

Atul Auto

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Q3 EBITDA above estimates; Volume outlook remains robust

- Q3 revenue increased by 32% YoY to Rs1.24bn, slightly below our estimate of Rs1.28bn, owing to lower-than-expected realizations. EBITDA stood at Rs85mn above our forecast of Rs55mn, mainly due to better gross margin. We have increased our FY24-25E EPS estimates by 2-4% due to increased margin assumptions. 3W volumes are seeing robust growth and upcycle is expected to continue for the next three years at least. EV subsidiary, Atul Greentech's E-3W with a fixed Li-ion battery is expected to be launched across the country shortly, and a 3W with swappable battery is expected to be launched in FY24. Government body, Convergence Energy Services Limited (CESL) has selected the company as one of its suppliers under its large 100,000 units E-3W tender. Atul Auto continues its efforts towards: 1) increasing penetration in EV and CNG segments; 2) improving credit access via its captive finance arm; 3) strengthening presence in key export markets; 4) expanding its distribution reach; and 5) debt reduction, owing to equity infusion and better cash flow generation. We have built-in FY23E revenue growth at a robust 58%, and the uptrend is likely to endure with a FY23-25E revenue CAGR at 26%. Driven by better scale and improved net pricing, EBITDA margin is likely to expand from -7.3% in FY22 to 4.1% in FY23E and to 10.4% in FY25E. We retain Buy with a TP of Rs385 (Rs320 earlier), based on 20x its FY25E EPS (Dec-24E EPS earlier) for the core business. We also ascribe a value to the captive finance arm at Rs29/share, based on 1x its FY22 P/E. Key downside risks: Delay in demand recovery in main geographies, failure of new products, increased competitive intensity, and adverse movement in commodity/currency rates.
- Q3 EBITDA beats estimates: Atul Auto's Q3 revenue grew by 32% YoY to Rs1.24bn, slightly below our estimate of Rs1.28bn, due to lower-than-expected realizations. Volumes grew by 31% to 6,756 units and realization grew by 1% to Rs182,993/unit. EBITDA turned positive in Q2, and further improvement was seen in Q3 at Rs85mn, above our estimate of Rs55mn, due to better gross margin and lower other expenses. Gross margin expanded by 620bps to 23.1%, supported by better net pricing and commodity deflation. Other expenses declined by 28% to Rs84mn. Overall, PAT was positive at Rs27mn vs. loss of Rs85mn last year. **What we liked:** 1) Management retains net cash target for FY25, supported by equity warrant conversion and better cash flows. **What we did not like:** 1) The company would enter the lithium E-3Ws segment shortly. However, competition intensity is expected to be elevated with the entry of several startups.

Financial Snapshot (Standalone)

(Rs mn)	FY21	FY22	FY23E	FY24E	FY25E
Revenue	2,959	2,938	4,650	6,203	7,378
EBITDA	(76)	(215)	192	549	766
EBITDA Margin (%)	(2.6)	(7.3)	4.1	8.9	10.4
APAT	(102)	(249)	14	294	493
EPS (Rs)	(4.6)	(11.3)	0.6	12.6	17.8
EPS (% chg)	(119.5)	NM	NM	2,018.6	41.6
ROE (%)	(3.4)	(8.9)	0.5	9.5	12.9
P/E (x)	(75.6)	(31.0)	593.3	28.0	19.8
EV/EBITDA (x)	(100.7)	(39.3)	45.4	15.6	11.7
P/BV (x)	2.6	2.9	2.8	2.6	2.2

Source: Company, Emkay Research

CMP	Target Price
Rs 352 as of (February 5, 2023)	Rs 385 (▲) 12 months
Rating	Upside
BUY (■)	10.0 %

Change in Estimates

EPS Chg. FY23E/FY24E (%)	-1.7
Target Price change (%)	20.3
Target Period (Months)	12
Previous Reco	BUY

Emkay vs. Consensus

EPS Estimates		
	FY23E	FY24E
Emkay	0.6	12.6
Consensus	3.0	13.6
Mean Consensus TP (12M)	Rs 315	

Stock Details

Bloomberg Code	ATA IN
Face Value (Rs)	5
Shares outstanding (mn)	22
52 Week H/L	369 / 145
M Cap (Rs bn/USD bn)	8 / 0.09
Daily Avg. Volume (nos.)	418,628
Daily Avg. Turnover (US\$ mn)	1.6

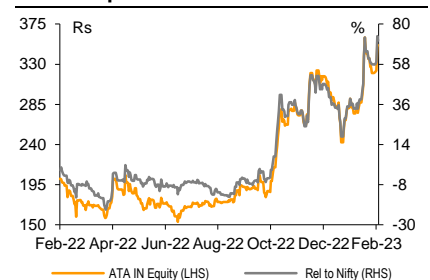
Shareholding Pattern Dec-22

Promoters	52.7%
FIIIs	0.7%
DIIIs	0.7%
Public and Others	45.9%

Price Performance

(%)	1M	3M	6M	12M
Absolute	22	28	96	71
Rel. to Nifty	24	30	91	68

Relative price chart



Source: Bloomberg

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Exhibit 1: Key volume assumptions; Expect a volume CAGR of 21% over FY23-25E

	FY21	FY22	FY23E	FY24E	FY25E	CAGR % (FY23-25E)
Volume (units)						
Domestic	15,349	14,370	21,898	28,029	32,234	21
YoY %	-62.3	-6.4	52.4	28.0	15.0	
Exports	946	1,691	3,065	3,984	4,382	20
YoY %	-71.9	78.8	81.2	30.0	10.0	
Total	16,295	16,061	24,963	32,013	36,616	21
YoY %	-63.0	-1.4	55.4	28.2	14.4	
Realization (Rs/unit)	181,589	182,940	186,298	193,750	201,499	4
YoY %	28.0	0.7	1.8	4.0	4.0	
Revenue	2,959	2,938	4,650	6,203	7,378	26
YoY %	-52.7	-0.7	58.3	33.4	19.0	

Source: Company, Emkay Research

Exhibit 2: Changes in estimates

Rs mn	FY23E				FY24E				FY25E			
	Earlier	Revised	% Change	% YoY	Earlier	Revised	% Change	% YoY	Earlier	Revised	% Change	% YoY
Volumes	24,963	24,963	0.0	55.4	32,013	32,013	0.0	28.2	36,616	36,616	0.0	14.4
Revenue	4,696	4,650	(1.0)	58.3	6,264	6,203	(1.0)	33.4	7,379	7,378	(0.0)	19.0
EBITDA	142	192	34.6	(189.0)	526	549	4.3	186.4	733	766	4.5	39.6
Margin (%)	3.0	4.1	109 bps	1,145 bps	8.4	8.9	45 bps	473 bps	9.9	10.4	45 bps	153 bps
APAT	(10)	14	NM	NM	289	294	1.7	NM	472	493	4.4	68.0
EPS (Rs)	(0.4)	0.6	NM	NM	12.3	12.6	1.7	NM	17.0	17.8	4.4	41.6

Source: Company, Emkay Research

Exhibit 3: Actual vs. Estimates (Q3FY23)

(Rs mn)	Actual	Estimates		% Variation		Comment
		Emkay	Consensus	Emkay	Consensus	
Total Revenue	1,236	1,284	1,284	(3.7)	(3.7)	Slightly below estimates owing to lower-than-expected realizations
EBITDA	85	55	55	55	55	Above our estimates due to better gross margin and lower other expenses
EBITDA Margin (%)	6.9	4.3	4.3	261 bps	261 bps	
Adjusted net profit	4	14	14	(74)	(74)	

Source: Bloomberg, Company, Emkay Research

Exhibit 4: Quarterly performance

Rs mn	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	YoY (%)	QoQ (%)	FY23 YTD	FY22 YTD	YoY(%)
Revenue	938	859	968	1,136	1,236	31.8	8.8	3,340	2,080	60.6
Expenditure	1,013	889	980	1,093	1,152	13.7	5.4	3,224	2,264	42.4
As a % of sales	108.0	103.6	101.3	96.2	93.1			96.5	108.9	
Consumption of RM	779	701	774	903	951	22.1	5.3	2,628	1,703	54.3
As a % of sales	83.1	81.6	80.0	79.5	76.9			78.7	81.9	
Employee Cost	117	92	105	114	117	(0.3)	2.5	335	304	10.2
As a % of sales	12.5	10.7	10.8	10.0	9.4			10.0	14.6	
Other expenditure	117	96	101	76	84	(28.2)	10.6	261	257	1.5
As a % of sales	12.4	11.2	10.5	6.7	6.8			7.8	12.3	
EBITDA	-75	-31	-12	43	85			116	-185	
EBITDA margin (%)	-8.0	-3.6	-1.3	3.8	6.9			3.5	-8.9	
Depreciation	31	30	30	30	38	23.4	25.4	98	64	55.0
EBIT	-106	-60	-42	13	47			18	-248	
Other Income	7	5	6	8	8	13.6	0.0	21	19	9.8
Interest	14	14	15	15	18	28.2	23.0	48	26	84.2
PBT	-113	-70	-51	6	36			-9	-255	
Total Tax	-28	-13	-8	2	10			3	-63	
Adjusted PAT	-85	-57	-42	4	27			-12	-192	
Extraordinary items Loss/(Gain)	0	0	0	0	0			0	0	
Reported PAT	-85	-57	-42	4	27			-12	-192	
Adjusted EPS (Rs)	(3.9)	(2.6)	(1.9)	0.2	1.2			(0.6)	(8.8)	

Source: Company, Emkay Research. Email: emkay@whitemarquesolutions.com use and downloaded at 02/06/2023 05:57 PM

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Key Financials (Standalone)**Income Statement**

Y/E March (Rs mn)	FY21	FY22	FY23E	FY24E	FY25E
Revenue	2,959	2,938	4,650	6,203	7,378
Expenditure	3,035	3,154	4,459	5,653	6,612
EBITDA	(76)	(215)	192	549	766
Depreciation	66	93	135	150	161
EBIT	(142)	(309)	56	399	605
Other Income	19	24	30	32	57
Interest expenses	9	40	65	49	22
PBT	(132)	(325)	21	381	641
Tax	(30)	(76)	7	88	147
Extraordinary Items	0	0	0	0	0
Minority Int./Income from Assoc.	0	0	0	0	0
Reported Net Income	(102)	(249)	14	294	493
Adjusted PAT	(102)	(249)	14	294	493

Balance Sheet

Y/E March (Rs mn)	FY21	FY22	FY23E	FY24E	FY25E
Equity share capital	110	110	110	110	139
Reserves & surplus	2,823	2,578	2,880	3,100	4,303
Net worth	2,932	2,688	2,989	3,209	4,442
Minority Interest	0	0	0	0	0
Loan Funds	150	804	570	460	0
Net deferred tax liability	4	(78)	(78)	(76)	(73)
Total Liabilities	3,086	3,414	3,481	3,594	4,369
Net block	898	1,985	2,020	1,821	1,716
Investment	294	682	782	882	982
Current Assets	1,130	1,017	1,406	1,785	2,727
Cash & bank balance	85	54	83	106	791
Other Current Assets	71	75	70	93	111
Current liabilities & Provision	721	698	1,063	1,400	1,645
Net current assets	409	320	343	385	1,082
Misc. exp	0	0	0	0	0
Total Assets	3,086	3,414	3,481	3,594	4,369

Cash Flow

Y/E March (Rs mn)	FY21	FY22	FY23E	FY24E	FY25E
PBT (Ex-Other income) (NI+Dep)	(151)	(349)	(9)	350	584
Other Non-Cash items	0	0	0	0	0
Chg. in working cap	560	(24)	(7)	(37)	(24)
Operating Cashflow	502	(214)	191	371	560
Capital expenditure	(391)	(123)	(80)	(120)	(140)
Free Cash Flow	111	(337)	111	251	420
Investments	(142)	(388)	(100)	(100)	(100)
Other Investing Cash Flow	(68)	69	0	0	0
Investing Cashflow	(582)	(417)	(150)	(189)	(183)
Equity Capital Raised	0	0	0	0	29
Loans Taken / (Repaid)	150	654	(234)	(110)	(460)
Dividend paid (incl. tax)	0	0	0	(73)	(123)
Other Financing Cash Flow	0	(14)	287	73	883
Financing Cashflow	142	600	(12)	(159)	307
Net chg. in cash	61	(31)	29	23	684
Opening cash position	24	85	54	83	106
Closing cash position	85	54	83	106	791

Source: Company, Emkay Research

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Key Ratios

Profitability (%)	FY21	FY22	FY23E	FY24E	FY25E
EBITDA Margin	(2.6)	(7.3)	4.1	8.9	10.4
EBIT Margin	(4.8)	(10.5)	1.2	6.4	8.2
Effective Tax Rate	22.7	23.5	33.0	23.0	23.0
Net Margin	(3.4)	(8.5)	0.3	4.7	6.7
ROCE	(3.0)	(6.6)	1.9	9.1	12.5
ROE	(3.4)	(8.9)	0.5	9.5	12.9
RoIC	(7.4)	(13.6)	1.7	14.0	22.7

Per Share Data (Rs)	FY21	FY22	FY23E	FY24E	FY25E
EPS	(4.6)	(11.3)	0.6	12.6	17.8
CEPS	(1.7)	(7.1)	6.4	19.0	23.6
BVPS	133.7	122.5	127.8	137.2	160.1
DPS	0.0	0.0	0.0	3.1	4.4

Valuations (x)	FY21	FY22	FY23E	FY24E	FY25E
PER	(75.6)	(31.0)	593.3	28.0	19.8
P/CEPS	(211.9)	(49.7)	55.1	18.5	14.9
P/BV	2.6	2.9	2.8	2.6	2.2
EV / Sales	2.6	2.9	1.9	1.4	1.2
EV / EBITDA	(100.7)	(39.3)	45.4	15.6	11.7
Dividend Yield (%)	0.0	0.0	0.0	0.9	1.3

Gearing Ratio (x)	FY21	FY22	FY23E	FY24E	FY25E
Net Debt/ Equity	0.0	0.3	0.2	0.1	(0.2)
Net Debt/EBIDTA	0.5	(3.5)	2.5	0.6	(1.0)
Working Cap Cycle (days)	40.0	33.0	20.4	16.4	14.4

Growth (%)	FY21	FY22	FY23E	FY24E	FY25E
Revenue	(52.7)	(0.7)	58.3	33.4	19.0
EBITDA	NM	NM	NM	186.4	39.6
EBIT	NM	NM	NM	607.6	51.8
PAT	NM	NM	NM	2,018.6	68.0

Quarterly (Rs mn)	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23
Revenue	938	859	968	1,236	1,236
EBITDA	(75)	(31)	(12)	85	85
EBITDA Margin (%)	(8.0)	(3.6)	(1.3)	6.9	6.9
PAT	(85)	(57)	(42)	27	27
EPS (Rs)	(3.9)	(2.6)	(1.9)	1.2	1.2

Source: Company, Emkay Research

Shareholding Pattern (%)	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22
Promoters	52.7	52.7	52.7	52.7	52.7
FII	0.2	0.1	-	0.5	0.7
DII	0.5	0.2	0.2	0.2	0.7
Public and Others	46.6	47.0	47.1	46.6	45.9

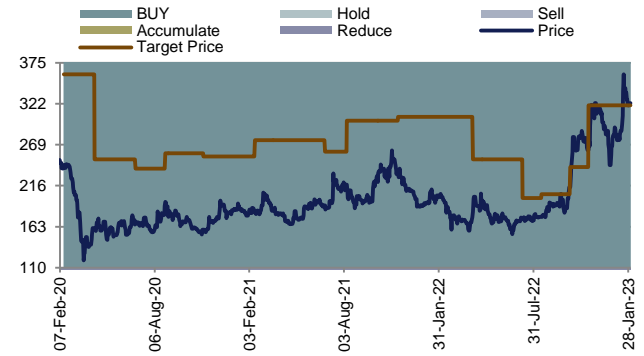
Source: Capitaline

RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
13-Jan-23	287	320	12m	Buy	Raghunandhan NL
06-Jan-23	275	320	12m	Buy	Raghunandhan NL
13-Nov-22	262	320	12m	Buy	Raghunandhan NL
09-Oct-22	214	240	12m	Buy	Raghunandhan NL
15-Aug-22	176	205	12m	Buy	Raghunandhan NL
10-Jul-22	174	200	12m	Buy	Raghunandhan NL
28-May-22	173	250	12m	Buy	Raghunandhan NL
06-Apr-22	182	250	12m	Buy	Raghunandhan NL
24-Feb-22	159	305	12m	Buy	Raghunandhan NL
13-Feb-22	194	305	12m	Buy	Raghunandhan NL
14-Nov-21	233	305	12m	Buy	Raghunandhan NL
08-Aug-21	218	300	12m	Buy	Raghunandhan NL
02-Jul-21	187	260	12m	Buy	Raghunandhan NL
27-Jun-21	190	260	12m	Buy	Raghunandhan NL
18-Jun-21	193	275	12m	Buy	Raghunandhan NL
01-Jun-21	191	275	12m	Buy	Raghunandhan NL
30-May-21	193	275	12m	Buy	Raghunandhan NL
13-Feb-21	181	275	12m	Buy	Raghunandhan NL
07-Nov-20	159	254	12m	Buy	Raghunandhan NL
11-Oct-20	171	258	12m	Buy	Raghunandhan NL
28-Sep-20	170	258	12m	Buy	Raghunandhan NL
28-Aug-20	189	258	12m	Buy	Raghunandhan NL
26-Aug-20	195	258	12m	Buy	Raghunandhan NL
30-Jun-20	169	238	12m	Buy	Raghunandhan NL
29-Jun-20	166	250	12m	Buy	Raghunandhan NL
04-May-20	161	250	12m	Buy	Raghunandhan NL
13-Apr-20	159	250	12m	Buy	Raghunandhan NL
27-Feb-20	233	360	12m	Buy	Raghunandhan NL
14-Feb-20	243	360	12m	Buy	Raghunandhan NL

Source: Company, Emkay Research

RECOMMENDATION HISTORY CHART



Source: Bloomberg, Company, Emkay Research

Emkay Rating Distribution

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

Completed Date: 05 Feb 2023 20:43:42 (SGT)
Dissemination Date: 05 Feb 2023 20:44:42 (SGT)

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