HOLD

TP: Rs 7,791 | ⮝ 0%

EICHER MOTORS | Automobiles | 30 July 2026

Well geared to ride the premium wave; fully priced in, HOLD

- **RE volumes (~24% YoY) led by core portfolio (~34% YoY) drive revenue up 27% YoY; Consolidated revenue up by ~32% YoY**
- **Gross margin compress by ~358bps YoY to 40.9% price hikes, value engineering and lower advertisement spend support EBITDA (~24%)**
- **Revise FY28/FY29 EBITDA estimates up and continue to assign 30x P/E; roll forward to arrive at SOTP-based TP of Rs7,791 (Rs 7,431). HOLD**

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Exports volatile but will gain pace; Premium demand strengthens: EIM's standalone revenue grew ~27%/5% YoY/QoQ to ~Rs62.1bn, driven by ~24% YoY volume growth to ~330k motorcycles. Domestic demand stayed robust across the 350cc portfolio, though exports fell ~20% YoY Brazil continued to be the largest overseas market with growth headroom. Consolidated revenue rose ~32% YoY to ~Rs66.3bn, supported by strong performance from both Royal Enfield and VECV.

Commodity inflation weighs on margins; cost actions mitigate impact: RM cost spiked ~35% YoY, with RM cost-to-sales rising to ~59.1% from 55%/56% YoY/QoQ, resulting in gross margin contraction of ~358bps YoY (~306bps QoQ). EIM indicated a 4–4.5% commodity cost headwind, partially offset by 1.75% price hikes (~1.2% benefit), value engineering (~0.4%), sourcing initiatives and lower promotional spends, helping EBITDA rise ~22% YoY to ~Rs15.1bn.

Growth visibility backed by capacity expansion: RE commenced deliveries of the Flying Flea C6 through a calibrated city-wise rollout. The brownfield expansion will add annual capacity to ~1.5mn units, with production exceeding 5,000 motorcycles/day. The Board also approved Rs12.3bn for Phase-I of the Andhra Pradesh greenfield facility, taking long-term capacity to ~2.45mn units by FY29.

Holistic momentum at VECV: VECV reported volumes of ~24.8k units (+15% YoY), led by healthy growth across HD trucks, buses and exports. Spare parts revenue increased ~15% YoY on higher fleet utilisation, EIM retained leadership in the LMD truck segment and strengthened its presence in the SCV and electric CV.

Revise estimates; Retain HOLD: We revise our FY27 EPS up by 3% to factor the changed business dynamics. But we revise down the FY28/FY29 EPS by 1% each, driven by cost inflation, premium exports market stressed and competition. Our new EBITDA/PAT CAGR is at 17%/14% over FY25-FY29E. We value EIM at 30x P/E to factor in the steady prospects in the RE segment, strong exports aided by CKD and boost to the VECV segment. We arrive at a SOTP-based TP of Rs 7,791 (vs Rs 7,431) on rollover that includes Rs 180/sh for VECV) prospects. Maintain HOLD.

Key changes

Target	Rating
▲	◀ ▶

Ticker/Price	EIM IN/Rs 7,779
Market cap	US$ 22.4bn
Free float	51%
3M ADV	US$ 44.4mn
52wk high/low	Rs 8,230/Rs 5,387
Promoter/FPI/DII	49%/30%/9%

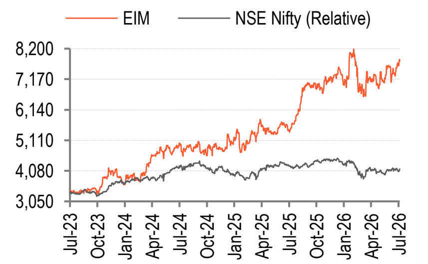
Source: NSE | Price as of 29 Jul 2026

Key financials

Y/E 31 Mar	FY26A	FY27E	FY28E
Total revenue (Rs mn)	2,26,997	2,38,459	2,85,972
EBITDA (Rs mn)	61,804	63,807	76,296
Adj. net profit (Rs mn)	54,083	55,773	65,676
Adj. EPS (Rs)	197.2	203.4	239.5
Consensus EPS (Rs)	197.2	212.7	249.0
Adj. ROAE (%)	24.8	22.3	22.4
Adj. P/E (x)	39.4	38.2	32.5
EV/EBITDA (x)	34.3	33.3	27.9
Adj. EPS growth (%)	26.4	3.1	17.8

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

Fig 1 – Earnings call highlights

Parameter	Q1FY27	Q4FY26	Our view
Royal Enfield (RE) volumes	RE delivered its quarterly sales at 332.9k motorcycles, led by strong domestic demand (301.2k units) while exports grew to 31.8k units despite a challenging macro environment. EIM highlighted sustained strength across enquiry, bookings and walk-ins, with 350cc models (Classic, Hunter, Bullet) growing ~34% YoY. The >350cc portfolio recovered to pre-GST demand levels, with Geurilla 450 (~2.5k/month) and 650cc twins (~4.2k/month) gaining traction. Dealer inventory remained lean at 10-12 days, while production ramp-up crossed 5,000 motorcycles/day to support the festive season. The quarter saw the launch of the Bullet 650 and the Flying Flea C6. The company also updated the Hunter 350 with new variants, which continues to attract a young demographic, with 50% of its buyers being first-time motorcycle owners	RE continued its strong performance with FY26 volumes crossing 1.2mn units (+23% YoY domestic, +20% exports), reinforcing leadership in the mid-size Motorcycle segment. Q4FY26 momentum remained healthy on a sustained premiumisation, strong inquiry trends (+23% YoY), festive carry-over demand and robust traction for refreshed models including Hunter, Guerrilla and Himalayan. Management highlighted April'26 volumes at ~104k units (+57% YoY), indicating that demand momentum remains structurally strong. Dealer inventory remains extremely lean at ~7–8 days, despite supply-side disruptions. Younger demographics continue gaining strength with ~1/3rd customers aged below 25 years.	Continued timely intervention has helped volume growth. Rate rationalization below 350cc has helped volume growth but will play a higher base effect from H2 and hence volume growth will be a challenge. Exports markets revival in key regions including LATAM region will be handy
VE Commercial Vehicles (VECV) market share	VECV faltered its leadership in the LMD truck segment (33.2% vs 34.8% YoY) while strengthening its position across categories. HD truck market share was stable at 8.8% YoY, while entry into the small commercial vehicle (SCV) segment gathered pace with over 1,041 units sold, including 172 electric vehicles.	VECV sustained leadership in LMD trucks with ~35.3% market share, HD trucks improved to ~9.5% share, supported by infrastructure-led demand and improving freight movement. Electric buses and small commercial EVs also scaled up gradually, with 726 EV units delivered during FY26.	EIM entry in the small CV segment will be helpful in gathering pace as it broaden the portfolio. The HD truck segment and LMD segment are delivering steady momentum will help a push in the growth. Recaliberating the product portfolio to help.
VECV volumes	VECV reported Q1 volumes of 24.8k units (+15% YoY). HD trucks grew 15.2% YoY to 5.3k units, LMD trucks reached 9.9k units, buses delivered 6.1k units, while exports almost flat YoY at 1,450 units. Spare parts revenue grew 15.3% YoY to Rs9.3bn, reflecting healthy fleet utilisation. VECV launched the Volvo FMX Edge, specifically engineered to improve productivity in mining. 30 new touch points were added in Q1 to enhance service capabilities.	VECV delivered a healthy performance in FY26 with volumes crossing 100k units (+15% YoY) for the first time. Growth was broad-based across HD trucks (+14%), LMD trucks, buses and exports (+36%). Q4FY26 revenue was Rs82.8bn with EBITDA at Rs9.2bn. Parts business remained robust with ~14% YoY growth to Rs30.5bn, supported by higher fleet utilisation. VECV has announced price hikes of up to 2% from April'26.	CV revival will likely come on a firm track with minor stress in FY27, due to geopolitical concerns. Medium-term outlook stays intact with replacement demand staying ~ 6.5%. Spares revenue growth steady and remains a contributing factor.
Margins	EIM reported consolidated Q1 revenue of Rs66.3bn (+32% YoY) with EBITDA of Rs15.9bn (+32% YoY). RE faced commodity inflation of 4-4.5%, partly offset by 1.75% price hikes (~1.2% benefit), value engineering (~0.4%) and sourcing initiatives. Lower marketing spends by ~7% also supported operating performance. Increasing share of exports (~15% of revenue) and allied business (~15% of revenue) provide aid.	EIM reported consolidated FY26 revenue at ~Rs234bn up 24% YoY with EBITDA at ~Rs57.9bn (23% YoY) and PAT at ~Rs55.1bn (17% YoY). Q4FY26 margins remained resilient, despite incremental commodity inflation (~90bps impact in Q4FY26 and ~3–3.5% likely inflationary pressure in Q1FY27). 70bps of the impact was mitigated by price hike and the balance through cost reduction. RE undertook ~1.75% price hikes from April'26 while intensifying value engineering, sourcing efficiencies and cost-reduction initiatives to mitigate inflationary pressure.	Commodity cost inflation will continue to hit in 9MFY27 though the impact may be less severe. However, in the festive season focus will be on volume growth with higher incentives. This will restrict price hikes and will keep margins under pressure.

Parameter	Q1FY27	Q4FY26	Our view
Capacity	RE completed the first phase of brownfield expansion, increasing effective annual capacity to ~1.5mn motorcycles, with daily production exceeding 5,000 units. The Cheyyar brownfield module remains on track to lift capacity to 2mn units by FY28. Additionally, the Board approved Phase-I of the Andhra Pradesh greenfield plant (Rs12.3bn capex), adding 450k units annually by FY30 and taking total installed capacity to 2.45mn units.	RE expedited capacity expansion plans with near-term debottlenecking increasing effective capacity from ~1.4mn to ~1.6mn units from Jun-Jul'26. Brownfield expansion at Tamil Nadu facilities (~Rs9.6bn capex) remains on track to take annual capacity to ~2mn units by FY28. Additionally, RE signed an MoU for a greenfield Andhra Pradesh facility (~261 acres) to support future growth beyond 2mn units.	New capacity addition will help cater to the additional demand and It is a move in the right direction. EIM will focus on adding capacities. CKD plant in Thailand will help cater to regional markets in the ASEAN region. With addition of 0.5mn capacity till FY29 augurs well to tap growth and incremental demand.
Other key points	Indonesia is identified as a high-potential market, but growth is currently limited by a 10,000-unit quota and a luxury tax of 160%+ on motorcycles above 250cc. EIM is considering a CKD plant there to unlock this market. VECV is currently working on a new transmission project and has seen record sales in its Volvo trucks and buses segment. Depreciation rose this quarter primarily due to the capitalization of the EV (Flying Flea) business and a gross block increase of approximately Rs 3.5bn The penetration of accessories among new buyers has surged from an initial 35–40% to 87%, driven largely by the "Make It Yours" booking platform. Approximately 70% of Royal Enfield buyers are upgraders from other brands, while roughly 5% to 6% are existing owners upgrading within the brand	Flying Flea C6 electric motorcycle was officially launched in Bengaluru with a calibrated city-by-city rollout strategy. Bullet 650 dispatches have commenced, and multiple new products showcased at EICMA remain on track. Brazil emerged as RE's largest international market with ~71% YoY growth. EIM also announced a 50:50 vehicle financing JV with Volvo Group with planned equity infusion of up to Rs7.5bn, aimed at strengthening customer financing ecosystem for VECV and RE. Beside motorcycles sales RE's allied business saw robust growth: Motorcycle accessories' global revenue grew 32% YoY, and apparel business grew 21% YoY	Plans to expand presence in the ASEAN region key to expand and circumvent the quota regulation in few countries. Allied and spares business comes in handy and guard for margins. Launch of refreshers is likely to be timely. Focus on EV and new launches to help in the medium term. Deprecation run rate to remain high with new capacity addition till FY29

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

Fig 2 – Quarterly performance (standalone)

(Rs mn)	Q1FY27	Q1FY26	YoY (%)	Q4FY26	QoQ (%)	Q1FY27E	Deviation (%)
Volume (nos)	3,30,427	2,65,528	24.4	3,17,561	4.1	3,30,427	0.0
Avg. Realisation per Vehicle (Rs)	1,88,048	1,84,855	1.7	1,85,836	1.2	1,87,694	0.2
Net Revenues	62,136	49,084	26.6	59,014	5.3	62,019	0.2
Total Income (A)	**62,136**	**49,084**	**26.6**	**59,014**	**5.3**	**62,019**	**0.2**
Operating Expenses							
Raw materials consumed	36,726	27,256	34.7	33,075	11.0	36,341	1.1
Employee Expenses	4,016	3,442	16.7	3,749	7.1	3,855	4.2
Other Expenses	6,291	6,074	3.6	6,960	(9.6)	6,944	(9.4)
Total Expenditure (B)	**47,033**	**36,772**	**27.9**	**43,784**	**7.4**	**47,139**	**(0.2)**
EBITDA (A-B)	15,103	12,313	22.7	15,230	(0.8)	14,880	1.5
Other Income	7,271	6,589	10.4	3,567	103.8	4,576	58.9
Depreciation	2,624	1,861	41.0	2,157	21.7	2,241	17.1
EBIT	19,751	17,041	15.9	16,641	18.7	17,215	14.7
Finance Costs	70	67	5.3	67	4.2	73	(4.0)
PBT after excep items	19,680	16,974	15.9	16,574	18.7	17,142	14.8
Tax expense	4,614	3,909	18.0	4,210	9.6	4,285	7.7
Reported PAT	**15,066**	**13,065**	**15.3**	**12,363**	**21.9**	**12,856**	**17.2**
Adjusted PAT	**15,066**	**13,065**	**15.3**	**12,363**	**21.9**	**12,856**	**17.2**
EPS (Rs)	**55.1**	**47.8**	**15.3**	**45.2**	**21.9**	**47.0**	**17.2**
Key Ratios (%)			**(bps)**		**(bps)**		**(bps)**
Gross Margin	40.9	44.5	(358)	44.0	(306)	41.4	(51)
EBITDA Margin	24.3	25.1	(78)	25.8	(150)	24.0	31
EBIT Margin	31.8	34.7	(293)	28.2	359	27.8	403
PBT Margin	31.7	34.6	(291)	28.1	359	27.6	403
Tax Rate	23.4	23.0	42	25.4	(196)	25.0	(155)
Adj PAT Margin	24.2	26.6	(237)	20.9	330	20.7	352

Source: Company, BOBCAPS Research

Valuation Methodology

We revise our FY27 EPS up by 3% to factor the changed business dynamics. But we revise down the FY28/FY29 EPS by 1% each, driven by cost inflation, premium exports market stressed and competition. Our new EBITDA/PAT CAGR is at 17%/14% over FY25-FY29E.

We continue to value EIM at 30x P/E to factor in the healthier prospects in the RE segment, regained dominating market share, strong exports aided by CKD, boost to the VECV segment all aiding margins. EIM's focus on the mid-sized segment, customer profile turning younger (aged 25-30 years) and healthy product launches with better rural mix — collectively augurs well.

Additionally, EV initiatives will cater to growth only in the near/medium term. Any normative cost escalation will now be eased to pass through as prices have softened, thereby guarding margins. However, incremental cost escalation in Q2/Q3 will imply higher stress on margins as focus will be on volume. We assume EBITDAM to be range bound and hover 26% till FY29.

At 30x P/E we factor in the steady prospects in the RE segment, strong exports aided by CKD and boost to the VECV segment. We arrive at a SOTP-based TP of Rs 7,791 (vs Rs 7,431) on rollover that includes Rs 180/sh for VECV) prospects. Maintain HOLD.

Fig 3 – Revised estimates

(Rs mn)	New			Old			Change (%)		
	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E
Revenue	2,38,459	2,85,972	3,38,129	2,27,206	2,86,240	3,38,447	5.0	(0.1)	(0.1)
EBITDA	63,807	76,296	89,878	60,983	76,723	89,813	4.6	(0.6)	0.1
Adj PAT	55,773	65,676	77,133	54,106	65,296	76,801	3.1	0.6	0.4
Adj EPS (Rs)	203	240	281	197	238	280	3.2	0.6	0.5

Source: Company, BOBCAPS Research

Fig 4 – Key assumptions

	FY26A	FY27E	FY28E	FY29E
Volumes (nos)	10,89,600	13,47,600	15,90,000	18,36,000
Growth (%)	15.7	23.7	18.0	15.5
Revenues (Rs mn)	2,26,997	2,38,459	2,85,972	3,38,129
Growth (%)	23.0	5.0	19.9	18.2
Realisation per vehicle (Rs)	1,71,930	1,76,951	1,79,857	1,84,166
Growth (%)	6.1	2.9	1.6	2.4
EBITDA (Rs mn)	61,804	63,807	76,296	89,878
EBITDA margin (%)	27.2	26.8	26.7	26.6
Adj. PAT (Rs mn)	54,083	55,773	65,676	77,133
EPS (Rs)	197.2	203.4	239.5	281.3

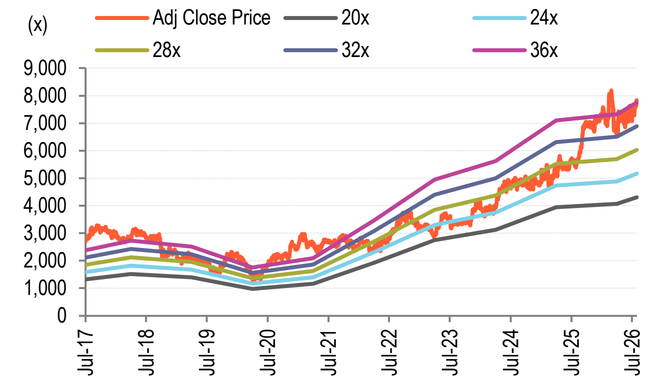
Source: Company, BOBCAPS Research

Fig 5 – Valuation summary

Business (Rs)	Jun 2028 forward EPS (Rs)	Target P/E (x)	Value (Rs)
Standalone Business	254	30.0	7,611
VECV Business	-	-	180
Total	**-**	**-**	**7,791**

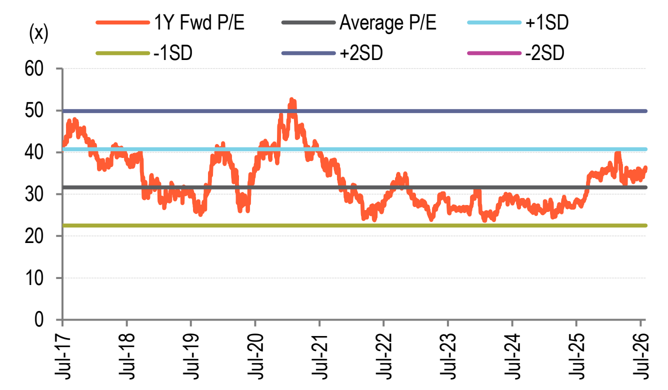
Source: BOBCAPS Research,

Fig 6 – P/E band: There is limited scope for valuation expansion, given the changed business dynamics



Source: Bloomberg, BOBCAPS Research

Fig 7 – P/E 1YF: We believe valuations will remain range-bound at elevated levels on current earnings



Source: Bloomberg, BOBCAPS Research

Key Risks

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

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
Total revenue	**1,84,515**	**2,26,997**	**2,38,459**	**2,85,972**	**3,38,129**
EBITDA	47,680	61,804	63,807	76,296	89,878
Depreciation	6,841	7,882	7,723	8,471	9,194
EBIT	54,926	70,869	72,693	85,574	1,00,482
Net interest inc./(exp.)	(240)	(275)	(261)	(281)	(309)
Other inc./(exp.)	14,087	16,948	16,609	17,749	19,799
Exceptional items	0	(555)	0	0	0
EBT	54,686	70,040	72,432	85,293	1,00,173
Income taxes	11,893	15,957	16,659	19,617	23,040
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	0	0	0	0	0
Reported net profit	**43,140**	**54,083**	**55,773**	**65,676**	**77,133**
Adjustments	348	0	0	0	0
Adjusted net profit	**42,793**	**54,083**	**55,773**	**65,676**	**77,133**

Balance Sheet

Y/E 31 Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
Accounts payables	27,507	26,526	33,884	41,040	48,931
Other current liabilities	18,173	27,634	17,543	20,914	25,863
Provisions	3,137	4,226	5,235	5,235	5,235
Debt funds	1,844	2,286	1,884	1,904	2,104
Other liabilities	0	0	0	0	0
Equity capital	274	274	274	274	274
Reserves & surplus	1,84,724	2,17,804	2,50,283	2,92,652	3,45,930
Shareholders' fund	1,84,998	2,18,079	2,50,557	2,92,926	3,46,204
Total liab. and equities	**2,35,658**	**2,78,750**	**3,09,104**	**3,62,019**	**4,28,338**
Cash and cash eq.	1,613	699	2,291	5,787	5,466
Accounts receivables	10,811	13,403	14,904	17,873	21,302
Inventories	11,057	13,025	16,334	20,018	24,345
Other current assets	58,999	72,474	77,597	85,357	93,892
Investments	1,20,271	1,41,987	1,59,987	1,94,987	2,44,987
Net fixed assets	37,157	37,061	36,839	36,368	36,174
CWIP	956	6,980	8,376	9,214	10,135
Intangible assets	0	0	0	0	0
Deferred tax assets, net	(5,205)	(6,880)	(7,224)	(7,585)	(7,964)
Other assets	0	0	0	0	0
Total assets	**2,35,659**	**2,78,750**	**3,09,104**	**3,62,019**	**4,28,338**

Cash Flows

Y/E 31 Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
Cash flow from operations	**7,673**	**36,831**	**34,970**	**52,230**	**62,769**
Capital expenditures	(11,679)	(13,811)	(8,896)	(8,838)	(9,921)
Change in investments	(7,202)	(21,716)	(18,000)	(35,000)	(50,000)
Other investing cash flows	14,087	16,948	16,609	17,749	19,799
Cash flow from investing	**(4,795)**	**(18,579)**	**(10,287)**	**(26,089)**	**(40,123)**
Equities issued/Others	1,152	(1,151)	0	0	0
Debt raised/repaid	121	442	(402)	20	200
Interest expenses	(240)	(275)	(261)	(281)	(309)
Dividends paid	(13,975)	(22,484)	(23,307)	(23,307)	(23,855)
Other financing cash flows	401	1,674	344	361	379
Cash flow from financing	**(12,541)**	**(21,793)**	**(23,626)**	**(23,207)**	**(23,585)**
Chg in cash & cash eq.	**(9,664)**	**(3,541)**	**1,057**	**2,934**	**(939)**
Closing cash & cash eq.	**1,613**	**699**	**2,291**	**5,787**	**5,466**

Per Share

Y/E 31 Mar (Rs)	FY25A	FY26A	FY27E	FY28E	FY29E
Reported EPS	156.1	197.2	203.4	239.5	281.3
Adjusted EPS	156.1	197.2	203.4	239.5	281.3
Dividend per share	51.0	82.0	85.0	85.0	87.0
Book value per share	674.7	795.3	913.8	1,068.3	1,262.6

Valuations Ratios

Y/E 31 Mar (x)	FY25A	FY26A	FY27E	FY28E	FY29E
EV/Sales	11.5	9.3	8.9	7.5	6.3
EV/EBITDA	44.7	34.3	33.3	27.9	23.7
Adjusted P/E	49.8	39.4	38.2	32.5	27.7
P/BV	11.5	9.8	8.5	7.3	6.2

DuPont Analysis

Y/E 31 Mar (%)	FY25A	FY26A	FY27E	FY28E	FY29E
Tax burden (Net profit/PBT)	78.3	77.2	77.0	77.0	77.0
Interest burden (PBT/EBIT)	99.6	98.8	99.6	99.7	99.7
EBIT margin (EBIT/Revenue)	29.8	31.2	30.5	29.9	29.7
Asset turnover (Rev./Avg TA)	106.8	111.5	100.9	104.5	105.1
Leverage (Avg TA/Avg Equity)	1.0	1.0	1.0	1.0	1.0
Adjusted ROAE	25.0	26.8	23.8	24.2	24.1

Ratio Analysis

Y/E 31 Mar	FY25A	FY26A	FY27E	FY28E	FY29E
YoY growth (%)					
Revenue	14.8	23.0	5.0	19.9	18.2
EBITDA	8.9	29.6	3.2	19.6	17.8
Adjusted EPS	13.5	26.4	3.1	17.8	17.4
Profitability & Return ratios (%)					
EBITDA margin	25.8	27.2	26.8	26.7	26.6
EBIT margin	29.8	31.2	30.5	29.9	29.7
Adjusted profit margin	23.2	23.8	23.4	23.0	22.8
Adjusted ROAE	23.1	24.8	22.3	22.4	22.3
ROCE	24.9	26.9	23.7	24.1	24.1
Working capital days (days)					
Receivables	16	19	22	21	21
Inventory	22	19	22	23	24
Payables	91	78	83	85	86
Ratios (x)					
Gross asset turnover	0.4	0.3	0.4	0.3	0.3
Current ratio	1.7	1.7	2.0	1.9	1.8
Net interest coverage ratio	228.9	258.1	278.5	304.5	325.1
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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HOLD – Expected return from -6% to +15%

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Note: Recommendation structure changed with effect from 21 June 2021

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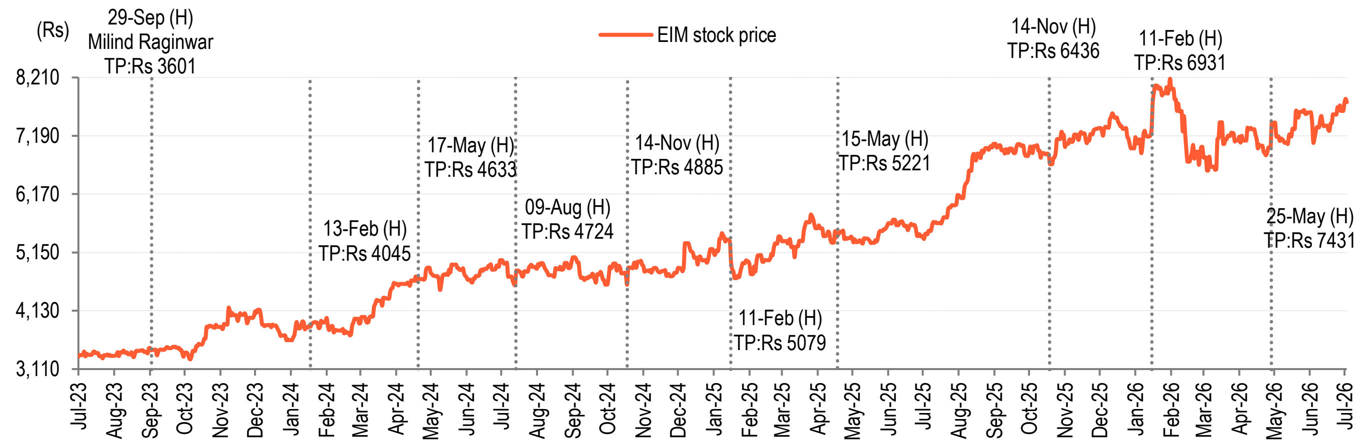
Ratings and Target Price (3-year history): EICHER MOTORS (EIM IN)



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

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