

TVS Motor

Refer to important disclosures at the end of this report

Strong quarter; EV focus strengthens with new subsidiary

- Q2 EBITDA margin expanded by 70bps yoy to 10%, above our estimate of 8.7%, aided by the restoration of export incentives, higher spare-part sales and a one-time benefit (0.4% of revenues) relating to export incentives of the last two quarters. Revenues rose 22% yoy to Rs56.2bn, above our estimate of Rs54bn, mainly due to a 39% jump in spare-part sales.
- The domestic 2W volume outlook is positive, and premium motorcycles/scooters could outperform ahead. In addition, the export outlook is encouraging, owing to healthy demand in Africa and Latin America regions. We expect 11% volume CAGR over FY22-24E.
- TVSL board approved the incorporation of a subsidiary to undertake the electric mobility business. It will invest Rs10bn on product development and capacity expansion. EV launches are targeted at segments such as premium scooters, high-performance sporty motorcycles, commuter space, delivery market and 3Ws.
- We increase FY22-24 EPS estimates by 1-3% on higher revenue assumptions. We expect robust revenue/earnings CAGRs of 13%/27% over FY22-24E. Retain Buy with a TP of Rs800 (Rs780 earlier), based on 24x Dec'23E EPS (25x Sep'23E earlier) and the value of TVS credit services at Rs26/share.

Strong quarter: Revenue grew by 22% yoy to Rs56.2bn, above our estimate of Rs54bn, due to higher spare-part sales and the reinstatement of export incentives. Volume rose 6% yoy and realization grew by 16% yoy. Spare-part sales increased by 39% to Rs6.1bn, representing 11% of revenues. EBITDA margin expanded by 70bps yoy to 10%, above our estimate of 8.7%. Results include a one-time benefit worth 0.4% of revenues, relating to export incentives for the last two quarters. Consequently, PAT grew 41% yoy to Rs2.8bn, above our estimate of Rs2.2bn.

Increasing focus on EVs: TVSL board approved the incorporation of a subsidiary to undertake the electric mobility business. Management highlighted a strong product pipeline and Rs10bn investment plan, which would qualify for PLI scheme benefits ([Report](#)). It has set up a dedicated 500-member R&D team and a manufacturing facility with monthly capacity of 10,000 units (to be operational from Jan'22). It currently sells iQube electric scooter in 33 cities, and is planning to make the model available across 1,000 dealerships in major towns and cities ahead.

Retain Buy with a revised TP of Rs800 (Rs780 earlier). Key downside risks include delays in economic recovery, rising competitive intensity, further increase in commodity prices and adverse movement in foreign exchange rates.

Please see our sector model portfolio (Emkay Alpha Portfolio): [Automobiles & Auto Ancillaries \(Page 9\)](#)

Financial Snapshot (Standalone)

| (Rs mn) | FY20 | FY21 | FY22E | FY23E | FY24E |
|-------------------|---------|---------|---------|---------|---------|
| Revenue | 164,233 | 167,505 | 217,464 | 251,587 | 279,078 |
| EBITDA | 13,459 | 14,286 | 20,316 | 25,675 | 29,506 |
| EBITDA Margin (%) | 8.2 | 8.5 | 9.3 | 10.2 | 10.6 |
| APAT | 6,177 | 6,120 | 9,934 | 13,465 | 16,029 |
| EPS (Rs) | 13.0 | 12.9 | 20.9 | 28.3 | 33.7 |
| EPS (% chg) | (7.8) | (0.9) | 62.3 | 35.6 | 19.0 |
| ROE (%) | 17.7 | 15.7 | 22.1 | 25.4 | 25.3 |
| P/E (x) | 44.3 | 44.8 | 27.6 | 20.3 | 17.1 |
| EV/EBITDA (x) | 21.5 | 19.3 | 14.0 | 11.0 | 9.5 |
| P/BV (x) | 7.6 | 6.6 | 5.7 | 4.7 | 4.0 |

Source: Company, Emkay Research

| | |
|---|--------------------------------|
| CMP | Target Price |
| Rs 577 as of (October 21, 2021) | Rs 800 (▲) 12 months |
| Rating | Upside |
| BUY (■) | 38.7 % |

Change in Estimates

| | |
|-------------------------|---------|
| EPS Chg FY22E/FY23E (%) | 2.6/3.4 |
| Target Price change (%) | 2.5 |
| Target Period (Months) | 12 |
| Previous Reco | BUY |

Emkay vs Consensus

| | EPS Estimates | |
|-------------------------|---------------|-------|
| | FY22E | FY23E |
| Emkay | 20.9 | 28.3 |
| Consensus | 19.8 | 26.4 |
| Mean Consensus TP (12M) | Rs 623 | |

Stock Details

| | |
|------------------------------|------------|
| Bloomberg Code | TVSL IN |
| Face Value (Rs) | 1 |
| Shares outstanding (mn) | 475 |
| 52 Week H/L | 666 / 407 |
| M Cap (Rs bn/USD bn) | 274 / 3.66 |
| Daily Avg Volume (nos.) | 2,033,965 |
| Daily Avg Turnover (US\$ mn) | 15.1 |

Shareholding Pattern Sep '21

| | |
|-------------------|-------|
| Promoters | 52.3% |
| FIIs | 12.8% |
| DIIIs | 26.8% |
| Public and Others | 8.2% |

Price Performance

| (%) | 1M | 3M | 6M | 12M |
|----------------------|----|------|------|------|
| Absolute | 8 | (1) | 7 | 29 |
| Rel. to Nifty | 4 | (15) | (16) | (15) |

Relative price chart



Source: Bloomberg

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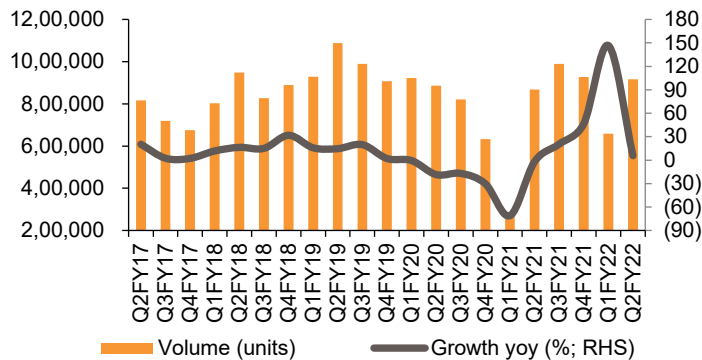
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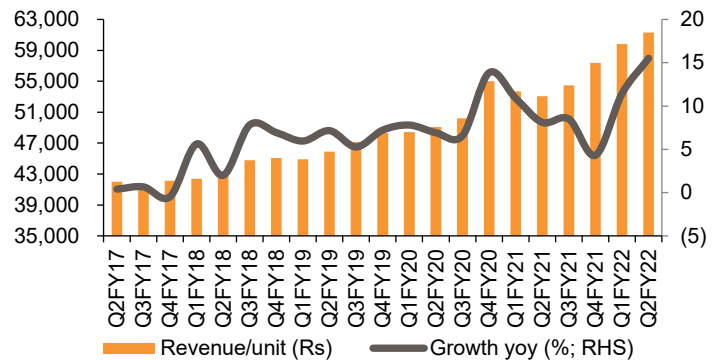
Story in Charts

Exhibit 1: Q2 volume grew by 6% yoy to 916,705 units. Apache production was lower by 25,000 units due to chip shortages



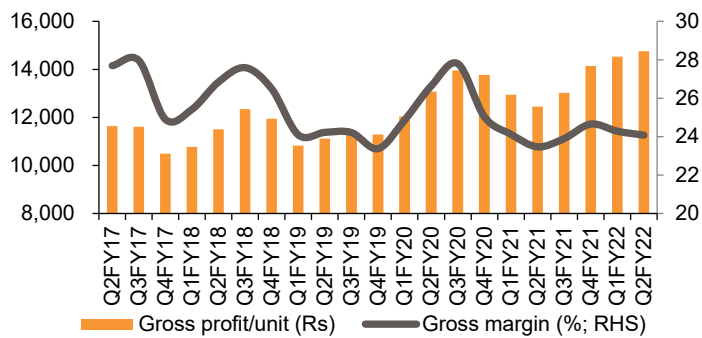
Source: Company, Emkay Research

Exhibit 2: Revenue/unit grew by 16% yoy to Rs61,300, supported by price increases and growth in spare-part revenues



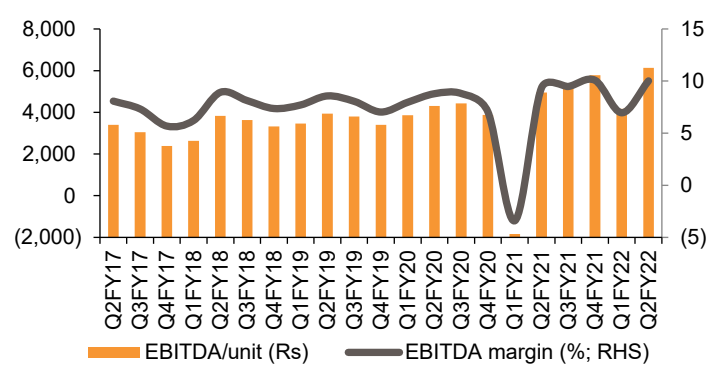
Source: Company, Emkay Research

Exhibit 3: Gross margin improved by 60bps yoy, above estimates due to restoration of export incentives and higher spare-part sales



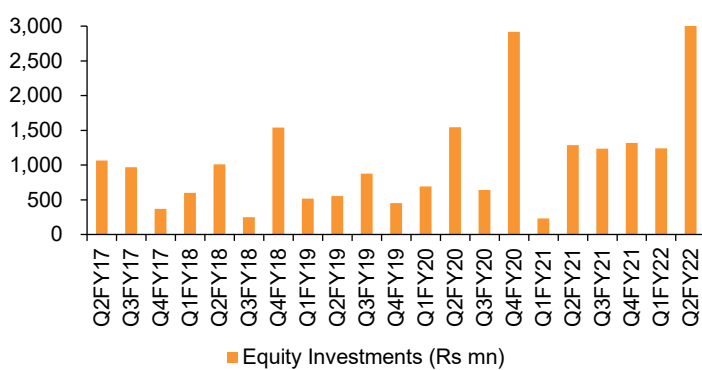
Source: Company, Emkay Research

Exhibit 4: EBITDA margin grew by 70bps yoy to 10%, above estimates



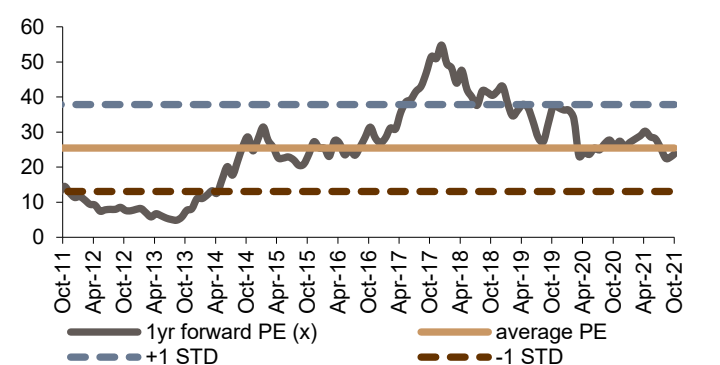
Source: Company, Emkay Research

Exhibit 5: Investment in subsidiaries/associates stood at Rs3.8bn



Source: Company, Emkay Research

Exhibit 6: One-year forward P/E (average at 25x, +1 sd at 38x, -1 sd at 13x)



Source: Company, Emkay Research

Earnings Call Highlights

- In Q2, volume grew by 6% yoy despite the negative impact of semiconductor shortages. Apache production was impacted by 25,000 units in the quarter. TVSL expects improvement in chip availability ahead.
- RoTDEP incentives of Rs150mn, or 0.3% of revenue, were booked in Q2. Incentives worth 0.4% of revenue relating to earlier quarters were also accounted for.
- Exports increased by 63% to Rs18.3bn and Spares grew by 39% to Rs6.2bn. The USD-INR exchange rate was 74.4 vs. 74.5 last year.
- New products, Raider 125cc motorcycle and Jupiter 125cc scooter, have received a positive response.
- TVSL extended the availability of electric scooter iQube to 33 cities. It plans to increase assembly capacity to 10,000 units per month by Jan'22. Production levels would depend on the availability of semiconductors.
- **TVSL board approved the incorporation of a wholly owned subsidiary to undertake the electric mobility business. It will invest Rs10bn on product development and capacity expansion. The business will qualify for PLI scheme benefits.**
- Festive season volumes were subdued during the Navratri period due to the high base (on account of pent-up demand last year) and lower rural sales (due to erratic rains leading to delays in harvesting). TVSL expects improvement in rural sales ahead.
- Exports remained healthy in Africa and Latin America, aided by improving macros. Among neighboring countries, Bangladesh is witnessing improvement in demand.
- Container availability has been an issue in Q2, and some improvement is expected in Q3.
- Commodity prices continue to rise and TVSL is working to offset the impact through price increases, product mix premiumization and cost savings. In Oct'21, it has increased prices by 1.1%.
- Capex is expected to be around Rs7.5bn in FY22. Investments are expected to be around Rs7.5-8bn in FY22. Major investments in H1 include Rs1.3bn in E-GO, Rs1.2bn in Norton, Rs1.3bn in TVS Supply chain and Rs1bn in TVS Credit.
- TVS Credit book size stands at Rs114bn and Q2 profit at Rs351mn (vs. Rs143mn).

Exhibit 7: Volume assumptions

| | FY18 | FY19 | FY20 | FY21 | FY22E | FY23E | FY24E |
|------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Sales volume (units) | | | | | | | |
| Motorcycles | 916,776 | 1,014,923 | 755,391 | 627,654 | 847,304 | 1,059,845 | 1,130,763 |
| Scooters | 1,099,133 | 1,241,366 | 1,018,427 | 919,325 | 928,899 | 1,043,118 | 1,178,843 |
| Mopeds | 859,518 | 880,243 | 636,940 | 617,247 | 603,775 | 648,157 | 689,116 |
| 3Ws | 16,429 | 16,715 | 11,934 | 8,266 | 10,087 | 17,905 | 21,486 |
| Total Domestic | 2,891,856 | 3,153,247 | 2,422,692 | 2,172,492 | 2,390,066 | 2,769,025 | 3,020,207 |
| Exports | 574,215 | 761,738 | 840,768 | 879,369 | 1,248,609 | 1,358,641 | 1,469,194 |
| Total volume | 3,466,071 | 3,914,985 | 3,263,460 | 3,051,861 | 3,638,674 | 4,127,666 | 4,489,401 |
| YoY % | | | | | | | |
| Motorcycles | 18.6 | 10.7 | (25.6) | (16.9) | 35.0 | 25.1 | 6.7 |
| Scooters | 33.0 | 12.9 | (18.0) | (9.7) | 1.0 | 12.3 | 13.0 |
| Mopeds | (3.5) | 2.4 | (27.6) | (3.1) | (2.2) | 7.4 | 6.3 |
| 3Ws | 33.8 | 1.7 | (28.6) | (30.7) | 22.0 | 77.5 | 20.0 |
| Total Domestic | 15.6 | 9.0 | (23.2) | (10.3) | 10.0 | 15.9 | 9.1 |
| Exports | 36.0 | 32.7 | 10.4 | 4.6 | 42.0 | 8.8 | 8.1 |
| Total volume | 18.5 | 13.0 | (16.6) | (6.5) | 19.2 | 13.4 | 8.8 |
| Realization (Rs/unit) | | | | | | | |
| | 43,783 | 46,529 | 50,327 | 54,886 | 59,765 | 60,951 | 62,164 |
| YoY % | 5.6 | 6.3 | 8.2 | 9.1 | 8.9 | 2.0 | 2.0 |
| Revenue (Rs mn) | | | | | | | |
| | 151,754 | 182,099 | 164,233 | 167,505 | 217,464 | 251,587 | 279,078 |
| YoY % | 25.1 | 20.0 | (9.8) | 2.0 | 29.8 | 15.7 | 10.9 |

Source: Company, Emkay Research

Exhibit 8: Changes in estimates

| Rs mn | FY22E | | | | FY23E | | | | FY24E | | | |
|-----------------|-----------|-----------|----------|--------|-----------|-----------|----------|--------|-----------|-----------|----------|--------|
| | Earlier | Revised | % Change | % YoY | Earlier | Revised | % Change | % YoY | Earlier | Revised | % Change | % YoY |
| Volumes (Units) | 3,593,990 | 3,638,674 | 1.2 | 19.2 | 4,042,648 | 4,127,666 | 2.1 | 13.4 | 4,395,358 | 4,489,401 | 2.1 | 8.8 |
| Sales | 209,520 | 217,464 | 3.8 | 29.8 | 241,550 | 251,587 | 4.2 | 15.7 | 267,965 | 279,078 | 4.1 | 10.9 |
| EBITDA | 19,491 | 20,316 | 4.2 | 42.2 | 24,662 | 25,675 | 4.1 | 26.4 | 28,533 | 29,506 | 3.4 | 14.9 |
| Margin (%) | 9.3 | 9.3 | 4 bps | 81 bps | 10.2 | 10.2 | 1 bps | 86 bps | 10.6 | 10.6 | (3) bps | 37 bps |
| Net Profit | 9,681 | 9,934 | 2.6 | 62.3 | 13,018 | 13,465 | 3.4 | 35.6 | 15,795 | 16,029 | 1.5 | 19.0 |
| EPS (Rs) | 20.4 | 20.9 | 2.6 | 62.3 | 27.4 | 28.3 | 3.4 | 35.6 | 33.2 | 33.7 | 1.5 | 19.0 |

Source: Company, Emkay Research

Exhibit 9: Actual vs. Estimates (Q2FY22)

| (Rs mn) | Actual | Estimates | | % Variation | | Comment |
|---------------------|--------|-----------|-----------|-------------|-----------|--|
| | | Emkay | Consensus | Emkay | Consensus | |
| Total Revenue | 56,194 | 53,951 | 55,047 | 4.2 | 2.1 | Above estimates mainly due to higher spare-part sales |
| EBITDA | 5,629 | 4,682 | 5,138 | 20.2 | 9.6 | |
| EBITDA Margin (%) | 10.0 | 8.7 | 9.3 | 134 bps | 68 bps | Above estimates due to re-commencement of export incentives and higher spare-part sales. Results included a one-time benefit of 0.4% of revenues, relating to export incentives for last two quarters. |
| Adjusted net profit | 2,776 | 2,245 | 2,612 | 23.6 | 6.3 | Above estimates due to higher operating profit |

Source: Bloomberg, Company, Emkay Research

Exhibit 10: Quarterly financial summary

| Rs mn | Q2FY21 | Q3FY21 | Q4FY21 | Q1FY22 | Q2FY22 | YoY (%) | QoQ (%) | FY22 YTD | FY21 YTD | YoY (%) |
|-----------------------------|---------------|---------------|---------------|---------------|---------------|-------------|--------------|---------------|---------------|--------------|
| Revenue | 46,055 | 53,914 | 53,219 | 39,344 | 56,194 | 22.0 | 42.8 | 95,538 | 60,372 | 58.2 |
| Expenditure | 41,754 | 48,803 | 47,858 | 36,606 | 50,565 | 21.1 | 38.1 | 87,171 | 56,559 | 54.1 |
| as % of sales | 90.7 | 90.5 | 89.9 | 93.0 | 90.0 | | | 91.2 | 93.7 | |
| Consumption of RM | 35,246 | 41,031 | 40,098 | 29,790 | 42,665 | 21.0 | 43.2 | 72,455 | 46,110 | 57.1 |
| as % of sales | 76.5 | 76.1 | 75.3 | 75.7 | 75.9 | | | 75.8 | 76.4 | |
| Employee Cost | 2,143 | 2,691 | 2,681 | 2,609 | 2,957 | 38.0 | 13.3 | 5,566 | 4,113 | 35.3 |
| as % of sales | 4.7 | 5.0 | 5.0 | 6.6 | 5.3 | | | 5.8 | 6.8 | |
| Other expenditure | 4,365 | 5,081 | 5,079 | 4,207 | 4,943 | 13.3 | 17.5 | 9,151 | 6,337 | 44.4 |
| as % of sales | 9.5 | 9.4 | 9.5 | 10.7 | 8.8 | | | 9.6 | 10.5 | |
| EBITDA | 4,301 | 5,111 | 5,361 | 2,738 | 5,629 | 30.9 | 105.6 | 8,366 | 3,813 | 119.4 |
| Depreciation | 1,331 | 1,329 | 1,366 | 1,431 | 1,544 | 16.0 | 7.9 | 2,975 | 2,242 | 32.7 |
| EBIT | 2,970 | 3,782 | 3,995 | 1,307 | 4,084 | 37.5 | 212.5 | 5,392 | 1,571 | 243.1 |
| Other Income | 111 | 124 | 69 | 16 | 35 | (68.5) | 119.5 | 51 | 137 | (62.9) |
| Interest | 407 | 291 | 195 | 300 | 350 | (14.0) | 16.8 | 650 | 930 | (30.1) |
| PBT | 2,674 | 3,615 | 3,869 | 1,023 | 3,769 | 40.9 | 268.3 | 4,792 | 778 | 515.8 |
| Total Tax | 712 | 959 | 977 | 190 | 993 | 39.5 | 422.1 | 1,183 | 206 | 473.3 |
| Adjusted PAT | 1,963 | 2,656 | 2,892 | 833 | 2,776 | 41.5 | 233.2 | 3,609 | 572 | 531.2 |
| Extra ordinary items | - | - | - | (302) | - | | | (302) | - | |
| Reported PAT | 1,963 | 2,656 | 2,892 | 531 | 2,776 | 41.5 | 422.3 | 3,307 | 572 | 478.4 |
| Adjusted EPS | 4.13 | 5.59 | 6.09 | 1.75 | 5.84 | 41.5 | 233.2 | 7.6 | 1.2 | 531.2 |

| Margins (%) | | | | | | (bps) | (bps) | | | (bps) |
|--------------------|------|------|------|------|------|--------------|--------------|------|------|--------------|
| EBIDTA | 9.3 | 9.5 | 10.1 | 7.0 | 10.0 | 68 | 306 | 8.8 | 6.3 | 244 |
| EBIT | 6.4 | 7.0 | 7.5 | 3.3 | 7.3 | 82 | 395 | 5.6 | 2.6 | 304 |
| EBT | 5.8 | 6.7 | 7.3 | 2.6 | 6.7 | 90 | 411 | 5.0 | 1.3 | 373 |
| PAT | 4.3 | 4.9 | 5.4 | 2.1 | 4.9 | 68 | 282 | 3.8 | 0.9 | 283 |
| Effective Tax rate | 26.6 | 26.5 | 25.2 | 18.6 | 26.3 | (27) | 776 | 24.7 | 26.5 | (183) |

Source: Company, Emkay Research

Key Financials (Standalone)**Income Statement**

| Y/E Mar (Rs mn) | FY20 | FY21 | FY22E | FY23E | FY24E |
|----------------------------------|----------------|----------------|----------------|----------------|----------------|
| Revenue | 164,233 | 167,505 | 217,464 | 251,587 | 279,078 |
| Expenditure | 150,775 | 153,220 | 197,148 | 225,912 | 249,572 |
| EBITDA | 13,459 | 14,286 | 20,316 | 25,675 | 29,506 |
| Depreciation | 4,890 | 4,937 | 5,971 | 6,605 | 7,343 |
| EBIT | 8,568 | 9,349 | 14,345 | 19,070 | 22,163 |
| Other Income | 321 | 330 | 198 | 234 | 258 |
| Interest expenses | 1,022 | 1,416 | 1,263 | 1,302 | 991 |
| PBT | 7,867 | 8,262 | 13,280 | 18,002 | 21,429 |
| Tax | 1,691 | 2,142 | 3,347 | 4,537 | 5,400 |
| Extraordinary Items | (254) | 0 | (302) | 0 | 0 |
| Minority Int./Income from Assoc. | 0 | 0 | 0 | 0 | 0 |
| Reported Net Income | 5,923 | 6,120 | 9,632 | 13,465 | 16,029 |
| Adjusted PAT | 6,177 | 6,120 | 9,934 | 13,465 | 16,029 |

Balance Sheet

| Y/E Mar (Rs mn) | FY20 | FY21 | FY22E | FY23E | FY24E |
|--|---------------|-----------------|-----------------|-----------------|----------------|
| Equity share capital | 475 | 475 | 475 | 475 | 475 |
| Reserves & surplus | 35,706 | 41,234 | 47,886 | 57,312 | 68,533 |
| Net worth | 36,181 | 41,710 | 48,361 | 57,787 | 69,008 |
| Minority Interest | 0 | 0 | 0 | 0 | 0 |
| Loan Funds | 20,219 | 11,064 | 14,705 | 11,872 | 8,356 |
| Net deferred tax liability | 1,581 | 1,955 | 1,888 | 1,798 | 1,691 |
| Total Liabilities | 57,981 | 54,728 | 64,955 | 71,457 | 79,054 |
| Net block | 28,999 | 30,104 | 30,723 | 32,118 | 32,775 |
| Investment | 26,059 | 33,145 | 41,145 | 45,145 | 49,145 |
| Current Assets | 35,699 | 35,939 | 42,213 | 46,862 | 52,194 |
| Cash & bank balance | 4,192 | 9,298 | 4,026 | 2,683 | 3,187 |
| Other Current Assets | 4,894 | 4,910 | 6,374 | 7,375 | 8,180 |
| Current liabilities & Provision | 35,631 | 47,247 | 53,323 | 56,865 | 59,256 |
| Net current assets | 68 | (11,308) | (11,110) | (10,002) | (7,062) |
| Misc. exp | 0 | 0 | 0 | 0 | 0 |
| Total Assets | 57,981 | 54,728 | 64,955 | 71,457 | 79,054 |

Cash Flow

| Y/E Mar (Rs mn) | FY20 | FY21 | FY22E | FY23E | FY24E |
|---------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| PBT (Ex-Other income) (NI+Dep) | 7,223 | 7,933 | 13,082 | 17,768 | 21,172 |
| Other Non-Cash items | 0 | 0 | 0 | 0 | 0 |
| Chg in working cap | 2,926 | 13,359 | (6,111) | (2,932) | (2,860) |
| Operating Cashflow | 13,615 | 25,279 | 9,814 | 17,539 | 20,792 |
| Capital expenditure | (7,267) | (5,557) | (8,000) | (8,000) | (8,000) |
| Free Cash Flow | 6,348 | 19,722 | 1,814 | 9,539 | 12,792 |
| Investments | (5,911) | (3,956) | (8,000) | (4,000) | (4,000) |
| Other Investing Cash Flow | 290 | 307 | 0 | 0 | 0 |
| Investing Cashflow | (12,568) | (8,876) | (15,802) | (11,766) | (11,742) |
| Equity Capital Raised | 0 | 0 | 0 | 0 | 0 |
| Loans Taken / (Repaid) | 5,887 | (9,615) | 3,641 | (2,833) | (3,516) |
| Dividend paid (incl tax) | (2,000) | (998) | (2,980) | (4,040) | (4,809) |
| Other Financing Cash Flow | (178) | 446 | 1,317 | 1,060 | 769 |
| Financing Cashflow | 2,705 | (11,296) | 716 | (7,116) | (8,547) |
| Net chg in cash | 3,753 | 5,106 | (5,272) | (1,342) | 504 |
| Opening cash position | 439 | 4,192 | 9,298 | 4,026 | 2,683 |
| Closing cash position | 4,192 | 9,298 | 4,026 | 2,683 | 3,187 |

Source: Company, Emkay Research

Key Ratios

| Profitability (%) | FY20 | FY21 | FY22E | FY23E | FY24E |
|--------------------------|-------------|-------------|--------------|--------------|--------------|
| EBITDA Margin | 8.2 | 8.5 | 9.3 | 10.2 | 10.6 |
| EBIT Margin | 5.2 | 5.6 | 6.6 | 7.6 | 7.9 |
| Effective Tax Rate | 21.5 | 25.9 | 25.2 | 25.2 | 25.2 |
| Net Margin | 3.8 | 3.7 | 4.6 | 5.4 | 5.7 |
| ROCE | 16.5 | 17.2 | 24.3 | 28.3 | 29.8 |
| ROE | 17.7 | 15.7 | 22.1 | 25.4 | 25.3 |
| RoIC | 35.4 | 54.4 | 114.4 | 108.9 | 105.6 |

| Per Share Data (Rs) | FY20 | FY21 | FY22E | FY23E | FY24E |
|----------------------------|-------------|-------------|--------------|--------------|--------------|
| EPS | 13.0 | 12.9 | 20.9 | 28.3 | 33.7 |
| CEPS | 23.3 | 23.3 | 33.5 | 42.2 | 49.2 |
| BVPS | 76.2 | 87.8 | 101.8 | 121.6 | 145.2 |
| DPS | 3.5 | 3.5 | 6.3 | 8.5 | 10.1 |

| Valuations (x) | FY20 | FY21 | FY22E | FY23E | FY24E |
|-----------------------|-------------|-------------|--------------|--------------|--------------|
| PER | 44.3 | 44.8 | 27.6 | 20.3 | 17.1 |
| P/CEPS | 24.8 | 24.8 | 17.2 | 13.6 | 11.7 |
| P/BV | 7.6 | 6.6 | 5.7 | 4.7 | 4.0 |
| EV / Sales | 1.8 | 1.6 | 1.3 | 1.1 | 1.0 |
| EV / EBITDA | 21.5 | 19.3 | 14.0 | 11.0 | 9.5 |
| Dividend Yield (%) | 0.6 | 0.6 | 1.1 | 1.5 | 1.8 |

| Gearing Ratio (x) | FY20 | FY21 | FY22E | FY23E | FY24E |
|--------------------------|-------------|-------------|--------------|--------------|--------------|
| Net Debt/ Equity | 0.4 | 0.0 | 0.2 | 0.2 | 0.1 |
| Net Debt/EBIDTA | 1.2 | 0.1 | 0.5 | 0.4 | 0.2 |
| Working Cap Cycle (days) | (9.2) | (44.9) | (25.4) | (18.4) | (13.4) |

| Growth (%) | FY20 | FY21 | FY22E | FY23E | FY24E |
|-------------------|-------------|-------------|--------------|--------------|--------------|
| Revenue | (9.8) | 2.0 | 29.8 | 15.7 | 10.9 |
| EBITDA | (6.1) | 6.1 | 42.2 | 26.4 | 14.9 |
| EBIT | (17.1) | 9.1 | 53.4 | 32.9 | 16.2 |
| PAT | (11.6) | 3.3 | 57.4 | 39.8 | 19.0 |

| Quarterly (Rs mn) | Q2FY21 | Q3FY21 | Q4FY21 | Q1FY22 | Q2FY22 |
|--------------------------|---------------|---------------|---------------|---------------|---------------|
| Revenue | 46,055 | 53,914 | 53,219 | 39,344 | 56,194 |
| EBITDA | 4,301 | 5,111 | 5,361 | 2,738 | 5,629 |
| EBITDA Margin (%) | 9.3 | 9.5 | 10.1 | 7.0 | 10.0 |
| PAT | 1,963 | 2,656 | 2,892 | 833 | 2,776 |
| EPS (Rs) | 4.1 | 5.6 | 6.1 | 1.8 | 5.8 |

Source: Company, Emkay Research

| Shareholding Pattern (%) | Sep-20 | Dec-20 | Mar-21 | Jun-21 | Sep-21 |
|---------------------------------|---------------|---------------|---------------|---------------|---------------|
| Promoters | 57.4 | 57.4 | 57.4 | 52.3 | 52.3 |
| FIs | 10.6 | 11.2 | 12.3 | 14.0 | 12.8 |
| DIs | 21.9 | 21.5 | 20.9 | 24.3 | 26.8 |
| Public and Others | 10.1 | 10.0 | 9.4 | 9.5 | 8.2 |

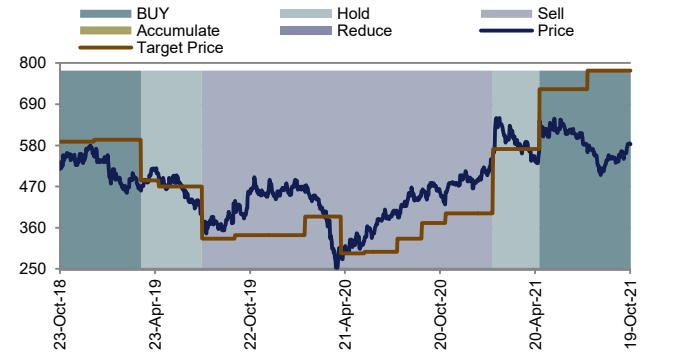
Source: Capitaline

RECOMMENDATION HISTORY TABLE

| Date | Closing Price | TP | Period (months) | Rating | Analyst |
|-----------|---------------|-----|-----------------|--------|-----------------|
| 29-Jul-21 | 562 | 780 | 12m | Buy | Raghunandhan NL |
| 16-Jul-21 | 612 | 730 | 12m | Buy | Raghunandhan NL |
| 2-Jul-21 | 612 | 730 | 12m | Buy | Raghunandhan NL |
| 18-Jun-21 | 610 | 730 | 12m | Buy | Raghunandhan NL |
| 1-Jun-21 | 613 | 730 | 12m | Buy | Raghunandhan NL |
| 30-May-21 | 620 | 730 | 12m | Buy | Raghunandhan NL |
| 28-Apr-21 | 646 | 730 | 12m | Buy | Raghunandhan NL |
| 29-Jan-21 | 561 | 570 | 12m | Hold | Raghunandhan NL |
| 30-Oct-20 | 456 | 398 | 12m | Sell | Raghunandhan NL |
| 11-Oct-20 | 472 | 373 | 12m | Sell | Raghunandhan NL |
| 28-Sep-20 | 471 | 373 | 12m | Sell | Raghunandhan NL |
| 15-Sep-20 | 455 | 373 | 12m | Sell | Raghunandhan NL |
| 28-Aug-20 | 450 | 331 | 12m | Sell | Raghunandhan NL |
| 30-Jul-20 | 402 | 331 | 12m | Sell | Raghunandhan NL |
| 29-Jun-20 | 378 | 296 | 12m | Sell | Raghunandhan NL |
| 28-May-20 | 333 | 296 | 12m | Sell | Raghunandhan NL |
| 4-May-20 | 310 | 291 | 12m | Sell | Raghunandhan NL |
| 13-Apr-20 | 290 | 291 | 12m | Sell | Raghunandhan NL |
| 27-Feb-20 | 440 | 390 | 12m | Sell | Raghunandhan NL |
| 4-Feb-20 | 455 | 390 | 12m | Sell | Raghunandhan NL |
| 30-Jan-20 | 470 | 340 | 12m | Sell | Raghunandhan NL |
| 27-Dec-19 | 465 | 340 | 12m | Sell | Raghunandhan NL |
| 27-Nov-19 | 472 | 340 | 12m | Sell | Raghunandhan NL |
| 1-Nov-19 | 469 | 340 | 12m | Sell | Raghunandhan NL |
| 30-Oct-19 | 495 | 340 | 12m | Sell | Raghunandhan NL |
| 17-Oct-19 | 440 | 340 | 12m | Sell | Raghunandhan NL |
| 1-Oct-19 | 420 | 340 | 12m | Sell | Raghunandhan NL |
| 26-Sep-19 | 418 | 340 | 12m | Sell | Raghunandhan NL |
| 23-Sep-19 | 432 | 340 | 12m | Sell | Raghunandhan NL |
| 3-Sep-19 | 361 | 331 | 12m | Sell | Raghunandhan NL |
| 28-Aug-19 | 360 | 331 | 12m | Sell | Raghunandhan NL |
| 22-Jul-19 | 380 | 331 | 12m | Sell | Raghunandhan NL |
| 1-Jul-19 | 436 | 470 | 12m | Hold | Raghunandhan NL |
| 27-Jun-19 | 429 | 470 | 12m | Hold | Raghunandhan NL |
| 3-Jun-19 | 500 | 470 | 12m | Hold | Raghunandhan NL |
| 29-May-19 | 487 | 470 | 12m | Hold | Raghunandhan NL |
| 2-May-19 | 479 | 470 | 12m | Hold | Raghunandhan NL |
| 30-Apr-19 | 492 | 470 | 12m | Hold | Raghunandhan NL |
| 27-Mar-19 | 459 | 486 | 12m | Hold | Raghunandhan NL |
| 22-Jan-19 | 554 | 595 | 12m | Buy | Raghunandhan NL |
| 27-Dec-18 | 550 | 595 | 12m | Buy | Raghunandhan NL |
| 23-Oct-18 | 535 | 590 | 12m | Buy | Raghunandhan NL |

Source: Company, Emkay Research

RECOMMENDATION HISTORY CHART



Source: Bloomberg, Company, Emkay Research

Emkay Alpha Portfolio – Automobiles & Auto Ancillaries



Analyst: Raghunandhan NL

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Sector

Automobiles and Ancillaries

Analyst bio

Raghu holds an MBA and comes with total 12 years of research experience. His team currently covers 14 stocks in the Indian Automobiles and Ancillaries space.

EAP sector portfolio

| Company Name | BSE200 Weight | EAP Weight | OW/UW (%) | OW/UW (bps) | EAP Weight (Normalised) |
|------------------------------------|---------------|-------------|-----------|-------------|-------------------------|
| Auto & Auto Ancillaries | 4.76 | 4.76 | 0% | 0 | 100.00 |
| Amara Raja Batteries | 0.05 | 0.04 | -25% | -1 | 0.86 |
| Apollo Tyres | 0.00 | 0.00 | NA | 0 | 0.00 |
| Ashok Leyland | 0.19 | 0.20 | 10% | 2 | 4.29 |
| Atul Auto | 0.00 | 0.00 | NA | 0 | 0.00 |
| Bajaj Auto | 0.48 | 0.47 | 0% | 0 | 9.98 |
| Bharat Forge | 0.19 | 0.19 | 0% | 0 | 3.95 |
| Eicher Motors | 0.35 | 0.35 | 0% | 0 | 7.37 |
| Escorts | 0.00 | 0.00 | NA | 0 | 0.00 |
| Exide Industries | 0.08 | 0.06 | -22% | -2 | 1.30 |
| Hero Motocorp | 0.35 | 0.35 | 0% | 0 | 7.29 |
| Mahindra & Mahindra | 0.82 | 0.82 | 0% | 0 | 17.16 |
| Maruti Suzuki India | 0.96 | 0.96 | 0% | 0 | 20.11 |
| Motherson Sumi | 0.26 | 0.26 | 0% | 0 | 5.50 |
| Tata Motors | 0.81 | 0.82 | 0% | 0 | 17.18 |
| Tata Motors DVR* | 0.10 | 0.12 | 12% | 1 | 2.44 |
| TVS Motor | 0.12 | 0.12 | 0% | 0 | 2.58 |
| Cash | 0.00 | 0.00 | NA | 0 | 0.00 |

Source: Emkay Research

■ High Conviction/Strong Over Weight ■ High Conviction/Strong Under Weight

Sector portfolio NAV

| | Base | | | | | Latest |
|---|----------|-----------|-----------|-----------|-----------|-----------|
| | 1-Apr-19 | 21-Oct-20 | 20-Apr-21 | 20-Jul-21 | 20-Sep-21 | 20-Oct-21 |
| EAP - Auto & Auto Ancillaries | 100.0 | 91.3 | 114.9 | 122.0 | 120.0 | 137.8 |
| BSE200 Neutral Weighted Portfolio (ETF) | 100.0 | 93.4 | 115.3 | 121.5 | 119.4 | 136.9 |

*Performance measurement base date 1st April 2019

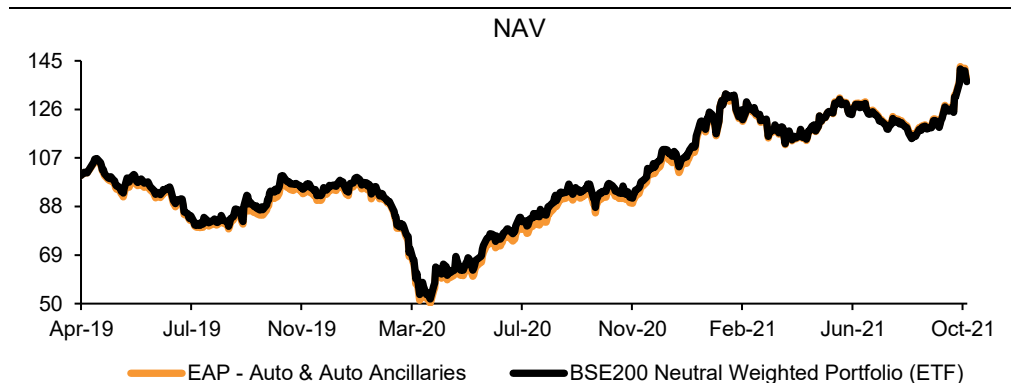
Source: Emkay Research

Price Performance (%)

| | 1m | 3m | 6m | 12m |
|---|-------|-------|-------|-------|
| EAP - Auto & Auto Ancillaries | 14.8% | 12.9% | 19.9% | 50.9% |
| BSE200 Neutral Weighted Portfolio (ETF) | 14.6% | 12.7% | 18.8% | 46.6% |

Source: Emkay Research

NAV chart



Source: Emkay Research

Please see our model portfolio (Emkay Alpha Portfolio): [Nifty](#)

Please see our model portfolio (Emkay Alpha Portfolio): [SMID](#)

“Emkay Alpha Portfolio – SMID and Nifty are a supporting document to the Emkay Alpha Portfolios Report and is updated on regular intervals”

Emkay Rating Distribution

| Ratings | Expected Return within the next 12-18 months. |
|---------|---|
| BUY | Over 15% |
| HOLD | Between -5% to 15% |
| SELL | Below -5% |

Completed Date: 22 Oct 2021 02:02:27 (SGT)

Dissemination Date: 22 Oct 2021 02:03:27 (SGT)

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