

TVS Motor

Refer to important disclosures at the end of this report

Weak outlook and expensive valuations; Retain Sell

CMP: Rs 333
as of (May 28, 2020)TP: Rs 296 (▲)
12 months

Rating: SELL (■)

Upside: (11.1) %

- Q4FY20 revenue declined 21% yoy to Rs34.8bn (est.:Rs33.2bn), while adj. PAT fell 26% to Rs993mn (est.:Rs459mn), above estimates due to higher OPM, increase in other income and lower tax. OPM was flat at 7% (est.: 6.2%), above estimates due to the change in inventory and cost-reduction efforts.
- Demand prospects remain subdued for both Overseas and Domestic markets. Apart from Covid-19 lockdowns, demand in overseas markets is likely to be adversely impacted due to a fall in global commodity prices and adverse currency movement. In comparison, domestic demand is be affected by steep price increases.
- Led by the lockdown and expectation of gradual pick-up in demand, we reduce our FY21E volume estimate by 18% to 2.4mn units, but we broadly retain our FY22E volume forecast at 3.3mn units. Expect recovery from H2FY21, led by a low base, pent-up demand and better rural sentiment.
- The stock trades at FY22E P/E of 24x, which is expensive in comparison to 14-18x for larger peers. Retain Sell rating with revised TP of Rs296, based on 19x FY22E EPS and value of TVS Credit Services at Rs34/share. In sector EAP, we have an UW stance on the company.

EBITDA declines but came in above estimates: Revenue declined 21% yoy to Rs34.8bn (est.:Rs33.2bn), but came in above estimates due to higher-than-expected realization, owing to increased contribution of BS6 vehicles in domestic volumes. Volumes declined 30% to 632,920 units, while realization grew 14% to Rs55,006/unit. EBITDA margin was flat at 7% (est.: 6.2%), above estimates due to the change in inventory and cost-reduction efforts. Other income grew 601% to Rs251mn as it included Rs200mn relating to income tax refunds. Effective tax rate was low at 19% vs. 27% in Q4FY19 due to deferred tax credits. Overall, adjusted PAT fell 26% yoy to Rs993mn (est.: Rs459mn), but came in above estimates due to higher operating margins/other income and a lower tax rate.

Demand prospects remain subdued owing to near-term weakness in both overseas and domestic markets. Demand in overseas markets such as the Middle East, Africa and Latin America is likely to be adversely impacted in near term by the fall in global commodity prices and Covid-19 outbreak. In comparison, domestic demand will be affected by the steep price increases due to BS6 transition. Recovery is expected to be gradual and only by end FY21. Overall, we expect volume growth of 1% CAGR over FY20-22E, led by 4% growth in domestic segment and 6% fall in overseas markets.

Retain Sell: Driven by lower volume assumptions, we reduce our FY21E EPS estimate by 40% to Rs5.7, and retain FY22E EPS forecast at Rs13.8. We are introducing FY23E EPS forecast of Rs18, factoring in volume growth of 12% and EBITDA margin of 8.7%. Revenue/earnings CAGRs are expected to be muted at 6%/3% over FY20-22E. We retain Sell rating with a revised TP of Rs296, based on 19x FY22E EPS and value of TVS Credit Services at Rs34/share. In sector EAP, we have an UW stance on the company. Key upside risks are higher-than-expected demand in key geographies, reduction in competition intensity, decrease in commodity prices, and benign currency movements.

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

Financial Snapshot (Standalone)

(Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	182,099	164,233	136,379	184,889	211,646
EBITDA	14,333	13,459	9,952	15,385	18,390
EBITDA Margin (%)	7.9	8.2	7.3	8.3	8.7
APAT	6,701	6,177	2,700	6,550	8,535
EPS (Rs)	14.1	13.0	5.7	13.8	18.0
EPS (% chg)	1.1	(7.8)	(56.3)	142.6	30.3
ROE (%)	21.5	17.7	7.3	16.4	19.0
P/E (x)	23.6	25.6	58.6	24.2	18.5
EV/EBITDA (x)	12.0	12.9	17.4	11.1	9.1
P/BV (x)	4.7	4.4	4.2	3.8	3.3

Source: Company, Emkay Research



Change in Estimates

EPS Chg FY21E/FY22E (%)	(39.8)/0.2
Target Price change (%)	1.7
Target Period (Months)	12
Previous Reco	SELL

Emkay vs Consensus

EPS Estimates		
	FY21E	FY22E
Emkay	5.7	13.8
Consensus	12.3	16.3
Mean Consensus TP (12M)	Rs 313	

Stock Details

Bloomberg Code	TVSL IN
Face Value (Rs)	1
Shares outstanding (mn)	475
52 Week H/L	512 / 240
M Cap (Rs bn/USD bn)	158 / 2.09
Daily Avg Volume (nos.)	3,521,626
Daily Avg Turnover (US\$ mn)	14.9

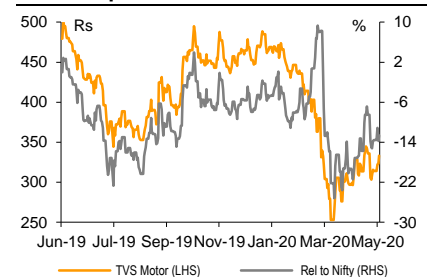
Shareholding Pattern Mar '20

Promoters	57.4%
FIIs	11.4%
DIIIs	21.2%
Public and Others	10.0%

Price Performance

(%)	1M	3M	6M	12M
Absolute	12	(24)	(32)	(33)
Rel. to Nifty	11	(10)	(13)	(16)

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:

Raghunandhan N L

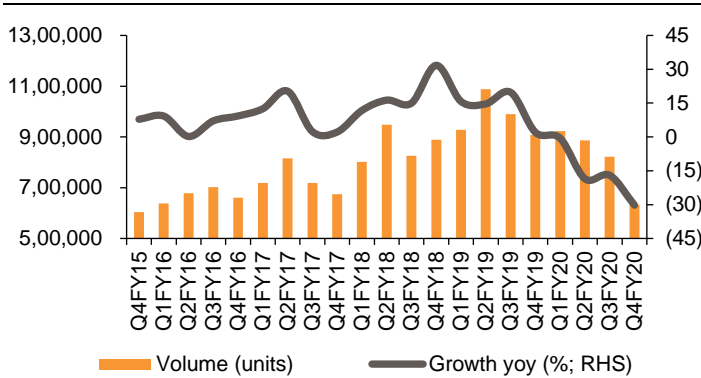
raghunandhan.nl@emkayglobal.com
+91 22 6624 2428

Mumuksh Mandlesha

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

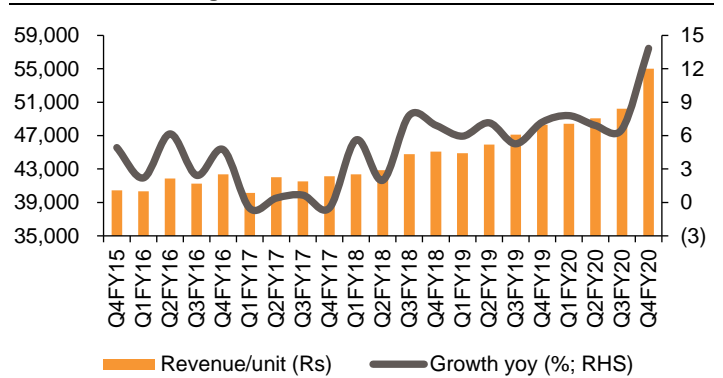
Story in charts

Exhibit 1: Volume declined by 30% yoy to 632,920 units



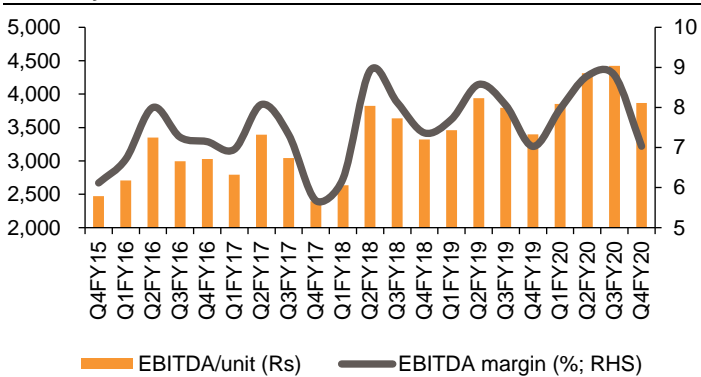
Source: Company, Emkay Research

Exhibit 2: Revenue/unit grew by 14% yoy to Rs55,006, above estimates due to higher share of BS6 vehicles



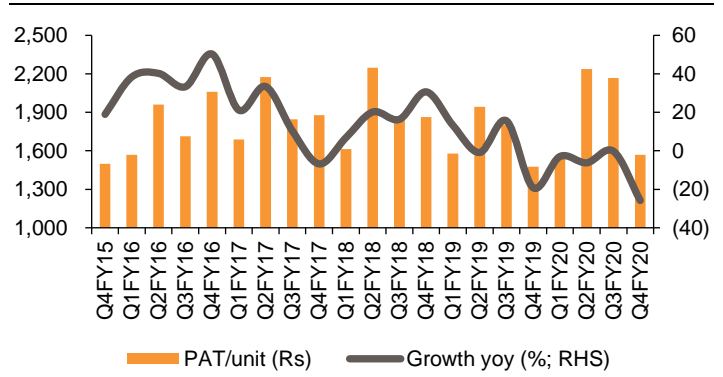
Source: Company, Emkay Research

Exhibit 3: EBITDA margins at 7%, above estimate due to change in inventory and cost-reduction efforts



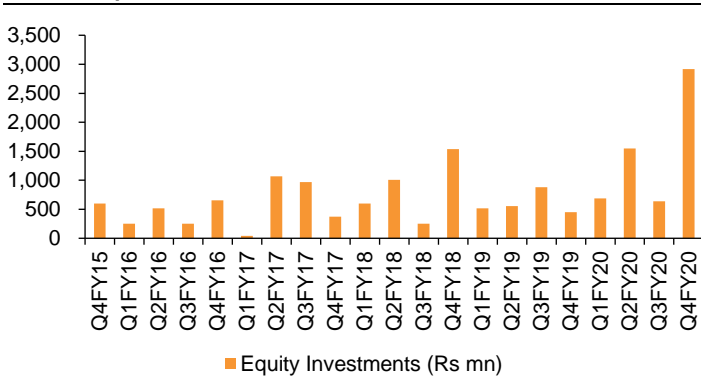
Source: Company, Emkay Research

Exhibit 4: PAT/unit improved due to higher operating margin, other income and lower tax rate



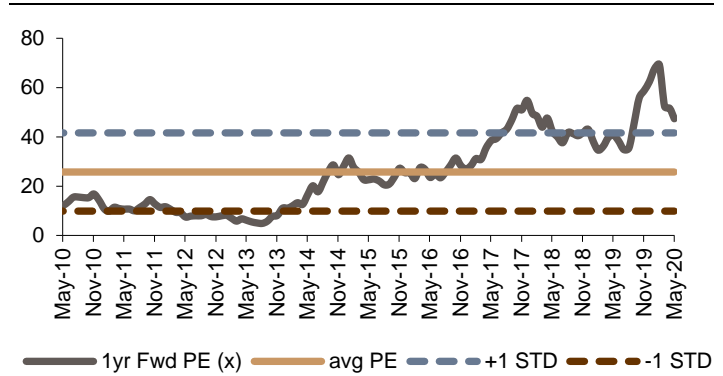
Source: Company, Emkay Research

Exhibit 5: Investment in subsidiaries/associates was high due to Norton acquisition



Source: Company, Emkay Research

Exhibit 6: Valuations limit upside potential



Source: Company, Emkay Research

Earnings Call Highlights

Q4FY20 and FY20 highlights

- BS6 vehicles contributed ~85% of domestic volumes. BS6 retails have been at over 100,000 units. Initial feedback from customers has been positive.
- One-time costs include Rs220mn for dealer discounts relating to BS4 vehicles, and Rs320mn for Covid-19 relief works. Dealer discounts have been deducted from revenues.
- One-time income stands at Rs200mn relating to income tax refunds. This item is part of Other income.
- Cost reduction efforts have supported margins. Focus has been on material cost reduction, fixed cost reduction, improving internal efficiencies, etc.
- Acquisition of Norton Motorcycles was completed in the quarter. Investment in Norton stood at Rs2.5bn. The company strategy will be announced in the future.
- Exports stood at Rs45.78bn and Spares at Rs17.2bn for FY20. USD-INR realization stood at Rs71.
- Financing ratio stood at 56%. Of this, TVS Credit contribution was at 46%. Other financiers include Shriram Finance, L&T Finance and HDFC.
- TVS Credit book size stands at Rs92.15bn, networth at Rs13.72bn, PBT at Rs2.2bn and PAT at Rs1.5bn. NPA stands at 2.4%, similar to last year. Customers who have opted for moratorium stands at 37%.

Outlook and Others

- Expect improvement in volume performance in H2FY21. Customer sentiment is positive in rural areas due to expectations of good monsoon.
- The company is working toward market share gains in both domestic and overseas segments.
- No major financing issues are being witnessed. Financing ratio is set to further increase this year.
- Cost-reduction efforts are expected to continue. The company has reduced salary by up to 20% across different levels (barring entry-level workmen) for a period of six months from May-Oct'20.
- Post BS6 price increase of 10-11%, another 1% increase has been recently implemented.
- FY21 capex expected at Rs3bn vs. Rs7.2bn in FY20.

Exhibit 7: Changes in estimates

Rs mn	FY21E				FY22E				FY23E	
	Earlier	Revised	% Change	% YoY	Earlier	Revised	% Change	% YoY	Introducing	% YoY
Volumes (Units)	3,006,733	2,454,303	(18.4)	(24.8)	3,306,794	3,345,830	1.2	36.3	3,746,960	12.0
Sales	162,486	136,379	(16.1)	(17.0)	184,192	184,889	0.4	35.6	211,646	14.5
EBITDA	12,180	9,952	(18.3)	(26.1)	15,388	15,385	(0.0)	54.6	18,390	19.5
Margin (%)	7.5	7.3	(20) bps	(90) bps	8.4	8.3	(3) bps	102 bps	8.7	37 bps
Net Profit	4,485	2,700	(39.8)	(56.3)	6,539	6,550	0.2	142.6	8,535	30.3
EPS	9.4	5.7	(39.8)	(56.3)	13.8	13.8	0.2	142.6	18.0	30.3

Source: Company, Emkay Research

Exhibit 8: Actual vs. Estimates (Q4FY20)

(Rs mn)	Actual	Estimates		% Variation		Comment
		Emkay	Consensus	Emkay	Consensus	
Total Revenue	34,814	33,203	33,423	4.9	4.2	Realizations were above estimates due to higher contribution of BS6 vehicles
EBITDA	2,449	2,059	2,212	18.9	10.7	
EBITDA Margin (%)	7.0	6.2	6.6	83 bps	41 bps	Above estimates due to the change in inventory and cost-reduction efforts
Adjusted net profit	993	459	591	116.2	67.8	Above estimates due to higher operating margin/other income and lower tax

Source: Bloomberg, Company, Emkay Research

Exhibit 9: Quarterly financial summary

Rs mn	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	YoY (%)	QoQ (%)	FY20	FY19	YoY (%)
Revenue	43,840	44,686	43,478	41,255	34,814	(20.6)	(15.6)	164,233	182,099	(9.8)
Expenditure	40,759	41,128	39,659	37,622	32,366	(20.6)	(14.0)	150,775	167,767	(10.1)
as % of sales	93.0	92.0	91.2	91.2	93.0			91.8	92.1	
Consumption of RM	33,593	33,577	31,898	29,787	26,098	(22.3)	(12.4)	121,359	138,423	(12.3)
as % of sales	76.6	75.1	73.4	72.2	75.0			73.9	76.0	
Employee Cost	2,036	2,489	2,337	2,332	2,227	9.4	(4.5)	9,384	9,226	1.7
as % of sales	4.6	5.6	5.4	5.7	6.4			5.7	5.1	
Other expenditure	5,130	5,063	5,424	5,503	4,041	(21.2)	(26.6)	20,031	20,118	(0.4)
as % of sales	11.7	11.3	12.5	13.3	11.6			12.2	11.0	
EBITDA	3,081	3,558	3,820	3,633	2,449	(20.5)	(32.6)	13,459	14,333	(6.1)
Depreciation	1,031	1,194	1,241	1,213	1,243	20.6	2.5	4,890	3,993	22.5
EBIT	2,050	2,364	2,579	2,420	1,205	(41.2)	(50.2)	8,568	10,340	(17.1)
Other Income	36	12	49	9	251	601.4	2,721.3	321	75	325.7
Interest	247	291	285	211	235	(5.0)	11.0	1,022	806	26.8
PBT	1,839	2,085	2,343	2,218	1,222	(33.6)	(44.9)	7,867	9,610	(18.1)
Total Tax	501	662	362	438	229	(54.3)	(47.7)	1,691	2,908	(41.9)
Adjusted PAT	1,338	1,423	1,981	1,780	993	(25.8)	(44.2)	6,176	6,701	(7.8)
Extra ordinary items	-	-	569	(569)	(254)			(254)	-	
Reported PAT	1,338	1,423	2,550	1,211	739	(44.8)	(39.0)	5,922	6,701	(11.6)
Adjusted EPS	2.82	3.00	4.17	3.75	2.09	(25.8)	(44.2)	13.00	14.11	(7.8)

Margins (%)						(bps)	(bps)				(bps)
EBIDTA	7.0	8.0	8.8	8.8	7.0	0	(177)	8.2	7.9	32	
EBIT	4.7	5.3	5.9	5.9	3.5	(122)	(240)	5.2	5.7	(46)	
EBT	4.2	4.7	5.4	5.4	3.5	(69)	(187)	4.8	5.3	(49)	
PAT	3.1	3.2	4.6	4.3	2.9	(20)	(146)	3.8	3.7	8	
Effective Tax rate	27.2	31.8	15.4	19.7	18.7	(850)	(101)	21.5	30.3	(877)	

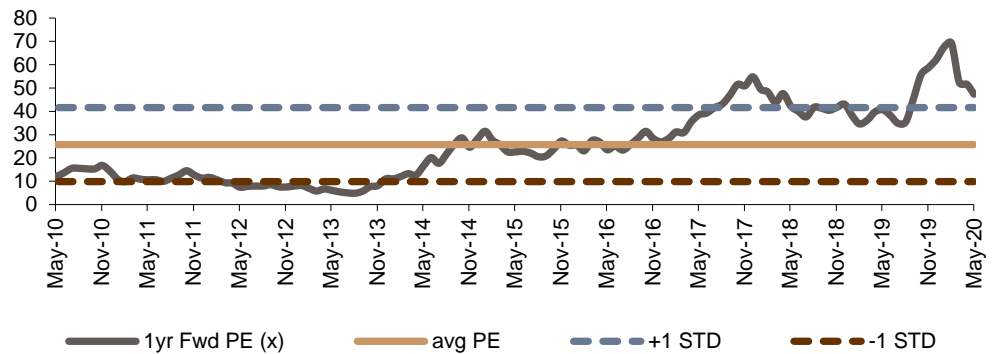
Source: Company, Emkay Research

Exhibit 10: Volume assumptions

	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E	FY23E
Sales volume (units)								
Motorcycles	712,002	773,163	916,776	1,014,923	755,391	577,500	814,198	907,805
Scooters	773,597	826,363	1,099,133	1,241,366	1,018,427	790,508	1,116,607	1,244,434
Mopeds	723,767	890,518	859,518	880,243	636,940	473,231	657,373	709,729
3Ws	15,536	12,277	16,429	16,715	11,934	7,908	11,022	12,110
Total Domestic	2,224,902	2,502,321	2,891,856	3,153,247	2,422,692	1,849,148	2,599,201	2,874,078
Exports	453,800	422,216	574,215	761,738	840,768	605,155	746,629	872,882
Total volume	2,678,702	2,924,537	3,466,071	3,914,985	3,263,460	2,454,303	3,345,830	3,746,960
YoY %								
Motorcycles	6.6	8.6	18.6	10.7	(25.6)	(23.5)	41.0	11.5
Scooters	13.0	6.8	33.0	12.9	(18.0)	(22.4)	41.3	11.4
Mopeds	(3.3)	23.0	(3.5)	2.4	(27.6)	(25.7)	38.9	8.0
3Ws	(11.4)	(21.0)	33.8	1.7	(28.6)	(33.7)	39.4	9.9
Total Domestic	5.0	12.5	15.6	9.0	(23.2)	(23.7)	40.6	10.6
Exports	9.6	(7.0)	36.0	32.7	10.4	(28.0)	23.4	16.9
Total volume	5.8	9.2	18.5	13.0	(16.6)	(24.8)	36.3	12.0
Realization (Rs/unit)								
	41,455	41,456	43,783	46,529	50,327	55,567	55,259	56,485
YoY %	4.0	0.0	5.6	6.3	8.2	10.4	(0.6)	2.2
Revenue (Rsmn)								
	111,047	121,353	151,754	182,099	164,233	136,379	184,889	211,646
YoY %	10.6	9.3	25.1	20.0	(9.8)	(17.0)	35.6	14.5

Source: Company, Emkay Research

Exhibit 11: One-year forward P/E



Source: Company, Emkay Research

Exhibit 12: Peer comparison

Companies	CMP (Rs)	Target (Rs)	Mcap (Rs.bn)	Reco	EPS (Rs)		PE (x)		ROE (%)		ROCE (%)	
					FY21E	FY22E	FY21E	FY22E	FY21E	FY22E	FY21E	FY22E
Ashok Leyland	44	76	130	Buy	1.1	3.4	41.5	12.9	3.7	11.5	5.6	14.2
Atul Auto	163	250	4	Buy	17.7	25.0	9.2	6.5	12.4	15.6	16.7	20.9
Bajaj Auto	2,600	2,629	752	Hold	129.5	184.8	20.1	14.1	18.1	23.8	23.3	30.6
Eicher Motors	16,237	16,955	443	Buy	707.7	893.2	22.9	18.2	17.2	18.8	21.7	22.9
Escorts Ltd	891	898	109	Buy	40.5	64.9	22.0	13.7	9.8	12.7	12.9	16.7
Hero Motocorp	2,298	2,313	459	Hold	138.6	157.7	16.6	14.6	18.9	20.0	24.5	26.0
Mahindra & Mahindra	440	490	548	Buy	28.5	36.2	15.5	12.2	8.6	10.2	10.8	12.8
Maruti Suzuki India	5,468	6,173	1652	Buy	128.5	268.4	42.6	20.4	7.8	15.4	10.2	19.9
Tata Motors	87	78	287	Hold	-13.2	12.6	-6.6	6.9	-8.7	8.1	2.3	7.5
TVS Motor	333	296	158	Sell	5.7	13.8	58.6	24.2	7.3	16.4	8.1	16.8
Amara Raja Batteries	614	624	105	Buy	36.5	41.6	16.8	14.8	15.9	16.3	20.5	21.2
Apollo Tyres	98	95	56	Hold	4.0	10.6	24.6	9.3	2.4	6.0	3.6	6.3
Exide Industries	159	189	135	Buy	9.7	10.7	16.3	14.8	12.4	12.6	16.3	16.6
Motherson Sumi	92	87	292	Buy	3.3	4.8	28.2	19.1	8.8	12.1	6.8	10.6
Bharat Forge	307	348	143	Buy	11.0	17.2	28.0	17.8	8.5	12.4	8.6	12.1

Source: Company, Emkay Research

Key Financials (Standalone)**Income Statement**

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	182,099	164,233	136,379	184,889	211,646
Expenditure	167,767	150,775	126,427	169,504	193,256
EBITDA	14,333	13,459	9,952	15,385	18,390
Depreciation	3,993	4,890	5,401	5,810	6,344
EBIT	10,340	8,568	4,552	9,574	12,046
Other Income	75	321	138	152	167
Interest expenses	806	1,022	1,136	973	807
PBT	9,610	7,867	3,553	8,754	11,406
Tax	2,908	1,691	853	2,203	2,871
Extraordinary Items	0	(254)	0	0	0
Minority Int./Income from Assoc.	0	0	0	0	0
Reported Net Income	6,701	5,923	2,700	6,550	8,535
Adjusted PAT	6,701	6,177	2,700	6,550	8,535

Balance Sheet

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Equity share capital	475	475	475	475	475
Reserves & surplus	32,998	35,706	37,432	41,618	47,073
Net worth	33,473	36,181	37,907	42,093	47,548
Minority Interest	0	0	0	0	0
Loan Funds	14,000	19,967	17,911	14,517	12,396
Net deferred tax liability	2,126	1,581	1,666	1,878	2,153
Total Liabilities	49,600	57,728	57,484	58,488	62,097
Net block	25,793	27,965	27,252	26,276	25,931
Investment	23,007	26,059	29,059	32,059	35,059
Current Assets	32,322	36,734	29,804	38,218	45,017
Cash & bank balance	439	4,192	2,781	1,583	3,080
Other Current Assets	4,980	4,894	4,064	5,509	6,306
Current liabilities & Provision	34,094	35,883	29,797	40,396	46,242
Net current assets	(1,773)	851	7	(2,179)	(1,226)
Misc. exp	0	0	0	0	0
Total Assets	49,600	57,728	57,484	58,488	62,097

Cash Flow

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
PBT (Ex-Other income) (NI+Dep)	9,534	7,546	3,415	8,601	11,239
Other Non-Cash items	0	0	0	0	0
Chg in working cap	(484)	4	(182)	678	532
Operating Cashflow	10,902	13,615	9,644	12,990	15,623
Capital expenditure	(6,343)	(7,344)	(3,000)	(6,000)	(6,000)
Free Cash Flow	4,559	6,271	6,644	6,990	9,623
Investments	(2,653)	(3,052)	(3,000)	(3,000)	(3,000)
Other Investing Cash Flow	(1,027)	(2,493)	0	0	0
Investing Cashflow	(9,947)	(12,568)	(5,862)	(8,848)	(8,833)
Equity Capital Raised	0	0	0	0	0
Loans Taken / (Repaid)	2,108	5,967	(2,056)	(3,394)	(2,122)
Dividend paid (incl tax)	(2,000)	(2,000)	(975)	(2,364)	(3,080)
Other Financing Cash Flow	72	(239)	(1,026)	1,389	716
Financing Cashflow	(625)	2,705	(5,193)	(5,341)	(5,293)
Net chg in cash	330	3,753	(1,410)	(1,198)	1,497
Opening cash position	109	439	4,192	2,781	1,583
Closing cash position	439	4,192	2,781	1,583	3,080

Source: Company, Emkay Research

Key Ratios

Profitability (%)	FY19	FY20	FY21E	FY22E	FY23E
EBITDA Margin	7.9	8.2	7.3	8.3	8.7
EBIT Margin	5.7	5.2	3.3	5.2	5.7
Effective Tax Rate	30.3	21.5	24.0	25.2	25.2
Net Margin	3.7	3.8	2.0	3.5	4.0
ROCE	22.7	16.6	8.1	16.8	20.3
ROE	21.5	17.7	7.3	16.4	19.0
RoIC	47.0	35.5	18.5	40.7	54.6

Per Share Data (Rs)	FY19	FY20	FY21E	FY22E	FY23E
EPS	14.1	13.0	5.7	13.8	18.0
CEPS	22.5	23.3	17.1	26.0	31.3
BVPS	70.5	76.2	79.8	88.6	100.1
DPS	3.5	3.5	1.7	4.1	5.4

Valuations (x)	FY19	FY20	FY21E	FY22E	FY23E
PER	23.6	25.6	58.6	24.2	18.5
P/CEPS	14.8	14.3	19.5	12.8	10.6
P/BV	4.7	4.4	4.2	3.8	3.3
EV / Sales	0.9	1.1	1.3	0.9	0.8
EV / EBITDA	12.0	12.9	17.4	11.1	9.1
Dividend Yield (%)	1.1	1.1	0.5	1.2	1.6

Gearing Ratio (x)	FY19	FY20	FY21E	FY22E	FY23E
Net Debt/ Equity	0.4	0.4	0.4	0.3	0.2
Net Debt/EBIDTA	0.9	1.2	1.5	0.8	0.5
Working Cap Cycle (days)	(4.4)	(7.4)	(7.4)	(7.4)	(7.4)

Growth (%)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	20.0	(9.8)	(17.0)	35.6	14.5
EBITDA	22.0	(6.1)	(26.1)	54.6	19.5
EBIT	23.6	(17.1)	(46.9)	110.3	25.8
PAT	1.1	(11.6)	(54.4)	142.6	30.3

Quarterly (Rs mn)	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20
Revenue	43,840	44,686	43,478	41,255	34,814
EBITDA	3,081	3,558	3,820	3,633	2,449
EBITDA Margin (%)	7.0	8.0	8.8	8.8	7.0
PAT	1,338	1,423	1,981	1,780	993
EPS (Rs)	2.8	3.0	4.2	3.7	2.1

Source: Company, Emkay Research

Shareholding Pattern (%)	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20
Promoters	57.4	57.4	57.4	57.4	57.4
FIs	15.9	15.7	13.2	12.2	11.4
DIs	15.8	16.4	19.0	20.4	21.2
Public and Others	10.8	10.5	10.4	10.0	10.0

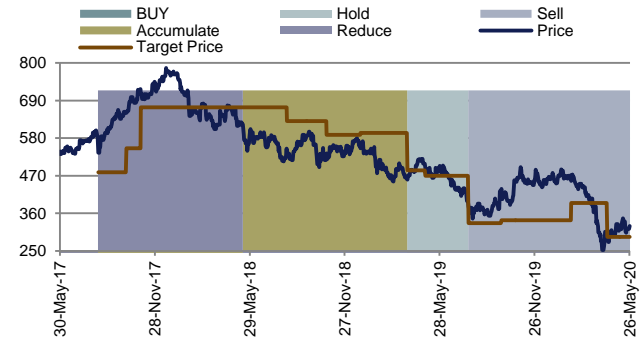
Source: Capitaline

RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
4-May-20	310	291	12m	Sell	Raghunandhan NL
13-Apr-20	290	291	12m	Sell	Raghunandhan NL
27-Feb-20	440	390	12m	Sell	Raghunandhan NL
4-Feb-20	455	390	12m	Sell	Raghunandhan NL
30-Jan-20	470	340	12m	Sell	Raghunandhan NL
27-Dec-19	465	340	12m	Sell	Raghunandhan NL
27-Nov-19	472	340	12m	Sell	Raghunandhan NL
1-Nov-19	469	340	12m	Sell	Raghunandhan NL
30-Oct-19	495	340	12m	Sell	Raghunandhan NL
17-Oct-19	440	340	12m	Sell	Raghunandhan NL
1-Oct-19	420	340	12m	Sell	Raghunandhan NL
26-Sep-19	418	340	12m	Sell	Raghunandhan NL
23-Sep-19	432	340	12m	Sell	Raghunandhan NL
3-Sep-19	361	331	12m	Sell	Raghunandhan NL
28-Aug-19	360	331	12m	Sell	Raghunandhan NL
22-Jul-19	380	331	12m	Sell	Raghunandhan NL
1-Jul-19	436	470	12m	Hold	Raghunandhan NL
27-Jun-19	429	470	12m	Hold	Raghunandhan NL
3-Jun-19	500	470	12m	Hold	Raghunandhan NL
29-May-19	487	470	12m	Hold	Raghunandhan NL
2-May-19	479	470	12m	Hold	Raghunandhan NL
30-Apr-19	492	470	12m	Hold	Raghunandhan NL
27-Mar-19	459	486	12m	Hold	Raghunandhan NL
22-Jan-19	554	595	12m	Accumulate	Raghunandhan NL
27-Dec-18	550	595	12m	Accumulate	Raghunandhan NL
23-Oct-18	535	590	12m	Accumulate	Raghunandhan NL
8-Aug-18	533	630	12m	Accumulate	Raghunandhan NL
16-May-18	611	670	12m	Accumulate	Raghunandhan NL
31-Jan-18	697	670	12m	Reduce	Raghunandhan NL
1-Nov-17	709	670	12m	Reduce	Raghunandhan NL
4-Oct-17	654	550	12m	Reduce	Raghunandhan NL
4-Sep-17	614	480	12m	Reduce	Raghunandhan NL
11-Aug-17	537	480	12m	Reduce	Raghunandhan NL

Source: Company, Emkay Research

RECOMMENDATION HISTORY CHART



Source: Bloomberg, Company, Emkay Research

Emkay Alpha Portfolio – Automobiles & Auto Ancillaries



Analyst: Raghunandhan NI

Contact Details

raghunandhan.ni@emkayglobal.com
+91 22 6624 2428

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)
Auto & Auto Ancillaries	5.16	5.16	0%	0	100.00
Amara Raja Batteries	0.10	0.10	1%	0	1.97
Apollo Tyres	0.06	0.00	-100%	-6	0.00
Ashok Leyland	0.12	0.22	79%	10	4.32
Atul Auto	0.00	0.11	NA	11	2.04
Bajaj Auto	0.68	0.68	1%	1	13.20
Bharat Forge	0.15	0.26	76%	11	4.99
Eicher Motors	0.42	0.54	28%	12	10.42
Escorts	0.00	0.14	NA	14	2.64
Exide Industries	0.14	0.15	1%	0	2.81
Hero Motocorp	0.57	0.00	-100%	-57	0.00
Mahindra & Mahindra	0.83	0.84	1%	1	16.27
Maruti Suzuki India	1.40	1.54	9%	13	29.76
Motherson Sumi	0.21	0.21	1%	0	4.09
Tata Motors	0.31	0.31	1%	0	5.96
Tata Motors DVR*	0.04	0.04	1%	0	0.70
TVS Motor	0.13	0.04	-67%	-9	0.83
Cash	0.00	0.00	NA	0	0.00

Source: Emkay Research

* Not under coverage: Equal Weight

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

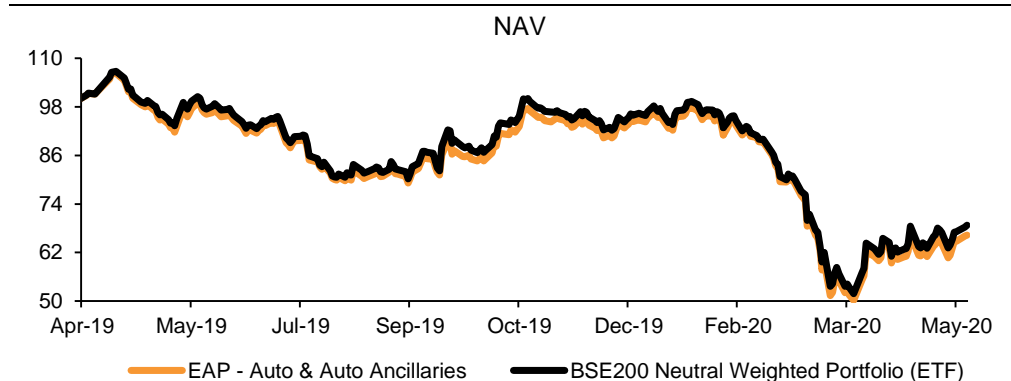
Sector portfolio NAV

	Base					Latest
	1-Apr-19	26-Aug-19	27-Nov-19	25-Feb-20	27-Apr-20	27-May-20
EAP - Auto & Auto Ancillaries	100.0	81.8	94.8	85.2	60.9	66.3
BSE200 Neutral Weighted Portfolio (ETF)	100.0	82.6	96.9	86.1	62.8	68.8

*Performance measurement base date 1st April 2019

Source: Emkay Research

NAV chart



Source: Emkay Research

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

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

“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: 29 May 2020 02:13:41 (SGT)

Dissemination Date: 29 May 2020 02:14:41 (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 May 28, 2020
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 May 28, 2020.
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 May 28, 2020
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 May 28, 2020

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