



## Positives Largely Factored in the CMP

**Est. Vs. Actual for Q3FY25: Revenue – MISS; EBITDA – MISS; PAT– MISS**

### Change in Estimates post Q3FY25

**FY25E/FY26E: Revenue: 1.3%/0.6%; EBITDA: 2.1%/0.6%; PAT: 0.5%/0.5%**

### Recommendation Rationale

- New Product Launches:** Eicher Motors pursued an aggressive product launch strategy in Q3FY25, introducing five major models under the Royal Enfield (RE) brand—Bear 650, New Classic 650, Bullet Battalion Black (which received a strong response in the North), Goan Classic 350, and Scram 440. Additionally, Royal Enfield unveiled its EV brand Flying Flea, showcasing the FF C6 and FF S6, with production set to begin in Q1FY26 at the Vallam plant, which has an initial capacity of 1,50,000 units per annum.
- International market:** RE inaugurated its first wholly owned CKD assembly plant in Thailand, scaling production to 5,000-7,000 units per month, serving as a strategic hub for exports to ASEAN countries and leveraging FTAs. The company continued its dominance in the midweight motorcycle segment, maintaining an 8.5% market share in Europe, 8% in the Americas, and 9% in the Asia-Pacific region.
- VECV Business:** Revenues were up 19% YoY to Rs 4,973 Cr in Q3, while EBITDA grew 10% YoY to Rs 1,201 Cr, with EBITDA margins at 24.2% (down 200 bps YoY) due to competitive pricing. The company sold 21,012 units in Q3, attaining a market share of 18.9%. Despite a 1.7% industry decline, VECV maintained a 36% LMD market share, while heavy-duty truck sales reached 5,428 units (8.9% share). The bus segment recorded Q3 sales of 3,749 units (20.7% share, up 10% YoY), and exports grew 44.5% to 1,192 units. EBITDA margin rose to 8.8%, up 0.8% YoY, driven by cost and pricing efficiencies.

### Sector Outlook: Positive

**Company Outlook & Guidance:** Eicher expects sustained growth driven by strong domestic demand, export expansion, and new product launches. Royal Enfield will focus on strengthening its midweight segment while preparing for the Flying Flea EV launch in Q1FY26 with an initial 1,50,000-unit capacity. International expansion continues with a flagship store in Bangladesh and a new CKD plant in Thailand. VECV anticipates a rebound in Q4FY25, supported by economic growth of 6.3-6.5% and government infrastructure CapEx. The Eicher Pro-X will drive growth in LCVs, and e-mobility investments remain a key focus. The company is on track for Rs 1,000 Cr CapEx in FY25, balancing volume expansion and profitability across motorcycles and commercial vehicles.

**Current Valuation:** We value RE standalone business at 28x on FY26 EPS (unchanged) and VECV at 10x EV/EBITDA on FY26 EBITDA (unchanged).

**Current TP: Rs 5,060/share** (Earlier TP: Rs 5,050/share)

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

**Financial Performance:** Q3FY25 standalone revenue missed our estimates by 3.7% (up ~21%/~17% YoY/QoQ) due to lower-than-expected ASP driven by an inferior product mix. At the same time, sales volume grew 19.4%/19.5% YoY/QoQ to 2,72,000 units. EBITDA missed estimates by 9.7% (up 9.8%/10.8% YoY/QoQ) due to higher marketing expenses related to five model launches. EBITDA margins at 24.9% missed estimates by 167 bps (down 257 bps/137 bps YoY/QoQ). PAT missed estimates by 11.4% (up 15.6%/4.6% YoY/QoQ), primarily tracking the EBITDA decline and lower other income, partially offset by lower tax expenses.

### Key Financials (Standalone)

(Rs Cr)	Q3FY25	QoQ (%)	YoY (%)	Axis Est.	Variance
Net Sales	4,908	16.7%	21.1%	5,095	-3.7%
EBITDA	1,224	10.8%	9.8%	1,355	-9.7%
EBITDA Margin	24.9%	-134 bps	-257 bps	26.6%	-167 bps
Net Profit	1,056	4.6%	15.6%	1,193	-11.4%
EPS (Rs)	38.6	4.6%	15.6%	43.5	-11.4%

Source: Company, Axis Research

(CMP as of 10<sup>th</sup> February 2025)

CMP (Rs)	5,329
Upside /Downside (%)	-5.1%
High/Low (Rs)	5,552/3,675
Market cap (Cr)	1,46,098
Avg. daily vol. (6m) Shrs.	527,341
No. of shares (Cr)	27.4

### Shareholding (%)

	Jun-24	Sep-24	Dec-24
Promoter	49.1	49.1	49.1
FIIs	28.8	27.6	25.4
MFs/UTI	7.6	9.5	11.3
Financial Inst.	0.2	0.1	0.2
Others	14.4	13.6	14.0

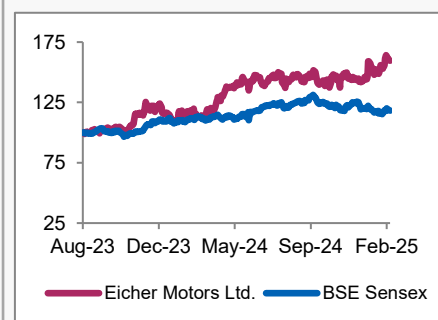
### Financial & Valuations

Y/E March (Rs Cr)	FY25E	FY26E	FY27E
Net Sales	17,907	19,360	20,894
EBITDA	4,676	5,247	5,662
Net Profit	4,080	4,522	4,767
EPS (Rs.)	149.2	165.4	174.4
PER (x)	35.7	32.2	30.6
EV/ EBITDA	28.2	24.6	22.3
P/BV (x)	8.2	7.1	6.2
RoE (%)	24.4	23.6	21.7

### Change in Estimates (%)

Y/E Mar	FY25E	FY26E	FY27E
Sales	1.3%	0.6%	0.6%
EBITDA	2.1%	0.6%	0.6%
PAT	0.5%	0.5%	0.5%

### Relative Performance



Source: Ace Equity, Axis Securities Research

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## Outlook

We expect RE volumes to grow at mid-single digits in FY26/27E, with standalone revenue and EBITDA projected to grow at a 9% CAGR over FY24-27E. 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 recent run-up in prices has largely factored in the positives, and hence, we downgrade our rating from BUY to HOLD, with a target price of Rs 5,060/share (previously Rs 5,050/share). We value the RE standalone business at a sustainable PE of 28x on FY26 EPS (unchanged) and VECV at 10x EV/EBITDA on FY26 EBITDA (unchanged), implying a downside of ~5% from the CMP. (We recommend a Buy On Dips strategy for the stock.)

## Key Concall Highlights

- **Change in Leadership:** Eicher Motors announced key leadership transitions, with Siddhartha Lal appointed as Executive Chairman, Vinod Aggarwal as Vice-Chairman (Non-Executive) while continuing as MD & CEO of VECV, and B. Govindarajan as MD of Eicher Motors Ltd. Additionally, two new independent directors, Ira Gupta and Arun Vasu, were inducted.
- **Capex:** The company is on track to meet its full-year Capex target of Rs 1,000 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.
- **VECV Spare Parts:** The company's annual parts sales in Q3FY25 were Rs 708 Cr, up 25.6% YoY.
- **Eicher Pro-X:** At the Bharat Mobility Global Expo 2025, VECV launched Eicher Pro-X, a new LCV platform with an "electric-first" approach. Deliveries are expected to commence shortly, marking the company's expansion into the 2-3.5T small commercial vehicle segment.
- **Market Share:** Royal Enfield continued its dominance in the midweight motorcycle segment, maintaining an 8.5% market share in Europe, 8% in the Americas, and 9% in the Asia-Pacific region. The Hunter 350 crossed 500,000 global sales, making it the fastest-growing model in the lineup. Meanwhile, VECV expanded its market presence, capturing a 36% share in the LMD truck segment and an 8.9% share in HD Trucks. The company's bus business performed well, securing a 20.7% market share, with total commercial vehicle sales reaching a record 21,012 units in Q3 FY25, despite a 1.7% decline in the overall industry.
- **Apparel Business:** The brand opened two exclusive apparel brand stores in Pune and Gujran, offering premium riding gear and lifestyle merchandise.
- **Export Markets:** Exports saw significant growth, with 70,000 units sold for 9MFY25, up 38.5% YoY. Retail growth outpaced wholesale figures, with markets like the UK, Brazil, Italy, and North America leading the expansion. RE opened a flagship store in Dhaka, Bangladesh, and established a CKD plant in Thailand to strengthen its position in Asia-Pacific. The company continues to expand into new regions with a focus on direct subsidiary-led operations in key markets.
- **Thailand CKD Plant:** RE inaugurated its first wholly owned CKD assembly plant in Thailand, scaling production to 5,000-7,000 units per month. The plant will serve as a strategic hub for exports to ASEAN countries, leveraging FTAs. Additionally, a second CKD plant in Brazil is in the final stages of completion, which will address demand fluctuations due to quota limitations.

## Key Risks to Our Estimates and TP

- Increasing competitive intensity poses a risk to the company in the >250cc segment, where the company has 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		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Sales	17,793	19,238	20,762	17,685	19,252	20,767	0.6%	-0.1%	0.0%
EBITDA	4,719	5,214	5,627	4,582	5,217	5,628	3.0%	-0.1%	0.0%
PAT	4,011	4,497	4,740	4,058	4,500	4,741	-1.2%	-0.1%	0.0%
EPS	146.7	164.5	173	148	165	173	-1.1%	-0.1%	0.0%

Source: Company, Axis Securities Research

### Q3FY25 Results Review (Standalone)

YE March (Rs Cr)	Q3 FY25	Axis Sec Estimates	Axis Sec Var (%)	Q2 FY25	QoQ (%)	Q3 FY24	YoY (%)
Domestic 2W	2,42,013			2,06,157	17.4%	2,13,386	13.4%
Exports 2W	30,284			21,715	39.5%	14,687	106.2%
<b>Total Volumes (Units )</b>	<b>2,72,297</b>			<b>2,27,872</b>	<b>19.5%</b>	<b>2,28,073</b>	<b>19.4%</b>
<b>Total Revenue from operations</b>	<b>4,908</b>	<b>5,095</b>	<b>-3.7%</b>	<b>4,205</b>	<b>16.7%</b>	<b>4,054</b>	<b>21.1%</b>
ASP (Rs/ vehicle in lakhs)	1.80	1.87	-3.7%	1.85	-2.3%	1.78	1.4%
<b>Less:</b>							
Net Raw Material consumed	2,726	2,751	-0.9%	2,283	19.4%	2,184	24.8%
Other Exp.	644	611	5.4%	502	28.4%	470	37.0%
Personnel	314	377	-16.7%	316	-0.5%	285	10.1%
<b>Total Expenditure</b>	<b>3,684</b>	<b>3,740</b>	<b>-1.5%</b>	<b>3,101</b>	<b>18.8%</b>	<b>2,939</b>	<b>25.3%</b>
<b>EBITDA</b>	<b>1,224</b>	<b>1,355</b>	<b>-9.7%</b>	<b>1,105</b>	<b>10.8%</b>	<b>1,115</b>	<b>9.8%</b>
Less: Depreciation	168	147	14.1%	169	-0.6%	138	21.8%
<b>EBIT</b>	<b>1,056</b>	<b>1,208</b>	<b>-12.6%</b>	<b>936</b>	<b>12.8%</b>	<b>977</b>	<b>8.1%</b>
Less: Interest	6	5	12.5%	5	4.1%	5	8.4%
Add: Other Income	300	352	-14.7%	337	-11.1%	250	20.2%
<b>Profit Before Extraordinary Items and Tax</b>	<b>1,350</b>	<b>1,497</b>	<b>-9.8%</b>	<b>1,268</b>	<b>6.5%</b>	<b>1,221</b>	<b>10.6%</b>
Extraordinary Expense/(Income)	0	0		0		0	
<b>Profit Before Tax</b>	<b>1,350</b>	<b>1,497</b>	<b>-9.8%</b>	<b>1,268</b>	<b>6.5%</b>	<b>1,221</b>	<b>10.6%</b>
Less: Total Tax	294	305	-3.6%	258	13.9%	307	-4.4%
<b>Profit After Tax</b>	<b>1,056</b>	<b>1,193</b>	<b>-11.4%</b>	<b>1,010</b>	<b>4.6%</b>	<b>914</b>	<b>15.6%</b>
<b>Adj. Net Profit</b>	<b>1,056</b>	<b>1,193</b>	<b>-11.4%</b>	<b>1,010</b>	<b>4.6%</b>	<b>914</b>	<b>15.6%</b>
Shares Outstanding (Cr)	27	27	0.0%	27		27	
<b>Reported EPS (Rs.)</b>	<b>38.6</b>	<b>43.5</b>	<b>-11.4%</b>	<b>36.9</b>	<b>4.6%</b>	<b>33.4</b>	<b>15.6%</b>
Adj. EPS (Rs.)	38.6	43.5	-11.4%	36.9	4.6%	33.4	15.6%
<b>Cost &amp; Margin Analysis</b>	<b>Q3 FY25</b>	<b>Axis Sec Estimates</b>	<b>Change in bps</b>	<b>Q2 FY25</b>	<b>Change in bps</b>	<b>Q3 FY24</b>	<b>Change in bps</b>
Net Raw Material/Net Sales (%)	55.5%	54.0%	155	54.3%	125	53.9%	167
Other Exp./Net Sales (%)	13.1%	12.0%	113	11.9%	120	11.6%	153
Personnel/Net Sales (%)	6.4%	7.4%	(100)	7.5%	-111	7.0%	-64
GM (%)	44.5%	46.0%	(155)	45.7%	-125	46.1%	-167
EBITDA Margin (%)	24.9%	26.6%	(167)	26.3%	-134	27.5%	-257
EBIT (%)	21.5%	23.7%	(220)	22.2%	-74	24.1%	-259
PBT Margin (%)	27.5%	29.4%	(188)	30.1%	-264	30.1%	-261
NPM (%)	21.5%	23.4%	(189)	24.0%	-249	22.5%	-102
Adj. NPM (%)	21.5%	23.4%	(189)	24.0%	-249	22.5%	-102
Effective Tax Rate (%)	21.8%	20.3%	141	20.3%	141	25.2%	-341

Source: Company, Axis Securities research

## Financials (Standalone)

### Profit & Loss

(Rs Cr)

Y/E March (Rs Crs)	FY24	FY25E	FY26E	FY27E
<b>Net revenues</b>	<b>16,078</b>	<b>17,907</b>	<b>19,360</b>	<b>20,894</b>
Operating expenses	11,698	13,230	14,114	15,232
<b>EBIDTA</b>	<b>4,380</b>	<b>4,676</b>	<b>5,247</b>	<b>5,662</b>
<b>EBITDA margin (%)</b>	<b>27.2</b>	<b>26.1</b>	<b>27.1</b>	<b>27.1</b>
Other income	1,168	1,357	1,447	1,447
Interest	19	20	20	21
Depreciation	559	606	680	770
Profit Before Tax	4,970	5,408	5,994	6,319
Tax	1,221	1,328	1,472	1,552
<b>Reported Net Profit</b>	<b>3,749</b>	<b>4,080</b>	<b>4,522</b>	<b>4,767</b>
Net Margin (%)	23.3	22.8	23.4	22.8
<b>Adjusted Net Profit</b>	<b>3,749</b>	<b>4,080</b>	<b>4,522</b>	<b>4,767</b>

Source: Company, Axis Securities research

### Balance Sheet

(Rs Cr)

Y/E March (Rs. Crs)	FY24	FY25E	FY26E	FY27E
Equity capital	27	27	27	27
Reserves & surplus	15,666	17,717	20,492	23,418
<b>Shareholders' funds</b>	<b>15,694</b>	<b>17,744</b>	<b>20,519</b>	<b>23,445</b>
Total Loans	939	939	939	939
Deferred tax liability	480	480	480	480
<b>Total Liabilities and Equity</b>	<b>17,113</b>	<b>19,189</b>	<b>21,964</b>	<b>24,889</b>
Gross block	6,052	7,052	8,052	9,052
Depreciation	3,278	3,884	4,564	5,334
Net block	2,774	3,168	3,488	3,718
Capital WIP	553	468	468	468
Investments	11,307	13,080	14,480	15,880
Inventory	1,069	1,203	1,282	1,383
Debtors	573	637	690	744
Cash & Bank Bal	1,346	1,521	2,684	4,131
Loans & Advances	2,851	2,851	2,851	2,851
<b>Current Assets</b>	<b>5,838</b>	<b>6,212</b>	<b>7,507</b>	<b>9,109</b>
Sundry Creditors	2,028	2,263	2,412	2,603
Other Current Liability	1,332	1,475	1,566	1,683
Current Liability & Provisions	3,360	3,739	3,979	4,286
Net current assets	2,479	2,473	3,528	4,823
<b>Total Assets</b>	<b>17,113</b>	<b>19,189</b>	<b>21,964</b>	<b>24,890</b>

Source: Company, Axis Securities research

**Cash Flow**
**(Rs Cr)**

Y/E March (Rs. Crs)	FY24	FY25E	FY26E	FY27E
EBIT	3,821	4,070	4,567	4,892
Other Income	1,168	1,357	1,447	1,447
Depreciation & Amortization	559	606	680	770
Interest paid(-)	19	20	20	21
Tax paid(-)	(1,067)	(1,328)	(1,472)	(1,552)
Extra Ord Income	(1,083)	-	-	-
<b>Operating Cash Flow</b>	<b>3,418</b>	<b>4,725</b>	<b>5,242</b>	<b>5,579</b>
Change in Working Capital	(2,005)	180	108	151
<b>Cash flow from Operations</b>	<b>1,413</b>	<b>4,906</b>	<b>5,350</b>	<b>5,730</b>
Capex	(1,000)	(1,000)	(1,000)	(1,000)
Strategic Investment	-	-	-	-
Non-Strategic Investment	(1,027)	(1,773)	(1,400)	(1,400)
<b>Cash flow from Investing</b>	<b>(2,027)</b>	<b>(2,773)</b>	<b>(2,400)</b>	<b>(2,400)</b>
Change in borrowing	848	-	-	-
Others	-	-	-	-
Dividends paid(-)	(1,012)	(1,576)	(1,746)	(1,841)
<b>Cash Flow from Financial Activities</b>	<b>(164)</b>	<b>(1,576)</b>	<b>(1,746)</b>	<b>(1,841)</b>
Change in Cash	(778)	557	1,204	1,489
Opening cash	796	45	648	1,811
<b>Closing cash</b>	<b>918</b>	<b>1,521</b>	<b>2,684</b>	<b>4,131</b>

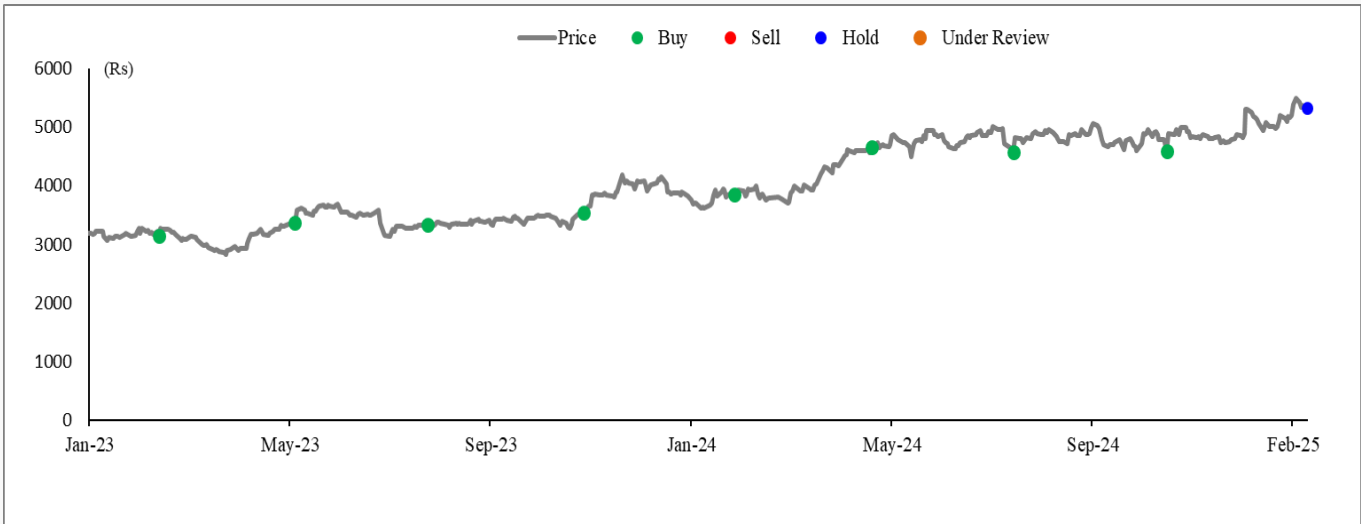
Source: Company, Axis Securities research

**Ratio Analysis**
**(%)**

Y/E March	FY24	FY25E	FY26E	FY27E
Revenue Growth	14.3	11.4	8.1	7.9
EBITDA Margin	27.2	26.1	27.1	27.1
Net Profit Margin	23.3	22.8	23.4	22.8
ROCE (%)	24.8	22.6	22.1	20.4
ROE (%)	26.2	24.4	23.6	21.7
EPS( Rs)	137.1	149.2	165.4	174.4
P/E (x)	38.9	35.7	32.2	30.6
P/ BV (x)	9.3	8.2	7.1	6.2
EV/ EBITDA (x)	30.5	28.2	24.6	22.3
Fixed Assets Turnover Ratio (x)	4.8	4.9	4.9	5.0
Debt / Equity (x)	0.1	0.1	0.0	0.0
EV/ Sales (x)	8.3	7.4	6.7	6.0

Source: Company, Axis Securities Research

## Eicher Motors Ltd Price Chart and Recommendation History



Date	Reco	TP	Research
15-Feb-23	BUY	4,125	Result Update
12-May-23	BUY	3,900	Result Update
04-Aug-23	BUY	3,800	Result Update
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

Source: Axis Securities Research

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HOLD	Between 10% and -10%
SELL	Less than -10%
NOT RATED	We have forward looking estimates for the stock, but we refrain from assigning valuation and recommendation.
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