RESEARCH

AUTOMOBILES | Q1FY27 REVIEW

Volume growth healthy; margins weaken; Q2 show may improve

CEMENT | Q1FY27 REVIEW

Cost inflation may continue in Q2; respite likely in H2FY27

SUMMARY

AUTOMOBILES: Q1FY27 REVIEW

- 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

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CEMENT: Q1FY27 REVIEW

- Demand remains divergent across region though volume growth resilient at ~8% YoY, growth to pick as East stabilizes post monsoon
- Overall cost inflation bites compressing EBITDAM by ~386bps YoY, peak is expected in Q2 with improvement likely to trickle in by H2FY27
- Post results, we maintain BUY on UTCEM, JSWCEMEN and STRCEM; SELL on JKLC and TRCL; retain HOLD on JKCE and SRCM

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AUTOMOBILES | Q1FY27 Review | 19 August 2026

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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.

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Growth remains resilient but divergence widens: Volume growth remained resilient across coverage, supported by capacity ramp-up in Central/North India and improving government/infra spending, though growth was uneven across regions. UTCEM continued to outperform with ~13% YoY growth, JKCE/SRCM/DALBHARA grew ~20%/17%/9%; however, ACC volume fell ~13%, facing regional/logistics disruptions. East and South remained relatively weak, impacted by state elections, Central/North/West India emerged as the key regions for volume growth.

Pricing recovers but sustenance doubtful: Realisations improved ~2%/4% YoY/ QoQ across most companies, supported by price hikes of ~Rs10–25/bag, better trade mix and continued premiumisation. DALBHARA, JKLC and JKCE reported meaningful QoQ realisation improvement, while UTCEM benefited from higher exit prices across most regions. Trade mix remained strong at ~75-78% for NUVOCO/ACEM, with premium products contributing ~25–42% of trade sales. However, YoY pricing remains relatively subdued and sustained hikes will depend on demand recovery.

Cost inflation intensifies: Input cost pressures became more visible in Q1FY27, with elevated pet coke/coal prices, packaging inflation and logistics disruptions weighing on costs. Fuel costs moved towards ~Rs1.5–1.95/kcal, while packaging costs increased due to increase in granule prices. Companies partially mitigated the pressure through efficiency efforts and fuel mix optimisation; however, further ~Rs100–150/t cost inflation is expected for several companies in Q2FY27.

Margins under pressure despite pricing and efficiency gains: Profitability was impacted in Q1FY27 as higher realisations only partially offset cost inflation. UTCEM remained best placed with EBITDA/tn of ~Rs1,165; in contrast, ACC's EBITDA/tn fell steeply by ~35% YoY to ~Rs434 and ACEM faced continued pressure from acquired assets and inflated operating costs. H1FY27 margins may remain under pressure given continued cost inflation in Q2 and monsoon seasonality.

Top pick is UTCEM: BUY on UTCEM/STRCEM/JSWCEMEN (TP Rs 14,679/Rs 281/Rs 150). SELL rating on TRCL/JKLC (Rs 798/Rs 534) on weak operating efficiencies. Retain HOLD on JKCE/SRCM (Rs5,319/Rs.26,607).

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