

June 28, 2021

Q4FY21 Result Update

Change in Estimates | Target | Reco

Change in Estimates

	Current		Previous	
	FY22E	FY23E	FY22E	FY23E
Rating	BUY		BUY	
Target Price	153		149	
Sales (Rs. m)	2,37,818	2,90,640	2,45,673	2,85,547
% Chng.	(3.2)	1.8		
EBITDA (Rs. m)	18,974	29,505	20,379	28,420
% Chng.	(6.9)	3.8		
EPS (Rs.)	3.1	5.8	3.6	5.6
% Chng.	(14.3)	4.5		

Key Financials - Standalone

Y/e Mar	FY20	FY21	FY22E	FY23E
Sales (Rs. bn)	175	153	238	291
EBITDA (Rs. bn)	12	5	19	30
Margin (%)	6.7	3.5	8.0	10.2
PAT (Rs. bn)	3	(3)	9	17
EPS (Rs.)	1.2	(1.0)	3.1	5.8
Gr. (%)	(83.1)	(188.9)	(398.8)	88.2
DPS (Rs.)	0.5	0.6	0.7	0.8
Yield (%)	0.4	0.5	0.6	0.6
RoE (%)	4.4	(4.3)	12.4	20.3
RoCE (%)	2.9	(1.2)	6.2	11.0
EV/Sales (x)	2.2	2.6	1.6	1.3
EV/EBITDA (x)	32.4	73.2	20.5	12.9
PE (x)	105.7	(119.0)	39.8	21.2
P/BV (x)	5.0	5.2	4.7	4.0

Key Data

ASOK.BO | AL IN

52-W High / Low	Rs.139 / Rs.47
Sensex / Nifty	52,925 / 15,860
Market Cap	Rs.362bn/ \$ 4,883m
Shares Outstanding	2,936m
3M Avg. Daily Value	Rs.4865.81m

Shareholding Pattern (%)

Promoter's	51.54
Foreign	18.08
Domestic Institution	16.72
Public & Others	13.66
Promoter Pledge (Rs bn)	32.61

Stock Performance (%)

	1M	6M	12M
Absolute	(2.3)	29.6	130.9
Relative	(6.6)	15.0	52.0

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Operating leverage and mix to drive margins

Quick Pointers:

- De-risking MHCVs- focused on filling the gap by launching new products in LCVs/Defense; network expansion to continue in overseas market.
- MHCV market share improved to 28.9% in Q4FY21 (v/s 27.6% in Q4FY20).

AL's Q4FY21 results beat our Revenue/EBITDA/Adj. PAT estimates by 8%/29%/66% led by 1) strong volume growth, 2) increasing share of MHCV causing better realizations and 3) operating leverage benefits compensating RM cost inflations. We note improvement in fleet utilization levels post opening of the economy in June. Economic recovery will further improve utilization and drive replacement demand for CV particularly MHCV, in our view. Furthermore, AL is expected to regain its lost share led by strong pickup in new models and recovery in Haulage (~50% share) and Bus segment (~45% share). While we expect RM headwinds to continue, operating leverage and cost control should drive margin expansion by 670bp over FY21-23. We cut FY22 EPS by 14.3% to factor impact of concurrent lockdowns, while revising FY23 EPS by +4.5% to factor recovery and margin benefits. Maintain 'BUY' with revised TP of Rs153 (v/s Rs149 earlier) based on 14x FY23 EV/EBITDA and ~Rs18 for HLF.

- Q4FY21 Revenues came higher at Rs70b (+82% YoY, PLe Rs64.7b)** led by 73% YoY growth in volumes and 5% YoY growth in realizations at Rs1.59m/unit (PLe Rs1.47m/unit).
- Higher realizations, operating leverage drive margins-** Gross margins declined 580bp YoY/ 250bp QoQ at 23.1% (PLe 23.9%). However, this was offset by operating leverage and better cost control resulting in margin expansion of 280bp YoY/ 230bp QoQ at 7.6% (PLe 6.4%). Better operating performance coupled with lower tax at 23.2% (PLe 26.1%) led Adj. PAT beat at Rs2.1b (v/s loss of Rs27m in Q4FY20, PLe Rs1.3b). AL reported total one-off gain of Rs374m (including Rs428m related to prior period obligation on discontinued LCV division).
- FY21 Revenue/EBITDA/Adj. PAT declined ~12%/54%/189% YoY respectively. Net debt reduced to Rs26b in Q4FY21 (v/s Rs28.8b in Q3FY21).
- Key con-call takeaways: 1) MCHV Outlook-** While rural sentiments stand impacted, normal monsoon, higher crop output and government expenditures will drive demand. 2) **Bus segment bottomed out** and will see gradual pick up as demand for buses will increase due to personal mobility factor. LCV demand intact and new launches received positive response. 3) **De-risking MHCV-** Trying to fill up gaps by launching new models in LCVs under Phoenix platforms and Defense (to add new products including bullet proof vehicles). 4) **Channel inventory sufficient-** Factory inventory at ~3400 vehicles (v/s 1,243 vehicles YoY). 5) **Capex guidance for FY22 at Rs7.5b (v/s Rs6.2b in FY21).** 6) **Leyland Finance-** Collection rate improving (~90% currently), CAR at 11.6% and lower GNPA at 4%.

Exhibit 1: Q4FY21 Result Overview (Rs m)

Y/e March	Q4FY21	Q4FY20	YoY gr. (%)	Q3FY21	FY21	FY20	YoY gr. (%)
Net Revenues	70,005	38,385	82.4	48,135	1,53,015	1,74,675	(12.4)
Raw Materials	53,834	27,290	97.3	35,824	1,14,033	1,23,691	(7.8)
<i>% of Net Sales</i>	<i>76.9</i>	<i>71.1</i>		<i>74.4</i>	<i>74.5</i>	<i>70.8</i>	
Personnel	4,016	4,097	(2.0)	4,545	15,839	16,151	(1.9)
<i>% of Net Sales</i>	<i>5.7</i>	<i>10.7</i>		<i>9.4</i>	<i>10.4</i>	<i>9.2</i>	
Manufacturing & Other Exp	6,813	5,168	31.8	5,228	17,791	23,096	(23.0)
<i>% of Net Sales</i>	<i>9.7</i>	<i>13.5</i>		<i>10.9</i>	<i>11.6</i>	<i>13.2</i>	
Total Expenditure	64,663	36,555	76.9	45,597	1,47,663	1,62,938	(9.4)
EBITDA	5,342	1,830	192.0	2,538	5,351	11,737	(54.4)
<i>EBITDA Margin (%)</i>	<i>7.6</i>	<i>4.8</i>		<i>5.3</i>	<i>3.5</i>	<i>6.7</i>	
Depreciation	2,185	1,877	16.4	1,944	7,477	6,698	11.6
EBIT	3,157	-47	(6,803.0)	594	-2,126	5,039	(142.2)
Interest Expenses	771	331	132.8	656	3,068	1,095	180.3
Non-operating income	380	344	10.2	341	1,195	1,233	(3.1)
Extraordinary Expenses	-374	687		460	120	1,558	
PBT	3,139	-721		-182	-4,119	3,620	(213.8)
Tax-Total	728	-148	(592.4)	11	-982	1,224	(180.3)
<i>Tax Rate (%) - Total</i>	<i>23.2</i>	<i>20.5</i>	<i>13.1</i>	<i>-6.2</i>	<i>23.8</i>	<i>33.8</i>	<i>(29.5)</i>
Reported PAT	2,412	-573	(520.7)	-194	-3,137	2,396	(230.9)
Adj. PAT	2,125	-27	(8,030.7)	295	-2,907	3,333	(187.2)

Source: Company, PL

Exhibit 2: Operating Metrics

Y/e March	Q4FY21	Q4FY20	YoY gr. (%)	Q3FY21	FY21	FY20	YoY gr. (%)
Sales Volume (nos)	44,060	25,451	73.1	33,397	1,00,715	1,25,200	(19.6)
Net Realisation/Vehicle	15,88,854	15,08,176	5.3	14,41,300	15,19,282	13,95,165	8.9
Material cost / vehicle	12,21,832	10,72,241	14.0	10,72,674	11,32,236	9,87,946	14.6
Gross Profit / vehicle	3,67,022	4,35,936	(15.8)	3,68,626	3,87,047	4,07,219	(5.0)
Employee cost /vehicle	91,148	1,60,984	(43.4)	1,36,084	1,57,265	1,28,998	21.9
Other expenses / vehicle	1,54,639	2,03,069	(23.8)	1,56,550	1,76,648	1,84,474	(4.2)
EBITDA/vehicle	1,21,235	71,883	68.7	75,992	53,134	93,747	(43.3)
Net Profit/vehicle	48,225	-1,053	(4,681.1)	8,833	-28,866	26,619	(208.4)

Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY20	FY21	FY22E	FY23E
Net Revenues	1,74,675	1,53,015	2,37,818	2,90,640
YoY gr. (%)	(39.9)	(12.4)	55.4	22.2
Cost of Goods Sold	1,23,692	1,14,033	1,77,149	2,13,252
Gross Profit	50,983	38,981	60,669	77,388
Margin (%)	29.2	25.5	25.5	26.6
Employee Cost	16,151	15,839	16,156	18,450
Other Expenses	23,096	17,791	25,539	29,433
EBITDA	11,737	5,351	18,974	29,505
YoY gr. (%)	(62.6)	(54.4)	254.6	55.5
Margin (%)	6.7	3.5	8.0	10.2
Depreciation and Amortization	6,698	7,477	7,506	7,812
EBIT	5,039	(2,126)	11,468	21,693
Margin (%)	2.9	(1.4)	4.8	7.5
Net Interest	1,095	3,068	1,429	1,384
Other Income	1,234	1,195	1,775	1,930
Profit Before Tax	3,619	(4,119)	11,814	22,239
Margin (%)	2.1	(2.7)	5.0	7.7
Total Tax	1,224	(982)	2,717	5,115
Effective tax rate (%)	33.8	23.8	23.0	23.0
Profit after tax	2,395	(3,137)	9,097	17,124
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	3,426	(3,045)	9,097	17,124
YoY gr. (%)	(83.1)	(188.9)	(398.8)	88.2
Margin (%)	2.0	(2.0)	3.8	5.9
Extra Ord. Income / (Exp)	(1,031)	(92)	-	-
Reported PAT	2,395	(3,137)	9,097	17,124
YoY gr. (%)	(87.9)	(231.0)	(390.0)	88.2
Margin (%)	1.4	(2.1)	3.8	5.9
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	2,395	(3,137)	9,097	17,124
Equity Shares O/s (m)	2,936	2,936	2,936	2,936
EPS (Rs)	1.2	(1.0)	3.1	5.8

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY20	FY21	FY22E	FY23E
Non-Current Assets				
Gross Block	96,199	1,06,144	1,14,613	1,22,113
Tangibles	96,199	1,06,144	1,14,613	1,22,113
Intangibles	-	-	-	-
Acc: Dep / Amortization	28,163	35,640	43,146	50,958
Tangibles	28,163	35,640	43,146	50,958
Intangibles	-	-	-	-
Net fixed assets	68,036	70,504	71,467	71,155
Tangibles	68,036	70,504	71,467	71,155
Intangibles	-	-	-	-
Capital Work In Progress	5,941	3,719	1,250	1,250
Goodwill	-	-	-	-
Non-Current Investments	27,196	30,687	32,187	33,687
Net Deferred tax assets	(2,648)	(1,708)	(2,299)	(3,411)
Other Non-Current Assets	-	-	-	-
Current Assets				
Investments	-	-	-	-
Inventories	12,380	21,423	16,940	20,703
Trade receivables	11,889	28,163	16,289	19,907
Cash & Bank Balance	13,225	8,230	7,298	12,692
Other Current Assets	24,675	21,363	39,093	49,369
Total Assets	1,63,896	1,84,499	1,85,176	2,09,559
Equity				
Equity Share Capital	2,936	2,936	2,936	2,936
Other Equity	69,704	66,837	73,908	88,703
Total Networkth	72,640	69,772	76,844	91,638
Non-Current Liabilities				
Long Term borrowings	13,814	25,801	24,301	22,751
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	17,239	11,662	9,662	7,662
Trade payables	30,373	51,647	35,836	39,814
Other current liabilities	27,182	23,909	36,235	44,283
Total Equity & Liabilities	1,63,896	1,84,499	1,85,176	2,09,559

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY20	FY21	FY22E	FY23E
PBT	2,395	(3,137)	11,468	21,693
Add. Depreciation	6,698	7,477	7,506	7,812
Add. Interest	(766)	(946)	1,775	1,930
Less Financial Other Income	1,234	1,195	1,775	1,930
Add. Other	3,781	2,096	-	-
Op. profit before WC changes	12,108	5,491	20,749	31,435
Net Changes-WC	(1,756)	(6,058)	(5,100)	(5,775)
Direct tax	(941)	779	(2,127)	(4,003)
Net cash from Op. activities	9,411	211	13,522	21,658
Capital expenditures	(12,923)	(6,166)	(6,000)	(7,500)
Interest / Dividend Income	-	-	-	-
Others	(8,852)	(3,586)	(1,500)	(1,500)
Net Cash from Inv. activities	(21,775)	(9,752)	(7,500)	(9,000)
Issue of share cap. / premium	-	-	-	-
Debt changes	25,655	4,780	(3,500)	(3,550)
Dividend paid	(12,702)	-	(2,025)	(2,329)
Interest paid	(1,463)	(2,720)	(1,429)	(1,384)
Others	-	-	-	-
Net cash from Fin. activities	11,490	2,060	(6,954)	(7,263)
Net change in cash	(874)	(7,481)	(932)	5,394
Free Cash Flow	(3,512)	(5,954)	7,522	14,158

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q1FY21	Q2FY21	Q3FY21	Q4FY21
Net Revenue	6,509	28,366	48,135	70,005
YoY gr. (%)	(88.5)	(27.8)	19.9	82.4
Raw Material Expenses	4,175	20,201	35,824	53,834
Gross Profit	2,334	8,165	12,311	16,171
Margin (%)	35.9	28.8	25.6	23.1
EBITDA	(3,332)	804	2,538	5,342
YoY gr. (%)	(162.1)	(64.8)	12.7	192.0
Margin (%)	(51.2)	2.8	5.3	7.6
Depreciation / Depletion	1,637	1,712	1,944	2,185
EBIT	(4,969)	(907)	594	3,157
Margin (%)	(76.3)	(3.2)	1.2	4.5
Net Interest	768	872	656	771
Other Income	256	219	341	380
Profit before Tax	(5,498)	(1,578)	(182)	3,139
Margin (%)	(84.5)	(5.6)	(0.4)	4.5
Total Tax	(1,610)	(111)	11	728
Effective tax rate (%)	29.3	7.1	(6.2)	23.2
Profit after Tax	(3,888)	(1,467)	(194)	2,412
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	(3,876)	(1,451)	295	2,125
YoY gr. (%)	(259.4)	(361.2)	(20.9)	(8,030.7)
Margin (%)	(59.6)	(5.1)	0.6	3.0
Extra Ord. Income / (Exp)	(12)	(16)	(489)	287
Reported PAT	(3,888)	(1,467)	(194)	2,412
YoY gr. (%)	(268.8)	(477.3)	(169.8)	(520.7)
Margin (%)	(59.7)	(5.2)	(0.4)	3.4
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	(3,888)	(1,467)	(194)	2,412
Avg. Shares O/s (m)	2,936	2,936	2,936	2,936
EPS (Rs)	(1.3)	(0.5)	0.1	0.7

Source: Company Data, PL Research

Key Financial Metrics

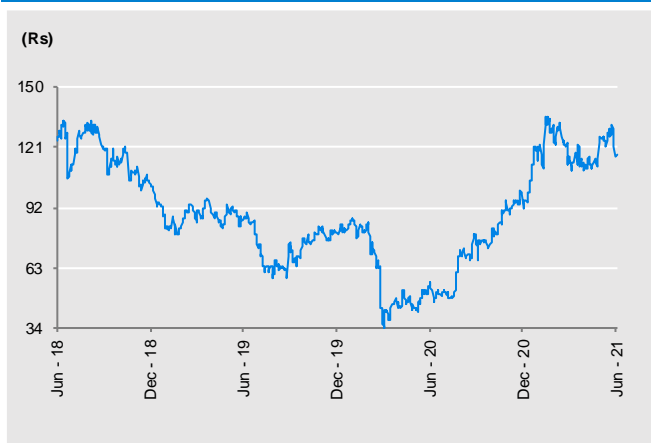
Y/e Mar	FY20	FY21	FY22E	FY23E
Per Share(Rs)				
EPS	1.2	(1.0)	3.1	5.8
CEPS	3.4	1.5	5.7	8.5
BVPS	24.7	23.8	26.2	31.2
FCF	(1.2)	(2.0)	2.6	4.8
DPS	0.5	0.6	0.7	0.8
Return Ratio(%)				
RoCE	2.9	(1.2)	6.2	11.0
ROIC	2.1	(1.0)	5.0	9.0
RoE	4.4	(4.3)	12.4	20.3
Balance Sheet				
Net Debt : Equity (x)	0.2	0.4	0.3	0.2
Net Working Capital (Days)	(13)	(5)	(4)	1
Valuation(x)				
PER	105.7	(119.0)	39.8	21.2
P/B	5.0	5.2	4.7	4.0
P/CEPS	35.8	81.7	21.8	14.5
EV/EBITDA	32.4	73.2	20.5	12.9
EV/Sales	2.2	2.6	1.6	1.3
Dividend Yield (%)	0.4	0.5	0.6	0.6

Source: Company Data, PL Research

Key Operating Metrics

Y/e Mar	FY20	FY21	FY22E	FY23E
MHCV volumes (units)	78,554	51,807	91,189	1,09,665
LCV incl. Dost volumes (units)	46,646	48,908	61,937	74,325
Realisation ex. Dost (Rs/unit)	16,11,895	17,71,496	18,46,242	19,41,550

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	07-Apr-21	BUY	149	113
2	14-Feb-21	BUY	155	128
3	11-Jan-21	BUY	133	113
4	09-Nov-20	BUY	100	84
5	09-Oct-20	BUY	95	76
6	13-Aug-20	BUY	76	61
7	11-Jul-20	Accumulate	59	51

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Ashok Leyland	BUY	149	113
2	Bajaj Auto	Hold	3,795	3,836
3	Bharat Forge	Hold	701	751
4	CEAT	Accumulate	1,472	1,340
5	Eicher Motors	Accumulate	2,895	2,604
6	Endurance Technologies	BUY	1,615	1,396
7	Exide Industries	BUY	227	178
8	Hero Motocorp	Accumulate	3,392	2,861
9	Mahindra & Mahindra	BUY	950	846
10	Maruti Suzuki	BUY	7,619	6,569
11	Motherson Sumi Systems	BUY	311	269
12	Tata Motors	Reduce	279	332
13	TVS Motors	BUY	658	566

PL's Recommendation Nomenclature (Absolute Performance)

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

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