

February 12, 2026

Q3FY26 Result Update

☑ Change in Estimates | ☑ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY27E	FY28E	FY27E	FY28E
Rating	HOLD		HOLD	
Target Price	7,650		7,350	
Sales (Rs. m)	2,68,054	3,00,775	2,62,001	2,93,439
% Chng.	2.3	2.5		
EBITDA (Rs. m)	66,840	75,627	64,160	72,500
% Chng.	4.2	4.3		
EPS (Rs.)	235.4	268.4	227.7	259.0
% Chng.	3.4	3.6		

Key Financials - Consolidated

Y/e Mar	FY25	FY26E	FY27E	FY28E
Sales (Rs. m)	1,88,704	2,35,195	2,68,054	3,00,775
EBITDA (Rs. m)	47,120	58,356	66,840	75,627
Margin (%)	25.0	24.8	24.9	25.1
PAT (Rs. m)	47,344	56,096	64,583	73,609
EPS (Rs.)	172.6	204.5	235.4	268.4
Gr. (%)	18.2	18.5	15.1	14.0
DPS (Rs.)	59.9	69.9	79.9	79.9
Yield (%)	0.8	0.9	1.0	1.0
RoE (%)	24.1	24.2	23.8	23.1
RoCE (%)	20.0	21.4	21.1	20.5
EV/Sales (x)	10.7	8.5	7.3	6.4
EV/EBITDA (x)	42.8	34.2	29.4	25.5
PE (x)	45.0	38.0	33.0	29.0
P/BV (x)	10.0	8.5	7.3	6.2

Key Data

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52-W High / Low	Rs.7,805 / Rs.4,644
Sensex / Nifty	84,234 / 25,954
Market Cap	Rs.2,132bn/ \$ 23,500m
Shares Outstanding	274m
3M Avg. Daily Value	Rs.3474.77m

Shareholding Pattern (%)

Promoter's	49.07
Foreign	25.82
Domestic Institution	15.67
Public & Others	9.44
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	3.5	37.0	56.3
Relative	2.7	31.1	41.6

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Pricing discipline, improved mix drive margins

Quick Pointers:

- Royal Enfield (RE) to increase capacity to 2mn units/year by FY28 as it sees sustained domestic demand for 350cc motorcycles and for exports
- Medium-term CV industry outlook remains constructive, with VECV poised for resilient growth

EIM's Q3FY26 consol operating revenue grew by 22.9% YoY to Rs61.1bn (in line with street estimates). EBITDA margin expansion was driven by operating leverage, pricing discipline and improved mix. It expects the industry to grow at high single digits in FY27 and RE to outperform via new launches and brand building campaigns, especially around its 125th year celebration. It remains focused on long-term value creation, maintaining leadership in mid-weight motorcycles, growing absolute volumes and profitability. We estimate revenue/EBITDA/PAT CAGR of 16.8%/17.1%/15.8% over FY25-28E and retain 'HOLD' rating with TP of Rs7,650 (previous Rs7,350). We value the core business at a P/E of 32x basis Sep'27E standalone EPS and VECV business at 10x EV/EBITDA Sep'27E.

Consol EBITDA at Rs15.57bn (+29.6% YoY, +3.0% QoQ): EBITDAM was 25.5% (+130bps YoY, +100bps QoQ), beating BBGe/PLe by 80bps/100bps. Gross margin was 44.4% (-65bps YoY, +70bps QoQ), and adj PAT of Rs14.6bn (incl. share of JV & associates, excl. one-time impact of Rs0.56bn due to new labor codes) was up +25.0% YoY, beating BBGe/PLe by 7.0%/6.5%. For 9MFY26, consol operating revenue was Rs173.3bn (+27.1% YoY). EBITDA stood at Rs42.7bn (+23.7% YoY); EBITDA margin, 24.7% (-70bps YoY); and adj PAT, Rs40.4bn (+19.7% YoY).

VECV Q3 revenue at Rs70.2bn (+21.0% YoY): EBITDA was Rs6.52bn (+26% YoY), EBITDA margin stood at 9.5% (+30bps YoY), and PAT at Rs3.38bn (+13% YoY). VECV maintained leadership position in LMD trucks (5-18T) with volume growing 28.3% YoY and a market share of 34.5%. HDT sales were driven by infra execution and improved route economics. Bus sales were down due to tender timing. Exports saw better traction in select key markets. Future growth should be aided by infra development, stable financing and push for domestic manufacturing.

Gross margin declines YoY due to commodity inflation: The impact mainly came from precious metals, aluminum and copper, OBD-2B related costs and geography mix, partially offset by the domestic model mix and value engineering. Price increase of 0.5% has been taken in Jan'26, and further hikes will be considered if there is steep commodity cost increase. Value engineering is achieved through scale, identifying low-cost country sourcing, and various other cost optimization and efficiencies.

Brownfield expansion of RE's Cheyyar plant: Latest declared capacity of RE was 1.2mn units at Q2-end, post which an investment of ~Rs1bn was made, which will take the capacity to 1.46mn by Q1FY27 in modules. Further to this, the Board has approved a cash investment Rs9.58bn, financed via internal accruals, which would take its capacity to 2mn units phase-wise from Q1FY27 until the end of FY28.

Exhibit 1: Q3FY26 result overview – Consolidated

Y/e Mar (Rs.mn)	3QFY26	3QFY25	YoY gr.	3QFY26E	Var (%)	2QFY26	QoQ gr.	9MFY26	9MFY25	YoY gr.
Net Revenues	61,140	49,731	22.9%	59,677	2.5%	61,716	-0.9%	1,73,275	1,36,292	27.1%
Raw Materials	33,982	27,317	24.4%	33,300	2.0%	34,748	-2.2%	96,856	73,702	31.4%
% of Net Sales	55.6%	54.9%	65 bps	55.8%	-22 bps	56.3%	-72 bps	55.9%	54.1%	182 bps
Personnel	4,302	3,420	25.8%	4,120	4.4%	4,179	2.9%	12,220	10,420	17.3%
% of Net Sales	7.0%	6.9%	16 bps	6.9%	13 bps	6.8%	26 bps	7.1%	7.6%	-59 bps
Manufacturing & Other Exp	7,290	6,983	4.4%	7,639	-4.6%	7,670	-5.0%	21,485	17,627	21.9%
% of Net Sales	11.9%	14.0%	-212 bps	12.8%	-88 bps	12.4%	-51 bps	12.4%	12.9%	-53 bps
Total Expenditure	45,573	37,719	20.8%	45,059	1.1%	46,597	-2.2%	1,30,561	1,01,749	28.3%
EBITDA	15,567	12,012	29.6%	14,619	6.5%	15,119	3.0%	42,714	34,543	23.7%
EBITDA Margin (%)	25.5%	24.2%	131 bps	24.5%	97 bps	24.5%	96 bps	24.7%	25.3%	-69 bps
Depreciation	2,111	1,793	17.8%	2,029	4.0%	1,996	5.8%	6,087	5,280	15.3%
EBIT	13,456	10,219	31.7%	12,590	6.9%	13,123	2.5%	36,627	29,264	25.2%
Interest Expenses	173	134	29.0%	178	-3.0%	192	-9.9%	513	388	32.3%
Non-operating income	3,374	2,888	16.8%	3,865	-12.7%	3,509	-3.9%	11,343	9,245	22.7%
Extraordinary Expenses	-555	0				0		-555	0	
PBT	16,103	12,973	24.1%	16,277	-1.1%	16,441	-2.1%	46,902	38,121	23.0%
Tax-Total	3,726	2,903	28.3%	3,809	-2.2%	4,096	-9.0%	11,699	8,916	31.2%
Tax Rate (%) - Total	23.1%	22.4%	76 bps	23.4%	-26 bps	24.9%	-177 bps	24.9%	23.4%	155 bps
PAT	12,377	10,070	22.9%	12,468	-0.7%	12,345	0.3%	35,203	29,205	20.5%
Share of JV profit	1,829	1,635	11.9%	1,275	43.5%	1,349	35.6%	4,750	4,518	5.1%
Profit after MI / Share of profit	14,206	11,705	21.4%	13,743	3.4%	13,695	3.7%	39,953	33,723	18.5%
PAT Margin	23.2%	23.5%	-30 bps	23.0%	21 bps	22.2%	105 bps	23.1%	24.7%	-169 bps
ADJ PAT	14,632	11,705	25.0%	13,743	6.5%	13,695	6.8%	40,379	33,723	19.7%

Source: Company, PL

Exhibit 2: VECV operating metrics – Realization declines 2.5% YoY in Q3FY26

Y/e Mar (Rs.mn)	3QFY26	3QFY25	YoY gr.	3QFY26E	Var (%)	2QFY26	QoQ gr.	9MFY26	9MFY25	YoY gr.
Volumes (in units)	26,086	21,010	24.2%	26,086	-	21,899	19.1%	69,596	61,486	13.2%
Net ASP (Rs/vehicle)	26,90,715	27,61,066	-2.5%			27,88,255	-3.5%	27,00,730	26,51,986	1.8%
Net Sales	70,190	58,010	21.0%			61,060	15.0%	1,87,960	1,63,060	15.3%
EBITDA	6,520	5,170	26.1%			4,790	36.1%	16,420	12,970	26.6%
EBITDA margin (%)	9.3%	8.9%	38 bps			7.8%	144 bps	8.7%	8.0%	78 bps
PAT	3,380	2,990	13.0%			2,490	35.7%	8,760	8,260	6.1%

Source: Company, PL

Exhibit 3: RE operating metrics – Realization marginally up both YoY and QoQ in Q3FY26

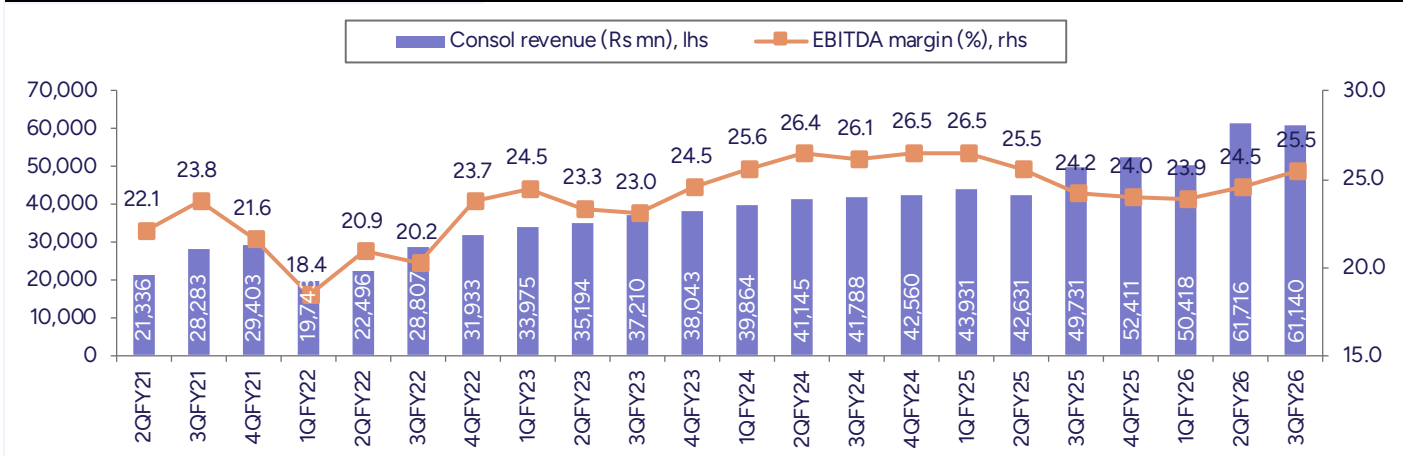
Y/e Mar (Rs.mn)	3QFY26	3QFY25	YoY gr.	3QFY26E	Var (%)	2QFY26	QoQ gr.	9MFY26	9MFY25	YoY gr.
Sales Volume (nos)	3,29,195	2,72,297	20.9%	3,29,195	-	3,26,375	0.9%	9,21,098	7,27,905	26.5%
Net Realisation/Vehicle	1,81,893	1,80,250	0.9%	1,79,029	1.6%	1,80,837	0.6%	1,82,373	1,83,332	-0.5%
Material cost / vehicle	1,03,227	1,00,320	2.9%	1,01,156	2.0%	1,06,465	-3.0%	1,05,152	1,01,252	3.9%
Gross Profit / vehicle	82,500	82,316	0.2%	80,127	3.0%	82,630	-0.2%	82,965	85,987	-3.5%
Employee cost /vehicle	12,010	11,529	4.2%	11,816	1.6%	11,837	1.5%	12,224	13,171	-7.2%
Other expenses / vehicle	20,343	23,660	-14.0%	21,662	-6.1%	21,651	-6.0%	21,536	22,231	-3.1%
EBITDA/vehicle	47,289	44,113	7.2%	44,407	6.5%	46,324	2.1%	46,373	47,456	-2.3%
Net Profit/vehicle	37,597	36,981	1.7%	37,874	-0.7%	37,826	-0.6%	38,219	40,122	-4.7%

Source: Company, PL

Conference Call Highlights:

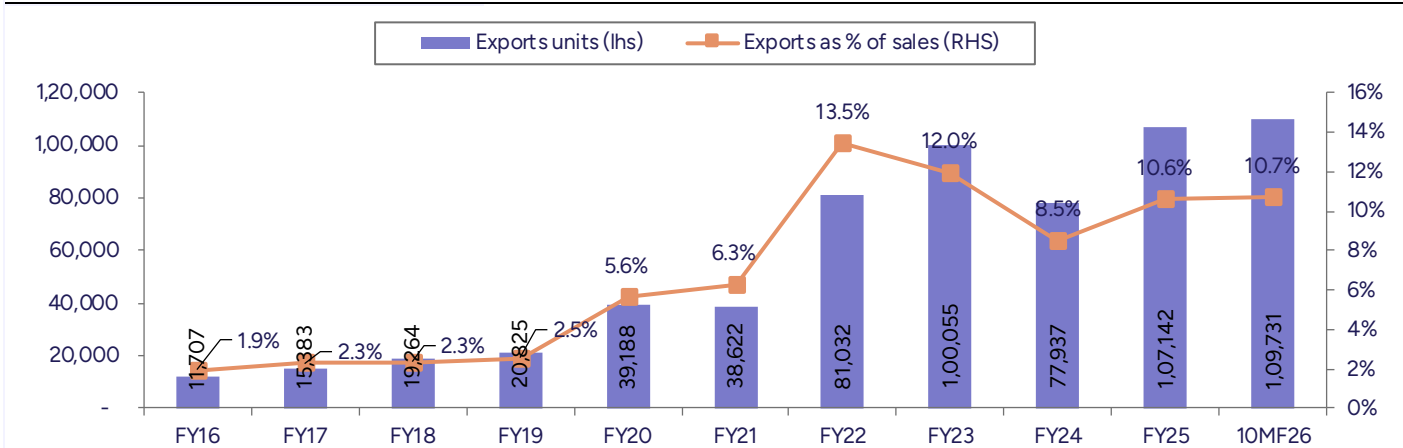
- Rural and semi-urban markets have been growing strongly, while urban markets, where growth was subdued, have seen a pickup in growth recently.
- Hunter model is seeing increased interest from younger customers post GST and income tax rate cuts.
- 650cc motorcycles' recovery has been better than that of 450cc post GST increase in the segment. To train riders, Gymkhana has been introduced, hoping to revive the 450cc segment growth.
- RE saw a gain in market share across segments, especially the mid-size segment, with 88.9% exit market share.
- It had its best ever festive sales of 2.49 lakh motorcycles during Sep-Oct'25.
- Parts business (Volvo + Eicher) grew by 14.4% YoY.
- Currently, RE is producing ~4.4k vehicles/day and VECV, 10k+ vehicles/month.
- EIM's growth in the Bus segment moderated this year due to the high base effect of last year and due to lower orders from institutional sales.
- If the CV industry continues to see sustained demand next year, VECV may increase the Bhopal plant capacity.
- Electric motorcycles Flying Flea C6 classic and S6 scrambler versions are expected to be launched in Q1FY27 and at EICMA 2026, respectively.
- While the finer details of the FTA with the EU and the US are awaited, the management feels it should be a good sign for growing their exports further.

Exhibit 4: EIM consol revenue increasing, EBITDA margin improving after being under pressure



Source: Company, PL

Exhibit 5: RE exports growth led by Brazil, Argentina and Thailand



Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY25	FY26E	FY27E	FY28E
Net Revenues	1,88,704	2,35,195	2,68,054	3,00,775
YoY gr. (%)	14.1	24.6	14.0	12.2
Cost of Goods Sold	1,02,971	1,31,279	1,49,779	1,67,545
Gross Profit	85,733	1,03,915	1,18,275	1,33,230
Margin (%)	45.4	44.2	44.1	44.3
Employee Cost	13,912	16,428	18,690	20,933
Other Expenses	24,700	29,131	32,745	36,670
EBITDA	47,120	58,356	66,840	75,627
YoY gr. (%)	8.9	23.8	14.5	13.1
Margin (%)	25.0	24.8	24.9	25.1
Depreciation and Amortization	7,293	8,242	8,990	9,879
EBIT	39,827	50,114	57,850	65,747
Margin (%)	21.1	21.3	21.6	21.9
Net Interest	543	658	669	674
Other Income	13,049	15,713	18,269	21,114
Profit Before Tax	52,333	65,170	75,450	86,187
Margin (%)	27.7	27.7	28.1	28.7
Total Tax	11,986	15,775	18,207	20,617
Effective tax rate (%)	22.9	24.2	24.1	23.9
Profit after tax	40,346	49,395	57,243	65,570
Minority interest	-	-	-	-
Share Profit from Associate	6,998	6,701	7,340	8,040
Adjusted PAT	47,344	56,096	64,583	73,609
YoY gr. (%)	-	-	-	-
Margin (%)	25.1	23.9	24.1	24.5
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	47,344	56,096	64,583	73,609
YoY gr. (%)	18.3	18.5	15.1	14.0
Margin (%)	25.1	23.9	24.1	24.5
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	-	-	-	-
Equity Shares O/s (m)	274	274	274	274
EPS (Rs)	172.6	204.5	235.4	268.4

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY25	FY26E	FY27E	FY28E
Non-Current Assets				
Gross Block	73,942	87,942	1,01,942	1,13,942
Tangibles	73,942	87,942	1,01,942	1,13,942
Intangibles	-	-	-	-
Acc: Dep / Amortization	39,207	47,449	56,439	66,318
Tangibles	39,207	47,449	56,439	66,318
Intangibles	-	-	-	-
Net fixed assets	34,735	40,493	45,503	47,623
Tangibles	34,735	40,493	45,503	47,623
Intangibles	-	-	-	-
Capital Work In Progress	4,915	5,652	6,500	7,475
Goodwill	-	-	-	-
Non-Current Investments	31,409	34,549	38,004	41,805
Net Deferred tax assets	(4,930)	(4,979)	(5,029)	(5,079)
Other Non-Current Assets	-	-	-	-
Current Assets				
Investments	1,16,501	1,31,109	1,52,503	1,77,278
Inventories	15,638	21,586	24,602	27,605
Trade receivables	5,496	6,444	7,344	8,240
Cash & Bank Balance	2,630	7,634	15,502	31,098
Other Current Assets	54,444	58,255	62,332	66,696
Total Assets	2,71,744	3,12,297	3,59,524	4,15,778
Equity				
Equity Share Capital	274	274	274	274
Other Equity	2,12,691	2,49,621	2,92,300	3,44,005
Total Network	2,12,965	2,49,895	2,92,574	3,44,280
Non-Current Liabilities				
Long Term borrowings	2,665	2,798	2,938	3,085
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	25,298	28,352	32,313	36,258
Other current liabilities	25,888	26,273	26,670	27,076
Total Equity & Liabilities	2,71,744	3,12,297	3,59,524	4,15,778

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY25	FY26E	FY27E	FY28E
PBT	59,331	71,871	82,790	94,227
Add. Depreciation	7,293	8,242	8,990	9,879
Add. Interest	543	658	669	674
Less Financial Other Income	13,049	15,713	18,269	21,114
Add. Other	(13,049)	(15,713)	(18,269)	(21,114)
Op. profit before WC changes	54,118	65,057	74,180	83,666
Net Changes-WC	(13,976)	(7,864)	(4,294)	(4,635)
Direct tax	(11,668)	(15,725)	(18,157)	(20,567)
Net cash from Op. activities	28,475	41,467	51,729	58,464
Capital expenditures	(12,248)	(14,737)	(14,848)	(12,975)
Interest / Dividend Income	-	-	-	-
Others	7,425	12,573	14,814	17,314
Net Cash from Invt. activities	(4,823)	(2,165)	(33)	4,339
Issue of share cap. / premium	1,593	-	-	-
Debt changes	(91)	133	140	147
Dividend paid	(16,428)	(19,166)	(21,904)	(21,904)
Interest paid	(543)	(658)	(669)	(674)
Others	-	-	-	-
Net cash from Fin. activities	(15,469)	(19,691)	(22,433)	(22,431)
Net change in cash	8,183	19,612	29,262	40,372
Free Cash Flow	16,227	26,730	36,881	45,489

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q4FY25	Q1FY26	Q2FY26	Q3FY26
Net Revenue	52,411	50,418	61,716	61,140
YoY gr. (%)	23.1	14.8	44.8	22.9
Raw Material Expenses	29,269	28,126	34,748	33,982
Gross Profit	23,143	22,292	26,968	27,159
Margin (%)	44.2	44.2	43.7	44.4
EBITDA	12,577	12,028	15,119	15,567
YoY gr. (%)	11.4	3.2	39.0	29.6
Margin (%)	24.0	23.9	24.5	25.5
Depreciation / Depletion	2,014	1,981	1,996	2,111
EBIT	10,563	10,047	13,123	13,456
Margin (%)	20.2	19.9	21.3	22.0
Net Interest	155	149	192	173
Other Income	3,804	4,461	3,509	3,374
Profit before Tax	14,212	14,359	16,441	16,103
Margin (%)	27.1	28.5	26.6	26.3
Total Tax	3,070	3,878	4,096	3,726
Effective tax rate (%)	21.6	27.0	24.9	23.1
Profit after Tax	11,142	10,481	12,345	12,377
Minority interest	-	-	-	-
Share Profit from Associates	2,480	1,571	1,349	1,829
Adjusted PAT	13,622	12,052	13,695	14,632
YoY gr. (%)	27.3	9.4	24.5	25.0
Margin (%)	26.0	23.9	22.2	23.9
Extra Ord. Income / (Exp)	-	-	-	426
Reported PAT	13,622	12,052	13,695	14,206
YoY gr. (%)	27.3	9.4	24.5	21.4
Margin (%)	26.0	23.9	22.2	23.2
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	-	-	-	-
Avg. Shares O/s (m)	274	274	274	274
EPS (Rs)	49.7	43.9	49.9	53.3

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY25	FY26E	FY27E	FY28E
Per Share(Rs)				
EPS	172.6	204.5	235.4	268.4
CEPS	199.2	234.6	268.2	304.4
BVPS	776.4	911.0	1,066.6	1,255.1
FCF	59.2	97.4	134.5	165.8
DPS	59.9	69.9	79.9	79.9
Return Ratio(%)				
RoCE	20.0	21.4	21.1	20.5
ROIC	38.2	39.8	41.4	44.2
RoE	24.1	24.2	23.8	23.1
Balance Sheet				
Net Debt : Equity (x)	(0.5)	(0.5)	(0.6)	(0.6)
Net Working Capital (Days)	(52)	(36)	(32)	(29)
Valuation(x)				
PER	45.0	38.0	33.0	29.0
P/B	10.0	8.5	7.3	6.2
P/CEPS	39.0	33.1	29.0	25.5
EV/EBITDA	42.8	34.2	29.4	25.5
EV/Sales	10.7	8.5	7.3	6.4
Dividend Yield (%)	0.8	0.9	1.0	1.0

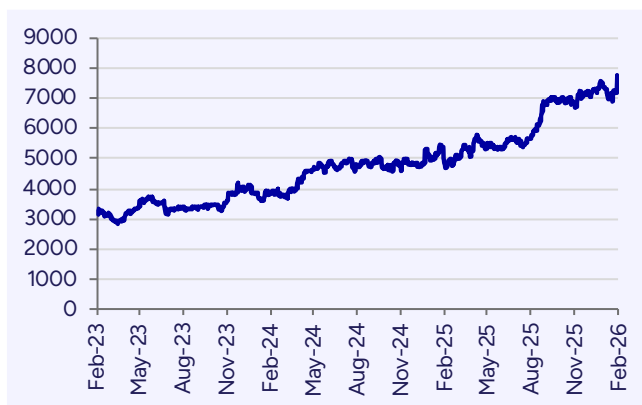
Source: Company Data, PL Research

Key Operating Metrics

Y/e Mar	FY25	FY26E	FY27E	FY28E
Royal volumes (in units)	10,09,899	12,52,047	13,84,108	15,10,255
YoY gr. (%)	10.6	24.0	10.5	9.1
VECV volumes (in units)	90,161	1,02,949	1,06,513	1,10,241
YoY gr. (%)	5.4	14.2	3.5	3.5

Source: Company Data, PL Research

Price Chart



Recommendation History

No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	08-Jan-26	Hold	7,350	7,583
2	18-Nov-25	Hold	6,840	6,799
3	08-Oct-25	Hold	6,729	6,903
4	08-Apr-25	BUY	5,835	5,231

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Bajaj Auto	Hold	9,500	9,500
2	Eicher Motors	Hold	7,350	7,583
3	Hero Motocorp	Accumulate	6,575	5,754
4	Mahindra & Mahindra	Accumulate	4,100	3,749
5	Maruti Suzuki	Hold	15,750	14,580
6	TVS Motor Company	Accumulate	4,200	3,655

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly

ANALYST CERTIFICATION

(Indian Clients)

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