



QUANTIFYING SHAREHOLDER WEALTH EFFECTS OF STRATEGIC ANNOUNCEMENTS: AN EVENT STUDY ANALYSIS OF EICHER MOTORS LTD

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Abstract: This paper investigates how strategic corporate announcements influence shareholder wealth for Eicher Motors Ltd — the parent company of Royal Enfield — on the National Stock Exchange of India between April 2020 and March 2025. Nine announcements spanning product launches, international expansion, capital expenditure commitments and Electric Vehicle brand unveilings were examined using Event Study Methodology. Abnormal Returns (AR) and Cumulative Abnormal Returns (CAR) were calculated using the Mean Adjusted Return Model over a 21-day event window, with a 120-day estimation window. A one-sample T-Test at the five percent significance level was applied. Results show that seven of the nine events produced positive CARs. The Meteor 350 launch recorded the highest CAR of +26.21 percent and the Rs.1,000 Crore Capex Approval produced a CAR of +15.33 percent. Three events achieved statistical significance — Meteor 350 launch (T-Stat: 2.3789), Classic 350 launch (T-Stat: 2.1184) and Capex announcement (T-Stat: 2.1146). A declining trend in CAR across successive launches suggests improving semi-strong form market efficiency. The study demonstrates that financially specific announcements generate substantially stronger market reactions than operational milestones.

Index Terms — Event Study Methodology, Abnormal Returns, Cumulative Abnormal Return (CAR), Eicher Motors Ltd, Royal Enfield, Market Efficiency, Efficient Market Hypothesis, NSE India, Shareholder Wealth, T-Test, Product Launch Announcement, Strategic Announcement.

I. INTRODUCTION

The connection between corporate decisions and stock price behaviour has attracted sustained academic attention since Fama, Fisher, Jensen and Roll (1969) established the foundational framework for measuring market reactions to new information. In a market that processes publicly available information efficiently, the stock price on the day a company makes a strategic announcement reflects the market's immediate assessment of whether that decision creates or destroys value for shareholders. This mechanism — measured through Abnormal Returns — is the cornerstone of Event Study Methodology.

India's capital markets have matured considerably over the past decade, with greater institutional participation, improved information dissemination and rapid growth in retail investor engagement particularly after 2020. The National Stock Exchange, with its diverse set of listed companies across sectors, provides a useful setting for testing how efficiently markets respond to strategic corporate disclosures. The premium motorcycle sector, however, has been largely absent from event study literature despite representing one of India's most dynamic and globally competitive consumer industries.

Eicher Motors Ltd — the listed parent entity of Royal Enfield — presents a particularly suitable subject for this analysis. Royal Enfield commands over 85 percent of India's 250cc–750cc premium motorcycle segment and pursued an active strategic communication programme between 2020 and 2025, encompassing new model launches across two entirely new platforms, its first international manufacturing inauguration, a publicly announced Rs.1,000 crore EV investment commitment and the unveiling of the Flying Flea electric brand. Each of these events created identifiable information shocks to the market, allowing rigorous measurement of shareholder wealth effects.

The study period — April 2020 to March 2025 — covers the COVID-19 recovery, a significant product platform transition from the J-Series to the Sherpa 450, aggressive international expansion and the company's entry into electric mobility. By studying nine events across this period, this paper provides longitudinal evidence on how market reactions to Royal Enfield's announcements evolved as the company matured and institutional coverage of the stock deepened.

II. REVIEW OF LITERATURE

Event Study Methodology as a tool for measuring corporate announcement effects has a long and well-validated academic history. Fama et al. (1969) demonstrated that stock prices adjust rapidly to new information, establishing the empirical basis for using abnormal returns as a measure of market reaction. MacKinlay (1997) provided a comprehensive review of event study applications across a wide range of corporate events, confirming that the methodology reliably isolates event-specific price movements from broader market noise.

In the product launch context, Chaney and Devinney (1992) established that new product innovations generate consistently positive abnormal returns, with the magnitude of the return correlated with the degree of innovation. Szutowski (2018) extended this finding by showing that more novel product announcements generate significantly larger abnormal returns than incremental improvements — a relationship directly observed across Royal Enfield's successive launches. Warren and Sorescu (2017) argued that firms with a track record of successful launches generate progressively smaller abnormal returns on subsequent events as markets price in expected outcomes in advance, which closely describes the declining CAR trend observed in the present study.

For the Indian market specifically, Mann and Babbar (2017) confirmed that new product announcements generate statistically significant positive abnormal returns on the NSE, while Chowdhury and Jain (2025) found consistent positive CARs around automotive product launches by leading Indian manufacturers. Pandey, Kumari and Tiwari (2022) demonstrated that corporate announcements continued to generate significant abnormal returns even during the COVID-19 pandemic period, directly relevant to Events 1 and 6 in this study. Chavannavar and Patel (2016) and Dhankhar (2025) provided evidence supporting semi-strong form market efficiency on the NSE, consistent with the declining CAR trend observed across successive Royal Enfield product launches. Sathyanarayana (2026) provides a comprehensive review of how event study methodology has evolved and its continued applicability across different market contexts and asset classes.

III. RESEARCH METHODOLOGY

3.1 Event Study Framework

This study employs the Event Study Methodology using the Mean Adjusted Return Model. The expected return for each event-window day is the mean daily return calculated from a 120-trading-day estimation window (Day -130 to Day -11). Daily Return is calculated as:

$$R_t = [(P_t - P_{t-1}) / P_{t-1}] \times 100$$

Abnormal Return for each day is calculated as:

$$AR(t) = \text{Actual Return}(t) - \text{Mean Expected Return from Estimation Window}$$

Cumulative Abnormal Return (CAR) is the sum of all daily abnormal returns across the 21-day event window (Day -10 to Day +10). Statistical significance is determined using a one-sample T-Test, two-tailed, at the five percent significance level with 20 degrees of freedom. The critical T-value is ± 2.086 . Events with $|T\text{-Statistic}| > 2.086$ are deemed statistically significant.

3.2 Data Sources

Daily closing prices of Eicher Motors Ltd (NSE: EICHERMOTORS, Series: EQ) were sourced from the official NSE historical data portal (nseindia.com) covering April 2019 to March 2025. Event dates were verified through Royal Enfield official press releases, Eicher Motors quarterly earnings call transcripts and verified financial media sources including Economic Times and Business Standard. Each event date was cross-verified across at least two independent sources before being designated as Day 0 for analysis.

3.3 Events Studied

Nine strategic announcements were identified and studied across the five-year period as detailed in Table 1 below:

Table 1: Nine Strategic Events — CAR and T-Test Summary

Event No.	Event Description	Date	Category	CAR %	T-Stat	Significant?
1	Meteor 350 Launch	Nov 2020	Product Launch	+26.21%	2.3789	YES
2	Classic 350 Launch	Sep 2021	Product Launch	+14.65%	2.1184	YES
3	Hunter 350 Launch	Aug 2022	Product Launch	+5.75%	0.8187	NO
4	Himalayan 450 Launch	Nov 2023	Product Launch	+9.15%	1.1081	NO
5	Guerrilla 450 Launch	Jul 2024	Product Launch	+3.91%	0.9448	NO
6	Argentina Plant Inauguration	Sep 2020	Expansion	-0.04%	-0.0044	NO
7	Rs.1,000 Cr Capex Approval	May 2023	Strategic	+15.33%	2.1146	YES
8	Flying Flea Milan Launch	Nov 2024	EV Strategic	+3.78%	0.3706	NO
9	Flying Flea India Showcase	Feb 2025	EV Strategic	-8.32%	-0.7610	NO

IV. DATA ANALYSIS AND RESULTS

4.1 Product Launch Events (Events 1–5)

All five Royal Enfield product launches produced positive CARs across the study period, confirming a consistent pattern of positive wealth creation around product announcements. The Meteor 350 launch in November 2020 generated the highest CAR of +26.21 percent — the most impactful event in the entire study. This extraordinary result is attributable to the platform novelty effect: the Meteor 350 was Royal Enfield's first all-new motorcycle platform in over a decade, creating substantial information asymmetry and triggering sustained institutional buying over the post-event period. The single strongest day was Day +5 producing an abnormal return of +7.32 percent following news of over 10,000 bookings in the first week of launch.

The Classic 350 launch in September 2021 ranked second with a CAR of +14.65 percent and also achieved statistical significance (T-Stat: 2.1184). This event produced the highest pre-event CAR buildup among all product launches — reaching +7.65 percent by Day –1 — reflecting active institutional positioning driven by extensive pre-announcement media coverage and dealer briefings.

A clear declining trend in CAR is observed across successive launches: Meteor 350 (+26.21%), Classic 350 (+14.65%), Hunter 350 (+5.75%), Himalayan 450 (+9.15%) and Guerrilla 450 (+3.91%). The Himalayan 450's temporary recovery above the Hunter 350 reflects the market's response to a genuinely new platform — the Sherpa 450 liquid-cooled engine — rather than an incremental model extension. This declining trend, with the platform novelty exception, is consistent with the Semi-Strong Form of the Efficient Market Hypothesis as markets progressively priced in positive launch outcomes in advance.

4.2 Expansion and Strategic Events (Events 6–9)

The most striking finding of this study is the divergence between the Argentina Plant Inauguration (Event 6) and the Rs.1,000 Crore Capex Approval (Event 7). The Argentina Plant Inauguration produced a CAR of –0.04 percent — statistically indistinguishable from zero (T-Stat: –0.0044) — despite representing a genuinely historic milestone as Royal Enfield's first international assembly facility. Financial markets are not moved by historical or operational significance; they react to announcements that carry direct and quantifiable near-term financial implications.

In stark contrast, the Rs.1,000 Crore Capex Approval produced a CAR of +15.33 percent — statistically significant (T-Stat: 2.1146) — generating shareholder wealth comparable to a major product launch. The most extraordinary single day in the entire study was Day +1 following this announcement, when the stock generated an abnormal return of +12.48 percent as institutional analysts processed the full implications of the first publicly quantified EV investment commitment from Eicher Motors management.

Both EV-related announcements (Events 8 and 9) produced outcomes influenced by macroeconomic conditions. The Flying Flea Milan launch returned a positive but statistically insignificant CAR of +3.78 percent with extreme event-window volatility. The Flying Flea India Showcase produced a CAR of –8.32 percent, but the critical finding is that the actual event day (Day 0) generated a positive abnormal return of +2.64 percent — the negative overall CAR being driven almost entirely by a –6.78 percent abnormal return on Day –8 caused by a massive FII outflow triggered by US trade tariff announcements, entirely unrelated to Royal Enfield's event.

Table 2: Category-wise CAR Comparison

Category	Events	Average CAR	Statistically Significant	Verdict
Product Launches	Events 1–5	+11.93%	2 of 5 (Events 1 & 2)	Consistently Positive
Expansion/Strategic	Events 6–9	+2.69%	1 of 4 (Event 7 only)	Mixed — Specificity Dependent
All 9 Events Combined	Events 1–9	+7.82%	3 of 9	Net Positive Shareholder Wealth

V. KEY FINDINGS

1. All five Royal Enfield product launches produced positive CARs without exception, confirming that Royal Enfield's product strategy has been a consistent creator of shareholder wealth over the 2020–2025 period.

2. A systematic declining trend in CAR across successive product launches — from +26.21 percent in 2020 to +3.91 percent in 2024 — reflects improving semi-strong form market efficiency, not declining commercial performance.

3. Only three of nine events achieved statistical significance at the five percent level: Meteor 350 launch (T-Stat: 2.3789), Classic 350 launch (T-Stat: 2.1184) and Rs.1,000 Crore Capex Approval (T-Stat: 2.1146).

4. Financially specific and quantified announcements — particularly the Rs.1,000 Crore Capex Approval — generated shareholder wealth (+15.33%) comparable to major product launches, while operational milestones without financial specificity — the Argentina Plant — generated zero measurable market reaction (–0.04%).

5. Pre-event CAR buildup increased progressively across launches — from +1.84 percent before the Meteor 350 to +3.38 percent before the Guerrilla 450 — confirming that markets became increasingly efficient at anticipating Royal Enfield's announcements as the company's launch cycle became more predictable.

6. Post-event spikes driven by international media coverage were observed in multiple events — Day +5 for Meteor 350 (+7.32%), Day 0 for Himalayan 450 (+6.92%) and Day +8 for Flying Flea Milan (+6.55%) — highlighting the role of global media reception as a post-announcement catalyst for internationally positioned Indian brands.

7. The overall Average Abnormal Return across all nine events was +0.45 percent per day, confirming net positive shareholder wealth creation from Royal Enfield's strategic announcement programme across the study period.

VI. CONCLUSION

This study provides empirical evidence that Royal Enfield's strategic announcements between 2020 and 2025 consistently created positive shareholder wealth for Eicher Motors investors on the National Stock Exchange. Seven of the nine events produced positive Cumulative Abnormal Returns and three achieved statistical significance at the five percent level.

The central academic contribution of this paper is the demonstration of two distinct principles operating simultaneously in the Indian capital market. First, the declining CAR trend across successive product launches provides longitudinal evidence of improving semi-strong form market efficiency — markets progressively priced in Royal Enfield's launches earlier, leaving smaller but still positive post-event abnormal returns. Second, the sharp contrast between the Argentina Plant Inauguration (CAR: -0.04 percent) and the Rs.1,000 Crore Capex Approval (CAR: +15.33 percent) establishes a clear principle: financial markets in India reward quantified financial commitments that reduce investor uncertainty, not historical milestones or operational achievements regardless of their strategic significance.

For practitioners, this study provides actionable guidance for investor relations strategy. Companies seeking to maximise market impact from strategic announcements should prioritise financial specificity — precise rupee commitments, concrete timelines and quantified volume targets — over narrative-led strategic communication. The evidence from Royal Enfield's Rs.1,000 Crore Capex announcement demonstrates that a single well-structured financial commitment can generate abnormal returns comparable to the company's most successful product launches. The Flying Flea EV commercial launch — once accompanied by confirmed pricing and production commitments — presents an important future event for validating this principle.

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