

Eicher Motors

BSE SENSEX	S&P CNX
37,463	11,279
Bloomberg	EIM IN
Equity Shares (m)	27
M.Cap.(INRb)/(USD\$)	554.6 / 7.9
52-Week Range (INR)	31425 / 18780
1, 6, 12 Rel. Per (%)	0/-16/-40
12M Avg Val (INR M)	2218
Free float (%)	50.7

CMP: INR20,329 TP: INR23,500 (+16%) Buy

Margin miss due to cost inflation; expects a recovery in FY20

- Consol. revenue declined 1% YoY to INR25b. Adj. PAT was down 16% YoY to INR5.4b (in-line). In FY19, revenue/EBITDA/PAT grew 11%/5%/8% YoY.
- RE's** net realization improved 5.6% QoQ (+14.4% YoY) to INR127.4k (our estimate: ~INR125.5k). EBITDA margin shrank 450bp YoY (-170bp QoQ) to 27.8% (our estimate: 29.5%) due to regulatory cost inflation and higher marketing cost.
- VECV's** realizations increased 6.4% YoY (-8.2% QoQ) to INR1.53m. EBITDA margin came in line at 8.5% (-100bp YoY, +190 QoQ).
- Earnings call highlights:** (a) EIM has set a production target of 950k for FY20 (implying ~15% growth on FY19 volumes of ~828k; we estimate volumes of ~848k or ~3% volume growth). (b) There has been a drop in inquiries since Diwali, but the conversion rate is intact. Its key market Kerala has seen some recovery since floods but is yet to fully normalize. (c) EIM added ~90 dealers in FY19 to ~915; targets ~1,000 dealers by end-FY20. (e) The company has 42 exclusive outlets in 19 countries and plans to double it over the next 1.5-2 years. (f) It expects to protect margins around current levels. (g) VECV has entered Indonesia and S. Africa under the 'UD' brand, which would be marketed by Volvo.
- Valuation and view:** RE is witnessing demand weakness for the first time since its renaissance in 2008, as it is in a perfect storm with a weak industry environment, substantial cost inflation and a new competitor. Volumes are likely to remain under pressure until 2QFY20 and then recover gradually. However, we believe BS6 transition would be an inflection point for RE as a completely new improved platform could drive a revival of Classic 350. This coupled with the efforts to build upon the success of 650cc Twins in India and overseas would also support volume growth. Valuations have corrected over last 18 months due to weak growth, however we expect growth to revive from 2HFY20. Maintain our **Buy** with a TP of ~INR23,500.

Financials & Valuations (INR b)

Y/E Mar	2019	2020E	2021E
Net Sales	98.0	108.8	127.0
EBITDA	29.0	30.5	35.8
PAT	22.2	23.9	27.5
EPS (INR)	814	877	1,007
Gr. (%)	1.8	7.8	14.8
BV/Sh (INR)	3,269	3,911	4,622
RoE (%)	27.8	24.4	23.6
RoCE (%)	26.6	23.9	23.9
P/E (x)	25.0	23.2	20.2
P/BV (x)	6.2	5.2	4.4

Estimate change	↔
TP change	↔
Rating change	↔

Quarterly performance (Consolidated)

Y/E March	FY18				FY19				(INR Million)			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	FY18	FY19	FY19E	VAR (%)
Net Operating income	20,006	21,673	22,690	25,280	25,478	24,082	23,411	25,001	89,650	97,971	24,606	1.6
Growth (%)	28.6	23.5	23.7	33.9	27.3	11.1	3.2	-1.1	27.5	9.3	-2.7	
EBITDA	6,207	6,825	7,072	7,972	8,095	7,293	6,795	6,847	28,076	29,031	7,113	-3.7
EBITDA Margins (%)	31.0	31.5	31.2	31.5	31.8	30.3	29.0	27.4	31.3	29.6	28.9	-150bp
Recurring PAT	4,708	5,295	5,309	6,486	5,761	5,663	5,330	5,448	21,797	22,203	5,429	0.4
Growth (%)	25.1	28.1	27.0	39.1	22.4	7.0	0.4	-16.0	27.2	1.9	-16.3	
Standalone (Royal Enfield)												
Royal Enfield ('000 units)	184	203	207	227	225	210	194	196	820	826	196	0.0
Growth (%)	24.8	21.5	18.8	27.4	22.5	3.6	-5.9	-13.6	23.1	0.7	-13.6	
Net Realn (INR '000/unit)	109	107	110	111	113	114	121	127	109	119	126	1.5
Change - YoY (%)	2.9	1.0	3.9	5.4	3.9	7.3	10.1	14.4	3.4	8.6	12.7	
EBITDA Margins (%)	31.4	31.9	31.7	32.3	32.3	30.6	29.5	27.8	34.7	30.1	29.5	-170bp
Recurring PAT	4,943	4,864	4,720	4,146	5,912	4,927	5,014	4,804	18,674	20,659	4,697	2.3
Growth (%)	46.6	22.8	13.7	0.7	19.6	1.3	6.2	15.9	-24.3	10.6	13.3	

E: MOFSL Estimates

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Investors are advised to refer through important disclosures made at the last page of the Research Report.

Motilal Oswal research is available on www.motilaloswal.com/Institutional-Equities, Bloomberg, Thomson Reuters, Factset and S&P Capital.

RE: Favorable mix and price hike (regulatory) drive realization

- RE volumes declined by 13.6% YoY (+0.9% QoQ), with the domestic segment (which accounted for 96.5% of sales volumes) down by 14.6% YoY to 189.4k units and exports growing by 28.8% YoY to 6.8k units.
- Net realization grew by 5.6% QoQ (+14.4% YoY) to record INR1,27,425/unit owing to the ABS-related prices hikes and the increasing share of 650 Twins.
- As a result, net revenues declined 1.2% YoY (+6.6% QoQ) to INR25b (in-line).

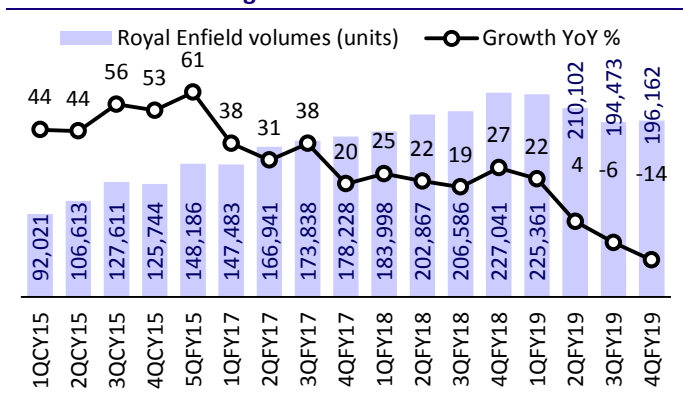
Standalone Quarterly Performance (Royal Enfield)

(INR Million)

Y/E March	FY18				FY19				FY18	FY19	4QE	VAR (%)
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q				
Royal Enfield ('000 units)	184	203	207	227	225	210	194	196	820	826	196	0.0
Growth (%)	24.8	21.5	18.8	27.4	22.5	3.6	-5.9	-13.6	23.1	0.7	-13.6	
Net Realn (INR '000/unit)	108.7	106.7	109.6	111.4	112.9	114.4	120.6	127.4	109.2	118.6	125.5	1.5
Change - YoY (%)	2.9	1.0	3.9	5.4	3.9	7.3	10.1	14.4	3.4	8.6	12.7	
Net operating income	19,999	21,636	22,642	25,298	25,449	24,041	23,459	24,996	89,575	97,945	24,627	1.5
Growth (%)	28.4	22.8	23.5	34.2	27.3	11.1	3.6	-1.2	27.3	9.3	-2.6	
RM Cost (%)	53.0	52.1	51.0	51.3	51.5	50.6	51.0	53.5	51.8	51.7	51.2	230bp
Staff Cost (%)	5.8	6.5	6.2	5.7	6.5	7.1	7.6	6.6	6.1	6.9	7.5	-90bp
Other Exp (%)	9.9	9.6	11.1	10.7	9.7	11.6	11.8	12.1	7.4	11.3	11.9	20bp
EBITDA	6,278	6,901	7,184	8,170	8,222	7,361	6,918	6,942	31,075	29,444	7,256	-4.3
EBITDA Margins (%)	31.4	31.9	31.7	32.3	32.3	30.6	29.5	27.8	34.7	30.1	29.5	
Depreciation	450	490	647	637	698	718	765	808	2,223	2,989	808	
Other income	1,294	699	482	848	1,260	953	1,446	1,422	3,324	5,080	521	
Interest cost	7	7	9	7	7	8	7	8	30	30	18	
Effective tax rate (%)	30.5	31.5	32.7	50.5	32.6	35.1	34.0	36.4	32.2	34.4	32.4	
Recurring PAT	4,943	4,864	4,720	4,146	5,912	4,927	5,014	4,804	18,674	20,659	4,697	2.3
Growth (%)	46.6	22.8	13.7	0.7	19.6	1.3	6.2	15.9	-24.3	10.6	13.3	

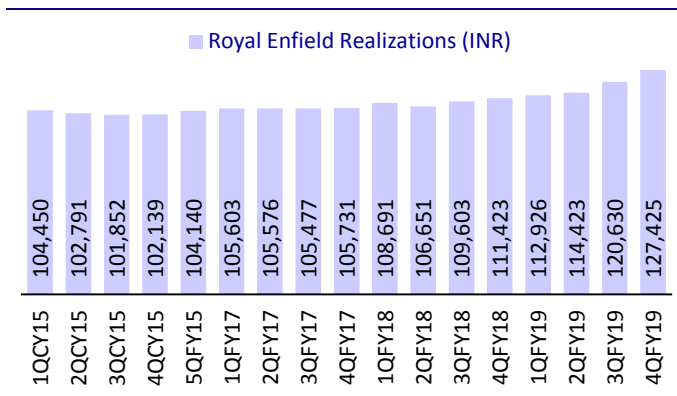
E: MOFSL Estimates

Exhibit 1: RE volume growth trend



Source: Company, MOFSL

Exhibit 2: RE's realizations trend

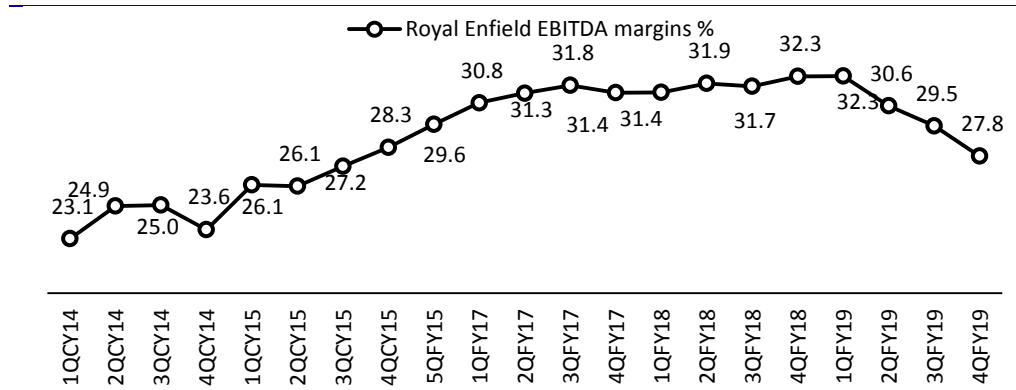


Source: Company, MOFSL

S/A: Higher RM due to ABS and increased promotional spend dent margins

- Gross margin contracted 220bp YoY (-250bp QoQ) to 46.5%, led by higher RM costs due to installation of ABS across product range.
- Other expense came in at 12.1% of sales (+140bp YoY, +30bp QoQ), led by higher sales activation activities in international markets like Europe and South East Asia. Staff cost, however, stood lower at 6.6% of sales v/s our estimate of 7.5%.
- Consequently, EBITDA margins came in at 27.8% (-450bp YoY, -170bp QoQ), while EBITDA declined 15% YoY (flat QoQ) to INR6.9b (our estimate: INR7.3b).
- Higher other income of INR1.4b boosted adjusted PAT, which grew 15.9% YoY (-4.8% QoQ) to INR4.8b (our estimate: INR4.7b).

Exhibit 3: RE's EBITDA margin trend



Source: Company, MOFSL

VECV: EBITDA margins in-line at 8.5%

- VECV volumes declined by 9% YoY (+24.1% QoQ) to 21k units, with the domestic segment (which accounted for 85% of volumes) declining by 10% YoY and exports too down 6.8% YoY.
- Domestic trucks volumes declined by 12.7% YoY, as LMD and HD volumes fell by 7.7% and 25.1%, respectively. VTI volumes grew 11.8% YoY.
- Realizations increased 6.4% YoY (-8.2% QoQ) to INR1.53m (our estimate: ~INR1.56m).
- Consequently, net revenues declined 3.3% YoY to INR32.1b (in-line).
- EBITDA margin came in line at 8.5% (-100bp YoY, +190 QoQ).
- PAT declined by 22.3% YoY (+82.3% QoQ) to INR1.39b (our estimate: INR1.4b).

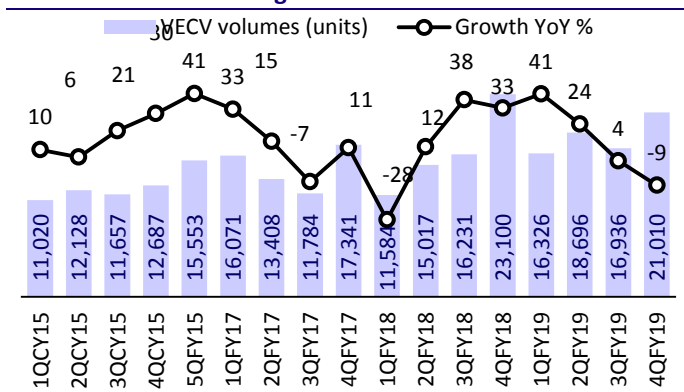
VECV: Quarterly (derived)

(INR Million)

(INR Million) Y/E March	FY18				FY19				FY18	FY19		
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			4QE	VAR (%)
Total CV Volumes	11,584	15,017	16,231	23,100	16,327	18,696	16,936	21,010	65,932	72,969	21,009	0.0
Growth (%)	-27.9	12.0	37.7	33.2	40.9	24.5	4.3	-9.0	12.5	10.7	-9.1	
Net Realn (INR '000/unit)	1,556	1,558	1,596	1,436	1,598	1,586	1,664	1,527	1,524	1,590	1,557	-1.9
Change - YoY (%)	16.9	5.9	-0.2	-2.5	2.7	1.9	4.3	6.4	4.4	4.3	8.4	
Net Op. Income	18,030	23,390	25,900	33,170	26,090	29,660	28,180	32,090	100,490	116,000	32,713	-1.9
Growth (%)	-15.7	18.6	37.4	29.9	44.7	26.8	8.8	-3.3	17.5	15.4	-1.4	
EBITDA	1,490	2,150	2,260	3,150	2,400	2,675	1,860	2,740	9,050	9,730	2,726	0.5
EBITDA Margins (%)	8.3	9.2	8.7	9.5	9.2	9.0	6.6	8.5	9.0	8.4	8.3	20bp
EBITDA (INR '000/unit)	129	143	139	136	147	143	110	130	137	133	130	
Change (%)	-23	51	74	51	61	24	-18	-13	33.4	7.5	-13.5	
Reported PAT	670	950	1,328	1,783	1,180	1,421	760	1,394	4,731	4,751	1,441	
Recurring PAT	670	950	1,328	1,783	1,180	1,421	760	1,394	4,731	4,751	1,441	-3.2
Growth (%)	-38.1	46.2	133.0	52.4	76.1	49.6	-42.7	-21.8	35.8	0.4	-19.2	

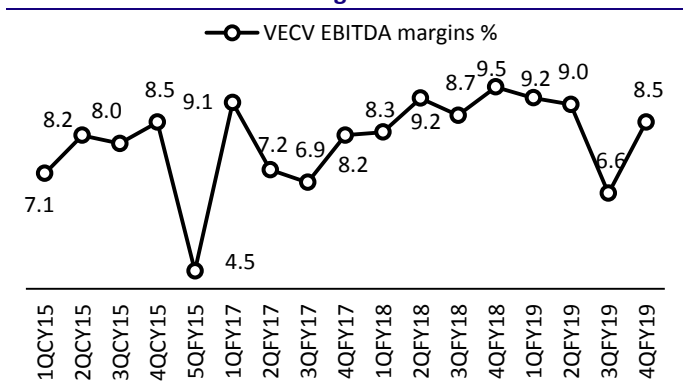
E: MOFSL Estimates

Exhibit 4: VECV volume growth trend



Source: Company, MOFSL

Exhibit 5: VECV's EBITDA margins trend



Source: Company, MOFSL

Exhibit 6: VECV product mix

	4QFY19	4QFY18	YoY (%)	3QFY19	QoQ (%)
L&MD - Trucks (Dom)	10,852	11,758	-7.7	9,182	18.2
% of total CV volumes	52	51		54	
HD - Trucks (Dom)	3,592	4,795	-25.1	3,489	3.0
% of total CV volumes	17	21		21	
Total Dom. Trucks	14,444	16,553	-12.7	12,671	14.0
% of total CV volumes	69	72		75	
Buses (Dom)	3,398	3,219	5.6	1,379	146.4
% of total CV volumes	16	14		8	
Total Domestic	17,842	19,772	-9.8	14,050	27.0
% of total CV volumes	85	86		83	
Total Exports	2,778	2,980	-6.8	2,491	11.5
% of total CV volumes	13	13		15	
Total ETB	20,621	22,752	-9.4	16,541	24.7
% of total CV volumes	98	98		98	
Volvo Truck India (units)	389	348	11.8	395	-1.5
% of total CV volumes	2	2		2	
Total CV Volumes	21,010	23,100	-9.0	16,936	24.1

Source: Company, MOFSL

Key takeaways from concall

Royal Enfield

- Production target of 950k for FY20; it is working toward growing in FY20.
- **Demand:** Continues to witness a drop in inquiries since Diwali due to price hikes, slowdown in the industry and no buying from CSD segment. Conversion trend remains intact. Sales from Kerala have come back, but not to the level of the past.
- **Encouraging response to Twin 650 both in India and international markets.** Twin 650 has waiting period of ~four months currently, with production run-rate of 3.5-4k units in Apr-19, which is expected to inch up to 5k by Jul-19. ~50% of production is exported.
- **More than 50% of customers are owners of RE less than 2 years.** In smaller cities there is aspiration for 350cc, but in larger cities 350cc is not growing.
- Phase 2 capacity of Vallam Vadagal plant is underway; expects to commence production in 2HFY20.

- **Added 37 dealers in India (to 915 dealers as of Mar'19).** Expects to take total dealer count to 1,000 in FY20 (mostly in new and smaller towns).
- Currently inventory level of 20-22 days of stock, including depots.
- **100% of the product portfolio has been shifted to ABS.**
- International: Added one store in Korea, taking the total store count to 42. Currently, it has 42 exclusive stores outside India spread across 19 countries, with plan to double the same in the next 1.5-2 years.
- Financing has been stable at 50-55% in 4QFY19 (similar to 3QFY19).
- **FY20 capex of up to INR7b** for (a) Phase-2 of Vallam Vadagal plant, (b) construction of the technology center, (c) development of new products and to expand RE's portfolio for global markets.

VECV

- Prevailing higher discounting in heavy trucks segment impacted EBITDA margins.
- Have launched CVs in Indonesia and South Africa markets under the UD brand, where distribution of the same will be taken care by Volvo.
- Capacity to increase from 90,000 trucks to 130,000 post greenfield capacity (Bhopal) addition of ~40k by Apr-20 with a capex of ~INR4b.

Valuation and view

- **Near-term pain, expect recovery from 2HFY20:** RE is witnessing demand weakness for the first time since its renaissance in 2008, as it is in perfect storm with weak industry environment, substantial cost inflation and a new competitor. Volumes in the near term are expected to remain under pressure till 2QFY20 and then see gradual recovery. It is now focusing on expanding addressable market through a) improving product quality, b) new product launches, c) expanding dealership (in sync with capacity expansion) and d) driving paradigm change in retail identity, in turn improving visibility of sustenance of strong growth.
- **Export market huge opportunity, but to fully play out over next few years:** RE is focused on creating an affordable leisure biking segment in 250-650cc and in price range of USD3-7,000. Globally, size of 250cc-650cc segment is ~1m annually, dominated by sports/street biking segment. Exports from India for premium segment (Ex RE, >150cc) is over 0.5m annually. However, RE's exports are just ~19,300 units in FY18, restricted due to capacity constraints and limited relevant product portfolio for export markets. With its new product launches, the latter concern would be resolved. EIM has recently started executing its export strategy, based on experiential marketing like they have done it in India, and is opening exclusive stores in markets like LatAm, Indonesia, London, Paris, Madrid, ASEAN countries. It plans to increase its exclusive stores count to 65-70 by FY20. However, ramp-up would be gradual, as it would take time for RE to build its brand and replicate its Indian strategy of creating brand pull by building a riding culture.
- **New product launches to drive strong volume growth:** With healthy response to new 650 Twins, Interceptor GT and Continental GT both in Indian as well as international markets and some recovery in domestic sales we expect RE volumes to grow 6.1% CAGR over FY19-21E. We expect margins to remain stable at ~28.5%, on back of improving product mix and cost control initiatives.

- **Expect VECV volume CAGR of ~1% over FY19-21:** While Pro series launch of LMD and HD range (big upgrade of existing platform) is largely done, we believe acceptance of new range would happen gradually. Pro series will help to ramp-up exports over next 2 years, with focus on recently entered Africa and Indonesia markets. We estimate VECV's sales to grow 6% while PAT to decline 4% CAGR (FY19-21E).
- **Expect consol. EPS CAGR of 11%; Maintain Buy:** RE is witnessing demand weakness for the first time since its renaissance in 2008, as it is in a perfect storm with a weak industry environment, substantial cost inflation and a new competitor. Volumes are likely to remain under pressure until 2QFY20 and then recovery gradually. However, we believe BS6 transition would be an inflection point for RE (particularly Classic) as a completely new improved platform could drive a revival of Classic 350. This coupled with the efforts to build upon the success of 650cc Twins in India and overseas, would also support the likely revival from 2HFY20. Valuations have corrected over last 18 months due to weak growth, however we expect growth to revive from 2HFY20. The stock trades at ~23.2/20.2x FY20E/21E consol. EPS. We maintain our **Buy** rating with a TP of ~INR23,500 (Mar'21E based SOTP).

Exhibit 7: Revised forecast

(INR M)	FY20E			FY21E		
	Rev	Old	Chg (%)	Rev	Old	Chg (%)
Standalone (RE)						
Volumes (units)	848,451	840,398	1.0	938,711	913,586	2.8
Net Sales	108,812	105,387	3.2	126,997	121,074	4.9
EBITDA	30,928	31,375	(1.4)	36,215	36,243	(0.1)
EBITDA (%)	28.4	29.8	-130bp	28.5	29.9	-140bp
Core Profit	18,060	18,289	(1.3)	21,420	21,605	(0.9)
EPS (INR)	799	796	0.5	956	948	0.9
VECV						
Volumes (units)	84,036	84,041	(0.0)	74,281	75,969	(2.2)
Net Sales	133,499	135,948	(1.8)	130,751	137,474	(4.9)
EBITDA	11,727	12,320	(4.8)	9,336	10,352	(9.8)
EBITDA (%)	8.8	9.1	-30bp	7.1	7.5	-40bp
Core Profit	5,026	5,313	(5.4)	3,010	3,584	(16.0)
EPS (INR)	121.6	127.4	(4.6)	88.2	99.7	(11.6)
Consol EPS (INR)	877.4	878.2	(0.1)	1007.3	1008.2	(0.1)

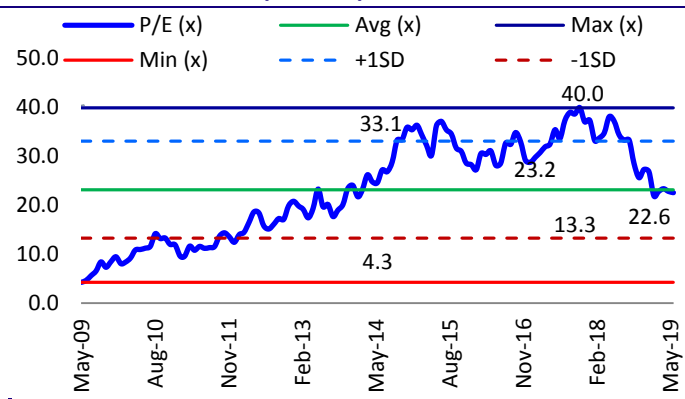
Source: MOFSL

Exhibit 8: SOTP Valuations

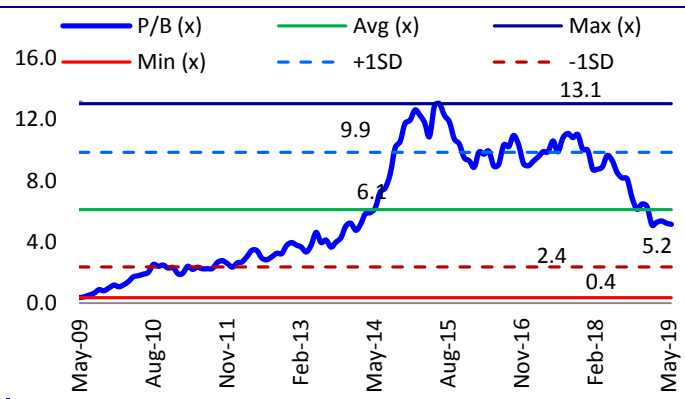
INR Mn		FY20E	FY21E
Royal Enfield	PE (x)	22.5	22.5
PAT (ex VECV div)		21,807	26,073
Equity Value	PE @ 22.5x	490,667	586,636
VECV (@ 54.4% Economic interest)			9
EBITDA		6,380	5,079
EV	@ 9x EV/EBITDA	57,416	45,710
Net Debt		-8,308	-9,649
Equity Value		65,723	55,359
Total Equity Value		556,390	641,995
Target Price (INR/Sh)		20,396	23,500

Source: Company, MOFSL

Exhibit 9: Valuations – P/E and P/B band



Source: MOFSL



Source: MOFSL

Exhibit 10: Comparative Valuation

	CMP	Rating	TP	P/E (x)		EV/EBITDA (x)		RoE (%)		Div Yield (%)		EPS CAGR (%)
				(INR)*	(INR)	FY19E	FY20E	FY19E	FY20E	FY19E	FY20E	FY19E
Auto OEM's												
Bajaj Auto	2,971	Neutral	3,131	18.2	16.5	13.2	11.1	23.3	23.0	2.0	2.4	9.0
Hero MotoCorp	2,509	Neutral	2,912	14.8	14.2	8.9	8.1	27.5	26.1	3.5	3.6	-2.3
TVS Motor	476	Neutral	480	33.8	26.3	17.0	13.7	21.5	23.5	0.7	0.8	14.1
M&M	629	Buy	793	15.5	14.3	11.8	10.4	14.2	13.1	1.6	1.6	3.7
Maruti Suzuki	6,624	Buy	8,047	26.7	23.9	15.1	13.5	16.3	16.4	1.2	1.9	2.0
Tata Motors	186	Neutral	195	-25.6	15.3	4.5	3.6	-3.1	6.2	0.2	0.2	-27.2
Ashok Leyland	86	Buy	113	12.3	11.8	7.3	5.8	26.4	24.1	3.0	3.1	10.6
Eicher Motors	20,329	Buy	23,500	25.0	23.2	19.5	19.1	27.8	24.4	0.6	0.6	4.8
Escorts	598	Neutral	724	11.2	10.3	9.5	7.9	19.3	17.7	0.4	0.5	21.0
Auto Ancillaries												
Bharat Forge	457	Buy	604	19.1	16.7	11.4	9.9	22.0	21.4	1.1	1.4	21.7
Exide Industries	211	Buy	281	23.3	19.4	12.7	10.7	12.9	14.0	1.1	1.5	15.3
Amara Raja Batteries	635	Buy	861	22.2	17.6	11.1	8.8	15.6	17.2	0.7	0.9	14.3
BOSCH	17,247	Neutral	19,556	32.4	28.1	22.4	18.9	15.5	17.4	1.0	1.2	14.3
Endurance Tech	1,136	Buy	1,351	33.2	26.4	14.9	12.2	20.4	22.0	0.5	0.9	21.7
Motherson Sumi	128	Buy	186	24.4	18.5	8.2	6.2	16.7	19.4	1.0	1.5	13.3
Mahindra CIE	223	Buy	290	15.8	13.0	8.8	7.8	13.3	14.0	0.0	0.0	32.4
CEAT	994	Buy	1,277	15.6	13.6	8.4	7.9	9.6	10.3	1.2	1.3	6.9

Source: Company, MOFSL

Operating metrics

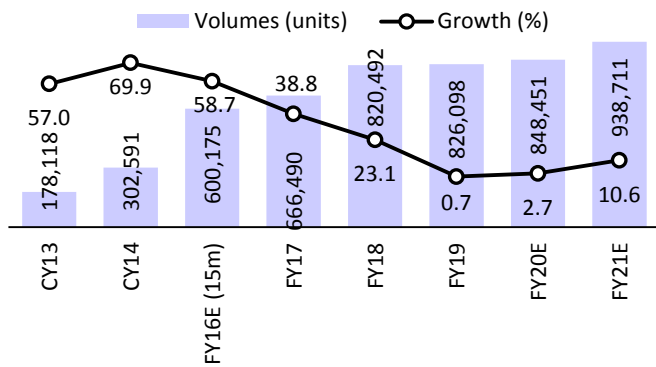
Exhibit 11: Snapshot of Revenue Model

000 units	CY14	FY16 (15m)	FY17	FY18	FY19	FY20E	FY21E
ROYAL ENFIELD (S/A)							
Total 2W (units)	303	600	666	820	826	848	939
Growth (%)	69.9	98.3	38.8	23.1	0.7	2.7	10.6
Net realn (INR'000/unit)	100	103	105	109	118	128	135
Growth (%)	5.4	3.1	2.4	3.3	8.3	8.6	5.5
RE Revenues (INR b)	30	62	70	90	98	109	127
Growth (%)	76.9	104.2	42.1	27.3	9.3	11.1	16.7
VECV							
Dom - LMD	28	42	37	42	48	56	46
Growth (%)	-9.9	50.0	10.3	13.9	11.4	15.0	-18.0
% of CV Vols	70.1	68.1	64.4	65.0	67.5	67.4	62.6
Dom - HCV	6	12	12	14	13	15	14
Growth (%)	-8.2	98.2	28.0	10.6	7.3	15.0	-10.0
% of CV Vols	15.3	19.7	21.6	21.1	18.5	18.5	18.8
Total Dom.	34	54	49	56	62	71	59
Growth (%)	-9.6	58.6	14.3	13.1	10.5	15.0	-16.3
% of CV Vols	85.4	87.8	86.0	86.1	86.0	85.9	81.4
Exports	6	8	8	9	10	12	14
Growth (%)	86.5	29.0	33.7	12.0	11.2	16.6	16.6
% of CV Vols	14.6	12.2	14.0	13.9	14.0	14.1	18.6
Total CV vols	40	62	57	65	72	83	73
Growth (%)	-2.3	54.3	16.7	12.9	10.6	15.2	-11.6
MDEP Vols (Ex captive)	12	24	24	32	34	34	35
Net realn (INR'000/unit)	1,412	1,465	1,449	1,571	1,590	1,589	1,760
Growth (%)	14	4	24	8	4	0	11
VECV Revenues (INR b)	58	92	85	104	116	133	131
Growth (%)	12.3	60.5	14.9	21.9	15.4	15.1	-2.1
Net Consol sales (INR b)	87	62	70	90	98	109	127
Growth (%)	28.3	-29.4	42.4	27.5	9.3	11.1	16.7

Source: Company, MOFSL

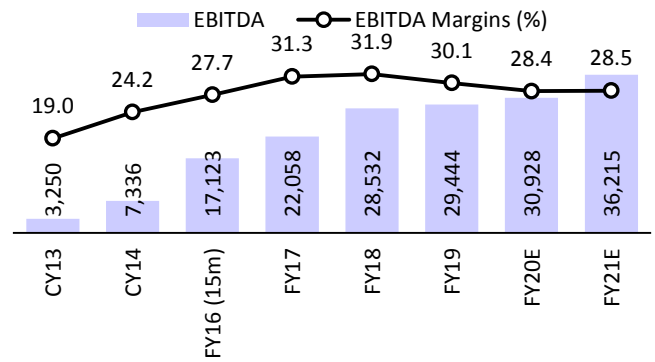
Eicher Motors | Story in charts: Multiple growth drivers

Exhibit 12: Volume and growth trend



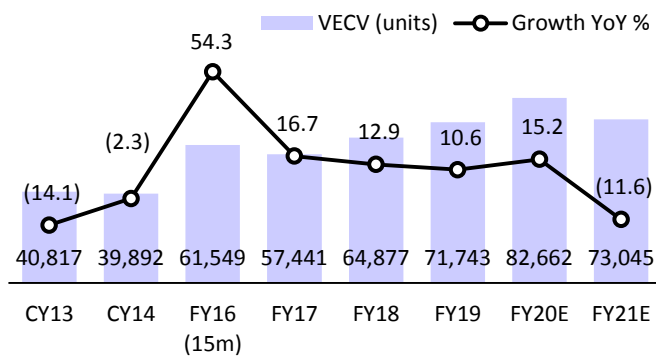
Source: Company, MOFSL

Exhibit 13: EBITDA and EBITDA margin trend



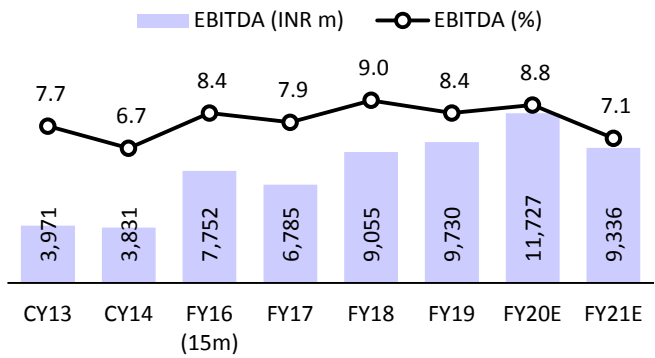
Source: Company, MOFSL

Exhibit 14: VECV volumes growth trajectory



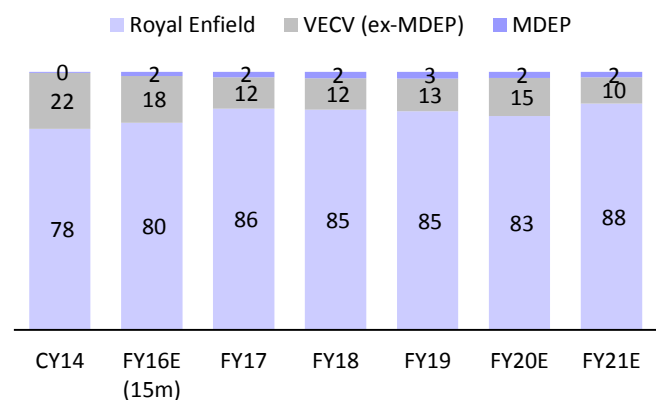
Source: Company, MOFSL

Exhibit 15: VECV EBITDA and EBITDA margins



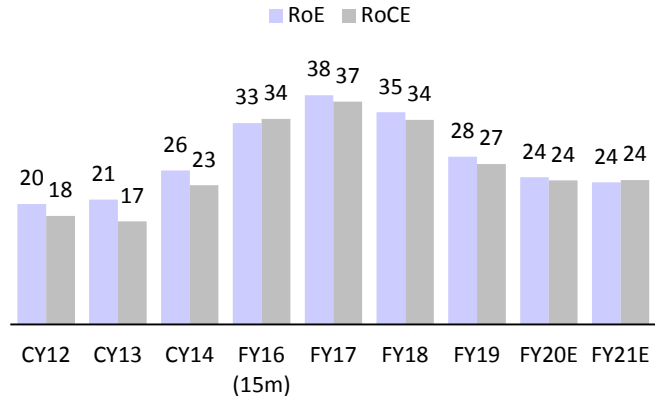
Source: Company, MOFSL

Exhibit 16: Contribution to EBITDA by each business



Source: Company, MOSL

Exhibit 17: Return ratios to remain healthy



Source: Company, MOSL

Financials and Valuations

Income Statement (Consolidated)						(INR Million)	
Y/E March	CY14	FY16 (15m)	FY17	FY18	FY19	FY20E	FY21E
Net Sales	85,987	61,469	70,030	89,209	97,174	108,336	126,422
Change (%)	28.6	-42.8	42.4	27.4	8.9	11.5	16.7
EBITDA	11,147	16,891	21,740	28,076	29,031	30,468	35,755
EBITDA Margin (%)	13.0	27.5	31.0	31.5	29.9	28.1	28.3
Depreciation	2,198	1,366	1,538	2,233	3,003	3,583	4,159
EBIT	8,949	15,525	20,201	25,843	26,028	26,885	31,595
Interest cost	98	21	36	53	73	55	80
Other Income	1,074	1,781	2,273	2,801	4,434	4,775	6,400
PBT	9,926	17,285	22,439	28,591	30,389	31,605	37,915
Tax	2,909	5,390	7,203	9,359	10,770	10,986	12,842
Effective Rate (%)	29.3	31.2	32.1	32.7	35.4	34.8	33.9
PAT	7,017	11,895	15,236	19,232	19,619	20,619	25,074
Change (%)	33.4	35.6	60.1	26.2	2.0	5.1	21.6
Less: Minority Interest	864	-1,486	-1,895	-2,566	-2,584	-3,317	-2,406
Adj. PAT	6,153	13,380	17,131	21,797	22,203	23,936	27,479
Change (%)	56.0	74.0	60.0	27.2	1.9	7.8	14.8

Note: FY16 onwards Ind-AS

Balance Sheet (Consolidated)						(INR Million)	
Y/E March	CY14	FY16 (15m)	FY17	FY18	FY19	FY20E	FY21E
Share Capital	271	272	272	273	273	273	273
Net Worth	27,556	36,531	53,451	70,301	89,187	106,699	126,075
Minority Interest	0	0	0	0	0	-3,317	-5,722
Deferred Tax	220	358	778	1,421	2,739	3,067	3,456
Loans	0	226	444	1,508	1,868	0	0
Capital Employed	27,775	37,115	54,673	73,230	93,794	106,449	123,809
Application of Funds							
Gross Fixed Assets	5,408	10,178	12,328	21,443	28,175	40,608	49,108
Less: Depreciation	1,342	2,472	3,875	6,426	9,429	13,013	17,172
Net Fixed Assets	4,066	7,707	8,453	15,017	18,746	27,595	31,936
Capital WIP	593	945	3,738	3,332	4,497	250	250
- of which Goodwill	223	223	223	223	223	223	223
Investments	25,588	33,834	49,871	55,808	49,225	63,713	65,517
Curr.Assets, L & Adv.	9,393	11,258	7,658	21,065	41,400	45,697	63,600
Inventory	2,040	3,084	3,359	3,946	6,334	4,770	6,263
Sundry Debtors	107	326	500	680	903	894	1,044
Cash & Bank Balances	210	530	251	12,120	29,653	34,667	50,204
Loans & Advances	34	124	92	7	13	0	0
Others	7,002	7,194	3,456	4,312	4,497	5,366	6,089
Current Liab. & Prov.	11,864	16,629	15,047	21,992	20,075	30,806	37,494
Sundry Creditors	4,822	7,232	8,327	11,719	12,341	13,117	15,657
Other Liabilities	6,752	7,202	6,033	9,511	6,928	10,434	12,178
Provisions	291	2,195	686	763	807	7,255	9,659
Net Current Assets	-2,471	-5,371	-7,389	-927	21,325	14,891	26,106
Application of Funds	27,775	37,115	54,673	73,230	93,794	106,449	123,809

E: MOFSL Estimates

Financials and Valuations

Ratios (Consolidated)

Y/E March	CY14	FY16 (15m)	FY17	FY18	FY19	FY20E	FY21E
Basic (INR)							
EPS	227.1	492.7	629.6	799.6	813.9	877.4	1,007.3
EPS Growth (%)	55.6	73.6	59.7	27.0	1.8	7.8	14.8
Cash EPS	308	543	686	882	924	1,009	1,160
Book Value per Share	1,017	1,345	1,964	2,579	3,269	3,911	4,622
DPS	35.0	100.0	100.0	110.0	115.0	120.0	125.0
Payout (Incl. Div. Tax) %	25.1	23.4	18.5	15.0	18.0	26.8	29.5
Valuation (x)							
P/E	89.5	41.3	32.3	25.4	25.0	23.2	20.2
Cash P/E	66.0	37.4	29.6	23.1	22.0	20.2	17.5
EV/EBITDA	57.0	24.8	20.3	15.0	14.2	12.7	11.0
EV/Sales	8.7	4.7	4.5	3.5	3.1	2.6	2.3
Price to Book Value	20.0	15.1	10.3	7.9	6.2	5.2	4.4
Dividend Yield (%)	0.2	0.5	0.5	0.5	0.6	0.6	0.6
Profitability Ratios (%)							
RoE	25.6	33.4	38.1	35.2	27.8	24.4	23.6
RoCE	23.1	34.1	37.0	33.9	26.6	23.9	23.9
RoIC	82.9	587.0	1,145.7	1,373.6	298.2	216.1	287.2
Turnover Ratios							
Debtors (Days)	0	2	3	3	3	3	3
Inventory (Days)	9	23	17	16	24	16	18
Creditors (Days)	20	53	43	48	46	44	45
Working Capital (Days)	-11	-28	-23	-29	-19	-25	-24
Asset Turnover (x)	3.1	1.7	1.3	1.2	1.0	1.0	1.0
Leverage Ratio							
Debt/Equity (x)	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Cash Flow Statement (Consolidated)

(INR Million)

Y/E March	CY14	FY16 (15m)	FY17	FY18	FY19	FY20E	FY21E
Profit before Tax	9,926	17,120	23,874	28,956	30,214	31,605	37,915
Depreciation & Amort.	2,198	1,366	1,538	2,233	3,003	3,583	4,159
Direct Taxes Paid	-2,810	-5,187	-6,516	8,071	-9,419	-10,658	-12,453
(Inc)/Dec in Working Capital	2,020	3,674	1,635	5,564	-1,989	2,350	898
Interest/Div. Received	950	-65	-40	-394	4,434	4,775	6,400
Other Items	-1,809	-2,278	-3,411	-19,608	-6,916	4,378	-2,895
CF from Oper. Activity	10,475	14,631	17,080	24,823	19,326	36,033	34,025
(Inc)/Dec in FA+CWIP	-9,682	-5,094	-5,470	-7,460	-7,897	-8,186	-8,500
Free Cash Flow	793	9,537	11,610	17,363	11,429	27,848	25,525
(Pur)/Sale of Invest.	-1,190	-4,920	-11,966	-13,991	6,583	-14,488	-1,804
CF from Inv. Activity	-10,872	-10,014	-17,436	-21,450	-1,314	-22,673	-10,304
Issue of Shares	79	48	57	195	853	0	0
Inc/(Dec) in Debt	-255	0	213	390	359	-1,868	0
Interest Paid	-98	-21	-17	-34	-73	-55	-80
Dividends Paid	-1,348	-4,682	0	-3,171	-3,993	-6,424	-8,103
CF from Fin. Activity	2,974	-5,052	253	-2,620	-2,855	-8,346	-8,183
Inc/(Dec) in Cash	2,576	-435	-103	752	15,157	5,014	15,537
Add: Beginning Balance	6,826	210	530	251	12,120	29,653	34,667
Closing Balance	9,402	-226	427	1,003	27,277	34,667	50,204

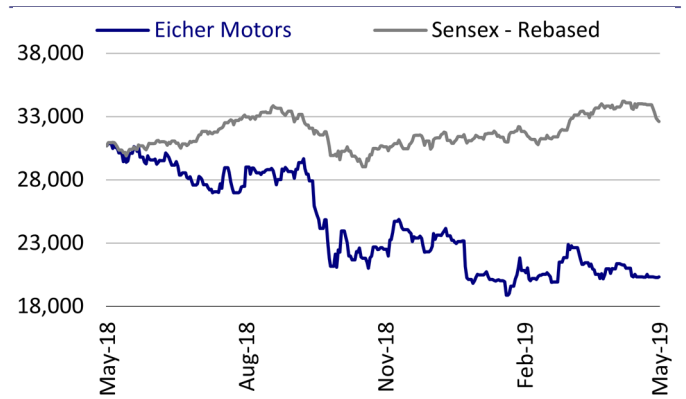
E: MOFSL Estimates

Corporate profile

Company description

Promoted by the Delhi-based Vikram Lal Group, Eicher Motors (EIM) is a diversified engineering company. It is engaged in the business of high end motorcycles (350cc & above) under the brand 'Royal Enfield', and commercial vehicles (CVs), automotive gears and components, and engineering solutions through its subsidiary, Volvo Eicher Commercial Vehicles (VECV).

Exhibit 1: Sensex rebased



Source: MOFSL/Bloomberg

Exhibit 2: Shareholding pattern (%)

	Mar-19	Dec-18	Mar-18
Promoter	49.3	49.3	50.5
DII	4.7	6.2	5.9
FII	32.5	30.8	31.0
Others	13.5	13.6	12.6

Note: FII Includes depository receipts Source: Capitaline

Exhibit 3: Top holders

Holder Name	% Holding
Europacific Growth Fund	1.8
Government of Singapore	1.4
Capital World Growth And Income Fund	1.3
Motilal Oswal Multicap 35 Fund	1.2
NA	0.0

Source: Capitaline

Exhibit 4: Top management

Name	Designation
S Sandilya	Chairman
Siddhartha Lal	Managing Director & CEO
Manhar Kapoor	Company Secretary

Source: Capitaline

Exhibit 5: Directors

Name	Name
M J Subbaiah	Prateek Jalan
Priya Brat	Manvi Sinha

*Independent

Exhibit 6: Auditors

Name	Type
Deloitte Haskins & Sells	Statutory
V Kalyanaraman	Cost Auditor

Source: Capitaline

Exhibit 7: MOFSL forecast v/s consensus

EPS (INR)	MOFSL forecast	Consensus forecast	Variation (%)
FY20	877.4	974.1	-9.9
FY21	1007.3	1071.2	-6.0

Source: Bloomberg

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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