

Eicher Motors Limited

Instrument	Amount (Rs. Crore)	Rating Action
Fund based facilities	20.0 (enhanced from 6.0)	[ICRA]AA+ (stable) reaffirmed
Non-fund based facilities	15.0 (reduced from 20.0)	[ICRA]AA+ (stable)/[ICRA]A1+ reaffirmed
Fund based/Non Fund Based facilities	54.5 (enhanced from 29.5)	[ICRA]AA+ (stable)/[ICRA]A1+ reaffirmed
Unallocated	10.5 (reduced from 19.5)	[ICRA]AA+ (stable) reaffirmed
Total	100.0 (enhanced from 75.0)	

ICRA has re-affirmed **[ICRA]AA+/[ICRA]A1+** (pronounced ICRA double A plus/ ICRA A One plus) ratings for the Rs. 100.0 Crore (enhanced from Rs. 75.0 Crore) bank facilities of Eicher Motors Limited (EML)[†]. The outlook on the long-term rating is “Stable”.

The rating reaffirmation takes into account the established market position of EML in the niche segment of leisure bikes, wherein the company has continued to record a robust growth in volumes for its ‘Royal Enfield’ brand of motorcycles, benefitting from an expanding dealer network and regular product launches/refreshes. In spite of healthy ramp up in volumes from its second plant (at Oragadam), EML continues to have a waiting period of about 3-4 months for select products, thereby providing revenue visibility in the motorcycle business over the near to medium term. It plans to further enhance capacity by setting up a third plant which would support healthy growth in volumes going forward. Although EML continues to have a limited presence in the exports market for its motorcycles business, it has strengthened its management team and distribution network over the past two years, and remains focussed on increasing its global presence going forward.

While EML’s motorcycle business continues to record robust growth, the company’s status as a holding company of VE Commercial Vehicles Limited (VECV, which is EML’s 54.4% subsidiary), an established player in the domestic light and medium commercial vehicle (CV) industry, provides diversification benefits. VECV has been able to maintain its market position in the CV business on the back of continuous product launches/refreshes, expanding dealer network and targeted marketing efforts over the past few years. It is expected to report healthy revenue and earnings growth over the medium term, benefitting from the launch of new products under the Pro Series, ramp up in operations of powertrain facility and improving position in the buses segment, aided by steady near term growth prospects for the commercial vehicle segment.

The ratings assigned also continue to factor in favourably the strong financial risk profile of EML, characterized by negligible debt and substantial cash balances and liquid investments on the company’s books. EML has invested significantly over the past five years in both the motorcycles and commercial vehicle business towards setting up new manufacturing facilities and expanding capacity and new product developments. Although it continues to have significant investments planned towards further capacity expansion and new product developments going forward, the available liquid balances as well as expected accruals are likely to be adequate for meeting the planned investments and would thus help the company maintain its conservative risk profile.

Notwithstanding the strong position of the company in premium motorcycle segment, EML’s overall positioning in the domestic two-wheeler industry remains marginal. Its ability to sustain high volume growth in the backdrop of expected increase in competitive intensity in the segment, as well as its success in the export markets remains to be seen and would remain a key rating sensitivity. Additionally, besides its own risk profile on a standalone basis, EML’s ratings would remain linked to VECV’s ability to improve its market presence while sustaining profitability and capitalize on the large investments made over the past few years. Although being a

[†] For complete rating scale and definitions, please refer to ICRA’s Website www.icra.in or other ICRA Rating Publications



majority shareholder in VECV provides diversification benefits to the company, it also exposes the company's performance (consolidated basis) to risks associated with the CV business that remains inherently cyclical.

Company Profile

Eicher Motors Limited (EML) is the flagship company of the Eicher Group in India and a leading player in the Indian automobile industry. On a standalone basis, EML is engaged in the manufacturing and marketing of motorcycles under the Royal Enfield brand with manufacturing facilities based at Chennai and Oragadam. Additionally, the company also operates as a holding company for investments in VECV. The company also has a 50:50 strategic joint venture with US based Polaris Industries Inc. - Eicher Polaris Pvt Ltd., which is into designing and manufacturing of a full new range of personal vehicles.

Recent Results

In Jan 15- Mar 16 (15 months), EML (consolidated) reported operating revenues of Rs. 15,688.7 Crore and Operating Profit before Depreciation, Interest and Tax (OPBDIT) of Rs. 2,449.3 Crore.

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