

Eicher Motors

BSE SENSEX	S&P CNX
34,813	10,482
Bloomberg	EIM IN
Equity Shares (m)	27
M.Cap.(INRb)/(USDb)	599.3 / 8.2
52-Week Range (INR)	32210 / 20301
1, 6, 12 Rel. Per (%)	-8/-26/-32
12M Avg Val (INR M)	1656
Free float (%)	50.7

CMP: INR21,977 TP: INR26,351 (+20%) Buy

In-line; margin miss attributable to launch expense, negative op. leverage

- Consol. revenue grew 11% YoY to INR24b (in-line). Adj. PAT grew 7% YoY (-1.7% QoQ) to INR5.6b (est. of INR5.8b). In 1HFY19, revenue/EBITDA/PAT grew 19%/18%/14%, implying residual growth of 12%/15%/14% for 2H.
- RE's** net realization improved 1.3% QoQ (+7.3% YoY) to INR114.4k (est. of INR113.2k), led by favourable mix. EBITDA margin shrank 130bp YoY (-170bp QoQ) to 30.6% (est. of 31.1%) due to launch expense (650cc twins) and negative operating leverage. Adj. PAT rose 1.3% YoY to INR4.9b.
- VECV's** realizations fell 0.7% QoQ (+2% YoY) to INR1.58m (est. of INR1.55m) due to product mix impact. EBITDA margin shrank 20bp YoY/QoQ to 9% (est. of 9.6%). PAT grew 50% YoY (+20% QoQ) to INR1.4b (in-line).
- Earnings call highlights:** (a) Order book has shrunk, with blended waiting period of 2-3 weeks. SSG (incl. Maharashtra, Karnataka and Kerala) declined in single-digits in 2QFY19. However, demand was good in festival season (Oct-18). (b) RE focuses on diluting impact of price increase (up to 18% increase, incl. ABS) by increasing financing. (c) Finance penetration in Oct-18 at over ~50% of volumes (v/s 1HFY19 at 45-46% and ~33% two years back). (d) For 650cc twins, India is expected to be the biggest market; it is targeting existing RE owners. (e) Strike at Oragadam continues – EIM not willing to negotiate with external party. Net production loss is ~800/day.
- Valuation view:** We lower FY19/20 consol. EPS by 5%/6% to factor in S/A EPS cut of 5%/6% (lower volumes/high other expense) and VECV earnings cut of 6%/6%. Maintain **Buy** with a TP of INR26,351 (Sep'20 SOTP based).

Financials & Valuations (INR b)

Y/E Mar	2018	2019E	2020E
Net Sales	89.6	103.4	120.8
EBITDA	28.1	32.7	38.5
PAT	21.8	24.8	30.8
EPS (INR)	800	911	1,128
Gr. (%)	27.0	13.9	23.9
BV/Sh (INR)	2,579	3,277	4,172
RoE (%)	35.2	31.1	30.3
RoCE (%)	30.1	27.1	26.9
P/E (x)	27.5	24.1	19.5
P/BV (x)	8.5	6.7	5.3

Estimate change



TP change



Rating change



Quarterly performance (Consolidated)

(INR M)

Y/E March	FY18				FY19				FY18	FY19E	FY19E	VAR (%)
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE				
Net Operating income	20,006	21,673	22,690	25,280	25,478	24,082	24,862	28,994	89,650	103,415	23,785	1.2
Growth (%)	28.6	23.5	23.7	33.9	27.3	11.1	9.6	14.7	27.5	15.4	9.7	
EBITDA	6,207	6,825	7,072	7,972	8,095	7,293	7,598	9,689	28,076	32,676	7,409	-1.6
Recurring PAT	4,708	5,295	5,309	6,486	5,761	5,663	5,753	7,651	21,797	24,828	5,812	-2.6
Growth (%)	25.1	28.1	27.0	39.1	22.4	7.0	8.4	18.0	27.2	13.9	12.2	
Standalone (Royal Enfield)												
Royal Enfield ('000 units)	184	203	207	227	225	210	211	246	820	892	210	0.0
Growth (%)	24.8	21.5	18.8	27.4	22.5	3.6	2.1	8.3	23.1	8.8	3.6	
Net Realn (INR '000/unit)	109	107	110	111	113	114	118	118	109	116	113	1.1
Change - YoY (%)	2.9	1.0	3.9	5.4	3.9	7.3	7.5	6.1	3.4	6.2	6.1	
EBITDA Margins (%)	31.4	31.9	31.7	32.3	32.3	30.6	30.6	32.7	31.9	31.6	31.1	-50bp
Recurring PAT	4,943	4,864	4,720	4,146	5,912	4,927	5,158	6,394	18,674	22,395	5,031	-2.1
Growth (%)	46.6	22.8	13.7	0.7	19.6	1.3	9.3	54.2	19.7	19.9	3.4	
VECV												
Total CV Volumes	11,584	15,017	16,231	23,100	16,326	18,696	17,255	23,642	65,932	75,919	18,696	0.0
Growth (%)	-27.9	12.0	37.7	33.2	40.9	24.5	6.3	2.3	12.5	15.1	24.5	
Net Realn (INR '000/unit)	1,556	1,558	1,596	1,436	1,598	1,586	1,571	1,505	1,524	1,560	1,550	2.3
Change - YoY (%)	16.9	5.9	-0.2	-2.5	2.7	1.9	-1.6	4.8	4.4	2.4	-0.5	
EBITDA Margins (%)	8.3	9.2	8.7	9.5	9.2	9.0	8.3	9.6	9.0	9.1	9.6	-50bp
Recurring PAT	670	950	1,328	1,783	1,180	1,421	1,093	1,813	4,731	5,507	1,436	-1.0
Growth (%)	-38.1	46.2	133.0	52.4	76.1	49.6	-17.7	1.6	35.8	16.4	51.1	

E: MOSL Estimates

Jinesh Gandhi - Research analyst (Jinesh@MotilalOswal.com); +91 22 6129 1524

Research analyst: Deep Shah (Deep.S@MotilalOswal.com); +91226129 1533 Suneeta Kamath (Suneeta.Kamath@MotilalOswal.com); +91226129 1534

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RE: Favorable mix and spares drive realization at record level at INR114.4k/unit

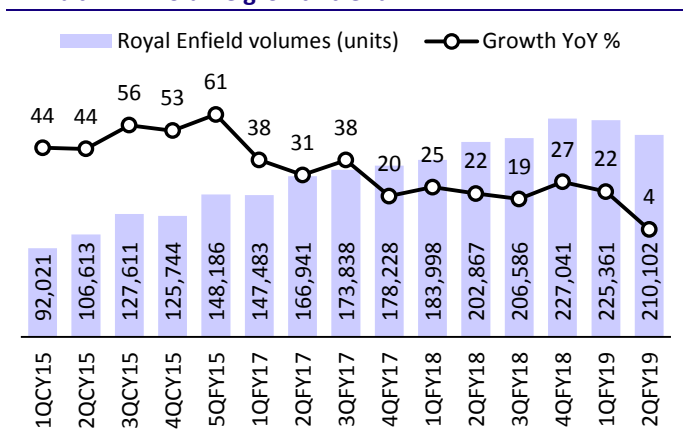
- RE volumes grew by 3.6% YoY (-6.8% QoQ), with domestic segment (96.7% of sales volumes) increasing by 1.8% YoY and exports doubling YoY to 7k units.
- Net realization grew by 1.3% QoQ (7.3% YoY) to record INR1,14,423/ unit (est. INR1,13,208/ unit) owing to an increasing share of higher-priced models (Gunmetal Grey Classic 350, Thunderbird X and Classic Signals 350) and higher spare parts sales.
- As a result, net revenues increased 11.1% YoY (-5.5% QoQ) to INR24b.

Exhibit 1: Standalone Quarterly Performance (Royal Enfield)

(INR Million)	FY18				FY19				FY18	FY19E	VAR	
Y/E March	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			2QE	(%)
Royal Enfield ('000 units)	184	203	207	227	225	210	211	246	820	892	210	0.0
Growth (%)	24.8	21.5	18.8	27.4	22.5	3.6	2.1	8.3	23.1	8.8	3.6	
Net Realn (INR '000/unit)	108.7	106.7	109.6	111.4	112.9	114.4	117.9	118.2	109.2	115.9	113.2	1.1
Change - YoY (%)	2.9	1.0	3.9	5.4	3.9	7.3	7.5	6.1	3.4	6.2	6.1	
Net operating income	19,999	21,636	22,642	25,298	25,449	24,041	24,862	29,064	89,575	103,415	23,785	1.1
Growth (%)	28.4	22.8	23.5	34.2	27.3	11.1	9.8	14.9	27.3	15.5	9.9	
RM Cost (%)	53.0	52.1	51.0	51.3	51.5	50.6	51.0	51.4	51.8	51.2	51.5	-90bp
Staff Cost (%)	5.8	6.5	5.8	5.7	6.5	7.1	7.1	6.5	6.1	6.8	7.3	-20bp
Other Exp (%)	9.9	9.6	11.5	10.7	9.7	11.6	11.3	9.5	10.2	10.5	10.1	150bp
Total Cost	13,722	14,736	15,458	17,128	17,227	16,679	17,264	19,569	61,043	70,739	16,377	
EBITDA	6,278	6,901	7,184	8,170	8,222	7,361	7,598	9,495	28,532	32,676	7,409	-0.6
EBITDA Margins (%)	31.4	31.9	31.7	32.3	32.3	30.6	30.6	32.7	31.9	31.6	31.1	
Depreciation	450	490	647	637	698	718	730	735	2,223	2,881	700	
Other income	1,294	699	482	848	1,260	953	900	809	3,324	3,922	700	
Interest cost	7	7	9	7	7	8	11	14	30	40	10	
Effective tax rate (%)	30.5	31.5	32.7	50.5	32.6	35.1	33.5	33.1	35.3	33.5	32.0	
Recurring PAT	4,943	4,864	4,720	4,146	5,912	4,927	5,158	6,394	18,674	22,395	5,031	-2.1
Growth (%)	46.6	22.8	13.7	0.7	19.6	1.3	9.3	54.2	19.7	19.9	3.4	

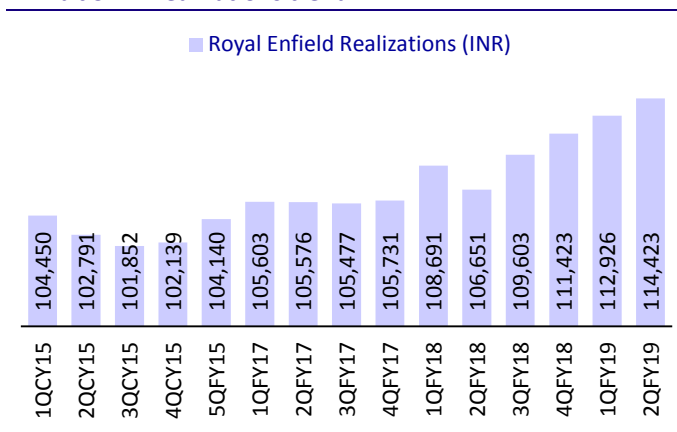
E: MOSL Estimates

Exhibit 2: RE volume growth trend



Source: Company, MOSL

Exhibit 3: RE realizations trend

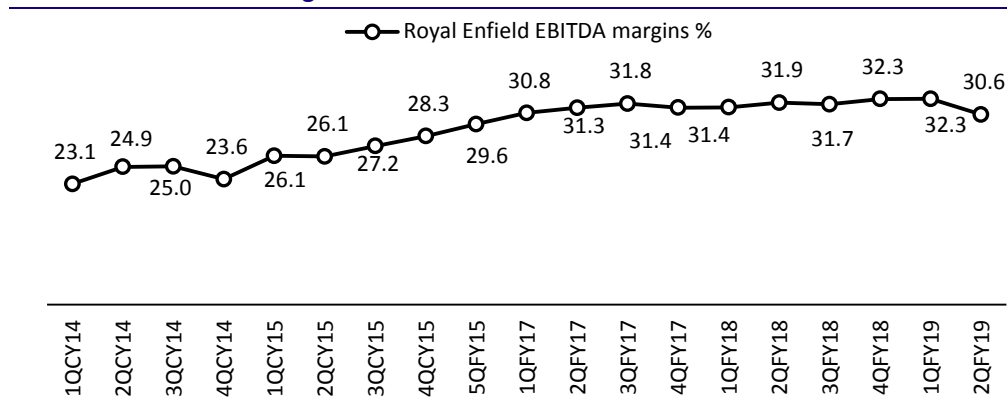


Source: Company, MOSL

Higher other expense dents margins despite curtailed RM inflation pressure

- Gross margin expanded ~150bp YoY (+90bp QoQ) to 49.4% (est 48.5%), despite commodity cost pressures, which were off-set by cost efficiencies.
- Other expense came in higher at 11.6% (+160bp YoY, +190bp QoQ) led by launch expense related to 650 twins in the US. The management indicated further increase in launch expense in 3Q as well, attributed to 650 twins launch in India and other countries.
- Consequently, EBITDA margins came below estimate at 30.6% (est 31.1%) while EBITDA grew 6.7% YoY (-10.5% QoQ) to INR7.4b (in-line).
- Higher other income at INR953m (est INR700m) was offset by higher tax rate at 35.1% (est 32%). Consequently, adjusted PAT grew at 1.3% YoY (-16.7% QoQ) to INR4.9b (in-line).
- EIM reported INR175m of share of loss of Polaris JV.

Exhibit 4: RE's EBITDA margin trend

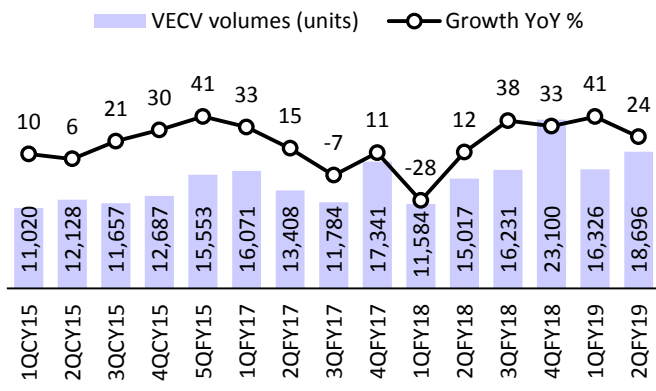


Source: Company, MOSL

VECV: Non favorable product mix impact EBITDA margins

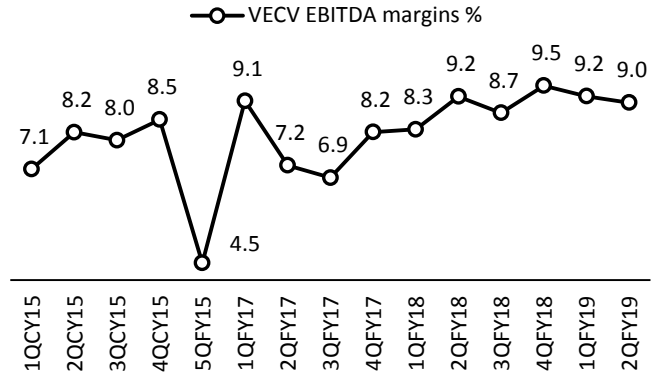
- VECV volumes grew by 24.5% YoY to 18.7k units with domestic segment which accounted for 84% of volumes growing by 24.3% YoY and exports growing by 28.4% YoY.
- Domestic trucks volumes grew by 28.5% YoY as LMD volumes increased by 31.9% while HD trucks volumes increased 19.5%. VTI volumes grew 0.8% YoY.
- Realizations declined by 0.7% QoQ (+1.9% YoY) to INR1.58m (est INR1.55m).
- Consequently, net revenues grew by 26.8% YoY to INR29.7b (est INR28.2b).
- EBITDA margins were at 9% (est 9.6%), which contracted by 20bp YoY and QoQ largely led by unfavorable mix.
- PAT grew by 49.6% YoY (+20.4% QoQ) to INR1.4b (in-line).

Exhibit 5: VECV volume growth trend



Source: Company, MOSL

Exhibit 6: VECV's EBITDA margins trend



Source: Company, MOSL

Exhibit 7: VECV: Quarterly (derived)

(INR Million) Y/E March	FY18				FY19				FY18	FY19E		
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			2QE	VAR (%)
Total CV Volumes	11,584	15,017	16,231	23,100	16,326	18,696	17,255	23,642	65,932	75,919	18,696	0.0
Growth (%)	-27.9	12.0	37.7	33.2	40.9	24.5	6.3	2.3	12.5	15.1	24.5	
Net Realn (INR '000/unit)	1,556	1,558	1,596	1,436	1,598	1,586	1,571	1,505	1,524	1,560	1,550	2.3
Change - YoY (%)	16.9	5.9	-0.2	-2.5	2.7	1.9	-1.6	4.8	4.4	2.4	-0.5	
Net Op. Income	18,030	23,390	25,900	33,170	26,090	29,660	27,100	35,582	100,490	118,432	28,981	2.3
Growth (%)	-15.7	18.6	37.4	29.9	44.7	26.8	4.6	7.3	17.5	17.9	23.9	
EBITDA	1,490	2,150	2,260	3,150	2,400	2,675	2,262	3,428	9,050	10,764	2,768	-3.4
EBITDA Margins (%)	8.3	9.2	8.7	9.5	9.2	9.0	8.3	9.6	9.0	9.1	9.6	-50bp
EBITDA (INR '000/unit)	129	143	139	136	147	143	131	145	137	142	148	
Change (%)	-23	51	74	51	61	24	0	9	33.4	18.9	28.7	
Reported PAT	670	950	1,328	1,783	1,180	1,421	1,093	1,813	4,731	5,507	1,436	
Recurring PAT	670	950	1,328	1,783	1,180	1,421	1,093	1,813	4,731	5,507	1,436	-1.0
Growth (%)	-38.1	46.2	133.0	52.4	76.1	49.6	-17.7	1.6	35.8	16.4	51.1	

E: MOSL Estimates

Exhibit 8: VECV Product mix

	2QFY19	2QFY18	YoY (%)	1QFY19	QoQ (%)
L&MD - Trucks (Dom)	10,001	7,583	31.9	7,669	30.4
% of total CV volumes	53	50		47	
HD - Trucks (Dom)	3,381	2,829	19.5	2,819	19.9
% of total CV volumes	18	19		17	
Total Dom. Trucks	13,382	10,412	28.5	10,488	27.6
% of total CV volumes	72	69		64	
Buses (Dom)	2,304	2,208	4.3	3,665	-37.1
% of total CV volumes	12	15		22	
Total Domestic	15,686	12,620	24.3	14,153	10.8
% of total CV volumes	84	84		87	
Total Exports	2,766	2,155	28.4	1,975	40.1
% of total CV volumes	15	14		12	
Total ETB	18,452	14,775	24.9	16,128	14.4
% of total CV volumes	99	98		99	
Volvo Truck India (units)	244	242	0.8	198	23.2
% of total CV volumes	1	2		1	
Total CV Volumes	18,696	15,017	24.5	16,326	14.5

Company, MOSL

Key Takeaways from Con-Call

Royal Enfield

- Festive: October was a good month. People have got used to increase in prices. RE focused on financing to dilute impact at customer level. Financing in Oct-18 at over ~50% of volumes (v/s 1HFY19 at 45-46% and ~33% 2 years back).
- Order book has shrunk, with blended waiting period of 2-3 weeks order book. Same store sales (incl Mah, Kar & Kerala) declined in single digits. Ex these 3 states, it would have grown. Kerala is back to normal now.
- 2Q RE margins impacted by 650cc twin launch expense and negative operating leverage (~3% YoY volume growth). 3QFY19 will see continuance of launch expense (EICMA & India launch).
- 650cc twins have been under development for last four years and are totally different generation of motorcycles than current portfolio.
- For 650cc twins, India is expected to be the biggest market for these models, but export percentage to be higher than other models. It is targeting existing RE owners. It expects a halo effect for the RE brand and have positive rub-off on existing products.
- Showcased Concept KX, not meant for production. Based on original KX 1140cc in 1930s.
- Started transition to ABS, with shift of entire product portfolio well before deadline of Mar-19. All models on dual disc brake, except Bullet 350. Disc brake availability to be taken care in next 2 months.
- Total price increase of ~INR28k to ~INR178k incl insurance, disc brake and ABS for Classic 350.
- Valam phase-2 by 2HFY20, ramp-up will take 4-5 months. Valam phase-1 fully ramped-up.
- Strike at Oragadam: Strike continues. Losing production of 800/day. Production loss of 25k in Sep+Oct'18. There are some principle issues and hence taking time. External (political) leadership is a problem area.
- Added 21 dealers in India (to 858 as of Sep'18).
- International: Add 1 exclusive dealer in 2QFY19 (to 38 exclusive outlets).

VECV

- Work on new capacity at Bhopal in 2 years from now with 40k capacity and with INR4b investment.
- No impact yet of increase in rated load as well as availability of finance.
- MDEP volume grew by 23% YoY to 11,362 units in 2QFY19.

Valuation and view

- **RE volume momentum to further strengthen as focus shifts from production to products:** With confidence in managing capacities, management's focus has shifted to products and marketing process. 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 and capacity addition to drive strong volume growth, margins:** After no meaningful launch over last few years, RE has finally announced bookings of new 650 Twins, Interceptor GT and Continental GT. We expect RE volumes to grow 10.8% CAGR over FY18-20E. We expect margins to remain stable at ~32%, on back of higher cost efficiencies in sourcing and operating leverage.
- **VECV well prepared for growth in elongated CV cycle:** 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 Africa and Asia. MDEP ramp-up continues with monthly run-rate now at ~3k in FY18. We estimate VECV's sales/PAT to post 19%/30.4% CAGR (FY18-20E).
- **Expect consol. EPS CAGR of 19%; Maintain Buy:** We cut S/A FY19/20 earnings by 5%/6% (to factor in for lower volumes, higher other expense and tax rate) and we cut VECV earnings by 6% each in FY19/20 (to factor in for lower volumes and margins) leading to consol. EPS downgrade of 5%/6. EIM trades at 24.1x/19.5x FY19E/FY20E consol. EPS. We maintain our multiple (P/E of 22.5x for RE and VECV at 9x EV/EBITDA). Maintain **Buy** with a TP of INR26,351 (Sep-20 SOTP based).

Exhibit 9: Revised forecast

(INR M)	FY19E			FY20E		
	Rev	Old	Chg (%)	Rev	Old	Chg (%)
Standalone (RE)						
Volumes (units)	892,372	922,418	(3.3)	1,008,301	1,042,103	(3.2)
Net Sales	103,415	106,494	(2.9)	120,768	124,319	(2.9)
EBITDA	32,676	33,756	(3.2)	38,464	39,812	(3.4)
EBITDA (%)	31.6	31.7	-10bp	31.8	32.0	-20bp
Core Profit	19,678	20,736	(5.1)	23,244	24,504	(5.1)
Net Profit	22,395	23,524	(4.8)	27,291	29,032	(6.0)
EPS (INR)	822	863	(4.8)	1,001	1,065	(6.0)
VECV						
Volumes (units)	75,919	76,825	(1.2)	90,113	91,175	(1.2)
Net Sales	118,432	119,366	(0.8)	141,037	142,155	(0.8)
EBITDA	10,764	11,289	(4.6)	14,402	15,332	(6.1)
EBITDA (%)	9.1	9.5	-40bp	10.2	10.8	-60bp
Core Profit	4,702	5,053	(7.0)	6,900	7,449	(7.4)
EPS (INR)	109.9	116.9	(6.0)	160.1	169.4	(5.5)
Consol EPS (INR)	910.8	955.6	(4.7)	1128.1	1199.2	(5.9)

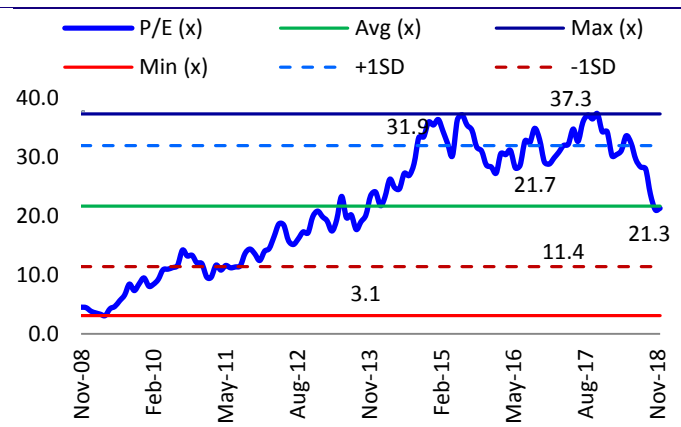
Source: MOSL

Exhibit 10: SOTP Valuations

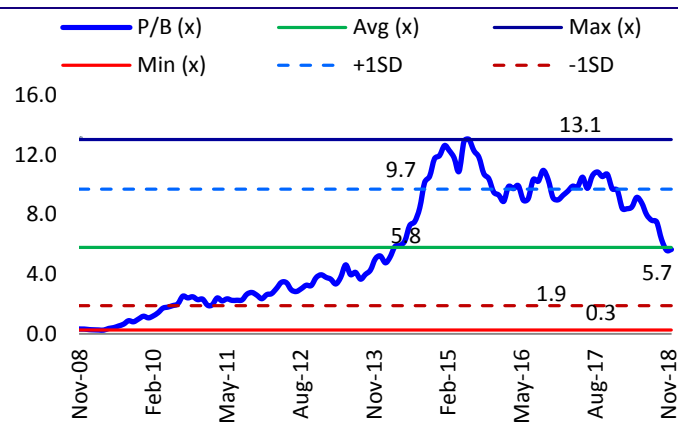
INR Mn	FY19E	FY20E	FY21E
Royal Enfield			
PAT (ex VECV div)	21,773	26,386	30,695
Equity Value	PE @ 22.5x	593,682	690,642
VECV (@ 54.4% Economic interest)			
EBITDA	5,856	7,835	6,690
EV	@ 9x EV/EBITDA	70,512	60,210
Net Debt	-7,819	-9,612	-12,000
Equity Value	60,521	80,124	72,210
Total Equity Value	659,279	673,806	762,852
Target Price (INR/Sh)	24,185	24,718	27,984

Source: Company, MOSL

Exhibit 11: Valuations – PE and PB band



Source: MOSL



Source: MOSL

Exhibit 12: 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	FY20E	FY18-20E
Auto OEM's												
Bajaj Auto	2,647	Buy	3,196	16.4	13.9	10.9	8.5	23.1	24.2	2.3	2.6	12.1
Hero MotoCorp	2,838	Neutral	3,280	15.6	14.2	9.1	8.2	29.4	29.7	3.7	4.1	4.0
TVS Motor	540	Neutral	554	33.8	23.9	17.2	12.9	24.1	28.3	0.7	0.9	27.4
M&M	780	Buy	1,038	15.8	14.1	12.4	10.8	14.9	15.2	1.3	1.3	16.2
Maruti Suzuki	7,074	Buy	8,484	26.6	21.1	14.2	12.1	17.4	19.2	1.4	1.8	12.0
Tata Motors	186	Buy	246	62.6	8.3	3.0	2.4	1.1	7.6	0.2	0.2	-1.2
Ashok Leyland	118	Buy	148	16.9	13.3	9.4	7.0	26.4	28.4	2.2	2.2	28.4
Eicher Motors	21,977	Buy	26,351	24.1	19.5	19.0	16.2	31.1	30.3	0.8	0.9	18.8
Escorts	653	Neutral	715	13.1	11.2	10.3	8.4	18.4	18.6	0.8	0.8	21.7
Auto Ancillaries												
Bharat Forge	585	Buy	702	24.8	19.5	13.8	11.5	21.7	23.3	0.9	1.1	27.6
Exide Industries	253	Buy	304	26.7	21.4	14.5	11.6	13.4	15.0	1.0	1.3	20.1
Amara Raja Batteries	759	Buy	902	26.1	20.4	13.1	10.2	15.8	17.7	0.6	0.8	16.2
BOSCH	19,640	Neutral	20,302	36.3	28.8	23.5	18.2	15.8	18.0	0.9	1.2	20.5
Endurance Tech	1,271	Buy	1,450	34.9	27.1	15.9	12.7	21.6	23.5	0.5	0.9	27.1
Motherson Sumi	164	Buy	230	25.0	17.4	8.7	6.1	20.6	25.2	1.0	1.5	32.1
Escorts	1,195	Buy	1,278	17.5	14.4	9.6	8.4	10.1	11.3	0.6	0.8	14.0

Source: Company, MOSL

Operating metrics

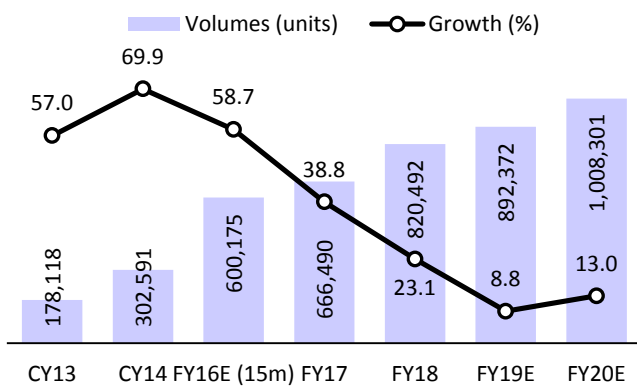
Exhibit 13: Snapshot of Revenue Model

000 units	CY13	CY14	FY16 (15m)	FY17	FY18	FY19E	FY20E
ROYAL ENFIELD (S/A)							
Total 2W (units)	178	303	600	666	820	892	1,008
Growth (%)	57.0	69.9	98.3	38.8	23.1	8.8	13.0
Net realn (INR'000/unit)	95	100	103	105	109	115	119
Growth (%)	2.7	5.4	3.1	2.4	3.3	6.1	3.4
RE Revenues (INR b)	17	30	62	70	90	103	121
Growth (%)	63.3	76.9	104.2	42.1	27.3	15.5	16.8
VECV							
Dom - LMD	31	28	42	37	42	50	59
Growth (%)	-13.3	-9.9	50.0	10.3	13.9	14.9	18.9
% of CV Vols	76.1	70.1	68.1	64.4	65.0	66.9	66.9
Dom - HCV	7	6	12	12	14	15	17
Growth (%)	-27.4	-8.2	98.2	28.0	10.6	17.5	20.0
% of CV Vols	16.3	15.3	19.7	21.6	21.1	19.5	19.6
Total Dom.	38	34	54	49	56	65	77
Growth (%)	-16.1	-9.6	58.6	14.3	13.1	15.4	19.1
% of CV Vols	92.3	85.4	87.8	86.0	86.1	86.3	86.6
Exports	3	6	8	8	9	10	12
Growth (%)	20.1	86.5	29.0	33.7	12.0	13.6	16.6
% of CV Vols	7.7	14.6	12.2	14.0	13.9	13.7	13.4
Total CV vols	41	40	62	57	65	75	89
Growth (%)	-14.1	-2.3	54.3	16.7	12.9	15.2	18.8
MDEP Vols (Ex captive)	3	12	24	24	32	37	42
Net realn (INR'000/unit)	1,236	1,412	1,465	1,449	1,571	1,560	1,565
Growth (%)	11	14	4	24	8	2	0
VECV Revenues (INR b)	51	58	92	85	104	118	141
Growth (%)	-4.1	12.3	60.5	14.9	21.9	17.9	19.1
Net Consol sales (INR b)	68	87	62	70	90	103	121
Growth (%)	6.6	28.3	-29.4	42.4	27.5	15.4	16.8

Source: Company, MOSL

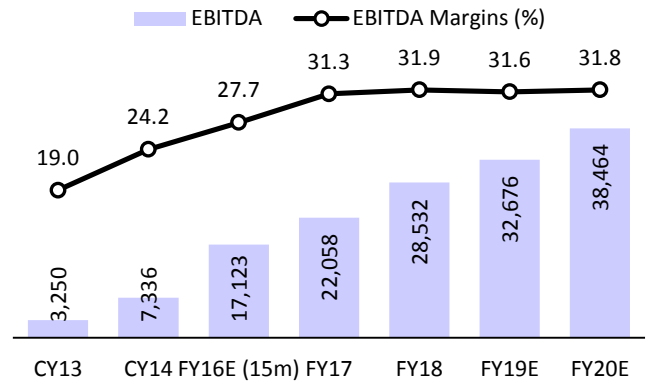
Eicher Motors | Story in charts: Multiple growth drivers

Exhibit 14: Volume and growth trend



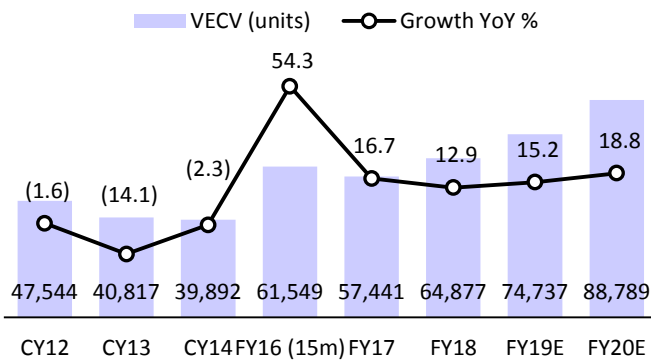
Source: Company, MOSL

Exhibit 15: EBITDA and EBITDA margin trend



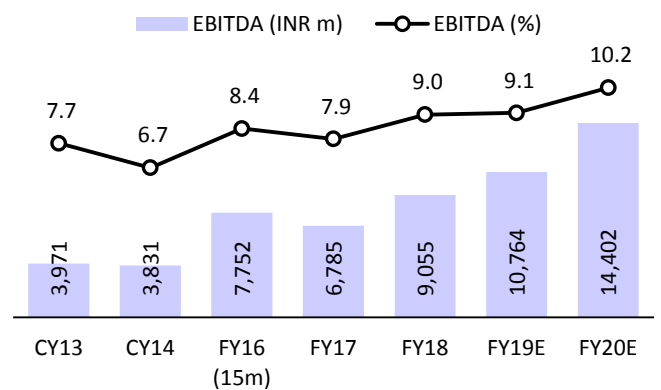
Source: Company, MOSL

Exhibit 16: VECV volumes growth trajectory



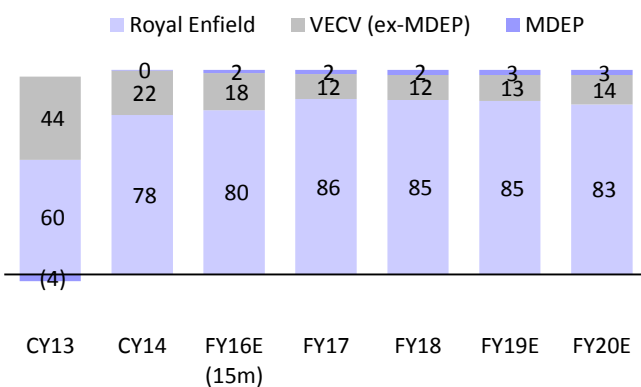
Source: Company, MOSL

Exhibit 17: VECV EBITDA and EBITDA margins



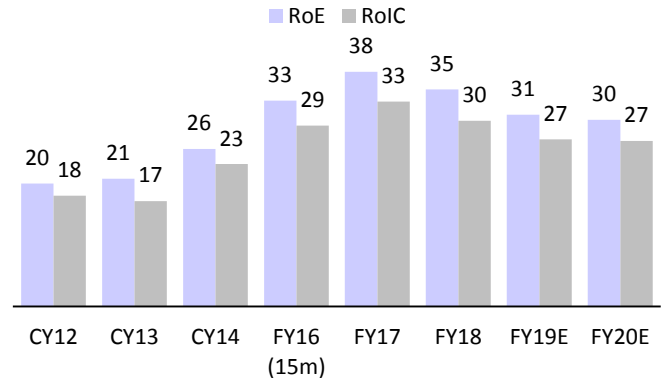
Source: Company, MOSL

Exhibit 18: Contribution to EBITDA by each business



Source: Company, MOSL

Exhibit 19: Return ratios to remain healthy



Source: Company, MOSL

Financials and valuations

Income Statement (Consol.)							(INR M)
Y/E March	CY13	CY14	FY16 (15m)	FY17	FY18	FY19E	FY20E
Net Sales	66,858	85,987	61,469	70,030	89,209	102,879	120,231
Change (%)	5.6	28.6	-42.8	42.4	27.4	15.3	16.9
EBITDA	7,137	11,147	16,891	21,740	28,076	32,676	38,464
EBITDA Margin (%)	10.7	13.0	27.5	31.0	31.5	31.8	32.0
Depreciation	1,300	2,198	1,366	1,538	2,233	2,881	3,476
EBIT	5,837	8,949	15,525	20,201	25,843	29,794	34,988
Interest cost	79	98	21	36	53	40	25
Other Income	953	1,074	1,781	2,273	2,801	3,300	4,865
PBT	6,711	9,926	17,285	22,439	28,591	33,054	39,828
Tax	1,452	2,909	5,390	7,203	9,359	11,223	13,442
Effective Rate (%)	21.6	29.3	31.2	32.1	32.7	34.0	33.8
PAT	5,259	7,017	11,895	15,236	19,232	21,832	26,386
Change (%)	10.8	33.4	35.6	60.1	26.2	13.5	20.9
Less: Minority Interest	1,314	864	-1,486	-1,895	-2,566	-2,996	-4,365
Adj. PAT	3,945	6,153	13,380	17,131	21,797	24,828	30,751
Change (%)	21.7	56.0	74.0	60.0	27.2	13.9	23.9

Note: FY16 onwards IndAS

Balance Sheet (Consolidated)							(INR M)
Y/E March	CY13	CY14	FY16 (15m)	FY17	FY18	FY19E	FY20E
Share Capital	270	271	272	272	273	273	273
Net Worth	20,554	27,556	36,531	53,451	70,301	89,340	113,716
Minority Interest	10,397	0	0	0	0	-2,996	-7,361
Deferred Tax	1,805	220	358	778	1,421	1,756	2,163
Loans	839	0	226	444	1,508	0	0
Capital Employed	33,595	27,775	37,115	54,673	73,230	88,100	108,519
Application of Funds							
Gross Fixed Assets	22,993	5,408	10,178	12,328	21,443	32,468	40,718
Less: Depreciation	6,431	1,342	2,472	3,875	6,426	9,308	12,784
Net Fixed Assets	16,561	4,066	7,707	8,453	15,017	23,161	27,934
Capital WIP	4,636	593	945	3,738	3,332	250	250
- of which Goodwill	223	223	223	223	223	223	223
Investments	8,255	25,588	33,834	49,871	55,808	68,055	83,329
Curr.Assets, L & Adv.	23,914	9,393	11,258	7,658	21,065	25,974	30,428
Inventory	5,268	2,040	3,084	3,359	3,946	4,533	5,294
Sundry Debtors	5,125	107	326	500	680	850	993
Cash & Bank Balances	6,826	210	530	251	12,120	15,491	18,186
Loans & Advances	6,163	34	124	92	7	0	0
Others	532	7,002	7,194	3,456	4,312	5,100	5,956
Current Liab. & Prov.	19,771	11,864	16,629	15,047	21,992	29,339	33,423
Sundry Creditors	17,612	4,822	7,232	8,327	11,719	13,033	14,558
Other Liabilities	0	6,752	7,202	6,033	9,511	9,917	11,581
Provisions	2,159	291	2,195	686	763	6,390	7,284
Net Current Assets	4,143	-2,471	-5,371	-7,389	-927	-3,366	-2,995
Application of Funds	33,595	27,775	37,115	54,673	73,230	88,100	108,519

E: MOSL Estimates

Financials and valuations

Ratios (Consolidated)

Y/E March	CY13	CY14	FY16 (15m)	FY17	FY18	FY19E	FY20E
Basic (INR)							
EPS	145.9	227.1	492.7	629.6	799.6	910.8	1,128.1
EPS Growth (%)	21.5	55.6	73.6	59.7	27.0	13.9	23.9
Cash EPS	194	308	543	686	882	1,016	1,256
Book Value per Share	760	1,017	1,345	1,964	2,579	3,277	4,172
DPS	30.0	35.0	100.0	100.0	110.0	175.0	200.0
Payout (Incl. Div. Tax) %	22.3	25.1	23.4	18.5	15.0	22.6	20.7
Valuation (x)							
P/E	150.6	96.8	44.6	34.9	27.5	24.1	19.5
Cash P/E	113.3	71.3	40.5	32.0	24.9	21.6	17.5
EV/EBITDA	107.7	61.7	26.9	22.0	16.4	13.8	11.0
EV/Sales	12.9	9.4	5.1	4.8	3.8	3.2	2.6
Price to Book Value	28.9	21.6	16.3	11.2	8.5	6.7	5.3
Dividend Yield (%)	0.1	0.2	0.5	0.5	0.5	0.8	0.9
Profitability Ratios (%)							
RoE	20.7	25.6	33.4	38.1	35.2	31.1	30.3
RoCE	17.1	23.1	29.4	33.3	30.1	27.1	26.9
RoIC	39.7	82.9	535.7	1,047.4	1,249.6	627.3	419.2
Turnover Ratios							
Debtors (Days)	27	0	2	3	3	3	3
Inventory (Days)	28	9	23	17	16	16	16
Creditors (Days)	94	20	53	43	48	46	44
Working Capital (Days)	-39	-11	-28	-23	-29	-27	-25
Asset Turnover (x)	2.0	3.1	1.7	1.3	1.2	1.2	1.1
Leverage Ratio							
Debt/Equity (x)	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Cash Flow Statement (Consolidated)

(INR M)

Y/E March	CY13	CY14	FY16 (15m)	FY17	FY18	FY19E	FY20E
Profit before Tax	6,706	9,926	17,120	23,874	28,956	32,879	39,828
Depreciation & Amort.	1,300	2,198	1,366	1,538	2,233	2,881	3,476
Direct Taxes Paid	-1,504	-2,810	-5,187	-6,516	8,071	-10,888	-13,035
(Inc)/Dec in Working Capital	1,491	2,020	3,674	1,635	5,564	558	622
Interest/Div. Received	1,023	950	-65	-40	-394	3,300	4,865
Other Items	-819	-1,809	-2,278	-3,411	-19,608	2,166	-3,138
CF from Oper. Activity	8,197	10,475	14,631	17,080	24,823	30,897	32,619
(Inc)/Dec in FA+CWIP	-7,054	-9,682	-5,094	-5,470	-7,460	-7,943	-8,250
Free Cash Flow	1,143	793	9,537	11,610	17,363	22,954	24,369
(Pur)/Sale of Invest.	-1,879	-1,190	-4,920	-11,966	-13,991	-12,247	-15,274
CF from Inv. Activity	-8,933	-10,872	-10,014	-17,436	-21,450	-20,190	-23,524
Issue of Shares	17	79	48	57	195	0	0
Inc/(Dec) in Debt	610	-255	0	213	390	-1,508	0
Interest Paid	-80	-98	-21	-17	-34	-40	-25
Dividends Paid	-1,020	-1,348	-4,682	0	-3,171	-5,613	-6,375
CF from Fin. Activity	-474	2,974	-5,052	253	-2,620	-7,161	-6,400
Inc/(Dec) in Cash	-1,209	2,576	-435	-103	752	3,546	2,695
Add: Beginning Balance	8,035	6,826	210	530	251	12,120	15,491
Closing Balance	6,826	9,402	-226	427	1,003	15,666	18,186

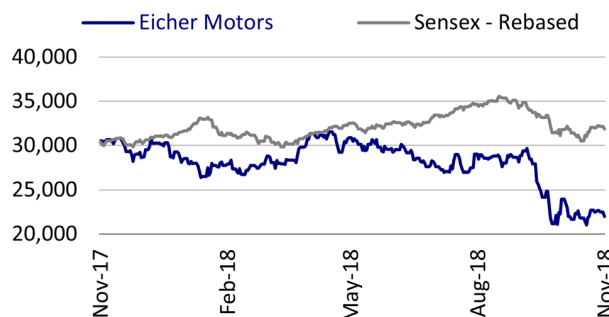
E: MOSL Estimates

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: MOSL/Bloomberg

Exhibit 2: Shareholding pattern (%)

	Sep-18	Jun-18	Sep-17
Promoter	49.4	50.5	50.6
DII	5.7	5.8	4.5
FII	31.5	31.1	32.1
Others	13.5	12.6	12.8

Note: FII Includes depository receipts

Source: Capitaline

Exhibit 3: Top holders

Holder Name	% Holding
Europacific Growth Fund	1.8
Cartica Capital Ltd	1.3
ICICI Prudential Bluechip Fund	1.2
Motilal Oswal Multicap 35 Fund	1.1

Source: Capitaline

Exhibit 4: Top management

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

Source: Capitaline

Exhibit 5: Directors

Name	Name
Manvi Sinha	
Prateek Jalan	

*Independent

Exhibit 6: Auditors

Name	Type
V Kalyanaraman	Cost Auditor
RDA & Associates	Secretarial Audit
S R Batliboi & Co LLP	Statutory

Source: Capitaline

Exhibit 7: MOSL forecast v/s consensus

EPS (INR)	MOSL forecast	Consensus forecast	Variation (%)
FY19	910.8	972.7	-6.4
FY20	1128.1	1169.1	-3.5

Source: Bloomberg

NOTES

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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Registered Office Address: Motilal Oswal Tower, Rahimtullah Sayani Road, Opposite Parel ST Depot, Prabhadevi, Mumbai-400025; Tel No.: 022-3980 4263; www.motilaloswal.com. Correspondence Address: Palm Spring Centre, 2nd Floor, Palm Court Complex, New Link Road, Malad (West), Mumbai- 400 064. Tel No: 022 3080 1000. Compliance Officer: Neeraj Agarwal, Email Id: na@motilaloswal.com, Contact No.:022-38281085.

Registration details: MOSL: SEBI Registration: INZ000158836 (BSE/NSE/MCX/NCDEX); CDSL: IN-DP-16-2015; NSDL: IN-DP-NSDL-152-2000; Research Analyst: INH000000412. AMFI: ARN 17397. Investment Adviser: INA000007100. Motilal Oswal Asset Management Company Ltd. (MOAMC): PMS (Registration No.: INP00000670) offers PMS and Mutual Funds products. Motilal Oswal Wealth Management Ltd. (MOWML): PMS (Registration No.: INP000004409) offers wealth management solutions. *Motilal Oswal Securities Ltd. is a distributor of Mutual Funds, PMS, Fixed Deposit, Bond, NCDs, Insurance and IPO products. *Motilal Oswal Real Estate Investment Advisors II Pvt. Ltd. offers Real Estate products. * Motilal Oswal Private Equity Investment Advisors Pvt. Ltd. offers Private Equity products.

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