

AUTOMOBILES

Q4FY25 Review

06 June 2025

Premium 2Ws, PVs anchor gains in a steady quarter

- Premium segment pushes volumes for 2W as base models growth remains listless; PV growth identically pushed by SUVs over small cars
- ASP stays range-bound in the PV and 2W base/entry level segment; top-end segment drives the pricing higher, discounts also on a high
- Post Q4/FY25, we maintain BUY on AL/MM/MSIL, 2W ratings retained at HOLD with a positive bias on EIM, and SELL on ESCORTS

Milind Raginwar
 research@bobcaps.in

2W focus stays on scooters and premium segment motorcycles: Two-wheeler (2W) OEMs delivered ~7% YoY volume growth in Q4FY25, driven by growth in the volume of companies that focused on premium products. EIM and TVS grew in double digits, however, BJAUT and HMCL delivered tepid volume gains (lower single digit). EV scooters, too, contributed to gains. For our 2W coverage universe (exclude EIM for ASPs), ASPs were healthy at ~3% YoY due to a better product mix. However, higher discounts (to help volume gains) effectively implied gross margins were a mixed bag with TVSL and HMCL's GMs improved but softened for EIM.

PV growth limited to SUVs: Passenger vehicle (PV) OEM volumes in our coverage grew 8% YoY, ahead of the industry volume growth of 5% in Q4 (MSIL + MM + TTMT + Hyundai). MM posted robust volume growth of ~16% YoY driven by SUVs; while MSIL grew ~4% as the small car segment continued to be weak. Gross margin softened as margins for MM fell by 1% YoY at ~26%, but MSIL stayed flat at ~28%.

Strong tractor volumes driven by improved sentiment: Volumes in the tractor segment were healthy, with MM gaining ~20% YoY on a higher base. ESCORTS' volumes rose by 8% while VSTT's stayed flat. Predictions of above-normal rain boosted sentiments. Demand remains in the higher 40HP-50HP segment.

CV volumes continue to be listless: CV volumes were a mixed bag with AL gaining ~5% and TTMT falling ~4% YoY. EIM volumes gained a healthy 12%, albeit on a weak base. However, QoQ volumes were skewed on a lower base.

Top picks MM and AL, positive on MSIL: We remain positive on [MSIL](#) (TP Rs 13,899) following its leadership in SUVs and healthy margins. We also prefer [MM](#) (TP Rs 3,689) for its focus on volume growth, capacity addition to cater to incremental demand and strong launch pipeline. We maintain BUY on [AL](#) (TP of Rs 276) following its steady gains in MHCV segment and focus on the LCV segment. Healthy bus segment order book add cushion.



Fig 1 – Revenue growth

(Rs mn)	Q4FY25	Q4FY24	YoY (%)	Q3FY25	QoQ (%)	Comment
AL	1,19,067	1,12,667	5.7	94,787	25.6	<ul style="list-style-type: none"> 2-W segment continues to drive volume growth. TVS and EIM aid gains. CV gained some momentum with AL volume growth of ~5%, though TTMT remains an under performer. An above-normal monsoon forecast boosts tractor volume. We expect sustained growth momentum following signs of revival in rural India demand, healthy crop season estimates following above-normal monsoon predictions and, favourable interest-rate scenario.
BJAUT	1,21,480	1,14,847	5.8	1,28,069	(5.1)	
EIM	51,066	41,921	21.8	49,081	4.0	
ESCORTS	24,449	23,007	6.3	29,480	(17.1)	
HMCL	99,387	95,193	4.4	1,02,108	(2.7)	
MM	3,13,534	2,51,090	24.9	3,05,382	2.7	
MSIL	4,06,738	3,82,349	6.4	3,84,921	5.7	
TVSL	95,504	81,688	16.9	90,971	5.0	
VSTT	3,014	2,734	10.2	2,191	37.6	
Aggregate	12,34,239	11,05,496	11.6	11,86,989	4.0	

Source: Companies, BOBCAPS Research | 2W: Two-wheeler, PV: Passenger vehicles,

Fig 2 – Volume growth

(Units)	Q4FY25	Q4FY24	YoY (%)	Q3FY25	QoQ (%)	Comment
AL	58,823	56,269	4.5	46,404	26.8	<ul style="list-style-type: none"> Aggregate volumes for our auto coverage grew 6% YoY; we expect this momentum to be driven by 2W and PV segments. This is boosted by added vigor, following healthy monsoon predictions, budgetary provisions for higher disposable income and rural demand revival. The 2W drives volume gains as preference for high-end products and better exports helped. Tractors also delivered healthy gains. We expect 2W, 3W and PV volumes to hold steady in the near term, while CV recovery is likely to be gradual. Tractor volumes could stay tepid in Q1 owing to seasonality.
BJAUT	11,02,934	10,68,576	3.2	12,24,472	(9.9)	
EIM	2,82,823	2,27,673	24.2	2,72,297	3.9	
ESCORTS	26,633	24,747	7.6	32,556	(18.2)	
HMCL	13,80,545	13,92,423	(0.9)	14,63,802	(5.7)	
MM	3,41,046	2,91,109	17.2	3,67,273	(7.1)	
MSIL	6,04,635	5,84,031	3.5	5,66,213	6.8	
TVSL	12,29,027	10,62,529	15.7	12,11,952	1.4	
VSTT	13,278	13,139	1.1	8,086	64.2	
Aggregate	50,39,744	47,20,496	6.8	51,93,055	(3.0)	

Source: Companies, BOBCAPS Research | 3W: Three wheelers, EV: Electric Vehicle

Fig 3 – Average realisation

(Rs/vehicle)	Q4FY25	Q4FY24	YoY (%)	Q3FY25	QoQ (%)	Comment
AL	20,24,159	20,02,291	1.1	20,42,641	(0.9)	<ul style="list-style-type: none"> ASPs (excluding EIM) were healthy at ~3% YoY due to a better product mix. However, discounts were on a high to boost volume. Cost inflation contributed by normative/statutory factors (introduced by the government) will continue to be passed through, especially in the 2W segment. PV realisations also improved with MM and MSIL showing gains in the 3-8% range (MM gains were higher on new products and higher SUV contribution).
BJAUT	1,10,142	1,07,476	2.5	1,04,591	5.3	
EIM	1,80,558	1,84,127	(1.9)	1,80,250	0.2	
ESCORTS	9,17,989	9,29,672	(1.3)	9,05,523	1.4	
HMCL	71,991	68,365	5.3	69,755	3.2	
MM	9,19,331	8,62,528	6.6	8,31,486	10.6	
MSIL	6,72,700	6,54,672	2.8	6,79,817	(1.0)	
TVSL	77,707	76,881	1.1	75,061	3.5	
VSTT	2,27,015	2,08,113	9.1	2,70,962	(16.2)	
Aggregate	5,77,955	5,66,014	2.1	5,73,343	0.8	

Source: Companies, BOBCAPS Research

Fig 4 – EBITDA growth

(Rs mn)	Q4FY25	Q4FY24	YoY (%)	Q3FY25	QoQ (%)	Comment
AL	17,910	15,921	12.5	12,114	47.8	<ul style="list-style-type: none"> EBITDA growth was healthy in Q4 largely owing to commodity cost pressure easing, coupled with better ASPs. All OEMs reported strong EBITDA growth YoY, except for MSIL due to higher other expenses on new plant overheads, marketing expenses due to auto expo and higher technology and R&D expenses. MM's auto and FES PBIT margin stood at 9.5%/18.4% respectively increasing by 110 bps/210 bps YoY.
BJAUT	24,506	23,063	6.3	25,807	(5.0)	
EIM	12,609	11,553	9.1	12,237	3.0	
ESCORTS	2,875	2,856	0.7	3,327	(13.6)	
HMCL	14,156	13,592	4.1	14,765	(4.1)	
MM	46,825	32,401	44.5	44,681	4.8	
MSIL	42,647	46,850	(9.0)	44,711	(4.6)	
TVSL	13,326	9,262	43.9	10,815	23.2	
VSTT	452	398	13.5	196	131.2	
Aggregate	1,75,305	1,55,895	12.5	1,68,652	3.9	

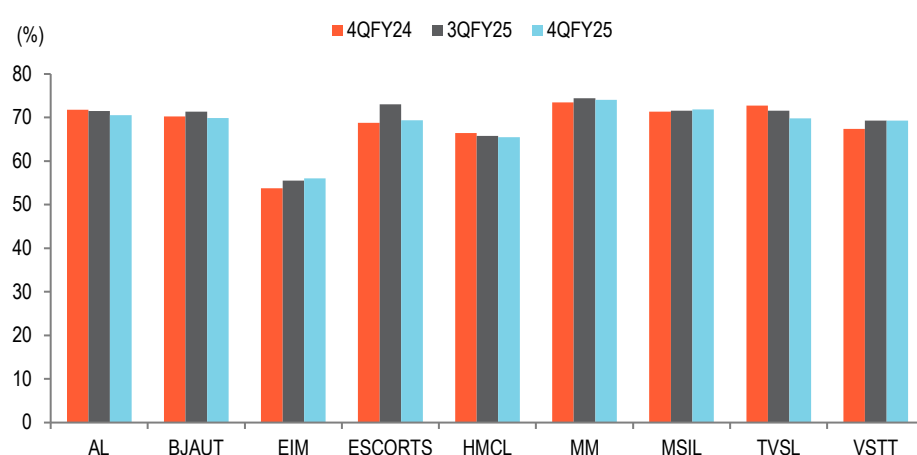
Source: Companies, BOBCAPS Research | OEMs: Original equipment manufacturers

Cost of raw materials eased YoY, continuing to provide respite to the auto industry.

Raw material-to-sales cost stayed flat YoY for our coverage, with the highest drop for TVSL and HMCL in the 2W segment. BJAUT and AL were the other gainers. However, this trend may reverse in H1FY26.

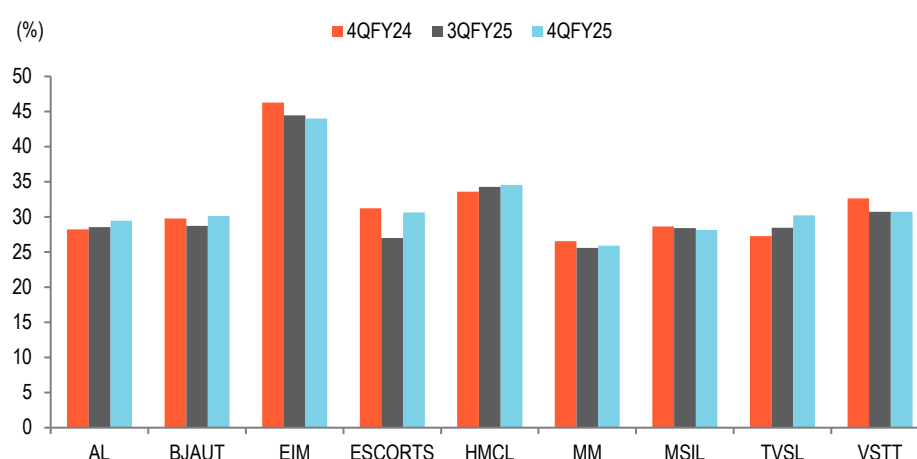
Aggregate gross margins were flat at ~31.5%, mostly contributed by combination of raw material cost benefits and marked up ASPs. HMCL led with 34% in the overall coverage, while EIM continued to be the outlier. In the commercial vehicles pack, AL's gross margin jumped by 80bps YoY to 29.2%

Fig 5 – Raw material cost-to-sales



Source: Companies, BOBCAPS Research

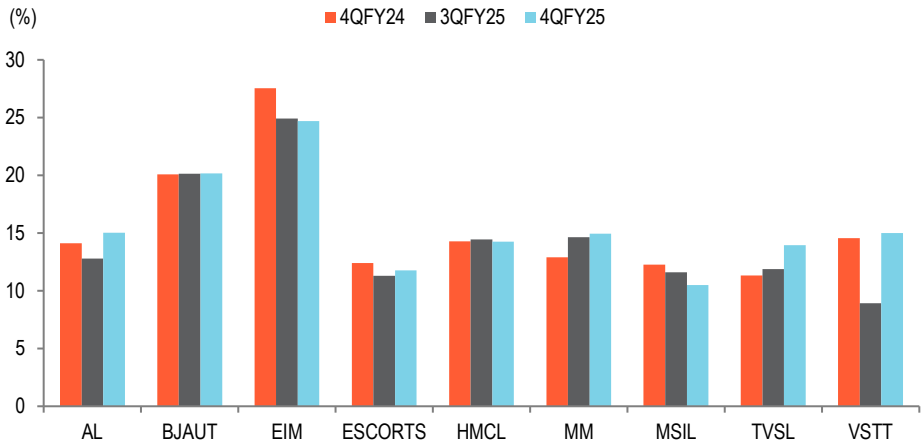
Fig 6 – Gross margin



Source: Companies, BOBCAPS Research

Aggregate EBITDA margin gains were flat too YoY at 15.6% versus 15.5% as other expenditure rose for most companies in our coverage due to higher promotional and branding expenses resulting from a greater focus on premiumisation. MSIL had overhead costs due to newly commissioned Kharkhoda plant expenses and spends on R&D and Auto Expo that inflated marketing cost.

Fig 7 – EBITDA margin



Source: Companies, BOBCAPS Research

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Registered office Address: **1704, B Wing, Parinee Crescenzo, G Block, BKC, Bandra East, Mumbai 400051**

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Note: Recommendation structure changed with effect from 21 June 2021

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