

Bharat Forge

Refer to important disclosures at the end of this report

Strong operational performance; maintain Buy

- Q4FY21 EBITDA margin of 25.5% came in above our estimate of 22% on higher share of exports, lower-than-expected impact of commodity inflation and cost savings. Revenue stood at Rs13.1bn, slightly above estimates, supported by robust exports.
- Our positive view on BHFC is underpinned by its leadership position in automotive forgings, expected recovery in core segments and robust growth in nascent segments such as Defense, Railways, Aerospace, E-mobility and Light-weighting solutions.
- We increase FY22/23 EPS forecast by 8%/9% to Rs19.8/Rs30, mainly due to higher growth assumptions for the Industrial segment. We are introducing FY24E EPS of Rs35.3, factoring in 13% revenue growth and EBITDA margin of 30.6%.
- We build in robust revenue/EBITDA CAGRs of 22%/ 35% over FY21-24E. ROIC (post tax) should expand from 5% in FY21 to 25% in FY24E. Maintain Buy with a revised TP of Rs830 (Rs760 earlier), based on 27x P/E for the standalone business on FY23E.

What we like? Management commentary was positive: 1) Robust demand is expected ahead in major export segments such as CV, Construction & mining and Oil & Gas segments. 2) Return ratios are expected to improve toward 20%, with improvement in asset utilization. 3) The company has secured a Defence order for the development and supply of components. Trials of Advanced Towed Artillery Gun Systems (ATAGS) by Army are scheduled for Jun'21. 4) Oil & Gas revenue stood at Rs1.4bn in FY21 and should increase to 50% of peak revenues in FY22 (peak was at Rs9.5bn in FY19).

What we did not like? Domestic revenues are expected to be negatively impacted by lockdowns in Q1FY22, but the weakness is likely to be temporary and growth should return as business activities normalize.

EBITDA margin above estimates: Considering the low base in Q4FY20, results have been compared with Q4FY19 (2-year CAGR). Revenue declined at 11% CAGR to Rs13.1bn (est.: Rs12.9bn), slightly above estimates due to better-than-expected exports. Tonnage and realization declined at 6% CAGR each. EBITDA margin contracted to 25.5% from 29.1% in Q4FY19, but was above estimate of 22%, driven by higher share of exports, lower-than-expected impact of commodity inflation, and cost savings. Overall, adjusted PAT declined at 18% CAGR to Rs1.8bn (est.: Rs1.5bn), above estimates, owing to higher operating margins.

Retain Buy: BHFC's leadership position in automotive forgings, expected cyclical recovery in the core segments and robust growth in nascent segments support our positive view. We maintain Buy rating with a revised TP of Rs830 (Rs760 earlier), based on 27x P/E for the standalone business on FY23E. **Key risks:** 1) delay in recovery in domestic/export CV segments; 2) delay in macro recovery impacting rebound in industrial segments; and 3) adverse currency rates.

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

Financial Snapshot (Standalone)

(Rs mn)	FY20	FY21	FY22E	FY23E	FY24E
Revenue	45,639	36,515	54,970	70,574	79,595
EBITDA	10,399	7,332	14,996	21,152	24,327
EBITDA Margin (%)	22.8	20.1	27.3	30.0	30.6
APAT	5,683	3,269	9,244	13,975	16,419
EPS (Rs)	12.2	7.0	19.8	30.0	35.3
EPS (% chg)	(45.4)	(42.5)	182.8	51.2	17.5
ROE (%)	10.6	5.8	14.7	19.7	20.0
P/E (x)	61.5	107.0	37.8	25.0	21.3
EV/EBITDA (x)	35.3	49.4	23.9	16.6	14.1
P/BV (x)	6.5	5.9	5.3	4.6	4.0

Source: Company, Emkay Research

CMP	Target Price
Rs 751 as of (June 5, 2021)	Rs 830 (▲) 12 months
Rating	Upside
BUY (■)	10.6 %

Change in Estimates

EPS Chg FY22E/FY23E (%)	8.5/9.3
Target Price change (%)	9.3
Target Period (Months)	12
Previous Reco	BUY

Emkay vs Consensus

	EPS Estimates	
	FY22E	FY23E
Emkay	19.8	30.0
Consensus	15.1	24.7
Mean Consensus TP (12M)	Rs 630	

Stock Details

Bloomberg Code	BHFC IN
Face Value (Rs)	2
Shares outstanding (mn)	466
52 Week H/L	758 / 306
M Cap (Rs bn/USD bn)	350 / 4.79
Daily Avg Volume (nos.)	2,274,938
Daily Avg Turnover (US\$ mn)	19.6

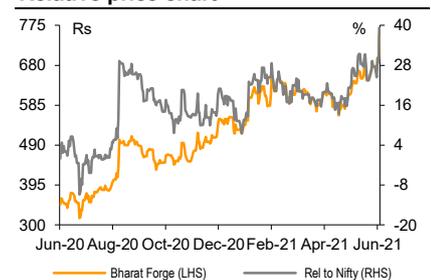
Shareholding Pattern Mar '21

Promoters	45.8%
FIIs	24.9%
DIIIs	12.2%
Public and Others	17.1%

Price Performance

(%)	1M	3M	6M	12M
Absolute	19	17	36	120
Rel. to Nifty	12	12	16	43

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:

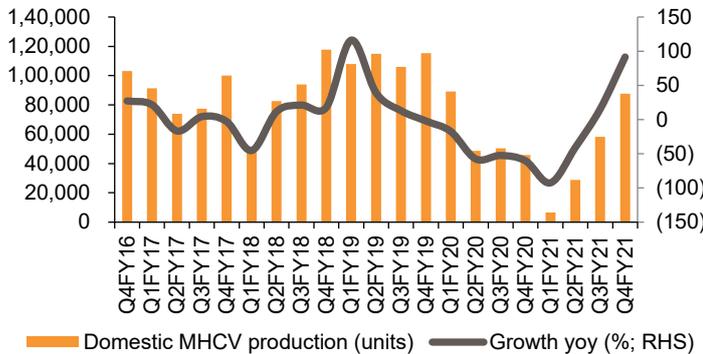
Mumuksh Mandlesha
mumuksh.mandlesha@emkayglobal.com
+91 22 6612 1334

Raghunandhan N L
raghunandhan.nl@emkayglobal.com
+91 22 6624 2428

Bhargava Perni
bhargava.perni@emkayglobal.com
+91 22 6624 2429

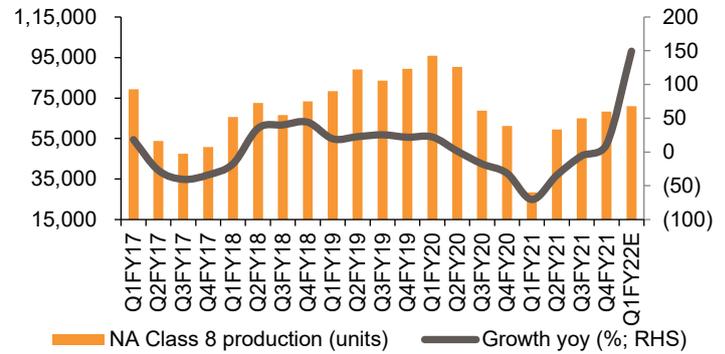
Story in Charts: Comparing performance with Q4FY19 (2-year CAGR)

Exhibit 1: Domestic MHCV production declined at 13% CAGR to 87,565 units; Expect production growth of 68% in FY21



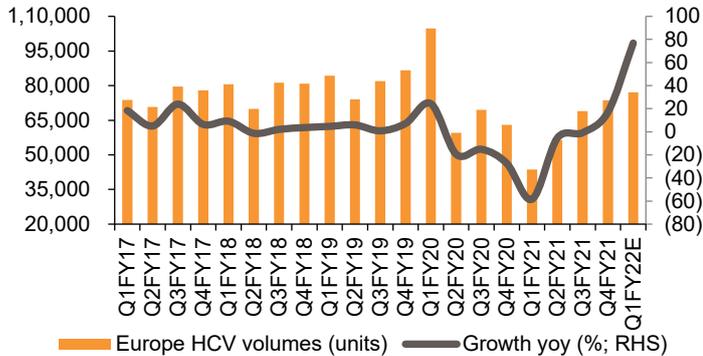
Source: SIAM, Emkay Research

Exhibit 2: North America Class 8 production likely to decline in Q1FY22E by 14% CAGR to 70,993 units; BHFC supplies with lead of 2-3 months; Expect production growth of 43% yoy in CY21



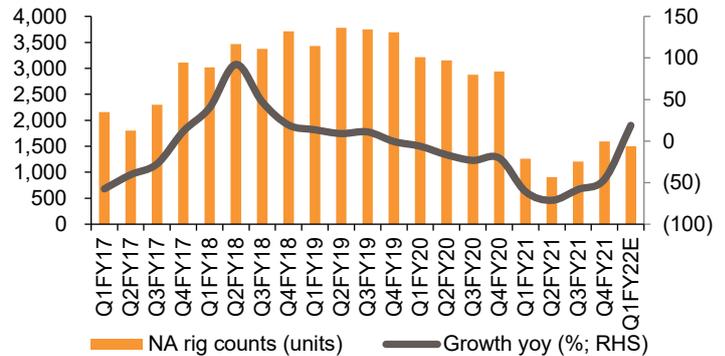
Source: Industry, Emkay Research

Exhibit 3: Europe HCV volumes expected to decline in Q1FY22E by 14% CAGR to 77,087 units; BHFC generally supplies with lead of 2-3 months; Expect volume growth of 30% yoy in CY21



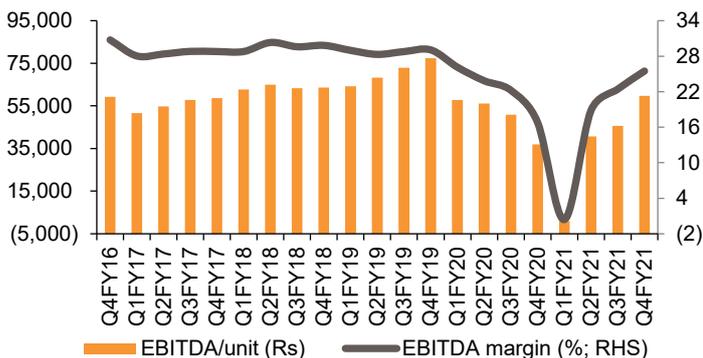
Source: Bloomberg, Emkay Research

Exhibit 4: North America rig counts expected to fall in Q1FY22E by 32% CAGR to 1,500 units; BHFC generally supplies with lead of 2-3 months; Expect double-digit growth in CY21



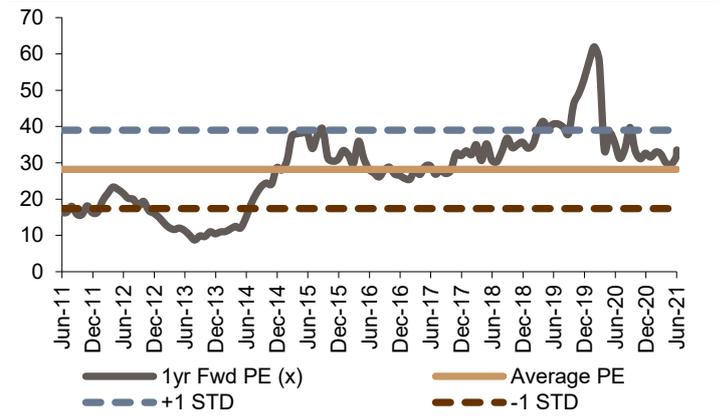
Source: Baker Hughes, Emkay Research

Exhibit 5: EBITDA margin contracted to 25.5% from 29.1% in Q4FY19, but was above estimates, led by higher share of exports, lower-than-expected impact of commodity inflation and cost savings



Source: Company, Emkay Research

Exhibit 6: One-year forward P/E (Average: 28x, +1sd: 39x, -1sd: 17x)



Source: Company, Emkay Research

Earnings call highlights

- Robust demand expected ahead in major export segments such as CVs, construction & mining, Oil & Gas, etc.
- In the domestic market, current weakness is likely to be temporary and growth should return as business activities normalize. MHCV outlook is positive, led by infrastructure spending, government's focus on increasing manufacturing share in GDP, PLI schemes, scrappage policy, etc.
- Light weighting (Aluminum): Commencement of operations at Nellore plant is enabling the company to address opportunities in the aluminum segment and it has a healthy order-book.
- Return ratios are expected to improve toward 20% in the future, with improvement in asset utilization.
- Defense: The company has secured an order for the development and supply of components to be executed by Sep'21.
- Kalyani Strategic Systems has now become a 100% subsidiary, which will enable this entity to meet eligibility criteria for defense contracts.
- Trials of Advanced Towed Artillery Gun Systems (ATAGS) by Army are scheduled for June. The company has capacity to produce 4 units per month, which can be scaled up to 12.
- Oil & Gas: Revenue stood at Rs1.4bn in FY21 and should increase to 50% of peak revenues in FY22 (peak was at Rs9.5bn in FY19).
- Export incentives: Details of incentives under the RoTDEP scheme are yet to be announced. Benefits under this scheme will add to margins, as the company will retain the benefits and not pass on to customers.
- Cost savings: The company has been working on cost savings and expects more benefits over next 2-3 quarters.
- Capex is expected at Rs2bn for standalone business and Rs3bn for subsidiaries.
- Expansion: The company has recently acquired 70 hectares of land in Khed for around Rs2.4bn (payment to be spread over few years), which will house new initiatives including Defense and E-mobility.
- BHFC has been declared as the successful bidder for Sanghvi Forgings. This will improve industrial product manufacturing capabilities, in segments such as renewable energy and metals & mining.
- Subsidiaries: Margin performance has improved due to focus on lightweight materials, pruning of product portfolio and reduction of fixed costs. Further improvement in margins is expected. The company expects staggered improvement and aspire to reach 12% margin in the future.

Exhibit 7: Revenue assumption: Expect 22% CAGR over FY21-24E

Key revenue assumptions (Rs mn)	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
Domestic CV	10,380	10,948	5,167	5,111	9,097	12,431	15,539
yoy (%)	29	5	(53)	(1)	78	37	25
Domestic PV	2,043	2,373	2,263	2,161	3,107	3,865	4,561
yoy (%)	38	16	(5)	(5)	44	24	18
Domestic Industrial	7,895	10,133	8,078	7,446	10,427	13,419	16,112
yoy (%)	6	28	(20)	(8)	40	29	20
Total Domestic	20,318	23,454	15,508	14,718	22,631	29,715	36,211
yoy (%)	20	15	(34)	(5)	54	31	22
Export CV	13,039	15,912	12,702	9,591	13,405	16,076	14,731
yoy (%)	32	22	(20)	(24)	40	20	(8)
Export PV	3,062	4,875	5,047	4,496	5,845	7,598	8,738
yoy (%)	34	59	4	(11)	30	30	15
Export Industrial	13,611	16,471	8,753	5,555	9,551	12,392	14,342
yoy (%)	88	21	(47)	(37)	72	30	16
Total Export	29,712	37,258	26,502	19,642	28,801	36,066	37,812
yoy (%)	53	25	(29)	(26)	47	25	5
CLWT					1,000	2,000	2,500
yoy (%)						100	25
Scrap	1,954	2,813	2,310	1,670	2,004	2,204	2,425
yoy (%)	38	44	(18)	(28)	20	10	10
Other operating income	1,176	1,674	1,319	486	535	588	647
yoy (%)	23	10	(24)	(63)	10	10	10
Total Revenue (Rs mn)	53,160	65,199	45,639	36,516	54,970	70,574	79,595
yoy (%)	38	23	(30)	(20)	51	28	13

Source: Company, Emkay Research

Exhibit 8: Actual vs. Estimates (Q4FY21)

(Rs mn)	Actual	Estimates		% Variation		Comment
		Emkay	Consensus	Emkay	Consensus	
Total Revenue	13,073	12,950	12,014	1.0	8.8	Slightly above estimates due to better-than-expected exports
EBITDA	3,332	2,849	2,818	16.9	18.2	
EBITDA Margin (%)	25.5	22.0	23.5	348 bps	203 bps	Above estimates on higher share of exports, lower-than-expected impact of commodity inflation and cost savings
Adjusted Net profit	1,804	1,494	1,452	20.7	24.3	Above estimates on higher operating profit

Source: Bloomberg, Company, Emkay Research

Exhibit 9: Quarterly Financial Summary (Standalone)

Rs mn	Q4FY19	Q4FY20	Q3FY21	Q4FY21	YoY (%)	QoQ (%)	2yr Chg (%)	FY21	FY20	YoY(%)
Revenue	16,686	8,812	10,357	13,073	48.4	26.2	(11.5)	36,515	45,639	(20.0)
Expenditure	11,837	7,330	8,034	9,742	32.9	21.3	(9.3)	29,183	35,240	(17.2)
as % of sales	70.9	83.2	77.6	74.5				79.9	77.2	
Consumption of RM	6,216	3,249	3,831	5,266	62.1	37.5	(8.0)	14,145	17,489	(19.1)
as % of sales	37.3	36.9	37.0	40.3				38.7	38.3	
Employee Cost	1,192	1,189	1,102	1,134	(4.6)	2.9	(2.5)	4,482	4,824	(7.1)
as % of sales	7.1	13.5	10.6	8.7				12.3	10.6	
Other expenditure	4,429	2,892	3,101	3,342	15.5	7.7	(13.1)	10,556	12,927	(18.3)
as % of sales	26.5	32.8	29.9	25.6				28.9	28.3	
EBITDA	4,849	1,482	2,323	3,332	124.8	43.4	(17.1)	7,332	10,399	(29.5)
Depreciation	821	847	964	1,006	18.8	4.4	10.7	3,661	3,449	6.1
EBIT	4,028	635	1,360	2,326	266.3	71.0	(24.0)	3,671	6,950	(47.2)
Other Income	501	315	352	320	1.5	(9.3)	(20.1)	1,405	1,609	(12.7)
Interest	315	415	268	137	(67.1)	(49.1)	(34.1)	779	1,450	(46.3)
PBT	4,214	535	1,444	2,509	369.1	73.8	(22.8)	4,297	7,109	(39.6)
Total Tax	1,543	184	287	705	282.2	145.9	(32.4)	1,028	1,426	(27.9)
Adjusted PAT	2,672	350	1,157	1,804	414.9	55.9	(17.8)	3,269	5,683	(42.5)
Extra ordinary items Loss/(Gain)	(323)	1,083	230	(251)				148	948	
Reported PAT	2,995	(733)	927	2,054	(380.3)	121.6	(17.2)	3,121	4,735	(34.1)
Adjusted EPS	5.7	0.8	2.5	3.9	414.9	55.9	(17.8)	7.0	12.2	(42.5)
Margins (%)					(bps)	(bps)	(bps)			(bps)
EBIDTA	29.1	16.8	22.4	25.5	867	306	(358)	20.1	22.8	(271)
EBIT	24.1	7.2	13.1	17.8	1,058	466	(635)	10.1	15.2	(517)
EBT	25.3	6.1	13.9	19.2	1,312	525	(607)	11.8	15.6	(381)
PAT	16.0	4.0	11.2	13.8	982	263	(222)	9.0	12.5	(350)
Effective Tax rate	36.6	34.5	19.9	28.1	(639)	824	(849)	23.9	20.1	387

Source: Company, Emkay Research

Exhibit 10: Changes in estimates; Introducing FY24E estimates

Rs mn	FY22E				FY23E				FY24E	
	Earlier	Revised	% Change	% YoY	Earlier	Revised	% Change	% YoY	Introducing	% YoY
Revenues	52,483	54,970	4.7	50.5	66,228	70,574	6.6	28.4	79,595	12.8
EBITDA	14,333	14,996	4.6	104.5	19,841	21,152	6.6	41.1	24,327	15.0
Margin (%)	27.3	27.3	-3 bps	720 bps	30.0	30.0	1 bps	269 bps	30.6	59 bps
Net Profit	8,523	9,244	8.5	182.8	12,786	13,975	9.3	51.2	16,419	17.5
FDEPS	18.3	19.8	8.5	182.8	27.5	30.0	9.3	51.2	35.3	17.5

Source: Company, Emkay Research

Exhibit 11: Peer valuation

	CMP (Rs)	Target (Rs)	Mcap (Rs.bn)	Reco	EPS (Rs)			PE (x)			ROE (%)			ROCE (%)		
					FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E
Ashok Leyland	128	155	377	Buy	-0.9	3.8	6.7	NM	33.9	19.1	-3.8	15.3	24.1	-0.6	15.7	24.6
Atul Auto	192	275	4	Buy	0.0	16.3	27.5	NM	11.8	7.0	0.0	11.3	16.9	0.4	14.1	20.8
Bajaj Auto	4,250	4,340	1230	Buy	157.4	200.8	237.1	27.0	21.2	17.9	20.2	22.8	26.3	25.7	29.1	33.6
Eicher Motors	2,742	3,180	750	Buy	49.3	99.1	129.4	55.6	27.7	21.2	12.6	21.6	23.5	16.1	26.3	28.1
Escorts Ltd	1,219	1,240	164	Hold	86.4	87.2	88.6	14.1	14.0	13.8	19.8	15.3	13.7	26.3	20.5	18.3
Hero Motocorp	3,048	3,870	609	Buy	148.4	177.5	204.1	20.5	17.2	14.9	20.2	22.5	24.2	26.0	29.0	31.1
Mahindra & Mahindra	805	920	1000	Hold	33.0	39.9	42.1	24.4	20.2	19.1	11.7	13.3	12.7	13.9	15.5	15.1
Maruti Suzuki	7,214	8,500	2179	Buy	140.1	262.5	334.2	51.5	27.5	21.6	8.5	14.7	17.0	10.4	18.8	21.8
Tata Motors	335	410	1189	Buy	-3.7	25.1	42.0	NM	13.3	8.0	-2.4	16.7	23.7	5.2	10.9	14.8
TVS Motor	623	730	296	Buy	12.9	21.3	28.4	48.4	29.3	22.0	15.7	22.3	25.2	17.1	25.0	29.1
Amara Raja Batteries	759	850	130	Hold	37.9	46.2	56.7	20.0	16.4	13.4	16.4	17.6	19.0	22.1	23.3	25.2
Apollo Tyres	231	290	146	Buy	15.1	13.6	18.1	15.3	16.9	12.7	9.0	7.4	9.2	8.9	8.5	10.1
Exide Industries	194	200	165	Hold	8.9	10.1	11.7	21.7	19.1	16.5	11.5	12.0	12.9	15.6	16.2	17.3
Motherson Sumi	252	325	796	Buy	3.5	10.5	13.5	72.3	24.0	18.6	10.1	28.1	29.7	6.8	19.5	22.0
Bharat Forge	751	830	350	Buy	7.0	19.8	30.0	107.0	37.8	25.0	5.8	14.7	19.7	5.5	13.0	18.0

Source: Company, Emkay Research

Key Financials (Standalone)**Income Statement**

Y/E Mar (Rs mn)	FY20	FY21	FY22E	FY23E	FY24E
Revenue	45,639	36,515	54,970	70,574	79,595
Expenditure	35,240	29,183	39,974	49,421	55,268
EBITDA	10,399	7,332	14,996	21,152	24,327
Depreciation	3,449	3,661	3,939	4,255	4,611
EBIT	6,950	3,671	11,057	16,898	19,715
Other Income	1,609	1,405	1,985	2,320	2,668
Interest expenses	1,450	779	879	829	780
PBT	7,109	4,297	12,163	18,388	21,603
Tax	1,426	1,028	2,919	4,413	5,185
Extraordinary Items	(948)	(148)	0	0	0
Minority Int./Income from Assoc.	0	0	0	0	0
Reported Net Income	4,735	3,121	9,244	13,975	16,419
Adjusted PAT	5,683	3,269	9,244	13,975	16,419

Balance Sheet

Y/E Mar (Rs mn)	FY20	FY21	FY22E	FY23E	FY24E
Equity share capital	931	931	931	931	931
Reserves & surplus	52,619	58,555	65,165	75,158	86,898
Net worth	53,551	59,486	66,096	76,089	87,830
Minority Interest	0	0	0	0	0
Loan Funds	32,371	36,203	34,100	32,253	30,135
Net deferred tax liability	1,311	2,346	2,407	2,499	2,607
Total Liabilities	87,232	98,035	102,603	110,841	120,571
Net block	28,078	34,590	33,975	31,721	29,891
Investment	23,529	35,693	41,693	49,693	58,693
Current Assets	36,623	38,163	42,896	50,898	54,842
Cash & bank balance	4,442	2,801	2,463	2,317	1,142
Other Current Assets	3,165	2,945	4,433	5,692	6,419
Current liabilities & Provision	9,942	13,110	17,336	22,846	25,949
Net current assets	26,680	25,053	25,560	28,052	28,894
Misc. exp	0	0	0	0	0
Total Assets	87,232	98,035	102,603	110,841	120,571

Cash Flow

Y/E Mar (Rs mn)	FY20	FY21	FY22E	FY23E	FY24E
PBT (Ex-Other income) (NI+Dep)	4,317	2,745	10,178	16,068	18,935
Other Non-Cash items	0	0	0	0	0
Chg in working cap	4,287	1,818	(2,723)	(4,093)	(2,720)
Operating Cashflow	12,158	6,733	11,575	15,165	19,205
Capital expenditure	(5,129)	(3,128)	(2,000)	(2,000)	(4,500)
Free Cash Flow	7,029	3,604	9,575	13,165	14,705
Investments	(2,480)	(8,485)	(6,000)	(8,000)	(9,000)
Other Investing Cash Flow	315	314	(1,985)	(2,320)	(2,668)
Investing Cashflow	(5,684)	(9,895)	(8,000)	(10,000)	(13,500)
Equity Capital Raised	0	0	0	0	0
Loans Taken / (Repaid)	(1,713)	4,304	(2,103)	(1,848)	(2,118)
Dividend paid (incl tax)	(3,335)	0	(931)	(2,634)	(3,982)
Other Financing Cash Flow	436	(2,317)	0	0	0
Financing Cashflow	(5,730)	1,521	(3,913)	(5,311)	(6,880)
Net chg in cash	744	(1,641)	(338)	(146)	(1,175)
Opening cash position	3,698	4,442	2,801	2,463	2,317
Closing cash position	4,442	2,801	2,463	2,317	1,142

Source: Company, Emkay Research

Key Ratios

Profitability (%)	FY20	FY21	FY22E	FY23E	FY24E
EBITDA Margin	22.8	20.1	27.3	30.0	30.6
EBIT Margin	15.2	10.1	20.1	23.9	24.8
Effective Tax Rate	20.1	23.9	24.0	24.0	24.0
Net Margin	12.5	9.0	16.8	19.8	20.6
ROCE	9.7	5.5	13.0	18.0	19.3
ROE	10.6	5.8	14.7	19.7	20.0
RoIC	13.1	6.9	19.4	29.5	34.3

Per Share Data (Rs)	FY20	FY21	FY22E	FY23E	FY24E
EPS	12.2	7.0	19.8	30.0	35.3
CEPS	19.6	14.9	28.3	39.1	45.2
BVPS	115.0	127.7	141.9	163.4	188.6
DPS	3.5	2.0	5.7	8.6	10.0

Valuations (x)	FY20	FY21	FY22E	FY23E	FY24E
PER	61.5	107.0	37.8	25.0	21.3
P/CEPS	38.3	50.5	26.5	19.2	16.6
P/BV	6.5	5.9	5.3	4.6	4.0
EV / Sales	8.0	9.9	6.5	5.0	4.3
EV / EBITDA	35.3	49.4	23.9	16.6	14.1
Dividend Yield (%)	0.5	0.3	0.8	1.1	1.3

Gearing Ratio (x)	FY20	FY21	FY22E	FY23E	FY24E
Net Debt/ Equity	0.3	0.2	0.1	0.0	(0.1)
Net Debt/EBIDTA	1.7	1.7	0.5	0.1	(0.2)
Working Cap Cycle (days)	177.9	222.4	153.4	133.1	127.3

Growth (%)	FY20	FY21	FY22E	FY23E	FY24E
Revenue	(30.0)	(20.0)	50.5	28.4	12.8
EBITDA	(44.6)	(29.5)	104.5	41.1	15.0
EBIT	(54.6)	(47.2)	201.2	52.8	16.7
PAT	(55.8)	(34.1)	196.2	51.2	17.5

Quarterly (Rs mn)	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21
Revenue	8,812	4,270	8,815	10,357	13,073
EBITDA	1,482	17	1,660	2,323	3,332
EBITDA Margin (%)	16.8	0.4	18.8	22.4	25.5
PAT	350	(518)	826	1,157	1,804
EPS (Rs)	0.8	(1.1)	1.8	2.5	3.9

Source: Company, Emkay Research

Shareholding Pattern (%)	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21
Promoters	45.8	45.8	45.8	45.8	45.8
FIs	20.7	22.1	21.9	23.5	24.9
DIs	15.7	15.1	11.5	12.3	12.2
Public and Others	17.8	17.0	20.8	18.5	17.1

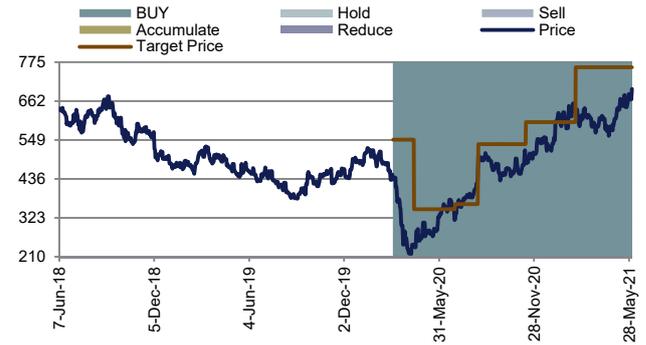
Source: Capitaline

RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
1-Jun-21	667	760	12m	Buy	Mumuksh Mandlesha
30-May-21	678	760	12m	Buy	Mumuksh Mandlesha
15-Feb-21	628	760	12m	Buy	Mumuksh Mandlesha
17-Nov-20	495	601	12m	Buy	Mumuksh Mandlesha
12-Nov-20	497	601	12m	Buy	Mumuksh Mandlesha
11-Oct-20	466	537	12m	Buy	Mumuksh Mandlesha
28-Sep-20	454	537	12m	Buy	Mumuksh Mandlesha
13-Aug-20	503	537	12m	Buy	Mumuksh Mandlesha
30-Jun-20	319	363	12m	Buy	Mumuksh Mandlesha
29-Jun-20	317	348	12m	Buy	Mumuksh Mandlesha
4-May-20	270	348	12m	Buy	Mumuksh Mandlesha
13-Apr-20	239	348	12m	Buy	Mumuksh Mandlesha
4-Mar-20	437	550	12m	Buy	Mumuksh Mandlesha

Source: Company, Emkay Research

RECOMMENDATION HISTORY CHART



Source: Bloomberg, Company, Emkay Research

Emkay Alpha Portfolio – Automobiles & Auto Ancillaries



Analyst: Raghunandhan NL

Contact Details

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

Sector

Automobiles and Ancillaries

Analyst bio

Raghu holds an MBA and comes with total 12 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	5.22	5.22	0%	0	100.00
Amara Raja Batteries	0.07	0.05	-24%	-2	1.00
Apollo Tyres	0.00	0.00	NA	0	0.00
Ashok Leyland	0.20	0.24	24%	5	4.66
Atul Auto	0.00	0.00	NA	0	0.00
Bajaj Auto	0.62	0.62	0%	0	11.90
Bharat Forge	0.20	0.25	27%	5	4.74
Eicher Motors	0.43	0.48	11%	5	9.16
Escorts	0.00	0.00	NA	0	0.00
Exide Industries	0.10	0.08	-21%	-2	1.49
Hero Motocorp	0.44	0.44	0%	0	8.35
Mahindra & Mahindra	0.86	0.55	-36%	-31	10.57
Maruti Suzuki India	1.07	1.12	5%	5	21.52
Motherson Sumi	0.34	0.34	0%	0	6.42
Tata Motors	0.69	0.73	7%	5	14.07
Tata Motors DVR*	0.08	0.13	58%	5	2.43
TVS Motor	0.14	0.19	39%	5	3.70
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	4-Jun-20	4-Dec-20	4-Mar-21	4-May-21	3-Jun-21
EAP - Auto & Auto Ancillaries	100.0	73.4	107.9	126.8	113.9	126.9
BSE200 Neutral Weighted Portfolio (ETF)	100.0	76.1	110.3	127.4	114.3	126.8

*Performance measurement base date 1st April 2019

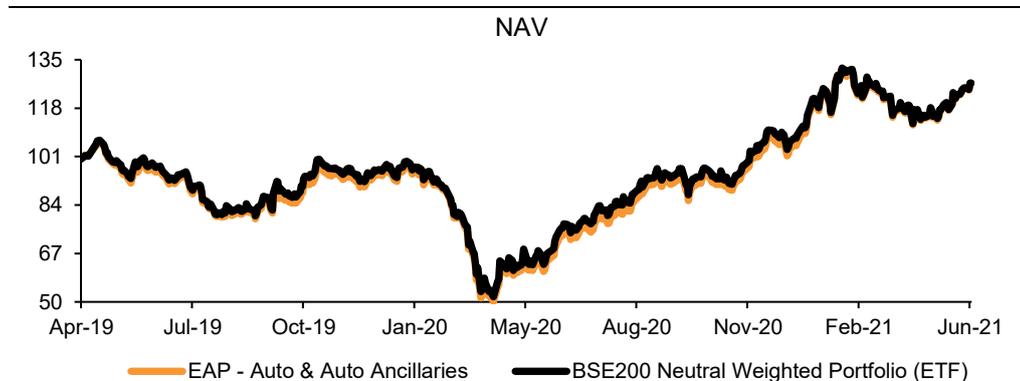
Source: Emkay Research

Price Performance (%)

	1m	3m	6m	12m
EAP - Auto & Auto Ancillaries	11.4%	0.0%	17.6%	72.9%
BSE200 Neutral Weighted Portfolio (ETF)	10.9%	-0.5%	14.9%	66.7%

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: 05 Jun 2021 22:15:20 (SGT)

Dissemination Date: 05 Jun 2021 22:16:20 (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 June 5, 2021
 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 June 5, 2021.
 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 June 5, 2021
 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 June 5, 2021

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