Domestic Auto Demand Remains Strong; Macro Uncertainties Warrant Caution

Over Apr'26-May'26, cumulative 2W domestic sales grew by 22% YoY to 36.5 Lc units, supported by strong performances from Hero (+38%), Eicher Motor (+31%), TVS Motor (+16%), and Bajaj Auto (+10%). Exports showed improved traction across global markets, led by Hero MotoCorp, TVS Motor and Bajaj Auto. On a YTD basis, **3W domestic wholesales** rose 32% YoY to 1.41 Lc units, led by M&M (+85%), followed by TVS Motor (+47%) and Bajaj (+16%). The **domestic PV industry** posted a ~23% YoY growth to ~9.01 Lc units, driven by strong performance from Tata Motors (+36%), Maruti Suzuki (+33%), Toyota Kirloskar (+20%), Hyundai (+13%), Kia India (+12%), M&M (+9%), while JSW MG Motor declined 1% YoY. **Domestic CV volumes** increased 13% YTD to 1.6 Lc units, reflecting strong performance supported by an early replacement cycle and positive freight demand. **Domestic tractor sales (Exhibit 2)** rose 23%, driven by M&M (+24%), VST (+28%), and Escorts (+15%). **The overall industry outlook remains optimistic, supported by strong demand prospects, a reduction in the GST rate, and a stable income tax level, although partly offset by unfavourable macroeconomic conditions in FY27.**

2W/3W Wholesale Nos: In May'26, domestic 2W OEM sales rose ~13% YoY but declined 3% MoM, led by TVS Motors (+31% YoY), followed by Bajaj Auto (+18% YoY) and Eicher Motors (+15% YoY) and Hero MotoCorp (+12% YoY), while export momentum remained strong, driven by Hero MotoCorp, TVS Motor and Bajaj Auto. Going ahead, potential upside triggers for domestic demand include (i) Government-led consumption measures (Income Tax relief/ GST reduction), (ii) An uptick in rural demand, and (iii) New model launches. The three-wheeler (3W) segment posted strong growth of 33% YoY and 12% MoM, with M&M leading the surge at 89% YoY, followed by TVS Motor at 55% YoY, and Bajaj Auto (+12% YoY).

PV Wholesale Nos: In May'26, domestic PV sales rose ~26% YoY and 2% MoM, with Tata Motors and Maruti Suzuki registering the highest growth at 42% and 35% each, followed by Kia India (+24%), Toyota Kirloskar (+13% YoY), M&M (+11% YoY), Hyundai (+9% YoY) while JSW MG Motor declined (-4% YoY). Looking ahead to FY27, we remain cautiously positive and expect industry volumes to grow at a mid-single-digit pace, supported by the reduction in GST rates, improving consumer affordability, and new model launches, partly offset by price hikes undertaken by OEMs to mitigate the impact of volatile raw material prices amid macroeconomic uncertainties.

CV Wholesale Nos: Our proxy for CV domestic dispatches witnessed a 12% YoY growth, while declining by 2% MoM. Tata Motors registered the highest growth at 19% YoY, followed by Maruti Suzuki, M&M, and VECV, which posted growth of 17%, 13%, and 3% YoY, respectively, while Ashok Leyland declined 3% YoY. We expect positive momentum to continue into FY27, supported by the GST rate cut, improving fleet utilisation, and early replacement demand. However, the pace of growth may be partly offset by macroeconomic uncertainties, geopolitical tensions, and potential disruptions in raw material supply chains, which could impact exports and lead to production slowdowns in the near term.

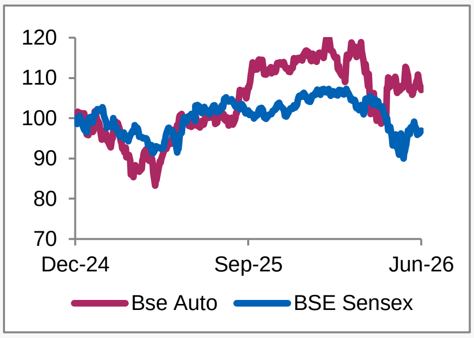
Healthy Volumes in the Tractor Industry: Our proxy for the tractor segment witnessed volume growth of 23% YoY and 6% MoM, supported by sustained rural demand, favourable kharif season expectations, and above-normal reservoir levels. VST Tillers reported a strong volume surge of 32% YoY, followed by Escorts Kubota (+23% YoY) and M&M (+23% YoY). Looking ahead to FY27, we expect low-to-mid single-digit growth, driven by GST rate reductions, healthy reservoir levels, favourable monsoon expectations, and strong kharif sowing activity. However, growth may be partly offset by the higher base of the last year, while any adverse impact from El Niño remains a key risk to tractor demand due to its potential effect on monsoon rainfall, agricultural output, and rural incomes.

In the long term, we prefer Bajaj Auto and Eicher Motors in 2W, M&M (non-coverage) as a play in the PV/LCV/Tractor segment, followed by Maruti in PVs. We also like Tata Motors (non-coverage) in the CV space, followed by a close watch on Eicher (VECV) for any market share gains.

Total Sales Summary (May'26)

Company	May'26	May'25	YoY (%)
Ashok Leyland	14,923	15,484	-4%
Bajaj Auto (2W+3W)	4,61,257	3,84,621	20%
Eicher Motors (RE)	1,03,231	89,429	15%
Eicher Motors (VECV)	7,789	7,259	7%
Escorts (Tractors)	12,310	10,354	19%
Hero MotoCorp	5,70,068	5,07,701	12%
M&M	1,49,331	1,24,753	20%
Hyundai	61,137	58,701	4%
Maruti Suzuki	2,42,688	1,80,077	35%
Tata Motors (PV)	59,790	42,040	42%
Tata Motors (CV)	32,850	28,147	17%
TVS Motors	5,66,585	4,31,275	31%

Relative Performance



Source: Ace Equity, Axis Securities Ltd.

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2W/3W Segment

- **TVS Motors'** total 2W sales in May'26 imporved by 31% YoY and 19% MoM; 3W sales grew 55% YoY and 26% MoM. Exports rose 49% YoY and 47% MoM.
- **Hero MotoCorp**: Total 2W sales in May'26 were up 12% YoY but remained flat MoM.
- **Bajaj Auto's** total 2W domestic sales in May'26 were up 18% YoY but down 11% MoM; 2W/exports up 30% YoY but down 20% MoM.
- **RE** total sales were up 15% YoY but down 9% MoM; Exports declined 33% YoY and remained flat MoM.

PV & CV Segment

- **Maruti Suzuki's** total sales in May'26 were up 35% YoY and 1% MoM; The total CV sales improved 17% YoY but were down 6% MoM.
- **M&M's** PV division grew 11% YoY and 3% MoM. LCV sales were up 13% YoY and 3% MoM.
- **Ashok Leyland's** total sales were down 4% YoY but up 2% MoM.
- **Tata Motors'** total domestic PV sales rose 42% YoY and remained flat MoM; domestic CV sales were up 19% YoY but down by 7% MoM.
- **Eicher Motors' (VECV)** total CV sales rose 8% YoY and 9% MoM.

Tractor Segment

- **M&M's** total tractor sales were up 22% YoY and 3% MoM.
- **Escorts Kubota Limited's** tractor sales increased 40% YoY and 14% MoM.
- **VST Tillers & Tractors** sales up 28% YoY and MoM each.

Exhibit 1: Auto Sales Monthly Update

Auto Sales Monthly Update (Summary)						
	May'26			FY YTD (Numbers)		
Company	**Sales (Units)**	**YoY (%)**	**MoM (%)**	**FY26**	**FY25**	**YoY (%)**
Maruti Suzuki						
Passenger Car	97,830	*42.3%*	*1.1%*	1,94,555	1,36,980	*42.0%*
Utility Vehicle	79,267	*44.4%*	*1.8%*	1,57,159	1,13,921	*38.0%*
Vans	13,240	*7.4%*	*1.2%*	26,327	23,765	*10.8%*
LCV	3,198	*17.2%*	*-6.4%*	6,616	6,077	*8.9%*
Total Domestic Direct Sales	**1,93,535**	*39.5%*	*1.3%*	**3,84,657**	**2,80,743**	*37.0%*
Sales to Other OEMs	7,239	*-28.8%*	*-14.5%*	15,709	19,995	*-21.4%*
Total Domestic Sales	**2,00,774**	*34.9%*	*0.6%*	**4,00,366**	**3,00,738**	***33.1%***
Total Exports	41,914	*34.3%*	*4.6%*	81,968	59,130	*38.6%*
Total Sales	**2,42,688**	*34.8%*	*1.3%*	**4,82,334**	**3,59,868**	***34.0%***
Tata Motors (Ex JLR)						
Domestic PV Sales	59,090	*42.2%*	*0.2%*	1,18,090	86,756	*36.1%*
Domestic CV Sales	30,784	*19.0%*	*-6.6%*	63,749	51,636	*23.5%*
Total Domestic Sales	**89,874**	***33.3%***	***-2.3%***	**1,81,839**	**1,38,392**	***31.4%***
PV Exports	700	*44.9%*	*-0.1%*	1,401	816	*71.7%*
CV Exports	2,066	*-9.2%*	*10.6%*	3,934	3,732	*5.4%*
Total Sales	**92,640**	***32.0%***	***-2.0%***	**1,87,174**	**1,42,940**	***30.9%***
Mahindra & Mahindra						
Passenger Vehicles	58,021	*10.7%*	*3.0%*	1,14,352	1,04,761	*9.2%*
Light Commercial Vehicles	24,079	*12.6%*	*2.8%*	47,506	44,381	*7.0%*
3 Wheelers	12,536	*88.9%*	*26.6%*	22,435	12,105	*85.3%*
Total Domestic Sales	**94,636**	***17.6%***	***5.6%***	**1,84,293**	**1,61,247**	***14.3%***
Total exports	5,000	*36.9%*	*0.6%*	9,970	7,033	*41.8%*
Total Vehicle Sales	**99,636**	***18.5%***	***5.3%***	**1,94,263**	**1,68,280**	***15.4%***
Tractors Domestic	47,845	*23.0%*	*3.1%*	94,249	77,430	*21.7%*
Tractor Exports	1,850	*7.0%*	*-7.8%*	3,857	3,267	*18.1%*
Total tractors	**49,695**	***22.3%***	***2.7%***	**98,106**	**80,697**	***21.6%***
Escorts						
Tractors Domestic	11,887	*22.5%*	*14.3%*	22,285	17,851	*24.8%*
Tractors Exports	423	*-35.0%*	*-7.8%*	882	1,232	*-28.4%*
Total tractors	**12,310**	***18.9%***	***13.4%***	**23,167**	**19,083**	***21.4%***
ECEs	**450**	***40.2%***	***13.6%***	846	721	***17.3%***
Hyundai						
Domestic	47,837	*9.1%*	*-7.8%*	99,739	88,235	*13.0%*
Exports	13,300	*-10.4%*	*-3.0%*	27,008	31,240	*-13.5%*
Total tractors	**61,137**	***4.1%***	***-6.8%***	**1,26,747**	**1,19,475**	***6.1%***

Auto Sales Monthly Update (Summary)

Company	May'26 Sales (Units)	YoY (%)	MoM (%)	FY YTD (Numbers) FY26	FY25	YoY (%)
TVS Motors						
Scooters	2,20,740	*32.4%*	*4.5%*	4,31,898	3,36,490	*28.4%*
Motorcycles	2,73,802	*29.5%*	*36.9%*	4,73,841	4,32,032	*9.7%*
Mopeds	48,569	*28.1%*	*10.0%*	92,705	77,974	*18.9%*
Total 2W Sales	**5,43,111**	***30.5%***	***19.3%***	**9,98,444**	**8,46,496**	***18.0%***
Total 3W	**23,474**	***55.4%***	***26.0%***	**42,111**	**28,675**	***46.9%***
Total Sales	**5,66,585**	***31.4%***	***19.5%***	**10,40,555**	**8,75,171**	***18.9%***
Domestic Sales	3,90,594	*24.9%*	*10.3%*	7,44,556	6,39,854	*16.4%*
Exports Sales	1,75,991	*48.6%*	*46.6%*	2,95,999	2,35,317	*25.8%*
Ashok Leyland Ltd						
Domestic MHCV	16,238	*1.0%*	*22.4%*	1,28,033	1,14,793	*11.5%*
Domestic LCV	7,505	*16.8%*	*6.5%*	74,322	65,049	*14.3%*
Total Domestic Sales	**23,743**	***5.5%***	***16.9%***	**2,02,355**	**1,79,842**	***12.5%***
Exports MHCV	1,280	*33.9%*	*-14.2%*	14,625	11,238	*30.1%*
Exports LCV	358	*-39.7%*	*1.7%*	3,457	4,017	*-13.9%*
Total Exports	**1,638**	***5.7%***	***-11.1%***	**18,082**	**15,255**	***18.5%***
Total Sales	**25,381**	***5.5%***	***14.6%***	**2,20,437**	**1,95,097**	***13.0%***
Bajaj Auto						
2W Domestic	2,09,528	*9.5%*	*-0.3%*	2,10,063	3,80,027	*-44.7%*
2W Exports	1,83,676	*30.3%*	*-20.1%*	2,29,890	2,70,280	*-14.9%*
Total 2W Sales	**3,93,204**	***18.3%***	***-10.6%***	**4,39,953**	**6,50,307**	***-32.3%***
CV Domestic	38,503	*12.2%*	*0.9%*	38,147	66,321	*-42.5%*
CV Exports	29,550	*64.8%*	*-17.2%*	35,692	33,803	*5.6%*
Total CV Sales	**68,053**	***30.2%***	***-7.8%***	**73,839**	**1,00,124**	***-26.3%***
Total Sales	**4,61,257**	***19.9%***	***-10.2%***	**5,13,792**	**7,50,431**	***-31.5%***
Eicher Motors						
2W Domestic	94,115	*24.1%*	*-9.6%*	1,98,244	1,51,822	*30.6%*
2W Exports	9,116	*-33.0%*	*0.9%*	18,151	24,166	*-24.9%*
Total Sales 2W	**1,03,231**	***15.4%***	***-8.8%***	**2,16,395**	**1,75,988**	***23.0%***
CV Domestic	7,375	*9.1%*	*8.5%*	14,172	13,015	*8.9%*
CV Exports	414	*-17.4%*	*14.4%*	776	961	*-19.3%*
Volvo CV	189	*31.3%*	*18.9%*	348	273	*27.5%*
Total Sales CV	**7,318**	***6.9%***	***-45.0%***	**7,318**	**6,846**	***6.9%***

Auto Sales Monthly Update (Summary)

	May'26			FY YTD (Numbers)		
Company	**Sales (Units)**	**YoY (%)**	**MoM (%)**	**FY26**	**FY25**	**YoY (%)**
VST Tillers						
Power Tillers	4019	***31.9%***	***29.2%***	7,130	5,050	***41.2%***
Tractors	453	***3.2%***	***21.8%***	825	756	***9.1%***
TOTAL	**4472**	***28.3%***	***28.4%***	**7955**	**5806**	***37.0%***
Hero MotoCorp						
Scooter	66,305	*103.8%*	*3.1%*	1,30,600	51,854	*151.9%*
Motorcycles	5,03,763	*6.0%*	*0.4%*	10,05,554	7,61,253	*32.1%*
Total Sales 2W	**5,70,068**	***12.3%***	***0.7%***	**11,36,154**	**8,13,107**	***39.7%***
Domestic	5,36,784	*9.8%*	*0.8%*	10,69,217	7,77,521	*37.5%*
Exports	33,284	*78.0%*	*-1.1%*	66,937	35,586	*88.1%*

Exhibit 2: Auto Domestic Monthly Sales Summary

Tractor sales	May'25	Apr'26	May'26	YoY %	MoM %	YTD'26	YTD'27	YoY
M&M	34,321	38,147	38,503	12%	1%	66,321	76,650	16%
Escorts	15,109	18,637	23,474	55%	26%	28,675	42,111	47%
VST Tillers	6,635	9,899	12,536	89%	27%	12,105	22,435	85%
Domestic Tractor Sales	**56,065**	**66,683**	**74,513**	**33%**	**12%**	**1,07,101**	**1,41,196**	32%
PV sales	**May'25**	**Apr'26**	**May'26**	**YoY %**	**MoM %**	**YTD'26**	**YTD'27**	**YoY**
Maruti Suzuki	1,48,858	1,99,592	2,00,774	35%	1%	3,00,738	4,00,366	33%
Hyundai	43,861	44,001	51,547	18%	17%	88,235	99,739	13%
Tata Motors	41,557	59,000	59,090	42%	0%	86,756	1,18,090	36%
M&M	52,431	56,331	58,021	11%	3%	1,04,761	1,14,352	9%
Toyota Kirloskar	29,280	32,000	33,128	13%	4%	54,113	65,128	20%
Kia India	22,315	27,286	27,586	24%	1%	48,938	54,872	12%
JSW MG Motor	6,304	6,018	6,048	-4%	0%	12,133	12,066	-1%
Honda Cars	3,950	4,938	7,853	99%	59%	7,310	12,791	75%
Total Domestic (Proxy)	**3,48,556**	**4,29,166**	**4,44,047**	**27%**	**3%**	**7,02,984**	**8,77,404**	**25%**
CV sales	**May'25**	**Apr'26**	**May'26**	**YoY %**	**MoM %**	**YTD'26**	**YTD'27**	**YoY**
Tata Motors	25,872	32,965	30,784	19%	-7%	51,636	63,749	23%
M&M	21,392	23,427	24,079	13%	3%	44,381	47,506	7%
Ashok Leyland	14,534	14,242	14,148	-3%	-1%	27,043	28,390	5%
VECV	6,758	6,797	7,375	9%	9%	13,015	14,172	9%
Maruti Suzuki	2,728	3,418	3,198	17%	-6%	6,077	6,616	9%
Total Domestic CV	**71,284**	**80,849**	**79,584**	**12%**	**-2%**	**1,42,152**	**1,60,433**	**13%**
3W sales	**May'25**	**Apr'26**	**May'26**	**YoY %**	**MoM %**	**YTD'26**	**YTD'27**	**YoY**
Bajaj Auto	34,321	38,147	38,503	12%	1%	66,321	76,650	16%
TVS Motor	15,109	18,637	23,474	55%	26%	28,675	42,111	47%
M&M	6,635	9,899	12,536	89%	27%	12,105	22,435	85%
Total Domestic 3W	**56,065**	**66,683**	**74,513**	**33%**	**12%**	**1,07,101**	**1,41,196**	32%
2W sales	**May'25**	**Apr'26**	**May'26**	**YoY %**	**MoM %**	**YTD'26**	**YTD'27**	**YoY**
Hero MotoCorp	4,88,997	5,32,433	5,36,784	10%	1%	7,77,521	10,69,217	38%
HMSI	4,17,256	5,63,000	4,58,834	10%	-19%	8,40,187	10,21,834	22%
TVS Motors	3,09,287	3,48,545	3,84,565	24%	10%	6,32,934	7,33,110	16%
Bajaj Auto	1,91,412	2,10,063	2,09,528	9%	0%	3,80,027	4,19,591	10%
RE	75,820	1,04,129	94,115	24%	-10%	1,51,822	1,98,244	31%
Suzuki Motorcycle	1,07,780	98,004	1,10,028	2%	12%	2,02,994	2,08,032	2%
Total 2W Domestic	**15,90,552**	**18,56,174**	**17,93,854**	**13%**	**-3%**	**29,85,485**	**36,50,028**	**22%**

Source: Company Data, Axis Securities Research

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BUY	More than 10%
HOLD	Between 10% and -10%
SELL	Less than -10%
NOT RATED	We have forward-looking estimates for the stock, but we refrain from assigning a valuation and recommendation.
UNDER REVIEW	We will revisit our recommendation, valuation and estimates on the stock following recent events.
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