

AUTOMOBILES

19 October 2021

India likely to mirror global EV adoption

- EV 4W/2W share up to 14%/70% in key markets but regulatory support key as costs higher vs. ICE and charging infrastructure lacking
- EV OEMs have outperformed globally and trade at large premium to ICE players. Market cap of top 9 EV OEMs +80% that of top 30 ICE OEMs
- India likely to follow these trends as regulatory support and shareholder pressure nudge companies towards electrification

Tarun Bhatnagar | Someel Shah
 researchreport@bobcaps.in

TPG's US\$ 9bn acquisition of 11-15% stake in Tata Motors' (TTMT, Not Rated) EV division follows global auto investment trends. We highlight some trends in this note:

EVs staging rapid growth: 4W EV sales have grown in the range of 26-79% CAGR during 2015-20 to 2.3mn units in China, US and the top 3 European markets, with the share of new sales at 2.2-14%. In Europe, seven OEMs will go 100% electric by 2030. In 2Ws, EVs are even more established with 25mn units sold and the share of new sales at ~70% in China and ~14% in Vietnam. China's Yadea EV unit sales now match those of India's largest 2W producer Hero Motocorp.

Regulatory support remains crucial: EV costs remain higher than ICE equivalent models and hence regulatory support continues to be a key driver. Subsidies, preferential permits, lower charging rates and tolls are some of the incentives being offered to consumers. Some countries are also capping OEM ICE model production volumes or average emissions across models, besides supporting EV charging infrastructure. The EU aims to have one charger for every ten vehicles and proposes to offer customers a right to request for a charging station. Gogoro has built a battery swapping network in Taiwan that will also be expanded in India and China.

5 of top 20 auto players by market cap are EV pure plays: EV OEM stock prices globally have risen by 2.5-24.5x in the last five years whereas the top 30 ICE OEM stocks have risen by less than 2x. Combined market cap of the top 9 EV OEMs is +80% of the top 30 ICE OEMs. Enterprise value/sales average at 14.9x vs. 0.9-2.9x for the top 30 ICE OEMs despite low profitability, indicating investor confidence in the structural shift towards EVs. TPG's investment in TTMT's EV arm is likely to be followed by Volkswagen's hive-off of its EV battery business and Ola Electric's IPO.

Learnings for India: Subsidies on sale remain an important tool apart from incentives such as free/dedicated parking and toll exemptions. The charging network will also need to be developed through policy support. India's upcoming CAFE norms to reduce corporate emissions to 113gm per kilometre from 130gm starting Apr'22, while still looser than the EU norms (95gm), should put OEMs on the path of electrification.

Recommendation snapshot

Ticker	Price	Target	Rating
BJAUT IN	3,916	3,200	SELL
HMCL IN	2,904	2,900	HOLD
MM IN	911	630	SELL
MSIL IN	7,657	8,000	HOLD
TVSL IN	586	480	SELL

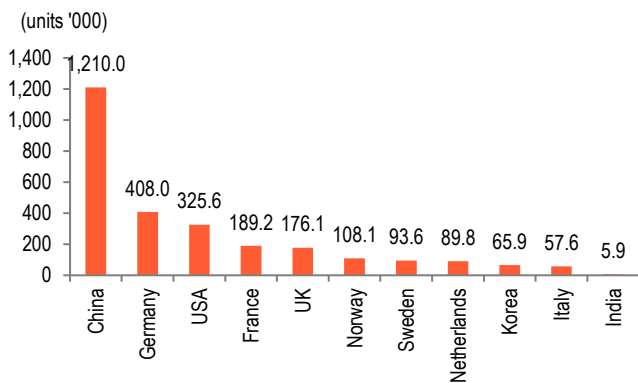
Price & Target in Rupees | Price as of 18 Oct 2021



EVs staging rapid growth

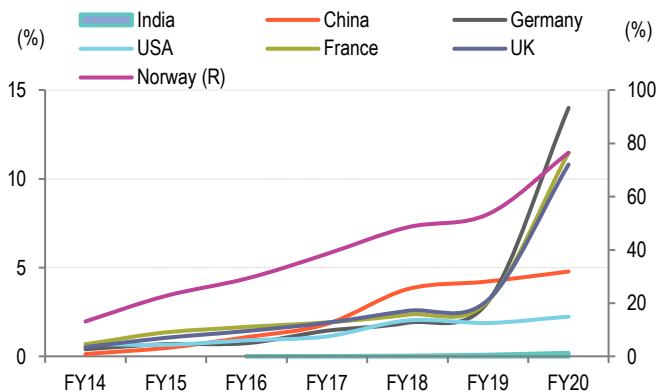
Electrification of vehicles is already a well-established technology. Sales of electric passenger vehicles have grown ten-fold over 2015-20 and now ~6% of four-wheelers (4W) sold globally are electric. Electric two-wheelers (2W) have been even more successful, forming ~40% of global 2W sales led by China (70% of new sales) and Vietnam (~14%). Apart from potentially lower lifetime costs, the wide variety of EV models on offer has also bolstered sales.

Fig 1 – Annual 4W EV sales for 2020



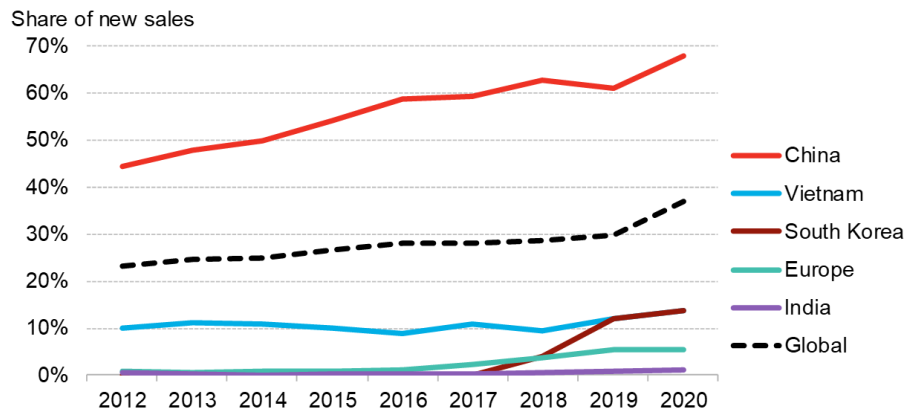
Source: Bloomberg

Fig 2 – Rapid growth in share of EVs



Source: Bloomberg

Fig 3 – Electric 2W sales in China already at ~70% & Vietnam at 14%

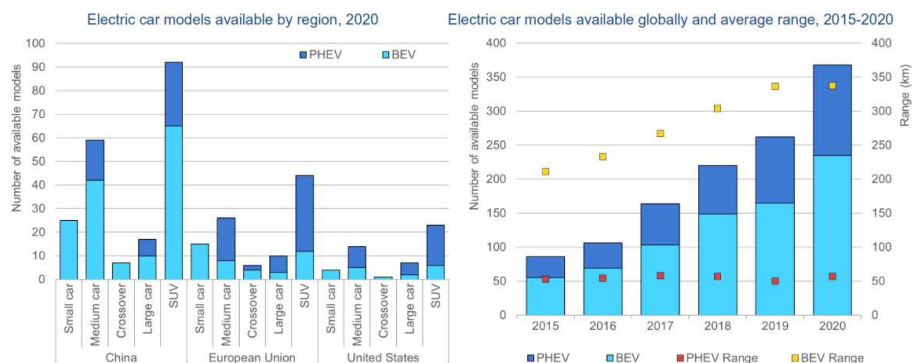


Source: BloombergNEF - Includes motorcycles, scooters, mopeds

Source: Bloomberg

Fig 4 – Customers have a wide variety of EV models to choose from

More electric car models are available; ranges start to plateau



Notes: BEV = battery electric vehicle; PHEV = plug-in hybrid vehicle; crossover = a type of sport utility vehicle built on a passenger car platform rather than on a pickup truck platform; SUV = sport utility vehicle. Vehicle models do not include the various trim-levels. Range is normalised to Worldwide Harmonized Light Vehicle Test Procedure (WLTP) for all regions. Range for PHEVs refers to the electric drive range.
Sources: IEA analysis based on [EV Volumes \(2021\)](#) and [Marklines \(2021\)](#).
IEA. All rights reserved.

Source: Bloomberg

Regulatory support remains crucial

EV prices are still higher than ICE (internal combustion engine) vehicles, though lifetime costs (capital costs + running + maintenance costs) may be comparable or even lower for EVs. Regulatory support remains the key to pushing sales and has been executed in various ways across the globe, as outlined below.

ICE car production capped

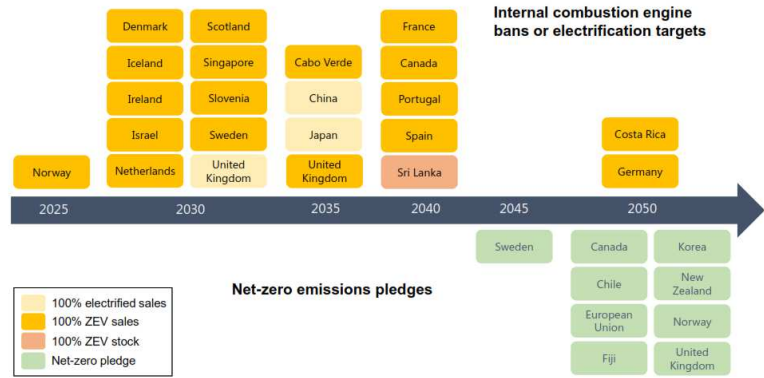
Governments across the developed world and in China have imposed a cap on the sale of ICE cars by OEMs. Some examples:

- **China:** An NEV (new energy vehicle) credit mandate was introduced in 2017 which sets a minimum EV production share for OEMs that will increase to 18% in 2023, 20% by 2025 and 50% by 2035 from 16% in 2022 and 14% in 2021. Companies who exceed these levels can trade their credits with those who fail to meet the requirement.
- **EU:** The EU aims to achieve EV production by capping OEM emissions across the vehicle mix. Currently, average emissions are capped at 95gm CO₂/km which must reduce by 15% in 2025 and 37.5% by 2030. Further plans to lower emissions to 50gm can only be achieved through EVs. Many countries are also considering national ICE bans.
- **US:** Average fuel economy is proposed to reach 40.4miles per gallon by 2026 from 24.9miles per gallon in 2020. The US Big 3 – GM, Ford and Chrysler – have declared that 40-50% of their unit sales will be electric by 2030. State policies are vital in the US. States buying one-third of US 4Ws are now following the California Low Emissions Vehicles Pollutant and GHG Emissions regulations. California will allow only zero-emission vehicles (both cars and light trucks) by 2035. New York, New Jersey and Massachusetts are considering similar bans.

- **India:** India has not capped 4W production so far though some states have set up targets for EV sales. The CAFE II norms from Apr'22 propose to cap the OEM-wide average CO2 emission at 113gm per km from 130gm per km.

Fig 5 – Electrification targets

More than 20 countries have electrification targets or ICE bans for cars, and 8 countries plus the European Union have announced net-zero pledges



Notes: Only countries that have either an ICE ban or electrification target or with net-zero emissions in law or proposed legislation have been included. Those with net-zero emissions policy documents only, e.g. Japan and China, have not been included. European Union refers to the collective pledge of the 27 member states. Some individual countries also have net-zero emissions pledges either in law or proposed legislation (Denmark, France, Germany, Hungary, Ireland, Luxembourg, Slovenia, Spain, Sweden and the Netherlands). The targets reflect the status as of 20 April 2021. Electrified vehicles here include battery electric vehicles (BEVs), plug-in hybrid electric vehicles (PHEVs), fuel cell electric vehicles (FCEVs) and hybrid electric vehicles (HEVs), depending on the definitions of each country. ZEV = zero-emission vehicle (BEVs, PHEVs and FCEVs).
Sources: [See list of sources.](#)

Source: IEA

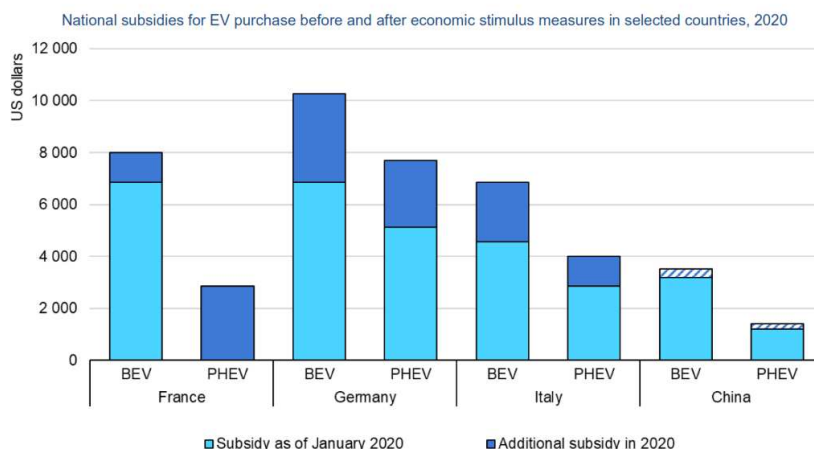
Subsidies

Key features of subsidy schemes on offer are:

- **China:** Subsidies are based on ratings, on type (battery electric vehicle or BEV, plug-in hybrid or PHEV, fuel cell or FCEV), and driving range per charge. The programme is limited to 2mn cars per annum and scheduled to end in 2022.
- **EU:** Subsidies are offered by most European countries on purchase of EVs and are decided by individual governments
- **US:** Federal tax credit of up to US\$ 7,500 per EVs is available to OEMs which may be increased to US\$ 12,500 for American-made EVs. OEMs could use this sum to reduce EV prices.
- **India:** The central government’s FAME II (Faster Adoption and Manufacturing of Electric Vehicles) scheme offers subsidies to PHEV and BEV 2Ws, 3Ws and 4Ws. In addition, state governments also offer subsidies and exemption from registration charges.

Fig 6 – Subsidies

Subsidies have been instrumental in boosting EV sales during the pandemic



IEA. All rights reserved.

Notes: Only direct purchase subsidies are included. The hashed lines for China indicate that over the course of 2020, EV subsidies have been reduced. In China, the complete phase-out of the subsidy programme originally planned for the end of 2020 was postponed to 2022.

Source: IEA

Others

- In some Chinese cities, EVs are kept out of the annual quota of vehicle sales permitted through auctions and/or lotteries. Some provinces also offer subsidies, rebates for charging and other incentives.

Fig 7 – Incentives for EV purchase

Current zero-emission light-duty vehicle policies and incentives in selected countries

		Canada	China	European Union	India	Japan	United States
Regulations vehicles	ZEV mandate	British Columbia: 10% ZEV sales by 2025, 30% by 2030 and 100% by 2040. Québec: 9.5% EV credits in 2020, 22% in 2025.	New Energy Vehicle dual credit system: 10-12% EV credits in 2019-2020 and 14-18% in 2021-2023.				California: 22% EV credits by 2025. Other states: Varied between ten states.
	Fuel economy standards (most recent for cars)	114 g CO ₂ /km or 5.4 L/100 km*** (2021, CAFE)	117 g CO ₂ /km or 5.0 L/100 km (2020, NEDC)	95 g CO ₂ /km or 4.1 L/100 km (2021, petrol, NEDC)	134 g CO ₂ /km or 5.2 L/100 km (2022, NEDC)	132 g CO ₂ /km or 5.7 L/100 km (2020, WLTP Japan)	114 g CO ₂ /km or 5.4 L/100 km*** (2021, CAFE)
Incentives vehicles	Fiscal incentives	✓	✓	✓	✓	✓	✓
Regulations chargers**	Hardware standards.	✓	✓	✓	✓	✓	✓
	Building regulations.	✓ *	✓ *	✓	✓		✓ *
Incentives chargers	Fiscal incentives	✓	✓	✓	✓	✓	✓ *

* Indicates that it is only implemented at state/provincial/local level. ** All countries/regions in the table have developed basic standards for electric vehicle supply equipment (EVSE). China, European Union and India mandate specific minimum standards, while Canada, Japan and United States do not. *** Historically, Canada and the United States have aligned emission standards for on-road light-duty vehicles. In April 2020 the United States adopted a final rule to reduce the annual stringency conditions for the 2021-2026 model years. Soon after, Canada finalised its mid-term evaluation of the Passenger Automobile and Light Truck GHG Emissions regulation, indicating a potential separation from the US ruling, pending further consultation. ✓ Indicates that the policy is set at national level.

Notes: g CO₂/km = grammes of carbon dioxide per kilometre; L/100 km = litres per 100 kilometres; CAFE= Corporate Average Fuel Economy test cycle used in the United States and Canada fuel economy and GHG emissions tests; NEDC = New European Driving Cycle; WLTP= Worldwide Harmonized Light Vehicle Test Procedure; WLTP Japan = WLTP adjusted for slower driving conditions in Japan. Building regulations imply an obligation to install chargers in new construction and renovations. Charger incentives include direct investment and purchase incentives for public and private charging.

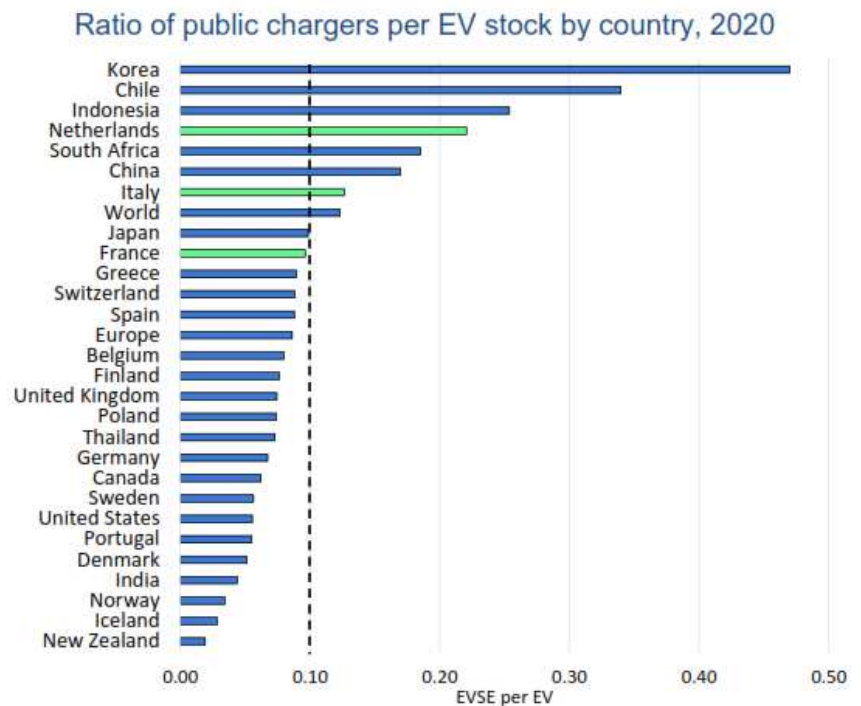
Source: IEA

Incentives for charging infrastructure

Charging infrastructure is crucial for EV penetration and remains underdeveloped. Countries are taking various steps to address the issue. In addition, alternatives such as battery swapping are emerging, with Taiwanese firm Gogoro tying up with Hero Moto (HMCL) to offer such solutions in India.

- China:** EV charging is part of China’s digital infrastructure plan which includes funding for charging stations. Under this plan, 10 cities are expected to have 1.2mn chargers by 2025. Other incentives include a tariff subsidy mechanism for fast charging stations and financial rewards to local governments that meet targets for new household chargers.
- EU:** AFID (Alternative Fuel Infrastructure Directive) targets one charger per ten EVs up to 1mn chargers by 2025. Another proposal is to give EU citizens the right to request installation of charging points (“right to plug”) regardless of location. EPBD III (European Energy Performance of Buildings Directive) requires buildings to improve access to charging points.
- US:** Most US states have specific policies in place to offer tax credits or purchase incentives for EVs as well as financial and technical assistance for installing charging infrastructure.
- India:** FAME II has a budget allocated for charging infrastructure. The Ministry of Heavy Industries released an expression of interest welcoming investors to benefit from the scheme and install a minimum of one charging station every 25km along key highways and along every 100km to accommodate heavy-duty vehicles. Many states are mandating the setup of EV chargers in new residential and commercial buildings.

Fig 8 – EV chargers per car

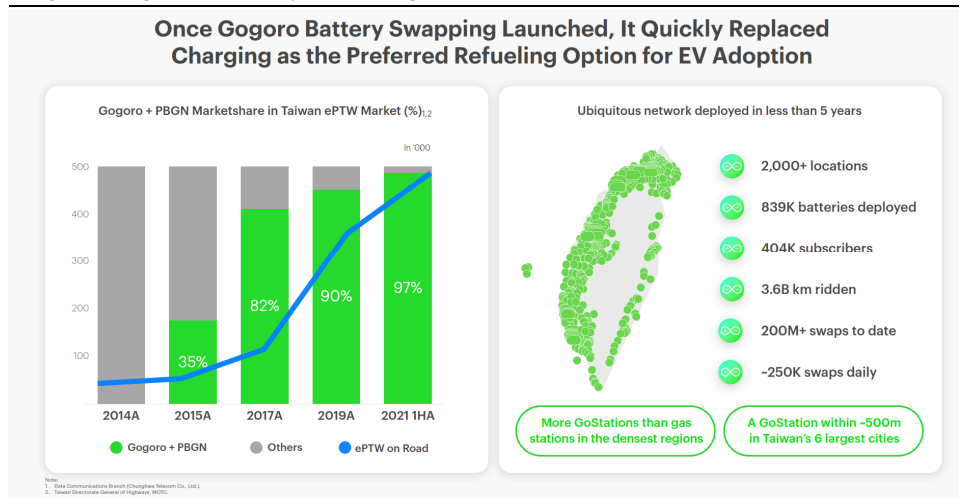


IEA. All rights reserved.

Notes: Green colour represents the European Union countries fulfilling the AFID target. Vertical dotted line denotes the AFID target ratio. EVSE Sources: IEA analysis based on country submissions, complemented by EAFO (2021) and EV Volumes (2021).

Source: IEA

Fig 9 – Gogoro – Battery swapping solutions will be launched in China & India



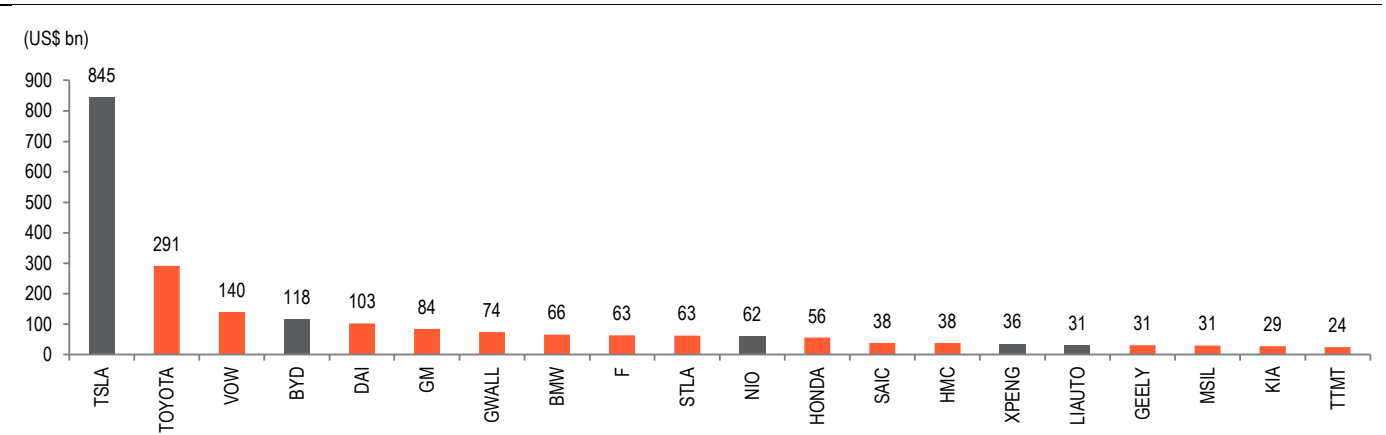
Source: Gogoro 2021 presentation

Investors firmly behind EV companies

Investors have continued to grow bullish on EV players, particularly from 2020. Globally, EV OEM stock prices have risen by 2.5-24.5x during the last five years whereas the top 30 ICE OEM stocks have risen less than 2x. Five EV players now feature among the top 20 global automakers when ranked by market cap.

Enterprise value/sales of the top 9 EV OEMs is at 14.9x vs. just 0.9-2.9x for the top 30 ICE OEMs, indicating investor confidence in the structural electrification trend. However, investors are taking a long-term view as profitability of these players remains weak.

Fig 10 – Top auto companies by market cap globally



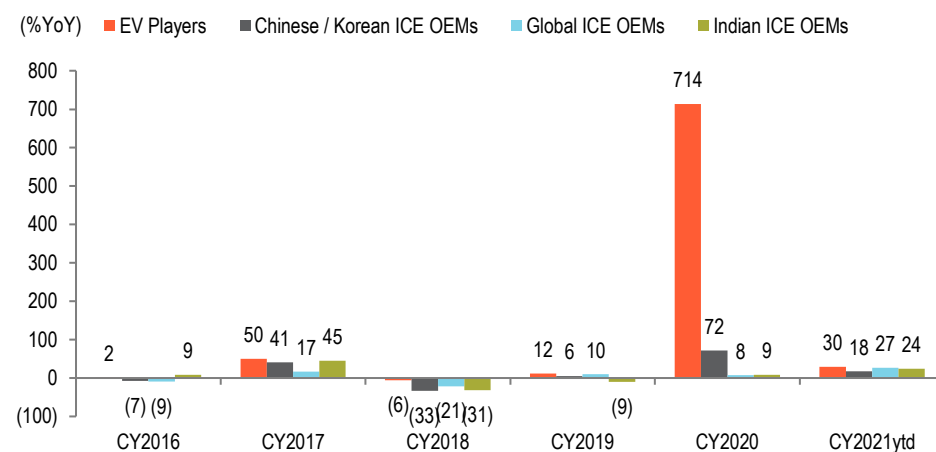
Source: Bloomberg

Fig 11 – Top 20 auto stocks by market cap globally

Rank	31-Dec-15	31-Dec-16	31-Dec-17	31-Dec-18	31-Dec-19	31-Dec-20	Current
1	TOYOTA	TOYOTA	TOYOTA	TOYOTA	TOYOTA	TSLA	TSLA
2	DAI	DAI	VOW	VOW	VOW	TOYOTA	TOYOTA
3	VOW	VOW	DAI	TSLA	TSLA	VOW	VOW
4	BMW	BMW	BMW	DAI	DAI	BYD	BYD
5	HONDA	GM	HONDA	BMW	BMW	NIO	DAI
6	FORD	HONDA	GM	HONDA	GM	DAI	GM
7	GM	FORD	SAIC	GM	HONDA	GM	GWALL
8	NISSAN	NISSAN	TSLA	SAIC	SAIC	BMW	BMW
9	SAIC	SAIC	FORF	NISSAN	FORD	HONDA	FORD
10	TSLA	TSLA	MSIL	MSIL	MSIL	GWALL	STLA
11	RNO	HMC	NISSAN	FORD	NISSAN	SAIC	NIO
12	HMC	RNO	HMC	SUZUKI	STLA	HMC	HONDA
13	MSIL	MSIL	GEELY	HMC	HMC	FORD	SAIC
14	BYD	TTMT	RNO	STLA	SUZUKI	GEELY	HMC
15	TTMT	BYD	SUZUKI	BYD	GEELY	MSIL	XPENG
16	KIA	SUZUKI	STLA	RNO	BYD	STLA	LIAUTO
17	STLA	GAG	BYD	GEELY	GAG	KIA	GEELY
18	SUZUKI	STLA	GAG	MM	KIA	NISSAN	MSIL
19	GAG	KIA	TTMT	GAG	RNO	SUZUKI	KIA
20	GWALL	GWALL	BJAUT	KIA	BJAUT	GAG	TTMT

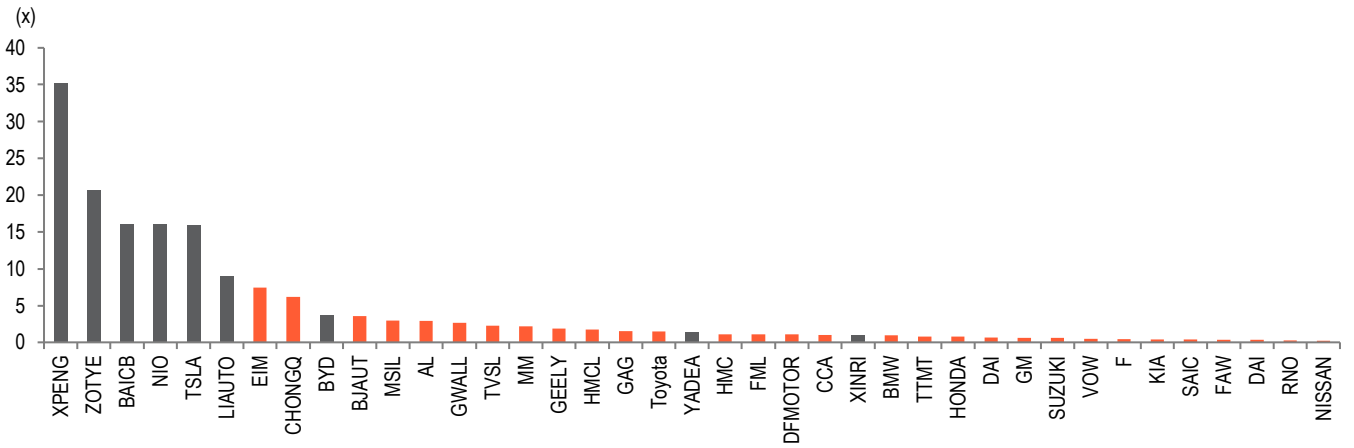
Source: Bloomberg, BOBCAPS Research

Fig 12 – Market cap of auto companies



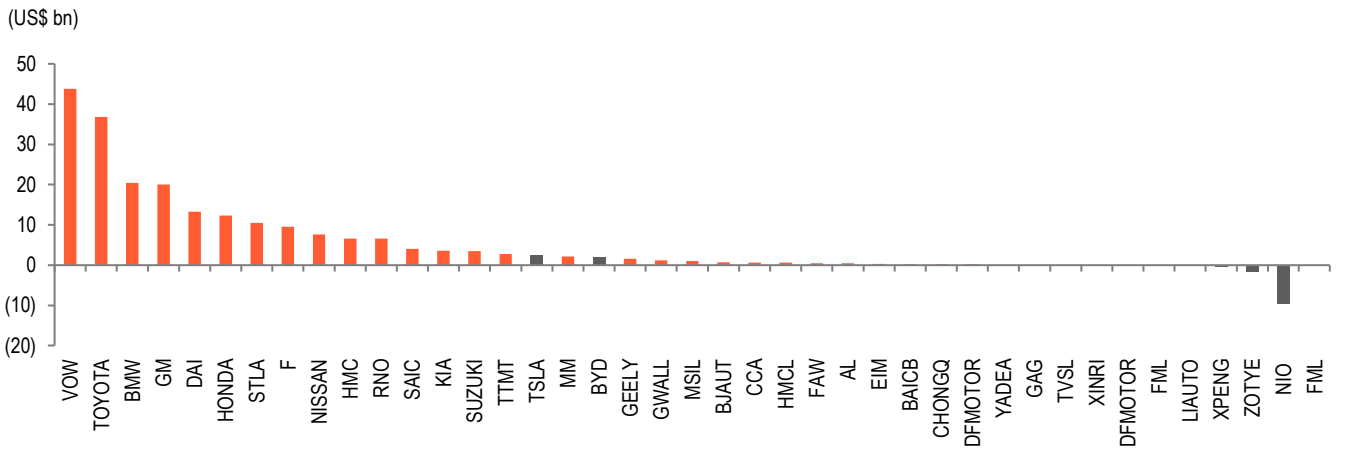
Source: Bloomberg, BOBCAPS Research

Fig 13 – Enterprise Value by 12M trailing revenue for EV OEMs far exceeds that of ICE peers



Source: Bloomberg, BOBCAPS Research

Fig 14 – EBITDA for EV OEMs yet to pick up (CY20)



Source: Bloomberg, BOBCAPS Research

Fig 15 – Global EV peers

Company	Bloomberg Code	Market Cap (US\$ bn)	Rating	Price Currency	Current Price	Consensus Mean Target Price	% Upside / Downside	Daily Trading Vol. 3M Avg. (US\$ mn)	EPS YoY Growth (%)		P/E		P/B		EV/EBITDA		Div. Yield (%) FY21E	Net Debt/ EBITDA FY21E	EV/Sales Trailing 12M
									FY21E	FY22E	FY21E	FY22E	FY21E	FY22E	FY21E	FY22E			
TESLA INC	TSLA US	871.6	Not Rated	USD	870	666	(23)	13596.7	35.6	28.9	117.3	91.0	24.2	18.2	59.4	45.5	0.0	(1.0)	15.9
BYD CO LTD-H	1211 HK	119.7	Not Rated	HKD	283	337	19	323.8	54.3	40.4	92.2	65.7	7.7	7.0	29.8	25.3	0.1	0.4	3.7
NIO INC - ADR	NIO US	65.1	Not Rated	USD	40	60	51	1631.5	75.5	256.2	NA	187.2	16.1	14.2	464.2	77.1	0.0	(27.9)	16.0
Xpeng Inc - Class A Shares	9868 HK	37.2	Not Rated	HKD	169	211	25	17.6	21.9	16.0	NA	NA	3.5	2.9	NA	269.0	0	15.5	35.2
Li Auto Inc-Class A	2015 HK	31.4	Not Rated	HKD	118	184	55	-	96.0	1787.5	NA	361.6	5.0	NA	NA	NA	NA	-	9.0
Baic Bluepark	600733 CH	14.5	Not Rated	CNY	69	81	18	221.0	103.1	NA	NA	NA	13.4	NA	NA	NA	0.0	-	6.2
Yadea Group	1585 HK	9.0	Not Rated	CNY	13	12	(14)	201.0	3.4	(13.1)	NA	NA	6.6	11.4	NA	NA	NA	(16.3)	16.0
ZOTYE AUTO	000980 CH	4.8	Not Rated	HKD	13	26	106	10.1	38.1	30.8	15.9	12.1	5.2	4.1	11.6	9.1	2.5	(1.8)	1.3
Jiangsu Xinri E-Vehicle	603787 CH	2.7	Not Rated	CNY	9	NA	-	39.6	NA	NA	NA	NA	NA	NA	NA	NA	NA	-	20.7
Weighted Average		0.6	Not Rated	CNY	19.2	NA	-	6.9	NA	NA	NA	NA	NA	NA	NA	NA	NA	-	1.0

Source: Bloomberg

Fig 16 – China/Korea peers

Company	Bloomberg Code	Market Cap (US\$ bn)	Rating	Price Currency	Current Price	Consensus Mean Target Price	% Upside / Downside	Daily Trading Vol. 3M Avg. (US\$ mn)	EPS YoY Growth (%)		P/E		P/B		EV/EBITDA		Div. Yield (%) FY21E	Net Debt/ EBITDA FY21E	EV/Sales Trailing 12M
									FY21E	FY22E	FY21E	FY22E	FY21E	FY22E	FY21E	FY22E			
Great Wall Motor	2333 HK	73.4	Not Rated	HKD	33	38	13	139.7	57.5	38.2	29.6	21.4	4.0	3.6	32.8	25.3	1.6	0.0	2.7
Saic Motor	600104 CH	38.3	Not Rated	CNY	21	26	22	135.7	25.0	13.1	9.6	8.5	0.9	0.8	7.4	5.9	3.9	(1.1)	0.4
Hyundai Motor	005380 KS	38.0	Not Rated	KRW	2,10,000	2,90,909	39	12883.4	268.8	12.6	8.5	7.6	0.8	0.7	9.7	8.5	1.9	4.8	1.1
Geely Auto	175 HK	32.0	Not Rated	HKD	25	33	29	243.2	35.9	43.1	28.9	20.2	2.9	2.6	15.3	11.5	1.1	(1.9)	1.9
Kia	000270	29.1	Not Rated	KRW	84,700	1,19,381	41	11649.4	209.0	7.4	7.5	7.0	1.0	0.9	3.8	3.3	1.5	(1.0)	0.4
Guangzhou Automobile	2238 HK	22.4	Not Rated	HKD	8	11	40	38.3	30.3	23.5	8.4	6.8	0.7	0.7	124.5	52.2	3.7	(7.7)	1.5
Chongqing Changan Auto	000625 CH	18.8	Not Rated	CNY	18	20	11	490.4	25.8	20.1	29.8	24.8	2.4	2.3	14.5	13.0	1.3	(3.0)	1.0
Chongqing Sokon	601127 CH	14.5	Not Rated	CNY	69	81	18	221.0	34.2	103.1	NA	2281.7	13.6	13.4	NA	NA	NA	NA	6.2
Dongfeng Motor	489 HK	8.3	Not Rated	HKD	8	10	29	13.3	30.9	6.5	4.2	3.9	0.4	0.3	4.7	8.1	7.1	(0.1)	0.7
Faw Jiefang	000800 CH	8.0	Not Rated	CNY	11	12	9	46.0	44.8	9.5	13.1	12.0	1.8	1.6	6.6	5.5	3.1	(3.5)	0.3
Dongfeng Auto	600006 CH	2.4	Not Rated	CNY	8	10	33	115.6	11.9	35.5	24.3	18.0	1.8	1.7	NA	NA	NA	-	1.1
Total		285.1			-	-	25.0	3,034.1	87.4	28.0	18.3	129.6	2.7	2.5	25.4	16.4	2.3	(5.6)	1.7

Source: Bloomberg

Fig 17 – Global peers

Company	Bloomberg Code	Market Cap (US\$ bn)	Rating	Price Currency	Current Price	Consensus Mean Target Price	% Upside / Downside	Daily Trading Vol. 3M Avg. (US\$ mn)	EPS YoY Growth (%)		P/E		P/B		EV/EBITDA		Div. Yield (%) FY21E	Net Debt/ EBITDA FY21E	EV/Sales Trailing 12M
									FY21E	FY22E	FY21E	FY22E	FY21E	FY22E	FY21E	FY22E			
Toyota Motor	7203 JP	288.3	Not Rated	JPY	2,017	2,263	12	471.9	21.1	12.5	10.4	9.2	1.1	1.0	13.6	11.9	2.9	4.9	1.5
Volkswagen AG	VOW GR	138.6	Not Rated	EUR	269	281	5	15.3	53.8	17.0	9.8	8.4	1.0	0.9	3.6	3.2	2.5	0.1	0.5
Daimler AG	DAI GR	102.0	Not Rated	EUR	82	96	17	231.2	148.2	3.0	7.3	7.1	1.2	1.1	2.5	2.4	4.6	(1.0)	0.3
General Motors	GM US	82.6	Not Rated	USD	57	74	30	934.2	24.2	10.5	9.3	8.5	1.5	1.3	5.9	4.5	0.2	(0.9)	0.6
Bayerische Motoren Werke	BMW GR	65.4	Not Rated	EUR	87	103	19	121.1	162.8	(12.5)	5.8	6.6	0.8	0.8	4.4	5.0	5.1	1.8	0.9
Ford Motor	F US	62.2	Not Rated	USD	16	16	2	854.5	278.8	20.5	10.0	8.3	1.7	1.6	5.9	4.2	0.5	(0.9)	0.4
Stellantis NV	STLA US	61.3	Not Rated	USD	20	27	37	49.4	190.0	7.9	4.9	4.5	1.0	0.8	1.9	1.6	6.2	(0.8)	NA
Honda Motor	7267 JP	55.4	Not Rated	JPY	3,493	4,097	17	0.1	3.4	17.0	8.9	7.6	0.6	0.6	9.1	8.0	3.3	3.6	0.8
Suzuki Motor	7269 JP	22.5	Not Rated	JPY	5,240	5,768	10	57.4	18.6	17.9	14.6	12.4	1.4	1.3	7.0	5.4	1.9	(1.2)	0.6
Nissan Motor	7201 JP	21.7	Not Rated	JPY	588	673	14	78.3	123.9	159.8	21.5	8.3	0.6	0.5	3.5	5.9	0.7	2.0	0.2
Renault	RNO FP	11.2	Not Rated	EUR	33	44	33	41.3	107.3	206.5	15.1	4.9	0.3	0.3	2.5	1.9	0.0	0.3	0.3
Weighted Average		911.4			-	-	15.2	336.2	82.1	18.0	9.5	8.1	1.1	1.0	7.3	6.5	2.9	2.5	0.9

Source: Bloomberg

Fig 18 – Indian peers

Company	Bloomberg Code	Market Cap (US\$ bn)	Rating	Price Currency	Current Price	Consensus Mean Target Price	% Upside / Downside	Daily Trading Vol. 3M Avg. (US\$ mn)	EPS YoY Growth (%)		P/E		P/B		EV/EBITDA		Div. Yield (%) FY22E	Net Debt/ EBITDA FY22E	EV/Sales Trailing 12M
									FY22E	FY23E	FY22E	FY23E	FY22E	FY23E	FY22E	FY23E			
Maruti Suzuki	MSIL IN	30.7	HOLD	INR	7,657	7,633	(0)	75.0	19.9	60.6	43.9	27.4	4.2	3.8	26.7	16.3	0.9	(7.2)	2.9
Tata Motors	TTMT IN	24.3	Not Rated	INR	510	466	(9)	188.0	153.2	542.4	99.6	15.5	3.4	2.8	7.3	4.7	0.0	1.4	0.8
Mahindra & Mahindra	MM IN	15.0	SELL	INR	911	943	4	42.4	141.6	13.9	23.1	20.3	2.3	2.1	28.2	27.2	0.9	12.0	2.2
Bajaj Auto	BJAUT IN	15.1	SELL	INR	3,916	4,239	8	25.4	8.5	19.4	21.5	18.0	4.2	4.0	16.6	13.6	3.7	(3.2)	3.6
Eicher Motors	EIM IN	10.3	SELL	INR	2,826	2,731	(3)	35.2	49.0	41.3	38.5	27.2	6.1	5.2	27.7	19.8	0.7	(4.7)	7.4
Hero Motocorp	HMCL IN	7.7	HOLD	INR	2,904	3,190	10	22.7	254.7	20.2	17.8	14.8	NA	NA	NA	NA	3.5	-	1.7
Ashok Leyland	AL IN	5.6	SELL	INR	145	146	1	36.0	594.2	200.7	76.8	25.6	5.9	5.0	NA	NA	0.6	-	2.9
TVS Motor	TVSL IN	3.7	SELL	INR	586	621	6	15.1	58.4	40.0	29.2	20.9	5.7	4.7	15.3	12.3	0.8	0.0	2.3
Force Motors	FML IN	0.3	Not Rated	INR	1,550	1,768	14	2.8	NA	NA	NA	NA	NA	NA	NA	NA	NA	-	1.1
Weighted Average		112.7			-	-	0.3	77.1	112.3	154.8	49.1	21.4	4.1	3.6	20.3	14.9	1.6	(2.7)	2.8

Source: Bloomberg

Disclaimer

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

BUY – Expected return >+15%

HOLD – Expected return from -6% to +15%

SELL – Expected return <-6%

Note: Recommendation structure changed with effect from 21 June 2021

Our recommendation scale does not factor in short-term stock price volatility related to market fluctuations. Thus, our recommendations may not always be strictly in line with the recommendation scale as shown above.

Rating distribution

As of 30 September 2021, out of 105 rated stocks in the BOB Capital Markets Limited (BOBCAPS) coverage universe, 48 have BUY ratings, 25 have HOLD ratings, 10 are rated ADD*, 2 are rated REDUCE* and 20 are rated SELL. One company rated REDUCE has been an investment banking client in the last 12 months. (*Our ADD and REDUCE ratings are in the process of being migrated to the new recommendation structure.)

Analyst certification

The research analyst(s) authoring this report hereby certifies that (1) all of the views expressed in this research report accurately reflect his/her personal views about the subject company or companies and its or their securities, and (2) no part of his/her compensation was, is, or will be, directly or indirectly, related to the specific recommendation(s) or view(s) in this report. Analysts are not registered as research analysts by FINRA and are not associated persons of BOBCAPS.

General disclaimers

BOBCAPS is engaged in the business of Institutional Stock Broking and Investment Banking. BOBCAPS is a member of the National Stock Exchange of India Limited and BSE Limited and is also a SEBI-registered Category I Merchant Banker. BOBCAPS is a wholly owned subsidiary of Bank of Baroda which has its various subsidiaries engaged in the businesses of stock broking, lending, asset management, life insurance, health insurance and wealth management, among others.

BOBCAPS's activities have neither been suspended nor has it defaulted with any stock exchange authority with whom it has been registered in the last five years. BOBCAPS has not been debarred from doing business by any stock exchange or SEBI or any other authority. No disciplinary action has been taken by any regulatory authority against BOBCAPS affecting its equity research analysis activities.

BOBCAPS has obtained registration as a Research Entity under SEBI (Research Analysts) Regulations, 2014, having registration No.: INH00000040 valid till 03 February 2025. BOBCAPS is also a SEBI-registered intermediary for the broking business having SEBI Single Registration Certificate No.: INZ000159332 dated 20 November 2017. BOBCAPS CIN Number: U65999MH1996GOI098009.

BOBCAPS prohibits its analysts, persons reporting to analysts, and members of their households from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover. Additionally, BOBCAPS prohibits its analysts and persons reporting to analysts from serving as an officer, director, or advisory board member of any companies that the analysts cover.

Our salespeople, traders, and other professionals may provide oral or written market commentary or trading strategies to our clients that reflect opinions contrary to the opinions expressed herein, and our proprietary trading and investing businesses may make investment decisions that are inconsistent with the recommendations expressed herein. In reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest. Additionally, other important information regarding our relationships with the company or companies that are the subject of this material is provided herein.

This material should not be construed as an offer to sell or the solicitation of an offer to buy any security in any jurisdiction where such an offer or solicitation would be illegal. We are not soliciting any action based on this material. It is for the general information of BOBCAPS's clients. It does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients. Before acting on any advice or recommendation in this material, clients should consider whether it is suitable for their particular circumstances and, if necessary, seek professional advice.

The price and value of the investments referred to in this material and the income from them may go down as well as up, and investors may realize losses on any investments. Past performance is not a guide for future performance, future returns are not guaranteed and a loss of original capital may occur. BOBCAPS does not provide tax advice to its clients, and all investors are strongly advised to consult with their tax advisers regarding any potential investment in certain transactions — including those involving futures, options, and other derivatives as well as non-investment-grade securities — that give rise to substantial risk and are not suitable for all investors. The material is based on information that we consider reliable, but we do not represent that it is accurate or complete, and it should not be relied on as such. Opinions expressed are our current opinions as of the date appearing on this material only. We endeavour to update on a reasonable basis the information discussed in this material, but regulatory, compliance, or other reasons may prevent us from doing so.

We and our affiliates, officers, directors, and employees, including persons involved in the preparation or issuance of this material, may from time to time have "long" or "short" positions in, act as principal in, and buy or sell the securities or derivatives thereof of companies mentioned herein and may from time to time add to or dispose of any such securities (or investment). We and our affiliates may act as market makers or assume an underwriting commitment in the securities of companies discussed in this document (or in related investments), may sell them to or buy them from customers on a principal basis, and may also perform or seek to perform investment banking or advisory services for or relating to these companies and may also be represented in the supervisory board or any other committee of these companies.

For the purpose of calculating whether BOBCAPS and its affiliates hold, beneficially own, or control, including the right to vote for directors, one per cent or more of the equity shares of the subject company, the holdings of the issuer of the research report is also included.

BOBCAPS and its non-US affiliates may, to the extent permissible under applicable laws, have acted on or used this research to the extent that it relates to non-US issuers, prior to or immediately following its publication. Foreign currency denominated securities are subject to fluctuations in exchange rates that could have an adverse effect on the value or price of or income derived from the investment. In addition, investors in securities such as ADRs, the value of which are influenced by foreign currencies, effectively assume currency risk. In addition, options involve risks and are not suitable for all investors. Please ensure that you have read and understood the Risk disclosure document before entering into any derivative transactions.

In the US, this material is only for Qualified Institutional Buyers as defined under rule 144(a) of the Securities Act, 1933. No part of this document may be distributed in Canada or used by private customers in the United Kingdom.

No part of this material may be (1) copied, photocopied, or duplicated in any form by any means or (2) redistributed without BOBCAPS's prior written consent.

Company-specific disclosures under SEBI (Research Analysts) Regulations, 2014

The research analyst(s) or his/her relatives do not have any material conflict of interest at the time of publication of this research report.

BOBCAPS or its research analyst(s) or his/her relatives do not have any financial interest in the subject company. BOBCAPS or its research analyst(s) or his/her relatives do not have actual/beneficial ownership of one per cent or more securities in the subject company at the end of the month immediately preceding the date of publication of this report.

The research analyst(s) has not received any compensation from the subject company in the past 12 months. Compensation of the research analyst(s) is not based on any specific merchant banking, investment banking or brokerage service transactions.

BOBCAPS or its research analyst(s) is not engaged in any market making activities for the subject company.

The research analyst(s) has not served as an officer, director or employee of the subject company.

BOBCAPS or its associates may have material conflict of interest at the time of publication of this research report.

BOBCAPS's associates may have financial interest in the subject company. BOBCAPS's associates may hold actual / beneficial ownership of one per cent or more securities in the subject company at the end of the month immediately preceding the date of publication of this report.

BOBCAPS or its associates may have managed or co-managed a public offering of securities for the subject company or may have been mandated by the subject company for any other assignment in the past 12 months.

BOBCAPS may have received compensation from the subject company in the past 12 months. BOBCAPS may from time to time solicit or perform investment banking services for the subject company. BOBCAPS or its associates may have received compensation from the subject company in the past 12 months for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory services in a merger or specific transaction. BOBCAPS or its associates may have received compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past 12 months.