

Eicher Motors Q4FY21

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)								
	Q4FY21	Q4FY20	YoY %	Q3FY21	QoQ %	FY21	FY20	YoY%
Sales	3035	2326	30.48%	2928	3.65%	9071	9693	-6.42%
PBT	631	489	29.04%	658	-4.10%	1783	2430	-26.6%
PAT	468	346	35.26%	488	-4.10%	1330	1904	-30.15%
Consolidated Financials (In Crs)								
	Q4FY21	Q4FY20	YoY %	Q3FY21	QoQ %	FY21	FY20	YoY%
Sales	3054	2351	29.90%	2953	3.42%	9174	9697	-5.39%
PBT	689	447	54%	702	-1.85%	1798	2355	-24%
PAT	526	304	73%	533	-1.31%	1347	1827	-26.27%

Detailed Results:

1. The company had a good quarter with a 30% YoY rise in consolidated revenues and a 73% YoY rise in PAT.
2. Volumes for FY21 was at 612,330 vs 698,000 last year.
3. EBITDA margins for FY21 shrank to 20.7% vs 24.3% last year.
4. Standalone EBITDA margin was at 22% in Q4 vs 20.8% a year ago.
5. Overall market share was at 25.9% in the 125+ cc segment.
6. Eicher has a net cash of Rs 7756 Cr in FY21.
7. The company has total locations of 2056 currently with 1,025 stores and 1,031 studio stores across 1,750 cities.
8. Export sales were at 9.7% of total sales in FY21.
9. The number of international stores has risen to 132 and the company plans to bring this up to 175 by the end of FY22.
10. The company launched the 2021 variants of the 650 Twins and Himalayan.
11. The solutions business (non-vehicle) of RE has now risen to 12.5% of total revenues in FY21.
12. The total CV volumes sold in 9M were at 23,101 units vs 37,092 units a year ago.
13. RE has created a co-branded collection in partnership with Levi's. It has also launched a women's apparel line.
14. RE also launched its mobile app which includes the MiY function and scheduling services other than community connect and motorcycle content.
15. Total CV market share of VECV has risen to 17.6% from 14.6% a year ago.

16. The market share of VECV in the domestic 3.5-15-ton segment rose to 30.1% vs 29.5% a year ago.
17. The market share in buses increased to 19.9% from 14.1% a year ago.
18. The market share in the heavy-duty segment increased to 6.9% from 5.1% a year ago.
19. VECV saw a profit of Rs 57 Cr in FY21. Revenue from operations for the unit was flat YoY while EBITDA margin improved to 6.8% in FY21 vs 4.9% last year.
20. Export volumes for VECV have risen to 5025 units in FY21 from 4568 units in FY20.
21. Eicher Engineering Components saw sales of Rs 820 Cr in FY21.
22. EML announced a final dividend of Rs 17 per share for FY21.

Investor Conference Call Details:

1. The motorcycle industry has grown 20% YoY in H2FY21.
2. VECV grew 6% YoY in FY21 in the heavy-duty segment while the industry declined 21% YoY in the same period.
3. Q4 revenue was the highest ever quarterly revenue for Eicher.
4. RE sold 203,000 motorcycles in Q4 which was up 25% YoY. Exports were down 8% YoY at 35,700 in FY21.
5. Total bookings in Q2, Q3 & Q4 have exceeded FY20 bookings.
6. RE did a 3% to 8% price hike across models since Jan.
7. Meteor was launched in USA, UK, and Asia Pacific. It is slated to be launched in LATAM soon.
8. The penetration of MiY is at 80%.
9. The company also launched Service on Wheels, with 800 bikes and 13 mobile service trucks.
10. The company is facing 3 supply chain disruptions. The first is from the global container shortage, while the other two are from local lockdowns in Delhi, Pune, and TN.
11. The management remains confident of the demand and is sure that production can scale back fast to 80k units once normalcy comes back.
12. The company will maintain its pace of launching 1 new model every quarter in FY22.
13. The company has added capacity for Meteor to bring it up to 15000 units from 8000 units previously.
14. The company is now operating on a delivery backlog of 2-3 months.
15. There was a one-off charge of Rs 50 Cr in other expenses in Q4 which is the forex difference in Brazil. The company expects this to reverse going forward.
16. The management has stated that the company uses 30-35% more precious metals as compared to 150 or lower cc bikes. The majority of this is rhodium. Rhodium has risen around 10x in price in the past 1 year. To cope with this, the company has researched and reduced rhodium consumption by 66%.

17. The management assures that the demand for 650 twins is intact in India and volumes were low as the company was focussing on increasing exports for these bikes and thus was increasing the domestic backlog for them.
18. The management states that it takes time for the customer to go from the mid cc bikes like Meteor or Classic to upper premium bikes like 650 twins. The company remains confident of the long-term success of the twins and is patient as most customers are already upgrading from a lower bike when they get their first Enfield.
19. The management does not expect any big delays of more than a month in their upcoming launch schedule from the global chip shortage, as RE has enough chip stocks for expected requirements.
20. The major focus in distribution going forward is international expansion. The management is also looking into direct-to-home delivery of bikes which may cause it to rethink its distribution strategy.
21. Almost 2/3rd of the 500+ cc market has been captured by RE.
22. The material cost for any RE bike is roughly 55% of ASP.

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 continued its impressive industry outperformance in both the RE and VECV businesses and once again achieved its highest ever quarterly revenue from operations. The company has seen a good response to the MiY platform and the Meteor which has seen overwhelmingly good response. The demand for the Meteor is so high that the company has even decided to increase its monthly capacity to 15000 units from 8-10k units currently. The next big focus for RE is international expansion. The company still faces major challenges plaguing the industry like RM cost inflation and the electronic components shortage, but the management assures that these issues are dealt with by the company either by reducing the consumption of critical RM or by stocking enough chips. It remains to be seen how long the company will be able to keep outperforming the industry and how international expansion plans 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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