

November 14, 2024

Q2FY25 Result Update

☑ Change in Estimates | ☑ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY26E	FY27E	FY26E	FY27E
Rating	BUY		BUY	
Target Price	5,299		5,416	
Sales (Rs. m)	2,03,233	2,24,888	2,11,218	2,31,404
% Chng.	(3.8)	(2.8)		
EBITDA (Rs. m)	53,972	59,755	58,305	65,372
% Chng.	(7.4)	(8.6)		
EPS (Rs.)	189.0	211.7	200.2	225.4
% Chng.	(5.6)	(6.1)		

Key Financials - Consolidated

Y/e Mar	FY24	FY25E	FY26E	FY27E
Sales (Rs. m)	1,65,358	1,82,875	2,03,233	2,24,888
EBITDA (Rs. m)	43,269	47,866	53,972	59,755
Margin (%)	26.2	26.2	26.6	26.6
PAT (Rs. m)	40,010	45,542	51,753	57,950
EPS (Rs.)	146.1	166.3	189.0	211.7
Gr. (%)	37.2	13.8	13.6	12.0
DPS (Rs.)	51.0	60.0	65.0	75.0
Yield (%)	1.1	1.3	1.4	1.6
RoE (%)	24.2	23.4	22.8	22.1
RoCE (%)	22.3	20.9	20.3	19.4
EV/Sales (x)	7.0	6.2	5.4	4.8
EV/EBITDA (x)	26.6	23.7	20.5	18.0
PE (x)	31.5	27.6	24.3	21.7
P/BV (x)	7.0	6.0	5.2	4.5

Key Data

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52-W High / Low	Rs.5,105 / Rs.3,562
Sensex / Nifty	77,691 / 23,559
Market Cap	Rs.1,260bn / \$ 14,936m
Shares Outstanding	274m
3M Avg. Daily Value	Rs.2510.12m

Shareholding Pattern (%)

Promoter's	49.10
Foreign	27.61
Domestic Institution	13.77
Public & Others	9.52
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(2.7)	(1.3)	26.2
Relative	1.9	(7.5)	5.4

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Higher promotional spends to support volume growth

Quick Pointers:

- New launches to keep the promotional spends higher
- Classic 650 launched in UK and Europe, India retails to begin in Jan'25

EIM's consolidated revenue for Q2FY25 increased by 3.6% YoY, coming in 5.6%/4.6% lower than PLe/consensus estimates. Gross profit increased by 4.6% YoY, supported by stable input cost while margin expanded by 42bps YoY to 46.5%. EBITDA remained flat while margin contracted by 91bps YoY to 25.5%, impacted by rise in promotional expenses towards a slew of new launches and one-off warehousing expenses. Rise in other income and lower tax rate for the quarter resulted in PAT margin expansion by 111bps YoY to 25.8%.

The management remains optimistic on delivering growth in its volume, which shall be driven by promotional spends towards new models, marriage season demand and healthy growth rate in the export market. Additionally, its expansion in different category of premium segment shall aid in sustaining market share and offsetting competitive intensity. Higher promotional spends in domestic & international market shall keep its margin range-bound, factoring this; we cut our estimates by 2-8% over the forecasted period. We retain our "Buy" rating with SoTP-based TP of Rs5,299, valuing core business at 27.5x on its Sept'26 EPS and 10x EV/EBITDA for its VECV business.

Better mix led to revenue growth as volume were flat: Its standalone revenue increased by 7% YoY to Rs42.1bn (PLe: Rs43.4bn; BBGe: Rs43.5bn), aided by higher mix of 350cc+ category of motorcycles. Consequently, its ASP increased by 7.7% YoY to Rs184,553/unit (PLe: Rs190,295/unit), lower than our estimates on the account of inferior mix in the 350cc segment. EBITDA increased by merely 0.7% YoY to Rs11bn (PLe: Rs12.1bn; BBGe: Rs12.2bn) while margin contracted by 165bps YoY to 26.3% (PLe: 28%; BBGe: 28.1%). Other income increased by 22.3% YoY while lower tax rate aided in offsetting the higher expenses which led its PAT to increase by 7.6% YoY to Rs10.1bn (PLe: Rs10.7bn; BBGe: Rs10.2bn).

Healthy realization growth in VECV: VECV revenue increased by 8.5% YoY to Rs54.4bn (PLe: Rs53.5bn), aided by 6.3% YoY growth in its volume. ASP increased by 2.1% YoY to Rs 2.6mn (PLe: Rs2.57mn), aided by higher penetration of buses and exports. EBITDA declined by 2.2% YoY to Rs 3.95bn (PLe: Rs4bn), while margin contracted by 80bps YoY to 7.3%. PAT increased by 12.4% YoY to Rs2.1bn (PLe: Rs3.4bn) and margin remained flat at 3.8%.

Robust export outlook in motorcycles: Its RE export increased by 11% YoY while its retails in the international market increased by 12% YoY aided by new launches in the 350cc+ category of motorcycles. During Q2FY25, EIM established a 2nd CKD facility in Brazil and a new CKD facility in Bangladesh. With CKD facilities in Brazil, the company aims to focus on delivering its products in North American market especially Mexico. Factoring this, we forecast its export volume to increase at a CAGR of 15.7% over FY24-27E, aided by new launches, penetration in new markets and promotional spends to increase brand awareness.

Exhibit 1: Q1FY25 Result Overview – Consolidated (Rs mn) – PAT grew by 8.3% YoY on the account high OI and lower tax

Y/e March	Q2FY25	Q2FY24	YoY gr.	Q2FY25E	% Var.	Q1FY25	QoQ gr.	H1FY25	H1FY24	YoY gr.
Net Revenues	42,631	41,145	3.6%	45,178	-5.6%	43,931	-3.0%	86,561	81,009	6.9%
Raw Materials	22,824	22,201	2.8%	24,125	-5.4%	23,562	-3.1%	46,386	44,473	4.3%
% of Net Sales	53.5%	54.0%	-42 bps	53.4%	14 bps	53.6%	-10 bps	53.6%	54.9%	-131 bps
Personnel	3,464	3,061	13.1%	3,434	0.9%	3,536	-2.1%	7,000	5,988	16.9%
% of Net Sales	8.1%	7.4%	68 bps	7.6%	52 bps	8.0%	8 bps	8.1%	7.4%	70 bps
Manufacturing & Other Exp	5,466	5,012	9.1%	5,421	0.8%	5,178	5.6%	10,644	9,468	12.4%
% of Net Sales	12.8%	12.2%	64 bps	12.0%	82 bps	11.8%	103 bps	12.3%	11.7%	61 bps
Total Expenditure	31,754	30,274	4.9%	32,980	-3.7%	32,276	-1.6%	64,030	59,929	6.8%
EBITDA	10,877	10,872	0.1%	12,198	-10.8%	11,654	-6.7%	22,532	21,080	6.9%
EBITDA Margin (%)	25.5%	26.4%	-91 bps	27.0%	-149 bps	26.5%	-101 bps	26.0%	26.0%	1 bps
Depreciation	1,801	1,425	26.3%	1,558	15.6%	1,686	6.8%	3,487	2,848	22.4%
EBIT	9,077	9,446	-3.9%	10,640	-14.7%	9,968	-8.9%	19,045	18,232	4.5%
Interest Expenses	131	127	3.6%	127	3.6%	123	7.1%	254	231	10.0%
Non-operating income	3,538	2,738	29.2%	2,875	23.1%	2,820	25.5%	6,357	5,170	23.0%
PBT	12,483	12,057	3.5%	13,388	-6.8%	12,665	-1.4%	25,148	23,171	8.5%
Tax-Total	2,617	2,911	-10.1%	3,347	-21.8%	3,396	-22.9%	6,013	5,845	2.9%
Tax Rate (%) - Total	21.0%	24.1%	-318 bps	25.0%	-403 bps	26.8%	-585 bps	23.9%	25.2%	-132 bps
PAT	9,866	9,146	7.9%	10,041	-1.7%	9,269	6.4%	19,135	17,325	10.4%
Share of profit in JV	1,138	1,016	11.9%	1,831	-37.9%	1,746	-34.8%	2,883	2,021	42.7%
Adj. PAT	11,003	10,163	8.3%	11,873	-7.3%	11,015	-0.1%	22,018	19,346	13.8%
PAT Margin	25.8%	24.7%	111 bps	26.3%	-47 bps	25.1%	74 bps	25.4%	23.9%	156 bps

Source: Company, PL

Exhibit 2: Operating Metrics – RE realization grew by 7.7% YoY

Y/e March (Rs)	Q2FY25	Q2FY24	YoY gr.	Q2FY25E	% Var.	Q1FY25	QoQ gr.	H1FY25	H1FY24	YoY gr.
RE Sales Volume (nos)	2,27,872	2,29,280	-0.6%	2,27,872	-	2,27,736	0.1%	4,55,608	4,54,648	0.2%
Net Realisation/Vehicle	1,84,553	1,71,437	7.7%	1,90,295	-3.0%	1,85,798	-0.7%	1,85,175	1,72,263	7.5%
VECV Sales Volume (nos)	20,774	19,551	6.3%	20,774	-	19,702	5.4%	40,476	39,122	3.5%
Net Realisation/Vehicle	26,16,251	25,62,529	2.1%	25,73,343	1.7%	25,73,343	1.7%	25,95,365	25,56,362	1.5%

Source: Company, PL

Conference Call Highlights:

- Company clocked its best ever October sales with ~100k units retailed in India on the back of strong festive period demand.
- The company expects demand momentum to remain robust in the upcoming quarters, which shall be aided by new launches as well as promotional activities to increase the presence of its new models.
- EIM aims to launch 2 EV products in the "Flying Flea" brand namely FFC6 and FFS6 by H1CY26.
- Classic 650 was been launched in UK, Europe and US, where it has received positive feedback from the motorcycle enthusiasts. Classic 650 will be retailed in India from Jan'25.
- EIM will focus on increasing its volume by a way of promotional spends and increasing its distribution reach in key regions. With high promotional spends linked to the respective products, the company expects margin could remain range-bound for the medium term.

Financials

Income Statement (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
Net Revenues	1,65,358	1,82,875	2,03,233	2,24,888
YoY gr. (%)	14.5	10.6	11.1	10.7
Cost of Goods Sold	89,807	98,132	1,08,093	1,19,351
Gross Profit	75,551	84,743	95,140	1,05,537
Margin (%)	45.7	46.3	46.8	46.9
Employee Cost	12,357	14,525	16,185	17,673
Other Expenses	19,925	22,352	24,983	28,110
EBITDA	43,269	47,866	53,972	59,755
YoY gr. (%)	25.7	10.6	12.8	10.7
Margin (%)	26.2	26.2	26.6	26.6
Depreciation and Amortization	5,976	6,584	7,466	8,234
EBIT	37,293	41,282	46,506	51,522
Margin (%)	22.6	22.6	22.9	22.9
Net Interest	509	514	532	542
Other Income	10,759	14,011	15,948	18,295
Profit Before Tax	47,543	54,779	61,922	69,275
Margin (%)	28.8	30.0	30.5	30.8
Total Tax	12,010	13,861	15,400	17,198
Effective tax rate (%)	25.3	25.3	24.9	24.8
Profit after tax	35,533	40,918	46,521	52,077
Minority interest	-	-	-	-
Share Profit from Associate	4,477	4,624	5,232	5,872
Adjusted PAT	40,010	45,542	51,753	57,950
YoY gr. (%)	-	-	-	-
Margin (%)	24.2	24.9	25.5	25.8
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	40,010	45,542	51,753	57,950
YoY gr. (%)	37.3	13.8	13.6	12.0
Margin (%)	24.2	24.9	25.5	25.8
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	-	-	-	-
Equity Shares O/s (m)	274	274	274	274
EPS (Rs)	146.1	166.3	189.0	211.7

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
Non-Current Assets				
Gross Block	61,057	69,557	79,057	88,557
Tangibles	61,057	69,557	79,057	88,557
Intangibles	-	-	-	-
Acc: Dep / Amortization	31,914	38,498	45,964	54,197
Tangibles	31,914	38,498	45,964	54,197
Intangibles	-	-	-	-
Net fixed assets	29,144	31,060	33,094	34,360
Tangibles	29,144	31,060	33,094	34,360
Intangibles	-	-	-	-
Capital Work In Progress	5,551	6,384	7,341	8,442
Goodwill	-	-	-	-
Non-Current Investments	25,785	30,202	32,618	34,249
Net Deferred tax assets	(4,611)	(4,657)	(4,703)	(4,751)
Other Non-Current Assets	-	-	-	-
Current Assets				
Investments	1,09,485	1,21,300	1,37,064	1,60,885
Inventories	14,096	16,534	18,374	20,332
Trade receivables	3,738	4,509	5,011	5,545
Cash & Bank Balance	1,463	7,284	18,094	26,738
Other Current Assets	35,361	37,129	38,986	39,765
Total Assets	2,31,279	2,62,057	2,99,003	3,39,580
Equity				
Equity Share Capital	274	274	274	274
Other Equity	1,80,182	2,09,296	2,43,252	2,80,667
Total Networth	1,80,455	2,09,569	2,43,526	2,80,941
Non-Current Liabilities				
Long Term borrowings	2,756	2,894	3,038	3,190
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	20,901	22,045	24,499	27,110
Other current liabilities	22,556	22,891	23,236	23,589
Total Equity & Liabilities	2,31,279	2,62,057	2,99,003	3,39,580

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
PBT	52,020	59,403	67,154	75,148
Add. Depreciation	5,976	6,584	7,466	8,234
Add. Interest	509	514	532	542
Less Financial Other Income	10,759	14,011	15,948	18,295
Add. Other	(10,759)	(14,011)	(15,948)	(18,295)
Op. profit before WC changes	47,746	52,490	59,204	65,628
Net Changes-WC	(24,105)	(4,496)	(2,166)	(1,150)
Direct tax	(10,312)	(13,815)	(15,354)	(17,151)
Net cash from Op. activities	13,329	34,179	41,684	47,327
Capital expenditures	(9,050)	(9,333)	(10,458)	(10,601)
Interest / Dividend Income	-	-	-	-
Others	7,258	9,594	13,532	16,664
Net Cash from Invt. activities	(1,793)	261	3,074	6,063
Issue of share cap. / premium	4,506	-	-	-
Debt changes	799	138	145	152
Dividend paid	(13,964)	(16,428)	(17,797)	(20,535)
Interest paid	(509)	(514)	(532)	(542)
Others	-	-	-	-
Net cash from Fin. activities	(9,168)	(16,805)	(18,185)	(20,925)
Net change in cash	2,369	17,636	26,574	32,466
Free Cash Flow	4,279	24,847	31,227	36,726

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q3FY24	Q4FY24	Q1FY25	Q2FY25
Net Revenue	41,788	42,560	43,931	42,631
YoY gr. (%)	12.3	11.9	10.2	3.6
Raw Material Expenses	22,579	22,754	23,562	22,824
Gross Profit	19,210	19,806	20,369	19,807
Margin (%)	46.0	46.5	46.4	46.5
EBITDA	10,903	11,286	11,654	10,877
YoY gr. (%)	27.2	20.9	14.2	0.1
Margin (%)	26.1	26.5	26.5	25.5
Depreciation / Depletion	1,475	1,653	1,686	1,801
EBIT	9,427	9,634	9,968	9,077
Margin (%)	22.6	22.6	22.7	21.3
Net Interest	124	153	123	131
Other Income	2,537	3,052	2,820	3,538
Profit before Tax	11,840	12,532	12,665	12,483
Margin (%)	28.3	29.4	28.8	29.3
Total Tax	3,019	3,146	3,396	2,617
Effective tax rate (%)	25.5	25.1	26.8	21.0
Profit after Tax	8,821	9,386	9,269	9,866
Minority interest	-	-	-	-
Share Profit from Associates	1,139	1,318	1,746	1,138
Adjusted PAT	9,960	10,705	11,015	11,003
YoY gr. (%)	34.4	18.2	19.9	8.3
Margin (%)	23.8	25.2	25.1	25.8
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	9,960	10,705	11,015	11,003
YoY gr. (%)	34.4	18.2	19.9	8.3
Margin (%)	23.8	25.2	25.1	25.8
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	-	-	-	-
Avg. Shares O/s (m)	274	274	274	274
EPS (Rs)	36.4	39.1	40.2	40.2

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY24	FY25E	FY26E	FY27E
Per Share(Rs)				
EPS	146.1	166.3	189.0	211.7
CEPS	168.0	190.4	216.3	241.7
BVPS	659.1	765.4	889.4	1,026.1
FCF	15.6	90.7	114.0	134.1
DPS	51.0	60.0	65.0	75.0
Return Ratio(%)				
RoCE	22.3	20.9	20.3	19.4
ROIC	49.3	44.5	47.0	49.8
RoE	24.2	23.4	22.8	22.1
Balance Sheet				
Net Debt : Equity (x)	(0.6)	(0.6)	(0.6)	(0.7)
Net Working Capital (Days)	(50)	(42)	(38)	(35)
Valuation(x)				
PER	31.5	27.6	24.3	21.7
P/B	7.0	6.0	5.2	4.5
P/CEPS	27.4	24.2	21.3	19.0
EV/EBITDA	26.6	23.7	20.5	18.0
EV/Sales	7.0	6.2	5.4	4.8
Dividend Yield (%)	1.1	1.3	1.4	1.6

Source: Company Data, PL Research

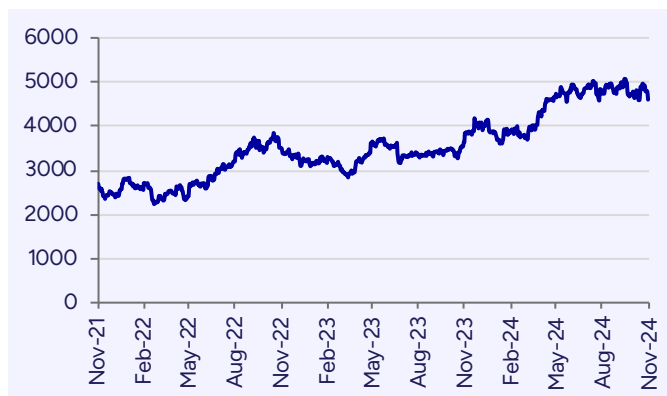
Key Operating Metrics

Y/e Mar	FY24	FY25E	FY26E	FY27E
Royal volumes (in units)	9,12,732	9,40,231	9,93,160	10,44,243
% YoY	9	3	6	5
VECV volumes (in units)	85,560	89,057	93,510	98,185
% YoY	7	4	5	5

Source: Company Data, PL Research

Price Chart

Recommendation History



No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	07-Oct-24	BUY	5,416	4,668
2	09-Aug-24	BUY	5,335	4,577
3	08-Jul-24	BUY	5,335	4,737
4	13-May-24	BUY	5,335	4,658
5	08-Apr-24	Accumulate	4,215	4,031
6	14-Feb-24	Accumulate	4,100	3,854
7	08-Jan-24	Hold	3,870	3,877

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Aarti Industries	Reduce	411	474
2	Ashok Leyland	Accumulate	240	222
3	Bajaj Auto	Hold	11,859	11,617
4	Bharat Forge	Accumulate	1,369	1,437
5	Bharat Petroleum Corporation	Hold	316	310
6	Bharti Airtel	Accumulate	1,782	1,637
7	CEAT	Hold	3,063	2,973
8	Clean Science and Technology	Hold	1,526	1,484
9	Deepak Nitrite	Reduce	2,582	3,000
10	Divgi Torqtransfer Systems	Hold	633	591
11	Eicher Motors	BUY	5,416	4,668
12	Endurance Technologies	BUY	2,835	2,437
13	Exide Industries	Hold	456	437
14	Fine Organic Industries	BUY	5,852	5,000
15	GAIL (India)	Hold	204	209
16	Gujarat Fluorochemicals	Reduce	3,770	4,158
17	Gujarat Gas	Hold	565	541
18	Gujarat State Petronet	Hold	380	390
19	Hero Motocorp	Accumulate	5,906	5,495
20	Hindustan Petroleum Corporation	Accumulate	412	372
21	Indian Oil Corporation	Hold	156	147
22	Indraprastha Gas	Hold	402	417
23	Jubilant Ingrevia	Hold	695	682
24	Laxmi Organic Industries	Reduce	240	270
25	Mahanagar Gas	Accumulate	1,627	1,497
26	Mahindra & Mahindra	BUY	3,456	2,891
27	Mangalore Refinery & Petrochemicals	Sell	128	173
28	Maruti Suzuki	BUY	14,586	11,046
29	Navin Fluorine International	Accumulate	3,523	3,307

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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