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OEM- Financial Analysis FY 19

*Strictly private
and confidential
March 2020*



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List of Companies and Ratios

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

Ashok Leyland
Force Motors
Escorts
Hero MotoCorp
Mahindra & Mahindra
SML ISUZU
Tata Motors
Maruti Suzuki
TVS Motor Co.
Bajaj Auto
Atul Auto

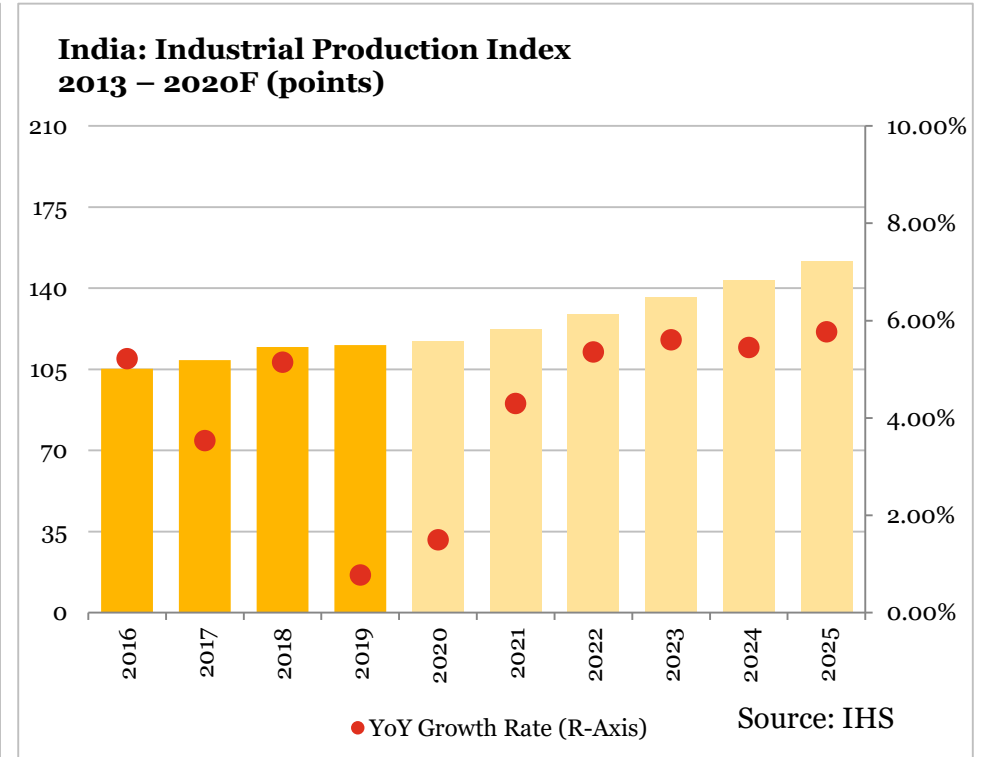
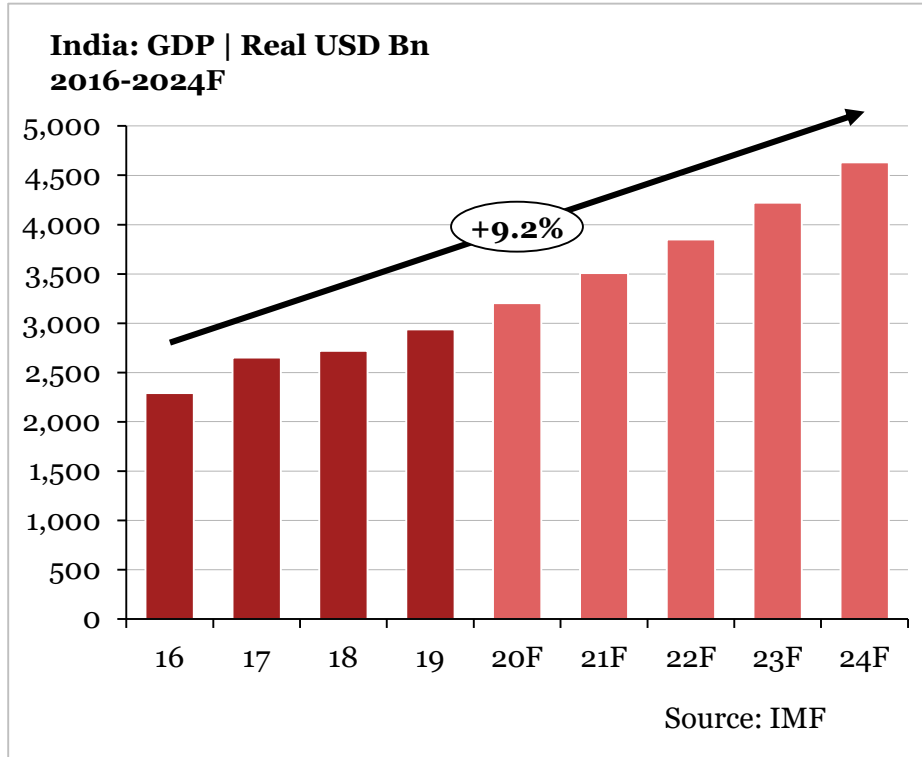
Ratios used

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

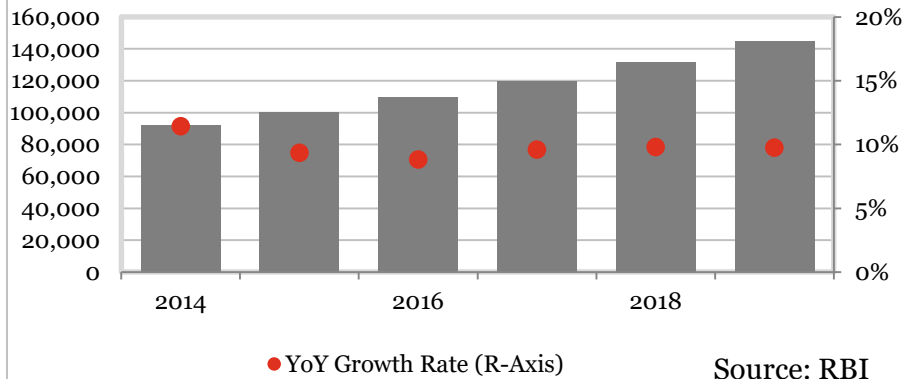


- India economic growth picked up pace again in FY 18, having recovered from the effects of the implementation of demonetisation and the Goods and Services Tax.
- Growth is expected to subsequently stabilize, supported by a sustained recovery in private investment and private consumption.
- The industrial production index growth increased due to low base effect and due to good performance of infrastructure and construction goods sector and consumer durables production.

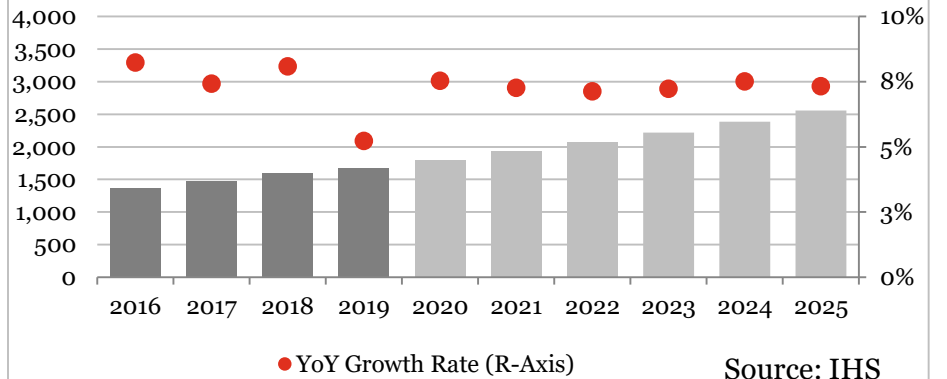
India-key economic indicators

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

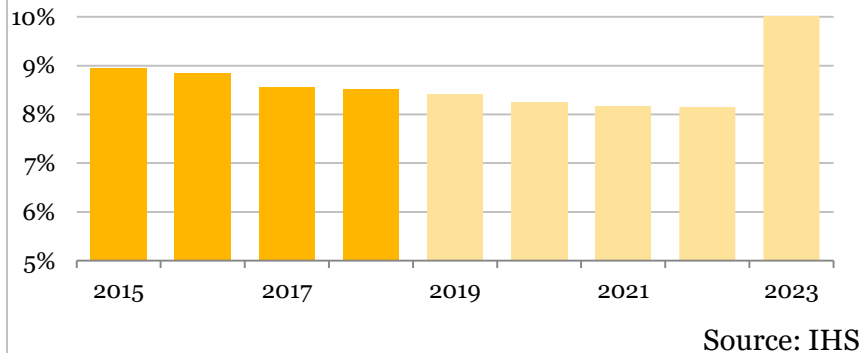
**India: GNDI per capita
2014 – 2019 (Real, Rs Cr)**



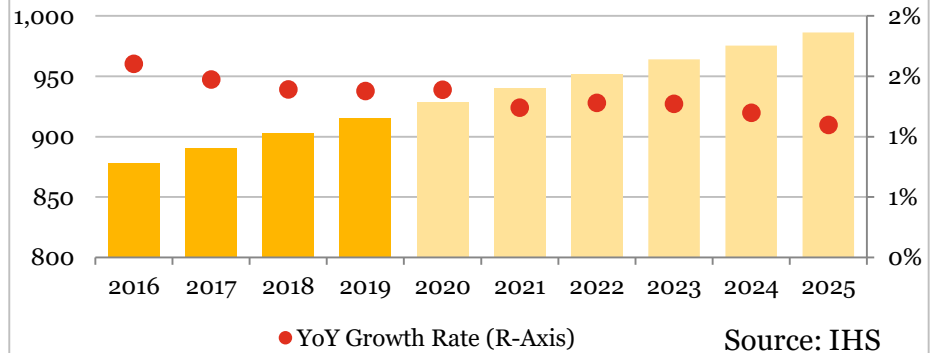
**India: Real Private Consumption
2013 – 2024F (Real, US\$ (billions))**



**India: Unemployment Rate
2015 – 2023 (percentage)**



**India: Working Age Population
2016 – 2025 (millions)**

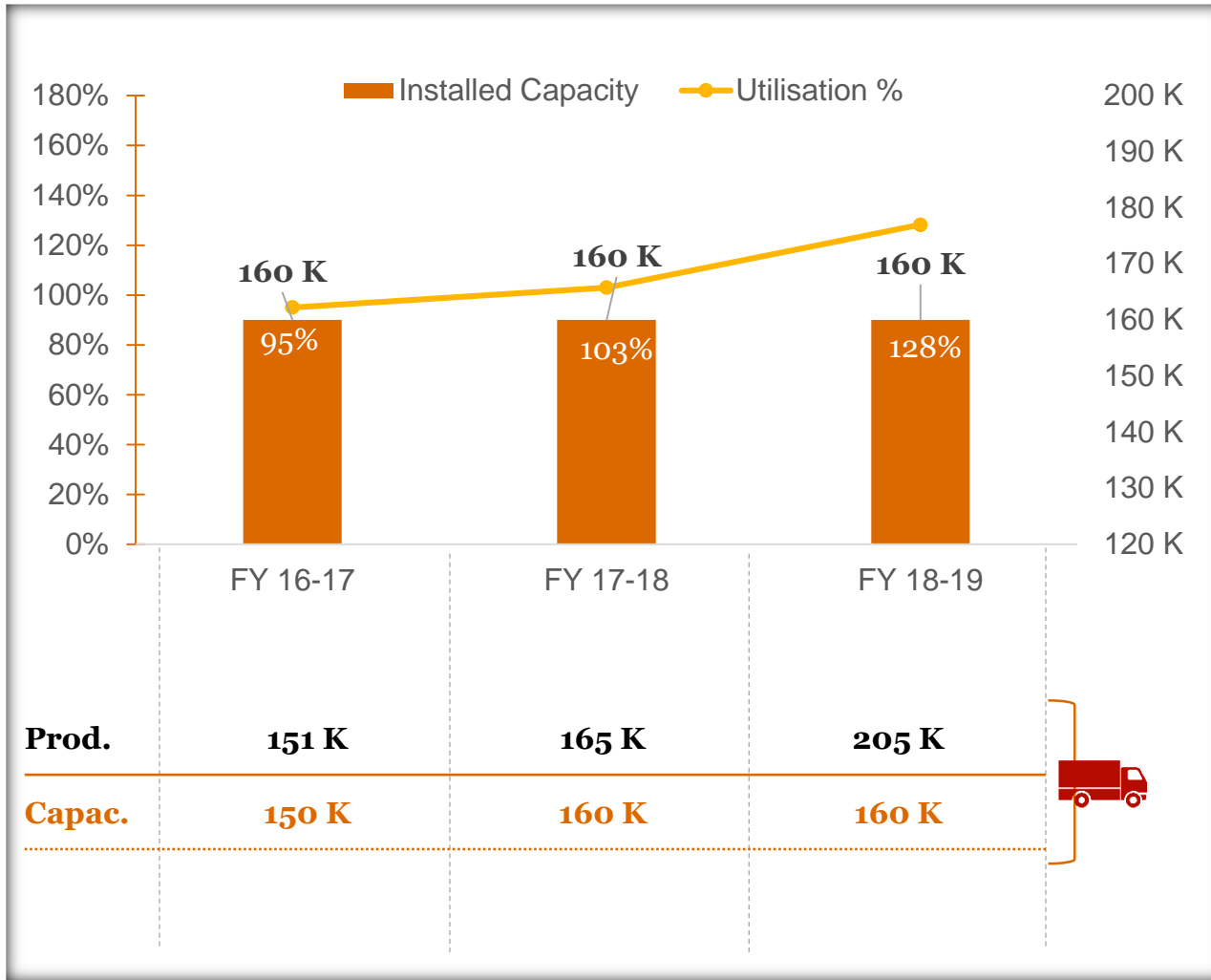


OEM Financial analysis

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Ashok Leyland

Ashok Leyland



Manufacturing Sites in India

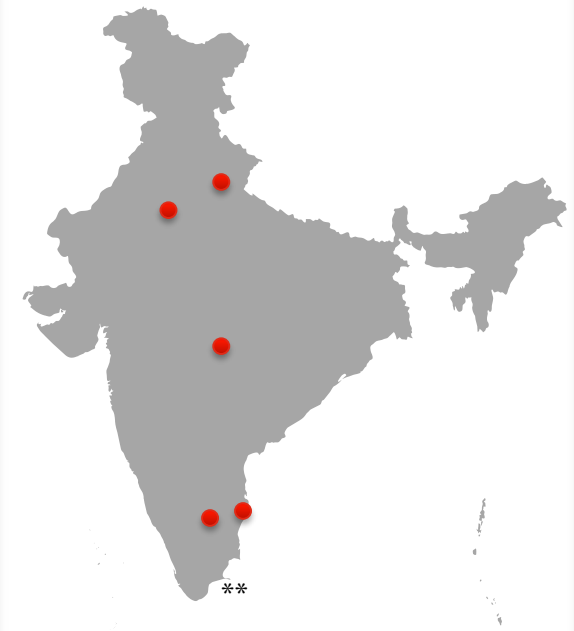
Ennore-TN

Hosur-TN

Bhandara-MH

Alwar-RJ

Pantanagar-UK



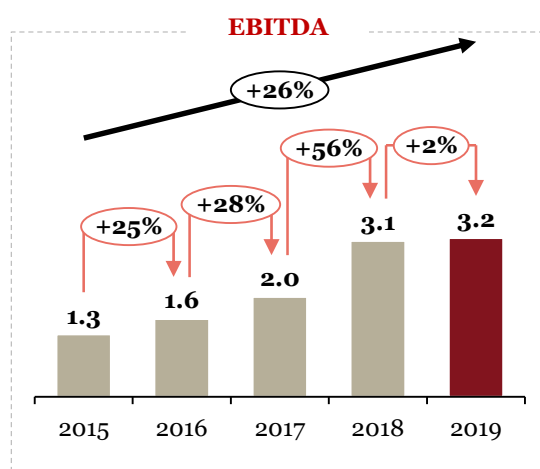
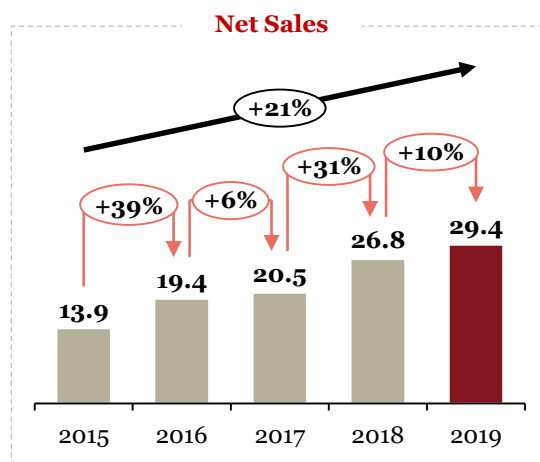
** This map is not to scale. It is an indicative outline intended for general reference use only.

Ashok Leyland

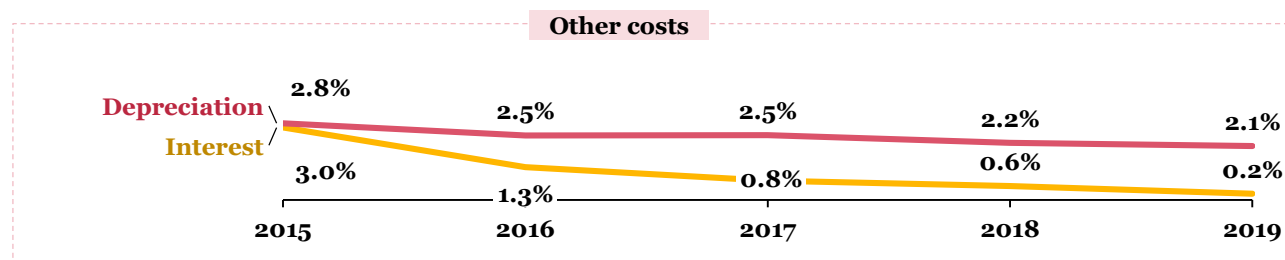
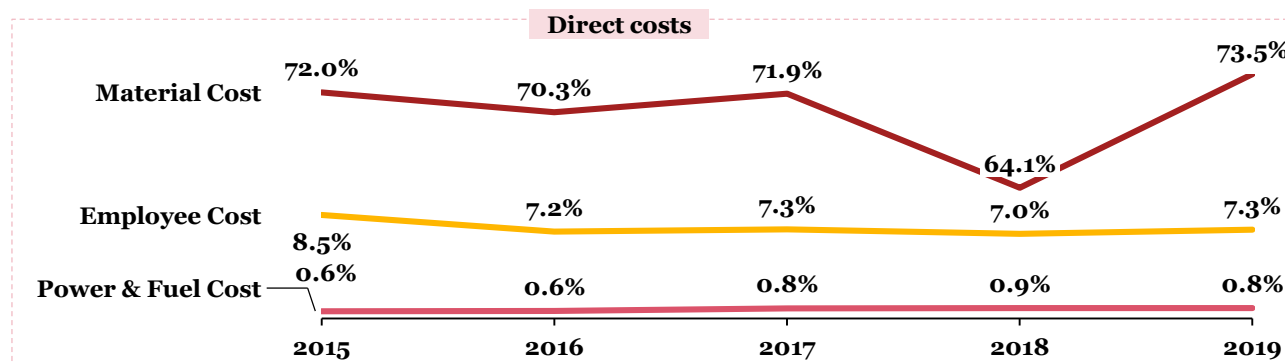
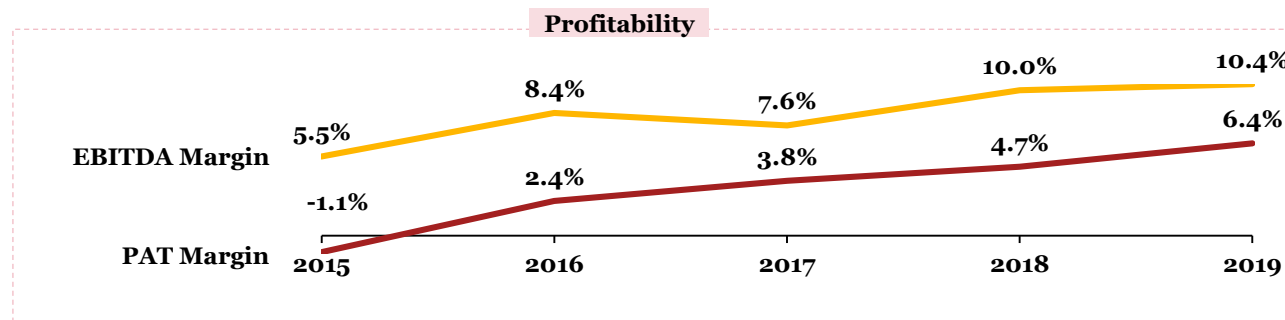


Trends in aggregates, profitability and costs

Aggregates (INR '000 Cr)



Margins (% of net sales)

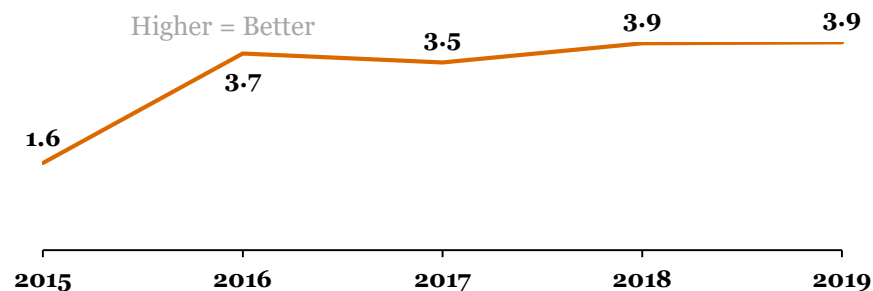


Ashok Leyland

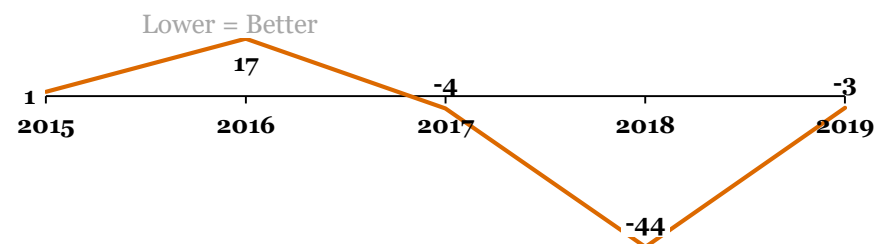


Trends in efficiency

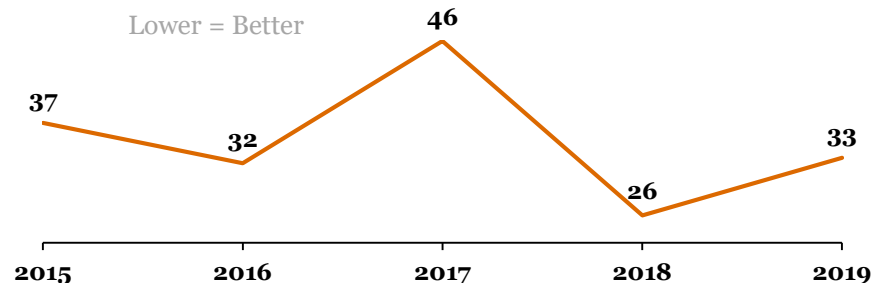
Fixed Asset Turnover Ratio



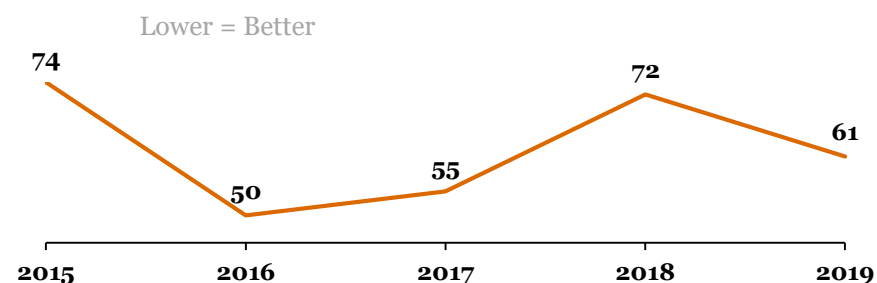
Days Working Capital (Days)



Inventory Turnover days



Average days payable outstanding

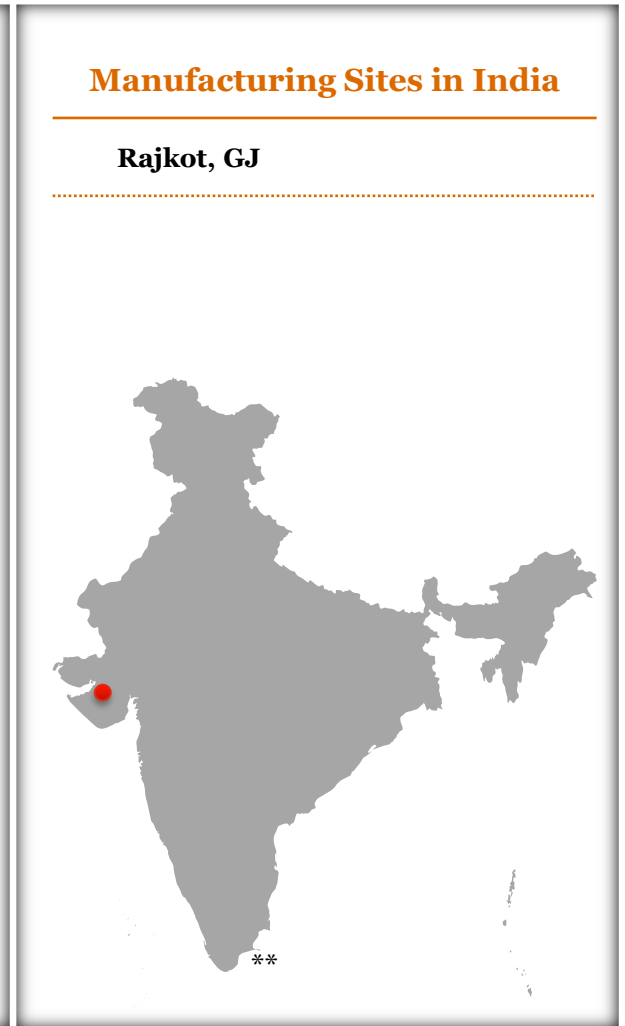
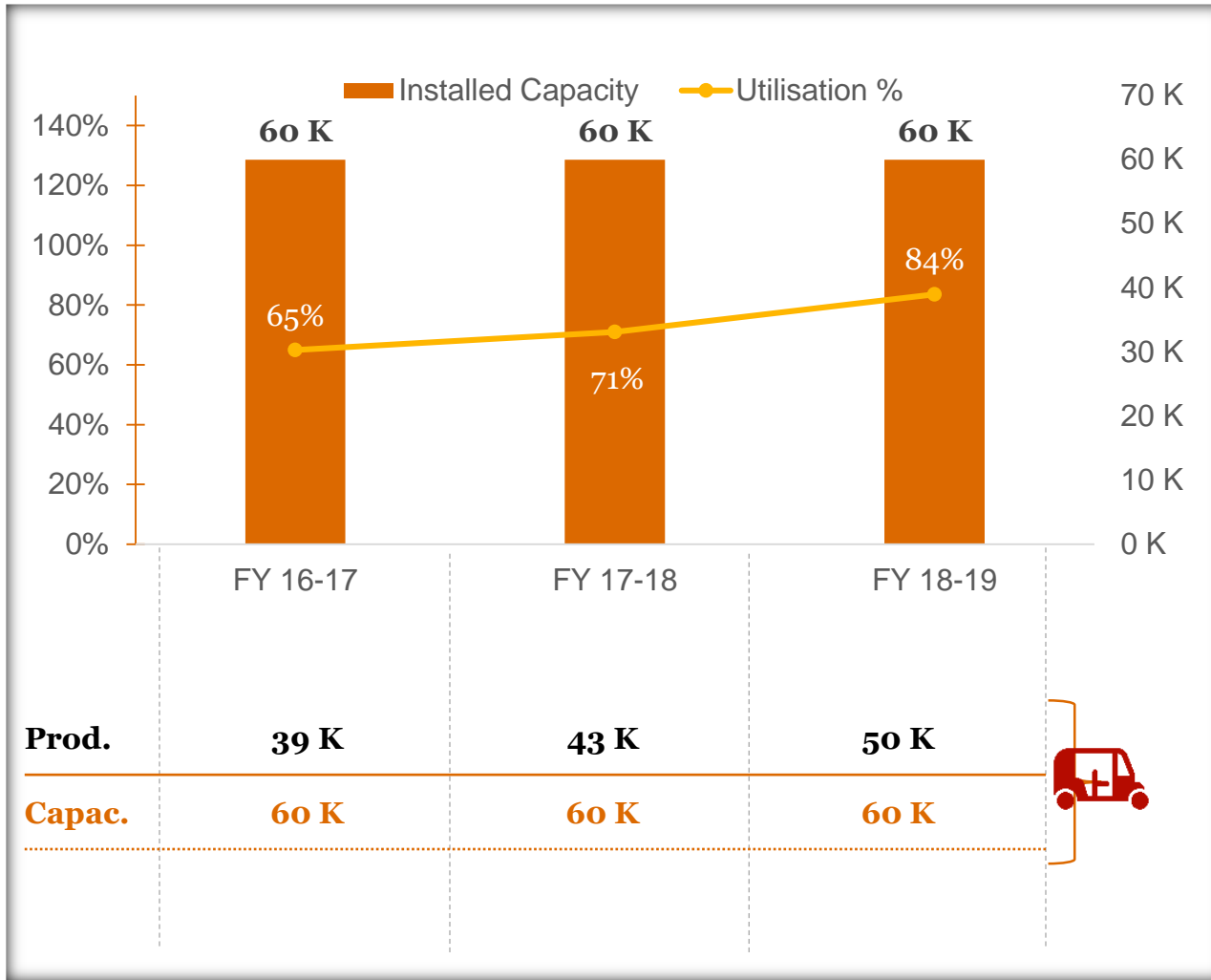


In FY 19

- Ashok Leyland had the saw a strong improvement in average days payable outstanding.
- Ashok Leyland had an 18% market share in the Commercial Vehicles space.

Atul Auto

Atul Auto



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

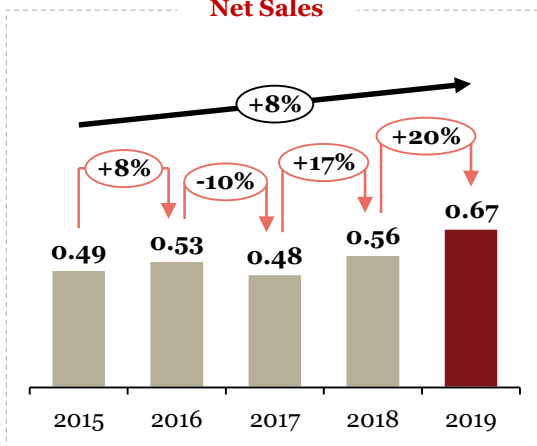
Atul Auto



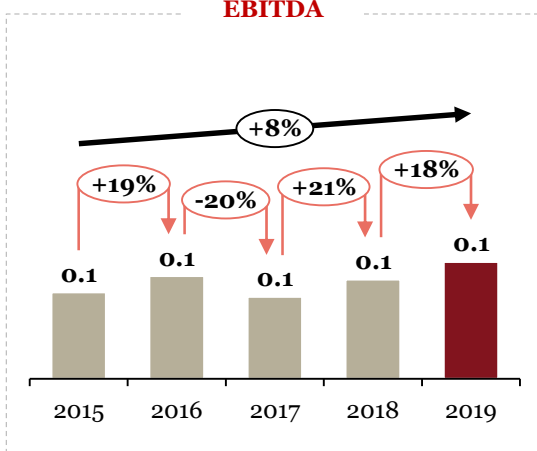
Trends in aggregates, profitability and costs

Aggregates (INR '000 Cr)

Net Sales

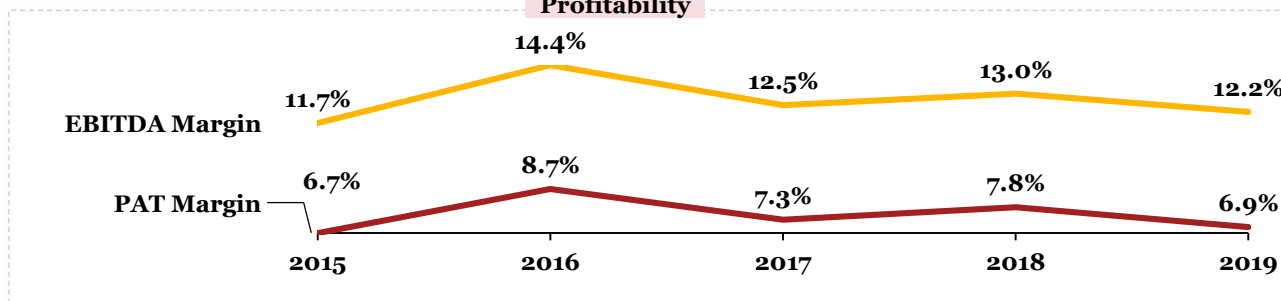


EBITDA

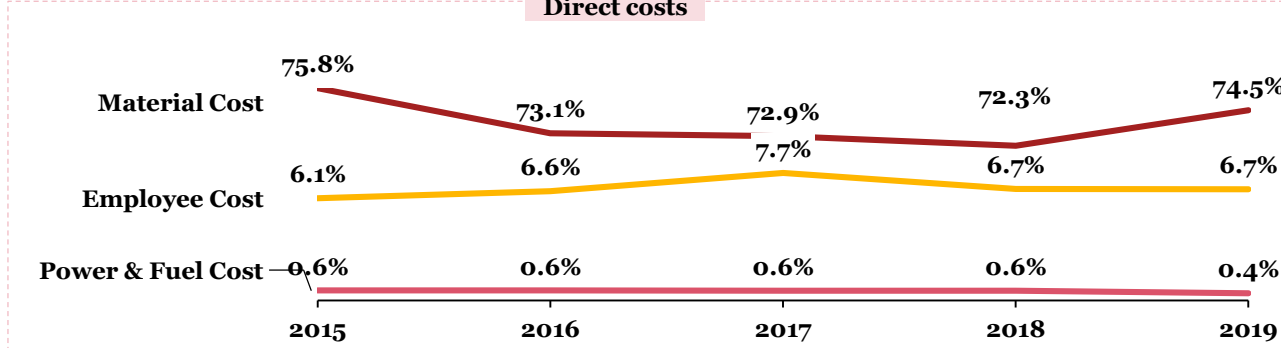


Margins (% of net sales)

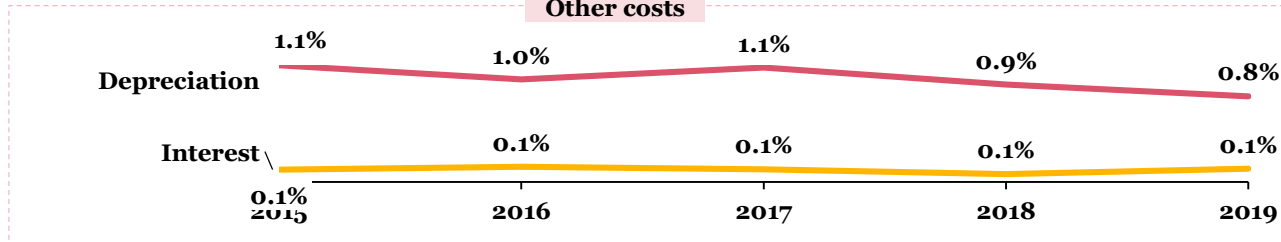
Profitability



Direct costs



Other costs



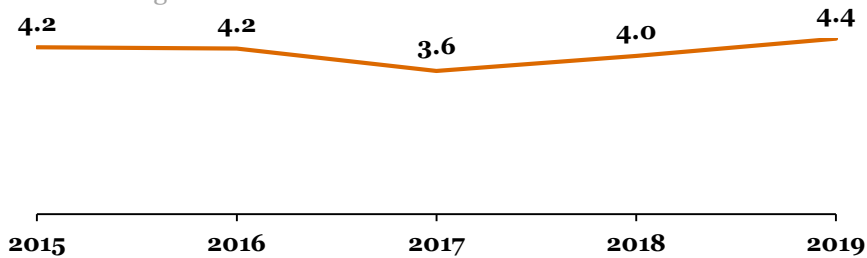
Atul Auto



Trends in efficiency

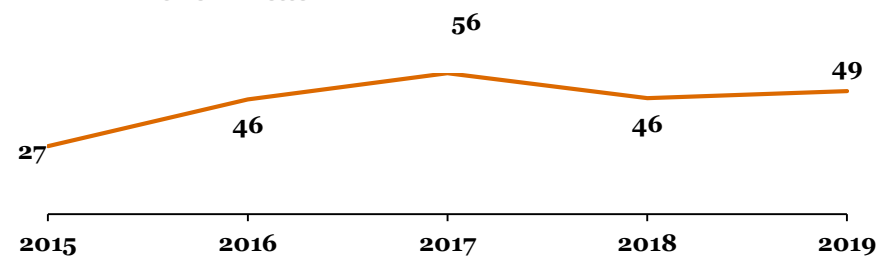
Fixed Asset Turnover Ratio

Higher = Better



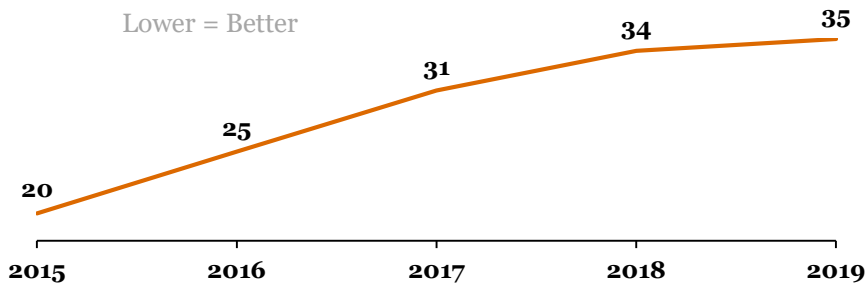
Days Working Capital (Days)

Lower = Better



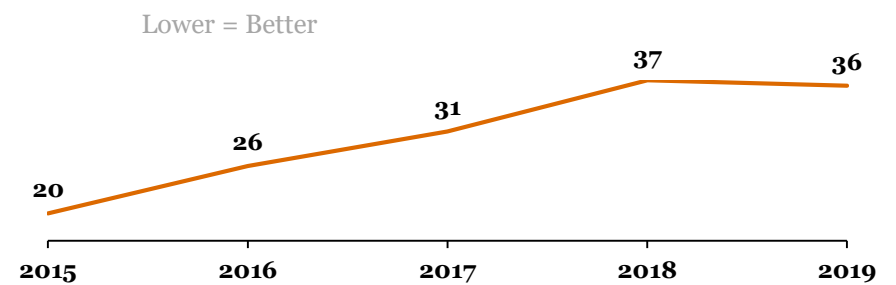
Inventory Turnover days

Lower = Better



Average days payable outstanding

Lower = Better

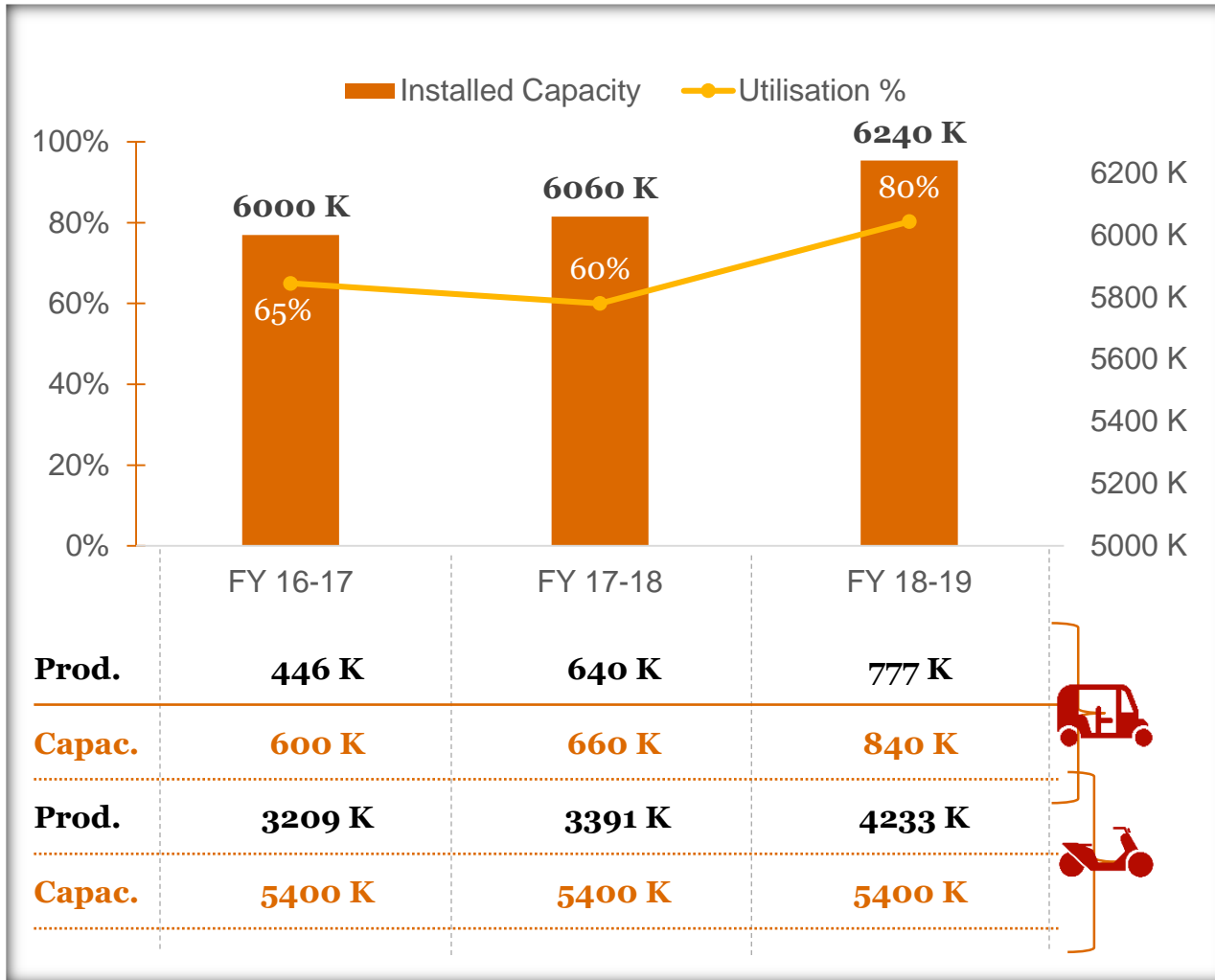


In FY 19

- 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 EBITDA of the 11 OEMs.

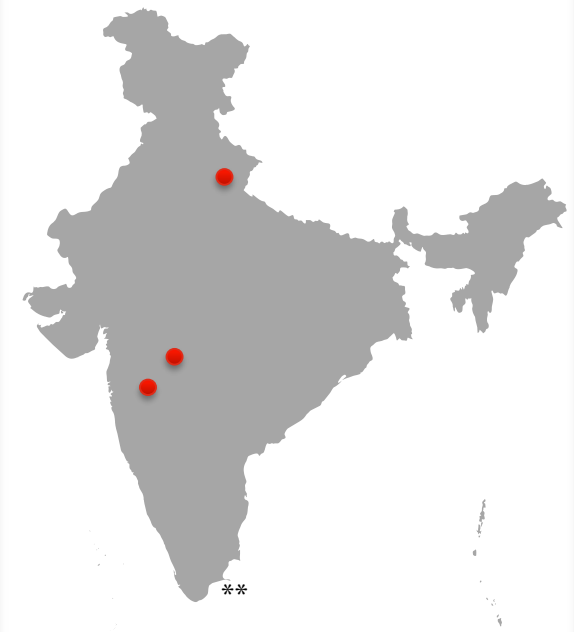
Bajaj Auto

Bajaj Auto



Manufacturing Sites in India

- Aurangabad-MH
- Pantnagar-UK
- Chakan-MH



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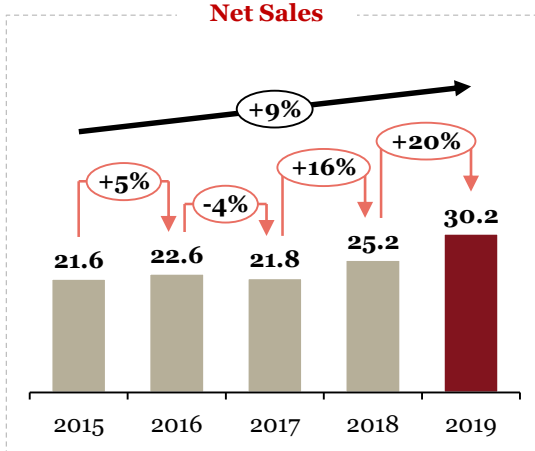
Bajaj Auto



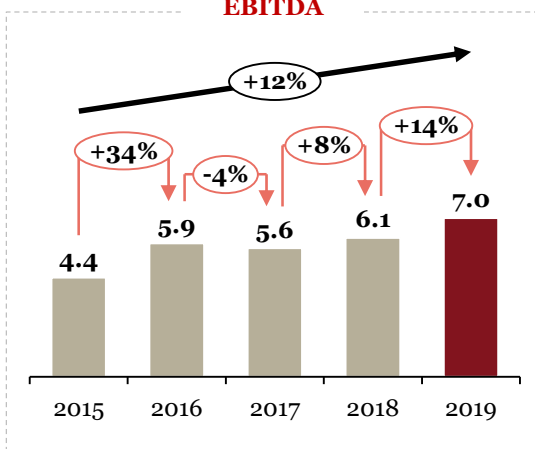
Trends in aggregates, profitability and costs

Aggregates (INR '000 Cr)

Net Sales

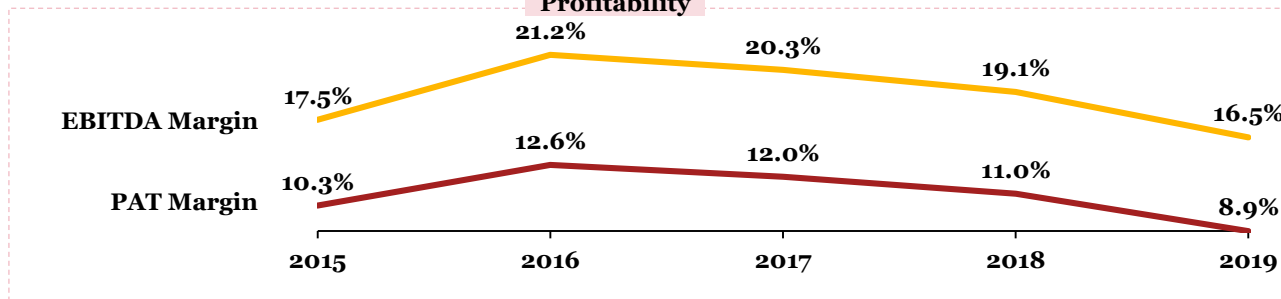


EBITDA

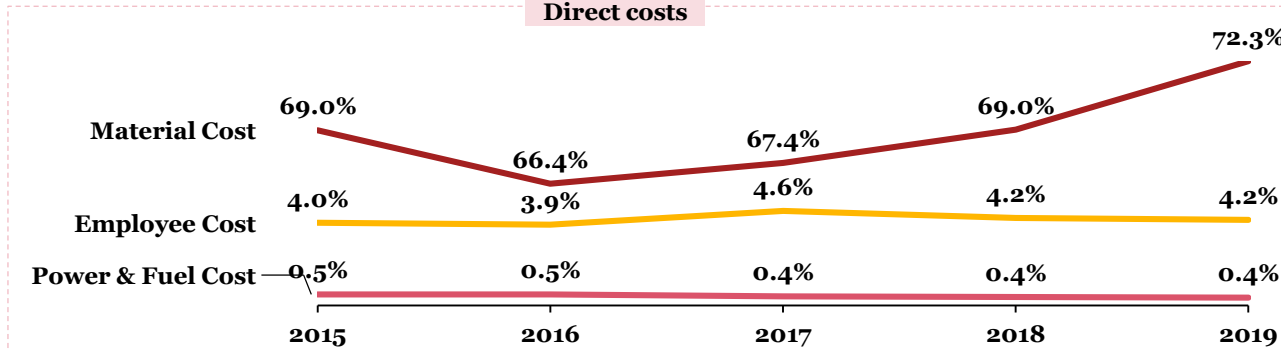


Margins (% of net sales)

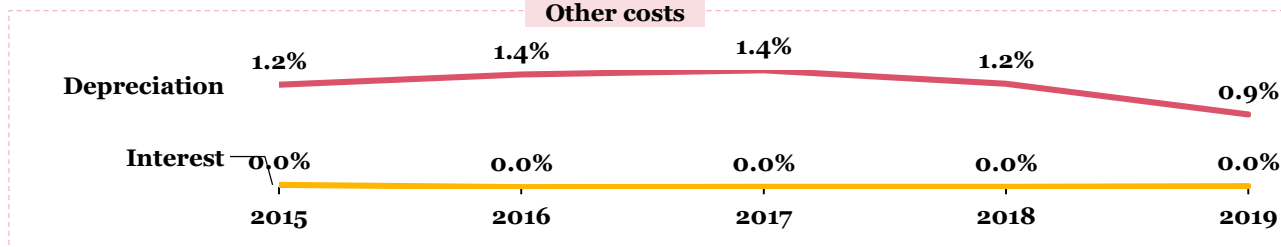
Profitability



Direct costs



Other costs



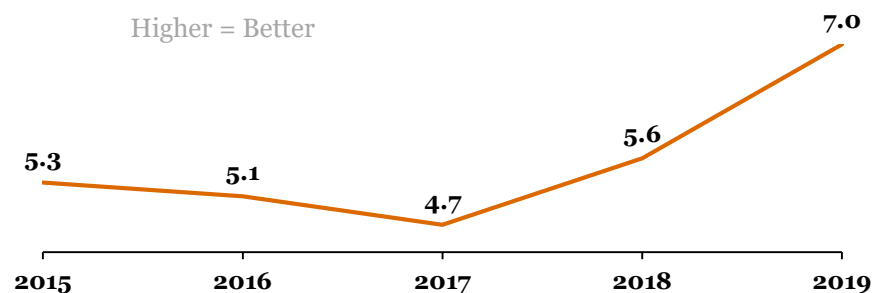
Bajaj Auto



Trends in efficiency

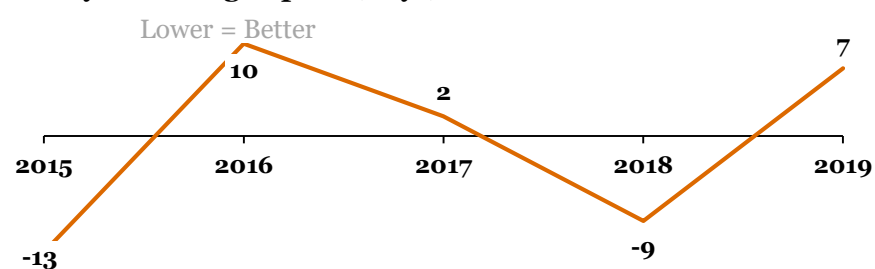
Fixed Asset Turnover Ratio

Higher = Better



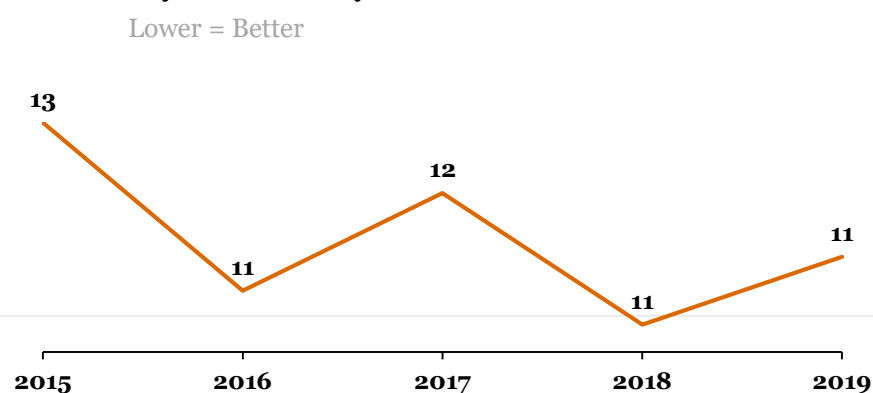
Days Working Capital (Days)

Lower = Better



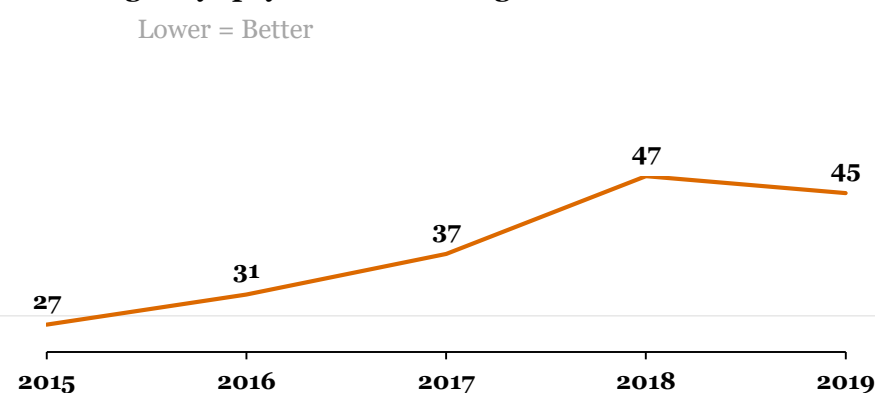
Inventory Turnover days

Lower = Better



Average days payable outstanding

Lower = Better

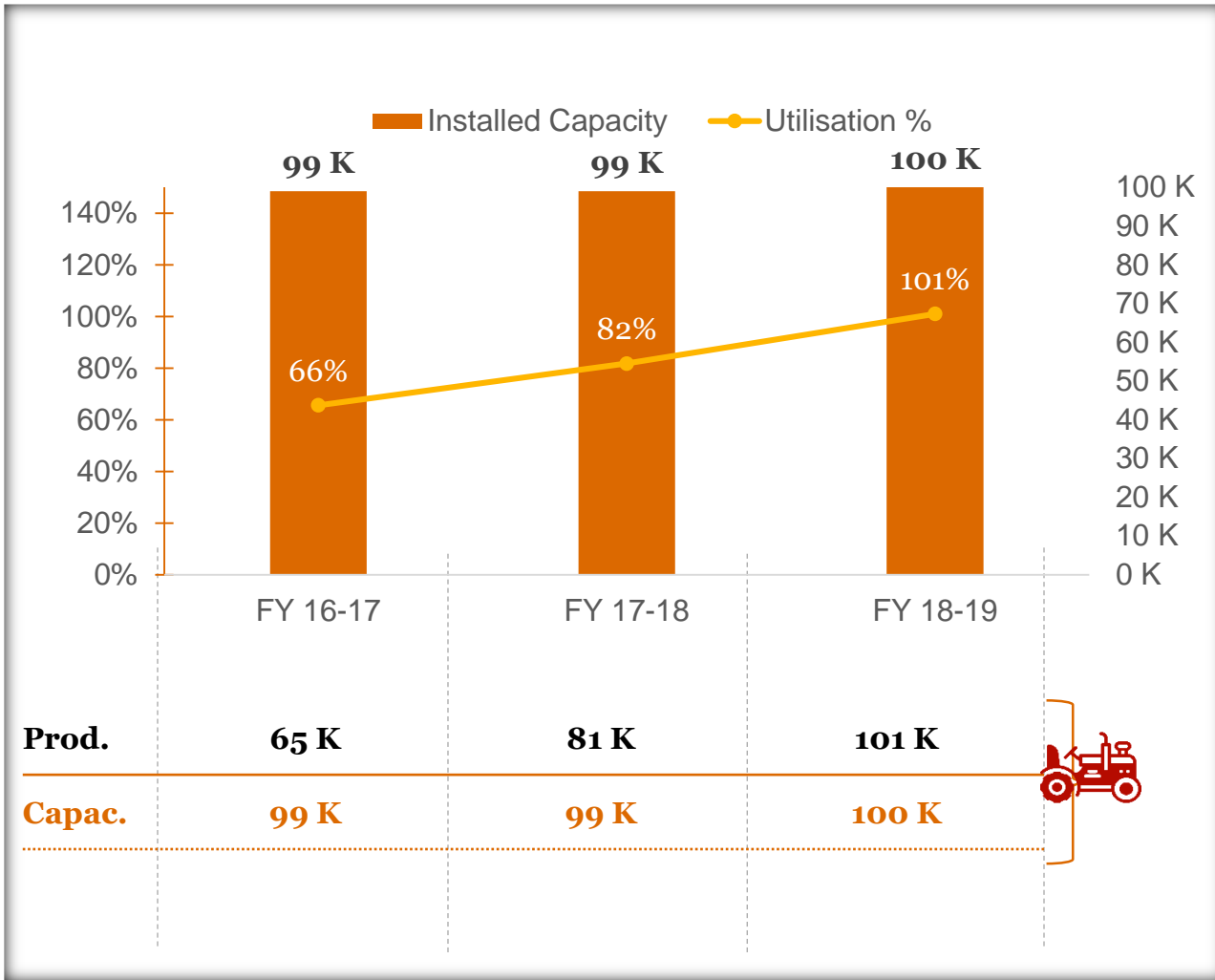


In FY 19

- Net sales at Rs 30,000 Cr is the company's highest ever annual sales recorded.
- Among all 11 OEMs studied as part of this report, Bajaj continues to enjoy the highest profit margins (EBIT %, EBITDA %, PAT %).
- Days working capital and fixed asset turnover ratio both saw substantial increases in FY 19

Escorts

Escorts



Manufacturing Sites in India

Faridabad-HR Rudrapur-UK



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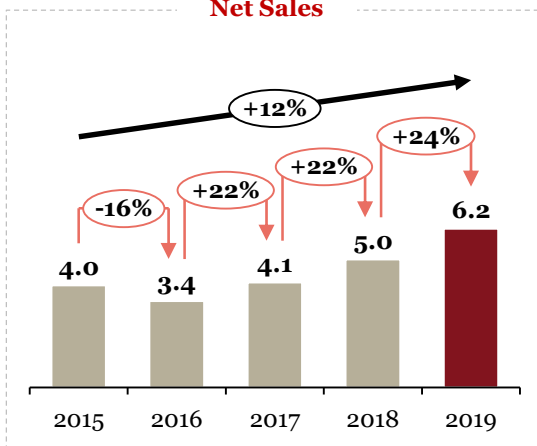
Escorts



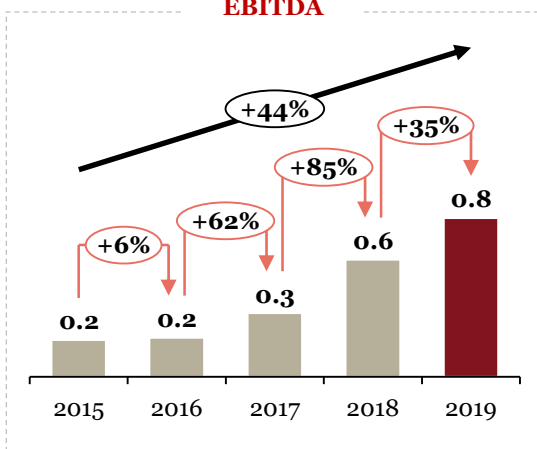
Trends in aggregates, profitability and costs

Aggregates (INR '000 Cr)

Net Sales

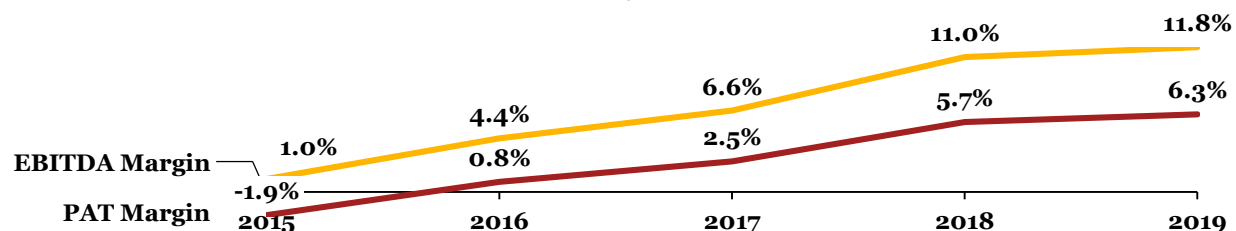


EBITDA

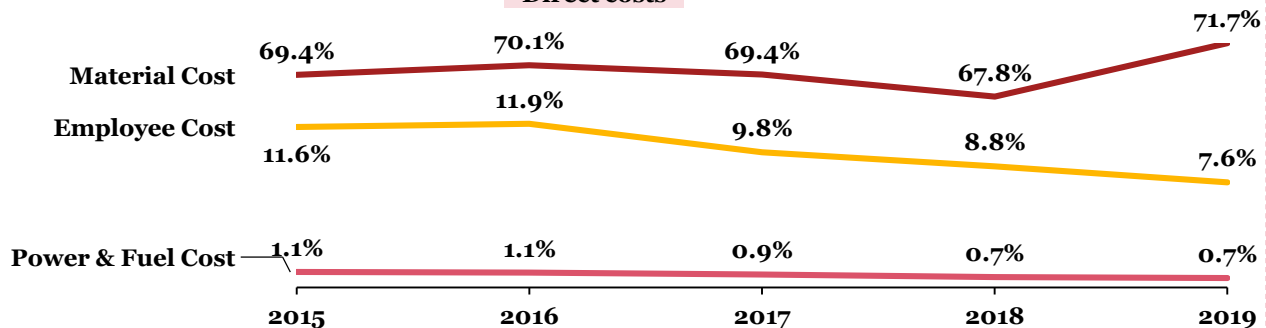


Margins (% of net sales)

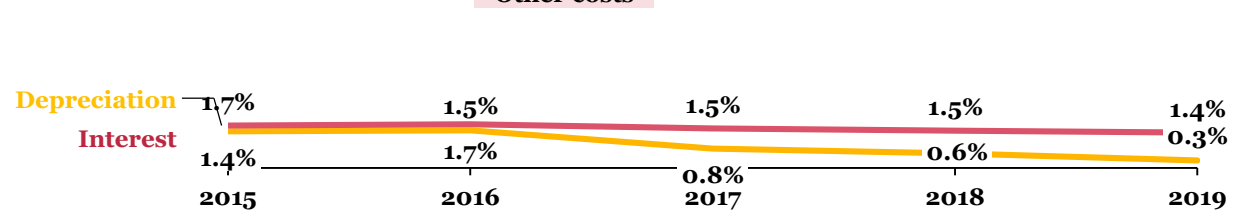
Profitability



Direct costs



Other costs



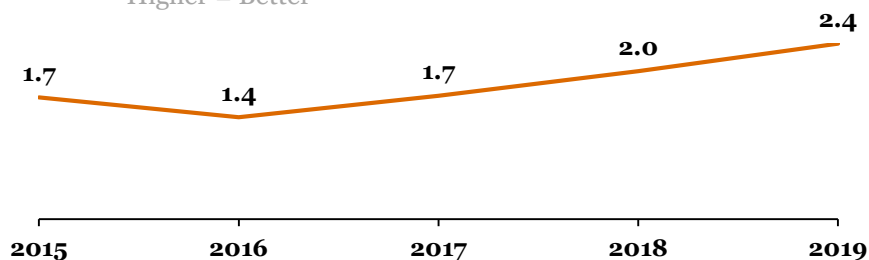
Escorts



Trends in efficiency

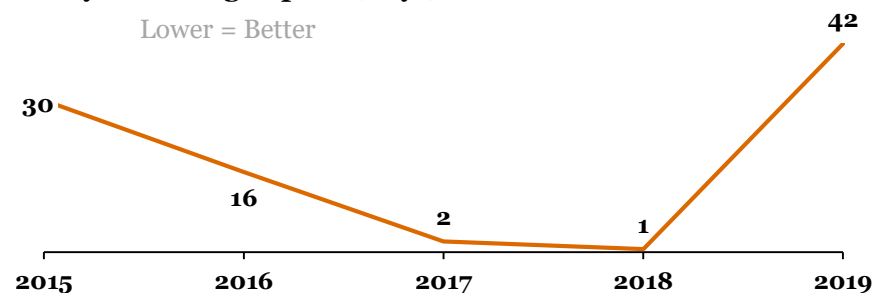
Fixed Asset Turnover Ratio

Higher = Better



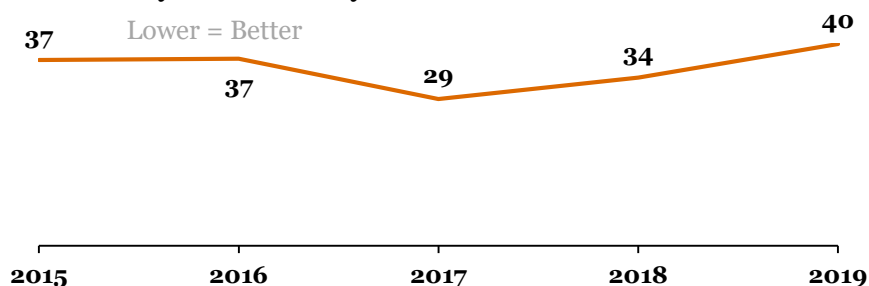
Days Working Capital (Days)

Lower = Better



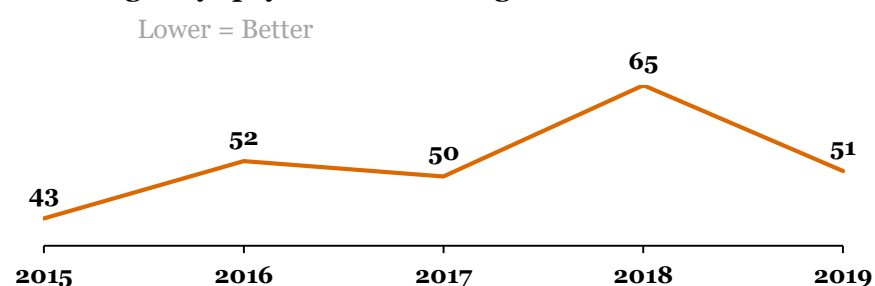
Inventory Turnover days

Lower = Better



Average days payable outstanding

Lower = Better

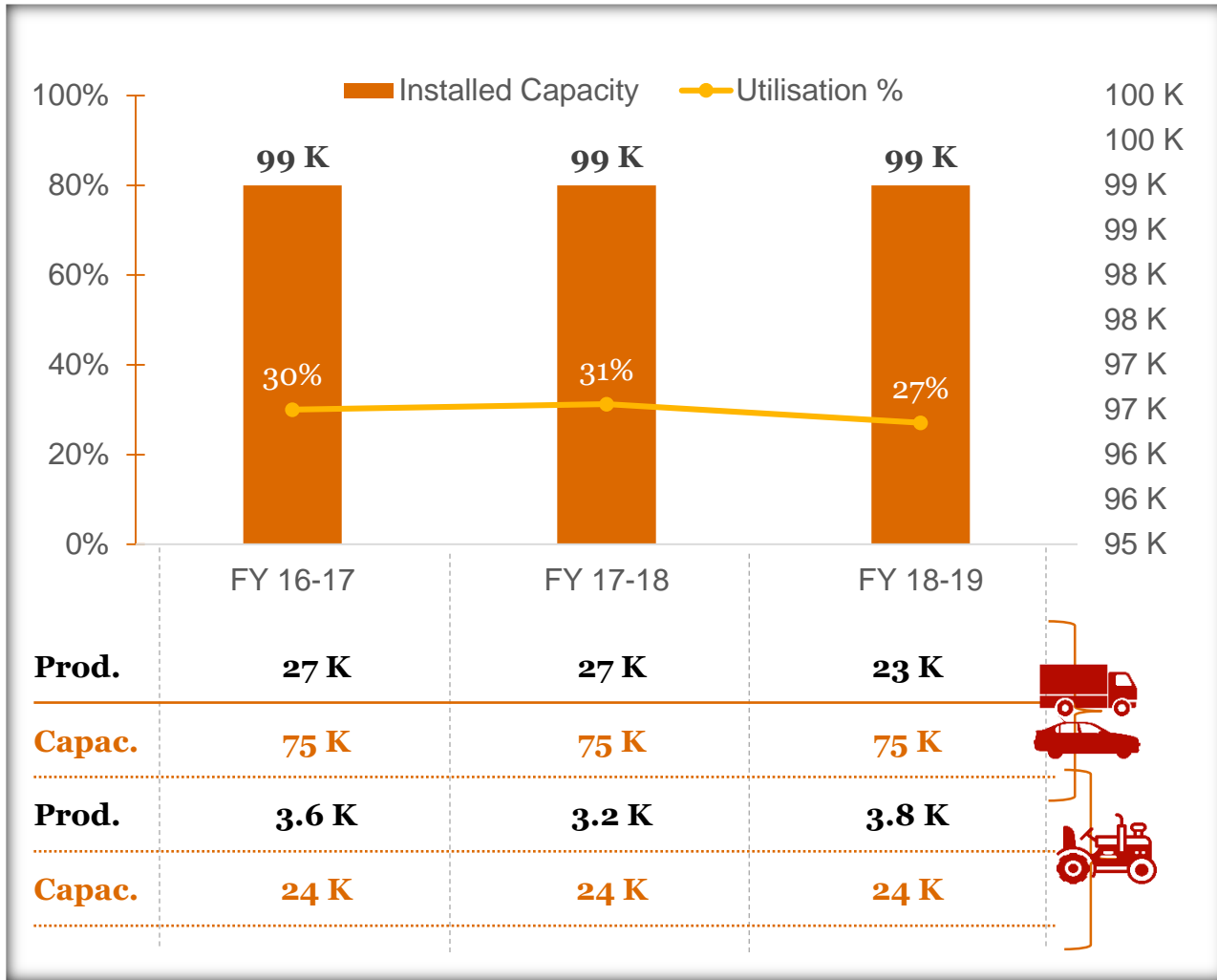


In FY 19

- 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 the second largest inventory turnover ratio of the companies studied, second only to SML ISUZU

Force Motors

Force Motors

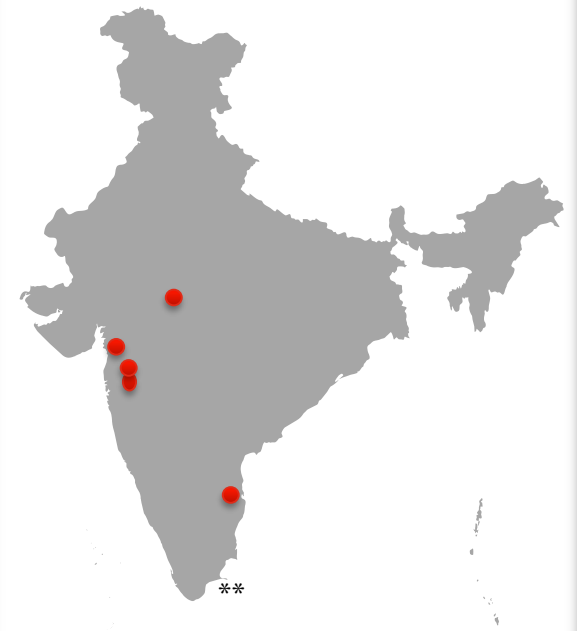


Manufacturing Sites in India

- Pune-MH** **Pithampura-MP**

- Urse-MH** **Chennai-TN**

- Chakan-MH**



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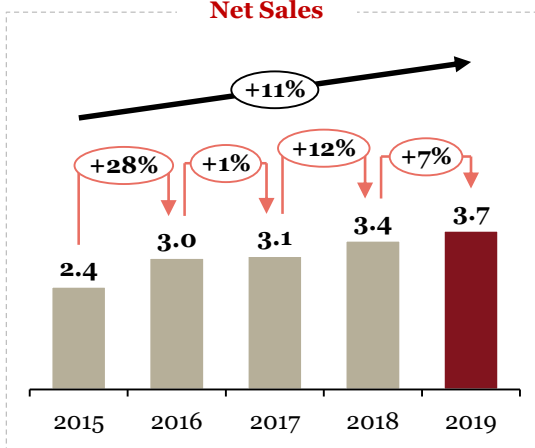
Force Motors



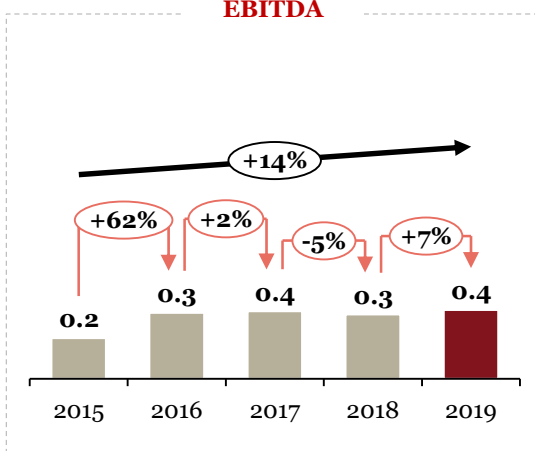
Trends in aggregates, profitability and costs

Aggregates (INR '000 Cr)

Net Sales

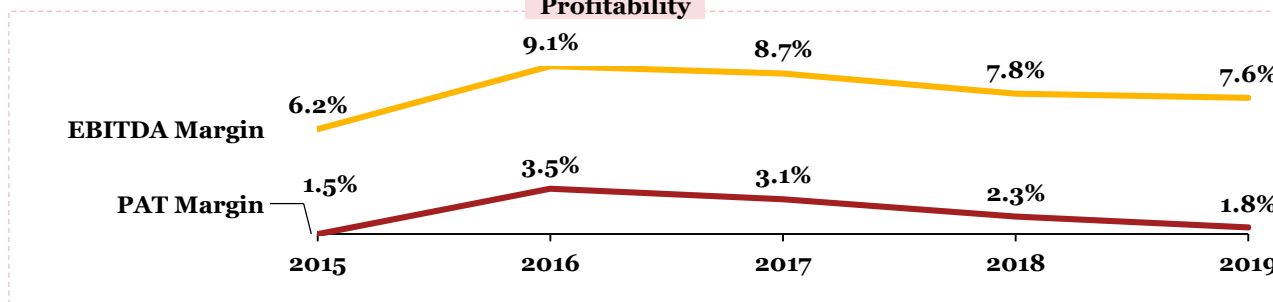


EBITDA

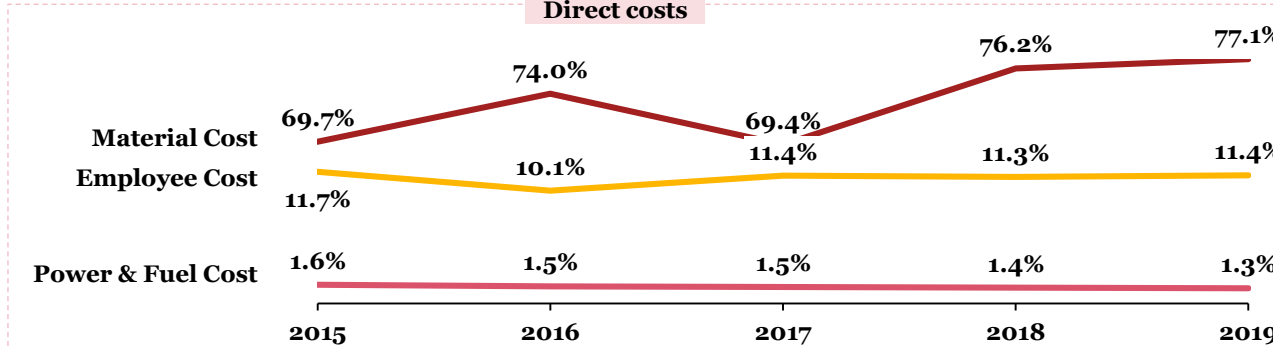


Margins (% of net sales)

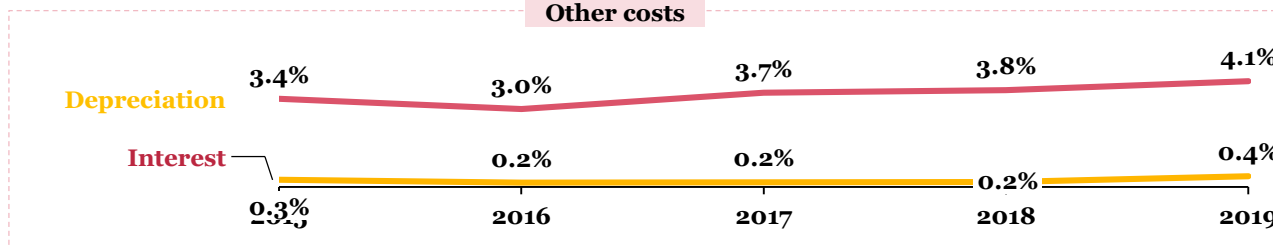
Profitability



Direct costs



Other costs

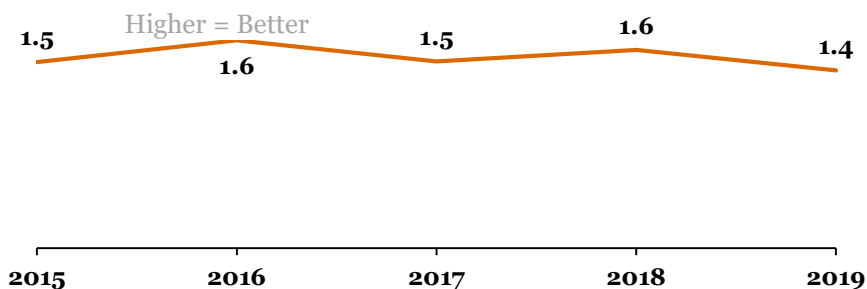


Force Motors

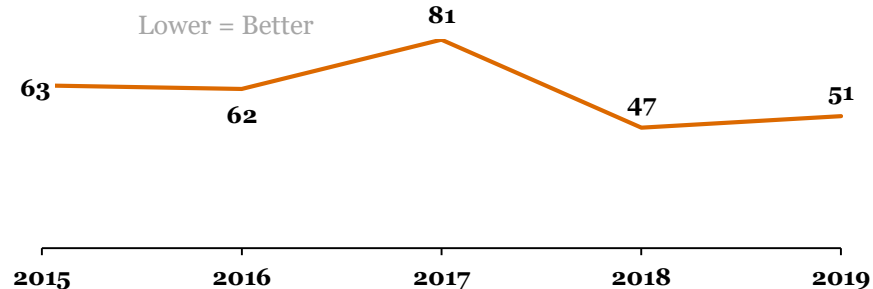


Trends in efficiency

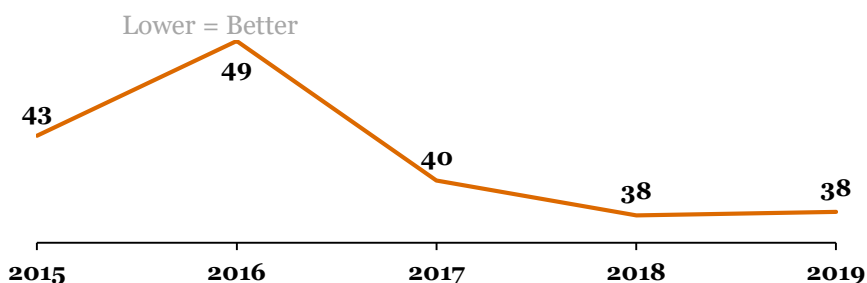
Fixed Asset Turnover Ratio



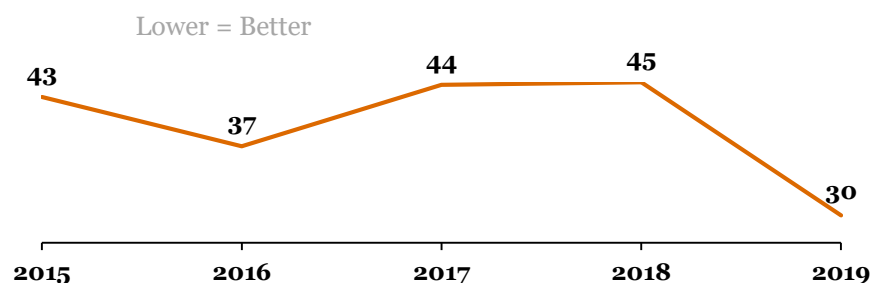
Days Working Capital (Days)



Inventory Turnover days



Average days payable outstanding

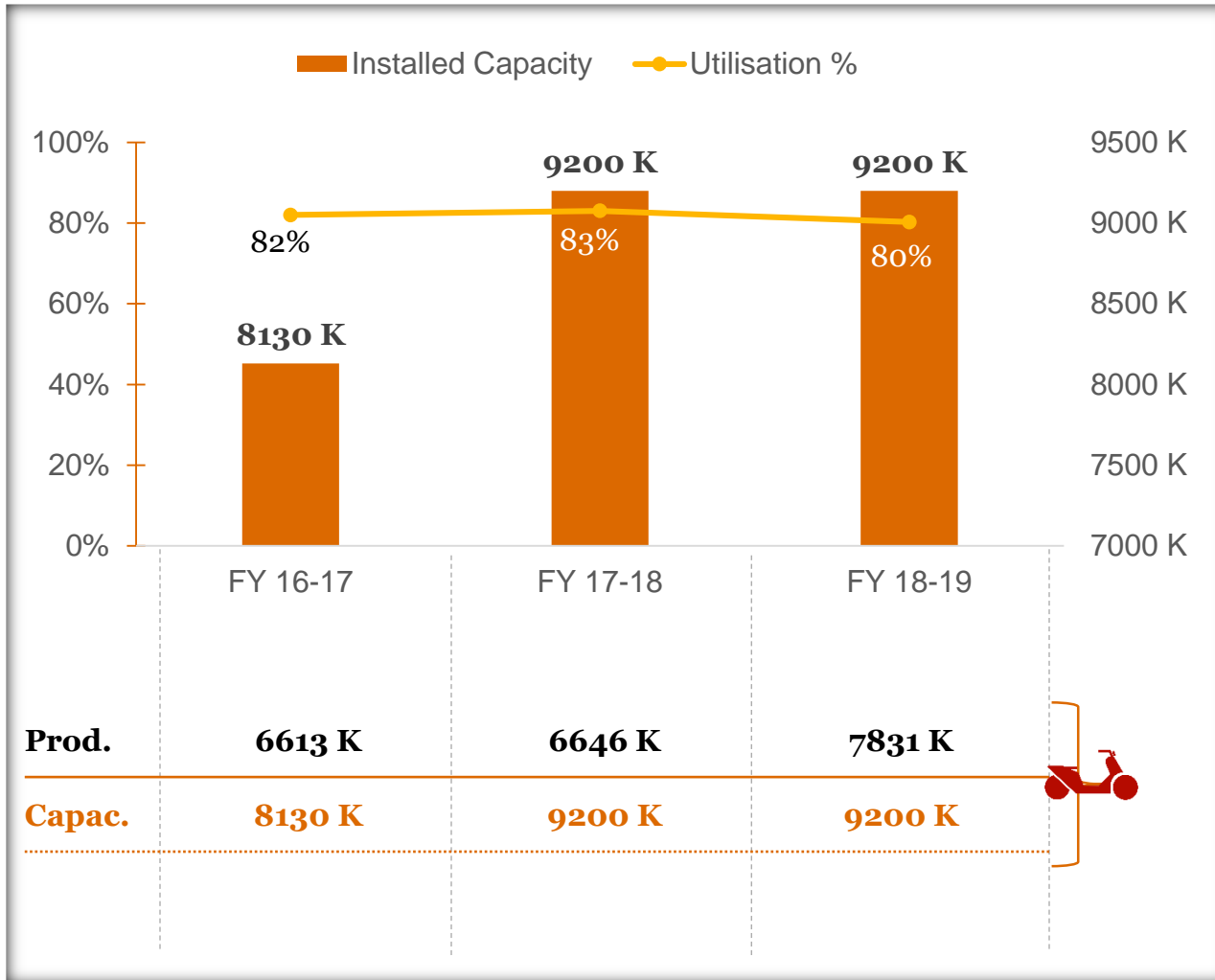


In FY 19

- The OEM had the lowest Fixed Asset Turnover ratio of all the studied companies.
- Force Motors had the second highest employee cost of all the studied companies.

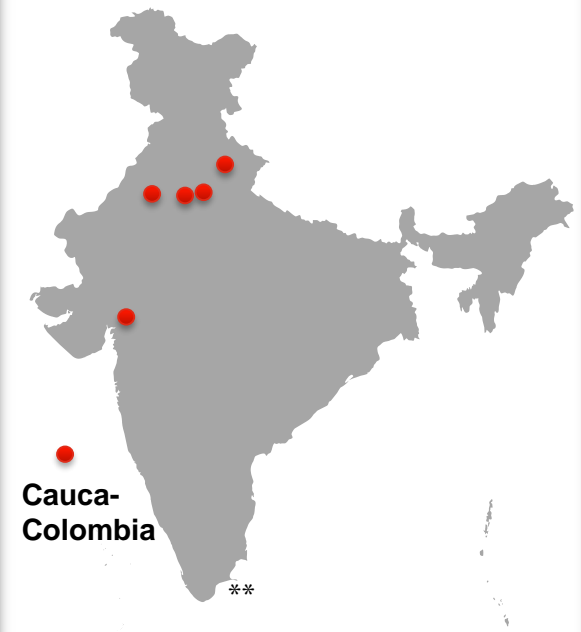
Hero Motocorp

Hero MotoCorp



Manufacturing Sites in India

- | | |
|-------------|----------------|
| Haridwar-UK | Dharuhera-HR |
| Gurgaon-HR | Neemrana-RJ |
| Vadodara-GJ | Cauca-Colombia |



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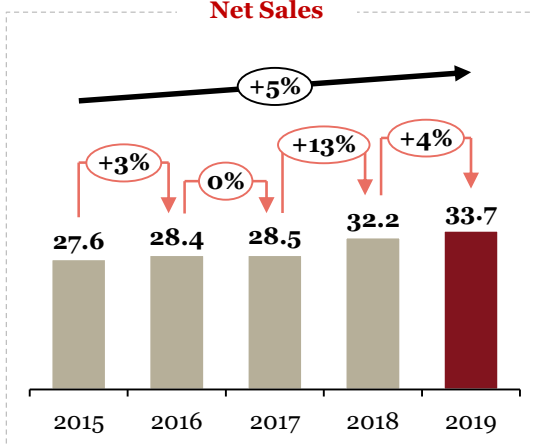
Hero Motocorp



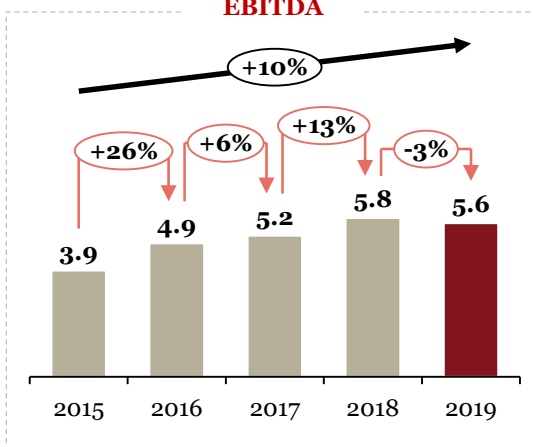
Trends in aggregates, profitability and costs

Aggregates (INR '000 Cr)

Net Sales

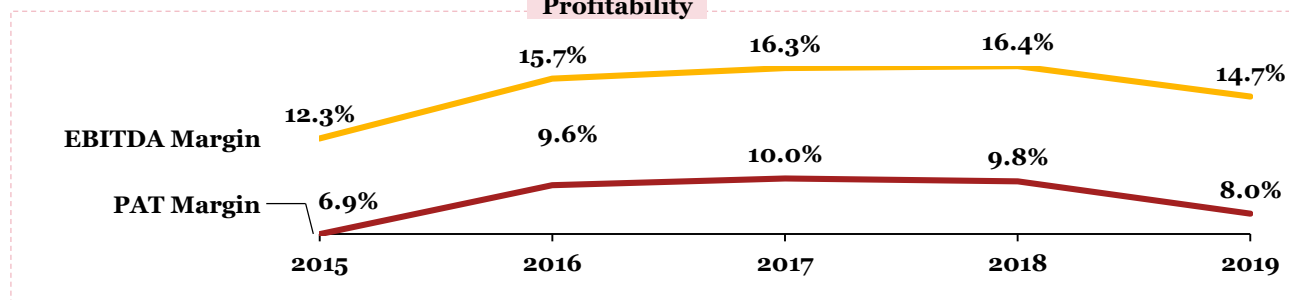


EBITDA

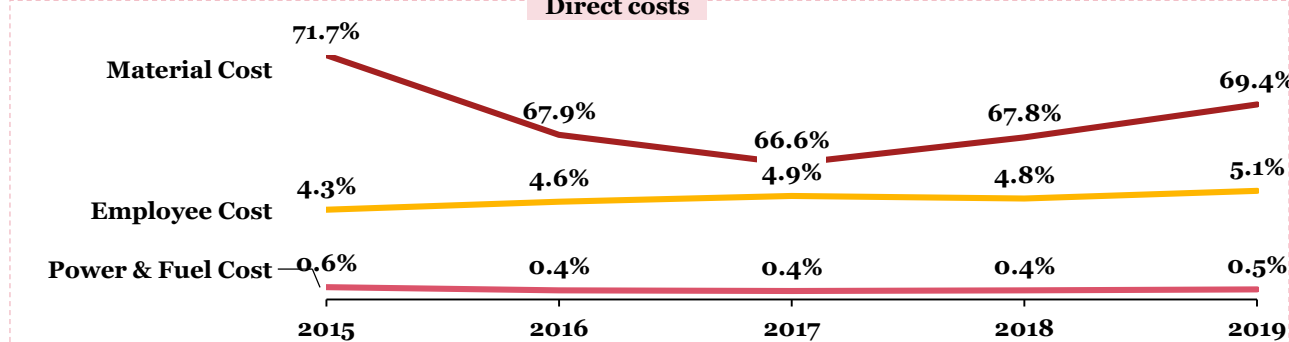


Margins (% of net sales)

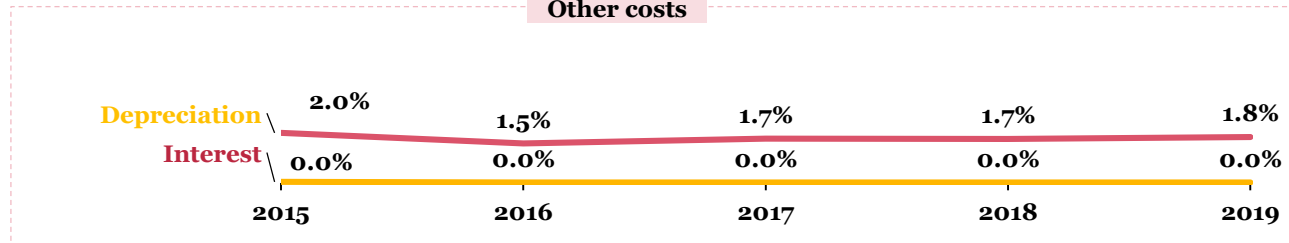
Profitability



Direct costs



Other costs



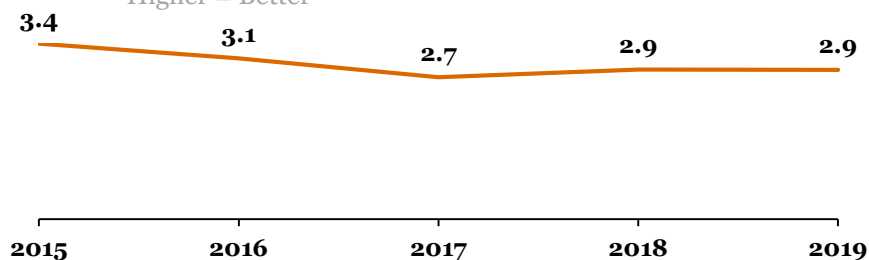
Hero Motocorp



Trends in efficiency

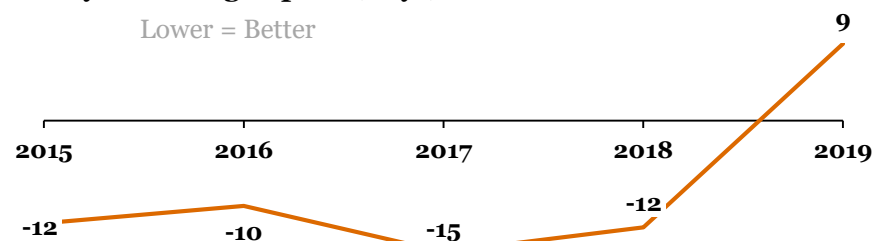
Fixed Asset Turnover Ratio

Higher = Better



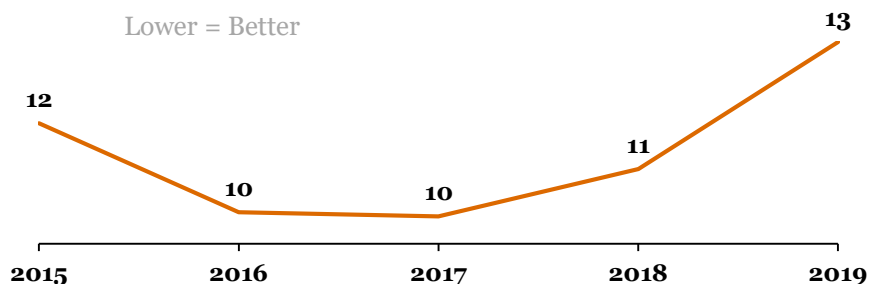
Days Working Capital (Days)

Lower = Better



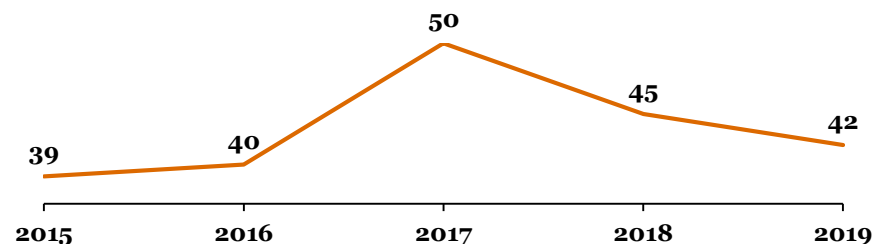
Inventory Turnover days

Lower = Better



Average days payable outstanding

Lower = Better

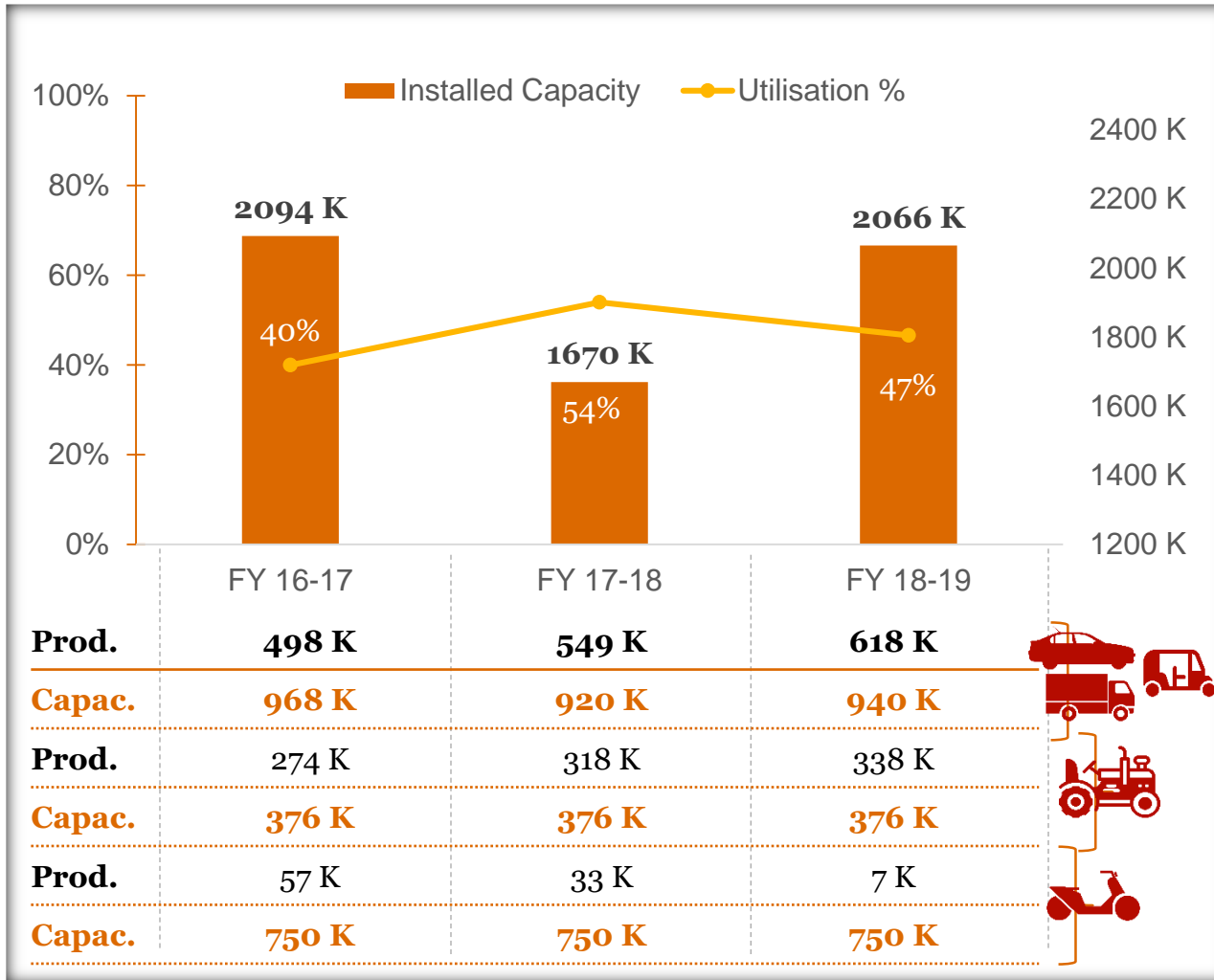


In FY 19

- Hero Motocorp had the second highest profit margins bettered only by Bajaj across EBITDA %, EBIT % and PAT %.
- Among these OEMs, Hero Motocorp also demonstrated the best average inventory turnover days at 13 for FY 19.
- It had the lowest rate of raw material cost as a % of net sales.

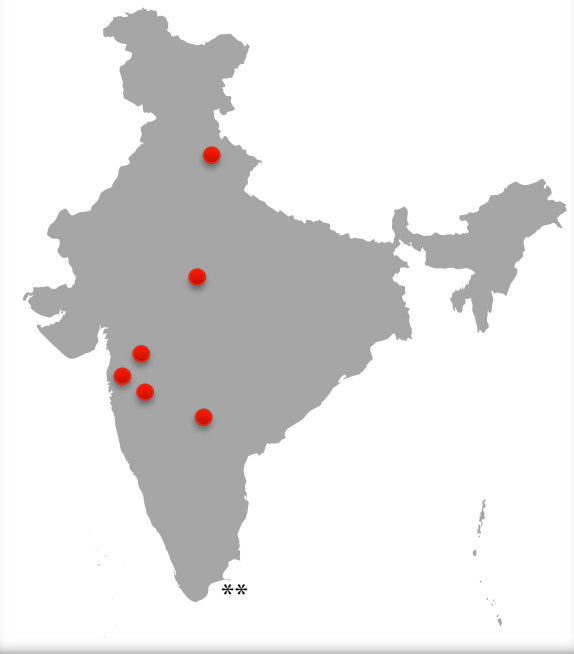
Mahindra and Mahindra

Mahindra & Mahindra



Manufacturing Sites in India

- Haridwar-UK
- Kandivali-MH
- Zaheerabad-AP
- Nashik-MH
- Chakan-MH
- Pithampura-MP



** This map is not to scale. It is an indicative outline intended for general reference use only. Capacity includes production capacity for Construction Equipment.

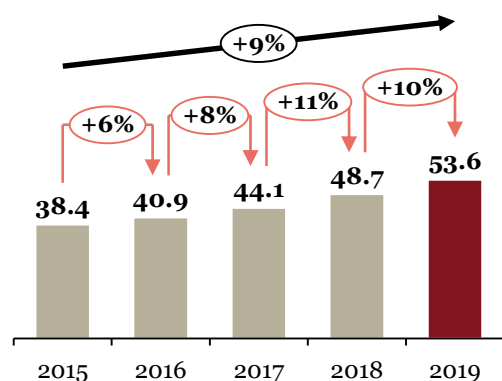
Mahindra and Mahindra



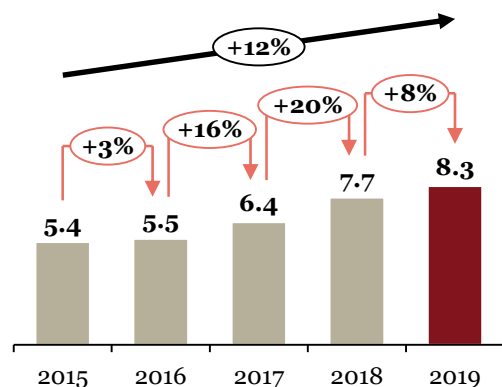
Trends in aggregates, profitability and costs

Aggregates (INR '000 Cr)

Net Sales

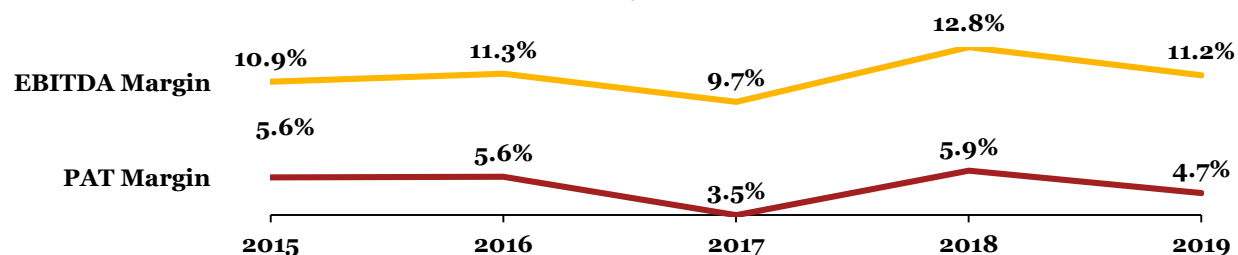


EBITDA

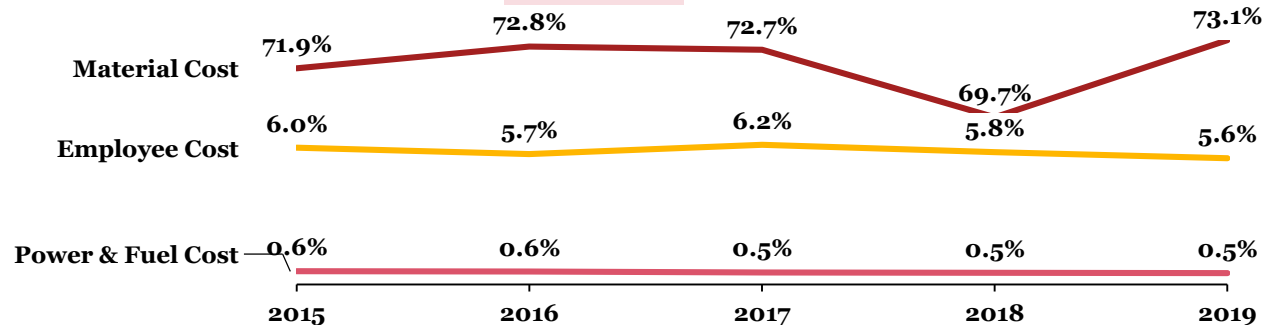


Margins (% of net sales)

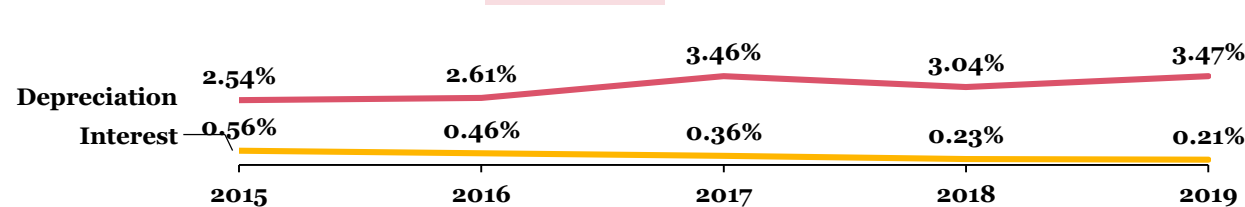
Profitability



Direct costs



Other costs



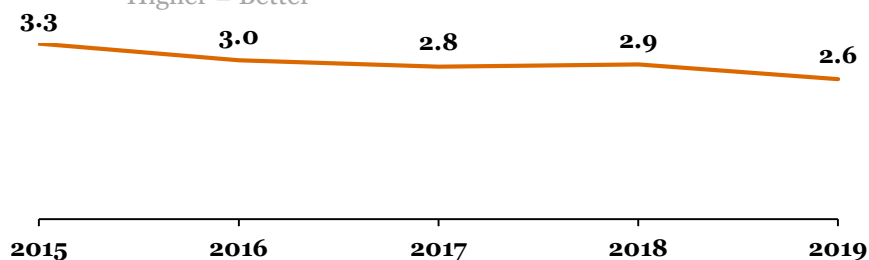
Mahindra and Mahindra



Trends in efficiency

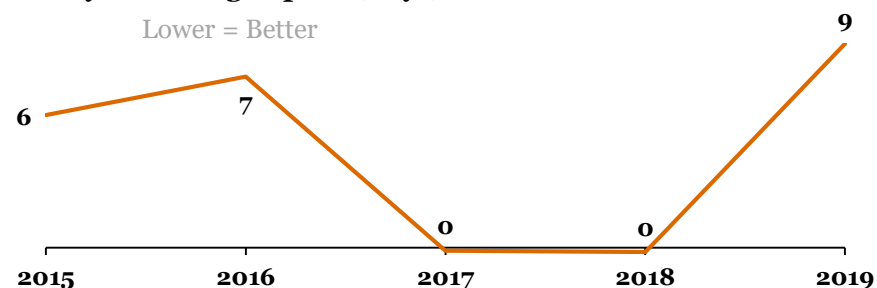
Fixed Asset Turnover Ratio

Higher = Better



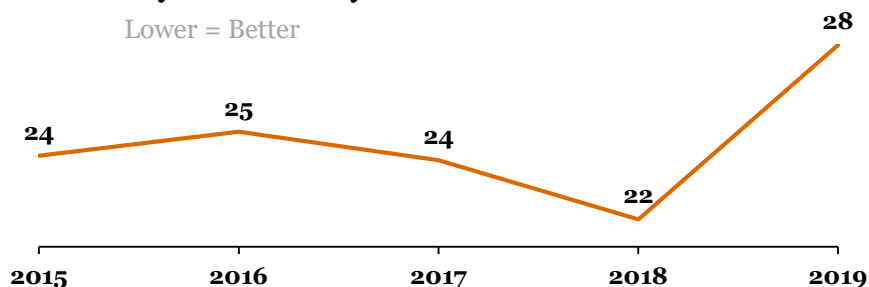
Days Working Capital (Days)

Lower = Better



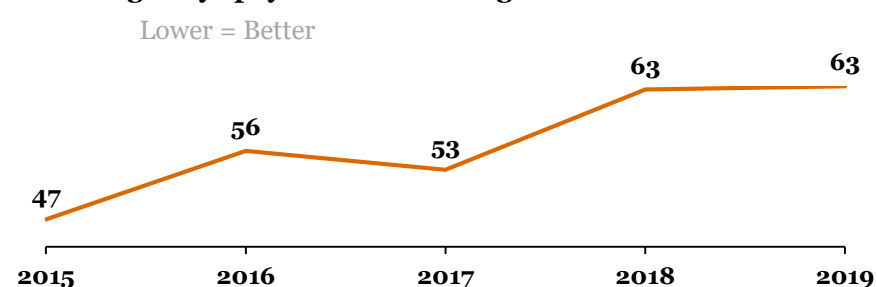
Inventory Turnover days

Lower = Better



Average days payable outstanding

Lower = Better

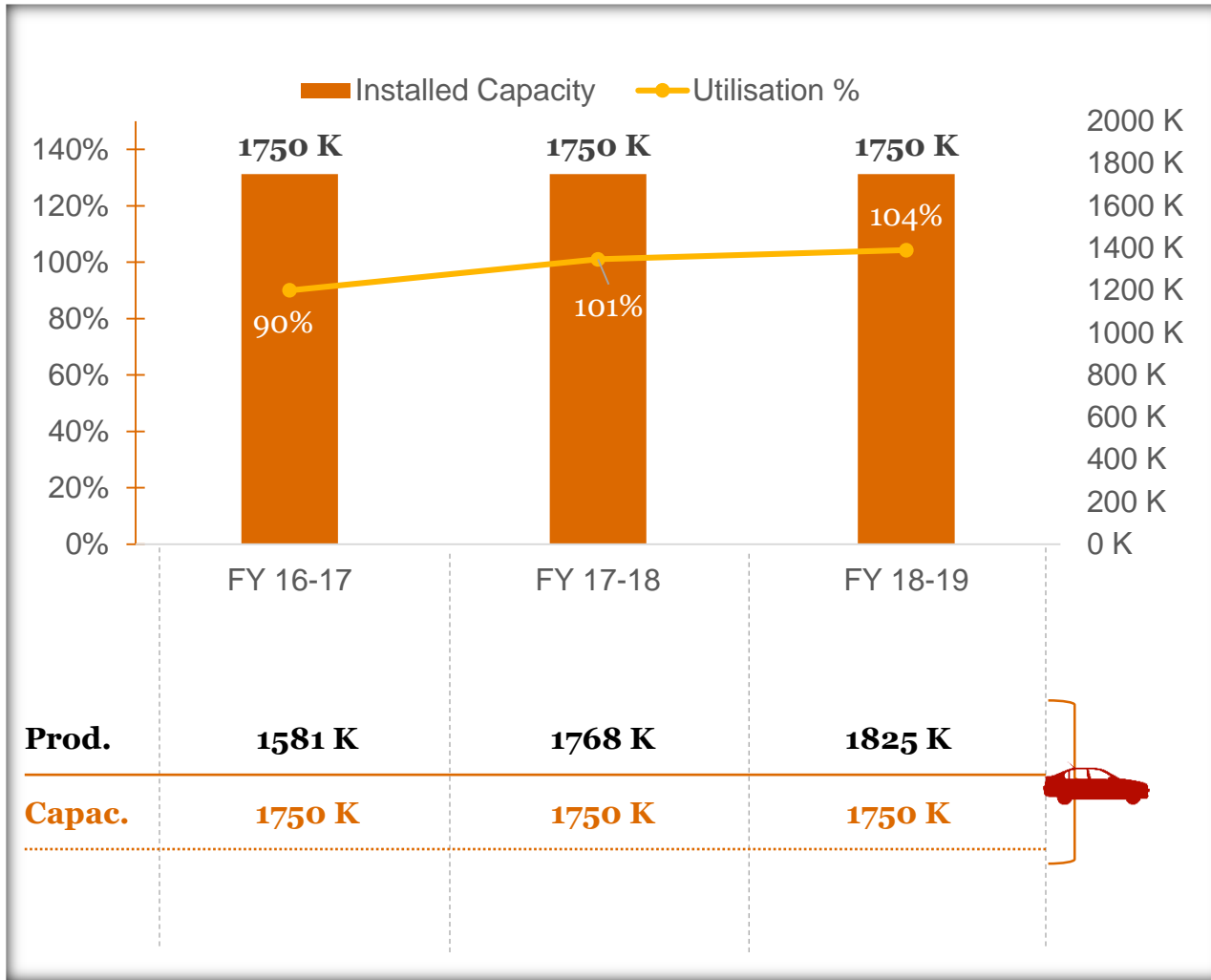


In FY 19

- Out of all the 11 OEMs under study, Mahindra & Mahindra had the second highest EBITDA under study after Maruti Suzuki.
- Among these OEMs, Mahindra & Mahindra operated at the second highest average days payable outstanding at 63 days.

Maruti Suzuki

Maruti Suzuki

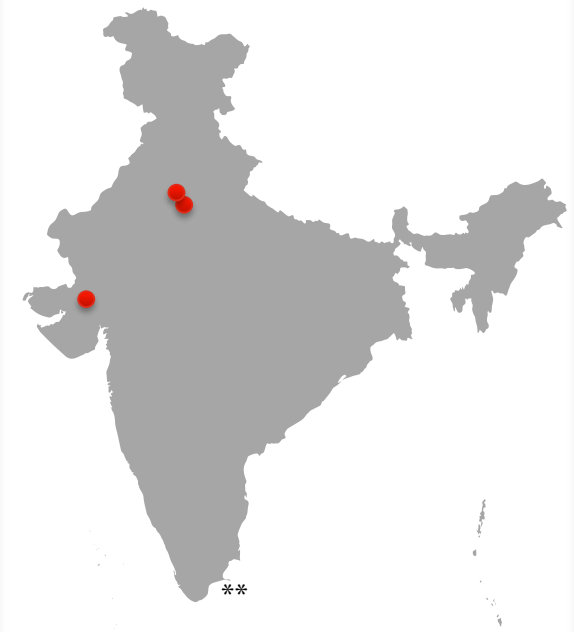


Manufacturing Sites in India

Gurgaon-HR

Manesar-HR

Hansalpur-GJ



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

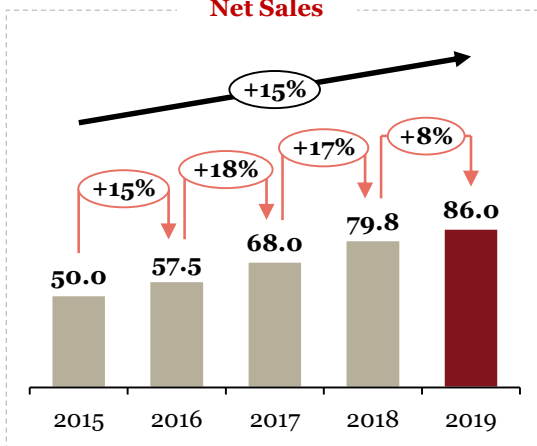
Maruti Suzuki



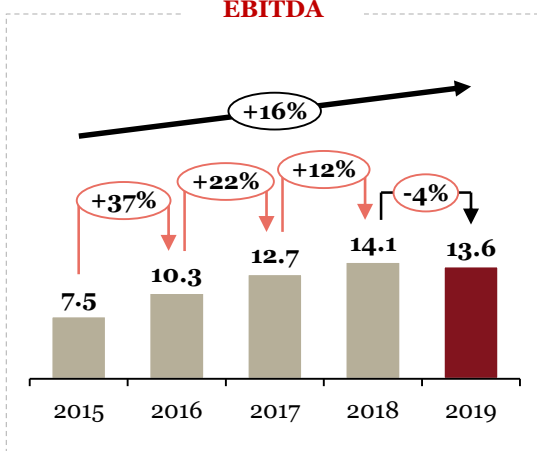
Trends in aggregates, profitability and costs

Aggregates (INR '000 Cr)

Net Sales

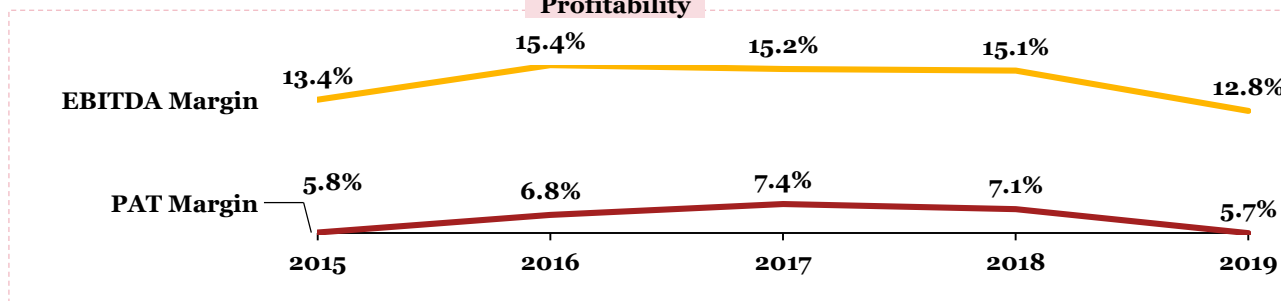


EBITDA

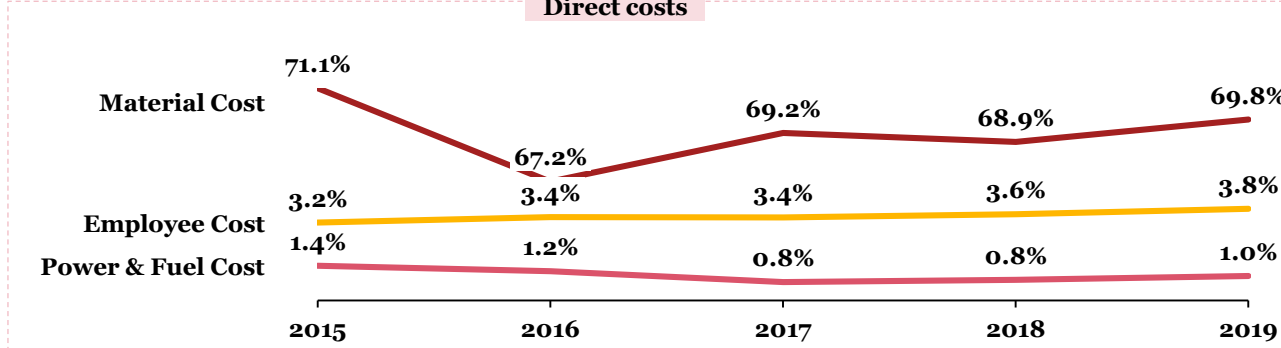


Margins (% of net sales)

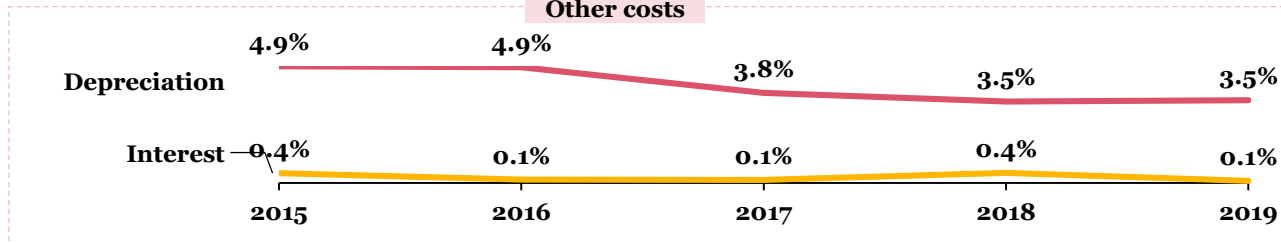
Profitability



Direct costs



Other costs

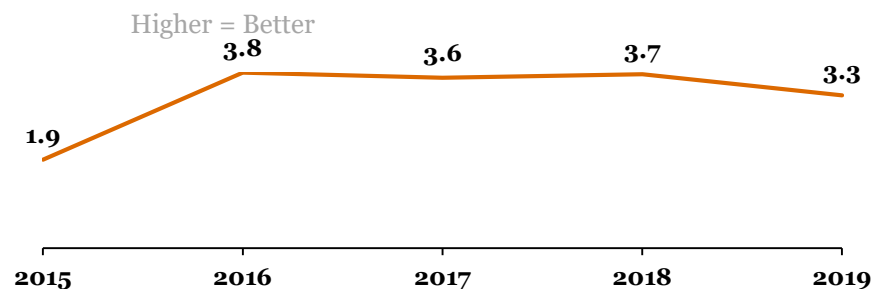


Maruti Suzuki

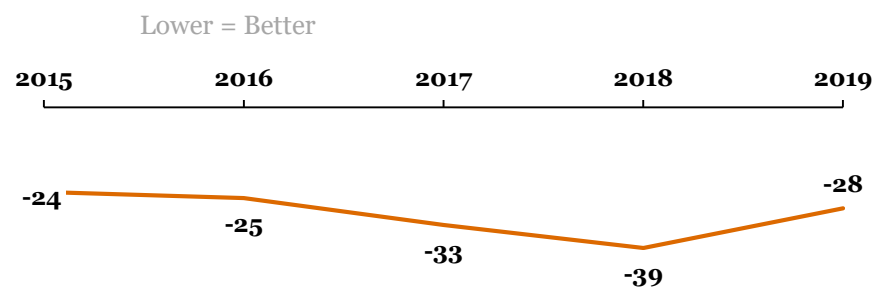


Trends in efficiency

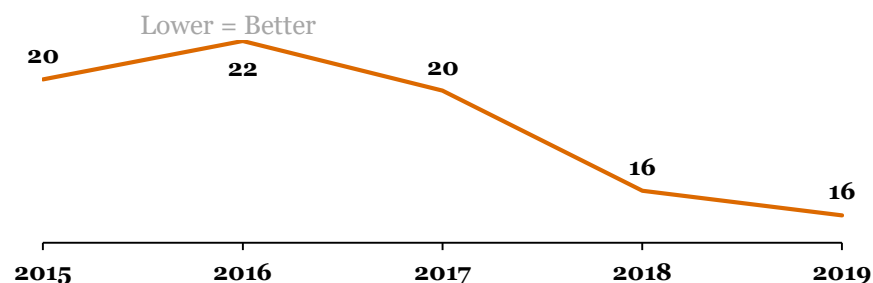
Fixed Asset Turnover Ratio



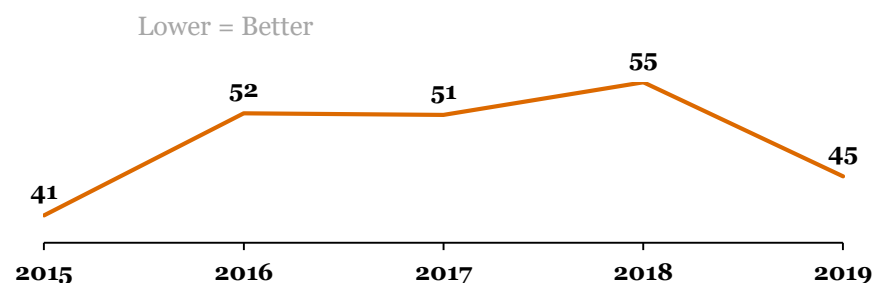
Days Working Capital (Days)



Inventory Turnover days



Average days payable outstanding

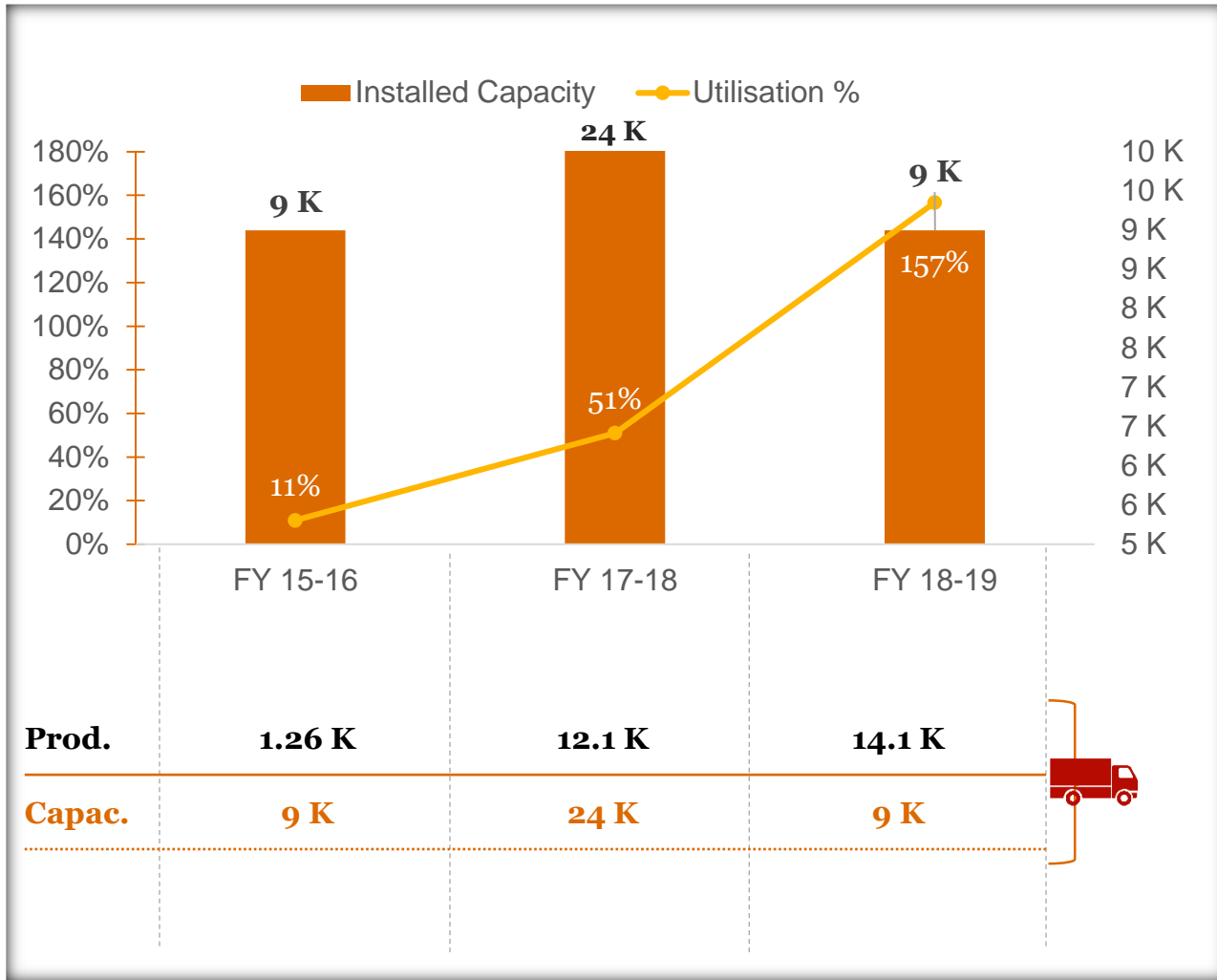


In FY 19

- Maruti Suzuki saw a fall in PAT in FY 19 due to higher foreign exchange volatility, higher commodity prices and depreciation expenses.
- Maruti Suzuki had the highest EBITDA margin of the 4-wheeler manufacturers in FY 19.

SML ISUZU

SML ISUZU



Manufacturing Sites in India

Ropar-PJ



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

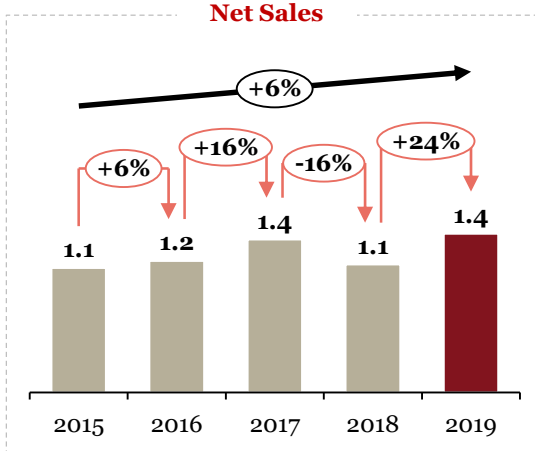
SML ISUZU



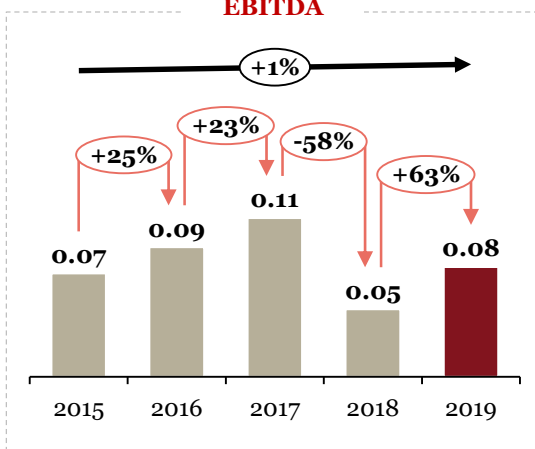
Trends in aggregates, profitability and costs

Aggregates (INR '000 Cr)

Net Sales

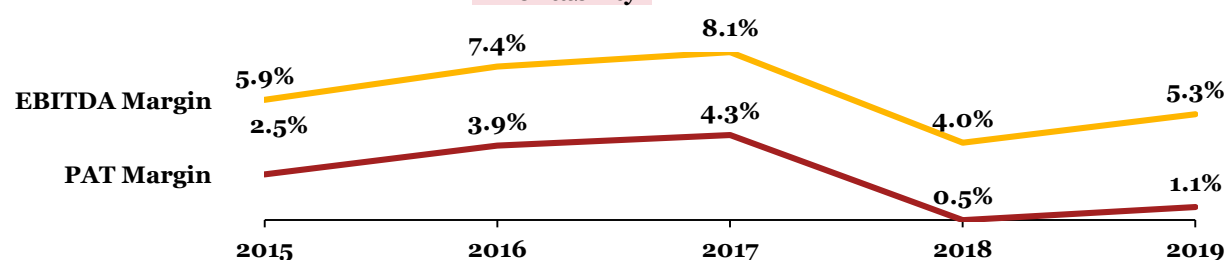


EBITDA

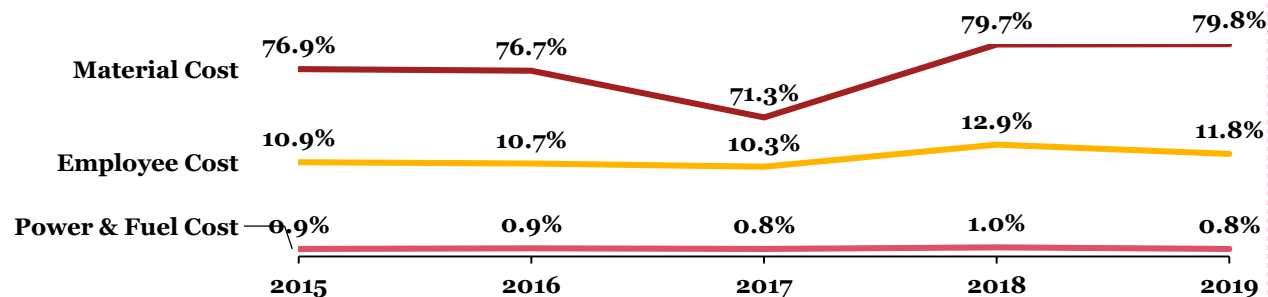


Margins (% of net sales)

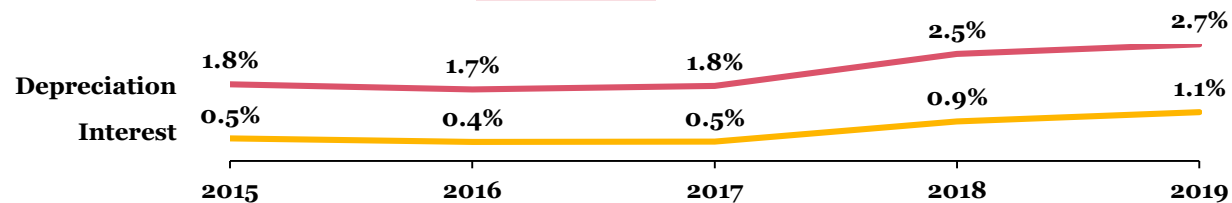
Profitability



Direct costs



Other costs



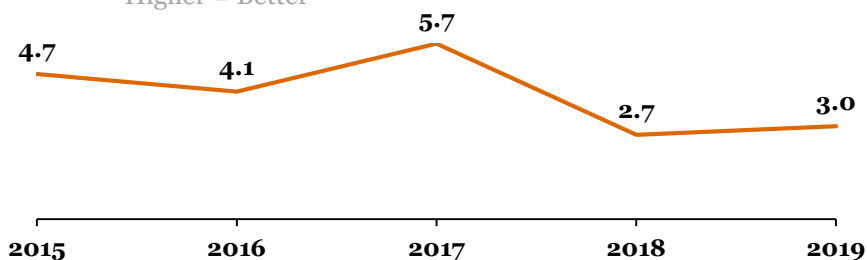
SML ISUZU



Trends in efficiency

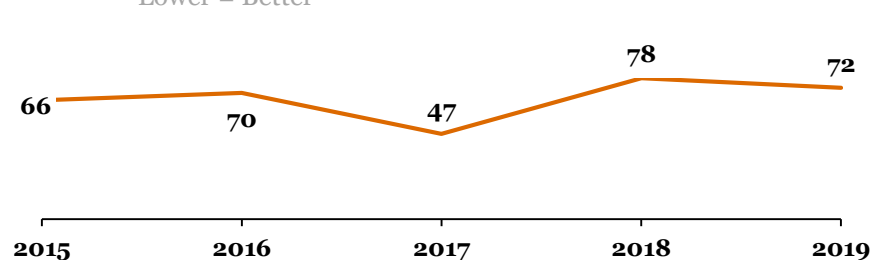
Fixed Asset Turnover Ratio

Higher = Better



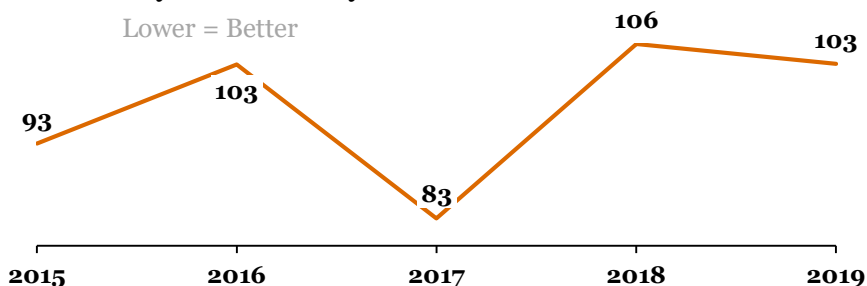
Days Working Capital (Days)

Lower = Better



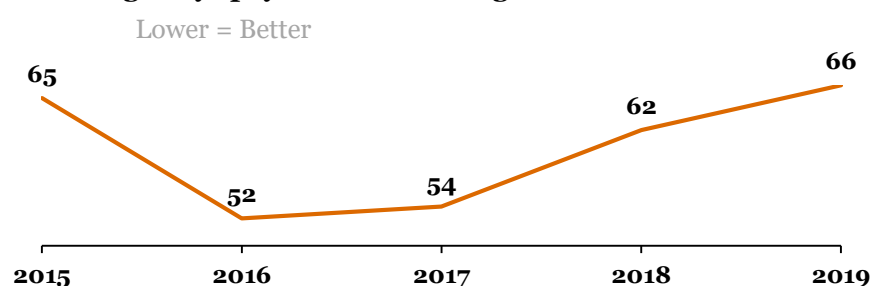
Inventory Turnover days

Lower = Better



Average days payable outstanding

Lower = Better

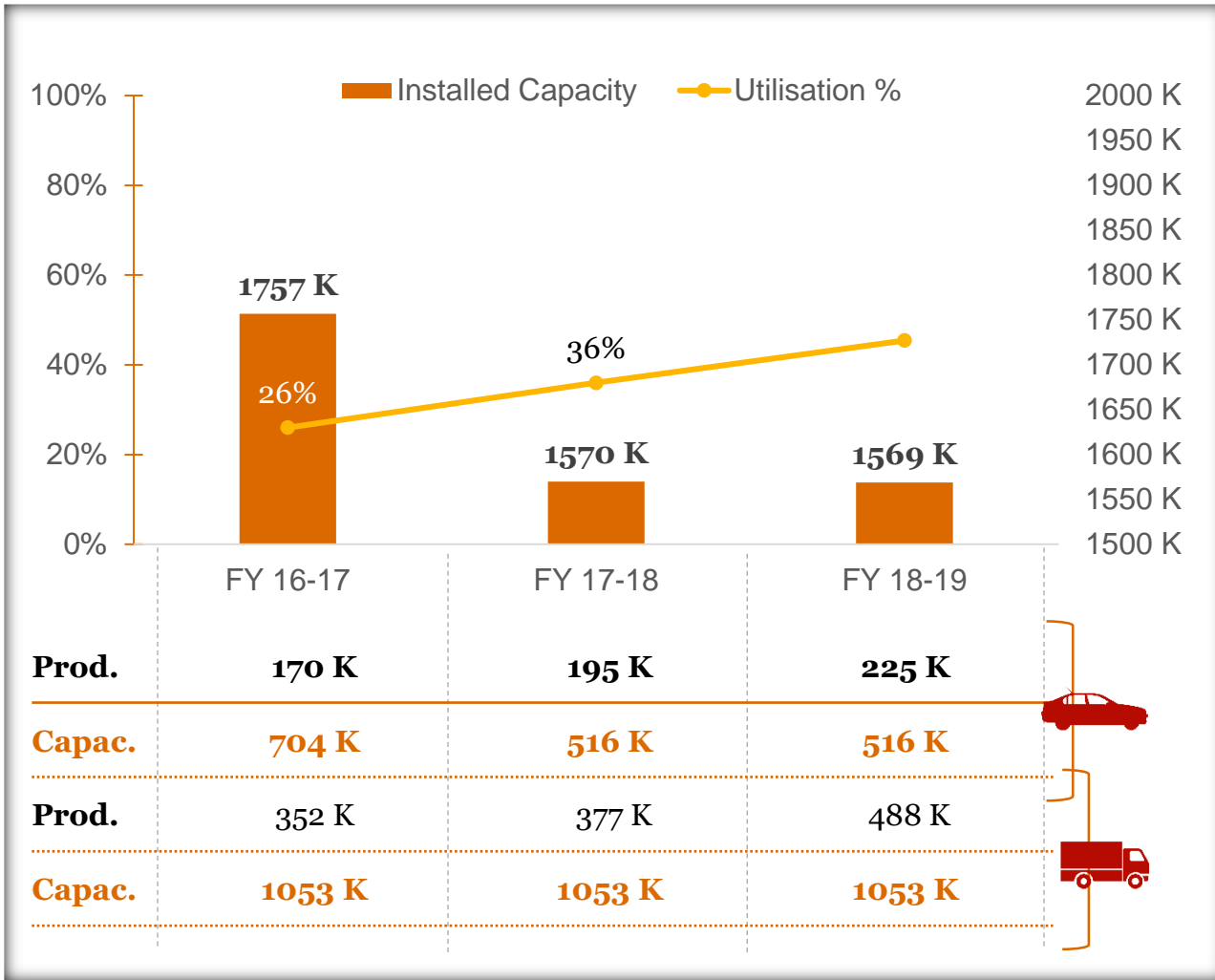


In FY 19

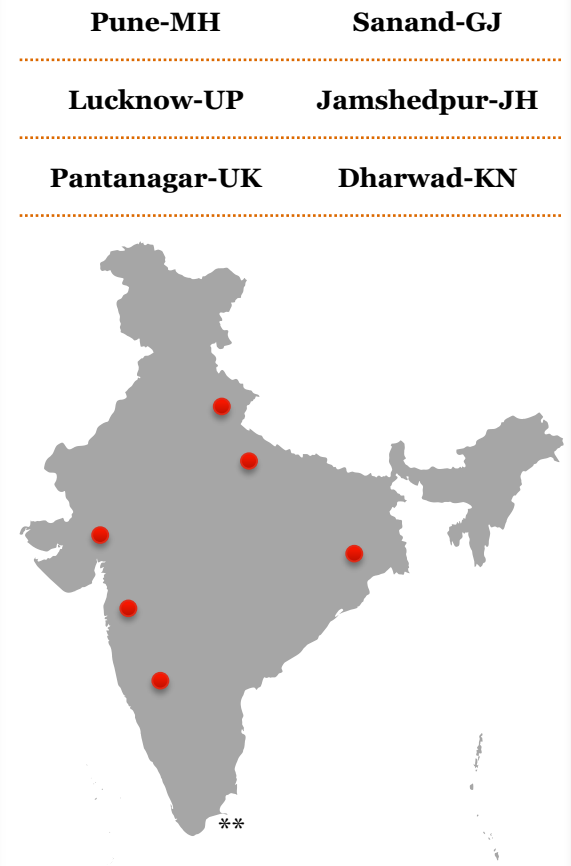
- Improvement in sales was helped by stronger passenger vehicle demand and launch of the new 'Global Series' truck range.
- Light Commercial Vehicle sales grew thanks to demand from e-commerce and last mile delivery.
- SML Isuzu had the highest average days payable outstanding and inventory turnover.

Tata Motors

Tata Motors



Manufacturing Sites in India



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

** Total production capacity has been segregated into PV and CV capacity in the ratio of production volumes for the year.

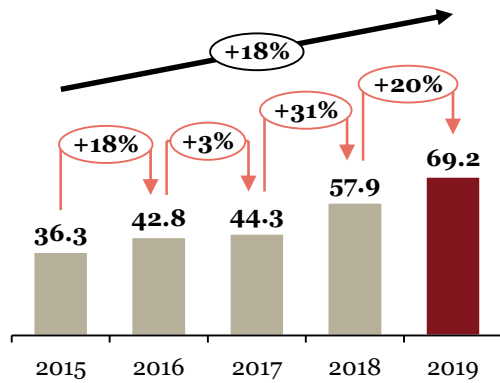
Tata Motors



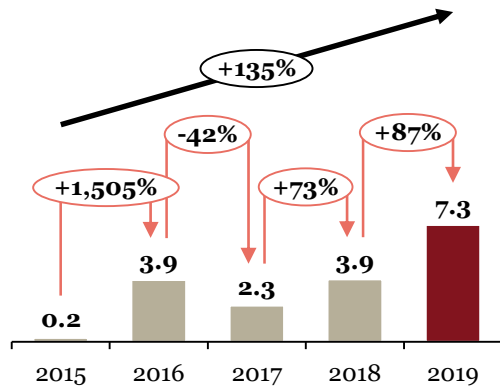
Trends in aggregates, profitability and costs

Aggregates (INR '000 Cr)

Net Sales

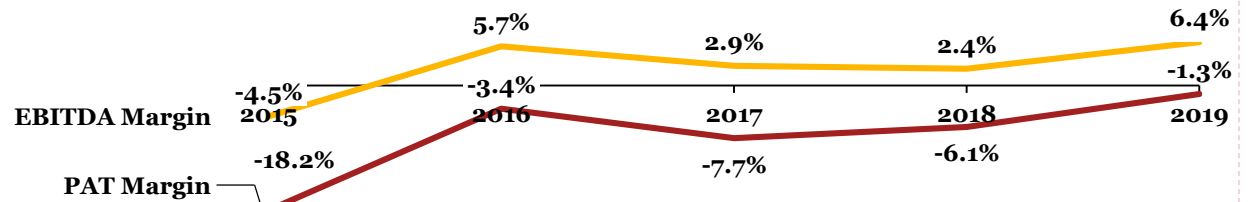


EBITDA

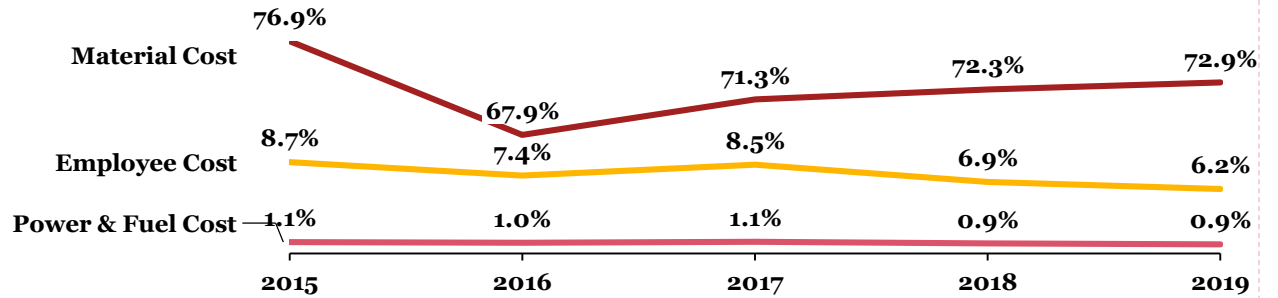


Margins (% of net sales)

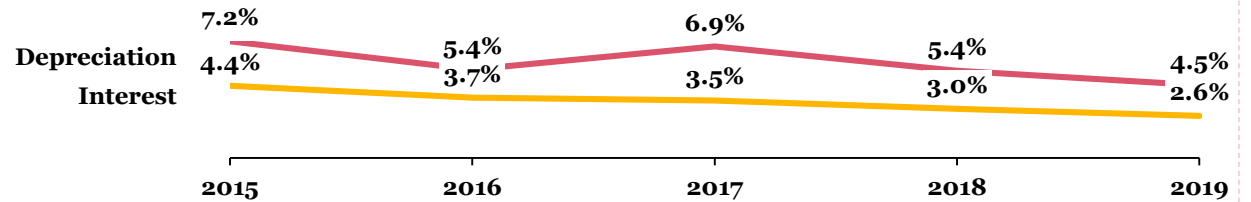
Profitability



Direct costs



Other costs



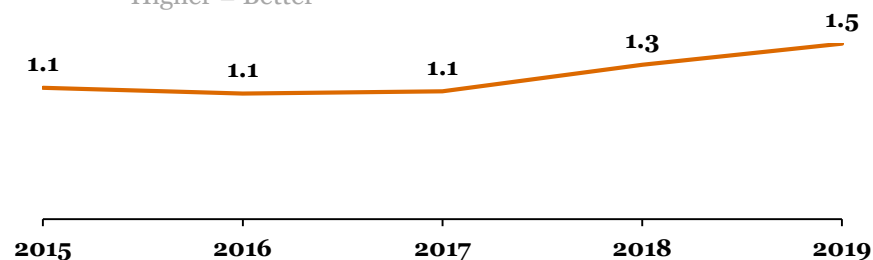
Tata Motors



Trends in efficiency

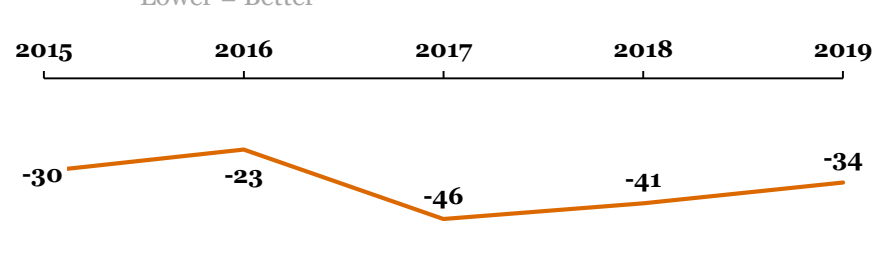
Fixed Asset Turnover Ratio

Higher = Better



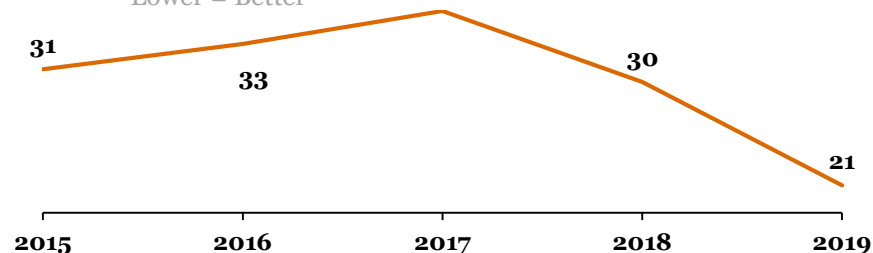
Days Working Capital (Days)

Lower = Better



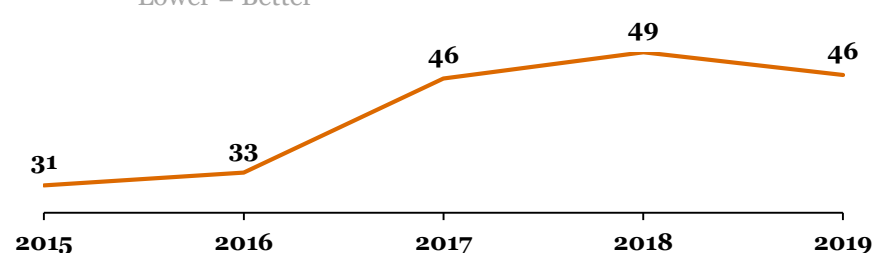
Inventory Turnover days

Lower = Better



Average days payable outstanding

Lower = Better

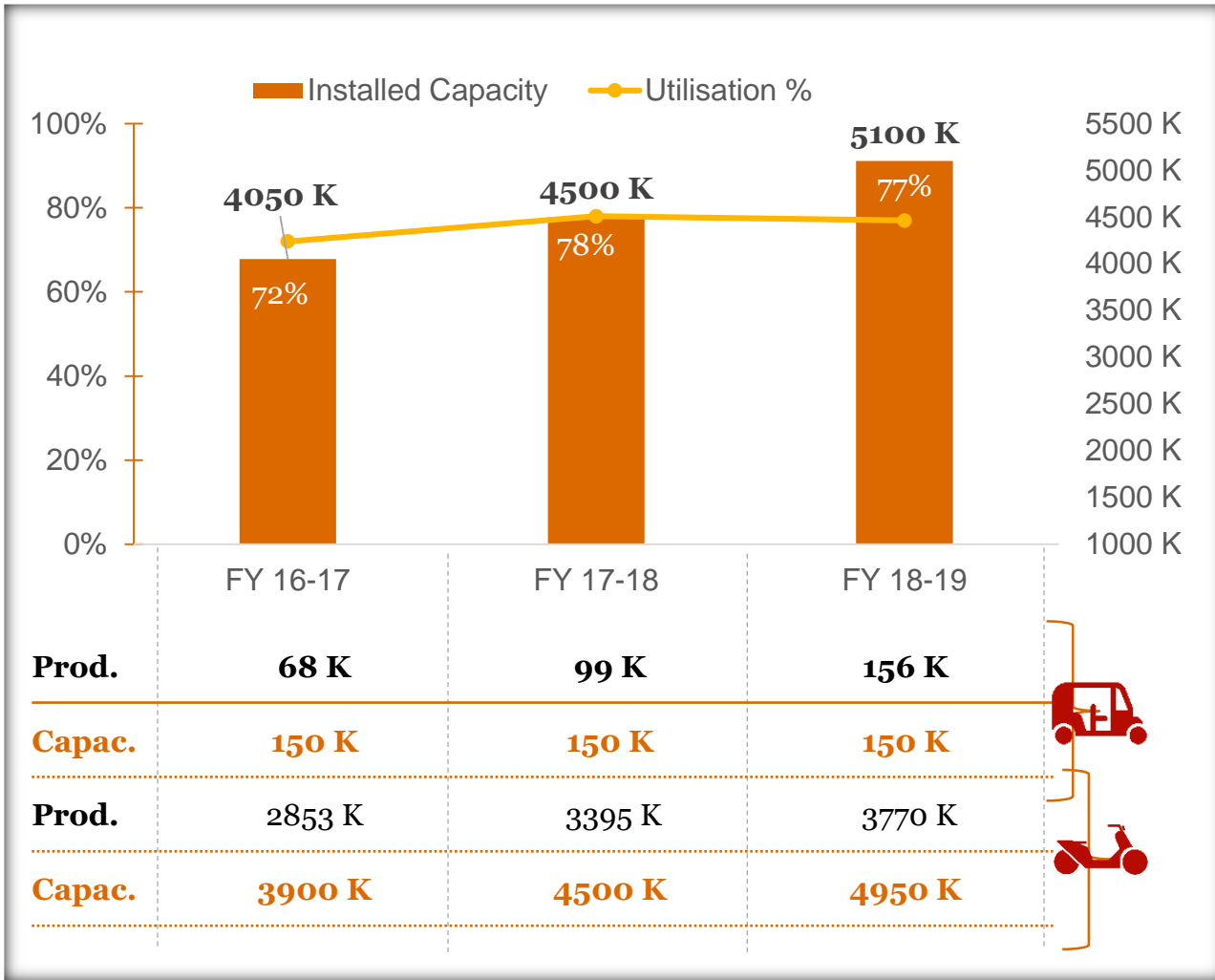


In FY 19

- Tata Motors had to contend with issues with its Jaguar Land Rover division, as well as restructuring following the shutdown of manufacturing in Thailand.
- Tata Motors saw a 30% improvement in Inventory Turnover in FY 19.

TVS

TVS

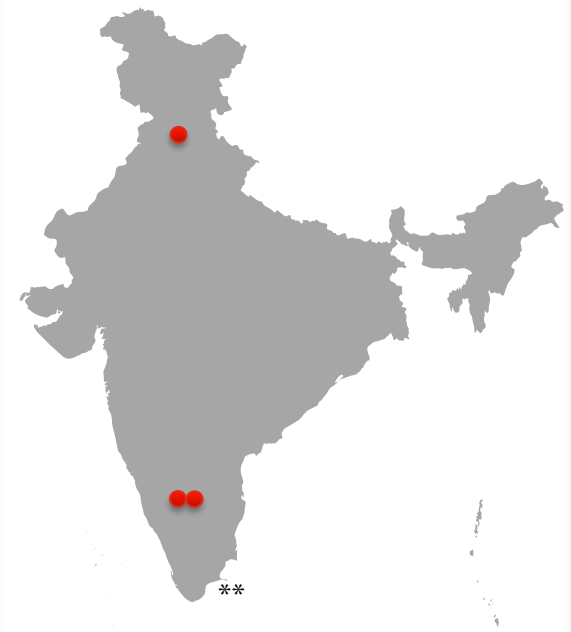


Manufacturing Sites in India

Hosur-TN

Mysore-KN

Solan-HP



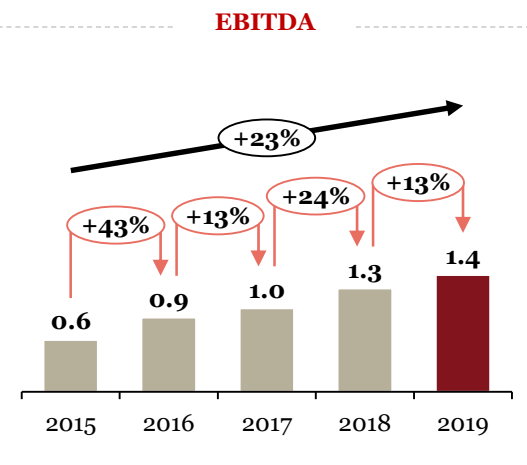
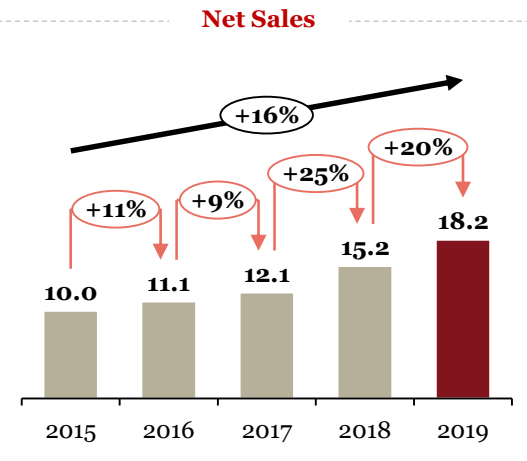
** This map is not to scale. It is an indicative outline intended for general reference use only.

TVS

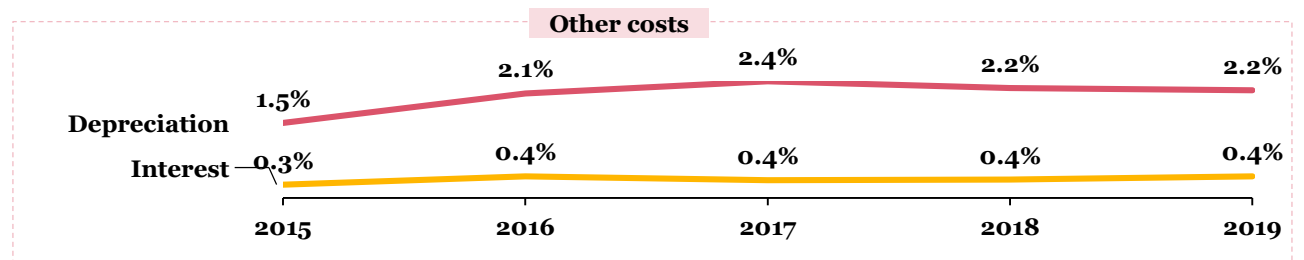
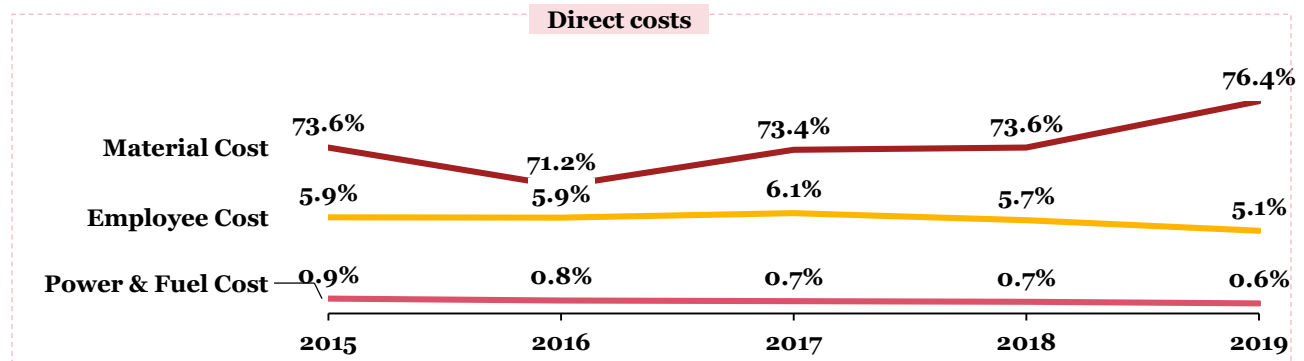
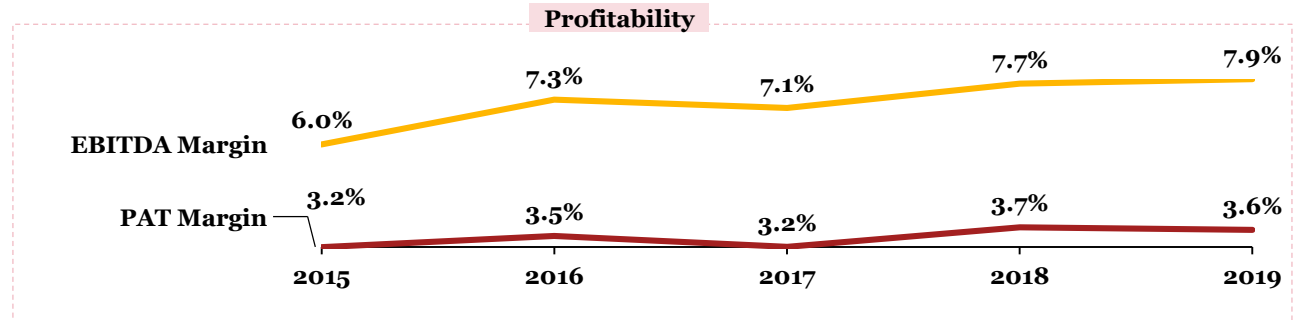


Trends in aggregates, profitability and costs

Aggregates (INR '000 Cr)



Margins (% of net sales)



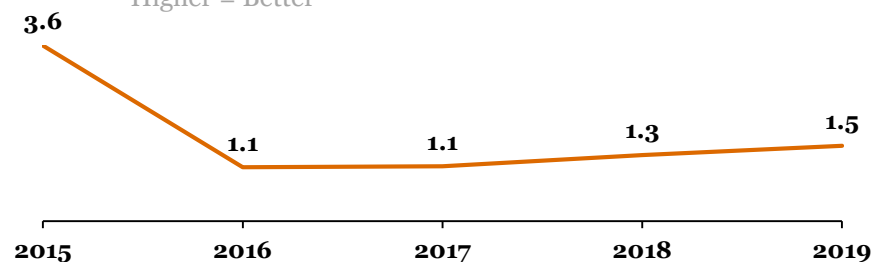
TVS



Trends in efficiency

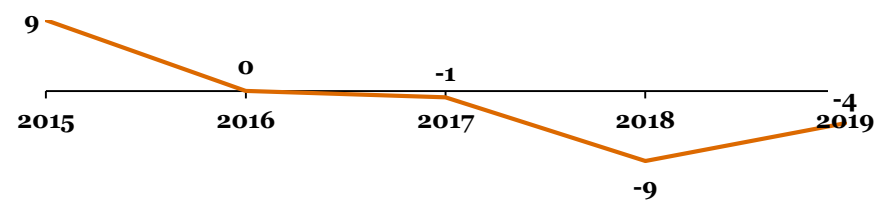
Fixed Asset Turnover Ratio

Higher = Better



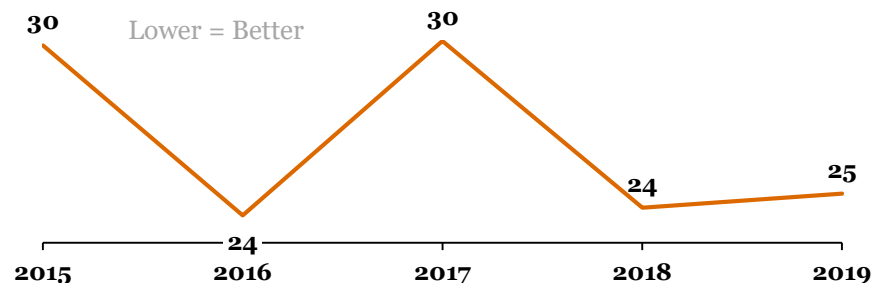
Days Working Capital (Days)

Lower = Better



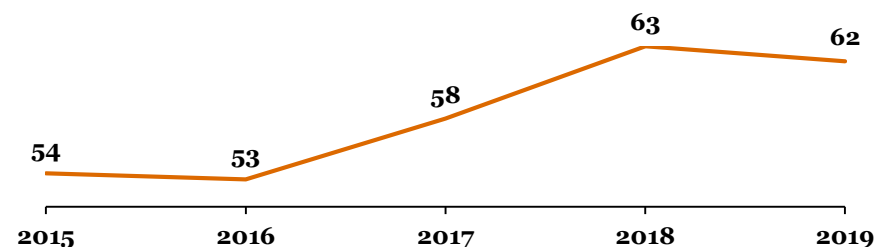
Inventory Turnover days

Lower = Better



Average days payable outstanding

Lower = Better



In FY 19

- TVS saw improved sales over FY 19, partly supported by a strong increase in exports.
- After improving its inventory turnover days by 27% over FY 18, but saw a slight decline in FY 19.
- The end of the license Raj helped assist strong 3-Wheeler sales in FY 19.



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