


AUTOMOBILES

Q4FY26 Review

05 June 2026

Volume healthy; fuel price hikes and cost dampeners in H1FY27

- Auto sector delivers another strong quarter with volume (~22%) & revenue (~24%) growth at the forefront, led by a healthy affordability
- Profitability remained resilient, despite intensifying commodity cost inflation, as operating leverage, price hikes and cost efficiencies help
- Post Q4FY26, we maintain BUY on MM/MSIL; 2W ratings retained at HOLD (positive bias on TVSL). AL stays HOLD and SELL on ESCORTS

Milind Raginwar
 Research Analyst
 research@bobcaps.in

Scooters and EVs maintain 2Ws momentum: 2W OEMs under our coverage reported a healthy volume growth of ~25% YoY. This was due to the improving rural demand, strong retail financing, continued rate rationalisation impact and traction in premium motorcycles and scooters. TVSL and HMCL were the key outperformers, with 2W volumes rising ~26%/24% YoY, aided by scooters, EVs and refreshed commuter offering. EIM mid-size portfolio reached a normalised growth, while BJAUT recovery, helped by domestic demand and premium offerings.

PVs stay on growth trajectory: PV OEMs under our coverage reported strong volume growth of ~17% YoY. This was due to healthy retail demand, sustained preference for SUVs and revival in small car segment. MM continued to lead growth, with ~21% YoY volume gains, driven by SUVs. MSIL reported ~12% YoY growth, helped by recovery in entry-level segments and exports; while HMIL marginally lagged at ~9% YoY. However, profitability was impacted by inflationary pressures.

Tractors sustain healthy demand: Tractor OEMs delivered healthy volume growth of ~29% YoY. This was supported by MSP increase, robust rabi output, adequate reservoir levels continued rural cash flow improvement. MM's FES remained the key beneficiary with ~36% YoY growth, helped by strong rural sentiment. ESCORTS reported ~21% YoY volume growth, while VSTT reported ~10% YoY, driven by the demand for compact tractors and small farm machinery, despite weakness in tillers.

CV cycle remains favourable: CV volumes remained robust, with industry MHCV growth of ~22% YoY helped by replacement demand, improving freight utilisation, infrastructure spending and GST-led demand revival. AL reported MHCV growth in line with the industry. LCV volumes grew ~23% YoY, aided by strong traction in new launches. VECV growth was healthy (~15%) across HD and LMD trucks and exports.

Top picks MM/MSIL: We remain positive on MSIL (revised TP Rs 16,734), due to its healthy presence in the entry segment and SUV leadership driving margins. Prefer MM (TP Rs 4,317), driven by SUV presence (auto segment) and steady tractor demand. Two-wheeler segment rated as hold as valuations stay pricey. Retain HOLD on AL.



Fig 1 – Revenue growth

(Rs mn)	Q4FY26	Q4FY25	YoY (%)	Q3FY26	QoQ (%)	Comment
AL	1,41,605	1,19,067	18.9	1,15,339	22.8	<ul style="list-style-type: none"> Aggregate revenue growth for Auto sector coverage universe was healthy at 24.2% YoY, underpinned by strong volume recovery and sustained premiumisation trend. In PV segment, the mix continues tilting in favour of UVs (~MSIL rose to 41% vs 37%). Commensurately, 2W sales have shifted to premium offerings in commuter segment and scooters, while mid-size demand steady for EIM and BJAUT visible in the SIAM data.
BJAUT	1,60,057	1,21,480	31.8	1,52,203	5.2	
EIM	59,014	51,066	15.6	59,878	(1.4)	
ESCORTS	29,682	24,449	21.4	32,805	(9.5)	
HMCL	1,27,965	99,387	28.8	1,23,284	3.8	
HYUNDAI	1,89,162	1,79,403	5.4	1,79,735	5.2	
MM	3,95,541	3,13,534	26.2	3,85,168	2.7	
MSIL	5,24,493	4,09,096	28.2	4,98,915	5.1	
TVSL	1,28,076	95,504	34.1	1,24,763	2.7	
VSTT	3,285	3,014	9.0	3,143	4.5	
Aggregate	17,58,879	14,16,000	24.2	16,75,232	5.0	

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

Fig 2 – Volume growth

(Units)	Q4FY26	Q4FY25	YoY (%)	Q3FY26	QoQ (%)	Comment
AL	69,458	58,823	18.1	57,625	20.5	<ul style="list-style-type: none"> Demand recovery led by GST cut, helped continue the positive sentiment, healthy rural income and retail financing penetration drove volume growth of 22.4% YoY (~1% QoQ). 2Ws saw interventions and new launches contributing to volumes, along with a rapid EV scale-up. Fleet replacement cycle ramped up CV demand, as average age now stands at ~10yr. Further e-commerce growth has increased the freight demand and utilisation Sustained mechanisation trend and healthy sentiment from rabi harvest kept tractor demand healthy
BJAUT	13,71,058	11,02,934	24.3	13,41,252	2.2	
EIM	3,17,561	2,82,823	12.3	3,29,195	(3.5)	
ESCORTS	32,257	26,633	21.1	36,955	(12.7)	
HMCL	17,14,285	13,80,545	24.2	16,96,777	1.0	
HYUNDAI	2,08,275	1,91,650	8.7	1,95,436	6.6	
MM	4,21,266	3,41,046	23.5	4,48,469	(6.1)	
MSIL	6,76,209	6,04,635	11.8	6,67,769	1.3	
TVSL	15,60,432	12,16,286	28.3	15,44,454	1.0	
VSTT	14,626	13,278	10.2	14,206	3.0	
Aggregate	63,85,427	52,18,653	22.4	63,32,138	0.8	

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

Fig 3 – Average realisations

(Rs/vehicle)	Q4FY26	Q4FY25	YoY (%)	Q3FY26	QoQ (%)	Comment
AL	20,38,713	20,24,159	0.7	20,01,536	1.9	<ul style="list-style-type: none"> Modest 2% YoY improvement in average realisations, supported by selective price hikes, premiumisation and a favourable product mix; as focus continued on volume growth. MSIL's increasing tilt to SUV rightfully expanded realisations, while HMIL's adverse mix moderated realisations. Price hikes in the range of ~1-2% were undertaken at the start of Q4FY26 by majority of the OEMs. Price hikes also of similar range in Q1FY27.
BJAUT	1,16,739	1,10,142	6.0	1,13,479	2.9	
EIM	1,85,836	1,80,558	2.9	1,81,893	2.2	
ESCORTS	9,20,160	9,17,989	0.2	8,87,699	3.7	
HMCL	74,646	71,991	3.7	72,658	2.7	
HYUNDAI	9,08,230	9,36,096	(3.0)	9,19,661	(1.2)	
MM	9,38,935	9,19,331	2.1	8,58,851	9.3	
MSIL	7,75,637	6,76,600	14.6	7,47,137	3.8	
TVSL	82,077	78,521	4.5	80,781	1.6	
VSTT	2,24,573	2,27,015	(1.1)	2,21,245	1.5	
Aggregate	6,26,555	6,14,240	2.0	6,08,494	3.0	

Source: Companies, BOBCAPS Research

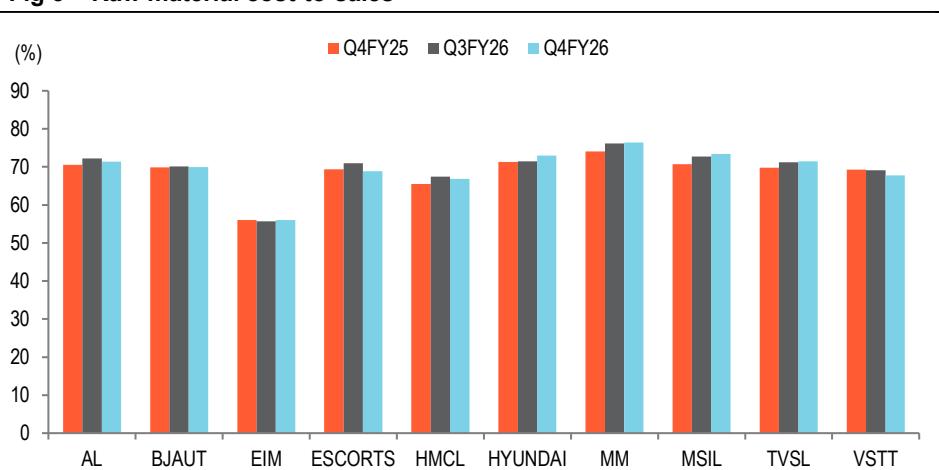
Fig 4 – EBITDA growth

(Rs mn)	Q4FY26	Q4FY25	YoY (%)	Q3FY26	QoQ (%)	Comment
AL	20,655	17,910	15.3	15,350	34.6	
BJAUT	33,227	24,506	35.6	31,605	5.1	<ul style="list-style-type: none"> EBITDA growth remained healthy across the coverage universe at 20% YoY This was driven by strong a volume-led operating leverage, premiumisation, cost optimisation initiatives and improved contribution from high-margin businesses such as aftermarket, spares and accessories. Margins remained resilient (-20bps YoY / + 20bps QoQ), despite commodity inflation in steel, aluminium and precious metals, as most OEMs offset cost pressures through selective price hikes, sourcing efficiencies and value-engineering initiatives.
EIM	15,230	12,609	20.8	15,899	(4.2)	
ESCORTS	3,805	2,875	32.3	4,347	(12.5)	
HMCL	20,679	14,156	46.1	18,101	14.2	
HYUNDAI	19,660	25,327	(22.4)	20,183	(2.6)	
MM	55,644	46,825	18.8	56,676	(1.8)	
MSIL	61,569	48,426	27.1	55,717	10.5	
TVSL	16,795	13,306	26.2	16,329	2.9	
VSTT	468	452	3.6	407	15.0	
Aggregate	2,47,733	2,06,391	20.0	2,34,614	5.6	

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

Overall raw material cost remained elevated, though RM cost/sales trend was mixed across OEMs. The persistent inflation in steel, aluminium, copper and precious metals was mitigated by cost discipline and scale benefit. The broader coverage companies faced pressures, ranging from 80-200bps

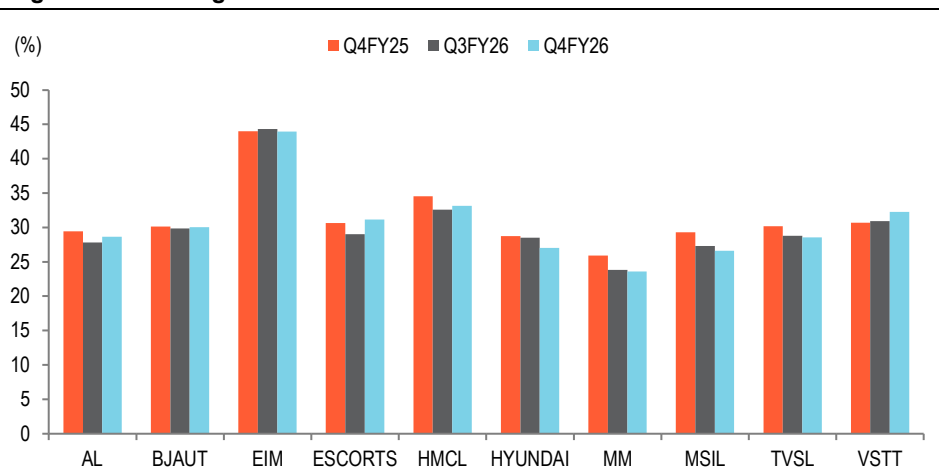
Fig 5 – Raw material cost-to-sales



Source: Companies, BOBCAPS Research

Gross margin across the sector was under pressure, softening by ~85bps YoY on an aggregate. Despite the price hikes (~1-2%), commodity inflation was only partially offset. The shift to premium segment and steady export share provided a critical buffer.

Fig 6 – Gross margin

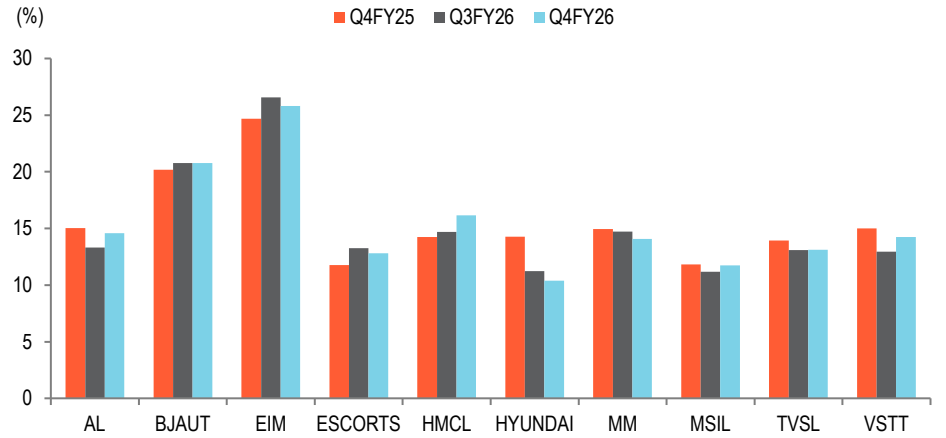


Source: Companies, BOBCAPS Research

Aggregate EBITDA margin was relatively resilient, aided by leverage from volume-led tailwind providing buffer from intensifying commodity inflation

EIM maintained the highest margin at 25.8% (+112bps YoY), on steady premium portfolio growth; BJAUT posed a healthy margin 20.8% (+59bps), aided by forex tailwind; HMCL had a significant increase of 192bps YoY to 16.2%, on improved mix, lower base and LEAP cost savings

Fig 7 – EBITDA margin



Source: Companies, BOBCAPS Research

NOT FOR DISTRIBUTION, DIRECTLY OR INDIRECTLY, IN OR INTO THE UNITED STATES OF AMERICA ("US") OR IN OR INTO ANY OTHER JURISDICTION IF SUCH AN ACTION IS PROHIBITED BY APPLICABLE LAW.

Disclaimer

Name of the Research Entity: **BOB Capital Markets Limited**
 Registered office Address: **1704, B Wing, Parinee Crescenzo, G Block, BKC, Bandra East, Mumbai 400051**
 SEBI Research Analyst Registration No: **INH000000040 (Perpetual)**
 SEBI Stock Broker Registration No: **INZ000159332**
 SEBI Depository Participant Registration No: **IN-DP-728-2022**
 SEBI Merchant Banker Registration No: **INM000009926**
 Phone: +91-22-61389300
 Name of the Compliance Officer: Mr. Sameer Khobrekar
 Email ID: Compliance@bobcaps.in; Phone no.: +91-22-61389358
 For any queries or grievances, you may contact the Grievance Officer.
 Name of the Grievance Officer: Mr. Manoj Pawar
 Email ID: head-customer@bobcaps.in; Phone no: 0+91-22-69417333
 Brand Name: **BOBCAPS**
 Website: <https://www.bobcaps.in/>
 CIN: **U65999MH1996GOI098009**

Logo:  **BOBCAPS**
 TRUST | INNOVATION | EXCELLENCE

Investments in securities market are subject to market risks. Read all the related documents carefully before investing.
 Registration granted by SEBI and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors.

Recommendation scale: Recommendations and Absolute returns (%) over 12 months

BUY – Expected return >+15%

HOLD – Expected return from -6% to +15%

SELL – Expected return <-6%

Note: Recommendation structure changed with effect from 21 June 2021

Our recommendation scale does not factor in short-term stock price volatility related to market fluctuations. Thus, our recommendations may not always be strictly in line with the recommendation scale as shown above.

Analyst certification

The research analyst(s) authoring this report hereby certifies that (1) all of the views expressed in this research report accurately reflect his/her personal views about the subject company or companies and its or their securities, and (2) no part of his/her compensation was, is, or will be, directly or indirectly, related to the specific recommendation(s) or view(s) in this report. Analysts are not registered as research analysts by FINRA and are not associated persons of BOB Capital Markets Limited (BOBCAPS).

General disclaimers

BOBCAPS is engaged in the business of Stock Broking and Investment Banking. BOBCAPS is a member of the National Stock Exchange of India Limited and BSE Limited and is also a SEBI-registered Category I Merchant Banker. BOBCAPS is a wholly owned subsidiary of Bank of Baroda which has its various subsidiaries engaged in the businesses of stock broking, lending, asset management, life insurance, health insurance and wealth management, among others.

BOBCAPS's activities have neither been suspended nor has it defaulted with any stock exchange authority with whom it has been registered in the last five years. BOBCAPS has not been debarred from doing business by any stock exchange or SEBI or any other authority. No disciplinary action has been taken by any regulatory authority against BOBCAPS affecting its equity research analysis activities.

BOBCAPS prohibits its analysts, persons reporting to analysts, and members of their households from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover. Additionally, BOBCAPS prohibits its analysts and persons reporting to analysts from serving as an officer, director, or advisory board member of any companies that the analysts cover.

Our salespeople, traders, and other professionals may provide oral or written market commentary or trading strategies to our clients that reflect opinions contrary to the opinions expressed herein, and our proprietary trading and investing businesses may make investment decisions that are inconsistent with the recommendations expressed herein. In reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest. Additionally, other important information regarding our relationships with the company or companies that are the subject of this material is provided herein.

This material should not be construed as an offer to sell or the solicitation of an offer to buy any security in any jurisdiction. We are not soliciting any action based on this material. It is for the general information of BOBCAPS's clients. It does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients. Before acting on any advice or recommendation in this material, clients should consider whether it is suitable for their particular circumstances and, if necessary, seek professional advice. BOBCAPS research reports follow rules laid down by Securities and Exchange Board of India and individuals employed as research analysts are separate from other employees who are performing sales trading, dealing, corporate finance advisory or any other activity that may affect the independence of its research reports.

The price and value of the investments referred to in this material and the income from them may go down as well as up, and investors may realize losses on any investments. Past performance is not a guide for future performance, future returns are not guaranteed and a loss of original capital may occur. BOBCAPS does not provide tax advice to its clients, and all investors are strongly advised to consult with their tax advisers regarding any potential investment in certain transactions — including those involving futures, options, and other derivatives as well as non-investment-grade securities — that give rise to substantial risk and are not suitable for all investors. The material is based on information that we consider reliable, but we do not represent that it is accurate or complete, and it should not be relied on as such. Opinions expressed are our current opinions as of the date appearing on this material only. We endeavour to update on a reasonable basis the information discussed in this material, but regulatory, compliance, or other reasons may prevent us from doing so.

We and our affiliates, officers, directors, and employees, including persons involved in the preparation or issuance of this material, may from time to time have "long" or "short" positions in, act as principal in, and buy or sell the securities or derivatives thereof of companies mentioned herein and may from time to time add to or dispose of any such securities (or investment). We and our affiliates may assume an underwriting commitment in the securities of companies discussed in this

document (or in related investments), may sell them to or buy them from customers on a principal basis, and may also perform or seek to perform investment banking or advisory services for or relating to these companies and may also be represented in the supervisory board or any other committee of these companies.

For the purpose of calculating whether BOBCAPS and its affiliates hold, beneficially own, or control, including the right to vote for directors, one per cent or more of the equity shares of the subject company, the holdings of the issuer of the research report is also included.

BOBCAPS and its non-US affiliates may, to the extent permissible under applicable laws, have acted on or used this research to the extent that it relates to non-US issuers, prior to or immediately following its publication. Foreign currency denominated securities are subject to fluctuations in exchange rates that could have an adverse effect on the value or price of or income derived from the investment. In addition, investors in securities such as ADRs, the value of which are influenced by foreign currencies, effectively assume currency risk. In addition, options involve risks and are not suitable for all investors. Please ensure that you have read and understood the Risk disclosure document before entering into any derivative transactions.

No part of this material may be (1) copied, photocopied, or duplicated in any form by any means or (2) redistributed without BOBCAPS's prior written consent.

Company-specific disclosures under SEBI (Research Analysts) Regulations, 2014

The research analyst(s) or his/her relatives do not have any material conflict of interest at the time of publication of this research report.

BOBCAPS or its research analyst(s) or his/her relatives do not have any financial interest in the subject company. BOBCAPS or its research analyst(s) or his/her relatives do not have actual/beneficial ownership of one per cent or more securities in the subject company at the end of the month immediately preceding the date of publication of this report.

The research analyst(s) has not received any compensation from the subject company or third party in the past 12 months in connection with research report/activities. Compensation of the research analyst(s) is not based on any specific merchant banking, investment banking or brokerage service transactions.

BOBCAPS or its research analyst(s) is not engaged in any market making activities for the subject company.

The research analyst(s) has not served as an officer, director or employee of the subject company.

BOBCAPS or its associates may have material conflict of interest at the time of publication of this research report.

BOBCAPS's associates may have financial interest in the subject company. BOBCAPS's associates may hold actual / beneficial ownership of one per cent or more securities in the subject company at the end of the month immediately preceding the date of publication of this report.

BOBCAPS or its associates may have managed or co-managed a public offering of securities for the subject company or may have been mandated by the subject company for any other assignment in the past 12 months.

BOBCAPS may have received compensation from the subject company in the past 12 months. BOBCAPS may from time to time solicit or perform investment banking services for the subject company. BOBCAPS or its associates may have received compensation from the subject company in the past 12 months for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory services in a merger or specific transaction. BOBCAPS or its associates may have received compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past 12 months.

Other disclaimers

BOBCAPS and MAYBANK (as defined below) make no representation or warranty, express or implied, as to the accuracy or completeness of any information obtained from third parties and expressly disclaim the merchantability, suitability, quality and fitness of this report. The information in this report has not been independently verified, is provided on an "as is" basis, should not be relied on by you in connection with any contract or commitment, and should not be used as a substitute for enquiries, procedures and advice which ought to be undertaken by you. This report also does not constitute an offer or solicitation to buy or sell any securities referred to herein and you should not construe this report as investment advice. All opinions and estimates contained in this report constitute BOBCAPS's judgment as of the date of this report and are subject to change without notice, and there is no obligation on BOBCAPS or MAYBANK to update this report upon issuance. This report and the information contained herein may not be reproduced, redistributed, disseminated or copied by any means without the prior consent of BOBCAPS and MAYBANK.

To the full extent permitted by law neither BOBCAPS, MAYBANK nor any of their respective affiliates, nor any other person, accepts any liability howsoever arising, whether in contract, tort, negligence, strict liability or any other basis, including without limitation, direct or indirect, special, incidental, consequential or punitive damages arising from any use of this report or the information contained herein. By accepting this report, you agree and undertake to fully indemnify and hold harmless BOBCAPS and MAYBANK from and against claims, charges, actions, proceedings, losses, liabilities, damages, expenses and demands (collectively, the "Losses") which BOBCAPS and/or MAYBANK may incur or suffer in any jurisdiction including but not limited to those Losses incurred by BOBCAPS and/or MAYBANK as a result of any proceedings or actions brought against them by any regulators and/or authorities, and which in any case are directly or indirectly occasioned by or result from or are attributable to anything done or omitted in relation to or arising from or in connection with this report.

Distribution into the United Kingdom ("UK"):

This research report will only be distributed in the United Kingdom, in accordance with the applicable laws and regulations of the UK, by Maybank Securities (London) Ltd ("MSL") who is authorised and regulated by the Financial Conduct Authority ("FCA") in the United Kingdom (MSL and its affiliates are collectively referred to as "**MAYBANK**"). BOBCAPS is not authorized to directly distribute this research report in the UK.

This report has not been prepared by BOBCAPS in accordance with the UK's legal and regulatory requirements.

This research report is for distribution only to, and is solely directed at, selected persons on the basis that those persons: (a) are eligible counterparties and professional clients of MAYBANK as selected by MAYBANK solely at its discretion; (b) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended from time to time (the "Order"), or (c) fall within Article 49(2)(a) to (d) (high net worth companies, unincorporated associations, etc. as mentioned in the stated Article) of the Order; (all such persons together being referred to as "relevant persons").

This research report is directed only at relevant persons and must not be acted on or relied on by any persons who are not relevant persons. Any investment or investment activity to which this material relates is available only to relevant persons and will be engaged in only with relevant persons.

The relevant person as recipient of this research report is not permitted to reproduce, change, remove, pass on, distribute or disseminate the data or make it available to third parties without the written permission of BOBCAPS or MAYBANK. Any decision taken by the relevant person(s) pursuant to the research report shall be solely at their costs and consequences and BOBCAPS and MAYBANK shall not have any liability of whatsoever nature in this regard.

No distribution into the US:

This report will not be distributed in the US and no US person may rely on this communication.

Other jurisdictions:

This report has been prepared in accordance with SEBI (Research Analysts) Regulations and not in accordance with local regulatory requirements of any other jurisdiction. In any other jurisdictions, this report is only for distribution (subject to applicable legal or regulatory restrictions) to professional, institutional or sophisticated investors as defined in the laws and regulations of such jurisdictions by Maybank Securities Pte Ltd. (Singapore) and / or by any broker-dealer affiliate or such other affiliate as determined by Malayan Banking Berhad.

If the recipient of this report is not as specified above, then it should not act upon this report and return the same to the sender.

By accepting this report, you agree to be bound by the foregoing limitations.