

HOLD

TP: Rs 6,931 | ▼ 5%

EICHER MOTORS

| Automobiles

| 11 February 2026

On the right track; valuations factored fully

- RE volumes drive topline Q3FY26; SA revenue grew by 22% on robust domestic growth of 24% YoY. Mid-size share at ~89%
- VECV paces strongly with volumes up 24%; Parts business revenue up by 14% YoY, driven by higher utilisation
- Revise FY27/FY28 EBITDA estimates by 2% each. We assign 30x P/E and roll forward to arrive at SOTP-based TP of Rs 6,931. Maintain HOLD

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Steady volume momentum sustains revenue growth: EIM's SA revenue grew 22% YoY to ~Rs59.9bn, driven by a strong traction in refreshed models. Domestic 2W sales rose to ~300k units (+24% YoY), while exports came at ~25k units (down YoY). ASP per vehicle fell at ~Rs161k (-11% YoY) amid the continued discounting push. Domestic market remains a stronghold with mid-size segment share improving to ~89%. Consolidated revenue (including VECV) rose ~23% YoY to Rs61.1bn.

Pricing and operating leverage aid margin amid commodity inflation: RM cost rose ~22% YoY (flat QoQ) due to commodity inflation ~70 bps net impact. Gross margins added ~94bps (-12bps YoY), aided by operating leverage, better model and geography mix, value engineering (~20 bps benefit) and price hikes (~140 bps YTD impact). Other expenses came at 5% QoQ, due to lower marketing expenses.

Product refreshes/launches sustain leadership: Refreshes and launches (Hunter 350 & Scram 440 in Nepal, Bear 650 in Argentina, Guerrilla 450 in Brazil) kept the momentum alive. <350cc segment continues to anchor volume, while 650cc segment witnessing demand revival post GST rationalisation. Management highlighted a favourable demographic shift post-GST, with ~40% of Hunter buyers aged 23–24 years, indicating increasing penetration among the younger customers.

VECV volumes improve; early signs of recovery visible: VECV delivered strong Q3FY26 with ~26k units (+24% YoY), taking YTD to ~70k units (+13% YoY). Parts business maintained double-digit growth of 14%, driven by higher utilisation.

Revise estimates and maintain HOLD: We revise our FY27/FY28 EBITDA estimates by 2% each 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%/14% over FY25-FY28E. We value EIM at 30x 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 6,931 (vs Rs 6,436) on rollover that includes Rs 180/sh for VECV (earlier Rs150) on better prospects. Maintain HOLD.

Key changes

	Target	Rating
	▲	◀ ▶

Ticker/Price	EIM IN/Rs 7,296
Market cap	US\$ 22.0bn
Free float	51%
3M ADV	US\$ 37.2mn
52wk high/low	Rs 7,614/Rs 4,646
Promoter/FPI/DII	49%/30%/9%

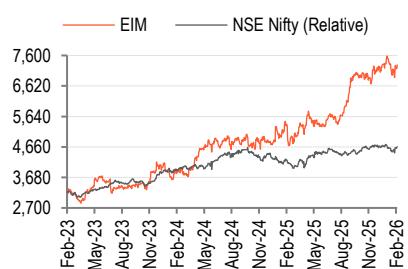
Source: NSE | Price as of 10 Feb 2026

Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
Total revenue (Rs mn)	1,84,515	2,17,962	2,47,211
EBITDA (Rs mn)	47,680	56,390	65,404
Adj. net profit (Rs mn)	42,329	45,971	55,947
Adj. EPS (Rs)	154.4	167.7	204.0
Consensus EPS (Rs)	154.4	175.0	199.0
Adj. ROAE (%)	22.9	22.4	23.4
Adj. P/E (x)	47.3	43.5	35.8
EV/EBITDA (x)	41.8	35.4	30.8
Adj. EPS growth (%)	12.3	8.6	21.7

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE



Fig 1 – Earnings call highlights

Parameter	Q3FY26	Q2FY26	Our view
Royal Enfield (RE) volumes	RE delivered a robust quarter with volumes at 325.8k motorcycles (+21% YoY), driven by sustained festive demand, refreshed products and strong retail traction. Domestic volumes came at 300.4k units (+24% YoY), while exports moderated at 25.3k units (vs 27k YoY). RE strengthened dominance in the mid-size motorcycle segment with ~88.9% market share. Festive momentum strong with retail of ~249k units. Demand remained broad-based across models with Hunter 350 attracting a younger cohort (23–24 years 40% of buyer), Bullet 350 gaining pan-India acceptance and Classic continuing steady growth. >350cc portfolio saw early signs of recovery post GST rationalisation, led by 650cc models.	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 a commanding ~84% market share in the mid-size Motorcycle segment. Festive months (Sept–Oct) 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%.	GST rate rationalisation will continue aiding the momentum and was the biggest contributing factor. Continued timely product intervention, refreshers in the 350cc segment, a sharpening focus on the mid-segment – all have helped volumes traction. Export markets will only add cushion to the revenue growth.
VE Commercial Vehicles (VECV) market share	VECV retained leadership in LMD trucks with 34.5% share, supported by Pro Plus upgrades and uptime initiatives. HD trucks share improved on infrastructure-led demand, while Buses saw a temporary dip due to tender timing.	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 has beaten industry growth in most of the segments. Bus segment market share improvement will further boost sentiment. We observe continued healthy revival in demand for the CV HD segment. This may further strengthen as demand picks up with rate cuts.
VECV volumes	VECV posted Q3FY26 volumes at 26.1k units (+24% YoY), taking YTD volumes to 69.6k units (+13% YoY). LMD trucks grew 28.3% YoY to 12.4k units, HD trucks rose ~15% YoY to 6.9k units, while buses declined marginally to 3.6k units. Exports surged 72.5% YoY to 2.1k units. Parts business revenues grew ~14% YoY to Rs 8.1bn, supported by higher vehicle utilisation.	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.	With rate cuts increasing affordability and budget allocations gathering pace, owing to consumption impetus in Union Budget, CV revival likely to be on a firm track. Medium-term outlook stays intact with replacement demand staying ~ 6.5%.
Margins	Consolidated revenue at Rs 61.1bn (+23% YoY), consolidated EBITDA rose to Rs 15.6bn (+30% YoY), with margin expansion aided by operating leverage, disciplined opex and better mix. PAT increased to Rs 14.2bn (+21% YoY), including Rs 1.83bn profit share from VECV. Commodity impact was ~70 bps net (precious metals, aluminium, copper) offset by prior price hikes ~140 bps (April and July) & value engineering (~20 bps). Other expenses moderated vs Q2 as marketing spend were lower.	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 spends to remain high so as to create brand traction.	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 be in the short term, as a stated strategy of EIM management.
Capacity	Board approved a brownfield expansion at Cheyyar (TN), raising RE capacity from ~1.46mn units to 2mn units over FY27-28. Total planned capex is ~Rs 9.6bn, with modular ramp-	Post de-bottlenecking, total annual capacity has increased to ~1.35mn units. Additionally, EIM has started module capacity expansion at the Cheyyar site, to	New capacity addition will help cater to the additional demand and is a move in the right direction. EIM will focus on adding capacities.

Parameter	Q3FY26	Q2FY26	Our view
	up aligned to festive demand peaks. Current utilization is near peak levels. CKD facilities in Brazil and Thailand continue to support exports.	address the growing demand and inquiry interest. Capacity ramp-up should be online by Q1FY27.	CKD plant in Thailand will help cater to regional markets. Brazil also remains a key focus market, though gaining pace is a challenge.
Other key points	<p>Launches/refreshes: Hunter 350 & Scram 440 (Nepal), Bear 650 (Argentina), Guerrilla 450 (Brazil).</p> <p>On the electric mobility front, 2 products are unveiled, C6 (classic style) and S6 (scrambler version). C6 is ready for production and expected to hit the market soon.</p> <p>First exclusive store opened in Lima, Peru.</p> <p>ESG leadership strengthened: 93% green electricity, 80% reduction in emissions intensity</p>	<p>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%.</p> <p>Geographically, the South and East regions saw strong catch-up after muted performance for the past few quarters.</p> <p>98% of manufacturing is powered by renewable energy. VECV: Announced Rs 5.4bn greenfield AMT plant at Ujjain to supply Volvo globally.</p>	<p>Launch of refreshers likely to be timely. Focus on EV will aid further volume growth.</p>

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

Fig 2 – Quarterly performance (standalone)

(Rs mn)	Q3FY26	Q3FY25	YoY (%)	Q2FY26	QoQ (%)	Q3FY26E	Deviation (%)
Volume (nos)	3,29,195	2,72,297	20.9	3,26,375	0.9	3,29,195	0.0
Avg. Realisation per Vehicle (Rs)	1,81,893	1,80,250	0.9	1,80,837	0.6	1,70,891	6.4
Net Revenues	59,878	49,081	22.0	59,021	1.5	56,256	6.4
Total Income (A)	59,878	49,081	22.0	59,021	1.5	56,256	6.4
Operating Expenses							
Raw materials consumed	33,329	27,263	22.3	33,404	(0.2)	32,976	1.1
Employee Expenses	3,954	3,139	25.9	3,863	2.3	3,910	1.1
Other Expenses	6,697	6,443	3.9	7,066	(5.2)	7,102	(5.7)
Total Expenditure (B)	43,980	36,845	19.4	44,334	(0.8)	43,988	0.0
EBITDA (A-B)	15,899	12,237	29.9	14,687	8.2	12,269	29.6
Other Income	3,392	3,000	13.1	3,400	(0.2)	3,151	7.7
Depreciation	1,989	1,681	18.3	1,877	6.0	1,899	4.7
EBIT	17,303	13,556	27.6	16,210	6.7	13,521	28.0
Finance Costs	72	56	28.8	69	3.6	71	0.8
PBT after excep items	17,785	13,500	31.7	16,141	10.2	13,450	32.2
Tax expense	3,777	2,938	28.6	4,061	(7.0)	2,892	30.6
Reported PAT	14,009	10,562	32.6	12,080	16.0	10,558	32.7
Adjusted PAT	13,454	10,562	27.4	12,080	11.4	10,558	27.4
EPS (Rs)	47.2	38.6	22.1	44.2	6.8	38.6	22.2
Key Ratios (%)							
			(bps)			(bps)	(bps)
Gross Margin	44	44	(12)	43	94	41	296
EBITDA Margin	27	25	162	25	167	22	474
EBIT Margin	29	28	128	27	143	24	486
PBT Margin	29	28	127	27	143	24	487
Tax Rate	21	22	(53)	25	(393)	22	(27)
Adj PAT Margin	22	22	95	20	200	19	370

Source: Company, BOBCAPS Research

Valuation Methodology

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

We value EIM at 30x 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. Focus on mid-sized segment, customer profile turning younger and healthy product launch 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. 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 6,931 (vs Rs 6,436) on rollover that includes Rs 180/sh for VECV (earlier Rs150) to factor in the revival in the segment. Maintain HOLD.

Fig 3 – Revised estimates

(Rs mn)	New			Old			Change (%)		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue	2,17,962	2,47,211	2,69,110	2,18,497	2,42,687	2,65,830	(0.2)	1.9	1.2
EBITDA	56,390	65,404	71,216	56,560	63,952	70,161	(0.3)	2.3	1.5
Adj PAT	45,971	55,947	62,409	46,483	53,825	60,459	(1.1)	3.9	3.2
Adj EPS (Rs)	168	204	228	168	195	219	(0.3)	4.7	4.0

Source: Company, BOBCAPS Research

Fig 4 – Key assumptions

	FY25	FY26E	FY27E	FY28E
Volumes (nos)	9,42,000	10,89,600	12,03,600	12,66,000
Revenues (Rs mn)	1,84,515	2,17,962	2,47,211	2,69,110
Realisation per vehicle (Rs)	1,62,100	1,71,930	1,76,894	1,81,408
EBITDA (Rs mn)	47,680	56,390	65,404	71,216
EBITDA margin (%)	25.8	25.9	26.5	26.5
Adj. PAT (Rs mn)	42,329	45,971	55,947	62,409
EPS (Rs)	154	168	204	228

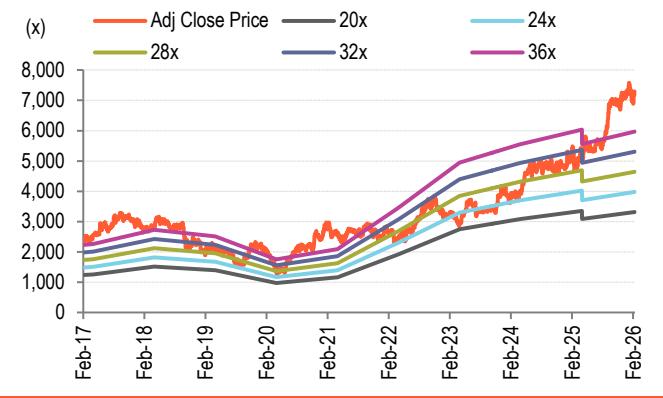
Source: Company, BOBCAPS Research

Fig 5 – Valuation summary

Business (Rs)	Dec 2027 forward EPS (Rs)	Target P/E (x)	Value (Rs)
Standalone Business	224	30.0	6,781
VECV Business	-	-	150
Total	-	-	6,931

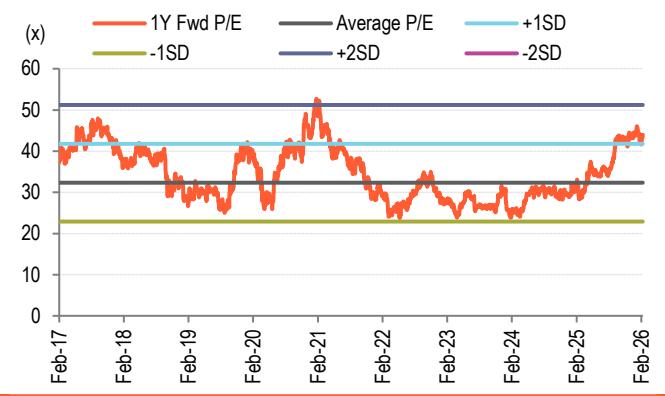
Source: BOBCAPS Research,

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



Source: Bloomberg, BOBCAPS Research

Fig 7 – 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 — key downside risks.
- 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)	FY24A	FY25A	FY26E	FY27E	FY28E
Total revenue	1,60,782	1,84,515	2,17,962	2,47,211	2,69,110
EBITDA	43,802	47,680	56,390	65,404	71,216
Depreciation	5,591	6,841	6,692	7,323	8,071
EBIT	49,892	54,462	59,933	72,920	81,331
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	59,702	72,659	81,050
Income taxes	12,206	11,893	13,731	16,712	18,642
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	0	0	0	0	0
Reported net profit	37,683	42,677	46,353	56,368	62,871
Adjustments	189	348	382	420	463
Adjusted net profit	37,494	42,329	45,971	55,947	62,409

Balance Sheet

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Accounts payables	22,918	24,988	30,862	35,128	38,620
Other current liabilities	15,625	20,692	15,740	17,950	19,564
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	2,04,580	2,38,591	2,79,064
Shareholders' fund	1,56,934	1,84,999	2,04,854	2,38,865	2,79,338
Total liab. and equities	1,99,922	2,35,659	2,58,455	2,98,961	3,44,560
Cash and cash eq.	12,631	1,613	9,537	16,739	26,811
Accounts receivables	5,727	10,811	11,334	12,979	14,128
Inventories	10,686	11,057	14,712	16,934	18,838
Other current assets	29,340	59,000	24,202	28,678	31,491
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	2,58,455	2,98,961	3,44,560

Cash Flows

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Cash flow from operations	17,933	7,745	75,836	46,304	51,252
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)	13,013	6,680	9,510
Closing cash & cash eq.	12,631	1,613	9,537	16,739	26,811

Per Share

Y/E 31 Mar (Rs)	FY24A	FY25A	FY26E	FY27E	FY28E
Reported EPS	137.4	154.4	167.7	204.0	227.6
Adjusted EPS	137.4	154.4	167.7	204.0	227.6
Dividend per share	37.1	70.0	75.0	80.0	80.0
Book value per share	575.3	674.7	747.1	871.1	1,018.7

Valuations Ratios

Y/E 31 Mar (x)	FY24A	FY25A	FY26E	FY27E	FY28E
EV/Sales	12.4	10.8	9.2	8.2	7.5
EV/EBITDA	45.6	41.8	35.4	30.8	28.4
Adjusted P/E	53.1	47.3	43.5	35.8	32.1
P/BV	12.7	10.8	9.8	8.4	7.2

DuPont Analysis

Y/E 31 Mar (%)	FY24A	FY25A	FY26E	FY27E	FY28E
Tax burden (Net profit/PBT)	75.4	78.1	77.0	77.0	77.0
Interest burden (PBT/EBIT)	99.6	99.6	99.6	99.6	99.7
EBIT margin (EBIT/Revenue)	31.0	29.5	27.5	29.5	30.2
Asset turnover (Rev./Avg TA)	111.5	106.8	110.8	110.5	103.1
Leverage (Avg TA/Avg Equity)	1.0	1.0	1.0	1.0	1.0
Adjusted ROAE	26.2	24.8	23.6	25.2	24.1

Ratio Analysis

Y/E 31 Mar	FY24A	FY25A	FY26E	FY27E	FY28E
YoY growth (%)					
Revenue	14.3	14.8	18.1	13.4	8.9
EBITDA	29.1	8.9	18.3	16.0	8.9
Adjusted EPS	43.0	12.3	8.6	21.7	11.5
Profitability & Return ratios (%)					
EBITDA margin	27.2	25.8	25.9	26.5	26.5
EBIT margin	31.0	29.5	27.5	29.5	30.2
Adjusted profit margin	23.3	22.9	21.1	22.6	23.2
Adjusted ROAE	23.9	22.9	22.4	23.4	22.3
ROCE	26.1	24.6	23.5	25.1	24.0
Working capital days (days)					
Receivables	14	16	19	18	18
Inventory	22	22	22	23	24
Payables	89	86	83	86	89
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	259.5	279.4	289.4
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%

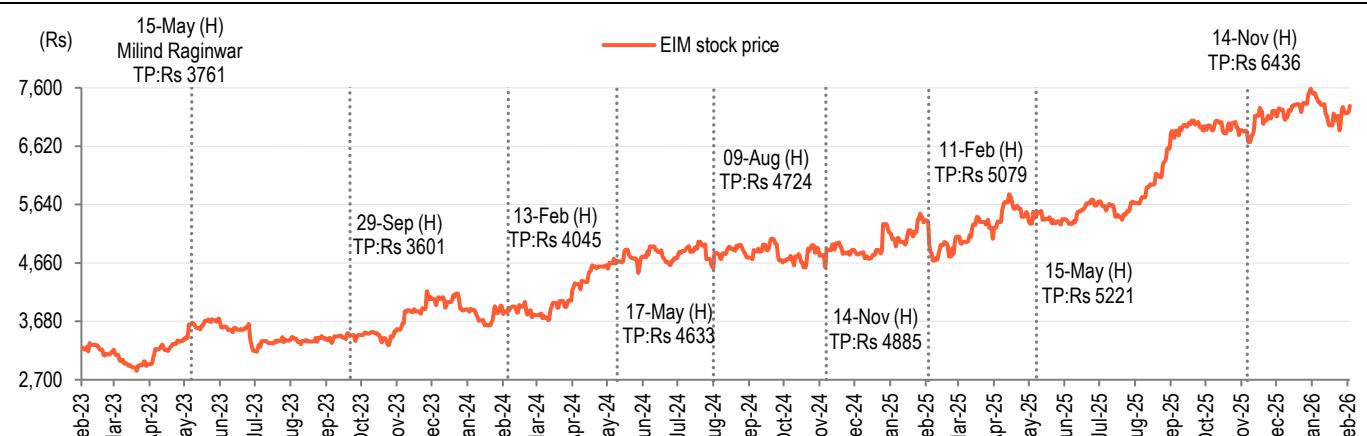
HOLD – Expected return from -6% to +15%

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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