

December 11, 2025

Eicher Motors Limited: Ratings reaffirmed

Summary of rating action

| Instrument* | Previous Rated Amount (Rs. crore) | Current Rated Amount (Rs. crore) | Rating Action |
|---|-----------------------------------|----------------------------------|--|
| Long-term/ Short-term – Fund-based – CC/OD | 1.00 | 1.00 | [ICRA]AAA (Stable)/[ICRA]A1+; reaffirmed |
| Long-term/ Short-term – Fund-based – OD | 100.00 | 100.00 | [ICRA]AAA (Stable)/[ICRA]A1+; reaffirmed |
| Long-term/ Short-term – Non-fund based limits | 179.00 | 179.00 | [ICRA]AAA (Stable)/[ICRA]A1+; reaffirmed |
| Long-term/ Short-term – Unallocated | 30.00 | 30.00 | [ICRA]AAA (Stable)/[ICRA]A1+; reaffirmed |
| Total | 310.00 | 310.00 | |

*Instrument details are provided in Annexure-I

Rationale

The rating reaffirmation for the bank facilities of Eicher Motors Limited (EML) continues to factor in its strong business profile, as evidenced by its market leadership (about 87% share) in the premium middle-weight motorcycle segment (greater than 250cc) in India, its established Royal Enfield (RE) brand, a strong product portfolio, and an expansive dealership and aftersales network. The ratings also favourably factor in the company's strong financial profile, reflected in its healthy return indicators, credit metrics and a superior liquidity position.

The Indian two-wheeler (2W) industry continues to recover in domestic demand after a period of volume moderation during FY2020–FY2022. The premium motorcycle segment, where EML operates, has significantly outpaced overall industry growth. This is evident from the performance of the greater-than-250cc motorcycle sub-segment, which grew by a healthy 10% compared to the 5% growth for the overall domestic motorcycle segment in FY2025. EML reported an 11% year-on-year (YoY) increase in volumes in FY2025, outperforming the overall motorcycle segment growth of 9% (domestic and exports combined). Export volumes surged by around 30% YoY (on a low base) as the company continued to expand its presence in overseas markets. The strong momentum has carried into 7M FY2026, with EML delivering 27% growth (domestic and exports combined) versus motorcycle industry growth of just 4%. This sustained outperformance has led to an improvement in the company's overall market share.

In FY2025 and YTD FY2026, the company launched new models—Bear 650, Classic 650, Scram 440, Guerilla 450 and Goan Classic 350—which received good responses across markets and aided volumes. The company plans to foray into the electric motorcycle segment over the near-to-medium term; the volumes are, however, expected to be limited initially.

Supported by the volume growth and timely price escalations taken to manage inflationary pressures, EML reported robust performance, with OPBITDA margin touching 25% in FY2025 and 24% in H1 FY2026. Going forward, increasing financing penetration, scale-up of its newly launched models as well as increasing exports (49% YoY volume increase in 7M FY2026), augur well for the company's revenue growth prospects. Furthermore, ICRA expects EML's new product launches, well established branding and continued customer engagement to support its earnings growth prospects.

The ratings continue to factor in the strong financial profile of the company, evidenced by its healthy profitability (OPBDITA and ROCE of around 25% and 26%, respectively, in FY2025) and cash accruals, marginal debt and robust liquidity profile (cash, and investments of around Rs. 17,700 crore as on September 30, 2025). The company is expected to fund any capacity expansion/new product development plans from internal accruals and cash surplus in hand, thereby keeping its dependence on external borrowings negligible. ICRA notes that EML's performance remains exposed to challenges, such as increasing

regulatory interventions (emission norms, safety norms) and increasing competition in the domestic 2W market (led by growing participation of global as well as Indian original equipment manufacturers (OEMs) in the 250–750cc sub-segment). While the company's efforts to increase its presence in export markets (European, American, and Southeast Asian) have gained significant traction over the past 3-4 years, it will need time to scale-up to meaningful volumes and reduce RE's dependence on the Indian market. A structural shift in preference for electric 2Ws (e2Ws) (as opposed to conventional 2Ws) also remains a medium-to-long-term challenge.

EML's commercial vehicle (CV) business under VE Commercial Vehicles Limited (or VECV; a 54.4% JV of EML with AB Volvo; rated [ICRA]AA+(Stable)/[ICRA]A1+) has improved its presence in the domestic market (17.9% in FY2025 in the addressable market segment) over the last few years, despite operating in a highly cyclical industry prone to stiff competition. This has been aided by continuous product launches/ refreshes, technology advancements, expanding dealer and after-sales networks, and targeted marketing efforts. The entity's earnings and return indicators improved in FY2025 (OPBITDA margin of around 8.6%), driven by higher volumes, mirroring the trends of the CV industry. Further, the company's credit metrics remained strong, supported by its unleveraged balance sheet (interest cover of 70.8 times and NCA/total debt of 741%). Over the medium term, ICRA expects the industry to post healthy growth, supported by steady freight demand, economic recovery, continued Government focus on infrastructure spending and e-commerce boom, which auger well for VECV's growth prospects. The company continues to maintain a strong liquidity position, which is likely to limit any funding support requirements from EML.

The Stable outlook on EML's long-term rating reflects ICRA's expectation that it will continue to maintain its leadership position in the Indian premium motorcycle sub-segment, which is likely to help the company successfully navigate through any uncertainties caused by the structural shifts in the industry or any other exogenous shocks, while maintaining a robust credit profile.

Key rating drivers and their description

Credit strengths

Established and niche brand positioning; continued leadership position in mid-weight, premium sub-segment – EML's RE brand enjoys around 87-88% market share in the greater-than-250cc sub-segment of motorcycles (domestic) and has maintained its leadership position for over a decade. The niche positioning and aspirational status of the brand have helped it in garnering volumes and outperforming the broader motorcycle industry in the last few years. Despite the increasing competition from domestic and international 2W manufacturers, EML is expected to maintain its stronghold in the target sub-segment over the medium term, backed by its niche brand and value proposition, expansive dealership, and after-sales service network.

Robust financial risk profile – The company's cash and investments balance stood around Rs. 16,500 as on March 31, 2025, which further grew to about Rs. 17,700 crore, as on September 30, 2025, spurred by robust cash accruals despite capex and dividend payouts. With negligible debt, EML continues to maintain a negative net-debt position and robust coverage indicators. The company's operating margins remained healthy in FY2025 and H1 FY2026 leading to a healthy RoCE of around 28% in H1 FY2026 (core RoCE of 280%). Going forward as well, with modest capex plans and limited dividend outflows, the company is expected to further strengthen its financial risk profile.

Expanding product range and improving technical capability – Regular new launches and product variations underpin EML's technical prowess. With the launch of its Himalayan (early 2016), The Twins (FY2019), Meteor (FY2021), Hunter and Super Meteor (FY2023), Shotgun 650 (FY2024), Guerrilla 450, Scram 440, Guerilla 450, Bear 650 and Classic 650 (FY2025) models, the company has demonstrated its capability to develop new models from the ground up, incorporating a new engine as well as platform. This has given existing RE users a chance to upgrade, while aiding EML's efforts to ramp-up its presence in the export markets.

Credit challenges

Lack of segment diversification and rising competition in premium segment – The company's product portfolio is concentrated in the 250–750cc sub-segment, which caters to a niche clientele. Despite YoY improvement over the years, the sub-segment constitutes only 8-10% of the total motorcycle market in India. Further, within the sub-segment, the company relies to an extent on the 'Classic' brand/models, which is a market leader in the above-250-cc motorcycle segment in India. While this dependence remains high, healthy scale-up of some of the company's newly launched brands in the same sub-segment—Hunter, Himalayan, Guerrilla, Twins and Shotgun—provides comfort. In addition, several domestic and international players have entered the premium sub-segment with new products in the past few years; the rising competition could limit the revenue growth and pricing power of the company to an extent.

In addition, the recent GST rate hikes on motorcycles with engine capacities above 350 cc have constrained the company's ability to expand in this category; historically, this segment has generated only about 10–12% of the company's overall domestic volumes. The demand for motorcycles in this category remains strong in the export markets, providing the company with significant opportunities to grow internationally.

Revenue share from exports remains relatively low – Despite a healthy increase in revenues from exports in FY2025 by a strong 37% on a YoY basis, the share in overall revenues have remained relatively low at around 13.5%. The company saw healthy uptick in international volumes led by growing demand in its serviced markets and increasing brand awareness. The share of exports in overall volumes have increased to 10% in FY2025 and 7M FY2026 from 8% of FY2024 as the key markets in Latin America and Asia Pacific have shown a healthy increase in demand. Even as the company has expanded its distribution network to around 70 international markets and has set up seven assembly operations overseas (2 in Brazil and one each in Argentina, Thailand, Columbia, Bangladesh and Nepal) in recent years, it remains exposed to geographical concentration risk with nearly 87% of its revenues emanating from the domestic market (FY2025). The company is expected to maintain the positive trend in exports in FY2026 as well, with healthy growth (albeit on a smaller base) in export volumes for the full fiscal. The company's ability to consistently increase exports, thereby helping to mitigate the impact of any slowdown in the domestic market, remains to be seen.

ESG risks

Environmental considerations – Two-wheeler OEMs in India, like their global counterparts, remain exposed to climate transition risks emanating from a likelihood of tightening emission control requirements, with the Government focused on reducing the adverse impact of automobile emissions. Accordingly, EML's prospects remain linked to its ability to meet tightening emission requirements. EML (and the 2W industry as a whole) may need to invest materially to develop products to cater to the regulatory thresholds or expected transition to alternative fuel vehicles (2Ws expected to be at the forefront of such a shift), which may have a moderating impact on their return and credit metrics. The exposure to litigation/ penalties arising from issues related to waste and water management for the manufacturers remains relatively low.

Social considerations – EML has high dependence on human capital and, hence, such retaining human capital, maintaining healthy employee relationships as well as supplier ecosystem remain essential for disruption free operations. Another social risk that automotive OEMs like EML face pertains to product safety and quality, wherein instances of product recalls and high warranty costs may not only lead to a financial implication but could also harm the reputation and create a more long-lasting adverse impact on demand. EML also remains exposed to any major shift in consumer preferences/demographics, which are a key driver for demand, and accordingly may need to make material investments to realign its product portfolio.

Liquidity position: Superior

EML's liquidity position is expected to remain **superior**, aided by strong cash flows from operations, cash and liquid investments of about Rs. 4,694 crore and marketable non-current investments (in fixed maturity plans, mutual funds, bonds, etc) of Rs. 13,062 crore as on September 30, 2025. The company has minimal debt on its balance sheet (Rs. 446 crore as on September 30, 2025). Steady cash flows from operations, coupled with negligible debt obligations and favourable working capital cycle,

have enabled EML to maintain a superior liquidity profile, despite large capex undertaken in the last few years. Over the next 12-15 months, the entire planned investments and capex are expected to be funded through internal accruals.

Rating sensitivities

Positive factors – Not applicable

Negative factors – Pressure on EML’s ratings could arise for reasons including significant and sustained decline in its sales volumes, market share and profitability due to inter alia increasing competition, inability to consistently introduce new models or refresh its product portfolio, and/or shrinkage in the premium motorcycle segment. Further, any sizeable debt-funded inorganic or organic growth plan, which can lead to deterioration in credit metrics or any sizeable cash outflow in the form of dividends or buybacks that sharply deplete the currently robust liquidity, could be factors for a downward rating review.

Analytical approach

| Analytical Approach | Comments |
|---------------------------------|--|
| Applicable rating methodologies | Corporate Credit Rating Methodology Two-Wheelers |
| Parent/Group support | Not applicable |
| Consolidation/Standalone | For arriving at the ratings, ICRA has considered the consolidated financials of EML. The consolidated list of entities is shared in Annexure-II. |

About the company

Eicher Motors Limited, incorporated in 1982, is the flagship company of the Eicher Group in India and a leading player in the Indian automobile industry. On a standalone basis, EML is engaged in the manufacturing and marketing of motorcycles under the ‘Royal Enfield’ brand with manufacturing facilities in Chennai, Vallam Vadagal and Oragadam (Tamil Nadu). With a portfolio of six brands and sales of 9.12 lakh units (at a consolidated level in FY2024, including exports), EML is positioned as a market leader in the niche (more-than-250cc) motorcycle segment in India.

EML operates a joint venture (JV) with AB Volvo as VE Commercial Vehicles Limited (VECV). EML holds 54.4% stake in VECV while AB Volvo holds 45.6% stake, which came into existence with effect from July 1, 2008. The JV is engaged in EML’s truck and bus operations, auto components business and technical consulting services, as well as in the Volvo Group’s Indian truck sales and marketing functions, and the service and spares network operations for both Volvo trucks as well as buses. In 2020, VECV signed definitive agreements to integrate Volvo Buses India into VECV, including manufacturing, assembly, distribution, and sale of Volvo buses in India.

Key financial indicators (audited)

| EML Consolidated | FY2024 | FY2025 |
|--|----------|----------|
| Operating income | 16,535.8 | 18,870.4 |
| PAT | 3,553.3 | 4,034.6 |
| OPBDIT/OI | 26.2% | 25.0% |
| PAT/OI | 21.5% | 21.4% |
| Total outside liabilities/Tangible net worth (times) | 0.3 | 0.3 |
| Total debt/OPBDIT (times) | 0.1 | 0.1 |
| Interest coverage (times) | 85.1 | 86.9 |

Source: Company’s annual reports, ICRA Research; All ratios as per ICRA’s calculations; Amount in Rs. crore
 PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

| Instrument | Type | Current (FY2026) | | Chronology of rating history for the past 3 years | | | | | | | | |
|-----------------------------|----------------------|-------------------------|--------------|---|--------------|------------------------------|--------------|------------------------------|--------------|------------------------------|--------------|------------------------------|
| | | Amount Rated (Rs Crore) | FY2026 | | FY2025 | | FY2024 | | FY2023 | | | |
| | | | Date | Rating | Date | Rating | Date | Rating | Date | Rating | Date | Rating |
| Fund-based limits | Long-term/Short-term | 1.0 | Dec 11, 2025 | [ICRA]AAA (stable)/[ICRA]A1+ | Oct 29, 2024 | [ICRA]AAA (stable)/[ICRA]A1+ | Aug 18, 2023 | [ICRA]AAA (stable)/[ICRA]A1+ | Mar 23, 2023 | [ICRA]AAA (stable)/[ICRA]A1+ | Nov 02, 2022 | [ICRA]AAA (stable)/[ICRA]A1+ |
| Fund-based limits | Long-term/Short-term | 100.0 | Dec 11, 2025 | [ICRA]AAA (stable)/[ICRA]A1+ | Oct 29, 2024 | [ICRA]AAA (stable)/[ICRA]A1+ | Aug 18, 2023 | [ICRA]AAA (stable)/[ICRA]A1+ | - | - | - | - |
| Non fund based facilities | Long-term/Short-term | 179.0 | Dec 11, 2025 | [ICRA]AAA (stable)/[ICRA]A1+ | Oct 29, 2024 | [ICRA]AAA (stable)/[ICRA]A1+ | Aug 18, 2023 | [ICRA]AAA (stable)/[ICRA]A1+ | Mar 23, 2023 | [ICRA]AAA (stable)/[ICRA]A1+ | Nov 02, 2022 | [ICRA]AAA (stable)/[ICRA]A1+ |
| Unallocated limits | Long-term/Short-term | 30.0 | Dec 11, 2025 | [ICRA]AAA (stable)/[ICRA]A1+ | Oct 29, 2024 | [ICRA]AAA (stable)/[ICRA]A1+ | Aug 18, 2023 | [ICRA]AAA (stable)/[ICRA]A1+ | - | - | - | - |
| Fund/ Non fund based limits | Long-term/Short-term | - | - | - | - | - | - | - | Mar 23, 2023 | [ICRA]AAA (stable)/[ICRA]A1+ | - | - |
| Unallocated limits | Long-term | - | - | - | - | - | - | - | - | - | Nov 02, 2022 | [ICRA]AAA (stable) |

Complexity level of the rated instruments

| Instrument | Complexity Indicator |
|---|----------------------|
| Long-term/short-term – Fund based-CC/OD | Simple |
| Long-term/short-term – Fund based-OD | Simple |
| Long-term/short-term – Non-fund based | Very Simple |
| Long-term/short-term – Unallocated | Not Applicable |

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click Here](#)

Annexure I: Instrument details

| ISIN | Instrument Name | Date of Issuance | Coupon Rate | Maturity | Amount Rated (Rs. crore) | Current Rating and Outlook |
|------|-------------------------------|------------------|-------------|----------|--------------------------|-----------------------------|
| NA | Fund-based Limits – CC/OD | NA | NA | NA | 1.00 | [ICRA]AAA(Stable)/[ICRA]A1+ |
| NA | Fund-based Limits – Overdraft | NA | NA | NA | 100.00 | [ICRA]AAA(Stable)/[ICRA]A1+ |
| NA | Non-fund based facilities | NA | NA | NA | 179.00 | [ICRA]AAA(Stable)/[ICRA]A1+ |
| NA | Unallocated limits | NA | NA | NA | 30.00 | [ICRA]AAA(Stable)/[ICRA]A1+ |

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis

| Company Name | EML ownership | Consolidation approach |
|---|------------------------|------------------------|
| Eicher Motors Limited | 100.00% (rated entity) | Full Consolidation |
| Royal Enfield North America Limited (RENA) | 100.00% | Full Consolidation |
| Royal Enfield Canada Limited (subsidiary of RENA) | 100.00% | Full Consolidation |
| Royal Enfield Brasil Comercio de Motocicletas Ltd | 99.99% | Full Consolidation |
| Royal Enfield (Thailand) Limited | 99.99% | Full Consolidation |
| Royal Enfield (UK) Limited (REUK) | 100.00% | Full Consolidation |
| Eicher Group Foundation | 50.00% | Full Consolidation |
| Royal Enfield Europe B.V. | 100.00% | Full Consolidation |
| VE Commercial Vehicles Ltd (VECV) | 54.40% | Equity Method |
| Eicher Polaris Private Limited* | 50.00% | Equity Method |

Source: EML consolidated annual report FY2025; Under liquidation*

ANALYST CONTACTS

Jitin Makkar

+91 124 4545 368

jitinm@icraindia.com

Srikumar Krishnamurthy

+91 44 45964318

ksrikumar@icraindia.com

Rohan Kanwar Gupta

+91 124 4545 808

rohan.kanwar@icraindia.com

Akshay Dangi

+91 124 4545396

akshay.dangi@icraindia.com

RELATIONSHIP CONTACT

L. Shivakumar

+91 22 6114 3406

shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani

Tel: +91 124 4545 860

communications@icraindia.com

HELPLINE FOR BUSINESS QUERIES

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

ABOUT ICRA LIMITED

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit www.icra.in

ICRA Limited



Registered Office

B-710, Statesman House, 148 Barakhamba Road, New Delhi-110001

Tel: +91 11 23357940-45



Branches



© Copyright, 2025 ICRA Limited. All Rights Reserved.

Contents may be used freely with due acknowledgement to ICRA.

ICRA ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA ratings are subject to a process of surveillance, which may lead to revision in ratings. An ICRA rating is a symbolic indicator of ICRA's current opinion on the relative capability of the issuer concerned to timely service debts and obligations, with reference to the instrument rated. Please visit our website www.icra.in or contact any ICRA office for the latest information on ICRA ratings outstanding. All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable, including the rated issuer. ICRA however has not conducted any audit of the rated issuer or of the information provided by it. While reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies may have provided services other than rating to the issuer rated. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.