

Eicher Motors

'Meteor' to drive sales; valuations remain expensive

Eicher reported 2QFY21 PAT at Rs 3.4bn (-34% YoY, up sharply QoQ). The OEM has rolled out the 'Meteor 350cc' on a new platform along with personalisation options (MIY), which is expected to be a 'differentiator'. The new launch comes at a time when the competition is increasing – the Honda H'ness CB350 has just been launched. We value the RE business at 23x PE, which is at a 25% premium to the mass market OEMs. The stock is trading at 43.7/29.8x FY21/22E. We set a revised Sep-22 TP of Rs 2,100 (we are raising our FY22/23E by 5%). Key risks: Faster-than-expected economic pick-up, encouraging response to new launches.

- 2QFY21 financials: Standalone:** Volumes for RE at ~150k units declined 10% YoY. However, the realisations grew ~8% YoY to Rs 141k, owing to better product mix and price hike taken in Sep-20. Revenue at Rs 21.2bn declined 3% YoY. EBITDA margin at 22.8% was up sharply QoQ, (-220bps YoY). PAT declined 36% YoY to Rs 3.6bn, owing to a lower tax rate in the base quarter. Consolidated PAT declined 34% YoY to Rs 3.4bn. **VECV:** Volumes/revenue declined 28/13% YoY. Margin at 6.9% surprised positively due to higher realisation and cost savings. Loss reduced to Rs 70mn (vs a loss of Rs 1.2bn QoQ).
- Call and other takeaways:** (1) **Meteor 350 launch:** The newly launched Meteor has secured 8k bookings. As per management, the vehicle personalisation option (MIY) is a significant differentiator and has been well accepted by customers. RE plans to launch a revamped model on its new platform every quarter. (2) **Demand pick-up:** Expansion of studio stores (133 opened in 2Q, total ~770 stores) has led to demand penetration, especially in tier-II and III cities. Demand in urban cities is now picking up. Bookings in Oct-20 exceeded that of the previous year and currently stand at 125k units. (2) **Supply chain constraints:** While RE has a capacity of 1mn units, the OEM is facing constraints for specific models or due to bottlenecks from the vendor's side. The company produced 72k units in Oct-20. (4) **CVs:** VECV volumes were down 28% in 2Q (sharply higher QoQ). The industry is witnessing signs of improvement, led by a ramp-up in constructions/mining activities.

Financial Summary (Consolidated)

YEMar (Rs mn)	2Q FY21	2Q FY20	YoY (%)	1Q FY21	QoQ (%)	FY19	FY20	FY21E	FY22E	FY23E
Net Sales	21,336	21,925	(2.7)	8,182	160.8	97,971	91,536	82,253	100,130	122,932
EBITDA	4,711	5,414	(13.0)	38	12,328.8	29,031	21,804	18,020	24,688	31,020
APAT	3,433	5,179	(33.7)	(552)	NA	22,203	18,275	14,638	21,461	27,445
Adj. EPS (Rs)	12.6	19.0	(33.7)	(2.0)	NA	81.4	66.9	53.6	78.6	100.5
APAT Gr (%)						1.9	(17.7)	(19.9)	46.6	27.9
P/E (x)						28.8	35.0	43.7	29.8	23.3
RoE (%)						27.8	19.3	13.9	17.9	19.7

Source: Company, HSIE Research

Change in estimates

Rs mn	New			Old			Change (%)		
	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E
Revenue	82,253	100,130	122,932	80,244	96,298	116,540	3	4	5
EBITDA	18,020	24,688	31,020	17,895	23,485	28,814	1	5	8
EBITDA margin (%)	21.9	24.7	25.2	22.3	24.4	24.7	-39 bps	27 bps	51 bps
PAT	14,638	21,461	27,445	14,609	20,636	25,777	0	4	6
EPS	53.6	78.6	100.5	53.5	75.6	94.4	0	4	6

Source: Company, HSIE Research

REDUCE

CMP (as on 12 Nov 2020)	Rs 2,351
Target Price	Rs 2,100
NIFTY	12,691

KEY CHANGES	OLD	NEW
Rating	REDUCE	REDUCE
Price Target	Rs 1,980	Rs 2,100
EPS %	FY21E	FY22E
	0%	4%

KEY STOCK DATA

Bloomberg code	EIM IN
No. of Shares (mn)	273
MCap (Rs bn) / (\$ mn)	642/8,608
6m avg traded value (Rs mn)	4,665
52 Week high / low	Rs 2,389/1,245

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	6.3	65.9	10.0
Relative (%)	(6.7)	27.7	2.5

SHAREHOLDING PATTERN (%)

	Jun-20	Sep-20
Promoters	49.3	49.3
FIs & Local MFs	12.1	10.1
FPIs	27.0	28.2
Public & Others	11.7	12.5
Pledged Shares	0.0	0.0

Source : BSE

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