

# Amara Raja Batteries

Refer to important disclosures at the end of this report

## Ending the year with strong earnings performance; Retain Buy

CMP: Rs 654  
as of (June 2, 2020)TP: Rs 732 (▲)  
12 months

Rating: BUY (■)

Upside: 12.0 %

We appreciate your support in the [Asiamoney Brokers Poll 2020](#)

- Q4FY20 revenue grew marginally by 1% yoy to Rs15.8bn (est. Rs14.3bn), while adj. PAT grew strongly by 15% to Rs1.4bn (est. Rs1bn), above estimates due to higher-than-expected replacement revenues, operating margin and other income.
- Due to the impact of the lockdown and expectation of a gradual pick-up in demand, we cut our FY21 revenue estimate by 7% to Rs65.5bn, but increase FY22E revenue by 3% to Rs81.1bn. Post revision, we expect revenue/earnings CAGRs at 9%/12% for FY20-22E.
- Amid the overall weakness in the auto sector in FY21, a quicker recovery is expected in the battery segment, driven by an improvement in aftermarket demand stemming from the replacement of old and discharged batteries post the removal of lockdowns.
- We expect AMRJ to outpace industry growth over next 1-2 years, led by market share gains. We maintain our Buy rating, with a revised TP of Rs732, up from Rs624 earlier, based on 15x FY22E EPS (unchanged). Retain EW stance in sector EAP.

**Ending the year with strong earnings performance:** Despite a steep fall in the OEM segment, Q4FY20 revenues grew marginally by 1% yoy to Rs15.8bn (est. Rs14.3bn) on positive growth in the aftermarket and industrial segments. EBITDA margin was flat yoy at 15.4% (est. 14.5%), above estimates due to a higher-than-expected scale. Other income grew 123% yoy to Rs141mn, while the effective tax rate fell to 23% vs. 33% in Q4FY19. Overall, adj. PAT grew 15% to Rs1.4bn (our est. Rs1bn), above estimates due to higher-than-expected replacement revenues, operating margin and other income.

**AMRJ remains a formidable second player; Retain Buy with TP of Rs732:** In the duopoly batteries' market, Amara Raja continues to be a formidable 2nd player behind Exide Industries. Excellent franchise model and operational efficiency have enabled Amara Raja to deliver a strong performance, and we expect the momentum to persist. Our FY21E EPS has been reduced by 8% to Rs33.6, due to reduction in revenue estimates, while FY22E EPS has been increased by 17% to Rs48.8, due to higher revenue and margin assumptions. We introduce FY23E EPS of Rs56.2, factoring in revenue growth of 12% and EBITDA margin of 16.8%. Post revision, we expect revenue/earnings CAGRs at 9%/12% for FY20-22E, with an average ROCE of 23% and FCF/year of Rs4.5bn. We maintain our Buy rating, with a revised TP of Rs732, up from Rs624 earlier, based on 15x FY22E EPS (unchanged). Retain EW stance in sector EAP. Although the shift toward EVs remains a structural risk, EV penetration could be gradual. Other risks are lower-than-expected growth in OEM/replacement demand in the Auto segment, continuation of weak demand for telecom batteries, higher competitive intensity, and adverse currency/commodity prices.

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

### Financial Snapshot (Standalone)

(Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	67,931	68,395	65,548	81,133	91,055
EBITDA	9,518	10,986	10,167	13,558	15,261
EBITDA Margin (%)	14.0	16.1	15.5	16.7	16.8
APAT	4,835	6,608	5,740	8,331	9,601
EPS (Rs)	28.3	38.7	33.6	48.8	56.2
EPS (% chg)	2.6	36.7	(13.1)	45.1	15.2
ROE (%)	15.4	18.9	15.0	19.4	19.7
P/E (x)	23.1	16.9	19.4	13.4	11.6
EV/EBITDA (x)	11.7	10.0	10.5	7.6	6.5
P/BV (x)	3.3	3.1	2.8	2.4	2.2

Source: Company, Emkay Research



### Change in Estimates

EPS Chg FY21E/FY22E (%)	(8.0)/17.2
Target Price change (%)	17.2
Target Period (Months)	12
Previous Reco	BUY

### Emkay vs Consensus

	EPS Estimates	
	FY21E	FY22E
Emkay	33.6	48.8
Consensus	37.2	42.5
Mean Consensus TP (12M)	Rs 640	

### Stock Details

Bloomberg Code	AMRJ IN
Face Value (Rs)	1
Shares outstanding (mn)	171
52 Week H/L	814 / 349
M Cap (Rs bn/USD bn)	112 / 1.48
Daily Avg Volume (nos.)	1,290,284
Daily Avg Turnover (US\$ mn)	9.4

### Shareholding Pattern Mar '20

Promoters	28.1%
FIIIs	20.9%
DIIIs	11.1%
Public and Others	39.9%

### Price Performance

(%)	1M	3M	6M	12M
Absolute	14	2	(13)	3
Rel. to Nifty	15	17	7	24

### Relative price chart



Source: Bloomberg

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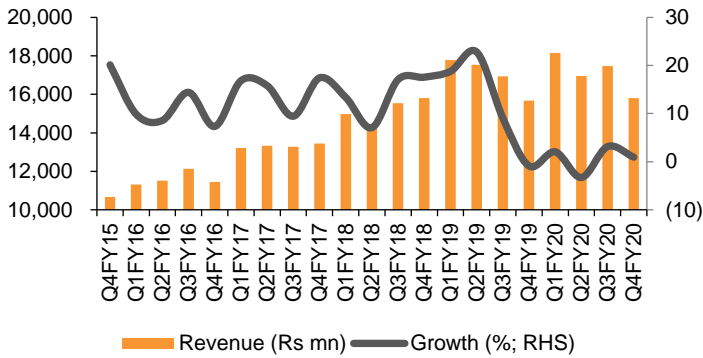
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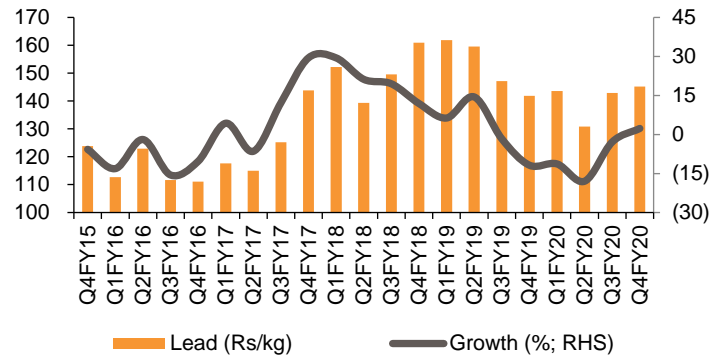
## Story in Charts

**Exhibit 1: Revenues grew by 1% yoy, despite weakness in OEM owing to growth in Replacement and Industrial segments**



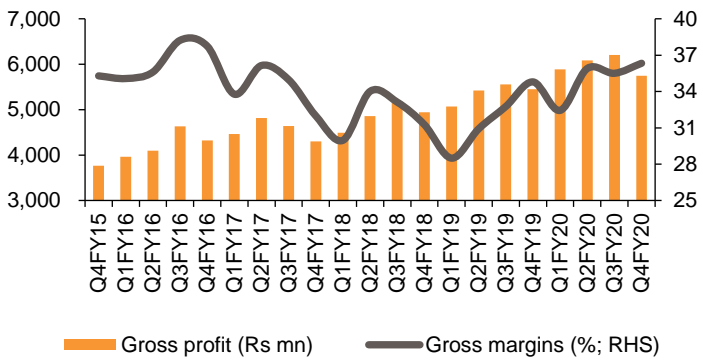
Source: Company, Emkay Research

**Exhibit 2: Lead prices were flattish in Q4FY20**



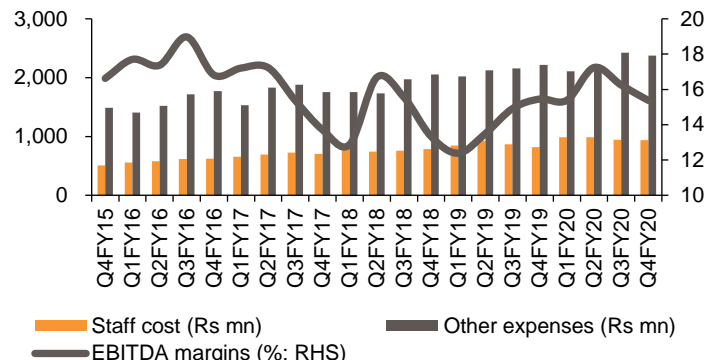
Source: Bloomberg, Emkay Research

**Exhibit 3: Gross margins expanded 150bps yoy on better mix**



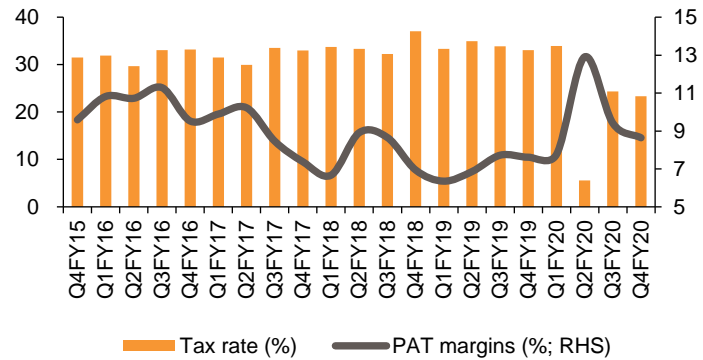
Source: Company, Emkay Research

**Exhibit 4: EBITDA margin was flattish yoy at 15.4%**



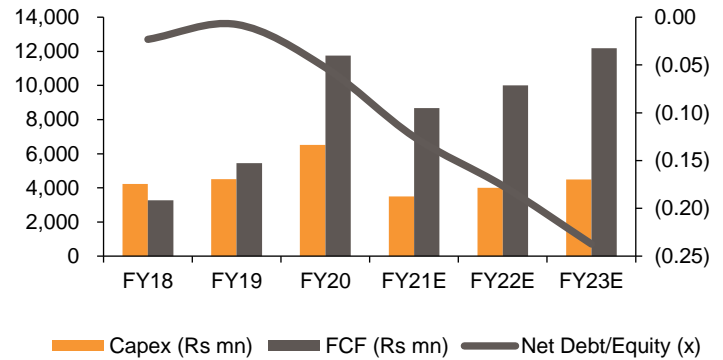
Source: Company, Emkay Research

**Exhibit 5: PAT margins expanded 100bps yoy owing to lower tax rate**



Source: Company, Emkay Research

**Exhibit 6: Free cash flow and Net debt/equity (x) to remain healthy**



Source: Company, Emkay Research

## Earnings Call Highlights

- **Demand:** Near-term revenues are likely to be supported by pent-up demand in segments such as Tractors, Inverters and Automotive Aftermarket. Expect a quick recovery in the Automotive Aftermarket. Currently, Automotive Aftermarket demand has recovered to more than 50-60% of pre-Covid-19 levels. Plants are working at a capacity utilization of 45-50% levels and a further ramp-up is expected ahead.
- **FY20 topline mix:** Automotive 60%, Exports 10% and Industrial 30%. Within industrial segment –UPS contributes to 13% and Telecom contributes to 9% of overall revenues.
- **Q4FY20 volume growth trends:** 4Ws were flat yoy, led by growth in Aftermarket, while OEM fell 20%. In 2Ws, OEM grew 25% yoy (2 new OEMs added) and Aftermarket grew 18% yoy. Inverter was flat yoy and Telecom grew 6% yoy.
- **FY20 volume growth trends:** 4Ws grew 2-3% yoy, led by growth in Aftermarket (+10% yoy) and exports, while OEM fell 22-23%. 2Ws grew 13% yoy, led by 18% growth in Aftermarket, while OEM fell 10%. Inverter grew 5% yoy, UPS grew 10% and Telecom declined 5% yoy.
- **The company has improved market share** in Automotive Aftermarket, 2W OEMs and Telecom (65% share) segments in FY20.
- **Capacity:** 4Ws at 12mn units, 2Ws at 19mn units, Industrial at 2bn amph and Tubular at 1.3mn units. A new 4W plant is under construction with total potential capacity at 6mn units and for the 1st phase, 2mn capacity would be added in FY21. Tubular capacity would be increased to 1.7mn units in FY21 and will be utilized for sectors such as 3Ws.
- **In FY20, gross margin** improved due to a higher share of Aftermarket and lower lead prices. Lead prices declined by 7% yoy in FY20. In Q4FY20, lead prices were flat yoy.
- The company has taken one-time provision hit of Rs250-300mn in FY20 related to a delay in receivables from customers such as BSNL (Rs160mn). Expect to recover the amount in FY21. Q4FY20 hit was Rs50mn.
- **Capex** expected for FY21 is Rs3-3.5bn for new plant, de-bottling capacity and maintenance.
- The company has implemented stamp grid technology for the motorcycle segment in Aftermarket. For 4Ws, this technology is under execution and expected to be launched soon. Also, the company is working on approvals for 2W OEMs. Advantages of Stamp grid over cast technology are 1) efficient operations, 2) cleaner for environment, 3) process has high flexibility (multiple variants possible without much tooling or equipment change) 4) material savings.
- The company has tied up with Gridtential Energy for bipolar battery technology. It would first go for testing to check the suitability for the Indian market. Bipolar battery has better reliability under higher load and can be used for applications such as Automotive, UPS, low-end traction, fast charging, etc.

**Exhibit 7: Revenue assumptions**

Revenue mix	FY19	FY20	FY21E	FY22E	FY23E
Automotive (2W & 4W)	37,550	36,804	37,117	45,593	51,961
growth (%)	11.1	(2.0)	0.9	22.8	14.0
-OEM	7,254	4,411	3,376	5,164	5,927
growth (%)	1.1	(39.2)	(23.5)	53.0	14.8
-Aftermarket	30,296	32,393	33,741	40,429	46,035
growth (%)	13.8	6.9	4.2	19.8	13.9
Industrial	30,381	31,591	28,432	35,540	39,094
growth (%)	13.4	4.0	(10.0)	25.0	10.0
<b>Total Revenue</b>	<b>67,931</b>	<b>68,394</b>	<b>65,548</b>	<b>81,133</b>	<b>91,055</b>
growth (%)	12.1	0.7	(4.2)	23.8	12.2

Source: Company, Emkay Research

**Exhibit 8: Actual vs. Estimates (Q4FY20)**

(Rs mn)	Actual	Estimate		% Variation		Comment
		Emkay	Consensus	Emkay	Consensus	
Total Revenue	15,814	14,343	15,060	10.3	5.0	Above estimates, due to higher than expected revenue in replacement segment
EBITDA	2,432	2,080	2,271	16.9	7.1	
EBITDA Margin (%)	15.4	14.5	15.1	88 bps	30 bps	Above estimates, due to better scale
Adjusted Net profit	1,367	964	1,079	41.8	26.6	Above estimates due to higher-than-expected replacement revenues, operating margin and other income.

Source: Bloomberg, Company, Emkay Research

**Exhibit 9: Quarterly Financial Summary**

Rs mn	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	YoY (%)	QoQ (%)	FY20	FY19	YoY (%)
<b>Revenue</b>	<b>15,667</b>	<b>18,150</b>	<b>16,953</b>	<b>17,478</b>	<b>15,814</b>	<b>0.9</b>	<b>(9.5)</b>	<b>68,395</b>	<b>67,931</b>	<b>0.7</b>
<b>Expenditure</b>	<b>13,246</b>	<b>15,358</b>	<b>14,030</b>	<b>14,639</b>	<b>13,382</b>	<b>1.0</b>	<b>(8.6)</b>	<b>57,409</b>	<b>58,414</b>	<b>(1.7)</b>
as % of sales	84.5	84.6	82.8	83.8	84.6			83.9	86.0	
Consumption of RM	10,217	12,262	10,867	11,273	10,069	(1.4)	(10.7)	44,471	46,441	(4.2)
as % of sales	65.2	67.6	64.1	64.5	63.7	(153.9)		65.0	68.4	
Employee Cost	815	985	986	944	937	14.9	(0.8)	3,852	3,452	11.6
as % of sales	5.2	5.4	5.8	5.4	5.9	72.1		5.6	5.1	
Other expenditure	2,214	2,110	2,178	2,421	2,377	7.3	(1.9)	9,086	8,520	6.6
as % of sales	14.1	11.6	12.8	13.9	15.0	89.5		13.3	12.5	
<b>EBITDA</b>	<b>2,421</b>	<b>2,792</b>	<b>2,923</b>	<b>2,840</b>	<b>2,432</b>	<b>0.4</b>	<b>(14.4)</b>	<b>10,986</b>	<b>9,518</b>	<b>15.4</b>
Depreciation	683	733	750	765	760	11.2	(0.7)	3,007	2,612	15.1
<b>EBIT</b>	<b>1,738</b>	<b>2,059</b>	<b>2,173</b>	<b>2,075</b>	<b>1,672</b>	<b>(3.8)</b>	<b>(19.4)</b>	<b>7,978</b>	<b>6,906</b>	<b>15.5</b>
Other Income	63	102	180	128	141	123.3	10.6	551	468	17.7
Interest	19	29	34	29	30	63.8	4.5	122	70	75.4
<b>PBT</b>	<b>1,783</b>	<b>2,132</b>	<b>2,318</b>	<b>2,174</b>	<b>1,783</b>	<b>0.0</b>	<b>(18.0)</b>	<b>8,407</b>	<b>7,304</b>	<b>15.1</b>
Total Tax	589	723	130	530	416	(29.3)	(21.4)	1,799	2,469	(27.1)
<b>Adjusted PAT</b>	<b>1,193</b>	<b>1,409</b>	<b>2,189</b>	<b>1,644</b>	<b>1,367</b>	<b>14.5</b>	<b>(16.9)</b>	<b>6,608</b>	<b>4,835</b>	<b>36.7</b>
Extra ordinary items Loss/(Gain)	0	0	0	0	0			0	0	
<b>Reported PAT</b>	<b>1,193</b>	<b>1,409</b>	<b>2,189</b>	<b>1,644</b>	<b>1,367</b>	<b>14.5</b>	<b>(16.9)</b>	<b>6,608</b>	<b>4,835</b>	<b>36.7</b>
<b>Adjusted EPS</b>	<b>7.0</b>	<b>8.3</b>	<b>12.8</b>	<b>9.6</b>	<b>8.0</b>	<b>14.5</b>	<b>(16.9)</b>	<b>38.7</b>	<b>28.3</b>	<b>36.7</b>

Margins (%)						(bps)	(bps)			(bps)
EBIDTA	15.5	15.4	17.2	16.2	15.4	(8)	(87)	16.1	14.0	205
EBIT	11.1	11.3	12.8	11.9	10.6	(52)	(130)	11.7	10.2	150
EBT	11.4	11.7	13.7	12.4	11.3	(10)	(116)	12.3	10.8	154
PAT	7.6	7.8	12.9	9.4	8.6	102	(77)	9.7	7.1	254
Effective Tax rate	33.0	33.9	5.6	24.4	23.4	(970)	(101)	21.4	33.8	(1,241)

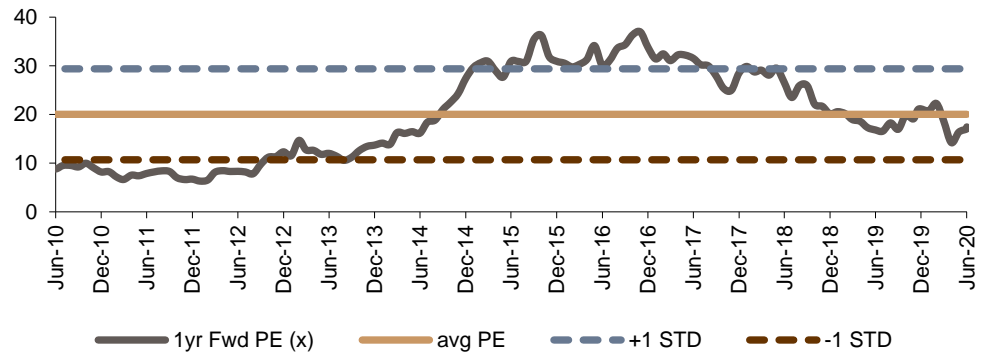
Source: Company, Emkay Research

## Exhibit 10: Changes in estimates

Rs mn	FY21E				FY22E				FY23E	
	Old	New	% Chng	% YoY	Old	New	% Chng	% YoY	Introducing	% YoY
Net Sales	70,425	65,548	(6.9)	(4.2)	78,639	81,133	3.2	23.8	91,055	12.2
EBITDA	11,338	10,167	(10.3)	(7.5)	12,818	13,558	5.8	33.4	15,261	12.6
Margin (%)	16.1	15.5	(59) bps	(55) bps	16.3	16.7	41 bps	120 bps	16.8	5 bps
APAT	6,242	5,740	(8.0)	(13.1)	7,107	8,331	17.2	45.1	9,601	15.2
EPS	36.5	33.6	(8.0)	(13.1)	41.6	48.8	17.2	45.1	56.2	15.2

Source: Company, Emkay Research

## Exhibit 11: One-year forward P/E



Source: Bloomberg, Emkay Research

## Exhibit 12: Peer comparison

	CMP (Rs)	Target (Rs)	Mcap (Rs.bn)	Reco	EPS (Rs)		PE (x)		ROE (%)		ROCE (%)	
					FY21E	FY22E	FY21E	FY22E	FY21E	FY22E	FY21E	FY22E
Ashok Leyland	46	76	136	Buy	1.1	3.4	43.4	13.5	3.7	11.5	5.6	14.2
Atul Auto	167	250	4	Buy	17.7	25.0	9.4	6.7	12.4	15.6	16.7	20.9
Bajaj Auto	2,758	2,629	798	Hold	129.5	184.8	21.3	14.9	18.1	23.8	23.3	30.6
Eicher Motors	16,986	16,955	464	Buy	707.7	893.2	24.0	19.0	17.2	18.8	21.7	22.9
Escorts Ltd	972	1,103	119	Buy	48.7	69.8	20.0	13.9	11.7	13.4	15.4	17.8
Hero Motocorp	2,326	2,313	465	Hold	138.6	157.7	16.8	14.8	18.9	20.0	24.5	26.0
Mahindra & Mahindra	461	490	573	Buy	28.5	36.2	16.2	12.8	8.6	10.2	10.8	12.8
Maruti Suzuki India	5,794	6,173	1750	Buy	128.5	268.4	45.1	21.6	7.8	15.4	10.2	19.9
Tata Motors	90	78	296	Hold	-13.2	12.6	-6.8	7.1	-8.7	8.1	2.3	7.5
TVS Motor	352	296	167	Sell	5.7	13.8	61.9	25.5	7.3	16.4	8.1	16.8
<b>Amara Raja Batteries</b>	<b>654</b>	<b>732</b>	<b>112</b>	<b>Buy</b>	<b>33.6</b>	<b>48.8</b>	<b>19.4</b>	<b>13.4</b>	<b>15.0</b>	<b>19.4</b>	<b>19.5</b>	<b>25.3</b>
Apollo Tyres	105	95	60	Hold	4.0	10.6	26.2	9.9	2.4	6.0	3.6	6.3
Exide Industries	174	189	148	Buy	9.7	10.7	17.9	16.2	12.4	12.6	16.3	16.6
Motherson Sumi	97	87	305	Buy	3.3	4.8	29.5	20.0	8.8	12.1	6.8	10.6
Bharat Forge	334	348	156	Buy	11.0	17.2	30.5	19.4	8.5	12.4	8.6	12.1

Source: Company, Emkay Research

**Key Financials (Standalone)****Income Statement**

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
<b>Revenue</b>	<b>67,931</b>	<b>68,395</b>	<b>65,548</b>	<b>81,133</b>	<b>91,055</b>
<b>Expenditure</b>	<b>58,414</b>	<b>57,409</b>	<b>55,382</b>	<b>67,575</b>	<b>75,794</b>
<b>EBITDA</b>	<b>9,518</b>	<b>10,986</b>	<b>10,167</b>	<b>13,558</b>	<b>15,261</b>
Depreciation	2,612	3,007	3,223	3,437	3,730
<b>EBIT</b>	<b>6,906</b>	<b>7,978</b>	<b>6,944</b>	<b>10,120</b>	<b>11,531</b>
Other Income	468	551	705	915	1,160
Interest expenses	70	122	96	73	58
<b>PBT</b>	<b>7,304</b>	<b>8,407</b>	<b>7,553</b>	<b>10,962</b>	<b>12,633</b>
Tax	2,469	1,799	1,813	2,631	3,032
Extraordinary Items	0	0	0	0	0
Minority Int./Income from Assoc.	0	0	0	0	0
<b>Reported Net Income</b>	<b>4,835</b>	<b>6,608</b>	<b>5,740</b>	<b>8,331</b>	<b>9,601</b>
<b>Adjusted PAT</b>	<b>4,835</b>	<b>6,608</b>	<b>5,740</b>	<b>8,331</b>	<b>9,601</b>

**Balance Sheet**

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Equity share capital	171	171	171	171	171
Reserves & surplus	33,182	36,385	40,059	45,391	51,536
<b>Net worth</b>	<b>33,353</b>	<b>36,556</b>	<b>40,230</b>	<b>45,562</b>	<b>51,707</b>
<b>Minority Interest</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Loan Funds</b>	<b>468</b>	<b>343</b>	<b>293</b>	<b>243</b>	<b>193</b>
Net deferred tax liability	959	441	441	441	441
<b>Total Liabilities</b>	<b>34,780</b>	<b>37,341</b>	<b>40,965</b>	<b>46,247</b>	<b>52,341</b>
<b>Net block</b>	<b>18,128</b>	<b>16,507</b>	<b>16,784</b>	<b>17,347</b>	<b>18,117</b>
<b>Investment</b>	<b>205</b>	<b>1,562</b>	<b>4,562</b>	<b>7,562</b>	<b>11,562</b>
<b>Current Assets</b>	<b>23,480</b>	<b>23,667</b>	<b>23,241</b>	<b>27,510</b>	<b>30,552</b>
Cash & bank balance	718	845	908	859	1,043
Other Current Assets	2,934	2,056	2,159	2,267	2,381
<b>Current liabilities &amp; Provision</b>	<b>10,179</b>	<b>12,665</b>	<b>11,892</b>	<b>14,442</b>	<b>16,159</b>
<b>Net current assets</b>	<b>13,301</b>	<b>11,002</b>	<b>11,349</b>	<b>13,068</b>	<b>14,393</b>
Misc. exp	0	0	0	0	0
<b>Total Assets</b>	<b>34,780</b>	<b>37,341</b>	<b>40,965</b>	<b>46,247</b>	<b>52,341</b>

**Cash Flow**

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
<b>PBT (Ex-Other income) (NI+Dep)</b>	<b>6,836</b>	<b>7,856</b>	<b>6,848</b>	<b>10,047</b>	<b>11,473</b>
Other Non-Cash items	0	0	0	0	0
Chg in working cap	(1,843)	2,892	(284)	(1,768)	(1,141)
<b>Operating Cashflow</b>	<b>4,946</b>	<b>11,219</b>	<b>7,865</b>	<b>8,744</b>	<b>10,428</b>
Capital expenditure	(5,282)	(6,999)	(3,500)	(4,000)	(4,500)
<b>Free Cash Flow</b>	<b>(337)</b>	<b>4,220</b>	<b>4,365</b>	<b>4,744</b>	<b>5,928</b>
Investments	204	(1,232)	(3,000)	(3,000)	(4,000)
Other Investing Cash Flow	450	(263)	205	415	660
<b>Investing Cashflow</b>	<b>(4,161)</b>	<b>(7,943)</b>	<b>(5,590)</b>	<b>(5,670)</b>	<b>(6,680)</b>
Equity Capital Raised	0	0	0	0	0
Loans Taken / (Repaid)	(51)	(116)	(50)	(50)	(50)
Dividend paid (incl tax)	(855)	(3,311)	(2,067)	(2,999)	(3,456)
Other Financing Cash Flow	(264)	332	0	0	0
<b>Financing Cashflow</b>	<b>(1,180)</b>	<b>(3,148)</b>	<b>(2,212)</b>	<b>(3,122)</b>	<b>(3,565)</b>
<b>Net chg in cash</b>	<b>(395)</b>	<b>128</b>	<b>63</b>	<b>(48)</b>	<b>184</b>
Opening cash position	1,113	718	845	908	859
<b>Closing cash position</b>	<b>718</b>	<b>845</b>	<b>908</b>	<b>859</b>	<b>1,043</b>

Source: Company, Emkay Research

**Key Ratios**

<b>Profitability (%)</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21E</b>	<b>FY22E</b>	<b>FY23E</b>
EBITDA Margin	14.0	16.1	15.5	16.7	16.8
EBIT Margin	10.2	11.7	10.6	12.5	12.7
Effective Tax Rate	33.8	21.4	24.0	24.0	24.0
Net Margin	7.1	9.7	8.8	10.3	10.5
ROCE	22.5	23.7	19.5	25.3	25.7
ROE	15.4	18.9	15.0	19.4	19.7
RoIC	23.9	27.8	25.8	35.6	37.8

<b>Per Share Data (Rs)</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21E</b>	<b>FY22E</b>	<b>FY23E</b>
EPS	28.3	38.7	33.6	48.8	56.2
CEPS	43.6	56.3	52.5	68.9	78.0
BVPS	195.3	214.0	235.5	266.7	302.7
DPS	7.1	11.0	10.1	14.6	16.9

<b>Valuations (x)</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21E</b>	<b>FY22E</b>	<b>FY23E</b>
PER	23.1	16.9	19.4	13.4	11.6
P/CEPS	15.0	11.6	12.5	9.5	8.4
P/BV	3.3	3.1	2.8	2.4	2.2
EV / Sales	1.6	1.6	1.6	1.3	1.1
EV / EBITDA	11.7	10.0	10.5	7.6	6.5
Dividend Yield (%)	1.1	1.7	1.5	2.2	2.6

<b>Gearing Ratio (x)</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21E</b>	<b>FY22E</b>	<b>FY23E</b>
Net Debt/ Equity	0.0	(0.1)	(0.1)	(0.2)	(0.2)
Net Debt/EBIDTA	0.0	(0.2)	(0.5)	(0.6)	(0.8)
Working Cap Cycle (days)	67.6	54.2	58.1	54.9	53.5

<b>Growth (%)</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21E</b>	<b>FY22E</b>	<b>FY23E</b>
Revenue	12.1	0.7	(4.2)	23.8	12.2
EBITDA	7.8	15.4	(7.5)	33.4	12.6
EBIT	5.8	15.5	(13.0)	45.7	13.9
PAT	2.6	36.7	(13.1)	45.1	15.2

<b>Quarterly (Rs mn)</b>	<b>Q4FY19</b>	<b>Q1FY20</b>	<b>Q2FY20</b>	<b>Q3FY20</b>	<b>Q4FY20</b>
Revenue	15,667	18,150	16,953	17,478	15,814
EBITDA	2,421	2,792	2,923	2,840	2,432
<b>EBITDA Margin (%)</b>	<b>15.5</b>	<b>15.4</b>	<b>17.2</b>	<b>16.2</b>	<b>15.4</b>
PAT	1,193	1,409	2,189	1,644	1,367
<b>EPS (Rs)</b>	<b>7.0</b>	<b>8.3</b>	<b>12.8</b>	<b>9.6</b>	<b>8.0</b>

Source: Company, Emkay Research

<b>Shareholding Pattern (%)</b>	<b>Mar-19</b>	<b>Jun-19</b>	<b>Sep-19</b>	<b>Dec-19</b>	<b>Mar-20</b>
Promoters	52.1	28.1	28.1	28.1	28.1
FIs	19.4	17.3	20.1	21.2	20.9
DIs	10.3	13.4	11.6	10.6	11.1
Public and Others	18.2	41.2	40.3	40.1	39.9

Source: Capitaline

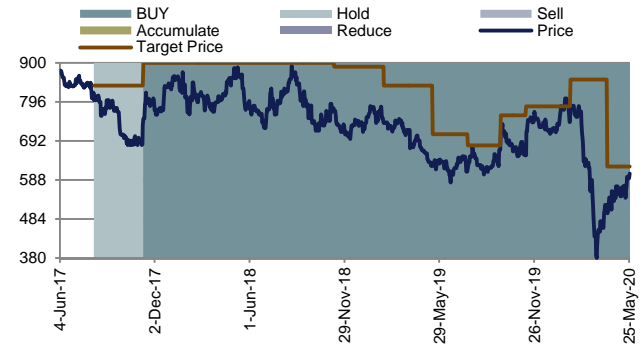


## RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
4-May-20	551	624	12m	Buy	Raghunandhan NL
29-Apr-20	540	624	12m	Buy	Raghunandhan NL
13-Apr-20	499	624	12m	Buy	Raghunandhan NL
27-Feb-20	681	856	12m	Buy	Raghunandhan NL
14-Feb-20	756	856	12m	Buy	Raghunandhan NL
3-Feb-20	786	856	12m	Buy	Raghunandhan NL
27-Dec-19	716	784	12m	Buy	Raghunandhan NL
27-Nov-19	763	784	12m	Buy	Raghunandhan NL
10-Nov-19	654	784	12m	Buy	Raghunandhan NL
23-Sep-19	718	760	12m	Buy	Raghunandhan NL
22-Jul-19	621	680	12m	Buy	Raghunandhan NL
16-May-19	626	710	12m	Buy	Raghunandhan NL
12-Feb-19	740	840	12m	Buy	Raghunandhan NL
9-Nov-18	773	890	12m	Buy	Raghunandhan NL
31-Aug-18	846	900	12m	Buy	Raghunandhan NL
21-May-18	808	900	12m	Buy	Raghunandhan NL
12-Feb-18	849	900	12m	Buy	Raghunandhan NL
10-Nov-17	752	900	12m	Buy	Raghunandhan NL
8-Aug-17	801	840	12m	Hold	Raghunandhan NL

Source: Company, Emkay Research

## RECOMMENDATION HISTORY CHART



Source: Bloomberg, Company, Emkay Research



## Emkay Alpha Portfolio – Automobiles & Auto Ancillaries



### Analyst: Raghu Raghunandhan NI

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#### Sector

Automobiles and Ancillaries

#### Analyst bio

Raghu holds an MBA and comes with total 11 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)
<b>Auto &amp; Auto Ancillaries</b>	<b>5.30</b>	<b>5.30</b>	<b>0%</b>	<b>0</b>	<b>100.00</b>
Amara Raja Batteries	0.10	0.10	0%	0	1.86
Apollo Tyres	0.06	0.00	-100%	-6	0.00
Ashok Leyland	0.12	0.24	100%	12	4.50
Atul Auto	0.00	0.12	NA	12	2.20
Bajaj Auto	0.69	0.36	-47%	-33	6.87
Bharat Forge	0.16	0.28	76%	12	5.35
Eicher Motors	0.45	0.57	27%	12	10.80
Escorts	0.00	0.12	NA	12	2.30
Exide Industries	0.15	0.15	0%	0	2.76
Hero Motocorp	0.60	0.32	-47%	-28	6.00
Mahindra & Mahindra	0.82	0.82	0%	0	15.40
Maruti Suzuki India	1.46	1.58	8%	12	29.80
Motherson Sumi	0.22	0.22	0%	0	4.23
Tata Motors	0.30	0.30	0%	0	5.74
Tata Motors DVR	0.04	0.04	0%	0	0.68
TVS Motor	0.13	0.08	-39%	-5	1.50
<b>Cash</b>	<b>0.00</b>	<b>0.00</b>	<b>NA</b>	<b>0</b>	<b>0.00</b>

Source: Emkay Research

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

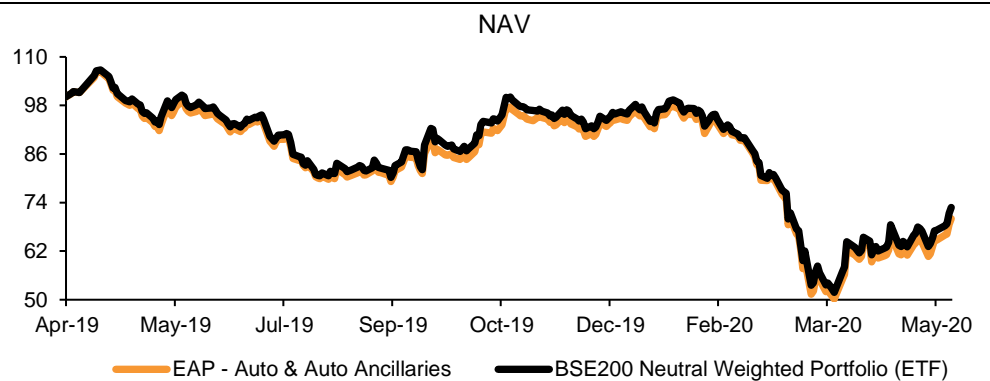
### Sector portfolio NAV

	Base					Latest
	01-Apr-19	28-Aug-19	29-Nov-19	27-Feb-20	29-Apr-20	29-May-20
EAP - Auto & Auto Ancillaries	100.0	82.9	93.5	83.0	62.3	70.0
BSE200 Neutral Weighted Portfolio (ETF)	100.0	83.7	95.5	83.9	64.2	72.8

\*Performance measurement base date 1<sup>st</sup> April 2019

Source: Emkay Research

### NAV chart



Source: Emkay Research

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

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

“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: 02 Jun 2020 04:33:36 (SGT)

Dissemination Date: 02 Jun 2020 04:34:36 (SGT)

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