

AUTOMOBILES

Q3FY26 Preview

09 January 2026

Volume gains in top gear; margins expected to follow in Q4

- **PV segment volume growth continues in double-digits as the full impact of GST rate rationalisation is reflected; MM and MSIL gain 22%/18%**
- **2W volume driven strongly by premium category as TVSL and EIM grew in double digits; commuter segment catching pace with HMCL's 13% gains**
- **Tractor segment key driver with ~18% YoY growth in Q3, following 30% growth in Q2; CV recovery on MHCVs that grew 24%**

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PV volume push a mixed bag, but margins weaken: PV OEMs (MSIL and MM) in our coverage will deliver healthy revenue growth in Q3FY26, driven by volumes. MM auto revenue is expected to grow at ~15% YoY, driven by strong (22%) volume growth. MSIL is estimated to grow even stronger by 23% YoY, driven by 18% volume gains. However, gross margins are likely to be soft at ~24%/27% for MM & MSIL respectively, attributed partially to higher discounts and the commodity cost inching up. However, focus stayed on volume growth. Effectively, EBITDA margins have dropped with MM stabilising at ~14% vs 15% YoY and MSIL at ~10% (vs 11%). EV launch by MSIL also had an impact as MSIL (E-Vitara in Q3FY26).

2W double-digit growth on premium segment and scooterisation: Two-wheeler (2W) revenue growth is expected at ~16% YoY with TVSL (~27%) and EIM (~15% excluding CV) growing in double digits. This indicates that premiumisation has been a key volume driver, following the rate cuts. BJAUT with single-digit growth (9.5% YoY) and HMCL adding 13%, indicate mixed sentiment in the commuter segment. The strong demand continues for high-end variants and typically in the scooter segment, driven by electrification. However, this has impacted margins as reflected in the weakening gross margins for all major 2W OEMs in our coverage.

CV on the path of recovery: Revival in commercial vehicles (CVs) was steady with AL's volume growth of ~24% YoY, driven by 24% MHCV segment growth backed equally by the LCV segment. TTMT (unrated) volume grew by a strong 23% YoY, driven by the core segment MHCVs (~23%) and LCV segment by 16% YoY.

Tractors continue on a strong path: Tractor volume grew by ~18%, driven by rate cuts, healthy monsoon and rabi crop harvesting. MM's tractor volumes jumped ~23%/20% YoY/YTD, while those of ESCORTS were 13%/14% YoY in Q3FY26/YTD. Tractor segment gains are likely to continue, following the continued revival in rural affordability.

Top picks: MSIL and MM 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: Q3FY26 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	1,13,618	19.9	18.5	14,157	16.9	21.8	12.5	(32.1)	33.9	9,429	23.8	23.9
BJAUT	1,38,880	8.4	(6.9)	25,947	0.5	(15.0)	18.7	(146.8)	(176.8)	21,893	3.8	(11.7)
EIM	56,256	14.6	(4.7)	12,269	0.3	(16.5)	21.8	(312.3)	(307.6)	10,558	(0.0)	(12.6)
ESCORTS	29,234	(0.8)	4.7	3,487	4.8	(3.1)	11.9	64.2	(95.7)	3,134	8.7	(1.5)
HMCL	1,15,614	13.2	(4.7)	16,091	9.0	(11.8)	13.9	(54.3)	(112.0)	12,668	5.3	(9.0)
MM	3,56,579	20.4	6.7	48,411	16.8	(0.4)	13.6	(42.4)	(97.0)	33,410	21.6	(26.9)
MSIL	4,74,621	23.3	12.7	50,338	12.6	13.5	10.6	(101.0)	7.4	37,714	7.0	14.5
TVSL	1,15,916	27.4	(2.6)	13,341	23.4	(11.6)	11.5	(37.8)	(116.2)	8,129	31.4	(10.3)
VSTT	2,943	34.3	(6.6)	392	100.3	(4.3)	13.3	438.0	32.5	271	14.1	1.4
Total	14,03,662	19.2	5.5	1,84,431	11.5	(1.4)	13.1	(90.7)	(92.1)	1,37,205	11.2	(8.3)

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	57,625	24.2	17.3	2.0	(3.5)	1.0	28.4	(17bps)	(47bps)
BJAUT	13,41,252	9.5	3.6	0.1	(1.0)	(10.2)	28.5	(15bps)	(140bps)
EIM	3,29,195	20.9	0.9	0.2	(5.2)	(5.5)	41.4	(307bps)	(202bps)
ESCORTS	36,955	13.5	9.1	0.8	(12.6)	(4.0)	29.4	245bps	(130bps)
HMCL	16,96,777	15.9	0.4	0.1	(2.3)	(5.0)	32.7	(153bps)	(55bps)
MM	4,48,469	31.5	17.1	0.8	(8.4)	(8.9)	23.5	(200bps)	(86bps)
MSIL	6,67,769	17.9	21.2	0.7	4.6	(7.0)	26.6	(177bps)	(28bps)
TVSL	15,44,454	27.4	2.5	0.1	(0.0)	(5.0)	28.3	(15bps)	(66bps)
VSTT	14,206	75.7	(1.7)	0.2	(23.5)	(5.0)	32.4	171bps	159bps
Total	61,36,702	18.8	4.9	0.2	0.4	0.5	27.5	(140bps)	(87bps)

Source: Companies, BOBCAPS Research

Fig 2 – Maruti Suzuki India (MSIL)

Particulars	Q3Y26E	Q3FY25	YoY (%)	Q2FY26	QoQ (%)	Comment
Sales volume	6,67,769	5,66,213	17.9	5,50,874	21.2	<ul style="list-style-type: none"> MSIL reported a strong 18% YoY growth in volume, driven by 21% YoY growth in domestic volumes. Recovery in domestic market was supported by the GST-2.0-led affordability gains.
Realisations/Vehicle (Rs mn)	0.71	0.68	4.6	0.76	(7.0)	
Sales (Rs mn)	4,74,621	3,84,921	23.3	4,21,008	12.7	
EBITDA (Rs mn)	50,338	44,711	12.6	44,341	13.5	<ul style="list-style-type: none"> Key positive comes in the form of Compact car segment revival growing by 25% YoY. However, this was also driven by higher discounts offered in Q3, driven by festivals and the wedding season. Management has reiterated that special discounts will continue, given the healthy demand response.
EBITDA margin (%)	10.6	11.6	(101bps)	10.5	7bps	
Gross profit (Rs mn)	1,26,421	1,09,354	15.6	1,13,338	11.5	
Gross margin (%)	26.6	28.4	(177bps)	26.9	(28bps)	<ul style="list-style-type: none"> Export mix has gone down to ~15% from ~18% as export growth was slower at 4% YoY. As supply chain normalises and e-Vitara shipments ramp up export volumes should gain momentum.
Adj PAT (Rs mn)	37,714	35,258	7.0	32,931	14.5	

Source: Company, BOBCAPS Research

Fig 3 – Mahindra & Mahindra (MM)

Particulars	Q3Y26E	Q3FY25	YoY (%)	Q2FY26	QoQ (%)	Comment
Sales volume	4,48,469	3,41,046	31.5	3,82,826	17.1	<ul style="list-style-type: none"> SUV leadership remains intact as PV sales were up ~26% YoY. Furthermore, BEV uptake remains strong with customer preferences skewed to top-end variant. SUV revenue share is expected to continue on improved following GST rate rationalisation.
Realisations/Vehicle (Rs mn)	0.80	0.87	(8.4)	0.87	(8.9)	
Sales (Rs mn)	3,56,579	2,96,054	20.4	3,34,216	6.7	
EBITDA (Rs mn)	48,411	41,448	16.8	48,615	(0.4)	<ul style="list-style-type: none"> Tractor growth (23% YoY) was healthy, driven by robust Kharif output and rural income. Demand is expected to sustain, driven by healthy Rabi sowing and favourable weather conditions.
EBITDA margin (%)	13.6	14.0	(42bps)	14.5	(97bps)	
Gross profit (Rs mn)	83,796	75,494	11.0	81,430	2.9	<ul style="list-style-type: none"> LCV replacement cycle continues to gain traction post-GST rate rationalisation (CV growth at 20% YoY). Overall higher discounts should impact realizations, but the volume gain will keep revenue growth healthy.
Gross margin (%)	23.5	25.5	(200bps)	24.4	(86bps)	
Adj PAT (Rs mn)	33,410	27,482	21.6	45,728	(26.9)	

Source: Company, BOBCAPS Research

Fig 4 – Bajaj Auto (BJAUT)

Particulars	Q3Y26E	Q3FY25	YoY (%)	Q2FY26	QoQ (%)	Comment
Sales volume	13,41,252	12,24,472	9.5	12,94,120	3.6	<ul style="list-style-type: none"> Overall sales volume growth was sluggish at ~10% YoY as domestic 2W growth was slow at 2% YoY. Export momentum continued strongly growing 14% YoY, aided by resumption of KTM shipments.
Realisations/Vehicle (Rs mn)	0.10	0.10	(1.0)	0.12	(10.2)	
Sales (Rs mn)	1,38,880	1,28,069	8.4	1,49,221	(6.9)	
EBITDA (Rs mn)	25,947	25,807	0.5	30,517	(15.0)	<ul style="list-style-type: none"> Additionally, favourable currency movement should provide support aiding to set off domestic softness.
EBITDA margin (%)	18.7	20.2	(147bps)	20.5	(177bps)	
Gross profit (Rs mn)	39,630	36,742	7.9	44,664	(11.3)	<ul style="list-style-type: none"> 3W segment indicated healthy growth of 23% YoY. The e-Auto capacity expansion should further help volumes, while PLI incentives should help bring down cost.
Gross margin (%)	28.5	28.7	(15bps)	29.9	(140bps)	
Adj PAT (Rs mn)	21,893	21,087	3.8	24,797	(11.7)	

Source: Company, BOBCAPS Research

Fig 5 – Hero Motors (HMCL)

Particulars	Q3Y26E	Q3FY25	YoY (%)	Q2FY26	QoQ (%)	Comment
Sales volume	16,96,777	14,63,802	15.9	16,90,702	0.4	<ul style="list-style-type: none"> Volume growth (~16% YoY) was healthy in Q3FY26 as post-festive momentum continued driven by rural income and GST affordability gains. However, ASP growth is likely to be challenged.
Realisations/Vehicle (Rs mn)	0.07	0.07	(2.3)	0.07	(5.0)	
Sales (Rs mn)	1,15,614	1,02,108	13.2	1,21,264	(4.7)	
EBITDA (Rs mn)	16,091	14,765	9.0	18,234	(11.8)	<ul style="list-style-type: none"> Scooter growth has been robust at 78% YoY, driven by healthy uptake on EV. Exports have also grown by 41% YoY as the footprint gradually expands in the European region.
EBITDA margin (%)	13.9	14.5	(54bps)	15.0	(112bps)	
Gross profit (Rs mn)	37,813	34,956	8.2	40,324	(6.2)	<ul style="list-style-type: none"> Margins, however, are likely to be impacted given the increase of EV in the mix and continued investments in brand building activities.
Gross margin (%)	32.7	34.2	(153bps)	33.3	(55bps)	
Adj PAT (Rs mn)	12,668	12,028	5.3	13,928	(9.0)	

Source: Company, BOBCAPS Research

Fig 6 – TVS Motor (TVSL)

Particulars	Q3Y26E	Q3FY25	YoY (%)	Q2FY26	QoQ (%)	Comment
Sales volume	15,44,454	12,11,952	27.4	15,06,950	2.5	<ul style="list-style-type: none"> Q3FY26 volume growth of ~27% YoY outpaced the industry with motorcycles growing 31% YoY and scooters growing 25% YoY. E2W growth was also healthy at ~40% YoY, despite rare earth magnet curb.
Realisations/Vehicle (Rs mn)	0.08	0.08	(0.0)	0.08	(5.0)	
Sales (Rs mn)	1,15,916	90,971	27.4	1,19,054	(2.6)	
EBITDA (Rs mn)	13,341	10,815	23.4	15,086	(11.6)	<ul style="list-style-type: none"> Richer product mix is expected to sustain realisation though commodity inflation is expected, exerting pressure on margins.
EBITDA margin (%)	11.5	11.9	(38bps)	12.7	(116bps)	
Gross profit (Rs mn)	32,779	25,858	26.8	34,450	(4.9)	<ul style="list-style-type: none"> 3W uptake has been strong surging 2x YoY. With healthy response to the EV King series penetration should increase further supporting volumes.
Gross margin (%)	28.3	28.4	(15bps)	28.9	(66bps)	
Adj PAT (Rs mn)	8,129	6,185	31.4	9,061	(10.3)	

Source: Company, BOBCAPS Research

Fig 7 – Eicher Motors (EIM)

Particulars	Q3Y26E	Q3FY25	YoY (%)	Q2FY26	QoQ (%)	Comment
Sales volume	3,29,195	2,72,297	20.9	3,26,375	0.9	With sustained tailwind from GST rationalisation 2W volumes had a strong growth of ~21% YoY led by domestic markets growing by 24% YoY.
Realisations/Vehicle (Rs mn)	0.17	0.18	(5.2)	0.18	(5.5)	
Sales (Rs mn)	56,256	49,081	14.6	59,021	(4.7)	Exports though were down by 5% YoY signaling uncertainty in key overseas markets.
EBITDA (Rs mn)	12,269	12,237	0.3	14,687	(16.5)	
EBITDA margin (%)	21.8	24.9	(312bps)	24.9	(308bps)	Though a rich pipeline of refreshers and variant launches should keep the momentum healthy.
Gross profit (Rs mn)	23,280	21,819	6.7	25,616	(9.1)	
Gross margin (%)	41.4	44.5	(307bps)	43.4	(202bps)	VECV demand was healthy growing 24% YoY with demand revival to strengthen further with rate cuts.
Adj PAT (Rs mn)	10,558	10,562	(0.0)	12,080	(12.6)	

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

Fig 8 – Ashok Leyland (AL)

Particulars	Q3Y26E	Q3FY25	YoY (%)	Q2FY26	QoQ (%)	Comment
Sales volume	57,625.0	46,404.0	24.2	49,116.0	17.3	Volume growth was healthy at 24% in Q3FY26, driven by both MHCV and LCV growing at ~24% each. Consumption and infrastructure boost along with GST tailwinds likely to drive growth.
Realisations/Vehicle (Rs mn)	1.97	2.04	(3.5)	1.95	1.0	
Sales (Rs mn)	1,13,618	94,787	19.9	95,882	18.5	Margin trajectory should remain lower impacted by statutory norms, commodity price and EV mix increase.
EBITDA (Rs mn)	14,157	12,114	16.9	11,622	21.8	
EBITDA margin (%)	12.5	12.8	(32bps)	12.1	34bps	Launch pipeline remains healthy while AL is focusing on expanding footprint in underpenetrated market. Meanwhile, the new Lucknow plant should continue aiding volumes.
Gross profit (Rs mn)	32,226	27,044	19.2	27,645	16.6	
Gross margin (%)	28.4	28.5	(17bps)	28.8	(47bps)	
Adj PAT (Rs mn)	9,429	7,617	23.8	7,611	23.9	

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

Fig 9 – Escorts Kubota (ESCORTS)

Particulars	Q3Y26E	Q3FY25	YoY (%)	Q2FY26	QoQ (%)	Comment
Sales volume	36,955	32,556	13.5	33,877	9.1	ESCORTS' volumes growth moderated to ~14% YoY in Q3FY26 vs ~30% in Q2FY26 as domestic growth was 12% YoY. The challenge to gain meaningful market continues till the ramp up of new capacities.
Realisations/Vehicle (Rs mn)	0.79	0.91	(12.6)	0.82	(4.0)	
Sales (Rs mn)	29,234	29,480	(0.8)	27,916	4.7	However, domestic demand is expected to sustain on the back of healthy reservoir levels and Rabi sowing.
EBITDA (Rs mn)	3,487	3,327	4.8	3,597	(3.1)	
EBITDA margin (%)	11.9	11.3	64bps	12.9	(96bps)	Exports continue to gain traction growing at 63% supported by Kubota network though on a small base. Mexico remains a key market. Though margins will be impacted until engines are localised.
Gross profit (Rs mn)	8,603	7,953	8.2	8,578	0.3	
Gross margin (%)	29.4	27.0	245bps	30.7	(130bps)	
Adj PAT (Rs mn)	3,134	2,884	8.7	3,181	(1.5)	

Source: Company, BOBCAPS Research

Fig 10 – VST Tillers Tractors (VSTT)

Particulars	Q3Y26E	Q3FY25	YoY (%)	Q2FY26	QoQ (%)	Comment
Sales volume	14,206	8,086	75.7	14,450	(1.7)	VSTT Q3FY26 sustained strong momentum growing by 76% YoY, driven by tillers 87% YoY alleviated by GST rationalisation and an increase in farm mechanisation.
Realisations/Vehicle (Rs mn)	0.21	0.27	(23.5)	0.22	(5.0)	
Sales (Rs mn)	2,943	2,191	34.3	3,152	(6.6)	Overall performance is largely driven by better volume, though on a very weak base. Effectively, EBITDA shows a healthy growth of 100%.
EBITDA (Rs mn)	392	196	100.3	409	(4.3)	
EBITDA margin (%)	13.3	8.9	438bps	13.0	32bps	
Gross profit (Rs mn)	954	673	41.8	972	(1.8)	
Gross margin (%)	32.4	30.7	171bps	30.8	159bps	
Adj PAT (Rs mn)	271	238	14.1	267	1.4	

Source: Company, BOBCAPS Research

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