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ACMA- Financial Analysis

Q2 FY-22

*Strictly private
and confidential*

December 2021



pwc

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From the contents listing on any section divider – click on the title of the sub-section

List of Companies

Classification of 68* Auto component companies

*Data for JMT Auto and Harita Seating not available

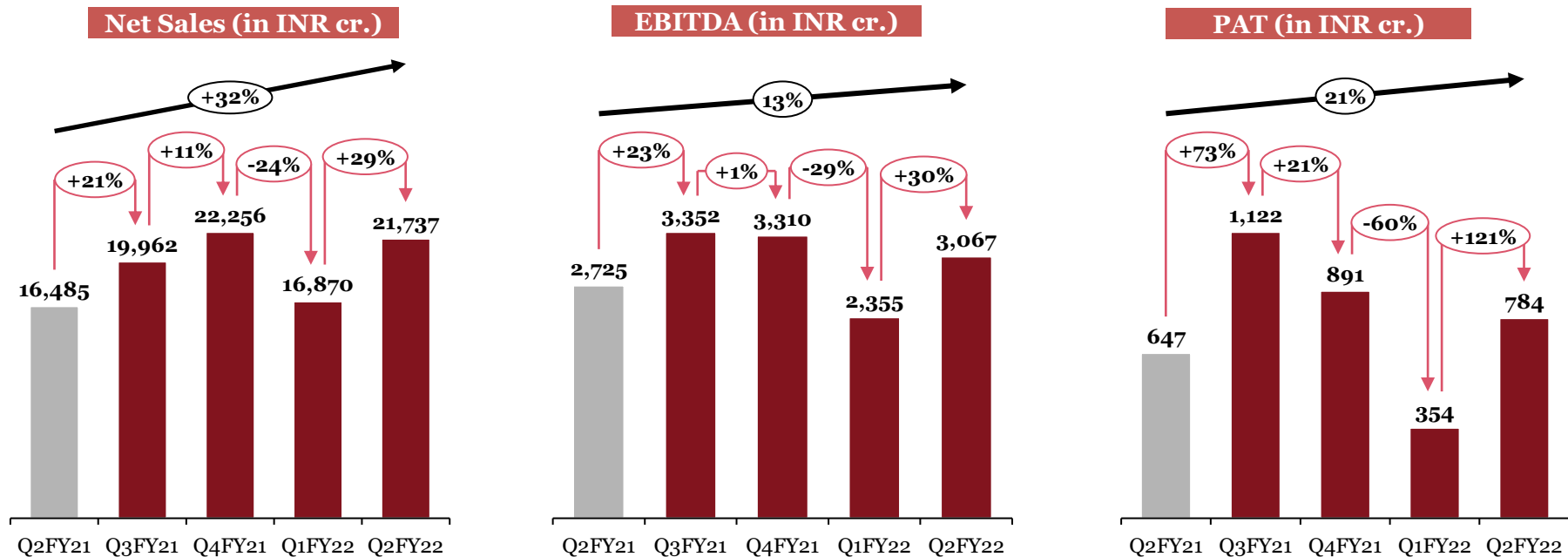
Size based classification				
Revenue Range	50 – 150 cr.	150 – 500 cr.	500 to 1000 cr.	>1000 cr.
Number of companies	9	23	9	27

Segment based classification		
Segment	#companies	List of companies
Transmission	12	Automotive Axles, Bharat Gears, Endurance Tech., JTEKT India, L G Balakrishnan, RACL Geartech, Rane (Madras), Setco Automotive, Shivam Autotech, Suprajit Engg., The Hi-Tech Gear, Z F Steering
Engine	22	Alicon Cast., Banco Products, Bimetal Bearings, Federal-Mogul Go, IP Rings, Kalyani Forge, Menon Bearings, Menon Pistons, Munjal Auto Inds, Pradeep Metals, Precision Camshf, Ramkrishna Forg., Rane Engine Val., Rico Auto Inds, Samkrp Pistons, Sharda Motor, Shriram Pistons, Sundaram Clayton, Sundram Fasten., Talbros Auto., Triton Valves, Ucal Fuel Sys.
Suspension	14	Enkei Wheels, G S Auto Intl., Gabriel India, GNA Axles, Hind. Composites, Jamna Auto Inds., Munjal Showa, Rane Brake Lin., Simm. Marshall, Steel Str. Wheel, Sundaram Brake, Talbros Engg., WABCO India, Wheels India
Electrical and Electronics	10	Bhagwati Auto, Fiem Inds., India Nipp. Elec., Lumax Auto Tech., Lumax Inds., Minda Corp, Minda Inds., Motherson Sumi, Pricol Ltd, Subros
Interior	2	Bharat Seats, SAL Automotive
Body and Chassis	8	Auto. Corp. of Goa, Autoline Inds., Automotive Stamp, Jay Bharat Mar., Jay Ushin, Omax Autos, PPAP Automotive, Rasandik Engg.

Tyre and battery companies are excluded in this report. Companies having less than INR 50 cr. annual revenue have been excluded from the scope of this study. The data for the following analysis is sourced from Capitaline.

Financial Summary

Aggregate financial analysis (68 in-scope companies)



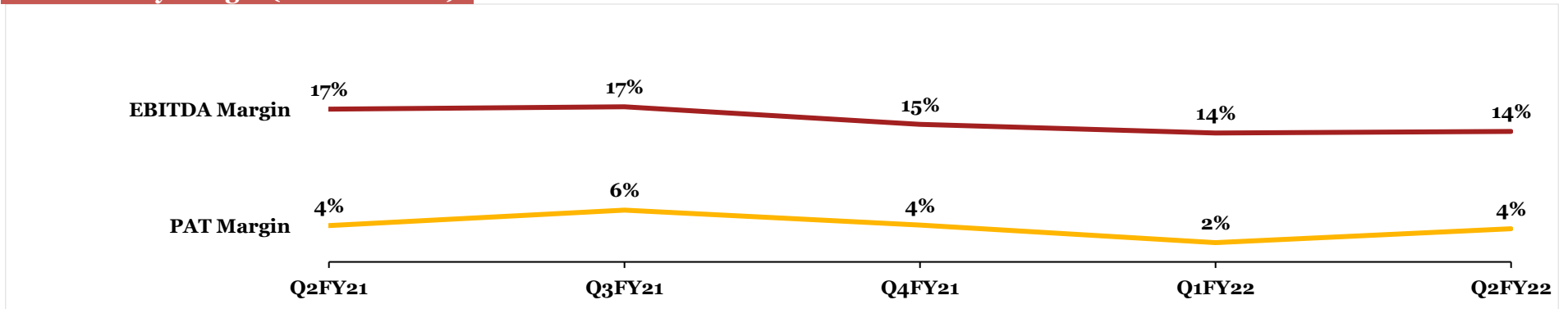
- This quarter includes the months of Jul'21, Aug'21 and Sep'21 during which the Indian economy had started to recover from the onset of the second wave of COVID-19 in the previous quarter.
- Net Sales, EBITDA and PAT all rose drastically - owing to an increase in domestic sales across all categories from 3.1 million units in Q1 FY22 to 5.1 million units in Q2 FY22 - as economic, industrial and commercial activity levels started to rise rapidly after the second wave. This was aided by the onset of the festive season towards the end of the quarter.

Trends in profitability (as % of Net sales)

For PAT calculation, the following formula is used: $PAT = \text{Reported Profit After Tax} - \text{Other Income}$

For EBITDA calculation, the following formula is used: $EBITDA = \text{Total Income} - \text{Total Expenditure} - \text{Net Sales} + \text{Other Income}$

Profitability margin (% of net sales)



EBITDA margin distribution of in-scope companies

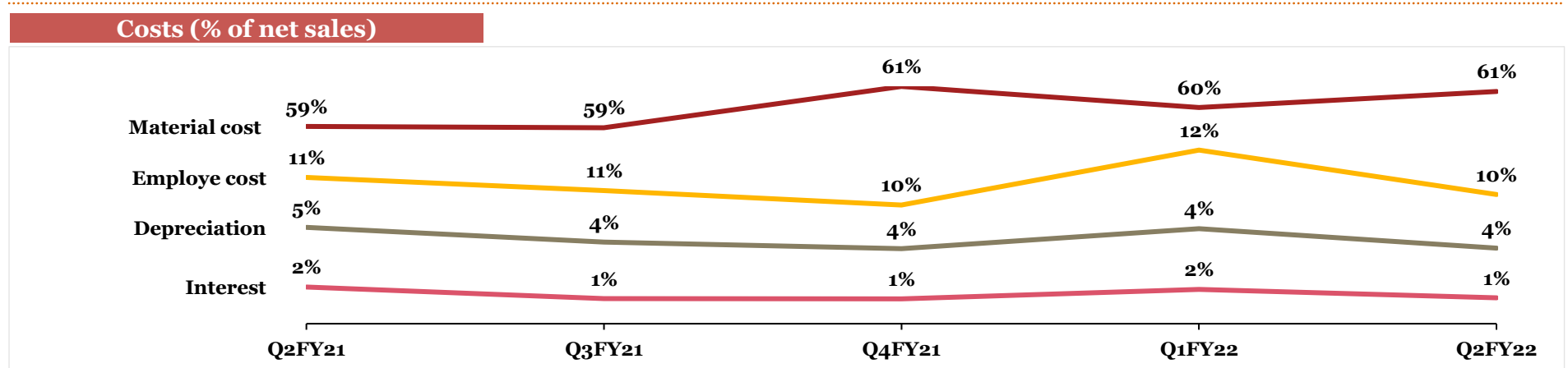
Range	Q2 FY21 Number of companies	Q2 FY22 Number of companies
Less than 0%	1	2
0-10%	7	12
10-20%	31	41
more than 20%	29	13

PAT margin distribution of in-scope companies

Range	Q2 FY21 Number of companies	Q2 FY22 Number of companies
less than 0%	15	15
0-5%	30	31
5-10%	17	19
more than 10%	6	3

- EBITDA margins remained largely stable, while PAT margins rose by 2%. This is primarily a result of lower employee costs compared to the previous quarter – employee costs rose during Q1 on account of COVID-19 related costs.
- This was helped along by a reduction in interest costs, as the economy moved towards normalcy post the second wave.

Trends in costs (as % of Net sales)



Material cost/net sales distribution of in-scope companies

Range	Q2 FY21	Q2 FY22
20-50%	26	21
50-70%	33	29
more than 70%	9	18

Employee cost/net sales distribution of in-scope companies

Range	Q2 FY21	Q2 FY22
0-10%	17	24
10-20%	45	40
more than 20%	6	4

Interest/net sales distribution of in-scope companies

Range	Q2 FY21	Q2 FY22
0-2%	39	47
2-5%	19	16
more than 5%	10	5

Depreciation/net sales distribution of in-scope companies

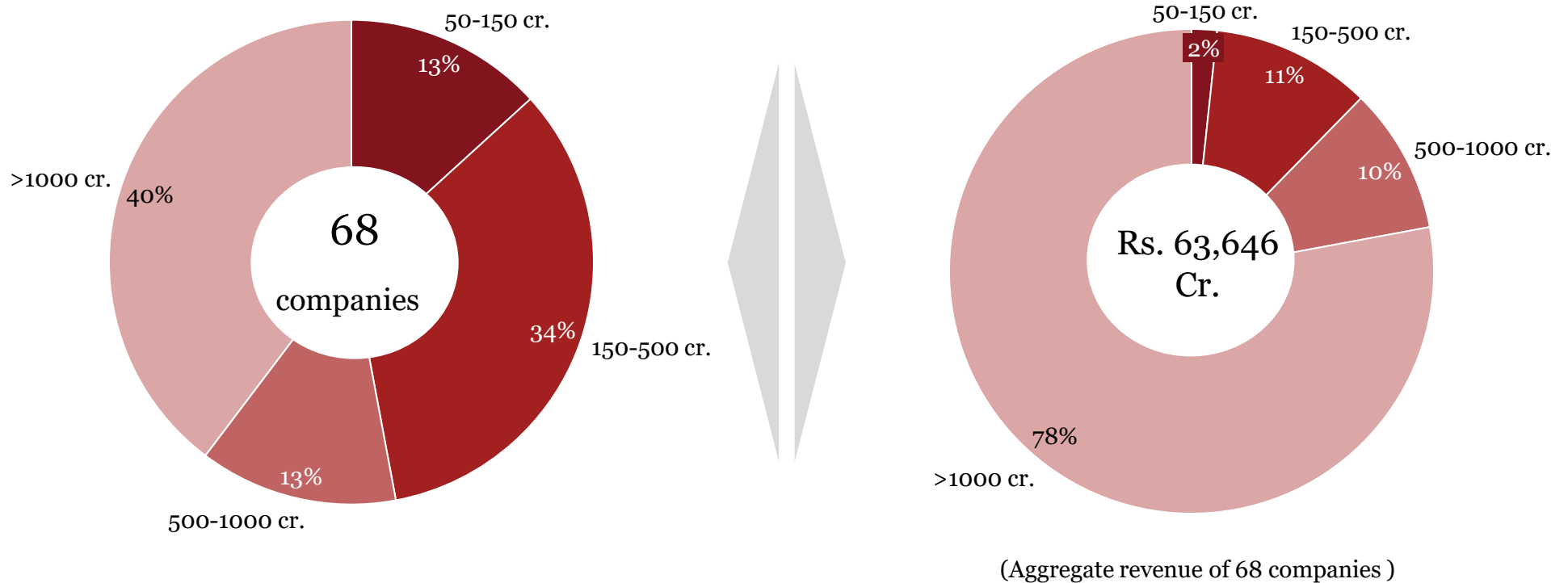
Range	Q1 FY21	Q2 FY22
0-2%	5	10
2-5%	33	45
more than 5%	30	13

- Employee costs normalized after a sharp increase in COVID-19 related costs in Q1 (VSS payouts, healthcare expenditure, etc.)
- Raw material costs rose on account of rising energy and crude oil prices, and a power supply crunch during the latter half of the quarter.

Size based analysis

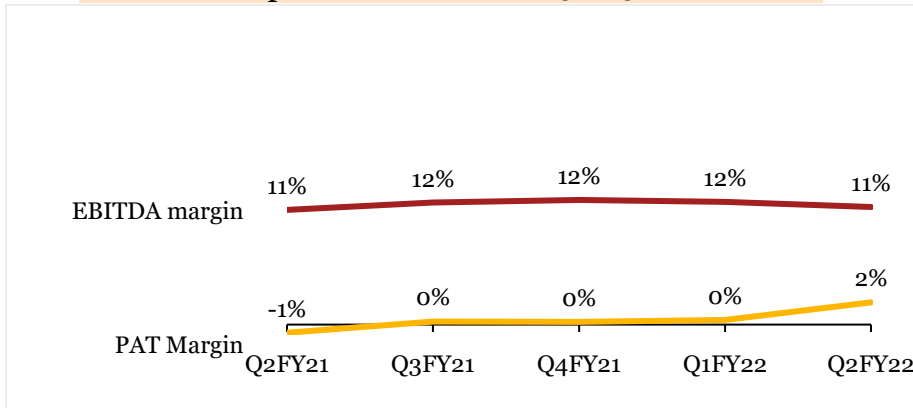
Revenue based classification

Revenue based classification				
Revenue Range	50 – 150 cr.	150 – 500 cr.	500-1000 cr.	>1000 cr.
Number of companies	10	24	9	27

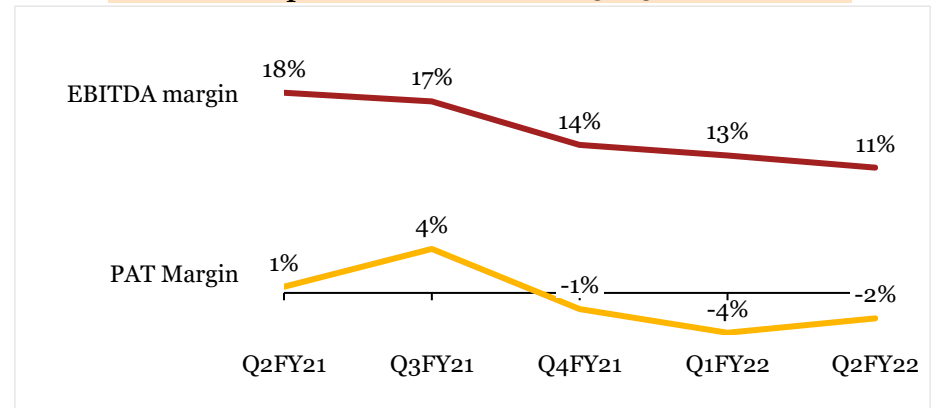


Trends in profitability (as % of Net sales)

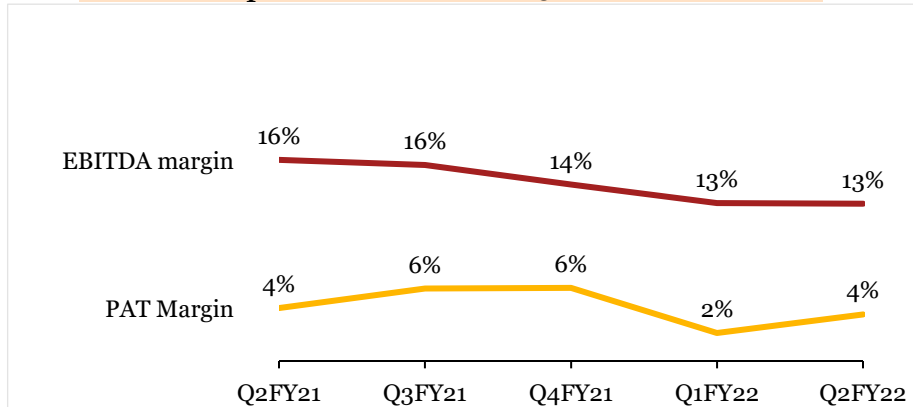
Companies with revenue 50-150 cr.



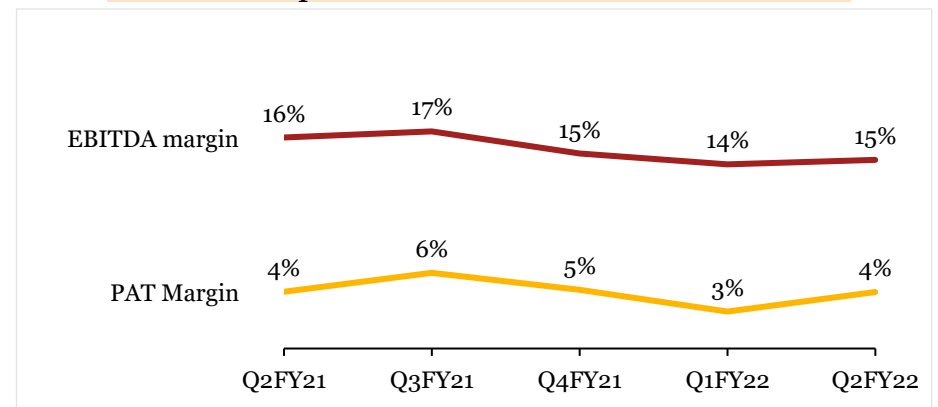
Companies with revenue 150-500 cr.



Companies with revenue 500-1000 cr.

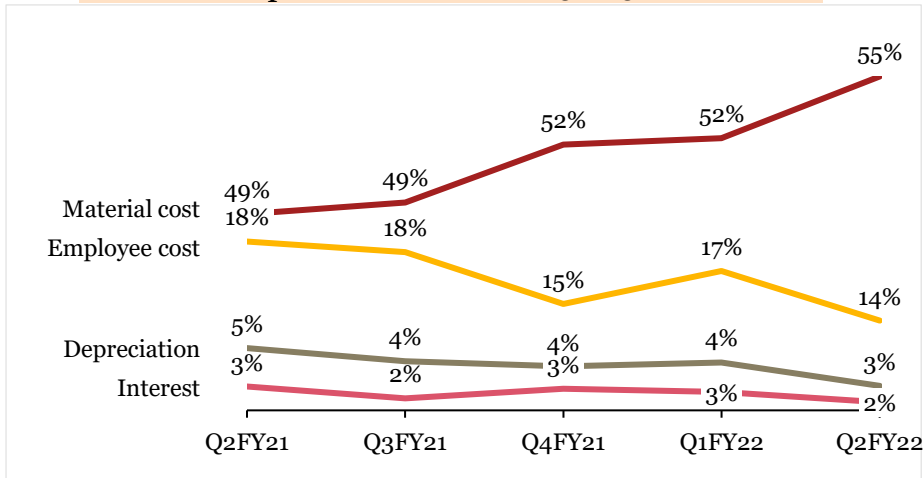


Companies with revenue >1000 cr.

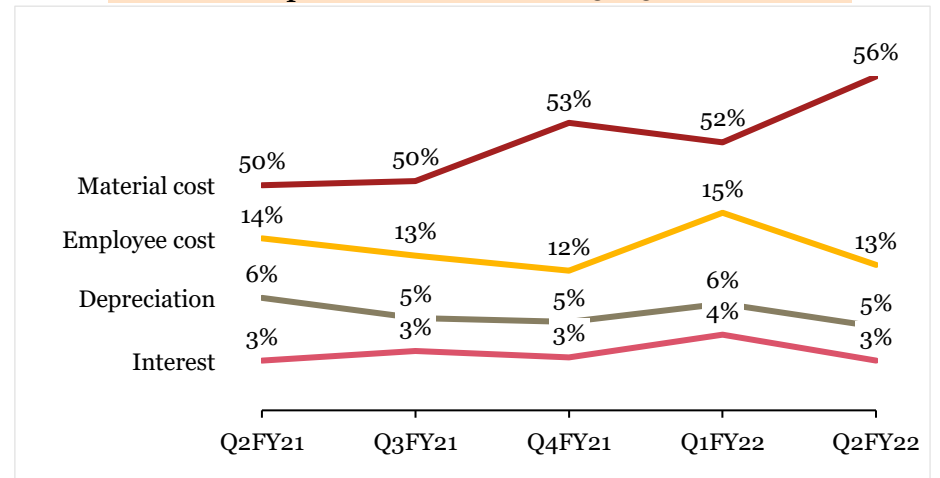


Trends in costs (as % of Net sales)

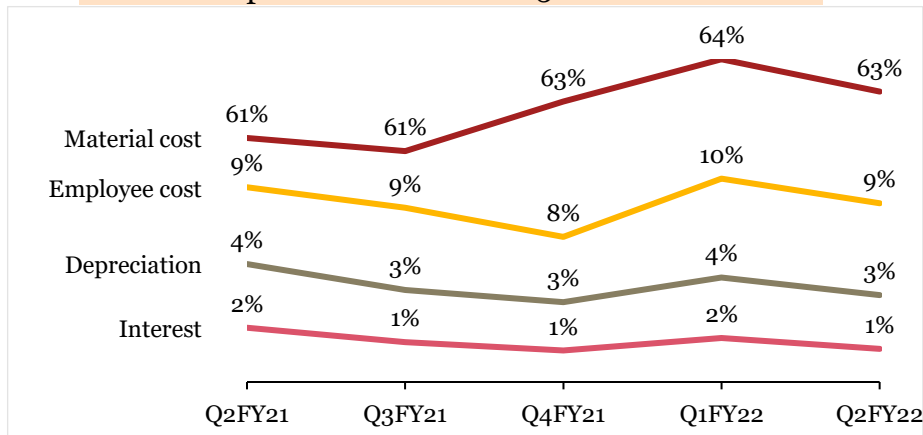
Companies with revenue 50-150 cr.



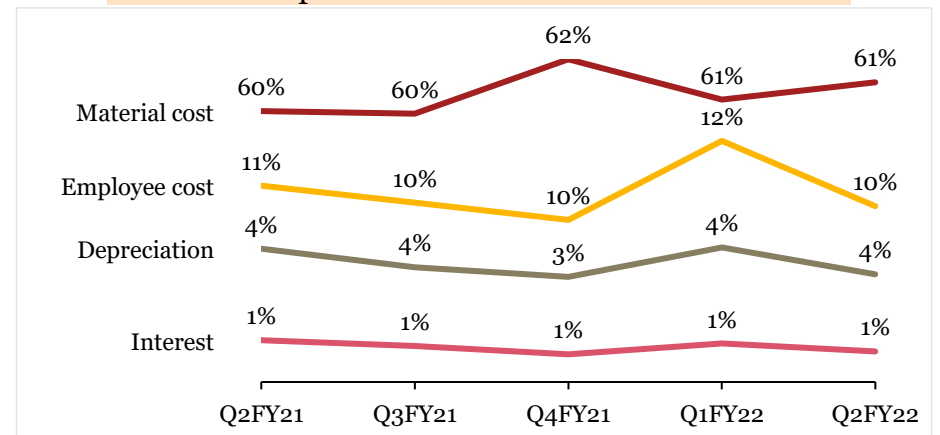
Companies with revenue 150-500 cr.



Companies with revenue 500-1000 cr.

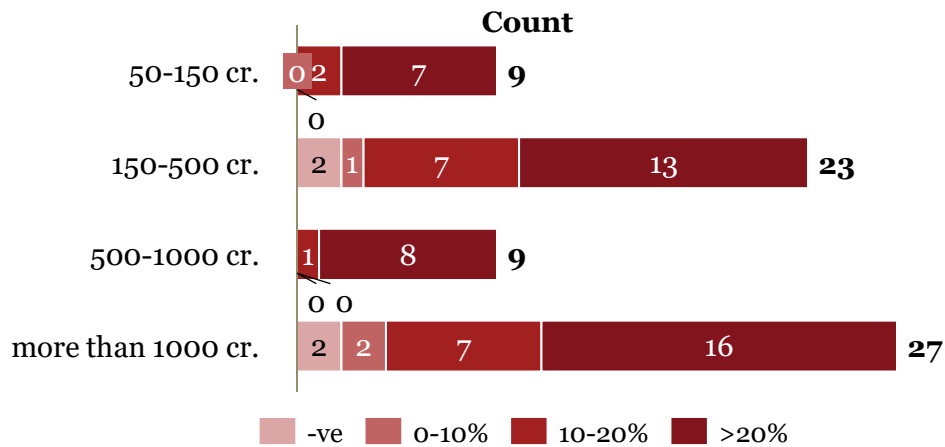


Companies with revenue >1000 cr.

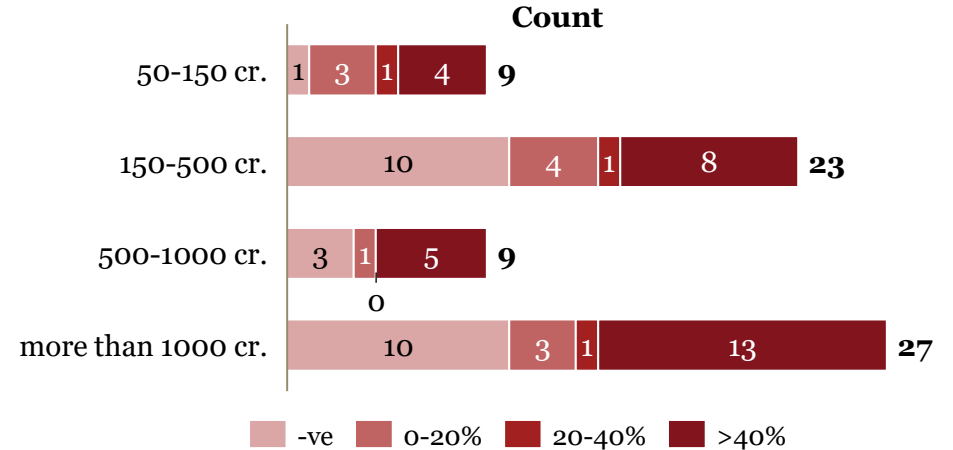


Count of companies per growth % range : by revenue segment Q2 FY22 vs. Q2 FY21

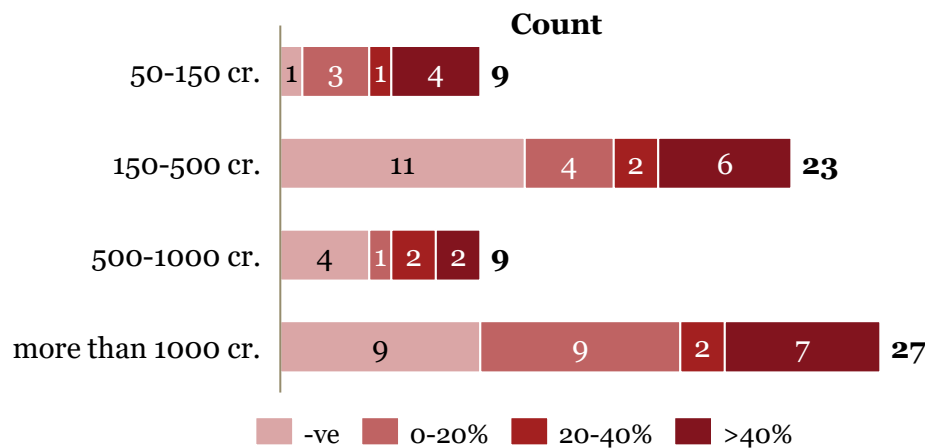
Count of companies by Y-o-Y Net Sales growth %



Count of companies by Y-o-Y PAT growth %

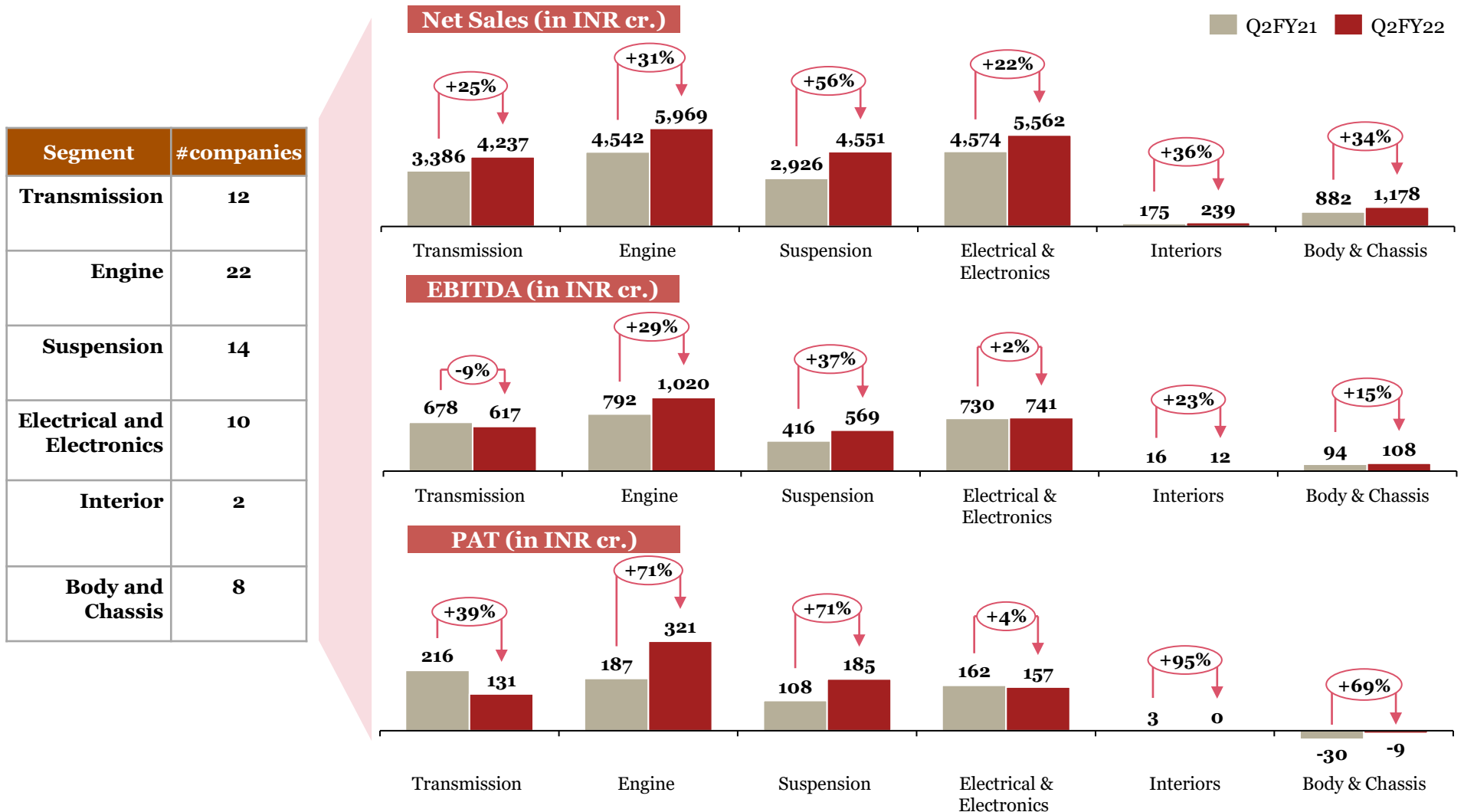


Count of companies by Y-o-Y EBITDA growth %



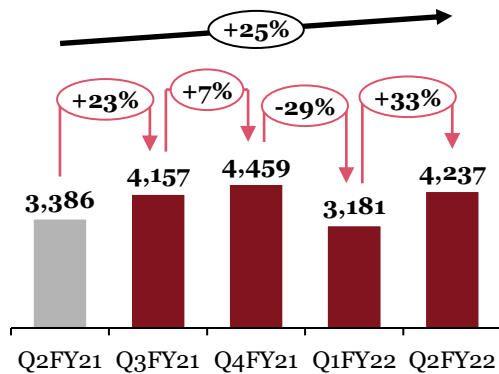
Segment analysis

Segment-wise analysis of in-scope companies: Q4 FY21 vs. Q4 FY22

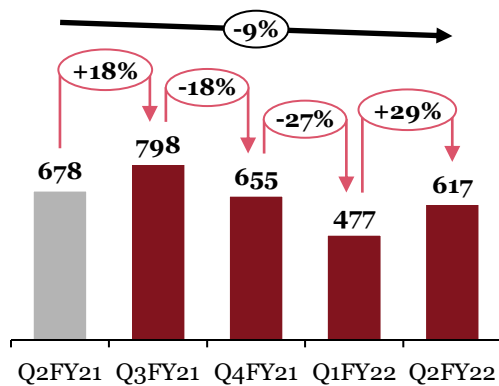


Transmission segment (12 companies)

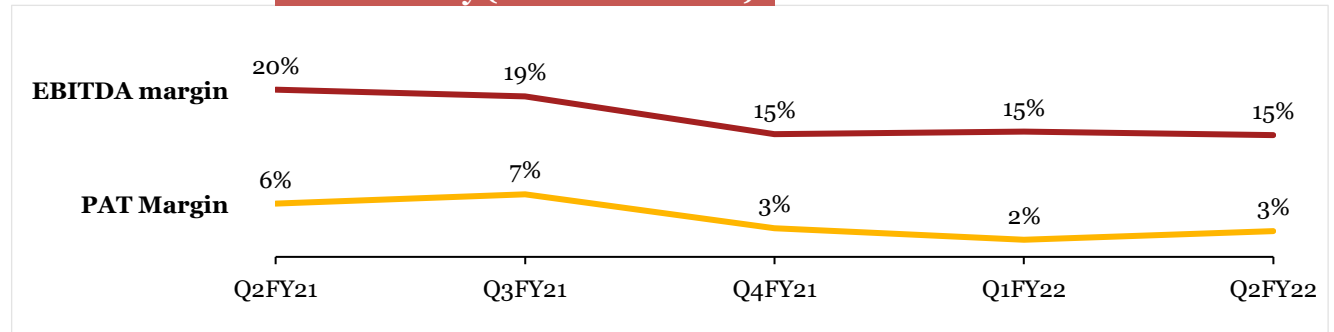
Net Sales (in INR cr.)



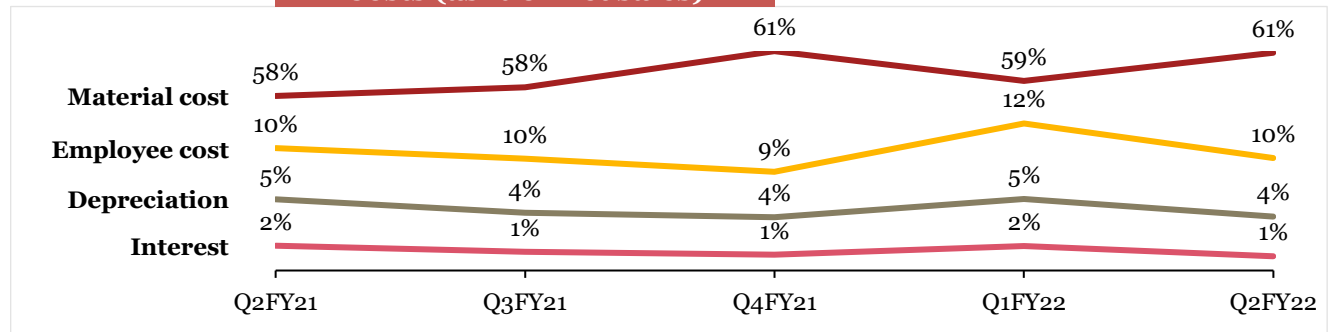
EBITDA (in INR cr.)



Profitability (as % of Net sales)



Costs (as % of Net sales)

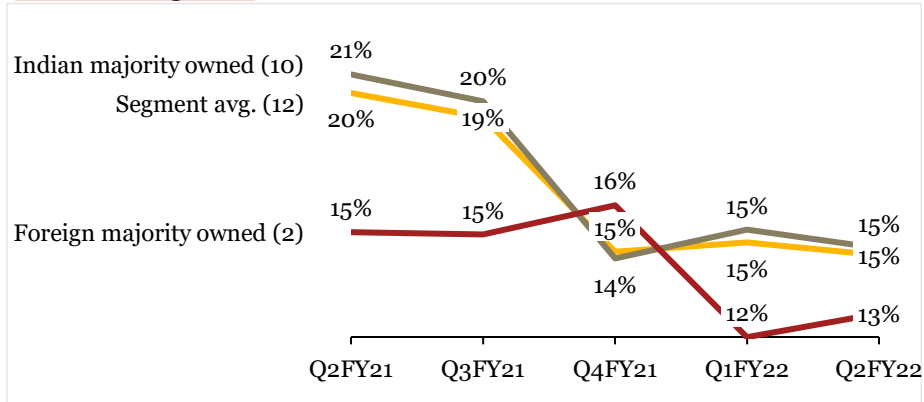


- Shift in preferences and rising adoption of Automatic Transmission in commercial vehicles has been a key growth driver.
- A sharp fall in employee costs – due to VSS pay-outs in Q1 – was offset by a rise in material costs.

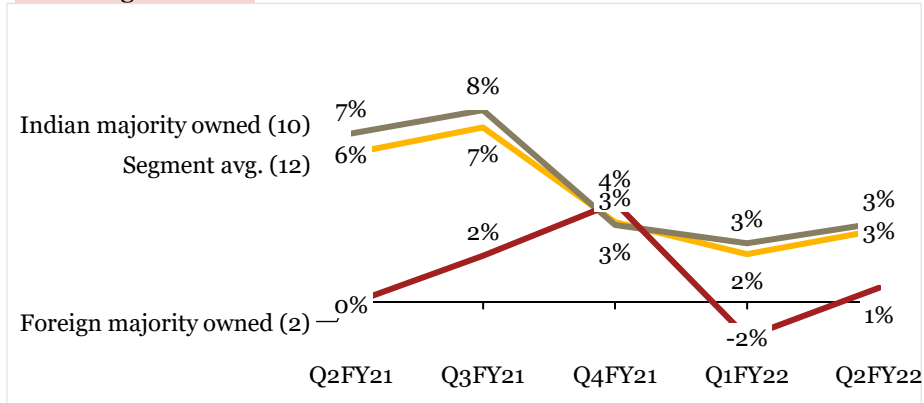
Transmission segment (Indian majority vs. Foreign majority owned)

Profitability (as % of Net sales)

EBITDA Margin

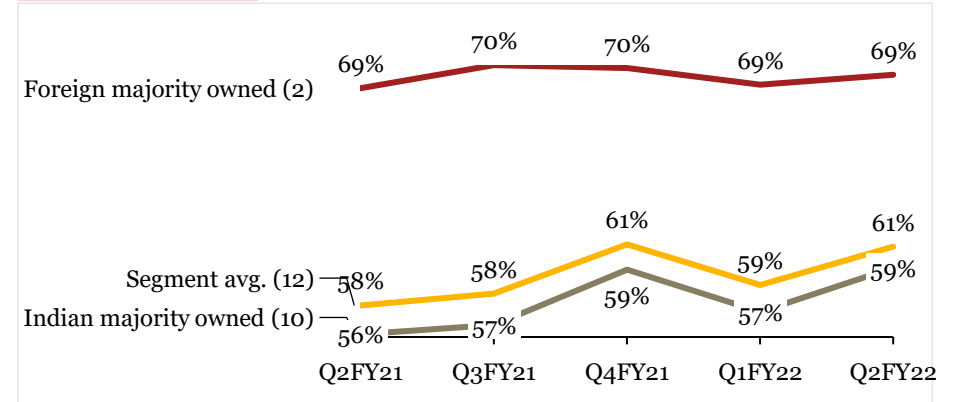


PAT Margin

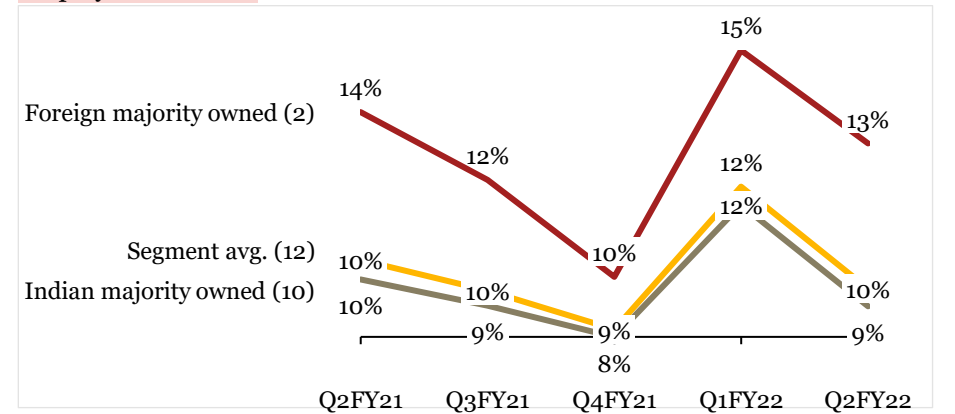


Costs (as % of Net sales)

Material cost

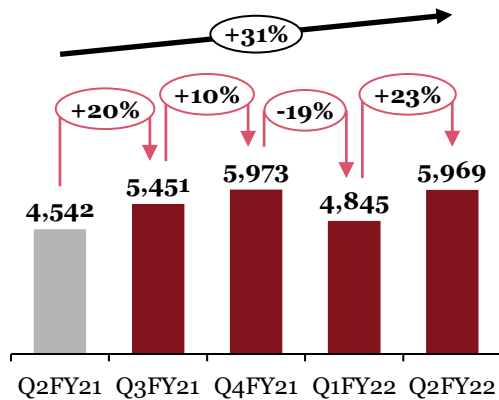


Employee cost

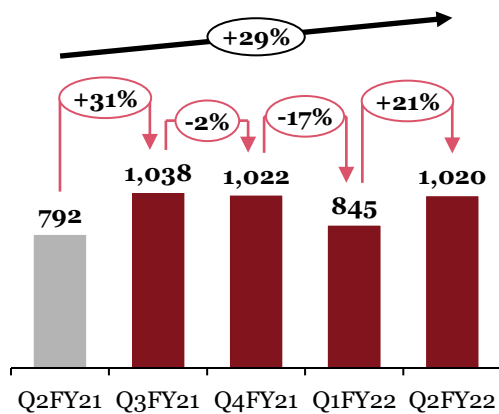


Engine segment (22 companies)

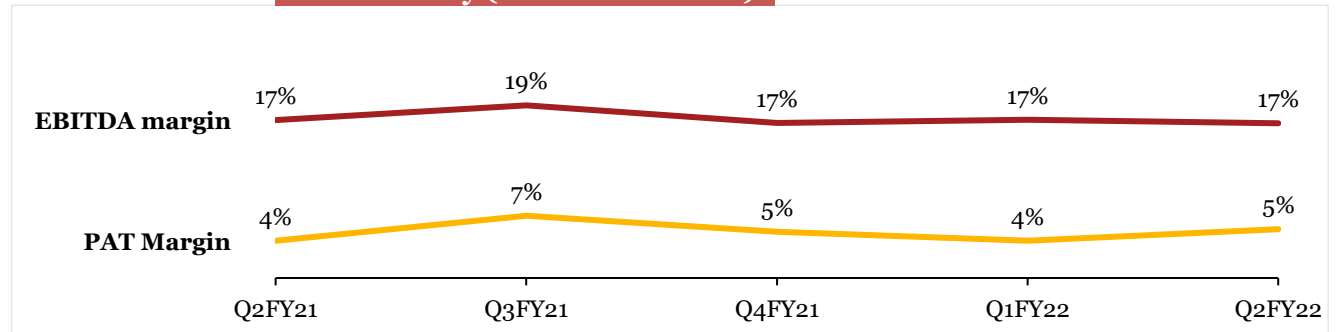
Net Sales (in INR cr.)



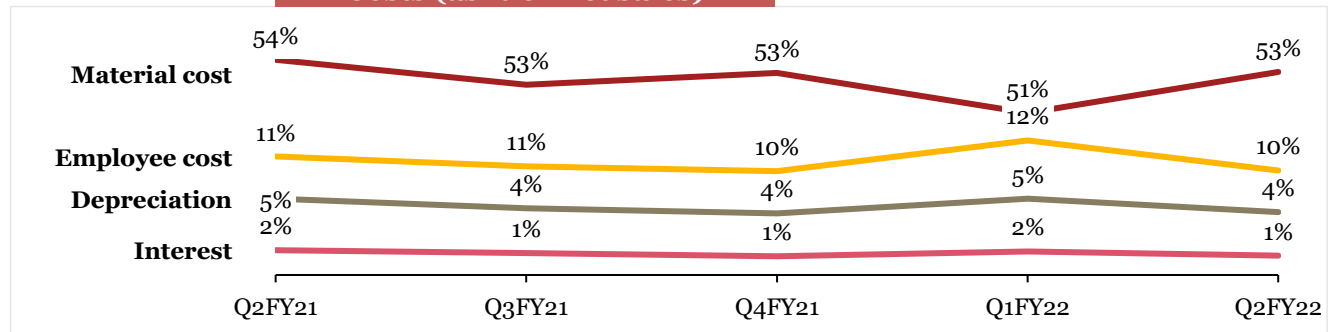
EBITDA (in INR cr.)



Profitability (as % of Net sales)



Costs (as % of Net sales)

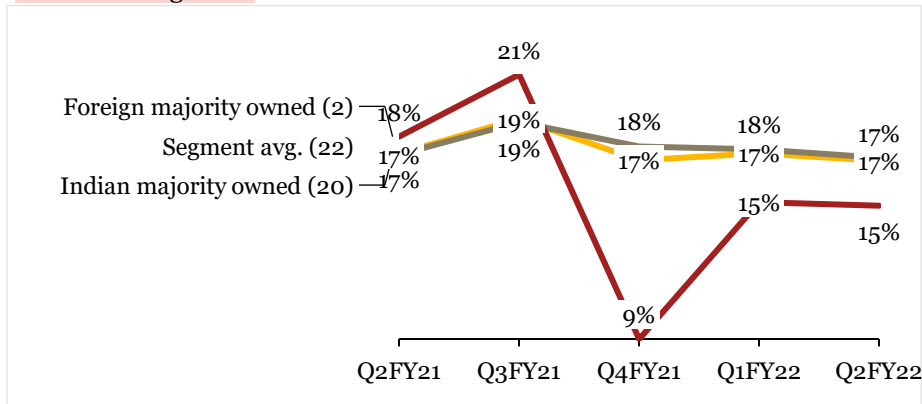


- Development of new technologies – such as Variable Displacement Engines (VDEs) and hybrids – have sparked a recent growth in this segment
- A reduction in all associated costs – except material costs, which increased on account of supply disruptions – gave rise to a slight increase in PAT margin.

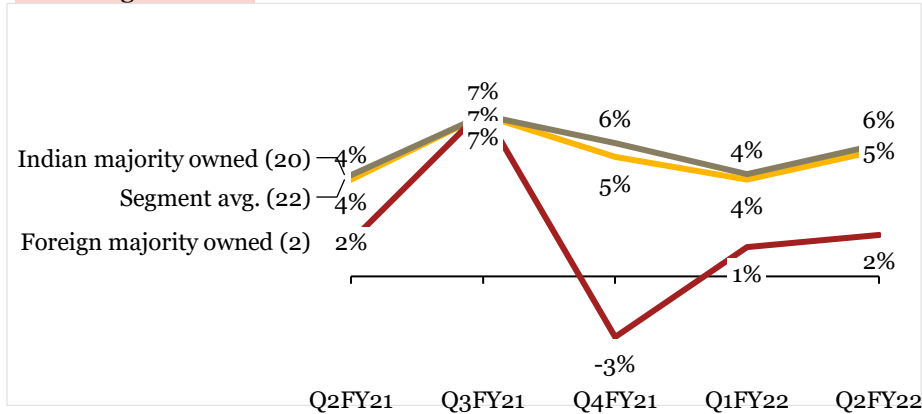
Engine segment (Indian majority vs. Foreign majority owned)

Profitability (as % of Net sales)

EBITDA Margin

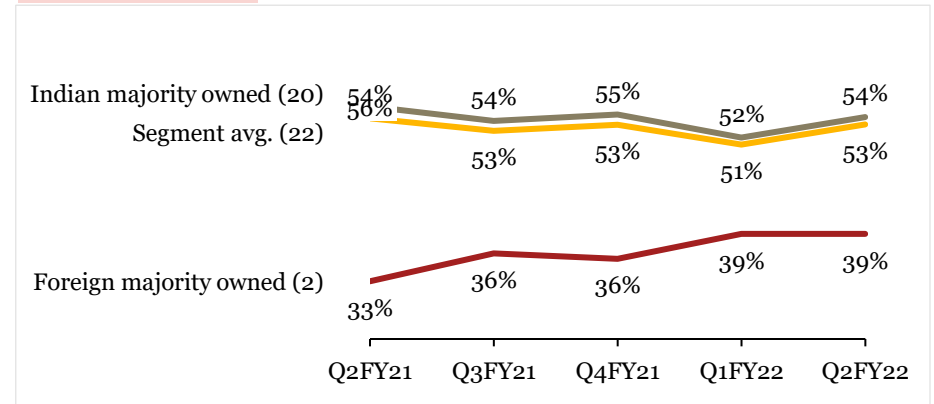


PAT Margin

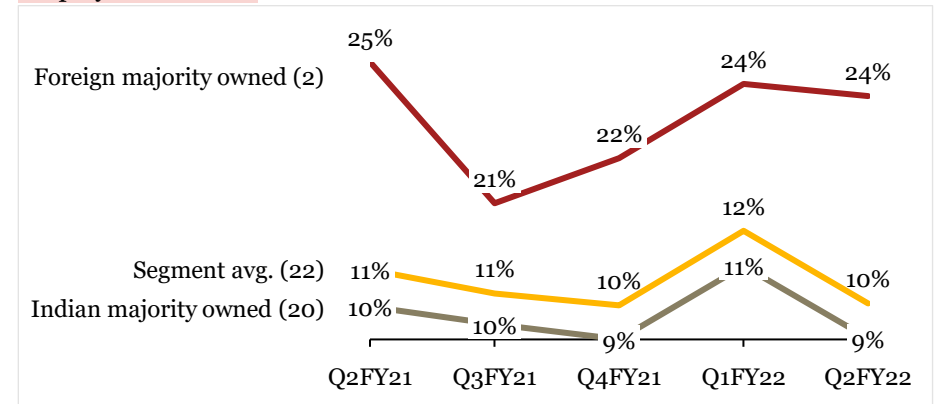


Costs (as % of Net sales)

Material cost

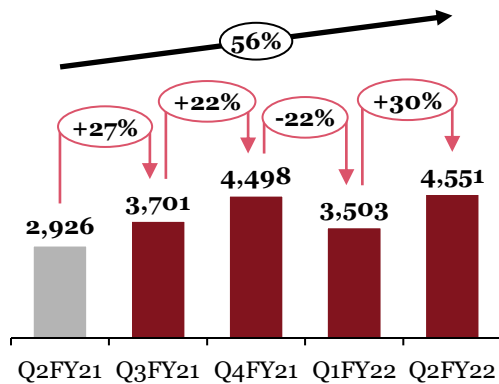


Employee cost

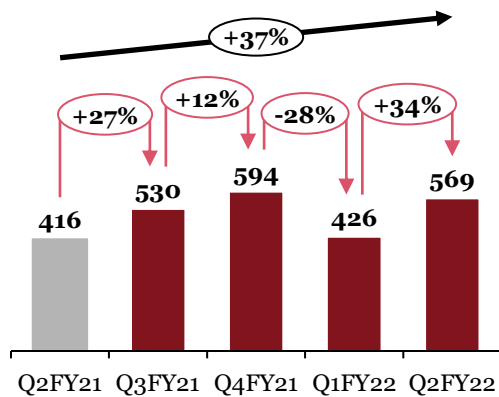


Suspension segment (14 companies)

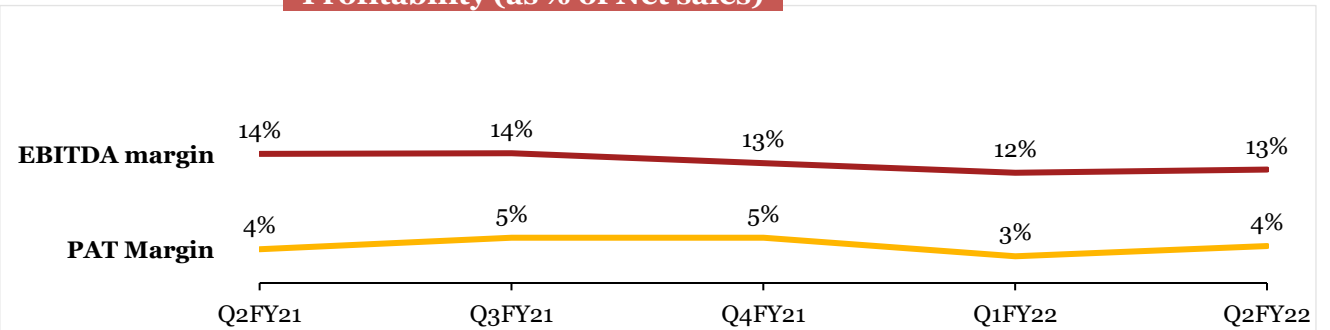
Net Sales (in INR cr.)



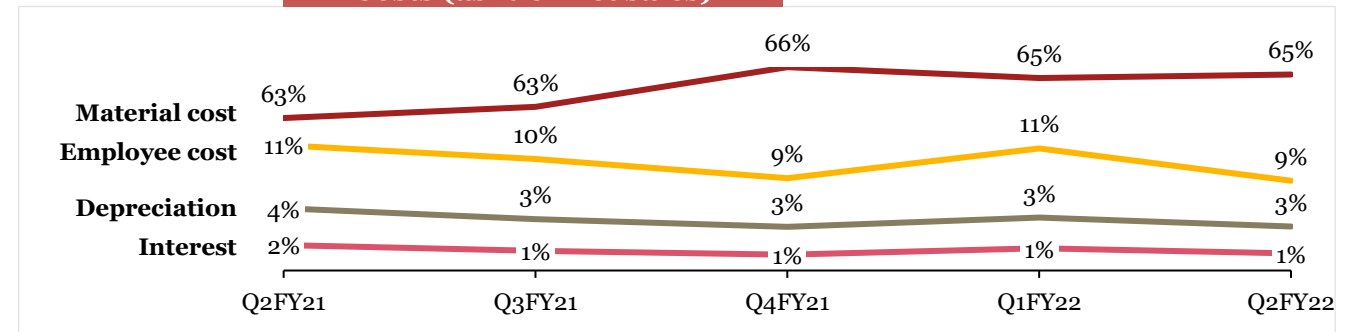
EBITDA (in INR cr.)



Profitability (as % of Net sales)



Costs (as % of Net sales)

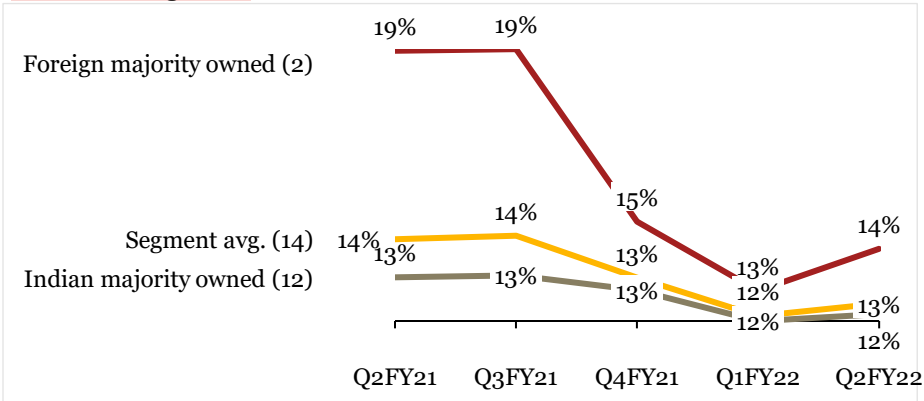


- The Suspension segment saw both net sales and EBITDA increase by over 30%, being one of the only segments to not see a rise in material costs.
- This has been backed by an increase in demand for CVs – due to a rise in construction and e-commerce activities in emerging markets – which contribute majorly to this segment.

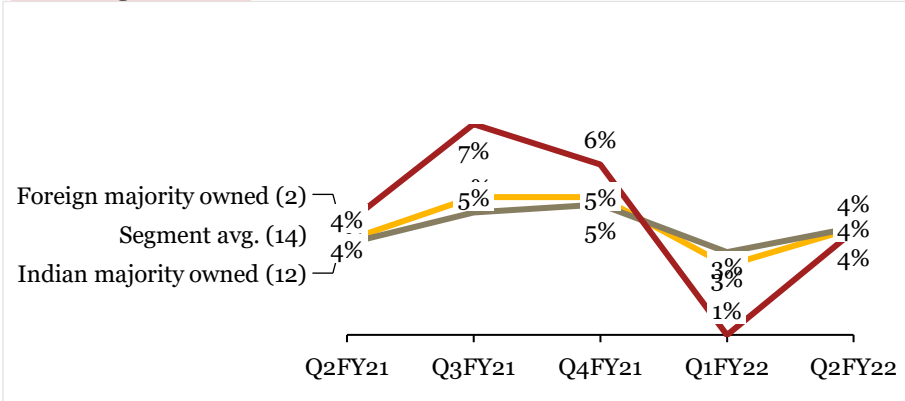
Suspension segment (Indian majority vs. Foreign majority owned)

Profitability (as % of Net sales)

EBITDA Margin

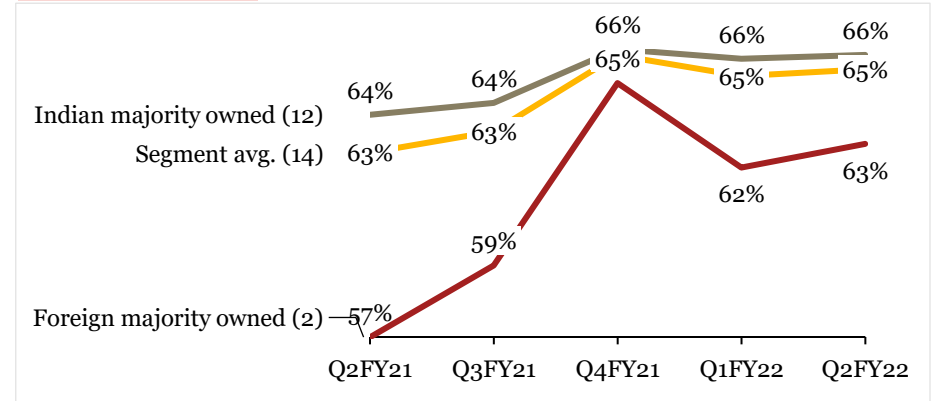


PAT Margin

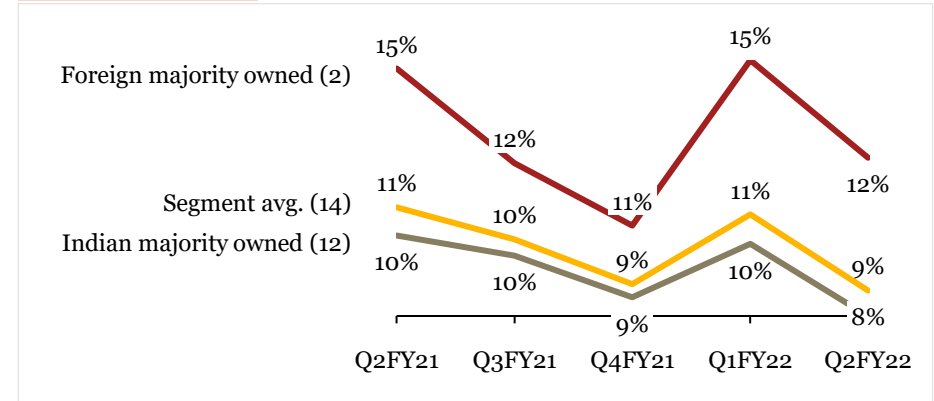


Costs (as % of Net sales)

Material cost

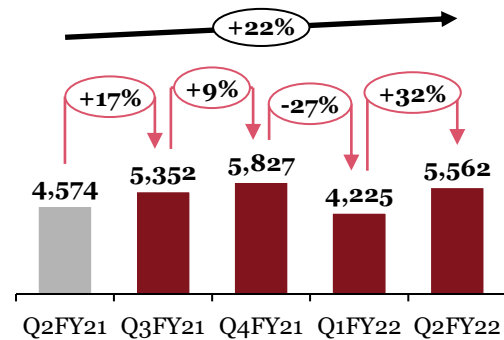


Employee cost

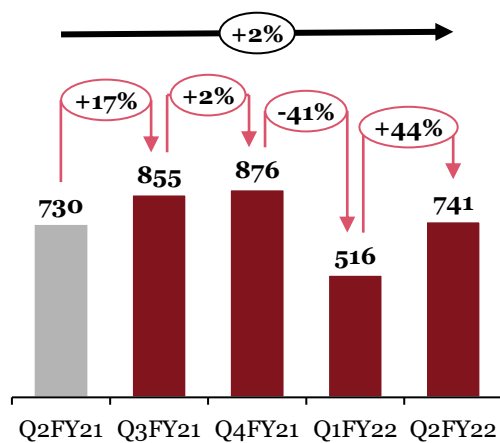


Electrical and Electronics segment (10 companies)

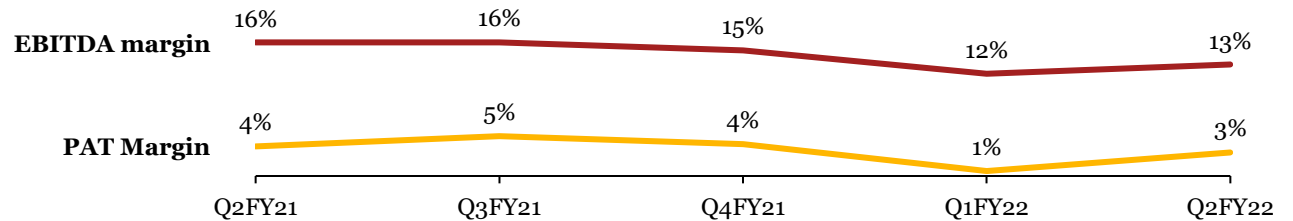
Net Sales (in INR cr.)



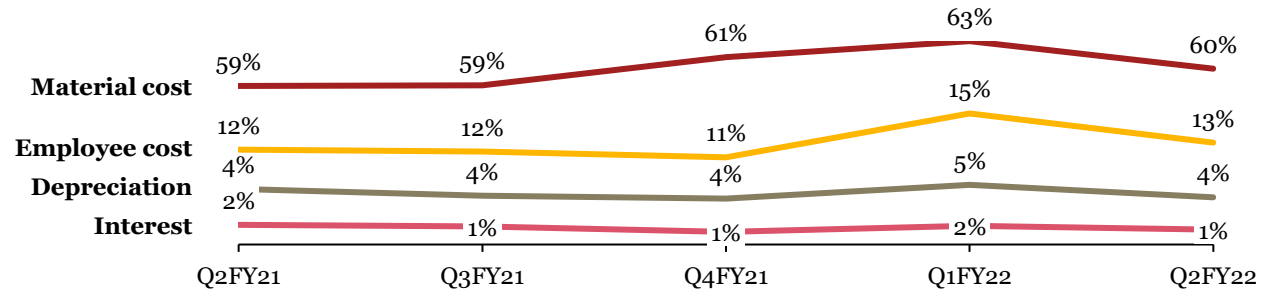
EBITDA (in INR cr.)



Profitability (as % of Net sales)



Costs (as % of Net sales)

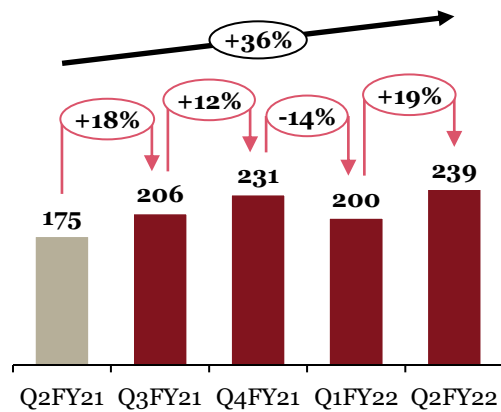


Key Trends:

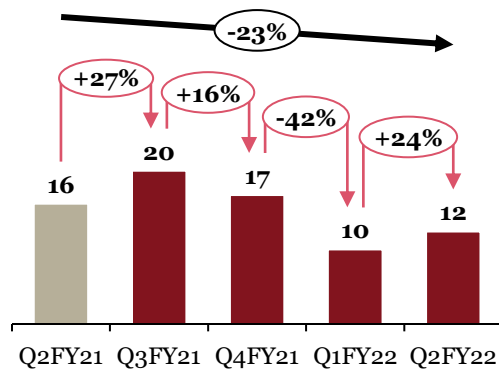
- Incentives towards the segment over the next 5 years under the PLI scheme
- Continuation of FAME-II scheme to incentivize EV production
- Higher electrification of cars (better base variants, shift in preference towards higher variants)

Interior segment (2 companies)

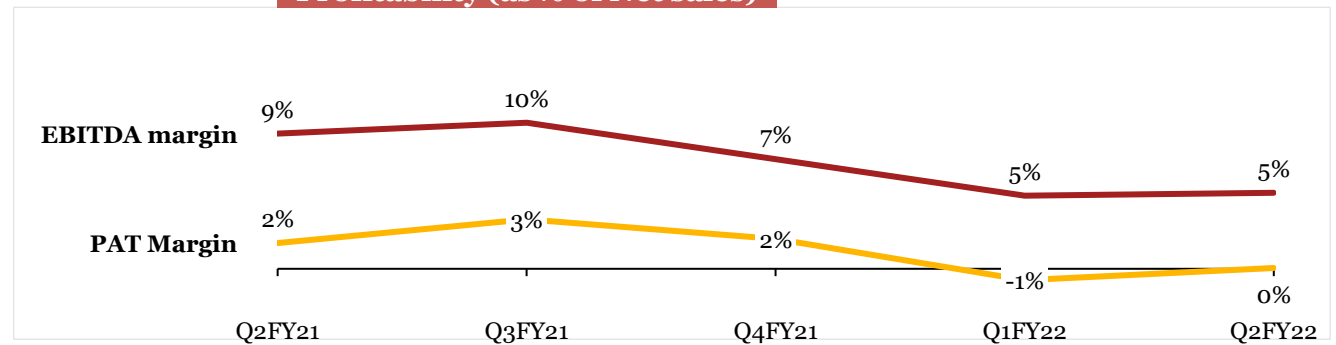
Net Sales (in INR cr.)



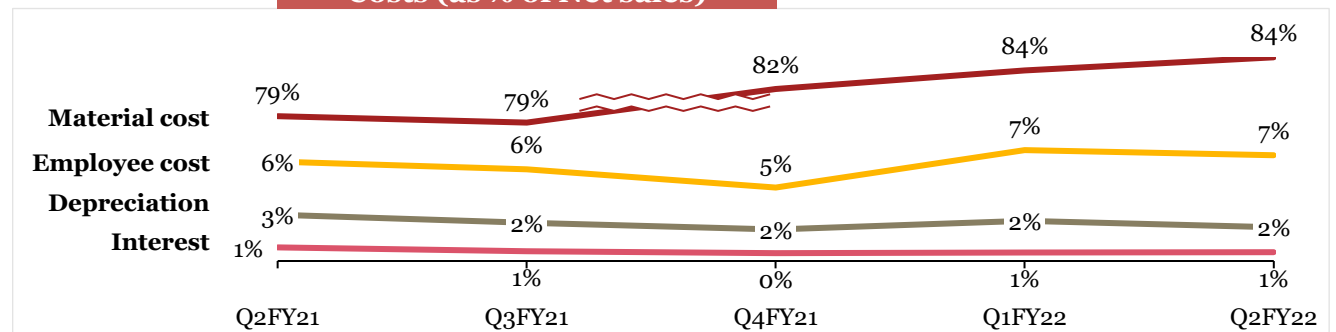
EBITDA (in INR cr.)



Profitability (as % of Net sales)



Costs (as % of Net sales)

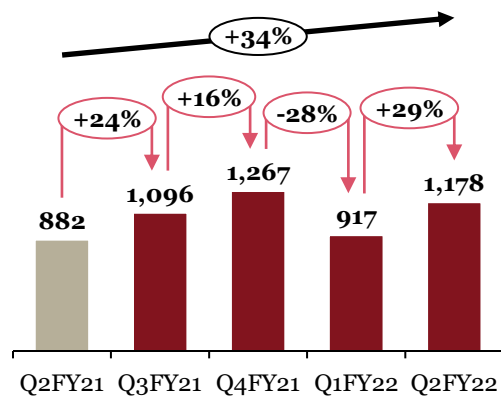


Key Trends:

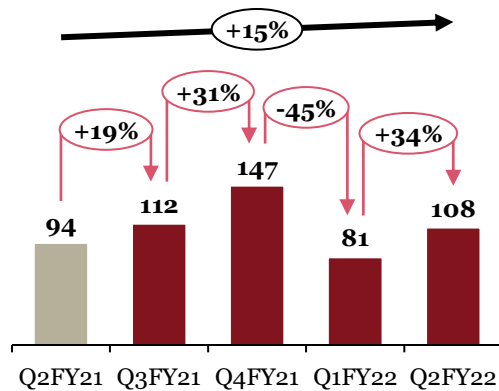
- Introduction of government regulations for safety, carbon emission and lightweight vehicles has increased the demand for lightweight and advanced materials
- Sustained high levels of input costs and volatile raw material prices (polymers)

Body and chassis segment (8 companies)

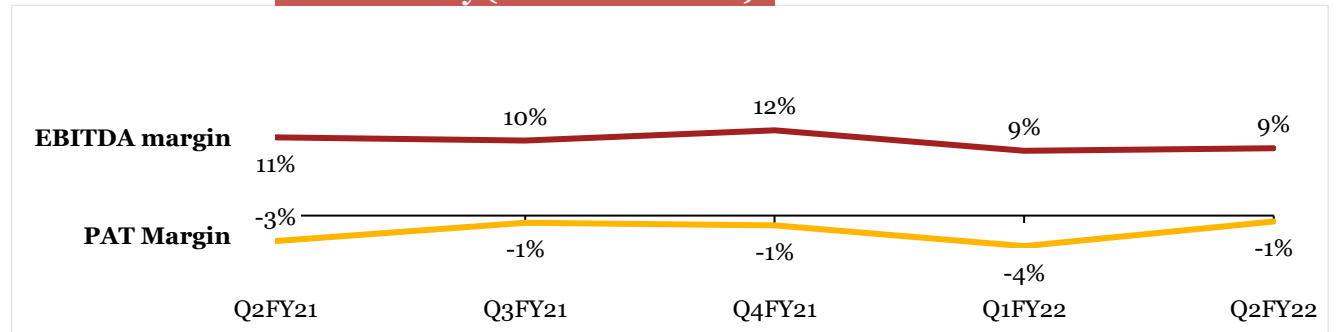
Net Sales (in INR cr.)



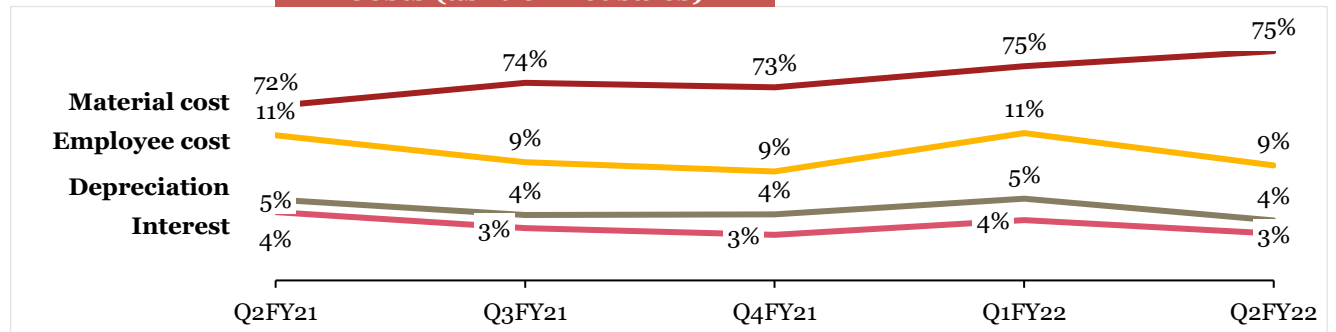
EBITDA (in INR cr.)



Profitability (as % of Net sales)



Costs (as % of Net sales)



- Despite the surge in material costs during previous quarters, a reduction in costs across all other associated categories resulted in a steep improvement in the PAT margin.
- Rising demand for fuel-efficient and low emission vehicles has been a driving force in the rise in demand for lightweight composite material chassis.

Appendices

Ratios Used		
Ratios	Definition	
EBITDA margin	(EBITDA-other income)/Net sales	
PAT margin	(PAT-other income)/Net sales	
Cost as % of net sales	Landed material	Raw Material + Stock Adjustments + Purchase of Finished goods/ Net sales
	Depreciation	Depreciation/ Net sales
	Employee	Employee cost/ Net sales
	Interest	Interest/ Net sales

'other income' has been removed from the respective parameters to only include the revenue from core operations



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