

Industry leading growth to sustain, premium play...

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)

Q3FY26 Results: On the consolidated basis, total operating income for the quarter came in at ₹6,114 crore (up 23% YoY) amid healthy Royal Enfield sales volume at 3.29 lakh units (up ~21% YoY). EBITDA in Q3FY26 came in at ₹1,557 crore with corresponding EBITDA margins at 25.5% (up 100 bps QoQ). Resultant PAT for the quarter stood at ₹1,421 crore (up 21% YoY). Share of profits from the VECV arm stood at ₹183 crore with EBITDA margins at 9.5% (up 150 bps QoQ).

Investment Rationale:

- GST Rationalization driving volume resilience in otherwise soft Q3:** GST 2.0 have had a positive influence on the auto industry and have resulted in improved sentiments in the domestic market. In Q3FY26 2W volumes delivered a record-breaking performance, with sales at 5.7 million units, up 17% YoY, making it the strongest Q3 on record on the back of festive demand and GST 2.0. Exports also scaled new highs, with 2W shipments rising 24.3% YoY to 1.37 million units in Q3FY26, a result of improving macro-economic conditions in key markets of Africa, steady demand from South Asian markets. Domestically, RE dominates in the premium segment, where it has a ~89% market share in the 250-750cc category. RE drives 91% of its volume from the <350cc segment and hence saw benefit from GST 2.0 reforms. The 350cc platform remains the primary growth engine with sustained momentum, while recovery in 650cc and gradual improvement in 450cc providing incremental upside.
- Improving Profitability, Capacity Expansion and Balanced CV Exposure:** EML is entering a phase of improving operating leverage and profitability driven by scale benefits, disciplined pricing, & value engineering despite moderate commodity pressures. VECV adds a strong second growth engine with its best-ever quarterly performance, improving margins and a positive medium-term outlook supported by infrastructure spending & domestic manufacturing push. The company's strategic ₹958 crore brownfield capacity expansion to scale Royal Enfield production to ~2 million units (from current 1.4 million units) positions it well to capture rising demand, particularly in the high-growth 350cc segment, while maintaining capital efficiency. With improving margins, growing international presence and capacity aligned to future demand, the company remains well positioned for sustained earnings growth.

Rating and Target Price

- With sustained double-digit volume growth in Royal Enfield, dominant positioning in the mid-weight motorcycle segment, improving profitability through operating leverage and a strong growth outlook for VECV arm, we continue to assign **BUY rating** on the stock. EML has capital efficient business model & cash positive b/s. We value EML at ₹ **9,100** (SOTP basis)



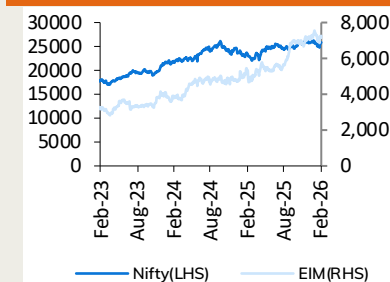
Particulars

Particular	₹ crore
Market Capitalization	211,808
Total Debt (FY25)	266
Cash & Invs (FY25)	16,569
EV (₹ crore)	195,505
52 week H/L (₹)	7,791/ 4,644
Equity capital	₹ 27.4 Crore
Face value	₹ 1

Shareholding pattern

	Mar-25	Jun-25	Sep-25	Dec-25
Promoter	49.1	49.1	49.1	49.1
FII	25.0	25.8	27.0	27.0
DII	16.6	15.7	14.6	14.6
Other	9.4	9.4	9.3	9.3

Price Chart



Recent event & key risks

- Posted a healthy show in Q3FY26. Built in 15% CAGR in RE sales volumes over FY25-28E
- Key Risk: (i) slower than anticipated volume growth at Royal Enfield franchise (ii) margin pressure due to rise in commodity prices (metals)

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Key Financial Summary

Key Financials (₹ crore)	FY21	FY22	FY23	FY24	FY25	5 year CAGR (FY20-25)	FY26E	FY27E	FY28E	3 year CAGR (FY25-28E)
Net Sales	8,720.4	10,297.8	14,442.2	16,535.8	18,870.4	15.6%	23,297.7	25,861.3	29,019.2	15.4%
EBITDA	1,781.3	2,172.2	3,443.6	4,326.9	4,712.0	16.7%	5,773.5	6,501.3	7,389.8	16.2%
EBITDA Margins (%)	20.4	21.1	23.8	26.2	25.0		24.8	25.1	25.5	
Net Profit	1,346.9	1,676.6	2,913.9	4,001.0	4,734.4	21.0%	5,480.8	6,108.6	7,007.3	14.0%
EPS (₹)	49.3	61.3	106.5	146.1	172.7		199.9	222.8	255.6	
P/E	157.3	126.4	72.7	53.0	44.8		38.7	34.7	30.2	
RoNW (%)	11.8	13.3	19.4	22.2	22.2		22.2	21.1	20.9	
RoCE(%)	11.3	13.3	18.8	19.9	27.0		28.1	27.1	26.5	

Q3FY26 Earnings Conference Call Highlights

- Royal Enfield:** Volumes grew 21% YoY to ~3.29 lakh motorcycles, with domestic sales growing faster at 24% YoY, supported by sustained retail traction and strong festive demand. The company crossed the 1-million units YTD milestone ahead of schedule and maintained dominant leadership in the mid-weight segment with ~88.9% exit market share. The 350cc segment continues to be the key growth driver, with higher demand post GST changes, while 650cc recovery is faster and 450cc is gradually improving. Management indicated continued product pipeline, strong booking trends and expectation to outgrow industry growth, with Q4 demand remaining positive.
- VECV Performance:** Volumes grew 24.2% YoY to ~26,086 units, with strong growth in light & medium duty trucks (+28%) and heavy trucks (+15%), while bus sales declined slightly due to tender timing. The parts business grew 14% YoY, and exports rose sharply by 72% YoY, reflecting better traction in select markets. Q3 EBITDA margin was at 9.5%. Management remains constructive on the medium-term CV outlook driven by infrastructure, financing availability and domestic manufacturing push.
- International Operations:** International Royal Enfield volumes were broadly stable at ~25k units, with continued traction in growth markets such as Brazil, Argentina and Thailand, and new store expansion including Peru. Management highlighted a country-by-country growth approach, with strong potential in the US once tariff clarity improves, while Europe is currently in a "calibration year" due to discounting from pre-registered inventory. Latin America remains a major growth engine, with Brazil emerging as a key strategic market where investments and CKD expansion are underway.
- Others:** Margins improved primarily due to operating leverage, cost discipline and model mix, though commodity pressure persists. Gross margin benefited from pricing actions taken earlier and value engineering, offsetting higher costs driven by precious metals, aluminum and copper.
- Outlook:** Management remains optimistic across both businesses. For Royal Enfield, demand indicators such as inquiries, bookings and conversions remain strong, and the company expects continued growth in Q4 and beyond while targeting outperformance vs industry growth. Premium motorcycle industry is expected to grow in high single digits.

Capacity: The board approved a major capacity expansion for Royal Enfield via brownfield investment to increase annual production capacity from ~1.4 million to 2 million units, with investment of ~₹958 crore over two years, targeting completion by FY28. Expansion is modular to match demand and focused primarily on the fast-growing 350cc segment, while existing capacity plus debottlenecking is sufficient for 450cc and 650cc. VECV currently operates near 80-90% utilization, with no major capacity constraint in the near term, though small expansion may be considered next year if industry growth continues.

Exhibit 1: Quarterly Variance Analysis

	Q3FY26	Q3FY25	YoY (%)	Q2FY26	QoQ (%)
Total Operating Income	6,114	4,973	22.9	6,172	-0.9
Raw Material Expenses	3,146	2,629	19.7	3,326	-5.4
Purchase of traded goods	253	103	145.2	149	69.9
Employee Expenses	430	342	25.8	418	2.9
Other expenses	729	698	4.4	767	-5.0
EBITDA	1,557	1,201	29.6	1,512	3.0
EBITDA Margin (%)	25.5	24.2	131 bps	24.5	96 bps
Other Income	337	289	16.8	351	-3.9
Depreciation	211	179	17.8	200	5.8
Interest	17	13	29.0	19	-9.9
Total Tax	373	290	28.3	410	-9.0
PAT	1,421	1,171	21.4	1,369	3.7
Key Metrics					
Royal Enfield Volumes	3,29,195	2,72,297	20.9	3,26,375	0.9
Royal Enfield ASP(₹)	1,78,530	1,77,405	0.6	1,78,047	0.3
VECV Volumes	26,086	21,012	24.1	21,901	19.1
VECV ASP (₹ lakhs)	26.9	27.6	-2.5	27.9	-3.5

Source: Company, ICICI Direct Research

Exhibit 2: Assumptions

	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Royal Enfield volumes (lakh units)	8.3	7.0	6.1	6.0	8.3	9.1	10.1	12.5	14.0	15.4
Royal Enfield ASP/unit (₹ lakh/unit)	1.18	1.29	1.40	1.66	1.66	1.73	1.80	1.80	1.82	1.86
VECV volumes	72,860	48,786	41,265	57,077	79,623	85,560	90,163	101,140	109,231	115,784

Source: ICICI Direct Research

Exhibit 3: Change in Estimates

(₹ Crore)	FY26E			FY27E			FY28E		
	Old	New	% Change	Old	New	% Change	Old	New	% Change
Revenue	22,420	23,298	3.9	24,038	25,861	7.6	26,482	29,019	9.6
EBITDA	5,439	5,773	6.1	5,853	6,501	11.1	6,525	7,390	13.3
EBITDA Margin (%)	24.3	24.8	52 bps	24.3	25.1	79 bps	24.6	25.5	83 bps
PAT	5,231	5,481	4.8	5,725	6,109	6.7	6,380	7,007	9.8
EPS (₹)	191	200	4.8	209	223	6.7	233	256	9.8

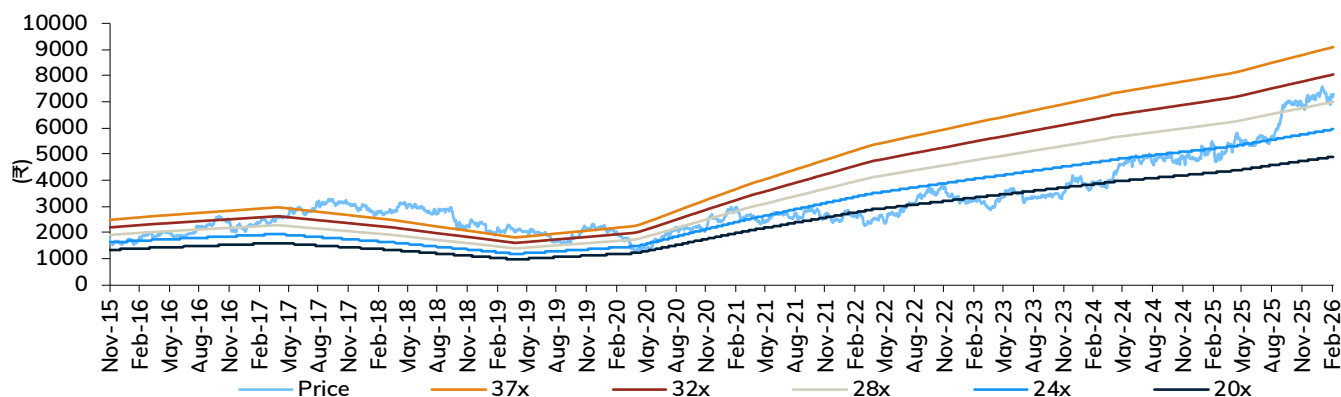
Source: ICICI Direct Research

Exhibit 4: SOTP valuation

	Amount	Remarks
Two-wheeler business-Royal Enfield		
FY28E EPS (₹)	234	
Target PE multiple(x)	35.0	Valued RE business at 35x P/E
Per share value (₹)	8,200	
Target market cap (₹ crore)	224,523	
CV business-VECV		
FY28E PAT (₹ crore)	1,820	
Target PE multiple(x)	25.0	Valued VECV business at 25x P/E
Target market cap (₹ crore)	45,492	
Contribution towards EML	0.54	EML has 54.4% stake in VECV
Target market cap towards EML (₹ crore)	24,747	
Per share value-VECV Eicher (₹)	900	
Total target market cap (₹ crore)	249,270	
Per share value (₹)	9,100	

Source: ICICI Direct Research

Exhibit 5: Eicher Motors trades at ~30x PE on 2 year forward basis vs. its long period average placed at ~32x



Source: ICICI Direct Research

Financial Summary

Exhibit 6: Profit and loss statement

₹ crore

(Year-end March)	FY25	FY26E	FY27E	FY28E
Total operating Income	18,870	23,298	25,861	29,019
Growth (%)	14.1	23.5	11.0	12.2
Raw Material Expenses	9,790	12,339	14,157	15,848
Employee Expenses	1,391	1,643	1,783	1,943
Other Expenses	2,470	2,852	3,115	3,495
Total Operating Expenditure	14,158	17,524	19,360	21,629
EBITDA	4,712	5,773	6,501	7,390
Growth (%)	8.9	22.5	12.6	13.7
Depreciation	729	827	931	1,016
Interest	54	68	75	82
Other Income	1,305	1,488	1,585	1,731
PBT	5,233	6,366	7,081	8,023
Others	-	-	-	-
Total Tax	1,199	1,559	1,770	2,006
PAT	4,734	5,481	6,109	7,007
Growth (%)	18.3	15.8	11.5	14.7
EPS (₹)	172.7	199.9	222.8	255.6

Source: Company, ICICI Direct Research

Exhibit 7: Cash flow statement

₹ crore

(Year-end March)	FY25	FY26E	FY27E	FY28E
Profit after Tax	4,734	5,481	6,109	7,007
Add: Depreciation	729	827	931	1,016
(Inc)/dec in Current Assets	(504)	(685)	(423)	(521)
Inc/(dec) in CL and Provisions	697	718	539	664
CF from operating activities	4,353	4,854	5,571	6,435
(Inc)/dec in Investments	(2,398)	(2,700)	(3,000)	(3,700)
(Inc)/dec in Fixed Assets	(1,225)	(1,200)	(1,500)	(1,500)
Others	879	1,235	1,323	1,472
CF from investing activities	(2,743)	(2,665)	(3,177)	(3,728)
Issue/(Buy back) of Equity	-	-	-	-
Inc/(dec) in loan funds	(9)	(50)	(50)	(50)
Dividend paid & dividend tax	(1,915)	(1,915)	(2,051)	(2,462)
Others	431	-	-	-
CF from financing activities	(1,493)	(1,965)	(2,101)	(2,512)
Net Cash flow	117	224	293	196
Opening Cash	146	263	487	780
Closing Cash	263	487	780	976

Source: Company, ICICI Direct Research

Exhibit 8: Balance Sheet

₹ crore

(Year-end March)	FY25	FY26E	FY27E	FY28E
Liabilities				
Equity Capital	27.4	27.4	27.4	27.4
Reserve and Surplus	21,269	24,835	28,893	33,439
Total Shareholders funds	21,296	24,863	28,920	33,466
Total Debt	266	216	166	116
Deferred Tax Liability	493	493	493	493
Others	935	1,006	1,057	1,115
Total Liabilities	22,991	26,578	30,637	35,190
Assets				
Gross Block	7,521	8,671	10,121	11,571
Less: Acc Depreciation	4,048	4,875	5,806	6,822
Net Block	3,473	3,796	4,315	4,750
Capital WIP	491	541	591	641
Total Fixed Assets	3,965	4,338	4,907	5,391
Investments	19,447	22,447	25,747	29,747
Inventory	1,564	1,915	2,126	2,385
Debtors	550	638	709	795
Others	1,044	1,289	1,431	1,606
Cash	263	487	780	976
Total Current Assets	3,420	4,329	5,045	5,762
Creditors	2,530	2,872	3,188	3,578
Provisions	123	139	155	174
Others	1,531	1,890	2,098	2,355
Total Current Liabilities	4,184	4,902	5,442	6,106
Net Current Assets	(763)	(573)	(397)	(344)
Other Non current asset	342	366	379	396
Application of Funds	22,991	26,578	30,637	35,190

Source: Company, ICICI Direct Research

Exhibit 9: Key ratios

(Year-end March)	FY25	FY26E	FY27E	FY28E
Per share data (₹)				
EPS	172.7	199.9	222.8	255.6
Cash EPS	199.8	230.6	257.4	293.3
BV	778.7	909.1	1,057.4	1,223.6
DPS	70.0	70.0	75.0	90.0
Cash Per Share	605.8	712.7	833.1	975.6
Operating Ratios (%)				
EBITDA Margin	25.0	24.8	25.1	25.5
PBT / Net sales	31.6	30.9	31.0	31.1
PAT Margin	25.1	23.7	23.6	24.1
Inventory days	30.2	30.0	30.0	30.0
Debtor days	10.6	10.0	10.0	10.0
Creditor days	48.9	45.0	45.0	45.0
Return Ratios (%)				
RoE	22.2	22.2	21.1	20.9
RoCE	27.0	28.1	27.1	26.5
RoIC	119.4	129.9	129.2	133.9
Valuation Ratios (x)				
P/E	44.8	38.4	34.7	30.2
EV / EBITDA	41.5	33.3	29.1	25.1
EV / Net Sales	10.4	8.3	7.3	6.4
Market Cap / Sales	11.2	9.1	8.2	7.3
Price to Book Value	10.0	8.5	7.3	6.3
Solvency Ratios				
Debt/Equity	0.0	0.0	0.0	0.0
Current Ratio	0.9	1.0	1.0	1.0
Quick Ratio	0.5	0.5	0.5	0.5

Source: Company, ICICI Direct Research

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