

Disappointing performance, Multiple challenges ahead

- SML Isuzu reported a dismal performance in Q4FY20. Revenue stood at Rs 2.7bn (-37% YoY) attributed 42% decrease in volume (2.47k units) offset by 9% increase in net ASP because of better product mix. Bus to Truck volume mix was in ratio of 69:31 with market share of 7.4% in the bus segment.
- EBITDA stood at Rs 86mn with margin of 3.2% (-635bps YoY) attributable to high RM costs and negative operating leverage. The company reported net loss of Rs 20mn due to poor operating performance.
- We continue to maintain negative view as FY21 could be tough year as challenges persist in the form of regulatory changes (cost rise due to the move from BS-IV to BS-VI) and negative economic impact of Covid-19. As schools and colleges remain shut, we do not see any revival in demand in the bus segment in FY21. The increasing penetration of EVs in bus segment and rising competitive intensity are key threats for the company.
- We roll forward our numbers from FY22 to FY23E and continue to maintain Sell, with a target price of Rs 316 (18x FY23E EPS).

Declining market share in Bus segment

SML's market share in the bus segment diminished by 132bps YoY to 7.4% in Q4FY20. The domestic bus volume de-grew 39% YoY to 1,544 units while the cargo volume decreased 51% to 703 units in Q4FY20.

The company has already incurred a capex of Rs 2bn in the past two years on technology upgrades, product development (improvement in cabin designing and a new paint shop), and capacity addition. We expect debt to remain flat in the absence of any material capex requirement in the foreseeable future.

Q4FY20 Result (Rs Mn)

Particulars	Q4FY20	Q4FY19	YoY (%)	Q3FY20	QoQ (%)
Revenue	2,722	4,296	(36.6)	1,765	54.2
Total Expense	2,636	3,887	(32.2)	1,950	35.1
EBITDA	86	409	(78.9)	(185)	(146.6)
Depreciation	107	95	11.8	99	7.9
EBIT	(21)	313	(106.5)	(284)	(92.8)
Other Income	15	14	4.9	9	77.6
Interest	27	45	(38.9)	35	(22.0)
EBT	(33)	283	(111.6)	(310)	(89.5)
Tax	(13)	63	(120.0)	(131)	(90.4)
RPAT	(20)	220	(109.1)	(179)	(88.8)
APAT	(20)	220	(109.1)	(179)	(88.8)
			(bps)		(bps)
Gross Margin (%)	23.5	27.1	(354)	20.3	324
EBITDA Margin (%)	3.2	9.5	(635)	(10.5)	1364
NPM (%)	(0.7)	5.1	(586)	(10.1)	940
Tax Rate (%)	38.5	22.3	1627	42.3	(381)
EBIT Margin (%)	(0.8)	7.3	(805)	(16.1)	1532

CMP	Rs 387
Target / Downside	Rs 316 / 19%
BSE Sensex	38,209
NSE Nifty	11,216

Script Details

Equity / FV	Rs 145mn / Rs 10
Market Cap	Rs 6bn
	US\$ 75mn
52-week High/Low	Rs 665/Rs 280
Avg. Volume (no)	85,773
NSE Symbol	SMLISUZU
Bloomberg Code	SM IN

Shareholding Pattern Mar'20(%)

Promoters	44.0
MF/Banks/FIs	1.5
FII	3.8
Public / Others	50.8

Valuation (x)

	FY21E	FY22E	FY23E
P/E	(7.4)	(20.7)	22.1
EV/EBITDA	(10.8)	69.1	8.0
ROE (%)	(22.0)	(9.2)	8.7
RoACE (%)	(14.1)	(4.5)	8.4

Estimates (Rs mn)

	FY21E	FY22E	FY23E
Revenue	4,946	7,986	11,829
EBITDA	(557)	94	787
PAT	(762)	(271)	254
EPS (Rs.)	(52.6)	(18.7)	17.5

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Exhibit 1: Actual vs DART Estimates

Particulars (Rs mn)	Actual	Dart Estimates	Variance (%)	Comments
Revenue	2,722	2,479	10	
EBIDTA	86	92	(6)	Higher RM cost
EBIDTA Margin (%)	3.2	3.7	(54)	
APAT	(20)	(13)	55	NA

Source: Company, DART

Exhibit 2: Change in Estimates

Rs Mn	FY21E			FY22E		
	New	Previous	Chg (%)	New	Previous	Chg (%)
Revenue	4,946	9,523	(48.1)	7,986	12,036	(33.6)
EBITDA	(557)	66	(948.7)	94	657	(85.6)
EBITDA Margin (%)	(11.3)	0.7	(1,195)bps	1.2	5.5	(428)bps
PAT	(762)	(327)	133.4	(271)	105	(358.8)
EPS (Rs)	(52.6)	(22.6)	133.4	(18.7)	7.2	(358.8)

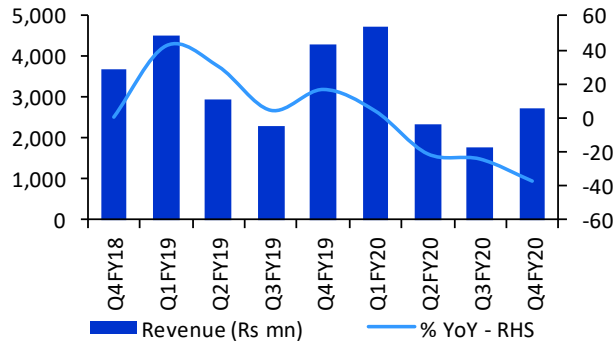
Source: DART, Company

Exhibit 3: Key Assumptions

(in units)	FY19	FY20	FY21E	FY22E	FY23E
Buses	7,827	6,581	3,027	4,843	6,840
% YoY	28.2	(15.9)	(54.0)	60.0	41.2
Trucks	5,143	3,318	1,222	1,830	2,638
% YoY	7.3	(35.5)	(63.2)	49.8	44.1
Domestic Volume	12,970	9,899	4,249	6,673	9,478
% YoY	19.0	(23.7)	(57.1)	57.1	42.0
Exports	688	595	295	426	609
% YoY	46.7	(13.5)	(50.5)	44.5	42.9
Total Volume	13,658	10,494	4,543	7,099	10,086
% YoY	20.1	(23.2)	(56.7)	56.2	42.1

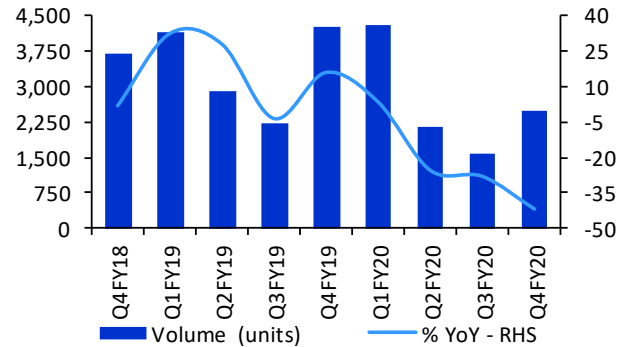
Source: DART, Company

Exhibit 4: Revenue declined YoY/QoQ



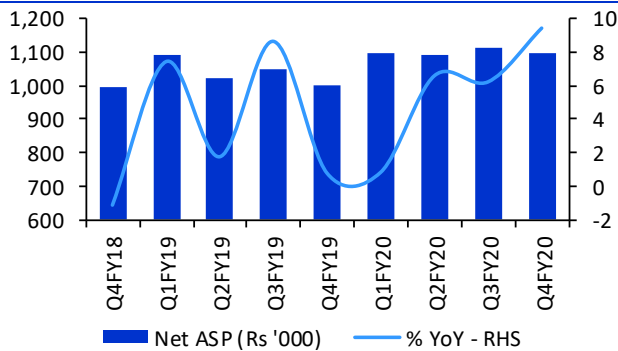
Source: DART, Company

Exhibit 5: Volume declined sharply



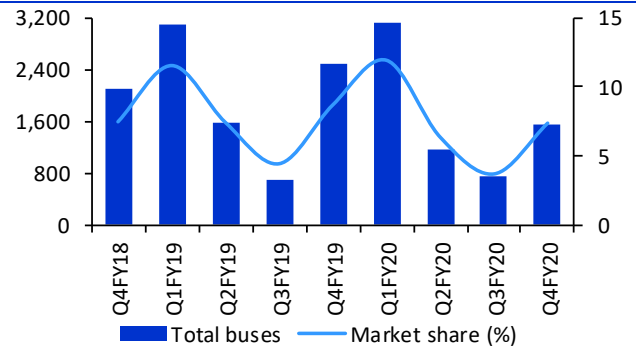
Source: DART, Company

Exhibit 6: Net ASP improved on a YoY basis



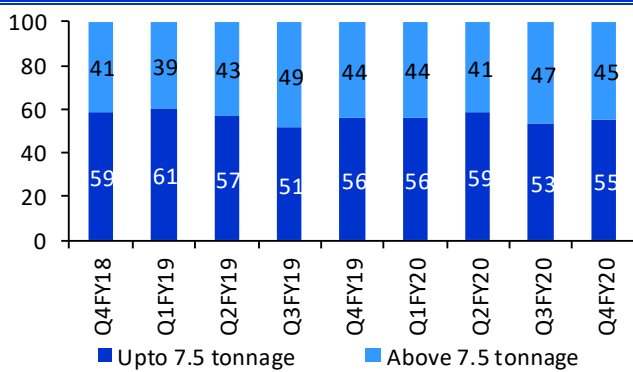
Source: DART, Company

Exhibit 7: Bus segment market share (%)



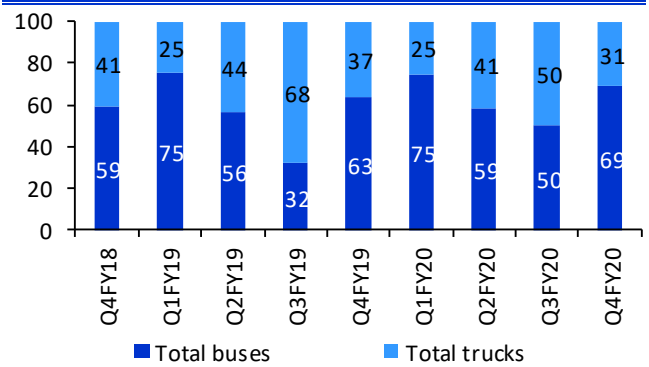
Source: DART, Company

Exhibit 8: Product mix by tonnage (%)



Source: DART, Company

Exhibit 9: Product mix by segment (%)



Source: DART, Company

Profit and Loss Account

(Rs Mn)	FY20E	FY21E	FY22E	FY23E
Revenue	11,542	4,946	7,986	11,829
Total Expense	11,423	5,503	7,892	11,043
COGS	9,042	3,759	5,910	8,754
Employees Cost	1,552	1,164	1,257	1,382
Other expenses	829	580	725	907
EBIDTA	119	(557)	94	787
Depreciation	407	419	441	477
EBIT	(288)	(976)	(346)	310
Interest	146	107	89	81
Other Income	51	67	74	81
Exc. / E.O. items	0	0	0	0
EBT	(383)	(1,016)	(362)	310
Tax	(173)	(254)	(90)	56
RPAT	(211)	(762)	(271)	254
Minority Interest	0	0	0	0
Profit/Loss share of associates	0	0	0	0
APAT	(211)	(762)	(271)	254

Balance Sheet

(Rs Mn)	FY20E	FY21E	FY22E	FY23E
Sources of Funds				
Equity Capital	145	145	145	145
Minority Interest	0	0	0	0
Reserves & Surplus	3,704	2,942	2,653	2,873
Net Worth	3,849	3,086	2,798	3,018
Total Debt	1,362	1,432	1,232	1,082
Net Deferred Tax Liability	(152)	(300)	(200)	20
Total Capital Employed	5,059	4,219	3,830	4,120

Applications of Funds

Net Block	4,262	4,093	3,952	3,975
CWIP	32	100	150	100
Investments	0	0	0	0
Current Assets, Loans & Advances	4,141	3,169	3,840	5,104
Inventories	2,689	1,168	2,218	2,957
Receivables	395	275	555	986
Cash and Bank Balances	363	1,007	323	391
Loans and Advances	694	719	744	769
Other Current Assets	0	0	0	0
Less: Current Liabilities & Provisions	3,376	3,143	4,112	5,059
Payables	1,075	550	1,220	1,807
Other Current Liabilities	2,300	2,593	2,891	3,251
sub total				
Net Current Assets	766	26	(272)	45
Total Assets	5,059	4,219	3,830	4,120

E – Estimates

Important Ratios

Particulars	FY20E	FY21E	FY22E	FY23E
(A) Margins (%)				
Gross Profit Margin	21.7	24.0	26.0	26.0
EBIDTA Margin	1.0	(11.3)	1.2	6.6
EBIT Margin	(2.5)	(19.7)	(4.3)	2.6
Tax rate	45.0	25.0	25.0	18.0
Net Profit Margin	(1.8)	(15.4)	(3.4)	2.1
(B) As Percentage of Net Sales (%)				
COGS	78.3	76.0	74.0	74.0
Employee	13.4	23.5	15.7	11.7
Other	7.2	11.7	9.1	7.7
(C) Measure of Financial Status				
Gross Debt / Equity	0.4	0.5	0.4	0.4
Interest Coverage	(2.0)	(9.1)	(3.9)	3.8
Inventory days	85	86	101	91
Debtors days	12	20	25	30
Average Cost of Debt	8.3	7.7	6.7	7.0
Payable days	34	41	56	56
Working Capital days	24	2	(12)	1
FA T/O	2.7	1.2	2.0	3.0
(D) Measures of Investment				
AEPS (Rs)	(14.5)	(52.6)	(18.7)	17.5
CEPS (Rs)	13.6	(23.7)	11.7	50.4
DPS (Rs)	0.0	0.0	1.0	2.0
Dividend Payout (%)	0.0	0.0	(5.3)	11.4
BVPS (Rs)	265.8	213.1	193.2	208.4
RoANW (%)	(5.3)	(22.0)	(9.2)	8.7
RoACE (%)	(1.1)	(14.1)	(4.5)	8.4
RoAIC (%)	(5.4)	(24.7)	(10.3)	8.6
(E) Valuation Ratios				
CMP (Rs)	387	387	387	387
P/E	(26.6)	(7.4)	(20.7)	22.1
Mcap (Rs Mn)	5,607	5,607	5,607	5,607
MCap/ Sales	0.5	1.1	0.7	0.5
EV	6,606	6,033	6,517	6,298
EV/Sales	0.6	1.2	0.8	0.5
EV/EBITDA	55.6	(10.8)	69.1	8.0
P/BV	1.5	1.8	2.0	1.9
Dividend Yield (%)	0.0	0.0	0.3	0.5
(F) Growth Rate (%)				
Revenue	(18.1)	(57.1)	61.5	48.1
EBITDA	(84.0)	(568.3)	(116.9)	734.3
EBIT	(180.2)	238.5	(64.5)	(189.5)
PBT	(257.5)	165.3	(64.4)	(185.6)
APAT	(207.6)	262.0	(64.4)	(193.6)
EPS	(207.6)	262.0	(64.4)	(193.6)
Cash Flow				
(Rs Mn)	FY20E	FY21E	FY22E	FY23E
CFO	1,696	999	(28)	784
CFI	(630)	(319)	(350)	(450)
CFF	(927)	(37)	(306)	(265)
FCFF	1,066	681	(378)	334
Opening Cash	302	363	1,007	323
Closing Cash	363	1,007	323	391

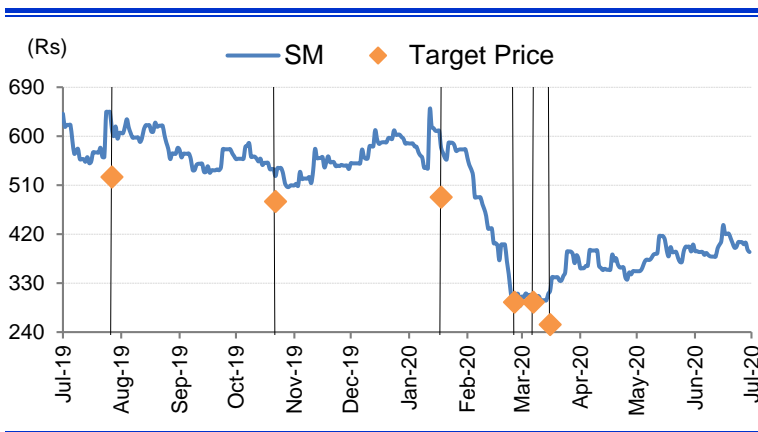
E – Estimates

DART RATING MATRIX

Total Return Expectation (12 Months)

Buy	> 20%
Accumulate	10 to 20%
Reduce	0 to 10%
Sell	< 0%

Rating and Target Price History



Month	Rating	TP (Rs.)	Price (Rs.)
Aug-19	Sell	525	614
Nov-19	Sell	480	527
Feb-20	Sell	488	579
Mar-20	Reduce	295	310
Mar-20	Reduce	295	292
Apr-20	Sell	254	316

*Price as on recommendation date

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