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OEM- Financial Analysis FY 18

*Strictly private
and confidential*

12 December 2018



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List of Companies and Ratios

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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

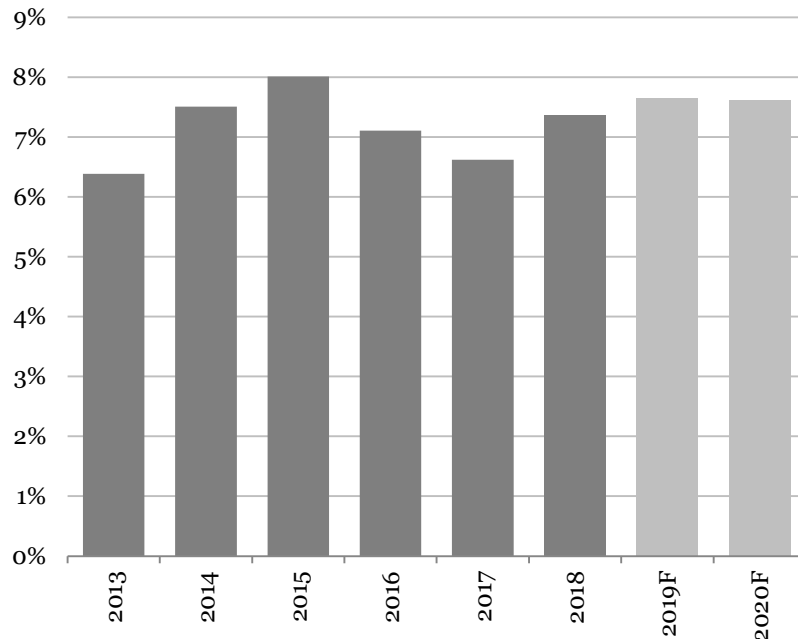
Placeholder

India	Index: wages, straight time, LCU basis
India	Growth Rate: Population, Urban
India	Unemployment Rate
India	Gross Domestic Product Deflator, Year-on-Year Percent Change
India	Real Private Consumption, Growth Rate, Year-on-Year
India	Real Fixed Investment, Growth Rate, Year-on-Year

India-key economic indicators

A steady growth is expected in the foreseeable future

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



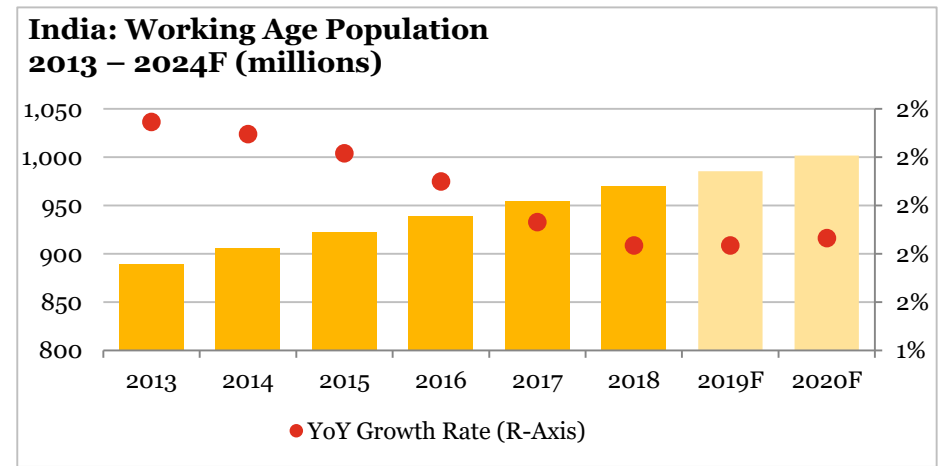
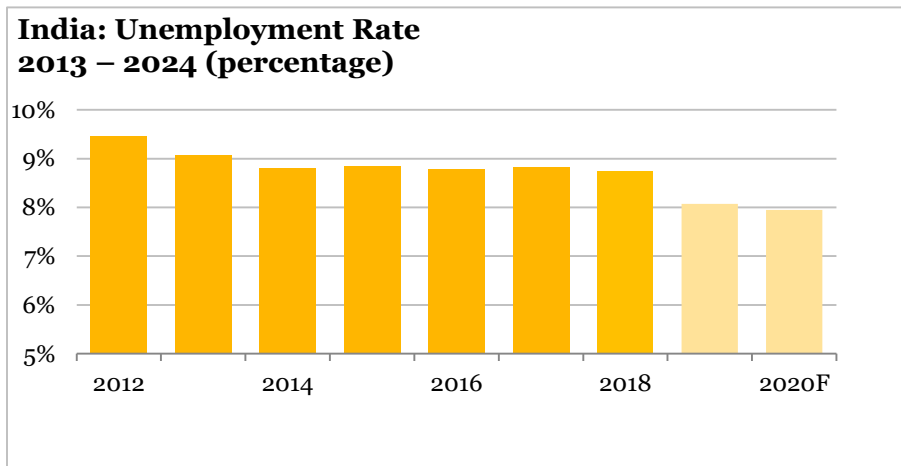
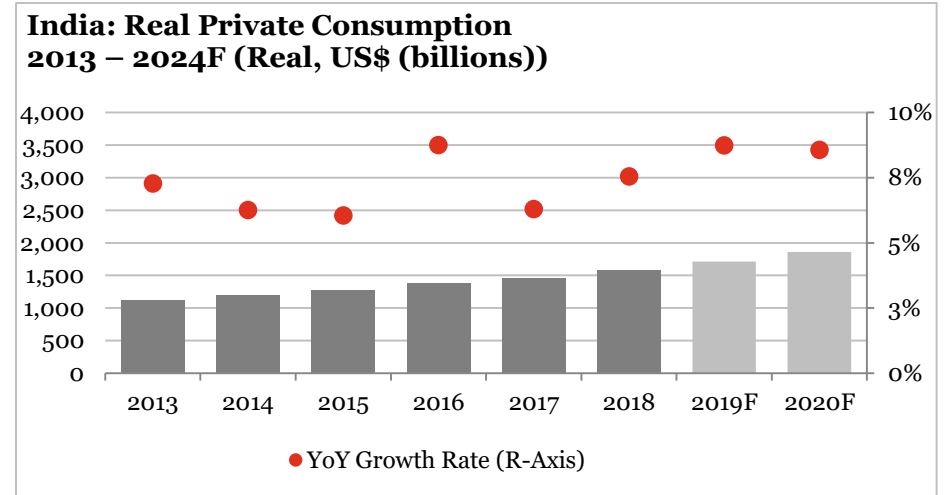
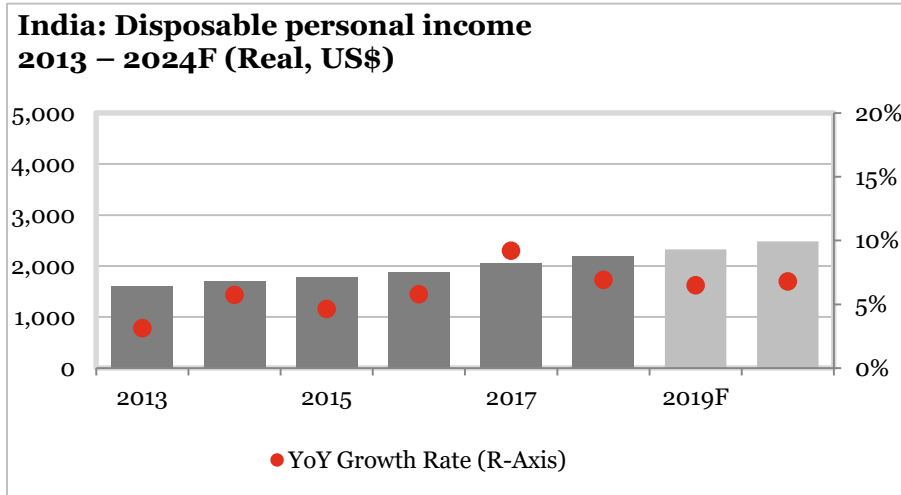
**India: Industrial Production Index
2013 – 2020F (points)**



- 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

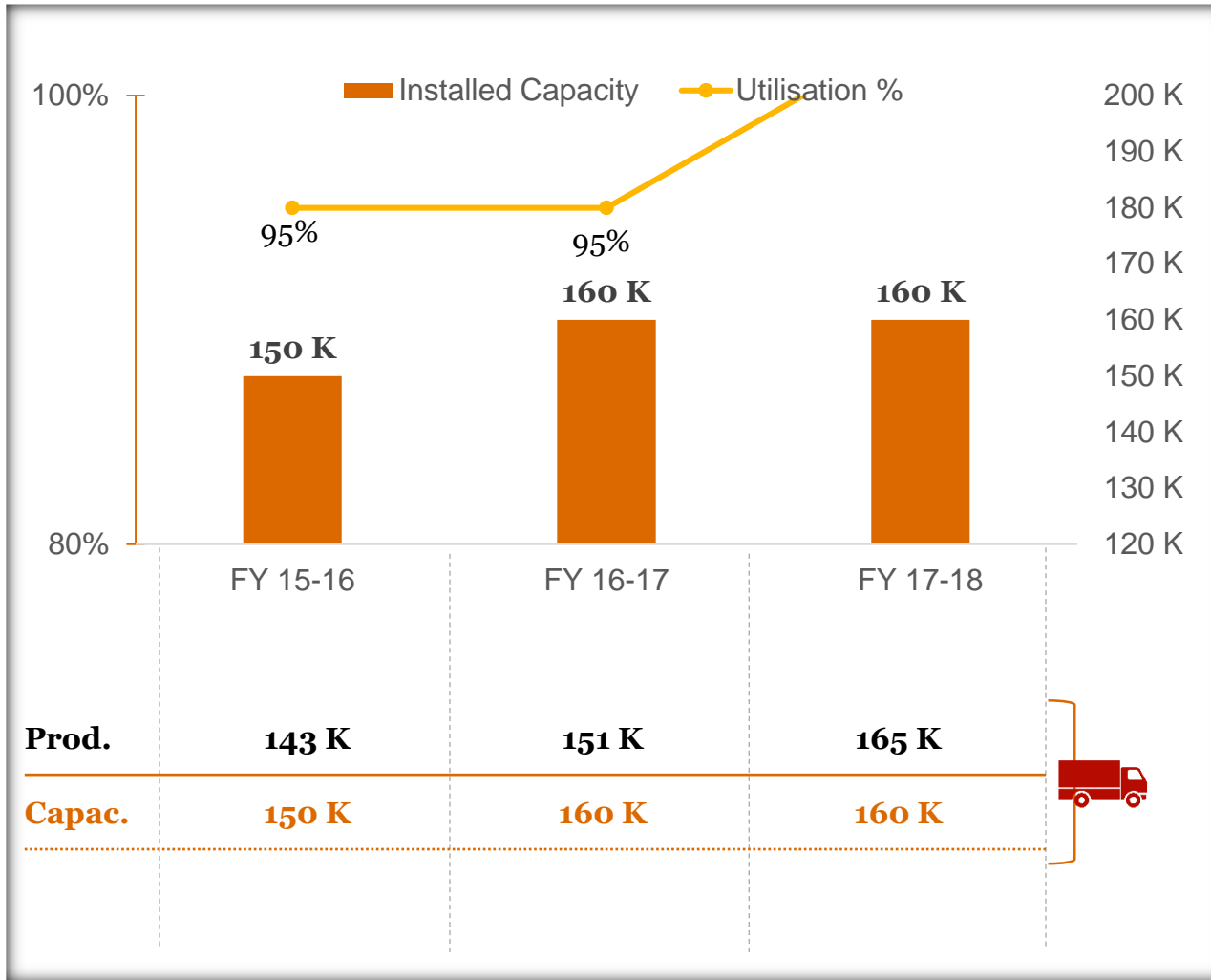


OEM Financial analysis

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Ashok Leyland

Ashok Leyland



Manufacturing Sites in India

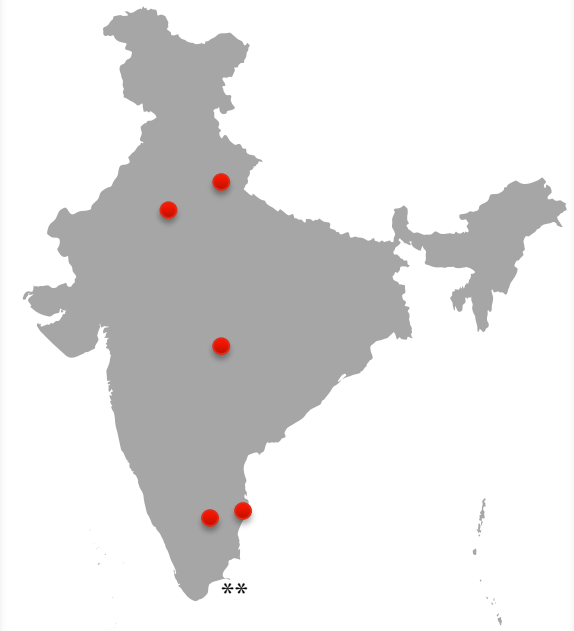
Ennore-TN

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.

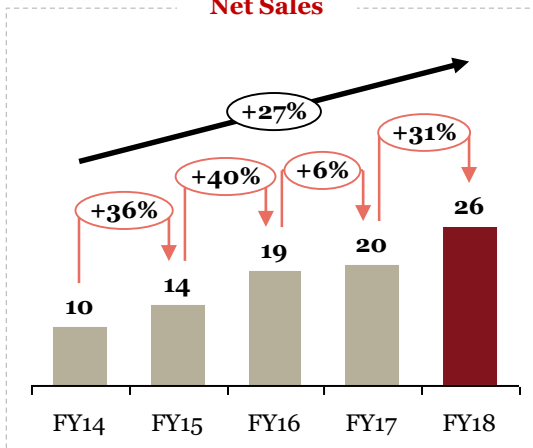
Ashok Leyland



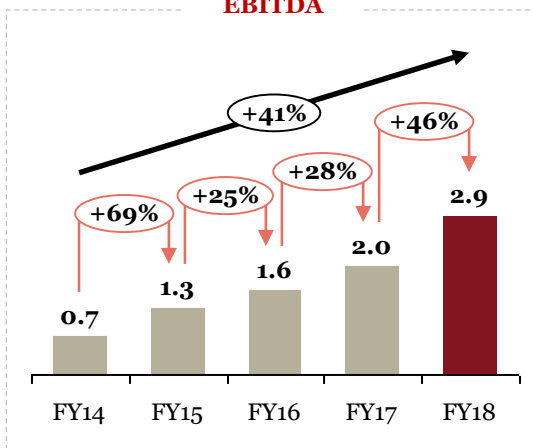
Trends in aggregates, profitability and costs

Aggregates (INR '000 Cr)

Net Sales

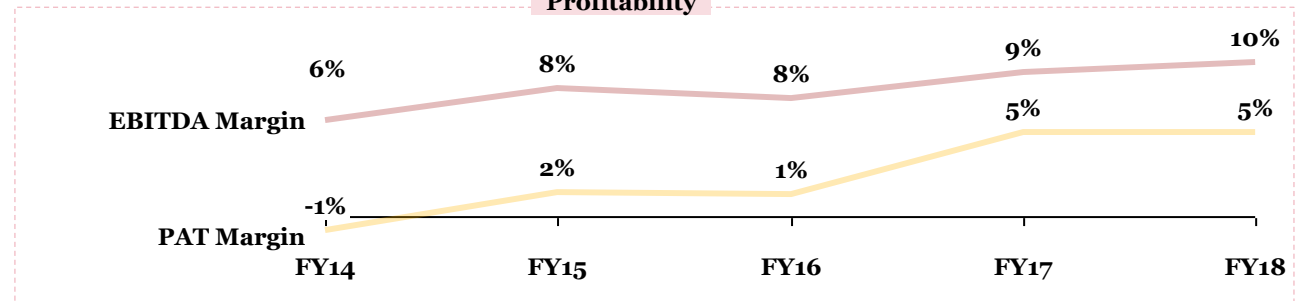


EBITDA

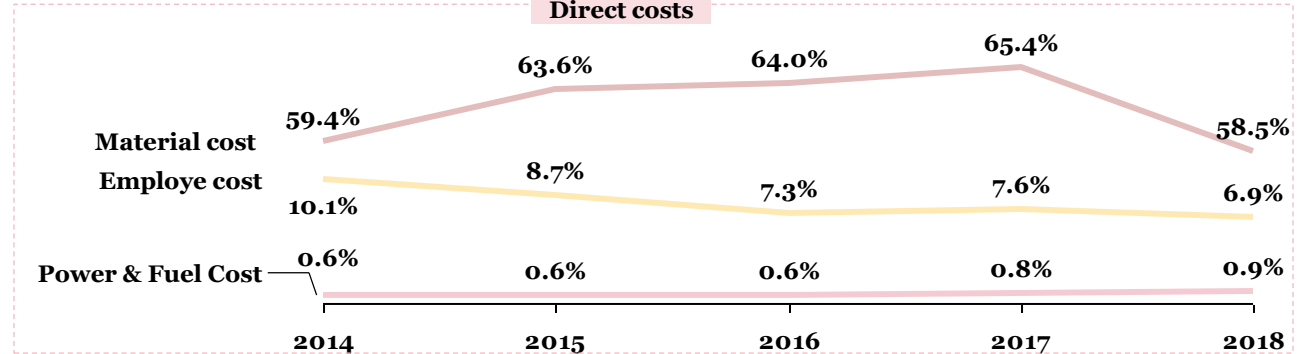


Margins (% of net sales)

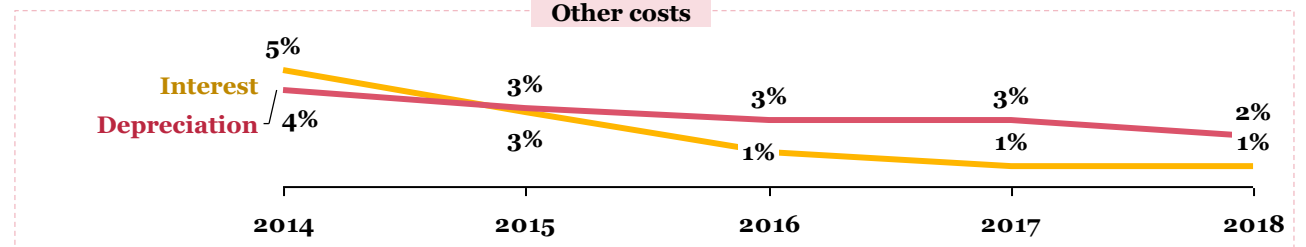
Profitability



Direct costs



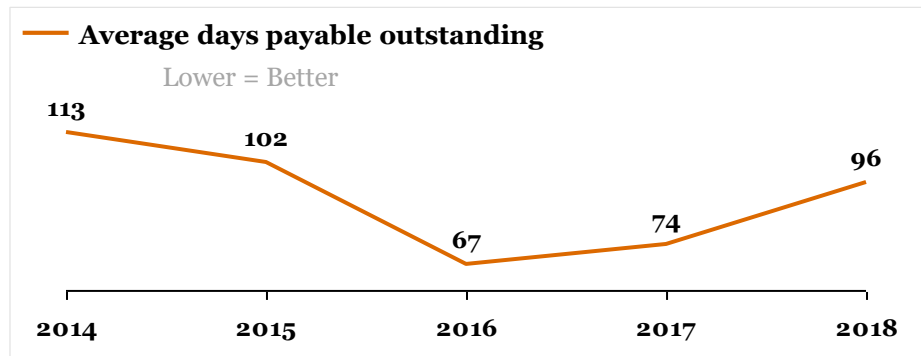
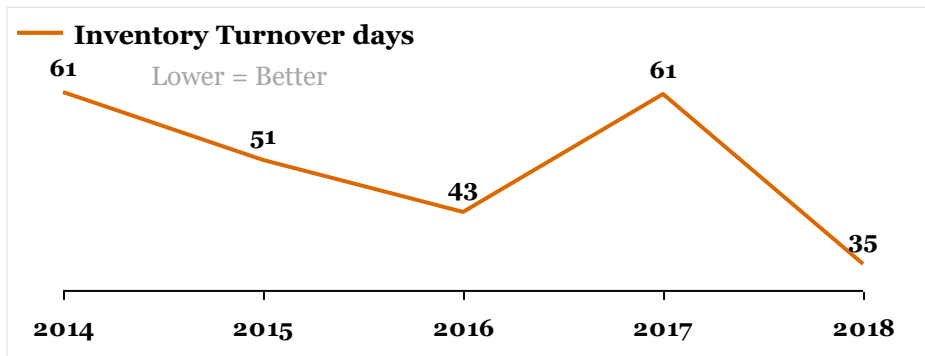
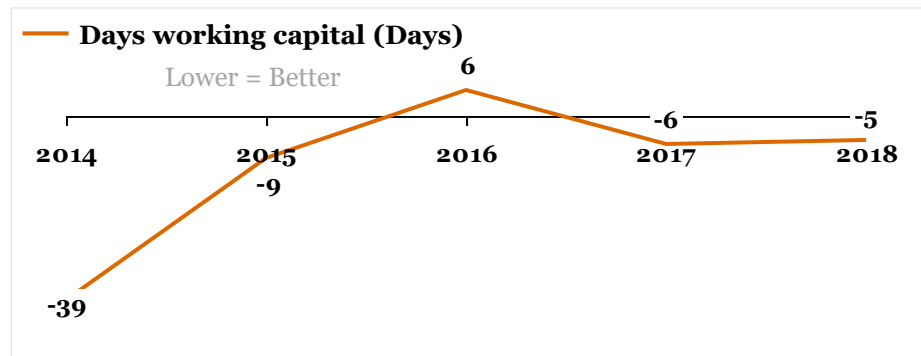
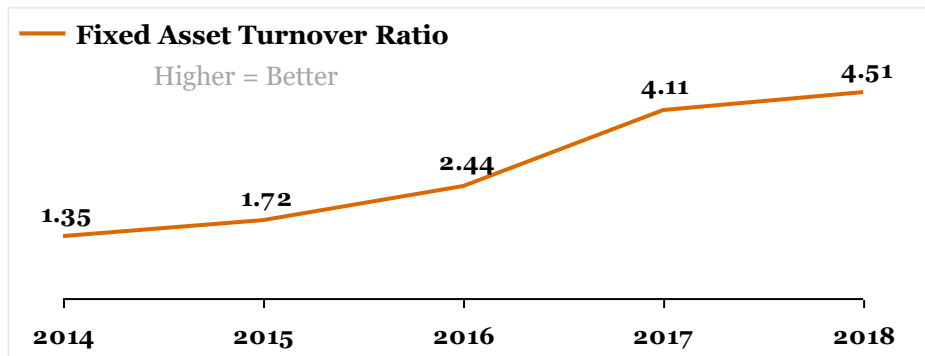
Other costs



Ashok Leyland



Trends in efficiency

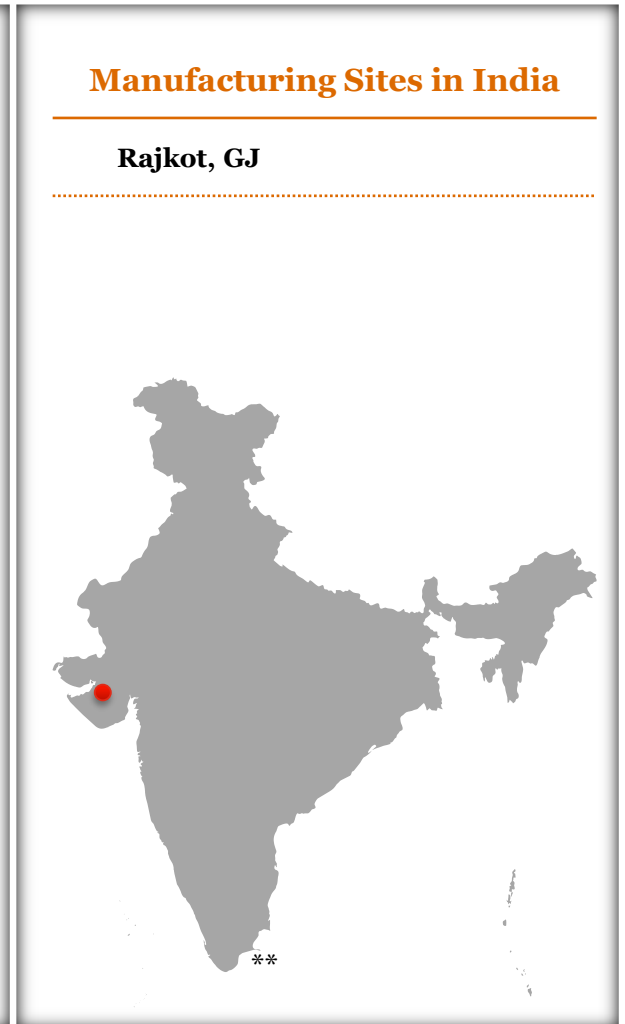
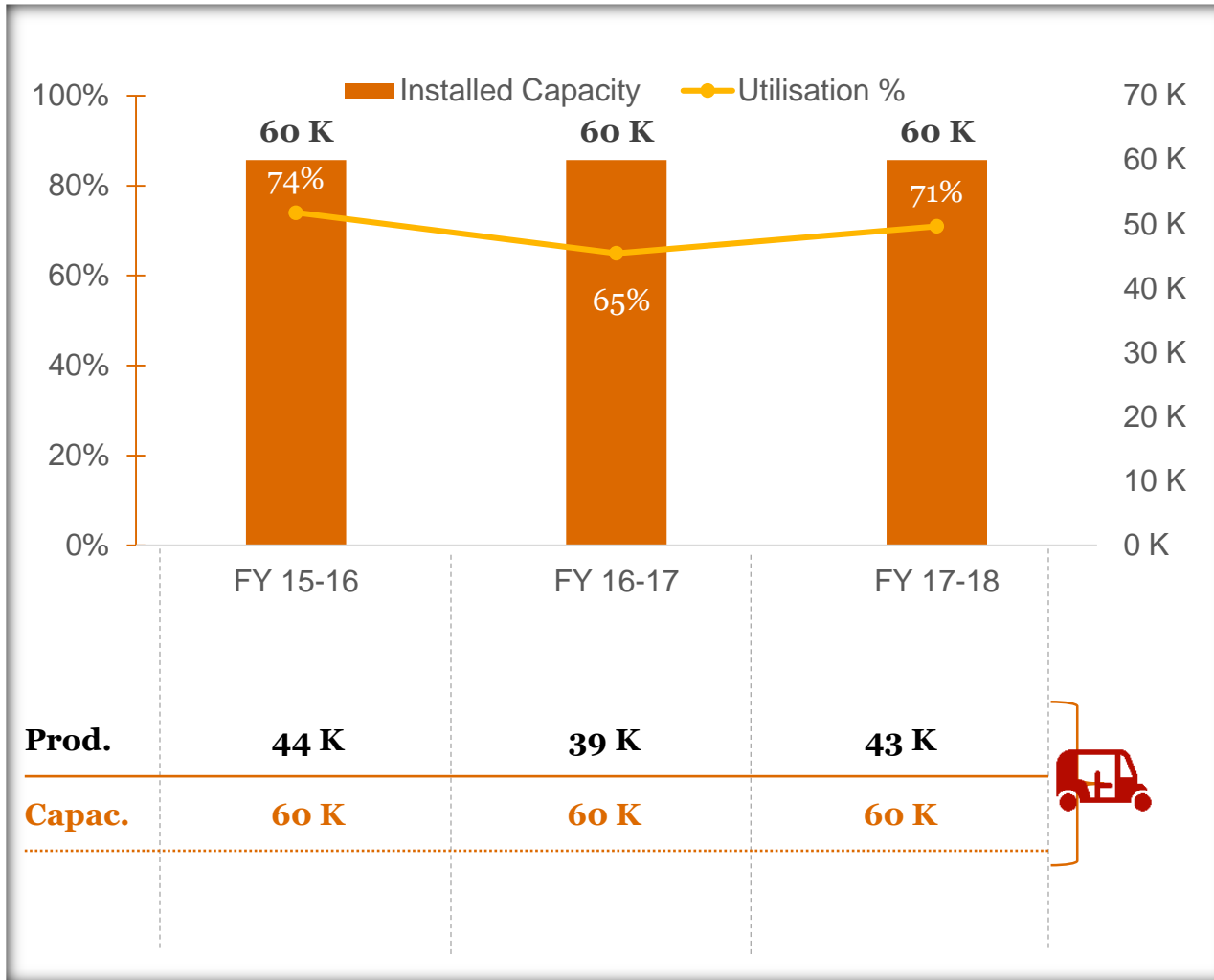


In FY 18

- Ashok Leyland's M & H C V sales grew 15.8% and LCV sales grew 37% over the previous year.
- Ashok Leyland also increased market share in FY18, especially in the Northern and Eastern States which can be attributed to higher adoption of digital solutions, namely the 'i-Alert' platform.

Atul Auto

Atul Auto



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

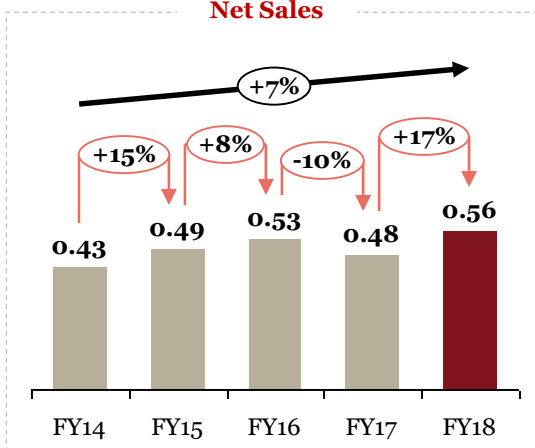
Atul Auto



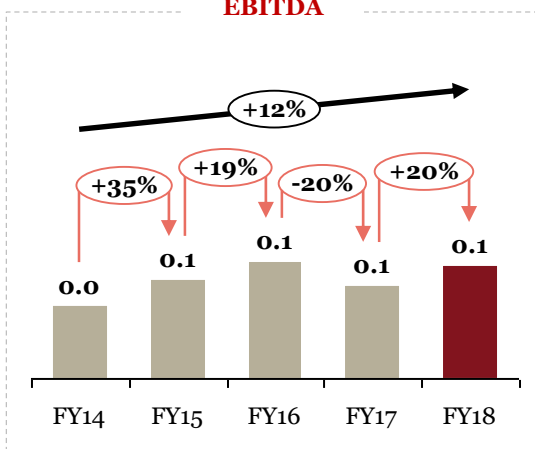
Trends in aggregates, profitability and costs

Aggregates (INR '000 Cr)

Net Sales

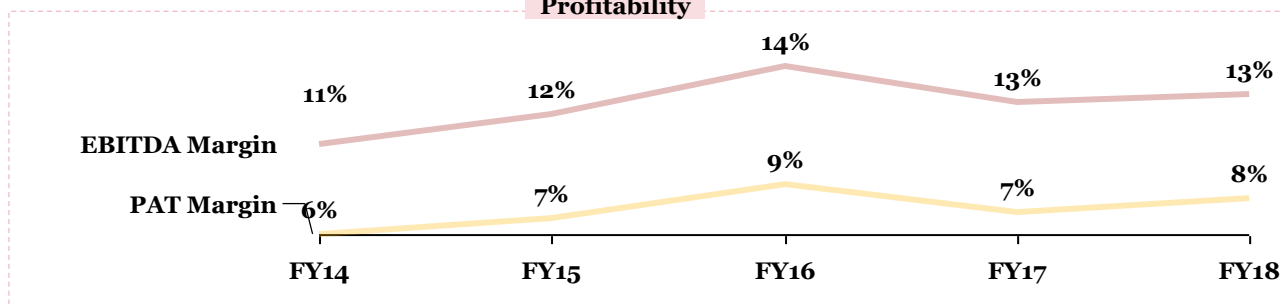


EBITDA

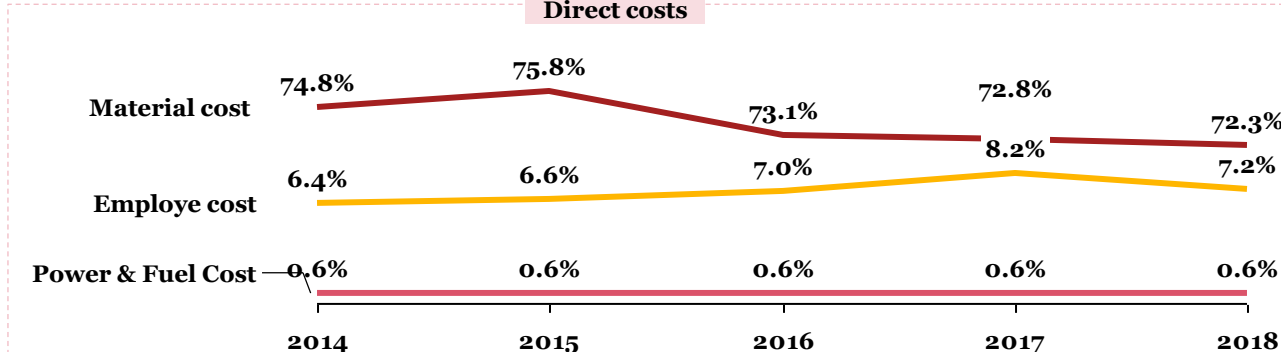


Margins (% of net sales)

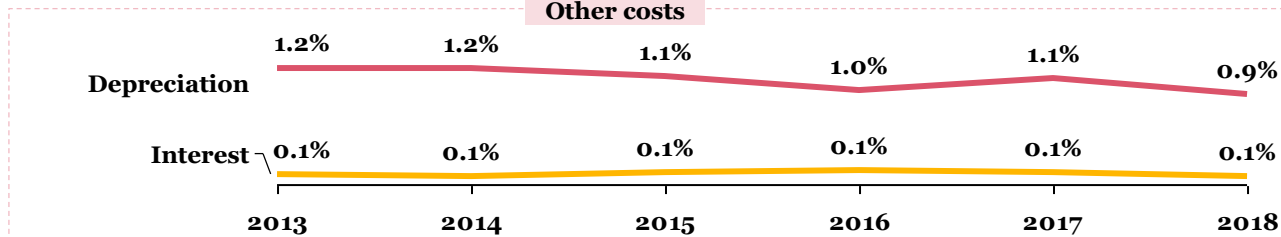
Profitability



Direct costs



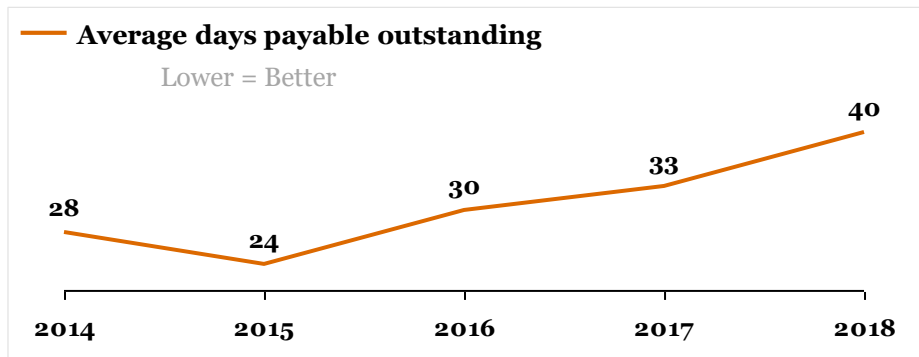
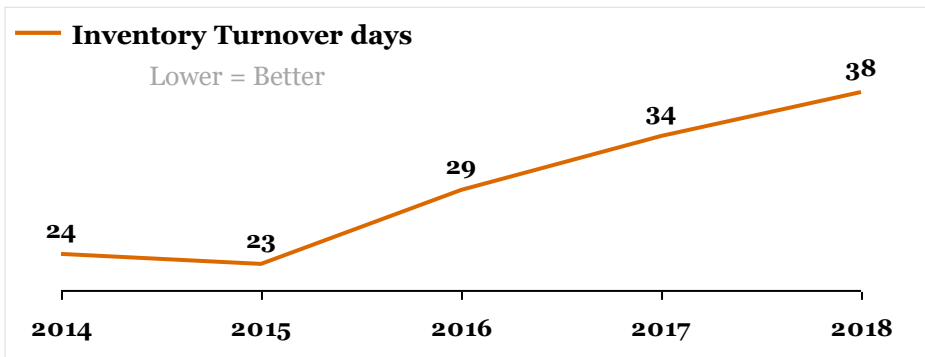
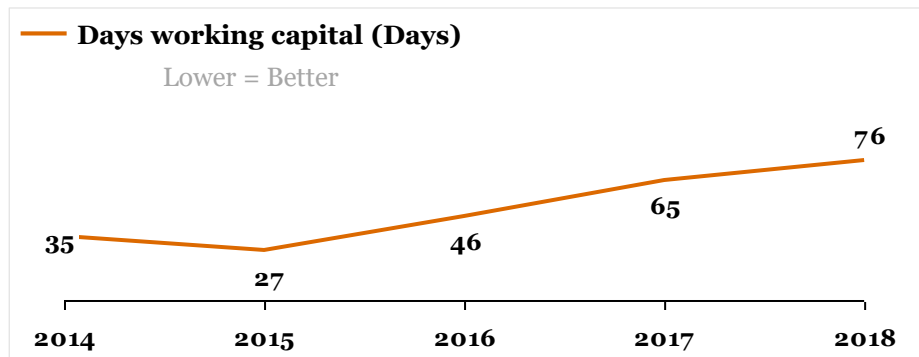
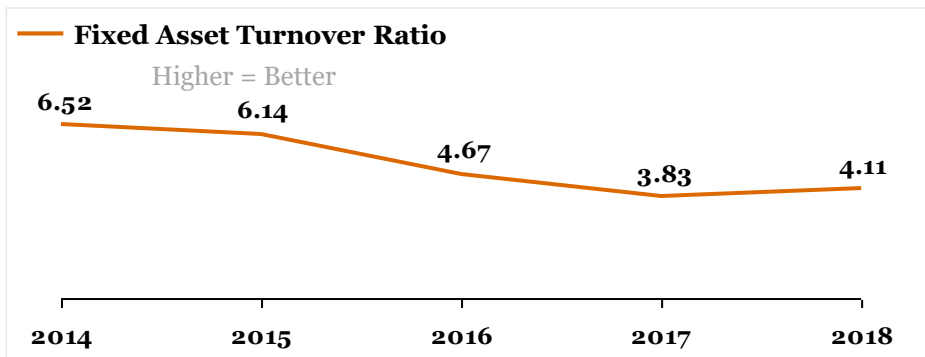
Other costs



Atul Auto



Trends in efficiency

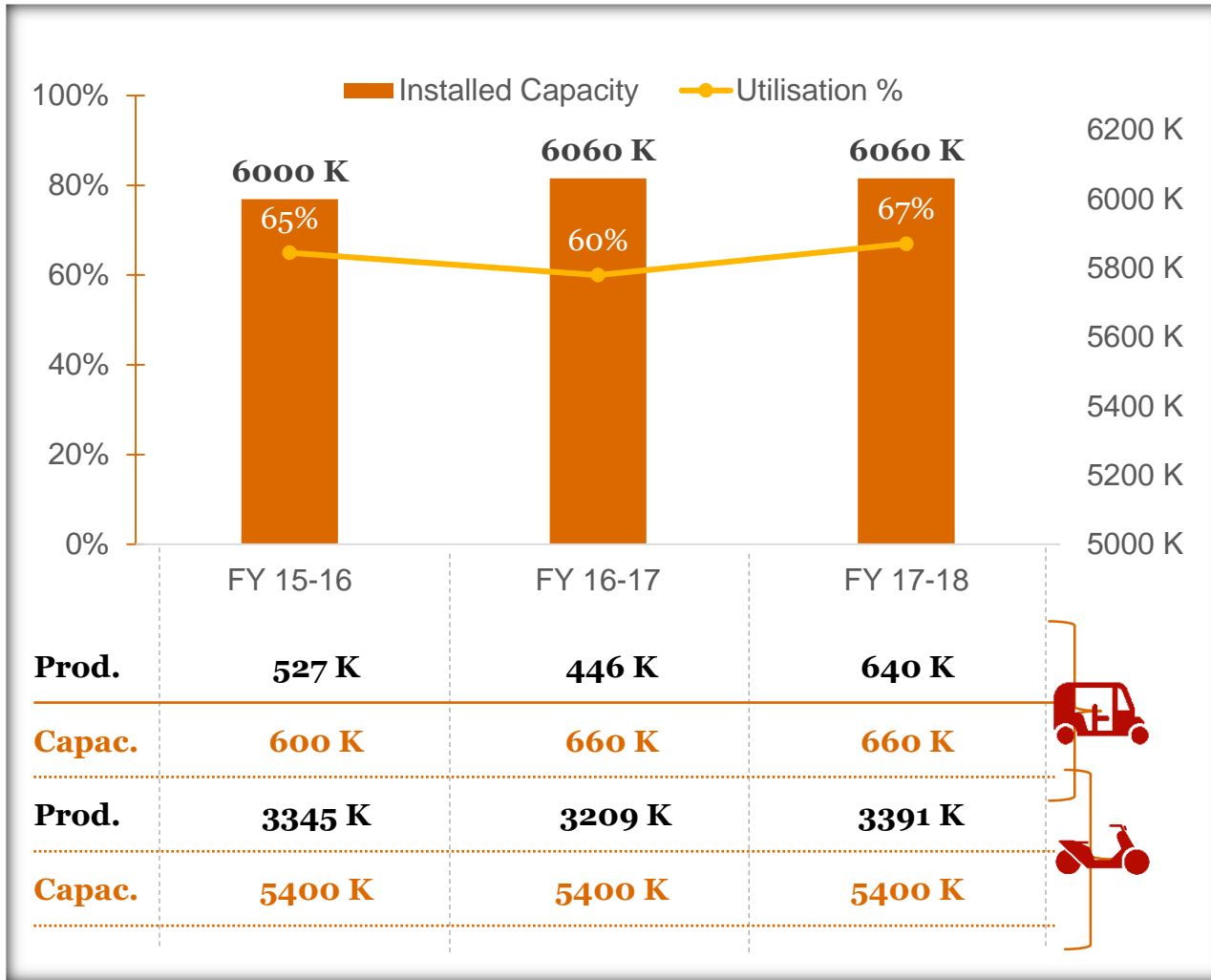


In FY 18

- 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 (40 days) among the 11 OEMs.
- At 76 days, Atul Auto has the highest days working capital among the 11 OEMs.

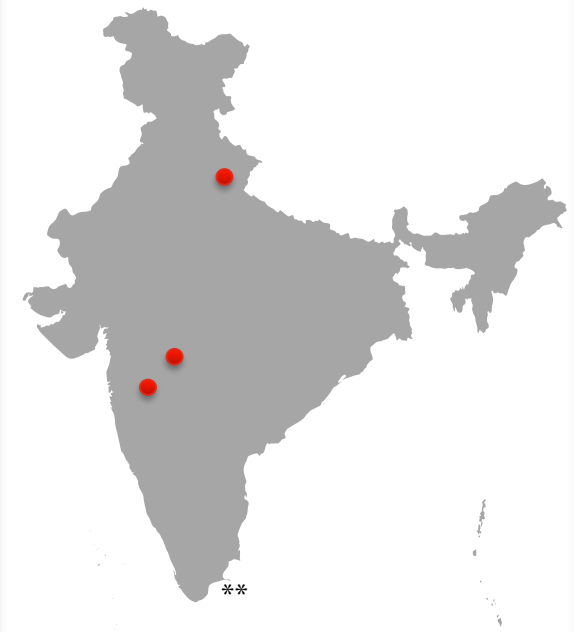
Bajaj Auto

Bajaj Auto



Manufacturing Sites in India

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



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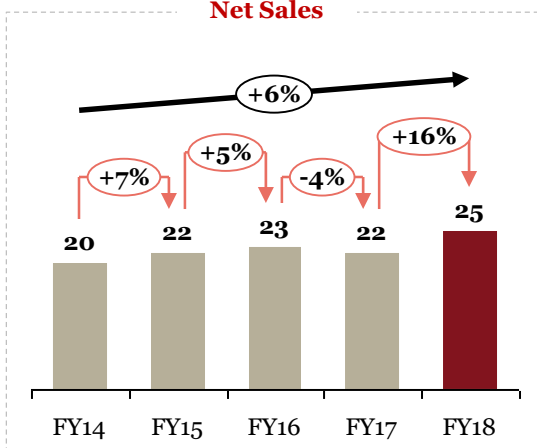
Bajaj Auto



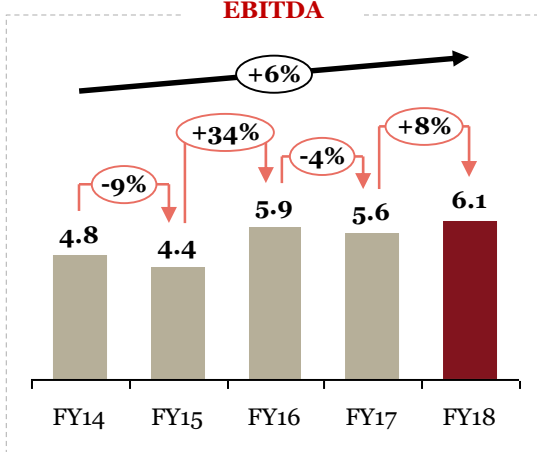
Trends in aggregates, profitability and costs

Aggregates (INR '000 Cr)

Net Sales

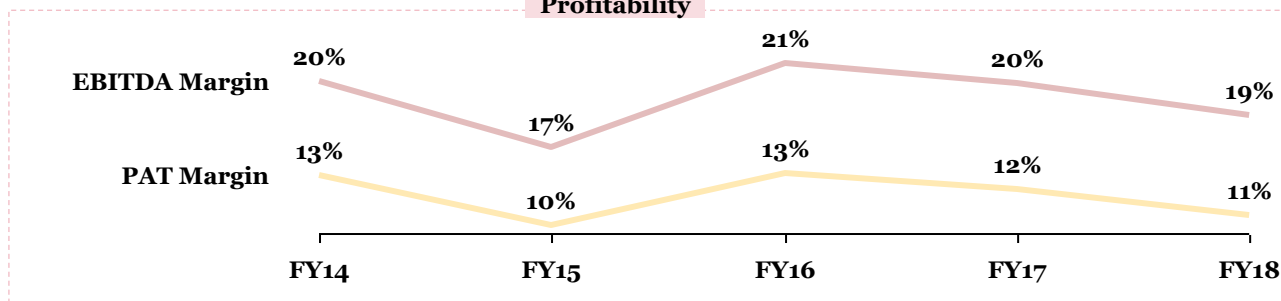


EBITDA

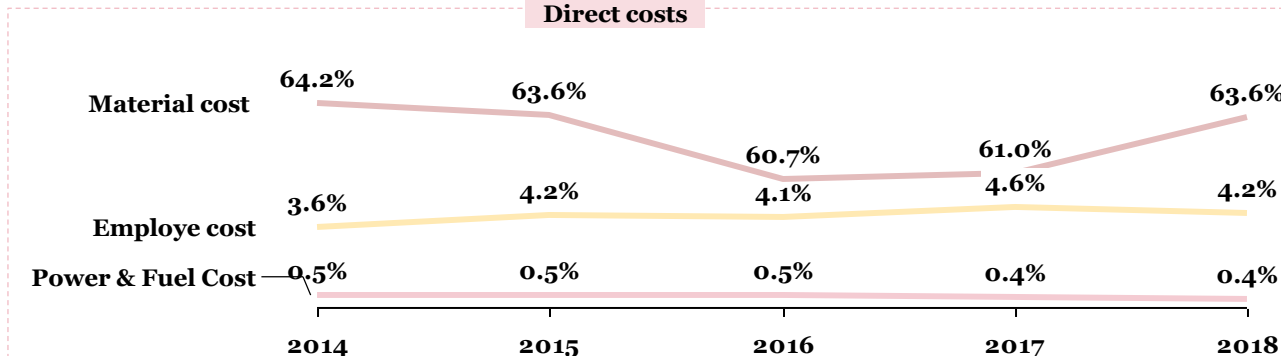


Margins (% of net sales)

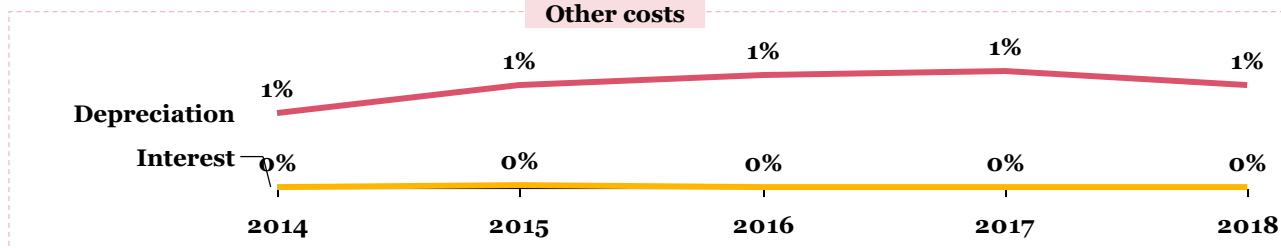
Profitability



Direct costs



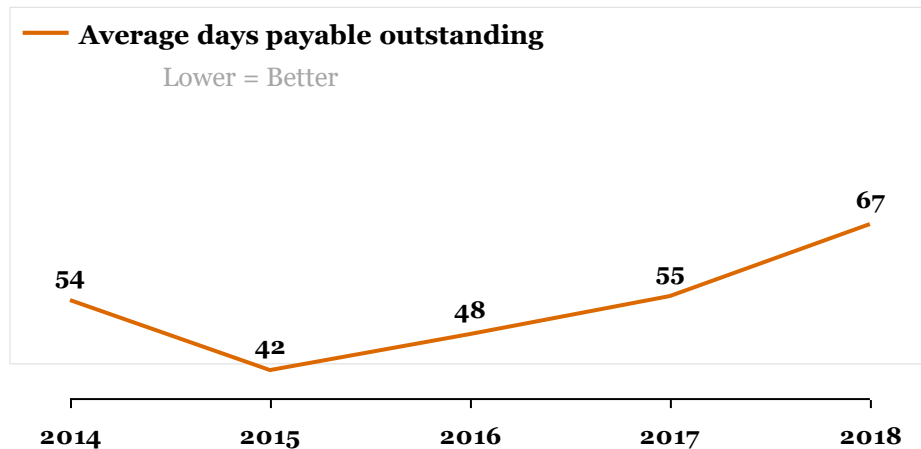
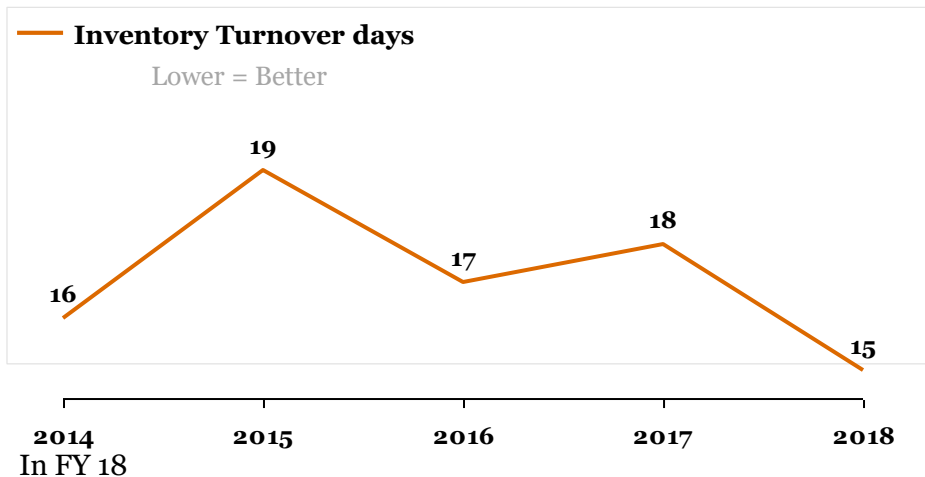
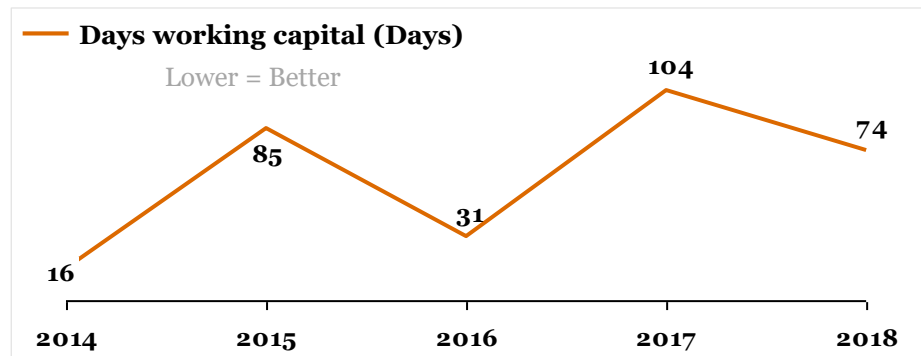
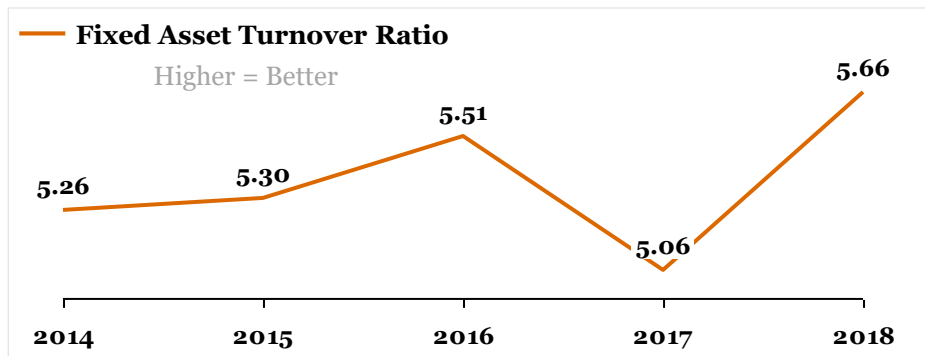
Other costs



Bajaj Auto



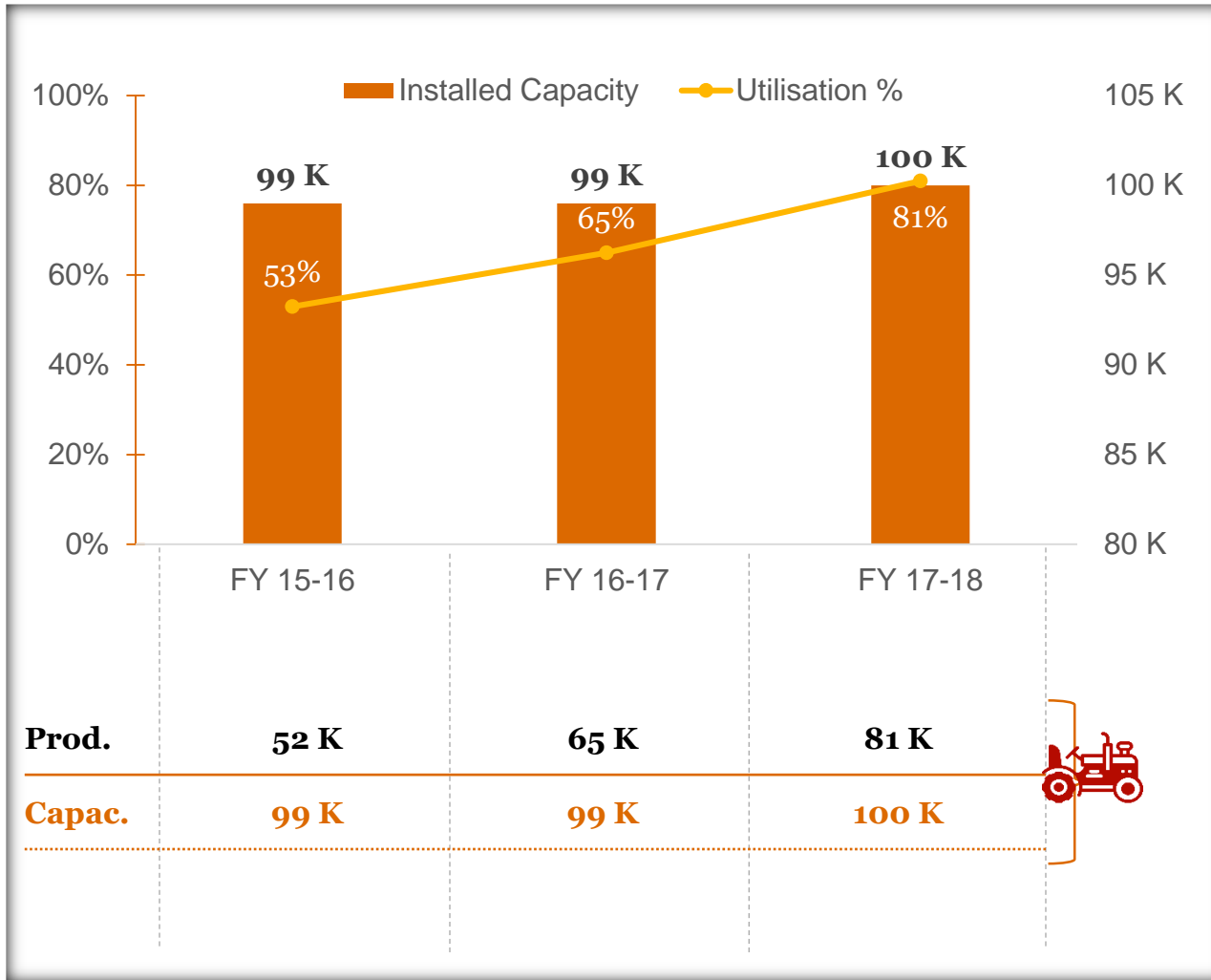
Trends in efficiency



- Net sales at INR 24,700 cr, is the company's highest ever annual sales recorded.
- Among all 11 OEMs studied as part of this report, Bajaj enjoys the highest profit margins (EBIT %, EBITDA %, PAT %).
- Days working capital has reduced by 29% over the previous year.

Escorts

Escorts



Manufacturing Sites in India

Faridabad-HR

Rudrapur-UK



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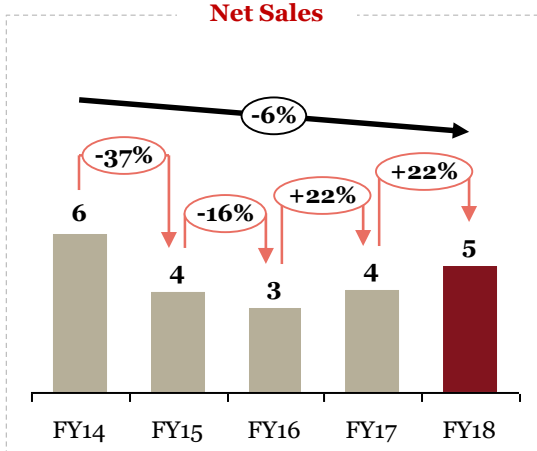
Escorts



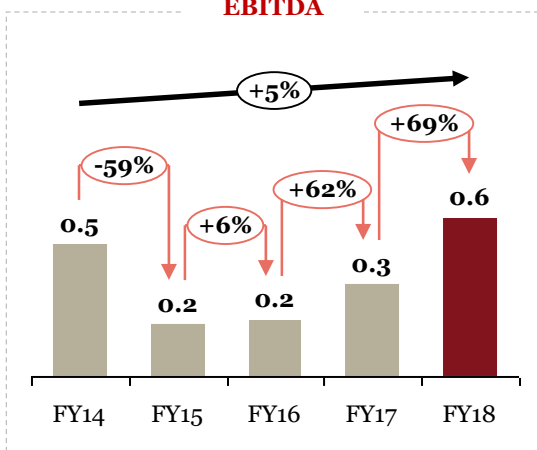
Trends in aggregates, profitability and costs

Aggregates (INR '000 Cr)

Net Sales

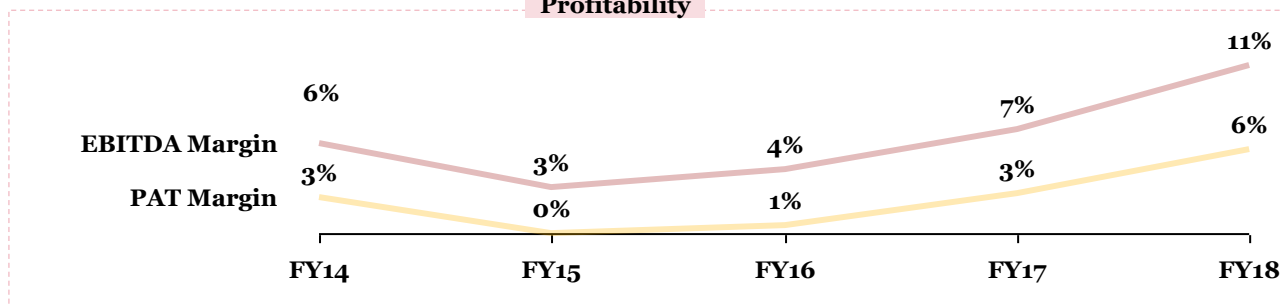


EBITDA

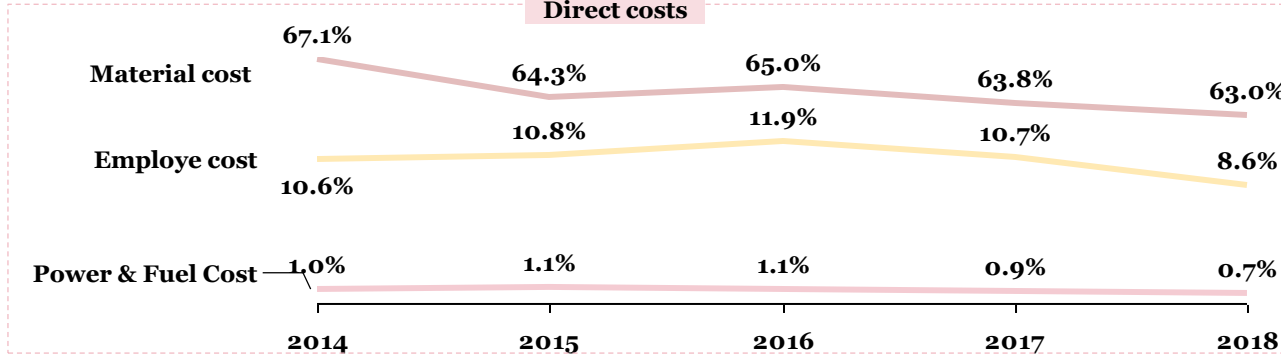


Margins (% of net sales)

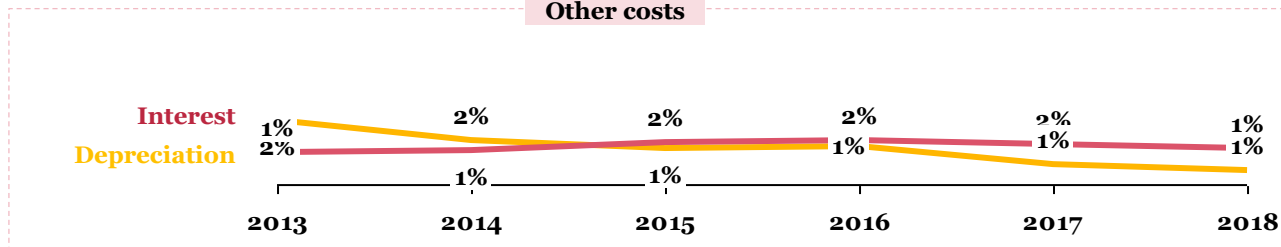
Profitability



Direct costs



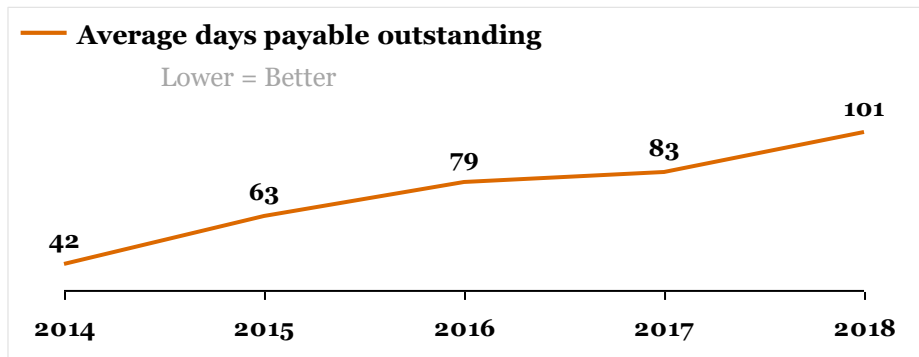
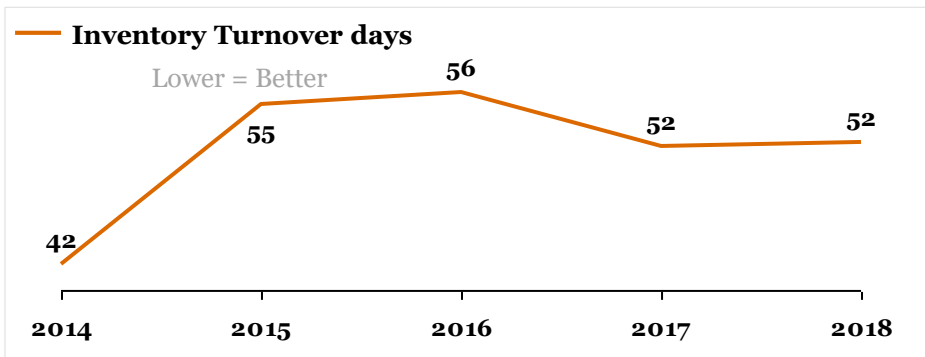
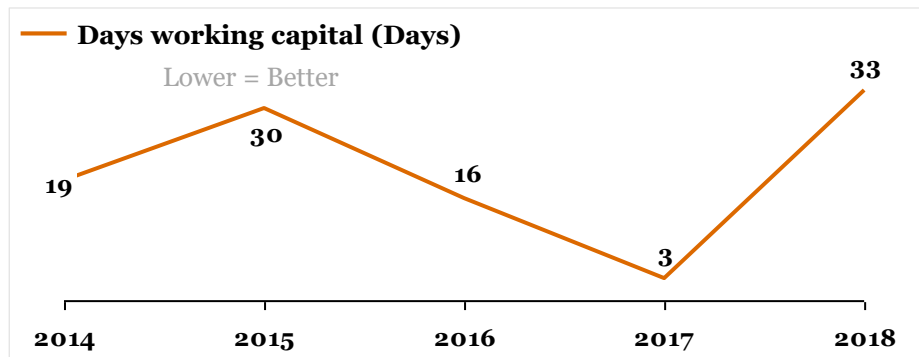
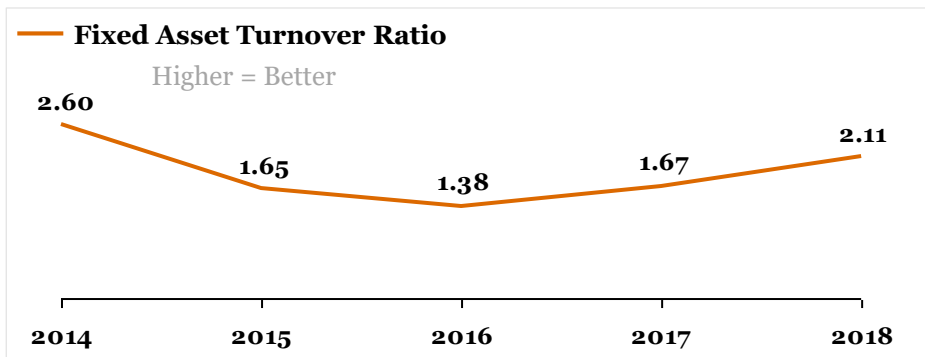
Other costs



Escorts



Trends in efficiency

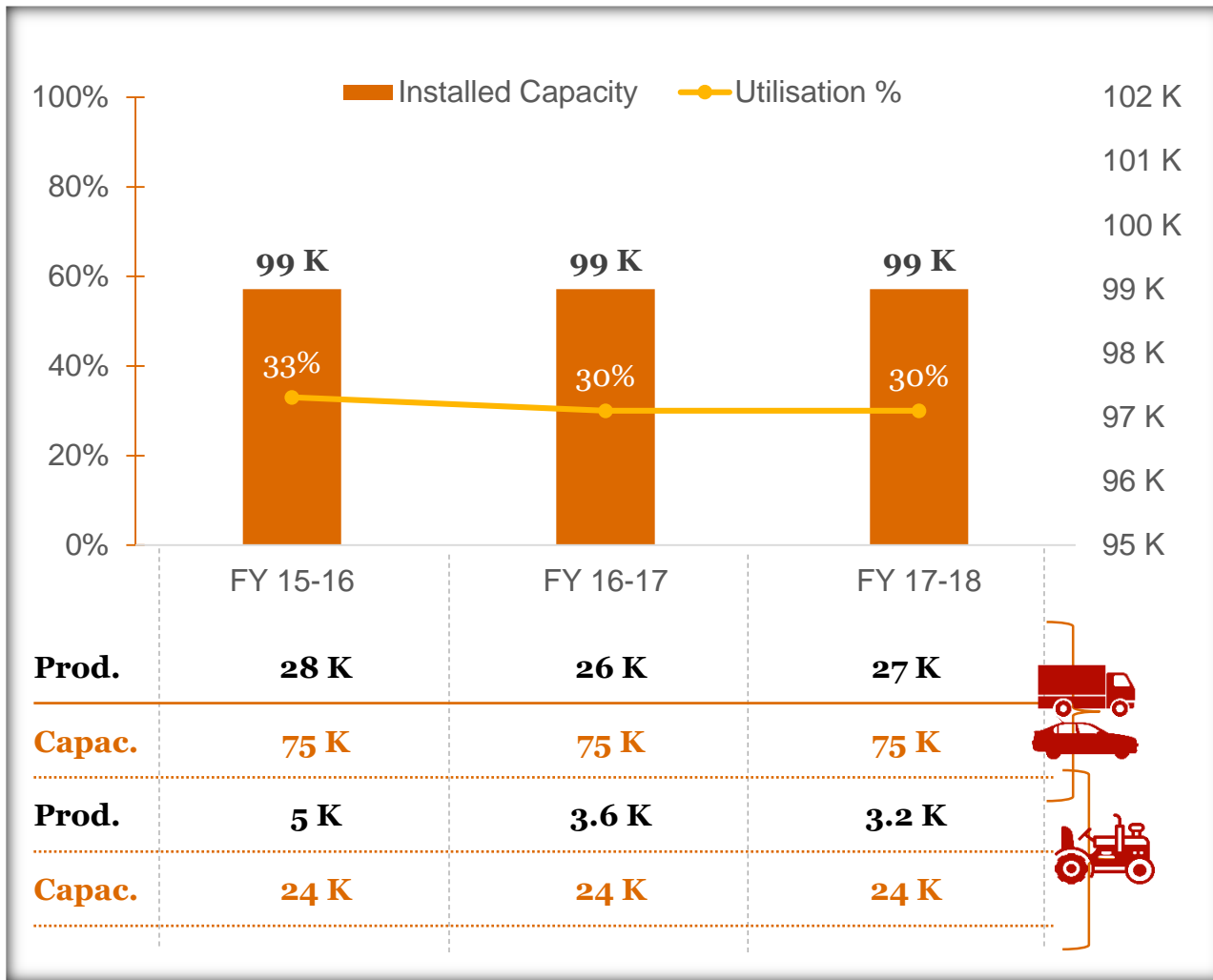


In FY 18

- 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 one of the highest Average Days Payables Outstanding at 100.8 days. M&M was the only OEM which was higher at 105 days.

Force Motors

Force Motors

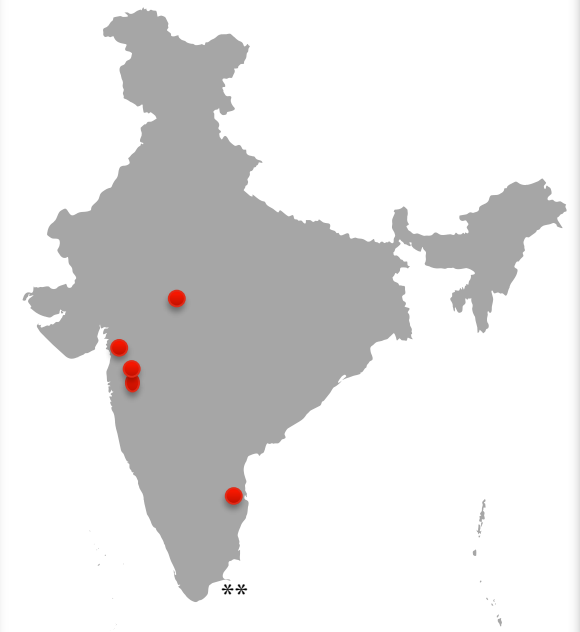


Manufacturing Sites in India

- Pune-MH** **Pithampur-MP**

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

- Chakan-MH**



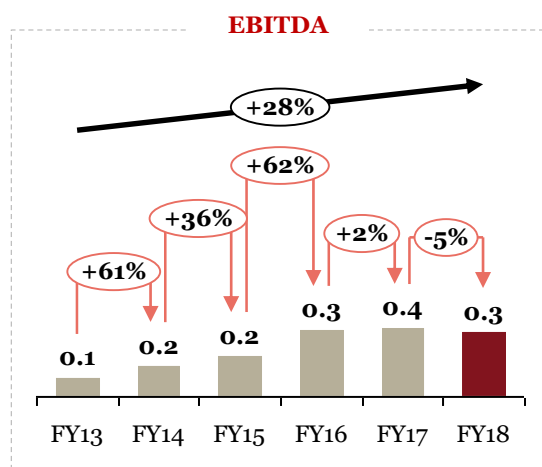
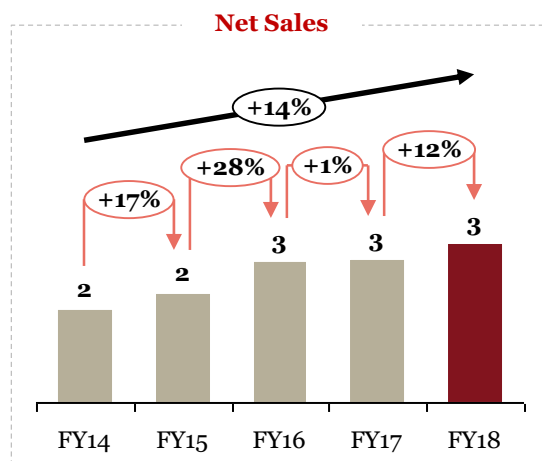
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Force Motors

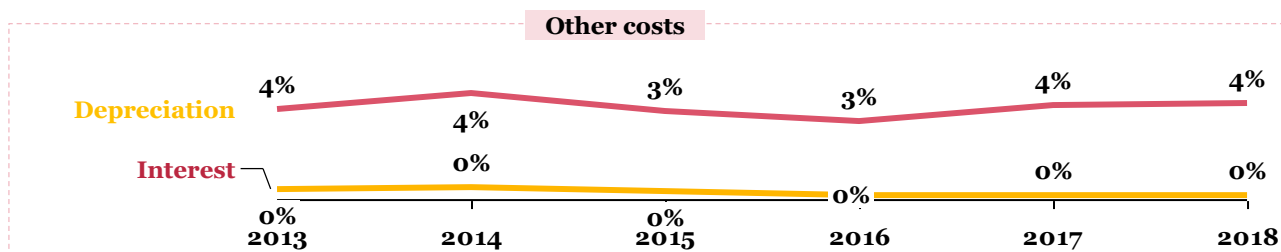
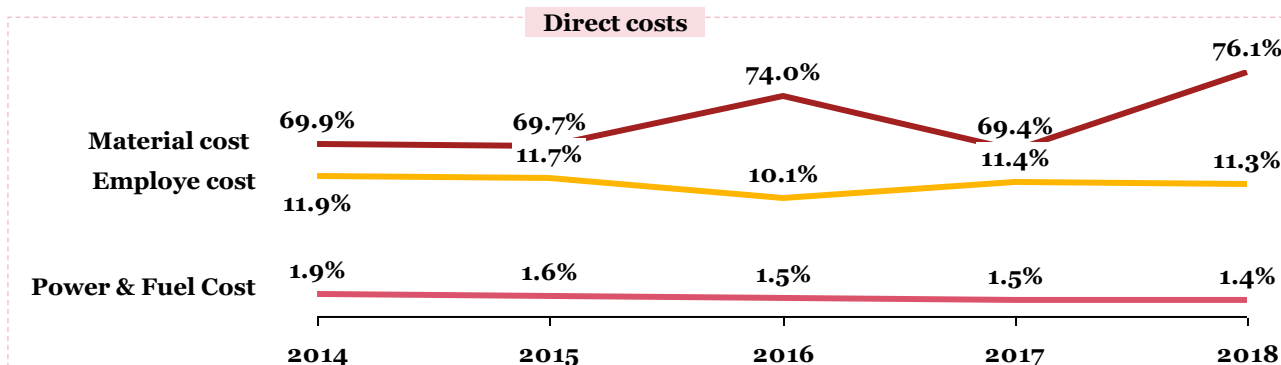
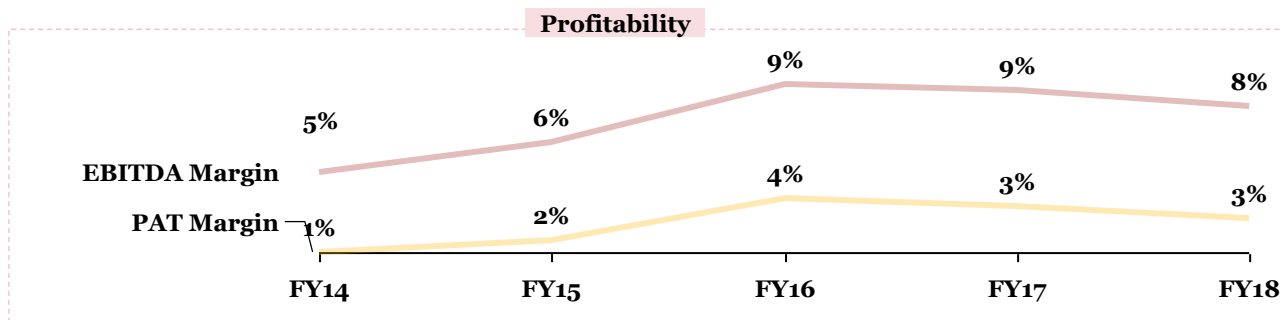


Trends in aggregates, profitability and costs

Aggregates (INR '000 Cr)



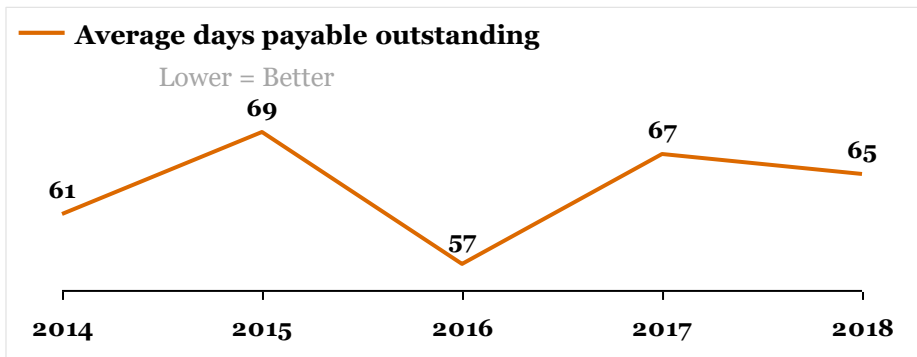
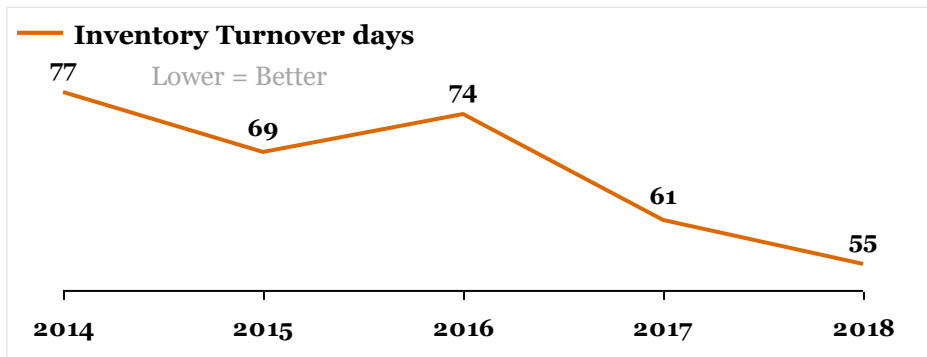
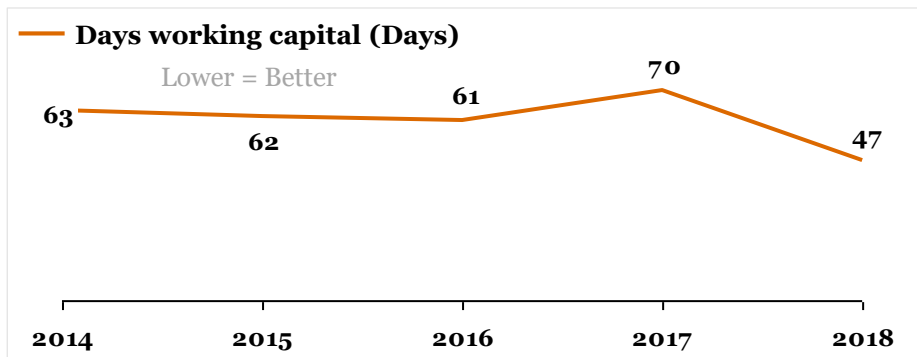
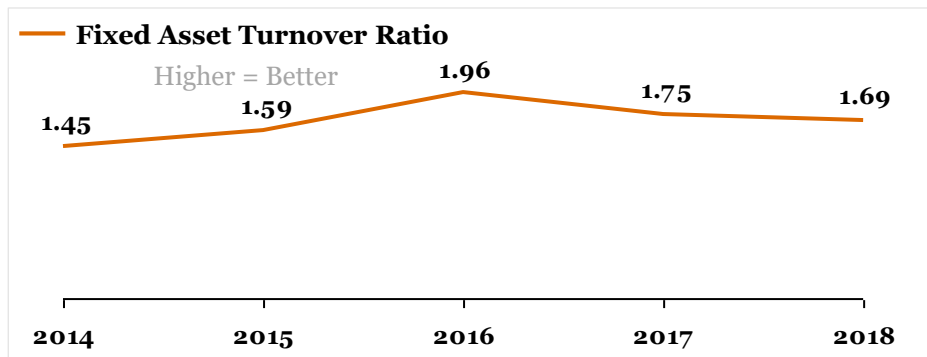
Margins (% of net sales)



Force Motors



Trends in efficiency

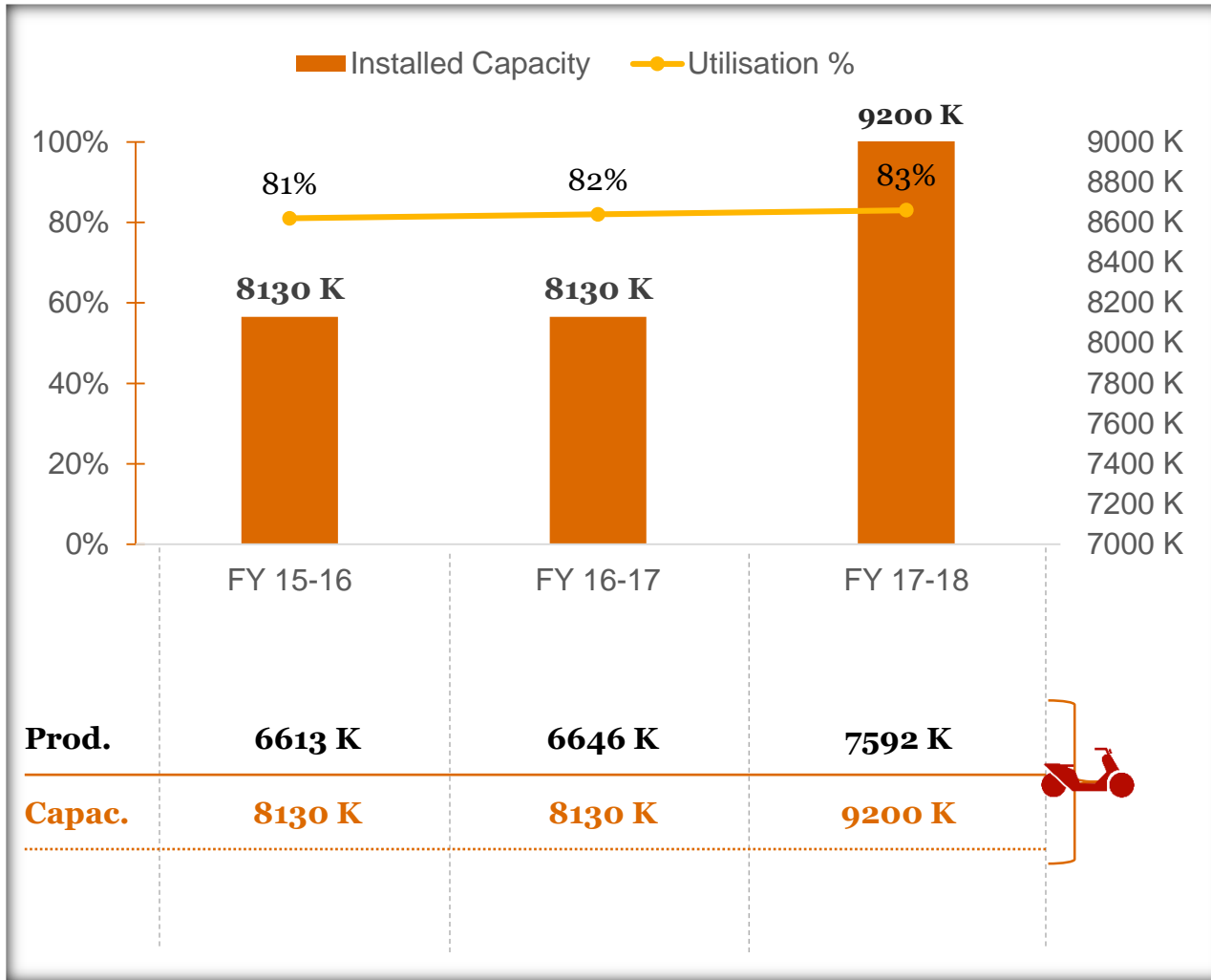


In FY 18

- The OEM experienced highest raw material cost (as % of net sales) across all 11 OEMs studied as part of this study (at 76% for FY18).
- It also experienced one of the highest employee cost (as % of net sales) across all 11 OEMs studied as part of this study at 11%. SML Isuzu was the only OEM which was higher at 13%.

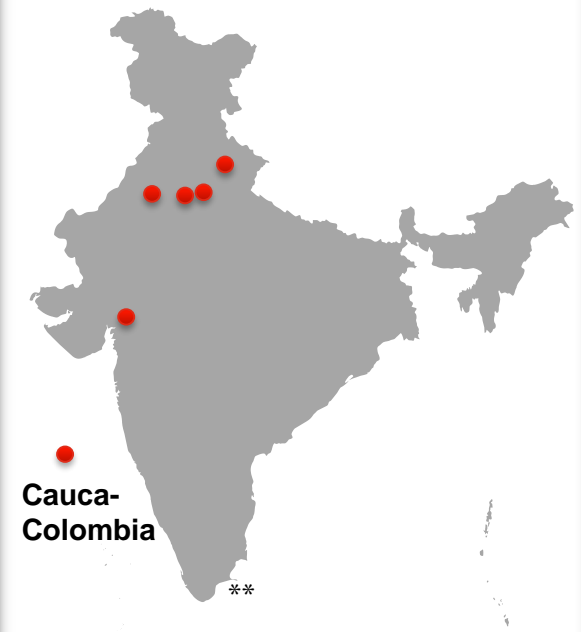
Hero Motocorp

Hero MotoCorp



Manufacturing Sites in India

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



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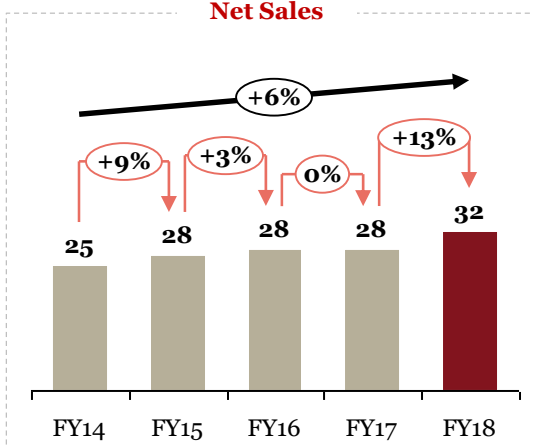
Hero Motocorp



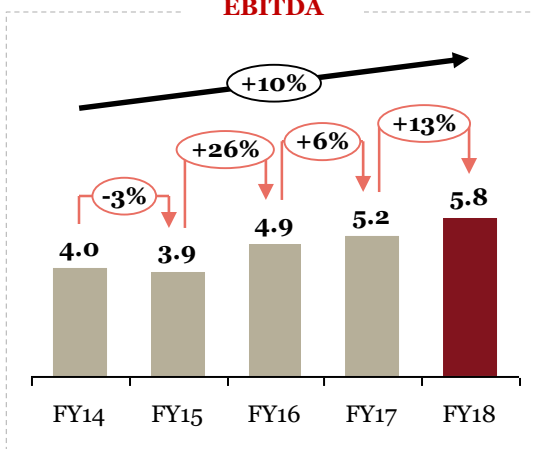
Trends in aggregates, profitability and costs

Aggregates (INR '000 Cr)

Net Sales

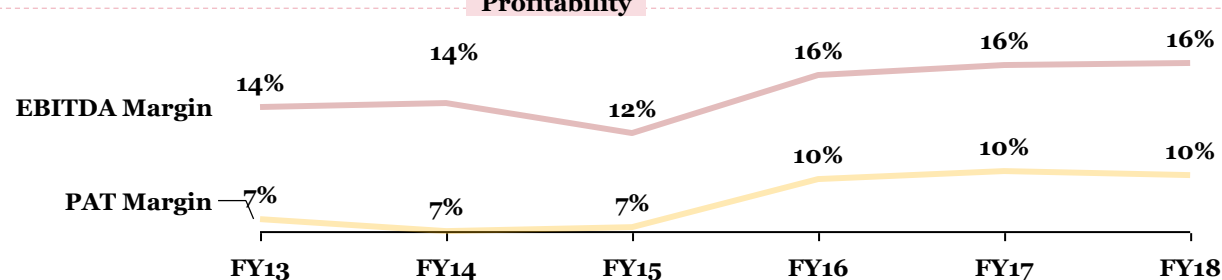


EBITDA

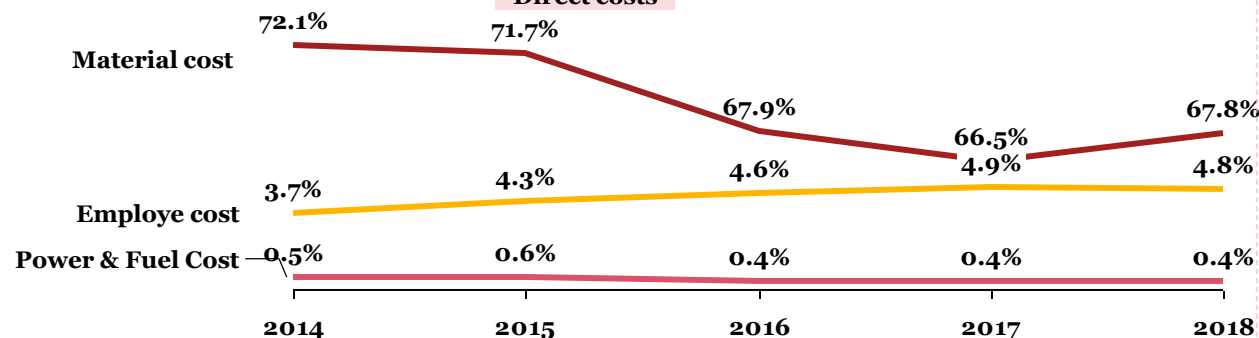


Margins (% of net sales)

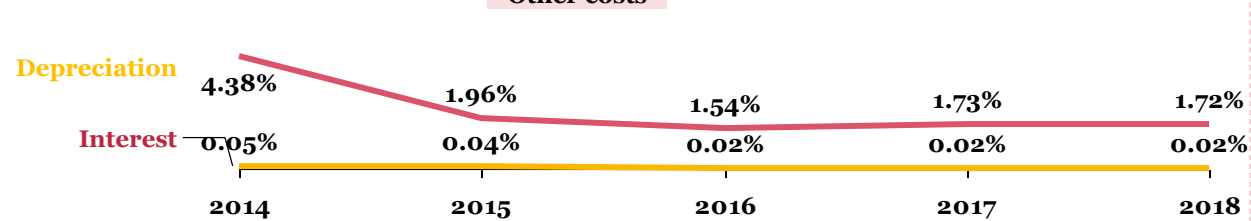
Profitability



Direct costs



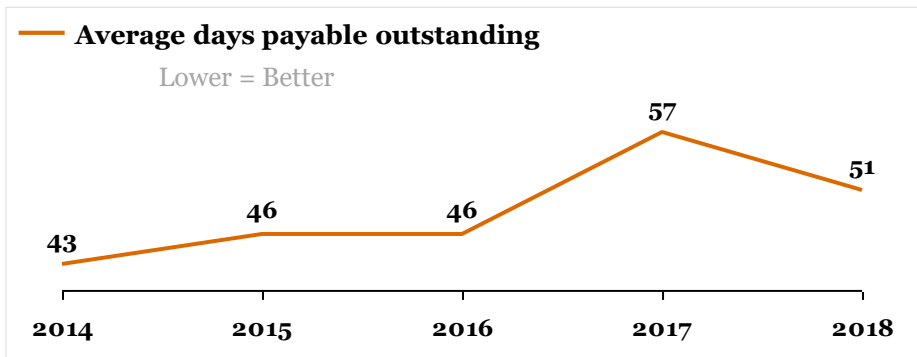
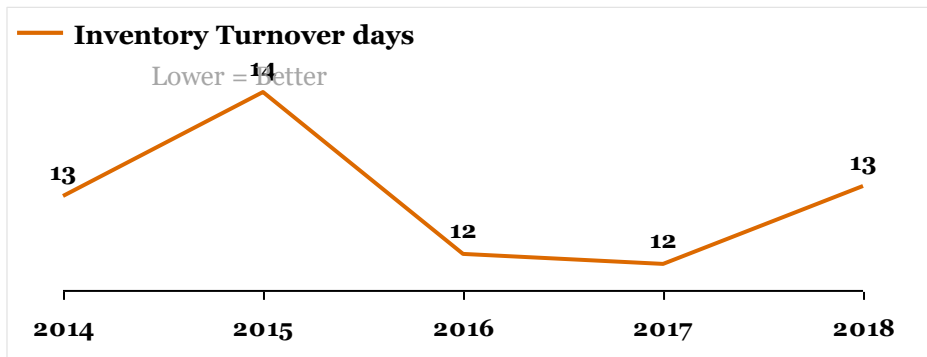
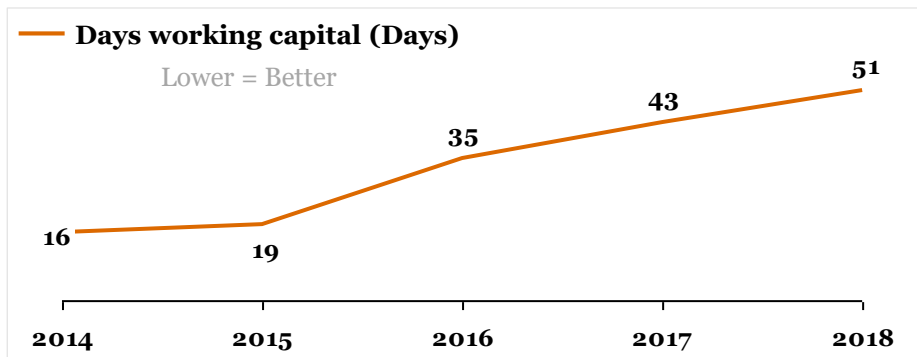
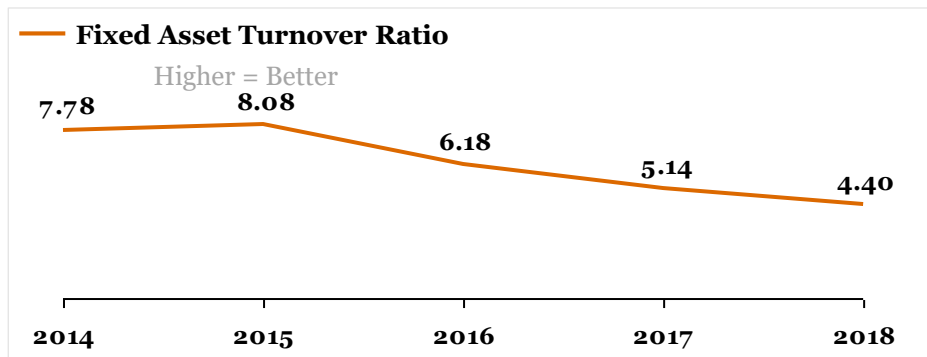
Other costs



Hero Motocorp



Trends in efficiency

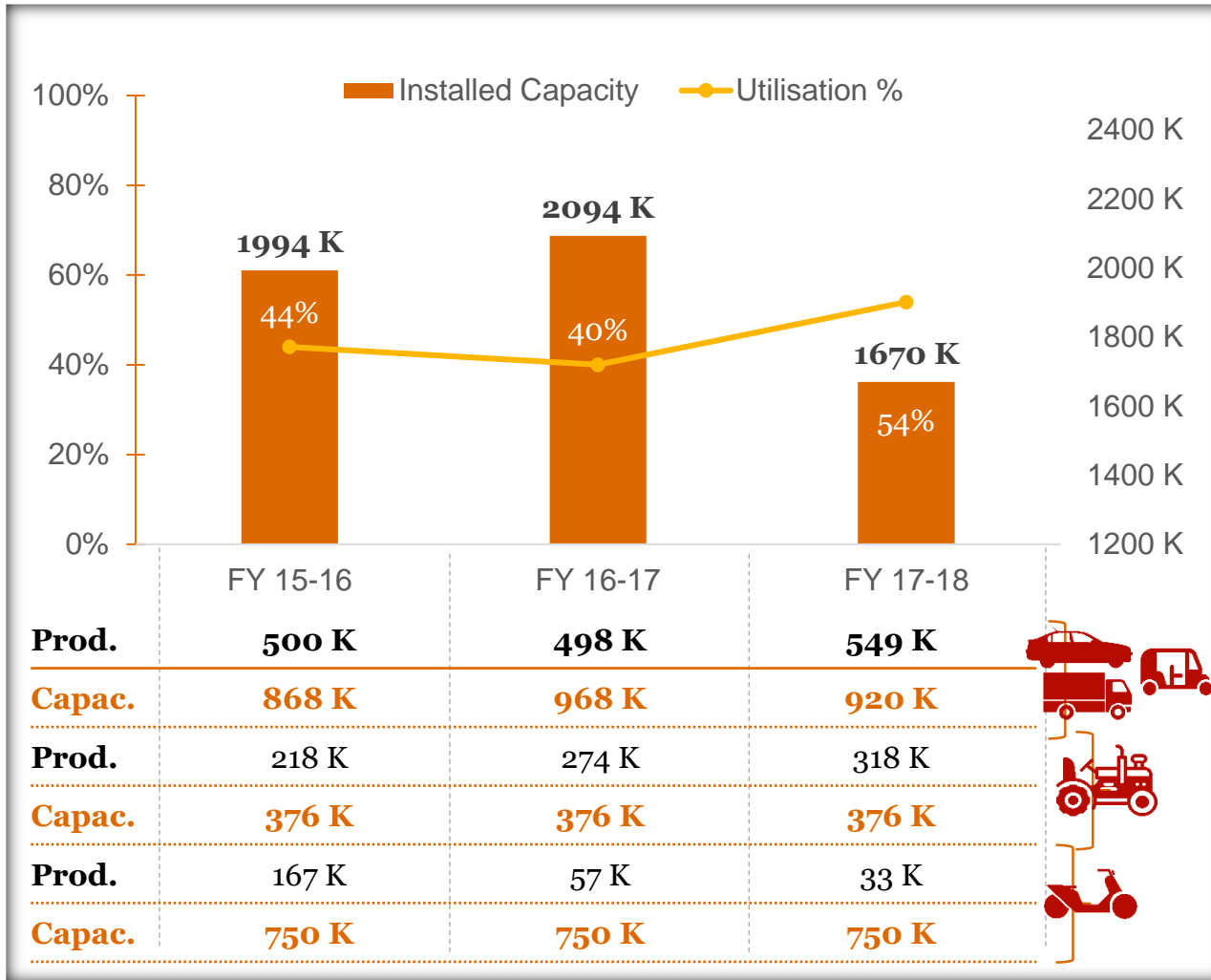


In FY 18

- 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 12.6 for FY18.
- It also had one of the lowest average days payable outstanding at 50.9 days, bettered only by Atul Auto at 40 days.

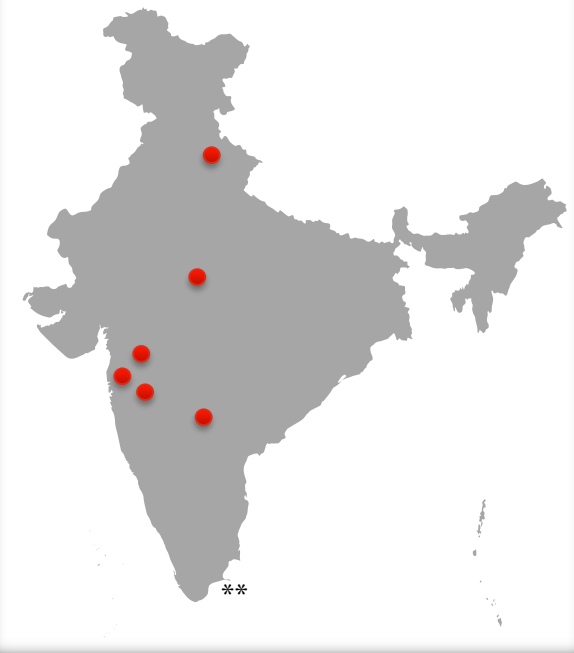
Mahindra and Mahindra

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.

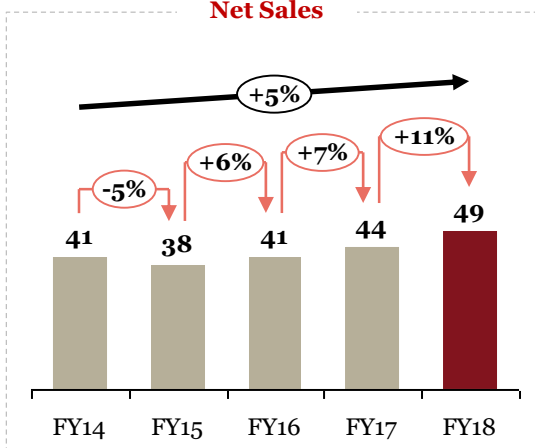
Mahindra and Mahindra



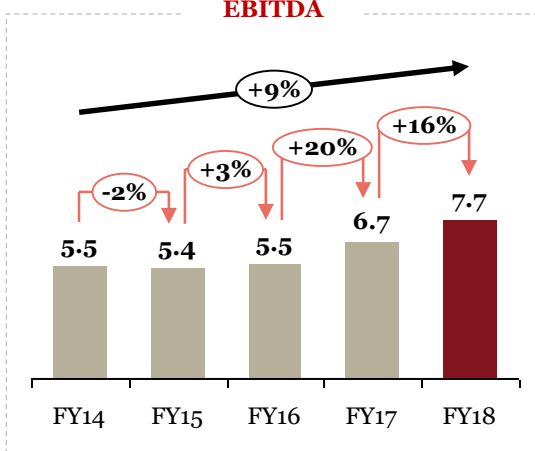
Trends in aggregates, profitability and costs

Aggregates (INR '000 Cr)

Net Sales

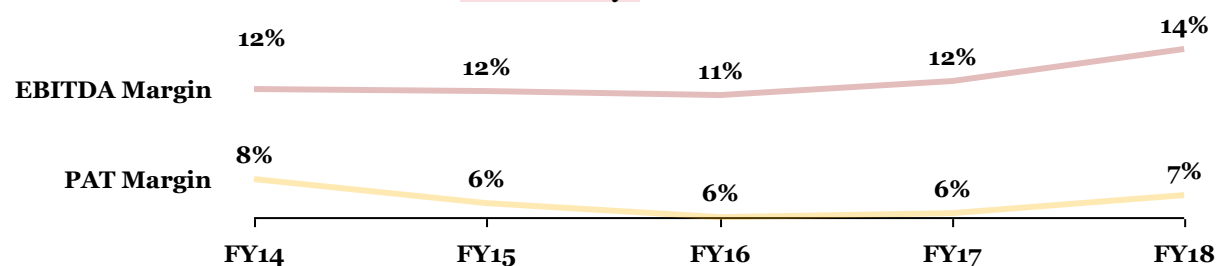


EBITDA

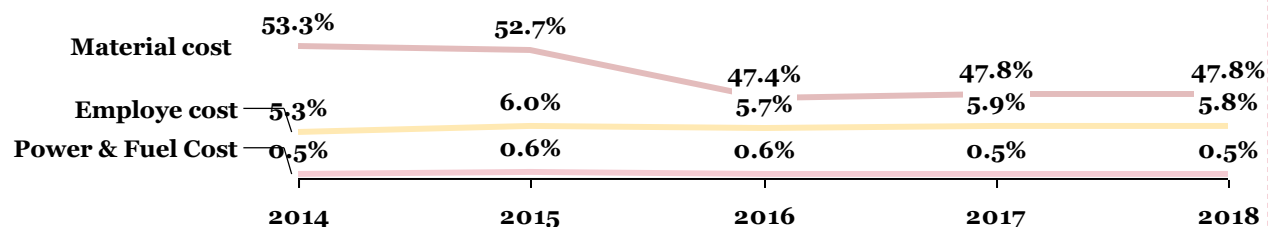


Margins (% of net sales)

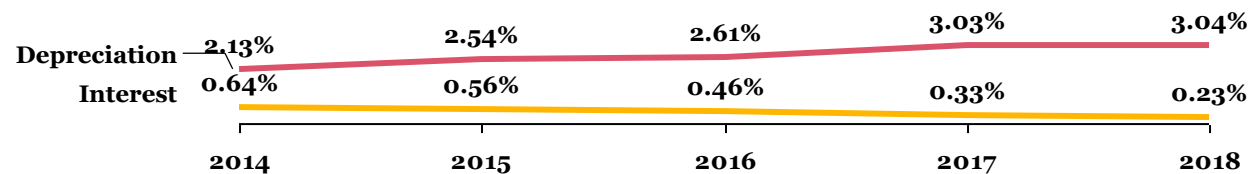
Profitability



Direct costs



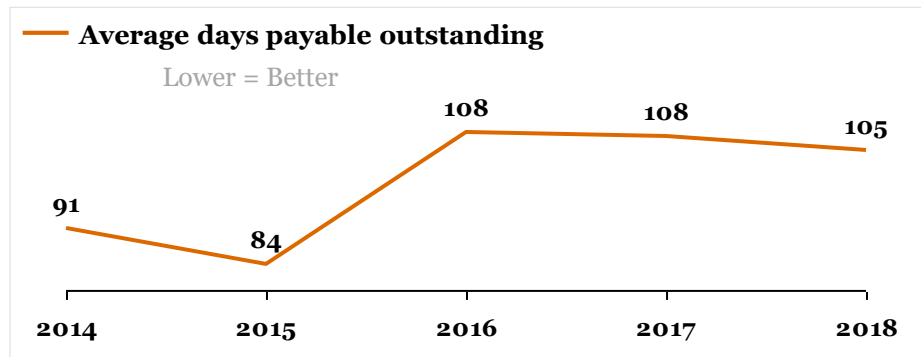
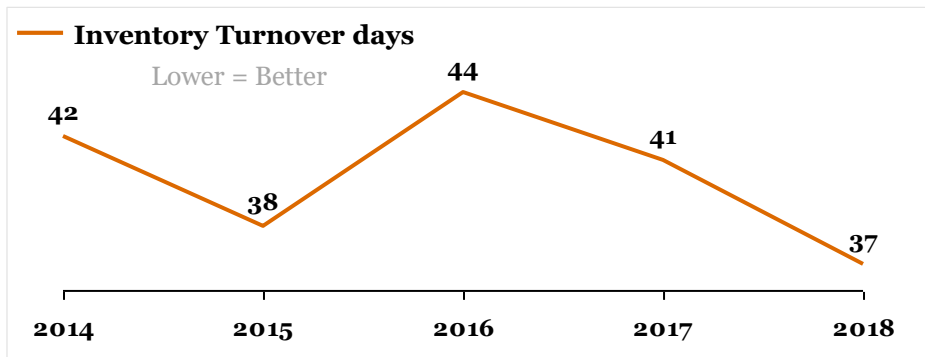
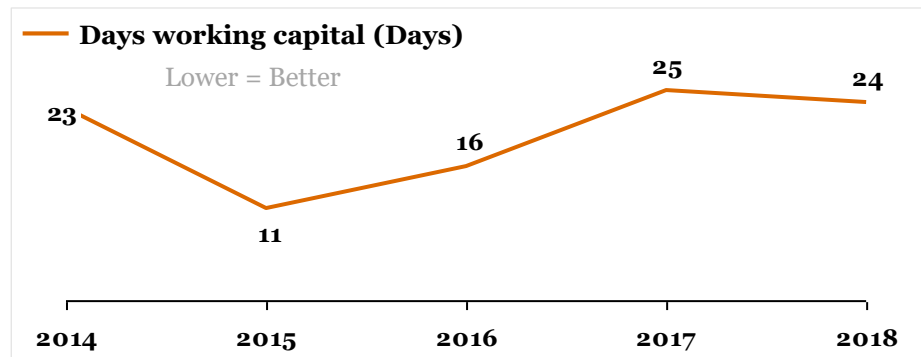
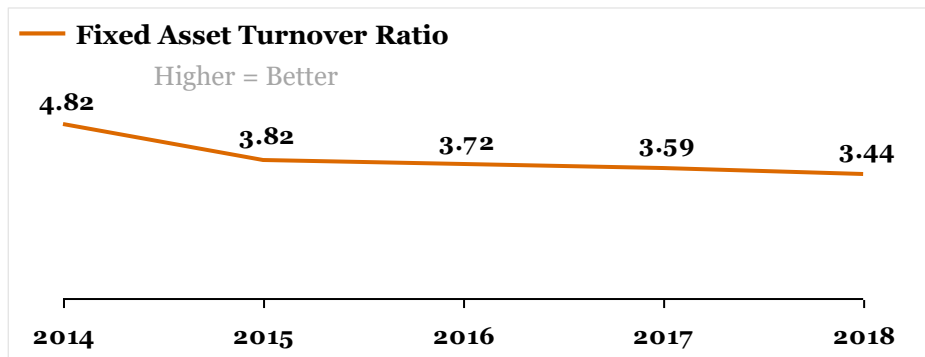
Other costs



Mahindra and Mahindra



Trends in efficiency

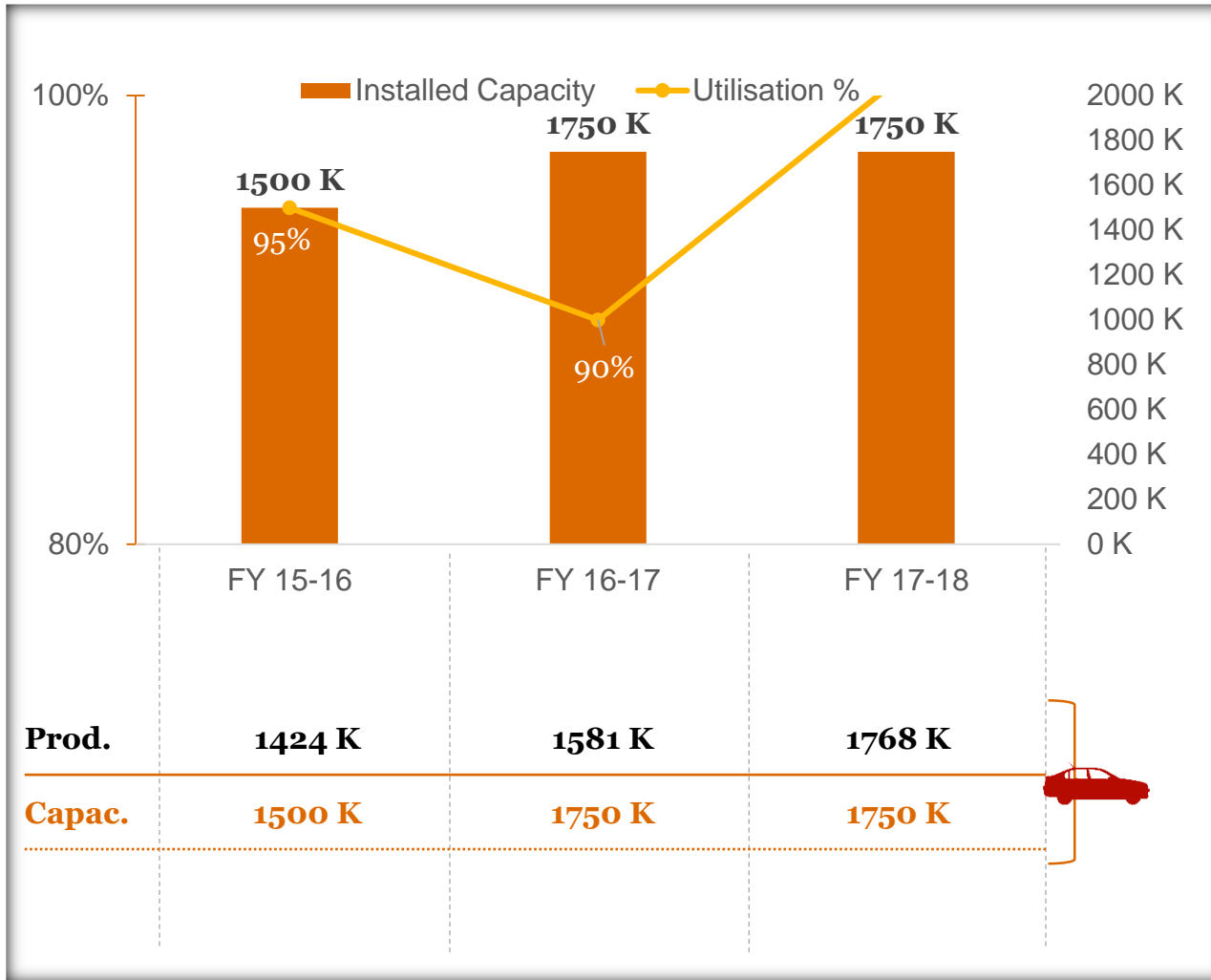


In FY 18

- 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 highest average days payable outstanding at 105 days.
- It also had the lowest raw material as % of net sales at 48% of net sales.

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.

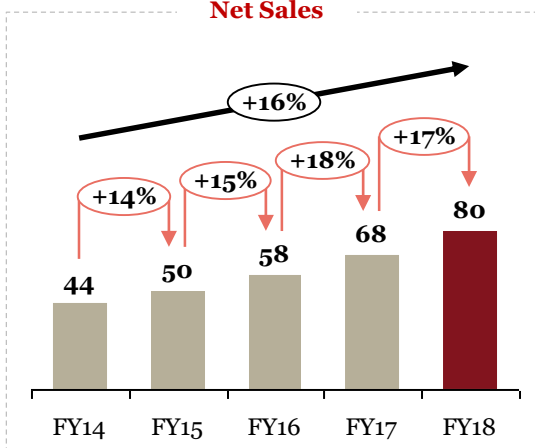
Maruti Suzuki



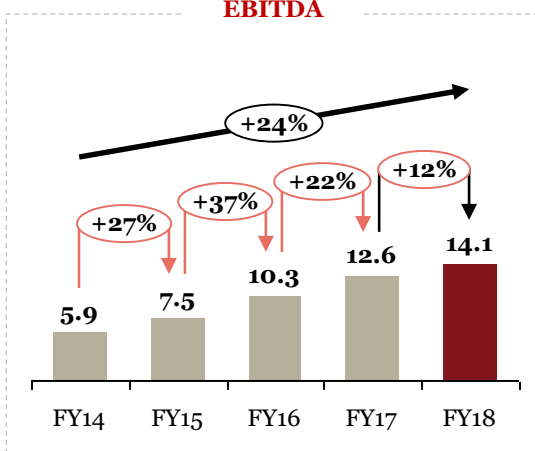
Trends in aggregates, profitability and costs

Aggregates (INR '000 Cr)

Net Sales

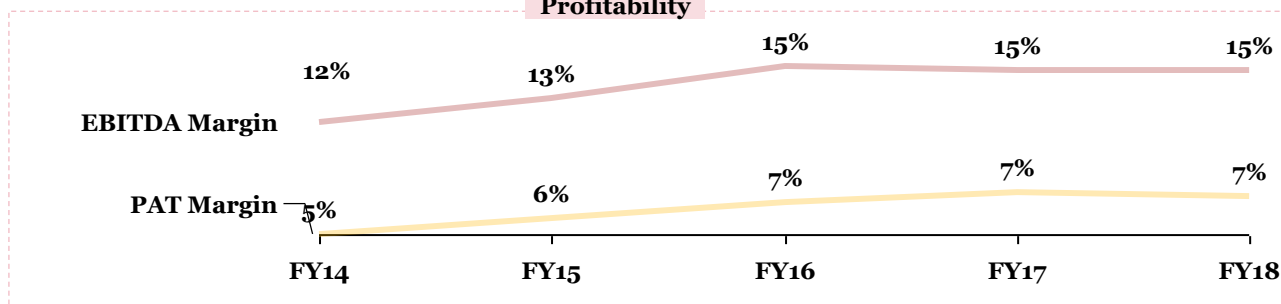


EBITDA

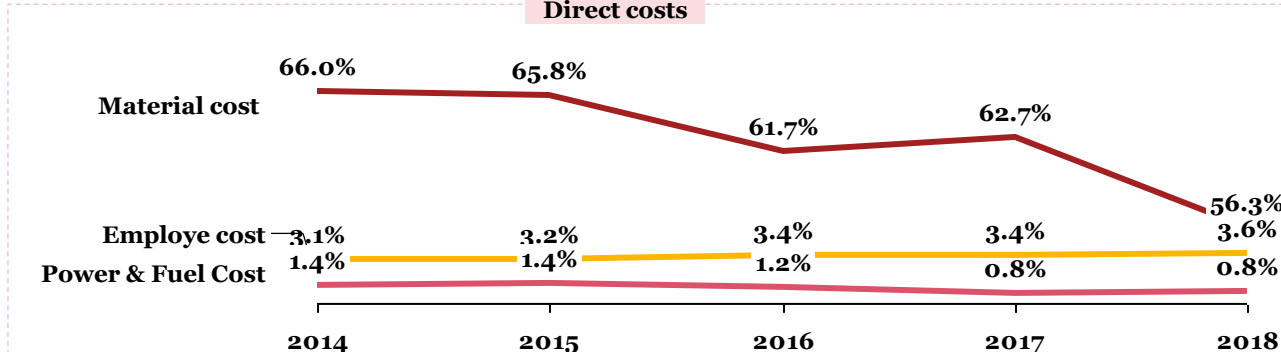


Margins (% of net sales)

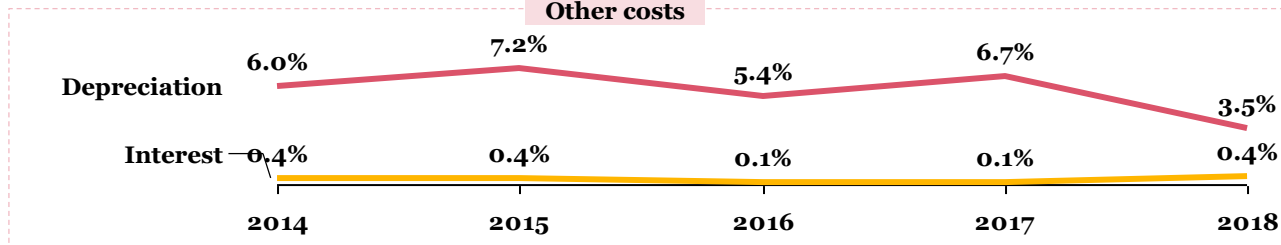
Profitability



Direct costs



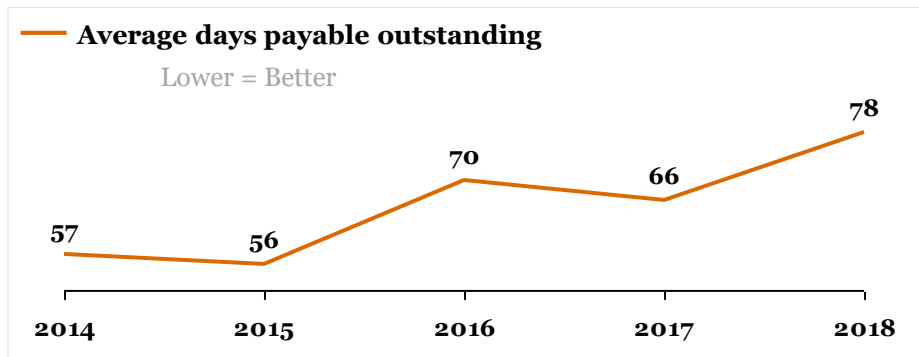
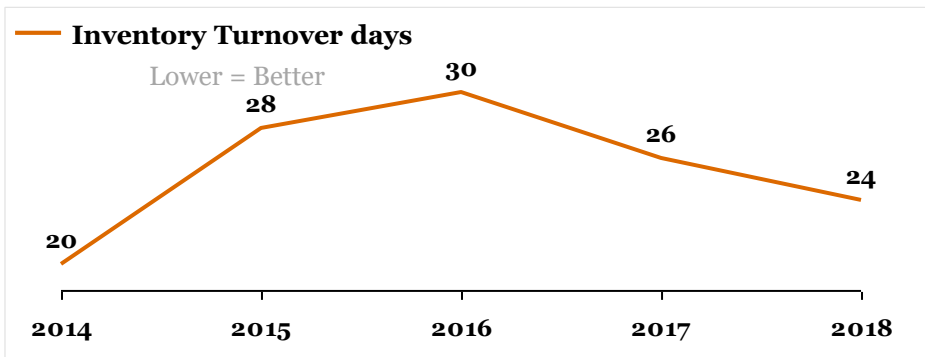
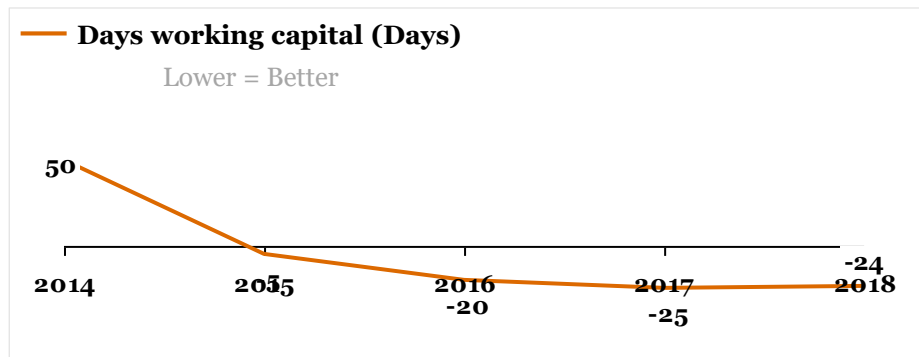
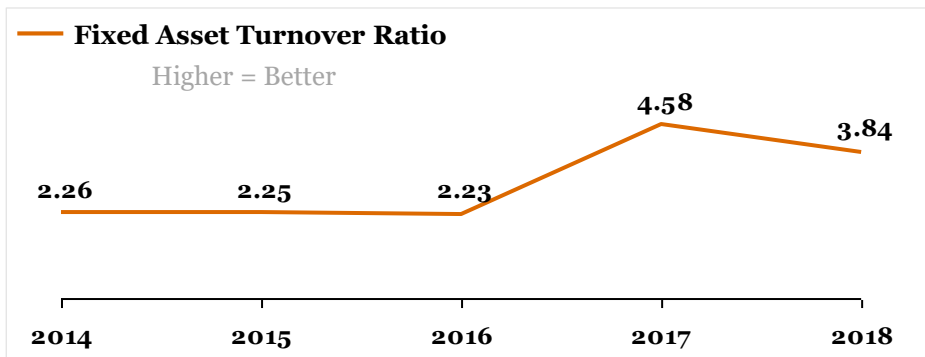
Other costs



Maruti Suzuki



Trends in efficiency

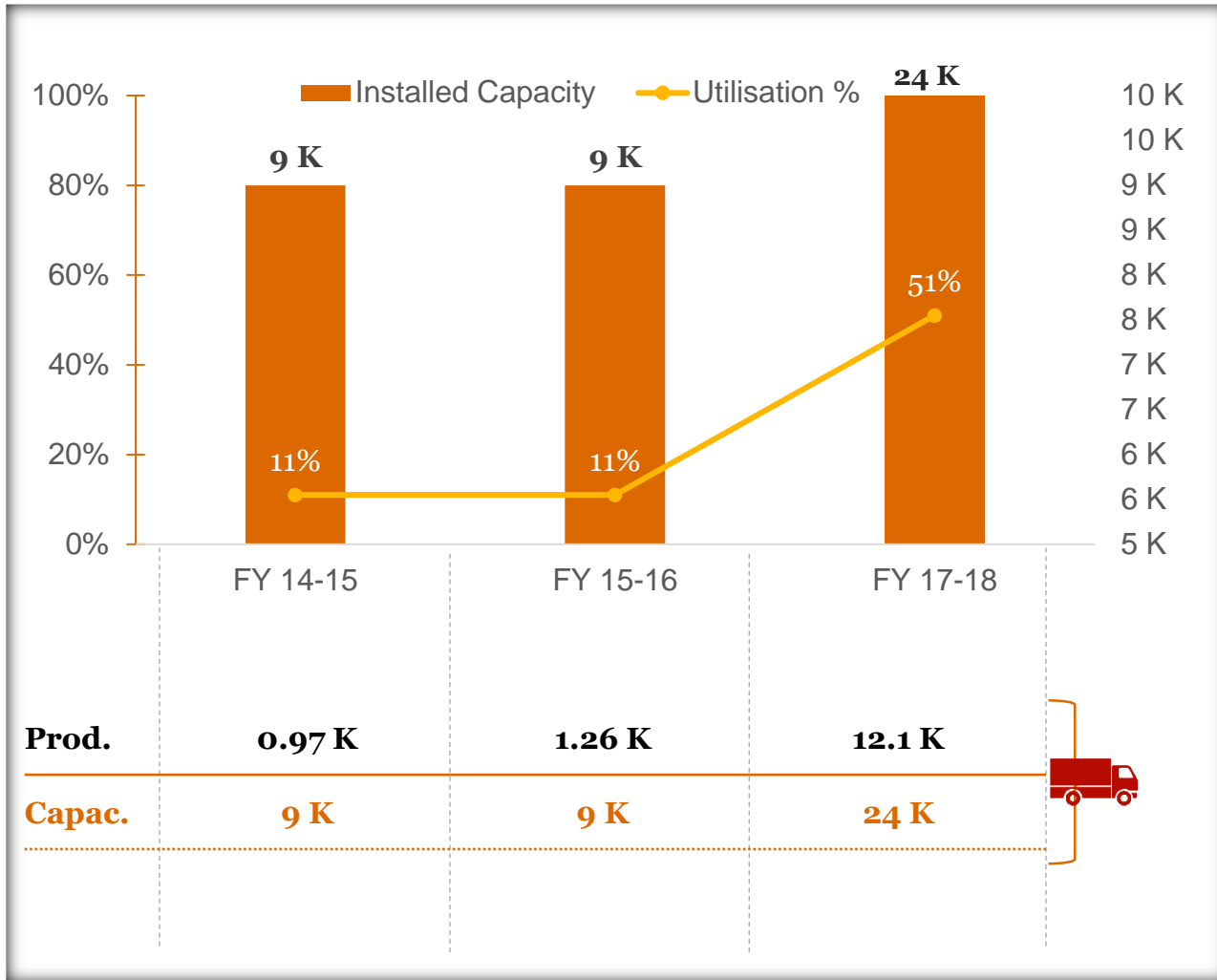


In FY 18

- Among the subset of those OEMs with a significant PV volume, MSIL has had the highest EBITDA margin % for 4 consecutive years.
- Among these OEMs, Maruti Suzuki had one of the lowest raw material as % of net sales at 56% of net sales after M&M.
- It also had the lowest employee cost % at 3% of net sales.

SML ISUZU

SML ISUZU



Manufacturing Sites in India

Ropar-PJ



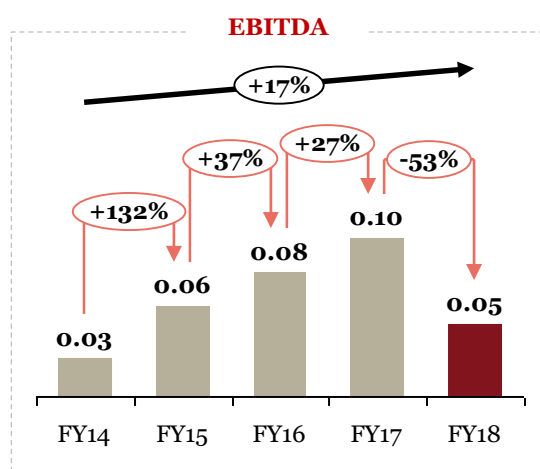
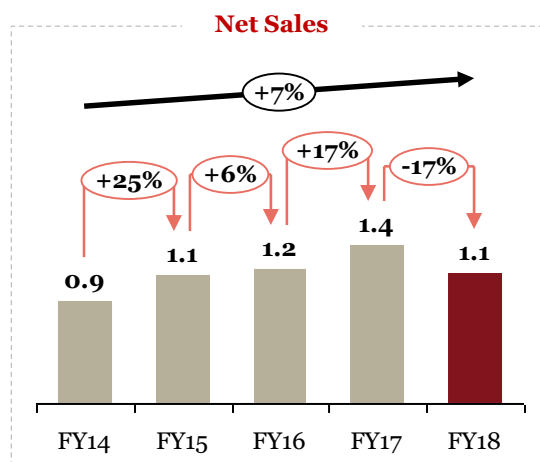
** This map is not to scale. It is an indicative outline intended for general reference use only.

SML ISUZU

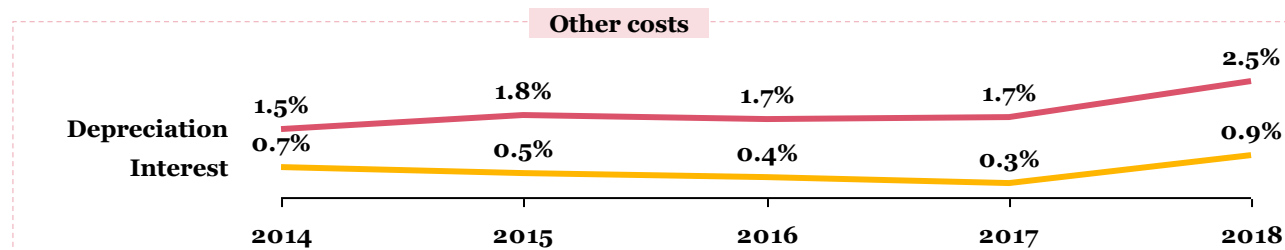
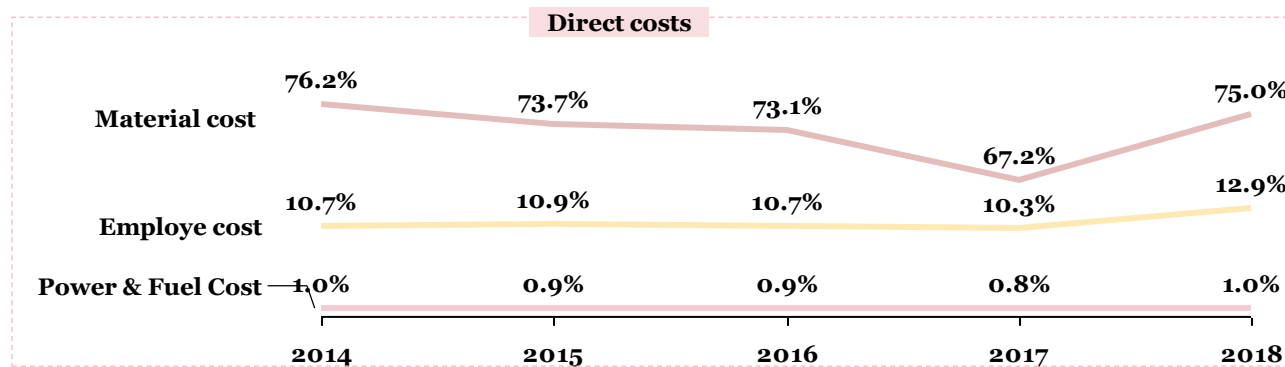
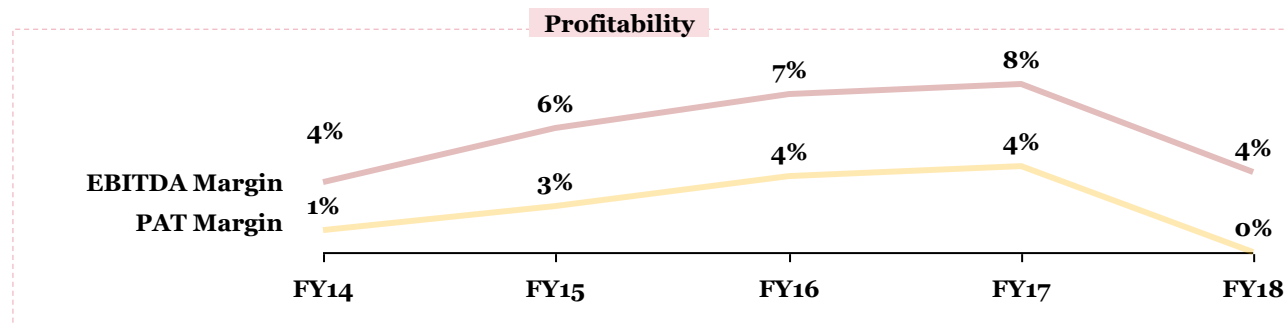


Trends in aggregates, profitability and costs

Aggregates (INR '000 Cr)



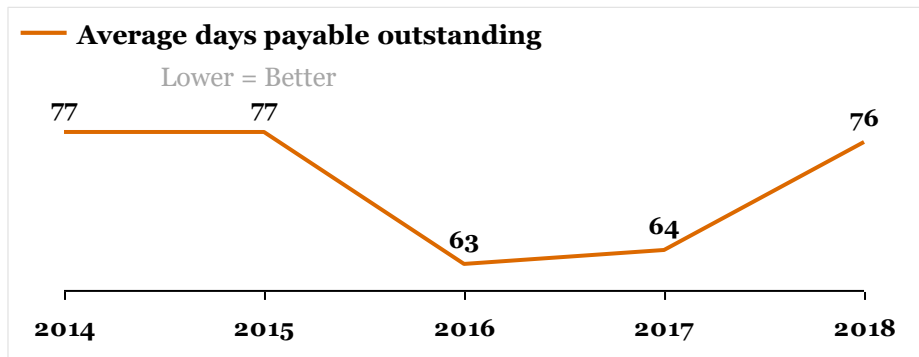
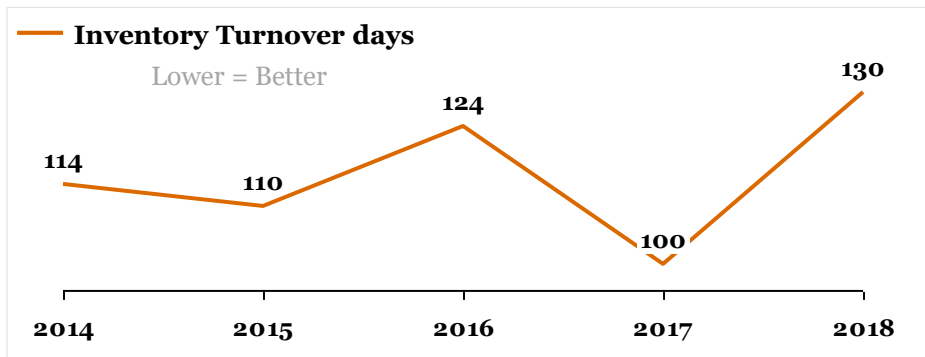
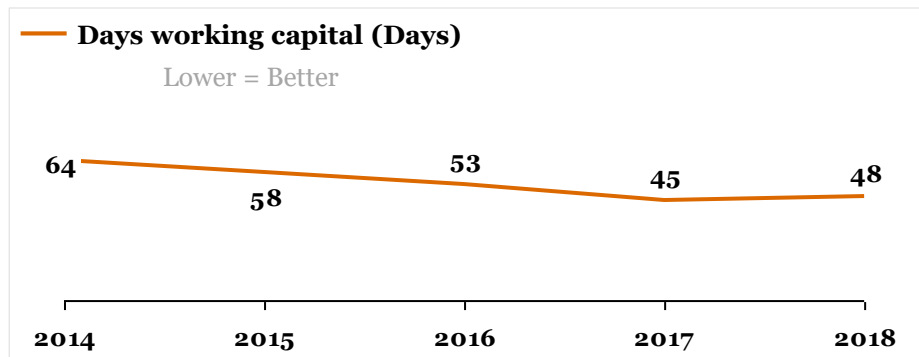
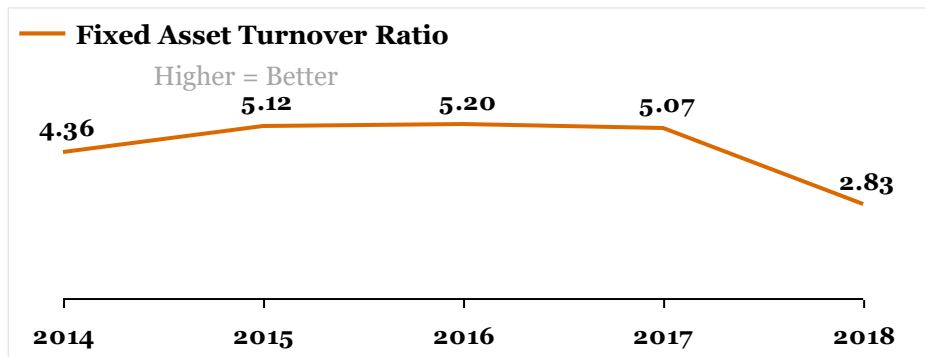
Margins (% of net sales)



SML ISUZU



Trends in efficiency

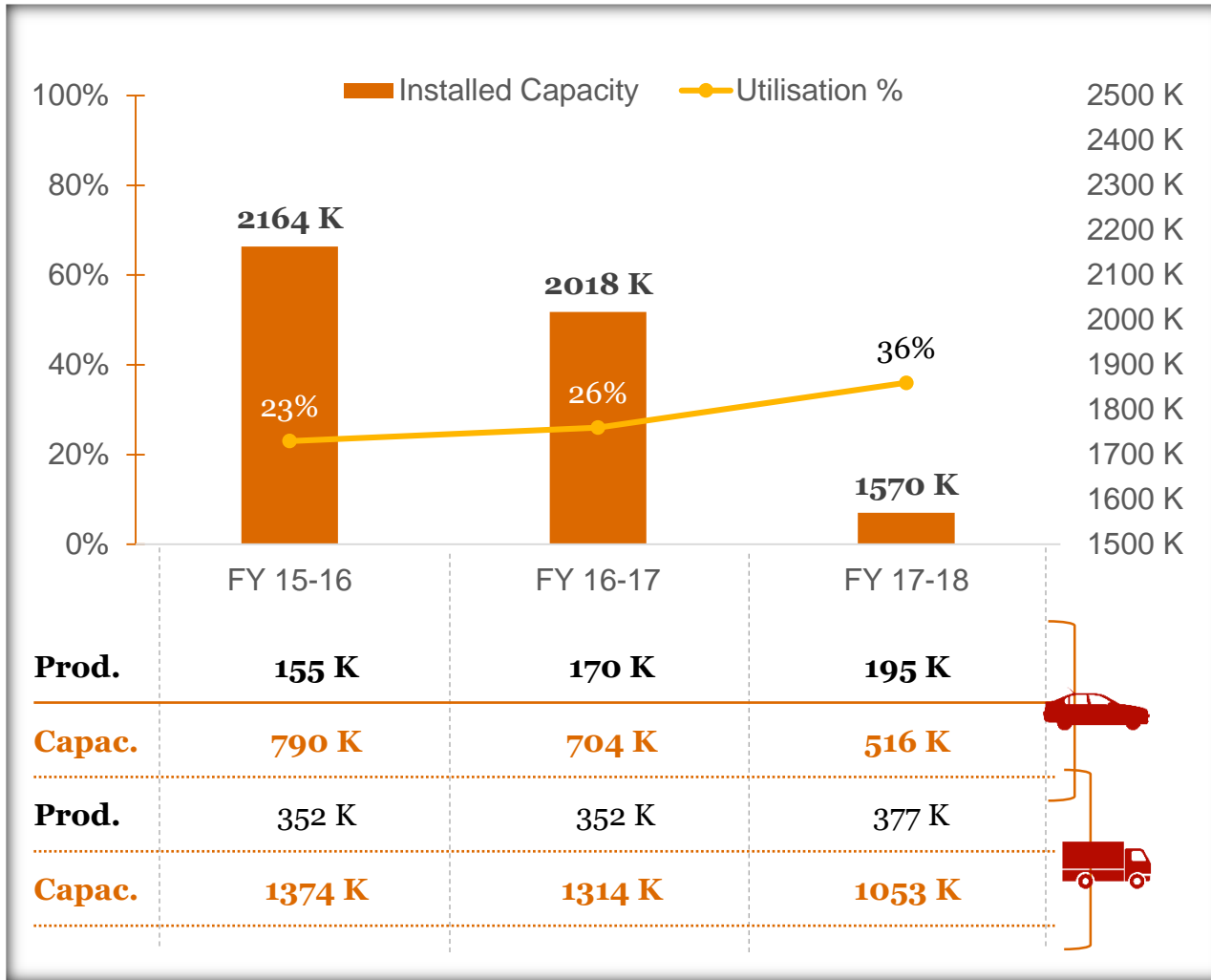


In FY 18

- Net sales contracted in FY18 due to decline in the bus segment which was further attributed to sluggish demand for large buses and deferment of orders from State Road Transport Undertakings (SRTUs), owing to lower budgetary allocations for the year.
- SML Isuzu had the lowest EBITDA margin among all the 11 OEMs under study.

Tata Motors

Tata Motors



Manufacturing Sites in India

Pune-MH	Sanand-GJ
Lucknow-UP	Jamshedpur-JH
Pantanagar-UK	Dharwad-KN



** 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.

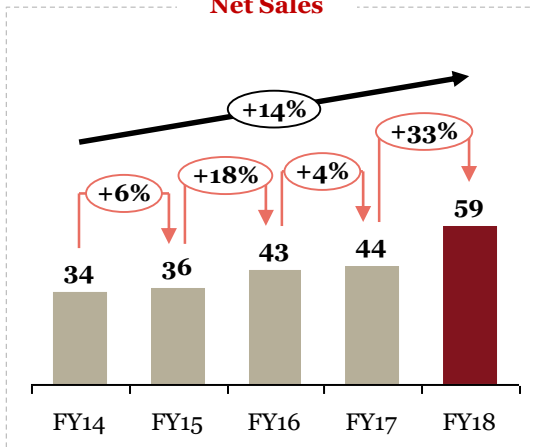
Tata Motors



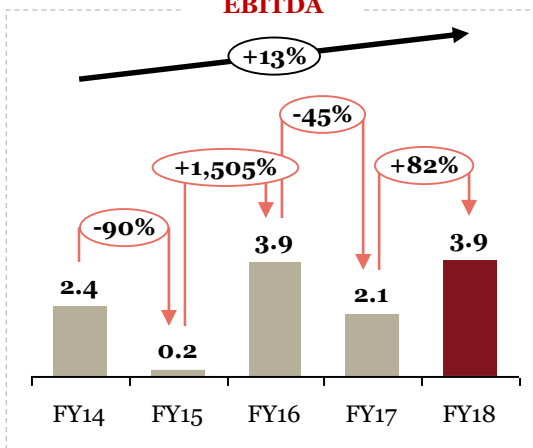
Trends in aggregates, profitability and costs

Aggregates (INR '000 Cr)

Net Sales

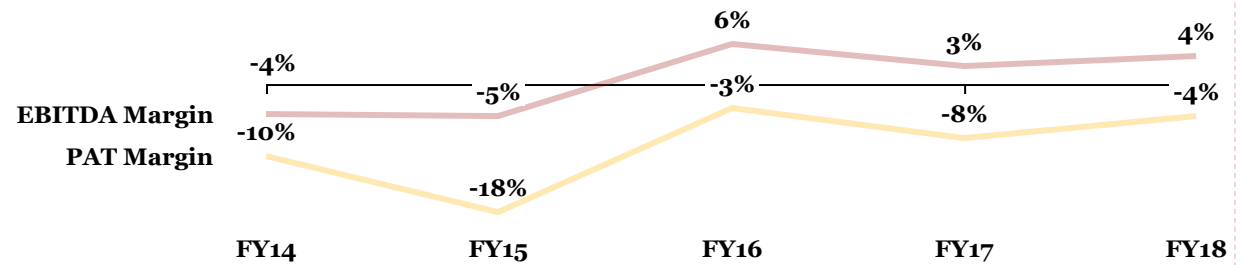


EBITDA

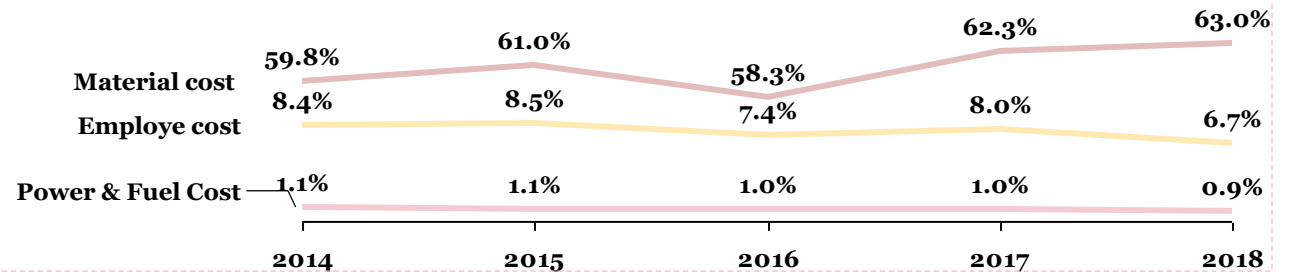


Margins (% of net sales)

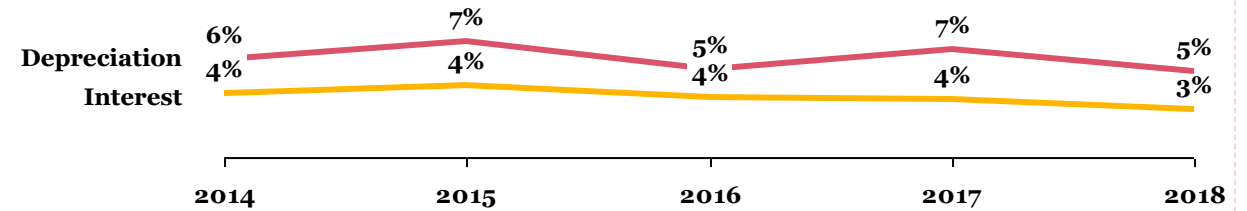
Profitability



Direct costs



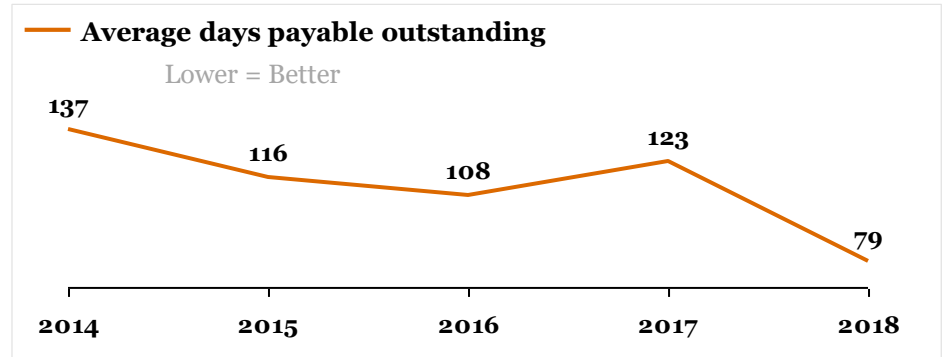
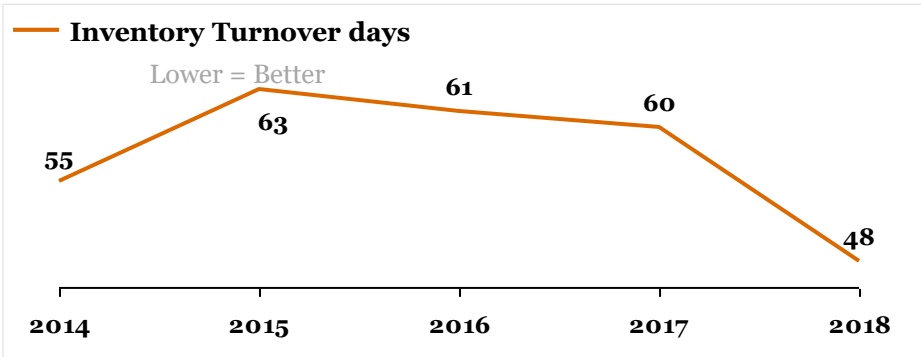
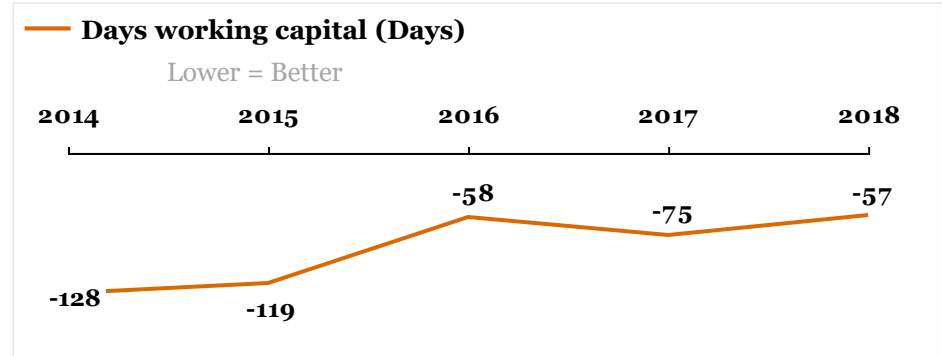
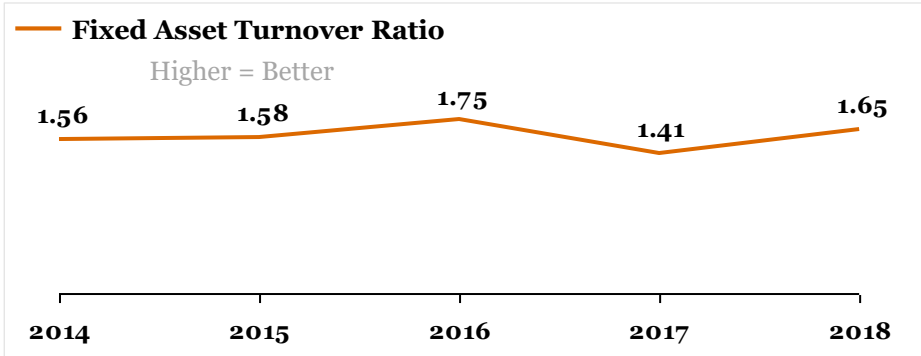
Other costs



Tata Motors



Trends in efficiency

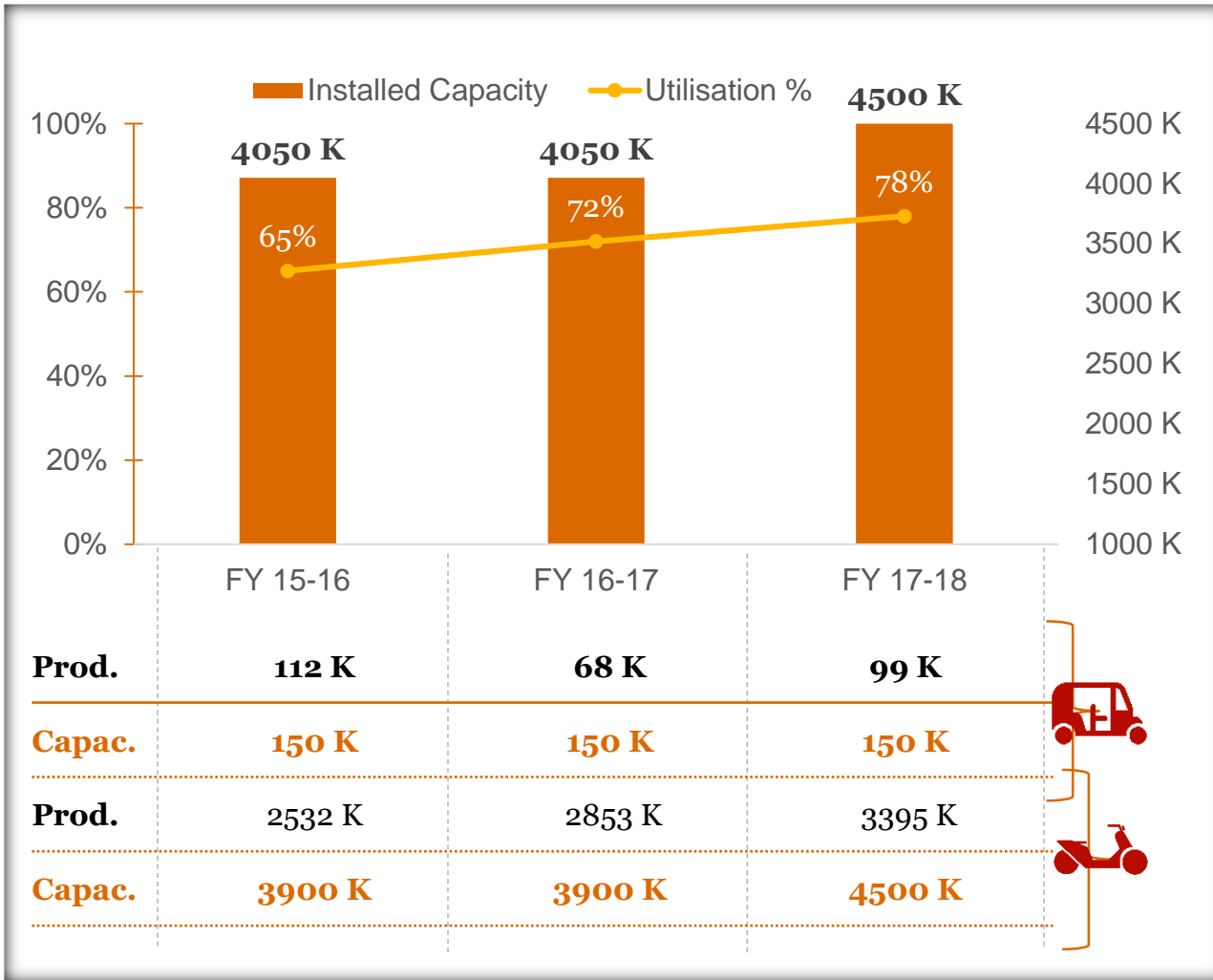


In FY 18

- Tata Motors has the lowest days of working capital across all the OEMs studied as part of this report.
- Tata Motors also had the lowest Fixed Asset Turnover Ratio among all the 11 OEMs.
- Tata Motors also had the lowest EBITDA margin, EBIT margin and PAT margin (%) among all the OEMs.

TVS

TVS



Manufacturing Sites in India



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

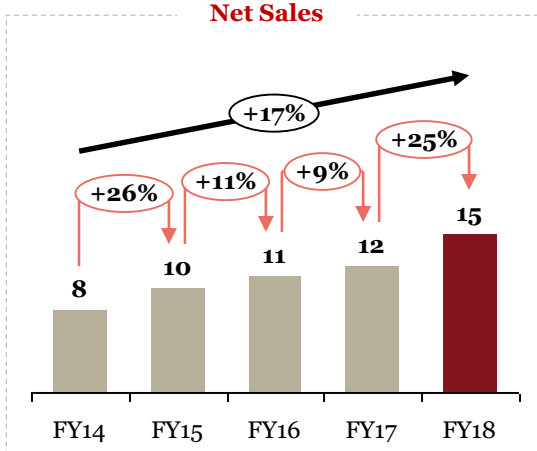
TVS



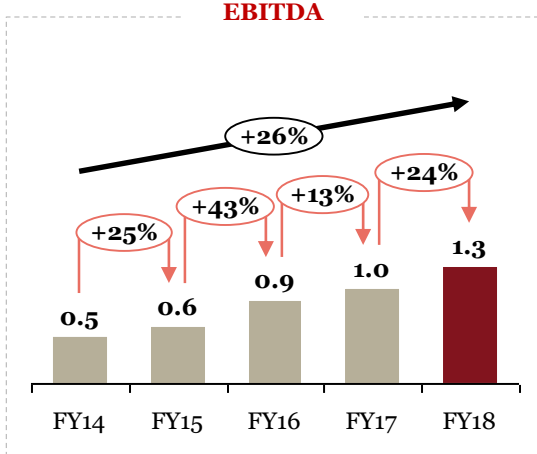
Trends in aggregates, profitability and costs

Aggregates (INR '000 Cr)

Net Sales

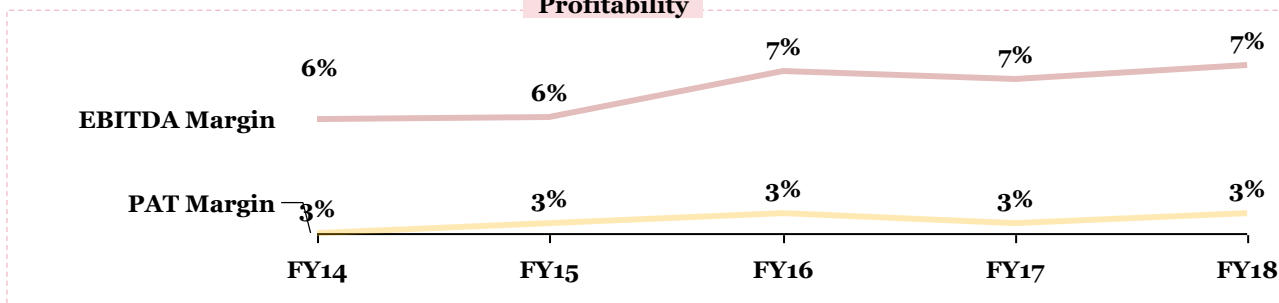


EBITDA

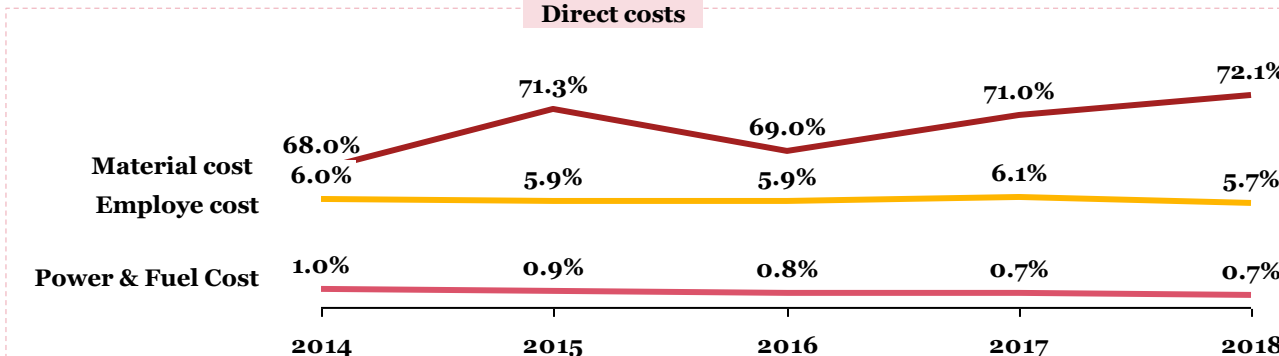


Margins (% of net sales)

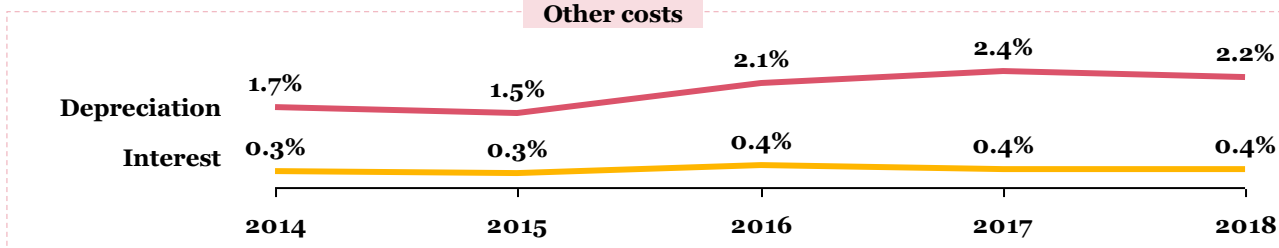
Profitability



Direct costs



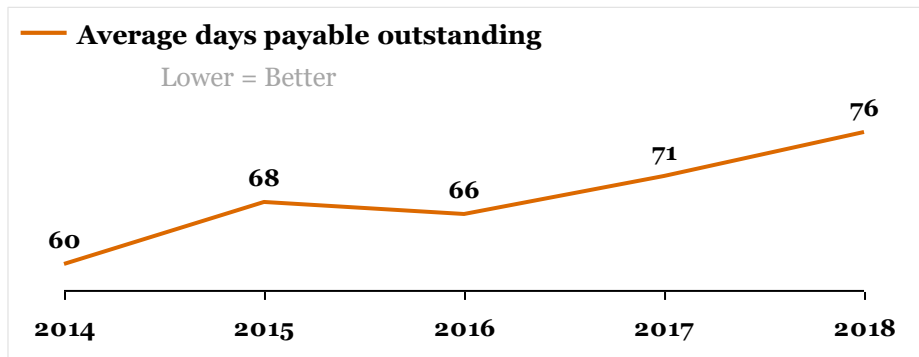
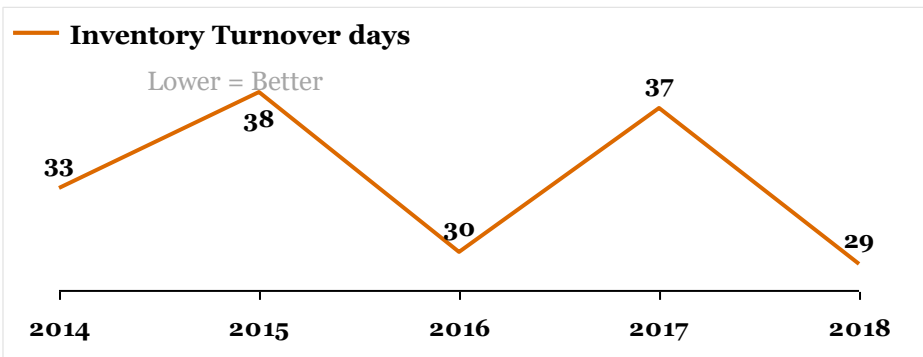
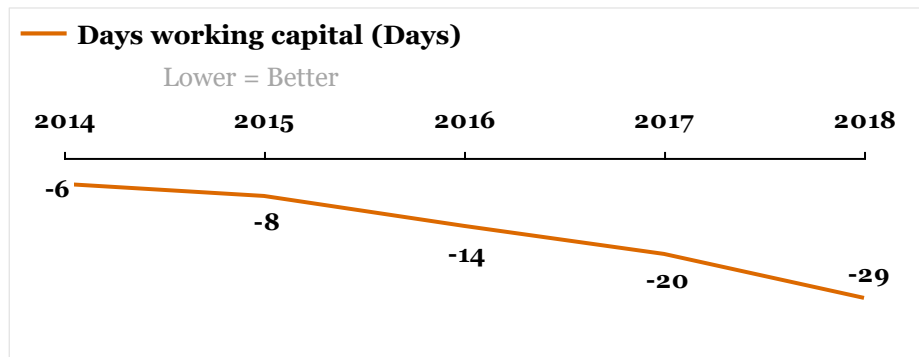
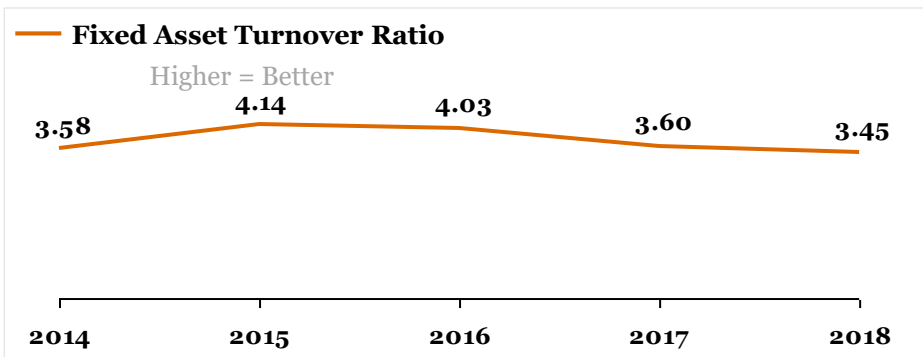
Other costs



TVS



Trends in efficiency



In FY 18

- TVS launched many new products in partnership with BMW Motorrad in FY18 which contributed to improved sales.
- TVS improved its inventory turnover days by 27% over the previous year.
- It is the only 2W manufacturer with negative days working capital consistently over the past 5 years.



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