



## New Model Launches to Improve Product Positioning and Drive Growth

**Est. Vs. Actual for Q2FY25:** Revenue – **MISS**; EBITDA – **MISS**; PAT – **MISS**

### Change in Estimates post Q2FY25

**FY25E/FY26E:** Revenue: -4.6%/-5.6%; EBITDA: -8.1%/-6.6%; PAT: -6.2%/-5.8%

### Recommendation Rationale

- New Product Launches:** Royal Enfield (RE) introduced new models in Q2 FY25 – the Guerrilla 450 and the 2024 Classic 350 (available with factory-fitted customisation). At EICMA 2024, RE launched the Bear 650 and Classic 650 and unveiled its new electric brand, Flying Flea, showcasing the FFC6 electric model focused on urban electric mobility, which is expected to be launched in FY26.
- International market:** RE announced plans to establish a second CKD facility in Brazil by December 2024. Globally, RE operates nearly 850 stores across 60+ countries and has CKD units in Bangladesh, Nepal, Brazil, Thailand, Argentina, and Colombia. The management informed that retail in the international business has grown in high single digits in Q2FY25.
- VECV Business:** Revenues grew 8.5% YoY to Rs 5,435 Cr in Q2, but EBITDA was down 2% YoY at Rs 395 Cr, with EBITDA margins at 7.1% (down 70 bps YoY) due to competitive pricing. In Q2, the company sold overall 20,774 units, attaining a market share of 18.9%. The company holds a market share of 35.3% in Light & Medium Duty Trucks, ~9.7% in Heavy Duty Trucks, 20.6% in Buses, and ~97.3% in Volvo Trucks (high-end premium trucks). The company had 972 distribution touchpoints as of Sep' 24.

### Sector Outlook: Positive

**Company Outlook & Guidance:** The company will focus on its existing lineup to maximize business opportunities by aggressive marketing campaigns while also launching new products. In Q2FY25, management noted that retailers in export markets experienced healthy growth. A recovery in international market growth is anticipated over the next few quarters. Management expects the CV industry to grow in the long term, despite headwinds faced in H1FY25, driven by positive domestic economic factors, replacement demand, and an expected pickup in government infrastructure spending.

**Current Valuation:** We value RE standalone business at 28x on FY26 EPS (earlier 27x on FY26 EPS) and VECV at 10x EV/EBITDA on FY26 EBITDA (12x EV/EBITDA on FY26 EBITDA).

**Current TP:** Rs 5,050/share (Earlier TP: Rs 5,060/share)

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

**Financial Performance:** Q2FY25 standalone revenue missed our estimates by 3% (up ~7% YoY and flat QoQ) due to lower ASP, with sales volume remaining flat YoY/QoQ at 228k units in Q2FY25. EBITDA missed estimates by 9% (flat YoY and down ~6% QoQ) due to higher marketing expenses. EBITDA margins at 26.3% missed estimates by 158 bps (down 158 bps/163 bps YoY/QoQ). PAT missed estimates by 6.3% (up 7.6% YoY but down 7.2% QoQ), primarily following the EBITDA trend and lower other income, partly offset by lower tax expenses.

**Outlook:** We expect RE volumes to grow at mid-single digits in FY25/26/27E, with standalone revenue/EBITDA projected to grow at a 10% CAGR over FY24-27E. The long-term growth potential for VECV remains robust, supported by its strong execution capabilities and entry into the EV SCV category.

**Valuation & Recommendation:** We maintain our **BUY** rating on the stock with a TP of Rs 5,050/share (earlier Rs 5,060/share). We value RE standalone business at 28x on FY26 EPS (earlier 27x on FY26 EPS) and VECV at 10x EV/EBITDA on FY26 EBITDA (12x EV/EBITDA on FY26 EBITDA), implying an upside of 11% from the CMP.

### Key Financials (Standalone)

(Rs Cr)	Q2FY25	QoQ (%)	YoY (%)	Axis Est.	Variance
Net Sales	4,205	-0.6%	7.0%	4,346	-3.2%
EBITDA	1,105	-6.3%	0.7%	1,212	-8.9%
EBITDA Margin	26.3%	-158 bps	-165 bps	27.9%	-163 bps
Net Profit	1,010	-7.2%	7.6%	1,078	-6.3%
EPS (Rs)	36.9	-7.2%	7.6%	39.4	-6.3%

Source: Company, Axis Research

(CMP as of 13 <sup>th</sup> November 2024)	
CMP (Rs)	4,589
Upside /Downside (%)	10%
High/Low (Rs)	5,057/3,272
Market cap (Cr)	1,25,802
Avg. daily vol. (6m) Shrs.	6,01,052
No. of shares (Cr)	27.4

### Shareholding (%)

	Mar-24	Jun-24	Sep-24
Promoter	49.2	49.1	49.1
FII	29.0	28.8	27.6
MFs/UTI	6.6	7.6	9.5
Financial Inst.	0.1	0.2	0.1
Others	15.3	14.4	13.6

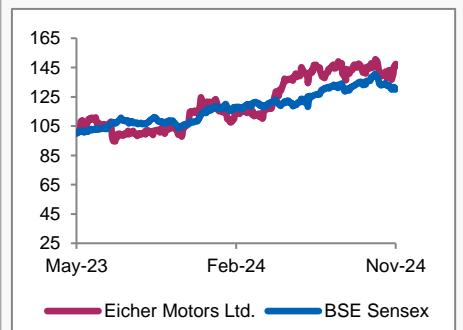
### Financial & Valuations

Y/E March (Rs Cr)	FY25E	FY26E	FY27E
Net Sales	17,685	19,252	20,767
EBITDA	4,582	5,217	5,628
Net Profit	4,058	4,500	4,741
EPS (Rs.)	148.4	164.6	173.4
PER (x)	30.8	27.8	26.4
EV/EBITDA	24.3	20.8	18.8
P/BV (x)	7.1	6.1	5.3
RoE (%)	24.3	23.5	21.6

### Change in Estimates (%)

Y/E Mar	FY25E	FY26E	FY27E
Sales	-4.6%	-5.6%	-5.6%
EBITDA	-8.1%	-6.6%	-6.6%
PAT	-6.2%	-5.8%	4.6%

### Relative Performance



Source: Ace Equity, Axis Securities Research

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## Key Concail Highlights

- **Strong Post-Festive Demand:** Management reported that it had retailed over 100k units in Oct' 24, driven by new product launches and aggressive marketing spends. It noted that demand momentum sustained post-festive season and was higher than the previous year.
- **Inventory:** Post-festive season, inventory levels returned to a lean 2–3 weeks. The company's replenishment model ensures inventory aligns with demand, enabling quick restocking to maintain optimal dealer levels without overstocking.
- **Network and Touch Points:** Internationally, RE has 1,085+ premium global touchpoints, including 240 exclusive stores and over 844 multi-brand outlets.
- **VECV Spare Parts:** The company's annual parts sales in Q2FY25 were Rs 648 Cr, up 27% YoY.
- **VECV Exports:** Q2 exports grew to 1,130 units, marking a 12.2% increase over Q2FY24.
- **Exports:** Management indicated that international market retail performance continues to improve, despite a correction in wholesale volume. Retail sales showed high single-digit growth in Q2.
- **Market Share:** Royal Enfield recorded a 26% retail growth during the festive season, significantly surpassing the market growth of approximately 6–7%, driven by new product launches and increased marketing expenses. VECV led the 5-18 ton truck segment with a 36.5% market share and reached a 10.2% market share in the heavy-duty segment for H1FY25.

## 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		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Sales	17,685	19,252	20,767	18,547	20,393	-	-4.6%	-5.6%	-
EBITDA	4,582	5,217	5,628	4,987	5,588	-	-8.1%	-6.6%	-
PAT	4,058	4,500	4,741	4,326	4,779	-	-6.2%	-5.8%	-
EPS	148.4	164.6	173.4	158.2	174.8	-	-6.2%	-5.8%	-

Source: Company, Axis Securities Research

**Q2FY25 Results Review (Standalone)**

YE March (Rs Cr)	Q2FY25	Axis Sec Estimates	Axis Sec Var (%)	Q1FY 25	QoQ (%)	Q2FY24	YoY (%)
Domestic 2W	2,06,157	2,06,157		2,04,686	0.7%	2,09,716	-1.7%
Exports 2W	21,715	21,715		22,221	-2.3%	19,564	11.0%
<b>Total Volumes (Units )</b>	<b>2,27,872</b>	<b>2,27,872</b>		<b>2,26,907</b>	<b>0.4%</b>	<b>2,29,280</b>	<b>-0.6%</b>
<b>Total Revenue from operations</b>	<b>4,205</b>	<b>4,346</b>	<b>-3.2%</b>	<b>4,231</b>	<b>-0.6%</b>	<b>3,931</b>	<b>7.0%</b>
ASP (Rs/ vehicle in lakhs)	1.85	1.91	-3.2%	1.86	-1.0%	1.71	7.7%
<b>Less:</b>							
Net Raw Material consumed	2,283	2,308	-1.1%	2,251	1.4%	2,091	9.2%
Other Exp.	502	482	4.0%	472	6.2%	459	9.4%
Personnel	316	343	-8.1%	329	-4.1%	283	11.5%
<b>Total Expenditure</b>	<b>3,101</b>	<b>3,133</b>	<b>-1.0%</b>	<b>3,053</b>	<b>1.6%</b>	<b>2,833</b>	<b>9.4%</b>
<b>EBITDA</b>	<b>1,105</b>	<b>1,212</b>	<b>-8.9%</b>	<b>1,179</b>	<b>-6.3%</b>	<b>1,097</b>	<b>0.7%</b>
Less: Depreciation	169	153	10.3%	158	6.9%	131	29.1%
<b>EBIT</b>	<b>936</b>	<b>1,059</b>	<b>-11.7%</b>	<b>1,020</b>	<b>-8.3%</b>	<b>966</b>	<b>-3.2%</b>
Less: Interest	5	5	8.0%	5	18.7%	5	11.5%
Add: Other Income	337	366	-7.8%	417	-19.1%	276	22.3%
<b>Profit Before Extraordinary Items and Tax</b>	<b>1,268</b>	<b>1,420</b>	<b>-10.7%</b>	<b>1,433</b>	<b>-11.5%</b>	<b>1,238</b>	<b>2.4%</b>
Extraordinary Expense/(Income)	0	0		0		0	
<b>Profit Before Tax</b>	<b>1,268</b>	<b>1,420</b>	<b>-10.7%</b>	<b>1,433</b>	<b>-11.5%</b>	<b>1,238</b>	<b>2.4%</b>
Less: Total Tax	258	342	-24.6%	345	-25.2%	299	-13.7%
<b>Profit After Tax</b>	<b>1,010</b>	<b>1,078</b>	<b>-6.3%</b>	<b>1,088</b>	<b>-7.2%</b>	<b>939</b>	<b>7.6%</b>
<b>Adj. Net Profit</b>	<b>1,010</b>	<b>1,078</b>	<b>-6.3%</b>	<b>1,088</b>	<b>-7.2%</b>	<b>939</b>	<b>7.6%</b>
Shares Outstanding (Cr)	27	27	0.0%	27		27	
<b>Reported EPS (Rs.)</b>	<b>36.9</b>	<b>39.4</b>	<b>-6.3%</b>	<b>39.7</b>	<b>-7.2%</b>	<b>34.3</b>	<b>7.6%</b>
Adj. EPS (Rs.)	36.9	39.4	-6.3%	39.7	-7.2%	34.3	7.6%
<b>Cost &amp; Margin Analysis</b>	<b>Q2FY25</b>	<b>Axis Sec Estimates</b>	<b>Change in bps</b>	<b>Q1FY25</b>	<b>Change in bps</b>	<b>Q2FY24</b>	<b>Change in bps</b>
Net Raw Material/Net Sales (%)	54.3%	53.1%	119	53.2%	108	53.2%	109
Other Exp./Net Sales (%)	11.9%	11.1%	83	11.2%	77	11.7%	26
Personnel/Net Sales (%)	7.5%	7.9%	(39)	7.8%	-27	7.2%	30
GM (%)	45.7%	46.9%	(119)	46.8%	-108	46.8%	-109
EBITDA Margin (%)	26.3%	27.9%	(163)	27.9%	-158	27.9%	-165
EBIT (%)	22.2%	24.4%	(212)	24.1%	-186	24.6%	-234
PBT Margin (%)	30.1%	32.7%	(253)	33.9%	-372	31.5%	-134
NPM (%)	24.0%	24.8%	(79)	25.7%	-170	23.9%	14
Adj. NPM (%)	24.0%	24.8%	(79)	25.7%	-170	23.9%	14
Effective Tax Rate (%)	20.3%	24.1%	(373)	24.1%	-373	24.2%	-382

Source: Company, Axis Securities research

## Financials (Standalone)

### Profit & Loss

(Rs Cr)

Y/E March (Rs Crs)	FY24	FY25E	FY26E	FY27E
<b>Net revenues</b>	<b>16,078</b>	<b>17,685</b>	<b>19,252</b>	<b>20,767</b>
Operating expenses	11,698	13,103	14,035	15,139
<b>EBIDTA</b>	<b>4,380</b>	<b>4,582</b>	<b>5,217</b>	<b>5,628</b>
<b>EBITDA margin (%)</b>	<b>27.2</b>	<b>25.9</b>	<b>27.1</b>	<b>27.1</b>
Other income	1,168	1,407	1,447	1,447
Interest	19	20	20	21
Depreciation	559	590	680	770
Profit Before Tax	4,970	5,380	5,964	6,284
Tax	1,221	1,321	1,465	1,543
<b>Reported Net Profit</b>	<b>3,749</b>	<b>4,058</b>	<b>4,500</b>	<b>4,741</b>
Net Margin (%)	23.3	22.9	23.4	22.8
<b>Adjusted Net Profit</b>	<b>3,749</b>	<b>4,058</b>	<b>4,500</b>	<b>4,741</b>

Source: Company, Axis Securities research

### Balance Sheet

(Rs Cr)

Y/E March (Rs. Crs)	FY24	FY25E	FY26E	FY27E
Equity capital	27	27	27	27
Reserves & surplus	15,666	17,704	20,465	23,375
<b>Shareholders' funds</b>	<b>15,694</b>	<b>17,731</b>	<b>20,493</b>	<b>23,403</b>
Total Loans	939	939	939	939
Deferred tax liability	480	480	480	480
<b>Total Liabilities and Equity</b>	<b>17,113</b>	<b>19,176</b>	<b>21,938</b>	<b>24,848</b>
Gross block	6,052	7,052	8,052	9,052
Depreciation	3,278	3,868	4,548	5,317
Net block	2,774	3,184	3,505	3,735
Capital WIP	553	468	468	468
Investments	11,307	13,080	14,480	15,880
Inventory	1,069	1,196	1,275	1,375
Debtors	573	630	686	740
Cash & Bank Bal	1,346	1,486	2,631	4,060
Loans & Advances	2,851	2,851	2,851	2,851
<b>Current Assets</b>	<b>5,838</b>	<b>6,163</b>	<b>7,442</b>	<b>9,025</b>
Sundry Creditors	2,028	2,252	2,399	2,588
Other Current Liability	1,332	1,468	1,558	1,673
Current Liability & Provisions	3,360	3,720	3,957	4,261
Net current assets	2,479	2,444	3,485	4,765
<b>Total Assets</b>	<b>17,113</b>	<b>19,176</b>	<b>21,938</b>	<b>24,848</b>

Source: Company, Axis Securities research

<b>Cash Flow</b>					(Rs Cr)
<b>Y/E March (Rs. Crs)</b>	<b>FY24</b>	<b>FY25E</b>	<b>FY26E</b>	<b>FY27E</b>	
EBIT	3,821	3,992	4,538	4,858	
Other Income	1,168	1,407	1,447	1,447	
Depreciation & Amortization	559	590	680	770	
Interest paid(-)	19	20	20	21	
Tax paid(-)	(1,067)	(1,321)	(1,465)	(1,543)	
Extra Ord Income	(1,083)	-	-	-	
<b>Operating Cash Flow</b>	<b>3,418</b>	<b>4,688</b>	<b>5,220</b>	<b>5,553</b>	
Change in Working Capital	(2,005)	175	103	149	
<b>Cash flow from Operations</b>	<b>1,413</b>	<b>4,863</b>	<b>5,323</b>	<b>5,702</b>	
Capex	(1,000)	(1,000)	(1,000)	(1,000)	
Strategic Investment	-	-	-	-	
Non-Strategic Investment	(1,027)	(1,773)	(1,400)	(1,400)	
<b>Cash flow from Investing</b>	<b>(2,027)</b>	<b>(2,773)</b>	<b>(2,400)</b>	<b>(2,400)</b>	
Change in borrowing	848	-	-	-	
Others	-	-	-	-	
Dividends paid(-)	(1,012)	(1,567)	(1,738)	(1,831)	
<b>Cash Flow from Financial Activities</b>	<b>(164)</b>	<b>(1,567)</b>	<b>(1,738)</b>	<b>(1,831)</b>	
Change in Cash	(778)	523	1,185	1,471	
Opening cash	796	45	613	1,758	
<b>Closing cash</b>	<b>918</b>	<b>1,486</b>	<b>2,631</b>	<b>4,060</b>	

Source: Company, Axis Securities research

<b>Ratio Analysis</b>					(%)
<b>Y/E March</b>	<b>FY24</b>	<b>FY25E</b>	<b>FY26E</b>	<b>FY27E</b>	
Revenue Growth	14.3	10.0	8.9	7.9	
EBITDA Margin	27.2	25.9	27.1	27.1	
Net Profit Margin	23.3	22.9	23.4	22.8	
ROCE (%)	24.8	22.5	22.0	20.4	
ROE (%)	26.2	24.3	23.5	21.6	
EPS( Rs)	137.1	148.4	164.6	173.4	
P/E (x)	33.4	30.8	27.8	26.4	
P/ BV (x)	8.0	7.1	6.1	5.3	
EV/ EBITDA (x)	25.9	24.3	20.8	18.8	
Fixed Assets Turnover Ratio (x)	4.8	4.8	4.8	4.9	
Debt / Equity (x)	0.1	0.1	0.0	0.0	
EV/ Sales (x)	7.0	6.3	5.6	5.1	

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
14-Nov-24	BUY	5,050	Result Update

Source: Axis Securities Research

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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.