

AUTOMOBILES

01 October 2026

No major volume setback, CAFE III norms to drive the sector

- CVs (38% YoY) and PVs (22% YoY) leading the pack amid strong SUV demand, fleet replacement activity and institutional orders
- Rural demand trends were mixed as tractors declined by 20% YoY due to high base though small farm machinery stayed positive
- 2w (13% YoY) and 3W (19% YoY) maintained healthy growth aided by strong exports, accelerating electrification and last mile mobility

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PVs momentum healthy into festive period: Passenger vehicle demand remained strong in September, though growth rates moderated from the elevated levels. MSIL delivered robust domestic PV growth of ~30% YoY, TMPV was healthy crossing 70k units up 15% YoY. MM's SUV volumes grew a resilient 14% YoY despite a high base and the festive season shifting to October. HMIL recorded 10.8% YoY growth, with both domestic (+10.9%) and export (+10.4%) markets contributing.

2W growth becomes more export- and EV-led: Demand stayed positive but showed greater divergence across OEMs. TVSL accelerated to 23% YoY growth, supported by a sharp 48% rise in exports and triple-digit EV growth (+110%). BJAUT's volumes rose a modest ~5% YoY as strong exports (+34%) cushioned a 12% decline in domestic. Royal Enfield sustained steady 8% growth, while the overall industry remained supported by early festive demand and resilient overseas markets.

3Ws continue to benefit from structural last-mile demand: Three-wheeler segment retained healthy momentum. TVSL's 3W volumes surged 57% YoY, MM grew 26% YoY, and BJAUT's CV/3W business rose 9% YoY. Rising EV penetration among commercial fleet operators and steady urban mobility demand remained key support.

Tractor trends mixed with high-base effects: Tractor demand showed moderation and high-base impact. ESCORTS and MM volumes declined ~17%/21 YoY, reflecting the elevated base from last year's GST-related buying and the shift in festive timing. VSTT, however, staged a strong recovery with total sales up ~33% YoY, led by a sharp rebound in power tillers.

CV upcycle stays firmly in place: CV momentum remained robust. AL posted 28% YoY growth, driven by a 44% surge in MHCV trucks. VECV saw domestic volumes jump 57.5% YoY, with strong traction across SCV/LMD and HD trucks. TMCV continued its strong run, with MH&ICV domestic volumes up 44% YoY in September.

Key ratings: Retain BUY on MSIL and MM; assign HOLD rating to the 2Ws pack (TVSL, EIM, BJAUT, HMCL) on fair valuations. SELL on VSTT.



Performance highlights of individual OEMs

Maruti Suzuki:

MSIL sustained its broad-based domestic momentum in September 2026, with passenger car volumes rising 15% YoY to ~98.4k units, while UV volumes surged 62% YoY to ~78.9k units. The entry-level recovery continues to support growth, with the Mini, Compact and Mid-size portfolio delivering healthy momentum, while sustained SUV demand remains the larger growth driver. The strong performance across both passenger cars and UVs reinforces MSIL's ability to participate in the broader PV recovery, ahead of the festive season.

Domestic sales including LCV and OEM increased 30% YoY to ~191.8k units. LCV volumes also grew 18% YoY to ~3.4k units. The YTD growth point towards, domestic PV volumes moving up 36% YoY to ~1.08mn units, largely on account of lower base in H1FY26. The monthly gains are in higher single digit at ~ 8% indicating gearing up for the festive season.

Exports recovered in September, rising 4.8% YoY to ~44.2k units, reversing the 7.4% decline seen in August. This marks a positive shift in the growth mix, with overseas volumes once again providing incremental support alongside the strong domestic franchise. Overall sales increased 24% YoY to ~236k units, taking FY27 YTD volumes to ~1.38mn units, up 27.9% YoY.

New Launch: Baleno Facelift, Swift CNG AMT

Fig 1 – Refreshers before the festive season keeps excitement high for MSIL

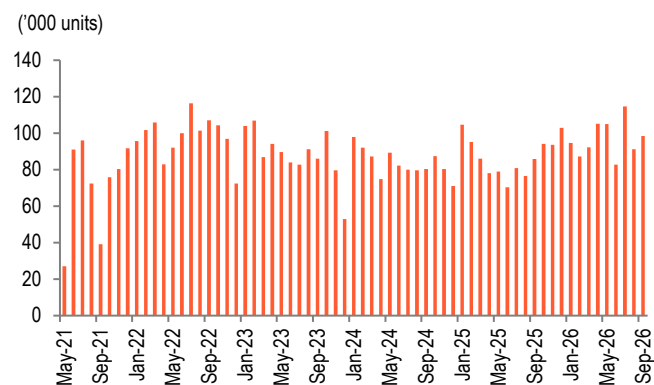
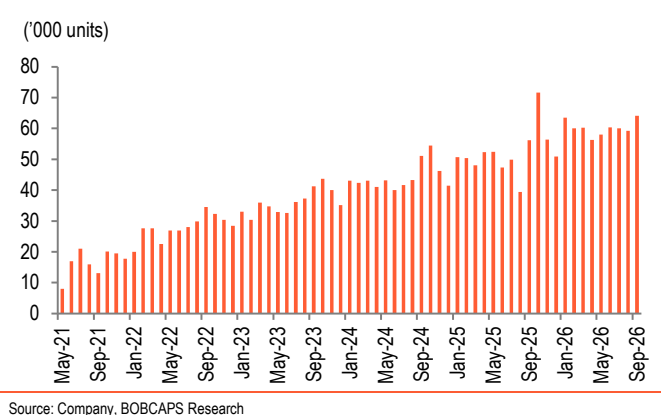


Fig 2 – SUV demand trend healthy for MM despite strong volume base points towards strong momentum



Mahindra & Mahindra:

MM's SUV momentum remained strong in September, with domestic volumes rising 14% YoY to ~64.1k units as the mega festive season (Dassera and Diwali) starts in October. The growth was supported by continued traction across the SUV portfolio, although the YoY comparison was impacted by a high base in September 2025 following the GST rate cut and the earlier festive season and the additional discounting given by MM. With the festive period now shifting to October, near-term volumes should benefit from pent-up demand, supporting MM's continued PV market-share momentum.

CVs and 3Ws sustained healthy growth, with domestic LCV volumes rising 14% YoY to ~30.4k units and 3W volumes increasing 26% YoY to ~16.3k units. The 3W franchise continues to benefit from healthy passenger mobility demand and EV adoption, while LCV growth remains supported by sustaining freight activity and last-mile mobility demand. Exports, however, were down by 7% to ~4.0k units.

Farm Equipment declined by 23% YoY to ~50k units as the festive season has been shifted to October this year. While the GST rationalization in base September 25 also added to the higher base. Exports helped offset the weakness growing by 62% YoY to 1.9k units though the base is small.

New Launches: Thar OG

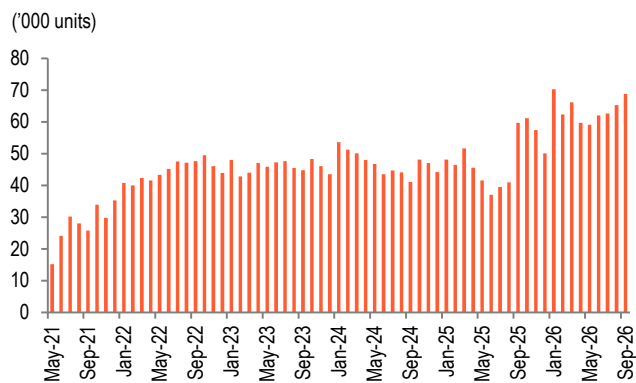
Hyundai Motor India:

HMIL delivered healthy sales in September, with total volumes rising 10.8% YoY to ~77.9k units, supported by a broad-based recovery across domestic and export markets. Domestic sales grew 10.9% YoY to ~57.2k units, sustaining the recovery seen over the past two months and channel feeling ahead of the festive season. The strong domestic performance indicates continued traction across HMIL's SUV portfolio alongside improving passenger-car demand.

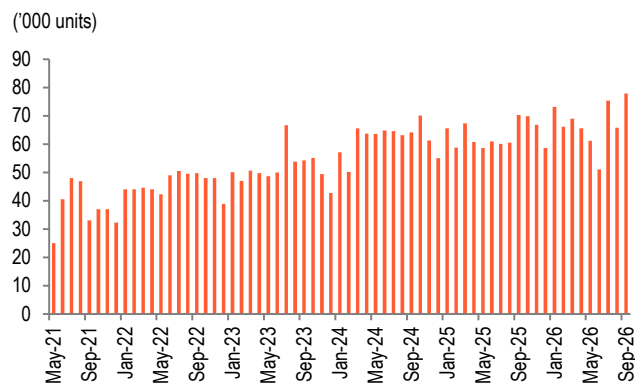
Export momentum also recovered sharply, with volumes rising 10.4% YoY to ~20.8k units, reversing the ~31% YoY decline witnessed in August. The recovery suggests some easing of the logistical and supply-chain constraints that have impacted shipments to key overseas markets.

The opening of bookings for the Hyundai BAYON, HMIL's upcoming all-new nameplate for India, should also support product momentum and customer engagement.

New Launches: BAYON Teaser launched

Fig 3 – Healthy EV and SUV demand sustain elevated volume run rate for TMPV


Source: Company, BOBCAPS Research

Fig 4 – Balanced domestic and export performance a key positive for HMIL


Source: Company, BOBCAPS Research

Bajaj Auto

BJAUT's total sales remained in positive territory, rising 5.5% YoY to ~538k units, though domestic 2W sales declined by 12% YoY to ~240k units. Overall exports continued to provide the key cushion, rising 32% YoY to ~244k units, with export contribution increasing to ~45% of total volumes vs ~36% YoY (down from 55% contribution in the past 3-months). The sharp export growth remains supportive of BJAUT's international franchise, particularly across LATAM, Africa and South Asia; management indicated LATAM has been growing strong while Nigeria recorded ~35k units.

Domestic 2W momentum softens by 12% YoY after strong recovery in earlier (reversing the 10% growth seen in August and 19% growth in July), as the older Pulsar, Triumph and KTM model were phased out. Furthermore, chip supply constraints also impacted the production of Chetak. Industry-wide 2W demand, however, remains structurally healthy, with SIAM reporting 18.7% YoY growth in August 2026, suggesting BJAUT's September domestic performance reflects some company-specific moderation rather than a broad industry contraction.

3W/CV business remains supportive as volumes grew by 9% YoY to ~87k units, with exports (+17%) outperforming domestic volumes (+5%). The export-led CV growth continues to provide an additional buffer to the softer domestic 2W performance, while BJAUT's broader export franchise remains a key differentiator.

New Launches: No new launch

TVS Motors

TVSL accelerated its growth momentum in September, with total sales rising 24% YoY to ~673k units, led by a sharp improvement in exports and continued strength in EVs. Domestic 2W volumes grew 17% YoY to ~482k units, sustaining from 18% growth in August.

EVs remained the key growth pillar, with 2W EV volumes surging 110% YoY to ~65.8k units, maintaining triple-digit growth despite the higher base. This is consistent with the

broader acceleration in India's electric 2W market, with TVSL continuing to scale its EV franchise. Exports were the strongest growth driver, rising 48% YoY to ~180.7k units, with 2W exports also increasing 48% to ~163.9k units. The sharp export acceleration alleviates domestic growth and reinforces the increasing contribution of overseas markets to TVSL's volume growth.

The 3W business also strengthened materially, with volumes rising 57% YoY to ~26.8k units, supported by continued demand for passenger mobility and last-mile applications.

New Launches: 2026 TVS Ronin, 2026 TVS Apache RTR 160 2V

Hero MotoCorp

HMCL's dispatch momentum accelerated sharply in September, with total volumes rising 12% YoY to ~766k units, supported by strong consumer demand ahead of the festive season. The improvement in wholesale volumes, paired with a robust 31% YoY growth in VAHAN registrations, underpins a strong underlying retail momentum. The sharp improvement in retail offtake also provides a favourable backdrop for inventory replenishment as the peak festive period approaches.

The domestic ICE business remained a key growth driver, with dispatches increasing 12% YoY to ~710k units, led by a 60% YoY surge in ICE scooter volumes. Domestic ICE VAHAN registrations grew 29% YoY.

VIDA continued to scale rapidly, with dispatches of ~28.8k units in September and VAHAN registrations growing 83% YoY. The sustained retail momentum highlights increasing traction for Hero's EV portfolio and provides an incremental growth lever as EV penetration continues to rise. Exports remained a drag, declining by 31% YoY to 27.3k units though it improved 5% MoM.

New Launches: Hero Glamour X 125 ABS

Fig 5 – Export aids offset domestic portfolio phase out for BJAUT



Fig 6 – EV and exports accelerate for TVSL

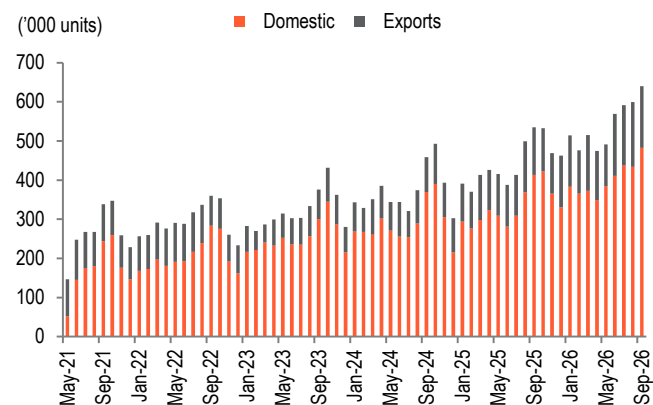
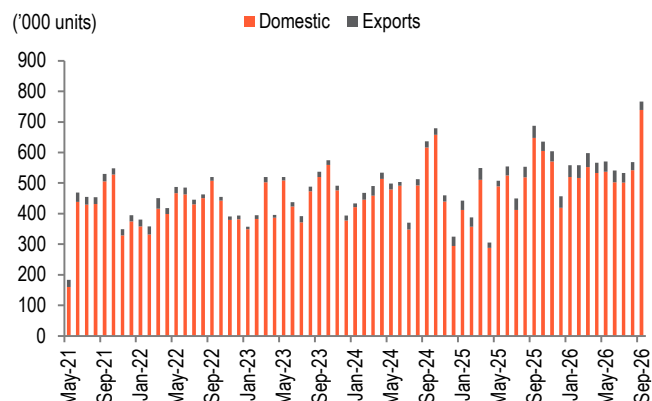
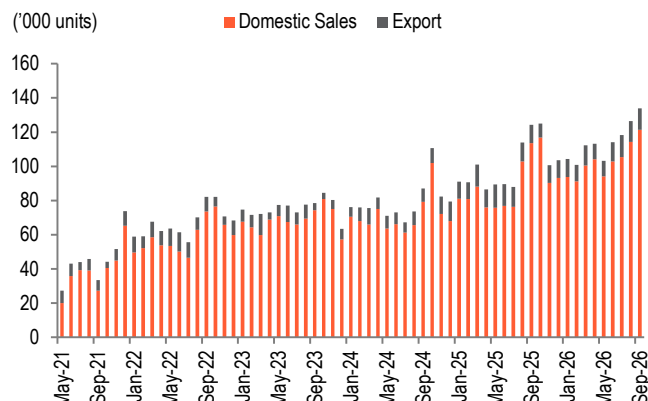
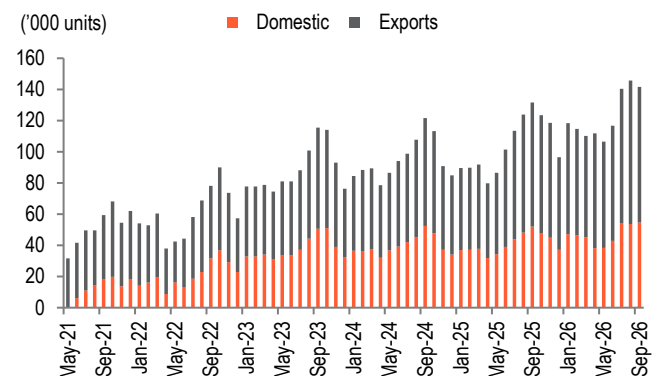


Fig 7 – Domestic demand strong for HMCL amid intensifying competition


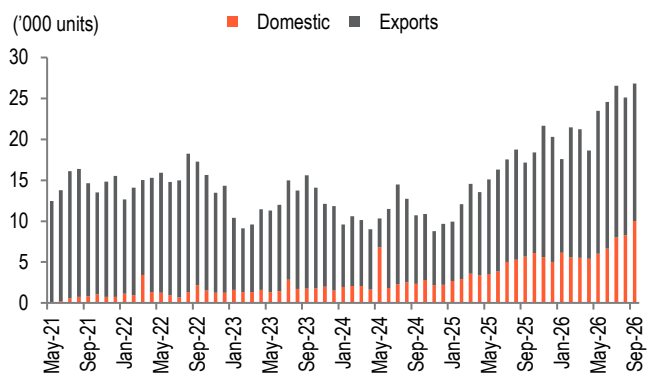
Source: Company, BOBCAPS Research

Fig 8 – Strong brand pull and consistent launches keep RE growth intact for EICHER


Source: Company, BOBCAPS Research

Fig 9 – BJAUT domestic 3W franchise strong while export drive incremental gains


Source: Company, BOBCAPS Research

Fig 10 – TVSL 3W continues to outperform driven King EV portfolio


Source: Company, BOBCAPS Research

Eicher Motors

Royal Enfield (RE) sustained healthy domestic momentum, with volumes rising 7% YoY to ~121.3k units, while YTD domestic growth remained strong at 23%. The core motorcycle business continued to support overall volumes, with the launch of the Himalayan 440 adding to the product pipeline; the model is seeing strong traction. Export volumes also improved sharply, rising 17% YoY to ~12.6k units, reversing the weakness seen in August, although YTD exports remained down 5% YoY. Overall, RE volumes grew 8% YoY to ~134.0k units, with YTD growth at ~20%.

VECV delivered a strong performance in September though lagged the industry, with total volumes rising 21.5% YoY to ~11.4k units, led by broad-based strength across domestic CV segments. Domestic volumes jumped 57.5% YoY to ~10.5k units, with SCV/LMD trucks surging 62% to ~6.2k units and HD trucks rising 58% to ~3.1k units, indicating sustained freight activity and replacement demand. Bus volumes also improved, with LMD and HD buses growing 38% and 37%, respectively, although the HD bus recovery remains on a low base.

VECV exports declined 4.7% YoY to ~667 units, as weakness in SCV/LMD and HD truck exports more than offset growth in buses. Overall, the September performance points to strong domestic CV momentum, while overseas demand remains relatively mixed.

New Launches: Royal Enfield Himalayan 440

Ashok Leyland

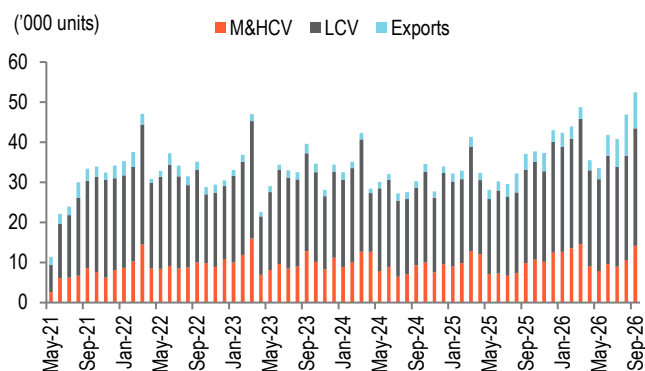
AL sustained its strong recovery in September, with domestic volumes rising 28.8% YoY to ~22.2k units, led by continued strength in MHCV trucks and a broad-based recovery across LCVs and buses. MHCV truck volumes spiked 43.8% YoY to ~13.2k units, maintaining the strong momentum seen in recent months and pointing to healthy freight availability, fleet utilisation and replacement demand. LCV volumes also remained resilient, growing 12.2% YoY to ~7.9k units, supported by continued last-mile logistics and infrastructure activity.

The MHCV cycle remained strong, with total domestic MHCV volumes rising 40% YoY to ~14.7k units. Bus volumes increased 24% YoY to ~2k units, marking a sequential improvement after prolonged weakness; however, YTD domestic bus volumes remain down 6% YoY, as institutional order have remained weak during the year due to elections in key states of presence like Tamil Nadu and Kerala. Overall YTD domestic volumes rose 24% YoY, indicating sustained strength in the CV upcycle.

Exports stayed healthy, as total volumes increased 18% YoY to ~1.9k units, aided by recovery in truck and LCV exports offset the weaker bus exports. Including exports, total vehicle volumes rose 28% YoY to ~24k units, while YTD volumes increased 22% YoY to ~113.4k units, reinforcing the broad-based recovery across AL's domestic CV portfolio.

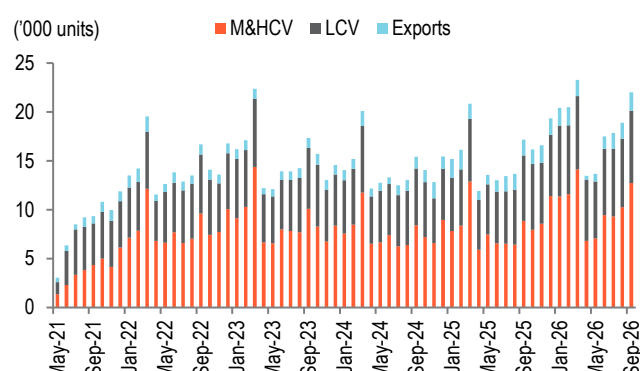
New Launches: No new launch

Fig 11 – TMCV benefits from sustained consumption led logistics demand



Source: Company, BOBCAPS Research

Fig 12 – MHCV trucks continue to drive AL driven by core sector activity



Source: Company, BOBCAPS Research

Fig 13 – EIM outperforms driven by HD and LMD trucks

Source: Company, BOBCAPS Research

Escorts Kubota

Escorts Kubota witnessed a sharp moderation in tractor volumes in September, with domestic sales declining 16.2% YoY to ~14.9k units, against a high base of ~17.8k units. The YoY decline can be attributed to the high base following the GST rate reduction in September 2025 and monsoon deficit in majority regions affecting kharif sowing in September 2026.

Exports remained subdued, with volumes declining 34.7% YoY to 303 units vs 464 units in September 2025, indicating limited recovery in overseas markets. While industry growth is expected to moderate in the near term, crop harvesting and the deferred festive season could provide support to volumes in the coming months

New Launches: Farmtrac 6055 Classic “Dark Edition” (55 HP), PROMAXX 2.0 range (47–50 HP)

VSTT

VSTT’s performance rebounded strongly in September, with total sales increasing 32.9% YoY to ~6k units, driven by a healthy recovery in power tiller demand and a weaker base in September 2025. Power tiller volumes rose 50.6% YoY to ~4.5k units. The strong September performance more than offset the weakness seen in August, taking YTD power tiller volumes up 9.4% YoY to ~27.2k units, underscoring the resilience of the mechanisation trend.

Tractor volumes, however, remained under pressure, declining 10% YoY to 430 units, although the pace of decline improved compared with the previous month. Demand in the compact tractor segment continues to be affected by the ongoing shift towards higher HP tractors. Meanwhile, power weeder sales were broadly flat at ~1k units (+0.3% YoY).

New Launches: No new launch

Fig 14 – Adverse monsoon impacts domestic tractor demand, help comes from strong export surge for MM



Source: Company, BOBCAPS Research

Fig 15 – ESCORTS's volume gains stayed short lived as volume fell in September



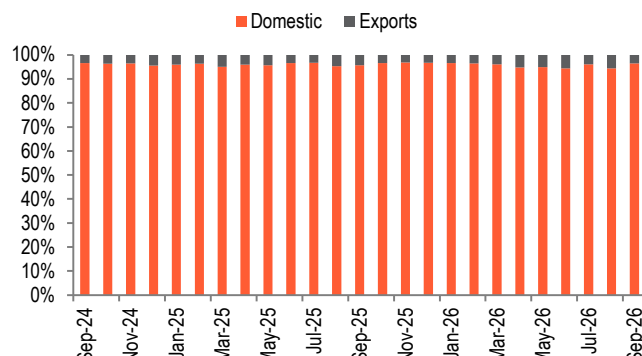
Source: Company, BOBCAPS Research

Fig 16 – MSIL's small car rebound continues to help export momentum, logistic impact on recovery path



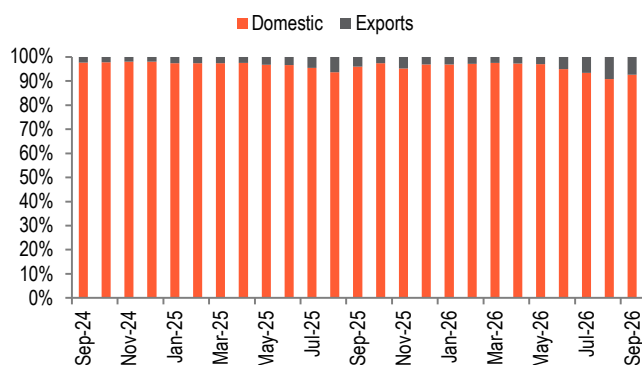
Source: Company, BOBCAPS Research

Fig 17 – MM's automotive exports continue to be soft



Source: Company, BOBCAPS Research

Fig 18 – CV exports drive overseas volume for TTMT



Source: Company, BOBCAPS Research

Fig 19 – AL's volume recovery balanced contributed equally by domestic and export segment



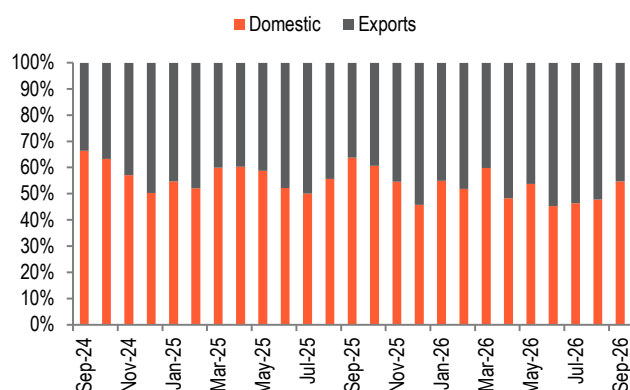
Source: Company, BOBCAPS Research

Fig 20 – EIM (2W) – exports rebound strongly

Source: Company, BOBCAPS Research

Fig 21 – EIM (CV) – Domestic CV strength to continue however export remains soft

Source: Company, BOBCAPS Research

Fig 22 – Exports dominance providing the much-needed buffer to BJAUT's domestic softness

Source: Company, BOBCAPS Research

Fig 23 – TVSL's Strong exports traction continues to back overall volume gains

Source: Company, BOBCAPS Research

Fig 24 – HMCL's scooterisation drive pushes growth exports receive a jolt

Source: Company, BOBCAPS Research

Fig 25 – ESCORTS' exports volume fell as key markets stay soft

Source: Company, BOBCAPS Research

Fig 26 – SIAM (Apr-Aug '26) industry growth

Segments (%)	Production	Domestic Sales	Exports
PV	20.3	28.3	1.9
Passenger cars	15.2	24.9	(16.0)
UVs	22.9	29.7	21.2
2W	21.6	18.7	32.9
Motorcycles	16.1	13.1	32.8
Scooters	33.0	28.2	33.7
3W	32.8	29.1	45.6

Source: SIAM, BOBCAPS Research

CAFE-III Norms update

CAFE-III has been notified and will replace CAFE-II from 1 April 2027 through 31 March 2032. (We await the copy of the notification from the authorities).

The final framework remains a weight-linked, fleet-average, fuel-consumption formula, with the reference weight at 1,229 kg vs 1,170 kg specified in the earlier draft and the target tightening from 3.996 L/100km in FY28 to 3.3273 L/100km in FY32.

The target translated to ~94.8 gCO₂/km declining to ~78.9 gCO₂/km by FY32. This is versus 113 g CO₂/km in CAFE-II.

The final rules erases the separately proposed 3 g/km concession for qualifying sub-909 kg petrol cars. Instead, the revised weight curve provides relatively softer targets for lighter fleets and tighter targets for heavier fleets versus the September-2025 draft.

Electrification remains the strongest compliance lever: BEVs and range-extended EVs receive a 3x volume exemption factor, while plug-in/strong-hybrid and flex-fuel categories receive lower 2.5x, 1.6x and 1.1x respectively.

Other striking feature included is that of OEMs exceeding target will get credits and those who fail will get debits. Compliance credits can be carried/traded, while shortfalls can be bought out from BEE at an escalating cost (Rs2,500/g of CO₂ in FY28 and increasing to Rs 4,500/g of CO₂ in FY32).

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