

Gladiator Stocks

New recommendations Time Frame: 6 Months

Date	Scrp	I-Direct Code	Buying Range	Target	Stoploss	Upside (%)
4-Apr-18	Eicher Motors	EICMOT	28850-28980	32200.00	27,110.00	11.0

Open recommendations Time Frame: 6 Months

Date	Scrp	Avg Rec Price	Target	Stoploss	CMP	Return till date (%)
3-Apr-18	Indian Hotels	137.50	166.00	124.00	140.00	1.8
4-Apr-18	ElH Ltd	164.50	194.00	145.00	165.10	0.4
9-Jan-18	Reliance Industries	935.00	1070.00	865.00	907.00	-3.0
23-Jan-18	VST Industries	3105.00	3840.00	2770.00	3,086.00	-0.6
23-Feb-18	Merck	1485.00	1750.00	1370.00	1,549.00	4.3

All the recommendations are in Cash segment

Open Recommendations

Momentum Picks

Scrp	Action
KEC International	Buy
Ipca Labs	Buy
Godrej properties	Buy
Duration: 1 month	

[Click here to know more...](#)

Stock on the Move

Scrp	Action
Mahindra CIE	Buy
Duration: 3 Months	

[Click here to know more...](#)

Our Products

April 4, 2018

Research Analysts

Dharmesh Shah

dharmesh.shah@icicisecurities.com

Pabitra Mukherjee

pabitra.mukherjee@icicisecurities.com

Nitin Kunte, CMT

nitin.kunte@icicisecurities.com

Vinayak Parmar

vinayak.parmar@icicisecurities.com

Ninad Tamhanekar, CMT

ninad.tamhanekar@icicisecurities.com

Eicher Motors (EICMOT) – Base formation near lower band of upward sloping channel, augurs well for next leg of up move

Technical Outlook

• Eicher Motors (EML) is a leading player in the Indian automotive space. EML owns the iconic Royal Enfield motorcycle business, which leads the premium motorcycle segment in India. The share price of Eicher Motors has seen a stupendous rally since CY10 witnessing a multifold rally. The stock recorded an all-time high of ₹ 33480 in September 2017. Since then, it has undergone a healthy corrective phase in last seven months and seen a base formation around the key value area of ₹ 26500-27000. Recently, the stock formed a higher high and higher low on the monthly chart after five months signalling that the corrective phase has approached maturity and the stock is likely to resume fresh up move

• In the last two months, the stock has been witnessing a base formation around the major support area of ₹ 26500-27000 as it is the confluence of the following technical parameters:

- The lower band of the rising channel containing the entire price activity since CY16 currently at ₹ 27200
- 61.8% retracement of the previous major up move (₹ 23000-33480)
- The long term rising 52 weeks EMA, which has acted as strong support for the stock since CY14

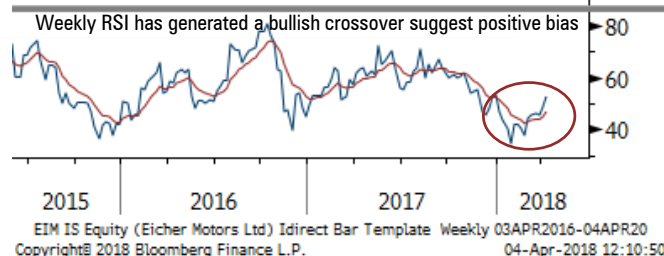
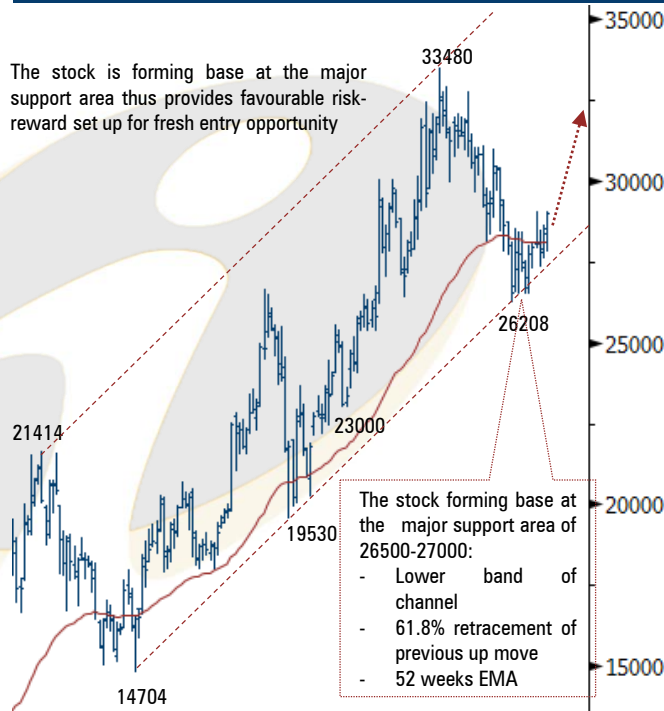
Based on the above technical observation, we believe the risk-reward remains favourable and offers fresh entry opportunity.

• Time wise, the stock has already taken 29 weeks to retrace just 61.8% of the previous 27 weeks up move (₹ 23000 to 33480). Shallow price wise correction and elongated time wise consolidation highlights the robust price structure

• Among oscillators, the weekly 14 period's RSI has recently generated a bullish crossover above its nine period's average thus supports the positive bias in the stock

• We expect the stock to resume uptrend after the current consolidation and head towards ₹ 32200 in the medium term as it is the confluence of the previous highs and 80% retracement of the entire decline (₹ 33480-26208)

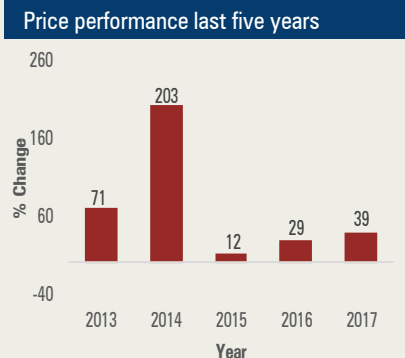
Weekly Bar Chart



Strategy	Buy
Buying range	28850-28980
Target	32200
Stoploss	27110
Potential upside	11%
Time Frame	6 Months

Recommended on i-click to gain at 10:23 hrs on April 04, 2018

Stock Data	
Market Capitalisation (₹ Cr.)	79298
Face Value (₹)	10
52 Week High / Low	33480/25321
50/200 day EMA	27711/29540
3m Avg volume	12 lacs
MF Holding(%)	4.62
FII Holding(%)	32.13



Eicher Motors (EICMOT): Fundamental View

Eicher Motors (EML) is a dual play on sustained strong growth from its motorcycle business (Royal Enfield – RE) and Volvo Eicher Commercial Vehicles (VECV) which is well placed to capture the CV recovery in India. RE's volume CAGR in CY12-FY17 has been an astonishing 52%, albeit on a small base. However, large unfulfilled demand for RE products, especially in the 350 cc segment, make us positive on the sustenance of growth as capacity expands. With newer product launches and export markets likely to be tapped, demand is likely to outstrip supply even with expanded capacity (9.5 lakh units in FY19E).

Large opportunity still exists in RE

In the past, there have been concerns over growth being expected to moderate. This is attributable to issues in states like Maharashtra and Karnataka where there was road tax above ₹ 1 lakh, which led to a fall of market for bigger bikes. Another reason for the moderation in growth was the model year change in December. However, we believe the company has surpassed these growth concerns by reporting 27.4% YoY growth in Q4FY18. Although the company has achieved a high market share of more than ~25% in states (Kerala, Goa, Punjab, etc) where affordability is high, in seven of the top 10 states (in terms of highest selling two wheelers), the company's market share is just 2-4%. Most of these states have lower per capita income and, hence, lower affordability. Therefore, with rising disposable income levels in the next four to five years, RE bike will be one the most preferred bike choices for upgrade. This will be supported by EML's continuous effort of increasing dealer points (~825 points by FY18) by 100 every fiscal. Thus, we expect RE volumes to register CAGR of ~21% to 973,839 units over FY17-19E.

New twin models to spur growth globally

RE will be introducing the twin motorcycles Interceptor INT 650 & the Continental GT 650 next fiscal. These models will be launched in the overseas market before they come to the Indian market for launch. Given its brand strength and efforts in opening exclusive store (35 so far) globally, we believe RE can tap this under-penetrated segment of mid-sized motorcycles globally. The 250-750 cc is an under-penetrated segment, with Europeans and US manufacturers focus on bigger bikes, most Japanese & emerging market manufacturers focus on smaller bikes. The management believes these models can mimic the success of Classic 350 in developing countries.

VECV stable margin business

The CV business has successfully managed to maintain its EBITDA margins >6.5% in the past five years, even when the margins of peers fell in the negative territory. We believe positive industry dynamics like stronger regulation of overloading, higher infrastructure development, stricter emission (implementation BS VI by 2020) & safety norms will spur VECV growth going forward. We expect VECV volumes to register CAGR of ~10% to 70,729 units over FY17-19E.

Sustainable volume growth justifies premium valuation

EML has justifiably commanded a premium over other auto OEMs as the RE business is in full throttle and VECV reaps the benefits of an economic revival. Thus, we maintain our positive stance with Buy recommendation on the stock.

Source: Bloomberg, ICICI Direct.com Research

April 4, 2018

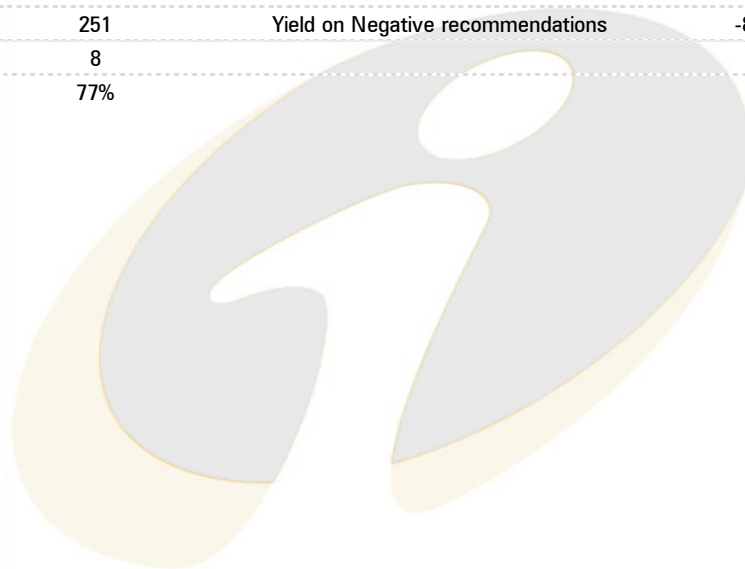
Stock Data	
Particular	Amount
Market Capitalization	₹ 78734.2 Crore
Total Debt (FY17)	₹ 105.9 Crore
Cash and Investments (FY17)	₹ 1408.2 Crore
EV (FY17)	₹ 75136 Crore
52 week H/L (₹)	33483 / 23221
Equity capital (₹ crore)	₹ 27 Crore
Face value (₹)	₹ 10

Key metrics				
	FY16	FY17	FY18E	FY19E
P/E (x)	60.0	43.1	33.7	25.7
Adj. EV/E (x)	236.9	163.2	92.3	40.9
P/BV (x)	22.1	15.5	11.4	8.4
RoNW (%)	36.9	36.0	33.8	32.6
RoCE (%)	42.4	39.2	39.8	38.4

Financial Highlights				
₹ Crore	FY16	FY17	FY18E	FY19E
Net Sales	6,188	7,038	9,041	11,249
EBITDA	1,730.5	2,205.8	2,867.7	3,604.5
Net Profit	1,277.9	1,771.6	2,266.0	2,977.6
EPS (₹)	471.5	655.9	839.0	1,102.4

Summary Performance - Recommendations till date

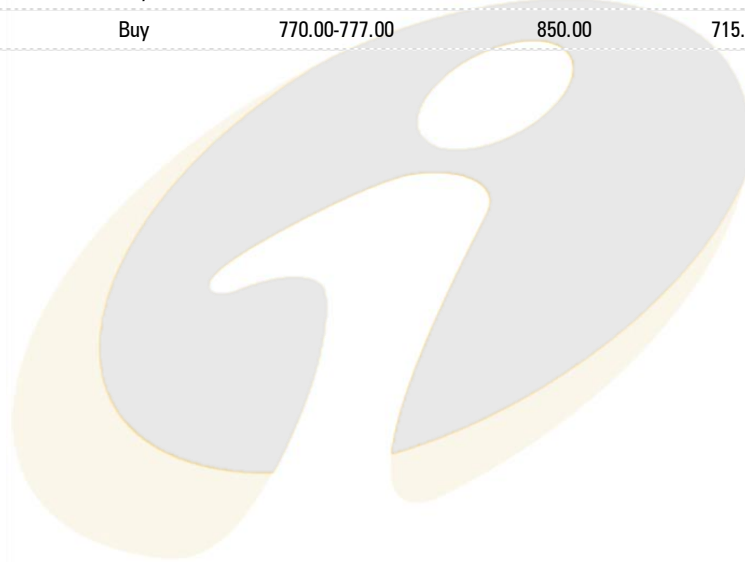
Total Recommendations	338	Open	5
Closed Recommendations	333	Yield on Positive recommendations	19.0%
Positive Recommendations	251	Yield on Negative recommendations	-8.0%
Closed at cost	8		
Strike Rate	77%		



Momentum Picks open recommendations

Date	Stock	Strategy	Recommendation Price	Target	Stoploss	Time Frame
3-Apr-18	KEC International	Buy	400.00-406.00	457.00	377.00	30 Days
26-Feb-18	Ipca Laboratories	Buy	670.00-682.00	775.00	621.00	30 Days
13-Mar-18	Godrej Properties	Buy	770.00-777.00	850.00	715.00	30 Days

All the recommendations are in Cash segment



[Back to Top](#)

Stock on the Move open recommendations

Date	Scrip Name	Strategy	Recommendation Price	Target	Stoploss	Time Frame
27-Feb-18	Mahindra CIE Automotive	Buy	233-238	270.00	205.00	3 Month

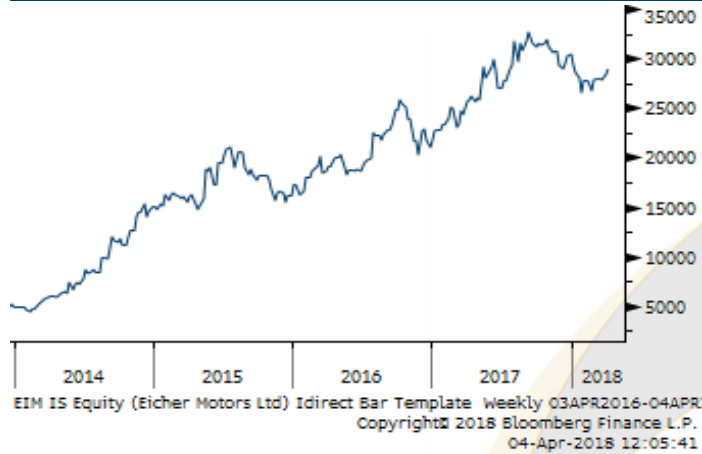
All the recommendations are in Cash segment



[Back to Top](#)

Price history of last three years of the short term recommendations

Eicher Motors Ltd



- It is recommended to enter in a staggered manner within the prescribed range provided in the report
- Once the recommendation is executed, it is advisable to keep strict stop loss as provided in the report on closing basis
- The recommendations are valid for six months and in case we intend to carry forward the position, it will be communicated through separate mail

Trading portfolio allocation

- It is recommended to spread out the trading corpus in a proportionate manner between the various technical research products
- Please avoid allocating the entire trading corpus to a single stock or a single product segment
- Within each product segment it is advisable to allocate equal amount to each recommendation
- For example: The 'Daily Calls' product carries 3 to 4 intraday recommendations. It is advisable to allocate equal amount to each recommendation

Recommended product wise trading portfolio allocation

Product	Allocations				
	Product wise allocation	Max allocation In 1 Stock	Number of Calls	Return Objective	Duration
Momentum Picks- Intraday	10%	30-50%	2-3 Stocks	1-2%	Intraday
Momentum Picks- Positional	25%	8-10%	6-8 Per Month	5-8%	1 Month
Stocks on the move	25%	12-15%	6-8 Per Month	10-12%	3 Months
Gladiator Stocks	35%	15-20%		20-30%	6 Months
Cash	5%				
	100%				



Pankaj Pandey

Head – Research

pankaj.pandey@icicisecurities.com

ICICIdirect.com Research Desk,

ICICI Securities Limited,

1st Floor, AkruTI Trade Centre,

Road No 7, MIDC,

Andheri (East)

Mumbai – 400 093

research@icicidirect.com

We /I, Dharmesh Shah, Nitin Kunte, Ninad Tamhanekar, Pabitra Mukherjee, Vinayak Parmar Research Analysts, authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

Terms & conditions and other disclosures:

ICICI Securities Limited (ICICI Securities) is a full-service, integrated investment banking and is, inter alia, engaged in the business of stock brokering and distribution of financial products. ICICI Securities Limited is a SEBI registered Research Analyst with SEBI Registration Number – INH00000990. ICICI Securities is a wholly-owned subsidiary of ICICI Bank which is India's largest private sector bank and has its various subsidiaries engaged in businesses of housing finance, asset management, life insurance, general insurance, venture capital fund management, etc. ("associates"), the details in respect of which are available on www.icicibank.com

ICICI Securities is one of the leading merchant bankers/ underwriters of securities and participate in virtually all securities trading markets in India. We and our associates might have investment banking and other business relationship with a significant percentage of companies covered by our Investment Research Department. ICICI Securities generally prohibits its analysts, persons reporting to analysts and their relatives from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover.

The information and opinions in this section have been prepared by ICICI Securities and are subject to change without any notice. The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of ICICI Securities. While we would endeavour to update the information herein on reasonable basis, ICICI Securities is under no obligation to update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent ICICI Securities from doing so. Non-rated securities indicate that rating on a particular security has been suspended temporarily and such suspension is in compliance with applicable regulations and/or ICICI Securities policies, in circumstances where ICICI Securities might be acting in an advisory capacity to this company, or in certain other circumstances.

The research recommendations are based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. These research recommendations and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. ICICI Securities will not treat recipients as customers by virtue of their receiving these recommendations. Nothing in this section constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed herein may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. The recipient should independently evaluate the investment risks. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. ICICI Securities accepts no liabilities whatsoever for any loss or damage of any kind arising out of the use of these recommendations. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice.

ICICI Securities or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.

ICICI Securities or its associates might have received any compensation from the companies mentioned herein during the period preceding twelve months from the date of these recommendations for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction.

ICICI Securities or its associates might have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the companies mentioned herein in the past twelve months.

ICICI Securities encourages independence in research report preparation and strives to minimize conflict in preparation of research report. ICICI Securities or its associates or its Analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither ICICI Securities nor Research Analysts and their relatives have any material conflict of interest at the time of publication of this reports.

It is confirmed that Dharmesh Shah, Nitin Kunte, Ninad Tamhanekar, Pabitra Mukherjee and Vinayak Parmar, Research Analysts giving these recommendations have not received any compensation from the companies mentioned herein in the preceding twelve months.

Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions

ICICI Securities or its subsidiaries collectively or Research Analysts or their relatives do not own 1% or more of the equity securities of the company/companies mentioned herein as of the last day of the month preceding the publication of these research recommendations.

Since Associates (ICICI group companies) of ICICI Securities are engaged in various financial service businesses, they might have financial interests or beneficial ownership in various companies including the subject company/companies mentioned herein.

It is confirmed that Research Analysts do not serve as an officer, director or employee or advisory board member of the companies mentioned herein.

ICICI Securities may have issued other reports that are inconsistent with and reach different conclusion from the information presented herein.

Neither the Research Analysts nor ICICI Securities have been engaged in market making activity for the companies mentioned herein.

We submit that no material disciplinary action has been taken on ICICI Securities by any Regulatory Authority impacting Equity Research Analysis activities.

This report or recommendations are not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject ICICI Securities and affiliates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction