

February 11, 2025

Q3FY25 Result Update

Change in Estimates | Target | Reco

Change in Estimates

	Current		Previous	
	FY26E	FY27E	FY26E	FY27E
Rating	ACCUMULATE		HOLD	
Target Price	5,764		5,332	
Sales (Rs. m)	2,07,044	2,28,721	2,07,909	2,29,787
% Chng.	(0.4)	(0.5)		
EBITDA (Rs. m)	53,107	58,684	55,237	61,080
% Chng.	(3.9)	(3.9)		
EPS (Rs.)	188.1	205.8	191.2	213.6
% Chng.	(1.6)	(3.7)		

Key Financials - Consolidated

Y/e Mar	FY24	FY25E	FY26E	FY27E
Sales (Rs. m)	1,65,358	1,86,683	2,07,044	2,28,721
EBITDA (Rs. m)	43,269	47,229	53,107	58,684
Margin (%)	26.2	25.3	25.7	25.7
PAT (Rs. m)	40,010	46,012	51,502	56,338
EPS (Rs.)	146.1	168.1	188.1	205.8
Gr. (%)	37.2	15.0	11.9	9.4
DPS (Rs.)	51.0	60.0	70.0	80.0
Yield (%)	1.0	1.1	1.3	1.5
RoE (%)	24.2	23.6	22.8	21.7
RoCE (%)	22.3	20.5	19.8	19.1
EV/Sales (x)	8.2	7.1	6.3	5.6
EV/EBITDA (x)	31.2	28.3	24.7	21.9
PE (x)	36.5	31.7	28.3	25.9
P/BV (x)	8.1	6.9	6.0	5.3

Key Data

EICH.BO | EIM IN

52-W High / Low	Rs.5,576 / Rs.3,672
Sensex / Nifty	77,312 / 23,382
Market Cap	Rs.1,461bn/ \$ 16,696m
Shares Outstanding	274m
3M Avg. Daily Value	Rs.2592.62m

Shareholding Pattern (%)

Promoter's	49.10
Foreign	27.61
Domestic Institution	13.77
Public & Others	9.52
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	5.3	10.3	38.7
Relative	5.4	13.7	28.5

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Lack of price hike & promotional spend impact margins

Quick Pointers:

- 5 launches led to rise in other expenses which impacted margins
- To gradually launch new products like Classic 650 & Himalayan in key markets

EIM consolidated revenue for Q3FY25 grew by 19% YoY, 2.3% lower than PLe/BBGe. Despite the higher mix of 350cc+ motorcycle and strong exports volume ASP remained flat. Gross profit contracted by 90bps YoY to 45.1%. EBITDA grew by 10.2% YoY while margin contracted by 194bps YoY, owing to promotional spending towards the new launches. The subdued operational performance was partially compensated by a strong growth in profits from JV, other income and lower tax rate as PAT increased by 17.5% YoY.

The management indicated its retail in the overseas market has started to improve gradually outpacing the wholesale in a few of its key markets. The refreshed models of its key product like Battalion Black and other new launches have witnessed good traction in the domestic market, aiding in healthy volume growth. EIM will take further initiatives across domestic and international markets to promote the new launches which shall further aid in volume growth. We slightly cut our estimates (1-4%) to factor in the impact of higher promotional expenses. Assuming this, we upgrade the rating from "HOLD" to "Accumulate" with a TP of Rs5,764 (previous Rs5,332), valuing the core business at 29.5x on its Mar'27 EPS and 10x EV/EBITDA for its VECV business.

Volume led growth while realization remained flat: Its consolidated revenue came in at Rs49.7bn (PLe: Rs50.9bn; BBGe: Rs50.8bn), mainly driven by 19.4% YoY growth in its volume. ASP remained flat at Rs182,636/unit (PLe: Rs186,851/unit), lower than expectations due to lack of pricing action in the core product category. EBITDA increased by 10.2% YoY to Rs12bn (PLe: Rs13.2bn; BBGe: Rs13.4bn) while margin contracted by 194bps YoY to 24.2% (PLe: 26%; BBGe: 26.4%). Other income increased by 13.8% YoY to Rs2.9bn (PLe: Rs3.1bn), profits from JV increased by 43.6% YoY to Rs 1.6bn. PAT was reported at Rs 11.7bn (PLe/BBGe: Rs11.9bn).

Healthy realization growth in VECV: VECV revenue increased by 5.8% YoY to Rs58bn (PLe: Rs54.1bn), aided by 1.5% YoY growth in its volume and 4.3% YoY expansion in its realization. Realization increased by 4.3% YoY to Rs 2.8mn (PLe: Rs2.6mn), aided by enhanced pricing strategies. EBITDA increased by 16.2% YoY to Rs 5.1bn (PLe: Rs3.9bn), while margin expanded by 79bps YoY to 8.8%, as a result of better cost efficiency. PAT increased by 42.7% YoY to Rs3bn (PLe: Rs2.2bn).

Key concall highlights: 1.) International retail has been gradually improving with key markets retail outpacing the wholesales. 2.) It has witnessed strong performance in regions like UK, Brazil, Italy and North America. 3.) EIM inaugurated its fully owned new CKD facility in Thailand with a capacity of ~5-7k/month,

allowing it to deepen its presence in Asia-Pacific region. 4.) 1st time buyers of its products at ~18-19%. 5) The company expects an increase in prices due to OBD2-Phase 2. 6.) EIM noted; ~Rs 700mn of expenses were spent towards the new launches of which ~Rs200mn was towards the new EV brand. 7.) Brand-building and marketing investments towards new and existing product portfolio to drive volume growth. 8.) The management expects interest rate cuts and better financing availability could aid in gradual recovery in CV industry volume.

Exhibit 1: Q3FY25 Result Overview – Consolidated – Subdued operational performance leads to contraction of margins

Y/e March	Q3FY25	Q3FY24	YoY gr.	Q3FY25E	% Var.	Q3FY25	QoQ gr.	9MFY25	9MFY24	YoY gr.
Net Revenues	49,731	41,788	19.0%	50,879	-2.3%	42,631	16.7%	1,36,292	1,22,797	11.0%
Raw Materials	27,317	22,579	21.0%	27,119	0.7%	22,824	19.7%	73,702	67,052	9.9%
% of Net Sales	54.9%	54.0%	90 bps	53.3%	163 bps	53.5%	139 bps	54.1%	54.6%	-53 bps
Personnel	3,420	3,093	10.6%	3,969	-13.8%	3,464	-1.3%	10,420	9,081	14.7%
% of Net Sales	6.9%	7.4%	-53 bps	7.8%	-92 bps	8.1%	-125 bps	7.6%	7.4%	25 bps
Manufacturing & Other Exp	6,983	5,214	33.9%	6,563	6.4%	5,466	27.7%	17,627	14,682	20.1%
% of Net Sales	14.0%	12.5%	156 bps	12.9%	114 bps	12.8%	122 bps	12.9%	12.0%	98 bps
Total Expenditure	37,719	30,886	22.1%	37,650	0.2%	31,754	18.8%	1,01,749	90,815	12.0%
EBITDA	12,012	10,903	10.2%	13,229	-9.2%	10,877	10.4%	34,543	31,983	8.0%
EBITDA Margin (%)	24.2%	26.1%	-194 bps	26.0%	-185 bps	25.5%	-136 bps	25.3%	26.0%	-70 bps
Depreciation	1,793	1,475	21.5%	1,771	1.2%	1,801	-0.4%	5,280	4,324	22.1%
EBIT	10,219	9,427	8.4%	11,458	-10.8%	9,077	12.6%	29,264	27,659	5.8%
Interest Expenses	134	124	7.7%	131	1.9%	131	1.9%	388	355	9.2%
Non-operating income	2,888	2,537	13.8%	3,053	-5.4%	3,538	-18.4%	9,245	7,707	20.0%
PBT	12,973	11,840	9.6%	14,379	-9.8%	12,483	3.9%	38,121	35,011	8.9%
Tax-Total	2,903	3,019	-3.8%	3,595	-19.2%	2,617	10.9%	8,916	8,865	0.6%
Tax Rate (%) - Total	22.4%	25.5%	-312 bps	25.0%	-262 bps	21.0%	141 bps	23.4%	25.3%	-193 bps
PAT	10,070	8,821	14.2%	10,784	-6.6%	9,866	2.1%	29,205	26,147	11.7%
Share of profit in JV	1,635	1,139	43.6%	1,179	38.7%	1,138	43.7%	4,518	3,159	43.0%
Adj. PAT	11,705	9,960	17.5%	11,964	-2.2%	11,003	6.4%	33,723	29,306	15.1%
PAT Margin	23.5%	23.8%	-30 bps	23.5%	2 bps	25.8%	-227 bps	24.7%	23.9%	88 bps

Source: Company, PL

Exhibit 2: Operating Metrics – VECV realization grew by 4.3% YoY

Y/e March (Rs)	Q3FY25	Q3FY24	YoY gr.	Q3FY25E	% Var.	Q3FY25	QoQ gr.	9MFY25	9MFY24	YoY gr.
Volumes (in units)	21,010	20,706	1.5%	21,010	-	20,774	1.1%	61,486	59,828	2.8%
Net ASP (Rs/vel)	27,61,066	26,48,025	4.3%	25,77,007	7.1%	26,16,251	5.5%	26,51,986	25,88,086	2.5%
Net Sales	58,010	54,830	5.8%	54,143	7.1%	54,350	6.7%	1,63,060	1,54,840	5.3%
EBITDA	5,090	4,380	16.2%	3,952	28.8%	3,950	28.9%	12,890	12,290	4.9%
EBITDA margin (%)	8.8%	8.0%	79 bps	7.3%	147 bps	7.3%	151 bps	7.9%	7.9%	-3 bps
PAT	3,010	2,110	42.7%	2,166	39.0%	2,080	44.7%	8,280	5,770	43.50%

Source: Company, PL

Exhibit 3: Operating Metrics – RE realizations were flat and declined sequentially

Y/e March (Rs)	Q3FY25	Q3FY24	YoY gr.	Q3FY25E	% Var.	Q3FY25	QoQ gr.	9MFY25	9MFY24	YoY gr.
RE Sales Volume (nos)	2,72,297	2,28,073	19.4%	2,72,297	-	2,27,872	19.5%	7,27,905	6,82,721	6.6%
Net Realisation/Vehicle	1,82,636	1,83,224	-0.3%	1,86,851	-2.3%	1,87,082	-2.4%	1,87,239	1,79,865	4.1%
EBITDA/vehicle	44,113	47,804	-7.7%	48,581	-9.2%	47,734	-7.6%	47,456	46,846	1.3%
Net Profit/vehicle	36,981	38,677	-4.4%	39,605	-6.6%	43,295	-14.6%	40,122	38,297	4.8%

Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
Net Revenues	1,65,358	1,86,683	2,07,044	2,28,721
YoY gr. (%)	14.5	12.9	10.9	10.5
Cost of Goods Sold	89,807	1,00,831	1,10,414	1,21,857
Gross Profit	75,551	85,853	96,630	1,06,865
Margin (%)	45.7	46.0	46.7	46.7
Employee Cost	12,357	14,136	16,276	17,976
Other Expenses	19,925	24,488	27,247	30,204
EBITDA	43,269	47,229	53,107	58,684
YoY gr. (%)	25.7	9.2	12.4	10.5
Margin (%)	26.2	25.3	25.7	25.7
Depreciation and Amortization	5,976	6,677	7,677	8,510
EBIT	37,293	40,552	45,430	50,174
Margin (%)	22.6	21.7	21.9	21.9
Net Interest	509	514	532	542
Other Income	10,759	13,419	15,613	16,441
Profit Before Tax	47,543	53,456	60,510	66,074
Margin (%)	28.8	28.6	29.2	28.9
Total Tax	12,010	12,458	14,367	15,651
Effective tax rate (%)	25.3	23.3	23.7	23.7
Profit after tax	35,533	40,998	46,143	50,423
Minority interest	-	-	-	-
Share Profit from Associate	4,477	5,014	5,359	5,916
Adjusted PAT	40,010	46,012	51,502	56,338
YoY gr. (%)	-	-	-	-
Margin (%)	24.2	24.6	24.9	24.6
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	40,010	46,012	51,502	56,338
YoY gr. (%)	37.3	15.0	11.9	9.4
Margin (%)	24.2	24.6	24.9	24.6
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	-	-	-	-
Equity Shares O/s (m)	274	274	274	274
EPS (Rs)	146.1	168.1	188.1	205.8

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
Non-Current Assets				
Gross Block	61,057	71,057	81,057	91,057
Tangibles	61,057	71,057	81,057	91,057
Intangibles	-	-	-	-
Acc: Dep / Amortization	31,914	38,590	46,267	54,778
Tangibles	31,914	38,590	46,267	54,778
Intangibles	-	-	-	-
Net fixed assets	29,144	32,467	34,790	36,280
Tangibles	29,144	32,467	34,790	36,280
Intangibles	-	-	-	-
Capital Work In Progress	5,551	6,384	7,341	8,442
Goodwill	-	-	-	-
Non-Current Investments	25,785	30,237	33,261	36,587
Net Deferred tax assets	(4,611)	(4,657)	(4,703)	(4,751)
Other Non-Current Assets	-	-	-	-
Current Assets				
Investments	1,09,485	1,21,265	1,36,422	1,58,548
Inventories	14,096	16,878	19,003	20,992
Trade receivables	3,738	5,115	5,672	6,266
Cash & Bank Balance	1,463	5,856	13,675	17,025
Other Current Assets	35,361	37,129	39,728	42,509
Total Assets	2,31,279	2,62,986	2,98,312	3,35,912
Equity				
Equity Share Capital	274	274	274	274
Other Equity	1,80,182	2,09,766	2,42,102	2,76,536
Total Networkth	1,80,455	2,10,040	2,42,376	2,76,810
Non-Current Liabilities				
Long Term borrowings	2,756	2,894	3,038	3,190
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	20,901	22,504	24,959	27,572
Other current liabilities	22,556	22,891	23,236	23,589
Total Equity & Liabilities	2,31,279	2,62,986	2,98,312	3,35,912

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
PBT	52,020	58,470	65,870	71,989
Add. Depreciation	5,976	6,677	7,677	8,510
Add. Interest	509	514	532	542
Less Financial Other Income	10,759	13,419	15,613	16,441
Add. Other	(10,759)	(13,419)	(15,613)	(16,441)
Op. profit before WC changes	47,746	52,243	58,466	64,600
Net Changes-WC	(24,105)	(4,987)	(3,248)	(3,240)
Direct tax	(10,312)	(12,412)	(14,321)	(15,604)
Net cash from Op. activities	13,329	34,844	40,898	45,756
Capital expenditures	(9,050)	(10,833)	(10,958)	(11,101)
Interest / Dividend Income	-	-	-	-
Others	7,258	8,967	12,589	13,115
Net Cash from Invt. activities	(1,793)	(1,866)	1,631	2,014
Issue of share cap. / premium	4,506	-	-	-
Debt changes	799	138	145	152
Dividend paid	(13,964)	(16,428)	(19,166)	(21,904)
Interest paid	(509)	(514)	(532)	(542)
Others	-	-	-	-
Net cash from Fin. activities	(9,168)	(16,805)	(19,554)	(22,294)
Net change in cash	2,369	16,174	22,975	25,476
Free Cash Flow	4,279	24,012	29,940	34,655

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q4FY24	Q1FY25	Q2FY25	Q3FY25
Net Revenue	42,560	43,931	42,631	49,731
YoY gr. (%)	11.9	10.2	3.6	19.0
Raw Material Expenses	22,754	23,562	22,824	27,317
Gross Profit	19,806	20,369	19,807	22,415
Margin (%)	46.5	46.4	46.5	45.1
EBITDA	11,286	11,654	10,877	12,012
YoY gr. (%)	20.9	14.2	0.1	10.2
Margin (%)	26.5	26.5	25.5	24.2
Depreciation / Depletion	1,653	1,686	1,801	1,793
EBIT	9,634	9,968	9,077	10,219
Margin (%)	22.6	22.7	21.3	20.5
Net Interest	153	123	131	134
Other Income	3,052	2,820	3,538	2,888
Profit before Tax	12,532	12,665	12,483	12,973
Margin (%)	29.4	28.8	29.3	26.1
Total Tax	3,146	3,396	2,617	2,903
Effective tax rate (%)	25.1	26.8	21.0	22.4
Profit after Tax	9,386	9,269	9,866	10,070
Minority interest	-	-	-	-
Share Profit from Associates	1,318	1,746	1,138	1,635
Adjusted PAT	10,705	11,015	11,003	11,705
YoY gr. (%)	18.2	19.9	8.3	17.5
Margin (%)	25.2	25.1	25.8	23.5
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	10,705	11,015	11,003	11,705
YoY gr. (%)	18.2	19.9	8.3	17.5
Margin (%)	25.2	25.1	25.8	23.5
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	-	-	-	-
Avg. Shares O/s (m)	274	274	274	274
EPS (Rs)	39.1	40.2	40.2	42.8

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY24	FY25E	FY26E	FY27E
Per Share(Rs)				
EPS	146.1	168.1	188.1	205.8
CEPS	168.0	192.4	216.1	236.8
BVPS	659.1	767.1	885.2	1,011.0
FCF	15.6	87.7	109.3	126.6
DPS	51.0	60.0	70.0	80.0
Return Ratio(%)				
RoCE	22.3	20.5	19.8	19.1
ROIC	49.3	43.8	43.8	43.9
RoE	24.2	23.6	22.8	21.7
Balance Sheet				
Net Debt : Equity (x)	(0.6)	(0.6)	(0.6)	(0.6)
Net Working Capital (Days)	(50)	(40)	(36)	(33)
Valuation(x)				
PER	36.5	31.7	28.3	25.9
P/B	8.1	6.9	6.0	5.3
P/CEPS	31.7	27.7	24.6	22.5
EV/EBITDA	31.2	28.3	24.7	21.9
EV/Sales	8.2	7.1	6.3	5.6
Dividend Yield (%)	1.0	1.1	1.3	1.5

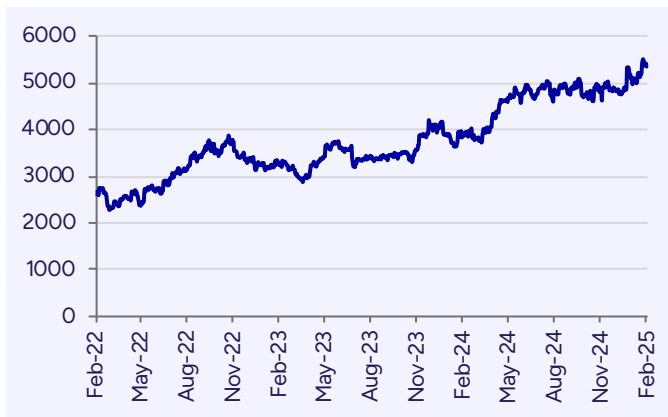
Source: Company Data, PL Research

Key Operating Metrics

Y/e Mar	FY24	FY25E	FY26E	FY27E
Royal volumes (in units)	9,12,732	9,88,277	10,50,374	11,05,475
% YoY	9	8	6	5
VECV volumes (in units)	85,560	89,131	92,251	95,480
% YoY	7	4	3	3

Source: Company Data, PL Research

Price Chart



Recommendation History

No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	09-Jan-25	Hold	5,332	5,163
2	14-Nov-24	BUY	5,299	4,599
3	07-Oct-24	BUY	5,416	4,668
4	09-Aug-24	BUY	5,335	4,577
5	08-Jul-24	BUY	5,335	4,737
6	13-May-24	BUY	5,335	4,658
7	08-Apr-24	Accumulate	4,215	4,031
8	14-Feb-24	Accumulate	4,100	3,854

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Ashok Leyland	Accumulate	243	223
2	Bajaj Auto	BUY	9,853	8,398
3	Bharat Forge	Accumulate	1,435	1,249
4	CEAT	Hold	3,030	3,044
5	Divgi Torqtransfer Systems	Hold	637	585
6	Eicher Motors	Hold	5,332	5,163
7	Endurance Technologies	BUY	2,698	2,100
8	Exide Industries	Hold	350	343
9	Hero Motocorp	Accumulate	4,736	4,275
10	Mahindra & Mahindra	BUY	3,664	3,198
11	Maruti Suzuki	BUY	14,154	11,978
12	Tata Motors	Hold	733	753
13	TVS Motor Company	Hold	2,461	2,336

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly

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