

Pick of the Day (Short Term Delivery Call)

Company Name: Eicher Motors Ltd

NSE code	EICHERMOT
BSE code	505200
Market Cap (Rs Cr)	1,21,296
Promotor holding (%)	49.2
PE(x) TTM	31.6
Industry PE (x) TTM	44.2
EV/EBITDA (x) TTM	21.5
P/PB (x)	7.56

CMP (Rs): 4353 | Buy Range: 4255-4355 | Target Price: 5010 | Potential Upside: 15%

Duration of recommendation: 4 months

Eicher Motors Limited is a leading player in the Indian automobile industry and is the parent company of Royal Enfield, which is a global leader in the middleweight motorcycles segment (250cc-750cc). Eicher has a joint venture with Sweden's AB Volvo to create Volvo Eicher Commercial Vehicles Limited (VECV).

Investment Rationale

Big Player in mid-segment motorcycles: Royal Enfield is the foremost brand worldwide for mid-range motorcycles ranging from 250cc to 750cc. By December 2023, the company had established a presence in 1,850 Indian cities with 1,096 main stores and 911 studio stores. Company also boasts over 1,050 global touchpoints, including 221 exclusive stores and 838 multi-brand outlets, spread across regions such as America, Europe, the UK, the Middle East, and the Asia Pacific.

Robust Performance during third quarter: During Q3FY24, consolidated Revenue/EBITDA/PAT increasing by 12.3%/27.2%/34% YoY to Rs. 4179/1090/996 crores respectively. EBITDA margins improved by 305 bps. On QoQ basis, Revenue/EBITDA/PAT have been +1.6%/+0.3%/-2% respectively. Margins remained flat QoQ.

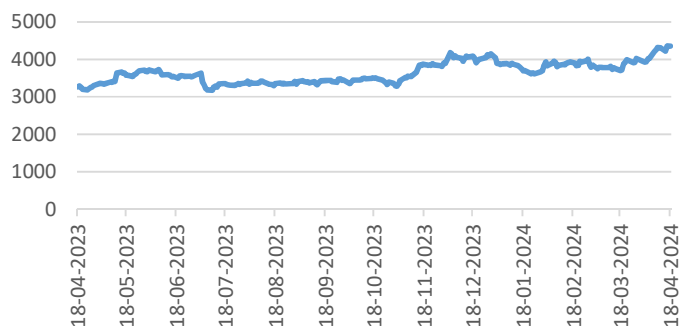
Good Volume Growth in all segments during FY23-FY24: Eicher Motors' total sales volume for trucks and buses jumped 6.9% YoY in FY 2023-24 compared to the previous financial year. Total sales stood at 83,088 units in FY24 as against 77,760 units in FY23.

Premiumization of Indian 2Wheel Industry: In the Indian motorcycle industry, there's a noticeable trend towards premiumization, where sales of higher engine capacity (250-750 cc) motorcycles are growing faster than the sales of smaller commuter motorcycles (100-120cc). Royal Enfield is already an established brand in this range. The company has successfully held its ground against growing competition from recent contenders in the middleweight motorcycle market, like Bajaj Auto and Hero MotoCorp.

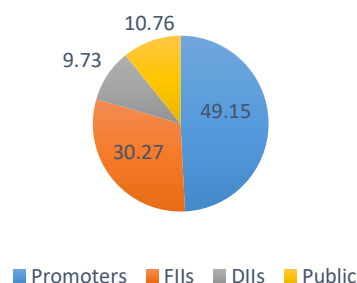
Positive Responses to recent releases: Royal Enfield's latest motorcycles - the Hunter 350, the Super Meteor 650, the Shotgun 650, and the Himalayan 450 - have garnered impressive feedback. These offerings are aimed at enticing current Royal Enfield fans to upgrade while also appealing to new clientele. The company is prioritizing expansion into Tier 2 and 3 urban areas to tap into fresh customer bases.

Reasonable Valuation: At current market price, the is currently trading at a P/E multiple of 27.1x/24.2x of its FY25E/FY26E EPS respectively, which seems reasonable given new launches, impressive volume growth, & bright prospects of premium

Price Performance



Shareholding Pattern %



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