


Largely Inline Estimates; New Model Launches to Drive Growth
Est. Vs. Actual for Q1FY25: Revenue – **INLINE**; EBITDA – **INLINE**; PAT – **BEAT**
Change in Estimates post Q1FY25
FY25E/FY26E: Revenue: -2.1%/-1.8%; EBITDA: -3.2%/-1.8%; PAT: 1.4%/2.3%

Recommendation Rationale

- New Product Launches:** Multiple new products are slated for launch in FY25/26E, with the management confident that each will have the potential to become a market leader in its respective segment. The company launched the Guerrilla 450, a premium modern roadster on the Sherpa platform, in Spain during Q1. Additionally, a refreshed version of the Classic is expected to be launched this month in India. The company may also introduce a modified version of the Bullet 350 to address the subdued volume uptick, based on feedback from market participants.
- International market:** Due to the unfavourable macroeconomic situation, industry growth has been stagnant in the international markets. The management has indicated that new products, such as the Himalayan 450, have been launched internationally and are confident of an uptick in volumes. While we anticipate a gradual increase in volumes, it is expected to be challenging to capture market share from established competitors like Harley-Davidson and Triumph in developed markets.
- VECV Business:** Even though the highest quarterly sales were achieved in Q1FY25, EBITDA margins for the CV business remained under pressure due to the competitive market situation. The company sold 19,702 units, capturing a market share of 17.3% in Q1. Parts sales for the quarter were Rs 601 Cr, up 27% YoY. The market share breakdown for Q1FY25 includes approximately 34% in Light & Medium Duty Trucks, ~9% in Heavy Duty Trucks, 20.3% in Buses, and ~95.3% in Volvo Trucks (high-end premium trucks). The company had 950 distribution touchpoints in Q1FY25. VECV's Q1FY25 EBITDA was Rs 385 Cr, flat YoY, with EBITDA margins at 7.7% (down 20 bps). The company unveiled the first electric SCV platform (2T to 3.5T) at Bharat Mobility 2024, with deliveries expected to commence in the next few months.

Sector Outlook: Positive
Company Outlook & Guidance: The company will focus on its existing lineup to maximize business opportunities while also launching new products. In Q1FY25, management noted that retailers in export markets experienced healthy growth. A recovery in international market growth is anticipated over the next few quarters. The management expects the CV industry to grow in the long term, despite potential short-term challenges, due to positive domestic economic factors, replacement demand, and robust government infrastructure spending.

Current Valuation: We value RE standalone business at 27x on FY26 EPS (unchanged) and VECV at 12x EV/EBITDA on FY26 EBITDA (unchanged).

Current TP: Rs 5,060/share (Earlier TP: Rs 5,135/share)

Recommendation: We maintain our **BUY** rating on the stock.

Financial Performance: Eicher reported Q1FY25 standalone Revenue and EBITDA which were in line with our estimates while PAT was a beat. Revenue was up ~8.5%/0.5% YoY/QoQ respectively led by a higher mix of >350 cc motorcycles and price hikes (sales volume was flat both YoY/QoQ at 228k units in Q1FY25). EBITDA grew by ~16%/2% YoY/QoQ, mainly led by higher ASP. The EBITDA margins stood at 27.9%, up 190/30bps YoY/QoQ. Std PAT beat estimates by 11% and grew by 19.1%/11.6% YoY/QoQ respectively, mainly following the EBITDA growth and higher other income.

Outlook: We expect RE volumes to grow mid-single digits in FY25/26E and standalone Revenue/EBITDA to grow higher at 13% each CAGR over FY24-26E. The VECV may witness a marginal decline in volumes in the near term; however, the company's long-term growth potential remains intact with its execution capability and foray into the EV SCV category.

Valuation & Recommendation: We maintain our **BUY** rating on the stock with a TP of Rs 5,060/share (earlier Rs 5,135/share). We value RE standalone business at 27x FY26 EPS (unchanged) and VECV at 12x EV/EBITDA on FY26E EBITDA (unchanged), implying an upside of 11% from the CMP.

Key Financials (Standalone)

| (Rs Cr) | Q1 FY 25 | QoQ (%) | YoY (%) | Axis Est. | Variance |
|---------------|----------|---------|---------|-----------|----------|
| Net Sales | 4,231 | 0.9% | 8.5% | 4,308 | -1.8% |
| EBITDA | 1,179 | 2.0% | 16.4% | 1,172 | 0.6% |
| EBITDA Margin | 27.9% | 30 bps | 190 bps | 27.2% | 65 bps |
| Net Profit | 1,088 | 10.6% | 19.1% | 979 | 11.1% |
| EPS (Rs) | 39.7 | 10.6% | 19.0% | 35.8 | 10.9% |

Source: Company, Axis Research

 (CMP as of 8th Aug 24)

| | |
|----------------------------|-------------|
| CMP (Rs) | 4,578 |
| Upside /Downside (%) | 11% |
| High/Low (Rs) | 5,057/3,272 |
| Market cap (Cr) | 1,25,463 |
| Avg. daily vol. (6m) Shrs. | 7,32,958 |
| No. of shares (Cr) | 27.4 |

Shareholding (%)

| | Dec-23 | Mar-24 | Jun-24 |
|-----------------|--------|--------|--------|
| Promoter | 49.15 | 49.15 | 49.11 |
| FII's | 30.27 | 28.95 | 28.81 |
| MFs / UTI | 5.61 | 6.55 | 7.55 |
| Financial Inst. | 0.08 | 0.10 | 0.17 |
| Others | 14.89 | 15.25 | 14.36 |

Financial & Valuations

| Y/E March (Rs Cr) | FY24 | FY25E | FY26E |
|-------------------|--------|--------|--------|
| Net Sales | 16,078 | 18,547 | 20,393 |
| EBITDA | 4,380 | 4,987 | 5,588 |
| Net Profit | 3,749 | 4,326 | 4,779 |
| EPS (Rs.) | 137.1 | 158.2 | 174.8 |
| PER (x) | 33.4 | 28.9 | 26.2 |
| EV/ EBITDA | 25.9 | 22.3 | 19.4 |
| P/BV (x) | 8.0 | 7.0 | 6.0 |
| RoE (%) | 26.2 | 25.8 | 24.7 |

Change in Estimates (%)

| Y/E Mar | FY24 | FY25E | FY26E |
|---------|------|-------|-------|
| Sales | | -2.1% | -1.8% |
| EBITDA | | -3.2% | -1.8% |
| PAT | | 1.4% | 2.3% |

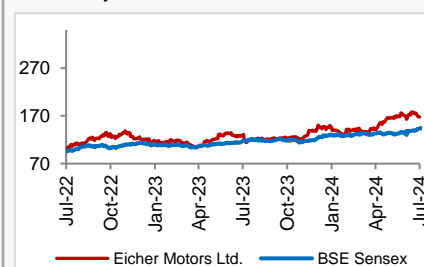
ESG disclosure Score**

| | |
|----------------------------|------|
| Environmental Disclosure | 43.0 |
| Social Disclosure Score | 35.4 |
| Governance Disclosure | 76.1 |
| Total ESG Disclosure Score | 51.5 |

Sector Average **46.40**

Source: Bloomberg, Scale: 0,1-100

**Note: This score measures the amount of ESG data a company reports publicly and does not measure the company's performance on any data point. All scores are based on 2022 disclosures. The Sector average is for NSE500 companies

Relative performance


Source: Ace Equity, Axis Securities

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Key Concall Highlights

- **Network and Touch Points:** In the international market, RE has 1,085+ global touchpoints – 240 exclusive stores and 844+ multi-brand outlets.
- **VECV Spare parts:** The company's annual part sales in Q1FY25 was Rs 601 Cr, up 27% YoY.
- **VECV Exports:** Exports Q1 grew to 1,192 units, registering a robust growth of 57.5% over Q1 FY24.
- **Exports:** The management stated that retail in international markets continues to improve, even though wholesale volume has corrected.
- **Inventory Optimization:** The company is aiming to ensure the right products/inventory mix at the dealership level to optimise sales and production of motorcycles. This is a shift from their earlier forecast model to an auto-replenishment system.

Key Risks to Our Estimates and TP

- Increasing competitive intensity poses a risk to the company in the >250cc segment where the company has the highest market share.
- Macro Economic headwinds driving lower exports for longer (than our estimates) could pose a downside risk.

Change in Estimates

| | Revised | | | Old | | | % Change | | |
|--------|---------|--------|--------|--------|--------|--------|----------|-------|-------|
| | FY24E | FY25E | FY26E | FY24E | FY25E | FY26E | FY24E | FY25E | FY26E |
| Sales | 16,078 | 18,547 | 20,393 | 16,078 | 18,938 | 20,758 | 0.0% | -2.1% | -1.8% |
| EBITDA | 4,380 | 4,987 | 5,588 | 4,380 | 5,151 | 5,688 | 0.0% | -3.2% | -1.8% |
| PAT | 3,749 | 4,326 | 4,779 | 3,749 | 4,267 | 4,671 | 0.0% | 1.4% | 2.3% |
| EPS | 137.1 | 158.2 | 174.8 | 137.1 | 156.1 | 170.9 | 0.0% | 1.4% | 2.3% |

Source: Company, Axis Securities Research

Q1FY25 Results Review (Standalone)

| YE March (Rs Cr) | Q1FY25 | Axis Sec Estimates | Axis Sec Var (%) | Q4FY24 | QoQ (%) | Q1FY24 | YoY (%) |
|--|-----------------|---------------------------|----------------------|-----------------|----------------------|-----------------|----------------------|
| Domestic 2W | 2,04,686 | 2,04,522 | | 2,04,522 | 0.1% | 2,07,171 | -1.2% |
| Exports 2W | 21,335 | 23,151 | | 23,151 | -7.8% | 20,535 | 3.9% |
| Total Volumes (Units) | 2,26,021 | 2,27,673 | | 2,27,673 | -0.7% | 2,27,706 | -0.7% |
| Total Revenue from operations | 4,231 | 4,308 | -1.8% | 4,192 | 0.9% | 3,901 | 8.5% |
| ASP (Rs/ vehicle in lakhs) | 1.87 | 1.89 | -1.1% | 1.84 | 1.7% | 1.71 | 9.3% |
| Less: | | | | | | | |
| Net Raw Material consumed | 2,251 | 2,313 | -2.7% | 2,253 | -0.1% | 2,211 | 1.8% |
| Other Exp. | 472 | 504 | -6.3% | 476 | -0.8% | 407 | 16.2% |
| Personnel | 329 | 319 | 3.2% | 308 | 7.0% | 271 | 21.5% |
| Total Expenditure | 3,053 | 3,136 | -2.7% | 3,037 | 0.5% | 2,889 | 5.7% |
| EBITDA | 1,179 | 1,172 | 0.6% | 1,155 | 2.0% | 1,013 | 16.4% |
| Less: Depreciation | 158 | 147 | 7.4% | 155 | 2.3% | 135 | 17.1% |
| EBIT | 1,020 | 1,024 | -0.4% | 1,001 | 2.0% | 877 | 16.3% |
| Less: Interest | 5 | 5 | -9.0% | 6 | -23.1% | 3 | 31.2% |
| Add: Other Income | 417 | 279 | 49.8% | 307 | 35.7% | 335 | 24.5% |
| Profit Before Extraordinary Items and Tax | 1,433 | 1,298 | 10.4% | 1,302 | 10.1% | 1,209 | 18.5% |
| Extraordinary Expense/(Income) | 0 | 0 | | 0 | | 0 | |
| Profit Before Tax | 1,433 | 1,298 | 10.4% | 1,302 | 10.1% | 1,209 | 18.5% |
| Less: Total Tax | 345 | 319 | 8.3% | 319 | 8.2% | 295 | 16.8% |
| Profit After Tax | 1,088 | 979 | 11.1% | 983 | 10.6% | 914 | 19.1% |
| Adj. Net Profit | 1,088 | 979 | 11.1% | 983 | 10.6% | 914 | 19.1% |
| Shares Outstanding (Cr) | 27 | 27 | 18.5% | 27 | | 27 | |
| Reported EPS (Rs.) | 39.7 | 35.8 | 10.9% | 35.9 | 10.6% | 33.4 | 19.0% |
| Adj. EPS (Rs.) | 39.7 | 35.8 | 10.9% | 35.9 | 10.6% | 33.4 | 19.0% |
| Cost & Margin Analysis | Q1 FY 25 | Axis Sec Estimates | Change in bps | Q4 FY24 | Change in bps | Q1 FY24 | Change in bps |
| Net Raw Material/Net Sales (%) | 53.2% | 53.7% | (49) | 53.7% | -54 | 56.7% | -347 |
| Other Exp./Net Sales (%) | 11.2% | 11.7% | (54) | 11.4% | -20 | 10.4% | 74 |
| Personnel/Net Sales(%) | 7.8% | 7.4% | 38 | 7.3% | 44 | 6.9% | 83 |
| GM (%) | 46.8% | 46.3% | 49 | 46.3% | 54 | 43.3% | 347 |
| EBITDA Margin (%) | 27.9% | 27.2% | 65 | 27.6% | 30 | 26.0% | 190 |
| EBIT (%) | 24.1% | 23.8% | 34 | 23.9% | 25 | 22.5% | 162 |
| PBT Margin (%) | 33.9% | 30.1% | 374 | 31.1% | 281 | 31.0% | 287 |
| NPM (%) | 25.7% | 22.7% | 298 | 23.5% | 226 | 23.4% | 229 |
| Adj. NPM (%) | 25.7% | 22.7% | 298 | 23.5% | 226 | 23.4% | 229 |
| Effective Tax Rate (%) | 24.1% | 24.6% | (48) | 24.5% | -40 | 24.4% | -34 |

Source: Company, Axis Securities research

Financials (Standalone)

Profit & Loss

(Rs Cr)

| Y/E March (RsCr) | FY23A | FY24 | FY25E | FY26E |
|----------------------------|--------------|--------------|--------------|--------------|
| Net revenues | 14,067 | 16,078 | 18,938 | 20,758 |
| Operating expenses | 10,673 | 11,698 | 13,787 | 15,070 |
| EBIDTA | 3,394 | 4,380 | 5,151 | 5,688 |
| EBITDA margin (%) | 24.1 | 27.2 | 27.2 | 27.4 |
| Other income | 640 | 1,168 | 1,114 | 1,204 |
| Interest | 13 | 19 | 20 | 20 |
| Depreciation | 512 | 559 | 590 | 680 |
| Profit Before Tax | 3,508 | 4,970 | 5,656 | 6,192 |
| Tax | 886 | 1,221 | 1,389 | 1,521 |
| Reported Net Profit | 2,623 | 3,749 | 4,267 | 4,671 |
| Net Margin (%) | 18.6 | 23.3 | 22.5 | 22.5 |
| Adjusted Net Profit | 2,623 | 3,749 | 4,267 | 4,671 |

Source: Company, Axis Securities research

Balance Sheet

(Rs Cr)

| Y/E March (Rs. Crs) | FY23A | FY24 | FY25E | FY26E |
|-------------------------------------|---------------|---------------|---------------|---------------|
| Equity capital | 27 | 27 | 27 | 27 |
| Reserves & surplus | 12,860 | 15,666 | 17,868 | 20,801 |
| Shareholders' funds | 12,887 | 15,694 | 17,895 | 20,828 |
| Total Loans | 91 | 939 | 939 | 939 |
| Deferred tax liability | 303 | 480 | 480 | 480 |
| Total Liabilities and Equity | 13,281 | 17,113 | 19,340 | 22,273 |
| Gross block | 5,319 | 6,052 | 7,052 | 8,052 |
| Depreciation | 2,719 | 3,278 | 3,868 | 4,548 |
| Net block | 2,600 | 2,774 | 3,184 | 3,505 |
| Capital WIP | 468 | 553 | 468 | 468 |
| Investments | 10,280 | 11,307 | 13,080 | 14,480 |
| Inventory | 911 | 1,069 | 1,236 | 1,350 |
| Debtors | 702 | 573 | 660 | 726 |
| Cash & Bank Bal | 796 | 1,346 | 1,701 | 3,079 |
| Loans & Advances | 1,118 | 2,851 | 2,851 | 2,851 |
| Current Assets | 3,527 | 5,838 | 6,447 | 8,006 |
| Sundry Creditors | 1,753 | 2,028 | 2,326 | 2,541 |
| Other Current Liability | 1,842 | 1,332 | 1,514 | 1,645 |
| Current Liability & Provisions | 3,595 | 3,360 | 3,840 | 4,186 |
| Net current assets | -68 | 2,479 | 2,608 | 3,821 |
| Total Assets | 13,281 | 17,113 | 19,340 | 22,273 |

Source: Company, Axis Securities research

Cash Flow

(Rs Cr)

| Y/E March (Rs. Crs) | FY23A | FY24 | FY25E | FY26E |
|--|----------------|----------------|----------------|----------------|
| EBIT | 2,881 | 3,821 | 4,397 | 4,908 |
| Other Income | 640 | 1,168 | 1,357 | 1,447 |
| Depreciation & Amortization | 512 | 559 | 590 | 680 |
| Interest paid(-) | 13 | 19 | 20 | 20 |
| Tax paid(-) | (757) | (1,067) | (1,408) | (1,556) |
| Extra Ord Income | (531) | (1,083) | - | - |
| Operating Cash Flow | 2,758 | 3,418 | 4,955 | 5,499 |
| Change in Working Capital | 62 | (2,005) | 225 | 166 |
| Cash flow from Operations | 2,820 | 1,413 | 5,180 | 5,665 |
| Capex | (654) | (1,000) | (1,000) | (1,000) |
| Strategic Investment | - | - | - | - |
| Non-Strategic Investment | (1,741) | (1,027) | (1,773) | (1,400) |
| Cash flow from Investing | (2,395) | (2,027) | (2,773) | (2,400) |
| Change in borrowing | 131 | 848 | - | - |
| Others | 11 | - | - | - |
| Dividends paid(-) | (574) | (1,012) | (1,671) | (1,846) |
| Cash Flow from Financial Activities | (432) | (164) | (1,671) | (1,846) |
| Change in Cash | (7) | (778) | 737 | 1,419 |
| Opening cash | 2,699 | 796 | 45 | 827 |
| Closing cash | 796 | 918 | 1,701 | 3,079 |

Source: Company, Axis Securities research

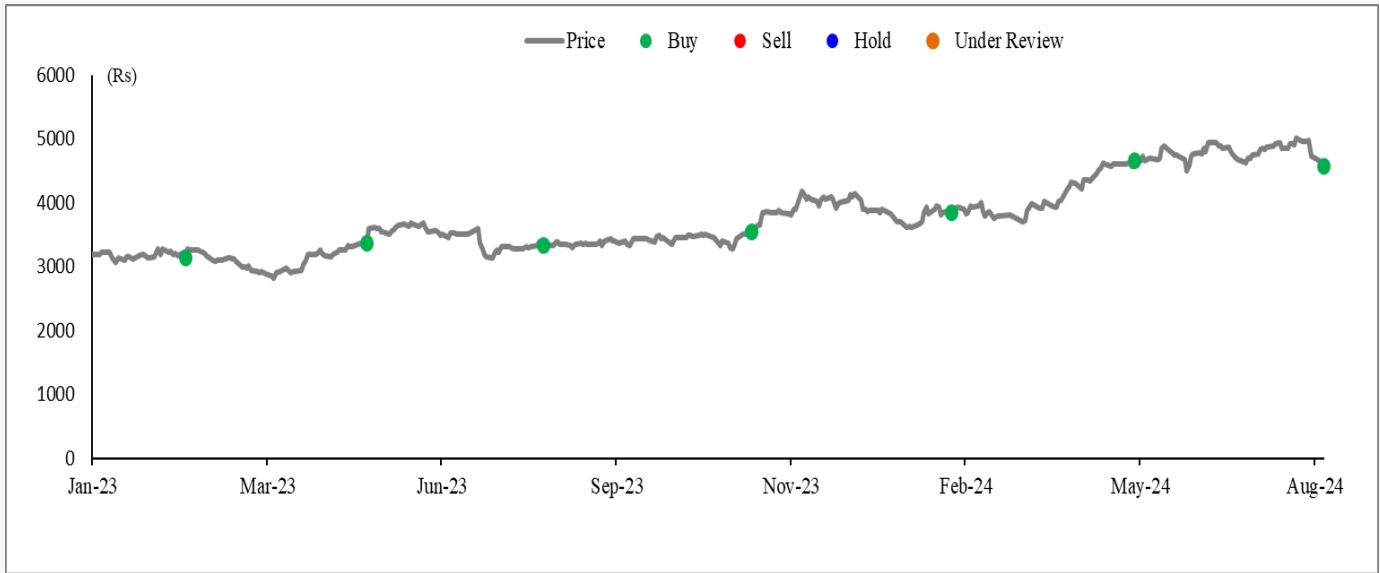
Ratio Analysis

(%)

| Y/E March | FY23A | FY24 | FY25E | FY26E |
|---------------------------------|-------|-------|-------|-------|
| Revenue Growth | 39.0 | 14.3 | 15.4 | 10.0 |
| EBITDA Margin | 24.1 | 27.2 | 26.9 | 27.4 |
| Net Profit Margin | 18.6 | 23.3 | 23.3 | 23.4 |
| ROCE (%) | 21.6 | 24.8 | 23.8 | 23.1 |
| ROE (%) | 22.1 | 26.2 | 25.8 | 24.7 |
| EPS(Rs) | 95.9 | 137.1 | 158.2 | 174.8 |
| P/E (x) | 48.6 | 33.4 | 28.9 | 26.2 |
| P/ BV (x) | 9.9 | 8.0 | 7.0 | 6.0 |
| EV/ EBITDA (x) | 34.2 | 25.9 | 22.3 | 19.4 |
| Fixed Assets Turnover Ratio (x) | 4.6 | 4.8 | 5.1 | 5.1 |
| Debt / Equity (x) | 0.0 | 0.1 | 0.1 | 0.0 |
| EV/ Sales (x) | 8.3 | 7.0 | 6.0 | 5.3 |

Source: Company, Axis Securities Research

Eicher Motors Ltd Price Chart and Recommendation History



| Date | Reco | TP | Research |
|-----------|------|-------|---------------|
| 15-Feb-23 | BUY | 4,125 | Result Update |
| 12-May-23 | BUY | 3,900 | Result Update |
| 04-Aug-23 | BUY | 3,800 | Result Update |
| 13-Nov-23 | BUY | 3,900 | Result Update |
| 14-Feb-24 | BUY | 4,250 | Result Update |
| 13-May-24 | BUY | 5,135 | Result Update |
| 09-Aug-24 | BUY | 5,060 | Result Update |
| | | | |
| | | | |
| | | | |

Source: Axis Securities Research

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RATING SCALE: Definitions of ratings

| Ratings | Expected absolute returns over 12 – 18 months |
|--------------|--|
| BUY | More than 10% |
| HOLD | Between 10% and -10% |
| SELL | Less than -10% |
| NOT RATED | We have forward looking estimates for the stock, but we refrain from assigning valuation and recommendation. |
| UNDER REVIEW | We will revisit our recommendation, valuation and estimates on the stock following recent events |
| NO STANCE | We do not have any forward-looking estimates, valuation or recommendation for the stock |

Note: Returns stated in the rating scale are our internal benchmark.

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