

Maintain buy on Eicher Motors as Q1 in line with estimates

Edelweiss

Eicher Motors' (EIM) Q2FY16 numbers were in line with our estimates. The miss in standalone (Royal Enfield - RE) business was offset by strong performance in VECV. RE is on target to produce ~60K units/month in FY17 (we estimate 750K units in FY17). It appears that RE is targeting ~10% market share in the domestic motorcycle industry. Exports opportunity may take time to play out (beyond 2018) given EIM's structured approach with focus on pull demand and dealer profitability at initial stage.

THE MISS IN STANDALONE (ROYAL ENFIELD) BUSINESS WAS OFFSET BY STRONG PERFORMANCE OF VOLVO-EICHER JV

A structured approach to exports, targeting substantially higher market share in domestic (similar to that it has in some tier I cities of 10%) market and focus on demand pull and dealer profitability indicates the company's long-term approach. RE capacity (plant I and II) can reach ~60-65K units/month in FY17. The new plant (plant III) capacity will be available earliest in 2017.

We roll forward our earnings estimates to FY16/17 from CY15/16 earlier. We maintain 'buy/sector outperformer' with a revised target price of ₹22,386.