

May 12, 2023

Q4FY23 Result Update

☑ Change in Estimates | ☑ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY24E	FY25E	FY24E	FY25E
Rating	BUY		BUY	
Target Price	4,030		4,050	
Sales (Rs. m)	1,68,271	1,91,168	1,70,339	1,93,225
% Chng.	(1.2)	(1.1)		
EBITDA (Rs. m)	42,117	48,782	42,962	49,668
% Chng.	(2.0)	(1.8)		
EPS (Rs.)	138.0	163.5	139.1	164.2
% Chng.	(0.8)	(0.4)		

Key Financials - Standalone

Y/e Mar	FY22	FY23	FY24E	FY25E
Sales (Rs. m)	1,02,978	1,44,422	1,68,271	1,91,168
EBITDA (Rs. m)	21,723	34,436	42,117	48,782
Margin (%)	21.1	23.8	25.0	25.5
PAT (Rs. m)	16,766	29,139	37,754	44,713
EPS (Rs.)	61.3	106.5	138.0	163.5
Gr. (%)	24.5	73.7	29.6	18.4
DPS (Rs.)	21.0	37.0	51.0	57.0
Yield (%)	0.6	1.1	1.5	1.7
RoE (%)	13.9	21.1	23.3	23.7
RoCE (%)	14.2	20.9	22.3	22.7
EV/Sales (x)	8.2	5.7	4.7	4.0
EV/EBITDA (x)	38.9	23.9	18.9	15.8
PE (x)	55.5	31.9	24.7	20.8
P/BV (x)	7.4	6.2	5.4	4.6

Key Data

EICH.BO | EIM IN

52-W High / Low	Rs.3,890 / Rs.2,332
Sensex / Nifty	61,905 / 18,297
Market Cap	Rs.931bn/ \$ 11,341m
Shares Outstanding	273m
3M Avg. Daily Value	Rs.1968.23m

Shareholding Pattern (%)

Promoter's	49.20
Foreign	28.64
Domestic Institution	11.28
Public & Others	10.88
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	11.5	(3.3)	42.5
Relative	8.3	(3.5)	24.5

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Eicher Motors (EIM IN)

Rating: BUY | CMP: Rs3,404 | TP: Rs4,030

Steady performance; margin tailwinds present

Quick Pointers:

- Superior mix helps ASP and margins to improve sequentially despite de-inventorisation impact
- Expects M&HCV industry volume to grow by double digits in FY24 and growth for next two years

We marginally trim our FY24E/FY25E EPS estimate by <1% to factor in 4Q results and management commentary. Eicher Motors' (EIM) 4QFY23 consolidated EBITDA margin at 24.5% came above BBG consensus (24%) but missed PLe (25.1%); margins expanded 150bps QoQ given (1) higher-than-expected ASPs on better mix, (2) lower commodity prices and (3) price hikes; despite de-inventorisation impact. Royal Enfield (RE) was an exception in auto space and didn't see weakness on rural side. RE has planned multiple product launches over next 2 years, which should aid volume growth. On the CV side, VECV should benefit from continued growth in the CV industry.

EIM remains our preferred pick in the 2W space as we anticipate (1) volume growth from new product launches, (2) higher export revenue mix, (3) increase in mix of spares and merchandise revenue to aid both revenue growth and margin expansion. Maintain 'BUY' with a revised SoTP based TP of Rs 4,030 (at 26x Mar-25E standalone EPS and 12x EV/EBITDA for VECV).

RE's superior mix & lower commodity helps revenue and EBITDA margin: (1) Standalone: Revenue at Rs 35.9bn grew by 6.7% QoQ, led by ASP growth of 8.1% on the back of superior product mix and higher exports mix. EBITDA margin came in at 24.7%, up c80bps QoQ, helped by higher ASP and lower staff cost; partially offset by higher other expenses and de-inventorisation impact. PAT came in at Rs 7.5bn. **(2) VECV:** Revenue grew by 35% QoQ, with volume growth of c45% partially offset due to lower realization. EBITDA margin at 10.0% expanded 310bps QoQ, led by lower commodity price. PAT came in at Rs 3.2bn vs Rs 1.2bn QoQ.

Key takeaways: (1) Premium segment demand continues to do well, RE noted that the 2W industry is recovering however may not return to pre-Covid levels yet. For RE rural and urban both are doing good, it will now focus on increasing Hunter's sales in the rural market. Production issues are over for RE and recent shortfall was due to transition to OBD-2 norms. **(2)** Exports market is seeing some softness due to macro-economic issues in Europe and USA. RE has 1150 outlers (207 exclusive) in the international markets, it will to start manage exclusive stores in the UK. RE has achieved c8-9% market share in multiple export markets, and has room to expand further. **(3)** RE's margins benefited from better mix, price hikes, softening commodity prices in 4Q. RE took further price hike of 1.5% in May. **(4)** Management noted RE was in top-gear on the EV journey and would make investments for developing EV products. **(5)** On the CV side, EIM expects double digit growth in FY24 in the M&HCV segment, and sees the industry growing for the next 2-3 years. EIM noted, replacement demand along with infrastructure push driving growth for the CV industry. Bus segment should continue to see good growth with STU's driving demand. VECV has gained market share across product line in FY23. **(6)** EIM's board has approved Rs. 10bn capex for FY24 for EV and ICE categories.

Exhibit 1: Q4FY23 Result Overview – Standalone (Rs mn) – EBITDA margins expand 80bp QoQ

Y/e Mar (Rs.mn)	4QFY23	4QFY22	YoY gr.	3QFY23	QoQ gr.	FY23	FY22	YoY gr.
Net Revenues	38,314	31,947	19.9%	35,902	6.7%	1,40,666	1,01,229	39.0%
Raw Materials	21,876	18,315	19.4%	20,932	4.5%	81,295	59,619	36.4%
<i>% of Net Sales</i>	<i>57.1%</i>	<i>57.3%</i>		<i>58.3%</i>		<i>57.8%</i>	<i>58.9%</i>	
Personnel	2,337	2,110	10.7%	2,414	-3.2%	9,351	7,768	20.4%
<i>% of Net Sales</i>	<i>6.1%</i>	<i>6.6%</i>		<i>6.7%</i>		<i>6.6%</i>	<i>7.7%</i>	
Manufacturing & Otter Exp	4,653	3,973	17.1%	3,987	16.7%	16,086	12,706	26.6%
<i>% of Net Sales</i>	<i>12.1%</i>	<i>12.4%</i>		<i>11.1%</i>		<i>11.4%</i>	<i>12.6%</i>	
Total Expenditure	28,866	24,397	18.3%	27,333	5.6%	1,06,731	80,093	33.3%
EBITDA	9,448	7,550	25.1%	8,569	10.3%	33,935	21,136	60.6%
<i>EBITDA Margin (%)</i>	<i>24.7%</i>	<i>23.6%</i>		<i>23.9%</i>		<i>24.1%</i>	<i>20.9%</i>	
Depreciation	1,423	1,174	21.2%	1,305	9.0%	5,121	4,455	14.9%
EBIT	8,025	6,376	25.9%	7,263	10.5%	28,815	16,680	72.7%
Interest Expenses	35	19	81.6%	36	-3.6%	130	103	26.5%
Non-operating income	2,026	1,133	78.8%	1,911	6.0%	6,398	4,543	40.8%
PBT	10,016	7,490	33.7%	9,138	9.6%	35,083	21,121	66.1%
Tax-Total	2,548	1,956	30.3%	2,331	9.3%	8,857	5,259	68.4%
<i>Tax Rate (%) - Total</i>	<i>25.4%</i>	<i>26.1%</i>		<i>25.5%</i>		<i>25.2%</i>	<i>24.9%</i>	
PAT	7,469	5,534	35.0%	6,807	9.7%	26,226	15,862	65.3%
Adj. PAT	7,469	5,534	35.0%	6,807	9.7%	26,226	15,862	65.3%
<i>PAT Margin</i>	<i>19.5%</i>	<i>17.3%</i>		<i>19.0%</i>		<i>18.6%</i>	<i>15.7%</i>	

Source: Company, PL

Exhibit 2: Operating Metrics – Volumes flattish QoQ while realization is up c8%

Y/e Mar (Rs.mn)	4QFY23	4QFY22	YoY gr.	3QFY23	QoQ gr.	FY23	FY22	YoY gr.
Sales Volume (nos)	2,18,525	1,85,675	17.7%	2,21,401	-1.3%	8,34,895	6,02,268	38.6%
Net Realisation/Vehicle	1,75,328	1,72,058	1.9%	1,62,156	8.1%	1,68,484	1,68,079	0.2%
Material cost / vehicle	1,00,108	98,638	1.5%	94,541	5.9%	97,371	98,990	-1.6%
Gross Profit / vehicle	75,219	73,420	2.5%	67,615	11.2%	71,113	69,089	2.9%
Employee cost /vehicle	10,693	11,363	-5.9%	10,905	-1.9%	11,200	12,898	-13.2%
Otter expenses / vehicle	21,291	21,397	-0.5%	18,009	18.2%	19,267	21,097	-8.7%
EBITDA/vehicle	43,235	40,661	6.3%	38,701	11.7%	40,646	35,093	15.8%
Net Profit/vehicle	34,177	29,804	14.7%	30,745	11.2%	31,412	26,337	19.3%

Source: Company, PL

Exhibit 3: Q4FY23 Result Overview – Consolidated (Rs mn) – EBITDA margins expand 150bp QoQ

Y/e Mar (Rs.mn)	4QFY23	4QFY22	YoY gr.	3QFY23	QoQ gr.	FY23	FY22	YoY clg
Net Revenues	38,043	31,933	19.1%	37,210	2.2%	1,45,641	1,02,978	41.4%
Raw Materials	21,178	17,971	17.8%	21,655	-2.2%	83,346	59,552	40.0%
<i>% of Net Sales</i>	<i>55.7%</i>	<i>56.3%</i>		<i>58.2%</i>		<i>57.2%</i>	<i>57.8%</i>	
Personnel	2,521	2,221	13.5%	2,594	-2.8%	9,984	8,210	21.6%
<i>% of Net Sales</i>	<i>6.6%</i>	<i>7.0%</i>		<i>7.0%</i>		<i>6.9%</i>	<i>8.0%</i>	
Manufacturing & Otler Exp	5,007	4,170	20.1%	4,389	14.1%	17,970	13,494	33.2%
<i>% of Net Sales</i>	<i>13.2%</i>	<i>13.1%</i>		<i>11.8%</i>		<i>12.3%</i>	<i>13.1%</i>	
Total Expenditure	28,707	24,363	17.8%	28,638	0.2%	1,11,300	81,256	37.0%
EBITDA	9,336	7,571	23.3%	8,572	8.9%	34,341	21,722	58.1%
<i>EBITDA Margin (%)</i>	<i>24.5%</i>	<i>23.7%</i>		<i>23.0%</i>		<i>23.6%</i>	<i>21.1%</i>	
Depreciation	1,480	1,194	23.9%	1,348	9.8%	5,371	4,519	18.8%
EBIT	7,856	6,376	23.2%	7,224	8.8%	28,970	17,203	68.4%
Interest Expenses	82	31	160.7%	76	7.7%	299	188	59.0%
Non-operating income	2,055	1,180	74.1%	1,923	6.9%	6,951	4,408	57.7%
PBT	9,830	7,525	30.6%	9,071	8.4%	35,622	21,423	66.3%
Tax-Total	2,508	1,962	27.8%	2,302	8.9%	9,276	5,259	76.4%
<i>Tax Rate (%) - Total</i>	<i>25.5%</i>	<i>26.1%</i>		<i>25.4%</i>		<i>26.0%</i>	<i>24.5%</i>	
PAT	7,322	5,564	31.6%	6,770	8.2%	26,346	16,164	63.0%
Minority interest / Slare in profit	1,734	538	222.3%	639	171.4%	3,255	602	441.2%
Profit after MI / Slare of profit	9,056	6,101	48.4%	7,408	22.2%	29,601	16,766	76.6%
Adj. PAT	9,056	6,101	48.4%	7,408	22.2%	29,601	16,766	76.6%
<i>PAT Margin</i>	<i>23.8%</i>	<i>19.1%</i>		<i>19.9%</i>		<i>20.3%</i>	<i>16.3%</i>	

Source: Company, PL

Exhibit 4: Q4FY23 Result Overview - VECV (Rs mn) – margins expand 310bp q-q

Y/e Mar (Rs.mn)	4QFY23	4QFY22	YoY gr.	3QFY23	QoQ gr.	FY23	FY22	YoY clg
Volumes (in units)	26,376	20,093	31.3%	18,162	45.2%	79,770	57,077	39.8%
Net ASP (Rs/vel)	23,50,622	21,43,184	9.7%	25,34,963	-7.3%	24,10,931	22,29,269	8.1%
Net Sales	62,000	43,063	44.0%	46,040	34.7%	1,92,320	1,27,240	51.1%
EBITDA	6,190	2,864	116.1%	3,160	95.9%	14,330	7,160	100.1%
<i>EBITDA margin (%)</i>	<i>10.0%</i>	<i>6.7%</i>		<i>6.9%</i>		<i>7.5%</i>	<i>5.6%</i>	
PAT	3,190	990	222.2%	1,180	170.3%	5,990	1,110	439.64%

Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY22	FY23	FY24E	FY25E
Net Revenues	1,02,978	1,44,422	1,68,271	1,91,168
YoY gr. (%)	18.1	40.2	16.5	13.6
Cost of Goods Sold	59,557	82,119	94,869	1,07,132
Gross Profit	43,422	62,303	73,402	84,036
Margin (%)	42.2	43.1	43.6	44.0
Employee Cost	8,210	10,019	11,684	13,282
Other Expenses	13,489	17,848	19,601	21,972
EBITDA	21,723	34,436	42,117	48,782
YoY gr. (%)	22.0	58.5	22.3	15.8
Margin (%)	21.1	23.8	25.0	25.5
Depreciation and Amortization	4,519	5,262	5,558	5,646
EBIT	17,203	29,174	36,559	43,136
Margin (%)	16.7	20.2	21.7	22.6
Net Interest	188	280	203	187
Other Income	4,408	5,951	7,512	8,278
Profit Before Tax	21,424	34,845	43,868	51,227
Margin (%)	20.8	24.1	26.1	26.8
Total Tax	5,259	8,857	10,877	12,701
Effective tax rate (%)	24.5	25.4	24.8	24.8
Profit after tax	16,165	25,988	32,991	38,526
Minority interest	-	-	-	-
Share Profit from Associate	602	3,152	4,763	6,187
Adjusted PAT	16,766	29,139	37,754	44,713
YoY gr. (%)	-	-	-	-
Margin (%)	16.3	20.2	22.4	23.4
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	16,766	29,139	37,754	44,713
YoY gr. (%)	24.5	73.8	29.6	18.4
Margin (%)	16.3	20.2	22.4	23.4
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	-	-	-	-
Equity Shares O/s (m)	273	274	274	274
EPS (Rs)	61.3	106.5	138.0	163.5

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY22	FY23	FY24E	FY25E
Non-Current Assets				
Gross Block	44,918	52,837	58,837	64,837
Tangibles	44,918	52,837	58,837	64,837
Intangibles	-	-	-	-
Acc: Dep / Amortization	20,675	25,938	31,495	37,141
Tangibles	20,675	25,938	31,495	37,141
Intangibles	-	-	-	-
Net fixed assets	24,243	26,900	27,342	27,696
Tangibles	24,243	26,900	27,342	27,696
Intangibles	-	-	-	-
Capital Work In Progress	5,048	4,721	5,021	5,321
Goodwill	-	-	-	-
Non-Current Investments	19,579	22,284	25,694	28,452
Net Deferred tax assets	(2,201)	(2,913)	(2,942)	(2,972)
Other Non-Current Assets	-	-	-	-
Current Assets				
Investments	57,626	1,00,923	1,02,513	1,04,755
Inventories	11,324	12,784	10,603	12,046
Trade receivables	3,020	3,689	2,305	2,619
Cash & Bank Balance	27,225	8,571	33,767	58,851
Other Current Assets	5,125	4,413	4,633	4,865
Total Assets	1,62,010	1,91,976	2,20,416	2,54,081
Equity				
Equity Share Capital	273	274	274	274
Other Equity	1,25,807	1,49,629	1,73,435	2,02,559
Total Network	1,26,080	1,49,903	1,73,709	2,02,833
Non-Current Liabilities				
Long Term borrowings	588	1,957	2,055	2,158
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	17,881	18,104	21,207	24,092
Other current liabilities	15,260	19,099	20,503	22,027
Total Equity & Liabilities	1,62,010	1,91,976	2,20,416	2,54,081

Source: Company Data, PL Research



Cash Flow (Rs m)

Y/e Mar	FY22	FY23	FY24E	FY25E
PBT	22,025	37,996	48,631	57,414
Add. Depreciation	4,519	5,262	5,558	5,646
Add. Interest	188	280	203	187
Less Financial Other Income	4,408	5,951	7,512	8,278
Add. Other	(4,408)	(5,951)	(7,512)	(8,278)
Op. profit before WC changes	22,324	37,588	46,880	54,969
Net Changes-WC	(1,779)	3,773	7,005	1,482
Direct tax	(5,274)	(8,144)	(10,847)	(12,671)
Net cash from Op. activities	15,272	33,217	43,037	43,780
Capital expenditures	(6,334)	(7,592)	(6,300)	(6,300)
Interest / Dividend Income	-	-	-	-
Others	4,091	3,247	4,102	5,520
Net Cash from Invt. activities	(2,243)	(4,345)	(2,198)	(780)
Issue of share cap. / premium	675	4,803	-	-
Debt changes	(986)	1,369	98	103
Dividend paid	(5,741)	(10,120)	(13,949)	(15,590)
Interest paid	(188)	(280)	(203)	(187)
Others	-	-	-	-
Net cash from Fin. activities	(6,240)	(4,228)	(14,054)	(15,674)
Net change in cash	6,788	24,643	26,786	27,326
Free Cash Flow	8,938	25,624	36,737	37,480

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q1FY23	Q2FY23	Q3FY23	Q4FY23
Net Revenue	33,975	35,194	37,210	38,044
YoY gr. (%)	72.1	56.4	29.2	19.1
Raw Material Expenses	19,030	20,256	21,655	21,178
Gross Profit	14,945	14,938	15,555	16,866
Margin (%)	44.0	42.4	41.8	44.3
EBITDA	8,311	8,216	8,572	9,337
YoY gr. (%)	129.0	74.9	47.2	23.3
Margin (%)	24.5	23.3	23.0	24.5
Depreciation / Depletion	1,162	1,271	1,348	1,480
EBIT	7,149	6,945	7,224	7,857
Margin (%)	21.0	19.7	19.4	20.7
Net Interest	52	71	76	82
Other Income	487	1,486	1,923	2,055
Profit before Tax	7,583	8,361	9,071	9,831
Margin (%)	22.3	23.8	24.4	25.8
Total Tax	1,814	2,233	2,302	2,508
Effective tax rate (%)	23.9	26.7	25.4	25.5
Profit after Tax	5,769	6,127	6,770	7,323
Minority interest	-	-	-	-
Share Profit from Associates	338	441	639	1,734
Adjusted PAT	6,107	6,569	7,408	9,057
YoY gr. (%)	157.5	76.0	62.4	48.4
Margin (%)	18.0	18.7	19.9	23.8
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	6,107	6,569	7,408	9,057
YoY gr. (%)	157.5	76.0	62.4	48.4
Margin (%)	18.0	18.7	19.9	23.8
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	-	-	-	-
Avg. Shares O/s (m)	273	273	273	273
EPS (Rs)	22.4	24.1	27.2	33.2

Source: Company Data, PL Research

Key Financial Metrics

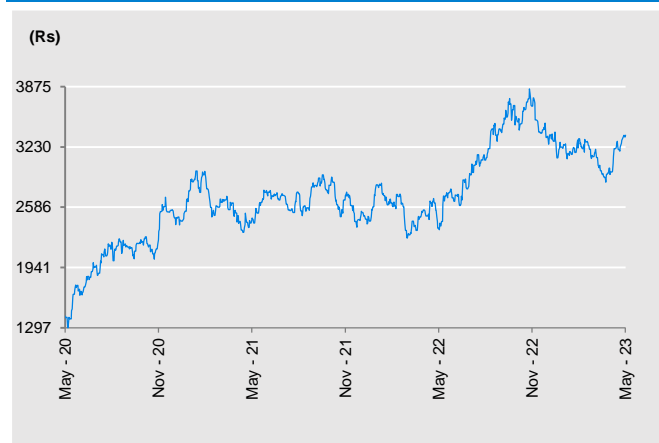
Y/e Mar	FY22	FY23	FY24E	FY25E
Per Share(Rs)				
EPS	61.3	106.5	138.0	163.5
CEPS	77.9	125.8	158.4	184.1
BVPS	461.3	548.1	635.1	741.6
FCF	32.7	93.7	134.3	137.0
DPS	21.0	37.0	51.0	57.0
Return Ratio(%)				
RoCE	14.2	20.9	22.3	22.7
ROIC	35.6	73.1	99.9	121.2
RoE	13.9	21.1	23.3	23.7
Balance Sheet				
Net Debt : Equity (x)	(0.7)	(0.7)	(0.8)	(0.8)
Net Working Capital (Days)	(60)	(46)	(57)	(55)
Valuation(x)				
PER	55.5	31.9	24.7	20.8
P/B	7.4	6.2	5.4	4.6
P/CEPS	43.7	27.1	21.5	18.5
EV/EBITDA	38.9	23.9	18.9	15.8
EV/Sales	8.2	5.7	4.7	4.0
Dividend Yield (%)	0.6	1.1	1.5	1.7

Source: Company Data, PL Research

Key Operating Metrics

Y/e Mar	FY22	FY23	FY24E	FY25E
Royal volumes (in units)	6,02,268	8,34,895	9,60,000	10,58,760
% YoY	(2)	39	15	10
VECV volumes (in units)	57,077	79,623	91,813	1,01,290
% YoY	38	40	15	10

Source: Company Data, PL Research

Price Chart

Recommendation History

No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	12-Apr-23	BUY	4,050	3,054
2	14-Feb-23	BUY	4,120	3,176
3	05-Jan-23	BUY	4,200	3,215
4	11-Nov-22	BUY	4,190	3,701
5	06-Oct-22	BUY	4,225	3,548
6	24-Sep-22	BUY	4,200	3,688
7	10-Aug-22	BUY	3,400	3,155
8	08-Jul-22	BUY	3,150	2,944
9	15-May-22	BUY	2,950	2,433

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Ashok Leyland	BUY	200	138
2	Bajaj Auto	Hold	4,130	4,342
3	Bharat Forge	BUY	940	760
4	CEAT	Accumulate	1,800	1,717
5	Eicher Motors	BUY	4,050	3,054
6	Endurance Technologies	BUY	1,570	1,254
7	Exide Industries	UR	-	185
8	Hero Motocorp	BUY	3,200	2,547
9	Mahindra & Mahindra	BUY	1,560	1,202
10	Maruti Suzuki	BUY	10,300	8,507
11	Tata Motors	BUY	590	459
12	TVS Motor Company	BUY	1,300	1,169

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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