

**India**
**ADD** (no change)

Consensus ratings\*: Buy 8 Hold 1 Sell 2

Current price:	Rs2,633
Target price:	Rs2,875 ▲
Previous target:	Rs1,720
Up/downside:	9.2%
InCred Research / Consensus:	11.1%
Reuters:	SKFB.NS
Bloomberg:	SKF IN
Market cap:	US\$1,746m Rs130,165m
Average daily turnover:	US\$2.0m Rs148.2m
Current shares o/s:	49.4m
Free float:	47.4%

\*Source: Bloomberg

**Key changes in this note**

- Raise FY22-23F EBITDA by 22-24%
- Raise FY22-23F PAT by 21-24%



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	10.2	21.1	59.6
Relative (%)	9.1	13.8	10.7

Major shareholders	% held
Promoter	52.6
HDFC Mutual Fund	8.9
MIRAE Mutual Fund	5.1

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# SKF India Ltd

## SKF Annual Report analysis

- FY21 gross margin improved for traded goods (aided by transfer pricing adjustment) and manufacturing goods (steady improvement in last few years).
- Increased penetration, new product launches, localisation (parent rationalising manufacturing footprint) and pricing to aid growth and margins.
- Maintain Add with higher TP of Rs2,875.

### Gross margin improved for traded and manufacturing goods

SKF strengthened its market penetration, undertook disciplined cost control to drive market share gains and enhance margins. Of the overall 6% sales decline in FY21, traded goods sales declined by 13% yoy while manufacturing goods was flattish yoy. Traded goods sales share declined to 43% in FY21, vs 47% in FY20, aided by higher auto segment share. FY21 gross margin (+455bp yoy) was aided by higher gross margin on traded goods (+383bp yoy on transfer pricing adjustment with parent), as well as manufacturing goods (+201bp yoy). Manufacturing goods gross margin improved by 739bp in the last six years.

### Traction in REP & CV market; new launches in exports, after-market

FY21 domestic sales slid 3% yoy, while exports fell 33% yoy on a high base. In FY21, SKF launched new products for European and Asian auto customers and the company expects volumes to ramp up from 2HFY21. It had ~113 new products in the pipeline in FY21. Management's recent media interactions suggest launches of a new range of aftermarket products, including chain and sprockets for two-wheelers, timing belts for four-wheelers and steering and suspension for four-wheelers. SKF made progress in rotating equipment performance (REP) with a pay-per-ton contract with SAIL, gaining a competitive advantage in split truck HUB units (sTHU), and increased its share of TVS business in FY21.

### Parent is decentralising manufacturing footprint

Working capital and operating cashflows were stable yoy despite challenges, while return ratios improved yoy. Despite hiccups in 1QFY22, SKF is hopeful of returning to pre-COVID-19 levels of business in FY22. Global supply-chain rebalancing, government incentives to increase exports, Production-Linked Incentive (PLI) scheme and import substitution provide opportunities for the auto and industrial segments. SKF's parent continues to regionalise its manufacturing footprint and plans to increase the localisation rate from 60% to 70% in Asia by 2025. SKF India management hinted earlier it would increase localisation of the industrial portfolio to consolidate demand from India, Asia and nearby countries.

### Maintain Add

Despite near-term hiccups in demand and commodity prices, gradual pass through of prices, localisation, and increasing REP share should aid margins. We raise our FY22-23F EPS by 21-24% factoring in higher margin trajectory vs FY20, and raise TP to Rs2,875, based on 30x Sep 2023F EPS (five-year average) vs 28x earlier. Demand revival not sustaining, and higher commodity prices are downside risks.

### Financial Summary

	Mar-20A	Mar-21A	Mar-22F	Mar-23F	Mar-24F
Revenue (Rsm)	28,416	26,707	31,784	35,541	39,749
Operating EBITDA (Rsm)	3,952	4,579	5,039	5,915	6,846
Net Profit (Rsm)	3,347	3,355	3,640	4,351	5,105
Core EPS (Rs)	67.7	67.9	73.6	88.0	103.3
Core EPS Growth	(8.8%)	0.2%	8.5%	19.5%	17.3%
FD Core P/E (x)	67.70	67.86	73.62	88.01	103.25
DPS (Rs)	12.0	130.0	14.0	16.0	16.0
Dividend Yield	0.46%	4.94%	0.53%	0.61%	0.61%
EV/EBITDA (x)	31.43	27.37	24.60	20.54	17.29
P/FCFE (x)	165.00	16.67	67.72	40.44	32.87
Net Gearing	(31.3%)	(30.9%)	(33.5%)	(39.1%)	(44.7%)
P/BV (x)	6.83	8.32	7.00	5.88	4.92
ROE	17.6%	21.5%	19.6%	19.6%	19.3%
% Change In Core EPS Estimates			23.64%	21.00%	
InCred Research/Consensus EPS (x)			0.99	0.99	1.02

SOURCES: INCRED RESEARCH ESTIMATES, COMPANY REPORTS. PRICED AS AT 06 JUL 2021

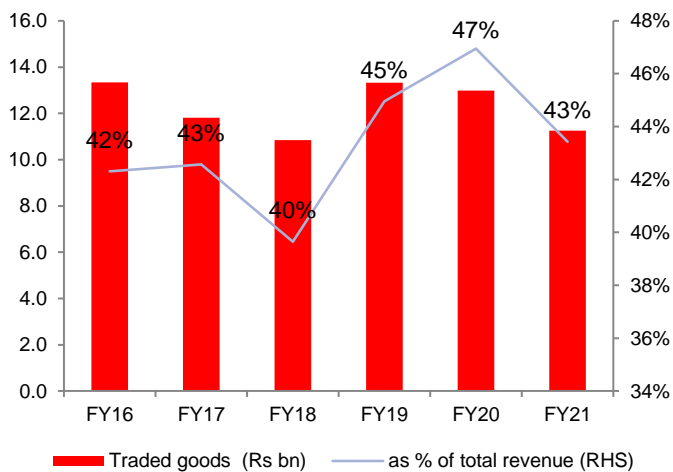
# SKF Annual Report analysis

## FY21 Annual Report analysis

**Strengthening market penetration, cost measures, reset of traded goods margins led to overall better financials despite challenges ➤**

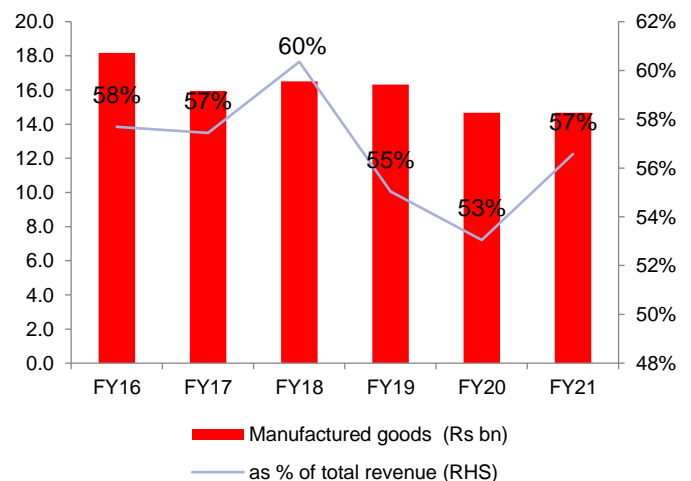
- **On FY21 sales: Traded goods share declined to 43.4% in FY21, vs 47% in FY20, aided by product mix as the auto segment's share increased yoy;**
  - **Lower share of traded goods: Of the overall 6% sales decline in FY21, sales of traded goods declined by 13% yoy while that of manufacturing goods was flattish yoy.** This is likely on higher sales decline for industrial segment by 10-11% yoy (which largely depends on traded goods) vs marginal decline of 2-3% in auto segment (largely manufactured goods). Hence **share of traded goods sales share declined to 43.4% in FY21, vs 47% in FY20 (45% in FY19 and 40% in FY18), aided by product mix.**
  - Domestic sales declined by 3% yoy, while exports sales fell by 33% yoy on a high base (grew by 36.5% in FY20).
  - **Exports formed 7.6% of sales in FY21, vs 10.7% in FY20 (export share average was 8.1% in the last ten years).** The company continues to explore a new product range to overseas customers. Major exports are to automotive OEMs and industrial aftermarket in Europe, and to automotive and industrial aftermarket customers in Asia, Brazil and USA. **In FY21, the company developed and launched many new products for European and Asian automotive customers and it expects volumes to ramp up from 2HFY21.**

**Figure 1: Sale of traded goods as a % of total revenue declined by 352bp yoy to 43.4% in FY21**



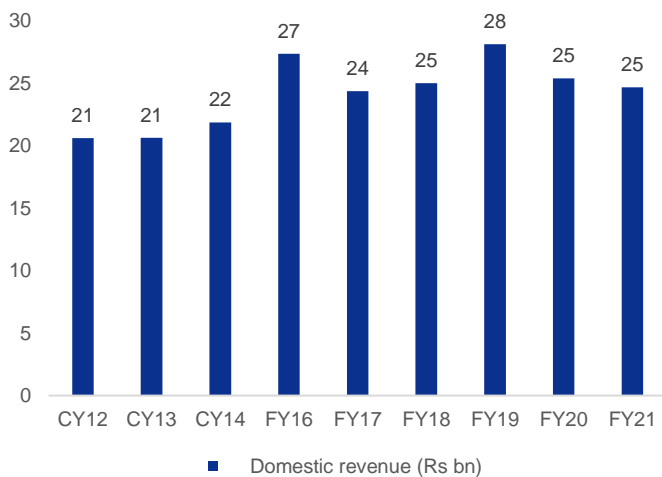
SOURCES: INCRED RESEARCH, COMPANY REPORTS

**Figure 2: Sale of manufactured goods growth was flattish yoy**



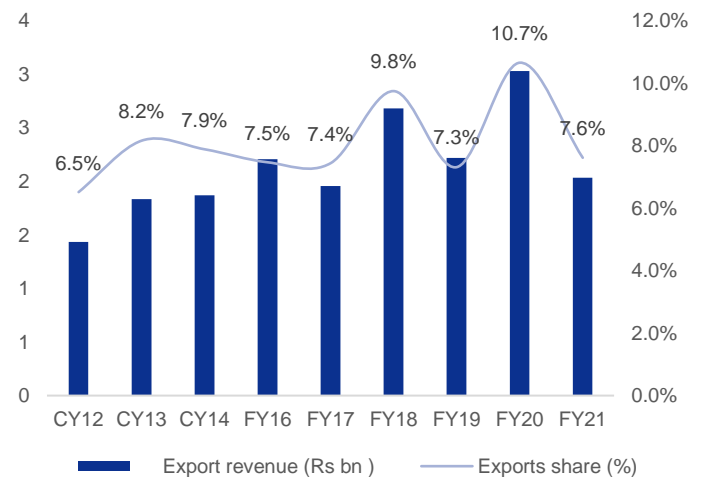
SOURCES: INCRED RESEARCH, COMPANY REPORTS

**Figure 3: Domestic revenue declined by 3% yoy in FY21**



SOURCES: INCRED RESEARCH, COMPANY REPORTS

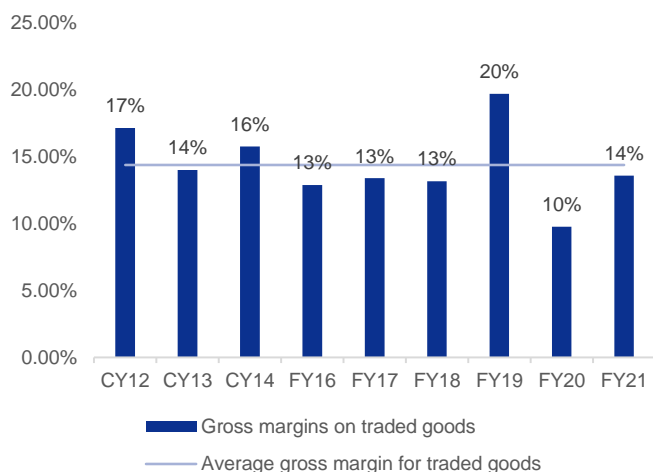
**Figure 4: Export revenue declined sharply in FY21 on high base**



SOURCES: INCRED RESEARCH, COMPANY REPORTS

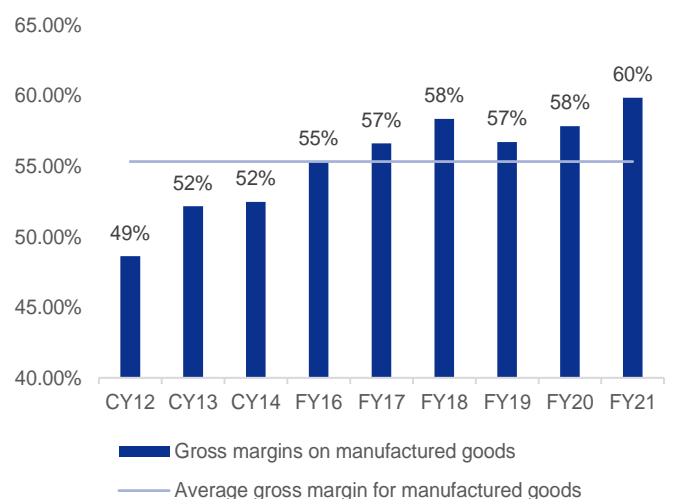
- On gross margins:** FY21 gross margins improved by 455bp yoy aided by increased gross margins on traded goods (+383bp yoy) and manufacturing goods (+201bp yoy), apart from the change in mix (higher share of manufacturing goods). Traded goods margin was reset to a normal of 13.6% in FY21, aided by a reduction in purchase prices of traded goods procured from group companies post the review of the periodic transfer pricing mechanism vs 9.8% in FY20 (the lowest since FY07), 19.7% in FY19 (the highest traded margins) and an average of 13.1% over FY16-18. **More importantly, the company's manufacturing goods' gross margin improved sharply, rising by 739bp in the last six years to 60% in FY21.**

**Figure 5: Gross margin on traded goods was reset to normalised levels after a transfer pricing adjustment with the parent**



SOURCES: INCRED RESEARCH, COMPANY REPORTS

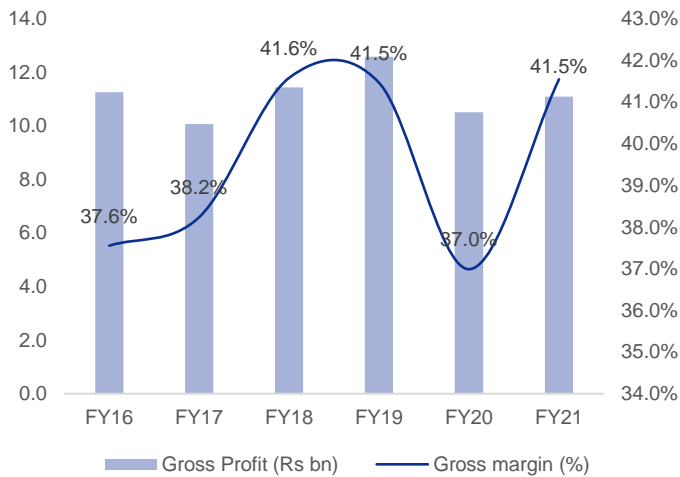
**Figure 6: Gross margins on manufactured goods improved consistently over the last few years**



SOURCES: INCRED RESEARCH, COMPANY REPORTS

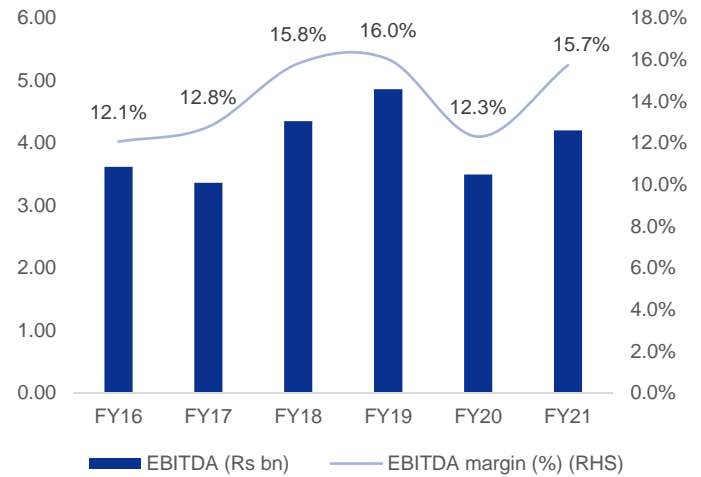
- FY21 EBITDA margin of 15.7% (+343bp yoy)** was aided by improvement in gross margin despite the impact of negative operating leverage. In other expense, cost savings are seen in travelling, sales promotion and legal expenses.

**Figure 7: Gross profit margins rebounded sharply during FY21**



SOURCES: INCRED RESEARCH, COMPANY REPORTS

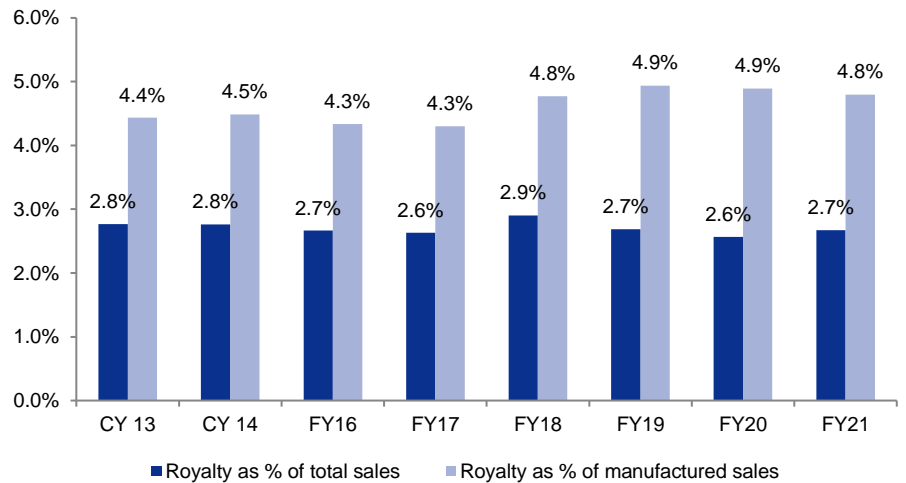
**Figure 8: Strong rebound in EBITDA margin was aided by strong gross margin during FY21**



SOURCES: INCRED RESEARCH, COMPANY REPORTS

- **Other income** came in at Rs362m (-47.5% yoy excluding one-off income of Rs351m towards sales of unused land in FY20) as the cash balance reduced due to a high one-time dividend payout.
- **Royalty & trademark fees:** SKF India's royalty and trademark fees have been stable over the last few years as it stood at 2.7% of sales in FY21 (vs 2.6% of sales in FY20) and **4.8% of manufacturing goods (4.9% in FY20).**

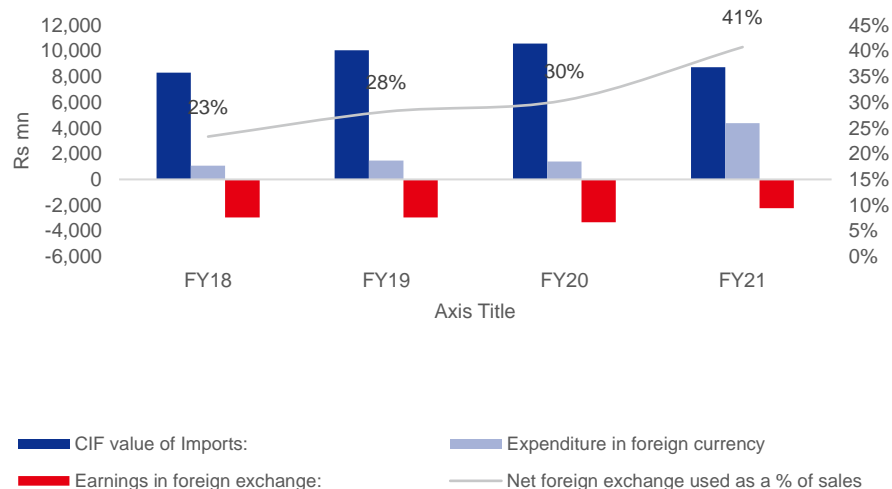
**Figure 9: Royalty as a % of total sales & manufactured sales has been stable for last few years**



SOURCES: INCRED RESEARCH, COMPANY REPORTS

- **Net forex outgo at Rs10.9bn (+26% yoy) formed 41% of FY21 sales, vs 30% of FY20 sales and 28% of sales in FY19,** due to a large one-time dividend remittance excluding which it remains ~29% of sales. Overall imports in FY21 declined by 17.5%, offset by a 36% decline in exports.

**Figure 10: Large one-time dividend remittance led to net foreign exchange as % of sales inched up to 41% in FY21 from 30% in FY20**



SOURCES: INCRED RESEARCH, COMPANY REPORTS

- Technology absorption/ product development/ imports substitution:**
  - New product development of split Truck HUB Units (sTHU) for truck wheel end;
  - Development of self-aligning ball bearing (SABB) product in deep groove ball bearing (DGBB) channel;
  - Digitalisation – maintenance cockpit to track real-time machine health monitoring system;
  - New third-generation wheel bearing (HUBIII)** manufacturing line was installed in 2017 and the technology became fully operational in 2020.
- Remuneration:** The percentage increase in the median remuneration of employees in FY21 was 8.1% vs 9% for the managing director (Rs29.6m) and 3.5% for the chief financial officer.
- Net working capital (ex-cash and loans & advances to related parties) stood at Rs5.62bn (-2% yoy) in FY21, and at 77 days of sales in FY21 vs 74 in FY20 due to higher inventory and debtor days (from 56 in FY20 to 80 in FY21) offset by higher creditors days (from 53 days in FY20 to 79 in FY21).** Net working capital (ex-cash and loans & advances to related parties) increased from 33-38 days of sales in CY10-14 to ~61-83 in FY16-21 due to higher inventory and debtor days (apart from change in revenue accounting post GST). **Loans & advances of SKF Technologies' related parties stood at Rs871m in FY21, vs Rs1.27bn in FY20, Rs1.45bn in FY19 and Rs1.57bn in FY18.**

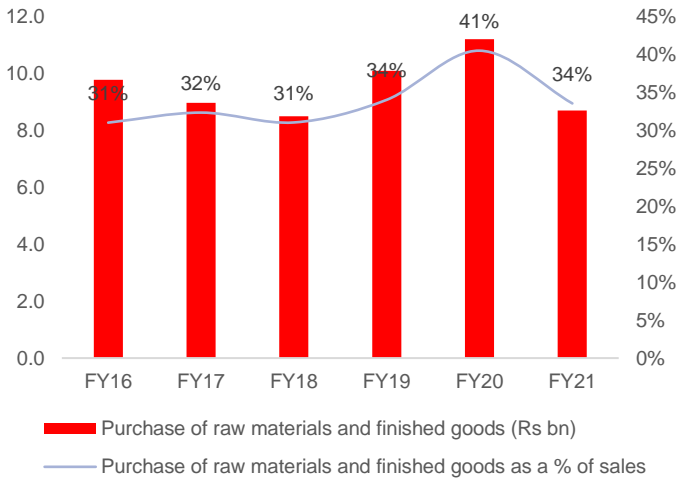
**Figure 11: Net working capital days**

NWC (ex cash) (on days of sales)	CY12	CY13	CY14	FY16	FY17	FY18	FY19	FY20	FY21
Inventories	41	41	44	51	58	53	55	58	64
Sundry Debtors	52	53	56	73	71	65	63	56	80
Loans and Advances:	11	10	10	23	23	21	17	16	12
Others:	1	1	2	16	17	20	18	29	32
Current Assets	105	105	113	163	169	159	154	160	187
Sundry Creditors	44	40	51	44	42	52	42	53	79
Provisions:	15	14	11	7	8	7	7	9	7
Operating Other Current Liabilities	12	12	13	12	14	11	12	8	12
Current liabilities	71	67	75	64	64	69	61	70	99
NWC (ex cash)	34	38	38	100	105	90	93	90	89
Net working capital (excluding L&A to related party) (Rs m)	2045	2378	2494	5023	5966	5209	6251	5748	5616
Net working capital days	34	38	38	61	83	69	75	74	77
Net working capital - % of sales	9%	10%	10%	17%	23%	19%	21%	20%	21%

SOURCES: INCRED RESEARCH, COMPANY REPORTS

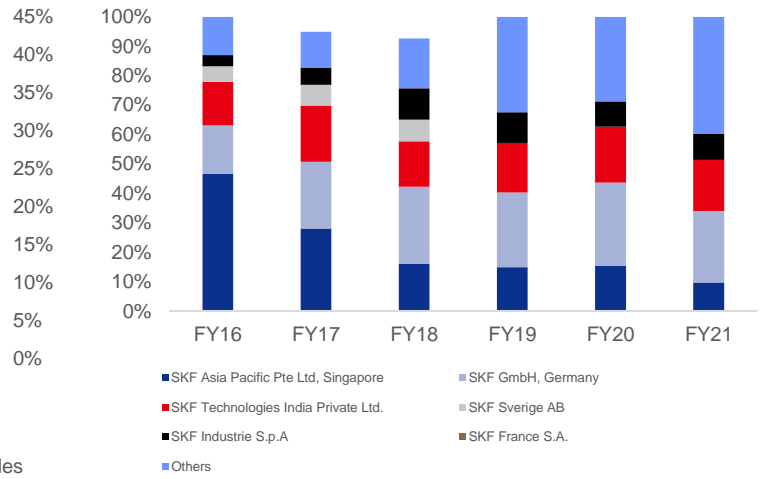
- **SKF Engineering and Lubrication India Pvt Ltd (formerly SKF Technologies India Private Ltd), Ahmedabad (100% subsidiary of parent):** Almost 17% of its traded goods came from Ahmedabad in FY21 vs 19% in FY20 and an average of 17% over FY16-21.
- **Other related-party transactions:** Raw material/ finished goods purchased from SKF Germany formed 24% of raw materials purchased in FY21 vs 28% in FY20 and an average of 24% over FY16-21. Sales of goods to related parties from SKF India was down 36% yoy in FY21 on a high base (up 39% yoy in FY20) with sales declines across regions.

**Figure 12: Purchase from related parties as % of sales declined to 34% of sales in FY21 vs 41% in FY20**



SOURCES: INCRED RESEARCH, COMPANY REPORTS

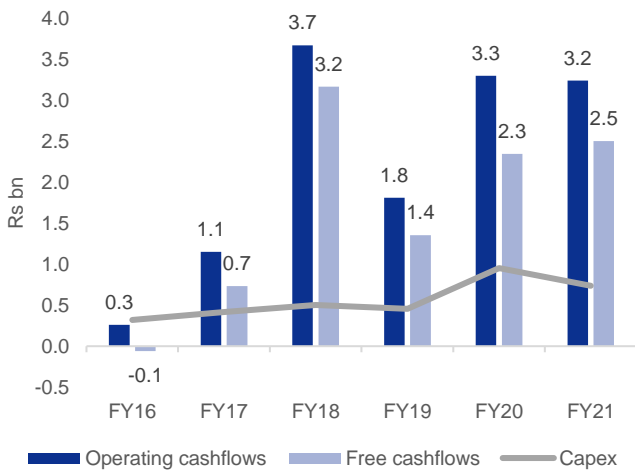
**Figure 13: SKF Technologies share in overall purchases stood at 17% in line with last 6-year average**



SOURCES: INCRED RESEARCH, COMPANY REPORTS

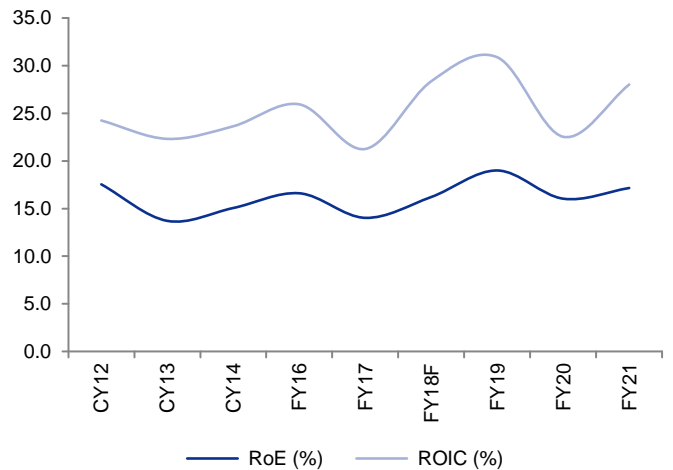
- **Capex** for FY20 stood at Rs736m in FY21 vs Rs953m in FY20 and an average of Rs459m over FY17-19. SKF is continuously devising new ways to improve its facilities by investing in flexible, automated, and connected factories, as well as localising production on a region-by-region basis. The company is aiming for greater localisation of industrial products.
- **Net cashflow** from operations was flattish at Rs3.2bn in FY21 vs Rs3.3bn in FY20 with marginal growth in PBT and stable net working capital.
- **RoE improved to 17.2% in FY21** from 16% in FY20 with improvement in margins and a high dividend payout.

**Figure 14: Operating and free cashflow remain stable despite pressure on sales in FY21**



SOURCES: INCRED RESEARCH, COMPANY REPORTS

**Figure 15: Return ratios improved yoy in FY21 despite challenges**



SOURCES: INCRED RESEARCH, COMPANY REPORTS



- **Environmental sustainability: SKF's global strategy is to become carbon neutral by 2030** for all manufacturing sites around the world. SKF India has framed strategies for lean, green and digital operations, and formed partnerships to purchase power from renewable sources (**42% of SKF's energy requirement is met by renewable sources and the target is to reach 75% by FY25**). Management has taken steps to minimise consumption of plastic, paper, water, and oil/chemicals by implementing rainwater harvesting, paperless shop floors, reduce and reuse oil consumption, online energy monitoring system and renewable procurement from solar power purchase.
- SKF continues to stride towards its 2025 strategy which revolves around **six focus areas – digitalisation, new business models, innovation, world-class manufacturing, cleantech, and the future workforce**
- **Rotating equipment performance's (REP) value proposition** is a commercial relationship where SKF provides the customer with functionality at a fixed recurring fee, leveraging the full SKF portfolio: bearings, seals, lubrication systems, remanufacturing, oil regeneration and many other engineering services. In this business model, the needs and ambitions of customers and SKF are aligned where both benefit by improving productivity and eliminating waste in the production process.
- **SKF's winning proposition**
  - **Partnering with customers and key wins:**
    - **Pay-per-ton contract with SAIL:** SKF India signed a five-year pay-per-ton performance contract with Steel Authority of India Ltd to increase the plant utilisation level, making it a first-of-its-kind pay-per-ton contract in the metal segment for SKF. SKF will help manage the roll shop and inventory of all products and technical services at SAIL's Bhilai facility. This agreement is designed to boost productivity, cut maintenance costs, and make operations more sustainable. SKF has used the pay-per-ton model to increase its share of the bearings business from 0% to 100%.
    - **SKF supported global CV manufacturer** in upgrading the wheel ends of their MHCV platforms and planned part localisation in 12-18 months for truck hub unit (THU) products and gained competitive advantage in the THU market, leading to growth of the wheel end market in India.
    - **Its recent business engagement with TVS Motor (TVSM)** will help raise SKF's share of business upto 3x. SKF forged a strategic partnership with tier-1 suppliers of TVSM to integrate its deep groove ball bearing product line into its crankshaft assemblies, increasing SKF business share with TVSM and helping gain access to critical applications for the bike and scooter platforms.
  - **Adapting/ responses to dynamic environment:**
    - **Condition monitoring:** Equipment downtime and failure incur huge operational costs which can be prevented or minimised through early detection and timely intervention through condition monitoring. The **global condition monitoring market is projected to grow at a CAGR of 9.4% between 2021 and 2026 to reach US\$5.34bn by CY26**. SKF's plug-and-play model at its cloud-based REP centre at Pune enables real-time data analysis to predict machine failures. A similar pilot project is underway at its Bengaluru facility.
    - **Renewables:** With high potential to harness wind energy, SKF joined hands with wind turbine-related pressure groups to contribute to the development of this growing sector and has formed a long-term partnership with one of the largest wind turbine manufacturers in the world for the Indian market.
    - **Industrial Internet Of Things (IIOT):** The shift towards automation along with remote monitoring solutions highlight the urgency of IIOT solutions. 5G picking up and capex from Indian telecom players will accelerate IIOT-based technology. SKF provides smart solutions and products that can easily integrate with the parent architecture.

- **EVs:** With the growing acceptance of electric vehicles, the automotive industry is likely to witness a major shift.
- **Modernising manufacturing:**
  - SKF undertook many steps like incorporating channel monitoring for real equipment performance, a project to reduce scrap and reduce man-machine intervention, management tools to deliver customer orders on time and without any leakage, and optimising motor performance to minimise energy consumption.
- **Unlocking digital power:**
  - **Transforming to reach Manufacturing 4.0 by FY24:** The company integrates incremental transformation of the supply chain, quality, engineering and people processes to achieve the goal of sustaining excellence across operations.
  - **Launch of E-Market place,** an online store offering products from automotive and industrial business for retail and industrial buyers expanding reach to customers across market segments.
- **Outlook:**
  - **Auto segment outlook:** Near-term automotive purchases could be impacted by lockdown. However, global supply-chain rebalancing, government incentives to increase exports, technology disruptions will help create opportunities of the automotive value chain, while scrappage policy and PLI schemes will help to leverage their strength to pursue growth in the domestic/ international markets.
  - **On railways:** The size of the railways market is determined by the budgetary allocation of the Ministry of Railways under two categories – the capital expenditure and purchases by the store department. The capital expenditure for rolling stock (locomotives, wagons, coaches) till 2031 is estimated to be about 29% of the total capital expenditure requirements. The push for public transportation, including metro trains and suburban train networks, dedicated freight corridors and high-speed rail corridors, port connectivity network, trans-Asian rail connectivity, along with coaches for passenger convenience and safety, are the future growth drivers of the sector.
  - **Capital Goods Industry:** Capital goods in India have a market size of US\$43.2b. There exists significant opportunity for potential gain in import substitution and new export markets as rebalancing of supply chain takes effect.
  - **Ball bearing industry outlook:** Increasing automation in every application/ sectors, increasing focus towards manufacturing lighter bearings by adopting new technologies and lightweight alloys, increasing demand for precision bearings from aerospace and defence manufacturing industries, IoT and intelligent machines segments such as industrial robots, office automation, medical equipment are expected to fuel demand for bearings in the coming years.

## SKF global's CY20 Annual Report highlights

### Looking for decentralising manufacturing footprint; focus on expanding fee-based business model ►

- **Globalisation with a shift from West to East:** SKF continues the process of regionalising its manufacturing footprint and product development to stay competitive and relevant. SKF has good region-for-region coverage for Europe and is strengthening regional supplies for Asia and America. The ambition is to increase **the localisation rate from 50% to 60% in the Americas and from 60% to 70% in Asia by 2025**. For Europe, the challenge is to develop a stronger regional supplier base and simultaneously adjust footprint for efficiency. Hence it is looking to consolidate its footprint, which will result in site closures of around five sites per year for the coming five years.



- **Fee-based business models:** Expanding the portfolio of fee-based REP contracts will help reduce the impact of commoditisation within the transactional and industrial component business. **Connected bearings (with conditioning monitoring unit) were 7m as on CY20 and is estimated to reach 40m in CY25 and 150m in CY30.** The collection of digital insights, together with digital scalability, enables a transition from product sales to fee-based business models. SKF provides bearings, seals, lubrication management, condition monitoring and services based on a fee that is dependent on the customers' most relevant KPIs: tons of production, and uptime or other KPIs that are relevant for their operations.
- **Innovation for future automotive market:** SKF is partnering with key OEM and tier-1 pioneers for the launch of full electric vehicles (EVs), for eg, by providing a complete package offering of bearings and seals featuring high speed, thin sections and electric current insulation options. Power density and friction reduction are some of the main drivers of current and new vehicles. SKF has become a leader by developing low-friction hub-bearing units (HBU) for new-energy vehicles, as well as low-friction Tapered Roller Bearings (TRB) for final drive and axles. On vehicle prognosis as a potential enabler for autonomous driving and vehicle connectivity, SKF is developing wheel-end bearings with data collection capabilities for passenger and commercial vehicles.
- **Workforce dimensioning:** In CY20, SKF's finance operations started the transformation from a **country structure to a regional-based organisation** with finance operation centres established in the SKF regions and sub regions. When fully implemented, it is assumed that the **total finance operation workforce will be reduced by 30%**.
- Industrial segment sales formed 73% of the accessible bearings market size of SEK240bn-260bn (vs SEK255bn-275bn in CY19), declining by 8-11% in CY20 (vs 0-2% growth in CY19).
- **Auto sales formed 27%** of the accessible market of SEK120bn-140bn (US\$15.8bn-17bn), vs SEK145bn-155bn in CY19, declining 13-16% in CY20 (5-7% yoy decline in CY19).
- **Global bearing market** had an estimated value of SEK370bn-390bn in CY20. SKF estimates that the global bearing market declined by 10 to 13% in 2020. The decline was mainly seen in the automotive market, but also in the industrial market. **However, strong growth was mainly seen in the renewable sector.**
- **Geographical market size:** Europe – SEK75bn-85bn (22% share, of which Germany accounts for 33%), North America – SEK75bn-85bn (22% share), Asia and Pacific – SEK190bn-210bn (50% share, of which China has 30%), Latin America – SEK7bn-11bn (3% share, of which Brazil accounts for 50%) and Middle East and Africa – SEK7bn-11bn (3% share).
- **On global competition:** SKF estimates that the top six bearings manufacturers globally represent about 60% of the global rolling bearing market. The group of Chinese bearing companies, including smaller and larger ones, represents around 20%, with the main part of its sales in Asia. The remaining 20% includes many smaller regional and niche bearings competitors of the overall bearings market.
- Industrial OEMs form 40%, auto OEMs 30% and Distribution 30% of the SKF global parent's operations.
- **REP for SAIL:** In the first pay-per-ton performance-based contract in India, SKF created an integrated, performance-based solution to ensure an increase in plant utilisation by about 40%.

**Figure 16: Earnings revisions summary**

(Rs m)	Old Estimates		New Estimates		Change	
	FY22F	FY23F	FY22F	FY23F	FY22F	FY23F
Revenue	29,591	33,249	31,784	35,541	7.4%	6.9%
EBITDA	4,065	4,848	5,039	5,915	24.0%	22.0%
PAT	2,944	3,596	3,640	4,351	23.6%	21.0%
EPS (Rs)	60	73	74	88	23.6%	21.0%

SOURCES: INCRED RESEARCH ESTIMATES, COMPANY REPORTS

**Figure 17: Peer comparisons**

Company	Bloomberg Ticker	Recom.	Price Rs	TP Rs	Mkt cap (US\$ m)	P/E (x)			P/BV (x)			EV/EBITDA (x)			Dividend Yield (%)		
						FY21F	FY22F	FY23F	FY21F	FY22F	FY23F	FY21F	FY22F	FY23F	FY21F	FY22F	FY23F
SKF	SKF IN	Add	2,584	1,720	1,747	43	35	28	8.2	6.9	5.7	29	24	20	5.0	0.5	0.6
Schaeffler	SCHFL IN	Add	5,220	5,700	2,307	56	36	30	5.2	4.7	4.2	29	20	17	0.7	0.7	1.0
Timken	TMKN IN	Hold	1,383	1,200	1,542	73	47	36	7.7	6.7	5.7	40	28	23	3.6	0.1	0.1

SOURCES: INCRED RESEARCH ESTIMATES, COMPANY REPORTS. PRICED AS AT 6 JUL 2021

**Figure 18: SKF India – One-year forward P/E chart**

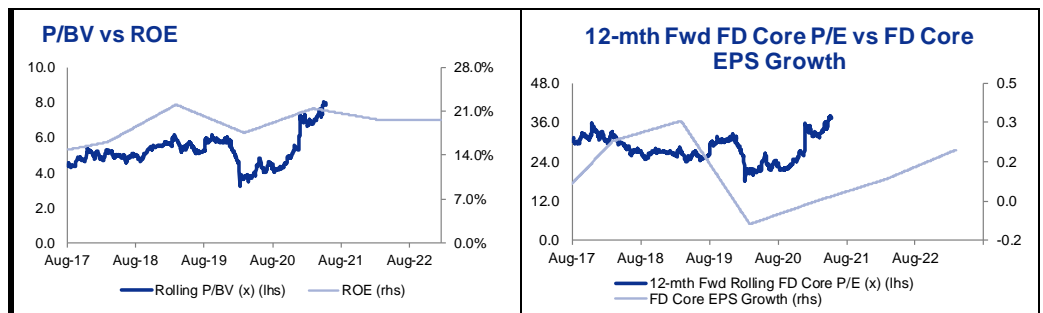


SOURCES: INCRED RESEARCH, COMPANY REPORTS, BLOOMBERG

**Figure 19: SKF India – Current P/E above +1SD**



SOURCES: INCRED RESEARCH, COMPANY REPORTS, BLOOMBERG

**BY THE NUMBERS**

**Profit & Loss**

(Rs mn)	Mar-20A	Mar-21A	Mar-22F	Mar-23F	Mar-24F
<b>Total Net Revenues</b>	<b>28,873</b>	<b>27,085</b>	<b>31,784</b>	<b>35,541</b>	<b>39,749</b>
<b>Gross Profit</b>	<b>10,968</b>	<b>11,473</b>	<b>12,873</b>	<b>14,572</b>	<b>16,416</b>
<b>Operating EBITDA</b>	<b>3,952</b>	<b>4,579</b>	<b>5,039</b>	<b>5,915</b>	<b>6,846</b>
Depreciation And Amortisation	(571)	(580)	(596)	(643)	(723)
<b>Operating EBIT</b>	<b>3,381</b>	<b>4,000</b>	<b>4,442</b>	<b>5,272</b>	<b>6,123</b>
Financial Income/(Expense)	(95)	(21)			
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)	1,039	362	430	553	711
<b>Profit Before Tax (pre-EI)</b>	<b>4,325</b>	<b>4,341</b>	<b>4,873</b>	<b>5,825</b>	<b>6,834</b>
Exceptional Items					
<b>Pre-tax Profit</b>	<b>4,325</b>	<b>4,341</b>	<b>4,873</b>	<b>5,825</b>	<b>6,834</b>
Taxation	(978)	(986)	(1,233)	(1,474)	(1,729)
Exceptional Income - post-tax					
<b>Profit After Tax</b>	<b>3,347</b>	<b>3,355</b>	<b>3,640</b>	<b>4,351</b>	<b>5,105</b>
Minority Interests					
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
<b>Net Profit</b>	<b>3,347</b>	<b>3,355</b>	<b>3,640</b>	<b>4,351</b>	<b>5,105</b>
Recurring Net Profit	3,347	3,355	3,640	4,351	5,105
<b>Fully Diluted Recurring Net Profit</b>	<b>3,347</b>	<b>3,355</b>	<b>3,640</b>	<b>4,351</b>	<b>5,105</b>

**Cash Flow**

(Rs mn)	Mar-20A	Mar-21A	Mar-22F	Mar-23F	Mar-24F
<b>EBITDA</b>	<b>3,952</b>	<b>4,579</b>	<b>5,039</b>	<b>5,915</b>	<b>6,846</b>
Cash Flow from Invt. & Assoc.	(84)	(616)	(166)	(90)	(12)
Change In Working Capital	906	(16)	(938)	(775)	(868)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense	571	580	596	643	723
Other Operating Cashflow	(737)	(231)	(430)	(553)	(711)
Net Interest (Paid)/Received	(95)	(21)			
Tax Paid	(1,215)	(1,057)	(1,233)	(1,474)	(1,729)
<b>Cashflow From Operations</b>	<b>3,298</b>	<b>3,218</b>	<b>2,868</b>	<b>3,666</b>	<b>4,249</b>
Capex	(953)	(736)	(1,200)	(1,000)	(1,000)
Disposals Of FAs/subsidiaries	361	43			
Acq. Of Subsidiaries/investments	(1,530)				
Other Investing Cashflow	582	5,282	430	553	711
<b>Cash Flow From Investing</b>	<b>(1,540)</b>	<b>4,589</b>	<b>(770)</b>	<b>(447)</b>	<b>(289)</b>
Debt Raised/(repaid)	(969)		(176)		
Proceeds From Issue Of Shares					
Shares Repurchased					
Dividends Paid	(715)	(6,427)	(692)	(791)	(791)
Preferred Dividends					
Other Financing Cashflow	(95)	(21)			
<b>Cash Flow From Financing</b>	<b>(1,779)</b>	<b>(6,448)</b>	<b>(868)</b>	<b>(791)</b>	<b>(791)</b>
Total Cash Generated	(21)	1,359	1,230	2,428	3,169
<b>Free Cashflow To Equity</b>	<b>789</b>	<b>7,807</b>	<b>1,922</b>	<b>3,219</b>	<b>3,960</b>
<b>Free Cashflow To Firm</b>	<b>1,852</b>	<b>7,828</b>	<b>2,098</b>	<b>3,219</b>	<b>3,960</b>

SOURCES: INCRED RESEARCH, COMPANY REPORTS

**BY THE NUMBERS...cont'd**

<b>Balance Sheet</b>					
<b>(Rs mn)</b>	<b>Mar-20A</b>	<b>Mar-21A</b>	<b>Mar-22F</b>	<b>Mar-23F</b>	<b>Mar-24F</b>
Total Cash And Equivalents	6,183	5,003	6,233	8,661	11,830
Total Debtors	4,357	5,834	5,660	6,329	7,079
Inventories	4,518	4,680	5,225	5,842	6,534
Total Other Current Assets	3,568	3,185	3,048	3,305	3,593
<b>Total Current Assets</b>	<b>18,626</b>	<b>18,703</b>	<b>20,166</b>	<b>24,138</b>	<b>29,036</b>
Fixed Assets	3,927	4,100	4,704	5,061	5,338
Total Investments	1,972	25	25	25	25
Intangible Assets					
Total Other Non-Current Assets	228	228	228	228	228
<b>Total Non-current Assets</b>	<b>6,127</b>	<b>4,353</b>	<b>4,957</b>	<b>5,314</b>	<b>5,591</b>
Short-term Debt					
Current Portion of Long-Term Debt					
Total Creditors	4,120	5,769	4,789	5,355	5,990
Other Current Liabilities	1,303	1,444	1,718	1,921	2,149
<b>Total Current Liabilities</b>	<b>5,423</b>	<b>7,213</b>	<b>6,508</b>	<b>7,277</b>	<b>8,138</b>
Total Long-term Debt	218	176			
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities					
<b>Total Non-current Liabilities</b>	<b>218</b>	<b>176</b>			
Total Provisions					
<b>Total Liabilities</b>	<b>5,641</b>	<b>7,388</b>	<b>6,508</b>	<b>7,277</b>	<b>8,138</b>
Shareholders Equity	19,053	15,638	18,586	22,146	26,460
Minority Interests					
<b>Total Equity</b>	<b>19,053</b>	<b>15,638</b>	<b>18,586</b>	<b>22,146</b>	<b>26,460</b>

<b>Key Ratios</b>					
	<b>Mar-20A</b>	<b>Mar-21A</b>	<b>Mar-22F</b>	<b>Mar-23F</b>	<b>Mar-24F</b>
Revenue Growth	(6.4%)	(6.0%)	19.0%	11.8%	11.8%
Operating EBITDA Growth	(24.7%)	15.9%	10.0%	17.4%	15.7%
Operating EBITDA Margin	13.9%	17.1%	15.9%	16.6%	17.2%
Net Cash Per Share (Rs)	120.65	97.64	126.07	175.19	239.28
BVPS (Rs)	385.37	316.30	375.92	447.93	535.18
Gross Interest Cover	35.66	187.78			
Effective Tax Rate	22.6%	22.7%	25.3%	25.3%	25.3%
Net Dividend Payout Ratio	17.7%	191.6%	19.0%	18.2%	15.5%
Accounts Receivables Days	60.49	68.67	66.00	61.56	61.56
Inventory Days	93.04	107.52	95.58	96.32	96.80
Accounts Payables Days	(77.58)	(115.60)	(101.89)	(88.29)	(88.74)
ROIC (%)	30.3%	37.0%	35.9%	39.1%	41.8%
ROCE (%)	17.5%	25.3%	23.9%	23.8%	23.1%
Return On Average Assets	13.9%	14.6%	14.5%	14.8%	14.7%

<b>Key Drivers</b>					
	<b>Mar-20A</b>	<b>Mar-21A</b>	<b>Mar-22F</b>	<b>Mar-23F</b>	<b>Mar-24F</b>
Auto OEM	(22.4%)	8.8%	19.0%	11.0%	11.0%
Auto aftermarket	(8.0%)	N/A	15.0%	10.0%	10.0%
Exports (largely Auto)	60.0%	(33.0%)	20.0%	10.0%	10.0%
Total auto	(7.7%)	(3.0%)	18.0%	10.5%	10.6%
Industrial OEM	(6.0%)	(11.5%)	22.0%	12.0%	12.0%
Industrial after market	(4.0%)	(6.0%)	18.0%	14.0%	14.0%
Total Industrials	(6.0%)	(11.5%)	22.0%	12.0%	12.0%
Total sales	(5.0%)	(8.7%)	19.9%	13.0%	13.0%

SOURCES: INCRED RESEARCH, COMPANY REPORTS

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<b>Score Range:</b>	90 - 100	80 – 89	70 - 79	Below 70	No Survey Result
<b>Description:</b>	Excellent	Very Good	Good	N/A	N/A

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## Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (Thai IOD) in 2020, Anti-Corruption 2020

**ADVANC** – Excellent, Certified, **AMATA** – Excellent, Certified, **ANAN** – Excellent, n/a, **AOT** – Excellent, n/a, **AP** – Excellent, Certified, **ASP** – Excellent, n/a, **AU** – Good, n/a, **BAM** – Very Good, Certified, **BAY** – Excellent, Certified, **BBL** – Very Good, Certified, **BCH** – Good, Certified, **BCP** – Excellent, Certified, **BCPG** – Excellent, Certified, **BDMS** – Excellent, n/a, **BEAUTY** – Good, n/a, **BH** – Good, n/a, **BJC** – Very Good, n/a, **BLA** – Excellent, Certified, **BTS** – Excellent, Certified, **CBG** – Very Good, n/a, **CCET** – n/a, n/a, **CENDEL** – Excellent, Certified, **CHAYO** – Very Good, n/a, **CHG** – Very Good, n/a, **CK** – Excellent, n/a, **COM7** – Very Good, Certified, **CPALL** – Excellent, Certified, **CPF** – Excellent, Certified, **CPN** – Excellent, Certified, **CPNREIT** – n/a, n/a, **CRC** – Very Good, n/a, **DELTA** – Excellent, Certified, **DDD** – Very Good, n/a, **DIF** – n/a, n/a, **DOHOME** – Very Good, n/a, **DREIT** – n/a, n/a, **DTAC** – Excellent, Certified, **ECL** – Excellent, Certified, **EGCO** – Excellent, Certified, **EPG** – Excellent, Certified, **ERW** – Very Good, Certified, **GFPT** – Excellent, Certified, **GGC** – Excellent, Certified, **GLOBAL** – Very Good, n/a, **HANA** – Excellent, Certified, **HMPRO** – Excellent, Certified, **HUMAN** – Good, n/a, **ICHI** – Excellent, Certified, **III** – Excellent, n/a, **INTUCH** – Excellent, Certified, **IRPC** – Excellent, Certified, **ITD** – Very Good, n/a, **IVL** – Excellent, Certified, **JASIF** – n/a, n/a, **JKN** – Excellent, Declared, **JMT** – Very Good, Declared, **KBANK** – Excellent, Certified, **KCE** – Excellent, Certified, **KEX** – n/a, n/a, **KKP** – Excellent, Certified, **KSL** – Excellent, Certified, **KTB** – Excellent, Certified, **KTC** – Excellent, Certified, **LH** – Excellent, n/a, **LPN** – Excellent, Certified, **M** – Very Good, Certified, **MAKRO** – Excellent, Certified, **MC** – Excellent, Certified, **MEGA** – Very Good, n/a, **MINT** – Excellent, Certified, **MTC** – Excellent, Certified, **NETBAY** – Very Good, n/a, **NRF** – n/a, n/a, **OR** – n/a, n/a, **ORI** – Excellent, Certified, **OSP** – Very Good, n/a, **PLANB** – Excellent, Certified, **PRINC** – Very Good, Certified, **PR9** – Excellent, n/a, **PSH** – Excellent, Certified, **PTT** – Excellent, Certified, **PTTEP** – Excellent, Certified, **PTTGC** – Excellent, Certified, **QH** – Excellent, Certified, **RBF** – Good, n/a, **RS** – Excellent, n/a, **RSP** – Good, n/a, **S** – Excellent, n/a, **SAK** – n/a, n/a, **SAPPE** – Very Good, Certified, **SAWAD** – Very Good, n/a, **SCB** – Excellent, Certified, **SCC** – Excellent, Certified, **SCGP** – n/a, n/a, **SHR** – Very Good, n/a, **SIRI** – Excellent, Certified, **SPA** – Very Good, n/a, **SPALI** – Excellent, Declared, **SPRC** – Excellent, Certified, **SSP** – Good, Declared, **STEC** – n/a, n/a, **SVI** – Excellent, Certified, **SYNEX** – Very Good, n/a, **TCAP** – Excellent, Certified, **THANI** – Excellent, Certified, **TIDLOR** – n/a, n/a, **TISCO** – Excellent, Certified, **TKN** – Very Good, n/a, **TMB** – Excellent, Certified, **TOP** – Excellent, Certified, **TRUE** – Excellent, Certified, **TU** – Excellent, Certified, **TVO** – Excellent, Certified, **VGI** – Excellent, Certified, **WHA** – Excellent, Certified, **WHART** – n/a, n/a, **WICE** – Excellent, Certified, **WORK** – Good, n/a.

- CG Score 2020 from Thai Institute of Directors Association (IOD)

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### Recommendation Framework

#### Stock Ratings

Definition:

<b>Add</b>	The stock's total return is expected to exceed 10% over the next 12 months.
<b>Hold</b>	The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
<b>Reduce</b>	The stock's total return is expected to fall below 0% or more over the next 12 months.

*The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.*

#### Sector Ratings

Definition:

<b>Overweight</b>	An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
<b>Neutral</b>	A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
<b>Underweight</b>	An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

#### Country Ratings

Definition:

<b>Overweight</b>	An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
<b>Neutral</b>	A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
<b>Underweight</b>	An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.