

Sona BLW Precision Forgings

Rating: **SUBSCRIBE** for long term | Price Band: Rs285-291

June 14, 2021

IPO Note

IPO Fact Sheet

Opening Date:	14 th June 2021
Closing Date:	16 th June 2021
BRLMs:	Kotak Mahindra, Credit Suisse, JM Financials, J.P. Morgan, Nomura
Issue Size:	~5,550cr
Numbers of Shares:	58.3cr
Face value:	Rs10/share
Bid lot:	51 equity share and in multiples of 51 equity shares thereafter

Indicative Timetable

Activity	Date
Finalisation of Basis of Allotment:	21 June 2021
Refunds/Unblocking ASBA Fund	22 June 2021
Credit of equity shares to DP A/c	23 June 2021
Trading commences	24 June 2021

Issue Structure

QIB	75%
NIB	15%
Retail	10%

Issue Details

Pre-issue equity shares	57.3cr
Post-issue equity shares*	58.3cr
Post-issue Market Cap (Rs Crs)*	16,965
Post-issue Market Cap (Rs Crs)#	16,615

* Upper Band / # Lower Band

Object of the Issue

Repayment/prepayments of identified borrowings of ~Rs2.4b and General corporate purposes

Shareholding Pattern

(%)	Pre-Issue	Post-Issue
Promoters	100.00	67.30
Public	0.00	32.70

Varun Baxi

varunbaxi@plindia.com |

Amber Shukla

ambershukla@plindia.com | 91-22-66322426

All set to play the EV/hybrid momentum

We recommend 'SUBSCRIBE' for long term on Sona Comstar Ltd.'s IPO given i) huge addressable market considering strong growth potential of EV/hybrid products (~41% of revenue), ii) diversification across geographies (~75% revenue from exports) and iii) market share gains in key products. The company is one amongst limited number of players who is well placed to integrate 3 constituents of electric powertrain (differential assembly, high voltage traction and high voltage inverters) into a single matched unit offering an efficient and compact solution to EV OEMs.

However, Sona Comstar's financials have remained largely stable over past few years, as EBITDA margin declined 70bp over FY19-21 (despite revenue CAGR of ~5%). Also, challenges such as i) company's inability to de-risk its PV mix (68% in FY21 v/s 63% in FY18) and ii) issues related to EV industry such as scalability, changing technology and low penetration in India. Against these backdrops, post IPO valuations (38-40x of FY23 EPS) appear expensive as compared to other ancillary companies like MSS (~22x), ENDU (~23x) and BHFC (~28x). While listing gains are limited, we recommend long term investors to SUBSCRIBE.

Key Investment Thesis

- Attractive candidate to play the EV/hybrid momentum-** Currently 14% of the company's revenue mix is contributed by BEVs and ~27% by Hybrid. The company has had market share of ~8.7% for BEV differential assembly in CY20. It is expected to expand led by growing trend towards electrified drivetrains and increasing customer base. Among available propulsion technologies, BEV has been growing fastest at ~46% CAGR over CY15-20, which creates a huge addressable market for the company globally.
- Aim to expand market share globally-** The company increased global market share of differential gears and starter motors in CY20 (v/s CY19) to 5% (v/s 4.5%) and 3% (v/s 2.5%) respectively. As part of a strategy, it intends to penetrate into European markets (currently ~27% of revenue) for supplying differential assemblies and gears. The company also plans to expand its presence in China (currently ~8% of revenue) for supplying micro-hybrid starter motors for PV and LCVs as well as its 48V BSG systems for hybrid PVs.
- Well diversified geographically but over dependent on PVs-** Exports contribute ~75% of the total revenue, wherein North America, Europe contributes 36% and 27% respectively indicating company's strong presence across geographies. However, it failed to lower down its dependence on PV segment which contributes ~68% of the total revenue mix (v/s 63% in FY18).
- Expensive valuations-** EBITDA margins for the company declined 70bp over FY19-21 despite Revenue CAGR of ~5%. This was followed by increase in working capital cycle and declining ROCE. Also, i) company's inability to de-risk PV mix (68% in FY21) and ii) challenges related to EV industry such as scalability, changing technology and low penetration in India suggests caution. On the upper band of Rs291, the issue is estimated to be priced at 38-40x of FY23 EPS which is not cheap as compared to other auto component companies.

Company Overview

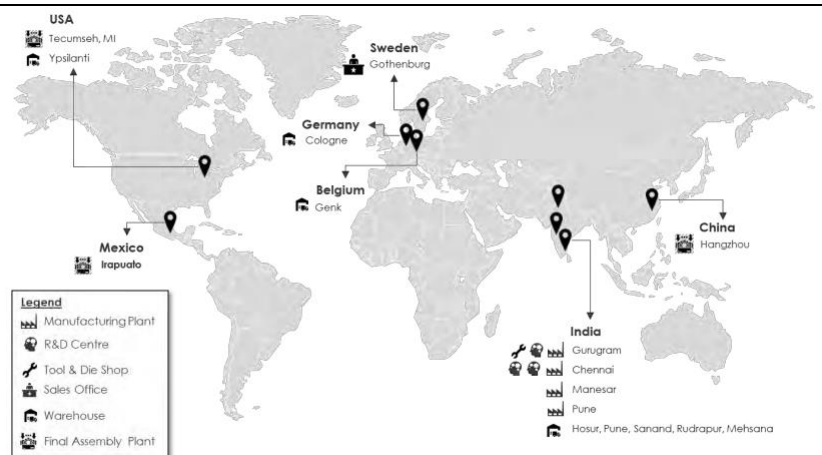
Sona BLW Precision Forgings Ltd. is one of India’s leading automotive technology companies which designs, manufactures and supplies highly engineered, mission critical automotive components. Initially the company was incorporated as “Sona Okegawa Forgings Limited” in 1995 and subsequently name was changed to “Sona BLW Precision Limited” in 2013. The company is a global supplier of automotive components and derives ~75% of its revenue from overseas market.

It has a vast product line that includes i) differential assemblies and precision forged differential bevel gears for both electrified and non-electrified PVs, CVs, OHVs and 3Ws, ii) conventional and micro-hybrid starter motors for PVs and LCVs iii) BSG systems, iv) EV traction motors (BLDC and PMSM) and v) motor control units for hybrid and e-PVs, hybrid and e-LCVs, e-2Ws and e-3Ws. Its customer base includes several automotive OEMs across India, US, Europe and China.

- The company is one of the largest exporters of starter motors from India and is expected to be among the Top 10 global starter motor suppliers in CY20 based on exposure to PV segment.
- It has increased its global market share of differential bevel gears and starter motors in FY20 (v/s FY19) to 5% (v/s 4.5%) and 3% (v/s 2.5%) respectively. It has global market share of 8.7% in BEV differential assembly.
- It is the largest manufacturer of differential gears (market share) for PV (55-60%), CV (80-90%) and tractor (75-85%) OEMs in India.

Strategically located manufacturing facilities- The company has 9 manufacturing and assembly facilities of which 6 are located in India and one each in China, Mexico and USA. Also it has eight warehouses across India, USA, Germany and Belgium.

Exhibit 1: Global manufacturing and assembly facilities

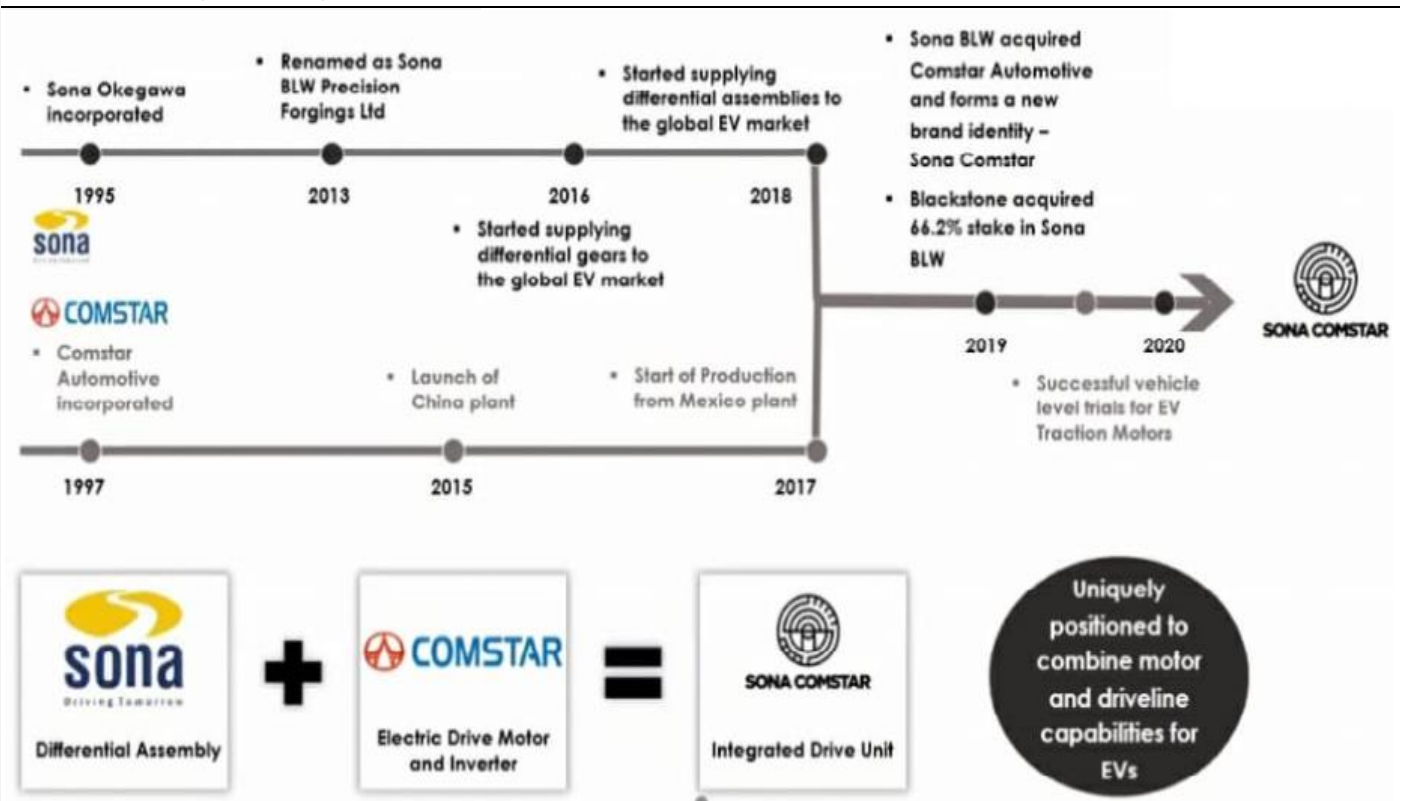


Source: Company, PL

Acquisition of Comstar Automotive Technology Pvt. Ltd.

- **Background of Comstar Automotive Technology-** It was incorporated as “Electrical and Fuel Handling India Pvt. Ltd.” in 1997. The name was subsequently changed to “Visteon Powertrain Control Systems India Pvt. Ltd.” In 1998.
- The name was later changed to “Comstar Automotive Technologies Pvt. Ltd.” and a fresh certificate of incorporation was issued in 2008.
- **Acquired Comstar entities-** Subsequently, Sona BLW completed acquisition of 100% equity shares of Comstar Automotive Technologies Pvt Ltd. and Comstar Hong Kong Ltd. and then later adopted “Sona Comstar” as their Brand name. Also, Blackstone acquired 66.2% stake in Sona BLW.
- **Products offering-** The company is engaged in the business of manufacturing and assembly of starter motors, controllers, alternators and starter kits forming part of automobile and EVs in domestic and global market.

Exhibit 2: Journey over the years



Source: Company, PL

Investment Thesis

Attractive candidate to play the EV momentum

- The global trend towards electrification of vehicles is gradually expanding led by several factors such as public awareness for climate change, government support, fiscal initiatives and stringent emission norms by several countries. This coupled with increasing investment in charging infrastructure and decline in battery prices contributes towards adoption of EVs.
- Among the available propulsion technologies, BEV has been growing fastest at ~46% CAGR over CY15-20 and is expected to grow by 36% CAGR between CY20-25.
- Currently 14% of the company's revenue mix is contributed by BEVs and ~27% by Micro Hybrid/Hybrid. Company won 15 EV systems and component development programs (won 8 in FY21) wherein regular production is yet to commence for 7 programs,
- The company has had market share of ~8.7% in BEV differential assembly in CY20. It is further expected to benefit from growing trend towards electrified drivetrains by increasing customer base and expanding share of business with existing EV customers.

Exhibit 3: Revenue realization to improve with increasing electrification

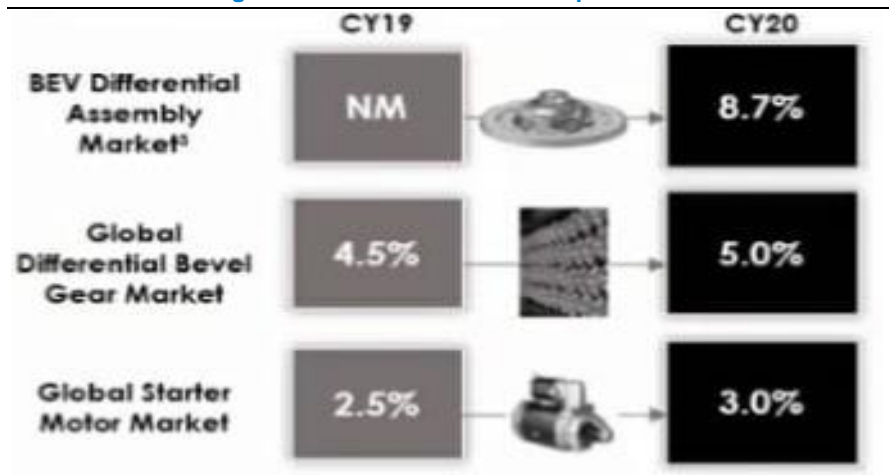
	ICE	ICE with Micro-Hybrid (Start-Stop)	ICE-Mild Hybrid	ICE-Full Hybrids	BEV (Battery Electric Vehicle)
Bevel Gears	100	= No change in design requirements of Bevel gear	= No change in design requirements of Bevel gear	=/+ Certain changes in design requirements of Bevel gear	+ Increased durability and NVH requirements
Differential Assembly	100	= No change in design requirements of differential assembly	= No change in design requirements of differential assembly	=/+ Certain changes in design requirements of differential assembly	+ Increased durability and NVH requirements
Starter Motor	100	+ Improved starter motor design to handle increased number of duty cycles	= No change in design requirements of starter motor	= No change in design requirements of starter motor	NA
BSG (Belt Starter Generator)	NA	Not Applicable (NA)	+ BSG to provide torque assist and other functionality	NA/+ May or may not have an engine with a BSG system	NA
Traction Motor	NA	Not Applicable (NA)	+/NA Depending on the topology there could be AN additional traction motor integrated in the TM or rear axle	++ Depending on the topology there could be one or more traction motor integrated in the transmission or the rear axle	++ Depending on the drive type there could a traction motor at front or rear axle or both axes.

Source: Company, PL

Aims to expand market share globally

- Sona Comstar has increased global market share of differential gears and starter motors in CY20 (v/s CY19) to 5% (v/s 4.5%) and 3% (v/s 2.5%) respectively. The company’s global market share of BEV differential assembly was 8.7% in CY20.
- As part of a strategy, company intend to penetrate in European markets for supplying differential assemblies and gears where it has limited scope for its driveline products.
- It also plans to expand its presence in China for supplying micro-hybrid starter motors for PV and LCVs as well as its 48V BSG systems for hybrid PVs due to the benefits from China’s growing position as a leading market for EV OEMs.
- The company is one amongst limited number of players who is well placed to integrate 3 constituents of electric powertrain (differential assembly, high voltage traction and high voltage inverters) into a single matched unit offering an efficient and compact solution to EV OEMs.

Exhibit 4: Increasing market share in several components



Source: Company, PL

Well diversified geographically but over dependent on PVs

- The company aims to mitigate cyclical impact of downturns in automotive through geographical diversification, together with distributed presence in PV, CV and OHV segments.
- **Diversification across geographies-** It has 9 manufacturing and assembly facilities of which 6 are located in India, one each in China, Mexico and USA as well as 8 warehouses across India, USA, Germany and Belgium. North America, Europe, India and China contribute 36%, 27%, 25% and 8% of the total revenue.

- **Presence across vehicle segments-** Company has a diversified customer base across all segments like PVs, CVs, OHVs with revenue mix of 68%, 14%, 17% respectively. However, it has failed to de-risk its dependence on PV segment with current revenue mix of ~68% (v/s 62% in FY19).
- **Diversification across powertrain-** The company's product offerings span across all type of conventional and electrified powertrain. This makes it one of the few automotive technology manufacturers that is well poised to witness growth due to changing industry trends. ICE, Battery EV and Hybrid contributes 25%, 14% and 27% of the total revenue mix while Power source neutral contributes remaining 34%.

Exhibit 5: Company's product offerings across various powertrain and vehicle segments

Products	Our Product Offerings Across Vehicle and Powertrain Segments					Description
	Passenger Vehicles	Commercial Vehicles	Off-Highway Vehicles	Three-Wheelers	Two-Wheelers	
Differential Assembly	BEV & Hybrid	BEV	BEV	BEV	NA	A mechanism including gears that transmits power to the wheels differently, allowing them to rotate at different speeds while executing a turn. Differential assembly is part of the drivetrain.
	ICE	ICE	ICE	ICE		
Differential Gears	BEV & Hybrid	BEV	BEV	BEV	NA	Gear arrangement which goes into the differential assembly
	ICE	ICE	ICE	ICE		
Starter Motors (Micro-hybrid and Conventional)	Hybrid	Hybrid	NA	NA	NA	Micro Hybrid- An electric device that apart from cranking the engine, automatically shuts the engine to reduce engine idle time
	ICE	ICE	No presence	No presence	No presence	Conventional- An electric device required to crank the engine and provide initial starting power to the engine
BSG	Hybrid	Hybrid	NA	No presence	No presence	Synchronous or asynchronous electric machine, which provides torque to the powertrain in motor mode and produces electricity in generator mode
EV Traction Motors (BLDC & PMSM) and Motor Control Units	BEV & Hybrid	No presence	No presence	BEV	BEV	Synchronous Motors powered by direct current (DC) electricity to drive the electric vehicles - PMSM for BEV & Hybrid PVs, BLDC for electric 2Ws & 3Ws. Motor Control Units regulate the power given to motors for providing the torque and speed to vehicle, and it also charges battery during braking

Source: PL, Company

Expensive valuations- Subscribe for Long term

- Sona Comstar is well placed to benefit from i) huge addressable market due to strong growth potential for EV/hybrid products (~41% of revenue), ii) diversification across geographies (~75% revenue from exports) and iii) market share gains in key products.
- However, over the past few years' company's financials have remained largely stable as EBITDA margin declined 70bp over FY19-21 despite revenue CAGR of ~5%. This was further followed by increase in working capital cycle and declining ROCE (~35% in FY21 v/s 40% in FY19).
- Also, challenges such as i) company's inability to de-risk PV mix (68% in FY21) and ii) issues related to EV industry such as scalability, changing technology and low penetration in India suggests caution.

- We do appreciate the company's product line with higher focus on EVs, diversification across segments/ geographies and market share expansion over the period. However, against these backdrops, post IPO valuations (38-40x of FY23 EPS) appear expensive as compared to other ancillary companies such as MSS (~22x), ENDU (~23x) and BHFC (~28x).
- New customer additions in EV space (~14% revenue mix from BEV) market share gains in China (currently ~8%) and realizations growth due to increasing EV/hybrid mix should prove as key catalyst. Hence, we believe listing gains are limited and recommend long term investors to SUBSCRIBE to the issue.

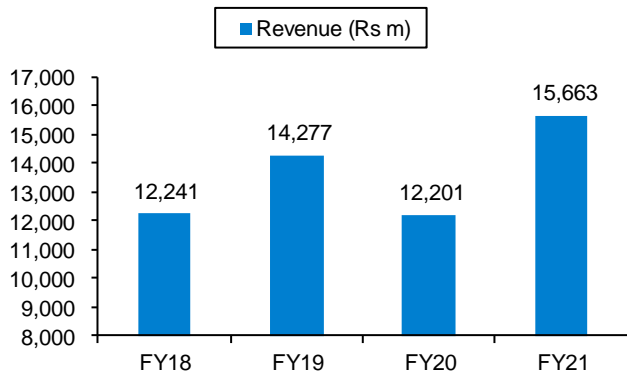
Key Risk

- Going forward, higher capex would be required in driveline business as it is currently operating at 75-80% utilization which might impact the return ratios.
- EV penetration is still lower specially in India and company might face challenges related to scalability, technological changes and competition.

Key highlights from Financial statement

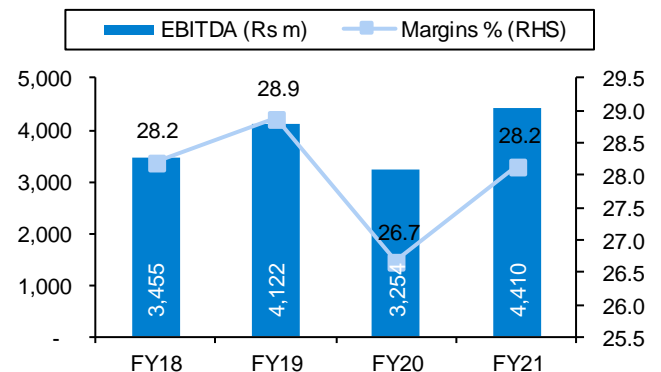
- Revenues grew ~9% CAGR over FY18-21 from Rs12.2b in FY18 to Rs15.7b in FY21.
- Segmental revenue- Revenue from Differential assembly and Micro hybrid starter motors grew ~72%/48% CAGR while it declined 6%/9% CAGR for Differential gears and Conventional starter motors over FY18-21.
- Gross margins declined 260bp over FY18-21. Despite 9% revenue CAGR, margins remained stable at 28.2% (v/s 26.7% in FY20 and 28.9% in FY19).
- The company reported EBITDA CAGR of ~9% over FY18-21 at Rs4.2b. Adj. PAT grew by ~10% CAGR over FY18-21 at Rs2.3b
- ROE over last 4 years largely remained stable at 36.4% in FY21 (v/s 36% in FY18) while ROCE declined significantly from 39.4% in FY18 to 34.8% in FY21.
- FY21 Revenue/EBITDA/ Adj. PAT grew 28%/ 36%/ 3% YoY respectively.

Exhibit 6: Revenues grew ~9% CAGR over FY18-21



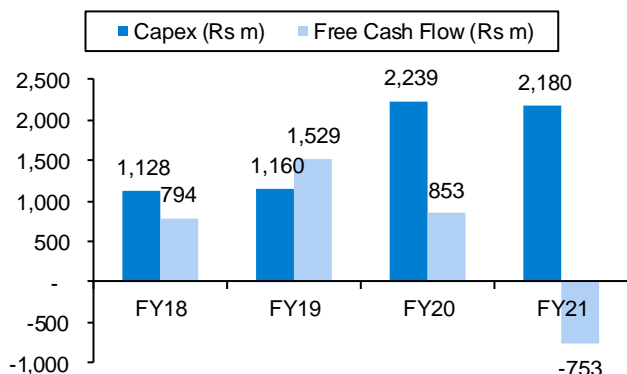
Source: Company, PL

Exhibit 7: Margins remained stable at 28.2%



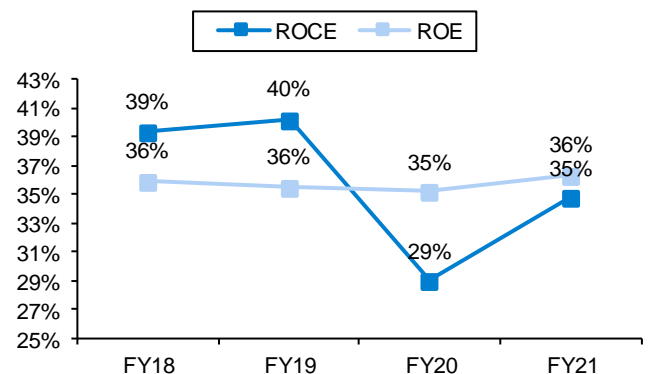
Source: Company, PL

Exhibit 8: Capex grew ~2x over last 4 years



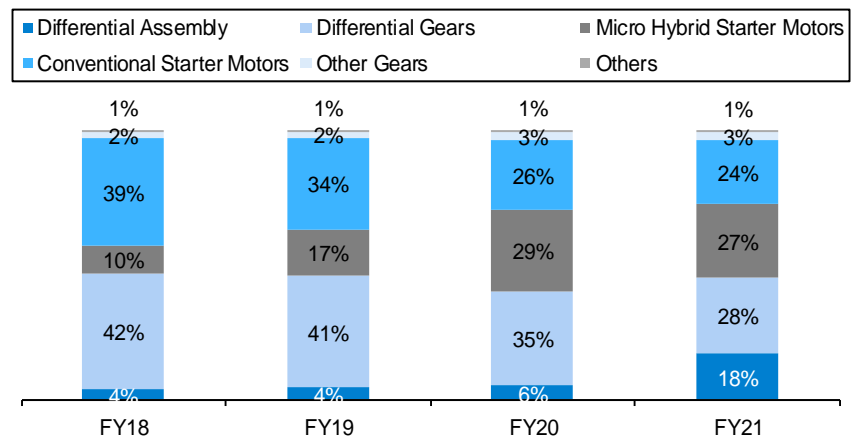
Source: Company, PL

Exhibit 9: ROE stable, ROCE declined 460bp over FY18-21



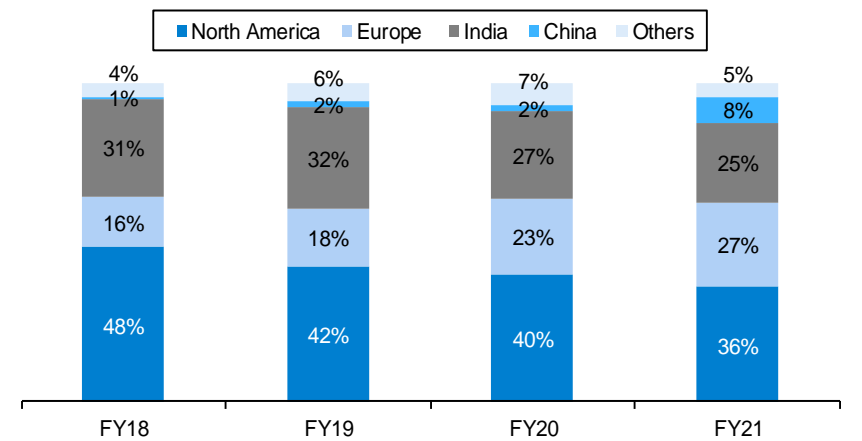
Source: Company, PL

Exhibit 10: Increasing sales mix of Differential Assembly/Hybrid starter motor



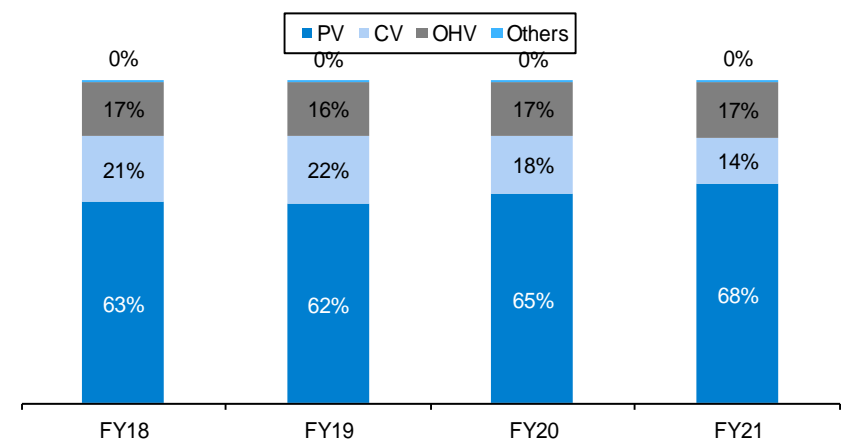
Source: Company, PL

Exhibit 11: Exports contribute ~75% of total revenue mix



Source: Company, PL

Exhibit 12: PV mix increased to 68% in FY21 (v/s 63% in FY18)

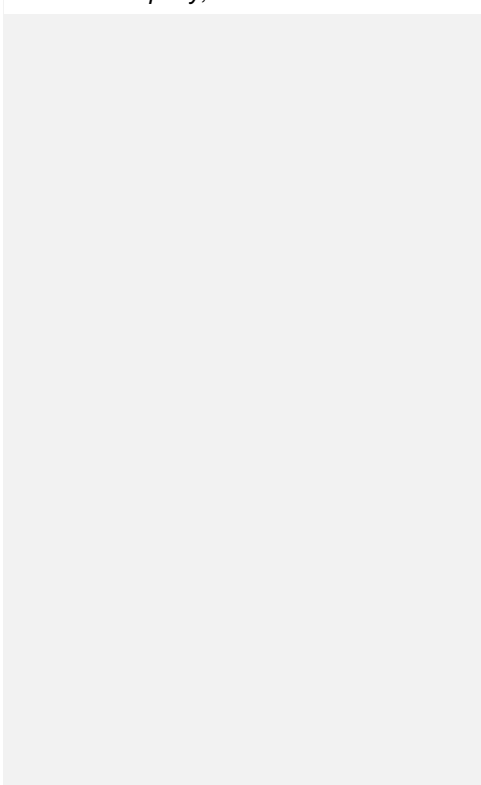


Source: Company, PL

Exhibit 13: Key Management Personnel

Name	Designation	Profile
Mr. Vivek Vikram Singh	Managing Director and Group Chief Executive Officer	He holds a Bachelor's degree in technology (computer science and engineering) from HBTI, Kanpur and a post graduate diploma in management from the Indian Institute of Management, Ahmedabad. He has over 15 years of experience, including six years of experience in the automotive industry. He joined this company on July 1, 2016. He was appointed as the Managing Director and Group Chief Executive Officer on our Board with effect from July 5, 2019.
Mr. Rohit Nanda	Group Chief Financial Officer	He is a qualified chartered accountant and has significant experience in diverse industries including steel, engineering, pharma, chemical and industrial goods, among others. Prior to joining this company, he was associated with, among others, Usha Martin Limited, MTAR Technologies Private Limited, Jindal Stainless Limited, SRF Limited and Ranbaxy Laboratories Limited. He joined this company on April 11, 2019.
Mr. Ajay Pratap Singh	Vice President (Legal), Company Secretary and Compliance Officer	He holds a bachelor's degree in law from the University of Delhi and is also a qualified company secretary. He is responsible for leading the secretarial functions and corporate legal portfolio of our Company. Prior to joining our Company, he has worked with Hindustan Construction Company Limited and was also associated with Nuvoco Vistas Corporation Limited (previously known as Lafarge India Limited), Jaypee Hotels Limited, Hero Motors Limited and Abhipra Capital Limited. He joined our Company on February 24, 2020.
Mr. Sat Mohan Gupta	Director and Chief Executive Officer of Comstar Automotive	He completed a master's degree course in commerce from the University of Delhi and is a qualified cost and management accountant. He is responsible for, among others, developing new products and achieving operational excellence in Comstar Automotive. He has over 35 years of experience in the auto industry. He joined Comstar Automotive in 1997. He was designated as the chief executive officer of Comstar Automotive on August 20, 2012.
Mr. Kiran Manohar Deshmukh	Chief Technology Officer	He holds a bachelor's degree of technology in metallurgical engineering from the Indian Institute of Technology, Bombay. Prior to joining our Company, he has worked with Bharat Gears Limited where during the term of his employment, he attended the training program at Gleason Works. He has also worked with Sona Koyo Steering Systems Limited as the deputy managing director and executive vice chairman, CQ Workskills Services Private Limited (now Sona Skill Development Centre Limited) as the managing director, SKAP Forging Private Limited as a director. He joined our Company on July 1, 2019.
Mr. Vadapalli Vikram Verma	Chief Executive Officer of Driveline division	He holds a bachelor's degree of technology in mechanical engineering from the Karnataka Regional Engineering College, Surathkal. He has significant experience in the automotive industry. He is responsible for, among others, customer acquisitions and providing leadership for operational excellence in our Company. Prior to joining our Company, he has worked with Sona Steering Systems Limited (now JTKET Limited). He joined our Company on April 26, 2007.

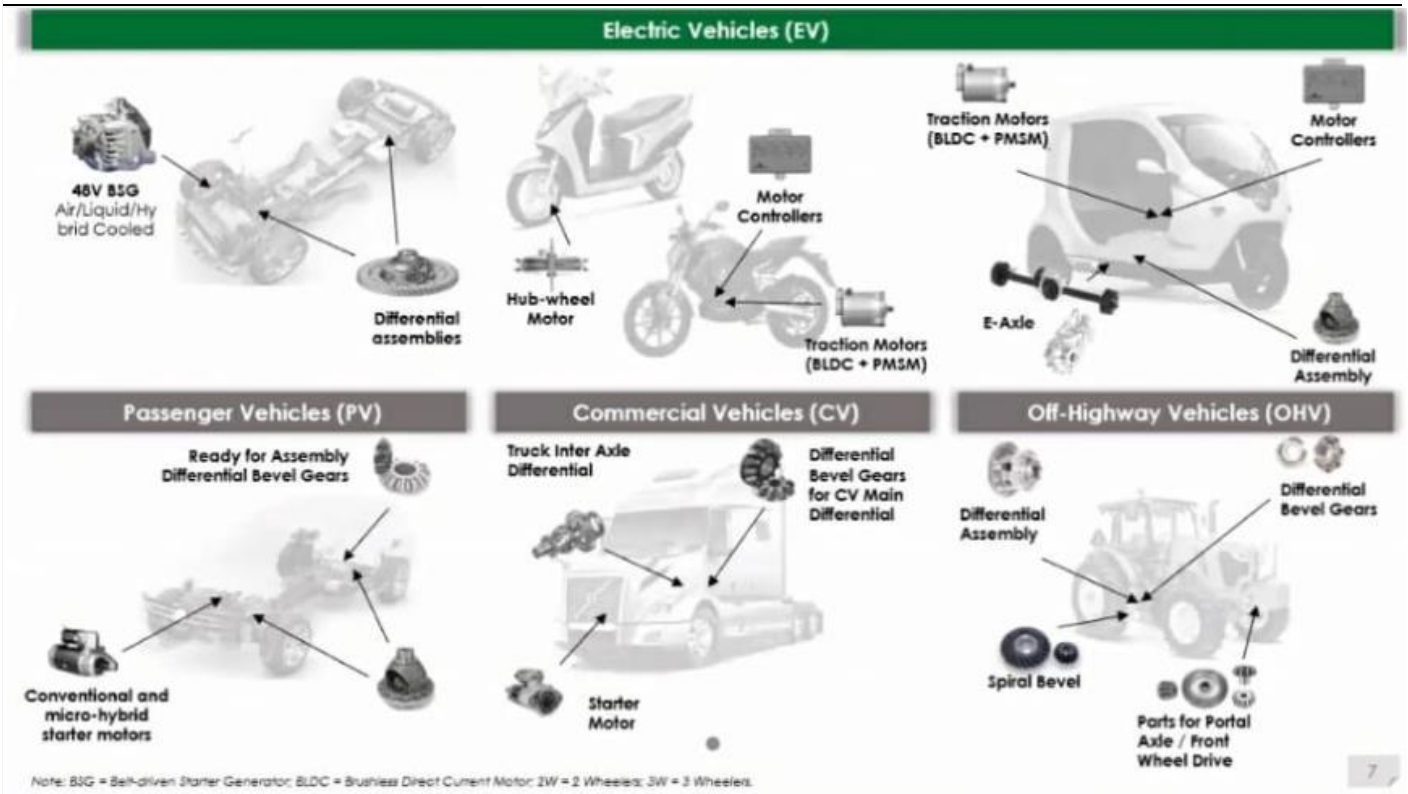
Source: Company, PL



Products Offering

The company's product offerings span across all type of conventional and electrified powertrain. This makes them one of the few automotive technology manufacturers that are well poised to witness growth due to changing industry trends. Company has a diversified customer base across all segments like PVs, CVs, OHVs, 3Ws and 2Ws.

Exhibit 14: Product offerings across all vehicle segments



Source: Company, PL

Differential Assembly (~18% of sales)

- The company design, develop and manufacture high torque drive units and several variants of differential assemblies. This includes final drive assembly, sealed differential, limited slip differential and forged case differential.
- It typically has a spherical radius of 20mm to 70mm, light weight ranging between 1kg to 15kg. It also offers differential assemblies with precision ground drive gear to meet stringent NVH requirements for EVs.
- The global differential assembly market size in 2020** is estimated to be 96m units for PVs, 4m units for CVs and 1.9m units for tractors. The same is expected to grow by ~6% and 4% CAGR for PVs and tractors during 2020-25.
- Peers-** Borg Warner, JTEKT Corp, Dana, American Axle Manufacturing, GKN, Hyundai, WIA Corp, etc.

Sona Comstar is the largest manufacturer of differential gears in India for PV, CV and tractor OEMs with market share of 55-60%, 80-90% and 75-85% respectively.

Differential Gears (~28% of sales)

- The company uses in-house developed advanced precision forging technology. These net-shaped gears provide significant advantages over conventional machine-cut gears. It caters to segments like PVs, HCVs, OHVs.
- Advantages- Superior quality, increased strength, higher durability, design flexibility, consistent uniformity, light weight and long-lasting performance.
- **The global bevel gear market size in 2020** is estimated to be 384m units for PVs, 34.3m units for CVs and 11.2m units for tractors. The same is expected to grow by ~6% and 4% CAGR for PVs and tractors during 2020-25.
- **Peers-** American Axle, Showa Corp, Musashi Seimitsu Industries, Meritor, GKN, etc. Sona Comstar was among Top-10 global players in differential bevel gear market on the basis of volumes supplied to PV, CV and tractors in CY20.

Conventional/ micro-hybrid starter motors (~51% of sales)

- The company designs, develop and manufacture various series of four and six poles starter motors. Some of the key features include compact and light weighting design ranging resulting in high power output.
- **Out of the total revenue from operations, conventional and micro hybrid starter motors contribute ~24%/27% revenue respectively.**
- In 2020, **total volume for starter motors produced was estimated at 68m units** of which 24.9m units were associated with pure ICE and remaining 43m were associated with EV related products (micro hybrids, full hybrids and plug-in hybrids). Total market size in value term was estimated at USD2.8b.
- **Total volumes for starter motors produced is expected to grow by 3% CAGR between FY20-25** with production of 80m units. Out of this, 16m would be contributed by pure ICE while remaining 64m are to be contributed by EV related products. Market size in value terms is estimated to be at USD2.9b
- **Peers-** Denso, Borg Warner, SEG Automotive, Hitachi, Valeo, etc. Sona Comstar's global market share of starter motors was 3% in CY20.
- **Belt-Driven Starter Generator (BSG)-** The company has developed 48V BSG (P0 configuration), which is a hybridization solution for hybrid PVs and LCVs. It has successfully completed vehicle level demonstration of 48BSG for hybrid PVs to selected OEMs and is currently undergoing rigorous testing in compliance with international standards.
- From value perspective the overall size of BSG market in CY20 was estimated at ~USD0.75b and is expected to reach ~USD1.8b in CY25.

Sona Comstar with approximate market share of 3% is among the top ten global starter motor suppliers.

Other Gears (~3% of sales)

The company designs, develop and manufacture gearbox gears, other bevel gears such as portal axle bevel gears, farm implement gears and rotavator gears and different variants of cylindrical gears such as, reverse idler gear, spur gears and mono-block gears.

Financials

Exhibit 15: Pro-forma Consolidated Income Statement (Rs mn)

Y/E Mar	FY18	FY19	FY20	FY21
Revenues	12,241	14,277	12,201	15,663
<i>YoY gr (%)</i>		<i>16.6</i>	<i>-14.5</i>	<i>28.4</i>
Cost of RM	5,059	5,616	5,117	7,095
Change in inventory of stock in trade	-331	169	22	-642
Excise duty	-	-	-	-
Employee benefit expenses	1,121	1,238	1,222	1,474
Other expenses	2,937	3,131	2,586	3,325
EBITDA	3,455	4,122	3,254	4,410
<i>YoY gr (%)</i>		<i>19.3</i>	<i>-21.1</i>	<i>35.5</i>
<i>Margin (%)</i>	<i>28.2</i>	<i>28.9</i>	<i>26.7</i>	<i>28.2</i>
Depreciation and Amortization	612	722	782	969
EBIT	2,843	3,400	2,472	3,441
<i>Margin (%)</i>	<i>23.2</i>	<i>23.8</i>	<i>20.3</i>	<i>22.0</i>
Net Interest	214	198	269	325
Other Income	91	58	76	23
Profit Before Tax	2,720	3,260	2,279	3,139
<i>Margin (%)</i>	<i>22.2</i>	<i>22.8</i>	<i>18.7</i>	<i>20.0</i>
Total Tax	1,005	1,131	62	848
<i>Effective tax rate (%)</i>	<i>37.0</i>	<i>34.7</i>	<i>2.7</i>	<i>27.0</i>
Profit After tax	1,715	2,129	2,217	2,291
Minority Interest	-	-	-	-
Share of profit from Associates	-	-	-	-
Adjusted PAT	1,715	2,129	2,217	2,291
<i>YoY gr (%)</i>		<i>24</i>	<i>4</i>	<i>3</i>
<i>Margin (%)</i>	<i>14.0</i>	<i>14.9</i>	<i>18.2</i>	<i>14.6</i>
Extra Ord. Income/ (Exp)	-	-	-	-139
Reported PAT	1,715	2,129	2,217	2,152
<i>YoY gr (%)</i>		<i>24</i>	<i>4</i>	<i>-3</i>
<i>Margin (%)</i>	<i>14.0</i>	<i>14.9</i>	<i>18.2</i>	<i>13.7</i>
Other comprehensive income	329	559	-300	-12
Total comprehensive income	2,044	2,688	1,918	2,139
Equity shares O/s (m)	573	573	573	573
EPS (Rs)	3.0	3.7	3.9	3.8

Source: Company, PL

Exhibit 16: Pro-Forma Consolidated Balance Sheet (Rs mn)

Y/E Mar	FY18	FY19	FY20	FY21
Non-Current Assets				
Gross Block	7,173	8,550	9,463	11,473
Tangibles	2,474	3,162	3,974	4,902
Intangibles	4,699	5,387	5,489	6,571
Acc Dep/Amortization	585	1,276	1,989	2,657
Tangibles	303	703	1,129	1,453
Intangibles	282	573	860	1,205
Net fixed Assets	6,587	7,274	7,474	8,815
Tangibles	2,171	2,459	2,845	3,449
Intangibles	4,417	4,814	4,629	5,366
Right of Use Assets	837	1,049	1,419	1,593
Capital Work in Progress	194	266	896	832
Goodwill on Consolidation	1,758	1,758	1,758	1,758
Non Current Investments	1,218	328	19	-
Net Deferred tax assets	-1,544	-1,523	-1,077	-1,260
Other Non-Current Assets	349	1,907	622	541
Current Assets				
Investments	202	129	-	-
Inventories	1,885	1,838	1,962	3,056
Trade Receivables	2,382	2,733	2,336	4,170
Cash & Bank balance	435	361	1,050	249
Other Current Assets	822	762	970	735
Total Assets	15,126	16,882	17,430	20,488
Equity				
Equity Share Capital	277	277	472	5,730
Other Equity	10,666	12,322	11,308	7,309
Total Networth	10,944	12,599	11,779	13,039
Minority Interest	-	-	-	-
Non Current Liabilities				
Long term borrowings	681	733	1,768	1,907
Provisions	46	57	67	87
Other non current assets	180	182	533	721
Current Liabilities				
ST Debt/ Current of LT Debt	651	620	846	1,145
Trade payables	1,614	1,393	1,162	2,241
Provisions	91	71	51	73
Other current liabilities	920	1,227	1,223	1,275
Total Equity & Liabilities	15,126	16,882	17,430	20,488

Source: Company, PL

Exhibit 17: Pro-forma Consolidated Cash Flow (Rs mn)

Y/E Mar	FY18	FY19	FY20	FY21
PBT	2,720	3,260	2,279	3,000
Depreciation	612	722	782	969
Interest	214	198	269	325
Other Income	-24	-30	-31	-29
Other Adjustments	1,009	1,115	587	288
Op. profit before WC changes	4,531	5,265	3,885	4,554
Net changes- WC	-1,556	-1,412	-394	-2,599
Direct Tax	-1,053	-1,164	-398	-528
Net cash from Op. activities	1,922	2,689	3,092	1,427
Capital Expenditure	-1,128	-1,160	-2,239	-2,180
Interest/Dividend Income	24	27	39	22
Others	402	-174	-7,286	598
Net cash from Inv. Activities	-702	-1,307	-9,487	-1,561
Issue of share cap./ premium	-	-	8,477	-
Debt changes	126	-222	1,460	608
Dividend paid	-1,257	-1,032	-1,731	-904
Interest paid	-198	-175	-205	-246
Others	61	-27	-918	-125
Net cash from Fin activities	-1,269	-1,456	7,083	-667
Net change in cash	-49	-74	689	-800
Free Cash Flow	794	1,529	853	-753

Source: Company, PL

**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



ANALYST CERTIFICATION

(Indian Clients)

We/I, Mr. Varun Baxi- MBA Finance & BTech, Mr. Amber Shukla- MBA Research Analysts, authors and the names subscribed to this report, hereby certify that all of the views expressed in this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

(US Clients)

The research analysts, with respect to each issuer and its securities covered by them in this research report, certify that: All of the views expressed in this research report accurately reflect his or her or their personal views about all of the issuers and their securities; and No part of his or her or their compensation was, is or will be directly related to the specific recommendation or views expressed in this research report.

DISCLAIMER

Indian Clients

Prabhudas Lilladher Pvt. Ltd, Mumbai, India (hereinafter referred to as "PL") is engaged in the business of Stock Broking, Portfolio Manager, Depository Participant and distribution for third party financial products. PL is a subsidiary of Prabhudas Lilladher Advisory Services Pvt Ltd. which has its various subsidiaries engaged in business of commodity broking, investment banking, financial services (margin funding) and distribution of third party financial/other products, details in respect of which are available at www.plindia.com.

This document has been prepared by the Research Division of PL and is meant for use by the recipient only as information and is not for circulation. This document is not to be reported or copied or made available to others without prior permission of PL. It should not be considered or taken as an offer to sell or a solicitation to buy or sell any security.

The information contained in this report has been obtained from sources that are considered to be reliable. However, PL has not independently verified the accuracy or completeness of the same. Neither PL nor any of its affiliates, its directors or its employees accepts any responsibility of whatsoever nature for the information, statements and opinion given, made available or expressed herein or for any omission therein.

Recipients of this report should be aware that past performance is not necessarily a guide to future performance and value of investments can go down as well. The suitability or otherwise of any investments will depend upon the recipient's particular circumstances and, in case of doubt, advice should be sought from an independent expert/advisor.

Either PL or its affiliates or its directors or its employees or its representatives or its clients or their relatives may have position(s), make market, act as principal or engage in transactions of securities of companies referred to in this report and they may have used the research material prior to publication.

PL may from time to time solicit or perform investment banking or other services for any company mentioned in this document.

PL is in the process of applying for certificate of registration as Research Analyst under Securities and Exchange Board of India (Research Analysts) Regulations, 2014

PL submits that no material disciplinary action has been taken on us by any Regulatory Authority impacting Equity Research Analysis activities.

PL or its research analysts or its associates or his relatives do not have any financial interest in the subject company.

PL or its research analysts or its associates or his relatives do not have actual/beneficial ownership of one per cent or more securities of the subject company at the end of the month immediately preceding the date of publication of the research report.

PL or its research analysts or its associates or his relatives do not have any material conflict of interest at the time of publication of the research report.

PL or its associates might have received compensation from the subject company in the past twelve months.

PL or its associates might have managed or co-managed public offering of securities for the subject company in the past twelve months or mandated by the subject company for any other assignment in the past twelve months.

PL or its associates might have received any compensation for investment banking or merchant banking or brokerage services from the subject company in the past twelve months.

PL or its associates might have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past twelve months

PL or its associates might have received any compensation or other benefits from the subject company or third party in connection with the research report.

PL encourages independence in research report preparation and strives to minimize conflict in preparation of research report. PL or its analysts did not receive any compensation or other benefits from the subject Company or third party in connection with the preparation of the research report. PL or its Research Analysts do not have any material conflict of interest at the time of publication of this report.

It is confirmed that Mr. Varun Baxi- MBA Finance & BTech, Mr. Amber Shukla- MBA Research Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months

Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

The Research analysts 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.

The research analysts for this report has not served as an officer, director or employee of the subject company PL or its research analysts have not engaged in market making activity for the subject company

Our sales people, traders, and other professionals or affiliates 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 are 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.

PL and its associates, their directors and employees may (a) from time to time, have a long or short position in, and buy or sell the securities of the subject company or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the subject company or act as an advisor or lender/borrower to the subject company or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions.

US Clients

This research report is a product of Prabhudas Lilladher Pvt. Ltd., 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 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 by Prabhudas Lilladher Pvt. Ltd. only 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, Prabhudas Lilladher Pvt. Ltd. has entered into an agreement with a U.S. registered broker-dealer, Marco Polo Securities Inc. ("Marco Polo").

Transactions in securities discussed in this research report should be effected through Marco Polo or another U.S. registered broker dealer.

Prabhudas Lilladher Pvt. Ltd.

3rd Floor, Sadhana House, 570, P. B. Marg, Worli, Mumbai-400 018, India | Tel: (91 22) 6632 2222 Fax: (91 22) 6632 2209

www.plindia.com