

May 15, 2022

Q4FY22 Result Update

Change in Estimates | Target | Reco

Change in Estimates

	Current		Previous	
	FY23E	FY24E	FY23E	FY24E
Rating	BUY		BUY	
Target Price	2,950		3,071	
Sales (Rs. m)	1,22,605	1,42,633	1,21,615	1,40,324
% Chng.	0.8	1.6		
EBITDA (Rs. m)	28,614	34,747	29,598	35,585
% Chng.	(3.3)	(2.4)		
EPS (Rs.)	96.1	120.3	101.9	124.2
% Chng.	(5.7)	(3.2)		

Key Financials - Standalone

Y/e Mar	FY21	FY22	FY23E	FY24E
Sales (Rs. m)	87,204	1,02,978	1,22,605	1,42,633
EBITDA (Rs. m)	17,813	21,723	28,614	34,747
Margin (%)	20.4	21.1	23.3	24.4
PAT (Rs. m)	13,469	16,766	26,265	32,865
EPS (Rs.)	49.3	61.3	96.1	120.3
Gr. (%)	(26.4)	24.5	56.7	25.1
DPS (Rs.)	17.0	21.0	20.0	25.0
Yield (%)	0.7	0.9	0.8	1.0
RoE (%)	12.6	13.9	19.2	20.6
RoCE (%)	12.3	14.2	17.2	18.1
EV/Sales (x)	6.7	5.6	4.6	3.8
EV/EBITDA (x)	33.0	26.7	19.6	15.5
PE (x)	49.4	39.7	25.3	20.2
P/BV (x)	5.8	5.3	4.5	3.8

Key Data

EICH.BO | EIM IN

52-W High / Low	Rs.2,995 / Rs.2,110
Sensex / Nifty	52,794 / 15,782
Market Cap	Rs.665bn / \$ 8,588m
Shares Outstanding	273m
3M Avg. Daily Value	Rs.1862.9m

Shareholding Pattern (%)

Promoter's	49.21
Foreign	29.22
Domestic Institution	9.95
Public & Others	11.62
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(2.4)	(10.7)	(1.0)
Relative	7.9	2.7	(8.7)

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Beats estimates; outperformance continues

Quick Pointers:

- RE exports grew ~110% YoY in FY22.
- Healthy demand scenario; Semiconductor supply improving MoM.

Eicher's consolidated EBITDA margin at 23.7% (+350bps QoQ, PLe: 23%) surprised positively. Demand scenario for Royal Enfield is healthy besides good traction received for Classic 350, Meteor 350 and newly launched Scram 411. Semiconductor supply is also improving MoM as the company boarded two new vendors over FY22. Further, exports business is witnessing strong growth led by channel expansion and market share gains; exports volumes grew ~110% in FY22. For VECV, demand continues to witness traction led by cyclical recovery. Demand for CNG variants is strong amidst rising fuel cost scenario.

We maintain BUY on Eicher Motors as we anticipate (1) volume growth from Classic 350 plus new product launches and (2) rising exports volume from channel expansion and market share gains to further aid profitability. We trim our EBITDA margin estimates by 100bps for FY23/24 factoring in commodity cost pressures and assign a SoTP based TP of Rs 2,950 (at 27x FY24E EPS for standalone business and 17x for VECV).

4QFY22 financials: (1) Standalone: RE volumes at 185k units witnessed a decline of 9% YoY, however grew 10% QoQ. Growth in ASPs (at Rs 172k, +20/3% YoY/QoQ) led to revenue growth of 9/13% to Rs 32.9bn. RE reported healthy EBITDA margin at 23.6% (+160/315bps YoY/QoQ) owing to operating leverage. However, other expenses at Rs 3.9bn grew 24/11%, as freight cost for RE increased due to higher international operations. PAT at Rs 5.5bn grew by 18/31% YoY/QoQ. **(2) Consolidated:** Revenue/EBITDA/PAT grew 11/30/34% QoQ. EBITDA margin at 23.7% (+350bps QoQ, PLe: 23%) surprised positively. VECV volumes grew 11/25% YoY/QoQ, owing to pick up in CV cycle. Profit at VECV was Rs 990mn YoY v/s Rs 660mn QoQ.

Key takeaways: (1) Rising traction in international business: RE exports grew by 110% in FY22, led by channel expansion in different geographies. It secured market share of 7-8% in Asia-specific region. Its two local assemblies are now operational in Colombia and Thailand. **(2) Demand and supply scenario:** The demand remains strong with Classic 350's strong reception and newly launched Scram 411. Multiple model launches are in the pipeline, which will further aid growth. Semiconductor supply is improving MoM with two new vendors empaneled over FY22. **(3) Non-motorcycle business witnessing growth:** Revenue from non-motorcycle business (spares, accessories etc.) grew 45% YoY and it now accounts for ~15% of the total revenue. **(4) VECV:** CV business continues to witness demand due to cyclical recovery. Volumes for VECV are also benefiting from its presence in the CNG space, amidst rising fuel cost.

Exhibit 1: Q4FY22 Result Overview – Standalone (Rs mn)

Y/e March	4QFY22	4QFY21	YoY gr.	3QFY22	QoQ gr.	FY22	FY21	YoY gr.
Net Revenues	31,947	29,224	9.3%	28,385	12.6%	1,01,229	86,190	17.4%
Raw Materials	18,315	17,446	5.0%	17,091	7.2%	59,619	51,024	16.8%
<i>% of Net Sales</i>	<i>57.3%</i>	<i>59.7%</i>		<i>60.2%</i>		<i>58.9%</i>	<i>59.2%</i>	
Personnel	2,110	2,142	-1.5%	1,905	10.7%	7,768	8,040	-3.4%
<i>% of Net Sales</i>	<i>6.6%</i>	<i>7.3%</i>		<i>6.7%</i>		<i>7.7%</i>	<i>9.3%</i>	
Manufacturing & Other Exp	3,973	3,201	24.1%	3,574	11.2%	12,706	9,262	37.2%
<i>% of Net Sales</i>	<i>12.4%</i>	<i>11.0%</i>		<i>12.6%</i>		<i>12.6%</i>	<i>10.7%</i>	
Total Expenditure	24,397	22,789	7.1%	22,570	8.1%	80,093	68,325	17.2%
EBITDA	7,550	6,435	17.3%	5,814	29.8%	21,136	17,865	18.3%
<i>EBITDA Margin (%)</i>	<i>23.6%</i>	<i>22.0%</i>		<i>20.5%</i>		<i>20.9%</i>	<i>20.7%</i>	
Depreciation	1,174	1,234	-4.9%	1,095	7.2%	4,455	4,460	-0.1%
EBIT	6,376	5,201	22.6%	4,719	35.1%	16,680	13,405	24.4%
Interest Expenses	19	22	-14.4%	49	-61.2%	103	92	11.4%
Non-operating income	1,133	1,129	0.3%	948	19.5%	4,543	4,520	0.5%
PBT	7,490	6,307	18.7%	5,618	33.3%	21,121	17,833	18.4%
Tax-Total	1,956	1,627	20.2%	1,396	40.2%	5,259	4,536	15.9%
<i>Tax Rate (%) - Total</i>	<i>26.1%</i>	<i>25.8%</i>		<i>24.8%</i>		<i>24.9%</i>	<i>25.4%</i>	
PAT	5,534	4,681	18.2%	4,223	31.0%	15,862	13,297	19.3%
Adj. PAT	5,534	4,681	18.2%	4,223	31.0%	15,862	13,297	19.3%
<i>PAT Margin</i>	<i>17.3%</i>	<i>16.0%</i>		<i>14.9%</i>		<i>15.7%</i>	<i>15.4%</i>	

Source: Company, PL

Exhibit 2: Operating Metrics

Y/e March	4QFY22	4QFY21	YoY gr.	3QFY22	QoQ gr.	FY22	FY21	YoY gr.
Net Realisation/Vehicle	1,85,675	2,04,604	-9.3%	1,69,526	9.5%	6,02,268	6,12,060	-1.6%
Material cost / vehicle	1,72,058	1,42,834	20.5%	1,67,435	2.8%	1,68,079	1,40,820	19.4%
Gross Profit / vehicle	98,638	85,266	15.7%	1,00,816	-2.2%	98,990	83,364	18.7%
Employee cost /vehicle	73,420	57,568	27.5%	66,619	10.2%	69,089	57,456	20.2%
Other expenses / vehicle	11,363	10,470	8.5%	11,240	1.1%	12,898	13,135	-1.8%
EBITDA/vehicle	21,397	15,646	36.8%	21,082	1.5%	21,097	15,132	39.4%
Net Profit/vehicle	40,661	31,451	29.3%	34,297	18.6%	35,093	29,188	20.2%
Net Realisation/Vehicle	29,804	22,877	30.3%	24,909	19.7%	26,337	21,725	21.2%

Source: Company, PL

Exhibit 3: Q4FY22 Result Overview – Consolidated (Rs mn)

Y/e March	4QFY22	4QFY21	YoY gr.	3QFY22	QoQ gr.	FY22	FY21	YoY gr.
Net Revenues	31,933	29,403	8.6%	28,807	10.9%	1,02,978	87,204	18.1%
Raw Materials	17,971	17,391	3.3%	17,200	4.5%	59,552	51,128	16.5%
<i>% of Net Sales</i>	<i>56.3%</i>	<i>59.1%</i>		<i>59.7%</i>		<i>57.8%</i>	<i>58.6%</i>	
Personnel	2,221	2,254	-1.4%	2,017	10.1%	8,210	8,432	-2.6%
<i>% of Net Sales</i>	<i>7.0%</i>	<i>7.7%</i>		<i>7.0%</i>		<i>8.0%</i>	<i>9.7%</i>	
Manufacturing & Other Exp	4,170	3,415	22.1%	3,766	10.7%	13,494	9,831	37.3%
<i>% of Net Sales</i>	<i>13.1%</i>	<i>11.6%</i>		<i>13.1%</i>		<i>13.1%</i>	<i>11.3%</i>	
Total Expenditure	24,363	23,059	5.7%	22,983	6.0%	81,256	69,391	17.1%
EBITDA	7,571	6,344	19.3%	5,824	30.0%	21,722	17,813	21.9%
<i>EBITDA Margin (%)</i>	<i>23.7%</i>	<i>21.6%</i>		<i>20.2%</i>		<i>21.1%</i>	<i>20.4%</i>	
Depreciation	1,194	1,248	-4.3%	1,114	7.2%	4,519	4,507	0.3%
EBIT	6,376	5,096	25.1%	4,709	35.4%	17,203	13,305	29.3%
Interest Expenses	31	39	-20.6%	61	-48.4%	188	165	14.2%
Non-operating income	1,180	1,139	3.6%	921	28.1%	4,408	4,532	-2.7%
PBT	7,525	6,196	21.5%	5,570	35.1%	21,423	17,673	21.2%
Tax-Total	1,962	1,625	20.7%	1,368	43.4%	5,259	4,515	16.5%
<i>Tax Rate (%) - Total</i>	<i>26.1%</i>	<i>26.2%</i>		<i>24.6%</i>		<i>24.5%</i>	<i>25.5%</i>	
PAT	5,564	4,571	21.7%	4,202	32.4%	16,164	13,158	22.9%
Minority interest / Share in profit	538	690	-22.0%	359	49.7%	602	311	93.2%
Profit after MI / Share of profit	6,101	5,261	16.0%	4,561	33.8%	16,766	13,469	24.5%
Adj. PAT	6,101	5,261	16.0%	4,561	33.8%	16,766	13,469	24.5%
<i>PAT Margin</i>	<i>19.1%</i>	<i>17.9%</i>		<i>15.8%</i>		<i>16.3%</i>	<i>15.4%</i>	

Source: Company, PL

Exhibit 4: Q3FY22 Result Overview - VECV (Rs mn)

Y/e March	4QFY22	4QFY21	YoY gr.	3QFY22	QoQ gr.	FY22	FY21	YoY gr.
Volumes (in units)	20,093	18,167	10.6%	16,044	25.2%	57,077	41,265	38.3%
Net ASP (Rs/veh)	21,43,184	19,82,716	8.1%	22,59,848	-5.2%	22,29,269	20,74,640	7.5%
Net Sales	43,063	36,020	19.6%	36,257	18.8%	1,27,240	85,610	48.6%
EBITDA	2,864	3,200	-10.5%	2,416	18.5%	7,160	5,920	20.9%
EBITDA margin (%)	6.7%	8.9%		6.7%		5.6%	6.9%	
PAT	990	1,270	-22.0%	660	50.0%	1,110	578	92.0%

Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY21	FY22	FY23E	FY24E
Net Revenues	87,204	1,02,978	1,22,605	1,42,633
YoY gr. (%)	(4.7)	18.1	19.1	16.3
Cost of Goods Sold	51,128	59,557	70,498	82,014
Gross Profit	36,076	43,422	52,107	60,619
Margin (%)	41.4	42.2	42.5	42.5
Employee Cost	8,432	8,210	9,808	11,411
Other Expenses	9,831	13,489	13,685	14,461
EBITDA	17,813	21,723	28,614	34,747
YoY gr. (%)	(18.3)	22.0	31.7	21.4
Margin (%)	20.4	21.1	23.3	24.4
Depreciation and Amortization	4,507	4,519	4,972	5,648
EBIT	13,305	17,203	23,642	29,099
Margin (%)	15.3	16.7	19.3	20.4
Net Interest	165	188	192	195
Other Income	4,532	4,408	6,586	8,018
Profit Before Tax	17,673	21,424	30,036	36,921
Margin (%)	20.3	20.8	24.5	25.9
Total Tax	4,515	5,259	7,209	8,861
Effective tax rate (%)	25.5	24.5	24.0	24.0
Profit after tax	13,158	16,165	22,827	28,060
Minority interest	-	-	-	-
Share Profit from Associate	311	602	3,437	4,805
Adjusted PAT	13,469	16,766	26,265	32,865
YoY gr. (%)	-	-	-	-
Margin (%)	15.4	16.3	21.4	23.0
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	13,469	16,766	26,265	32,865
YoY gr. (%)	(26.3)	24.5	56.7	25.1
Margin (%)	15.4	16.3	21.4	23.0
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	-	-	-	-
Equity Shares O/s (m)	273	273	273	273
EPS (Rs)	49.3	61.3	96.1	120.3

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY21	FY22	FY23E	FY24E
Non-Current Assets				
Gross Block	40,489	44,918	51,418	57,918
Tangibles	40,489	44,918	51,418	57,918
Intangibles	-	-	-	-
Acc: Dep / Amortization	16,156	20,675	25,648	31,296
Tangibles	16,156	20,675	25,648	31,296
Intangibles	-	-	-	-
Net fixed assets	24,333	24,243	25,770	26,622
Tangibles	24,333	24,243	25,770	26,622
Intangibles	-	-	-	-
Capital Work In Progress	3,143	5,048	5,348	5,648
Goodwill	-	-	-	-
Non-Current Investments	19,262	19,579	22,558	25,922
Net Deferred tax assets	(2,215)	(2,201)	(2,223)	(2,245)
Other Non-Current Assets	-	-	-	-
Current Assets				
Investments	19,759	57,626	59,648	61,284
Inventories	8,746	11,324	7,726	8,988
Trade receivables	1,582	3,020	1,680	1,954
Cash & Bank Balance	58,304	27,225	43,666	64,474
Other Current Assets	2,694	5,125	5,381	5,650
Total Assets	1,45,586	1,62,010	1,81,566	2,11,408
Equity				
Equity Share Capital	273	273	273	273
Other Equity	1,14,108	1,25,807	1,46,605	1,72,637
Total Networkth	1,14,381	1,26,080	1,46,879	1,72,911
Non-Current Liabilities				
Long Term borrowings	1,574	588	618	649
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	15,358	17,881	15,452	17,976
Other current liabilities	12,058	15,260	16,396	17,628
Total Equity & Liabilities	1,45,586	1,62,010	1,81,566	2,11,408

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY21	FY22	FY23E	FY24E
PBT	17,984	22,025	33,473	41,726
Add. Depreciation	4,507	4,519	4,972	5,648
Add. Interest	165	188	192	195
Less Financial Other Income	4,532	4,408	6,586	8,018
Add. Other	(4,532)	(4,408)	(6,586)	(8,018)
Op. profit before WC changes	18,124	22,324	32,051	39,552
Net Changes-WC	(3,484)	(1,779)	2,419	874
Direct tax	(4,822)	(5,274)	(7,187)	(8,839)
Net cash from Op. activities	9,818	15,272	27,284	31,587
Capital expenditures	(5,086)	(6,334)	(6,800)	(6,800)
Interest / Dividend Income	-	-	-	-
Others	4,190	4,091	3,607	4,654
Net Cash from Invt. activities	(896)	(2,243)	(3,193)	(2,146)
Issue of share cap. / premium	5,750	672	-	-
Debt changes	130	(986)	29	31
Dividend paid	(4,647)	(5,739)	(5,466)	(6,833)
Interest paid	(165)	(188)	(192)	(195)
Others	-	-	-	-
Net cash from Fin. activities	1,068	(6,240)	(5,628)	(6,997)
Net change in cash	9,990	6,788	18,463	22,444
Free Cash Flow	4,732	8,938	20,484	24,787

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q1FY22	Q2FY22	Q3FY22	Q4FY22
Net Revenue	19,743	22,496	28,807	31,933
YoY gr. (%)	141.3	5.4	1.9	8.6
Raw Material Expenses	11,417	12,964	17,200	17,971
Gross Profit	8,326	9,532	11,607	13,962
Margin (%)	42.2	42.4	40.3	43.7
EBITDA	3,630	4,699	5,824	7,571
YoY gr. (%)	9,476.5	(0.3)	(13.3)	19.3
Margin (%)	18.4	20.9	20.2	23.7
Depreciation / Depletion	1,116	1,094	1,114	1,194
EBIT	2,513	3,604	4,709	6,376
Margin (%)	12.7	16.0	16.3	20.0
Net Interest	64	31	61	31
Other Income	1,220	1,086	921	1,180
Profit before Tax	3,669	4,659	5,570	7,525
Margin (%)	18.6	20.7	19.3	23.6
Total Tax	904	1,026	1,368	1,962
Effective tax rate (%)	24.6	22.0	24.6	26.1
Profit after Tax	2,765	3,634	4,202	5,564
Minority interest	-	-	-	-
Share Profit from Associates	(394)	98	359	538
Adjusted PAT	2,371	3,732	4,561	6,101
YoY gr. (%)	(529.7)	8.7	(14.4)	16.0
Margin (%)	12.0	16.6	15.8	19.1
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	2,371	3,732	4,561	6,101
YoY gr. (%)	(529.7)	8.7	(14.4)	16.0
Margin (%)	12.0	16.6	15.8	19.1
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	-	-	-	-
Avg. Shares O/s (m)	273	273	273	273
EPS (Rs)	8.7	13.7	16.7	22.4

Source: Company Data, PL Research

Key Financial Metrics

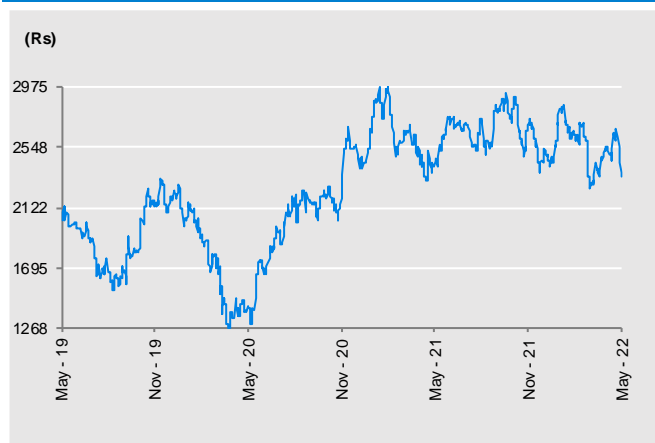
Y/e Mar	FY21	FY22	FY23E	FY24E
Per Share(Rs)				
EPS	49.3	61.3	96.1	120.3
CEPS	65.8	77.9	114.3	140.9
BVPS	418.5	461.3	537.4	632.7
FCF	17.3	32.7	75.0	90.7
DPS	17.0	21.0	20.0	25.0
Return Ratio(%)				
RoCE	12.3	14.2	17.2	18.1
ROIC	32.4	35.6	53.2	63.6
RoE	12.6	13.9	19.2	20.6
Balance Sheet				
Net Debt : Equity (x)	(0.7)	(0.7)	(0.7)	(0.7)
Net Working Capital (Days)	(67)	(60)	(61)	(58)
Valuation(x)				
PER	49.4	39.7	25.3	20.2
P/B	5.8	5.3	4.5	3.8
P/CEPS	37.0	31.2	21.3	17.3
EV/EBITDA	33.0	26.7	19.6	15.5
EV/Sales	6.7	5.6	4.6	3.8
Dividend Yield (%)	0.7	0.9	0.8	1.0

Source: Company Data, PL Research

Key Operating Metrics

Y/e Mar	FY21	FY22	FY23E	FY24E
Volume (units)	1,00,728	1,35,387	1,77,685	2,22,751
Net realisation (Rs/unit)	15,19,136	15,08,104	15,36,949	15,25,796

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	11-Apr-22	BUY	3,071	2,541
2	15-Feb-22	BUY	3,106	2,565
3	12-Jan-22	BUY	3,398	2,480
4	08-Nov-21	Hold	2,856	2,522
5	07-Oct-21	Accumulate	2,758	2,821
6	13-Aug-21	Accumulate	2,737	2,617
7	07-Jul-21	Accumulate	2,774	2,711
8	27-May-21	Accumulate	2,895	2,604

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Ashok Leyland	BUY	170	131
2	Bajaj Auto	Accumulate	4,120	3,834
3	Bharat Forge	BUY	942	740
4	CEAT	UR	-	1,108
5	Eicher Motors	BUY	3,071	2,541
6	Endurance Technologies	BUY	1,690	1,204
7	Exide Industries	BUY	218	161
8	Hero Motocorp	BUY	3,150	2,410
9	Mahindra & Mahindra	BUY	1,042	857
10	Maruti Suzuki	BUY	9,000	7,718
11	Tata Motors	BUY	600	372
12	TVS Motors	BUY	795	630

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly



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