

AUTOMOBILES

Q2FY27 Preview

14 October 2026

Commodity cost inflation impact margins; demand stay healthy

- Coverage universe revenue is estimated to grow by ~27% YoY aided by strong volume and healthy demand across PV (~24%) and 2W (~18%)
- 3W and CV remain key growth driver with strong volumes ~25% and 24% YoY respectively as logistics and last mile mobility demand sustain
- Aggregate EBITDA is expected to slip ~3% YoY, with 333 bps margins contraction as ASP hikes only partially offsets commodity cost inflation

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PV demand accelerates but margins under pressure: PV OEMs under our coverage are expected to report strong revenue growth, led by MSIL (~32%/7% YoY/QoQ) and MM (~25%/flat YoY/QoQ). This is supported by robust volumes, steady demand and affordability headroom. However, commodity inflation and elevated operating costs imply sharp margin contraction despite improved ASPs.

2W momentum sustains though profitability remains mixed: 2W OEMs are expected to deliver robust revenue growth, led by ATHERENE (~134%/12% YoY/QoQ), TVSL (~36%/17% YoY/QoQ), BJAUT (~25%/8% YoY/QoQ), HMCL (~20%/12% YoY/QoQ). Scooterisation, premium motorcycles and exports are key growth drivers, while commodity inflation weigh on margins albeit lower than PVs.

3W growth supports momentum: The 3W segment is estimated to remain a key growth driver, supported by last-mile mobility demand and rising EV adoption. TVSL, MM and BJAUT benefit from strong volumes ~47%/39%/18% respectively, although competitive intensity and input-cost inflation could limit margin gains.

CV demand improves; profitability remains under pressure: AL, VECV, and MM reported strong volume growth (~32%/28%/39% YoY respectively), supported by volume recovery across CVs. However, stiffening commodity prices despite a favourable product mix are likely to weigh on margins. MHCV demand sustenance, fuel prices and competitive intensity remains as key monitorable.

Tractor growth diverges across players: ESCORTS remained flat (0.4% YoY) while MM declined by ~6% YoY, VSTT also reported steady demand (0.5% YoY) as small farm machinery were less affected by weak monsoon. Furthermore, hardening steel and rubber prices and lower operating levels should dampen performance.

Top picks: MSIL and MM continue to be our preferred picks. Our neutral view in the 2W segment continues for now but will be assessed. We assign SELL rating to ESCORTS and VSTT. AL remains hold on limited CV cycle clarity, hardening fuel prices (key determinant of freight demand) though strong LCV growth provides respite.



Fig 1 – BOBCAPS Auto universe: Q2FY27 preview

Y/E March	Net sales (Rs mn)			EBITDA (Rs mn)			EBITDA margin (%)			Adj. PAT (Rs mn)		
	Q2FY27E	YoY (%)	QoQ (%)	Q2FY27E	YoY (%)	QoQ (%)	Q2FY27E	YoY (bps)	QoQ (bps)	Q2FY27E	YoY (%)	QoQ (%)
Ashok Leyland	1,27,786	33.3	32.6	11,635	0.1	20.0	9.1	(301.5)	(95.8)	7,555	(0.7)	24.0
Ather Energy	13,640	133.8	12.1	(327)			(2.4)	214.9	31.8	(536)		
Bajaj Auto	1,86,630	25.1	8.2	36,421	19.3	1.3	19.5	(93.6)	(133.5)	30,360	22.4	1.8
Eicher Motors Limited	70,496	19.4	13.5	16,928	15.3	12.1	24.0	(87.2)	(29.4)	14,190	17.5	(5.8)
Escorts	29,600	6.0	(7.7)	2,737	(23.9)	(22.8)	9.2	(363.9)	(180.4)	2,739	(13.9)	(29.0)
Hero Motocorp	1,45,503	20.0	11.9	17,525	(3.9)	1.5	12.0	(299.3)	(123.8)	13,358	(4.1)	(2.1)
Hyundai Motor India Limited	2,01,652	15.5	23.5	19,609	(19.3)	24.1	9.7	(418.7)	5.3	12,222	(22.3)	26.1
M&M	4,16,550	24.6	(0.6)	43,973	(9.5)	(14.0)	10.6	(398.9)	(163.5)	42,434	(7.2)	13.0
Maruti Suzuki India Limited	5,59,643	32.2	6.7	42,554	(16.3)	(1.3)	7.6	(440.8)	(61.5)	25,569	(22.6)	(23.7)
TVS Motors	1,61,908	36.0	16.5	19,074	26.4	7.2	11.8	(89.1)	(102.4)	11,416	26.0	(2.8)
VST Tillers Tractors Ltd.	3,030	(3.9)	(3.3)	282	(31.1)	(30.1)	9.3	(367.6)	(355.3)	194	(27.4)	(14.0)
Total	19,16,436	26.6	9.2	2,10,411	(2.8)	0.5	11.0	(332.6)	(95.9)	1,59,500	(2.4)	(0.8)

Y/E March	Sales volume (units)			Realisation (Rs mn/vehicle)			Gross profit margin (%)		
	Q2FY27E	YoY (%)	QoQ (%)	Q2FY27E	YoY (%)	QoQ (%)	Q2FY27E	YoY (%)	QoQ (%)
Ashok Leyland	64,677	31.7	32.6	2.0	1.2	-	24.8	(403bps)	(366bps)
Ather Energy	92,300	134.8	11.0	0.1	(0.5)	1.0	19.2	225bps	(49bps)
Bajaj Auto	15,48,884	19.7	7.7	0.1	4.5	0.5	27.6	(233bps)	(147bps)
Eicher Motors Limited	3,78,669	16.0	14.6	0.2	2.9	(1.0)	39.6	(383bps)	(132bps)
Escorts	34,017	0.4	(7.7)	0.9	5.6	-	26.8	(391bps)	(48bps)
Hero Motocorp	18,68,165	10.5	11.4	0.1	8.6	0.5	27.4	(589bps)	(117bps)
Hyundai Motor India Limited	2,19,072	14.7	23.2	0.9	0.6	0.2	26.1	(370bps)	(159bps)
M&M	4,42,419	15.6	(3.5)	0.9	5.2	0.5	20.5	(386bps)	(151bps)
Maruti Suzuki India Limited	6,96,654	26.5	2.0	0.8	4.5	4.6	22.1	(596bps)	(98bps)
TVS Motors	19,19,005	27.3	17.7	0.1	6.8	(1.0)	25.9	(300bps)	(130bps)
VST Tillers Tractors Ltd.	15,527	7.5	(3.3)	0.2	(10.5)	-	29.4	(139bps)	(197bps)
Total	72,79,389	19.7	10.6	0.3	5.8	(1.2)	24.3	(445bps)	(125bps)

Source: Companies, BOBCAPS Research

Fig 2 – Maruti Suzuki India (MSIL)

Particulars	Q2FY27E	Q2FY26	YoY (%)	Q1FY27	QoQ (%)	Comment
Sales volume	6,96,654	5,50,874	26.5	6,82,724	2.0	- Entry level segment became a key growth driver with hatchbacks increasing 32% in Q2FY27 aiding demand momentum in addition to the strong UV portfolio. - Sustained affordability benefits despite price hikes and rural demand being steady kept absorption high. - Kharkoda (250k units) expansion should help in servicing demand and easing supply constraints. - Calibrated price hikes should aid in offsetting commodity cost inflation limiting gross margin compression QoQ. Higher capacity utilization should offset logistic cost inflation restricting EBITDA margin fall QoQ.
Realisations/Vehicle (Rs mn)	0.80	0.77	4.5	0.77	4.6	
Sales (Rs mn)	5,59,643	4,23,323	32.2	5,24,557	6.7	
EBITDA (Rs mn)	42,554	50,848	(16.3)	43,111	(1.3)	
EBITDA margin (%)	7.6	12.0	(441bps)	8.2	(61bps)	
Gross profit (Rs mn)	1,23,640	1,18,754	4.1	1,21,037	2.2	
Gross margin (%)	22.1	28.1	(596bps)	23.1	(98bps)	
Adj PAT (Rs mn)	25,569	33,028	(22.6)	33,521	(23.7)	

Source: Company, BOBCAPS Research

Fig 3 – Mahindra & Mahindra (MM)

Particulars	Q2FY27E	Q2FY26	YoY (%)	Q1FY27	QoQ (%)	Comment
Sales volume	4,42,419	3,82,826	15.6	4,58,511	(3.5)	- SUV demand remains healthy with domestic volumes up by 20% in H1FY27. With the capacity ramp up to 68k unit/month on track, MM will benefit to tap the festive season benefit - e-SUV have crossed 1 lakh cumulative sales since launch. Penetration has increased to ~13% (Vahan Data) vs 12% QoQ. - FES volume remains a drag as tractor sales decline 6% YoY given the high base and deficient monsoon. However, H1FY27 volumes remain supportive up by ~7% YoY - Price hike of 2-2.7% should aid in offsetting commodity cost inflation though FES should be under higher pressure due to steel/rubber cost elevation.
Realisations/Vehicle (Rs mn)	0.92	0.87	5.2	0.91	0.5	
Sales (Rs mn)	4,16,550	3,34,216	24.6	4,19,197	(0.6)	
EBITDA (Rs mn)	43,973	48,615	(9.5)	51,106	(14.0)	
EBITDA margin (%)	10.6	14.5	(399bps)	12.2	(163bps)	
Gross profit (Rs mn)	85,393	81,430	4.9	92,255	(7.4)	
Gross margin (%)	20.5	24.4	(386bps)	22.0	(151bps)	
Adj PAT (Rs mn)	42,434	45,728	(7.2)	37,562	13.0	

Source: Company, BOBCAPS Research

Fig 4 – Hyundai Motors India Ltd (Hyundai)

Particulars	Q2FY27E	Q2FY26	YoY (%)	Q1FY27	QoQ (%)	Comment
Sales volume	2,19,072	1,90,921	14.7	1,77,812	23.2	- Domestic volumes picked up sharply by ~19% YoY as the new Venue model (facelift introduced in Q3FY26) penetrates the market. - Production loss in the month of July due to supplier constraints has been recovered providing a strong backdrop for the festive demand ahead. - Export volume have recovered with 38% jump (Q1 impacted by the Middle East disruptions) volume inched up by ~4% YoY. - Pune related ramp-up cost (YoY) and commodity inflation should weigh on the margins. - New nameplate Bayon will be launched on 26th October and pre-bookings open to build excitement and capitalise on festive demand. - Hyundai has committed a \$15.5bn (~Rs1.48 lakh crore) investment in India till FY32
Realisations/Vehicle (Rs mn)	0.92	0.91	0.6	0.92	0.2	
Sales (Rs mn)	2,01,652	1,74,608	15.5	1,63,346	23.5	
EBITDA (Rs mn)	19,609	24,289	(19.3)	15,797	24.1	
EBITDA margin (%)	9.7	13.9	(419bps)	9.7	5bps	
Gross profit (Rs mn)	52,680	52,073	1.2	45,270	16.4	
Gross margin (%)	26.1	29.8	(370bps)	27.7	(159bps)	
Adj PAT (Rs mn)	12,222	15,723	(22.3)	9,691	26.1	

Source: Company, BOBCAPS Research

Fig 5 – Bajaj Auto (BJAUT)

Particulars	Q2FY27E	Q2FY26	YoY (%)	Q1FY27	QoQ (%)	Comment
Sales volume	15,48,884	12,94,120	19.7	14,38,251	7.7	- Domestic pick up remains a drag with the phase out of older Pulsar portfolio and supply chain issue impacting Chetak production. H1FY27 domestic volumes are up ~7% YoY - Exports remain the key volume driver with strong momentum across LATAM, Africa (Nigeria at ~35k units/month) and Asia. H1FY27 exports are up ~47% YoY - With the refreshed Pulsar portfolio premium demand should pick up supporting the domestic mix - Forex realisation benefit should help in partially offsetting margin pressure as export share is at ~50% vs ~43% YoY.
Realisations/Vehicle (Rs mn)	0.12	0.12	4.5	0.12	0.5	
Sales (Rs mn)	1,86,630	1,49,221	25.1	1,72,437	8.2	
EBITDA (Rs mn)	36,421	30,517	19.3	35,953	1.3	
EBITDA margin (%)	19.5	20.5	(94bps)	20.9	(133bps)	
Gross profit (Rs mn)	51,511	44,664	15.3	50,120	2.8	
Gross margin (%)	27.6	29.9	(233bps)	29.1	(147bps)	
Adj PAT (Rs mn)	30,360	24,797	22.4	29,828	1.8	

Source: Company, BOBCAPS Research

Fig 6 – Hero Motors (HMCL)

Particulars	Q2FY27E	Q2FY26	YoY (%)	Q1FY27	QoQ (%)	Comment
Sales volume	18,68,165	16,90,702	10.5	16,77,313	11.4	- Scooterisation and EV remain the growth lever with scooter sales up ~48% YoY in Q2FY27. ICE scooter capacity ramped by ~1.5k units/day. Additionally, VIDA capacity will be expanded to 45k/month by FY27-end demand should be well catered. - Recent product launches (Super Splendor Xtec 2.0, Passion Plus Disk, VIDA VX2 Plus/Go, flex-fuel variants) along with capacity expansions in Destini, Xoom and EV are expected to support volume momentum across festive period. - Electric Vehicle EBITDA loss/units has improved to ~Rs 40k from ~Rs50k and 60% portfolio is PLI certified with expectations of 100% by Q3FY27. This should reduce the drag on margins
Realisations/Vehicle (Rs mn)	0.08	0.07	8.6	0.08	0.5	
Sales (Rs mn)	1,45,503	1,21,264	20.0	1,29,988	11.9	
EBITDA (Rs mn)	17,525	18,234	(3.9)	17,266	1.5	
EBITDA margin (%)	12.0	15.0	(299bps)	13.3	(124bps)	
Gross profit (Rs mn)	39,811	40,324	(1.3)	37,091	7.3	
Gross margin (%)	27.4	33.3	(589bps)	28.5	(117bps)	
Adj PAT (Rs mn)	13,358	13,928	(4.1)	13,645	(2.1)	

Source: Company, BOBCAPS Research

Fig 7 – TVS Motor (TVSL)

Particulars	Q2FY27E	Q2FY26	YoY (%)	Q1FY27	QoQ (%)	Comment
Sales volume	19,19,005	15,06,950	27.3	16,30,558	17.7	- Above-industry growth rate is sustained led by scooters, EV and exports. EV grew ~2.3x YoY, with production capacity being ramped up to 50k units/month, growth trajectory will continue to be at higher levels - Export momentum continued in Q2FY27 up by 34% YoY led by Africa, LATAM and Asia. HLX portfolio is strong in Africa while premium portfolio is strengthening in LATAM. 3W capacity is being expanded to 420k unit from 250k units annually as King portfolio continues to gain share. 3W grew by 47% YoY with exports growing 39% YoY. - Price hikes of 1.5% and 0.5% implemented in Q1 and Q2 will provide only partial respite to offset the commodity cost inflation.
Realisations/Vehicle (Rs mn)	0.08	0.08	6.8	0.09	(1.0)	
Sales (Rs mn)	1,61,908	1,19,054	36.0	1,38,961	16.5	
EBITDA (Rs mn)	19,074	15,086	26.4	17,794	7.2	
EBITDA margin (%)	11.8	12.7	(89bps)	12.8	(102bps)	
Gross profit (Rs mn)	41,991	34,450	21.9	37,852	10.9	
Gross margin (%)	25.9	28.9	(300bps)	27.2	(130bps)	
Adj PAT (Rs mn)	11,416	9,061	26.0	11,740	(2.8)	

Source: Company, BOBCAPS Research

Fig 8 – Eicher Motors (EIM)

Particulars	Q2FY27E	Q2FY26	YoY (%)	Q1FY27	QoQ (%)	Comment
Sales volume	3,78,669	3,26,375	16.0	3,30,427	14.6	- The key portfolio of <350cc growth remains strong at 20% YoY while >350cc remains a drag declining by 12% YoY. Exports remained steady, growing by 12% YoY despite shipment issues - Production ramp-up to 5k units/day should aid in capturing the festive demand - VECV growth is healthy as replacement cycle sustains driven by infrastructure-led freight activity supporting MHCV demand - Increasing the share of spares and accessories and exports in revenue provide a buffer to margin at current levels.
Realisations/Vehicle (Rs mn)	0.19	0.18	2.9	0.19	(1.0)	
Sales (Rs mn)	70,496	59,021	19.4	62,136	13.5	
EBITDA (Rs mn)	16,928	14,687	15.3	15,103	12.1	
EBITDA margin (%)	24.0	24.9	(87bps)	24.3	(29bps)	
Gross profit (Rs mn)	27,898	25,616	8.9	25,410	9.8	
Gross margin (%)	39.6	43.4	(383bps)	40.9	(132bps)	
Adj PAT (Rs mn)	14,190	12,080	17.5	15,066	(5.8)	

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

Fig 9 – Ather Energy (ATHERENE)

Particulars	Q2FY27E	Q2FY26	YoY (%)	Q1FY27	QoQ (%)	Comment
Sales volume	92,300	39,305	134.8	83,173	11.0	- Volume growth is expected to remain strong as the continued traction for Rizla and Konarc launch should drive penetration further. - Konarc was launched in Q2FY27 and expected to support volume growth and lift the supply restriction for ATHEREENE - The commissioning of AURIC Phase 1, with 500k units of annual capacity, should progressively ease supply constraints and support further market-share gains. - Management expects commodity cost to remain a near term headwind with margin improvements contingent on the scale up and product mix.
Realisations/Vehicle (Rs mn)	0.15	0.15	(0.5)	0.15	1.0	
Sales (Rs mn)	13,640	5,835	133.8	12,169	12.1	
EBITDA (Rs mn)	(327)	(1,394)		(331)		
EBITDA margin (%)	(2.4)	(23.9)	2,149bps	(2.7)	32bps	
Gross profit (Rs mn)	2,617	988	164.9	2,395	9.3	
Gross margin (%)	19.2	16.9	225bps	19.7	(49bps)	
Adj PAT (Rs mn)	(536.5)	(1,972.0)		(508.7)		

Source: Company, BOBCAPS Research

Fig 10 – Ashok Leyland (AL)

Particulars	Q2FY27E	Q2FY26	YoY (%)	Q1FY27	QoQ (%)	Comment
Sales volume	64,677	49,116	31.7	48,763	32.6	- MHCV recovery aided momentum, supported by sharp industry recovery post GST-led TCO improvement, improving freight activity and replacement demand - MHCV trucks grew ~50% YoY though buses were subdued up 3% YoY pertaining to slower institutional order flow - Exports recovered fully in Q2 over Q1 after a drag following UAE operations normalisation and GCC dispatches ramp up (7% YoY). Acceleration of the Saudi plant plans provide additional medium-term support. - Margins to remain under pressure, with commodity costs expected to peak in Q2; cumulative price hikes of ~3.5%, cost-savings initiatives and favourable mix to higher-HP trucks, Defence and Power Solutions should partly offset the pressure. We estimate gross margins to soften by ~350bps QoQ keeping EBITDA margins in single digits.
Realisations/Vehicle (Rs mn)	1.98	1.95	1.2	1.98	0.0	
Sales (Rs mn)	1,27,786	95,882	33.3	96,344	32.6	
EBITDA (Rs mn)	11,635	11,622	0.1	9,695	20.0	
EBITDA margin (%)	9.1	12.1	(302bps)	10.1	(96bps)	
Gross profit (Rs mn)	31,696	27,645	14.7	27,420	15.6	
Gross margin (%)	24.8	28.8	(403bps)	28.5	(366bps)	
Adj PAT (Rs mn)	7,555	7,611	(0.7)	6,091	24.0	

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

Fig 11 – Escorts Kubota (ESCORTS)

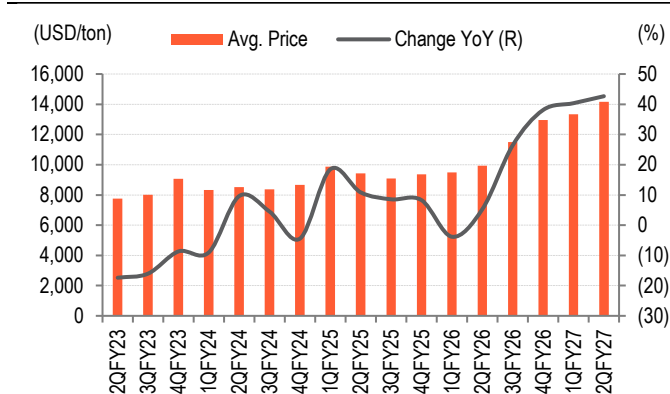
Particulars	Q2FY27E	Q2FY26	YoY (%)	Q1FY27	QoQ (%)	Comment
Sales volume	34,017	33,877	0.4	36,862	(7.7)	- Tractor demand was flat on high base, uneven monsoon conditions, lower Kharif sowing and a delayed festive season weighing on near-term retail momentum. - Overall market-share gains of ~1% in Q1 was supported by Southern markets, where new products such as Shaurya and expanded Digitrac portfolio are gaining traction. The same will be watched in Q2 - Commodity cost inflation is likely to remain the key earnings headwind, with ESC indicating another ~1.5–2% cost pressure in Q2FY27 following ~5% cost inflation already absorbed in Q1.
Realisations/Vehicle (Rs mn)	0.87	0.82	5.6	0.87	0.0	
Sales (Rs mn)	29,600	27,916	6.0	32,076	(7.7)	
EBITDA (Rs mn)	2,737	3,597	(23.9)	3,545	(22.8)	
EBITDA margin (%)	9.2	12.9	(364bps)	11.1	(180bps)	
Gross profit (Rs mn)	7,939	8,578	(7.5)	8,756	(9.3)	
Gross margin (%)	26.8	30.7	(391bps)	27.3	(48bps)	
Adj PAT (Rs mn)	2,739	3,181	(13.9)	3,859	(29.0)	

Source: Company, BOBCAPS Research

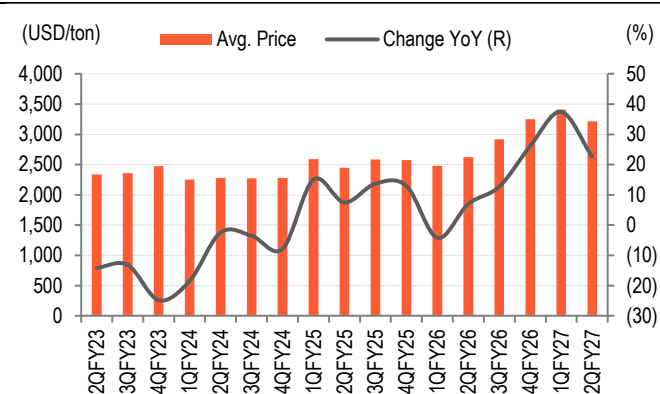
Fig 12 – VST Tillers Tractors (VSTT)

Particulars	Q2FY27E	Q2FY26	YoY (%)	Q1FY27	QoQ (%)	Comment
Sales volume	15,527	14,450	7.5	16,062	(3.3)	SFM momentum remained steady despite deficient monsoon, supported by rising financing penetration, expanding retail counters and continued farm mechanisation. H1FY27 tiller volumes were up ~9% YoY, indicating resilience despite uneven monsoon conditions.
Realisations/Vehicle (Rs mn)	0.20	0.22	(10.5)	0.20	0.0	
Sales (Rs mn)	3,030	3,152	(3.9)	3,134	(3.3)	
EBITDA (Rs mn)	282	409	(31.1)	403	(30.1)	Compact tractor demand remained subdued as industry growth increasingly shifts towards higher HP segments. Further tractor industry faces headwind due to weaker sentiments.
EBITDA margin (%)	9.3	13.0	(368bps)	12.9	(355bps)	
Gross profit (Rs mn)	892	972	(8.2)	984	(9.4)	Africa is emerging as a new higher-HP opportunity. However, North America remains uncertain, limiting visibility on a broad-based export recovery.
Gross margin (%)	29.4	30.8	(139bps)	31.4	(197bps)	
Adj PAT (Rs mn)	194	267	(27.4)	226	(14.0)	

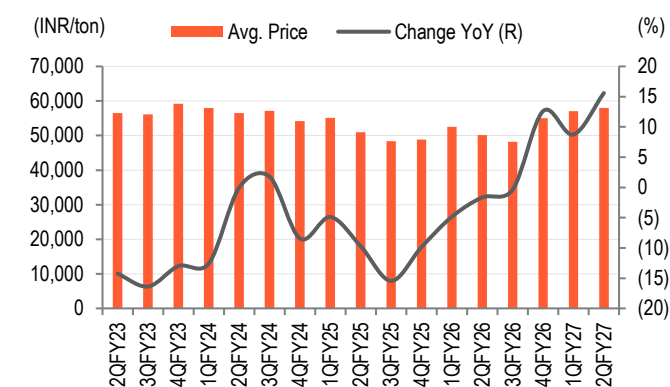
Source: Company, BOBCAPS Research

Fig 13 – Supply constraints keep copper prices on rise

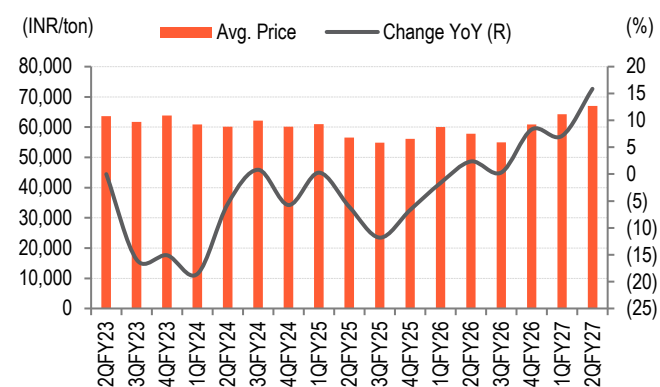
Source: Bloomberg, BOBCAPS Research

Fig 14 – Sequential decline in Aluminium prices to flow with lagged effect

Source: Bloomberg, BOBCAPS Research

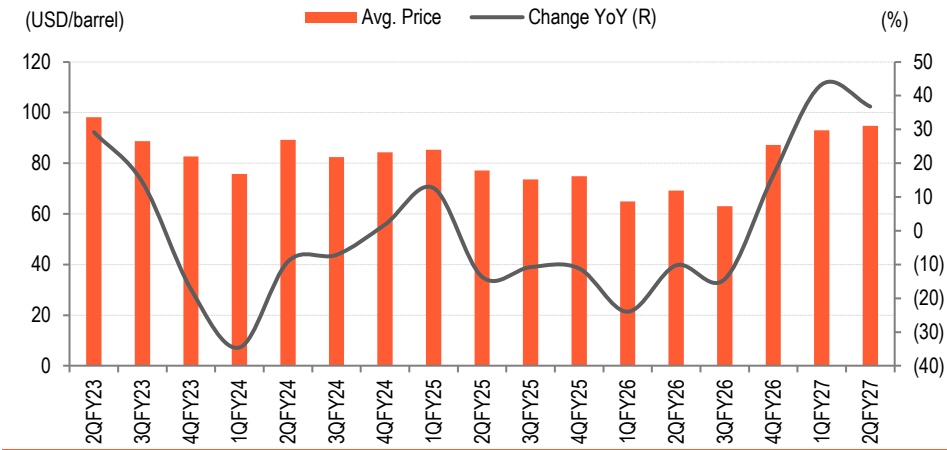
Fig 15 – HRC prices firmed up after facing some pressure from imports

Source: Bloomberg, BOBCAPS Research

Fig 16 – CRC prices rise as the Asian prices firm up

Source: Bloomberg, BOBCAPS Research

Fig 17 – Brent crude prices are expected to remain volatile



Source: Bloomberg, BOBCAPS Research

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SELL – Expected return <-6%

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