

Eicher Motors: Fundamental Analysis



EICHER

- Research Report
- Created by Rudransh Malhotra
- (Junior Analyst)





Introduction to Eicher Motors

Founded: October 14, 1982

Headquarters: Delhi, India

Key Figures: Vikram Lal (Founder), Siddhartha Lal (CEO)

Key Metrics: Total Operating Revenue: Rs. 16,078.16 crore (FY 2024)

Equity Capital: Rs. 27.38 crore



EICHER

Key Products

- Royal Enfield Motorcycles
- Eicher Trucks
- Eicher Buses
- Eicher Tractors
- Eicher Dragon Hook
- Eicher Multix Polaris





Historical Overview

- Early Days (1948-1982): 1948: Establishment of Eicher Goodearth
- 1959: Formation of Eicher Motors Limited
- Growth and Partnership (1983-2000): 1983: License to manufacture Royal Enfield motorcycles
- 1990s: Acquisition of Royal Enfield India
- Expansion and Consolidation (2001-2010): 2006: Full control of Royal Enfield
- 2008: New manufacturing facility in Tamil Nadu
- 2009: Launch of Classic 350 and 500 models



EICHER

Recent Developments

- 2011: First international assembly unit in Colombia
- 2012: Joint venture with Polaris Industries (ceased 2018)
- 2020s: Continued R&D investments and new product launches (e.g., Hunter 350)





EICHER

Market Position and Financial Highlights

- Market Share: Mid-size Motorcycle Market: >85%
- Commercial Vehicle Segment: 7.6%
- Market Capitalization: Rs 128,094.39 crores
- ROCE: 31.13%
- Quarterly Profit Variation: 18.21%
- Quarterly Sales Variation: 11.87%



SWOT Analysis



EICHER

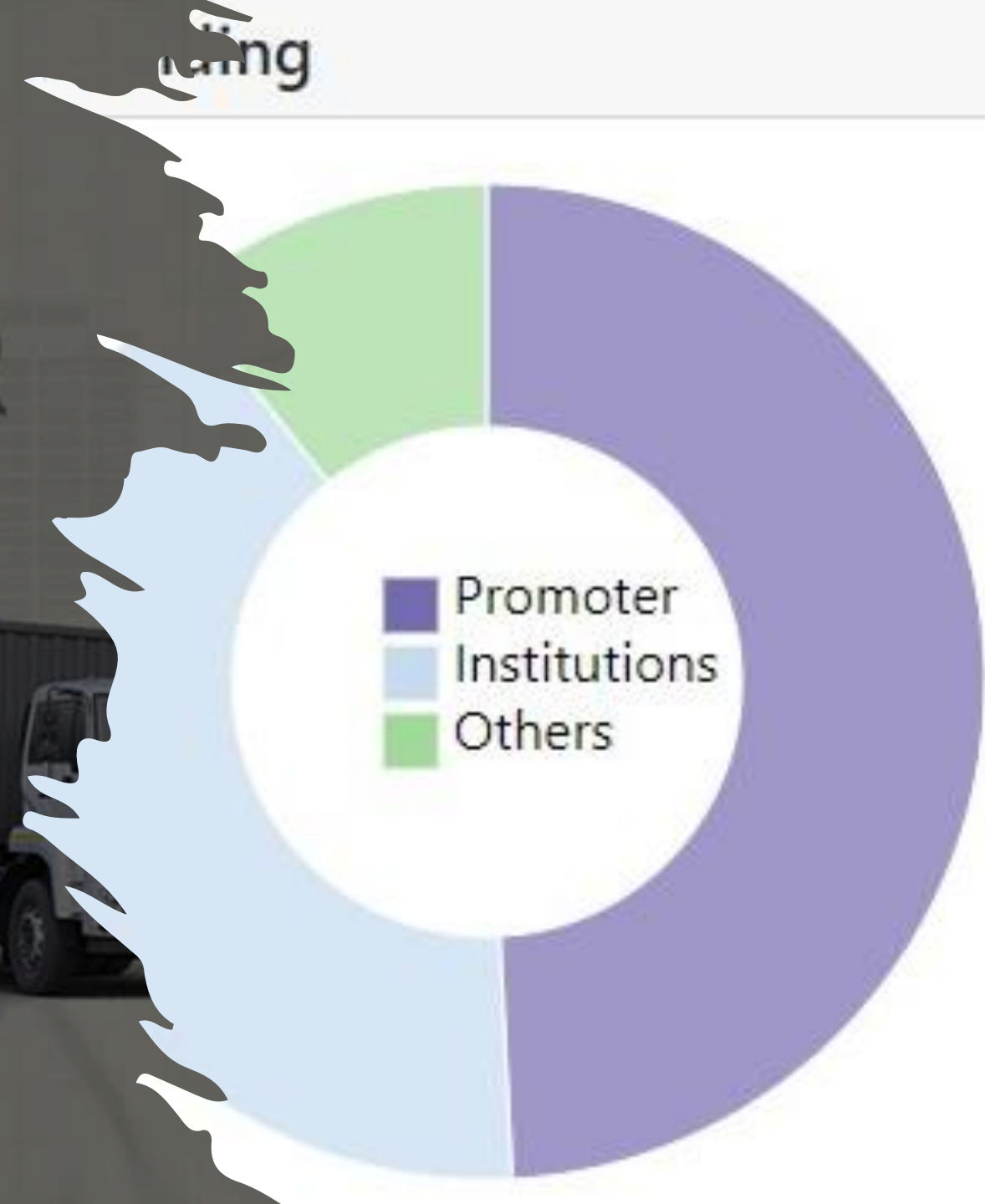
- Strengths: Zero-debt company
- Strong distribution network (2,000 stores in 1,750 cities)
- World-class manufacturing facilities
- Weaknesses: Falling profit after tax and revenue
- High dependency on 350 cc segment
- Opportunities: Growth potential in Indian states
- Increasing exports in mid-size segment
- Expansion in vehicle aftersales and accessories
- Threats: Decline in domestic sales
- Semiconductor chip shortages
- Increasing global competition



Share holdings



- Promoters: 49.20%
- Institutional Investors: 40.10%
- Others: 10%



Share holding pattern

The background of the slide features the Eicher Motors logo, which consists of a red stylized bird or wing shape above the word "EICHER" in a bold, black, sans-serif font. Below the logo, a fleet of various Eicher commercial vehicles, including trucks and vans in different colors like orange, yellow, white, and grey, is parked in a row.

- o **Balanced Shareholding:** Eicher Motors shows a balanced shareholding structure with substantial holdings by promoters and institutional investors. This balance suggests strong governance, professional oversight, and a high level of confidence from key stakeholders.
- o **Stability and Confidence:** High promoter and institutional holdings indicate stability and confidence in the company's future, while the participation of retail investors adds liquidity and reflects positive market sentiment.
- o **Aligned Interests:** The significant promoter stake ensures that the company's management is likely to make decisions that are in the best interest of all shareholders, contributing to long-term value creation.

Peer Comparison analysis

Peer comparison

Sector: [Automobile](#) Industry: [Automobiles - Motorcycles / Mopeds](#)

[EDIT COLUMNS](#)

S.No.	Name	CMP Rs.	P/E	Mar Cap Rs.Cr.	Div Yld %	NP Qtr Rs.Cr.	Qtr Profit Var %	Sales Qtr Rs.Cr.	Qtr Sales Var %	ROCE %
1.	Eicher Motors	4678.30	32.05	128094.39	0.79	1070.45	18.21	4256.04	11.87	31.13
2.	TVS Motor Co.	2152.35	60.65	102258.20	0.36	411.53	15.29	10042.47	25.04	18.83
3.	Hero Motocorp	5036.30	26.12	100691.37	2.00	943.46	16.13	9616.68	14.02	29.77
4.	Wardwizard Inno.	50.62	93.22	1319.60	0.20	4.28	195.17	128.05	153.31	17.81
5.	Urja Global	21.19	545.79	1113.48	0.00	0.46	411.11	13.02	22.37	1.84
	Median: 5 Co.	2152.35	60.65	100691.37	0.36	411.53	18.21	4256.04	22.37	18.83

Peer Comparison Insight

- Eicher Motors emerges as a well-rounded and financially strong company with good profitability metrics and efficient capital usage. Its high market cap and ROCE reflect strong operational and financial performance, making it a leader in its sector. However, the high P/E ratio suggests that investors are willing to pay a premium for its shares, expecting continued strong performance and growth. While not the highest in sales growth, its stability and efficient capital management position it favorably among its competitors.



Balance sheet



Balance Sheet

[CORPORATE ACTIONS](#)

Consolidated Figures in Rs. Crores / [View Standalone](#)

	Dec 2012	Dec 2013	Dec 2014	Mar 2016	Mar 2017	Mar 2018	Mar 2019	Mar 2020	Mar 2021	Mar 2022	Mar 2023	Mar 2024
Equity Capital	27	27	27	27	27	27	27	27	27	27	27	27
Reserves	1,728	2,028	2,489	3,626	5,318	7,003	8,891	9,954	11,411	12,581	14,963	18,018
Borrowings +	23	84	58	23	112	151	187	249	219	108	288	419
Other Liabilities +	2,694	3,197	3,829	1,263	1,552	2,341	2,281	2,220	2,901	3,424	3,919	4,663
Total Liabilities	4,471	5,337	6,403	4,939	7,009	9,522	11,387	12,450	14,559	16,140	19,198	23,128
Fixed Assets +	992	1,656	2,309	790	873	1,502	1,875	2,378	2,433	2,424	2,690	3,258
CWIP	504	464	419	94	374	333	450	312	314	505	472	212
Investments	638	825	1,078	3,388	4,987	5,581	4,923	5,749	3,902	7,721	12,321	13,527
Other Assets +	2,337	2,391	2,597	667	775	2,106	4,140	4,011	7,909	5,490	3,715	6,131
Total Assets	4,471	5,337	6,403	4,939	7,009	9,522	11,387	12,450	14,559	16,140	19,198	23,128

Activate Windows
Go to Settings to activate Windows

Balance Sheet Insights

- : The balance sheet analysis reveals a company that has significantly expanded its asset base through substantial investments in fixed assets and other long-term investments. The steady increase in reserves suggests strong profitability and effective earnings retention. While borrowings have increased, they remain a small portion of total liabilities, indicating prudent use of leverage. The company's growth strategy appears to be focused on expanding its operational capacity and enhancing its financial stability through diversified investments.



Cash flow statement

Cash Flows

Consolidated Figures in Rs. Crores / [View Standalone](#)

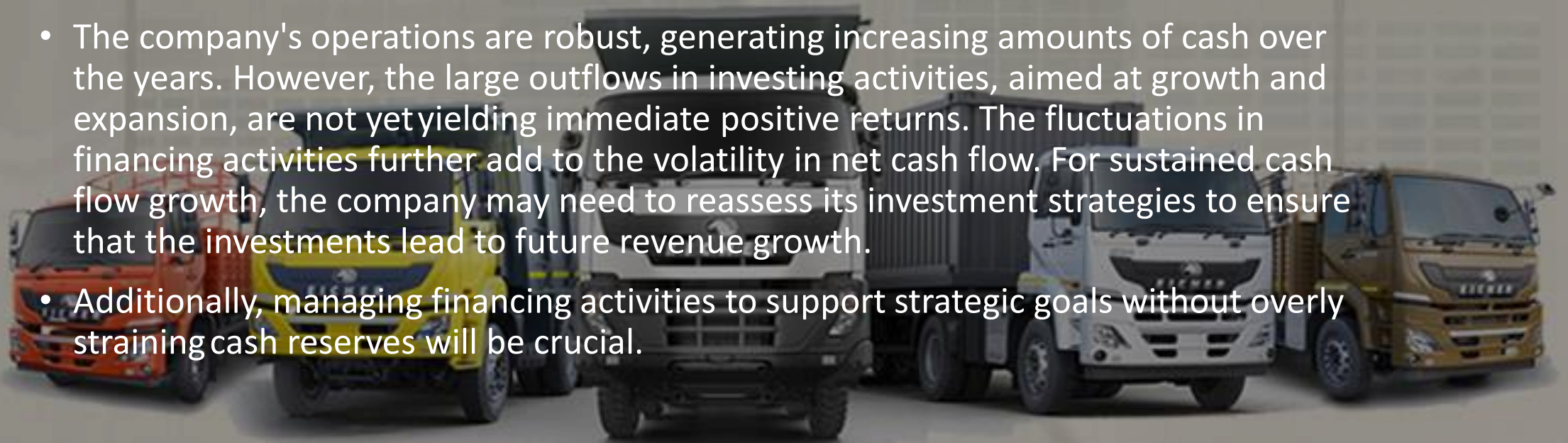
	Dec 2012	Dec 2013	Dec 2014	Mar 2016	Mar 2017	Mar 2018	Mar 2019	Mar 2020	Mar 2021	Mar 2022	Mar 2023	Mar 2024
Cash from Operating Activity +	496	716	1,047	1,463	1,708	2,482	1,575	1,694	1,691	1,527	2,847	3,724
Cash from Investing Activity +	-773	-790	-1,214	-1,001	-1,744	-2,145	-660	-1,508	-1,625	-983	-2,422	-2,852
Cash from Financing Activity +	-111	-47	-162	-466	25	-262	-292	-858	-15	-593	-417	-844
Net Cash Flow	-388	-121	-329	-4	-10	75	623	-673	51	-50	8	27

Cash flow insights



EICHER

- The company's operations are robust, generating increasing amounts of cash over the years. However, the large outflows in investing activities, aimed at growth and expansion, are not yet yielding immediate positive returns. The fluctuations in financing activities further add to the volatility in net cash flow. For sustained cash flow growth, the company may need to reassess its investment strategies to ensure that the investments lead to future revenue growth.
- Additionally, managing financing activities to support strategic goals without overly straining cash reserves will be crucial.



Profit and loss statement

Profit & Loss

Consolidated Figures in Rs. Crores / [View Standalone](#)

[RELATED PARTY](#)

[PRODUCT SEGMENTS](#)

	Dec 2012	Dec 2013	Dec 2014	Mar 2016	Mar 2017	Mar 2018	Mar 2019	Mar 2020	Mar 2021	Mar 2022	Mar 2023	Mar 2024
Sales +	6,390	6,810	8,738	6,173	7,033	8,965	9,797	9,154	8,720	10,298	14,442	16,536
Expenses +	5,840	6,094	7,621	4,484	4,859	6,156	6,893	6,971	6,937	8,120	10,996	12,209
Operating Profit	550	715	1,118	1,690	2,174	2,809	2,904	2,183	1,783	2,178	3,446	4,327
OPM %	9%	11%	13%	27%	31%	31%	30%	24%	20%	21%	24%	26%
Other Income +	136	93	105	326	416	536	701	572	482	496	908	1,524
Interest	4	8	10	2	4	5	7	19	16	19	28	51
Depreciation	82	130	220	137	154	223	300	382	451	452	526	598
Profit before tax	600	671	993	1,877	2,433	3,116	3,297	2,355	1,798	2,203	3,800	5,202
Tax %	21%	22%	29%	29%	30%	30%	33%	22%	25%	24%	23%	23%
Net Profit +	475	525	702	1,338	1,667	1,960	2,203	1,827	1,347	1,677	2,914	4,001

Activate Windows

Compounded Sales Growth

10 Years:	9%
5 Years:	11%
3 Years:	24%
TTM:	15%

Compounded Profit Growth

10 Years:	27%
5 Years:	13%
3 Years:	44%
TTM:	37%

Stock Price CAGR

10 Years:	21%
5 Years:	19%
3 Years:	21%
1 Year:	29%

Return on Equity

10 Years:	23%
5 Years:	19%
3 Years:	20%
Last Year:	24%

Profit and Loss statement Insight



- The company has demonstrated strong growth in sales and profits over the years, with significant improvements in operating efficiency and profitability margins. The consistent increase in net profit and strong ROE indicates effective management and a solid financial foundation. The metrics for compounded growth rates and stock price CAGR reflect positive market perception and investor confidence.
- Eicher motors has been performing well financially, with strong growth in revenues, profitability, and returns to shareholders. Since last year company has given the most return in equity which is 24%.



Profit and Loss statement Insight



- The company has demonstrated strong growth in sales and profits over the years, with significant improvements in operating efficiency and profitability margins. The consistent increase in net profit and strong ROE indicates effective management and a solid financial foundation. The metrics for compounded growth rates and stock price CAGR reflect positive market perception and investor confidence.
- Eicher motors has been performing well financially, with strong growth in revenues, profitability, and returns to shareholders. Since last year company has given the most return in equity which is 24%.



Conclusion



EICHER

- **Strong Market Position**
- **Dominant Share:** Eicher Motors, with its Royal Enfield brand, leads the mid-size motorcycle segment in India.
- **Brand Reputation:** Provides a competitive edge and pricing power.
- **Financial Health**
- **Low Debt:** Debt-to-equity ratio of 0.02 indicates strong financial stability.
- **High ROCE:** 31.1% indicates efficient use of capital.
- **Healthy ROE:** 24.2% suggests effective returns on shareholders' equity.
- **Growth Potential**
- **Market Presence:** Robust distribution network across 1,750 cities with about 2,000 stores in India.
- **Innovation:** Opportunities for growth in international markets and new product launches.
- **Dividend Yield**
- **Moderate Yield:** 0.78% provides returns to shareholders while retaining earnings for growth.
- **Peer Comparison**
- **Favorable Position:** Highest market cap and high ROCE among peers.
- **Valuation:** P/E ratio of 32.4 reflects high market expectations for future growth.



Recommendation

- Eicher Motors' strong market position, robust financial health, significant growth potential, attractive dividend yield, and favorable peer comparison, I recommend a **Buy** rating for Eicher Motors Ltd. Investors should consider holding this stock long-term to capitalize on its solid fundamentals and growth prospects

