

August 12, 2020

## Q1FY21 Result Update

Change in Estimates |  Target |  Reco

### Change in Estimates

|                | Current |          | Previous |          |
|----------------|---------|----------|----------|----------|
|                | FY22E   | FY23E    | FY22E    | FY23E    |
| Rating         | HOLD    |          | HOLD     |          |
| Target Price   | 401     |          | 347      |          |
| Sales (Rs. m)  | 92,099  | 1,01,804 | 95,594   | 1,06,053 |
| % Chng.        | (3.7)   | (4.0)    |          |          |
| EBITDA (Rs. m) | 17,095  | 20,018   | 17,598   | 20,241   |
| % Chng.        | (2.9)   | (1.1)    |          |          |
| EPS (Rs.)      | 20.3    | 24.3     | 19.4     | 23.4     |
| % Chng.        | 4.5     | 4.0      |          |          |

### Key Financials - Consolidated

| Y/e Mar        | FY20   | FY21E  | FY22E  | FY23E    |
|----------------|--------|--------|--------|----------|
| Sales (Rs. m)  | 80,558 | 75,387 | 92,099 | 1,01,804 |
| EBITDA (Rs. m) | 11,147 | 12,245 | 17,095 | 20,018   |
| Margin (%)     | 13.8   | 16.2   | 18.6   | 19.7     |
| PAT (Rs. m)    | 4,106  | 5,783  | 9,439  | 11,315   |
| EPS (Rs.)      | 8.8    | 12.4   | 20.3   | 24.3     |
| Gr. (%)        | (60.2) | 40.9   | 63.2   | 19.9     |
| DPS (Rs.)      | 2.0    | 2.5    | 3.0    | 3.0      |
| Yield (%)      | 0.5    | 0.6    | 0.7    | 0.7      |
| RoE (%)        | 7.8    | 10.6   | 15.5   | 16.2     |
| RoCE (%)       | 6.2    | 7.4    | 11.6   | 13.5     |
| EV/Sales (x)   | 2.9    | 3.1    | 2.5    | 2.2      |
| EV/EBITDA (x)  | 21.3   | 18.9   | 13.5   | 11.4     |
| PE (x)         | 49.3   | 35.0   | 21.4   | 17.9     |
| P/BV (x)       | 3.9    | 3.6    | 3.1    | 2.7      |

### Key Data

BFRG.BO | BHFC IN

|                     |                     |
|---------------------|---------------------|
| 52-W High / Low     | Rs.534 / Rs.208     |
| Sensex / Nifty      | 38,370 / 11,308     |
| Market Cap          | Rs.202bn/ \$ 2,705m |
| Shares Outstanding  | 466m                |
| 3M Avg. Daily Value | Rs.2544.86m         |

### Shareholding Pattern (%)

|                         |       |
|-------------------------|-------|
| Promoter's              | 45.76 |
| Foreign                 | 22.13 |
| Domestic Institution    | 15.08 |
| Public & Others         | 17.03 |
| Promoter Pledge (Rs bn) | -     |

### Stock Performance (%)

|          | 1M   | 6M     | 12M   |
|----------|------|--------|-------|
| Absolute | 22.7 | (10.0) | 1.5   |
| Relative | 17.0 | (2.5)  | (0.6) |

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## Better realizations/tonnage restrict loss

### Quick Pointers:

- Recovery across segments (ex of Oil and Gas) to remain healthy in 2Q. Expect flat growth in domestic business despite weak M&HCV off-take.
- Led by cost control, able to achieve EBITDA breakeven at ~20% utilization.

**BHFC's 1QFY21 performance looked better with tonnage decline of ~71% to 17.8k (PLe 14k) partly offset by realization growth of ~8% at Rs239k/ton (PLe Rs200/ton). Aided by cost control and better mix (higher exports), EBITDA came in at Rs17mn (PLe -Rs182mn) while adj. loss restricted at Rs563mn (PLe Rs757mn). While the ongoing cycle is negative for core segments such of CVs (~39% of consol revenues) and Oil & gas, ramp-up is visible in PV and non-auto segment. We believe that BHFC is much better placed than previous cycles with new products/customer additions both in auto/non-auto segments. However, we believe the same is well captured in recent valuation expansions at 21x/18x FY22/23 EPS. Hence we maintain Hold with a revised target price of Rs401 (earlier Rs347), roll forwarded to 18x Sep'22E (10% discount to 10 year LPA v/s 17x earlier) consol EPS. We cut FY21 EPS by ~7% to factor in lower volumes in M&HCV while raise FY22/23 consolidated EPS by 4.5%/4% to factor in cost benefits.**

**Better than expected tonnage and realizations drive revenues beat** which declined 68% YoY to Rs4.3bn (PLe Rs2.8bn), as tonnage declined ~71% YoY to 17.8k tons (PLe 14k tons) while realizations improved ~8% YoY to Rs239k/ton. Domestic/exports revenue fell 72%/66% YoY led by decline in auto/non-auto.

**Better revenues drive EBITDA breakeven:** Gross margins declined 620bp YoY at 56.8% (PLe 64%) led by inventory de-stocking. Led by revenues beat, EBITDA came in positive at Rs17mn (PLe -Rs182mn). BHFC reported adjusted loss for the quarter at Rs563mn (PLe Adj loss at Rs757mn) helped by lower interest cost at Rs299mn (PLe Rs415mn).

**Key con-call takeaways:** (1) **Outlook Domestic** - New products, business, and customer coupled with market share gain to offset decline in M&HCV estimates in Q2. Agri, construction, mining and PV segment seeing improved traction. (2) **Outlook Exports**- Expect Q2 to remain flattish QoQ (ex oil & gas) led by recovery in CV and PVs, while Oil & gas will continue to remain weak. (3) **Defence opportunity** – the products that BHFC manufacture are 100% localized. Artillery guns 3 under advance testing and 1 is final testing. Within a year will have more clarity on orders. Once orders are placed delivery can start in 2 odd months. (4) **Aluminium forging for PVs**- Expansion in Germany is complete and will take further 2 months to ramp up. Capacity has been doubled in Europe and identical plant is put in US North Carolina. (6) **Nellore facility**- Operations delayed by 4-5 months expect revenue of Rs2bn before FY24.

**Exhibit 1: Q1FY21 Result Overview (Rs m) - Standalone**

| Y/e March                   | Q1FY21       | Q1FY20        | YoY gr. (%)    | Q4FY20       | FY21E         | FY20          | YoY gr. (%)   |
|-----------------------------|--------------|---------------|----------------|--------------|---------------|---------------|---------------|
| <b>Net Revenues</b>         | <b>4,270</b> | <b>13,466</b> | <b>(68.3)</b>  | <b>8,812</b> | <b>39,582</b> | <b>45,639</b> | <b>(13.3)</b> |
| Raw Materials               | 1,844        | 4,983         | (63.0)         | 3,249        | 15,833        | 17,489        | (9.5)         |
| <i>% of Net Sales</i>       | <i>43.2</i>  | <i>37.0</i>   |                | <i>36.9</i>  | <i>40.0</i>   | <i>38.3</i>   |               |
| Personnel                   | 1,138        | 1,238         | (8.1)          | 1,189        | 4,968         | 4,824         | 3.0           |
| <i>% of Net Sales</i>       | <i>26.6</i>  | <i>9.2</i>    |                | <i>13.5</i>  | <i>12.6</i>   | <i>10.6</i>   |               |
| Manufacturing & Other Exp   | 1,270        | 3,726         | (65.9)         | 2,892        | 11,457        | 12,927        | (11.4)        |
| <i>% of Net Sales</i>       | <i>29.8</i>  | <i>27.7</i>   |                | <i>32.8</i>  | <i>28.9</i>   | <i>28.3</i>   |               |
| Total Expenditure           | 4,252        | 9,946         | (57.2)         | 7,330        | 32,258        | 35,240        | (8.5)         |
| <b>EBITDA</b>               | <b>17</b>    | <b>3,519</b>  | <b>(99.5)</b>  | <b>1,482</b> | <b>7,323</b>  | <b>10,399</b> | <b>(29.6)</b> |
| <i>EBITDA Margin (%)</i>    | <i>0.4</i>   | <i>26.1</i>   |                | <i>16.8</i>  | <i>18.5</i>   | <i>22.8</i>   |               |
| Depreciation                | 808          | 886           | (8.8)          | 847          | 3,356         | 3,449         | (2.7)         |
| <b>EBIT</b>                 | <b>-791</b>  | <b>2,633</b>  | <b>(130.0)</b> | <b>635</b>   | <b>3,967</b>  | <b>6,950</b>  | <b>(42.9)</b> |
| Interest Expenses           | 299          | 388           | (22.9)         | 415          | 1,387         | 1,450         | (4.3)         |
| Non-operating income        | 420          | 401           | 4.6            | 315          | 2,050         | 1,609         | 27.4          |
| Extraordinary Expenses      | -46          | -24           |                | -1,318       | -46           | -1,183        |               |
| <b>PBT</b>                  | <b>-716</b>  | <b>2,622</b>  | <b>NA</b>      | <b>-783</b>  | <b>4,584</b>  | <b>5,926</b>  | <b>(22.6)</b> |
| Tax-Total                   | -153         | 881           | NA             | -50          | 1,181         | 1,191         | (0.9)         |
| <i>Tax Rate (%) - Total</i> | <i>21.4</i>  | <i>33.6</i>   |                | <i>6.4</i>   | <i>25.8</i>   | <i>20.1</i>   |               |
| <b>Reported PAT</b>         | <b>-563</b>  | <b>1,741</b>  | <b>NA</b>      | <b>-733</b>  | <b>3,403</b>  | <b>4,735</b>  | <b>(28.1)</b> |
| <b>Adj. PAT</b>             | <b>-563</b>  | <b>1,741</b>  | <b>NA</b>      | <b>146</b>   | <b>3,403</b>  | <b>5,614</b>  | <b>(39.4)</b> |

Source: Company, PL

**Exhibit 2: Operating Metrics**

| Y/e March                    | Q1FY21      | Q1FY20      | YoY gr. (%) | Q4FY20      | FY21E       | FY20        | YoY gr. (%) |
|------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Volume (MT)                  | 17,840      | 60,874      | (70.7)      | 40,173      | 1,85,459    | 2,01,586    | (8.0)       |
| Realisation / ton (Rs)       | 2,39,333    | 2,21,206    | 8.2         | 2,19,346    | 2,13,425    | 2,26,399    | (5.7)       |
| Gross Profit / ton (Rs)      | 1,35,950    | 1,39,349    | (2.4)       | 1,38,479    | 1,28,055    | 1,39,642    | (8.3)       |
| Staff Cost / ton (Rs)        | 63,779      | 20,335      | 213.6       | 29,599      | 26,789      | 23,928      | 12.0        |
| Other Mfg cost / ton (Rs)    | 71,202      | 61,201      | 16.3        | 71,990      | 61,779      | 64,127      | (3.7)       |
| EBITDA / ton (Rs)            | 969         | 57,814      | (98.3)      | 36,890      | 39,487      | 51,586      | (23.5)      |
| Adj. Profit / ton (Rs)       | -31,563     | 28,605      | NA          | 3,632       | 18,351      | 27,849      | (34.1)      |
| <b>Domestic / Export Mix</b> |             |             |             |             |             |             |             |
| Domestic sales               | 1,541       | 5,556       | (72.3)      | 3,703       | 17,744      | 17,818      | (0.4)       |
| <i>% of net sales</i>        | <i>37.3</i> | <i>42.5</i> |             | <i>43.2</i> | <i>44.8</i> | <i>39.0</i> |             |
| Exports                      | 2,592       | 7,528       | (65.6)      | 4,869       | 20,942      | 26,475      | (20.9)      |
| <i>% of net sales</i>        | <i>62.7</i> | <i>57.5</i> |             | <i>56.8</i> | <i>52.9</i> | <i>58.0</i> |             |

Source: Company, PL

**Exhibit 3: Segmental Breakup (Rs mn)**

| Y/e March            | Q1FY21 | Q1FY20 | YoY gr. (%) | Q4FY20 | QoQ gr. (%) |
|----------------------|--------|--------|-------------|--------|-------------|
| <b>Auto Domestic</b> |        |        |             |        |             |
| CV                   | 330    | 2,159  | (84.7)      | 983    | (66.4)      |
| PV                   | 76     | 536    | (85.8)      | 542    | (86.0)      |
| <b>Auto Exports</b>  |        |        |             |        |             |
| CV                   | 822    | 3,893  | (78.9)      | 2,388  | (65.6)      |
| PV                   | 572    | 1,206  | (52.6)      | 1,105  | (48.2)      |
| Non- Auto Domestic   | 1,020  | 2,090  | (51.2)      | 1,773  | (42.5)      |
| Non-Auto Exports     | 1,198  | 2,429  | (50.7)      | 1,403  | (14.6)      |

Source: Company, PL

## Financials

### Income Statement (Rs m)

| Y/e Mar                       | FY20          | FY21E         | FY22E         | FY23E           |
|-------------------------------|---------------|---------------|---------------|-----------------|
| <b>Net Revenues</b>           | <b>80,558</b> | <b>75,387</b> | <b>92,099</b> | <b>1,01,804</b> |
| YoY gr. (%)                   | (20.6)        | (6.4)         | 22.2          | 10.5            |
| Total Expenses                | 69,411        | 63,143        | 75,004        | 81,786          |
| % of Revenues                 | 86.2          | 83.8          | 81.4          | 80.3            |
| <b>EBITDA</b>                 | <b>11,147</b> | <b>12,245</b> | <b>17,095</b> | <b>20,018</b>   |
| YoY gr. (%)                   | (45.8)        | 9.8           | 39.6          | 17.1            |
| Margin (%)                    | 13.8          | 16.2          | 18.6          | 19.7            |
| Depreciation and Amortization | 5,477         | 5,233         | 5,645         | 5,810           |
| <b>EBIT</b>                   | <b>5,670</b>  | <b>7,011</b>  | <b>11,450</b> | <b>14,208</b>   |
| Margin (%)                    | 7.0           | 9.3           | 12.4          | 14.0            |
| Net Interest                  | 1,713         | 1,623         | 1,602         | 1,580           |
| Other Income                  | 1,879         | 2,409         | 2,613         | 2,410           |
| <b>Profit Before Tax</b>      | <b>5,046</b>  | <b>7,797</b>  | <b>12,461</b> | <b>15,038</b>   |
| Margin (%)                    | 6.3           | 10.3          | 13.5          | 14.8            |
| Total Tax                     | 1,125         | 2,014         | 3,022         | 3,723           |
| Effective tax rate (%)        | 22.3          | 25.8          | 24.2          | 24.8            |
| <b>Profit after tax</b>       | <b>3,921</b>  | <b>5,783</b>  | <b>9,439</b>  | <b>11,315</b>   |
| Minority interest             | 429           | -             | -             | -               |
| Share Profit from Associate   | -             | -             | -             | -               |
| <b>Adjusted PAT</b>           | <b>4,106</b>  | <b>5,783</b>  | <b>9,439</b>  | <b>11,315</b>   |
| YoY gr. (%)                   | (60.2)        | 40.9          | 63.2          | 19.9            |
| Margin (%)                    | 5.1           | 7.7           | 10.2          | 11.1            |
| Extra Ord. Income / (Exp)     | (613)         | -             | -             | -               |
| <b>Reported PAT</b>           | <b>3,492</b>  | <b>5,783</b>  | <b>9,439</b>  | <b>11,315</b>   |
| YoY gr. (%)                   | (66.2)        | 65.6          | 63.2          | 19.9            |
| Margin (%)                    | 4.3           | 7.7           | 10.2          | 11.1            |
| Other Comprehensive Income    | -             | -             | -             | -               |
| Total Comprehensive Income    | 3,492         | 5,783         | 9,439         | 11,315          |
| <b>Equity Shares O/s (m)</b>  | <b>466</b>    | <b>466</b>    | <b>466</b>    | <b>466</b>      |
| <b>EPS (Rs)</b>               | <b>8.8</b>    | <b>12.4</b>   | <b>20.3</b>   | <b>24.3</b>     |

Source: Company Data, PL Research

### Balance Sheet Abstract (Rs m)

| Y/e Mar                               | FY20            | FY21E           | FY22E           | FY23E           |
|---------------------------------------|-----------------|-----------------|-----------------|-----------------|
| <b>Non-Current Assets</b>             |                 |                 |                 |                 |
| <b>Gross Block</b>                    | <b>95,922</b>   | <b>1,10,349</b> | <b>1,13,349</b> | <b>1,16,349</b> |
| Tangibles                             | 95,922          | 1,10,349        | 1,13,349        | 1,16,349        |
| Intangibles                           | -               | -               | -               | -               |
| <b>Acc: Dep / Amortization</b>        | <b>55,902</b>   | <b>61,136</b>   | <b>66,781</b>   | <b>72,591</b>   |
| Tangibles                             | 55,902          | 61,136          | 66,781          | 72,591          |
| Intangibles                           | -               | -               | -               | -               |
| <b>Net fixed assets</b>               | <b>40,020</b>   | <b>49,213</b>   | <b>46,568</b>   | <b>43,758</b>   |
| Tangibles                             | 40,020          | 49,213          | 46,568          | 43,758          |
| Intangibles                           | -               | -               | -               | -               |
| Capital Work In Progress              | 11,427          | 1,000           | 1,000           | 1,000           |
| Goodwill                              | -               | -               | -               | -               |
| Non-Current Investments               | 16,180          | 18,180          | 20,180          | 22,180          |
| Net Deferred tax assets               | (507)           | (507)           | (507)           | (507)           |
| Other Non-Current Assets              | -               | -               | -               | -               |
| <b>Current Assets</b>                 |                 |                 |                 |                 |
| Investments                           | -               | -               | -               | -               |
| Inventories                           | 17,347          | 12,392          | 20,186          | 22,313          |
| Trade receivables                     | 14,938          | 14,045          | 15,139          | 22,871          |
| Cash & Bank Balance                   | 5,751           | 10,167          | 8,110           | 8,461           |
| Other Current Assets                  | -               | -               | -               | -               |
| <b>Total Assets</b>                   | <b>1,14,824</b> | <b>1,15,738</b> | <b>1,27,333</b> | <b>1,37,876</b> |
| <b>Equity</b>                         |                 |                 |                 |                 |
| Equity Share Capital                  | 931             | 931             | 931             | 931             |
| Other Equity                          | 51,266          | 55,885          | 63,927          | 73,845          |
| <b>Total Networkth</b>                | <b>52,197</b>   | <b>56,816</b>   | <b>64,858</b>   | <b>74,776</b>   |
| <b>Non-Current Liabilities</b>        |                 |                 |                 |                 |
| Long Term borrowings                  | 40,735          | 38,735          | 36,735          | 34,735          |
| Provisions                            | -               | -               | -               | -               |
| Other non current liabilities         | -               | -               | -               | -               |
| <b>Current Liabilities</b>            |                 |                 |                 |                 |
| ST Debt / Current of LT Debt          | -               | -               | -               | -               |
| Trade payables                        | 10,309          | 9,294           | 12,616          | 13,946          |
| Other current liabilities             | 10,756          | 10,066          | 12,297          | 13,593          |
| <b>Total Equity &amp; Liabilities</b> | <b>1,14,824</b> | <b>1,15,738</b> | <b>1,27,333</b> | <b>1,37,876</b> |

Source: Company Data, PL Research

**Cash Flow (Rs m)**

| Y/e Mar                              | FY20            | FY21E          | FY22E          | FY23E          |
|--------------------------------------|-----------------|----------------|----------------|----------------|
| PBT                                  | 5,046           | 7,011          | 11,450         | 14,208         |
| Add. Depreciation                    | 5,477           | 5,233          | 5,645          | 5,810          |
| Add. Interest                        | 3,209           | 2,409          | 2,613          | 2,410          |
| Less Financial Other Income          | 1,879           | 2,409          | 2,613          | 2,410          |
| Add. Other                           | (789)           | -              | -              | -              |
| Op. profit before WC changes         | 12,943          | 14,654         | 19,708         | 22,427         |
| Net Changes-WC                       | 4,607           | 2,563          | (8,744)        | (8,377)        |
| Direct tax                           | (2,331)         | (2,014)        | (3,022)        | (3,723)        |
| <b>Net cash from Op. activities</b>  | <b>15,220</b>   | <b>15,203</b>  | <b>7,943</b>   | <b>10,327</b>  |
| Capital expenditures                 | (9,571)         | (4,000)        | (3,000)        | (3,000)        |
| Interest / Dividend Income           | -               | -              | -              | -              |
| Others                               | (1,751)         | (2,000)        | (2,000)        | (2,000)        |
| <b>Net Cash from Inv. activities</b> | <b>(11,322)</b> | <b>(6,000)</b> | <b>(5,000)</b> | <b>(5,000)</b> |
| Issue of share cap. / premium        | 30              | -              | -              | -              |
| Debt changes                         | 1,169           | (2,000)        | (2,000)        | (2,000)        |
| Dividend paid                        | (3,335)         | (1,164)        | (1,397)        | (1,397)        |
| Interest paid                        | (1,678)         | (1,623)        | (1,602)        | (1,580)        |
| Others                               | -               | -              | -              | -              |
| <b>Net cash from Fin. activities</b> | <b>(3,814)</b>  | <b>(4,787)</b> | <b>(4,999)</b> | <b>(4,976)</b> |
| <b>Net change in cash</b>            | <b>83</b>       | <b>4,416</b>   | <b>(2,057)</b> | <b>350</b>     |
| Free Cash Flow                       | 5,648           | 11,203         | 4,943          | 7,327          |

Source: Company Data, PL Research

**Quarterly Financials (Rs m)**

| Y/e Mar                           | Q2FY20        | Q3FY20        | Q4FY20       | Q1FY21       |
|-----------------------------------|---------------|---------------|--------------|--------------|
| <b>Net Revenue</b>                | <b>12,595</b> | <b>10,767</b> | <b>8,812</b> | <b>4,270</b> |
| YoY gr. (%)                       | (25.0)        | (36.4)        | (47.2)       | (68.3)       |
| Raw Material Expenses             | 5,057         | 4,201         | 3,249        | 1,844        |
| Gross Profit                      | 7,538         | 6,566         | 5,563        | 2,425        |
| Margin (%)                        | 59.9          | 61.0          | 63.1         | 56.8         |
| <b>EBITDA</b>                     | <b>3,004</b>  | <b>2,394</b>  | <b>1,482</b> | <b>17</b>    |
| YoY gr. (%)                       | (36.8)        | (50.8)        | (69.4)       | (99.5)       |
| Margin (%)                        | 23.9          | 22.2          | 16.8         | 0.4          |
| Depreciation / Depletion          | 893           | 823           | 847          | 808          |
| <b>EBIT</b>                       | <b>2,111</b>  | <b>1,571</b>  | <b>635</b>   | <b>(791)</b> |
| Margin (%)                        | 16.8          | 14.6          | 7.2          | (18.5)       |
| Net Interest                      | 291           | 356           | 415          | 299          |
| Other Income                      | 692           | 360           | (64)         | 374          |
| <b>Profit before Tax</b>          | <b>2,512</b>  | <b>1,575</b>  | <b>(783)</b> | <b>(716)</b> |
| Margin (%)                        | 19.9          | 14.6          | (8.9)        | (16.8)       |
| Total Tax                         | 63            | 297           | (50)         | (153)        |
| Effective tax rate (%)            | 2.5           | 18.8          | 6.4          | 21.4         |
| <b>Profit after Tax</b>           | <b>2,449</b>  | <b>1,278</b>  | <b>(733)</b> | <b>(563)</b> |
| Minority interest                 | -             | -             | -            | -            |
| Share Profit from Associates      | -             | -             | -            | -            |
| <b>Adjusted PAT</b>               | <b>2,449</b>  | <b>1,278</b>  | <b>146</b>   | <b>(563)</b> |
| YoY gr. (%)                       | 7.6           | (58.7)        | (95.1)       | (132.3)      |
| Margin (%)                        | 19.4          | 11.9          | 1.7          | (13.2)       |
| Extra Ord. Income / (Exp)         | -             | -             | (879)        | -            |
| <b>Reported PAT</b>               | <b>2,449</b>  | <b>1,278</b>  | <b>(733)</b> | <b>(563)</b> |
| YoY gr. (%)                       | 7.6           | (58.7)        | (124.5)      | (132.3)      |
| Margin (%)                        | 19.4          | 11.9          | (8.3)        | (13.2)       |
| Other Comprehensive Income        | -             | -             | -            | -            |
| <b>Total Comprehensive Income</b> | <b>2,449</b>  | <b>1,278</b>  | <b>(733)</b> | <b>(563)</b> |
| Avg. Shares O/s (m)               | 466           | 466           | 466          | 466          |
| <b>EPS (Rs)</b>                   | <b>5.3</b>    | <b>2.7</b>    | <b>0.3</b>   | <b>(1.2)</b> |

Source: Company Data, PL Research

**Key Financial Metrics**

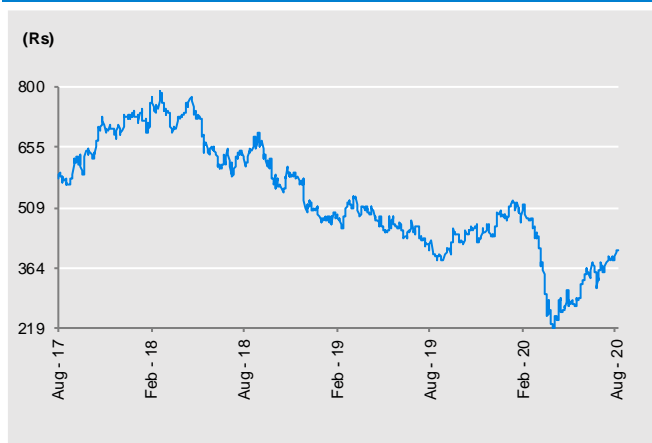
| Y/e Mar                    | FY20  | FY21E | FY22E | FY23E |
|----------------------------|-------|-------|-------|-------|
| <b>Per Share(Rs)</b>       |       |       |       |       |
| EPS                        | 8.8   | 12.4  | 20.3  | 24.3  |
| CEPS                       | 20.6  | 23.7  | 32.4  | 36.8  |
| BVPS                       | 112.1 | 122.0 | 139.3 | 160.6 |
| FCF                        | 12.1  | 24.1  | 10.6  | 15.7  |
| DPS                        | 2.0   | 2.5   | 3.0   | 3.0   |
| <b>Return Ratio(%)</b>     |       |       |       |       |
| RoCE                       | 6.2   | 7.4   | 11.6  | 13.5  |
| ROIC                       | 5.1   | 6.2   | 9.6   | 11.0  |
| RoE                        | 7.8   | 10.6  | 15.5  | 16.2  |
| <b>Balance Sheet</b>       |       |       |       |       |
| Net Debt : Equity (x)      | 0.7   | 0.5   | 0.4   | 0.4   |
| Net Working Capital (Days) | 100   | 83    | 90    | 112   |
| <b>Valuation(x)</b>        |       |       |       |       |
| PER                        | 49.3  | 35.0  | 21.4  | 17.9  |
| P/B                        | 3.9   | 3.6   | 3.1   | 2.7   |
| P/CEPS                     | 21.1  | 18.4  | 13.4  | 11.8  |
| EV/EBITDA                  | 21.3  | 18.9  | 13.5  | 11.4  |
| EV/Sales                   | 2.9   | 3.1   | 2.5   | 2.2   |
| Dividend Yield (%)         | 0.5   | 0.6   | 0.7   | 0.7   |

Source: Company Data, PL Research

**Key Operating Metrics**

| Y/e Mar                 | FY20     | FY21E    | FY22E    | FY23E    |
|-------------------------|----------|----------|----------|----------|
| Shipment Tonnage (tons) | 2,01,586 | 1,85,459 | 1,94,732 | 2,04,469 |
| Realisation (Rs/ton)    | 2,26,399 | 2,13,425 | 2,34,318 | 2,61,697 |

Source: Company Data, PL Research

**Price Chart**
**Recommendation History**


| No. | Date      | Rating | TP (Rs.) | Share Price (Rs.) |
|-----|-----------|--------|----------|-------------------|
| 1   | 11-Jul-20 | Hold   | 347      | 355               |
| 2   | 29-Jun-20 | Hold   | 330      | 317               |
| 3   | 09-Apr-20 | Hold   | 345      | 246               |
| 4   | 10-Feb-20 | Hold   | 481      | 499               |
| 5   | 03-Jan-20 | Hold   | 479      | 487               |
| 6   | 09-Nov-19 | Hold   | 453      | 426               |
| 7   | 11-Oct-19 | Hold   | 430      | 424               |
| 8   | 03-Oct-19 | Hold   | 430      | 441               |
| 9   | 13-Aug-19 | BUY    | 430      | 401               |

**Analyst Coverage Universe**

| Sr. No. | Company Name           | Rating     | TP (Rs) | Share Price (Rs) |
|---------|------------------------|------------|---------|------------------|
| 1       | Ashok Leyland          | Accumulate | 59      | 51               |
| 2       | Bajaj Auto             | Hold       | 2,713   | 2,985            |
| 3       | Bharat Forge           | Hold       | 347     | 355              |
| 4       | CEAT                   | Accumulate | 951     | 845              |
| 5       | Eicher Motors          | BUY        | 20,852  | 19,465           |
| 6       | Exide Industries       | BUY        | 183     | 155              |
| 7       | Hero Motocorp          | Accumulate | 2,855   | 2,681            |
| 8       | Mahindra & Mahindra    | BUY        | 703     | 600              |
| 9       | Maruti Suzuki          | BUY        | 6,858   | 6,192            |
| 10      | Motherson Sumi Systems | BUY        | 125     | 107              |
| 11      | Tata Motors            | Hold       | 108     | 105              |
| 12      | TVS Motors             | Sell       | 365     | 402              |

**PL's Recommendation Nomenclature (Absolute Performance)**

|                          |                                   |
|--------------------------|-----------------------------------|
| <b>Buy</b>               | : > 15%                           |
| <b>Accumulate</b>        | : 5% to 15%                       |
| <b>Hold</b>              | : +5% to -5%                      |
| <b>Reduce</b>            | : -5% to -15%                     |
| <b>Sell</b>              | : < -15%                          |
| <b>Not Rated (NR)</b>    | : No specific call on the stock   |
| <b>Under Review (UR)</b> | : Rating likely to change shortly |

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