AUTOMOBILES | Q2FY26 Review | 18 November 2025

Volume in fast drive; ASPs soften QoQ; margins listless

- **Overall volume growth robust at ~18%, premium motorcycle lift the 2Ws segment by 30% YoY; 4Ws up ~17% with MM in driver's seat**
- **ASP stays range-bound QoQ in the PV and 2W base segments; discounts on a high to push volume, gross margins soften; EBITDA margin flat YoY**
- **Post Q2FY26, we maintain BUY on AL/MM/MSIL; 2W ratings retained at HOLD with a positive bias on TVSL, and SELL on ESCORTS**

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Premium segment drives steady growth: 2W OEMs delivered a robust 15% YoY volume growth in Q2FY26, supported by sustained traction in premium motorcycles and improving sentiment in the 125cc+ category. EIM and TVS continued to lead the pack with 43% & 23% YoY growth, buoyed by new models and greater retail depth. In the commuter segment, BJAUT posted modest 6% YoY gains due to earlier supply-chain bottlenecks normalising only towards Q2-end, HMCL's volume rebounded, growing by 11% YoY on strong rural sentiment driving the segment.

SUV continues to drive overall volume: PV OEMs in our coverage grew 8% YoY in Q2FY26, which recovered (due to GST transition impact) on festive strength. MM registered strong 18% growth, led by Roxx/Thar variants and sustained demand in the core SUV nameplates; while MSIL grew 2% as compact car softness persisted despite a pick-up in the latter part of the quarter. Higher discount intensity ahead of GST restructuring compressed gross margins for OEMs; margins for MM & MSIL's, declined by 144bbps/119bps YoY to 24.4%/26.9% respectively.

Tractors maintain favourable drivers: Tractor segment stayed healthy, with MM reporting strong 31% YoY growth, supported by good monsoons and stronger rural cashflows. ESCORTS also turned out positive with 30% YoY growth. The Trem V price hikes were largely absorbed by the market, aided by GST cut softening the effective impact on customers. Tax reduction also nudged the buyers toward higher-HP models (40–50HP), supporting a richer segment mix and stable realisations.

CV volumes stay listless: CV volumes have shown revival, led by improving freight demand post monsoon and GST 2.0. While the MHCV industry volume were marginally slow at 4% YoY, LCV grew by 6% YoY.

Top picks MM/ AL/MSIL: We remain positive on MSIL (revised TP Rs 18,580) following its leadership in SUVs and healthy margins. We prefer MM (TP Rs 4,117) driven by its focus on growth and capacity addition/new launches to cater to higher demand and margins. We maintain BUY on AL (TP of Rs 164) following its steady gains in MHCV segment and focus on the margins, other segments add cushion.

Fig 1 – Revenue growth

(Rs mn)	Q2FY26	Q2FY25	YoY (%)	Q1FY26	QoQ (%)
AL	95,882	87,688	9.3	87,245	9.9
BJAUT	1,49,221	1,31,275	13.7	1,25,845	18.6
EIM	59,021	42,054	40.3	49,084	20.2
ESCORTS	27,916	22,773	22.6	25,001	11.7
HMCL	1,21,264	1,04,632	15.9	95,789	26.6
MM	3,34,216	2,75,533	21.3	3,40,832	(1.9)
MSIL	4,21,008	3,72,028	13.2	3,84,136	9.6
TVSL	1,19,054	92,282	29.0	1,00,810	18.1
VSTT	3,152	2,834	11.2	2,825	11.6
Aggregate	13,30,732	11,31,099	17.6	12,11,566	9.8

Comment

- Premium segments continue to drive 2W segment growth while commuter segment rebounds driven by healthy rural income/cash flow.
- Healthy reservoir levels keep rural sentiment benign driving tractors segment. Meanwhile GST 2.0 will boost affordability further.
- As monsoon recedes CV recovery should pick up pace as construction activities resume.

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

Fig 2 – Volume growth

(Units)	Q2FY26	Q2FY25	YoY (%)	Q1FY26	QoQ (%)
AL	49,116	45,624	7.7	44,238	11.0
BJAUT	12,94,120	12,21,504	5.9	11,11,237	16.5
EIM	3,26,375	2,27,872	43.2	2,65,528	22.9
ESCORTS	33,877	25,995	30.3	30,581	10.8
HMCL	16,90,702	15,19,684	11.3	13,67,070	23.7
MM	3,82,826	3,24,420	18.0	3,81,338	0.4
MSIL	5,50,874	5,41,550	1.7	5,27,861	4.4
TVSL	15,06,950	12,28,223	22.7	12,77,172	18.0
VSTT	14,450	12,542	15.2	12,955	11.5
Aggregate	58,49,982	51,47,414	13.6	50,17,980	16.6

Comment

- Volume growth in Q2FY26 (Coverage universe) was ~14% YoY, which was broad base barring a few laggards. BJAUT was constrained by supply chain concerns subsiding in the latter part of the quarter, while MSIL's compact segment rebounded on GST 2.0
- SUVisation has reached a point of stabilisation, from here on demand is expected to be steady.
- CV recovery pace should be healthy as infrastructure activities resume and increase affordability due to GST rate rationalisation.
- Tractors momentum is expected to continue on healthy reservoir levels and rural income pushing mechanisation further.

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

Fig 3 – Average realisation

(Rs/vehicle)	Q2FY26	Q2FY25	YoY (%)	Q1FY26	QoQ (%)
AL	19,52,152	19,21,977	1.6	19,72,176	(1.0)
BJAUT	1,15,307	1,07,470	7.3	1,13,247	1.8
EIM	1,80,837	1,84,553	(2.0)	1,84,855	(2.2)
ESCORTS	8,24,028	8,76,034	(5.9)	8,17,517	0.8
HMCL	71,724	68,851	4.2	70,069	2.4
MM	8,73,023	8,49,308	2.8	8,93,780	(2.3)
MSIL	7,64,255	6,86,969	11.3	7,27,722	5.0
TVSL	79,003	75,135	5.1	78,932	0.1
VSTT	2,18,097	2,25,985	(3.5)	2,18,024	0.0
Aggregate	5,64,227	5,55,142	1.6	5,64,036	0.0

Comment

- ASPs grew modestly by ~2% as discounts were offered to capitalise on the festive season partially offset by better product mix.
- Margin pressure remains as commodity inflation persists though price hikes have been passed through and inflation expected to moderate in coming quarter.
- With the GST rate reduction boosting affordability consumers have used the savings to up trade model variants leading to higher margin product mix

Source: Companies, BOBCAPS Research

Fig 4 – EBITDA growth

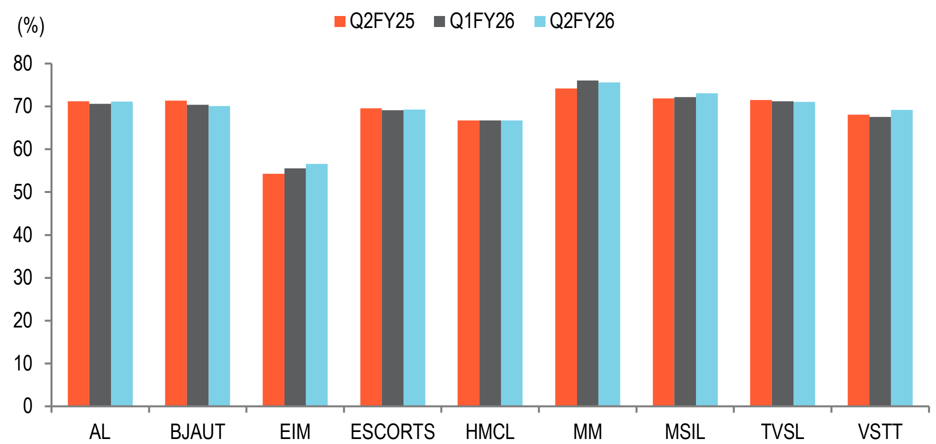
(Rs mn)	Q2FY26	Q2FY25	YoY (%)	Q1FY26	QoQ (%)	Comment
AL	11,622	10,173	14.2	9,696	19.9	▪ EBITDA growth was strong, led by healthy volumes while product mix skewed towards premium guarded ASPs despite festive discounts. ▪ MSIL undertook aggressive discounts to revive compact segment. HMCL managed to maintain growth despite continued brand investments ▪ TVSL and EIM benefit due to product placement in high growth segment. ▪ EV adoption in 2W and 3W has been steady though a comparatively higher BOM cost continues to dampen the margin.
BJAUT	30,517	26,522	15.1	24,818	23.0	
EIM	14,687	11,049	32.9	12,313	19.3	
ESCORTS	3,597	2,299	56.4	3,214	11.9	
HMCL	18,234	15,159	20.3	13,817	32.0	
MM	48,615	39,497	23.1	48,840	(0.5)	
MSIL	44,341	44,166	0.4	39,953	11.0	
TVSL	15,086	10,798	39.7	12,630	19.4	
VSTT	409	378	8.2	375	9.1	
Aggregate	1,87,108	1,60,041	16.9	1,65,655	13.0	

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

Raw Material costs were clearly inflationary YoY, indicating headwinds for the auto sector in the medium term.

However, raw material-to-sales cost was a mixed bag with staying flat for AL as it continues prudent mix and HMCL in the 2W segment. Cost reversal was the sharpest for OEMs focused on premium products including EIM (up 230bps or 4%) and MM commodity cost inflation at 143bps. BJAUT benefited by a drop of ~130bps due to a higher exports mix (higher dollar realisation and better mix).

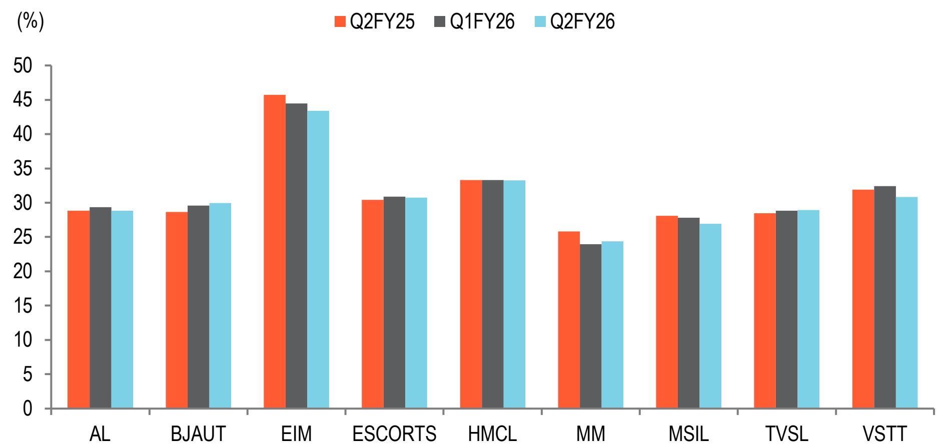
Fig 5 – Raw material cost-to-sales



Source: Companies, BOBCAPS Research

Effectively, aggregate gross margins were flat, softening marginally by 40bps at ~30.8%; mostly contributed by a combination of RM cost benefits and marked up ASPs. BJAUT led with 126 bps gain to 29.9% in overall coverage, while EIM continued to be the outlier at ~43% but also the biggest loser by 230bps YoY. In 4Ws, MM lost 143bps in gross margins, while MSIL fell by 119bps YoY.

Fig 6 – Gross margin



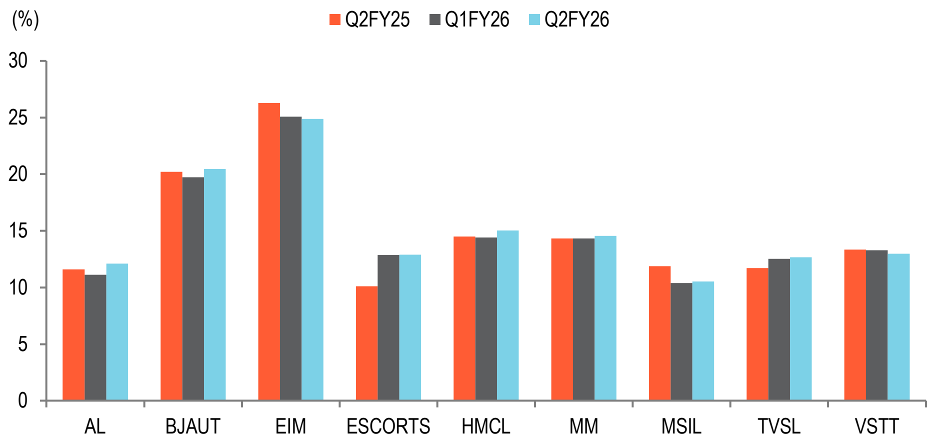
Source: Companies, BOBCAPS Research

Aggregate EBITDA margin gains were flat too YoY at 15.1% vs 14.9%, as other expenditure rose for most companies in our coverage on higher promotional and branding expenses, resulting from a greater focus on premiumisation offset by the leveraging impact due to strong volume growth.

AL's effort to de-couple margin impact from its core segment growth, was commendable, as EBITDAM grew by 50bps.

MSIL had spike in other expenses on higher discounts (75bps QoQ) and higher advertising expenses (65bps).

Fig 7 – EBITDA margin



Source: Companies, BOBCAPS Research

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