

## Eicher Motors Q4FY20

### 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)								
	Q4FY20	Q4FY19	YoY %	Q3FY20	QoQ %	FY20	FY19	YoY%
Sales	2326	2642	-11.97%	2499	-6.95%	9693	10303	-5.92%
PBT	489	755	-35.21%	634	-22.87%	2430	3133	-22.43%
PAT	346	480	-27.95%	489	-29.20%	1904	2054	-7.33%
Consolidated Financials (In Crs)								
	Q4FY20	Q4FY19	YoY %	Q3FY20	QoQ %	FY20	FY19	YoY%
Sales	2351	2643	-11.03%	2506	-6.16%	9697	10240	-5.31%
PBT	447	820	-45.48%	644	-30.62%	2355	3297	-28.58%
PAT	304	545	-44.15%	499	-38.99%	1827	2203	-17.04%

#### Detailed Results:

- The company had a dismal quarter with an 11% fall in consolidated revenues and a 45% decline in PBT.
- Volumes for FY20 fell 15% YoY.
- EBITDA margins for FY20 shrank to 24.3% from 30.1% a year ago.
- The dealer network expanded to 1521 including 600 studio stores from 915 a year ago.
- The company still enjoys a market share of more than 90% in its segment of 250cc+ motorcycles and a market share of 26.6% 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 77 stores in 21 countries in FY20 from 42 stores in 18 countries a year ago.
- The company remains a zero debt company. The net cash position of the company is at Rs 6762 Cr.
- The digital configurator has been implemented where customers can customize a motorcycle on an in-store tablet and place the order directly to the manufacturing plant with real-time updates via email at each stage.
- The solutions business which includes the sale of accessories and apparel & servicing and maintenance and warranty of bikes has risen over the years and now accounts for 11.9% of total revenues in FY20.
- The market share of VECV in the domestic 3.5-15 ton segment is at 29.5%.
- In VECV, sales volumes declined 33% YoY in FY20 against an industry drop of 40%.

13. The market share in the heavy-duty segment increased to 5.9%.
14. Overall revenues for VECV were down 35% YoY in Q4 with a loss of Rs 26 Cr in the period.
15. VECV market including exports increased to 14.6% in FY20 from 13.1% a year ago.
16. The company also announced an incoming stock split of 10 times.

**Investor Conference Call Details:**

1. The management stated that almost 2/3rds of all vehicles sold in Q4 were BSVI compliant.
2. The management has stated that around 90% of its dealerships are open post lockdown and bookings are back to pre-COVID levels.
3. The company saw a few one-offs due to volatility in forex particularly in Latin America & Brazil in Q4. The total impact of one-offs in Q4 was Rs 50 Cr.
4. The management has clarified that the voucher scheme is not based on discounting but on extended warranty and thus it is not damaging to sales.
5. The company has also increased all prices by Rs 3000 due to BSVI. The management has stated that this price increase has not had any adverse impact on demand.
6. The management has stated that the customer set consists majorly of upgrade buyers still. First-time buyers consist of only 10% and replacement is almost 5%.
7. The company will continue with studio store expansion as these stores cost the only 1/10th of normal store setup costs. Thus in current uncertain times, the company is looking to expand its network in a more prudent and cost-effective way.
8. The company is planning to add at least 600 more studio stores in FY21.
9. The capacity utilization right now is at 40%.
10. The CAPEX for FY21 is expected to be lower than FY20 since most of the big projects are done and no new capacity is to be added for at least 2 years. Total Capex should be under Rs 500 Cr for FY21.
11. The management has stated that at a blended level, there are still some costs that have not been passed on to customers and will be done so in the near future.
12. The management has stated that the company will remain in the mid-sized and above CC market and will not look into commuter bikes. This is because the company has had a long-established brand image and are comfortable in their niche of making new markets for their new products like in the case of the Twins and Himalayan.

**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 despite the general auto sector slowdown. 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 also done well



to maintain robust export growth in the year with 96% YoY rise in export volumes. The company still faces the major challenges plaguing the industry like the likely disruption from BSVI transition and general economic uncertainty 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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