

India

REDUCE (no change)

Consensus ratings*: Buy 17 Hold 12 Sell 13

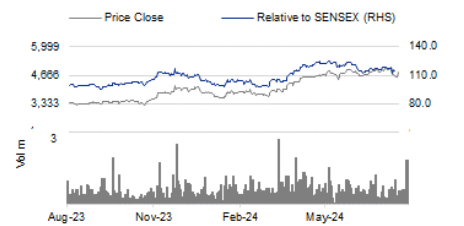
Current price:	Rs4,831
Target price:	Rs4,086
Previous target:	Rs4,015
Up/downside:	-15.4%
InCred Research / Consensus:	-13.1%

Reuters:	
Bloomberg:	EIM IN
Market cap:	US\$18,228m
	Rs1,323,635m
Average daily turnover:	US\$44.4m
	Rs3225.5m
Current shares o/s:	273.3m
Free float:	50.9%

*Source: Bloomberg

Key changes in this note

- FY25-26F bike sales volume cut by 1-2%.
- FY25-26F EPS cut limited to 1%.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	0.0	5.7	41.6
Relative (%)	1.1	(3.6)	16.0

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

Research Analyst(s)



Pramod AMTHE
 T (91) 22 4161 1541
 E pramod.amthe@incredresearch.com

Ravi GUPTA
 T (91) 02241611552
 E ravi.gupta@incredresearch.com

Eicher Motors Ltd

Profitability over volume trend continues

- 1Q normalized EPS growth of 11% to Rs37.3 was driven by ASP spike & higher gross margin. Market share dip in the above 250cc bike segment continues.
- We marginally lower our EPS estimates for slow domestic volume growth and fragile export recovery.
- With slow growth in premium bikes and intense competition, we reiterate our REDUCE rating on the stock with a slightly higher target price of Rs4,086.

ASP-driven profit beat in 1QFY25

1QFY25 normalized consolidated EPS of Eicher Motors grew 11% yoy to Rs37.3, in line with Bloomberg or BB consensus estimate but 5% above our estimate. The sharp ASP upswing of 10% yoy and qoq in bikes came as a surprise. EBITDA at Rs11.7bn, +14% yoy and 3% qoq, was 13% above our estimate and 6% above BB consensus estimate. Big inventory gain benefit on the EBITDA margin. We adjust for one-time deferred tax credit of Rs1.46bn in VE Commercial Vehicles for its adoption of the new tax regime.

Management conference-call takeaways

Management indicated slow sales conversion in the mid-size premium bike segment, as customers are taking a longer time to finalize purchases from increased model offerings. This has led its market share to continue declining on a qoq basis to 26.7% in 1Q (Fig. 3). With the launch of Guerrilla 450cc bike, management plans to increase the K-platform production to 8,000 vehicles per month. Management has changed dealer inventory management to improve system efficiency which, it feels, could have impacted its dispatches in the short term, while it has witnessed retail sales rising. As regards exports, the company remains cautiously optimistic.

Marginally lower estimates as margin uptick overcomes volume cut

Considering the flattish bike sales volume trend in 1QFY25, we cut sales volume by 1-2% for FY25F-26F. However, strong ASP and gross margin trend helps to limit EBITDA and EPS cut to less than 1%.

Maintain REDUCE rating on the stock

The competition from Bajaj Triumph and Hero Harley in the 450cc bike segment is already taking customer mindshare and impacting Eicher Motors' market share in the above 250cc bikes. We feel it will impact peaking profitability soon (Fig. 2). We reiterate our REDUCE rating on the stock with a marginally raised sum-of-the-parts or SOTP-based target price of Rs4,086, from Rs4,015 earlier. With rural markets' volume growth in 2W being ahead of urban markets, we prefer Hero MotoCorp and Bajaj Auto with a HOLD rating. Key upside risks are the success of new products and a recovery in international demand.

Financial Summary

	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Revenue (Rsm)	144,422	165,358	185,284	211,788	236,047
Operating EBITDA (Rsm)	34,436	43,269	47,284	52,529	58,290
Net Profit (Rsm)	29,140	39,831	42,676	45,486	51,102
Core EPS (Rs)	106.6	145.6	152.9	166.1	186.6
Core EPS Growth	78.0%	36.6%	5.1%	8.6%	12.3%
FD Core P/E (x)	45.33	33.19	30.99	29.08	25.88
DPS (Rs)	37.0	51.0	55.0	60.0	65.0
Dividend Yield	0.77%	1.06%	1.14%	1.24%	1.35%
EV/EBITDA (x)	34.57	27.25	24.93	22.09	19.48
P/FCFE (x)	(154.79)	94.57	92.20	89.51	62.30
Net Gearing	(87.0%)	(79.1%)	(76.4%)	(75.4%)	(76.1%)
P/BV (x)	8.81	7.33	7.03	6.16	5.37
ROE	21.1%	24.1%	22.7%	22.6%	22.2%
% Change In Core EPS Estimates			(0.78%)	(0.38%)	5.22%
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Profitability over volume trend continues

Management conference-call highlights➤

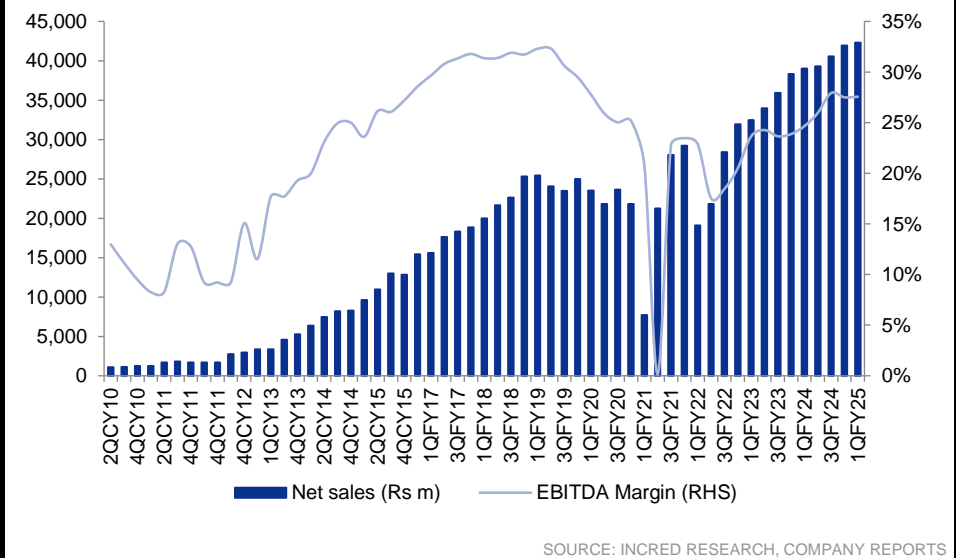
- **Demand outlook:** In 1QFY25, the middle weight category (above 250cc) of the two-wheeler industry saw a 4.5% yoy growth due to the customers delaying their purchase, driven by large optionally, which has emerged recently and the heat wave. For the remaining three quarters of the year, the category is likely to grow faster led by the upcoming festive season and management's confidence in growing faster than the industry led by new product launches.
- **Sherpa 450 platform:** Recently, the company ramped up its Sherpa 450 platform's production capacity from 6k units to 8k units per month, as it is witnessing demand for Himalayan 450, and management's endeavour is to further ramp up the capacity because the new Guerrilla 450 is also from the same platform.
- **Financial performance:** Consolidated EBITDA margin for the quarter stood at 26.5%, up 92bp yoy, led by a 60bp benefit coming from commodities and higher average selling price driven by higher export sales and above 350cc bike sales.
- **New launches:** During the quarter, the company launched Guerrilla 450 motorcycle in the domestic market and plans to launch it internationally in the coming months. Management also plans to launch the 2024 Classic within a few weeks. In 1Q, the company launched Super Meteor in high volume markets like Brazil.
- **Hunter 350 bike:** For this bike, the company targets young/first-time motorcycle buyers. However, the first-time buyer demand remains muted while it will take marketing and brand-building activity to drive volume going ahead. First-time buyers of Hunter-350 motorcycle stand at 90% vs. 12-13% for the overall portfolio.
- **New Bullet bike:** Performance of this bike was weak in key markets like Uttar Pradesh and Maharashtra.
- **Export business:** Growth rate in the international market remained below management's expectations. In LATAM, it is witnessing strong demand while European and APAC regions there is a pick-up in demand. The international retail market share was in high single digit.
- **Inventory level:** At the dealer level, inventory days currently are at 2-3 weeks, and as per management, it is at a healthy level.
- **Himalayan 450 bike:** Monthly volume run-rate stands at 3k units, and management's endeavour is to expand the category for which company is ramping up the production capacity. It has launched the model across APAC, EU, UK, and Mexico.
- **International and spare parts business:** International revenue growth was 26% yoy and it has maintained its market share in key markets. Spare parts revenue grew 15% yoy, which helped in improving the gross margin.
- **VE Commercial Vehicles:** In 1QFY25, the CV industry remain subdued due to monsoons, witnessing a 10% yoy growth on a low base. For the rest of the year, the company remains positive and expects a 7% yoy volume growth in FY25F led by the upcoming festivals and replacement demand. PAT for the quarter had a one-off due to deferred tax, as the company was reporting its financials under the old tax regime while going ahead, the tax rate will be 25% under the new tax regime.

Figure 1: Quarterly results comparison

Y/E Mar (Rs m)	1QFY25	1QFY24	yoy % chg	4QFY24	qoq % chg	Comments for the quarter
Revenue	43,931	39,864	10.2	42,560	3.2	6% above our estimate.
Raw material costs	23,562	22,273	5.8	22,754	3.5	
RM costs as a % of revenue	54	56	(223.8)	53	17.0	
EBITDA	11,654	10,208	14.2	11,286	3.3	13% above our estimate.
<i>EBITDA margin (%)</i>	26.5	25.6	92.1	26.5	1.0	159bp below our estimate.
Depreciation & amortization	1,686	1,423	18.5	1,653	2.0	
EBIT	9,968	8,786	13.5	9,634	3.5	
Interest expenses	123	104	17.6	153	(20.0)	
Other income	2,820	2,432	15.9	3,052	(7.6)	19% below our estimate.
Pre-tax profit	12,665	11,114	14.0	12,532	1.1	
Tax	3,396	2,935	15.7	3,146	8.0	
Profit before minority interest	9,269	8,179	13	9,386	(1)	
Profit in joint venture	942	1,004	(6)	1,318	(28)	-
Normalized net profit	10,211	9,183	11.2	10,705	(4.6)	3% above our estimate.
Exceptional items	803	-	nm	-	nm	
Reported net profit	11,014	9,183	19.9	10,705	2.9	
Normalized EPS (Rs)	37.3	33.5	19.9	39.1	2.9	
Volume (nos)	2,26,021	2,27,706	(0.7)	2,20,618	2.4	
Net realization (Rs)	1,94,365	1,75,067	11.0	1,92,914	0.8	
EBITDA/vehicle	51,563	44,831	15.0	51,158	0.8	

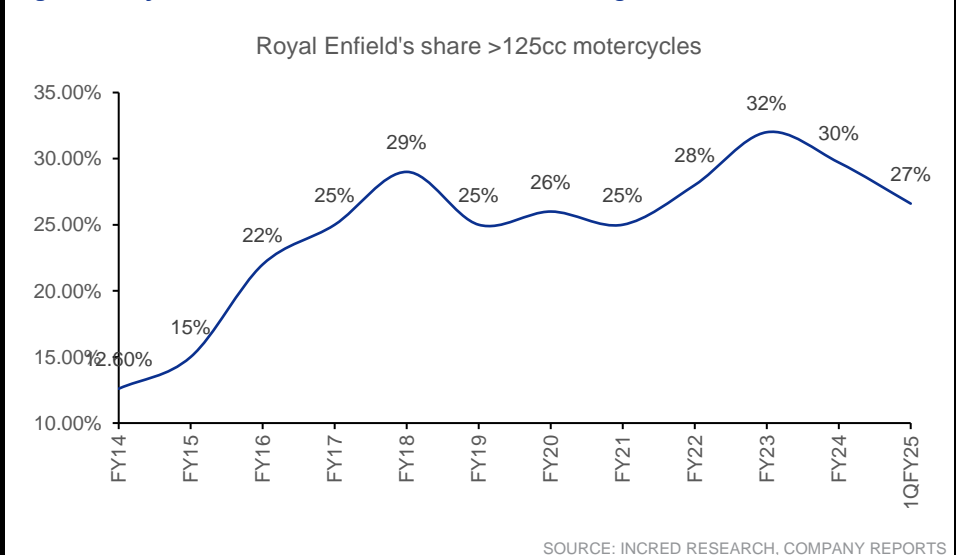
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 2: Volume and EBITDA margin touch higher levels



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 3: Royal Enfield's market share shows a declining trend



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 4: Royal Enfield's product positioning

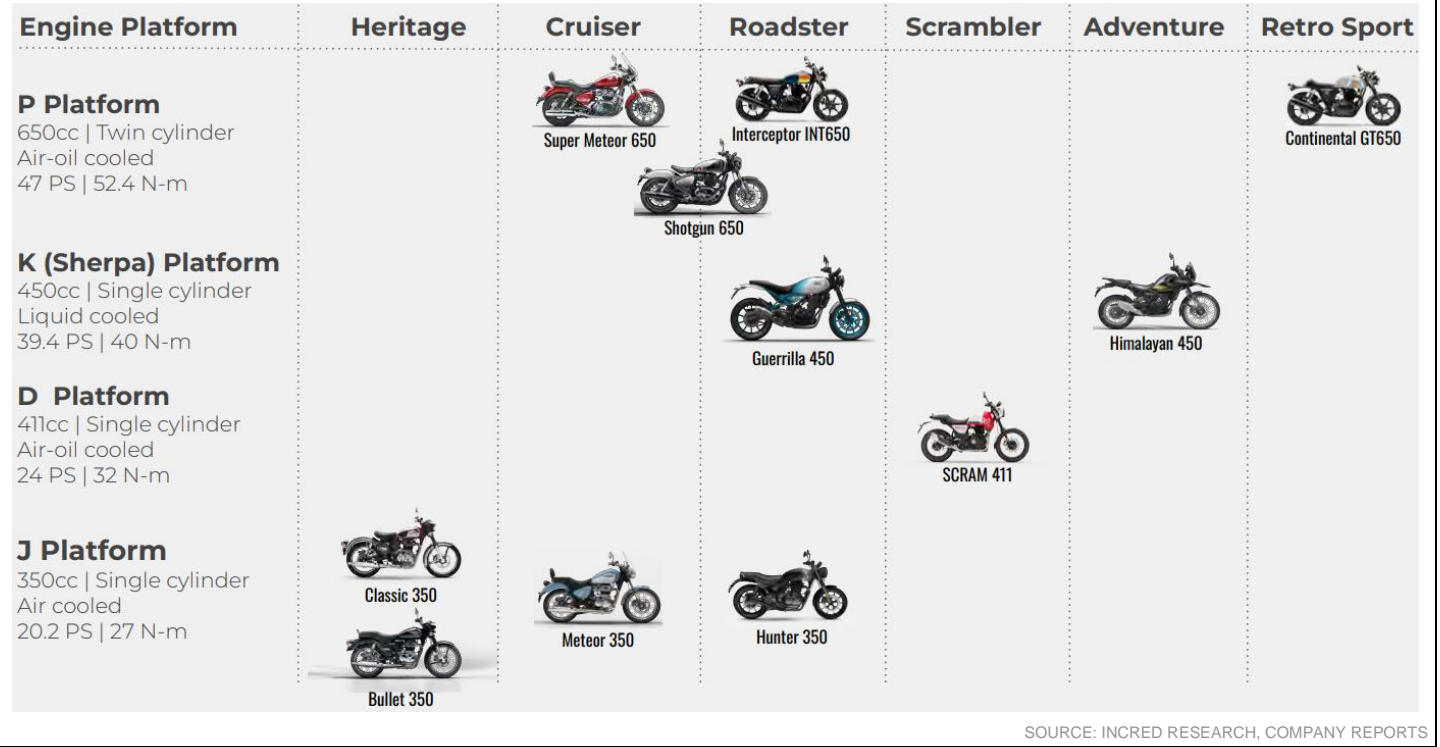


Figure 5: Sales volume break-up (units)

	1QFY25	1QFY24	yoy (%)	4QFY24	qoq (%)
RE Domestic	2,04,686	2,07,171	-1%	2,04,522	0%
RE Export	22,221	20,535	8%	23,151	-4%
Commercial vehicles	19,702	19,571	1%	25,449	-23%
Total sales volume	2,53,122	2,47,277	2%	2,51,542	1%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 6: Royal Enfield's quarterly performance

(Rs m)	1QFY25	1QFY24	yoy (%)	4QFY24	qoq (%)	FY24	FY23	yoy (%)
Net sales	42,313	39,012	8.5%	41,921	0.9%	1,61,706	1,40,667	15.0%
EBITDA	11,786	10,127	16.4%	11,553	2.0%	44,726	33,935	31.8%
EBITDA margin (%)	27.9%	26.0%	190	27.6%	30	27.7%	24.1%	353
Normalized PAT	10,880	9,139	19.1%	9,833	10.6%	38,418	26,225	46.5%
Total volume (in nos)	2,26,907	2,27,706	-0.4%	2,27,673	-0.3%	9,12,732	8,34,895	9.3%
ASP (Rs)	1,86,476	1,71,325	8.8%	1,69,662	9.9%	1,77,167	1,68,484	5.2%

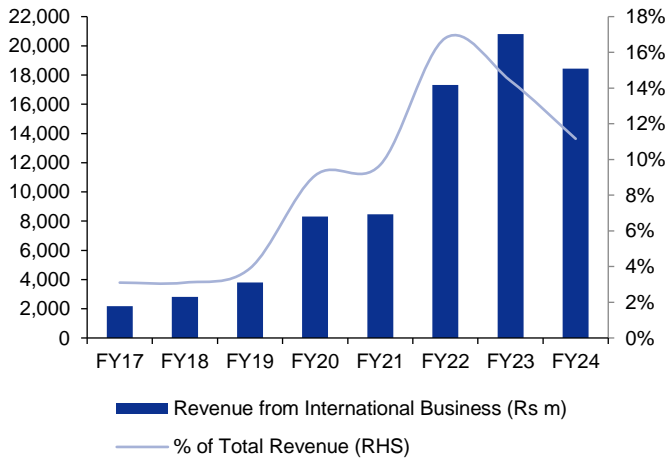
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 7: VE Commercial Vehicles' quarterly performance

(Rs m)	1QFY25	1QFY24	yoy (%)	4QFY24	qoq (%)
Net sales	50,700	49,910	1.6%	62,750	-19.2%
EBITDA	3,850	3,494	10.2%	4,860	-20.8%
EBITDA margin (%)	7.6%	7.0%	59	7.7%	(15)
Normalized PAT	1,733	1,495	15.9%	2,420	-28.4%
Total volumes (in nos)	19,702	19,571	0.7%	25,449	-22.6%
ASP (Rs)	25,73,343	25,50,202	0.9%	24,65,716	4.4%

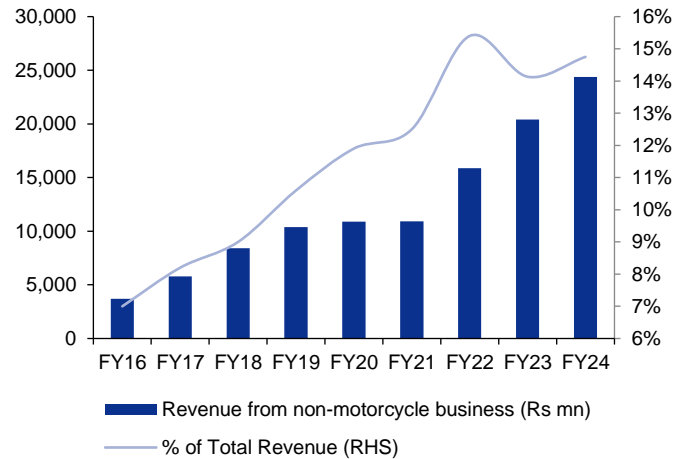
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 8: International business revenue trend



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 9: Spare parts business revenue trend



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 10: Our revised consolidated entity's earnings estimates

	FY25F		FY26F		FY27F	
	Old	New	Old	New	New	New
RE sales volume	10,18,970	10,08,275	11,56,517	11,37,650	12,76,168	12,55,415
Change (%)		-1.0%		-1.6%		-1.6%
Net sales (Rs m)	1,88,909	1,85,284	2,17,003	2,11,788	2,41,850	2,36,047
Change (%)		-1.9%		-2.4%		-2.4%
EBITDA (Rs m)	47,496	47,284	52,958	52,529	59,216	58,290
Change (%)		-0.4%		-0.8%		-1.6%
EBITDA margin	25.1%	25.5%	24.4%	24.8%	24.5%	24.7%
Bp		38		40		21
EPS (Rs)	154.1	152.9	166.8	166.1	190.4	186.6
Change (%)		-0.8%		-0.4%		-2.0%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 11: Key assumptions

Rsm	FY22	FY23	FY24	FY25F	FY26F	FY27F
Volume (nos)						
Royal Enfield	3,94,969	8,34,895	9,12,732	10,08,275	11,37,650	12,55,415
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	11,00,901	12,50,849	13,86,348
Sales						
Royal Enfield	66,451	1,40,667	1,61,706	1,81,246	2,06,898	2,30,523
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	4,22,984	4,89,418	5,56,429
EBITDA Margins (%)						
Royal Enfield	24.0%	24.1%	27.7%	27.0%	26.0%	25.6%
VECV	8.0%	7.3%	7.7%	7.5%	7.0%	6.9%
Consol	21.2%	14.5%	16.2%	15.9%	15.1%	14.6%
Net Profit						
Royal Enfield	11,947	26,225	38,418	40,965	44,223	48,295
VECV	7	2,641	3,591	5,374	4,228	4,990
Consolidated	11,955	28,866	42,009	46,339	48,451	53,284

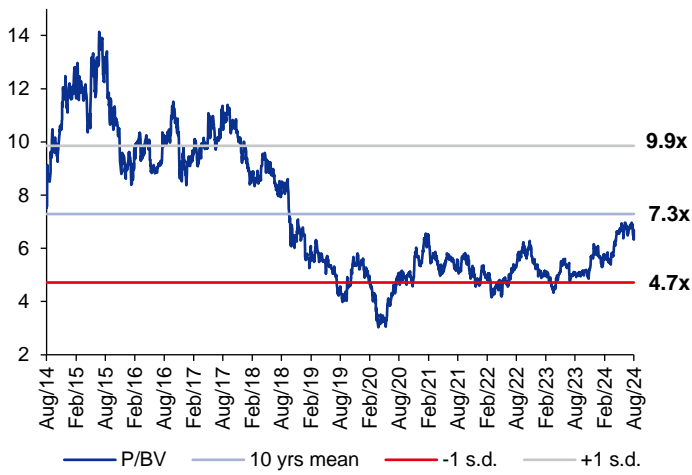
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 12: Eicher Motors' sum-of-the-parts or SOTP valuation

Sum of Parts (Rs m)	EBITDA 1-yr fwd	Multiple (x)	EV	Net Debt 1-yr fwd	Equity Value	Stake	Attributable	No. of Shares (m)	Value per Share (Rs)
Royal Enfield	55,743	15	8,36,151	(1,60,815)	9,96,967	100%	9,96,967	273.3	3,648
Volvo Eicher CV (incl engine business)	20,757	10	2,07,568	(12,318)	2,19,886	54.4%	1,19,618	273.3	438
SOTP value of Eicher Motors									4,086

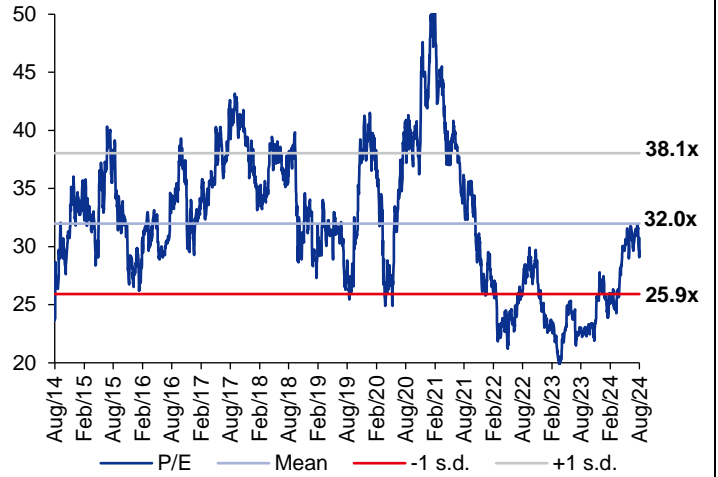
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 13: Forward P/BV valuation below the mean level



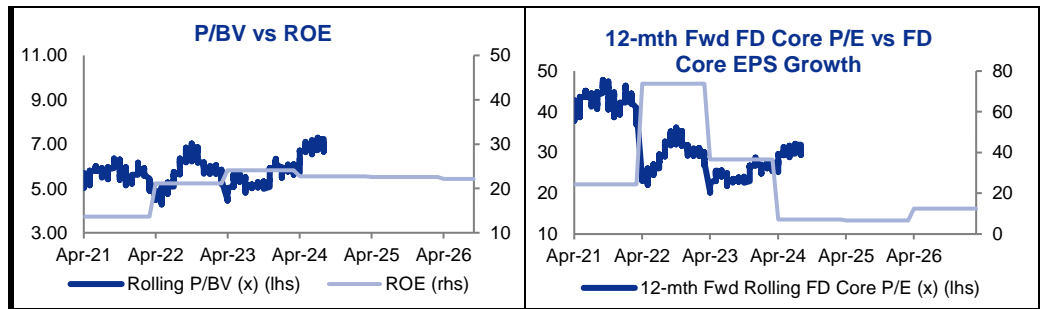
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 14: 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	185,284	211,788	236,047
Gross Profit	62,303	75,551	84,412	95,414	106,060
Operating EBITDA	34,436	43,269	47,284	52,529	58,290
Depreciation And Amortisation	(5,262)	(5,976)	(7,050)	(8,570)	(9,470)
Operating EBIT	29,174	37,293	40,234	43,959	48,820
Financial Income/(Expense)	(280)	(509)	(625)	(700)	(700)
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)	5,951	10,759	11,999	12,674	13,878
Profit Before Tax (pre-EI)	34,845	47,543	51,608	55,933	61,998
Exceptional Items					
Pre-tax Profit	34,845	47,543	51,608	55,933	61,998
Taxation	(8,857)	(12,010)	(14,405)	(15,491)	(16,848)
Exceptional Income - post-tax			803		
Profit After Tax	25,988	35,533	38,006	40,442	45,149
Minority Interests					
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax	3,152	4,298	4,670	5,044	5,953
Net Profit	29,140	39,831	42,676	45,486	51,102
Recurring Net Profit	29,140	39,831	41,873	45,486	51,102
Fully Diluted Recurring Net Profit	29,140	39,831	41,873	45,486	51,102

Cash Flow

(Rs mn)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
EBITDA	34,436	43,269	47,284	52,529	58,290
Cash Flow from Invt. & Assoc.					
Change In Working Capital	(1,906)	1,436	(3,067)	(567)	(65)
(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	4,298	5,473	5,044	5,953
Net Interest (Paid)/Received	5,671	10,250	11,374	11,974	13,178
Tax Paid	(8,857)	(13,620)	(14,405)	(15,491)	(16,848)
Cashflow From Operations	38,805	27,305	48,311	47,508	55,508
Capex	(7,592)	(9,050)	(12,534)	(10,470)	(10,470)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments					
Other Investing Cashflow	(40,486)	(4,070)	(22,033)	(22,263)	(23,808)
Cash Flow From Investing	(48,078)	(13,120)	(34,567)	(32,733)	(34,278)
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	(713)	(1,653)	3,433
Free Cashflow To Equity	(8,534)	13,978	14,346	14,775	21,230
Free Cashflow To Firm	(8,993)	14,693	14,369	15,475	21,930

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	145,512	163,713	188,908
Total Debtors	3,689	3,738	10,924	13,037	14,526
Inventories	12,784	14,096	12,911	15,872	17,684
Total Other Current Assets	12,104	29,357	27,552	34,833	39,833
Total Current Assets	160,356	191,046	196,899	227,455	260,951
Fixed Assets	30,606	35,845	40,179	42,079	43,079
Total Investments					
Intangible Assets					
Total Other Non-Current Assets					
Total Non-current Assets	30,606	35,845	40,179	42,079	43,079
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	23,835	28,342	31,578
Other Current Liabilities	17,149	13,841	16,000	17,000	17,000
Total Current Liabilities	36,581	35,863	41,558	47,065	50,301
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	48,863	54,670	57,906
Shareholders Equity	149,903	180,455	188,216	214,864	246,124
Minority Interests					
Total Equity	149,903	180,455	188,216	214,864	246,124

Key Ratios

	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Revenue Growth	40.2%	14.5%	12.1%	14.3%	11.5%
Operating EBITDA Growth	61.5%	25.7%	9.3%	11.1%	11.0%
Operating EBITDA Margin	23.8%	26.2%	25.5%	24.8%	24.7%
Net Cash Per Share (Rs)	476.97	521.31	525.16	591.64	683.66
BVPS (Rs)	548.09	659.08	687.42	784.75	898.92
Gross Interest Cover	104.19	73.30	64.37	62.80	69.74
Effective Tax Rate	25.4%	25.3%	27.9%	27.7%	27.2%
Net Dividend Payout Ratio	34.7%	35.1%	36.0%	36.1%	34.8%
Accounts Receivables Days	8.48	8.20	14.44	20.65	21.31
Inventory Days	53.58	54.63	48.86	45.14	47.11
Accounts Payables Days	79.97	79.27	80.94	81.83	84.13
ROIC (%)	110.8%	155.8%	83.3%	85.0%	80.7%
ROCE (%)	20.6%	21.9%	21.1%	21.1%	20.6%
Return On Average Assets	16.7%	19.3%	18.3%	18.2%	18.1%

Key Drivers

	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
ASP (% chg, main prod./serv.)	0.2%	5.2%	1.5%	1.2%	1.0%
Unit sales grth (% , main prod./serv.)	38.6%	9.3%	10.5%	12.8%	10.4%
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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