

Two-Wheelers-Night is darkest before its dawn



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**Two-Wheelers-Night is darkest before its dawn**

Our Buy note on the Indian 2W (Bajaj Auto/Hero Motocorp). Further, on the 2 year horizon auto sector is underperforming the bench mark indices (Nifty) of 41% in 2 year and auto moved only by 31% auto in this duration.

Will that flexibility continue in 2022?

**Semiconductor shortage:** For a year and half , a lack of semiconductor has been afflict the auto industry, forcing plants to shut down, delaying auto shipments and sending 2W prices through the roof but that is not the only problem with the Auto industry.

Automaker are having issue getting all manners of parts and raw material for a different of reasons, including Covid-19 related plant shutdowns by suppliers, logistical problems involving shortage of semiconductor, shipping containers.

Chips shortage are one of multitude of extraordinary disruption the industry is facing including everything from resin and steel shortages to labor shortages.

**Festive session:** The auto industry has wrapped up another disappointing festive session and this time.

During the 42 days of festive of the current festive season in India, the vehicle retail across India recorded a decrease of nearly 18% from the same time last year.

Category	2020	2021	YoY(%)
2w	1938066	1579642	(18.5)

Chip shortage began in 2020 with many nations imposing a full lockdown in the wake of the Covid-19 outbreak, hitting production and supply. Industry experts believe the phenomenon could last till 2023. It has begun to affect India by late last year.

**Big bets on all-electric fleets and batteries:** EV fleets require heavy production of lithium-ion batteries. GM is building a battery plant in Ohio and spending billions overall to transition its fleet away from ICE technology. This shift comes with some challenges, as battery suppliers have traditionally been outside the automotive supply chain. Bajaj auto was the first 2W manufacturer in India to launch an EV. Bajaj auto launched the all new Bajaj chetak an Electric scooter in January 2020 and the Hero Motocorp is all set to venture into the EV space with the launch of its 1<sup>st</sup> electric vehicle by March 2022.

EV fleets require good amount of production of lithium-ion batteries. GM is building a battery plant in Ohio and spending billions overall to transition its fleet away from ICE technology. This shift comes with some challenges, as battery suppliers have traditionally been outside the automotive supply chain.

**Demand and supply constraints:** Volume in 2W was disappointed because of the muted demand and high base. 2W declined 30-32% YoY on due to weak demand, chips shortage impacting premium motorcycles.

Nevertheless, the inquiry levels in the domestic market are gradually improving and we expect the two-wheeler recovery from Q4FY22 onwards. Export 2W segment sales continued strong momentum. We expect OEMs with Higher export exposure to perform relatively better like Bajaj Auto and Hero MotoCorp.

**Despite near term headwinds, we remain positive on the automobile sector and expect demand recovery going forward. We expect Bajaj auto and Hero MotoCorp to perform well, supported by reasonable valuations and good to mid teen growth prospects. Key thing to support the demand going forward-** a) Increase in preference for personal mobility, b) Better cash flow management by households aided by low cost of vehicle financing, c) Macro support; d) Reduced lifespan of a vehicle leading to faster replacement, e) Growth of electric mobility aided by slew of new EV launches. f) Momentum in export markets.

Exports to drive the growth; Outlook promising

**CMP: INR 3,176**

**Rating: Buy**

**Target Price: INR 3,906**

**Stock Info**

BSE	532977
NSE	BAJAJ-AUTO
Bloomberg	BJAUT IN
Reuters	BAJA.BO
Sector	Auto-2&3 wheelers
Face Value (INR)	10
Equity Capital (INR mn)	2894
Mkt Cap (INR Mn)	1,087,311
52w H/L (INR)	4,361/2,823
Avg Yearly Vol (in 000')	580

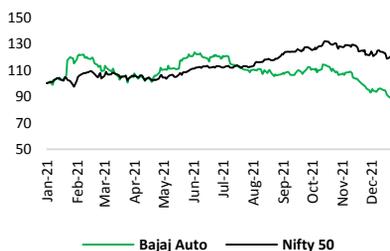
**Shareholding Pattern %**

(As on December, 2021)

Promoters	53.7
FII	11.21
DII	12.85
Public	22.24

Stock Performance (%)	1m	3m	12m
Bajaj Auto	-5.57	-19.5	-6.69
Nifty	0.13	-4.5	24.0

**Bajaj Auto Vs Nifty**



*We had a call with the management of Bajaj Auto, call majorly spoke about supply-side challenges, exports traction, Price increase, Bajaj Triumph and coming quarter update.*

**Management meet key takeaways**

- Sales: An average rate of over 2lac per month was maintained and crossed 2lac sales during November & December respectively.
- Bajaj auto is seeing traction in exports and is expected to remain between 2.4-2.5 mn units (Their earlier guidance was 2.2 -2.3 million exports). They will be capturing higher market shares in foreign regions like the Philippines, Sri Lanka, etc. Despite the good traction on the exports front, they are currently experiencing some resistance and tailwinds.
- Risk: a) The company is seeing some decline on the domestic 2W front, b) People are scared about the 3rd wave effect. c) shortage of semiconductors and even around October. If this thing got improved, we will see the pickup in the motorcycle front.
- Price Increase: In 24-30 months, a whole massive price increase after 3 intervene by the government and a totally 35% price increase in that period.8%-10% in last 12 months. As per the raw material volatility, the company is expected to take another price hike in Q3FY22. As we know this is not fully pass-on of the raw material cost as raw price increase 2% and in front of that, the company took 0.5% to 1%. We sees pressure remain over Q4FY22.
- Inventory: The company has six weeks' inventory as against 8-9 weeks earlier.
- Chip shortages have affected the 2W portfolio. Bajaj auto expects the challenge to persist for three to four quarters.
- Bajaj-Triumph partnership: The company has shifted the timeline as earlier it was FY2023 but now it's CY2023. So, it's shifted by a few months.

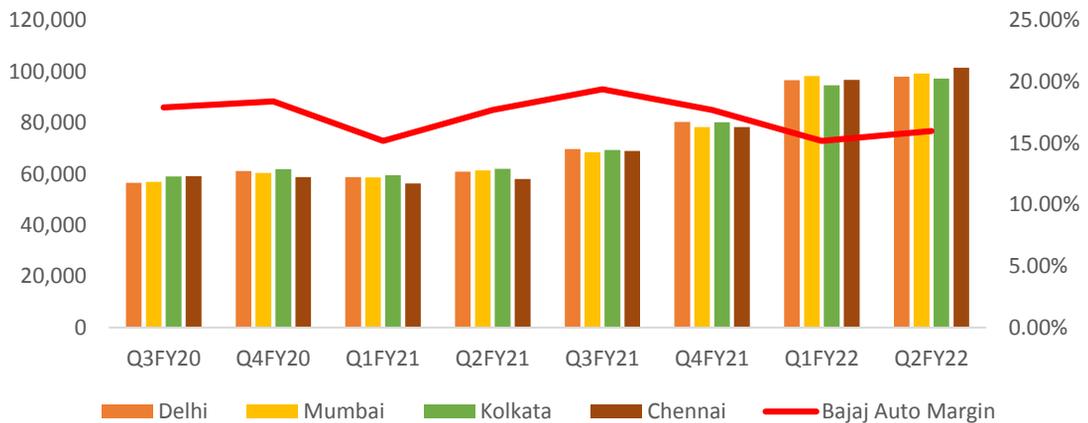
**Outlook and valuation**

We expect the company to gain further momentum and market share in exports, driven by its market leadership, brand equity, and enhanced distribution network. Higher raw material prices and scarcity of semiconductors are a matter of concern in the near term; the Company has failed to pass on complete cost inflation in this quarter which will impact margins. We believe margins will bottom out in Q3FY22E with pick up expected from Q4 onward backed by premiumization in 2Ws, increase in the share of exports, and RoDTEP scheme incentives. We value Bajaj Auto at P/E of 19x to its FY 24E EPS of INR 201.3 for a fair value of INR 3,826 and INR 80 for KTM stock valuation to arrive at a final target price of INR 3,906 using the SOTP method for Bajaj's stake in KTM. We have a Buy rating on the stock.

**Management meet key takeaways**

- Tuk-tuk 3W: Egyptian authorities banned the import of 3W Tuk-tuk components (auto-rickshaw), announcing a plan to replace these vehicles with minivans. The company sold ~5000 prior to the ban.
- CV Turnaround: The company's 40% sales come from the school and IT sector as this thing is closed so, the company has taken the price increase for that.
- Q3FY22E: The company is expecting margin will be under pressure as compared to Q2FY22 due to high cost. In Q2FY22 one-off is there from RoDTEP which has resulted in INR82 crores of earnings towards Q4 of last year and Q1 of this year. On exports, front 3W is supposed to make money followed by 2W domestic motorcycle.
- Sales: The company has reached almost to pre-Covid level. In 2W Almost 50% is financed.
- Product: The company premium segment is doing better but growth is impacted due to the chip shortage issue.
- EV: The company has launched chetak now in 8 cities and will expand to 30 cities but due to semiconductor issues is not able to do that.

Galvanised plain (GP) sheets 0.40 mm (INR./tonne)



Source: Arianth Research, Company Filings, Ace Equity

Galvanised corrugated (GC) sheets 0.40 mm (INR./tonne)



Source: Arianth Research, Company Filings, Ace Equity

- **Steel Prices:** As we know that the company did not fully pass-on the raw material cost as input price increased 2% and in front of that, the company took 0.5% to 1%. We believe pressure remains over Q4FY22. Going forward, If commodity price stabilize/decline it will lead to increased in EBITDA Margin.

Source: Arianth Research, Company Filings, Ace Equity

## Bajaj Auto Units Exported



Source: Arianth Research, Company Filings, Ace Equity

■ CY2021 ■ CY2020

- **Exports:** Bajaj auto is seeing traction in exports and is expected to remain between 2.4-2.5 mn units (Their earlier guidance was 2.2 -2.3 million exports). We believe, Bajaj auto will be capturing higher market shares in foreign regions like the Philippines, Sri Lanka, etc.

## Quarterly result summary

Standalone (INR mn)	Q2FY22	Q1FY22	Q2FY21	YoY (%)	QoQ (%)
<b>Net sales</b>	87,622	73,860	71,558.6	<b>22.4</b>	<b>18.6</b>
- Raw material	64565	53944	50581	27.6	19.7
(% of net sales)	73.7	73.0	70.7	300bps	105bps
- Staff expenditure	3516	3615	3246	8.3	(2.8)
(% of net sales)	4.0	4.9	4.5	-52bps	1bps
- Other expenditure	5530.4	5103.4	5069.4	9.1	8.4
(% of net sales)	6.3	6.9	7.1	-77bps	62bps
Total expenditure	73,611	62,663	58,896	25.0	17.5
<b>EBITDA</b>	<b>14,011</b>	<b>11,198</b>	<b>12,662</b>	<b>10.7</b>	<b>25.1</b>
EBITDA Margin (%)	16.0	15.2	17.7	-170bps	83bps
Depreciation	656	640.7	643.2	2.0	2.4
<b>EBIT</b>	<b>13,355</b>	<b>10,557</b>	<b>12,019</b>	<b>11.1</b>	<b>26.5</b>
Interest	17	22.9	26.5	(35.8)	(25.8)
Other Income	3183.2	3293	2858	11.4	(3.3)
PBT	16,521	13,827	14,851	11.3	19.5
Tax	3775.9	3215.4	3468.6	8.9	17.4
<b>Adjusted PAT</b>	<b>12,746</b>	<b>10,612</b>	<b>11,382</b>	<b>12.0</b>	<b>20.1</b>
Reported PAT	<b>12746</b>	<b>10612</b>	<b>11382</b>	<b>12.0</b>	<b>20.1</b>
Adjusted EPS (INR)	44.10	36.70	39.30	<b>12.2</b>	<b>20.2</b>
Total Volumes (Nos)	1,144,407	1,006,014	1,053,337	8.6	89.5
<b>Net Realisation (INR)</b>	<b>76,565</b>	<b>73,419</b>	<b>67,935</b>	<b>12.7</b>	<b>7.8</b>
EBITDA / Vehicle (INR)	12,243	11,131	12,021	<b>1.8</b>	<b>10.0</b>

Geographical mix	Q2FY22	Q1FY22	Q2FY21	YoY(%)	QoQ (%)
<b>Revenues (INRm):</b>					
Domestic	79,650	58,041	41,422	92.3	37.2
Exports	7,972	15,820	30,137	(73.5)	(49.6)
<b>Total</b>	<b>87,622</b>	<b>73,860</b>	<b>71,559</b>	<b>22.4</b>	<b>18.6</b>
<b>Volumes (In nos):</b>					
Domestic	1,017,499	754,174	573,586	77.4	34.9
Exports	126,908	251,840	479,751	(73.5)	(49.6)
<b>Total</b>	<b>1,144,407</b>	<b>1,006,014</b>	<b>1,053,337</b>	<b>8.6</b>	<b>13.8</b>
<b>Realisations (INR):</b>					
Domestic	78,280	76,959	72,216	8.4	1.7
Exports	62,817	62,817	62,817	(0.0)	0.0
<b>Total</b>	<b>76,565</b>	<b>73,419</b>	<b>67,935</b>	<b>12.7</b>	<b>4.3</b>

Source: Arianth Research, Company Filings, Ace Equity

## Profit &amp; Loss Statement

Particulars (INR mn)	FY21	FY22E	FY23E	FY24E
<b>Net sales</b>	<b>277,411</b>	<b>346,892</b>	<b>395,799</b>	<b>435,304</b>
Growth, %	(7)	25	14	10
RM expenses	196,097	247,681	280,622	306,019
Employee expenses	12,860	14,789	17,007	18,708
Other expenses	19,170	26,017	30,872	33,954
<b>EBITDA (Core)</b>	<b>49,285</b>	<b>58,406</b>	<b>67,298</b>	<b>76,624</b>
Growth, %	(3)	19	15	14
Margin, %	17.8	16.8	17.0	17.6
Depreciation	2,593	2,050	2,068	2,085
<b>EBIT</b>	<b>46,692</b>	<b>56,355</b>	<b>65,231</b>	<b>74,539</b>
Growth, %	(4)	21	16	14
Margin, %	16.8	16.2	16.5	17.1
<b>Other income</b>	<b>12,765</b>	<b>16,594</b>	<b>20,742</b>	<b>25,928</b>
Interest paid	67	51	49	47
Non-recurring Items	0	0	0	0
<b>Pre-tax profit</b>	<b>59,390</b>	<b>72,899</b>	<b>85,924</b>	<b>100,420</b>
Tax provided	13,844	16,038	18,903	22,092
<b>Profit after tax</b>	<b>45,546</b>	<b>56,861</b>	<b>67,021</b>	<b>78,327</b>
Others (Minorities, Associates)	-	-	-	-
<b>Net Profit</b>	<b>45,546</b>	<b>56,861</b>	<b>67,021</b>	<b>78,327</b>
Growth, %	(11)	25	18	17
<b>Net Profit (adjusted)</b>	<b>45,546</b>	<b>56,861</b>	<b>67,021</b>	<b>78,327</b>

## Balance Sheet

Particulars (INR mn)	FY21	FY22E	FY23E	FY24E
Cash & bank	5,274	22,643	55,460	96,009
Investments	226,310	224,046	219,565	215,174
Debtors	27,169	34,214	39,038	42,934
Inventory	14,939	19,008	21,688	23,852
Loans & advances	372	409	450	495
Other current assets	24,431	25,652	26,935	28,282
<b>Total current assets</b>	<b>72,183</b>	<b>101,926</b>	<b>143,570</b>	<b>191,572</b>
Gross fixed assets	55,875	58,913	59,413	59,914
Less: Depreciation	38,843	40,893	42,961	45,047
Add: Capital WIP	160	160	160	160
<b>Net fixed assets</b>	<b>17,191</b>	<b>18,179</b>	<b>16,611</b>	<b>15,027</b>
<b>Total assets</b>	<b>258,841</b>	<b>275,190</b>	<b>301,699</b>	<b>336,620</b>
Current liabilities	55,300	67,264	76,316	83,387
Provisions	1,544	1,698	1,732	1,766
<b>Total current liabilities</b>	<b>56,843</b>	<b>68,962</b>	<b>78,048</b>	<b>85,153</b>
Non-current liabilities	201,997	206,228	223,651	251,467
<b>Total liabilities</b>	<b>6,818</b>	<b>6,818</b>	<b>6,818</b>	<b>6,818</b>
Paid-up capital	2,894	2,894	2,894	2,894
Reserves & surplus	249,129	265,478	291,987	326,908
Shareholders' equity	252,023	268,372	294,881	329,802
<b>Total equity &amp; liabilities</b>	<b>258,841</b>	<b>275,190</b>	<b>301,699</b>	<b>336,620</b>

## Cash Flow

Particulars (INR mn)	FY21	FY22E	FY23E	FY24E
<b>Pre-tax profit</b>	<b>59,390</b>	<b>72,899</b>	<b>85,924</b>	<b>100,420</b>
Depreciation	2,593	2,050	2,068	2,085
Chg in working capital	-8,726	-255	259	-347
Total tax paid	-13,481	-16,038	-18,903	-22,092
<b>CFO</b>	<b>63,826</b>	<b>15,896</b>	<b>22,725</b>	<b>30,249</b>
Capital expenditure	-1,806	-3,038	-500	-501
Chg in investments	-44,350	2,263	4,481	4,391
<b>CFI</b>	<b>-33,392</b>	<b>30,976</b>	<b>24,028</b>	<b>24,940</b>
Free cash flow	62,020	12,858	22,225	29,748
Debt raised/(repaid)	-4	0	0	0
Dividend (incl. tax)	-87	-40,512	-40,512	-43,406
<b>CFF</b>	<b>-158</b>	<b>-40,562</b>	<b>-40,560</b>	<b>-43,453</b>
<b>Net chg in cash</b>	<b>30,277</b>	<b>6,310</b>	<b>6,193</b>	<b>11,737</b>
Opening cash balance	3,083	5,274	22,643	55,460
<b>Closing cash balance</b>	<b>5,274</b>	<b>22,643</b>	<b>55,460</b>	<b>96,009</b>

## Ratios

Particulars	FY21	FY22E	FY23E	FY24E
EPS (INR)	157.4	146.2	172.3	201.3
PER (x)	20.2	21.7	18.4	15.8
Price/Book (x)	3.6	4.6	4.2	3.7
EV/EBITDA (x)	7.2	19.8	16.1	12.9
EV/Net sales (x)	2.2	2.8	2.4	2.1
RoE (%)	36.6	12.7	14.3	15.9
RoCE (%)	47	26	28	29
Fixed Asset turnover (x)	5.0	5.9	6.7	7.3
Dividend Yield (%)	4.4	3.3	3.3	3.5
Receivable (days)	32	37	37	37
Inventory (days)	24	22	22	22
Payable (days)	73	66	67	67
Net D/E ratio (x)	(0.8)	(0.8)	(0.8)	(0.9)

Source: Arianth Research, Company Filings, Ace Equity

Structural Growth Drivers Remain Intact; New launches of EV will lead from here on

**CMP: INR 2,418**

**Rating: Buy**

**Target Price: INR 2,987**

**Stock Info**

BSE	500182
NSE	HEROMOTCO
Bloomberg	HMCL IN
Reuters	HR0M.BO
Sector	Auto-2&3 wheelers
Face Value (INR)	2
Equity Capital (INR mn)	400
Mkt Cap (INR mn)	491,420
52w H/L (INR)	3,629/2,310
Avg Yearly Vol (in 000')	816

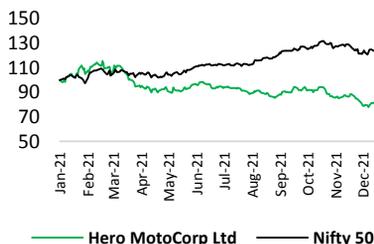
**Shareholding Pattern %**

(As on December, 2021)

Promoters	34.76
FII	45.23
DII	9.02
Public	10.99

Stock Performance (%)	1m	3m	12m
Hero MotoCorp	-10.6	-16.1	-21.0
Nifty	-4.47	-2.78	24.4

**Hero MotoCorp Vs Nifty**



*We had a call with the management of Hero MotoCorp , call majorly spoke about supply-side challenges, EV development , Premiumisation and LEAP-2 impact on the Margin.*

**Management meet key takeaways**

- **Demand:** Demand is subdued because of the rural economy being impacted due to second Covid wave. Festive demand was 80-89% compared to last year. The company expects demand to come back by H2FY22. There are many marriages in February compared to last year. Going forward, the company will see some green shoots.
- **EV launch:** Hero MotoCorp gears up to launch its EV by march' 22 to be manufactured at its plant in Chittoor, India The product is designed in Jaipur, tech in Germany The plant aptly called Garden Factory for its ecofriendly and sustainable manufacturing practices will provide an integrated ecosystem for Battery Pack Manufacturing and Testing, Vehicle Assembly, and Vehicle End of Line Testing (EOL).
- **Capex for EV:** The company has spent INR 1000 cr during last year and this year it will be ended by the spending of INR 600 cr as it's a slow year. The maximum part is to spend is the R&D, EV, and premium. So the rest of others always can be deferred. The CAPEX is INR 1000 Cr overall. maintains CAPEX is ~300 cr and rest in the term of Privatization is everything.
- **LEAP-II savings program:** The company was having a 50bps target in the past 2 years and after the good result it got doubled and as of now 200bps from the saving program. Also, the company is doing cost optimization and passing on the commodity prices, which is helping to sustain margin.
- **Inventory:** The company has 4-6 weeks' inventory as against 8-10 weeks earlier
- **Price increase:** The company took the price increase up to the INR 2000 and on an average INR 400.As of now the company has passed on the raw material cost and no plan to do it in next quarter.

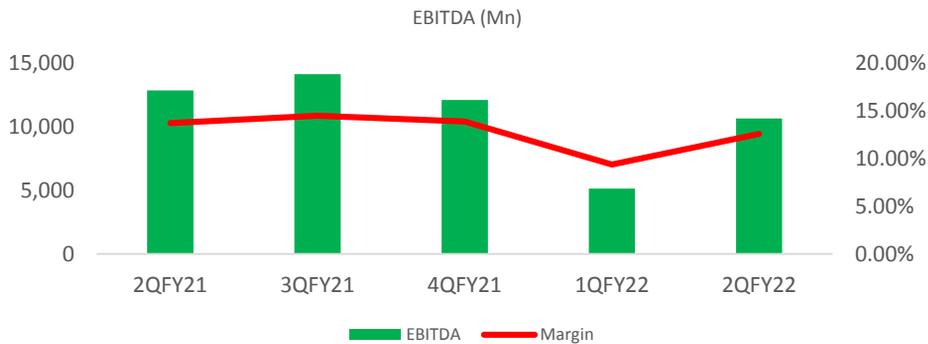
**Outlook and valuation**

The company under the LEAP-2 program has been aggressive in cost-saving, operating leverage benefits, and price hikes which would result in margin improvement. Secondly, Hero will benefit from its premium bikes, strong support in the economy, executive motorcycle segments, aggressive product offerings in the premium bikes and scooters segments. The EV segment is likely to do well for growth in the medium term. We have a positive outlook on the company backed by above the reason and considering its reasonable valuation. We value Hero MotoCorp at PE of 14x to its FY24E EPS estimate of INR 213.4, which yields a target price of INR 2,987. We assign a Buy rating on the stock.

### Management meet key takeaways

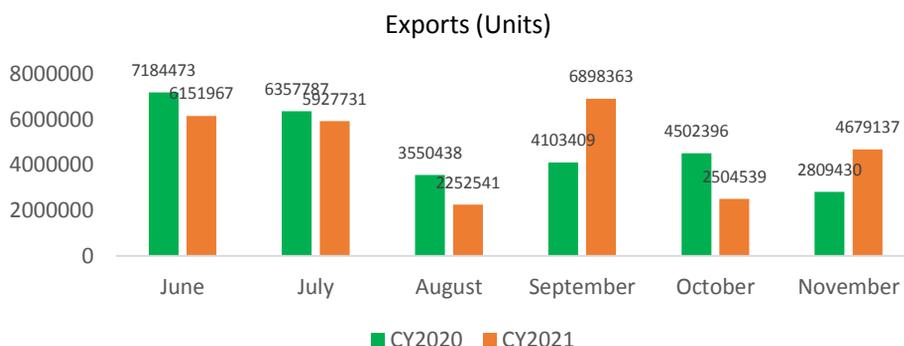
- EV Scooter: This is the only high speed scooter with ~40 km. It is going to be mass market product and more of premium product with own battery (by end of the financial year). Also the company has plan to come out with swappable battery which is going to come ~FY23.
- Semiconductor: The chip shortage is there but lesser as compare to 4W. If it is not there, then the company will be come out with more bike in Extech and pulsar. Overall basis, the company is managing it well.
- EV aspirant: The company's motorcycle from 70% of the total 2W market and scooter is in the range of 25-30%. EV penetration to reach 30% in the next 5 years.
- Exports: The company has a presence in more than 40+ countries. In terms of the market share trajectory, the key markets the company is focusing on, around 7 to 8 markets where they have positive market share movement. Recently, the company has launched Hunter over there. They have sent in the modified customized product- the taxi segment with an elongated seat. The annual run rate can go to 200k-300k and more going forward.
- Parts Business (12-13%): INR 1140 cr parts business. The company has increased the authorized service center and also the bill size number. The volume also increased significantly from the distributor side. Earlier revenue from the parts was 6-7% and it increased to 12-13%. Going forward, the target is at least 15% or more.
- Exports Margin: On the exports side, it is good to see they are getting traction in that business and adding to the margin positively. The company's target for margin is to make it 15% top-line. On average, the company is margin accretive.
- Demand (urban & rural): The company is seeing urban demand remains at the same level and the rural is awaited.
- The company is limiting the expand stake in the Ather. Ather product will be more on the premium side in comparison to that Hero is more of a mass product.
- Premiumisation: After-sales service becomes a larger part as it can become larger. 5-7% premium to original Glamour Bike and overall 40-50% sales of glamour bike. Scooters on the Pleasure Plus moved on to platinum version single colour scooter, differentiated seat colour and LED light, etc. Another platinum product Pleasure plus six and Maestro has the market of 45% and similarly, HF Dawn 100cc but all can position differently as per the Premiumisation.
- Retail financing: Total financing was 25% in Q2FY22 and Hero Fincorp total was at 45%. There is one private equity in fincorp and they are looking to exit in near-term but the company will update accordingly on that.

**Investment rationale**



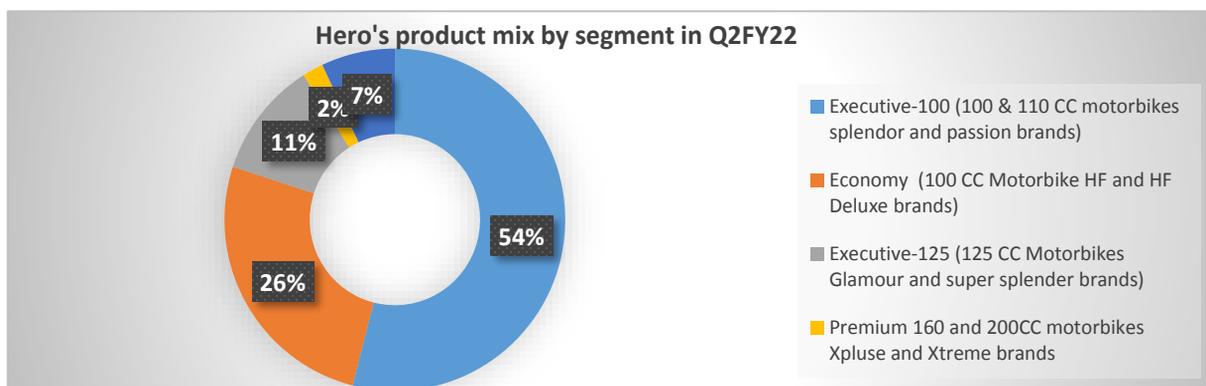
Source: Arianth Research

- Margin:** Commodity Prices, which have been impacting the industry margins so far, are showing some signs of softening as the company move from here. Through an accelerated Leap-II savings program, overheads management, and judicious price increases, the company has been able to improve margins sequentially and expect further recovery moving forward.

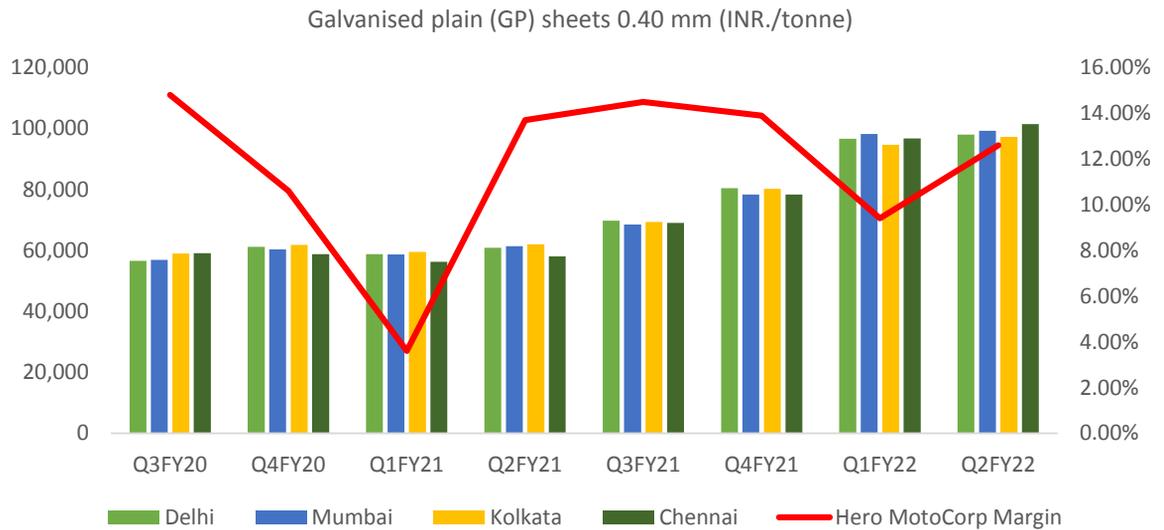


Source: Arianth Research, EXIM Maps

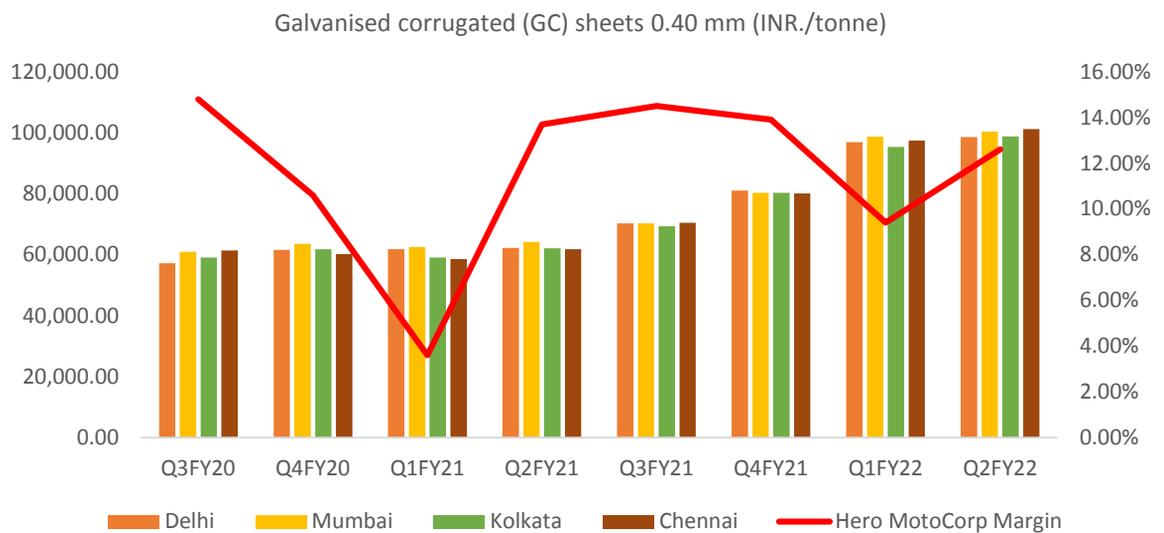
- Exports:** The management is strategically looking to build on its small export base to reduce its overdependence on domestic markets. The company expecting Mexico to do very well as Bangladesh started recovery, Nigeria modified & customized product, Colombia giving good response on the X plus in the premium segment and soon on the break-even on the EBITDA level. Sri Lanka is there has been no sales due to the ban on import and expected to resolve in the next 6 months. From the 7-8 countries is the positive market share.
- Headwinds of Export:** EBITDA margin lower than the domestic as launching in Nigeria and some of the other markets it is lower than that but moving forward as scale-up and the company, will add more premium product in the export market. Going forward the EBITDA margin will be higher than the domestic market. There is an opportunity for the gross margin as well.



Source: Arianth Research, Company Filings, Ace Equity

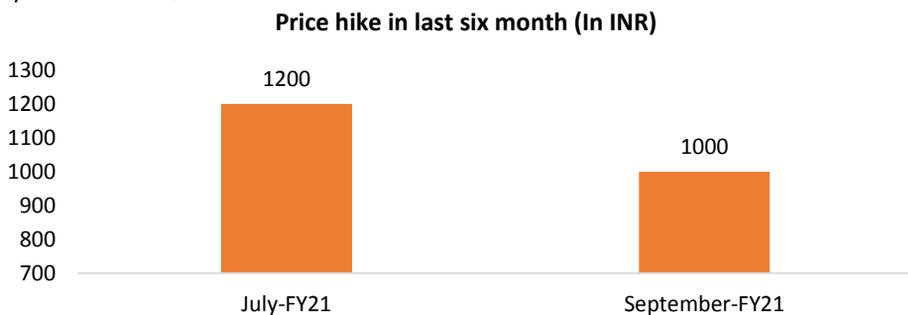


Source: Arianth Research, CMIE Economic outlook



Source: Arianth Research, CMIE Economic outlook

- **Steel Prices:** Commodity Prices, which have been impacting the industry margins so far, are showing some signs of softening from October FY21 onwards which, is positive for the auto sector. Prices pass-on already done from the company side for the Q3FY22.



Source: Arianth Research, Company Filings

- **Price hike:** The company has raised by INR 1200 in July FY21 and INR 1000 in September FY21.
- **Inventory:** We noted inventory corrections for Hero MotoCorp to 4-6 weeks against 10 weeks before festive session.

**Ather 450X vs Ola Electric S1**

Basic Info	Ather 450X	Ola ElectricS1 Pro
Brand	Ather Energy	Ola Electric
Ex-Showroom Price	INR. 1.32 LakhView On Road Price	INR. 1.10 LakhView On Road Price
Rating	3.9 (77 Ratings)	4.2 (193 Ratings)
Fuel Type	Electric	Electric
Colors	450X Colors	S1 Colors
Brakes Front	Disc	Disc
Brakes Rear	Disc	Disc
Braking Type	Combine Braking System	Combine Braking System
Wheel Size	Front :-406.4 mm,Rear :-406.4 mm	Front :-304.8 mm,Rear :-304.8 mm
Wheels Type (Pressed Steel/ Alloy)	Alloy	Aluminium Alloy
Range	116 km/charge	181 km/charge
Starting	Self Start Only	Remote Start,Push Button Start
Speedometer	Digital	Digital
Insurance	INR. To Be Announced450X Insurance	Rs. 3,139S1 Insurance
<b>Engine</b>		
Max Torque	26 Nm	58 Nm
Continuous Power	3300 W	-
Motor IP Rating	IP 65	-
Drive Type	Hub Motor	Belt Drive
<b>Brakes</b>		
Fuel Type	Electric	Electric
Brakes Front	Disc	Disc
Brakes Rear	Disc	Disc
Braking Type	Combine Braking System	Combine Braking System
<b>Performance</b>		
Braking (60-0 kmph)	22.14 mm	-
Braking (80-0 kmph)	43.50 mm	-
Acceleration (0-40 Kmph)	3.3s	3s
Top Speed	80 kmph	115 kmph
Braking 60-0 km/h	22.14 mm	-
<b>Suspension</b>		
Suspension-Front	Telescopic	Single Fork
Chassis	Aluminium Cast	Tubular
Suspension-Rear	Mono Shock	Mono Shock
<b>Tyres</b>		
Tyre Size	Front :-90/90-12, Rear :-90/90-12	Front :- 110/70-12, Rear :- 110/70-12
Wheel Size	Front :-406.4 mm,Rear :-406.4 mm	Front :-304.8 mm,Rear :-304.8 mm
Tyre Type	Tubeless	Tubeless
Wheels Type (Pressed Steel/ Alloy)	Alloy	Aluminium Alloy
<b>Dimensions</b>		
Length*Width*Height	-	1859*712*1160 mm <sup>3</sup>
Wheelbase	-	1359 mm
Length	-	1859 mm
Ground Clearance	-	165 mm
Width	0	712 mm
Kerb Weight	108 Kg	125 Kg
Tail Light	LED	LED
Front Brake Diameter	200 mm	220 mm
Rear Brake Diameter	190 mm	180 mm
<b>Electricals</b>		
Battery Type	Lithium-ion	-
Motor Type	PMSM	Mid drive IPM
Motor Power	6000 W	8500 W
Range	116 km/charge	181 km/charge
Fast Charging Time	-	75 km in 18 min
Range (Eco Mode)	85 km/charge	-
Range (Normal Mode)	70 km/charge	-
Charging Time(0-80%)	3 Hours 35 Minutes	-
Charging Time(0-100%)	5 Hours 45 Minutes	-
Turn Signal Lamp	LED	LED
<b>Features</b>		
Body Type	Electric Bikes	Electric Bikes
Starting	Self Start Only	Remote Start,Push Button Start
Seat Type	Single	Single
Operating System	Android Open, OS	-
Processor	1.3 GHz Snapdragon	1.8 GHz Octacore
Speedometer	Digital	Digital
Gradeability	20°	12°
Underseat storage	22 L	36 L
Console	Digital	Digital
Odometer	Digital	-
Mobile Connectivity	Bluetooth	Bluetooth,WiFi
<b>Warranty</b>		
Standard Warranty (Years)	3	

Source: Arianth Research, Company Filings, Ace Equity, Bloomberg

**Ola vs Ather**

Ola has a Light On its feet and ride quality is pliant. Ola has an enormous boot. While Ather 450X, 1) Warp Mode Works Like Nothing as experienced before, 2) Quick to turn in, 3) Offers Enough Range For Regular Commutes.

**Issue with Ola New launches:**

Ola EV customers are encountering a issue with electric scooters that have been delivered to the customers. Ola Electric, had started the deliveries of its electric scooter on December 15, a significantly extended compare to its initial plans of an October deliveries because of main issue with the batteries as they were overheating, in a factory test environment.

Nevertheless, customers who have bought the scooters are facing serval issues from damaged vehicles like cracks and dents all over the body, hold up charger installation, and inconsistency in insurance policy among others. Also issue about providing a significant lower mileage compare to initially promised.

We believe, it will lead to positive expectations from Hero MotoCorp EV's launch before March 2022.

**Quarterly result summary**

Standalone (INR mn)	2QFY22	1QFY22	2QFY21	YoY (%)	QoQ (%)
<b>Net sales</b>	<b>84,534</b>	<b>54,871</b>	<b>93,673</b>	<b>(9.8)</b>	<b>54.1</b>
- Raw material	61,104	39,796	66,600	(8.3)	53.5
(% of net sales)	72.3	72.5	71.1	119bps	-24bps
Gross Profit	23430.4	15074.6	27073.9	(13.5)	55.4
(% of net sales)	27.7%	27.5%	28.9%	-1bps	0bps
- Staff expenditure	5,054	4,357	5,112	(1.1)	16.0
(% of net sales)	6.0	7.9	5.5	52bps	-196bps
- Other expenditure	7,712	5,570	9,097	(15.2)	38.5
(% of net sales)	9.1	10.2	9.7	-59bps	-103bps
Total expenditure	73,870	49,722	80,809	(8.6)	48.6
<b>EBITDA</b>	<b>10,664</b>	<b>5,148</b>	<b>12,864</b>	<b>(17.1)</b>	<b>107.1</b>
<b>EBITDA Margin (%)</b>	<b>12.6</b>	<b>9.4</b>	<b>13.7</b>	<b>-112bps</b>	<b>323bps</b>
Depreciation	1,639	1,630	1,732	(5.4)	0.5
<b>EBIT</b>	<b>9,025</b>	<b>3,519</b>	<b>11,133</b>	<b>(18.9)</b>	<b>156.5</b>
Interest	65	61	46	40.9	7.4
Other Income	1,569	1,386	1,413	11.0	13.2
<b>PBT</b>	<b>10,529</b>	<b>4,844</b>	<b>12,500</b>	<b>(15.8)</b>	<b>117.4</b>
Tax	2,585	1,189	2,965	(12.8)	117.4
<b>Reported PAT</b>	<b>7,944</b>	<b>3,654</b>	<b>9,534</b>	<b>(16.7)</b>	<b>117.4</b>
<b>Adjusted PAT</b>	<b>7,944</b>	<b>3,654</b>	<b>9,534</b>	<b>(16.7)</b>	<b>117.4</b>
Adjusted EPS (INR)	39.8	18.3	47.7	(16.7)	117.4
<b>Total volumes (Nos)</b>	<b>14,38,623</b>	<b>10,24,489</b>	<b>18,20,278</b>	<b>(21.0)</b>	<b>40.4</b>
<b>Net realisation (INR)</b>	<b>58,760</b>	<b>53,559</b>	<b>51,461</b>	<b>14.2</b>	<b>9.7</b>
EBITDA / vehicle (INR)	<b>7,412</b>	<b>5,025</b>	<b>7,067</b>	<b>4.9</b>	<b>47.5</b>

Source: Arianth Research, Company Filings, Ace Equity, Bloomberg

Profit & Loss Statement				
YE: Mar (INR mn)	FY21	FY22E	FY23E	FY24E
<b>Net sales</b>	<b>3,08,006</b>	<b>3,57,007</b>	<b>4,06,876</b>	<b>4,40,091</b>
Growth, %	7	16	14	8
RM expenses	-2,17,623	-2,53,832	-2,88,882	-3,12,465
Employee expenses	-18,987	-19,635	-20,751	-22,445
Other expenses	-31,203	-37,695	-43,338	-46,807
<b>EBITDA</b>	<b>40,192</b>	<b>45,845</b>	<b>53,906</b>	<b>58,375</b>
Growth, %	2	14	18	8
Margin, %	13.0	12.8	13.2	13.3
Depreciation	-6,769	-6,940	-7,882	-8,362
<b>EBIT</b>	<b>33,424</b>	<b>38,905</b>	<b>46,023</b>	<b>50,012</b>
Growth, %	6	16	18	9
Margin, %	10.9	10.9	11.3	11.4
Interest paid	-218	-229	-241	-253
Other Income	5,799	6,088	6,636	7,234
Non-recurring Items	0	0	0	0
<b>Pre-tax profit</b>	<b>39,004</b>	<b>44,764</b>	<b>52,419</b>	<b>56,993</b>
Tax provided	-9,362	-11,281	-13,210	-14,363
<b>Profit after tax</b>	<b>29,642</b>	<b>33,484</b>	<b>39,209</b>	<b>42,630</b>
Others (Minorities, Associates)	-	-	-	-
<b>Net Profit</b>	<b>29,642</b>	<b>33,484</b>	<b>39,209</b>	<b>42,630</b>
Growth, %	-18	13	17	9
<b>Net Profit (adjusted)</b>	<b>29,642</b>	<b>33,484</b>	<b>39,209</b>	<b>42,630</b>

Cash Flow				
YE: Mar (INR mn)	FY21	FY22E	FY23E	FY24E
<b>Pre-tax profit</b>	<b>39,004</b>	<b>44,764</b>	<b>52,420</b>	<b>56,995</b>
Depreciation	6,769	6,940	7,882	8,362
Chg in working capital	10,486	1,180	1,639	1,373
Total tax paid	-9,362	-11,281	-13,210	-14,363
<b>CFO</b>	<b>41,316</b>	<b>35,744</b>	<b>42,336</b>	<b>45,386</b>
Capital expenditure	-7,351	-9,824	-10,000	-10,000
Chg in investments	-22,770	-10,500	-11,550	-12,705
Other investing activities	5,799	6,088	6,636	7,234
<b>CFI</b>	<b>-24,322</b>	<b>-14,235</b>	<b>-14,913</b>	<b>-15,471</b>
Free cash flow	11,195	15,421	20,786	22,682
Debt raised/(repaid)	0	0	0	0
Dividend (incl. tax)	-16,364	-21,039	-21,039	-21,039
<b>CFF</b>	<b>-16,582</b>	<b>-21,268</b>	<b>-21,280</b>	<b>-21,292</b>
<b>Net chg in cash</b>	<b>412</b>	<b>241</b>	<b>6,143</b>	<b>8,624</b>
Opening cash balance	2,419	2,725	2,965	9,108
<b>Closing cash balance</b>	<b>2,725</b>	<b>2,965</b>	<b>9,108</b>	<b>17,732</b>

Balance Sheet				
YE: Mar (INR mn)	FY21	FY22E	FY23E	FY24E
Cash & bank	2,725	2,965	9,108	17,732
Marketable securities				
cost	93,902	1,03,293	1,13,622	1,24,984
Debtors	24,268	29,343	33,442	36,172
Inventory	14,696	17,033	19,413	20,998
Loans & advances	892	1,040	1,184	1,280
Other current assets	5,709	6,280	6,908	7,599
<b>Total current assets</b>	<b>48,288</b>	<b>56,662</b>	<b>70,054</b>	<b>83,780</b>
Investments	11,094	12,204	13,424	14,766
Gross fixed assets	1,49,322	1,59,322	1,69,322	1,79,322
Less: Depreciation	-87,841	-94,781	-1,02,664	-1,11,026
Add: Capital WIP	1,779	1,603	1,603	1,603
<b>Net fixed assets</b>	<b>61,480</b>	<b>64,541</b>	<b>66,658</b>	<b>68,296</b>
<b>Total assets</b>	<b>2,16,438</b>	<b>2,38,195</b>	<b>2,65,255</b>	<b>2,93,323</b>
Current liabilities	61,803	66,273	74,754	80,801
Provisions	3,328	8,170	8,579	9,007
<b>Total current liabilities</b>	<b>65,131</b>	<b>74,443</b>	<b>83,333</b>	<b>89,808</b>
Non-current liabilities	-677	-677	-677	-677
<b>Total liabilities</b>	<b>64,454</b>	<b>73,766</b>	<b>82,656</b>	<b>89,131</b>
Paid-up capital	399.6	399.6	399.6	399.6
Reserves & surplus	1,51,585	1,64,029	1,82,200	2,03,793
Shareholders' equity	1,51,984	1,64,429	1,82,600	2,04,192
<b>Total equity &amp; liabilities</b>	<b>2,16,438</b>	<b>2,38,195</b>	<b>2,65,255</b>	<b>2,93,323</b>

Ratios				
YE: Mar	FY21	FY22E	FY23E	FY24E
EPS (INR)	148	168	196	213
PER (x)	16.3	14.4	12.3	11.3
Price/Book (x)	3.2	2.9	2.6	2.4
EV/EBITDA (x)	9.6	8.2	6.7	5.8
EV/Net sales (x)	1.3	1.1	0.9	0.8
RoE (%)	20.2	21.2	22.6	22.0
RoCE (%)	26.9	28.6	30.5	29.7
Fixed Asset turnover (x)	2.1	2.2	2.4	2.5
Dividend Yield (%)	2.9	3.7	3.7	3.7
Receivable (days)	29	30	30	30
Inventory (days)	20	20	20	20
Payable (days)	71	65	65	65
Net D/E ratio (x)	(0.6)	(0.6)	(0.7)	(0.7)

Source: Arianth Research, Company Filings, Ace Equity, Bloomberg

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**Stock Rating Scale**

BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

**Absolute Return****Research Analyst  
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