

Price: 5,811

Recommendation: Buy

Industry: 2/3 Wheelers

Sector: Consumer Discretionary

Report Date: 21-Apr-2025

Eicher Motors Limited is advancing its position in the middleweight motorcycle segment with new models like the Classic 650 and Guerrilla 450. The company is also expanding into electric mobility, collaborating with Qualcomm for connectivity and launching the Flying Flea brand. Eicher is enhancing its retail presence and has opened a CKD plant in Thailand. Despite strong performance, challenges in cost management and geopolitical issues remain.

Sales		Profit & Loss		Profitability Matrix	
Current Year	17537 Cr	Operating Profit(Year)	4662 Cr	Operating Profit Margin	26.6 %
Previous Year	14067 Cr	Operating Profit(Quarter)	1224 Cr	EBITDA Margin	31.65 %
Current Quarter	4908 Cr	PAT (Year)	3750 Cr	Net Profit Margin	23.3 %
Previous Quarter	4205 Cr	PAT (Quarter)	1056 Cr	EPS	151
Revenue (QYoY)	4054 Cr				
Valuation Matrix		Growth(YoY)		Growth(QoQ)	
Trailing P/E	38.6	Sales Growth	11.6 %	Sales Growth	16.72 %
PEG Ratio	3.05	PAT Growth	43.02 %	Sales Growth QYoY	21.07 %
EV/EBITDA	26.5	EPS Growth	10.22 %	PAT Growth	4.55 %
P/B	9.68	Dividend Yield	0.91	PAT Growth QYoY	15.54 %
Capital Allocation		Holdings		Leverage	
RoE	26.2 %	Promoter	49.1 %	Debt/Equity	0.01
RoA	20.1 %	FII	25.0 %	Debt	206 Cr
RoCE	34.5 %	DII	16.6 %	Market Cap	159304 Cr
RoIC	120 %	Public	9.25 %	Enterprise value	159406 Cr
		No of Shares	27.4 Cr	Cash Equivalents	104 Cr

source : Company filings

Company's Overview Based on Recent Concall and Performance:

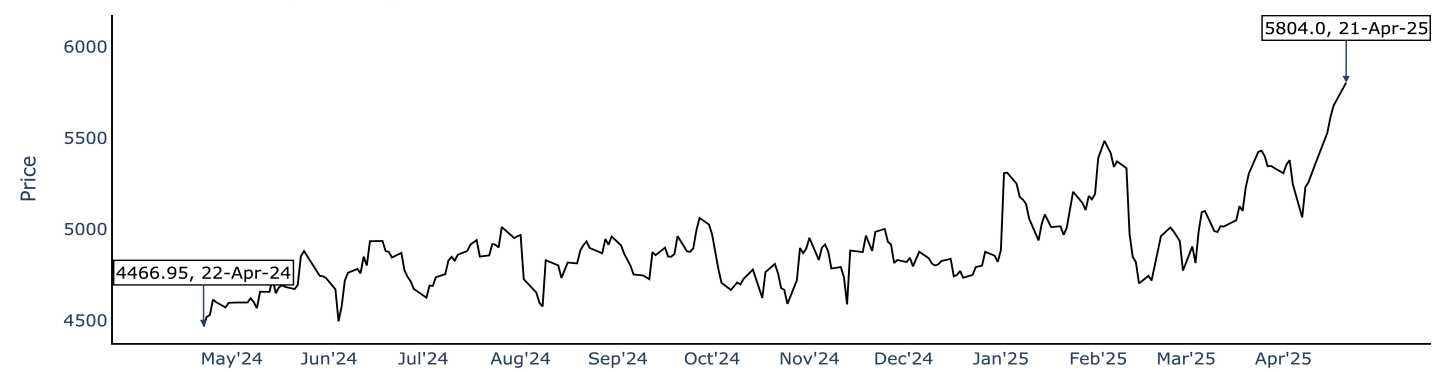
Eicher Motors Limited's recent conference call highlighted several new initiatives and strategic directions. The company is focusing on expanding its product lineup with the launch of new motorcycles like the Classic 650, Goan Classic, Bear 650, and Guerrilla 450. These launches are part of a broader strategy to strengthen their position in the middleweight motorcycle segment. Additionally, Eicher is ramping up its brand awareness campaigns and market activations, particularly for the Classic 650 and other new models. The company is also building and scaling initiatives like REOWN and assured buyback, which are gaining traction. This focus on growth is evident in their actions, as they aim to outgrow the motorcycle industry in the long term.

In terms of diversification, Eicher Motors is making significant strides in electric mobility. They announced a collaboration with Qualcomm Technologies to deliver advanced connectivity to their customers, reflecting their commitment to innovation. The company also unveiled the Flying Flea brand at EICMA, marking their entry into the electric vehicle market. Furthermore, Eicher is expanding its retail presence with new apparel brand stores in Pune and Gurgaon, offering a premium range of riding gear and lifestyle apparel. These efforts are complemented by the inauguration of their first fully-owned CKD plant in Thailand, which strengthens their commitment to the Asia Pacific region.

Looking ahead, Eicher Motors is well-positioned for future growth and scaling. The company has maintained its market share in key markets, with Royal Enfield being a leading middleweight brand in the UK and among the top three in Europe. The Hunter 350 has crossed a milestone of 500,000 sales, showcasing its global appeal. Eicher's focus on expanding its international footprint is evident in their cautious optimism about international markets, where they are taking direct entry through subsidiaries. The scalable CKD facility in Thailand is expected to deliver 5,000 to 7,000 motorcycles a month, further supporting their growth ambitions.

While Eicher Motors has demonstrated strong performance, there are areas for improvement. The company could enhance its cost management and pricing discipline to sustain margin expansion. Additionally, while the international market performance has been good, geopolitical challenges and tariff-related concerns could impact future growth. Eicher's focus on brand building and market activations is crucial, but balancing these efforts with profitability remains a challenge. Overall, Eicher Motors is on a strong growth trajectory, with a clear strategic vision and commitment to innovation and market expansion.

EICHERMOT Daily Closing One Year Price Chart



Name	Mar Cap (Rs. Cr.)	P/E	ROE	Sales(G) QoQ	Sales(G) QYoY	PAT(G) QoQ	PAT(G) QYoY
Hero Motocorp	78335.20	18.90	21.95%	-2.13%	4.82%	4.12%	1.51%
Urja Global	673.10	420.69	1.18%	3.64%	84.31%	53.13%	-45.56%
Wardwizard Inno.	549.56	119.99	14.79%	48.28%	-18.84%	164.43%	-32.63%
Ola Electric	23324.42			-13.92%	-19.37%	-13.94%	-51.61%
Tunwal E-Motors	176.96	15.00	82.16%		65.47%		6.96%

Aspect	Commentary
Revenue	The company shows a robust revenue increase, with a significant year-over-year growth of 11.6% and quarter-over-quarter growth of 16.72%. This indicates strong sales performance and market demand, reflecting effective strategies in expanding product offerings and market reach.
Profit & Loss	Operating profit and PAT have shown substantial growth, with PAT increasing by 43.02% YoY. This suggests efficient cost management and strong operational performance, contributing to improved profitability and shareholder value.
Profitability Matrix	The company maintains healthy profitability margins, with an operating profit margin of 26.6% and a net profit margin of 23.3%. These figures highlight the company's ability to convert sales into actual profit effectively, ensuring sustainable financial health.
Valuation Matrix	The valuation metrics, including a trailing P/E of 38.6 and a PEG ratio of 3.05, suggest the company is valued at a premium, reflecting investor confidence in its growth prospects. However, the high P/B ratio of 9.68 indicates potential overvaluation.
Growth (YoY)	Year-over-year growth metrics are strong, with sales and PAT growth indicating robust business expansion. The EPS growth of 10.22% further underscores the company's ability to enhance shareholder returns through effective earnings management.
Growth (QoQ)	Quarter-over-quarter growth is impressive, with sales and PAT showing positive trends. This consistent growth trajectory highlights the company's ability to adapt and thrive in dynamic market conditions, ensuring ongoing business momentum.
Capital Allocation	The company demonstrates efficient capital allocation with high returns on equity (26.2%), assets (20.1%), and capital employed (34.5%). This indicates effective use of resources to generate substantial returns, enhancing overall financial performance.
Holdings	The promoter holding of 49.1% reflects strong insider confidence, while significant FII and DII holdings indicate robust institutional interest. The diverse shareholder base supports market stability and investor confidence in the company's future prospects.
Leverage	With a low debt/equity ratio of 0.01, the company maintains a conservative leverage position, minimizing financial risk. This prudent financial management ensures stability and flexibility in capital structure, supporting long-term growth initiatives.

Analyst viewpoint: Eicher Motors is demonstrating robust momentum, with a noteworthy quarter-over-quarter sales growth of 16.72% and a year-over-year increase of 11.6%. This growth signifies their effective strategies in expanding product offerings and enhancing market reach in the middleweight motorcycle segment. The uptrend aligns with the innovations underway, such as new model launches and expansion into electric mobility through collaborations like those with Qualcomm, enhancing their product connectivity features. The valuation of Eicher Motors, highlighted by a trailing P/E of 38.6 and a PEG ratio of 3.05, reflects a premium market confidence, reinforcing the growth prospects in the short to mid-term. These financial metrics underscore the company's trajectory toward sustained profitability and market expansion supported by efficient capital allocation shown by a high return on equity at 26.2%.

Eicher's strategic direction is bolstered by its increasing international footprint and operational excellence, such as establishing a CKD plant in Thailand, aimed at amplifying their production capacity. The strategic deployment of initiatives such as REOWN and assured buyback schemes is advancing brand loyalty, contributing to enhanced market penetration. Competitive analysis shows Eicher maintaining a significant edge over peers through consistent growth figures and expansion into international markets, setting a robust stage for future scaling. However, a potential area of caution remains the geopolitical challenges and tariff concerns that may impact international growth margins, necessitating continued vigilance in cost management and pricing strategies to sustain margins. Overall, Eicher Motors stands well-positioned for continued growth and shareholder value enhancement in the dynamic automotive landscape.

Please read detailed disclosure on next page.

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Investment Rating	Expected Return (over 12-month)
BUY	>=15%
SELL	<-10%
NEUTRAL	>-10% to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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