

## Escorts

Refer to important disclosures at the end of this report

## OPM beats estimates; volume growth to continue

CMP: Rs 1,106  
as of (July 27, 2020)TP: Rs 1,256 (▲)  
12 months

Rating: BUY (■)

Upside: 13.5 %

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- Q1FY21 revenue declined 25% yoy to Rs10.6bn (est.: Rs10.8bn). Earnings grew 5% to Rs922mn, above estimates of Rs877mn, boosted by higher-than-expected EBITDA margin of 11.3% (est.: 10.7%), Margin beat was aided by cost reduction efforts.
- Led by expectations of a strong recovery, we increase ESC's FY21 tractor volume estimate by 6% to 90,701 units and FY22 volume forecast by 4% to 101,762 units. We expect volumes to grow at a 9% CAGR over FY20-22E.
- We expect Escorts to sustain the market share in domestic tractors, led by aggressive marketing efforts, success of its dual-brand strategy – Farmtrac and Powertrac series, and focus on network expansion.
- We expect a 10% CAGR in revenues and 21% in earnings over FY20-23E, driven by volume up-cycle and margin expansion. We retain OW stance in EAP and Buy rating, with a TP of Rs1,256 (Rs1103 earlier), based on 16x Sep'22E core EPS (Mar'22E earlier).

**What we like?** The tractor segment is expected to register positive growth in FY21, led by better customer sentiments, owing to expectations of good monsoon in 2020. Focus remains on cost reduction efforts, with the target of 10-15% reduction in fixed costs.

**What we did not like?** Supply constraints to impact dispatches in Tractors in Jul'20. Construction Equipment (CE) segment's volumes are expected to remain under pressure in the near term due to the slowdown in construction activity.

**EBITDA margin above estimates:** Revenue fell 25% yoy to Rs10.6bn, broadly in line with estimates of Rs10.8bn. Volumes declined in tractors by 14% to 18,150 units and by 78% to 234 units in CEs. Revenue in the Railways division fell 54% to Rs549mn. EBITDA margin expanded 130bps yoy to 11.3% (est.: 10.7%), aided by high gross margin (190bps to 32.9%). Margin beat estimate due as lower other expenses, which fell 42% to Rs1bn, due to lockdowns and cost reduction efforts. EBIT margin expanded 360bps yoy to 14.5% in Tractors but contracted by 17.4%/34.5% to 2.6%/-32% in Railways/CEs. Overall, PAT grew 5% yoy to Rs922mn, above estimates of Rs877mn, due to higher-than-expected EBITDA margin.

**Retain Buy with TP of Rs1,256:** Led by higher volume and margin assumption, we increase our FY21E/22E/23E EPS by 9%/3%/2% to Rs53.2/Rs72/Rs87. We expect a 10% CAGR in revenues and a 21% CAGR in earnings over FY20-23E, with an average ROCE of 18% and FCF of Rs2.9bn/year. The tie-up with Kubota should aid efforts on new product development, component manufacturing, exports and improvement of plants, among others, over the medium term. We retain OW stance in EAP and Buy rating with a TP of Rs1,256 (Rs1103 earlier), based on 16x Sep'22E core EPS (Mar'22E earlier). Key downside risks include a deficient or weak spread of monsoon, delay in macro recovery, rise in competition, and adverse movement in 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	61,964	57,610	57,639	68,821	77,277
EBITDA	7,333	6,758	6,858	8,783	10,200
EBITDA Margin (%)	11.8	11.7	11.9	12.8	13.2
APAT	4,728	4,924	5,385	7,279	8,798
EPS (Rs)	53.2	55.4	53.2	72.0	87.0
EPS (% chg)	34.5	4.2	(3.9)	35.2	20.9
ROE (%)	17.0	15.2	12.7	13.7	14.6
P/E (x)	20.8	20.0	20.8	15.4	12.7
EV/EBITDA (x)	12.9	13.1	13.3	9.9	8.0
P/BV (x)	3.3	2.8	2.2	2.0	1.7

Source: Company, Emkay Research



## Change in Estimates

EPS Chg FY21E/FY22E (%)	9.4/3.1
Target Price change (%)	13.8
Target Period (Months)	12
Previous Reco	BUY

## Emkay vs Consensus

	EPS Estimates	
	FY21E	FY22E
Emkay	53.2	72.0
Consensus	47.7	64.0
Mean Consensus TP (12M)	Rs 1,011	

## Stock Details

Bloomberg Code	ESC IN
Face Value (Rs)	10
Shares outstanding (mn)	123
52 Week H/L	1,211 / 423
M Cap (Rs bn/USD bn)	136 / 1.81
Daily Avg Volume (nos.)	3,158,264
Daily Avg Turnover (US\$ mn)	38.9

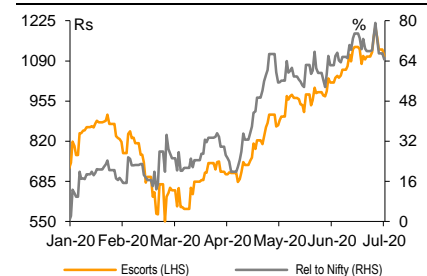
## Shareholding Pattern Jul '20

Promoters	36.6%
FIIs	18.6%
DIIIs	9.1%
Public and Others	35.8%

## Price Performance

(%)	1M	3M	6M	12M
Absolute	9	56	51	134
Rel. to Nifty	1	30	64	137

## Relative price chart



Source: Bloomberg

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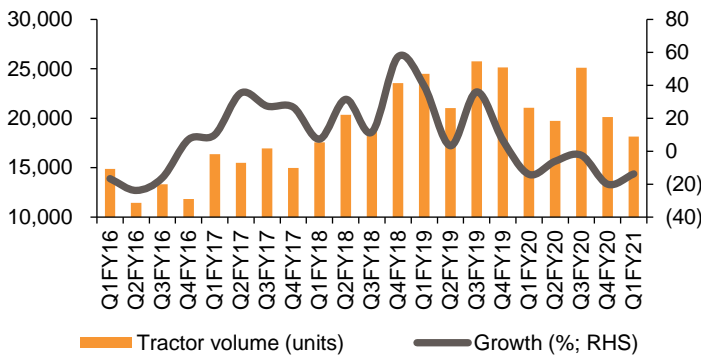
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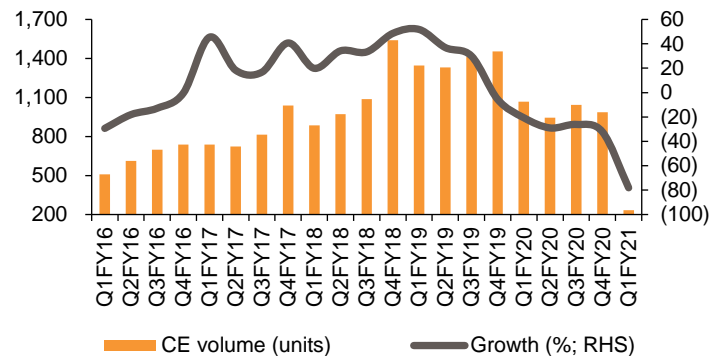
## Story in Charts

**Exhibit 1: Tractor volumes declined 14% yoy to 18,150 units**



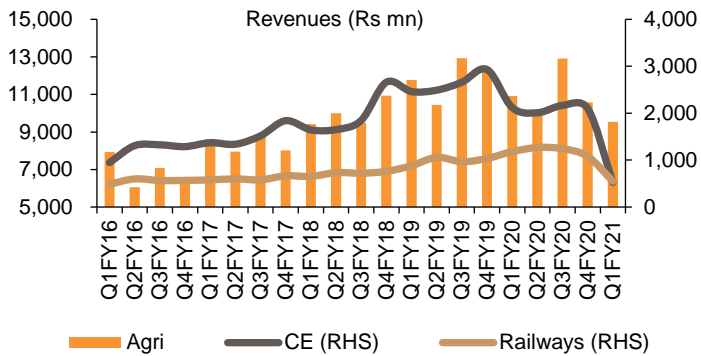
Source: Company, Emkay Research

**Exhibit 2: Construction Equipment volumes declined 78% yoy to 234 units**



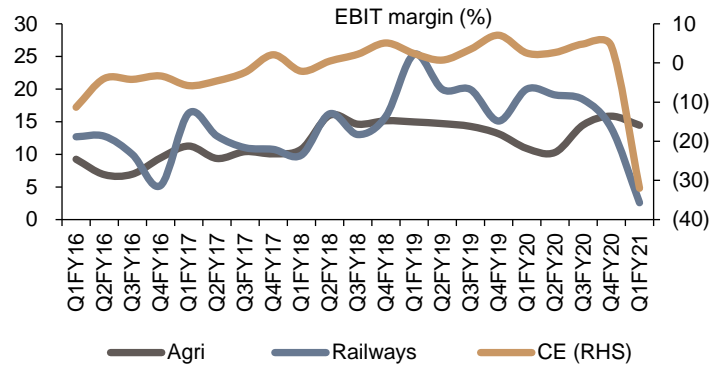
Source: Company, Emkay Research

**Exhibit 3: Revenues declined 25% yoy led by a fall of 13% in Agri segment, 54% in Railways and 75% in CE segment**



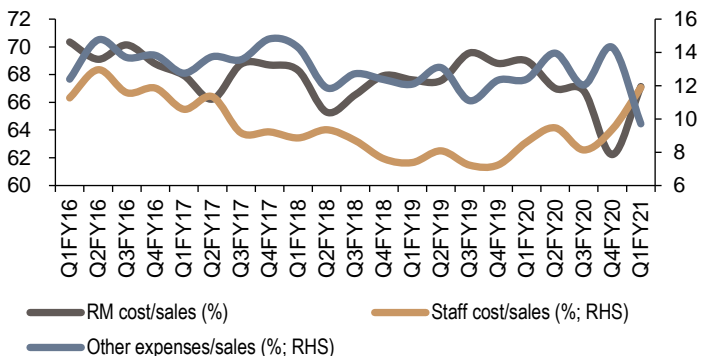
Source: Company, Emkay Research

**Exhibit 4: Agri EBIT margin grew 360bps yoy to 14.5%**



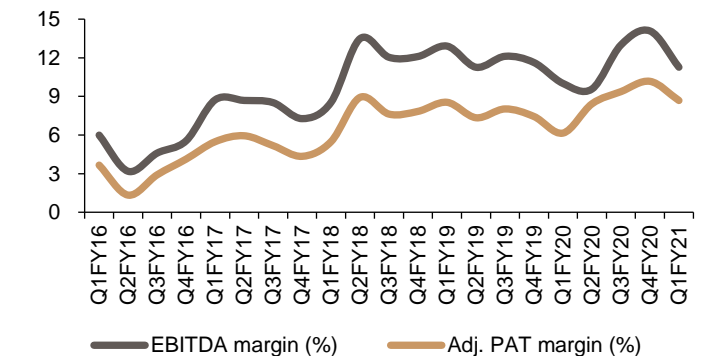
Source: Company, Emkay Research

**Exhibit 5: Other expenses declined 270bps yoy, despite lower scale, owing to cost reduction efforts**



Source: Company, Emkay Research

**Exhibit 6: EBITDA margins rose by 130bps yoy due to higher gross margin and lower other expenses**



Source: Company, Emkay Research

## Earnings call highlights

### Result highlights

- Product mix has improved in Tractors. Contribution of above 40hp tractors has improved to 62% vs. 45-46% in Q1FY20 and 57-58% in Q4FY20.
- Other expenses fell due to lockdowns and cost reduction efforts. Lockdowns led to reduction in costs of Rs200-300mn.
- System inventory levels (factory and dealer stocks) are at 3-3.5 weeks, lower than normal levels of 6-8 weeks (Normal factory stock of 2-3 weeks and dealer stock of 4-5 weeks).
- The liquidity situation is healthy. Gross debt is low at Rs60mn. Net cash stands at Rs10.55bn.

### Agri segment

- FY21E tractor volume growth will be positive in low single digits. Quantum of growth will depend on how monsoon fares and the harvest levels from the Kharif crop.
- All regions witnessed positive growth in June'20, and the South region has outpaced others. South region is expected to outperform others in FY21E.
- Expect subsidy-based tractor sales at 7-8% of FY21E volumes. Assam is providing a subsidy and more states are expected to follow in FY21.
- Utilization levels for Tractors has fallen from 90% in June'20 to 50-60% in July'20 due to supply constraints for fuel-injection related components. Utilization levels will improve to peak levels by mid-Aug'20.
- Adequate financing is available. Good Kharif crop should support income levels and financing availability ahead.
- The tractor sales network stands at 1,017 outlets and is likely to expand to 1,200 outlets over the next 18 months. The expansion is expected in opportunity markets – South and West regions. The dealer attrition rate stands at 5-7%.
- Emission change norms for 50HP and above tractors are expected to be delayed by 6 months to April'21.
- The replacement cycle for Tractors has fallen in the past few years, and is expected to further drop. Current replacement cycle stands at 7-8 years, and the share of replacement demand at 45-55% of volumes.
- Tractor exports will reach 8,000-10,000 units over the next 3 years. It has started using Kubota's network for exports to markets such as Thailand, Turkey, etc.

### Construction Equipment

- Expect CE volumes to normalize in Q4FYF21.
- Break-even levels had been reduced to 230-250 units and further reduction is expected by FY21-end.

### Railways

- FY21 railways revenue growth will be in high single digits. The order book of over Rs4.8bn provides visibility for the next 12-15 months.
- EBITDA margin will sustain at last year levels, supported by localization efforts.

### Others

- Cost reduction efforts remain a focus area. Expect 10-15% reduction in fixed costs, which is Rs1.75bn per quarter.
- FY21 capex is expected at Rs2.25-2.5bn toward new product development and capacity expansion. The company is building machining capacity, which will be utilized by the standalone entity and Kubota JV. Non-tractor capex is expected at Rs300-400mn.
- Funds received from the stake sale to Kubota will be utilized toward Tractor, Farm implements and CE segments. Also, the joint R&D setup will also be part of the plan. More details about the fund utilization will be announced in November'20.

**Exhibit 7: Changes in estimates**

Rs mn	FY21E				FY22E				FY23E			
	Earlier	Revised	% Change	% YoY	Earlier	Revised	% Change	% YoY	Earlier	Revised	% Change	% YoY
Volumes	85,765	90,701	5.8	5.4	98,226	101,762	3.6	12.2	107,103	109,965	2.7	8.1
Net Sales	55,887	57,639	3.1	0.1	68,025	68,821	1.2	19.4	77,434	77,277	(0.2)	12.3
EBITDA	6,307	6,858	8.7	1.5	8,698	8,783	1.0	28.1	10,240	10,200	(0.4)	16.1
Margin (%)	11.3	11.9	60 bps	17 bps	12.8	12.8	(4) bps	86 bps	13.2	13.2	(0) bps	44 bps
APAT	4,924	5,385	9.4	9.4	7,062	7,279	3.1	35.2	8,646	8,798	1.8	20.9
EPS	48.7	53.2	9.4	(3.9)	69.8	72.0	3.1	35.2	85.5	87.0	1.8	20.9

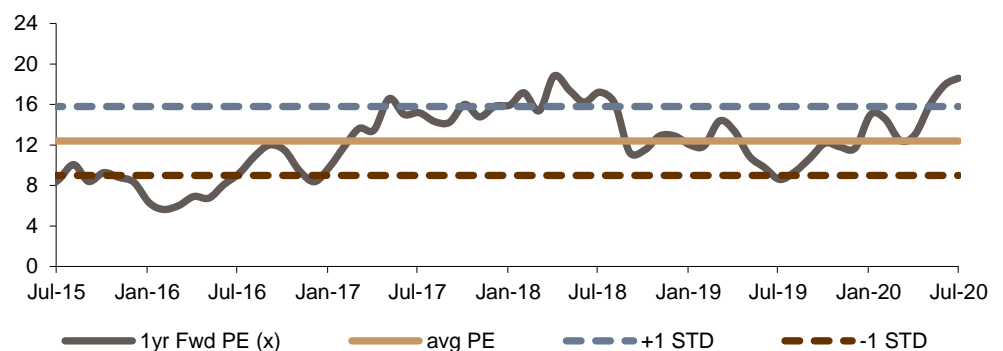
Source: Company, Emkay Research

**Exhibit 8: Volume assumptions**

Volume (units)	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E	FY23E
Tractors	51,455	63,786	80,417	96,404	86,018	90,701	101,762	109,965
YoY %	(13.9)	24.0	26.1	19.9	(10.8)	5.4	12.2	8.1
Construction Equipment	2,555	3,315	4,486	5,544	4,042	2,427	3,850	4,620
YoY %	(15.0)	29.7	35.3	23.6	(27.1)	(39.9)	58.6	20.0

Revenue (Rs mn)	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E	FY23E
Agri Machinery Products	27,343	33,460	39,579	47,440	44,376	47,410	54,637	60,505
Growth (%)	(14.7)	22.4	18.3	19.9	(6.5)	6.8	15.2	10.7
Auto Ancillary Products	1,005	513						
Growth (%)	(2.8)	(48.9)						
Railway Equipment	2,278	2,425	2,866	3,941	4,772	4,975	5,667	6,347
Growth (%)	24.2	6.5	18.2	37.5	21.1	4.2	13.9	12.0
Construction Equipment	4,965	6,068	7,803	10,541	8,396	5,248	8,517	10,425
Growth (%)	(2.9)	22.2	28.6	35.1	(20.4)	(37.5)	62.3	22.4
Less: Other items	1,923	1,534	297	(43)	0	0	0	0
<b>Revenue</b>	<b>33,668</b>	<b>40,932</b>	<b>49,951</b>	<b>61,964</b>	<b>57,544</b>	<b>57,632</b>	<b>68,821</b>	<b>77,277</b>
Growth (%)	(11.2)	19.2	22.0	24.0	(7.1)	0.2	19.4	12.3

Source: Company, Emkay Research

**Exhibit 9: One-year forward P/E**

Source: Company, Emkay Research

**Exhibit 10: Actual vs. Estimates (Q1FY21)**

(Rs mn)	Actual	Estimates		% Variation		Comment
		Emkay	Consensus	Emkay	Consensus	
Total Revenue	10,616	10,826	11,239	(1.9)	(5.5)	Broadly in line with estimates
EBITDA	1,196	1,163	1,143	2.8	4.6	
EBITDA Margin (%)	11.3	10.7	10.2	52 bps	109 bps	Above estimates due to lower Other expenses
Adjusted net profit	922	877	815	5.1	13.1	Above estimates due to higher operating margin

Source: Bloomberg, Company, Emkay Research

## Exhibit 11: Quarterly financial summary

Rs mn	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	YoY (%)	QoQ (%)	
<b>Revenue</b>	<b>14,230</b>	<b>13,239</b>	<b>16,334</b>	<b>13,807</b>	<b>10,616</b>	<b>(25.4)</b>	<b>(23.1)</b>	
<b>Expenditure</b>	<b>12,806</b>	<b>11,972</b>	<b>14,212</b>	<b>11,862</b>	<b>9,420</b>	<b>(26.4)</b>	<b>(20.6)</b>	
as % of sales	90.0	90.4	87.0	85.9	88.7			
Consumption of RM	9,817	8,871	10,916	8,592	7,128	(27.4)	(17.0)	
as % of sales	69.0	67.0	66.8	62.2	67.1			
Employee Cost	1,226	1,253	1,329	1,295	1,262	3.0	(2.5)	
as % of sales	8.6	9.5	8.1	9.4	11.9			
Other expenditure	1,763	1,847	1,967	1,975	1,031	(41.5)	(47.8)	
as % of sales	12.4	14.0	12.0	14.3	9.7			
<b>EBITDA</b>	<b>1,424</b>	<b>1,267</b>	<b>2,123</b>	<b>1,944</b>	<b>1,196</b>	<b>(16.0)</b>	<b>(38.5)</b>	
Depreciation	241	260	267	278	264	9.6	(4.8)	
<b>EBIT</b>	<b>1,183</b>	<b>1,007</b>	<b>1,856</b>	<b>1,667</b>	<b>932</b>	<b>(21.2)</b>	<b>(44.1)</b>	
Other Income	167	211	267	278	298	78.7	7.5	
Interest	59	39	29	28	19	(67.1)	(32.0)	
<b>PBT</b>	<b>1,291</b>	<b>1,179</b>	<b>2,094</b>	<b>1,916</b>	<b>1,211</b>	<b>(6.2)</b>	<b>(36.8)</b>	
Total Tax	417	64	564	512	289	(30.5)	(43.5)	
<b>Adjusted PAT after MI</b>	<b>875</b>	<b>1,115</b>	<b>1,531</b>	<b>1,404</b>	<b>922</b>	<b>5.3</b>	<b>(34.4)</b>	
Extra ordinary items Loss/(Gain)	0	69	0	0	0			
<b>Reported PAT</b>	<b>875</b>	<b>1,046</b>	<b>1,531</b>	<b>1,404</b>	<b>922</b>	<b>5.3</b>	<b>(34.4)</b>	
<b>Adjusted EPS</b>	<b>9.8</b>	<b>12.5</b>	<b>17.2</b>	<b>15.8</b>	<b>10.4</b>	<b>5.3</b>	<b>(34.4)</b>	
<b>Margins (%)</b>							<b>(bps)</b>	<b>(bps)</b>
EBIDTA	10.0	9.6	13.0	14.1	11.3	126	(282)	
EBIT	8.3	7.6	11.4	12.1	8.8	46	(329)	
EBT	9.1	8.9	12.8	13.9	11.4	233	(247)	
PAT	6.1	8.4	9.4	10.2	8.7	253	(149)	
Effective Tax rate	32.3	5.4	26.9	26.7	23.9	(836)	(283)	

Source: Company, Emkay Research

## Exhibit 12: Peer comparison

Companies	CMP (Rs)	Target (Rs)	Mcap (Rs.bn)	Reco	EPS (Rs)			PE (x)			ROE (%)			ROCE (%)		
					FY20	FY21E	FY22E	FY20	FY21E	FY22E	FY20	FY21E	FY22E	FY20	FY21E	FY22E
Ashok Leyland	49	74	145	Buy	1.3	0.0	3.4	38.9	1727.2	14.4	4.8	0.1	13.4	6.2	1.7	14.1
Atul Auto	160	238	4	Buy	23.9	9.6	23.8	6.7	16.6	6.7	18.6	6.8	15.3	23.9	9.3	20.3
Bajaj Auto	3,021	2,978	874	Hold	176.2	136.6	192.2	17.1	22.1	15.7	24.5	19.1	24.6	30.7	24.5	31.6
Eicher Motors	20,538	19,954	561	Buy	669.0	520.4	995.9	30.7	39.5	20.6	19.3	13.5	22.5	23.7	18.5	28.0
<b>Escorts Ltd</b>	<b>1,106</b>	<b>1,256</b>	<b>136</b>	<b>Buy</b>	<b>55.4</b>	<b>53.2</b>	<b>72.0</b>	<b>20.0</b>	<b>20.8</b>	<b>15.4</b>	<b>15.2</b>	<b>12.7</b>	<b>13.7</b>	<b>19.4</b>	<b>16.8</b>	<b>17.8</b>
Hero Motocorp	2,744	2,530	548	Hold	159.4	112.4	171.4	17.2	24.4	16.0	23.6	15.7	22.7	28.1	19.7	29.2
Mahindra & Mahindra	594	572	739	Buy	30.0	23.7	37.7	19.8	25.1	15.8	10.3	7.9	11.7	14.2	9.7	14.3
Maruti Suzuki India	6,043	6,173	1826	Buy	187.1	128.5	268.4	32.3	47.0	22.5	11.9	7.8	15.4	15.0	10.2	19.9
Tata Motors	102	92	333	Hold	-20.7	-28.1	13.6	-4.9	-3.6	7.5	-12.1	-18.3	9.1	0.8	-1.9	8.4
TVS Motor	397	296	189	Sell	13.0	5.7	13.8	30.5	69.9	28.8	17.7	7.3	16.4	16.6	8.1	16.8
Amara Raja Batteries	685	732	117	Buy	38.7	33.6	48.8	17.7	20.4	14.0	18.9	15.0	19.4	23.7	19.5	25.3
Apollo Tyres	107	95	61	Hold	8.3	4.0	10.6	12.8	26.7	10.1	4.8	2.4	6.0	5.0	3.6	6.3
Exide Industries	154	198	130	Buy	9.9	8.6	11.3	15.5	17.8	13.5	13.7	11.2	13.6	17.0	14.7	17.8
Motherson Sumi	93	115	294	Buy	3.7	2.7	5.8	25.1	34.8	16.1	10.7	7.5	15.2	10.3	5.6	15.2
Bharat Forge	383	363	178	Buy	12.2	7.1	17.9	31.4	54.1	21.4	10.6	6.0	14.3	9.7	6.5	13.7

Source: Company, Emkay Research

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

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
<b>Revenue</b>	<b>61,964</b>	<b>57,610</b>	<b>57,639</b>	<b>68,821</b>	<b>77,277</b>
<b>Expenditure</b>	<b>54,631</b>	<b>50,851</b>	<b>50,781</b>	<b>60,038</b>	<b>67,077</b>
<b>EBITDA</b>	<b>7,333</b>	<b>6,758</b>	<b>6,858</b>	<b>8,783</b>	<b>10,200</b>
Depreciation	854	1,046	1,131	1,218	1,314
<b>EBIT</b>	<b>6,479</b>	<b>5,713</b>	<b>5,727</b>	<b>7,565</b>	<b>8,886</b>
Other Income	809	923	1,418	1,954	2,617
Interest expenses	185	155	60	66	76
<b>PBT</b>	<b>7,103</b>	<b>6,481</b>	<b>7,084</b>	<b>9,453</b>	<b>11,427</b>
Tax	2,375	1,556	1,699	2,174	2,628
Extraordinary Items	121	(69)	0	0	0
Minority Int./Income from Assoc.	0	0	0	0	0
<b>Reported Net Income</b>	<b>4,849</b>	<b>4,855</b>	<b>5,385</b>	<b>7,279</b>	<b>8,798</b>
<b>Adjusted PAT</b>	<b>4,728</b>	<b>4,924</b>	<b>5,385</b>	<b>7,279</b>	<b>8,798</b>

**Balance Sheet**

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Equity share capital	1,226	1,226	1,226	1,226	1,226
Reserves & surplus	29,003	33,575	48,738	55,316	63,268
<b>Net worth</b>	<b>30,229</b>	<b>34,801</b>	<b>49,964</b>	<b>56,542</b>	<b>64,494</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>2,769</b>	<b>66</b>	<b>66</b>	<b>79</b>	<b>89</b>
Net deferred tax liability	529	303	338	386	443
<b>Total Liabilities</b>	<b>33,526</b>	<b>35,170</b>	<b>50,369</b>	<b>57,007</b>	<b>65,025</b>
<b>Net block</b>	<b>16,074</b>	<b>16,651</b>	<b>17,784</b>	<b>19,066</b>	<b>20,251</b>
<b>Investment</b>	<b>8,797</b>	<b>11,892</b>	<b>24,711</b>	<b>29,211</b>	<b>34,711</b>
<b>Current Assets</b>	<b>24,195</b>	<b>23,194</b>	<b>22,406</b>	<b>26,289</b>	<b>29,921</b>
Cash & bank balance	2,301	3,185	2,706	2,767	3,509
Other Current Assets	3,243	3,099	3,101	3,702	4,157
<b>Current liabilities &amp; Provision</b>	<b>16,443</b>	<b>17,951</b>	<b>16,152</b>	<b>19,178</b>	<b>21,477</b>
<b>Net current assets</b>	<b>7,751</b>	<b>5,243</b>	<b>6,254</b>	<b>7,111</b>	<b>8,444</b>
Misc. exp	139	139	139	139	139
<b>Total Assets</b>	<b>33,526</b>	<b>35,170</b>	<b>50,369</b>	<b>57,007</b>	<b>65,025</b>

**Cash Flow**

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
<b>PBT (Ex-Other income) (NI+Dep)</b>	<b>6,422</b>	<b>5,466</b>	<b>5,666</b>	<b>7,499</b>	<b>8,809</b>
Other Non-Cash items	0	0	0	0	0
Chg in working cap	(7,512)	3,436	(1,619)	(975)	(716)
<b>Operating Cashflow</b>	<b>(3,215)</b>	<b>7,244</b>	<b>3,555</b>	<b>5,678</b>	<b>6,892</b>
Capital expenditure	(1,391)	(1,898)	(2,500)	(2,500)	(2,500)
<b>Free Cash Flow</b>	<b>(4,606)</b>	<b>5,345</b>	<b>1,055</b>	<b>3,178</b>	<b>4,392</b>
Investments	909	(2,831)	(12,819)	(4,500)	(5,500)
Other Investing Cash Flow	346	431	0	0	0
<b>Investing Cashflow</b>	<b>672</b>	<b>(3,375)</b>	<b>(13,901)</b>	<b>(5,046)</b>	<b>(5,383)</b>
Equity Capital Raised	0	0	0	0	0
Loans Taken / (Repaid)	2,268	(2,735)	0	13	10
Dividend paid (incl tax)	(222)	(260)	(518)	(701)	(847)
Other Financing Cash Flow	(192)	98	10,446	182	146
<b>Financing Cashflow</b>	<b>1,725</b>	<b>(2,984)</b>	<b>9,867</b>	<b>(572)</b>	<b>(767)</b>
<b>Net chg in cash</b>	<b>(818)</b>	<b>884</b>	<b>(479)</b>	<b>61</b>	<b>742</b>
Opening cash position	3,119	2,301	3,185	2,706	2,767
<b>Closing cash position</b>	<b>2,301</b>	<b>3,185</b>	<b>2,706</b>	<b>2,767</b>	<b>3,509</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	11.8	11.7	11.9	12.8	13.2
EBIT Margin	10.5	9.9	9.9	11.0	11.5
Effective Tax Rate	33.4	24.0	24.0	23.0	23.0
Net Margin	7.6	8.5	9.3	10.6	11.4
ROCE	24.5	19.4	16.8	17.8	18.9
ROE	17.0	15.2	12.7	13.7	14.6
RoIC	37.4	28.4	28.6	33.8	36.6

<b>Per Share Data (Rs)</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21E</b>	<b>FY22E</b>	<b>FY23E</b>
EPS	53.2	55.4	53.2	72.0	87.0
CEPS	62.8	67.2	64.4	84.0	100.0
BVPS	338.5	390.0	492.6	557.7	636.3
DPS	3.4	3.4	4.3	5.8	7.0

<b>Valuations (x)</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21E</b>	<b>FY22E</b>	<b>FY23E</b>
PER	20.8	20.0	20.8	15.4	12.7
P/CEPS	17.6	16.5	17.2	13.2	11.1
P/BV	3.3	2.8	2.2	2.0	1.7
EV / Sales	1.5	1.5	1.6	1.3	1.1
EV / EBITDA	12.9	13.1	13.3	9.9	8.0
Dividend Yield (%)	0.3	0.3	0.4	0.5	0.6

<b>Gearing Ratio (x)</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21E</b>	<b>FY22E</b>	<b>FY23E</b>
Net Debt/ Equity	(0.1)	(0.3)	(0.4)	(0.4)	(0.5)
Net Debt/EBIDTA	(0.5)	(1.4)	(3.0)	(2.8)	(3.0)
Working Cap Cycle (days)	32.1	13.0	22.5	23.0	23.3

<b>Growth (%)</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21E</b>	<b>FY22E</b>	<b>FY23E</b>
Revenue	24.0	(7.0)	0.1	19.4	12.3
EBITDA	31.6	(7.8)	1.5	28.1	16.1
EBIT	33.7	(11.8)	0.2	32.1	17.5
PAT	40.7	0.1	10.9	35.2	20.9

<b>Quarterly (Rs mn)</b>	<b>Q1FY20</b>	<b>Q2FY20</b>	<b>Q3FY20</b>	<b>Q4FY20</b>	<b>Q1FY21</b>
Revenue	14,230	13,239	16,334	13,807	10,616
EBITDA	1,424	1,267	2,123	1,944	1,196
<b>EBITDA Margin (%)</b>	<b>10.0</b>	<b>9.6</b>	<b>13.0</b>	<b>14.1</b>	<b>11.3</b>
PAT	875	1,115	1,531	1,404	922
<b>EPS (Rs)</b>	<b>9.8</b>	<b>17.2</b>	<b>17.2</b>	<b>15.8</b>	<b>10.4</b>

Source: Company, Emkay Research

<b>Shareholding Pattern (%)</b>	<b>Sep-19</b>	<b>Dec-19</b>	<b>Mar-20</b>	<b>Jun-20</b>	<b>Jul-20</b>
Promoters	40.3	40.3	40.3	40.3	36.6
FIIIs	21.8	20.4	19.3	20.4	18.6
DIIIs	4.8	6.5	10.0	10.0	9.1
Public and Others	33.2	32.8	30.5	29.4	35.8

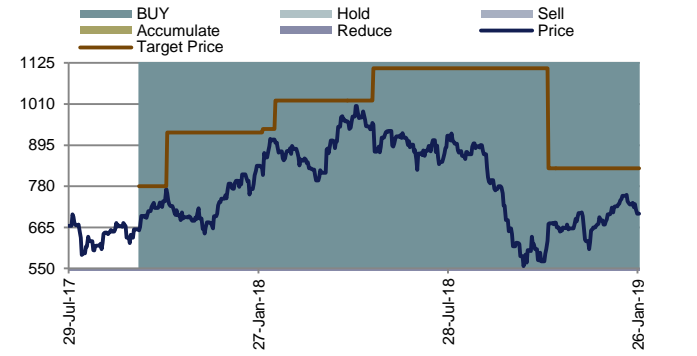
Source: Capitaline

## RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
29-Jun-20	1,033	1,103	12m	Buy	Raghunandhan NL
29-Jun-20	1,033	1,103	12m	Buy	Raghunandhan NL
2-Jun-20	960	1,103	12m	Buy	Raghunandhan NL
2-Jun-20	960	1,103	12m	Buy	Raghunandhan NL
15-May-20	824	898	12m	Buy	Raghunandhan NL
15-May-20	824	898	12m	Buy	Raghunandhan NL
4-May-20	683	815	12m	Buy	Raghunandhan NL
4-May-20	683	815	12m	Buy	Raghunandhan NL
13-Apr-20	690	815	12m	Buy	Raghunandhan NL
13-Apr-20	690	815	12m	Buy	Raghunandhan NL
20-Mar-20	675	954	12m	Buy	Raghunandhan NL
20-Mar-20	675	954	12m	Buy	Raghunandhan NL
27-Feb-20	818	1,000	12m	Buy	Raghunandhan NL
27-Feb-20	818	1,000	12m	Buy	Raghunandhan NL
30-Jan-20	818	1,000	12m	Buy	Raghunandhan NL
30-Jan-20	818	1,000	12m	Buy	Raghunandhan NL
27-Dec-19	623	613	12m	Hold	Raghunandhan NL
27-Dec-19	623	613	12m	Hold	Raghunandhan NL
27-Nov-19	648	613	12m	Hold	Raghunandhan NL
27-Nov-19	648	613	12m	Hold	Raghunandhan NL
4-Nov-19	649	613	12m	Hold	Raghunandhan NL
4-Nov-19	649	613	12m	Hold	Raghunandhan NL
1-Nov-19	658	560	12m	Hold	Raghunandhan NL
1-Nov-19	658	560	12m	Hold	Raghunandhan NL
30-Oct-19	666	560	12m	Hold	Raghunandhan NL
30-Oct-19	666	560	12m	Hold	Raghunandhan NL
1-Oct-19	610	560	12m	Hold	Raghunandhan NL
1-Oct-19	610	560	12m	Hold	Raghunandhan NL
26-Sep-19	610	560	12m	Hold	Raghunandhan NL
26-Sep-19	610	560	12m	Hold	Raghunandhan NL
23-Sep-19	627	560	12m	Hold	Raghunandhan NL
23-Sep-19	627	560	12m	Hold	Raghunandhan NL
3-Sep-19	492	433	12m	Sell	Raghunandhan NL
3-Sep-19	492	433	12m	Sell	Raghunandhan NL
28-Aug-19	493	433	12m	Sell	Raghunandhan NL
28-Aug-19	493	433	12m	Sell	Raghunandhan NL
30-Jul-19	460	433	12m	Sell	Raghunandhan NL
30-Jul-19	460	433	12m	Sell	Raghunandhan NL
1-Jul-19	570	660	12m	Hold	Raghunandhan NL
1-Jul-19	570	660	12m	Hold	Raghunandhan NL
27-Jun-19	548	660	12m	Hold	Raghunandhan NL
27-Jun-19	548	660	12m	Hold	Raghunandhan NL
3-Jun-19	606	660	12m	Hold	Raghunandhan NL
3-Jun-19	606	660	12m	Hold	Raghunandhan NL
29-May-19	618	660	12m	Hold	Raghunandhan NL
29-May-19	618	660	12m	Hold	Raghunandhan NL
8-May-19	628	660	12m	Hold	Raghunandhan NL
8-May-19	628	660	12m	Hold	Raghunandhan NL
2-May-19	681	660	12m	Hold	Raghunandhan NL
2-May-19	681	660	12m	Hold	Raghunandhan NL
4-Feb-19	679	660	12m	Hold	Raghunandhan NL
4-Feb-19	679	660	12m	Hold	Raghunandhan NL
28-Jan-19	675	660	12m	Hold	Raghunandhan NL
28-Jan-19	675	660	12m	Hold	Raghunandhan NL
1-Nov-18	674	830	12m	Buy	Raghunandhan NL
1-Nov-18	674	830	12m	Buy	Raghunandhan NL
30-Jul-18	908	1,110	12m	Buy	Raghunandhan NL
30-Jul-18	908	1,110	12m	Buy	Raghunandhan NL
17-May-18	952	1,110	12m	Buy	Raghunandhan NL
17-May-18	952	1,110	12m	Buy	Raghunandhan NL
12-Feb-18	902	1,020	12m	Buy	Raghunandhan NL
12-Feb-18	902	1,020	12m	Buy	Raghunandhan NL
31-Jan-18	812	940	12m	Buy	Raghunandhan NL
31-Jan-18	812	940	12m	Buy	Raghunandhan NL
31-Oct-17	760	930	12m	Buy	Raghunandhan NL
31-Oct-17	760	930	12m	Buy	Raghunandhan NL
4-Oct-17	657	780	12m	Buy	Raghunandhan NL
4-Oct-17	657	780	12m	Buy	Raghunandhan NL

Source: Company, Emkay Research

## RECOMMENDATION HISTORY CHART



Source: Bloomberg, Company, Emkay Research



## Emkay Alpha Portfolio – Automobiles & Auto Ancillaries



### Analyst: Raghunandhan NI

#### Contact Details

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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>5.25</b>	<b>5.25</b>	<b>0%</b>	<b>0</b>	<b>100.00</b>
Amara Raja Batteries	0.10	0.10	0%	0	1.85
Apollo Tyres	0.06	0.06	0%	0	1.15
Ashok Leyland	0.12	0.24	100%	12	4.59
Atul Auto	0.00	0.10	NA	10	1.97
Bajaj Auto	0.65	0.31	-53%	-34	5.86
Bharat Forge	0.16	0.29	81%	13	5.57
Eicher Motors	0.48	0.61	25%	12	11.54
Escorts	0.00	0.12	NA	12	2.30
Exide Industries	0.12	0.12	0%	0	2.31
Hero Motocorp	0.60	0.29	-52%	-31	5.47
Mahindra & Mahindra	0.96	0.96	0%	0	18.20
Maruti Suzuki India	1.33	1.44	8%	11	27.45
Motherson Sumi	0.19	0.19	0%	0	3.64
Tata Motors	0.31	0.31	0%	0	5.91
TVS Motor	0.03	0.03	0%	0	0.63
<b>Cash</b>	<b>0.00</b>	<b>0.00</b>	<b>NA</b>	<b>0</b>	<b>0.0</b>

Source: Emkay Research

\* Not under coverage: Equal Weight

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

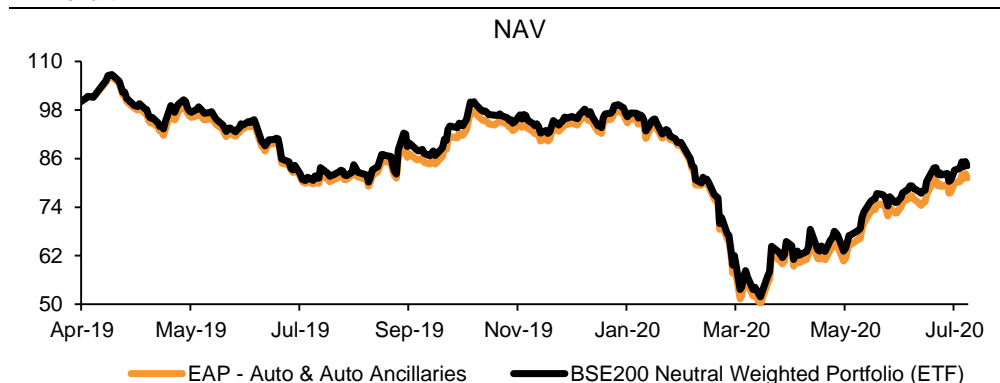
### Sector portfolio NAV

	Base					Latest
	1-Apr-19	23-Oct-19	24-Jan-20	24-Apr-20	24-Jun-20	24-Jul-20
EAP - Auto & Auto Ancillaries	100.0	92.3	95.8	60.3	76.8	81.3
BSE200 Neutral Weighted Portfolio (ETF)	100.0	94.7	97.3	62.1	79.3	84.3

\*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”

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

Completed Date: 28 Jul 2020 02:29:40 (SGT)

Dissemination Date: 28 Jul 2020 02:30:40 (SGT)

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