May 11, 2024

RESULT REPORT 4QFY24 | Sector: Automobile

Eicher Motors (EIM)

In-line performance

Valuation and View

Eicher Motors (EIM) 4QFY24 consolidated results were in-line as both standalone (S/A) and VECV performance were steady. EBITDA margins of S/A expanded 290bp (flat QoQ) at 27.6% (est 27.6%) led by record ASP at Rs184k/unit due to higher exports share in volumes and benign RM. VECV margins were at 7.8% (flat QoQ, est 8%). Margins expansion ahead will be guided by stable RM, higher share of non-motorcycle and exports. The demand outlook is positive for domestic as middle weight motorcycles segment growth guided at double digit in FY25E while exports to see gradual volume improvement. The management sounded confident to improve RE's volume trajectory backed by healthy response to new launches (Himalayan 450). Further, it has re-iterated slew of launches (rather will be spaced out), which should help expand overall mid-size market.

We expect RE's overall volumes to grow at ~10% CAGR over FY24-26E, despite competitive launches. Recent launches could be an inflection point for RE as a completely new and improved platform should drive efficiencies. However, we remain watchful of domestic average monthly run-rate as exports recovery to be only gradual. On the other hand, VECV is approaching a cyclical decline in volumes, in turn restricting consolidated revenue/EBITDA/Adj.PAT CAGR to 11%/14%/10% over FY24-26E. We raise FY25/FY26 EPS by 6% each as we raise RE volumes by ~2-3%. Stock trades at 28x/26.2x FY25E/FY26E consol EPS. We maintain BUY with SoTP based revised TP of Rs5,383 (vs Rs4,677 earlier). We value S/A business at 30x P/E (vs 28x) and VECV at 11x EV/EBITDA.

Result Highlights – Overall performance steady

- Consol reveunes grew 11.9% YoY (+1.8% QoQ) at Rs42.6b (in-line). RE's volume grew 4.2% YoY/ -0.2% QoQ at 228k while ASPs came in line at Rs184.1k/unit (+5% YoY, +3.6% QoQ), highest led by higher exports share as pricing were stable.
- Consol gross margins expanded 220bp YoY (+50bp QoQ) at 46.5% (est 45.7%). Consol EBITDA grew 20.9% YoY (+3.5% QoQ) at Rs11.3b (in-line) with margins at 26.5% (+200bp YoY/ +40bp QoQ, est 26.4%). S/A margins expanded 290bp YoY (flat QoQ) at 27.6% (est 27.3%), leading to highest EBITDA/vehicle at Rs50.7k/unit which grew by ~17% YoY (+3.8% QoQ).
- Higher depreciation at Rs1.65b (est Rs1.5b, +12% each YoY/QoQ) was offset by higher other income at Rs3.05b (est Rs2.6b, +20.3% QoQ) leading to Adj.PAT came in-line at Rs10.7b (+18.2% YoY/ +7.5% QoQ, est ~Rs11b).
- VECV 4QFY24 performance - Revenues grew 1.2% YoY (+14% QoQ) at Rs62.8b (in-line), EBITDA at Rs4.9b (est Rs5.1b) with margins at 7.8% (est 8%, -220bp YoY/ -20bp QoQ), Adj.PAT at Rs2.42b (est Rs2.5b).
- FY24 consol performance – Revenue/EBITDA/PAT grew 14.5%/25.7%/37.3%.

Exhibit 1: Actual vs estimates

Rs mn	Actual	Estimate		% variation		Remarks
		YES Sec	Consensus	YES Sec	Consensus	
Sales	42,560	43,359	42,281	-1.8	0.7	Steady performance overall. VECV slightly weaker though.
EBITDA	11,286	11,435	11,404	-1.3	-1.0	
EBITDA margins %	26.5	26.4	27.0	10bp	-50bp	
Adj PAT	10,705	11,079	10,676	-3.4	0.3	

Source: Company, YES Sec

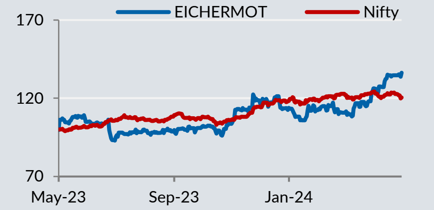
YES SECURITIES
INSTITUTIONAL EQUITIES

Reco	:	**BUY**
CMP	:	Rs 4,658
Target Price	:	Rs 5,383
Potential Return	:	+16%

Stock data (as on May 10, 2024)

Nifty	22,055
52 Week h/l (Rs)	4,708 / 3,160
Market cap (Rs/USD mn)	12,50,758 / 14,972
Outstanding Shares (mn)	274
6m Avg t/o (Rs mn):	2,490
Div yield (%):	0.8
Bloomberg code:	EIM IN
NSE code:	EICHERMOT

Stock performance



	1M	3M	1Y
Absolute return	+7.9%	+21.3%	+36.8%

Shareholding pattern (As of Mar'24)

Promoter	49.1%
FII+DII	40.1%
Others	10.8%

Δ in stance

(1-Yr)	New	Old
Rating	BUY	BUY
Target Price	5,383	4,677

Δ in earnings estimates

	FY25E	FY26E
EPS (New)	166.6	177.9
EPS (Old)	157.1	167.6
% change	+6.0%	+6.2%

Financial Summary

Y/E Mar (Rs b)	FY24	FY25E	FY26E
Net Income	165.4	184.4	202.6
EBITDA	43.3	50.5	56.1
Adj. PAT	40.0	45.6	48.7
Adj. EPS (INR)	146.1	166.6	177.9
EPS Gr. (%)	37.2	14.0	6.8
BV/Sh. (INR)	659.1	780.7	913.6
RoE (%)	24.2	23.1	21.0
RoCE (%)	23.6	22.8	21.3
P/E (x)	31.9	28.0	26.2
P/BV (x)	7.1	6.0	5.1
EV/EBITDA (x)	21.8	18.1	16.5
Div. Yield (%)	1.1	1.0	1.0

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Exhibit 2: Quarterly snapshot

Y/e Mar (Rs mn)	Q4FY24	Q4FY23	YoY chg	Q3FY24	QoQ chg	FY24	FY23	YoY chg
Net Revenues	42,560	38,043	11.9	41,788	1.8	165,358	144,422	14.5
Raw Materials	22,754	21,178	7.4	22,579	0.8	89,807	82,119	9.4
% of Net Sales	53.5%	55.7%		54.0%		54.3%	56.9%	
Personnel	3,276	2,521	29.9	3,093	5.9	12,357	10,019	23.3
% of Net Sales	7.7%	6.6%		7.4%		7.5%	6.9%	
Manufacturing & Other Exp	5,244	5,007	4.7	5,214	0.6	19,925	17,848	11.6
% of Net Sales	12.3%	13.2%		12.5%		12.0%	12.4%	
Total Expenditure	31,274	28,707	8.9	30,886	1.3	122,089	109,986	11.0
EBITDA	11,286	9,337	20.9	10,903	3.5	43,269	34,436	25.7
EBITDA Margin (%)	26.5%	24.5%		26.1%		26.2%	23.8%	
Depreciation	1,653	1,480	11.6	1,475	12.0	5,976	5,262	13.6
EBIT	9,634	7,856	22.6	9,427	2.2	37,293	29,174	27.8
Interest Expenses	153	82	88.0	124	23.4	509	280	81.6
Non-operating income	3,052	2,055	48.5	2,537	20.3	10,759	5,951	80.8
PBT	12,532	9,830	27.5	11,840	5.8	47,543	34,845	36.4
Tax-Total	3,146	2,508	25.4	3,019	4.2	12,010	8,857	35.6
Tax Rate (%) - Total	25.1%	25.5%		25.5%		25.3%	25.4%	
PAT	9,386	7,322	28.2	8,821	6.4	35,533	25,988	36.7
Minority interest / Share in profit	1,318	1,734	(24.0)	1,139	15.8	4,477	3,152	42.1
Profit after MI / Share of profit	10,705	9,056	18.2	9,960	7.5	40,010	29,139	37.3
Adj. PAT	10,705	9,056	18.2	9,960	7.5	40,010	29,139	37.3
PAT Margin	25.2%	23.8%		23.8%		24.2%	20.2%	
Key operating metrics (Consol)								
Sales Volume (nos)	227,673	218,525	4.2	228,073	(0.2)	912,732	834,895	9.3
Net Realisation/Vehicle	186,937	174,091	7.4	183,224	2.0	181,168	172,982	4.7
Material cost / vehicle	99,942	96,915	3.1	98,999	1.0	98,393	98,358	0.0
Gross Profit / vehicle	86,994	77,176	12.7	84,225	3.3	82,775	74,624	10.9
Employee cost /vehicle	14,389	11,538	24.7	13,563	6.1	13,538	12,001	12.8
Other expenses / vehicle	23,032	22,913	0.5	22,859	0.8	21,830	21,377	2.1
EBITDA/vehicle	49,573	42,725	16.0	47,804	3.7	47,406	41,246	14.9
Net Profit/vehicle	47,017	41,441	13.5	43,669	7.7	43,836	34,902	25.6

Source- Company, YES Sec

Exhibit 3: SOTP Valuation

INR Mn	FY25E	FY26E
Royal Enfield	30	30
PAT	40,583	44,754
Equity Value (at 26x PE)	1,217,483	1,342,610
VECV (@ 54.4% Economic interest)	12	12
EBITDA	10,670	9,381
EV (at 12x EV/EBITDA)	128,035	112,578
Net Debt	-12,603	-18,686
Equity Value	140,638	131,264
Total Equity Value	1,358,120	1,473,874
Target Price (INR/Sh)	**4,960**	**5,383**

Source- Company, YES Sec

KEY CON-CALL HIGHLIGHTS

Royal Enfield

Domestic

- **Demand –** believe middle weight segment growth to be in double digit in FY25E. RE have enough headroom led by new product launches.
  - Believe replacement cycle to kick in and would take time.
- **New launch feedback** - Himalayan 450 have been received well both in India and global markets. Have 3 platforms – J (Buller, Classic, Hunter, Meteor), 450cc (Sherpa platform – Himalayan) and 650cc.
  - **Expect to launch one more motorcycle in 450cc segment soon** and expect few new products launches ahead.
  - Customer response is higher than expected with current run-rate of +200 motorcycles a day and preparing for higher numbers. Have started dispatching in few exports markets and ramp-up planned for other exports markets as well.
- **Domestic network expansion is steady and gradual –** have added ~12 dealership main stores in FY24 (v/s ~27 added in FY23) taking total large size format count to 1,102 (vs 1,090 stores in FY23).
  - Whereas studio stores count has come down further to 901 in FY24 (vs 911 stores in 3Q and 969 in FY23).
- **Margins expansion levers** – RM is stable currently, exports and non-motorcycle share in overall revenues expected to inch-up which should help margins.
  - **Haven't taken price hikes in RE in 4QFY24 and recently.**
- **Non-motorcycle revenues** grew 19.5% to Rs24.4b in FY24 (vs Rs20.4b in FY23).
- **EV vertical –** Hinted at range of products under development on the EV side. Have built up commercial and technical team. Product launch at right time and in due course.
- **Shotgun 650cc** – working with custom builders to take up overall appeal of the product. Seeing good potential for the product ahead.
- **Finance penetration for RE at ~61%**. Have launched and integrate digital finance platforms with attractive finance schemes.
- Have launched 2 programs for RE 2 in 3QFY24 such as assured buy back and "re-owned" programs (pre-owned motorcycles). Both have been received well by customers.
- Domestic market share at ~30% in >125cc segment and overall market share at ~7.2%.

Exports

- **Demand – In FY24 witnessed** retail growth across markets with strong growth in recently entered markets like Turkey. Consequently, wholesales are expected to improve but for macro situation needs to be looked at market by market.
  - **Richer markets where affordability is strong but growth potential is limited** – US, EUR, AUS, JAP, NZ and Korea.
  - **High potential markets like few markets of LATAM and Southeast Asia – Approach here is to develop few markets like it is developed like India** (distribution, brand recall, after sales and service) where potential is high for 10-15 years.
- **Distribution reach** in key markets exclusive stores/ MBO – Americas 104/220 (vs 100/216 3Q and 98/214 in 2Q), UK,MEA, Europe – 75/515 (vs 66/510 in 3Q, 69/512 in 2Q) and APAC – 56/116 (vs 55/112 in 3Q and 50/110 in 2Q).

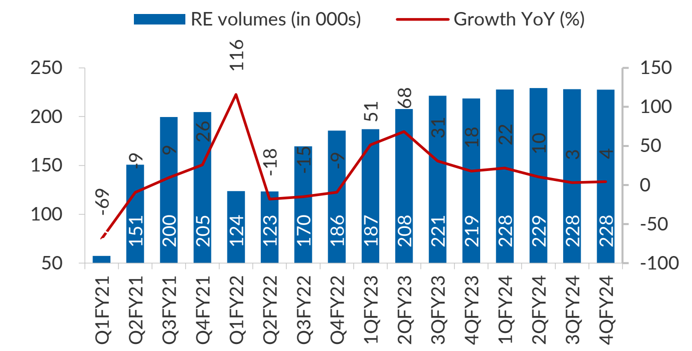
  - **Overall 1085+ global touchpoints in FY24** (vs 1,050+ in 3Q) with 235 exclusive stores (vs 221 in 3Q and 217 in 2Q) and 851 MBOs MBOs (v/s 838 in 3Q and 836 in 2Q).
- Revenues from international business was at Rs18.45b in FY24 (vs Rs20.8b in FY23).
- **Market share in key global markets** - ~9% in EMEA, ~8% Americas, ~9% APAC.

VECV

- **VE Powertrain** delivered highest ever sales of 58,962 units in FY24 vs 53,739 units in FY23 and 15,717 in 4QFY24 (vs 13,596 units in 3QFY24).
- **Eicher Power Solutions** recorded highest ever annual sales of 8,989 units in FY24 (vs 6,931 units in FY23).
- **Distribution -** Overall 933 distribution touchpoints, net addition of 125 touchpoints in FY24.
- **EVs –** have delivered ~250 EV bus and ~75 EV trucks (5.5 tons) so-far.
  - Will launch EV SCV showcased at Bharat Expo. Pilot is on with ~10 customers followed by commercial launch.
  - **Expect EV buses segment to have healthy growth in FY25E** but wont pursue volumes at the cost of margins. Have products available in 9 meter and 12 meter segments and will introduce products in 13.5 meter intracity applications.
- **Spares** revenues at Rs5.74b in 4QFY24 (+25% YoY).
- 4QFY23 margins had one-off related to incentives.
- **Margins** – focusing on discount reduction overall in CV.

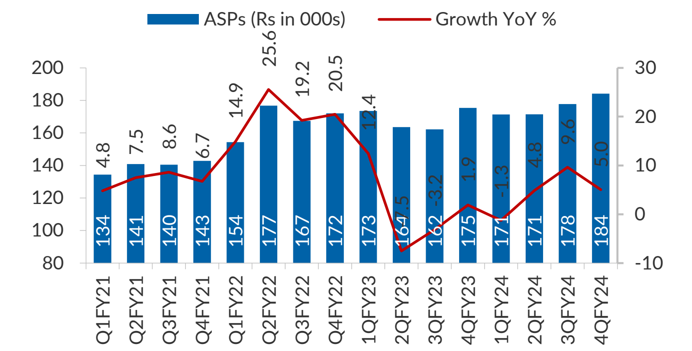
CHARTS

Exhibit 1: RE volume remained flat QoQ; ramp-up ahead



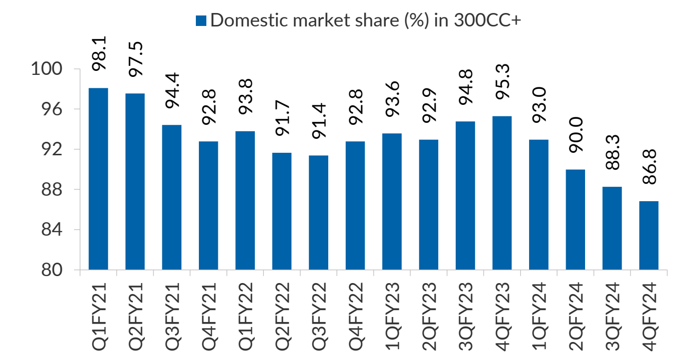
Source: Company, YES Sec

Exhibit 2: RE ASP grew ~3.6% QoQ to Rs184k



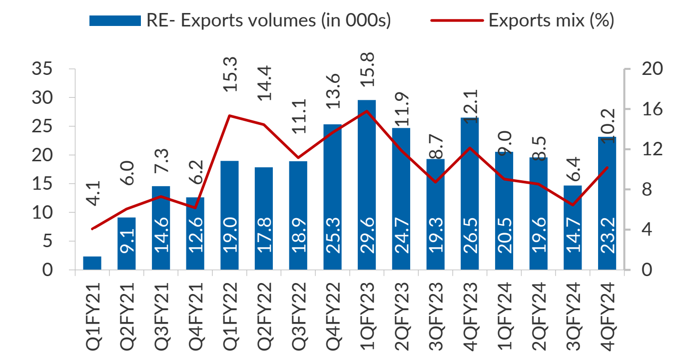
Source: Company, YES Sec

Exhibit 3: RE-Domestic market share trend



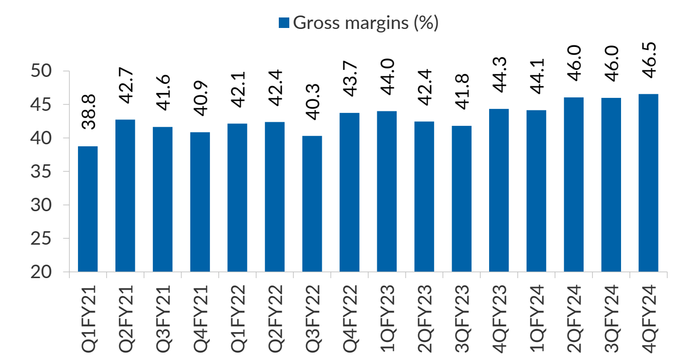
Source: SIAM, YES Sec

Exhibit 4: RE exports dispatches trend



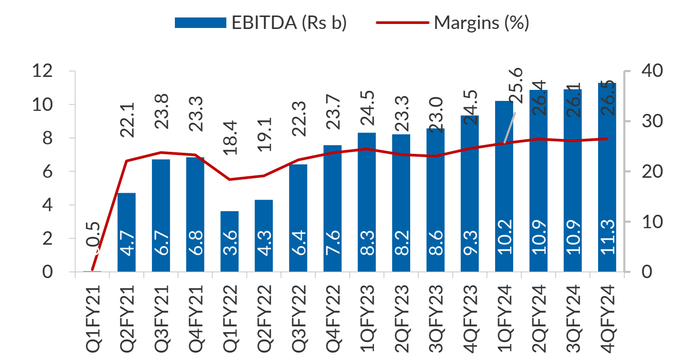
Source: Company, YES Sec

Exhibit 5: Gross margins expanded 50bp QoQ at 46.5%



Source: Company, YES Sec

Exhibit 6: EBITDAM expanded 40bp QoQ at 26.5%



Source: Company, YES Sec

FINANCIALS

Exhibit 7: Balance Sheet

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Share Capital	273	273	273	274	274	274	274
Net Worth	99,809	114,381	126,080	149,903	180,455	213,747	250,136
Minority Interest	-	-	-	-	-	(5,530)	(9,986)
Deferred Tax	2,522	2,215	2,201	2,913	4,611	4,611	4,611
Loans	2,490	2,193	1,077	2,884	4,194	2,098	2,098
Capital Employed	104,821	118,788	129,358	155,700	189,261	214,925	246,858
Application of Funds							
Gross Fixed Assets	36,518	40,489	44,054	51,210	59,429	66,656	76,834
Less: Depreciation	12,743	16,156	19,811	24,310	30,286	36,502	42,969
Net Fixed Assets	23,775	24,333	24,243	26,900	29,144	30,154	33,864
Capital WIP	3,122	3,143	5,048	4,719	5,551	5,535	5,535
- of which Goodwill	223	223	223	223	223	223	223
Investments	57,488	39,021	77,206	123,207	135,270	141,161	146,052
Curr.Assets, L & Adv.	40,113	79,733	56,003	36,285	61,405	75,739	102,818
Inventory	5,724	8,746	11,324	12,784	14,096	14,653	16,100
Sundry Debtors	868	1,582	3,020	3,689	3,738	5,053	5,552
Cash & Bank Balances	29,506	58,304	27,225	8,571	1,463	38,437	61,832
Loans & Advances	1	4,592	6,768	5,889	4,769	5,470	6,010
Others	4,014	6,510	7,666	5,350	37,339	12,126	13,324
Current Liab. & Prov.	19,676	27,442	33,142	35,410	42,109	37,664	41,411
Sundry Creditors	10,078	15,132	17,881	18,104	20,901	20,211	22,207
Other Liabilities	8,650	10,392	12,532	12,894	18,205	15,158	16,655
Provisions	949	1,918	2,729	4,412	3,003	2,295	2,549
Net Current Assets	20,436	52,291	22,861	875	19,296	38,075	61,407
Application of Funds	104,821	118,788	129,357	155,700	189,261	214,925	246,858

Source: Company, YES Sec

Exhibit 8: Income statement

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Gross Op. Income	91,536	87,204	102,978	144,422	165,358	184,422	202,637
Change (%)	(6.6)	(4.7)	18.1	40.2	14.5	11.5	9.9
EBITDA	21,804	17,813	21,723	34,436	43,269	50,491	56,085
EBITDA Margin (%)	24.0	20.6	21.4	24.3	26.7	27.8	28.1
Depreciation	3,815	4,507	4,519	5,262	5,976	6,217	6,467
EBIT	17,989	13,305	17,203	29,174	37,293	44,274	49,618
Interest cost	189	165	188	280	509	222	222
Other Income	5,433	4,532	4,408	5,951	10,759	9,200	9,380
PBT	23,232	17,673	21,424	34,845	47,543	53,252	58,776
Tax	5,275	4,515	5,259	8,857	12,010	13,169	14,523
Effective Rate (%)	22.7	25.5	24.5	25.4	25.3	24.7	24.7
PAT	17,958	13,158	16,165	25,988	35,533	40,083	44,254
Change (%)	(8.5)	(26.7)	22.9	60.8	36.7	12.8	10.4
Less: Minority Interest	(317)	(311)	(602)	(3,152)	(4,477)	(5,530)	(4,456)
Adj. PAT	18,275	13,469	16,766	29,139	40,010	45,613	48,710
Change (%)	(17.7)	(26.3)	24.5	73.8	37.3	14.0	6.8

Source: Company, YES Sec

Exhibit 9: Cash Flow Statement

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Profit before Tax	23,549	17,984	22,025	37,996	52,020	53,252	58,776
Depreciation & Amort.	3,815	4,507	4,519	5,262	5,976	6,217	6,467
Direct Taxes Paid	(6,283)	(4,566)	(5,136)	(7,703)	(10,678)	(13,169)	(14,523)
(Inc)/Dec in Working Capital	(1,616)	1,318	(1,268)	(1,906)	1,436	(2,562)	50
Interest/Div. Received	(2,207)	(3,103)	(2,440)	(1,765)	(2,037)	9,200	9,380
Other Items	(317)	770	(2,429)	(3,411)	(9,480)	11,779	(9,145)
CF from Oper. Activity	16,941	16,910	15,270	28,475	37,237	64,716	51,006
(Inc)/Dec in FA+CWIP	(5,445)	(5,149)	(6,387)	(6,737)	(8,144)	(7,210)	(10,178)
Free Cash Flow	11,496	11,760	8,883	21,738	29,094	57,506	40,828
(Pur)/Sale of Invest.	(9,639)	(11,104)	(3,446)	(17,479)	(20,376)	(5,892)	(4,890)
CF from Inv. Activity	(15,084)	(16,253)	(9,833)	(24,216)	(28,520)	(13,102)	(15,068)
Issue of Shares	289	384	65	112	466	-	0
Inc/(Dec) in Debt	(618)	(373)	(1,164)	1,638	1,754	(2,097)	-
Interest Paid	(167)	(158)	(187)	(182)	(354)	(222)	(222)
Dividends Paid	(8,087)	-	(4,647)	(5,742)	(10,129)	(12,321)	(12,321)
CF from Fin. Activity	(8,583)	(148)	(5,934)	(4,174)	(8,263)	(14,640)	(12,543)
Inc/(Dec) in Cash	(6,725)	509	(496)	84	454	36,974	23,395
Add: Beginning Balance	7,158	432	941	446	530	1,463	38,437
Closing Balance	432	941	445	530	984	38,438	61,832

Source- Company, YES Sec

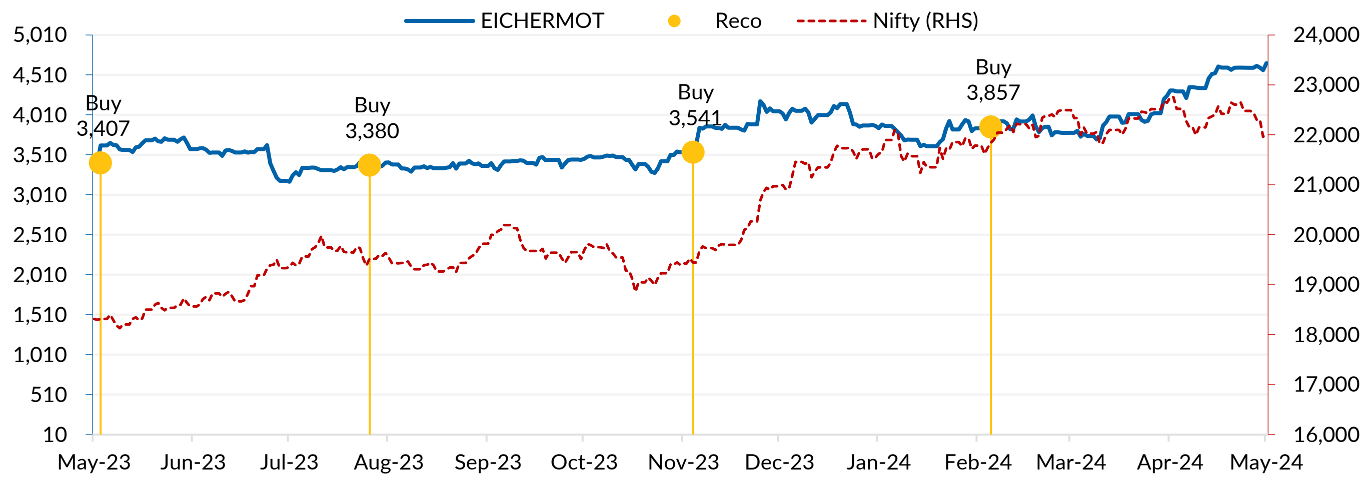
Eicher Motors Ltd (EIM)

Exhibit 10: Growth and Ratio matrix

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Basic (INR)							
EPS	67.0	49.3	61.3	106.5	146.1	166.6	177.9
EPS Growth (%)	(17.7)	(26.4)	24.4	73.7	37.2	14.0	6.8
Cash EPS	81.0	65.8	77.9	125.8	168.0	189.3	201.5
Book Value per Share	365.9	418.5	461.2	548.1	659.1	780.7	913.6
DPS	12.5	17.0	21.0	37.0	51.0	45.0	45.0
Payout (Incl. Div. Tax) %	21.7	34.5	34.2	34.7	34.9	27.0	25.3
Valuation (x)							
P/E	69.5	94.5	76.0	43.7	31.9	28.0	26.2
Cash P/E	57.5	70.8	59.8	37.0	27.7	24.6	23.1
EV/EBITDA	50.5	56.9	47.4	27.9	21.8	18.1	16.5
EV/Sales	8.9	9.0	7.0	4.7	4.2	3.5	3.3
Price to Book Value	12.7	11.1	10.1	8.5	7.1	6.0	5.1
Dividend Yield (%)	0.3	0.4	0.5	0.8	1.1	1.0	1.0
Profitability Ratios (%)							
RoE	19.3	12.6	13.9	21.1	24.2	23.1	21.0
RoCE	18.6	12.4	13.8	21.0	23.6	22.8	21.3
RoIC	112.6	61.4	70.3	123.4	94.3	97.7	128.8
Turnover Ratios							
Debtors (Days)	3.5	6.6	10.7	9.3	8.3	10.0	10.0
Inventory (Days)	22.8	36.6	40.1	32.3	31.1	29.0	29.0
Creditors (Days)	40.2	63.3	63.4	45.8	46.1	40.0	40.0
Working Capital (Days)	(13.9)	(20.1)	(12.5)	(4.1)	(6.8)	(1.0)	(1.0)
Asset Turnover (x)	0.9	0.7	0.8	0.9	0.9	0.8	0.8
Leverage Ratio							
Debt/Equity (x)	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Source- Company, YES Sec

Recommendation Tracker



Source – YES Sec

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