

Nov 14, 2013

Eicher Motors Ltd.

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NSE Code: EICHERMOT

Reuters Code:

EICH.NS

Bloomberg Code: EIM:IN

Eicher Motors Ltd. (EICHERMOT) incorporated in 1982, is the flagship company of the Eicher Group in India and a leading player in the Indian automobile industry. Its 50-50 joint venture with the Volvo group, VE Commercial Vehicles Limited, designs, manufactures and markets reliable, fuel-efficient commercial vehicles of high quality and modern technology, engineering components and provides engineering design solutions. Eicher Motors manufactures and markets the iconic Royal Enfield motorcycles.

Investor's Rationale

Topline grew 13.0% YoY on the back of strong performance in Royal Enfield operations – EICHERMOT registered a healthy growth in its topline by 13.0% YoY at ₹16,616.4 mn in Q3CY'13 against ₹14,707 mn on consolidated basis. The traction in the segment extended in the quarter on strong momentum in the sales of its Royal Enfield motorcycles with a growth of 60.6% with record sales of 48,242 units as compared to 30,046 units in the reporting quarter. Eicher Motors September quarter exports soared 172% to 1,171 units from 431 units a year ago in same period.

EBITDA margin expanded 458bps by increased market share in all segments – The EBITDA of the company increased by 88.5% YoY at ₹2,099.3 mn. Following, OPM also expanded 458bps at 12.1% against 7.5% driven by improved overall market share in commercial vehicles through its 50:50 joint venture with the Volvo Group – VE Commercial Vehicles (VECV).

Bottom-line increased 62.7% YoY, despite higher finance cost & taxation– Net profit Increased by 62.70% YoY to ₹1,074.30 mn in the third quarter ended September 30 on account of better operation performance and due to one-time other operating income of around ₹530 mn. Thus NPM expanded by 176bps at 30.3% against the 30.8% YoY.

Focused to increase market share in all segments by product innovation and long term growth by laying strong foundation- The company is focusing towards its light, medium and heavy duty segment, to renew its ETB's product portfolio and is preparing to launch its full new range of trucks and buses across light, medium and heavy duty next month. In September 2013, Royal Enfield had its first successful global launch with the all new Continental GT- a motorcycle that perfects the essential elements of the most influential idea in motorcycling history – café racing.

Market Data

Rating	BUY
CMP (₹)	4,200
Target Price	5,000
Stop Loss	3,900
Duration	Short-term
52-week High-Low (₹)	514.05/337.20
Rise from 52WL (%)	27.3
Correction from 52WH (%)	16.5
Beta	0.35
1 year Average Volume (mn)	0.03
	3M-
	27.3
Stock Return (%)	6M-
	29.3
	1Y-
	67.4
Market Cap (₹bn)	113.6
Book Value (₹)	232.6

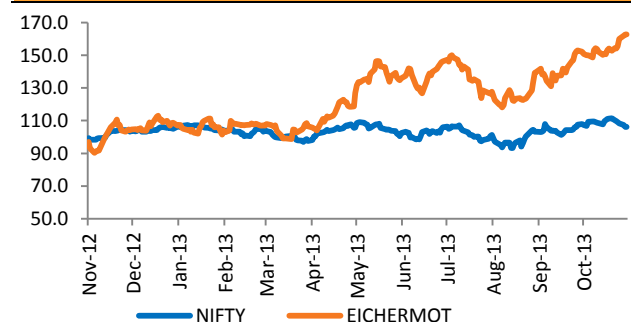
Shareholding Pattern

	Sep'13	Jun'13	Chg
Promoters (%)	55.18	55.18	0.00
FII (%)	19.09	15.96	3.13
DII (%)	6.02	8.89	(2.87)
Public & Others (%)	19.71	19.97	(0.26)

Quarterly Performance (Consolidated)

(₹Mn)	Q3 CY'13	Q3 CY'12	Q2 CY'13	YoY Change(%)	QoQ Change (%)
Sales	16,616.4	14,707.0	16,462.5	13.0	0.9
Op. exp	15,261.5	13,717.7	15,036.6	11.3	1.5
EBITDA	2,099.3	1,113.5	1,662.2	88.5	26.3
OPM (%)	12.1	7.5	10.0	458 bps	214bps
Net profit	1,074.3	660.1	923.2	62.7	16.4
NPM (%)	6.1	4.4	5.5	176bps	67bps
EPS (₹)	39.5	24.3	34.0	62.5	16.2

One Year Price Chart





Indbank Merchant Banking Services Ltd.
I Floor, Khiviraj Complex I,
No.480, Anna Salai, Nandanam, Chennai 600035
Telephone No: 044 – 24313094 - 97
Fax No: 044 – 24313093
www.indbankonline.com

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