

FIRST LIGHT

RESEARCH

Bajaj Auto | Target: Rs 3,200 | -17% | **SELL**

In-line Q4; maintain SELL

Mahindra Logistics | Target: Rs 635 | +15% | **BUY**

Strong quarter as SCM continues to deliver

SUMMARY

Bajaj Auto

Bajaj Auto's Q4FY21 revenue was ahead of estimates at Rs 86bn. EBITDA margin was in line at 17.7% and is likely to remain stressed in the near term due to higher input cost. Based on an improving sales mix and higher export revenue, we raise FY22/FY23 EBITDA estimates 8%/7% and expect a stronger earnings CAGR of 10% over FY21-FY23. We assign a higher P/E multiple of 17x FY23E (vs. 15x), in line with the stock's 10Y average given better earnings visibility. Our Mar'22 TP rises to Rs 3,200 (vs. Rs 2,800). Retain SELL on rich valuations.

[Click here for the full report.](#)

Mahindra Logistics

Mahindra Logistics' (MLL) Q4FY21 net income increased 58% YoY on 28% revenue growth in the SCM segment, even as the enterprise mobility business remained weak. FY21 net income missed consensus by 10% due to below-estimated margins. Continued growth in SCM will be driven by new customer additions as the share of organised logistics players continues to rise. We make minor changes to our estimates and raise our Mar'22 TP by ~1% to Rs 635. Retain BUY.

[Click here for the full report.](#)

TOP PICKS

LARGE-CAP IDEAS

Company	Rating	Target
Cipla	Buy	1,000
TCS	Buy	3,780
Tech Mahindra	Buy	1,190

MID-CAP IDEAS

Company	Rating	Target
Alkem Labs	Buy	3,750
Greenply Industries	Buy	195
Laurus Labs	Buy	480
Transport Corp	Buy	320

Source: BOBCAPS Research

DAILY MACRO INDICATORS

Indicator	Current	2D (%)	1M (%)	12M (%)
US 10Y yield (%)	1.61	(1bps)	(7bps)	98bps
India 10Y yield (%)	6.05	0bps	(7bps)	(7bps)
USD/INR	74.37	0.4	(2.6)	1.7
Brent Crude (US\$/bbl)	67.27	1.3	4.2	198.4
Dow	33,820	(0.5)	2.3	37.3
Shanghai	3,457	0.4	1.1	22.5
Sensex	49,734	1.6	1.5	52.0
India FII (US\$ mn)	27 Apr	MTD	CYTD	FYTD
FII-D	10.6	(94.2)	(2,121.5)	(94.2)
FII-E	(148.7)	(1,381.0)	5,945.4	(1,381.0)

Source: Bank of Baroda Economics Research

BOBCAPS Research

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SELL

TP: Rs 3,200 | ▼ 17%

BAJAJ AUTO

Automobiles

29 April 2021

In-line Q4; maintain SELL

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Operating performance in line: At Rs 86bn, Q4 revenue grew 26% YoY, ahead of our estimate led by better ASPs. EBITDA margin was in line at 17.7%, leading to EBITDA growth of 22% YoY to Rs 15.2bn. Adj. PAT increased just 2% YoY to Rs 13.3bn due to lower other income (-23% QoQ).

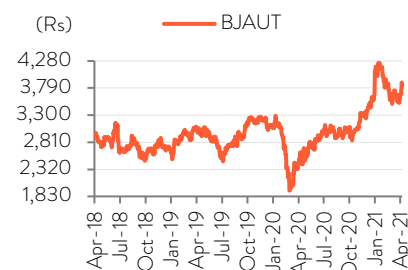
Higher 3W sales, exports to aid growth: We believe the company could clock annual 3W sales of ~0.5mn units in FY22, up 30% YoY. Rising export revenue (rupee depreciation benefit) and revival in 3Ws will aid earnings growth, albeit partly offset by rising input cost pressures. Management expects raw material costs to rise ~300bps QoQ in Q1FY22.

Estimates raised; maintain SELL on expensive valuations: Given the improving mix in favour of 3Ws and exports, we raise FY22/FY23 revenue estimates by 6%/5% and EBITDA by 8%/7%. We now expect BJAUT to post a revenue/PAT CAGR of 15%/10% over FY21-FY23 and peg FY23 EPS at Rs 190.

Considering the higher earnings visibility, we raise our target FY23E P/E multiple to 17x, in line with the stock's 10Y average. Even so, current valuations look expensive at 20x FY23E EPS, leading us to maintain our SELL rating.

Ticker/Price	BJAUT IN/Rs 3,836
Market cap	US\$ 15.0bn
Shares o/s	289mn
3M ADV	US\$ 36.5mn
52wk high/low	Rs 4,361/Rs 2,361
Promoter/FPI/DII	54%/14%/9%

Source: NSE

STOCK PERFORMANCE

Source: NSE

KEY FINANCIALS

Y/E 31 Mar	FY19A	FY20A	FY21P	FY22E	FY23E
Total revenue (Rs mn)	302,500	299,187	277,411	334,691	366,372
EBITDA (Rs mn)	49,820	50,962	49,285	56,474	62,619
Adj. net profit (Rs mn)	46,752	50,999	45,546	50,551	55,022
Adj. EPS (Rs)	152.2	176.2	157.4	174.7	190.1
Adj. EPS growth (%)	14.9	9.1	(10.7)	11.0	8.8
Adj. ROAE (%)	22.9	24.5	20.2	20.0	21.4
Adj. P/E (x)	25.2	21.8	24.4	22.0	20.2
EV/EBITDA (x)	22.1	21.5	22.3	20.0	18.0

Source: Company, BOBCAPS Research | P – Provisional



BUY

TP: Rs 635 | ▲ 15%

MAHINDRA LOGISTICS

Logistics

29 April 2021

Strong quarter as SCM continues to deliver

Mahindra Logistics' (MLL) Q4FY21 net income increased 58% YoY on 28% revenue growth in the SCM segment, even as the enterprise mobility business remained weak. FY21 net income missed consensus by 10% due to below-estimated margins. Continued growth in SCM will be driven by new customer additions as the share of organised logistics players continues to rise. We make minor changes to our estimates and raise our Mar'22 TP by ~1% to Rs 635. Retain BUY.

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Net income up sharply YoY: MLL's Q4FY21 core net income increased 58% YoY fuelled by a 20% uptick in revenue. EBITDA margin was flat YoY. Revenue growth was backed by a 28% YoY increase in the supply chain management (SCM) segment, whereas enterprise mobility (mobility services mostly for the IT & ITES sector) fell 56% due to the continuing work-from-home trend.

On a QoQ basis, core net income fell 16% due to a 40bps contraction in EBITDA margin and 7% drop in revenue. FY21 core net income decreased 41% YoY, missing consensus by ~10% as EBITDA margin declined 50bps to 4.1% and revenue fell 6% in a Covid-hit year. Dividend increased 25% to Rs 2.5/sh.

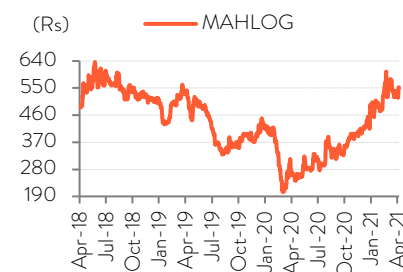
SCM growth is a positive: Sustained growth in the SCM business supports our view of the company's potential to provide full-scale 3PL services to customers in an industry that is becoming increasingly more organised.

Retain BUY: We adjust our FY22/FY23 earnings estimates by 1-2% and retain BUY on MLL with a Mar'22 TP of Rs 635 (Rs 630 earlier), based on an unchanged 35x FY23E P/E. Continued announcements on new customer additions and normalisation of demand after the current Covid wave subsides would be the main stock price drivers, in our view.

Ticker/Price	MAHLOG IN/Rs 550
Market cap	US\$ 531.2mn
Shares o/s	71mn
3M ADV	US\$ 1.0mn
52wk high/low	Rs 615/Rs 240
Promoter/FPI/DII	58%/20%/8%

Source: NSE

STOCK PERFORMANCE



Source: NSE

KEY FINANCIALS

Y/E 31 Mar	FY19A	FY20A	FY21P	FY22E	FY23E
Total revenue (Rs mn)	38,513	34,711	32,637	41,110	47,400
EBITDA (Rs mn)	1,512	1,583	1,342	2,406	2,927
Adj. net profit (Rs mn)	856	551	328	976	1,302
Adj. EPS (Rs)	12.0	7.7	4.6	13.6	18.2
Adj. EPS growth (%)	33.2	(35.7)	(40.7)	198.6	33.5
Adj. ROAE (%)	18.7	10.6	5.9	16.2	18.9
Adj. P/E (x)	45.9	71.4	120.4	40.3	30.2
EV/EBITDA (x)	25.5	24.2	28.7	15.9	13.1

Source: Company, BOBCAPS Research | P – Provisional



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Recommendation scale: Recommendations and Absolute returns (%) over 12 months

BUY – Expected return >+15%

ADD – Expected return from >+5% to +15%

REDUCE – Expected return from -5% to +5%

SELL – Expected return <-5%

Note: Recommendation structure changed with effect from 1 January 2018 (Hold rating discontinued and replaced by Add / Reduce)

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