



KEY HIGHLIGHTS

1. RESULTS OVERVIEW:

- Eicher Motors Q1FY25 consolidated revenues came in at ₹4393 Cr, up 10.20% YoY and up 3.21% QoQ.
- Profit for Q1FY25 stood at ₹1165 Cr, up 14.10% YoY and up 3.18% QoQ.
- Op margins for Q1FY25 came at 26.51%, 90 bps YoY and down 1 bps QoQ.
- PAT for Q1FY25 stood at ₹1101 Cr, up 2.89% YoY and up 19.93% QoQ.

2. MANAGEMENT COMMENTARY:

- Company is currently seeing improving conversion rates. Hence, management is hopeful that demand for middle weight motorcycles and especially for RE will pick up in the festive season.
- Management targets to focus on promotional activities to help revive demand. It has realized that RE's brand salience in rural regions needs to be improved.

3. CONCALL SUMMARY

- While wholesales were weak in 1Q, RE retails grew at a low-single digit in 1Q as per the management. A part of the reason for weak wholesales was that the company moved to an auto replenishment model of inventory management and hence did not want high stock in the system around that time.
- Exports for RE grew in 1Q after many quarters. EIM is witnessing some green shoots in its key export regions. It is experiencing a healthy growth in Latin America.
- RE is among the top 4 bike players in the middle-weight motorcycle segment in many markets like UK, Italy, and Continental Europe. Thailand, Australia etc.
- The recent Guerilla 450 launch on the Sherpa platform has received strong reviews from most industry experts and is also seeing a lot of consumer interest at dealerships, as per management.
- The company intends to bring in product interventions in Classic and Bullet models in the coming months to boost consumer interest ahead of the festive season.
- Management targets to focus on promotional activities to help revive demand. It has realized that RE's brand salience in rural regions needs to be improved. On the other hand, in urban regions, it intends to collaborate with colleges to connect with the youth. The company would also invest in brand building around the Hunter to help revive its sales in the coming months.
- The first time buyer proportion at RE is 12-13% and for Hunter it is much higher at around 19%.

4. VALUATION AND OUTLOOK:

Company posted good results in past few quarters despite of semi-conductor issue and slowdown in volume growth. Increase in average realization will help company to post better margins and management has also launched new variants in markets to improve topline along with the positive view on the sales of spare parts and apparels.

We initiate a "BUY" rating on the stock and value the stock at 39x FY26E earnings to arrive at the target of ₹5,950.

RECOMMENDATION - BUY

CMP – 4956

TARGET – 5,950 (20%)

| Industry | Automobile Two & Three Wheelers |
|----------------------------|---------------------------------|
| NSE CODE | EICHERMOT |
| BSE CODE | 505200 |
| Market Cap (₹ Cr) | 134573.40 |
| Shares Outstanding (in Cr) | 27.40 |
| 52 wk High/Low (₹) | 5058.9 / 3275 |
| P/E | 32.16 |
| P/BV | 7.12 |
| Face Value (₹) | 1.00 |
| Book Value (₹) | 689.46 |
| EPS (FY23) (₹) | 146.13 |
| Dividend Yield (%) | 1.27 |
| Debt / Equity | 0.02 |

SHAREHOLDING PATTERN

| | Jun 24 | Mar 24 | Dec 23 |
|-------------------|--------|--------|--------|
| Promoters | 49.11 | 49.15 | 49.15 |
| MF/ DII | 7.55 | 6.55 | 5.61 |
| FII/FPI | 28.81 | 28.95 | 30.27 |
| Retail & Others | 10.13 | 10.76 | 10.75 |
| Promoter Pledging | 0.00 | 0.00 | 0.00 |

FINANCIAL SNAPSHOT (₹ Cr)

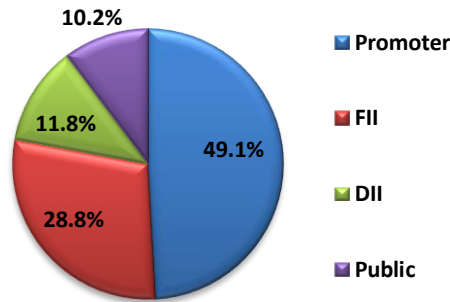
| Y/E March | 2024A | 2025E | 2026E |
|------------------|----------|----------|----------|
| Crore | | | |
| Sales | 16535.78 | 18189.36 | 20372.08 |
| Sales Gr. (%) | 14.5% | 10% | 12% |
| EBITDA | 4326.91 | 4547.34 | 5039.02 |
| EBITDA % | 26.17% | 25% | 25% |
| PAT | 4004.42 | 3795.25 | 4249.52 |
| EPS (₹) | 146.15 | 138.51 | 155.09 |
| EPS Gr. (%) | 37.25% | -5.22% | 11.97% |
| Ratios | | | |
| RoE (%) | 24.20% | 19.03% | 17.73% |
| RoCE (%) | 31.10% | 19.16% | 17.69% |
| Valuation | | | |
| P/E (x) | 32.5 | 35.78 | 31.95 |

Historical & Industrial Val Ratios

| | |
|----------------|-------|
| Historical P/E | 32.16 |
| Industry P/E | 37.18 |
| Historical P/B | 7.12 |
| Industry P/B | 9.49 |



Shareholding Pattern (Q1 FY25)



QUARTERLY PERFORMANCE (CONSOLIDATED)

(₹ Cr)

| Y/E March | FY23 | | FY24 | | | | FY25 | | FY24 | FY25E* |
|---------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|---------------|---------------|
| | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2E* | | |
| Net sales | 3,721 | 3,804 | 3,986 | 4,115 | 4,179 | 4,256 | 4,393 | 4,134 | 16,536 | 18,189 |
| YoY change (%) | 29.17% | 19.13% | 17.33% | 16.91% | 12.30% | 11.87% | 10.20% | -5.89% | 14.50% | 10% |
| Total Expenditures | 2,864 | 2,871 | 2,966 | 3,027 | 3,089 | 3,127 | 3,228 | 3052 | 12,209 | 13,642 |
| EBITDA | 857 | 934 | 1,021 | 1,087 | 1,090 | 1,129 | 1,165 | 824 | 4,327 | 4,547 |
| Margins (%) | 23% | 25% | 26% | 26% | 26% | 27% | 27% | 27% | 26% | 25% |
| Other income | 256 | 379 | 344 | 375 | 368 | 437 | 457 | 380 | 1521 | 1200 |
| Interest | 8 | 8 | 10 | 13 | 12 | 15 | 12 | 12 | 51 | 45 |
| Depreciation | 135 | 148 | 142 | 143 | 148 | 165 | 169 | 163 | 598 | 650 |
| PBT | 971 | 1,156 | 1,212 | 1,307 | 1,298 | 1,385 | 1,441 | 1029 | 5,199 | 5,052 |
| Rate (%) | 24% | 22% | 24% | 22% | 23% | 23% | 24% | 25% | 23% | 25% |
| Adjusted PAT | 741 | 906 | 918 | 1,016 | 996 | 1,070 | 1,101 | 772 | 4,004 | 3,795 |
| EPS in Rs | 27.09 | 33.11 | 33.58 | 37.12 | 36.38 | 39.10 | 40.20 | 28.17 | 146.15 | 138.51 |

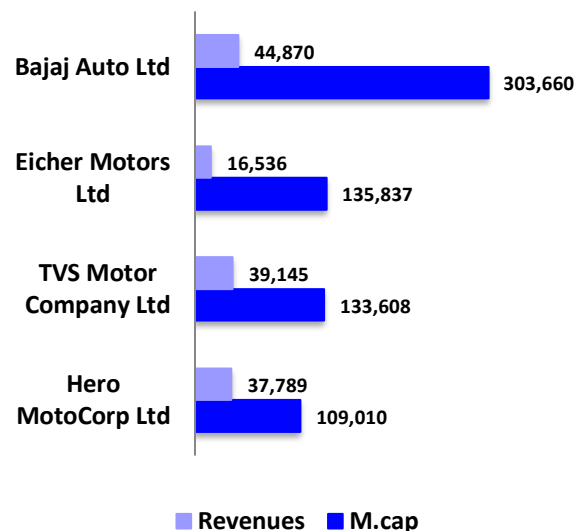
Source: Company, Hem Securities Research.



INDUSTRY OVERVIEW

- According to the Society of Indian Automobile Manufacturers (SIAM), the two-wheeler segment continued its recovery path and recorded a healthy growth of over 13.3% in domestic sales, reaching 17.97 million units in FY 2023-24.
- The >250cc segment grew by 19.2% in FY 2023-24 to 0.94 million units and is now 8.1% of the overall motorcycles (7.7% in FY 2022-23).
- As per motorcycles data, two-wheeler sales across ~90 countries have posted a growth of 2.7% in 2023 to around 62.6 million units. The growth was predominantly driven by key markets in Asia, with India (+9.1% in 2023) leading in sales followed by Indonesia (+20.1% in 2023) as the second-largest market.
- Two-wheeler exports from India declined during FY 2023-24 with 3.45 million units shipped out of India in FY 2023-24, 5.4% below 3.65 million units shipped in FY 2022-23.

KEY PLAYERS in 2W Segment



PEER PERFORMANCE

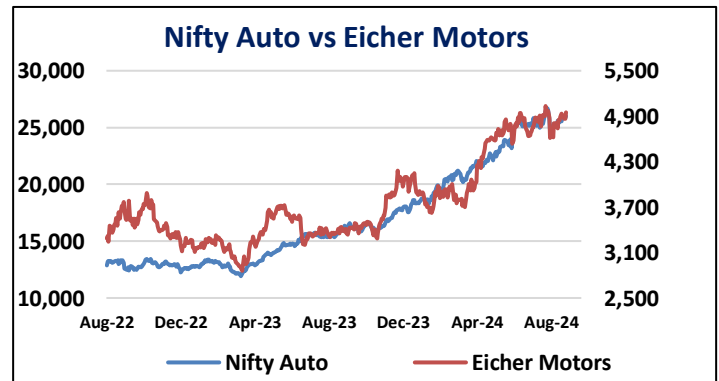
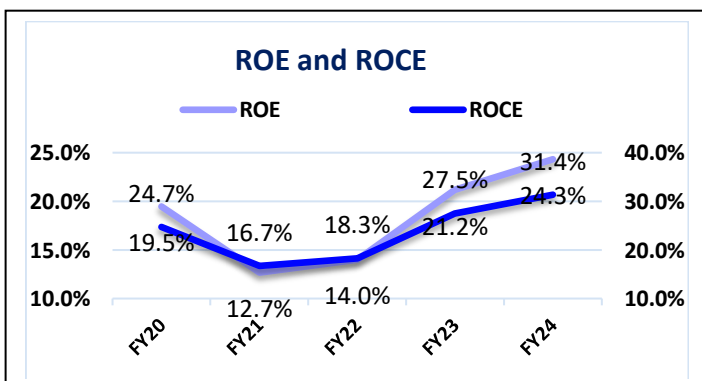
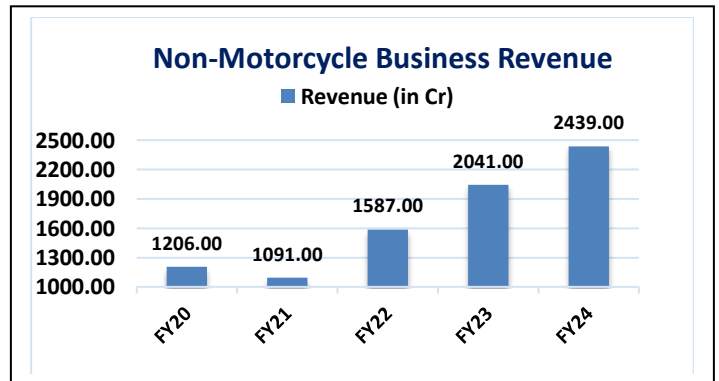
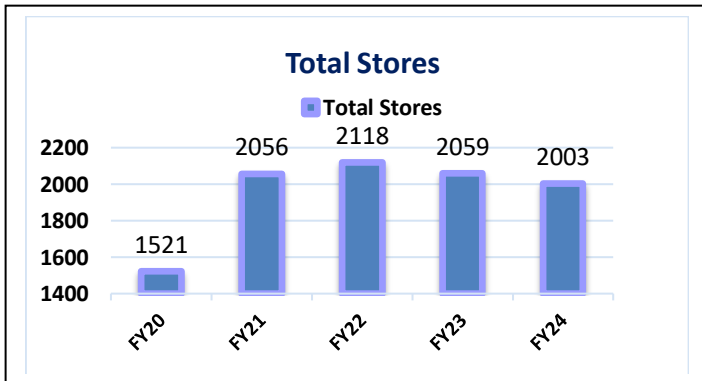
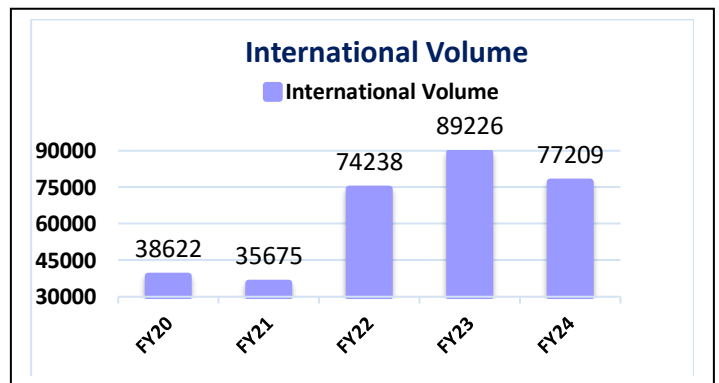
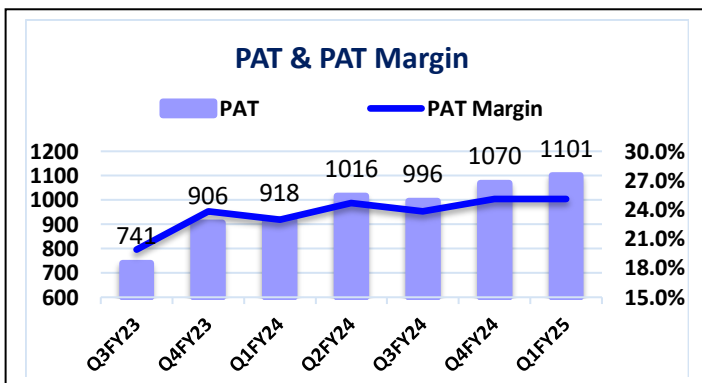
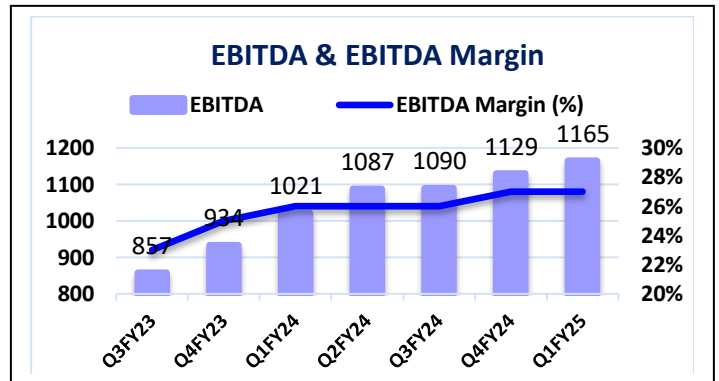
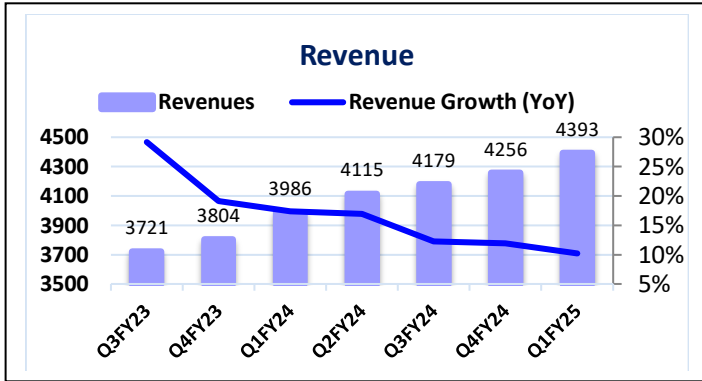
(₹ Cr)

| Particulars | Eicher Motors Ltd. | Hero Motocorp Ltd | TVS Motors Ltd | Bajaj Auto Ltd |
|------------------|--------------------|-------------------|----------------|----------------|
| Market Cap | 1,35,837 | 1,09,010 | 1,33,608 | 3,03,660 |
| Net Sales | 16,536 | 37,789 | 39,145 | 44,870 |
| EBITDA | 4,329 | 5,235 | 5,500 | 8,765 |
| PAT | 4,001 | 3,742 | 1,779 | 7,708 |
| EPS(₹) | 146.13 | 187.31 | 35.50 | 276.10 |
| EBITDA MARGIN % | 26% | 14% | 14% | 20% |
| PAT MARGIN % | 24% | 10% | 5% | 17% |
| ROCE % | 31.1% | 29.1% | 14.7% | 33.5% |
| ROE % | 24.2% | 22% | 26.6% | 26.5% |
| P/E TTM | 32.5 | 26.8 | 78 | 38 |
| P/B TTM | 7.52 | 6.06 | 19.6 | 10.5 |
| EV/EBITDA | 22.3 | 17.1 | 27.1 | 28 |
| Dividend Yield % | 1.04% | 2.12% | 0.28% | 0.73% |
| MCap/ Sales TTM | 8.01 | 2.78 | 3.29 | 6.53 |

Source: Company, Hem Securities Research.



STORY IN CHARTS





INVESTMENT RATIONALE:

- After reporting a solid 26.5% CAGR over the last couple of years, RE has now surpassed its previous peak achieved in FY18. In essence, RE has actually posted only a 1% volume CAGR since FY18. Given that RE forms almost 88% of this segment, the entire 250cc+ segment has seen a similar trend - the entire 250cc+ industry has posted just 2% volume CAGR in the same period. The primary reason for the same has been the substantial price increase the industry has seen in this period. For instance, RE bikes have seen as much as a 50% price increase over FY18-24.
- State-wise analysis reveals that top 12 states contribute to about 76% of RE's volumes, and this has remained stable for the last four years. It is important to highlight that in as many as 19 states, RE's market share has now reached double-digit levels, and in almost 11 states, it breached even the 20% mark.
- RE has recently launched its Himalayan range on the all-new 450cc platform.
- RE is focusing on creating an affordable leisure biking segment in the 250-650cc range and in the USD3-7k price bracket. Globally, the size of the 250-650cc segment is ~1m annually, dominated by the sports/street biking segment.

RISK / NEGATIVE FACTORS:

- Excessive competitive pressure restricting price hikes can impact earnings.
- Change in raw material prices may impact margins and overall profitability of the company.
- Chip shortage impacts the supply of premium bikes and lower the demand scenario which may hamper the off-take of vehicles in the domestic market.

COMPANY RECAP

- Eicher Motors Limited is an Indian, multinational automotive company that has diversified interests in motorcycle and commercial vehicle manufacturing.
- Eicher has a joint venture with Sweden's AB Volvo to create Volvo Eicher Commercial Vehicles Limited (VECV). VECV is engaged in truck and bus operations, auto components business, and technical consulting services business.
- It is the owner of the iconic Royal Enfield brand which is focused on mid-sized motorcycles (250-750 cc). Classic, Bullet, Himalayan are some of the brands that come under its Royal Enfield brand. It is sold in 60+ countries globally. It also provides protective riding apparel, urban casual wear, and Motorcycle accessories and parts.



ANNUAL PERFORMANCE

Financials & Valuations

Income Statement

| | (₹ Cr) | | | | | | |
|--------------------------------|---------------|----------------|------------------|------------------|------------------|-----------------|-----------------|
| Y/E March | 2020 | 2021 | 2022 | 2023 | 2024 | 2025E | 2026E |
| Revenue from operations | 9153.6 | 8720.35 | 10,297.83 | 14,442.18 | 16,535.78 | 18189.36 | 20372.08 |
| Growth YoY (%) | -6.57% | -4.73% | 18.09% | 40.24% | 14.50% | 10.00% | 12.00% |
| Total Expenditure | 6973.1 | 6939.1 | 8125.58 | 10,998.60 | 12,208.87 | 13642.02 | 15279.06 |
| (%) of sales | 76.2% | 79.6% | 78.9% | 76.2% | 73.8% | 75.00% | 75.00% |
| EBITDA | 2180.5 | 1781.25 | 2172.25 | 3443.58 | 4326.91 | 4547.34 | 5093.02 |
| EBITDA Growth (%) | -24.82% | -18.31% | 21.95% | 58.53% | 25.65% | 5.09% | 12.00% |
| EBITDA Margin (%) | 23.82% | 20.43% | 21.09% | 23.84% | 26.17% | 25.00% | 25.00% |
| Depreciation | 381.54 | 450.73 | 451.93 | 526.21 | 597.6 | 650 | 760 |
| EBIT | 1798.9 | 1330.52 | 1720.32 | 2917.37 | 3729.31 | 3897.34 | 4333.02 |
| EBIT Growth (%) | -28.13% | -26.04% | 29.30% | 69.58% | 27.83% | 4.51% | 11.18% |
| Net Interest Expenses | 18.88 | 16.45 | 18.78 | 28.02 | 50.88 | 45 | 25 |
| Other Income | 572 | 482 | 496 | 908 | 1521 | 1200 | 1350 |
| Earnings before Taxes | 2352 | 1796.07 | 2197.54 | 3797.35 | 5199.43 | 5052.34 | 5658.02 |
| EBT Margin (%) | 10.54 | 24.05 | 22.48 | 21.68 | 20.6 | 17.69% | 18.97% |
| Tax-Total | 527.45 | 451.5 | 525.91 | 885.69 | 1201.01 | 1263.08 | 1414.51 |
| Rate of tax (%) | 22% | 25% | 24% | 23% | 23% | 25% | 25% |
| Net Profit | 1827.6 | 1347.57 | 1674.63 | 2914.66 | 4001.42 | 3792.25 | 4246.52 |
| PAT Growth (%) | -17.06% | -26.27% | 24.27% | 74.05% | 37.29% | -5.23% | 11.98% |
| PAT Margin (%) | 19.97% | 15.45% | 16.26% | 20.18% | 24.20% | 20.85% | 20.84% |
| Minority Interest | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Adjusted PAT | 1830.6 | 1350.57 | 1677.63 | 2917.66 | 4004.42 | 3795.25 | 4249.52 |
| EPS | 66.81 | 49.29 | 61.23 | 106.48 | 146.15 | 138.51 | 155.09 |
| EPS Growth (%) | -17.13% | -26.22% | 24.22% | 73.92% | 37.25% | -5.22% | 11.97% |

Balance Sheet

| Y/E March | 2020 | 2021 | 2022 | 2023 | 2024 |
|---------------------------------------|---------------|---------------|---------------|---------------|---------------|
| Equity Capital | 27 | 27 | 27 | 27 | 27 |
| Reserves | 9,954 | 11,411 | 12,581 | 14,963 | 18,018 |
| Borrowings | 249 | 219 | 108 | 288 | 419 |
| Other Liabilities | 2,220 | 2,901 | 3,424 | 3,919 | 4,650 |
| Total Liabilities & Equity | 12,450 | 14,559 | 16,140 | 19,198 | 23,115 |
| Fixed Assets | 2378 | 2433 | 2424 | 2690 | 2914 |
| CWIP | 312 | 314 | 505 | 472 | 555 |
| Investments | 5,749 | 3,902 | 7,721 | 12,321 | 13,527 |
| Other Assets | 4,011 | 7,909 | 5,490 | 3,715 | 6,119 |
| Total Assets | 12,450 | 14,559 | 16,140 | 19,198 | 23,115 |

Source: Company, Hem Securities Research.



Ratios

| Y/E March (Basic (INR)) | 2020 | 2021 | 2022 | 2023 | 2024 |
|---|-------|-------|--------|-------|-------|
| Profitability and return ratios | | | | | |
| Net profit margin (%) | 19.89 | 15.38 | 16.20 | 20.05 | 23.97 |
| EBITDA margin (%) | 29.64 | 25.52 | 25.25 | 27.79 | 32.36 |
| EBIT margin (%) | 25.83 | 20.73 | 21.46 | 26.34 | 31.47 |
| ROE (%) | 19.47 | 12.67 | 14.02 | 21.19 | 24.32 |
| ROCE (%) | 24.69 | 16.71 | 18.31 | 27.48 | 31.35 |
| Working Capital & liquidity ratios | | | | | |
| Payables (Days) | 77.00 | 89.06 | 101.16 | 79.97 | 79.27 |
| Inventory (Days) | 23.95 | 30.16 | 35.39 | 30.28 | 29.39 |
| Receivables (Days) | 3.40 | 5.11 | 8.12 | 8.43 | 8.12 |
| Current Ratio (x) | 3.16 | 3.35 | 1.94 | 1.14 | 1.15 |
| Valuations Ratios | | | | | |
| EV/sales (x) | 3.60 | 7.51 | 6.27 | 5.55 | 6.66 |
| EV/EBITDA (x) | 12.09 | 29.31 | 24.72 | 19.84 | 20.39 |
| P/E (x) | 19.55 | 52.83 | 40.12 | 27.69 | 27.51 |
| P/BV (x) | 3.60 | 6.27 | 5.35 | 5.40 | 6.12 |
| Dividend Yield (%) | 0.96 | 0.65 | 0.85 | 1.25 | 1.27 |
| Return on Assets (%) | 15.33 | 9.97 | 10.92 | 16.49 | 18.91 |
| Leverage Ratio | | | | | |
| Debt/Equity (x) | 0.01 | 0.01 | 0.00 | 0.01 | 0.02 |

Cash Flow Statement

| Y/E March | 2020 | 2021 | 2022 | 2023 | 2024 |
|---|---------------|---------------|--------------|---------------|-----------------|
| CF from Operating activities (A) | 1,694 | 1,691 | 1,527 | 2,823 | 3,724 |
| CF from Investing Activities (B) | -1,508 | -1,625 | -983 | -2,416 | -2851.97 |
| CF from Financing Activities (C) | -858 | -15 | -593 | -417 | -844 |
| Net Cash Flow | -673 | 51 | -50 | -11 | 27 |
| Add: Opening Bal. | 716 | 43 | 94 | 45 | 53 |
| Closing Balance | 43 | 94 | 45 | 53 | 98 |

Source: Company, Hem Securities Research.



RATING CRITERIA

| INVESTMENT RATING | EXPECTED RETURN |
|-------------------|-----------------|
| BUY | >=15% |
| ACCUMULATE | 5% to 15% |
| HOLD | 0 to 5% |
| REDUCE | -5% to 0 |
| SELL | <-5% |

RECOMMENDATION SUMMARY

| DATE | RATING | TARGET |
|-------------|--------|--------|
| 30 Aug 2024 | Buy | 5,950 |
| | | |
| | | |
| | | |
| | | |

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Name of the Research Analyst: Mohit Arora

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