

HOLD

TP: Rs 5,221 | ▼ 4%

EICHER MOTORS

| Automobiles

| 15 May 2025

Growth trajectory continues, margins consolidation underway

- Q4 revenue increased ~22%/4% YoY/QoQ to Rs 51.1bn, driven by healthy volume gains realisation listless in the motorcycle segment
- Motorcycle segment's margins trajectory softens on commodity cost inflation, product mix and provisions; may reverse in medium term
- Earnings estimates unchanged. We assign 27x P/E and roll forward to arrive at revised SOTP-based TP of Rs 5,221 (vs Rs 5,079) Retain HOLD

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Revenue growth healthy, driven by volume growth as realisations stay soft:

EIM's revenue jumped by 22%/4% YoY/QoQ to Rs 51.1bn, driven by volume growth. However, net realisation per vehicle declined by ~2% YoY (flat QoQ) to Rs 181k. Motorcycle sales had a significant increase of 23.2% YoY to ~280k units, led by several new product launches and urban recovery picking up. Consolidated revenue rose by 23% to Rs 52.4bn, aided by 11% commercial vehicle volume gains.

Soft realisation; cost inflation keeps margins under pressure: Margin trajectory softened due to combination of commodity and other expenses inflation. Gross margins fell nearly 250bps to ~44% YoY. EBITDA margin fell by 287bps YoY (24bps QoQ) on account of inflated commodity prices (~20bps), unfavourable product mix (~30bps) and one-off provision (~20bps). Marketing cost stayed elevated due to launches in Q4FY25. Adjusted PAT came at Rs 11.2bn, up 14.4% YoY.

Strong push on launches: RE has expanded its product line up with six major launches Bear 650, Guerrilla 450, Classic 650, Goan Classic 350, refreshed Classic 350, and Hunter refresh, strengthening its 88% mid-size segment share in FY25. Going forward, focus will be on addressing youth appeal by accessible pricing for aspirational products and building premium products like Bear 650 for the existing customers looking to upgrade.

CV gaining traction: VECV segment sales grew to 28.7k units (11.4% YoY) while exports were at 1.7k units (47.3% YoY). EBITDA margin improved to 10.5% from 8.1% YoY. With the economy gaining traction and replacement demand staying at ~6.5%, the segment is expected to deliver healthy performance in FY26.

Maintain HOLD: We maintain our FY26/FY27 EBITDA estimates, due to better product portfolio, focus on mid-segment categor and improving exports. The growing momentum is reflected in revenue/EBITDA/PAT CAGR at 12%/11%/19% over FY24-FY27E. We continue to value EIM at 27x P/E to factor in better growth prospects in RE and VECV segments. We arrive at a higher SOTP-based TP of Rs 5,221 (vs. Rs 5,079) that includes Rs 150/sh for VECV. HOLD with a positive bias.

Key changes

Target	Rating
▲	◀ ▶

Ticker/Price	EIM IN/Rs 5,466
Market cap	US\$ 17.5bn
Free float	51%
3M ADV	US\$ 28.6mn
52wk high/low	Rs 5,907/Rs 4,254
Promoter/FPI/DII	49%/30%/9%

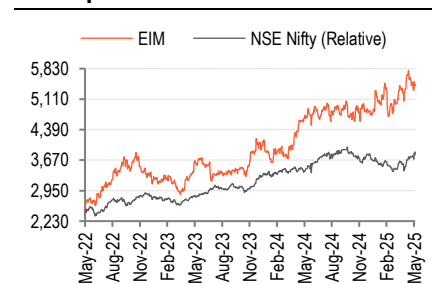
Source: NSE | Price as of 15 May 2025

Key financials

Y/E 31 Mar	FY25P	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	168.4	190.8
Adj. ROAE (%)	22.9	22.3	21.7
Adj. P/E (x)	35.4	32.9	29.6
EV/EBITDA (x)	31.3	26.7	24.1
Adj. EPS growth (%)	12.3	7.6	11.3

Source: Company, Bloomberg, BOBCAPS Research | P – Provisional

Stock performance



Source: NSE



Fig 1 – Earnings call highlights

Parameter	Q4FY25	Q3FY25	Our view
Royal Enfield (RE) volumes	<p>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% increase YoY.</p> <p>RE maintained strong leadership in the mid-size motorcycle segment, with a 88% market share.</p> <p>RE launched six 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.</p>	<p>Royal Enfield sold about 269k motorcycles in Q3FY25 (17% growth YoY).</p> <p>Volumes in India were 242k units and international volumes 27k units. Exports retail market grew 71% YoY.</p> <p>Management indicated that the 125 cc as well showed a bit of healthy growth.</p>	<p>Timely product intervention, refreshers in the 350cc segment, focus on mid-segment has helped volumes gain. This will gain further traction with healthy product launches. Further, the boost in the export markets will only add cushion to the revenue growth.</p>
VE Commercial Vehicles (VECV) market share	<p>EIM's market share in Light & Medium Duty (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%.</p> <p>For FY25 LMD truck share was 36%, HD trucks at 9% and buses at 21.1%.</p>	<p>In Q3FY25, EIM's market share in Volvo Trucks India (market share in high-end premium segment) was at 96.4%, buses at 20.7%, light & medium trucks at 36% and heavy-duty trucks at 8.9%.</p>	<p>We observe continued healthy revival in demand for the commercial vehicle heavy-duty (CV HD) segment. This may strengthen once demand picks up meaningfully. EIM has beaten industry growth in most of the segments. Bus segment market share (at 24%) improvement only adds to the comfort.</p>
VECV volumes	<p>VECV segment 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.</p> <p>For FY25, EIM recorded total CV volume of 90k units a growth of 5.4% YoY.</p> <p>Two significant products were launched: Eicher Pro X (EV SCV) and Volvo Road train.</p>	<p>The VECV segment sold ~21k units in Q3FY25, growing 1.5% YoY. Heavy-duty truck sales were ~5.4k units, (-3.5% YoY), light- & medium-duty trucks ~9.7k units (-1% YoY) and buses ~3.7k units (+10% YoY).</p> <p>Exports in Q3FY25 grew 44.5% YoY to 1.19k units despite disruption in South Asia.</p>	<p>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.</p>
Margins	<p>Consolidated EBITDA margin was 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.</p> <p>One off expense included Rs 190mn for Europe distributor liquidation.</p> <p>For FY26 management has guided to maintain consolidated margin around 24-25%</p>	<p>Better cost management and better price management led to better margins.</p> <p>Five major launches – Bear 650, New Classic 350, Bullet Battalion Black, the Classic 650, Go One Classic – and further EV Flying Feet launch led to incremental marketing expense of Rs 0.7bn.</p>	<p>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</p>
Capacity	<p>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.</p>	<p>EIM on track for a Rs 10bn capex for FY25.</p> <p>First fully-owned CKD plant inaugurated in Thailand to further strengthen the Asia-Pacific presence.</p>	<p>EIM's 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,</p>

Parameter	Q4FY25	Q3FY25	Our view
			though gaining pace is a challenge.
Other key points	<p>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.</p> <p>Top 20 cities account for 18-22% RE volumes as urban recovery picks up while rural demand remains benign.</p> <p>Immediate impact of US tariff was mitigated by pre-tariff inventory ensuring no alteration is needed in MSRP.</p>	<p>EIM phased out the stock for a few variants during the festive season, which were later restocked and now, EIM has an inventory of 2-3 weeks.</p>	<p>Change in customer profile (reduction in age) is a healthy sign for EIM. However, inventory management will be key as premium EIM products are available in select centres. Exports concerns likely to taper off in medium term.</p>

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

Fig 2 – Quarterly performance (standalone)

(Rs mn)	Q4FY25	Q4FY24	YoY (%)	Q3FY25	QoQ (%)	Q4FY25E	Deviation (%)
Volume (nos)	2,82,823	2,27,673	24.2	2,72,297	3.9	2,82,823	0.0
Avg. Realisation per Vehicle (Rs)	1,80,558	1,84,127	(1.9)	1,80,250	0.2	1,77,546	1.7
Net Revenues	51,066	41,921	21.8	49,081	4.0	50,214	1.7
Total Income (A)	51,066	41,921	21.8	49,081	4.0	50,214	1.7
Operating Expenses							
Raw materials consumed	28,608	22,529	27.0	27,263	4.9	27,572	3.8
Employee Expenses	3,203	3,077	4.1	3,139	2.0	3,264	(1.9)
Other Expenses	6,646	4,761	39.6	6,443	3.2	6,779	(2.0)
Total Expenditure (B)	38,457	30,368	26.6	36,845	4.4	37,615	2.2
EBITDA (A-B)	12,609	11,553	9.1	12,237	3.0	12,599	0.1
Other Income	3,538	3,075	15.1	3,000	17.9	3,117	13.5
Depreciation	1,885	1,548	21.8	1,681	12.1	1,691	11.5
EBIT	14,262	13,080	9.0	13,556	5.2	14,025	1.7
Finance Costs	86	59	47.0	56	54.7	55	56.4
PBT after excep items	14,176	13,021	8.9	13,500	5.0	13,970	1.5
Tax expense	2,925	3,188	(8.3)	2,938	(0.4)	3,388	(13.7)
Reported PAT	11,251	9,833	14.4	10,562	6.5	10,582	6.3
Adjusted PAT	11,251	9,833	14.4	10,562	6.5	10,582	6.3
EPS (Rs)	41.2	36.0	14.4	38.6	6.5	38.7	6.3
Key Ratios (%)			(bps)		(bps)		(bps)
Gross Margin	44	46	(228)	44	(48)	45	(111)
EBITDA Margin	25	28	(287)	25	(24)	25	(40)
EBIT Margin	28	31	(327)	28	31	28	(0)
PBT Margin	28	31	(330)	28	25	28	(6)
Tax Rate	21	24	(385)	22	(113)	24	(362)
Adj PAT Margin	22	23	(142)	22	51	21	96

Source: Company, BOBCAPS Research

Valuation Methodology

We maintain our FY26/FY27 EBITDA estimates due to better RE product portfolio, focus on mid-segment category, prudent product mix and improving exports. The growing momentum is reflected in revenue/EBITDA/PAT CAGR at 12%/11%/19% over FY24-FY27E.

We continue to value EIM at 27x P/E to factor in better growth prospects in the Royal Enfield and VECV segments. Focus on mid-size segment, customer profile turning younger and healthy product launch augur well for EIM. Revival in the domestic and exports markets in motorcycles and VECV businesses helps 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.

Effectively, we continue to value EIM at 27x P/E to factor in better growth prospects in RE and VECV segments. We arrive at a higher SOTP-based TP of Rs 5,221 (vs Rs 5,079) that includes Rs 150/sh for VECV.

Fig 3 – Key assumptions

	FY24	FY25E	FY26E	FY27E
Volumes (nos)	9,12,000	9,42,000	9,69,600	10,23,600
Revenues (Rs mn)	1,60,782	1,84,515	1,98,668	2,18,060
Realisation per vehicle (Rs)	1,51,193	1,62,100	1,72,758	1,78,936
EBITDA (Rs mn)	43,802	47,680	55,834	61,602
EBITDA margin (%)	27.2	25.8	28.1	28.3
Adj. PAT (Rs mn)	37,494	42,329	45,542	50,673
EPS (Rs)	137	154	166	185

Source: Company, BOBCAPS Research

Fig 4 – Valuation summary

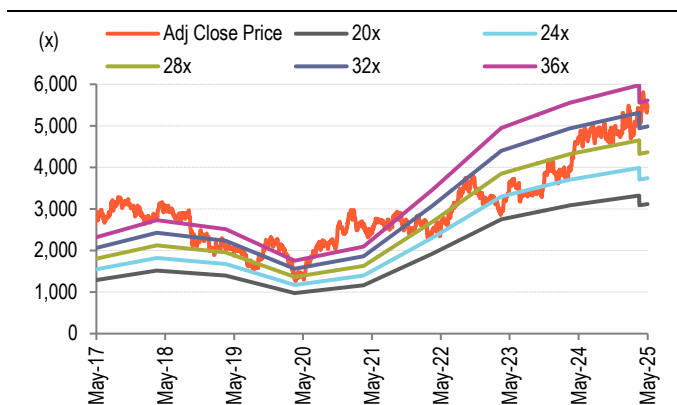
Business (Rs)	1-year forward EPS (Rs)	Target P/E (x)	Value (Rs)
Standalone Business	185	27.0	5,071
VECV Business	-	-	150
Total	-	-	5,221

Source: BOBCAPS Research,

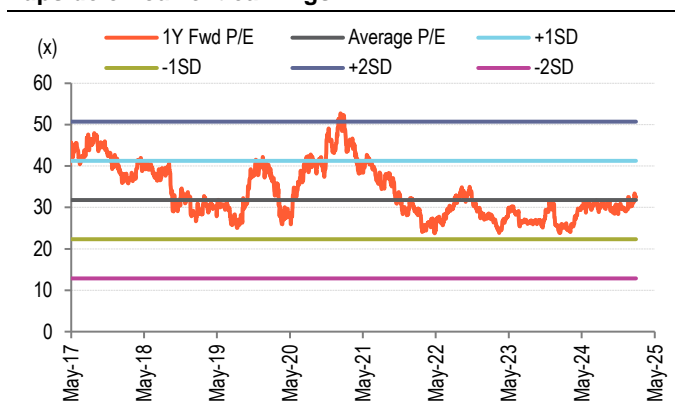
Fig 5 – Peer comparison

Company	Ticker	Rating	Target Price (Rs)	EPS (Rs)		ROE (%)	
				FY26E	FY27E	FY26E	FY27E
Eicher Motors	EIM IN	HOLD	5,221	166.1	184.8	23.4	23.2
TVS Motor Company	TVSL IN	HOLD	2,738	72.6	85.6	26.7	24.9
Bajaj Auto	BJAUT IN	HOLD	9,438	359.2	410.1	26.9	26.6

Source: BOBCAPS Research

Fig 6 – P/E band: There is scope for valuation expansion

Source: Bloomberg, BOBCAPS Research

Fig 7 – P/E 1YF: We believe EIM's valuation has little upside on current earnings

Source: Bloomberg, BOBCAPS Research

Key Risks

- Higher-than-anticipated margin pressure on growing competitive intensity, alongside slower revival in export markets, are key downside risks
- The cost inflation added to statutory norms will further burden margins in the near term.
- 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)	FY23A	FY24A	FY25P	FY26E	FY27E
Total revenue	1,40,666	1,60,782	1,84,515	1,98,668	2,18,060
EBITDA	33,935	43,802	47,680	55,834	61,602
Depreciation	5,121	5,591	6,841	6,692	7,323
EBIT	35,212	49,892	54,462	59,377	66,936
Net interest inc./(exp.)	(130)	(192)	(240)	(231)	(261)
Other inc./(exp.)	6,398	11,681	13,623	10,235	12,656
Exceptional items	0	0	0	0	0
EBT	35,082	49,700	54,222	59,146	66,675
Income taxes	8,857	12,206	11,893	13,604	16,002
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	163	0	0	0	0
Reported net profit	26,388	37,683	42,677	45,925	51,093
Adjustments	163	189	348	382	420
Adjusted net profit	26,225	37,494	42,329	45,542	50,673

Balance Sheet

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25P	FY26E	FY27E
Accounts payables	19,484	22,918	24,988	27,930	30,712
Other current liabilities	13,823	15,625	20,692	12,676	14,254
Provisions	2,557	2,722	3,137	5,235	5,235
Debt funds	988	1,723	1,844	1,763	1,783
Other liabilities	0	0	0	0	0
Equity capital	273	273	274	274	274
Reserves & surplus	1,28,595	1,56,662	1,84,724	2,04,152	2,32,889
Shareholders' fund	1,28,867	1,56,934	1,84,999	2,04,426	2,33,163
Total liab. and equities	1,65,719	1,99,922	2,35,659	2,52,030	2,85,147
Cash and cash eq.	7,959	12,631	1,613	12,401	13,435
Accounts receivables	7,020	5,727	10,811	10,331	11,448
Inventories	9,109	10,686	11,057	13,410	14,937
Other current assets	11,183	29,340	59,000	22,080	25,326
Investments	1,02,796	1,13,069	1,20,271	1,62,069	1,87,069
Net fixed assets	29,946	31,174	31,609	31,917	32,095
CWIP	742	2,100	6,504	5,120	6,400
Intangible assets	0	0	0	0	0
Deferred tax assets, net	(3,034)	(4,805)	(5,205)	(5,298)	(5,563)
Other assets	0	0	0	0	0
Total assets	1,65,721	1,99,923	2,35,659	2,52,030	2,85,147

Cash Flows

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25P	FY26E	FY27E
Cash flow from operations	28,010	17,933	7,745	73,840	43,548
Capital expenditures	(6,759)	(8,178)	(11,680)	(5,616)	(8,780)
Change in investments	(43,296)	(10,273)	(7,202)	(41,798)	(25,000)
Other investing cash flows	6,398	11,681	13,623	10,235	12,656
Cash flow from investing	(43,658)	(6,769)	(5,259)	(37,179)	(21,124)
Equities issued/Others	166	619	(618)	0	0
Debt raised/repaid	928	735	121	(81)	20
Interest expenses	(130)	(192)	(240)	(231)	(261)
Dividends paid	(5,742)	(10,129)	(19,194)	(20,565)	(21,936)
Other financing cash flows	805	1,771	400	93	265
Cash flow from financing	(3,972)	(7,196)	(19,531)	(20,784)	(21,912)
Chg in cash & cash eq.	(19,620)	3,968	(17,044)	15,876	512
Closing cash & cash eq.	7,959	12,631	1,613	12,401	13,435

Per Share

Y/E 31 Mar (Rs)	FY23A	FY24A	FY25P	FY26E	FY27E
Reported EPS	96.1	137.4	154.4	166.1	184.8
Adjusted EPS	96.1	137.4	154.4	166.1	184.8
Dividend per share	21.0	37.1	70.0	75.0	80.0
Book value per share	472.4	575.3	674.7	745.5	850.3

Valuations Ratios

Y/E 31 Mar (x)	FY23A	FY24A	FY25P	FY26E	FY27E
EV/Sales	10.3	9.3	8.1	7.5	6.8
EV/EBITDA	42.8	34.3	31.3	26.7	24.1
Adjusted P/E	56.9	39.8	35.4	32.9	29.6
P/BV	11.6	9.5	8.1	7.3	6.4

DuPont Analysis

Y/E 31 Mar (%)	FY23A	FY24A	FY25P	FY26E	FY27E
Tax burden (Net profit/PBT)	74.8	75.4	78.1	77.0	76.0
Interest burden (PBT/EBIT)	99.6	99.6	99.6	99.6	99.6
EBIT margin (EBIT/Revenue)	25.0	31.0	29.5	29.9	30.7
Asset turnover (Rev./Avg TA)	118.3	111.5	106.8	101.1	98.9
Leverage (Avg TA/Avg Equity)	1.0	1.0	1.0	1.0	1.0
Adjusted ROAE	22.1	26.2	24.8	23.4	23.2

Ratio Analysis

Y/E 31 Mar	FY23A	FY24A	FY25P	FY26E	FY27E
YoY growth (%)					
Revenue	39.0	14.3	14.8	7.7	9.8
EBITDA	60.6	29.1	8.9	17.1	10.3
Adjusted EPS	65.3	43.0	12.3	7.6	11.3

Profitability & Return ratios (%)

EBITDA margin	24.1	27.2	25.8	28.1	28.3
EBIT margin	25.0	31.0	29.5	29.9	30.7
Adjusted profit margin	18.6	23.3	22.9	22.9	23.2
Adjusted ROAE	20.4	23.9	22.9	22.3	21.7
ROCE	22.1	26.1	24.6	23.3	23.1

Working capital days (days)

Receivables	16	14	16	19	18
Inventory	23	22	22	22	24
Payables	88	89	86	87	88

Ratios (x)

Gross asset turnover	0.4	0.4	0.4	0.4	0.4
Current ratio	1.0	1.4	1.7	1.3	1.3
Net interest coverage ratio	271.5	259.9	226.9	257.0	256.5
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%

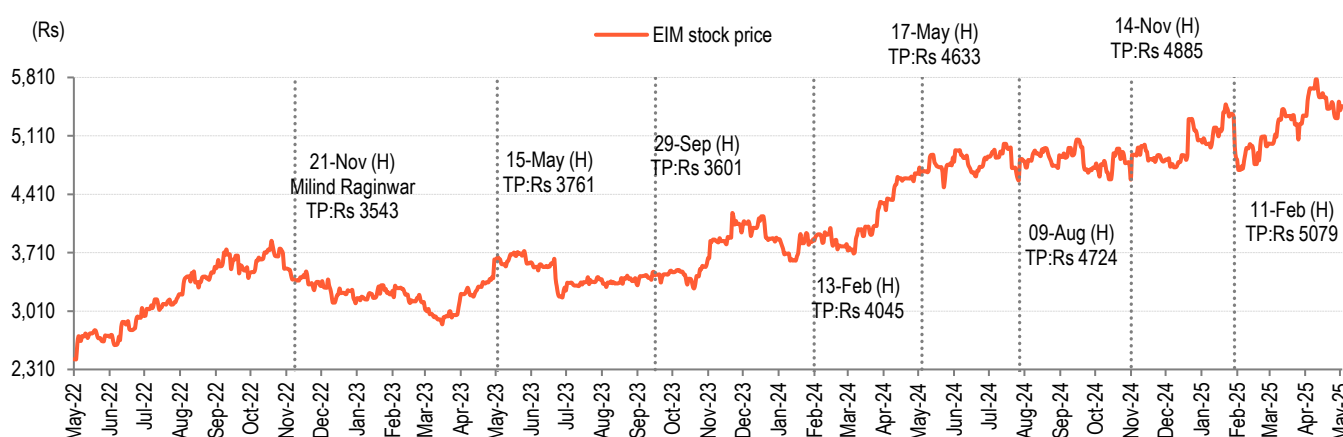
HOLD – Expected return from -6% to +15%

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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