

# Motherson Sumi

Refer to important disclosures at the end of this report

## Margin aided by turnaround in SMP's Greenfield plants; maintain Buy

CMP: Rs 127  
as of (November 10, 2020)

TP: Rs 139 (▲)  
12 months

Rating: BUY (■)

Upside: 8.9 %

- Q2FY21 EBITDA margin expanded 120bps yoy to 10%, above the estimate of 9.1%, owing to better SMP margin. The positive highlight was a turnaround in SMP's new Greenfield plants, due to better scale and cost reduction efforts.
- SMR PBV order-book is healthy at EUR13.1bn, relating to Europe, Americas and Asia regions. These orders would be serviced from existing plants, and no new Greenfield investments are required. We expect average FCFs at Rs23bn/year over FY21-23E.
- The ongoing restructuring exercise remains on track, and this revision in organization structure is a key step toward the company's Vision 2025 – revenue target of USD36bn with ROCE of 40% vs. 2020 revenue of USD12bn and adjusted ROCE of 25%.
- Led by better margins in SMP, we upgrade FY21-23 EBITDA estimates by 4-7%. Following the revision, we expect EBITDA CAGR at 14% over FY20-23E. Retain Buy with a TP of Rs139 (Rs133 earlier), based on 20x FY23E EPS.

**What we like?** 1) Utilization levels stand at over 75% at ~80% of the plants. China and India plants are seeing high levels of utilization. Europe/Americas plants are expected to see further improvement in coming months. 2) SMP margin surged 300bps to 7.2%, led by turnaround in Greenfield plants. Focus continues on improving profitability at Greenfield plants. 3) SMR PBV order-book stands at EUR13.1bn, across Americas, Europe and Asia regions. These orders are expected to be serviced from existing plants. 4) Globally, CV orders are picking up -- this should positively support PKC's performance in future. 5) Liquidity situation has been enhanced from Rs100bn in Jun'20 to Rs116bn in Sep'20. This should help, if there are any acquisition opportunities. 6) Net debt (excl lease liabilities) declined from Rs91bn in Jun'20 to Rs75bn in Sep'20. Interest costs should fall going ahead.

**What we did not like?** Revenue fell marginally by 2% yoy to Rs156bn, below our estimate of Rs165bn, owing to lower-than-expected revenue in overseas entities. We expect revenue performance to improve going ahead on recovery in underlying segments and healthy order-book in SMR PBV.

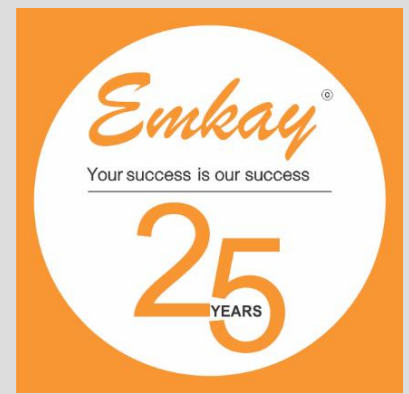
**Retain Buy:** Our positive view is underpinned by strong management capabilities and expectations of recovery in underlying segments. In addition, the proposed restructuring exercise aligns interests of all stakeholders and creates a platform for future growth through both inorganic and organic routes. Reduced stake of Sumitomo Wiring Systems in MSS will allow to pursue acquisition opportunities more aggressively. This restructuring exercise is a step toward the company's Vision 2025 – revenue target of USD36bn with ROCE of 40%. We retain Buy with a TP of Rs139 (Rs133 earlier), based on 20x FY23E EPS. Key downside risks are demand contraction in target markets, weak performance of larger clients, and adverse currency rates, among others.

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

### Financial Snapshot (Consolidated)

(Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	635,229	635,369	587,479	697,856	766,508
EBITDA	53,484	52,014	41,906	69,276	77,738
EBITDA Margin (%)	8.4	8.2	7.1	9.9	10.1
APAT	16,131	11,701	8,834	18,264	21,898
EPS (Rs)	5.1	3.7	2.8	5.8	6.9
EPS (% chg)	(9.1)	(27.5)	(24.5)	106.7	19.9
ROE (%)	15.7	10.7	7.8	15.2	16.8
P/E (x)	24.9	34.4	45.5	22.0	18.4
EV/EBITDA (x)	8.9	9.0	11.0	6.4	5.3
P/BV (x)	3.7	3.6	3.5	3.2	3.0

Source: Company, Emkay Research



### Change in Estimates

EPS Chg FY21E/FY22E (%)	12.9/8.1
Target Price change (%)	4.3
Target Period (Months)	12
Previous Reco	BUY

### Emkay vs Consensus

	EPS Estimates	
	FY21E	FY22E
Emkay	2.8	5.8
Consensus	1.6	5.8
Mean Consensus TP (12M)	Rs 125	

### Stock Details

Bloomberg Code	MSS IN
Face Value (Rs)	1
Shares outstanding (mn)	3,158
52 Week H/L	151 / 49
M Cap (Rs bn/USD bn)	402 / 5.42
Daily Avg Volume (nos.)	16,507,070
Daily Avg Turnover (US\$ mn)	25.4

### Shareholding Pattern Sep '20

Promoters	61.7%
FIIIs	16.0%
DIIIs	13.6%
Public and Others	8.7%

### Price Performance

(%)	1M	3M	6M	12M
Absolute	5	21	65	(1)
Rel. to Nifty	(1)	8	21	(7)

### 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:

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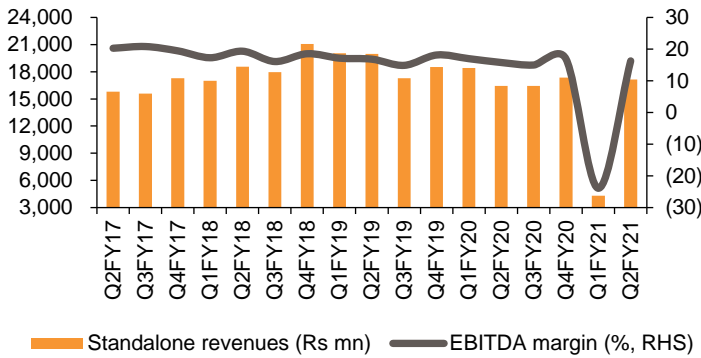
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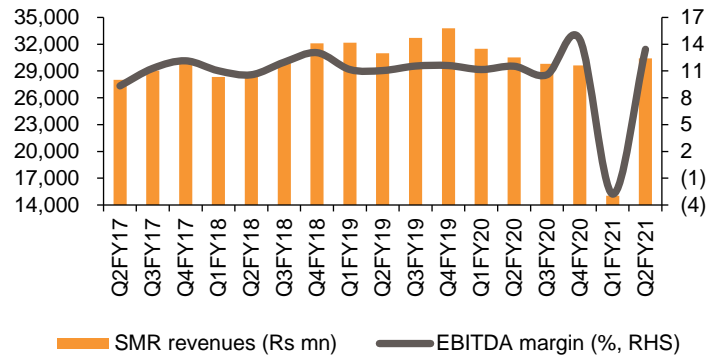
# Story in Charts

**Exhibit 1: Standalone revenue grew 4% yoy and margin expanded to 16.3%**



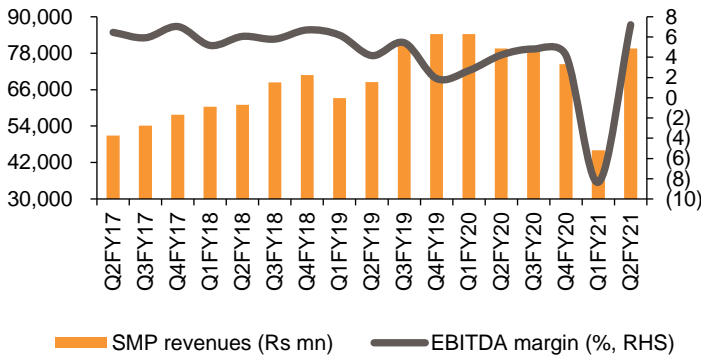
Source: Company, Emkay Research

**Exhibit 2: SMR revenue flat yoy and margin expanded to 13.4%**



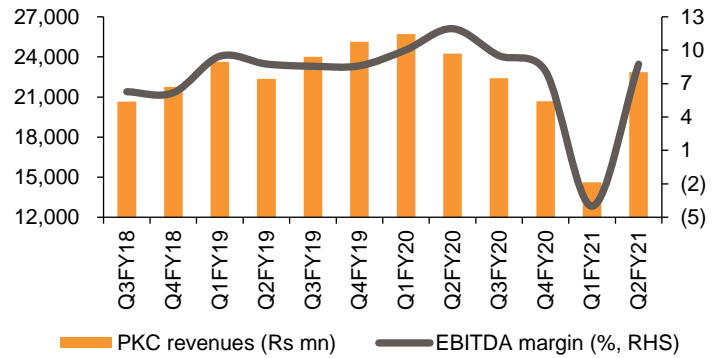
Source: Company, Emkay Research

**Exhibit 3: SMP revenue flat yoy and margin expanded to 7.2%**



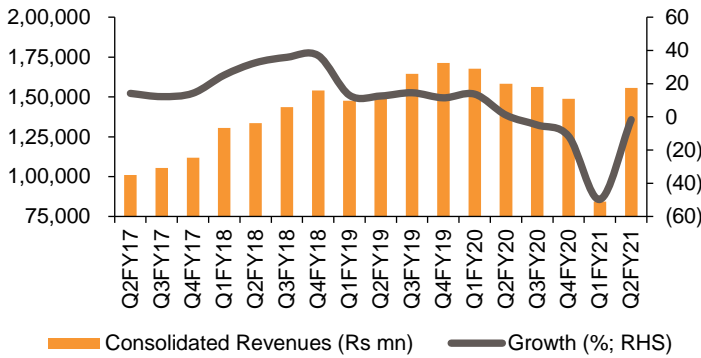
Source: Company, Emkay Research

**Exhibit 4: PKC revenue fell 6% yoy and margin contracted to 8.7%**



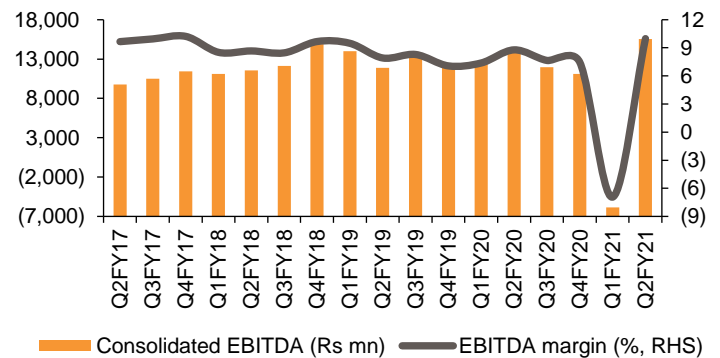
Source: Company, Emkay Research

**Exhibit 5: Consolidated revenues was marginally lower, by 2% yoy**



Source: Company, Emkay Research

**Exhibit 6: Consolidated EBITDA margin expanded to 10%, above estimates, owing to better SMP margins**



Source: Company, Emkay Research

**Exhibit 7: Revenue and EBITDA breakdown**

Rs. Mn	FY18	FY19	FY20	FY21E	FY22E	FY23E
<b>Sales</b>	<b>562,933</b>	<b>635,229</b>	<b>635,369</b>	<b>587,479</b>	<b>697,856</b>	<b>766,508</b>
MSSL	74,561	75,813	68,738	60,804	76,755	85,775
SMR	118,850	129,764	121,385	112,647	129,099	134,674
SMPL	260,488	297,469	317,364	304,915	358,807	392,649
PKC	78,705	95,138	92,712	80,978	99,433	116,947
Others (bal)	30,330	37,045	35,169	28,135	33,763	36,464
<b>EBIDTA</b>	<b>51,226</b>	<b>53,484</b>	<b>52,014</b>	<b>41,906</b>	<b>69,276</b>	<b>77,738</b>
MSSL	13,319	12,728	11,020	8,406	12,398	14,295
SMR	14,262	14,724	14,179	12,616	17,428	18,181
SMPL	15,469	12,782	12,446	12,806	25,116	27,878
PKC	5,433	8,495	9,295	5,264	9,943	12,279
Others (bal)	2,743	4,755	5,075	2,814	4,389	5,105
<b>EBIDTA margins</b>	<b>9.1%</b>	<b>8.4%</b>	<b>8.2%</b>	<b>7.1%</b>	<b>9.9%</b>	<b>10.1%</b>
MSSL	17.9%	16.8%	16.0%	13.8%	16.2%	16.7%
SMR	12.0%	11.3%	11.7%	11.2%	13.5%	13.5%
SMPL	5.9%	4.3%	3.9%	4.2%	7.0%	7.1%
PKC	6.9%	8.9%	10.0%	6.5%	10.0%	10.5%
Others (bal)	9.0%	12.8%	14.4%	10.0%	13.0%	14.0%

Source: Company, Emkay Research

**Exhibit 8: Revision in estimates**

Rs mn	FY21E			FY22E			FY23E			
	Earlier	Revised	% Change	Revised	% Change	% YoY	Earlier	Revised	% Change	% YoY
Sales	600,118	587,479	(2.1)	697,856	(4.8)	18.8	803,795	766,508	(4.6)	9.8
EBIDTA	39,174	41,906	7.0	69,276	4.7	65.3	74,576	77,738	4.2	12.2
EBIDTA margins (%)	6.5	7.1	63 bps	9.9	93 bps	279 bps	9.3	10.1	84 bps	21 bps
Net Profits	7,825	8,834	12.9	18,264	8.1	106.7	20,931	21,898	4.6	19.9
EPS	2.5	2.8	12.9	5.8	8.1	106.7	6.6	6.9	4.6	19.9

Source: Company, Emkay Research

**Exhibit 9: Actual vs. Estimates (Q2FY21)**

(Rs mn)	Actual	Estimates		% Variation		Comment
		Emkay	Consensus	Emkay	Consensus	
Total Revenue	155,570	165,041	151,215	(5.7)	2.9	Below estimates due to lower-than-expected revenue in overseas businesses
EBITDA	15,530	14,946	11,121	3.9	39.6	
EBITDA Margin (%)	10.0	9.1	7.4	93 bps	263 bps	Above estimates led by turnaround in SMP's Greenfield plants
Adjusted Net profit	3,720	4,560	2,560	-18.4	45.3	Below estimates mainly due to higher interest expenses

Source: Bloomberg, Company, Emkay Research

**Exhibit 10: Quarterly summary (Consolidated) – Excludes Domestic wiring harness division**

Rs mn	Q2FY20	Q1FY21	Q2FY21	YoY (%)	QoQ (%)
<b>Revenue</b>	<b>152,597</b>	<b>83,484</b>	<b>149,572</b>	<b>(2.0)</b>	<b>79.2</b>
<b>Expenditure</b>	<b>140,516</b>	<b>88,990</b>	<b>135,654</b>	<b>(3.5)</b>	<b>52.4</b>
<i>as % of sales</i>	<i>92.1</i>	<i>106.6</i>	<i>90.7</i>		
Consumption of RM	88,012	49,558	83,829	(4.8)	69.2
<i>as % of sales</i>	<i>57.7</i>	<i>59.4</i>	<i>56.0</i>		
Employee Cost	34,637	27,839	35,185	1.6	26.4
<i>as % of sales</i>	<i>22.7</i>	<i>33.3</i>	<i>23.5</i>		
Other expenditure	17,867	11,594	16,640	(6.9)	43.5
<i>as % of sales</i>	<i>11.7</i>	<i>13.9</i>	<i>11.1</i>		
<b>EBITDA</b>	<b>12,082</b>	<b>(5,507)</b>	<b>13,918</b>	<b>15.2</b>	
Depreciation	6,390	6,994	7,346	15.0	5.0
<b>EBIT</b>	<b>5,692</b>	<b>(12,501)</b>	<b>6,572</b>	<b>15.5</b>	
Other Income	805	473	553	(31.3)	16.8
Interest	1,240	1,101	1,269	2.3	15.3
<b>PBT</b>	<b>5,256</b>	<b>(13,128)</b>	<b>5,856</b>	<b>11.4</b>	
Total Tax	1,716	(1,914)	1,657	(3.5)	
<b>PAT</b>	<b>3,541</b>	<b>(11,214)</b>	<b>4,199</b>	<b>18.6</b>	
(Profit)/loss from JV's/Ass/MI	(496)	3,810	(1,088)		
<b>Adj. PAT after MI from continued ops</b>	<b>3,045</b>	<b>(7,404)</b>	<b>3,111</b>	<b>2.2</b>	
Extra ordinary items	-	-	(596)		
<b>Reported PAT from continued ops</b>	<b>3,045</b>	<b>(7,404)</b>	<b>2,515</b>	<b>(17.4)</b>	
Adjusted EPS	1.0	-2.3	1.0	2.2	
<b>Discontinued ops (DWH)</b>					
Revenue	9,152	2,004	10,793	17.9	438.5
PBT	954	(930)	1,151	20.7	
<b>PAT</b>	<b>801</b>	<b>(701)</b>	<b>861</b>	<b>7.5</b>	

Source: Company, Emkay Research

**Exhibit 11: Standalone – Quarterly snapshot**

Rs mn	Q2FY20	Q1FY21	Q2FY21	% YoY	% QoQ
Sales	9,673	2,777	9,956	2.9	258.5
EBITDA	1,389	(331)	1,393	0.3	
<i>EBITDA margins (%)</i>	<i>14.4</i>	<i>(11.9)</i>	<i>14.0</i>	<i>(36) bps</i>	<i>2,591 bps</i>
Depreciation	522	503	503	(3.7)	0.1
Reported PAT from continued ops	941	(552)	658	(30.1)	
Adj. PAT from continued ops	941	(552)	856	(9.1)	
<b>Discontinued ops (DWH)</b>					
Revenue	9,152	2,004	10,793	17.9	438.5
PBT	954	(930)	1,151	20.7	
<b>PAT</b>	<b>801</b>	<b>(701)</b>	<b>861</b>	<b>7.5</b>	

Source: Company, Emkay Research

**Exhibit 12: SMR – Quarterly snapshot**

Rs mn	Q2FY20	Q1FY21	Q2FY21	% YoY	% QoQ
Sales (Eur mn)	390	180	350	(10.3)	94.4
Sales	30,510	15,037	30,426	(0.3)	102.3
EBITDA	3,520	(418)	4,086	16.1	(1,078.1)
EBITDA margins (%)	11.5	(2.8)	13.4	189 bps	1,621 bps

Source: Company, Emkay Research

**Exhibit 13: SMP – Quarterly snapshot**

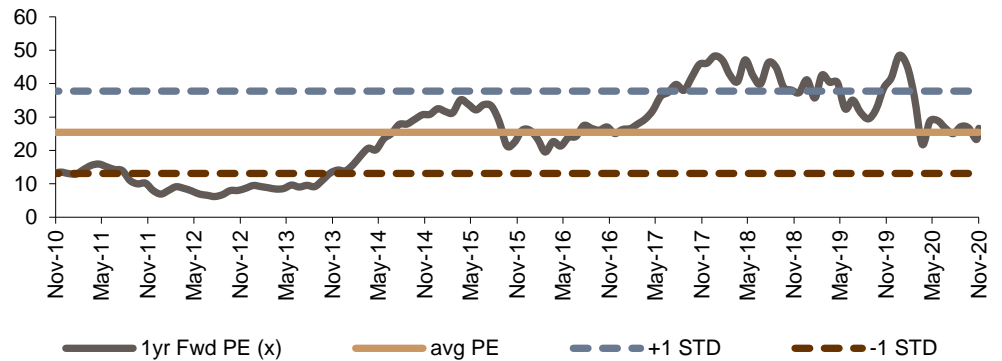
Rs mn	Q2FY20	Q1FY21	Q2FY21	% YoY	% QoQ
Sales (Eur mn)	1,017	551	915	(10.0)	66.1
Sales	79,560	46,031	79,541	(0.0)	72.8
Adj EBITDA	3,364	(3,843)	5,737	70.6	(249.3)
Adj EBITDA margins (%)	4.2	(8.3)	7.2	298 bps	1,556 bps

Source: Company, Emkay Research

**Exhibit 14: PKC – Quarterly snapshot**

Rs mn	Q2FY20	Q1FY21	Q2FY21	% YoY	% QoQ
Sales (Eur mn)	310	175	263	(15.2)	50.3
Sales	24,251	14,620	22,863	(5.7)	56.4
Adj EBITDA	2,895	(585)	1,999	(30.9)	(441.9)
Adj EBITDA margins (%)	11.9	(4.0)	8.7	(319) bps	1,275 bps

Source: Company, Emkay Research

**Exhibit 15: One-year forward P/E**

Source: Company, Emkay Research

**Exhibit 16: Peer comparison**

Companies	CMP (Rs)	Target (Rs)	Mcap (Rs.bn)	Reco	PE (x)			EV/EBITDA (x)			ROE (%)			ROCE (%)		
					FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E
Ashok Leyland	91	115	267	Buy	NM	26.0	17.1	34.4	13.2	9.8	-0.4	13.7	19.1	2.4	14.5	20.1
Atul Auto	158	254	3	Buy	22.9	7.2	5.5	12.5	5.3	3.7	4.9	14.4	16.6	6.7	18.0	20.6
Bajaj Auto	2,997	3,976	867	Buy	20.0	14.8	12.9	15.6	10.6	8.9	20.8	25.7	26.5	26.5	32.9	34.0
Eicher Motors	2,235	2,754	611	Buy	40.9	21.8	18.2	28.7	15.4	12.6	14.2	23.0	23.1	18.3	27.3	27.2
Escorts	1,336	1,442	180	Buy	18.9	16.4	14.6	11.0	9.2	7.8	16.6	15.0	14.6	21.9	19.7	19.3
Hero Motocorp	2,951	3,839	590	Buy	20.9	15.8	14.1	13.2	9.8	8.6	19.7	24.6	25.3	25.3	31.6	32.5
Mahindra & Mahindra	620	718	771	Buy	25.8	16.3	13.7	14.1	9.7	8.1	8.0	11.8	12.8	10.0	14.5	15.8
Maruti Suzuki	6,793	8,216	2,052	Buy	47.2	25.7	20.7	30.7	16.1	12.7	8.8	15.0	17.2	11.2	19.2	21.9
Tata Motors	146	196	480	Buy	NM	10.5	6.4	5.8	3.6	3.2	-13.5	8.8	13.0	1.2	7.8	9.9
TVS Motor	479	398	227	Sell	57.3	33.1	25.2	21.2	15.4	12.7	10.6	16.8	19.7	11.5	17.5	21.2
Amara Raja Batteries	833	863	142	Buy	22.2	17.2	14.5	12.2	9.7	8.2	16.6	19.1	20.0	21.7	24.9	26.1
Apollo Tyres	165	175	94	Buy	25.4	14.3	11.3	6.4	5.3	4.2	3.9	6.4	7.7	5.5	7.3	8.6
Exide Industries	162	205	138	Buy	19.9	15.0	13.0	10.1	8.1	6.9	10.7	13.1	13.8	14.0	17.1	18.1
<b>Motherson Sumi</b>	<b>127</b>	<b>139</b>	<b>402</b>	<b>Buy</b>	<b>45.5</b>	<b>22.0</b>	<b>18.4</b>	<b>11.0</b>	<b>6.4</b>	<b>5.3</b>	<b>7.8</b>	<b>15.2</b>	<b>16.8</b>	<b>5.4</b>	<b>15.8</b>	<b>18.2</b>
Bharat Forge	520	537	242	Buy	64.9	28.7	21.6	31.3	17.8	13.9	6.8	14.4	17.3	7.1	13.7	16.9

Source: Company, Emkay Research

**Key Financials (Consolidated)****Income Statement**

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
<b>Revenue</b>	<b>635,229</b>	<b>635,369</b>	<b>587,479</b>	<b>697,856</b>	<b>766,508</b>
<b>Expenditure</b>	<b>581,745</b>	<b>583,355</b>	<b>545,573</b>	<b>628,580</b>	<b>688,770</b>
<b>EBITDA</b>	<b>53,484</b>	<b>52,014</b>	<b>41,906</b>	<b>69,276</b>	<b>77,738</b>
Depreciation	20,582	27,780	30,029	32,302	34,827
<b>EBIT</b>	<b>32,902</b>	<b>24,234</b>	<b>11,877</b>	<b>36,974</b>	<b>42,912</b>
Other Income	2,202	2,307	2,116	3,018	3,718
Interest expenses	4,232	5,986	4,622	3,947	3,272
<b>PBT</b>	<b>30,872</b>	<b>20,554</b>	<b>9,371</b>	<b>36,046</b>	<b>43,358</b>
Tax	11,022	8,184	1,874	10,814	13,008
Extraordinary Items	0	0	(477)	0	0
Minority Int./Income from Assoc.	(3,719)	(669)	1,337	(6,969)	(8,453)
<b>Reported Net Income</b>	<b>16,131</b>	<b>11,701</b>	<b>8,358</b>	<b>18,264</b>	<b>21,898</b>
<b>Adjusted PAT</b>	<b>16,131</b>	<b>11,701</b>	<b>8,834</b>	<b>18,264</b>	<b>21,898</b>

**Balance Sheet**

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Equity share capital	3,158	3,158	3,158	3,158	3,158
Reserves & surplus	106,471	109,451	113,735	123,096	134,320
<b>Net worth</b>	<b>109,628</b>	<b>112,609</b>	<b>116,893</b>	<b>126,254</b>	<b>137,478</b>
<b>Minority Interest</b>	<b>34,797</b>	<b>35,650</b>	<b>34,888</b>	<b>42,546</b>	<b>51,757</b>
<b>Loan Funds</b>	<b>109,428</b>	<b>116,691</b>	<b>101,691</b>	<b>86,691</b>	<b>71,691</b>
Net deferred tax liability	(361)	(402)	(402)	(402)	(402)
<b>Total Liabilities</b>	<b>253,492</b>	<b>264,548</b>	<b>253,069</b>	<b>255,089</b>	<b>260,525</b>
<b>Net block</b>	<b>184,228</b>	<b>191,905</b>	<b>181,876</b>	<b>174,574</b>	<b>164,748</b>
<b>Investment</b>	<b>8,553</b>	<b>7,960</b>	<b>7,960</b>	<b>7,960</b>	<b>7,960</b>
<b>Current Assets</b>	<b>223,730</b>	<b>241,544</b>	<b>220,114</b>	<b>260,511</b>	<b>295,102</b>
Cash & bank balance	35,469	48,789	41,887	48,798	62,562
Other Current Assets	68,060	74,918	69,271	82,286	90,381
<b>Current liabilities &amp; Provision</b>	<b>173,687</b>	<b>185,380</b>	<b>165,399</b>	<b>196,475</b>	<b>215,803</b>
<b>Net current assets</b>	<b>50,043</b>	<b>56,165</b>	<b>54,715</b>	<b>64,036</b>	<b>79,299</b>
Misc. exp	(1)	0	0	0	0
<b>Total Assets</b>	<b>253,492</b>	<b>264,548</b>	<b>253,069</b>	<b>255,089</b>	<b>260,525</b>

**Cash Flow**

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
<b>PBT (Ex-Other income) (NI+Dep)</b>	<b>29,801</b>	<b>18,822</b>	<b>7,851</b>	<b>33,027</b>	<b>39,640</b>
Other Non-Cash items	0	0	0	0	0
Chg in working cap	(958)	16,202	(5,452)	(2,410)	(1,499)
<b>Operating Cashflow</b>	<b>40,922</b>	<b>61,214</b>	<b>35,440</b>	<b>49,083</b>	<b>54,778</b>
Capital expenditure	(26,853)	(21,943)	(20,000)	(25,000)	(25,000)
<b>Free Cash Flow</b>	<b>14,069</b>	<b>39,271</b>	<b>15,440</b>	<b>24,083</b>	<b>29,778</b>
Investments	(7,230)	(1,210)	0	0	0
Other Investing Cash Flow	978	753	0	0	0
<b>Investing Cashflow</b>	<b>(30,904)</b>	<b>(20,093)</b>	<b>(17,884)</b>	<b>(21,982)</b>	<b>(21,282)</b>
Equity Capital Raised	0	0	0	0	0
Loans Taken / (Repaid)	8,148	(6,214)	(15,762)	(7,342)	(5,788)
Dividend paid (incl tax)	(6,396)	(12,794)	(4,074)	(8,902)	(10,673)
Other Financing Cash Flow	42	(3,127)	0	0	0
<b>Financing Cashflow</b>	<b>(2,364)</b>	<b>(27,801)</b>	<b>(24,458)</b>	<b>(20,191)</b>	<b>(19,733)</b>
<b>Net chg in cash</b>	<b>7,654</b>	<b>13,320</b>	<b>(6,902)</b>	<b>6,911</b>	<b>13,763</b>
Opening cash position	27,815	35,469	48,789	41,887	48,798
<b>Closing cash position</b>	<b>35,469</b>	<b>48,789</b>	<b>41,887</b>	<b>48,798</b>	<b>62,562</b>

Source: Company, Emkay Research

**Key Ratios**

<b>Profitability (%)</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21E</b>	<b>FY22E</b>	<b>FY23E</b>
EBITDA Margin	8.4	8.2	7.1	9.9	10.1
EBIT Margin	5.2	3.8	2.0	5.3	5.6
Effective Tax Rate	35.7	39.8	20.0	30.0	30.0
Net Margin	3.1	1.9	1.3	3.6	4.0
ROCE	14.9	10.3	5.4	15.8	18.2
ROE	15.7	10.7	7.8	15.2	16.8
RoIC	18.5	12.3	6.1	19.4	23.3

<b>Per Share Data (Rs)</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21E</b>	<b>FY22E</b>	<b>FY23E</b>
EPS	5.1	3.7	2.8	5.8	6.9
CEPS	11.6	12.5	12.3	16.0	18.0
BVPS	34.2	35.1	36.5	39.5	43.0
DPS	1.5	1.5	1.1	2.3	2.8

<b>Valuations (x)</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21E</b>	<b>FY22E</b>	<b>FY23E</b>
PER	24.9	34.4	45.5	22.0	18.4
P/CEPS	11.0	10.2	10.4	8.0	7.1
P/BV	3.7	3.6	3.5	3.2	3.0
EV / Sales	0.7	0.7	0.8	0.6	0.5
EV / EBITDA	8.9	9.0	11.0	6.4	5.3
Dividend Yield (%)	1.2	1.2	0.8	1.8	2.2

<b>Gearing Ratio (x)</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21E</b>	<b>FY22E</b>	<b>FY23E</b>
Net Debt/ Equity	0.7	0.6	0.5	0.3	0.1
Net Debt/EBIDTA	1.4	1.3	1.4	0.5	0.1
Working Cap Cycle (days)	8.4	4.2	8.0	8.0	8.0

<b>Growth (%)</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21E</b>	<b>FY22E</b>	<b>FY23E</b>
Revenue	12.8	0.0	(7.5)	18.8	9.8
EBITDA	4.4	(2.7)	(19.4)	65.3	12.2
EBIT	(7.3)	(26.3)	(51.0)	211.3	16.1
PAT	1.0	(27.5)	(28.6)	118.5	19.9

<b>Quarterly (Rs mn)</b>	<b>Q2FY20</b>	<b>Q3FY20</b>	<b>Q4FY20</b>	<b>Q1FY21</b>	<b>Q2FY21</b>
Revenue	158,280	156,611	151,591	85,039	155,570
EBITDA	13,900	12,358	13,916	(5,850)	15,530
<b>EBITDA Margin (%)</b>	<b>8.8</b>	<b>7.9</b>	<b>9.2</b>	<b>(6.9)</b>	<b>10.0</b>
PAT	3,850	2,705	1,834	(8,100)	3,720
<b>EPS (Rs)</b>	<b>1.2</b>	<b>0.9</b>	<b>0.6</b>	<b>(3.8)</b>	<b>1.2</b>

Source: Company, Emkay Research

<b>Shareholding Pattern (%)</b>	<b>Sep-19</b>	<b>Dec-19</b>	<b>Mar-20</b>	<b>Jun-20</b>	<b>Sep-20</b>
Promoters	61.7	61.7	61.7	61.7	61.7
FIs	15.0	16.4	15.5	15.6	16.0
DIs	13.5	12.6	13.6	13.4	13.6
Public and Others	9.8	9.3	9.2	9.3	8.7

Source: Capitaline

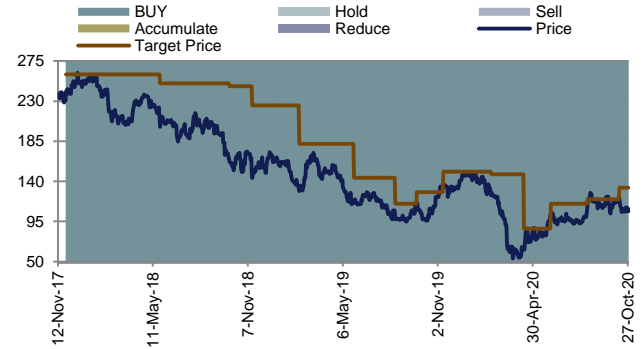


**RECOMMENDATION HISTORY TABLE**

Date	Closing Price	TP	Period (months)	Rating	Analyst
11-Oct-20	121	133	12m	Buy	Raghunandhan NL
28-Sep-20	113	120	12m	Buy	Raghunandhan NL
12-Aug-20	117	120	12m	Buy	Raghunandhan NL
5-Jul-20	98	115	12m	Buy	Raghunandhan NL
29-Jun-20	95	115	12m	Buy	Raghunandhan NL
3-Jun-20	101	115	12m	Buy	Raghunandhan NL
4-May-20	77	87	12m	Buy	Raghunandhan NL
13-Apr-20	63	87	12m	Buy	Raghunandhan NL
27-Feb-20	109	148	12m	Buy	Raghunandhan NL
14-Feb-20	124	148	12m	Buy	Raghunandhan NL
11-Feb-20	125	148	12m	Buy	Raghunandhan NL
27-Dec-19	148	151	12m	Buy	Raghunandhan NL
27-Nov-19	134	151	12m	Buy	Raghunandhan NL
12-Nov-19	134	151	12m	Buy	Raghunandhan NL
23-Sep-19	116	128	12m	Buy	Raghunandhan NL
13-Aug-19	97	115	12m	Buy	Raghunandhan NL
27-May-19	116	144	12m	Buy	Raghunandhan NL
12-Feb-19	129	182	12m	Buy	Raghunandhan NL
15-Nov-18	144	225	12m	Buy	Raghunandhan NL
3-Oct-18	162	247	12m	Buy	Raghunandhan NL
8-Aug-18	204	250	12m	Buy	Raghunandhan NL
24-May-18	201	250	12m	Buy	Raghunandhan NL
11-Apr-18	228	260	12m	Buy	Raghunandhan NL
14-Feb-18	238	260	12m	Buy	Raghunandhan NL
27-Nov-17	241	260	12m	Buy	Raghunandhan NL

Source: Company, Emkay Research

**RECOMMENDATION HISTORY CHART**



Source: Bloomberg, Company, Emkay Research



## Emkay Alpha Portfolio – Automobiles & Auto Ancillaries



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**Sector**

Automobiles and Ancillaries

**Analyst bio**

Raghu holds an MBA and comes with total 11 years of research experience. His team currently covers 14 stocks in the Indian Automobiles and Ancillaries space.

**EAP sector portfolio**

Company Name	BSE200 Weight	EAP Weight	OW/UW (%)	OW/UW (bps)	EAP Weight (Normalised)
<b>Auto &amp; Auto Ancillaries</b>	<b>5.16</b>	<b>5.16</b>	<b>0%</b>	<b>0</b>	<b>100.00</b>
Amara Raja Batteries	0.10	0.00	-100%	-10	0.00
Apollo Tyres	0.07	0.07	0%	0	1.45
Ashok Leyland	0.17	0.39	123%	21	7.46
Atul Auto	0.00	0.00	NA	0	0.00
Bajaj Auto	0.57	0.57	0%	0	11.03
Bharat Forge	0.18	0.24	32%	6	4.65
Eicher Motors	0.44	0.44	0%	0	8.60
Escorts	0.00	0.00	NA	0	0.00
Exide Industries	0.11	0.00	-100%	-11	0.00
Hero Motocorp	0.56	0.56	0%	0	10.83
Mahindra & Mahindra	0.86	0.86	0%	0	16.65
Maruti Suzuki India	1.33	1.33	0%	0	25.78
Motherson Sumi	0.22	0.22	0%	0	4.17
Tata Motors	0.36	0.36	0%	0	7.01
Tata Motors DVR*	0.04	0.04	0%	0	0.78
TVS Motor	0.14	0.08	-41%	-6	1.60
Cash	0.00	0.00	NA	0	0.00

Source: Emkay Research

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

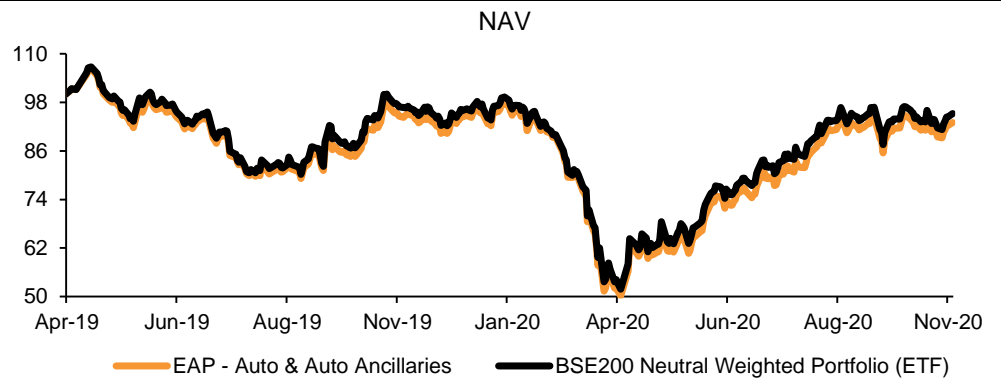
**Sector portfolio NAV**

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

\*Performance measurement base date 1<sup>st</sup> April 2019

Source: Emkay Research

**NAV chart**



Source: Emkay Research

Please see our model portfolio (Emkay Alpha Portfolio): [Nifty](#)

Please see our model portfolio (Emkay Alpha Portfolio): [SMID](#)

“Emkay Alpha Portfolio – SMID and Nifty are a supporting document to the Emkay Alpha Portfolios Report and is updated on regular intervals”

## Emkay Rating Distribution

Ratings	Expected Return within the next 12-18 months.
BUY	Over 15%
HOLD	Between -5% to 15%
SELL	Below -5%

Completed Date: 11 Nov 2020 05:27:38 (SGT)

Dissemination Date: 11 Nov 2020 05:28:38 (SGT)

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