

## Eicher Motors

HOLD

Choice

Nov 14, 2024

In Q2FY25, Eicher Motors registered a lower than expected performance. Company reported a top line growth of 3.6% YoY to Rs.42.6bn over last year quarter vs our est. of Rs.44.7bn (-0.6% volume/+4.3% ASP). On operating profit front, the company reported a 0.1% YoY growth to Rs.10.88bn where margin contracted by 91bps YoY/-101bps QoQ to 25.5% vs est of 26.7% and PAT increased by 8.3% on a YoY basis to Rs.11.0bn. Management is optimistic on volume growth backed by new product launches and pick up in the export market, going forward. With the help of new launches, brand building and expansion in the international market RE is on track to witness industry leading growth ( in 350+CC category). Further, with the slew of new launches across the categories of MC like roadster, cruiser, classic, adventure with newly developed platforms and aiming to uplift the riding industry by product innovation.

- In Q2 FY24, Royal Enfield saw steady sales, with 225,000 motorcycles sold, maintaining a strong retail growth momentum, especially in international markets (12% growth). Domestic sales reached 206,199 units, while international sales were 19,118 units. The company achieved a milestone in October, surpassing 100,000 units in monthly sales, driven by successful launches, including the Guerrilla 450, Roadster, and Classic 350 colorways. At EICMA, they showcased the Bear 650 Scrambler, Classic 650, and their electric motorcycle brand, Flying Flea, with plans for early 2026 EV launches. International expansion is a key focus, with new CKD facilities in Bangladesh and Brazil, and continued success in community engagement events like One Ride and upcoming Motorverse.
- At VE Commercial Vehicles (VECV), Q2 saw record sales of 20,774 units, a 6.2% growth despite a 10.8% decline in the overall commercial vehicle market. VECV maintained leadership in the light and medium-duty truck segment and grew heavy-duty truck sales by 8%. The company also initiated an MOU with Baidyanath LNG for 500 LNG trucks, supporting cleaner fuel initiatives. Financially, VECV reported 8% revenue growth to INR 5,538 crores, though EBITDA margins slightly decreased to 7.1%. Moving forward, VECV expects commercial vehicle demand to rebound in the latter half of the fiscal year.

**Outlook and Valuations:** We remain positive on the stock given led by increasing accessories revenue, expanding RE's reach in the international market, expanding presence in underpenetrated markets (Tier II & III cities), and a healthy launch pipeline in across the bike category and revival of CV segment post general election. We expect, over FY24-27 VECV segment to perform well due to modern, connected and efficient products portfolio and increasing touchpoints along with site support backed by faster Uptime Promise. We arrive at **HOLD** rating with a TP of Rs. 4,995 (24X Sep-FY27 EPS).

## Quarterly performance

Particulars	Q2FY25	Q2FY24	YoY (%)	Q1FY25	QoQ (%)
Volumes (in units)	2,27,872	2,29,280	(0.6)	2,26,021	0.8
<b>Net Sales</b>	<b>42,631</b>	<b>41,145</b>	<b>3.6</b>	<b>43,931</b>	<b>(3.0)</b>
Material Expenses	22,824	22,201	2.8	23,562	(3.1)
<b>Gross Profit/vehicle</b>	<b>86,921</b>	<b>82,626</b>	<b>5.2</b>	<b>90,120</b>	<b>(3.5)</b>
Employee Expenses	3,464	3,061	13.1	3,536	(2.1)
Other Operating Expenses	5,466	5,012	9.1	5,178	5.6
<b>EBITDA</b>	<b>10,877</b>	<b>10,872</b>	<b>0.1</b>	<b>11,654</b>	<b>(6.7)</b>
Depreciation	1,801	1,425	26.3	1,686	6.8
<b>EBIT</b>	<b>9,077</b>	<b>9,446</b>	<b>(3.9)</b>	<b>9,968</b>	<b>(8.9)</b>
Interest Cost	131	127	3.6	123	7.1
<b>PBT</b>	<b>12,483</b>	<b>12,057</b>	<b>3.5</b>	<b>12,665</b>	<b>(1.4)</b>
Share of Profit from JV / Assoc.	1,138	1,016	11.9	1,746	(34.8)
<b>RPAT</b>	<b>11,003</b>	<b>10,163</b>	<b>8.3</b>	<b>11,015</b>	<b>(0.1)</b>
<b>APAT</b>	<b>11,003</b>	<b>10,163</b>	<b>8.3</b>	<b>11,015</b>	<b>(0.1)</b>
<b>Adj EPS (Rs)</b>	<b>40.1</b>	<b>37.1</b>	<b>8.2</b>	<b>40.2</b>	<b>(0.1)</b>

Margin Analysis	Q2FY25	Q2FY24	YoY (bps)	Q1FY25	QoQ (bps)
EBITDA/Vehicle	47,734	47,416	0.7%	51,563	(7.4)%
Material Exp % of Sales	0.5	0.5	(0)	0.5	(0)
Employee Exp. % of Sales	8	7	68	8	8
Other Op. Exp % of Sales	13	12	64	12	103
EBITDA Margin (%)	25.5	26.4	(91)	26.5	(101)
Tax Rate (%)	21	24	(318)	27	(585)
APAT Margin (%)	25.8	24.7	111	25.1	74

Source: Company, CEBPL

CMP (Rs)	4,589
Target Price (Rs)	4,995
Potential Upside (%)	8.8

\*CMP as on 13<sup>th</sup> Nov 2024

## Company Info

BB Code	EIM IN EQUITY
ISIN	INE066A01021
Face Value (Rs.)	1.0
52 Week High (Rs.)	5,105
52 Week Low (Rs.)	3,564
Mkt Cap (Rs bn.)	1257.7
Mkt Cap (\$ bn.)	14.9
Shares o/s (Mn.)/Free Float	274.1/50
Adj. TTM EPS (Rs)	155.8
FY27E EPS (Rs)	221.6

## Shareholding Pattern (%)

	Sep-24	Jun-24	Mar-24
Promoters	49.10	49.11	49.14
FII's	27.61	28.81	28.95
DII's	13.67	11.84	11.04
Public	9.62	10.24	10.87

## Relative Performance (%)

YTD	3Y	2Y	1Y
BSE AUTO	95.4	72.5	37.9
EIM	68.6	30.5	25.9

## Year end March (INR bn)

Particular	FY25E	FY26E	FY27E
Revenue	186.4	215.5	249.5
Gross Profit	86.7	100.2	116.0
EBITDA	48.1	56.0	65.4
EBITDA (%)	25.8	26.0	26.2
EPS (INR)	166.5	194.7	221.6

## Rebased Price Performance



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## CEBPL Estimates vs Actual

Particulars (Rs.mn)	Actual	Choice Est.	Deviation (%)
Revenue	42,631	44,733	(4.7)
EBIDTA	10,877	11,944	(8.9)
<b>EBIDTA Margin (%)</b>	<b>25.5</b>	<b>26.7</b>	<b>(118.5)bps</b>
PAT	11,003	10,582	4.0

Source: Company, CEBPL

## Changes in Estimates

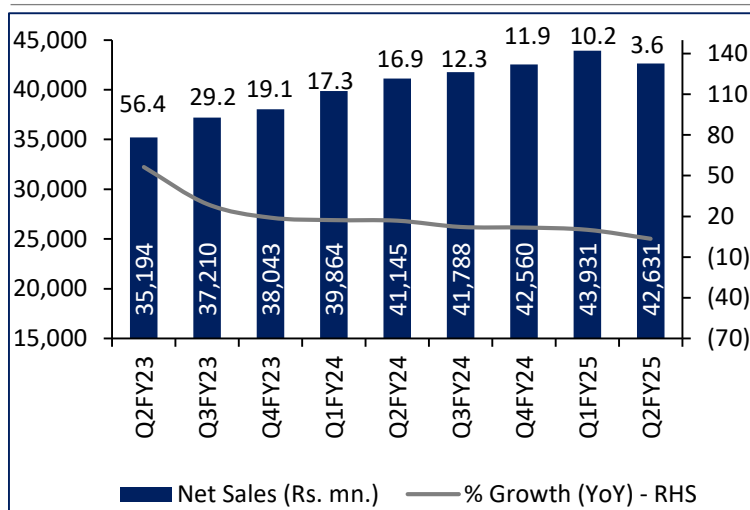
Income Statement (INR Mn.)	FY25E			FY26E			FY27E
	New	Old	Dev. (%)	New	Old	Dev. (%)	New
Net sales	1,86,404	1,96,795	(5.3)	2,15,531	2,30,012	(6.3)	2,49,482
EBITDA	48,092	53,135	(9.5)	56,038	63,943	(12.4)	65,364
EBITDA margin(%)	25.8	27.0	(120)bps	26.0	27.8	(180)bps	26.2
APAT	45,500	49,759	(8.6)	53,207	59,120	(10.0)	60,558
EPS	166.5	182.07	(8.6)	194.7	216.32	(10.0)	221.6

Source: Company, CEBPL

## Management Call - Highlights

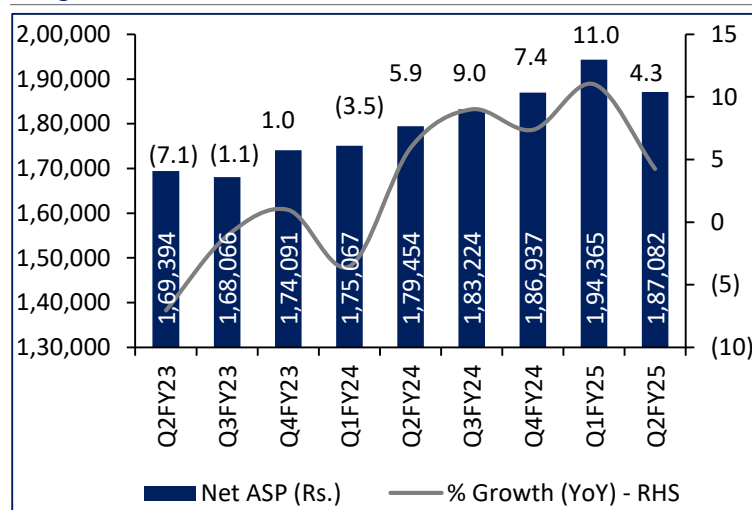
- Sales of 225,000 motorcycles, with significant growth in international markets (12% YoY retail growth).
- Festive season saw record-breaking monthly sales of over 100,000 units.
- Introduced new models: Guerrilla 450, Roadster on Sherpa 450 platform, Classic 650, and Bear 650, receiving positive market responses.
- Strong response to the new Bullet with the J-platform engine and the Battalion Black variant, particularly in northern India.
- Royal Enfield is expanding its global footprint, with a new CKD facility in Bangladesh and plans for a second CKD facility in Brazil starting in January 2025.
- Royal Enfield is also investing heavily in the electric vehicle space, with plans to launch its first electric motorcycle under the Flying Flea brand in early 2026. The company has assembled a dedicated EV team and has filed over 28 patents in this area.
- VECV recorded its highest-ever second-quarter sales a 6.2% increase, which is driven by strong growth in both domestic and export markets. While the commercial vehicle industry shrank by 10.8%
- VECV's margins remain under pressure due to competitive market conditions. However, the company is confident that it can improve margins through increased leverage and a rebound in commercial vehicle demand in the second half of the fiscal year.
- Gained market share in light and medium-duty trucks (36.5%) and continued growth in heavy-duty and bus segments.
- VECV's partnership with Baidyanath LNG Private Limited to deploy 500 Eicher Pro 6055 LNG trucks signifies a commitment to a cleaner and more sustainable transportation sector
- Growth emphasis on both domestic and international markets, while balancing product mix to support profitability.
- Plans to enhance operational efficiencies and leverage scale to sustain

Revenue grew by 3.6% YoY



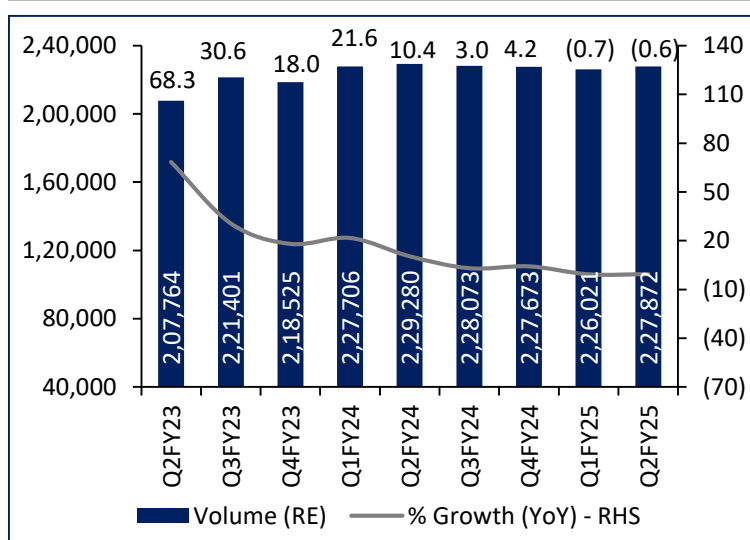
Source: Company, CEBPL

ASP grew 4.3% YoY



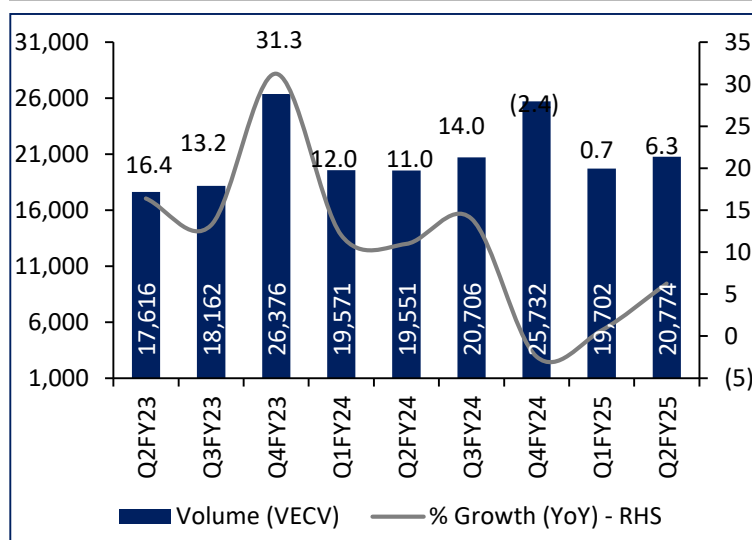
Source: Company, CEBPL

Volume (RE) de-grew 0.6% YoY



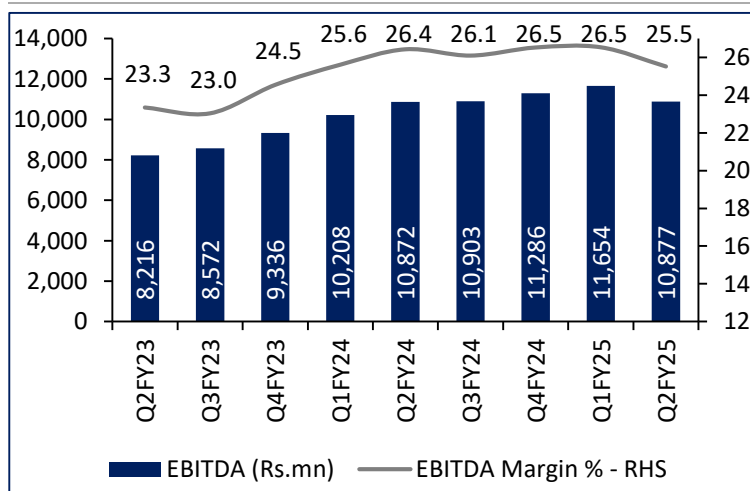
Source: Company, CEBPL

Volume (VECV) grew by 6.3% YoY



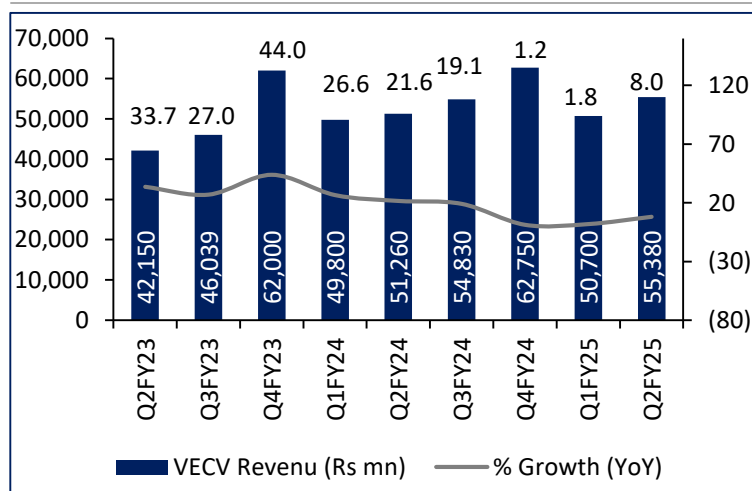
Source: Company, CEBPL

EBITDA Margin declined by 91bps YoY



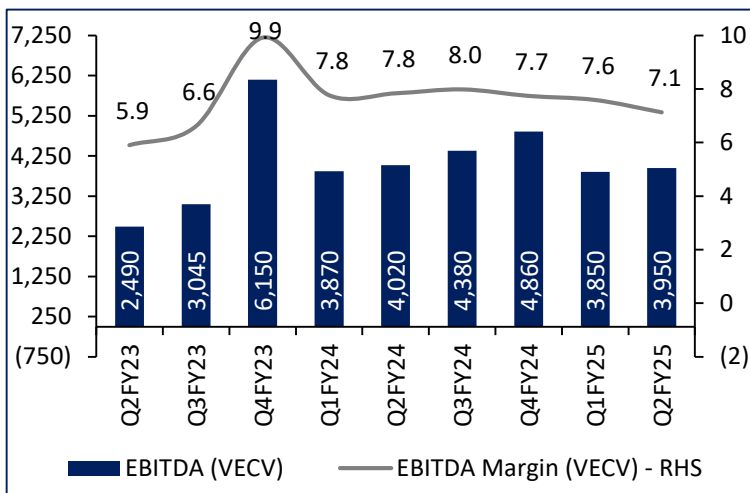
Source: Company, CEBPL

VECV Revenue grew 8.0% on YoY basis



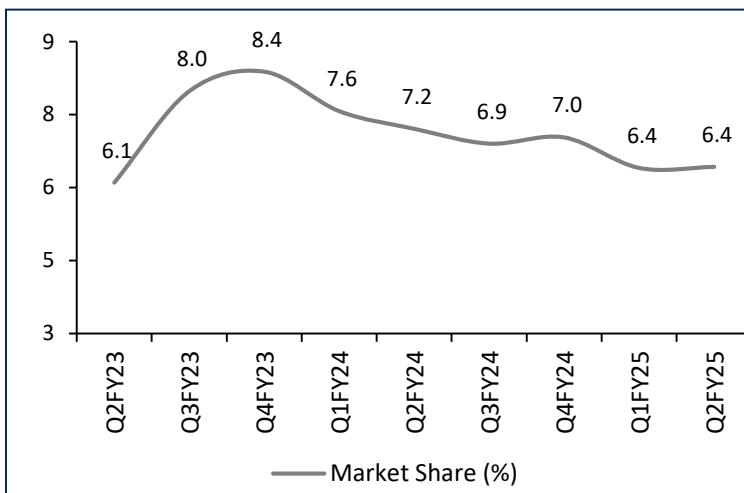
Source: Company, CEBPL

VECV EBITDA Margin



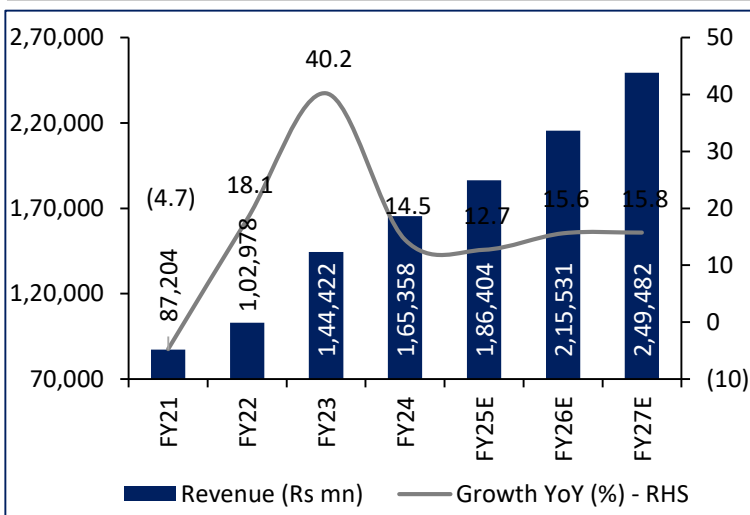
Source: Company, CEBPL

RE Domestic 2W Market Share



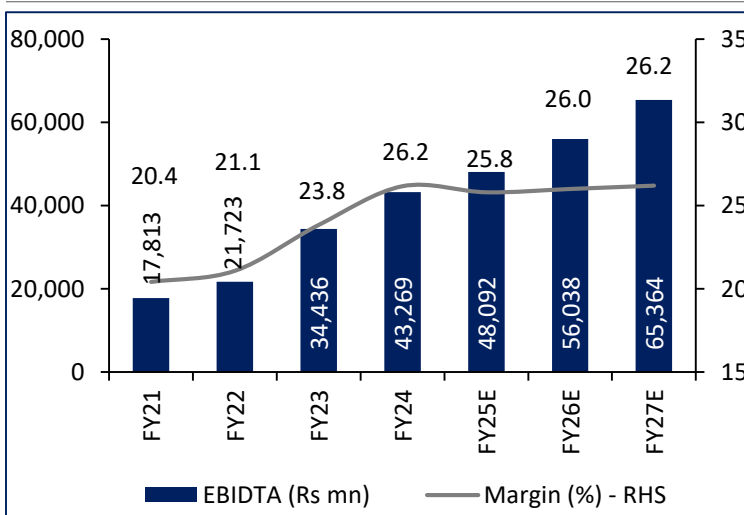
Source: CMIE, Company, CEBPL

Revenue to grow at healthy rate led by new launches and export sales



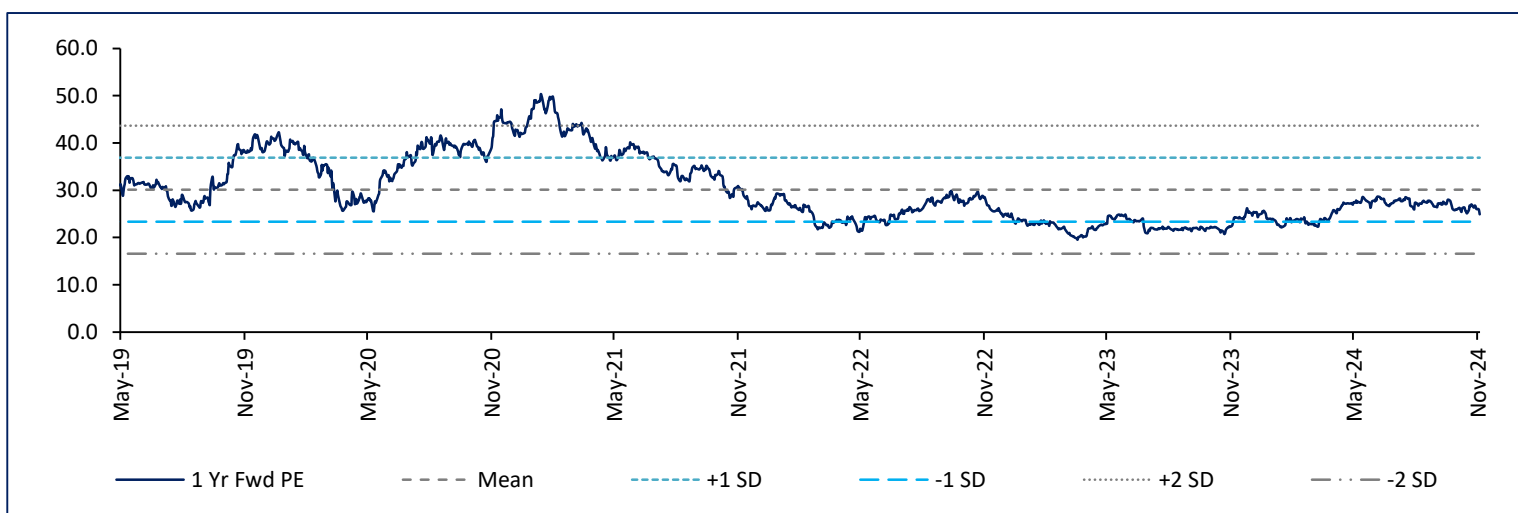
Source: CMIE, Company, CEBPL

EBITDA Margin to improve led by Oplev and product mix



Source: Company, CEBPL

1 Year Forward PE (x) band



Source: Company, CEBPL

## Income statement (Consolidated in INR Mn.)

Particular	FY23	FY24	FY25E	FY26E	FY27E
Revenue	1,44,422	1,65,358	1,86,404	2,15,531	2,49,482
Gross profit	62,303	75,551	86,678	1,00,222	1,16,009
EBITDA	34,436	43,269	48,092	56,038	65,364
Depreciation	5,262	5,976	6,506	7,306	8,106
EBIT	29,174	37,293	41,586	48,732	57,259
Interest expense	280	509	509	509	509
Other Income (Including EO Items)	5,951	10,759	11,835	13,018	14,320
Reported PAT	25,988	35,533	39,578	45,809	53,160
Minority Interest	-	-	-	-	-
Adjusted PAT	29,139	40,010	45,500	53,207	60,558
EPS (Rs)	106.5	146.1	166.5	194.7	221.6
NOPAT	21,758	27,872	31,107	36,452	42,829

## Balance sheet (Consolidated in INR Mn.)

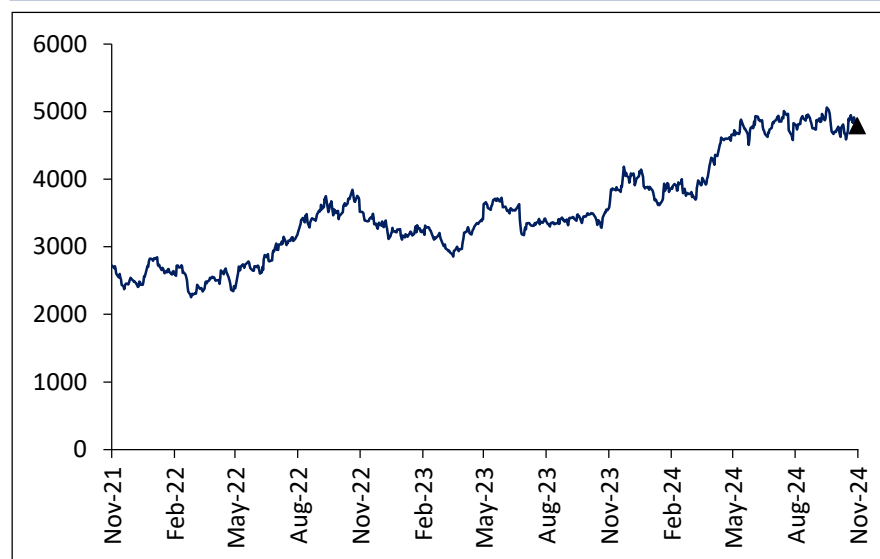
Particular	FY23	FY24	FY25E	FY26E	FY27E
Net worth	1,49,903	1,80,455	2,10,030	2,44,615	2,83,978
Minority Interest	-	-	-	-	-
Deferred tax	2,913	4,611	4,657	4,703	4,751
Total debt	1,957	2,756	2,756	2,756	2,756
Other liabilities & provisions	6,185	8,595	8,657	9,953	11,438
<b>Total Net Worth &amp; liabilities</b>	<b>1,60,958</b>	<b>1,96,416</b>	<b>2,26,100</b>	<b>2,62,027</b>	<b>3,02,923</b>
Net Fixed Assets	26,900	29,144	30,638	31,332	31,226
Capital Work in progress	778	2,117	2,417	2,717	3,017
Investments	1,23,207	1,35,270	1,51,285	1,69,222	1,89,311
Cash & bank balance	8,571	1,463	11,085	21,422	33,467
Loans & Advances & other assets	6,459	25,045	28,233	32,645	37,787
Net Current Assets	3,615	4,841	13,527	26,112	41,581
<b>Total Assets</b>	<b>1,60,958</b>	<b>1,96,416</b>	<b>2,26,100</b>	<b>2,62,027</b>	<b>3,02,923</b>
Capital Employed	1,51,860	1,83,211	2,12,786	2,47,371	2,86,734
Invested Capital	1,42,511	1,79,632	1,99,285	2,23,232	2,50,251
Net Debt	(6,614)	1,293	(8,329)	(18,666)	(30,711)
FCFF	21,490	27,678	40,727	45,491	53,639

Source: Company, CEBPL

Cash Flows (INR Mn.)	FY23	FY24	FY25E	FY26E	FY27E
CFO	28,227	37,237	49,027	53,791	61,939
Capex	(6,737)	(9,559)	(8,300)	(8,300)	(8,300)
FCF	21,490	27,678	40,727	45,491	53,639
CFI	(24,165)	(30,591)	(24,315)	(26,237)	(28,390)
CFF	(4,174)	(8,444)	(16,434)	(19,131)	(21,704)
Ratio Analysis	FY23	FY24	FY25E	FY26E	FY27E
Growth Ratios (%)					
Revenue	40.2	14.5	12.7	15.6	15.8
EBITDA	58.5	25.7	11.1	16.5	16.6
PAT	73.8	37.3	13.7	16.9	13.8
Margin ratios (%)					
EBITDA Margins	23.8	26.2	25.8	26.0	26.2
PAT Margins	20.2	24.2	24.4	24.7	24.3
Performance Ratios (%)					
OCF/EBITDA (X)	0.8	0.9	1.0	1.0	0.9
OCF/IC	19.8	20.7	24.6	24.1	24.8
RoE	19.4	22.2	21.7	21.8	21.3
ROCE	19.2	20.4	19.5	19.7	20.0
RoIC (Post tax)	15.3	15.5	15.6	16.3	17.1
ROIC (Pre tax)	20.5	20.8	20.9	21.8	22.9
Fixed asset Turnover (x)	2.7	2.7	2.7	2.8	2.9
Turnover Ratio (Days)					
Inventory	32	31	35	35	35
Debtors	9	8	9	9	9
Payables	46	46	55	55	55
Cash Conversion Cycle	(13)	7	(9)	(6)	(3)
Financial Stability ratios (x)					
Net debt to Equity	(0.0)	0.0	(0.0)	(0.1)	(0.1)
Net debt to EBITDA	(0.2)	0.0	(0.2)	(0.3)	(0.5)
Interest Cover	104.1	73.3	81.7	95.8	112.5
Valuation metrics					
Fully diluted shares (mn)	273.5	273.8	273.8	273.8	273.8
Price (Rs)	4589	4589	4589	4589	4589
Market Cap(Rs. Mn)	12,55,119	12,56,496	12,56,496	12,56,496	12,56,496
PE(x)	43	31	28	24	21
EV (Rs.mn)	12,48,505	12,57,788	12,48,167	12,37,829	12,25,785
EV/EBITDA (x)	36	29	26	22	19
Book value (Rs/share)	548	659	767	893	1,037
Price to BV (x)	8.4	7.0	6.0	5.1	4.4
EV/OCF (x)	44	34	25	23	20

Source: Company, CEBPL

## Historical recommendations and target price: Eicher Motors



### Eicher Motors

1.	14-02-2022	ADD,	Target Price Rs.2,877
2.	16-05-2022	ADD,	Target Price Rs. 2,783
3.	11-08-2022	ADD,	Target Price Rs. 3,468
4.	11-11-2022	ADD,	Target Price Rs. 3,977
5.	14-02-2023	OUTPERFORM,	Target Price Rs. 3,865
6.	11-05-2023	OUTPERFORM,	Target Price Rs. 3,936
7.	04-08-2023	OUTPERFORM,	Target Price Rs. 4,030
8.	12-11-2023	OUTPERFORM,	Target Price Rs. 4,210
9.	14-02-2024	ADD,	Target Price Rs. 4,268
10.	12-05-2024	BUY,	Target Price Rs. 4,975
11.	09-08-2024	BUY,	Target Price Rs. 5,192
12.	14-11-2024	HOLD,	Target Price Rs. 4,995

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**BUY** The security is expected to generate greater than or = 15% over the next 24 months

**HOLD** The security expected to show upside or downside returns by 14% to -5% overhead 24 months

**SELL** The security expected to show Below -5% next 24 months

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