

Result Update

Q3 FY26

Eicher Motors Limited

Institutional
Research

Estimates beat on all front; Resilient margins reflect healthy execution

The company reported quarterly revenue of Rs. 6,114 crores (down 0.9% QoQ / up 22.9% YoY), surpassing market estimates of Rs. 6,050 crores. Revenue growth was primarily driven by strong domestic traction at Royal Enfield, with motorcycle volumes up 21% YoY, supported by festive demand and GST-led affordability. EBITDA for the quarter stood at Rs. 1,557 crores (up 3.0% QoQ / up 29.6% YoY), modestly ahead of street estimates. EBITDA margin stood at 25.5% (up 96 bps QoQ / up 131 bps YoY). Sequential margin expansion was aided by operating leverage, pricing actions and value engineering, partially offsetting commodity cost pressures. Revenue from VECV (not consolidated in EML topline) stood at Rs. 7,019 crores, up 21% YoY, and EBITDA grew 26% YoY to Rs. 652 crores, translating to an EBITDA margin of 9.5% (up 30 bps YoY), supported by recovery in CV demand and improved realizations. Consolidated net profit for the quarter stood at Rs. 1,421 crores (up 3.7% QoQ / up 21.4% YoY), beating market estimates of Rs. 1,380 crores. PAT margin stood at 23.2% (up 105 bps QoQ / down 30 bps YoY). Royal Enfield volumes stood at 3.29 lakh units, up 21% YoY, driven by strong domestic demand supported by festive season tailwinds and GST rationalization. VECV volumes came in at 26,086 units, up 24% YoY, aided by a post-monsoon recovery in industry demand and improved sentiment following GST-related measures. The company announced a brownfield capacity expansion at Royal Enfield's Cheyyar plant, increasing total annual capacity from 14.6 lakh units to up to 20 lakh units. The proposed capex of Rs. 958 crores will be funded through internal accruals, with phased ramp-up starting Q1FY27 and completion expected by FY28.

Valuation and Outlook

The quarter reflected a steady operating performance, with profitability supported by operating leverage and disciplined execution, even as product mix remained a modest headwind. Sequential improvement in margins indicates better cost absorption, while overall performance remained broadly aligned with prevailing demand conditions. Looking ahead, growth visibility appears reasonable, supported by a combination of demand recovery, product interventions and calibrated capacity additions. The approved brownfield expansion at the Cheyyar facility, involving an investment of Rs. 958 crores, is expected to incrementally augment capacity in a phased manner over the next eight quarters, enabling the company to better align supply with peak seasonal demand while limiting execution risk. In the domestic motorcycle segment, GST-led affordability improvements are aiding conversion, with the premium segment expected to grow at a high single-digit pace and the company likely to modestly outperform the industry. Recovery in the >350cc portfolio is progressing, with the 650cc platform gaining traction ahead of the 450cc platform. Upcoming launches and brand initiatives are expected to support incremental growth over the medium term. Internationally, the near-term focus remains on navigating regulatory and trade-related uncertainties, with capacity consolidation underway in key markets such as Brazil through localized CKD operations. While growth in markets such as the US and Europe remains contingent on greater clarity around tariff structures, the longer-term opportunity remains intact. In the commercial vehicle segment, the outlook remains steady, supported by infrastructure-led demand and stable financing conditions. Export momentum is expected to remain healthy, and potential capacity expansion is under evaluation if industry growth sustains.

Key Highlights

Particulars (Rs. Cr.)	Q3FY26	Q3FY25	YoY (%)	Q2FY26	QoQ (%)
Net Sales	6,114	4,973	22.9%	6,172	-0.9%
Gross profit	2,716	2,241	21.2%	2,697	0.7%
Gross margin (%)	44.4%	45.1%	-65 bps	43.7%	72 bps
EBITDA	1,557	1,201	29.6%	1,512	3.0%
OPM (%)	25.5%	24.2%	131 bps	24.5%	96 bps
Reported PAT	1,421	1,171	21.4%	1,369	3.7%
PAT Margin (%)	23.2%	23.5%	-30 bps	22.2%	105 bps

Source: Company, BP Equities Research

Sector Outlook

Positive

Stock

CMP (Rs.)	7,767
BSE code	505200
NSE Symbol	EICHERMOT
Bloomberg	EIM IN
Reuters	EICH.NS

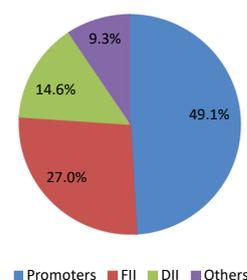
Key Data

Nifty	25,954
52 Week H/L (Rs.)	7,805 / 4,646
O/s Shares (Cr.)	27.4
Market Cap (Rs. Cr.)	2,12,816
Face Value (Rs.)	1

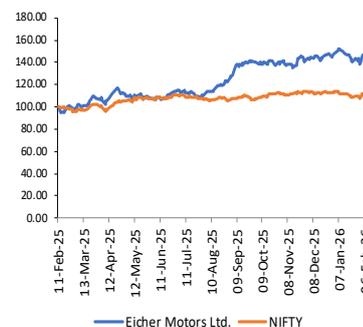
Average Volume

3 months	485,932
6 months	510,730
1 year	496,842

Share Holding Pattern (%)



Relative Price Chart



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Key Concall Highlights

Industry Commentary

The Premium motorcycle industry expected to grow at high single-digit levels going into FY27, with Q4FY26 trends indicating improving inquiries and better conversion.

Middleweight segment continues to expand, supported by improving urban demand alongside steady rural and semi-urban traction

In CVs, industry momentum supported by infrastructure spending, fiscal stability and stable financing conditions.

“GST reduction materially supported 350cc demand, particularly post festive season. JV and Collaboration Update.”

Guidance

Management expects Q4FY26 growth momentum to continue and anticipates outgrowing the high single-digit industry growth next year, driven by new products and a 125th-year brand campaign.

The medium-term outlook for Commercial Vehicles (VECV) remains constructive, supported by infrastructure development, stable financing, and domestic manufacturing, with Q4FY26 exports also expected to improve.

Commodity prices are expected to remain under pressure for some time, but value engineering efforts are continuous, and a blended price increase of about 0.5% was implemented in January on select models.

“Board approved Rs. 958 crores brownfield expansion at Cheyyar to increase capacity to 2 million units by FY27-28, with phased rollout aligned to peak seasonal demand.”

Management indicated that Flying Flea C6 is nearing production readiness and is expected to be introduced in the market soon through a calibrated rollout approach. Flying Flea S6 is slated to be released later this year, likely around the EICMA timeframe

Volume and Market Share

Royal Enfield continues to gain share in the mid-size segment, maintaining dominant exit market share of 88.9%, with broad-based growth across the 350cc portfolio. VECV maintained its number one position in LMD trucks with a 34.5% market share in Q3FY26. Plants are operating near full capacity with daily production reaching 4,300-4,400 units, supported by healthy inquiry funnel and improving dealer walk-ins.

“VECV’s bus segment experienced a 110 basis points decline in market share during Q3 FY’26.”

International markets remain mixed, with Brazil emerging as a key growth driver, while US and Europe outlook depends on tariff clarity.

VECV delivered strong volume growth, aided by infrastructure-led demand and export traction, particularly in the Middle East and neighboring markets.

Margin Movement

Gross margin movement reflected around 60 bps benefit from favourable domestic mix and 140 bps from pricing actions, offset by about 100 bps impact from OBD-2B cost increases and 70 bps from commodity inflation partly mitigated by roughly 20 bps of value engineering.

“350cc segment saw a sharp decline post GST-led pre-buy, but recovery is underway, with 650cc improving faster than 450cc.”

A further 40 bps impact came from model and geography mix variance, while sequential margin improvement was supported by operating leverage and marketing spend timing.

Exports Business

Export performance remains market-specific, with management describing Europe as a “calibration year” due to regulatory transitions and pre-registration discounting.

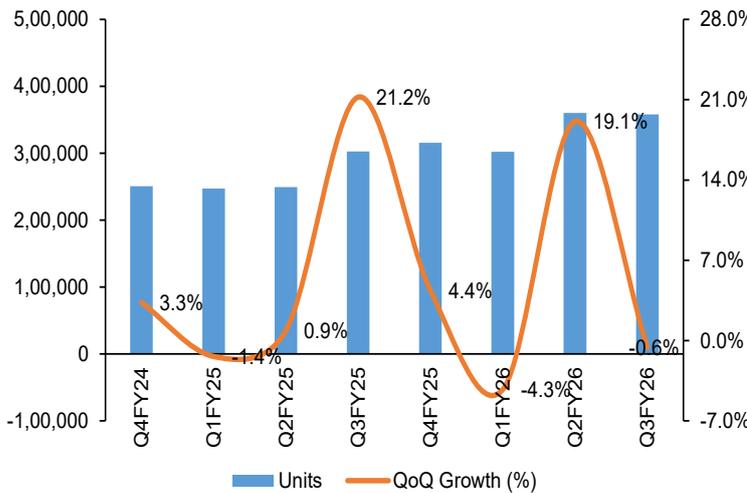
In the US, growth visibility is contingent on tariff clarity, with potential improvement if duties normalize to the expected levels.

Brazil continues to be highlighted as a key growth market, with strong product traction and plans to consolidate operations through a dedicated CKD facility.

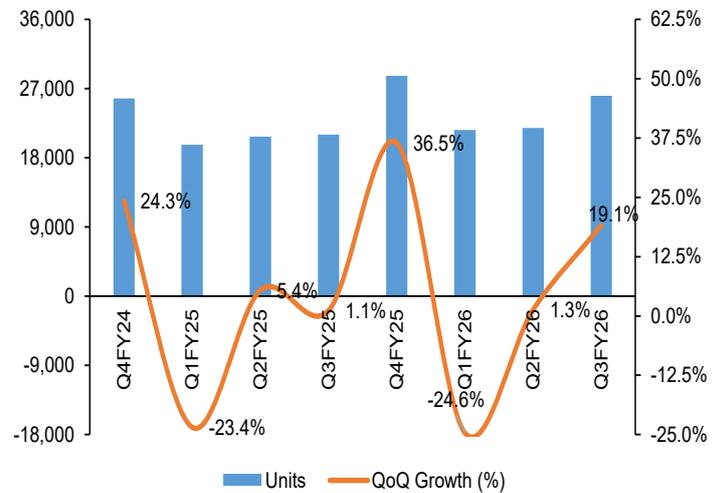
Other international markets such as Argentina, Colombia and select APAC regions are seeing steady traction, while expansion remains cautious in politically or economically volatile regions.

Quarterly Snapshot

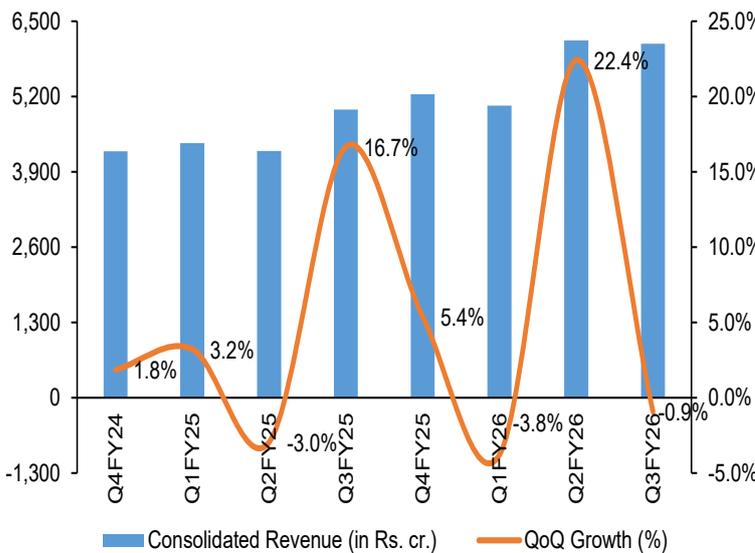
Moderation in premium and export portfolio weighs on volume



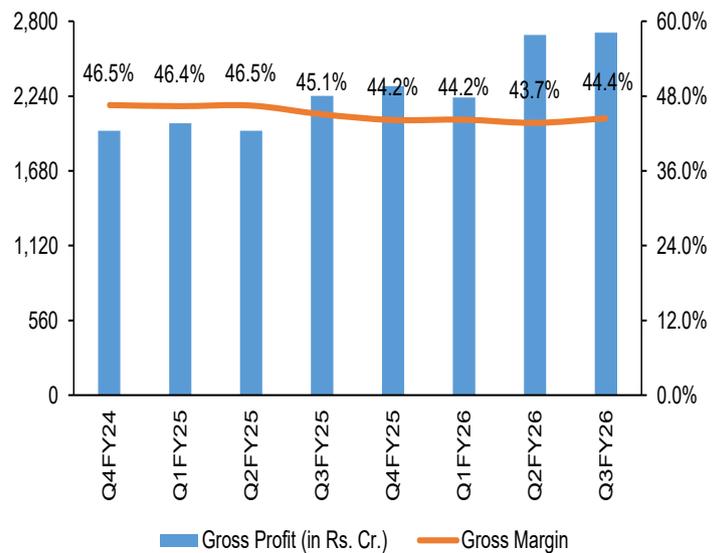
Demand upcycle drives uptick in volumes



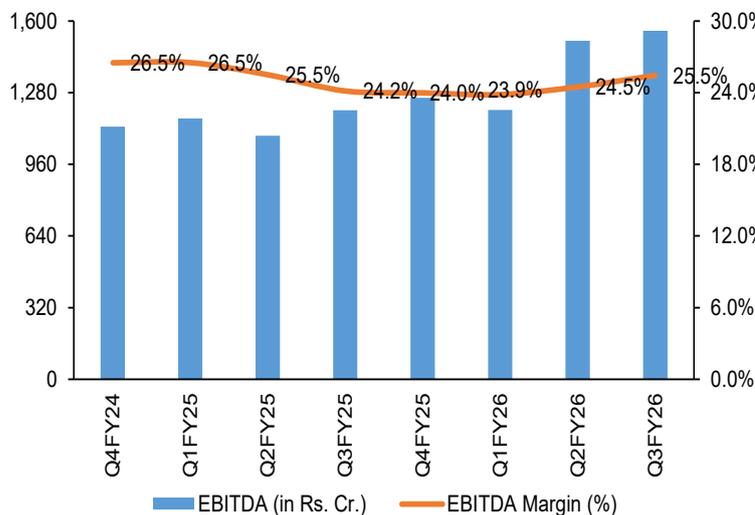
GST-led affordability and festive cheer drive healthy revenue



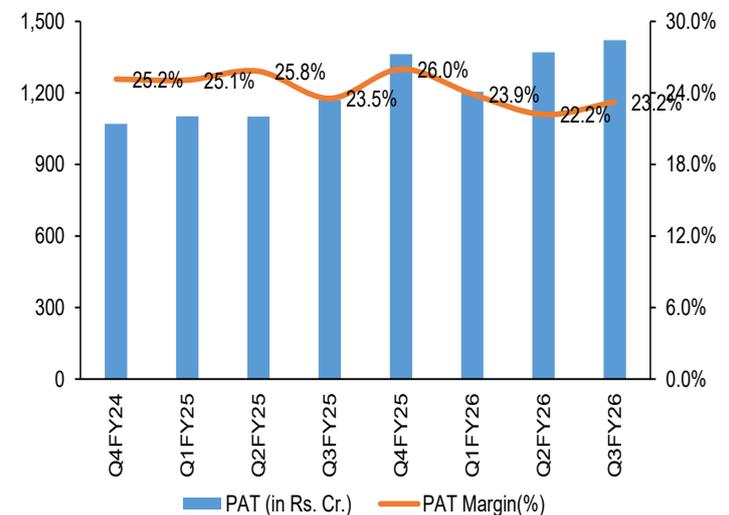
Pricing changes helped offset adverse commodity prices



Margin growth sustained by healthy operational leverage



PAT growth remain steady



Source: Company, BP Equities

Key Financials

YE March (Rs. Cr.)	FY22	FY23	FY24	FY25	FY26E	FY27E
Revenue	10,298	14,442	16,536	18,870	23,263	26,497
<i>Revenue Growth (Y-o-Y)</i>	18.1%	40.2%	14.5%	14.1%	23.3%	13.9%
EBITDA	2,178	3,446	4,329	4,723	5,761	6,697
<i>EBITDA Growth (Y-o-Y)</i>	22.2%	58.2%	25.6%	9.1%	22.0%	16.2%
Net Profit	1,677	2,914	4,001	4,734	5,575	6,389
<i>Net Profit Growth (Y-o-Y)</i>	24.5%	73.8%	37.3%	18.3%	17.8%	14.6%
Diluted EPS	61.3	106.4	146.1	172.7	203.5	233.2

Profitability Ratios

EBITDA (%)	21.1%	23.9%	26.2%	25.0%	24.8%	25.3%
NPM (%)	16.3%	20.2%	24.2%	25.1%	24.0%	24.1%
ROE (%)	13.3%	19.4%	22.2%	22.2%	22.6%	22.4%
ROCE (%)	13.0%	18.3%	19.1%	17.5%	18.6%	19.1%

Valuation Ratios

P/E (x)	119.0x	68.6x	49.9x	42.2x	35.9x	31.3x
EV/EBITDA (x)	90.6x	57.9x	46.2x	42.4x	34.7x	29.9x
Market Cap/Sales (x)	19.4x	13.8x	12.1x	10.6x	8.6x	7.5x

Source: Company, BP Equities, Bloomberg Estimates

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