

May 21, 2020

Q4FY20 Result Update

Change in Estimates | Target | Reco

Change in Estimates

	Current		Previous	
	FY21E	FY22E	FY21E	FY22E
Rating	HOLD		HOLD	
Target Price	2,504		2,554	
Sales (Rs. m)	2,43,699	2,82,035	2,73,129	3,06,471
% Chng.	(10.8)	(8.0)		
EBITDA (Rs. m)	37,723	45,891	41,417	48,283
% Chng.	(8.9)	(5.0)		
EPS (Rs.)	150.0	177.6	158.4	182.5
% Chng.	(5.3)	(2.6)		

Key Financials - Standalone

Y/e Mar	FY19	FY20	FY21E	FY22E
Sales (Rs. m)	3,03,576	2,99,187	2,43,699	2,82,035
EBITDA (Rs. m)	51,925	50,962	37,723	45,891
Margin (%)	17.1	17.0	15.5	16.3
PAT (Rs. m)	46,829	54,427	43,397	51,399
EPS (Rs.)	161.8	188.1	150.0	177.6
Gr. (%)	6.7	16.2	(20.3)	18.4
DPS (Rs.)	60.0	120.0	80.0	90.0
Yield (%)	2.3	4.7	3.1	3.5
RoE (%)	22.9	26.1	21.1	23.4
RoCE (%)	23.9	23.1	16.8	19.5
EV/Sales (x)	2.4	2.5	3.0	2.6
EV/EBITDA (x)	14.1	14.5	19.6	15.9
PE (x)	15.8	13.6	17.0	14.4
P/BV (x)	3.4	3.7	3.5	3.2

Key Data

BAJA.BO | BJAUT IN

52-W High / Low	Rs.3,315 / Rs.1,789
Sensex / Nifty	30,819 / 9,067
Market Cap	Rs.740bn/ \$ 9,758m
Shares Outstanding	289m
3M Avg. Daily Value	Rs.4009.51m

Shareholding Pattern (%)

Promoter's	53.66
Foreign	13.94
Domestic Institution	8.76
Public & Others	23.64
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	7.5	(19.2)	(15.0)
Relative	10.4	6.6	8.6

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Better ASP and gross margin drive performance

Quick Pointers:

- Domestic and export outlook for both 2W and 3W look uncertain. Currency devaluation in exports market to dent demand.
- Financing concerns for domestic 3Ws although no concern on 2W so-far.

BJAUT results look better at Revenue/EBITDA/PAT where EBITDA margin came in at 18.4% (PLe 16.2%), expanding 50bp QoQ. The beat in margin was led by higher realizations at Rs68.7k/unit (PLe Rs63.7k/unit) aided by favorable mix and forex movement. We have slashed FY21/22 eps estimates by 5.3%/2.6% as we cut sales by 11%/8% due to uncertainties in both domestic and exports volumes (both in 2W and 3W). BJAUT is already experiencing financing issues in domestic 3W segment. Additionally, 2W exports are likely to dent due to sharp currency devaluation and decline in crude oil prices. With favorable valuation (FY21/22 at 17x/14.4x) and limited downside, we maintain Hold rating on the stock with revised price target of Rs2,504 (earlier Rs2,554, 14x FY22 EPS).

- Revenue came in better at Rs68.2bn (PLe Rs63.2bn) declined by 8.1% YoY/ 10.8% QoQ. Volumes for the quarter declined 16.9% YoY/ 17.5% QoQ while realization grew 10.5% YoY/ 8.2% QoQ to Rs68.7k/unit (PLe Rs63.7k/unit).**
- Better product mix and positive forex movement drives gross margin at 31.6% (+340bp YoY/ +150bp QoQ, PLe 30.4%).** EBITDA margins expanded by 190bp YoY to 18.4% (PLe 16.2%) led by higher realization. Absolute EBITDA grew 2.1% YoY (-8.4% QoQ) at Rs12.5b (PLe Rs10.3bn). Higher other income at Rs5.3bn (PLe Rs3.1bn) coupled with lower tax rate at 23.9% (PLe 29.2%) led PAT to beat at Rs13.1bn (+22.8% YoY, PLe Rs9bn).
- BJAUT declared dividend of Rs120/share in FY20 (v/s FY19 at Rs60/shr).**
- Key takeaways from the con-call: (1) Expect domestic demand to come back from Q3 and Q4** led by pent up demand during lockdown, increasing personal mobility trend and likely down trading. **(2) Industry share of small 3Ws to increase** (where BJAUT's share is ~85%) due to lack of income during the lockdown and higher EMIs for large 3Ws creating liquidity pressure **(3) Expect only ~40% of normal sales in Nigeria** for May month due to COVID-19 issue and falling crude prices. After Africa (~38% market share) the company is considering ramp up in ASEAN markets followed by entry in Brazil and Europe. **(4) Ready to operate at 50-75% of capacity** among 3 plants. **(5) Financing:** So far, no financing stress on retails however 3W financing might feel some heat which is more of B2B. **(6) BS6 inventory** is a bit higher than the normal but still under control. There was no inventory correction in Q4, expect it to correct a bit by June.

Exhibit 1: Q4FY20 Result Overview (Rs m)

Y/e March	Q4FY20	Q4FY19	YoY gr. (%)	Q3FY20	FY20	FY19	YoY gr. (%)
Net Revenues	68,159	74,205	(8.1)	76,397	2,99,187	3,02,610	(1.1)
Raw Materials	46,653	53,313	(12.5)	53,422	2,10,083	2,18,105	(3.7)
<i>% of Net Sales</i>	<i>68.4</i>	<i>71.8</i>		<i>69.9</i>	<i>70.2</i>	<i>72.1</i>	
Personnel	3,421	3,126	9.4	3,482	13,892	12,554	10.7
<i>% of Net Sales</i>	<i>5.0</i>	<i>4.2</i>		<i>4.6</i>	<i>4.6</i>	<i>4.1</i>	
Manufacturing & Other Exp	5,557	5,498	1.1	5,820	24,249	21,626	12.1
<i>% of Net Sales</i>	<i>8.2</i>	<i>7.4</i>		<i>7.6</i>	<i>8.1</i>	<i>7.1</i>	
Total Expenditure	55,631	61,936	(10.2)	62,725	2,48,224	2,52,286	(1.6)
EBITDA	12,528	12,270	2.1	13,672	50,962	50,325	1.3
<i>EBITDA Margin (%)</i>	<i>18.4</i>	<i>16.5</i>		<i>17.9</i>	<i>17.0</i>	<i>16.6</i>	
Depreciation	633	608	4.0	617	2,464	2,657	(7.2)
EBIT	11,895	11,661	2.0	13,055	48,498	47,668	1.7
Interest Expenses	9	3	213.8	5	32	45	(29.5)
Non-operating income	5,327	3,680	44.7	3,662	17,336	15,989	8.4
Extraordinary Expenses	0	-3,420		0	0	-3,420	
PBT	17,212	18,759	(8.2)	16,713	65,802	67,032	(1.8)
Tax-Total	4,109	5,703	(27.9)	4,097	14,802	20,280	(27.0)
<i>Tax Rate (%) - Total</i>	<i>23.9</i>	<i>30.4</i>	<i>(21.5)</i>	<i>24.5</i>	<i>22.5</i>	<i>30.3</i>	<i>(25.6)</i>
Reported PAT	13,103	13,056	0.4	12,616	51,000	46,752	9.1
Adj. PAT	13,103	10,671	22.8	12,616	51,000	44,366	15.0

Source: Company, PL

Exhibit 2: Operating Metrics

Y/e March	Q4FY20	Q4FY19	YoY gr. (%)	Q3FY20	FY20	FY19	YoY gr. (%)
Sales Volume (nos)	9,91,943	11,93,590	(16.9)	12,02,486	46,15,194	50,19,503	(8.1)
Net Realisation/Vehicle	68,712	62,170	10.5	63,532	64,826	60,287	7.5
Material cost / vehicle	47,032	44,666	5.3	44,427	45,520	43,452	4.8
Gross Profit / vehicle	21,680	17,504	23.9	19,106	19,307	16,835	14.7
Employee cost /vehicle	3,449	2,619	31.7	2,896	3,010	2,501	20.4
Other expenses / vehicle	5,603	4,606	21.6	4,840	5,254	4,308	22.0
EBITDA/vehicle	12,629	10,280	22.9	11,370	11,042	10,026	10.1
Net Profit/vehicle	13,209	8,940	47.8	10,492	11,050	8,839	25.0

Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY19	FY20	FY21E	FY22E
Net Revenues	3,03,576	2,99,187	2,43,699	2,82,035
YoY gr. (%)	20.4	(1.4)	(18.5)	15.7
Cost of Goods Sold	2,17,977	2,10,083	1,70,589	1,98,271
Gross Profit	85,599	89,104	73,110	83,765
Margin (%)	28.2	29.8	30.0	29.7
Employee Cost	12,554	13,892	14,587	15,316
Other Expenses	21,120	24,249	20,800	22,557
EBITDA	51,925	50,962	37,723	45,891
YoY gr. (%)	7.3	(1.9)	(26.0)	21.7
Margin (%)	17.1	17.0	15.5	16.3
Depreciation and Amortization	2,657	2,464	2,937	2,877
EBIT	49,268	48,498	34,785	43,014
Margin (%)	16.2	16.2	14.3	15.3
Net Interest	45	32	40	40
Other Income	14,389	17,336	16,940	19,057
Profit Before Tax	67,031	65,802	51,685	62,031
Margin (%)	22.1	22.0	21.2	22.0
Total Tax	20,280	14,802	11,888	14,267
Effective tax rate (%)	30.3	22.5	23.0	23.0
Profit after tax	46,752	51,000	39,798	47,764
Minority interest	-	-	-	-
Share Profit from Associate	3,498	3,428	3,599	3,635
Adjusted PAT	46,829	54,427	43,397	51,399
YoY gr. (%)	6.7	16.2	(20.3)	18.4
Margin (%)	15.4	18.2	17.8	18.2
Extra Ord. Income / (Exp)	3,420	-	-	-
Reported PAT	50,249	54,427	43,397	51,399
YoY gr. (%)	15.4	8.3	(20.3)	18.4
Margin (%)	16.6	18.2	17.8	18.2
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	50,249	54,427	43,397	51,399
Equity Shares O/s (m)	289	289	289	289
EPS (Rs)	161.8	188.1	150.0	177.6

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY19	FY20	FY21E	FY22E
Non-Current Assets				
Gross Block	47,915	49,730	53,332	57,332
Tangibles	47,915	49,730	53,332	57,332
Intangibles	-	-	-	-
Acc: Dep / Amortization	30,275	32,740	35,677	38,554
Tangibles	30,275	32,740	35,677	38,554
Intangibles	-	-	-	-
Net fixed assets	17,639	16,990	17,655	18,778
Tangibles	17,639	16,990	17,655	18,778
Intangibles	-	-	-	-
Capital Work In Progress	480	602	1,000	1,000
Goodwill	-	-	-	-
Non-Current Investments	1,91,594	1,81,960	2,01,960	2,01,960
Net Deferred tax assets	(5,427)	(3,464)	(3,722)	(4,032)
Other Non-Current Assets	-	-	-	-
Current Assets				
Investments	-	-	-	-
Inventories	9,615	10,635	6,677	7,727
Trade receivables	25,597	17,251	12,018	13,909
Cash & Bank Balance	9,054	2,773	3,042	12,068
Other Current Assets	19,445	17,136	14,021	16,227
Total Assets	2,73,804	2,47,733	2,56,686	2,72,031
Equity				
Equity Share Capital	2,894	2,894	2,894	2,894
Other Equity	2,14,905	1,96,361	2,08,333	2,24,793
Total Network	2,17,799	1,99,255	2,11,227	2,27,686
Non-Current Liabilities				
Long Term borrowings	1,696	1,677	1,677	1,677
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	37,867	31,997	30,045	27,044
Other current liabilities	11,015	11,340	10,015	11,590
Total Equity & Liabilities	2,73,804	2,47,733	2,56,686	2,72,031

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY19	FY20	FY21E	FY22E
PBT	67,032	65,802	51,685	43,014
Add. Depreciation	2,657	2,464	2,937	2,877
Add. Interest	8,540	9,495	16,940	19,057
Less Financial Other Income	14,389	17,336	16,940	19,057
Add. Other	(25,764)	(26,132)	(16,900)	-
Op. profit before WC changes	52,464	51,629	54,663	64,948
Net Changes-WC	(7,925)	3,765	9,101	(6,621)
Direct tax	(19,643)	(16,777)	(11,629)	(13,957)
Net cash from Op. activities	24,895	38,618	52,135	44,370
Capital expenditures	(1,082)	(2,800)	(4,000)	(4,000)
Interest / Dividend Income	-	-	-	-
Others	(1,359)	20,345	(20,000)	-
Net Cash from Inv. activities	(2,441)	17,545	(24,000)	(4,000)
Issue of share cap. / premium	-	-	-	-
Debt changes	-	-	-	-
Dividend paid	(20,705)	(62,444)	(27,826)	(31,304)
Interest paid	(35)	(21)	(40)	(40)
Others	-	-	-	-
Net cash from Fin. activities	(20,741)	(62,465)	(27,866)	(31,344)
Net change in cash	1,714	(6,302)	269	9,026
Free Cash Flow	23,814	35,818	48,135	40,370

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q1FY20	Q2FY20	Q3FY20	Q4FY20
Net Revenue	77,558	77,073	76,397	68,159
YoY gr. (%)	4.5	(3.8)	3.1	(8.1)
Raw Material Expenses	55,638	54,370	53,422	46,653
Gross Profit	21,921	22,703	22,974	21,506
Margin (%)	28.3	29.5	30.1	31.6
EBITDA	11,982	12,781	13,672	12,528
YoY gr. (%)	(6.5)	(6.6)	18.3	2.1
Margin (%)	15.4	16.6	17.9	18.4
Depreciation / Depletion	601	613	617	633
EBIT	11,381	12,167	13,055	11,895
Margin (%)	14.7	15.8	17.1	17.5
Net Interest	5	12	5	9
Other Income	4,413	3,934	3,662	5,327
Profit before Tax	15,788	16,089	16,713	17,212
Margin (%)	20.4	20.9	21.9	25.3
Total Tax	4,531	2,065	4,097	4,109
Effective tax rate (%)	28.7	12.8	24.5	23.9
Profit after Tax	11,257	14,024	12,616	13,103
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	11,257	14,024	12,616	13,103
YoY gr. (%)	0.9	21.7	14.5	36.0
Margin (%)	14.5	18.2	16.5	19.2
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	11,257	14,024	12,616	13,103
YoY gr. (%)	0.9	21.7	14.5	0.4
Margin (%)	14.5	18.2	16.5	19.2
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	11,257	14,024	12,616	13,103
Avg. Shares O/s (m)	289	289	289	289
EPS (Rs)	38.9	48.5	43.6	45.3

Source: Company Data, PL Research

Key Financial Metrics

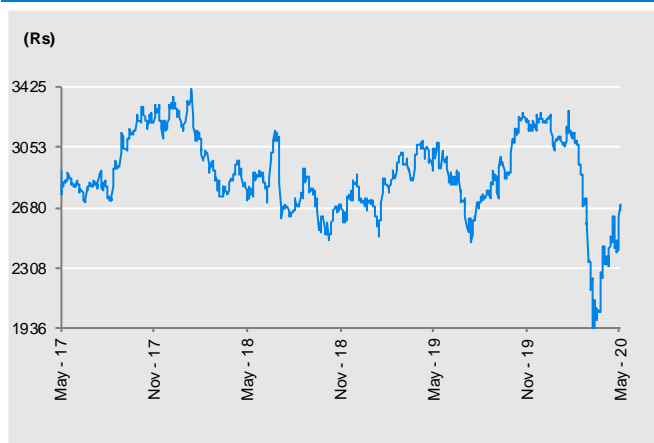
Y/e Mar	FY19	FY20	FY21E	FY22E
Per Share(Rs)				
EPS	161.8	188.1	150.0	177.6
CEPS	171.0	196.6	160.1	187.6
BVPS	752.7	688.6	730.0	786.8
FCF	82.3	123.8	166.3	139.5
DPS	60.0	120.0	80.0	90.0
Return Ratio(%)				
RoCE	23.9	23.1	16.8	19.5
ROIC	17.4	18.1	13.1	15.8
RoE	22.9	26.1	21.1	23.4
Balance Sheet				
Net Debt : Equity (x)	0.0	0.0	0.0	0.0
Net Working Capital (Days)	(3)	(5)	(17)	(7)
Valuation(x)				
PER	15.8	13.6	17.0	14.4
P/B	3.4	3.7	3.5	3.2
P/CEPS	14.9	13.0	16.0	13.6
EV/EBITDA	14.1	14.5	19.6	15.9
EV/Sales	2.4	2.5	3.0	2.6
Dividend Yield (%)	2.3	4.7	3.1	3.5

Source: Company Data, PL Research

Key Operating Metrics

Y/e Mar	FY19	FY20	FY21E	FY22E
Motorcycle volume (units)	42,36,873	39,47,550	31,12,291	35,47,544
Three-wheeler volume (units)	7,82,630	6,67,644	5,48,746	6,08,450
Net Realisation (Rs/unit)	58,905	63,078	65,065	66,337

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	09-Apr-20	Hold	2,554	2,436
2	30-Jan-20	Reduce	2,969	3,142
3	03-Jan-20	Reduce	3,036	3,072
4	23-Oct-19	Reduce	2,922	3,163
5	03-Oct-19	Reduce	2,646	2,898
6	26-Jul-19	Reduce	2,646	2,619
7	04-Jul-19	Reduce	2,823	2,895

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Ashok Leyland	Accumulate	59	46
2	Bajaj Auto	Hold	2,554	2,436
3	Bharat Forge	Hold	345	246
4	CEAT	Accumulate	893	816
5	Eicher Motors	BUY	17,990	13,742
6	Exide Industries	Accumulate	167	148
7	Hero Motocorp	Accumulate	2,225	1,991
8	Mahindra & Mahindra	Hold	420	381
9	Maruti Suzuki	BUY	5,830	5,036
10	Motherson Sumi Systems	BUY	87	66
11	Tata Motors	Hold	84	75
12	TVS Motors	Hold	318	301

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly

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