

Bharat Forge

Refer to important disclosures at the end of this report

Outlook remains buoyant but near-term supply hiccups persist

- We analyzed the CY21 demand outlook provided by 20 entities, including global and domestic CV/PV OEMs, non-auto companies and industry associations, and the read-through was positive for BHFC. The HCV segment is expected to grow significantly by 10-40% in CY21 in North America and Europe on the back of increased freight activities and a strong order book. The outlook has broadly remained unchanged, despite supply constraints. However, growth expectations in India have been lowered due to Covid-19.
- Although the outlook for the global PV segment has been lowered, the segment is expected to clock double-digit growth, owing to the pending order book, better macros and low channel inventory. The outlook has been improved for the industrial segments, such as construction equipment and tractors. The global oil & gas segment is expected to witness a multi-year upcycle.
- BHFC's revenue is expected to grow by 51% in FY22E, led by a strong performance in Automotive and Industrial segments. Moreover, customer additions, higher content and portfolio expansion should boost growth. Nascent segments, such as Defense, Railways, Aerospace, E-mobility and Light-weighting solutions, are expected to see robust growth.
- Our positive view on BHC is underpinned by its leadership position in automotive forgings, focus on diversification and an expected recovery in the core segments. We have a Buy rating on the stock with a TP of Rs920, based on 27x P/E for the standalone business on Sep'23E EPS.

Global HCV segment forecasts remain unchanged: Volvo, Daimler, Paccar, Volkswagen and CNH expect the HCV segment to grow significantly by 10-40% in CY21 in North America and Europe, aided by the pick-up in economic activity, replacement demand, low channel inventory and robust e-commerce segment. The outlook remains broadly unchanged, despite supply constraints and the pandemic impact. However, growth estimates in India have been lowered due to the pandemic, but still remain robust.

PV outlook lowered but remains healthy: Daimler, North American Dealer Association, and Society of Motor Manufacturers and Traders expect double-digit growth in CY21 for Europe and North America regions, despite near-term supply issues due to the shortage of semiconductors. The overall industry outlook has been trimmed, but select players, such as Daimler and JLR, are expected to see a higher impact. Strong growth is expected in India. The pending order book, economic recovery and low channel inventory are likely to drive demand.

Outlook in Industrials improved: Volvo and CNH expect the construction equipment and tractor segments to grow by 10-20% in the North America and Europe regions in CY21. The outlook has been improved by Volvo and CNH for both the segments on account of recovering economic activity, infrastructure investments, buoyancy in the residential segment, higher commodity prices and low channel inventory. JCB India and Escorts expect double-digit growth for the construction equipment segment in India in FY22. The oil & gas segment is expected to see a multi-year upcycle, owing to high crude prices, as per Halliburton, Schlumberger, International Energy Association and US Energy Information Administration.

Please see our sector model portfolio (Emkay Alpha Portfolio): [Automobiles & Auto Ancillaries \(Page 11\)](#)

Financial Snapshot (Standalone)

(Rs mn)	FY20	FY21	FY22E	FY23E	FY24E
Revenue	45,639	36,515	55,062	70,508	80,191
EBITDA	10,399	7,332	15,291	21,267	24,630
EBITDA Margin (%)	22.8	20.1	27.8	30.2	30.7
APAT	5,683	3,269	9,405	14,038	16,668
EPS (Rs)	12.2	7.0	20.2	30.1	35.8
EPS (% chg)	(45.4)	(42.5)	187.7	49.3	18.7
ROE (%)	10.6	5.8	15.0	19.9	20.4
P/E (x)	59.0	102.5	35.6	23.9	20.1
EV/EBITDA (x)	33.9	47.4	22.5	15.8	13.4
P/BV (x)	6.3	5.6	5.1	4.4	3.8

Source: Company, Emkay Research

CMP	Target Price
Rs 720 as of (August 23, 2021)	Rs 920 (■) 12 months
Rating	Upside
BUY (■)	27.8 %

Change in Estimates

EPS Chg FY22E/FY23E (%)	-/
Target Price change (%)	12.2
Target Period (Months)	12
Previous Reco	BUY

Emkay vs Consensus

EPS Estimates		
	FY22E	FY23E
Emkay	20.2	30.1
Consensus	19.1	27.7
Mean Consensus TP (12M)	Rs 887	

Stock Details

Bloomberg Code	BHFC IN
Face Value (Rs)	2
Shares outstanding (mn)	466
52 Week H/L	847 / 428
M Cap (Rs bn/USD bn)	335 / 4.51
Daily Avg Volume (nos.)	2,845,059
Daily Avg Turnover (US\$ mn)	29.1

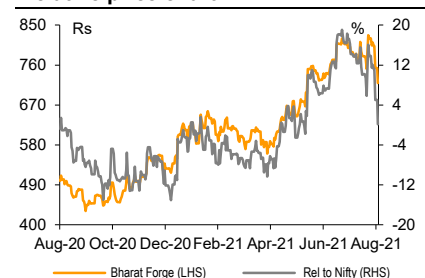
Shareholding Pattern Jun '21

Promoters	44.8%
FIIIs	25.3%
DIIIs	12.1%
Public and Others	17.8%

Price Performance

(%)	1M	3M	6M	12M
Absolute	(9)	12	18	47
Rel. to Nifty (12)	3	5	1	

Relative price chart



This report is solely produced by Emkay Global. The following person(s) are responsible for the production of the recommendation:

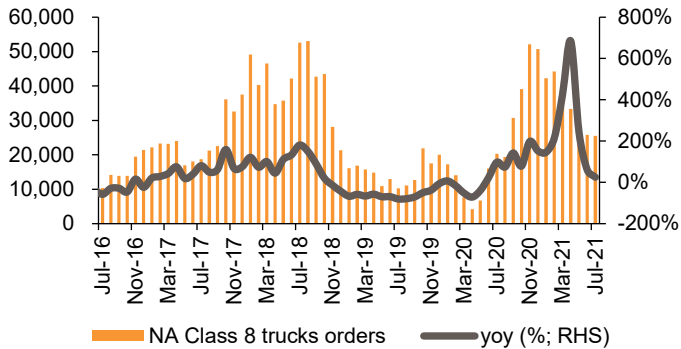
Mumuksh Mandlesha
mumuksh.mandlesha@emkayglobal.com
+91 22 6612 1334

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

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

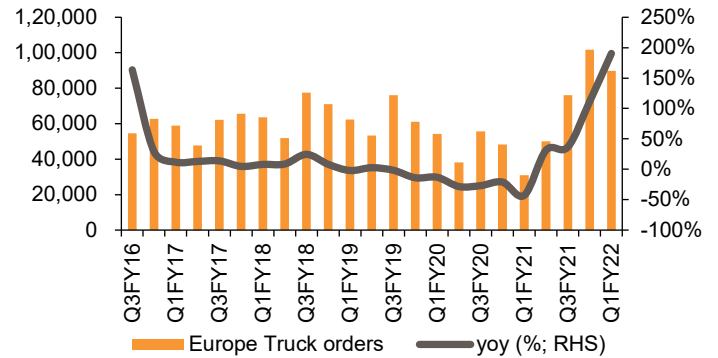
Story in Charts

Exhibit 1: North America Class 8 truck orders grew 205% yoy (-35% qoq) in Q1FY22



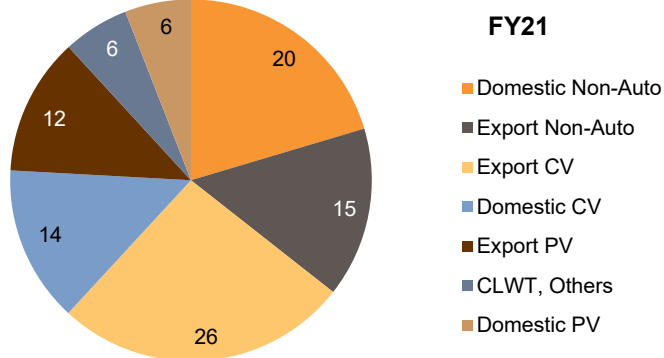
Source: Industry, Emkay Research

Exhibit 2: Europe CV truck orders grew 190% yoy (-12% qoq) in Q1FY22



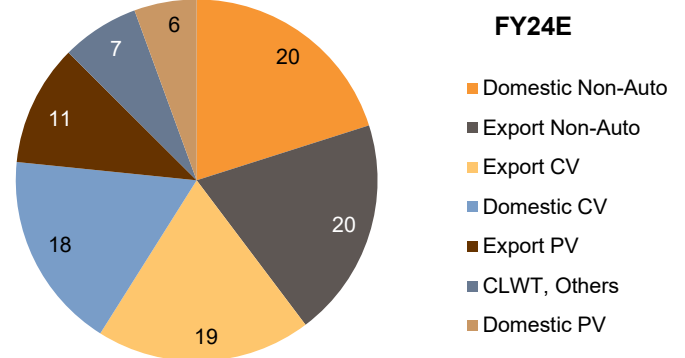
Note: Daimler, Scania and Volvo orders. Source: Company, Emkay Research

Exhibit 3: FY21 segment-wise mix



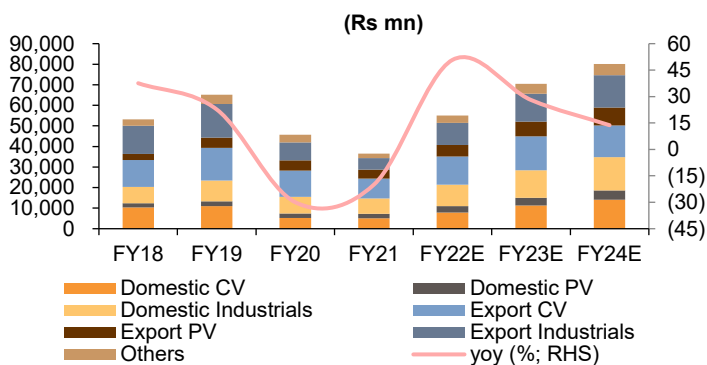
Source: Company, Emkay Research

Exhibit 4: Industrials' share to increase due to strong growth in Oil & Gas and Defence



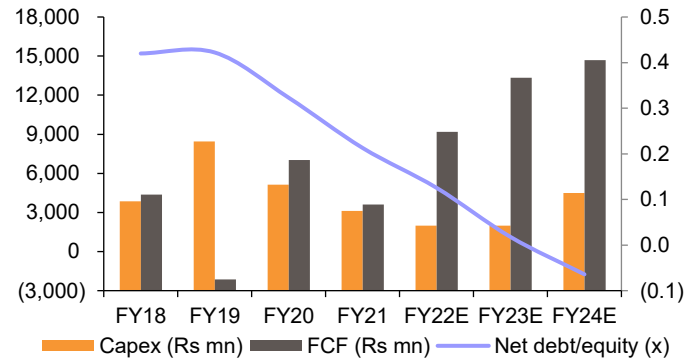
Source: Company, Emkay Research

Exhibit 5: Revenues to clock 21% CAGR over FY22-24E



Source: Company, Emkay Research

Exhibit 6: Strong FCFs to drive debt reduction



Source: Company, Emkay Research

Exhibit 7: Outlook summary: Robust growth across most segments

Segment	Company/Association	CY21 outlook
North America Class 8 trucks	Volvo	23% (unchanged)
	Daimler	Significant increase (unchanged)
	Paccar	20% (23% earlier)
	NADA	13% (9% earlier)
	Ramkrishna Forgings	35% (54% earlier)
North America CV (>6T)	Traton	10-30% (unchanged)
Europe HCV	Volvo	26% (unchanged)
	Daimler	Significant increase (unchanged)
	Paccar	25% (unchanged)
	CNH	35-40% (unchanged)
	Ramkrishna Forgings	18%
Europe CV (>6T)	Traton	10-25% (unchanged)
Domestic MHCV	Volvo	50% (85% earlier)
North America Construction Equipment	Volvo	20% (10-15% earlier)
	CNH	25% (20% earlier)
	John Deere	25% (unchanged) for Sep'21 year end
Europe Construction Equipment	Volvo	20% (10-15% earlier)
	CNH	20% (10% earlier)
India Construction Equipment	JCB India	25%
Tractors North America	CNH	20% (unchanged)
Tractors Europe	CNH	15% (10% earlier)
Tractors India	Escorts	Low single digit in FY22 (flat or positive earlier)
	Mahindra & Mahindra	Low to mid-single digit in FY22 (low single digit earlier)
North America Cars	Daimler	Significant increase (unchanged)
	NADA	14%
Europe Cars	Daimler	Significant increase (unchanged)
UK Cars	SMMT	12% (14% earlier)
Oil & Gas	Halliburton	Positive revenue growth in CY21 and multi-year upcycle (unchanged)
	Schlumberger	Positive revenue growth in CY21 and multi-year upcycle (unchanged)

Source: Company, Emkay Research

Volvo Trucks**Commercial Vehicles**

- In CY21, HCV retail volumes are expected to grow by 50% in India MHCV (lowered due to pandemic), 26% in Europe (unchanged) and 23% in North America (unchanged).
- In Q2CY21, orders grew by 119% yoy (-32% qoq) to 57,961 units. VECV (India) orders grew by 185% yoy (-69% qoq) to 5,247 units. Strong freight markets and high utilization of trucks have led to robust orders.
- In Q2CY21, retail sales grew by 63% yoy (-13% qoq) to 45,670 units. VECV (India) grew 192%, North America grew 151% and Europe grew 70%.
- The semiconductor shortage will impact production in H2CY21.
- EV volumes: New orders stood at 194 units and retail sales stood at 98 units in Q2CY21.

Construction Equipment

- CY21 retail sales are expected to grow by up to 20% in Europe and North America (10-15% earlier). The increase in commodity prices and investments in infrastructure are driving demand.
- In Q2CY21, orders grew by 35% yoy (+1% qoq) to 36,120 units. North America grew 20x and Europe grew 191%, while Asia declined 5%.
- In Q2CY21, retail sales grew 5% yoy (flat qoq) to 30,657 units. Europe grew 49% and North America grew 36%, while Asia declined 6%.
- EV volumes: New orders stood at 99 units and retail sales stood at 98 units in Q2CY21.

Daimler**Commercial vehicles**

- It expects a significant increase in volumes in CY21 across Europe and North America (unchanged).
- In Q2CY21, orders grew by 119% yoy (-15% qoq) to 124,918 units, led by growth of 209% in Europe, 70% in North America and 30% in India.
- Wholesales grew 94% yoy (+15% qoq) to 112,139 units, led by growth of 169% in India, 114% in North America and 88% in Europe.
- The impact of the semiconductor shortage was limited in Q2CY21, but uncertainties remain for H2CY21.

Cars

- It expects a significant increase in industry volumes in CY21 across regions (unchanged), while for Daimler the outlook has been downgraded to the prior year's level (significant increase earlier) due to the semiconductor shortage.
- Retail sales grew 28% yoy (flat qoq) to 591,725 units in Q2CY21, led by growth of 57% in Europe and 38% in North America.
- The semiconductor shortage affected deliveries in Q2CY21 and would further impact sales in H2CY21. The shortage will persist in CY22, but would be less severe than in CY21. Recent Covid-19 shutdowns in Malaysia have led to additional disruptions.
- Mercedes-Benz Cars intends to launch more than 10 new or upgraded models in CY21, particularly electrified models.

Traton (Volkswagen CV division)

- It expects Europe trucks (>6T) volume to grow by 10-25% (unchanged) in CY21.
- It expects North America trucks (>6T) volume to grow by 10-30% (unchanged) in CY21.
- It expects South America trucks (>6T) volume to grow by 10-40% (unchanged) in CY21.
- In Q2CY21, orders grew by 168% yoy (+9% qoq) to 89,204 units.
- Traton, Daimler Truck and Volvo plan to develop 1,700 high-capacity charging points for battery-electric heavy trucks and long-distance coaches with a joint investment of EUR500mn in Europe.
- EV volumes: New orders stood at 628 units and sales stood at 463 units in H2CY21.

Paccar

- In CY21, it expects the North America Class 8 industry to grow by up to 20% yoy to 260,000-280,000 units (estimates decreased by 3%). It expects the Europe HCV industry to grow by up to 25% yoy to 270,000-290,000 units (unchanged).
- In Q2CY21, retail volumes grew by 220% yoy (-5% qoq) to 40,100 units. Q3CY21 retail sales are expected to be similar to Q2CY21.
- The semiconductor shortage impacted Q2CY21 production by 6,500 units, about 16% of Q2CY21 retail sales. The supply is expected to improve by year end.
- Demand is strong and production is completely booked for CY21, led by robust freight availability/rates, improving truck utilization and healthy orders.
- EV: Received orders for over 450 units in Q2CY22.

CNH Industrials**CY21 outlook:**

- HCV volumes to grow by 35-40% (unchanged) in Europe; Bus volumes to decline by 5% (flat earlier) in Europe.
- Tractor volumes to grow by up to 20% (unchanged) in North America and up to 15% (10% earlier) in Europe.
- Construction equipment volumes to grow by up to 25% in North America (20% earlier) and up to 20% (10% earlier) in Europe.

Caterpillar

- It expects strong volume growth in Q3CY21, despite supply chain challenges.
- Machines sales grew 20% yoy in Q2CY21, led by an increase in both construction and resource industries. Demand from residential remains strong and it is improving in non-residential. The mining segment is seeing a significant improvement in orders. Demand has improved in Heavy Construction, Quarry, Aggregates and Energy & Transportation.
- In Q2CY21, revenues grew by 29% yoy to USD12.9bn, led by growth across regions and segments, a change in dealer inventory and higher realization. The construction segment grew 40%, the resource segment grew 41% and Energy & Transportation grew 20%.

John Deere

- Volumes in the agriculture and turf industry to grow by up to 25% (unchanged) in North America and 15% (10% earlier) in Europe in the year ending in Sep'21.
- Volumes in the construction equipment industry to grow by up to 25% (unchanged) in North America in the year ending in Sep'21.

Halliburton

- It expects single-digit revenue growth in CY21, led by a consistent increase in rig counts globally.
- It expects a multi-year upcycle for the oil and gas industry on account of the following factors: 1) Oil prices will remain supportive and demand recovery in many economies will lead global demand to exceed supply. 2) International spending will grow in double digits in the next few years. 3) Increasing demand and tightening equipment capacity will lead to higher prices.
- Revenue grew by 16% yoy (+7% qoq), led by 50% yoy growth (+12% qoq) in North America.

Schlumberger

- It expects positive revenue growth in North America and international regions in CY21. The company mainly caters to the oil & gas segment.
- Positive growth momentum is expected to continue in Q3CY21, led by growth across regions. Short-cycle activity will be augmented by longer-cycle project start-ups.

International Energy Agency

- Global oil demand will reach 100mn bpd and surpass pre-Covid levels by the end of CY22.
- Demand is expected to increase by 5.4mn bpd in CY21 and by 3mn bpd in CY22.

US Energy Information Administration

- It expects production to be relatively flat through Oct'21 before beginning to rise in Nov-Dec'21 and throughout CY22. For CY22, US crude production is expected to average about 11.8mn bpd, up by 650,000 bpd.
- Global consumption of petroleum and liquid fuels is forecast to average 97.6mn bpd for CY21, a 5.3mn bpd increase from CY20, and will further increase by 3.6mn bpd in CY22 to an average of 101.2mn bpd.

Ramkrishna Forgings

- The production outlook remains strong across regions but has been lowered due to the semiconductor shortage and Covid-19. In CY21, NA Class 8 production is expected to grow by 35% yoy (54% earlier) and Europe CV retail sales are expected to grow by 18% yoy.
- It expects a 50-60% revenue CAGR in the next two years.
- It expects Industrial revenue to more than double to Rs3bn in the next two years, led by strong traction from the mining, tractor and oil & gas segments.
- The company has been able to pass on the commodity inflation to customers. It expects EBITDA margins to be sustained at current levels.

Society of Motor Manufacturers and Traders, UK

- The group expects car registrations to grow by 12% (14% earlier) in CY21 and 15% (14% earlier) in CY22.
- It expect BEV share to be at 9.5% in CY21 and 12% in CY22.
- PHEV share will stand at 6.5% in CY21 and 7.3% in CY22.
- CY21 outlook was lowered due to the ongoing shortage of semiconductors and, more recently, staff absenteeism. However, the economic landscape continues to firm up on the back of a rapid vaccine rollout and the lifting of remaining Covid restrictions.

North American Dealer Association**Trucks**

- The association expects continued strength in the commercial truck market for CY21 and CY22, led by reopening and expanding US economy. Demand for new-truck inventory is strong, but sales will likely remain somewhat limited due to supply chain issues. For CY21, they expect medium-duty truck sales of around 240,000 units and heavy-duty truck sales at 260,000 units.

Cars

- Despite production limitations due to the chip shortage, new-vehicle demand remains strong among both retail and fleet customers. It expect retail sales to grow by 14% yoy to 16.5mn units in CY21.
- Industry-wide, the dealer inventory level is likely below 1.3mn units at the end of Jul'21. According to J.D. Power, dealer inventory in Jul'21 reached a record-low of 31 days, down from 75 days in Jul'20 and six fewer days than in Jun'21.

Tata Motors**JLR**

- The semiconductor shortage constrained wholesales by 30,000 units in Q1. At the end of Q1, the order bank was at a record high of 110,000 units.
- Upcoming product launches have not been delayed. New RR is expected by FY22-end, and New RR sport is expected by mid-FY23.
- Q2 guidance: Wholesales at 65,000 units, revenue at GBP3.7bn, EBIT margin to be negative and FCF to be negative at less than GBP1bn.
- Q3 production will be higher than break-even levels (90,000 units), but the company is yet to receive confirmation from semiconductor suppliers. Production in Q4 should be better than in Q3.

India:

- Sentiment was muted in the Transporter segment in Q1, but the outlook is positive as restrictions ease. The government's infrastructure thrust will also support Tipper demand ahead.
- FY22 guidance: It expects positive EBIT (vs. earlier guidance of ~2.5%) and FCFs. Capex is expected at Rs30-35bn.

Eicher Motors

- It expects CV sales momentum to improve sequentially on improving macros, the government's thrust on infra spending and replacement demand.
- Exports should be robust, led by traction in new markets.

Ashok Leyland

- It expects demand to revive, led by a pick-up in the economy, robust real estate demand and lower interest rates.
- The semiconductor issue still persists but it is expected to ease out going forward.

- The level of enquiries for trucks has been significantly better, especially in categories such as Tippers, ICVs and multi-axle vehicles. Truck demand is mainly driven by higher infrastructure spending and a pickup in e-commerce segments.

JCB India

- The construction equipment industry could expand by up to 25% in CY21 on the back of the government's infrastructure spending and could likely regain the past peak sales of CY18 in CY22.
- It expects more spending on rural infrastructure.
- It is witnessing strong demand in the export market.

Escorts

- It expects growth in the low single digits in the Tractor industry in FY22. It expects 7-8% growth in the medium term. Market saturation could happen at 13-16mn units, in comparison to the current level of 7mn units.
- Construction equipment revenues are likely to grow in the mid-teens in FY22, driven by a pickup in infra spending. It expects 12-15% growth in the medium term.
- Railways revenues should grow in the low double digits in FY22, and medium-term growth is likely to be higher.

Mahindra & Mahindra

- The domestic Tractor industry is expected to grow by low- to mid-single digits in FY22.
- UVs: Thar order bookings stood at 39,000+ units. XUV300 has a waiting period of over eight weeks. Bolero/Scorpio have a waiting period of 4-6 weeks.
- System inventory has more than doubled in the Auto segment sequentially, though it is still below normal levels. Similarly, inventory has more than doubled in the Farm segment sequentially and is at around normal levels.

Exhibit 8: Peer valuation

	CMP (Rs)	Target (Rs)	Mcap (Rs.bn)	Reco	EPS (Rs)			PE (x)			ROE (%)			ROCE (%)		
					FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E
Ashok Leyland	118	155	346	Buy	2.4	6.1	8.1	49.0	19.2	14.6	9.8	22.7	25.8	11.0	22.9	27.6
Atul Auto	187	300	4	Buy	4.5	24.9	35.1	41.1	7.5	5.3	3.4	16.9	20.6	4.8	21.0	26.5
Bajaj Auto	3,668	4,420	1061	Buy	190.3	227.2	257.1	19.3	16.1	14.3	21.6	25.2	27.8	27.6	32.3	35.6
Eicher Motors	2,544	3,040	696	Buy	71.2	114.0	144.1	35.8	22.3	17.7	15.9	21.8	23.0	19.7	26.0	26.7
Escorts Ltd	1,257	1,275	170	Hold	87.3	88.4	107.8	14.4	14.2	11.7	15.4	13.7	14.7	20.5	18.3	19.6
Hero Motocorp	2,681	3,790	536	Buy	162.1	196.4	220.9	16.5	13.6	12.1	20.6	23.4	24.5	26.6	30.2	31.6
Mahindra & Mahindra	766	920	952	Buy	36.4	38.5	46.1	21.0	19.9	16.6	12.2	11.8	12.8	14.1	13.9	15.2
Maruti Suzuki	6,826	9,000	2062	Buy	234.7	332.3	405.2	29.1	20.5	16.8	13.2	17.0	18.6	16.9	21.8	23.9
Tata Motors	277	400	986	Buy	4.6	41.0	48.3	60.6	6.8	5.7	3.3	26.3	24.2	5.9	14.8	16.1
TVS Motor	501	780	238	Buy	20.4	27.4	33.2	24.6	18.3	15.1	21.5	24.5	25.0	23.6	27.4	29.5
Amara Raja Batteries	681	830	116	Hold	42.2	51.6	59.0	16.1	13.2	11.5	16.2	17.6	17.7	21.5	23.3	23.5
Apollo Tyres	205	305	130	Buy	13.4	18.3	22.4	15.3	11.2	9.2	7.2	9.3	10.5	8.4	10.2	11.6
Exide Industries	158	200	135	Hold	10.2	11.8	13.5	15.6	13.4	11.7	12.1	13.0	13.6	16.3	17.5	18.4
Motherson Sumi	200	300	631	Buy	8.2	11.8	14.3	24.4	16.9	14.0	22.5	27.2	27.4	16.0	22.0	23.8
Bharat Forge	720	920	335	Buy	20.2	30.1	35.8	35.6	23.9	20.1	15.0	19.9	20.4	13.2	18.1	19.6

Source: Company, Emkay Research

Key Financials (Standalone)**Income Statement**

Y/E Mar (Rs mn)	FY20	FY21	FY22E	FY23E	FY24E
Revenue	45,639	36,515	55,062	70,508	80,191
Expenditure	35,240	29,183	39,770	49,242	55,561
EBITDA	10,399	7,332	15,291	21,267	24,630
Depreciation	3,449	3,661	4,093	4,373	4,673
EBIT	6,950	3,671	11,198	16,894	19,957
Other Income	1,609	1,405	1,985	2,340	2,691
Interest expenses	1,450	779	809	763	717
PBT	7,109	4,297	12,375	18,471	21,931
Tax	1,426	1,028	2,970	4,433	5,264
Extraordinary Items	(948)	(148)	(612)	0	0
Minority Int./Income from Assoc.	0	0	0	0	0
Reported Net Income	4,735	3,121	8,792	14,038	16,668
Adjusted PAT	5,683	3,269	9,405	14,038	16,668

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	64,668	74,705	86,624
Net worth	53,551	59,486	65,599	75,637	87,555
Minority Interest	0	0	0	0	0
Loan Funds	32,371	36,203	34,128	32,236	30,118
Net deferred tax liability	1,311	2,346	2,408	2,500	2,610
Total Liabilities	87,232	98,035	102,134	110,373	120,283
Net block	28,078	34,590	33,822	31,449	29,558
Investment	23,529	35,693	41,693	49,693	58,693
Current Assets	36,623	38,163	42,650	50,703	55,117
Cash & bank balance	4,442	2,801	2,163	2,158	1,005
Other Current Assets	3,165	2,945	4,441	5,687	6,468
Current liabilities & Provision	9,942	13,110	17,406	22,847	26,179
Net current assets	26,680	25,053	25,244	27,856	28,938
Misc. exp	0	0	0	0	0
Total Assets	87,232	98,035	102,134	110,373	120,283

Cash Flow

Y/E Mar (Rs mn)	FY20	FY21	FY22E	FY23E	FY24E
PBT (Ex-Other income) (NI+Dep)	4,317	2,745	10,390	16,131	19,240
Other Non-Cash items	0	0	0	0	0
Chg in working cap	4,287	1,818	(2,753)	(4,041)	(2,999)
Operating Cashflow	12,158	6,733	11,178	15,330	19,182
Capital expenditure	(5,129)	(3,128)	(2,000)	(2,000)	(4,500)
Free Cash Flow	7,029	3,604	9,178	13,330	14,682
Investments	(2,480)	(8,485)	(6,000)	(8,000)	(9,000)
Other Investing Cash Flow	315	314	(1,985)	(2,340)	(2,691)
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	(2,075)	(1,891)	(2,119)
Dividend paid (incl tax)	(3,335)	0	(931)	(2,680)	(4,000)
Other Financing Cash Flow	436	(2,317)	0	0	0
Financing Cashflow	(5,730)	1,521	(3,816)	(5,334)	(6,836)
Net chg in cash	744	(1,641)	(638)	(5)	(1,153)
Opening cash position	3,698	4,442	2,801	2,163	2,158
Closing cash position	4,442	2,801	2,163	2,158	1,005

Source: Company, Emkay Research

Key Ratios

Profitability (%)	FY20	FY21	FY22E	FY23E	FY24E
EBITDA Margin	22.8	20.1	27.8	30.2	30.7
EBIT Margin	15.2	10.1	20.3	24.0	24.9
Effective Tax Rate	20.1	23.9	24.0	24.0	24.0
Net Margin	12.5	9.0	17.1	19.9	20.8
ROCE	9.7	5.5	13.2	18.1	19.6
ROE	10.6	5.8	15.0	19.9	20.4
RoIC	13.1	6.9	19.7	29.6	34.8

Per Share Data (Rs)	FY20	FY21	FY22E	FY23E	FY24E
EPS	12.2	7.0	20.2	30.1	35.8
CEPS	19.6	14.9	29.0	39.5	45.8
BVPS	115.0	127.7	140.9	162.4	188.0
DPS	3.5	2.0	5.8	8.6	10.2

Valuations (x)	FY20	FY21	FY22E	FY23E	FY24E
PER	59.0	102.5	35.6	23.9	20.1
P/CEPS	42.2	55.6	28.6	20.9	18.1
P/BV	6.3	5.6	5.1	4.4	3.8
EV / Sales	7.7	9.5	6.2	4.8	4.1
EV / EBITDA	33.9	47.4	22.5	15.8	13.4
Dividend Yield (%)	0.5	0.3	0.8	1.2	1.4

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	153.0	133.0	127.1

Growth (%)	FY20	FY21	FY22E	FY23E	FY24E
Revenue	(30.0)	(20.0)	50.8	28.1	13.7
EBITDA	(44.6)	(29.5)	108.6	39.1	15.8
EBIT	(54.6)	(47.2)	205.0	50.9	18.1
PAT	(55.8)	(34.1)	181.7	59.7	18.7

Quarterly (Rs mn)	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22
Revenue	4,270	8,815	10,357	13,073	13,718
EBITDA	17	1,660	2,323	3,332	3,910
EBITDA Margin (%)	0.4	18.8	22.4	25.5	28.5
PAT	(518)	826	1,157	1,804	2,279
EPS (Rs)	(1.1)	1.8	2.5	3.9	4.9

Source: Company, Emkay Research

Shareholding Pattern (%)	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21
Promoters	45.8	45.8	45.8	45.8	44.8
FII	22.1	21.9	23.5	24.9	25.3
DII	15.1	11.5	12.3	12.2	12.1
Public and Others	17.0	20.8	18.5	17.1	17.8

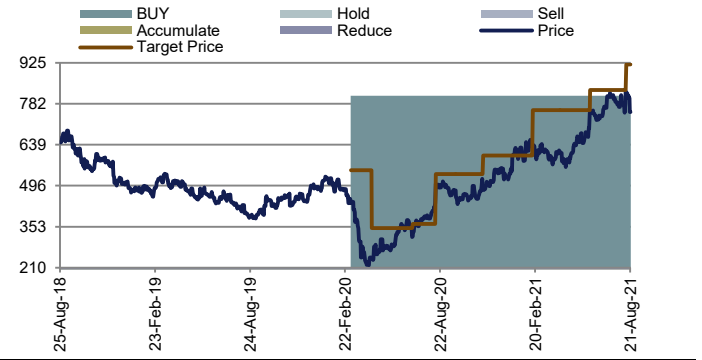
Source: Capitaline

RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
13-Aug-21	820	920	12m	Buy	Mumuksh Mandlesha
02-Jul-21	772	830	12m	Buy	Mumuksh Mandlesha
18-Jun-21	727	830	12m	Buy	Mumuksh Mandlesha
11-Jun-21	748	830	12m	Buy	Mumuksh Mandlesha
05-Jun-21	751	830	12m	Buy	Mumuksh Mandlesha
01-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
04-May-20	270	348	12m	Buy	Mumuksh Mandlesha
13-Apr-20	239	348	12m	Buy	Mumuksh Mandlesha
04-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	4.61	4.61	0%	0	100.00
Amara Raja Batteries	0.06	0.05	-22%	-1	1.03
Apollo Tyres	0.00	0.00	NA	0	0.00
Ashok Leyland	0.18	0.20	8%	2	4.23
Atul Auto	0.00	0.00	NA	0	0.00
Bajaj Auto	0.52	0.53	2%	1	11.58
Bharat Forge	0.20	0.20	0%	0	4.42
Eicher Motors	0.39	0.37	-6%	-2	7.94
Escorts	0.00	0.00	NA	0	0.00
Exide Industries	0.08	0.06	-18%	-1	1.40
Hero Motocorp	0.38	0.37	0%	0	8.13
Mahindra & Mahindra	0.81	0.80	-1%	0	17.41
Maruti Suzuki India	0.98	0.98	1%	1	21.37
Motherson Sumi	0.26	0.26	0%	0	5.71
Tata Motors	0.57	0.58	1%	1	12.66
Tata Motors DVR*	0.07	0.08	12%	1	1.67
TVS Motor	0.11	0.11	4%	0	2.46
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	21-Aug-20	19-Feb-21	21-May-21	20-Jul-21	20-Aug-21
EAP - Auto & Auto Ancillaries	100.0	91.1	125.5	122.6	122.0	117.3
BSE200 Neutral Weighted Portfolio (ETF)	100.0	93.4	126.1	122.8	121.5	116.6

*Performance measurement base date 1st April 2019

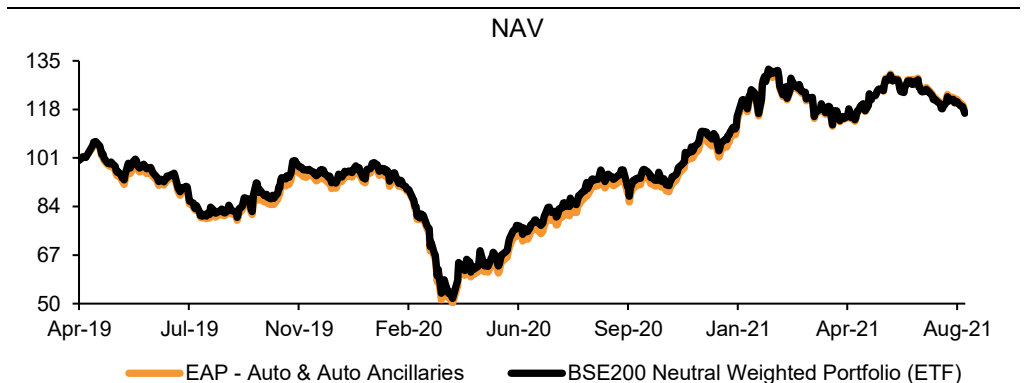
Source: Emkay Research

Price Performance (%)

	1m	3m	6m	12m
EAP - Auto & Auto Ancillaries	-3.9%	-4.4%	-6.5%	28.8%
BSE200 Neutral Weighted Portfolio (ETF)	-4.0%	-5.0%	-7.5%	24.8%

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: 24 Aug 2021 01:06:30 (SGT)

Dissemination Date: 24 Aug 2021 01:07:30 (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 August 23, 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 August 23, 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 August 23, 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 August 23, 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