

**Record overall performance despite the competitive pressure!**

Q2FY24 Result Update | Sector: Auto | November 13, 2023

**BUY**

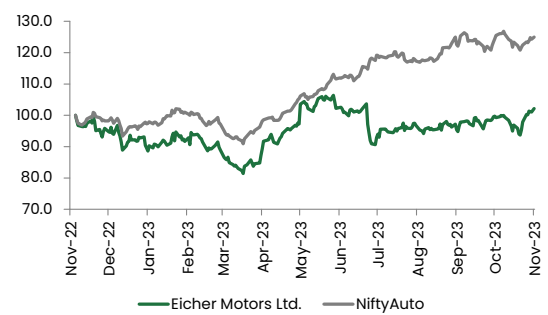
<b>CMP (Rs)</b>	<b>3,653</b>
<b>Target Price (Rs)</b>	<b>4,202</b>
<b>Potential Upside</b>	<b>15.0%</b>
<b>Sensex</b>	65,004
<b>Nifty</b>	19,460

**Key Stock data**

<b>BSE Code</b>	505200
<b>NSE Code</b>	EICHERMOT
<b>Bloomberg</b>	EIM:IN
<b>Shares o/s, Cr (FV 1)</b>	27.3
<b>Market Cap (Rs Cr)</b>	100,085
<b>3M Avg Volume</b>	921,210
<b>52 week H/L</b>	3,792/2,836

**Shareholding Pattern**

(%)	Mar-23	Jun-23	Sep-23
<b>Promoter</b>	49.2	49.2	49.2
<b>FII</b>	28.6	30.3	30.3
<b>DII</b>	11.3	10.1	10.1
<b>Others</b>	10.9	10.4	10.4

**1 Year relative price performance**

**1 year P/E Forward (x)**

**Research Analyst**
**Akshay Tiwari**

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**Strong overall performance:** Eicher's Q2FY24 performance was in line with our expectations wherein its revenue from operations came in at Rs 4,115 Cr, up by 16.9% YoY/3.2% QoQ. Despite the competitive pressure the company posted a healthy volume growth of 10.4% YoY and marginally on sequential basis to 248,831 units which was supported by festive period and shift towards premium motorcycles.

**Healthy realizations:** Its blended realization for the quarter came in at Rs 165,354/unit, up by 5.9% YoY and 2.6% sequentially while its RE realizations were at Rs 171,437/unit registering a growth of 4.8% YoY and remained flat sequentially. The company had taken price hikes across divisions during the last quarter while refreshed launches in the motorcycles category enabled the realizations growth.

**Strong operating leverage:** Gross profit was reported at Rs 1,894 Cr, experiencing a growth of 26.8% YoY/7.7% QoQ with a margin of 46% which improved by 360bps YoY/191bps QoQ. Similarly, EBITDA grew by 32.3% YoY/6.5% QoQ to Rs 1,087 Cr while margin came in at 26.4% with an improvement of 308bps YoY/81bps QoQ. The favorable commodity prices coupled with strong volume and price hike taken during the previous quarter resulted in better operating leverage enabling strong expansion of operational profitability.

**Beneficiary of premiumization trend:** The industry has seen gradual shift from 100-125cc range of motorcycles to 125cc+ motorcycles where the company has a strong presence. Despite the competitive pressure the company has seen healthy volume growth in the domestic market indicating a strong brand value in the industry. Factoring this and premiumization trend in the industry, we anticipate the demand momentum to continue for Eicher with volume growth of 7.8%/6.8% for FY24/FY25E.

**Concall & other key highlights:** 1) Bullet 350 series to be launched in international markets 2) Witnessing healthy festive period demand, the company anticipates the momentum to continue. 3) 1/3 of the product manufactured through green energy with gradual focus on improving sustainability. 4) Strong growth momentum in VECV arm with consistent record sales across divisions. 5) Parts business registered a growth of ~29% YoY to Rs 521 Cr.

**Valuations:** Eicher has a strong foothold in the premium 250+CC 2-Wheelers segment with a market share of ~33%. The company would also focus on scaling up its international business while a rise in rural participation would aid in top line growth gradually. Industrial demand and governments push towards developing rural infra and improving urban infra as well as its plan to leverage its Stark Future investment toward EV would benefit the company's commercial vehicle segment which would further aid in top line growth. We remain positive on the growth prospect of the company and have estimated its revenue/EBITDA/PAT to grow at a CAGR of 15.3%/19.3%/23.3% over FY23-25E. We maintain **Buy** on the company with a target price to **Rs 4,202**, valuing the company at a PE multiple of 26x on FY25E EPS.

**Financial Summary - consolidated**

Particulars, Rs cr	FY22	FY23	FY24E	FY25E
Net revenue	10,298	14,442	17,124	19,206
EBITDA	2,172	3,444	4,469	4,897
EBITDAM (%)	21.1	23.8	26.1	25.5
APAT	1,677	2,914	3,898	4,419
APATM (%)	16.3	20.2	22.8	23.0
EPS (Rs)	61.3	106.6	142.6	161.6
PE (x)	59.6	34.3	25.6	22.6
RoE (%)	13.9	21.1	23.8	22.9

Source : RBL Research

7th Quarter of record revenue growth

Healthy volume, favorable commodity prices resulted in better operating leverage

Strong overall performance led to 4th Quarter of record profitability

Total costs declined by 308bps YoY in Q2FY24

Volume sales increased by 10.5% YoY

#### P&L Account Quarterly – consolidated

Particulars, Rs cr	Q2FY24	Q2FY23	Y-o-Y (%)	Q1FY24	Q-o-Q (%)
Total Volumes (units)	248,831	225,380	10.4	247,277	0.6
Avg Realisation (Rs.)	165,354	156,154	5.9	161,211	2.6
<b>Net sales</b>	<b>4,115</b>	<b>3,519</b>	<b>16.9</b>	<b>3,986</b>	<b>3.2</b>
Material costs	2,220	2,026	9.6	2,227	(0.3)
<b>Gross Profit</b>	<b>1,894</b>	<b>1,494</b>	<b>26.8</b>	<b>1,759</b>	<b>7.7</b>
<b>Gross Margin (%)</b>	<b>46.0</b>	<b>42.4</b>	<b>360 bps</b>	<b>44.1</b>	<b>191 bps</b>
Employee cost	306	243	25.7	293	4.6
Other overheads	501	429	16.9	446	12.5
<b>EBITDA</b>	<b>1,087</b>	<b>822</b>	<b>32.3</b>	<b>1,021</b>	<b>6.5</b>
<b>EBITDA Margin (%)</b>	<b>26.4</b>	<b>23.3</b>	<b>308 bps</b>	<b>25.6</b>	<b>81 bps</b>
<b>EBITDA/Unit</b>	<b>43,691</b>	<b>36,454</b>	<b>19.9</b>	<b>41,283</b>	<b>5.8</b>
Depreciation	143	127	12.1	142	0.2
Interest	13	7	79.6	10	21.6
Other income	274	149	84.2	243	12.6
Share of profit / (loss) from JV	102	44	130.3	100	1.2
<b>PBT</b>	<b>1,307</b>	<b>880</b>	<b>48.5</b>	<b>1,212</b>	<b>7.9</b>
Tax	291	223	30.4	293	(0.8)
<b>Effective tax rate (%)</b>	<b>22.3</b>	<b>25.4</b>	<b>-311 bps</b>	<b>24.2</b>	<b>-195 bps</b>
<b>Adjusted PAT</b>	<b>1,016</b>	<b>657</b>	<b>54.7</b>	<b>918</b>	<b>10.7</b>
<b>Adj. PAT margin (%)</b>	<b>24.7</b>	<b>18.7</b>	<b>604 bps</b>	<b>23.0</b>	<b>166 bps</b>

Source : RBL Research

#### Cost analysis – consolidated

As a % of net sales	Q2FY24	Q2FY23	YoY (bps)	Q1FY24	Q-o-Q (bps)
Material costs	54.0	57.6	-360 bps	55.9	-191 bps
Employee cost	7.4	6.9	52 bps	7.3	10 bps
Other overheads	12.2	12.2	0 bps	11.2	100 bps
<b>Total costs</b>	<b>73.6</b>	<b>76.7</b>	<b>-308 bps</b>	<b>74.4</b>	<b>-81 bps</b>

Source : RBL Research

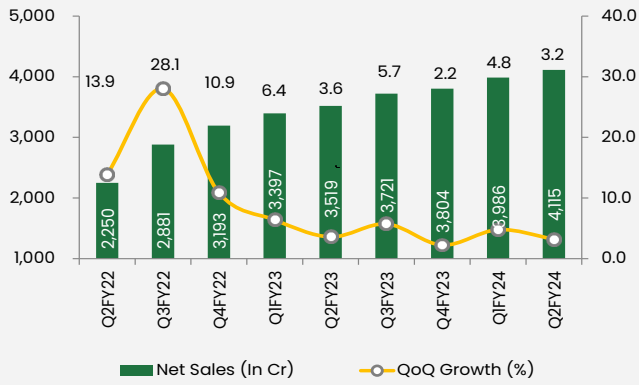
#### Volumes Analysis – consolidated

As a % of net sales	Q2FY24	Q2FY23	YoY (%)	Q1FY24	Q-o-Q (%)
Models upto 350cc	203,766	182,778	11.5	202,430	0.7
Models exceeding 350cc	25,514	24,986	2.1	25,276	0.9
VECV	19,571	17,469	12.0	26,376	(25.8)
<b>Total Volumes</b>	<b>248,851</b>	<b>225,233</b>	<b>10.5</b>	<b>254,082</b>	<b>(2.1)</b>

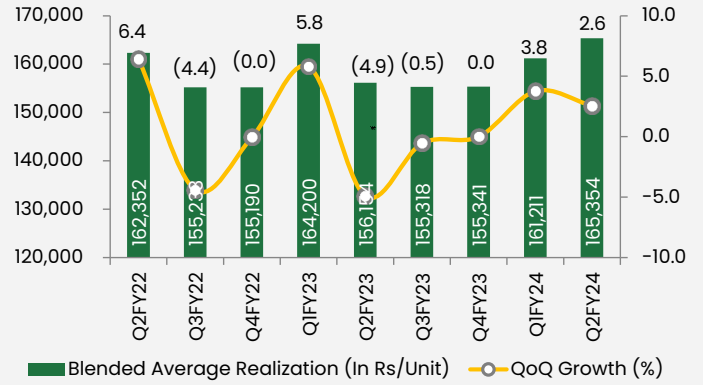
Source : RBL Research

Story in charts

Strong volume aided in record revenue

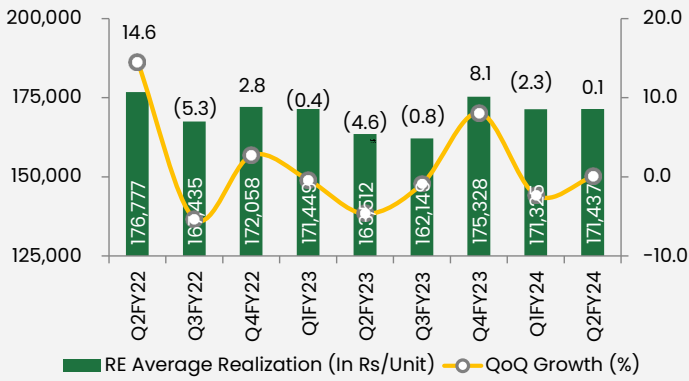


Price hike and strong volumes aid in realizations growth

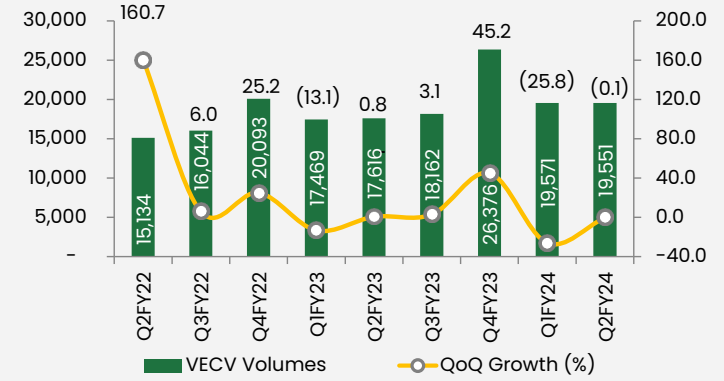


Source : RBL Research

Steady trend of realizations

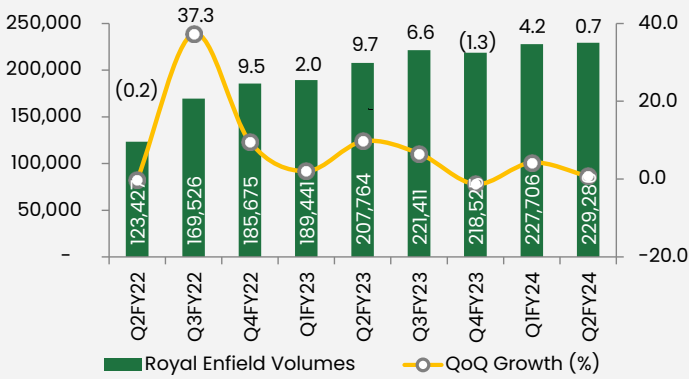


Marginal decline in VECV volume

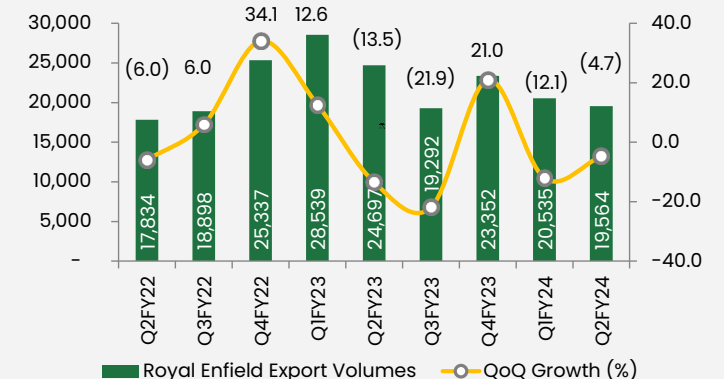


Source : RBL Research

Stable growth driven by festive period

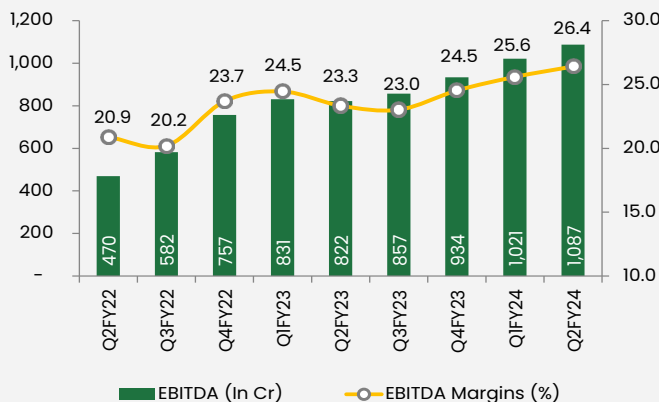


Exports decline due to geopolitical headwinds

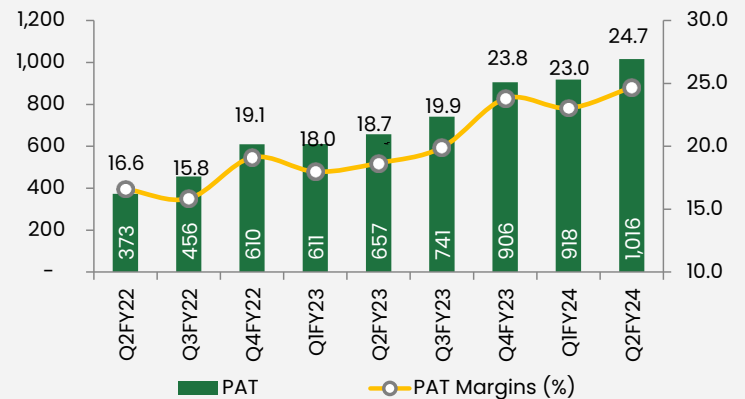


Source : RBL Research

Highest EBITDA and margins in last 8 quarter



Record PAT driven by healthy overall performance



Source : RBL Research

## P&amp;L Account – consolidated

Particulars, Rs cr	FY22	FY23	FY24E	FY25E
<b>Net sales</b>	<b>10,298</b>	<b>14,442</b>	<b>17,124</b>	<b>19,206</b>
Expenditure				
Total Raw material cost	5,956	8,212	9,418	10,755
Employee cost	821	1,002	1,267	1,440
Other expenses	1,349	1,785	1,969	2,113
Total expenditure	8,126	10,999	12,655	14,308
<b>EBITDA</b>	<b>2,172</b>	<b>3,444</b>	<b>4,469</b>	<b>4,897</b>
<b>EBITDAM (%)</b>	<b>21.1</b>	<b>23.8</b>	<b>26.1</b>	<b>25.5</b>
Other income	441	595	893	1,160
Depreciation	452	526	589	654
<b>PBIT</b>	<b>2,161</b>	<b>3,512</b>	<b>4,773</b>	<b>5,404</b>
Interest expense	19	28	25	23
Share of profit from associates	60	315	450	550
<b>PBT</b>	<b>2,203</b>	<b>3,800</b>	<b>5,198</b>	<b>5,931</b>
Tax	526	886	1,299	1,512
<b>PAT</b>	<b>1,677</b>	<b>2,914</b>	<b>3,898</b>	<b>4,419</b>
<b>PATM (%)</b>	<b>16.3</b>	<b>20.2</b>	<b>22.8</b>	<b>23.0</b>

Source : RBL Research

## Balance Sheet – consolidated

Particulars, Rs cr	FY22	FY23	FY24E	FY25E
Share Capital	27.3	27.3	27.3	27.3
Reserves & Surplus	12,581	14,963	17,713	20,819
<b>Total Shareholder's Fund</b>	<b>12,608</b>	<b>14,990</b>	<b>17,740</b>	<b>20,846</b>
<b>Non-Current Liabilities</b>				
Total Borrowings	59	196	196	196
Other long term liabilities	350	516	516	516
Deferred tax liabilities	220	291	291	291
Long term provision	68	102	102	102
<b>Current Liabilities</b>				
Trade payables	1,788	1,810	2,312	2,113
Short term provisions	155	122	122	122
Other current liabilities	911	963	1,113	1,152
<b>Total Liabilities</b>	<b>16,160</b>	<b>18,991</b>	<b>22,392</b>	<b>25,339</b>
Fixed Assets	1,830	1,793	1,854	1,900
Current work in process	505	472	432	552
Intangible assets	330	464	464	464
Non current investment	7,296	12,101	14,385	15,557
Other non-current assets	580	478	478	478
<b>Current Assets</b>				
Current investments	425	220	274	346
Inventories	1,132	1,278	1,370	1,652
Trade receivables	302	369	394	499
Cash & Cash equivalents	2,723	857	1,424	2,221
Other current assets	1,038	959	1,319	1,671
<b>Total Assets</b>	<b>16,160</b>	<b>18,991</b>	<b>22,392</b>	<b>25,339</b>

Source : RBL Research

## Cashflow – consolidated

Particulars, Rs cr	FY22	FY23	FY24E	FY25E
Reported PBT	2,142	3,484	4,748	5,381
Depreciation	452	526	589	654
Tax paid	(526)	(886)	(1,299)	(1,512)
Working capital Change	480	112	121	(971)
<b>Operating Cash Flow (a)</b>	<b>2,549</b>	<b>3,237</b>	<b>4,158</b>	<b>3,552</b>
Capex	(567)	(591)	(610)	(820)
<b>Free Cash Flow</b>	<b>1,982</b>	<b>2,646</b>	<b>3,548</b>	<b>2,732</b>
Investments	(4,675)	(4,703)	(2,284)	(1,172)
<b>Investing Cash Flow (b)</b>	<b>(5,242)</b>	<b>(5,294)</b>	<b>(2,894)</b>	<b>(1,992)</b>
Debt Issuance/ (Repaid)	(99)	137	-	-
Dividend Paid	(574)	(1,012)	(1,148)	(1,312)
Others	259	1,066	450	550
<b>Financing Cash Flow (c)</b>	<b>(414)</b>	<b>192</b>	<b>(698)</b>	<b>(762)</b>
<b>Net Cash Flow (a + b + c)</b>	<b>(3,108)</b>	<b>(1,865)</b>	<b>566</b>	<b>797</b>
Closing Cash	2,723	857	1,424	2,221

Source : RBL Research

## Key ratios – consolidated

Particulars	FY22	FY23	FY24E	FY25E
<b>Per Share Ratios</b>				
Dividend per share (Rs)	21.0	37.0	42.0	48.0
EPS (Rs)	61.3	106.6	142.6	161.6
CEPS (Rs)	77.9	125.8	164.1	185.5
Book value per share (Rs)	461.2	548.3	648.9	762.5
<b>Profitability Ratios</b>				
EBITDA Margin (%)	21.1	23.8	26.1	25.5
PBT Margin (%)	21.4	26.3	30.4	30.9
Net Profit Margin (%)	16.3	20.2	22.8	23.0
RoCE (%)	17.5	24.8	28.3	27.3
RoE (%)	13.9	21.1	23.8	22.9
Dividend Payout (%)	34.2	34.7	29.5	29.7
<b>Efficiency</b>				
Fixed Asset Turnover (x)	4.5	6.3	7.5	8.1
Debtors Velocity (Days)	11	9	8	9
Inventory (Days)	40	32	29	31
Payable (Days)	63	46	49	40
Interest Cover Ratio (x)	115.1	125.4	189.3	238.1
Current ratio (x)	0.6	0.8	1.9	1.2
<b>Valuation Ratios</b>				
P/E (x)	59.6	34.3	25.6	22.6
P/B (x)	7.9	6.7	5.6	4.8
EV/EBIDTA (x)	44.8	28.8	22.1	20.0

Source : RBL Research

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S. No.	Statement	Answer	
		Yes	No
		Tick appropriate	
		Yes	No
	I/we or any of my/our relative has any financial interest in the subject company? <b>[If answer is yes, nature of Interest is given below this table]</b>		No
	I/we or any of my/our relatives, have actual/beneficial ownership of one per cent. or more securities of the subject company, at the end of the month immediately preceding the date of publication of the research report or date of the public appearance?		No
	I / we or any of my/our relative, has any other material conflict of interest at the time of publication of the research report or at the time of public appearance?		No
	I/we have received any compensation from the subject company in the past twelve months?		No
	I/we have managed or co-managed public offering of securities for the subject company in the past twelve months?		No
	I/we have received any compensation for brokerage services from the subject company in the past twelve months?		No
	I/we have received any compensation for products or services other than brokerage services from the subject company in the past twelve months?		No
	I/we have received any compensation or other benefits from the subject company or third party in connection with the research report?		No
	I/we have served as an officer, director or employee of the subject company?		No
	I/we have been engaged in market making activity for the subject company?		No

[Please note that only in case of multiple RAs, if in the event answers differ inter-se between the RAs, then RA specific answer with respect to questions under F (a) to F(j) below, are given separately]

**Nature of Interest ( if answer to F (a) above is Yes :**

.....

**Name(s) with Signature(s) of RA(s).**

[Please note that only in case of multiple RAs and if the answers differ inter-se between the RAs, then RA specific answer with respect to questions under F (a) to F(j) above , are given below]

SS.No.	Name(s) of RA.	Signatures of RA	Serial Question of question which the signing RA needs to make a separate declaration / answer	Yes	No.

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