabhudas Lilladher said.

Motilal Oswal analysts said in a December report that they estimate Ebitda margins to improve Y-o-Y for the seventh consecutive quarter with a 160 bps gain for automotive companies they cover (excluding JLR).

"This will be driven by better gross margins, cost efficiencies, and operating leverage," it said.

As the overall PV industry grew by 14 per cent or so during the third quarter, Prabhudas Lilladher analysts noted that Mahindra and Mahindra (M&M) gained a market share of 180 bps. Maruti Suzuki India and Tata Motors, however, saw a decline of 250 bps and 100 bps, respectively.

IN THE FAST LANE

(Estimates for Q3FY24 in ₹crore)	Net sales	Chg % Y-o-Y	Ebitda	Chg % Y-o-Y	PAT	Chg % Y-o-Y
Tata Motors	108,555	23.7	13,717	42.3	4,590	55.2
Maruti Suzuki India	33,490	20.3	3,902	37.7	2,978	26.6
Bajaj Auto	12,077	33.4	2,172	23.6	1,900	29.0
Hero MotoCorp	9,664	20.3	1,345	45.6	1,044	46.8
Ashok Leyland	9,320	3.2	1,019	31.1	555	53.5
TVS Motor Company	8,414	4.3	939	-8.1	552	83.5

PAT: Profit after tax; Ebitda: earnings before interest, taxes, depreciation, and amortisation
Source: Bloomberg; Compiled by BS Research Bureau

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