



Top Conviction Ideas: Automobile Industry

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Q4FY26 Auto OEM Review – Growth in 2W/Tractor OEMs

✓ *Financial Performance*

- **Strong Q4FY26 Outperformance Across Auto OEMs:** Revenue/EBITDA in Q4FY26 grew by 27.6%/32.7% YoY, respectively, against our expectations of ~24.8%/28.6% YoY for Auto OEMs under our coverage. Revenue growth was largely driven by mid-single-digit industry growth across 2Ws/PVs/CVs and mid-teens volume growth in the tractor industry, along with the premiumization trend. Revenue/EBITDA both increased by 5.8% and 7.9% QoQ against our estimates of 3.4%/4.7% QoQ, respectively. The YoY and QoQ improvement in EBITDA margin was driven by richer product mix (higher exports) and price hikes implemented over the past year. PAT grew by 12.7% YoY versus our estimate of 15%, and increased by 5.2% QoQ (our estimate: 8.3%).
- **Margin Trends Across OEMs:** TVS Motors and Ashok Leyland faced downward pressure on margins by 84 bps and 46 bps YoY, respectively. However, margins were largely positive for Maruti Suzuki, Eicher Motors, Escort Kubota, Bajaj Auto, and Hero MotoCorp, up 125 bps, 112 bps, 106 bps, 59 bps, and 26 bps, respectively.

Q4FY26 Auto Ancillaries Review – Mixed Performance

✓ *Financial Performance*

- **Strong Q4FY26 Growth beating our Expectations:** The companies under our coverage reported 23.5%/24.7% growth in Revenue/EBITDA in Q4FY26, respectively, above our expectations of ~19.2%/15.6% each YoY, driven by sales volume growth (2Ws, PVs, CVs and tractors) and the premiumization trend. Revenue/EBITDA rose by 9.8%/15.3% QoQ, beating our estimates of 5.9%/6.9% QoQ, respectively. EBITDA growth impacted by a marginal impact from commodities for some auto ancillaries. PAT expanded by 29.6% YoY (our estimate:15.7%) and edged up by 29.4% QoQ (our estimate:16.2%).
- **Mixed EBITDA Performance Across Auto Ancillaries:** Sansera Engineering, CIE Automotive, Automotive Axle, and Minda Corp delivered strong YoY EBITDA growth. Meanwhile, the EBITDA margin of SSWL, Endurance Technologies, and UNO Minda was down by 107 bps, 36 bps and 33 bps YoY due to an unfavourable product mix.

Sector Outlook (Q4FY26 Vs Q4FY25)

Two-Wheelers (2W)

- **Exports:** Up 23% - Sustained export volumes suggest a strong demand from African, LATAM, and ASEAN regions, potentially helped by better dollar liquidity.
- **Domestic:** Up 36% – Supported by improving affordability and strong demand, with scooters and motorcycles rising by 36% and 21% YoY each.
- **Outlook:** **Positive**



Commercial Vehicles (CV)

- **Exports:** Up 13.3% - Sustained export volumes YoY, due to a low base and improving infrastructure push in target geographies.
- **Domestic:** Up 19% - Freight operators are showing increased activity as infrastructure work stabilises. Long-term prospects also remain strong, supported by sustained government infrastructure spending and an early replacement cycle due to the GST rate cut.
- **Outlook:** **Cautiously Positive**



Passenger Vehicles (PV)

- **Exports:** Up 20% - Export momentum may be driven by newer models and OEM push in Africa and South America.
- **Domestic:** Down 4% – Domestic PV demand may remain subdued due to geopolitical tensions and fuel price volatility, which could impact production and demand sentiment.
- **Outlook:** **Slightly Positive**



Tractors

- **Exports:** Up 2% - Export performance improved despite ongoing softness in the U.S. and Europe, where large tractor sales continue to face pressure.
- **Domestic:** Up 43% - Domestic growth likely aided by GST rate cut, Government schemes, and improved rabi output.
- **Outlook:** **Cautiously Positive**
- FY27 is expected to single digit growth due to the higher last year's base.



Outlook – Premiumization and Exports to Drive Growth Momentum

- We expect **EBITDA margins** for Auto OEMs and Ancillaries to remain under pressure in the near term due to raw material inflation, geopolitical uncertainties, and a weak global macro environment, which could impact production, supply chains and overall demand sentiment.
- We expect **2W sales volumes to sustain mid single-digit growth in FY27E**, supported by new premium segment launches and recovery in exports. A higher base in FY26, improving demand in the premium segment (>350cc), stable income tax relief measures, and increased rural spending are likely to support demand across the motorcycle segment.
- Overall **PV sales growth, which has been largely led by the UV segment, is expected to remain in the mid single digits in FY27E** (earlier low single digit expectations) due to the GST rate cut and new model launches, which may help arrest declining entry-level PV domestic sales.
- **CV volumes are expected to grow in the mid-single digits**, while **tractor volumes** are likely to witness **low single-digit growth** in FY27E due to the high base of FY26. However, lower financing costs, GST rate cuts and increased government spending on infrastructure and agriculture are expected to partly support demand.
- For FY27, **OEMs remain optimistic about long-term structural growth drivers**, including India’s vast road network, policy measures aimed at reducing supply chain costs, the vehicle scrappage policy, reduced interest rate costs, and continued infrastructure Capex outlined in the Union Budget.
- **Auto Sector:** We remain selective in our approach. Among OEMs under our coverage, our Top Conviction Ideas in 2Ws are **Eicher Motor and Bajaj Auto**; in PVs is **Maruti Suzuki India Ltd** and in the PV/tractor segment, we favour **Mahindra & Mahindra** (non-coverage), given its strong SUV product portfolio and leadership position in the domestic tractor industry. We recommend the “**Buy On Dips**” Strategy for TVS Motors and Maruti Suzuki Ltd.
- **Auto Ancillaries:** In the long run, product premiumization, strong order books, growing exports, and the shift toward EVs are expected to drive higher content per vehicle, boosting profitability. Considering current valuations, our Top Conviction Picks in the ancillary space are **Endurance Technologies Ltd** and **Minda Corporation Ltd**.

Short & Medium-Term Outlook

Short to Medium term

PV demanded by the new SUV Launches

2W Demand – Shift towards e-2Ws, Premium scooters

Price hikes and a favourable product mix may aid margin improvement.

Premiumisation across segments to drive ASPs higher.

Export-focused companies to benefit.

New product launches and capacity expansion to drive long-term volume growth

Commodity inflation may impact margins


Supply risks in semiconductors and rare earth minerals remain key concerns

Increased competition in the SUV space in PV


Entry of global players in the EV industry may broaden Industry growth, but increase competition for OEMs

Long-Term

Key monitorables – *Rural Revival; Pick-up in Domestic Demand and Exports*


Stock	Reco.	TP	Recommendation Rationale
 <p>Bajaj Auto Ltd</p>	<p>BUY</p>	<p>Rs 11,410*</p>	<ul style="list-style-type: none"> ✓ International Market: Bajaj Auto’s international business remained a key growth driver in Q4FY26, with export volumes exceeding 600,000 units for the second consecutive quarter, reflecting strong recovery and sustained momentum. Growth was led by Latin America, which delivered its 11th consecutive quarter of expansion, while Africa showed early signs of recovery with Nigeria stabilising at ~35,000 units/month and Bajaj maintaining ~50% market share. Brazil continued to scale steadily with expanding capacity and premium positioning. Backed by a retail-led distribution strategy and strong brand equity, Bajaj continues to outperform industry growth across key markets. Management remains constructive on exports, supported by geographic diversification and favourable currency tailwinds. ✓ 3W’s Portfolio: Bajaj Auto’s three-wheeler portfolio continues to emerge as a structural growth and profitability driver, with FY26 volumes crossing 5 Lc units for the first time. Growth is supported by rising shared mobility demand, improved rural connectivity, and rapid electrification. The company maintains a dominant position in ICE autos, particularly in the CNG segment, while also leading in electric 3Ws with a strong presence across passenger and cargo categories. Electric three-wheelers remain a key contributor to profitability, supporting overall EV margin expansion. Management views the 3W segment as a multi-year growth opportunity, driven by favourable industry dynamics and Bajaj’s strong product and distribution capabilities. ✓ Bajaj Auto Credit Limited; A Silent Value Compounder: Bajaj Auto Credit Limited (BACL) continued its strong growth momentum in Q4FY26, with AUM expanding to ~Rs 19,000 Cr and ROE improving to ~23%, reflecting robust profitability. The business delivered strong earnings in FY26 (PAT Rs 665 Cr) and expanded its reach to ~1.8 Mn customers across 6,200 outlets. BACL is increasingly playing a strategic role in driving vehicle sales, particularly in the EV and 3W segments, through enhanced financing penetration. With a scalable model and strong return profile, management views BACL as a key enabler of growth and a long-term value creator within the Bajaj Auto ecosystem.

* Note: Target Price is based on our Q4FY26 Result Update Report

Stock	Reco.	TP	Recommendation Rationale
 <p>Eicher Motor Ltd</p>	<p>BUY</p>	<p>Rs 8,060*</p>	<ul style="list-style-type: none"> ✓ Aggressive Capacity Expansion Provides Long-Term Growth Visibility: Royal Enfield announced a multi-phase capacity expansion roadmap to support sustained growth momentum. Existing capacity of ~1.4 Mn units will increase to ~1.6 Mn units by Jun/Jul'26 through debottlenecking initiatives and the addition of 500 modules/day. Further, the recently approved Rs 958 Cr brownfield expansion at the Tamil Nadu facility will take overall capacity to ~2 Mn units by Q2FY28. Additionally, the company signed an MoU with the Andhra Pradesh government for a future greenfield facility spanning 261 acres, reflecting management's confidence in long-term premium motorcycle demand. ✓ International Business Emerging as a Key Growth Driver: International volumes remained robust during FY26, with exports growing ~20% YoY to 1.2 Lc units, led by strong momentum in Latin America and SAARC markets. Brazil emerged as the largest international market after India with ~71% YoY growth, supported by strong traction for the Guerrilla 450 and Himalayan 450. ✓ Flying Flea EV Platform Adds Long-Term Strategic Optionality: Royal Enfield officially entered the electric mobility segment with the launch of the Flying Flea C6 in Bangalore, receiving encouraging customer response and strong media reviews. Management highlighted that the EV strategy will follow a calibrated city-by-city rollout approach, focused on building a differentiated "city-plus" premium electric mobility category rather than pursuing aggressive near-term volumes.

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Top Conviction Ideas: Auto

Stock`	Reco.	TP	Recommendation Rationale
 Maruti Suzuki India Ltd	BUY	Rs 14,620*	<ul style="list-style-type: none"> ✓ Strong Domestic Momentum with Supply Constraints: Domestic demand remained strong in Q4FY26, supported by the GST reduction-led recovery in the second half, driving record total sales of 24,22,713 units (+8.4% YoY), with domestic volumes at 19,74,939 units (+3.9% YoY) and exports at 4,47,774 units (+34.6% YoY). Growth was led by improved traction in the small car segment and rising first-time buyer participation. However, volumes were partly constrained by production capacity limitations, reflected in a strong pending order book of 1,90,000 units (including 1,30,000 units in small cars), while dealer inventory remained lean at ~12 days, indicating healthy retail demand and tight supply conditions. ✓ Exports- Resilient Performance Amid Global Headwinds: Exports continued to be a key driver for Maruti Suzuki India Limited in Q4FY26, with the company maintaining leadership at ~49% share of India's PV exports. Quarterly volumes hit a record ~137k units, with revenues estimated at ~Rs 10,000 Cr+, reflecting healthy demand across markets. However, management refrained from FY27 guidance due to geopolitical uncertainties in West Asia impacting logistics. Despite this, MSIL expects to sustain the current run-rate of ~1,30,000–1,40,000 units per quarter, supported by its diversified global presence. ✓ EV Strategy- Capacity-Led Ramp-Up with Infra Push: Maruti Suzuki India Limited has initiated its EV journey with the launch of the eVX, built on a dedicated EV platform and targeted for both domestic and global markets. Near-term volumes remain constrained due to capacity limitations, with a meaningful ramp-up expected post July following capacity addition at the Gujarat plant. Management is prioritising customer experience over aggressive scale in the initial phase, alongside building a strong charging ecosystem (20,000+ points across 1,100 cities, with a target of 100k by 2030). EVs are also expected to support ASP expansion over the medium term.

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Top Conviction Ideas: Auto Ancillaries

Stock
Reco.
TP
Recommendation Rationale

Endurance Technologies
BUY
Rs 2,880*

- ✓ **Strategic Capex and Capacity Expansion Initiatives:** Endurance Technologies continues to strengthen its manufacturing capabilities through multiple greenfield expansion projects aimed at supporting future growth across braking systems, suspension, aluminium forging, and proprietary product categories. In the braking systems segment, the company is adding ~1.2 Mn units of ABS capacity, with SOP scheduled for Sep'26. Additionally, a new brake manufacturing facility in Chennai, with an annual capacity of ~3 Mn disc brake assemblies, is expected to commence supplies to Royal Enfield from Jul'26 onwards. Within the suspension business, management targets monthly sales of inverted front forks to scale up from ~60,000 units currently to ~100,000 units by the end of FY27. The company is also setting up a new aluminium forging facility at Chhatrapati Sambhaji Nagar, with SOP for key customers, including Jaguar Land Rover, expected by mid-2026. Further, Endurance is expanding its proprietary products portfolio with the commencement of drive shaft supplies to Tata Motors from Jun'26, while management expects the drive shaft business to surpass Rs 100 Cr revenue in FY27.
- ✓ **EV Systems Business Strengthening Order Book & Technology Capabilities:** The company's EV-focused subsidiary, Maxwell, reported a strong performance in FY26, with turnover rising sharply to Rs 162 Cr versus Rs 70 Cr in FY25, reflecting improving traction in the EV ecosystem. Endurance is further enhancing its EV systems portfolio through the commencement of battery pack manufacturing near Pune, with SOP expected in the fourth week of May'26. Management indicated that this project carries a peak annual revenue potential of ~Rs 350–600 Cr over the medium term. The company has also secured its first order for DC-DC converters and continues to focus on high-voltage Battery Management Systems (BMS) targeted at commercial trucks and buses.
- ✓ **Macro Environment and Market Dynamics:** Management highlighted that the global operating environment remains volatile due to ongoing geopolitical tensions in the Middle East and persistent shipping disruptions, resulting in elevated energy and raw material cost fluctuations. On the other hand, the European market continued to face pressure from elevated energy costs and uncertainty surrounding EV transition policies, although new car sales in the region still registered ~4% growth during Q4FY26. The EV transition trend remained robust across key markets, with India's electric two-wheeler scooter sales growing ~53.9% YoY in Q4FY26, while in Europe, nearly two-thirds of vehicles sold are now electric or hybrid vehicles.

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Stock	Reco.	TP	Recommendation Rationale
 <p data-bbox="89 763 496 806">Minda Corporation Ltd</p>	<p data-bbox="611 763 713 806">BUY</p>	<p data-bbox="840 763 993 806">Rs 710*</p>	<ul style="list-style-type: none"> <li data-bbox="1082 264 2509 649">✓ Product Portfolio Expansion & Key Order Wins: MCL's product strategy in Q4FY26 reflects a strong shift toward premiumization, platform-level offerings, and EV-focused technologies across segments. The company expanded its premium PV portfolio with a lifetime sunroof order valued at ~Rs 1,050 Cr, with mass production expected to commence in the next 4-5 months and peak ramp-up likely by FY28. MCL also secured multiple orders for advanced TFT instrument clusters ranging from 3-inch to 15-inch displays across PV and CV segments, supported by rising premium content per vehicle. Further, the Toyo Denso JV secured new switch orders from leading Japanese OEMs, with SOP targeted for Q4FY27. In the EV space, the newly formed Turntide Technologies JV strengthens MCL's presence in axial flux motors and motor controllers for compact EV architectures across 2W, 3W, and CV segments. On the innovation front, the company filed 11 new patents during Q4FY26, taking total patent filings to 330, of which 147 have already been granted <li data-bbox="1082 664 2509 942">✓ Strong Order Book: Minda Corporation's order book continues to provide strong medium-term revenue visibility and highlights the success of its premiumization and export-led growth strategy. The company reported a record lifetime order book of over Rs 10,000 Cr during FY26, with Q4 alone contributing ~Rs 3,500 Cr worth of new wins. Importantly, ~20% of the total order inflows were export-linked, supporting geographical diversification and reducing dependence on domestic cyclicity. The order pipeline remains diversified across sunroofs, wiring harnesses, TFT clusters, TPMS, switches, and EV solutions, with a typical execution lifecycle of 48-60 months, thereby providing sustained revenue visibility over the medium term <li data-bbox="1082 956 2509 1299">✓ Flash Electronics Performance: Associate company, Flash Electronics, delivered a healthy operational performance in Q4FY26, supported by strong export execution, improved utilisation levels and lower finance costs. Flash reported quarterly revenues of ~Rs 493 Cr, while EBITDA stood at Rs 89 Cr (+106% YoY) with EBITDA margins of ~18%. PAT came in at Rs 49 Cr (+137% YoY), with PAT margins of ~9.9%. For FY26, EBITDA and PAT stood at Rs 310 Cr and Rs 137 Cr, respectively. Growth was driven by higher-margin export programs within the metallic business, improved operating efficiencies and lower interest costs. Strategically, Flash continues to strengthen its EV portfolio through its dedicated technical centre in Poland, focusing on passenger vehicle EV motors, while expanding export opportunities through facilities in Vietnam and Indonesia. The company also remains well-positioned to benefit from increasing EV penetration and localisation trends across global OEMs.

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