

**Market Cap.**

Rs.58,816 Cr.

**52 Week H/L**

Rs.23,427/12,460

**CMP**

Rs.21,540

**Target Price**

Rs.28,681

## AUTO

Eicher Motors Ltd. has reported numbers for the quarter ended Jun'20. Following are the highlights of the result.

### STOCK DATA

#### BUY

Reuters Code	EICH.BO	
Bloomberg Code	EIM IN	
BSE Code	505200	
NSE Symbol	EICHERMOT	
Face Value	Rs.10	
Shares Outstanding	2.73 Cr.	
Avg. Daily Volume (6m)	2,57,989 Shares	
Price Performance (%)		
1M	3M	6M
12	50	14
200 days EMA Rs.18,450		

### SHARE HOLDING (%)

Promoters	49.3
FII/ MF	26.9
FI	12.5
Bodies Corporate	0.7
Public & Others	10.7

#### RESEARCH ASSOCIATE

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#### Sales:

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Particulars	Q1FY21	Q1FY20	YoY	Q4FY20	QoQ
Net Sales	818.16	2,381.92	-65.7%	2,208.18	-62.9%
EBITDA	3.79	614.47	-99.4%	432.18	-99.1%
<b>EBITDA Margin</b>	<b>0.46%</b>	<b>25.80%</b>	<b>-2533 Bps</b>	<b>19.57%</b>	<b>-1911 Bps</b>
Profit before Tax	(50.67)	663.45	-107.6%	446.84	-111.3%
Profit after Tax	(55.18)	451.77	-112.2%	304.28	-118.1%
<b>PAT Margin</b>	<b>-6.74%</b>	<b>18.97%</b>	<b>-2571 Bps</b>	<b>13.78%</b>	<b>-2052 Bps</b>
EPS	(2.02)	165.54	-101.2%	111.46	-101.8%

### Highlights from the Quarter (Q1FY21)

During the quarter, which was impacted by the Covid-19 pandemic and its repercussions, Eicher Motors saw its revenue decline by 65.7% YoY to Rs. 818.16 Cr. The revenue declined 62.9% on a QoQ basis from Rs. 2,208.18 Cr in the previous quarter. The dip in revenue was mainly due to decline in sales volumes, with Royal Enfield selling 58,383 units in Q1FY21 as compared to 181,966 units in Q1FY20, a decline of 68% YoY.

The company just managed to stay EBITDA positive, bringing in Rs. 3.79 Cr for the quarter, down by more than 99% on both YoY and QoQ fronts. The EBITDA margin shrank to 0.46% against 25.80% in the corresponding quarter last year and 19.57% in the previous quarter. This was purely due to low operating leverage which led to all fixed costs increasing as a percentage of revenue. On the bottom line, the company had a net loss of Rs. 55.18 Cr for the quarter, including the Rs. 65.40 Cr loss from VECV joint venture.

With the lockdown easing out, the company reported that enquiry levels are back to pre-Covid levels with booking lagging marginally. Smaller towns and cities performed better than large cities, which suggests the studio stores are working well. The company added 38 studio stores during Q1FY21 and the total count stands at 638 stores. However, due to supply chain constraints, the company is unable to meet the growing demand with production lagging bookings by ~40-45,000 units. On the international front, the 650 Twins continue to do well and the Interceptor 650 became the highest selling middleweight motorcycle in the UK over the last one year. VECV signed an agreement with the Volvo Group to acquire its bus business in India for a consideration of ~Rs. 100 Cr.

Y/E Mar	Revenue (Rs. Cr)	EBITDA (Rs. Cr)	PAT (Rs. Cr)	NPM (%)	REPS (Rs.)	P/E (x)	P/S (x)	P/BV (x)
FY20	9,154	2,180	1,827	20%	669.5	31.9	2.34	5.8
<b>FY21E</b>	<b>5,401</b>	<b>814</b>	<b>769</b>	<b>14%</b>	<b>281.7</b>	<b>75.9</b>	<b>3.96</b>	<b>5.6</b>
<b>FY22E</b>	<b>9,951</b>	<b>2,576</b>	<b>2,209</b>	<b>22%</b>	<b>809.1</b>	<b>26.4</b>	<b>2.15</b>	<b>4.8</b>
<b>FY23E</b>	<b>12,907</b>	<b>3,850</b>	<b>3,263</b>	<b>25%</b>	<b>1,195.1</b>	<b>17.9</b>	<b>1.66</b>	<b>3.9</b>

### OUTLOOK AND VALUATION

We believe with the lockdown easing and demand getting back to normal, Eicher should be able to recover its volumes as the supply chain starts to debottleneck. We maintain our estimates of a 12.1% CAGR growth in revenue over FY20-23E. We maintain BUY for Eicher Motors for a price target of Rs. 28,681 over an investment horizon of 24-30 months.



**PROFIT & LOSS STATEMENT**

(Rs. Cr)

Y/E Mar.	FY20	FY21E	FY22E	FY23E
<b>Revenue</b>	<b>9,154</b>	<b>5,401</b>	<b>9,951</b>	<b>12,907</b>
Raw Material Cost	4,996	3,033	5,330	6,745
Employee Cost	796	876	947	993
Other Expenses	1,182	678	1,097	1,320
<b>EBITDA</b>	<b>2,180</b>	<b>814</b>	<b>2,576</b>	<b>3,850</b>
<i>EBITDA Margin (%)</i>	<i>23.8%</i>	<i>15.1%</i>	<i>25.9%</i>	<i>29.8%</i>
Depreciation	382	403	408	432
<b>EBIT</b>	<b>1,799</b>	<b>411</b>	<b>2,168</b>	<b>3,418</b>
<i>EBIT Margin (%)</i>	<i>19.7%</i>	<i>7.6%</i>	<i>21.8%</i>	<i>26.5%</i>
Finance Costs	19	11	20	26
Other Income	543	594	665	738
Share of Profits from Joint Venture	32	31	132	220
<b>Profit before Tax</b>	<b>2,355</b>	<b>1,026</b>	<b>2,945</b>	<b>4,350</b>
Tax Expense	527	256	736	1,088
<b>Net Profit</b>	<b>1,827</b>	<b>769</b>	<b>2,209</b>	<b>3,263</b>
<i>Net Margin (%)</i>	<i>20.0%</i>	<i>14.2%</i>	<i>22.2%</i>	<i>25.3%</i>
<b>EPS</b>	<b>669.5</b>	<b>281.7</b>	<b>809.1</b>	<b>1,195.1</b>

**FINANCIAL RATIO STATEMENT**

Y/E Mar.	FY20	FY21E	FY22E	FY23E
<b>Growth (%)</b>				
Revenue	-6.6%	-41.0%	84.2%	29.7%
EBITDA	-24.9%	-62.7%	216.5%	49.4%
Net Profit	-17.0%	-57.9%	187.2%	47.7%
<b>Profitability (%)</b>				
EBITDA Margin	23.8%	15.1%	25.9%	29.8%
Net Profit Margin	20.0%	14.2%	22.2%	25.3%
ROCE	17.3%	3.8%	17.1%	21.9%
ROE	18.3%	7.4%	18.0%	21.5%
<b>Per Share Data (Rs.)</b>				
EPS	670	282	809	1,195
BVPS	3,656	3,813	4,492	5,547
<b>Valuation (x)</b>				
P/E	32.1	76.3	26.6	18.0
P/BV	5.9	5.6	4.8	3.9
EV/EBITDA	27.0	71.8	22.6	15.0
P/SALES	2.35	3.98	2.16	1.66
<b>Turnover</b>				
Inventory days	42	61	46	41
Debtor days	3	12	3	3
Creditor days	75	76	83	73
<b>Gearing Ratio</b>				
Debt/Equity	0.02	0.01	0.01	0.01
<b>Free Cash Flow to the Firm</b>	<b>127</b>	<b>1,295</b>	<b>1,650</b>	<b>2,057</b>
<b>Free Cash Flow to Equity</b>	<b>84</b>	<b>960</b>	<b>1,398</b>	<b>1,598</b>

Source: Company, Sushil Finance Research

**BALANCE SHEET STATEMENT**

(Rs. Cr)

Y/E Mar.	FY20	FY21E	FY22E	FY23E
PP&E (incl. CWIP)	2,029	2,030	2,120	2,204
Other Non-Current assets	4,047	4,595	5,460	6,690
Inventories	572	506	666	749
Trade Receivables	87	180	95	117
Cash and Bank Balances	2,951	3,267	3,518	3,938
Other Current Assets	2,765	2,009	3,275	4,480
<b>Total Assets</b>	<b>12,450</b>	<b>12,587</b>	<b>15,135</b>	<b>18,178</b>
Equity Share Capital	27	27	27	27
Reserves & Surplus	9,954	10,382	12,235	15,116
Borrowings (LT & ST)	144	135	149	129
Other Non-Current Liabilities	444	451	444	450
Trade Payables	1,028	632	1,211	1,349
Other Financial Liabilities	167	170	172	173
Other Current Liabilities	519	624	730	768
Current Tax Liab & Provisions	166	166	166	166
<b>Total Liabilities</b>	<b>12,450</b>	<b>12,587</b>	<b>15,135</b>	<b>18,178</b>

**CASH FLOW STATEMENT**

(Rs. Cr)

Y/E Mar.	FY20	FY21E	FY22E	FY23E
PBT	2,355	1,026	2,945	4,350
Depreciation	382	403	408	432
Interest	19	11	20	26
<b>CFO before Working Cap chg</b>	<b>2,755</b>	<b>1,440</b>	<b>3,373</b>	<b>4,808</b>
Chg in Inventories	61	67	(161)	(83)
Chg in Investments	(2,044)	757	(1,230)	(1,145)
Chg in Trade Receivables	(2)	(93)	85	(23)
Chg in Other Current Assets	19	(1)	(37)	(59)
Chg in Short term Borrowings	(42)	(9)	14	(20)
Chg in Trade Payables	(206)	(396)	580	137
Chg in Other Fin Liabilities	4	3	2	1
Chg in Other Current Liabilities	(88)	105	105	39
Income Taxes Paid	(527)	(256)	(736)	(1,088)
Other Adjustments	1,514	-	-	-
<b>Cash Flow from Operations</b>	<b>1,694</b>	<b>1,616</b>	<b>1,995</b>	<b>2,568</b>
Chg in Other Non-current Liabilities	20	7	(7)	6
Interest Paid	(19)	(11)	(20)	(26)
Dividend Paid	(341)	(341)	(355)	(382)
Other Adjustments	(572)	-	-	-
<b>Cash Flow from Financing</b>	<b>(858)</b>	<b>(345)</b>	<b>(382)</b>	<b>(402)</b>
Capital Expenditure	(446)	(405)	(498)	(516)
Investments	1,166	(546)	(796)	(1,185)
Other Non-Current Assets	69	(2)	(68)	(44)
Other Adjustments	(2,023)	-	-	-
<b>Cash Flow from Investing</b>	<b>(1,508)</b>	<b>(954)</b>	<b>(1,362)</b>	<b>(1,746)</b>
<b>Opening Cash</b>	<b>727</b>	<b>43</b>	<b>360</b>	<b>611</b>
<b>Total Cash Flow</b>	<b>(673)</b>	<b>317</b>	<b>251</b>	<b>420</b>
<b>Closing Cash</b>	<b>54</b>	<b>360</b>	<b>611</b>	<b>1,031</b>

Source: Company, Sushil Finance Research

### Earlier Recommendation

Date	Report Type	Reco	Price (Rs.)	Target (Rs.)
30 July, 2020	Initiating Coverage	Buy	21,381	28,681

#### Rating Scale :

This is a guide to the rating system used by our Institutional Research Team. Our rating system comprises of three rating categories.

<b>Total Expected Return Matrix (Rating and Return)</b>	<b>BUY : Over 20%</b>	<b>HOLD : 0% to 20%</b>	<b>SELL : 0% to -20%</b>
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Sushil Financial Services Pvt. Ltd and Group Directors Holding	No
Broking Relationship with the company covered	No