BOBCAPS
TRUST | INNOVATION | EXCELLENCE

AUTOMOBILES | Q1FY27 Review | 19 August 2026

Volume growth healthy; margins weaken; Q2 show may improve

- **Despite disruption concerns revenue growth (~27%) healthy underpinned by volume growth (25%); premium and EV penetration on uptrend**
- **Severe margin compression (~242bps) as escalating commodity eroded profitability partly offset by price hikes and value engineering**
- **Post Q1FY27, we maintain BUY on MM/MSIL/Hyundai; Retain HOLD on 2W (positive bias on TVSL). AL stays HOLD and SELL on ESCORTS**

Milind Raginwar
Research Analyst
Ayush Dugar
Research Associate
research@bobcaps.in

Momentum base broadening for 2W: 2W OEMs under our coverage reported ~26% YoY volume growth in Q1FY27, with continuity increasingly led by scooters and EVs. TVSL and BJAUT led volume traction with ~28%/29% gains, aided by strong scooter, EV and export traction. HMCL benefitted (8%) by better mix driving volumes up 24% YoY. For EIM >350cc segment normalizes after GSL led fall.

PVs see strong acceleration led by MSIL: Coverage PV OEMs delivered ~21% YoY volume growth, with MSIL emerging as the key outperformer at ~29% YoY. The recovery in entry-level cars, alongside continued SUV demand and strong exports, drove the volume jump. MM maintained strong momentum at ~20% YoY, HMIL declined ~1% by a temporary production disruption.

3Ws emerge as a key growth pocket: 3W volumes grew strongly, driven by TVSL's ~48% YoY growth and BJAUT's ~11% domestic growth. EV adoption continues to remain the key structural driver, with TVSL's EV penetration crossing 40% and BJAUT retaining leadership across ICE and electric 3Ws.

Rural sentiment remains strong: Tractor demand remained healthy, supported by higher MSP, Kharif sowing progression and improving monsoon deficit. MM's FES remained the key outperformer with ~36% YoY growth, while ESCORTS and VSTT reported ~21%/~10% YoY growth, respectively. Demand remained healthy across higher horse power (HP) tractors though small farm machinery lagged.

Tailwinds in favour of CV: CV segment was steady driven by structural tailwinds from replacement cycle and infrastructure activity. VECV volumes grew ~15% YoY, with traction across HD trucks, LMD trucks and buses, while AL (~10% YoY) continued to see strong LCV demand with broadened portfolio but MHCV stayed subdued.

Top picks MM/MSIL/Hyundai: We remain positive on MSIL (revised TP Rs 17,169), due to its healthy overall performance presence driving margins. Prefer MM (TP Rs 4,530), driven by SUV presence (auto segment) and steady tractor demand and HYUNDAI (TP Rs2,327) on launches in the next 4-6 quarters. Two-wheeler segment rated as hold as valuations stay pricey. Retain HOLD on AL.

Fig 1 – Revenue growth

(Rs mn)	Q1FY27	Q1FY26	YoY(%)	Q4FY26	QoQ(%)
AL	96,344	87,245	10.4	1,41,605	(32.0)
BJAUT	1,72,437	1,25,845	37.0	1,60,057	7.7
EIM	62,136	49,084	26.6	59,014	5.3
ESCORTS	32,076	25,001	28.3	29,682	8.1
HMCL	1,29,988	95,789	35.7	1,27,965	1.6
HYUNDAI	1,63,346	1,64,129	(0.5)	1,89,162	(13.6)
MM	4,19,197	3,40,832	23.0	3,95,541	6.0
MSIL	5,24,557	3,84,136	36.6	5,24,493	0.0
TVSL	1,38,961	1,00,810	37.8	1,28,076	8.5
VSTT	3,134	2,825	11.0	3,285	(4.6)
Aggregate	**17,42,176**	**13,75,694**	**26.6**	**17,58,879**	**(0.9)**

Comment:

- Q1FY27 revenue trend was robust with all major OEMs reporting double digit growth YoY. Healthy volume and favourable forex movement for export heavy OEMs supported.
- Recovery in 2W exports and improving mix of scooters aided BJAUT (+30% exports) and TVSL (+36% scooters)
- PV OEMs saw healthy top line momentum with UVs at the forefront while small car revival provided volume fillip to MSIL

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

Fig 2 – Volume growth

(Units)	Q1FY27	Q1FY26	YoY(%)	Q4FY26	QoQ(%)
AL	48,763	44,238	10.2	69,458	(29.8)
BJAUT	14,38,251	11,11,237	29.4	13,71,058	4.9
EIM	3,30,427	2,65,528	24.4	3,17,561	4.1
ESCORTS	36,862	30,581	20.5	32,257	14.3
HMCL	16,77,313	13,67,070	22.7	17,14,285	(2.2)
HYUNDAI	1,77,812	1,80,399	(1.4)	2,08,275	(14.6)
MM	4,58,511	3,81,338	20.2	4,21,266	8.8
MSIL	6,82,724	5,27,861	29.3	6,76,200	1.0
TVSL	16,30,558	12,77,172	27.7	15,60,432	4.5
VSTT	16,062	12,955	24.0	14,626	9.8
Aggregate	**64,97,283**	**51,98,379**	**25.0**	**63,85,418**	**1.8**

Comment:

- Model refreshes and increased penetration of EV led by rising fuel prices drove 2W to ~26% YoY growth.
- The PV OEMs were constrained by supply chain issues though headline volume growth was healthy at ~21% YoY due to better retail sales.
- Domestic tractors continued a healthy run though exports were slightly muted. Rural sentiment remained supportive of the improved monsoon deficit.
- Fleet utilization and freight activity improved while replacement cycle continued driving CVs.

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

Fig 3 – Average realisations

(Rs/vehicle)	Q1FY27	Q1FY26	YoY(%)	Q4FY26	QoQ(%)
AL	19,75,750	19,72,176	0.2	20,38,713	(3.1)
BJAUT	1,19,894	1,13,247	5.9	1,16,739	2.7
EIM	1,88,048	1,84,855	1.7	1,85,836	1.2
ESCORTS	8,70,151	8,17,517	6.4	9,20,160	(5.4)
HMCL	77,498	70,069	10.6	74,646	3.8
HYUNDAI	9,18,646	9,09,810	1.0	9,08,230	1.1
MM	9,14,258	8,93,780	2.3	9,38,935	(2.6)
MSIL	7,68,330	7,27,722	5.6	7,75,648	(0.9)
TVSL	85,223	78,932	8.0	82,077	3.8
VSTT	1,95,119	2,18,024	(10.5)	2,24,573	(13.1)
Aggregate	**6,11,292**	**5,98,613**	**2.1**	**6,26,556**	**(2.4)**

Comment:

- As consumers increasingly shifted towards premium and higher end variant across PVs and 2Ws ASPs trended upwards.
- Due to mounting commodity pressures OEMs undertook price hikes ranging from 0.5%-4.5% to pass on cost inflation.
- Export oriented OEMs benefitted significantly from INR depreciation providing buffer against cost headwinds.

Source: Companies, BOBCAPS Research

BOBCAPS
TRUST | INNOVATION | EXCELLENCE

Fig 4 – EBITDA growth

(Rs mn)	Q1FY27	Q1FY26	YoY(%)	Q4FY26	QoQ(%)
AL	9,695	9,696	(0.0)	20,655	(53.1)
BJAUT	35,953	24,818	44.9	33,227	8.2
EIM	15,103	12,313	22.7	15,230	(0.8)
ESCORTS	3,545	3,214	10.3	3,805	(6.9)
HMCL	17,266	13,817	25.0	18,556	(7.0)
HYUNDAI	15,797	21,852	(27.7)	19,660	(19.6)
MM	51,106	48,840	4.6	55,644	(8.2)
MSIL	43,111	39,953	7.9	61,569	(30.0)
TVSL	17,794	12,630	40.9	16,795	5.9
VSTT	403	375	7.4	468	(13.9)
Aggregate	**2,09,772**	**1,87,507**	**11.9**	**2,45,609**	**(14.6)**

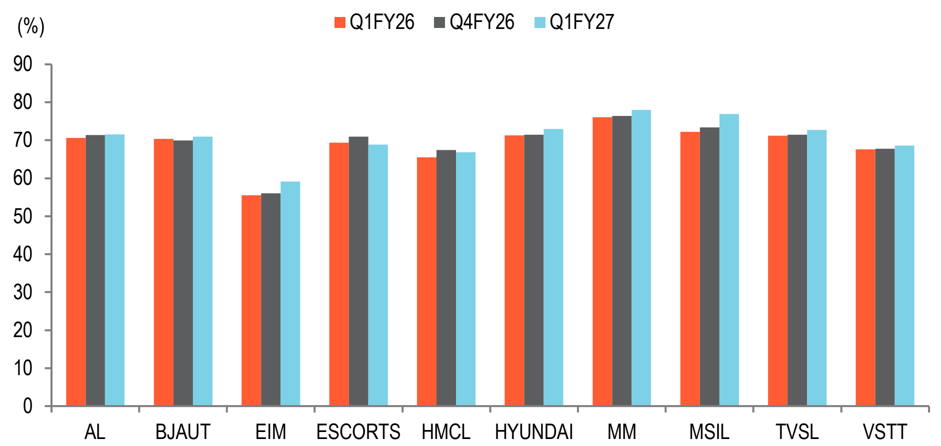
Comment

- EBITDA growth momentum was divergent with 2W leading the pack and PV and CV facing more pronounced effects of cost inflation
- 2W profitability was ~23%-45% as volume growth was robust and increasing share of >150cc motorcycle (~23% per SIAM data)
- PV OEMS reported margin impact of ~200-450bps largely due to raw material cost inflation
- Tractors were also heavily impacted as hedging for steel and rubber commodities is unviable

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

RM cost to sales trended significantly upwards by ~242bps YoY in Q1YF27. Intensifying inflation amongst key inputs like steel , aluminium, copper and rubber led to gross margin compression.

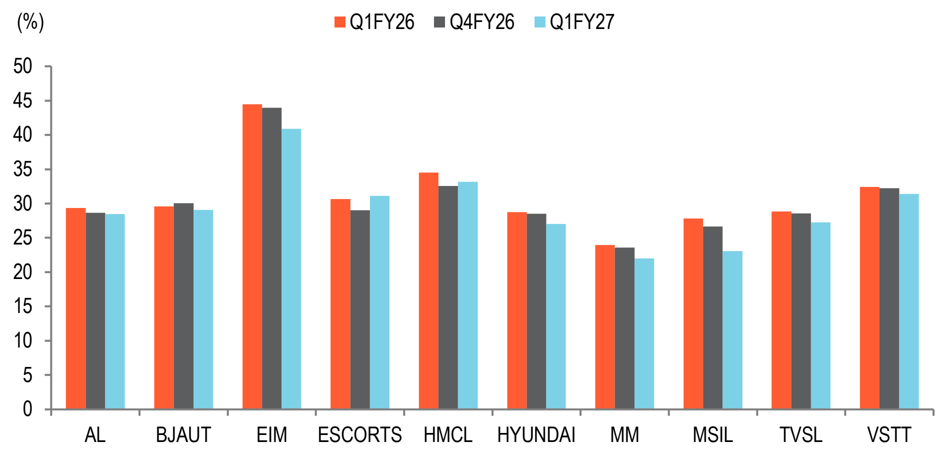
Fig 5 – Raw material cost-to-sales



Source: Companies, BOBCAPS Research

Overall cost headwinds ranged from 2%-5%, to mitigate this OEMs took price hikes of ~0.5%-4.5% though these hikes only partially offset the inflation. Depreciating INR also provides some buffers against persistent inflation.

Fig 6 – Gross margin

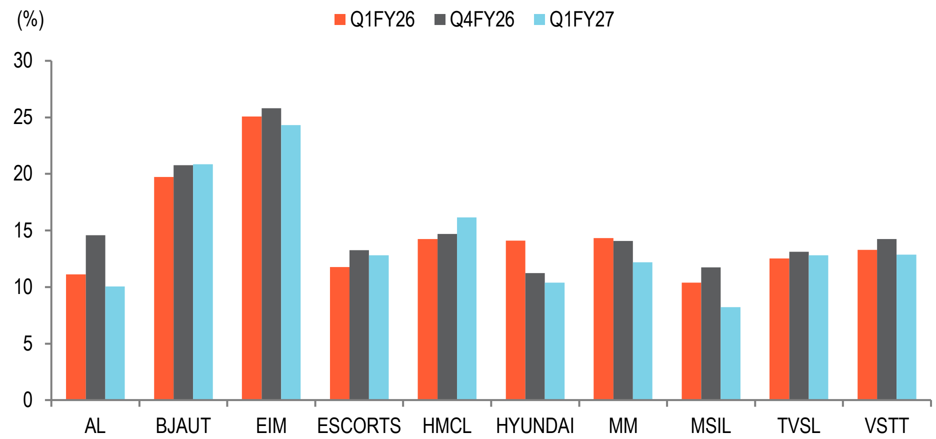


-5%Source: Companies, BOBCAPS Research

EBITDA margins were under pressure (-117bps YoY) though volume led operating leverage and value engineering efforts undertaken by companies aided in partially offsetting the cost impact.

BJAUT and TVSL were the only OEMs that reported margin expansion benefitting by refreshed and improving penetration of premium portfolio

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. Nilesh Mehta
Email ID: head-customercare@bobcaps.in; Phone no: 92288 60945

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.