

Eicher Motors Limited, the publicly traded parent company of Royal Enfield, is renowned as the global leader in middleweight motorcycles. The world’s oldest motorcycle brand in continuous production, Royal Enfield has made its distinctive motorcycles since 1901. In addition to motorcycles, Eicher has a joint venture with Sweden’s AB Volvo - Volvo Eicher Commercial Vehicles Limited (VECV) - has pioneered modernisation of commercial vehicles in India and other developing countries. VECV has a complete range of trucks and buses from 4.9 to 55 tonnes (according to the company website).

Achieving High Profitability Through Operational Efficiency

Eicher Motors Ltd, known for its high operational efficiency, stands out as a more profitable company compared to its peers despite having a smaller market segment and lower sales volume. Eicher's strategic focus on premium products, strong brand positioning, and continuous innovation has allowed it to maintain a competitive edge in the market. Consequently, the company’s ability to generate higher profits with fewer sales highlights the effectiveness of its business model and operational strategies. With commodity prices already high and management indicating no cost pressures, margins could remain stable or even improve if commodity prices ease. In addition, the management is confident that any cost pressures can be offset through value engineering.

Replacement Buying and Exports can be the growth drivers

Eicher Motors Ltd. experienced two exceptional years post-pandemic, recording the highest sales growth. Future domestic demand could stem from replacement buying by existing Royal Enfield customers seeking newer models. On the supply side, there is sufficient capacity to handle up to 40% growth in volumes. The company is optimistic about replicating the domestic sales growth seen from 2011 to 2024 in the international market, with exports up 30% in April and May 2024.

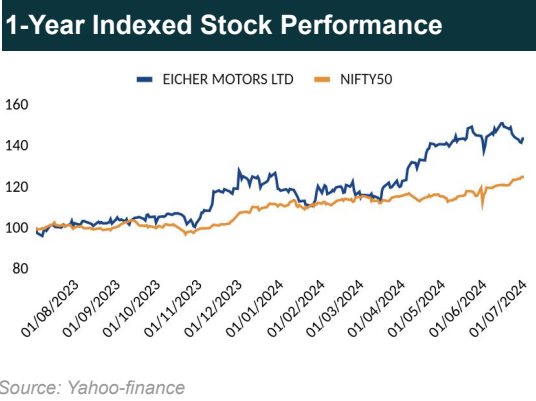
Valuations

Based on the two-stage discounted cash flow model, the intrinsic value of Eicher Motors is Rs 3,456 at the end of March 2024. When compared with peers, the fair value based on the median peer EV/EBITDA multiple of 26.12 is Rs 4,118, and based on the median P/E multiple of 33.18 is Rs 4,848. Using the top-down sales volume forecast from the market, the sales and eventually EPS is forecasted:

	FY	FY	FY	FY	FY
(consolidated)	2021-22	2022-23	2023-24	2024-25 E	2025-26 E
Sales (crores Rs.)	10,297.8	14,442.2	16,535.8	18,698.6	21,428.6
Sales Growth YoY (%)	18.1%	40.2%	14.5%	13.1%	14.6%
EBITDA (crores Rs.)	2,177.6	3,445.7	4,326.9	4,955.1	5,742.9
EBITDA Margin (%)	21.1%	23.9%	26.2%	26.5%	26.8%
PAT (crores Rs.)	1,676.6	2,913.9	4,001.0	4,581.2	5,314.3
PAT Margin (%)	16.3%	20.2%	24.2%	24.5%	24.8%
PAT Growth YoY (%)	24.5%	73.8%	37.3%	14.5%	16.0%
EPS (Rs.)	61.3	106.5	146.3	167.5	194.3
Share Price (Rs.)	2,457.2	2,948.9	4,019.3	4,690	4,690
P/E (x)	40.1	27.7	27.5	28.0	24.1

Source: Actuals are computed from the data provided in the company annual reports. For estimations, refer the 'Forecasts' section of this report. For the fiscal years 2024-25 and 2025-26, the projected P/E ratios based on the current market price (CMP) are shown..

Key Data	
Symbol	NSE: EICHERMOT BSE: 505200
Sector	Auto
Market Price (05/07/2024) (Rs.)	4,690
52-week High / Low (Rs.)	4,976 / 3,160
Market Capitalisation (crores Rs.)	130,179
Daily Volume (1-Y average)	720,605
Source: NSE, Yahoo-Finance	



Returns (%)			
	1M	6M	1Y
Eicher Motors Ltd	1.4%	24.3%	51.6%
Nifty 50	4.9%	13.6%	26.4%

Source: Trendlyne, as on 09/07/2024

Share-holding (%)			
	2Q FY 2022-23	3Q FY 2022-23	4Q FY 2022-23
Promoter	49.2	49.2	49.2
FII	28.9	30.3	29.0
DII	10.6	9.8	11.1
Public & Others	11.4	10.8	10.8

Source: Trendlyne

Author of the Report

Brian Pinto  
[brianpinto1991@gmail.com](mailto:brianpinto1991@gmail.com)

## Table of Contents

- 1) Economic Outlook - India
- 2) Two-wheeler Market in India
- 3) Business Analysis - Eicher Motors Ltd
- 4) Qualitative Analysis - Eicher Motors Ltd
- 5) Consolidated Financial Statements
- 6) Financial Analysis
- 7) Discounted Cash Flow (DCF) based Valuation
- 9) Comparable Company based Valuation
- 10) Forecasts
- 11) Management Analysis
- 12) Highlights from Management Discussion - Q4/2024
- 13) Analyst Coverage
- 14) Disclaimer

## Economic Outlook - India

### On track for long-term sustained growth

India's economy has demonstrated robust resilience, rebounding from the economic downturn caused by the pandemic and the Russian-Ukraine conflict, which contributed to global inflationary pressures. According to the RBI's Survey of Professional Forecasters (SPF) dated 07-June-2024, India's real GDP is projected to grow by 6.8% in FY 2024-25. Exhibit 1 shows S&P Global's forecast of India's nominal GDP, which mirrors the RBI's outlook.

Stability in policies, ongoing economic reforms, substantial investments in infrastructure, and sustained government commitment are positioning India for long-term growth and stability.

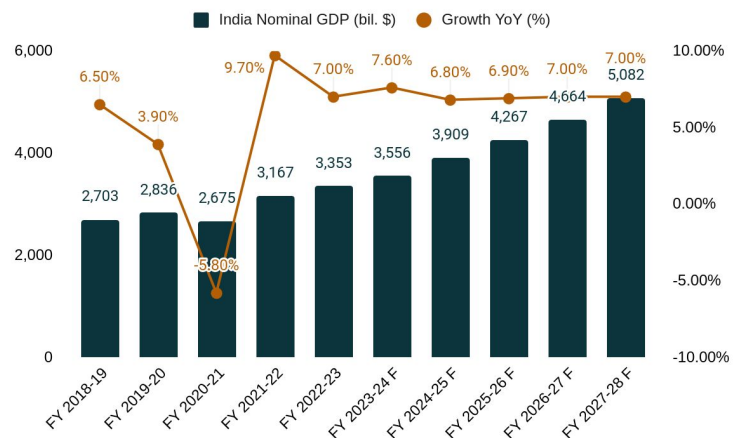
### Inflation within the tolerance band

The RBI's proactive monetary policy measures have effectively lowered the headline CPI inflation rate from 7.6% at the onset of the pandemic to 4.67% in May 2024, with further expected easing to 4.5% for the years 2024-25 and 2025-26. This reduction in inflation, coupled with the steady rise in per capita GDP, is poised to enhance consumer purchasing power across India. As households experience greater financial stability and confidence in their economic prospects, there is a growing propensity to invest in consumer durables such as household appliances and automobiles. Similarly, the automobile sector stands to benefit from increased consumer spending, with potential shifts towards electric and hybrid vehicles reflecting evolving preferences and environmental considerations.

### Foreign investments expected to grow

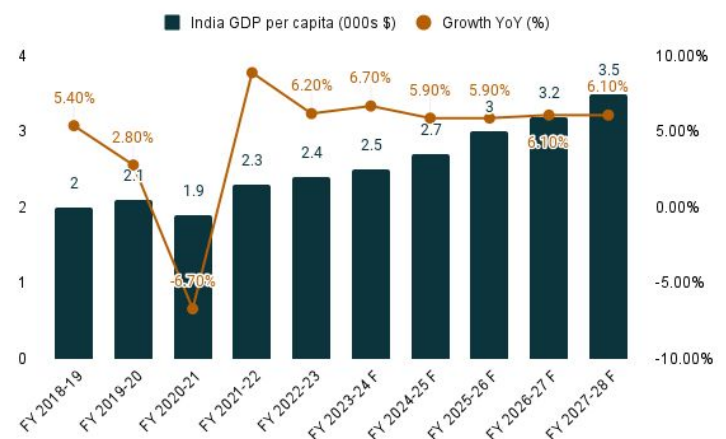
Foreign direct investment declined during the pandemic years. As of FY 2023-24, FDI stands at 28 billion USD, which remains below pre-pandemic levels. However, projections from S&P Global indicate strong inflows over the next five years. The 'Make in India' initiative has streamlined foreign direct investment processes, making them more transparent, predictable, and accessible. The manufacturing sector has been the largest beneficiary, receiving nearly 25% of total FDI in FY 2022-23. Additionally, the automobile sector attracted a cumulative FDI of approximately 35 billion USD between April 2020 and December 2023 (IBEF report, May 2024).

Exhibit 1: Historical and Forecasted Nominal GDP of India



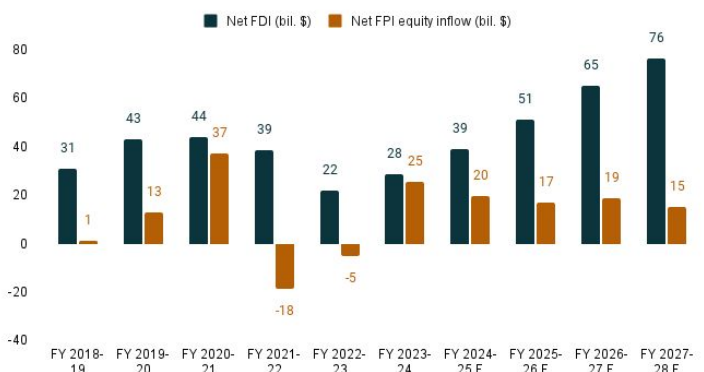
Sources: S&P Global, MOSPI-India, RBI, IMF

Exhibit 2: Historical and Forecasted Per Capita GDP of India



Sources: S&P Global, MOSPI-India, RBI, IMF

Exhibit 3: Historical and Forecasted FDI and FPI Investments in India



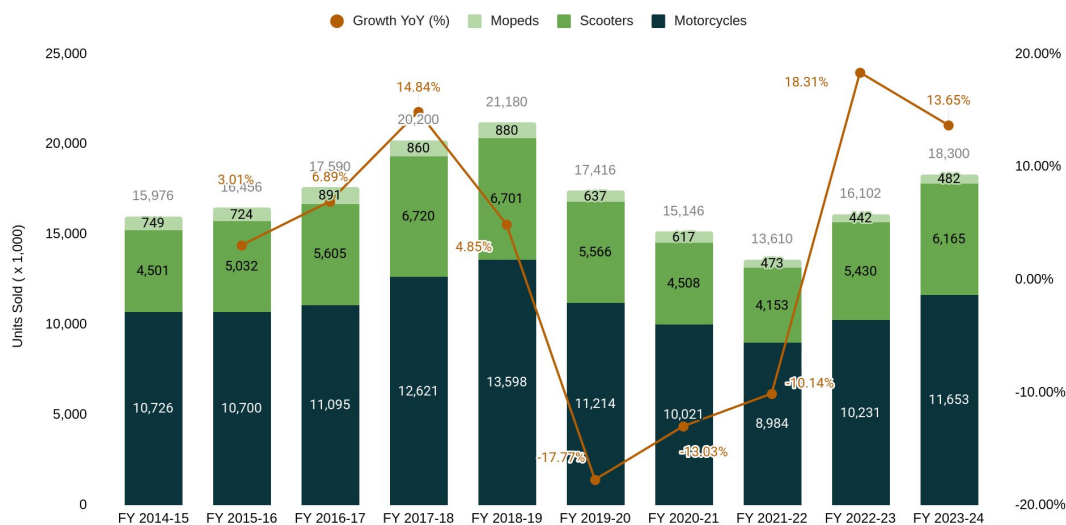
Sources: S&P Global, RBI, NSDL

## Two-wheeler Market in India

### Moderation in sales growth expected

Two-wheeler domestic sales in India experienced significant growth up to FY 2018-19, but declined sharply due to the pandemic. Post-pandemic, pent-up demand resulted in a strong rebound in sales. Looking ahead, sales are projected to stabilize in the next few years, growing at a moderate pace of approximately 10% to 12% year-on-year, now that much of the pent-up demand has been fulfilled. The rise of electric vehicles (EVs) and the expansion of delivery service sectors (such as e-commerce, food, and groceries) have boosted sales and demand for scooters. This is evident in the increase of scooter market share from 28.17% in FY 2014-15 to 33.69% in FY 2023-24.

Exhibit 4: Two-wheeler Sales in India

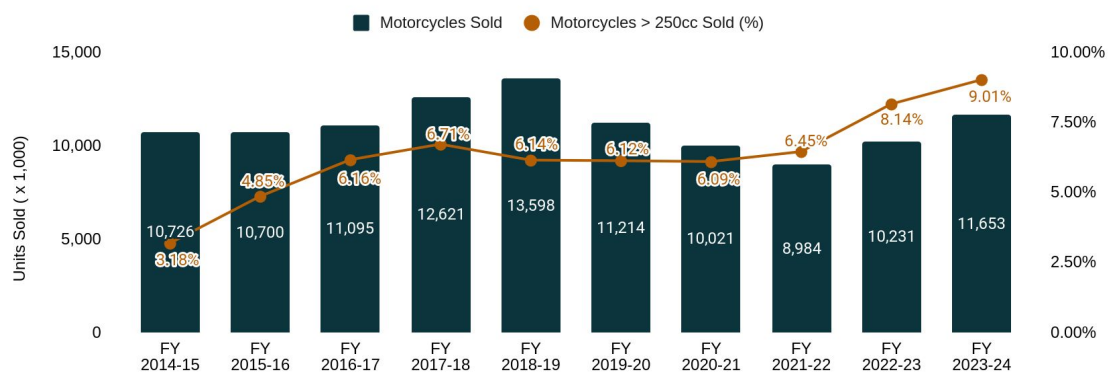


Sources: Compiled from the data published in annual reports of SIAM and data published by SMEV for electric scooters

### Demand for premium motorcycles in India

There is a growing preference for high-quality, branded, and luxury goods among Indian consumers. This shift is driven by aspirations for a better lifestyle, social status, and the desire to stand out. Exhibit 5 clearly illustrates this trend, showing that the market share of mid-segment and premium motorcycles increased from 3.18% in the fiscal year 2014-15 to 9.01% in the fiscal year 2023-24.

Exhibit 5: Trends in Motorcycle Sales in India, Illustrating the Share of Mid-Segment and Premium Motorcycles.



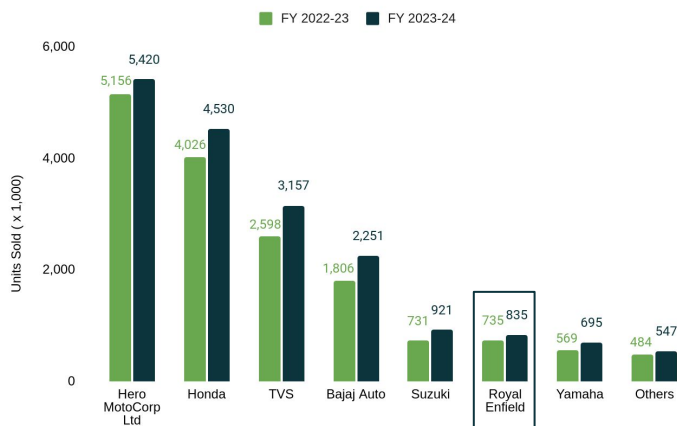
Sources: Company annual reports, presentations, and SIAM

## Two-wheeler Market in India

### The two-wheeler Indian market remains dominated by the top four companies

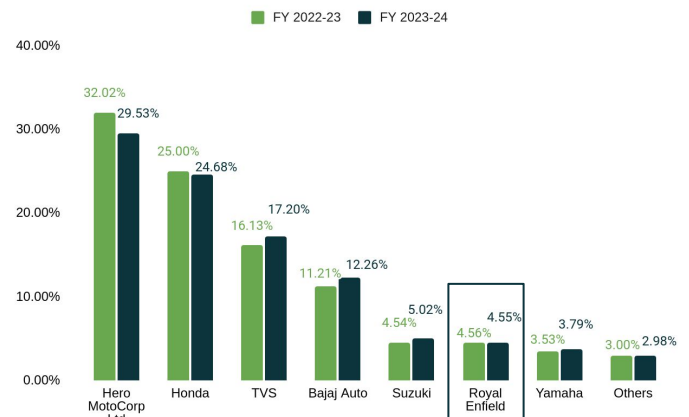
The two-wheeler market in India remains dominated by the top four companies, collectively holding about 83% of the market share. Royal Enfield specializes in manufacturing cruiser and adventure bikes within the mid-segment, holding an overall market share of 4.5% in the whole two-wheeler market or approximately 7.2% within the motorcycle segment alone. Hero MotoCorp Ltd has seen a decrease in market share with single-digit sales growth, whereas TVS Motor Company and Bajaj Auto have demonstrated substantial growth and gained market share. Meanwhile in the scooter segment, new players like Ola Electric Scooters and Ampere are making significant inroads with their electric scooters in a segment largely led by Honda's Activa and Dio models.

Exhibit 6: Sales Volume of Two-wheeler manufacturers in India



Sources: Compiled from the data published by Auto Punditz and SMEV  
Data includes scooter and mopeds as well.

Exhibit 7: Market share of two-wheeler players in India



Sources: Compiled from the data published by Auto Punditz and SMEV  
Data includes scooter and mopeds as well.

### Looking Forward: Key Drivers

The growth drivers for the auto industry can be categorized into the below two main factors:

- **Demand side:**
  - **Demographics:** With approximately 26% of the Indian population under the age of 20, the demand for motorcycles is expected to remain strong.
  - **Rising Disposable Income:** Increasing disposable incomes contribute to higher demand for personal transportation, including both two-wheelers and four-wheelers.
  - **Credit and Financing:** Post-pandemic, the credit and financing industry has introduced attractive options, boosting the consumption of automobiles and other household durables. This trend is likely to continue if income levels keep rising.
- **Supply side - Policy support:**
  - **The Production Linked Incentive (PLI) scheme:** The government's PLI scheme, extended until FY 2028, encourages automobile manufacturers to expand capacity and make capital investments to keep up with the demand.
  - **FAME Policy:** The EV segment is the largest beneficiary, with the FAME policy providing subsidies across the entire EV supply chain.
  - **Make in India Initiative:** This initiative has streamlined investment processes, encouraging foreign direct investment (FDI) in India.



## Business Analysis

### Revenue Streams

Eicher Motor Ltd operates in two business verticals:

1. **Royal Enfield (RE):** A 100% owned subsidiary, Royal Enfield operates in the motorcycle manufacturing segment and contributes approximately 95% of Eicher Motor Ltd revenue.
2. **Volvo Eicher Commercial Vehicles (VECV):** A joint venture with Sweden's AB Volvo, this vertical is involved in truck and bus manufacturing, auto components, and technical consulting services. As of March 2024, Eicher Motor Ltd holds a 54.4% stake in VECV.

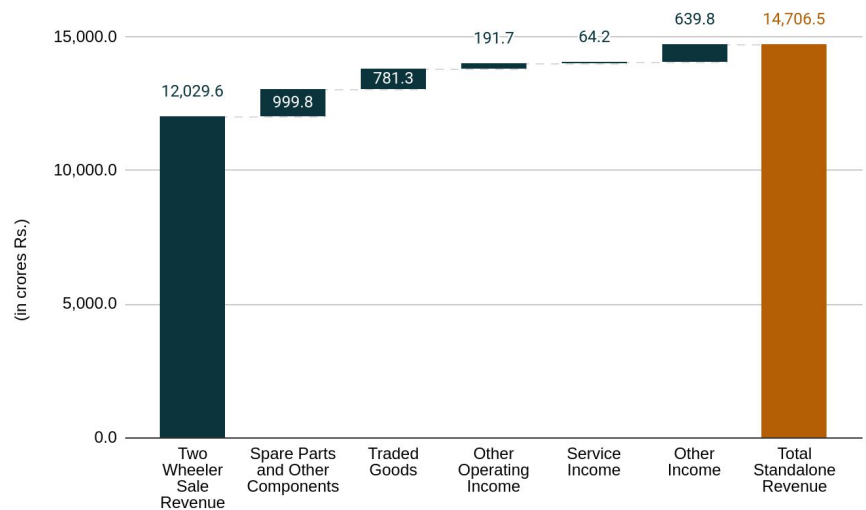
This report focuses primarily on the Royal Enfield business vertical due to its significant contribution to the company's revenue (around 95%). The detailed revenue breakdown in the below exhibits show that motorcycle sales remain the dominant revenue stream for Eicher Motor Ltd.

Exhibit 8: Royal Enfield standalone revenue break-up

(in Crores Rs. unless otherwise stated)	FY 2020-21	FY 2021-22	FY 2022-23
Two-wheeler Sales Income	7,531.9	8,567.4	12,029.6
% share of total	83.05%	81.00%	81.80%
Spare Parts and Other Components Income	547.2	762.6	999.8
% share of total	6.03%	7.21%	6.80%
Traded Goods (%)	440.8	594.6	781.3
% share of total	4.86%	5.62%	5.31%
Other Operating Income (%)	47.4	139.8	191.7
% share of total	0.52%	1.32%	1.30%
Service Income (%)	51.8	58.6	64.2
% share of total	0.57%	0.55%	0.44%
Other Income (%)	450.0	450.0	639.8
% share of total	4.96%	4.25%	4.35%
<b>Total Standalone Revenue</b>	<b>9,069.0</b>	<b>10,577.1</b>	<b>14,706.5</b>

Sources: Compiled from company annual report

Exhibit 9: Royal Enfield standalone revenue break-up for the FY 2022-23



Sources: Compiled from company annual report

### Domestic and Export Revenue Composition

Currently, the majority of revenue comes from domestic sales. Royal Enfield is actively pursuing opportunities in the global mid-size motorcycle market and has introduced new products tailored for international markets. As shown in the below exhibit, export sales volumes have notably risen from 2018 to 2024. In the fiscal year ending 2024, Royal Enfield held a market share of 8% in the Americas region, 9% in the Asia Pacific (APAC) region, and 9% in the Europe, Middle East, and Africa (EMEA) region within the mid-weight motorcycle segment.

Exhibit 10: Royal Enfield's Domestic and Export Sales and Revenue Composition

	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24
Domestic Motorcycle Sale Volume	805,273	656,651	573,728	521,236	734,840	834,795
Export Volume	20,825	39,296	38,622	81,032	100,055	77,937
Share of Domestic Sale Volume (%)	97.48%	94.35%	93.69%	86.55%	88.02%	91.46%
Domestic Sale Revenue (in Crores Rs.)	8,251	7,055	6,685	6,835	9,950	11,178
Export Revenue (in Crores Rs.)	379	831	847	1,732	2,080	1,845
Share of Domestic Revenue (%)	95.61%	89.46%	88.75%	79.78%	82.71%	85.83%

Sources: Compiled from company annual report

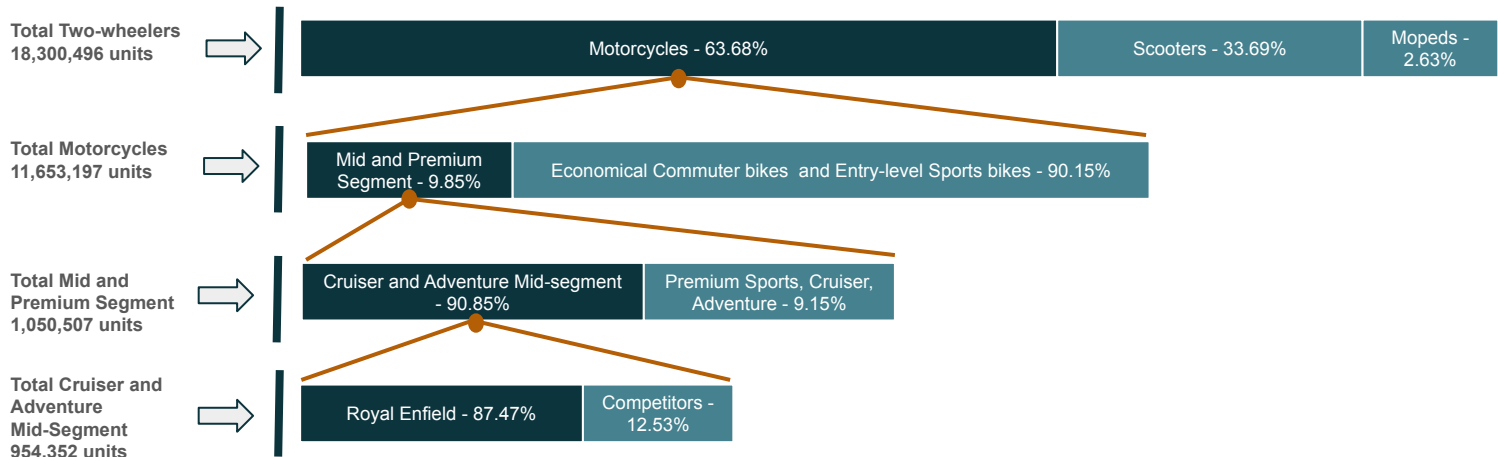
Business Analysis

The structure of the motorcycle market in India

Economical commuter bikes and entry-level sports bikes comprise the majority of the market share, accounting for approximately 90% of the 11.6 million units sold in the fiscal year 2023-24. The mid-segment and premium motorcycles, characterized by engine capacities of 250cc and above, collectively held approximately 9.85% market share. This segment encompasses sports, cruiser, and adventure bikes. Royal Enfield exclusively manufactures cruiser and adventure bikes in the mid-segment.

In the overall two-wheeler market, Royal Enfield holds a 4.55% market share. When considering only motorcycles, their market share rises to 7.16%. Furthermore, within the cruiser and adventure mid-segment, Royal Enfield dominates with an 87.47% market share.

Exhibit 11: The structure of the two-wheeler market in India - FY 2023-24



Sources: Compiled with data from Auto Punditz, company annual reports and presentations.  
The boxes are for illustration only and its sizes are not proportional to the percentages.

Royal Enfield enjoys the largest market share in the mid-segment

Royal Enfield, known for its cruiser and adventure motorcycles ranging from 250cc to 600cc, holds the largest market share in this segment, as depicted in Exhibit 12.

This category has become increasingly attractive to other motorcycle manufacturers. As illustrated in the exhibit below, Hero MotoCorp Ltd (in partnership with Harley Davidson) and TVS Motors entered this segment in FY 2023-24, gaining some market share from Royal Enfield. Looking ahead, this segment is likely to become more competitive for Royal Enfield, especially with Harley Davidson's strong brand image in partnership with Hero MotoCorp Ltd.

Exhibit 12: Sales and Market Share Comparison in the Mid-Segment Motorcycle Segment - Cruiser and Adventure Bikes only

Manufacturers	Bike Models	Pricing (Rs.)	Motorcycles Sold in the Segment			Market Share in the Segment (%)		
		(On Road, Bangalore)	FY 2021-22	FY 2022-23	FY 2023-24	FY 2021-22	FY 2022-23	FY 2023-24
Hero MotoCorp Ltd	Mavrick 440 and Harley Davidson X440	2,61,998 to 3,59,263	0	0	14,837	0.00%	0.00%	1.55%
Honda	CB 350 and H'ness	2,54,246 to 2,75,974	32,132	31,006	39,631	5.56%	3.90%	4.15%
TVS	Ronin 225	1,96,003 to 2,24,828	0	0	17,838	0.00%	0.00%	1.87%
Bajaj Auto	Avenger 160 and 220, Husqvarna, Triumph 400	1,58,851 to 2,92,110	24,284	28,430	46,422	4.20%	3.58%	4.86%
Royal Enfield	Classic 350, Bullet 350, Hunter 350, Himalayan, Meteor 350, Super Meteor 650, 650 Twin	2,00,834 to 5,02,187	521,223	734,840	834,795	90.23%	92.45%	87.47%
Kawasaki	W175	1,59,107 to 1,74,966	0	576	829	0.00%	0.07%	0.09%
Total			577,639	794,852	954,352	100.00%	100.00%	100.00%

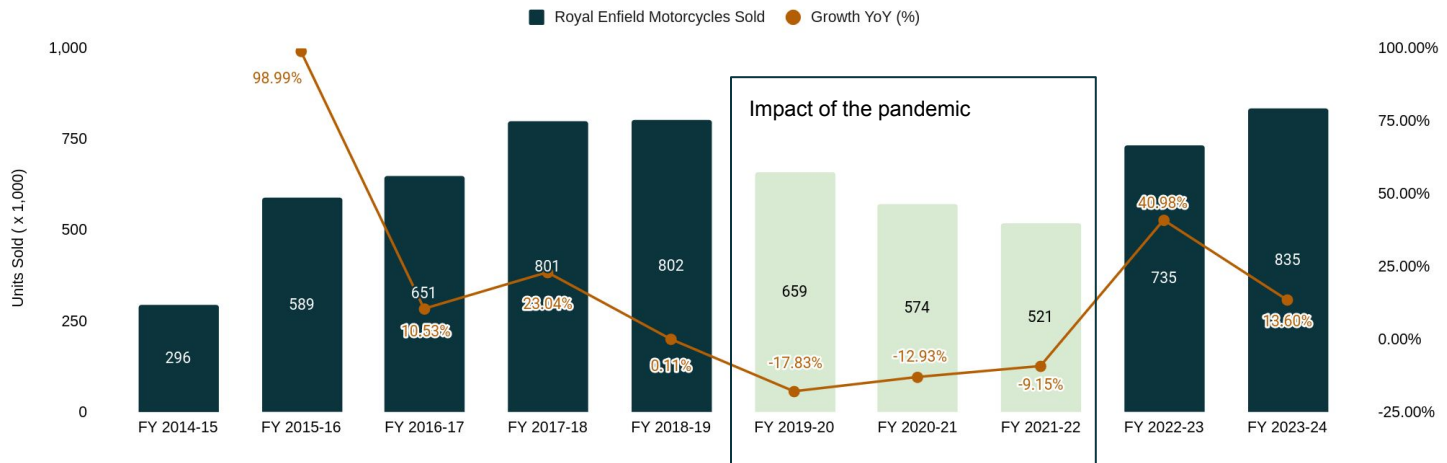
Sources: Company annual reports and presentations, company website, Auto Punditz, and bikewale.com

## Business Analysis

### Royal Enfield Sales Trend and Product Mix

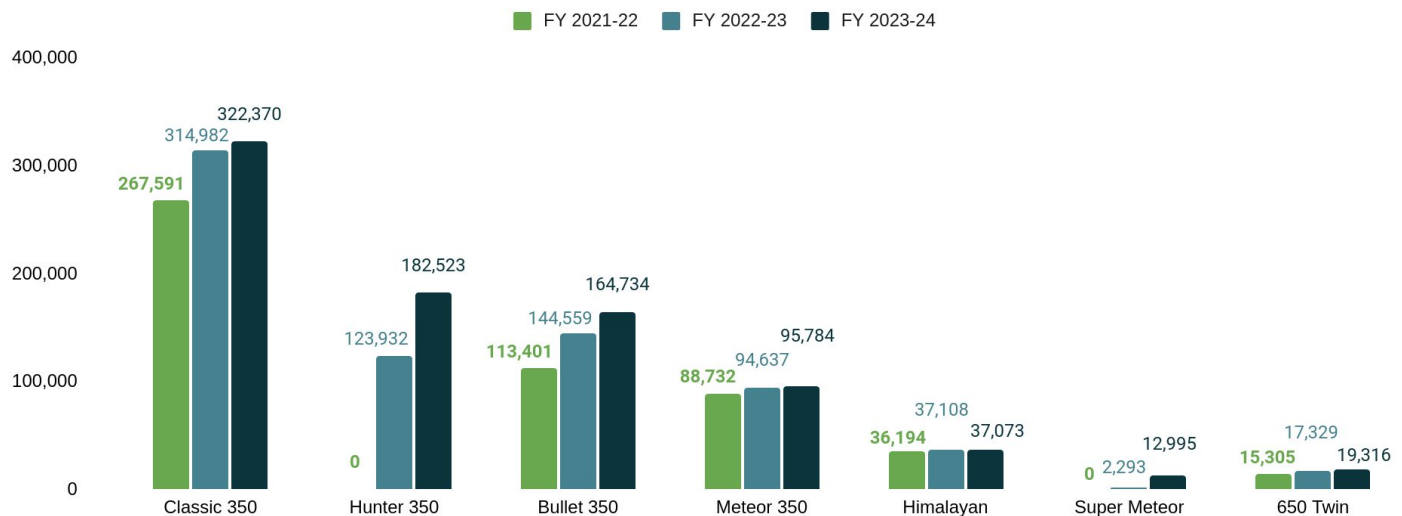
The company achieved its highest-ever motorcycle sales in the fiscal year 2023-24. This surge was fueled by pent-up demand following the pandemic, resulting in a robust sales rebound with high growth rates. However, the monthly sales run rate in the new fiscal year is currently lower compared to the same period in the previous fiscal year indicating an exhaustion of the pen-up demand. Thus, a moderate sales growth can be expected.

Exhibit 13: Royal Enfield Motorcycle Sales Trend - Domestic Volume (in Thousands)



Sources: Compiled from company annual repo, presentations, and Auto Punditz.

Exhibit 14: Royal Enfield Model-wise Motorcycle Sales - Domestic Volume



Sources: Compiled from company annual repo, presentations, and Auto Punditz.

### The Hunter 350 propelling Royal Enfield's growth

After its launch in FY 2022-23, the Hunter 350 model quickly became an instant hit among motorcycle enthusiasts, capturing a significant proportion of sales from the Classic 350 in Royal Enfield's lineup. Looking at the monthly sales for the new fiscal year 2024-25, the Bullet 350 and the 650 twin models have demonstrated impressive growth rates of 30% and 79%, respectively, compared to the same period in the previous year. In contrast, sales of the Hunter model have declined by 9%.

Exhibit 15: Royal Enfield Model-wise Motorcycle Share - Domestic Volume

	FY 2021-22	FY 2022-23	FY 2023-24
Classic 350	51.34%	42.86%	38.62%
Hunter 350	0.00%	16.87%	21.86%
Bullet 350	21.76%	19.67%	19.73%
Meteor 350	17.02%	12.88%	11.47%
Himalayan	6.94%	5.05%	4.44%
Super Meteor	0.00%	0.31%	1.56%
650 Twin	2.94%	2.36%	2.31%
<b>Total Units Sold</b>	<b>521,223</b>	<b>734,840</b>	<b>834,795</b>

Sources: Compiled from company annual report, presentations, and Auto Punditz.

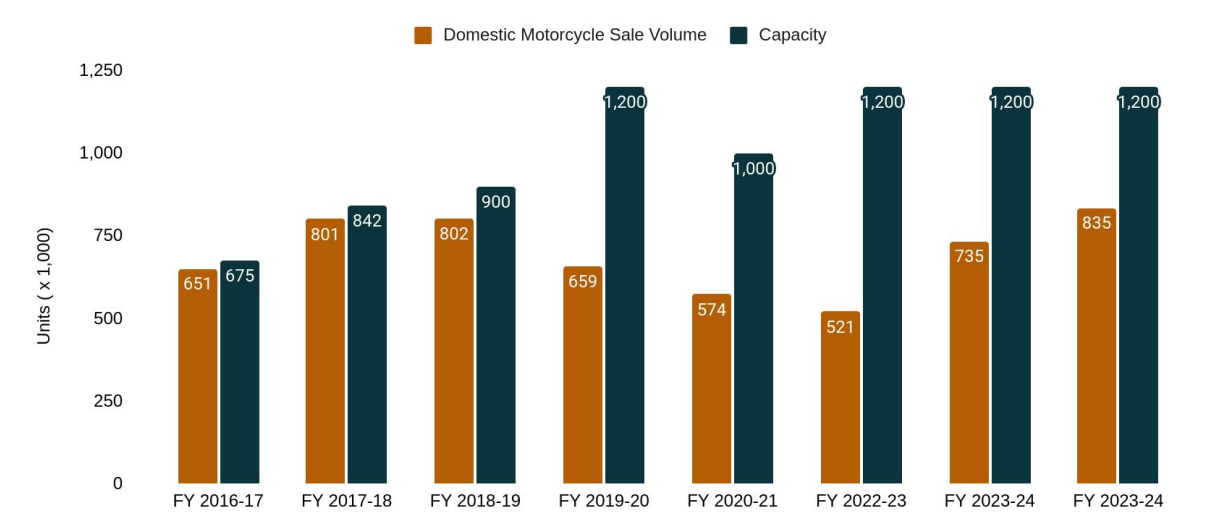


Business Analysis

Enough capacity to accommodate sales growth

The company ramped up its capacity with the launch of new models like Himalayan, 650 twins, Hunter 350 and Meteor 350 and Super Meteor 650 and also in the anticipation of demand for premium motorcycles in India. While the sales crossed pre-pandemic highs, there is still enough capacity to handle a growth of about 40%.

Exhibit 16: Capacity Expansion and Utilisation Trend of Royal Enfield



Sources: Compiled from company annual reports and presentations.

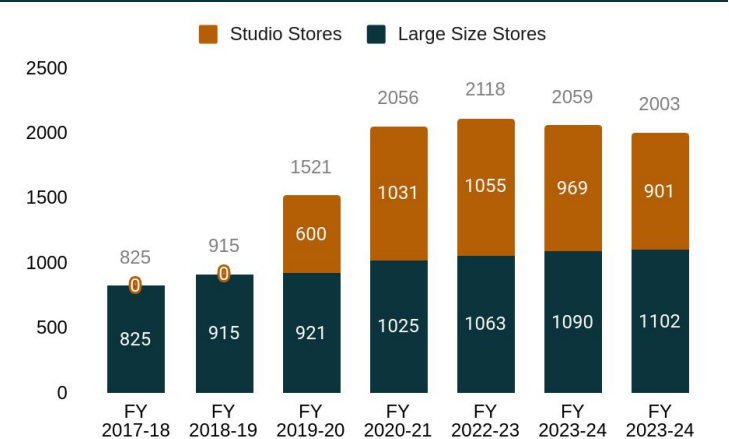
Expansive premium distribution network

Royal Enfield ranked number two in the FADA dealer satisfaction survey with its most premium distribution networks throughout India. To expand its presence in tier 2 and tier 3 cities, Royal Enfield has started studio stores from 2019 onwards. Further it has a global presence with 1,085 plus touchpoints in the form of exclusive stores and multi-brand outlets in Americas, UK, MEA, Europe, and APAC regions. In order to serve the global market, Royal Enfield has established four Completely Knocked Down (CKD) units in Brazil, Colombia, Argentina, and Thailand.

Exhibit 17: Royal Enfield Ltd - Facilities

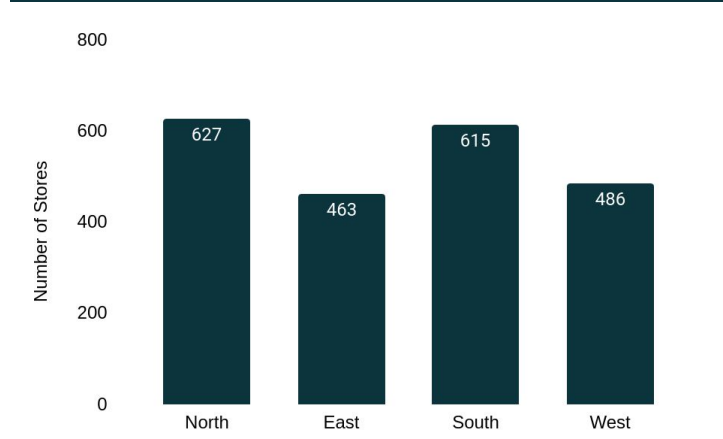
Manufacturing - 3	Tiruvottiyur, Tamil Nadu, India
	Oragadam, Tamil Nadu, India
	Vallam Vadagal, Tamil Nadu, India
Tech Centres - 2	Chennai, India
	Bruntingthorpe, UK
Completely Knocked Down (CKD) (Assembly) - 4	Brazil
	Colombia
	Argentina
	Thailand
Subsidiaries - 6	Canada
	North America
	Brazil
	UK
	Europe
	Thailand

Exhibit 18: Distribution Network of Royal Enfield



Sources: Compiled from company annual reports and presentations.

Exhibit 19: Dealer Distribution across Regions in India (end of March 2024)



Sources: Compiled from company annual reports and presentations.

## Qualitative Analysis

### SWOT Analysis

#### Strengths

- Royal Enfield's strong brand image translates into market leadership in the mid-size motorcycle segment with a loyal customer base and advocacy.
- Well managed cost structure and highly efficient operations.
- Over 100 years of experience in motorcycle manufacturing with strong product development and innovation capability.
- Future ready with investments in EV segment.
- Strong balance sheet to cater future CAPEX needs.

#### Weaknesses

- Concentrated product offerings catering to only the mid-segment which is only 9.85% of the total motorcycle market.
- The majority revenue comes from Royal Enfield's motorcycle sales and there is no diversified revenue streams apart from the VECV which contributes to only 5% of the revenue.

#### Opportunities

- The global mid-sized motorcycle market is underserved due to higher pricing with a few globally operational brands in the segment. This provides great market for exports.
- The premium sports motorcycles segment can also provide new opportunities to increase market share with great cost advantage with domestic manufacturing compared to the imported brands. Currently Royal Enfield offers only cruiser and adventure motorcycles in the midsegment.
- The EV segment provides new opportunities for motorcycle manufacturers with future demand coming from policy changes and change in consumer preference.

#### Threats

- The top four established motorcycle manufacturers in India are entering the midweight cruiser segment.
- Hero MotoCorp Ltd in partnership with Harley Davidson could be a big threat provided its brand image.
- Change in policies and more stringent regulations around internal combustion engines (ICE) in India and International markets could affect the sales and also the profitability of the current business model.
- Inflation could lead to reduced demand for premium products.

### Strategic initiatives

- **Investments in EV Segment:** Partnering with EV motorcycle company Stark Future.
- **Innovative Digital Products:** Actively launching new digital products to enhance the rider and buying experience.
- **Dealer Network Expansion:** Expanding dealer networks in tier 2 and tier 3 cities.
- **Reown Program:** Catering to the rental and pre-owned motorcycle market, indirectly creating a replacement market for the existing Royal Enfield customers who might want to buy new models by selling their existing ones.
- **Brand Engagement Programs:** Initiatives like Motoverse and The Great Himalayan Exploration.
- **ESG Objectives:** Strong Environmental, Social, and Governance objectives and structure.
- **Upcoming Motorcycle Launches:** New motorcycles are in the pipeline for future launch.

Consolidated Financial Statements

Exhibit 20: Income Statement

(in Crores Rs. unless otherwise stated)	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24
Sales	9,153.6	8,720.4	10,297.8	14,442.2	16,535.8
Sales Growth YoY (%)	-6.57%	-4.73%	18.09%	40.24%	14.50%
Cost of Goods Sold	4,998.7	5,114.0	5,958.7	8,217.8	8,980.7
Operational Expenses	1,115.2	1,147.1	1,209.2	1,472.1	1,235.7
Gross Profit	3,039.7	2,459.3	3,129.9	4,752.3	6,319.4
Other Expenses	856.8	676.1	952.4	1,306.6	1,992.5
EBITDA	2,182.9	1,783.2	2,177.6	3,445.7	4,326.9
EBITDA Growth (%)	-24.84%	-18.31%	22.11%	58.24%	25.57%
Other Income	572.4	482.3	495.7	908.1	1,523.6
Depreciation	381.5	450.7	451.9	526.2	597.6
EBIT	2,373.8	1,814.8	2,221.3	3,827.7	5,252.9
EBIT Growth YoY (%)	-28.17%	-23.55%	22.40%	72.32%	37.24%
Interest	18.9	16.5	18.8	28.0	50.9
PBT	2,354.9	1,798.4	2,202.5	3,799.6	5,202.0
Tax	527.5	451.5	525.9	885.7	1,201.0
Effective Tax Rate (%)	22.40%	25.11%	23.88%	23.31%	23.09%
PAT	1,827.4	1,346.9	1,676.6	2,913.9	4,001.0
PAT Growth YoY (%)	-17.69%	-26.30%	24.48%	73.80%	37.31%
Earnings per Share (Rs.)	66.9	49.3	61.3	106.5	146.3
EPS Growth %	-17.76%	-26.37%	24.44%	73.76%	37.31%
Dividend per Share (Rs.)	12.5	17.0	21.0	37.0	51.1
Dividend Payout (%)	18.67%	34.50%	34.24%	34.73%	34.90%
Dividend Yield (%)	0.95%	0.65%	0.85%	1.25%	1.27%

Source: Compiled from Company Annual Reports

Exhibit 22: Balance Sheet

(in Crores Rs. unless otherwise stated)	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24
Equity Share Capital	27.3	27.3	27.3	27.4	27.4
Reserves	9,953.6	11,410.8	12,580.7	14,962.9	18,018.2
Total Equity	9,980.9	11,438.1	12,608.0	14,990.3	18,045.5
Minority Interests	0.0	0.0	0.0	0.0	0.0
Long-Term Borrowings	0.0	0.0	0.0	63.0	163.5
Other Non-Current Liabilities	444.2	491.7	609.6	909.8	1,320.5
Total Non-Current Liabilities	444.2	491.7	609.6	972.8	1,484.0
Short-Term Borrowings	144.4	157.4	58.8	132.7	112.1
Payables	1,008.0	1,513.0	1,788.0	1,810.0	2,090.0
Other Current Liabilities	872.1	958.4	1,136.5	1,291.8	1,396.3
Total Current Liabilities	2,024.6	2,628.8	2,983.4	3,234.6	3,598.4
Total Liabilities	2,468.8	3,120.5	3,593.0	4,207.4	5,082.4
Fixed Assets Net Block	2,377.5	2,433.3	2,424.3	2,690.0	3,257.8
Capital Work-In-Progress	312.2	314.3	504.8	472.1	211.7
Other Non-Current Assets	3,385.4	3,002.5	7,652.6	12,352.4	15,507.1
Total Non-Current Assets	6,075.1	5,750.1	10,581.7	15,514.4	18,976.6
Inventory	572.4	874.6	1,132.4	1,278.4	1,409.6
Receivables	86.8	158.2	302.0	368.9	373.8
Cash & Bank	2,950.6	5,830.4	2,722.5	857.1	146.3
Other Current Assets	2,764.9	1,945.4	1,462.4	1,178.8	2,221.6
Total Current Assets	6,374.6	8,808.5	5,619.3	3,683.2	4,151.3
Total Assets	12,449.7	14,558.6	16,201.0	19,197.6	23,127.9

Source: Compiled from Company Annual Reports

Exhibit 21: Cash Flow

(in Crores Rs. unless otherwise stated)	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24
Profit before Tax	2,354.9	1,798.4	2,202.5	3,799.6	5,202.0
Depreciation Adjustments	381.5	450.7	451.9	562.2	597.6
Other Adjustments	(500.4)	(337.1)	(482.4)	(773.8)	(1,395.6)
Working Capital Changes	86.0	235.0	(131.0)	66.0	388.0
Direct Taxes Paid	(628.0)	(457.0)	(514.0)	(770.0)	(1,068.0)
Proceeds From Other Operating / Exceptional Items	0.0	0.0	0.0	0.0	0.0
Cash from Operating Activities	1,694.0	1,690.0	1,527.0	2,848.0	3,724.0
Net Capex	(545.0)	(515.0)	(639.0)	(673.0)	(815.0)
Free Cash Flow to Firm	1,149.0	1,175.0	888.0	2,175.0	2,909.0
Interest Paid	(8.0)	(16.0)	(19.0)	(18.0)	(35.0)
Net Debt Received / (Repaid)	(31.0)	13.0	(105.0)	175.0	195.0
Free Cash Flow to Equity	1,110.0	1,172.0	764.0	2,332.0	3,069.0
Dividend Paid	(682.0)	0.0	(465.0)	(574.0)	(1,013.0)
Core Cash Flow	428.0	1,172.0	299.0	1,758.0	2,056.0
Cash Increase/(Decrease) from other Investing and Financing	(1,101.0)	(1,122.0)	(351.0)	(1,750.0)	(2,028.0)
Net Cash Flow	(673.0)	50.0	(52.0)	8.0	28.0

Source: Compiled from Company Annual Reports

Exhibit 23: Key Ratios

	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24
Profitability and Return Metrics					
Gross Profit Margin (%)	33.21%	28.20%	30.39%	32.91%	38.22%
EBITDA Margin (%)	23.85%	20.45%	21.15%	23.86%	26.17%
EBIT Margin (%)	25.93%	20.81%	21.57%	26.50%	31.77%
PAT Margin (%)	19.96%	15.45%	16.28%	20.18%	24.20%
ROE (%)	18.31%	11.78%	13.30%	19.44%	22.17%
ROCE (%)	24.08%	16.24%	17.67%	26.23%	29.60%
Working Capital and Liquidity					
Inventory Number of Days	42	62	69	57	57
Days Receivables	3	7	11	9	8
Days Payables	74	108	110	80	85
Cash Conversion Days	-28	-39	-29	-14	-19
Quick Ratio (x)	2.87	3.02	1.50	0.74	0.76
Current Ratio (x)	3.15	3.35	1.88	1.14	1.15
Interest Coverage Ratio (x)	125.73	110.32	118.28	136.60	103.24
Debt To Equity (%)	2.5%	1.9%	0.9%	1.9%	2.3%
DuPont Analysis					
PAT Margin (%)	19.96%	15.45%	16.28%	20.18%	24.20%
Asset Turnover Ratio (x)	0.77	0.65	0.67	0.82	0.78
Assets to Equity Ratio (x)	1.26	1.26	1.28	1.28	1.28
Valuation Metrics					
Share Price (Rs.)	1,309.6	2,604.0	2,457.2	2,948.9	4,019.3
EV (in Crores Rs.)	38,459	76,786	69,798	81,214	109,647
P/E (x)	19.57	52.84	40.07	27.68	27.47
P/B (x)	3.58	6.22	5.33	5.38	6.09
P/S (x)	3.91	8.16	6.52	5.58	6.65
EV/EBITDA (x)	17.62	43.06	32.05	23.57	25.34
EV/Sales (x)	4.20	8.81	6.78	5.62	6.63

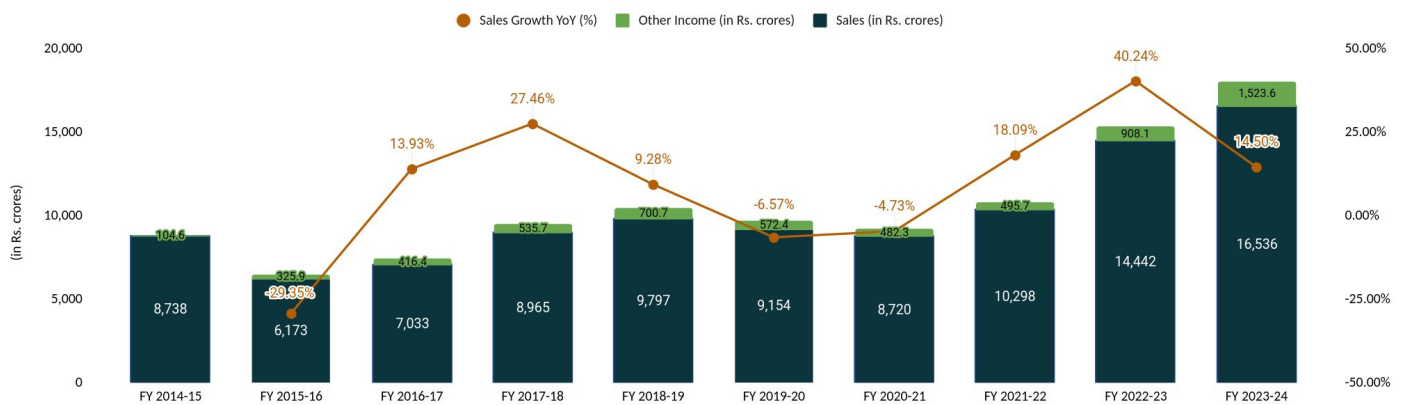
Source: Compiled from Company Annual Reports

## Financial Analysis

### Highest EBITDA and PAT margins in the industry.

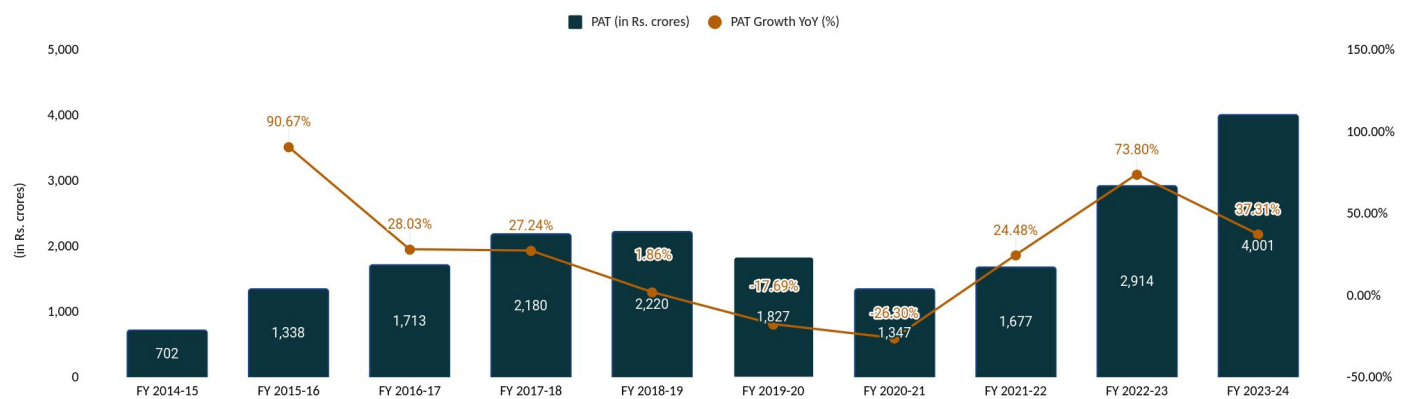
Eicher Motors Ltd, with its high operational efficiency, stands out as a more profitable company compared to its peers despite having a smaller market segment and lower sales volume. Looking at the past performance, the EBITDA margins could still improve if the commodity prices decrease and hence we can expect better profit margins in the upcoming years. PAT margins are higher than the EBITDA margins because of the contribution of other income to PAT.

Exhibit 24: Top-line performance of Eicher Motors Ltd (consolidated basis)



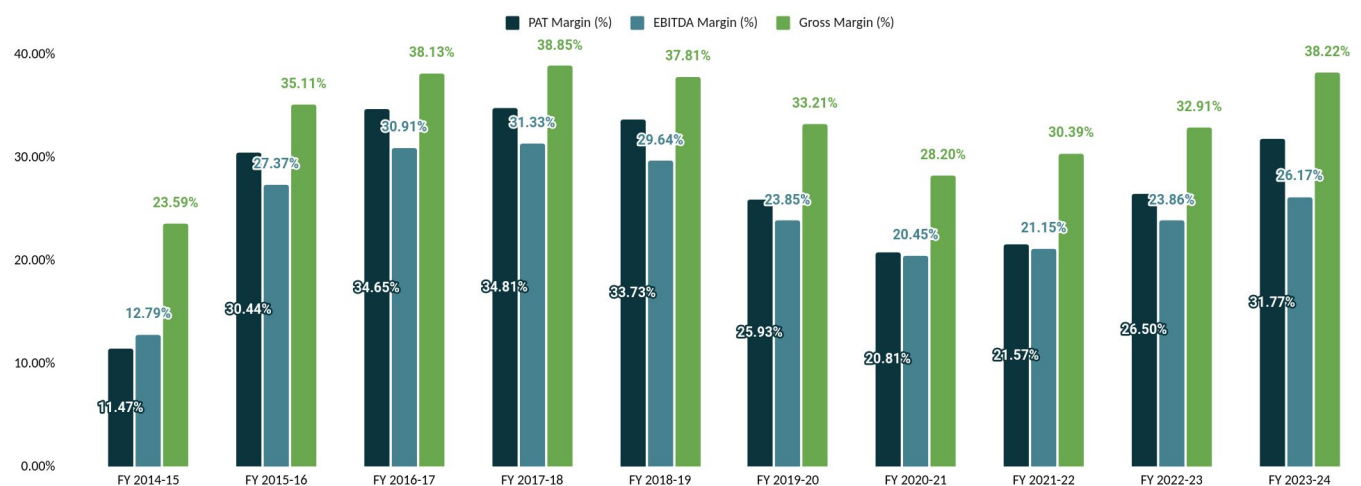
Sources: Data obtained from company annual reports

Exhibit 25: Bottom-line performance of Eicher Motors Ltd (consolidated basis)



Sources: Computed from the financial data provided in the company annual reports

Exhibit 26: Key profitability margins of Eicher Motors Ltd (consolidated basis)

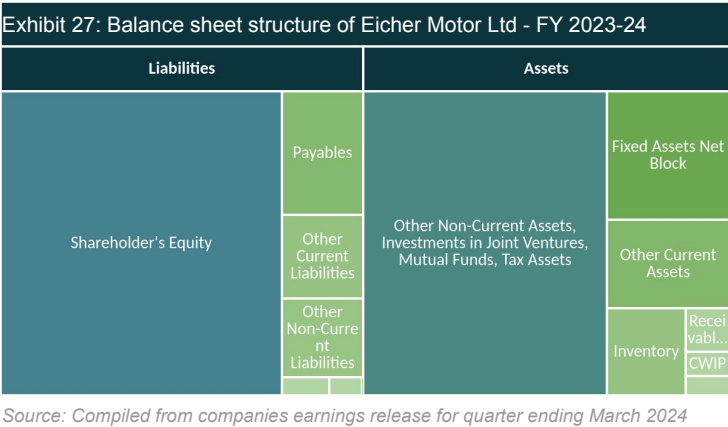


Sources: Computed from the financial data provided in the company annual reports

# Financial Analysis

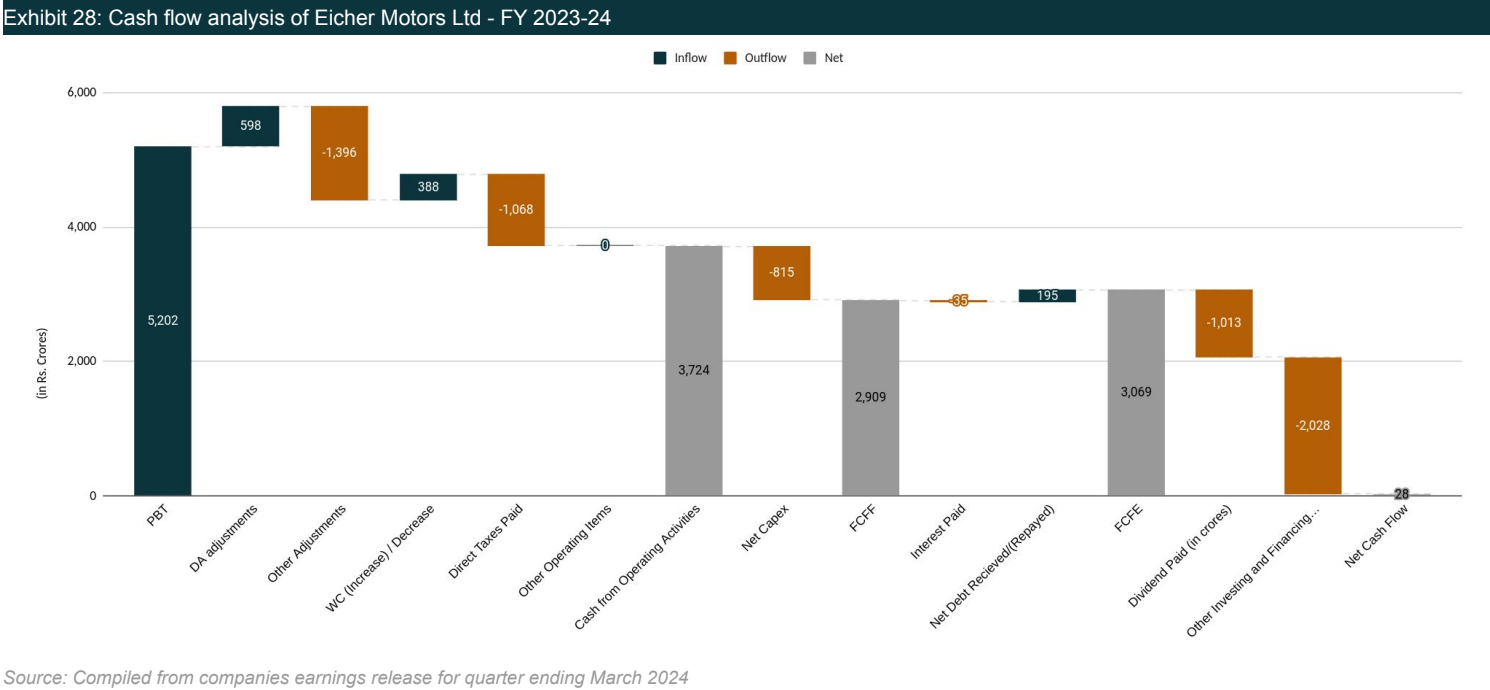
## Healthy Balance Sheet

As shown in Exhibit 27, shareholder’s equity covers most of the assets, with very low debt. For the fiscal year 2023-24, total debt was only 2.32% of the shareholder’s total equity. Regarding liquidity, the company operates with a current ratio of 1.15. The company has non-current investments amounting to ₹13,346 crores, representing 57.7% of total assets. The remaining 43.3% of the assets are employed in operational activities. This provides the company with a solid asset base that could be liquidated in the future to fund capacity expansion without needing external financing.



## Efficient Earnings Conversion

For the fiscal year, the company earned a profit before tax of ₹5,202 crore, up 36.9% from the previous fiscal year. This earnings growth efficiently translated to free cash flow to the firm (FCFF), which grew by 33.7% year-on-year. Over the last five fiscal years, the company reinvested 30% of its cash flow from operations in CAPEX. However, CAPEX reinvestments have reduced after above-average spending from 2018 to 2022 for capacity expansions, with reinvestment in the fiscal year 2023-24 being approximately 25% of the cash generated from operations. The company has maintained a dividend payout of around 34.5% of profit after taxes for the last four years. The company has a track record of effectively utilizing cash generated from operations, either by reinvesting in CAPEX or other investments, or by paying dividends to shareholders when there are no plans for capacity expansions, as indicated by the low net cash flow into the company’s liquid cash balances.





Discounted Cash Flow (DCF) based Valuation

Exhibit 29: Weighted Average Cost of Capital (WACC) computation

Tax Rate	30.00%	Marginal tax-rate for India is considered
Risk Free Rate	7.12%	RBI: 10-Year Bond Yield May-2024
Market Return Rate	14.66%	Yearly Returns of Nifty 50 (calculated based on 5 years weekly data)
Credit Rating Spread	0.40%	Spread for a AAA Stable rating of the company
Equity Ratio	95.25%	Industry median - Equity / (Equity + Debt)
Debt Ratio	4.75%	Industry median - Debt / (Equity + Debt)
Raw Beta	1.09	Levered market beta of the stock
Beta	0.86	Unlevered and then re-levered using industry median Beta
Cost of Equity	13.60%	Risk Free Rate + Beta x (Market Return Rate - Risk Free Rate)
Cost of Debt	7.52%	Risk Free Rate + Credit Rating Spread
WACC	13.20%	(Cost of Equity x Equity Ratio) + (Cost of Debt x (1 - Tax Rate) x Debt Ratio)

Source: Credit rating spread taken from <https://pages.stern.nyu.edu/~adamodar/>

Exhibit 30: Future Free Cash Flow to Firm (FCFF) estimations

(in Crores Rs. unless otherwise stated)	FY 2023-24 A	FY 2024-25 E	FY 2025-26 E	FY 2026-27 E	FY 2027-28 E	FY 2028-29 E
Mid-Year Convention	0	0.50	1.00	1.50	2.00	2.50
EBIT <sup>1</sup>	5,252.9	6,157.3	7,217.4	8,460.1	9,916.7	11,624.1
Less: Tax <sup>2</sup>	1,201.0	1,847.2	2,165.2	2,538.0	2,975.0	3,487.2
Plus: Depreciation and Amortization	597.6	632.3	673.4	717.2	763.8	813.5
Plus: Other Cash Adjustments <sup>3</sup>	(1,395.6)	(1332.0)	(1,561.3)	(1830.1)	(2145.2)	(2514.6)
Less: CAPEX <sup>4</sup>	815.0	211.8	225.6	240.3	255.9	272.6
Less: Net Working Capital Changes <sup>5</sup>	(388.0)	(128.8)	(128.8)	(128.8)	(128.8)	(128.8)
Free Cash Flow to Firm (FCFF)	2,826.9	3,527.4	4,067.5	4,697.7	5,433.2	6,292.1
Present Value of FCFF (discount rate = WACC)	2,826.9	3,315.3	3,593.1	3,900.2	4,239.6	4,614.6

1 - CAGR of EBIT over the last 5 years which is 17.22% is used to estimate future EBIT..  
2 - A nominal tax rate of 30% is applied on EBIT  
3 - Other cash adjustments are the adjustments made to the profit before tax in the operating cash flow statement of the company, excluding depreciation. For Eicher Motors Ltd, this is a significant amount. Therefore, for future projections of other cash adjustments, we have used the historical ratio of 'other cash adjustments to EBIT' and applied it to the forecasted EBIT.  
4 - We have not used the historical CAPEX to EBIT ratio for projections because the company management has not provided any forecasts. The past average CAPEX would give a higher value due to capacity expansions during that period, making it impractical for future projections. Instead, the average growth rate of the fixed asset net block over the last five years is computed and used to project the future fixed asset net block. The difference between the current period and the preceding period of the fixed asset net block is then considered as CAPEX for the current period.  
5 - An increase in net working capital is negative, and a decrease is positive. The historical changes in net working capital do not follow a fixed pattern and is a small percentage compared to EBIT. Therefore, we have used the historical average as a constant amount for future projections.

Exhibit 31: Intrinsic value estimation with DCF

Sum of PV of FCFF (Crores Rs.)	19,663
Terminal Value (Crores Rs.) @ 6% growth rate	75,081
Plus: Cash (Crores Rs.)	146
Less: Debt (Crores Rs.)	276
Intrinsic Value of the Company (Crores Rs.)	94,615
Outstanding number of Shares (Crores)	27.38
Intrinsic Value per Share (Rs.)	3,456
Current Market Price (Rs.) - 05/07/2024	4,690
Ratio of Current Market Price to Intrinsic Value	1.36

Exhibit 32: Sensitivity analysis of Intrinsic value keeping WACC constant at 13.20%

		EBIT Growth Rate						
		5.00%	10.00%	17.22%	20.00%	25.00%	30.00%	35.00%
Terminal Growth Rate	4.00%	1,729	2,125	2,860	3,204	3,923	4,790	5,828
	5.00%	1,874	2,310	3,121	3,502	4,297	5,256	6,406
	6.00%	2,061	2,548	3,456	3,882	4,774	5,851	7,144
	7.00%	2,307	2,862	3,897	4,385	5,405	6,638	8,120

Exhibit 33: Sensitivity analysis of Intrinsic value at keeping EBIT growth rate at 17.22%

		WACC						
		8.00%	10.00%	12.00%	13.20%	15.03%	16.00%	18.00%
Terminal Growth Rate	4.00%	6,325	4,285	3,262	2,860	2,647	2,235	1,940
	5.00%	8,177	4,992	3,624	3,121	2,862	2,376	2,038
	6.00%	11,880	6,053	4,107	3,456	3,132	2,545	2,152
	7.00%	22,991	7,822	4,784	3,898	3,479	2,751	2,287

Inference

With the base case scenario of WACC at 13.20%, EBIT growth rate at 17.22%, and terminal growth rate of 6%, the share price of Eicher motors Ltd of 4,690 Rs (as on 05/07/2024) is trading at 1.36 times its intrinsic value. Other case scenarios are shown in Exhibit 32 and Exhibit 33.

Comparable Company based Valuation

Exhibit 34: Peer Companies key data and valuation metrics

Company	Market Price	Market Cap	Enterprise Value (EV)	Book Value	Sales	EBITDA	PAT	EPS	EV/EBITDA	EV/Sales	P/E	P/B	P/S
	(Rs.) (05/07/2024)	(Crores Rs.)	(Crores Rs.)	(Crores Rs.)	(Crores Rs.)	(Crores Rs.)	(Crores Rs.)	(Rs.)	(x)	(x)	(x)	(x)	(x)
Eicher Motors Ltd	4,689	128,401.1	128,401.2	18,045.5	16,535.8	4,326.9	4,001.0	146.1	29.68	7.77	32.09	7.12	7.76
Hero Motocorp Ltd	5,558	111,000.2	111,045.8	17,698.9	37,788.6	5,180.6	3,742.2	187.4	21.43	2.94	29.66	6.27	2.94
TVS Motor Company Ltd	2,366	112,406.3	124,084.5	6,783.5	39,144.7	5,499.9	1,778.5	37.4	22.56	3.17	63.20	16.57	2.87
Bajaj Auto	9,460	264,146.9	263,190.5	28,962.4	44,870.4	8,761.6	7,708.2	276.1	30.04	5.87	34.27	9.12	5.89
Median Values									26.12	4.52	33.18	8.12	4.41

Market Cap, EV, Sales, EBITDA, Book Value, PAT, and EPS are based on trailing twelve months (TTM) and is computed from company quarterly results data and annual reports as on 05/07/2024.

Exhibit 35: Eicher Motors Ltd's fair share price based on median peer values

	Fair Share Price	Market Price	Market Price / Fair Price
	(Rs.)	(Rs.) (05/07/2024)	(x)
EV / EBITDA based	4,118	4,689	1.14
P/E based	4,848	4,689	0.97

Exhibit 36: Peer companies performance metrics

Company	Sales growth YoY	EBITDA growth YoY	EBIT growth YoY	PAT growth YoY	EBITDA margin	EBIT margin	PAT margin	ROE	ROCE	Asset Turnover Ratio	Asset to Equity Ratio	Debt / Equity	Interest Coverage Ratio	Current Ratio
	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(x)	(x)	(%)	(x)	(x)
Eicher Motors Ltd	14.50%	26.17%	37.24%	37.31%	26.17%	31.77%	24.20%	22.17%	29.60%	0.78	1.28	2.30%	103.20	1.15
Hero Motocorp Ltd	10.63%	13.84%	30.19%	33.65%	13.84%	13.67%	9.90%	21.14%	27.92%	1.51	1.46	3.40%	67.65	1.46
TVS Motor Company Ltd	22.43%	14.05%	40.16%	35.82%	14.05%	11.83%	4.54%	26.22%	24.93%	1.01	6.30	197.00%	2.40	1.02
Bajaj Auto	23.08%	19.53%	28.15%	27.19%	19.53%	22.51%	17.18%	26.61%	33.60%	1.20	1.28	6.60%	167.34	1.30
Median	18.47%	16.79%	18.09%	34.74%	16.79%	18.09%	13.54%	24.20%	28.76%	1.11	1.37	5.00%	85.43	1.23

Comments

Eicher Motors Ltd is the most profitable company among its peers despite having lower sales. This is attributed to its operational efficiency, which results in lower costs and expenses. With minimal leverage, Eicher Motors Ltd's Return on Equity (ROE) and Return on Capital Employed (ROCE) are on par with or better than the industry median. On the valuation front, as shown in Exhibit 35, Eicher Motors Ltd appears overvalued compared to its peers when considering the EV to EBITDA multiple. However, it is slightly undervalued when looking at the P/E ratio.

INTENTIONALLY LEFT BLANK

## Forecasts

The revenue and EPS are estimated using a top-down approach. First, the overall growth rates of the Indian two-wheeler market are forecasted based on trends and the exhaustion of pent-up demand. Then, the market share growth of mid-segment motorcycles is projected, translating into mid-segment motorcycle volumes. By forecasting Royal Enfield's market share, its volumes are derived from the projected mid-segment motorcycle volumes. Finally, standalone revenue, consolidated revenue, and sales are estimated from historical ratios of volumes to revenue. The management, in its latest conference calls, has not provided any guidance on EBITDA and PAT margins. Therefore, for the forecasts, only small improvements are considered to estimate the EPS. Finally, the fair share price is determined by applying a forward PE of 25 (base case) on the forecasted EPS.

Exhibit 37: EPS forecast of Eicher Motors Ltd.

	FY 2021-22 A	FY 2022-23 A	FY 2023-24 A	FY 2024-25 E	FY 2025-26 E	Assumptions
<b>India Motorcycle Market Forecasts</b>						
India Motorcycle Growth YoY (%)	-10.63%	13.87%	13.91%	13.00%	12.00%	Sales growth moderation expected
India Motorcycle Volumes	8,984,186	10,230,502	11,653,197	13,168,113	14,748,286	
India Midsegment Motorcycle Market Share (%)	6.43%	7.77%	8.19%	8.69%	9.19%	Mid-segment market share to continue increasing
India Midsegment Motorcycle Volumes	577,639	794,852	954,352	1,144,258	1,355,311	
India Midsegment Motorcycle Volumes Growth YoY (%)	-11.08%	37.60%	20.07%	19.90%	18.44%	
<b>Royal Enfield Volume Forecasts</b>						
RE Market Share in Midsegment (%)	90.23%	92.45%	87.47%	85.50%	83.00%	RE to loose some market share to competition
RE Domestic Volumes	521,223	734,840	834,795	978,341	1,124,908	
RE Domestic Sales Growth YoY (%)		40.98%	13.60%	17.20%	14.98%	
RE Export Sales	74,238	89,226	77,209	81,069	89,176	
RE Export Sales Growth YoY (%)		20.19%	-13.47%	5.00%	10.00%	RE exports expected to grow
RE Volumes	595,461	824,066	912,004	1,059,410	1,214,084	
RE Total Volume Growth YoY (%)		38.39%	10.67%	16.16%	14.60%	
<b>Royal Enfield Revenue Forecasts</b>						
RE Revenue from Motorcycle Sales (crores Rs.)	8,567.4	12,029.6	13,750.4	15,560.2	17,832.0	
<b>Eicher Motors Ltd. Consolidated Revenue Forecasts</b>						
Consolidated Total Revenue (crores Rs.)	10,794.0	15,350.0	18,059.4	19,959.2	22,873.2	
Consolidated Sales (crores Rs.)	10,297.8	14,442.2	16,535.8	18,698.6	21,428.6	Derived from the historical ratio of Sales to Total Revenue
EBITDA	2,177.6	3,445.7	4,326.9	4,955.1	5,742.9	
EBITDA margin (%)	21.15%	23.86%	26.17%	26.50%	26.80%	EBITDA margin small improvements
EBIT	2,221.3	3,827.7	5,252.9	5,983.5	6,857.1	
EBIT margin (%)	21.57%	26.50%	31.77%	32.00%	32.00%	EBIT margin small improvements
PAT	1,676.6	2,913.9	4,001.0	4,581.2.3	5,314.3	
PAT margin (%)	16.28%	20.18%	24.20%	24.50%	24.80%	PAT margin small improvements
<b>Eicher Motors Ltd Share Price Fair Value Estimations</b>						
Number of Shares	273,423,102	273,481,570	273,481,570	273,481,570	273,481,570	
EPS	61.3	106.5	146.3	167.5	194.3	
PE (x)	40.07	27.68	27.47	25.00	25.00	
Market Price	2,457.2	2,948.9	4,019.3	4,187.8	4,858.0	

## Management Analysis

Exhibit 38: Board of Directors of Eicher Motors Ltd.

Name	Designation and Tenure	Qualification	Comments
Mr. Siddhartha Lal	Managing Director (MD) and Chief Executive Officer (CEO) of Royal Enfield (01/05/2006 to present)	He holds a Master's degree in Automotive Engineering from the University of Leeds and is a qualified mechanical engineer from Cranfield University. Additionally, he is an Economics graduate from St. Stephen's College in Delhi and an alumnus of The Doon School.	He served as the Chief Executive Officer of Royal Enfield from 2000 to 2004 and as the Chairman of VE Commercial Vehicles from 2012 to 2017 and again from 2020 to 2023. During his tenure as CEO of Royal Enfield, a division of Eicher Motors Limited (EML), he played a crucial role in reviving the company's fortunes and strengthening stakeholder engagement with the brand. His passionate leadership has guided niche motorcycle brands to become global leaders in the mid-weight motorcycle segment. Under his leadership, the company launched several new motorcycles worldwide and received numerous awards and accolades.
Mr. S. Sandilya	Chairman & Non-Executive Independent Director (13/02/2015-present) (On 10/08/2023 a special resolution was passed to extend his tenure)	He has an MBA from the Indian Institute of Management and an undergraduate degree from the University of Madras.	He joined Eicher in 1975 and has played a pivotal role in the company's growth. He has held various positions across different business units, including serving as Managing Director of Eicher Motors Limited, the Group's commercial vehicles manufacturing business, until 1998. He then moved to the Group Office, taking on responsibilities for Group Finance and Strategic Planning while continuing as the MD of Eicher Motors. In April 2000, he was appointed Group Chairman and CEO, overseeing a diverse portfolio that included agricultural tractors, commercial vehicles, motorcycles, engineering components, engineering solutions, and business consulting services. Since 2006, following his superannuation, he has served as the Non-Executive Chairman.
Mr. Govindarajan Balakrishnan	Whole-time Director (18/08/2021 to present)	He received his Mechanical Engineering degree from Annamalai University, Tamil Nadu, and also holds a Post Graduate Diploma in Materials Management.	He has spent over two decades at Eicher Motors Ltd and Royal Enfield. He is currently the CEO of Royal Enfield and a Wholetime Director on the Board of EML since May 2022. Additionally, he serves as EML's Director on the Board of Stark Future, where EML has acquired an equity stake. Previously, he served as the Executive Director of Royal Enfield since August 2021, and prior to that, he was the Chief Operating Officer (COO) at the company since 2013. At Royal Enfield, he was responsible for overseeing the entire manufacturing activity and the implementation of Lean and Quality Management Systems. He played a key role in implementing extensive cost management strategies in sourcing and operations.
Mr. Vinod Aggarwal	Managing Director (MD) and Chief Executive Officer (CEO) of VECV (01/04/2019 to present)	He is a Commerce graduate from Punjab University and a fellow member of the Institute of Chartered Accountants of India. He is also an associate member of the Institute of Cost Accountants of India.	An industry veteran with over 40 years of rich experience in general management, finance and operations, Vinod has been leading the joint venture since 2010, two years after it was formed. Vinod has won several awards for his contributions to the commercial vehicle industry including the "CV Man of the Year" twice in 2019 and 2014. He was also recognised as the "Best CEO- Medium and Heavy Duty truck makers" in 2016 by World Auto Forum and the "Hall of Fame 2015" by Manufacturing Today. He is presently the Treasurer of the Society of Indian Automobile Manufacturers (SIAM).
Ms. Manvi Sinha	Non-executive Independent Director (13/02/2015 to present)	She has a B.A. (Honours) degree in Economics from St. Stephen's College, Delhi University and has completed the Intermediate level from the Institute of Chartered Accountants of India.	She brings a wealth of experience in journalism. She served as Chief Revenue Officer at NDTV Ltd. from January 2018 to November 2019, during which time the broadcast company achieved its best financial results (FY 2018-19) in 14 years. Prior to this, she had a twenty-year career in television business journalism, holding roles ranging from anchoring and production to business development and operational-cum-editorial leadership at NDTV. She also presented the India Business Report on BBC World. Before joining NDTV, Ms. Sinha worked in the Audit and Business Advisory division of Arthur Andersen.
Mr. Inder Mohan Singh	Non-executive Independent Director (12/11/2018 to present)	He is a fellow member of the Institute of Company Secretaries of India, a law graduate from Delhi University and a postgraduate in Finance.	He is also a Partner at Shardul Amarchand Mangaldas & Co., a prominent law firm, specializing in various practice areas such as General Corporate, Mergers & Acquisitions, Private Equity, Corporate Governance, and Education. With extensive experience in the automobile industry, he focuses on matters involving joint ventures, distribution networks, business transfers, and technology licensing issues. Mr. Singh's expertise extends across diverse sectors including cement, media and entertainment, telecom, real estate, and the education sector.
Mr. Tejpreet S. Chopra	Non-executive Independent Director (29/09/2023 to present)	He holds an MBA degree from Cornell University, a B.A. Honors degree in Economics from St. Stephen's College, Delhi University and has also attended an executive program at the Harvard Kennedy School.	He is the Founder and CEO of the Bharat Light & Power Group (BLP), one of the leading renewable energy generation and technology companies in India. Starting his career in 1996, Tejpreet has worked extensively with General Electric. He has over 25 years of global management and finance experience gained in various business roles held in France, England, Hong Kong, India and USA, of which over 14 years were at General Electric.
Mr. Subramanian Madhavan	Non-executive Independent Director (29/09/2023 to present)	S.Madhavan is a member of the Institute of Chartered Accountants of India, an MBA from IIM Ahmedabad.	has around 38 years of experience in Accountancy, Economics, Finance, Law, Information Technology, human resources, management, Business Management, and Banking. He has served as a Senior Partner and Executive Director at PricewaterhouseCoopers for several years and has held several senior positions there. He started his career with Hindustan Unilever Limited where he spent several years in the 1980s. In addition to this, he has also been the President, the Northern Region, Indo-American Chamber of Commerce, and the Co-Chairman of the Taxation Committee, ASSOCHAM. He is on the board of several listed companies, such as HCL Technologies, ICICI Bank, Sterlite Technologies, Procter & Gamble Health and Transport Corporation of India and is a Chairman/member of various board committees.

Source: Company website, annual reports and BSE.

## Management Analysis

Eicher Motors Ltd.'s board meets the statutory regulation in terms of board composition of Independent and Non-Independent directors as well as committee compositions. It is composed of members with the essential skills and competencies needed for effective functioning in the company's business context. These include extensive experience and knowledge of the automobile industry, technical expertise, and specialized knowledge in various fields. Board members possess significant experience in corporate governance, finance, corporate strategy, engineering, media, law, general management, public relations, and information technology. The board member's are actively involved in all the board and committee meetings with 100% attendance in the fiscal year 2022-23.

In our research, it is observed that in the past some key managerial personnel have resigned from the company. Mr Manhar Kapoor, Company Secretary resigned on 11/03/2022, Mr. Kaleeswaran Arunachalam, Chief Financial Officer resigned on 02/09/2022. Mr. Prateek Jalan, the Non Executive Independent Director, resigned on 13/10/2018, and Mr. M.J. Subbaiah, the Non Executive Independent Director, who was in the audit committee resigned on 31/03/2018. The details about the reasons for the resignations could not be found in public domain.

Exhibit 39: Key Management Personnel (KMP) and Board of Directors' remuneration - peer analysis - FY 2022-23

(in lakhs Rs. unless otherwise stated)	KMP total remuneration	KMP total remuneration % of sales	KMP total remuneration % of PAT	KMP highest remuneration	Executive Directors' median remuneration	Independent Directors' median remuneration	Employee median remuneration	KMP avg. increase in remuneration YoY	Employees avg. increase in remuneration YoY
Eicher Motors Ltd	3,786	0.26%	1.30%	2,749	1,704	42	7	17.63%	15.00%
Hero Motocorp Ltd	12,301	0.36%	4.39%	9,955	5,384	38	12	21.28%	3.38%
TVS Motor Company Ltd	8,027	0.25%	6.13%	3,390	2,900	40	10	21.22%	8.00%
Bajaj Auto	7,245	0.20%	1.20%	4,757	1,037	39	5	38.78%	5.38%

Source: Compiled from the data provide in the company annual reports

The total remuneration paid to key managerial personnel (KMP) at Eicher Motors Ltd is within the limits approved by the shareholders pursuant to the provisions of Section 197 read with Section 198 of the Companies Act, 2013 and the rules made thereunder and also in line with industry standards. As a percentage of profits, the remuneration for Eicher Motors Ltd's KMP is lower compared to its peers, with the exception of Bajaj Auto. The highest KMP remuneration is 407 times the median employee remuneration, and the median remuneration for independent directors is 6.15 times the median employee remuneration. In comparison, for Eicher Motors Ltd's peers, these figures are 610 times and 5.05 times, respectively.

## Highlights from Management Discussion - Q4/2024

- The management is focussed on having a long term strategy in international markets in the form of organic growth with its own subsidiaries, CKDs, and stores. South America, Indonesia, and Thailand are key international markets to create mini India's in terms of sales growth in midsegment motorcycles.
- Capacity expansion is not capital intensive as it can be extended with additional shifts and further it can also be ramped up with assembly line extension.
- The management does not see any significant cost pressures as commodity prices are stable and the company focuses on value engineering to offset potential cost increases.
- Focus on sustainability with zero liquid discharge and renewable energy usage.
- Management has not shared the guidance for sales in international market but is optimistic of growth.



## Analyst Coverage

Exhibit 40: Recent analyst ratings for Eicher Motors Ltd

Date of Recommendation	Analyst	Price at recommendation	Target	upside (%)	Recommendation
07/07/2024	Consensus Share Price Target	4737.3	4551.4	-3.92%	-
17/05/2024	BOB Capital Markets Ltd. Target	4693.9	4633.0	-1.30%	Hold
13/05/2024	ICICI Direct Target	4657.5	5500.0	18.09%	Buy
13/05/2024	Axis Direct Target	4657.5	5135.0	10.25%	Buy
12/05/2024	Emkay Reco Target	4657.9	3400.0	-27.00%	Sell
14/02/2024	Prabhudas Lilladhar Target	3901.6	4100.0	5.09%	Accumulate
14/02/2024	Axis Direct Target	3901.6	4250.0	8.93%	Buy
13/02/2024	BOB Capital Markets Ltd. Target	3854.2	4045.0	4.95%	Neutral

Source: Trendlyne

## Disclaimer

This equity research report is intended solely for informational purpose. This report is based on information obtained from sources believed to be reliable but is not guaranteed as to its accuracy or completeness. The opinions, estimates, and projections contained in this report reflect the author's judgment as of the date.

### General Disclaimer

- **No Investment Advice:** This report is not intended to provide personal investment advice and it does not consider the specific investment objectives, financial situation, and the particular needs of any specific person who may receive this report. Investors should seek financial advice regarding the appropriateness of investing in any securities or investment strategies discussed or recommended in this report.
- **No Offer or Solicitation:** This report is not an offer to buy or sell or the solicitation of an offer to buy or sell any security or instrument or to participate in any particular trading strategy.
- **Risk Disclosure:** Investing in equity securities involves risks, including the potential loss of principal. Past performance is not indicative of future results. The value of and income from investments may fluctuate because of changes in interest rates, foreign exchange rates, or other factors.

### Research Independence

- **Conflict of Interest:** The author of this report does not hold any positions in the securities of the company analysed as on the published date. Also the author is not incentivised by the analysed company to publish this report.
- **Accuracy of the report:** The information contained in this report is compiled from publicly available data and other sources believed to be reliable, but no guarantee can be provided.

The author of this report is not a SEBI registered research analyst. Investment in securities market are subject to market risks. Please consult a SEBI registered investment advisor before making any investments.

This report cannot be shared or posted in the public domain or on social media without the explicit permission of the author (Brian Pinto).