

Eicher Motors

A steady quarter

Eicher's consolidated 3QFY21 PAT at Rs 5.3bn (+7% YoY) was led by a sharp revival in the VECV segment. On Royal Enfield, while demand for the Meteor remains encouraging, the waiting periods on other models has fallen. The company is resolving production bottlenecks at RE. We set a revised Mar-22 TP of Rs 2,600 (we are raising our FY22/23E by ~13% to factor in the improving production and enhanced VECV profitability). The stock trades at elevated valuations of 51x / 33x on FY21/22E earnings.

- 3QFY21 financials: Standalone:** RE volumes at 199.6k units were up +9% YoY and realisations grew ~8% YoY (flattish QoQ) to Rs 141k. Revenue at Rs 28bn grew 18% YoY. EBITDA margin at 23.5% was up 70bp QoQ (-170bps YoY). While standalone PAT was flat YoY at Rs.4.8bn, the consolidated PAT grew +7% YoY, 55% QoQ due to improved performance at VECV - Margins at 8.6% (+170bp QoQ) surprised positively due to operating leverage benefits and the business reported a PAT of Rs.580mn (vs a loss QoQ).
- Call and other takeaways: (1) Supply situation:** The supply bottlenecks at RE are gradually easing up, with overall production at 75K units in December **(2) Demand scenario:** The demand in urban cities is now picking up with top 10 cities share rising to 25% of sales as these centers have opened up (up from 20% levels earlier). While demand for the Meteor remains encouraging, the waiting on other models has come down **(3) Margin outlook:** To offset rising commodity prices, (RM costs were higher by 140bp QoQ), RE has raised prices by 3-5% across models recently **(4) Exports:** remains a focus area for the company, with a new store opened in Japan recently. The management continues to expand its distribution network overseas **(4) CVs:** VECV volumes are reviving, led by market share gains on its new BSVI portfolio. Volumes were up +3% YoY to 12,800 units and profitability surprised with margins of 8.6%. The management expects to gain further market share due to its superior BSVI products.

Financial Summary (Consolidated)

YE Mar (Rs mn)	3Q FY21	3Q FY20	YoY (%)	2Q FY21	QoQ (%)	FY19	FY20	FY21E	FY22E	FY23E
Net Sales	28,283	23,710	19.3	21,336	32.6	97,971	91,536	85,804	111,286	136,629
EBITDA	6,720	5,923	13.5	4,711	42.7	29,031	21,804	18,379	26,171	34,158
APAT	5,326	4,987	6.8	3,433	55.1	22,203	18,275	15,514	23,871	31,439
Adj. EPS (Rs)	19.5	18.3	6.8	12.6	55.1	81.4	66.9	56.8	87.4	115.2
APAT Gr (%)						1.9	(17.7)	(15.1)	53.9	31.7
P/E (x)						35.6	43.3	51.0	33.2	25.2
RoE (%)						27.8	19.3	14.6	19.6	21.8

Source: Company, HSIE Research

Change in estimates

Rs mn	New			Old			Change (%)		
	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E
Revenue	85,804	111,286	136,629	82,253	100,130	122,932	4	11	11
EBITDA	18,379	26,171	34,158	18,020	24,688	31,020	2	6	10
EBITDA margin (%)	21.4	23.5	25.0	21.9	24.7	25.2	-49 bps	-114 bps	-23 bps
PAT	15,514	23,871	31,439	14,638	21,461	27,445	6	11	15
EPS	56.8	87.4	115.2	53.6	78.6	100.5	6	11	15

Source: Company, HSIE Research

REDUCE

CMP (as on 10 Feb 2021)	Rs 2,900
Target Price	Rs 2,600
NIFTY	15,107

KEY CHANGES	OLD	NEW
Rating	REDUCE	REDUCE
Price Target	Rs 2,390	Rs 2,600
	FY21E	FY22E
EPS %	6%	11%

KEY STOCK DATA

Bloomberg code	EIM IN
No. of Shares (mn)	273
MCap (Rs bn) / (\$ mn)	793/10,884
6m avg traded value (Rs mn)	4,530
52 Week high / low	Rs 3,037/1,245

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	29.8	35.9	52.2
Relative (%)	11.3	1.5	27.0

SHAREHOLDING PATTERN (%)

	Sep-20	Dec-20
Promoters	49.3	49.3
FIs & Local MFs	10.1	8.9
FPIs	28.2	28.9
Public & Others	12.5	12.4
Pledged Shares	0.0	0.0

Source : BSE

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