Eicher Motors (EICMOT)

CMP: ₹7,780 | Target ₹ 9,160 (18%) | Target Period: 12 months | BUY

July 30, 2026

Market leadership backed by capacity expansion ...

About the stock: Eicher Motors (EML) is the market leader in the >250 cc premium motorcycle segment (market share ~85%) 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 (8.7% FY26 market share)

Q1FY27 Result: On the consolidated basis, total operating income for the quarter came in at ₹6,632 crore (up ~32% YoY) amid healthy Royal Enfield sales volume at 3.3 lakh units (up ~24% YoY). EBITDA in Q1FY27 came in at ₹1,591 crore with corresponding EBITDA margins at 24% (down ~90 bps QoQ). Resultant PAT for the quarter stood at ₹1,463 crore (up ~21% YoY). Share of profits from the VECV arm stood at ₹167.5 crore with EBITDA margins at 8.2%.

Investment Rationale:

- **Structural premiumization trend support demand outlook:** GST 2.0 have had a positive influence on the auto industry and have resulted in improved sentiments in the domestic market. In Q1FY27, 2W volumes continued with healthy performance, with sales at 5.63 million units, up 20% YoY. Domestically, RE dominates in the premium segment, where it has a ~85% market share in the 250-750cc category. RE drives ~92% of its volume from the <=350cc segment company and has built a highly differentiated lifestyle-led brand with strong pricing power, category dominance, and increasing appeal among younger consumers. The combination of sustained domestic demand, rapid export scale-up, aggressive capacity expansion, and growing community engagement positions Royal Enfield for continued double-digit volume growth over the medium term. We bake in RE sales volume CAGR of 13.5% over FY26-28E.
- **Capacity Expansion and Balanced CV Exposure to support growth:** EML is entering a phase of improving operating leverage and profitability driven by scale benefits, disciplined pricing, & value engineering despite commodity pressures. VECV continues to strengthen its commercial vehicle franchise through leadership in LMD trucks, growing electric offerings and government-led replacement opportunities. Simultaneously Brownfield expansion has already increased annual capacity to around 1.5 million motorcycles, with further brownfield additions expected to take total capacity to 2 million units by FY28E. In addition, the Board approved Phase I of a new Andhra Pradesh greenfield plant involving ₹1,225 crore investment, which will ultimately add 4.5 lakh units of annual capacity by FY30 reaching 2.45 million units. Lean channel inventories and a strong festive demand outlook indicate that volume growth can remain healthy over the medium term.

Rating and Target Price

- With sustaining premium motorcycle demand, expanding international presence, and multiple long-term levers including EVs, financing and capacity expansion along with a strong growth outlook for VECV arm, we continue to assign **BUY rating** on the stock. We value EML at ₹ **9,160** (SOTP basis, 35x PE to RE business & 25x PE to VECV arm on FY28E)

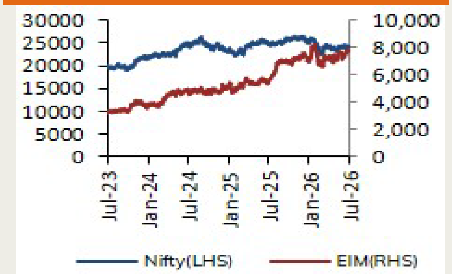
Particulars

Particular	₹ crore
Market Capitalization	2,12,783
Total Debt (FY26)	319
Cash & Invts (FY26)	19,949
EV (₹ crore)	1,93,153
52 week H/L (₹)	8,233 / 5,386
Equity capital	₹ 27.4 Crore
Face value	₹ 1

Shareholding pattern

	Sep-25	Dec-25	Mar-26	Jun-26
Promoter	49.1	49.1	49.1	49.0
FII	27.0	27.0	26.8	25.5
DII	14.6	14.6	14.7	16.0
Other	9.3	9.3	9.4	9.5

Price Chart



Recent event & key risks

- Posted a healthy show in Q1FY26. Board approves investment of ₹1,225 crores for greenfield expansion reaching 2.45 million by FY30.
- Key Risk: (i) slower than anticipated capacity expansion at Royal Enfield franchise. (ii) margin pressure due to rise in commodity prices

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Result Update

ICICI Securities – Retail Equity Research

Key Financial Summary

Key Financials (₹ crore)	FY22	FY23	FY24	FY25	FY26	5-year CAGR (FY21-26)	FY27E	FY28E	2-year CAGR (FY26-28E)
Net Sales	10,297.8	14,442.2	16,535.8	18,870.4	23,407.6	21.8%	27,380.9	30,716.7	14.6%
EBITDA	2,172.2	3,443.6	4,326.9	4,712.0	5,785.5	26.6%	6,675.8	7,726.1	15.6%
EBITDA Margins (%)	21.1	23.8	26.2	25.0	24.7		24.4	25.2	
Net Profit	1,676.6	2,913.9	4,001.0	4,734.4	5,515.2	32.6%	6,160.7	7,070.8	13.2%
EPS (₹)	61.3	106.5	146.1	172.7	201.1		224.6	257.8	
P/E	126.9	73.0	53.2	44.9	38.6		34.5	30.1	
RoNW (%)	13.3	19.4	22.2	22.2	22.1		21.4	21.4	
RoCE(%)	13.3	18.8	19.9	27.0	27.6		27.6	27.5	

Source: Company, ICICI Direct Research

Q1FY27 Earnings Conference Call Highlights

- **Royal Enfield:** Royal Enfield recorded its highest-ever quarterly sales of 3.33 lakh motorcycles, reflecting robust demand across domestic and export markets. Domestic sales crossed 3.01 lakh units while exports exceeded 31,700 units. Demand indicators remain exceptionally healthy, with bookings, walk-ins and enquiries growing faster than wholesale volumes. Management indicated that retail demand continues to outpace supply, resulting in lean dealer inventories of only 10–12 days ahead of the festive season.
- **VECV Performance:** VECV delivered a record first-quarter performance with sales of 24,815 units, registering 14.8% YoY growth across all major business segments. The company maintained its leadership in the Light & Medium Duty (LMD) truck segment while heavy-duty truck volumes grew 15.2% YoY, with market share improving to 8.8%. The newly launched Small Commercial Vehicle (SCV) business has made an encouraging start, with 1,041 units sold during the quarter, including 172 electric trucks, opening up a significant new addressable market for future growth. Exports increased 14.7% YoY despite a challenging external environment, and the aftermarket business continued to perform well with 15.3% growth in spare parts sales.
- **International Operations**: Exports continue to gain importance within Royal Enfield's business model. International revenues crossed ₹1,000 crore for the first time and now contribute approximately 15% of total revenues. Brazil remains the standout market where Royal Enfield has become the number two player in the middleweight motorcycle segment, supported by rapidly expanding retail sales and upcoming CKD operations. Latin America continues to perform strongly, while management also sees early signs of recovery in the US, Europe and ASEAN markets.
- **Premium Motorcycle portfolio showing broad based strength:** The core 350cc portfolio continues to be the primary growth engine, with Classic, Bullet, Hunter and Meteor collectively growing around 34% YoY. Hunter continues to attract first-time premium motorcycle buyers, while the higher-displacement portfolio is gradually recovering following GST-related price increases. Management stated that both the 450cc and 650cc portfolios have now returned to pre-GST demand levels, with Gorilla 450 reaching around 2,500 units per month and the twin-cylinder range stabilising at around 4,000–4,200 units monthly.
- **Capacity:** Management provided a detailed roadmap for manufacturing expansion. Brownfield expansion has already increased annual capacity to around 1.5 million motorcycles, with further brownfield additions expected to take total capacity to 2 million units by FY28. In addition, the Board approved Phase I of a new Andhra Pradesh greenfield plant involving ₹1,225 crore investment, which will ultimately add 4.5 lakh units of annual capacity by FY30.
- **Commodity Inflation and Margin Management:** Despite strong operating performance, gross margins remained under pressure due to broad-based inflation in aluminium, steel, copper, precious metals and crude derivatives, along with logistics disruptions. Management quantified the gross cost headwind at approximately 4–4.5%, partly offset by value engineering initiatives (0.4%) and price increases implemented during April (benefit of around 1.2%). The company also benefited from disciplined marketing expenditure during the quarter. Management expects commodity pressures to moderate gradually but refrained from providing explicit margin guidance due to continued volatility.
- **Flying Flea:** Royal Enfield formally entered the electric motorcycle market with the Flying Flea C6. More than 100 motorcycles have already been delivered. Management indicated that expansion will initially remain limited to Bangalore before gradually entering additional cities.

Key tables & Charts

Exhibit 1: Quarterly Valuation

	Q1FY27	Q1FY26	YoY (%)	Q4FY26	QoQ (%)
Total Operating Income	6,632	5,042	31.5	6,080	9.1
Raw Material Expenses	3,618	2,594	39.5	3,166	14.3
Purchase of traded goods	261	218	19.9	216	21.0
Employee Expenses	450	374	20.3	416	8.2
Other expenses	713	652	9.2	769	-7.3
EBITDA	1,591	1,203	32.2	1,514	5.1
EBITDA Margin (%)	24.0	23.9	12 bps	24.9	-91 bps
Other Income	466	446	4.5	352	32.4
Depreciation	278	198	40.1	232	19.8
Interest	22	15	45.3	20	7.2
Total Tax	463	388	19.3	417	11.0
PAT	1,463	1,206	21.3	1,520	-3.8
Key Metrics					
Royal Enfield Volumes	3,30,427	2,65,528	24.4	3,17,561	4.1
Royal Enfield ASP(₹)	1,84,118	1,81,539	1.4	1,82,272	1.0
VECV Volumes	24,815	21,610	14.8	33,898	-26.8
VECV ASP (₹ lakhs)	26.6	26.2	1.5	24.4	9.0

Source: Company, ICICI Direct Research

Exhibit 2: Assumptions

	FY19	FY20	FY21	FY22	FY23	FY24	FY25	**FY26**	**FY27E**	**FY28E**
Royal Enfield volumes (lakh units)	8.3	7.0	6.1	6.0	8.3	9.1	10.1	12.4	14.2	16.0
Royal Enfield ASP/unit (₹ lakh/unit)	1.18	1.29	1.40	1.66	1.66	1.73	1.80	1.80	1.86	1.89
VECV volumes	72,860	48,786	41,265	57,077	79,623	85,560	90,163	**1,03,495**	**1,12,432**	**1,19,178**

Source: Company, ICICI Direct Research

Exhibit 3: Change in Estimates

	FY27E			FY28E		
(₹ Crore)	**Old**	**New**	**% Change**	**Old**	**New**	**% Change**
Revenue	27,172	27,381	0.8	30,963	30,717	-0.8
EBITDA	6,542	6,676	2.0	7,556	7,726	2.3
EBITDA Margin (%)	24.1	24.4	31 bps	24.4	25.2	75 bps
PAT	6,040	6,161	2.0	6,922	7,071	2.1
EPS (₹)	221	225	2.0	253	258	2.1

Source: ICICI Direct Research

Exhibit 4: SOTP Valuation

	Amount	Remarks
Two-wheeler business-Royal Enfield		
FY28E EPS (₹)	237	
Target PE multiple(x)	35.0	Valued RE business at 35x P/E
Per share value (₹)	**8,300**	
Target market cap (₹ crore)	2,27,259	
CV business-VECV		
FY28E PAT (₹ crore)	1,730	
Target PE multiple(x)	25.0	Valued VECV business at 25x P/E
Target market cap (₹ crore)	43,253	
Contribution towards EML	0.54	EML has 54.4% stake in VECV
Target market cap towards EML (₹ crore)	23,529	
Per share value-VECV Eicher (₹)	**860**	
Total target market cap (₹ crore)	2,50,789	
Per share value (₹)	**9,160**	

Source: ICICI Direct Research

Financial summary

Exhibit 5: Profit and loss statement ₹ crore

(Year-end March)	FY25	FY26	FY27E	FY28E
Total operating Income	18,870	23,408	27,381	30,717
Growth (%)	14.1	24.0	17.0	12.2
Raw Material Expenses	9,790	12,232	15,477	17,453
Employee Expenses	1,391	1,638	1,745	1,887
Other Expenses	2,470	2,917	2,916	3,198
Total Operating Expenditure	14,158	17,622	20,705	22,991
EBITDA	4,712	5,785	6,676	7,726
Growth (%)	8.9	22.8	15.4	15.7
Depreciation	729	840	1,068	1,152
Interest	54	72	79	87
Other Income	1,305	1,487	1,590	1,685
PBT	5,233	6,360	7,119	8,173
Others	-	-	-	-
Total Tax	1,199	1,587	1,803	2,043
PAT	4,734	5,515	6,161	7,071
Growth (%)	18.3	16.5	11.7	14.8
EPS (₹)	172.7	201.1	224.6	257.8

Source: Company, ICICI Direct Research

Exhibit 6: Cash flow statement ₹ crore

(Year-end March)	FY25	FY26	FY27E	FY28E
Profit after Tax	4,734	5,515	6,161	7,071
Add: Depreciation	729	840	1,068	1,152
(Inc)/dec in Current Assets	(504)	(297)	(872)	(527)
Inc/(dec) in CL and Provisions	697	723	1,016	722
CF from operating activities	4,353	5,295	5,783	6,732
(Inc)/dec in Investments	(2,398)	(3,387)	(2,500)	(3,200)
(Inc)/dec in Fixed Assets	(1,225)	(1,463)	(1,500)	(2,000)
Others	879	1,208	754	1,443
CF from investing activities	(2,743)	(3,643)	(3,246)	(3,757)
Issue/(Buy back) of Equity	-	-	-	-
Inc/(dec) in loan funds	(9)	53	(50)	(50)
Dividend paid & dividend tax	(1,915)	(2,243)	(2,489)	(2,872)
Others	431	531	-	-
CF from financing activities	(1,493)	(1,659)	(2,539)	(2,922)
Net Cash flow	117	(7)	(2)	54
Opening Cash	146	263	256	254
Closing Cash	263	256	254	308

Source: Company, ICICI Direct Research

Exhibit 7: Balance sheet ₹ crore

(Year-end March)	FY25	FY26	FY27E	FY28E
Liabilities				
Equity Capital	27.4	27.4	27.4	27.4
Reserve and Surplus	21,269	25,073	28,745	32,944
Total Shareholders funds	21,296	25,100	28,772	32,971
Total Debt	266	319	269	219
Deferred Tax Liability	493	658	658	658
Others	935	1,180	1,249	1,311
Total Liabilities	22,991	27,257	30,948	35,159
Assets				
Gross Block	7,521	8,740	10,190	11,976
Less: Acc Depreciation	4,048	4,888	5,956	7,108
Net Block	3,473	3,852	4,234	4,868
Capital WIP	491	736	786	1,000
Total Fixed Assets	3,965	4,588	5,020	5,868
Investments	19,447	23,417	26,817	30,317
Inventory	1,564	1,968	2,250	2,525
Debtors	550	354	750	842
Others	1,044	1,133	1,325	1,487
Cash	263	256	254	308
Total Current Assets	3,420	3,710	4,580	5,161
Creditors	2,530	2,738	3,376	3,787
Provisions	123	169	208	234
Others	1,531	1,999	2,339	2,624
Total Current Liabilities	4,184	4,907	5,923	6,644
Net Current Assets	(763)	(1,196)	(1,342)	(1,483)
Other Non current asset	342	448	453	457
Application of Funds	22,991	27,257	30,948	35,159

Source: Company, ICICI Direct Research

Exhibit 8: Key ratios

(Year-end March)	FY25	FY26	FY27E	FY28E
Per share data (₹)				
EPS	172.7	201.1	224.6	257.8
Cash EPS	199.8	232.4	264.3	300.6
BV	778.7	917.7	1,052.0	1,205.5
DPS	70.0	82.0	91.0	105.0
Cash Per Share	605.8	729.4	820.8	939.7
Operating Ratios (%)				
EBITDA Margin	25.0	24.7	24.4	25.2
PBT / Net sales	31.6	30.8	29.9	30.4
PAT Margin	25.1	23.7	22.5	23.0
Inventory days	30.2	30.7	30.0	30.0
Debtor days	10.6	5.5	10.0	10.0
Creditor days	48.9	42.7	45.0	45.0
Return Ratios (%)				
RoE	22.2	22.1	21.4	21.4
RoCE	27.0	27.6	27.6	27.5
RoIC	119.4	133.5	126.6	130.5
Valuation Ratios (x)				
P/E	44.9	38.3	34.5	30.1
EV / EBITDA	41.7	33.4	28.6	24.2
EV / Net Sales	10.4	8.3	7.0	6.1
Market Cap / Sales	11.3	9.1	7.8	6.9
Price to Book Value	10.0	8.5	7.4	6.5
Solvency Ratios				
Debt/Equity	0.0	0.0	0.0	0.0
Current Ratio	0.9	0.9	0.9	0.9
Quick Ratio	0.5	0.4	0.4	0.4

Source: Company, ICICI Direct Research

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