

Motherson Sumi

Refer to important disclosures at the end of this report

Better platform for future growth through inorganic and organic routes

CMP: Rs 98
as of (July 4, 2020)

TP: Rs 115 (■)
12 months

Rating: BUY (■)

Upside: 17.5 %



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- The restructuring exercise proposes to create a separate entity for the domestic wiring harness business (new company DWH), and a merger of parent entity SAMIL into MSS to bring in the remaining 49% SMR PBV stake and other auto/non-auto businesses.
- The proposed share swap implies a valuation of ~Rs244bn for SAMIL. The transaction would be EPS dilutive on our estimates, and to be EPS accretive by FY22E, a strong turnaround would be needed in SMR PBV and SAMIL's auto/non-auto businesses.
- The revised structure aligns interests of all stakeholders and creates a platform for future growth through both inorganic and organic routes. Reduced stake of Sumitomo Wiring Systems (SWS) in MSSL will allow to pursue acquisition opportunities more aggressively.
- A shift to this new platform is a step toward the company's Vision 2025 – revenue target of USD33-35bn with ROCE of 40%. Retain Buy with a TP of Rs115, based on 20x FY22E EPS. We have EW stance in sector EAP.

Restructuring exercise proposes a new platform for future growth: The restructuring proposal indicates: 1) creation of a separate entity for the domestic wiring harness business (new company DWH) to align interests of SWS, 2) merger of parent entity SAMIL into MSSL to bring in the remaining 49% SMR PBV stake and other auto/non-auto businesses. This merger would result in reduction of SWS stake in MSSL, which will allow to pursue acquisition opportunities more aggressively. Shareholders of SAMIL are likely to be allotted 2.4bn shares of MSSL in exchange of 473.6mn shares in SAMIL, which implies a valuation of ~Rs244bn. The break-up of this valuation has 3 parts: 1) MSSL stake of 33.4%, 2) SMR PBV stake of 49% and 3) Value of SAMIL's other auto/non-auto businesses. The transaction would be EPS dilutive, and our calculation indicates that there will 6% reduction in profit share for minority shareholders in FY22E. For an EPS accretive situation by FY22E, a strong turnaround would be needed in both SMR PBV and SAMIL's auto/non-auto businesses. The restructuring proposal to be implemented by July'22, based on receipt of request approvals.

Retain Buy: Our positive view is underpinned by strong management capabilities and hopes of a gradual pick-up in underlying segments from H2FY21 onward. The restructuring exercise is a step toward the company's Vision 2025 – revenue target of USD33-35bn with ROCE of 40%. We retain Buy with a TP of Rs115, based on 20x FY22E EPS. We are EW in sector EAP. Key downside risks are demand contraction in target markets, weak performance of larger clients and adverse currency rates, among others.

Please see our sector model portfolio (Emkay Alpha Portfolio): [Automobiles & Auto Ancillaries \(Page 10\)](#)

Financial Snapshot (Consolidated)

(Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	635,229	635,369	584,306	726,066	796,122
EBITDA	53,484	52,014	41,347	67,646	75,437
EBITDA Margin (%)	8.4	8.2	7.1	9.3	9.5
APAT	16,132	11,700	8,448	18,202	21,845
EPS (Rs)	5.1	3.7	2.7	5.8	6.9
EPS (% chg)	(9.1)	(27.5)	(27.8)	115.5	20.0
ROE (%)	15.7	10.7	7.5	15.2	16.8
P/E (x)	19.2	26.5	36.7	17.0	14.2
EV/EBITDA (x)	7.2	7.3	8.7	4.8	3.8
P/BV (x)	2.9	2.8	2.7	2.5	2.3

Source: Company, Emkay Research



Change in Estimates

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

Emkay vs Consensus

	EPS Estimates	
	FY21E	FY22E
Emkay	2.7	5.8
Consensus	3.2	5.8
Mean Consensus TP (12M)	Rs 109	

Stock Details

Bloomberg Code	MSS IN
Face Value (Rs)	1
Shares outstanding (mn)	3,158
52 Week H/L	151 / 49
M Cap (Rs bn/USD bn)	310 / 4.15
Daily Avg Volume (nos.)	27,382,070
Daily Avg Turnover (US\$ mn)	31.5

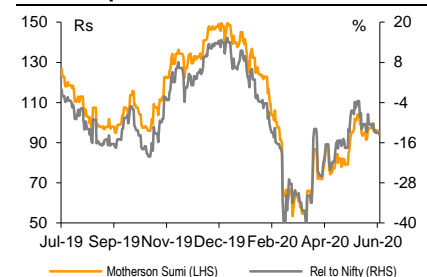
Shareholding Pattern Mar '20

Promoters	61.7%
FIIs	15.5%
DIIIs	13.6%
Public and Others	9.2%

Price Performance

(%)	1M	3M	6M	12M
Absolute	(3)	79	(34)	(23)
Rel. to Nifty	(8)	37	(24)	(13)

Relative price chart



Source: Bloomberg

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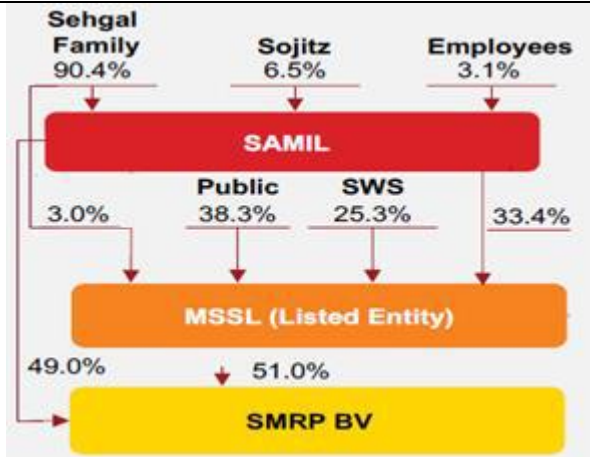
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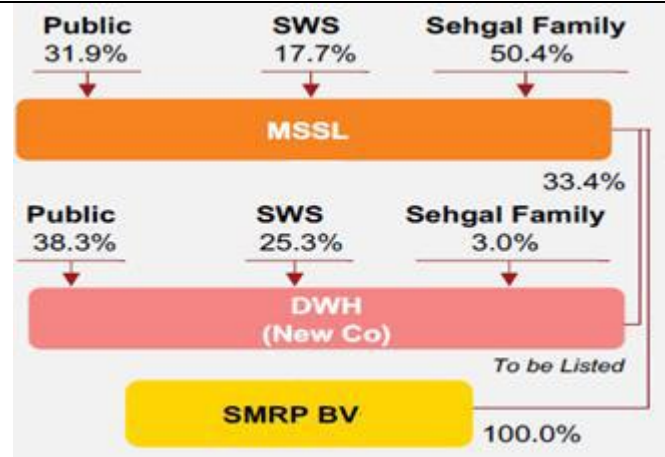
Story in Charts

Exhibit 1: Current structure: Does not align interests of all stakeholders



Source: Company, Emkay Research

Exhibit 2: New structure: A better platform for pursuing inorganic and organic growth



Source: Company, Emkay Research

Exhibit 3: Geography mix: Slight increase in share of emerging markets

Geography mix (%)	Current	Post re-organization
Germany	20	20
USA	15	15
France	7	7
Spain	5	5
South Korea	4	4
UK	2	2
Other developed countries	7	7
India	15	17
China	10	9
Mexico	5	5
Hungary	2	2
Brazil	3	3
Slovak Republic	2	2
Other emerging countries	3	3

Source: Company, Emkay Research

Exhibit 4: Components mix: Slight change due to new businesses of SAMIL

Component mix (%)	Current	Post re-organization
Wiring Harness	28	27
Mirrors	20	20
Bumpers	15	14
Door Panels	11	11
Instrument Panels	8	8
Engineering	7	7
Other polymer products	10	10
Others	1	2
Automotive Lighting		1
Metals		1

Source: Company, Emkay Research

Exhibit 5: Net debt/EBITDA to increase slightly from 1.4x to 1.6x

Entity	Net Debt (Rs mn)	Net Debt/EBITDA (x)
MSS (P) excluding DWH	11,873	1.7
DWH	16	0.0
MSS (C) excluding DWH - A	68,957	1.4
SAMIL (C) - B	11,147	8.8
Combined - A + B	80,013	1.6

Source: Company, Emkay Research

Exhibit 6: Earnings for minority shareholders to marginally reduce; Accretion in earnings depends on strong turnaround of SMRPBV and SAMIL by FY22E

Earnings for existing minority holders (Rs mn)	FY22E estimates	
	Current estimate	Under proposed scheme
Minority shareholders stake (%) – MSSL	38%	27%
Minority shareholders stake (%) – DWH		38%
MSS – Standalone	3,630	
DWH		1,180
MSS - Standalone (excl DWH)		1,714
SMRPBV at 51%	1,605	
SMRPBV at 100%		2,202
Others	1,737	
Others including SAMIL's auto/non-auto businesses		1,483
Profit of minority shareholders	6,971	6,579

Source: Company, Emkay Research

SAMIL - provides entry into new businesses: Apart from the equity stake in MSS and SMRPBV, SAMIL has exposure to other auto and non-auto businesses with revenues of Rs28bn (proportionate share at Rs13bn) and EBITDA of Rs3.6bn (proportionate share at Rs1.3bn). Major businesses -- Lighting business contributes 38% of revenue, metal products business contributes 36% of revenue, technology and software business contributes 16% of revenue and retail, services and others contribute 10% of revenue. Considering the alliances with companies such as Marelli, Valeo, Matsui, Fritzmeimer and Anest Iwata, there should be positive benefits ahead in terms of improvement in technological capabilities and geographic reach. New businesses should provide MSS an opportunity for cross-selling and increase in share of wallet with customers.

Exhibit 7: SAMIL: Provides entry to Lighting, Metals, Technology and Retail segments

Division	Lighting modules & Tooling	Metal Products	Technology & Software	Retail, Services & Others
Customer segment	PV	PV/CV, B2B	PV, B2B	PV, B2B
Markets	India, Europe	India, Middle East, US, Europe	India, US, Europe, Asia	India, Europe, Asia
Key customers	Maruti Suzuki, Tata Motors, FCA, Renault, Ford	Ashok Leyland, Mahindra, Renault Nissan, John Deere, Daimler	Daimler, Isuzu, Maruti, Suzuki, Toyota	Maruti Suzuki, Denso, Honda, Tata Motors
Revenue share (% in FY20)	38	36	16	10

Source: Company, Emkay Research

Exhibit 8: SAMIL: Strong partnerships such as Marelli, Valeo, Matsui, Fritzmeier, Anest Iwata, etc should support in improving technological capabilities and geographic reach

Company	Partner	Products	Customers	Financials	Remarks
Marelli Motherson Automotive Lighting India (50:50 JV)	Marelli	Automotive lighting systems, integrated plastic air intake manifold assembly and pedal box modules	Maruti Suzuki, Tata Motors, Fiat, Renault, Ford & GM	Revenue of Rs8.7bn in FY20 vs. Rs2.1bn in FY15. EBITDA of Rs1.7bn in FY20 vs. Rs219mn in FY15.	Market leader and well positioned to benefit from LED penetration
Magneti Marelli Motherson Shock Absorbers India (50:50 JV)	Marelli	Strut & strut assemblies, shock absorbers, gas springs and steering dampers	Renault & Tata Motors in India and exporting to US and Poland arms of Magneti Marelli Group	Revenue of Rs1.5bn in FY20 vs. Rs0.6bn in FY15. EBITDA of Rs122mn in FY20 vs. Rs11mn in FY15.	Amongst the top 5 shock absorber players in India and amongst the top 2 gas spring suppliers in India
MS Global India Automotive		Skin panels, Frame assembly, Truck cabin parts, Hot stamping parts, floor upper body, closure assemblies	Daimler, Renault Nissan, Hyundai, Kia Motors and other global customers	Revenue of Rs3.4bn in FY20 vs. Rs4.3bn in FY15. EBITDA of Rs147mn in FY20 vs. Rs257mn in FY15.	Hot stamping is high strength light weighting technology - with impact regulations, the need is set to go up
MothersonSumi Infotech and Design (53.7% stake of SAMIL)	SWS	ADM & IT infra services, ERP & PLM, Shared Services, Digital Transformation & Engineering Design, Healthcare	Automotive, Manufacturing, Retail & Consumer Packaged Goods clients	Revenue of Rs4.2bn in FY20 vs. Rs1.8bn in FY15. EBITDA of Rs267mn in FY20 vs. Rs152mn in FY15.	Focus ahead on external business – Analytics / Industry 4.0 / Cloud computing / Healthcare
Valeo Motherson Thermal Commercial Vehicles (51:49 JV)	Valeo	Bus air-conditioning for all models of commercial vehicles	All key CV OEMs	Revenue of Rs1.1bn in FY20 vs. Rs0.6bn in FY15. EBITDA of Rs87mn in FY20 vs. Rs35mn in FY15.	
Matsui Technologies India (50:50 JV)	Matsui	Auxiliary equipment and material conveying systems for Injection molding , blow molding and extrusion machines	Honda, Suzuki, Denso, ASB, Yachiyo, Takahata, Nipro, Mikuni, and many more across various segments	Revenue of Rs705mn in FY20 vs. Rs245mn in FY15. EBITDA of Rs156mn in FY20 vs. Rs14mn in FY15.	Diversification into various industry (Packaging, Healthcare, Extrusion) and introduction of new technology(intelligent)products to propel growth.
Anest Iwata Motherson (51:49 JV)	Anest Iwata	Reciprocating Air Compressors, Scroll and Screw Compressors, Vacuum Pumps, E Bus Compressors, Medical Air Supply Units	Tata Motors, IRA, Schwing Stetter, KYB Conmat and several customers through AIM's nationwide dealerships	Revenue of Rs926mn in FY20 vs. Rs437mn in FY15. EBITDA of Rs152mn in FY20 vs. Rs39mn in FY15.	New Products (compressors for Railways as well as entry into new industries - Healthcare / E Bus etc.)
Motherson Techno Tools (60% held)	Sumitomo	CBN (Cubic Boron Nitride), PCD (Polycrystalline Diamond) Cutting tools, PCD drills, PCD reamers, Carbide inserts, solid carbide drills	Supplies to Tier 1 and Tier 2 OEM suppliers	Revenue of Rs1.4bn in FY20 vs. Rs1.2bn in FY15. EBITDA of Rs242mn in FY20 vs. Rs244mn in FY15.	
Fritzmeier Motherson Cabin Engineering (50:50 JV)	Fritzmeier	Cabin manufacturing; lite-fabrication parts used in construction, agriculture and material handling equipment	Caterpillar, M&M, John Deere, Komatsu, Ashok Leyland, Kobelco	Revenue of Rs771mn in FY20 vs. Rs485mn in FY15. EBITDA of Rs65mn in FY20 vs. Rs60mn in FY15.	Well positioned to leverage on proposed new industry regulations in cabins
CTM India (41% held)		Molds for automotive and white goods OEMs	Maruti Suzuki, Mahindra, Tata and other Tier 2 OEM suppliers	Revenue of Rs1.2bn in FY20 vs. Rs0.7bn in FY15. EBITDA of Rs356mn in FY20 vs. Rs156mn in FY15.	Opportunity to insource significant tooling requirements of Motherson's polymer business

Source: Company, Emkay Research

For EPS accretion in FY22E, strong turnaround needed in SMRPBV and SAMIL's auto/non-auto businesses: SAMIL shareholders are likely to be allotted 2.4bn shares of MSSL in exchange of 473.6mn shares in SAMIL. This implies a valuation of Rs244bn. The breakup of this valuation has 3 parts: 1) MSSL stake of 33.4%, 2) SMR PBV stake of 49% and 3) value of SAMIL businesses. After taking a valuation of Rs122bn for MSSL's 33.4% stake (based on 20x P/E on FY22E estimates) and Rs59bn (based on 14x P/E on FY22E estimates), the implied value for SAMIL businesses works out to Rs63bn. The transaction would be EPS dilutive, and our calculation indicates that there will 6% reduction in profit share for minority shareholders in FY22E. For an EPS accretive situation by FY22E, a strong turnaround would be needed in both SMR PBV and SAMIL's auto/non-auto businesses.

Exhibit 9: Earnings for minority shareholders to marginally reduce; Accretion in earnings depends on performance of SMRPBV and SAMIL

Earnings for existing minority holders (Rs mn)	FY22E estimates	
	Current estimate	Under proposed scheme
Minority shareholders stake (%) – MSSL	38%	27%
Minority shareholders stake (%) – DWH		38%
MSS – Standalone	3,630	
DWH		1,180
MSS - Standalone (excl DWH)		1,714
SMRPBV at 51%	1,605	
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Conference call highlights

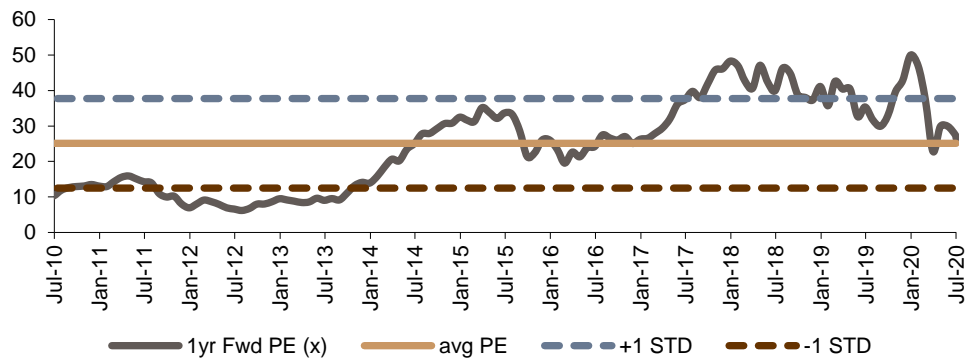
- **Objectives:** 1) To create a separate independent entity for the DWH business with a focused approach on this business, 2) Align interest of all stakeholders by bringing all auto component and allied businesses in SAMIL under the listed entity MSS, 3) To create strong platforms for growth.
- **Expect the merger of SAMIL into MSSL to be EPS accretive in FY22, the first year of merger.**
- **Swap ratio and resultant shareholding of promoters:** For every 10 shares held in SAMIL, 51 shares of MSSL to be allotted. The number for shares in MSSL to increase from 3,157.9mn to 4,517.6mn. Promoter family has a 3% stake in MSSL and 90.4% stake in SAMIL, which post restructuring, would go to 50.4% in MSSL and 3% in DWH. Post the restructuring, MSSL will have a 33.4% stake in DWH. Higher shareholding of promoter family and reduction of Sumitomo Systems shareholding in MSSL is expected to allow acquisition processes to become easier.
- **Time frame:** Restructuring process and approvals from shareholders, lenders and various regulatory bodies are expected to be completed by July'21.
- **Net leverage for MSSL** (excluding DWH) to increase marginally post the merger with SAMIL. Net leverage (excluding IndAS116) estimated to increase from 1.5x to 1.7x. Net debt to increase from Rs69bn to Rs80bn.
- **Moving from 3CX15 to 3CX10 strategy:** MSSL will work toward a mix, wherein no customer, component or country would contribute over 10% of total revenues. The merger would bring in some auto components and non-auto businesses from SAMIL to MSSL. Also, share of emerging markets to increase by 2% to 41% in revenue mix.
- **SAMIL auto components businesses** include lighting systems, bus/truck ACs & cooling systems, hot and cold stamped structural parts, shock absorbers, telematics, etc. These segments have a global market size of over USD200bn. SAMIL's non-auto businesses includes Software Solutions, Logistics and Aerospace.
- SAMIL revenues, including JVs, stand at Rs28bn and EBITDA at Rs3.6bn. SAMIL EBIT margin declined in FY20 due to higher depreciation (new metal plant) and reduction in EBITDA margin was on account of lower scale.
- Even after addition of SAMIL's products, portfolio will continue to remain powertrain neutral and will be favorably positioned for trends such as increasing electronic content, digitalization, light weighting and premiumization.
- Promoter Family and Sumitomo Wiring Systems intend to undertake a voluntary lock-in of shares of MSSL and DWH for 1 year after the completion of the merger.
- DWH will enter into a sourcing and shared services agreement with MSSL to address existing inter-dependencies. Agreements shall be on an arm's length basis.
- Post re-organization, group synergies will improve cost structure by reducing overheads.

Exhibit 10: Key assumptions (Pre-reorganization)

Rs. Mn	FY18	FY19	FY20	FY21E	FY22E	FY23E
Sales	562,933	635,229	635,369	584,306	726,066	796,122
MSSL	74,561	75,813	68,738	62,354	90,096	100,456
SMR	118,850	129,764	121,385	116,500	137,164	143,161
SMPL	260,488	297,469	317,364	304,592	374,214	409,720
PKC	78,705	95,138	92,712	69,208	85,026	100,054
Others (bal)	30,330	37,045	35,169	31,652	39,565	42,731
EBIDTA	51,226	53,484	52,014	41,347	67,646	75,437
MSSL	13,319	12,728	11,020	9,446	15,452	17,609
SMR	14,262	14,724	14,179	12,815	17,146	17,895
SMPL	15,469	12,782	12,446	10,661	20,582	22,944
PKC	5,433	8,495	9,295	4,152	8,928	11,006
Others (bal)	2,743	4,755	5,075	4,273	5,539	5,982
EBIDTA margins	9.1%	8.4%	8.2%	7.1%	9.3%	9.5%
MSSL	17.9%	16.8%	16.0%	15.1%	17.2%	17.5%
SMR	12.0%	11.3%	11.7%	11.0%	12.5%	12.5%
SMPL	5.9%	4.3%	3.9%	3.5%	5.5%	5.6%
PKC	6.9%	8.9%	10.0%	6.0%	10.5%	11.0%
Others (bal)	9.0%	12.8%	14.4%	13.5%	14.0%	14.0%

Source: Company, Emkay Research

Exhibit 11: One-year forward P/E



Source: Company, Emkay Research

Exhibit 12: Peer comparison

	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	144	Buy	1.3	0.0	3.4	38.7	1718.5	14.3	4.8	0.1	13.4	6.2	1.7	14.1
Atul Auto	169	238	4	Buy	23.9	9.6	23.8	7.1	17.5	7.1	18.6	6.8	15.3	23.9	9.3	20.3
Bajaj Auto	2,932	2,629	849	Hold	176.2	129.5	184.8	16.6	22.6	15.9	24.5	18.1	23.8	30.7	23.3	30.6
Eicher Motors	18,984	19,954	518	Buy	669.0	520.4	995.9	28.4	36.5	19.1	19.3	13.5	22.5	23.7	18.5	28.0
Escorts Ltd	1,060	1,103	130	Buy	55.4	48.7	69.8	19.1	21.8	15.2	15.2	11.7	13.4	19.4	15.4	17.7
Hero Motocorp	2,738	2,530	547	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	530	572	659	Buy	30.0	23.7	37.7	17.7	22.4	14.1	10.3	7.9	11.7	14.2	9.7	14.3
Maruti Suzuki India	5,932	6,173	1792	Buy	187.1	128.5	268.4	31.7	46.2	22.1	11.9	7.8	15.4	15.0	10.2	19.9
Tata Motors	103	92	341	Hold	-20.7	-28.1	13.6	-5.0	-3.7	7.6	-12.1	-18.3	9.1	0.8	-1.9	8.4
TVS Motor	396	296	188	Sell	13.0	5.7	13.8	30.4	69.6	28.7	17.7	7.3	16.4	16.6	8.1	16.8
Amara Raja Batteries	691	732	118	Buy	38.7	33.6	48.8	17.9	20.5	14.2	18.9	15.0	19.4	23.7	19.5	25.3
Apollo Tyres	114	95	65	Hold	8.3	4.0	10.6	13.7	28.6	10.8	4.8	2.4	6.0	5.0	3.6	6.3
Exide Industries	153	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	98	115	310	Buy	3.7	2.7	5.8	26.5	36.7	17.0	10.7	7.5	15.2	10.3	5.6	15.2
Bharat Forge	359	363	167	Buy	12.2	7.1	17.9	29.4	50.7	20.1	10.6	6.0	14.3	9.7	6.5	13.7

Source: Company, Emkay Research

Key Financials (Consolidated)

Income Statement

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	635,229	635,369	584,306	726,066	796,122
Expenditure	581,745	583,355	542,960	658,419	720,685
EBITDA	53,484	52,014	41,347	67,646	75,437
Depreciation	20,582	27,780	29,712	31,212	32,712
EBIT	32,902	24,234	11,635	36,434	42,725
Other Income	2,202	2,307	3,023	3,773	4,648
Interest expenses	4,232	5,986	4,814	4,214	3,614
PBT	30,872	20,554	9,844	35,993	43,759
Tax	11,022	8,184	2,953	10,798	13,128
Extraordinary Items	0	0	0	0	0
Minority Int./Income from Assoc.	(3,719)	(669)	1,557	(6,994)	(8,786)
Reported Net Income	16,132	11,700	8,448	18,202	21,845
Adjusted PAT	16,132	11,700	8,448	18,202	21,845

Balance Sheet

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Equity share capital	3,158	3,158	3,158	3,158	3,158
Reserves & surplus	106,470	109,452	113,782	123,111	134,308
Net worth	109,627	112,609	116,940	126,269	137,466
Minority Interest	34,797	35,650	34,553	42,098	51,491
Loan Funds	109,428	116,691	114,428	99,428	84,428
Net deferred tax liability	(361)	(402)	(402)	(402)	(402)
Total Liabilities	253,491	264,548	265,518	267,393	272,983
Net block	184,227	191,906	177,193	160,981	143,269
Investment	8,553	7,960	7,960	7,960	7,960
Current Assets	223,730	241,544	242,328	301,776	345,519
Cash & bank balance	35,469	48,789	65,064	81,506	103,995
Other Current Assets	68,060	74,918	68,897	85,612	93,873
Current liabilities & Provision	173,687	185,380	170,482	211,842	232,283
Net current assets	50,043	56,165	71,847	89,934	113,236
Misc. exp	(1)	0	0	0	0
Total Assets	253,491	264,548	265,518	267,393	272,983

Cash Flow

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
PBT (Ex-Other income) (NI+Dep)	29,801	18,822	6,821	32,220	39,111
Other Non-Cash items	0	0	0	0	0
Chg in working cap	(958)	16,202	593	(1,646)	(813)
Operating Cashflow	40,922	61,214	40,544	48,209	52,710
Capital expenditure	(26,853)	(21,943)	(15,000)	(15,000)	(15,000)
Free Cash Flow	14,069	39,271	25,544	33,209	37,710
Investments	(7,230)	(1,210)	0	0	0
Other Investing Cash Flow	978	753	0	0	0
Investing Cashflow	(30,904)	(20,093)	(11,977)	(11,227)	(10,352)
Equity Capital Raised	0	0	0	0	0
Loans Taken / (Repaid)	8,148	(6,214)	(3,360)	(7,455)	(5,607)
Dividend paid (incl tax)	(6,396)	(12,794)	(4,118)	(8,872)	(10,648)
Other Financing Cash Flow	42	(3,127)	0	0	0
Financing Cashflow	(2,364)	(27,801)	(12,292)	(20,540)	(19,869)
Net chg in cash	7,654	13,320	16,275	16,442	22,489
Opening cash position	27,815	35,469	48,789	65,064	81,506
Closing cash position	35,469	48,789	65,064	81,506	103,995

Source: Company, Emkay Research

Key Ratios

Profitability (%)	FY19	FY20	FY21E	FY22E	FY23E
EBITDA Margin	8.4	8.2	7.1	9.3	9.5
EBIT Margin	5.2	3.8	2.0	5.0	5.4
Effective Tax Rate	35.7	39.8	30.0	30.0	30.0
Net Margin	3.1	1.9	1.2	3.5	3.8
ROCE	14.9	10.3	5.6	15.2	17.6
ROE	15.7	10.7	7.5	15.2	16.8
RoIC	18.5	12.3	6.1	20.8	26.8

Per Share Data (Rs)	FY19	FY20	FY21E	FY22E	FY23E
EPS	5.1	3.7	2.7	5.8	6.9
CEPS	11.6	12.5	12.1	15.6	17.3
BVPS	34.2	35.1	36.5	39.5	43.0
DPS	1.5	1.5	1.1	2.3	2.8

Valuations (x)	FY19	FY20	FY21E	FY22E	FY23E
PER	19.2	26.5	36.7	17.0	14.2
P/CEPS	8.7	8.1	8.4	6.5	5.9
P/BV	2.9	2.8	2.7	2.5	2.3
EV / Sales	0.6	0.6	0.6	0.5	0.4
EV / EBITDA	7.2	7.3	8.7	4.8	3.8
Dividend Yield (%)	1.5	1.5	1.1	2.4	2.9

Gearing Ratio (x)	FY19	FY20	FY21E	FY22E	FY23E
Net Debt/ Equity	0.7	0.6	0.4	0.1	(0.1)
Net Debt/EBIDTA	1.4	1.3	1.2	0.3	(0.3)
Working Cap Cycle (days)	8.4	4.2	4.2	4.2	4.2

Growth (%)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	12.8	0.0	(8.0)	24.3	9.6
EBITDA	4.4	(2.7)	(20.5)	63.6	11.5
EBIT	(7.3)	(26.3)	(52.0)	213.2	17.3
PAT	1.0	(27.5)	(27.8)	115.5	20.0

Quarterly (Rs mn)	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20
Revenue	171,695	167,925	159,242	156,611	151,591
EBITDA	12,428	12,550	13,190	12,358	13,916
EBITDA Margin (%)	7.2	7.5	8.3	7.9	9.2
PAT	4,100	3,315	3,846	2,705	1,921
EPS (Rs)	1.3	1.0	1.2	0.9	0.6

Source: Company, Emkay Research

Shareholding Pattern (%)	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20
Promoters	61.7	61.7	61.7	61.7	61.7
FIs	18.1	16.4	15.0	16.4	15.5
DIs	9.7	11.1	13.5	12.6	13.6
Public and Others	10.5	10.8	9.8	9.3	9.2

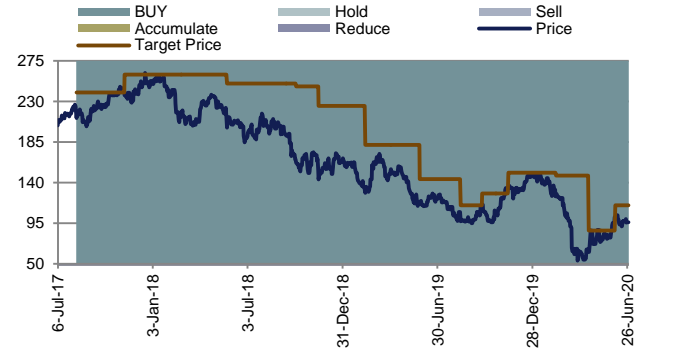
Source: Capitaline

RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
29-Jun-20	95	115	12m	Buy	Raghunandhan NL
3-Jun-20	101	115	12m	Buy	Raghunandhan NL
4-May-20	77	87	12m	Buy	Raghunandhan NL
13-Apr-20	63	87	12m	Buy	Raghunandhan NL
27-Feb-20	109	148	12m	Buy	Raghunandhan NL
14-Feb-20	124	148	12m	Buy	Raghunandhan NL
11-Feb-20	125	148	12m	Buy	Raghunandhan NL
27-Dec-19	148	151	12m	Buy	Raghunandhan NL
27-Nov-19	134	151	12m	Buy	Raghunandhan NL
12-Nov-19	134	151	12m	Buy	Raghunandhan NL
23-Sep-19	116	128	12m	Buy	Raghunandhan NL
13-Aug-19	97	115	12m	Buy	Raghunandhan NL
27-May-19	116	144	12m	Buy	Raghunandhan NL
12-Feb-19	129	182	12m	Buy	Raghunandhan NL
15-Nov-18	144	225	12m	Buy	Raghunandhan NL
3-Oct-18	162	247	12m	Buy	Raghunandhan NL
8-Aug-18	204	250	12m	Buy	Raghunandhan NL
24-May-18	201	250	12m	Buy	Raghunandhan NL
11-Apr-18	228	260	12m	Buy	Raghunandhan NL
14-Feb-18	238	260	12m	Buy	Raghunandhan NL
27-Nov-17	241	260	12m	Buy	Raghunandhan NL
10-Nov-17	237	260	12m	Buy	Raghunandhan NL
10-Aug-17	212	240	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)
Auto & Auto Ancillaries	5.27	5.27	0%	0	100.00
Amara Raja Batteries	0.10	0.10	0%	0	1.88
Apollo Tyres	0.06	0.06	0%	0	1.23
Ashok Leyland	0.12	0.25	100%	12	4.71
Atul Auto	0.00	0.11	NA	11	2.11
Bajaj Auto	0.66	0.31	-53%	-35	5.93
Bharat Forge	0.15	0.27	82%	12	5.10
Eicher Motors	0.45	0.56	26%	12	10.71
Escorts	0.00	0.12	NA	12	2.24
Exide Industries	0.12	0.12	0%	0	2.35
Hero Motocorp	0.61	0.30	-52%	-31	5.62
Mahindra & Mahindra	0.89	0.89	0%	0	16.95
Maruti Suzuki India	1.39	1.51	8%	12	28.64
Motherson Sumi	0.22	0.22	0%	0	4.16
Tata Motors	0.32	0.32	0%	0	6.09
TVS Motor	0.14	0.08	-38%	-5	1.59
Cash	0.00	0.00	NA	0	0.0

Source: Emkay Research

* Not under coverage: Equal Weight

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

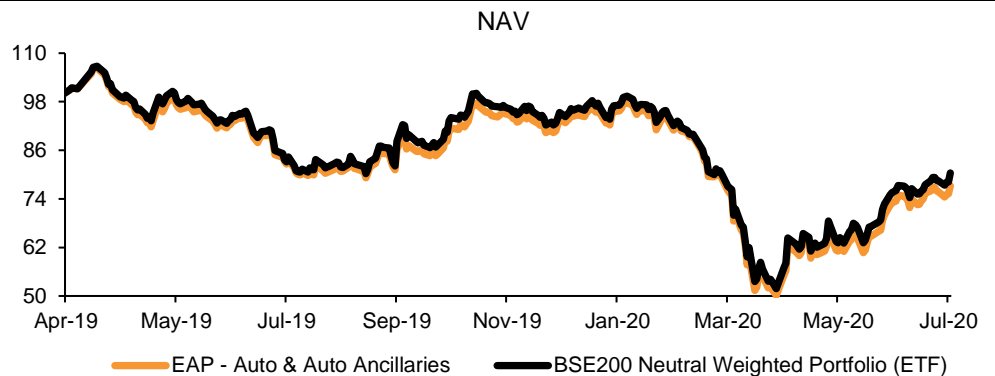
Sector portfolio NAV

	Base					Latest
	01-Apr-19	01-Oct-19	02-Jan-20	01-Apr-20	02-Jun-20	02-Jul-20
EAP - Auto & Auto Ancillaries	100.0	85.7	96.2	51.5	73.0	77.2
BSE200 Neutral Weighted Portfolio (ETF)	100.0	87.9	97.6	53.4	75.6	80.4

*Performance measurement base date 1st 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%

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