

Early monsoon dampens growth; gross margins stay muted

- **PV volume growth driven by MM with double-digit growth of ~16% YoY, MSIL takes a breather at ~6% in the coverage space**
- **2W volume clearly driven by the premium category as TVSL and EIM grew in double digits, BJAUT and HMCL remain a drag**
- **Tractors were the key driver with ~ 12% growth in Q1, backed by healthy monsoon, although CVs stay on the sidelines driven by LCVs**

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PV revenue growth steady: For passenger vehicles (PV) OEMs in our coverage (MSIL and MM), revenue growth is likely to be a mixed bag in Q1FY26, driven by MM gains. SUV segment (premium products) continued to be a focus area. MM auto revenue is expected to grow at ~30% YoY, driven by strong (16%) volume growth vs ~6% gains by MSIL; driven by 1% volume and 2% ASP gains. Gross margins are likely to be soft at ~25%/27%, attributed to discounts, despite better product mix on limited demand revival and RM cost hardening. EBITDA margins have dropped with MM losing ~28bps at ~14.6% and MSIL at ~11%, due to the EV investments impact. MSIL's E-Vitara is expected to be launched in Q2FY26.

2W growth a mixed bag, higher single-digit gains driven by premiumisation: Two-wheeler (2W) volume growth is expected at ~8% YoY with TVSL (~14%) and EIM (~17% on lower base) growing in double digits, BJAUT with flat growth and 2% decline for HMCL due to supply chain issues. This indicates strong demand for high-end variants reflected in gross margin, driven by TVSL and EIM; while BJAUT margins weakened YoY to 28.2% due to weak domestic volume.

CVs continue to stay muted: Commercial Vehicles (CVs) continue to await revival, with AL's volume growth of ~3% YoY (driven by bus segment), while the MHCV segment lagged. TTMT (unrated) volume grew by a modest 1% YoY, driven by the LCVs; while core segment MHCV volume fell by ~10%. EIM's CV segment fared healthy growth with ~10% YTD. AL margins are likely to be healthier, following its cost-saving initiatives.

Tractors on a strong path: Tractor volumes grew by ~12%, driven by the festivities, healthy kharif crop and a good monsoon. MM's tractor volumes rose ~11%/9% YoY/YTD, while ESCORTS' volumes were flat/19% YoY in 1QFY26/YTD. Gains in the tractor segment will likely continue, given the healthy revival in rural affordability.

Top picks: We prefer MM and MSIL in the PV segment, backed by the premium segment drive (tractor growth for MM). Reasonable/higher valuations drive our neutral view in the 2W segment. AL remains our preferred bet in the CV segment.



Fig 1 – BOBCAPS auto universe: Q1FY26 preview

Y/E March	Net sales (Rs mn)			EBITDA (Rs mn)			EBITDA margin (%)			Adj. PAT (Rs mn)		
	Q1FY26E	YoY (%)	QoQ (%)	Q1FY26E	YoY (%)	QoQ (%)	Q1FY26E	YoY (bps)	QoQ (bps)	Q1FY26E	YoY (%)	QoQ (%)
AL	90,664	5.4	(23.9)	10,760	18.1	(39.9)	11.9	127.4	(317.4)	6,582	25.2	(47.7)
BJAUT	1,19,946	0.6	(1.3)	22,490	(6.9)	(8.2)	18.8	(149.8)	(142.2)	18,751	(5.7)	(8.5)
EIM	48,303	14.2	(5.4)	12,392	5.1	(1.7)	25.7	(220.0)	96.4	10,694	(1.7)	(5.0)
ESCORTS	28,073	(0.4)	14.8	3,721	1.2	29.4	13.3	20.8	149.3	3,283	8.7	20.0
HMCL	99,401	(2.0)	0.0	14,574	(0.2)	3.0	14.7	27.1	41.9	11,306	0.7	4.6
MM	3,48,212	28.8	11.1	50,839	26.4	8.6	14.6	(27.6)	(33.5)	34,076	30.4	8.0
MSIL	3,66,633	3.2	(9.9)	38,599	(14.3)	(9.5)	10.5	(214.3)	4.3	31,071	(14.9)	(16.3)
TVSL	98,253	17.3	2.9	11,936	24.3	(10.4)	12.1	68.5	(180.6)	7,387	28.0	(13.3)
VSTT	2,912	52.8	(3.4)	318	137.1	(29.5)	10.9	388.9	(405.6)	244	6.7	(34.8)
Total	12,02,396	10.5	(2.6)	1,65,629	4.6	(5.5)	13.8	(76.7)	(42.9)	1,23,394	3.8	(8.9)

Source: Companies, BOBCAPS Research

Y/E March	Sales volume (units)			Realisation (Rs mn/vehicle)			Gross profit margin (%)		
	Q1FY26E	YoY (%)	QoQ (%)	Q1FY26E	YoY (%)	QoQ (%)	Q1FY26E	YoY (%)	QoQ (%)
AL	44,238	0.8	(24.8)	2.0	4.6	1.2	28.9	103bps	(56bps)
BJAUT	11,11,237	0.8	0.8	0.1	(0.3)	(2.0)	28.8	(112bps)	(128bps)
EIM	2,65,528	17.5	(6.1)	0.2	(2.8)	0.8	44.9	(187bps)	95bps
ESCORTS	30,581	0.7	14.8	0.9	(1.1)	-	30.5	64bps	(12bps)
HMCL	13,67,070	(10.9)	(1.0)	0.1	10.0	1.0	34.2	186bps	(37bps)
MM	3,81,338	14.8	11.8	0.9	14.6	1.5	25.4	(91bps)	(56bps)
MSIL	5,27,861	1.1	(12.7)	0.7	2.0	3.3	27.4	(245bps)	(74bps)
TVSL	12,77,172	17.5	3.9	0.1	(0.1)	(1.0)	28.7	10bps	(149bps)
VSTT	12,955	75.7	(2.4)	0.2	(13.0)	(1.0)	30.1	(178bps)	(55bps)
Total	50,17,980	2.7	(0.4)	0.2	7.6	(2.2)	28.5	(110bps)	(77bps)

Source: Companies, BOBCAPS Research

Fig 2 – Maruti Suzuki India (MSIL)

Particulars	Q1FY26E	Q1FY25	YoY (%)	Q4FY25	QoQ (%)	Comment
Sales volume	5,27,861	5,21,868	1.1	6,04,635	(12.7)	<ul style="list-style-type: none"> Better uptake on the export side (~18.4% vs 13.5% in Q1FY25) is expected to sustain the volumes while domestic volumes revival is expected to be slow due to slow uptick in small car segment.
Realisations/Vehicle (Rs mn)	0.69	0.68	2.0	0.67	3.3	
Sales (Rs mn)	3,66,633	3,55,314	3.2	4,06,738	(9.9)	
EBITDA (Rs mn)	38,599	45,023	(14.3)	42,647	(9.5)	<ul style="list-style-type: none"> Product mix shift towards SUV segment continues (now forming ~38% of volumes vs ~36% in Q1FY25). Margins are expected to remain flat as the company has undertaken two price hikes to pass on commodity cost increases.
EBITDA margin (%)	10.5	12.7	(214bps)	10.5	4bps	
Gross profit (Rs mn)	1,00,377	1,05,985	(5.3)	1,14,385	(12.2)	<ul style="list-style-type: none"> The rare earth magnets curb has postponed the launch and production of e-Vitara to Q2FY26 from Q1FY26.
Gross margin (%)	27.4	29.8	(245bps)	28.1	(74bps)	
Adj PAT (Rs mn)	31,071	36,499	(14.9)	37,111	(16.3)	

Source: Company, BOBCAPS Research

Fig 3 – Mahindra & Mahindra (MM)

Particulars	Q1FY26E	Q1FY25	YoY (%)	Q4FY25	QoQ (%)	Comment
Sales volume	3,81,338	3,32,042	14.8	3,41,046	11.8	<ul style="list-style-type: none"> ▪ The BEV models have shown good uptake, especially the top variants with an average 4-month waiting period. MM's SUV revenue share increased to 23.5% in Q4FY25 and is expected to go further up as SUV' share in total sales stand at 62% vs 59% in Q1FY25. MM will unveil their new "Vision" platform in Q2FY26, for which capacity expansion of 1.2 l.p.a. unit is underway at Chakan. ▪ MM's tractor volumes rose by ~9% YoY, driven by healthy growth in the domestic segment on the backdrop of an above-normal monsoon.
Realisations/Vehicle (Rs mn)	0.93	0.81	14.6	0.92	1.5	
Sales (Rs mn)	3,48,212	2,70,388	28.8	3,13,534	11.1	
EBITDA (Rs mn)	50,839	40,222	26.4	46,825	8.6	
EBITDA margin (%)	14.6	14.9	(28bps)	14.9	(33bps)	
Gross profit (Rs mn)	88,272	70,994	24.3	81,236	8.7	
Gross margin (%)	25.4	26.3	(91bps)	25.9	(56bps)	
Adj PAT (Rs mn)	34,076	26,126	30.4	31,557	8.0	

Source: Company, BOBCAPS Research

Fig 4 – Bajaj Auto (BJAUT)

Particulars	Q1FY26E	Q1FY25	YoY (%)	Q4FY25	QoQ (%)	Comment
Sales volume	11,11,237	11,02,056	0.8	11,02,934	0.8	<ul style="list-style-type: none"> ▪ BJAUT's domestic demand in 2W segment has remained subdued (-9.1% YoY); while healthy export volumes (13.9% YoY) have been an offset with the 2W segment growth flattish at -0.2%% YoY. ▪ Similarly, 3W domestic demand has been sluggish, declining 2.5% YoY in Q1FY26 while exports grew by 7.5% YoY. ▪ The healthy revival in exports is expected to contribute to volume growth offsetting domestic decline.
Realisations/Vehicle (Rs mn)	0.11	0.11	(0.3)	0.11	(2.0)	
Sales (Rs mn)	1,19,946	1,19,280	0.6	1,21,480	(1.3)	
EBITDA (Rs mn)	22,490	24,153	(6.9)	24,506	(8.2)	
EBITDA margin (%)	-	20.2	(2,025bps)	20.2	(2,017bps)	
Gross profit (Rs mn)	34,604	35,754	(3.2)	36,597	(5.4)	
Gross margin (%)	28.8	30.0	(112bps)	30.1	(128bps)	
Adj PAT (Rs mn)	18,751	19,883	(5.7)	20,493	(8.5)	

Source: Company, BOBCAPS Research

Fig 5 – Hero Motors (HMCL)

Particulars	Q1FY26E	Q1FY25	YoY (%)	Q4FY25	QoQ (%)	Comment
Sales volume	13,67,070	15,35,156	(10.9)	13,80,545	(1.0)	<ul style="list-style-type: none"> ▪ HMCL's volume growth has been lagging the industry even after accounting for the supply chain issues in April. Motorcycles domestic volumes were down by 11.6% YoY, while scooters were flattish at 1.1% YoY. ▪ Healthy monsoon is expected to revive the rural demand, which should alleviate the HMCL demand. ▪ Focus is on ramping up the 125cc segment to fill in gaps and help boost margins.
Realisations/Vehicle (Rs mn)	0.07	0.07	10.0	0.07	1.0	
Sales (Rs mn)	99,401	1,01,437	(2.0)	99,387	0.0	
EBITDA (Rs mn)	14,574	14,598	(0.2)	14,156	3.0	
EBITDA margin (%)	14.7	14.4	27bps	14.2	42bps	
Gross profit (Rs mn)	33,957	32,766	3.6	34,318	(1.1)	
Gross margin (%)	34.2	32.3	186bps	34.5	(37bps)	
Adj PAT (Rs mn)	11,306	11,226	0.7	10,809	4.6	

Source: Company, BOBCAPS Research

Fig 6 – TVS Motor (TVSL)

Particulars	Q1FY26E	Q1FY25	YoY (%)	Q4FY25	QoQ (%)	Comment
Sales volume	12,77,172	10,87,175	17.5	12,29,027	3.9	<ul style="list-style-type: none"> ▪ TVSL's growth has been outpacing the industry, supported by the premiumisation trend. Domestic 2W segment registered a healthy volume of 16.6% YoY%, driven by an extensive motorcycle portfolio and EV scooter offerings. ▪ Exports uptick has been auguring well, growing 41.8% YoY, driven by both 2W and 3W (albeit on a lower base). ▪ A healthy mix of products with premium offering and growing export should aid margins, but commodities pressure in the short run should keep the margin range-bound.
Realisations/Vehicle (Rs mn)	0.08	0.08	(0.1)	0.08	(1.0)	
Sales (Rs mn)	98,253	83,755	17.3	95,504	2.9	
EBITDA (Rs mn)	11,936	9,601	24.3	13,326	(10.4)	
EBITDA margin (%)	12.1	11.5	68bps	14.0	(181bps)	
Gross profit (Rs mn)	28,199	23,951	17.7	28,832	(2.2)	
Gross margin (%)	28.7	28.6	10bps	30.2	(149bps)	
Adj PAT (Rs mn)	7,387	5,772	28.0	8,521	(13.3)	

Source: Company, BOBCAPS Research

Fig 7 – Eicher Motors (EIM)

Particulars	Q1FY26E	Q1FY25	YoY (%)	Q4FY25	QoQ (%)	Comment
Sales volume	2,65,528	2,26,021	17.5	2,82,823	(6.1)	<ul style="list-style-type: none"> With the revamp in <350cc product portfolio, volume growth in 2W segment has been healthy at 17.5% YoY. Export growth at 72.2% is expected to aid revenues further. A strong pipeline of new launches and facelifts should help sustain the momentum.
Realisations/Vehicle (Rs mn)	0.18	0.19	(2.8)	0.18	0.8	
Sales (Rs mn)	48,303	42,313	14.2	51,066	(5.4)	<ul style="list-style-type: none"> VECV demand has been steady at 9.7% YoY.
EBITDA (Rs mn)	12,392	11,786	5.1	12,609	(1.7)	
EBITDA margin (%)	25.7	27.9	(220bps)	24.7	96bps	
Gross profit (Rs mn)	21,701	19,799	9.6	22,458	(3.4)	
Gross margin (%)	44.9	46.8	(187bps)	44.0	95bps	
Adj PAT (Rs mn)	2,65,528	2,26,021	17.5	2,82,823	(6.1)	

Source: Company, BOBCAPS Research, VECV volume snapshot | VECV: VE Commercial Vehicles Limited

Fig 8 – Ashok Leyland (AL)

Particulars	Q1FY26E	Q1FY25	YoY (%)	Q4FY25	QoQ (%)	Comment
Sales volume	44,238.0	43,893.0	0.8	58,823.0	(24.8)	<ul style="list-style-type: none"> AL's volumes stayed flat in Q1FY26, driven largely by the bus segment while the core MHCV segment 3% YoY and LCV segment remained flat.
Realisations/Vehicle (Rs mn)	2.05	1.96	4.6	2.02	1.2	
Sales (Rs mn)	90,664	85,985	5.4	1,19,067	(23.9)	<ul style="list-style-type: none"> The bus segment is a clear winner for AL. And, with the government's initiative to resolve financial troubles at state transport corporations and defense sector orders will continue to lend a boost to sales, however it remains a smaller portfolio.
EBITDA (Rs mn)	10,760	9,109	18.1	17,910	(39.9)	
EBITDA margin (%)	11.9	10.6	127bps	15.0	(317bps)	
Gross profit (Rs mn)	26,173	23,939	9.3	35,039	(25.3)	
Gross margin (%)	28.9	27.8	103bps	29.4	(56bps)	<ul style="list-style-type: none"> Helped by the cost-saving focus, EBITDA margin is expected to improve to 11.9%.
Adj PAT (Rs mn)	6,582	5,256	25.2	12,595	(47.7)	

Source: Company, BOBCAPS Research | LCV: Light Commercial Vehicle, MHCV: Medium & Heavy Commercial Vehicles

Fig 9 – Escorts Kubota (ESCORTS)

Particulars	Q1FY26E	Q1FY25	YoY (%)	Q4FY25	QoQ (%)	Comment
Sales volume	30,581	30,370	0.7	26,633	14.8	<ul style="list-style-type: none"> ESCORTS's volume stayed only flat with 1% growth and clearly lagged the industry leader's growth by a margin. This is despite improved rural spending, backed by early monsoon and higher reservoir levels.
Realisations/Vehicle (Rs mn)	0.92	0.93	(1.1)	0.92	0.0	
Sales (Rs mn)	28,073	28,184	(0.4)	24,449	14.8	<ul style="list-style-type: none"> Despite tepid volume, margins continue to be a drag.
EBITDA (Rs mn)	3,721	3,677	1.2	2,875	29.4	
EBITDA margin (%)	13.3	13.0	21bps	11.8	149bps	
Gross profit (Rs mn)	8,566	8,420	1.7	7,490	14.4	
Gross margin (%)	30.5	29.9	64bps	30.6	(12bps)	<ul style="list-style-type: none"> Exports show signs of recovery, though on a small base.
Adj PAT (Rs mn)	3,283	3,020	8.7	2,736	20.0	

Source: Company, BOBCAPS Research

Fig 10 – VST Tillers Tractors (VSTT)

Particulars	Q1FY26E	Q1FY25	YoY (%)	Q4FY25	QoQ (%)	Comment
Sales volume	12,955	7,375	75.7	13,278	(2.4)	<ul style="list-style-type: none"> VSTT performance has come as a surprise with strong volume growth. This has given a push to revenue growth.
Realisations/Vehicle (Rs mn)	0.22	0.26	(13.0)	0.23	(1.0)	
Sales (Rs mn)	2,912	1,906	52.8	3,014	(3.4)	<ul style="list-style-type: none"> Overall performance is largely driven by better volume, though on a very weak base.
EBITDA (Rs mn)	318	134	137.1	452	(29.5)	
EBITDA margin (%)	10.9	7.0	389bps	15.0	(406bps)	
Gross profit (Rs mn)	878	609	44.3	925	(5.1)	
Gross margin (%)	30.1	31.9	(178bps)	30.7	(55bps)	
Adj PAT (Rs mn)	244	229	6.7	375	(34.8)	

Source: Company, BOBCAPS Research

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