



Focus on Volume Growth & Overall EBITDA Improvement

Est. Vs. Actual for Q1FY26: Revenue – **INLINE**; EBITDA – **BEAT**; PAT – **BEAT**
Change in Estimates post Q1FY26

FY26E/FY27E: Revenue: 2.5%/2.4%; EBITDA: 0.9%/0.2%; PAT: 2.3%/2.5%

Recommendation Rationale

- **Focus On Volume Over Margins:** Management is focused on growing overall EBITDA rather than preserving margins as a strategy to weed out new competition. Standalone EBITDA grew by just 4.5% YoY despite strong 17% volume growth, reflecting higher promotional spend, product shift towards lower ASP variants and competitive pricing. We estimate EBITDA CAGR of 8–9% over FY25–28E, which trails historical performance and consensus expectations.
- **New Product Variants:** Royal Enfield delivered 17% YoY volume growth in Q1FY26, driven by new variant introductions of Classic, Bullet, and Hunter models, along with Effective brand activation campaigns. Battalion Black, Classic 650, Classic350 and Hunter 350 refreshes have received a positive initial response. The upcoming Flying Flea electric motorcycles (C6 and S6) are expected to be launched in early CY26, reflecting a cautious yet deliberate entry into the EV space.
- **International Business:** Brazil continues to see strong demand with a second CKD unit now operational. SAARC markets, especially Nepal and Bangladesh, reported healthy traction and positive customer sentiment. The management reiterated its intent to deepen penetration in existing export markets rather than pursue rapid new market entry.

Sector Outlook: Positive

Company Outlook & Guidance: The management's focus is on driving volume growth in the domestic market through new product launches/refreshes and gaining market share, while the company is cautiously optimistic on exports.

Current Valuation: We value RE's standalone business at 26x FY28E EPS (earlier 28x on FY27E EPS) and VECV at 10x EV/EBITDA on FY28E EBITDA (earlier on FY27E).

Current TP: Rs 5,635/share (Unchanged)

Recommendation: We recommend a **HOLD** rating on the stock.

Financial Performance: Q1FY26 standalone revenue (in line) was up ~16% YoY, but down 4% QoQ, led by a 17% YoY (6% QoQ decline) volume growth, while ASP declined by 1% YoY on account of poor product mix. EBITDA (6% Beat) grew by 4.5% YoY but declined 2.3% QoQ. EBITDA margins were at 25.1%, beating out estimates by 148 bps, which were down 277 bps YoY but up 39 bps QoQ. This YoY decline was primarily due to a poor product mix, higher commodity prices, provisions for old inventory, and increased other expenses by the company. PAT (25% beat) was up 40% YoY and 41% QoQ, driven by higher other income (Rs 218 Cr dividend from VECV) and lower effective tax rates.

Outlook: We expect RE volumes to grow at 7% CAGR over FY25-28E, with standalone revenue and EBITDA projected to grow at an 8-9% CAGR over FY25-28E. The long-term growth potential for VECV remains strong, supported by its robust execution capabilities and entry into the EV/ SCV category.

Valuation & Recommendation: The current prices have largely factored in the positives, and hence, we maintain our HOLD rating, with a target price of Rs 5,635/share (unchanged). We value the RE standalone business at a sustainable PE of 26x on FY28 EPS (earlier 28x on FY27E) and VECV at 10x EV/EBITDA on FY28E EBITDA (earlier FY27E), implying a ~2% upside from the CMP. (We recommend a 'Buy On Dips' strategy for the stock.)

Key Financials (Standalone)

(Rs Cr)	Q1FY26	QoQ (%)	YoY (%)	Axis Est.	Variance
Net Sales	4,908	-3.9%	16.0%	4,925	-0.3%
EBITDA	1,231	-2.3%	4.5%	1,162	5.9%
EBITDA Margin	25.1%	39 bps	-277 bps	23.6%	148 bps
Net Profit	1,306	16.1%	20.1%	1,042	25.4%
EPS (Rs)	47.6	15.9%	19.9%	38.1	25.0%

Source: Company, Axis Research

(CMP as of 1st August, 2025)

CMP (Rs)	5,510
Upside /Downside (%)	2%
High/Low (Rs)	5,907/4,500
Market cap (Cr)	1,50,032
Avg. daily vol. (6m) Shrs.	489,238
No. of shares (Cr)	27.42

Shareholding (%)

	Dec-24	Mar-25	Jun-25
Promoter	49.1	49.1	49.1
FII's	25.4	25.0	25.8
MFs/UTI	11.3	11.4	11.0
Financial Inst.	0.2	0.1	0.0
Others	14.0	14.4	14.0

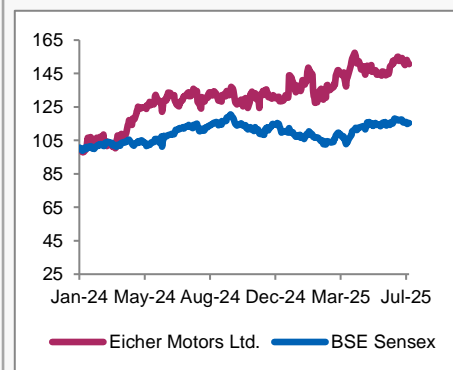
Financial & Valuations

Y/E March (Rs Cr)	FY26E	FY27E	FY28E
Net Sales	20,506	22,172	23,659
EBITDA	5,103	5,537	5,974
Net Profit	4,635	5,024	5,451
EPS (Rs.)	169.5	183.8	199.4
PER (x)	32.3	29.8	27.4
EV/ EBITDA	26.1	23.6	21.3
P/BV (x)	7.4	6.4	5.6
RoE (%)	24.0	23.2	21.9

Change in Estimates (%)

Y/E Mar	FY26E	FY27E	FY28E
Sales	2.5%	2.4%	-
EBITDA	0.9%	0.2%	-
PAT	2.3%	2.5%	-

Relative Performance



Source: Ace Equity, Axis Securities Research

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Key Concall Highlights

- **VECV:** Revenue from operations in Q1FY26 stood at Rs 5,671 Cr, up 11.9% from Rs 5,070 Cr in the same quarter last year. EBITDA rose 32.6% to Rs 511 Cr, from Rs 385 Cr YoY. VECV sold 21,610 vehicles in Q1FY26, up from 19,702 vehicles YoY. 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%. Exports grew by 20.5% YoY.
- **Investments:** The full-year Capex target is Rs 1,200 Cr. Investments are being directed toward expanding production facilities, including the new CKD plants, enhancing electric mobility infrastructure, and product development for both Royal Enfield and VECV.
- **Production Facilities:** The company's two state-of-the-art production facilities are located at Oragadam and Vallam Vadagal, near Chennai, with an annual capacity to produce 1.2 Mn units. Across the world, Royal Enfield has six modern CKD assembly facilities in Bangladesh, Nepal, Brazil, Thailand, Argentina, and Colombia.
- **Dealership Network:** Royal Enfield operates through over 2,000 stores across all major cities and towns in India, as well as nearly 850 stores in more than 60 countries worldwide. Royal Enfield has expanded its pre-owned motorcycle business, RE Own, to over 230 cities across India.
- **Others:**
 - ✓ Non-motorcycle revenue (including domestic and exports) contributed Rs 2,750 Cr in FY25.
 - ✓ Increased financing availability with 575 dealers, the majority in rural areas.
 - ✓ The commodity cost impact in Q1 was limited to 30 bps; however, we expect slight headwinds going into Q2.
 - ✓ Management indicated that a shortage of rare earth magnets has impacted the sale of performance platform motorcycles in Q1; however, alternate materials have helped reduce the dependence.

Key Risks to Our Estimates and TP

- Increasing competitive intensity poses a risk to the company in the >250cc segment, where it holds the highest market share.
- Macro-economic headwinds, driving lower exports for longer (than our estimates), could pose a downside risk.

Change in Estimates

	Revised			Old			% Change		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Sales	20,506	22,172	23,659	20,004	21,659	-	2.5%	2.4%	-
EBITDA	5,103	5,537	5,974	5,056	5,523	-	0.9%	0.2%	-
PAT	4,635	5,024	5,451	4,532	4,903	-	2.3%	2.5%	-
EPS	169.5	183.8	199	165.8	179.0	-	2.3%	2.7%	-

Source: Company, Axis Securities Research

Q1FY26 Results Review (Standalone)

YE March (Rs Cr)	Q1FY26	Axis Sec Estimates	Axis Sec Var (%)	Q4FY25	QoQ (%)	Q1FY25	YoY (%)
Domestic 2W	2,28,779	2,28,779		2,49,901	-8.5%	2,04,686	11.8%
Exports 2W	36,749	36,749		32,922	11.6%	22,221	65.4%
Total Volumes (Units)	2,65,528	2,65,528		2,82,823	-6.1%	2,26,907	17.0%
Total Revenue from operations	4,908	4,925	-0.3%	5,107	-3.9%	4,231	16.0%
ASP (Rs/ vehicle in lakhs)	1.85	1.85	-0.3%	1.81	2.4%	1.86	-0.9%
Less:							
Net Raw Material consumed	2,726	2,768	-1.5%	2,861	-4.7%	2,251	21.1%
Other Exp.	607	655	-7.3%	665	-8.6%	472	28.6%
Personnel	344	340	1.3%	320	7.5%	329	4.6%
Total Expenditure	3,677	3,762	-2.3%	3,846	-4.4%	3,053	20.5%
EBITDA	1,231	1,162	5.9%	1,261	-2.3%	1,179	4.5%
Less: Depreciation	186	189	-1.4%	189	-1.3%	158	17.6%
EBIT	1,045	974	7.4%	1,072	-2.5%	1,020	2.4%
Less: Interest	7	6	3.6%	9	-22.6%	5	48.0%
Add: Other Income	659	365	80.7%	354	86.2%	417	57.9%
Profit Before Extraordinary Items and Tax	1,697	1,332	27.5%	1,418	19.7%	1,433	18.4%
Extraordinary Expense/(Income)	0	0		0		0	
Profit Before Tax	1,697	1,332	27.5%	1,418	19.7%	1,433	18.4%
Less: Total Tax	391	290	35.0%	292	33.7%	345	13.3%
Profit After Tax	1,306	1,042	25.4%	1,125	16.1%	1,088	20.1%
Adj. Net Profit	1,306	1,042	25.4%	1,125	16.1%	1,088	20.1%
Shares Outstanding (Cr)	27	27	33.1%	27		27	
Reported EPS (Rs.)	47.6	38.1	25.0%	41.1	15.9%	39.7	19.9%
Adj. EPS (Rs.)	47.6	38.1	25.0%	41.1	15.9%	39.7	19.9%
Cost & Margin Analysis	Q1FY26	Axis Sec Estimates	Change in bps	Q4FY25	Change in bps	Q1FY25	Change in bps
Net Raw Material/Net Sales (%)	55.5%	56.2%	(67)	56.0%	-49	53.2%	232
Other Exp./Net Sales (%)	12.4%	13.3%	(93)	13.0%	-64	11.2%	121
Personnel/Net Sales (%)	7.0%	6.9%	11	6.3%	74	7.8%	-77
GM (%)	44.5%	43.8%	67	44.0%	49	46.8%	-232
EBITDA Margin (%)	25.1%	23.6%	148	24.7%	39	27.9%	-277
EBIT (%)	21.3%	19.8%	152	21.0%	29	24.1%	-282
PBT Margin (%)	34.6%	27.0%	754	27.8%	682	33.9%	71
NPM (%)	26.6%	21.2%	546	22.0%	458	25.7%	90
Adj. NPM (%)	26.6%	21.2%	546	22.0%	458	25.7%	90
Effective Tax Rate (%)	23.0%	21.7%	128	20.6%	240	24.1%	-105

Source: Company, Axis Securities research

Financials (Standalone)

Profit & Loss

(Rs Cr)

Y/E March (Rs Cr)	FY25	FY26E	FY27E	FY28E
Net revenues	18,451	20,506	22,172	23,659
Operating expenses	13,683	15,403	16,635	17,684
EBIDTA	4,768	5,103	5,537	5,974
EBITDA margin (%)	25.8	24.9	25.0	25.3
Other income	1,359	1,611	1,711	1,911
Interest	14	14	15	15
Depreciation	684	741	792	882
Profit Before Tax	5,430	5,960	6,442	6,988
Tax	1,189	1,324	1,417	1,538
Reported Net Profit	4,240	4,635	5,024	5,451
Net Margin (%)	23.0	22.6	22.7	23.0
Adjusted Net Profit	4,240	4,635	5,024	5,451

Source: Company, Axis Securities research

Balance Sheet

(Rs Cr)

Y/E March (Rs Cr)	FY25	FY26E	FY27E	FY28E
Equity capital	27	27	27	27
Reserves & surplus	18,472	20,097	23,180	26,526
Shareholders' funds	18,500	20,124	23,208	26,553
Total Loans	810	810	810	810
Deferred tax liability	521	521	521	521
Total Liabilities and Equity	19,831	21,455	24,539	27,884
Gross block	7,297	8,297	9,297	10,297
Depreciation	3,962	4,703	5,495	6,376
Net block	3,335	3,594	3,802	3,920
Capital WIP	477	477	477	477
Investments	13,248	14,480	15,880	17,280
Inventory	1,106	1,413	1,518	1,615
Debtors	1,081	1,202	1,300	1,387
Cash & Bank Bal	3,034	2,263	3,698	5,644
Loans & Advances	1,567	1,567	1,567	1,567
Current Assets	6,788	6,444	8,083	10,213
Sundry Creditors	2,446	2,758	2,963	3,154
Other Current Liability	1,571	1,605	1,562	1,675
Current Liability & Provisions	4,016	4,363	4,525	4,829
Net current assets	2,772	2,905	4,381	6,208
Total Assets	19,831	21,455	24,539	27,884

Source: Company, Axis Securities research

Cash Flow

(Rs Cr)

Y/E March (Rs Cr)	FY25	FY26E	FY27E	FY28E
EBIT	4,084	4,363	4,745	5,092
Other Income	1,359	1,611	1,711	1,911
Depreciation & Amortization	684	741	792	882
Interest paid (-)	14	14	15	15
Tax paid (-)	(1,189)	(1,324)	(1,417)	(1,538)
Extra Ord Income	(1,309)	-	-	-
Operating Cash Flow	3,643	5,404	5,845	6,363
Change in Working Capital	109	69	124	119
Cash flow from Operations	3,752	5,473	5,970	6,481
Capex	(654)	(1,000)	(1,000)	(1,000)
Strategic Investment	-	-	-	-
Non-Strategic Investment	(1,616)	(1,232)	(1,400)	(1,400)
Cash flow from Investing	(2,270)	(2,232)	(2,400)	(2,400)
Change in borrowing	(128)	-	-	-
Others	-	-	-	-
Dividends paid (-)	(1,790)	(1,940)	(2,105)	(2,105)
Cash Flow from Financial Activities	(1,919)	(1,940)	(2,105)	(2,105)
Change in Cash	(437)	1,301	1,464	1,976
Opening cash	45	117	1,390	2,825
Closing cash	990	2,263	3,698	5,644

Source: Company, Axis Securities research

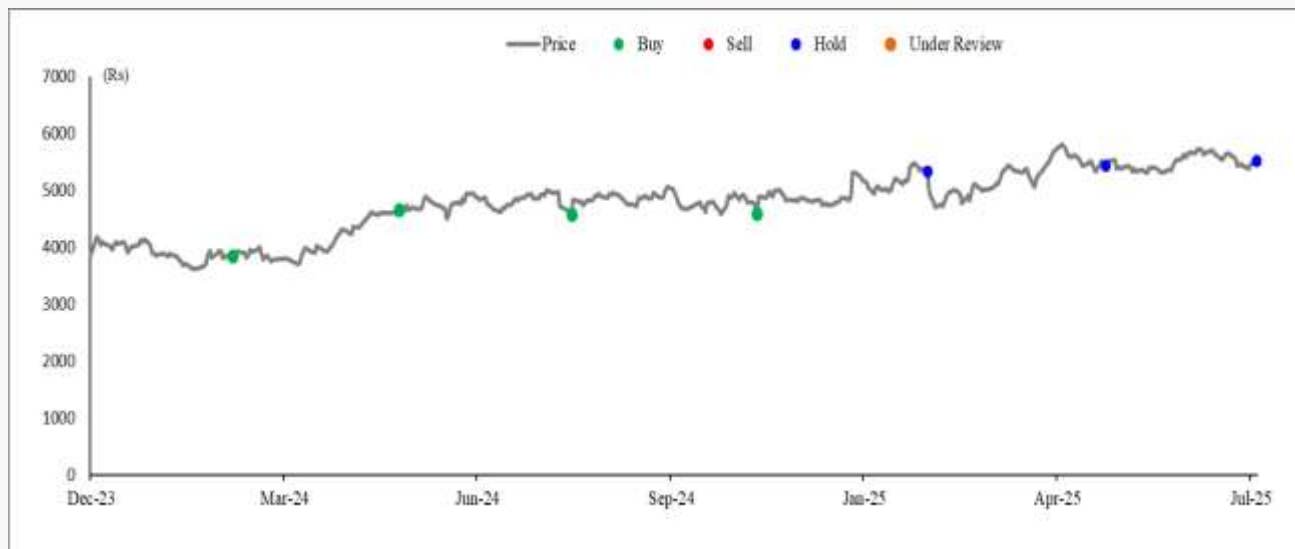
Ratio Analysis

(%)

Y/E March	FY25	FY26E	FY27E	FY28E
Revenue Growth	14.8	11.1	8.1	6.7
EBITDA Margin	25.8	24.9	25.0	25.3
Net Profit Margin	23.0	22.6	22.7	23.0
ROCE (%)	23.0	22.5	21.9	20.8
ROE (%)	24.8	24.0	23.2	21.9
EPS (Rs)	155.1	169.5	183.8	199.4
P/E (x)	35.5	32.5	30.0	27.6
P/ BV (x)	8.1	7.5	6.5	5.7
EV/ EBITDA (x)	28.3	26.3	23.8	21.5
Fixed Assets Turnover Ratio (x)	4.8	5.0	5.2	5.4
Debt / Equity (x)	0.0	0.0	0.0	0.0
EV/ Sales (x)	7.3	6.6	5.9	5.4

Source: Company, Axis Securities Research

Eicher Motors Ltd Price Chart and Recommendation History



Date	Reco	TP	Research
13-Nov-23	BUY	3,900	Result Update
14-Feb-24	BUY	4,250	Result Update
13-May-24	BUY	5,135	Result Update
09-Aug-24	BUY	5,060	Result Update
14-Nov-24	BUY	5,050	Result Update
11-Feb-25	HOLD	5,060	Result Update
15-May-25	HOLD	5,635	Result Update
04-Aug-25	HOLD	5,635	Result Update

Source: Axis Securities Research

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