



5 MINUTE STOCK IDEA

BY SMART SYNC INVESTMENT ADVISORY SERVICES

EICHER MOTORS

WHAT WE LIKE

MAY BECOME THE 1ST INDIAN GLOBAL CONSUMER BRAND

The seeds of international expansion were sown in 2013. It took 8 years for the plan to achieve meaningful growth. 2 years back, Eicher used to export 18k motorcycles in a year. They shipped as many in a couple of months now. In FY23YTD (April-Jul 2022), they have already exported close to 40K motorcycles in just 4 months. With a strong focus on branding, product development, and distribution, Eicher has the potential to become the 1st Indian Global Consumer Brand.

DISTRIBUTION EXPANSION AT FANATIC SPEED & EMPOWERING CUSTOMERS (MIY)

Despite the prolonged slowdown in the two-wheeler market, Eicher continued its relentless focus on expanding distribution both domestically and internationally.

Distribution	2016	2019	Aug 2022
India Large Size	527	915	1076
India Studio	0	0	1056
Foreign Exclusive	12	42	169
Foreign MBO	0	550	690+
Countries	50	50	60+

EMPOWERING CUSTOMERS: MAKE IT YOURS (MIY APP)

MIY app has been instrumental for both customers & Eicher. That not only makes the customer feel more empowered but also improves the Solutions Business for Eicher. Solution business has experienced 4X Revenue growth in the last 6 years (Sales FY16: INR370 Cr, FY22: INR 1587 Cr)

EV: WHAT KILLS OTHERS MAKE ME STRONGER

We are seeing huge competition and disruption in the mass two-wheeler EV segment due to VC-funded hi-tech fast-growing startups like Ather & Ola Electric leading the charge of electric vehicles in India. Eicher is unaffected as it is not in the entry-level space. It has the liberty to watch this space and learn the best practices for its future EV journey.

STRONG RECOVERY IN CV LEADING TO GAIN IN MARKET SHARE



WHAT WE DON'T LIKE

GLOBAL SHORTAGE OF SEMICONDUCTOR CHIPS

The global shortage of Semiconductor Chips has adversely impacted the production volumes for Eicher along with all automobile players. The management in recent concall guides that the situation has already started improving. However, we at SSS believe that it's too early to pass on that judgment. Hence, the risk is still very much there.

PRICE VOLATILITY IN RHODIUM

Rhodium consumption in Eicher Bikes (350 to 650 cc) is 35% higher compared to bikes that are 150 cc or lower. Rhodium prices have skyrocketed in the last 3 years. They have cooled down a bit in the last six months, but remain substantially high. Eicher, however, in its new designs has managed to reduce Rhodium consumption by 66%. Plus, they have been able to raise prices multiple times due to brand-induced pricing power.



THE DOMESTIC MARKET CONTINUES TO BE UNDER STRESS

The domestic 2-wheeler market continues to be under stress for several years now. It started with slowing demand from 2016 which further got heightened in 2019. In 2020 Covid further put a dent in the demand plus also disrupted supply. Now when demand seems to be coming back, the chip shortage has put brakes on the market.

COMPETITION IN PREMIUM SEGMENT

Bajaj Auto through Triumph & KTM, TVS through Norton, and Mahindra through Classic Legends are showing keen interest in this field.

However, it is a classic case of rabbit running faster than the fox because the fox is running for his food. The rabbit is running for his life. Moreover, beating Eicher on four parameters of price, distribution network, dealer profitability & brand recall would not be easy for any new entrant.

HIGH VALUATION

Eicher trades at 8 times sales while other 2 wheelers like Bajaj, Hero & TVS trade between 1.5 to 3 times sales. Some premium is definitely guaranteed because of their brand strength. However, it's tough to say how much premium is justifiable. There are multiple factors pointing out a decent sales growth over the next 2-3 years. But how much to pay for it is the dilemma for any investor.

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