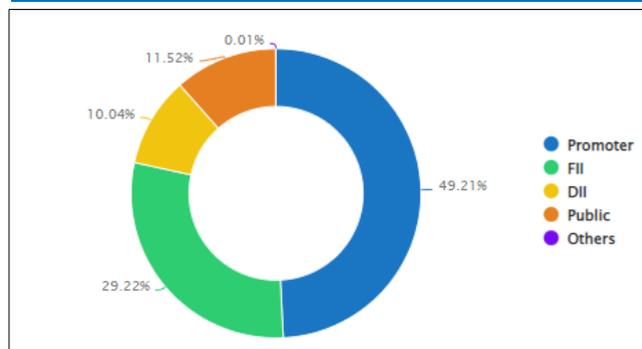


August 2022

## VALUE PARAMETERS

Face Value (Rs.)	1.00
Mrk.Cap (Rs. in Cr)	93,166
52-Week High/Low	3430/2110
EPS (TTM)	75.0
P/E Ratio (TTM)	45.4
Book Value per share (Rs)	461
Industry P/E	36.8
P/B Ratio (calc at CMP)	7.41
Dividend Yield (%)	0.63
Enterprise value (Rs in Cr)	90,552

## SHAREHOLDING PATTERN



## FINANCIAL PERFORMANCE

Consolidated	FY22	FY23E	FY24E
Sales (Rs. Cr)	10,297.83	14,290	16,860
Growth	18%	38%	18%
EBITDA	2172	3370	4100
EBITDA margin	21%	23.6%	24%
Adj. PAT (Rs. Cr)	1676.6	2740	3560
PAT margin	16.28%	19.17%	21%
EPS (Rs)	61.32	100	130
RoE	13.9	19.5	21.7
RoCE	13.8	19.8	22
P/E (x)	39.7	24.3	19
EV/EBITDA	24.72	13.6	10.3

## Hunter-350 to be key growth driver...

**Our Recommendation:** We expect RE volume to grow 15% CAGR in FY22-24E aided by strong response from newly-introduced products such as Hunter 350 and ease in supply chain. The company is getting good response from international market. Continued product portfolio expansion will help domestic recovery and support ramp-up in exports. New Classic 350, Scram 411, & Hunter-350 models launched in FY22 received positive response from customers. Thus, we recommend BUY in price range Rs. 3200-3300 with target price Rs 3800 (upside 17%).

## Investment Rationale:

**About Company:** Eicher Motors is an Indian global automotive company that deals in manufacturing of motorcycles and commercial vehicles. The company is the parent company of Royal Enfield, the global leader in middleweight motorcycles. The company is the market leader in >250 cc premium motorcycle segment with market share 90% plus. Bullet, Classic, Interceptors are the big brands. Eicher Motors has its presence in CV space with joint venture with Volvo, VECV. Eicher Motors has 54.4% stake in VECV. The company has manufacturing facilities in Madhya Pradesh, Tamil Nadu, Maharashtra, and Haryana.

**Q1FY23 Results:** Eicher Motors posted a healthy operational performance in Q1FY223.

- Consolidated Revenue for the Eicher Motors Ltd. showed an increase of 72% YoY basis to Rs 3397 crore compared to Rs 1974 crore in the year ago quarter.
- On a sequential basis, revenue was up by 6.30% from Rs 3193 crore recorded in the previous quarter (2021-22)
- PAT increased by 157% to 611 crore as compared to Rs 237 crore registered in the corresponding quarter of the previous fiscal year.
- EBITDA went up 24.5% to 75 bps QoQ.
- EPS rose to 22.33 from 22.31 QoQ.

## Key Highlights

- Eicher recorded highest ever Net Sales & EBITDA. Eicher has become affordable brand in mid-range segment with consistent channel expansion.
- Eicher now has more than 85% market share within greater than 350 cc space. Eicher has now increased its market share from 32.9% in Q4FY22 to 36% in Q1FY23 within greater than 125 cc segment.
- Newly-launched Hunter 350 is receiving good response all across the world due to its ergonomics design and price point. Hunter is meant for those bikers who prefer lighter (25kg lighter than Classic) and shorter (20 mm shorter than Classic).
- Eicher VECV has received order of 120 electric buses from Surat state transportation undertaking.
- Retail network continues to expand with 2132 outlets in Q1FY23 vs 2118 in FY22.
- RE recorded highest ever export volumes of 29,000 units in 1QFY23 (25,000 in 4QFY22). The company added 12 multi-brand outlets in 1Q in international market.
- Supply chain situation is improving and ease in commodity prices. Management expects improvement in production that will help in further improvement of margins.

## Key Risks:

- Semiconductor shortages could hamper production.
- High competition in commercial vehicle segment.

## Financials and Valuations

### Q1FY23 Financial Summary, standalone (Rs. Cr)

Y/E March	1QFY23	1QFY22	YoY gr.	4QFY22	QoQ gr.
<b>Net Sales</b>	<b>3,247.9</b>	<b>1,907.8</b>	<b>70.2%</b>	<b>3,194.7</b>	<b>1.7%</b>
Raw Materials expenses	1,861.4	1,133.3	64.2%	1,831.5	1.6%
<i>% of Net Sales</i>	<i>57.3%</i>	<i>59.4%</i>			
Employee cost	232.3	212.4	9.4%	211.0	10.1%
<i>% of Net Sales</i>	<i>7.2%</i>	<i>11.1%</i>			
Manufacturing & Other Exp.	366.0	227.6	60.8%	397.3	-7.9%
<i>% of Net Sales</i>	<i>11.3%</i>	<i>11.9%</i>			
Total Expenditure	2,459.7	1,573.3	56.3%	2,439.7	0.8%
<b>EBITDA</b>	<b>788.2</b>	<b>334.5</b>	<b>135.6%</b>	<b>755.0</b>	<b>4.4%</b>
<i>EBITDA Margin (%)</i>	<i>24.3%</i>	<i>17.5%</i>			
Depreciation	114.2	110.5	3.4%	117.4	-2.7%
<b>EBIT</b>	<b>674.0</b>	<b>224.0</b>	<b>200.9%</b>	<b>637.6</b>	<b>5.7%</b>
Interest Expenses	2.5	1.9	32.8%	1.9	32.1%
Non-operating income	92.8	134.0	-30.7%	113.3	-18.1%
<b>PBT</b>	<b>764.3</b>	<b>356.1</b>	<b>114.6%</b>	<b>749.0</b>	<b>2.0%</b>
Tax	184.1	88.9	107.2%	195.6	-5.9%
<i>Tax Rate (%)</i>	<i>24.1%</i>	<i>25.0%</i>			
<b>PAT</b>	<b>580.2</b>	<b>267.2</b>	<b>117.1%</b>	<b>553.4</b>	<b>4.8%</b>
<i>PAT Margin</i>	<i>17.9%</i>	<i>14.0%</i>		<i>17.3%</i>	

### Q1FY23 Financial Summary, consolidated (Rs. Cr)

Y/E March	1QFY23	1QFY22	YoY gr.	4QFY22	QoQ gr.
<b>Net Sales</b>	<b>3,397.5</b>	<b>1,974.3</b>	<b>72.1%</b>	<b>3,193.3</b>	<b>6.4%</b>
Raw Material cost	1,903.0	1,141.7	66.7%	1,797.1	5.9%
<i>% of Net Sales</i>	<i>56.0%</i>	<i>57.8%</i>		<i>56.3%</i>	
Employee Cost	247.0	223.4	10.5%	222.1	11.2%
<i>% of Net Sales</i>	<i>7.3%</i>	<i>11.3%</i>		<i>7.0%</i>	
Manufacturing & Other Exp.	416.5	246.3	69.1%	417.0	-0.1%
<i>% of Net Sales</i>	<i>12.3%</i>	<i>12.5%</i>		<i>13.1%</i>	
Total Expenditure	2,566.4	1,611.3	59.3%	2,436.3	5.3%
<b>EBITDA</b>	<b>831.1</b>	<b>363.0</b>	<b>129.0%</b>	<b>757.1</b>	<b>9.8%</b>
<i>EBITDA Margin (%)</i>	<i>24.5%</i>	<i>18.4%</i>		<i>23.7%</i>	
Depreciation	116.2	111.6	4.1%	119.4	-2.7%
<b>EBIT</b>	<b>714.9</b>	<b>251.3</b>	<b>184.4%</b>	<b>637.6</b>	<b>12.1%</b>
Interest Expenses	5.2	6.4	-18.9%	3.1	66.8%
Non-operating income	48.7	122.0	-60.1%	118.0	-58.8%
<b>PBT</b>	<b>758.3</b>	<b>366.9</b>	<b>106.7%</b>	<b>752.5</b>	<b>0.8%</b>
Tax	181.4	90.4	100.7%	196.2	-7.5%
<i>Tax Rate (%)</i>	<i>23.9%</i>	<i>24.6%</i>		<i>26.1%</i>	
<b>PAT</b>	<b>576.9</b>	<b>276.5</b>	<b>108.6%</b>	<b>556.4</b>	<b>3.7%</b>
MI / Share in profit	33.8	-39.4	-185.7%	53.8	-37.2%
PAT after MI / Share of profit	610.7	237.1	157.5%	610.1	0.1%
<b>Adj. PAT</b>	<b>610.7</b>	<b>237.1</b>	<b>157.5%</b>	<b>610.1</b>	<b>0.1%</b>
<i>PAT Margin</i>	<i>18.0%</i>	<i>12.0%</i>		<i>19.1%</i>	

## Income Statement, consolidated (Rs. Cr)

Y/E March	FY18	FY19	FY20	FY21	FY22
<b>Net Revenues</b>	<b>9,219.26</b>	<b>9,797.06</b>	<b>9,153.58</b>	<b>8,720.35</b>	<b>10,297.83</b>
Expenditure	6,411.63	6,893.95	6,973.23	6,939.10	8,125.58
<b>EBIDTA</b>	<b>2,808</b>	<b>2,903</b>	<b>2,180</b>	<b>1,781</b>	<b>2,172</b>
<i>EBITDA Margin (%)</i>	<i>30%</i>	<i>30%</i>	<i>24%</i>	<i>20%</i>	<i>21%</i>
Depreciation	223	300	382	451	452
<b>EBIT</b>	<b>2,584</b>	<b>2,603</b>	<b>1,799</b>	<b>1,331</b>	<b>1,720</b>
Other Income	280.1	443.39	543.25	453.19	440.82
Interest	5.34	7.33	18.88	16.45	18.78
Exceptional items	0.00	0.00	0.00	0.00	0.00
<b>PBT</b>	<b>2,859.09</b>	<b>3,038.89</b>	<b>2,323.18</b>	<b>1,767.26</b>	<b>2,142.36</b>
Tax	935.93	1077.04	527.45	451.5	525.91
<b>PAT</b>	<b>1,923.16</b>	<b>1,961.85</b>	<b>1,795.73</b>	<b>1,315.76</b>	<b>1,616.45</b>
<b>Net Profit</b>	<b>1,703.11</b>	<b>1,944.33</b>	<b>1,795.73</b>	<b>1,315.76</b>	<b>1,616.45</b>
Min Int.	0.00	0.00	0.00	0.00	0.00
Shares associates	256.56	258.40	31.71	31.13	60.15
<b>Consolidated Net Profit</b>	<b>1,959.67</b>	<b>2,202.73</b>	<b>1,827.44</b>	<b>1,346.89</b>	<b>1,676.60</b>
<b>EPS</b>	<b>71.89</b>	<b>80.75</b>	<b>6.69</b>	<b>49.28</b>	<b>61.32</b>

## Cash Flow Statement, consolidated (Rs. Cr)

Y/E March	FY18	FY19	FY20	FY21	FY22
Profit before Tax	2,895.6	3,279.8	2,354.9	1,798.4	2,202.5
Depreciation	223.3	300.3	381.5	450.7	451.9
Direct Taxes Paid	-807.1	-908.5	-628.3	-456.6	-513.6
(Inc)/Dec in Working Capital	438.0	-455.7	86.2	257.8	-150.3
Interest/Div. Received	-39.4	-130.4	-220.7	-310.3	-244.0
Other Items	-228.2	-512.6	-279.5	-26.5	-219.5
<b>CashFlow from Operating Activity</b>	<b>2,482.3</b>	<b>1,573.0</b>	<b>1,694.1</b>	<b>1,713.6</b>	<b>1,527.0</b>
(Inc)/Dec in FA+CWIP	-746.0	-787.4	-544.5	-537.5	-638.7
<b>Free Cash Flow</b>	<b>1,736.3</b>	<b>785.5</b>	<b>1,149.7</b>	<b>1,176.0</b>	<b>888.3</b>
(Pur)/Sale of Invest.	-1,399.1	130.1	-963.9	-1,110.4	-344.6
<b>CashFlow from Investing Activity</b>	<b>-2,145.0</b>	<b>-657.4</b>	<b>-1,508.4</b>	<b>-1,647.9</b>	<b>-983.3</b>
Issue of Shares	19.5	36.1	28.9	38.4	6.5
Inc/(Dec) in Debt	39.0	24.7	-70.9	13.0	-104.6
Interest Paid	-3.4	-5.0	-7.5	-9.1	-14.2
Dividends Paid	-317.1	-348.2	-808.7	0.0	-464.7
<b>CashFlow from Financing Activity</b>	<b>-262.0</b>	<b>-292.3</b>	<b>-858.3</b>	<b>-14.8</b>	<b>-593.4</b>
Inc/(Dec) in Cash	75.2	623.3	-672.5	50.9	-49.6
Add: Beginning Balance	17.2	92.5	715.8	43.2	94.1
<b>Closing Balance</b>	<b>92.4</b>	<b>715.8</b>	<b>43.2</b>	<b>94.1</b>	<b>44.5</b>

## Balance Sheet, consolidated (Rs. Cr)

Y/E March	FY18	FY19	FY20	FY21	FY22
Equity Share Capital	27	27	27	27	27
Share Warrants	60	59	70	80	0
Reserves & Surplus	6,943	8,833	9,884	11,331	12,581
<b>Total Shareholder's Fund</b>	<b>7,030</b>	<b>8,919</b>	<b>9,981</b>	<b>11,438</b>	<b>12,608</b>
L.T. Borrowings	0	0	0	0	0
Deferred tax liability	142	274	252	222	220
L.T. Trade pay	0	0	0	0	0
Other long term LIAB.	56	73	177	248	350
L.T. Provisions	29	23	21	23	39
<b>Non-Current Liabilities</b>	<b>227</b>	<b>370</b>	<b>450</b>	<b>493</b>	<b>609</b>
S.T. Borrowings	151	187	144	157	59
S.T Trade pay	1172	1234	1008	1536	1788
Other S.T. Liab.	787	478	703	714	986
S.T. Provisions	155	199	164	221	151
<b>Current Liabilities</b>	<b>2,265</b>	<b>2,098</b>	<b>2,019</b>	<b>2,628</b>	<b>2,984</b>
Minority Interest	0	0	0	0	0
<b>Total Equity &amp; Liability</b>	<b>9,522</b>	<b>11,387</b>	<b>12,450</b>	<b>14,559</b>	<b>16,201</b>
Fixed assets	1831	2321	2687	2748	2745
L.T. Investments	4,951	4,457	3,239	2,826	7,296
L.T. Loans & Adv.	115	104	149	152	73
Other L.T. Assets	90	90	0	25	467
<b>Non-Current Assets</b>	<b>6,987</b>	<b>6,972</b>	<b>6,075</b>	<b>5,751</b>	<b>10,581</b>
S.T. Investments	633	469	2,513	1,076	425
Inventories	395	633	572	875	1,132
Sundry Debtors	68	84	87	158	302
Cash & Bank	1,212	2,965	2,951	5,830	2,722
Others	227	264	252	869	1,038
<b>Current Assets</b>	<b>2,535</b>	<b>4,415</b>	<b>6,375</b>	<b>8,808</b>	<b>5,619</b>
Misc. Exp. not W/O	0	0	0	0	0
<b>Total Assets</b>	<b>9,522</b>	<b>11,387</b>	<b>12,450</b>	<b>14,559</b>	<b>16,201</b>

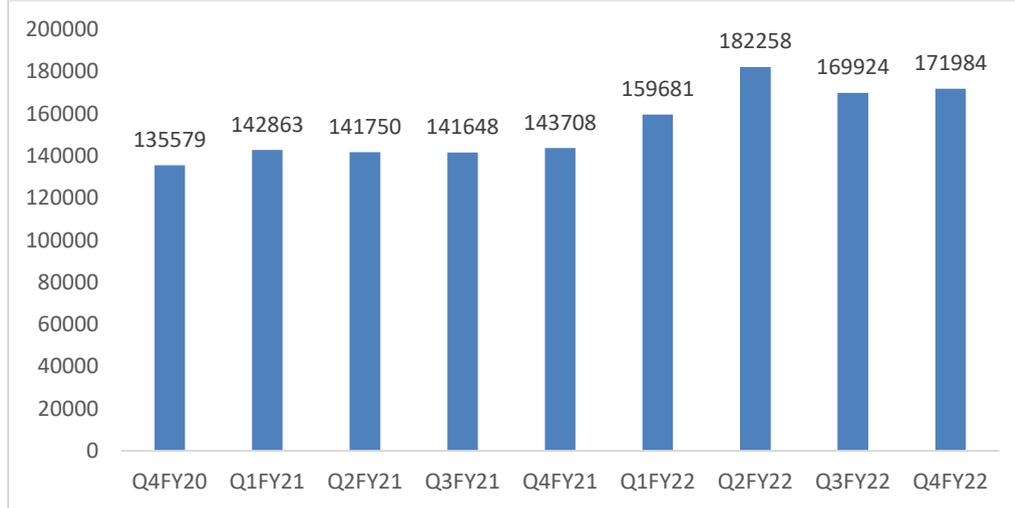
## Key Ratios

Y/E March	FY2018	FY2019	FY2020	FY2021	FY2022
<b>Per Share Data (Rs)</b>					
EPS	71.89	80.75	66.94	49.28	61.33
BV/Share	258	327	366	419	461
DPS	11	12.5	12.5	17	21
Dividend Payout (%)	15.3	15.48	18.67	34.5	34.2%
<b>Valuation Ratios</b>					
P/E	31.6	29.9	36.4	48.1	39.7
P/BV	9.4	7.5	6.7	5.8	5.3
EV/EBITDA	18.3	17.7	25.4	27.9	24.72
<b>Return Ratios (%)</b>					
ROE	31.35%	24.79%	19.13%	12.37%	13.90%
ROCE	45.33%	37.41%	24.36%	16.42%	13.80%
<b>Leverage Ratio (x)</b>					
Current Ratio	1.12	2.10	3.16	3.35	1.88
Interest Cover Ratio	536.41	415.58	124.05	108.43	139.14
Net Debt/Equity	1.58	1.64	1.16	1.08	0
Quick Ratio	0.94	1.8	2.87	3.02	1.5

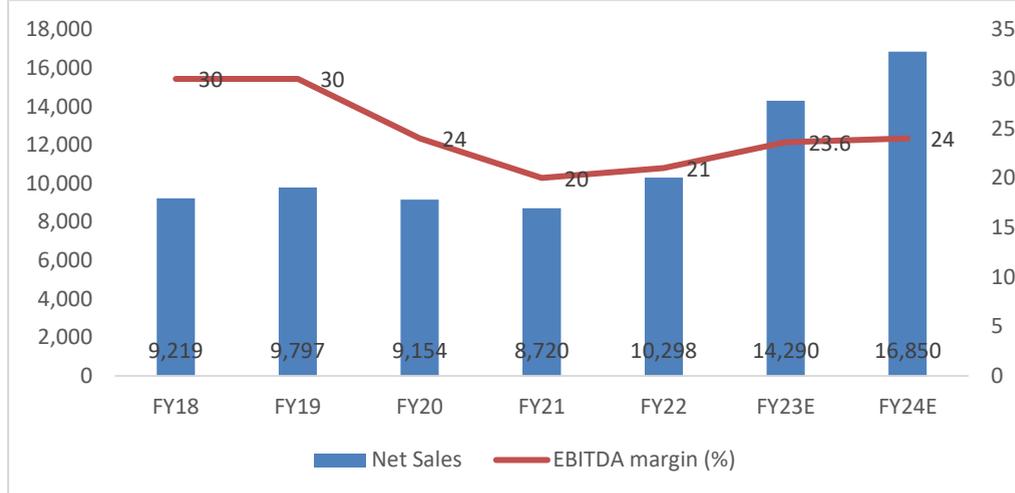
**Volume and volume growth**

	FY19	FY20	FY21	FY22	FY23E	FY24E
Royal Enfield volumes	8,26,098	6,95,839	6,12,060	6,02,268	7,20,500	7,95,000
Royal Enfield ASP/unit	1,17,603	1,29,465	1,40,044	1,65,758	1,72,400	1,78,648
VECV	72,860	48,786	41,265	57,077	71,300	82,000

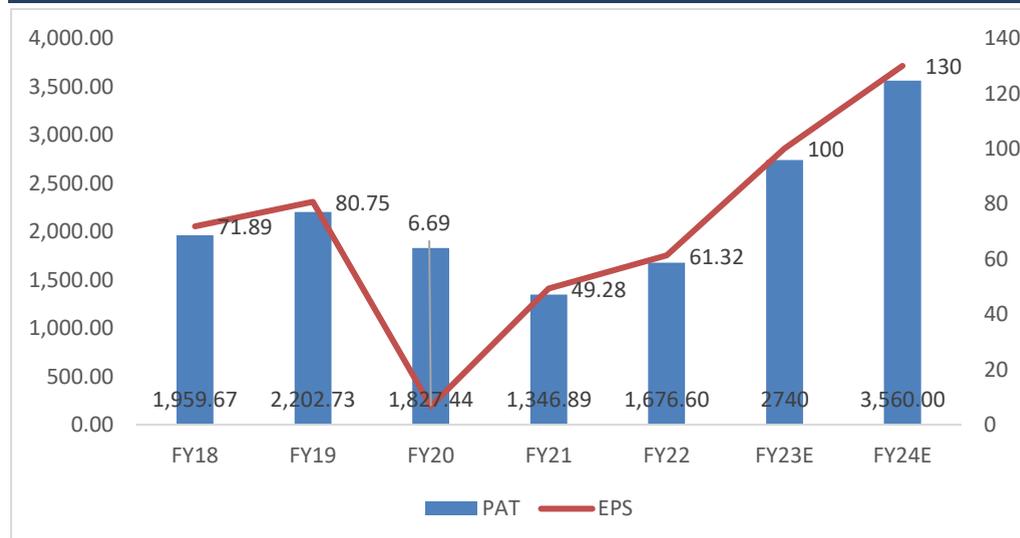
**Sales realization in Rs**



**Topline and EBITDA margin trend**



**PAT and EPS trend**



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**Disclosure:**

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