

Mahindra & Mahindra

Refer to important disclosures at the end of this report

OPM beats estimates; volume growth to continue

CMP: Rs 620
as of (November 11, 2020)

TP: Rs 783 (▲)
12 months

Rating: BUY (■)

Upside: 26.3 %

- Q2FY21 EBITDA margin expanded 370bps to 17.8%, above estimates of 14.8%, mainly due to better margin in the Tractor segment and cost reduction efforts. EBIT margin for Tractors expanded by 510bps to 24.4%, while Auto margin expanded 70bps to 6.5%.
- After a 31% decline in H1FY21 volumes, we expect a turnaround in H2FY21/FY22E with growth of 10%/18%, owing to continuation of growth in tractors, pick-up in CV sales cycle and positive response for new *Thar* UV.
- Capital allocation and efficiency remain key focus areas. Management has reiterated the stoppage of incremental investments in Ssangyong and has announced the closure of Gipps Aerospace operations.
- We expect revenues/earnings CAGR at 7%/15% over FY20-23E. Maintain Buy with a TP of Rs783 (Rs718 earlier), based on 17x Core P/E on FY23E (Sep'22E earlier) and value of investments at Rs208/share.

What we like? 1) The tractor segment is expected to register double-digit growth in FY21. 2) Focus continues on stringent capital allocation with closure of Gipps Aerospace operations. The company expects more closures/divestments in H2FY21. 3) EBIT turned positive for overseas Farm subsidiaries, owing to improvement in the North America business.

What we did not like? Incremental investments of Rs29bn in H1FY21 in Mahindra Finance and other subsidiaries. Though investment amount is large, the company is allocating funds only to strategically important businesses.

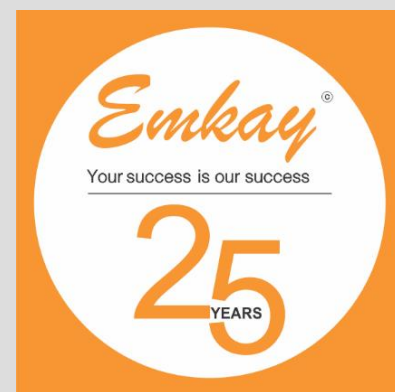
Maintain Buy: Led by higher volume and margin assumption, we upgrade FY21/22 EPS estimate by 17%/4%. Following the revision, we expect revenues/earnings CAGR at 7%/15% over FY20-23E, with average FCF of Rs24bn/year. We remain positive on MM due to expectations of sales cycle recovery and management's efforts to tighten capital allocation norms. Maintain Buy with a TP of Rs783 (Rs718 earlier), based on 17x Core P/E on FY23E estimates (Sep'22E earlier) and value of investments at Rs208/share. Key risks are rising competition, failure of new products, increasing losses in subsidiaries and adverse input commodity prices.

Please see our sector model portfolio (Emkay Alpha Portfolio): [Automobiles & Auto Ancillaries \(page 9\)](#)

Financial Snapshot (Standalone + MVML)

(Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	528,482	448,655	418,747	502,643	544,126
EBITDA	75,301	63,506	63,271	76,895	85,010
EBITDA Margin (%)	14.2	14.2	15.1	15.3	15.6
APAT	54,300	35,770	33,570	47,477	53,725
EPS (Rs)	43.7	28.8	27.0	38.2	43.2
EPS (% chg)	25.7	(34.1)	(6.2)	41.4	13.2
ROE (%)	16.6	10.3	9.5	12.6	12.9
P/E (x)	14.2	21.5	23.0	16.2	14.3
EV/EBITDA (x)	9.7	11.6	11.7	9.3	8.1
P/BV (x)	2.2	2.2	2.1	2.0	1.8

Source: Company, Emkay Research



Change in Estimates

EPS Chg FY21E/FY22E (%)	17.1/4.5
Target Price change (%)	9.1
Target Period (Months)	12
Previous Reco	BUY

Emkay vs Consensus

EPS Estimates		
	FY21E	FY22E
Emkay	27.0	38.2
Consensus	25.8	34.8
Mean Consensus TP (12M)	Rs 705	

Stock Details

Bloomberg Code	MM IN
Face Value (Rs)	5
Shares outstanding (mn)	1,243
52 Week H/L	667 / 245
M Cap (Rs bn/USD bn)	771 / 10.39
Daily Avg Volume (nos.)	5,882,890
Daily Avg Turnover (US\$ mn)	49.2

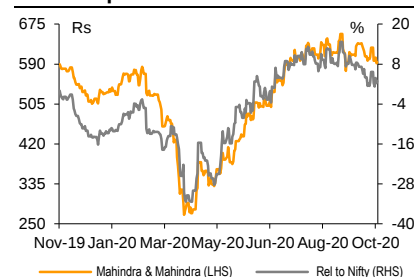
Shareholding Pattern Sep '20

Promoters	18.9%
FIIIs	33.5%
DIIIs	29.6%
Public and Others	18.0%

Price Performance

(%)	1M	3M	6M	12M
Absolute	(2)	(1)	60	7
Rel. to Nifty	(8)	(12)	17	1

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

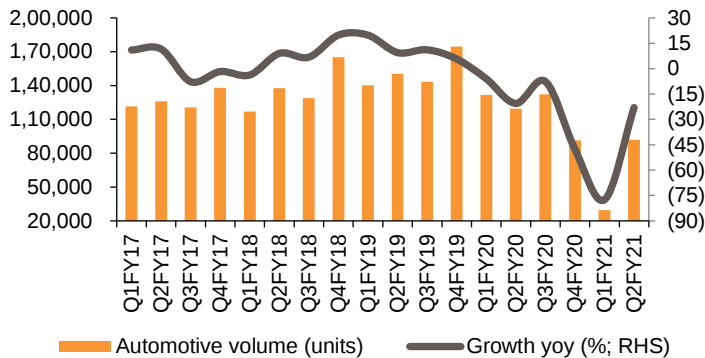
raghunandhan.nl@emkayglobal.com
+91 22 6624 2428

Mumuksh Mandlesha

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

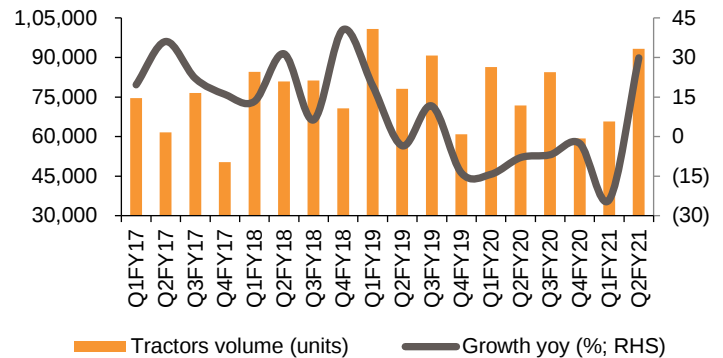
Story in Charts

Exhibit 1: Automotive volumes declined 23% yoy to 92,024 units



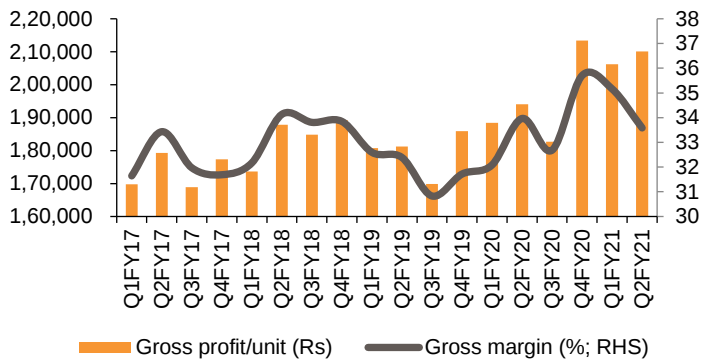
Source: Company, Emkay Research

Exhibit 2: Tractors volumes grew 30% yoy to 93,246 units



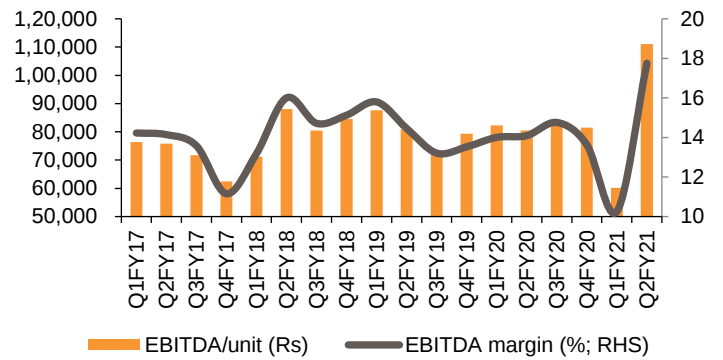
Source: Company, Emkay Research

Exhibit 3: Gross profit contracted marginally, by 30bps yoy



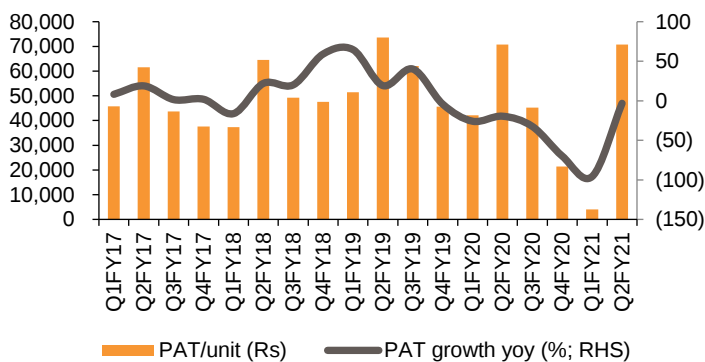
Source: Company, Emkay Research

Exhibit 4: EBITDA margin expanded 370bps yoy, owing to higher margins in tractor segment and cost reduction efforts



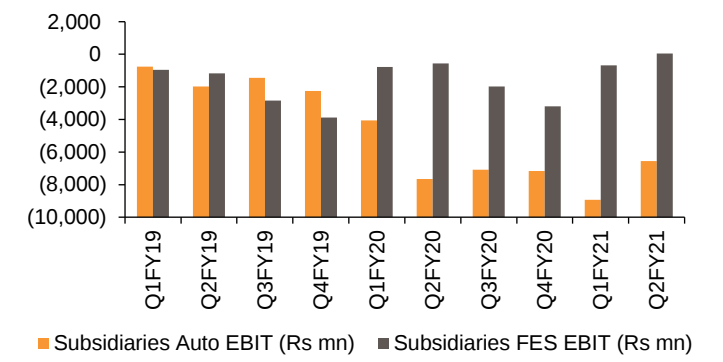
Source: Company, Emkay Research

Exhibit 5: PAT fell 3%, despite increase in operating profit, due to lower other income



Source: Company, Emkay Research

Exhibit 6: EBIT losses reduced for Auto subsidiaries, while EBIT turned positive for FES subsidiaries



Source: Company, Emkay Research

Exhibit 7: Revenue assumptions

	FY17	FY18	FY19	FY20	FY21E	FY22E	FY23E
Volumes (units)							
Domestic tractors	248,409	304,019	316,742	291,901	325,982	347,043	363,641
YoY %	22.9	22.4	4.2	(7.8)	11.7	6.5	4.8
Domestic PVs	236,133	248,859	254,351	186,942	149,839	194,678	212,605
YoY %	(0.1)	5.4	2.2	(26.5)	(19.8)	29.9	9.2
Domestic CVs	180,747	216,803	248,601	199,131	160,409	184,390	198,971
YoY %	8.4	19.9	14.7	(19.9)	(19.4)	14.9	7.9
Domestic 3Ws	52,306	54,625	66,140	58,145	20,393	43,876	46,393
YoY %	(4.9)	4.4	21.1	(12.1)	(64.9)	115.1	5.7
Total Domestic	717,595	824,306	885,834	736,119	656,623	769,987	821,611
YoY %	8.7	14.9	7.5	(16.9)	(10.8)	17.3	6.7
Exports	51,824	43,826	52,149	36,937	27,768	33,549	37,219
YoY %	8.9	(15.4)	19.0	(29.2)	(24.8)	20.8	10.9
Total Sales	769,419	868,132	937,983	773,056	684,390	803,536	858,830
YoY %	8.7	12.8	8.0	(17.6)	(11.5)	17.4	6.9
Realizations (Rs/unit)	537,781	548,043	563,424	580,366	611,854	625,540	633,566
YoY %	(2.2)	1.9	2.8	3.0	5.4	2.2	1.3
Revenues (Rs mn)	413,779	475,774	528,482	448,655	418,747	502,643	544,126
YoY %	6.4	15.0	11.1	(15.1)	(6.7)	20.0	8.3

Source: Company, Emkay Research

Exhibit 8: MM+MVML Actual vs. Estimates (Q2FY21)

(Rs mn)	Actual	Estimates		% Variation		Comment
		Emkay	Consensus	Emkay	Consensus	
Total Revenue	115,903	112,968	111,190	2.6	4.2	Above estimates due to higher than expected realizations in Auto segment
EBITDA	20,573	16,722	15,994	23.0	28.6	
EBITDA Margin (%)	17.8	14.8	14.4	295 bps	337 bps	Above estimates due to better margin in Tractor segment and cost reduction efforts
Adjusted Net Profit	13,112	10,780	10,320	21.6	27.1	Above estimates due to strong operating margin

Source: Bloomberg, Company, Emkay Research

Exhibit 9: Quarterly financial summary - M&M + MVML

Rs mn	2QFY20	3QFY20	4QFY20	1QFY21	2QFY21	YoY (%)	QoQ (%)	FY21 YTD	FY20 YTD	YoY (%)
Revenue	109,351	121,203	90,047	55,894	115,903	6.0	107.4	171,798	237,405	(27.6)
Expenditure	93,942	103,315	77,773	50,163	95,330	1.5	90.0	145,493	204,062	(28.7)
as % of sales	85.9	85.2	86.4	89.7	82.2			84.7	86.0	
Consumption of RM	72,208	81,591	57,898	36,240	76,979	6.6	112.4	113,219	159,179	(28.9)
as % of sales	66.0	67.3	64.3	64.8	66.4			65.9	67.0	
Employee Cost	8,131	8,300	7,127	7,704	7,920	(2.6)	2.8	15,624	16,810	(7.1)
as % of sales	7.4	6.8	7.9	13.8	6.8			9.1	7.1	
Other expenditure	13,603	13,425	12,748	6,219	10,432	(23.3)	67.7	16,650	28,073	(40.7)
as % of sales	12.4	11.1	14.2	11.1	9.0			9.7	11.8	
EBITDA	15,408	17,888	12,275	5,732	20,573	33.5	258.9	26,305	33,344	(21.1)
Depreciation	5,721	5,900	6,172	5,813	5,870	2.6	1.0	11,683	11,559	1.1
EBIT	9,688	11,988	6,103	(81)	14,703	51.8		14,622	21,784	(32.9)
Other Income	8,225	2,092	3,155	1,338	3,839	(53.3)	187.0	5,177	10,144	(49.0)
Interest	331	254	359	768	1,179	256.0	53.4	1,947	633	207.7
PBT	17,582	13,826	8,899	488	17,364	(1.2)	3,455.2	17,852	31,296	(43.0)
Total Tax	4,034	4,019	5,669	99	4,252	5.4	4,198.8	4,350	8,568	(49.2)
Adjusted PAT	13,548	9,808	3,230	389	13,112	(3.2)	3,266.4	13,502	22,728	(40.6)
Extra ordinary items	-	(6,006)	(35,780)	288	(11,495)			(11,206)	13,420	
Reported PAT	13,548	3,802	(32,550)	678	1,618	(88.1)	138.6	2,295	36,148	(93.6)

Margins (%)						(bps)	(bps)			(bps)
EBIDTA	14.1	14.8	13.6	10.3	17.8	366	750	15.3	14.0	127
EBIT	8.9	9.9	6.8	(0.1)	12.7	383	1,283	8.5	9.2	(66)
EBT	16.1	11.4	9.9	0.9	15.0	(110)	1,411	10.4	13.2	(279)
PAT	12.4	8.1	3.6	0.7	11.3	(108)	1,062	7.9	9.6	(171)
Effective Tax rate	22.9	29.1	63.7	20.2	24.5	154	424	24.4	27.4	(301)

Source: Company, Emkay Research

Exhibit 10: Segment-wise details – M&M + MVML

Segmental details (Rs mn)	2QFY20	3QFY20	4QFY20	1QFY21	2QFY21	YoY (%)	QoQ (%)
Farm Equipment							
Tractor (Units)	71,820	84,455	59,290	65,657	93,246	29.8	42.0
Net Sales (Rs mn)	36,315	42,778	31,110	33,408	48,354	33.2	44.7
Avg realisations	505,635	506,519	524,709	508,832	518,561	2.6	1.9
EBIT (Rs mn)	7,019	8,309	5,488	6,823	11,795	68.1	72.9
Margins %	19.3	19.4	17.6	20.4	24.4	507 bps	397 bps
Capital Employed (Rs mn)	53,369	38,935	37,645	25,304	22,547	(57.8)	(10.9)
ROCE %	52.6	85.4	58.3	107.9	209.3	15,665 bps	10,141 bps

Automotive (Incl MVML)

Net Sales (Rs mn)	68,928	74,238	55,058	20,395	63,565	(7.8)	211.7
Avg realisations (Rs)	576,466	560,878	602,563	687,818	690,748	19.8	0.4
Results (Rs mn)	3,973	5,417	2,253	-5,837	4,117	3.6	(170.5)
Margins %	5.8	7.3	4.1	-28.6	6.5	71 bps	3,510 bps
Capital Employed (Rs mn)	111,457	108,223	122,460	133,988	112,243	0.7	(16.2)
ROCE %	14.3	20.0	7.4	(17.4)	14.7	41 bps	3,210 bps

Source: Company, Emkay Research

Exhibit 11: Changes in estimates

Rs mn	FY21E				FY22E				FY23E			
	Earlier	Revised	% Change	% YoY	Earlier	Revised	% Change	% YoY	Earlier	Revised	% Change	% YoY
Volume (units)	642,911	684,390	6.5	(11.5)	797,920	803,536	0.7	17.4	867,177	858,830	(1.0)	6.9
Revenue	381,947	418,747	9.6	(6.7)	490,090	502,643	2.6	20.0	543,781	544,126	0.1	8.3
EBIDTA	51,729	63,271	22.3	(0.4)	73,229	76,895	5.0	21.5	83,720	85,010	1.5	10.6
EBIDTA margin (%)	13.5	15.1	161 bps	96 bps	14.9	15.3	40 bps	19 bps	15.4	15.6	22 bps	33 bps
Adj. PAT	28,656	33,570	17.1	(6.2)	45,439	47,477	4.5	41.4	53,926	53,725	(0.4)	13.2
EPS	23.1	27.0	17.1	(6.2)	36.6	38.2	4.5	41.4	43.4	43.2	(0.4)	13.2

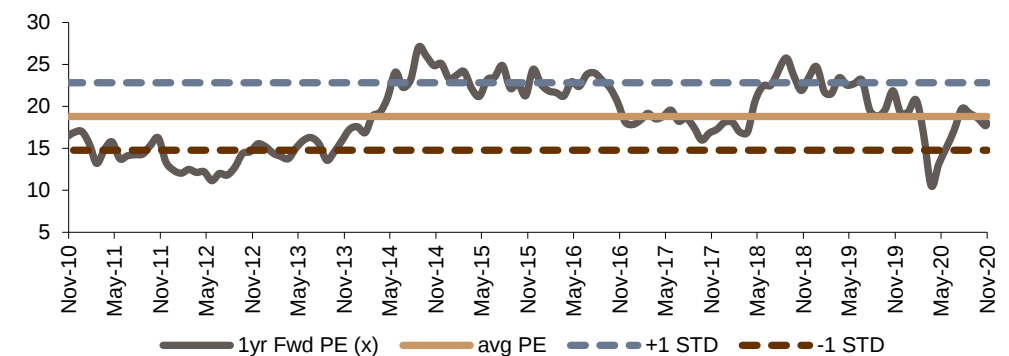
Source: Company, Emkay Research

Exhibit 12: SOTP valuation

Computation of M&M's SOTP value (Rs mn)	Basis of Valuation	Core PAT	Multiple (x)	M. cap/ Eq Value	M&M Holding	Value	Discount %	SOTP Value	SOTP (per share)
M&M + MVML PAT	FY23E PAT	42,067	17.0	715,136		715,136		715,136	575
Tech Mahindra	Market Cap			794,070	26.0%	206,617	30%	144,632	116
M&M Financial Services	Market Cap			181,129	52.2%	94,477	30%	66,134	53
Mahindra Lifespace	Market Cap			14,539	51.5%	7,490	30%	5,243	4
Mahindra Holidiays & Resorts	Market Cap			24,173	67.3%	16,271	30%	11,390	9
CIE Automotive	Market Cap			200,015	7.4%	14,861	30%	10,403	8
Mahindra CIE	Market Cap			53,441	11.4%	6,114	30%	4,280	3
Swaraj Engines	Market Cap			16,613	34.8%	5,773	30%	4,041	3
EPC Industries	Market Cap			3,580	54.5%	1,951	30%	1,366	1
Mahindra Logistics	Market Cap			27,301	58.5%	15,957	30%	11,170	9
Total						1,084,647		973,794	783

Source: Company, Emkay Research

Exhibit 13: One-year forward P/E



Source: Bloomberg, Company, Emkay Research

Exhibit 14: 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	91	115	267	Buy	NM	26.0	17.1	34.4	13.2	9.8	-0.4	13.7	19.1	2.4	14.5	20.1
Atul Auto	158	254	3	Buy	22.9	7.2	5.5	12.5	5.3	3.7	4.9	14.4	16.6	6.7	18.0	20.6
Bajaj Auto	2,997	3,976	867	Buy	20.0	14.8	12.9	15.6	10.6	8.9	20.8	25.7	26.5	26.5	32.9	34.0
Eicher Motors	2,235	2,754	611	Buy	40.9	21.8	18.2	28.7	15.4	12.6	14.2	23.0	23.1	18.3	27.3	27.2
Escorts	1,336	1,442	180	Buy	18.9	16.4	14.6	11.0	9.2	7.8	16.6	15.0	14.6	21.9	19.7	19.3
Hero Motocorp	2,951	3,839	590	Buy	20.9	15.8	14.1	13.2	9.8	8.6	19.7	24.6	25.3	25.3	31.6	32.5
Mahindra & Mahindra	620	718	771	Buy	25.8	16.3	13.7	14.1	9.7	8.1	8.0	11.8	12.8	10.0	14.5	15.8
Maruti Suzuki	6,793	8,216	2,052	Buy	47.2	25.7	20.7	30.7	16.1	12.7	8.8	15.0	17.2	11.2	19.2	21.9
Tata Motors	146	196	480	Buy	NM	10.5	6.4	5.8	3.6	3.2	-13.5	8.8	13.0	1.2	7.8	9.9
TVS Motor	479	398	227	Sell	57.3	33.1	25.2	21.2	15.4	12.7	10.6	16.8	19.7	11.5	17.5	21.2
Amara Raja Batteries	833	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	165	175	94	Buy	25.4	14.3	11.3	6.4	5.3	4.2	3.9	6.4	7.7	5.5	7.3	8.6
Exide Industries	162	205	138	Buy	19.9	15.0	13.0	10.1	8.1	6.9	10.7	13.1	13.8	14.0	17.1	18.1
Motherson Sumi	127	139	402	Buy	45.5	22.0	18.4	11.0	6.4	5.3	7.8	15.2	16.8	5.4	15.8	18.2
Bharat Forge	520	537	242	Buy	64.9	28.7	21.6	31.3	17.8	13.9	6.8	14.4	17.3	7.1	13.7	16.9

Source: Company, Emkay Research

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

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	528,482	448,655	418,747	502,643	544,126
Expenditure	453,182	385,150	355,476	425,749	459,116
EBITDA	75,301	63,506	63,271	76,895	85,010
Depreciation	20,030	23,631	24,001	26,717	28,967
EBIT	55,271	39,875	39,270	50,177	56,042
Other Income	16,303	15,391	9,430	15,072	17,454
Interest expenses	1,467	1,245	3,821	1,777	1,672
PBT	70,106	54,021	44,880	63,472	71,825
Tax	15,806	18,251	11,310	15,995	18,100
Extraordinary Items	(288)	(28,373)	(11,206)	0	0
Minority Int./Income from Assoc.	0	0	0	0	0
Reported Net Income	54,012	7,397	22,364	47,477	53,725
Adjusted PAT	54,300	35,770	33,570	47,477	53,725

Balance Sheet

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Equity share capital	5,958	5,965	5,965	5,965	5,965
Reserves & surplus	343,979	340,326	353,975	389,127	428,904
Net worth	349,937	346,291	359,940	395,092	434,870
Minority Interest	0	0	0	0	0
Loan Funds	27,713	32,889	30,788	28,449	27,279
Net deferred tax liability	7,896	15,068	15,517	16,151	16,870
Total Liabilities	385,546	394,248	406,244	439,692	479,018
Net block	118,532	120,511	144,503	151,855	152,888
Investment	206,262	175,329	200,329	230,329	270,329
Current Assets	197,940	173,757	148,836	174,242	184,853
Cash & bank balance	38,321	42,365	26,203	27,040	25,502
Other Current Assets	29,691	19,531	18,229	21,881	23,686
Current liabilities & Provision	163,624	123,931	122,013	147,254	159,572
Net current assets	34,315	49,826	26,823	26,988	25,281
Misc. exp	0	0	0	0	0
Total Assets	385,546	394,248	406,244	439,692	479,018

Cash Flow

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
PBT (Ex-Other income) (NI+Dep)	53,804	38,630	35,450	48,400	54,371
Other Non-Cash items	0	0	0	0	0
Chg in working cap	(6,722)	(15,041)	2,148	(4,131)	(1,638)
Operating Cashflow	37,617	24,067	42,252	58,596	66,175
Capital expenditure	(32,150)	(45,418)	(34,000)	(30,000)	(30,000)
Free Cash Flow	5,467	(21,351)	8,252	28,596	36,175
Investments	(6,689)	4,245	(25,000)	(30,000)	(40,000)
Other Investing Cash Flow	11,119	12,178	0	0	0
Investing Cashflow	(11,417)	(13,603)	(49,570)	(44,928)	(52,546)
Equity Capital Raised	0	0	0	0	0
Loans Taken / (Repaid)	(5,224)	3,607	(2,101)	(2,339)	(1,170)
Dividend paid (incl tax)	(10,267)	(12,132)	(8,715)	(12,325)	(13,947)
Other Financing Cash Flow	386	4,010	5,793	3,610	1,622
Financing Cashflow	(17,121)	(6,419)	(8,844)	(12,831)	(15,167)
Net chg in cash	9,079	4,045	(16,162)	837	(1,538)
Opening cash position	29,242	38,321	42,365	26,203	27,040
Closing cash position	38,321	42,365	26,203	27,040	25,502

Source: Company, Emkay Research

Key Ratios

Profitability (%)	FY19	FY20	FY21E	FY22E	FY23E
EBITDA Margin	14.2	14.2	15.1	15.3	15.6
EBIT Margin	10.5	8.9	9.4	10.0	10.3
Effective Tax Rate	22.5	33.8	25.2	25.2	25.2
Net Margin	10.3	8.0	8.0	9.4	9.9
ROCE	19.7	14.2	12.2	15.4	16.0
ROE	16.6	10.3	9.5	12.6	12.9
RoIC	55.1	32.9	28.8	33.8	36.8

Per Share Data (Rs)	FY19	FY20	FY21E	FY22E	FY23E
EPS	43.7	28.8	27.0	38.2	43.2
CEPS	59.8	47.8	46.3	59.7	66.5
BVPS	281.5	278.5	289.5	317.8	349.8
DPS	8.1	2.3	5.9	8.4	9.5

Valuations (x)	FY19	FY20	FY21E	FY22E	FY23E
PER	14.2	21.5	23.0	16.2	14.3
P/CEPS	10.4	13.0	13.4	10.4	9.3
P/BV	2.2	2.2	2.1	2.0	1.8
EV / Sales	1.4	1.6	1.8	1.4	1.3
EV / EBITDA	9.7	11.6	11.7	9.3	8.1
Dividend Yield (%)	1.3	0.4	1.0	1.4	1.5

Gearing Ratio (x)	FY19	FY20	FY21E	FY22E	FY23E
Net Debt/ Equity	(0.1)	(0.1)	(0.1)	(0.1)	(0.2)
Net Debt/EBIDTA	(0.6)	(0.5)	(0.5)	(0.7)	(1.0)
Working Cap Cycle (days)	(2.8)	6.1	0.5	0.0	(0.1)

Growth (%)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	11.1	(15.1)	(6.7)	20.0	8.3
EBITDA	6.9	(15.7)	(0.4)	21.5	10.6
EBIT	2.0	(27.9)	(1.5)	27.8	11.7
PAT	16.8	(86.3)	202.3	112.3	13.2

Quarterly (Rs mn)	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21
Revenue	109,351	121,203	90,047	55,894	115,903
EBITDA	15,408	17,888	12,275	5,732	20,573
EBITDA Margin (%)	14.1	14.8	13.6	10.3	17.8
PAT	13,548	9,808	3,230	389	13,112
EPS (Rs)	10.9	7.9	2.6	0.3	10.5

Source: Company, Emkay Research

Shareholding Pattern (%)	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20
Promoters	18.9	18.9	18.9	18.9	18.9
FIIIs	32.6	32.3	32.2	33.4	33.5
DIIIs	26.5	26.4	26.7	28.3	29.6
Public and Others	22.0	22.4	22.2	19.5	18.0

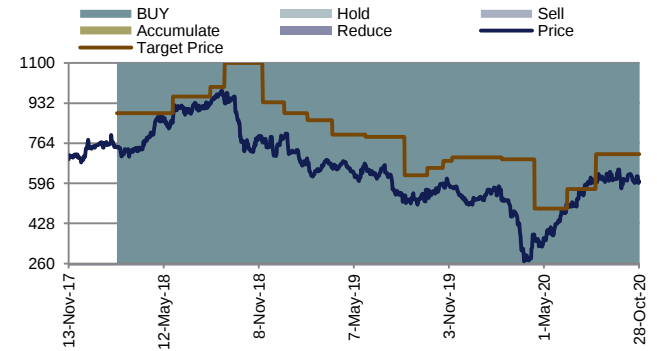
Source: Capitaline

RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
11-Oct-20	633	718	12m	Buy	Raghunandhan NL
28-Sep-20	615	718	12m	Buy	Raghunandhan NL
28-Aug-20	631	718	12m	Buy	Raghunandhan NL
7-Aug-20	600	718	12m	Buy	Raghunandhan NL
29-Jun-20	507	572	12m	Buy	Raghunandhan NL
14-Jun-20	508	572	12m	Buy	Raghunandhan NL
15-May-20	381	490	12m	Buy	Raghunandhan NL
4-May-20	357	490	12m	Buy	Raghunandhan NL
13-Apr-20	363	490	12m	Buy	Raghunandhan NL
27-Feb-20	494	697	12m	Buy	Raghunandhan NL
11-Feb-20	524	697	12m	Buy	Raghunandhan NL
9-Feb-20	569	705	12m	Buy	Raghunandhan NL
30-Jan-20	568	705	12m	Buy	Raghunandhan NL
27-Dec-19	530	705	12m	Buy	Raghunandhan NL
27-Nov-19	540	705	12m	Buy	Raghunandhan NL
9-Nov-19	580	705	12m	Buy	Raghunandhan NL
1-Nov-19	590	690	12m	Buy	Raghunandhan NL
30-Oct-19	617	690	12m	Buy	Raghunandhan NL
23-Oct-19	592	690	12m	Buy	Raghunandhan NL
1-Oct-19	557	660	12m	Buy	Raghunandhan NL
26-Sep-19	567	660	12m	Buy	Raghunandhan NL
23-Sep-19	565	660	12m	Buy	Raghunandhan NL
3-Sep-19	515	630	12m	Buy	Raghunandhan NL
28-Aug-19	540	630	12m	Buy	Raghunandhan NL
11-Aug-19	546	630	12m	Buy	Raghunandhan NL
1-Jul-19	660	790	12m	Buy	Raghunandhan NL
27-Jun-19	658	790	12m	Buy	Raghunandhan NL
4-Jun-19	651	790	12m	Buy	Raghunandhan NL
3-Jun-19	653	790	12m	Buy	Raghunandhan NL
29-May-19	672	790	12m	Buy	Raghunandhan NL
29-May-19	672	800	12m	Buy	Raghunandhan NL
2-May-19	646	800	12m	Buy	Raghunandhan NL
27-Mar-19	660	800	12m	Buy	Raghunandhan NL
8-Feb-19	682	860	12m	Buy	Raghunandhan NL
4-Feb-19	674	890	12m	Buy	Raghunandhan NL
26-Dec-18	788	890	12m	Buy	Raghunandhan NL
15-Nov-18	767	935	12m	Buy	Raghunandhan NL
4-Sep-18	932	1,100	12m	Buy	Raghunandhan NL
8-Aug-18	928	1,000	12m	Buy	Raghunandhan NL
6-Jul-18	925	960	12m	Buy	Raghunandhan NL
29-May-18	870	960	12m	Buy	Raghunandhan NL
12-Feb-18	746	890	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	5.16	5.16	0%	0	100.00
Amara Raja Batteries	0.10	0.00	-100%	-10	0.00
Apollo Tyres	0.07	0.07	0%	0	1.45
Ashok Leyland	0.17	0.39	123%	21	7.46
Atul Auto	0.00	0.00	NA	0	0.00
Bajaj Auto	0.57	0.57	0%	0	11.03
Bharat Forge	0.18	0.24	32%	6	4.65
Eicher Motors	0.44	0.44	0%	0	8.60
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	10.83
Mahindra & Mahindra	0.86	0.86	0%	0	16.65
Maruti Suzuki India	1.33	1.33	0%	0	25.78
Motherson Sumi	0.22	0.22	0%	0	4.17
Tata Motors	0.36	0.36	0%	0	7.01
Tata Motors DVR*	0.04	0.04	0%	0	0.78
TVS Motor	0.14	0.08	-41%	-6	1.60
Cash	0.00	0.00	NA	0	0.00

Source: Emkay Research

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

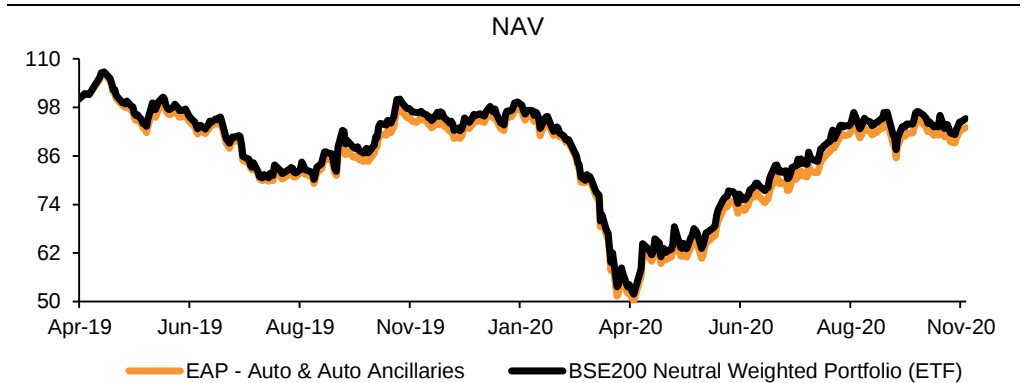
Sector portfolio NAV

	Base					Latest
	1-Apr-19	10-Feb-20	11-May-20	10-Aug-20	9-Oct-20	9-Nov-20
EAP - Auto & Auto Ancillaries	100.0	91.0	63.6	86.7	94.7	93.1
BSE200 Neutral Weighted Portfolio (ETF)	100.0	92.1	65.9	89.4	96.9	95.2

*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: 11 Nov 2020 05:44:12 (SGT)
Dissemination Date: 11 Nov 2020 05:45:12 (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 10, 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
3. **Disclosure of previous investment recommendation produced:** 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 10, 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 10, 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 10, 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