

EICHER MOTORS

RESULT UPDATE

KEY DATA

Rating	HOLD
Sector relative	Neutral
Price (INR)	6,855
12 month price target (INR)	6,900
52 Week High/Low	7,124/4,536
Market cap (INR bn/USD bn)	1,880/21.2
Free float (%)	49.9
Avg. daily value traded (INR mn)	3,515.2

SHAREHOLDING PATTERN

	Sep-25	Jun-25	Mar-25
Promoter	49.06%	49.07%	49.08%
FII	26.98%	25.82%	25.02%
DII	14.62%	15.67%	16.55%
Pledge	0.00%	0.00%	0.00%

FINANCIALS

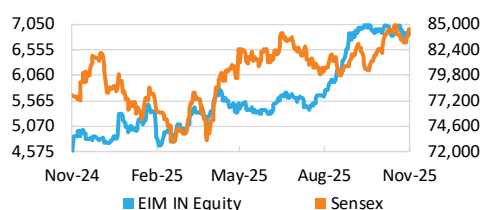
(INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Revenue	188,704	228,459	255,198	277,582
EBITDA	47,120	56,421	64,534	71,320
Adjusted profit	47,344	56,133	63,115	68,666
Diluted EPS (INR)	172.9	205.0	230.5	250.8
EPS growth (%)	18.3	18.6	12.4	8.8
RoAE (%)	24.1	24.4	23.8	22.6
P/E (x)	39.6	33.4	29.7	27.3
EV/EBITDA (x)	39.9	33.2	28.9	25.9
Dividend yield (%)	1.0	1.2	1.4	1.5

CHANGE IN ESTIMATES

	Revised estimates		% Revision	
Year to March	FY26E	FY27E	FY26E	FY27E
Revenue	1,218,424	1,336,657	4	3
EBITDA	228,459	255,198	3	2
Adjusted profit	56,421	64,534	2	2
Diluted EPS (INR)	56,133	63,115	2	1

PRICE PERFORMANCE



Q2 EBITDA in line; sales uptrend to persist

Eicher Motors' Q2FY26 revenue surged 45% YoY to INR61.7bn (estimate: INR62.0bn) led by a volume jump of 43%. EBITDA soared 39% to INR15.1bn, broadly in line with estimates.

We reckon volume momentum shall continue supported by strong acceptance of key models (Classic/Bullet/Hunter) and marketing push. Furthermore, exports momentum is likely to be robust led by a strengthening presence in existing markets and new products. We are building in revenue/earnings CAGR of 14%/13% each over FY25–28E. Retain 'HOLD' with an unchanged TP of INR6,900 based on Sep-27E PE of 30x for RE and 20x for VECV due to limited upside potential. The stock trades at 30x/27x PE for FY27E/28E.

Q2 EBITDA in line with estimates

Revenue surged 45% YoY to INR61.7bn (our estimate: INR62.0bn), in line with estimates. Royal Enfield (RE) volumes soared 43% to 326,375 units and realisation grew 1% to INR186,095/unit. EBITDA surged 39% to INR15.1bn (our estimate: INR15.1bn), in line with estimates. EBITDA margin contracted 100bp to 24.5%. Other income was flat at INR3.5bn. Share of profits from associate (VECV) expanded 19% to INR1.3bn. Overall, adjusted PAT increased 24% to INR13.7bn (our estimate: INR14.7bn), below estimates owing to lower-than-expected other income.

Growth prospects healthy

RE's domestic volumes surged 42% YoY in Q2FY26 (versus 5% growth for the motorcycle segment). We forecast an industry-beating 11% CAGR over FY25–28E. This is due to a change in strategy, with higher focus on key models such as Bullet/Hunter/Classic, through product interventions (with launch of variants based on market feedback) and stepping up of marketing spends. Recent launches such as Battalion Black, Classic refresh and Hunter 350 refresh models have received a positive response. Furthermore, the company plans to launch Bullet 650cc and new electric motorcycle Flying Flea S6, in CY26.

Robust exports performance ahead

Latin America demand remains strong, particularly in Brazil, where a second CKD unit has been set up. In the SAARC region, markets such as Nepal and Bangladesh continue to deliver strong performances with a robust customer response. Eicher continues to post strong growth led by strengthening of its presence in existing markets and new model launches. Given this, we forecast a volume CAGR of 18% over FY25–28E.

Financials

Year to March	2QFY26	2QFY25	YoY (%)	1QFY26	QoQ (%)
Net Revenue	61,716	42,631	44.8	50,418	22.4
EBITDA	15,119	10,877	39.0	12,028	25.7
Adjusted Profit	13,695	11,003	24.5	12,052	13.6
Diluted EPS (INR)	49.8	40.1	24.4	43.9	13.6

Financial Statements

Income Statement (INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Total operating income	188,704	228,459	255,198	277,582
Gross profit	85,733	100,522	113,053	123,524
Employee costs	13,912	16,108	17,847	19,263
Other expenses	24,700	27,993	30,671	32,941
EBITDA	47,120	56,421	64,534	71,320
Depreciation	7,293	7,875	8,737	9,633
Less: Interest expense	543	676	690	704
Add: Other income	13,049	15,524	16,988	18,282
Profit before tax	52,333	63,393	72,096	79,264
Prov for tax	11,986	15,214	17,303	19,023
Less: Other adj	0	0	0	0
Reported profit	47,344	56,133	63,115	68,666
Less: Excp.item (net)	0	0	0	0
Adjusted profit	47,344	56,133	63,115	68,666
Diluted shares o/s	274	274	274	274
Adjusted diluted EPS	172.9	205.0	230.5	250.8
DPS (INR)	70.0	82.2	93.3	102.4
Tax rate (%)	22.9	24.0	24.0	24.0

Important Ratios (%)

Year to March	FY25A	FY26E	FY27E	FY28E
Gross profit margin (%)	45.4	44.0	44.3	44.5
Staff cost % sales	7.4	7.1	7.0	6.9
Other expenses % sales	13.1	12.3	12.0	11.9
EBITDA margin (%)	25.0	24.7	25.3	25.7
Net profit margin (%)	25.1	24.6	24.7	24.7
Revenue growth (% YoY)	14.1	21.1	11.7	8.8
EBITDA growth (% YoY)	8.9	19.7	14.4	10.5
Adj. profit growth (%)	18.3	18.6	12.4	8.8

Assumptions (units in 000s)

Year to March	FY25A	FY26E	FY27E	FY28E
Domestic volumes	903	1,080	1,178	1,249
Growth (%)	8.1	19.7	9.0	6.0
Export volumes	106	138	159	175
Growth (%)	36.3	30.0	15.0	10.0
Total volumes	1,009	1,218	1,337	1,423
Growth (%)	10.5	20.8	9.7	6.5

Valuation Metrics

Year to March	FY25A	FY26E	FY27E	FY28E
Diluted P/E (x)	39.6	33.4	29.7	27.3
Price/BV (x)	8.8	7.6	6.6	5.8
EV/EBITDA (x)	39.9	33.2	28.9	25.9
Dividend yield (%)	1.0	1.2	1.4	1.5

Source: Company and Nuvama estimates

Balance Sheet (INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Share capital	274	274	274	274
Reserves	212,691	246,285	283,821	324,400
Shareholders funds	212,965	246,559	284,095	324,674
Minority interest	0	0	0	0
Borrowings	2,665	3,044	3,044	3,044
Trade payables	48,008	56,870	62,128	66,056
Other liabs & prov	8,107	11,925	15,315	18,132
Total liabilities	271,744	318,398	364,581	411,906
Net block	25,857	28,283	31,080	32,957
Intangible assets	8,877	9,321	9,787	10,277
Capital WIP	4,915	6,023	6,023	6,023
Total fixed assets	39,649	43,628	46,891	49,257
Non current inv	147,909	165,909	186,909	207,909
Cash/cash equivalent	2,630	9,498	19,089	32,491
Sundry debtors	5,496	7,280	8,832	10,367
Loans & advances	27,579	33,389	37,297	40,569
Other assets	48,480	58,694	65,563	71,314
Total assets	271,744	318,398	364,581	411,906

Free Cash Flow (INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Reported profit	39,284	47,870	55,108	60,982
Add: Depreciation	7,293	7,875	8,737	9,633
Interest (net of tax)	543	676	690	704
Others	4,089	4,546	5,208	5,839
Less: Changes in WC	(13,658)	(5,127)	(3,681)	(3,811)
Operating cash flow	26,750	40,689	48,830	54,403
Less: Capex	(12,248)	(11,853)	(12,000)	(12,000)
Free cash flow	14,502	28,836	36,830	42,403

Key Ratios

Year to March	FY25A	FY26E	FY27E	FY28E
RoE (%)	24.1	24.4	23.8	22.6
RoCE (%)	26.5	27.5	27.1	26.0
Inventory days	53	49	51	52
Receivable days	9	10	12	13
Payable days	157	150	153	152
Working cap (% sales)	16.1	15.6	15.4	15.6
Gross debt/equity (x)	0	0	0	0
Net debt/equity (x)	(0.5)	(0.5)	(0.6)	(0.6)
Interest coverage (x)	73.3	71.8	80.9	87.6

Valuation Drivers

Year to March	FY25A	FY26E	FY27E	FY28E
EPS growth (%)	18.3	18.6	12.4	8.8
RoE (%)	24.1	24.4	23.8	22.6
EBITDA growth (%)	8.9	19.7	14.4	10.5
Payout ratio (%)	40.5	40.2	40.5	40.9

Q2FY26 conference call: Key takeaways

- **Exports:** Royal Enfield continues to maintain a strong growth momentum in retail volumes across international markets such as Brazil, Nepal and Bangladesh. It maintained leadership in the SAARC market, ranked number 2 in mid-size in the UK, Argentina, Thailand and Korea. It ranked number 3 in Brazil and Australia, and number 4 in the EU. The company will also operationalise its subsidiary, which is set to commence full-scale operations soon.
- **Growth by model in Q2FY26:** The classic 350 has grown very well because of the campaign on the Classic, which led to 24.5% growth YoY. Refreshed Meteor 350, which was launched during September, has grown by 30%. In Hunter 350, a new colour was launched during this festive period. Hunter has grown by 51% YoY. Bullet 350, the battalion black, has grown by 70% YoY.
- **New launches during Q2FY26:** During the quarter, the company launched a refreshed Meteor 350 in India, which is now available in four variants and seven colours. The company also added new Graphite Grey Hunter 350 and Shadow - Guerrilla 450 to its offering.
- **RM cost:** Commodity prices affected gross margin by 40bp, led by precious metals and aluminium alloys. The impact of commodity inflation has been offset by price hikes (50bp).
- **Festive sales:** During the festive season (September and October), Royal Enfield sold 249,000 units of motorcycles. During the festive season, sales grew almost 50% YoY (compared with the festive period last year).
- **Rural versus urban growth:** Rural growth has been better than urban.
- **Enquiries to booking** conversion rate have increased from 20–21% earlier to 29–30%.
- **Capacity:** The company has ramped up its capacity from 1.2mn to 1.3–1.35mn through bottlenecking operations. Furthermore, it has started additional module capacity, which will start from the first quarter of the coming year.

VECV

- **H2FY26 Outlook:** Growth in H2FY26 is likely to be better than H1FY26; however, management did not provide any guidance.
- **EV segment:** Eicher Pro-X electric truck continued to gain traction, even though the overall electric vehicle market has continued to be very small, it is just 1.5% of the 2–3.5 ton market. Within that, Eicher has delivered 244 units in Q2 and 436 units in H1. In some months, market share in this small market has been 24%.
- **New launches:** During the quarter, the company launched the Pro Plus Light and Medium Duty range with air-conditioned cabins.

Exhibit 1: Change in estimates

INR mn	Old estimates			New estimates			Variance (%)		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Volume	1,173,286	1,297,796	1,393,581	1,218,424	1,336,657	1,423,390	4	3	2
Net revenues	222,815	250,642	274,585	228,459	255,198	277,582	3	2	1
EBITDA	55,245	63,395	70,331	56,421	64,534	71,320	2	2	1
Adjusted Profit	55,143	62,520	68,519	56,133	63,115	68,666	2	1	0
Diluted EPS (INR)	201.1	228.0	249.9	204.7	230.2	250.4	2	1	0

Source: Nuvama Research

Exhibit 2: Key revenue assumptions: Revenue CAGR at 14% over FY25–28E

Royal Enfield	FY25	FY26E	FY27E	FY28E	CAGR 25-28E (%)
Volume (units)					
Domestic	902,757	1,080,291	1,177,804	1,248,652	11
YoY %	8.1	19.7	9.0	6.0	
Exports	106,256	138,133	158,853	174,738	18
YoY %	36.3	30.0	15.0	10.0	
Total	1,009,013	1,218,424	1,336,657	1,423,390	12
YoY %	10.5	20.8	9.7	6.5	
Realisation /unit (INR)	182,866	184,220	187,930	192,205	2
YoY %	3.8	0.7	2.0	2.3	
Revenue (INRmn)	184,515	224,459	251,198	273,582	14
YoY %	14.8	21.6	11.9	8.9	
VECV					
	FY25	FY26E	FY27E	FY28E	CAGR 25-28E (%)
Domestic MHCV (units)	68,910	72,356	74,164	74,535	3
YoY %	5.2	5.0	2.5	0.5	
Domestic LCV (units)	13,633	14,996	15,296	15,449	4
YoY %	0.0	10.0	2.0	1.0	
Exports (units)	5,181	6,476	7,253	7,979	15
YoY %	39.2	25.0	12.0	10.0	
Total (units)	90,161	96,387	99,337	100,599	4
YoY %	5.7	6.9	3.1	1.3	
Realisation /unit (INR)	2,611,799	2,686,445	2,713,513	2,743,421	2
YoY %	1.9	2.9	1.0	1.1	
Revenue (INRmn)	235,482	258,938	269,552	275,986	5
YoY %	7.7	10.0	4.1	2.4	

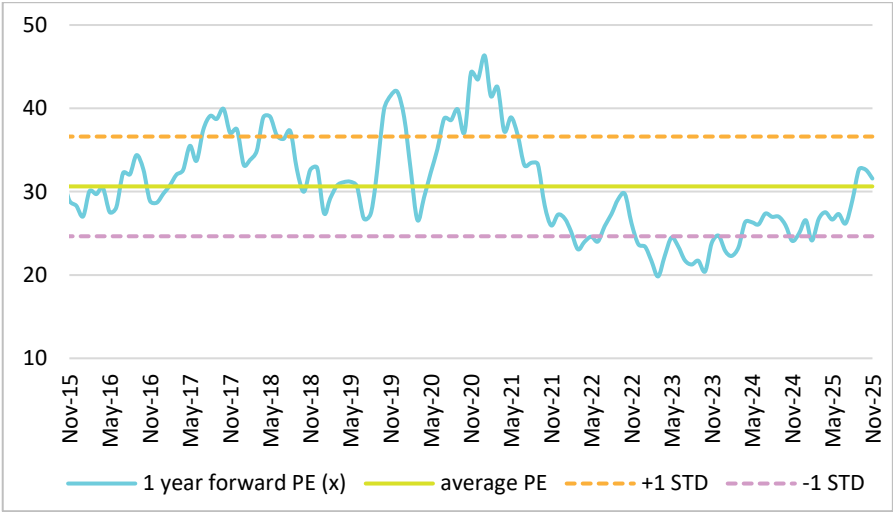
Source: Company, Nuvama Research

Exhibit 3: SotP at INR6,900/share

	Basis of Valuation	Equity value	Equity value/share
Standalone (Motorcycles)	30x Sep27E EPS	1,763,917	6,442
VECV (CVs)	20x Sep27E EPS (20% Holdco discount)	133,978	489
Total		1,897,895	6,931
Total (Rounded Off)			6,900

Source: Nuvama Research

Exhibit 4: One-year forward PE trading above ten-year average of 31x



Source: Bloomberg, Nuvama Research

Exhibit 5: Quarterly snapshot (consolidated; INR mn); EBITDA in line with estimates

Year to March	2QFY26	2QFY25	YoY (%)	1QFY26	QoQ (%)
Net revenues	61,716	42,631	44.8	50,418	22.4
Raw material	34,748	22,824	52.2	28,126	23.5
Staff costs	4,179	3,464	20.7	3,740	11.8
Other expenses	7,670	5,466	40.3	6,525	17.6
Total expenditure	46,597	31,754	46.7	38,391	21.4
EBITDA	15,119	10,877	39.0	12,028	25.7
Depreciation	1,996	1,801	10.8	1,981	0.8
EBIT	13,123	9,077	44.6	10,047	30.6
Less: Interest Expense	192	131	45.8	149	28.6
Add: Other income	3,509	3,538	(0.8)	4,461	(21.3)
Add: Prior period items					
Add: Exceptional items	0	0		0	
Profit before tax	16,441	12,483	31.7	14,359	14.5
Less: Provision for Tax	4,096	2,617	56.5	3,878	5.6
Add: Share of profit from associates	(1,349)	(1,138)	18.6	(1,571)	(14.1)
Less: Minority Interest					
Reported Profit	13,695	11,003	24.5	12,052	13.6
Adjusted Profit	13,695	11,003	24.5	12,052	13.6
No. of Diluted shares outstanding	275	275		275	
Adjusted Diluted EPS	49.8	40.1	24.4	43.9	13.6
As a % revenues					
Year to March	2QFY26	2QFY25	bps change (YoY)	1QFY26	bps change (QoQ)
Gross margins	43.7	46.5	(276)	44.2	(52)
Raw material	56.3	53.5	276	55.8	52
Staff costs	6.8	8.1	(135)	7.4	(65)
Other expenses	12.4	12.8	(39)	12.9	(51)
EBIDTA	24.5	25.5	(102)	23.9	64
Adjusted net profit	22.2	25.8	(362)	23.9	(171)
Tax rate (% PBT)	24.9	21.0	394	27.0	(209)
Per Unit Analysis	2QFY26	2QFY25	YoY (%)	1QFY26	QoQ (%)
Volumes	326,375	227,872	43	265,528	23
NS/unit	186,019	183,716	1	186,256	(0)
NRV/unit	189,095	187,082	1	189,880	(0)
RM/unit	106,465	100,161	6	105,926	1
Emp/unit	12,805	15,200	(16)	14,083	(9)
Other exps/unit	23,501	23,987	(2)	24,573	(4)
EBITDA/unit	46,324	47,734	(3)	45,298	2
Adj PAT/unit	41,959	48,287	(13)	45,390	(8)

Source: Company, Nuvama Research

Company Description

Incorporated in 1982, Eicher is the flagship company of the Eicher Group in India and a leading player in the Indian motorcycle and commercial vehicle (CV) segments. Eicher manufactures and markets the motorcycle under the iconic brand name 'Royal Enfield'. The CV segment operates under a JV called VE Commercial Vehicles (VECV).

Investment Theme

RE's domestic volumes increased 42% YoY in Q2FY26 (versus 5% growth for the motorcycle segment). We expect volume to grow at 11% CAGR over FY25–28E. This is due to a change in strategy, with increased focus on key models such as Classic/Bullet/Hunter, through product interventions (with launch of variants based on market feedback) and stepping up of marketing spends. Recent launches such as Battalion Black, Classic refresh and Hunter 350 refresh models have received a positive response.

Furthermore, the company plans to launch Bullet 650 and its new electric motorcycle S6, under the Flying Flea brand, in 2026. Meanwhile, exports are likely to grow at an 18% CAGR.

In all, given increased focus on key models and launch of new products, we forecast revenue/earnings CAGR of 14%/13% over FY25–28E.

We recommend to 'Hold' with TP at INR6,900/share, based on Sep-27E P/E of 30x for Royal Enfield and 20x for VECV businesses due to limited upside potential.

Key Risks

- Lower-than-expected growth in domestic and overseas volumes, leading to cut in revenue assumptions.
- Failure of new launches in 2W space.
- Spike in commodity prices.
- Adverse currency movement.

Additional Data

Management

Executive Chairman	Siddhartha Lal
Vice Chairman	Vinod Aggarwal
Managing director	B Govindarajan
CFO	Vidhya Srinivasan
Auditor	S. R. Batliboi & Co. LLP

Holdings – Top 10*

	% Holding		% Holding
SBI Funds	3.72	New World Fund Inc	1.79
HDFC AMC	2.53	FIL	1.72
BlackRock Inc	2.12	Amansa Holdings	1.30
Vanguard Group	2.08	Republic of Singapore	1.23
Capital Group Cos	1.94	UTI AMC	1.17

*Latest public data

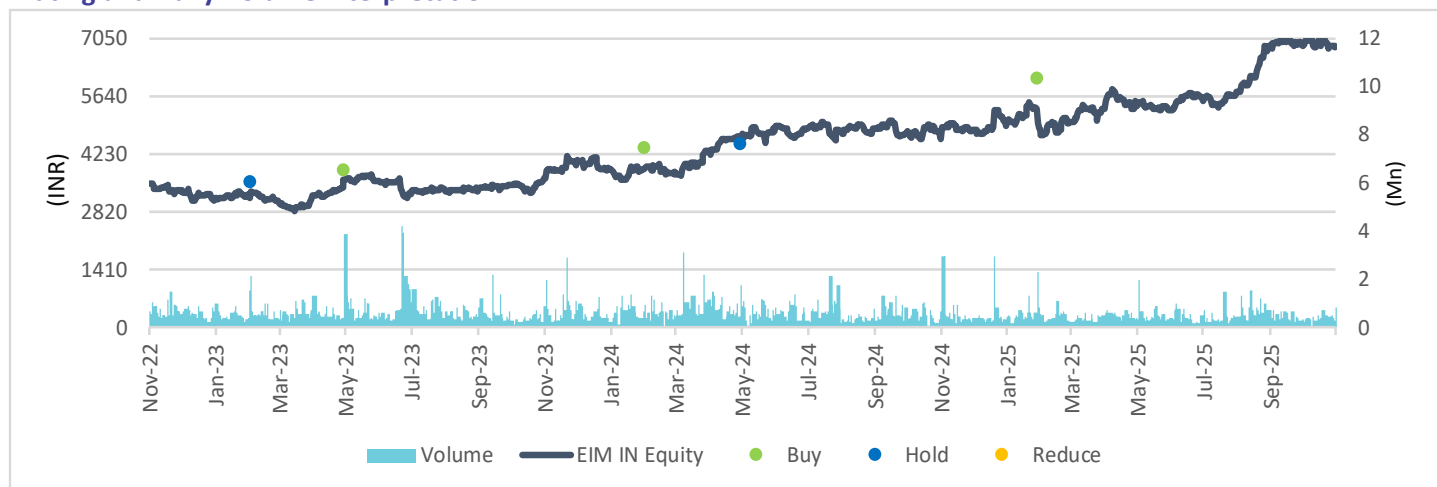
Recent Company Research

Date	Title	Price	Reco
31-Jul-25	Q1 in line; volume uptrend to continue; <i>Result Update</i>	5,468	Buy
14-May-25	EBITDA miss; volume uptrend to persist; <i>Result Update</i>	5,446	Buy
10-Feb-25	Q3 miss; volume uptrend to persist; <i>Result Update</i>	5,335	Buy

Recent Sector Research

Date	Name of Co./Sector	Title
13-Nov-25	Mahindra & Mahindra	Forays into life insurance ; <i>Nuvama Flash</i>
12-Nov-25	Ashok Leyland	Q2 EBITDA beat; outlook remains muted; <i>Result Update</i>
07-Nov-25	Amara Raja	Q2 EBITDA miss; augmenting EV focus; <i>Result Update</i>

Rating and Daily Volume Interpretation



Source: Bloomberg, Nuvama research

Rating Rationale & Distribution: Nuvama Research

Rating	Expected absolute returns over 12 months	Rating Distribution
Buy	15%	205
Hold	<15% and >-5%	68
Reduce	<-5%	37

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