

August 1, 2025

Steady Margin; Premium focus to drive value...

About the stock: Eicher Motors (EML) is the market leader in the >250 cc premium motorcycle segment (market share ~88%) through its aspirational models under the Royal Enfield (RE) brand, such as Bullet, Classic, Himalayan, Interceptor, etc.

- EML via its JV with Volvo i.e. VECV (EML has 54.4% stake), also has a sizeable presence in the CV space (8.6% FY25 market share)

Q1FY26 Results: On the consolidated basis, total operating income for the quarter came in at ₹5,042 crore (up 15% YoY) amid healthy Royal Enfield sales volume at 2.65 lakh units (up ~18% YoY). EBITDA in Q1FY26 came in at ₹1,203 crore with corresponding EBITDA margins at 23.9% (down 13 bps QoQ). Resultant PAT for the quarter stood at ₹1,206 crore (up 9.5% YoY). Share of profits from the VECV arm stood at ₹157 crore with EBITDA margins at 9% (down 130 bps QoQ).

Investment Rationale:

- Sustained 2W outperformance & Premium segment leadership:** Domestic auto industry has experienced a remarkable recovery over the past two years with PV space already surpassing its pre-Covid highs in FY23 and CV space in close proximity of its earlier peak. 2W sustained its recovery with healthy growth in FY25, particularly in the premium segment, where RE continues to dominate with ~88% market share in the 250-750cc category. During the quarter, exports drove the overall growth for the industry. In Q1FY26 RE had model refreshes which kept them well engaged with its target consumers. Eicher Motors via its RE franchise is well positioned to benefit from rising premiumization trends, favourable income tax changes boosting urban sentiment, and a healthy rural market. With volume leadership, strong brand affinity & feature loaded products, Eicher motors is expected to outperform the broader 2W industry in FY26E.
- Growth visibility through launches, Global expansion & EV push:** Royal Enfield's aggressive product pipeline and growing global footprint support a strong growth outlook. The brand recently introduced multiple new motorcycles and continues to deepen market presence via exclusive retail and CKD operations including a newly expanded footprint in Brazil and full-scale operations in Thailand and Bangladesh. They have also launched models in Nepal produced at the local CKD. Overall, good response from LATAM & SAARC markets is also positive for the company. Additionally, RE's EV platform "Flying Flea" has seen strong global interest following showcases of models. With upcoming new launches in pipeline coupled with tangible steps being taken in the EV space, there exists healthy growth longevity for Royal Enfield franchise.

Rating and Target Price

- Eicher stands well-positioned to sustain its growth momentum, backed by a strong brand, disciplined cost control, and prudent capital allocation. With tailwind expected from festive season in the coming months, we continue to assign **BUY rating** on the stock. EML has capital efficient business model & cash positive b/s. We value EML at ₹ **6,600** (SOTP basis)

Key Financial Summary

Key Financials (₹ crore)	FY21	FY22	FY23	FY24	FY25	5 year CAGR (FY20-25)	FY26E	FY27E	2 year CAGR (FY25-27E)
Net Sales	8,720.4	10,297.8	14,442.2	16,535.8	18,870.4	15.6%	20,564.0	22,947.6	10.3%
EBITDA	1,781.3	2,172.2	3,443.6	4,326.9	4,712.0	16.7%	5,009.1	5,718.2	10.2%
EBITDA Margins (%)	20.4	21.1	23.8	26.2	25.0		24.4	24.9	
Net Profit	1,346.9	1,676.6	2,913.9	4,001.0	4,734.4	21.0%	4,913.2	5,572.3	8.5%
EPS (₹)	49.3	61.3	106.5	146.1	172.7		179.2	203.2	
P/E	112.6	90.5	52.1	37.9	32.1		30.9	27.2	
RoNW (%)	11.8	13.3	19.4	22.2	22.2		20.2	20.0	
RoCE(%)	11.3	13.3	18.8	19.9	27.0		25.5	25.2	

Source: Company, ICICI Direct Research



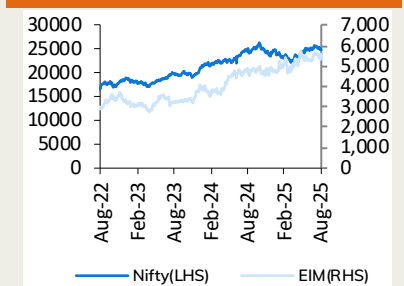
Particulars

Particular	₹ crore
Market Capitalization	151,682
Total Debt (FY25)	266
Cash & Invs (FY25)	16,569
EV (₹ crore)	135,379
52 week H/L (₹)	5,908/ 4,500
Equity capital	₹ 27.4 Crore
Face value	₹ 1

Shareholding pattern

	Sep-24	Dec-24	Mar-25	Jun-25
Promoter	49.1	49.1	49.1	49.1
FII	27.6	25.4	25.0	25.8
DII	13.7	16.1	16.6	15.7
Other	9.6	9.4	9.4	9.4

Price Chart



Recent event & key risks

- Posted a steady show in Q1FY26. Built in 9% CAGR in RE sales volumes over FY25-27E
- Key Risk: (i) slower than anticipated volume growth (ii) margin pressure due to rise in commodity prices (metals)

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Q1FY26 Earnings Conference Call Highlights

- **Royal Enfield:** RE volumes were at 2.65 lakh units, marking a 17.5% YoY growth. RE launched a refreshed Hunter 350, which was well-received. They faced production issues due to the rare earth shortage but alternatives are being used now. It also progressed on its EV journey with "Flying Free".
- **VECV Performance:** Q1FY26 volumes stood at 21,610 units, and revenue rose 12% YoY to ₹5,671 crore. Q1 EBITDA margin was at 9% down from 10.3% in Q4FY25 but up from 7.6% in Q1FY25 a year ago. VECV achieved leadership in the Light & Medium Duty Truck (5–18T) segment. Overall market share improved to 18.7% (vs 17.3% last year), led by continued leadership in LMD trucks (34.5% share) and a strong showing in Buses, where Total Bus volumes grew 14.8% and market share rose to 21.5%.
- **International Operations:** Royal Enfield's is focusing on its international business. New CKD operations were launched in Nepal along with the launch of Classic 350. While Brazil saw expanded CKD partnerships to overcome quota limits. The brand is doing good in LATAM especially Brazil, and also in Europe & Australia. Product launches like the new Himalayan received strong traction internationally, and the company continues to invest in retail, brand-building, and long-term market development efforts abroad.
- **Others:** Margin has come in stable for the quarter. The company has guided, going forward they see no big launch expense and are bullish about the festive season this year. Rural has done well for the company as they shift their focus on smaller rural towns and provide dealer financing. They have also seen some green shoots in the urban market for the first time in Q1FY26.
- **Outlook:** Management is confident about continued growth across both businesses in FY26E. For Royal Enfield, premiumization, an improving urban demand environment (aided by tax cuts), rural resilience, and an expanding product portfolio are expected to drive domestic growth. The company aims to maintain momentum through continued network expansion, product innovation, and a focus on electric and alternative fuel technologies.

Exhibit 1: Quarterly Variance Analysis

	Q1FY26	Q1FY25	YoY (%)	Q4FY25	QoQ (%)
Total Operating Income	5,042	4,393	14.8	5,241	-3.8
Raw Material Expenses	2,594	2,252	15.2	2,814	-7.8
Purchase of traded goods	218	104	110.0	113	92.3
Employee Expenses	374	354	5.7	349	7.1
Other expenses	652	518	26.0	707	-7.7
EBITDA	1,203	1,165	3.2	1,258	-4.3
EBITDA Margin (%)	23.9	26.5	-267 bps	24.0	-13 bps
Other Income	446	282	58.2	380	17.3
Depreciation	198	169	17.5	201	-1.6
Interest	15	12	21.4	16	-4.1
Total Tax	388	340	14.2	307	26.3
PAT	1,206	1,101	9.5	1,362	-11.5
Key Metrics					
Royal Enfield Volumes	2,65,528	2,26,021	17.5	2,82,823	-6.1
Royal Enfield ASP (₹)	1,81,539	1,84,082	-1.4	1,77,593	2.2
VECV Volumes	21,610	19,702	9.7	28,675	-24.6
VECV ASP (₹ lakhs)	26.2	25.7	2.0	24.9	5.4

Source: Company, ICICI Direct Research

Exhibit 2: Assumptions

	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Royal Enfield volumes (lakh units)	8.3	7.0	6.1	6.0	8.3	9.1	10.1	11.0	12.0
Royal Enfield ASP/unit (₹ lakh/unit)	1.18	1.29	1.40	1.66	1.66	1.73	1.80	1.83	1.88
VECV volumes	72,860	48,786	41,265	57,077	79,623	85,560	90,163	95,594	101,330

Source: ICICI Direct Research

Exhibit 3: Change in Estimates

(₹ Crore)	FY26E			FY27E		
	Old	New	% Change	Old	New	% Change
Revenue	20,386	20,564	0.9	22,892	22,948	0.2
EBITDA	4,904	5,009	2.1	5,583	5,718	2.4
EBITDA Margin (%)	24.1	24.4	30 bps	24.4	24.9	53 bps
PAT	4,905	4,913	0.2	5,397	5,572	3.2
EPS (₹)	179	179	0.2	197	204	3.2

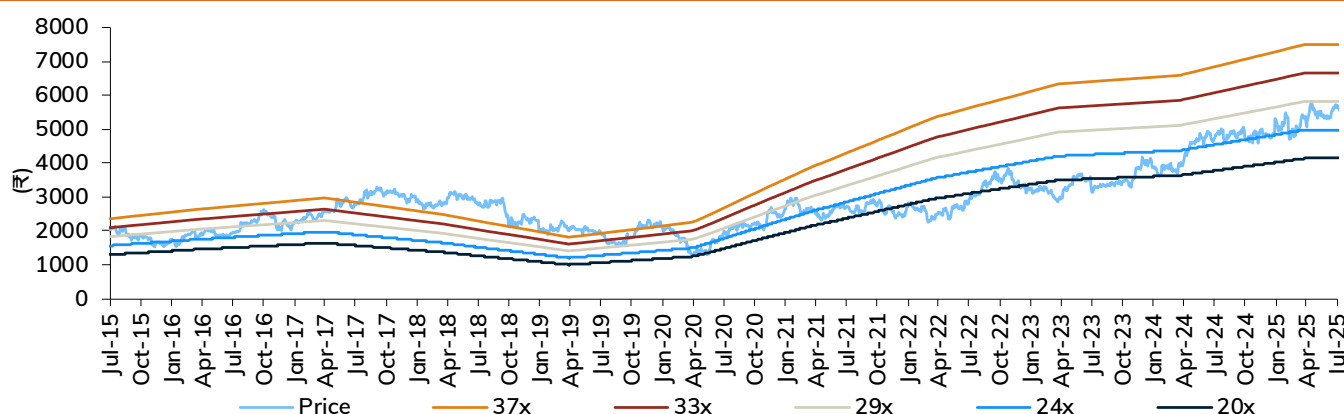
Source: ICICI Direct Research

Exhibit 4: SOTP valuation

	Amount	Remarks
Two-wheeler business-Royal Enfield		
FY27E EPS (₹)	182	
Target PE multiple(x)	32.0	Valued RE business at 32x P/E
Per share value (₹)	5,845	
Target market cap (₹ crore)	160,039	
CV business-VECV		
FY27E PAT (₹ crore)	1,519	
Target PE multiple(x)	25.0	Valued VECV business at 25x P/E
Target market cap (₹ crore)	37,986	
Contribution towards EML	0.54	EML has 54.4% stake in VECV
Target market cap towards EML (₹ crore)	20,665	
Per share value-VECV Eicher (₹)	755	
Total target market cap (₹ crore)	180,703	
Per share value (₹)	6,600	

Source: ICICI Direct Research

Exhibit 5: Eicher Motors trades at ~27x PE on 2 year forward basis vs. its long period average placed at ~30x



Source: ICICI Direct Research

Financial Summary

Exhibit 6: Profit and loss statement

₹ crore

(Year-end March)	FY24	FY25	FY26E	FY27E
Total operating Income	16,536	18,870	20,564	22,948
Growth (%)	14.5	14.1	9.0	11.6
Raw Material Expenses	8,526	9,790	11,050	12,501
Employee Expenses	1,236	1,391	1,505	1,614
Other Expenses	1,993	2,470	2,583	2,821
Total Operating Expenditure	12,209	14,158	15,555	17,229
EBITDA	4,327	4,712	5,009	5,718
Growth (%)	25.7	8.9	6.3	14.2
Depreciation	598	729	802	849
Interest	51	54	57	60
Other Income	1,076	1,305	1,413	1,518
PBT	4,754	5,233	5,563	6,328
Others	-	-	-	-
Total Tax	1,201	1,199	1,378	1,582
PAT	4,001	4,734	4,913	5,572
Growth (%)	37.3	18.3	3.8	13.4
EPS (₹)	146.1	172.7	179.2	203.2

Source: Company, ICICI Direct Research

Exhibit 7: Cash flow statement

₹ crore

(Year-end March)	FY24	FY25	FY26E	FY27E
Profit after Tax	4,001	4,734	4,913	5,572
Add: Depreciation	598	729	802	849
(Inc)/dec in Current Assets	44	(504)	(234)	(393)
Inc/(dec) in CL and Provisions	384	697	143	502
CF from operating activities	3,951	4,353	4,211	5,011
(Inc)/dec in Investments	(3,816)	(2,398)	(2,150)	(2,800)
(Inc)/dec in Fixed Assets	(905)	(1,225)	(1,200)	(1,200)
Others	1,017	879	1,147	1,255
CF from investing activities	(3,704)	(2,743)	(2,203)	(2,745)
Issue/(Buy back) of Equity	-	-	-	-
Inc/(dec) in loan funds	80	(9)	(50)	(50)
Dividend paid & dividend tax	(1,395)	(1,915)	(1,915)	(2,051)
Others	449	431	-	-
CF from financing activities	(866)	(1,493)	(1,965)	(2,101)
Net Cash flow	(619)	117	43	165
Opening Cash	766	146	263	306
Closing Cash	146	263	306	472

Source: Company, ICICI Direct Research

Exhibit 8: Balance Sheet

₹ crore

(Year-end March)	FY24	FY25	FY26E	FY27E
Liabilities				
Equity Capital	27.4	27.4	27.4	27.4
Reserve and Surplus	18,018	21,269	24,268	27,789
Total Shareholders funds	18,046	21,296	24,295	27,816
Total Debt	276	266	216	166
Deferred Tax Liability	461	493	493	493
Others	859	935	977	1,027
Total Liabilities	19,642	22,991	25,982	29,503
Assets				
Gross Block	6,233	7,521	8,671	9,821
Less: Acc Depreciation	3,319	4,048	4,850	5,699
Net Block	2,914	3,473	3,821	4,122
Capital WIP	555	491	541	591
Total Fixed Assets	3,469	3,965	4,363	4,714
Investments	16,487	19,447	21,897	24,997
Inventory	1,410	1,564	1,690	1,886
Debtors	374	550	563	629
Others	871	1,044	1,138	1,270
Cash	146	263	306	472
Total Current Assets	2,800	3,420	3,698	4,256
Creditors	2,090	2,530	2,535	2,829
Provisions	100	123	123	137
Others	1,297	1,531	1,669	1,862
Total Current Liabilities	3,486	4,184	4,327	4,828
Net Current Assets	(686)	(763)	(629)	(572)
Other Non current asset	371	342	351	364
Application of Funds	19,642	22,991	25,982	29,503

Source: Company, ICICI Direct Research

Exhibit 9: Key ratios

(Year-end March)	FY24	FY25	FY26E	FY27E
Per share data (₹)				
EPS	146.1	172.7	179.2	203.2
Cash EPS	168.1	199.8	209.0	234.8
BV	659.8	778.7	888.3	1,017.0
DPS	51.0	70.0	70.0	75.0
Cash Per Share	513.9	605.8	686.0	794.4
Operating Ratios (%)				
EBITDA Margin	26.2	25.0	24.4	24.9
PBT / Net sales	22.6	31.6	31.0	31.3
PAT Margin	24.2	25.1	23.9	24.3
Inventory days	31.1	30.2	30.0	30.0
Debtor days	8.3	10.6	10.0	10.0
Creditor days	46.1	48.9	45.0	45.0
Return Ratios (%)				
RoE	22.2	22.2	20.2	20.0
RoCE	19.9	27.0	25.5	25.2
RoIC	89.4	119.4	111.7	116.6
Valuation Ratios (x)				
P/E	37.9	32.1	30.9	27.2
EV / EBITDA	31.9	28.7	26.6	22.8
EV / Net Sales	8.3	7.2	6.5	5.7
Market Cap / Sales	9.2	8.0	7.4	6.6
Price to Book Value	8.4	7.1	6.2	5.5
Solvency Ratios				
Debt/Equity	0.0	0.0	0.0	0.0
Current Ratio	1.0	0.9	1.0	1.0
Quick Ratio	0.4	0.5	0.5	0.5

Source: Company, ICICI Direct Research

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