

Eicher Motors Q2FY21

Financial Results & Highlights

Brief Company Introduction

Eicher Motors Limited is an Indian manufacturer of motorcycles and commercial vehicles. Eicher is the parent company of Royal Enfield, a manufacturer of middleweight motorcycles. In addition to motorcycles, Eicher has a joint venture with Sweden's AB Volvo - Volvo Eicher Commercial Vehicles Limited (VECV).

| Standalone Financials (In Crs) | | | | | | | | |
|----------------------------------|--------|--------|---------|--------|----------|--------|--------|---------|
| | Q2FY21 | Q2FY20 | YoY % | Q1FY21 | QoQ % | H1FY21 | H1FY20 | YoY |
| Sales | 2223 | 2327 | -4.47% | 884 | 151.47% | 3108 | 4868 | -36.15% |
| PBT | 478 | 599 | -20.20% | 16 | 2887.50% | 495 | 1307 | -62.13% |
| PAT | 361 | 570 | -36.67% | 12 | 2908.33% | 373 | 1069 | -65.11% |
| Consolidated Financials (In Crs) | | | | | | | | |
| | Q2FY21 | Q2FY20 | YoY % | Q1FY21 | QoQ % | H1FY21 | H1FY20 | YoY |
| Sales | 2234 | 2338 | -4.45% | 932 | 139.70% | 3166 | 4840 | -34.59% |
| PBT | 459 | 601 | -23.63% | -51 | 1000.00% | 408 | 1264 | -67.72% |
| PAT | 343 | 573 | -40.14% | -55 | 723.64% | 288 | 1024 | -71.88% |

Detailed Results:

- The company had a mixed quarter with a 4.5% YoY fall in consolidated revenues and a 40% YoY fall in PAT.
- Volumes for H1 was at 208,000 vs 346,000 last year.
- EBITDA margins for Q1 shrank to 16.8% in H1FY21 vs 25.5% last year.
- The company added 171 new studio stores 7 25 large format stores in H1 bringing the total locations up to 1717.
- The company still enjoys a market share of more than 90% in its segment of 250cc+ motorcycles and a market share of 23.3% in the 125+ cc category.
- Export sales have risen from 96% YoY to 38700 units in FY20.
- The number of international stores has risen to 82 stores in 21 countries and the company plans to bring this up to 100 by the end of FY21.
- The company launched Meteor 350 model in Q2.
- MiY and 3-D Configurator to be available on the Royal Enfield App, the website and across 320 stores initially.
- The total CV volumes sold in H1 were at 10,296 units.
- The market share of VECV in the domestic 3.5-15 ton segment rose to 33.6% vs 28.1% a year ago.
- The market share in buses excluding exports increased to 30.4% from 14.7% a year ago.
- The market share in the heavy-duty segment increased to 7.2% from 4.8% a year ago.
- VECV saw a loss of Rs 127 Cr in H1.

Investor Conference Call Details:

1. MiY is now available on the Meteor 350 as well as on the 650 Twin motorcycles.
2. The new launch Meteor 350 saw good reception and already has more than 8000 bookings.
3. The MiY platform is proving to be a significant differentiator for the company as compared to the rest of the market. 90% of Meteor bookings were from the MiY app.
4. Online inquiries have risen 7 times YoY while conversion rate has also improved to 12-13% from 2-3% previously.
5. Demand slowly rising up with bookings in Oct surpassing last year's levels at 125k bookings.
6. The company produced around 72000 units in Oct.
7. VECV volumes were down 28% YoY which is much better than the industry average of 46% YoY decline. This led to an increase in overall market share to 20.6% vs 13.6% a year ago.
8. The company plans to introduce a new model each quarter for the next few years.
9. The company added 6 new international exclusive stores in Cambodia, Costa Rica, Mexico, UK and Thailand.
10. Average selling price improved YoY mainly on the back of price hikes of Rs 3000 in Bullet and Rs 2000 in others.
11. The management has stated that the core market for Meteor is the 100-150cc motorcycle segment in India.
12. The management also believes that the new Meteor model will be able to capture a different type of customers who have so far stayed away from the retro-looking models of RE.
13. The margin contraction in H1FY21 was mainly due to operating deleverage and BSVI transition.
14. The margins are expected to improve going forward as operating leverage kicks in and cost rationalization efforts bear fruit.
15. The company has already done Capex of Rs 200 Cr in the year so far and will be doing Rs 400-500 Cr for the whole of the year.
16. There are signs of revival in the CV market and the management holds a positive outlook for the segment in H2.

Analyst's View:

Eicher Motors has been one of the highest-rated auto companies in India. This was mainly on the back of their successful turnaround of Royal Enfield and the emergence of the mid-sized (250cc-750cc) motorcycle market. The company saw impressive industry outperformance in both the RE and VECV businesses and a swift comeback in both segments. This is evident from the fact that despite revenue and volumes declines, both of these divisions have gained market share in their respective industry segments and declined less than their respective segments. The company has seen a good response



to the MiY platform which has transformed the company's online presence and conversion. The launch of the Meteor model was also very timely and is expected to expand the company's portfolio and capture the huge 100-150cc market. The company still faces the major challenges plaguing the industry like how long will demand take to normalize for the auto industry and whether there any more disruptions in store in the future from COVID-19. It remains to be seen whether the company will be able to keep outperforming the industry and how its various initiatives like studio stores and Make Your Own platforms pan out in the future. Nonetheless, given its resilient performance in its various segments and the strong brand and industry position of the company, Eicher Motors remains a critical stock to watch out for every auto sector investor.

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