

August 6, 2019



**Current Price: ₹ 16483.10**

## STOCK DATA

|            |           |
|------------|-----------|
| BSE Code   | 505200    |
| NSE Symbol | EICHERMOT |
| Reuters    | EICH.BO   |
| Bloomberg  | EIM IN    |

## VALUE PARAMETERS

|                                      |                   |
|--------------------------------------|-------------------|
| 52 W H/L(Rs)                         | 29799.95/15800.00 |
| Mkt. Cap.(Rs Cr)                     | 44980.65          |
| Latest Equity(Subscribed)            | 27.29             |
| Latest Reserve (cons.)               | 8891.44           |
| Latest EPS (cons.) -Unit Curr.       | 761.6             |
| Latest P/E Ratio -cons               | 21.64             |
| Latest Bookvalue (cons.) -Unit Curr. | 3268.26           |
| Latest P/BV - cons                   | 5.04              |
| Dividend Yield -%                    | 0.76              |
| Face Value                           | 10.00             |

## SHARE HOLDING PATTERN (%)

| Description as on        | % of Holding<br>(AS ON 30 Jun 2019) |
|--------------------------|-------------------------------------|
| Foreign                  | 33.82                               |
| Institutions             | 4.70                                |
| Govt Holding             | 0.11                                |
| Non Promoter Corp. Hold. | 1.40                                |
| Promoters                | 49.31                               |
| Public & Others          | 10.67                               |

## Consolidated Financial Results

|                                    | Qtr Ending<br>June. 2019 | Qtr Ending<br>June. 2018 | In Cr.<br>Var.<br>(%) |
|------------------------------------|--------------------------|--------------------------|-----------------------|
| Total Operating Income             | 2381.92                  | 2547.75                  | -7                    |
| OPM (%)                            | 25.80                    | 31.80                    |                       |
| OP                                 | 614.50                   | 809.60                   | -24                   |
| Other Income                       | 120.40                   | 59.61                    | 102                   |
| PBIDT                              | 734.90                   | 869.20                   | -15                   |
| Interest                           | 4.67                     | 1.53                     | 205                   |
| PBDT                               | 730.20                   | 867.68                   | -16                   |
| Depreciation                       | 87.60                    | 70.15                    | 25                    |
| PBT                                | 642.60                   | 797.53                   | -19                   |
| Tax provision^                     | 211.68                   | 285.64                   | -26                   |
| PAT                                | 430.92                   | 511.89                   | -16                   |
| Share of profit/loss of associates | 20.85                    | 64.29                    | -68                   |
| Net Profit                         | 451.77                   | 576.18                   | -22                   |
| EPS                                | 165.54                   | 211.29                   |                       |

### Eicher Motors Ltd.'s profit fell in the quarter ended June as margin contracted amid the worst auto slowdown in a decade, Misses Estimates.

Eicher Motors reported 22% drop in its consolidated net profit of Rs 451.77 core for the first quarter ended June 2019. Consolidated revenue for the quarter fell 7% at Rs 2,381.92 crore. The overall earnings during the quarter was dented by subdued volume performance and weak operating income. Bottomline would have slipped further if not for big surge in other income. The EBITDA margin decreased to 25.8% this quarter from 31.8% in the same period last year last year.

Volvo Eicher Commercial Vehicle (VECV) sold 13,331 trucks and buses in the quarter, declining 18.3% over the same period last year. Royal Enfield sold 183,589 motorcycles in the quarter, registering a drop of 19% from 225,361 motorcycles sold in the same period last year.

### Quarterly Performance

The company's margins registered a drop due to increased cost on all fronts. The raw material cost as % of sales net of stock adjustments rose 150 bps to 51.8%. The employee cost (as a % of sales, net of stock) increased 230 bps to 8.8%. Other expense (as a % of sales, net of stock) increased 180 bps to 11.6% as against 9.8%. OPM during the quarter fell 600 bps to 25.8% (against 31.8%) leading to 24% drop in operating profit to Rs614.47 crore.

With 102% rise in other income at Rs120.4 crore, PBIDT fell 15% to Rs 734.87 crore. Interest cost stood at a negligible Rs 4.67 crore. Depreciation charges shot up by 25 % to Rs 87.6 crore. After this, profit before tax fell 19% to Rs 642.6 crore. After 290 bps drop in tax rate and 26% drop in tax provision to Rs 211.68 crore, profit after tax fell 16% to Rs430.92 crore. Net profit fell 22% to Rs 451.77 crore (after adjusting for 68% drop in share of profits from Jvs).

## Management Comments

**Commenting on Eicher Motors' performance, Siddhartha Lal, Managing Director of Eicher Motors, said,** "The two-wheeler and the CV industry continue to face headwinds on account of weak consumer demand. Sales of Royal Enfield motorcycles declined 19% on year on year basis during the quarter. However, our 650 Twins continue to do extremely well in India as well as across international markets and we are ramping up production to cater to the enthusiastic response that the 650 Twins have received since their launch. Our preparedness for the BS-VI transition continues to be on track and we are on course to meet regulatory timelines. In the CV industry, sales have been low due to the weak demand on account of economic slowdown and liquidity and it is also witnessing heavy discounting. However, as a part of our long term commitment to drive modernisation in the CV industry, VECV unveiled the Eicher Pro 2000 series, India's first BS VI compliant range of CV's. With several industry first modern features, the new Pro 2000 range makes VECV the first CV company to be BS VI compliant, driving modernisation in the CV segment in India and other developing markets."

**Speaking on Royal Enfield's performance, Vinod Dasari, CEO Royal Enfield said,** "The demand in two wheeler industry remains weak due to slowing economic growth, tightening liquidity and regulation driven price increases, that have led to poor consumer sentiment. At Royal Enfield, we remain focused on our key priorities, which is to deepen our markets in India and to strengthen our position as a global consumer brand. To reinforce our distribution network in India, we are working on building a network of compact retail format stores. Royal Enfield Studio Stores will be an important step towards building better accessibility across smaller towns and cities in India and allowing discerning consumers to experience the complete Royal Enfield pure motorcycling ecosystem. We will also be introducing new motorcycle variants in the coming months to widen our offering and provide greater accessibility to our discerning customers".

**Speaking on VECV's performance Vinod Aggarwal, CEO VECV said** "The auto industry is currently going through a very challenging phase. Both domestic as well as export market, have been severely impacted with a drop of more than 20% in Quarter 1 of this year. The decline in market similarly impacted VECV, as our sales also dropped by around 18% in Q1. Overall industry's sentiments are down with an increase in fuel prices, lower availability of loads due to slowdown in economy and consequently low replacement demand. We expect some pick up to happen from September with the onset of the festive season and also anticipate to see some positive impact of pre-buying with BSVI norms becoming applicable from 1st April 2020. Last quarter, VECV unveiled India's first BS VI-compliant CV range with the launch of Eicher Pro 2000 series. VECV has a vast experience of over 6 years while supplying base engines for Euro-VI requirements of the Volvo Group, that gives us an edge in tackling the challenges posed by the new engine technology."

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