

Apr-Jun'26
Earnings
Preview

Automobiles

July 08, 2026

Coverage Universe

Name of the Company	Rating	CMP (INR)	TP (INR)
Bajaj Auto	HOLD	10,110	10,500
Eicher Motors	Accumulate	7,536	8,000
Hero MotoCorp	Accumulate	4,995	5,600
Mahindra & Mahindra	Buy	3,196	3,900
Maruti Suzuki	Accumulate	14,538	15,600
TVS Motor Company	Accumulate	3,713	4,100

Strong Volume Momentum but Margin Pressure Lingers

Quick Pointers

- Increasing commodity costs partially absorbed by OEMs, impacting margins
- Alternate fuel vehicles and exports drive volumes

Q1FY27 saw double-digit wholesale auto volume growth even as higher commodity costs, supply chain disruptions and manpower shortage impacted the industry. The West Asia conflict has led to international logistic challenges and the increase in fuel prices has prompted customers to shift to EVs. New EV model launches provided further tailwind as EV penetration increased strongly. Weaker INR should aid companies with higher export exposure. Domestic retail demand remained strong even as most OEMs took price increases in the range of 1%-3% and are in process of increasing capacities to service the demand. Even as some commodities saw corrections toward the end of Q1, margins are expected to be evidently impacted, partially offset by higher operating leverage, price increases, and stronger exports. Some softness in rural demand was visible toward the quarter end due to delayed and deficient monsoon and inauspicious period observed in many regions across the country. El Nino impact and input costs will be key monitorables going ahead. Top picks amongst our coverage are M&M and TVS.

Strong SUV growth and resurgence of small cars: Wholesale volume growth YoY was in 20s with increasing preference for SUVs, whereas small cars saw sustained demand. Growth was driven largely by rural demand outpacing urban growth. PV inventory edged up to ~29/32/33 days at the end of Apr/May/Jun'26, moving away from FADA's recommended 21 days benchmark and warranting dispatch discipline. Alternate fuel (EVs/hybrids/CNGs) share in retail PV sales crossed 40% for the 1st time ever.

Broad-based 2W growth: Wholesale volume growth YoY for the 2W segment was in 20s. Entry level motorcycles saw sustained demand even as price hikes and expectations of a weaker rural cashflow due to below-normal monsoon might impact the segment the most. Scooters continued to grow faster as urban growth slightly outpaced rural growth. EV sales surged led by new launches and higher fuel costs, reaching double-digit penetration for the 1st time ever.

Resilient CV and tractor demand: MHCVs saw modest growth from mining and infra-activities even as there was postponement in replacement demand and fleet expansion due to elevated fuel costs (which form 40%-50% of TCO for an MHCV customer). LCV sales were steady as growth in e-com/ q-com and overall urbanization continued to grow rapidly. Government's capex push, growth in e-com, lower fuel prices and resilient domestic macros will be key for further growth. Tractor sales saw double-digit growth as adequate reservoir levels and fertilizer subsidies helped mitigate the cost pressure and deficient monsoon impact. Government interventions should partially offset the expected impact from El Nino going ahead.

Bajaj Auto: It saw market share gains in its strategic 125cc+ segment driven by Pulsar and 150cc+ sports portfolio as the domestic motorcycle industry saw sustained demand from strong rural cashflows. The management aims to outpace industry growth in this sub-segment, although <125cc volumes, which formed ~2/3rd of its domestic motorcycles in FY26, remain under pressure and are expected to be more vulnerable to inflation. New product launches/interventions, shifting consumer preference toward e-2Ws, and sustained exports (with depreciating INR) should enhance the topline. EBITDA margin of overall EV portfolio (which is improving and reached double digits) and better scale should increase overall margins, although further RM inflation is to be watched out for. It retains 3W leadership, although shift in preference for EVs presents some challenge where peers are scaling up rapidly. We estimate volume/realization CAGR of 10.6%/3.2% over FY26-28E, translating into revenue/EBITDA/APAT CAGR of 14.2%/14.6%/14.1%. We retain 'HOLD' rating with TP of INR10,500 (previous INR10,400), valuing the stock at P/E of 23x based on FY28E EPS.

Hero MotoCorp: Entry-level motorcycle industry has seen sustained demand with HMCL gaining market share, although it remains vulnerable to price increases from higher commodity prices and lower rural cashflows due to expected below-normal monsoon. However, the company has not shown similar strength in the more resilient premium portfolio. Strong scooter and exports sales, albeit on a lower base, should help gain volumes as it increases the capacity to meet the surging demand. Its e-2W market share is also growing in line with the industry. New model launches and pricing actions will be important to track, but margins can remain under pressure in the near term. We estimate volume/realization CAGR of 6.0%/4.6% over FY26-28E, translating into revenue/EBITDA/APAT CAGR of 10.8%/10.6%/10.1%. We assign 'Accumulate' rating with TP of INR5,600 (previous INR6,066) valuing the stock at P/E of 16x (previous 17x) FY28E EPS and its stake in Hero Fincorp at INR40 and in Ather Energy at INR367.

TVS Motor: It has been gaining market share across segments with strong volume growth and its e-2Ws being the market leader, capturing the shift in consumer preference toward greener vehicles amid rising fuel prices. Better scale and mix, and PLI benefits should help improve margins in the medium term. Its 3W domestic sales surged in FY26, especially in the EV segment, which is gaining traction across the industry as new regulations are coming in. Growing exports exposure and depreciating INR add to profitability. Upcoming launches and growth in the premium motorcycle segment would be important factors to track. We estimate volume/realization CAGR of 12.0%/4.4% over FY26-28E, translating into revenue/EBITDA/APAT CAGR of 16.8%/18.8%/22.2%. We assign the stock 'Accumulate' rating with TP of INR4,100 (previous INR3,950), valuing it at P/E of 35x based on FY28E EPS, and INR87 for TVS Credit.

Eicher Motors: Royal Enfield (RE) volumes have been consistently growing in double digits with a strong product portfolio, model refreshes and investments in strengthening the brand. It is operating at peak utilization and the management has announced capacity expansion plans to meet the strong demand in sub-350cc segment. The 350cc+ segment had seen decline since GST 2.0 rate rationalization, although it remains ~10% of its total volumes. Cost savings program and higher operating leverage should partially offset a weaker mix (lower margin 350cc models) and RM costs. Success in the newly launched EV portfolio would be important to track as regulations evolve. VECV volumes have also grown in high to mid-teens, further adding to the financials. In contrast, the CV industry has seen some moderation due to geopolitical tensions. We estimate RE volume/realization CAGR of 10.1%/3.8% over FY26-28E, translating into revenue/EBITDA/APAT CAGR of 14.2%/15.8%/14.7%. We retain 'Accumulate' rating with TP of INR8,000 (previous INR7,580). We value RE at P/E of 32x basis FY28E core EPS and VECV at 10x FY28E EV/EBITDA multiple.

Mahindra & Mahindra: Strong SUV portfolio and premiumization have helped the company to gain traction amongst the customer segment that is more resilient to inflation, giving it more flexibility to further hike prices without hurting demand. With interesting launches, including EVs, it has been consistently driving strong volumes and improved realization. Margin contraction due to RM cost increase and higher EV penetration could be partially offset by improved scale and mix, and stronger exports. Farm volumes have been resilient with the management guiding for mid-single-digit industry growth for FY27 and improved guidance for the medium term,

where M&M is the market leader. Monsoon progression will be key to track. We estimate volume/realization CAGR of 7.8%/3.5% over FY26-28E, translating into revenue/EBITDA/APAT CAGR of 12.4%/11.0%/9.9%. We retain 'BUY' rating with SoTP-based TP of INR3,900 (unchanged), valuing the core business at P/E of 24x FY28E EPS and its share of subsidiaries' value.

Maruti Suzuki: The mini and compact segment saw sustained demand on a low base, although SUV demand remains intact. It is investing heavily in capacity addition as it aims to meet the rising demand across sub-segments. Its EV sales growth has been slow but steadily gaining market share, while upcoming SUV (both ICE and EV) launches are to be watched out for. Its overall market share and margins remain under pressure given high RM inflation; however, better operating leverage, sustained exports and weaker INR should aid revenue. We estimate volume/realization CAGR of 9.2%/5.9% over FY26-28E, translating into revenue/EBITDA/APAT CAGR of 15.7%/15.7%/16.5%. We retain 'Accumulate' rating with TP of INR15,600 (previous INR14,550), valuing it at P/E of 25x (previous 23x) FY28E EPS.

Exhibit 1: Q1FY27 Result Preview (INR mn)

Company Name		Q1FY27E	Q1FY26	YoY gr. (%)	Q4FY26	QoQ gr. (%)	Remark
Bajaj Auto	Sales	1,69,580	1,25,845	34.8	1,60,057	5.9	Strong exports volume with domestic market share gain in its strategic 125cc+ segment, sustained 3W dominance & a weaker INR is expected to drive 35% YoY increase in revenue. Improved scale, price increases, improved EV margins and cost savings are expected to offset RM inflation pressure resulting in flat margin YoY. PAT is expected to grow by 30% YoY.
	EBITDA	33,407	24,818	34.6	33,227	0.5	
	Margin (%)	19.7	19.7	-2 bps	20.8	-106 bps	
	PBT	36,011	27,875	29.2	36,251	(0.7)	
	Adj. PAT	27,188	20,960	29.7	27,180	0.0	
Eicher Motors	Sales	64,315	50,418	27.6	60,801	5.8	RE's domestic sub-350cc motorcycle volume grew in 30s although >350cc ones had moderated post GST 2.0 rate rationalization, along with decline in international business. With price hikes taken we expect revenue to grow by 28%. EBITDA margins are expected to be marginally down YoY (-6bps YoY) as cost reduction efforts and higher operating leverage should mostly offset RM inflation, weaker international and 350cc+ mix, higher marketing spends. VECV volume also grew in mid-teens but which shall partly improve profit from JV, leading to estimated PAT growth of 17% YoY.
	EBITDA	15,307	12,028	27.3	15,137	1.1	
	Margin (%)	23.8	23.9	-6 bps	24.9	-110 bps	
	PBT	16,377	14,359	14.1	16,140	1.5	
	Adj. PAT	14,066	12,052	16.7	15,200	(7.5)	
Hero MotoCorp	Sales	1,24,579	95,789	30.1	1,27,965	(2.6)	Strong growth across segments, especially scooters and exports, with price hikes are expected to increase revenue by 30% YoY. Margin is expected to decrease by 130bps YoY due to RM inflation and promotion expenses to be partially offset by better scale and weaker INR. PAT is estimated to grow 11% YoY.
	EBITDA	16,320	13,817	18.1	18,556	(12.0)	
	Margin (%)	13.1	14.4	-132 bps	14.5	-140 bps	
	PBT	16,616	14,870	11.7	18,548	(10.4)	
	Adj. PAT	12,545	11,257	11.4	14,011	(10.5)	
Mahindra & Mahindra	Sales	4,12,713	3,40,832	21.1	3,95,541	4.3	Strong Auto volumes (esp. exports) and decent growth in farm and T&B volumes with improved realizations are expected to increase its revenue by 21% YoY. Higher commodity costs and EV penetration (margin dilutive) should be partially offset by cost optimization efforts, price hikes and better operating leverage resulting in 140bps YoY margin decline. We estimate PAT to grow by 4% YoY.
	EBITDA	53,240	48,840	9.0	55,644	(4.3)	
	Margin (%)	12.9	14.3	-143 bps	14.1	-117 bps	
	PBT	47,590	44,713	6.4	48,812	(2.5)	
	Adj. PAT	35,883	34,498	4.0	37,373	(4.0)	
Maruti Suzuki	Sales	5,29,546	3,84,136	37.9	5,24,493	1.0	Strong volume growth across the portfolio and weaker INR should aid revenue growth of 38% YoY. EBITDA margin is expected to decline by 90bps YoY due to RM inflation and higher staff/ other expenses partially offset by better operating leverage and cost reduction levers. We estimate PAT to decline by 8% YoY.
	EBITDA	50,307	39,953	25.9	61,569	(18.3)	
	Margin (%)	9.5	10.4	-90 bps	11.7	-224 bps	
	PBT	44,407	48,342	(8.1)	48,360	(8.2)	
	Adj. PAT	34,193	37,117	(7.9)	35,905	(4.8)	
TVS Motor Company	Sales	1,35,840	1,00,810	34.7	1,28,076	6.1	Strong volume growth across the portfolio and weaker INR should help grow the revenue by 35% YoY. Higher commodity costs are expected to be partially offset by price increases, better mix, cost reduction efforts and operating leverage resulting in EBITDA margin decline by 40bps YoY. We expect PAT to grow by 30% YoY.
	EBITDA	16,437	12,630	30.1	16,795	(2.1)	
	Margin (%)	12.1	12.5	-43 bps	13.1	-101 bps	
	PBT	13,483	10,531	28.0	13,584	(0.7)	
	Adj. PAT	10,112	7,786	29.9	9,977	1.4	

Source: Company, PL

Exhibit 2: Valuation Summary

Company Name	C/S	Rating	CMP (INR)	TP (INR)	Mcap (INR bn)	Sales (INR bn)				EBITDA (INR bn)				Adj. PAT (INR bn)				EPS (INR)				RoE (%)				PE (x)			
						FY25	FY26	FY27E	FY28E	FY25	FY26	FY27E	FY28E	FY25	FY26	FY27E	FY28E	FY25	FY26	FY27E	FY28E	FY25	FY26	FY27E	FY28E	FY25	FY26	FY27E	FY28E
Bajaj Auto	S	HOLD	10,110	10,500	2,825.6	500.1	587.3	685.5	765.9	101.0	120.2	138.5	157.8	81.5	98.4	112.6	127.6	291.9	352.1	402.7	456.5	28.6	29.3	30.9	32.4	34.6	28.7	25.1	22.1
Eicher Motors	C	Accumulate	7,536	8,000	2,067.1	188.7	234.1	272.4	305.4	47.1	57.9	67.4	77.5	47.3	55.7	62.7	73.3	172.7	203.1	228.7	267.3	24.1	24.0	23.3	23.5	43.6	37.1	33.0	28.2
Hero MotoCorp	S	Accumulate	4,995	5,600	999.6	407.6	468.3	527.3	575.2	58.7	68.7	73.8	84.0	46.1	53.6	57.4	64.9	230.5	267.8	286.7	324.5	24.4	25.9	25.5	26.5	21.7	18.7	17.4	15.4
Mahindra & Mahindra	S	Buy	3,196	3,900	3,842.2	1,164.8	1,455.8	1,682.5	1,838.1	171.2	209.8	225.5	258.3	118.5	157.4	166.7	190.0	98.7	130.9	138.7	158.0	20.8	23.2	20.6	19.8	32.4	24.4	23.0	20.2
Maruti Suzuki	S	Accumulate	14,538	15,600	4,570.7	1,528.7	1,832.7	2,214.8	2,454.8	201.5	214.5	239.2	287.2	143.0	144.5	163.2	196.2	454.8	459.5	518.9	624.0	16.0	14.5	14.7	15.9	32.0	31.6	28.0	23.3
TVS Motor Company	S	Accumulate	3,713	4,100	1,763.9	362.5	472.7	563.1	645.2	44.5	60.8	70.4	85.8	26.0	36.5	43.8	54.5	54.8	76.7	92.2	114.7	29.5	34.5	33.4	31.2	67.7	48.4	40.3	32.4

Source: Company, PL C=Consolidated / S=Standalone

Exhibit 3: Change in Estimates

	Rating		Target Price			Sales (INR bn)						PAT (INR bn)						EPS (INR)					
						FY27E			FY28E			FY27E			FY28E			FY27E			FY28E		
	C	P	C	P	% Chng.	C	P	% Chng.	C	P	% Chng.	C	P	% Chng.	C	P	% Chng.	C	P	% Chng.	C	P	% Chng.
Bajaj Auto	HOLD	HOLD	10,500	10,400	1.0%	685.5	677.4	1.2%	766	756.2	1.3%	112.6	111.5	0.9%	127.6	126.4	1.0%	402.7	399.1	0.9%	456.5	452.2	1.0%
Eicher Motors	Accumulate	Accumulate	8,000	7,580	5.5%	272.4	267.6	1.8%	305	296.9	2.8%	62.7	64.5	-2.7%	73.3	73.5	-0.3%	228.7	235.2	-2.7%	267.3	268.1	-0.3%
Hero MotoCorp	Accumulate	Accumulate	5,600	6,066	-7.7%	527.3	522.9	0.8%	575	576.0	-0.1%	57.4	56.0	2.4%	64.9	63.0	3.1%	286.7	280.0	2.4%	324.5	314.8	3.1%
Mahindra & Mahindra	Buy	Buy	3,900	3,900	0.0%	1,682.5	1,624.6	3.6%	1,838	1,789.8	2.7%	166.7	169.1	-1.4%	190.0	191.3	-0.7%	138.7	140.7	-1.4%	158.0	159.2	-0.7%
Maruti Suzuki	Accumulate	Accumulate	15,600	14,550	7.2%	2,214.8	2,051.1	8.0%	2,455	2,332.1	5.3%	163.2	169.7	-3.8%	196.2	198.9	-1.4%	518.9	539.7	-3.8%	624.0	632.6	-1.4%
TVS Motor Company	Accumulate	Accumulate	4,100	3,950	3.8%	563.1	551.1	2.2%	645	629.2	2.5%	43.8	43.8	0.1%	54.5	52.4	3.9%	92.2	92.1	0.1%	114.7	110.4	3.9%

Source: Company, PL C = Current / P = Previous

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (INR)	Share Price (INR)
1	Bajaj Auto	Hold	10400	10596
2	Eicher Motors	Accumulate	7580	6982
3	Hero MotoCorp	Accumulate	6066	5322
4	Mahindra & Mahindra	BUY	3900	3371
5	Maruti Suzuki	Accumulate	14550	12892
6	TVS Motor Company	Accumulate	3950	3527

PL's Recommendation Nomenclature (Absolute Performance)

BUY	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly

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