AUTOMOBILES

04 August 2026

Monsoon recovery not a dampener, July surprises positively

- **OEMs continue positive volume growth momentum despite monsoon, entry level spurt boost PVs (37%); Premium segment spurts 2W (29%)**
- **Infrastructure spending and freight activity levels remain healthy as utilization sustains driving CV growth (~33% YoY)**
- **Improving monsoon and faster Kharif sowing sustain rural demand, supporting tractor growth (~20% YoY); 3W growth persistent (31% YoY)**

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PVs pace in fast lane Passenger Vehicles (PV) marked July with strong growth as volumes across our coverage universe spiked ~37% YoY. MSIL grew by a strong ~42% YoY domestic growth, aided by small-car revival and healthy SUV demand. TMPV was the top gainer with 58% growth YoY helped by Punch face-lift in Q4FY26 and New Sierra launch in Q3FY26. MM's healthy SUV-led momentum continued with ~20% YoY growth and HMIL rebounded with ~25% YoY domestic growth as production normalized after supplier related issues in earlier month.

2Ws continue broad-based growth: 2W demand remained healthy, supported by strong domestic recovery and resilient exports. TVSL (~38% YoY) continued to outperform with strength across motorcycles, scooters and EVs. BJAUT (~31% YoY) sustained export-led growth (~42% 2W exports), HMCL (~19% YoY) witnessed healthy recovery across commuter motorcycles and scooters. EIM (~34% YoY) maintained robust momentum, supported by its core 350cc platform while >350cc shows recovery.

3Ws remain key mobility beneficiary: Passenger carrier demand and exports continued supporting the segment. MM/TVSL grew ~53%/~51% YoY, led by strong EV penetration and urban mobility demand. BJAUT (~23% YoY) also delivered healthy growth, with both domestic and export businesses contributing to volumes.

Tractors supported by improving monsoon: Tractor demand showed no signs of slowing down, supported by improved rainfall, stronger Kharif sowing and resilient rural sentiment. MM/ESCORTS domestic tractor sales grew ~20%/~22% YoY, aided by healthy wholesale and retail demand. VSTT remained weak (-9% YoY) as declining power tiller volumes more than offset stable mechanisation demand.

CV momentum remains robust: CV demand stayed strong, assisted by healthy freight movement, infrastructure activity and replacement demand. AL (~30% YoY) and VECV (~16% YoY) reported healthy growth led by trucks and LCVs, while TMCV (~38% YoY) sustained double-digit momentum, reflecting continued strength in the overall CV cycle.

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 healthy momentum in July 2026, with total sales rising 33.7% YoY to ~241.4k units, driven by robust domestic demand despite a moderation in exports. Domestic (PV+LCV+OEM) sales grew 42.1% YoY to ~211.4k units, reflecting broad-based support across passenger vehicles and continued recovery in entry-level demand. SIAM June 2026 data too indicated MSIL strengthening its domestic leadership, with PV market share improving to 41.2% (vs 38.9% YoY), aided by the ongoing revival in the small car segment.

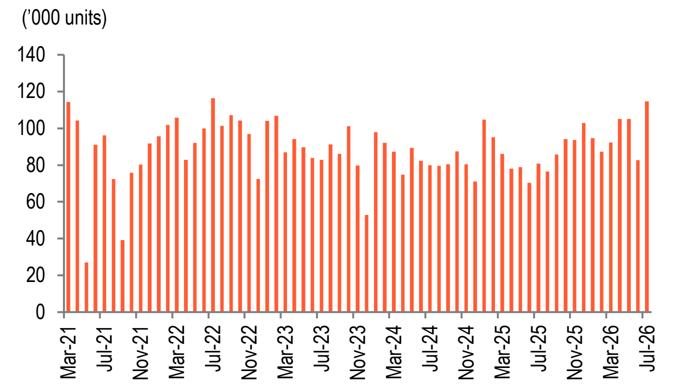
Passenger cars remained the key growth driver, rising 41.8% YoY to ~114.7k units. The industry-wide small car recovery continued, with MSIL's small car market share improving to ~73.4% (vs 65.5% YoY, SIAM June 26), boosted by strong demand for models such as Dzire, WagonR, Swift and Baleno.

Utility Vehicles also delivered a healthy 49.4% YoY growth to ~78.9k units, led by sustained traction in Brezza, Fronx, Grand Vitara and Victoris, while vans and LCVs grew 12.6% YoY and 40.3% YoY, respectively, reflecting resilient demand from fleet and last-mile logistics operators. Healthy retail offtake kept dealer inventory lean ~13 days. A pending order book of ~130k units (1QFY26) support demand visibility as incremental capacity from Kharkhoda Phase-2 and Gujarat Line-4 is expected to gradually ease supply constraints.

Exports, however, moderated 5.3% YoY to ~30.1k units after several months of strong growth, reflecting challenges in overseas shipments and continued macroeconomic uncertainties across select export markets.

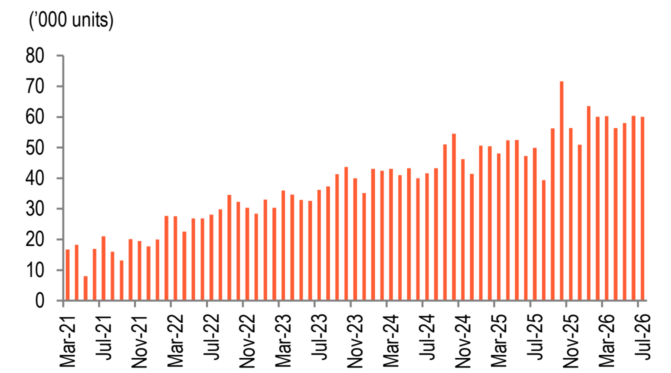
New Launch: Maruti Suzuki Brezza Facelift

Fig 1 – Small car segment contributed meaningfully for MSIL



Source: Company, BOBCAPS Research

Fig 2 – Easing supply side challenges key positive for MM



Source: Company, BOBCAPS Research

Mahindra & Mahindra:

MM sustained healthy momentum in July 2026, with overall auto sales rising 24.1% YoY to ~103.9k units, supported by broad-based strength across SUVs, CVs, 3Ws and exports. Domestic PV volumes grew 20.4% YoY to ~60.0k units, pointing continued traction in its SUV portfolio as production normalised and demand remained resilient. Industry trends also stayed favourable, with SIAM June 2026 data indicating UV demand remained healthy (~28% YoY in Q1FY27) despite the ongoing recovery in passenger cars. MM retained its position as the second-largest PV OEM, aided by a healthy order book and an indicative waiting period of around three months.

Performance across commercial vehicles remained robust, with domestic LCV volumes rising 16.8% YoY to ~25.2k units, backed by replacement demand, infrastructure activity and resilient last-mile logistics. The 3W segment continued to outperform, surging 53.4% YoY to ~14.5k units, supported by rapid EV adoption and healthy passenger mobility demand. Exports also remained supportive, increasing 46.7% YoY to ~4.1k units, reflecting improving traction across key overseas markets on a higher base.

In the Farm Equipment segment, MM reported domestic tractor sales of ~32.6k units (+20.9% YoY), while total tractor volumes increased 19.9% YoY to ~34.4k units. Demand remained supported by a significant recovery in rainfall, improved reservoir levels, accelerated Kharif sowing, government support measures and healthy farm cash flows. Management highlighted that continued monsoon progress and Kharif crop development will remain key determinants of tractor demand especially for the high-end 40H-50H units.

New Launches: Mahindra YuvoTech+ 585 DI V1

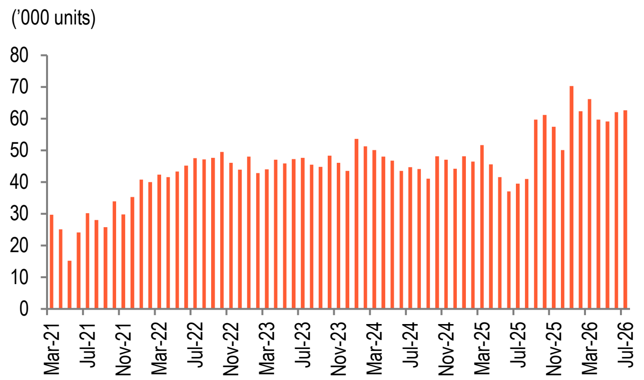
Hyundai Motor India:

HMIL delivered a recovery in July 2026, with total sales rising 25.4% YoY to ~75.4k units, as production normalised following the supplier disruption in June and pent-up demand was fulfilled. Domestic sales grew 23.3% YoY to ~54.2k units, supported by broad-based demand across its SUV and passenger car portfolio. CRETA regained momentum with 18.1k units monthly sales, while the i20 recorded strong 6.7k units, indicating improving traction in both SUV and premium hatchback segments.

Exports rebounded strongly, increasing 31.4% YoY to ~21.2k units, reflecting recovery in production as well as improved dispatches to overseas markets. The performance indicates early signs of HMIL recapturing some of the industry-wide recovery in passenger cars after lagging in recent months, while sustained demand for the SUV portfolio and improving small-car volumes provide a stronger footing heading into the festive season. The beginning of 3rd shift at Talegaon unit and utilization push in Chennai plant augurs well for HMIL growth.

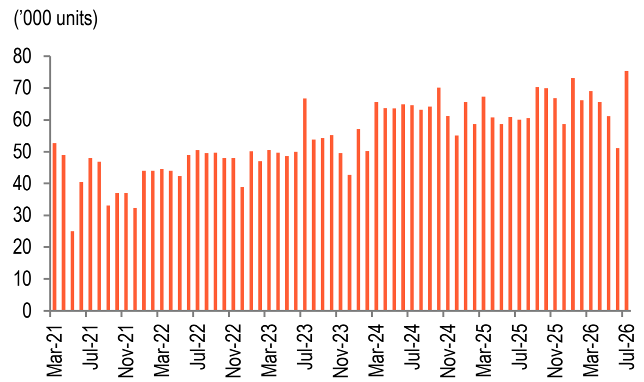
New Launches: No new launch

Fig 3 – Comprehensive EV and SUV portfolio key positive for TMPV



Source: Company, BOBCAPS Research

Fig 4 – HMIL production back to healthy utilization level aiding in service pending sales



Source: Company, BOBCAPS Research

Bajaj Auto

BJAUT started Q2 on strong note, with total vehicle sales rising 29.7% YoY to ~475k units, driven by sustained export momentum. Domestic demand across 2W is on the steady recovery path. BJAUT continued to strengthen its position as India's leading 2W exporter, supported by resilient demand across key international markets.

Domestic 2W volumes grew 19% YoY to ~166k units, reflecting an improvement in retail demand across commuter and premium motorcycles. SIAM June 2026 data indicated that the 150-200cc motorcycle segment saw biggest gains for Pulsar brand (~26% market share). The >200cc category remained robust, supporting BJAUT's steady premium portfolio expansion (16% vs 13% YoY market share).

Exports continued to be the key growth driver, rising 42% YoY to ~223k units, aided by strong demand across LATAM, Africa and South Asia markets. Industry 2W exports also remained healthy (40.2% in June 26), with BJAUT retaining its leadership position in overseas markets.

The 3W business maintained healthy momentum, with total volumes increasing 23.2% YoY to ~86k units. Domestic 3W sales rose 24.1% YoY to ~54.4k units, supported by continued growth in passenger carriers and last-mile mobility demand. Export volumes also remained robust, growing 21.7% YoY to ~31.5k units, reflecting sustained demand across MENA, Africa and South Asia, reinforcing BJAUT's strong international franchise.

New Launches: No new launch

TVS Motors

TVSL delivered yet another healthy month with total sales rising 38% YoY to a record ~630k units. This was supported by broad-based strength across domestic demand, exports and EVs. The performance also reflected continued premiumisation and healthy market acceptance across key product segments.

Total 2W volumes jumped 37.5% YoY to ~603k units, driven by strong domestic and export demand. Domestic 2W sales grew 41.7% YoY to ~437k units, supported by sustained traction across motorcycles and scooters. SIAM June'26 data points towards premium >200cc motorcycle segment remaining one of the fastest-growing categories (47.4% YoY). Scooters continued to outperform the broader 2W market (39.1% YoY), reinforcing TVSL's improving premium positioning. EV volumes remained a key highlight, surging 158.1% YoY to a record ~60.9k units, reflecting continued scale-up of the iQube portfolio despite intensifying competition.

Exports continued to provide meaningful support, with total international business rising 29.2% YoY to a record ~184k units, while 2W exports grew 27.4% YoY to ~166k units, aided by resilient demand across Africa, LATAM and South Asia. The 3W business also sustained strong momentum, with volumes increasing 51.1% YoY to ~26.5k units, supported by healthy export demand and continued strength in passenger carriers and last-mile mobility.

New Launches: TVS Raider Super Squad Edition

Hero MotoCorp

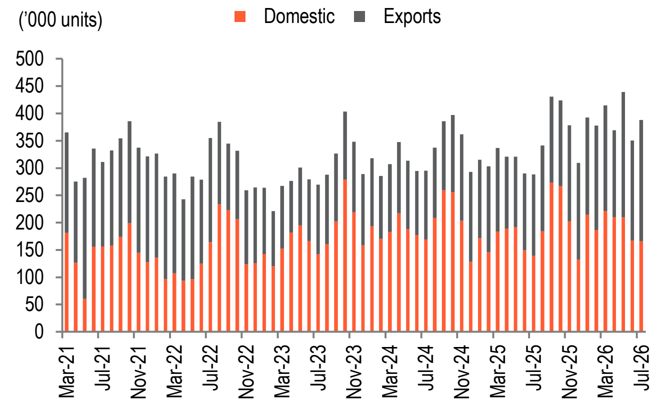
HMCL regained growth momentum in July 2026, with total dispatches rising 18.6% YoY to ~533k units, supported by robust domestic demand across scooters while motorcycles remained healthy. The recovery reflects sustained retail traction in the core commuter portfolio, with Splendor, Passion, Glamour X and Super Splendor XTEC 2.0 continuing with healthy demand, while the Destini and Xoom scooter range further strengthened the HMCL’s presence in the fast-growing scooter segment.

Domestic dispatches increased 21.6% YoY to ~501k units, reflecting resilient underlying demand despite a delayed festive season. The 125cc motorcycle segment continues to outperform the entry-level category, availed by recent product refreshes and improving rural sentiment supported by better monsoon progress. VIDA maintained its strong growth trajectory with dispatches of ~22.7k units, while expanding its international footprint through its entry into Nepal and the launch of a new 4.4kWh variant.

Exports, however, fell 14.3% YoY to ~32.0k units, reflecting weakness in overseas uptake despite ongoing geographic expansion. The moderation in exports was partly offset by healthy domestic demand, positioning HMCL to sustain growth as sentiments (cash flow) improve.

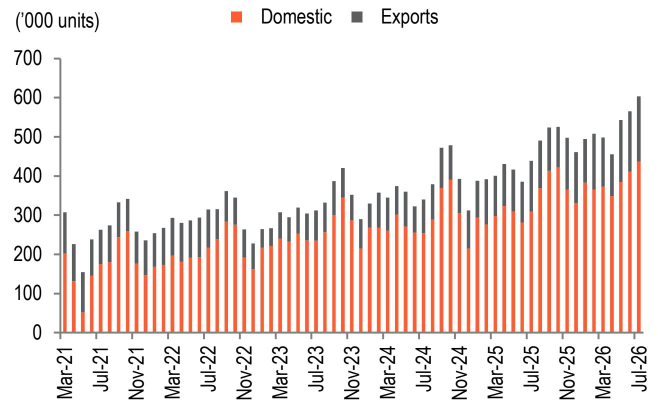
New Launches: VIDA VX2 Plus 4.4kWh

Fig 5 – BJAUT 2W portfolio refreshers usher in new interest for premium brands



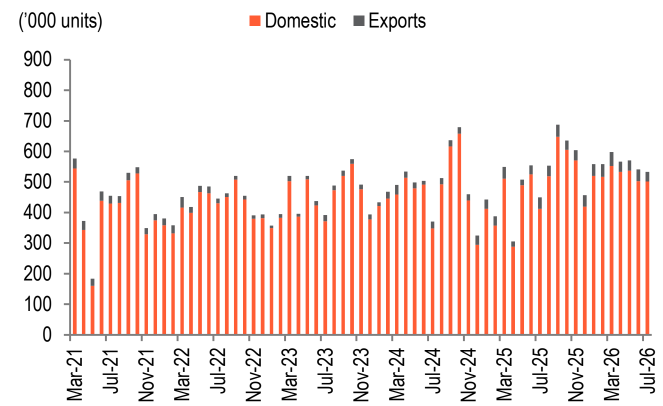
Source: Company, BOBCAPS Research

Fig 6 – Frequent upgrades and strong execution of EV drive TVSL



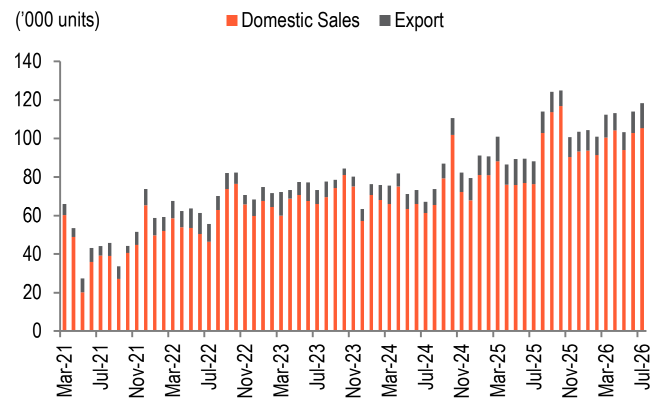
Source: Company, BOBCAPS Research

Fig 7 – Competitive intensity mounting on low commuter segment demand for HMCL



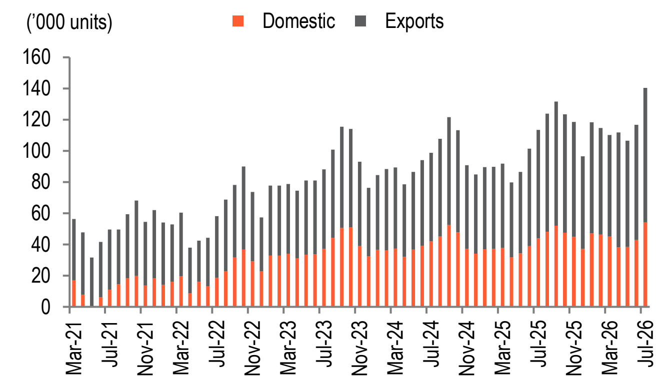
Source: Company, BOBCAPS Research

Fig 8 – >350cc segment turning positive for RE as the differential taxation is absorbed by the market



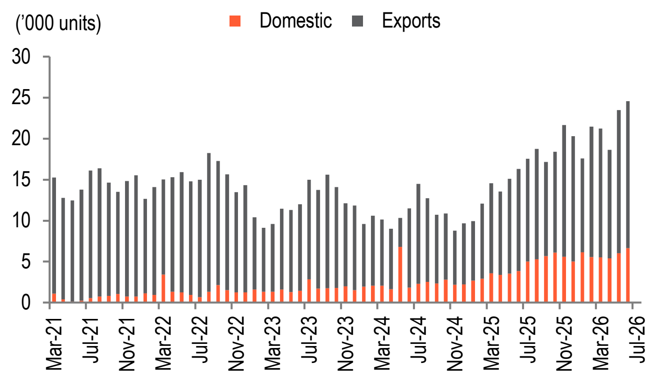
Source: Company, BOBCAPS Research

Fig 9 – Exports shipment showing no hinderance for BJAUT 3W



Source: Company, BOBCAPS Research

Fig 10 – TVSL 3W seeing healthy adoption in Electric Passenger Carriers



Source: Company, BOBCAPS Research

Eicher Motors

EIM sustained its healthy growth momentum in July 2026, with the premium motorcycle business remaining the key growth driver, while the CV segment continued to benefit from resilient domestic demand despite softer exports.

Royal Enfield (RE) reported a robust 34.3% YoY growth to ~118k units, supported by continued strength in the domestic market. Domestic volumes rose 38% YoY to ~105k units, driven by sustained demand for the core 350cc platform (Classic, Hunter and Bullet), while the premium portfolio remained well supported. SIAM June'26 data indicated that the >200cc motorcycle segment continued to expand strongly (47.4% YoY), with RE retaining its leadership despite increasing competition (69.4% market share vs 76.5% YoY). Models up to 350cc grew 38% YoY to ~105k units, while motorcycles above 350cc increased 9.9% YoY to ~13.2k units. Export performance also improved, rising 9.5% YoY to ~12.9k units, indicating a gradual recovery across key international markets.

VECV delivered another healthy performance, with total volumes rising 15.8% YoY to ~8.2k units, supported by domestic volumes growing 18.2% YoY to ~7.6k units, aided by healthy infrastructure activity, freight availability and replacement demand. SCV/LMD trucks remained the primary growth driver, increasing 28.9% YoY to ~4.4k units, while HD trucks grew 13.2% YoY to ~1.9k units. Bus demand remained mixed, with LMD buses largely flat (-0.3% YoY) and HD buses falling 25.5% YoY, reflecting continued weakness in institutional procurement. Export performance softened, slipping 11.3% YoY to ~470 units, as weakness in bus and SCV exports offset the continued strength in HD truck exports (+67.3% YoY).

New Launches: Royal Enfield Shotgun 650 x Rough Crafts

Ashok Leyland

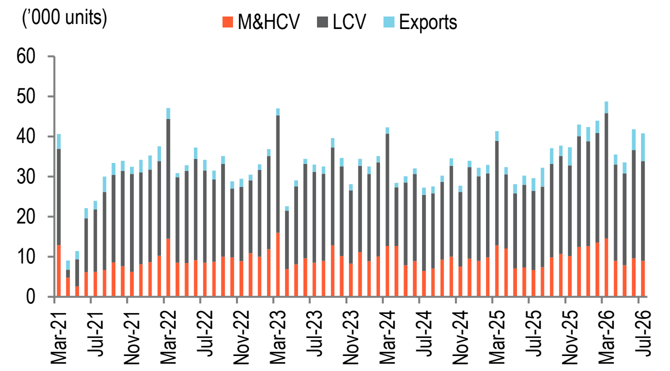
AL sustained its strong recovery in July 2026, with total vehicle sales jumping 30% YoY to ~19.6k units, driven by continued strength in MHCV trucks and healthy momentum in the LCV segment, reflecting improving freight demand and infrastructure-led activity.

Domestic volumes rose 33.2% YoY to ~18.0k units. LCVs continued their healthy run, growing 29.4% YoY to ~6.9k units, supported by resilient last-mile logistics and e-commerce demand. MHCV volumes rose 35.7% YoY to ~11.1k units, led by a robust 43% YoY increase in truck volumes to ~9.3k units, indicating healthy fleet utilisation and replacement demand. Bus volumes, however, remained relatively subdued, growing only 6.1% YoY to ~1.7k units, reflecting continued moderation in institutional and state transport undertaking procurement.

Export performance remained subdued, with total export volumes rising 3% YoY to ~1.6k units. Growth was driven by truck exports (+57.4% YoY), while bus exports remained under pressure (-40.0% YoY), highlighting the uneven recovery across overseas CV markets despite improving demand in select geographies.

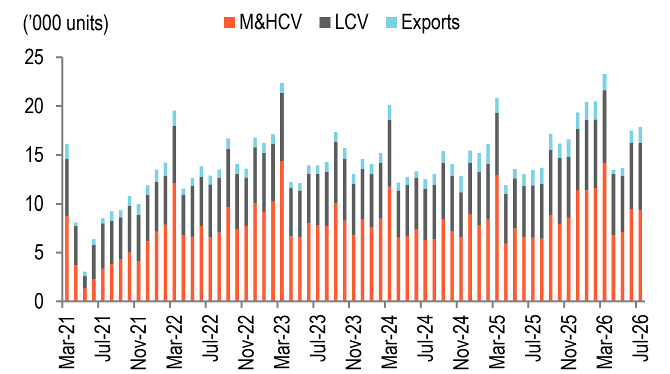
New Launches: AVTR Air-Suspension Heavy Truck Range

Fig 11 – TMC's higher tonnage vehicle remains strong amid infrastructure and mining activity



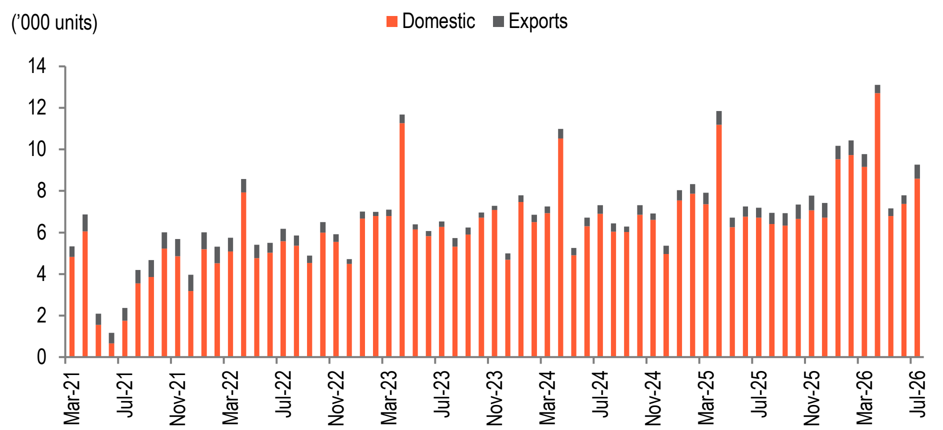
Source: Company, BOBCAPS Research

Fig 12 – Slow institutional order dampens buses but LCV scale up strong on e-commerce demand



Source: Company, BOBCAPS Research

Fig 13 – Freight and infrastructure headwinds fading, driving EIM's truck demand



Source: Company, BOBCAPS Research

Escorts Kubota

Total tractor sales jumped 22% YoY to ~8.7k units. Domestic volumes grew 23.7% YoY to ~8.2k units, supported by steady wholesale and retail demand, improving monsoon conditions and acceleration in Kharif sowing activity. Better rainfall during July narrowed the cumulative rainfall deficit to ~14–15%, aiding rural sentiment and supporting the underlying farm mechanisation demand.

Export volumes remained broadly stable, increasing 1.3% YoY to ~537 units, indicating a gradual recovery in overseas demand despite continued macro uncertainties.

New Launches: No new launch

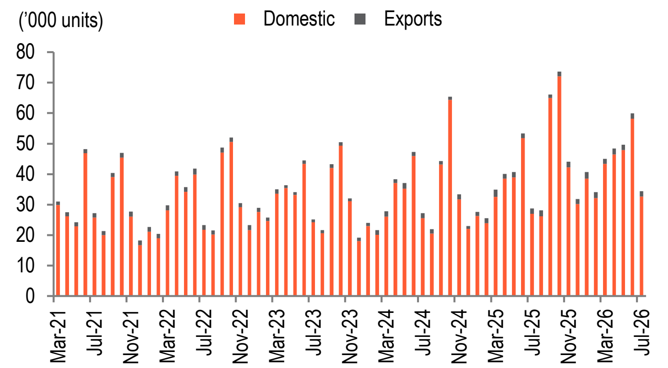
VSTT

VSTT reported a relatively weak performance in July 2026, with total sales declining 9.6% YoY to ~5.9k units, largely impacted by lower power tiller volumes. Power tiller sales fell 9.6% YoY to ~5.5k units, reflecting demand normalisation after a strong base last year, even as improving monsoon conditions and accelerating Kharif sowing continued to support underlying farm mechanisation demand and rural sentiment.

Tractor volumes declined 9.4% YoY to 403 units, indicating continued weakness in the compact tractor segment amid the industry's shift towards higher-horsepower tractors.

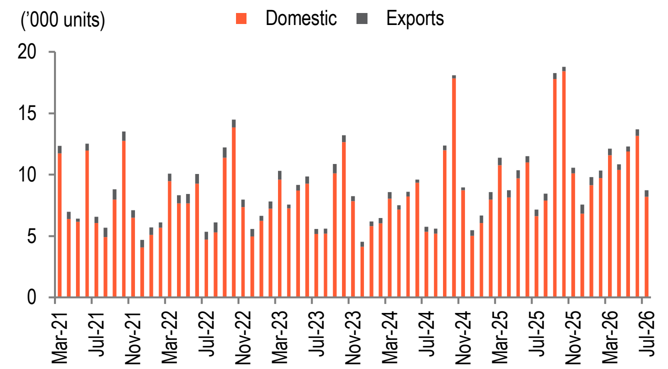
New Launches: No new launch

Fig 14 – Progress of Kharif sowing gather paces giving farm cash flow tractor demand visibility for MM



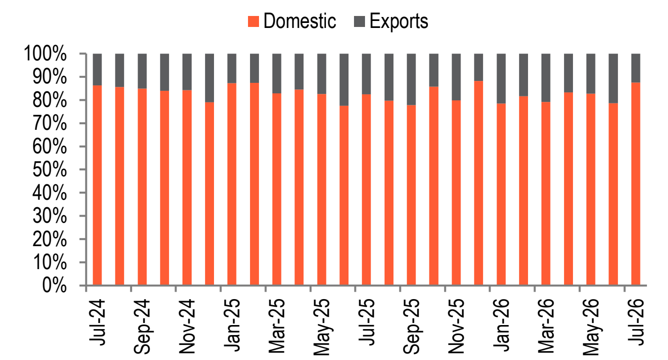
Source: Company, BOBCAPS Research

Fig 15 – ESCORTS's specialised tractor launches are being accepted in the market



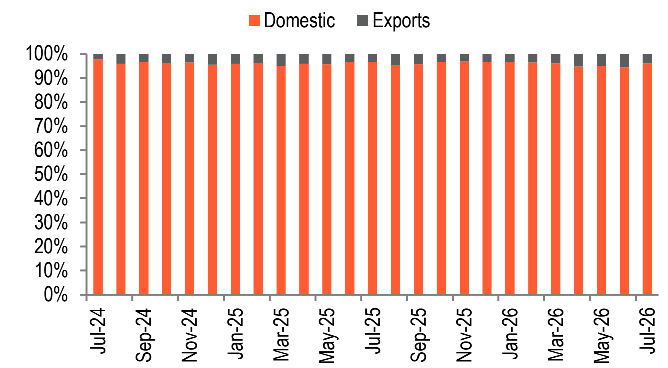
Source: Company, BOBCAPS Research

Fig 16 – MSIL's small car rebound turning decisively positive



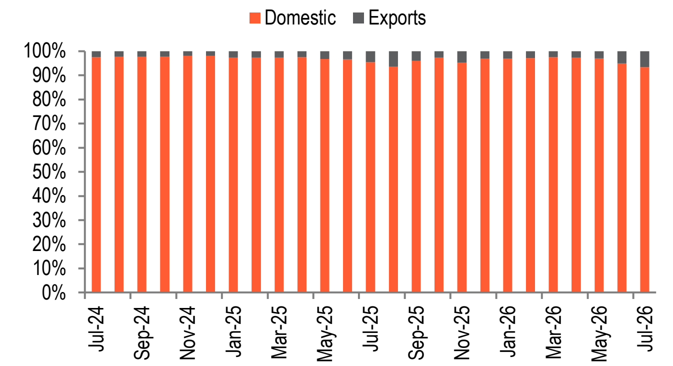
Source: Company, BOBCAPS Research

Fig 17 – MM's volume stay dominated by domestic market



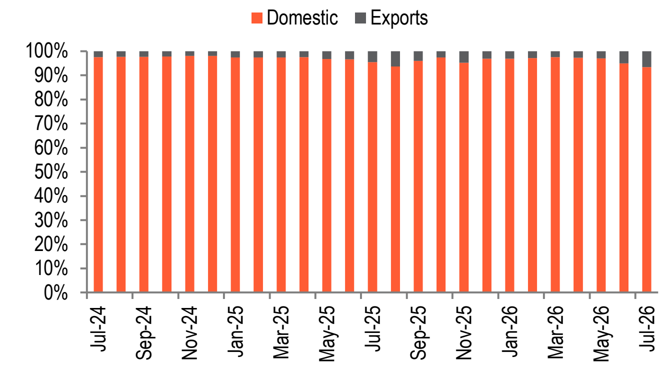
Source: Company, BOBCAPS Research

Fig 18 – CV exports drive overseas volume for TTMT



Source: Company, BOBCAPS Research

Fig 19 – AL's domestic volumes stay rangebound

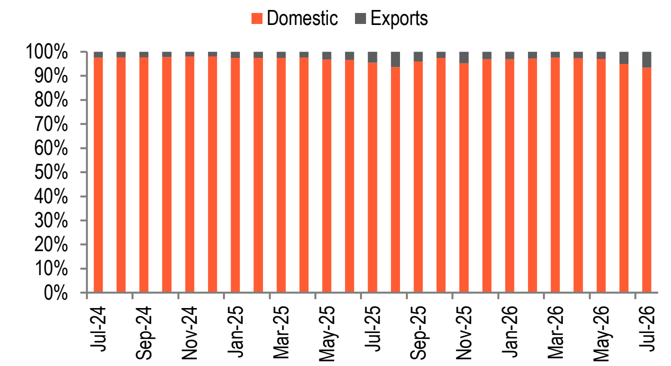


Source: Company, BOBCAPS Research

Fig 20 – EIM (2W) – RE's exports decelerating, though improved geopolitical condition to add demand

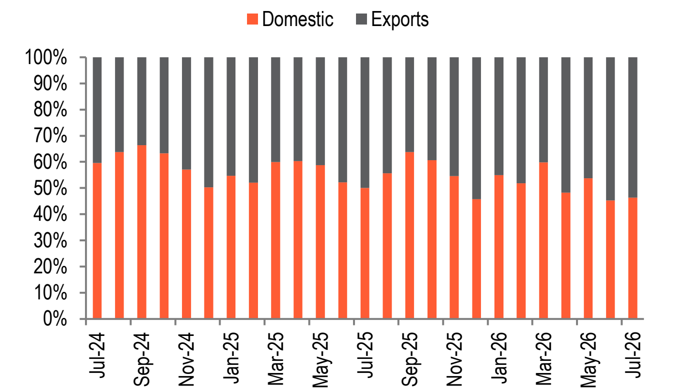
Source: Company, BOBCAPS Research

Fig 21 – EIM (CV) – Domestic CV strength to continue as freight utilisation inches up



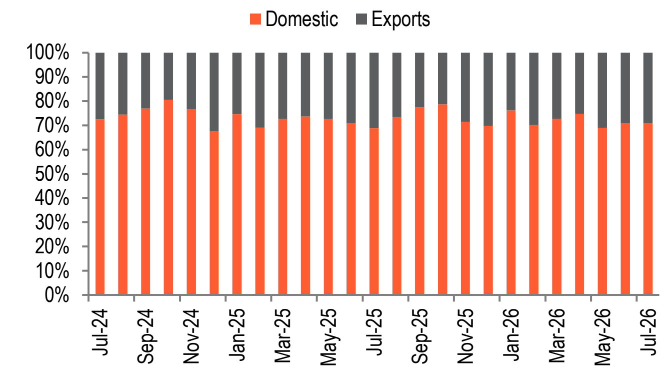
Source: Company, BOBCAPS Research

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



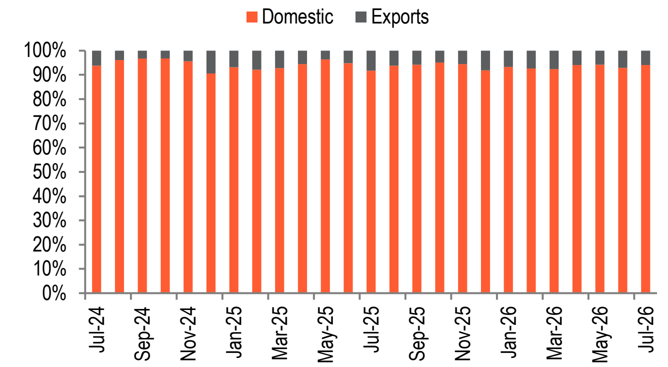
Source: Company, BOBCAPS Research

Fig 23 – Strong exports traction continues to back TVSL's domestic volume growth



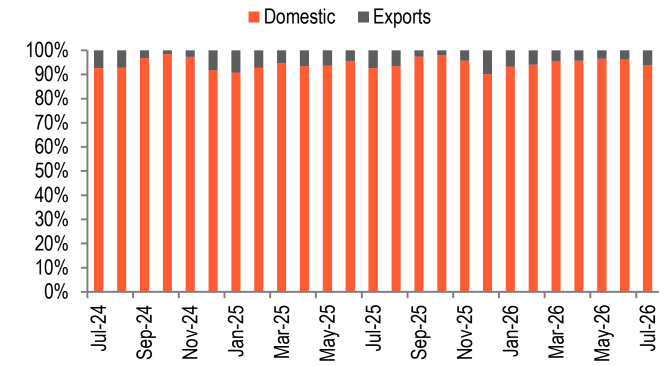
Source: Company, BOBCAPS Research

Fig 24 – HMCL's seeding market showing healthy acceptance for premium products



Source: Company, BOBCAPS Research

Fig 25 – ESCORTS' exports volume recovery uneven



Source: Company, BOBCAPS Research

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

Segments (%)	Production	Domestic Sales	Exports
PV	16.8	25.9	8.8
Passenger cars	9.2	21.3	(5.4)
UVs	20.5	27.9	23.6
2W	22.8	20.3	36.6
Motorcycles	18.3	14.5	34.6
Scooters	32.3	30.8	50.5
3W	39.1	29.7	57.7

Source: SIAM, BOBCAPS Research

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