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OEM- Financial Analysis

FY 21

*Strictly private
and confidential
September 2021*



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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

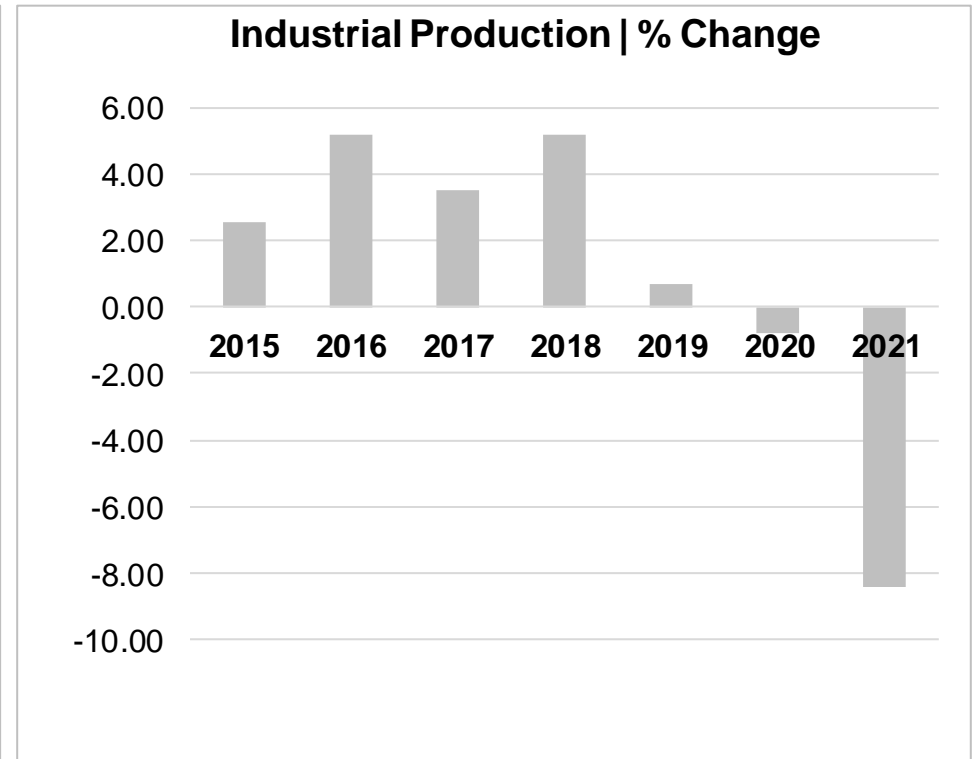
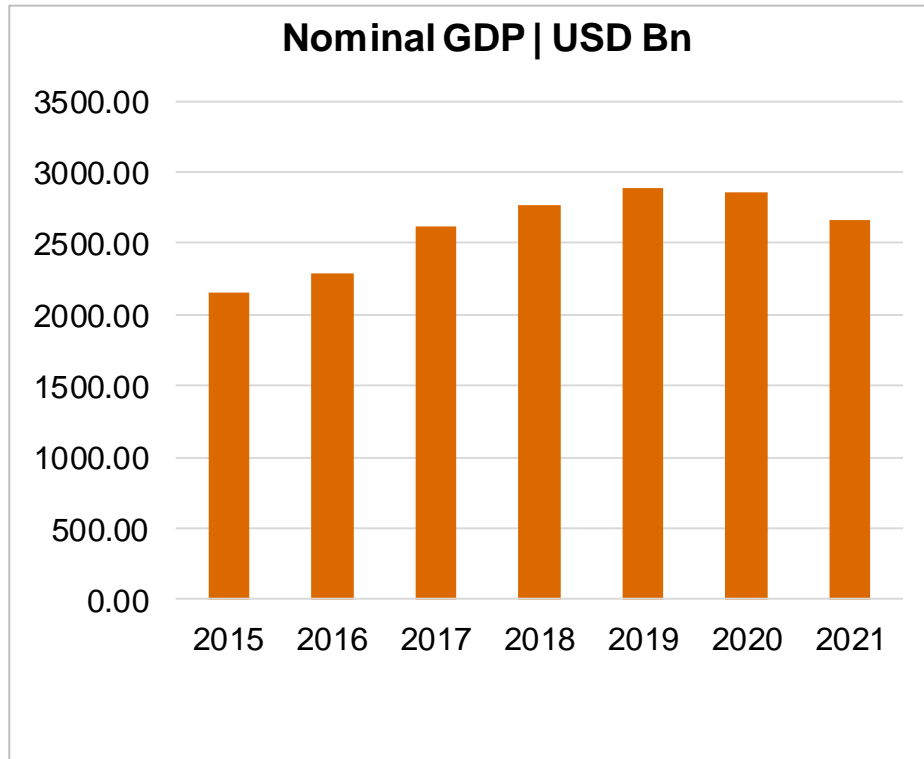
Ratios used

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

COVID-19 continues to provide challenges to the economy

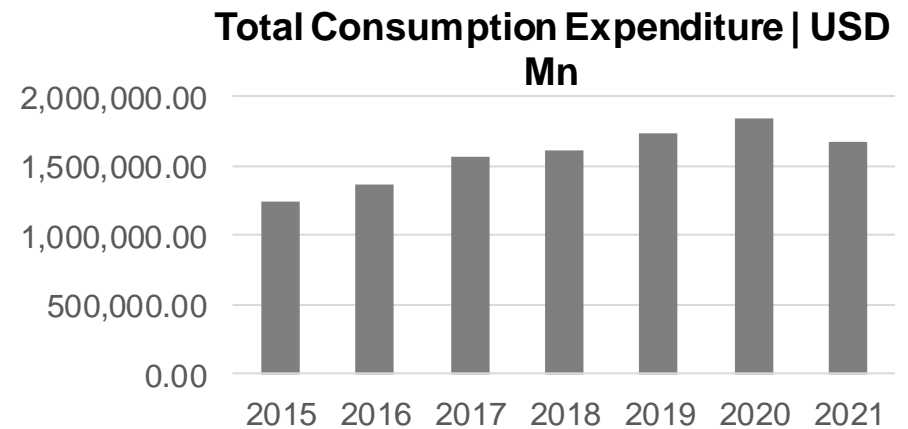
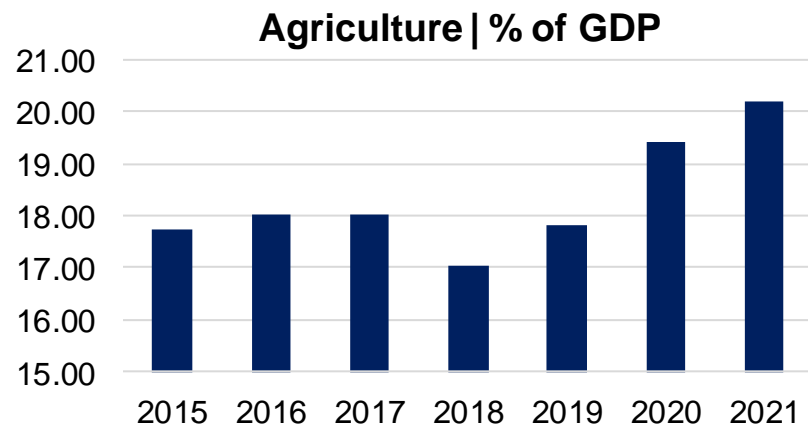
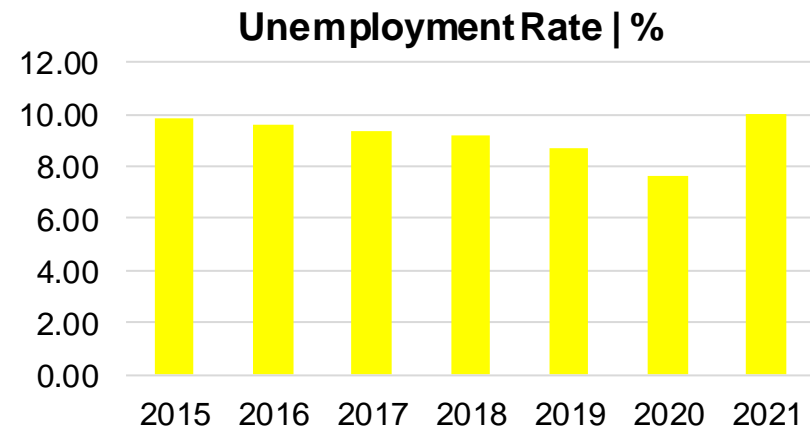
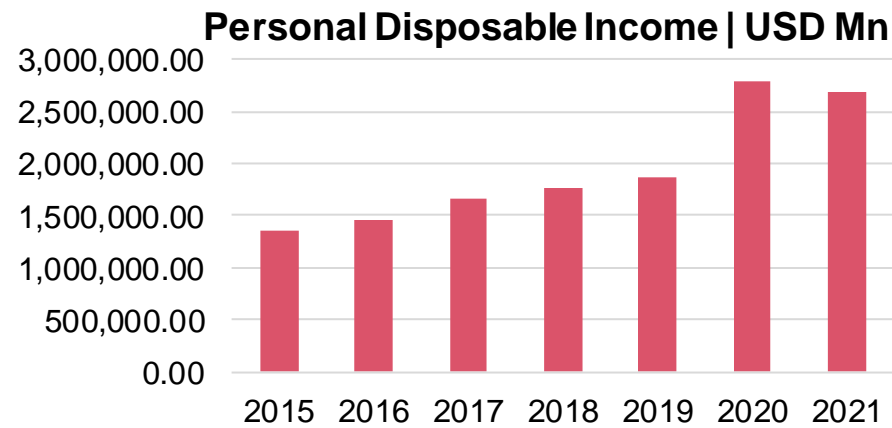


Source: Moody's Analytics
(2020 and onwards)

- The ongoing Covid-19 pandemic resulted in various lockdowns all over the country, which resulted in a decline in almost all Indian macroeconomic indicators.
- As a result of continuous lockdowns, factories and plants remained shut for an extended period of time. Along with this, most firms started to downsize their staff. This resulted in a higher unemployment rate as well as a huge decline in Y-o-Y industrial production growth rate.
- Total consumption expenditure fell by almost 10%, as consumer confidence fell drastically following a period of economic uncertainty.

India-key economic indicators

COVID-19 pandemic a major economic setback; impact seen across all indicators



Source: Trading Economics
(2020 and onwards)

OEM Financial analysis

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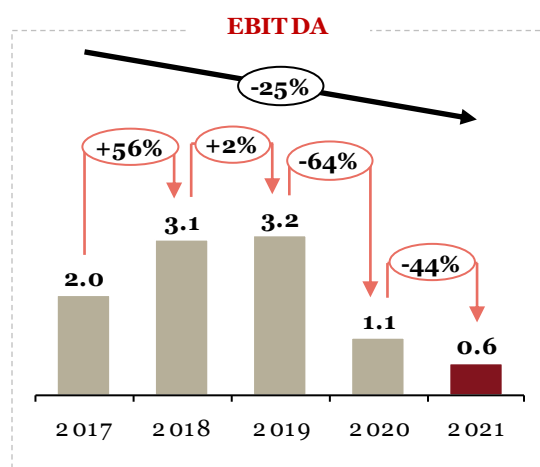
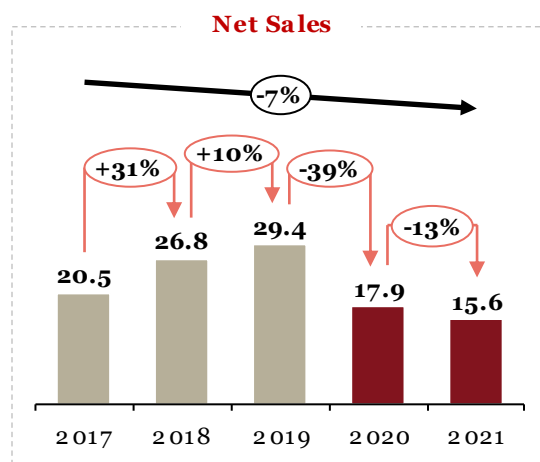
Ashok Leyland

Ashok Leyland

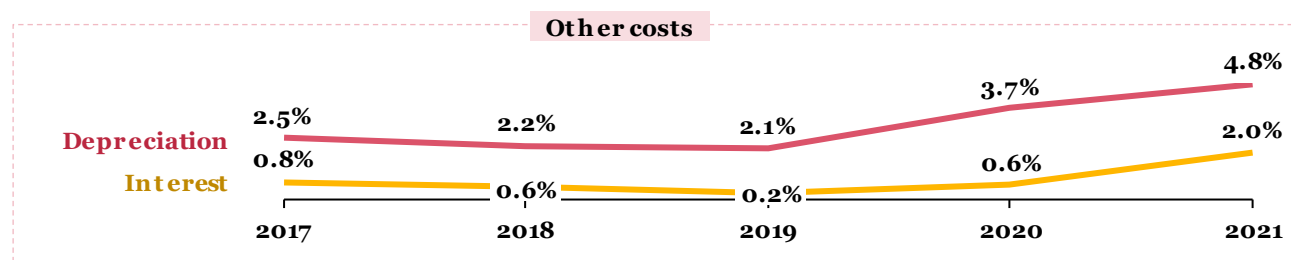
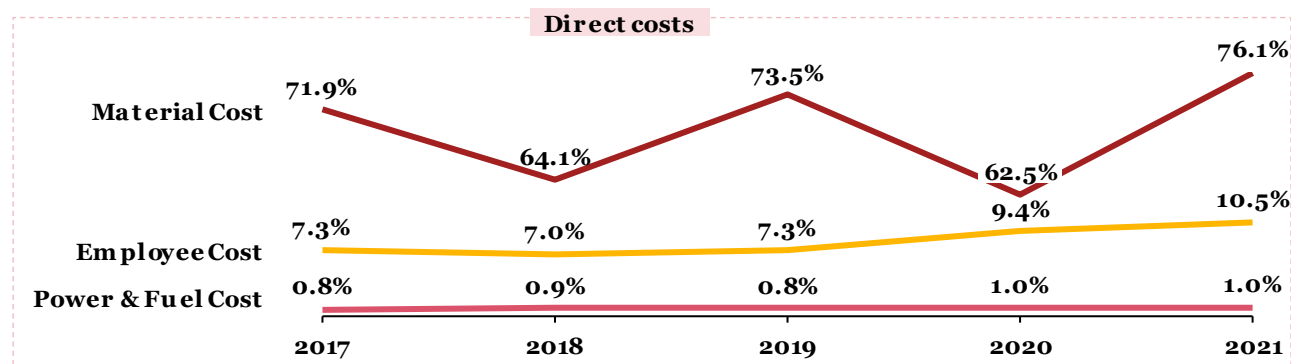
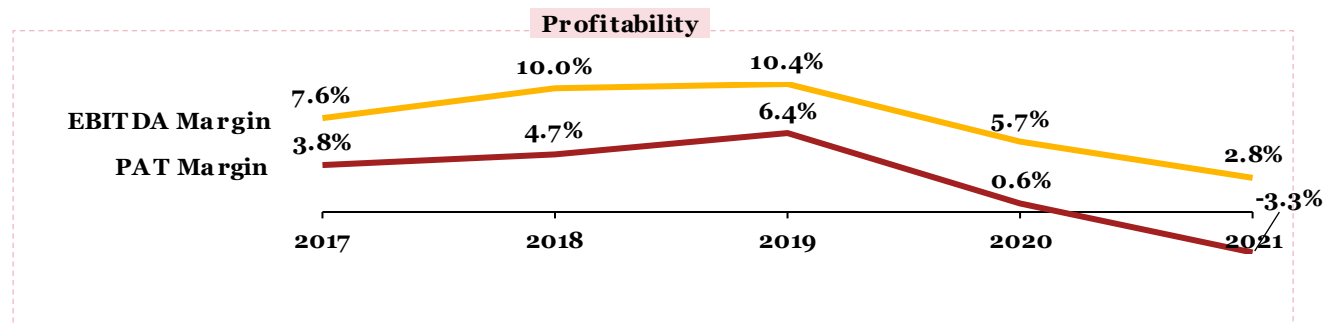


Trends in aggregates, profitability and costs

Aggregates (INR '000 Cr)



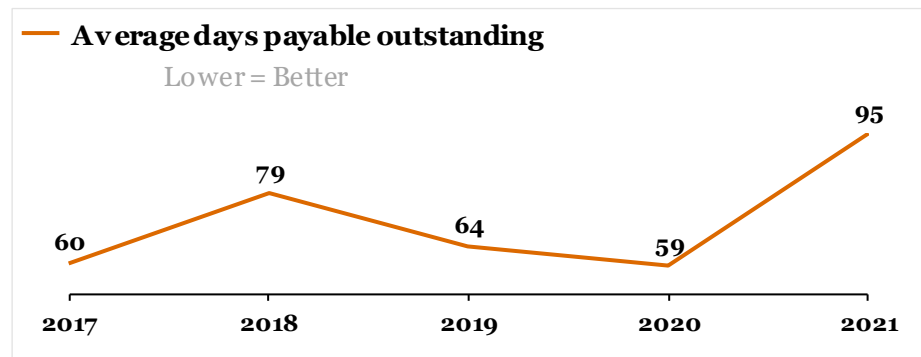
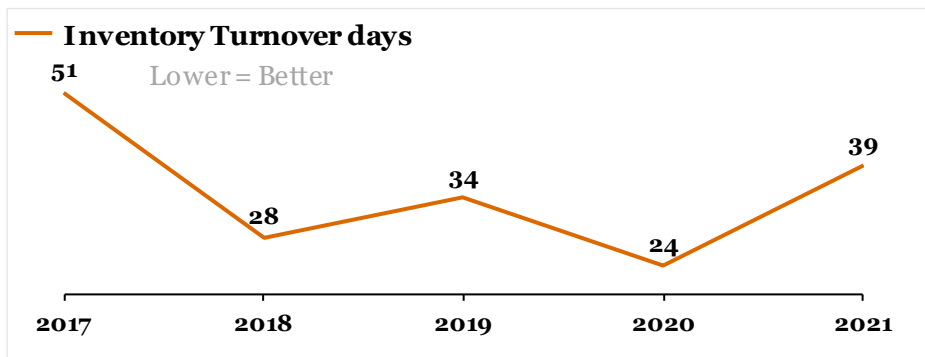
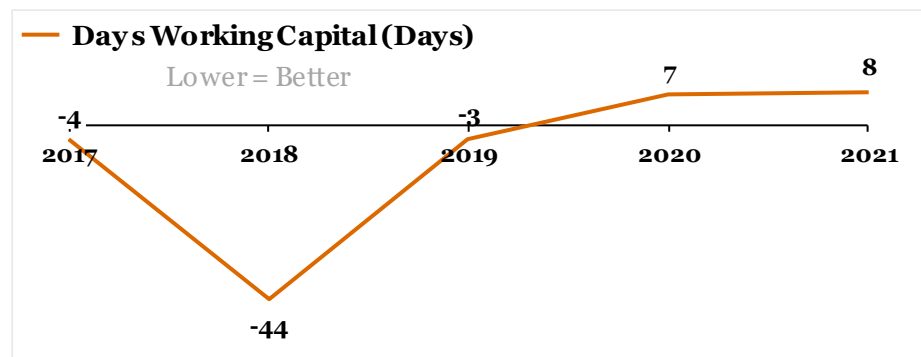
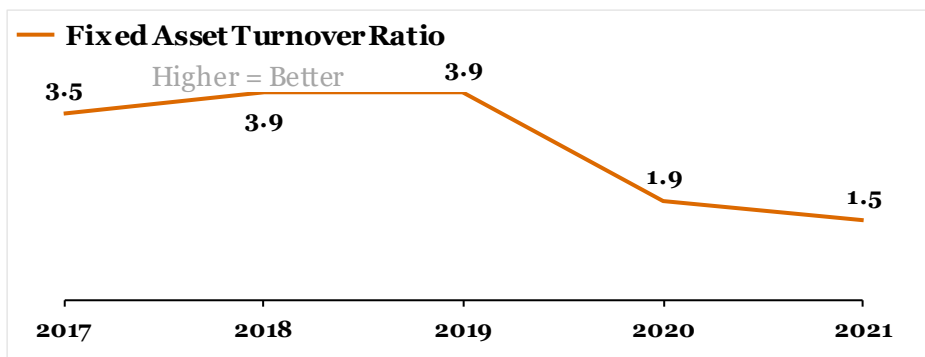
Margins (% of net sales)



Ashok Leyland



Trends in efficiency



In FY 21

- Ashok Leyland saw a sharp rise in inventory turnover days – more than 60% - as COVID-19 induced lockdowns saw plants and factories shut altogether for extended periods of time.
- A steep rise in material and employee costs, coupled with low demand, resulted in a steep decline in EBITDA and a fall in netsales.

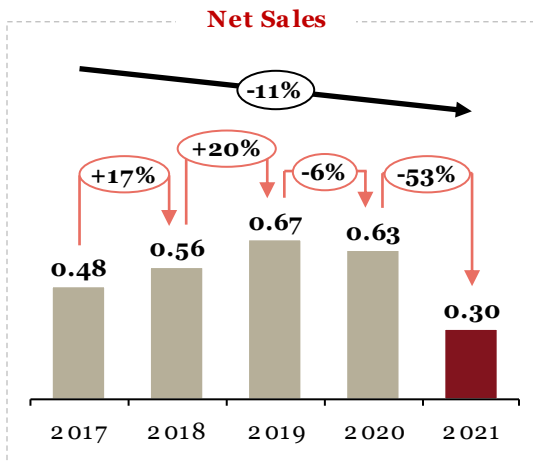
Atul Auto

Atul Auto

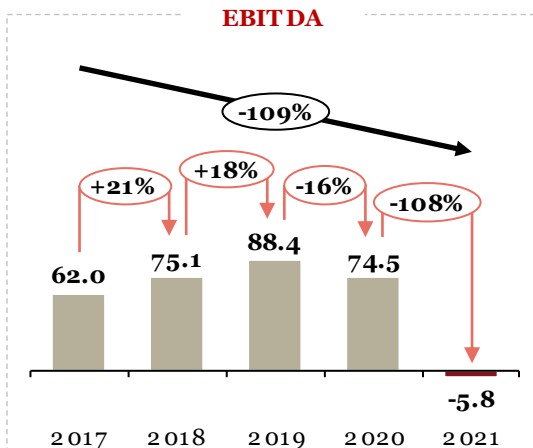


Trends in aggregates, profitability and costs

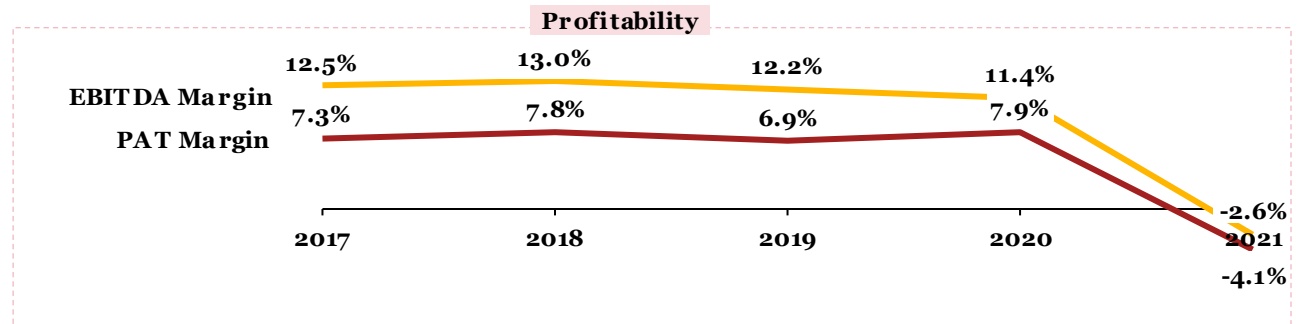
Aggregates (INR '000 Cr)



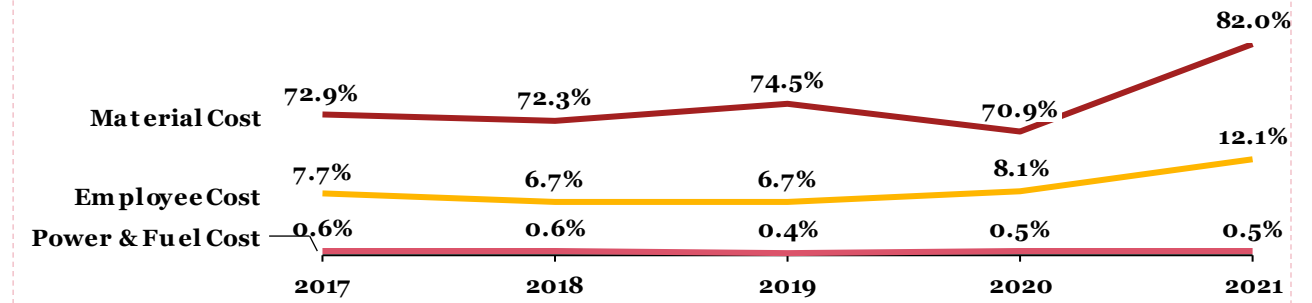
Aggregates (INR Cr)



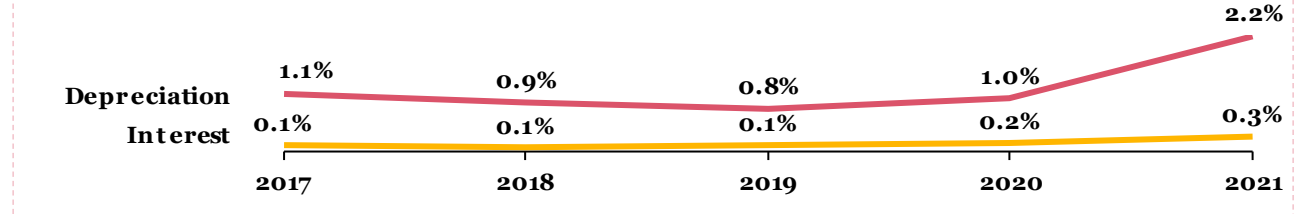
Margins (% of net sales)



Direct costs



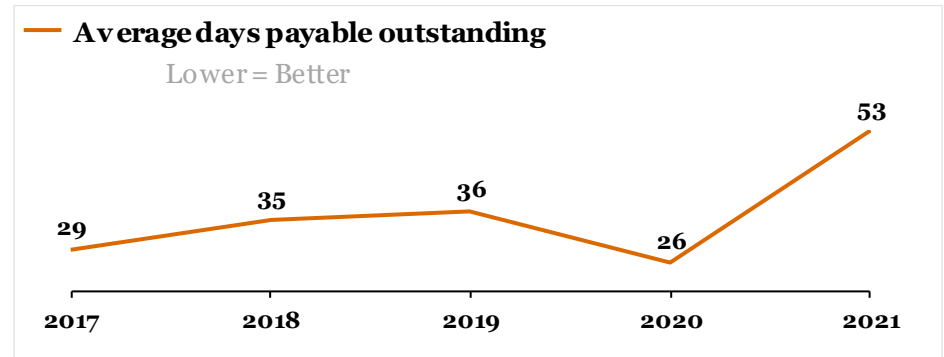
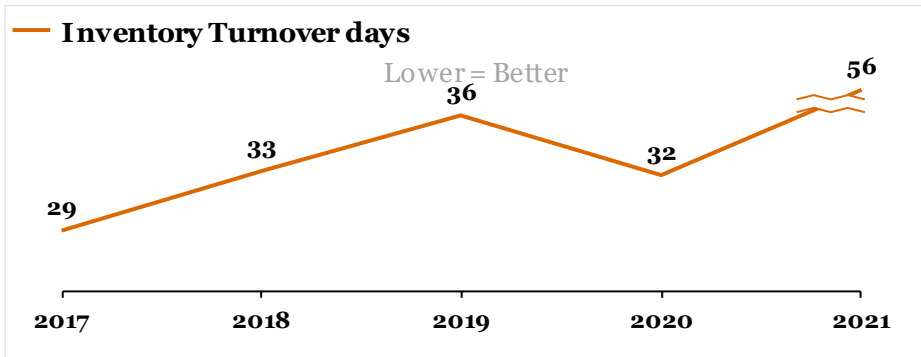
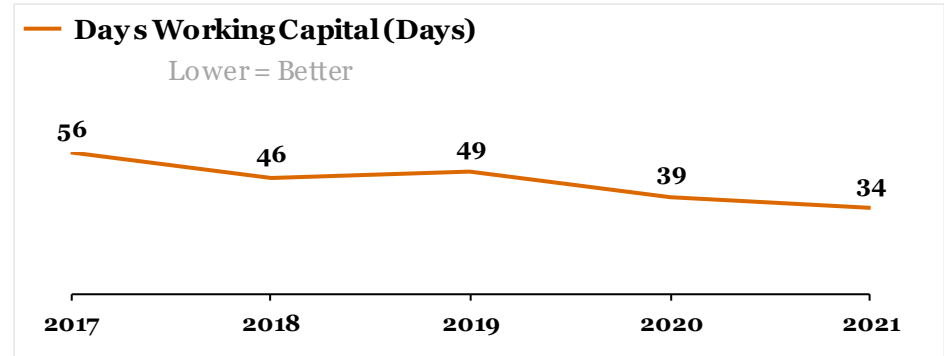
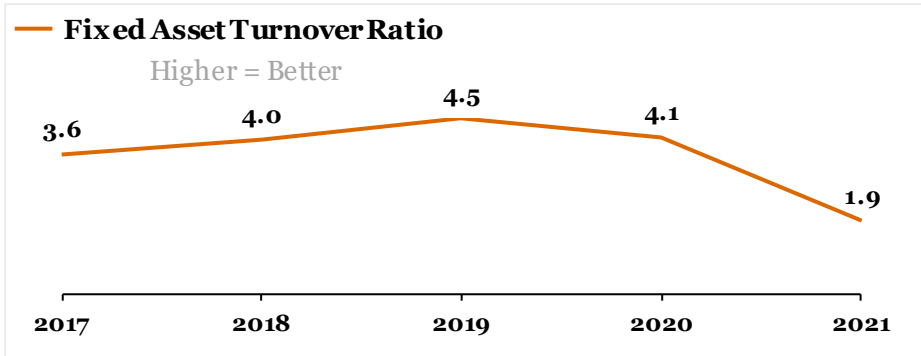
Other costs



Atul Auto



Trends in efficiency



In FY 21

- 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 saw both its Net Sales and EBITDA drop drastically, due to a steep increase in material costs and a rise in employee costs which were aided by low demand due to the lockdown.

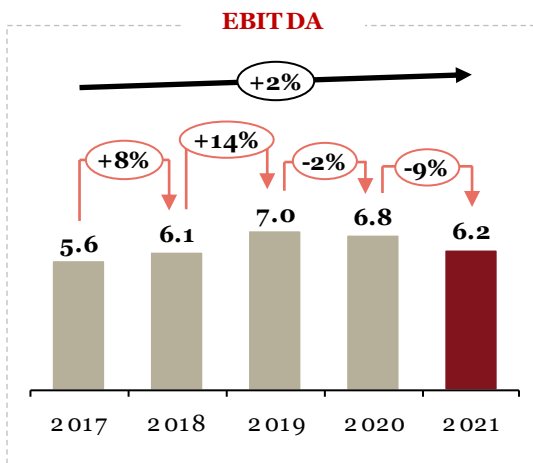
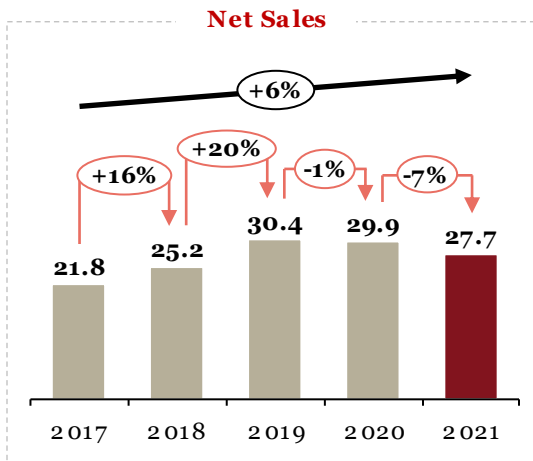
Bajaj Auto

Bajaj Auto

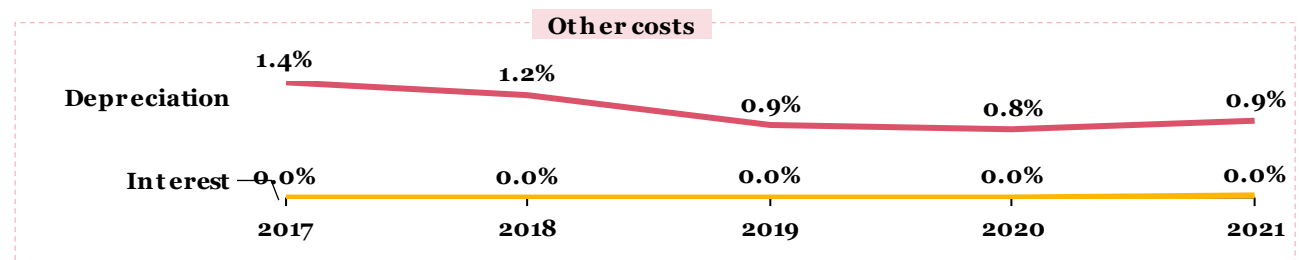
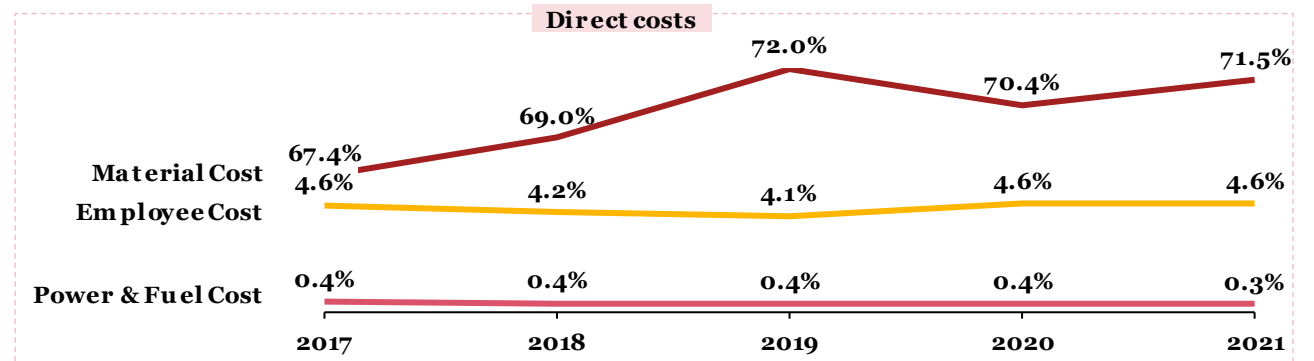
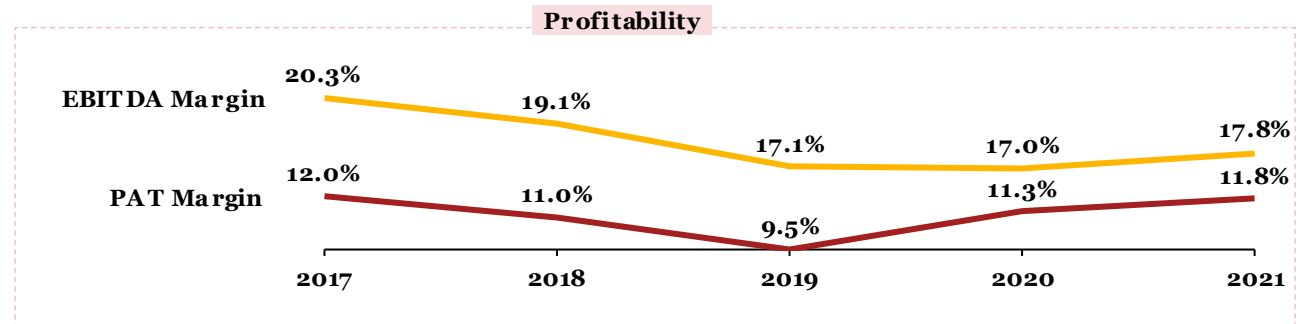


Trends in aggregates, profitability and costs

Aggregates (INR '000 Cr)



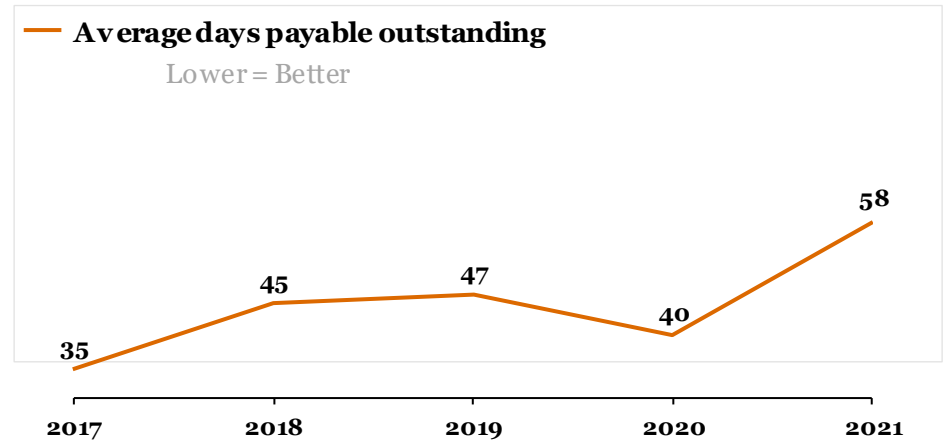
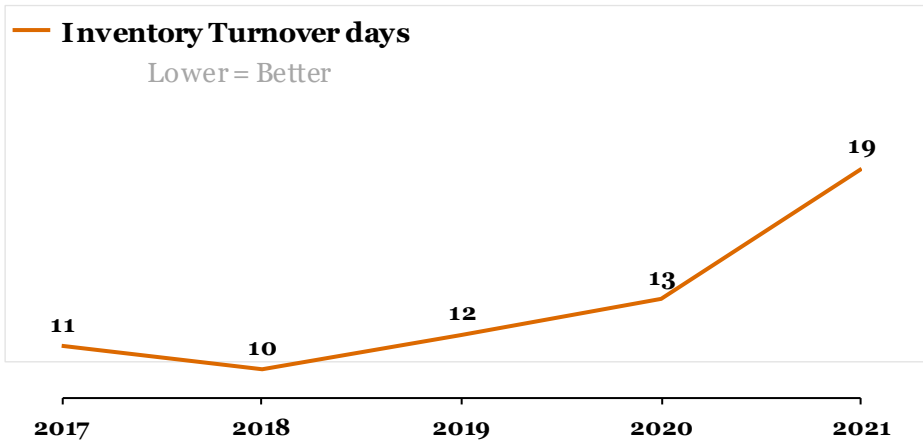
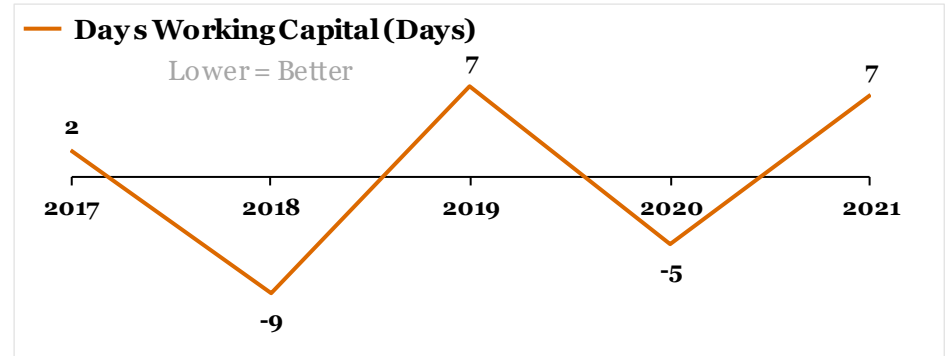
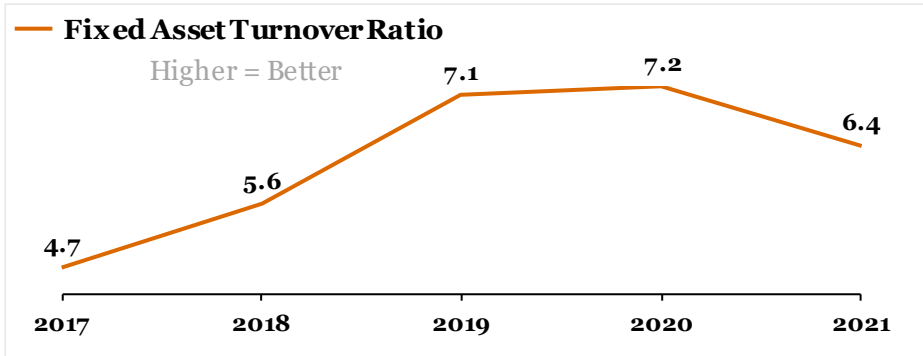
Margins (% of net sales)



Bajaj Auto



Trends in efficiency



In FY 21

- Bajaj Auto wasn't hit as hard as other OEMs, experiencing only a marginal dip in Net Sales and EBITDA. This is due to 2 wheeler sales relatively outperforming other segments, backed up by efficient cost cutting policies.
- The firm's lack of efficient utilization of assets proved costly, as is shown in an 11% decrease in fixed asset turnover ratio.

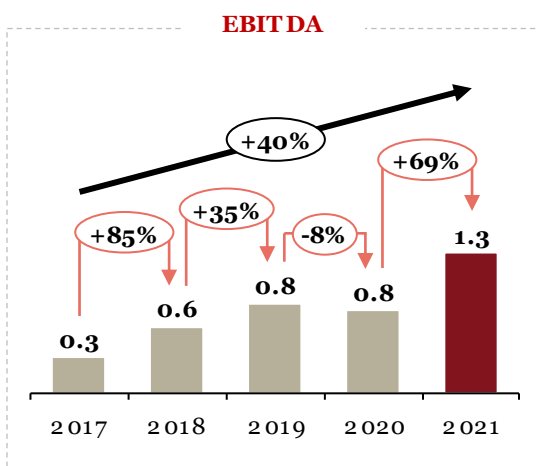
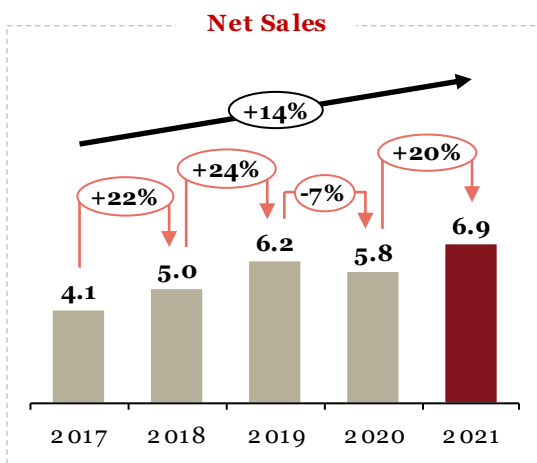
Escorts

Escorts

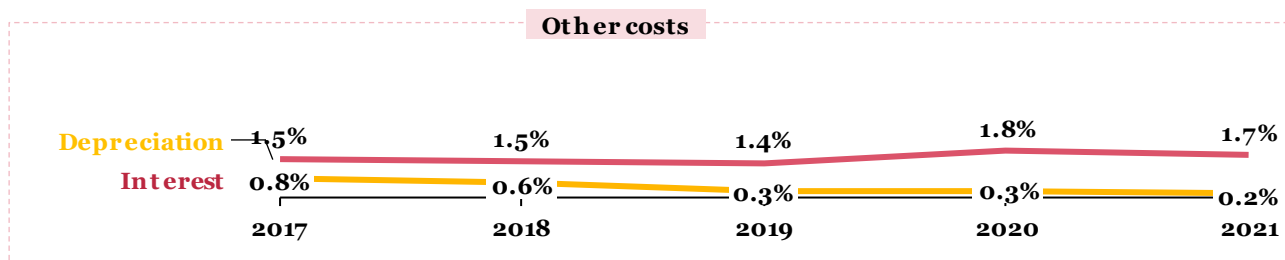
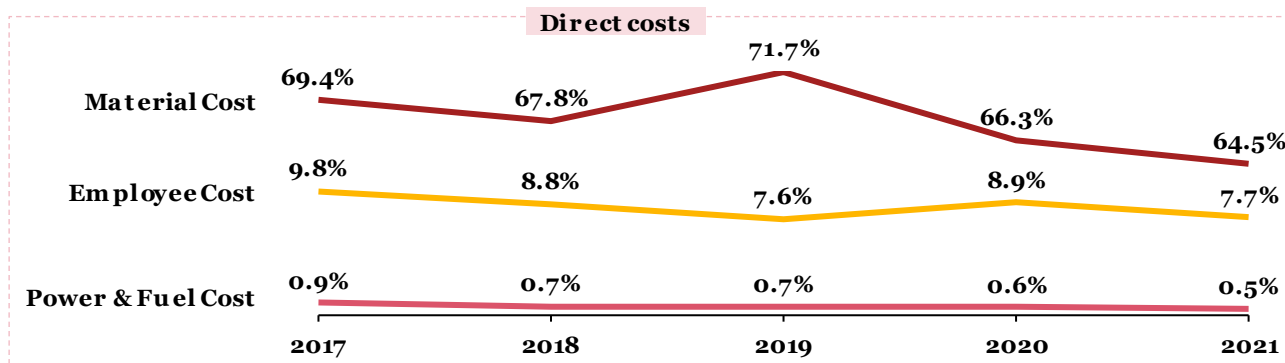
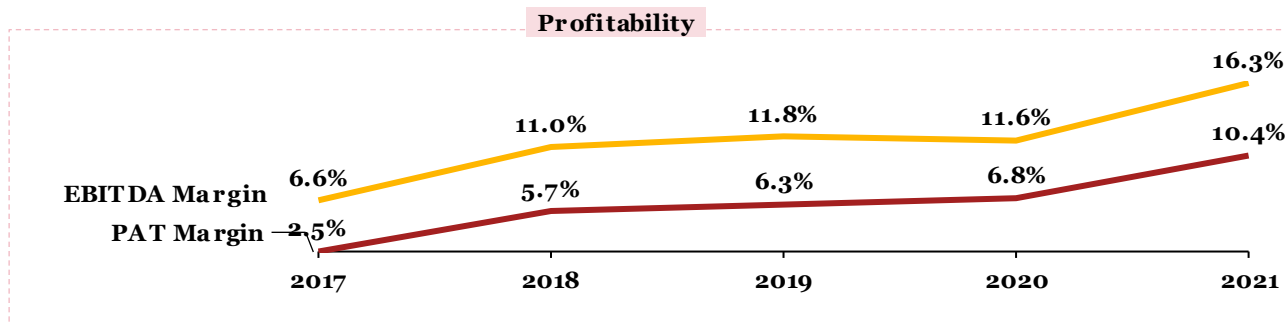


Trends in aggregates, profitability and costs

Aggregates (INR '000 Cr)



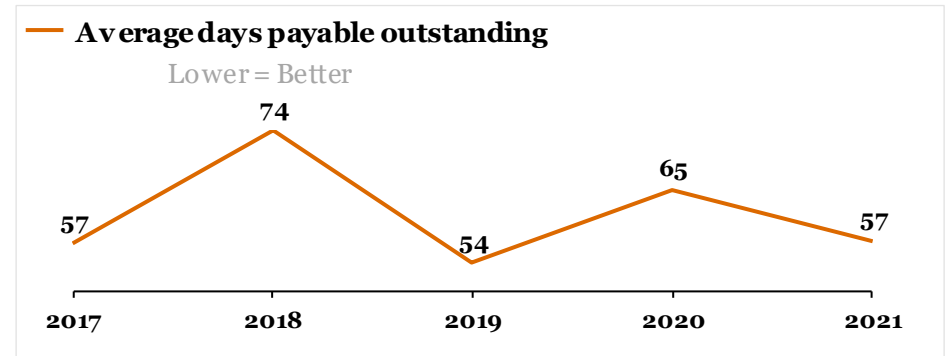
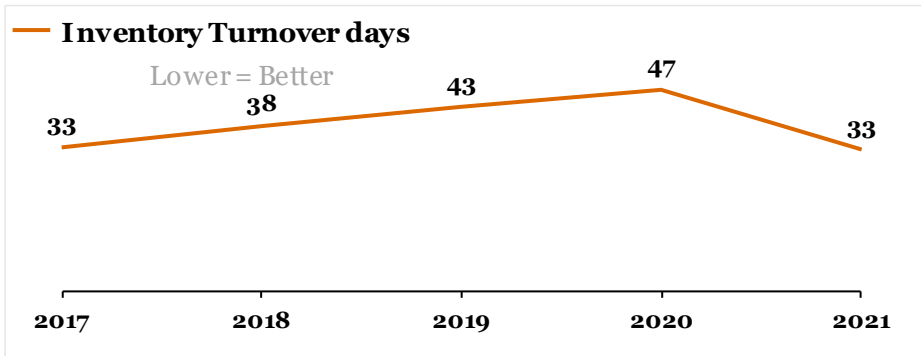
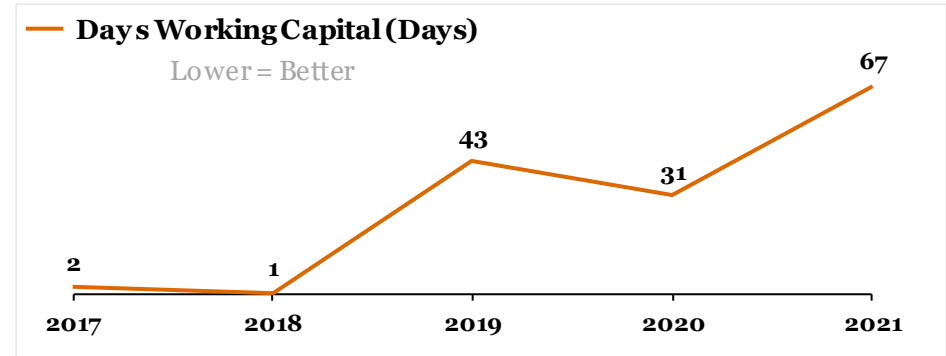
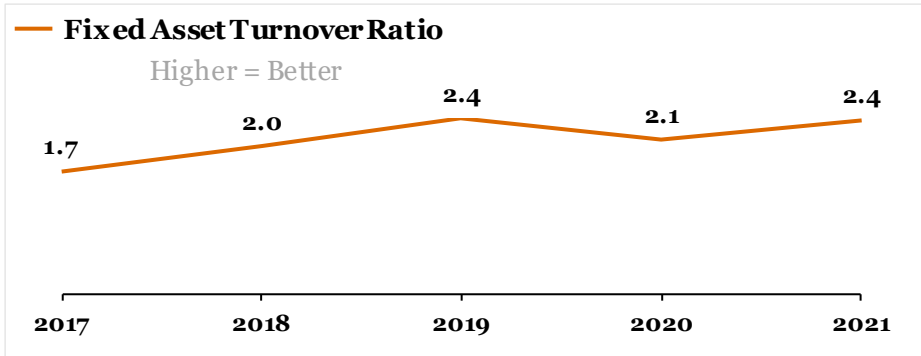
Margins (% of net sales)



Escorts



Trends in efficiency



In FY 21

- Escorts is the only OEM, in this list of 11, to have significant portion of its revenue contributed to by the tractors segment alone.
- Due to this, they witnessed a sharp rise in both EBITDA and Net Sales, as the tractors segment wasn't hit particularly hard. Along with this, the firm employed effective sales planning and cost-cutting policies, which can be seen in a near 30% dip in inventory turnover days.

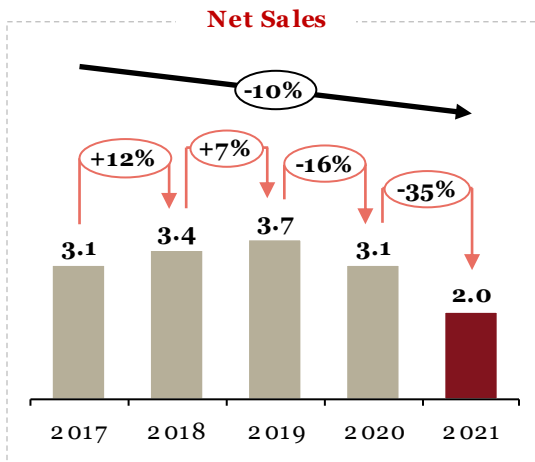
Force Motors

Force Motors

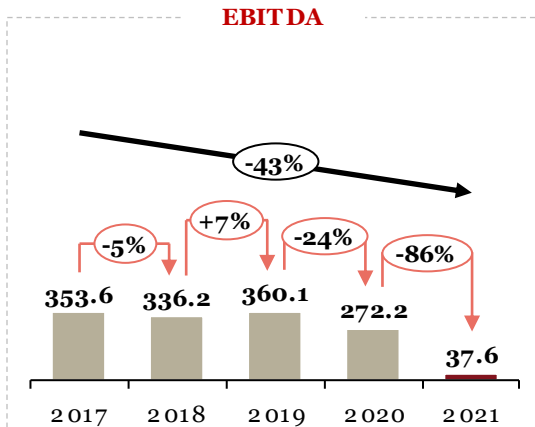


Trends in aggregates, profitability and costs

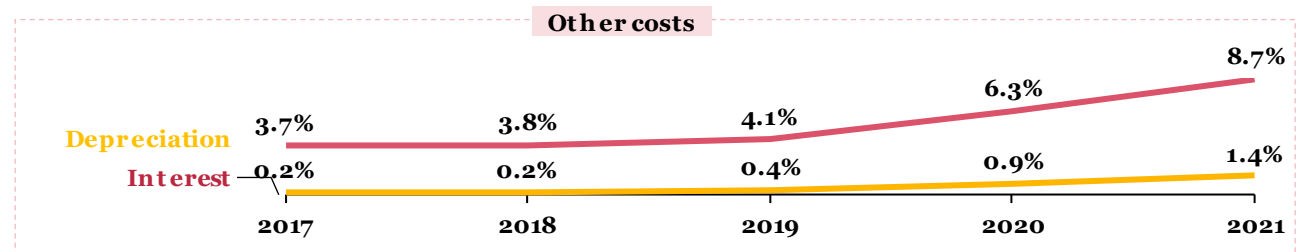
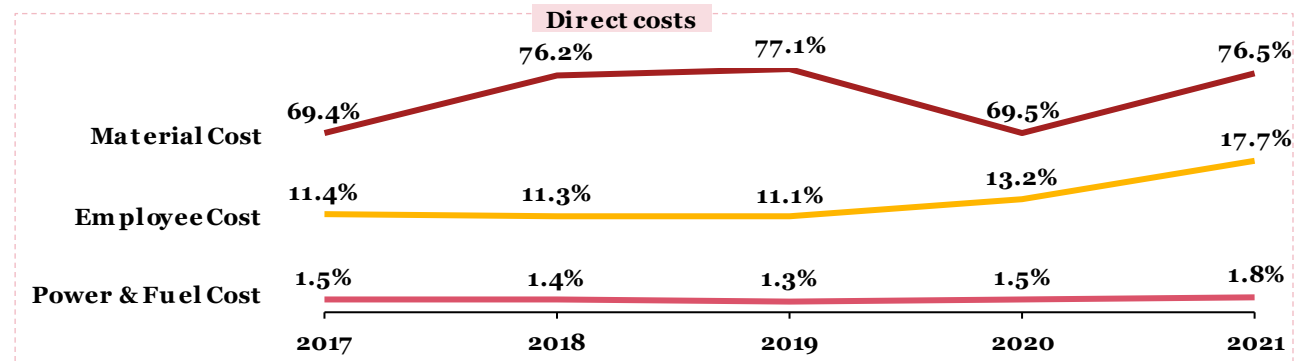
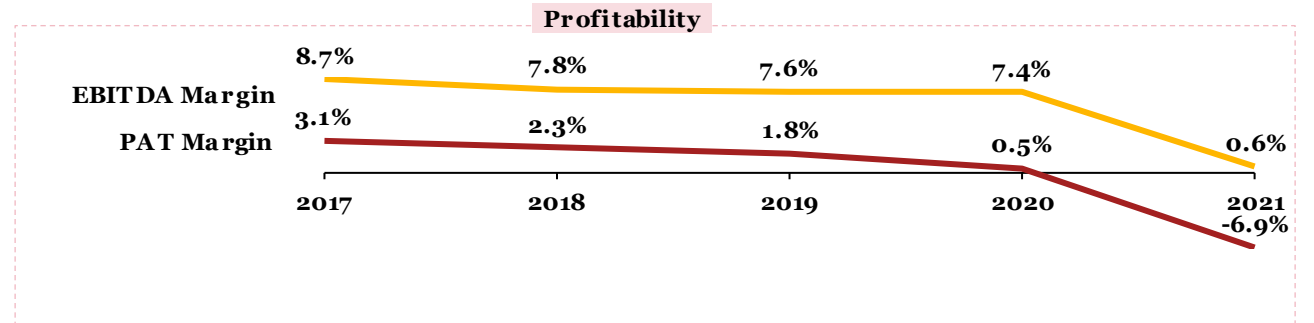
Aggregates (INR '000 Cr)



Aggregates (INR Cr)



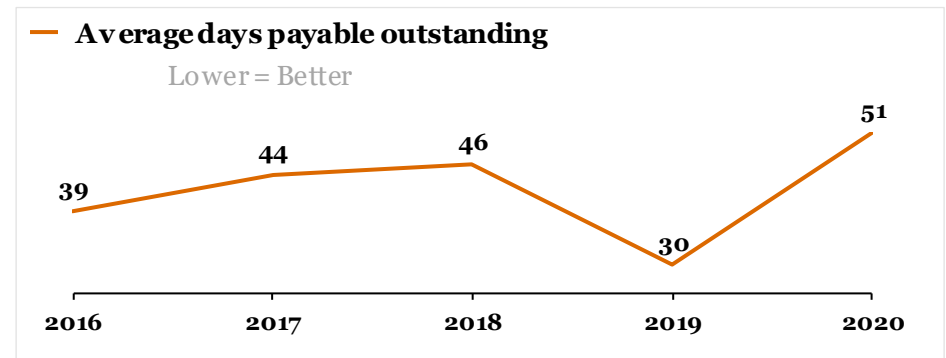
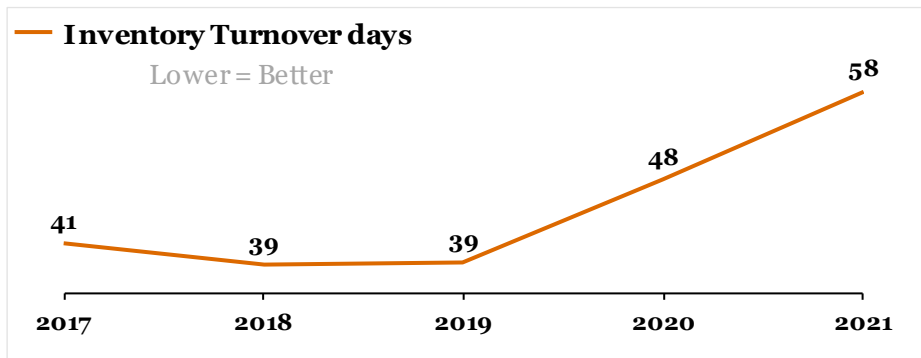
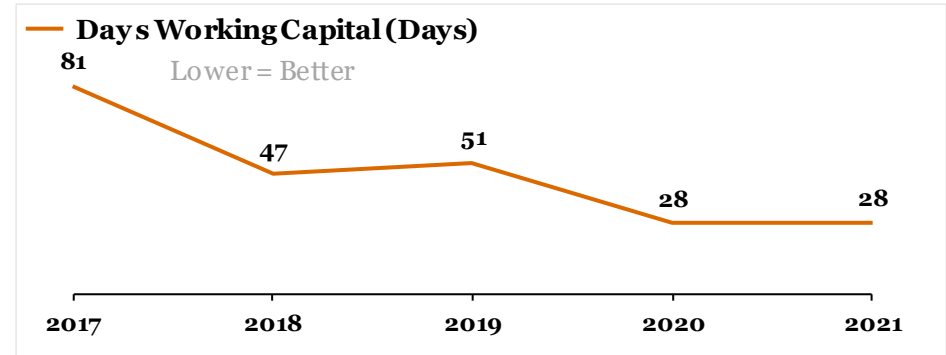
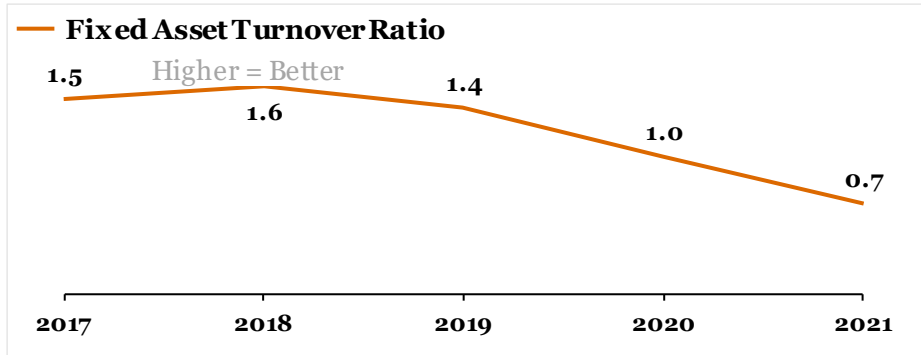
Margins (% of net sales)



Force Motors



Trends in efficiency



In FY 21

- Force Motors faced a major decline in both Net Sales and EBITDA, as commercial and passenger vehicles' sales were massively impacted.
- This was aided by poor sales planning at the onset of the pandemic, which is reflected in a 20% increase in inventory turnover days.

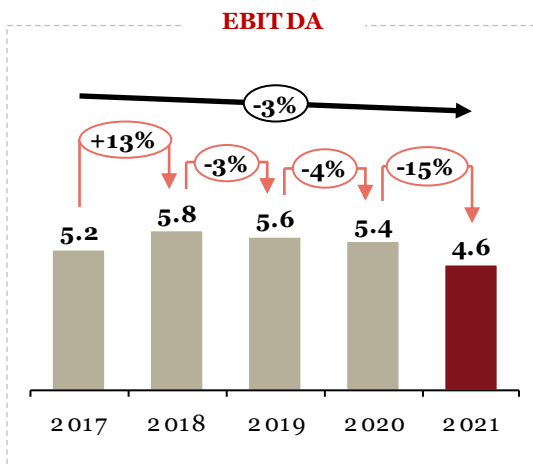
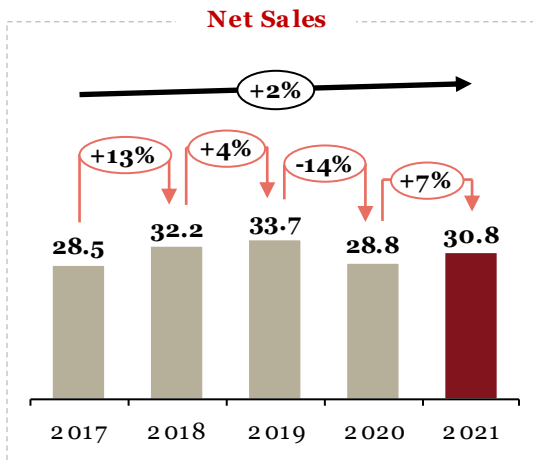
Hero Motocorp

Hero Motocorp

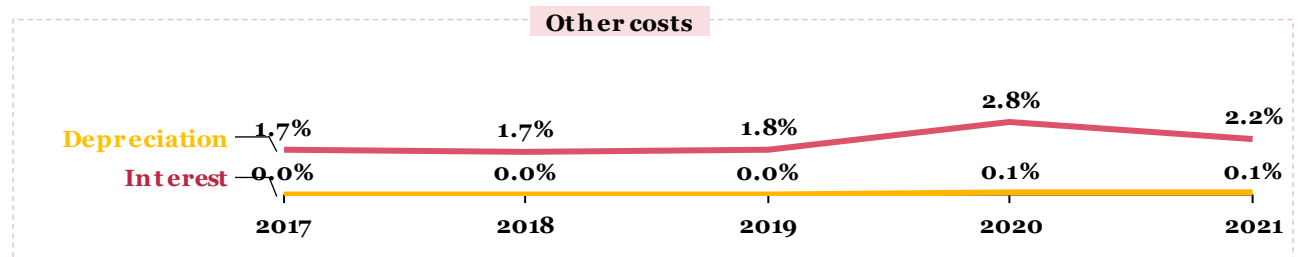
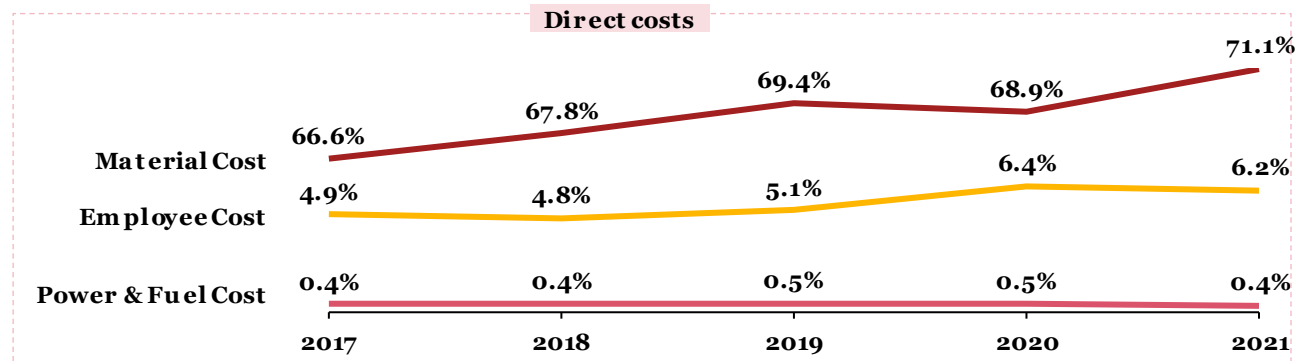
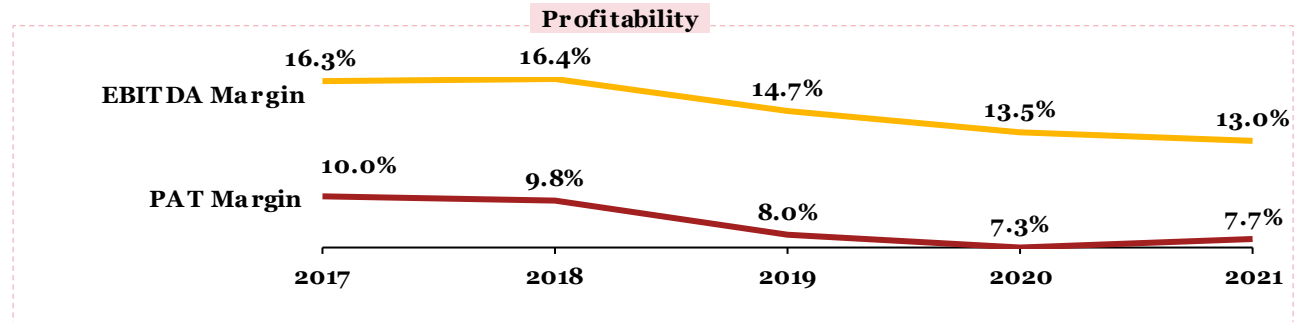


Trends in aggregates, profitability and costs

Aggregates (INR '000 Cr)



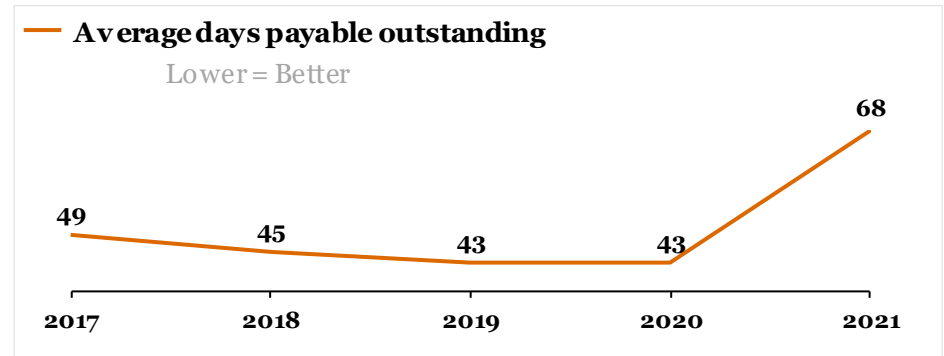
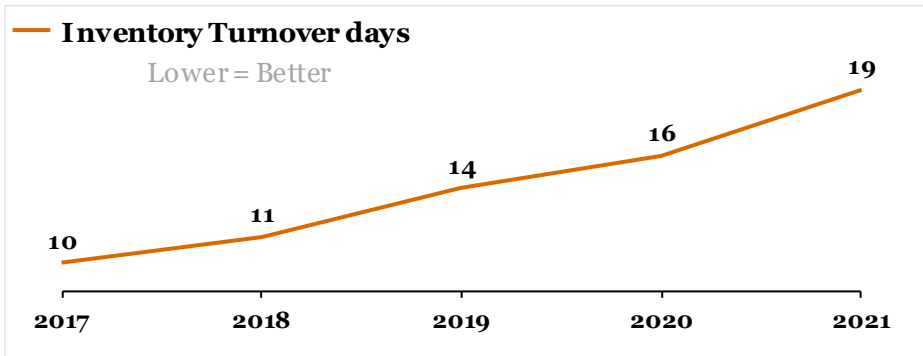
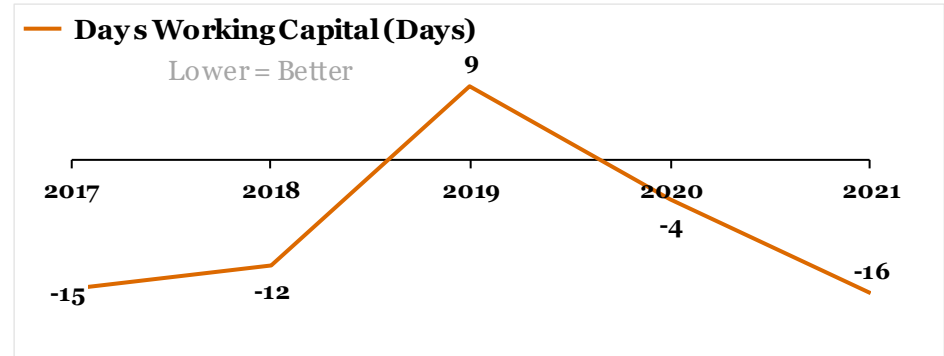
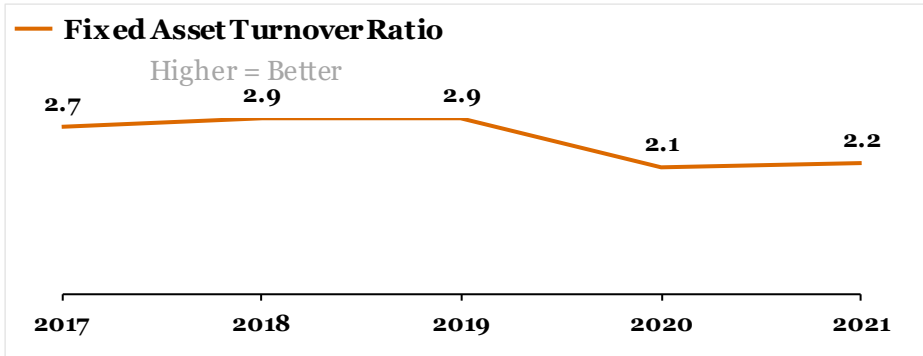
Margins (% of net sales)



Hero Motocorp



Trends in efficiency



In FY 21

- Hero Motocorp experienced a slight increase in Net Sales, as they had the top 2 selling motorbikes and best selling scooter of 2020 to their name.
- Despite a comparatively good sales performance, rising material costs caused a decline in EBITDA.

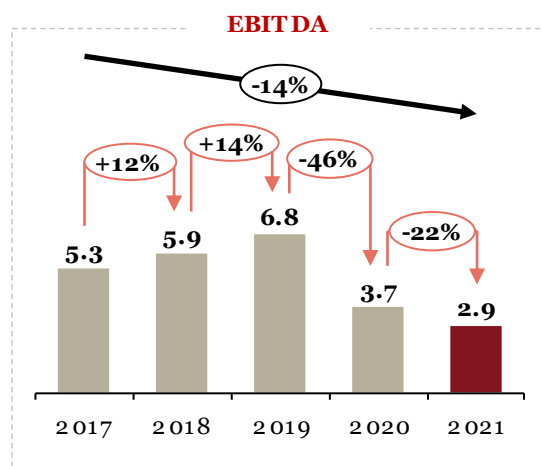
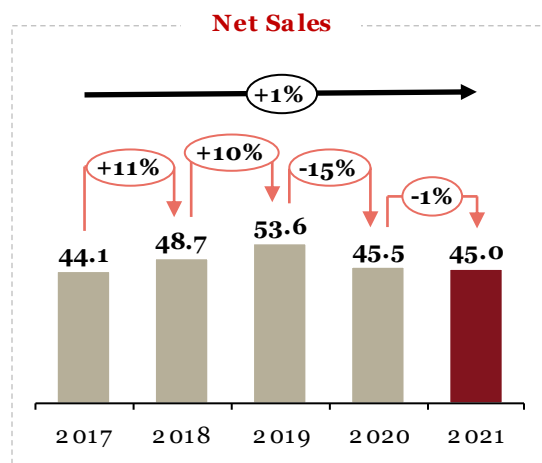
Mahindra and Mahindra

Mahindra and Mahindra

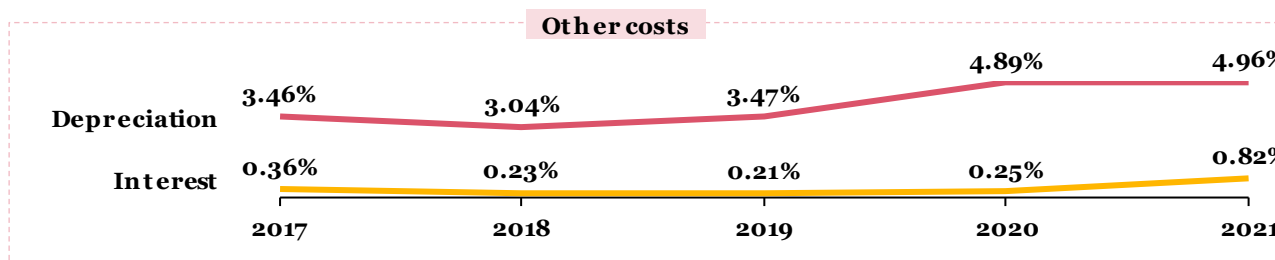
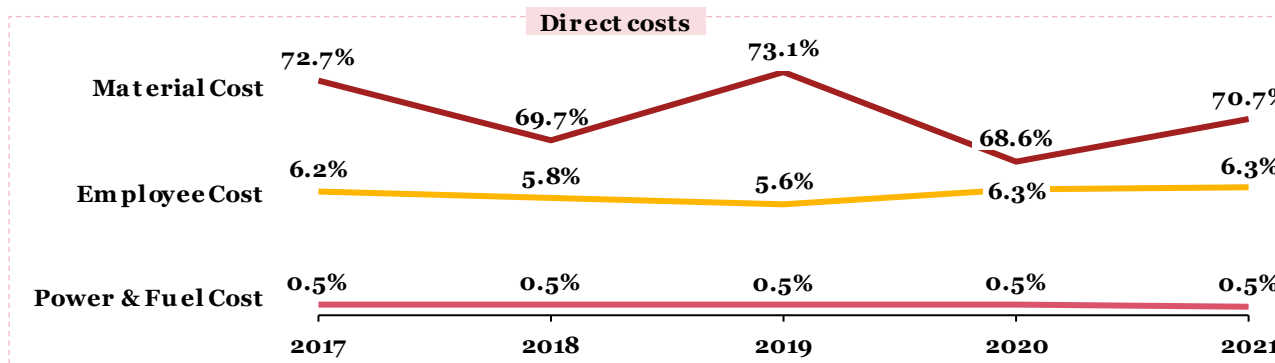
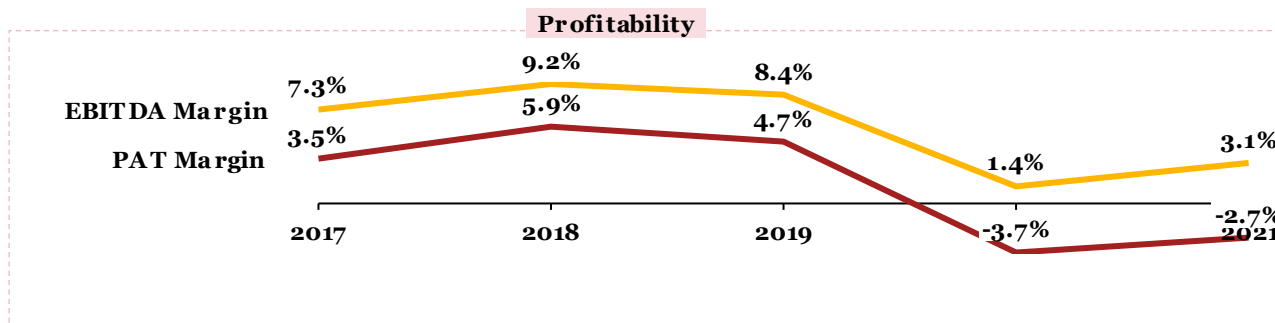


Trends in aggregates, profitability and costs

Aggregates (INR '000 Cr)



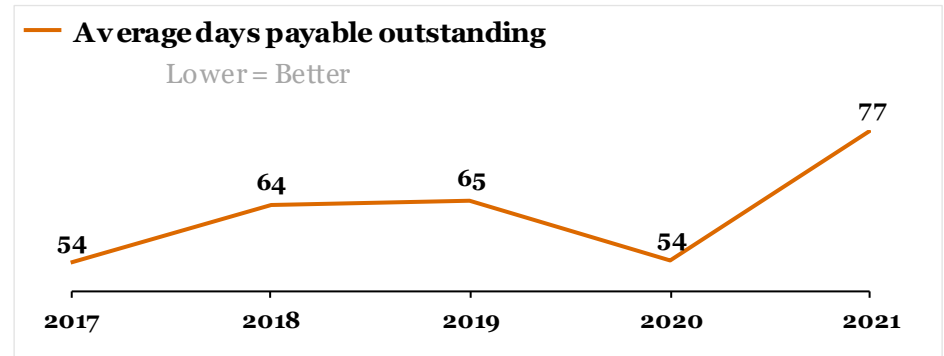
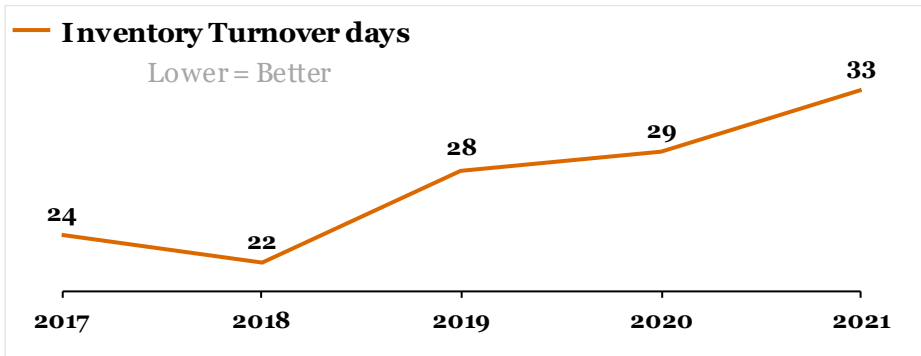
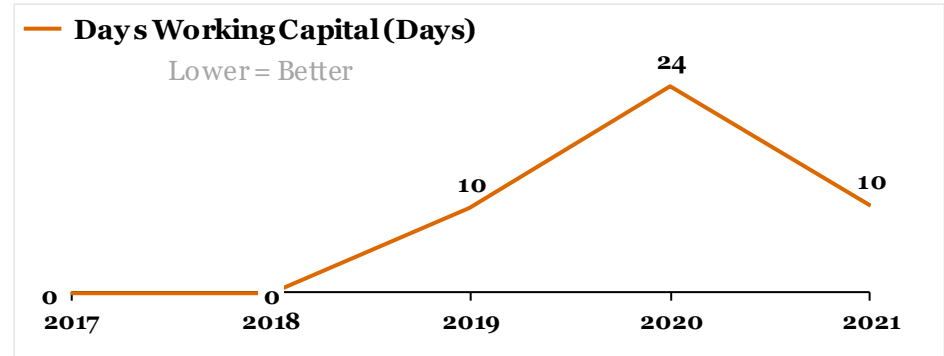
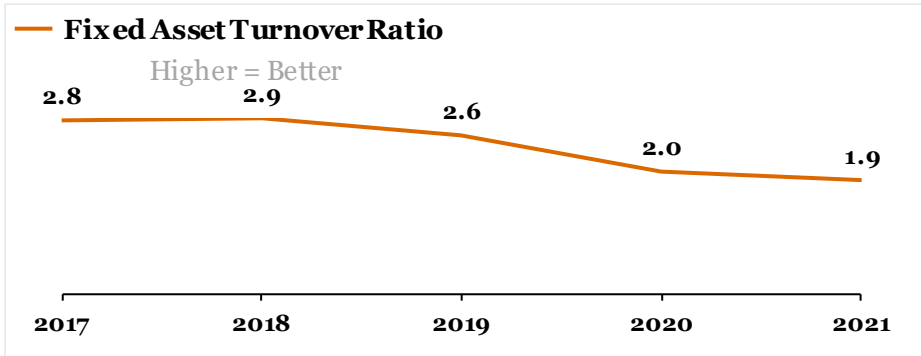
Margins (% of net sales)



Mahindra and Mahindra



Trends in efficiency



In FY 21

- Mahindra and Mahindra's presence across all automobile segments helped it's sales remain unaffected.
- Rising material costs caused a slight decline in EBITDA.

Maruti Suzuki

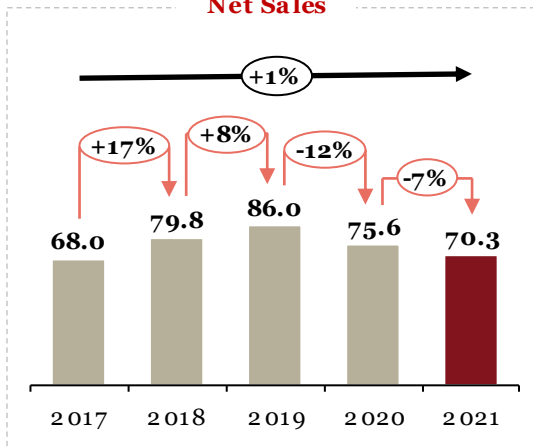
Maruti Suzuki



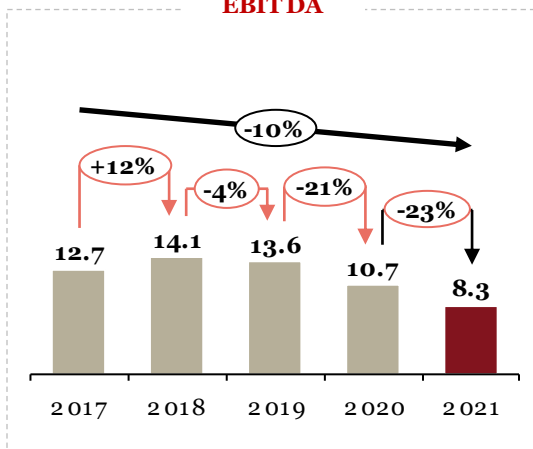
Trends in aggregates, profitability and costs

Aggregates (INR '000 Cr)

Net Sales

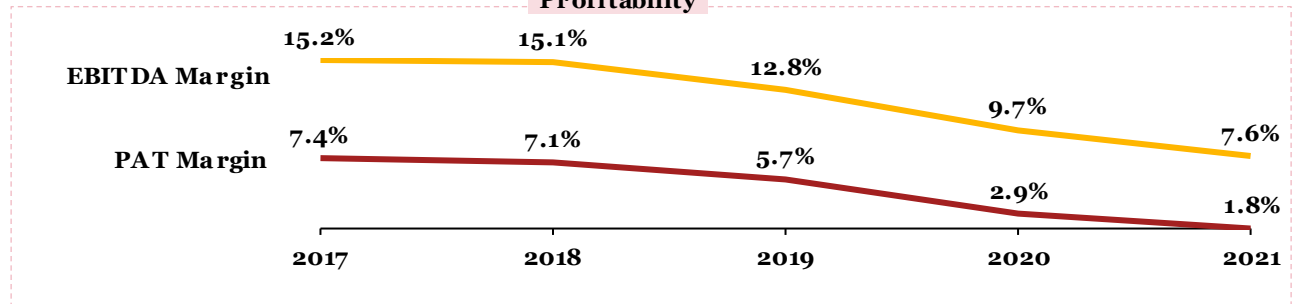


EBITDA

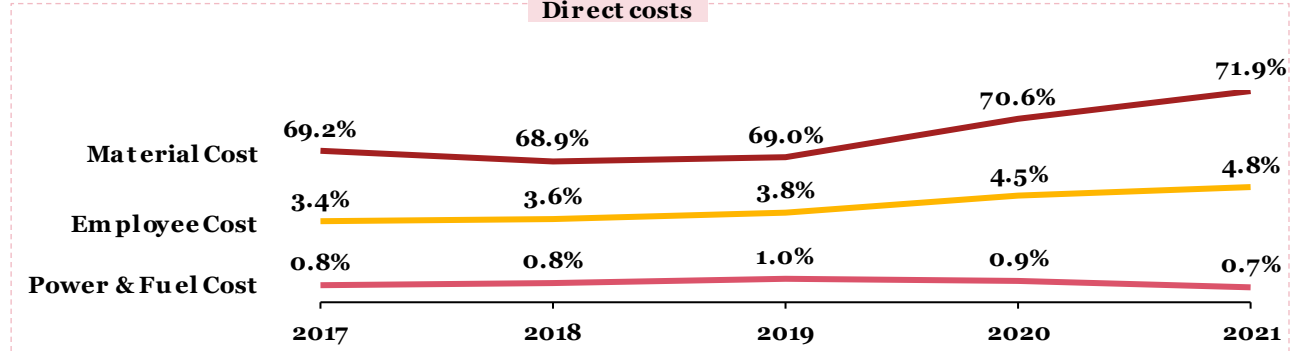


Margins (% of net sales)

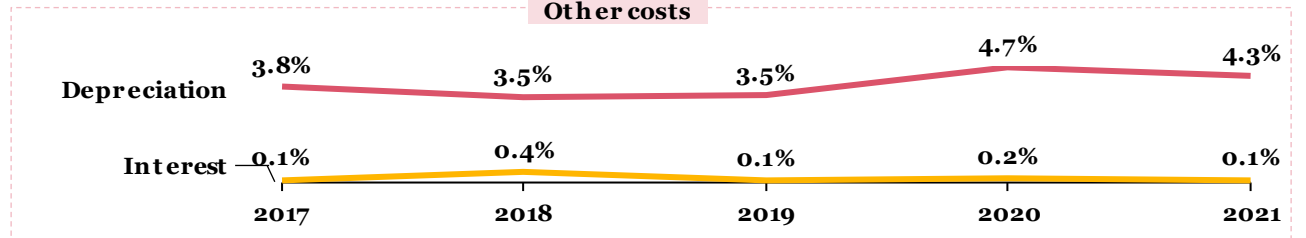
Profitability



Direct costs



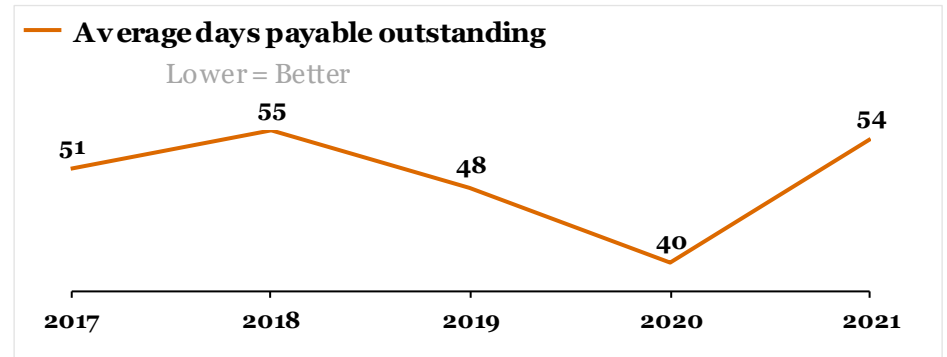
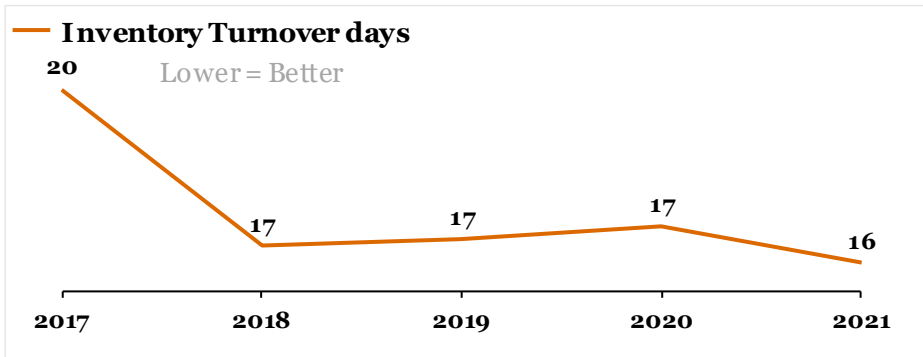
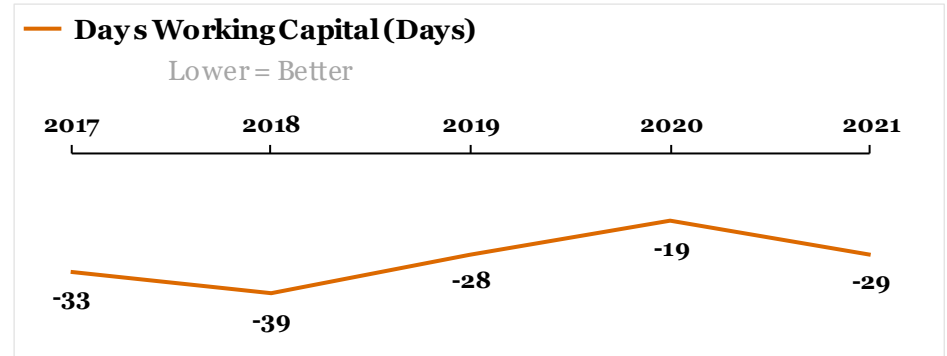
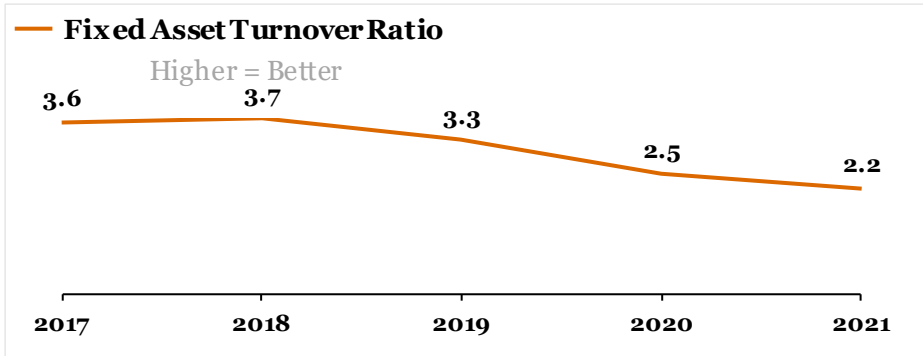
Other costs



Maruti Suzuki



Trends in efficiency



In FY 21

- Maruti Suzuki saw a decline in Net Sales, as commercial and passenger vehicles' sales were impacted the most due to COVID-19 led lockdowns.
- Profits declined sharply as material costs rose due to the new BS6 emission norms.

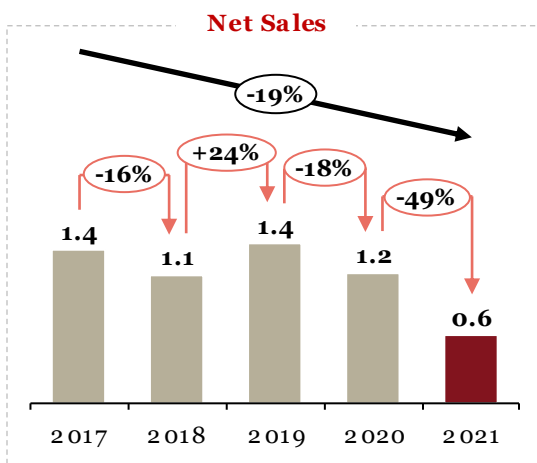
SML ISUZU

SML ISUZU

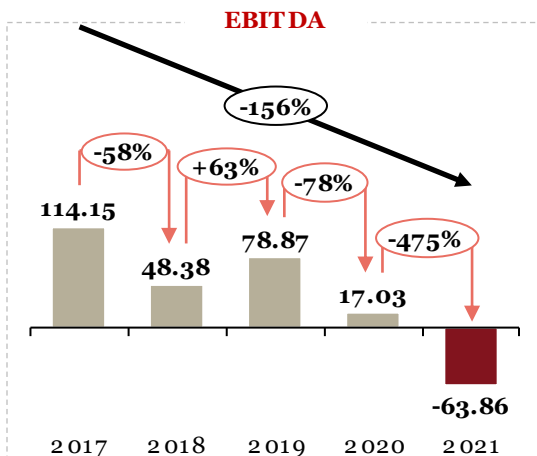


Trends in aggregates, profitability and costs

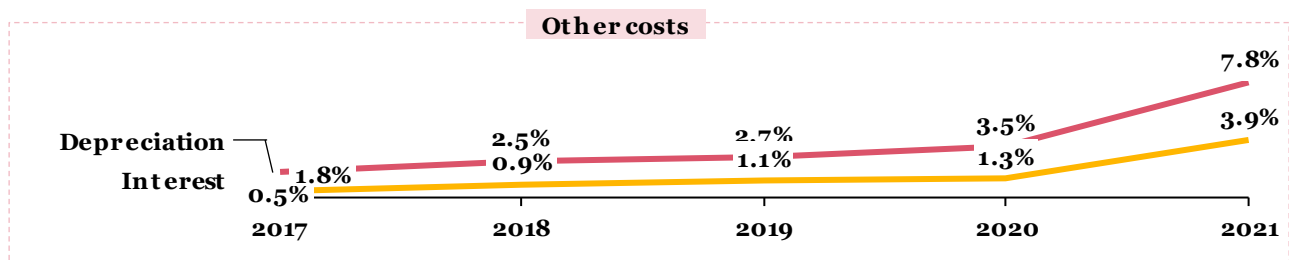
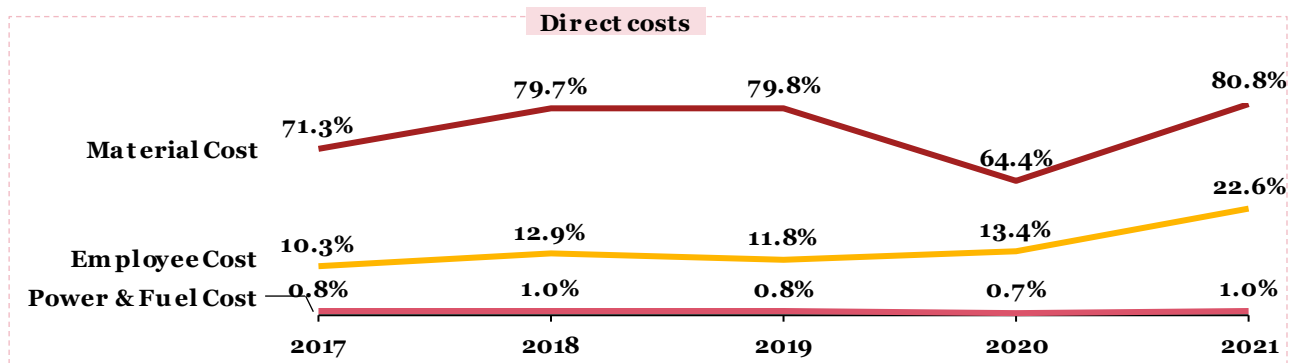
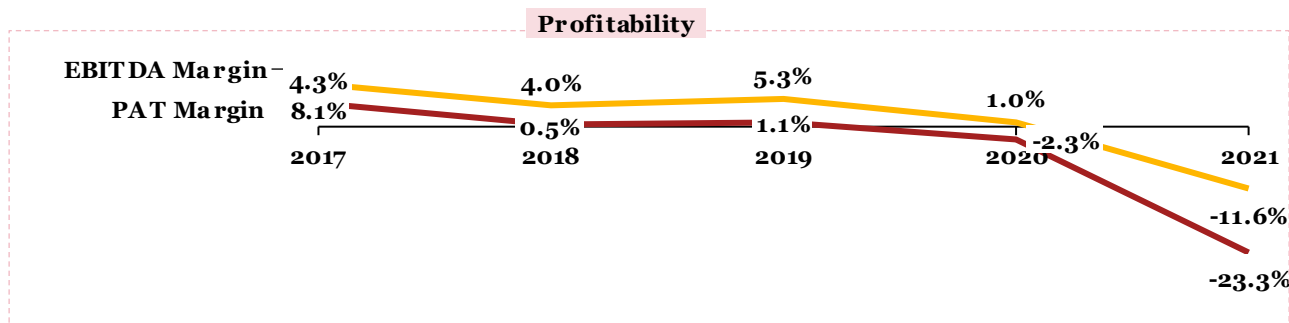
Aggregates (INR '000 Cr)



Aggregates (INR Cr)



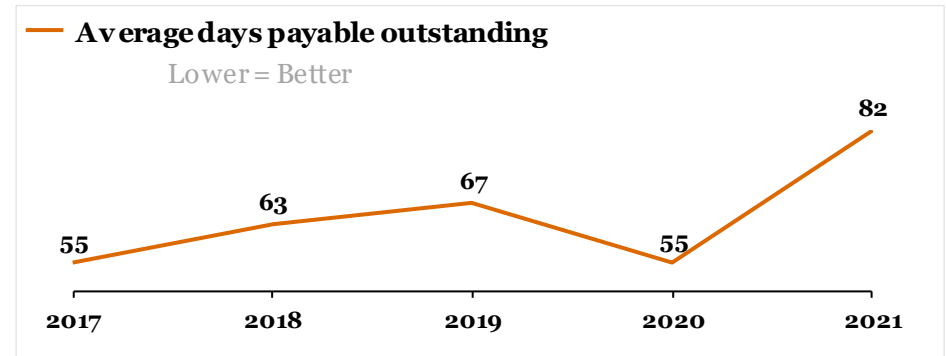
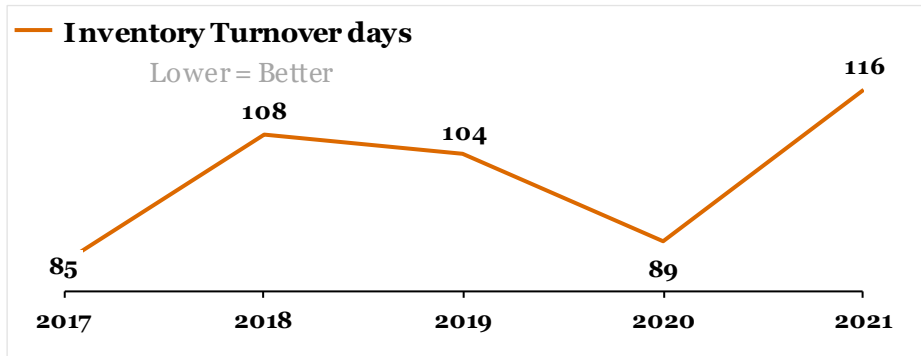
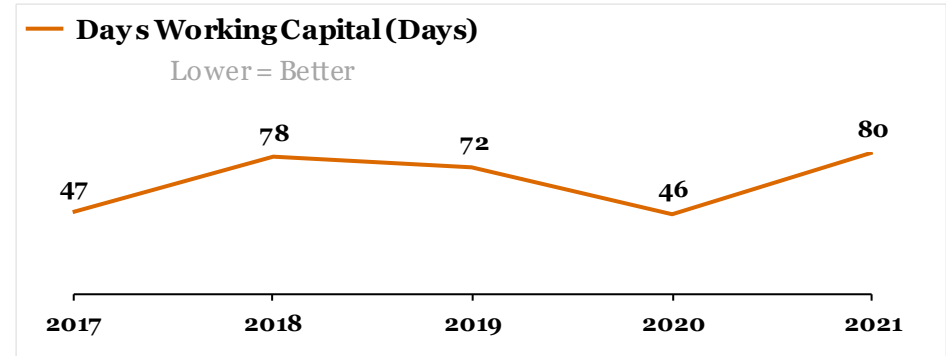
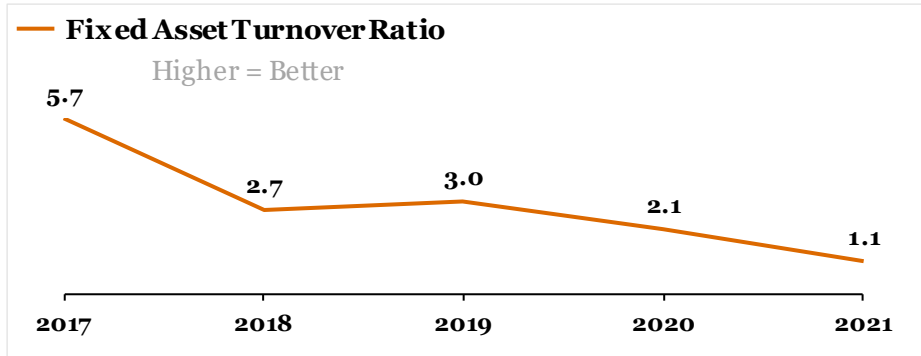
Margins (% of net sales)



SML ISUZU



Trends in efficiency



In FY 21

- SML Isuzu margins declined majorly, as EBITDA tumbled by almost 500%, driven by low demand of trucks and massive rises in employee and material costs.
- Inventory turnover days rose by around 40%, whereas days working capital and average days payable outstanding rose by almost 50%.

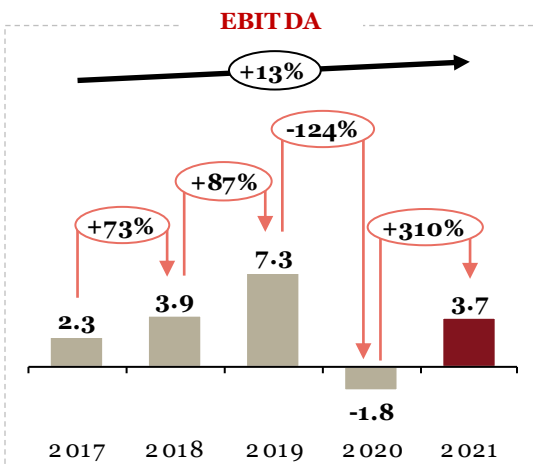
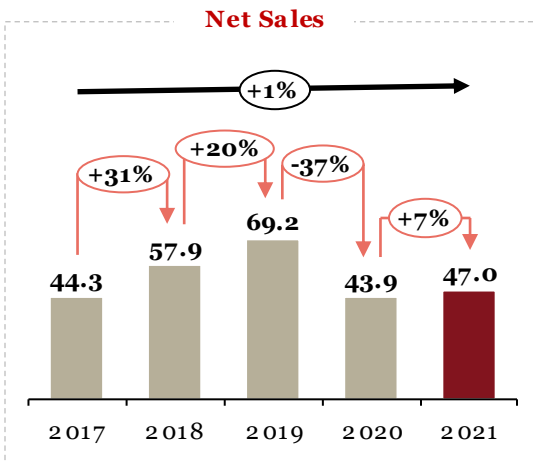
Tata Motors

Tata Motors

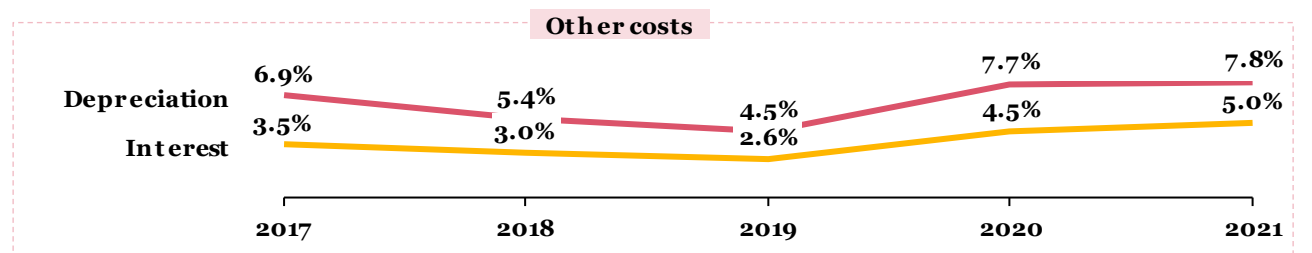
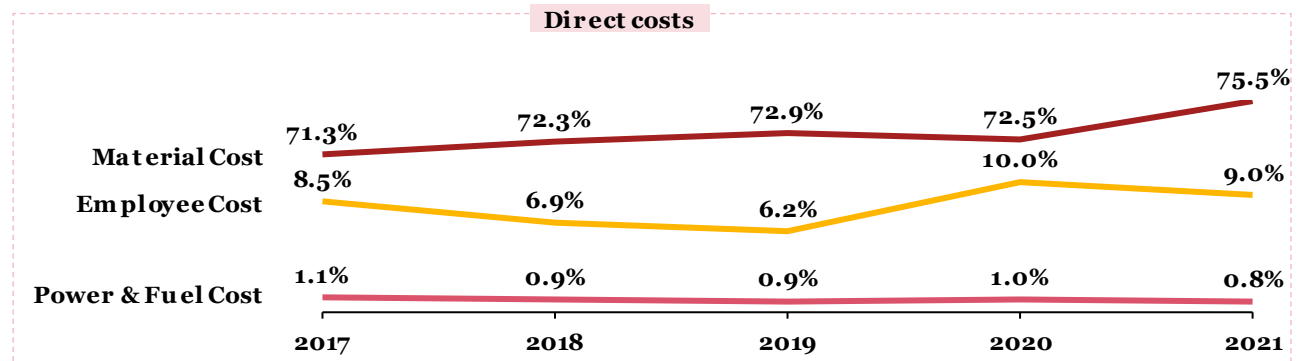
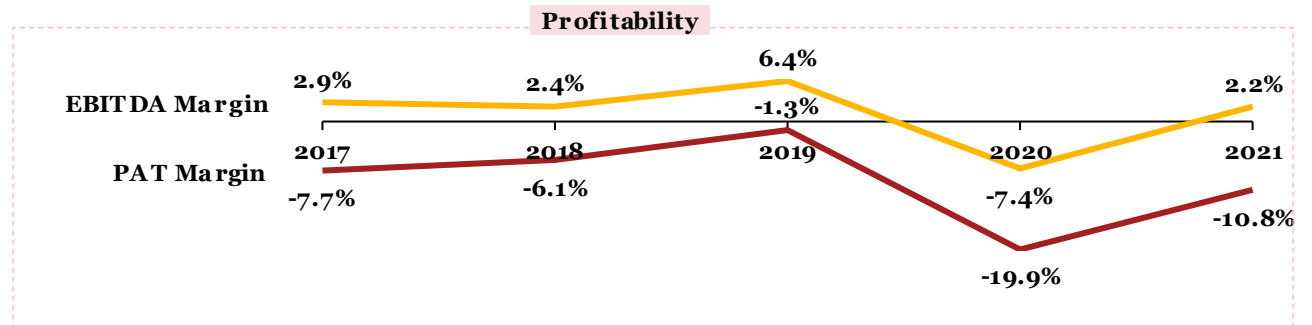


Trends in aggregates, profitability and costs

Aggregates (INR '000 Cr)



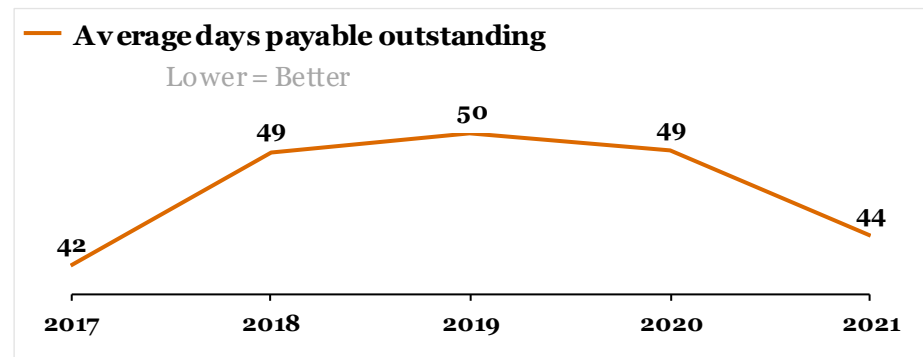
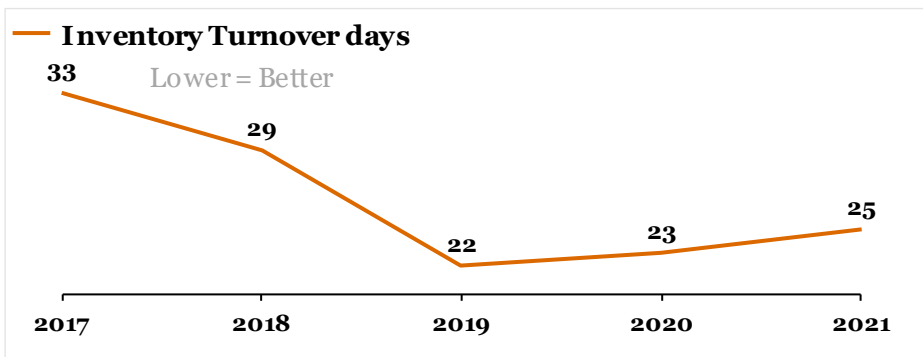
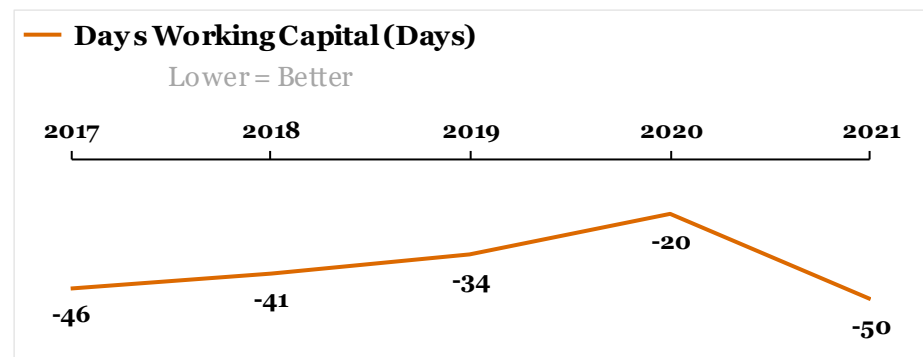
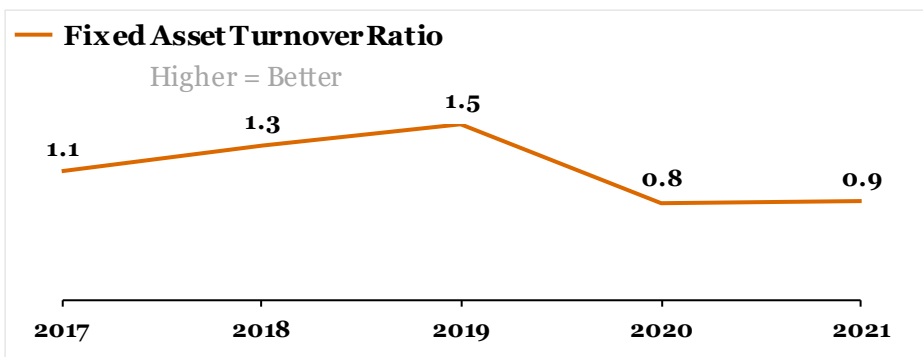
Margins (% of net sales)



Tata Motors



Trends in efficiency



In FY 21

- Tata Motors leveraged its reputation to come out with a slight increase in Net Sales despite being majorly involved in the commercial vehicle segment.
- Effective cost cutting policies negated the effects of rising material costs, and helped the firm register a positive EBITDA.

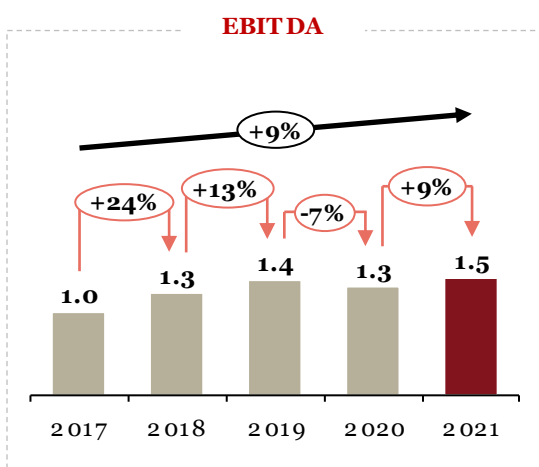
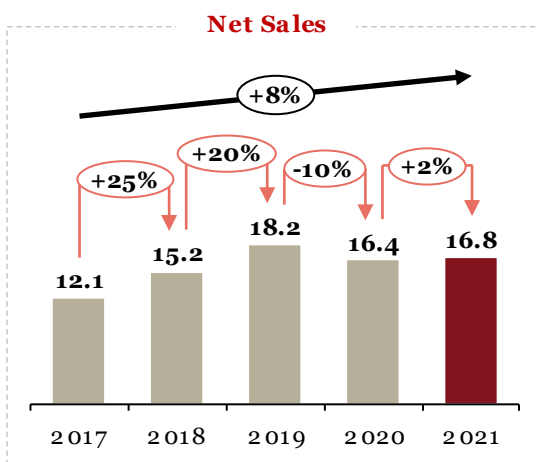
TVS

TVS

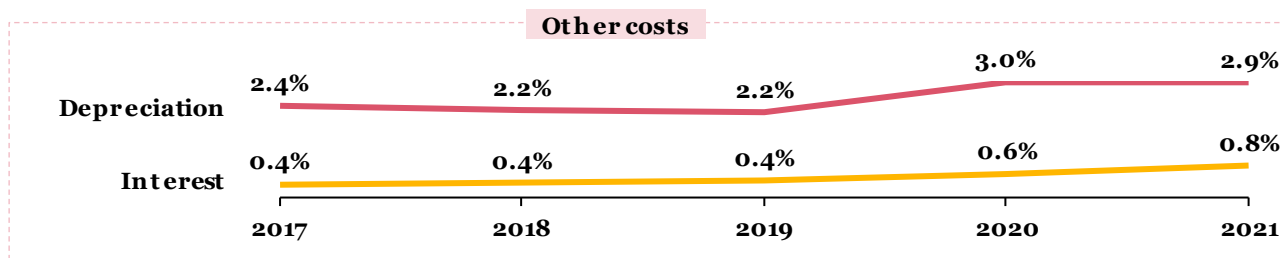
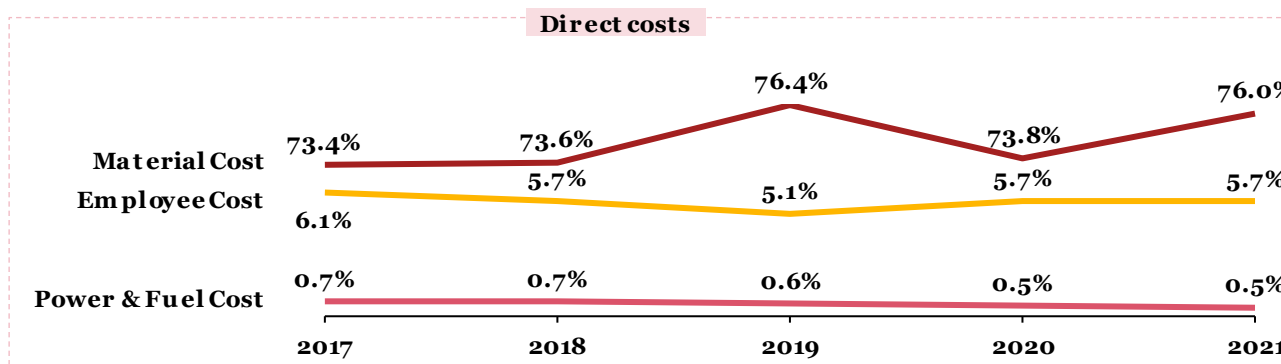
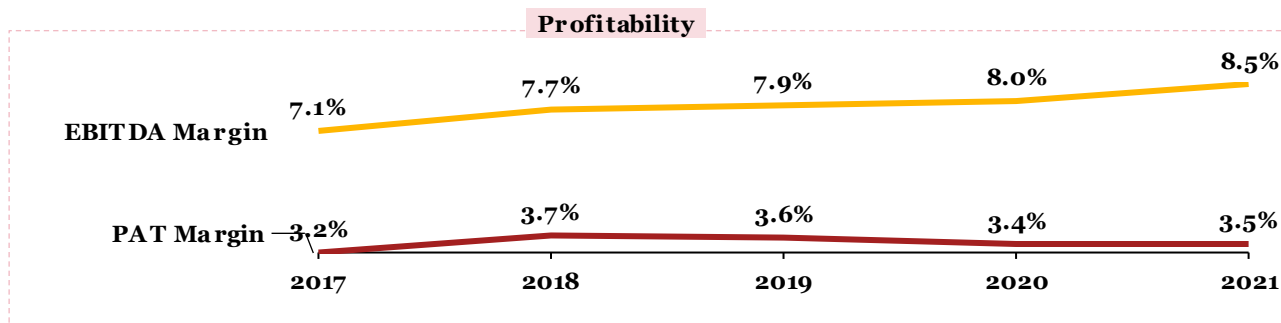


Trends in aggregates, profitability and costs

Aggregates (INR '000 Cr)



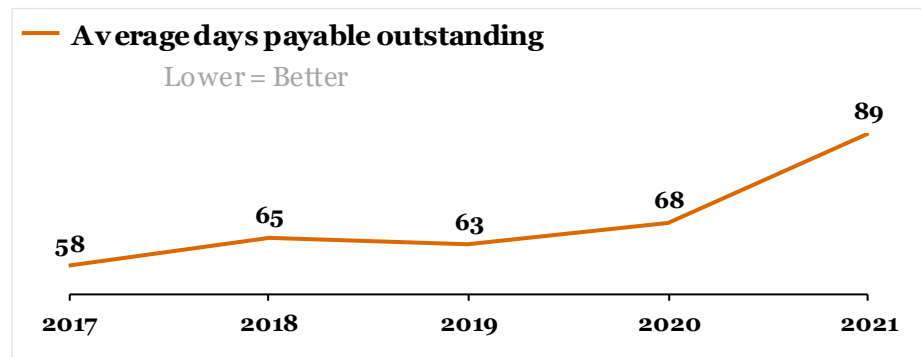
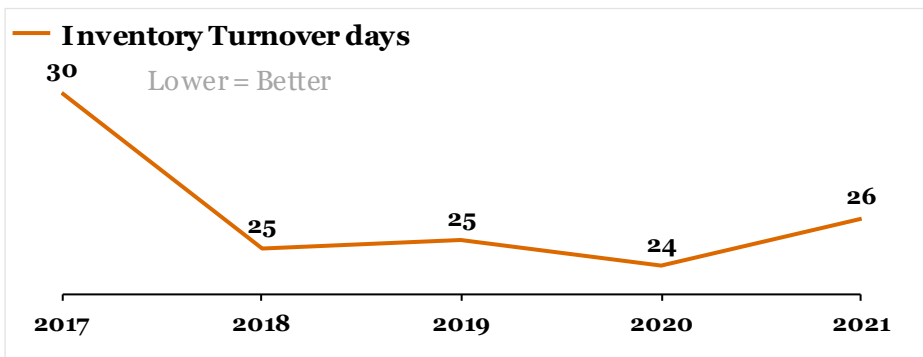
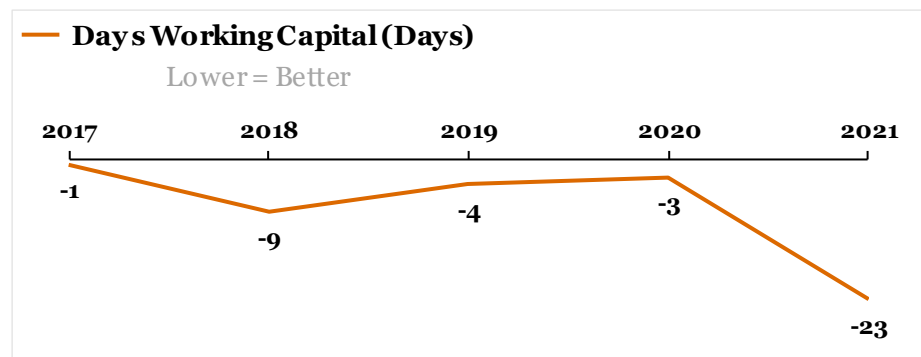
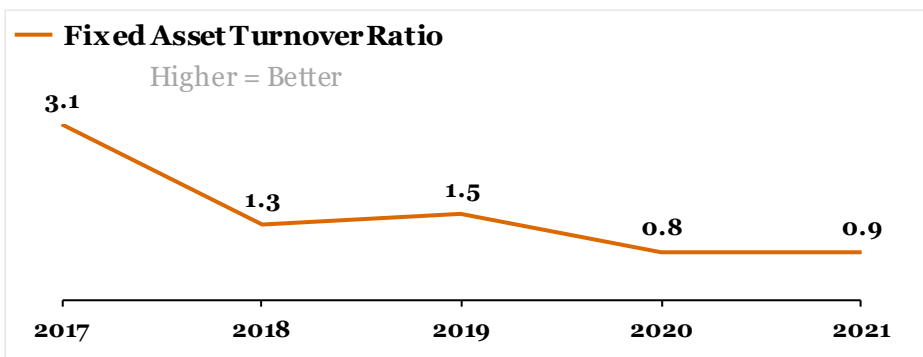
Margins (% of net sales)



TVS



Trends in efficiency



In FY 20

- TVS benefitted heavily from being a major player in the two wheeler market, as net sales rose marginally.
- Days working capital decreased by almost 700%, as operational efficiency measures adopted by the firm helped it combat rising material costs effectively.



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PwC contacts for ACMA Knowledge Partnership

- Kavan Mukhtyar, Partner & Leader-Automotive, PwC India - kavan.mukhtyar@pwc.com / +912261198735
- Somnath Chatterjee, ACMA Knowledge Partnership Manager – somnath.chatterjee@in.pwc.com / +91124620724