

Escorts

Refer to important disclosures at the end of this report

OPM beats estimates; volume growth to continue

CMP: Rs 1,229 as of (November 3, 2020) | **TP: Rs 1,442 (▲)** 12 months | **Rating: BUY (■)** | **Upside: 17.3 %**

- Q2FY21 revenue grew strongly by 24% to Rs16.4bn, above the estimate of Rs15.3bn, mainly due to better tractor realizations. We expect positive momentum to continue in tractor volumes with a 5% CAGR over FY20-23E (4% CAGR earlier).
- OPM expanded notably by 880bps to 18.3%, above the estimated 12.6%, owing to better mix, cost controls and lower marketing/administration expenses. As some of these factors are unsustainable, margins are likely to taper ahead.
- Led by higher volume and margin assumptions, we upgrade FY21/22/23 EPS estimates by 33%/13%/7%. Post revision, EPS growth is expected at an 18% CAGR over FY20-23E. Average ROCE is expected at 20%, with FCF of Rs4.1bn/year over FY21-23E.
- We await details of new investments of Rs10bn in tie-up with Kubota, which could provide triggers for medium-term growth. Retain Buy rating with a TP of Rs1,442 (Rs1,256 earlier), based on 16x FY23E core EPS (Sep'22E earlier).

EBITDA margin above estimates: Revenue grew strongly by 24% yoy to Rs16.4bn, notably above the estimate of Rs15.3bn, led by higher realizations in Tractors and robust growth in Railways. OPM expanded by 880bps to 18.3%, beating the estimate of 12.6%. EBIT margin expanded in Agri/Railway segments by 970bps/120bps to 20%/20.3%. In comparison, CE margin contracted 90bps to 1.7%, owing to lower scale. Strong Agri margin of 20% was due to better scale, higher share of 40HP+ tractors (2/3rd of mix; Rs180-200mn positive impact), lower SG&A spends and benign commodity cost. Factors such as adverse mix, increase in commodity prices (2% increase over next 3-4 months) and higher SGA spends to negatively impact margins ahead. Overall, PAT doubled (106%) to Rs2.3bn (est.: Rs1.5bn).

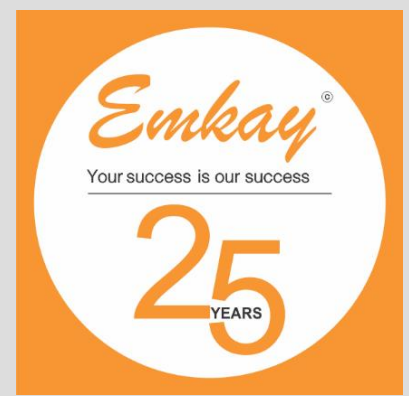
Retain Buy: Led by higher volume and margin assumptions, we upgrade FY21/22/23 EPS estimates by 33%/13%/7% to Rs70.8/81.7/91.3. We expect a 10% CAGR in revenues and 18% CAGR in earnings over FY20-23E, with an average ROCE of 20% and FCF of Rs4.1bn/year. Net cash position is strong at Rs9.5bn in FY20, which is expected to increase to Rs32bn by FY23E. The recent tie-up with Kubota should aid efforts on new product development, component manufacturing, exports and improvement of plants, among others, which should support growth over the medium term. Retain Buy rating with a TP of Rs1,442 (Rs1256 earlier), based on 16x FY23E core EPS (Sep'22 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	62,513	70,335	77,298
EBITDA	7,333	6,758	9,439	10,691	11,749
EBITDA Margin (%)	11.8	11.7	15.1	15.2	15.2
APAT	4,728	4,924	7,164	8,261	9,233
EPS (Rs)	53.2	55.4	70.8	81.7	91.3
EPS (% chg)	34.5	4.2	27.9	15.3	11.8
ROE (%)	17.0	15.2	16.6	15.0	14.6
P/E (x)	23.1	22.2	17.3	15.0	13.5
EV/EBITDA (x)	14.4	14.8	11.0	9.2	7.8
P/BV (x)	3.6	3.2	2.4	2.1	1.8

Source: Company, Emkay Research



Change in Estimates

EPS Chg FY21E/FY22E (%)	33/13.5
Target Price change (%)	14.8
Target Period (Months)	12
Previous Reco	BUY

Emkay vs Consensus

EPS Estimates		
	FY21E	FY22E
Emkay	70.8	81.7
Consensus	54.2	69.1
Mean Consensus TP (12M)	Rs 1,343	

Stock Details

Bloomberg Code	ESC IN
Face Value (Rs)	10
Shares outstanding (mn)	135
52 Week H/L	1,343 / 526
M Cap (Rs bn/USD bn)	166 / 2.23
Daily Avg Volume (nos.)	2,455,516
Daily Avg Turnover (US\$ mn)	39.4

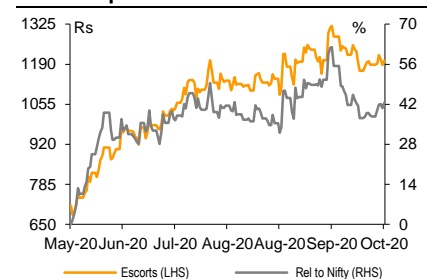
Shareholding Pattern Sep '20

Promoters	36.6%
FIIIs	21.6%
DIIIs	8.5%
Public and Others	33.3%

Price Performance

(%)	1M	3M	6M	12M
Absolute	(4)	8	72	87
Rel. to Nifty	(6)	3	46	90

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:

Raghunandhan N L

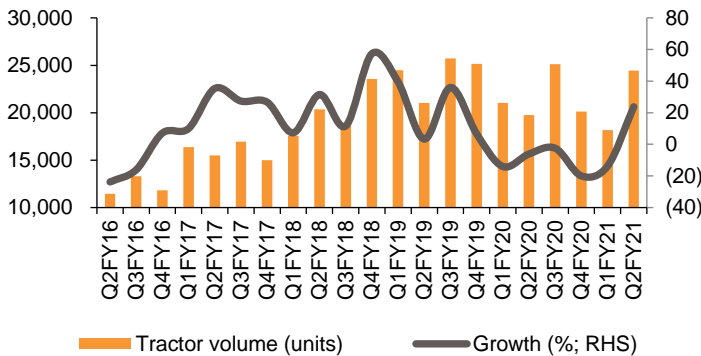
raghunandhan.nl@emkayglobal.com
+91 22 6624 2428

Mumuksh Mandlesha

mumuksh.mandlesha@emkayglobal.com
+91 22 6612 1334

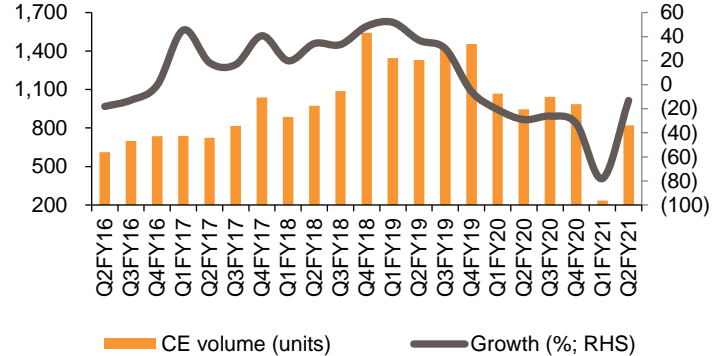
Story in Charts

Exhibit 1: Tractor volumes grew 24% yoy to 24,441 units



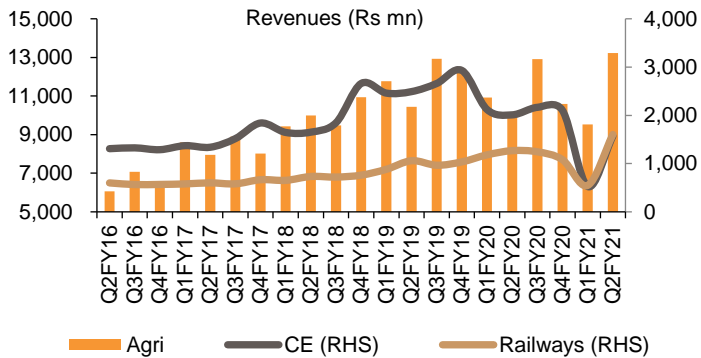
Source: Company, Emkay Research

Exhibit 2: Construction Equipment volumes fell 13% yoy to 821 units



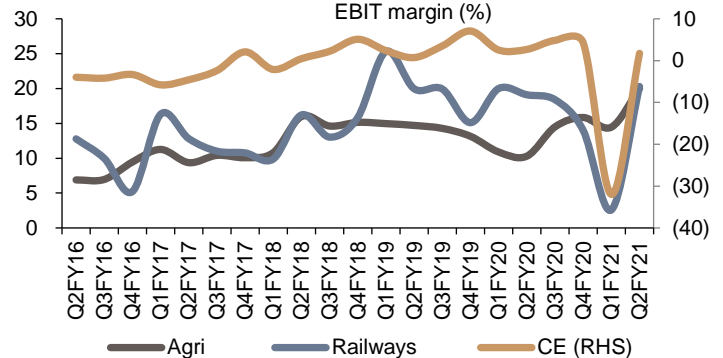
Source: Company, Emkay Research

Exhibit 3: Revenues grew 24% yoy led by growth of 33% in Agri segment and 26% in Railways



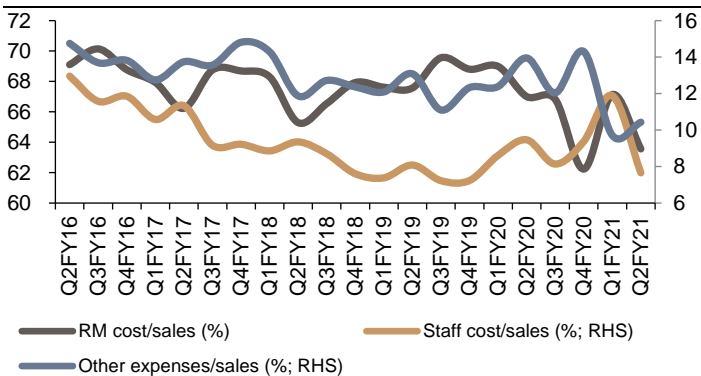
Source: Company, Emkay Research

Exhibit 4: Agri EBIT margin grew 970bps yoy to 20% led by rising scale, better mix, lower SG&A spends and benign commodity cost



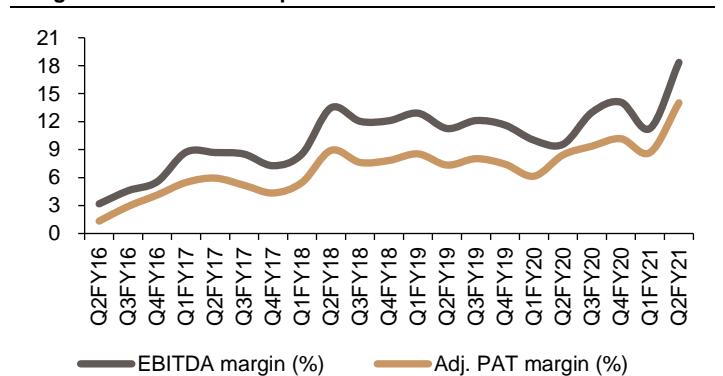
Source: Company, Emkay Research

Exhibit 5: Other expenses/sales fell 350bps yoy, owing to cost control efforts



Source: Company, Emkay Research

Exhibit 6: EBITDA margins rose by 880bps yoy due to higher gross margin and lower other expenses



Source: Company, Emkay Research

Earnings call highlights

- In Q2, Tractor Retails have been higher than wholesales and Inventory continues to be lower than normal levels.
- In Q2, strong Agri margin of 20% was supported by better scale, higher share of 40HP+ tractors (2/3rd of mix; Rs180-200mn positive impact), lower SG&A spends and benign commodity cost. Factors such as adverse mix, increase in commodity prices (2% increase over next 3-4 months) and higher SG&A spends to negatively impact margin ahead. Management expects margin to taper toward 17-18%.
- In H1, the company has lost market share in tractors due to production constraints. Market share unlikely to be recovered in H2FY21E.
- In Tractors, the network count stands at 1,050 dealers vs. 1,017 dealers in Q1FY21.
- The company expects domestic tractor industry growth in low double digits in FY21E.
- Expect flat volume in Construction Equipment in H2FY21 and margins at the same levels as last year.
- Expect marginal growth in Railways in H2FY21 and margins at the same levels as last year. The order book stands at Rs3.5bn to be executed over 6-8 months.
- Tractor Production has been above capacity at 11,000 units/month in Sep-Oct'20. The company is expanding annual capacity to 150,000 units by FY22. In addition, Kubota JV capacity of 30,000 units would be available.
- Capex has been increased by Rs0.9-1bn to Rs3.5bn in FY21 due to capacity expansion plans.

Exhibit 7: Volume assumptions

Volume (units)	FY17	FY18	FY19	FY20	FY21E	FY22E	FY23E
Tractors	63,786	80,417	96,404	86,018	95,776	103,433	109,885
YoY %	24.0	26.1	19.9	(10.8)	11.3	8.0	6.2
Construction Equipment	3,315	4,486	5,544	4,042	3,112	3,890	4,474
YoY %	29.7	35.3	23.6	(27.1)	(23.0)	25.0	15.0
Revenue (Rs mn)	FY17	FY18	FY19	FY20	FY21E	FY22E	FY23E
Agri Machinery Products	33,460	39,579	47,440	44,376	50,971	56,082	60,788
Growth (%)	22.4	18.3	19.9	(6.5)	14.9	10.0	8.4
Auto Ancillary Products	513						
Growth (%)	(48.9)						
Railway Equipment	2,425	2,866	3,941	4,772	5,011	5,762	6,454
Growth (%)	6.5	18.2	37.5	21.1	5.0	15.0	12.0
Construction Equipment	6,068	7,803	10,541	8,398	6,531	8,490	10,056
Growth (%)	22.2	28.6	35.1	(20.3)	(22.2)	30.0	18.5
Less: Other items	1,534	297	(43)	(64)	0	0	0
Revenue	40,932	49,951	61,964	57,610	62,513	70,335	77,298
Growth (%)	19.2	22.0	24.0	(7.0)	8.5	12.5	9.9

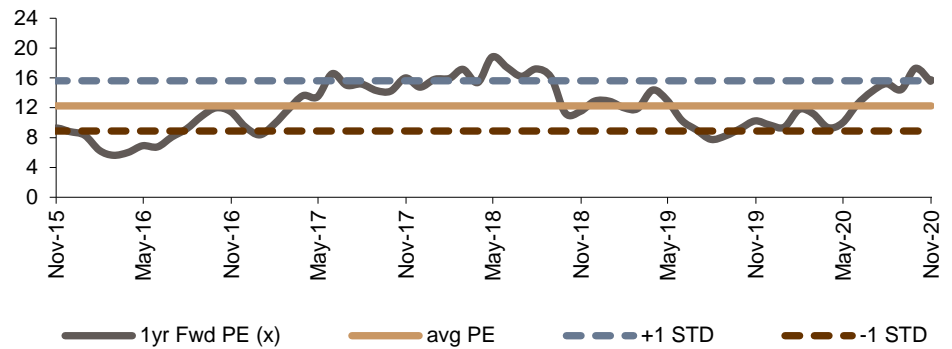
Source: Company, Emkay Research

Exhibit 8: Changes in estimates

Rs mn	FY21E				FY22E				FY23E			
	Earlier	Revised	% Change	% YoY	Earlier	Revised	% Change	% YoY	Earlier	Revised	% Change	% YoY
Volumes	90,701	95,776	5.6	11.3	101,762	103,433	1.6	8.0	107,103	109,885	2.6	6.2
Net Sales	57,639	62,513	8.5	8.5	68,821	70,335	2.2	12.5	77,434	77,298	(0.2)	9.9
EBITDA	6,858	9,439	37.6	39.7	8,783	10,691	21.7	13.3	10,240	11,749	14.7	9.9
Margin (%)	11.9	15.1	320 bps	337 bps	12.8	15.2	240 bps	10 bps	13.2	15.2	200 bps	(0) bps
APAT	5,385	7,164	33.0	45.5	7,279	8,261	13.5	15.3	8,646	9,233	6.8	11.8
EPS	53.2	70.8	33.0	27.9	72.0	81.7	13.5	15.3	85.5	91.3	6.8	11.8

Source: Company, Emkay Research

Exhibit 9: One-year forward P/E



Source: Company, Emkay Research

Exhibit 10: Actual vs. Estimates (Q2FY21)

(Rs mn)	Actual	Estimates		% Variation		Comment
		Emkay	Consensus	Emkay	Consensus	
Total Revenue	16,397	15,285	15,216	7.3	7.8	Above estimates, owing to better realization due to better mix and lower discounts
EBITDA	3,009	1,919	1,957	56.8	53.7	
EBITDA Margin (%)	18.3	12.6	12.9	579 bps	549 bps	Above estimates due to benign mix/input prices, lower marketing/ administration expenses and cost controls
Adjusted net profit	2,299	1,465	1,493	56.9	54.0	Above estimates due to higher operating profit

Source: Bloomberg, Company, Emkay Research

Exhibit 11: Quarterly financial summary

Rs mn	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	YoY (%)	QoQ (%)	FY21 YTD	FY20 YTD	YoY(%)
Revenue	13,239	16,334	13,807	10,616	16,397	23.9	54.5	27,013	27,468	(1.7)
Expenditure	11,972	14,212	11,862	9,420	13,389	11.8	42.1	22,809	24,777	(7.9)
as % of sales	90.4	87.0	85.9	88.7	81.7			84.4	90.2	
Consumption of RM	8,871	10,916	8,592	7,128	10,422	17.5	46.2	17,550	18,688	(6.1)
as % of sales	67.0	66.8	62.2	67.1	63.6			65.0	68.0	
Employee Cost	1,253	1,329	1,295	1,262	1,256	0.2	(0.5)	2,518	2,479	1.6
as % of sales	9.5	8.1	9.4	11.9	7.7			9.3	9.0	
Other expenditure	1,847	1,967	1,975	1,031	1,711	(7.4)	66.0	2,742	3,610	(24.1)
as % of sales	14.0	12.0	14.3	9.7	10.4			10.1	13.1	
EBITDA	1,267	2,123	1,944	1,196	3,009	137.4	151.5	4,205	2,691	56.2
Depreciation	260	267	278	264	274	5.2	3.5	538	501	7.3
EBIT	1,007	1,856	1,667	932	2,735	171.6	193.5	3,667	2,190	67.4
Other Income	211	267	278	298	376	78.4	25.9	674	378	78.5
Interest	39	29	28	19	32	(16.6)	66.3	51	97	(47.1)
PBT	1,179	2,094	1,916	1,211	3,078	161.1	154.2	4,289	2,471	73.6
Total Tax	64	564	512	289	779	1,115.6	169.4	1,069	481	122.3
Adjusted PAT after MI	1,115	1,531	1,404	922	2,299	106.2	149.5	3,221	1,990	61.9
Extra ordinary items Loss/(Gain)	69	0	0	0	0			0	69	(100)
Reported PAT	1,046	1,531	1,404	922	2,299	119.8	149.5	3,221	1,921	67.7
Adjusted EPS	12.5	17.2	15.8	10.4	22.7	81.2	119.2	33.1	22.4	47.8

Margins (%)						(bps)	(bps)				(bps)
EBIDTA	9.6	13.0	14.1	11.3	18.3	878	708	15.6	9.8	577	
EBIT	7.6	11.4	12.1	8.8	16.7	907	790	13.6	8.0	560	
EBT	8.9	12.8	13.9	11.4	18.8	987	737	15.9	9.0	688	
PAT	8.4	9.4	10.2	8.7	14.0	560	534	11.9	7.2	468	
Effective Tax rate	5.4	26.9	26.7	23.9	25.3	1,988	142	24.9	19.5	546	

Source: Company, Emkay Research

Exhibit 12: Peer comparison

Companies	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	82	89	241	Buy	NM	24.2	15.6	32.9	12.1	8.6	0.1	13.2	18.8	1.8	14.0	19.7
Atul Auto	156	258	3	Buy	20.6	6.8	5.4	11.7	4.4	3.2	5.3	14.9	16.5	7.3	19.5	21.7
Bajaj Auto	2,848	3,976	824	Buy	19.0	14.0	12.3	14.6	9.9	8.3	20.8	25.7	26.5	26.5	32.9	34.0
Eicher Motors	2,033	2,754	555	Buy	37.2	19.9	16.5	25.8	13.7	11.2	14.2	23.0	23.1	18.3	27.3	27.2
Escorts	1,229	1,442	166	Buy	17.3	15.0	13.5	11.0	9.2	7.8	16.6	15.0	14.6	21.9	19.7	19.3
Hero Motocorp	2,837	3,839	567	Buy	20.1	15.2	13.5	12.6	9.4	8.2	19.7	24.6	25.3	25.3	31.6	32.5
Mahindra & Mahindra	594	718	738	Buy	24.7	15.6	13.1	13.5	9.2	7.7	8.0	11.8	12.8	10.0	14.5	15.8
Maruti Suzuki	6,875	8,216	2,077	Buy	47.7	26.0	20.9	31.2	16.4	12.9	8.8	15.0	17.2	11.2	19.2	21.9
Tata Motors	133	196	438	Buy	NM	9.5	5.8	5.6	3.5	3.1	-13.5	8.8	13.0	1.2	7.8	9.9
TVS Motor	457	398	217	Sell	54.7	31.6	24.0	20.3	14.7	12.1	10.6	16.8	19.7	11.5	17.5	21.2
Amara Raja Batteries	775	863	132	Buy	20.7	16.0	13.5	11.3	9.0	7.5	16.6	19.1	20.0	21.7	24.9	26.1
Apollo Tyres	141	111	81	Hold	34.6	12.9	10.3	6.8	4.9	4.0	2.5	6.1	7.3	3.8	6.5	7.7
Exide Industries	160	205	136	Buy	19.5	14.7	12.8	10.0	7.9	6.8	10.7	13.1	13.8	14.0	17.1	18.1
Motherson Sumi	106	133	335	Buy	42.9	19.8	16.0	10.1	5.6	4.6	6.9	14.2	16.2	4.5	14.3	16.9
Bharat Forge	451	537	210	Buy	56.3	24.9	18.8	27.4	15.5	12.1	6.8	14.4	17.3	7.1	13.7	16.9

Source: Company, Emkay Research

Key Financials (Standalone)**Income Statement**

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	61,964	57,610	62,513	70,335	77,298
Expenditure	54,631	50,851	53,074	59,644	65,549
EBITDA	7,333	6,758	9,439	10,691	11,749
Depreciation	854	1,046	1,150	1,270	1,397
EBIT	6,479	5,713	8,289	9,421	10,352
Other Income	809	923	1,248	1,570	1,932
Interest expenses	185	155	110	122	135
PBT	7,103	6,481	9,427	10,870	12,148
Tax	2,375	1,556	2,262	2,609	2,916
Extraordinary Items	121	(69)	0	0	0
Minority Int./Income from Assoc.	0	0	0	0	0
Reported Net Income	4,849	4,855	7,164	8,261	9,233
Adjusted PAT	4,728	4,924	7,164	8,261	9,233

Balance Sheet

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Equity share capital	1,226	1,226	1,348	1,226	1,226
Reserves & surplus	29,003	33,575	50,346	57,812	66,156
Net worth	30,229	34,801	51,695	59,038	67,382
Minority Interest	0	0	0	0	0
Loan Funds	2,769	67	72	81	89
Net deferred tax liability	529	303	350	404	465
Total Liabilities	33,526	35,170	52,116	59,523	67,935
Net block	16,074	16,318	17,014	19,072	20,175
Investment	8,797	11,892	24,711	30,211	36,711
Current Assets	24,195	23,527	24,890	27,665	30,342
Cash & bank balance	2,301	3,185	3,164	3,220	3,476
Other Current Assets	3,243	3,099	3,363	3,784	4,158
Current liabilities & Provision	16,443	17,951	17,537	19,636	21,502
Net current assets	7,751	5,576	7,353	8,030	8,840
Misc. exp	139	139	139	139	139
Total Assets	33,526	35,170	52,116	59,523	67,935

Cash Flow

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
PBT (Ex-Other income) (NI+Dep)	6,422	5,466	8,179	9,299	10,217
Other Non-Cash items	0	0	0	0	0
Chg in working cap	(7,512)	3,436	(2,081)	(706)	(616)
Operating Cashflow	(3,215)	7,244	5,105	7,411	8,247
Capital expenditure	(1,391)	(1,898)	(3,500)	(2,500)	(2,500)
Free Cash Flow	(4,606)	5,345	1,605	4,911	5,747
Investments	909	(2,831)	(12,819)	(5,500)	(6,500)
Other Investing Cash Flow	346	431	0	0	0
Investing Cashflow	672	(3,375)	(15,071)	(6,430)	(7,068)
Equity Capital Raised	0	0	123	(123)	0
Loans Taken / (Repaid)	2,268	(2,735)	5	9	8
Dividend paid (incl tax)	(222)	(260)	(690)	(795)	(889)
Other Financing Cash Flow	(192)	98	10,617	106	94
Financing Cashflow	1,725	(2,984)	9,945	(925)	(923)
Net chg in cash	(818)	884	(21)	56	256
Opening cash position	3,119	2,301	3,185	3,164	3,220
Closing cash position	2,301	3,185	3,164	3,220	3,476

Source: Company, Emkay Research

Key Ratios

Profitability (%)	FY19	FY20	FY21E	FY22E	FY23E
EBITDA Margin	11.8	11.7	15.1	15.2	15.2
EBIT Margin	10.5	9.9	13.3	13.4	13.4
Effective Tax Rate	33.4	24.0	24.0	24.0	24.0
Net Margin	7.6	8.5	11.5	11.7	11.9
ROCE	24.5	19.4	21.9	19.7	19.3
ROE	17.0	15.2	16.6	15.0	14.6
RoIC	37.4	28.4	41.5	41.8	41.9

Per Share Data (Rs)	FY19	FY20	FY21E	FY22E	FY23E
EPS	53.2	55.4	70.8	81.7	91.3
CEPS	62.8	67.2	82.2	94.2	105.1
BVPS	338.5	390.0	509.8	582.4	664.9
DPS	3.4	3.4	5.7	6.5	7.3

Valuations (x)	FY19	FY20	FY21E	FY22E	FY23E
PER	23.1	22.2	17.3	15.0	13.5
P/CEPS	19.6	18.3	14.9	13.0	11.7
P/BV	3.6	3.2	2.4	2.1	1.8
EV / Sales	1.7	1.7	1.7	1.4	1.2
EV / EBITDA	14.4	14.8	11.0	9.2	7.8
Dividend Yield (%)	0.3	0.3	0.5	0.5	0.6

Gearing Ratio (x)	FY19	FY20	FY21E	FY22E	FY23E
Net Debt/ Equity	(0.1)	(0.3)	(0.4)	(0.4)	(0.5)
Net Debt/EBIDTA	(0.5)	(1.4)	(2.2)	(2.4)	(2.7)
Working Cap Cycle (days)	32.1	15.2	24.5	25.0	25.3

Growth (%)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	24.0	(7.0)	8.5	12.5	9.9
EBITDA	31.6	(7.8)	39.7	13.3	9.9
EBIT	33.7	(11.8)	45.1	13.7	9.9
PAT	40.7	0.1	47.6	15.3	11.8

Quarterly (Rs mn)	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21
Revenue	13,239	16,334	13,807	10,616	16,397
EBITDA	1,267	2,123	1,944	1,196	3,009
EBITDA Margin (%)	9.6	13.0	14.1	11.3	18.3
PAT	1,115	1,531	1,404	922	2,299
EPS (Rs)	12.5	17.2	15.8	10.4	22.7

Source: Company, Emkay Research

Shareholding Pattern (%)	Dec-19	Mar-20	Jun-20	Jul-20	Sep-20
Promoters	40.3	40.3	40.3	36.6	36.6
FIs	20.4	19.3	20.4	18.6	21.6
DIs	6.5	10.0	10.0	9.1	8.5
Public and Others	32.8	30.5	29.4	35.8	33.3

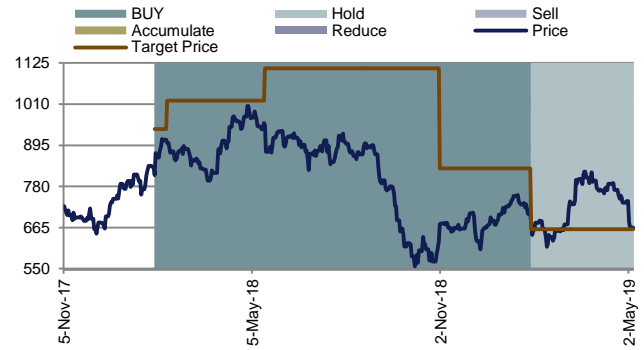
Source: Capitaline

RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
11-Oct-20	1,222	1,256	12m	Buy	Raghunandhan NL
11-Oct-20	1,222	1,256	12m	Buy	Raghunandhan NL
28-Aug-20	1,141	1,256	12m	Buy	Raghunandhan NL
28-Aug-20	1,141	1,256	12m	Buy	Raghunandhan NL
28-Jul-20	1,158	1,256	12m	Buy	Raghunandhan NL
28-Jul-20	1,158	1,256	12m	Buy	Raghunandhan NL
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

Source: Company, Emkay Research

RECOMMENDATION HISTORY CHART



Source: Bloomberg, Company, Emkay Research

Emkay Alpha Portfolio – Automobiles & Auto Ancillaries



Analyst: Raghunandhan NI

Contact Details

raghunandhan.ni@emkayglobal.com
+91 22 6624 2428

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	5.29	5.29	0%	0	100.00
Amara Raja Batteries	0.10	0.00	-100%	-10	0.00
Apollo Tyres	0.07	0.07	0%	0	1.34
Ashok Leyland	0.17	0.38	123%	21	7.26
Atul Auto	0.00	0.00	NA	0	0.00
Bajaj Auto	0.58	0.58	0%	0	11.04
Bharat Forge	0.18	0.23	32%	6	4.40
Eicher Motors	0.45	0.45	0%	0	8.50
Escorts	0.00	0.00	NA	0	0.00
Exide Industries	0.11	0.00	-100%	-11	0.00
Hero Motocorp	0.56	0.56	0%	0	10.67
Mahindra & Mahindra	0.88	0.88	0%	0	16.68
Maruti Suzuki India	1.44	1.44	0%	0	27.15
Motherson Sumi	0.20	0.20	0%	0	3.72
Tata Motors	0.36	0.36	0%	0	6.86
Tata Motors DVR	0.04	0.04	0%	0	0.79
TVS Motor	0.14	0.08	-41%	-6	1.58
Cash	0.00	0.00	NA	0	0.00

Source: Emkay Research

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

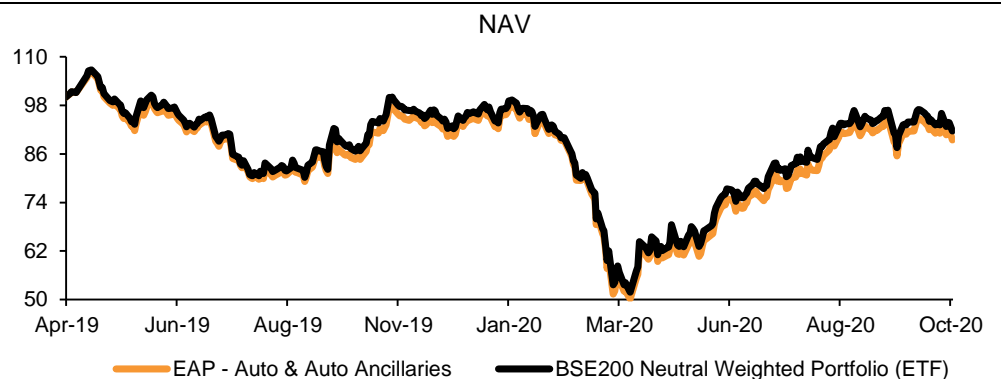
Sector portfolio NAV

	Base					Latest
	1-Apr-19	31-Jan-20	30-Apr-20	31-Jul-20	30-Sep-20	30-Oct-20
EAP - Auto & Auto Ancillaries	100.0	93.8	66.3	82.0	90.9	89.5
BSE200 Neutral Weighted Portfolio (ETF)	100.0	95.4	68.5	85.0	93.1	91.7

*Performance measurement base date 1st 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: 03 Nov 2020 05:51:08 (SGT)

Dissemination Date: 03 Nov 2020 05:52:08 (SGT)

Sources for all charts and tables are Emkay Research unless otherwise specified.

GENERAL DISCLOSURE/DISCLAIMER BY EMKAY GLOBAL FINANCIAL SERVICES LIMITED (EGFSL):

Emkay Global Financial Services Limited (CIN-L67120MH1995PLC084899) and its affiliates are a full-service, brokerage, investment banking, investment management and financing group. Emkay Global Financial Services Limited (EGFSL) along with its affiliates are participants in virtually all securities trading markets in India. EGFSL was established in 1995 and is one of India's leading brokerage and distribution house. EGFSL is a corporate trading member of Bombay Stock Exchange Limited (BSE), National Stock Exchange of India Limited (NSE), MCX Stock Exchange Limited (MCX-SX). EGFSL along with its subsidiaries offers the most comprehensive avenues for investments and is engaged in the businesses including stock broking (Institutional and retail), merchant banking, commodity broking, depository participant, portfolio management, insurance broking and services rendered in connection with distribution of primary market issues and financial products like mutual funds, fixed deposits. Details of associates are available on our website i.e. www.emkayglobal.com

EGFSL is registered as Research Analyst with SEBI bearing registration Number INH000000354 as per SEBI (Research Analysts) Regulations, 2014. EGFSL hereby declares that it has not defaulted with any stock exchange nor its activities were suspended by any stock exchange with whom it is registered in last five years, except that NSE had disabled EGFSL from trading on October 05, October 08 and October 09, 2012 for a manifest error resulting into a bonafide erroneous trade on October 05, 2012. However, SEBI and Stock Exchanges have conducted the routine inspection and based on their observations have issued advice letters or levied minor penalty on EGFSL for certain operational deviations in ordinary/routine course of business. EGFSL has not been debarred from doing business by any Stock Exchange / SEBI or any other authorities; nor has its certificate of registration been cancelled by SEBI at any point of time.

EGFSL offers research services to clients as well as prospects. The analyst for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject company or companies and its or their securities, and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report.

Other disclosures by Emkay Global Financial Services Limited (Research Entity) and its Research Analyst under SEBI (Research Analyst) Regulations, 2014 with reference to the subject company(s) covered in this report

EGFSL and/or its affiliates may seek investment banking or other business from the company or companies that are the subject of this material. Our salespeople, traders, and other professionals may provide oral or written market commentary or trading strategies to our clients that reflect opinions that are contrary to the opinions expressed herein, and our proprietary trading and investing businesses may make investment decisions that may be inconsistent with the recommendations expressed herein. In reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest including but not limited to those stated herein. Additionally, other important information regarding our relationships with the company or companies that are the subject of this material is provided herein. This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or which would subject EGFSL or its group companies to any registration or licensing requirement within such jurisdiction. Specifically, this document does not constitute an offer to or solicitation to any U.S. person for the purchase or sale of any financial instrument or as an official confirmation of any transaction to any U.S. person. Unless otherwise stated, this message should not be construed as official confirmation of any transaction. No part of this document may be used by private customers in United Kingdom. All material presented in this report, unless specifically indicated otherwise, is under copyright to Emkay. None of the material, nor its content, nor any copy of it, may be altered in any way, transmitted to, copied or distributed to any other party, without the prior express written permission of EGFSL. All trademarks, service marks and logos used in this report are trademarks or registered trademarks of EGFSL or its Group Companies. The information contained herein is not intended for publication or distribution or circulation in any manner whatsoever and any unauthorized reading, dissemination, distribution or copying of this communication is prohibited unless otherwise expressly authorized. Please ensure that you have read "Risk Disclosure Document for Capital Market and Derivatives Segments" as prescribed by Securities and Exchange Board of India before investing in Indian Securities Market. In so far as this report includes current or historic information, it is believed to be reliable, although its accuracy and completeness cannot be guaranteed.

- This publication has not been reviewed or authorized by any regulatory authority. There is no planned schedule or frequency for updating research publication relating to any issuer.
- Please contact the primary analyst for valuation methodologies and assumptions associated with the covered companies or price targets

Disclaimer for U.S. persons only: This research report is a product of Emkay Global Financial Services Limited (Emkay), which is the employer of the research analyst(s) who has prepared the research report. The research analyst(s) preparing the research report is/are resident outside the United States (U.S.) and are not associated persons of any U.S. regulated broker-dealer and therefore the analyst(s) is/are not subject to supervision by a U.S. broker-dealer, and is/are not required to satisfy the regulatory licensing requirements of Financial Institutions Regulatory Authority (FINRA) or required to otherwise comply with U.S. rules or regulations regarding, among other things, communications with a subject company, public appearances and trading securities held by a research analyst account. This report is intended for distribution to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the U.S. Securities and Exchange Act, 1934 (the Exchange Act) and interpretations thereof by U.S. Securities and Exchange Commission (SEC) in reliance on Rule 15a-6(a)(2). If the recipient of this report is not a Major Institutional Investor as specified above, then it should not act upon this report and return the same to the sender. Further, this report may not be copied, duplicated and/or transmitted onward to any U.S. person, which is not the Major Institutional Investor. In reliance on the exemption from registration provided by Rule 15a-6 of the Exchange Act and interpretations thereof by the SEC in order to conduct certain business with Major Institutional Investors.

ANALYST CERTIFICATION BY EMKAY GLOBAL FINANCIAL SERVICES LIMITED (EGFSL)

The research analyst(s) primarily responsible for the content of this research report, in part or in whole, certifies that the views about the companies and their securities expressed in this report accurately reflect his/her personal views. The analyst(s) also certifies that no part of his/her compensation was, is, or will be, directly or indirectly, related to specific recommendations or views expressed in the report. The research analyst (s) primarily responsible of the content of this research report, in part or in whole, certifies that he or his associate¹ does not serve as an officer, director or employee of the issuer or the new listing applicant (which includes in the case of a real estate investment trust, an officer of the management company of the real estate investment trust; and in the case of any other entity, an officer or its equivalent counterparty of the entity who is responsible for the management of the issuer or the new listing applicant). The research analyst(s) primarily responsible for the content of this research report or his associate does not have financial interests² in relation to an issuer or a new listing applicant that the analyst reviews. EGFSL has procedures in place to eliminate, avoid and manage any potential conflicts of interests that may arise in connection with the production of research reports. The research analyst(s) responsible for this report operates as part of a separate and independent team to the investment banking function of the EGFSL and procedures are in place to ensure that confidential information held by either the research or investment banking function is handled appropriately. There is no direct link of EGFSL compensation to any specific investment banking function of the EGFSL.

¹ An associate is defined as (i) the spouse, or any minor child (natural or adopted) or minor step-child, of the analyst; (ii) the trustee of a trust of which the analyst, his spouse, minor child (natural or adopted) or minor step-child, is a beneficiary or discretionary object; or (iii) another person accustomed or obliged to act in accordance with the directions or instructions of the analyst.

² Financial interest is defined as interest that are commonly known financial interest, such as investment in the securities in respect of an issuer or a new listing applicant, or financial accommodation arrangement between the issuer or the new listing applicant and the firm or analysis. This term does not include commercial lending conducted at the arm's length, or investments in any collective investment scheme other than an issuer or new listing applicant notwithstanding the fact that the scheme has investments in securities in respect of an issuer or a new listing applicant.

COMPANY-SPECIFIC / REGULATORY DISCLOSURES BY EMKAY GLOBAL FINANCIAL SERVICES LIMITED (EGFSL):

Disclosures by Emkay Global Financial Services Limited (Research Entity) and its Research Analyst under SEBI (Research Analyst) Regulations, 2014 with reference to the subject company(s) covered in this report:-

1. EGFSL, its subsidiaries and/or other affiliates do not have a proprietary position in the securities recommended in this report as of November 3, 2020
2. EGFSL, and/or Research Analyst does not market make in equity securities of the issuer(s) or company(ies) mentioned in this Research Report
Disclosure of previous investment recommendation produced:
3. EGFSL may have published other investment recommendations in respect of the same securities / instruments recommended in this research report during the preceding 12 months. Please contact the primary analyst listed in the first page of this report to view previous investment recommendations published by EGFSL in the preceding 12 months.
4. EGFSL, its subsidiaries and/or other affiliates and Research Analyst or his/her relative's does not have any material conflict of interest in the securities recommended in this report as of November 3, 2020.
5. EGFSL, its subsidiaries and/or other affiliates and Research Analyst or his/her relative's does not have actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the November 3, 2020
6. EGFSL, its subsidiaries and/or other affiliates and Research Analyst have not received any compensation in whatever form including compensation for investment banking or merchant banking or brokerage services or for products or services other than investment banking or merchant banking or brokerage services from securities recommended in this report (subject company) in the past 12 months.
7. EGFSL, its subsidiaries and/or other affiliates and/or and Research Analyst have not received any compensation or other benefits from securities recommended in this report (subject company) or third party in connection with the research report.
8. Securities recommended in this report (Subject Company) has not been client of EGFSL, its subsidiaries and/or other affiliates and/or and Research Analyst during twelve months preceding the November 3, 2020

RESTRICTIONS ON DISTRIBUTION

General	This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation.
Australia	This report is not for distribution into Australia.
Hong Kong	This report is not for distribution into Hong Kong.
Indonesia	This report is being distributed in Indonesia by PT DBS Vickers Sekuritas Indonesia.
Malaysia	This report is not for distribution into Malaysia.
Singapore	This report is distributed in Singapore by DBS Bank Ltd (Company Regn. No. 16800306E) or DBSVS (Company Regn. No. 1860024G) both of which are Exempt Financial Advisers as defined in the Financial Advisers Act and regulated by the Monetary Authority of Singapore. DBS Bank Ltd and/or DBSVS, may distribute reports produced by its respective foreign entities, affiliates or other foreign research houses pursuant to an agreement under Regulation 32C of the financial Advisers Regulations. Singapore recipients should contact DBS Bank Ltd at 6327 2288 for matters arising from, or in connection with the report.
Thailand	This report is being distributed in Thailand by DBS Vickers Securities (Thailand) Co Ltd.
United Kingdom	This report is disseminated in the United Kingdom by DBS Vickers Securities (UK) Ltd, ("DBSVUK"). DBSVUK is authorised and regulated by the Financial Conduct Authority in the United Kingdom. In respect of the United Kingdom, this report is solely intended for the clients of DBSVUK, its respective connected and associated corporations and affiliates only and no part of this document may be (i) copied, photocopied or duplicated in any form or by any means or (ii) redistributed without the prior written consent of DBSVUK. This communication is directed at persons having professional experience in matters relating to investments. Any investment activity following from this communication will only be engaged in with such persons. Persons who do not have professional experience in matters relating to investments should not rely on this communication.
Dubai International Financial Centre	This research report is being distributed by DBS Bank Ltd., (DIFC Branch) having its office at units 608-610, 6 th Floor, Gate Precinct Building 5, PO Box 506538, Dubai International Financial Centre (DIFC), Dubai, United Arab Emirates. DBS Bank Ltd., (DIFC Branch) is regulated by The Dubai Financial Services Authority. This research report is intended only for professional clients (as defined in the DFSA rulebook) and no other person may act upon it.
United Arab Emirates	This report is provided by DBS Bank Ltd (Company Regn. No. 196800306E) which is an Exempt Financial Adviser as defined in the Financial Advisers Act and regulated by the Monetary Authority of Singapore. This report is for information purposes only and should not be relied upon or acted on by the recipient or considered as a solicitation or inducement to buy or sell any financial product. It does not constitute a personal recommendation or take into account the particular investment objectives, financial situation, or needs of individual clients. You should contact your relationship manager or investment adviser if you need advice on the merits of buying, selling or holding a particular investment. You should note that the information in this report may be out of date and it is not represented or warranted to be accurate, timely or complete. This report or any portion thereof may not be reprinted, sold or redistributed without our written consent.
United States	DBSVUSA did not participate in its preparation. The research analyst(s) named on this report are not registered as research analysts with FINRA and are not associated persons of DBSVUSA. The research analyst(s) are not subject to FINRA Rule 2241 restrictions on analyst compensation, communications with a subject company, public appearances and trading securities held by a research analyst. This report is being distributed in the United States by DBSVUSA, which accepts responsibility for its contents. This report may only be distributed to Major U.S. Institutional Investors (as defined in SEC Rule 15a-6) and to such other institutional investors and qualified persons as DBSVUSA may authorize. Any U.S. person receiving this report who wishes to effect transactions in any securities referred to herein should contact DBSVUSA directly and not its affiliate.
Other jurisdictions	In any other jurisdictions, except if otherwise restricted by laws or regulations, this report is intended only for qualified, professional, institutional or sophisticated investors as defined in the laws and regulations of such jurisdictions.

Emkay Global Financial Services Ltd.

CIN - L67120MH1995PLC084899

7th Floor, The Ruby, Senapati Bapat Marg, Dadar - West, Mumbai - 400028. India

Tel: +91 22 66121212 Fax: +91 22 66121299 Web: www.emkayglobal.com