

Successful new launches & EV foray bodes well...

About the stock: Eicher Motors (EML) is the market leader in the >250 cc premium motorcycle segment (market share ~90%) through its aspirational models under the Royal Enfield (RE) brand, such as Bullet, Classic, Himalayan, Interceptor, etc.

- EML via its JV with Volvo i.e. VECV (EML has 54.4% stake), also has a sizeable presence in the CV space (8.2% FY24 market share)

Q2FY25 Results: Eicher posted stable Q2FY25 results. On consolidated basis, total operating income for Q2FY25 stood at ₹4,263 crore (up 3.6% YoY) amid flattish Royal Enfield sales volume at 2.3 lakh units. EBITDA in Q2FY25 came in at ₹1,088 crore with ensuing EBITDA margins at 25.5% (down 100 QoQ). Resultant PAT for the quarter stood at ₹1,100 crore (up 8.3% YoY). Share of profits from the VECV arm stood at ₹114 crore with EBITDA margins at 7.1% (down 50 QoQ).

Investment Rationale:

- 2-W space to outperform industry in FY25, Eicher a key beneficiary:** Domestic auto industry has experienced a remarkable recovery over the past two years with PV space already surpassing its pre-Covid highs in FY23 and CV space in close proximity of its earlier peak. However, volume recovery in 2W space has been lacklustre and with volumes below its pre-Covid highs. Recent trends, though, offer promise, with H1FY25 volumes up ~16% YoY. Given the high base, the industry's commentary is cautious on the growth prospects in PV & CV space for FY25E, positioning 2-W as a sole shining star and, expected to outperform the industry. With robust recently concluded festive 2024, Eicher Motors via its Royal Enfield franchise and leadership position in premium motorcycle space (>250cc) is well positioned to clock double digit volume growth in H2FY25E, supported by increasing consumer preference towards premiumisation.
- New product launches and entry into EV segment bodes well for RE-EML:** Royal Enfield maintains a commanding position in the >250 cc segment domestically supported by frequent new launches including recent models like Guerilla 450, Bear 650 and Classic 650. Additionally, it has recently introduced new electric vehicle brand, Flying Flea with showcased models due for launch in early 2026. With focus on export markets amidst increasing assembly plant operations, RE is expected to gain meaningfully in this space with addressable export market size estimated at ~10 lakh units vs. its export sales volume of ~80k units in FY24. With upcoming new launches in pipeline coupled with tangible steps being taken in the EV space, there exists healthy growth longevity for Royal Enfield franchise at Eicher Motors going forward.

Rating and Target Price

- With healthy growth prospects on the anvil amidst slew of exciting product launches and marketing activity, we continue to assign **BUY rating** on the stock. EML has a capital efficient business model with cash positive b/s. We value EML at ₹ 5,730 on SoTP basis (FY26-27E average)

Key Financial Summary

Key Financials (₹ crore)	FY20	FY21	FY22	FY23	FY24	5 year CAGR (FY19-24)	FY25E	FY26E	FY27E	3 year CAGR (FY24-27E)
Net Sales	9,153.6	8,720.4	10,297.8	14,442.2	16,535.8	11.0%	18,078.7	19,605.3	21,611.2	9.3%
EBITDA	2,180.3	1,781.3	2,172.2	3,443.6	4,326.9	8.3%	4,810.0	5,322.8	5,913.1	11.0%
EBITDA Margins (%)	23.8	20.4	21.1	23.8	26.2		26.6	27.1	27.4	
Net Profit	1,827.5	1,346.9	1,676.6	2,913.9	4,001.0	12.7%	4,592.9	4,977.3	5,525.1	11.4%
EPS (₹)	67.0	49.3	61.3	106.5	146.3		167.9	182.0	202.0	
P/E	72.9	99.1	79.7	45.9	33.4		29.1	26.8	24.2	
RoNW (%)	18.3	11.8	13.3	19.4	22.2		21.9	20.6	19.9	
RoCE (%)	17.3	11.3	13.3	18.8	19.9		27.8	26.6	25.9	

Source: Company, ICICI Direct Research



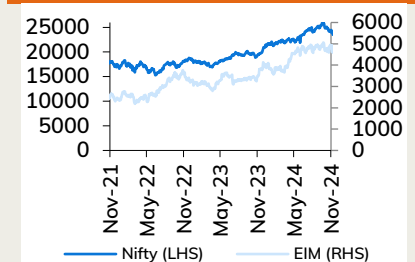
Particulars

Particular	₹ crore
Market Capitalization	1,33,507
Total Debt (FY24)	276
Cash & Invt (FY24)	14,055
EV (₹ crore)	1,19,728
52 week H/L (₹)	5,105/ 3,562
Equity capital	₹ 27.4 Crore
Face value	₹ 1

Shareholding pattern

	Dec-23	Mar-24	Jun-24	Sep-24
Promoter	49.2	49.1	49.1	49.1
FII	30.3	29.0	28.8	27.6
DII	9.7	11.0	11.8	13.7
Other	10.9	10.9	10.2	9.6

Price Chart



Recent event & key risks

- Build in 6.4% CAGR in RE sales volumes over FY24-27E
- Key Risk: (i) lower than anticipated volume growth going forward (ii) volatile RM basket impacting margins

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Q2FY25 Earnings Conference Call Highlights

- Royal Enfield-New Launches:** During the quarter, EIM launch new Classic 350, Bear 650 (a Scrambler model), and Classic 650, which received a positive response from customers across India, the UK, and Europe regions. Moreover, EIM ventured into electric mobility with the launch of the Flying Flea brand, housing models like the Classic FF-C6 and Scrambler FF-S6, which is set to debut by early of 2026.
- VECV Performance:** VECV reported its highest-ever Q2 sales volume at 20,774 units, up 6.2% YoY, despite a degrowth of 10.8% CV Industry. VECV currently holds the top position in the light and medium-duty truck segment with a 36.5% market share. VECV expanded its presence in heavy-duty trucks growing 8% YoY, while bus segment grew at a healthy rate of 24% YoY reaching to 3,984 units. Export segment grew by 12.2% YoY at 1,130 units. It also focused on sustainability with an MoU to deploy 500 LNG-fuelled Pro 65 trucks and to support the development of LNG infrastructure for clean transport.
- Festive Season:** EIM has witnessed ~26% growth in retail sales in this festive season. During the quarter, EIM has incurred ₹12 crores for warehousing related cost ahead of festive season. It has been receiving healthy inquires post festive season. It has incurred high launch and marketing expense in the quarter, and expected to sustained in the next few quarters. Currently, the inventory level is between two and half to three weeks.
- International Operation:** REF has retailed ~59,000 motorcycle (up 20% YoY) in the international market in CY24 YTD. Mexico and Australia are the potential markets for RE & is witnessing a positive trend from these geographies. It has currently witnessed weakness in Latin America, Argentina, and Colombia markets. It has expanded its international presence with new CKD facilities in Bangladesh and Brazil. This includes launch of its first showroom in Bangladesh and a second facility planned in Brazil by Jan'25.
- Others:** Rural demand has been outpacing the urban demand in the two-wheeler space. EIM is receiving good demand for Hunter model in the rural market. Financial penetration is currently at ~61.5% to 62%.

EIM expects strong growth in the second half of FY25. Eicher is optimistic about a rebound in commercial vehicle demand, driven by government infrastructure invests and continued momentum in Royal Enfield sales, particularly with new product introductions & post festive demand.

EIM is committed to substantial capital expenditures focused on enhancing production capacity, expanding infrastructure for international operations, and strengthening its presence in the electric vehicle (EV) sector.

Exhibit 1: Quarterly Analysis

	Q2FY25	Q2FY24	YoY (%)	Q1FY25	QoQ (%)	Comments
Total Operating Income	4,263	4,115	3.6	4,393	-3.0	Topline came in on expected lines amid flattish RE sales volume at 2.3 lakh units
Raw Material Expenses	2,095	2,096	0.0	2,252	-7.0	
Purchase of traded goods	187	124	51.1	104	80.4	Rm cost were contained at 53.5% of sales, flattish QoQ.
Employee Expenses	346	306	13.1	354	-2.1	
Other expenses	547	501	9.1	518	5.6	Other expenses were up 100bps QoQ at 12.8% of sales
EBITDA	1,088	1,087	0.1	1,165	-6.7	
EBITDA Margin (%)	25.5	26.4	-91 bps	26.5	-101 bps	EBITDA margins came in a tad below expectations at 25.5%
Other Income	354	274	29.2	282	25.5	
Depreciation	180	143	26.3	169	6.8	Depreciation came in on expected lines
Interest	13	13	3.6	12	7.1	
Total Tax	262	291	-10.1	340	-22.9	
PAT	1,100	1,016	8.3	1,101	-0.1	PAT for the quarter on consol basis grew 8.3% YoY at ₹ 1,100 crore
Key Metrics						
Royal Enfield ASP(₹)	1,81,350	1,68,473	7.6	1,84,082	-1.5	ASPs were down 1.5% QoQ amid flattish sales volume at ₹ 1.8 lakh/unit
VECV ASP (₹ lakhs)	26.7	26.2	1.7	25.7	3.6	VECV volumes were up 6% on YoY basis

Source: Company, ICICI Direct Research

Exhibit 2: Assumptions

	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Royal Enfield volumes	8,26,098	6,95,839	6,12,060	6,02,268	8,34,895	9,12,732	9,60,226	10,27,442	10,99,363
Royal Enfield ASP/unit (₹)	1,17,603	1,29,465	1,40,044	1,65,758	1,66,188	1,73,407	1,82,949	1,87,812	1,93,484
VECV volumes	72,860	48,786	41,265	57,077	79,623	85,560	87,429	91,800	96,390

Source: ICICI Direct Research

Exhibit 3: Change in Estimates

(₹ Crore)	FY25E			FY26E			Introduced	Comments
	Old	New	% Change	Old	New	% Change	FY27E	
Revenue	18,527	18,079	-2.4	20,240	19,605	-3.1	21,611	Marginally lowered our RE volume estimates tracking flat Q2FY25. We expect sales at Eicher to grow at 9.3% CAGR over FY24-FY27
EBITDA	5,038	4,810	-4.5	5,536	5,323	-3.9	5,913	
EBITDA Margin (%)	27.2	26.6	-59 bps	27.4	27.1	-20 bps	27.4	Marginally tweaked margin estimates. Introduced FY27E margins at 27.4%
PAT	4,744	4,593	-3.2	5,224	4,977	-4.7	5,525	
EPS (₹)	173	168	-3.2	191	182	-4.7	202	PAT stage a single digit downgrade in FY25-26E. We expect PAT at Eicher to grow at 11.4% CAGR over FY24-FY27E

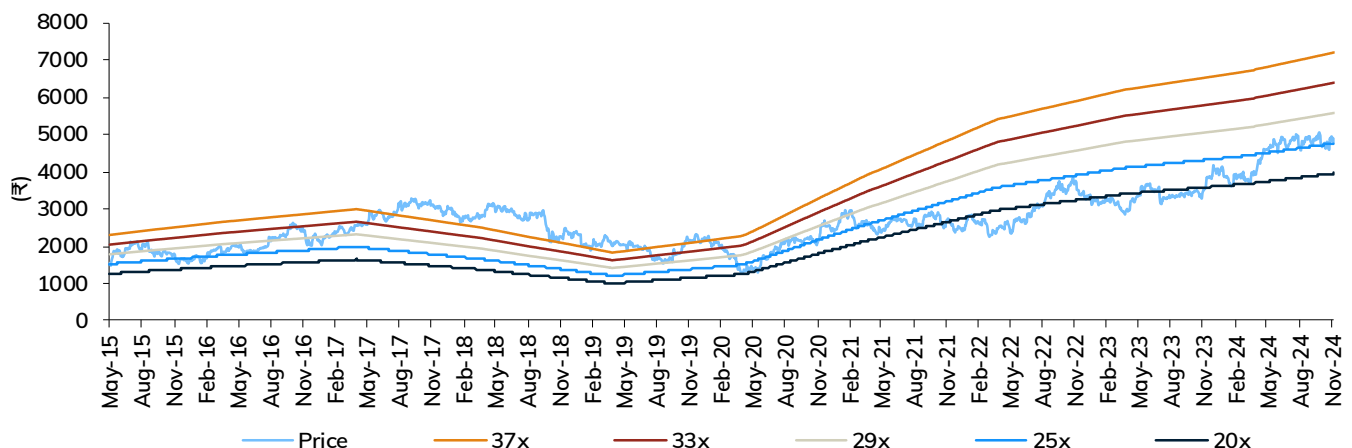
Source: ICICI Direct Research

Exhibit 4: SOTP valuation

	Amount	Remarks
Two-wheeler business-Royal Enfield		
FY26-27E Average EPS (₹)	174	
Target PE multiple(x)	30.0	Valued RE business at 30x P/E
Per share value (₹)	5,210	
Target market cap (₹ crore)	1,42,661	
CV business-VECV		
FY26-27E Average PAT (₹ crore)	1,194	
Target PE multiple(x)	22.0	Valued VECV business at 22x P/E
Target market cap (₹ crore)	26,263	
Contribution towards EML	0.54	EML has 54.4% stake in VECV
Target market cap towards EML (₹ crore)	14,287	
Per share value-VECV Eicher (₹)	520	
Total target market cap (₹ crore)	1,56,948	
Per share value (₹)	5,730	

Source: ICICI Direct Research

Exhibit 5: Eicher Motors trades at ~25x PE on 2 year forward basis vs. its long period average placed at ~28-30x



Source: ICICI Direct Research

Financial Summary

Exhibit 6: Profit and loss statement				
	₹ crore			
(Year-end March)	FY24	FY25E	FY26E	FY27E
Total operating Income	16,536	18,079	19,605	21,611
Growth (%)	14.5	9.3	8.4	10.2
Raw Material Expenses	8,526	9,338	10,357	11,375
Employee Expenses	1,236	1,369	1,468	1,614
Other Expenses	1,993	2,131	2,168	2,390
Total Operating Expenditure	12,209	13,269	14,283	15,698
EBITDA	4,327	4,810	5,323	5,913
Growth (%)	25.7	11.2	10.7	11.1
Depreciation	598	723	784	864
Interest	51	46	41	37
Other Income	1,076	1,255	1,335	1,460
PBT	4,754	5,296	5,833	6,471
Others	-	-	-	-
Total Tax	1,201	1,302	1,470	1,631
PAT	4,001	4,593	4,977	5,525
Growth (%)	37.3	14.8	8.4	11.0
EPS (₹)	146.1	167.7	181.8	201.8

Source: Company, ICICI Direct Research

Exhibit 7: Cash flow statement				
	₹ crore			
(Year-end March)	FY24	FY25E	FY26E	FY27E
Profit after Tax	4,001	4,593	4,977	5,525
Add: Depreciation	598	723	784	864
(Inc)/dec in Current Assets	44	(378)	(256)	(336)
Inc/(dec) in CL and Provisions	384	266	317	416
CF from operating activities	3,951	3,949	4,487	5,010
(Inc)/dec in Investments	(3,816)	(2,200)	(2,700)	(3,000)
(Inc)/dec in Fixed Assets	(905)	(1,000)	(1,000)	(1,000)
Others	1,017	1,066	1,195	1,223
CF from investing activities	(3,704)	(2,134)	(2,505)	(2,777)
Issue/(Buy back) of Equity	-	-	-	-
Inc/(dec) in loan funds	80	(50)	(50)	(75)
Dividend paid & dividend tax	(1,395)	(1,641)	(1,778)	(1,915)
Others	449	-	-	-
CF from financing activities	(866)	(1,691)	(1,828)	(1,990)
Net Cash flow	(619)	123	155	243
Opening Cash	766	146	270	424
Closing Cash	146	270	424	667

Source: Company, ICICI Direct Research

Exhibit 8: Balance Sheet				
	₹ crore			
(Year-end March)	FY24	FY25E	FY26E	FY27E
Liabilities				
Equity Capital	27.4	27.4	27.4	27.4
Reserve and Surplus	18,018	20,970	24,170	27,780
Total Shareholders funds	18,046	20,997	24,197	27,808
Total Debt	276	226	176	101
Deferred Tax Liability	461	461	461	461
Others	859	826	792	763
Total Liabilities	19,642	22,510	25,626	29,132
Assets				
Gross Block	6,233	7,483	8,433	9,383
Less: Acc Depreciation	3,319	4,042	4,826	5,690
Net Block	2,914	3,441	3,607	3,693
Capital WIP	555	305	355	405
Total Fixed Assets	3,469	3,746	3,962	4,098
Investments	16,487	18,837	21,637	24,837
Inventory	1,410	1,585	1,719	1,895
Debtors	374	495	537	592
Others	871	952	1,032	1,138
Cash	146	270	424	667
Total Current Assets	2,800	3,302	3,713	4,292
Creditors	2,090	2,229	2,417	2,664
Provisions	100	106	115	127
Others	1,297	1,418	1,537	1,695
Total Current Liabilities	3,486	3,753	4,070	4,486
Net Current Assets	(686)	(451)	(357)	(194)
Other Non current asset	371	377	383	391
Application of Funds	19,642	22,510	25,626	29,132

Source: Company, ICICI Direct Research

Exhibit 9: Key ratios				
(Year-end March)	FY24	FY25E	FY26E	FY27E
Per share data (₹)				
EPS	146.1	167.7	181.8	201.8
Cash EPS	168.1	194.4	210.7	233.6
BV	659.8	767.7	884.7	1,016.7
DPS	51.0	60.0	65.0	70.0
Cash Per Share	513.9	598.8	703.2	821.8
Operating Ratios (%)				
EBITDA Margin	26.2	26.6	27.1	27.4
PBT / Net sales	22.6	33.3	33.8	33.9
PAT Margin	24.2	25.4	25.4	25.6
Inventory days	31.1	32.0	32.0	32.0
Debtor days	8.3	10.0	10.0	10.0
Creditor days	46.1	45.0	45.0	45.0
Return Ratios (%)				
RoE	22.2	21.9	20.6	19.9
RoCE	19.9	27.8	26.6	25.9
RoIC	89.4	120.4	126.1	133.7
Valuation Ratios (x)				
P/E	33.4	29.1	26.8	24.2
EV / EBITDA	27.7	24.4	21.5	18.8
EV / Net Sales	7.2	6.5	5.8	5.1
Market Cap / Sales	8.1	7.4	6.8	6.2
Price to Book Value	7.4	6.4	5.5	4.8
Solvency Ratios				
Debt/Equity	0.0	0.0	0.0	0.0
Current Ratio	1.0	1.0	1.0	1.0
Quick Ratio	0.4	0.5	0.5	0.5

Source: Company, ICICI Direct Research

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Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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