RESULT REVIEW

HOLD

TP: Rs 6,436 | ⩒ 6%

EICHER MOTORS | Automobiles | 14 November 2025

On the growth momentum balancing margins, priced fully

- **Revenue gain (SA) ~40/20% YoY/QoQ to Rs 59bn, driven by healthy volume gains realisation listless in the motorcycle segment**
- **Motorcycle margins trajectory softens on commodity cost inflation and marketing expenses; volumes gain make up for the loss**
- **Revise FY26/FY27/FY28 EBITDA estimates by 1%/4%/6%. We now assign 30x P/E and roll forward to arrive at SOTP based TP of Rs - 6,436. HOLD**

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Volume surge on GST tailwind drives revenue: EIM's SA revenue in Q2FY26 surged by 40%/20% YoY/QoQ to ~Rs 59bn, as motorcycle volumes were strong and grew by ~44% YoY to 327k units, driven by model refreshes. ASP/vehicle fell by ~2% YoY/QoQ to Rs 180k due to higher discounts offer to capitalise on the festive momentum. Domestic market remains a stronghold with the mid-sized segment occupying 84% share. Revenue rose by ~45% to ~Rs 62bn (including VECV).

Commodity cost hardening keeps margins under pressure: There was a spike in raw material cost of 46%/26% YoY/QoQ driven by commodity cost inflation (40bps impact). Despite that EBITDA margin fell by 20bps YoY (139bps QoQ), aided by volume leverage, better product mix and timely price hikes. Other expenses also shot up and stayed higher at Rs7bn (12% of sales flat YoY).

Product refreshes/launches sustain leadership: The Bullet refresh helped ~60k monthly volumes into Q2FY26, while festive interventions (new variants and colors) amplified demand. Inquiry-to-booking conversions surged ~10 pp to ~30%. Exports hit 54k units (+49% YoY), led by Brazil (fastest growing), Nepal/Bangladesh; RE ranks no.1 in SAARC, no.2 in UK/Argentina/Thailand/Korea, no.3 in Brazil/Australia.

VECV growth steady: VECV grew by a record volume of 21.9k units (~5% YoY). Exports surged 61% YoY to 1.8k units, buoyed by Bangladesh/Nepal despite the disruptions in South-East Asia. EIM announced a Rs 5.4bn greenfield AMT plant at Ujjain for Volvo's global requirements.

Revise estimates and maintain HOLD: We revise our FY26/FY27/FY28 EBITDA estimates by 1%/4%/6%, due to better product portfolio, focus on mid-segment category, rate cut demand boost to 2Ws and improving exports. The revised EBITDA/PAT CAGR is at 14%/12% over FY25-FY28E. We now value EIM at 30x (earlier 27x) P/E to factor in healthier prospects in the RE segment, regained dominating market share, strong exports aided by CKD, boost to the VECV segment all aiding margins. We arrive at a higher SOTP-based TP of Rs 6,436 (vs Rs 5,221) on rollover that includes Rs 150/sh for VECV. Maintain HOLD.

Key changes

Target	Rating
▲	◀ ▶

Ticker/Price	EIM IN/Rs 6,855
Market cap	US$ 21.1bn
Free float	51%
3M ADV	US$ 39.5mn
52wk high/low	Rs 7,123/Rs 4,646
Promoter/FPI/DII	49%/30%/9%

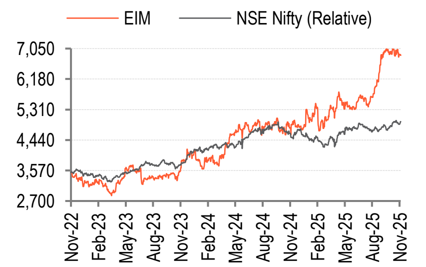
Source: NSE | Price as of 13 Nov 2025

Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
Total revenue (Rs mn)	1,84,515	2,18,497	2,42,687
EBITDA (Rs mn)	47,680	56,560	63,952
Adj. net profit (Rs mn)	42,329	46,101	53,405
Adj. EPS (Rs)	154.4	168.1	194.8
Consensus EPS (Rs)	154.4	175.0	199.0
Adj. ROAE (%)	22.9	22.5	22.6
Adj. P/E (x)	44.4	40.8	35.2
EV/EBITDA (x)	39.3	33.2	29.6
Adj. EPS growth (%)	12.3	8.9	15.8

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

Fig 1 – Earnings call highlights

Parameter	Q2FY26	Q1FY26	Our view
Royal Enfield (RE) volumes	RE reported a strong Q2 with sales of 3.27k motorcycles, a growth of ~44% YoY, driven by a broad-based festive boost and new product traction. Domestic sales rose to 293k units, while exports stood at 54.4k units, aided by healthy demand from Brazil, Argentina, SAARC and early signs of recovery in Europe. The brand retained its commanding ~84% market share in the mid-size motorcycle segment. Festive months (September–October) delivered record performance with over 249k units sold. Model-wise, Classic 350 grew ~25% YoY, Meteor 350 ~30%, Hunter 350 ~51%, and Bullet 350 (Battalion Black) surged ~70%.	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.	Continued timely product intervention, refreshers in the 350cc segment, sharpening focus on mid-segment has helped volumes traction. The GST rate rationalisation will continue to aid momentum. Export markets will only add cushion to revenue growth.
VE Commercial Vehicles (VECV) market share	VECV market share was largely stable at 18.5% (18.9% YoY). Light and Medium Duty (LMD) trucks improved to 34.8% (vs 36.4% YoY), Heavy Duty (HD) trucks stable at 9.5%, and Buses declined to 17.1% (vs 20.1%) 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%.	We observe continued healthy revival in demand for the CV HD segment. This may further strengthen as demand picks up with rate cuts. EIM has beaten industry growth in most of the segments. Bus segment market share improvement will further boost sentiment.
VECV volumes	VECV delivered its highest-ever Q2 volumes at 21.9k units (+5% YoY), with H1FY26 volumes at 43.5k units ~7.5% growth YoY. Segment-wise, LMD trucks contributed ~10.1k units, HD trucks 5.9k units, and buses 3.4k units. Export volumes rose 61% YoY to 1.8k units despite regional disruptions in Southeast Asia.	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.	Medium-term outlook stays intact with replacement demand staying ~ 6.5%. This, with rate cuts increasing affordability 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 (C) was at Rs 15.1bn, up ~39% YoY, while PAT came at Rs 13.7bn, aided by Rs 1.4bn profit share from VECV. Margins were under pressure from commodity inflation (precious metals, aluminum). With a ~40bps impact, this was largely offset by the price hike (~50bps impact). Marketing and community engagement spending was high (Motorverse, Hunter Hood, Classic campaign) though profitability remained resilient. Management highlighted marketing spend to remain high to create brand traction.	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.	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 will likely be in the short term, as a stated strategy of EIM management.
Capacity	Post de-bottlenecking, total annual capacity has increased to ~1.35mn units. Additionally, EIM has started module capacity expansion at the Chaiyar site, to address the growing demand and inquiry interest. Capacity ramp-up should be online by Q1FY27.	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.	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	Q2FY26	Q1FY26	Our view
Other key points	GST rate cut (to 18%) on sub-350cc models drove a sharp uptick in inquiries and conversions E2B (enquiry-to-booking) ratio rose from ~21% to ~30%. Geographically, the South and East regions saw strong catch-up after muted performance for the past few quarters. 98% of manufacturing is powered by renewable energy. VECV: Announced Rs 5.4bn greenfield AMT plant at Ujjain to supply Volvo globally. GST reforms, a younger and more diversified customer base, and channel digitization mark a structural shift for RE. RE holds no.1 position in SAARC, Nepal and Bangladesh.	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.	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 centers. The VECV capacity expansion only reflects confidence in the demand revival in that segment.

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

Fig 2 – Quarterly performance (standalone)

(Rs mn)	Q2FY26	Q2FY25	YoY (%)	Q1FY26	QoQ (%)	Q2FY26E	Deviation (%)
Volume (nos)	3,26,375	2,27,872	43.2	2,65,528	22.9	3,26,375	0.0
Avg. Realisation per Vehicle (Rs)	1,80,837	1,84,553	(2.0)	1,84,855	(2.2)	1,70,066	6.3
Net Revenues	59,021	42,054	40.3	49,084	20.2	55,505	6.3
Total Income (A)	**59,021**	**42,054**	**40.3**	**49,084**	**20.2**	**55,505**	**6.3**
Operating Expenses							
Raw materials consumed	33,404	22,832	46.3	27,256	22.6	30,805	8.4
Employee Expenses	3,863	3,157	22.4	3,442	12.2	3,546	9.0
Other Expenses	7,066	5,017	40.8	6,074	16.3	6,013	17.5
Total Expenditure (B)	**44,334**	**31,006**	**43.0**	**36,772**	**20.6**	**40,363**	**9.8**
EBITDA (A-B)	**14,687**	**11,049**	**32.9**	**12,313**	**19.3**	**15,142**	**(3.0)**
Other Income	3,400	3,375	0.7	6,589	(48.4)	3,385	0.4
Depreciation	1,877	1,692	10.9	1,861	0.8	1,879	(0.1)
EBIT	16,210	12,732	27.3	17,041	(4.9)	16,648	(2.6)
Finance Costs	69	53	29.4	67	3.8	88	(21.5)
PBT after excep items	16,141	12,679	27.3	16,974	(4.9)	16,560	(2.5)
Tax expense	4,061	2,580	57.4	3,909	3.9	3,809	6.6
Reported PAT	**12,080**	**10,099**	**19.6**	**13,065**	**(7.5)**	**12,751**	**(5.3)**
Adjusted PAT	**12,080**	**10,099**	**19.6**	**13,065**	**(7.5)**	**12,751**	**(5.3)**
EPS (Rs)	**44.2**	**37.0**	**19.6**	**47.8**	**(7.5)**	**46.7**	**(5.3)**
Key Ratios (%)			**(bps)**		**(bps)**		**(bps)**
Gross Margin	43	46	(231)	44	(107)	43.3	(58)
EBITDA Margin	25	26	(139)	25	(20)	22.7	170
EBIT Margin	27	30	(281)	35	(725)	25.0	61
PBT Margin	27	30	(280)	35	(723)	24.9	61
Tax Rate	25	20	481	23	213	21.7	338
Adj PAT Margin	20	24	(355)	27	(615)	19.5	(38)

Source: Company, BOBCAPS Research

Valuation Methodology

We revise our FY26/FY27/FY28 EBITDA estimates by 1%/4%/6%, due to better product portfolio, focus on mid-segment category, rate cut demand boost to 2Ws and improving exports. Revised EBITDA/PAT CAGR is at 14%/12% over FY25-FY28E.

We now value EIM at 30x (earlier 27x) P/E to factor in the better growth prospects in the Royal Enfield and VECV segments. Focus on mid-sized segment, customer profile turning younger and healthy product launch with better rural mix, collectively augurs 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 revise P/E multiple.

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. Focus on growth will be helped by rate cuts and cost escalation will be easy to absorb, as discount pains will vain, atleast in the near term.

We arrive at a higher SOTP-based TP of Rs 6,436 (vs Rs 5,221) on rollover that includes Rs 150/sh for VECV. Maintain HOLD.

Fig 3 – Key assumptions

	FY25	FY26E	FY27E	FY28E
Volumes (nos)	9,42,000	10,89,600	11,67,600	12,42,000
Revenues (Rs mn)	1,84,515	2,18,497	2,42,687	2,65,830
Realisation per vehicle (Rs)	1,62,100	1,71,930	1,77,960	1,82,420
EBITDA (Rs mn)	47,680	56,560	63,952	70,161
EBITDA margin (%)	25.8	25.9	26.4	26.4
Adj. PAT (Rs mn)	42,329	46,101	53,405	59,997
EPS (Rs)	154	168	195	219

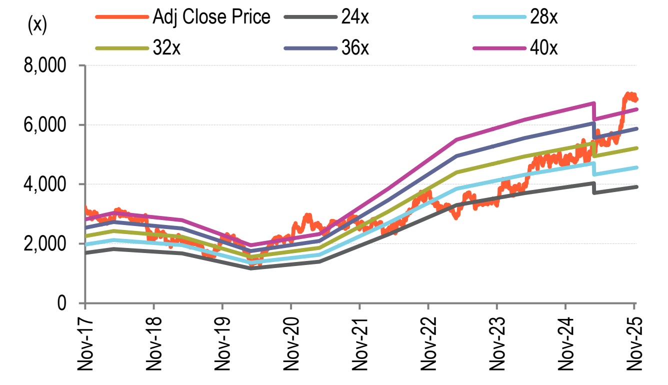
Source: Company, BOBCAPS Research

Fig 4 – Valuation summary

Business (Rs)	Sep 2027 forward EPS (Rs)	Target P/E (x)	Value (Rs)
Standalone Business	207	30.0	6,286
VECV Business	-	-	150
Total	**-**	**-**	**6,436**

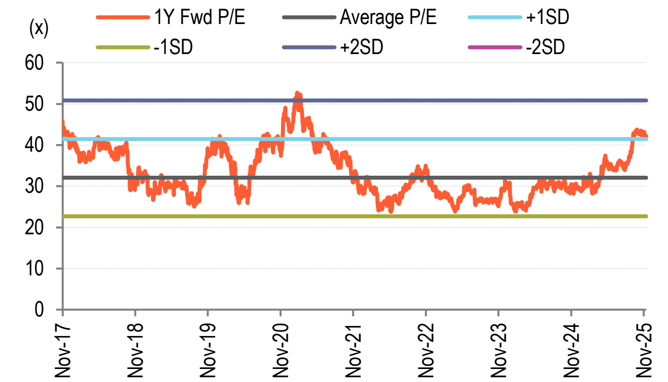
Source: BOBCAPS Research,

Fig 5 – P/E band: There is scope for valuation expansion, given the changed business dynamics



Source: Bloomberg, BOBCAPS Research

Fig 6 – P/E 1YF: We believe valuation will remain range-bound at elevated levels on current earnings



Source: Bloomberg, BOBCAPS Research

Key Risks

- 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 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

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Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Total revenue	**1,60,782**	**1,84,515**	**2,18,497**	**2,42,687**	**2,65,830**
EBITDA	43,802	47,680	56,560	63,952	70,161
Depreciation	5,591	6,841	6,692	7,323	8,071
EBIT	49,892	54,462	60,103	71,468	80,277
Net interest inc./(exp.)	(192)	(240)	(231)	(261)	(281)
Other inc./(exp.)	11,681	13,623	10,235	14,838	18,186
Exceptional items	0	0	0	0	0
EBT	49,700	54,222	59,872	71,207	79,996
Income taxes	12,206	11,893	13,770	17,802	19,999
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	0	0	0	0	0
Reported net profit	**37,683**	**42,677**	**46,483**	**53,825**	**60,459**
Adjustments	189	348	382	420	463
Adjusted net profit	**37,494**	**42,329**	**46,101**	**53,405**	**59,997**

Balance Sheet

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Accounts payables	22,918	24,988	30,938	34,485	38,149
Other current liabilities	15,625	20,692	15,781	17,609	19,322
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	2,04,711	2,36,179	2,74,240
Shareholders' fund	1,56,934	1,84,999	2,04,985	2,36,454	2,74,514
Total liab. and equities	**1,99,922**	**2,35,659**	**2,58,702**	**2,95,566**	**3,39,024**
Cash and cash eq.	12,631	1,613	9,662	14,412	22,058
Accounts receivables	5,727	10,811	11,362	12,741	13,956
Inventories	10,686	11,057	14,749	16,624	18,608
Other current assets	29,340	59,000	24,261	28,158	31,110
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	9,980	10,030	10,040
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**	**2,58,702**	**2,95,566**	**3,39,024**

Cash Flows

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Cash flow from operations	**17,933**	**7,745**	**75,961**	**43,852**	**48,826**
Capital expenditures	(8,178)	(11,680)	(10,476)	(7,550)	(8,010)
Change in investments	(10,273)	(7,202)	(41,798)	(25,000)	(30,000)
Other investing cash flows	11,681	13,623	10,235	14,838	18,186
Cash flow from investing	**(6,769)**	**(5,259)**	**(42,039)**	**(17,712)**	**(19,824)**
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)**	**13,137**	**4,228**	**7,083**
Closing cash & cash eq.	**12,631**	**1,613**	**9,662**	**14,412**	**22,058**

Per Share

Y/E 31 Mar (Rs)	FY24A	FY25A	FY26E	FY27E	FY28E
Reported EPS	137.4	154.4	168.1	194.8	218.8
Adjusted EPS	137.4	154.4	168.1	194.8	218.8
Dividend per share	37.1	70.0	75.0	80.0	80.0
Book value per share	575.3	674.7	747.6	862.3	1,001.1

Valuations Ratios

Y/E 31 Mar (x)	FY24A	FY25A	FY26E	FY27E	FY28E
EV/Sales	11.7	10.2	8.6	7.8	7.1
EV/EBITDA	42.8	39.3	33.2	29.6	27.0
Adjusted P/E	49.9	44.4	40.8	35.2	31.3
P/BV	11.9	10.2	9.2	7.9	6.8

DuPont Analysis

Y/E 31 Mar (%)	FY24A	FY25A	FY26E	FY27E	FY28E
Tax burden (Net profit/PBT)	75.4	78.1	77.0	75.0	75.0
Interest burden (PBT/EBIT)	99.6	99.6	99.6	99.6	99.7
EBIT margin (EBIT/Revenue)	31.0	29.5	27.5	29.4	30.2
Asset turnover (Rev./Avg TA)	111.5	106.8	111.0	109.1	103.3
Leverage (Avg TA/Avg Equity)	1.0	1.0	1.0	1.0	1.0
Adjusted ROAE	26.2	24.8	23.6	24.2	23.5

Ratio Analysis

Y/E 31 Mar	FY24A	FY25A	FY26E	FY27E	FY28E
YoY growth (%)					
Revenue	14.3	14.8	18.4	11.1	9.5
EBITDA	29.1	8.9	18.6	13.1	9.7
Adjusted EPS	43.0	12.3	8.9	15.8	12.3
Profitability & Return ratios (%)					
EBITDA margin	27.2	25.8	25.9	26.4	26.4
EBIT margin	31.0	29.5	27.5	29.4	30.2
Adjusted profit margin	23.3	22.9	21.1	22.0	22.6
Adjusted ROAE	23.9	22.9	22.5	22.6	21.9
ROCE	26.1	24.6	23.5	24.1	23.4
Working capital days (days)					
Receivables	14	16	19	18	18
Inventory	22	22	22	24	24
Payables	89	86	83	87	88
Ratios (x)					
Gross asset turnover	0.4	0.4	0.3	0.3	0.3
Current ratio	1.4	1.7	1.2	1.3	1.4
Net interest coverage ratio	259.9	226.9	260.2	273.8	285.7
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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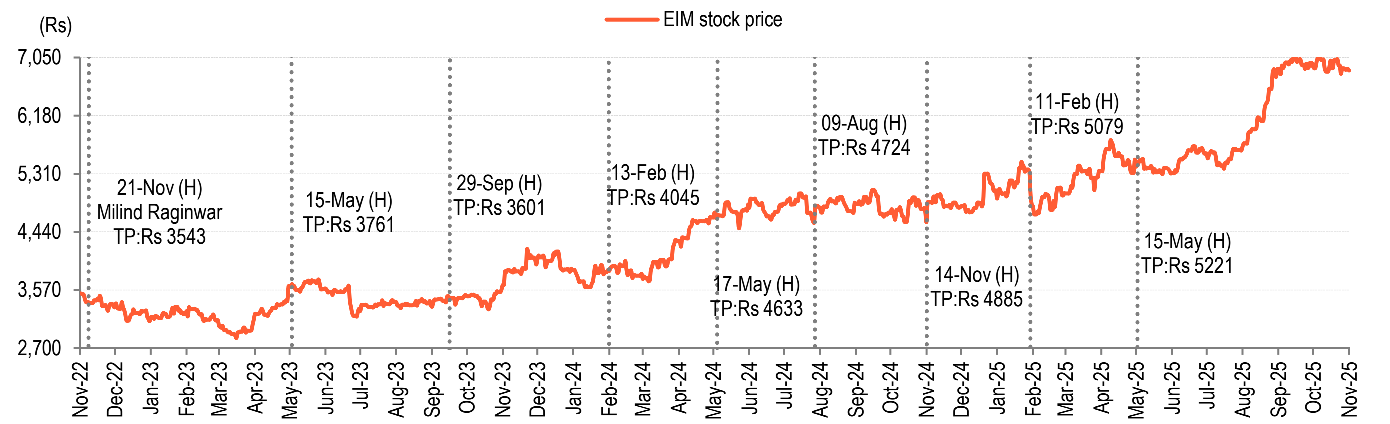
BUY – Expected return >+15%
HOLD – Expected return from -6% to +15%
SELL – Expected return <-6%
Note: Recommendation structure changed with effect from 21 June 2021

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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