

India

REDUCE (no change)

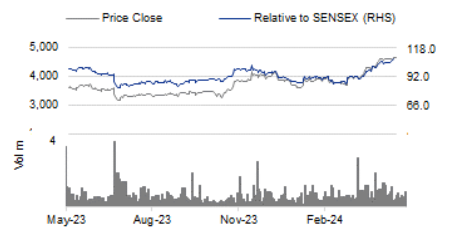
Consensus ratings*: Buy 15 Hold 11 Sell 14

Current price:	Rs4,731
Target price:	Rs4,015 ▲
Previous target:	Rs3,227
Up/downside:	-15.1%
InCred Research / Consensus:	-11.0%
Reuters:	EICH.NS
Bloomberg:	EIM IN
Market cap:	US\$15,510m
	Rs1,295,251m
Average daily turnover:	US\$36.3m
	Rs3028.5m
Current shares o/s:	273.3m
Free float:	50.9%

*Source: Bloomberg

Key changes in this note

- FY25F-26F cons..sales raised by ~2%.
- FY26F EBITDA raised by 4%.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	12.1	20.8	29.3
Relative (%)	12.6	19.0	10.3

Major shareholders	% held
Lal Family	49.2
SBI Mutual Fund	2.0
NEW WORLD FUND INC	1.9

Research Analyst(s)



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Eicher Motors Ltd

Hopes of new product success factored in

- Consol. EPS rose by 6% qoq and 18% yoy, in line with estimates, as the strong EBITDA margin in bikes was neutralized by truck volume and profit pressure.
- We maintain FY25F EPS estimate and upgrade FY26F estimate for new small truck sales benefits.
- The sharp rally in the stock price in recent months surprises us, as market share and volume recovery is still awaited. Maintain our REDUCE rating.

Sustains superior EBITDA margin

The 4QFY24 consolidated EBITDA of Eicher Motors rose by 3.5% qoq to Rs11.3bn, a 6% beat to our estimate but in line with Bloomberg consensus estimate. Raw material costs, as a percentage of revenue, declined by 57bp qoq, leading to EBITDA margin improvement of 43bp qoq to 26.5%. Other income rose by 49% yoy, leading to a 28% yoy rise in PAT to Rs9.4bn. Joint venture Volvo Eicher Commercial Vehicles' (VECV) net profit rose by 16% qoq to Rs1.3bn, 10% below our estimate.

Management conference-call highlights

Management indicated green shoots in the export market and entry into new markets like Turkey to drive the momentum. In the domestic market, new launches in the 450cc bike segment are likely to provide double-digit growth. The Himalaya 450cc bike has generated good customer response, where its current production of 200 bikes per day is likely to be increased soon. The 2-t small truck is currently under trials and the company plans to start production in Jan 2025F.

Maintain FY25F EPS but upgrade FY26F EPS

The increased competition and slow recovery in exports led to our 4% sales volume cut for FY25F-26F. However, the buoyancy in non-motorcycle business and a healthy EBITDA margin led us to maintain FY25F EBITDA and upgrade FY26F EBITDA by 4%. For FY26F, we build in 2t truck volume benefits, but lower margins for VECV.

Maintain REDUCE rating

The sharp rerating of the stock in the last two months to provide a 30% return surprises us, as increased competition continues to impact its market share (Fig. 3). The valuation is comfortable below the 10-year mean level on P/E and P/BV fronts. The excitement in new 450cc bike launch, we feel, is captured in 28x FY26F PE while the EPS CAGR is expected to be in single digits. We roll forward our SOTP-based target price to Rs4,015, where the EV/EBITDA valuation of 10x has been assigned for the truck subsidiary and 15x for bikes. We maintain our REDUCE rating on the stock as the EBITDA growth is easing and competition faced by the new product scaling up will be felt in FY25F. New product success will be the key upside risk.

Financial Summary

	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Revenue (Rsm)	144,422	165,358	188,909	217,003	241,850
Operating EBITDA (Rsm)	34,436	43,269	47,496	52,958	58,866
Net Profit (Rsm)	29,140	40,005	42,201	45,657	48,566
Core EPS (Rs)	106.6	146.2	154.1	166.8	177.4
Core EPS Growth	78.0%	37.2%	5.4%	8.2%	6.4%
FD Core P/E (x)	43.71	31.86	30.22	27.93	26.26
DPS (Rs)	37.0	51.0	55.0	60.0	65.0
Dividend Yield	0.79%	1.10%	1.18%	1.29%	1.40%
EV/EBITDA (x)	33.20	26.16	23.85	21.02	18.47
P/FCFE (x)	(149.24)	91.18	95.02	84.27	59.18
Net Gearing	(87.0%)	(79.1%)	(76.1%)	(75.4%)	(75.9%)
P/BV (x)	8.50	7.07	6.83	5.93	5.16
ROE	21.1%	24.2%	23.0%	22.7%	21.0%
% Change In Core EPS Estimates			(0.01%)	3.34%	
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Hopes of new product success factored in

Management conference-call highlights ►

Royal Enfield

- **Overall performance:** The EBITDA margin expanded yoy led by soft commodity prices, increased share of exports and spare parts business which has a higher margin profile. In FY24, the market share in mid-size (250-750cc) motorcycles stood at 8.1% vs. 7.8% in FY23, mainly led by new launches.
- **Himalaya:** Management believes the mid-weight category is likely to grow in double digits in volume terms in FY25F. The company is now producing 200 vehicles per day of Himalaya-450 as it plans to launch the models in new international geographies.
- **New launches:** Management stated that new launches in FY25F will be in the 450cc category, with the category witnessing strong demand led by the premiumization trend. No major launch plan on the 350cc platform, as the existing products' replacement cycle is yet to start.
- **International business:** Despite a weak macroeconomic situation, the company maintained its market share globally. During the quarter, the company forayed into a new country like Turkiye, which is likely to help in improving exports. Management's focus is on profitability in countries like the US and Europe while targeting to improve the 350cc bike penetration in LATAM and South East Asian markets where it controls the distribution channel to enhance customer experience
- **Non-motorcycle business:** Revenue in FY24 stood at Rs24bn, up 20% yoy, led by new stock-keeping units or SKUs. During the quarter, the company commenced regional warehouse operations in Chandigarh and Kolkata.

VECV

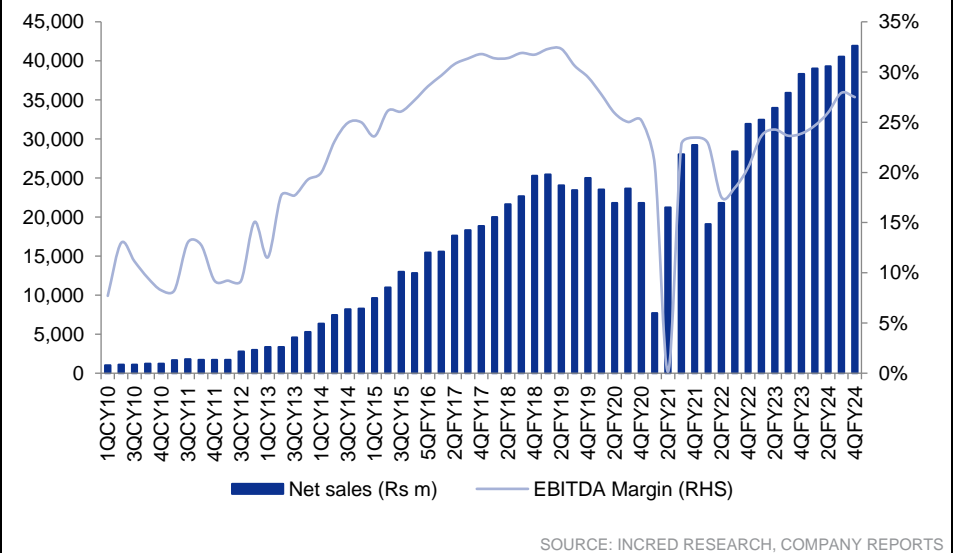
- **Demand outlook:** During the year, the demand remained subdued due to the high base formed from pre-purchases in 4QFY23, as the industry norms are changing apart from the ongoing general elections in India. In FY25F, commercial vehicle or CV industry volume growth is likely to be in the range of 6-8%, broadly in line with India's GDP, driven by pent-up replacement demand.
- **Performance:** Industry volume in FY24 grew by 4% yoy while the company witnessed a growth of 7.5%, which helped in gaining market share. The globally launched small commercial vehicle range (2T to 3.5T) at Bharat Mobility in Jan 2024 will be reaching the showrooms in Jan 2025F. In FY24, the net addition was 125 distribution touchpoints (has a total 933 touch points).
- **Financial performance:** Fiscal incentives for last year were settled in 4QFY24, leading to a high base.
- **New launches:** The company has entered the LNG powertrain space via Volvo and Eicher brands and is working on other alternate energies. The commercial production of small CVs will begin in Jan 2025F as the products are on test at dealers.
- **Bus division:** Thee company is currently producing 9–12 metre buses and plans to launch 13.5 metre buses as the demand from the corporate segment is improving.

Figure 1: Results comparison

Y/E Mar (Rs m)	4QFY24	4QFY23	yoy % chg	3QFY24	qoq % chg	FY24	FY23	yoy % chg	Comments for the quarter
Revenue	42,560	38,043	11.9	41,788	1.8	1,65,358	1,44,422	14.5	8% above our estimate.
Raw material costs	22,754	21,178	7.4	22,579	0.8	89,807	82,119	9.4	
RM costs as a % of revenue	53	56	(220.6)	54	(56.8)	54	57	(255.0)	
EBITDA	11,286	9,336	20.9	10,903	3.5	43,269	34,436	25.7	6% above our estimate.
EBITDA margin (%)	26.5	24.5	197.7	26.1	42.8	26.2	23.8	232.3	56bp below our estimate.
Depreciation & amortization	1,653	1,480	11.6	1,475	12.0	5,976	5,262	13.6	
EBIT	9,634	7,856	22.6	9,427	2.2	37,293	29,174	27.8	
Interest expenses	153	82	88.0	124	23.4	509	280	81.7	
Other income	3,052	2,055	48.5	2,537	20.3	10,759	5,951	80.8	17% above our estimate.
Pre-tax profit	12,532	9,830	27.5	11,840	5.8	47,543	34,845	36.4	
Tax	3,146	2,508	25.4	3,019	4.2	12,010	8,857	35.6	
Profit before minority interest	9,386	7,322	28	8,821	6	35,533	25,988	36.7	
Profit in joint venture	1,318	1,734	(24)	1,139	16	3,273	3,152	4	-
Normalized net profit	10,705	9,056	18.2	9,960	7.5	38,806	29,140	33.2	1% above our estimate.
Exceptionals items	-	-	nm	-	nm	-	-	nm	
Reported net profit	10,705	9,056	18.2	9,960	7.5	38,806	29,140	33.2	
Normalized EPS (Rs)	39.1	33.1	18.0	36.4	7.5	141.7	106.5	33.0	
Volume (nos)	2,20,618	2,18,525	1.0	2,28,073	(3.3)	9,12,732	8,34,895	9.3	
Net realization (Rs)	1,92,914	1,74,091	10.8	1,83,224	5.3	1,81,168	1,72,982	4.7	
EBITDA/vehicle	51,158	42,725	19.7	47,804	7.0	47,406	41,245	14.9	

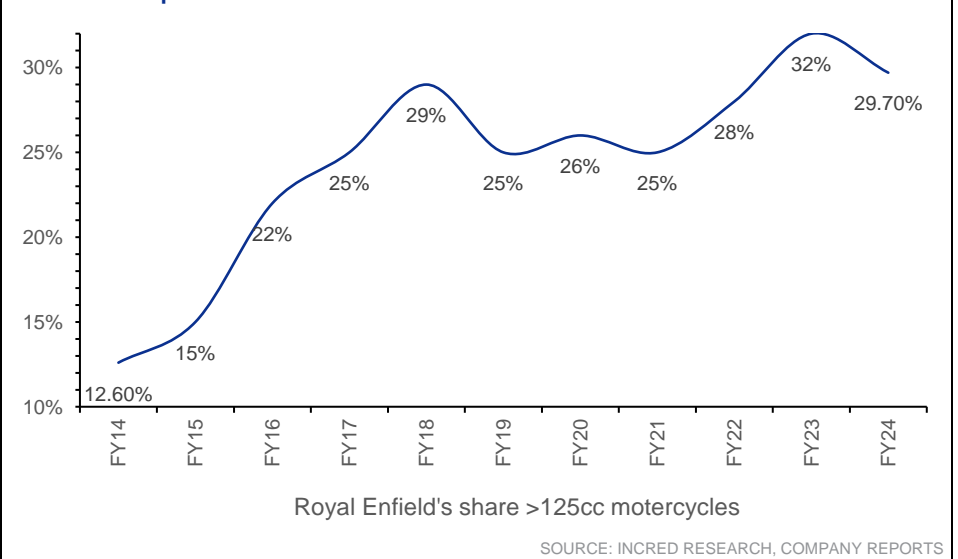
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 2: Volume and EBITDA margin touch higher levels



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 3: Royal Enfield or RE's market share in the >125cc category is on a downtrend from its FY23 peak



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 4: Sales volume break-up (units)

	4QFY24	4QFY23	yoy (%)	3QFY24	qoq (%)	FY24	FY23	yoy (%)
RE Domestic	204,522	192,022	7%	213,386	-4%	841,480	734,840	15%
RE Export	23,151	26,503	-13%	14,687	58%	78,307	100,055	-22%
Commercial vehicles	25,449	26,376	-4%	23,469	8%	87,953	79,623	10%
Total sales volume	253,122	244,901	3%	251,542	1%	504,664	914,518	-45%

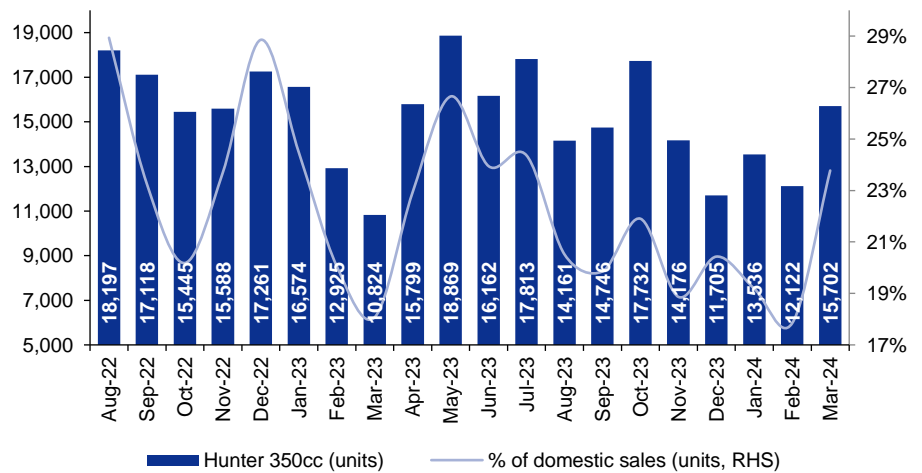
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 5: Royal Enfield or RE's quarterly performance

(Rs m)	4QFY24	4QFY23	yoy (%)	3QFY24	qoq (%)	FY24	FY23	yoy (%)
Net sales	41,921	38,314	9.4%	40,542	3.4%	1,61,706	1,40,667	15.0%
EBITDA	11,553	9,448	22.3%	11,148	3.6%	44,726	33,935	31.8%
EBITDA margin (%)	27.6%	24.7%	290	27.5%	6	27.7%	24.1%	353
Normalized PAT	9,833	7,469	31.7%	9,137	7.6%	38,418	26,225	46.5%
Total volume (In nos)	2,27,673	2,18,525	4.2%	2,28,073	-0.2%	9,12,732	8,34,895	9.3%
ASP (Rs)	1,69,662	1,75,328	-3.2%	1,67,983	1.0%	1,77,167	1,68,484	5.2%

SOURCES: INCRED RESEARCH, COMPANY REPORTS

Figure 6: Hunter 350cc bike's sales remain below its peak of May 2023



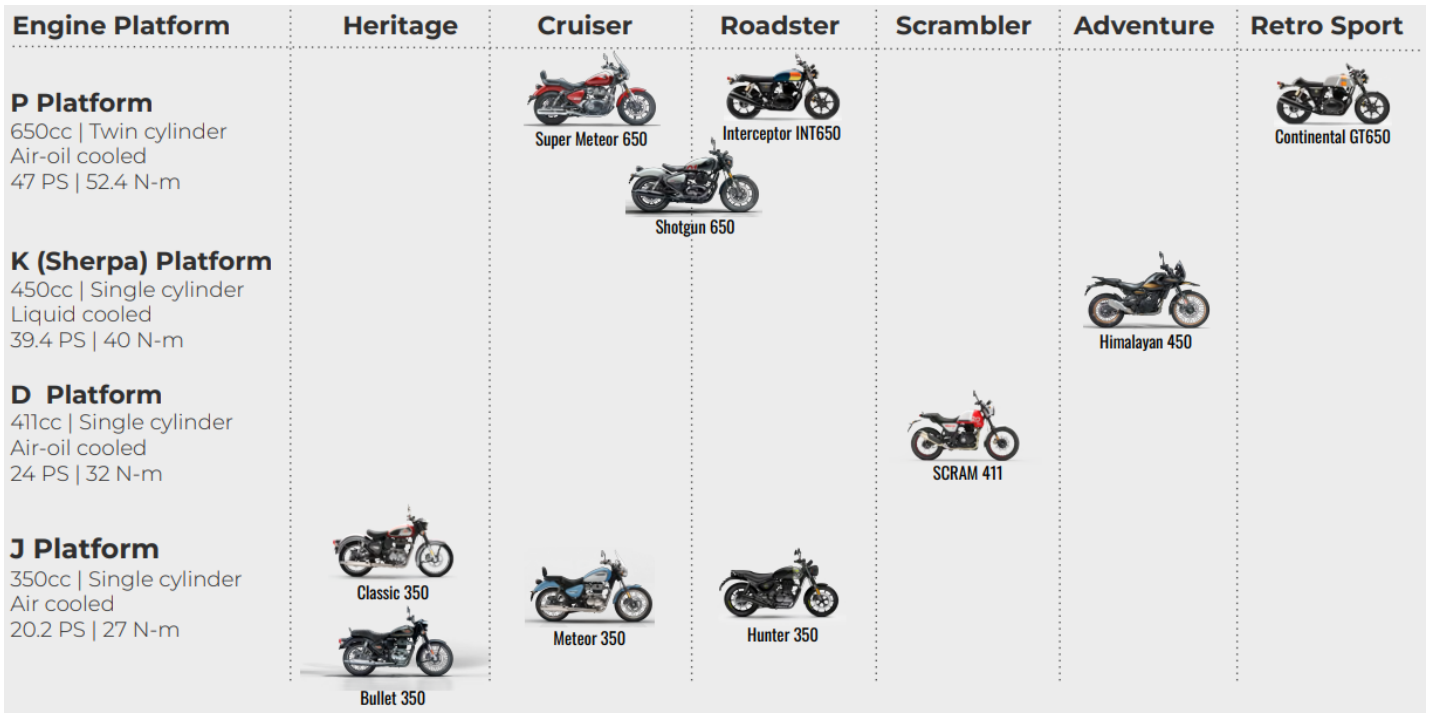
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 7: VECV's quarterly performance

(Rs m)	4QFY24	4QFY23	yoy (%)	3QFY24	qoq (%)	FY24	FY23	yoy (%)
Net Sales	62,750	61,991	1.2%	54,830	14.4%	2,18,780	1,89,520	15.4%
EBITDA	4,860	6,199	-21.6%	4,380	11.0%	17,150	13,805	24.2%
EBITDA margin (%)	7.7%	10.0%	(225)	8.0%	(24)	7.8%	7.3%	55
Normalized PAT	242	3,194	-92.4%	2110	-88.5%	6,017	5,791	3.9%
Total volume (In nos)	25,449	26,376	-3.5%	23,469	8.4%	88,013	72,706	21.1%
ASP (Rs)	24,65,716	23,50,281	4.9%	23,36,273	5.5%	24,85,781	26,06,656	-4.6%

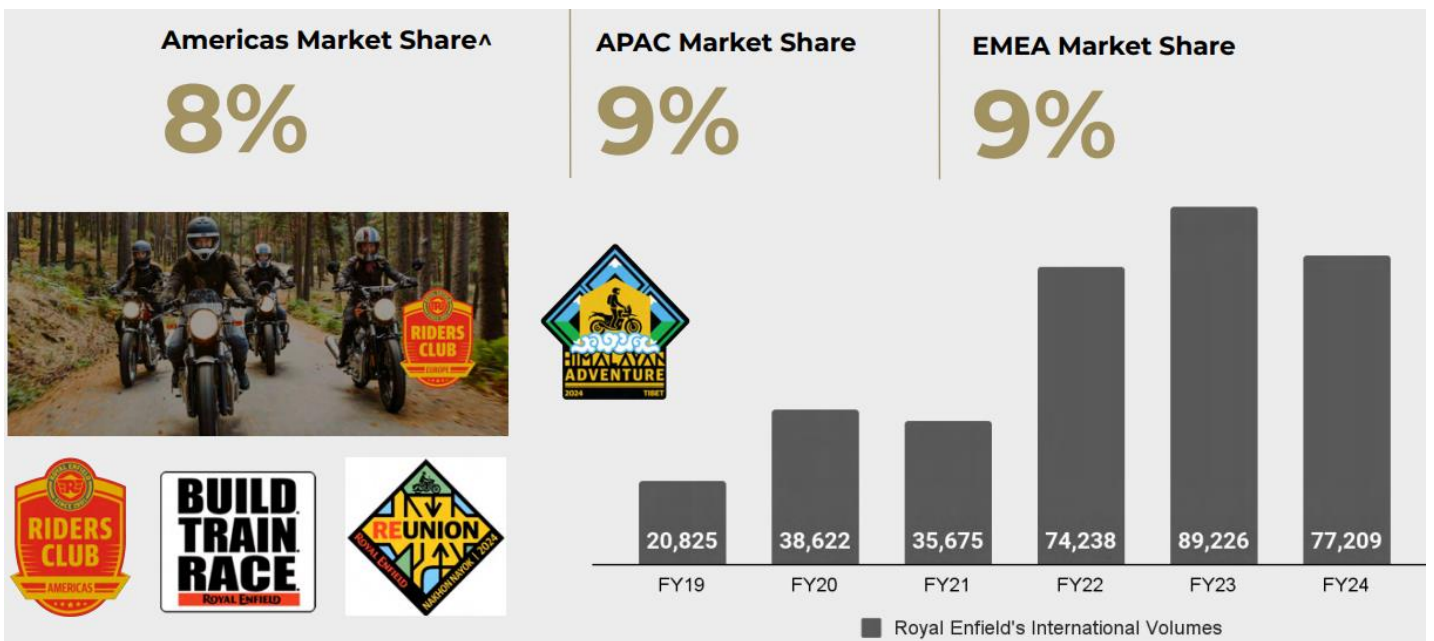
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 8: Product portfolio of Royal Enfield



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 9: Global mid-size market share of Royal Enfield



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 10: International business - sales performance



Figure 11: Non-motorcycle business sales momentum is strong

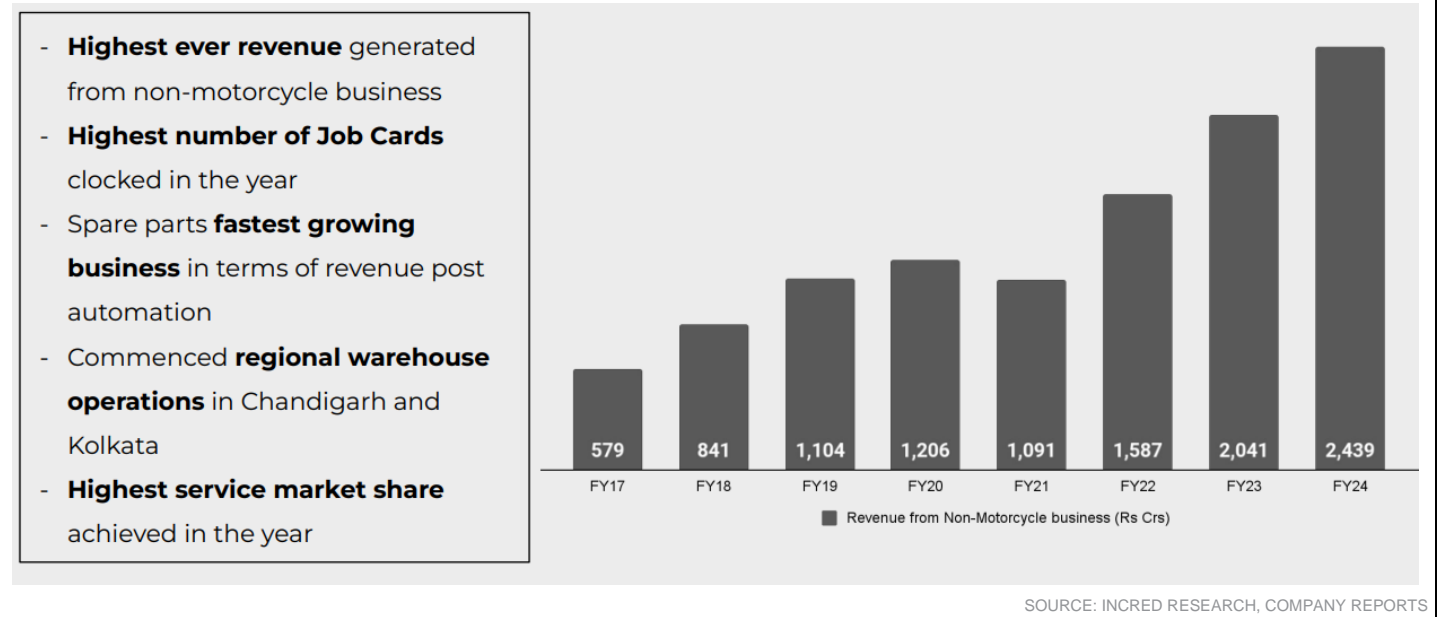


Figure 12: Our revised consolidated entity's earnings estimates

	FY25F		FY26F	
	Old	New	Old	New
RE sales volume	10,67,752	10,18,970	12,03,363	11,56,517
Change (%)		-4.6%		-3.9%
Net sales (Rs m)	1,85,934	1,88,909	2,12,525	2,17,003
Change (%)		1.6%		2.1%
EBITDA (Rs m)	47,406	47,496	51,126	52,958
Change (%)		0.2%		3.6%
EBITDA margin	25.5%	25.1%	24.1%	24.4%
Bp		(35)		35
EPS (Rs)	154.1	154.1	161.3	166.8
Change (%)		0.0%		3.4%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 13: Key assumptions

(Rsm)	FY22A	FY23	FY24F	FY25F	FY26F	FY27F
Volume (nos)						
Royal Enfield	3,94,969	8,34,895	9,12,732	10,18,970	11,56,517	12,76,168
VECV	12,631	79,623	85,560	92,627	1,13,199	1,30,933
Consol.	4,07,600	9,14,518	9,98,292	11,11,597	12,69,716	14,07,101
Sales						
Royal Enfield	66,451	1,40,667	1,61,706	1,84,871	2,12,114	2,36,325
VECV	13,905	1,89,520	2,18,780	2,41,738	2,82,520	3,25,906
Consol.	80,357	3,30,187	3,80,486	4,26,609	4,94,634	5,62,231
EBITDA Margins (%)						
Royal Enfield	24.0%	24.1%	27.7%	26.5%	25.6%	25.4%
VECV	8.0%	7.3%	7.8%	7.5%	7.0%	6.9%
Consol.	21.2%	14.5%	16.3%	15.7%	15.0%	14.7%
Net Profit						
Royal Enfield	11,947	26,225	38,418	40,993	44,395	49,314
VECV	7	2,641	3,737	3,914	4,228	4,990
Consol.	11,955	28,866	42,155	44,907	48,622	54,304

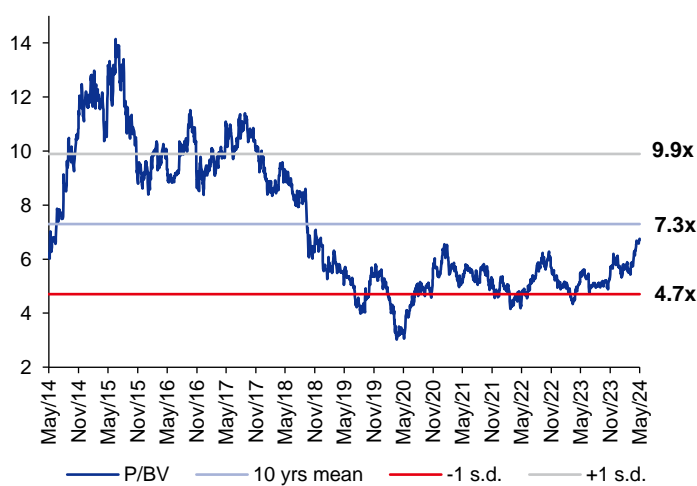
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 14: Eicher Motors' sum-of-the-parts or SOTP valuation

Sum-of-the-parts (Rs m)	EBITDA 1-yr fwd	Multiple (x)	EV	Net Debt 1-year fwd	Equity Value	Stake	Attributable	No. of Shares (m)	Value per Share (Rs)
Royal Enfield	55,012	15.0	8,25,178	(1,56,048)	9,81,226	100%	9,81,226	273.3	3,590
Volvo Eicher CV (incl engine business)	20,111	10.0	2,01,106	(12,244)	2,13,350	54.4%	1,16,062	273.3	425
SOTP Value of Eicher Motors									4,015

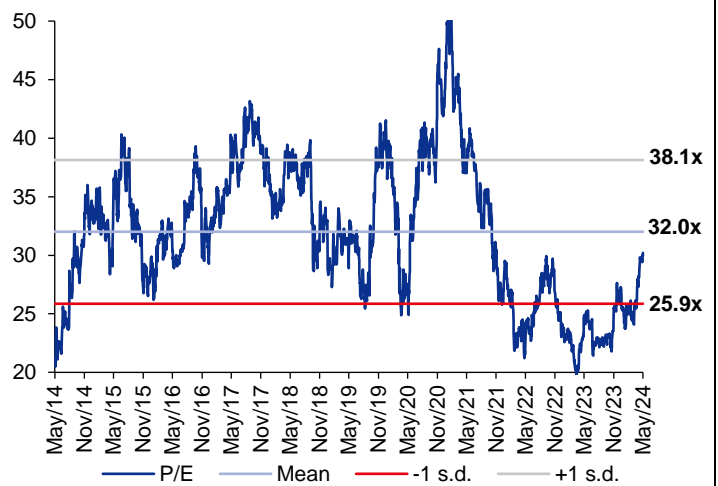
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 15: Forward P/BV valuation below the mean level



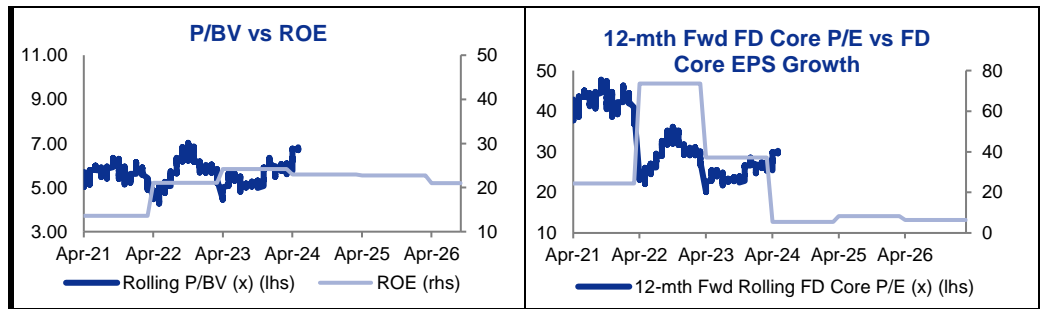
SOURCE: BLOOMBERG, INCRED RESEARCH

Figure 16: Forward P/E valuation below the mean level



SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS



Profit & Loss

(Rs mn)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Total Net Revenues	144,422	165,358	188,909	217,003	241,850
Gross Profit	62,303	75,551	85,270	96,716	107,962
Operating EBITDA	34,436	43,269	47,496	52,958	58,866
Depreciation And Amortisation	(5,262)	(5,976)	(6,900)	(8,770)	(8,850)
Operating EBIT	29,174	37,293	40,596	44,188	50,016
Financial Income/(Expense)	(280)	(509)	(650)	(700)	(617)
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)	5,951	10,759	11,999	12,674	13,710
Profit Before Tax (pre-EI)	34,845	47,543	51,945	56,162	63,110
Exceptional Items					
Pre-tax Profit	34,845	47,543	51,945	56,162	63,110
Taxation	(8,857)	(12,010)	(14,414)	(15,548)	(17,188)
Exceptional Income - post-tax					
Profit After Tax	25,988	35,533	37,531	40,614	45,922
Minority Interests					
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax	3,152	4,472	4,670	5,044	2,644
Net Profit	29,140	40,005	42,201	45,657	48,566
Recurring Net Profit	29,140	40,005	42,201	45,657	48,566
Fully Diluted Recurring Net Profit	29,140	40,005	42,201	45,657	48,566

Cash Flow

(Rs mn)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
EBITDA	34,436	43,269	47,496	52,958	58,866
Cash Flow from Invt. & Assoc.					
Change In Working Capital	(1,906)	1,436	(3,067)	(581)	(66)
(Incr)/Decr in Total Provisions	6,309	(18,329)	1,652	(5,981)	(5,000)
Other Non-Cash (Income)/Expense					
Other Operating Cashflow	3,152	4,472	4,670	5,044	2,644
Net Interest (Paid)/Received	5,671	10,250	11,349	11,974	13,094
Tax Paid	(8,857)	(13,620)	(14,414)	(15,548)	(17,188)
Cashflow From Operations	38,805	27,478	47,686	47,865	52,349
Capex	(7,592)	(9,050)	(12,534)	(10,470)	(10,550)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments					
Other Investing Cashflow	(40,486)	(4,244)	(22,333)	(22,263)	(20,252)
Cash Flow From Investing	(48,078)	(13,294)	(34,867)	(32,733)	(30,802)
Debt Raised/(repaid)	739	(206)	602		
Proceeds From Issue Of Shares					
Shares Repurchased					
Dividends Paid	(10,120)	(13,964)	(15,059)	(16,428)	(17,797)
Preferred Dividends					
Other Financing Cashflow					
Cash Flow From Financing	(9,381)	(14,170)	(14,457)	(16,428)	(17,797)
Total Cash Generated	(18,654)	14	(1,639)	(1,295)	3,750
Free Cashflow To Equity	(8,534)	13,978	13,420	15,133	21,547
Free Cashflow To Firm	(8,993)	14,693	13,469	15,833	22,164

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS...cont'd

Balance Sheet

(Rs mn)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Total Cash And Equivalents	131,778	143,855	143,930	163,948	189,460
Total Debtors	3,689	3,738	11,143	13,366	14,892
Inventories	12,784	14,096	13,169	16,272	18,129
Total Other Current Assets	12,104	29,357	27,552	34,833	39,833
Total Current Assets	160,356	191,046	195,794	228,419	262,314
Fixed Assets	30,606	35,845	40,329	42,029	43,729
Total Investments					
Intangible Assets					
Total Other Non-Current Assets					
Total Non-current Assets	30,606	35,845	40,329	42,029	43,729
Short-term Debt	1,327	1,121	1,723	1,723	1,723
Current Portion of Long-Term Debt					
Total Creditors	18,104	20,901	24,312	29,057	32,373
Other Current Liabilities	17,149	13,841	16,000	17,000	17,000
Total Current Liabilities	36,581	35,863	42,035	47,780	51,096
Total Long-term Debt					
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities					
Total Non-current Liabilities					
Total Provisions	5,493	9,422	7,305	7,605	7,605
Total Liabilities	42,074	45,285	49,339	55,384	58,701
Shareholders Equity	149,903	180,455	186,784	215,064	247,343
Minority Interests					
Total Equity	149,903	180,455	186,784	215,064	247,343

Key Ratios

	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Revenue Growth	40.2%	14.5%	14.2%	14.9%	11.4%
Operating EBITDA Growth	61.5%	25.7%	9.8%	11.5%	11.2%
Operating EBITDA Margin	23.8%	26.2%	25.1%	24.4%	24.3%
Net Cash Per Share (Rs)	476.97	521.31	519.38	592.49	685.67
BVPS (Rs)	548.09	659.08	682.19	785.48	903.37
Gross Interest Cover	104.19	73.30	62.46	63.13	81.10
Effective Tax Rate	25.4%	25.3%	27.7%	27.7%	27.2%
Net Dividend Payout Ratio	34.7%	34.9%	35.7%	36.0%	36.6%
Accounts Receivables Days	8.48	8.20	14.38	20.61	21.32
Inventory Days	53.58	54.63	48.01	44.67	46.89
Accounts Payables Days	79.97	79.27	79.62	80.97	83.73
ROIC (%)	110.8%	155.8%	84.1%	85.2%	82.7%
ROCE (%)	20.6%	21.9%	21.4%	21.3%	21.0%
Return On Average Assets	16.7%	19.4%	18.5%	18.3%	17.1%

Key Drivers

	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
ASP (% chg, main prod./serv.)	0.2%	5.2%	2.4%	1.1%	1.0%
Unit sales grth (% , main prod./serv.)	38.6%	9.3%	11.6%	13.5%	10.3%
ASP (% chg, 2ndary prod./serv.)	7.3%	9.5%	2.0%	(4.0%)	N/A
Unit sales grth (% ,2ndary prod/serv)	39.6%	7.5%	8.3%	22.2%	15.7%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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