

Eicher Motors (EIM) - ADD

Q1FY27 Result Update

Current Market Price (CMP) Rs.7150	Fair Value (FV) Rs.8200
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Rationale:

- Q1FY27: Consolidated EBITDA 2.8% above our expectations led by higher ASPs.
- Premiumization, lean channel inventory, capacity addition to anchor near-term growth.
- Additionally, we expect the export segment’s momentum to pick up, owing to strong trends in LATAM and ASEAN countries and gradual recovery in developed markets.
- We estimate RE volumes to increase by 11% CAGR over FY26-29E.
- VECV continues to track ahead of expectations, despite multiple uncertainties.
- Our revised FV is Rs8200, we value RE business on DCF (implied valuation of 27.5x FY28E EPS), the 250 cc business on DCF and the VECV business at 18x September 2028E EPS.

 Positives:

- Consolidated revenues increased 32% yoy, 2.9% above our estimates.
- VECV’s profitability came in 40 bps above our expectations in Q1FY27.
- Potential entry into the 250 cc segment could further widen the addressable market and attract younger consumers.

 Negatives:

- Company saw net commodity/process cost impact of 4-4.5% from commodity inflation in Q1FY27; gross margins were lower-than-expected.
- Standalone EBITDA was 3.3% below our estimates due to higher-than-expected RM and employee expenses.
- Near-term profitability may remain under pressure due to commodity headwinds and continued investments in marketing and new product launches.

(EBITDA: Earnings Before Interest, Tax, Depreciation and Amortization; DCF: Discounted Cash Flow; ASP: Average Selling Price; RM: Raw Material; LATAM: Latin American; ASEAN: Association of Southeast Asian Nations; CAGR: Compounded Annual growth Rate; VECV: Volvo-Eicher Joint Venture; RE: Royal Enfield; EPS: Earnings Per Share)



The content of this document has been derived from KIE research report. Kotak's PCG Research has summarized the report (Research Team: shrikant.chouhan@kotak.com).Readers who wish to access the complete report are kindly requested to contact their respective Relationship Manager. Further, the recipient of this material should take their own professional advice before investing.

Holding Period: 12 months