Auto firms mull price hike as metal costs hit margin

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HIGH PRICES OF precious metals such as silver and platinum along with broader commodity inflation may force two-wheelers and commercial vehicles manufacturers to go for a price hike during the fourth quarter.

These companies are likely to mix it up with volume growth and cost-cutting measures as they brace for another quarter of margin pressure.

India's auto industry delivered its best-ever third quarter in FY26, with passenger vehicle sales rising 20.6% to 1.28 million units, commercial vehicles 21.5% to 0.29 million units and two-wheeler by 17% to a record 5.70 million units, aided by festive demand and a boost from GST rate rationalisation across categories.

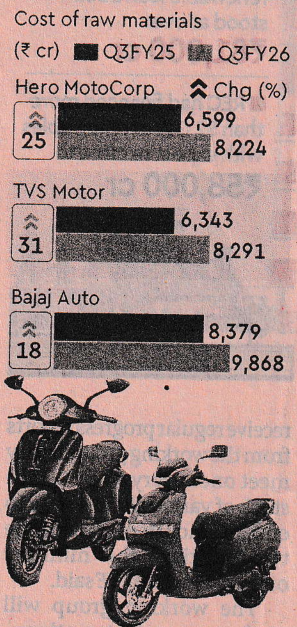
However, the strong volume performance was partially offset by rising raw material costs driven by commodity inflation.

TVS Motor Director & CEO K N Radhakrishnan said the commodity price hike was driven by aluminium, copper, zinc and precious metals such as platinum, palladium and rhodium.

"We are closely monitoring the situation," he said, adding that the company is relying on scale, cost reduction, product mix and selective price increases to offset the pressure. The company reported a 31% year-on-year increase in raw material costs to ₹8,291 crore in third quarter.

"You can look at small price increases but it can't be fully passed on," he said during the earnings call. The company has already implemented a 0.2–0.3% price hike across categories in the third quarter.

RIPPLE EFFECT



Crisil Ratings Director Poonam Upadhyay said prices of precious metals such as platinum, palladium and rhodium have risen 35–65% year-on-year and are likely to remain volatile depending on mining supply and recycling from end-of-life vehicles and catalytic converters.

She added that base metals such as aluminium, copper and steel remain stable to firm, supported by steady demand and disciplined global supply additions, subject to industrial demand trends. Prices of these metals are up about 7%, 12% and 6% year-on-year, respectively.

Bajaj Auto, the country's second largest two-wheeler maker, expects commodity inflation to shave off 50–60 basis points from margins.

"We have seen further cost inflation. Noble metals, including rhodium, platinum and palladium, are heating up. Aluminium and copper remain on an upward trend, while steel is broadly stable," CFO Dinesh Thapar said during the earnings call.

The Pune-based automaker is also planning some price hikes in the current quarter. "Given the strong festive volumes, we chose to defer pricing actions to the start of this (Q4) quarter," he said.