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OEMs- Financial Analysis FY 17

April 2018



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8	Maruti Suzuki	38
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11	TVS	50

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List of Companies and Ratios

List of Companies and Ratios		3
1	List of companies	4
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List of companies included in the analysis

1	Ashok Leyland
2	Atul Auto
3	Bajaj Auto
4	Escorts
5	Force Motors
6	Hero Motocorp
7	M & M
8	Maruti Suzuki
9	SML ISUZU
10	Tata Motors
11	TVS Motor Co.

Ratios used

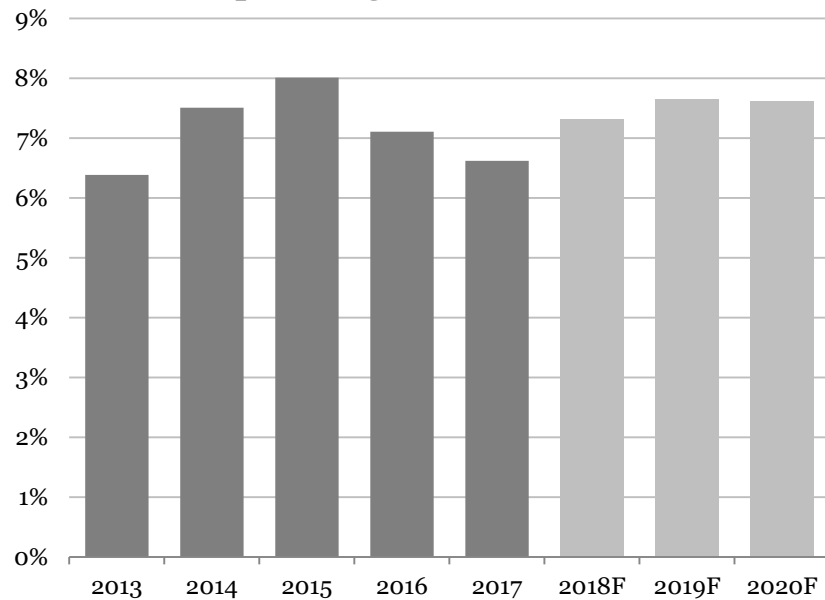
EBITDA margin	$(\text{EBITDA} - \text{other income}) / \text{Net Sales}$
EBIT margin	$(\text{EBIT} - \text{other income}) / \text{Net Sales}$
PBT margin	$(\text{PBT} - \text{other income}) / \text{Net Sales}$
PAT margin	$(\text{PAT} - \text{other income}) / \text{Net Sales}$
Inventory Turnover	$\text{Net sales} / \text{Inventory}$
FATO	$\text{Annual Net sales} / \text{Annual net fixed assets}$
Average days payable outstanding	$\text{Payables} / (\text{COGS} / \text{Days})$
Working capital cycle days	$\text{Working capital} / (\text{Net Sales} / \text{Days})$

Macro Economic Climate in India

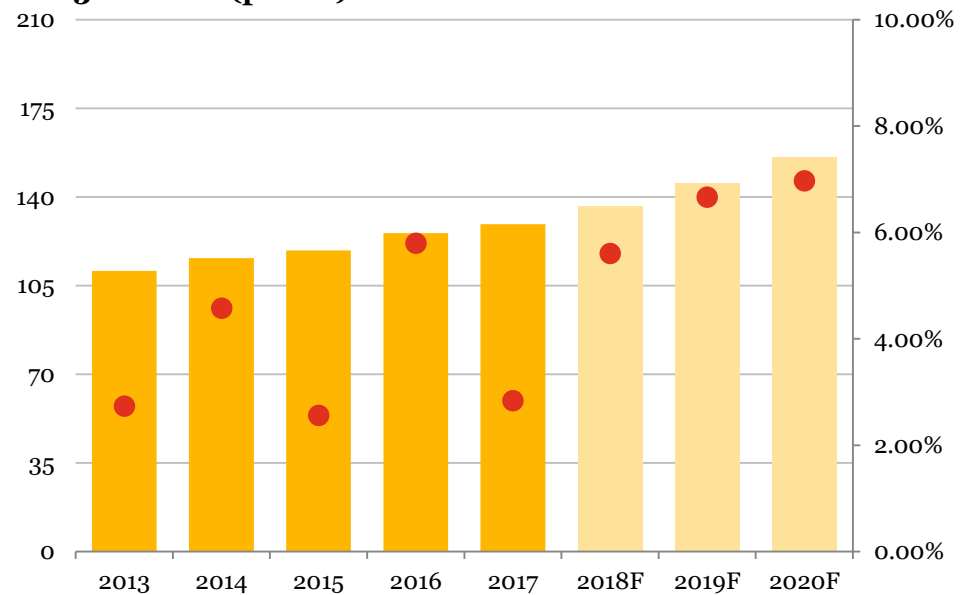
India-key economic indicators

A steady growth is expected in the foreseeable future

**India: Projected GDP % Change
2013 – 2020F (percentage)**



**India: Industrial Production Index
2013 – 2020F (points)**

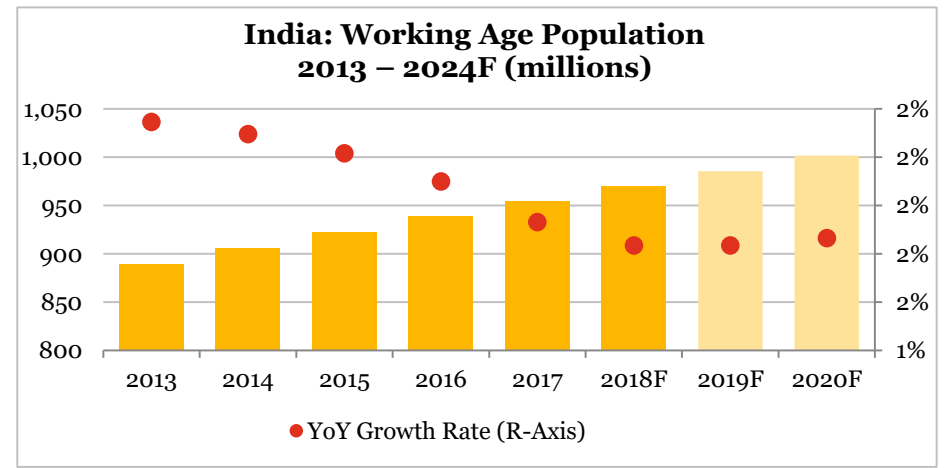
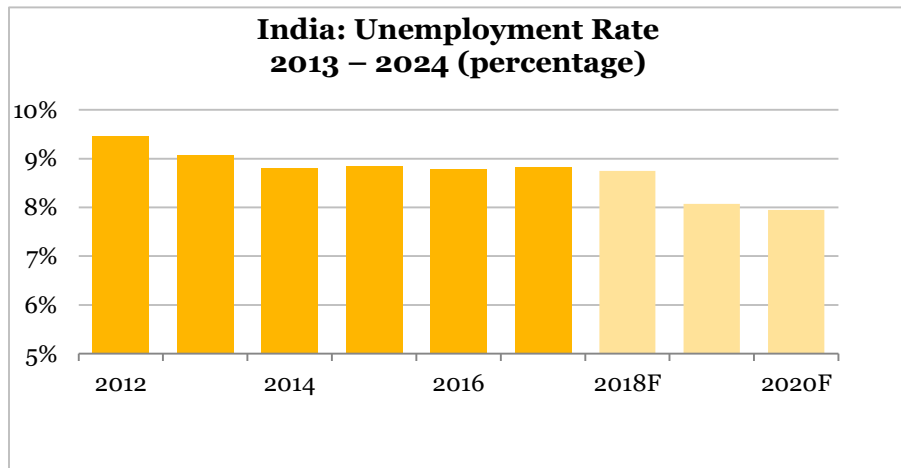
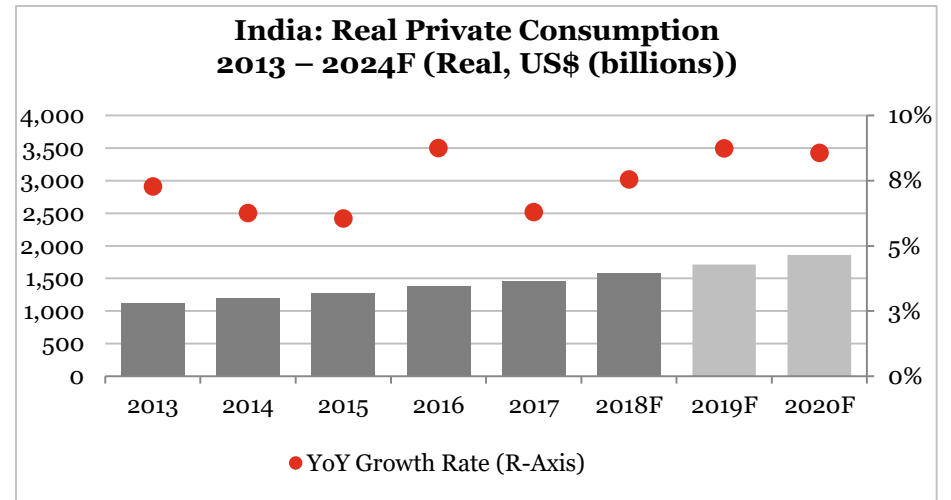
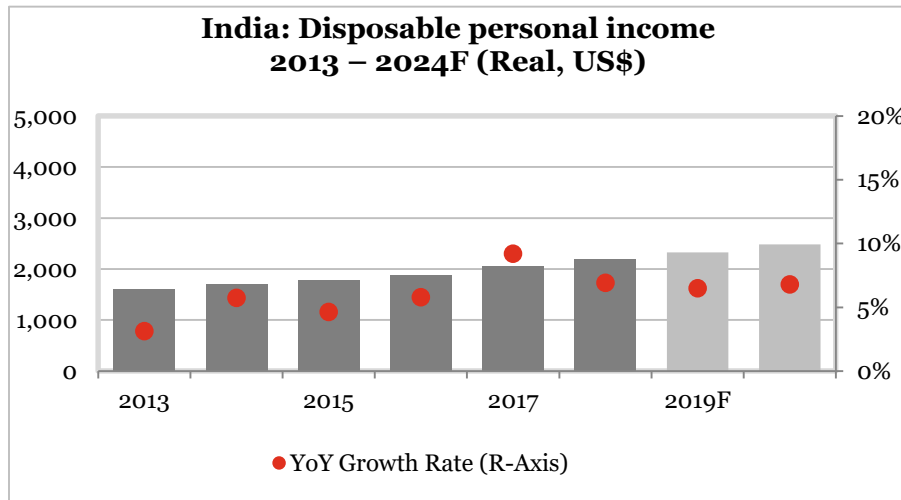


● YoY Growth Rate (R-Axis)

- India economic growth slowed down in FY 17 due to two major economic events –demonetisation (ban on the higher currency notes) and GST introduction – undertaken by the government
- However, since then the economy seems to be back on the growth track and it is predicted to grow at a healthy rate in the foreseeable future
- The industrial production index growth slowed down due to demonetization and GST implementation, however, it is expected to grow at a healthy rate in the foreseeable future

India-key economic indicators

The private demand indicators also show a promising scenario for batter growth prospects



OEM Financial analysis

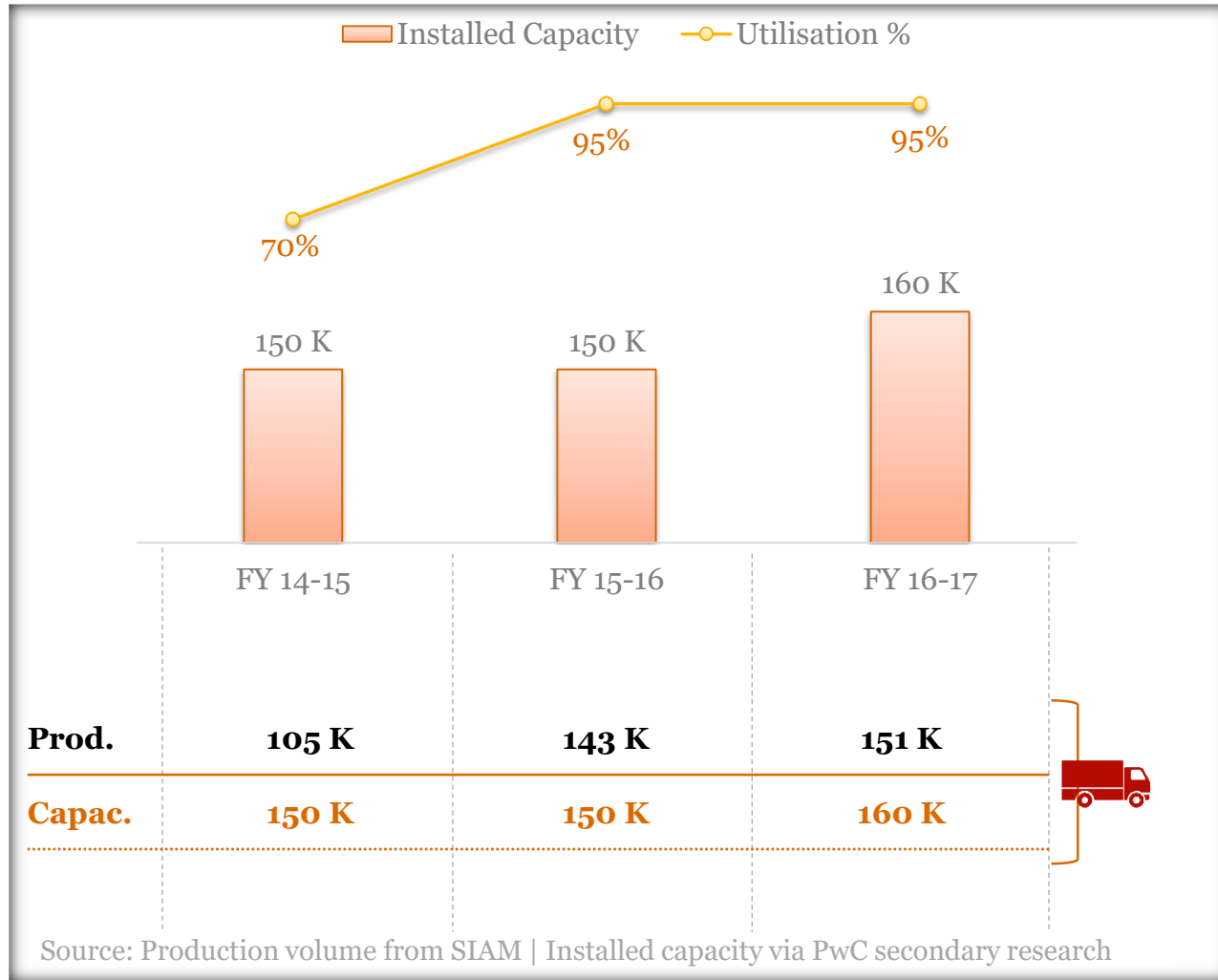
	OEM Financial analysis	9
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Ashok Leyland

Ashok Leyland



Capacity and utilisation



Manufacturing Sites* in India

Ennore-TN

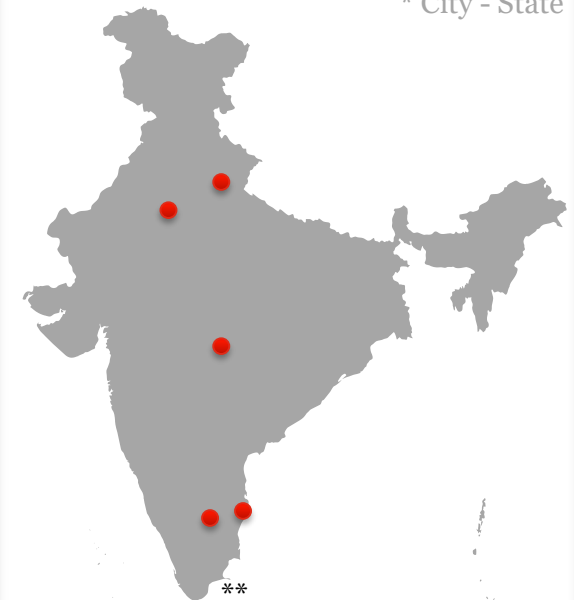
Hosur-TN

Bhandara-MH

Alwar-RJ

Pantanagar-UK

* City - State



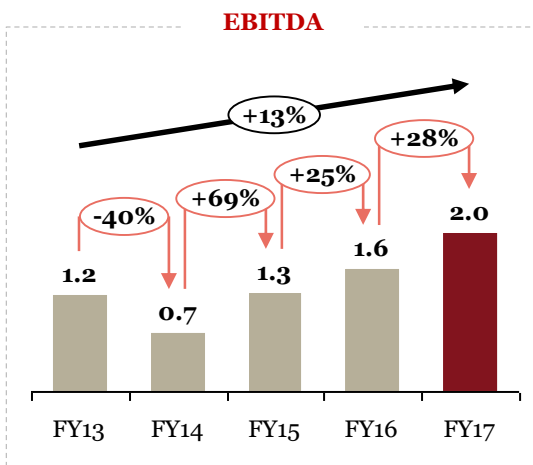
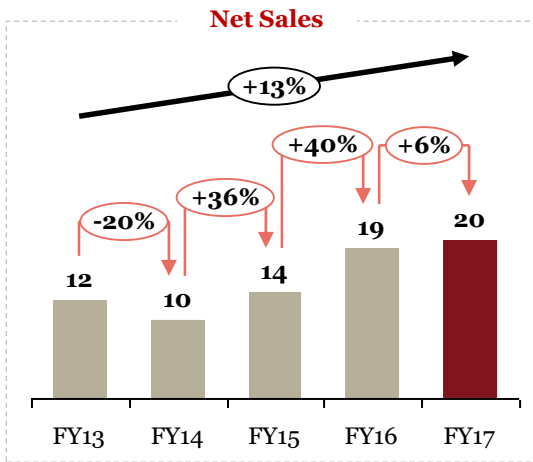
** This map is not to scale. It is an indicative outline intended for general reference use only.

Ashok Leyland

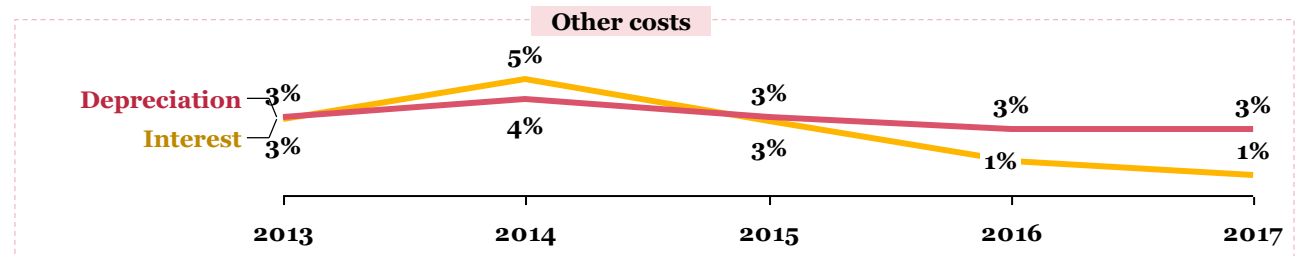
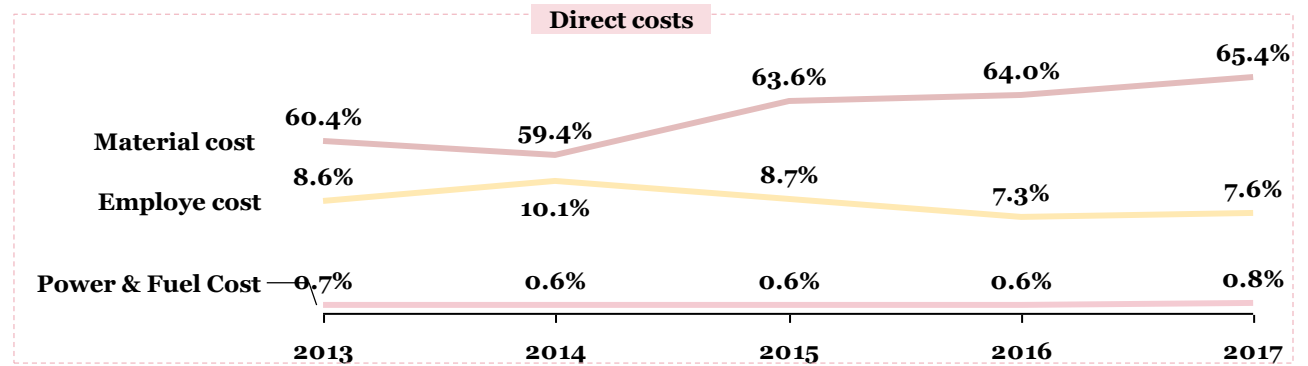
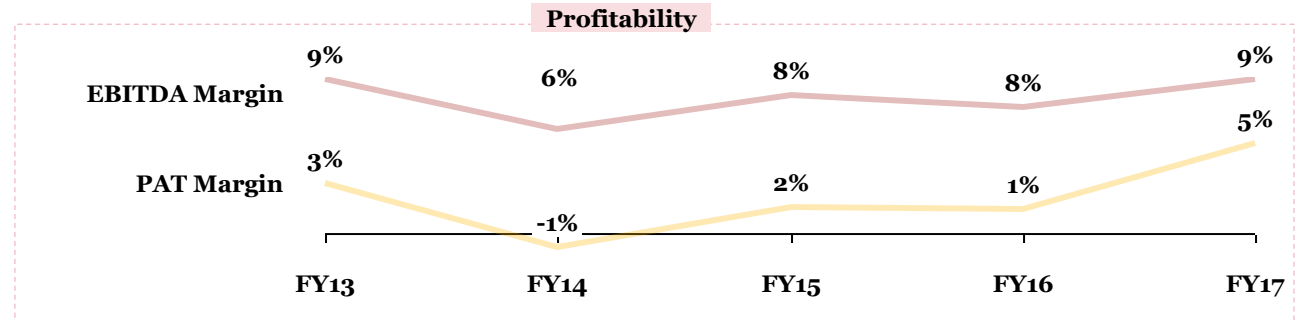


Trends in aggregates, profitability and costs

Aggregates (INR '000 Cr)



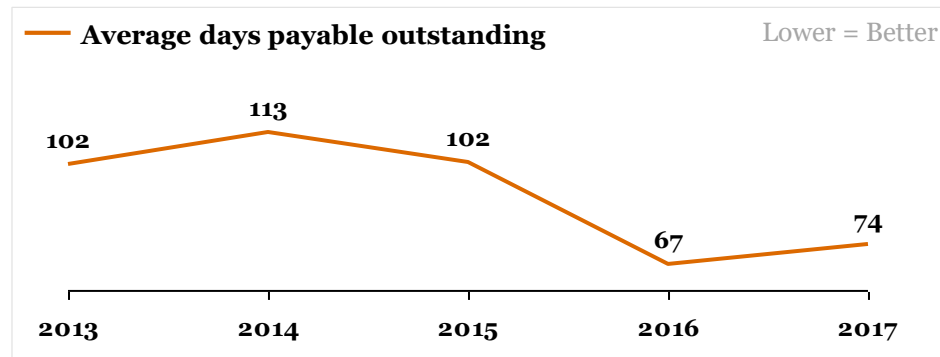
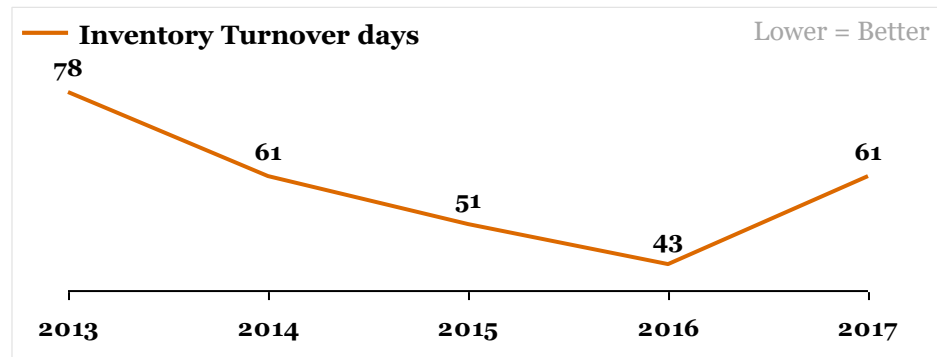
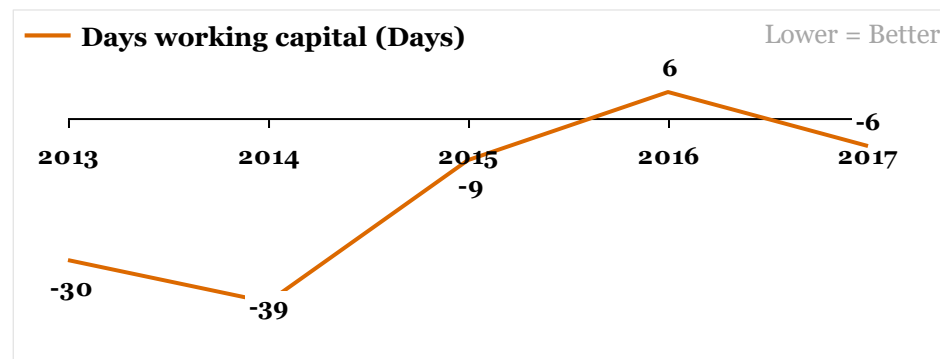
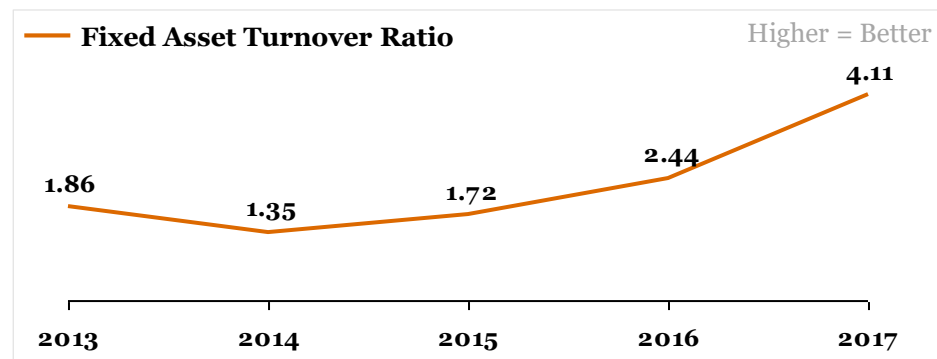
Margins and Costs (% of net sales)



Ashok Leyland



Trends in efficiency



Source of all financial data : Capitaline Plus

In FY 17...

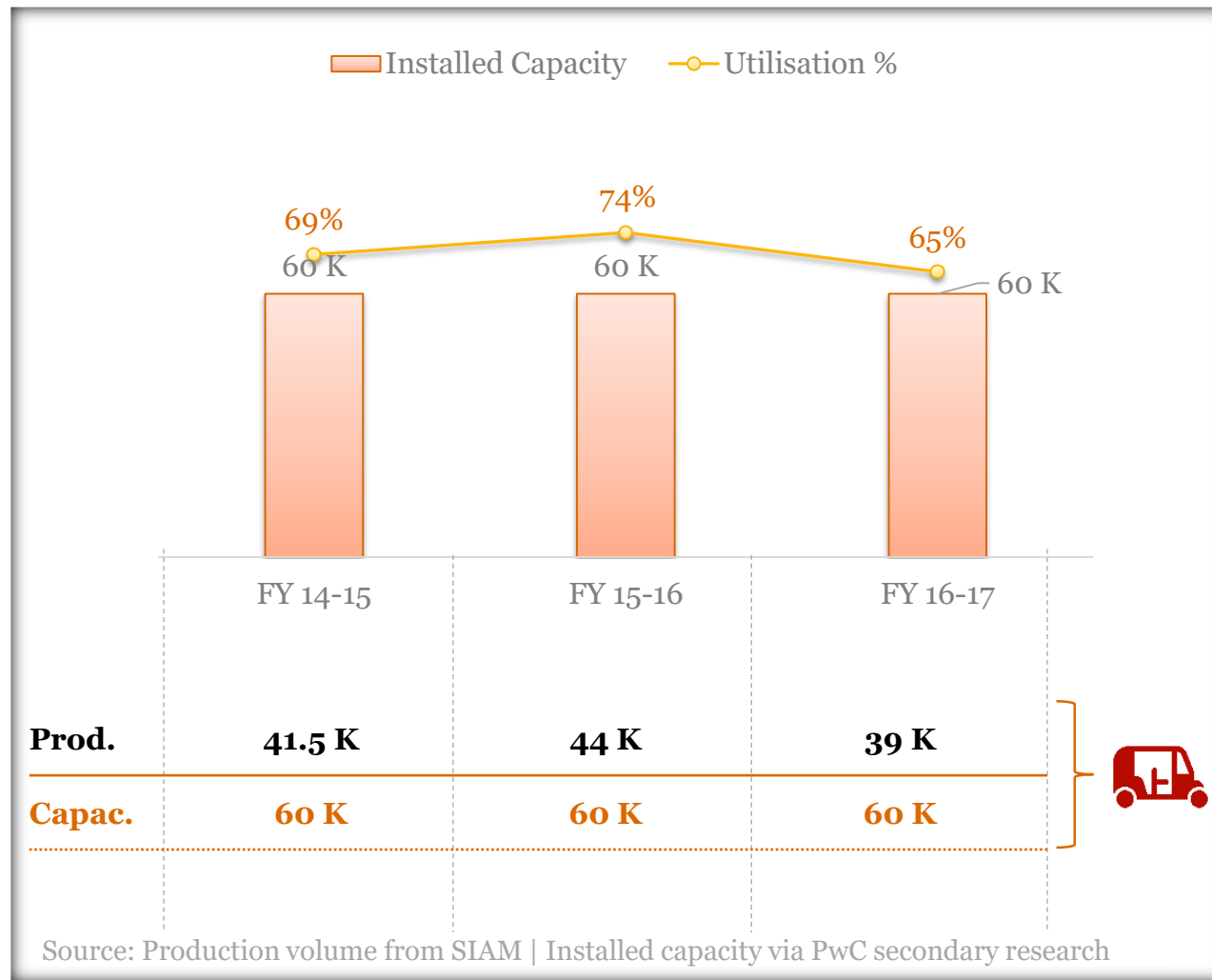
- Ashok Leyland has the 3rd highest FATO among the 11 OEMs studied as part of this report. Among the 5 OEMs with a significant CV sales volume, only SML Isuzu has a greater FATO ratio (5.1) than Ashok Leyland (4.1).
- Among these same 5 OEMs, only Tata Motors has a lower days working capital (-73.5 days) vs. Ashok Leyland's (negative) 5.9 days'.

Atul Auto

Atul Auto



Capacity and utilisation



Manufacturing Sites* in India

Rajkot, GJ



** This map is not to scale. It is an indicative outline intended for general reference use only.

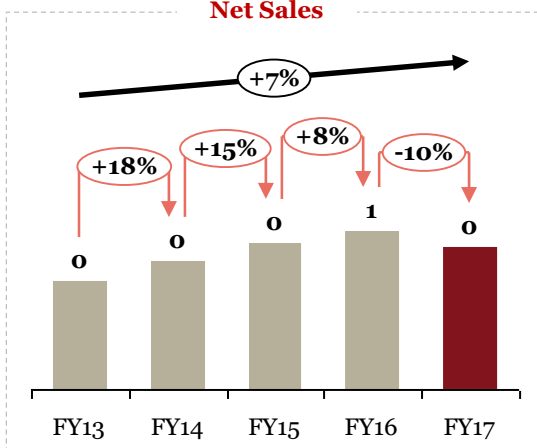
Atul Auto



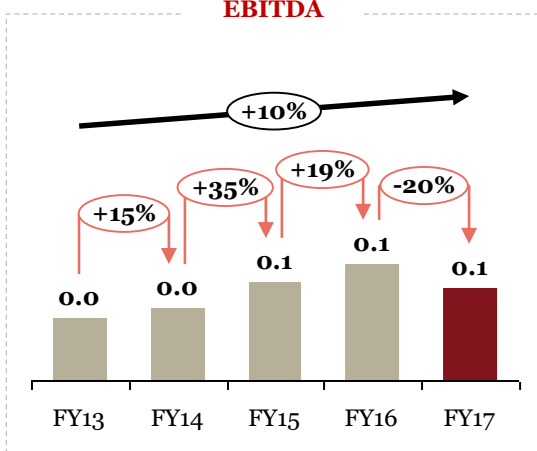
Trends in aggregates, profitability and costs

Aggregates (INR '000 Cr)

Net Sales

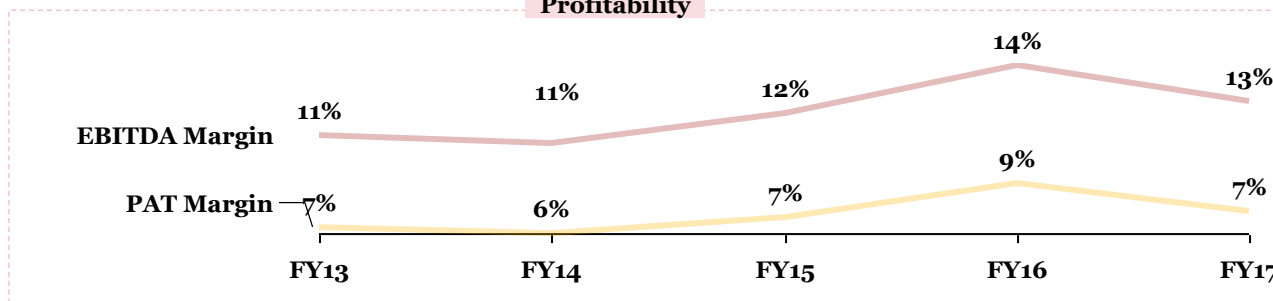


EBITDA

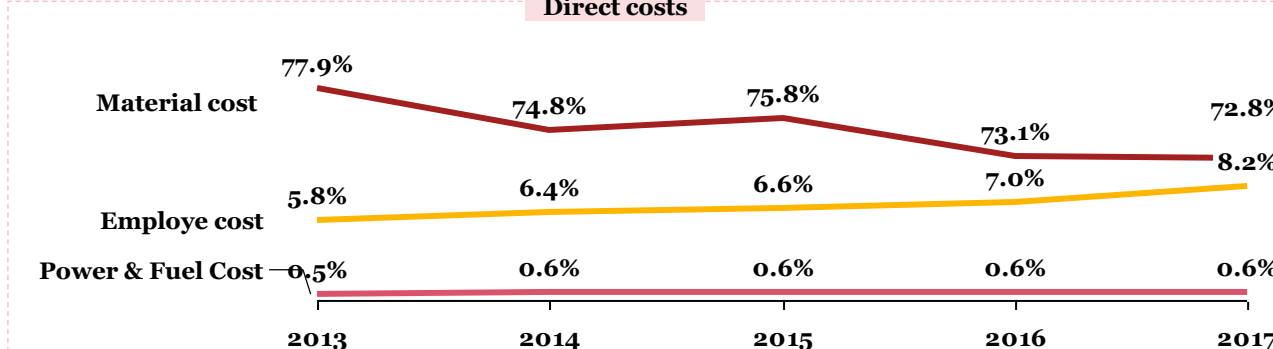


Margins and Costs (% of net sales)

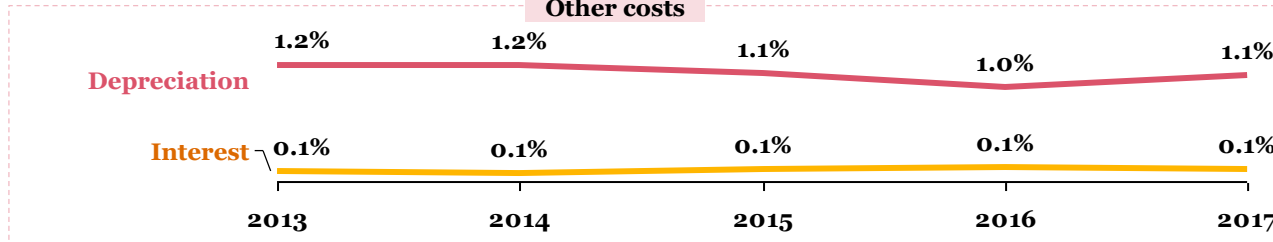
Profitability



Direct costs



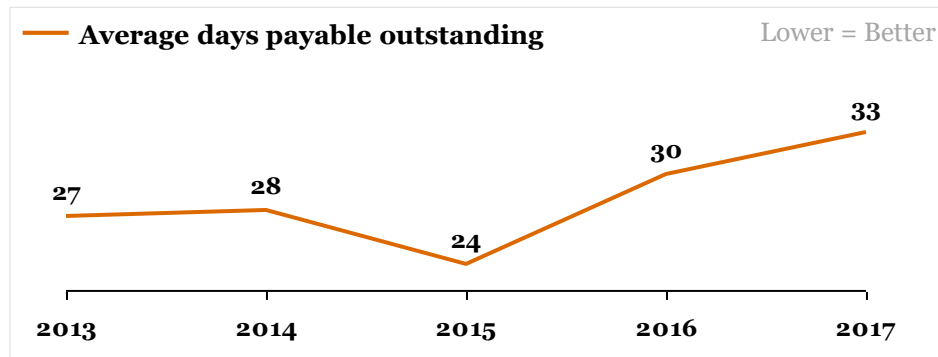
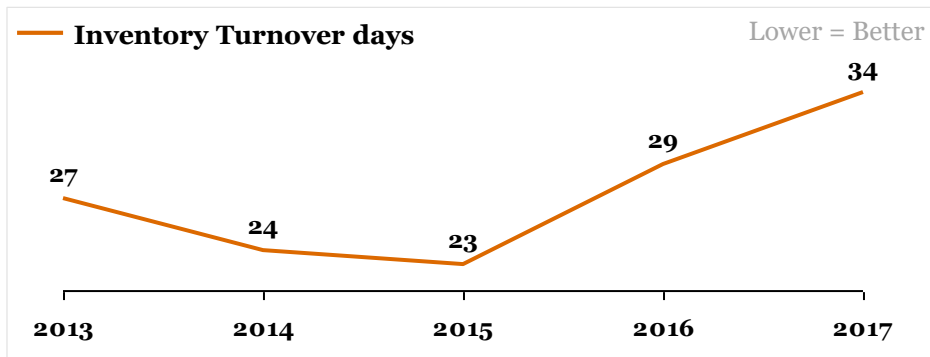
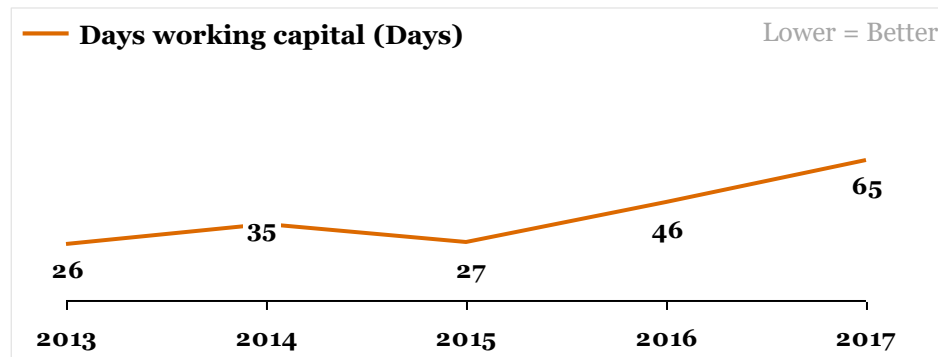
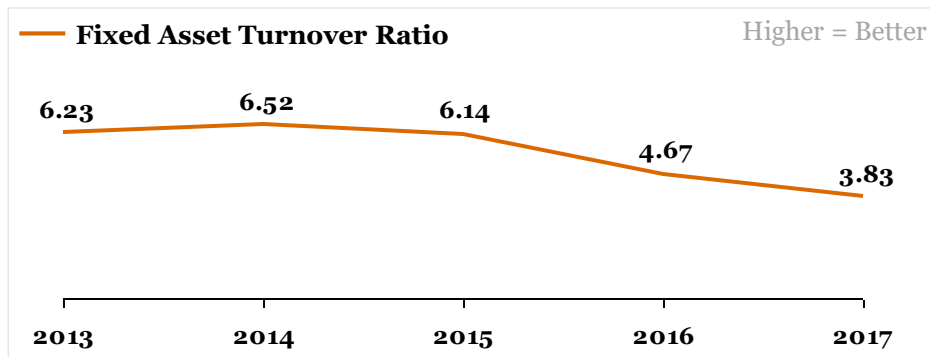
Other costs



Atul Auto



Trends in efficiency



Source of all financial data : Capitaline Plus

In FY 17...

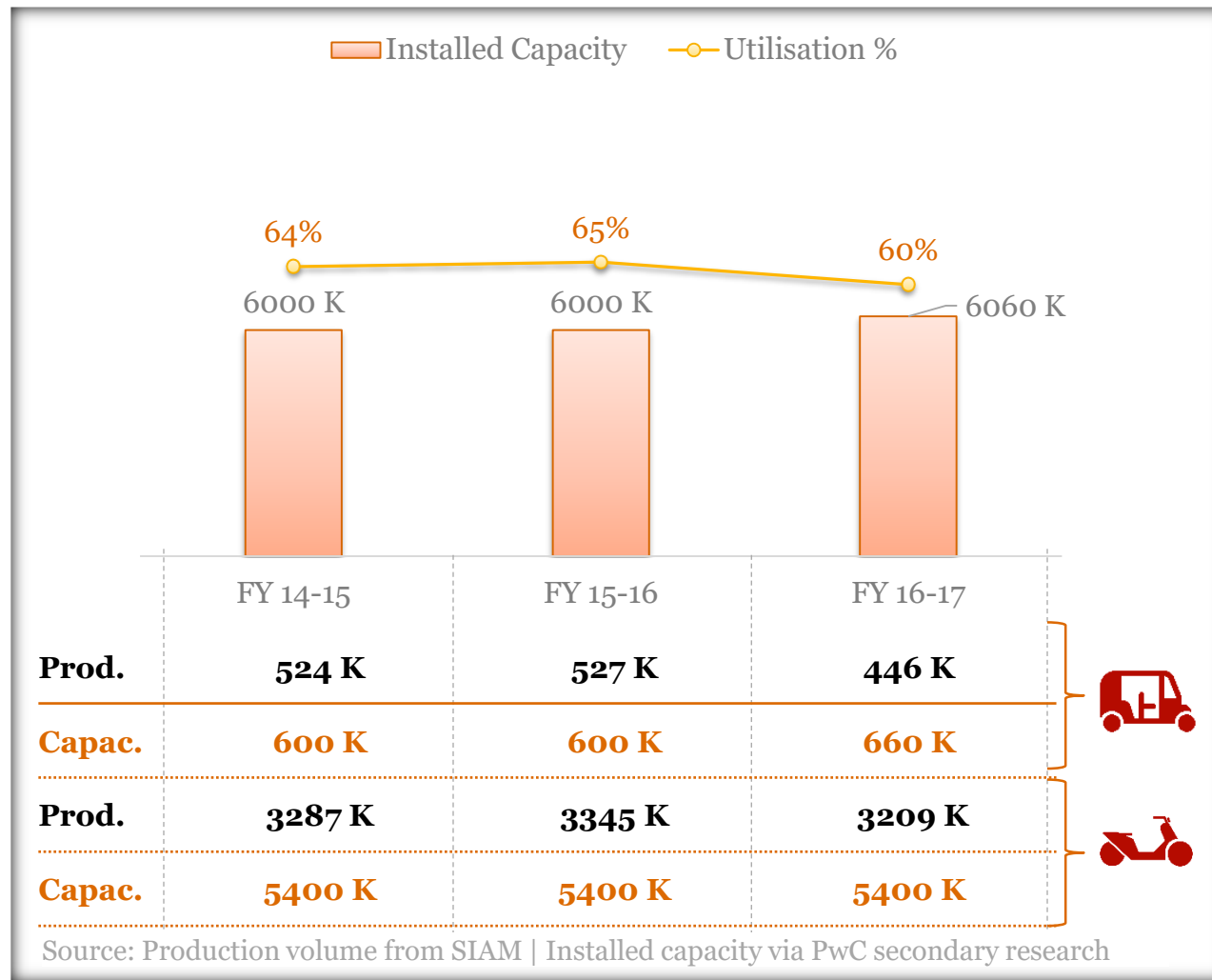
- Atul Auto is the only OEM in the list of 11 studied as part of this report with majority operations in the 3-wheeler segment. Atul Auto has the lowest average days payable outstanding (33.5 days) among the 11 OEMs.
- At 73%, Atul Auto experienced the highest RM cost as % of sales among all the 11 OEMs.

Bajaj Auto

Bajaj Auto



Capacity and utilisation



Manufacturing Sites* in India

Aurangabad-MH Pantnagar-UK

Chakan-MH

* City - State



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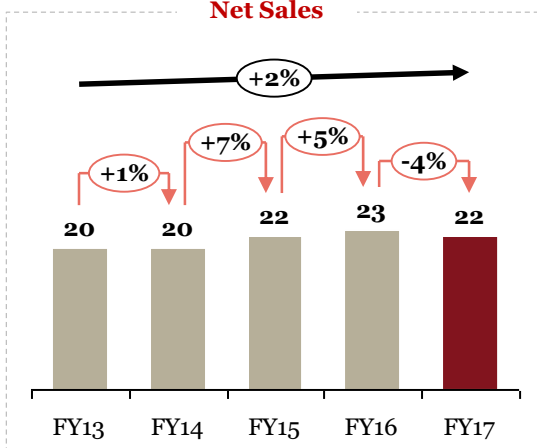
Bajaj Auto



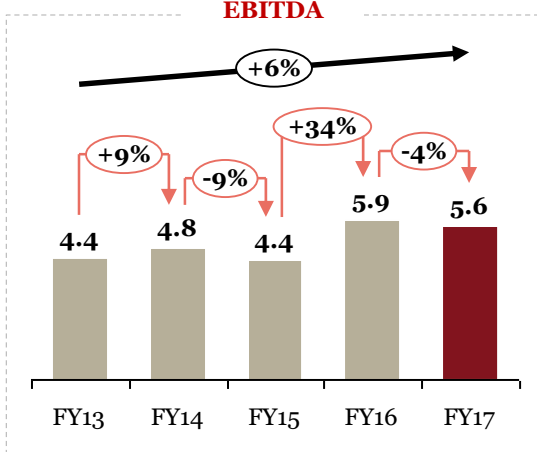
Trends in aggregates, profitability and costs

Aggregates (INR '000 Cr)

Net Sales

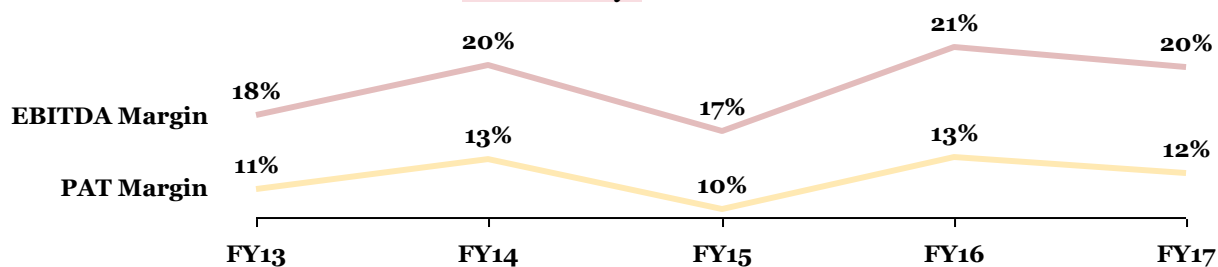


EBITDA

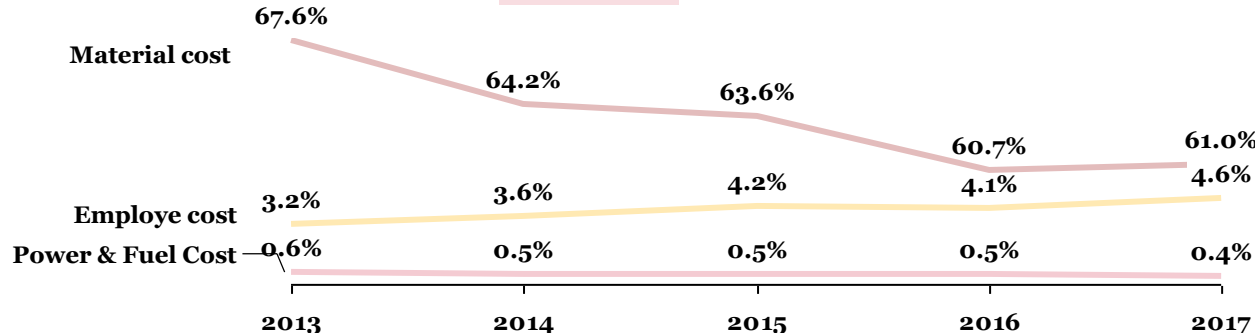


Margins and Costs (% of net sales)

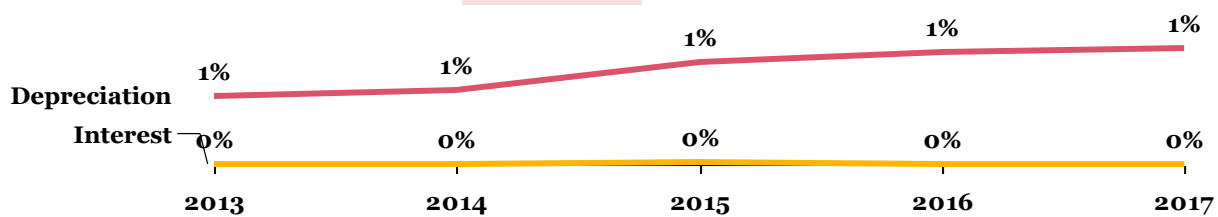
Profitability



Direct costs



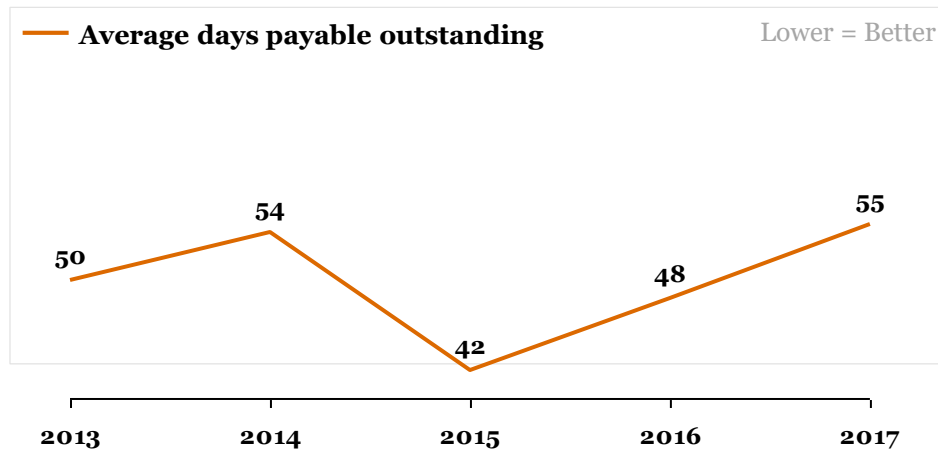
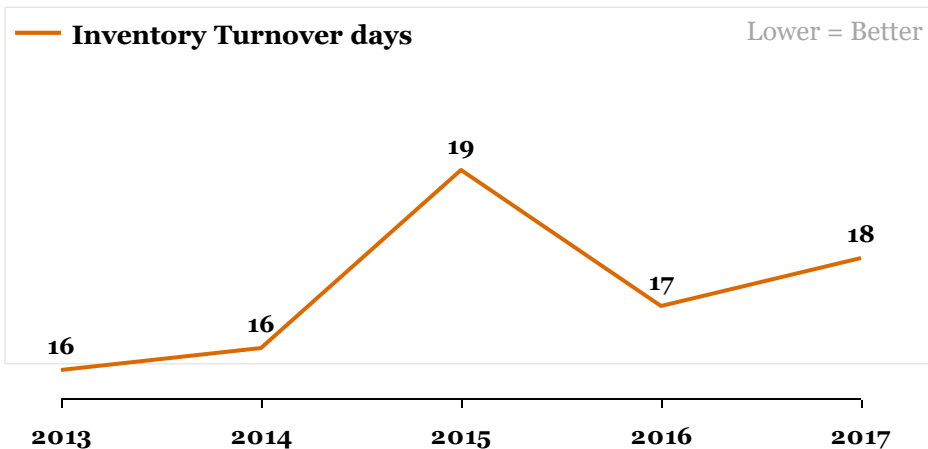
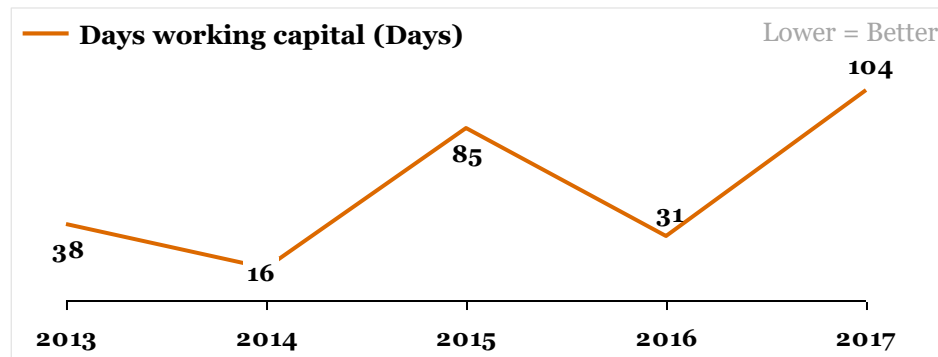
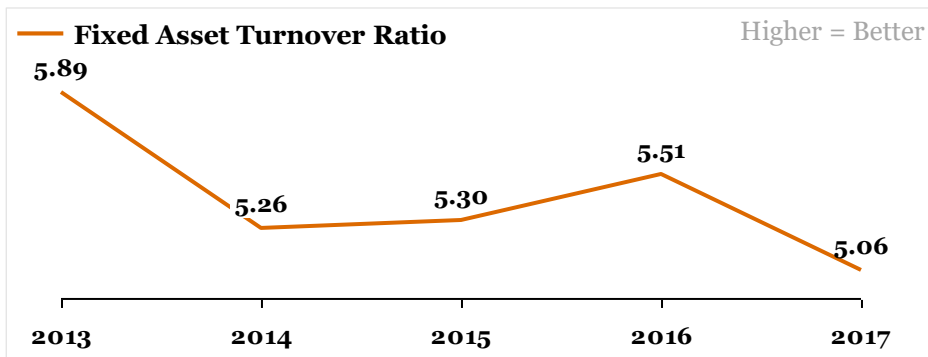
Other costs



Bajaj Auto



Trends in efficiency



In FY 17...

Source of all financial data : Capitaline Plus

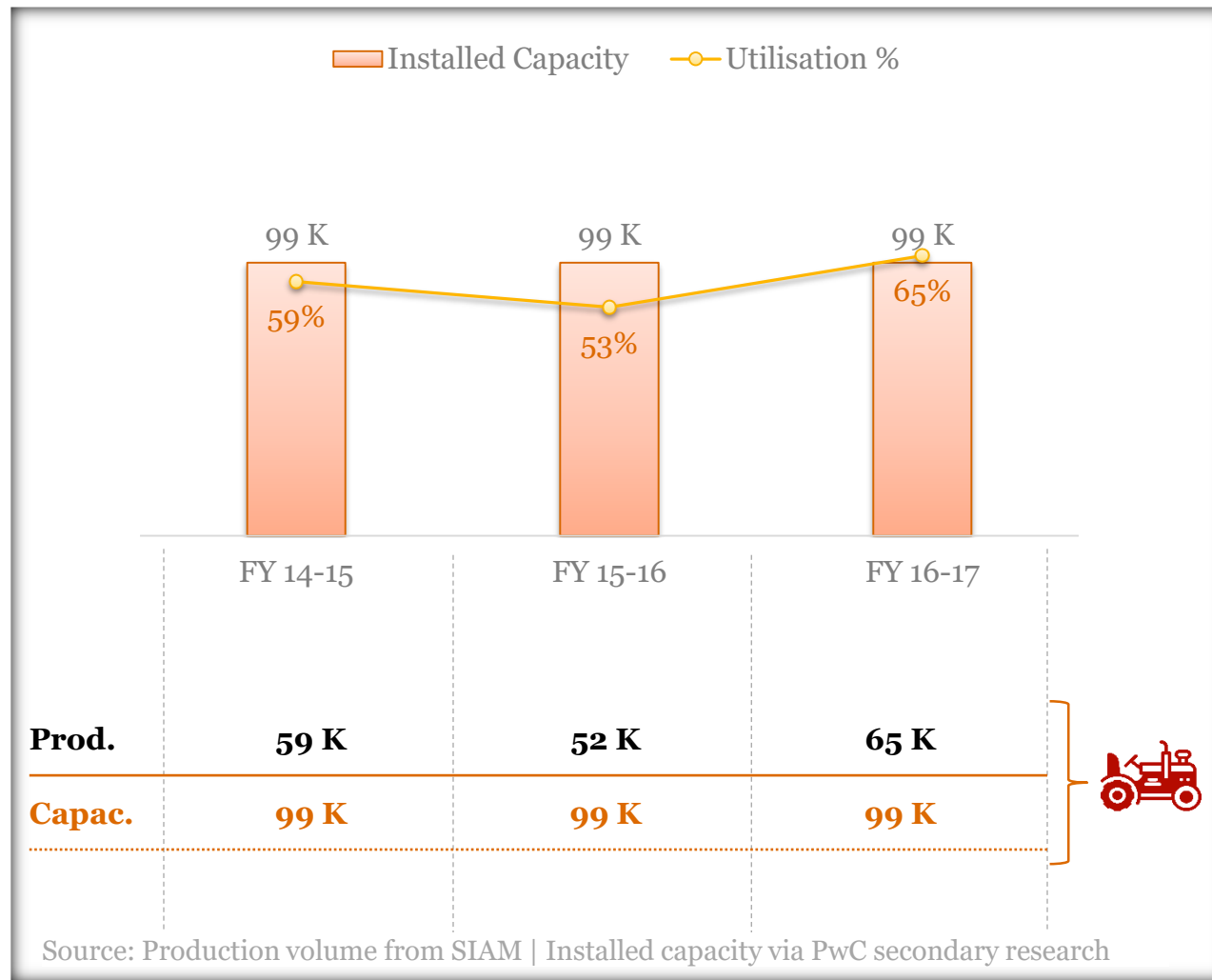
- Among all 11 OEMs studied as part of this report, Bajaj enjoys the highest profit margins at ~20% (EBIT %, EBITDA %, PAT %).
- Bajaj, incidentally, also has the highest days working capital at 103.6 days. Over the 5 FYs studied, Bajaj has had the highest days working capital in 2 instances (FY 15 and FY 17).

Escorts

Escorts



Capacity and utilisation



** This map is not to scale. It is an indicative outline intended for general reference use only.

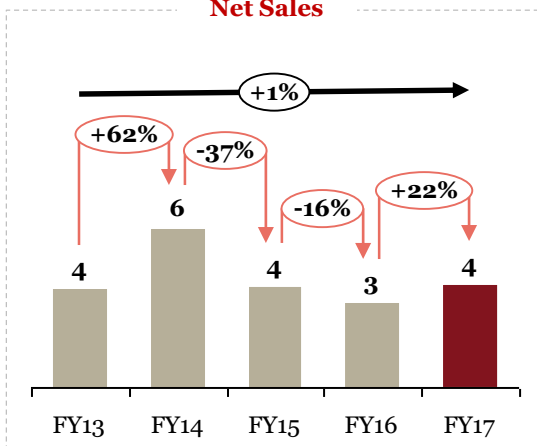
Escorts



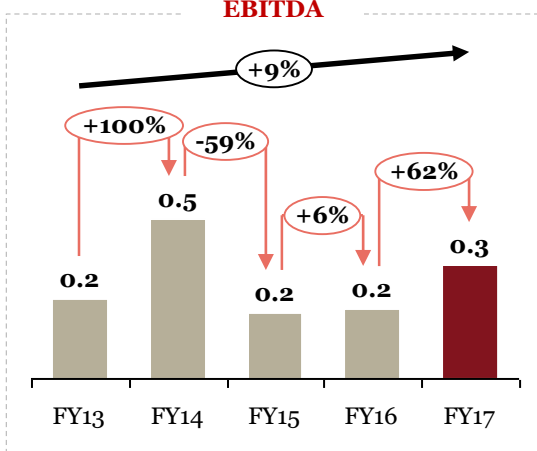
Trends in aggregates, profitability and costs

Aggregates (INR '000 Cr)

Net Sales

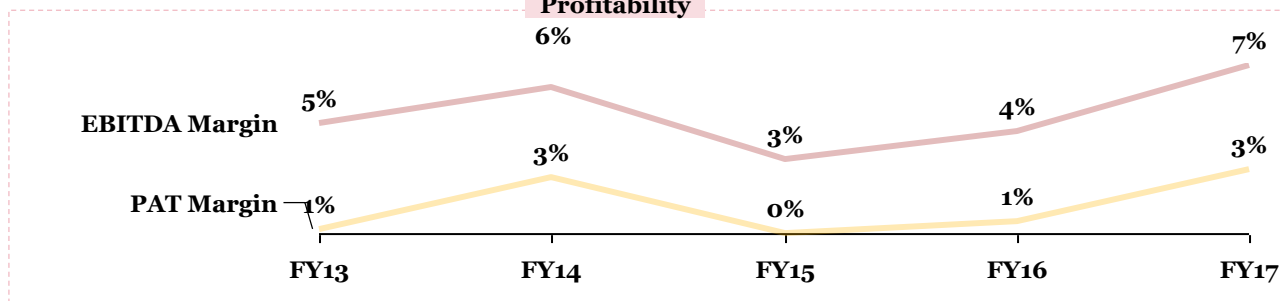


EBITDA

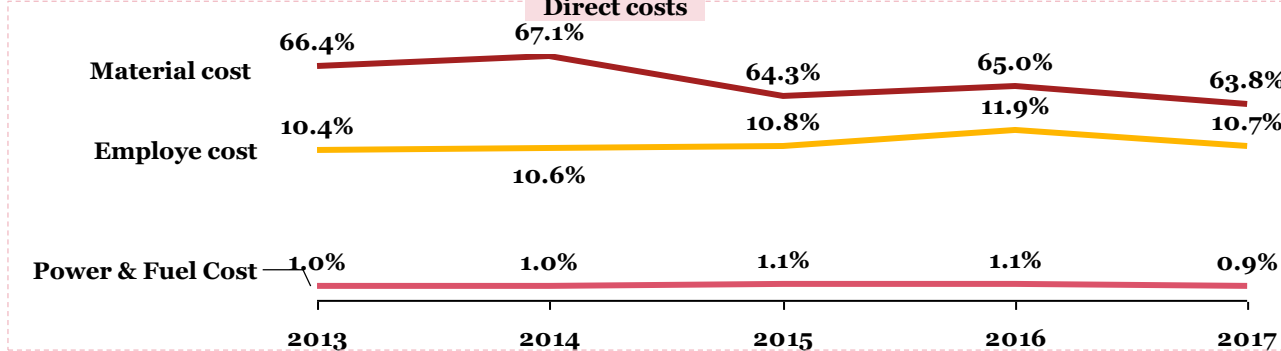


Margins and Costs (% of net sales)

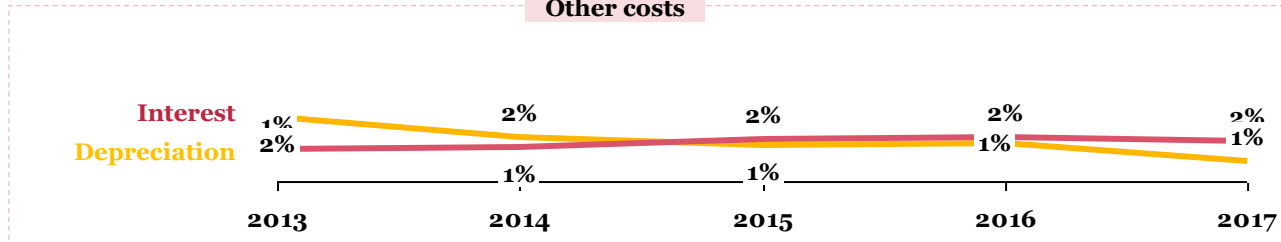
Profitability



Direct costs



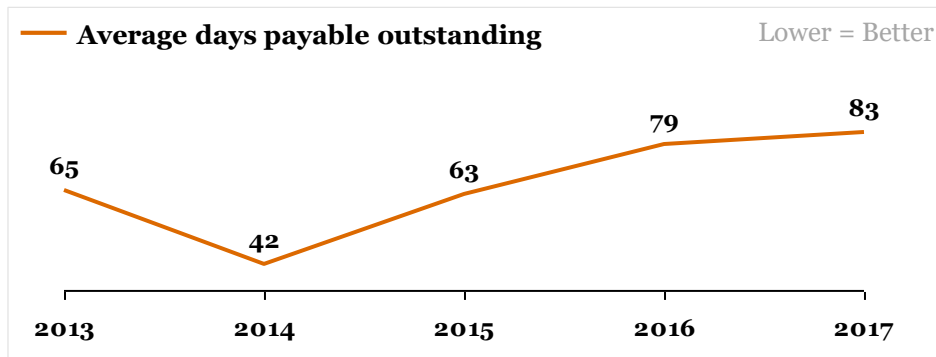
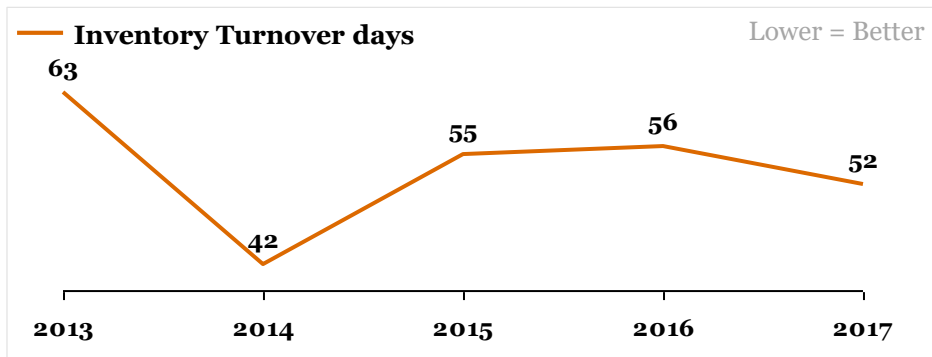
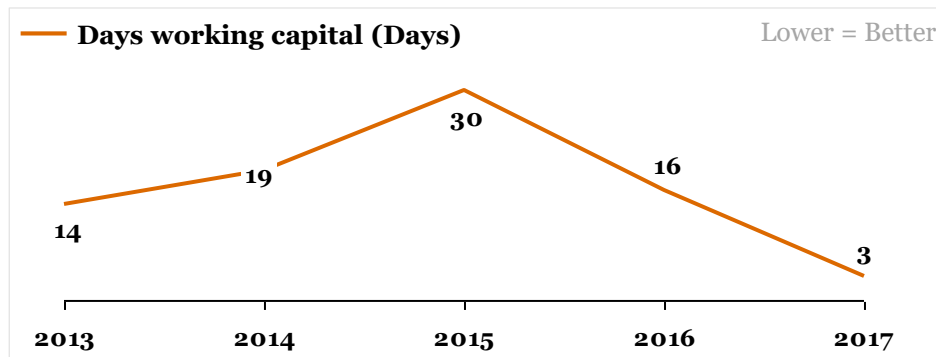
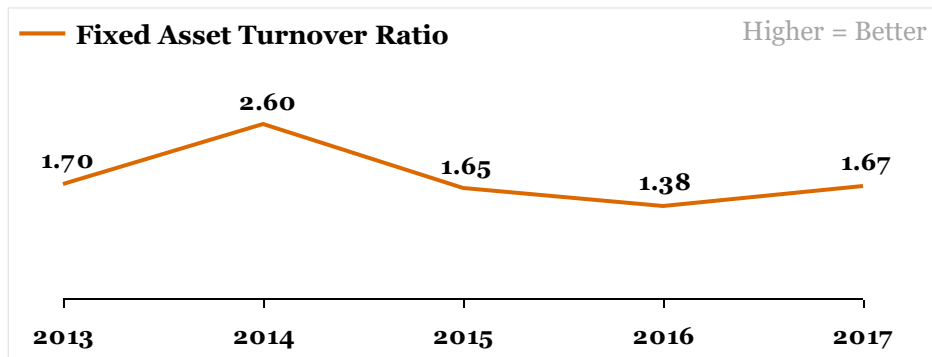
Other costs



Escorts



Trends in efficiency



Source of all financial data : Capitaline Plus

In FY 17...

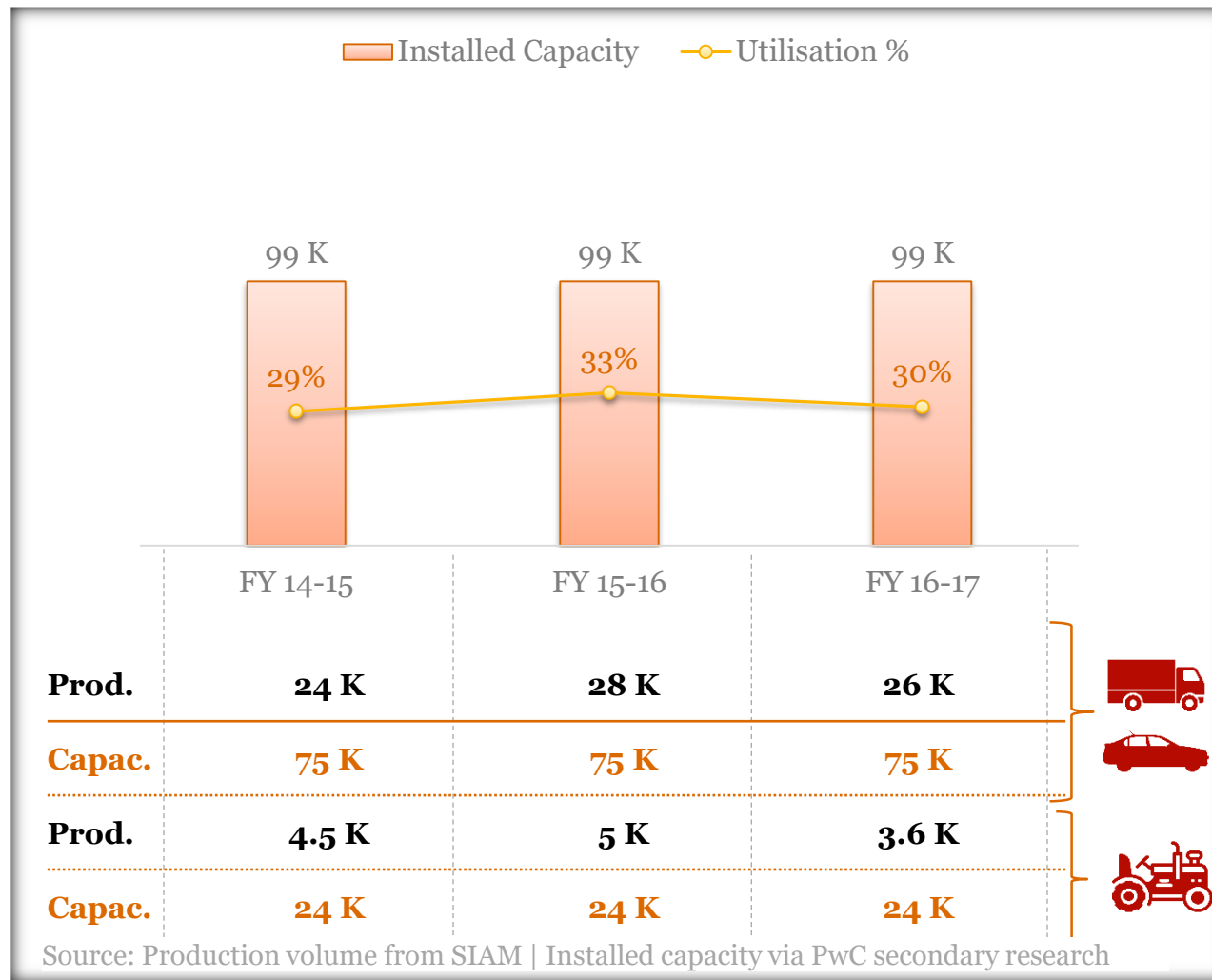
- Escorts is the only OEM, in this list of 11, to have significant portion of its revenue contributed to by the tractors segment alone. It experienced a high Employees cot (as % of Net Sales) at 10.7%. Only OEM to have experienced a higher % was Force Motors at 11.4%.
- It also had the second lowest EBITDA Margin at 7% - higher only than Tata Motors which was at ~3% in FY17.

Force Motors

Force Motors



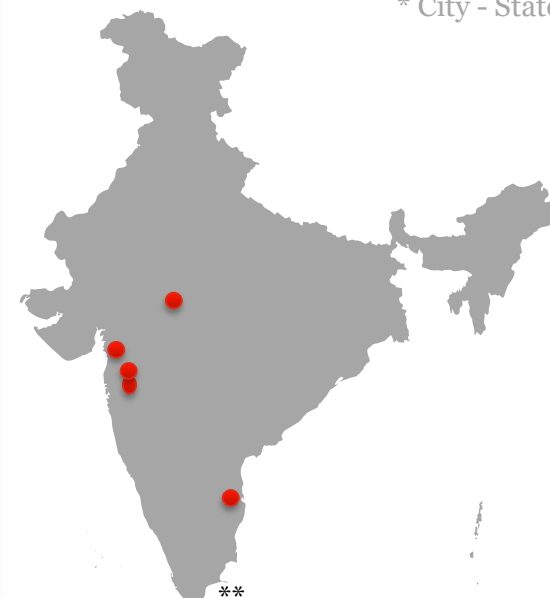
Capacity and utilisation



Manufacturing Sites* in India

- Pune-MH
- Pithampura-MP
- Urse-MH
- Chennai-TN
- Chakan-MH

* City - State



Source: Production volume from SIAM | Installed capacity via PwC secondary research

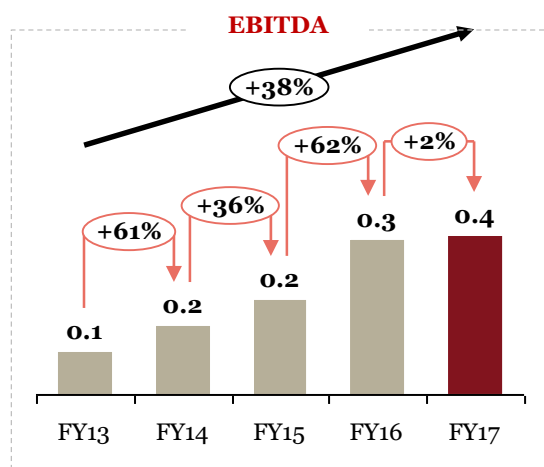
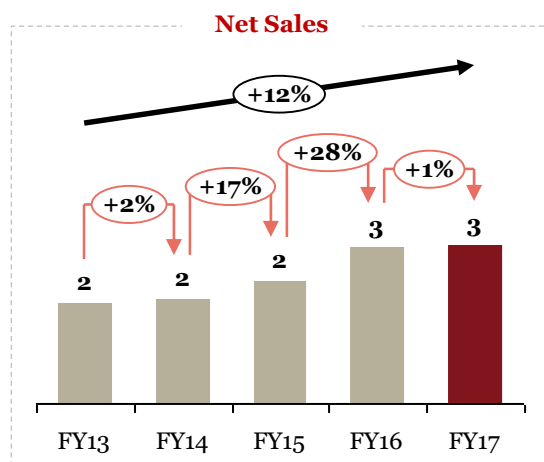
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Force Motors

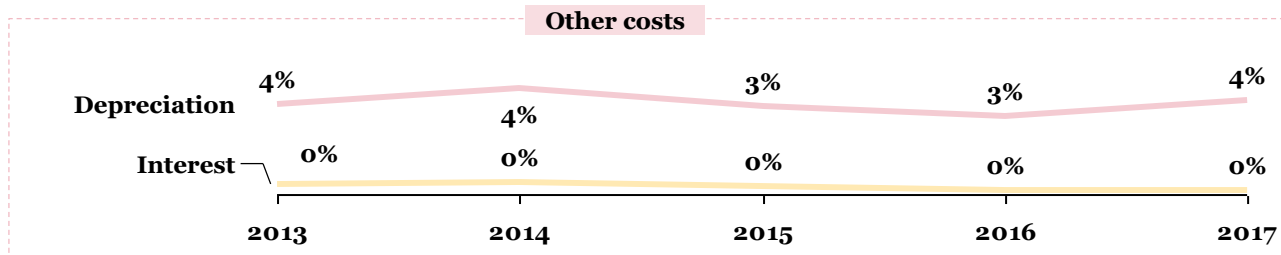
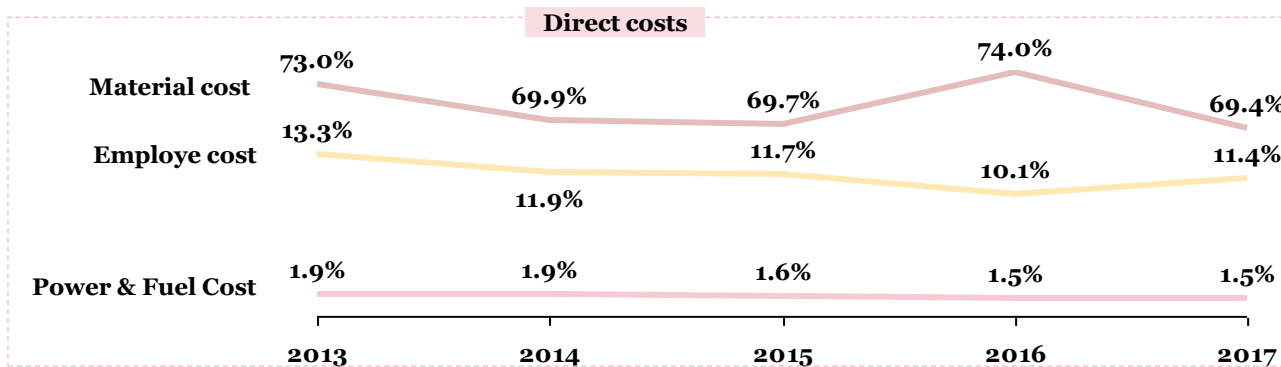
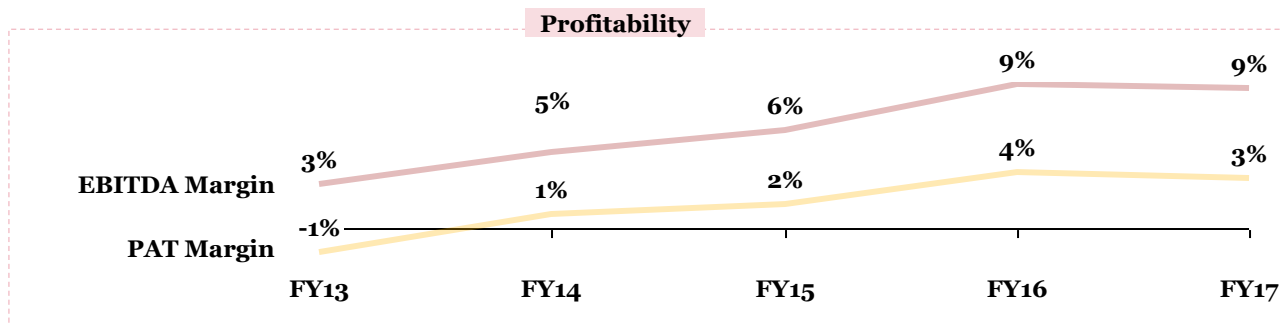


Trends in aggregates, profitability and costs

Aggregates (INR '000 Cr)



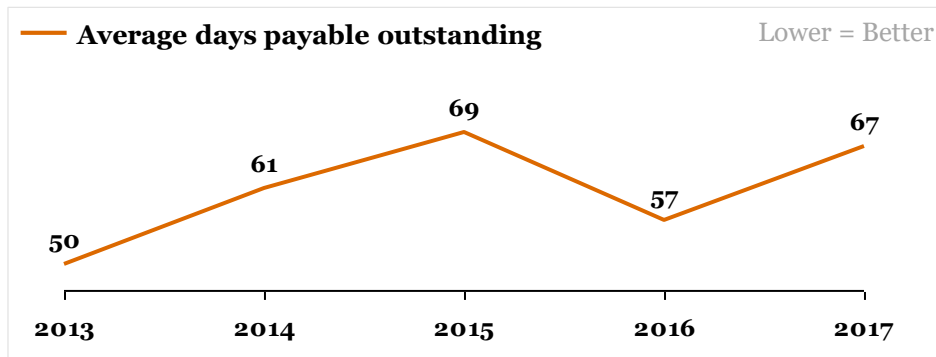
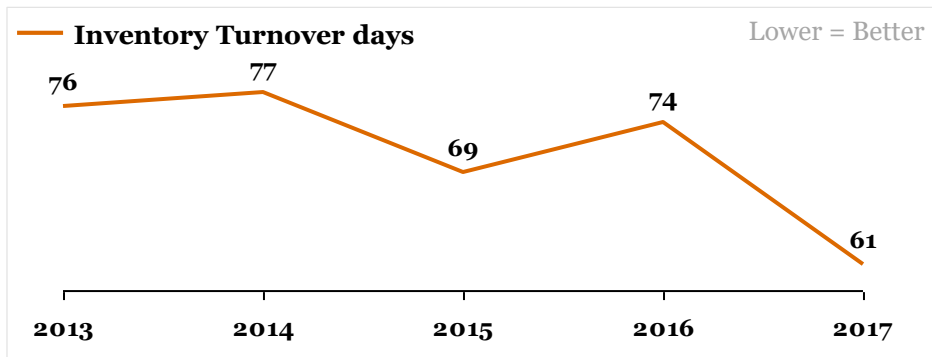
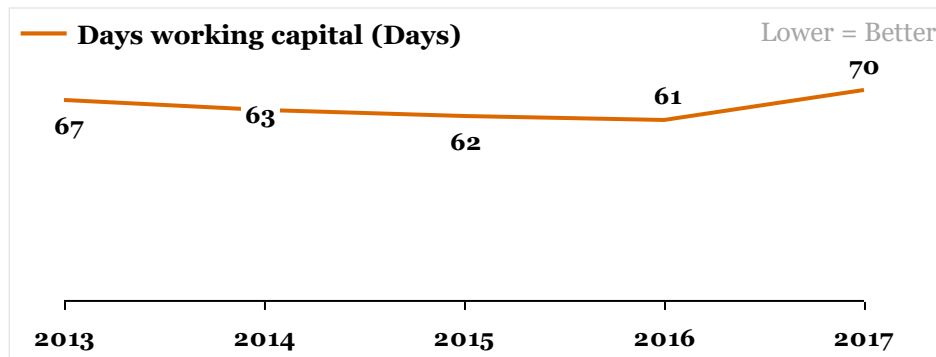
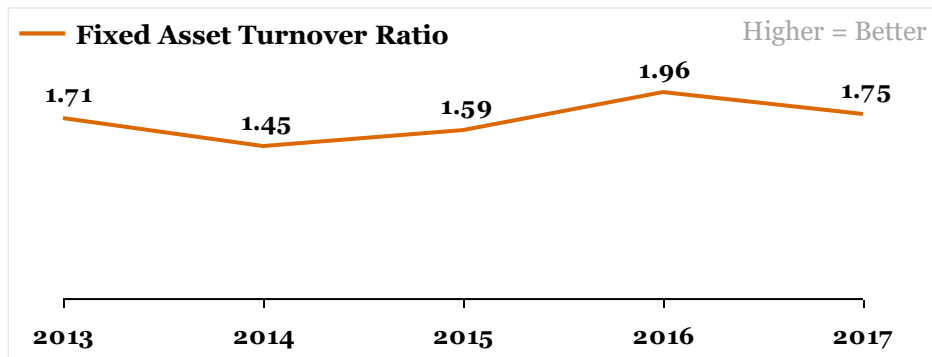
Margins and Costs (% of net sales)



Force Motors



Trends in efficiency



Source of all financial data : Capitaline Plus

In FY 17...

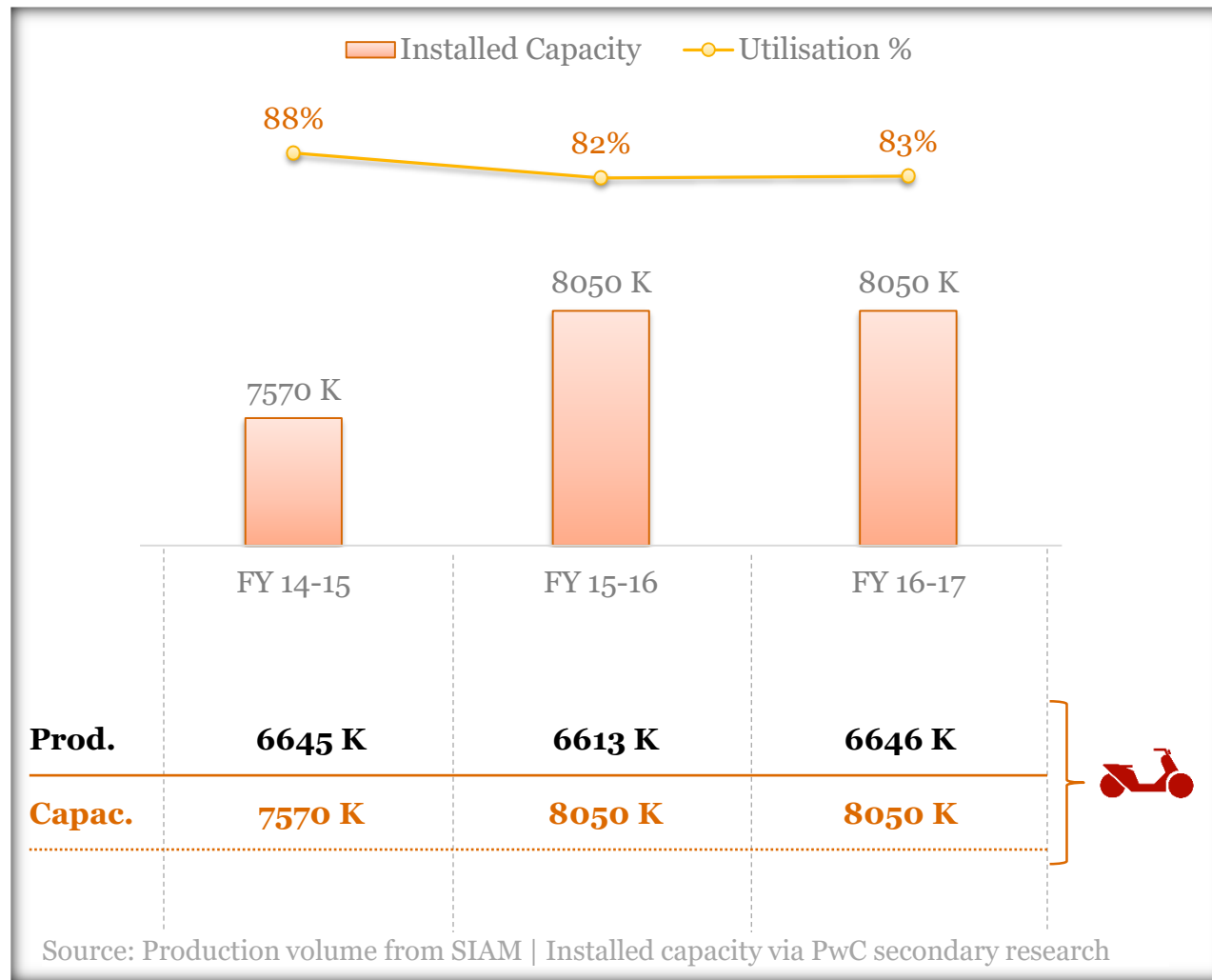
- Force Motors had the second highest days working capital (70.4 days) – with only Bajaj having a higher ratio at ~104 days.
- Force Motors also had the second highest inventory turnover ratio at 60.7.
- The OEM experienced highest employees cost (as % of net sales) across all 11 OEMs studied as part of this study (at >11% for FY17).

Hero Motocorp

Hero MotoCorp



Capacity and utilisation



Manufacturing Sites* in India

- Haridwar-UK
- Dharuhera-HR

- Gurgaon-HR
- Neemrana-RJ

- Vadodara-GJ

* City - State



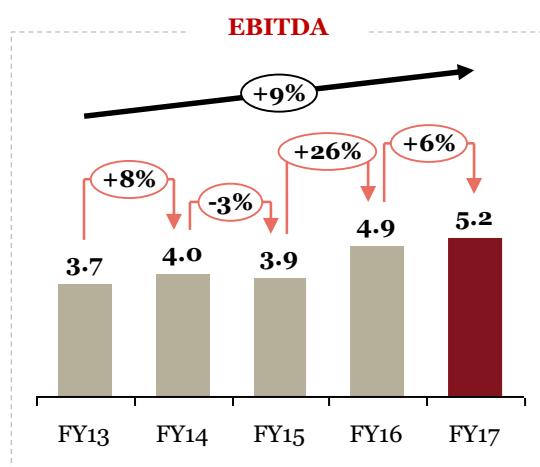
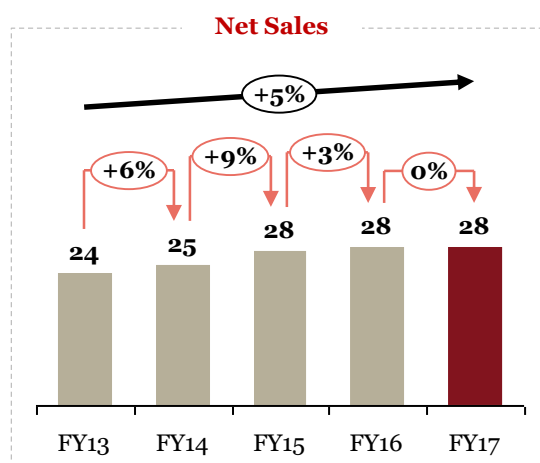
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Hero Motocorp

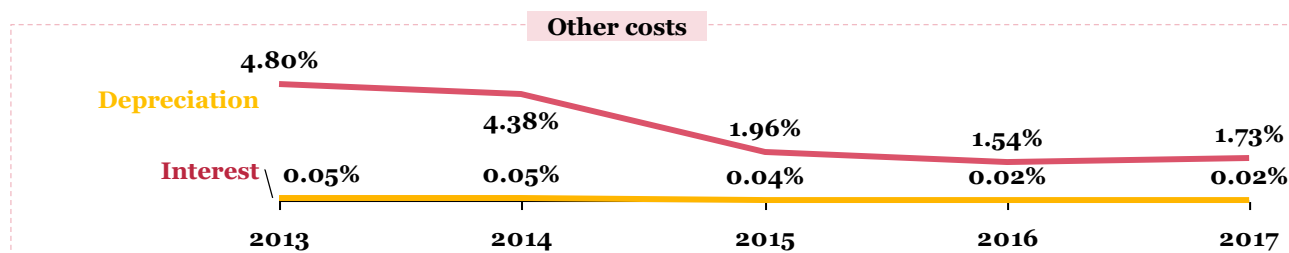
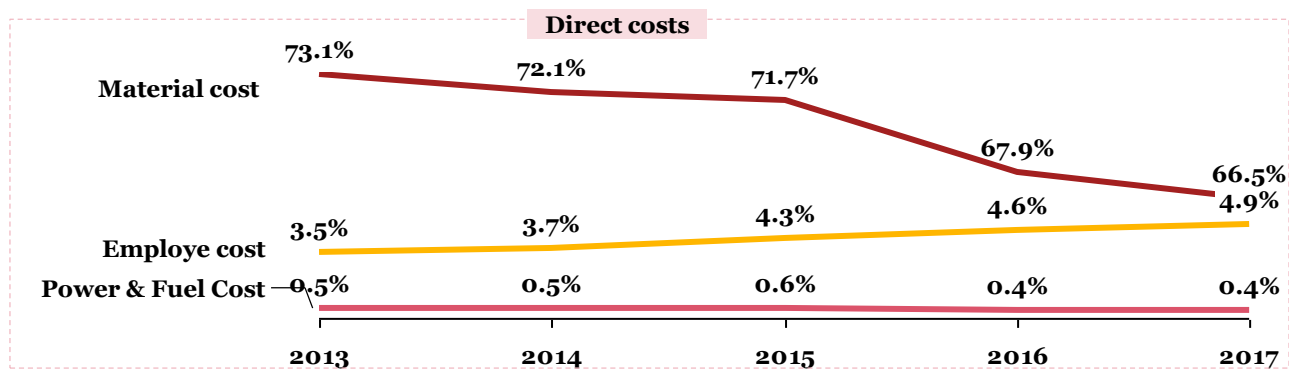
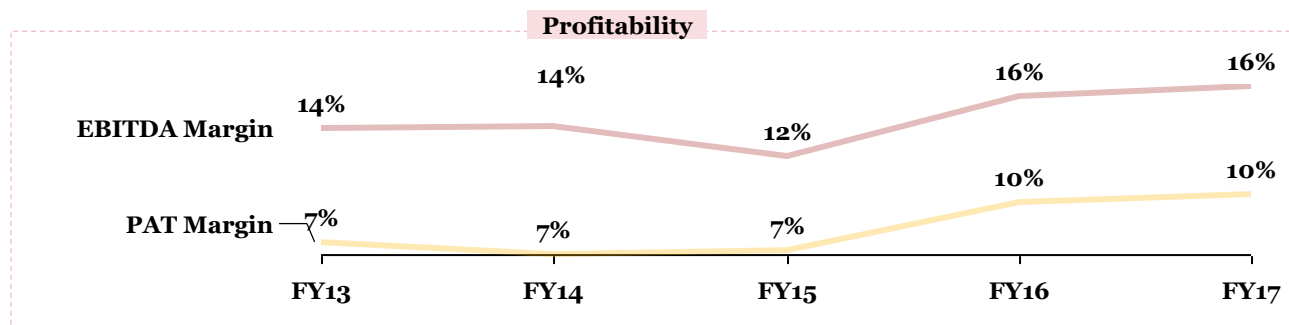


Trends in aggregates, profitability and costs

Aggregates (INR '000 Cr)



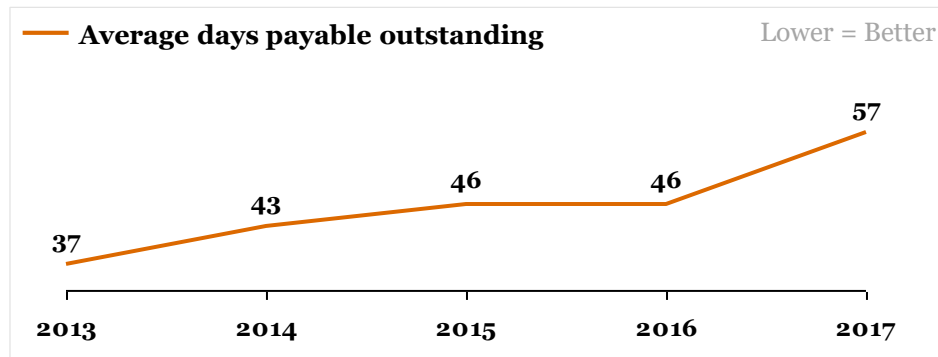
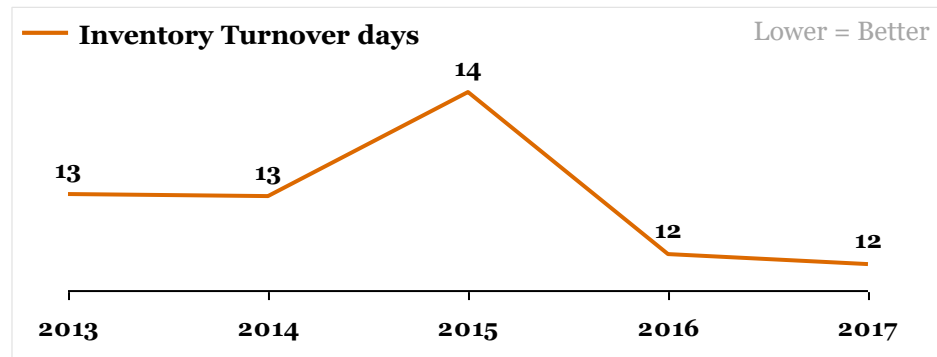
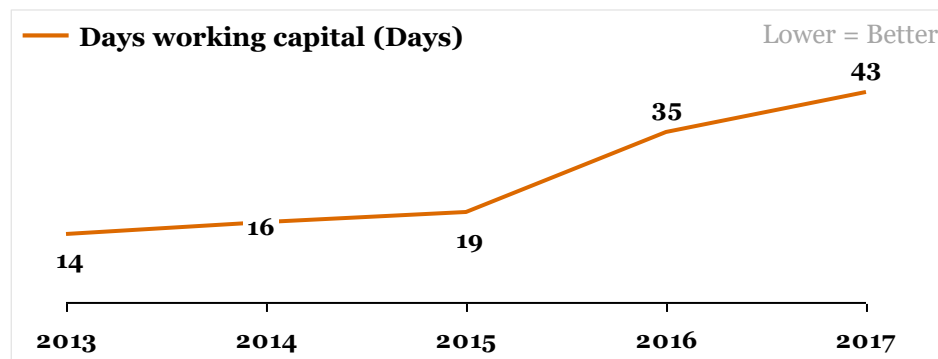
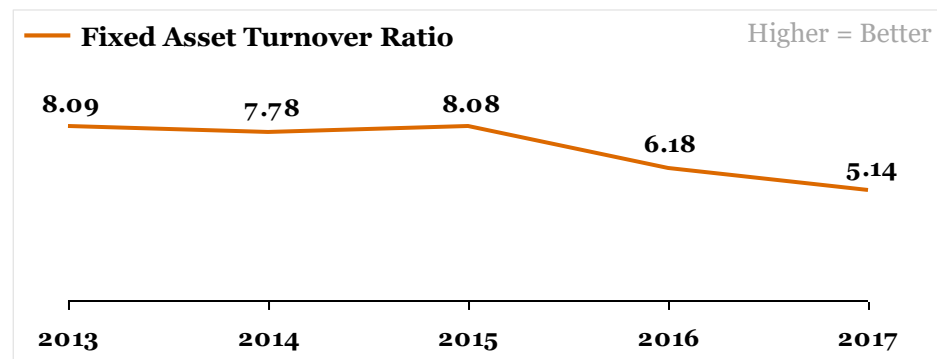
Margins and Costs (% of net sales)



Hero Motocorp



Trends in efficiency



Source of all financial data : Capitaline Plus

In FY 17...

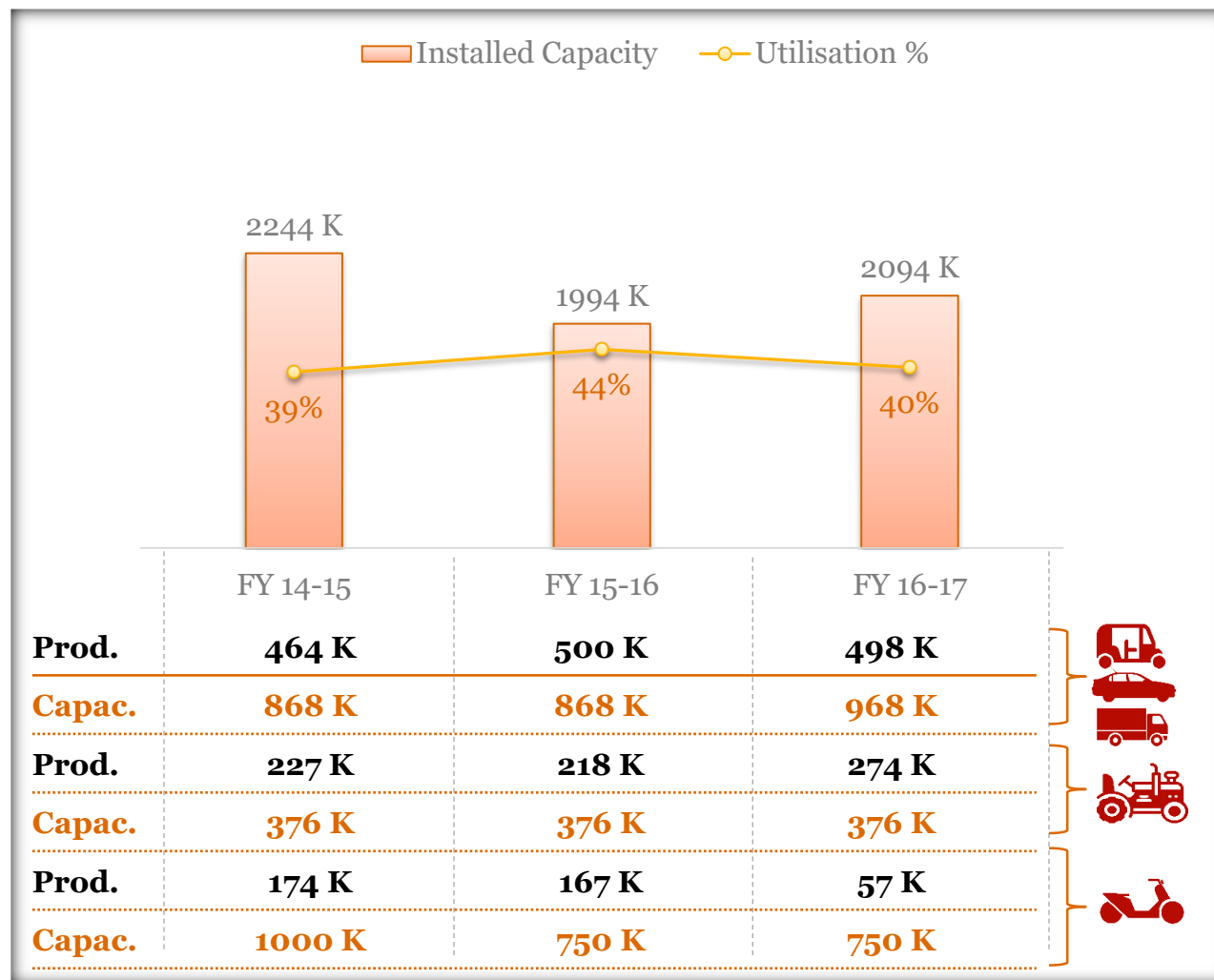
- Hero Motocorp had the second highest profit margins bettered only by Bajaj across EBITDA %, EBIT % and PAT %.
- The OEM boasts of the highest FATO (5.1) among the peer-set of 11 OEMs studied as part of this report.
- Among these OEMs, Hero Motocorp also demonstrated the best average inventory turnover days at 11.6 for FY17.

Mahindra and Mahindra

Mahindra & Mahindra



Capacity and utilisation



Manufacturing Sites* in India

- Haridwar-UK
- Mumbai-MH
- Zaheerabad-AP
- Nashik-MH
- Chakan-MH
- Pithampur-MP

* City - State



Source: Production volume from SIAM | Installed capacity via PwC secondary research. The map is not to scale. It is an indicative outline intended for general reference use only.

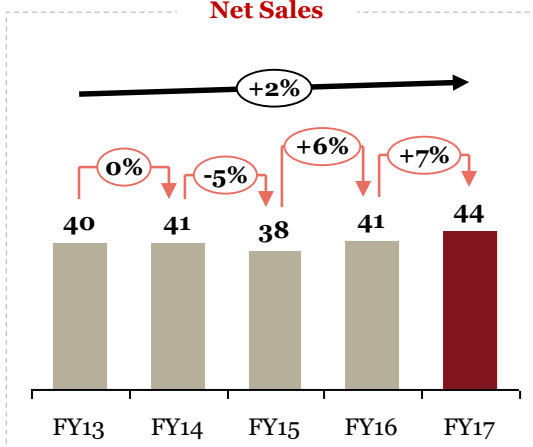
Mahindra and Mahindra



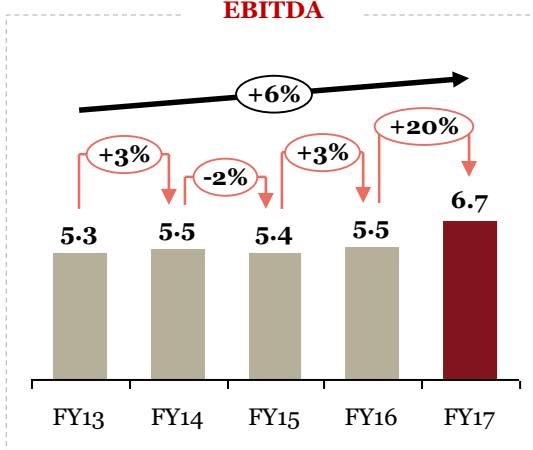
Trends in aggregates, profitability and costs

Aggregates (INR '000 Cr)

Net Sales

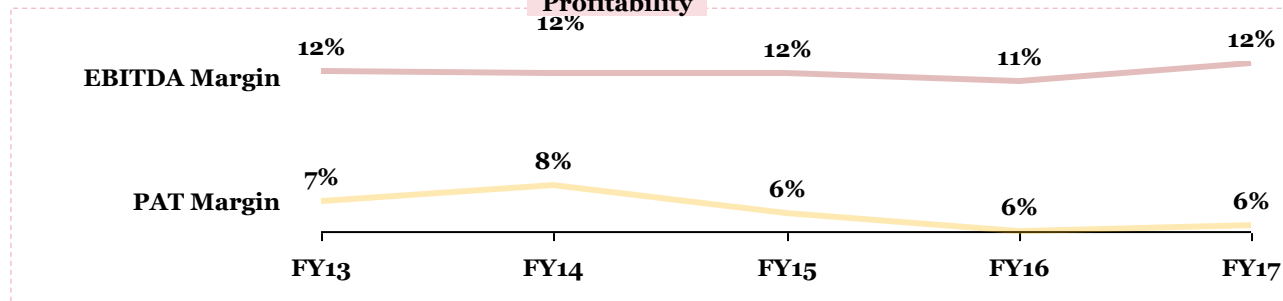


EBITDA

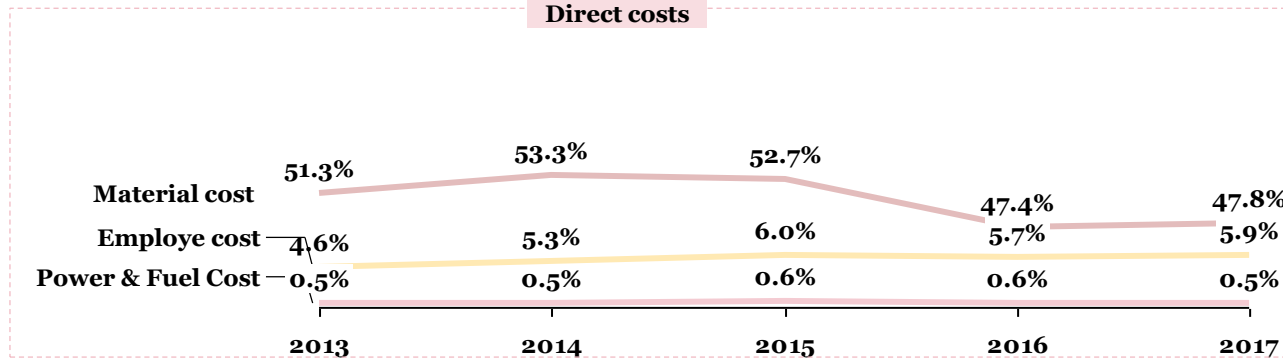


Margins and Costs (% of net sales)

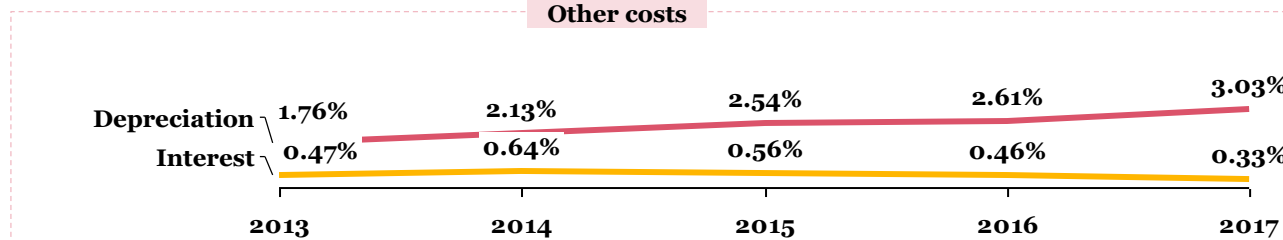
Profitability



Direct costs



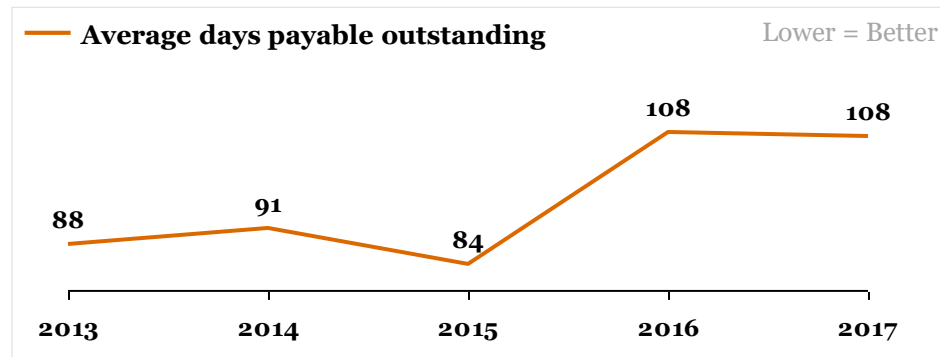
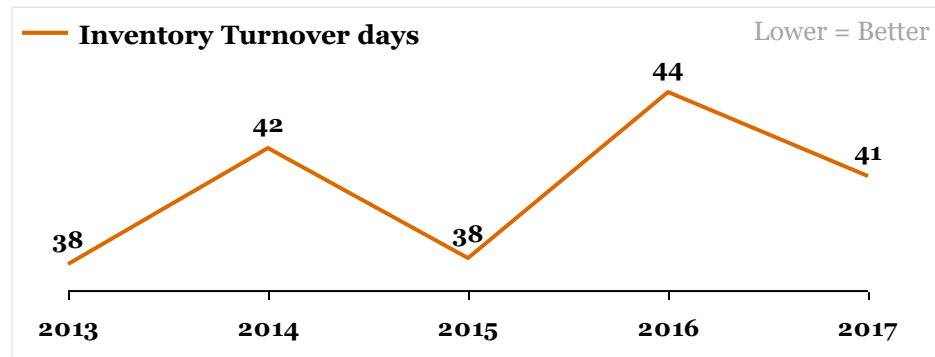
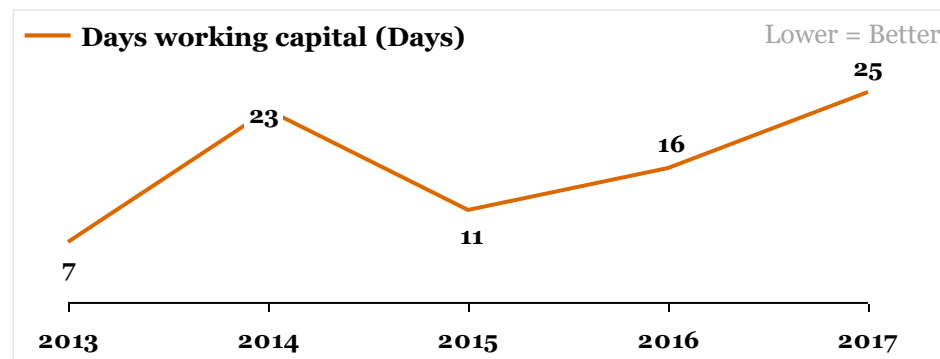
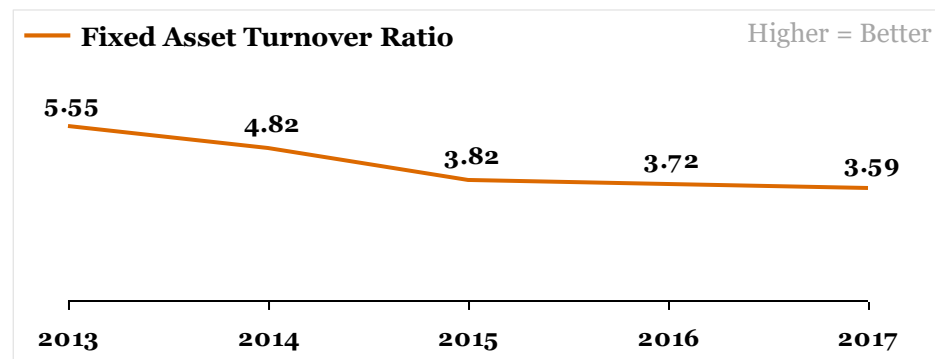
Other costs



Mahindra and Mahindra



Trends in efficiency



Source of all financial data : Capitaline Plus

In FY 17...

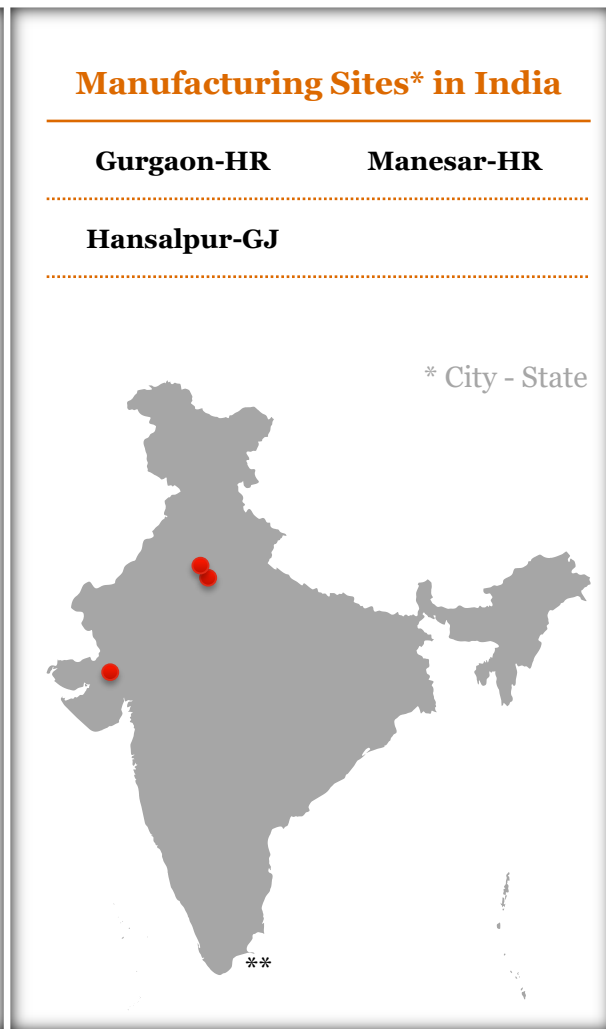
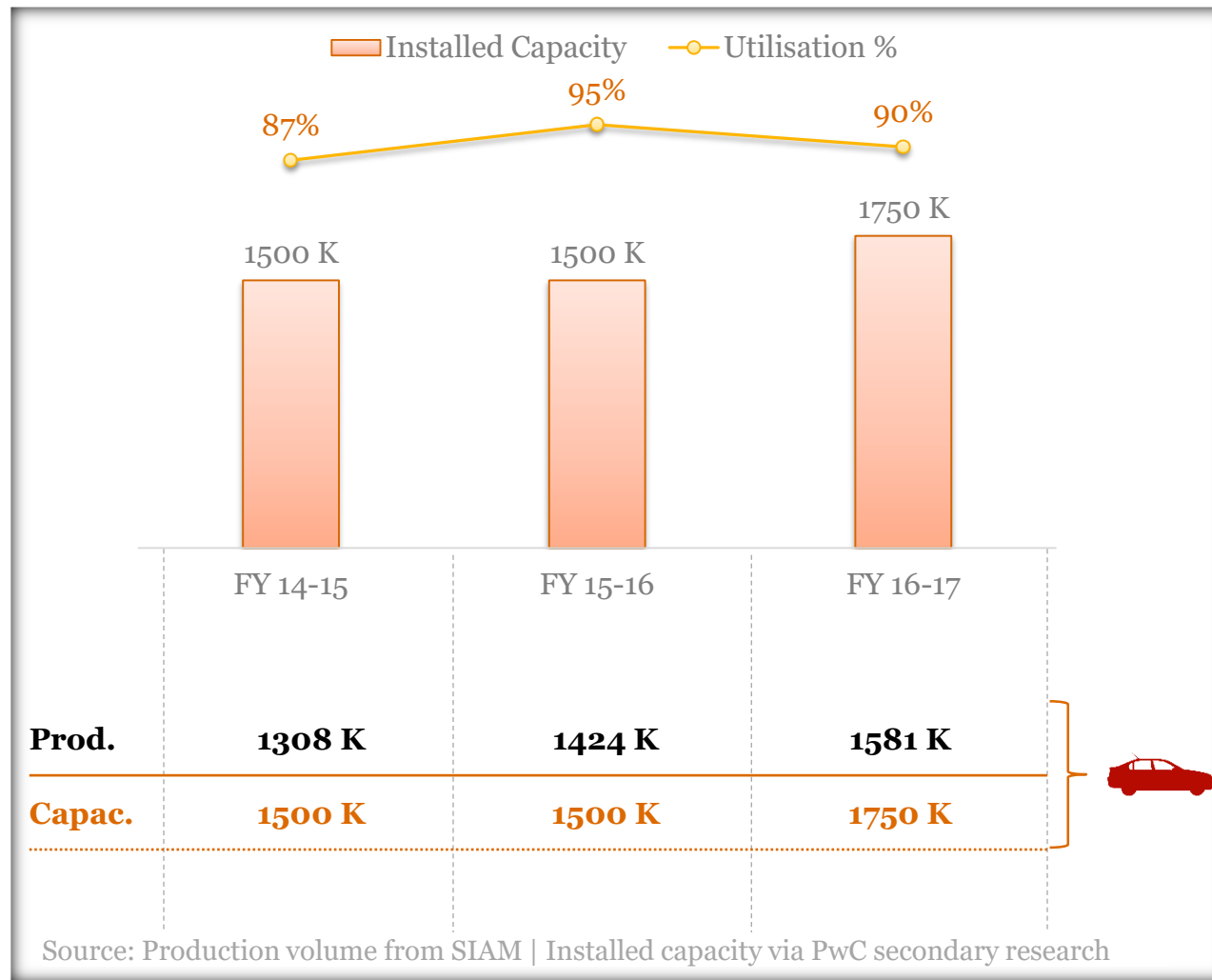
- M&M operated at the second-to-highest average days payable outstanding among the 11 OEMs studied as part of this report.
- Its EBITDA margin % at 12% was significantly higher than that of Tata Motors.
- For both the metrics of days' working capital and inventory turn-over, M&M was at the median vs. this peer-set of 11 OEMs.

Maruti Suzuki

Maruti Suzuki



Capacity and utilisation



** This map is not to scale. It is an indicative outline intended for general reference use only.

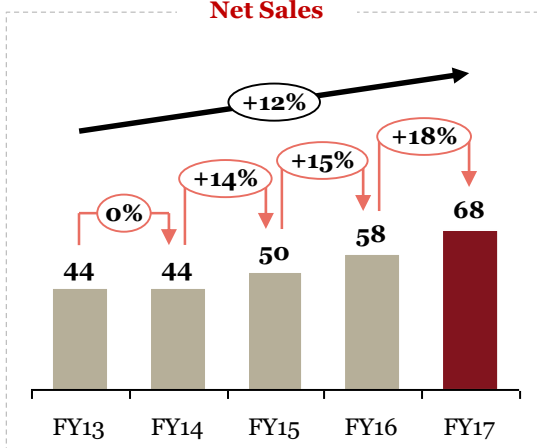
Maruti Suzuki



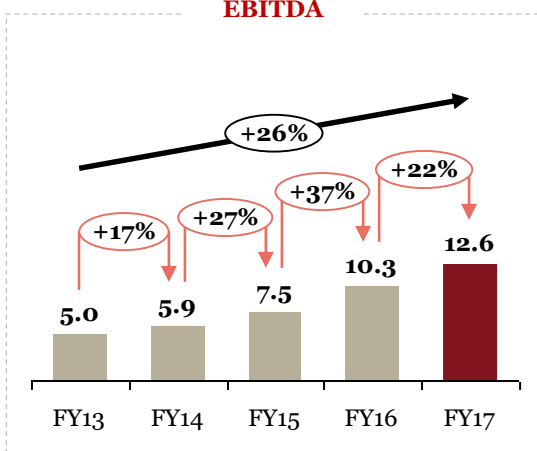
Trends in aggregates, profitability and costs

Aggregates (INR '000 Cr)

Net Sales

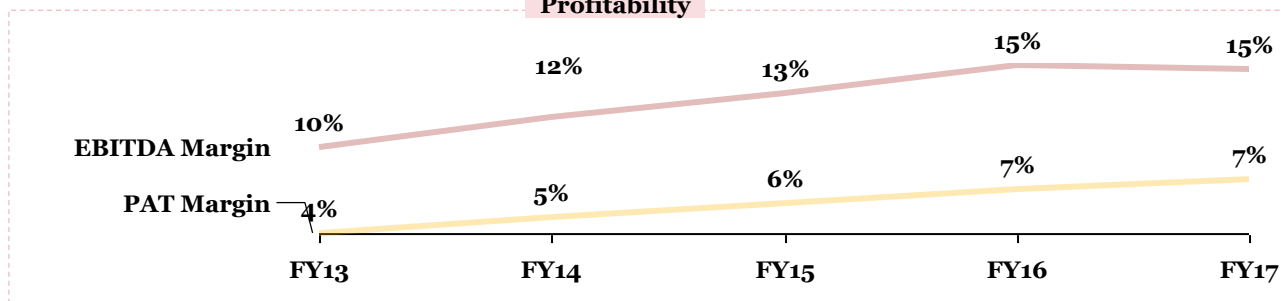


EBITDA

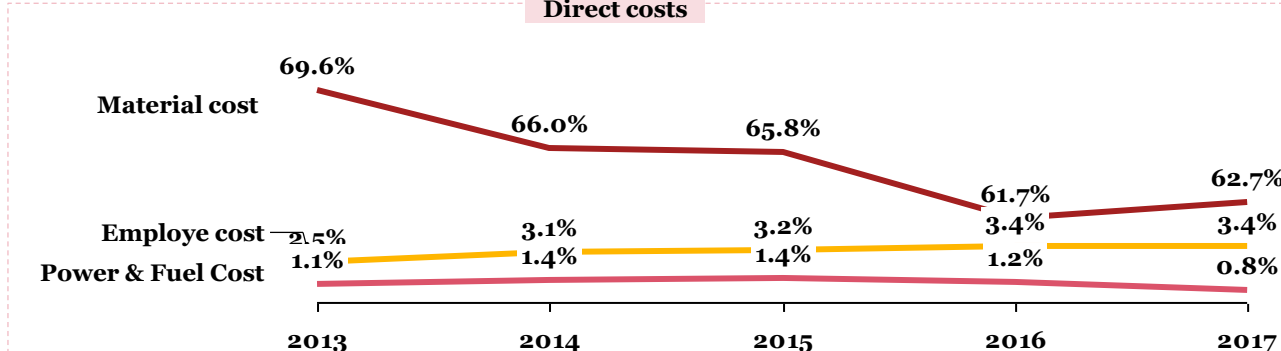


Margins and Costs (% of net sales)

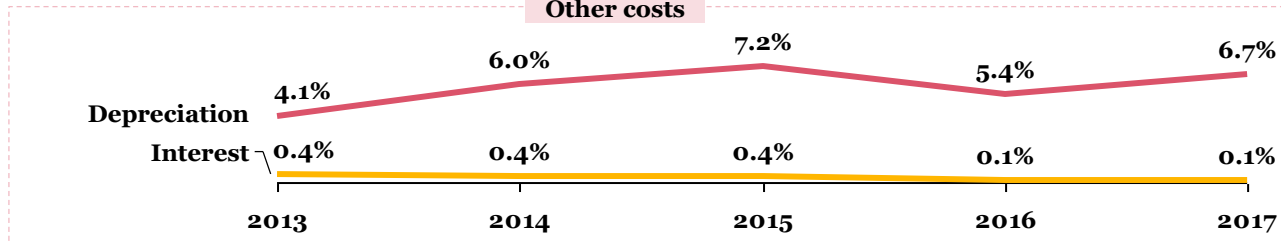
Profitability



Direct costs



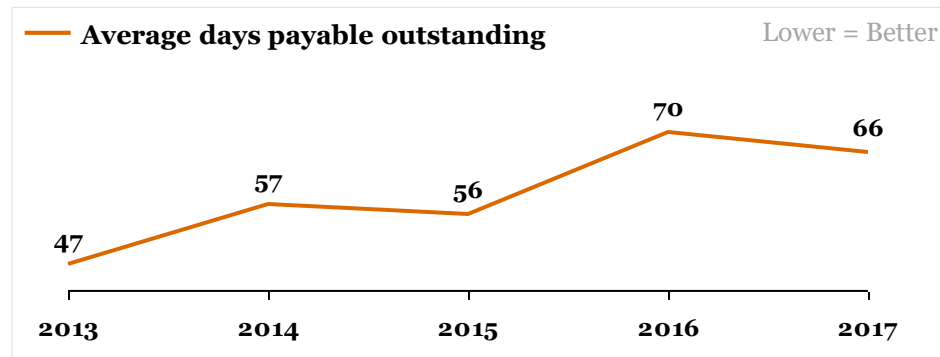
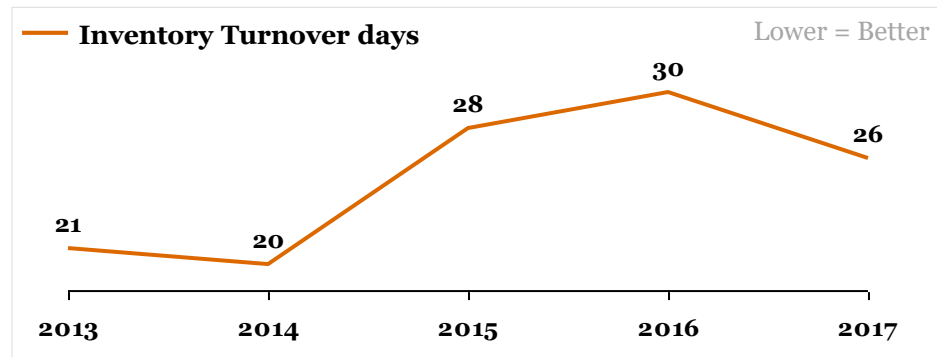
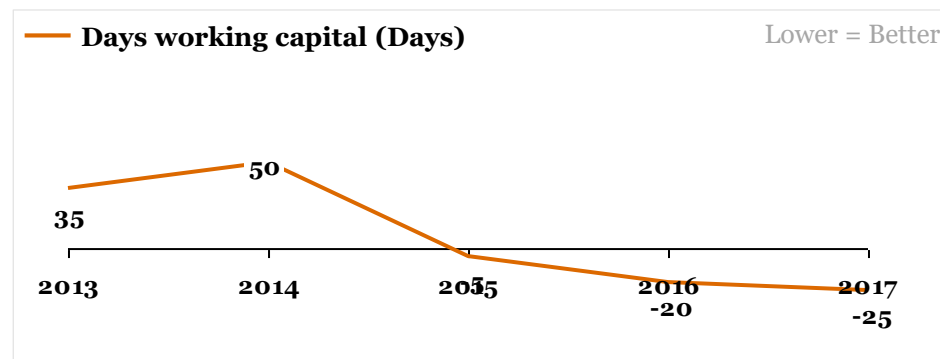
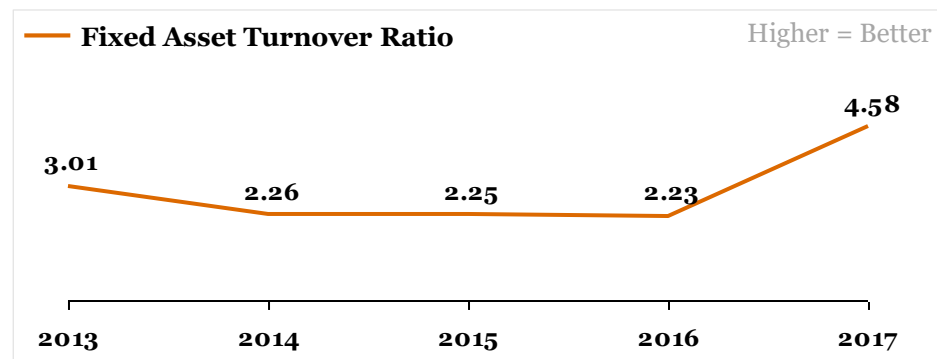
Other costs



Maruti Suzuki



Trends in efficiency



Source of all financial data : Capitaline Plus

In FY 17...

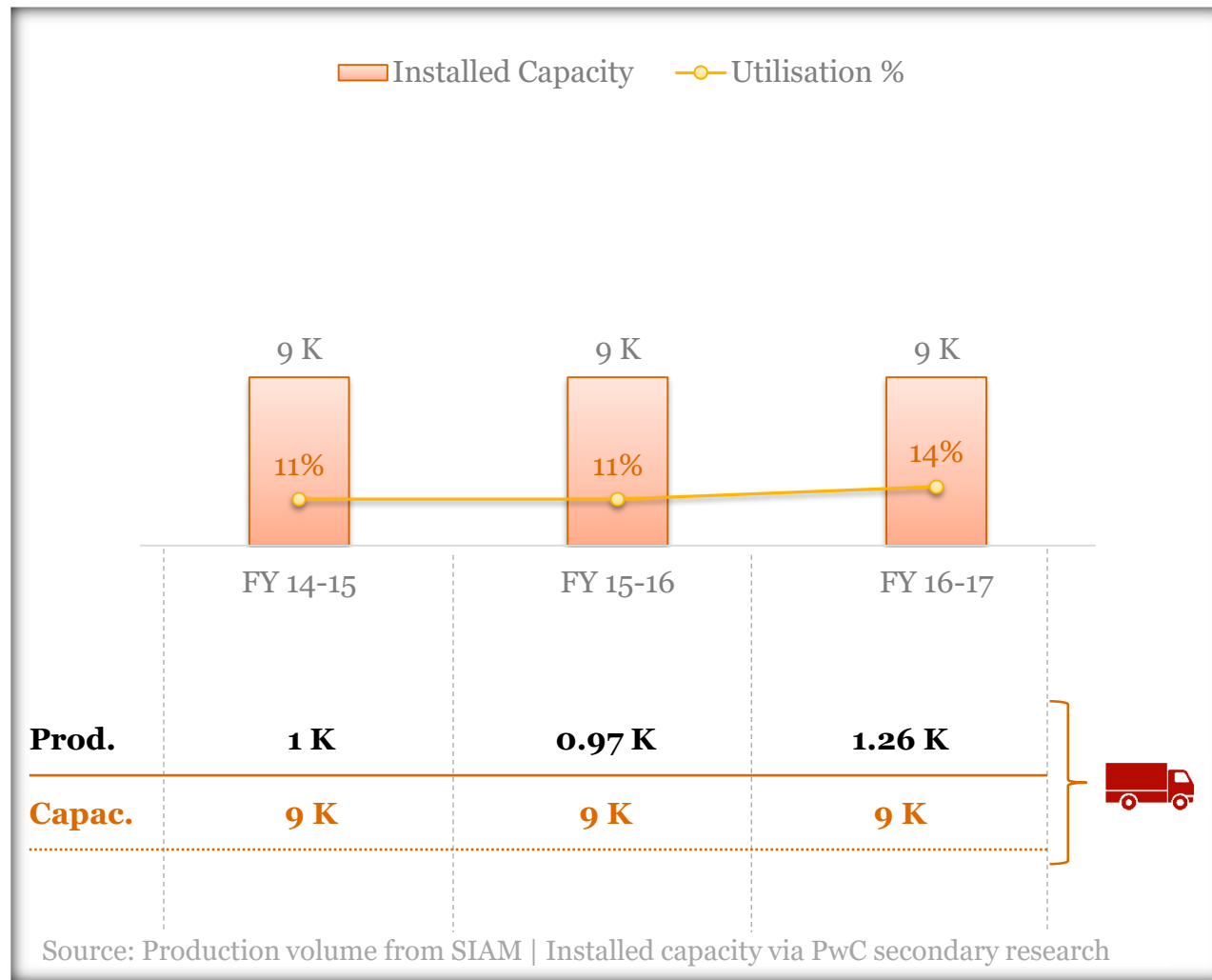
- Among the subset of those OEMs with a significant PV volume, MSIL has had the highest EBITDA margin % for 3 consecutive years.
- After TML, MSIL had the second-lowest average days' working capital in FY17.
- Across all 11 OEMs, MSIL has the lowest employee cost as % of net sales for each of the 5 FYs.

SML ISUZU

SML ISUZU



Capacity and utilisation



** This map is not to scale. It is an indicative outline intended for general reference use only.

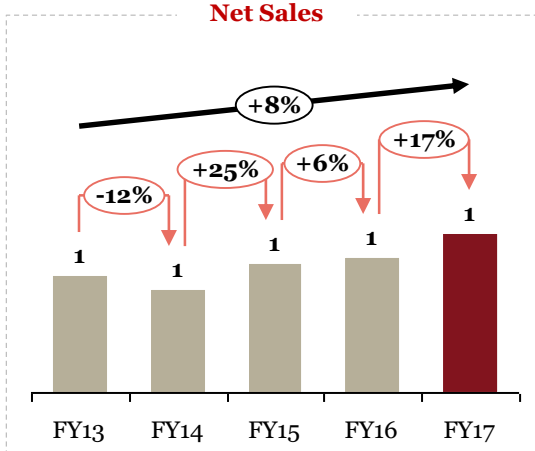
SML ISUZU



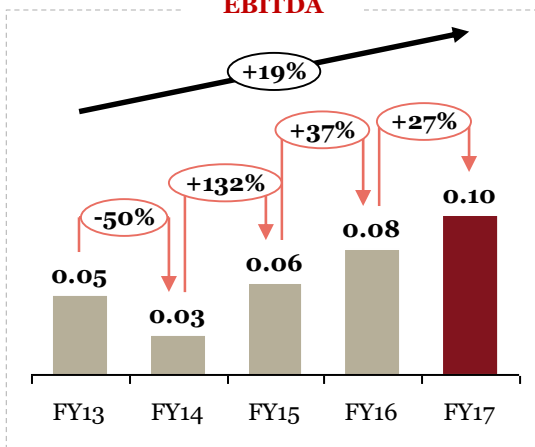
Trends in aggregates, profitability and costs

Aggregates (INR '000 Cr)

Net Sales

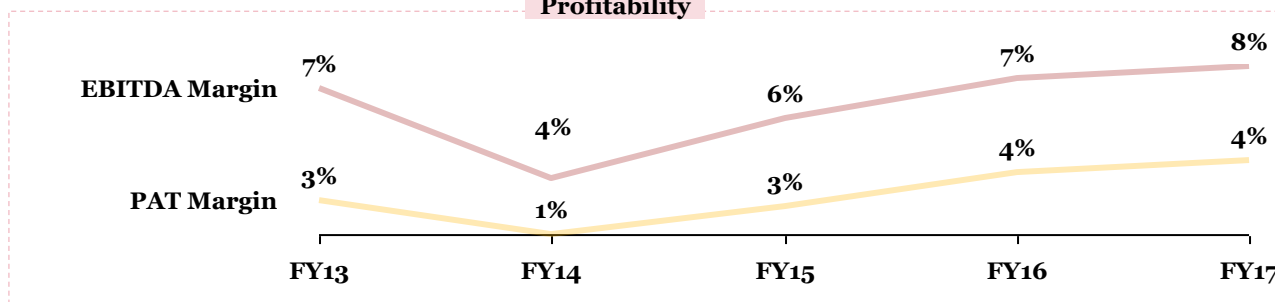


EBITDA

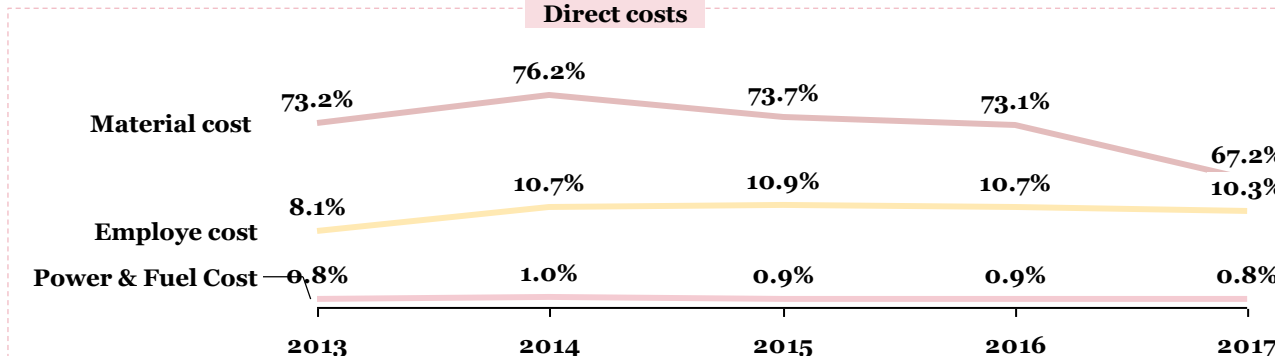


Margins and Costs (% of net sales)

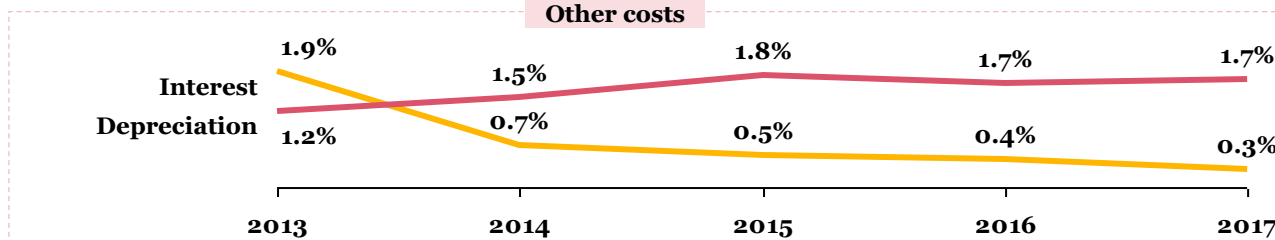
Profitability



Direct costs



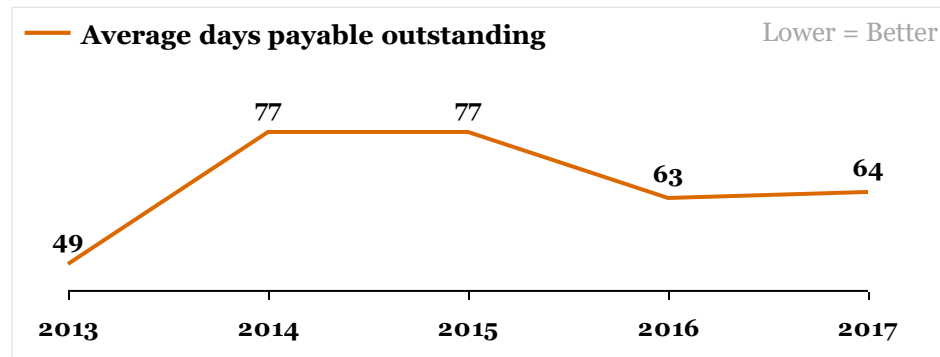
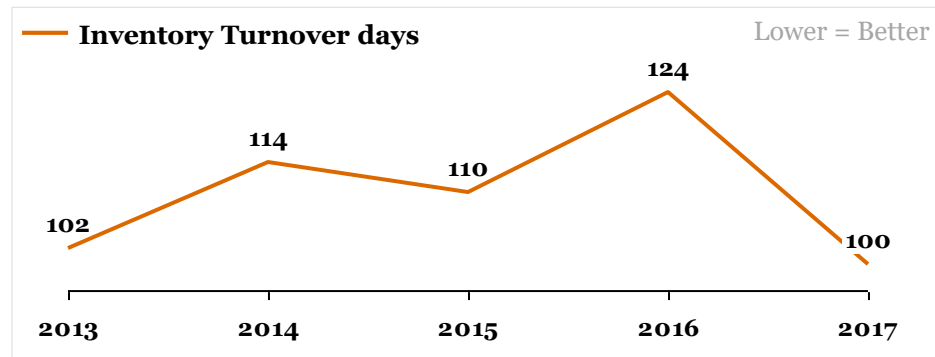
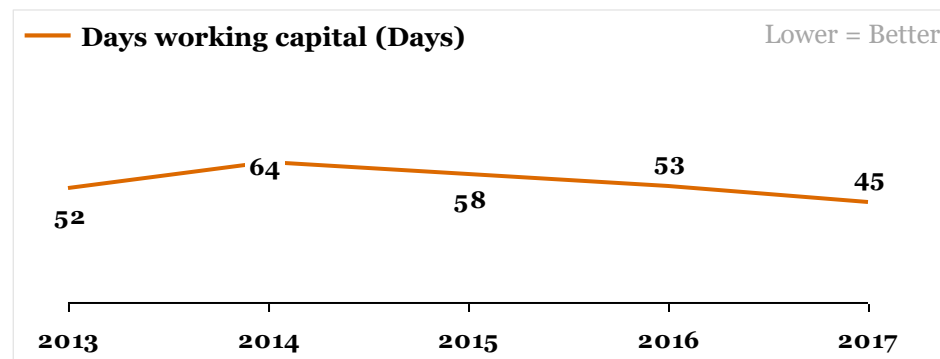
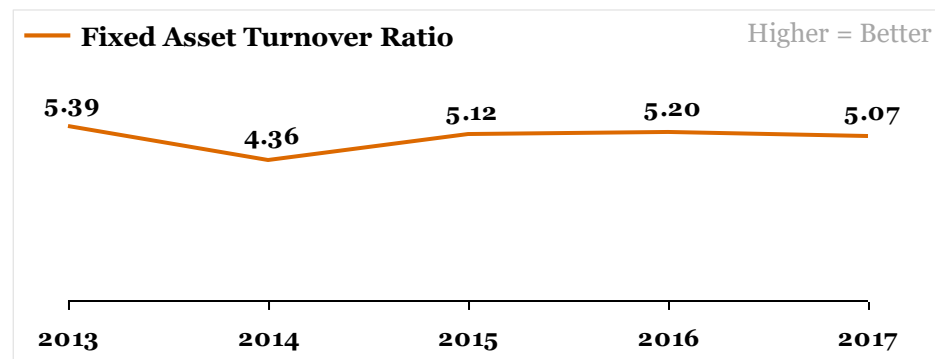
Other costs



SML ISUZU



Trends in efficiency



Source of all financial data : Capitaline Plus

In FY 17...

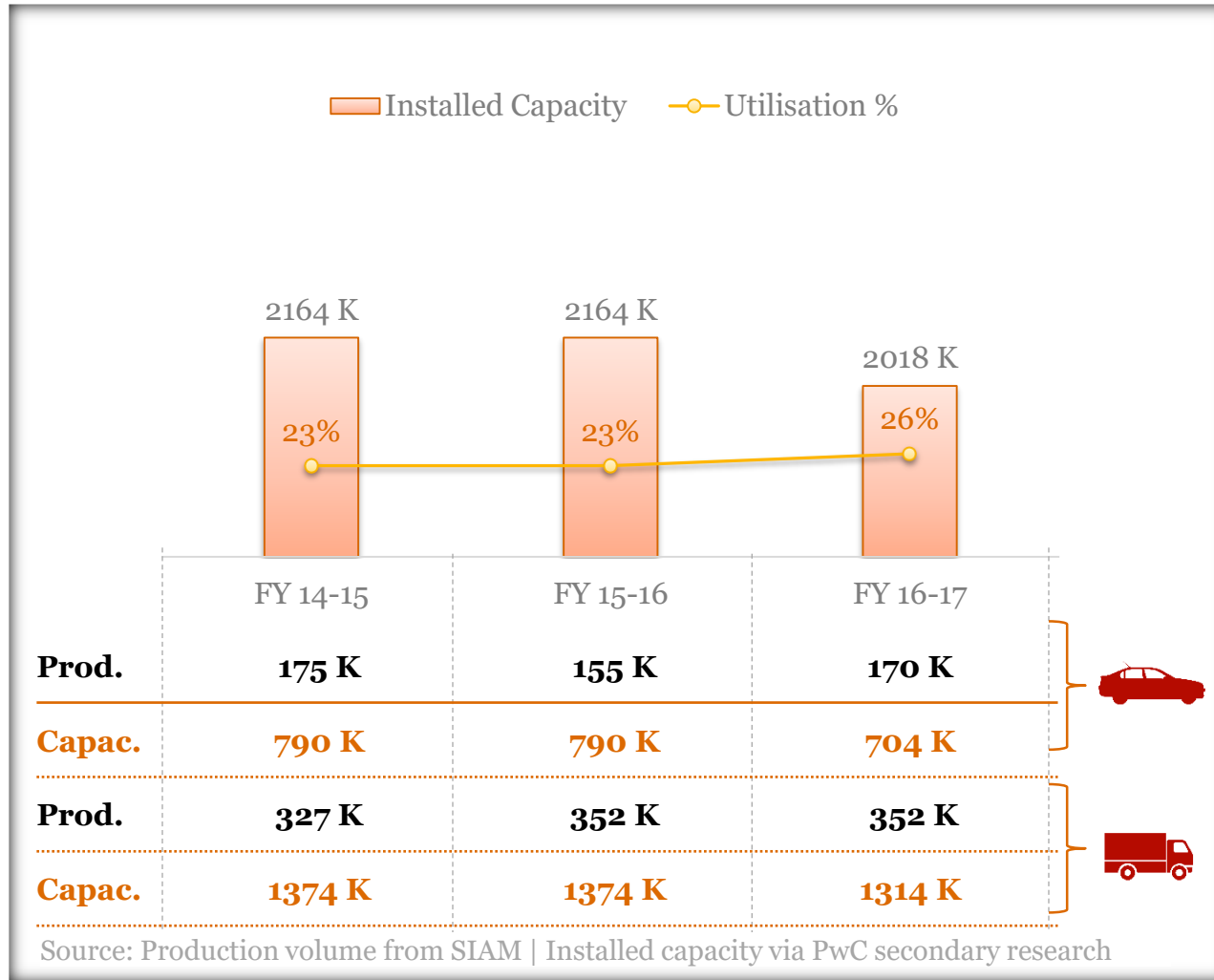
- Among all 11 OEMs, SML Isuzu had the highest average inventory turnover days ratio at ~100 days.
- Among the CV and PV manufacturers SML Isuzu had the lowest average days payable outstanding. The only OEMs with a lower average days payable outstanding were from the 2W and 3W segments (Hero MotoCorp, Bajaj, and Atul Auto).

Tata Motors

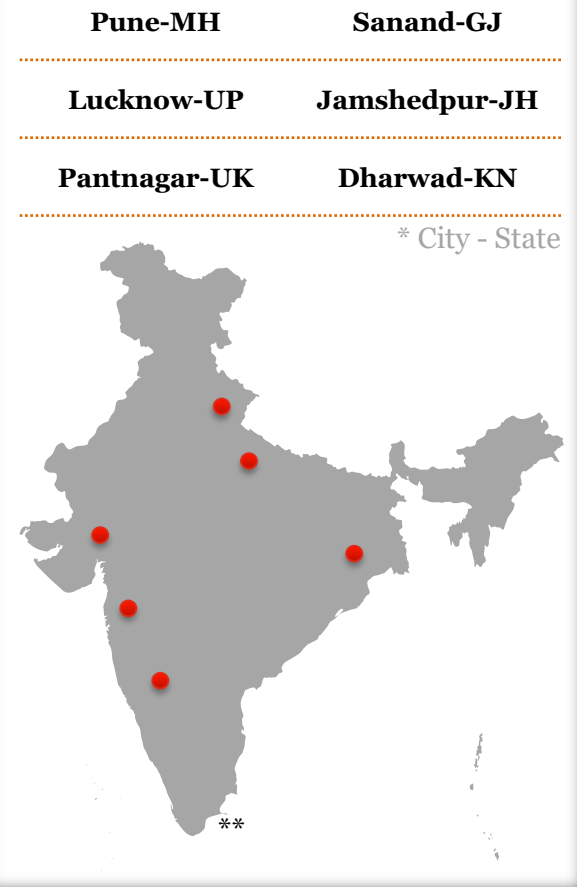
Tata Motors



Capacity and utilisation



Manufacturing Sites* in India



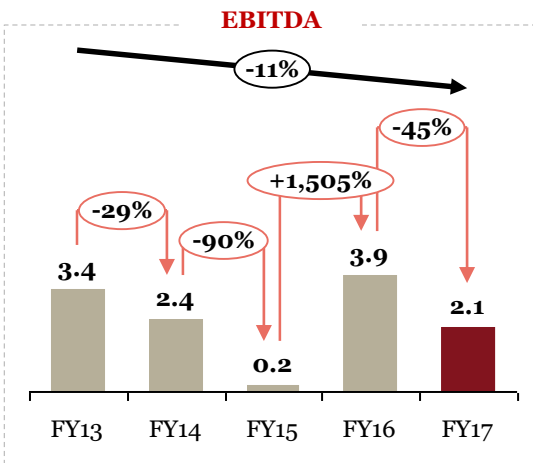
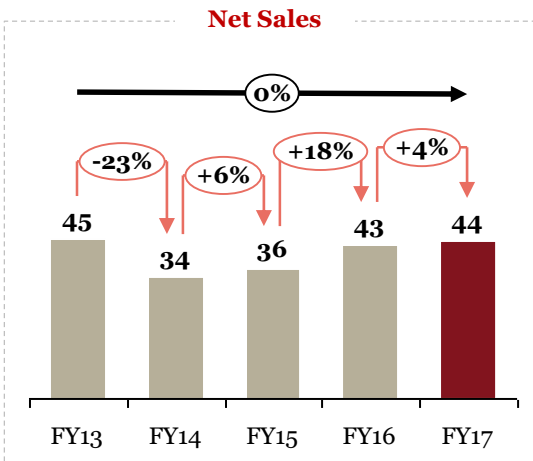
** This map is not to scale. It is an indicative outline intended for general reference use only.

Tata Motors

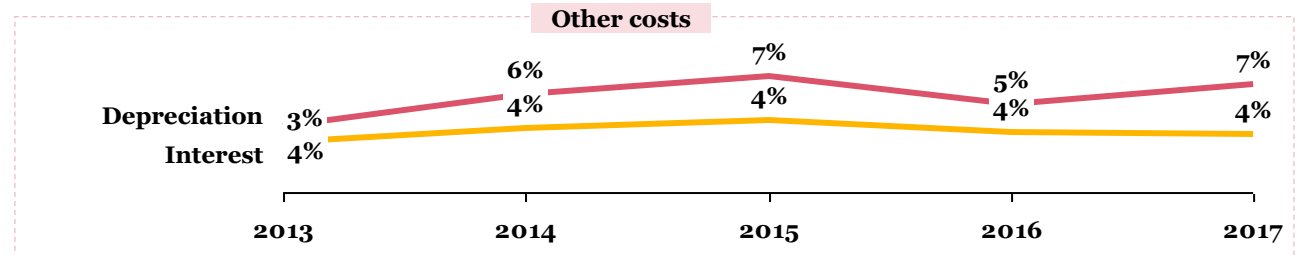
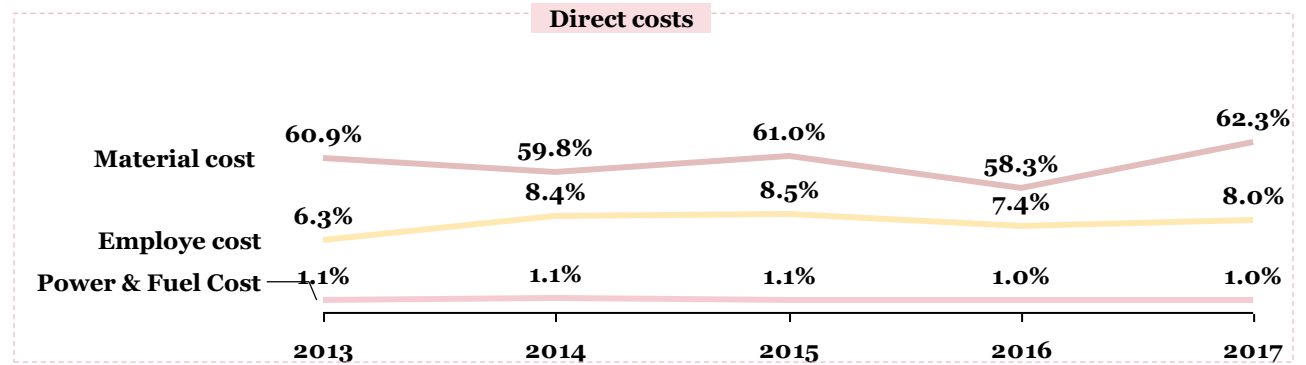
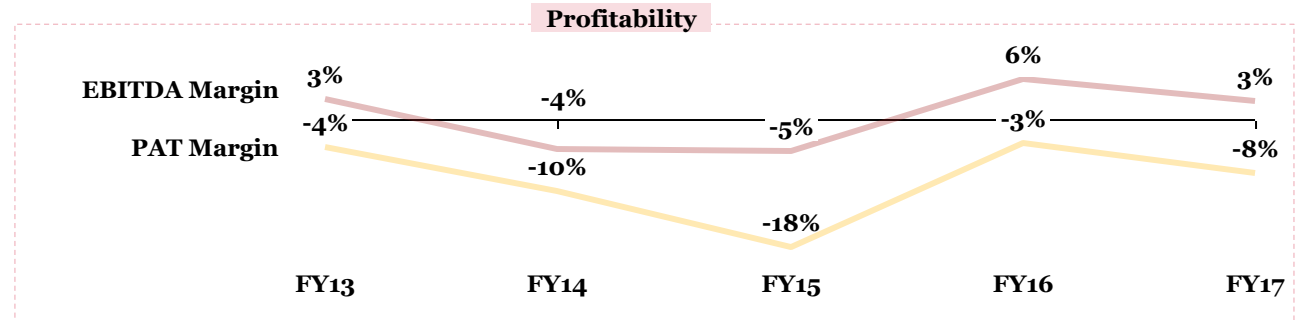


Trends in aggregates, profitability and costs

Aggregates (INR '000 Cr)



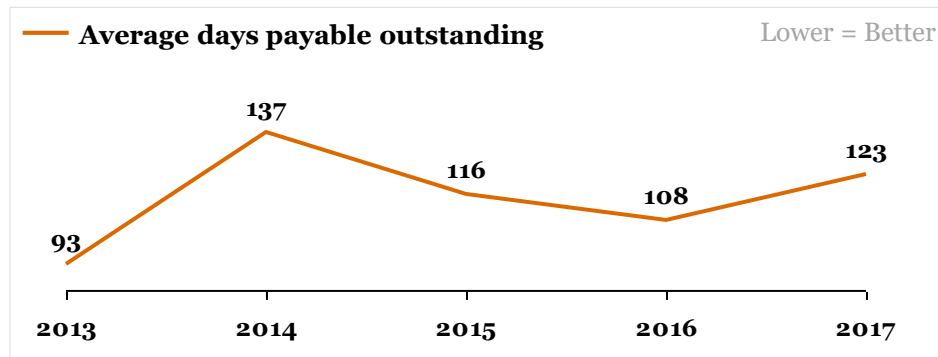
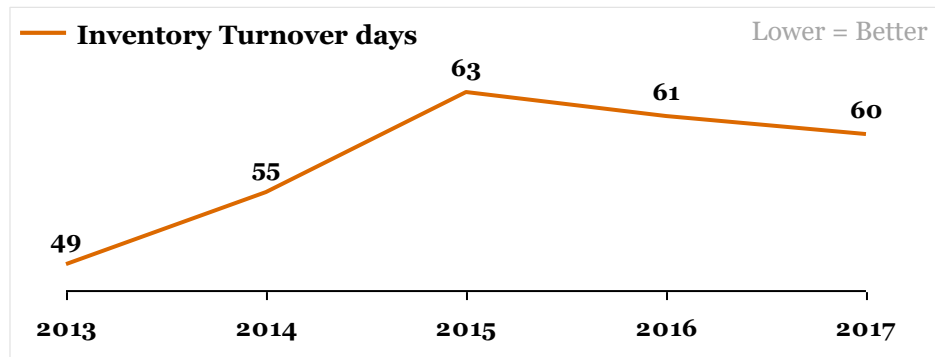
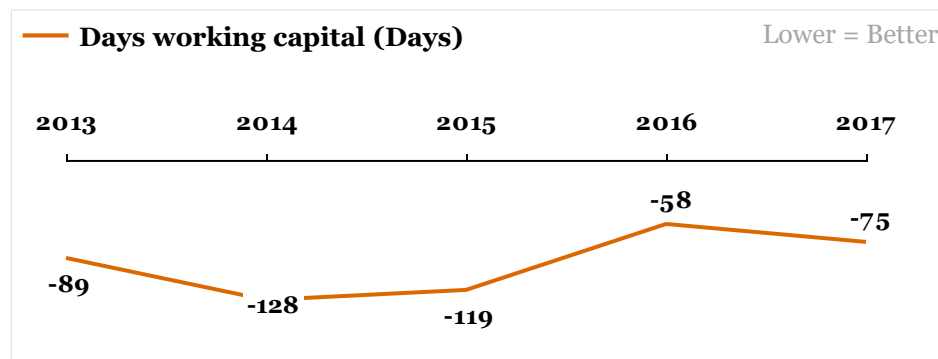
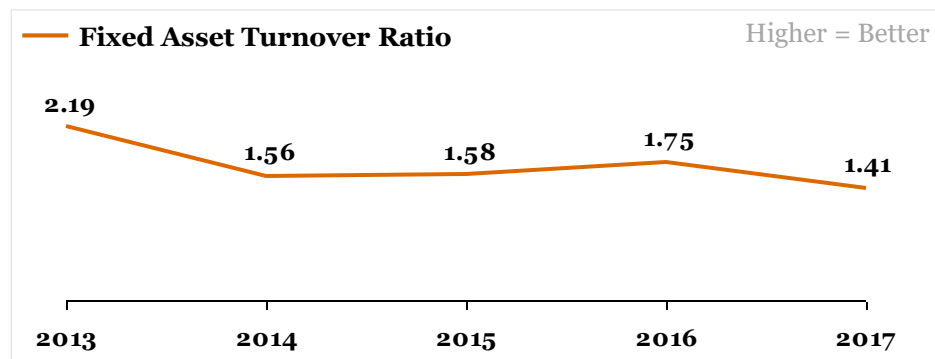
Margins and Costs (% of net sales)



Tata Motors



Trends in efficiency



Source of all financial data : Capitaline Plus

In FY 17...

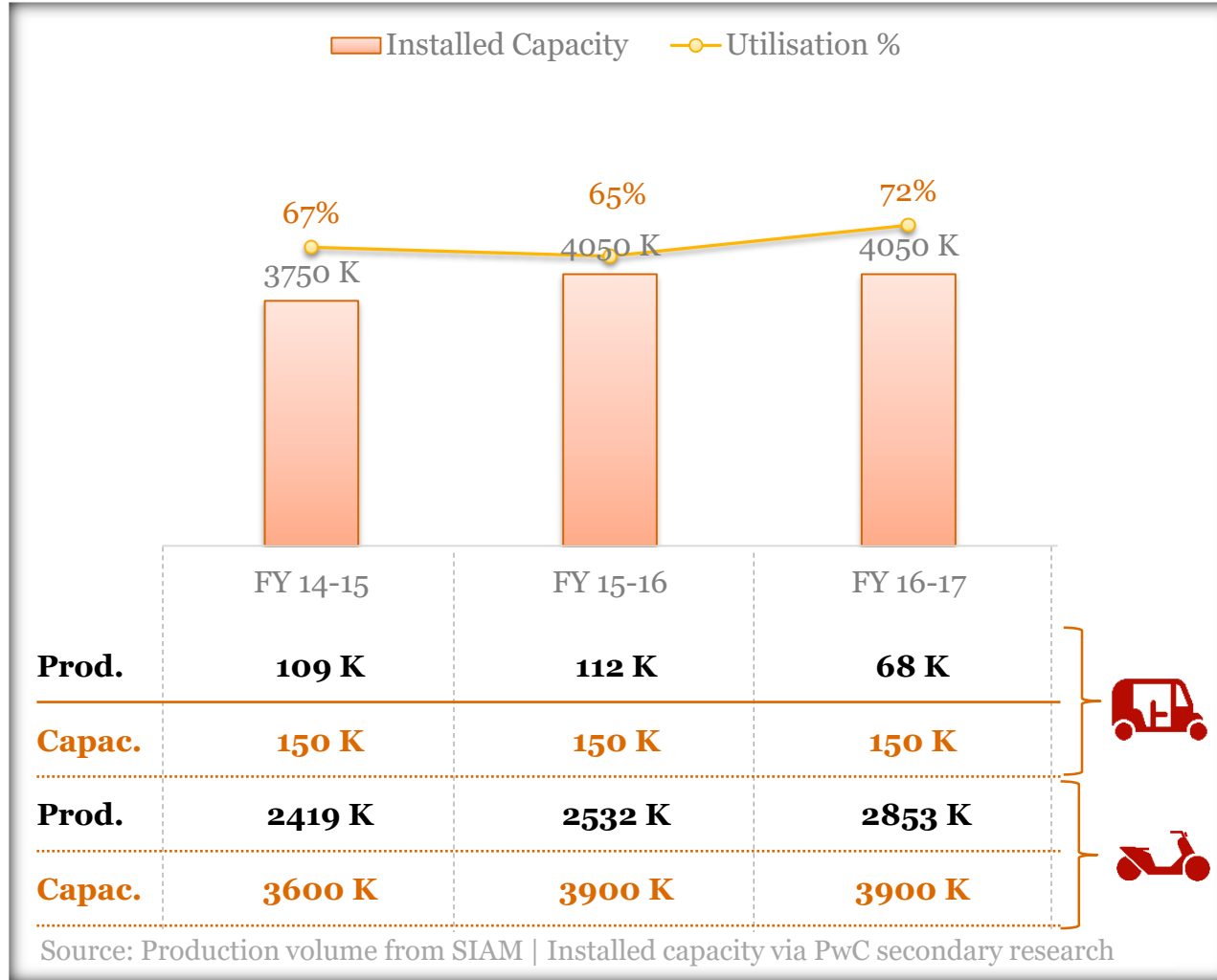
- Tata Motors has the lowest of days working capital across all the OEMs studied as part of this report. Closest OEM to TML on this metric is Maruti Suzuki at (negative) 25days of working capital.
- Furthermore, Tata Motors also has one of the lowest FATO ratio (1.41) . Note that the same for M&M is 3.6 and for MSIL is 4.6.

TVS

TVS



Capacity and utilisation



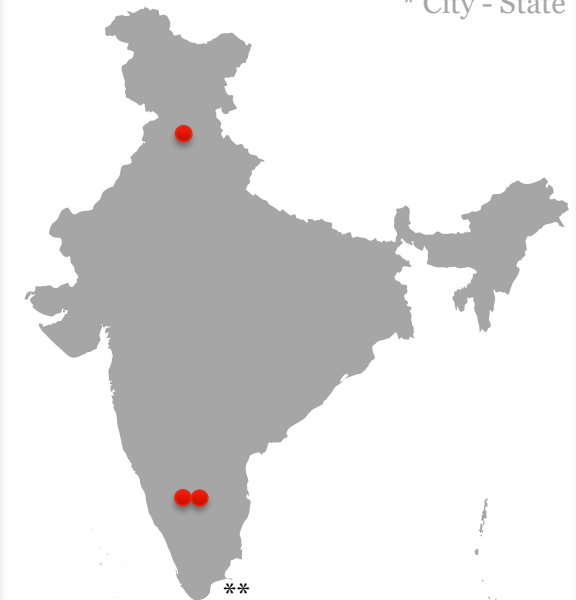
Manufacturing Sites* in India

Hosur-TN

Mysore-KN

Solan-HP

* City - State



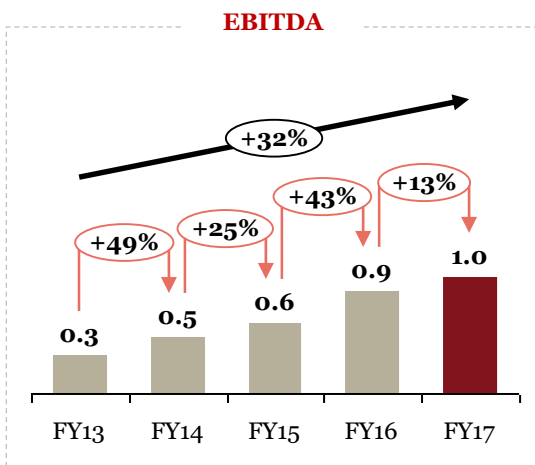
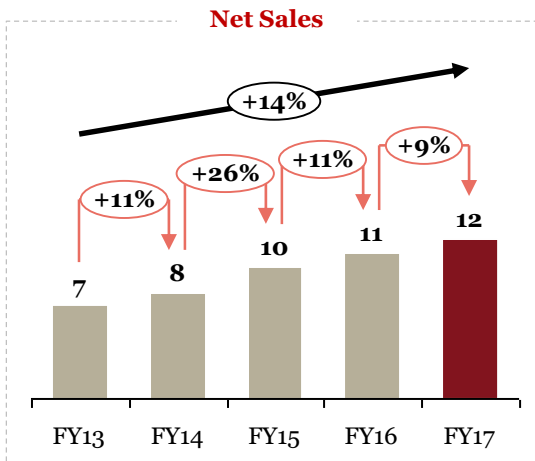
** This map is not to scale. It is an indicative outline intended for general reference use only.

TVS

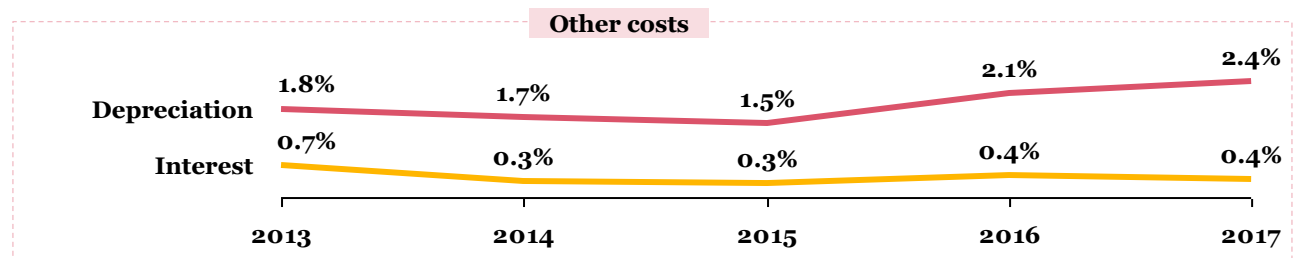
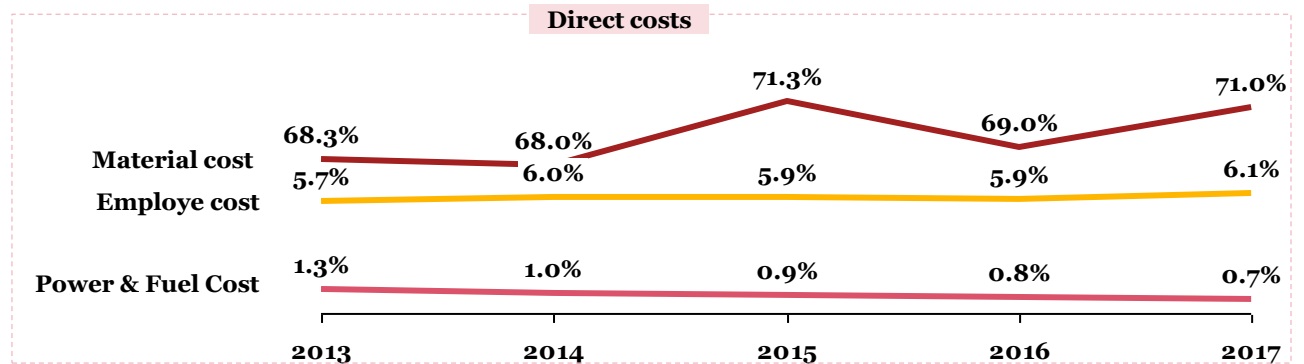
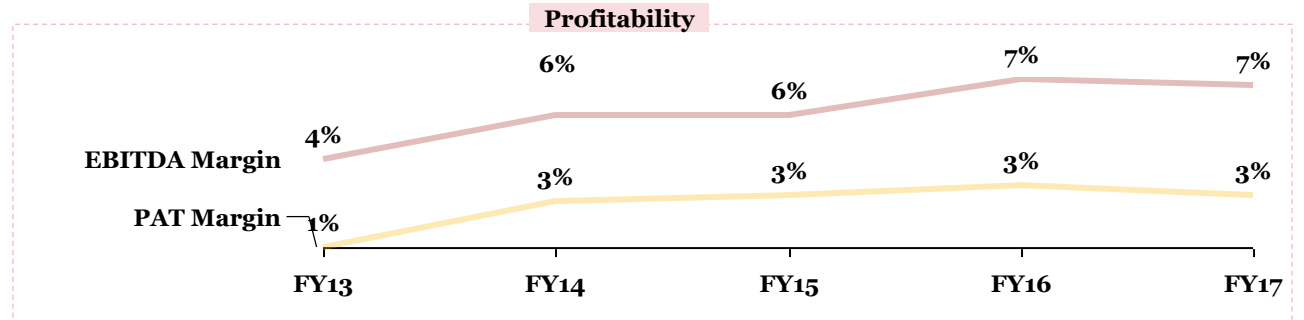


Trends in aggregates, profitability and costs

Aggregates (INR '000 Cr)



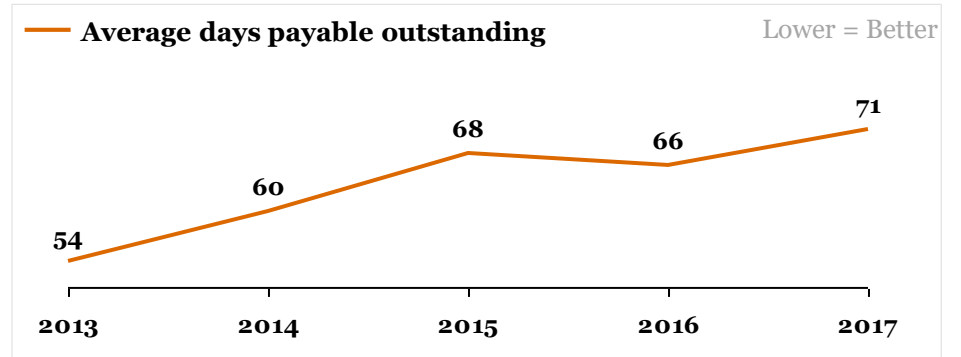
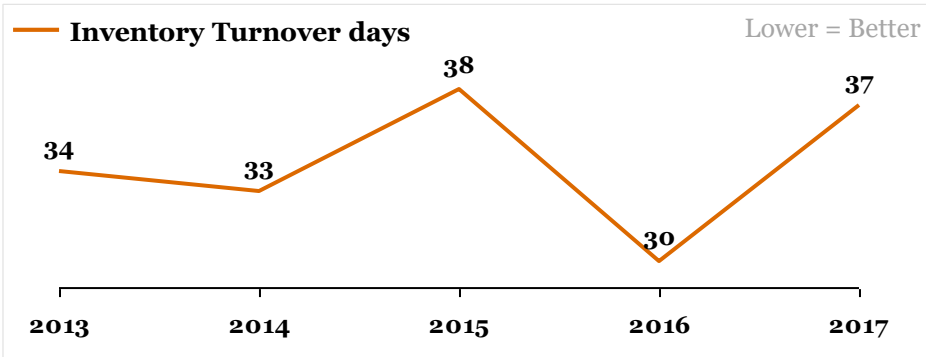
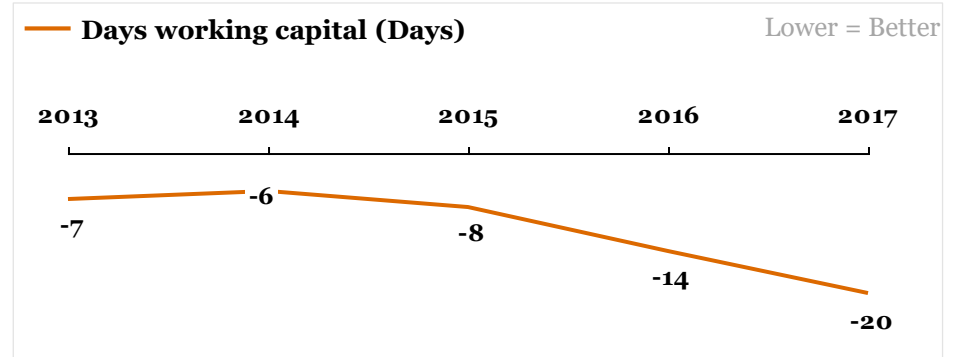
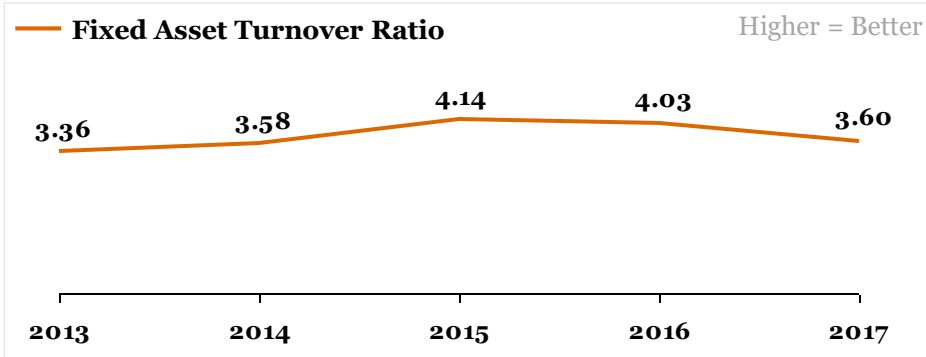
Margins and Costs (% of net sales)



TVS



Trends in efficiency



Source of all financial data : Capitaline Plus

In FY 17...

- TVS Motors experienced the second-to-highest RM cost as % of Net Sales among the 11 OEMs studied as part of this report. The company reported the metric at 71%. The only OEM among this peer-set with a higher % cost was Atul Auto at 73%.
- It is the only 2W manufacturer with negative days working capital consistently over the past 4 years.



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