

CMP: Rs 81

Rating: Hold

Target Price: Rs 84

Stock Info

BSE	501455
NSE	GREAVESCOT
Bloomberg	GRV IN
Reuters	GRVL.BO
Sector	Industrial Machinery
Face Value (Rs)	2
Equity Capital (Rs mn)	488
Mkt Cap (Rs mn)	18,554
52w H/L (Rs)	154 / 66
Avg Yearly Vol (in 000')	249

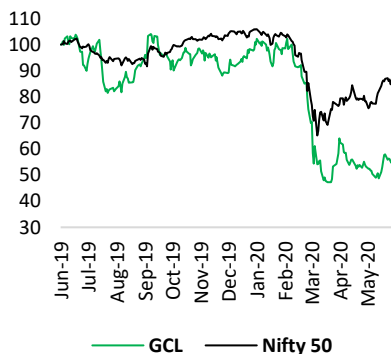
Shareholding Pattern %

(As on December, 2019)

Promoters	54.8
FII	15.6
DII	13.8
Public & Others	15.8

Stock Performance (%)	3m	6m	12m
Greaves Cotton	-2.7	-39.7	-43.2
Nifty 50	15.9	-20.0	-15.9

Greaves Vs Nifty



Greaves Cotton (GCL) reported weak set of numbers with revenue de-growth of 32% YoY was impacted due to decline in volumes amid auto slowdown and Covid-19 related lockdown. Decline in revenue and rise in cost due to BS-VI transition impacted operating performance of the company. EBITDA for the quarter declined by 56% YoY to Rs 306 mn while EBITDA margin contracted sharply by 475bps YoY to 8.5%. Adjusted PAT for the quarter fell by 70% YoY to Rs 151 mn. We downgrade our rating to 'Hold' from 'Accumulate' with revised target price of Rs 84.

Volumes under pressure due to auto Slowdown and BS-VI transition

- Overall Engine segment registered a volume de-growth of 47% YoY to 46,784 units from 87,420 units in Q4FY20. In engine segment, 3W sales volume declined by 49% YoY to 37,516 units, 4W volume declined by 87% YoY to 529 units.
- In the Agri segment, both pump set and power tiller volume witnessed decline. Pumpsets volume declined by 55% YoY to 11,283 units from 25,319 units in Q4FY19, while Power Tiller volume de-grew by 77% YoY to 112 units from 478 units in Q4FY19.
- Electric Mobility segment registered a robust growth of 53% YoY, supported by E-2W and E-rickshaw.

Ampere Update (As on FY20): Ampere by Greaves reported a revenue growth of 68% YoY to Rs 900 mn. Company has reported EBITDA loss of Rs 172 mn due to rise in cost. Reported loss was Rs 204 mn vs. Rs 90 mn YoY. Ampere market share has now improved to 21% in E-2W from 18% in previous quarter.

Outlook & Valuation

At CMP of Rs 81, GCL is trading at FY21E and FY22E, P/E multiple of 12.2x and 10.5x respectively. We cut our FY21 revenue & PAT estimates by 22%/32% respectively to factor in lower volume growth and rising cost pressure. We believe near term outlook of the company to remain sluggish due to weakness in auto industry coupled with BS-VI transition and covid-19 related disruption. We downgrade our rating to Hold from Accumulate, valuing it at PE multiple of 11x to its FY22E EPS of Rs 7.6, which yields a target price of Rs 84 per share.

YE March (Rs Mn)	Net Sales	EBITDA	PAT	EPS (Rs)	EBITDA Margin %	P/E (x)
FY19	19,878	2,747	1,693	6.2	13.8	13.0
FY20	18,211	2,281	1,475	6.4	12.5	12.6
FY21E	17,945	2,225	1,528	6.6	12.4	12.2
FY22E	19,448	2,562	1,768	7.6	13.2	10.5

Quarterly Result

Rs Mn (Standalone)	Q4FY20	Q3FY20	Q4FY19	Q-o-Q	Y-o-Y
Net Revenue	3,596	4,947	5,281	-27.3%	-31.9%
Material Cost	2,570	3,327	3,684	-22.8%	-30.2%
Employee cost	279	416	422	-33.0%	-33.9%
Other Expenses	441	432	475	2.2%	-7.1%
EBITDA	306	772	700	-60.4%	-56.3%
EBITDA margin %	8.5%	15.6%	13.3%	-710bps	-475bps
Other Income	33	28	86	17.6%	-61.0%
Depreciation	144	112	117	29.2%	23.4%
EBIT	195	689	669	-71.7%	-70.9%
Finance cost	11	12	5	-14.6%	101.9%
Exceptional Item	-50	47	-129	-	-
PBT	134	723	535	-81.5%	-74.9%
Tax Expense	34	183	161	-81.6%	-79.0%
Effective tax rate %	25.1%	25.3%	30.1%	-	-
Reported Net Profit	100	541	374	-81.4%	-73.2%
Adj Net Profit	151	493	503	-69.5%	-70.0%
<i>Adj Net margin %</i>	<i>4.2%</i>	<i>10.0%</i>	<i>9.5%</i>	<i>-579bps</i>	<i>-533bps</i>
<i>Reported EPS (Rs)</i>	<i>0.4</i>	<i>2.2</i>	<i>1.5</i>	<i>-80.6%</i>	<i>-71.9%</i>
Adj EPS (Rs)	0.6	2.0	2.1	-69.5%	-70.0%

Source: Company, Arianth Research

Volumes by Business

Business Volumes	Q4FY20	Q4FY19	YoY (%)
Auto	46,784	87,420	-46.5%
- 3W	37,516	74,060	-49.3%
- 4W	529	3,949	-86.6%
- Others	8,739	9,411	-7.1%
Auxiliary Power	736	1,124	-34.5%
Agri	11,928	36,742	-67.5%
- Pumpset	11,283	25,319	-55.4%
- Tiller	112	478	-76.6%
- Other LAE	533	10,945	-95.1%
EMB	5,947	3,894	52.7%
- E2W	5,029	3,433	46.5%
- Others	918	461	99.1%

Annual Financials

Income Statement (Rs Mn)

Year End-March	FY19	FY20	FY21E	FY22E
Revenues	19,878	18,211	17,945	19,448
<i>Change (%)</i>	10.9%	-8.4%	-1.5%	8.4%
Raw materials	13,585	12,492	12,454	13,419
Stock Adjustments	0	0	0	0
Employee costs	1,747	1,580	1,543	1,692
Other expenses	1,799	1,858	1,723	1,775
Total Expenses	17,131	15,930	15,720	16,886
EBITDA	2,747	2,281	2,225	2,562
Other Income	416	198	449	486
Depreciation	488	522	596	651
Interest	33	38	40	40
PBT	2,642	1,920	2,038	2,358
Extra-ordinary	-179	47	0	0
PBT after ext-ord.	2,463	1,967	2,038	2,358
Tax	770	492	509	589
<i>Rate (%)</i>	31.3%	25.0%	25.0%	25.0%
PAT	1,693	1,475	1,528	1,768
Adjusted PAT	1,514	1,475	1,528	1,768
<i>Change (%)</i>	-2.0%	-2.6%	3.6%	15.7%

Source: Company, Arianth Research

Balance Sheet (Rs Mn)

Year End-March	FY19	FY20	FY21E	FY22E
Sources of Funds				
Share Capital	488	462	462	462
Reserves & Surplus	9,203	8,420	6,993	8,163
Net Worth	9,692	8,882	7,456	8,625
Loan Funds	0	0	0	0
Deferred Tax & other liabilities	269	408	445	444
Capital Employed	9,961	9,290	7,901	9,070
Application of Funds				
Gross Block	4,451	5,417	5,917	6,417
Less: Depreciation	1,839	2,361	2,957	3,607
Net Block	2,611	3,056	2,960	2,809
CWIP	710	686	686	686
Other non current assets	179	207	207	207
Deferred tax assets	230	367	367	367
Net fixed assets	3,731	4,316	4,220	4,069
Investments	5,014	1,850	1,850	1,850
Debtors	3,365	2,389	2,950	3,197
Inventories	1,200	1,712	1,194	1,287
Cash & bank balance	424	1,882	159	1,473
Loans & advances & other CA	317	752	752	752
Total current assets	5,305	6,734	6,220	7,890
Current liabilities	3,889	3,400	4,179	4,529
Provisions	201	210	210	210
Net current assets	1,215	3,124	1,831	3,151
Total Assets	9,961	9,290	7,901	9,070

Source: Company, Arianth Research

Annual Financials

Cash Flow Statement (Rs Mn)

Year End-March	FY19	FY20	FY21E	FY22E
PBT	2,463	1,967	2,038	2,358
Depreciation	488	522	596	651
Interest & others	-383	-160	-409	-446
Cash flow before WC changes	2,569	2,328	2,225	2,562
(Inc)/dec in working capital	1,654	-520	-491	-139
Operating CF after WC changes	4,223	1,809	1,734	2,423
Less: Taxes	-770	-492	-509	-589
Operating cash flow	3,452	1,317	1,225	1,833
(Inc)/dec in F.A + CWIP	-313	-597	-500	-500
(Pur)/sale of investment	86	3,165	0	0
Cash flow from investing	-226	2,568	-500	-500
Free cash flow (FCF)	3,204	885	725	1,333
Loan raised/(repaid)	0	0	0	0
Equity raised	0	-26	0	0
Interest & others	-1,514	-614	-997	1,599
Dividend	-1,618	-1,618	-1,618	-1,618
Cash flow from financing activities	-3,133	-2,258	-2,616	-20
Net inc/(dec) in cash	93	1,627	-1,891	1,314
Opening balance of cash	331	424	2,050	159
Closing balance of cash	424	2,050	159	1,473

Source: Company, Arihant Research

Key Ratios

Year End-March	FY19	FY20	FY21E	FY22E
Per share (Rs)				
EPS	6.2	6.4	6.6	7.6
CEPS	8.2	8.6	9.2	10.5
BVPS	39.7	38.4	32.2	37.3
DPS	6.6	7.0	7.0	7.0
Valuation (x)				
P/E	13.0	12.6	12.2	10.5
P/CEPS	9.8	9.3	8.8	7.7
P/BV	2.0	2.1	2.5	2.2
EV/EBITDA	11.9	13.0	14.1	11.7
Dividend Yield (%)	8.2%	8.7%	8.7%	8.7%
Return ratio (%)				
EBIDTA Margin	13.8%	12.5%	12.4%	13.2%
PAT Margin	7.6%	8.1%	8.5%	9.1%
ROE	15.6%	16.6%	20.5%	20.5%
ROCE	22.7%	18.9%	20.7%	21.2%
Leverage Ratio (%)				
Total D/E	0.0	0.0	0.0	0.0
Net D/E	0.0	-0.2	0.0	-0.2
Turnover Ratios				
Asset Turnover (x)	2.0	2.0	2.3	2.1
Inventory Days	32	50	35	35
Receivable Days	62	48	60	60
Payable days	75	72	85	85

Source: Company, Arihant Research

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Stock Rating Scale	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

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