

Excellent performance; margin dip up ahead...

Bajaj Auto (BAL) reported strong results in Q4FY20. Net revenues came in at ₹ 6,816 crore (down 7.8% YoY), tracking higher-than-expected blended ASPs, which were at ₹ 68,711/unit (up 10.9% YoY). Total volumes were down 16.9% YoY to 9.9 lakh units (2-W volumes 8.5 lakh units, down 14.8% YoY; 3-W volumes 1.4 lakh units, down 27.8% YoY). Total exports were at 5.1 lakh units, up 6.8% YoY. Reported EBITDA margins were at 18.4% (up 48 bps QoQ), with a QoQ improvement driven by 150 bps gross margin expansion. Consequent reported PAT was flattish YoY at ₹ 1,310 crore, aided by higher-than-expected other income (₹ 533 crore vs. ₹ 432 crore YoY).

Two-wheeler tailwinds seen supporting volume trajectory

The deep economic impact of the Covid-19 disruption has brought about a role reversal in our immediate and medium term expectations for the auto sector. Earlier, the PV segment was seen outperforming on the back of rising premiumisation content and an expanding UV portfolio. However, with income levels and ensuing propensity to spend under pressure now in the wake of the pandemic, we feel the 2-W space would now be the frontrunner in coming quarters. Within 2-W, rural-heavy motorcycle sub-segment is expected to lead the charge owing to (i) relatively lower Covid-19 outbreak shock in that geography, (ii) relatively firmer incomes after a good Rabi harvest and remunerative crop prices, (iii) preference for affordable personal transport amid heightened awareness around social distancing and (iv) expectations of a normal monsoon in 2020. Being the second-largest domestic 2-W manufacturer (18.5% market share in FY20), BAL is poised to benefit from these industry tailwinds. Coupled with continued strength in exports (2-W in particular; total exports at 47% in FY20), BAL is seen posting -2.3% total volume CAGR over FY20P-22E (domestic -1.8%, exports -2.8%).

Profitability to remain subdued in post Covid-19 world

BAL surprised positively by posting 2 year high margin of 18.4% in Q4FY20, backed by some product mix improvement and higher forex realisations. Going forward, however, pricing pressures (either in the form of higher discounts or in the form of slower pass through of any cost increases) amid intense competition for customer wallet share is expected to weigh. Simultaneously, slight deterioration in product mix (share of exports reducing 160 bps to 39.4% over FY20P-22E) is seen further crimping upon overall margins, with the trajectory expected to dip to 16% levels by FY22E.

Valuation & Outlook

For BAL, sales, PAT are expected to grow at 2.1%, -4.1% CAGR, respectively, in FY20P-22E. We slightly raise our target multiple (implied P/E at 17.5x FY22E EPS) on the back of enhanced B/S strength, excellent cash position & healthier return ratios, courtesy better than expected margins. We have a **HOLD** rating on BAL with SOTP-based target price of ₹ 2,840.

Key Financial Summary

Key Financials	FY18	FY19	FY20P	FY21E	FY22E	CAGR (FY20E-22E)
Net Sales	25,164.9	30,250.0	29,918.6	27,034.5	31,160.9	2.1%
EBITDA	4,783.4	4,982.0	5,096.2	3,991.1	4,972.7	-1.2%
EBITDA Margins (%)	19.0	16.5	17.0	14.8	16.0	
Net Profit	4,068.1	4,675.1	5,100.4	3,902.5	4,690.5	-4.1%
EPS (₹)	140.6	161.6	176.3	134.9	162.1	
P/E	18.8	16.4	15.0	19.6	16.3	
RoNW (%)	21.5	19.9	25.6	17.7	19.1	
RoCE (%)	22.9	21.0	23.8	23.2	25.1	

Source: ICICI Direct Research, Company



Particulars

Particular	₹ crore
Market Capitalization	76,683.1
Total Debt (FY20P)	125.6
Cash & Liquid Invests (FY20P)	15,670.0
EV	61,138.6
52 week H/L (₹)	3315 / 1793
Equity capital (₹)	289.4
Face value (₹)	₹ 10

Key Highlights

- Revenues down 7.8% YoY in Q4FY20, lower than 16.9% drop in overall volumes to 9.9 lakh units on account of 10.9% YoY rise in ASPs to ₹ 68,711/unit
- Margins expand 70 bps QoQ to 18.4% tracking 150 bps gross margin expansion on mix improvement and softer rupee
- Volume damage to be limited owing to 2-W industry tailwinds; margins to see a slow grind back to previous levels
- Downgrade from BUY to HOLD with revised target price of ₹ 2,840/share

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Exhibit 1: Variance Analysis

	Q4FY20	Q4FY20E	Q4FY19	YoY (%)	Q3FY20	QoQ (%)	Comments
Total Operating Income	6,816	6,258	7,395	-7.8	7,640	-10.8	Topline came in ahead of estimates tracking beat on blended realisation, which for the quarter was up 8% QoQ
Raw Material Expenses	4,665	4,473	5,345	-12.7	5,342	-12.7	RM costs came in lower at 68.4% of sales, down 160 bps QoQ, primarily tracking better product mix
Employee Expenses	342	336	313	9.4	348	-1.8	
Other Expenses	561	519	586	-4.3	592	-5.2	
EBITDA	1,252.8	936.8	1,162.2	7.8	1,367.2	-8.4	
EBITDA Margin (%)	18.4	15.0	15.7	266 bps	17.9	48 bps	EBITDA margins came in at a real surprise and at a two year high of 18.4%. Margins came in better tracking exchange gains on ASPs and benign commodity prices
Other Income	532.7	288.0	432.7	23.1	366.2	45.4	Other income came in higher tracking dividend from investments, which otherwise could have flown in H1FY21
Depreciation	63.3	57.6	60.8	4.0	61.7	2.6	
Interest	1	0	0	NA	0	NA	
Total Tax	411	338	570	-27.9	410	0.3	
Reported PAT	1310.3	828.4	1305.6	0.4	1261.6	3.9	PAT came in much ahead of estimates tracking beat of ASPs, margins and higher other income
EPS (₹)	45.3	28.6	45.1	0.4	43.6	3.9	
Key Metrics							
Revenue (₹ crore)							
Domestic	3,711	3,370	4,565	-18.7	4,399	-15.6	Domestic revenues were down 19% YoY with corresponding decline in volumes at 33% YoY
Exports	2,900	2,735	2,660	9.0	3,037	-4.5	
Blended ASP (₹/ unit)							
Domestic	77,608	70,485	64,086	21.1	68,765	12.9	Domestic ASPs came in much ahead of estimates tracking better product mix as well as greater share of BS-6 products push in the channel inventory
Exports	56,442	53,240	55,274	2.1	53,972	4.6	

Source: Company, ICICI Direct Research

Exhibit 2: Change in estimates

(₹ Crore)	FY21E			FY22E			Comments
	Old	New	% Change	Old	New	% Change	
Revenue	29,986	27,034	-9.8	32,139	31,161	-3.0	Downward revise FY21E estimates tracking prolonged Covid-19 lockdown and demand disruption both in domestic as well as export markets. Broadly maintain FY22E numbers
EBITDA	4,480	3,991	-10.9	4,919	4,973	1.1	
EBITDA Margin (%)	14.9	14.8	-18 bps	15.3	16.0	65 bps	Operating margin surprise in Q4FY20 leads us to upward revise our margin estimates for FY21-22E. FY21E margins are, however, limited by negative operating leverage due to double digit decline in volumes
PAT	4,237	3,902	-7.9	4,589	4,690	2.2	
EPS (₹)	146.4	134.9	-7.9	158.6	162.1	2.2	We expect PAT earnings to grow at a CAGR of -4.1% over FY20-22E. Broadly maintain FY22E numbers

Source: Company, ICICI Direct Research

Exhibit 3: Assumptions

Units (mn)	Current			Earlier			Comments
	FY18	FY19	FY20	FY21E	FY22E	FY21E	
Motorcycle volumes	3.4	4.2	3.9	3.3	3.8	3.6	3.8
Three-Wheeler volumes	0.6	0.8	0.7	0.5	0.6	0.7	0.7
Quadricycle volumes	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total volumes	4.0	5.0	4.6	3.9	4.4	4.2	4.5
Export volumes	1.7	2.1	2.2	1.8	2.1	1.8	1.9
Domestic revenues (₹ crore)	15,396	18,099	17,169	15,917	18,364	18,978	20,571
Export revenues (\$ mn)	1,400	1,642	1,677	1,415	1,617	1,408	1,457
US\$INR Realisation rate	67	70	71	73	74	73	74
Export ASP (\$/unit)	872	790	772	776	787	766.83	770.07
Blended ASP (₹/unit)	62,640	58,905	63,077	67,764	68,785	69,498	69,904

Source: Company, ICICI Direct Research

Conference call highlights

Management outlook and demand

- The company said that several factors would shape demand in the coming months. Need for social distancing is likely to spur 2-W and motorcycle ownership. Good Rabi harvest and remunerative procurement prices are seen helping in rural and semi urban areas while some pent up demand would also return. However, pressure on incomes and uncertainty related to jobs would also impact sentiment and purchasing power. **The management was of the view that H2FY21E would witness an uptick in demand. As per BAL, domestic volumes are expected to decline higher than export volumes during FY21E at the industry level**
- The company sees greater adverse impact on demand of entry level motorcycles due to difficulties faced by that customer profile in relation to incomes and price hikes post BS-VI. It does not foresee any meaningful downtrading, going forward
- On the domestic 3-W side, BAL sees a downsizing shift towards smaller 3-W, going ahead, on account of Covid-19 and BS-VI pricing having brought financial viability of drivers into question. Demand from cargo segment (for intra city deliveries) and CNG sales (cost advantage vs. diesel) are seen gaining strength
- BAL said that initial sales post lockdown relaxations were largely completion of pre-Covid enquiries and discussions. Going forward, it foresees lower enquiries but higher conversions when compared to a normal year
- Key export market of Nigeria are witnessing several issues, viz. Covid spread, slide in crude oil prices and devaluation in exchange rate. At present, it is operating at 40% of normalised retail volumes
- Asean countries (particularly Indonesia and Thailand), Brazil and Europe would gain bigger focus with respect to exports, going ahead

Covid-19 commentary

- **In India, 50-60% of BAL's dealerships are in the green zones, and, at present, are recording ~50% of normal sales. Overall India retail sales are ~25% of normal levels.** Service transactions are at 65-70% of normal levels
- **On average, retail sales in export markets are at ~35% of normal levels**
- **India plants are ready to operate at 50-75% of capacity** but commensurate demand does not exist currently

Margins

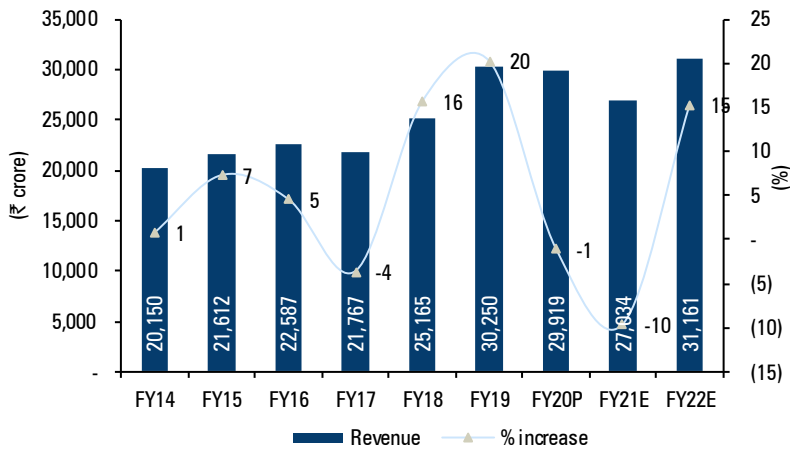
- Better product mix (within 2-W as well as higher share of exports and 3-W) along with better forex realisations helped strong margin performance during Q4FY20.

Others

- BAL commands 40%+ market share in Nigeria and ~38% overall in Africa
- Lagos city is 10-14% of Nigeria retails at the industry level
- First time buyers formed 56-59% of BAL customers in FY20
- The company said it is seeing no difficulties in 2-W retail financing, although some issues exist on the 3-W side

Financial story in charts

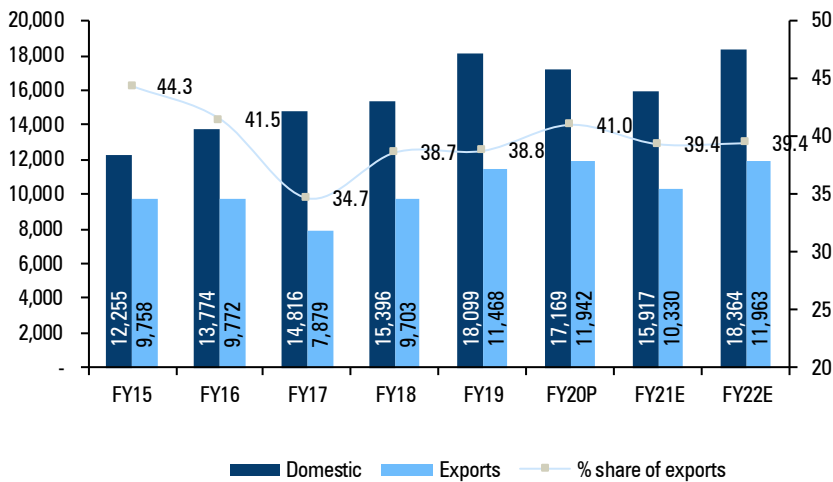
Exhibit 4: Total operating income trend



We expect total operating income to grow at a CAGR of 2.1% over FY20P-22E largely tracking better forex realisations in exports and some marginal price increases, even as total volumes are expected to dip by 2.3% CAGR during the same time frame

Source: Company, ICICI Direct Research

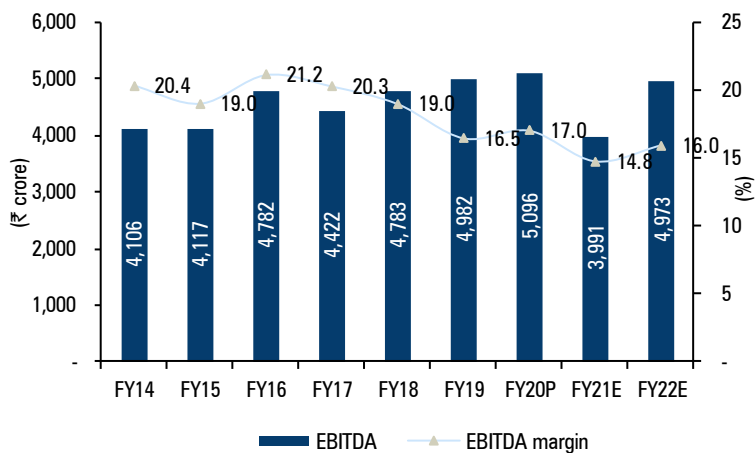
Exhibit 5: Revenue mix (₹ crore)



Product mix expected to dip in favour of domestic geography, with exports forming 39.4% of overall sales

Source: Company, ICICI Direct Research

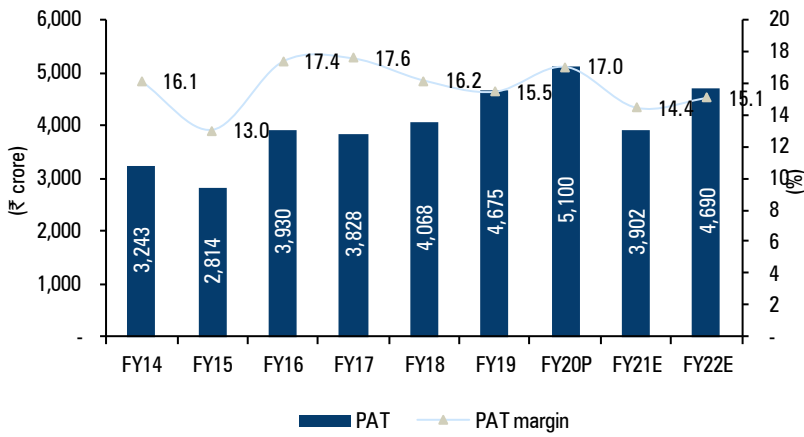
Exhibit 6: EBITDA and EBITDA margin trend



EBITDA margins are seen softening towards 16% levels on the back of negative operating leverage and slight product mix deterioration

Source: Company, ICICI Direct Research

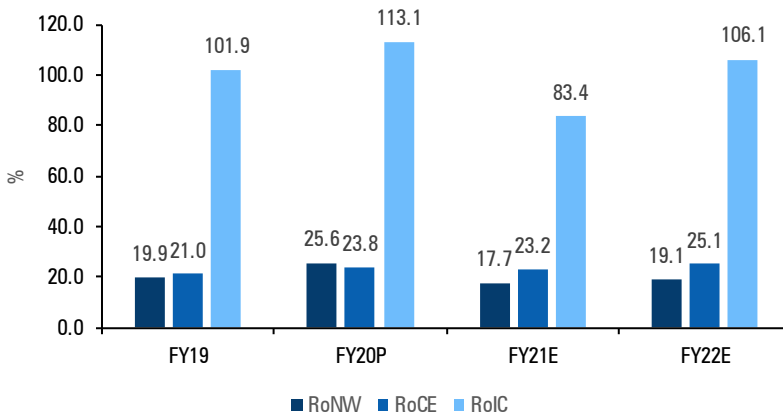
Exhibit 7: Profitability trend



PAT is seen de-growing at 4.1% CAGR over FY20P-22E to ₹ 4,690 crore

Source: Company, ICICI Direct Research

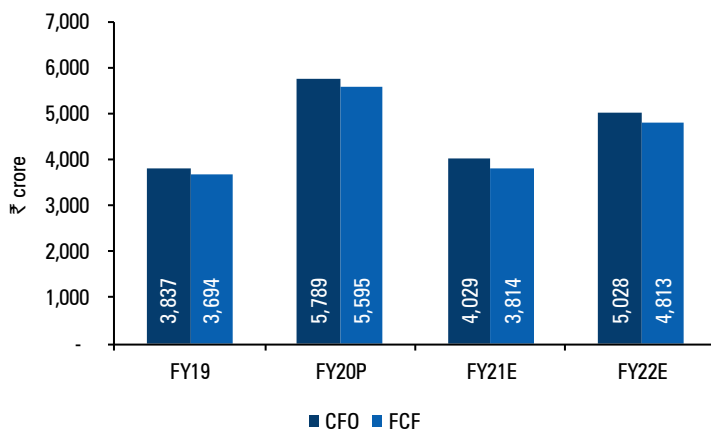
Exhibit 8: Trend in return ratios



We expect BAL to clock 20%+ return ratios going forward

Source: Company, ICICI Direct Research

Exhibit 9: CFO, FCF trend



BAL has a history of consistent healthy cash flow generation

Source: Company, ICICI Direct Research

Exhibit 10: Segment wise, model wise volume break-up for Q4FY20 at BAL

	Domestic			Exports			Total			Domestic market share (%)
	Q4FY19	Q4FY20	YoY (%)	Q4FY19	Q4FY20	YoY (%)	Q4FY19	Q4FY20	YoY (%)	
I. Scooters	-	212	NA	-	-	NA	-	212	NA	-
Electric	-	212	NA	-	-	NA	-	212	NA	-
Chetak	-	212	NA	-	-	NA	-	212	NA	-
II. Motorcycles	6,10,094	4,02,872	-34.0%	3,91,889	4,50,456	14.9%	10,01,983	8,53,328	-14.8%	18.5
75-110cc	3,06,332	1,79,351	-41.5%	2,50,726	2,87,993	14.9%	5,57,058	4,67,344	-16.1%	
Discover	11,089	285	-97.4%	4,536	4,680	3.2%	15,625	4,965	-68.2%	
Boxer	-	-	NA	1,84,584	2,42,132	31.2%	1,84,584	2,42,132	31.2%	
CT	1,21,449	85,949	-29.2%	48,886	34,232	-30.0%	1,70,335	1,20,181	-29.4%	
Platina	1,73,794	93,117	-46.4%	12,720	6,949	-45.4%	1,86,514	1,00,066	-46.3%	
110-125cc	12,309	56,277	357.2%	63,206	59,250	-6.3%	75,515	1,15,527	53.0%	
Pulsar	-	50,822	NA	5,708	6,940	21.6%	5,708	57,762	911.9%	
CT	-	-	NA	20,570	27,472	33.6%	20,570	27,472	33.6%	
V 12	3	-	-100.0%	-	-	NA	3	-	-100.0%	
KTM	7,485	5,455	-27.1%	4,598	3,192	-30.6%	12,083	8,647	-28.4%	
Discover	4,821	-	-100.0%	28,112	15,300	-45.6%	32,933	15,300	-53.5%	
Platina	-	-	NA	1,186	912	-23.1%	1,186	912	-23.1%	
Boxer	-	-	NA	3,032	5,434	79.2%	3,032	5,434	79.2%	
125-150cc	2,15,326	1,05,362	-51.1%	43,958	55,841	27.0%	2,59,284	1,61,203	-37.8%	
V 15	743	-	-100.0%	-	-	NA	743	-	-100.0%	
Discover	-	-	NA	-	-		-	-	NA	
Pulsar	2,14,583	1,05,362	-50.9%	15,076	18,121	20.2%	2,29,659	1,23,483	-46.2%	
Boxer	-	-	NA	28,882	37,720	30.6%	28,882	37,720	30.6%	
150-200cc	48,342	37,070	-23.3%	23,764	27,716	16.6%	72,106	64,786	-10.2%	
Husqvarna	-	-	NA	-	126	NA	-	126	NA	
Avenger	1,753	8,280	NA	-	-	NA	1,753	8,280	NA	
Pulsar	40,573	22,840	-44.1%	21,158	25,692	21.4%	61,731	48,532	-21.4%	
KTM	6,016	5,950	-1.1%	2,606	1,898	-27.2%	8,622	7,848	-9.0%	
200-250cc	26,004	19,897	-23.5%	2,487	4,989	100.6%	28,491	24,886	-12.7%	
KTM	1,268	1,670	31.7%	844	792	-6.2%	2,112	2,462	16.6%	
Pulsar	19,350	16,453	-15.0%	776	3,782	387.4%	20,126	20,235	0.5%	
Avenger	5,386	1,774	-67.1%	867	415	-52.1%	6,253	2,189	-65.0%	
250-350cc	-	1,436	NA	-	338	NA	-	1,774	NA	
Dominar	-	863	NA	-	-	NA	-	863	NA	
Husqvarna	-	573	NA	-	338	NA	-	911	NA	
350-500cc	1,781	3,445	93.4%	7,748	14,329	84.9%	9,529	17,774	86.5%	
Husqvarna	-	-	NA	-	1,318	NA	-	1,318	NA	
Dominar	743	707	-4.8%	1,229	3,380	175.0%	1,972	4,087	107.3%	
KTM	1,038	2,738	163.8%	6,519	9,631	47.7%	7,557	12,369	63.7%	
500-800cc	-	34	NA	-	-	NA	-	34	NA	
KTM	-	34	NA	-	-	NA	-	34	NA	
A. Total 2-W (I + II)	6,10,094	4,03,084	-33.9%	3,91,889	4,50,456	14.9%	10,01,983	8,53,540	-14.8%	35.8
B. Total 3-W	1,01,809	75,088	-26.2%	88,621	62,594	-29.4%	1,90,430	1,37,682	-27.7%	57.3
C. Quadrcycles	449	(12)	-102.7%	728	751	3.2%	1,177	739	-37.2%	100.0
D. Total domestic	7,12,352	4,78,160	-32.9%							
E. Total exports	4,81,238	5,13,801	6.8%							
F. Grand total	11,93,590	9,91,961	-16.9%							

Source: SIAM, ICICI Direct Research; Note – Market share as of March 2020

Exhibit 11: Segment wise, model wise volume break-up for FY20 at BAL

	Domestic			Exports			Total			Domestic market share (%)
	FY19	FY20	YoY (%)	FY19	FY20	YoY (%)	FY19	FY20	YoY (%)	
I. Scooters	-	212	NA	-	-	NA	-	212	NA	-
Electric	-	212	NA	-	-	NA	-	212	NA	
Chetak	-	212	NA	-	-	NA	-	212	NA	
II. Motorcycles	25,41,320	20,78,136	-18.2%	16,95,553	18,69,220	10.2%	42,36,873	39,47,356	-6.8%	18.5
75-110cc	14,42,982	10,79,432	-25.2%	10,18,748	11,38,965	11.8%	24,61,730	22,18,397	-9.9%	
Discover	74,002	20,991	-71.6%	30,888	27,867	-9.8%	1,04,890	48,858	-53.4%	
Boxer	-	-	NA	7,55,142	9,20,322	21.9%	7,55,142	9,20,322	21.9%	
CT	7,42,199	4,80,204	-35.3%	1,79,891	1,48,775	-17.3%	9,22,090	6,28,979	-31.8%	
Platina	6,26,781	5,78,237	-7.7%	52,827	42,001	-20.5%	6,79,608	6,20,238	-8.7%	
110-125cc	52,925	1,94,756	268.0%	2,30,932	2,77,894	20.3%	2,83,857	4,72,650	66.5%	
Pulsar	-	1,59,685	NA	6,098	30,444	399.2%	6,098	1,90,129	3017.9%	
CT	-	-	NA	77,842	1,06,485	36.8%	77,842	1,06,485	36.8%	
V 12	324	-	-100.0%	276	-	-100.0%	600	-	-100.0%	
KTM	10,356	26,567	156.5%	14,106	9,135	-35.2%	24,462	35,702	45.9%	
Discover	42,245	8,504	-79.9%	1,07,973	1,10,555	2.4%	1,50,218	1,19,059	-20.7%	
Platina	-	-	NA	6,131	3,807	-37.9%	6,131	3,807	-37.9%	
Boxer	-	-	NA	18,506	17,468	-5.6%	18,506	17,468	-5.6%	
125-150cc	7,11,123	5,04,010	-29.1%	2,60,405	2,59,396	-0.4%	9,71,528	7,63,406	-21.4%	
V 15	17,215	-	-100.0%	538	-	-100.0%	17,753	-	-100.0%	
Discover	-	-	NA	1,270	-		1,270	-	-100.0%	
Pulsar	6,93,908	5,04,010	-27.4%	1,24,045	1,03,735	-16.4%	8,17,953	6,07,745	-25.7%	
Boxer	-	-	NA	1,34,552	1,55,661	15.7%	1,34,552	1,55,661	15.7%	
150-200cc	2,02,045	1,85,320	-8.3%	1,35,798	1,32,358	-2.5%	3,37,843	3,17,678	-6.0%	
Husqvarna	-	-	NA	-	126	NA	-	126	NA	
Avenger	26,663	43,149	61.8%	1,973	408	-79.3%	28,636	43,557	52.1%	
Pulsar	1,46,940	1,18,022		1,20,741	1,20,282	-0.4%	2,67,681	2,38,304	-11.0%	
KTM	28,442	24,149	-15.1%	13,084	11,542	-11.8%	41,526	35,691	-14.1%	
200-250cc	1,17,319	96,722	-17.6%	20,309	28,501	40.3%	1,37,628	1,25,223	-9.0%	
KTM	6,016	6,709	11.5%	4,366	4,453	2.0%	10,382	11,162	7.5%	
Pulsar	82,511	74,309	-9.9%	12,599	21,284	68.9%	95,110	95,593	0.5%	
Avenger	28,792	15,704	-45.5%	3,344	2,764	-17.3%	32,136	18,468	-42.5%	
250-350cc	-	1,436	NA	-	338	NA	-	1,774	NA	
Dominar	-	863	NA	-	-	NA	-	863	NA	
Husqvarna	-	573	NA	-	338	NA	-	911	NA	
350-500cc	14,926	16,362	9.6%	29,361	31,767	8.2%	44,287	48,129	8.7%	
Husqvarna	-	-	NA	-	1,318	NA	-	1,318	NA	
Dominar	9,035	10,400	15.1%	10,509	11,189	6.5%	19,544	21,589	10.5%	
KTM	5,891	5,962	1.2%	18,852	19,260	2.2%	24,743	25,222	1.9%	
500-800cc	-	98	NA	-	1	NA	-	99	NA	
KTM	-	98	NA	-	1	NA	-	99	NA	
A. Total 2-W (I + II)	25,41,320	20,78,348	-18.2%	16,95,553	18,69,220	10.2%	42,36,873	39,47,568	-6.8%	35.8
B. Total 3-W	3,98,826	3,64,817	-8.5%	3,78,777	2,96,700	-21.7%	7,77,603	6,61,517	-14.9%	57.3
C. Quadrcycles	627	942	50.2%	4,400	5,185	17.8%	5,027	6,127	21.9%	100.0
D. Total domestic	29,40,773	24,44,107	-16.9%							
E. Total exports	20,78,730	21,71,105	4.4%							
F. Grand total	50,19,503	46,15,212	-8.1%							

Source: SIAM, ICICI Direct Research; Note – Market share as of March 2020

Exhibit 12: Valuation Summary

	Sales (₹ cr)	Growth (%)	EPS (₹)	Growth (%)	PE (x)	EV/EBITDA (x)	RoNW (%)	RoCE (%)
FY18	25,164.9	15.6	140.6	6.3	18.8	12.8	21.5	22.9
FY19	30,250.0	20.2	161.6	14.9	16.4	12.0	19.9	21.0
FY20P	29,918.6	(1.1)	176.3	9.1	15.0	12.0	25.6	23.8
FY21E	27,034.5	-9.6	134.9	-23.5	19.6	14.8	17.7	23.2
FY22E	31,160.9	15.3	162.1	20.2	16.3	11.4	19.1	25.1

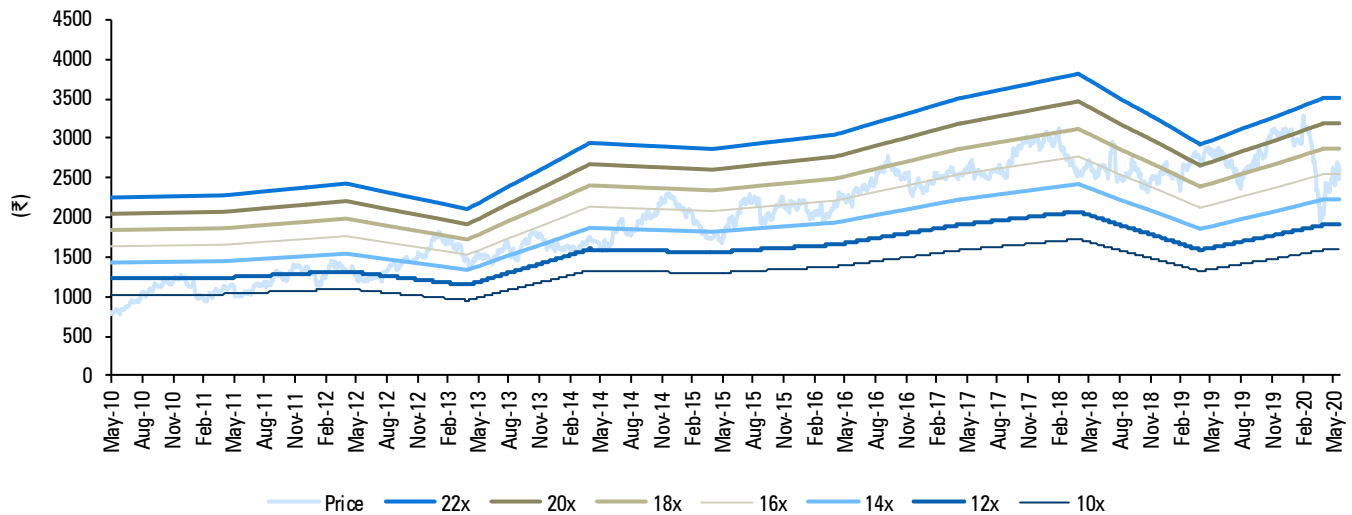
Source: Bloomberg, ICICI Direct Research

Exhibit 13: SOTP valuation

SOTP Valuation	Estimated value	Per share (₹)	Remark
Core Business			
FY22E EPS (₹)	162.1		
Multiple (x)	17.0		We have increased the target multiple courtesy more than anticipated operating margins and consequent return ratios matrix
Value per share (₹)		2,755	
Stake in KTM (48%)			
KTM value derived back to Bajaj (₹ crore)	2440		2.0x of Invested Capital (₹ 1220 crore)
Value per share		85	
Total Value per Share (₹)		2,840	

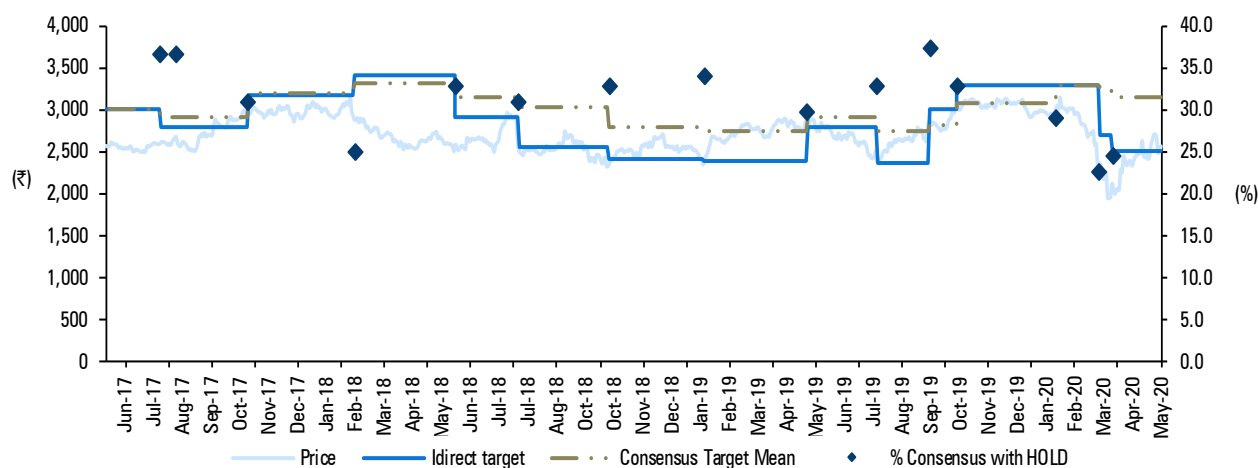
Source: Bloomberg, ICICI Direct Research

Exhibit 14: BAL currently trades at ~16.3x its FY22E EPS



Source: Bloomberg, ICICI Direct Research

Exhibit 15: Recommendation history vs. consensus



Source: Bloomberg, ICICI Direct Research

Exhibit 16: Top 10 shareholders

Rank	Name	Latest Filing Date	% O/S	Position (m)	Change (m)
1	BAJAJ HOLDINGS AND I	31-12-2019	33.43	96.73M	0
2	JAMNALAL SONS PVT LT	19-03-2020	9.08	26.28M	+0.04M
3	LIFE INSURANCE CORP	30-06-2019	4.60	13.32M	0
4	JAYA HIND INDUSTRIES	31-12-2019	3.35	9.70M	+0.00M
5	MAHARASHTRA SCOOTERS	31-12-2019	2.34	6.77M	0
6	BAJAJ SEVASHRAM LIMI	31-12-2019	1.54	4.46M	0
7	SBI FUNDS MANAGEMENT	31-03-2020	1.29	3.74M	+0.29M
8	BACHHRAJ & CO LTD	31-12-2019	1.26	3.64M	0
9	NORGES BANK	31-12-2019	1.09	3.15M	0
10	GOVERNMENT PENSION F	31-12-2019	1.04	3.02M	-0.15M

Source: Bloomberg, ICICI Direct Research

Exhibit 17: Shareholding pattern

(in %)	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20
Promoter	51.2	53.5	53.5	53.5	53.7
FII	15.6	15.7	14.1	13.9	13.9
DII	7.4	7.5	9.8	10.1	8.8
Others	25.8	23.3	22.6	22.5	23.6

Source: Company, ICICI Direct Research

Financial Summary

Exhibit 18: Profit and loss statement				
	₹ crore			
(Year-end March)	FY19	FY20P	FY21E	FY22E
Total operating Income	30250.0	29918.6	27034.5	31160.9
Growth (%)	14.1	-1.1	-9.6	15.3
Raw Material Expenses	21,824.4	21,008.3	19,330.5	22,164.6
Employee Expenses	1,255.4	1,389.2	1,357.2	1,421.2
Other expenses	2,218.3	2,454.9	2,382.7	2,633.7
Total Operating Expenditure	25,268.0	24,822.4	23,043.3	26,188.2
EBITDA	4982.0	5096.2	3991.1	4972.7
Growth (%)	-14.3	2.3	-21.7	24.6
Depreciation	265.7	246.4	270.3	311.6
Interest	4.5	2.7	1.1	0.9
Other Income	1,649.3	1,733.6	1,497.5	1,610.5
PBT	6,361.1	6,580.7	5,217.2	6,270.7
Total Tax	2,028.0	1,480.2	1,314.7	1,580.2
PAT	4675.1	5100.4	3902.5	4690.5
Growth (%)	14.9	9.1	-23.5	20.2
EPS (₹)	161.6	176.3	134.9	162.1

Source: Company, ICICI Direct Research

Exhibit 19: Cash flow statement				
	₹ crore			
(Year-end March)	FY19	FY20P	FY21E	FY22E
Profit after Tax	4,675.1	5,100.4	3,902.5	4,690.5
Add: Depreciation	265.7	246.4	270.3	311.6
(Inc)/dec in Current Assets	-1,871.0	1,059.4	117.1	-517.0
Inc/(dec) in CL and Provisions	557.4	-569.6	-248.8	474.5
CF from operating activities	3836.7	5788.6	4028.7	5028.4
(Inc)/dec in Investments	-1,571.1	973.7	-1,900.0	-2,500.0
(Inc)/dec in Fixed Assets	-142.8	-193.7	-215.0	-215.0
Others	18.1	-223.0	-95.0	-95.0
CF from investing activities	-1695.8	557.0	-2210.0	-2810.0
Inc/(dec) in loan funds	3.8	1.1	-20.0	-20.0
Dividend paid & dividend tax	-2,083.5	-4,166.9	-1,736.2	-2,170.3
Inc/(dec) in Sec. premium	0.0	0.0	0.0	0.0
CF from financing activities	-1999.8	-6956.5	-1771.3	-2205.1
Net Cash flow	141.1	-610.9	47.5	13.3
Opening Cash	777.8	918.9	308.0	355.5
Closing Cash	918.9	308.0	355.5	368.8

Source: Company, ICICI Direct Research

Exhibit 20: Balance Sheet				
	₹ crore			
(Year-end March)	FY19	FY20P	FY21E	FY22E
Liabilities				
Equity Capital	289.4	289.4	289.4	289.4
Reserve and Surplus	21,490.5	19,636.1	21,788.4	24,294.6
Total Shareholders funds	21779.9	19925.5	22077.8	24584.0
Total Debt	124.5	125.6	105.6	85.6
Deferred Tax Liability	542.7	346.4	346.4	346.4
Other non-current liabilities	1.1	0.8	0.8	0.8
Total Liabilities	22506.7	20520.1	22662.4	25158.6
Assets				
Gross Block	4,637.8	4,796.0	5,022.5	5,222.5
Less: Acc Depreciation	2,893.6	3,140.0	3,410.4	3,722.0
Net Block	1,744.2	1,656.0	1,612.1	1,500.5
Capital WIP	11.5	46.5	20.0	20.0
Total Fixed Assets	1755.7	1702.5	1632.1	1520.5
Investments	19,159.4	18,196.4	20,146.4	22,696.4
Inventory	961.5	1,063.5	888.8	1,024.5
Debtors	2,559.7	1,725.1	1,851.7	2,134.3
Loans and Advances	6.3	6.1	5.5	6.4
Other current assets	1035.8	709.3	640.9	738.8
Cash	918.9	308.0	355.5	368.8
Total Current Assets	5,482.3	3,812.0	3,742.4	4,272.7
Creditors	3,786.7	3,199.7	2,962.7	3,414.9
Provisions	140.6	158.0	146.3	168.6
Other current liabilities	575.4	347.3	313.8	361.7
Total Current Liabilities	4,873.7	4,253.3	3,991.1	4,533.5
Net Current Assets	608.6	-441.3	-248.7	-260.9
Deferred Tax asset	0.0	0.0	0.0	0.0
Application of Funds	22506.7	20520.1	22662.4	25158.6

Source: Company, ICICI Direct Research

Exhibit 21: Key ratios				
(Year-end March)	FY19	FY20P	FY21E	FY22E
Per share data (₹)				
EPS	161.6	176.3	134.9	162.1
Cash EPS	170.7	184.8	144.2	172.9
BV	752.7	688.6	763.0	849.6
DPS	60.0	120.0	60.0	75.0
Cash Per Share	31.8	10.6	12.3	12.7
Operating Ratios (%)				
EBITDA Margin	16.5	17.0	14.8	16.0
PBT / Net sales	15.6	16.2	13.8	15.0
PAT Margin	15.5	17.0	14.4	15.1
Inventory days	11.6	13.0	12.0	12.0
Debtor days	30.9	21.0	25.0	25.0
Creditor days	45.7	39.0	40.0	40.0
Return Ratios (%)				
RoE	21.0	23.8	23.2	25.1
RoCE	19.9	25.6	17.7	19.1
RoIC	101.9	113.1	83.4	106.1
Valuation Ratios (x)				
Core P/E	17.7	15.0	19.6	16.3
EV / EBITDA	12.0	12.0	14.8	11.4
EV / Net Sales	2.0	2.0	2.2	1.8
Market Cap / Sales	2.5	2.6	2.8	2.5
Price to Book Value	3.5	3.8	3.5	3.1
Solvency Ratios				
Current Ratio	1.0	0.9	1.0	1.0
Quick Ratio	0.8	0.7	0.7	0.7

Source: Company, ICICI Direct Research

Exhibit 22: ICICI Direct coverage universe (Auto & Auto Ancillary)

Sector / Company	CMP	TP	Rating	M Cap	EPS (₹)			P/E (x)			EV/EBITDA (x)			RoCE (%)			RoE (%)		
	(₹)	(₹)		(₹ Cr)	FY20E	FY21E	FY22E	FY20E	FY21E	FY22E	FY20E	FY21E	FY22E	FY20E	FY21E	FY22E	FY20E	FY21E	FY22E
Apollo Tyre (APOTYR)	92	100	Hold	5,263	8.3	2.4	7.6	11.0	38.7	12.1	5.8	5.4	4.2	4.8	3.5	6.1	4.8	1.2	4.3
Ashok Leyland (ASHLEY)	45	55	Buy	13,172	1.2	1.7	3.2	38.7	26.5	14.0	11.5	10.0	6.8	6.0	7.0	11.9	4.7	5.7	10.4
Bajaj Auto (BAAUTO)	2,650	2,840	Hold	76,683	176.3	134.9	162.1	15.0	19.6	16.3	12.0	14.8	11.4	23.8	23.2	25.1	25.6	17.7	19.1
Bharat Forge (BHAFOR)	290	320	Hold	13,502	10.8	7.0	12.7	26.7	41.2	22.9	13.9	16.0	11.9	8.4	6.3	9.4	9.4	5.7	9.8
Eicher Motors (EICMOT)	14,000	16,870	Hold	38,164	737.9	687.6	838.2	19.0	20.4	16.7	14.5	14.6	11.5	22.9	19.6	20.5	19.1	15.6	16.4
Escorts (ESCORT)	880	860	Hold	10,787	39.6	40.8	50.3	22.2	21.6	17.5	14.6	13.9	11.1	18.9	13.3	14.2	14.2	10.1	11.1
Exide Industries (EXIIND)	150	160	Buy	12,750	9.4	7.6	9.4	15.9	19.7	15.9	8.8	10.0	8.3	16.4	12.8	14.7	12.9	9.6	11.1
Hero Moto (HERHON)	2,050	2,500	Buy	40,939	175.3	118.3	156.4	11.7	17.3	13.1	9.0	10.7	8.1	26.4	20.2	24.6	21.6	15.7	19.1
M&M (MAHMAH)	400	415	Buy	49,728	33.8	15.8	23.5	11.9	25.4	17.0	8.3	12.7	9.2	11.7	6.3	8.9	9.6	5.0	7.1
Maruti Suzuki (MARUTI)	5,000	4,650	Reduce	151,040	187.1	138.4	194.4	26.7	36.1	25.7	15.9	18.8	13.3	7.4	4.8	7.9	11.7	8.2	10.6
Minda Industries (MININD)	282	300	Buy	7,394	7.0	7.6	11.8	40.2	37.0	23.9	12.9	11.6	9.2	11.3	11.8	15.0	11.5	11.6	15.4
Tata Motors (TATMOT)	83	85	Hold	30,337	-9.1	-2.4	9.1	NM	NM	9.1	4.1	4.1	3.3	4.6	5.7	8.5	0.0	2.6	9.3

Source: Reuters, ICICI Direct Research

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Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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