


Strong Q4FY24 amidst Rising Competition; New Model Launches to Drive Growth
Est. Vs. Actual for Q4FY24: Revenue – **INLINE**; EBITDA – **INLINE**; PAT– **BEAT**
Change in Estimates post Q4FY24
FY25E/FY26E: Revenue: 7%/10%; EBITDA: 8%/11%; PAT: 8%/12%

Recommendation Rationale

- **New Product Launches including EV in the offing:** Multiple new products are slated to be launched in FY25 and the management strongly believes that each vehicle will have the potential to become a market leader in their own segments. The company is working on an electric motorcycle (on the Him-E platform) and expects to launch a vehicle in CY25.
- **International market:** Due to the unfavourable macroeconomic situation, industry growth has been stagnant/declining in the international markets. However, RE has maintained its market share at 8% in America and ~9% in APAC/EMEA. The management stated that new products like the Himalayan450 and Super Meteor would also be launched in the US/EU market in the next few months.
- **VECV Business:** The company has sold 85,560 units in FY24, up 7.5% YoY. The annual parts sales recorded revenue of Rs 2,118 Cr, up 24% YoY. The current market share in Light & Medium duty trucks is ~35%, ~9% in Heavy Duty Trucks, 22% in Buses, and ~94% in Volvo Trucks (in high-end premium trucks) in FY24. The company had 933 distribution touchpoints (added 125 touchpoints) in FY24. VECV FY24 EBITDA stood at Rs 1,715 Cr, up 24% YoY and EBITDA margins stood at 8%. The company unveiled the first electric SCV platform (2T to 3.5T) at Bharat Mobility 2024 and deliveries are expected to begin in the next few months.

Sector Outlook: Positive

Company Outlook & Guidance: The company will focus on the existing line-up and try to maximise more business from it, apart from launching new products. In Q4FY24, the management stated that the retailers have witnessed healthy growth (with Himalayan450 receiving good inquiries). The growth recovery in the International market is expected over the next few quarters. The management expects the CV industry to grow in the long term (short-term hiccups may exist) on account of positive domestic economic factors, replacement demand, and robust Infrastructure spending by the government.

Current Valuation: We value RE standalone business at 27x on FY26 EPS (earlier 24x on FY26 EPS) and VECV at 12x EV/EBITDA on FY26 EBITDA (unchanged).

Current TP: Rs 5,135/share (Earlier TP: Rs 4,250/share)

Recommendation: We maintain our **BUY** rating on the stock.

Valuation & Recommendation: We revise our standalone EBITDA margins upwards for FY26 and **maintain our BUY rating** on the stock with a TP of Rs 5,135/share (earlier Rs 4,250/share). We value RE standalone business at 27x FY26 EPS (earlier 24x FY26 EPS) and VECV at 12x EV/EBITDA on FY26 EBITDA (unchanged), implying an upside of 10% from the CMP.

Key Financials (Standalone)

(Rs Cr)	Q4 FY24	QoQ (%)	YoY (%)	Axis Est.	Variance
Net Sales	4,192	3.4%	9.4%	4,153	0.9%
EBITDA	1,155	3.6%	11.2%	1,150	0.4%
EBITDA Margin	27.6%	6 bps	43 bps	27.7%	-14 bps
Net Profit	983	7.6%	16.9%	950	3.5%
EPS (Rs)	35.9	7.6%	16.7%	34.7	3.5%

Source: Company, Axis Research

 (CMP as of 10th May 2024)

CMP (Rs)	4,658
Upside /Downside (%)	10%
High/Low (Rs)	4,708/3,159
Market cap (Cr)	1,27,529
Avg. daily vol. (6m) Shrs.	6,03,257
No. of shares (Cr)	27.4

Shareholding (%)

	Sep-23	Dec-23	Mar-24
Promoter	49.2	49.2	49.15
FIIIs	28.9	30.3	28.95
MFs / UTI	5.8	5.6	6.55
Financial Inst.	0.4	0.1	0.10
Others	15.8	14.9	15.25

Financial & Valuations

Y/E March (Rs Cr)	FY24	FY25E	FY26E
Net Sales	16,078	18,938	20,758
EBITDA	4,380	5,151	5,688
Net Profit	3,749	4,267	4,671
EPS (Rs.)	137.1	156.1	170.9
PER (x)	34.0	29.8	27.3
EV/ EBITDA	26.4	21.9	19.4
P/BV (x)	8.1	7.0	6.0
RoE (%)	26.2	25.1	23.7

Change in Estimates (%)

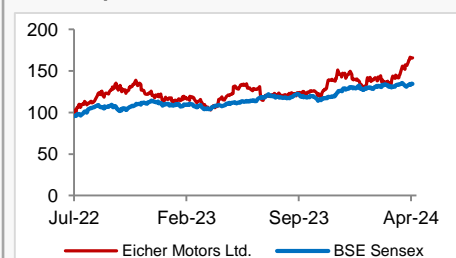
Y/E Mar	FY24	FY25E	FY26E
Sales	0.4%	7.3%	10.4%
EBITDA	1.6%	7.7%	10.8%
PAT	3.7%	8.3%	12.0%

ESG disclosure Score**

Environmental Disclosure	43.0
Social Disclosure Score	35.4
Governance Disclosure	76.1
Total ESG Disclosure Score	51.5
Sector Average	46.40

Source: Bloomberg, Scale: 0,1-100

**Note: This score measures the amount of ESG data a company reports publicly and does not measure the company's performance on any data point. All scores are based on 2022 disclosures. The Sector average is for NSE500 companies

Relative performance


Source: Ace Equity, Axis Securities

ShridharKallani
 Research Analyst
 Email:shridhar.kallani@axissecurities.in

Aditya Welekar
 Sr. Research Analyst
 Email:aditya.welekar@axissecurities.in

Financial Performance:

Eicher reported a strong set of Q4FY24 numbers. Revenue and EBITDA were largely in line with our estimates while PAT beat on estimates. Revenue was up ~9%/3% YoY/QoQ respectively. The company's sales volume was up 4% YoY (flat QoQ) to 228k units in Q4FY24. Standalone EBITDA grew by ~11%/4% YoY/QoQ, mainly led by higher ASP, volume growth, and lower other expenses. The EBITDA margins stood at 27.6%, up 43bps YoY (up 6bps QoQ). PAT beat estimates by 3.5% and grew by 17%/8% YoY/QoQ respectively, mainly following the EBITDA growth and higher other income.

Outlook:

We expect RE volumes to grow 6%/8% YoY in FY25/26E and standalone Revenue/EBITDA/PAT to grow higher at 18%/18%/14% CAGR over FY24-26E. The VECV may witness a marginal decline in volumes in the near term; however, the company's long-term growth potential remains intact with its execution capability and foray into the EV SCV category.

Key Concall Highlights

- **Network and Touch Points:** In the international market, RE has 1,085+ global touchpoints – 235 exclusive stores and 950+ multi-brand outlets.
- **Non Motorcycle Business:** The revenue from non-motorcycle business was Rs 2,439 Cr, up 20% YoY.
- **VECV Spare parts:** The company's annual part sales reached a record Rs 2,118 Cr in FY24, up 24% YoY over the previous high of Rs 1,709 Cr in FY'23.
- **Dividend:** The Company has recommended final dividend of Rs 51 per equity share of face value of Rs 1 each for the financial year ended March 31, 2024, subject to the approval of the shareholders at the upcoming 42nd Annual General Meeting.

Key Risks to our Estimates and TP

- Increasing competitive intensity poses a risk to the company in the >250cc segment where the company has the highest market share.
- Macro Economic headwinds driving lower exports for longer (than our estimates) could pose a downside risk.

Change in Estimates

	Revised			Old			% Change		
	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Sales	16,078	18,938	20,758	16,016	17,648	18,796	0.4%	7.3%	10.4%
EBITDA	4,380	5,151	5,688	4,312	4,783	5,131	1.6%	7.7%	10.8%
PAT	3,749	4,267	4,671	3,617	3,939	4,169	3.7%	8.3%	12.0%
EPS	137.1	156.1	170.9	132.3	144.1	152.5	3.7%	8.3%	12.0%

Source: Company, Axis Securities

Q4FY24 Results Review (Standalone)

YE March (Rs Cr)	Q4 FY24	Axis Sec Estimates	Axis Sec Var (%)	Q3 FY24	QoQ (%)	Q4 FY23	YoY (%)
Domestic 2W	2,04,522	2,04,522		2,13,386	-4.2%	1,92,022	6.5%
Exports 2W	23,151	23,151		14,687	57.6%	26,503	-12.6%
Total Volumes (Units)	2,27,673	2,27,673		2,28,073	-0.2%	2,18,525	4.2%
Total Revenue from operations	4,192	4,153	0.9%	4,054	3.4%	3,831	9.4%
ASP (Rs/ vehicle in lakhs)	1.84127	1.82089	1.1%	1.77758	3.6%	1.75328	5.0%
Less:							
Net Raw Material consumed	2,253	2,230	1.0%	2,184	3.2%	2,093	7.6%
Other Exp.	476	482	-1.2%	470	1.3%	465	2.3%
Personnel	308	291	5.9%	285	7.9%	234	31.7%
Total Expenditure	3,037	3,003	1.1%	2,939	3.3%	2,792	8.8%
EBITDA	1,155	1,150	0.4%	1,115	3.6%	1,039	11.2%
Less: Depreciation	155	131	18.2%	138	12.1%	142	8.8%
EBIT	1,001	1,019	-1.9%	977	2.4%	897	11.5%
Less: Interest	6	3	71.8%	5	14.0%	3	69.6%
Add: Other Income	307	254	21.2%	250	23.2%	203	51.8%
Profit Before Extraordinary Items and Tax	1,302	1,270	2.6%	1,221	6.6%	1,096	18.8%
Extraordinary Expense/(Income)	0	0		0		0	
Profit Before Tax	1,302	1,270	2.6%	1,221	6.6%	1,096	18.8%
Less: Total Tax	319	320	-0.3%	307	3.7%	255	25.1%
Profit After Tax	983	950	3.5%	914	7.6%	841	16.9%
Adj. Net Profit	983	950	3.5%	914	7.6%	747	31.7%
Shares Outstanding (Cr)	27	27	0.0%	27		27	
Reported EPS (Rs.)	35.9	34.7	3.5%	33.4	7.6%	30.8	16.7%
Adj. EPS (Rs.)	35.9	34.7	3.5%	33.4	7.6%	27.3	31.5%
Cost & Margin Analysis	Q4 FY24	Axis Sec Estimates	Change in bps	Q3 FY24	Change in bps	Q4 FY23	Change in bps
Net Raw Material/Net Sales (%)	53.7%	53.7%	4	53.9%	-13	54.6%	-89
Other Exp./Net Sales (%)	11.4%	11.6%	(24)	11.6%	-24	12.1%	-79
Personnel/Net Sales(%)	7.3%	7.0%	34	7.0%	31	6.1%	124
GM (%)	46.3%	46.3%	(4)	46.1%	13	45.4%	89
EBITDA Margin (%)	27.6%	27.7%	(14)	27.5%	6	27.1%	43
EBIT (%)	23.9%	24.5%	(68)	24.1%	-22	23.4%	45
PBT Margin (%)	31.1%	30.6%	49	30.1%	94	28.6%	245
NPM (%)	23.5%	22.9%	58	22.5%	92	22.0%	150
Adj. NPM (%)	23.5%	22.9%	58	22.5%	92	19.5%	396
Effective Tax Rate (%)	24.5%	25.2%	(69)	25.2%	-69	23.2%	124

Source: Company, Axis Securities

Financials (Standalone)

Profit & Loss

(Rs Cr)

Y/E March (Rs Crs)	FY23A	FY24	FY25E	FY26E
Net revenues	14,067	16,078	18,938	20,758
Operating expenses	10,673	11,698	13,787	15,070
EBIDTA	3,394	4,380	5,151	5,688
EBIDTA margin (%)	24.1	27.2	27.2	27.4
Other income	640	1,168	1,114	1,204
Interest	13	19	20	20
Depreciation	512	559	590	680
Profit Before Tax	3,508	4,970	5,656	6,192
Tax	886	1,221	1,389	1,521
Reported Net Profit	2,623	3,749	4,267	4,671
Net Margin (%)	18.6	23.3	22.5	22.5
Adjusted Net Profit	2,623	3,749	4,267	4,671

Source: Company, Axis Securities

Balance Sheet

(Rs Cr)

Y/E March (Rs. Crs)	FY23A	FY24	FY25E	FY26E
Equity capital	27	27	27	27
Reserves & surplus	12,860	15,666	17,832	20,699
Shareholders' funds	12,887	15,694	17,859	20,726
Total Loans	91	939	939	939
Deferred tax liability	303	480	480	480
Total Liabilities and Equity	13,281	17,113	19,278	22,145
Gross block	5,319	6,052	7,052	8,052
Depreciation	2,719	3,278	3,868	4,548
Net block	2,600	2,774	3,184	3,505
Capital WIP	468	553	468	468
Investments	10,280	11,307	13,080	14,480
Inventory	911	1,069	1,254	1,374
Debtors	702	573	675	739
Cash & Bank Bal	796	1,346	1,661	2,987
Loans & Advances	1,118	2,851	2,851	2,851
Current Assets	3,527	5,838	6,440	7,951
Sundry Creditors	1,753	2,028	2,360	2,586
Other Current Liability	1,842	1,332	1,534	1,672
Current Liability & Provisions	3,595	3,360	3,894	4,259
Net current assets	-68	2,479	2,546	3,693
Total Assets	13,281	17,113	19,278	22,145

Source: Company, Axis Securities

Cash Flow

(Rs Cr)

Y/E March (Rs. Crs)	FY23A	FY24	FY25E	FY26E
EBIT	2,881	3,821	4,561	5,008
Other Income	640	1,168	1,114	1,204
Depreciation & Amortization	512	559	590	680
Interest paid(-)	13	19	20	20
Tax paid(-)	(757)	(1,221)	(1,389)	(1,521)
Extra Ord Income	(531)	-	-	-
Operating Cash Flow	2,758	4,347	4,896	5,392
Change in Working Capital	62	(2,005)	247	179
Cash flow from Operations	2,820	2,342	5,143	5,571
Capex	(654)	(1,000)	(1,000)	(1,000)
Strategic Investment	-	-	-	-
Non-Strategic Investment	(1,741)	(1,027)	(1,773)	(1,400)
Cash flow from Investing	(2,395)	(2,027)	(2,773)	(2,400)
Change in borrowing	131	848	-	-
Others	11	-	-	-
Dividends paid(-)	(574)	(1,012)	(1,648)	(1,804)
Cash Flow from Financial Activities	(432)	(164)	(1,648)	(1,804)
Change in Cash	(7)	151	723	1,367
Opening cash	2,699	796	20	788
Closing cash	796	893	1,661	2,987

Source: Company, Axis Securities

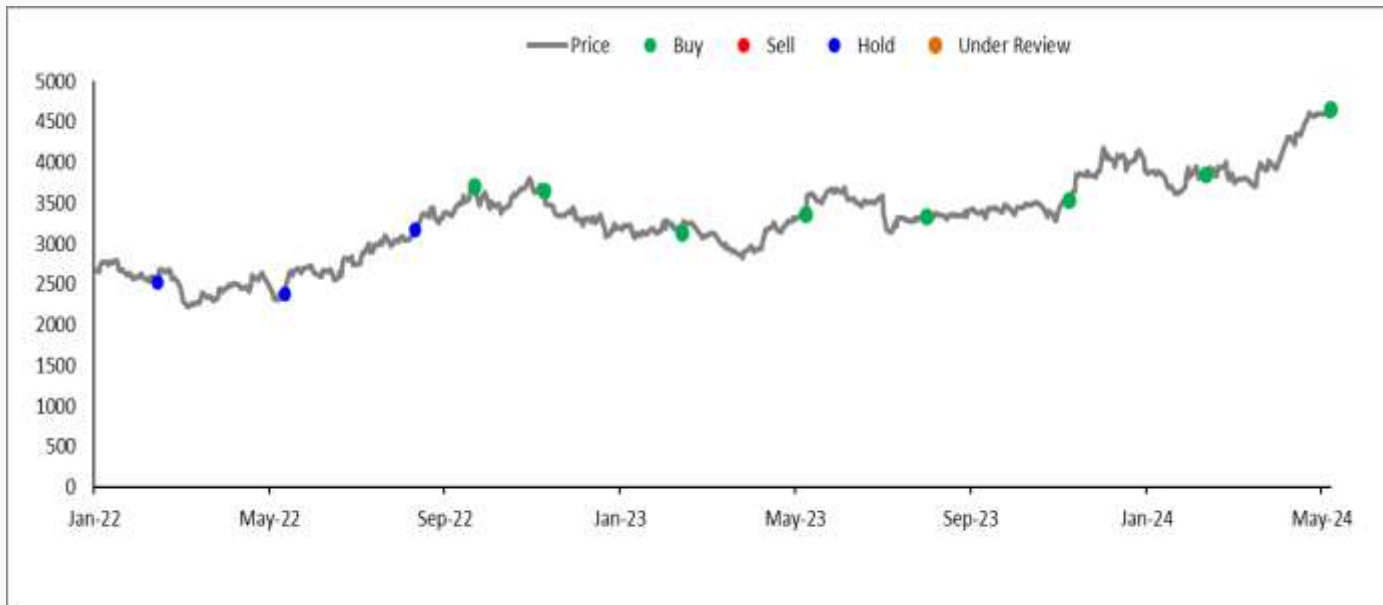
Ratio Analysis

(%)

Y/E March	FY23A	FY24E	FY25E	FY26E
Revenue Growth	39.0	14.3	17.8	9.6
EBITDA Margin	24.1	27.2	27.2	27.4
Net Profit Margin	18.6	23.3	22.5	22.5
ROCE (%)	21.6	24.8	23.5	22.6
ROE (%)	22.1	26.2	25.4	24.2
EPS(Rs)	95.9	137.1	156.1	170.9
P/E (x)	48.6	34.0	29.8	27.3
P/ BV (x)	9.9	8.1	7.1	6.1
EV/ EBITDA (x)	34.2	26.4	22.0	19.4
Fixed Assets Turnover Ratio (x)	4.6	4.8	5.2	5.2
Debt / Equity (x)	0.0	0.1	0.1	0.0
EV/ Sales (x)	8.3	7.2	6.0	5.3

Source: Company, Axis Securities

Eicher Motors Ltd Price Chart and Recommendation History



Date	Reco	TP	Research
15-Feb-22	HOLD	2,800	Result Update
16-May-22	HOLD	2,600	Result Update
16-Aug-22	HOLD	3,120	Result Update
22-Sep-22	BUY	4,125	Company Update
11-Nov-22	BUY	4,125	Result Update
15-Feb-23	BUY	4,125	Result Update
12-May-23	BUY	3,900	Result Update
04-Aug-23	BUY	3,800	Result Update
13-Nov-23	BUY	3,900	Result Update
14-Feb-24	BUY	4,250	Result Update
13-May-24	BUY	5,135	Result Update

Source: Axis Securities

About the Analyst

Analyst: Shridhar Kallani

Email: shridhar.kallani@axissecurities.in

Sector: Automobiles

Analyst Bio: Shridhar Kallani is a Chartered Accountant and a graduate from St.Xaviers College Kolkata.



Analyst: Aditya Welekar

Email: aditya.welekar@axissecurities.in

Sector: Automobiles

Analyst Bio: Aditya Welekar is a PGDBM in Finance with 12 years of experience in Equity Market/Research.

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