HOLD

TP: Rs 5,221 | ⩒ 6%

EICHER MOTORS | Automobiles | 01 August 2025

Striking a growth margin balance; valuations price in fully

- **Revenue gain ~16% YoY (-4% QoQ) to Rs 49bn, driven by healthy volume gains realisation listless in the motorcycle segment**
- **Motorcycle margins trajectory softens on commodity cost inflation and product mix; impact of pass through to be reflected in Q2FY26**
- **Earnings estimates unchanged. We assign 27x P/E and roll forward to arrive at SOTP-based TP of Rs 5,221. Maintain HOLD**

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Revenue growth driven by volume growth: Reported revenue in Q1FY26 increased by 16% YoY (-4% QoQ) to Rs 49bn, driven by the healthy motorcycles volume. Net realisation per vehicle was listless, down by 1% YoY (+2.4 QoQ) to Rs 185k despite commodity cost hardening, indicating focus on volume push and higher discounts. Motorcycles sales rose by 18% YoY to ~266k driven by a sharp focus on the middle-weight segment. EIM maintains its dominant share of 87% in this segment. Consolidated revenue rose by ~21% to Rs 50.4bn (including VECV).

Commodity cost hardening keeps margins under pressure: Raw material cost jumped by 21% YoY (-5% QoQ) effectively EBITDA margin fell by 232bps YoY (49 bps QoQ), as commodity inflation had a net impact of 30bps. Price hikes have been taken in Q1FY26 to pass on the impact and should take effect in Q2FY26.

Strong push on launches: RE strengthened its 87% mid-sized segment share with the Classic 650 launch, achieving strong traction in India and export markets (UK, Europe). The Hunter 350 refresh (launched April 2025) and Guerrilla 450 attracted younger buyers (age 24-26), while Bullet refresh drove ~60K units. Festive season launches and new variants are set to further boost demand.

CV gaining traction: VECV recorded 21k units volume in Q1FY26, up 9.7% YoY in an otherwise flat market, with strong growth in LMD trucks and buses. However, HD truck volumes dipped on lower total industry volume (TIV). Exports remained robust, with growth in markets like Bangladesh and Nepal.

Maintain HOLD: We maintain our FY26/FY27 EBITDA estimates, due to better product portfolio, focus on mid-segment category and improving exports. We introduce FY28 earnings, reflecting the growing momentum as EBITDA/PAT CAGR at 12%/11% over FY25-FY28E. We continue to value EIM at 27x P/E to factor in healthier prospects in the RE and VECV segments. We arrive at a higher SOTP-based unchanged TP of Rs 5,221 that includes Rs 150/sh for VECV. Maintain HOLD.

Key changes

Target	Rating
◀ ▶	◀ ▶

Ticker/Price	EIM IN/Rs 5,528
Market cap	US$ 17.3bn
Free float	51%
3M ADV	US$ 28.9mn
52wk high/low	Rs 5,907/Rs 4,509
Promoter/FPI/DII	49%/30%/9%

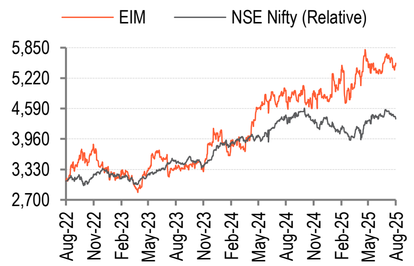
Source: NSE | Price as of 1 Aug 2025

Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
Total revenue (Rs mn)	1,84,515	1,98,668	2,18,060
EBITDA (Rs mn)	47,680	55,834	61,602
Adj. net profit (Rs mn)	42,329	45,542	50,673
Adj. EPS (Rs)	154.4	166.1	184.8
Consensus EPS (Rs)	154.4	167.9	190.8
Adj. ROAE (%)	22.9	22.3	21.7
Adj. P/E (x)	35.8	33.3	29.9
EV/EBITDA (x)	31.6	27.0	24.4
Adj. EPS growth (%)	12.3	7.6	11.3

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

Fig 1 – Earnings call highlights

Parameter	Q1FY26	Q4FY25	Our view
Royal Enfield (RE) volumes	Sold 266k motorcycles, India accounting for ~229k units, with strong YoY growth. Bullet sold ~60k units, driven by customer feedback-based updates. Classic 650 launched with strong initial traction in India and export markets (UK, Europe). Hunter 350 refresh (launched April 2025) has gained traction with younger buyers (age 24-26). Continental GT also saw a younger demographic shift (age 26-27). RE holds a dominant 87% market share in the mid-sized segment.	Sales volumes in Q4FY25 at ~280k units (Domestic-250k, Export-30k), gained traction by 23.2% YoY. For FY25, RE recorded ~1mn unit sale, a 10% rise YoY. RE maintained strong leadership in motorcycles, with 88% market share. RE launched 6 new motorcycle models during the period: Bear 650, Guerrilla 450, Classic 650, Goan Classic 350, a refreshed Classic 350, and a refreshed Hunter. It also unveiled two electric vehicle concepts under the Flying Flea EV series: the FF-C6 and FF-S6.	Continued timely product intervention, refreshers in the 350cc segment, sharpening focus on mid-segment has helped volumes traction. This will gain further momentum with healthy product launches. Further, the boost in export markets will only add cushion to the revenue growth.
VE Commercial Vehicles (VECV) market share	EIM's market share in LMD truck was 34.5% (33.9% in Q1FY25), buses at 21.5% (vs 19.8%), Heavy Duty HD truck at 8.8% (8.4% in Q1FY25), while in the Volvo Truck India (high-end premium segment) was at~92%% down from 95%.	EIM's market share in LMD truck was 37.1%, buses at 23.6%, Heavy Duty (HD) truck at 9.1%, while in the Volvo Truck India (high-end premium segment) was at 95.9%. For FY25, LMD truck share was 36%, HD trucks at 9% and buses at 21.1%.	We observe continued healthy revival in demand for the CV HD segment. This may strengthen once demand picks up. EIM has beaten industry growth in most of the segments. Bus segment market share (at 22%) improvement only adds to the comfort.
VECV volumes	Recorded volumes of 26k units, a new quarterly record, surpassing Q1FY25's 25k units. HD trucks: 5.65k units. Full range of ICE, electric, CNG, and LNG products are available.	VECV sold 28.7k units, growing by 11.4% YoY, outperforming the overall industry. LMD Trucks contributed 11.6k units, while HD Trucks accounted for 6.8k units. Bus segment performed particularly well, with 7.4k units sold, reflecting a strong 24% YoY growth. For FY25, EIM recorded total CV volume of 90k units a growth of 5.4% YoY. Two significant products were launched: Eicher Pro X (EV SCV) and Volvo Road train.	Current war-like situation has deterred sales, but medium-term outlook stays intact with replacement demand staying ~ 6.5%. This, along with budget allocations gathering pace and consumption impetus in the Union Budget, makes CV revival likely to be on a steady but firm track.
Margins	EBITDA came in at Rs 12bn, up 14% YoY from Rs 10.6bn. Net commodity price increase impacted by ~30bps after a 20bps offset from value engineering. Price hikes have been taken in April and July 2025 to help mitigate inflation.	Consolidated EBITDA margin stood at 24% down from 26% YoY as RE margins declined by ~90bps, of which ~20bps resulted from rising steel/aluminium prices, ~20bps from one off inventory provision and ~30bps from product mix. One-off expense included Rs 190mn for Europe distributor liquidation. For FY26, management has guided to maintain consolidated margin of around 24-25%.	There is continuity in the strategy with focus on gaining growth traction and on absolute earnings growth, even if there is some weakness in margins. This is likely to be in the short term, though we will keep a close watch on margin improvement.
Capacity	Currently running at close to 90% capacity utilisation. Modular capacity enhancement strategy has been adopted by EIM to avoid heavy capex. Focus is currently on new product development and EV manufacturing. Brazil CKD facility and Thailand plant are operational, supporting export growth.	EIM has planned capex of Rs 12-13bn for FY26 to support EV manufacturing, new product development, and capacity enhancements. Brazil's second facility has been operational from Jan'25 (22k unit capacity), enhancing export capabilities.	CV and 2W capacities have limited headroom to cater to incremental demand. EIM will focus on adding capacities. CKD plant in Thailand will help cater to regional markets. Brazil also remains a key focus market, though gaining pace is a challenge.

Parameter	Q1FY26	Q4FY25	Our view
Other key points	Rural sales mix rose to ~50% from 30%, driven by accessible models (Bullet Battalion Black, single-channel Classics, Hunter). Financing support for ~575 rural dealers via floor financing. Exports grew in Brazil, Indonesia, Bangladesh, and Nepal; Europe distribution was streamlined. Himalayan domestic volumes (~3k/month) stagnated due to rare earth material issues, now resolved with alternative materials. Festive season outlook positive with new colours and launches planned.	RE's customer profile is increasingly younger, with 30%+ below 25 years and 60-65% below 35 years, driven by aspirational models like Guerrilla 450 and Hunter refresh. Top 20 cities account for 18-22% RE volumes as urban recovery picks up while rural demand remains benign. Immediate impact of US tariff was mitigated by pre-tariff inventory ensuring no alteration is needed in MSRP.	Change in customer profile (reduced age and higher rural mix) is a welcome for EIM. Inventory management will be key as premium EIM products are available in select centres.

Source: Company, BOBCAPS Research | CKD: Completely knocked down

Fig 2 – Quarterly performance (standalone)

(Rs mn)	1QFY26	1QFY25	YoY (%)	4QFY25	QoQ (%)	Q1FY26E	Deviation (%)
Volume (nos)	2,65,528	2,26,021	17.5	2,82,823	(6.1)	2,65,528	0.0
Avg. Realisation per Vehicle (Rs)	1,84,855	1,87,207	(1.3)	1,80,558	2.4	1,81,912	1.6
Net Revenues	49,084	42,313	16.0	51,066	(3.9)	48,303	1.6
Total Income (A)	**49,084**	**42,313**	**16.0**	**51,066**	**(3.9)**	**48,303**	**1.6**
Operating Expenses							
Raw materials consumed	27,256	22,513	21.1	28,608	(4.7)	26,602	2.5
Employee Expenses	3,442	3,291	4.6	3,203	7.5	3,271	5.2
Other Expenses	6,074	4,722	28.6	6,646	(8.6)	6,038	0.6
Total Expenditure (B)	**36,772**	**30,527**	**20.5**	**38,457**	**(4.4)**	**35,911**	**2.4**
EBITDA (A-B)	12,313	11,786	4.5	12,609	(2.3)	12,392	(0.6)
Other Income	6,589	4,173	57.9	3,538	86.2	3,213	105.1
Depreciation	1,861	1,583	17.6	1,885	(1.3)	1,891	(1.6)
EBIT	17,041	14,376	18.5	14,262	19.5	13,714	24.3
Finance Costs	67	45	48.0	86	(22.6)	91	(26.8)
PBT after excep items	16,974	14,331	18.4	14,176	19.7	13,623	24.6
Tax expense	3,909	3,451	13.3	2,925	33.7	2,929	33.5
Reported PAT	**13,065**	**10,880**	**20.1**	**11,251**	**16.1**	**10,694**	**22.2**
Adjusted PAT	**13,065**	**10,880**	**20.1**	**11,251**	**16.1**	**10,694**	**22.2**
EPS (Rs)	**47.8**	**39.8**	**20.1**	**41.2**	**16.1**	**39.1**	**22.2**
Key Ratios (%)			**(bps)**		**(bps)**		**(bps)**
Gross Margin	44	47	(232)	44	49	45	(45)
EBITDA Margin	25	28	(277)	25	39	26	(57)
EBIT Margin	35	34	74	28	679	28	633
PBT Margin	35	34	71	28	682	28	638
Tax Rate	23	24	(105)	21	240	22	153
Adj PAT Margin	27	26	90	22	458	22	448

Source: Company, BOBCAPS Research

Valuation Methodology

We maintain our FY26/FY27 EBITDA estimates, due to better product portfolio, focus on mid-segment category and improving exports. We introduce FY28 earnings reflecting the growing momentum as EBITDA/PAT CAGR at 12%/11% over FY25-FY28E.

We continue to value EIM at 27x P/E to factor in better growth prospects in the Royal Enfield and VECV segments. The focus on mid-sized segment, customer profile turning younger and healthy product launch with better rural mix, collectively augur well . The changed strategy to focus on growth and vigilance on margins with a revival in the rural domestic and exports markets in motorcycles segment, help us maintain P/E multiple.

Additionally, EV initiatives will cater to growth only in the near/medium term. However, this will continue to impact margin profile. Any normative cost escalation will further burden margins in case the pass-through is not available. Given EIM's focus on growth, cost escalation and discount pains may have to be absorbed by the company in the near term.

We continue to value EIM at 27x P/E to factor in better healthy prospects in RE and VECV segments. We arrive at a higher SOTP-based unchanged TP of Rs 5,221 that includes Rs 150/sh for VECV. Maintain HOLD.

Fig 3 – Key assumptions

	FY25	FY26E	FY27E	FY28E
Volumes (nos)	9,42,000	9,69,600	10,23,600	10,74,000
Revenues (Rs mn)	1,84,515	1,98,668	2,18,060	2,36,351
Realisation per vehicle (Rs)	1,62,100	1,72,758	1,78,936	1,83,508
EBITDA (Rs mn)	47,680	55,834	61,602	66,234
EBITDA margin (%)	25.8	28.1	28.3	28.0
Adj. PAT (Rs mn)	42,329	45,542	50,673	55,487
EPS (Rs)	154	166	185	202

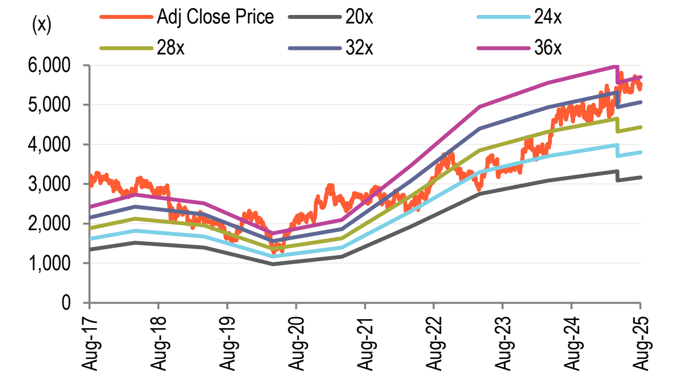
Source: Company, BOBCAPS Research

Fig 4 – Valuation summary

Business (Rs)	1-year forward EPS (Rs)	Target P/E (x)	Value (Rs)
Standalone Business	185	27.0	5,071
VECV Business	-	-	150
Total	**-**	**-**	**5,221**

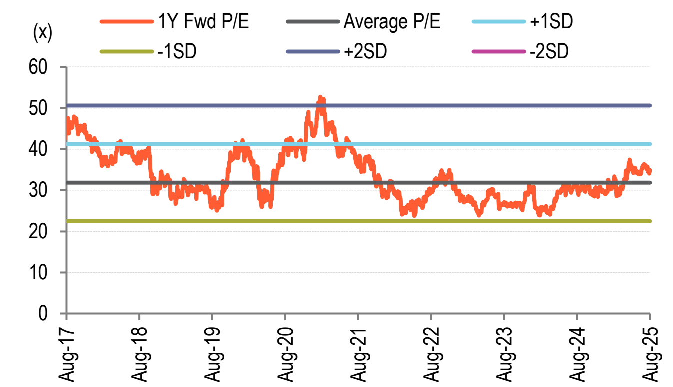
Source: BOBCAPS Research,

Fig 5 – P/E band: There is scope for valuation expansion



Source: Bloomberg, BOBCAPS Research

Fig 6 – P/E 1YF: We believe valuation has little upside on current earnings



Source: Bloomberg, BOBCAPS Research

Key Risks

- The cost inflation added to statutory norms will further burden margins in the near term.
- Higher-than-anticipated margin pressure on growing competitive intensity, alongside slower revival in export markets, are the key downside risks.
- A strong response to high-end launches, faster-than-expected revival in rural demand and healthy export revenue are key upside risks to our estimates

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Total revenue	**1,60,782**	**1,84,515**	**1,98,668**	**2,18,060**	**2,36,351**
EBITDA	43,802	47,680	55,834	61,602	66,234
Depreciation	5,591	6,841	6,692	7,323	8,071
EBIT	49,892	54,462	59,377	66,936	72,813
Net interest inc./(exp.)	(192)	(240)	(231)	(261)	(281)
Other inc./(exp.)	11,681	13,623	10,235	12,656	14,650
Exceptional items	0	0	0	0	0
EBT	49,700	54,222	59,146	66,675	72,532
Income taxes	12,206	11,893	13,604	16,002	17,045
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	0	0	0	0	0
Reported net profit	**37,683**	**42,677**	**45,925**	**51,093**	**55,949**
Adjustments	189	348	382	420	463
Adjusted net profit	**37,494**	**42,329**	**45,542**	**50,673**	**55,487**

Balance Sheet

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Accounts payables	22,918	24,988	27,930	30,712	33,769
Other current liabilities	15,625	20,692	12,676	14,254	15,526
Provisions	2,722	3,137	5,235	5,235	5,235
Debt funds	1,723	1,844	1,763	1,783	1,803
Other liabilities	0	0	0	0	0
Equity capital	273	274	274	274	274
Reserves & surplus	1,56,662	1,84,724	2,04,152	2,32,889	2,66,439
Shareholders' fund	1,56,934	1,84,999	2,04,426	2,33,163	2,66,714
Total liab. and equities	**1,99,922**	**2,35,659**	**2,52,030**	**2,85,147**	**3,23,047**
Cash and cash eq.	12,631	1,613	12,401	13,435	15,151
Accounts receivables	5,727	10,811	10,331	11,448	12,408
Inventories	10,686	11,057	13,410	14,937	16,545
Other current assets	29,340	59,000	22,080	25,326	27,691
Investments	1,13,069	1,20,271	1,62,069	1,87,069	2,17,069
Net fixed assets	31,174	31,609	31,917	32,095	32,024
CWIP	2,100	6,504	5,120	6,400	8,000
Intangible assets	0	0	0	0	0
Deferred tax assets, net	(4,805)	(5,205)	(5,298)	(5,563)	(5,841)
Other assets	0	0	0	0	0
Total assets	**1,99,923**	**2,35,659**	**2,52,030**	**2,85,147**	**3,23,047**

Cash Flows

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Cash flow from operations	**17,933**	**7,745**	**73,840**	**43,548**	**48,023**
Capital expenditures	(8,178)	(11,680)	(5,616)	(8,780)	(9,600)
Change in investments	(10,273)	(7,202)	(41,798)	(25,000)	(30,000)
Other investing cash flows	11,681	13,623	10,235	12,656	14,650
Cash flow from investing	**(6,769)**	**(5,259)**	**(37,179)**	**(21,124)**	**(24,950)**
Equities issued/Others	619	(618)	0	0	0
Debt raised/repaid	735	121	(81)	20	20
Interest expenses	(192)	(240)	(231)	(261)	(281)
Dividends paid	(10,129)	(19,194)	(20,565)	(21,936)	(21,936)
Other financing cash flows	1,771	400	93	265	278
Cash flow from financing	**(7,196)**	**(19,531)**	**(20,784)**	**(21,912)**	**(21,919)**
Chg in cash & cash eq.	**3,968**	**(17,044)**	**15,876**	**512**	**1,154**
Closing cash & cash eq.	**12,631**	**1,613**	**12,401**	**13,435**	**15,151**

Per Share

Y/E 31 Mar (Rs)	FY24A	FY25A	FY26E	FY27E	FY28E
Reported EPS	137.4	154.4	166.1	184.8	202.4
Adjusted EPS	137.4	154.4	166.1	184.8	202.4
Dividend per share	37.1	70.0	75.0	80.0	80.0
Book value per share	575.3	674.7	745.5	850.3	972.7

Valuations Ratios

Y/E 31 Mar (x)	FY24A	FY25A	FY26E	FY27E	FY28E
EV/Sales	9.4	8.2	7.6	6.9	6.3
EV/EBITDA	34.7	31.6	27.0	24.4	22.5
Adjusted P/E	40.2	35.8	33.3	29.9	27.3
P/BV	9.6	8.2	7.4	6.5	5.7

DuPont Analysis

Y/E 31 Mar (%)	FY24A	FY25A	FY26E	FY27E	FY28E
Tax burden (Net profit/PBT)	75.4	78.1	77.0	76.0	76.5
Interest burden (PBT/EBIT)	99.6	99.6	99.6	99.6	99.6
EBIT margin (EBIT/Revenue)	31.0	29.5	29.9	30.7	30.8
Asset turnover (Rev./Avg TA)	111.5	106.8	101.1	98.9	93.9
Leverage (Avg TA/Avg Equity)	1.0	1.0	1.0	1.0	1.0
Adjusted ROAE	26.2	24.8	23.4	23.2	22.2

Ratio Analysis

Y/E 31 Mar	FY24A	FY25A	FY26E	FY27E	FY28E
YoY growth (%)					
Revenue	14.3	14.8	7.7	9.8	8.4
EBITDA	29.1	8.9	17.1	10.3	7.5
Adjusted EPS	43.0	12.3	7.6	11.3	9.5
Profitability & Return ratios (%)					
EBITDA margin	27.2	25.8	28.1	28.3	28.0
EBIT margin	31.0	29.5	29.9	30.7	30.8
Adjusted profit margin	23.3	22.9	22.9	23.2	23.5
Adjusted ROAE	23.9	22.9	22.3	21.7	20.8
ROCE	26.1	24.6	23.3	23.1	22.1
Working capital days (days)					
Receivables	14	16	19	18	18
Inventory	22	22	22	24	24
Payables	89	86	87	88	89
Ratios (x)					
Gross asset turnover	0.4	0.4	0.4	0.4	0.4
Current ratio	1.4	1.7	1.3	1.3	1.3
Net interest coverage ratio	259.9	226.9	257.0	256.5	259.1
Adjusted debt/equity	0.0	0.0	0.0	0.0	0.0

Source: Company, BOBCAPS Research | Note: TA = Total Assets

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Recommendation scale: Recommendations and Absolute returns (%) over 12 months

BUY – Expected return >+15%

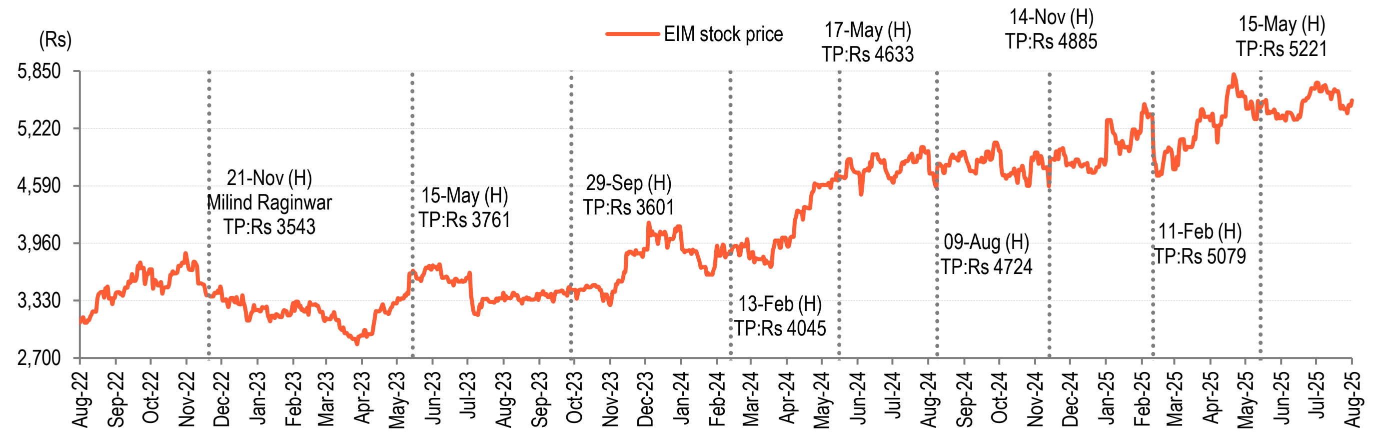
HOLD – Expected return from -6% to +15%

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.

Ratings and Target Price (3-year history): EICHER MOTORS (EIM IN)



B – Buy, H – Hold, S – Sell, A – Add, R – Reduce

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