

November 14, 2025

Strengthening core, scaling global...

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)

Q2FY26 Results: On the consolidated basis, total operating income for the quarter came in at ₹6,172 crore (up 45% YoY) amid healthy Royal Enfield sales volume at 3.26 lakh units (up ~43% YoY). EBITDA in Q2FY26 came in at ₹1,512 crore with corresponding EBITDA margins at 24.5% (up 60 bps QoQ). Resultant PAT for the quarter stood at ₹1,369 crore (up 24.5% YoY). Share of profits from the VECV arm stood at ₹135 crore with EBITDA margins at 8% (down 100 bps QoQ)

Investment Rationale:

- GST Rationalization: Structural boost for the industry:** Government has announced GST 2.0 reforms thereby reducing GST rates for the automobile sector across the segments and value chain, small cars, 2-W's up to 350cc, and 3-Ws will now attract 18% GST vs. 28% earlier which enables the 2W domain to expect healthy volume growth in FY26E led up upbeat demand sentiments in the rural economy amid healthy farm produce and positive 2025 monsoons. Domestically, RE dominates in the premium segment, where it has a ~84% market share in the 250-750cc category. RE drives 91% of its volume from the <350cc segment and hence will benefit from GST 2.0 reforms. In Q2FY26 RE had model refreshes such as Meteor 350 & new Hunter 350 colour-ways which kept them well engaged with its target consumers. Going forward, festive demand momentum, and GST-driven demand imply continued strength for RE in H2FY26E.
- Growth visibility through new product pipeline & expanding global footprint:** The company is entering a multi-year upcycle driven by a refreshed and expanding portfolio which include recent updates to the Meteor, Classic and Hunter lines, new colourways, and the steady ramp-up of premium platforms such as the Himalayan and Shotgun all of which have materially lifted inquiry-to-booking conversions and supported record quarterly volumes. Simultaneously, the brand gaining with exports, growing sharply (~49% YoY) and RE now ranking among the top three midsize motorcycle brands in major markets such as the UK, LATAM, Australia. 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 GST 2.0 reforms 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 ₹ **7,850** (SOTP basis)

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%	22,420.2	24,037.5	26,482.4	12.0%
EBITDA	1,781.3	2,172.2	3,443.6	4,326.9	4,712.0	16.7%	5,439.1	5,853.4	6,525.1	11.5%
EBITDA Margins (%)	20.4	21.1	23.8	26.2	25.0		24.3	24.4	24.6	
Net Profit	1,346.9	1,676.6	2,913.9	4,001.0	4,734.4	21.0%	5,230.5	5,725.2	6,380.3	10.5%
EPS (₹)	49.3	61.3	106.5	146.1	172.7		190.8	208.8	232.7	
P/E	136.0	109.3	62.9	45.8	38.7		35.0	32.0	28.7	
RoNW (%)	11.8	13.3	19.4	22.2	22.2		21.3	20.2	19.6	
RoCE(%)	11.3	13.3	18.8	19.9	27.0		26.9	25.4	24.7	

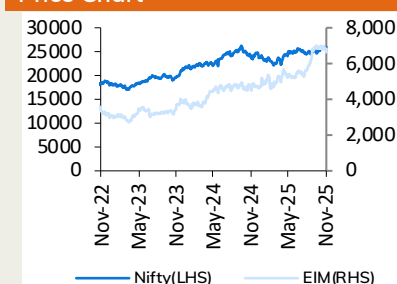
Source: Company, ICICI Direct Research

**Particulars**

Particular	₹ crore
Market Capitalization	1,83,111
Total Debt (FY25)	266
Cash & Invt (FY25)	16,569
EV (₹ crore)	1,66,809
52 week H/L (₹)	7,124/ 4,644
Equity capital	₹ 27.4 Crore
Face value	₹ 1

Shareholding pattern

	Dec-24	Mar-25	Jun-25	Sep-25
Promoter	49.1	49.1	49.1	49.1
FII	25.4	25.0	25.8	27.0
DII	16.1	16.6	15.7	14.6
Other	9.4	9.4	9.4	9.3

Price Chart**Recent event & key risks**

- Posted a healthy show in Q2FY26. Built in 12% CAGR in RE sales volumes over FY25-28E
- Key Risk: (i) margin pressure due to rise in commodity prices (metals) (ii) slower than anticipated volume growth

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Q2FY26 Earnings Conference Call Highlights

- Royal Enfield:** RE volumes were at 3.27 lakh units, marking a 43% YoY growth. helped by refreshed Meteor/Media 350, new Hunter 350 colorways and renewed interest in Bullet/Classic ranges; the mid-sized (350cc) segment share remains dominant (~84%). Management highlighted record bookings, rising walk-in and online conversion rates (inquiry→booking up ~10 percentage points). The GST rate change materially boosted inquiries and demand for 350cc bikes.
- VECV Performance:** Q2FY26 volumes stood at 21,910 units, and revenue rose 10% YoY to ₹6,106 crore. Q2 EBITDA margin was at 8% down from 9% in Q1FY26 but up from 7.3% in Q2FY25 a year ago. VECV achieved leadership in the Light & Medium Duty Truck (5–18T) segment. Overall market share reached 18.5%, led by continued leadership in LMD trucks (34.8% share) and a strong showing in exports, where volumes grew 61% and market share rose to 15%.
- International Operations:** International business is recovering and growing: RE reported ~54,364 international units in the quarter and H1 international growth of ~49% (~78,548 YTD). Strong markets include Brazil, parts of LATAM (Argentina, Colombia), Nepal, Bangladesh and some EU/UK traction; RE ranks #2 in several midsize markets (UK, Argentina, Thailand, Korea) and #3/#4 in others (Brazil, Australia, EU). Export retail remains healthier than wholesale as inventories and CKD/seasonal mix normalize.
- Others:** Margins expanded in absolute terms but saw mixed drivers: commodity headwinds (aluminum and related inputs) created ~40 bps pressure while price increases contributed ~50 bps tailwind; marketing and brand investments remain deliberate (management focused on absolute profits and will continue brand / community spends).
- Outlook:** Management is constructive on H2: festive demand momentum, improved run-rates in Oct/Nov and GST-driven demand imply continued strength for RE in H2; VECV expects a better H2 as infrastructure activity and freight movement pick up (noting heavy-duty may remain subdued while light/medium segments and exports look healthier).

Capacity: Royal Enfield has been debottlenecking and expanding modular capacity: base capacity was ~1.2m pa, ramped up to ~1.3–1.35m through debottlenecking and interim modules, and management has kicked off an additional module (to come online from Q1 next year) to meet rising 350cc demand; they retain headroom across existing land/plant footprints.

Exhibit 1: Quarterly Variance Analysis

	Q2FY26	Q2FY25	YoY (%)	Q1FY26	QoQ (%)
Total Operating Income	6,172	4,263	44.8	5,042	22.4
Raw Material Expenses	3,326	2,095	58.8	2,594	28.2
Purchase of traded goods	149	187	-20.6	218	-31.8
Employee Expenses	418	346	20.7	374	11.8
Other expenses	767	547	40.3	652	17.6
EBITDA	1,512	1,088	39.0	1,203	25.7
EBITDA Margin (%)	24.5	25.5	-102 bps	23.9	63 bps
Other Income	351	354	-0.8	446	-21.3
Depreciation	200	180	10.8	198	0.8
Interest	19	13	45.8	15	28.6
Total Tax	410	262	56.5	388	5.6
PAT	1,369	1,100	24.5	1,206	13.6
Key Metrics					
Royal Enfield Volumes	326,375	227,872	43.2	265,528	22.9
Royal Enfield ASP (₹)	178,047	181,350	-1.8	181,539	-1.9
VECV Volumes	21,901	20,774	5.4	21,610	1.3
VECV ASP (₹ lakhs)	27.9	26.7	4.6	26.2	6.2

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	12.1	13.1	14.1
Royal Enfield ASP/unit (₹ lakh/unit)	1.18	1.29	1.40	1.66	1.66	1.73	1.80	1.79	1.81	1.84
VECV volumes	72,860	48,786	41,265	57,077	79,623	85,560	90,163	96,733	1,03,504	1,09,715

Source: ICICI Direct Research

Exhibit 3: Change in Estimates

	FY26E			FY27E			FY28E
(₹ Crore)	Old	New	% Change	Old	New	% Change	Introduced
Revenue	20,564	22,420	9.0	22,948	24,038	4.7	26,482
EBITDA	5,009	5,439	8.6	5,718	5,853	2.4	6,525
EBITDA Margin (%)	24.4	24.3	-10 bps	24.9	24.4	-57 bps	24.6
PAT	4,913	5,231	6.5	5,572	5,725	2.8	6,380
EPS (₹)	179	191	6.5	204	209	2.8	233

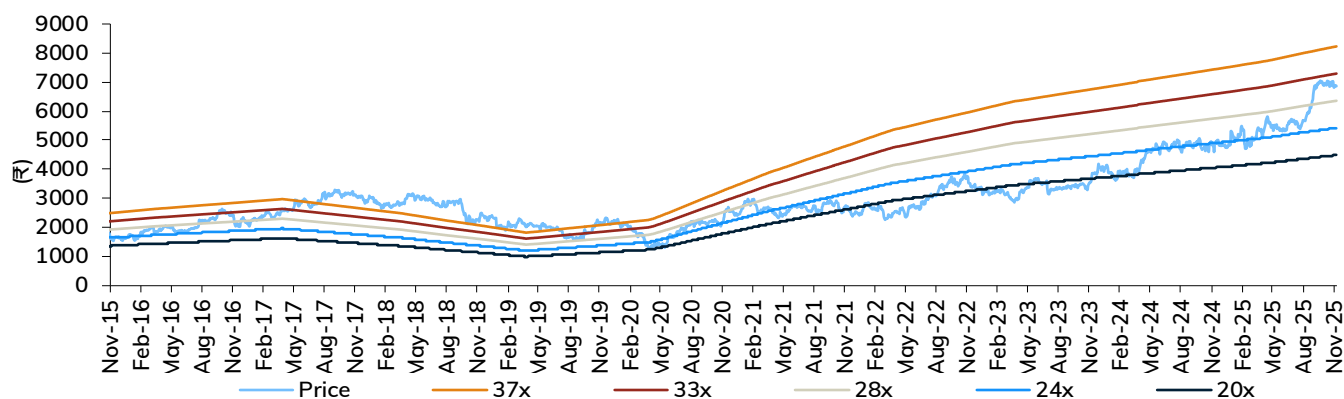
Source: ICICI Direct Research

Exhibit 4: SOTP valuation

	Amount	Remarks
Two-wheeler business-Royal Enfield		
FY27-28E Average EPS (₹)	199	
Target PE multiple(x)	35.0	Valued RE business at 35x P/E
Per share value (₹)	6,970	
Target market cap (₹ crore)	1,90,847	
CV business-VECV		
FY27-28E Average PAT (₹ crore)	1,758	
Target PE multiple(x)	25.0	Valued VECV business at 25x P/E
Target market cap (₹ crore)	43,942	
Contribution towards EML	0.54	EML has 54.4% stake in VECV
Target market cap towards EML (₹ crore)	23,905	
Per share value-VECV Eicher (₹)	880	
Total target market cap (₹ crore)	2,14,751	
Per share value (₹)	7,850	

Source: ICICI Direct Research

Exhibit 5: Eicher Motors trades at ~29x 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	22,420	24,038	26,482
Growth (%)	14.1	18.8	7.2	10.2
Raw Material Expenses	9,790	12,113	13,283	14,634
Employee Expenses	1,391	1,572	1,663	1,782
Other Expenses	2,470	2,797	2,954	3,229
Total Operating Expenditure	14,158	16,981	18,184	19,957
EBITDA	4,712	5,439	5,853	6,525
Growth (%)	8.9	15.4	7.6	11.5
Depreciation	729	830	913	1,006
Interest	54	57	60	63
Other Income	1,305	1,431	1,558	1,697
PBT	5,233	5,983	6,438	7,153
Others	-	-	-	-
Total Tax	1,199	1,494	1,610	1,788
PAT	4,734	5,231	5,725	6,380
Growth (%)	18.3	10.5	9.5	11.4
EPS (₹)	172.7	190.8	208.8	232.7

Source: Company, ICICI Direct Research

Exhibit 7: Cash flow statement

₹ crore

(Year-end March)	FY25	FY26E	FY27E	FY28E
Profit after Tax	4,734	5,231	5,725	6,380
Add: Depreciation	729	830	913	1,006
(Inc)/dec in Current Assets	(504)	(540)	(267)	(403)
Inc/(dec) in CL and Provisions	697	534	340	514
CF from operating activities	4,353	4,623	5,154	5,801
(Inc)/dec in Investments	(2,398)	(2,500)	(3,000)	(3,500)
(Inc)/dec in Fixed Assets	(1,225)	(1,200)	(1,200)	(1,200)
Others	879	1,174	1,291	1,434
CF from investing activities	(2,743)	(2,526)	(2,909)	(3,266)
Issue/(Buy back) of Equity	-	-	-	-
Inc/(dec) in loan funds	(9)	(50)	(50)	(50)
Dividend paid & dividend tax	(1,915)	(1,915)	(2,051)	(2,188)
Others	431	-	-	-
CF from financing activities	(1,493)	(1,965)	(2,101)	(2,238)
Net Cash flow	117	132	144	297
Opening Cash	146	263	395	539
Closing Cash	263	395	539	836

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	24,585	28,259	32,451
Total Shareholders funds	21,296	24,613	28,286	32,479
Total Debt	266	216	166	116
Deferred Tax Liability	493	493	493	493
Others	935	996	1,038	1,088
Total Liabilities	22,991	26,318	29,984	34,177
Assets				
Gross Block	7,521	8,671	9,821	10,971
Less: Acc Depreciation	4,048	4,877	5,791	6,797
Net Block	3,473	3,794	4,030	4,174
Capital WIP	491	541	591	641
Total Fixed Assets	3,965	4,335	4,622	4,816
Investments	19,447	22,247	25,547	29,347
Inventory	1,564	1,843	1,976	2,177
Debtors	550	614	659	726
Others	1,044	1,241	1,330	1,465
Cash	263	395	539	836
Total Current Assets	3,420	4,093	4,503	5,204
Creditors	2,530	2,764	2,964	3,265
Provisions	123	134	144	158
Others	1,531	1,819	1,950	2,149
Total Current Liabilities	4,184	4,717	5,058	5,572
Net Current Assets	(763)	(625)	(554)	(368)
Other Non current asset	342	361	369	382
Application of Funds	22,991	26,318	29,984	34,177

Source: Company, ICICI Direct Research

Exhibit 9: Key ratios

(Year-end March)	FY25	FY26E	FY27E	FY28E
Per share data (₹)				
EPS	172.7	190.8	208.8	232.7
Cash EPS	199.8	221.6	242.7	270.1
BV	778.7	899.9	1,034.2	1,187.5
DPS	70.0	70.0	75.0	80.0
Cash Per Share	605.8	702.0	817.0	955.8
Operating Ratios (%)				
EBITDA Margin	25.0	24.3	24.4	24.6
PBT / Net sales	31.6	30.4	30.6	30.8
PAT Margin	25.1	23.3	23.8	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	21.3	20.2	19.6
RoCE	27.0	26.9	25.4	24.7
RoIC	119.4	122.1	122.3	129.4
Valuation Ratios (x)				
P/E	38.7	35.0	32.0	28.7
EV / EBITDA	35.4	30.2	27.5	24.1
EV / Net Sales	8.8	7.3	6.7	5.9
Market Cap / Sales	9.7	8.2	7.6	6.9
Price to Book Value	8.6	7.4	6.5	5.6
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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Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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