

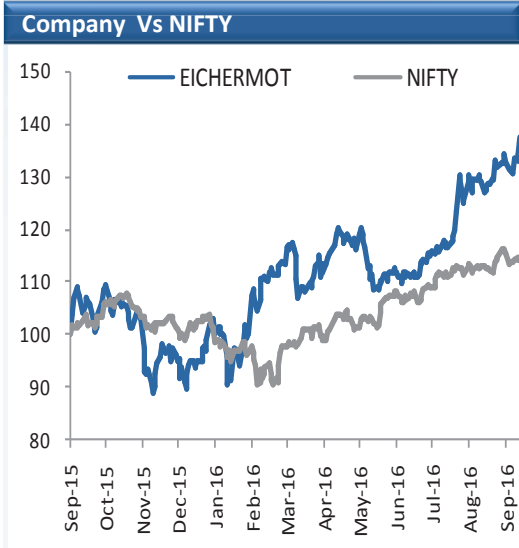
Eicher Motors Limited

Result Update	
CMP	24777
Target Price	23500
Previous Target Price	
Upside	-5%
Change from Previous	-

Market Data	
BSE Code	505200
NSE Symbol	EICHERMOT
52wk Range H/L	24,887/14,818
Mkt Capital (Rs Cr)	67,390
Av. Volume	3708
Nifty	8777

Stock Performance			
	1Month	1Year	YTD
Absolute	8.7	32.4	43.1
Rel.to Nifty	7.5	22.4	32.6

Share Holding Pattern-%			
	1QFY17	5QFY16	4QFY16
Promoter	50.7	54.9	54.9
Public	49.3	45.1	45.1
Others	--	--	--
Total	100.0	100.0	100.0



Eicher Motors have reported Rs.1556 crore of revenue, a growth of 42% YoY in 1QFY17. The motorcycle volumes clocked 38% growth YoY in 1QFY17 on account of higher 'RE Classic 350' sales. The realization also improved by 3% YoY, because of price hike during the quarter. The commercial vehicle segment has also reported Rs. 2139 crore revenue, a growth of 21% YoY. L&MCV and HCV segments recorded 21% and 85% growth YoY during the quarter respectively. The average waiting period for 'Royal Enfield' remain 3 months. Currently, the capacity is 620000 units, but the management is scaling up the capacity to 675000 units in FY17, looking at the growing demand for premium motorcycles. On commencement of Vallam Vadagal facility the total production capacity will reach to 900000 units in FY19. The demand for commercial vehicles is coming from infrastructure sector. The company has gained 1.3% market share in L&MCV and 2.2% market share in HCV segment over corresponding quarter previous year. The management has also said that the immediate business outlook continues to be strong.

1QFY17 Result Update

Revenue grew by 42% YoY to Rs.1556 crore in 1QFY17. The motorcycle sales grew by 38%YoY and the commercial vehicle segment grew by 21% YoY.

Gross Margin declined by 380 bps to 53.2% majorly due to increase in steel prices.

EBITDA Margin expanded by 420 bps to 30.2% driven by benefit of operating leverage.

PAT Margin expanded by 250 bps to 24.2%.

Outlook and Valuation

Going forward, Eicher Motors's growth potential depends on the new product launches, capacity addition in line with demand and entering into the new geographies in both motorcycle as well as commercial vehicle segment. Earlier, we recommended "BUY" on this stock with a target price of Rs.23500, an upside of 5% and it has achieved our recommended target. We assume that Eicher Motors has a very limited upside from hereon and therefore, we recommend to **"Book Profit"** at current levels.

	Rs. In crore				
Financials	1QFY17	5QFY16	2QFY16	QoQ	YoY
Sales	1556	1532	1096	2%	42%
EBITDA	470	447	286	5%	65%
Net Profit	376	360	237	5%	59%
EBITDA%	30%	29%	26%		
PAT %	24%	23%	22%		

(Source: Company/Eastwind)

Investment Argument

- >>Investment of Rs. 600 crore during the current fiscal for product development, setting up of two R&D centres in India and UK and expansion of manufacturing capacities in India to cope up with the growing demand.
- >>RE has expanded its footprint in the exports by opening up stores in the various export markets like; Latin America, Paris, London, indonesia, bangkok and Madrid.
- >>Seventh pay commission may boost premium segment motorcycles demand and implementation of BS-IV norms from 1st April 2017 can raise commercial vehicles demand in the second half of the year.

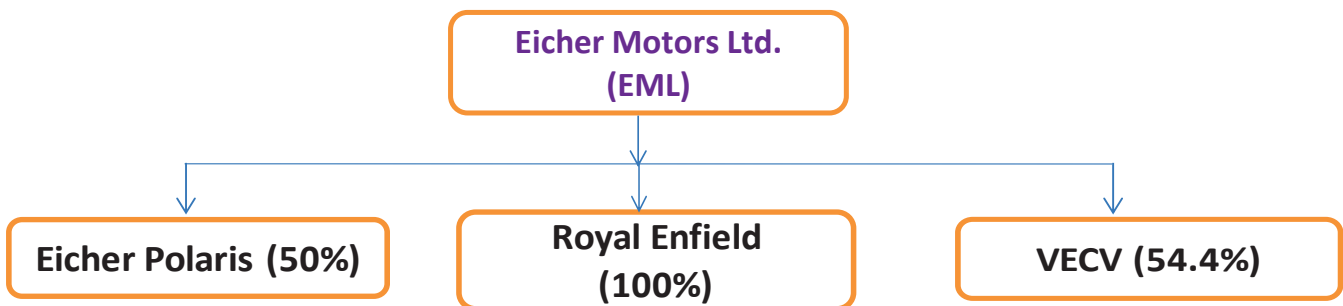
Management Highlight

- >>Management expects 30-40% growth in volumes in FY17.
- >>Higher growth potential international markets are Latin America and South East Asia.
- >>The company plans to produce 675000 motorcycles in CY2016 and 900000 motorcycles by FY2019.
- >>Production is 50000 units per month and average waiting period is 3 months for classic models.
- >>Currently RE dealer count is 500 and it will reach more than 600 by FY17.
- >>Royal Enfield's R&D centre in the UK is developing a 600-650cc twin-cylinder motorcycle, designed to serve cruiser riders of the US and Europe. The bike is likely to be launched next year.
- >>Capex is Rs.600 crore for RE and Rs.400 crore for VECV towards setting up technical centers and capacity enhancement.
- >>Multix- Plant in Jaipur, produced 650 units till december 2015. Target customers for Multix are Independent businessmen.
- >>No plans for setting up plants in overseas market in near future.
- >>The company plans to increase its capacity in the Pithampur facility from 5500 to 7500 units per month going forward.

About The Company

Incorporated in 1982, Eicher Motors Limited is the flagship company of the Eicher Group in India and a leading player of the Indian automobile industry. The company is mainly engaged in the business of high end motorcycles (350cc & above) under the brand '**Royal Enfield**' and Commercial Vehicles business segment under '**Volvo Eicher Commercial Vehicles**'.

EML Business Details



Key Risk

- >>Company have plans to increase its capacity to 9 Lakh units per annum by the end of 2018. Rise in demand may increase the waiting period for the bikes in short term, which is 3-4 months.
- >>In the US market the company can face stiff competition from Harley Davidson.
- >>Bajaj Auto's Avenger can be potential threat for Royal Enfield in Indian market.

Financials Snap Shot

INCOME STATEMENT

	CY12	CY13	CY14	FY16
Revenue (Net of Excise D	6390	6810	8738	15689
Other Income	137	95	107	112
Total Revenue	6527	6905	8846	15801
COGS	4585	4639	5766	10121
GPM	28%	32%	34%	35%
Other Expenses	798	925	1198	2063
EBITDA	549	713	1115	2447
EBITDA Margin (%)	9%	10%	13%	16%
Depreciation	82	130	220	452
EBIT	467	583	895	1996
Interest	4	8	10	9
PBT	600	671	993	2099
Tax	125	145	291	647
Tax Rate (%)	21%	22%	29%	31%
Reported PAT	324	394	615	1278
Dividend Paid	63	95	159	318
No. of Shares	3	3	3	3

Source: Eastwind/Company

RATIOS

	CY12	CY13	CY14	FY16
EPS	120	146	227	470
Book Value	650	760	928	1275
DPS	23	35	59	117
Payout (incl. Div. Tax.)	19%	24%	26%	25%
Valuation(x)				
P/E	24	34	66	41
Price / Book Value	4	7	16	15
Dividend Yield (%)	0.8%	0.7%	0.4%	0.6%
Profitability Ratios				
RoE	18%	19%	24%	37%
RoCE	27%	27%	36%	58%
Turnover Ratios				
Asset Turnover (x)	1.4	1.3	1.4	1.9
Debtors (No. of Days)	25	27	23	19
Inventory (No. of Days)	39	41	41	37
Creditors (No. of Days)	55	64	63	58
Net Debt/Equity (x)	0.00	0.04	0.00	0.00

Source: Eastwind/Company

BALANCE SHEET

	CY12	CY13	CY14	FY16
Share Capital	27	27	27	27
Reserves	1728	2028	2489	3437
Net Worth	1755	2055	2516	3464
Long term Debt	0	84	0	0
Short term Debt	22	84	58	86
Deferred Tax	123	180	239	338
Total Capital Employed	1755	2139	2516	3464
Net Fixed Assets	1496	2120	2728	3314
Capital WIP	279	125	236	118
Debtors	446	513	562	834
Cash & Bank Balances	804	683	380	476
Trade payables	955	1191	1513	2509
Total Provisions	132	170	265	99
Net Current Assets	1090	1008	614	353
Total Assets	4471	5337	6408	8479

Source: Eastwind/Company

CASH FLOW

	CY12	CY13	CY14	FY16
OP/(Loss) before Tax	600	671	993	2099
Depreciation	82	130	220	452
Direct Taxes Paid	(108)	(150)	(281)	(634)
Operating profit before w	551	718	1126	2460
CF from Op. Activity	496	716	1047	2282
	0	0	(150)	(869)
Capital expenditure on fix	(786)	(712)	(972)	(1070)
CF from Inv. Activity	(773)	(790)	(1087)	(1481)
Repayment of Long Term	(6)	(1)	0	0
Interest Paid	(4)	(8)	(10)	(9)
Divd Paid (incl Tax)	(77)	(88)	(115)	(486)
CF from Fin. Activity	(111)	(47)	(162)	(563)
Inc/(Dec) in Cash	(388)	(121)	(202)	238
Add: Opening Balance	1192	804	683	353
Closing Balance	804	683	481	591

Source: Eastwind/Company