

Eicher Motors Limited

12-May-16

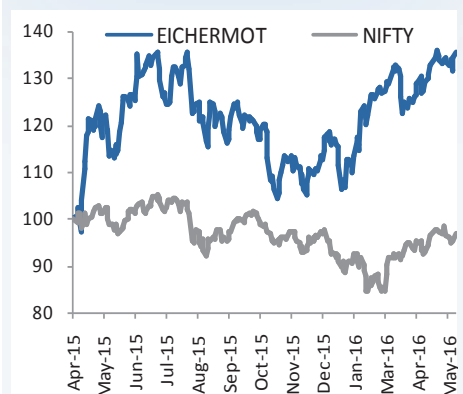
Result Update	
CMP	19753
Target Price	23000
Previous Target Price	
Upside	16%
Change from Previous	-

Market Data	
BSE Code	505200
NSE Symbol	EICHERMOT
52wk Range H/L	
Mkt Capital (Rs Cr)	
Av. Volume	4453
Nifty	7866

Stock Performance			
	1Month	1Year	YTD
Absolute	8.5	38.4	34.5
Rel.to Nifty	4.3	41.2	39.1

Share Holding Pattern-%			
	1QCY16	4QCY15	1QCY15
Promoter	54.9	54.9	54.9
Public	45.1	45.1	45.1
Others	0.0	0.0	0.0
Total	100.0	100.0	100.0

Company Vs NIFTY



Eicher Motors has strongly positioned itself in the domestic market in niche cruiser segment bikes under the brand name 'Royal Enfield'. The company has crossed 50000 units mark in the month of March 2016 and now focusing on its strategies to gain market share in international motorcycles market. The company is entering in the overseas market through its own distribution outlets in most of the European & Latin American countries and multi-brand showrooms in US. The launch of new models will help in strong demand prospects of the company.

The turn around in the M&HCV segment can be seen as strong volume growth in the VECV monthly numbers. The demand is coming from road construction sector.

1QCY16 Result Update

RE has reported 59.6% growth in volumes in 1QCY16 YoY and realization has also been higher in this quarter due to price increase, which had been taken in January 2016. EML reported Rs. 3764.87 crore Revenue at a growth of 46.6% and Rs. 334.50 crore of PAT at a growth of 71.3% in 1QCY16 over the previous year.

VECV has also reported 42.6% growth in CV volumes. The HCV segment demand came from road construction sector. Realisation in the quarter was lower due to higher sales of LCVs in the month of March 2016 and discount on buses. The company has reported Rs. 2219.91 crore of revenue in the 1QCY16. The company has changed its reporting from calendar year to financial year.

Outlook and Valuation

Going forward, EML's growth potential depends on the new product launches, capacity addition in line with demand and entering into the new geographies in both motorcycle as well as commercial vehicle segment. Considering management's past performance and the future strategies, we have positive view on this stock and we recommend 'BUY' with a Target price of Rs. 23000.

	Rs. In crore				
Financials	1QCY16	4QCY15	1QCY15	QoQ	YoY
Sales	3765	3317	2568	14%	47%
EBITDA	640	517	366	24%	75%
Net Profit	335	271	195	24%	71%
EBIDTA%	17.0%	15.6%	14.3%		
PAT %	8.9%	8.2%	7.6%		

(Source: Company/Eastwind)

Investment Argument

- >>Higher investment of Rs. 600 crore during the current fiscal for product development, setting up of two R&D centres and expansion of manufacturing capacities in India and the UK.
- >>Management's decision to appoint to Rod Copes, and industry veteran from Harley davidson will drive the growth of Royal Enfield in North American market.
- >>In USA the company is going through Multibrand showrooms (a separate section for Royal Enfield) and in Europe opening up of its own exclusive stores.

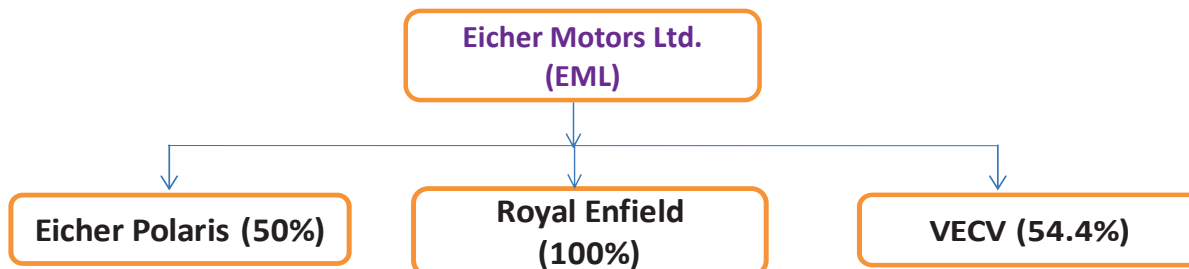
Management Highlight

- >>Management expects 30-40% growth in volumes in FY17.
- >>Higher growth potential international markets are Latin America and South East Asia.
- >>The company plans to produce 675000 motorcycles in CY2016 and 900000 motorcycles by FY2019.
- >>Production is 50000 units per month and waiting period is 3 months for classic models.
- >>Currently RE dealer count is 500 and it will reach more than 600 by FY17.
- >>Royal Enfield's R&D centre in the UK is developing a 600-650cc twin-cylinder motorcycle, designed to serve cruiser riders of the US and Europe. The bike is likely to be launched next year.
- >>Capex is Rs.600 crore for RE and Rs.400 crore for VECV towards setting up technical centers and capacity enhancement.
- >>Multix- Plant in Jaipur, produced 650 units till december 2015. Target customers for Multix are Independent businessmen.
- >>No plans for setting up plants in overseas market in near future.
- >>The company plans to increase its capacity in the Pithampur facility from 5500 to 7500 units per month going forward.

About The Company

Incorporated in 1982, Eicher Motors Limited is the flagship company of the Eicher Group in India and a leading player of the Indian automobile industry. The company is mainly engaged in the business of high end motorcycles (350cc & above) under the brand '**Royal Enfield**' and Commercial Vehicles business segment under '**Volvo Eicher Commercial Vehicles**'.

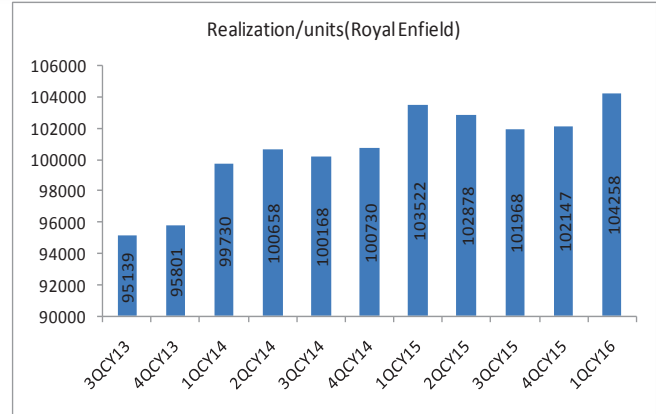
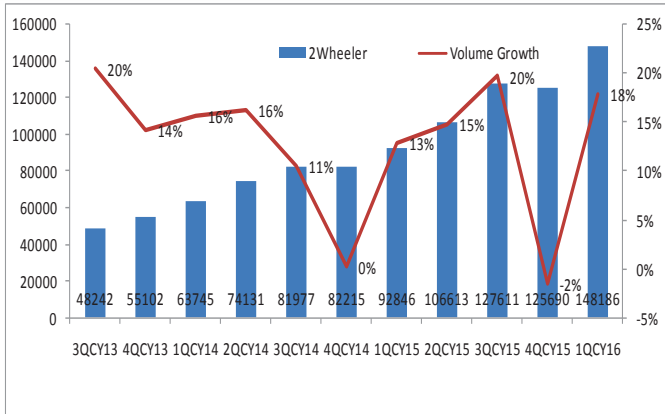
EML Business Details



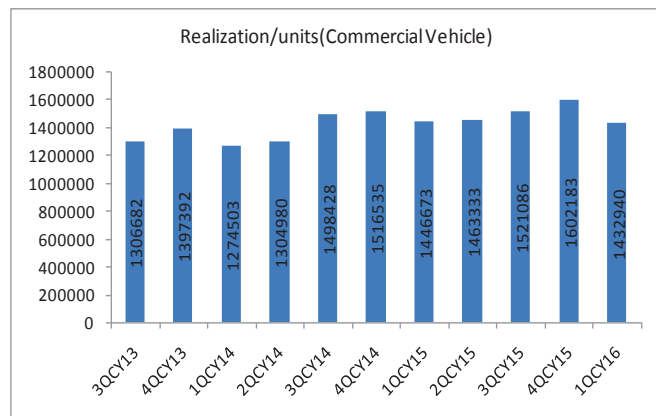
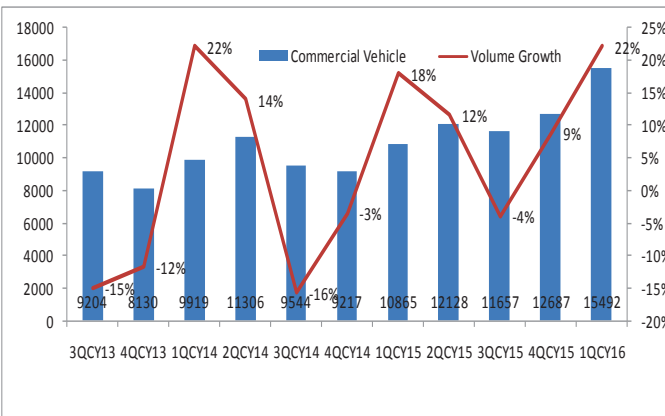
Key Risk

- >>Company have plans to increase its capacity to 9 Lakh units per annum by the end of 2018. Rise in demand may increase the waiting period for the bikes, which is 3-4 months.
- >>In the US market the company can face stiff competition from Harley Davidson.
- >>Bajaj Auto's Avenger can be potential threat for Royal Enfield in Indian market.

Royal Enfield Volume and Realization



VECV Volume and Realization



Net Sales and EBITDA Margin Trend

