

## AUTOMOBILES

Q2FY26 Preview

08 October 2025

**Volume gains on GST cut; aggressive pricing keeps margins flat**

- **PV segment volume growth driven by MM, with double-digit growth of ~17% YoY, MSIL pace at a slow ~4% in the coverage space**
- **2W volume clearly driven by premium category as TVSL and EIM grew in double digits; commuter segment lagged**
- **Tractor segment key driver with ~ 30% growth in Q2, backed by buoyant mood, CV segment shows signs of steady recovery driven by MHCVs**

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**PV volume push a mixed bag, but margins weaken:** In our coverage, PV OEMs (MSIL and MM) revenue growth will likely be a mixed bag in Q2FY26. MM auto revenue is expected to grow at ~14% YoY, driven by strong (17%) volume growth. This is in contrast with just 4% YoY gains by MSIL, driven by 2% volume and 4% ASP gains. However, gross margins are likely to be soft at ~24%/28% for MM & MSIL respectively, attributed to higher discounts/aggressive pricing as the priority clearly shifted to volume gains, so as to capture the buoyant sentiments and festive mood. Effectively, EBITDA margins have dropped with MM stabilising at ~13% vs 14% YoY and MSIL at ~11% (vs 12%). Additionally, EV investments, too, had an impact. MSIL launched E-Vitara in Q2FY26.

**2W double digit growth driven by premium segment and scooterisation:** Two-wheeler (2W) revenue growth is expected at ~15% YoY with TVSL (~19%) and EIM (~32% including CV) growing in double digits. This indicates that premiumisation has been a key volume driver following the rate cuts. BJAUT with flat growth (2% YoY) and HMCL adding 6% indicates commuter segment was lagging behind. The strong demand continues for high-end variants and more so in the scooter segment driven by the Electric vehicles. However, this has impacted the margins as reflected in the gross margin that have weakened for all the major 2W OEMs in our coverage.

**CV on the path of recovery:** Commercial Vehicles (CVs) revival was steady with AL's volume growth of ~8% YoY, driven by 9% MHCV segment growth. However, MHCV segment lagged. TTMT (unrated) volume grew by a strong 17% YoY, driven by the LCVs (~11%); while the core segment MHCV volume grew slow at 5% YoY.

**Tractors on a strong path:** Tractor volume grew by ~30%, driven by rate cuts, healthy monsoon and expected strong Kharif crop. MM's tractor volumes jumped ~32%/19% YoY/YTD, while ESCORTS' were 30%/14% YoY in Q2FY26/YTD. Tractor segment gains are likely to continue after the revival in rural affordability.

**Top picks:** AL remains our preferred pick. Reasonable/higher valuations drive our neutral view in the 2W segment. We assign SELL rating to ESCORTS and VSTT.



**Fig 1 – BOBCAPS Auto universe: Q2FY26 preview**

Y/E March	Net sales (Rs mn)			EBITDA (Rs mn)			EBITDA margin (%)			Adj. PAT (Rs mn)		
	Q2FY26E	YoY (%)	QoQ (%)	Q2FY26E	YoY (%)	QoQ (%)	Q2FY26E	YoY (bps)	QoQ (bps)	Q2FY26E	YoY (%)	QoQ (%)
AL	93,959	7.2	7.7	10,338	1.6	6.6	11.0	(59.9)	(11.1)	6,880	5.4	15.9
BJAUT	1,33,365	1.6	6.0	26,083	(1.7)	5.1	19.6	(64.6)	(16.3)	21,881	(1.3)	4.4
EIM	55,505	32.0	13.1	15,142	37.0	23.0	27.3	100.8	219.6	12,751	26.3	(2.4)
ESCORTS	25,202	10.7	0.8	2,930	27.4	(8.9)	11.6	152.7	(123.2)	2,984	(0.6)	1.7
HMCL	1,11,357	6.4	16.3	16,199	6.9	17.2	14.5	5.9	12.2	12,758	6.0	13.3
MM	3,26,917	18.6	(4.1)	42,098	6.6	(13.8)	12.9	(145.8)	(145.2)	36,789	(5.3)	2.2
MSIL	3,86,852	4.0	0.7	41,213	(6.7)	5.5	10.7	(121.8)	48.1	32,400	5.6	(10.6)
TVSL	1,09,431	18.6	8.6	13,704	26.9	8.5	12.5	82.2	(0.6)	8,725	31.7	12.1
VSTT	2,993	5.6	6.0	409	8.3	9.2	13.7	34.4	40.1	380	56.2	83.1
<b>Total</b>	<b>12,45,583</b>	<b>10.1</b>	<b>2.8</b>	<b>1,68,115</b>	<b>5.0</b>	<b>2.0</b>	<b>13.5</b>	<b>(65.2)</b>	<b>(10.3)</b>	<b>1,35,549</b>	<b>4.1</b>	<b>0.9</b>

Source: Companies, BOBCAPS Research

Y/E March	Sales volume (units)			Realisation (Rs mn/vehicle)			Gross profit margin (%)		
	Q2FY26E	YoY (%)	QoQ (%)	Q2FY26E	YoY (%)	QoQ (%)	Q2FY26E	YoY (%)	QoQ (%)
AL	49,116	7.7	11.0	1.9	(0.5)	(3.0)	28.1	(77bps)	(131bps)
BJAUT	12,94,120	5.9	16.5	0.1	(4.1)	(9.0)	28.8	16bps	(77bps)
EIM	3,26,375	43.2	22.9	0.2	(7.8)	(8.0)	44.5	(121bps)	3bps
ESCORTS	33,877	30.3	10.8	0.7	(15.1)	(9.0)	30.4	(1bps)	(48bps)
HMCL	16,90,702	11.3	23.7	0.1	(4.3)	(6.0)	32.3	(104bps)	(103bps)
MM	3,82,826	18.0	0.4	0.9	1.8	(3.3)	23.5	(230bps)	(45bps)
MSIL	5,50,874	1.7	4.4	0.7	2.2	(3.5)	27.5	(58bps)	(28bps)
TVSL	15,06,950	22.7	18.0	0.1	(3.4)	(8.0)	28.4	(8bps)	(44bps)
VSTT	14,450	15.2	11.5	0.2	(8.3)	(5.0)	32.3	40bps	(10bps)
<b>Total</b>	<b>58,49,290</b>	<b>13.6</b>	<b>16.6</b>	<b>0.2</b>	<b>(3.1)</b>	<b>(11.8)</b>	<b>28.0</b>	<b>(91bps)</b>	<b>(31bps)</b>

Source: Companies, BOBCAPS Research

**Fig 2 – Maruti Suzuki India (MSIL)**

Particulars	Q2Y26E	Q2FY25	YoY (%)	Q1FY26	QoQ (%)	Comment
Sales volume	5,50,874	5,41,550	1.7	5,27,861	4.4	Domestic revival has been gradual, given the sustained softness in the compact car segment, but the GST 2.0 and festive season are expected to alleviate consumer sentiment.
Realisations/Vehicle (Rs mn)	0.70	0.69	2.2	0.73	(3.5)	
<b>Sales (Rs mn)</b>	<b>3,86,852</b>	<b>3,72,028</b>	<b>4.0</b>	<b>3,84,136</b>	<b>0.7</b>	
<b>EBITDA (Rs mn)</b>	<b>41,213</b>	<b>44,166</b>	<b>(6.7)</b>	<b>39,075</b>	<b>5.5</b>	MSIL's focus on the SUV segment is evident with new launches and facelifts; however, growth has been lagging with the share at ~35% in Q2FY26 vs ~39% in Q2FY25.
EBITDA margin (%)	10.7	11.9	(122bps)	10.2	48bps	
Gross profit (Rs mn)	1,06,495	1,04,569	1.8	1,06,840	(0.3)	Domestic EV penetration is expected to be slow as rare earth curbs impacted the launch of e-Vitara in domestic markets. Initial focus will be on export markets. This will also impact the margin profile.
<b>Gross margin (%)</b>	<b>27.5</b>	<b>28.1</b>	<b>(58bps)</b>	<b>27.8</b>	<b>(28bps)</b>	
<b>Adj PAT (Rs mn)</b>	<b>32,400</b>	<b>30,692</b>	<b>5.6</b>	<b>36,239</b>	<b>(10.6)</b>	

Source: Company, BOBCAPS Research

**Fig 3 – Mahindra & Mahindra (MM)**

Particulars	Q2Y26E	Q2FY25	YoY (%)	Q1FY26	QoQ (%)	Comment
Sales volume	3,82,826	3,24,420	18.0	3,81,338	0.4	MM launched its "Vision" platform in Q2FY26 with multi powertrain capability and 1.2 lakh units p.a. capacity. BEV models continue to show good uptake with top variants commanding majority of the sales. MM's SUV revenue share rose to 27.6% in Q1FY26, up by 570 bps YoY; the trend is likely to continue in Q2.
Realisations/Vehicle (Rs mn)	0.86	0.85	1.8	0.89	(3.3)	
<b>Sales (Rs mn)</b>	<b>3,26,917</b>	<b>2,75,533</b>	<b>18.6</b>	<b>3,40,832</b>	<b>(4.1)</b>	MM's tractor volumes surged ~32% YoY in Q2FY26, driven by robust domestic growth fueled by above-normal monsoons, higher Kharif sowing, and GST rate cuts to 5% boosting affordability. Exports have also been growing healthy at ~18% YoY.
<b>EBITDA (Rs mn)</b>	<b>42,098</b>	<b>39,497</b>	<b>6.6</b>	<b>48,840</b>	<b>(13.8)</b>	
EBITDA margin (%)	12.9	14.3	(146bps)	14.3	(145bps)	
Gross profit (Rs mn)	76,826	71,093	8.1	81,625	(5.9)	
<b>Gross margin (%)</b>	<b>23.5</b>	<b>25.8</b>	<b>(230bps)</b>	<b>23.9</b>	<b>(45bps)</b>	
<b>Adj PAT (Rs mn)</b>	<b>36,789</b>	<b>38,863</b>	<b>(5.3)</b>	<b>35,981</b>	<b>2.2</b>	

Source: Company, BOBCAPS Research

**Fig 4 – Bajaj Auto (BJAUT)**

Particulars	Q2Y26E	Q2FY25	YoY (%)	Q1FY26	QoQ (%)	Comment
Sales volume	12,94,120	12,21,504	5.9	11,11,237	16.5	Robust export volumes growing at ~19% YoY helped offset domestic softness (-6% YoY in Q2FY26). Overall, 2Ws grew by ~4% in Q2FY26 with festive momentum and GST benefit expected to drive the domestic demand.
Realisations/Vehicle (Rs mn)	0.10	0.11	(4.1)	0.11	(9.0)	
<b>Sales (Rs mn)</b>	<b>1,33,365</b>	<b>1,31,275</b>	<b>1.6</b>	<b>1,25,845</b>	<b>6.0</b>	3W segment has been similar with exports surging ~67% YoY in Q2FY26 on strong LATAM traction, while domestic sales have been sluggish at ~3% YoY.
<b>EBITDA (Rs mn)</b>	<b>26,083</b>	<b>26,522</b>	<b>(1.7)</b>	<b>24,818</b>	<b>5.1</b>	
EBITDA margin (%)	19.6	20.2	(65bps)	19.7	(16bps)	Healthy exports have helped mitigate domestic softness with exports now contributing ~43% vs ~36% in Q2FY25.
Gross profit (Rs mn)	38,453	37,636	2.2	37,248	3.2	
<b>Gross margin (%)</b>	<b>28.8</b>	<b>28.7</b>	<b>16bps</b>	<b>29.6</b>	<b>(77bps)</b>	
<b>Adj PAT (Rs mn)</b>	<b>21,881</b>	<b>22,163</b>	<b>(1.3)</b>	<b>20,960</b>	<b>4.4</b>	

Source: Company, BOBCAPS Research

**Fig 5 – Hero Motors (HMCL)**

Particulars	Q2Y26E	Q2FY25	YoY (%)	Q1FY26	QoQ (%)	Comment
Sales volume	16,90,702	15,19,684	11.3	13,67,070	23.7	HMCL's volume growth in Q2FY26 aligned better with the industry as supply chain issues subsided. Motorcycles grew by ~8% YoY while scooters surged ~57% YoY, driven by premium and EV models.
Realisations/Vehicle (Rs mn)	0.07	0.07	(4.3)	0.07	(6.0)	
<b>Sales (Rs mn)</b>	<b>1,11,357</b>	<b>1,04,632</b>	<b>6.4</b>	<b>95,789</b>	<b>16.3</b>	Robust monsoons and GST rate cuts to 18% are expected to bolster rural demand, significantly boosting HMCL's domestic sales, particularly in rural-heavy markets, with festive season momentum (Navratri, Diwali) further supporting recovery.
<b>EBITDA (Rs mn)</b>	<b>16,199</b>	<b>15,159</b>	<b>6.9</b>	<b>13,817</b>	<b>17.2</b>	
EBITDA margin (%)	14.5	14.5	6bps	14.4	12bps	HMCL's focus stays on expanding the 125cc segment with launches like the Glamour X 125 and upcoming Xpulse 125R.
Gross profit (Rs mn)	35,919	34,837	3.1	31,885	12.7	
<b>Gross margin (%)</b>	<b>32.3</b>	<b>33.3</b>	<b>(104bps)</b>	<b>33.3</b>	<b>(103bps)</b>	
<b>Adj PAT (Rs mn)</b>	<b>12,758</b>	<b>12,035</b>	<b>6.0</b>	<b>11,257</b>	<b>13.3</b>	

Source: Company, BOBCAPS Research

**Fig 6 – TVS Motor (TVSL)**

Particulars	Q2Y26E	Q2FY25	YoY (%)	Q1FY26	QoQ (%)	Comment
Sales volume	15,06,950	12,28,223	22.7	12,77,172	18.0	TVSL continues to outpace the industry, fueled by premiumisation and scooterisation. Motorcycles grew by ~22% YoY, while scooters grew by ~30% YoY, driven by an expanded portfolio and strong EV scooter demand.
Realisations/Vehicle (Rs mn)	0.07	0.08	(3.4)	0.08	(8.0)	
<b>Sales (Rs mn)</b>	<b>1,09,431</b>	<b>92,282</b>	<b>18.6</b>	<b>1,00,810</b>	<b>8.6</b>	GST cut, strong rural demand and consumer sentiment are expected to drive domestic demand further, while export markets are also expected to sustain healthy growth on the back of recovering markets of Sri Lanka and Bangladesh.
<b>EBITDA (Rs mn)</b>	<b>13,704</b>	<b>10,798</b>	<b>26.9</b>	<b>12,630</b>	<b>8.5</b>	
EBITDA margin (%)	12.5	11.7	82bps	12.5	(1bps)	With a rising export share (~27% in Q2FY26) and a diverse mix of products with premium offerings, margins are expected increase as commodities pressure comes in check.
Gross profit (Rs mn)	31,060	26,264	18.3	29,056	6.9	
<b>Gross margin (%)</b>	<b>28.4</b>	<b>28.5</b>	<b>(8bps)</b>	<b>28.8</b>	<b>(44bps)</b>	
<b>Adj PAT (Rs mn)</b>	<b>8,725</b>	<b>6,626</b>	<b>31.7</b>	<b>7,786</b>	<b>12.1</b>	

Source: Company, BOBCAPS Research

**Fig 7 – Eicher Motors (EIM)**

Particulars	Q2Y26E	Q2FY25	YoY (%)	Q1FY26	QoQ (%)	Comment
Sales volume	3,26,375	2,27,872	43.2	2,65,528	22.9	With the key GST rate cut benefit (from 28% to 18%) clearly benefiting the <350cc product portfolio, volume growth in 2W segment has been strong at 43% YoY in Q2FY26. Export growth at 50% is expected to aid revenues further. A strong pipeline of new launches and facelifts should help sustain the momentum.
Realisations/Vehicle (Rs mn)	0.17	0.18	(7.8)	0.18	(8.0)	
<b>Sales (Rs mn)</b>	<b>55,505</b>	<b>42,054</b>	<b>32.0</b>	<b>49,084</b>	<b>13.1</b>	
<b>EBITDA (Rs mn)</b>	<b>15,142</b>	<b>11,049</b>	<b>37.0</b>	<b>12,313</b>	<b>23.0</b>	Margin profile has improved clearly, driven by strong economies of scale despite the weakness in gross margins.
EBITDA margin (%)	27.3	26.3	101bps	25.1	220bps	
Gross profit (Rs mn)	24,701	19,223	28.5	21,829	13.2	VECV demand has been flat YoY.
<b>Gross margin (%)</b>	<b>44.5</b>	<b>45.7</b>	<b>(121bps)</b>	<b>44.5</b>	<b>3bps</b>	
<b>Adj PAT (Rs mn)</b>	<b>12,751</b>	<b>10,099</b>	<b>26.3</b>	<b>13,065</b>	<b>(2.4)</b>	

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

**Fig 8 – Ashok Leyland (AL)**

Particulars	Q2Y26E	Q2FY25	YoY (%)	Q1FY26	QoQ (%)	Comment
Sales volume	49,116.0	45,624.0	7.7	44,238.0	11.0	AL's volumes recovery was steady in higher single digits, driven largely by the bus segment while the core MHCV segment grew at 4.5% YoY and LCV segment was slower at 3%.
Realisations/Vehicle (Rs mn)	1.91	1.92	(0.5)	1.97	(3.0)	
<b>Sales (Rs mn)</b>	<b>93,959</b>	<b>87,688</b>	<b>7.2</b>	<b>87,245</b>	<b>7.7</b>	
<b>EBITDA (Rs mn)</b>	<b>10,338</b>	<b>10,173</b>	<b>1.6</b>	<b>9,696</b>	<b>6.6</b>	The bus segment is a clear winner for AL. And, government's initiative to resolve financial troubles at state transport corporations and defense orders will continue to boost sales; however, it remains a smaller portfolio.
EBITDA margin (%)	11.0	11.6	(60bps)	11.1	(11bps)	
Gross profit (Rs mn)	26,361	25,278	4.3	25,617	2.9	Margins profile may be weak following aggressive pricing as gross margins indicate a weakness of 77bps and EBITDA margin falling to 11% from 11.6% YoY.
<b>Gross margin (%)</b>	<b>28.1</b>	<b>28.8</b>	<b>(77bps)</b>	<b>29.4</b>	<b>(131bps)</b>	
<b>Adj PAT (Rs mn)</b>	<b>6,880</b>	<b>6,527</b>	<b>5.4</b>	<b>5,937</b>	<b>15.9</b>	

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

**Fig 9 – Escorts Kubota (ESCORTS)**

Particulars	Q2Y26E	Q2FY25	YoY (%)	Q1FY26	QoQ (%)	Comment
Sales volume	33,877	25,995	30.3	30,581	10.8	ESCORTS' volumes have grown significantly in Q2FY26 with ~30% YoY growth, driven by robust Kharif sowing, festive momentum amplified by GST rate cuts to 5%
Realisations/Vehicle (Rs mn)	0.74	0.88	(15.1)	0.82	(9.0)	
<b>Sales (Rs mn)</b>	<b>25,202</b>	<b>22,773</b>	<b>10.7</b>	<b>25,001</b>	<b>0.8</b>	
<b>EBITDA (Rs mn)</b>	<b>2,930</b>	<b>2,299</b>	<b>27.4</b>	<b>3,214</b>	<b>(8.9)</b>	Exports have exhibited revival growing by ~26% YoY in Q2FY26, supported by the Kubota network and new launches with the company targeting 25-30% share of exports by FY26 end.
EBITDA margin (%)	11.6	10.1	153bps	12.9	(123bps)	
Gross profit (Rs mn)	7,660	6,924	10.6	7,719	(0.8)	The upcoming Powertrac and Promax series will likely expand presence in the South.
<b>Gross margin (%)</b>	<b>30.4</b>	<b>30.4</b>	<b>(1bps)</b>	<b>30.9</b>	<b>(48bps)</b>	
<b>Adj PAT (Rs mn)</b>	<b>2,984</b>	<b>3,004</b>	<b>(0.6)</b>	<b>2,935</b>	<b>1.7</b>	

Source: Company, BOBCAPS Research

**Fig 10 – VST Tillers Tractors (VSTT)**

Particulars	Q2Y26E	Q2FY25	YoY (%)	Q1FY26	QoQ (%)	Comment
Sales volume	14,450	12,542	15.2	12,955	11.5	VSTT performance has come as a surprise with strong volume growth. However, aggressive pricing has not translated in strong revenue gains.
Realisations/Vehicle (Rs mn)	0.21	0.23	(8.3)	0.22	(5.0)	
<b>Sales (Rs mn)</b>	<b>2,993</b>	<b>2,834</b>	<b>5.6</b>	<b>2,825</b>	<b>6.0</b>	
<b>EBITDA (Rs mn)</b>	<b>409</b>	<b>378</b>	<b>8.3</b>	<b>375</b>	<b>9.2</b>	Overall performance is largely driven by better volume, though on a very weak base. Effectively, PAT shows a healthy growth of 56%.
EBITDA margin (%)	13.7	13.3	34bps	13.3	40bps	
Gross profit (Rs mn)	967	905	6.9	916	5.6	
<b>Gross margin (%)</b>	<b>32.3</b>	<b>31.9</b>	<b>40bps</b>	<b>32.4</b>	<b>(10bps)</b>	
<b>Adj PAT (Rs mn)</b>	<b>380</b>	<b>244</b>	<b>56.2</b>	<b>208</b>	<b>83.1</b>	

Source: Company, BOBCAPS Research

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