Autos & Mobility Sector

Key themes: Combustion, Diversification, Electrification

We hosted the 'HSIE Autos and Mobility Conference', which was attended by five auto OEMs, five parts suppliers, and three startups, amongst others. The key themes that emerged from the conference were electrification and diversification, as the industry is preparing to diversify beyond combustion engines. OEMs are increasingly investing in EV and hybrid technology while auto parts companies are seeking to de-risk their customer mix by foraying into the non-auto space including defence, aerospace, industrial and renewable segments. However, the pace of transition is expected to be gradual with ICE engines remaining dominant in the near to medium term, particularly in India.

- **The keynote speaker –** Mr Vivek Chaand Sehgal aptly summarised the changing environment for the industry, where auto OEMs and suppliers will be increasingly agnostic to evolving technologies across ICE, hybrid and EV products. While the industry is gearing up for the emerging 'CASE' trends, the pace of transition is expected to be gradual with ICE engines remaining dominant in the near to medium term, particularly in India. Based on estimates highlighted by various speakers, the wider acceptance of EVs will be from 2025-2030 onwards.
- **EVs:** In conversations with participants, while the path to adoption of EVs remains unclear, as India has infrastructure challenges, managements are ramping up investments (to avoid missing the bus). Along with developing electric products inhouse, OEMs are open to collaborations, to reduce the speed-to-market as well as maintain capital efficiency. Part suppliers are attempting to be segment agnostic, developing components for ICE, hybrid and EV products. The most aggressive on EV launches is Tata Motors (both for India as well as at JLR). On the other hand, Hero has adopted a dual strategy of investing in startups as well as developing vehicles inhouse.
- **Diversification:** The auto part suppliers are diversifying their customer mix beyond the traditional auto segment to partially de-risk their business models. The companies have varied targets of deriving non-auto revenues - Motherson Sumi is targeting to achieve 25% of its revenues from non-auto by FY25 while Sundram Fasteners is currently at ~10% and wants to focus more on the renewables segment. Bharat Forge already derives 35-40% of revenues from non-auto and is building capabilities in the defence segment, which can be a significant growth opportunity.
- **Auto startups** are investing in building ecosystems for EVs, which will include finance and maintenance of the vehicles. This step would enhance their adoption. Further, to encourage shared mobility, 2W ride-sharing startups are expanding into tier-II cities, where there is restricted availability of public transport.

Increasing focus of OEMs on electric

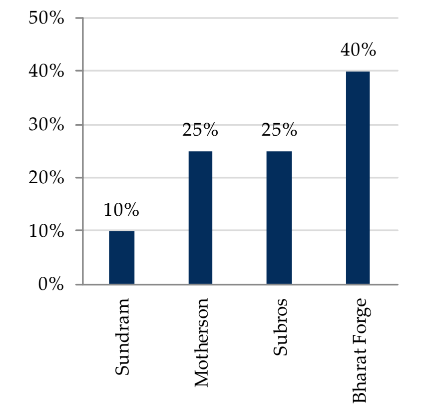
Auto OEMs	EV Plans
Tata Motors	Developing longer-range EVs for India. Launch of Altroz EV in FY22.
JLR	Jaguar to be fully electric. Land Rover EVs to be rolled out from 2024 onwards.
Hero	Invested in Ather. Own EV scooter to be rolled out soon.
Bajaj Auto	Will ramp-up production of e-Chetak to 5k units/month.
Mahindra	Will develop EV platforms for last-mile and SUVs.

Source: Companies, HSIE research

	CMP* (Rs/sh)	Reco
Ashok Leyland	117	REDUCE
Bajaj Auto	3,575	BUY
Eicher	2,638	REDUCE
Escorts Ltd.	1,330	ADD
Hero Motocorp	3,192	BUY
Mahindra & Mahindra	837	ADD
Maruti Suzuki	7,074	BUY
Tata Motors	303	BUY
Amara Raja	865	ADD
Bharat Forge	593	BUY
Endurance	1,388	BUY
Gulf Oil Lubricants	726	BUY
Subros	311	BUY
Sundram Fasteners	783	ADD
Container Corporation	539	ADD
Gateway Distriparks	180	BUY

Source: HSIE Research, *CMP as of 17th Mar-21

Auto ancs to increase contribution from the non-traditional segments



Source: Companies, HSIE research

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We hosted the 'HSIE Autos and Mobility Conference', which was attended by five auto OEMs, five auto part suppliers and three startups, amongst others. The key themes that emerged from the conference were electrification and diversification, as the industry is preparing to diversify beyond combustion engines. OEMs are increasingly investing in EV and hybrid technology while auto parts companies are seeking to de-risk their customer mix by foraying into the non-auto space, including defence, aerospace, industrial and renewable segments. However, the pace of transition is expected to be gradual with ICE engines remaining dominant in the near to medium term, particularly in India.

- **EVs:** In conversations with participants, 'Electrification' emerged as a common thread across companies. While the path to adoption of EVs remains unclear, particularly in India, given its infrastructure challenges, the various managements are ramping up investments (to avoid missing the bus). The OEMs - along with developing products inhouse - are open to collaborations, to reduce the speed-to-market as well as maintain capital efficiency. The auto parts suppliers are attempting to be segment agnostic, where the components are developed for ICE, hybrid and EV products.

- The most aggressive on EV launches is Tata Motors (both for India as well as at JLR). After the successful launch of the Nexon SUV, the OEM will launch the Altroz EV variant and will roll out longer-range models. Tata is expecting that the industry will be 7-10% electric in the next 3-5 years. By having an early mover advantage in EVs, Tata is targeting to gain market share in the overall Passenger Vehicle segment as the industry transitions towards electrics. Further, electric buses are being encouraged by several state and local municipalities. The company is actively bidding for EV bus orders across key states, including Maharashtra, Delhi, etc.

- Other OEMs are adopting different methods towards electrification – Hero has already invested in Ather, which is present in the premium segment. For the mass segment, Hero will launch the Maestro EV scooter in FY22. Bajaj will ramp up production of the Chetak to 5,000 units gradually, from the current low levels.

- Welectric – the startup is building a digital eco-system for sales, financing the aftermarket for EVs. To increase their adoption, it is working with last-mile delivery (only B2B) companies. It leases the vehicles to its clients for a period of ~24 months and undertakes maintenance of vehicles as well. Thus, startups are attempting to create an enabling ecosystem for the wider adoption of EVs.

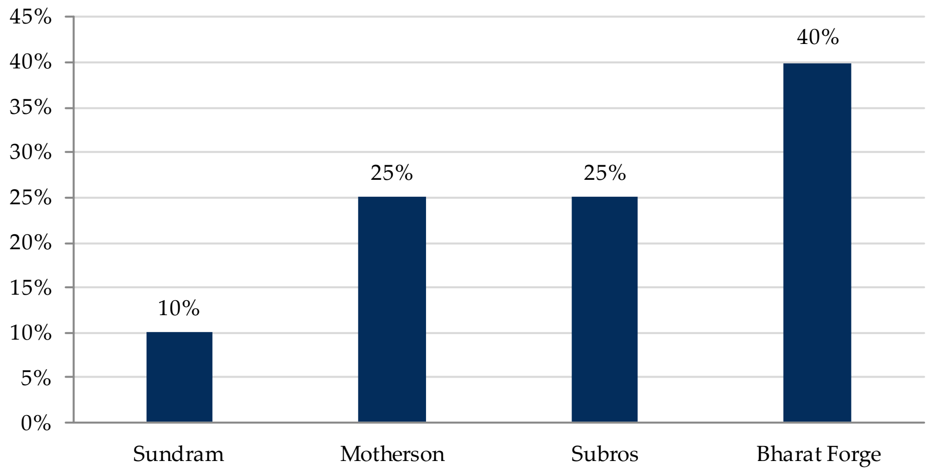
- Having said that, the opinion from the various speakers including that from Celeris Technologies and Motherson Sumi was that ICE engines will remain mainstream for the foreseeable future, given infrastructure constraints and higher battery prices. The transition towards EVs will be gradual with hybrid vehicles a good alternative in the interim, due to charging related concerns.

Upcoming four major trends- CASE

Connected	increasingly vehicles are connected
Autonomous	India is a while away from adopting this technology
Shared	Rapido is increasing penetration for 2W shared mobility
Electric	Early trends are visible in India

- **Diversification:** The auto part suppliers are seeking to diversify their customer mix beyond the traditional auto segment to de-risk their business models. Several auto part companies have a dominant presence in the segments they cater to and are keen to diversify beyond their core; Bharat Forge has a meaningful share in the crankshaft and axle beam supplies to CVs, Motherson is amongst the top-20 largest auto part vendors globally with an annual group turnover of $10bn and Subros is already the market leader in Pas Car ACs (44% share).

Auto ancillaries to increase contribution from the non-traditional segments



Source: Companies, HSIE research

- Motherson Sumi is targeting to achieve 25% of its revenues from the non-auto segment by FY25 – it is expanding into segments including medical, aerospace and logistics segments. Sundram Fasteners' non-auto share is currently at ~10% and it wants to increase its focus on the renewables segment. Bharat Forge already derives 35-40% of revenue from non-auto and it is building capabilities in the defence segment, which can be a significant growth opportunity. Subros is expanding into segments such as Home ACs and Railway Air Conditioning.

Diversification trends across auto ancillary companies

OEMs	Diversification
Motherson Sumi	Targeting 25% non-auto revenues by FY25
Bharat Forge	Non-auto is currently 35-40%. Increasing focus on defence.
Subros	Targeting 25% of revenue from non-pas car AC segment
Sundram Fasteners	Increasing focus on non-auto segments such as renewable

Source: Companies, HSIE research

Near-term trends:

- **Tata Motors** expects CV industry sales to grow at 30%+ in FY22E, driven by a sharp recovery in the MHCV segment. The OEM will continue to outpace the PV segment in FY22E as well, driven by new launches and product traction for existing products.
- **M&M:** In the auto segment, new launches of XUV 500 and Scorpio will drive sales in FY22. M&M will focus on their relatively 'premium' brands in the future while exiting the entry-level SUV segment.
- **Hero Motocorp**'s management expects the industry to grow in double digits over FY22, owing to a low base.
- **Bajaj Auto** highlighted that volumes for 3Ws will increase gradually as the economy opens up. Export demand outlook remains encouraging across countries.
- **Escorts**' management said that, in FY21YTD, the tractor industry has grown 20%+. Mar-21 is expected to be a healthy month owing to robust demand and a lower base (due to COVID-led lockdown in the previous year). Demand in the southern regions continues to drive sales.

Commodity price inflation:

- For **Bajaj Auto**, the high input price in various precious metals has impacted input costs by 300bps. The company is taking price hikes in various markets to offset the above.
- **Escorts**' might take a price increase in Apr-21 against the rising input costs. A price increase of 2-3% is required to sustain the current margin levels.
- **Hero**'s management said that prices for products have risen 15% over the past year, owing to the BS6 transition and other price hikes taken. The Leap Program has aided a reduction in expenses by 100bps.
- For **M&M,** the shortage of semi-conductors continues, as the company has received 40% lesser units in Feb-21 from its supplier compared to Jan-21. The OEM has taken price hikes in tractors to offset the commodity inflation.

Meeting takeaways

Rapido (Bike Taxi)

- **About the company:** Rapido was established five years ago. The company provides bike taxi-based shared mobility services and is present in Tier-I and Tier-II cities.
- **Cost economics:** 4-wheeler transportation cost is Rs 20-25/km and is not affordable to everyone. Whereas the cheapest mode is public transportation, which costs Rs 5-6/km, but is unreliable. Rapido's pricing is placed in between these two at Rs 10/km.
- **2W taxis vs 4W taxis:** The cab ride-sharing market is present in only the top 10 cities of the country while Rapido is present across the smaller cities as well. The 2W taxi market is reviving post-COVID and demand has risen to 70% of pre-COVID levels. People who were using public transportation earlier, are looking for a safer transportation mode/open-air public transportation.
- Also, Rapido is now offering logistic services as well. For Rapido, pre-COVID logistics used to be 8% of its business, which has now reached 25% (majorly food delivery). It has tied up with companies such as Swiggy for the same.
- **More details about the company:**
    - Rapido has more than 55% market share in the 2W ride-sharing market. In tier-II cities, it has a market share of 65%. The management claims that its has a larger presence that the cab ride sharing segment in tier-II cities.
    - 60% of its revenues comes from the metros and 40% from tier-II/III cities. This trend is expected to reverse over the next couple of years due to growing demand from the smaller centres.
    - ~15mn customers use Rapido annually. The company has onboarded 1mn captains/drivers, of which 200k are enrolled full-time with them. The average fare per ride is ~Rs 55 and the average distance is 5-6kms.
    - The management expects the company to be EBITDA positive by the following year.
    - Insurance costs - the customer is covered for the trip while the captain is covered as long as he is on duty. For every Rs 50 trip, the company pays 10p towards insurance for the customer. For the captain, the cost is 12p/hour.

Welectric

- The company is developing an eco-system for sales, financing and aftermarket for EVs.
- Problems faced by EVs:
    - Lack of sales and maintenance
    - Lack of finance
    - Lack of a market for resale of these EVs
- Welectric is working with companies that provide last-mile delivery (only B2B). It leases the EV to its clients for a period of ~24 months. The company is also expanding into the B2C segment.
- EVs are still under 1% of new 2W sales. The tipping point will be at 4-5%, after which the scale-up will be much faster.

- The government is focused on supporting the EV industry (GST being 5% vs 28% on IC). FAME-II has not been able to have the desired impact as the low-speed vehicles (< 40kmph) have been kept out of the scheme. These have traditionally been the highest-selling vehicles.

Gateway Distriparks (BUY)

Dedicated freight corridor (DFC):

- Gateway is open to bidding for CONCOR along with PE/funds, where the funding will be from investors. Gateway will lend its expertise for operating the asset.
- The management will operate 'Snowman Logistics' as cold chain logistics have longer-term growth potential. The earlier plans to sell the business are now off the table as Gateway has been able to deleverage its balance sheet.
- While the new Rewari to Palanpur phase has been electrified, the DFC phase I is expected to be operational only by Sep-21 as signalling work is delayed. Indian Railways is under an obligation to move 70% of rail volumes from the DFC routes. Rs 350bn has been spent by the government for building the corridor.
- Along with double stacking and faster turnaround times, railways will benefit from higher volumes of container traffic. Post-COVID, international trade volumes have been robust. A shift of cargo from road to rail has been witnessed during the lockdown period due to faster turnaround time and increased reliability of the railways. These benefits are expected to flow in with more intensity when the DFC commences.

Other highlights:

- Snowman Logistics: It plans to raise a QIP worth Rs 2-2.50bn.
- Gateway is continuously working on debt reduction, which now stands at ~Rs 5bn vs 6.5bn in FY20. The company is targeting to reduce debt to Rs 4.5bn by the end of FY21.

Auto OEMs

Tata Motors (BUY)

- JLR has a comprehensive EV strategy and will transform its entire portfolio to BEV, with the glide path towards an electric portfolio by 2030. While the Plugin hybrids are already launched, Jaguar will completely migrate to BEVs in the future.
- The next series of product launches are in the next 18-24months with the new Range Rover, RR Sport and Defender 130. The full-electric BEV at LR will be likely in FY24. The Jaguar I-Pace has been already in the market for the past two years.
- The management has stated that the OEM can develop the new jaguar architecture on their own, but the company is open to collaborations to increase the speed-to-market.
- Capacity in the UK will be phased out gradually as the Castle Bromwich facility models reach their end-of-life cycle.
- Tata motors E-universe in India will be created by leveraging the Tata group ecosystem – where Tata motors will produce BEVs, Tata Chemicals will produce lithium-ion batteries, Tata Power will set up charging infrastructure, Tata Finance will provide loans, and TCS will provide the software.
- Commercial buses are moving towards electric - 340 electric bus orders from Mumbai for 9 meters buses have been received, which would be delivered over the next six months. Other cities ordering EV buses are Ahmedabad, Jaipur, and Delhi. In all these states, new conventional buses are not allowed to be ordered anymore. The FAME subsidy program for each vehicle is as high as Rs. 4.5-5.5m per bus.
- Tata Motors highlighted that it has aggressive market share targets for the PV segment in India, driven both by new launches (Safari, compact SUV) as well as a sustained focus across EVs. Market share for passenger cars in India as of Jan-21 was 7.9% - the company aspires to take it to double digits.
- Models such as the Tiago and Altroz are selling 6-7k vehicles/month while the Harrier continues to receive a strong response. The key focus is on safety and design.
- CV goods' demand should benefit from infrastructure initiatives as well as scrapping scheme (which should be announced shortly).

Bajaj Auto (BUY)

- **Exports:** The OEM is optimistic about its international business. The company believes that there are tailwinds in the export segment as the economies are opening from lockdowns. The container-related storages are expected to be resolved by May/Jun-21.
- **Domestic outlook:** The volume pick-up for 3Ws will be gradual as colleges and offices are yet to open. Financiers are now returning to this segment as the situation improves.
- Currently, the 2W inventory is at a level of ~6 weeks. Over the past two years, there has been 35% price increase, owing to the BSVI transition and other price hikes taken by the companies. The auto industry has a limited ability to pass on further price hikes.

- **Commodity price inflation:** Input price increases in various precious metals will impact costs by 300bps. The company is taking price hikes in various markets based on its leadership position to offset the same.
- **EV:** Bookings for e-Chetak are still closed due to the semiconductor supply shortage, However, the global shortage of ECUs is not impacting Bajaj Auto's other conventional products.

Escorts Ltd. (ADD)

- The management believes that the industry's saturation point is still away and it could come at 1.2-1.4m tractors p.a. vs the current level of 0.7mn. Post this, the sales will be led by replacement demand.
- Mechanisation has a longer term potential in India. The company is currently working on farm implements and will gradually increase the addressable products in this segment. It currently implements products like Rotavators in its portfolio; Kubota is also present in India with its farm implement products.
- Escorts is benefiting from the Kubota tie-up as the company is manufacturing their tractors in the brownfield facility at Faridabad. Besides, the Japanese partner will collaborate with them for global initiatives as well over time.
- The construction equipment segment is witnessing green shoots as the economy is now opening up. Escorts has lowered the breakeven point for this business and the management expects high single-digit EBIT margin in FY22E.
- The railway equipment business is expected to witness a marginal decline in sales in FY21E as the railways is operating at lower utilisation levels (particularly the passenger segment).
- Against the rising input cost, the company might take a price increase in Apr-21. A price increase of 2-3% is required to sustain the current margin level. In FY21YTD, the tractor industry has grown 20%+. Mar-21 is expected to be a healthy month, owing to robust demand and a lower base (due to COVID-led lockdown in the previous year). Demand in the southern regions continues to drive sales.

Hero Motocorp (BUY)

- Though the 2W industry will witness a decline in FY21, the company expects the industry to grow in double digits over the next year, owing to a low base.
- **Scooters:** In the scooters segment, Hero's market share is now in double-digits at 10% vs 6.5% earlier. The repositioning of its Pleasure brand has enabled the OEM to gain market share.
- **Premium segment:** The company had reentered the premium space with XPulse and Xtreme, and is witnessing strong demand in it. Hero's market share is in the mid-single digit and the company is working to achieve double-digit market share in this segment as well. The products are popular in the large metro cities.
- **Harley partnership:** Hero has two agreements with Harley – Distribution and Licensing. They will work together to manufacture a new middle-weight product. Hero would take care of the manufacturing, while Harley would give the technology inputs. The tie-up with Harley will sharpen HMCL's marketing skills for premium bikes as well.

- **Financing:** The financing contribution to sales has risen post-COVID - from 35% to 50% now. A part of the price increase from BS6 and other industry factors has been absorbed by customers due to the higher financing proportion.
- **Price increases:** Prices for products have increased by 15% over the past year, owing to the BS6 transition and other price hikes. The Leap Program has helped reduce expenses by 100bps.
- **EV:** The company has a twin strategy on Electric vehicles: (1) investment in Ather, which offers premium products (450X) and (2) working in-house to develop a mass-market EV. The product roll-out is expected by next year.
- **Exports:** The company is still in the early stages of ramping up its overseas business plan. In the first phase, it established its footprint in 40 countries and it is looking for partners in countries such as Mexico, Sri Lanka etc. to gain market share. The company is now developing country-specific products; example: bike taxis for the African markets (Kenya).

Mahindra & Mahindra (ADD)

- **Capital allocation**: A significant portion of the subsidiary-based stake sale is completed – the exit from these businesses is now underway. The management will not use the cash flow generated from the Auto and Farm segments in any other businesses. The company is targeting a Capex of Rs 90bn over the next three years (which has been scaled down from earlier levels).
- **New launches:** New launches of XUV 500 and Scorpio will drive sales in FY22. M&M will focus on their relatively 'premium' brands in the future while exiting the entry-level SUV segment. Demand for Thar and XUV300 remains strong.
- **CV segment:** In the CV segment, pick-ups are doing well; however, sales have got affected by the ECU supply issue. The MHCV cycle is witnessing a reversal. The management believes that the scrappage policy needs to be more attractive to revive CV demand.
- **Tractor segment:** Demand for tractors is robust. However, M&M's market share in tractors is affected by lower wholesales – the retail share remains strong.
- **Café norms:** The company is on track to meet the upcoming Café norms. However, the management believes that the timelines should be deferred, as the industry has been affected by COVID and other factors.
- **Component shortage:** In the near term, the shortage of semi-conductors continues, as the company has received 40% lesser units in Feb-21 from its supplier compared to Jan-21. While this has led to lower YoY volumes for M&M, sales in Mar-21 should recover to the levels of Jan-21.

Auto Ancillaries

Motherson Sumi (NOT RATED)

- Diversification remains one of Motherson's key focus over the coming years. With its traditional business, the company has entered into various new segments such as logistics, aerospace, health & medical etc. It aims to increase share from the non-auto business - in the next five years, 25% of revenue is expected from the new divisions.
- Motherson's Vision 2025 (its 6th five-year plan) includes: (1) USD 36 billion revenues in 2024-25 with 40% ROCE (consolidated), (2) No country, customer or component should contribute more than 10% to our revenues, (3) 40% of the consolidated profit will be distributed as dividend.
- The management highlighted that globally, production is back at pre-COVID levels. 80% of its plants are running at more than 75% capacity.
- The evolving trends in the industry are centred around CASE (connected, autonomous, shared and electric). While the shift towards electric will take place over time, replacing 1.2+ bn vehicles globally will also take time and ICE engines will remain mainstream in the near future.
- Motherson is a technology agnostic company. The share of EVs in its order book is up to 21% in Sep-20 (EV order book represents only EV models and does not include the EV variants of ICE models).

Bharat Forge (BUY)

- Commercial vehicles (CV) segment is witnessing a sharp improvement. CVs are doing well in the US and European markets and the rebound in India has come as a surprise. Within Class 8 trucks, the company believes its recovery will be faster than the markets.
- Heavy trucks will take time to be electrified due to the heavy loads that are involved. It is possible to electrify smaller CVs such as mail delivery vans while goods trucks cannot be easily converted.
- The passenger car (PV) segment is witnessing improving traction as the company is focusing on light-weighting. Globally, BHFC is increasing the capacity of its aluminium forging capacities.
- Oil & Gas revenues are impacted significantly, with focus within the sector on generating cash and improving profitability, as drilling activity is muted. Management does not expect to return to peak levels of revenue from this segment and is expecting revenues to be at 50-60% of peak levels.
- Bharat Forge does not expect any major Capex requirement over the next 2-3 years unless it witnesses a sudden surge in growth.
- There have been significant reforms in the defence sector over the past few years Management is hopeful of winning new orders under the government's 'Atma nirbhar' localisation initiatives.
- The focus on international operations is not just topline growth but also EBITDA and RoCE. Within international, over the past six months, the company has identified redundancies in manpower. It is also downsizing manufacturing operations with a focus on profitability and efficiency. It does not expect any significant Capex requirements for subsidiaries.

Sundaram Fasteners (ADD)

- The company has been growing in line with or higher than the automotive sector. Fasteners still contribute majorly to the revenues, about 37%, transmission components 11%, radiator caps 3% etc. Its 90% of supplies are direct to the OEMs.
- 65% of its business comes from the domestic market (includes 10% aftermarket) and the rest from exports. Sundram is witnessing a revival in the CV industry, which is 30% of its domestic portfolio. 40% of its business comes from PVs, 14% from tractors, 6% from 2Ws and the rest from the non-auto segment.
- GM + Cummins account for 60% of its exports business. The company is gaining market share in the international markets due to its value-added products. With the new facility having commenced operations in Sri City (in AP), the company will increase its focus on new export customers.
- The company is increasing its focus on the non-auto segment, which is currently at 10% of revenue. The management is targeting the renewable segment towards the same. Sundram is also targeting 20% from new businesses every year.
- **EV strategy**: The company has developed a few components in hot and warm forgings, etc. which they have been supplying for EVs (this segment currently account for just 2% of its revenues).
- The capacity utilisation levels have dropped to 55%. The company expects to achieve pre-COVID levels of ~72% by 4QFY21.
- The domestic steel suppliers have already taken two price hikes against the rising commodity prices. However, Sundaram has a pass-through clause with OEM customers.

Subros (BUY)

- The company is reducing its dependence on the car air conditioner business and grow its non-auto segment. Five years ago, car aircon contributed 95% to Subros' revenue, which is now down to 80%. It aims at reducing this share to 75%.
- The management is targeting to grow revenues in double-digits, which will be ahead of the industry growth, driven by new initiatives. Its market share has improved from 34% (2014) to 44% in car ACs. Based on its current engagement with customers, the management believes its market share can rise further.
- The margins are expected to sustain in double digits, driven by higher localisation levels. The company will increasingly design the products in India, which will save costs.
- Further, the company is reducing the weight of the compressor to meet the changing norms (Vane Rotary Compressors). It is also positioned to supply AC systems for hybrid/EVs as its technology partner Denso has developed the relevant products.
- In the non-auto segment, home AC and railways will play a major role. The management targets revenue of Rs 3bn from the home AC segment and Rs.1bn from the railways over the next 3-4 years. In Home ACs, the company is producing more components inhouse (IDU and ODU), which will enable it to apply for the PLI scheme. With higher inhouse content, home AC segment margins will trend closer to that of the automobile segment.

Minda Corporation (NOT RATED)

- The company is present in four major segments – Mechatronics (security systems, starter motors, etc.) information and connected system (wiring harness, instrument clusters, etc.), interior plastics and aftermarket. Mechatronics contributes 40-45% to the revenue and wiring harness is another 40%.
- Over the long term, the company aims at significantly growing ahead of the industry and achieving a RoCE of 25%+.
- Product mix: 2W – 50-55%, CV – 15%, Tractors - 5%, PV - 10%. Customer mix: Major customers are M&M, Ashok Leyland, Tata Motors, TVS, etc. None of its customers contributes more than 15% of the company's revenue.
- The company's revenue in the wiring harness segment has almost doubled post the transition from BS4 to BS6.
- To contend with the rising commodity prices, Minda has a pass-through arrangement with customers. However, the indexation period is about 3-6 months.
- The company is already supplying EV components to Bajaj Auto for the e-Chetak. It has also received orders from companies such as Ampere.

Peer set comparison

	Mcap (Rs bn)	CMP* (Rs/sh)	Reco	Adj EPS (Rs/sh)			P/E (x)			RoE (%)		
				FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E
AUTOS												
Ashok Leyland	344	117	REDUCE	0.1	3.8	5.2	NA	30.7	22.4	0.5	14.7	18.3
Bajaj Auto	1,035	3,575	BUY	162.5	179.5	211.6	22.0	19.9	16.9	22.4	22.3	23.7
Eicher	72	2,638	REDUCE	56.8	87.4	115.2	46.4	30.2	22.9	14.6	19.6	21.8
Escorts Ltd.	163	1,330	ADD	76.7	82.3	92.6	17.3	16.2	14.4	17.9	14.9	14.6
Hero Motocorp	637	3,192	BUY	147.2	170.6	204.1	21.7	18.7	15.6	19.7	20.6	21.8
Mahindra & Mahindra	997	837	ADD	40.5	42.7	50.7	20.7	19.6	16.5	13.6	13.3	14.1
Maruti Suzuki	2,136	7,074	BUY	156.7	260.6	332.6	45.1	27.1	21.3	9.4	14.4	16.5
Tata Motors	1,091	303	BUY	(13.3)	3.3	14.0	NA	92.0	21.6	(7.9)	2.0	8.1
AUTO ANCILLARIES												
Amara Raja	148	865	ADD	36.2	44.0	52.5	23.9	19.6	16.5	15.8	16.7	17.3
Bharat Forge	276	593	BUY	5.2	12.5	22.5	114.6	47.5	26.4	4.5	10.3	16.6
Endurance	195	1,388	BUY	36.3	45.8	55.9	38.2	30.3	24.9	15.9	17.5	18.3
Gulf Oil Lubricants	36	726	BUY	37.8	40.7	44.0	19.2	17.9	16.5	23.4	22.3	21.6
Subros	20	311	BUY	7.2	12.8	18.4	43.5	24.4	16.9	6.1	10.1	13.1
Sundram Fasteners	164	783	ADD	15.8	18.2	23.3	49.5	43.0	33.5	15.6	15.8	17.7
Amara Raja	148	865	ADD	36.2	44.0	52.5	23.9	19.6	16.5	15.8	16.7	17.3
LOGISTICS												
Container Corporation	328	539	ADD	12.0	18.1	23.6	44.8	29.7	22.9	7.2	10.4	12.8
Gateway Distriparks	20	180	BUY	4.1	5.2	7.4	43.9	34.3	24.2	3.7	4.5	6.4

Source: HSIE Research, *CMP as of 17th Mar-21

Rating Criteria

BUY: >+15% return potential

ADD: +5% to +15% return potential

REDUCE: -10% to +5% return potential

SELL: >10% Downside return potential

Disclosure:

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