MONARCH NETWORTH CAPITAL

Q3FY26 Auto Ancillaries Preview

GST cut ignites strong demand

Q3FY26 is likely to mark the first clean quarter of volume normalisation post the GST 2.0–induced demand deferral in late Q2, with festive spillover in October, normalized billing cycles, and channel inventory restocking driving sequential improvement across most segments. 2W industry continued the momentum on domestic dispatches and strong exports. PVs continues to ride on a strong note - M&M saw its SUV dominant market, Maruti reported strong offtake in the festive season even for the compact car segment. Tractor industry strength persisted another quarter on improved sowing conditions, higher disposable income and GST benefits. CV volumes surprised positively with a mid-teens growth, largely driven by strong retail demand in the lower tonnage truck segment, strong replacement demand, e-commerce expansion, rural logistics, low interest rate and GST benefits.

From our coverage of auto ancillaries, we are positive on FIEM Industries (2W dominant) and Happy Forgings (diversified) but advise accumulate on dips for Pricol (2w dominant) and SJS Enterprises (diversified play). Remain watchful on Sundram Fasteners.

- **SJS Enterprises:** We expect SJS to post ~24% YoY revenue growth in Q3FY26, with sequential moderation from Q2 driven by seasonally softer exports around year-end shutdowns, while remaining above Q1 levels. Continued momentum on 2W production, strong pickup in 4W production with SJS continuing to outgrow industry volumes supported by higher content-per-vehicle, premiumisation through illuminated and new-generation products, and ongoing customer ramp-ups. We build in 26.9% EBITDA margin, reflecting normalization from Q2's peak but staying close to the company's structurally higher margin profile, as operating leverage and richer mix continue to offset export mix normalization.
- **Fiem Industries:** Fiem is set to deliver a strong 16% yoy revenue growth at Rs6.86bn in Q3FY26, with EBITDA margins at 13.8%. PAT is expected to increase by 32% yoy. Fiem's limited exposure to the relatively underperforming Hero, coupled with (i) its strong revenue share from fast-growing OEMs such as TVS and Royal Enfield, and (ii) new models from Yamaha and TVS, is expected to augur well for the company's performance. We expect an outperformance of ~7-8% on account of shift to LED lighting, now at 63% of lighting revenue from 40% in FY21. This growth trajectory is expected to continue, supported by a robust order book, which is completely LED-focused.
- **ASK Automotive**: We have estimated the revenue to grow at 7% yoy at Rs9.79bn, (+17% yoy on excluding wheels assembly business). While we expect the braking business revenues to grow slightly ahead of the industry on account of improved aftermarket performance, the aluminium lightweighting business is expected to clock growth of +25% on yoy basis. Margins are expected to moderate to 12% on increase in aluminium price. Effectively, we have built in PAT growth of 1% yoy at Rs663mn.
- **Pricol:** We project consol. revenue to grow by 52% yoy during 3QFY26, primarily driven by the consolidation impact of the SACL acquisition. On a standalone basis, we estimate revenue growth of 15% yoy, led by premiumization, which will be a key factor contributing to outperformance relative to the underlying industry. Performance in the export and ACFMS segments is expected to remain subdued. For the Pricol Precision Products business, we are factoring in 9% qoq revenue decline to Rs2.19bn, mainly due to qoq decline in TVS production. Going forward, we expect premiumization within the 2W cluster segment to continue contributing ~6% incremental growth above the base industry. Additionally, new customers and model launches could further accelerate this momentum.

SJS Enterprises (Rating: Accumulate)	
CMP/TP (Rs)	1683/1930
Upside	15%

Fiem Industries (Rating: Accumulate)	
CMP/TP (Rs)	2234/2450
Upside	10%

ASK Automotive (Rating: Accumulate)	
CMP/TP (Rs)	474/525
Upside	11%

Pricol (Rating: BUY)	
CMP/TP (Rs)	625/660
Upside	6%

Happy Forgings (Rating: Accumulate)	
CMP/TP (Rs)	1111/1065
Upside	-4%

Sundram Fasteners (Rating: Accumulate)	
CMP/TP (Rs)	937/1065
Upside	16%

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- **Happy Forgings (HFL):** We expect HFL to report ~10% YoY revenue growth in Q3FY26, driven by improvement in domestic CV and tractor demand and incremental contribution from ramp-up of new orders. Export demand, however, remains weak with no meaningful signs of recovery, limiting upside. EBITDA margin is expected at ~29%, normalizing from the Q2 peak as raw material benefits start getting passed on with a lag of ~2 months; however, improving product mix, high machining share (~88%), healthy margins on new order ramp-ups and favourable scrap economics should help sustain margins slightly above long-term averages.
- **Sundram Fasteners (SFL):** We expect Sundram Fasteners to report ~6.4% YoY revenue growth in Q3FY26, driven by continued domestic outperformance supported by recovery in LCVs and medium CVs, sustained PV momentum post the festive season, higher share of business with existing OEMs, and incremental contribution from wind energy and aftermarket, partly offset by continued weakness in exports, particularly in North America, where truck demand and EV programs remain deferred with recovery expected only from 1QFY27. EBITDA margin is expected at ~16.8%, reflecting sustained benefits from softer carbon and alloy steel prices and stable power costs, while assuming normalisation in other operating expenses and broadly stable product mix sequentially.

Company	Market Cap (Rs mn)	CMP (Rs)	EPS (Rs)			P/E (x)			EV/EBITDA (x)		
			FY25A	FY26E	FY27E	FY25A	FY26E	FY27E	FY25A	FY26E	FY27E
SJS Enterprises	52,728	1683	37.6	48.5	57.2	24.6	34.7	29.4	14.4	21.1	17.3
Fiem Industries	58,803	2,234	76.1	95.6	109.2	21.0	23.4	20.5	12.2	14.2	12.0
ASK Automotive	93,446	474	12.6	16.2	19.4	32.1	29.2	24.4	19.3	18.1	15.0
Pricol	76,176	625	13.7	19.4	23.6	34.7	32.2	26.4	18.6	17.4	14.4
Sundram Fasteners	1,96,864	937	25.7	28.1	32.4	46.8	33.3	28.9	27.5	19.6	17.1
Happy Forgings	1,04,722	1111	28.4	30.2	33.2	28.3	36.8	33.4	18.8	23.8	20.4

Source: Company, MNCL Research Estimates

Financials and Quarterly Estimates

Exhibit 3: Consolidated Financials

Company	Revenue (Rs mn)			EBITDA (Rs mn)			PAT (Rs mn)			ROE (%)		
	FY25A	FY26E	FY27E	FY25A	FY26E	FY27E	FY25A	FY26E	FY27E	FY25A	FY26E	FY27E
SJS Enterprises	7,605	9,074	10,705	1,954	2,450	2,901	1,178	1,518	1,791	18.8%	19.9%	19.5%
Fiem Industries	24,222	28,580	33,497	3,207	3,938	4,609	2,004	2,517	2,873	20.9%	22.4%	21.7%
ASK Automotive	36,008	40,086	47,240	4,319	5,412	6,472	2,476	3,196	3,822	26.6%	26.6%	24.6%
Pricol	26,919	38,337	44,590	3,129	4,423	5,272	1,670	2,365	2,881	17.9%	21.1%	21.0%
Sundram Fasteners	59,554	63,055	70,212	9441	10204	11454	5391	5908	6817	14.1%	14.0%	14.5%
Happy Forgings	14,089	15,169	17,801	4,067	4,470	5,263	2,674	2,843	3,132	14.5%	13.5%	13.3%

Source: Company, MNCL Research

Exhibit 4: Quarterly Estimates

SJS Enterprises

Particulars	3QFY26E	3QFY25	YoY (%)	2QFY26	QoQ (%)
Revenues (Rs mn)	2,214	1,786	24%	2,418	-8%
EBITDA (Rs mn)	596	453	32%	684	-13%
PAT (Rs mn)	365	276	32%	430	-15%
EBITDA margin (%)	26.9	25.4	154 bps	28.3	(138) bps
PAT margin (%)	16.5	15.4	106 bps	17.8	(131) bps

Fiem Industries

Particulars	3QFY26E	3QFY25	YoY (%)	2QFY26	QoQ (%)
Revenues (Rs mn)	6,906	5,931	16%	7,154	-3%
EBITDA (Rs mn)	956	775	23%	990	-3%
PAT (Rs mn)	620	470	32%	637	-3%
EBITDA margin (%)	13.8	13.1	76 bps	13.8	-
PAT margin (%)	9.0	7.9	106 bps	8.9	8 bps

ASK Automotive

Particulars	3QFY26E	3QFY25	YoY (%)	2QFY26	QoQ (%)
Revenues (Rs mn)	9,787	9,151	7%	10,537	-7%
EBITDA (Rs mn)	1,174	1,107	6%	1,371	-14%
PAT (Rs mn)	663	659	1%	798	-17%
EBITDA margin (%)	12.0	12.1	(10)bps	13.0	(101)bps
PAT margin (%)	6.8	7.2	(42)bps	7.6	(80)bps

Source: Company, MNCL Research estimates

Pricol

Particulars	3QFY26E	3QFY25	YoY (%)	2QFY26	QoQ (%)
Revenues (Rs mn)	9,635	6,338	52%	10,069	-4%
EBITDA (Rs mn)	1,062	751	41%	1,180	-10%
PAT (Rs mn)	541	415	31%	640	-15%
EBITDA margin (%)	11.0	11.9	(83)bps	11.7	(70)bps
PAT margin (%)	5.6	6.5	(92)bps	6.4	(74)bps

Happy Forgings

Particulars	3QFY26E	3QFY25	YoY (%)	2QFY26	QoQ (%)
Revenues (Rs mn)	3,898	3,543	10%	3,774	3%
EBITDA (Rs mn)	1,130	1,015	11%	1,158	-2%
PAT (Rs mn)	738	645	14%	734	0%
EBITDA margin (%)	29.0	28.6	36 bps	30.7	(169) bps
PAT margin (%)	18.9	18.2	71 bps	19.5	(53) bps

Sundram Fasteners

Particulars	3QFY26E	3QFY25	YoY (%)	2QFY26	QoQ (%)
Revenues (Rs mn)	15,334	14,411	6%	15,210	1%
EBITDA (Rs mn)	2,580	2,276	13%	2,525	2%
PAT (Rs mn)	1,563	1,304	20%	1,509	4%
EBITDA margin (%)	16.8	15.8	103 bps	16.6	23 bps
PAT margin (%)	10.2	9.0	115 bps	9.9	27 bps

Source: Company, MNCL Research estimates

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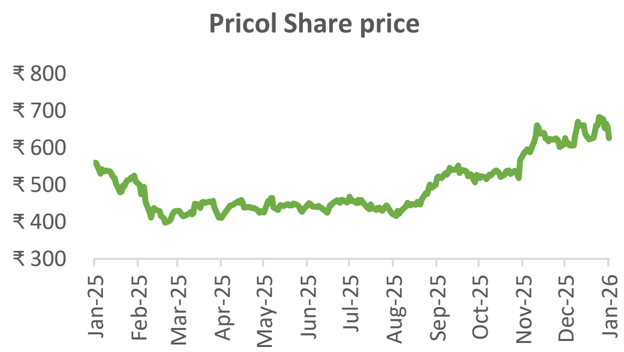

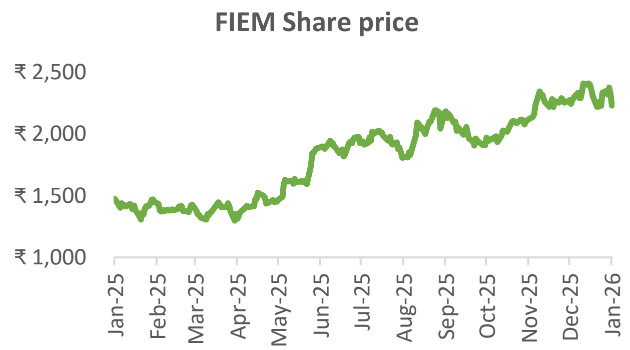

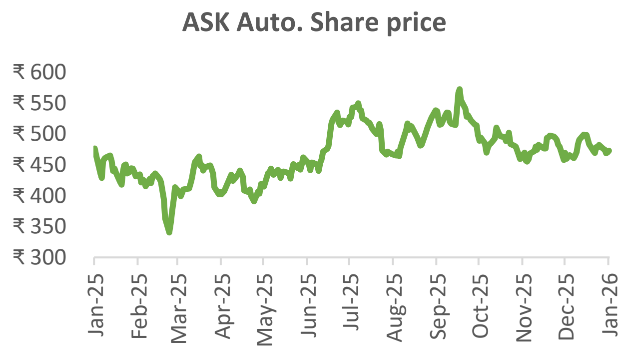

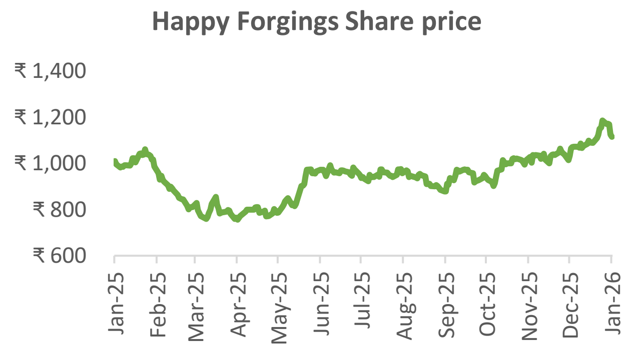

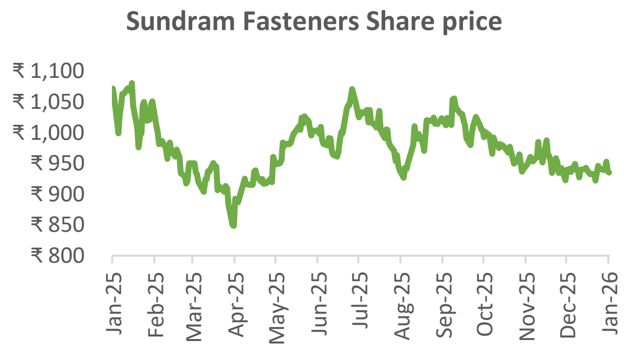

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