

# Bharat Forge

Refer to important disclosures at the end of this report

## Better CV/PV outlook to drive recovery

CMP: Rs 495

as of (November 17, 2020)

TP: Rs 601 (■)

12 months

Rating: BUY (■)

Upside: 21.4 %

- Demand outlook by global and domestic CV/PV OEMs, non-auto companies and industry experts provide a positive read-through for BHFC. The HCV segment is expected to rebound strongly in CY21 across regions on 15-30% growth in North America, 10-20% in Europe and 100%+ in India, owing to freight recovery, order growth and low inventory.
- Global and domestic PV segments have already embarked the path of recovery and further improvement is expected ahead. Industrial segments such as Construction Equipment and Tractors are also expected to improve in CY21, but global Oil & Gas segment is likely to remain weak for a few more quarters on low crude prices and rig count.
- BHFC's revenue growth is expected at 28%/38% in H2FY21/FY22, driven by a strong rebound Automotive and Domestic Industrial segments. Further, customer additions and the widening of the product portfolio should boost growth. Moreover, there is significant potential for segments such as Defense, Aerospace and Railways over the medium term.
- Our positive view is underpinned by BHFC's leadership position in automotive forgings, focus on diversification and an expected recovery in the core segments. We maintain Buy rating with a TP of Rs601, based on 25x P/E for the standalone business on FY23 estimates. Maintain OW stance in sector EAP.

**HCV segment to rebound strongly in CY21:** Volvo, Daimler, Paccar and Traton have provided positive demand commentaries. After the steep downturn seen in CY20, the HCV segment is expected to grow strongly in CY21 by 15-30% in North America, 10-20% in Europe and 100%+ in India, owing to freight recovery, growth in orders which typically translate into production with a lag of 2-3 quarters and low system inventories. For BHFC, we expect FY22 revenue growth of 71% in the domestic CV segment and 46% in the overseas segment.

**PV segment already showing recovery signs:** Global and domestic PV segments have already embarked on a path of recovery and further improvement is expected ahead, supported by a recovery in fleet demand, government stimulus measures and a pick-up in economic activity, as per commentaries by manufacturer/dealer associations, Daimler, Volkswagen and CIE. For BHFC, we expect 33% FY22E revenue growth in the domestic PV segment and 30% in overseas segment.

**Improvement expected in industrial segments:** The construction equipment segment is expected to pick up in NA and Europe in CY21, driven by better macros, pick-up in mining/housing segments and low system inventories, as per commentaries of Volvo, CNH Industrials and Caterpillar. Further, the tractor segment should improve in NA in CY21 in as per John Deere. India tractor segment is also expected to remain in the growth trajectory, as per commentaries of M&M and Escorts. However, the Oil & Gas segment is expected to remain weak for a few more quarters due to lower crude prices and gradual increase in rig count, as per Halliburton. For BHFC, we expect 21% FY22 revenue growth in the domestic non-auto segment and 24% in the overseas segment.

**Outlook and valuation:** BHFC's leadership position in automotive forgings, focus on diversification and an expected cyclical recovery in the core segments support our positive view. We have a Buy rating on the name and OW stance in EAP, with a TP of Rs601, based on 25x P/E for the standalone business on FY23E. Key risks: 1) delay in recovery in domestic/North America CV segments, 2) further downturn in the industrial segments, and 3) adverse currency movement.

Please see our sector model portfolio (Emkay Alpha Portfolio): [Automobiles & Auto Ancillaries \(Page 11\)](#)

### Financial Snapshot (Standalone)

(Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	65,200	45,639	38,060	52,515	61,984
EBITDA	18,761	10,399	8,079	14,101	17,679
EBITDA Margin (%)	28.8	22.8	21.2	26.9	28.5
APAT	10,413	5,683	3,725	8,316	10,965
EPS (Rs)	22.4	12.2	8.0	17.9	23.5
EPS (% chg)	18.3	(45.4)	(34.5)	123.2	31.8
ROE (%)	20.8	10.6	6.8	14.2	17.0
P/E (x)	22.1	40.6	61.9	27.7	21.0
EV/EBITDA (x)	13.5	23.8	30.0	17.1	13.5
P/BV (x)	4.3	4.3	4.1	3.8	3.4

Source: Company, Emkay Research



### Change in Estimates

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

### Emkay vs Consensus

	EPS Estimates	
	FY21E	FY22E
Emkay	8.0	17.9
Consensus	5.3	14.8
Mean Consensus TP (12M)	Rs 478	

### Stock Details

Bloomberg Code	BHFC IN
Face Value (Rs)	2
Shares outstanding (mn)	466
52 Week H/L	540 / 208
M Cap (Rs bn/USD bn)	230 / 3.10
Daily Avg Volume (nos.)	2,838,670
Daily Avg Turnover (US\$ mn)	18.4

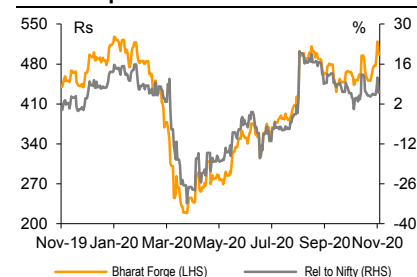
### Shareholding Pattern Sep '20

Promoters	45.8%
FIIIs	21.9%
DIIIs	11.5%
Public and Others	20.8%

### Price Performance

(%)	1M	3M	6M	12M
Absolute	9	-	79	13
Rel. to Nifty	-	(14)	27	4

### Relative price chart



Source: Bloomberg

This report is solely produced by Emkay Global. The following person(s) are responsible for the production of the recommendation:

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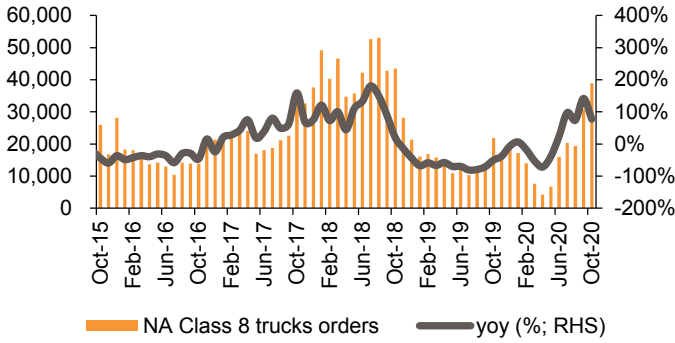
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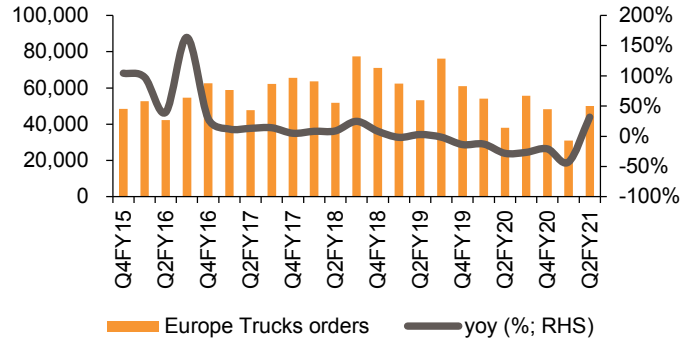
# Story in Charts

**Exhibit 1: North America Class 8 truck orders grew 107% yoy in Q2FY21**



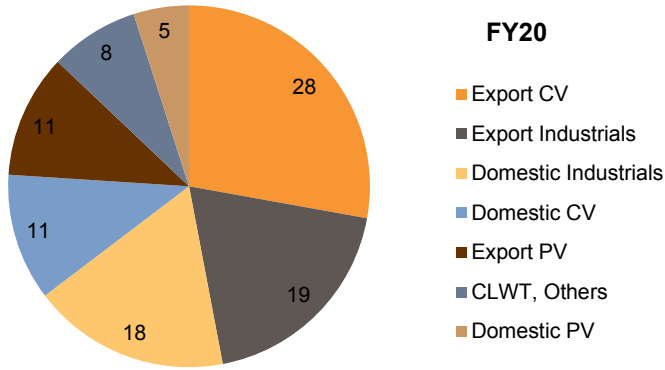
Source: Industry, Emkay Research

**Exhibit 2: Europe CV trucks orders grew 31% yoy in Q2FY21**



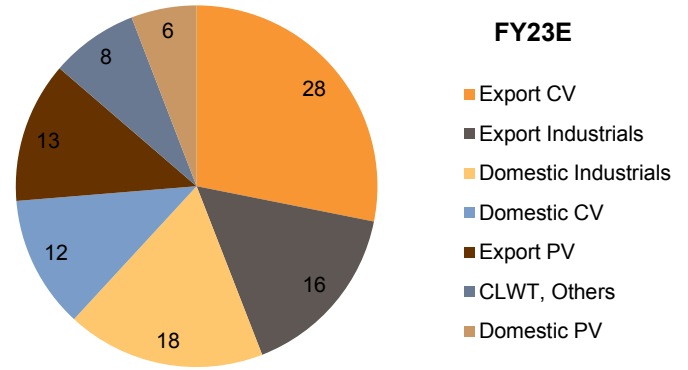
Note: Daimler, Volvo and Scania orders. Source: Company, Emkay Research

**Exhibit 3: FY20 segment-wise mix**



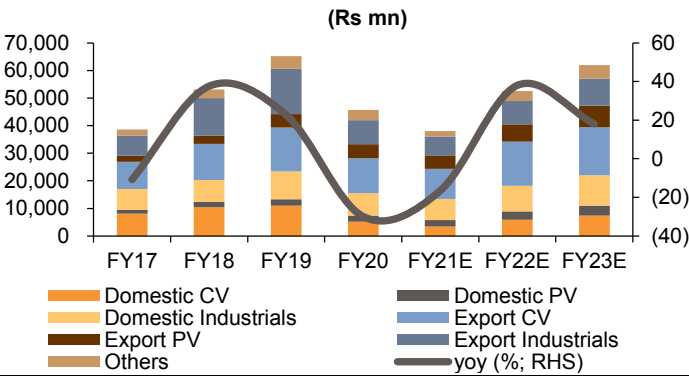
Source: Company, Emkay Research

**Exhibit 4: CV and PV share to increase, while Export Industrials share to decrease due to weakness in Oil & Gas segment**



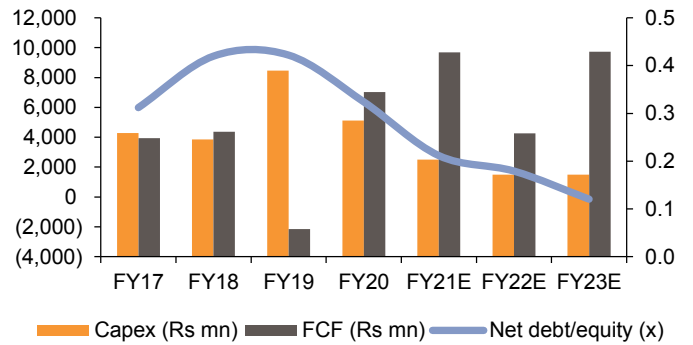
Source: Company, Emkay Research

**Exhibit 5: Revenues expected to see 11% CAGR in FY20-23E**



Source: Company, Emkay Research

**Exhibit 6: Strong FCFs of Rs10bn/year to drive debt reduction in FY20-23E**



Source: Company, Emkay Research

## Demand outlook by Automobile OEMs, Non-auto companies and Industry Experts

### Volvo Trucks

- CY20 HCV volume is expected at 225,000 units in Europe, 220,000 units in North America and 140,000 units in India. For CY21, volumes are expected to increase to 240,000 units in Europe, 250,000 units in North America and 295,000 units in India.
- CY20 Construction Equipment volumes are expected to decline in Europe (-20% to -10%) and North America (-25% to -15%). For CY21, volumes are expected to grow in Europe (0% to +10%) and North America (0% to 10%).

### National Automobile Dealer Association (North America)

- Expects Class 8 trucks sales to improve sequentially in Q4CY20.
- Robust freight recovery and improving freight rates are supporting demand. Expect 200,000 units for medium-duty truck and 185,000 units for heavy duty trucks in CY20.
- PV retail sales have turned positive for the past two months. Expect volumes to decline by 18% to 14.1mn units in CY20. Inventory correction has also contributed to the fall, with a 27% correction to 2.7mn units.
- Fleet activity has been depressed as several rental companies canceled orders. However, this fleet demand may soon increase, as many Americans—currently wary of air travel, public transport and ride sharing—have turned to rental car companies for their travel needs.

### European Automobile Manufacturers Association

- Expects a fall of 25% for PVs in CY20. However, there are signs of recovery with Sep'20 volume growth turning positive.
- Electrically charged vehicles' contribution has increased to 10% in Q3CY20 from 3% last year.
- No-deal Brexit could adversely impact demand. Under no deal Brexit, tariff of 10% on Cars and 22% on Vans and Trucks is applicable. It will impact Europe-based auto ancillary players as tariffs would reduce competitiveness.

### Daimler

- **Q4CY20 outlook for PVs:** Expects sequential growth in volumes. Growth in China on a yoy basis is expected to continue, while other regions are likely to see a sequential improvement.
- **Q3CY20 orders turn positive in CVs:** CV orders grew 8%, led by growth in NA/EU/ROW orders by 60%/31%/36%. In comparison, there was a decline in orders for Latin America/Asia by 29%/30%.

### Paccar

- **CY20:** Expects Class 8 truck volumes at 190,000-200,000 units in North America and 210,000-230,000 units in Europe.
- **CY21:** Expects Class 8 truck volumes at 210,000-250,000 units in North America and 230,000-270,000 units in Europe. Growth is led by an improvement in the areas of manufacturing, housing, automotive production and consumer spending. In addition, higher Class 8 truck orders provide growth visibility.

### Traton (CV division of Volkswagen)

- Increase in utilization levels in most regions, especially in long-haulage trucks, is a positive. Market recovery has been faster than expected, with incoming orders growing at 19% yoy in Q3CY20.
- Expects CV in Europe to decline by 30-35% in CY20.
- In the Engines business, demand is still strong. Total engine order bookings increased by 15% in CY20 YTD.

## Volkswagen

- Expects that recovery in China becomes the blueprint of recovery in other territories as well.
- Volume brands have declined more in 9MCY20, whereas premium, sports and luxury have done much better.
- Volume recovery is expected with flat growth in Q4CY20.
- **Audi:** China volume growth was positive for the quarter. Europe turned positive in Sep'20, while the US was flat. Expects positive delivery trends to continue in Q4CY20.

## John Deere

- Expects Agriculture and Turf volumes to be lower by 5-10% in North America and Europe in CY20. However, the order book has witnessed double-digit growth yoy. Inventory correction in 2020 should support a better start in 2021.
- Construction equipment industry sales in the North America are expect to decline by 20% in 2020, reflecting sharp declines in the oil and gas sector and overall moderation in general economic activity.

## CNH Industrials

- **CY20 Tractors:** Expects 10-15% growth in Tractors (less than 140HP) in North America and a fall of 5% in Europe.
- **CY20 Construction Equipment:** Expects a fall of 15-20% in North America and a fall of 20-25% in Europe. However, the order book has increased yoy, implying better outlook.
- **CY20 MHCV** volume is expected to decline by 30% in Europe. However, order intake grew 39% yoy in Q3CY20 and prospects remain bright for Q4CY20.
- **Channel inventory** has reduced by 33% in tractors/construction equipment and fell by 36% in MHCVs in Q3CY20.

## Caterpillar

- **Construction Equipment:** Order book has improved on a sequential basis, but still lower than last year. Expects sales to improve sequentially.
- **End-user demand should improve going into next year.** Constructive on segments such as Mining and Housing.
- **Tractors:** Expects flat growth yoy in Q4CY20, led by slight positive growth in North America.
- **Dealer inventory correction** is expected at USD2.5bn in CY20 and USD700mn in Q4CY20.

## Halliburton

- Q3CY20 drilling and evaluation division revenues declined 31% yoy and 8% qoq. International rig count trended lower by 12% qoq.
- Management believes that Crude Oil demand recovery is starting to unfold but the pace of recovery is uncertain.
- Management expects rig count to not increase materially before the year-end. Expects H2CY20 to be a trough, and see progressive improvement in CY21. Focus remains on disciplined use of fracking fleet.

## US Energy Information Administration

- Expects high global oil inventory levels and surplus crude oil production capacity to keep oil prices under pressure. Brent prices should remain near USD40/barrel till the end of CY20. Expects global oil demand to increase and inventories to correct in CY21, leading to an upward movement in oil prices. Expects average USD47/barrel in CY21.
- Expects drilling activity to increase gradually.

### ThyssenKrupp

- Cyclical downturn and pandemic-induced decline at Forged Technologies (crankshafts for heavy-duty engines, undercarriages) have offset good order situation at bearings (wind energy), resulting in a fall of 32% in Q3CY20.
- Expects Q4CY20 sales to be flat to positive qoq, led by a recovery in the forged technologies business.

### CIE Automotive

- Q3CY20 production was at 85% of normalized levels. In September, production exceeded 90% of normal levels. Expects further improvement on a sequential basis.
- **Mahindra CIE:** Demand for the PV segment is closer to normal levels, while CV/Industrials segment is expected to improve in the coming quarters.

### Tata Motors

- **CVs:** Mining, Infrastructure, E-commerce, Agri, Steel and Cement segments are showing improvement. Better fleet utilization and freight rates are positive. E-way bills, Petrol consumption and GST collections are showing encouraging trends. The company's internal Consumer Sentiment Index is showing an improvement, indicating positive future expectations by consumers.

### Ashok Leyland

- Expects 25-30% volume fall in CVs in FY21. For H2FY21, expects positive growth.
- The Tipper segment is seeing an improvement due to infra activity.
- Expects financing availability to improve.

### Ramkrishna Forgings

- Domestic and Overseas CVs are witnessing a sequential improvement, which is likely to continue in H2FY21 as well.
- Content/vehicle has improved due to BS6 transition.

### Mahindra and Mahindra

- Expects low-double digit positive growth in domestic Tractors in FY21.

### Escorts

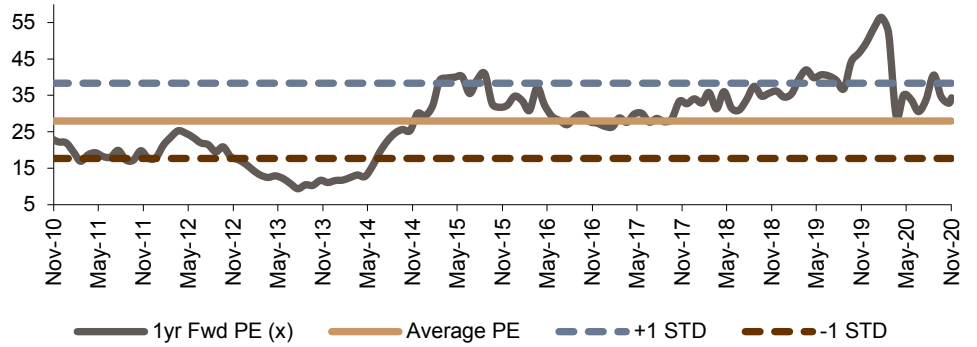
- Expects low-double digit positive growth in Tractors in FY21. Expects production to remain strong after the festive season.
- Expects flat volume in Construction Equipment in H2FY21.

**Exhibit 7: Revenue assumption**

Key revenue assumptions (Rs mn)	FY17	FY18	FY19	FY20	FY21E	FY22E	FY23E
<b>Domestic CV</b>	<b>8,049</b>	<b>10,380</b>	<b>10,948</b>	<b>5,182</b>	<b>3,454</b>	<b>5,897</b>	<b>7,342</b>
yoy (%)	8	29	5	(53)	(33)	71	25
Domestic PV	1,476	2,043	2,373	2,262	2,262	3,013	3,629
yoy (%)	(11)	38	16	(5)	(0)	33	20
Domestic Industrial	7,456	7,895	10,133	8,058	7,736	9,330	11,009
yoy (%)	14	6	28	(20)	(4)	21	18
<b>Total Domestic</b>	<b>16,981</b>	<b>20,318</b>	<b>23,454</b>	<b>15,502</b>	<b>13,452</b>	<b>18,241</b>	<b>21,980</b>
yoy (%)	8	20	15	(34)	(13)	36	21
<b>Export CV</b>	<b>9,879</b>	<b>13,039</b>	<b>15,912</b>	<b>12,702</b>	<b>10,925</b>	<b>15,941</b>	<b>17,437</b>
yoy (%)	(30)	32	22	(20)	(14)	46	9
Export PV	2,284	3,062	4,875	5,047	4,809	6,252	7,814
yoy (%)	14	34	59	4	(5)	30	25
<b>Export Industrial</b>	<b>7,254</b>	<b>13,611</b>	<b>16,471</b>	<b>8,753</b>	<b>6,841</b>	<b>8,484</b>	<b>9,895</b>
yoy (%)	(17)	88	21	(47)	(20)	24	17
<b>Total Export</b>	<b>19,417</b>	<b>29,712</b>	<b>37,258</b>	<b>26,502</b>	<b>22,575</b>	<b>30,677</b>	<b>35,147</b>
yoy (%)	(22)	53	25	(29)	(15)	36	15
CLWT						1,000	2,000
yoy (%)							100
Scrap	1,419	1,954	2,813	2,315	1,247	1,497	1,646
yoy (%)	(19)	38	44	(18)	(46)	20	10
Other operating income	829	1,176	1,674	1,319	786	1,101	1,211
yoy (%)	(11)	23	10	(24)	(40)	40	10
<b>Total Revenue (Rs mn)</b>	<b>38,647</b>	<b>53,160</b>	<b>65,199</b>	<b>45,638</b>	<b>38,060</b>	<b>52,515</b>	<b>61,984</b>
yoy (%)	(11)	38	23	(30)	(17)	38	18

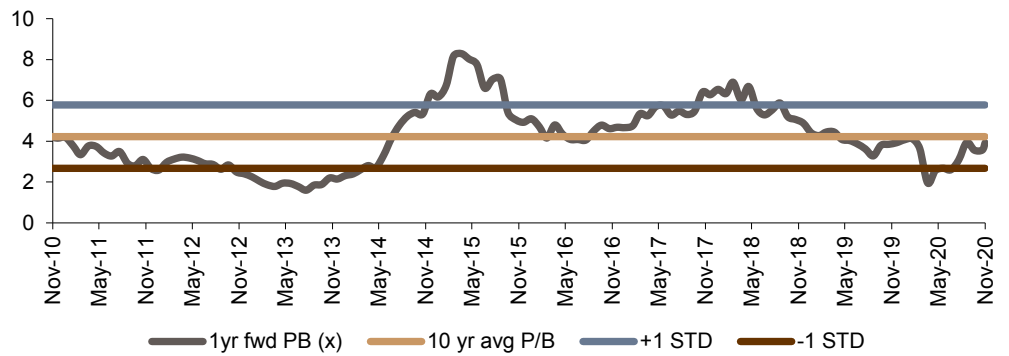
Source: Company, Emkay Research

**Exhibit 8: One-year forward P/E**



Source: Company, Emkay Research

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



Source: Bloomberg, Emkay Research

**Exhibit 10: Peer comparison**

	CMP (Rs)	Target (Rs)	Mcap (Rs bn)	Reco	PE (x)			EV/EBITDA (x)			ROE (%)			ROCE (%)		
					FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E
Ashok Leyland	92	115	269	Buy	NM	26.1	17.3	34.6	13.3	9.8	-0.4	13.7	19.0	2.4	14.5	20.0
Atul Auto	169	254	4	Buy	24.5	7.7	5.9	13.4	5.7	4.0	4.9	14.4	16.6	6.7	18.0	20.6
Bajaj Auto	3,041	3,976	880	Buy	20.3	15.0	13.1	15.9	10.8	9.1	20.8	25.7	26.5	26.5	32.9	34.0
Eicher Motors	2,555	3,025	698	Buy	43.7	24.7	20.4	31.2	17.8	14.5	15.1	23.0	23.2	18.8	26.9	27.0
Escorts	1,422	1,442	192	Buy	20.1	17.4	15.6	11.0	9.2	7.8	16.6	15.0	14.6	21.9	19.7	19.3
Hero Motocorp	3,034	3,839	606	Buy	21.4	16.2	14.5	13.6	10.2	8.9	19.7	24.6	25.3	25.3	31.6	32.5
Mahindra & Mahindra	637	783	792	Buy	23.6	16.7	14.7	12.0	9.6	8.3	9.5	12.6	12.9	12.2	15.4	16.0
Maruti Suzuki	6,987	8,216	2,111	Buy	48.5	26.5	21.3	31.8	16.7	13.2	8.8	15.0	17.2	11.2	19.2	21.9
Tata Motors	158	196	523	Buy	NM	11.4	6.9	6.0	3.8	3.3	-13.5	8.8	13.0	1.2	7.8	9.9
TVS Motor	476	398	226	Sell	56.9	32.9	25.0	21.1	15.3	12.6	10.6	16.8	19.7	11.5	17.5	21.2
Amara Raja Batteries	832	863	142	Buy	22.2	17.2	14.5	12.2	9.7	8.2	16.6	19.1	20.0	21.7	24.9	26.1
Apollo Tyres	173	175	99	Buy	26.7	15.1	11.9	6.6	5.4	4.4	3.9	6.4	7.7	5.5	7.3	8.6
Exide Industries	170	216	145	Buy	19.7	15.8	13.7	10.3	8.5	7.3	11.3	13.0	13.7	14.8	17.0	18.0
Motherson Sumi	130	139	411	Buy	46.5	22.5	18.8	11.2	6.5	5.4	7.8	15.2	16.8	5.4	15.8	18.2
<b>Bharat Forge</b>	<b>495</b>	<b>601</b>	<b>230</b>	<b>Buy</b>	<b>61.9</b>	<b>27.7</b>	<b>21.0</b>	<b>30.0</b>	<b>17.1</b>	<b>13.5</b>	<b>6.8</b>	<b>14.2</b>	<b>17.0</b>	<b>6.8</b>	<b>13.3</b>	<b>16.4</b>

Source: Company, Emkay Research

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

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
<b>Revenue</b>	<b>65,200</b>	<b>45,639</b>	<b>38,060</b>	<b>52,515</b>	<b>61,984</b>
<b>Expenditure</b>	<b>46,439</b>	<b>35,240</b>	<b>29,981</b>	<b>38,414</b>	<b>44,305</b>
<b>EBITDA</b>	<b>18,761</b>	<b>10,399</b>	<b>8,079</b>	<b>14,101</b>	<b>17,679</b>
Depreciation	3,466	3,449	3,530	3,814	4,121
<b>EBIT</b>	<b>15,295</b>	<b>6,950</b>	<b>4,549</b>	<b>10,288</b>	<b>13,558</b>
Other Income	1,660	1,609	1,437	1,709	1,841
Interest expenses	1,024	1,450	1,145	1,054	971
<b>PBT</b>	<b>15,931</b>	<b>7,109</b>	<b>4,841</b>	<b>10,943</b>	<b>14,427</b>
Tax	5,518	1,426	1,115	2,626	3,463
Extraordinary Items	300	(948)	(169)	0	0
Minority Int./Income from Assoc.	0	0	0	0	0
<b>Reported Net Income</b>	<b>10,713</b>	<b>4,735</b>	<b>3,556</b>	<b>8,316</b>	<b>10,965</b>
<b>Adjusted PAT</b>	<b>10,413</b>	<b>5,683</b>	<b>3,725</b>	<b>8,316</b>	<b>10,965</b>

**Balance Sheet**

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Equity share capital	931	931	931	931	931
Reserves & surplus	53,051	52,619	54,829	60,138	67,138
<b>Net worth</b>	<b>53,982</b>	<b>53,551</b>	<b>55,760</b>	<b>61,069</b>	<b>68,070</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>31,891</b>	<b>32,435</b>	<b>30,850</b>	<b>29,380</b>	<b>26,121</b>
Net deferred tax liability	2,702	1,311	1,335	1,390	1,462
<b>Total Liabilities</b>	<b>88,575</b>	<b>87,296</b>	<b>87,944</b>	<b>91,839</b>	<b>95,653</b>
<b>Net block</b>	<b>26,339</b>	<b>27,630</b>	<b>32,135</b>	<b>31,185</b>	<b>28,565</b>
<b>Investment</b>	<b>21,922</b>	<b>23,529</b>	<b>29,529</b>	<b>30,529</b>	<b>33,529</b>
<b>Current Assets</b>	<b>44,004</b>	<b>37,071</b>	<b>30,636</b>	<b>40,357</b>	<b>46,617</b>
Cash & bank balance	3,698	4,442	3,426	2,812	2,303
Other Current Assets	4,756	3,165	2,640	3,642	4,299
<b>Current liabilities &amp; Provision</b>	<b>10,815</b>	<b>9,879</b>	<b>7,766</b>	<b>12,278</b>	<b>15,104</b>
<b>Net current assets</b>	<b>33,188</b>	<b>27,192</b>	<b>22,871</b>	<b>28,079</b>	<b>31,513</b>
Misc. exp	0	0	0	0	0
<b>Total Assets</b>	<b>88,575</b>	<b>87,296</b>	<b>87,944</b>	<b>91,839</b>	<b>95,653</b>

**Cash Flow**

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
<b>PBT (Ex-Other income) (NI+Dep)</b>	<b>14,571</b>	<b>4,317</b>	<b>3,403</b>	<b>9,234</b>	<b>12,587</b>
Other Non-Cash items	0	0	0	0	0
Chg in working cap	(6,172)	4,287	4,028	(7,581)	(4,930)
<b>Operating Cashflow</b>	<b>6,306</b>	<b>12,158</b>	<b>12,179</b>	<b>5,757</b>	<b>11,228</b>
Capital expenditure	(8,456)	(5,129)	(2,500)	(1,500)	(1,500)
<b>Free Cash Flow</b>	<b>(2,150)</b>	<b>7,029</b>	<b>9,679</b>	<b>4,257</b>	<b>9,728</b>
Investments	(1,770)	(2,480)	(6,000)	(1,000)	(3,000)
Other Investing Cash Flow	207	315	(1,437)	(1,709)	(1,841)
<b>Investing Cashflow</b>	<b>(8,358)</b>	<b>(5,684)</b>	<b>(8,500)</b>	<b>(2,500)</b>	<b>(4,500)</b>
Equity Capital Raised	0	0	0	0	0
Loans Taken / (Repaid)	6,591	(1,713)	(1,585)	(1,470)	(3,259)
Dividend paid (incl tax)	(2,806)	(3,335)	(1,965)	(1,347)	(3,007)
Other Financing Cash Flow	887	436	0	0	0
<b>Financing Cashflow</b>	<b>3,874</b>	<b>(5,730)</b>	<b>(4,695)</b>	<b>(3,871)</b>	<b>(7,237)</b>
<b>Net chg in cash</b>	<b>1,822</b>	<b>744</b>	<b>(1,016)</b>	<b>(614)</b>	<b>(509)</b>
Opening cash position	1,877	3,698	4,442	3,426	2,812
<b>Closing cash position</b>	<b>3,698</b>	<b>4,442</b>	<b>3,426</b>	<b>2,812</b>	<b>2,303</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	28.8	22.8	21.2	26.9	28.5
EBIT Margin	23.5	15.2	12.0	19.6	21.9
Effective Tax Rate	34.6	20.1	23.0	24.0	24.0
Net Margin	16.0	12.5	9.8	15.8	17.7
ROCE	20.9	9.7	6.8	13.3	16.4
ROE	20.8	10.6	6.8	14.2	17.0
RoIC	29.4	13.1	8.9	19.0	23.7

<b>Per Share Data (Rs)</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21E</b>	<b>FY22E</b>	<b>FY23E</b>
EPS	22.4	12.2	8.0	17.9	23.5
CEPS	29.8	19.6	15.6	26.0	32.4
BVPS	115.9	115.0	119.7	131.1	146.2
DPS	5.0	3.5	2.4	5.4	7.1

<b>Valuations (x)</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21E</b>	<b>FY22E</b>	<b>FY23E</b>
PER	22.1	40.6	61.9	27.7	21.0
P/CEPS	16.8	25.5	32.1	19.2	15.4
P/BV	4.3	4.3	4.1	3.8	3.4
EV / Sales	3.9	5.4	6.4	4.6	3.9
EV / EBITDA	13.5	23.8	30.0	17.1	13.5
Dividend Yield (%)	1.0	0.7	0.5	1.1	1.4

<b>Gearing Ratio (x)</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21E</b>	<b>FY22E</b>	<b>FY23E</b>
Net Debt/ Equity	0.4	0.3	0.2	0.2	0.1
Net Debt/EBIDTA	1.2	1.7	1.5	0.8	0.5
Working Cap Cycle (days)	165.1	181.9	186.5	175.6	172.0

<b>Growth (%)</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21E</b>	<b>FY22E</b>	<b>FY23E</b>
Revenue	22.6	(30.0)	(16.6)	38.0	18.0
EBITDA	19.0	(44.6)	(22.3)	74.5	25.4
EBIT	20.5	(54.6)	(34.6)	126.2	31.8
PAT	51.5	(55.8)	(24.9)	133.8	31.8

<b>Quarterly (Rs mn)</b>	<b>Q2FY20</b>	<b>Q3FY20</b>	<b>Q4FY20</b>	<b>Q1FY21</b>	<b>Q2FY21</b>
Revenue	12,595	10,767	8,812	4,270	8,815
EBITDA	3,004	2,394	1,482	17	1,660
<b>EBITDA Margin (%)</b>	<b>23.9</b>	<b>22.2</b>	<b>16.8</b>	<b>0.4</b>	<b>18.8</b>
PAT	2,252	1,316	350	(518)	826
<b>EPS (Rs)</b>	<b>4.8</b>	<b>2.8</b>	<b>0.8</b>	<b>(1.1)</b>	<b>1.8</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>Sep-20</b>
Promoters	45.8	45.8	45.8	45.8	45.8
FIs	19.2	20.5	20.7	22.1	21.9
DIs	13.9	15.2	15.7	15.1	11.5
Public and Others	21.2	18.5	17.8	17.0	20.8

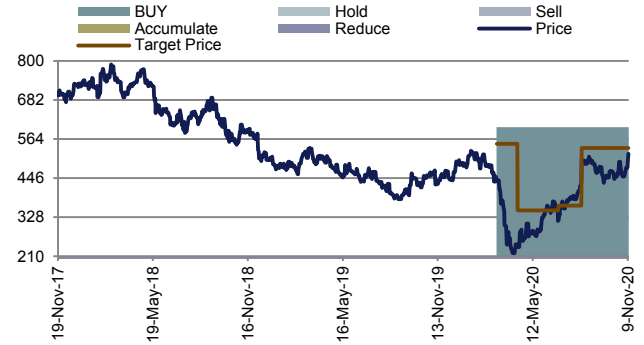
Source: Capitaline

**RECOMMENDATION HISTORY TABLE**

Date	Closing Price	TP	Period (months)	Rating	Analyst
12-Nov-20	497	537	12m	Buy	Mumuksh Mandlesha
11-Oct-20	466	537	12m	Buy	Mumuksh Mandlesha
28-Sep-20	454	537	12m	Buy	Mumuksh Mandlesha
13-Aug-20	503	537	12m	Buy	Mumuksh Mandlesha
30-Jun-20	319	363	12m	Buy	Mumuksh Mandlesha
29-Jun-20	317	348	12m	Buy	Mumuksh Mandlesha
4-May-20	270	348	12m	Buy	Mumuksh Mandlesha
13-Apr-20	239	348	12m	Buy	Mumuksh Mandlesha
4-Mar-20	437	550	12m	Buy	Mumuksh Mandlesha

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>5.21</b>	<b>5.21</b>	<b>0%</b>	<b>0</b>	<b>100.00</b>
Amara Raja Batteries	0.10	0.00	-100%	-10	0.00
Apollo Tyres	0.08	0.08	0%	0	1.46
Ashok Leyland	0.18	0.41	122%	22	7.78
Atul Auto	0.00	0.00	NA	0	0.00
Bajaj Auto	0.56	0.56	0%	0	10.78
Bharat Forge	0.17	0.23	32%	5	4.38
Eicher Motors	0.50	0.50	0%	0	9.58
Escorts	0.00	0.00	NA	0	0.00
Exide Industries	0.11	0.00	-100%	-11	0.00
Hero Motocorp	0.58	0.57	0%	0	11.01
Mahindra & Mahindra	0.86	0.86	0%	0	16.44
Maruti Suzuki India	1.30	1.29	0%	0	24.80
Motherson Sumi	0.22	0.22	0%	0	4.25
Tata Motors	0.37	0.37	0%	0	7.14
Tata Motors DVR*	0.04	0.04	0%	0	0.84
TVS Motor	0.14	0.08	-41%	-6	1.54
Cash	0.00	0.00	NA	0	0.00

Source: Emkay Research

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

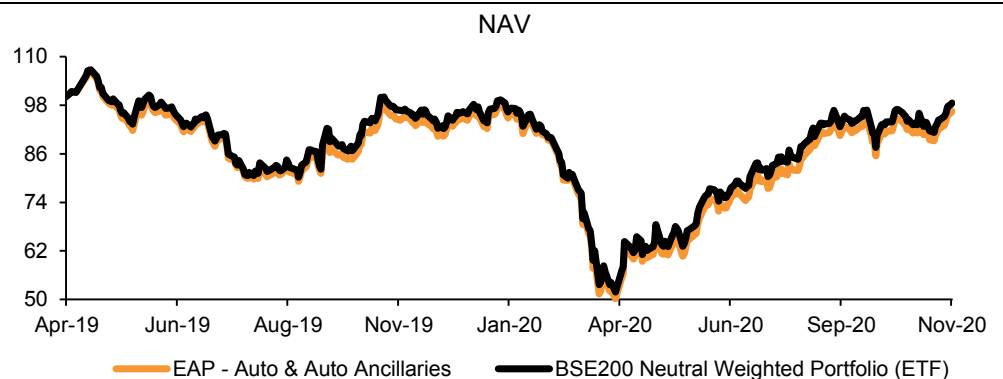
### Sector portfolio NAV

	Base					Latest
	1-Apr-19	17-Feb-20	15-May-20	14-Aug-20	15-Oct-20	14-Nov-20
EAP - Auto & Auto Ancillaries	100.0	90.4	64.2	88.0	92.0	96.5
BSE200 Neutral Weighted Portfolio (ETF)	100.0	90.9	66.9	90.2	94.0	98.6

\*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): [Nifty](#)

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

“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: 18 Nov 2020 01:46:31 (SGT)

Dissemination Date: 18 Nov 2020 01:47:31 (SGT)

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